

THE FOLLOWING IS AN ENGLISH TRANSLATION PREPARED FOR THE CONVENIENCE OF THE SHAREHOLDERS AND INVESTORS. THE OFFICIAL TEXT IN JAPANESE OF THE DISCLOSURE THROUGH THE INTERNET RELATING TO THE CONVOCAION NOTICE OF THE ORDINARY GENERAL MEETING OF SHAREHOLDERS HAS BEEN PREPARED IN ACCORDANCE WITH STATUTORY PROVISIONS. SHOULD THERE BE ANY INCONSISTENCY BETWEEN THE TRANSLATION AND THE OFFICIAL TEXT IN TERMS OF THE CONTENTS OF THE NOTICE, THE OFFICIAL TEXT SHALL PREVAIL. THE COMPANY ACCEPTS NO LIABILITY FOR ANY MISUNDERSTANDING CAUSED BY THE TRANSLATION FOR ANY REASON WHATSOEVER.

June 10, 2020

Dear Our Shareholders

**Disclosure through the Internet relating to the Convocation Notice  
of the 10th Ordinary General Meeting of Shareholders**

**The 10th Fiscal Term**  
(from April 1, 2019 to March 31, 2020)

Business Report

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**JXTG Holdings, Inc.**

The contents above are provided to our shareholders by posting on our website (<https://www.hd.jxtg-group.co.jp/english/ir/stock/meeting/>) pursuant to the provisions of laws and regulations, and Article 15 of Articles of Incorporation of the Company.

## 1. Matters Concerning the Financial Auditor

### (1) Name

Ernst & Young ShinNihon LLC

### (2) Amount of the Remunerations (for the fiscal year 2019)

(million yen)

(i) Amount of the Remuneration as the Financial Auditor of the Company	124
(ii) Total amount of monies and other property benefits to be paid by the Company and its subsidiaries	1,095

(Notes)

1. The Audit and Supervisory Committee received reports from the financial auditor and the related sections in the Company about how the remuneration estimates in the audit plan drafted by the financial auditor were calculated, including the audit items, audit time and deployment plans; and considered the performance of the past fiscal years. As a result, the Audit and Supervisory Committee came to determine that the amount of remunerations of the financial auditor was appropriate, and consented to it based on Articles 399.1 and 399.3 of the Japanese Companies Act.
2. The amount set forth in (i) above includes the amount of audit remuneration for the audit based on the Japanese Financial Instruments and Exchange Act because the amount of audit remuneration for the audit based on the Japanese Companies Act and the amount of audit remuneration for the audit based on the Japanese Financial Instruments and Exchange Act are not distinguished in the audit agreement between the Company and the financial auditor and are not practically distinguishable.
3. The Company does not entrust Ernst & Young ShinNihon LLC with non-audit operations.

### (3) Policies on Determining Dismissal or Refusal of Reappointment of the Financial Auditor

- (i) If the Audit and Supervisory Committee deems that a financial auditor falls under any of the categories set forth in items of Article 340.1 of the Japanese Companies Act, and if it determines it necessary to immediately dismiss the financial auditor without obtaining a resolution of a general meeting of shareholders, the financial auditor shall be dismissed by the consent of all Audit and Supervisory Committee Members.
- (ii) If the Audit and Supervisory Committee deems that a financial auditor falls under any of the following items, and if it determines that it is necessary to dismiss or refuse to reappoint the financial auditor, it shall decide the details of the proposal to be submitted to a general meeting of shareholders regarding the dismissal or non-reappointment of the financial auditor.
  - a. the financial auditor falls under any of the categories set forth in items of Article 340.1 of the Japanese Companies Act;
  - b. the financial auditor is subject to an administrative punishment for a breach of laws and regulations, or is subject to a punishment pursuant to the rules established by The Japanese Institute of Certified Public Accountants; or
  - c. the Audit and Supervisory Committee determines it reasonable to make the accounting audit proper and efficient.

## **2. System to Ensure Proper Operations and the Operating Effectiveness of Such System**

### **(1) The Contents of the Resolution on Development of System to Ensure the Properness of Operations**

The contents of the resolution on the Company's development of the system (the internal control system) set forth in Article 399-13.1.1(b) and (c) of the Japanese Companies Act are as follows:

Under the "JXTG Group Philosophy," and considering the JXTG Group Code of Conduct, the Company will develop, based on the following basic policies, a system aimed at ensuring the properness of operations (the internal control system), and shall operate this system.

In operating the internal control system, the Company shall make efforts to continuously improve the system by establishing the JXTG Internal Control Council, as well as by regularly monitoring the operational status, so that the internal control system will be implemented across the entire JXTG Group and done so effectively.

#### **1. System to Ensure That the Execution of Duties by Directors and Employees Complies with Laws and Regulations, and the Articles of Incorporation**

- (1) The Company shall comply with laws and regulations, its articles of incorporation, and its rules, etc., in its entire operational spectrum by developing and enforcing rules aimed at fully ensuring compliance, so that the Company may carry out its corporate activities fairly and improve society's trust in the JXTG Group, whether in or outside of Japan.
- (2) The Company shall develop and operate organizational systems, such as committees, aimed at fully ensuring compliance, as well as regularly conduct inspection activities regarding the JXTG Group's status of compliance, and shall take appropriate measures that correspond to the inspection results.
- (3) The Company shall pursue early detection and early correction of the breaching of laws and regulations, as well as develop and operate a whistleblowing system that cooperates with attorneys-at-law in order to appropriately protect the whistleblower complaining of a breach of laws and regulations. Also, the Company shall develop and operate systems required to ensure that any person who reports any incident to the Company by using a whistleblowing system or by any other appropriate method, is not treated unfavorably on the grounds of making such a report (including by expressly prohibiting such treatment in the relevant rules, among others).
- (4) In order to achieve appropriate operation of the Board of Directors' meetings, the Company shall establish "Rules for the Board of Directors." Based on these rules, it shall hold Board of Directors' meetings once every month in principle, and decide on the execution of important business activities after thorough deliberations, as well as receive reports from directors in an appropriate manner on the status of execution of their duties.
- (5) By having outside directors attend the Board of Directors' meetings and participate in deliberations thereof, the Company shall aim to ensure objectivity and further improve the adequacy of decisions on the execution of business activities.
- (6) The Company shall establish the Internal Audit Department, which will be in charge of internal auditing and which will implement audits independently from other divisions.
- (7) The Company shall develop and operate an internal control system aimed at ensuring trust in its financial reporting, as well as evaluate the effectiveness of the reporting every year, and make any necessary corrections.

- (8) To prevent a relationship between the Company and anti-social forces, the Company shall set the basic policy for the entire JXTG Group, and each company under the JXTG Group shall develop and enforce the rules, etc. that correspond to each of their actual business activities, and fully ensure that the rules, etc. are complied with.

## 2. System for the Storage and Management of Information Related to the Execution of Duties by Directors and Employees

- (1) The execution of duties by the directors and the employees shall in principle be conducted in writing, and the rules on document preparation, management, etc. shall be established and enforced.
- (2) The Company shall properly prepare minutes of the Board of Directors' meetings based on laws and regulations, and shall develop and enforce rules on the preparation, approval process, storage, etc. of approval documents for each person in a management position.
- (3) The Company shall develop and enforce rules aimed at preventing wrongful use, disclosure, and divulgence of company information, and at appropriately handling confidential information and personal information. In addition, the Company shall, through providing opportunities such as internal training, ensure that the employees fully comply with the rules.
- (4) The Company shall appropriately prepare its business reports, financial statements, annual securities reports, etc. and disclose company information in a timely and appropriate manner, in accordance with the Japanese Companies Act, the Japanese Financial Instruments and Exchange Act, and the stock exchanges' Timely Disclosure Rules.

## 3. Rules and Other Systems for the Management of Risk of Loss

- (1) In submitting an important matter, such as regarding a substantial amount of investment, to the Board of Directors' meeting or the Executive Council's meeting, policies on treatment of risks pertaining to the matter shall be defined after sorting out the anticipated risk. In addition, the Company shall, as necessary, appoint outside legal, accounting, tax and other advisors, and seek their opinions.
- (2) The Company shall appropriately identify and analyze various risks that may impair the JXTG Group's corporate value, such as radical changes in the economy and financial conditions; drastic fluctuation in crude oil, copper metal, or other resource prices, or in currency exchange rates; and the occurrence of a large earthquake; and shall develop and enforce systems and rules aimed at dealing with these risks.
- (3) The Company shall promote internal control systems in order to prevent occurrence of improprieties, errors, and losses in each department and shall develop and operate necessary systems and rules in order to achieve this.
- (4) The Company shall achieve safety and environmental preservation and shall develop and operate necessary systems and rules in order to achieve this.
- (5) To prepare for an event where a crisis or emergency significantly affects the JXTG Group's management, the Company shall appropriately transmit and manage information regarding the crisis or the emergency, and shall develop and enforce systems and rules aimed at preventing the occurrence and expansion of damage.

## 4. System to Ensure Efficient Execution of Duties by Directors and Employees

- (1) The Company shall set forth in its "Rules on Organization and Authority" the organizational structure, management positions and business activity allocations in the Company, as well as

matters for approval and the approval authority that correspond to each skill and management position, and have the duties executed in an efficient manner.

- (2) In order to improve the effectiveness of business execution, the Board of Directors shall delegate a part of its important decision-making on business execution to the President, and shall focus on the deliberations and determinations of the basic policies on management and basic policies for development of internal control systems as well as on the oversight of the execution of duties by the directors and executive officers.
- (3) The matters to be resolved by the Board of Directors shall in principle be approved by the President in advance. In addition, on the granting of the President's approval, the Executive Council shall be established as a body that discusses the President's approval of the matter, and appropriate and efficient decision-making shall be conducted after the management of the Company and the core operating companies (each of JXTG Nippon Oil & Energy Corporation, JX Nippon Oil & Gas Exploration Corporation, and JX Mining and Metals Corporation) have conducted examination and deliberation as a group.
- (4) The Company shall draw up a management plan for the next three (3) years in the Medium-Term Management Plan, and shall develop and operate management control systems such as the budget system and the task management system.
- (5) The Company shall establish and operate an optimal IT system from the perspective of proper information management, standardization and optimization of business and strengthening of the internal control system.

#### 5. System to Ensure Appropriate Business Operations within the Corporate Group

- (1) Regarding the "JXTG Group Philosophy" and the "JXTG Code of Conduct," the Company shall define them as the philosophies and standards of conduct common to each company under the JXTG Group, and shall aim to disseminate them among and have them fully understood by each company.
- (2) The Company shall appropriately formulate the management plan as a group at the Board of Directors' meetings and the Executive Council's meetings. In addition, the Company shall have the officers and employees of the core operating companies attend the Executive Council's meetings as necessary, in addition to appointing as the Company's part-time directors the Presidents of all core operating companies, so that decision-making on matters concerning execution of the core operating companies' business activities is appropriately conducted.
- (3) The Company shall set forth in its "Rules for the Board of Directors" and the "Rules on Organization and Authority" the matters to be resolved at, approved by, or reported to the Company's Board of Directors' meetings and the Executive Council's meetings from among the matters regarding execution of the business activities of the core operating companies and other group companies, and shall enforce those rules in an appropriate manner.
- (4) The Company shall set forth in its "Rules on Operation of the JXTG Group" the basic matters regarding the operation of the group, such as the mission, purposes, basic role, structure of authority for decision-making in the Company, the core operating companies, and other group companies, as well as develop and enforce the rules, etc. that should be applied to the entire JXTG Group, and shall aim to have each company under the group share and comply with the rules, etc.
- (5) Regarding systems related to internal control systems of the JXTG Group (including systems related to compliance and systems related to internal controls through IT), the Company shall develop and operate them as systems that include the core operating companies and other group companies, taking into account the business characteristics of the group companies.

- (6) The Company shall appropriately develop and operate a compliance system, risk management system, system to execute business efficiently, and other internal control system of the core operating companies and other group companies by monitoring the development and operation of the internal control system as a group and discussing measures to cope with defects (as necessary) at JXTG Group Internal Control Council.

#### 6. System to Ensure Effective Auditing by the Audit and Supervisory Committee

- (1) The Company shall respect the audit standards and the audit plans set forth by the Audit and Supervisory Committee, and shall cooperate in the smooth performance of audits and the development of conditions for an audit.
- (2) The Company shall take the measures necessary so that the Audit and Supervisory Committee Members are able to attend important meetings, such as the Executive Council's meetings, and understand the process of making important decisions and the status of execution of business activities. In addition, the Company shall develop and operate systems for the Company, the core operating companies, and other group companies to appropriately report on the matters which the Audit and Supervisory Committee Members request.
- (3) The Company shall develop and operate systems for the Audit and Supervisory Committee to receive reports on any fact that may be identified concerning the Company, or any core operating companies or other group companies, such as material breaches of laws and regulations or the articles of incorporation, fraudulent acts, or facts that could cause considerable damage to the Company and the entire JXTG Group, immediately when such a fact is identified.
- (4) The Company shall develop and operate systems required to ensure that any person who reports any incident to the Company by reporting to the Audit and Supervisory Committee is not treated unfavorably on the grounds of making such a report (including by expressly prohibiting such treatment in the relevant rules, among others).
- (5) The Representative Director and other management shall hold meetings with the Audit and Supervisory Committee Members from time to time, and exchange opinions on matters such as the JXTG Group's management issues.
- (6) The Internal Audit Department, which is in charge of internal audits, shall make efforts to maintain close cooperation with the Audit and Supervisory Committee by means such as exchanging opinions on the audit plan and audit results.
- (7) The Company shall establish the Office of Audit and Supervisory Committee as an organization independent from the business execution sections, and the employees appointed exclusively to the office shall assist in the Audit and Supervisory Committee's duties. Treatment of personnel, such as evaluation and transfer of such employees, shall be determined after prior discussions with the full-time Audit and Supervisory Committee Members, in order to ensure the effectiveness of instructions that Audit and Supervisory Committee gives to such employees.
- (8) The Company shall, upon an Audit and Supervisory Committee Member's request, appropriately bear any expenses or debt associated with the execution of duties of the Audit and Supervisory Committee Member, pursuant to Article 399-2, paragraph 4 of the Japanese Companies Act.

## **(2) The Overview of the Operating Effectiveness of the System to Ensure Proper Operations**

The following is an overview of the operating effectiveness of the internal control system of the Company. The Company monitored the operating effectiveness of the internal control system of the JXTG Group in the JXTG Group Internal Control Council, and reported the results to the Board of Directors on April 22, 2020.

### 1. System to Ensure That the Execution of Duties by Directors and Employees Complies with Laws and Regulations, and the Articles of Incorporation

- (1) Based on the “JXTG Group Compliance Activity Basic Policies” which sets forth the principle regarding the compliance activities to be implemented by each company in the JXTG Group, the Company has developed and conducted compliance status reviews of the rules. The situation and the result of those activities have been monitored by the JXTG Group Compliance Committee, an expert committee of JXTG Group CSR Council. In this fiscal year, in light of the trends of revisions to competition laws in Japan and overseas, the Company decided to set forth the “JXTG Group Competition Law Compliance Policy.”
- (2) Based on “the JXTG Group Internal Reporting System Basic Policies,” the Company has developed and operated a whistleblowing system in cooperation with attorneys-at-law. The Company has developed and operated systems prohibiting unfavorable treatment, explicitly providing in the Policies, for example, that no whistleblower may be treated unfavorably on the grounds of making a whistleblower report.
- (3) Based on the “Rules for the Board of Directors,” the Company held the Board of Directors’ meetings for 14 times in this fiscal year with the attendance of the outside directors, thereby deciding on the execution of important business activities and receiving reports on the status of the execution of the directors’ duties.
- (4) The Internal Audit Department formulates an audit plan and based thereon conducts internal audits.
- (5) The Company conducts assessments of effectiveness concerning internal control over financial reporting pursuant to the Japanese Financial Instruments and Exchange Act.
- (6) Based on the “JXTG Group Basic Regulations on Anti-Social Forces,” the Company investigates its business partners and takes contractual and other necessary measures to prevent a relationship between the Company and anti-social forces.

### 2. System for the Storage and Management of Information Related to the Execution of Duties by Directors and Employees

- (1) The Company executes the duties in principle in writing, based on “Rules for Handling Documents” which sets out how documents are to be prepared and managed.
- (2) The Company prepares minutes of the Board of Directors’ meetings based on laws and regulations, and prepares documents for the approval by each managerial position based on the “Rules for Handling Documents,” and appropriately stores and manages them.
- (3) Based on rules such as the “JXTG Group Basic Rules for Information Security” and “Regulation for Protection of Personal Information,” the Company appropriately manages the company information including confidential information and personal information. In this fiscal year, the Company implemented cyber security measures, including strengthening security training and conducting drills for targeted email attacks.

- (4) Based on the related laws and regulations and the stock exchanges' Timely Disclosure Rules, the Company appropriately prepares such documents as its business reports, financial statements, the securities report, and discloses them.

### 3. Rules and Other Systems for the Management of Risk of Loss

- (1) In submitting important matters to the Board of Directors' meeting, the Company seeks opinions from outside advisors as necessary, identifies the anticipated risks pertaining to the matter and defines the policy on how such risks are to be treated.
- (2) The Company develops and operates systems to handle each type of risk by responding appropriately to risks related to group management based on the "Risk Management Policy on Group Management," as well as by establishing and following rules concerning the derivative transactions, setting forth a business continuity plan in the event of a major earthquake and taking other measures.
- (3) The Company established the "Basic Policy on Internal Control System of the JXTG Group" in order to set forth fundamental matters in relation to the JXTG Group internal control system, and each department promotes internal control pursuant to the provisions of such policy.
- (4) The Company established the JXTG Group Environment & Safety Committee and the JXTG Group Human Rights Promotion and Human Resources Development Committee, expert committees of the JXTG Group CSR Council, to regularly monitor initiatives in relation to ensuring the safety of business operations, environmental protection and ensuring health. In this fiscal year, the Company strengthened its measures to prevent secondhand tobacco smoke according to revisions of the Japanese Health Promotion Act.
- (5) The Company has established the "Crisis and Emergency Response Regulations" to prepare for an event where a crisis or emergency such as a disaster or accident affects the Company and the JXTG Group's management, and conducts training assuming that such crisis or emergency will occur, and verifies the results of the training. In this fiscal year, the Company established a task force in each core operating company in February 2020 in response to the novel coronavirus (COVID-19), and continues to this day to make all efforts to prevent infections of employees and maintain its business continuation system.

### 4. System to Ensure Efficient Execution of Duties by Directors and Employees

- (1) The Company executes duties in accordance with the rules on matters requiring approval and the level of approval authority set forth in its "Rules on Organization and Authority."
- (2) In order to strengthen the management and monitoring functions and to improve the agility of the execution of business activities, the Board of Directors delegates a part of the decision-making on execution of important business activities to the President and conducts an operation wherein the Board of Directors can focus on deliberating and deciding on basic management policies, such as the corporate governance of the JXTG Group and Medium-Term Management Plan. In this fiscal year, the Board of Directors had numerous deliberations toward the formulation of the Second Medium-Term Management Plan from FY 2020.
- (3) The matters to be resolved by the Board of Directors are in principle approved by the President. In addition, to receive the President's approval, Executive Council meetings are held as a body to discuss matters for the President's approval.
- (4) Together with formulation of the Medium-Term Management Plan, the Company determines the annual budget and numerical targets for each group company and monitors their progress in Executive Council meetings and Board of Directors' meetings.



- (5) The Company is progressing with the introduction of an ERP system, with goals including appropriate information management, standardization and streamlining of work and enhancement of the internal control system.

#### 5. System to Ensure Appropriate Business Operations within the Corporate Group

- (1) In order to disseminate the “JXTG Group Philosophy” and the “JXTG Group Code of Conduct” and have them fully understood by the directors and employees of all JXTG Group companies, the Company continuously conducts in-house training and monitors the activity status of the group companies at the JXTG Group CSR Council, and makes reports to the Board of Directors and Executive Council.
- (2) In the Company’s Board of Directors’ meetings and the Executive Council meetings whose member includes the Presidents of the core operating companies, the Company formulates a management plan for the entire group including the core operating companies, and makes decisions on or receive reports on matters regarding important business activities of the core operating companies, based on its “Rules for the Board of Directors” and the “Rules on Organization and Authority.”
- (3) In addition to the “Rules on the Operation of JXTG Group,” the Company has established rules, to be applied to each company in the JXTG Group, and has each company comply.
- (4) The Company established the “Basic Policy on Internal Control System” as policy that applies to core operating companies and other group companies, and promotes internal control at each group company pursuant to such policy.
- (5) The Company conducts surveys on the development and operation of the internal control system of the JXTG Group every year, reports the results to the JXTG Group Internal Control Council, and makes improvements as necessary.

#### 6. System to Ensure Effective Auditing by the Audit and Supervisory Committee

- (1) The Company respects the audit standards and the audit plans set forth by the Audit and Supervisory Committee, and cooperates in the development of conditions for an audit.
- (2) The Company shall take the measures necessary so that the Audit and Supervisory Committee Members are able to attend important meetings, such as the Executive Council’s meetings, and understand the process of making important decisions and the status of execution of business activities. In addition, the Company regularly reports to the Audit and Supervisory Committee on matters for which the Audit and Supervisory Committee Members requested reports and the operations of the whistleblowing system and other matters.
- (3) The Company develops an environment in which the Audit and Supervisory Committee can appropriately gather information related to the Company’s management, by way of exchanges of opinions with the Representative Director and other management members, report on the audit plan and on how audits are being executed by the internal audit division and other ways.
- (4) The Company has established the Office of Audit and Supervisory Committee, in which employees appointed exclusively to assist in the Audit and Supervisory Committee’s duties engage in their tasks under the direction of the Audit and Supervisory Committee Members. The treatment of personnel, such as the evaluation and transfer of such employees, is determined based on prior discussions with the full-time Audit and Supervisory Committee Members.
- (5) The Company, upon an Audit and Supervisory Committee Member’s request, bears any expenses or debt associated with the execution of the duties of the Audit and Supervisory Committee Members.

End



(Notes)

1. Starting from the 8th fiscal year, the Company prepares its consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS).
2. The figures stated in this business report have been obtained by rounding off the fractions less than the unit indicated for each, and the ratios have been obtained by rounding off the fractions less than the digit indicated for each. However, the number of shares has been obtained by omitting the fractions less than the unit indicated for each, and the ratios regarding shares have been obtained by omitting the fractions less than the digit indicated for each.

# Consolidated Financial Statements

## Notes to Consolidated Financial Statements (from April 1, 2019 to March 31, 2020)

### 1. Notes to Important Matters Fundamental for Preparation of Consolidated Financial Statements

#### (1) Standards for Preparation of Consolidated Financial Statements

The consolidated financial statements of the Company have been prepared in conformity with the International Financial Reporting Standards (“IFRS”) pursuant to the provisions of Article 120.1 of Rules of Corporate Accounting. Some of the items in the consolidated financial statements required to be disclosed by IFRS have been omitted in accordance with the provisions of the second sentence of Article 120.1 of Rules of Corporate Accounting.

#### (2) Matters relating to the Scope of Consolidation and Application of Equity Method

The Company has 517 subsidiaries and 172 subsidiaries and affiliates accounted for using the equity-method (affiliated companies, jointly controlled businesses and jointly controlled companies).

##### Major subsidiaries

JXTG Nippon Oil & Energy Corporation, JX Nippon Oil & Gas Exploration Corporation, JX Nippon Mining & Metals Corporation, Pan Pacific Copper Co., Ltd., Toho Titanium Co., Ltd. and NIPPO CORPORATION

##### Major subsidiaries and affiliates accounted for using the equity-method

Osaka International Refining Co., Ltd., Abu Dhabi Oil Co., Ltd., United Petroleum Development Co., Ltd., LS-Nikko Copper Inc. and Minera Los Pelambres

#### (3) Matters relating to Accounting Policies

##### (i) Valuation standards and valuation method for assets

##### A. Valuation standards and valuation method for financial assets

##### Financial assets measured at amortized cost

Financial assets are categorized as financial assets measured at amortized cost if both of the following conditions are satisfied.

- Financial assets are held based on the business model whose purpose is to hold assets to recover contractual cash flows.
- A cash flow that only concerns the payment of the principal and interest accrued on the balance of the principal is accrued based on the contractual terms of the financial assets.

Subsequent to the initial recognition, the financial assets are measured at amortized cost using the effective interest method and undergo impairment loss evaluation.

### Financial assets measured at fair value through other comprehensive income

Financial assets other than those measured at amortized cost are measured at fair value. Of such financial assets, each of the equity instruments other than those held for trading purposes is evaluated whether to be designated as a financial asset measured at fair value through other comprehensive income upon the initial recognition.

The financial assets designated as financial assets measured at fair value through other comprehensive income are measured at fair value subsequent to the initial recognition and all subsequent changes in such financial assets are recognized in other comprehensive income.

The amount recognized in other comprehensive income may not be subsequently transferred to net profit or loss, but may be transferred within equity. If any relevant financial asset is derecognized or its fair value has significantly declined, the amount recognized in other comprehensive income is transferred to retained earnings. Dividends from such financial assets are recognized in net profit or loss.

### Financial assets measured at fair value through net profit or loss

Of financial assets other than the financial assets measured at amortized cost, those that are not designated as financial assets measured at fair value through other comprehensive income are categorized as financial assets measured at fair value through net profit or loss.

Subsequent to the initial recognition, all subsequent increases and decreases in such financial assets are recognized in net profit or loss.

## B. Valuation standards and valuation method for inventories

The acquisition cost of inventories includes purchase costs, process costs and all other costs incurred up to the current place and condition.

Inventories are recorded at the lower of the acquisition cost and net realizable value. Net realizable value is the expected sales price in the ordinary course of business less estimated cost and estimated selling expenses required to complete. The acquisition cost is calculated mainly using the gross average method.

## C. Valuation standards, valuation method and depreciation method for property, plant and equipment

For the measurement after recognition of property, plant and equipment, the cost model is adopted. The measurement value is indicated in the amount of acquisition cost less accumulated depreciation and accumulated impairment loss.

Depreciation of tangible fixed assets other than land is primarily calculated based on the straight-line method over the estimated useful life of each component of property, plant and equipment, with respect to the amortizable value after deducting the residual value from the acquisition cost.

Estimated useful lives of major tangible fixed assets are as follows.

Buildings, structures and oil tanks	2 years to 50 years
Machinery and vehicles	2 years to 20 years

Expenditure recognized as assets in the exploration, evaluation and development of oil and natural gas are depreciated using the units-of-production method.

#### D. Valuation standards and valuation method for intangible assets and goodwill

For the measurement after recognition of intangible assets, the cost model is adopted, and the measurement value is indicated in the amount of the acquisition cost less accumulated amortization and accumulated impairment loss. In addition, goodwill is indicated in the amount of the acquisition cost less the accumulated impairment loss.

Intangible assets are amortized principally using the straight-line method over the estimated useful lives of the acquisition cost less residual value.

Estimated useful lives of major intangible assets are as follows.

Software	5 years
Customer-related assets	10 years to 25 years

#### E. Valuation standards and valuation method for the right-of-use assets

Lease liabilities and right-of-use assets are recognized for leases except for short-term leases and leases of low-value assets.

Lease liabilities are initially recognized at the present value of the lease payments outstanding as of the commencement date of the lease by discounting them at the interest rate implicit in the lease. However, unless the interest rate implicit in the lease is practicably readily determinable at the time of recognition, the JXTG Group uses its own incremental borrowing rates.

Right-of-use assets are recognized in the amount calculated by adjusting the measured amount of lease liabilities with initial direct costs, advance lease payments, etc. and adding any estimated costs incurred to fulfill restoration arising from the lease contract, and are depreciated systematically over the lease term. In addition, right-of-use assets are included in “property, plant, and equipment” in the consolidated statements of financial position.

Lease payments are allocated to finance costs and the repayment portion of the outstanding lease liabilities in a way that the constant rate of interest is applied to the outstanding lease liability. Finance costs are presented separately from depreciation associated with the right-of-use assets in the consolidated statements of profit or loss.

The Company determines if a contract is a lease, or if a contract includes a lease, based on the substance of the contract, including those legally not in the form of leasing.

Lease payments for short-term leases with a lease term of 12 months or less and leases of low-value assets are recognized as expenses on a straight-line basis over the lease term unless another systematic basis is more representative of the pattern of the lessee's benefit.

#### F. Impairment of non-financial assets

The JXTG Group assesses the impairment indicators for each asset for each reporting period, and estimate the recoverable amount of the asset if there are indications of impairment. If the recoverable value cannot be estimated for individual assets, the recoverable value is estimated for each cash generating unit to which the asset belongs.

If the carrying amount of the asset or cash generating unit exceeds the recoverable amount, the impairment loss is recognized for the asset and the value is written down to the recoverable amount.

With respect to goodwill, an impairment test is carried out every year or whenever there is an indication of impairment. Impairment losses on goodwill are recognized in net profit or loss and are not reversed.

Assets other than goodwill are examined as to whether there is an indication of possible reduction or extinction of impairment losses recognized in the past reporting period. If such indication exists, the recoverable amount of the asset or cash-generating unit is estimated, and if the recoverable amount exceeds the carrying amount of the asset or cash-generating unit, the impairment loss is reversed up to the amount not exceeding the carrying amount after deducting the necessary depreciation or amortization expenses from the carrying amount where impairment loss is not recognized.

#### (ii) Recording standards for provisions

Provisions are recognized where the Company has a current legal or constructive obligation as a result of a past event and it is highly likely that an outflow of resources with economic benefits will be required to settle the obligation and where the amount of such obligation can be reliably estimated.

Provisions are measured in present value by applying to expenditures expected to be required for settlement of the obligation, the pre-tax discount rate that reflects the current market valuation of the time value of money and the risks specific to the obligation. Increase in provision over time is recognized as interest expense.

#### (iii) Other important matters for preparation of the consolidated financial statements

- Foreign currency translation

The Company's consolidated financial statements are indicated in Japanese yen, the functional currency of the Company.

Transactions denominated in foreign currencies are translated into functional currencies of each group company at the exchange rate at the transaction date. Monetary assets and liabilities denominated in foreign currency at the end of the fiscal year are re-translated to functional currency at the exchange rate at the end of the fiscal year, and non-monetary

assets and liabilities denominated in foreign currency that are measured at fair value are translated into functional currency at the exchange rate at the date of calculation of the fair value. Foreign currency translation differences arising therefrom are in principle recognized in net profit or loss. Non-monetary assets and liabilities denominated in foreign currency that are measured at acquisition cost are translated at the exchange rate of the transaction date.

Assets and liabilities of foreign operations are translated into Japanese yen using exchange rates at the end of the fiscal year, and income and expenses are translated into Japanese yen using the average exchange rate in the reporting period. Differences arising from foreign currency translation are recognized in other comprehensive income.

- Retirement benefits

JXTG Group adopts a defined benefit plan and a defined contribution plan. The liability recognized in the consolidated statements of financial position in connection with the defined benefit plan is the present value of the defined benefit obligation as of the end of the reporting period minus the fair value of the plan assets. Defined benefit plan obligations are calculated annually by independent pension actuaries. The discount rate is calculated based on the market yield of high quality corporate bonds as of the end of the fiscal year corresponding to the discount period by setting a discount period based on the period up to the anticipated future payment date for each fiscal year.

Retirement benefit expenses that constitute service cost and net interest on the net amount of defined benefit obligation (asset) are recognized in net profit or loss. The re-measurement, including the differences between estimates and actual results as well as the actuarial differences arising from changes in actuarial assumptions, is recognized as other comprehensive income in the period in which it occurred. Although such re-measurement amount may not be transferred to net profit or loss, since it is permitted to transfer within equity, it is immediately transferred from other component of equity to retained earnings. Prior service cost is recognized in net profit or loss.

Retirement benefit expenses pertaining to defined contribution plans are recognized as expenses during the period when employees provided services, and unpaid contributions are recognized as obligations.

- Recognition of income

JXTG Group recognizes income by applying the following five steps, excluding interest and dividend income or the like under IFRS 9 “Financial Instruments.”

Step 1: Identify the contract with customers

Step 2: Identify the performance obligations in the contract

Step 3: Calculate the transaction value

Step 4: Allocate the transaction value to performance obligation in the contract

Step 5: Recognize the income when the performance obligation has been satisfied (or as it becomes satisfied)

JXTG Group sells petroleum products, petrochemical products, crude oil, natural gas, material ore such as copper concentrates, non-ferrous metal products such as electrolytic copper, electronic materials products, and the like.

In the sales of such products, the legal rights of ownership, possessory rights, risks accompanying the ownership of products and the economic value transfer to the customer generally at the time when the control over the product transfers to the customer, i.e. when the product is delivered to the customer and the rights to receive consideration for the product from the customer is obtained. Thus, income is recognized at that point. Income is recognized based on the transaction value in accordance with the contract with the customer, and is shown in net amount after subtracting the VAT, returned products, rebates and discounts. Taxes that are imposed at the time of sales and considered to be collected as a substitute, such as VAT or gas oil delivery tax, are included in the net amount, and not included in the revenue. On the other hand, taxes that are imposed before the sales, such as gasoline tax, are included in the revenue. Regarding transactions in which the consideration can fluctuate, the income therefrom is recognized within the scope wherein no significant reverse will occur in the future by using the single amount which is the most likely amount within the range of possible consideration amounts.

- Accounting treatment of consumption tax, and the like  
The net of tax method is used.
- Application of the consolidated tax payment system  
The consolidated tax payment system is applied.

## 2. Notes to Changes in the Accounting Policies

### IFRS 16 “Leases” (as lessee)

JXTG Group has applied IFRS 16 “Leases” (issued January 2016) (hereinafter, “IFRS 16”) starting from this consolidated fiscal year and adopted a method in which the cumulative effect of initially applying this standard is recognized as an adjustment to the balance of retained earnings at the beginning of the consolidated fiscal year, which is approved as a transitional measure. There is no material effect on accounting treatment for leases as a lessor.

In transition to IFRS 16, the JXTG Group has elected to apply the practical expedient provided in paragraph C3 of IFRS 16 to grandfather the assessment of whether a contract contains a lease under IAS 17 “Leases” (hereinafter, referred to as “IAS 17”) and IFRIC 4 “Determining whether an Arrangement contains a Lease.”

For leases previously classified as operating leases under IAS 17, right-of-use assets and lease liabilities were recognized on the date of initial application of IFRS 16 except for short-term leases and leases of low-value assets.

Lease liabilities are initially recognized at the present value of the lease payments outstanding as of the commencement date of the lease by discounting them at the interest rate implicit in the lease. However, unless the interest rate implicit in the lease is practicably readily determinable, the JXTG Group uses its own incremental borrowing rates. The weighted average of such incremental borrowing rates applied to the lease liabilities recognized in the consolidated statements of financial position as of April 1, 2019 is 1.3%.



In recognizing right-of-use assets, the JXTG Group chooses one of the following measuring methods, on a lease-by-lease basis.

- (i) Recognizing its carrying amount as of the initial application date as if IFRS 16 had been applied since the commencement date of the lease, but discounted using the lessee's incremental borrowing rate at the date of initial application.
- (ii) Recognizing the measured amount of lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the statement of financial position immediately before the date of initial application.

Costs incurred to fulfill restoration arising from the lease contract, if any, are included in the initial measured amount. Right-of-use assets are depreciated systematically over the lease term.

Lease payments are allocated to finance costs and the repayment portion of the outstanding lease liabilities in a way that the constant rate of interest is applied to the outstanding lease liability. Finance costs are presented separately from depreciation associated with the right-of-use assets in the summary of consolidated statements of profit or loss.

Lease payments for short-term leases and leases of low-value assets are recognized as expenses on a straight-line basis over the lease term unless another systematic basis is more representative of the pattern of the lessee's benefit.

For leases as lessee previously classified as finance leases under IAS 17, the right-of-use assets and lease liabilities at the date of initial application were recorded at the carrying amounts of the leased assets and the lease obligations at the date immediately before the date of initial application.

The following is the reconciliation of future minimum lease payments of non-cancellable operating leases as of the end of the previous consolidated fiscal year and lease liabilities recognized in the consolidated statements of financial position as of the date of initial application.

(Millions of yen)	
	Amount
(a) Future minimum lease payments of non-cancellable operating leases as of March 31, 2019	189,910
Discounted present value of (a)	177,503
Finance lease obligations as of March 31, 2019	59,344
Effect of reassessment of lease term, etc.	237,314
Lease liabilities as of April 1, 2019	474,161

The following is the reconciliation of leased assets recognized in the consolidated statements of financial position as of March 31, 2019 and right-of-use assets recognized in the consolidated statements of financial position as of the date of initial application.

	(Millions of yen)
	Amount
Leased assets included in property, plant and equipment as of March 31, 2019	44,606
Asset retirement obligations related to the above leased assets as of March 31, 2019	7,492
Right-of-use assets recognized in property, plant and equipment as of April 1, 2019	407,817
Right-of-use assets included in property, plant and equipment as of April 1, 2019	459,915

Retained earnings decreased by 2,072 million yen at the date of initial application due to the effects of the above lease liabilities and right-of-use assets, as well as recognition of other receivables of 3,052 million yen, deferred tax assets of 1,234 million yen, provisions of 225 million yen, and non-controlling interests of negative 867 million yen.

The impact thereof on the consolidated statements of profit or loss for this consolidated fiscal year was immaterial.

### 3. Notes to Consolidated Statements of Financial Position

#### (1) Assets offered as security, and obligations relating to security

##### (i) Assets offered as security

Property, plant, and equipment: .....869,026 million yen  
Cash and cash equivalents: ..... 10,824 million yen  
Other: .....4,187 million yen

##### (ii) Obligations related to security

Accounts payable-other: .....114,445 million yen  
Long-term loans payable (including current portion):..... 82,322 million yen  
Other: ..... 750 million yen

Accounts payable-other is included in trade and other payables of the Consolidated Statements of Financial Position.

The obligations corresponding to the assets offered as security include, in addition to (ii) above, the transaction guarantee of 729 million yen, and loans payable and accounts payable by affiliates, or the like of 6,326 million yen.

#### (2) Breakdown of property, plant, and equipment

Buildings, structures and oil tanks:.....764,693 million yen  
Machinery and vehicles: .....734,799 million yen  
Land:..... 1,523,173 million yen  
Construction in progress: .....135,675 million yen  
Exploration and development investment account:.....501,962 million yen  
Other: ..... 64,559 million yen

#### (3) Allowance for doubtful accounts directly deducted from assets

Trade accounts receivables and acceptance receivables:.....1,098 million yen  
Other: .....1,681 million yen

Trade accounts receivables and acceptance receivables are included in trade and other receivables of the Consolidated Statements of Financial Position.

- (4) Accumulated depreciation and accumulated impairment loss of property, plant, and equipment:  
5,580,953 million yen
- (5) Breakdown of bonds and borrowings
- (i) Current
- |  |                     |
|--|---------------------|
| Bonds: .....   | 36,720 million yen  |
| Short-term borrowings: .....                             | 343,159 million yen |
| Long-term borrowings to be repaid within one year: ..... | 210,902 million yen |
| Commercial papers: .....                                 | 324,000 million yen |
- (ii) Non-current
- |                             |                       |
|-----------------------------|-----------------------|
| Bonds: .....                | 166,641 million yen   |
| Long-term borrowings: ..... | 1,219,424 million yen |
- (6) Guarantee obligations
- The Company provides guarantees, or the like, to, among others, loans from financial institutions by companies other than the subsidiaries. The Company also provides guarantees to employees' loans (housing funds).
- |                                      |                    |
|--------------------------------------|--------------------|
| Affiliates, or the like: .....       | 13,007 million yen |
| Other companies and employees: ..... | 9,503 million yen  |
- \*Affiliates, or the like includes jointly controlled companies.

#### 4. Notes to Consolidated Statements of Profit or Loss

- (1) Breakdown of other income and expenses
- (i) Other income
- |  |                    |
|--|--------------------|
| Dividend income: .....                               | 21,436 million yen |
| Rental income: .....                                 | 9,008 million yen  |
| Gain on sale of property, plant and equipment: ..... | 10,006 million yen |
| Exchange gain: .....                                 | 7,174 million yen  |
| Other: .....   | 29,346 million yen |
- (ii) Other expenses
- |   |                     |
|---|---------------------|
| Impairment loss: .....                                | 113,211 million yen |
| Loss on sale of property, plant, and equipment: ..... | 11,065 million yen  |
| Other: .....  | 18,470 million yen  |
- (2) Breakdown of finance income and costs
- (i) Finance income
- |                        |                   |
|------------------------|-------------------|
| Interest income: ..... | 6,559 million yen |
| Exchange gain: .....   | 2,772 million yen |
| Other: .....           | 2,785 million yen |
- (ii) Finance costs
- |                         |                    |
|-------------------------|--------------------|
| Interest expense: ..... | 32,821 million yen |
| Other: .....            | 1,998 million yen  |

## 5. Notes to Consolidated Statements of Changes in Equity

(1) Class and Total Number of Issued Shares: Common stock 3,230,282,649 shares  
(as of March 31, 2020)

(2) Purchase and Cancellation of Treasury Shares

The Company acquired treasury shares to the amount of 53,954 million yen (109,422,000 shares) in this consolidated fiscal year based on the resolutions of the Board of Directors' meetings held on February 8, 2019 and May 13, 2019. Purchase of treasury shares amounted to 54,894 million yen in total, including 940 million yen for the purchase of shares held by untraceable shareholders and shares less than one unit, and acquisition of shares through the BIP trust, an executive incentive plan. The treasury shares to the amount of 78,728 million yen purchased based on the resolutions of the two Board of Directors' meetings (155,711,000 shares; including those purchased in the previous consolidated fiscal year) have all been cancelled in this consolidated fiscal year.

(3) Written Put Option Held Against Non-controlling Shareholders

JXTG Group recognizes the fair value of the redemption amount of the written put option held against non-controlling shareholders as financial liability and has discontinued to recognize non-controlling interests which are the subject of the put option, and includes the difference between them in capital surplus. Such amount included in capital surplus in this consolidated fiscal year was a loss of 4,164 million yen.

(4) Dividends of Surplus

(i) Dividends paid

Resolution	Class	Total Dividends (Millions of yen)	Dividends per Share (yen)	Record Date	Effective Date
Ordinary General Meeting of Shareholders to be held on June 26, 2019	Common stock	36,673 (Note 1)	11.0	March 31, 2019	June 27, 2019
Board of Directors' Meeting held on November 8, 2019	Common stock	35,469 (Note 2)	11.0	September 30, 2019	December 4, 2019

(Note 1) Total dividends include dividends of 13 million yen on the shares held by the BIP trust, an executive incentive plan.

(Note 2) Total dividends include dividends of 11 million yen on the shares held by the BIP trust, an executive incentive plan.

(ii) Dividends with record date falling in the current consolidated fiscal year, and with effective date coming in the following fiscal year

Scheduled Resolution Date	Class	Source of Dividends	Total Dividends (Millions of yen)	Dividends per Share (yen)	Record Date	Effective Date
Ordinary General Meeting of Shareholders held on June 25, 2020	Common stock	Retained earnings	35,453 (*)	11.0	March 31, 2020	June 26, 2020

(\*) Total dividends include dividends of 16 million yen on the shares held by the BIP trust, an executive incentive plan.

## 6. Notes to Financial Instruments

### (1) Matters relating to Status of Financial Instruments

JXTG Group is striving to realize and maintain optimal capital structure to achieve medium-to long-term group strategy and maximization of corporate value.

JXTG Group, which is exposed to various risks such as credit risk, liquidity risk and market risk in the course of its business activities and financing activities, manages risks as described below.

#### (i) Credit risk

JXTG Group implements measures for early grasp of collection concerns and other credit risks, by properly managing each business partner in accordance with JXTG Group's credit management rules and other internal policies.

The receivables held by the Company are receivables against a large number of business partners in a wide range of industries and regions. The Company is not exposed to a material credit risk pertaining to a specific business partner, and there is no excessive concentration of credit risk requiring special management.

#### (ii) Liquidity risk

In order to secure the minimum cash on hand in carrying out the business, JXTG Group takes out loans from financial institutions and issues corporate bonds or commercial paper, whenever necessary. JXTG Group has also established a commitment line in case of emergency such as where it unexpectedly faces a necessity of funds or where market liquidity suddenly declines.

In addition, as an effort to manage liquidity risk, JXTG Group appropriately grasps the group companies' demand for funds, prepare a cash management plan and monitor cash flows by comparing the plan with actual cash flows.

#### (iii) Market risk

To hedge market risk, JXTG Group uses derivative financial instruments such as forward exchange contracts, interest rate swaps and commodity futures transactions. The execution and management of derivative transactions are in accordance with internal rules that stipulate trading authorities. It is the JXTG's policy not to conduct speculative transactions using derivative financial instruments.

Changes in fair value of derivatives that meet hedge accounting requirements are, in principle, recognized in other comprehensive income.

(2) Matters relating to Fair Value, and the like of Financial Instruments

The carrying amount and fair value of the financial instruments measured by amortized cost and the calculation method of fair value are as follows.

The Company does not disclose the financial instruments measured at fair value in the consolidated statements of financial position and the financial instruments with fair value being nearly equal to its carrying amount.

(Millions of yen)

	Current Consolidated Fiscal Year (March 31, 2020)	
	Carrying Amount	Fair Value
Bonds and borrowings	2,300,846	2,311,205

The fair value of bonds and borrowings is estimated by discounting future cash flows to the present value using interest rates applicable when JXTG Group takes out a new similar loan.

**7. Notes to Per-share Information**

Equity attributable to owners of the parent per share:	718.28 yen
Basic profit attributable to owners of the parent per share:	(57.86) yen
Diluted profit attributable to owners of the parent per share:	(57.84) yen

**8. Notes to Business Combination**

Omitted since there are no important business combinations.

**9. Notes to Material Subsequent Events**

Not applicable.

**10. Additional Information**

Preparation of JXTG Group's consolidated financial statements requires management's estimates and judgments. These estimates and judgments are based on the best estimates of management in light of historical experience and various factors, including the spread of COVID-19 and changes in the market conditions caused by trends of oil-producing countries, deemed to be reasonable at the end of the reporting period. However, due to uncertainty in estimates and judgments, actual results may differ from those estimates and judgments.

Among the estimates and judgments made by management, those that would have material effects on the amounts recognized in JXTG Group's consolidated financial statements, in particular, are as follows:

- Evaluation of impairment of non-financial assets
- Evaluation of deferred tax assets

## Non-consolidated Financial Statements

### Notes to Non-consolidated Financial Statements (from April 1, 2019 to March 31, 2020)

#### 1. Notes to Matters relating to Important Accounting Policies

##### (1) Standards and Methods for Valuation of Assets

###### Securities

Shares of subsidiaries and shares of affiliates: Valued at cost, based on the moving-average method.

###### Other securities:

###### Marketable securities:

Valued at fair value based on the market value as of the non-consolidated balance sheet date. (Valuation differences are included directly in net assets.

The acquisition cost used as the basis for calculating the valuation differences is determined by the moving-average method).

###### Non-marketable securities:

Valued at cost, based on the moving-average method.

##### (2) Standards and Methods for Valuation of Derivatives

Derivatives: Valued at fair value.

##### (3) Method of Depreciation of fixed Assets

Tangible assets (excluding leased assets):

The straight-line method

Major expected lifetime is as follows.

Buildings and structures: 2 years to 50 years.

Intangible assets (excluding leased assets):

The straight-line method

Software is amortized based on the authorized period of internal use (5 years).

Leased assets:

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

##### (4) Recording Standards for Provisions

###### Provision for bonuses:

The provision will be appropriated to pay for the bonuses of the employees; therefore, this is recorded based on the expected payment amount.

###### Provision for share remuneration:

The Company records an estimated amount of shares to be granted to directors and the like who were given points which can be converted to the corresponding amount of shares through the BIP trust, an executive incentive plan, in order to prepare for exchange with the Company's shares.

##### (5) Other Matters Important for Preparation of Non-consolidated Financial Statements

###### (i) Method of treatment of deferred assets

Bond issuance costs are treated as expenses upon expenditure.

###### (ii) Method of hedge accounting

Deferred hedge accounting is adopted in principle. However, the exception method is adopted with interest swaps upon satisfying this method's requirements.

###### (iii) Accounting treatment of consumption tax or the like

The accounting treatment of consumption tax and local consumption tax is based on the net of tax method. However, non-deductible consumption tax or the like on assets is treated as expenses for the fiscal year in which the grounds for the consumption tax or the like arose.

(iv) Application of the consolidated tax payment system

The consolidated tax payment system is applied.

(v) Application of tax effect accounting for the transition from the consolidated tax payment system to the group tax sharing system

As for items subject to transition to the group tax sharing system introduced in the “Act Partially Amending the Income Tax Act” (Act No. 8 of 2020) and items revised on non-consolidated tax payment system in connection with the transition to the group tax sharing system, the provisions of paragraph 44 of the “Guidance on Accounting Standard for Tax Effect Accounting” (Accounting Standards Board of Japan (“ASBJ”) Guidance No. 28, February 16, 2018) are not applied, as allowed by the provisions of paragraph 3 of the “Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System” (ASBJ PITF No. 39, March 31, 2020). Accordingly, amounts of deferred tax assets and deferred tax liabilities are determined in accordance with the provisions of the tax law before revision.

## 2. Notes to Non-consolidated Balance Sheet

(1) Assets Offered as Security

(i) Assets offered as security

Stocks of subsidiaries and affiliates: ..... 146,192 million yen

(ii) Obligations to the above

Subsidiaries’ and affiliates’ accounts payable-other: ..... 10,056 million yen

(2) Accumulated Depreciation of Property, Plant and Equipment: ... 10,976 million yen

(3) Guarantee Obligations

Guarantee on loans: 474,998 million yen

Guarantee on transactions-other: 151,076 million yen

Total: 626,074 million yen

\*Apart from the above, the Company is providing guarantee for asset retirement obligation pertaining to the oil and natural gas exploration business.

(4) Monetary Claims against and Monetary Obligations to Subsidiaries and Affiliates (excluding those indicated separately under the account titles in the balance sheet)

Short-term monetary claims: ..... 13,282 million yen

Long-term monetary claims: ..... - million yen

Short-term monetary obligations: ..... 21,427 million yen

Long-term monetary obligations: ..... 730 million yen

## 3. Notes to Non-consolidated Statements of Income

Volume of Transactions with Subsidiaries and Affiliates

Operating revenue: ..... 87,563 million yen

Operating expenses: ..... 5,679 million yen

Volume of transactions other than in business transactions: .... 20,149 million yen



#### 4. Notes to Non-consolidated Statements of Changes in Net Assets

##### Class and Number of Treasury Shares as of the End of this Fiscal Year

Class of Share	Number of shares as of the beginning of this fiscal term	Number of shares increased in this fiscal term	Number of shares decreased in this fiscal term	Number of shares as of the end of this fiscal term
Common stock	53,284,194 shares	111,350,188 shares	155,906,939 shares	8,727,443 shares

(Note 1) The number of increases in treasury shares consists of an increase of 109,421,700 shares due to purchase of treasury shares based on the resolutions at the Board of Directors' meetings, an increase of 1,448,932 shares due to purchase of shares held by untraceable shareholders, an increase of 460,000 shares due to additional purchase of shares through the BIP trust, an executive incentive plan, and an increase of 19,556 shares due to demand for purchase from holders of shares less than one unit.

(Note 2) The number of decreases in treasury shares consists of a decrease of 155,711,000 shares due to cancellation of treasury shares based on the resolutions of Board of Directors' meetings, a decrease of 194,963 shares due to delivery to Directors and the like through the BIP trust, an executive incentive plan, and a decrease of 976 shares due to demand for sale to holders of shares less than one unit.

#### 5. Notes to Tax Effect Accounting

Major items that resulted in an accrual of deferred tax assets and deferred tax liabilities are as follows:

	(Millions of yen)
(Deferred Tax Assets)	
Provision for bonuses	152
Investment securities	807
Loss on valuation of investments in securities	7,474
Income tax payable	82
Other	842
<hr/>	
Subtotal of deferred tax assets	9,357
Valuation reserve	(2,553)
<hr/>	
Total deferred tax assets	6,804
(Deferred Tax Liabilities)	
Land	434
Reserve for advanced depreciation of fixed assets	748
Investment securities	6,586
Receivable business tax refund	23
Assets for adjustment of profit and loss	3,826
Other	317
<hr/>	
Total deferred tax liabilities	11,933
<hr/>	
Net deferred tax liabilities	5,128

## 6. Notes to Transactions with Related Parties

Type	Name of Company	Percentage of Voting Rights or the like Held	Relationship with Related Parties	Details of Transaction	Transaction Amount (Millions of yen)	Account Title	Balance at End of Period (Millions of yen)
Subsidiary	JX Nippon Oil & Energy Corporation	Directly owned, 100%	Business management; Interlocking directorate	Receipt of business management fee (Note 1) Guarantee of obligations or the like (Note 2)	8,248 230,964	-	-
Subsidiary	JX Nippon Oil & Gas Exploration Corporation	Directly owned, 100%	Business management; Interlocking directorate	Receipt of business management fee (Note 1) Underwriting of capital increase (Note 3)	1,179 20,000	-	-
Subsidiary	JX Nippon Mining & Metals Corporation	Directly owned, 100%	Business management; Interlocking directorate	Receipt of business management fee (Note 1) Guarantee of obligations or the like (Note 4)	2,358 63,778	-	-
Subsidiary	JX Nippon Finance Corporation	Directly owned, 100%	Outsourcing of funds related services; Interlocking directorate	Loan of operation funds by group finance (Note 5)  Short-term loans  Collection of long-term loans  Borrowing of necessary funds for the Company by group finance (Note 6)  Repayment of short-term funds  Borrowing of long-term funds  Receipt of interest (Note 5) Payment of interest (Note 6)	  138,000  88,000    16,909  220,000  8,882 3,327	Short-term loans receivable from subsidiaries and affiliates Long-term loans receivable from subsidiaries and affiliates *Including those that shall be collected within one year   Short-term loans payable to subsidiaries and affiliates Long-term loans payable to subsidiaries and affiliates *Including those that shall be collected within one year	  324,000  1,156,412    19,430  703,000
Subsidiary	JX Nippon Exploration and Production (U.K.) Limited	Indirectly owned, 100%	Guarantee of obligations	Guarantee of obligations or the like (Note 7) Receipt of fee for guarantee of obligations (Note 7)	112,899 449	Accounts receivable	104

Type	Name of Company	Percentage of Voting Rights or the like Held	Relationship with Related Parties	Details of Transaction	Transaction Amount (Millions of yen)	Account Title	Balance at End of Period (Millions of yen)
Subsidiary	SCM Minera Lumina Copper Chile	Indirectly owned, 77%	Guarantee of obligations	Guarantee of obligations or the like (Note 7) Receipt of fee for guarantee of obligations (Note 7)	41,196 90	Accounts receivable	926
Subsidiary	JX Nippon Oil & Gas Exploration (Malaysia) Limited	Indirectly owned, 78.7%	Guarantee of obligations	Guarantee of obligations or the like (Note 7) Receipt of fee for guarantee of obligations (Note 7)	41,947 428	Accounts receivable	105

The terms and conditions of transactions and the policies for determining the terms and conditions of transactions

(Note 1) The Company receives consideration for business management of core operating companies (JXTG Nippon Oil & Energy Corporation, JX Nippon Oil & Gas Exploration Corporation, and JX Nippon Mining & Metals Corporation) from these companies, based on the expenses necessary for operating the Company, in proportion to their respective business size and so on.

(Note 2) The Company granted guarantees of transactions, or the like, for matters such as purchase of crude oil by JXTG Nippon Oil & Energy Corporation but does not receive any guarantee fees.

(Note 3) The Company underwrote a capital increase through third-party allotment of new shares issued by JX Nippon Oil & Gas Exploration Corporation.

(Note 4) The Company granted loan guarantees for JX Nippon Mining & Metals Corporation's loans payable, but does not receive any guarantee fees.

(Note 5) The Company procures funds necessary for JXTG Group through borrowings from outside financial institutions or the like, issuances of bonds, commercial paper, or the like in a lump sum, and distributes the necessary business funds to the respective group companies through loans to JX Nippon Finance Corporation. The loan rate from the Company to JX Nippon Finance Corporation is determined in light of the costs to procure such funds. In addition, regarding the transaction amounts, the loan and collection are presented in net volume.

(Note 6) The Company borrows necessary business funds from, and deposits its surplus funds with, JX Nippon Finance Corporation, as intra-group funds transactions. Interests on loans and deposits are decided reasonably by taking consideration of the market interest rates. In addition, regarding the transaction amounts, the borrowing and repayment are presented in net volume.

(Note 7) The Company granted guarantees of obligations, or the like, for matters such as each company's loans from financial institutions. The guarantee fees are reasonably determined based on the market price applied to the transaction.

## 7. Notes to Per-share Information

Net assets per share	544.12 yen
Net income per share	16.84 yen
Diluted net income per share after adjustments	16.83 yen

**8. Notes to Material Subsequent Events**

Not applicable.

**9. Additional Information**

Not applicable.