

# Business Integration with Nippon Oil Corporation

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**NIPPON MINING HOLDINGS, INC.**

## To Our Shareholders



I would like to thank our shareholders for their warm and continuous support.

Nippon Mining Holdings and Nippon Oil Corporation have agreed to establish a new company named JX Holdings, Inc., via a share transfer to be effected on April 1, 2010, and to become its wholly owned subsidiaries. Upon approval by their boards of directors at their respective meetings held on October 30, 2009, the companies formulated a share transfer plan dated October 30, 2009, and subsequently entered into an agreement to integrate their businesses.

Details of the share transfer plan can be found in the enclosed notice of the extraordinary general meeting of shareholders under the heading “Reference Materials for the General Meeting of Shareholders.” This booklet was designed to describe the outline of the share transfer plan and how to treat shares of our company upon the share transfer, and to help you understand the business integration with Nippon Oil.

We hope that our shareholders will understand the intent and importance of these plans, and we ask you to approve the business integration at the extraordinary general meeting of shareholders to be held on January 27, 2010.

January 5, 2010

**Mitsunori Takahagi**

*President and Chief Executive Officer*  
Nippon Mining Holdings, Inc.

# Overview of the Business Integration

## 1. Background to the Business Integration

- Domestic demand for petroleum products has been in decline for the past few years, and this tendency has been compounded by exorbitant crude oil prices and the ongoing severe economic downturn.
- Prices of crude oil, copper, and other resources have fluctuated wildly as speculative money flows in and out of global markets.
- Global competition among international resource majors or newly developing countries such as China to secure natural resources grows more intense.
- Amid rising concern about environmental issues, we need to make concentrated efforts as a corporation, particularly in the areas of new energy and energy savings.

## 2. Objectives of the Business Integration

- **Petroleum Business**

To enable it to act ahead of structural changes in the business environment and succeed amid intensifying competition, the Nippon Mining Group believes that the best way forward lies in integrating its enterprise resources with those of the Nippon Oil Group to further strengthen the operating foundations of both groups. Nippon Oil aims to vertically integrate its oil operations, (i.e., to integrate from upstream through downstream), and aspires to be an integrated energy company through its petrochemical, fuel cell, and other operations.

- **Metals Business**

Nippon Mining's Metals business is actively engaged in various fields including electronic materials, environmental recycling, overseas mining development, and most notably a copper business that ranks among the top global players. Nippon Mining believes that the formation of an even sturdier financial foundation through the business integration will enable the Metals business to take on promising large projects to an even greater extent and be beneficial to our future growth strategy.

### **3. Basic Concept of the Business Integration**

- On an equal footing, The Companies will fully integrate our management functions across all of our business operations by combining the management resources of our respective groups and utilizing their combined strength to the fullest extent. On this basis, The Companies aim to become one of the world's leading integrated energy, resources and materials groups, operating in the areas of Petroleum Refining and Marketing, Oil and Natural Gas Exploration and Production, and Metals.
- The integrated group will develop and pursue aggressive strategies for global growth, with efforts focused on maximizing corporate value by allocating management resources to operating offering the highest profitability under the concept of "Best Practices".
- The integrated group will, at an early stage, undertake a comprehensive restructuring of the Petroleum Refining and Marketing business that would not have been possible before the two groups' integration.

## 4. Outline of the New Holding Company

• Corporate name	JX Holdings, Inc.
• Location of head office	6-3 Otemachi 2-chome, Chiyoda-ku, Tokyo
• Name and title of representatives	Shinji Nishio, Representative Director and Chairman of the Board (currently Representative Director and President, President and Executive Officer of Nippon Oil Corporation) Mitsunori Takahagi, Representative Director and President (currently President and Chief Executive Officer of Nippon Mining Holdings, Inc.)
• Principal businesses	Supervision and management of subsidiaries and group companies engaged in petroleum refining and marketing, oil and natural gas exploration and production, and metals operations, and any business incidental to those businesses.
• Paid-in capital and capital reserve	Paid-in capital: ¥100 billion Capital reserve: ¥25 billion
• Fiscal year-end	March 31
• Number of shares scheduled to be issued	2,495,485,929 shares
• Number of shares constituting one unit	100 shares
• Stock exchange on which shares will be listed	Tokyo Stock Exchange, Osaka Securities Exchange, and Nagoya Stock Exchange
• Accounting auditor	Ernst & Young Shin Nihon LLC
• Administrator of shareholder register	The Chuo Mitsui Trust and Banking Co., Ltd.

## 5. Directors and Statutory Auditors of the New Holding Company

- To enhance the transparency and objectivity of JX Holdings' board of directors, and to strengthen the supervisory function of directors' execution of their duties, 4 out of 16 directors (of which 8 directors will be full-time directors) will be outside directors.
- To enhance the audit system, such as the monitoring of directors' actions and otherwise, 4 out of 6 statutory auditors (of which 2 statutory auditors will be full-time statutory auditors) will be outside auditors.

## 6. Outline of the Integrated Group

- Name of the integrated group **JX Group**

“JX” is a name which represents the basic philosophy of the integrated group. The “J” represents a Japanese and world leading “integrated energy, resources and materials group”, and the “X” represents challenges of the unknown, growth and development for the future, and creativity and innovation. “JX” is pronounced “J” “X”.

- Name of the holding company **JX Holdings, Inc.**  
(*JX Holdings Kabushiki Kaisha* in Japanese)

The Holding Company will, for the maximization of the corporate value of group companies, establish mid-to long -term group strategies and strategically distribute management resources for the realization of such strategies, and pursue the business development and innovation of the whole group and synergies of the core business corporation and other group companies.

- Names of core-business companies

Petroleum Refining and Marketing Business Company **JX Nippon Oil & Energy Corporation**  
(*JX Nikko Nisseki Energy Kabushiki Kaisha* in Japanese)

Oil and Natural Gas Exploration and Production Business Company **JX Nippon Oil & Gas Exploration Corporation**  
(*JX Nikko Nisseki Kaihatsu Kabushiki Kaisha* in Japanese)

Metals Business Company **JX Nippon Mining & Metals Corporation**  
(*JX Nikko Nisseki Kinzoku Kabushiki Kaisha* in Japanese)

The core business companies will, as the core of the business operations of the Integrated Group, promote the petroleum refining and marketing business, oil and natural gas exploration and production business, and metals business.

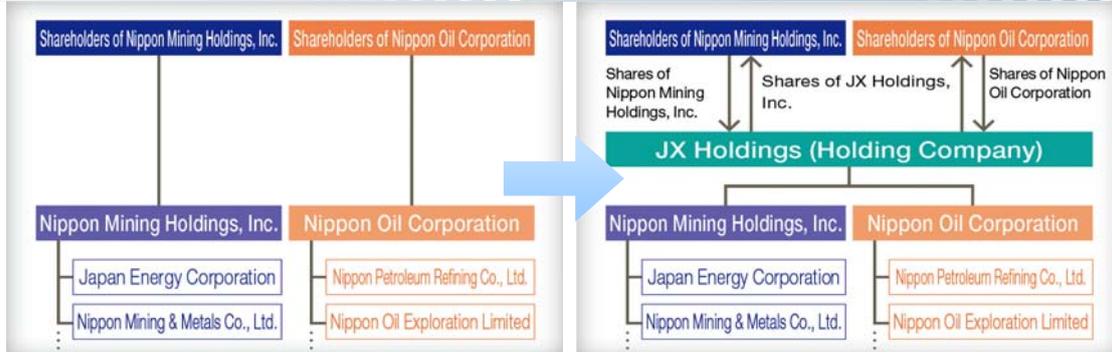
## 7. Process of the Business Integration

At present



Establishment of Holding Company

(scheduled for April 1, 2010)



Nippon Oil and Nippon Mining Holdings will establish the Holding Company "JX Holdings, Inc." by jointly conducting a Share Transfer.

Integration, restructure and reorganization into three Core Business Companies

(scheduled for July 1, 2010)



All businesses of the Nippon Mining group and the Nippon Oil group will be integrated, restructured, and reorganized under JX Holdings, Inc.

## 8. Exchange Ratio

- Shown to the right is the share exchange ratio (the “exchange ratio”) that will be used to allocate shares of common stock of JX Holdings to shareholders of Nippon Mining Holdings, Inc. and Nippon Oil Corporation, when JX Holdings is established via the share transfer.

Nippon Mining Holdings, Inc.	Nippon Oil Corporation
1.00	1.07

- 1.00 share of the common stock of JX Holdings, Inc. will be allocated and delivered per share of common stock of Nippon Mining Holdings to shareholders recorded in the latest shareholders’ register of Nippon Mining Holdings as of March 31, 2010. 1.07 shares of the common stock of JX Holdings, Inc. will be allocated and delivered per share of common stock of Nippon Oil Corporation to shareholders recorded in the latest shareholders’ register of Nippon Oil Corporation as of March 31, 2010.

\*The above-mentioned exchange ratio may be altered by mutual agreement of Nippon Mining Holdings and Nippon Oil Corporation if any material changes occur in the status of either company’s operations, assets, or liabilities.

## 9. Basic Philosophy of the Integrated Group

- In the areas of energy, resources and materials, the Integrated Group will seek harmony with the global environment and coexist with society. The Integrated Group will establish sound and transparent corporate governance and an appropriate and expeditious business operation, and by doing so will contribute to the creation and development of a sustainable economy and society.
- The integrated group will pursue stable and efficient supply and creativity and innovation in all aspects of energy, resources and materials under a vertically integrated operating structure.

## 10. Basic Strategy of the Integrated Group

- Aim to become one of the largest integrated “energy, resources and materials groups” in the world.
- Maximize corporate value by prioritizing the distribution of management resources in areas offering the highest profitability.
- Promote projects that assist in the creation of a better global environment and innovation of new technologies, and contribute to the development of a sustainable economy and society.

## 11. Individual Strategies for Core Businesses

- Petroleum Refining and Marketing Business
  - *Undertake fundamental structural reforms that anticipate future changes in the business environment.*
    - Maintain and enhance the competitiveness of refineries by reducing refining capacity and increasing the efficiency of refining facilities and promoting the value added by refining facilities.
    - Significantly improve cost competitiveness by maximizing synergies and realizing economies of scale.
    - Actively pursue the global expansion of business, focusing on the growing Asian market.
  - *Strive to be an integrated energy company that responds to customers’ needs.*
    - Work to improve customer satisfaction and strengthen brand value.
    - Actively engage in new energy business, such as fuel cells and photovoltaic power generation.
- Oil and Natural Gas Exploration and Production Business
  - *Aim for continuous growth while responding flexibly to changes in the business environment.*
    - Actively invest to become a global oil and natural gas exploration and production company while rigorously managing risks and responding flexibly to changes in the business environment.



➤ ***Strengthen the operating business on a global scale through accumulation of technology and relationships with governments of oil-producing countries and business partners.***

- Combine the knowledge and know-how of both companies to accumulate technology, and generate promising business opportunities by strengthening relationships with governments of oil-producing countries and business partners.



• Metals Business

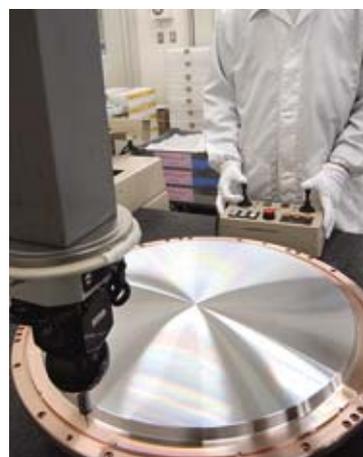
➤ ***Aim to establish a global integrated production system centered on the copper business.***

- Actively develop copper mines, improve our equity-base entitlement volume, and improve investment returns.
- By utilizing the new smelting technology which enables the effective recovery of such metals as gold and silver from low-grade copper concentrate, it is expected to make it possible to develop types of mines that have previously been difficult to develop.



➤ ***Aim to have one of the top market shares in areas where significant growth is expected.***

- In the electronic materials business, introduce high-functionality materials to the market in a timely manner.
- By actively promoting the environmental services business and recycling of non-ferrous metal, contribute to the realization of a society that reuses resources, and stabilize the procurement of rare metals.
- Develop into new core business areas the titanium products business and the business of manufacturing polysilicon for photovoltaic power generation.

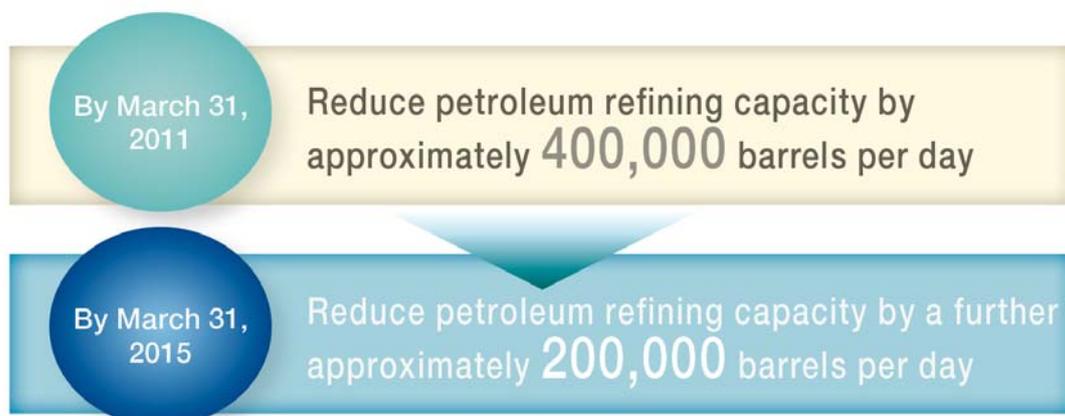


## 12. Management Goal of the Integrated Group

- The Integrated Group will conduct a review of the future business environment, the Group's competitiveness, and the strategy and profitability of each business and the most appropriate distribution of management resources for the future. After formulating the Integrated Group's "Long-Term Vision" and "Mid-Term Management Plan" for the three fiscal years from April 2010 onwards, a public announcement is scheduled to be made around April 2010.
- With respect to the formulation of the Long-Term Vision and the Mid-Term Management Plan, it is our financial goal to achieve at an early stage at least 10% return on equity and a debt to equity ratio of not more than 1.0.

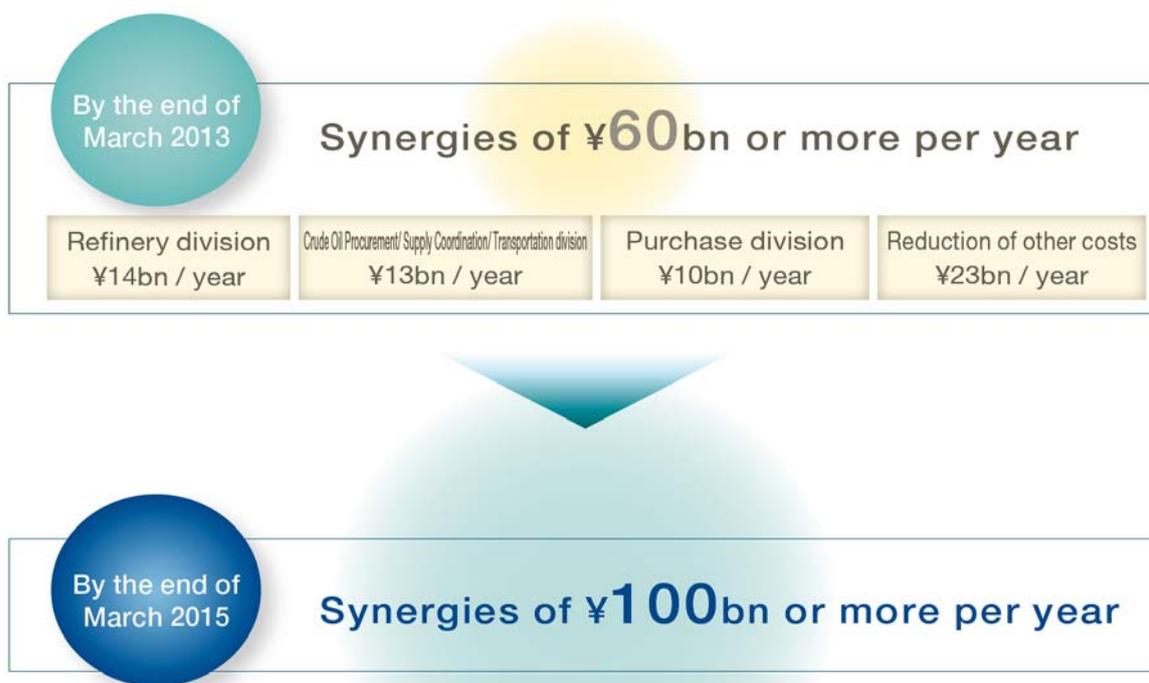
## 13. Reduction of Petroleum Refining Capacity

- The integrated group will reduce its petroleum refining capacity by approximately 400,000 barrels per day by March 31, 2011, with December 4, 2008 (the date of basic agreement of the Business Integration) as the benchmark date.
- Petroleum refining capacity is scheduled to be reduced by a further 200,000 barrels per day by March 31, 2015, at the latest.



## 14. Synergies from the Business Integration

- During the period after the incorporation of the Holding Company in April 2010 and by the end of March 2013, The Companies aim to achieve synergies of ¥60 billion or more per year from the business integration.
- Furthermore, by the end of March 2015, The Companies seek to increase the amount by an additional ¥40 billion per year to achieve synergies of a total annual amount of ¥100 billion or more.



## Q&A Regarding the Business Integration

### **Q** What is a share transfer?

**A** A share transfer is a mechanism for a company, acting alone or jointly with one or more other companies, to establish a holding company. Specifically, Nippon Mining and Nippon Oil will jointly establish JX Holdings as their new holding company. All shares held by both companies' shareholders will be transferred to JX Holdings, and, in exchange, shares of JX Holdings common stock to be newly issued will be allotted.

### **Q** How are JX Holdings' shares to be allotted to shareholders?

**A** All shareholders recorded in the last shareholders' register of Nippon Mining, as of March 31, 2010 (Wednesday), the day immediately preceding the effective date of share transfer, will be allotted one share of JX Holdings common stock for each share of Nippon Mining common stock that they own.

### **Q** How did Nippon Mining and Nippon Oil determine their Exchange Ratio for JX Holdings?

**A** With reference to the analyses of the Exchange Ratio calculated by their respective financial advisors (each company had three advisors), Nippon Mining and Nippon Oil comprehensively considered their respective financial conditions, status of assets, future prospects, and other factors. As a result of thorough negotiations and discussions concerning the Exchange Ratio, Nippon Mining and Nippon Oil reached the conclusion that the Exchange Ratio is appropriate and formally agreed upon and resolved to apply such Exchange Ratio in the share transfer on October 30, 2009. Both companies received separate opinions from their respective financial advisors that the agreed Exchange Ratio was fair from a financial point of view, to the common stock shareholders of Nippon Mining and Nippon Oil.

**Q Please explain about the minimum share unit, which is to be set at 100 shares for JX Holdings.**

**A** Nippon Mining's share unit is currently 500 shares but JX Holdings' share unit will be 100 shares. The share unit is the size of the round lot in which shares are traded on the market. Reducing the size of the share unit makes a stock more marketable. Additionally, voting rights at general meetings of shareholders are granted per share unit. For example, a shareholder who currently owns 500 shares of Nippon Mining stock would have one vote at Nippon Mining's general meetings of shareholders but five votes at JX Holdings' future general meetings of shareholders.

**Q When will JX Holdings' new shares be allotted in exchange for existing shares? Do shareholders need to do anything to exchange their existing shares?**

**A** On April 1, 2010, the effective date of the share transfer, shareholders will be allotted one share of JX Holdings common stock for every share of Nippon Mining common stock that they own. More specifically, the new shares will be allotted and delivered to shareholders recorded in the last shareholders' register of Nippon Mining as of the day immediately preceding the effective date of share transfer (March 31, 2010) by automatic transfer to their respective accounts (i.e., trading account at their brokerage or other financial institution or special account at The Chuo Mitsui Trust and Banking Co., Ltd., Nippon Mining's transfer agent) via the book-entry transfer system for stocks and other securities. Shareholders need not do anything in particular to exchange their shares.

**Q Will Nippon Mining pay a fiscal year-end dividend for the year ending March 31, 2010?**

**A** Nippon Mining will pay dividends (i.e. a year-end dividend) for fiscal year 2009 (from April 1, 2009 to March 31, 2010) to shareholders who are recorded in the latest shareholders' register as of March 31, 2010 pursuant to the resolution of the Nippon Mining's board of directors to be held in

May 2010. For fiscal year 2009, Nippon Mining intends to pay a year-end dividend of ¥7.50 per share.

**Q What is the share transfer schedule and when can I trade Nippon Mining Holdings or JX Holdings shares?**

**A** The share transfer schedule appears in the table below. Please take note of when you will be able to trade your shares.

2010	Schedule	Share trading
January 27 (Wednesday)	Extraordinary general meeting of shareholders to approve the business integration	
March 26 (Friday)	Last day of trading for Nippon Mining Holdings shares	Until March 26, Nippon Mining Holdings shares may be traded on the stock exchange as usual.
March 29 (Monday)	Nippon Mining Holdings' delisting date	From March 27, you will no longer be able to trade Nippon Mining Holdings shares.
April 1 (Thursday)	Effective date of share transfer JX Holdings shares newly listed	From this date, you will be able to trade JX Holdings shares on the stock exchange.

If you have questions about asking JX Holdings to purchase odd-lot shares or about selling shares to cover a share unit shortfall, please direct your questions as shown below.

- **Shares held in accounts not designated as special accounts\***

Please contact the brokerage at which the account is held.

- **Inquires about general shareholder procedures and special accounts**

Transfer agent and special account manager

The Chuo Mitsui Trust and Banking Co., Ltd.

**Contact:** Stock Transfer Agency Services Center  
Stock Transfer Agent Division  
The Chuo Mitsui Trust and Banking Co., Ltd.  
Telephone: 0120-78-2031 (toll-free from within Japan)

*\* Special accounts are those set up by Nippon Mining Holdings in the name of its shareholders at Chuo Mitsui Trust and Banking to hold shares that were not transferred to the Japan Securities Depository Center by securities brokerages, etc., by January 5, 2009, the date on which the dematerialized New Book-Entry Transfer System for Stocks etc. was implemented.*

# Profiles of Nippon Mining Holdings and Nippon Oil Corporation

(as of September 30, 2009)

Corporate Name	Nippon Mining Holdings, Inc.	Nippon Oil Corporation
Date of establishment	September 27, 2002 (commenced operations on December 26, 1905)	May 10, 1888
Location of head office	10-1 Toranomon 2-chome, Minato-ku, Tokyo	3-12 Nishi Shimbashi 1-chome, Minato-ku, Tokyo
Name and title of representative	Mitsunori Takahagi, President and Chief Executive Officer	Shinji Nishio, Representative Director and President
Paid-in capital	¥73,900 million	¥139,400 million
Number of issued and outstanding shares	928.46 million shares	1,464.51 million shares
Principal businesses	Production and sale of petroleum products Production and sale of non-ferrous metal products and processed electronic materials products	Refinement and sale of petroleum products Import and sale of gas Generation and sale of electricity
Major shareholders (and their percentages of ownership)	Japan Trustee Services Bank, Ltd. (Trust Unit) (10.0%) The Master Trust Bank of Japan, Ltd. (Trust Unit) (9.0%) Japan Trustee Services Bank, Ltd. (Trust Unit 9) (3.5%) Mizuho Corporate Bank, Ltd. (2.4%) Sumitomo Mitsui Banking Corporation (2.4%)	Japan Trustee Services Bank, Ltd. (Trust Unit) (6.2%) The Master Trust Bank of Japan, Ltd. (Trust Unit) (5.4%) Mizuho Corporate Bank, Ltd. (3.2%) Mitsubishi Corporation (3.1%) Sumitomo Mitsui Banking Corporation (2.8%) Bank of Tokyo Mitsubishi UFJ, Ltd. (2.1%)
Number of employees	10,936 (consolidated) (Breakdown: petroleum 4,380; metals 5,058; other 1,498)	13,869 (consolidated) (Breakdown: petroleum refining and marketing 9,305; oil and natural gas exploration and production 589; construction/other 3,975)
Main clients	Nationwide exclusive distributors and direct sale customers; electric cable manufacturers	Nationwide exclusive distributors and direct sale customers
Main financing banks	Mizuho Corporate Bank, Ltd. Sumitomo Mitsui Banking Corporation Bank of Tokyo Mitsubishi UFJ, Ltd.	Mizuho Corporate Bank, Ltd. Sumitomo Mitsui Banking Corporation Bank of Tokyo Mitsubishi UFJ, Ltd.
Fiscal year-end	March	March
Relationships between the parties		
Capital relationships	None	
Personnel relationships	None	
Transactional relationships	Japan Energy Corporation, a subsidiary of Nippon Mining Holdings, Inc., and Nippon Oil Corporation are parties to a business alliance in refining and distribution.	

**Inquiries about this booklet:**

**Nippon Mining Holdings, Inc.**

10-1 Toranomom 2-chome, Minato-ku, Tokyo 105-0001 Japan

Contact: General Administration Group (in charge of general affairs)

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