

Security Code

Tokyo 5020

# Financial Results for 3Q FY 2015

- From April 1, 2015 to December 31, 2015 -

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Director, Senior Vice President

Kunimitsu Oba

February 3, 2016



The Future of Energy, Resources and Materials

**JX Holdings, Inc.**

# Agenda



## Agenda

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Director,  
Senior Vice President  
Kunimitsu Oba

## Financial State

Reference pages 3 - 7

- ◆ Financial Results for 3Q FY2015 (vs.3Q FY2014)
  - Inventory valuation loss (-211.6 billion yen) is appropriated due to decline of crude price
  - Ordinary income excluding inventory valuation factor increased from a year earlier due to cut down of in-house fuel costs, cost reduction and improved petrochemical margin and so on
- ◆ Forecast for FY2015 (vs. previous forecast)
  - Inventory valuation loss expanded due to revised crude price assumption (-80 → -265 billion yen)
  - Impairment loss (-235 billion yen) is appropriated due to revaluation of upstream assets. Selling assets loss and Exit costs (-80 billion yen) are appropriated due to restructuring of E&P business

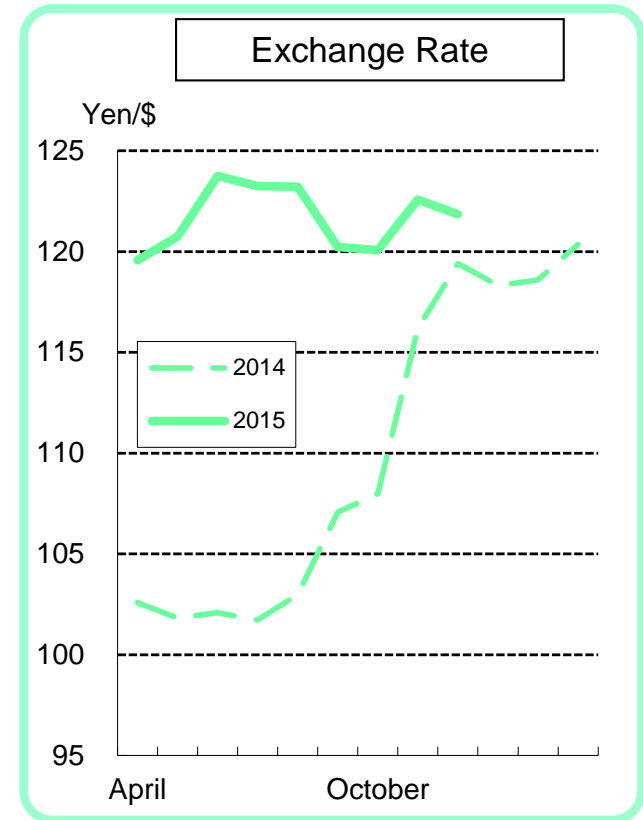
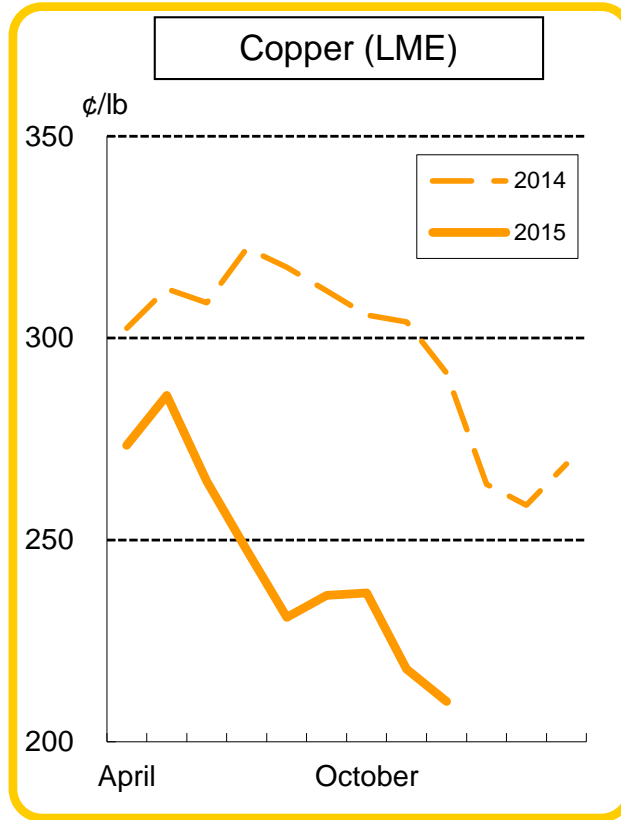
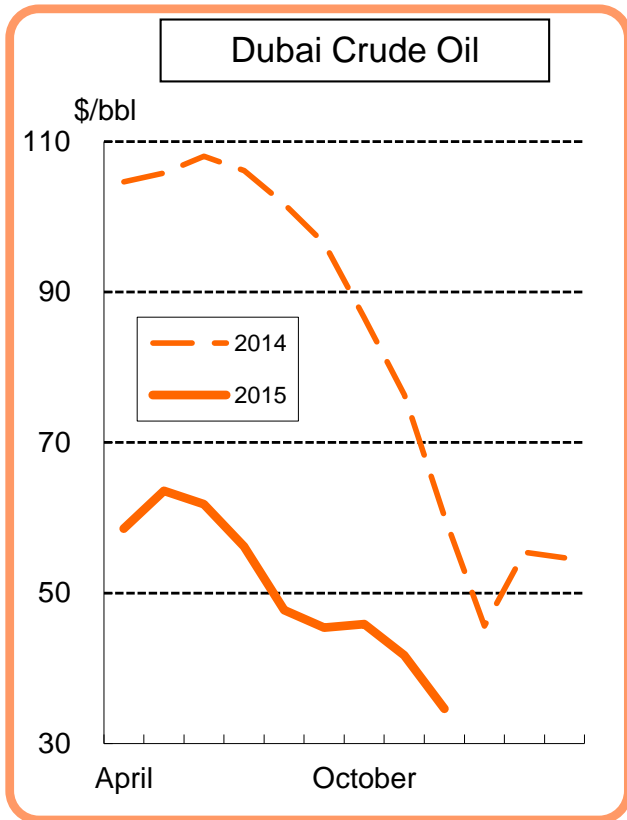
## Initiative for issue and Future business plans

Reference page 8 - 11

- Accelerating selling assets and freezing CAPEX to generate and improve cash flow
- Mid/downstream business: Building strong business foundation to resist changing business environment
- Upstream business: Earnings recovery and improving productivity under weak resources price

# Business Environment 1 Resource Price and Exchange Rate (From Apr. 2015 to Dec. 2015)

- Crude oil and copper price decline continuously peaking in May
- Exchange rate stays around 120 – 125 yen per dollars

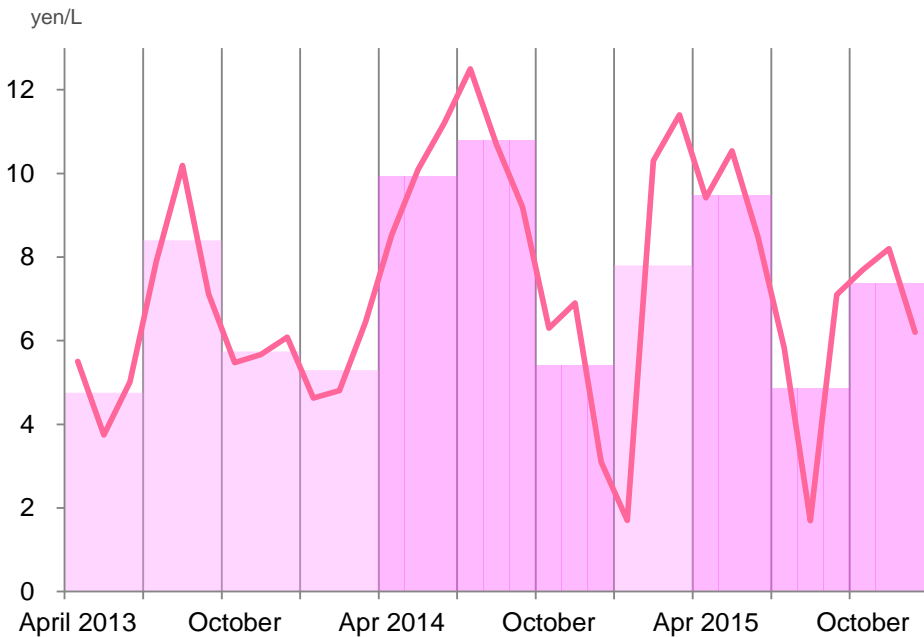


# Business Environment 2 Margin of Petroleum Products and Paraxylene

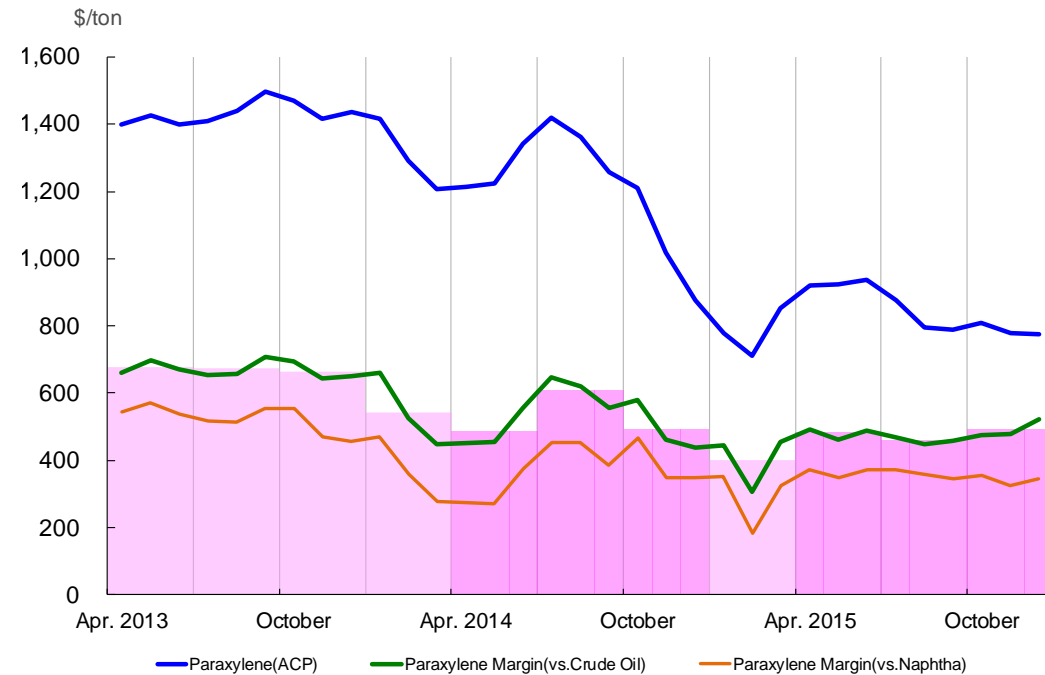


- Petroleum Products margin goes worse than planned due to time lag generated by crude oil price decline
- Margin level of Paraxylene(Oct.- Dec.) remains about the same level as 1H FY2015

Margins of Gasoline, Kerosene, Diesel Fuel and Fuel Oil A



Margin of Paraxylene



Margin = Spot Price – All Japan Crude CIF (including petroleum tax and interest)

\* In case of ACP undecided, average price of spot market is adopted.

# Outline of Financial Results for 3Q FY2015

- Inventory valuation loss (-211.6 billion yen) is appropriated due to decline of crude price
- Ordinary income excluding inventory valuation factor increased in Energy segment from a year earlier due to cut down of in-house fuel cost, cost reduction and improved petrochemical margin and so on

## Key Factors

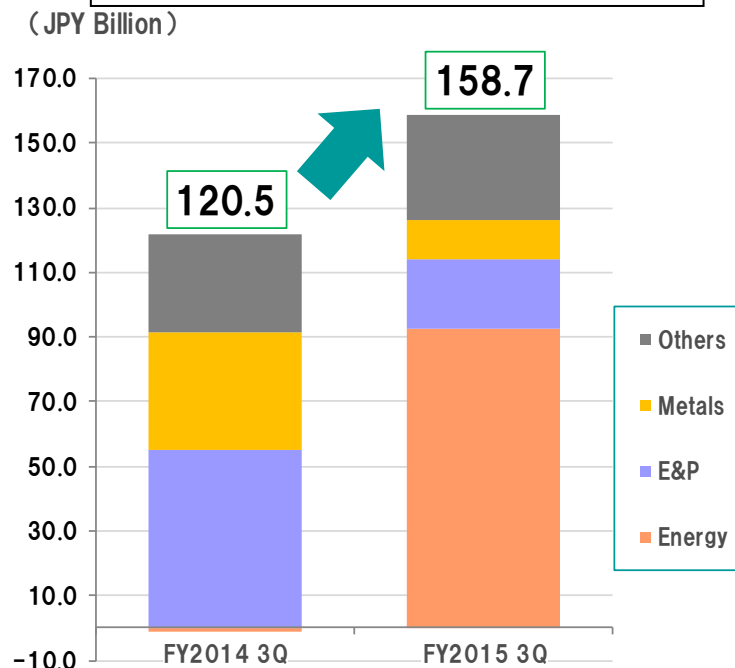
	FY2014 3Q	FY2015 3Q
Crude Price (\$/Bbl)*	99	53
Copper Price (¢/lb)	308	245
Exchange Rate (yen/\$)	107	122

\*Average from March to November

## Ordinary Income

	FY2014 3Q	FY2015 3Q	Changes
Ordinary Income	(171.5)	(52.9)	+118.6
Inventory Valuation	(292.0)	(211.6)	+80.4
Ordinary Income Excl. Inventory Valuation	120.5	158.7	+38.2

## Ordinary Income by segment Excl. Inventory Valuation



# Outline of Forecast for FY2015

- Ordinary income excluding inventory valuation factor decreased by 20 billion yen from previous forecast due to decline of copper price, decreased production volume of Caserones compared to the plan and so on
- Impairment loss (-235 billion yen) is appropriated due to revaluation of upstream assets. Selling assets loss and Exit costs (-80 billion yen) are appropriated due to restructuring of E&P business

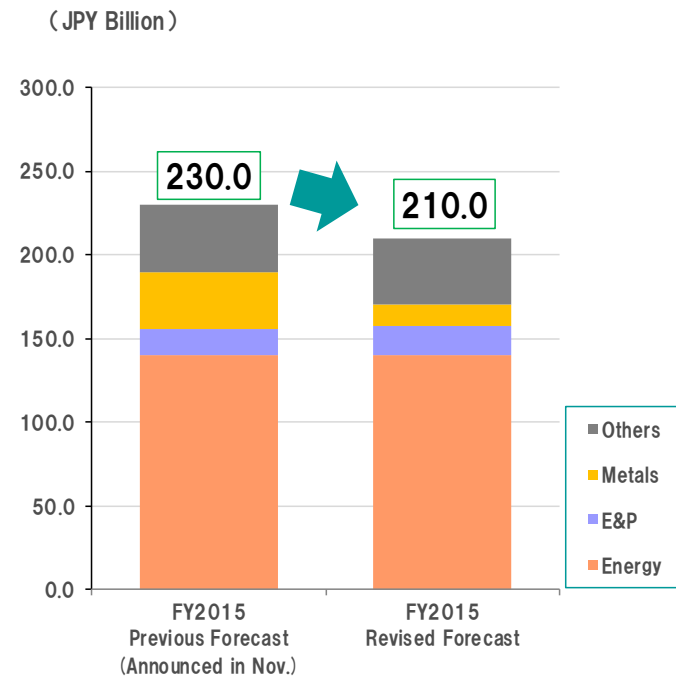
## Key Factors

	Previous Forecast (Announced in Nov.) (Oct. 2015-Mar. 2016)	Revised Forecast (Jan. 2016-Mar. 2016)
Crude Price (\$/Bbl)*	50	30
Copper Price (¢/lb)	230	200

## Ordinary Income

	FY2015 Previous Forecast (Announced in Nov.)	FY2015 Revised Forecast	Changes
Ordinary Income	150.0	(55.0)	-205.0
Inventory Valuation	(80.0)	(265.0)	-185.0
Ordinary Income Excl. Inventory Valuation	230.0	210.0	-20.0
Special Gain and Loss ( Net )	(34.0)	(320.0)	-286.0
Profit attributable to owners of parent	45.0	(330.0)	-375.0

## Ordinary Income by segment Excl. Inventory Valuation



## Main factors of Special Gain and Loss of Forecast for FY2015

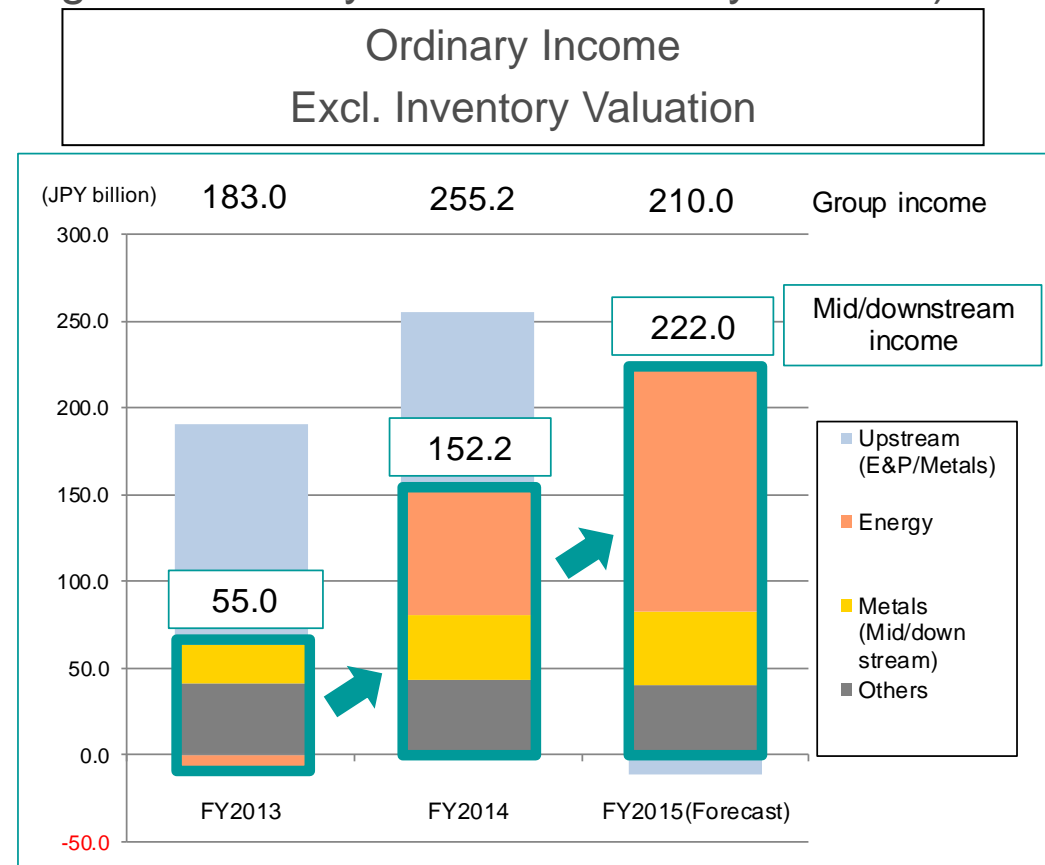
- Impairment loss (-235 billion yen) is appropriated due to revaluation of upstream assets
- Selling assets loss and exit costs (-80 billion yen) are appropriated due to restructuring of E&P business

Capital Gain		+ 30
Impairment Loss and other on upstream business		▲ 235
Energy	Coal exploration and production business	(▲ 15)
E&P	(Details)	(▲ 140)
	UK(North Sea)	(▲ 100)
	USA	(▲ 30)
	Southeast Asia, Oceania	(▲ 10)
Metals	Chile(Caserones)	(▲ 80)
Restructuring Costs		▲ 80
Other Special Gain and Loss		▲ 35
Special Gain and Loss ( Net )		▲ 320



## Recognition of Issue

- Accelerating selling assets and freezing CAPEX to generate and improve cash flow  
(Almost achieving the goal of generating 200 billion yen of cash flow by FY2015)
- Mid/downstream business, showing steady improvement by forwarding structural reform and enhancement of competitiveness
- Upstream business, making a weak performance under low resources price



**Mid/downstream business** : Building strong business foundation to resist changing business environment

**Energy**

- ✓ Refining and Marketing  
→ Building the strong and competitive production and marketing structure
- ✓ Petrochemicals, Lubricants  
→ High value-added product, expansion of oversea business
- ✓ Enhancement of business foundation as the integrated energy supply company  
→ Entering into retail sales of electric power

Business Integration with TonenGeneral Sekiyu

**Metals**

- ✓ Enhancement of efficient production and competitiveness in Smelting & Refining
- ✓ Further strengthening and expanding Electronic Materials by utilizing advantage of technology and know-how
- ✓ Increasing earning capacity of Recycling & Environmental Services by developing domestic and global collecting networks

## Initiative for issue

### Upstream business

: Earnings recovery and improving productivity under weak resources price

#### E&P

- ✓ Fundamental review of Core Business Area by selection and concentration  
→ Selling assets focusing on UK, exit plans from some region and allocating management resources to the high ground region and field

#### Metals

- ✓ Realizing stable full operation of Caserones Copper Mine and enhancement of competitiveness  
→ Permanent and precautionary measures to defect factors and productivity improvement by utilizing an external consulting firm

# Future business plans and Year-end Dividend

## Business plans after FY2016

A Presentation of business plans after 2016 will be made on May 2016  
(business strategy, profit planning, CAPEX, selling assets, cash flow and so on)

### Business Integration schedule with TonenGeneral Sekiyu (Plan)

Aug. 2016 Determination of the integration ratio, and execution of  
business integration agreement

Dec. 2016 Shareholders' meetings, required for the approval of the  
business integration

Apr. 2017 New company group starts

## Year-end Dividend

Year-end dividend will be 8 yen per share per biannual (16 yen per share  
per annum)



## Financial Results for 3Q FY2015 (April 1, 2015 - December 31, 2015)



## Outline of 3Q FY2015

\* Average from March to November  
(nearly equal to arrived crude cost)

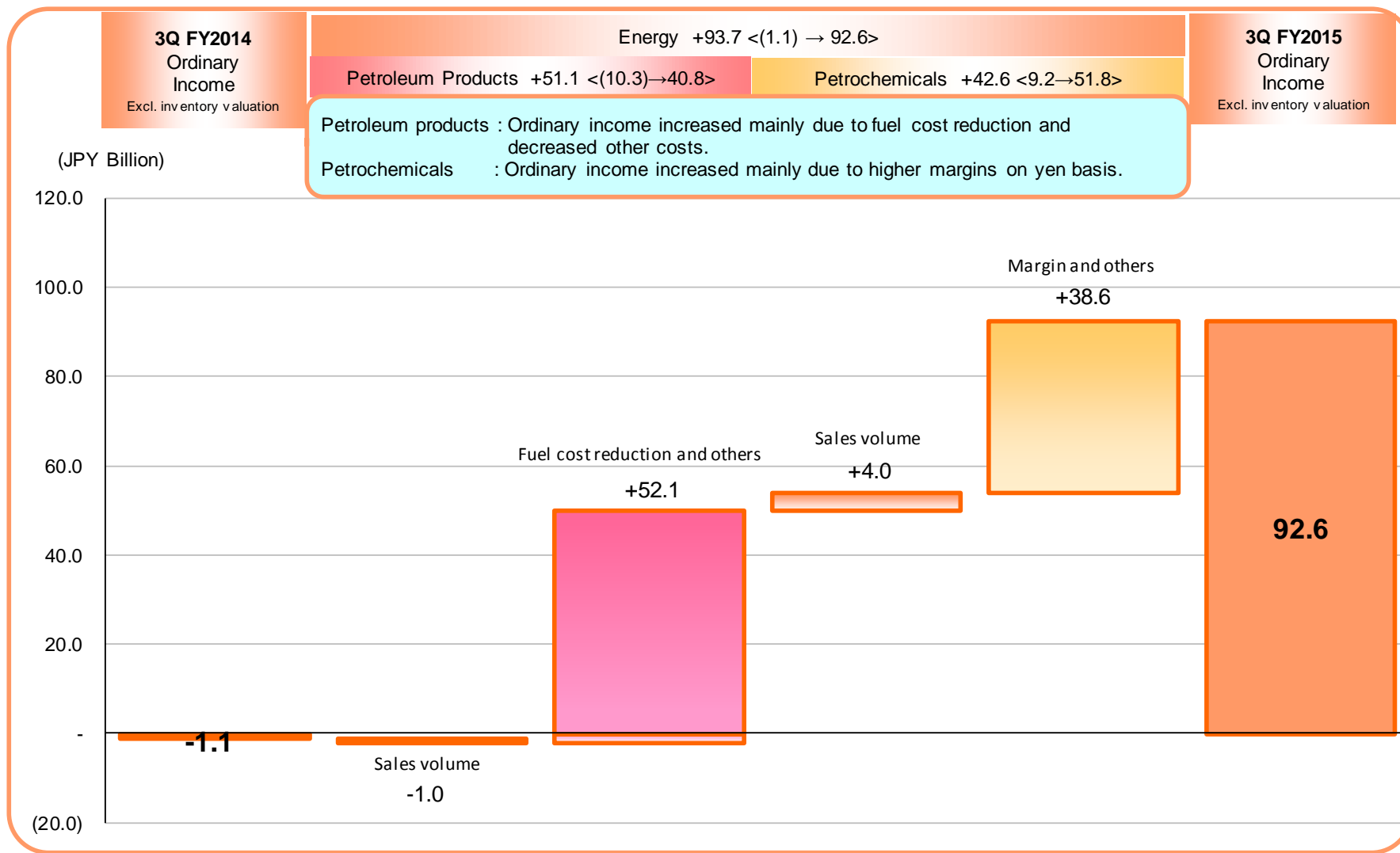
	3Q FY2014 (Actual)	3Q FY2015 (Actual)	Changes	
Crude Oil (Dubai)* (\$/bbl)	99	53	-46	-46%
Copper (¢/lb)	<315> 308	<259> 245	<-56> -63	<-18%> -20%
Exchange Rate (Yen/\$)	< 103> 107	<121> 122	<+18> +15	<+17%> +14%
	JPY Billion	JPY Billion	JPY Billion	
Net Sales	8,343.6	6,689.0	-1,654.6	-20%
Operating Income	(205.4)	(79.3)	+126.1	-
Non-operating Income (Expenses), Net	33.9	26.4	-7.5	-22%
Ordinary Income	(171.5)	(52.9)	+118.6	-
-Inventory Valuation	(292.0)	(211.6)	+80.4	-
Ordinary Income Excl. Inventory Valuation	120.5	158.7	+38.2	+32%
Special Gain (Loss), Net	(18.6)	(87.6)	-69.0	-
Profit attributable to owners of parent	(134.0)	(113.4)	+20.6	-

3Q FY2014 Actual vs. 3Q FY2015 Actual  
 Changes in Ordinary Income (Loss) by Segment

	3Q FY2014 (Actual)	3Q FY2015 (Actual)	Changes	
	JPY Billion	JPY Billion	JPY Billion	
Energy	(294.9)	(115.5)	+179.4	-
- Inventory Valuation	(293.8)	(208.1)	+85.7	-
Excl. Inventory Valuation	(1.1)	92.6	+93.7	-
- Petroleum Products	(10.3)	40.8	+51.1	-
- Petrochemicals	9.2	51.8	+42.6	+463%
Oil and Natural Gas E&P	55.0	21.6	-33.4	-61%
Metals	38.5	8.8	-29.7	-77%
- Inventory Valuation	1.8	(3.5)	-5.3	-
Excl. Inventory Valuation	36.7	12.3	-24.4	-66%
Others	29.9	32.2	+2.3	+8%
Total	(171.5)	(52.9)	+118.6	-
Excl. Inventory Valuation	120.5	158.7	+38.2	+32%



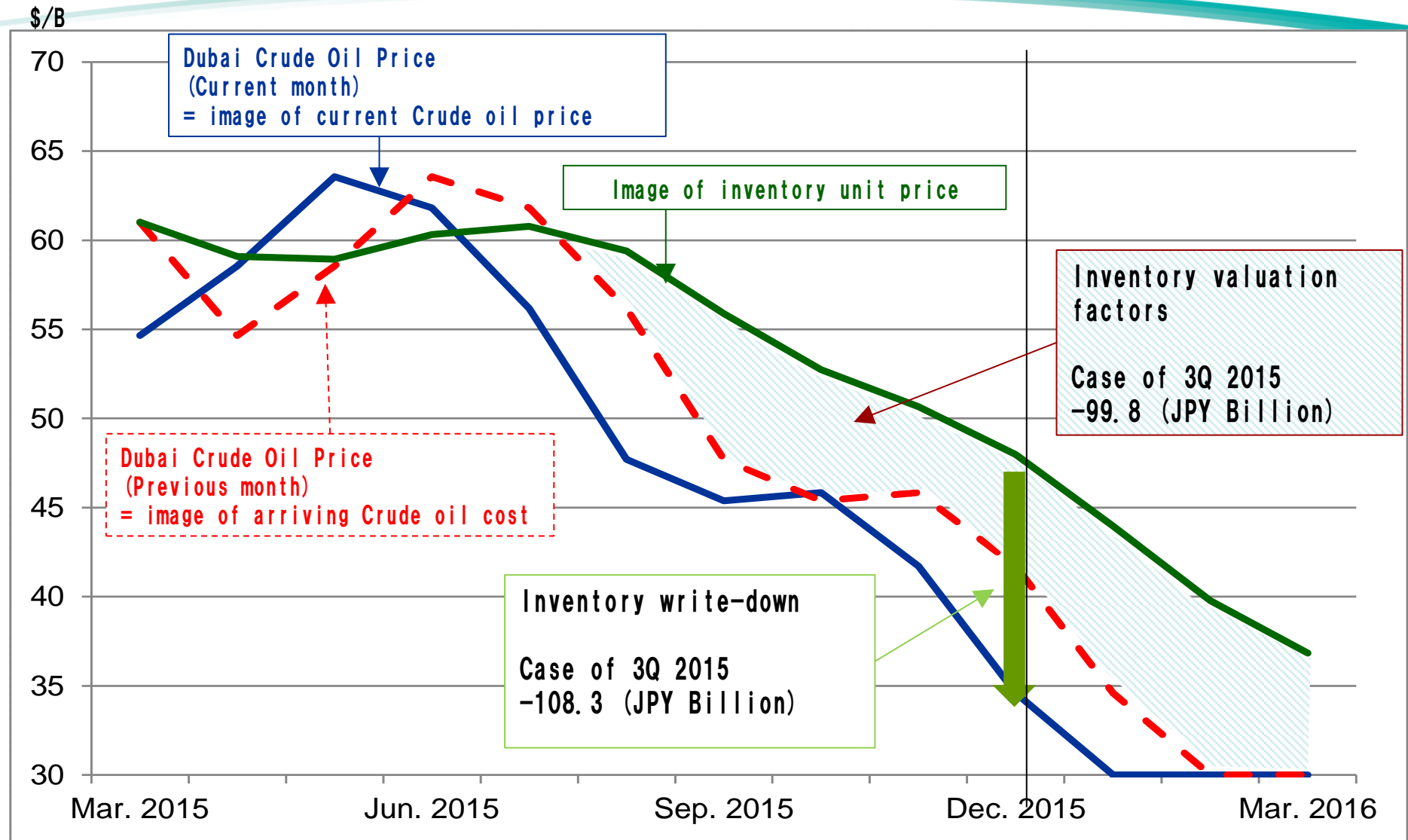
# 3Q FY2014 Actual vs. 3Q FY2015 Actual Changes in Ordinary Income - Energy Business -





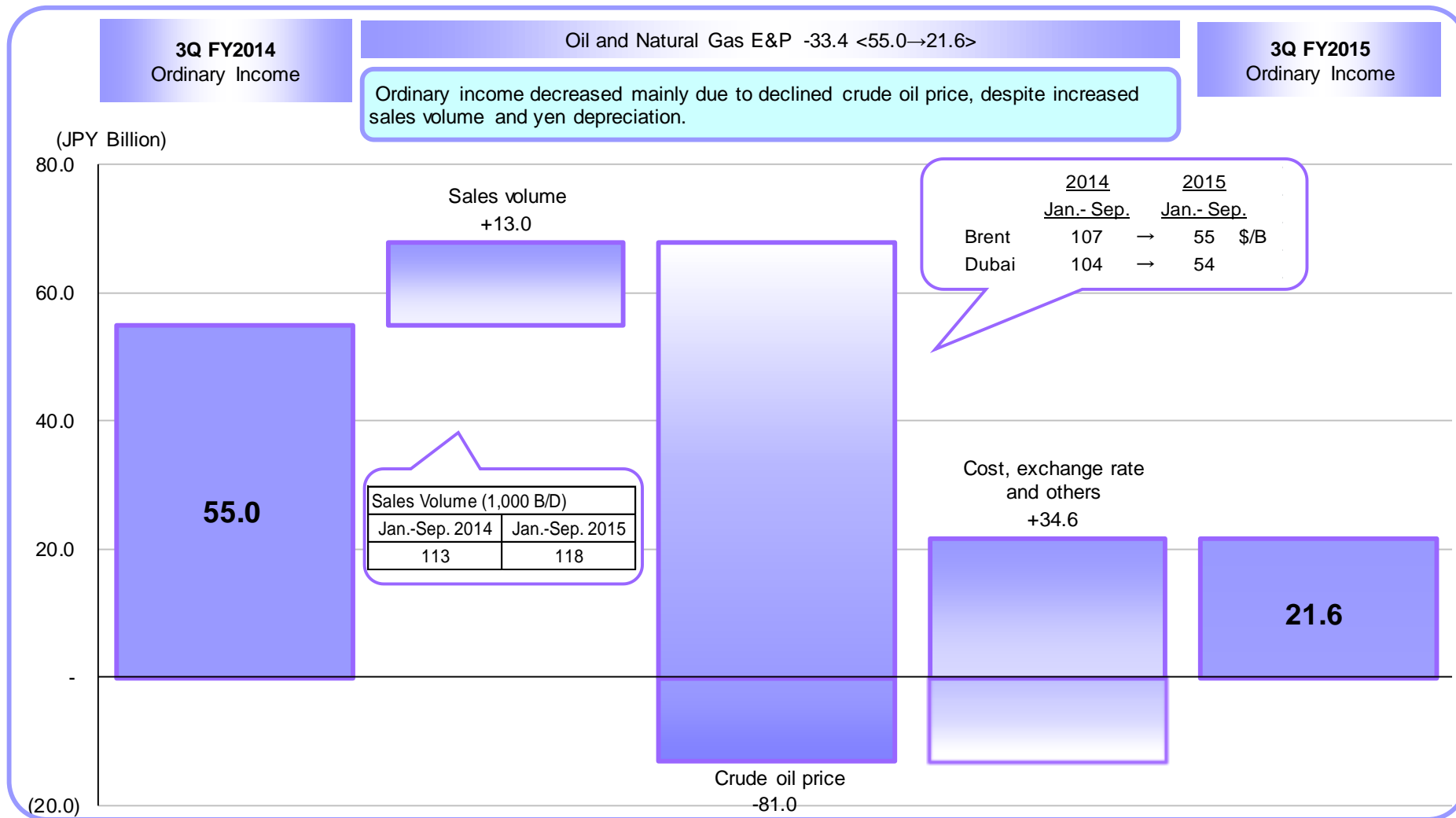


# Inventory Valuation Image (Energy)



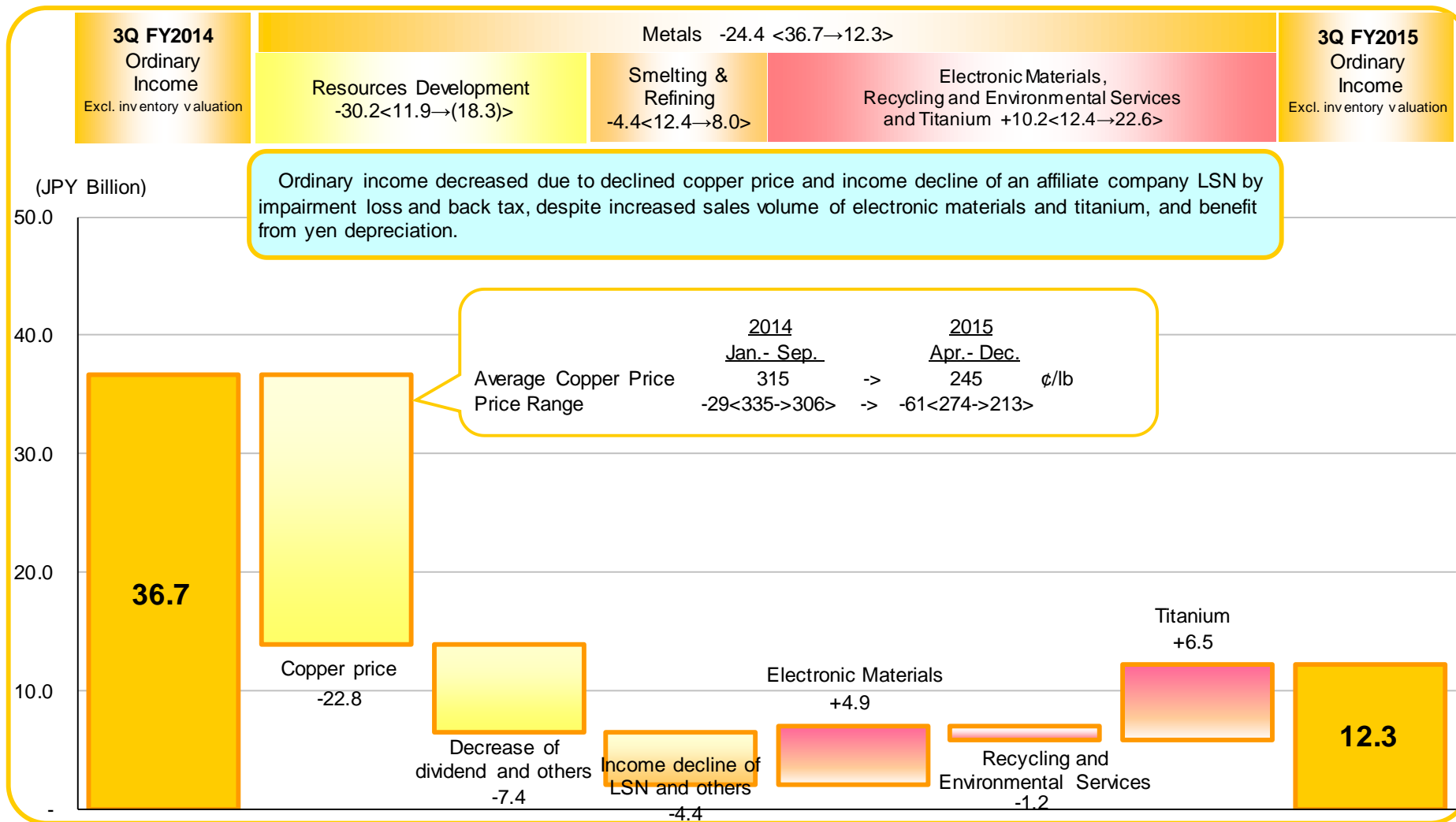


# 3Q FY2014 Actual vs. 3Q FY2015 Actual Changes in Ordinary Income - Oil and Natural Gas E&P Business -





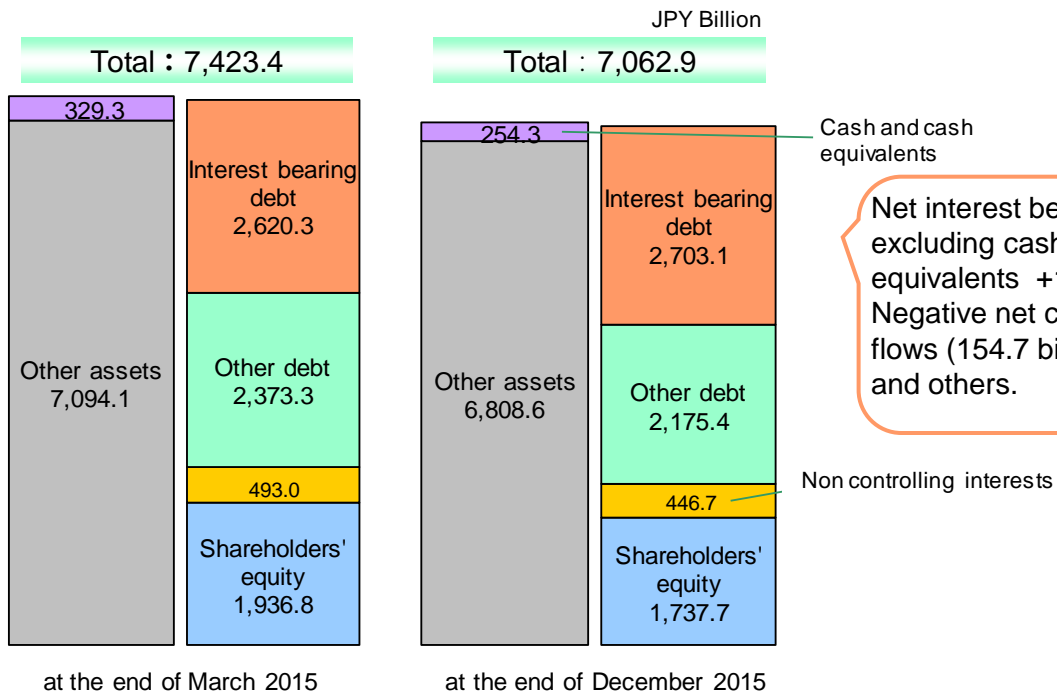
# 3Q FY2014 Actual vs. 3Q FY2015 Actual Changes in Ordinary Income - Metals Business-





Consolidated Balance Sheets  
Consolidated Statement of Cash Flows

Consolidated Balance Sheets



Consolidated Cash Flows

3Q FY2015		(JPY Billion)
Ordinary income		(52.9)
Depreciation and amortization		169.1
Working capital and others		14.6
Cash flows from operating activities		130.8
Cash flows from investing activities		(229.5)
Free cash flows		(98.7)
Dividends and others		(56.0)
Net cash flows		(154.7)

	At the end of March 2015 (Actual)	At the end of December 2015 (Actual)
Shareholders' equity ratio	26.1%	24.6%
Net D/E ratio	1.18	1.41

## Forecast for FY2015

- From April 1, 2015 to March 31, 2016 -

✓ Key Factors (January 2016 - March 2016)

Crude Oil(\$/Bbl)	30
Copper Price(¢/lb)	200
Exchange Rate(Yen/\$)	120

## Outline of FY2015 Forecast

\* Average from March to February  
(nearly equal to arrived crude cost)

Crude Oil (Dubai)\* (\$/bbl)

Copper (¢/lb)

Exchange Rate (Yen/\$)

Net Sales

Operating Income

Non-operating Income (Expenses), Net

Ordinary Income

-Inventory Valuation

Ordinary Income  
Excl. Inventory Valuation

Special Gain (Loss), Net

Profit attributable to owners of parent

**FY2015  
Previous Forecast  
(announced in Nov.)**

53

Jan.-Dec. 2015

&lt;252&gt; 243

Jan.-Dec. 2015

&lt;121&gt; 121

JPY Billion

9,350.0

110.0

40.0

150.0

(80.0)

230.0

(34.0)

45.0

**FY2015  
Revised Forecast**

48

Jan.-Dec. 2015

&lt;250&gt; 234

Jan.-Dec. 2015

&lt;121&gt; 121

JPY Billion

8,700.0

(100.0)

45.0

(55.0)

(265.0)

210.0

(320.0)

(330.0)

**Changes**

-5

-9%

&lt;-2&gt;

-9

&lt;-1%&gt;

-4%

&lt;0&gt;

0

&lt;0%&gt;

0%

JPY Billion

-650.0

-7%

-210.0

-

+5.0

+13%

-205.0

-

-185.0

-

-20.0

-9%

-286.0

-

-375.0

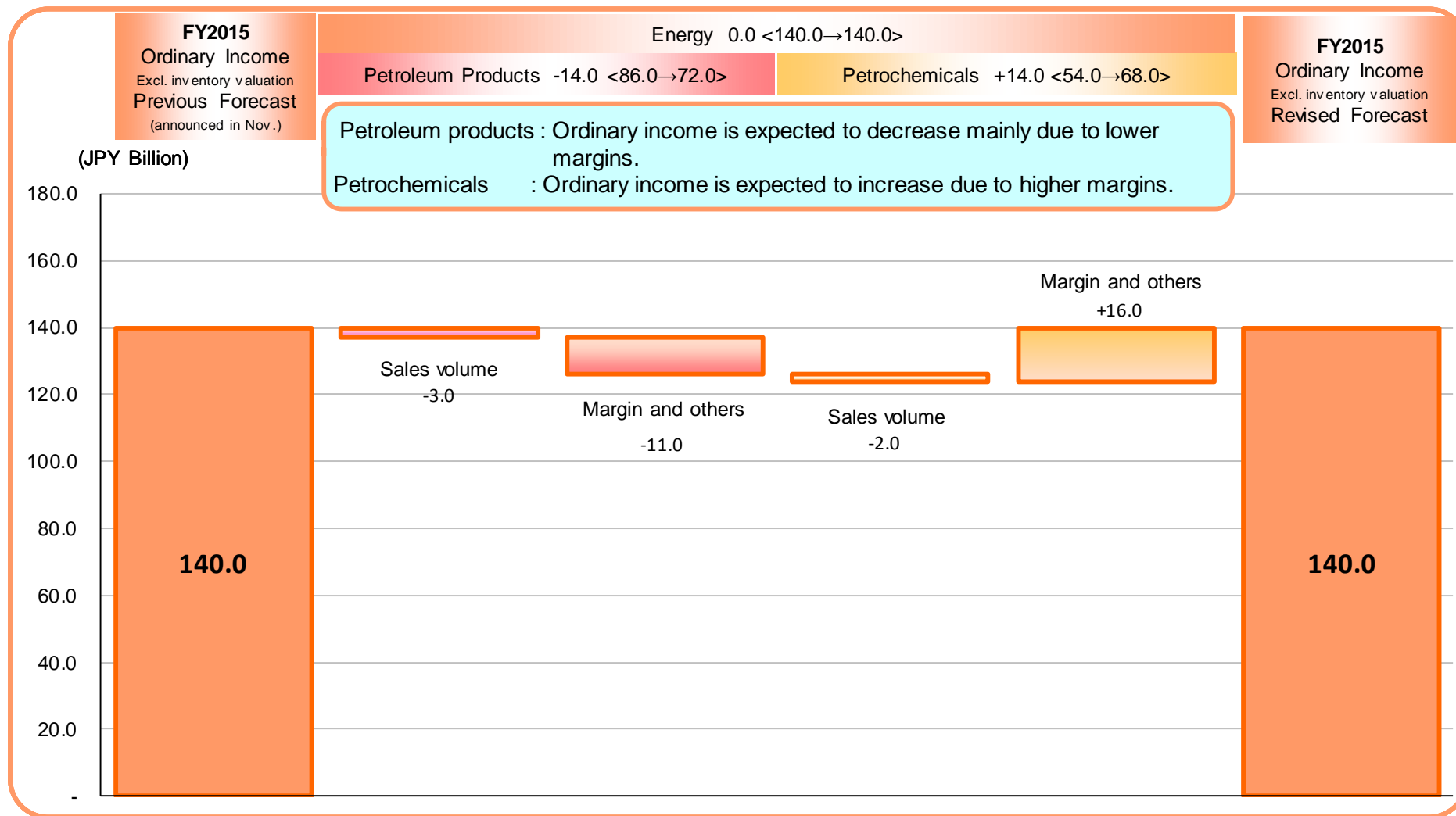
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## FY2015 Previous Forecast vs. FY2015 Revised Forecast Changes in Ordinary Income (Loss) by Segment

	FY2015 Previous Forecast (announced in Nov.)	FY2015 Revised Forecast	Changes	
	JPY Billion	JPY Billion	JPY Billion	
Energy	62.0	(120.0)	-182.0	-
- Inventory Valuation	(78.0)	(260.0)	-182.0	-
Excl. Inventory Valuation	140.0	140.0	±0.0	0%
- Petroleum Products	86.0	72.0	-14.0	-16%
- Petrochemicals	54.0	68.0	+14.0	+26%
Oil and Natural Gas E&P	16.0	18.0	+2.0	+13%
Metals	32.0	7.0	-25.0	-78%
- Inventory Valuation	(2.0)	(5.0)	-3.0	-
Excl. Inventory Valuation	34.0	12.0	-22.0	-65%
Others	40.0	40.0	±0	0%
Total	150.0	(55.0)	-205.0	-
Excl. Inventory Valuation	230.0	210.0	-20.0	-9%



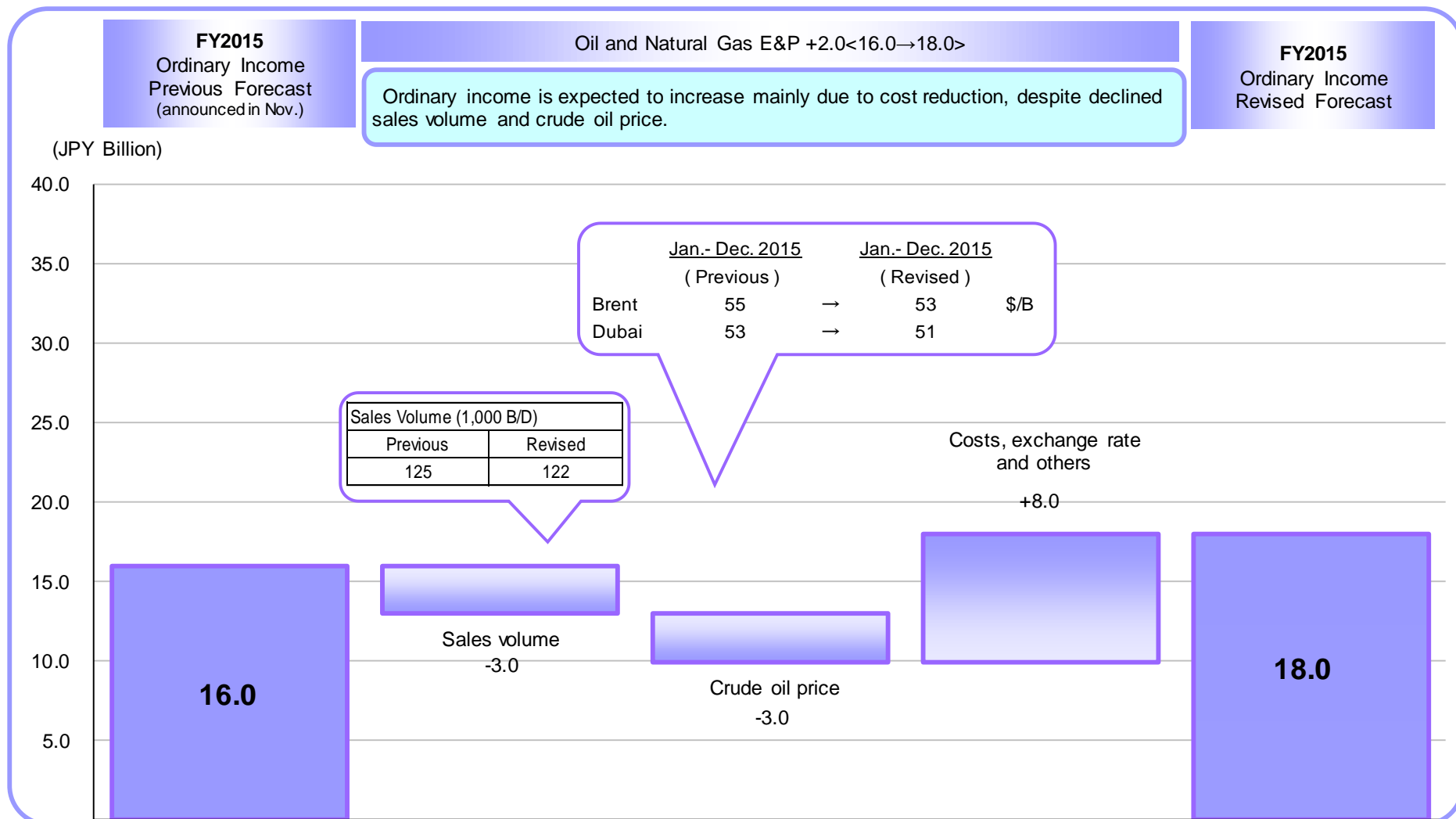
# FY2015 Previous Forecast vs. FY2015 Revised Forecast Changes in Ordinary Income - Energy Business -





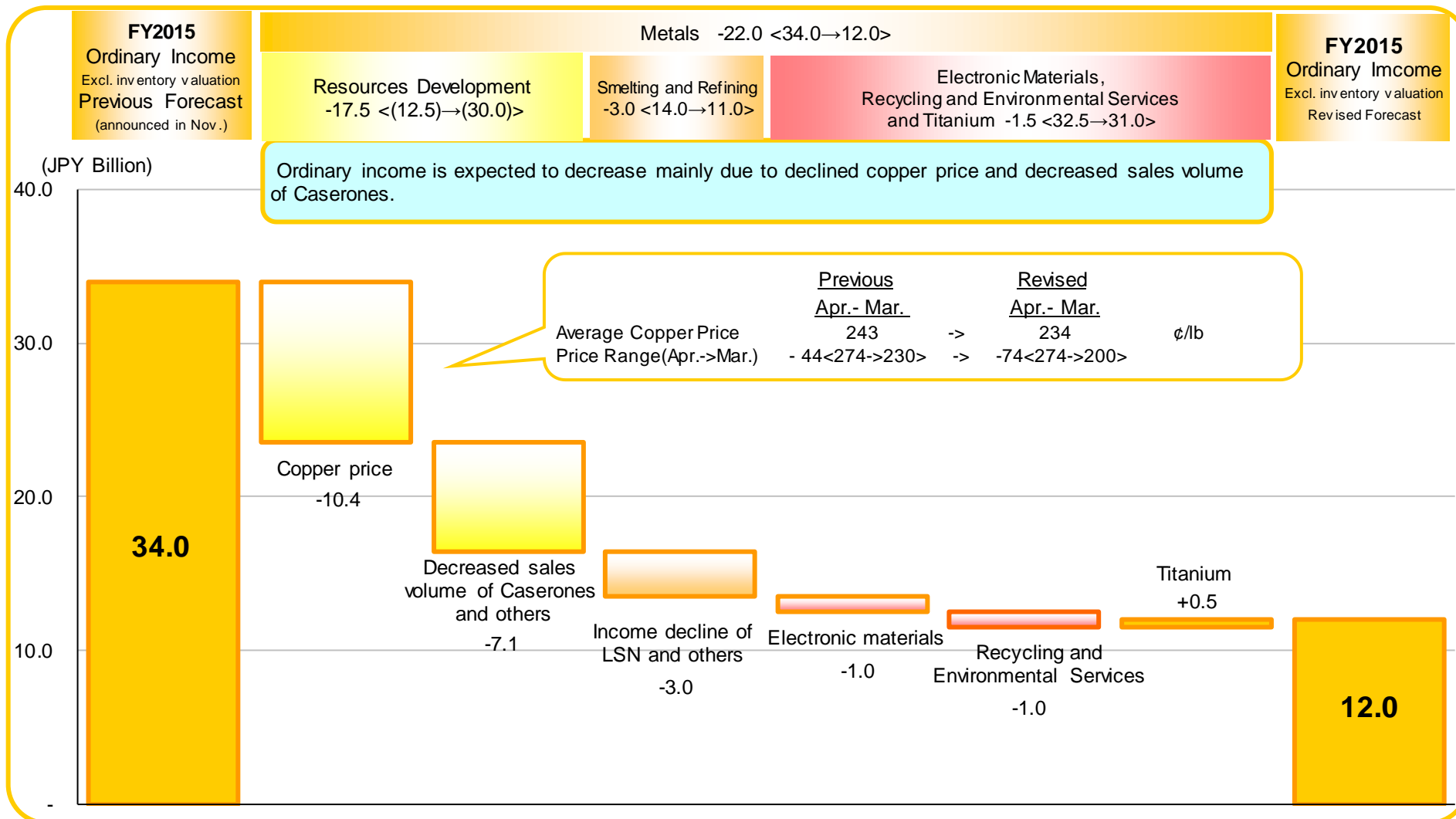


# FY2015 Previous Forecast vs. FY2015 Revised Forecast Changes in Ordinary Income - Oil and Natural Gas E&P Business-





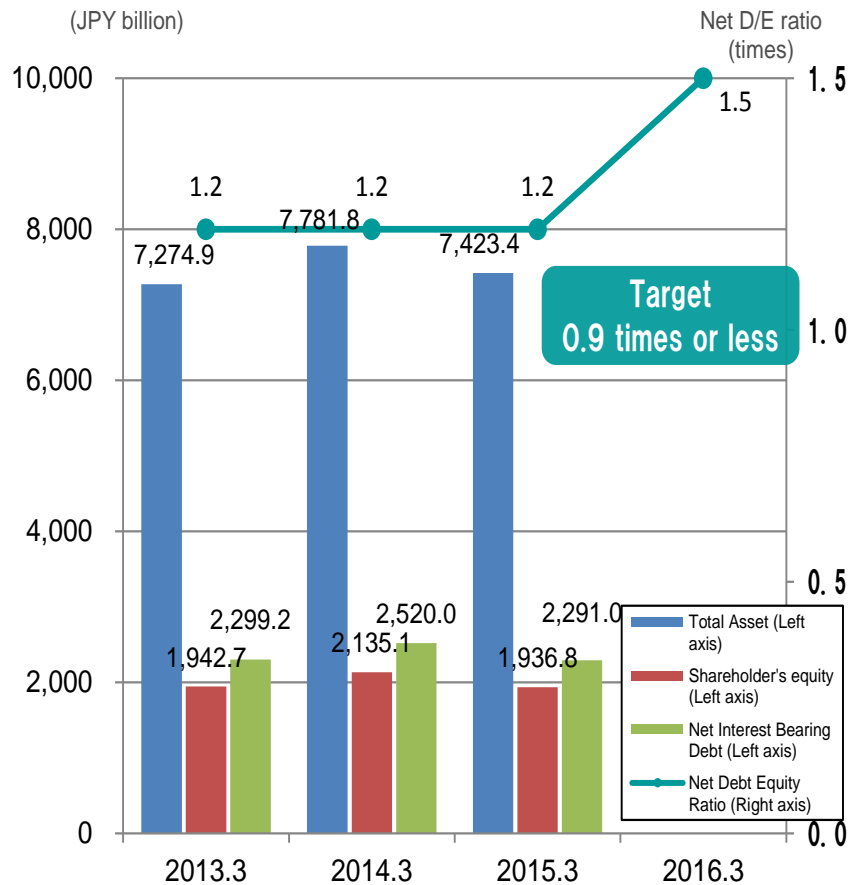
# FY2015 Previous Forecast vs. FY2015 Revised Forecast Changes in Ordinary Income - Metals Business -



# Forecast for CAPEX, Cash Flow



## Change of Net D/E Ratio



## CAPEX(Cumulative total for FY2013 to 2015)

	FY2013-2014 (Actual)	FY2015 (Forecast)	FY2013-2015 (Forecast)	2nd Mid-Term Plan
Energy	300	150	450	540
E&P	310	120	430	390
Metals	270	60	330	300
Others	40	30	70	70
Summary	920	360	1,280	1,300

## Cash Flow(Cumulative total for FY2013 to 2015)

	FY2013-2014 (Actual)	FY2015 (Revised Forecast in Feb.)	FY2013- 2015 (Revised Forecast in Feb.)	FY2013-2015 (Previous Forecast in Nov.)
Ordinary income	150	(50)	100	300
Depreciation and amortization	380	240	620	620
Decrease in working capital	510	280	790	510
<b>Cash flows from operating activities</b>	<b>1,040</b>	<b>470</b>	<b>1,510</b>	<b>1,430</b>
<b>Cash flows from investing activities</b>	<b>(860)</b>	<b>(330)</b>	<b>(1,190)</b>	<b>(1,180)</b>
<b>Free cash flows</b>	<b>180</b>	<b>140</b>	<b>320</b>	<b>250</b>

# Major Topics (from April 2015 to January 2016)

## JX Holdings

Nov. Constituted a “basic policy regarding corporate governance of JX group”.

Dec. Executed a Memorandum of Understanding regarding business integration with TonenGeneral Sekiyu K.K.

## JX Nippon Oil & Energy

Apr. Started commercial operation at Hachinohe and Kushiro LNG terminal.

Jun. Kawasaki Natural Gas Power Generation Co., Ltd. started full consideration on expansion of the generator.

Sep. Started trial operation of a solvent de-asphalting (SDA) equipment and a power generation facility at the Kashima Refinery.

Nov. Opened the first shop of movable commercial hydrogen station.

Dec. Opened a commercial hydrogen station in Fukuoka.

Jan. Concluded a business cooperation contract with KDDI centering on electricity business.

## JX Nippon Oil & Gas Exploration

Apr. Made an oil discovery at Deepwater Block R offshore Malaysia.

Aug. Acquired a Participating Interest in the Foz do Amazonas Basin of the Brazilian Amazon region.

Aug. Field Development Plan approved for Culzean in UK North Sea .

## JX Nippon Mining & Metals

May. Developed new plating technology, hyperTin®.

May. Reorganized, aiming at more enforcement of the risk management system.

# Key Factors

		FY2014			FY2015		
		1H	3Q [Apr.-Dec.]	Full Year	1H	3Q [Apr.-Dec.]	Full Year
		Actual	Actual	Actual	Actual	Actual	Forecast (announced in Feb.)
All segments	Exchange rate [Yen/\$]	103	107	110	122	122	121
Energy	Crude oil price [Dubai][Apr.-Mar.]*1 [\$]/bbl]	105	99	88	57	53	48
Oil and Natural Gas E&P	Sales volume <Crude oil equivalent> [1,000 bbl/day]	112	113	115	116	118	123
	Crude oil price [Brent] [Jan.-Dec.] [\$]/bbl]	109	107	99	58	55	53
Metals	Copper price [LME] *2 [¢/lb]	314	315	311	256	245	234
	Equity entitled copper mine production *3 [1,000 tons/period ·year]	65	104	148	81	127	176
	PPC copper cathode sales [1,000 tons/period ·year]	307	456	623	308	433	593
	Treated rolled copper foil sales [1,000 km/month]	4.0	4.0	4.1	5.1	4.8	4.8
	Precision rolled products sales [1,000 tons/month]	3.8	3.8	3.8	3.8	3.7	3.7
	Gold recovery volume by Recycling & Environmental Services [tons/period ·year]	3.0	4.1	5.9	3.5	5.0	6.4

\*1 Crude oil arrival basis

\*2 Due to a change of fiscal term, referring terms are different. 2014 1H: Jan.-Jun., 3Q: Jan.-Sep., Full Year: Jan.-Dec.; 2015 1H: Apr.-Sep., 3Q: Apr.-Dec., Full Year: Apr.-Mar.

\*3 Production of companies closing in Dec., 1H: Jan.-Jun., 3Q: Jan.-Sep., Full Year: Jan.-Dec.; closing in Mar., 1H: Apr.-Sep., 3Q: Apr.-Dec., Full Year: Apr.-Mar.

# Sensitivity Analysis (FY2015 basis)

## ■ Key factors (From January 2016 to March 2016)

Exchange Rate: 120Yen/\$

Crude Oil : 30\$/bbl  
(Dubai spot)

Copper Price (LME) : 200 ¢/lb

## ■ Sensitivity analysis

Key Factors	Change	Segment	(JPY Billion) Impact
Exchange Rate	5 Yen/\$ yen appreciation	Energy	
		(In-house fuel costs drop, margin reduction in petrochemicals)	-1.5
		Oil and Natural Gas E&P	+3.0
		Metals (Margin reduction, exchange loss)	-0.5
		Subtotal	+1.0
		Inventory valuation loss	-15.0
		<b>Total</b>	<b>-14.0</b>
Crude Oil (Dubai spot)	-5\$/bbl	Energy (In-house fuel costs drop)	+2.5
		Oil and Natural Gas E&P	0.0
		Subtotal	+2.5
		Inventory valuation loss	-50.0
		<b>Total</b>	<b>-47.5</b>
Copper Price (LME)	-10¢/lb	Metals	-3.0
		<b>Total</b>	<b>-3.0</b>

# Cautionary Statement Regarding Forward-Looking Statements



This notice contains certain forward-looking statements, however, actual results may differ materially from those reflected in any forward-looking statement, due to various factors, including but not limited to, the following:

- (1) macroeconomic conditions and changes in the competitive environment in the energy, resources and materials industries;
- (2) changes in laws and regulations; and
- (3) risks related to litigation and other legal proceedings.