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**JX Holdings (5020)**  
**Q&A Session at Analysts' Meeting**  
**on Fiscal 2010 Financial Results**

1. Date & time: Thursday, May 12, 2011, 15:30–17:00
  2. Attendees: 198
  3. Principal questions:
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This document contains forward-looking statements.  
A cautionary statement is contained in the endnote.

Q. The Sendai and Kashima refineries were damaged by the recent earthquake and operations are currently suspended. What can you tell me about the outlook for recovery?

A. At Sendai, temporary shipment lines have already been prepared, and we are making shipments at approximately half of normal levels. Although plans are for production to restart by next summer, we are doing all we can to restart production earlier. At Kashima, a loading arm for VLCC was damaged, making it difficult to receive crude oil. But medium-sized ships of around 100,000 tons are able to dock, and we hope to start production again in June. The loading arm repairs, however, are expected to take about six months, and we will not be at full capacity till then. But we have already started shipments.

Q. Please update us on oil refining margins in April and May and tell us how they relate to the assumptions made in your outlook. And as the supply-demand balance normalizes, what will you do about exports and such while the refineries at Sendai and Kashima are damaged?

A. We felt that spot market index prices did not reflect reality immediately after the earthquake. Given this and conditions in disaster-affected areas, we temporarily left the wholesale price unchanged. Even so, April margins were relatively high. Margins subsequently aligned with our assumptions in May as the fall in demand due to the earthquake became apparent. Our assumptions of margins for FY2011 are around what we have in our medium-term management plan, which is a little over one yen lower than the previous-year average. How long the recent drop in volumes will continue is unclear, but amid such uncertainty we do not think that our current margin assumptions are unsound. As for exports, although all exports for April were canceled to provide for domestic needs, we are looking to restart exports because domestic demand has recently been weak and middle distillate spreads are holding at close to US\$20/bbl in the Singaporean market.

Q. Given damaged caused by the recent earthquake, I thought that achieving the integration synergies laid out in the medium-term management plan would take time and that you would not be able to reach your targets. Based on your explanation, however, you have not changed synergy targets, although you will book extraordinary losses. I would like to confirm the details of this plan and why you believe there will be no change in your ability to generate synergies.

A. We believe that on a cumulative basis, we will achieve 63% of total three-year integration synergies by the end of fiscal 2011, the plan's second year. With regard to our three-year target of ¥109 billion in synergies, we have not fully ironed out some of the details, but we also have yet to incorporate some factors such as the rationalization of affiliates. We plan to incorporate such factors as we go along. Currently, we are reorganizing functional subsidiaries under the holding company. Once this is largely complete, we may consider the integration of our core operating companies' affiliates. While we are making adjustments like this, we do not believe that achieving the total of ¥109 billion will be a problem. Although realizing efficiency gains at Sendai and Kashima will be difficult due to the damage to the refineries, we are doing well overall, and we are confident of being able to achieve our goals.

**Q. Please tell us a little more about recent successes in oil exploration and development.**

A. In January 2011, the presence of gas condensate was confirmed off the coast of Vietnam and additional wells will be drilled there. In February 2011, a concession agreement was concluded for the rights on three oil fields in the United Arab Emirates that are in production by the Abu Dhabi Oil Co., Ltd., as well as the rights on the discovered and undeveloped Hail Field. We expect this will allow us to have the Middle East as a potential core area. Davy Jones in the Gulf of Mexico is an ultra-deep gas field, and a spread of hydrocarbon has been confirmed there. In March 2011, a spread was confirmed in the Culzean structure in the UK's North Sea. Although we own around 17% of the rights, we expect the reserves available to us will be considerable, given that top levels were recorded with the test device when a production test was conducted there. We expect the discovery of gas in Australia in April 2011 to be highly profitable as our partner has a sales channel that allows for direct sales without liquefaction. Finally, we had another recent success in May 2011 in a newly acquired field in Qatar, where we have a 100% stake. The area is below the North Field, the world's biggest gas field, and we expect this will be a major exploration project. Under our medium-term management plan, we are focusing on exploration, and as we have said, we are gradually seeing results.

**Q. In the metals business, what does the copper supply-demand balance currently look like? And what is your perspective on the copper price? Also, how much do you expect Caserones will contribute to profits from 2013 onwards?**

A. During fiscal 2010, the copper supply was short of demand by around 200,000 to 300,000 tons. This shortage looks likely to increase to around 500,000 tons during 2011. Accordingly, we believe that while the copper price may fluctuate, fundamentally it will stay high. Looking at Caserones' profit contribution, as long as current copper price remains, we believe it will increment our consolidated ordinary income by several tens of billion yen a year. We expect to realize this effect in full from fiscal 2014.

**Q. You project free cash flow of ¥30 billion over the next three years. Is it possible this will be exceeded?**

A. Considering the magnitude of our sales, ¥30 billion is close to zero. One of our goals is to increase this. It is about ¥150 billion lower than the free cash flow of ¥180 billion projected in our medium-term management plan. We will therefore strive to increase cash flows by expanding profits, reducing cash

outflows related to the earthquake, reducing ordinary investment, and selling off assets.

This document contains forward-looking statements. Actual results may differ materially from those expressed or implied by forward-looking statements due to various factors, including but not limited to the following.

- (1) Macroeconomic conditions and changes in the competitive environment in the energy, resources, and materials industries,
- (2) Revision of laws and tightening of regulations,
- (3) Risk of lawsuits and other legal risks.