FASF MEMBERSHIP

Consolidated Financial Results for Fiscal Year 2014 [Japanese GAAP]

May 11, 2015

Company name: JX Holdings, Inc.
Code number: 5020
Stock Exchange Listings: Tokyo and Nagoya
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Representative: Isao Matsushita, Representative Director, President
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Scheduled date of ordinary general meeting of shareholders : June 25, 2015
Scheduled date of filing of Securities Report : June 25, 2015
Scheduled date of commencement of dividend payments : June 26, 2015
Supplemental materials for the financial results : Yes
Financial results presentation : Yes (for institutional investors and analysts)

(Amounts of less than ￥1 million are rounded off.)

1. Consolidated Results for the Fiscal Year 2014 (From April 1, 2014 to March 31, 2015)

(1) Consolidated Operating Results (Percentage figures are changes from the previous fiscal year.)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
FY2014	10,882,460	(12.3)	(218,885)	－	(150,114)	－	(277,212)	－
FY2013	12,412,013	10.6	213,657	(15.0)	302,329	(7.9)	107,042	(32.9)

(Note) Comprehensive income : FY2014: ￥(124,504) million < － %> ; FY2013: ￥284,036 million < 0.2 %>

	Net income per share	Diluted net income per share	Rate of return on equity	Ratio of ordinary income to total assets	Ratio of operating income to net sales
	Yen	Yen	%	%	%
FY2014	(111.49)	－	(13.6)	(2.0)	(2.0)
FY2013	43.05	－	5.2	4.0	1.7

(Reference) Equity in earnings of affiliates : FY2014:￥47,140 million ; FY2013:￥54,593 million

(2) Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
FY2014	7,423,404	2,429,849	26.1	778.93
FY2013	7,781,775	2,626,294	27.4	858.66

(Reference) Shareholders' equity : FY2014:￥1,936,754 million ; FY2013:￥2,135,058 million

(3) Consolidated Cash Flows

	Cash flows from Operating activities	Cash flows from Investing activities	Cash flows from Financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
FY2014	737,224	(377,817)	(326,310)	327,980
FY2013	305,153	(479,793)	180,080	280,069

2. Dividends

	Annual cash dividend per share					Total dividend amount	Dividend payout ratio (Consolidated)	Dividends on equity ratio (Consolidated)
	End of 1st quarter	End of 2nd quarter	End of 3rd quarter	Year-End	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
FY2013	－	8.00	－	8.00	16.00	39,838	37.2	2.0
FY2014	－	8.00	－	8.00	16.00	39,837	－	2.0
FY2015(Forecast)	－	8.00	－	8.00	16.00		24.9	

3. Forecasts of Consolidated Results for Fiscal Year 2015 (From April 1, 2015 to March 31, 2016)

(Percentage figures are changes from the amount for the corresponding period in the previous fiscal year.)

	Net Sales		Operating income		Ordinary income		Profit attributable to owners of parent		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
First half of FY2015	4,610,000	(15.3)	110,000	671.1	140,000	233.4	70,000	296.4	28.15
FY2015	9,660,000	(11.2)	250,000	－	310,000	－	160,000	－	64.35

		Operating income	%	Ordinary income	%
Income excluding inventory valuation factors*	(FY2015)	230,000	23.4	290,000	13.6
	(FY2014)	186,400		255,200	

* The impact of inventory valuation on the cost of sales by using the average method and writing down the book value.

Explanatory Notes

(1) Changes in the number of material subsidiaries during the term under review : None

Note: This item indicates whether there were changes in specified subsidiaries involving a change in the scope of consolidation.

(2) Changes in accounting policies and in accounting estimates, and restatement

- (i) Changes in accounting policies owing to revisions in accounting standards and the like : Yes
- (ii) Changes in accounting policies other than (i) above : None
- (iii) Changes in accounting estimates : None
- (iv) Restatement : None

(3) Number of shares issued (Common stock)

(i) Number of issued shares at the end of the period (including treasury stocks)

FY2014 ended March 31, 2015	:	2,495,485,929 shares
FY2013 ended March 31, 2014	:	2,495,485,929 shares

(ii) Number of treasury stocks at the end of the period

FY2014 ended March 31, 2015	:	9,055,789 shares
FY2013 ended March 31, 2014	:	8,981,945 shares

(iii) Average number of shares issued during the period

FY2014 ended March 31, 2015	:	2,486,465,283 shares
FY2013 ended March 31, 2014	:	2,486,541,938 shares

【Reference】Overview of Non-consolidated Results

Non-consolidated Results for the Fiscal Year 2014 (From April 1, 2014 to March 31, 2015)

(1) Operating Results (Non-consolidated Basis)

(Percentage figures are changes from the previous fiscal year.)

	Operating revenue		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
FY2014	51,639	1.9	42,493	1.8	45,783	3.4	46,137	6.1
FY2013	50,663	0.0	41,753	1.1	44,274	2.8	43,482	92.9

	Net income per share	Diluted net income per share
	Yen	Yen
FY2014	18.53	―
FY2013	17.46	―

(2) Financial Position (Non-consolidated Basis)

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
FY2014	3,082,101	1,301,910	42.2	522.90
FY2013	3,240,965	1,267,484	39.1	509.06

(Reference) Shareholders' equity : FY2014:￥1,301,910 million ; FY2013:￥1,267,484 million

Information Regarding the Status of Audit Procedures Performance

This report is not subject to audit procedures required pursuant to the Financial Instruments and Exchange Act. As of the time of disclosing this report, audit procedures of consolidated financial statements required pursuant to the Financial Instruments and Exchange Act have not been completed.

Explanation Regarding Appropriate Use of Forward-looking Statements on Results, and Other Specific Comments

This material contains forward-looking statements; however, actual results may differ materially from those reflected in such forward-looking statements, due to various factors, including the following: (1) changes in macroeconomic conditions and changes in the competitive environment in the energy, resources and materials industries; (2) revisions to laws and strenghthening of regulations; and (3) litigation and other similar risks.

Table of Contents for the Attached Materials

- JX Holdings, Inc. (the “Company”) is to hold a presentation as follows for investors. Any materials, etc. to be used in this presentation are to be posted on the Company’s website concurrently with the announcement of financial results.

  Monday, May 11, 2015···· The presentation of financial results for institutional investors and analysts

- From time to time, the Company holds presentations on its businesses and business results for individual investors, in addition to the presentation above. Please refer to the Company’s website for the schedule, etc.

I. Analysis of Operating Results and Financial Position

(1) Analysis of Operating Results

(Consolidated Operating Results for this Fiscal Year)

Overview

<Circumstances surrounding JX Group>

The global economy this fiscal year witnessed a recovery in the U.S. economy due to an improved employment environment and increased personal consumption, and it also witnessed a maintained high growth rate in the economies of China and other Asian countries, although there was some slow-down. In Japan, although personal consumption decreased due to the consumption tax increase, as a result of the weaker yen, exports grew and stock prices also increased. Consequently, the Japanese economy maintained its recovery, although on a moderate scale.

The Dubai crude oil price, which is the commonly-used crude oil index price in Asia, remained high, at around the 100 dollars per barrel, during the first half of this fiscal year. However, as a result of growing concerns of excessive supply due to the increased production of shale oil in the U.S., and OPEC's decision not to cut the production of crude oil, the prices substantially dropped suddenly from October, 2014. As of the end of this fiscal year, the crude price was 53 dollars per barrel. In that situation, because Japanese oil refining & marketing companies stock at least 70 days' worth of crude oil and petroleum products pursuant to the Oil Stockpiling Act, they inevitably accrued a large inventory valuation loss due to the sharply declined crude oil prices.

The LME (London Metal Exchange) price for copper, which is the international index price for copper, remained at approximately 7,000 dollars per ton during the first half of this fiscal year. However, during the second half, the copper price dropped due partly to anxiety about the slowdown in economic development in China, and increased stock in the exchange. Consequently, the copper price was 6,051 dollars per ton as of the end of this fiscal year.

Under these conditions, due to the decline in the prices of crude oil, copper, coal, and other resources, resource development companies recorded impairment loss one after another.

Further, domestic demand for petroleum products, mainly gasoline, kerosene, and heavy fuel oil significantly decreased due to multiple reasons, including the spread of hybrid cars and other fuel-efficient cars, the promoted conversion of fuel for boilers in plants from petroleum to LNG, and further reaction from the last minute rise in demand before the consumption tax increase, and the unseasonal weather during the summer, which is the high-demand season. Further, because the demand for fuel for power generation also decreased due to the decreased operation of oil thermal power plants, the total demand for petroleum products decreased significantly compared with the previous fiscal year. Market conditions for petrochemical products remained low because many new petrochemical plants were established in Asian areas, and the demand-supply gap was considerably mitigated.

As mentioned above, in addition to the sharp drop in crude oil prices, the copper price also declined. Further, the demand for petroleum products significantly decreased. As a result, the JX Group experienced a dramatic downturn in its business environment that was as hard as the global economic crisis caused by the failure of Lehman Brothers. In this situation, the JX Group has implemented various measures in order to accomplish business targets contained in the Second Medium-Term Management Plan (from fiscal year 2013 to 2015), as follows.

<Summary of Consolidated Business Results>

The consolidated business results for this fiscal year consisted of net sales of 10,882.5 billion yen (a 12.3% decrease from the previous fiscal year), ordinary loss of 150.1 billion yen (income of 302.3 billion yen in the previous fiscal year), and net loss of 277.2 billion yen (income of 107.0 billion yen in the previous fiscal year). Ordinary income excluding inventory valuation factors (the impact of inventory valuation on the cost of sales by using the average method and writing down the book value), was 255.2 billion yen (a 39.5% increase from the previous fiscal year).

An overview of each segment is set out below.

Energy Business

- **Efforts in the petroleum refining and sales business**

  In the petroleum refining and sales business, which is the core business, we did our best to establish a structure to optimize production suitable to the decreased demand for petroleum products and to realize an efficient supply chain, and promoted various measures in order to maintain revenue.

  Firstly, in order to decrease the oil refining capacity of the entire JX Group to an appropriate level, and to increase production of high-value added products, we suspended crude oil treatment at the Muroran Refinery in March, 2014, and changed its function to a manufacturing facility producing raw materials for petrochemical products.

  Further, we decided to install a "Solvent De-Asphalting" facility at the Kashima Refinery to deal with heavy oil fraction, and to reduce the production of heavy fuel oil, for which demand is significantly decreasing, and to increase the production of raw material for petrochemical products and gas oil, which are highly profitable, and also to engage in the power generation business by using residual oil. Accordingly, we proceeded with the construction of the facilities with the goal of completing them in August this year. Further, at the Mizushima Refinery, we decided to establish power generation facilities which use petroleum coke, which is a by-product created in the heavy oil fraction cracking process, as fuel, in order to reduce the cost for electric power used at the refinery, and to sell electric power to consumers.

  Further, we did our best to tailor our production and sales to the reduced demand in order to stabilize the margin for petroleum products. We also exported our products in a flexible manner to respond to market price fluctuations in and outside Japan.

- **Our efforts to expand the petrochemical product business**

  Regarding the petrochemical product business, in order to acquire demand in Asia and succeed in competition with petrochemical plants newly or additionally built, we constructed a paraxylene (raw material for synthetic fiber, pet bottles, and the like) manufacturing facility with the world's highest manufacturing capacity jointly with the SK Group of South Korea in Ulsan Metropolitan City, South Korea, and we commenced production in June, 2014. Although the market conditions for paraxylene were stagnant this fiscal year, the demand for paraxylene is expected to grow in the future. From the middle- to long-term point of view, paraxylene's contribution to our profit is promising.

- **Our efforts to expand the LNG and natural gas business**

  We have actively sold LNG and natural gas based in the Mizushima Refinery's LNG facility. Further, in order to expand sales to Tohoku areas and eastern Hokkaido areas, we constructed an import facility in Hachinohe City in Aomori Prefecture, and also constructed a facility to receive LNG transferred from the facility, in Kushiro City in Hokkaido. We commenced operation of the facilities in April this year. In circumstances where fuel conversion from petroleum to LNG is increasing, we will respond to our customers' energy-related needs by expanding the LNG and natural gas supply system.

- **New efforts in the electricity business and hydrogen business**

  JX Nippon Oil & Energy Corporation supplies a variety of energy in addition to petroleum as an "energy conversion company." During this fiscal year, we promoted measures to acquire new electricity and hydrogen businesses.

  Regarding the electricity business, we decided to enter the household-use power retail business, in which stable demand is expected, in preparation for the full-liberalization of the electricity retail market in the future.

  Regarding the hydrogen business, we established a new company which plays a role in shipping and transporting hydrogen and operating hydrogen stations in anticipation of the spread of fuel-cell cars, and worked to improve the hydrogen supply system. Further, we installed hydrogen stations, which will be facilities to supply hydrogen to fuel-cell cars in 12 places nationwide.

- **Supporting the operation of the Tokyo Olympics and Paralympics**

  JX Nippon Oil & Energy Corporation was selected as a "Tokyo 2020 Gold Partner" in connection with the Tokyo Olympics and Paralympics in 2020. We will positively contribute to stable management of the games and to strengthening the athletes of the Japanese Olympic delegation. Further, we would like to support the management of the games by taking advantage of our knowledge and know-how regarding the supply of petroleum products as well as electricity, hydrogen, and other types of energy.

<Business Results for the Energy Business>

Under these conditions, in the Energy business, net sales were 9,124.8 billion yen (a 15.2% decrease from the previous fiscal year), and ordinary loss was 334.6 billion yen (income of 108.2 billion yen in the previous fiscal year). Ordinary income excluding inventory valuation factors was 72.2 billion yen (a loss of 7.9 billion yen in the previous fiscal year).

Oil and Natural Gas Exploration and Production (E&P) Business

- **Our efforts to expand oil and natural gas production volumes**

  In the oil and natural gas E&P business, we have set up a production target of 200,000 barrels of oil equivalent per day ("BOED"), and did our best to commence production in the projects in progress as early as possible. Further, we steadily advanced the exploration activities in order to maintain and expand the reserves in oil fields and gas fields in which we hold the participation interests.

In the LNG project in Papua New Guinea, we commenced LNG production in May, 2014, which was earlier than originally planned. On the other hand, in the project in the U.K. North Sea, because activities such as repair work to secure the safety of the facilities in the Andrew oil field required time, production in the oil field and in the Kinnoull oil field, which shares the Andrew oil field facilities, commenced in December, 2014, which was later than originally planned. Further, due to the decrease in production volumes from the existing oil fields and gas fields, the total production volume by JX Nippon Oil & Gas Exploration Corporation was 115,000 BOED, which was almost the same as the previous fiscal year.

Further, regarding the projects currently under development to expand production volumes in the future, in order to commence production in the Layang oil and gas field in Malaysia by the end of 2016, and in the Mariner oil field in the U.K. North Sea by the end of 2017, we proceeded with activities such as procurement of materials and equipment, design and construction of production facilities in both fields.

JX Nippon Oil & Gas Exploration Corporation has positioned countries in which we have prioritized business activities over other countries as "core countries." Accordingly, we are promoting our exploration business with a focus on core countries. As a result, during this fiscal year, in addition to the deepwater block in Malaysia, in which we play a role as an operator, we also discovered crude oil, natural gas, and the like in the U.K. North Sea, Vietnam, and Australia. Further, in the U.K. North Sea, we were awarded new participation interests in exploration blocks in the area close to the Andrew oil field and the Mariner oil field.

- **Commencement of the crude oil production increase project by utilizing waste gas from the coal-fired power unit in the U.S.**

In the U.S., we commenced the CO2-EOR project in order to increase the crude oil production by constructing a plant which captures carbon dioxide out of processed flue gas from a coal-fired power unit, and injecting carbon dioxide captured by the plant into an oil field. This project is a revolutionary approach, which not only significantly increases production volume of aged oil fields, but also captures carbon dioxide emitted to the atmosphere and stores it in the ground. The project is implemented by accepting investment from Japan Bank for International Cooperation, which is a policy-based financial institution of Japan, and also by receiving support from the U.S. Department of Energy. The technology relating to the CO2-EOR is an extremely effective measure, which will enable us not only to seek to improve earnings due to the increased production of crude oil, but also to make a contribution to the environment. We believe that, in the future, we can utilize this technology in order to be awarded new participation interests by demonstrating the technology to oil-producing countries and other countries, in which environmental consciousness is increasing.

<Business Results of the Oil and Natural Gas E&P Business>

Under these conditions, in the oil and natural gas E&P business, net sales were 226.4 billion yen (a 12.0% increase from the previous fiscal year), and ordinary income was 84.9 billion yen (a 19.5% decrease from the previous fiscal year).

Metals Business

- **Efforts in copper resource development and smelting and refining businesses**

We commenced producing copper concentrates at the Caserones Copper Mine in Chile in May 2014. In July of the same year, we had an opening ceremony for the mine, and commenced shipping copper concentrates. In September, a ship laden with the first shipment of copper concentrates arrived at the Saganoseki Smelter & Refinery. Although there was a delay thereafter in launching full-scale production due to the time required, among other things, to develop the deposit for sand tailings generated in the copper concentrate production process, the JX Group as a whole is making a full-fledged effort to bring this to fruition as soon as possible.

On the other hand, we have been able to improve our income from the smelting and refining business, due to the improvement of copper concentrate purchasing conditions, as well as the effect of the weaker yen.

- **Efforts in electronic materials, recycling and environmental services, and titanium businesses**

In the electronic materials business, we produce and deliver, as a top global vendor, to major electronic device manufacturers such products as sputtering targets that are used for manufacturing semiconductors, treated rolled copper foil for flexible printed circuit boards, and precision rolled products that are primarily used as connector materials. In this fiscal year, we recorded an increase in both revenue and profit, reflecting strong sales of smartphones and tablet terminals. Amid these circumstances, we promoted measures to acquire overseas demand, for example, we newly established a coil center for precision rolled products in China (Guangdong Province), and commenced a plating service for semiconductor wafers under contract in the Longtan Works in Taiwan.

In the recycling and environmental services business, we reinforced our collection system of recycled materials by establishing a new marketing base in the United States. We also successfully increased the treatment volumes in the low-concentration PCB waste detoxifying business at the facility in Tomakomai, Hokkaido that we commenced operating in March 2014.

The titanium business, which is a light, very strong and anticorrosive metal, and which is mainly used in aircraft and chemical plants, is experiencing an adverse business environment, due to such factors as a cost increase owing to a hike in electricity charges, as well as concerns for the competition with inexpensive Chinese products. Accordingly, we have decided to suspend the operation of a part of our domestic production facilities to raise the efficiency of our production system, and to launch a manufacturing business in Saudi Arabia where low cost electricity and a stable supply of raw materials are available.

<Business Results for the Metals Business>

Under these conditions, in the Metals business, net sales were 1,156.0 billion yen (a 11.2% increase from the previous fiscal year) and ordinary income was 56.6 billion yen (a 19.5% increase from the previous fiscal year).

Other Business

Net sales for the other business were 461.0 billion yen (a 5.7% decrease from the previous fiscal year), and ordinary income was 39.8 billion yen (a 3.4% increase from the previous fiscal year).

<NIPPO Corporation>

NIPPO Corporation (“NIPPO”) primarily engages in pavement, civil engineering and construction works, and manufacturing and sales of asphalt mixture. In this fiscal year, while public civil engineering works projects continued to be strong, due to factors such as increases in labor and raw material prices, the operating environment remained difficult. Despite that situation, NIPPO worked to secure income through efforts to acquire orders for works by leveraging its superior technical strength, as well as reinforcing activities to enlarge sales of asphalt mixture, and to reduce costs and increase efficiency.

Net sales of each segment specified above include in-house intersegment sales of 85.7 billion yen (72.9 billion yen in the previous fiscal year).

Special Gain & Loss and Net Income

Special gain totaled 59.6 billion yen - including 56.0 billion yen of gain on sales of non-current assets.

Special loss totaled 164.5 billion yen - including 88.5 billion yen of impairment loss pertaining to the Caserones Copper Mine, the oil and natural gas E&P business, and the like; and 37.4 billion yen of loss on valuation of investments in securities.

The above factors resulted in loss before income taxes and minority interests of 255.0 billion yen. From this amount, by deducting 35.0 billion yen of income taxes and 12.8 billion yen of minority interests in loss, the net loss amounted to 277.2 billion yen (net income of 107.0 billion yen in the previous fiscal year).

(Outlook for the Next Fiscal Year)

Regarding the consolidated business results forecasts for the next fiscal year, we expect net sales of 9,660.0 billion yen (an 11.2% decrease from this fiscal year), operating income of 250.0 billion yen (an improvement of 468.9 billion yen from this fiscal year), ordinary income of 310.0 billion yen (an improvement of 460.1 billion yen from this fiscal year), and net income of 160.0 billion yen (an improvement of 437.2 billion yen from this fiscal year). The operating income and ordinary income include income due to the impact of inventory valuations (20.0 billion yen).

This outlook is based on the assumed full fiscal year average of (i) crude oil prices (prices of Dubai crude oil): 60 dollars per barrel, (ii) international copper prices (LME prices): 270 cents per pound (approximately 6,000 dollars per ton), and (iii) the yen to dollar exchange rate: 115 yen.

The consolidated business results forecasts above are based on information available as of the date of disclosure of this material. Actual business results may differ from forecast figures due to various factors.

(2) Analysis of Financial Position

(Consolidated Balance Sheet)

(i) Assets: The total assets as of the end of this fiscal year amounted to 7,423.4 billion yen, a decrease of 358.4 billion yen from the end of the previous fiscal year.

(ii) Liabilities: The total liabilities as of the end of this fiscal year amounted to 4,993.6 billion yen, a decrease of 161.9 billion yen from the end of the previous fiscal year. The balance of the interest-bearing debt as of the end of this fiscal year amounted to 2,620.3 billion yen, a decrease of 181.4 billion yen from the end of the previous fiscal year.

(iii) Net assets: The total net assets as of the end of this fiscal year amounted to 2,429.8 billion yen, a decrease of 196.4 billion yen from the end of the previous fiscal year.

The shareholder's equity ratio decreased 1.3% from the end of the previous fiscal year, and is 26.1%. The amount of the net assets per share is 778.93 yen, a 79.73 yen decrease from the end of the previous fiscal year, and the net D/E ratio (net debt equity ratio) is 1.18, which is the same level as that as of the end of the previous fiscal year.

(Consolidated Statements of Cash Flows)

The cash and cash equivalents (the "Funds") at the end of this fiscal year amounted to 328.0 billion yen, an increase of 47.9 billion yen from the beginning of the fiscal year. The status of each cash flow and their contributing factors are as follows.

As a result of marketing activities, the Funds increased by 737.2 billion yen. This is due to factors which increase the Funds, such as a decrease in inventories (441.8 billion yen), a decrease in notes and accounts receivable-trade (402.6 billion yen), and depreciation and amortization (197.3 billion yen), exceeding the factors which decrease the Funds, such as loss before income taxes and minority interests (255.0 billion yen), and a decrease in notes and accounts payable-trade (119.3 billion yen).

As a result of investment activities, the Funds decreased by 377.8 billion yen. This is due to factors such as investments related to oil/natural gas development and investments in the Caserones Copper Mine business.

As a result of financial activities, the Funds decreased by 326.3 billion yen. This is due to factors which decrease the Funds, such as a decrease in short-term borrowings (251.9 billion yen) and the repayment of long-term loans (179.3 billion yen), exceeding the factors which increase the Funds, such as proceeds from long-term loans (226.8 billion yen).

(3) Basic Policies regarding Allocation of Profits and Distribution of Dividends for This and the Next Fiscal Years

The Company's policy regarding the distribution of dividends is to make efforts to continue the stable distribution of dividends on the basis of implementing income returns reflecting the consolidated business performances.

Regarding the distribution of dividends for this fiscal year, the year-end distribution is scheduled to be 8 yen per share, 16 yen per share annually in conjunction with the interim distribution.

Likewise, based on the policy above, the distribution of dividends for the next fiscal year is scheduled to be 8 yen per share for both the interim and the year-end distribution, totaling 16 yen per share annually.

(4) Risks in the Business, etc.

The business of the JX Group has the following risks that may have important impacts on its performance. The matters stated herein regarding the future are, unless otherwise indicated, as determined by the Company at the time this material was prepared.

(Risks pertaining to the Entire JX Group)

(i) The country risk pertaining to raw material supply sources

The JX Group procures a great deal of raw materials from countries overseas, and it particularly depends almost entirely on limited supply sources in the Middle East for crude oil, and on South America, Southeast Asia, and Australia for copper concentrates. The JX Group's business results may be affected by country risks in these countries or regions, such as political instability, social unrest, deterioration in economic conditions, or changes in laws and regulations or policies.

(ii) The risk pertaining to the business in China and other Asian countries

Marketing of products such as electrolytic copper, petrochemical products, and electronic materials manufactured by the JX Group depend heavily on demand in China and other Asian countries, and the JX Group is expecting to further expand its business in these regions.

If situations such as a drop in the demand for the JX Group's products in these regions occur for some reason, the JX Group's financial position and operating results may be affected.

(iii) The risk pertaining to foreign exchange rate fluctuation

At the JX Group, revenues and expenditures due to business transactions in foreign currencies have been incurred, and the JX Group also has a substantial amount of assets and liabilities in foreign currencies. Therefore, fluctuation in foreign exchange rates may affect the yen value of assets, liabilities, revenues, and expenditures.

In addition, fluctuations in foreign exchange rates may have an effect when converting the financial statements of overseas consolidated subsidiaries or equity-method affiliates into yen.

(iv) The risk pertaining to alliances with, and business investments in, third parties

In various business fields, the JX Group has aligned with third parties including by forming joint ventures, and has conducted strategic investments in other companies, etc. These alliances and investments play a key role in the JX Group's business, and if, for various reasons, important joint ventures get into financial difficulties, or if the alliances or investments do not bring results, the JX Group's financial position and operating results may be affected.

(v) The risk pertaining to business restructuring

The JX Group intends to cut costs, concentrate its business, and enhance its efficiency; therefore, a considerable amount of special loss associated with the business restructuring may accrue.

If the JX Group is unable to conduct its business restructuring accordingly, or the anticipated business operational improvement cannot be realized even by the restructuring, the JX Group's financial position and operating results may be affected.

(vi) The risk pertaining to capital investments, and investments and loans

The JX Group requires continuing capital investments as well as investments and loans to maintain and develop its business or to acquire new business opportunities; however, factors such as shortages of cash flows may create complications for the JX Group in implementing these plans. In addition, due to changes in the external environment or other factors, the amount of actual investments may substantially exceed the anticipated amount, or income may not be obtained as planned.

(vii) The risk pertaining to resource development

The exploration and development activities that the JX Group is conducting at oil and natural gas fields as well as coal and copper deposits are currently in various stages towards commercialization. Success in exploration and development depends on various factors, such as selection of exploration and development areas, facilities construction costs, government approvals and permits, and fund-raising. If individual projects stop short of commercialization, and thus the investment costs cannot be recouped, the JX Group's financial position and operating results may be affected. In addition, securing personnel with substantial expertise and broad experience is vital to the exploration and development business; however, competition to obtain competent personnel is becoming extremely intense in this industry. Therefore, if the JX Group is unable to secure enough competent personnel, it may result in loss of opportunities to gain income and weakening competitiveness.

(viii) The risk pertaining to environmental regulations

The JX Group's business is subject to a wide range of environmental regulations, and if according to these regulations, fees for environmental cleanups are levied and environmental pollution occurs, the JX Group may be required to pay fines and damages, or it may become difficult to continue its business operations.

The JX Group's business generates a considerable amount of wastewater, waste gas, and other waste products, and emissions may exceed the standard level due to an unforeseen contingency. In addition, regulations may be strengthened in the future. Any obligations or burdens relating to these environmental regulations and standards may affect the JX Group's financial position and operating results.

(ix) The risk pertaining to business operations

The JX Group's business is associated with various operational risks, such as fire, explosions, accidents, import and export restrictions, natural disasters, natural phenomena including mine collapses or weather, labor disputes, and restrictions on transportation of raw materials or products. If these accidents or disasters or the like occur, the JX Group may suffer a considerable loss.

The JX Group holds, to the extent possible and appropriate, insurance policies relating to accidents and disasters, etc.; however, these may not be capable of covering all the damages.

(x) The risk pertaining to intellectual property rights

The JX Group holds various kinds of intellectual property rights including patent rights, in order to pursue its business; however, situations may make it difficult for the JX Group to secure them, or the validity of these rights may be denied. In addition, the JX Group's trade secrets may be disclosed or misused by a third party. Moreover, rapid technological development may result in inadequate protection of technologies necessary to the JX Group's business through intellectual property rights.

Furthermore, if the JX Group receives a claim of infringement of intellectual property rights with respect to the JX Group's technology from a third party, it may be required to pay a large amount of royalties, or may be prohibited from using such technology.

Thus, if the JX Group is unable to secure or fully utilize the intellectual property rights necessary to conduct its business, the JX Group's business results may be affected.

(xi) The risk pertaining to interest-bearing debts

The JX Group's business activities or the like may be restricted by the large amount of JX Group's interest-bearing debts, and it may also require fund-raising through additional loans payable or sales of assets or the like, in order to pay the principal of and interest on the debts. However, whether the JX Group is able to conduct this fund-raising hinges on various factors, such as financial market conditions, the price of JX Group shares, and the existence or non-existence of buyers of the JX Group's assets. Furthermore, if interest rates in and outside of Japan rise, the interest burden increases, which may affect the JX Group's financial position and operating results.

(xii) The risk pertaining to write-downs of book values due to falls in the profitability of inventories

The JX Group owns a large amount of inventory, and if the net sales value of its inventory as of the end of the fiscal year falls below the book value due to a fall in the price of crude oil, petroleum products, or rare metals, the JX Group's profitability will be deemed to be declining, which will result in writing-down the book value as of the end of the fiscal year to the amount of the net sales value, and recording this in the cost of sales or the like, which may affect the JX Group's financial position and operating results.

(xiii) The risk pertaining to impairment of non-current assets

The JX Group owns a considerable amount of non-current assets, and if it becomes impossible to expect that the invested amounts will be collected due to a fall in its profitability associated with factors including changes in the operating environment, the book value of its non-current assets will be reduced so that the JX Group's ability to recoup investments is reflected, and the amount of the reduction will be treated as an impairment loss, which may affect the JX Group's financial position and operating results.

(xiv) The risk pertaining to information systems

The JX Group's business operations may cease if troubles occur with the JX Group's information systems due to natural disasters such as earthquakes or accidents, etc. In this case, the JX Group's production and marketing activities will suffer, and its clients' business may be seriously affected.

(xv) The risk pertaining to building internal control systems

The JX Group has been making efforts to intensify compliance, risk management or the like, and is seeking to build up and enhance its internal control systems, including the internal system regarding financial reporting. However, if the internal control systems built by the JX Group do not function effectively, and situations such as breaches of compliance, emergence of risks of significant losses, or destruction of disclosure credibility occur, the JX Group could lose the trust of its stakeholders at once, which may affect the JX Group's financial position and operating results.

(xvi) The risk pertaining to management of personal information

The JX Group manages its customers' personal information in connection with its business in the marketing of petroleum products, etc., and measures to protect that information may require a significant expenditure in the future. In addition, if the customers' personal information is leaked or misused, it may affect the foregoing business.

(Risks by Segment)

Energy Business

(i) The risk pertaining to fluctuations of margins in the petroleum refining and marketing business

The margins for petroleum products in the JX Group depend primarily on the relationship between crude oil prices and petroleum product prices, determined by factors beyond the JX Group's control. The factors that affect crude oil prices include the exchange rate of the yen to the U.S. dollar, political situations in oil-producing regions, production adjustments by the Organization of the Petroleum Exporting Countries (OPEC), and global demand for crude oil, etc. In addition, the factors that affect petroleum product prices include the demand for petroleum products, overseas market conditions for petroleum products, the domestic petroleum refining capacity, the operating rate, and the total number of domestic service stations, etc. The JX Group determines petroleum product prices by appropriately reflecting the supply and demand conditions of or market trends for petroleum products; however, margins may worsen considerably depending on crude oil prices or the market trend of petroleum products, which may affect the JX Group's financial position and operating results.

Petrochemical product margins also depend on the relationship between raw oil prices, such as crude oil prices and naphtha, etc., and petrochemical product prices, determined by factors beyond the JX Group's control. Petrochemical product prices are affected by expanding supply capacity through construction of additional new production facilities, and demand trends regarding apparel, automobiles, home electronics, etc. Lessening of demand and supply, or the like, would make it difficult to reflect the rise in the cost of crude oil/raw oil prices in the products' prices, which many affect the JX Group's financial position and operating results.

(ii) The risk pertaining to the demand trend and competition regarding domestic petroleum products

Mainly in the industrialized countries, efforts concerning global environmental issues, such as reducing greenhouse gas emissions and promoting the preservation of energy and natural resources, shifted into high gear, and it appears that moves toward realizing a "low-carbon society" will gain speed. Amid these circumstances, the domestic demand for petroleum products is expected to continue to decline, affected by the prevalence of fuel-efficient vehicles and the progress of the transition to other energies, such as gas and electricity. If these declines in the domestic demand continue or further accelerate, the JX Group's financial position and operating results may be affected. In addition, intense competition is currently taking place among companies in the domestic petroleum refining and marketing business, and the trend of declining domestic demand may further accelerate this situation. Escalation of this competitive environment may affect the JX Group's financial position and operating results.

(iii) The risk pertaining to procurement sources of crude oil and products

The JX Group procures all of its crude oil from overseas, especially from the Middle East, and a part of its products from overseas and Japan. If there is trouble procuring crude oil and products due to changes in the political situation of oil-producing countries and the demand for products in and outside of Japan, and it becomes impossible to secure appropriate alternative supply sources, the JX Group's financial position and operating results may be affected.

(iv) The risk pertaining to valuation of inventories

The JX Group values inventories such as crude oil and petroleum products using the periodic average method. Therefore, where crude oil prices are rising, the cost of sales is depressed by inventories relatively low in value at the beginning of a fiscal year, which becomes a factor which increases income, and where crude oil prices are falling, the cost of sales is pushed up by inventories relatively high in value at the beginning of a fiscal year, which becomes a factor decreasing income, which may affect the JX Group's financial position and business results.

Oil and Natural Gas E&P Business

(i) The risk in crude oil gas prices and foreign exchange rate fluctuations in the oil and natural gas E&P business

Net sales in the oil and natural gas E&P business increase and decrease depending on fluctuations in crude oil gas prices and foreign exchange rates. When crude oil gas prices are rising and the yen is depreciating, net sales based on the yen increase; and when crude oil gas prices are falling and the yen is appreciating, sales based on the yen decrease. Therefore, in situations where crude oil gas prices are falling and the yen is appreciating, net sales drop, which may affect the JX Group's business results.

(ii) The risk pertaining to securing reserves

As a result of international competition for resources, the competitive conditions for the JX Group to secure reserves are becoming more severe. The JX Group's oil and natural gas production volumes in the future depend on how much of the available reserves it can secure for commercial-based production through exploration, development, and acquisition of concessions, or the like. If the JX Group is unable to replenish oil and natural gas reserves, its production volume will decline in the future, which may affect the JX Group's financial position and operating results.

(iii) The risk pertaining to equipment for oil and natural gas exploration and production

In order to explore and produce oil and natural gas, the JX Group sources equipment such as excavators, etc., and services from third parties. During periods in which crude oil prices are rising, or the like, this equipment and these services will be in short supply, and their prices will increase. If the JX Group is unable to obtain any of the necessary equipment or services in a timely manner and under economically reasonable conditions, the JX Group's financial position and business results may be affected.

Metals Business

(i) The risk pertaining to fluctuations in the market conditions of the copper business

The JX Group's copper business consists primarily of the copper smelting business, the overseas copper mine development business, and the business of investing in overseas copper mines, each of which are, as described below, affected by fluctuations in market conditions, which may affect the JX Group's financial position and operating results.

The copper smelting business is a custom smelter, which purchases copper concentrates from overseas copper mines, and produces and markets electrolytic copper. Its margins consist primarily of smelting margins and marketing premiums.

Smelting margins are determined through negotiations with copper concentrate mines. Smelting margins may decline if copper concentrates fall short in supply, due to degradation of the quality of copper concentrates, and moves toward an oligopoly by major resource companies, and increased demand in China, India, etc. In addition, the mine purchasing agreement that the JX Group has concluded is in U.S. dollars; therefore, if the yen appreciates, the smelting margins will decline and may affect the operating results of the JX Group.

Sales premiums are added to international prices of electrolytic coppers, and are determined through negotiations with customers, taking account of various factors, such as importation costs and product quality; therefore, they may decline.

In addition, regarding the overseas copper mine development business and the business of investing in overseas copper mines, the prices of copper concentrates, etc. that are sold by the mines which the JX Group develops or invests in are determined based on international prices of electrolytic copper; therefore, if the international prices fall, the JX Group's financial position and operating results may be affected.

(ii) The risk pertaining to stable procurement of copper concentrates

In order to seek stable procurement of copper concentrates to prepare for tight demand for and supply of copper concentrates, the JX Group is developing and investing in overseas copper mines. However, if the JX Group is unable to procure the copper concentrates necessary for the smelting business in a timely manner due to problems occurring in the operation of overseas copper mines which are the JX Group's suppliers of copper concentrates, the JX Group's financial position and operating results may be affected.

(iii) The risk pertaining to demand trends, and technical innovation in the electronic materials business

Many customers of the electronic materials business belong to the IT industry, home electronics industry, and automobile industry. Thus, demand and supply conditions and price fluctuations in these industries may affect the JX Group's operating results. In addition, the electronic materials business is in the midst of intense competition; therefore, if the JX Group is unable to respond to rapid technical innovation and changes in customer needs in an appropriate manner, the JX Group's financial position and operating results may be affected.

(iv) The risk pertaining to fluctuations in procurement prices of raw materials for the electronic materials business

The procurement prices of raw materials for the electronic materials business fluctuate depending on fluctuations in metals market conditions, or the like. If procurement prices of these raw materials rise, and the JX Group is unable to pass them onto its product prices, or if the market trend is that the prices fall considerably below the book value of the inventories at the beginning of a fiscal year, the JX Group's operating results may be affected.

(v) The risk pertaining to fluctuations in the market conditions of the recycling and environmental services business

Margins for the recycling and environmental services business are affected by metal prices, fluctuations in currency exchange rates, etc. Therefore, if metal prices decline or the yen appreciates, the JX Group's operating results may be affected.

(vi) The risk pertaining to procurement of raw materials for the recycling and environmental services business

Regarding collection of raw materials for recycling in the recycling and environmental services business, competition is becoming intense since primary suppliers, including electronic device parts manufacturers, are shifting overseas from Japan, and entering the recycling business. The JX Group is handling this situation by expanding overseas procurement and the like; however, if the JX Group is unable to procure the raw materials for recycling necessary for its recycling and environmental services business, the JX Group's operating results may be affected.

(vii) The risk pertaining to demand fluctuation or the like in the titanium business

Demand for the JX Group's core products, titanium metals (titanium sponge and titanium ingots), is centered on specific purposes, such as aircraft, electric power plants, chemical plants, and seawater desalination plants. In addition, the use of catalysts is almost entirely confined to propylene polymerization.

If demand for these specific purposes fluctuates considerably in association with changes in domestic or overseas political and economic conditions, or with changes in the conditions of the industries for which the titanium metals are intended, the volume of products sold and the products' prices will also tend to change considerably, which may affect the JX Group's operating results.

(viii) The risk pertaining to the environmental issues of Gould Electronics, Inc. (the U.S. entity)

Gould Electronics, Inc. (the U.S. entity), the JX Group's subsidiary, is a potentially responsible party regarding specific designated areas in the United States under environmental laws and regulations such as the United States Superfund Act. The amount of the company's final burden may depend on numerous factors, such as the quantity and toxicity of the substance that caused the area to come under a designation, the total number of other potentially responsible parties and their financial positions, corrective strategies, and technologies.

Gould Electronics, Inc. has recorded the provisions it deems appropriate regarding the statements above; however, the amount of the actual burden may exceed the amount of the provisions due to the factors stated above, and in that case, the JX Group's financial position and operating results may be affected.

Other Business

- **The risk pertaining to demand fluctuation in the construction business**

  The construction business is significantly affected by demand for subcontracting work for pavement work, civil engineering, and construction. Therefore, a decrease in utility or private capital investments (including construction of residential real estate) may affect the JX Group's construction business and business results.

II. The Corporate Group

Below are the descriptions of the principal businesses operated by the corporate group (the Company, 142 consolidated subsidiaries, and 32 affiliates accounted for by the equity method (indicated * symbols)) having the Company as its holding company, and the positions that main affiliates take in those principle businesses:

(As of March 31, 2015)

Segment	Description of Principal Businesses	Main Affiliates
Energy	Refining of petroleum, and processing and marketing of petroleum products, as well as manufacturing and marketing of petrochemical products, etc.	JX Nippon Oil & Energy Corporation, Kashima Oil Co., Ltd., Osaka International Refining Co., Ltd., Wakayama Petroleum Refining Co., Ltd., Kashima Aromatics Co., Ltd., JX Nippon ANCI Corporation
	Storage and transportation of crude oil and petroleum products	JX Nippon Oil & Energy Staging Terminal Corporation, JX Ocean Co., Ltd., Nippon Global Tanker Co., Ltd., *Showa Nittan Corp., *Japan Oil Transportation Co., Ltd.
	Manufacturing and marketing of petroleum products overseas	JX Nippon Oil & Energy USA Inc., JX Nippon Oil & Energy Asia Pte. Ltd.
	Investments in and loans to coal mining and marketing companies	JX Nippon Oil & Energy (Australia) Pty. Ltd.
	Marketing of petroleum products, etc.	ENEOS Frontier Co., Ltd., ENEOS WING Corporation, ENEOS-NET Co., Ltd., JX Nippon Oil & Energy Retail Service Corporation, JX Nippon Sun-Energy Corporation, J-Quest Co., Ltd.
	Marketing of liquefied petroleum gas (LPG) products	ENEOS GLOBE Co., Ltd., Japan Gas Energy Corporation
	Generation and supply of electric power	Kawasaki Natural Gas Generation Co., Ltd.
	Investments in LNG development companies	Nippon Oil Finance (Netherlands) B.V.
	Marketing and leasing business of automobile-related supplies and goods	JX Nippon Oil & Energy Trading Corporation
Oil and Natural Gas Exploration and Production	Exploration, development, and production of oil and natural gas	JX Nippon Oil & Gas Exploration Corporation, Japan Vietnam Petroleum Co., Ltd., JX Nippon Oil & Gas Exploration (Malaysia) Ltd., JX Nippon Oil & Gas Exploration (Sarawak) Ltd., Nippon Oil Exploration (Berau) Ltd., Nippon Oil Exploration (Myanmar) Ltd., JX Nippon Exploration and Production (U.K.) Ltd., Mocal Energy Ltd., Merlin Petroleum Company, *Abu Dhabi Oil Co., Ltd., *United Petroleum Development Co., Ltd.
Metals	Manufacturing and marketing of non-ferrous metal products and electronic materials, as well as recycling of non-ferrous metals	JX Nippon Mining & Metals Corporation, JX Metals Trading Co., Ltd.
	Manufacturing and marketing of non-ferrous metal products	Pan Pacific Copper Co., Ltd., Hibi Kyodo Smelting Co., Ltd., *LS-Nikko Copper Inc., Changzhou Jinyuan Copper Co., Ltd.
	Development and exploration of non-ferrous metal resources, and investments in and loans to mines	SCM Minera Lumina Copper Chile, *Minera Los Pelambres, *Japan Collahuasi Resources B.V., *JECO Corporation, *JECO 2 Ltd.
	Manufacturing and marketing of electronic materials	JX Nippon Mining & Metals Philippines, Inc., Nippon Mining & Metals (Suzhou) Co., Ltd., JX Metals Precision Technology Co., Ltd., JX Nippon Mining & Metals USA, Inc.
	Manufacturing and marketing of electronic materials, and collection of non-ferrous metal raw materials for recycling	Nikko Metals Taiwan Co., Ltd.
	Recycling of non-ferrous metals, and industrial waste treatment	JX Nippon Environmental Services Co., Ltd.
	Shipping of non-ferrous metal products, etc.	Nippon Marine Co., Ltd.
	Manufacturing and marketing of titanium	Toho Titanium Co., Ltd.
Other	Roadwork, civil engineering work, and design and construction of petroleum-related equipment, etc.	NIPPO CORPORATION, Dai Nippon Construction Co., Ltd., JX Engineering Corporation
	Manufacturing and marketing of electric wires and cables	*Tatsuta Electric Wire and Cable Co., Ltd.
	Land transportation	*Maruwn Corporation
	Sales and purchase, leasing, and management of real estate	JX Nippon Real Estate Corporation
	Undertaking of purchasing practice, such as material procurement and construction contracts	JX Nippon Procurement Corporation
	Undertaking of finance-related services	JX Nippon Finance Corporation
	Undertaking of accounting services, and salaries and welfare-related services	JX Nippon Business Services Corporation
	Researching, studying, evaluating, designing and planning, and consulting services	JX Nippon Research Institute, Ltd.

The following is the illustration of the corporate group (as of March 31, 2015).

JX Holdings, Inc.

Energy

Core Operating Company

JX Nippon Oil & Energy Corporation

Refining of petroleum, and processing and marketing of petroleum products, as well as manufacturing and marketing of petrochemical products, etc.
- JX Nippon Oil & Energy Corporation
- Kashima Oil Co., Ltd.
- Osaka International Refining Co.,Ltd.
- Wakayama Petroleum Refining Co., Ltd.
- Kashima Aromatics Co., Ltd.
- JX Nippon ANCI Corporation

Storage and transportation of crude oil and petroleum products
- JX Nippon Oil & Energy Staging Terminal Corporation
- JX Ocean Co., Ltd.
- Nippon Global Tanker Co., Ltd.
- *Showa Nittan Corp.
- *Japan Oil Transportation Co., Ltd.

Manufacturing and marketing of petroleum products overseas
- JX Nippon Oil & Energy USA Inc.
- JX Nippon Oil & Energy Asia Pte. Ltd.

Investments in and loans to coal mining and marketing companies
- JX Nippon Oil & Energy (Australia) Pty. Ltd.

Marketing of petroleum products, etc.
- ENEOS Frontier Co., Ltd.
- ENEOS WING Corporation
- ENEOS-NET Co., Ltd.
- JX Nippon Oil & Energy Retail Service Corporation
- JX Nippon Sun-Energy Corporation
- J-Quest Co., Ltd.

Marketing of liquefied petroleum gas (LPG) products
- ENEOS GLOBE Co., Ltd.
- Japan Gas Energy Corporation

Generation and supply of electric power
- Kawasaki Natural Gas Generation Co., Ltd.

Investments in LNG development companies
- Nippon Oil Finance (Netherlands) B.V.

Marketing and leasing business of automobile-related supplies and goods
- JX Nippon Oil & Energy Trading Corporation

Oil and Natural Gas Exploration and Production

Core Operating Company

JX Nippon Oil & Gas Exploration Corporation

Exploration, development, and production of oil and natural gas
- JX Nippon Oil & Gas Exploration Corporation
- Japan Vietnam Petroleum Co., Ltd.
- JX Nippon Oil & Gas Exploration (Malaysia) Ltd.
- JX Nippon Oil & Gas Exploration (Sarawak) Ltd.
- Nippon Oil Exploration (Berau) Ltd.
- Nippon Oil Exploration (Myanmar) Ltd.
- JX Nippon Exploration and Production (U.K.) Ltd.
- Mocal Energy Ltd.
- Merlin Petroleum Company
- *Abu Dhabi Oil Co., Ltd.
- *United Petroleum Development Co., Ltd.

Metals

Core Operating Company

JX Nippon Mining & Metals Corporation

Manufacturing and marketing of non-ferrous metal products and electronic materials, as well as recycling of non-ferrous metals
- JX Nippon Mining & Metals Corporation
- JX Metals Trading Co., Ltd.

Manufacturing and marketing of non-ferrous metal products
- Pan Pacific Copper Co., Ltd.
- Hibi Kyodo Smelting Co., Ltd.
- *LS-Nikko Copper Inc.
- Changzhou Jinyuan Copper Co., Ltd.

Development and exploration of non-ferrous metal resources, and investments in and loans to mines
- SCM Minera Lumina Copper Chile
- *Minera Los Pelambres
- *Japan Collahuasi Resources B.V.
- *JECO Corporation, *JECO 2 Ltd.

Manufacturing and marketing of electronic materials
- JX Nippon Mining & Metals Philippines, Inc.
- Nippon Mining & Metals (Suzhou) Co., Ltd.
- JX Metals Precision Technology Co., Ltd.
- JX Nippon Mining & Metals USA, Inc.

Manufacturing and marketing of electronic materials, and collection of non-ferrous metal raw materials for recycling
- Nikko Metals Taiwan Co., Ltd.

Recycling of non-ferrous metals, and industrial waste treatment
- JX Nippon Environmental Services Co., Ltd.

Shipping of non-ferrous metal products, etc.
- Nippon Marine Co., Ltd.

Manufacturing and marketing of titanium
- Toho Titanium Co., Ltd.

Other

Roadwork, civil engineering work, and design and construction of petroleum-related equipment, etc.
- NIPPO CORPORATION
- Dai Nippon Construction Co., Ltd.
- JX Engineering Corporation

Manufacturing and marketing of electric wires and cables
- *Tatsuta Electric Wire and Cable Co., Ltd.

Land transportation
- *Maruwn Corporation

Sales and purchase, leasing, and management of real estate
- JX Nippon Real Estate Corporation

Undertaking of purchasing practice, such as material procurement and construction contracts
- JX Nippon Procurement Corporation

Undertaking of finance-related services
- JX Nippon Finance Corporation

Undertaking of accounting services, and salaries and welfare-related services
- JX Nippon Business Services Corporation

Researching, studying, evaluating, designing and planning, and consulting services
- JX Nippon Research Institute, Ltd.

III. Management Policies

(1) Basic Policies for the Management of the Company

The word "JX," used in the Company's name and the group's name, is a brand name representing the ideal model of the group. The character "J" represents the determination to represent Japan as the world-leading "integrated energy, resources, and materials business group," and the character "X" represents embracing the challenges of the unknown, growth and development towards the future, and the pursuit of creativity and innovation. The Company sets forth the "JX Group Mission Statement" as follows so that all the officers and employees of the JX Group can share the ideas put into this brand name, as well as to demonstrate the JX Group's basic approach to all of its stakeholders, including its shareholders.

【JX Group Slogan】

The Future of Energy, Resources and Materials

【JX Group Mission Statement】

JX Group will contribute to the development of a sustainable economy and society through innovation in the areas of energy, resources and materials.

【JX Group Values】

Our actions will respect the EARTH.

Ethics

Advanced ideas

Relationship with society

Trustworthy products/services

Harmony with the environment

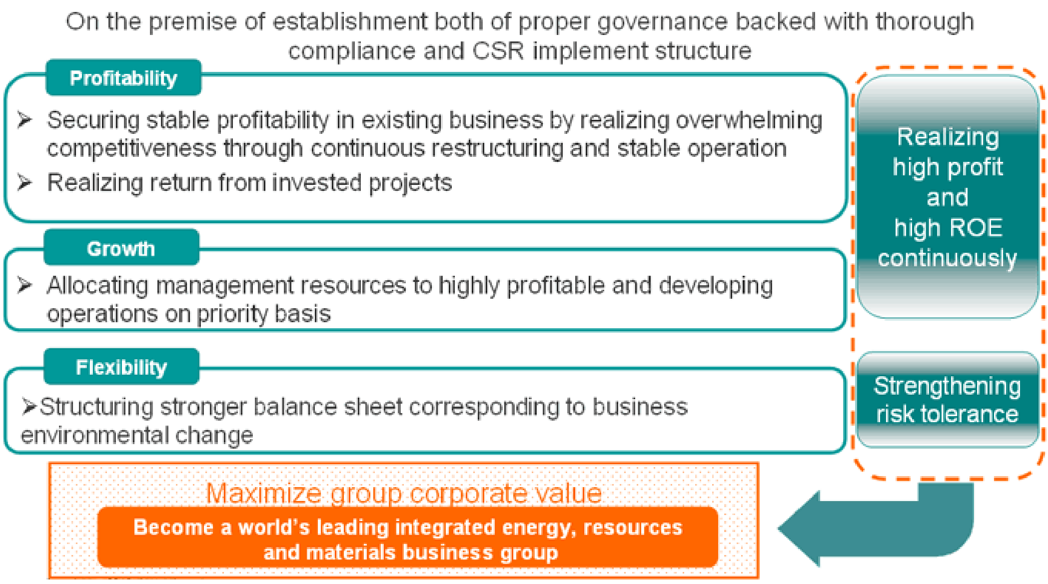
The JX Group will continue to develop, to become a world-leading "integrated energy, resources, and materials business group," by conducting its business every day based on this "JX Group Mission Statement."

(2) Medium- to Long-Term Company Management Strategy and the Management Index set as the Objective

In March 2013, the Company established the Second Medium-Term Management Plan as follows. The Second Medium-Term Management Plan contemplates progress for the JX Group towards becoming a world-leading “integrated energy, resources, and materials business group” by building on the business foundation created by executing the First Medium-Term Management Plan.

Outline of the Second Medium-Term Management Plan (FY2013-2015)

<u>Basic Policy</u>



<u>Key Factors and Targets</u>

		2nd Mid-Term Mgt. Plan	(Reference) 1st Midi-Term Mgt. Plan
Target	Ordinary Income	400 billion yen or more (FY2015)	300 billion yen or more (FY2012)
	ROE	10% or higher (FY2015)	10% or higher (FY2012)
	Net D/E Ratio	0.9 times or lower (FY2015)	1.0 times or lower (FY2012)
	CAPEX (plan)	1,300+ α billion yen (FY2013-2015 total) *Utilizing " α " for additional strategic investment project corresponding to business environmental change	960 billion yen (FY2010-2012 total)

Key Factors (FY2015)	Exchange Rate	90 yen/$
	Crude Price (Dubai Spot)	110$/bbl
	Copper Price (LME)	360¢/lb

The current FY2015 forecast projects a consolidated ordinary income of 310.0 billion yen, an ROE of 8.1%, and net D/E ratio of 1.10 times. The Company will commit itself to bringing these figures close to the target set in the Second Medium-Term Management Plan by implementing a variety of measures in the future.

(3) Matters the Company should address

Taking a view of the business environment in terms of the global economy, stable growth is expected to continue in the United States, and it is anticipated that Asian countries will maintain their high growth rate overall. Further, the economy in Japan is also expected to sustain its growth momentum.

It is anticipated that crude oil and copper prices will remain low for the time being due to the supply-demand balance, and the recovery of the petrochemical product market is expected to take a while. Further, domestic demand for petroleum products will continue to decline due to the spread of fuel-efficient cars and the promoted conversion of fuel, which will again result in an excess refining capacity.

In contrast, crude oil and copper prices, and the petrochemical product market are expected to move steadily in the medium- to long-term, as the demand for fuel oil, lubricants, and petrochemical and copper products in China, Indonesia and other emerging countries in Asia, is expected to increase as a result of population growth, the progress of infrastructure development and the spread of automobiles.

In order for the JX Group to overcome current adversity under these circumstances, it is imperative that we promote cost reductions and reconsider investment plans in addition to properly addressing the decrease in domestic demand, as well as further focusing efforts on measures to reinforce profitability, such as securing returns from strategic investments. Further, in order to ensure sustained growth in the future, it will be necessary to secure new sources of income by steadfastly promoting, among other things, acquiring overseas demand, and resource development.

Specifically, in terms of the energy business, we will further increase efficiency and promote cost reductions in the whole production and marketing supply chain on the basic premise of maintaining safe operations and stable supply, in order to reinforce its competitiveness in the petroleum refining and marketing business. We will also ensure that production and marketing are in line with demand fluctuations. In the medium- to long-term, we will, to counter decreasing demand, do our best to establish a structure to optimize production by considering all possibilities. This will include reducing the petroleum refining capability in compliance with the new evaluation standard under the Law Concerning Sophisticated Methods of Energy Supply Structures (known as the Secondary Sophistication Act) announced by the Japanese government, and collaborating with other companies. In addition, we will also promote the expansion of its LNG, coal, electricity, hydrogen and other businesses, as well as the acquiring demand for petrochemical products, including fuel oil, lubricants, and specialty & performance chemical products in overseas markets.

In the oil and natural gas E&P business, we will work to reinforce its business base and improve its income amid circumstances where the profitability of its businesses is adversely affected by the decline in crude oil prices. Specifically, we will reconsider our investment plans and further work on cost reductions, as well as properly restructuring the portfolio of the oil and gas fields in which we hold participation interests. We will also continue our development activities to commence production at the Layang oil and gas fields in Malaysia and the Mariner oil field in the U.K. North Sea as soon as possible. Further, we will, in order to maintain and expand reserves, carefully select and acquire participation interests in new exploration blocks, as well as continue its exploration activities. It will also steadfastly promote the crude oil production increase project in the United States.

In terms of the metals business, we will bring to fruition the largest task of full-scale production in the Caserones Copper Mine as soon as possible. In the smelting business, we will reinforce its competitiveness by further promoting efficiency in the production system and cost reduction, taking advantage of its ability to utilize the copper concentrates in the Caserones Copper Mine. In the electronic materials business, we will actively promote marketing such products as sputtering targets for semiconductors, treated rolled copper foil, and precision rolled products, whose demand will continue to increase in the future. In the recycling and environmental services business, we will expand the business by promoting raw material collection in overseas markets.

Amid the harsh business environment as described above, the JX Group will take a leap forward to become a world-leading “integrated energy, resources, and materials business group” by promptly responding to economic and social needs through its commitment to “creation” and “innovation” in the “energy, resources, and materials” businesses.

IV. Basic View on Selection of Account Standards

The JX Group has decided to voluntarily apply the International Financial Reporting Standards (IFRS) effective from the commencement of the Third Medium-Term Management Plan (fiscal year ending March 2017), to better facilitate international comparisons of financial statements in the capital markets, expand financing alternatives, and integrate accounting treatment within the Group.

V.Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

Account title	FY 2013 (As of March 31, 2014)	FY 2014 (As of March 31, 2015)
Assets		
Current assets:		
Cash and deposits	281,733	329,293
Notes and accounts receivable-trade	1,401,114	1,007,386
Inventories	1,797,189	1,356,648
Deferred tax assets	27,566	66,049
Other	260,178	239,184
Allowance for doubtful accounts	(2,196)	(2,162)
Total current assets	3,765,584	2,996,398
Non-current assets:		
Property, plant and equipment:		
Buildings, structures and oil tanks	1,595,183	1,692,142
Accumulated depreciation	(1,176,967)	(1,196,840)
Buildings, structures and oil tanks, net	418,216	495,302
Machinery, equipment and vehicles	2,913,409	3,032,725
Accumulated depreciation	(2,387,889)	(2,442,224)
Machinery, equipment and vehicles, net	525,520	590,501
Land	960,203	951,647
Construction in progress	436,876	463,922
Other	146,712	158,821
Accumulated depreciation	(98,336)	(104,577)
Other, net	48,376	54,244
Total property, plant and equipment	2,389,191	2,555,616
Intangible assets:		
Goodwill	16,674	17,713
Other	116,005	118,447
Total intangible assets	132,679	136,160
Investments and other assets:		
Investments in securities	713,646	823,009
Long-term loans receivable	40,499	45,804
Net defined benefit asset	861	499
Deferred tax assets	68,765	67,577
Exploration and development investments	600,387	728,312
Other	80,531	81,570
Allowance for doubtful accounts	(10,368)	(11,541)
Total investments and other assets	1,494,321	1,735,230
Total non-current assets	4,016,191	4,427,006
Total assets	7,781,775	7,423,404

(Millions of yen)

Account title	FY 2013 (As of March 31, 2014)	FY 2014 (As of March 31, 2015)
Liabilities		
Current liabilities:		
Notes and accounts payable-trade	884,486	680,551
Short-term borrowings	1,079,713	819,555
Commercial papers	450,000	364,000
Current portion of bonds	30,480	42,480
Accounts payable-other	687,043	797,590
Income taxes payable	32,262	28,077
Other provision	32,916	38,480
Asset retirement obligations	1,351	1,420
Other	256,637	294,278
Total current liabilities	3,454,888	3,066,431
Non-current liabilities:		
Bonds payable	187,480	205,000
Long-term loans payable	1,054,020	1,189,232
Deferred tax liabilities	143,900	146,091
Net defined benefit liability	89,357	116,875
Provision for repairs	62,051	64,104
Other provision	12,705	12,572
Asset retirement obligations	86,763	117,433
Other	64,317	75,817
Total non-current liabilities	1,700,593	1,927,124
Total liabilities	5,155,481	4,993,555
Net assets		
Shareholders' equity:		
Common stock	100,000	100,000
Capital surplus	746,711	746,711
Retained earnings	1,119,478	783,615
Treasury stock	(3,893)	(3,926)
Total shareholders' equity	1,962,296	1,626,400
Accumulated other comprehensive income:		
Unrealized gain on securities	51,312	87,008
Unrealized gain on hedging derivatives	5,551	1,083
Foreign currency translation adjustments	113,204	218,413
Remeasurements of defined benefit plans	2,695	3,850
Total accumulated other comprehensive income	172,762	310,354
Minority interests	491,236	493,095
Total net assets	2,626,294	2,429,849
Total liabilities and net assets	7,781,775	7,423,404

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

(Millions of yen)

Account title	FY 2013 (from April 1, 2013 to March 31, 2014)	FY 2014 (from April 1, 2014 to March 31, 2015)
Net sales	12,412,013	10,882,460
Cost of sales	11,637,633	10,532,913
Gross profit	774,380	349,547
Selling, general and administrative expenses	560,723	568,432
Operating income (loss)	213,657	(218,885)
Non-operating income:		
Interest income	3,251	2,838
Dividends income	36,659	48,308
Foreign currency exchange gain	5,225	—
Equity in earnings of affiliates	54,593	47,140
Other	29,335	29,546
Total non-operating income	129,063	127,832
Non-operating expenses:		
Interest expense	23,815	26,083
Foreign currency exchange loss	—	9,864
Other	16,576	23,114
Total non-operating expenses	40,391	59,061
Ordinary income (loss)	302,329	(150,114)
Special gain:		
Gain on sales of non-current assets	12,273	55,996
Gain on sales of investments in securities	4,208	200
Other	305	3,402
Total special gain	16,786	59,598
Special loss:		
Loss on sales of non-current assets	3,240	1,367
Loss on disposal of non-current assets	12,788	9,825
Impairment loss	48,830	88,495
Loss on valuation of investments in securities	8,668	37,357
Expenses for special measures for suspended or abandoned mines	10,460	—
Restructuring cost	6,340	19,139
Other	8,458	8,303
Total special loss	98,784	164,486
Income (loss) before income taxes and minority interests	220,331	(255,002)
Income taxes-current	80,255	72,076
Income (loss) taxes-deferred	13,921	(37,108)
Total income taxes	94,176	34,968
Income (loss) before minority interests	126,155	(289,970)
Minority interests in income (loss)	19,113	(12,758)
Net income (loss)	107,042	(277,212)

Consolidated Statements of Comprehensive Income

(Millions of yen)

Account title	FY 2013 (from April 1, 2013 to March 31, 2014)	FY 2014 (from April 1, 2014 to March 31, 2015)
Income (loss) before minority interests	126,155	(289,970)
Other comprehensive income:		
Unrealized gain (loss) on securities	17,146	39,415
Unrealized gain (loss) on hedging derivatives	(2,192)	(3,586)
Foreign currency translation adjustments	112,284	103,136
Remeasurements of defined benefit plans, net of tax	—	1,454
Share of other comprehensive income of affiliates accounted for by equity method	30,643	25,047
Total other comprehensive income	157,881	165,466
Comprehensive income	284,036	(124,504)
Comprehensive income attributable to:		
Shareholders of JX Holdings, Inc.	230,788	(146,020)
Minority interests	53,248	21,516

(3) Consolidated Statements of Changes in Net Assets

FY 2013 (from April 1, 2013 to March 31, 2014)

(Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total
Balance at the end of previous period	100,000	746,711	1,053,576	(3,854)	1,896,433
Changes of items during the period					
Dividends from surplus			(39,838)		(39,838)
Net income			107,042		107,042
Purchase of treasury stock				(40)	(40)
Disposal of treasury stock				1	1
Change of scope of consolidation					
Change of scope of equity method					
Change in equity by merger of affiliates accounted for by the equity method			(1,302)		(1,302)
Net changes of items other than shareholders' equity					
Total changes of items during the period	―	―	65,902	(39)	65,863
Balance at the end of current period	100,000	746,711	1,119,478	(3,893)	1,962,296

	Accumulated other comprehensive income					Minority interests	Total net assets
	Unrealized gains or losses on securities	Unrealized gains or losses on hedging derivatives	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at the end of previous period	35,260	7,768	3,293	―	46,321	384,678	2,327,432
Changes of items during the period							
Dividends from surplus							(39,838)
Net income							107,042
Purchase of treasury stock							(40)
Disposal of treasury stock							1
Change of scope of consolidation							
Change of scope of equity method							
Change in equity by merger of affiliates accounted for by the equity method							(1,302)
Net changes of items other than shareholders' equity	16,052	(2,217)	109,911	2,695	126,441	106,558	232,999
Total changes of items during the period	16,052	(2,217)	109,911	2,695	126,441	106,558	298,862
Balance at the end of current period	51,312	5,551	113,204	2,695	172,762	491,236	2,626,294

FY 2014 (from April 1, 2014 to March 31, 2015)

(Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total
Balance at the end of previous period	100,000	746,711	1,119,478	(3,893)	1,962,296
Cumulative effects of changes in accounting policies			(18,676)		(18,676)
Restated balance	100,000	746,711	1,100,802	(3,893)	1,943,620
Changes of items during the period					
Dividends from surplus			(39,837)		(39,837)
Net loss			(277,212)		(277,212)
Purchase of treasury stock				(34)	(34)
Disposal of treasury stock		0		1	1
Change of scope of consolidation			17		17
Change of scope of equity method			49		49
Change in equity by merger of affiliates accounted for by the equity method			(204)		(204)
Net changes of items other than shareholders' equity					
Total changes of items during the period	―	0	(317,187)	(33)	(317,220)
Balance at the end of current period	100,000	746,711	783,615	(3,926)	1,626,400

	Accumulated other comprehensive income					Minority interests	Total net assets
	Unrealized gains or losses on securities	Unrealized gains or losses on hedging derivatives	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at the end of previous period	51,312	5,551	113,204	2,695	172,762	491,236	2,626,294
Cumulative effects of changes in accounting policies						(257)	(18,933)
Restated balance	51,312	5,551	113,204	2,695	172,762	490,979	2,607,361
Changes of items during the period							
Dividends from surplus							(39,837)
Net loss							(277,212)
Purchase of treasury stock							(34)
Disposal of treasury stock							1
Change of scope of consolidation							17
Change of scope of equity method							49
Change in equity by merger of affiliates accounted for by the equity method							(204)
Net changes of items other than shareholders' equity	35,696	(4,468)	105,209	1,155	137,592	2,116	139,708
Total changes of items during the period	35,696	(4,468)	105,209	1,155	137,592	2,116	(177,512)
Balance at the end of current period	87,008	1,083	218,413	3,850	310,354	493,095	2,429,849

(4) Consolidated Statements of Cash Flows

(Millions of yen)

Account title	FY 2013 (from April 1, 2013 to March 31, 2014)	FY 2014 (from April 1, 2014 to March 31, 2015)
Cash flows from operating activities:		
Income (loss) before income taxes and minority interests	220,331	(255,002)
Depreciation and amortization	183,623	197,268
Amortization of goodwill	1,973	2,204
Increase (decrease) in provision for repairs	3,774	2,049
Interest and dividends income	(39,910)	(51,146)
Interest expenses	23,815	26,083
Equity in (earnings) losses of affiliates	(54,593)	(47,140)
Loss (gain) on sales and disposal of non-current assets	3,755	(44,804)
Impairment loss	48,830	88,495
Loss (gain) on valuation of investments in securities	8,668	37,357
Loss (gain) on sales of investments in securities	(4,051)	(177)
Decrease (increase) in notes and accounts receivable-trade	(47,734)	402,558
Decrease (increase) in inventories	32,936	441,782
Increase (decrease) in notes and accounts payable-trade	(84,205)	(119,320)
Other, net	37,165	85,735
Subtotal	334,377	765,942
Interest and dividends income received	93,026	80,925
Interest expenses paid	(29,715)	(36,174)
Payments for loss on disaster	(4,620)	—
Income taxes paid	(87,915)	(73,469)
Net cash provided by (used in) operating activities	305,153	737,224
Cash flows from investing activities:		
Purchase of investments in securities	(11,790)	(36,582)
Proceeds from sales of investments in securities	7,793	307
Purchase of property, plant and equipment	(309,963)	(283,383)
Proceeds from sales of property, plant and equipment	19,447	60,640
Purchase of intangible assets	(12,909)	(12,586)
Decrease (increase) in short-term receivables, net	(6,771)	5,896
Payments of long-term receivable	(27,051)	(6,320)
Collection of long-term receivable	5,977	6,837
Increase in cost of exploration and production of oil and related assets	(134,273)	(105,017)
Other, net	(10,253)	(7,609)
Net cash provided by (used in) investing activities	(479,793)	(377,817)

(Millions of yen)

Account title	FY 2013 (from April 1, 2013 to March 31, 2014)	FY 2014 (from April 1, 2014 to March 31, 2015)
Cash flows from financing activities:		
Increase (decrease) in short-term borrowings, net	187,357	(251,905)
Increase (decrease) in commercial papers, net	1,000	(86,000)
Proceeds from long-term loans	145,453	226,771
Repayment of long-term loans	(139,860)	(179,291)
Proceeds from issuance of bonds	25,000	60,000
Redemption of bonds	(46,258)	(30,480)
Proceeds from stock issuance to minority shareholders	77,199	84
Cash dividends paid	(39,838)	(39,837)
Cash dividends paid to minority shareholders	(24,476)	(21,984)
Other, net	(5,497)	(3,668)
Net cash provided by (used in) financing activities	180,080	(326,310)
Effect of exchange rate changes on cash and cash equivalents	25,244	14,740
Net increase (decrease) in cash and cash equivalents	30,684	47,837
Cash and cash equivalents at beginning of year	249,131	280,069
Increase in cash and cash equivalents from newly consolidated subsidiary	—	74
Increase in cash and cash equivalents resulting from merger	254	—
Cash and cash equivalents at end of year	280,069	327,980

(5) Explanatory Notes to the Consolidated Financial Statements

(Notes on the Assumption of a Going Concern)

None

(Important Matters Fundamental to Preparation of Consolidated Financial Statements)

1. Matters relating to the scope of consolidation and application of the equity method

A. Consolidated subsidiaries 142 companies

Names of major companies: Listed in “II. The Corporate Group”

B. Non-consolidated subsidiaries accounted for by the equity method 2 companies

Company names: Shinsui Marine Co., Ltd., ENEOS Globe Energy Co., Ltd.

C. Affiliates accounted for by the equity method 30 companies

Names of major companies: Listed in “II. The Corporate Group”

2. Matters relating to the fiscal year, etc. of consolidated subsidiaries

The balance sheet dates of 49 consolidated subsidiaries, including Japan Vietnam Petroleum Co., Ltd., are December 31. As the difference between their balance sheet dates and our consolidated balance sheet date does not exceed three months, we have used their financial statements as of their balance sheet dates.

We have made adjustments of important transactions that have occurred between the balance sheet dates of these companies and our consolidated balance sheet date, as required for consolidated accounting.

3. Matters relating to accounting standards

A. Valuation standards and valuation method for important assets

(i) Inventories

Valued primarily at cost based on the average method (the amounts in the balance sheets are calculated by writing down the book value due to any decrease in profitability).

(ii) Securities

(a) Held-to-maturity bonds

Valued at their amortized cost (the straight-line method)

(b) Other securities

Marketable securities: valued at fair value as of the last day of the fiscal year. (Valuation differences are included directly in shareholders’ equity. Cost of securities sold is determined by primarily the moving-average method.)

Non-marketable securities: valued primarily at cost based on the moving-average method.

(iii) Net accounts receivable and accounts payable that accrue through derivative transactions
Valued at fair value

B. Method of depreciation of important depreciable assets

(i) Property, plant and equipment (excluding leased assets)
The straight-line method is primarily adopted.

(ii) Intangible assets (excluding leased assets)
The straight-line method is primarily adopted.

(iii) Leased assets
The lease period is treated as the expected lifetime, and the straight-line method assuming no residual value is adopted.

C. Recording standards for important provisions

(i) Allowance for doubtful accounts
To prepare for bad debt losses of accounts receivable and loans receivable, the estimated uncollectable amounts on general accounts receivable are recorded using the historical experience of the bad debt ratio, and the estimated uncollectable amounts on specific accounts, such as doubtful accounts receivable, are recorded by separately assessing their collectability.

(ii) Provision for repairs
To prepare for payment on future repairs, inspection and repair costs are calculated related to oil tanks, machinery and equipment at refineries, and vessels, and the amounts as of the end of the fiscal year are recorded.

D. Accounting method related to retirement benefits

(i) Method of attributing expected retirement benefits to periods
In the calculation of retirement benefit obligations, the benefit formula basis is adopted as the method of attributing expected retirement benefits to the period up to the end of the fiscal year.

(ii) Method of amortizing actuarial gain or loss, and the prior service cost
Prior service cost is amortized as incurred using the straight-line method, principally over 5 years. Actuarial gain or loss is amortized commencing in the subsequent period by the straight-line method, principally over 5 years.

E. The standards for converting important assets and liabilities in foreign currency into Japanese yen

The monetary accounts receivable and accounts payable in foreign currency are converted into yen using the spot exchange rate as of the last day of the fiscal year, and the conversion difference is handled as profit or loss. In addition, the assets and liabilities of foreign subsidiaries, etc. are converted into yen using the spot exchange rate as of the last day of the fiscal year. Revenues and expenses of foreign subsidiaries are converted into yen using the average rate during the fiscal year, and the conversion difference is recorded in “foreign currency translation adjustments” and “minority interests” under “net assets” in the balance sheets.

F. The method for important hedge accounting

Deferred hedge accounting is adopted. The designation method is adopted with foreign exchange forward contracts and currency swaps upon satisfaction of this method’s requirements, and the exception method is adopted with interest swaps upon satisfaction of this method’s requirements.

G. Other matters important for preparation of consolidated financial statements

(i) Accounting treatment of consumption tax, etc.

The net tax method is used.

(ii) Application of the consolidated tax payment system

The consolidated tax payment system is applied.

(iii) Accounting treatment of exploration and development investment accounts

Regarding the petroleum and natural gas exploration and development business, acquisition costs of concessions, exploration and development costs, and interest paid until commencement of production are capitalized. After production commences, the accounts are primarily amortized by the units-of-production method.

4. Goodwill amortization method and term

Goodwill is amortized by the straight-line method over the period during which the influence of the goodwill will apply.

5. Cash and cash equivalents in the consolidated statements of cash flows

Cash and cash equivalents in the consolidated statements of cash flows comprised cash on hand, demand deposits in banks and highly liquid investments with original maturities of three months or less for which risks of fluctuations in value are not significant.

(Changes in Accounting Policies)

(Application of Accounting Standard, etc. for Retirement Benefits)

We have adopted the “Accounting Standard for Retirement Benefits” (The Accounting Standards Board of Japan (ASBJ) Statement No.26, May 17, 2012) (“Accounting Standard”), and the “Guidance on Accounting Standard for Retirement Benefits” (ASBJ Guidance No.25, March 26, 2015) (“Guidance”) to the provisions set forth in the main clause of paragraph 35 of the Accounting Standard, and the main clause of paragraph 67 of the Guidance, effective from this fiscal year. As a result, we have reconsidered the calculation method of retirement benefit obligations and the current service costs, and changed the method of attributing expected retirement benefits to periods from the straight-line basis to the benefit formula basis, as well as changed the discount rate calculation method.

The Accounting Standard, and other relevant rules are applied in accordance with the transitional measures provided in paragraph 37 of the Accounting Standard. The financial impact resulting from the changes in the calculation method of retirement benefit obligations and the current service costs has been reflected in the retained earnings at the beginning of this fiscal year.

As a result of these changes, the net defined benefit liability has increased by 29,666 million yen, and the retained earnings have decreased by 18,676 million yen at the beginning of this fiscal year. The impact of this on the consolidated statements of income for this fiscal year was insignificant.

(Segment Information, etc.)

a. Segment Information

1. Outline of the Reporting Segments

The JX Group's reporting segments consist of those constituent units of the JX Group for which separate financial information is available that are subject to periodic review for the board of directors to determine distribution of management resources and to evaluate business performance.

The JX Group, which includes JX Holdings, Inc., as its holding company, is composed of segments corresponding to each product and service based on three core operating companies. The JX Group treats "Energy", "Oil and Natural Gas Exploration and Production ("E&P")", and "Metals" as the reporting segments.

The business activities not included in the reporting segments are collectively contained in the "Other" category.

The details of the main products and services or business activities of each reporting segment and the "Other" category are as follows:

Energy	Petroleum refining & marketing, lubricants, basic chemical products, specialty & performance chemical products, gas, coal, electricity, and new energy.
Oil and Natural Gas E&P	Oil and natural gas exploration, development and production.
Metals	Non-ferrous metal resources development and mining, copper, gold, silver, sulfuric acid, copper foils, materials for rolling and processing, thin film materials, non-ferrous metal recycling and industrial waste treatment, transportation by ships of products, including metal business products, and titanium.
Other	Asphalt paving, civil engineering work, construction work, electric wires, land transportation, real estate leasing business, and affairs common to JX Group companies including fund procurement.

2. Calculation Method for Net Sales, Income and Loss, Assets, Liabilities, and Other Items of the Reporting Segments

The accounting treatment for the business segments reported herein is generally identical to that stated under the "Important Matters Fundamental to Preparation of Consolidated Financial Statements." In-house intersegment sales and transfers are based on prevailing market prices.

3. Information on Net Sales, Income and Loss, Assets, Liabilities, and Other Items from Each Reporting Segment

Previous Consolidated Fiscal Year (April 1, 2013 – March 31, 2014)

(Millions of yen)

	Energy	Oil and Natural Gas E&P	Metals	Other	Total	Adjustments (Note 1)	Recorded Amount on Consolidated Financial Statements
Net sales:							
Sales to outside customers	10,745,707	202,193	1,036,219	427,894	12,412,013	-	12,412,013
In-house intersegment sales and transfers	9,318	-	2,914	60,677	72,909	(72,909)	-
Total	10,755,025	202,193	1,039,133	488,571	12,484,922	(72,909)	12,412,013
Segment income (loss)	108,235	105,499	47,372	38,469	299,575	2,754	302,329
Segment assets	4,712,885	1,004,360	1,521,385	2,448,033	9,686,663	(1,904,888)	7,781,775
Segment liabilities	3,471,310	579,189	855,731	2,178,432	7,084,662	(1,929,181)	5,155,481
Other items:							
Depreciation and amortization (Note 2)	105,616	37,369	32,981	5,321	181,287	2,336	183,623
Amortization of goodwill	608	1,108	253	4	1,973	-	1,973
Interest income	1,761	543	1,003	14,423	17,730	(14,479)	3,251
Interest expenses	14,343	3,517	3,842	13,837	35,539	(11,724)	23,815
Equity in earnings of affiliates	6,883	6,567	39,644	1,499	54,593	-	54,593
Increase in fixed assets (Note 3)	109,935	152,372	194,907	6,388	463,602	19,819	483,421

(Notes) 1. The adjustments include the following:

(1) The segment income adjustment of 2,754 million yen includes the net amount of 2,712 million yen, which is the income and expenses of entire Company not allocated to the reporting segments or the "Other" category.

(2) The loss of 1,904,888 million yen in the segment assets adjustment is due primarily to eliminating intersegment receivables by offsetting.

(3) The loss of 1,929,181 million yen in the segment liabilities adjustment is due primarily to eliminating intersegment liabilities by offsetting.

(4) The depreciation and amortization adjustment of 2,336 million yen includes 1,893 million yen in asset retirement obligations adjusted due to passage of time (interest costs).

(5) The increase in fixed assets adjustment of 19,819 million yen includes 14,367 million yen in assets that correspond to asset retirement obligations.

2. Depreciation and amortization includes 32,658 million yen in amortization costs for exploration and development investments.

3. The increase in fixed assets includes the 148,865 million yen increase in exploration and development investments contained in "Investments and other assets" in the consolidated balance sheet.

4. Segment income is adjusted to ordinary income stated in the consolidated statement of income.

Current Consolidated Fiscal Year (April 1, 2014 – March 31, 2015) (Millions of yen)

	Energy	Oil and Natural Gas E&P	Metals	Other	Total	Adjustments (Note 1)	Recorded Amount on Consolidated Financial Statements
Net sales:							
Sales to outside customers	9,116,472	226,395	1,153,259	386,334	10,882,460	-	10,882,460
In-house intersegment sales and transfers	8,321	-	2,723	74,625	85,669	(85,669)	-
Total	9,124,793	226,395	1,155,982	460,959	10,968,129	(85,669)	10,882,460
Segment income (loss)	(334,613)	84,884	56,610	39,773	(153,346)	3,232	(150,114)
Segment assets	3,891,131	1,227,170	1,739,627	2,322,360	9,180,288	(1,756,884)	7,423,404
Segment liabilities	2,954,452	714,710	1,021,820	2,025,907	6,716,889	(1,723,334)	4,993,555
Other items:							
Depreciation and amortization (Note 2)	101,395	48,314	37,313	6,170	193,192	4,076	197,268
Amortization of goodwill	596	1,108	497	3	2,204	-	2,204
Interest income	1,881	514	460	13,800	16,655	(13,817)	2,838
Interest expenses	12,637	6,801	4,201	13,226	36,865	(10,782)	26,083
Equity in earnings of affiliates	6,832	5,927	33,120	1,261	47,140	-	47,140
Increase in fixed assets (Note 3)	163,801	131,728	115,673	13,380	424,582	30,525	455,107

(Notes) 1. The adjustments include the following:

(1) The segment income adjustment of 3,232 million yen includes the net amount of 3,332 million yen, which is the income and expenses of entire Company not allocated to the reporting segments or the "Other" category.

(2) The loss of 1,756,884 million yen in the segment assets adjustment is due primarily to eliminating intersegment receivables by offsetting.

(3) The loss of 1,723,334 million yen in the segment liabilities adjustment is due primarily to eliminating intersegment liabilities by offsetting.

(4) The depreciation and amortization adjustment of 4,076 million yen includes 3,607 million yen in asset retirement obligations adjusted due to passage of time (interest costs).

(5) The increase in fixed assets adjustment of 30,525 million yen includes 20,128 million yen in assets that correspond to asset retirement obligations.

2. Depreciation and amortization includes 44,349 million yen in amortization costs for exploration and development investments.

3. The increase in fixed assets includes the 137,975 million yen increase in exploration and development investments contained in "Investments and other assets" in the consolidated balance sheet.

4. Segment income(loss) is adjusted to ordinary loss stated in the consolidated statement of income.

b. Related Information

Previous Consolidated Fiscal Year (April 1, 2013 – March 31, 2014)
Information by Region

(1) Net sales

(Millions of yen)

Japan	China	Others	Total
10,400,197	777,038	1,234,778	12,412,013

(Note) The net sales are calculated based on the customers' locations, and are categorized into countries or regions.

(2) Property, plant and equipment

(Millions of yen)

Japan	Chile	Others	Total
1,762,160	455,020	172,011	2,389,191

Current Consolidated Fiscal Year (April 1, 2014 – March 31, 2015)
Information by Region

(1) Net sales

(Millions of yen)

Japan	China	Others	Total
9,092,953	840,027	949,480	10,882,460

(Note) The net sales are calculated based on the customers' locations, and are categorized into countries or regions.

(2) Property, plant and equipment

(Millions of yen)

Japan	Chile	Others	Total
1,787,165	574,288	194,163	2,555,616

c. Information on Impairment Loss

Previous Consolidated Fiscal Year (April 1, 2013 – March 31, 2014) (Millions of yen)

	Energy	Oil and Natural Gas E&P	Metals	Other	Corporate Total, or Eliminations	Total
Impairment loss	9,795	—	39,035	—	—	48,830

Current Consolidated Fiscal Year (April 1, 2014 – March 31, 2015) (Millions of yen)

	Energy	Oil and Natural Gas E&P	Metals	Other	Corporate Total, or Eliminations	Total
Impairment loss	19,638	23,263	47,569	167	—	90,637

(Note) In the "Energy" and "Metals" segment, 2,142 million yen is included in "Restructuring cost" on the consolidated statement of income.

d. Information on the Amortized Amounts and Unamortized Balances of Goodwill

Previous Consolidated Fiscal Year (April 1, 2013 – March 31, 2014) (Millions of yen)

	Energy	Oil and Natural Gas E&P	Metals	Other	Corporate Total, or Eliminations	Total
Amortized amount	608	1,108	253	4	—	1,973
Unamortized balance	7,164	5,819	3,625	66	—	16,674

Current Consolidated Fiscal Year (April 1, 2014 – March 31, 2015) (Millions of yen)

	Energy	Oil and Natural Gas E&P	Metals	Other	Corporate Total, or Eliminations	Total
Amortized amount	596	1,108	497	3	—	2,204
Unamortized balance	6,492	4,711	6,510	—	—	17,713

(Per Share Information)

	Previous Consolidated Fiscal Year (From April 1, 2013 to March 31, 2014)	Current Consolidated Fiscal Year (From April 1, 2014 to March 31, 2015)
Net assets per share (yen)	858.66	778.93
Net income (loss) per share (yen)	43.05	(111.49)
Since we recorded a net loss per share and no potential shares exist, the diluted net income per share for this fiscal year is not stated herein. Since no potential shares exist, the diluted net income per share for the previous fiscal year is not stated herein.		

(Note) The calculation of the net income (loss) per share is based on the following.

	Previous Consolidated Fiscal Year (From April 1, 2013 to March 31, 2014)	Current Consolidated Fiscal Year (From April 1, 2014 to March 31, 2015)
Net income (loss) (millions of yen)	107,042	(277,212)
Amounts not attributable to common shareholders (millions of yen)	—	—
Net income (loss) related to the common stock (millions of yen)	107,042	(277,212)
Average number of shares of common stock during the fiscal year (shares)	2,486,541,938	2,486,465,283

(Important Subsequent Events)

None

VI. Others

Changes in Directors, Corporate Auditors, and Executive Officers

Changes in directors and corporate auditors will be officially decided at the ordinary general meeting of shareholders to be held on June 25, 2015.

1. Changes in Representative Directors (Released on April 21, 2015)

(1) Newly Appointed, Changes in Delegation of Authority, etc.

Date	Name	Current Position	New Position
June 25	Yukio Uchida	Director (Executive Vice President and Executive Officer), Assistant to President, responsible for Finance & Investor Relations Dept.	Representative Director and President (President and Executive Officer)

(2) Retiring

Date	Name	Current Position	New Position
June 25	Isao Matsushita	Representative Director and President (President and Executive Officer)	Advisor

2. Changes in Directors and Executive Officers Concurrently Serving as Directors

(1) Newly Appointed, Changes in Delegation of Authority, etc.

Date	Name	Current Position	New Position
June 25	Junichi Kawada	Director (Senior Vice President and Executive Officer), responsible for Secretariat, General Administration Dept., and Legal & Corporate Affairs Dept.	Director (Executive Vice President and Executive Officer), Assistant to President, responsible for Secretariat, General Administration Dept., and Legal & Corporate Affairs Dept.
June 25	Hiroji Adachi	Senior Vice President and Executive Officer, General Manager of Corporate Planning Dept. I	Director (Senior Vice President and Executive Officer), responsible for Corporate Planning Dept. I and II
June 25	Kunimitsu Oba	(Executive Officer, General Manager of Corporate Planning Dept. of JX Nippon Oil & Gas Exploration Corporation)	Director (Senior Vice President and Executive Officer), responsible for Internal Audit Dept. and Finance & Investor Relations Dept.
June 25	Katsuyuki Ota	Executive Officer, General Manager of Controller Dept.	Director (Executive Officer), responsible for Controller Dept.

(2) Retiring

Date	Name	Current Position	Planned Position after Retirement
June 25	Rentaro Tonoike	Director (Senior Vice President and Executive Officer), responsible for Corporate Planning Dept. I and II	(President and Representative Director (President and Executive Officer) of Tatsuta Electric Wire & Cable Co., Ltd.)
June 25	Akira Omachi	Director (Senior Vice President and Executive Officer), responsible for Internal Audit Dept. and Controller Dept.	(Director (Senior Vice President and Executive Officer), responsible for Corporate Social Responsibility Dept. and Finance & Accounting Dept. of JX Nippon Oil & Gas Exploration Corporation)

3. Changes in Executive Officers not Concurrently Serving as Directors

Newly Appointed

Date	Name	Current Position	New Position
June 25	Kazuhiro Hori	(General Manager, Planning & Coordination Dept. of JX Nippon Mining & Metals Corporation)	Executive Officer, General Manager of Corporate Planning Dept. I

4. Changes in General Manager-Level Positions

Date	Name	Current Position	New Position
June 25	Yoji Taguchi	Deputy General Manager, Secretariat	General Manager, Secretariat
June 25	Soichiro Tanaka	Deputy General Manager, Controller Dept.	General Manager, Controller Dept.
June 25	Hiroyuki Iwakami	General Manager, Secretariat	(Executive Officer, General Manager of London Office of JX Nippon Oil & Energy Corporation)

5. Changes in Presidents of Key Group Companies

(1) JX Engineering Corporation

Date	Name	Current Position	New Position
June 22	Toshihiro Oto	Representative Director and President (President & Chief Executive Officer)	Retired
June 22	Ichiro Kurata	Representative Director (Deputy Chief Executive Officer)	Representative Director and President (President & Chief Executive Officer)

(2) JX Nippon Career Support Corporation

Date	Name	Current Position	New Position
June 18	Masato Yasunaga	Representative Director and President	Retired
June 18	Yasuhiro Morozumi	Director and Executive Vice President	Representative Director and President

(3) JX Nippon Finance Corporation

Date	Name	Current Position	New Position
June 25	Yukio Uchida	Representative Director and President (Director (Executive Vice President and Executive Officer) of JX Holdings, Inc.)	Retired (Representative Director and President (President and Executive Officer) of JX Holdings, Inc.)
June 25	Kunimitsu Oba	(Executive Officer, General Manager of Corporate Planning Dept. of JX Nippon Oil & Gas Exploration Corporation)	Representative Director and President (Director (Senior Vice President and Executive Officer) of JX Holdings, Inc.)

END

(Reference) List of Officers of JX Holdings, Inc. (as of June 25, 2015)

(Reference) List of Officers of JX Holdings, Inc. (as of June 25, 2015)

1. Directors

Representative Director and Chairman of the Board		Yasushi Kimura
Representative Director and President	President and Executive Officer	Yukio Uchida
Director	Executive Vice President and Executive Officer, Assistant to President, responsible for Secretariat, General Administration Dept., and Legal & Corporate Affairs Dept.	Junichi Kawada
Director	Senior Vice President and Executive Officer, responsible for Corporate Planning Dept. I and II	Hiroji Adachi
Director	Senior Vice President and Executive Officer, responsible for Internal Audit Dept. and Finance & Investors Relations Dept.	Kunimitsu Oba
Director	Executive Officer, responsible for Controller Dept.	Katsuyuki Ota
Director (Part-time)	(Representative Director and President (President and Executive Officer) of JX Nippon Oil & Energy Corporation)	Tsutomu Sugimori
Director (Part-time)	(Director (Executive Vice President and Executive Officer), Assistant to President of JX Nippon Oil & Energy Corporation)	Ichiro Uchijima
Director (Part-time)	(Representative Director, President and CEO of JX Nippon Oil & Gas Exploration Corporation)	Shunsaku Miyake
Director (Part-time)	(President & Representative Director, Chief Executive Officer of JX Nippon Mining & Metals Corporation)	Shigeru Oi
Outside Director		Hiroshi Komiyama
Outside Director		Hiroko Ota
Outside Director		Mutsutake Otsuka
Outside Director		Seiichi Kondo

2. Corporate Auditors

Full-time Corporate Auditor	Tadashi Ohmura
Full-time Corporate Auditor	Takashi Setogawa
Outside Corporate Auditor	Hideki Nakagome
Outside Corporate Auditor	Toshinori Kanemoto
Outside Corporate Auditor	Naomi Ushio

3. Executive Officers not Concurrently Serving as Directors

Executive Officer	General Manager, General Administration Dept.	Ichiro Yamamoto
Executive Officer	General Manager, Legal & Corporate Affairs Dept.	Satoshi Taguchi
Executive Officer	General Manager, Corporate Planning Dept. I	Kazuhiro Hori