This document contains a financial summary and financial statements translated from the original Japanese version, for convenience only.

Consolidated Financial Results for Fiscal Year 2015 [Japanese GAAP]

May 11, 2016

Company name: JX Holdings, Inc.
Code number: 5020
Stock Exchange Listings: Tokyo and Nagoya
URL: http://www.hd.jx-group.co.jp/
Representative: Yukio Uchida, Representative Director, President
Contact person: Tatsuya Higurashi, Group Manager, Investor Relations Group, Finance & Investor Relations Department
Telephone: +81-3-6257-7075
Scheduled date of ordinary general meeting of shareholders : June 28, 2016
Scheduled date of filing of Securities Report : June 28, 2016
Scheduled date of commencement of dividend payments : June 29, 2016
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 2015 (From April 1, 2015 to March 31, 2016)

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

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
FY2015	8,737,818	(19.7)	(62,234)	－	(8,608)	－	(278,510)	－
FY2014	10,882,460	(12.3)	(218,885)	－	(150,114)	－	(277,212)	－

(Note) Comprehensive income : FY2015: ¥(446,535) million < － %> ; FY2014: ¥(124,504) million < － %>

	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	%	%	%
FY2015	(112.01)	－	(16.2)	(0.1)	(0.7)
FY2014	(111.49)	－	(13.6)	(2.0)	(2.0)

(Reference) Equity in earnings of affiliates : FY2015: ¥18,063 million ; FY2014: ¥47,140 million

(2) Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
FY2015	6,724,622	1,928,460	22.3	602.86
FY2014	7,423,404	2,429,849	26.1	778.93

(Reference) Shareholders' equity : FY2015: ¥1,498,924 million ; FY2014: ¥1,936,754 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
FY2015	554,958	(307,708)	(87,973)	491,337
FY2014	737,224	(377,817)	(326,310)	327,980

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	%	%
FY2014	－	8.00	－	8.00	16.00	39,837	－	2.0
FY2015	－	8.00	－	8.00	16.00	39,837	－	2.3
FY2016 (Forecast)	－	8.00	－	8.00	16.00		31.8	

3. Forecasts of Consolidated Results for Fiscal Year 2016 (From April 1, 2016 to March 31, 2017)

(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 FY2016	4,130,000	(9.3)	110,000	－	120,000	－	52,000	－	20.91
FY2016	8,800,000	0.7	230,000	－	260,000	－	125,000	－	50.27
Income excluding inventory valuation factors* (FY2016)			190,000	(8.3)	220,000	(15.7)			
(FY2015)			207,300		260,900				

* 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)

FY2015 ended March 31, 2016	:	2,495,485,929 shares
FY2014 ended March 31, 2015	:	2,495,485,929 shares

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

FY2015 ended March 31, 2016	:	9,122,175 shares
FY2014 ended March 31, 2015	:	9,055,789 shares

(iii) Average number of shares issued during the period

FY2015 ended March 31, 2016	:	2,486,396,570 shares
FY2014 ended March 31, 2015	:	2,486,465,283 shares

【Reference】Overview of Non-consolidated Results

Non-consolidated Results for the Fiscal Year 2015 (From April 1, 2015 to March 31, 2016)

(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	%
FY2015	65,190	26.2	55,575	30.8	58,041	26.8	79,920	73.2
FY2014	51,639	1.9	42,493	1.8	45,783	3.4	46,137	6.1

	Net income per share	Diluted net income per share
	Yen	Yen
FY2015	32.10	－
FY2014	18.53	－

(2) Financial Position (Non-consolidated Basis)

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
FY2015	3,198,347	1,288,571	40.3	517.55
FY2014	3,082,101	1,301,910	42.2	522.90

(Reference) Shareholders' equity : FY2015:￥1,288,571 million ; FY2014:￥1,301,910 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.

  Wednesday, May 11, 2016··· 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>

Reviewing the global economy in fiscal year 2015, in the U.S. the economy continued to recover, mainly due to increased private consumption. However, in China, the economy slowed down due to a slowdown in industrial production and business investment by enterprises, and restrained investment in infrastructure by the government. In Japan, the economy recovered only moderately, mainly due to a lack of strength in private consumption and business investment growth.

The Dubai crude oil price, which is the benchmark crude oil price in Asia, remained at around 60 dollars per barrel, during the period from the beginning of this fiscal year to July 2015. Then, however, the price dropped significantly as major oil producing countries maintained a high level of crude oil production and this caused an oversupply. In January 2016, the price was down to 23 dollars, which was the lowest price in 12 years. After that, although the crude oil price started to rise, as of the end of this fiscal year, the price was 35 dollars per barrel, which was still low.

During the period from the beginning of this fiscal year to the end of June 2015, the bench mark copper prices on the London Metal Exchange (LME) remained relatively steady at around $6,000 a ton. However, the price started to fall against the backdrop of a slowdown in economic growth of China, which is the largest copper-consuming country. Also, copper price has been hurt by stronger U.S. dollars, which make dollar-denominated commodities more expensive to non-U.S. buyers. In January 2016, benchmark copper on the LME hit $4,311 a ton, its lowest in seven years. After that, copper had slightly recovered to end at $4,856 a ton at the end of the fiscal year.

In this situation where the crude oil price and copper price significantly declined, major oil companies and resource developing companies started taking measures, such as reducing new investment spending and selling off their assets, and recorded impairment losses. Further, Japanese petroleum refining and marketing companies recorded a large inventory evaluation loss due to a sharp decline in crude oil prices, mainly because they are obliged to stock at least 70 days' worth of crude oil and petroleum products pursuant to the Oil Stockpiling Act.

Domestic demand for petroleum products decreased from the previous fiscal year, because of the strong effect of demand-decreasing factors, such as the further spread of fuel-efficient cars and advancement of fuel conversion, although the drop of sales prices of petroleum products along with the crude oil price was one of the factors to stimulate the demand. On the other hand, the petrochemical products market remained strong due to tightened of supply-demand in China.

<Summary of Consolidated Business Results>

The consolidated business results for this fiscal year consisted of net sales of 8,737.8 billion yen (a 19.7% decrease from the previous fiscal year), ordinary loss of 8.6 billion yen (loss of 150.1 billion yen in the previous fiscal year), and loss attributable to owners of parent of 278.5 billion yen (loss of 277.2 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 260.9 billion yen (a 2.2% increase from the previous fiscal year).

An overview of each segment is set out below.

Energy Business

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

  In the petroleum refining and marketing business, which is the core business, we did our best to strengthen the competitiveness of the entire supply chain that is, procuring crude oil, refining, distributing, and selling products in order to construct a foundation to ensure stable income despite the decreasing domestic demand for petroleum products.

  In terms of production, in an effort to reduce costs, we increased throughput of heavy crude oil, which can be procured at low cost, and promoted operational optimization at each refinery and plant, while setting safety and stable operation as a major premise. Further, at the Kashima Refinery, we commenced the operation of the "Solvent De-Asphalting Unit," and thus established a system to increase the production of raw material for petrochemical products and gas oil, which are highly profitable, by cracking heavy oil fraction, for which demand is significantly decreasing. Further, in April, 2016, we commenced commercial operation of a power generation facility which uses residue obtained from the unit as fuel. This operation made it possible to sell electricity generated at low-cost, and is contributing to the improvement in the Company's profit.

  In terms of sales, we did our best to gain more profit by securing profitability in sale of each petroleum product thoroughly in Japan, by promoting rationalization by way of reorganizing the service stations network, and by exporting products to overseas markets in a flexible and timely manner.

- **Our efforts to expand business overseas**

  In Asian emerging economies, demand for petroleum products, petrochemical products, and lubricant is expected to expand due to economic development.

  Under such circumstances, we decided to enter the petroleum products retail business in Vietnam, by way of investing in Vietnam National Petroleum Group, whose share in the petroleum products market in Vietnam is the largest. Further, regarding petrochemical products, we sold products manufactured at the world largest-level paraxylene manufacturing plant that we are operating jointly with SK Group in South Korea, and this has remarkably contributed to profit-making. Regarding lubricant, we strived to increase sales in accordance with the expanding demand mainly for automobiles and motorcycles through our manufacturing bases and sales bases all over the world.

- **Our efforts to expand business as a comprehensive energy company**

  Regarding the electricity business, we have been supplying electricity to customers such as office buildings and schools for more than ten years. Based on this experience, we entered the retail electricity business, which was fully liberalized in April, 2016, with the brand name "ENEOS Denki" (note: "denki" means electricity). We promoted acquisition of customers, and achieved approximately 100,000 contracts as of the end of March, 2016. Specifically, we proposed attractive price menus with our strength as an owner of power generating facilities, had our wholesalers and distributors with community-based sales networks as our agents, and formed business alliances with electronic appliance retail stores and major telecommunication service companies that have contacts with retail customers.

Regarding the natural gas and LNG business, in April, 2015, we launched operation of the LNG large-scale importing terminal in Hachinohe City in Aomori Prefecture, and the LNG terminal in Kushiro City in Hokkaido, which receives LNG transferred from that facility. We are supplying natural gas and LNG to, and striving to increase sales of them in, the Tohoku area and eastern Hokkaido area, where demand for natural gas and LNG, mainly those for industrial use, is expected to increase.

Regarding the hydrogen business, anticipating that fuel cell automobiles will spread in the future, we opened more "hydrogen stations," which sell hydrogen for fuel cell automobiles, so that we can construct a system that enables us to efficiently and stably produce, transport, and sell hydrogen. In addition, in March, 2016, in Yokohama City in Kanagawa Prefecture, we launched operation of the Hydrogen Production and Shipping Center, which produces hydrogen from LPG and ships hydrogen.

<Business Results for the Energy Business>

Under these circumstance, in the energy business, net sales was 7,122.4 billion yen (a 21.9% decrease from the previous fiscal year), and ordinary loss was 97.1 billion yen (loss of 334.6 billion yen in the previous fiscal year). Ordinary income excluding inventory valuation factors was 166.7 billion yen, which was a 130.9% increase from the previous fiscal year.

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

- **Oil and natural gas production volumes**

  The volume of oil and natural gas produced by JX Nippon Oil and Gas Exploration Corporation in this fiscal year was approximately 121,000 barrels of oil equivalent per day, which exceeded the volume produced in the previous fiscal year, with the contribution of the production at the LNG project in Papua New Guinea and in Kinnoull Field in the U. K. North Sea, which started production in the previous fiscal year.

- **Dealing with downfall in crude oil prices**

  In the oil and natural gas E&P business, under the circumstances where significant rises of crude oil prices are not anticipated for the time being, in an effort to secure firm profitability we withdrew from less profitable projects as part of the review of our portfolio. We also tried to improve cash flow by deciding to sell part of our participation interests in oil fields and gas fields in the U.K. North Sea, for which the development cost is high.

  Further, regarding oil fields and gas fields which are in the development stage or which already started production, we did our best to reduce and control costs by such means as decreasing material procurement costs, and improving work efficiency, as far as possible.

- **Enhanced Oil Recovery ("EOR") project by utilizing waste gas from the coal-fired power unit in the U.S.**

  In the U.S., we are promoting the CO2-EOR project in order to increase the crude oil production by capturing carbon dioxide out of waste gas from a coal-fired power unit, and injecting carbon dioxide captured from the unit into an aged oil field. In this fiscal year, we steadily proceeded with plant construction work so that we can commence the commercial operation of the plant during 2016.

<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 was 175.8 billion yen (a 22.4% decrease from the previous fiscal year), and ordinary income was 28.2 billion yen (a 66.8% decrease from the previous fiscal year).

Metals Business

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

  In the Caserones Copper Mine in Chile, full-scale production became practical in terms of equipment because the completion of the development of the deposit for sand tailings generated in the copper concentrate production process came within sight. Under such circumstances, we are striving to enhance operators' skills, and strengthen the equipment maintenance system, in order to realize a continuous full-scale production as soon as possible, with a consulting firm's support.

  In the smelting & refinery, we tried to strengthen our competitiveness through cost reduction by optimizing the production system and operational stabilization in smelter & refineries.

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

  In the electronic materials business, we have maintained good sales of sputtering targets that are used for manufacturing semiconductors, treated rolled copper for flexible printed circuit boards, and precision rolled products that are primarily used as connector materials since the previous fiscal year, due to strong demand for those products for smartphones.

  In the recycling and environmental services business, we expanded our networks to collect recyclable raw materials and industrial wastes in Japan, by acquiring all shares of Takasho Co., Ltd., which has printed board scrap collecting networks, in August, 2015.

  Regarding the manufacturing, processing, and selling business of titanium, which is a light, very strong and durable metal mainly used in aircraft and chemical plant equipment, we attained a shift to surplus due to the results of optimization of the production system and cost reduction that we have conducted so far, as well as recovery of demand for aircraft. Further, in Saudi Arabia, where low-cost electricity and stable raw materials are available, we established a joint venture company to manufacture and sell sponge titanium, and advanced the construction of a plant so that we can commence commercial production in 2017.

<Business Results for the Metals Business>

Under these conditions, in the Metals business, net sales were 1,049.7 billion yen (a 9.2% decrease from the previous fiscal year) and ordinary income was 13.3 billion yen (a 76.6% decrease from the previous fiscal year).

Other Business

Net sales for the other business was 458.8 billion yen (a 0.5% decrease from the previous fiscal year), and ordinary income was 44.9 billion yen (a 12.8% increase from the previous fiscal year).

<NIPPO Corporation>

NIPPO Corporation (“NIPPO”) primarily engages in pavement, civil engineering, and construction work, as well as manufacturing and sales of asphalt mixture. In this fiscal year, the operating environment of NIPPO remained difficult because public civil engineering work projects mildly decreased, and because labor, raw material, and other costs remained high. Despite that situation, NIPPO strived to acquire orders for work by leveraging its superior technical strength. Further, NIPPO did its best to secure income by expanding sales of asphalt mixture and other products, and by reinforcing activities to reduce costs and increase efficiency.

On February 29, 2016, NIPPO was prosecuted by the Tokyo District Public Prosecutors Office for violation of the Antimonopoly Act regarding a bid for the disaster restoration paving work for the Great East Japan Earthquake ordered by Tohoku Branch of East Nippon Expressway Company Ltd. NIPPO is striving to further enhance and ensure compliance to prevent a recurrence of such misconduct. We will provide support NIPPO in these endeavors to ensure future compliance.

Net sales of each segment specified above include in-house intersegment sales of 68.9 billion yen (85.7 billion yen in the previous fiscal year).

Special Gain & Loss and Profit Attributable to Owners of Parent

Special gain totaled 44.6 billion yen - including 36.0 billion yen of gain on sales of investments in securities.

Special loss totaled 366.0 billion yen - including 245.3 billion yen of impairment loss pertaining to the Caserones Copper Mine, the oil and natural gas E&P business, and the like; and 84.6 billion yen of restructuring cost.

The above factors resulted in loss before income taxes and minority interests of 330.0 billion yen. From this amount, by deducting Δ17.1 billion yen of income taxes and 34.4 billion yen of the loss attributable to non-controlling interests, the loss attributable to owners of parent amounted to 278.5 billion yen (net loss of 277.2 billion yen in the previous fiscal year).

Effective from the current consolidated fiscal year, we adopted the “Accounting Standard for Business Combinations” (The Accounting Standards Board of Japan (the “ASBJ”) Statement No. 21, September 13, 2013) and other relevant standards, and have restated the accounting terms, “minority interests,” to “profit attributable to non-controlling interests,” and “net income,” to “profit attributable to owners of parent.”

(Outlook for the Next Fiscal Year)

Regarding the consolidated business results forecasts for the next fiscal year, we expect net sales of 8,800.0 billion yen (an 0.7% increase from this fiscal year), operating income of 230.0 billion yen (an improvement of 292.2 billion yen from this fiscal year), ordinary income of 260.0 billion yen (an improvement of 268.6 billion yen from this fiscal year), and profit attributable to owners of parent of 125.0 billion yen (an improvement of 403.5 billion yen from this fiscal year). The operating income and ordinary income include income due to the impact of inventory valuations (40.0 billion yen).

This outlook is based on the assumed full fiscal year average of (i) crude oil prices (prices of Dubai crude oil): 40 dollars per barrel, (ii) international copper prices (LME prices): 230 cents per pound (approximately 5,070 dollars per ton), and (iii) the yen to dollar exchange rate: 110 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 6,724.6 billion yen, a decrease of 698.8 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 4,796.2 billion yen, a decrease of 197.4 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 2,581.4 billion yen, a decrease of 38.9 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 1,928.5 billion yen, a decrease of 501.4 billion yen from the end of the previous fiscal year.

The shareholder's equity ratio decreased 3.8% from the end of the previous fiscal year, and is 22.3%. The amount of the net assets per share is 602.86 yen, a 176.07 yen decrease from the end of the previous fiscal year, and the net D/E ratio (net debt equity ratio) is deteriorated by 0.21 point from the end of the previous fiscal year, and is 1.39.

(Consolidated Statements of Cash Flows)

The cash and cash equivalents (the "Funds") at the end of this fiscal year amounted to 491.3 billion yen, an increase of 163.4 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 555.0 billion yen. This is due to factors which increase the Funds, such as a decrease in inventories (305.3 billion yen), a decrease in notes and accounts receivable-trade (229.9 billion yen), and depreciation and amortization (227.7 billion yen), exceeding the factors which decrease the Funds, such as loss before income taxes and minority interests (330.0 billion yen), and a decrease in notes and accounts payable-trade (81.9 billion yen).

As a result of investment activities, the Funds decreased by 307.7 billion yen. This is mainly due to factors such as investment in the petroleum products manufacturing facilities and investments related to oil/natural gas development.

As a result of financial activities, the Funds decreased by 88.0 billion yen. This is due to factors which decrease the Funds, such as the repayment of long-term loans (167.9 billion yen), a decrease in commercial papers (116.0 billion yen), and the redemption of bonds (42.5 billion yen), exceeding the factors which increase the Funds, such as proceeds from long-term loans (302.2 billion yen).

(3) Results and Review of the Second Medium-Term Management Plan (from Fiscal Year 2013 to 2015)

In the second medium-term management plan, the Company placed the upstream business, such as the oil and natural gas E&P business and the copper mine development business as business sections with high profitability and high growth and allocated the management resources with priority thereto. Also for the midstream and downstream business, the Company progressed investments for the purpose of gaining overwhelming competitiveness in the existing business and to ensure stable profitability.

Under this principle, with regard to the upstream business, the Company has started the commercial production in the LNG project in Papua New Guinea, in the Kinnoull field in the U.K. North Sea, and the Caserones Copper Mine, and thus established the basis for gaining revenues from the upstream business in the future. However, the results in the upstream business in this fiscal year were significantly below the target which we posted in our second medium-term management plan, due to the sharp decline in prices of natural resources such as crude oil and copper, and the impact of the delay in commencing production from projects such as in the oil fields in the U.K. North Sea and the Caserones Copper Mine.

On the other hand, with regard to the midstream and downstream business, in the energy business, we have attempted to enhance the competitiveness in the entire supply chain, to enlarge the business in such new fields as electricity and hydrogen business, and to expand our presence in the Asian market of the petrochemical products and lubricants business through the joint venture with SK Group in South Korea. In addition, in the metals business, we have made efforts at improvement in copper concentrate purchase conditions in the copper smelting and refining business, cost reduction by improving the efficiency of the production system in the smelters, and sales expansion of the electronic materials. As a result, in this fiscal year, we achieved the target in the midstream and downstream business which we posted in our second medium-term management plan, partly supported by the revenue improvement effect caused by weaker yen and despite such factors as a reduction in margin attributed to the worsening of the petroleum products market and the troubles in the refineries and smelters.

Nevertheless, in the business results in this fiscal year, being the final business year of the second medium-term management plan, the ordinary loss was 8.6 billion yen, the ROE (*1) was Δ16.2%, and the net D/E ratio (*2) was 1.39; and none of them achieved the targets (*3) we posted in the second medium-term management plan, partly because the Company had to account for a large amount of inventory loss pertaining to the crude oil and petroleum products and a large amount of impairment loss which were caused by the sharp decline in natural resources prices.

*1 “ROE” = “profit attributable to owners of parent.” ÷ “shareholders’ equity”

*2 “net D/E ratio” = (“interest-bearing debt” - “cash item” ÷ “shareholders’ equity”)

*3 the ordinary income of no less than 400.0 billion yen, ROE of no less than 10%, and the net D/E ratio of no less than 0.9

The operating results of the energy, resources, and materials business, being the core business area of the JX group, can be largely affected by changes in the business environment, and financial positions are at risk of being materially affected by such changes. In those circumstances, reviewing the period of the second medium-term management plan, we made significant business investments in the upstream section, mainly in the initial business year (fiscal year 2013) in which the prices of natural resources were soaring; we consider that there is room for reflection in the risk management of business investment such as risk control, dispersion, and equalization of timing.

We take this result seriously, and recognize that risk management in investment is the most important task. Specifically, we will tighten the investment criteria including risk analysis and strengthen the project management system after final investment decisions. We will restrain the total amount of business investment spending, and will make efforts to mitigate risks in investments by balancing the investment spending in each of the upstream, midstream, and downstream business, and pay due attention to the timing of investments so as to avoid an excess concentration of investments at any one particular time. By these measures, the Company will establish a strong financial basis.

With respect to the next medium-term management plan, we will postpone its formulation and announcement, because the Company has agreed to a business integration with TonenGeneral Sekiyu K.K., as detailed below. We will announce the medium-term management plan at the time of the business integration with TonenGeneral Sekiyu K.K.

(4) 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.

(5) 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. 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, 2016)

Segment	Descriptions 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 Kiire 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, JX Retail Service Corporation, ENEOS 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, 2016).

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 Kiire 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
- JX Retail Service Corporation
- ENEOS 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.

E thics

A dvanced ideas

R elationship with society

T rustworthy products/services

H armony 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

<Business Integration with TonenGeneral Sekiyu K.K.>

Upon a mutual acknowledgement that it is best to concentrate the business resources of both groups in order to maximize their enterprise value towards the future in an environment in which domestic demand for petroleum products is decreasing, the Company and TonenGeneral Sekiyu K.K. signed a Memorandum of Understanding (the "MOU") in December 2015 and agreed on a target date of April 2017 for the business integration of their groups.

The specifics of the medium-term to long-term strategies are currently under consideration. By means of this business integration, we will strongly promote drastic rationalizations and optimizations which one company would not be able to implement by itself, and accomplish thorough business reforms. Further, in the energy business, we will strengthen the business foundation on the premise of safe operations and stable supply, and strongly promote growth strategies such as expanding into overseas markets which are expected to grow, and developing and expanding new business.

The New Company Group will achieve in excess of 100 billion yen in profit improvement within 5 years after the business integration, and develop into "one of the most prominent and internationally-competitive comprehensive energy, natural resource and materials company groups in Asia."

We are currently holding earnest discussions with each other with a view towards executing the Business Integration Agreement in August 2016. Then, we will hold an extraordinary shareholders' meeting to seek approval for this business integration.

(3) Matters the Company should address

Taking a view of the business environment, in terms of the global economy, it is expected that the U.S. economy will continue to consistently recover, while the Chinese economy will continue to slowdown. The Japanese economy is expected to be increasingly uncertain, as private consumption and business investment will not grow as fast as they were expected before. The crude oil price is not expected to rise significantly for the time being since the oversupply is expected to continue for a while. It will also take a while for the copper price to recover, being affected by the slowdown of the Chinese economy.

Further, domestic demand for petroleum products will continue to decline due to such structural factors as the spread of fuel-efficient cars and the advancement of fuel conversion. By contrast, in the emerging economies in Asia, the demand for petroleum products, petrochemical products, and lubricants is expected to increase continuously along with economic growth.

With regard to copper products, although a large increase in demand for such products as electrical wiring, which are used for infrastructure cannot be expected for the time being because of the slowdown of the Chinese economy, the demand for electronic materials is anticipated to increase in the future because of the progress of the Internet of Things (the IoT), where various things such as consumer electronics and cars, not just personal computers and smart phones are expected to be able to connect to the Internet.

Under these circumstances, the challenge for the JX Group is to establish a strong foundation by which profits can be assured and to continue to sustainably grow in the future, even though the declining trend in domestic demand persists and significant rise in crude oil and copper prices are not expected.

Specifically, in terms of the energy business, to reinforce the profitability of the domestic petroleum refining and marketing business, which is our core business, we will further enhance efficiency and promote thorough cost reductions in the whole supply chain, based on an established premise of maintaining safe and stable operations. For that purpose, we will also implement production in line with demand fluctuations and export products in a flexible and timely manner. With respect to petroleum products, petrochemical products, and lubricants, so as to steadily increase sales in accordance with with the demand in the emerging economies which are expected to rise, we will accelerate expansion overseas mainly in Asia. We will also develop businesses such as electricity, gas, and hydrogen which are expected to be the pillars of our business in the future.

In the oil and natural gas E&P business, in an attempt to improve cash flow and enhance profitability, we will build a strong structure with which we can ensure profitability on a steady basis. For this purpose, we will review our portfolio by concentrating on our strengths and making appropriate choices with regard to measures to expand business in those areas in which the Company can exercise its strengths and to proceed with assets sales. In addition, with respect to the oil and gas fields either under development or production, we will steadily proceed with their operations by considering safety and the environment, as well as focusing on cost reductions.

In terms of the metals business, we will bring to fruition stable operations in the Caserones Copper Mine as soon as possible and we will enhance competitiveness by further promoting cost reductions. In the electronic materials business, so as to steadily increase sales in accordance with expanding demand caused by the progress of the IoT, we will expand the production capacity of such products as sputtering targets, treated rolled copper, and precision rolled products, whose demand will continue to expand in the future and progress the development of new products. In the recycling and environmental services business, we will expand the business by making efforts to enhance the collection network in overseas markets.

IV. Basic View on Selection of Account Standards

The JX Group announced that it has decided to voluntarily apply the International Financial Reporting Standards (IFRS) effective from the first quarter of the fiscal year ending March 2017. However, so as to prioritize steady preparations towards the business integration with TonenGeneral Sekiyu K.K. (scheduled for April 2017) announced on December 3, 2015, we have decided to start voluntarily applying the IFRS effective from the consolidated financial statements of the Securities Report of the fiscal year ending March 2017.

V.Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

Account title	FY 2014 (As of March 31, 2015)	FY 2015 (As of March 31, 2016)
Assets		
Current assets:		
Cash and deposits	329,293	492,698
Notes and accounts receivable-trade	1,007,386	774,970
Inventories	1,356,648	1,048,154
Deferred tax assets	66,049	78,054
Other	239,184	260,171
Allowance for doubtful accounts	(2,162)	(2,763)
Total current assets	2,996,398	2,651,284
Non-current assets:		
Property, plant and equipment:		
Buildings, structures and oil tanks	1,692,142	1,720,445
Accumulated depreciation	(1,196,840)	(1,214,809)
Buildings, structures and oil tanks, net	495,302	505,636
Machinery, equipment and vehicles	3,032,725	3,388,550
Accumulated depreciation	(2,442,224)	(2,497,467)
Machinery, equipment and vehicles, net	590,501	891,083
Land	951,647	947,771
Construction in progress	463,922	59,033
Other	158,821	153,403
Accumulated depreciation	(104,577)	(103,450)
Other, net	54,244	49,953
Total property, plant and equipment	2,555,616	2,453,476
Intangible assets:		
Goodwill	17,713	9,020
Other	118,447	108,439
Total intangible assets	136,160	117,459
Investments and other assets:		
Investments in securities	823,009	703,825
Long-term loans receivable	45,804	38,691
Net defined benefit asset	499	273
Deferred tax assets	67,577	140,549
Exploration and development investments	728,312	550,634
Other	81,570	73,177
Allowance for doubtful accounts	(11,541)	(4,746)
Total investments and other assets	1,735,230	1,502,403
Total non-current assets	4,427,006	4,073,338
Total assets	7,423,404	6,724,622

(Millions of yen)

Account title	FY 2014 (As of March 31, 2015)	FY 2015 (As of March 31, 2016)
Liabilities		
Current liabilities:		
Notes and accounts payable-trade	680,551	601,322
Short-term borrowings	819,555	792,619
Commercial papers	364,000	248,000
Current portion of bonds	42,480	20,000
Accounts payable-other	797,590	756,380
Income taxes payable	28,077	26,939
Other provision	38,480	37,001
Asset retirement obligations	1,420	1,574
Other	294,278	271,151
Total current liabilities	3,066,431	2,754,986
Non-current liabilities:		
Bonds payable	205,000	185,000
Long-term loans payable	1,189,232	1,335,747
Deferred tax liabilities	146,091	113,429
Net defined benefit liability	116,875	130,649
Provision for repairs	64,104	64,151
Other provision	12,572	12,215
Asset retirement obligations	117,433	122,745
Other	75,817	77,240
Total non-current liabilities	1,927,124	2,041,176
Total liabilities	4,993,555	4,796,162
Net assets		
Shareholders' equity:		
Common stock	100,000	100,000
Capital surplus	746,711	746,283
Retained earnings	783,615	465,268
Treasury stock	(3,926)	(3,959)
Total shareholders' equity	1,626,400	1,307,592
Accumulated other comprehensive income:		
Unrealized gain on securities	87,008	26,810
Unrealized gain on hedging derivatives	1,083	(11,953)
Foreign currency translation adjustments	218,413	184,136
Remeasurements of defined benefit plans	3,850	(7,661)
Total accumulated other comprehensive income	310,354	191,332
Non-controlling interests	493,095	429,536
Total net assets	2,429,849	1,928,460
Total liabilities and net assets	7,423,404	6,724,622

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

(Millions of yen)

Account title	FY 2014 (from April 1, 2014 to March 31, 2015)	FY 2015 (from April 1, 2015 to March 31, 2016)
Net sales	10,882,460	8,737,818
Cost of sales	10,532,913	8,222,572
Gross profit	349,547	515,246
Selling, general and administrative expenses	568,432	577,480
Operating loss	(218,885)	(62,234)
Non-operating income:		
Interest income	2,838	2,391
Dividends income	48,308	42,709
Foreign currency exchange gain	－	2,958
Equity in earnings of affiliates	47,140	18,063
Other	29,546	30,063
Total non-operating income	127,832	96,184
Non-operating expenses:		
Interest expense	26,083	25,369
Foreign currency exchange loss	9,864	－
Other	23,114	17,189
Total non-operating expenses	59,061	42,558
Ordinary loss	(150,114)	(8,608)
Special gain:		
Gain on sales of non-current assets	55,996	7,610
Gain on sales of investments in securities	200	35,975
Other	3,402	1,038
Total special gain	59,598	44,623
Special loss:		
Loss on sales of non-current assets	1,367	2,302
Loss on disposal of non-current assets	9,825	9,341
Impairment loss	88,495	245,334
Loss on valuation of investments in securities	37,357	14,850
Restructuring cost	19,139	84,593
Other	8,303	9,579
Total special loss	164,486	365,999
Loss before income taxes and minority interests	(255,002)	(329,984)
Income taxes-current	72,076	60,425
Income (loss) taxes-deferred	(37,108)	(77,534)
Total income taxes	34,968	(17,109)
Loss	(289,970)	(312,875)
Loss attributable to non-controlling interests	(12,758)	(34,365)
Loss attributable to owners of parent	(277,212)	(278,510)

Consolidated Statements of Comprehensive Income

(Millions of yen)

Account title	FY 2014 (from April 1, 2014 to March 31, 2015)	FY 2015 (from April 1, 2015 to March 31, 2016)
Loss	(289,970)	(312,875)
Other comprehensive income:		
Unrealized gain (loss) on securities	39,415	(62,111)
Unrealized gain (loss) on hedging derivatives	(3,586)	(13,375)
Foreign currency translation adjustment	103,136	(31,261)
Remeasurements of defined benefit plans, net of tax	1,454	(12,404)
Share of other comprehensive income of affiliates accounted for by equity method	25,047	(14,509)
Total other comprehensive income	165,466	(133,660)
Comprehensive income	(124,504)	(446,535)
Comprehensive income attributable to:		
Owners of parent	(146,020)	(397,620)
Non-controlling interests	21,516	(48,915)

(3) Consolidated Statements of Changes in Net Assets

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)
Loss attributable to owners of parent			(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)
Capital increase of consolidated subsidiaries					
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)
Loss attributable to owners of parent							(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)
Capital increase of consolidated subsidiaries							
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

FY 2015 (from April 1, 2015 to March 31, 2016)

(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	783,615	(3,926)	1,626,400
Changes of items during the period					
Dividends from surplus			(39,837)		(39,837)
Loss attributable to owners of parent			(278,510)		(278,510)
Purchase of treasury stock				(33)	(33)
Disposal of treasury stock		0		0	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					
Capital increase of consolidated subsidiaries		(428)			(428)
Net changes of items other than shareholders' equity					
Total changes of items during the period	–	(428)	(318,347)	(33)	(318,808)
Balance at the end of current period	100,000	746,283	465,268	(3,959)	1,307,592

	Accumulated other comprehensive income					Non-controlling 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	87,008	1,083	218,413	3,850	310,354	493,095	2,429,849
Changes of items during the period							
Dividends from surplus							(39,837)
Loss attributable to owners of parent							(278,510)
Purchase of treasury stock							(33)
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							
Capital increase of consolidated subsidiaries							(428)
Net changes of items other than shareholders' equity	(60,198)	(13,036)	(34,277)	(11,511)	(119,022)	(63,559)	(182,581)
Total changes of items during the period	(60,198)	(13,036)	(34,277)	(11,511)	(119,022)	(63,559)	(501,389)
Balance at the end of current period	26,810	(11,953)	184,136	(7,661)	191,332	429,536	1,928,460

(4) Consolidated Statements of Cash Flows

(Millions of yen)

Account title	FY 2014 (from April 1, 2014 to March 31, 2015)	FY 2015 (from April 1, 2015 to March 31, 2016)
Cash flows from operating activities:		
Loss before income taxes and minority interests	(255,002)	(329,984)
Depreciation and amortization	197,268	227,660
Amortization of goodwill	2,204	2,564
Increase (decrease) in provision for repairs	2,049	50
Interest and dividends income	(51,146)	(45,100)
Interest expenses	26,083	25,369
Equity in (earnings) losses of affiliates	(47,140)	(18,063)
Loss (gain) on sales and disposal of non-current assets	(44,804)	4,033
Impairment loss	88,495	245,334
Loss (gain) on valuation of investments in securities	37,357	14,850
Loss (gain) on sales of investments in securities	(177)	(35,904)
Decrease (increase) in notes and accounts receivable-trade	402,558	229,935
Decrease (increase) in inventories	441,782	305,269
Increase (decrease) in notes and accounts payable-trade	(119,320)	(81,948)
Restructuring cost	19,139	84,593
Other, net	66,596	(44,846)
Subtotal	765,942	583,812
Interest and dividends income received	80,925	68,778
Interest expenses paid	(36,174)	(31,445)
Income taxes paid	(73,469)	(66,187)
Net cash provided by (used in) operating activities	737,224	554,958
Cash flows from investing activities:		
Purchase of investments in securities	(36,582)	(22,906)
Proceeds from sales of investments in securities	307	45,570
Purchase of property, plant and equipment	(283,383)	(224,602)
Proceeds from sales of property, plant and equipment	60,640	13,502
Purchase of intangible assets	(12,586)	(10,367)
Decrease (increase) in short-term receivables, net	5,896	(5,974)
Payments of long-term receivable	(6,320)	(5,600)
Collection of long-term receivable	6,837	7,796
Increase in cost of exploration and production of oil and related assets	(105,017)	(113,995)
Other, net	(7,609)	8,868
Net cash provided by (used in) investing activities	(377,817)	(307,708)

(Millions of yen)

Account title	FY 2014 (from April 1, 2014 to March 31, 2015)	FY 2015 (from April 1, 2015 to March 31, 2016)
Cash flows from financing activities:		
Increase (decrease) in short-term borrowings, net	(251,905)	(1,659)
Increase (decrease) in commercial papers, net	(86,000)	(116,000)
Proceeds from long-term loans	226,771	302,208
Repayment of long-term loans	(179,291)	(167,912)
Proceeds from issuance of bonds	60,000	—
Redemption of bonds	(30,480)	(42,480)
Proceeds from stock issuance to minority shareholders	84	—
Cash dividends paid	(39,837)	(39,837)
Cash dividends paid to minority shareholders	(21,984)	(16,462)
Other, net	(3,668)	(5,831)
Net cash provided by (used in) financing activities	(326,310)	(87,973)
Effect of exchange rate changes on cash and cash equivalents	14,740	4,080
Net increase (decrease) in cash and cash equivalents	47,837	163,357
Cash and cash equivalents at beginning of year	280,069	327,980
Increase in cash and cash equivalents from newly consolidated subsidiary	74	—
Cash and cash equivalents at end of year	327,980	491,337

(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 44 companies, including Japan Vietnam Petroleum Co., Ltd., are December 31; among them, six companies conducted provisional settlement of accounts as of March 31. For those which do not conduct provisional settlement of accounts, as the difference between their balance sheet dates and our consolidated balance sheet date does not exceed three months, we have consolidated using, as the basis, their financial statements for the fiscal year of the corresponding consolidated subsidiaries.

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 policies

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 "non-controlling 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 for Business Combinations, and Other Relevant Standards)

We adopted the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, September 13, 2013), the "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22, September 13, 2013), the "Accounting Standard for Business Divestitures" (ASBJ Statement No. 7, September 13, 2013) and other relevant standards, effective from the current consolidated fiscal year. Accordingly, the Company's accounting method has been changed to record the differences arising from a change in the Company's ownership interest in the subsidiaries over which the Company continues to have control as capital surplus, and to record the acquisition-related costs as expenses in the consolidated fiscal year when they are incurred. In addition, for business combinations performed at and after the beginning of the current consolidated fiscal year, the Company's accounting method was changed to reflect the adjustment to the amount of allocation of the acquisition cost arising from the finalization of the tentative accounting treatment in the consolidated financial statements for the current consolidated fiscal year where the date of business combination belongs. In addition, we have restated accounting terms such as "net income," and changed the term "minority interests" to "non-controlling interests." To reflect these restatements, we have reclassified the full-year consolidated financial statements for the previous consolidated fiscal year.

The Accounting Standard for Business Combinations and other standards were adopted in accordance with transitional treatments stipulated in Paragraph 58-2(4) of the Accounting Standard for Business Combinations, Paragraph 44-5(4) of the Accounting Standard for Consolidated Financial Statements, and Paragraph 57-4(4) of the Accounting Standard for Business Divestitures, and they have been prospectively adopted from the beginning of the current consolidated fiscal year.

The impact of the above on the profit/loss status for the current consolidated fiscal year and on the capital surplus as of the end of the current consolidated fiscal year is minor.

(Changes in matters relating to the fiscal year, etc. of consolidated subsidiaries, and in matters relating to the application of equity method)

With respect to the eleven consolidated subsidiaries and one affiliate accounted for by the equity method whose balance sheet date is December 31, we previously used their financial statements as of their balance sheet dates, and made adjustments of important transactions that occurred until our consolidated balance sheet date, as required for consolidated accounting. However, effective from the current consolidated fiscal year, the balance sheet date of these companies has been changed to March 31, or we have adopted the method of provisionally having their accounts closed on the consolidated balance sheet date in accordance with the full-year closing, in order to ensure proper disclosure of consolidated financial information. As a result of these changes, with respect to the current consolidated fiscal year, we have consolidated the results of 15 months, from January 1, 2015 to March 31, 2016, and have

made adjustments throughout the consolidated statements of income.
The impact of the above on the profit/loss status, or other comprehensive income for the current consolidated fiscal year, is minor.

(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, 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.

Current Consolidated Fiscal Year (April 1, 2015 – March 31, 2016) (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	7,115,825	175,755	1,044,914	401,324	8,737,818	-	8,737,818
In-house intersegment sales and transfers	6,618	-	4,770	57,472	68,860	(68,860)	-
Total	7,122,443	175,755	1,049,684	458,796	8,806,678	(68,860)	8,737,818
Segment income (loss)	(97,064)	28,161	13,264	44,856	(10,783)	2,175	(8,608)
Segment assets	3,476,760	1,226,259	1,497,876	2,326,370	8,527,265	(1,802,643)	6,724,622
Segment liabilities	2,677,300	747,357	930,866	2,011,878	6,367,401	(1,571,239)	4,796,162
Other items:							
Depreciation and amortization (Note 2)	98,825	66,446	51,762	6,878	223,911	3,749	227,660
Amortization of goodwill	596	1,108	856	4	2,564	-	2,564
Interest income	1,724	474	334	13,513	16,045	(13,654)	2,391
Interest expenses	10,585	7,849	4,960	12,749	36,143	(10,774)	25,369
Equity in earnings of affiliates	5,618	960	10,239	1,246	18,063	-	18,063
Increase in fixed assets (Note 3)	136,193	110,172	63,470	15,468	325,303	9,483	334,786

(Notes) 1. The adjustments include the following:
(1) The segment income adjustment of 2,175 million yen includes the net amount of 2,322 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 1,802,643 million yen in the segment assets adjustment is due primarily to eliminating intersegment receivables by offsetting.
(3) The loss of 1,571,239 million yen in the segment liabilities adjustment is due primarily to eliminating intersegment liabilities by offsetting.
(4) The depreciation and amortization adjustment of 3,749 million yen includes 3,125 million yen in asset retirement obligations adjusted due to passage of time (interest costs).
(5) The increase in fixed assets adjustment of 9,483 million yen includes 4,449 million yen in assets that correspond to asset retirement obligations.
2. Depreciation and amortization includes 61,118 million yen in amortization costs for exploration and development investments.
3. The increase in fixed assets includes the 106,199 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, 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

Current Consolidated Fiscal Year (April 1, 2015 – March 31, 2016)

Information by Region

(1) Net sales

(Millions of yen)

Japan	China	Others	Total
7,157,400	770,615	809,803	8,737,818

(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
1,810,912	474,621	167,943	2,453,476

c. Information on Impairment Loss

Previous 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.

Current Consolidated Fiscal Year (April 1, 2015 – March 31, 2016) (Millions of yen)

	Energy	Oil and Natural Gas E&P	Metals	Other	Corporate Total, or Eliminations	Total
Impairment loss	8,188	230,502	82,817	202	—	321,709

(Note) In the "Oil and Natural Gas E&P" segment, 76,375 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, 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

Current Consolidated Fiscal Year (April 1, 2015 – March 31, 2016) (Millions of yen)

	Energy	Oil and Natural Gas E&P	Metals	Other	Corporate Total, or Eliminations	Total
Amortized amount	596	1,108	856	4	—	2,564
Unamortized balance	5,896	—	3,124	—	—	9,020

(Per Share Information)

	Previous Consolidated Fiscal Year (From April 1, 2014 to March 31, 2015)	Current Consolidated Fiscal Year (From April 1, 2015 to March 31, 2016)
Net assets per share (yen)	778.93	602.86
Net loss per share (yen)	(111.49)	(112.01)
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 we recorded a net loss per share and 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 loss per share is based on the following.

	Previous Consolidated Fiscal Year (From April 1, 2014 to March 31, 2015)	Current Consolidated Fiscal Year (From April 1, 2015 to March 31, 2016)
Loss attributable to owners of parent (millions of yen)	(277,212)	(278,510)
Amounts not attributable to common shareholders (millions of yen)	—	—
Loss attributable to owners of parent related to the common stock (millions of yen)	(277,212)	(278,510)
Average number of shares of common stock during the fiscal year (shares)	2,486,465,283	2,486,396,570

(Important Subsequent Events)

None

VI. Others

Changes in Directors, Corporate Auditors, and Advisors

Changes in directors and corporate auditors will be officially decided at the ordinary general meeting of shareholders to be held on June 28, 2016.

1. Changes in Directors

(1) Newly Appointed

Date	Name	Current Position	New Position
June 28	Takeshi Kurosaki	(Director, Executive Vice President of JX Nippon Oil & Energy Corporation)	Director (Part-time) (Director, Executive Vice President of JX Nippon Oil & Energy Corporation)

(2) Retiring

Date	Name	Current Position	Position after Retirement (planned)
June 28	Ichiro Uchijima	(Director (Part-time) Consultant of JX Nippon Oil & Energy Corporation)	(Consultant of JX Nippon Oil & Energy Corporation)

2. Changes in Corporate Auditors

(1) Newly Appointed

Date	Name	Current Position	New Position
June 28	Seiichiro Nishioka	(Former Chief Judge of the Hiroshima High Court)	Outside Corporate Auditor

(2) Retiring

Date	Name	Current Position
June 28	Hideki Nakagome	Outside Corporate Auditor

3. Retirement of Advisors

Date	Name	Current Position	Position after Retirement (planned)
June 28	Shinji Nishio	Advisor	Honorary Executive Consultant
June 28	Mitsunori Takahagi	Advisor	Honorary Executive Consultant

END

Attachment: <Reference> List of Officers of JX Holdings, Inc. (as of June 28, 2016)

(Reference) List of Officers of JX Holdings, Inc. (as of June 28, 2016)

1. Directors

Representative Director and Chairman of the Board		Yasushi Kimura
Representative Director and President		Yukio Uchida
Director	Executive Vice President, responsible for Secretariat, General Administration Dept. and Legal & Corporate Affairs Dept.	Junichi Kawada
Director	Senior Vice President, responsible for Corporate Planning Dept. I and II	Hiroji Adachi
Director	Senior Vice President, responsible for Internal Audit Dept. and Finance & Investor Relations Dept.	Kunimitsu Oba
Director	Executive Officer, responsible for Controller Dept.	Katsuyuki Ota
Director (Part-time)	(Representative Director and President of JX Nippon Oil & Energy Corporation)	Tsutomu Sugimori
Director (Part-time)	(Director, Executive Vice President of JX Nippon Oil & Energy Corporation)	Takeshi Kurosaki
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	Toshinori Kanemoto
Outside Corporate Auditor	Naomi Ushio
Outside Corporate Auditor	Seiichiro Nishioka

3. Executive Officers not Concurrently Serving as Directors

Senior Vice President	General Manager, General Administration Dept.	Ichiro Yamamoto
Executive Officer	General Manager, Corporate Planning Dept. I	Kazuhiro Hori
Executive Officer	General Manager, Finance & Investor Relations Dept.	Yoshiaki Ouchi
Executive Officer	General Manager, Internal Audit Dept.	Takahiko Miura