Q&A at Investor Meeting
Financial Results for the Three Months Ended June 2020

Presentation Date: Thursday, August 13, 2020 17:00 to 18:00

Presenters:
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Questions and Answers

Q. To what extent have you included extraordinary factors other than the losses related to Mitsubishi Motors ("MMC") in your 200 billion yen outlook for this fiscal year?

A.

- We have factored in MMC's impairment loss in the 1st quarter, as well as a percentage based on our stake in MMC of the structural reform expenses etc. in the 2nd quarter onwards which MMC has announced. No other major extraordinary items have been factored in.

Q. What is your underlying profit, excluding the MMC-related losses etc.?

A.

- Defining underlying profit is not easy. For example, the underlying profit can be deemed to be around 500 billion yen, if we regard the -300 billion yen of negative impact expected from Covid19 as an extraordinary factor and exclude the entire amount.

Q. What is your mid-to-long term outlook on the crude oil price?

A.

- We expect the oil price(Dubai) to stabilize at around the range of USD70-80 /bbl. This is higher than the mid-to-long term price(Brent) outlook of approx. USD60/bbl. announced by the major oil companies, but is similar to the outlook by a research company. We will continue to closely monitor future trends in price outlook by various parties.

Q. With headwinds affecting your performance, what are your policies and strategies for future growth, including cost-cutting measures?

A.

- Before moving on to the next phase of growth, we will focus on recovering our business performance. Although a significant improvement in performance can be expected with a rise in commodities prices, we should act proactively instead of simply waiting for such a recovery. Our selling, general and administrative expenses are falling, but we may also accelerate the restructuring of our loss-making affiliate companies.

Q. The stagnation of natural resource prices such as metallurgical coal may affect your cashflow. What are your thoughts on capital allocation?

A.

- We will continue progressive dividends during the current Midterm Corporate Strategy period. As for investments, we have already completed, in the last fiscal year, the major investments outlined as company policy. Going forward, we will place further focus on financial discipline, and make investments very selectively.

Q. What is your outlook on the pricing of metallurgical coal?

A.

- We are not expecting a return to prices of above USD200 per ton of last year, which was an exceptionally high level. Although we are not overly optimistic in our market price outlook, we believe the current prices are also exceptionally low. While China's regulations on imports may continue, we expect pricing to recover in line with the pickup in demand, once steel production in India is resumed.

Q. What is your outlook on future dividends? Will you continue progressive dividends?

A.

- Based on this year's business performance outlook and the dividend we are planning to pay, the dividend payout ratio will be close to 100%. Going forward, we do not expect this low level of profit to persist, and we will continue progressive dividends during the current Midterm Corporate Strategy period.

Q. Is there a chance that segments such as Natural Gas, Petroleum & Chemicals and Mineral Resources, which made solid progress in the 1st quarter, outperform your forecasts?

A.

- The Natural Gas Group made strong progress due to i) the equity method income in our Shale gas business in North America being concentrated in the 1st quarter, and ii) the relatively high oil price being reflected on our LNG business (there is a 6 month delay in the oil price impacting our LNG business). Meanwhile, in the 2nd quarter onwards, the current low oil price will be reflected on our business.
- The strong progress of the Petroleum & Chemicals Group is due to i) having booked one-off profit in the 1st quarter, ii) transaction profit is cyclically concentrated in the 1st quarter in our Basic Petrochemicals and Crude Oil businesses.
- The Mineral Resources Group made strong progress in the 1st quarter due to i) our expectation of a reduction in MDP sales volume in the 2nd quarter, as is typical each year, and ii) we are expecting the recovery in commodity prices to be gradual.
- Based on the above, we do not believe our outlook for each segment is conservative.

Q. What impact will this year's performance outlook have on your rating? How is the dialogue with rating agencies going?

A.

- The rating agencies have seen our 1st quarter results today, and we expect to begin our dialogue with them on the 1st quarter results. The rating agencies have communicated to us that they will make their decisions based on our results.
- The refinancing of the hybrid corporate bonds in the 1st quarter was conducted based on feedback from the rating agency, in order to avoid any negative impact on our rating.

Q. Please provide a breakdown of the -300 billion yen impact from Covid-19, as

well as the amount attributable to the 1st quarter.

A.

- The negative impact from Covid-19 is roughly -100 billion yen for the 1st quarter, mainly in the Automotive & Mobility and Mineral Resources sectors.
- The major components of the -300 billion yen for the full year include: around -120 billion yen for the Automotive & Mobility sector, around -120 billion yen from the fall in natural resource prices such as mineral resources and natural gas, as well as around -60 billion yen in the other segments which have also been impacted.

Q. The consolidated figures for Eneco are loss making. What is your future outlook?

A.

- Eneco's revenue is affected by seasonality, due to demand for electricity and heat being concentrated in the period from November to around February. Another factor for the 1st quarter loss is the fact that we are amortizing part of the premium paid when acquiring Eneco, in an equal amount every quarter as an intangible asset.
- Although demand for electricity falls to a certain extent, we are expecting more than several billions of yen of profit contribution in terms of the full year consolidated figures.

Q. What is the future growth image of Eneco?

A.

- There is still room for Eneco's earnings to grow, as the recent mandate for a new offshore wind power generation project shows. We are planning to work together with Eneco to expand the retail business.
- Eneco's profit contribution in the year ending March 2021 will be lower than initially expected, due partly to the deterioration of the external environment. However, we have strong expectations for future growth.

Q. One of the assumptions for your forecasts for the year ending March 2021 is the gradual recovery from Covid-19 in the second half. Are you using the same assumption in the commodities price outlook for metallurgical coal, oil and copper, which you used in calculating the -120 billion yen impact on profit from the fall in natural resource prices?

A.

- Although we do not disclose our outlook on the pricing of metallurgical coal, we are assuming prices will recover to a certain extent towards the second half of the fiscal year. As for copper, today's prices are higher than what we are using in our assumption. As for oil, the oil price affects our LNG profit after a 6 month time lag, so it is only the oil price until September that will affect our performance this fiscal year, and we are assuming that the current price level will continue until September.
- As explained above, for natural resources, we are using assumptions that differ from our more general outlook of a recovery in the second half.

Q. As shareholder of MMC, how will you be involved in, and what are your strategies regarding its new Mid-Term Business Plan?

A.

- Our involvement with MMC has already deepened since MMC became our equity method affiliate. We were also involved in preparing MMC's new Plan, which outlines how MMC will focus more on the ASEAN region.

Q. What are your expectations in terms of the quarterly trends this fiscal year?

A.

- We expect the situation to remain tough until the 2nd quarter, followed by a gradual recovery in our performance towards the second half of the fiscal year.

Q. In relation to your affiliate companies for which there is a timing difference in accounting due to the use of different fiscal years, please talk about the possibility of your performance weakening in the 2nd quarter onwards, due to the negative impact from Covid-19 showing up later because of the timing difference.

A.

- For our LNG business, we are explaining that the time lag is 6 months, including the effect of the timing difference in accounting. There are no other major affiliate companies for which there will be a significant impact from Covid-19 in the 2nd quarter onwards due to timing difference issues.

Q. Based on your oil price assumptions for the full fiscal year, what are the risks of an impairment loss in relation to the Natural Gas Group?

A.

- In the past, we booked an impairment loss for the Browse Project, which was the only time we booked such a loss in our LNG business. This was an exceptional case in which we wrote off the premium paid due to the project being in the latter phase of development at the time of acquisition. As of today, the majority of the projects we own are green field projects, and construction will begin only after securing the sales agreements to a certain extent, so there is no need for concerns of impairment losses in the LNG business.

Q. What was behind the big drop in profit for Cermaq, and what is the future outlook?

A.

- Cermaq booked a loss of -5.5 billion yen in the 1st quarter. The main reason was the impact from Covid-19 causing a decline in demand for salmon for both commercial and home use in the U.S. and Brazil, which led to pricing deterioration in North America, resulting in losses in the Chile operations. Meanwhile, Cermaq's profit in Norway has grown from the previous year, and the 1st quarter loss is not a structural issue.
- With the negative impact from Covid-19 expected to gradually ease towards the second half, Cermaq's earnings should also recover.

Q. What is the outlook on earnings from the Cameron LNG Project?

A.

- The third liquefaction train was completed this July, together with commercial production. We expect the business to turn profitable from this fiscal year.

Q. What was behind Metal One's loss in the 1st quarter, and what is the future outlook?

A.

- Demand from Metal One's main clients, in the Automotive and Steel-making industries, has slowed down due to Covid-19.
- Although we expect a gradual recovery in the 2nd quarter onwards, and especially in the second half of the year, the situation remains extremely tough.

Q. What are the chances of you continuing progressive dividends after the current

Midterm Corporate Strategy period?

A.

- During the current Midterm Corporate Strategy period, we will continue progressive dividends as our current management has committed to it.
- We are anticipating the next management team will maintain the policy of progressive dividends during the next Midterm Corporate Strategy period.