

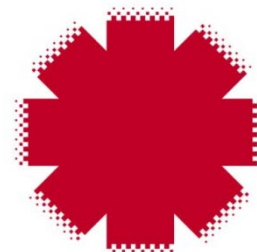
# Execution of Business Integration Agreement



JX Holdings, Inc.

Stock Code 5020

First section of Tokyo Stock Exchange and  
Nagoya Stock Exchange



**TonenGeneral**

TonenGeneral Sekiyu K.K.

Stock Code 5012

First section of Tokyo Stock Exchange

**August 31, 2016**

# **I. OUTLINE OF BUSINESS INTEGRATION**

# Objective of Business Integration

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## Business Environment

- Domestic demand for oil product is structurally decreasing
- International competition is intensifying due to changes in global business environment



Given the challenging business environment, the two company groups will concentrate their business resources to maximize the combined enterprise value



## Purpose of Business Integration

- Through business integration,
- Establish a strong company group that is among Asia's most prominent and internationally competitive comprehensive energy, natural resource and materials company groups

# Method of Business Integration

## Method of Business Integration

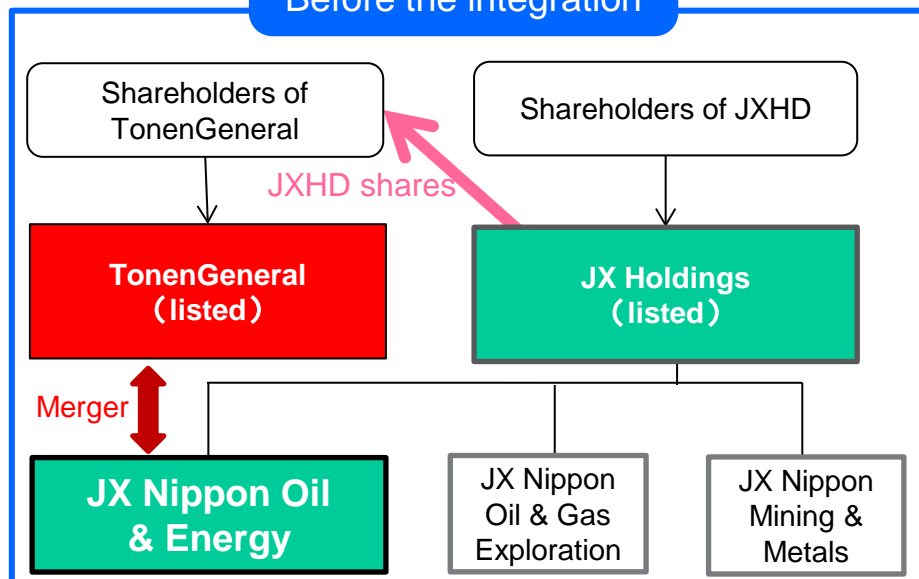
- Share exchange in which JX Holdings (“JXHD”) becomes the wholly-owning parent company and TonenGeneral becomes the wholly-owned subsidiary

Share Exchange Ratio	JXHD	TonenGeneral
	1	2.55

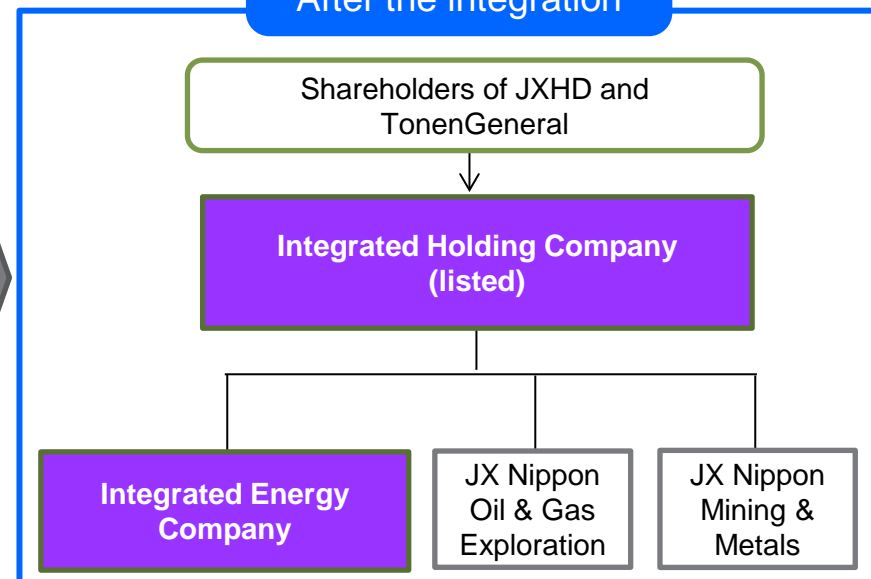
2.55 shares of JXHD common stock will be allocated for every 1 share of TonenGeneral common stock

- Absorption-type merger, in which JX Nippon Oil & Energy is the surviving company and TonenGeneral is the absorbed company, to be consummated on the business integration date

### Before the integration



### After the integration



# Overview of Integrated Holding Company and Integrated Energy Company

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Integrated Holding Company

Integrated Energy Company

New  
corporate  
names

JXTG Holdings, Inc.

JXTG Nippon Oil & Energy  
Corporation

Head office

1-1-2, Otemachi, Chiyoda-ku, Tokyo

Fiscal year-end

March 31

# Directors and Officers

## Integrated Holding Company

Title	Name (current position)	
<b>Representative Director and Chairman of the Board</b>	Yasushi Kimura	(Representative Director and Chairman of the Board of JX Holdings, Inc.)
<b>Representative Director and President</b>	Yukio Uchida	(Representative Director and President of JX Holdings, Inc.)
<b>Representative Director and Executive Vice President</b>	Jun Mutoh	(Representative Director and President of TonenGeneral Sekiyu K.K.)

Jun Mutoh will assume the post of Chairman of the Business Transformation Committee (tentative name), which will be set up after the Business Integration in order to perform continuous transformation of the group.

## Integrated Energy Company

Title	Name (current position)	
<b>Representative Director and President</b>	Tsutomu Sugimori	(Representative Director and President of JX Nippon Oil & Energy Corporation)
<b>Representative Director and Executive Vice President</b>	Takashi Hirose	(Representative Director and Executive Vice President of TonenGeneral K.K.) (President of EMG Marketing G.K.)

Other personnel matters regarding directors, corporate auditors and officers as of the Business Integration Date will be disclosed as soon as they are tentatively determined.

# Philosophy of the Integrated Group

## Mission

Harnessing the Earth's power for the common good and for the day-to-day life of each individual, we will contribute to the development of our communities and help to ensure a vibrant future through creation and innovation in energy, resources, and materials.

## Our Five Core Values

### ◆ As a member of the community

#### High ethical standards

Based on our core principles of integrity and fairness, we conduct all of our business activities in accordance with our high ethical standards.

#### Health, safety, and environment

We give the highest priority to health, safety and environmental initiatives, which are vital to the well-being of all living things.

### ◆ Supporting day-to-day life

#### Focus on customers

We strive to meet the expectations and evolving needs of our valued customers and of society as a whole through the stable provision of products and services while creating new value as only we can.

### ◆ For a vibrant future

#### Taking on challenges

Taking changes in stride, we rise to the challenge of creating new value while seeking innovative solutions for today and tomorrow.

#### Moving forward

Looking to the future, we continue to grow, both as individuals and as a company, through the personal and professional development of each and every employee.

# Distribution Policy to Shareholders

## Basic Policy

- Based on the recognition that the return of profits to shareholders is one of the most important management priorities, the Integrated Holding Company will make efforts to continue to pay stable dividends, which will be determined with actual results and the outlook for mid-term consolidated performance.
- Regarding the shareholder distribution level, the maintenance of a resilient financial structure, investment plan, and cash flow outlook will be taken into account.

## Near-Term Policy

- Maintain the distribution level of 16 yen per share per year currently paid by JXHD and look for ways to increase the shareholder distribution by increasing the Integrated Holding Company's earning capacity.
- As a means to increase the shareholder distribution, consider buying back own stock in addition to a dividend increase.



# Schedule

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**Aug. 31, 2016**

Execution of the Business Integration Agreement

**Sep. 30, 2016**

Record date for the extraordinary general meetings of shareholders of JXHD and TonenGeneral

(Convocation notice of extraordinary general meetings to be sent out in late November)

**Dec. 21, 2016**

Shareholders' meetings, required for the approval of the business integration

**Apr. 1, 2017**

The Business Integration Date

Note: The above schedule may change due to progress of the integration process or other reasons.

## **II . BUSINESS STRATEGIES OF** **THE INTEGRATED GROUP**

# Main Business Principles of Integrated Group

## Strengthen the Foundation

- Maximize the integration synergy through thorough structural reforms
- Control of investment, sale of assets, and thorough reduction of working capital to increase financial resilience

## Growth Strategy

- Focus on midstream and downstream businesses overseas
- Develop new businesses related to electricity etc.
- Grow technology-based businesses centered on highly functional materials

## Investment/ Business Portfolio

- Emphasize risk management by measures such as leveling out investment timing
- Achieve a balanced business portfolio including up/mid/down-stream businesses

## Policies and Measures

- **Structural Reforms** Set up joint-unit / Business Transformation Department in the Integrated Holding Company
- **Focus on capital efficiency** Realize capital-efficiency-oriented investments and portfolio strategies
- **Introduction of operating process** Introduce internal control methods based on global standards
- **Improvement of IT structure** Build an enterprise-wide core IT system (ERP system) within 3 years

# Business Strategies of Energy Business

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## Energy

Oil refining and sales business / petrochemical business

Fundamentally streamline and rationalize energy business and increase the efficiency to achieve a more resilient business foundation based on safe and flawless operations

Growth Strategy

Develop and enhance next generation businesses for the group (overseas operations, electricity and gas, new energy business, lubricants and specialty chemicals)

## Policies and Measures

- **Strengthen the supply chain** Establish a cross-functional organization to maximize company-wide profits
- **Management system for operation** Develop a common management system such as for operational safety, environment, health and security

# Relationship with Business Partners and Brands

## Relationship with Business Partners

- On the basis that relationship of trust with dealers and other business partners is very important to the company, respond to dealers in an equitable manner, regardless of whether they belonged to the JX Group or the TonenGeneral Group or whether they have any equity interest. This fair business manner will enable us to enhance the relationship of trust between the Integrated Energy Company and dealers and other business partners.
- From a standpoint of fairness and equitability, and improvement of the brand value, and in order to achieve this, the Integrated Energy Company will make efforts to integrate its sales measures as much as possible from the Business Integration Date.

## Brands

- Continue using each brand currently used in their respective energy businesses after the Business Integration and will discuss and determine the most appropriate brand strategy for the future

# Business Strategies for Oil and Natural Gas Exploration and Production and Metals Businesses

## Oil and natural gas exploration and production

### Selection and Concentration

- Optimize portfolio through concentration in core competence
- Focus on cost reduction in oil and gas fields under development and production
- Focus on the acquisition of technologies where knowledge and strength accumulated to date

## Metals

### Upstream Business

- Focus on stable operation and cost reduction of the existing business
- Refrain from investing in new businesses for the time being

### Mid-Downstream Business

- Smelting & refining : Establish safe and stable operation of refineries and focus on strengthening cost competitiveness by increasing efficiency
- Electronic materials : Maintain and expand its earnings capacity by utilizing competitive technology, develop markets and technology, and strengthen sales for the coming "Internet of things" society
- Recycling & environmental services : Strengthen domestic and overseas collecting network

# Integration Effects

Aim to achieve in excess of 100 billion yen in profit improvements within 3 years after the Business Integration

Items	Per fiscal year
<b>Supply, Distribution and Sales</b> <ol style="list-style-type: none"> <li>1) Optimization of crude purchase operation</li> <li>2) Optimization of distribution on land and sea and other items</li> </ol>	28 billion yen
<b>Manufacturing</b> <ol style="list-style-type: none"> <li>1) Cost reduction of energy and maintenance through use of best practices of two companies</li> <li>2) Profit improvement of 10 billion yen through the integrated operation of a refinery and chemical plants in the Kawasaki area</li> </ol>	40 billion yen
<b>Procurement</b> <ol style="list-style-type: none"> <li>1) Reduction of procurement costs for construction materials, catalysts, and other items</li> </ol>	15 billion yen
<b>Efficiencies in IT and other</b> <ol style="list-style-type: none"> <li>1) More efficient operation with ERP system</li> <li>2) Other improvements in efficiency and rationalization</li> </ol>	17 billion yen
<b>Total</b>	<b>100 billion yen</b>

To achieve further profit improvements, conduct refinery closure at the earliest timing

# Management Goals of the Integrated Group

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Based on the review of the business environment, future business strategy, and policy for the allocation of management resources, 3-year medium-term corporate plan to be disclosed around April 2017

FY 2019

Adjusted consolidated  
ordinary income

500 billion yen or more

Consolidated return on equity  
(ROE)

10% or more

Consolidated net debt-to-  
equity ratio

0.9 times or less

Consolidated free cash flows

500 billion yen or more  
(accumulated total from FY 2017 to 2019)

Note: Financial goals in the medium-term corporate plan will be replaced by figures based on the International Financial Reporting Standards (IFRS).



# Disclaimer (1)

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This communication includes “forward-looking statements” that reflect the plans and expectations of JX Holdings, Inc., and TonenGeneral Sekiyu K.K. in relation to, and the benefits resulting from, their business integration described above. To the extent that statements in this document do not relate to historical or current facts, they constitute forward-looking statements. These forward-looking statements are based on the current assumptions and beliefs of the companies in light of the information currently available to them, and involve known and unknown risks, uncertainties and other factors. Such risks, uncertainties and other factors may cause the actual results, performance, achievements or financial position of one or both of the companies (or the Integrated Group) to be materially different from any future results, performance, achievements or financial position expressed or implied by these forward-looking statements. The companies undertake no obligation to publicly update any forward-looking statements after the date of this communication. Investors are advised to consult any further disclosures by the companies (or the Integrated Group) in their subsequent domestic filings in Japan and filings with the U.S. Securities and Exchange Commission. The risks, uncertainties and other factors referred to above include, but are not limited to:

- (1) economic and business conditions in and outside Japan;
- (2) changes in the market value of natural resources such as crude oil and exchange rates;
- (3) changes in interest rates on loans, bonds and other indebtedness of the companies, as well as changes in financial markets;
- (4) changes in the value of assets (including pension assets) such as securities;
- (5) changes in laws and regulations (including environmental regulations) relating to the companies’ business activities;
- (6) increases in tariffs, imposition of import controls and other developments in the companies’ main overseas markets;
- (7) interruptions in or restrictions on business activities due to natural disasters, accidents and other causes;
- (8) the companies being unable to complete the business integration due to reasons such as the companies are not able to implement the necessary procedures including approval of the agreement with regard to the business integration by the shareholders’ meetings of the companies, and any other reasons;
- (9) delays in the review process by the relevant competition law authorities or the clearance of the relevant competition law authorities’ or other necessary approvals’ being unable to be obtained; and
- (10) inability or difficulty of realizing synergies or added value by the business integration by the Integrated Group.

# Disclaimer (2)

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JX Holdings, Inc., may file a registration statement on Form F-4 (“Form F-4”) with the U.S. Securities and Exchange Commission (the “SEC”) in connection with the possible business combination (or integration) between the two companies, if it is consummated. The Form F-4 (if filed) will contain a prospectus and other documents. If a Form F-4 is filed and declared effective, the prospectus contained in the Form F-4 will be mailed to U.S. shareholders of TonenGeneral Sekiyu K.K. prior to the shareholders’ meeting at which such business combination (or integration) will be voted upon. The Form F-4 and prospectus (if a Form F-4 is filed) will contain important information about the two companies, such business combination (or integration) and related matters. U.S. shareholders to whom the prospectus is distributed are urged to read the Form F-4, the prospectus and other documents that may be filed with the SEC in connection with such business combination (or integration) carefully before they make any decision at the shareholders’ meeting with respect to such business combination (or integration). Any documents filed with the SEC in connection with such business combination (or integration) will be made available when filed, free of charge, on the SEC’s web site at [www.sec.gov](http://www.sec.gov). In addition, upon request, the documents can be distributed for free of charge. To make a request, please refer to the contact below.

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