

# Financial Results for FY 2014 1H

- From April 1, 2014 to September 30, 2014 -

Representative Director, President

Isao Matsushita

Director, Executive Vice President

Yukio Uchida

November 4, 2014



The Future of Energy, Resources and Materials

**JX Holdings, Inc.**

# Agenda



## Business Environment

- Crude Price, Copper Price, Exchange Rate
- Margins of Petroleum and Petrochemical Products

## Progress of 2<sup>nd</sup> Mid-Term Management Plan

- Outline of Financial Results for FY2014 1H
- Outline of Forecast for FY2014
- Ordinary Income(excl. inventory valuation) , ROE
- Major Index (Net Debt Equity Ratio)
- Project in Progress and Consideration
- Progress of Business Strategy
- Progress of 2<sup>nd</sup> Medium Term Management plan
- Dividend Policy

## Financial Results for FY2014 1H

- Financial Results for FY2014 1H

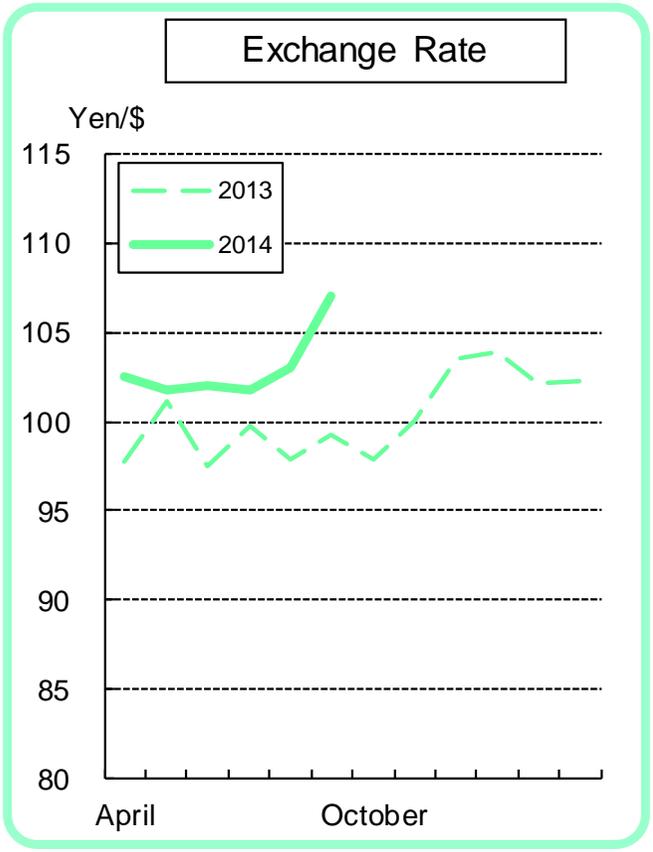
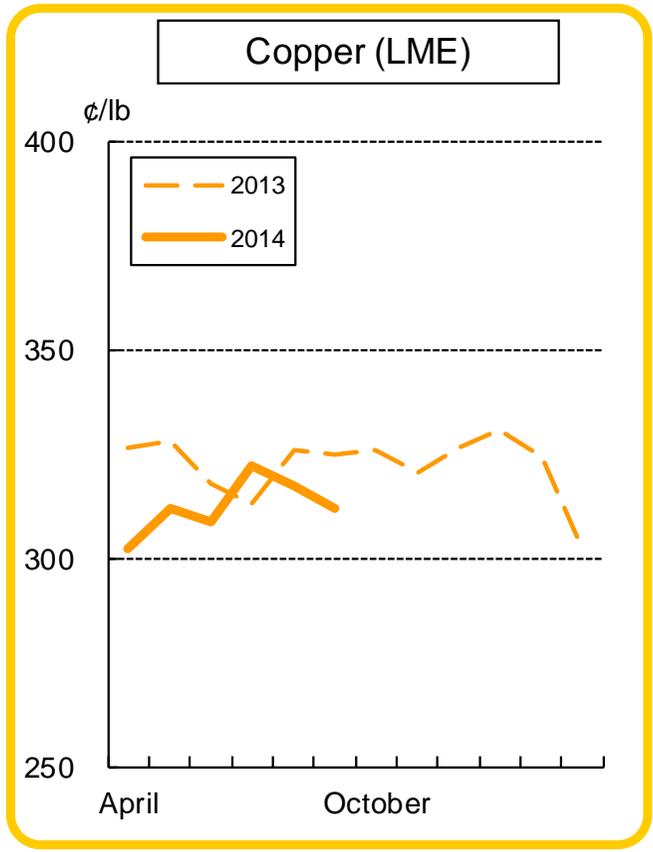
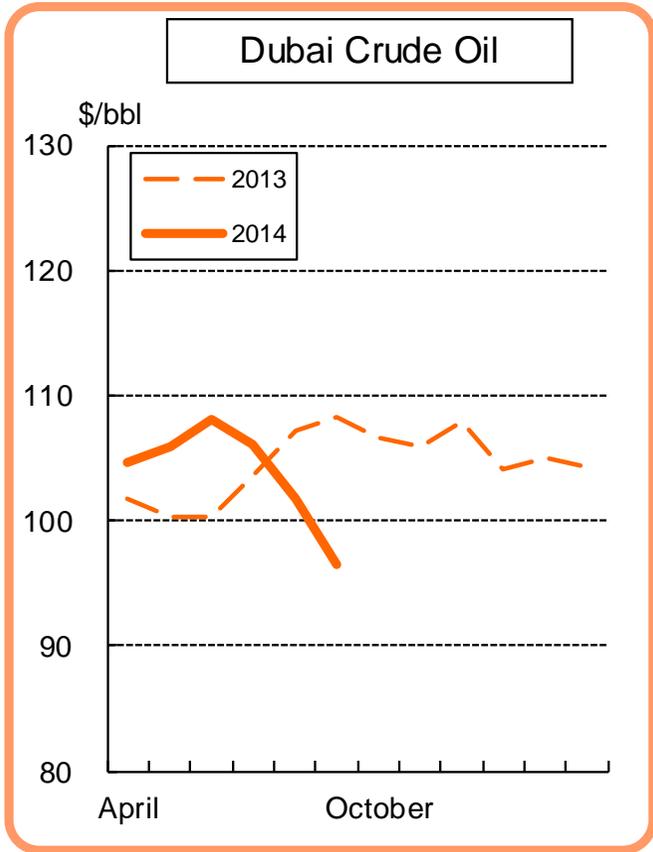
## Forecast for FY2014

- Forecast for FY2014
- Key Factors
- Sensitivity Analysis

2	Representative Director, President <b>Isao Matsushita</b>	
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15		Director, Executive Vice President <b>Yukio Uchida</b>
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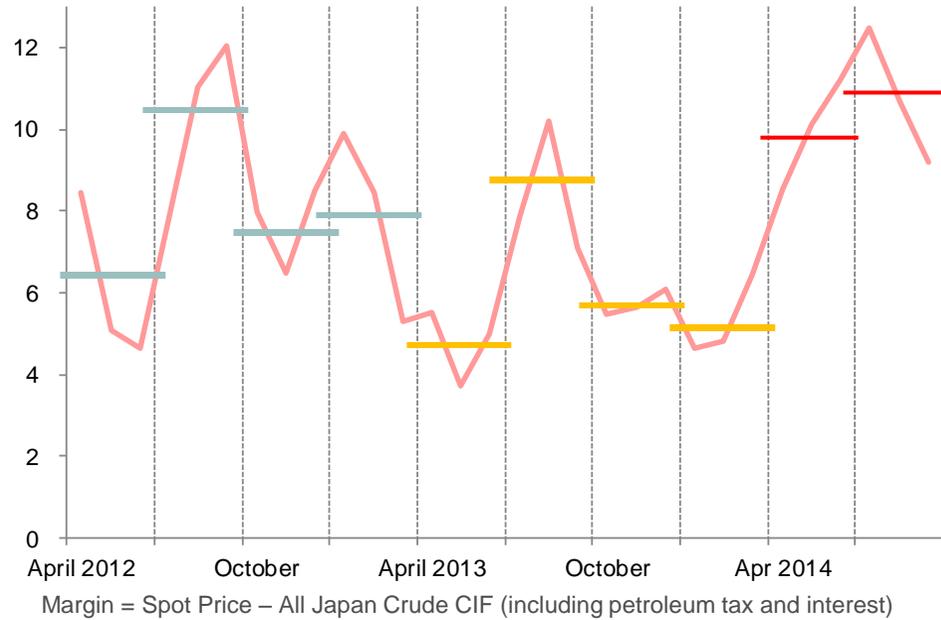
# Business Environment 1 (Crude Price, Copper Price, Exchange Rate)



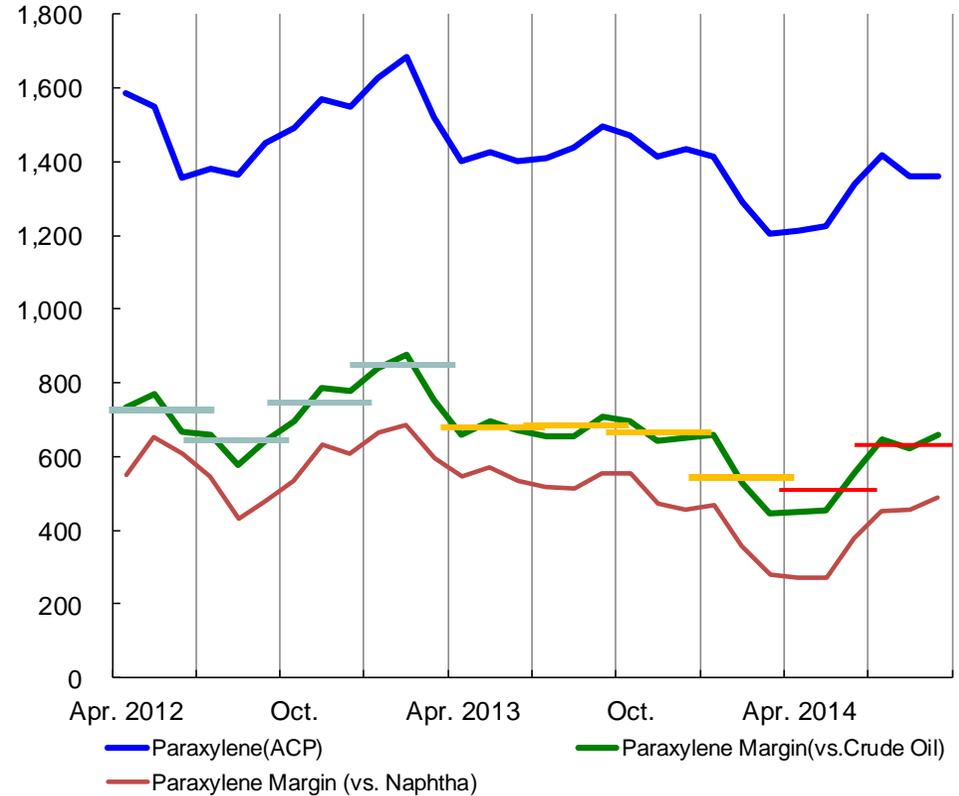
# Business Environment 2 (Margins of petroleum & petrochemical products)



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



Margin of Paraxylene



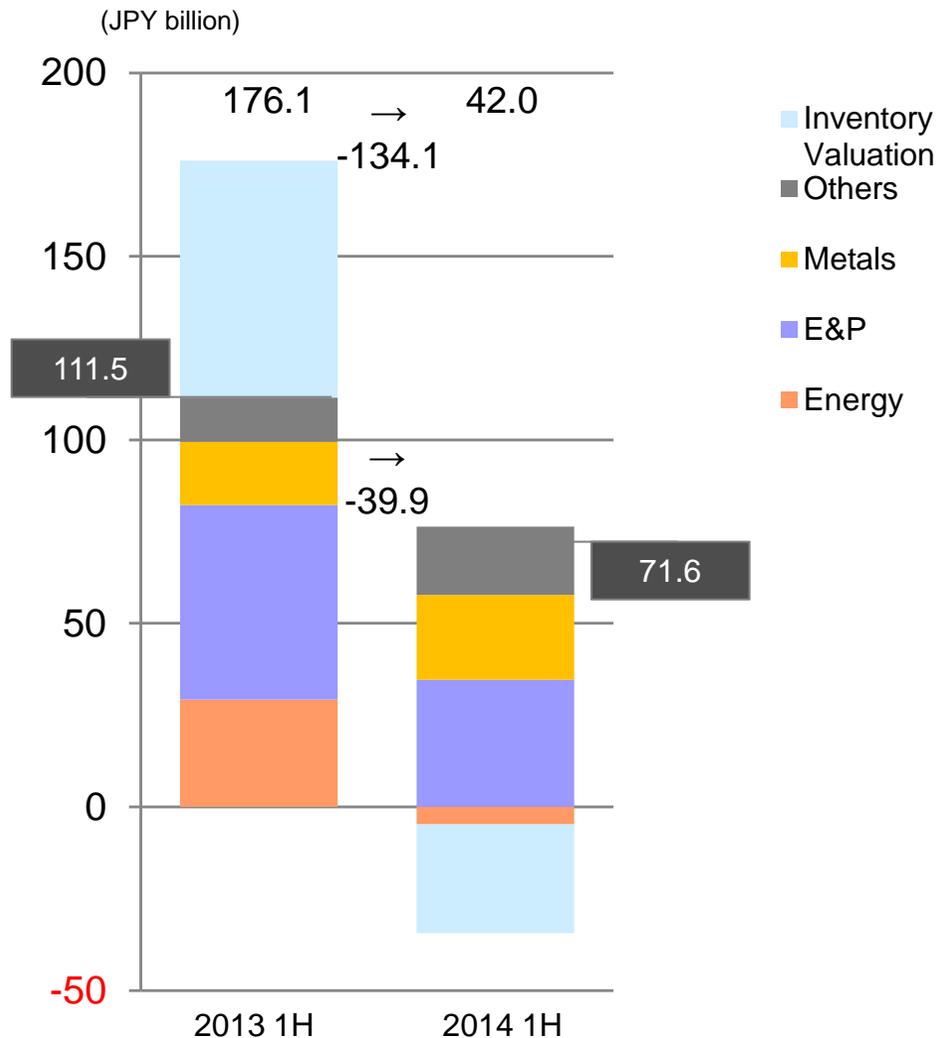
\* In case of ACP undecided, average price of spot market is adopted.

## Petroleum Demand in Japan

(10 thousand KL)

	FY2013 1H	FY2014 1H	Changes
Gasoline	2,821	2,665	-5.5%
Kerosene	424	364	-14.2%
Diesel Fuel	1,655	1,644	-0.6%
Fuel Oil A	567	530	-6.5%
Fuel Oil B/C	997	830	-16.7%
Others	2,448	2,254	-7.9%
Total	8,911	8,288	-7.0%

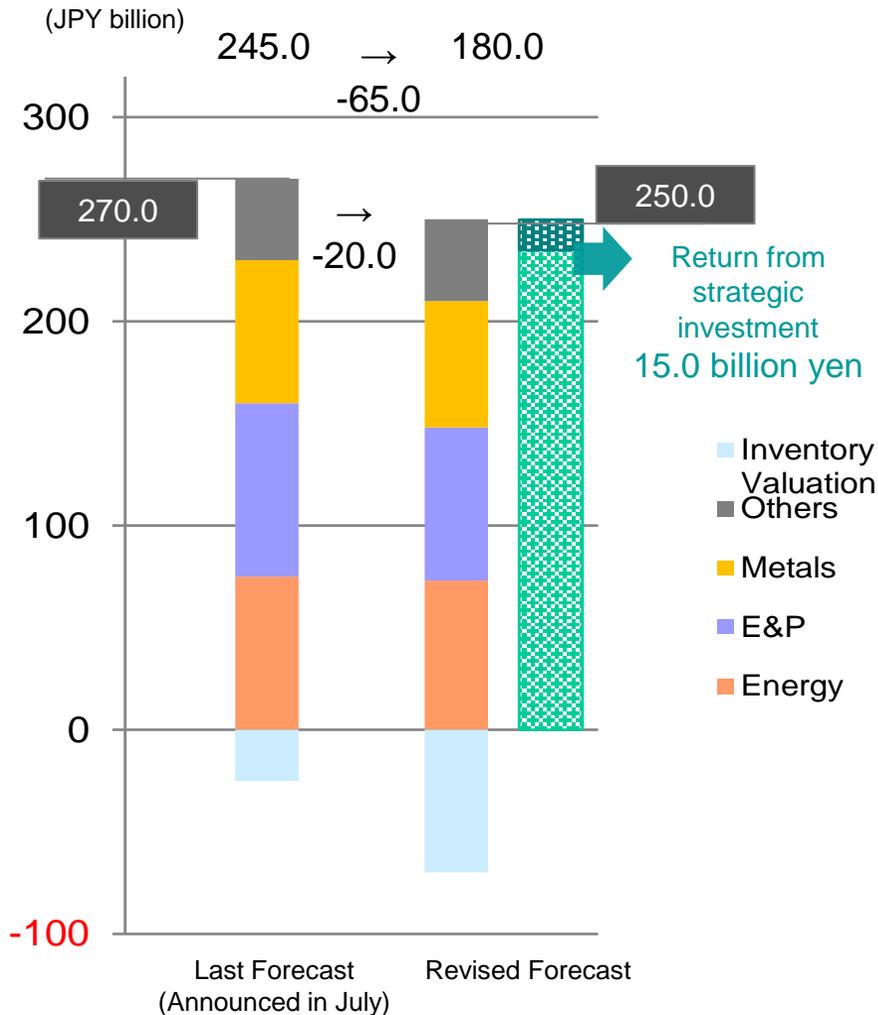
# Outline of Financial Results for FY2014 1H (Ordinary Income)



(FY2014 1H vs. FY2013 1H)

- Ordinary income decreased due to inventory valuation loss by crude price decline.
- Ordinary income excluding inventory valuation decreased due to decline of petroleum and petrochemical sales volume and transient cost rise in each business.

# Outline of Forecast for FY2014 (Ordinary Income)



## ➤ Key Factors

	Last Forecast (Announced in July)	Revised Forecast
Crude Price (\$/Bbl) *	105	100
Copper Price (¢/lb)	322	316
Exchange Rate (yen/\$)	101	104

\* Average from March to February

➤ Ordinary income excluding inventory valuation decrease due to petroleum products sales volume decline and lowered crude price assumption.

## ➤ Projects starting in FY2014

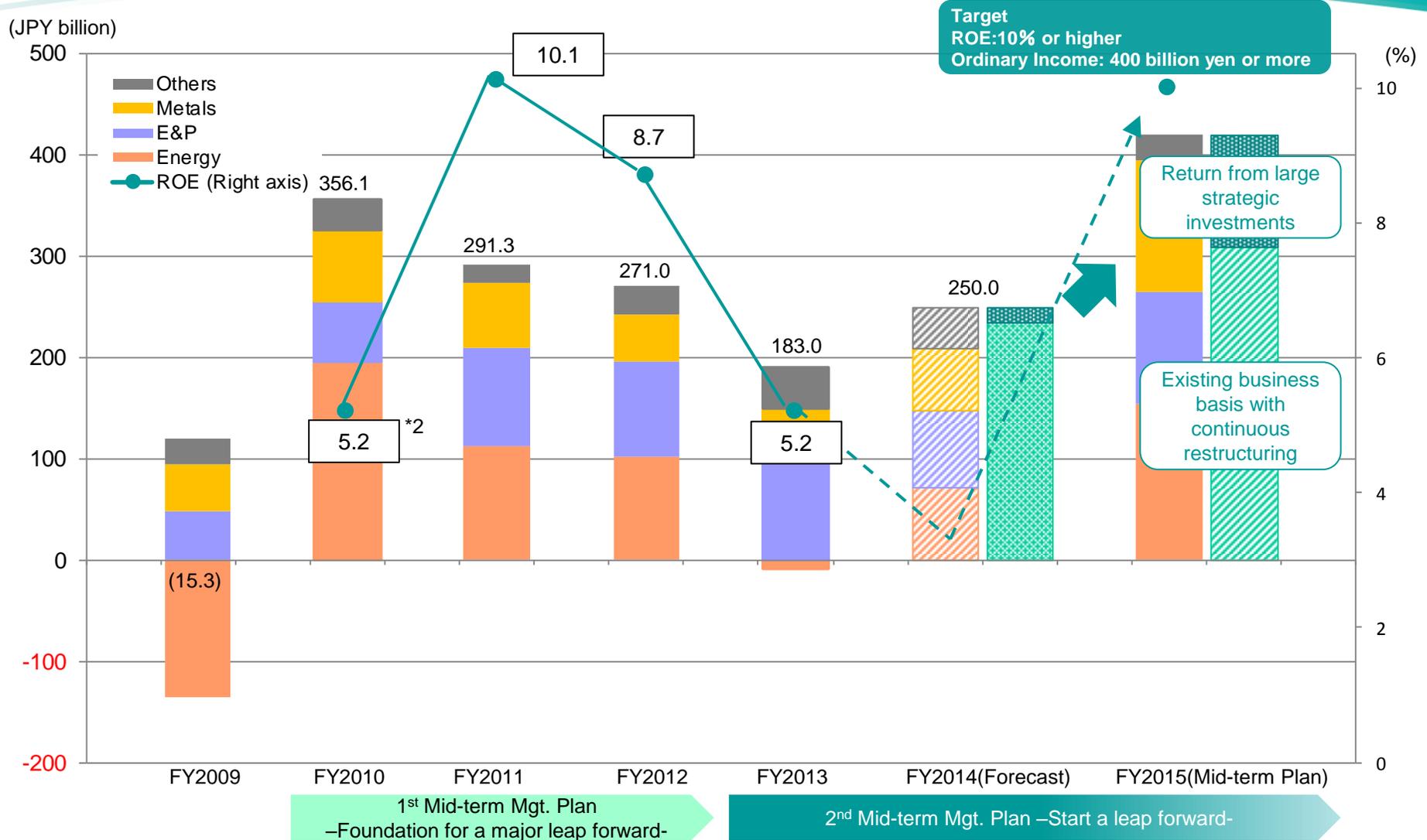
(Energy) Palaxylene in Korea

(E&P) PNG LNG, UK North Sea Kinnoull

(Metal) Caserones (copper concentrate)

# Ordinary Income (excl. inventory valuation), ROE<sup>\*1</sup>

**Basic Policy**  
Realizing high profit and high ROE continuously

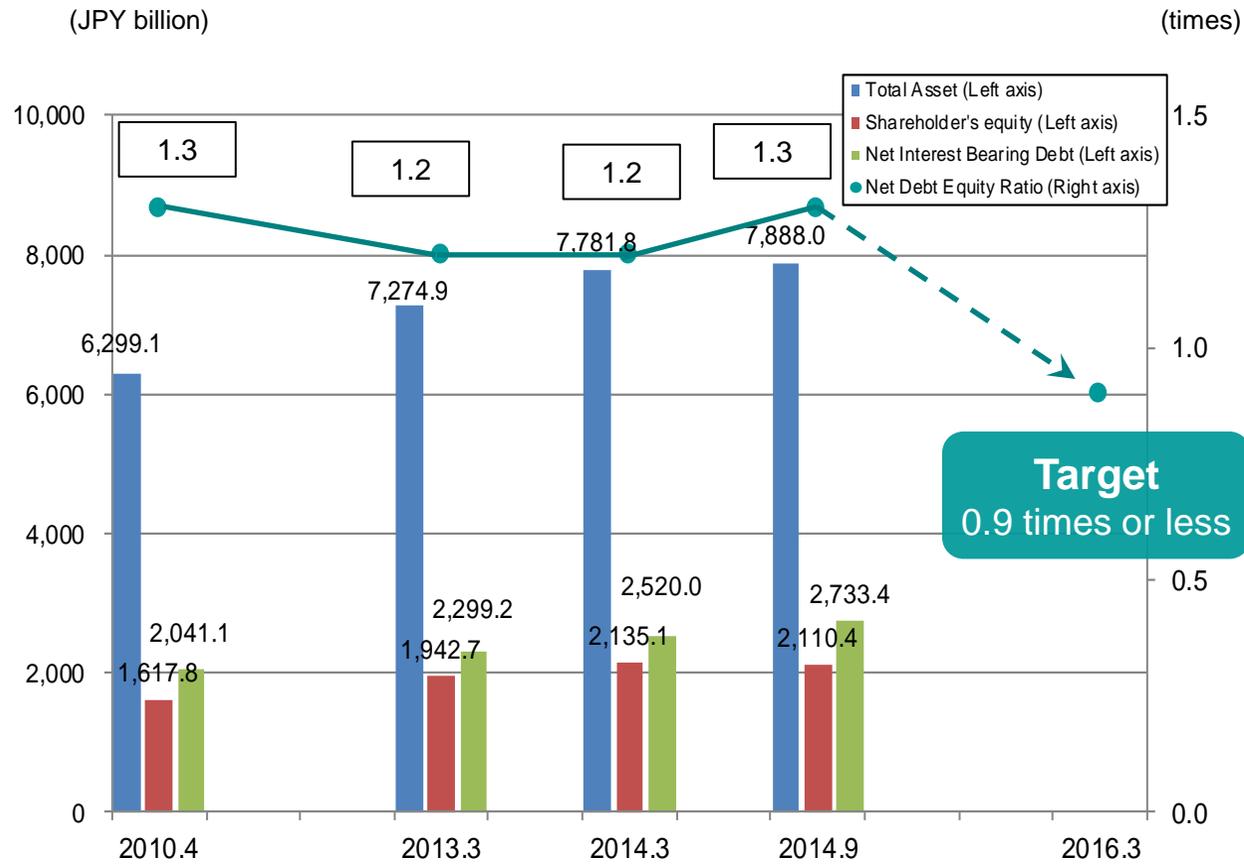


\*1 Including impact of inventory valuation

\*2 Excluding impact of negative goodwill in FY2010



# Major Index (Net Debt Equity Ratio)

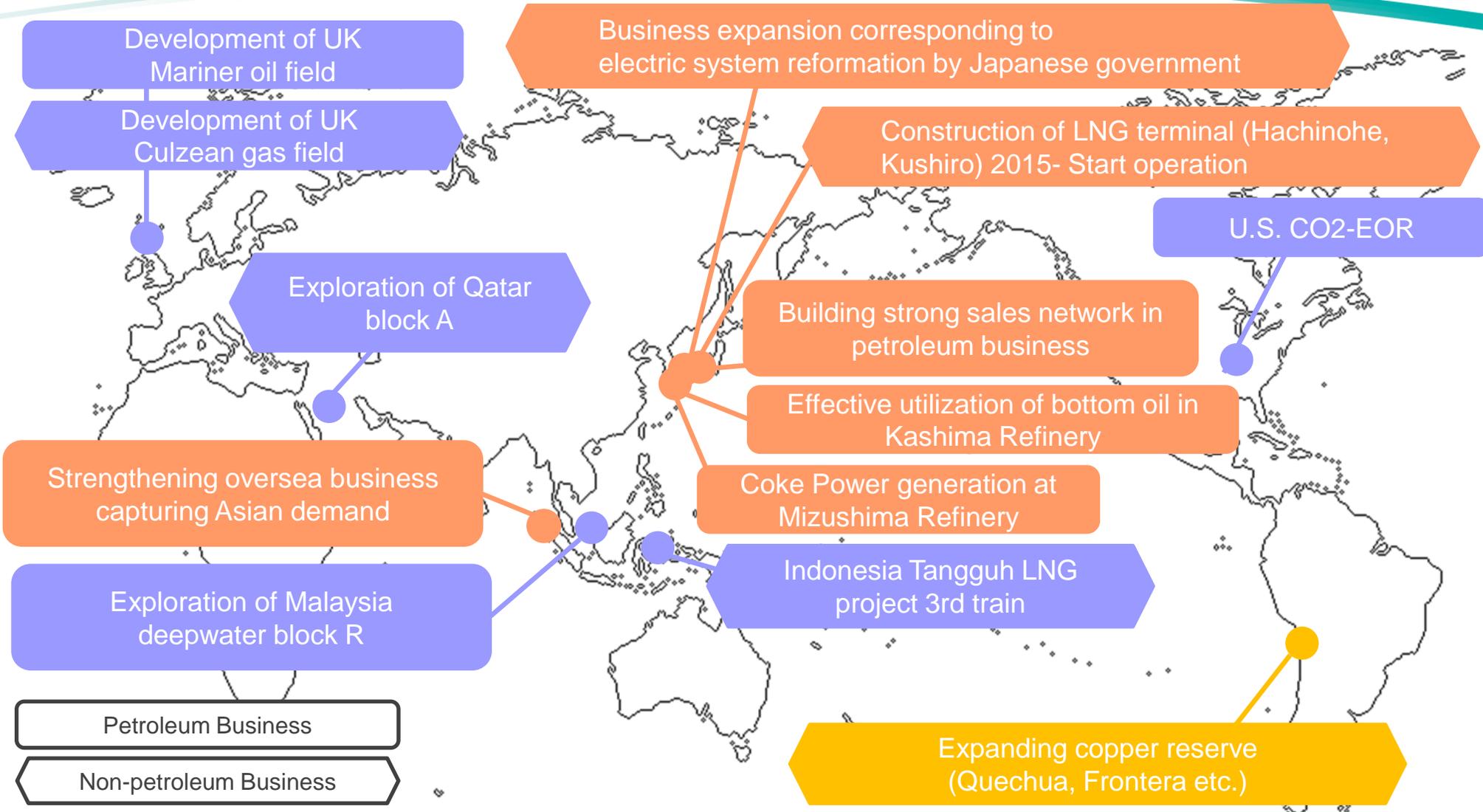


**Reinforcement of financial base and preparation for growth**  
 To reinforce financial base and prepare investment for growth, we try to reduce and freeze CAPEX, and consider more sales property in the term of 2<sup>nd</sup> Mid-Term Management Plan.

(Reference) Progress of CAPEX

	2 <sup>nd</sup> Mid-Term MGT Plan	FY2013 (Actual)	FY2014 1H (Actual)
Energy	540	140	67
E&P	390	160	87
Metals	300	190	46
Others	70	10	15
<b>Summary</b>	<b>1,300</b>	<b>500</b>	<b>215</b>

# Projects in Progress and Consideration



## Progress of Business Strategy (from Apr. 2013 to Mar. 2014)

### JX Nippon Oil & Energy

- Apr. Opened Japan's first hydrogen supply station combined with existing petro station in Ebina City of Kanagawa Prefecture .
- May Opened the Chukyo area's first hydrogen supply station combined with existing petro station in Nagoya City of Aichi Prefecture.
- Aug. Decided to commence mega solar operations in Fukushima, Akita, and Okinawa Prefecture.
- Aug. Announced to install a solvent de-asphalting (SDA) equipment and an power generation facility in the Kashima Refinery .
- Oct. Decided to commence mega solar operations in Yamaguchi Prefecture.
- Oct. Concluded a business collaboration agreement with LIXIL Corporation.
- Oct. Concluded a sales contract with First Solar, Inc. and obtained exclusive distribution rights for its solar cell modules in Japan.
- Nov. Completed construction of a mega solar power station in Kasumigaura.
- Feb. Decided to commence importing and marketing businesses of fuel oil in Indonesia.
- Feb. Concluded MOU to build lubricants joint venture company in India
- Mar. Concluded a LNG business contract with Malaysia LNG Sdn. Bhd..

### JX Nippon Oil & Gas Exploration

- May Commenced production at Finucane South Field in Australia.
- Jun. Acquired a participating interest in two exploration permits in Australia.
- Jul. Made a gas discovery in the Carnarvon Basin in Australia.
- Sep. Entered into a production sharing contract for Deepwater exploration Block 2F, in Malaysia .
- Nov. Extended the production sharing contract term of Block 15-2 offshore Vietnam in Rang Dong Oilfield.
- Nov. Entered into a production sharing contract for Deepwater Block 3F offshore Sarawaku in Malaysia.

### JX Nippon Mining & Metals

- Apr. Started operation in Kakegawa Works, a new base for producing precision components and connectors.
- Nov. Completed the New Longtan Works in Taiwan to manufacture of sputtering targets for flat panel displays and for semiconductors.
- Dec. Completed construction of a new copper concentrate and sulfuric acid carrier "KORYU".
- Jan. Toho Titanium Co., Ltd. signed a basic agreement on joint venture to produce titanium sponge in Saudi Arabia.
- Mar. Acquired Minister of the Environment authorization of the waste detoxification handling of low-concentrated PCB business.

## Major Topics (From Apr. to Oct. 2014)

### JX Nippon Oil & Energy

- May Decided to commence mega solar operations in Ehime and Kagawa Prefecture.
- Jun. Started commercial production of paraxylene plant of Ulsan Aromatics in Korea.
- Jun. 1<sup>st</sup> import naphtha arrived at Muroran plant. (converted from refinery)
- Jun. Released cell incubation medium for regeneration medicine and cell therapy research expected as next-generation medical treatment.
- Jul. Decided to install coke power generation facility in Mizushima refinery.
- Jul. Decided to establish hydrogen business company.
- Jul. Started power transmission at Iwaki mega solar.
- Jul. Decided to establish joint venture company of lubricants marketing in India.
- Oct. Decided to restructure residential use home fuel cell business.
- Oct. Decided to compete in retail electricity sales for homes.

### JX Nippon Oil & Gas Exploration

- May Decided to develop Layang oil and gas field. (Vietnam)
- May Started shipment of LNG in PNG LNG project. (Papua New Guinea)
- Jul. Decided to start enhanced oil recovery project using processed flue gas from coal power generation plant. (United States)
- Aug. Discovered oil in WA-435-P offshore Canning Basin, western Australia.
- Aug. Discovered gas and condensate offshore southern Vietnam blocks 05-1b and 05-1c.

### JX Nippon Mining & Metals

- Apr. Decided to promote business restructuring of titanium.
- May Started copper concentrate production at Caserones copper and molybdenum development project in Chile.
- Jul. Decided restructuring of electro-deposited copper foil business.
- Aug. Decided commercial application of bio-leaching technology.
- Aug. 1<sup>st</sup> copper concentrate shipping from Caserones arrived at Saganoseki Smelter & Refinery.

## Progress of 2<sup>nd</sup>-Term Management Plan (Energy Business)

Strategies of 2 <sup>nd</sup> Medium-Term Management Plan	Initiatives up to October 2014
Strengthening profitability in petroleum refining and a marketing, the core business	Stopped petroleum refining operation at Muroran Refinery to transform to petrochemical plant Decided to install a solvent de-asphalting (SDA) equipment in Kashima Refinery Decided to install a petroleum coke power generation equipment in Mizushima Refinery Proceeding renewal of Dr. Drive car care and maintenance service
Enhancing business as an Energy Conversion Company	Progressing construction of LNG terminal in Hachinohe and Kushiro Proceeding mega solar power generation business Concluded a sales contract with First Solar, Inc. and obtained exclusive distribution rights for its solar cell modules in Japan. Concluded business collaboration agreement with LIXIL Corporation Opened hydrogen supply station combined with existing petro station in Ebina city and Nagoya city. Decided to compete in retail electricity sales for homes.
Establishing presence in overseas markets	Decided to commence importing and marketing businesses of fuel oil in Indonesia Commenced commercial production of paraxylene facilities of Ulsan Aromatics, of South Korea Concluded MOU to build lubricants joint venture company in India

### Coke Power Generation Project at Mizushima Refinery

◆ Start commercial production in April 2018 (scheduled)

- Enhancing electric power business as an Energy Conversion Company
- Reducing energy cost at the refinery

- ✓ Power generating using petro coke, residue of heavy distillate at Mizushima Refinery.
- ✓ Using this electric power at the refinery, and selling surplus power as a Power Producer and Supplier (PPS).

Evaporation volume of coke boiler : 530t/hour  
Power generation turbine capacity : 110,000kW

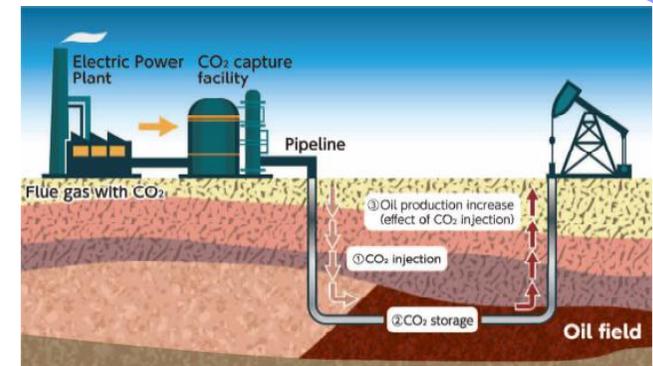
# Progress of 2<sup>nd</sup>-Term Management Plan (E&P of Oil and Natural Gas Business)

Strategies of 2 <sup>nd</sup> Medium-Term Management Plan	Initiatives up to October 2014
Expanding reserves and production volume, mainly through exploration	(Australia) Commenced production at Finucane South Field Acquired a participating interest in two exploration permits Made a gas discovery in WA49-R block Made an oil discovery in WA435-P block
Establishing superiority by focusing on core countries and core technologies	(Malaysia) Entered into a production sharing contract for Deepwater Block 3F offshore Sarawaku in Malaysia
	(Vietnam) Made a gas and condensate discovery in 05-1b block and 05-1c block Extended the production sharing contract term of Block 15-2 offshore Vietnam in Rang Dong Oilfield
	(Papua New Guinea) Commenced first shipment
	(U.S.) Decided to start enhanced oil recovery project using processed flue gas from coal power generation plant.

## CO2-EOR Project (United States)

- ◆ Started construction in August 2014
- ◆ Start operation in 4<sup>th</sup> quarter 2016 (scheduled)
- Increasing oil production volume at old oil field
- Reducing greenhouse gas (CO2)

Effect of increasing oil production : approximately 60 million barrel (total)  
 Effect of reducing CO2 : approximately 1.6 million tons/year



## Progress of 2<sup>nd</sup>-Term Management Plan (Metals Business)

Strategies of 2 <sup>nd</sup> Medium-Term Management Plan	Initiatives up to October 2014
(Resource Development) Establishing highly profitable structure by increasing copper mine equity interests	Commenced copper concentrate production at Caserones Copper Mine Decided commercial application of biomining technology
(Copper Smelting and Refining) Establishing a copper smelting and refining business structure with world-class cost-competitiveness	Completed construction of a new copper concentrate and sulfuric acid carrier "KORYU". Electrolytic refining method efficiency in the Tamano Smelter. (Parmanent Cathode Method)
(Electronic Materials Business) Secureing world's top share in each product market	The Kakegawa factory started operation of production for precision materials and connector etc. The new factory which produced Sputtering target materials was completed in Taiwan. Started to sale of titanium copper foil of high-strength. Decided the buildup of facilities for metal plating in China.
(Recycling and Environmental Service Business) Building an international resource recycling business with an environmentally friendly zero emission system	The collection, efficiency of various metal production bases. Acquired Minister of the Environment authorization of the waste detoxification handling of low-concentrated PCB business.

### Caserones Copper Mine Project (Chile)

- Contribute stable procurement of copper concentrate for 28 years
- Establish a highly profitable and well-balanced structure between the resources development and the smelting and refining businesses

Initial Investment : US\$ 4.2 billion

Mine Life : 28 years from 2013 to 2040

Start of Copper Cathode Production by SX-EW Process : March 2013

Start of Copper Concentrate Production : May 2014

Production Plan

		Average (First 10 years)	Average (28years)	Total (28years)
Copper	Copper Concentrate	150 kt/year	110 kt/year	3,140 kt
	Copper Cathode by SX-EW Process	30 kt/year	10 kt/year	410 kt
	Total	180 kt/year	120 kt/year	3,550 kt
Molybdenum		3 kt/year	3 kt/year	87 kt



# Shareholder Return Policy

## Basic Shareholder Return Policy

Redistribute profits by reflecting consolidated business results while striving to maintain stable dividends

## Indication of Shareholder Return for 2nd Medium-Term Management Plan Period

Based on the basic policy, during the 2nd medium-term management plan period (FY2013-2015), we will strive to maintain dividends of 16 yen per share per annum. When we secure stable profitability in existing business and foresee realization of return from strategic investments, we will expand shareholder return centering on increase of dividend.

### Reference) Dividend from FY2010-2014

	2010	2011	2012	2013	2014 (Forecast)
Dividend (yen/share)	15.5	16.0	16.0	16.0	16.0
EPS (yen/share)	34	69	64	43	28

\*Excluding impact of negative goodwill

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Financial Results for 1H FY2014  
(April 1, 2014~September 30, 2014)



# Outline of 1H FY2014

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

	1H FY2013 (Actual)	1H FY2014 (Actual)	Changes	
Crude Oil (Dubai)* (\$/bbl)	103	105	+2	+2%
Copper (¢/lb)	<342> 323	<314> 313	<-28> -10	<-8%> -3%
Exchange Rate (Yen/\$)	< 96> 99	<102> 103	<+6> +4	<+6%> +4%
	JPY Billion	JPY Billion		
Net Sales	5,777.7	5,442.4	-335.3	-6%
Operating Income	139.4	14.3	-125.1	-90%
Non-operating Income (Expenses), Net	36.7	27.7	-9.0	-25%
Ordinary Income	176.1	42.0	-134.1	-76%
-Inventory Valuation	64.6	(29.6)	-94.2	-
Ordinary Income Excl. Inventory Valuation	111.5	71.6	-39.9	-36%
Special Gain (Loss), Net	(7.0)	(5.9)	+1.1	-
Net Income	89.7	17.7	-72.0	-80%



# 1H FY2013 Actual vs. 1H FY2014 Actual

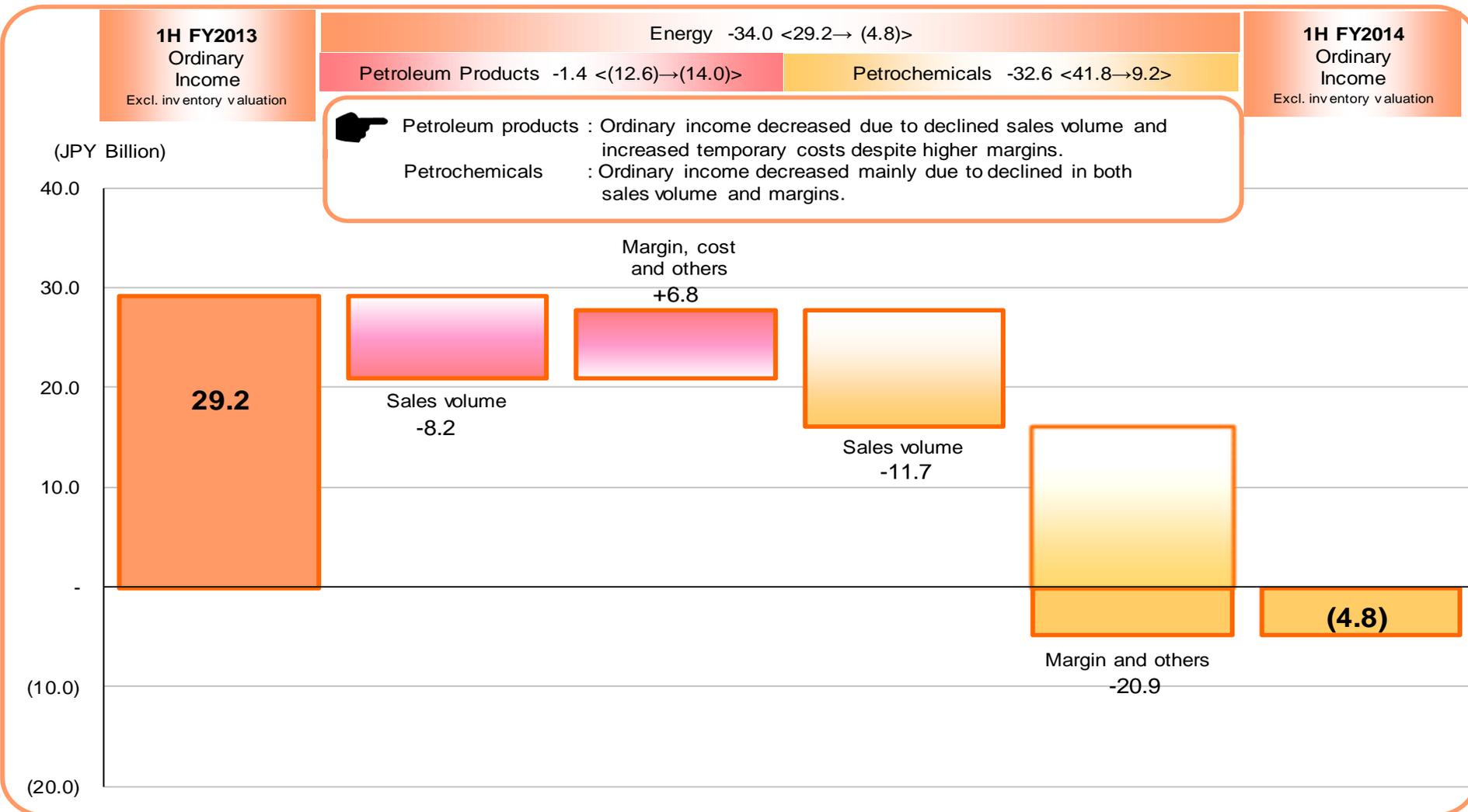
## Changes in Ordinary Income (Loss) by Segment

	1H FY2013 (Actual)	1H FY2014 (Actual)	Changes	
	JPY Billion	JPY Billion	JPY Billion	
Energy	91.4	(35.3)	-126.7	-
- Inventory Valuation	62.2	(30.5)	-92.7	-
Excl. Inventory Valuation	29.2	(4.8)	-34.0	-
- Petroleum Products	(12.6)	(14.0)	-1.4	-
- Petrochemicals	41.8	9.2	-32.6	-78%
Oil and Natural Gas E&P	53.1	34.7	-18.4	-35%
Metals	19.6	23.9	+4.3	+22%
- Inventory Valuation	2.4	0.9	-1.5	-63%
Excl. Inventory Valuation	17.2	23.0	+5.8	+34%
Others	12.0	18.7	+6.7	+56%
Total	176.1	42.0	-134.1	-76%
Excl. Inventory Valuation	111.5	71.6	-39.9	-36%



# 1H FY2013 Actual vs. 1H FY2014 Actual

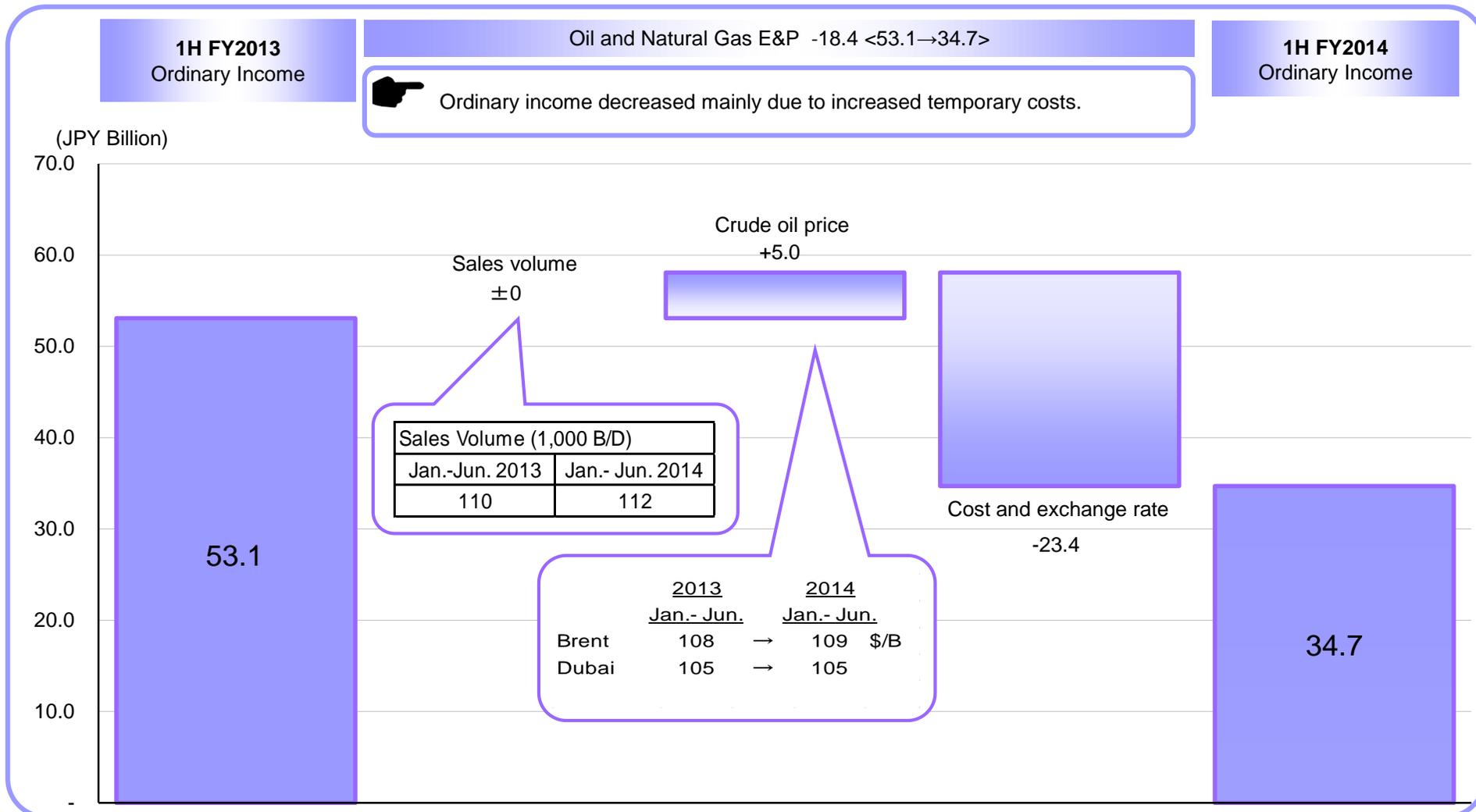
## Changes in Ordinary Income - Energy Business -





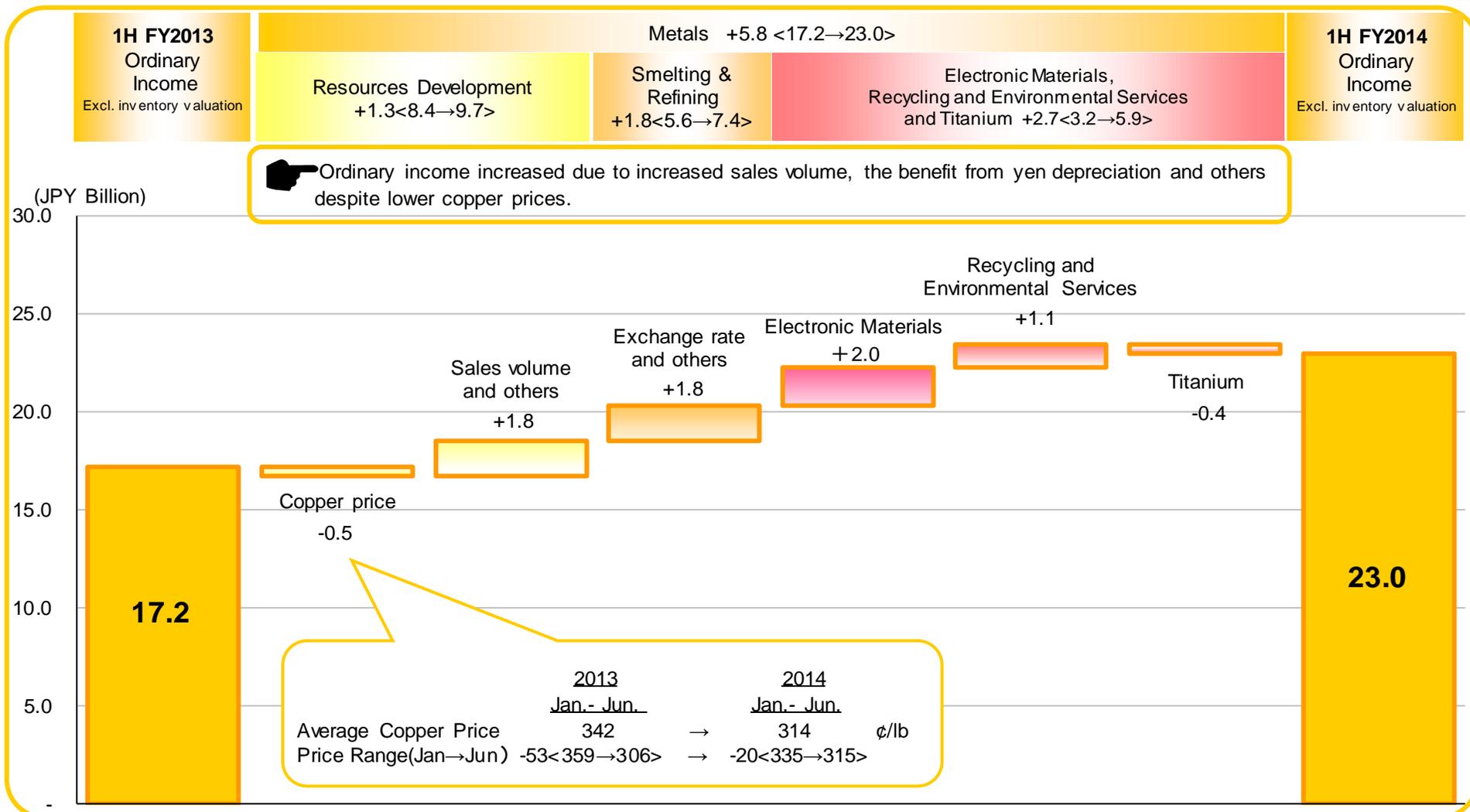
# 1H FY2013 Actual vs. 1H FY2014 Actual

## Changes in Ordinary Income - Oil and Natural Gas E&P Business -





# 1H FY2013 Actual vs. 1H FY2014 Actual Changes in Ordinary Income - Metals Business-

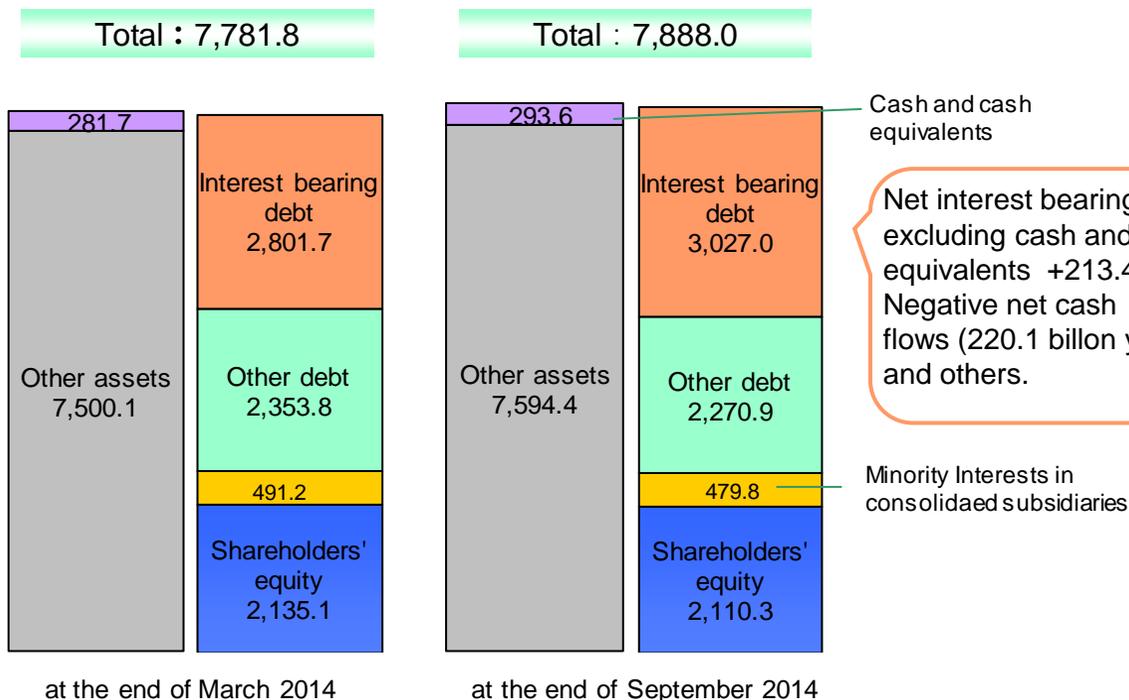




# Consolidated Balance Sheets Consolidated Statement of Cash Flows

## Consolidated Balance Sheets

JPY Billion



## Consolidated Cash Flows

1H FY2014

(JPY Billion)

Ordinary income	42.0
Depreciation and amortization	93.6
Decrease in working capital	(62.3)
Corporate tax and others	(35.8)
<b>Cash flows from operating activities</b>	<b>37.5</b>
<b>Cash flows from investing activities</b>	<b>(220.5)</b>
<b>Free cash flows</b>	<b>(183.0)</b>
<b>Dividends and others</b>	<b>(37.1)</b>
<b>Net cash flows</b>	<b>(220.1)</b>

	At the end of March 2014 (Actual)	At the end of September 2014 (Actual)
Shareholders' equity ratio	27.4%	26.8%
Net D/E ratio	1.18	1.30

## Forecast for FY2014

- From April 1, 2014 to March 31, 2015 -

- ✓ Key Factors (October 2014 - March 2015)
  - Crude Oil Price (Dubai) : 95\$/bbl
  - Copper Price : 320¢/lb
  - Exchange Rate : 105Yen/\$

### Assumptions for the Previous Forecast

(From July 1, 2014 to March 31, 2015)

- Crude Oil Price(Dubai) : 105\$/bbl
- Copper Price : 320 ¢/lb
- Exchange Rate : 100Yen/\$

# Outline of FY2014 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
Net Income

## FY2014 Previous Forecast (announced in Jul.)

105
Jan.-Dec. 2014
<317> 317
Jan.-Dec. 2014
< 101> 101
JPY Billion
12,050.0
175.0
70.0
245.0
(25.0)
270.0
(4.0)
120.0

## FY2014 Revised Forecast

100
Jan.-Dec. 2014
<316> 316
Jan.-Dec. 2014
< 103> 104
JPY Billion
11,720.0
105.0
75.0
180.0
(70.0)
250.0
(30.0)
70.0

## Changes

-5	-5%
<-1> -1	<-0%> -0%
<+2> +3	<+2%> +3%
JPY Billion	
-330.0	-3%
-70.0	-40%
+5.0	+7%
-65.0	-27%
-45.0	-
-20.0	-7%
-26.0	-
-50.0	-42%

## FY2014 Previous Forecast vs. FY2014 Revised Forecast Changes in Ordinary Income (Loss) by Segment

	FY2014 Previous Forecast (announced in Jul.)	FY2014 Revised Forecast	Changes	
	JPY Billion	JPY Billion	JPY Billion	
Energy	50.0	2.0	-48.0	-96%
- Inventory Valuation	(25.0)	(71.0)	-46.0	-
Excl. Inventory Valuation	75.0	73.0	-2.0	-3%
- Petroleum Products	45.0	47.0	+2.0	+4%
- Petrochemicals	30.0	26.0	-4.0	-13%
Oil and Natural Gas E&P	85.0	75.0	-10.0	-12%
Metals	70.0	63.0	-7.0	-10%
- Inventory Valuation	-	1.0	+1.0	-
Excl. Inventory Valuation	70.0	62.0	-8.0	-11%
Others	40.0	40.0	±0	-
Total	245.0	180.0	-65.0	-27%
Excl. Inventory Valuation	270.0	250.0	-20.0	-7%



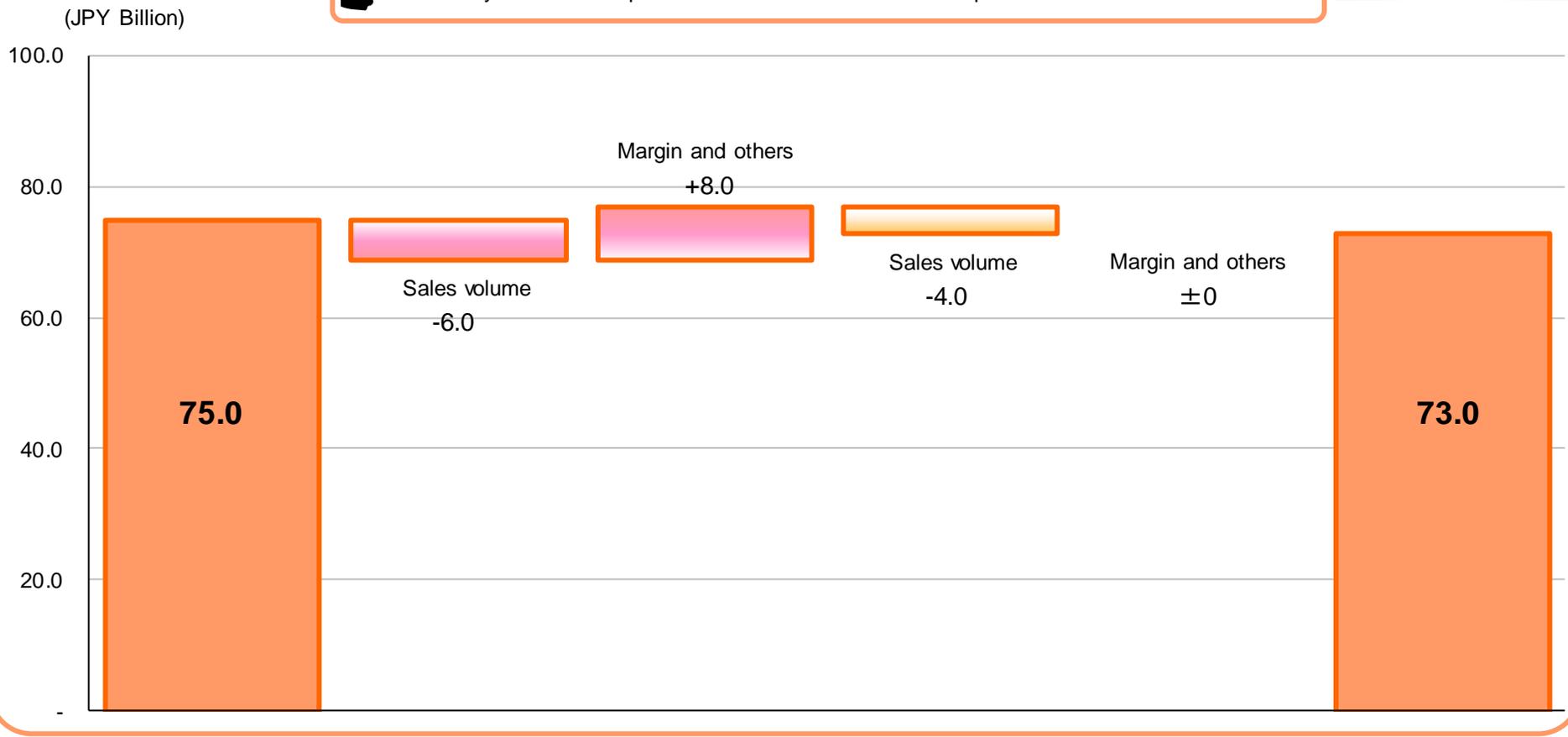
# FY2014 Previous Forecast vs. FY2014 Revised Forecast Changes in Ordinary Income - Energy Business -

**FY2014**  
Ordinary Income  
Excl. inventory valuation  
Previous Forecast  
(announced in Jul.)

Energy -2.0 <75.0→73.0>	
Petroleum Products +2.0 <45.0→47.0>	Petrochemicals -4.0 <30.0→26.0>

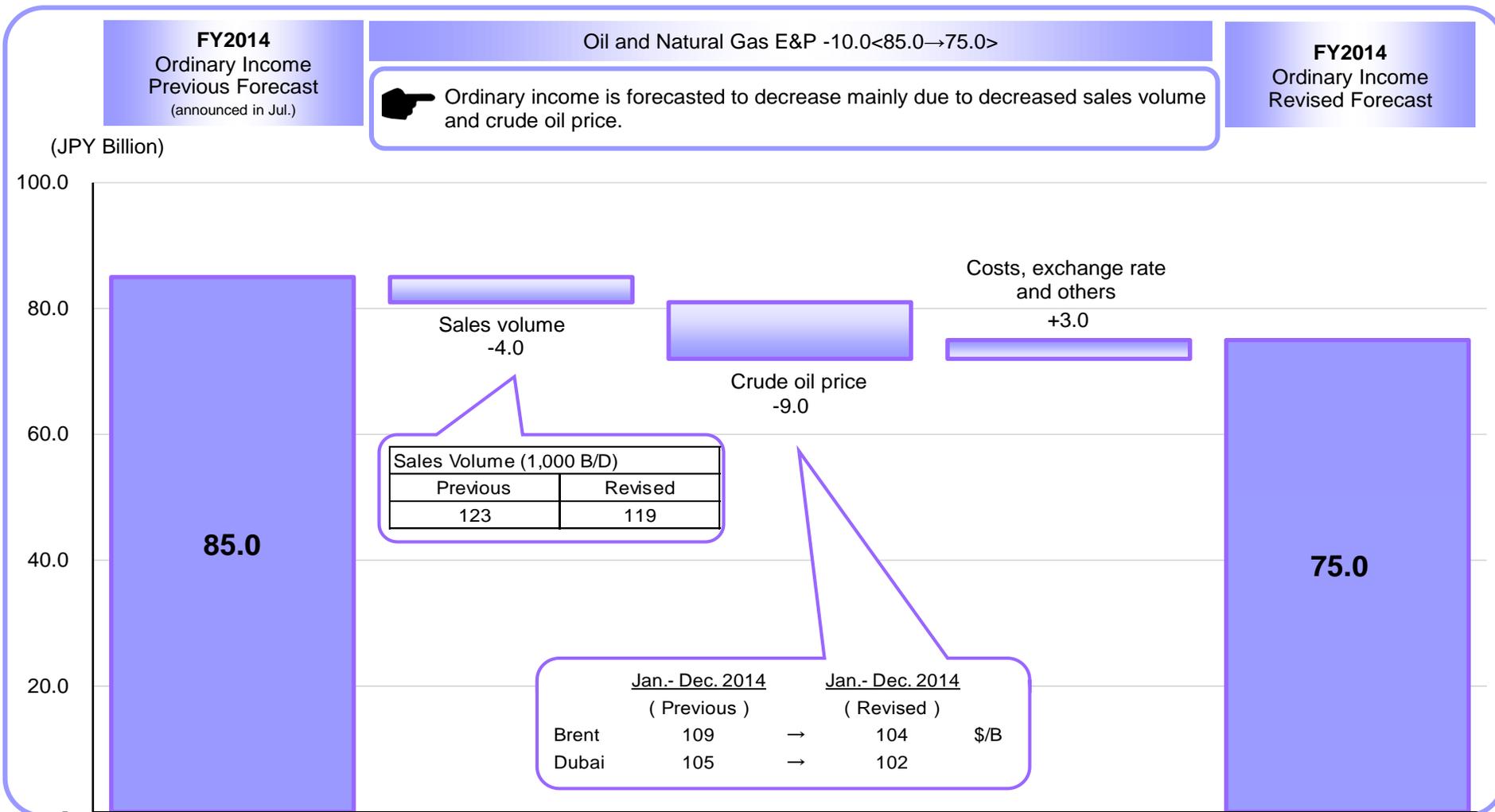
**FY2014**  
Ordinary Income  
Excl. inventory valuation  
Revised Forecast

☛ Ordinary income is expected to be the same level as the previous forecast.



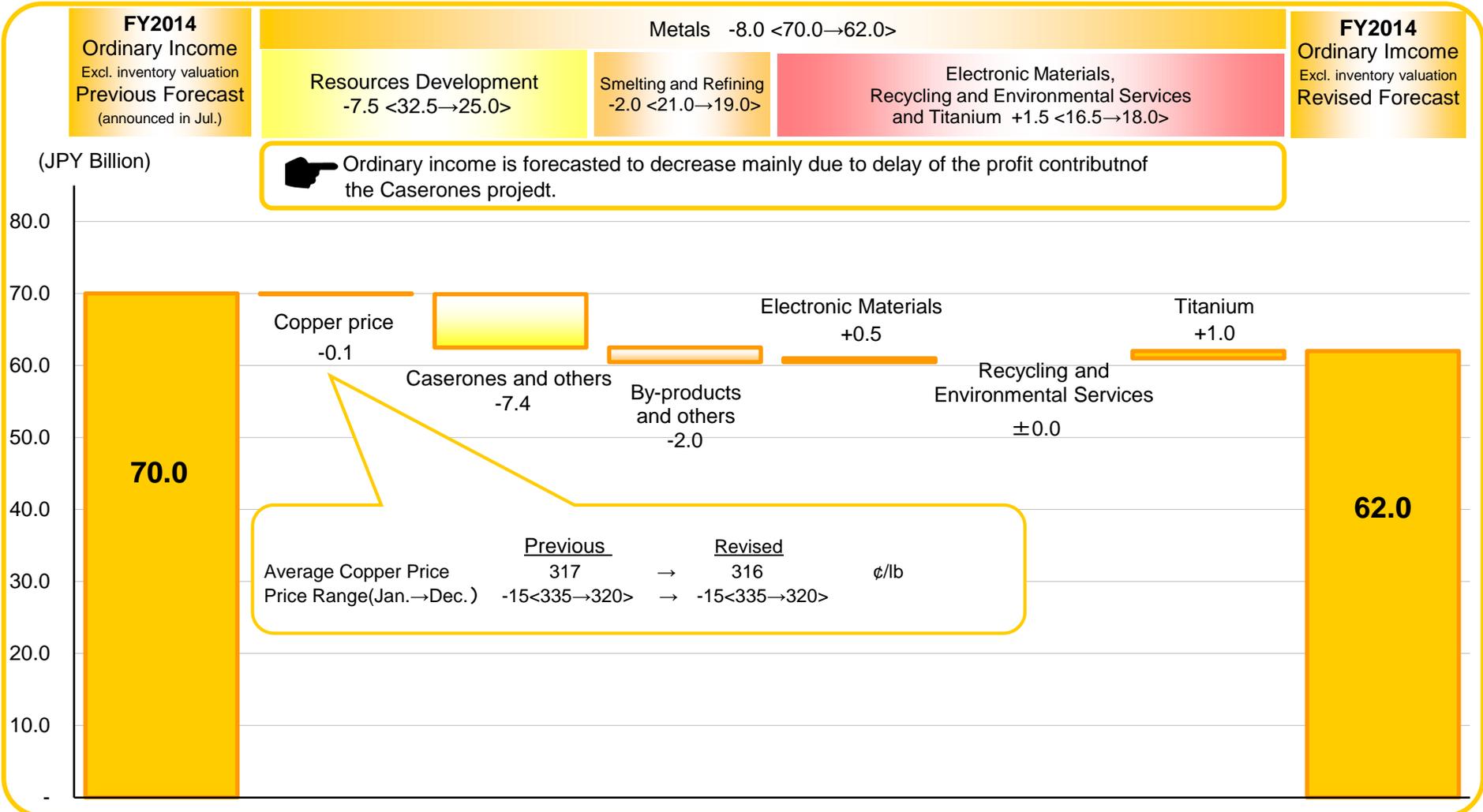


# FY2014 Previous Forecast vs. FY2014 Revised Forecast Changes in Ordinary Income - Oil and Natural Gas E&P Business-





# FY2014 Previous Forecast vs. FY2014 Revised Forecast Changes in Ordinary Income - Metals Business -





# Key Factors

		FY2013			FY2014		
		1Q	1H	Full Year	1Q	1H	Full Year
		Actual	Actual	Actual	Actual	Actual	Forecast (announced in Nov.)
All segments	Exchange rate [Yen/\$]	99	99	100	102	103	104
Energy	Crude oil price [Dubai][Apr.-Mar.]* [\$/bbl]	103	103	105	105	105	100
Oil and Natural Gas E&P	Sales volume <Crude oil equivalent> [1,000 bbl/day]	115	110	115	115	112	119
	Crude oil price [Brent] [Jan.-Dec.] [\$/bbl]	113	108	109	108	109	104
Metals	Copper price [LME] [Jan.-Dec.] [¢/lb]	360	342	332	319	314	316
	Equity entitled copper mine production [1,000 tons/period · year]	28	59	127	33	65	166
	PPC copper cathode sales [1,000 tons/period · year]	148	289	588	152	307	621
	Treated rolled copper foil sales [1,000 km/month]	2.5	3.0	3.0	4.0	4.0	3.7
	Precision rolled products sales [1,000 tons/month]	3.3	3.4	3.4	3.7	3.8	3.9
	Gold recovery volume by Recycling & Environmental Services [tons/period · year]	1.3	3.1	6.1	1.3	3.0	5.9

\*1 Crude oil arrival basis

# Sensitivity Analysis (FY2014 basis)

## ■ Key factors (From October 2014 to March 2015)

Exchange Rate: 105Yen/\$

Crude Oil : 95\$/bbl  
(Dubai spot)

Copper Price (LME) : 320 ¢/lb

## ■ Sensitivity analysis (Only for Fiscal 2014)

Key Factors	Appreciation	Segment	(JPY Billion) Impact
Exchange Rate	+1 Yen/\$ yen depreciation	Energy	±0.0
		(In-house fuel costs rise, margin improvement in petrochemicals)	
		Oil and Natural Gas E&P	+0.5
		Metals (Margin improvement, exchange gain)	+0.5
		Subtotal	+1.0
		Inventory valuation gain	+7.0
		<b>Total</b>	<b>+8.0</b>
Crude Oil (Dubai spot)	+1\$/bbl	Energy (In-house fuel costs rise)	-1.0
		Oil and Natural Gas E&P	+0.5
		Subtotal	-0.5
		Inventory valuation gain	+8.0
		<b>Total</b>	<b>+7.5</b>
Copper Price (LME)	+10¢/lb	Metals	+2.0
		<b>Total</b>	<b>+2.0</b>

In the segments of Oil and Natural Gas E&P and Metals, sensitivity analyses above are only for 3 months from October 2014 to December 2014



## 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.