June 5, 2018

Dear Our Shareholders

Disclosure through the Internet relating to the Convocation Notice of the 8th Ordinary General Meeting of Shareholders

The 8th Fiscal Term

(from April 1, 2017 to March 31, 2018)

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 Accounting Auditor

(1) Name

Ernst & Young ShinNihon LLC

(2) Amount of the Remunerations (for the fiscal year 2017)

(Millions of yen)

(i) Amount of the Remuneration as an accounting auditor of the Company	462
(ii) Total amount of monies and other property benefits to be paid by the Company and its subsidiaries	1,359

(Notes)

1. The Board of Corporate Auditors received reports from the accounting auditor and the related sections in the Company about how the remuneration estimates in the audit plan created by the accounting 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 Board of Corporate Auditors came to determine that the amount of remunerations of the accounting auditor was appropriate, and agreed to it based on Article 399, paragraph 1 of the 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. For, the amount of audit remuneration for the audit based on the 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 accounting auditor and are not practically distinguishable.
3. The Company does not entrust Ernst & Young ShinNihon LLC with non-audit operations.
4. The amount of remuneration, etc. above includes the auditing fee of 339 million yen relating to the consolidated financial statements including Form 20-F annual report submitted under U.S. securities laws in connection with the business combination between the JX Group and TonenGeneral Group

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

(i) If the Board of Corporate Auditors deems that an accounting auditor falls under any of the categories set forth in items of Article 340, paragraph 1 of the Companies Act, and if it determines it necessary to immediately dismiss the accounting auditor without obtaining a resolution of a general meeting of shareholders, the accounting auditor shall be dismissed by the consent of all corporate auditors.

(ii) If the Board of Corporate Auditors deems that an accounting auditor falls under any of the following items, and if it determines that it is necessary to dismiss or refuse to reappoint the accounting 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 accounting auditor.

a. the accounting auditor falls under any of the categories set forth in items of Article 340, paragraph 1 of the Companies Act;
b. the accounting 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 Board of Corporate Auditors determines it reasonable to make the accounting audit proper and efficient.

2. Systems to Ensure Proper Operations and the Operating Effectiveness of Such Systems

(1) The Contents of the Resolution on Development of Systems 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 362, paragraph 4, item 6 of the Companies Act are as follows:

Under the "JXTG Group Philosophy," pursuant to 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 Execution of the Duties by the Directors and the 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 and outside corporate auditors 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.

<u>2. System for the Storage and Management of Information related to Execution of Duties by the Directors and the Employees</u>

(1) The execution of duties by the directors and the employees shall in principle be conducted in writing, and the rules, etc. on document preparation, management, or the like 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, etc. on the preparation, approval process, storage, or the like of approval documents for each person in a management position.

(3) The Company shall develop and enforce rules, etc. 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, etc.

(4) The Company shall appropriately prepare its business reports, financial statements, annual securities reports, and the like and disclose company information in a timely and appropriate manner based on the Companies Act, the Japanese Financial Instruments and Exchange Act, and the stock exchanges' Timely Disclosure Rules.

<u>3. Rules and Other Systems for the Management of Risk of Loss</u>

(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, etc. 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, etc. 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) 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.

(3) 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 objectives management system.

(4) The Company shall develop 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 Operation within the Corporate Group

(1) Regarding the "JXTG Group Philosophy" and the "JXTG Code of Conduct," the Company shall define them as the management philosophies and conduct standards 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 (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.

<u>6. System to Ensure Effective Auditing by the Corporate Auditors</u>

(1) The Company shall respect the audit standards and the audit plans set forth by the Board of Corporate Auditors, 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 corporate auditors 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 corporate auditors request.

(3) The Company shall develop and operate systems for the corporate auditors 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 a corporate auditor 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 corporate auditors 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 corporate auditors.

(7) The Company shall establish the Auditors Affairs Office as an organization independent from the business execution sections, and the employees appointed exclusively to the office shall assist in the corporate auditors' duties. Treatment of personnel, such as evaluation and transfer of such employees, shall be determined after prior discussions with the full-time corporate auditors, in order to ensure the effectiveness of instructions that corporate auditors give to such employees.

(8) The Company shall, upon a corporate auditor's request, appropriately bear any expenses or debt associated with the execution of duties of the corporate auditor, pursuant to Article 388 of the Companies Act.

(2) The Overview of the Operating Effectiveness of the Systems 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' meeting held on April 24, 2018.

1. System to Ensure that the Execution of Duties by the Directors and the 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 conducts 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.

(2) Based on "the JXTG Group Internal Reporting System Basic Policies", the Company has developed and operates a whistleblowing system in cooperation with attorneys-at-law. These policies develop and operate systems prohibiting unfavorable treatment, such as explicitly providing 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 15 times in this fiscal year with the attendance of the outside directors and outside corporate auditors, 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 management assessments concerning internal control over financial reporting pursuant to the 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 measures 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 the

Directors and the 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 "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.

(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 compiles situations concerning the derivative transactions of the JXTG Group, based on the "Implementation and Management Regulations on Derivative Transactions in the JXTG Group" and reports such situations in Executive Council meetings. The Company also develops and operates systems to handle each type of risk, such as setting forth a response policy in the event of a major earthquake.

(3) The Company established the "Basic Policy on Internal Control System of the JXTG Group" which 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 regulations to effectively and efficiently mitigate business risks.

(4) The Company established the JXTG Group Environment & Safety Committee and the JXTG Group Human Rights Promotion Human Resources Development Committee, expert committees of the JXTG Group CSR Council, to monitor initiatives in relation to ensuring the safety of business operations, environmental protection, and ensuring health.

(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.

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 approval authority set forth in its "Rules on Organization and Authority".

(2) 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.

(3) 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.

(4) 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) So as 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 other 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, has each company comply.

(4) The Company established the "Basic Policy on Internal Control System" as policies that apply to core operating companies and other group companies, and promotes internal control at each group company pursuant to such policies.

(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 Corporate Auditors

(1) The Company respects the audit standards and the audit plans set forth by the Board of Corporate Auditors, and cooperates in the development of conditions for an audit.

(2) The corporate auditors attend important meetings, such as the Executive Council meetings, and state their opinions as necessary. In addition, the Company regularly reports to the corporate auditors on matters for which the corporate auditors requested reports and the operations of the whistleblowing system and other matters.

(3) The Company develops an environment in which the corporate auditors 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 Department and other ways.

(4) The Company has established the Auditors Affairs Office, in which employees appointed exclusively to assist in the corporate auditors' duties engage in their tasks under the direction of the corporate auditors. The treatment of personnel, such as the evaluation and transfer of such employees, is determined based on prior discussions with the full-time corporate auditors.

(5) The Company, upon a corporate auditor's request, bears any expenses or debt associated with the execution of the duties of the corporate auditor.

End

〜〜〜

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

3. Notes to Consolidated Financial Statements

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, paragraph (1) of the Ordinance on Accounting of Companies starting the current fiscal year. 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, paragraph (1) of the Ordinance on Accounting of Companies.

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

The Company has 538 subsidiaries and 177 equity-method affiliates (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 equity-method affiliates

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

(3) Matters relating to Accounting Policies

① Valuation standards and valuation method for assets

A. Valuation standards and valuation method for financial assets

The Company applies IFRS 9 “Financial Instruments.”

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 the purpose of which 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 generated 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 the financial assets 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 measures 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 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 profit or loss for the year.

Financial assets measured at fair value through 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 profit or loss.

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

B. Valuation standards and valuation method for inventories

The acquisition cost of inventory assets include purchase costs, process costs, and all other costs incurred up to the current place and condition.

Inventory assets 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 and 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 amount and accumulated impairment loss amount.

Depreciation of property, plant, and equipment 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 property, plant, and equipment are as follows.

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

With respect to the exploration, evaluation and development of oil and natural gas, expenditure recognized as assets 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 amount and accumulated impairment loss amount. In addition, goodwill is indicated in the amount of the acquisition cost less the accumulated impairment loss amount.

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	25 years

E. Valuation standards and valuation method for leased assets

Leases are categorized as finance leases if substantially all risks and economic values associated with ownership are transferred to the Company, and are otherwise categorized as operating leases.

For finance lease transactions, leased assets and lease liabilities are recorded at the lower of the fair value of the leased property and the present value of the total minimum lease payment calculated on the lease commencement date. Leased assets are in principle depreciated using the straight-line method over the shorter period of the estimated useful life and lease term. For operating lease transactions, lease payments are recognized as expense by the straight-line method over the lease term.

F. Impairment of non-financial assets

The Company 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 as profit or loss in the consolidated statements of 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.

② 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.

③ 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. In addition, 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 from settlement of such transactions are in principle recognized in profit or loss.

With respect to assets and liabilities of foreign operations, exchange rates, income and expenses at the end of the fiscal year are in principle translated into Japanese yen using the average exchange rate in the reporting period. Foreign currency translation differences arising from translating financial statements of foreign operations 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 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 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 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.

- 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 Consolidated Statements of Financial Position

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

(i) Assets offered as security

Property, plant, and equipment:·· 1,087,697 million yen
Cash and cash equivalents: ··12,082 million yen
Other: ··47,351 million yen

(ii) Obligations related to security

Accounts payable-other:·· 193,167 million yen
Long-term loans payable (including current portion): ················ 139,614 million yen
Other: ·· 151 million yen

The obligations corresponding to the assets offered as security include, in addition to (ii) above, the transaction guarantee of 1,145 million yen, and loans payable and accounts payable by affiliates, or the like of 14,993 million yen.

(2) Book balance of property, plant, and equipment

Buildings, structures and oil tanks:···· 703,013 million yen
Machinery and vehicles:···· 634,893 million yen
Land:···· 1,321,483 million yen
Construction in progress:···· 142,958 million yen
Exploration and development investment account:···· 456,906 million yen
Other:····68,147 million yen

(3) Allowance for doubtful accounts directly deducted from assets

Trade receivables:···· 1,492 million yen
Claims other than trade receivables:···· 1,827 million yen

(4) Accumulated depreciation and accumulated impairment loss of property, plant, and equipment: 5,210,151 million yen

(5) Balance of bonds and borrowings

(i) Current

Bonds:····70,000 million yen
Short-term borrowings:···· 316,645 million yen
Long-term borrowings to be repaid within one year:···· 142,413 million yen

(ii) Non-current

Bonds:···· 222,275 million yen
Long-term borrowings:···· 1,508,598 million yen

(6) Guarantee obligations

The Company provides guarantees to, among others, loans from financial institutions, or the like by companies, or the like other than the subsidiaries, as well as employees' loans (housing funds) in the following amounts.

Affiliates, or the like:····36,777 million yen
Other companies and employees:···· 9,253 million yen

3. Notes to Consolidated Statements of Profit or Loss

(1) Breakdown of other income and expenses

(i) Other income

Dividend income:····18,563 million yen
Rental income:···· 8,696 million yen
Gain on sale of property, plant, and equipment:····68,958 million yen
Gain on reversal of impairment loss:···· 6,791 million yen
Exchange gain:···· 7,304 million yen
Other:····31,591 million yen

(ii) Other expenses

Impairment loss···· 179,400 million yen
Loss on retirement of fixed assets····11,483 million yen
Other····28,733 million yen

(2) Breakdown of finance income and costs

(i) Finance income
Interest income ········ 4,259 million yen
Dividend income ········ 374 million yen
Exchange gain ········ 3,677 million yen
(ii) Finance costs
Interest expense ········ 28,366 million yen
Derivative cost ········ 55 million yen

4. Notes to Consolidated Statements of Changes in Equity

(1) Class and Total Number of Issued Shares: Common stock 3,426,916,549 shares
(as of March 31, 2018)

(2) Dividends from Surplus
(i) Dividends paid

Resolution	Class	Total Dividends (millions of yen)	Dividends per Share (yen)	Record Date	Effective Date
Ordinary General Meeting of Shareholders held on June 28, 2017	Common stock	19,918	8.0	March 31, 2017	June 29, 2017
Board of Directors' Meeting held on November 10, 2017	Common stock	30,790 (*)	9.0	September 30, 2017	December 5, 2017

(*) 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 to be held on June 27, 2018	Common stock	Retained earnings	34,211(*)	10.0	March 31, 2018	June 28, 2018

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

5. 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 in the current consolidated fiscal year 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, 2018)	
	Carrying Amount	Fair Value
Bonds and borrowings	2,259,931	2,282,718

The fair value is calculated as follows.

Bonds and borrowings

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.

6. Notes to Per-share Information

Equity attributable to owners of the parent per share	743.36 yen
Basic profit attributable to owners of the parent per share	105.92 yen
Diluted profit attributable to owners of the parent per share	105.90 yen

7. Notes to Business Combination

<u>Business Integration between JX Holdings, Inc. and TonenGeneral Sekiyu K.K.</u>

After obtaining approval of their own extraordinary general meeting of shareholders held on December 21, 2016, and necessary permissions and approval of relevant authorities with respect to the Business Integration, JX Holdings, Inc. ("JX Holdings") and TonenGeneral Sekiyu K.K. ("TonenGeneral") conducted a share exchange on April 1, 2017, in which JX Holdings is the wholly-owning parent company and TonenGeneral is the wholly-owned subsidiary. On the same day as the Business Integration, JX Nippon Oil & Energy Corporation (currently, JXTG Nippon Oil & Energy Corporation) ("JXE"), which is the JX Holdings' wholly-owned subsidiary, and TonenGeneral conducted an absorption-type merger, under which JXE became a surviving company and TonenGeneral became an absorbed company, respectively.

(i) Outline of the Business Combination

A. Name of the acquired company and its business

Name of the acquired company: TonenGeneral Sekiyu K.K.
Business: Manufacturing and sales of petroleum products

B. Main reason for business combination

Both groups of JX Holdings and TonenGeneral acknowledged that, in order to implement a drastic structural reform of the energy business, which neither company would likely be able to achieve individually and in order to seriously cultivate businesses that will become mainstays of the future, the best course of action would be to combine the business resources of both groups. This way, the two groups determined to implement the Business Integration.

C. Date of acquisition

April 1, 2017

D. Method of acquiring control of the acquired company

Share exchange in which JX Holdings delivers shares

E. Entity name after business combination

JXTG Holdings, Inc.

F. Percentage of voting rights acquired
100%

(ii) Matters regarding calculation of acquisition price

A. Acquisition price of the acquired company and breakdown of consideration by category

Market value of the Company's shares delivered on the acquisition date:	501,389 million yen

B. Exchange ratio of shares delivered by class of shares; calculation method of the exchange ratio and the number of shares delivered

- Exchange ratio of shares delivered by class of shares
  2.55 common shares of the Company for each common share of TonenGeneral

- Calculation method

  The Company and TonenGeneral comprehensively examined the valuation results of the share exchange ratio by multiple third party financial advisors, financial conditions, share prices, future outlook and other similar factors of the two companies, and decided on the share exchange ratio set forth above.

- Number of shares delivered: 931,430,620 common shares

(iii) Fair value of the acquisition price on the acquisition date; acquired assets and assumed liabilities

	(Millions of yen)
Cash and cash equivalents	14,781
Trade and other receivables (Note 1)	199,242
Inventories	256,012
Property, plant and equipment (Note 2)	594,654
Intangible assets (Note 2)	309,829
Other assets	69,379
Trade and other payables	(377,972)
Bonds and borrowings	(276,485)
Deferred tax liabilities	(169,567)
Other liabilities	(278,444)
Acquired assets and assumed liabilities (net)	341,429
Non-controlling interests	(195)
Goodwill (Note 3)	160,155
Fair value of the acquisition price	501,389

(Notes)

1. The fair value of 199,242 million yen in trade and other receivables is the same as the total contract amount, and is not expected to be uncollectable.
2. Property, plant and equipment are mainly comprised of land, buildings, structures, oil tanks and machinery, while non-tangible assets are mainly comprised of customer-related assets.
3. Goodwill mainly reflects such factors as synergy effects expected from the business integration.

(iv) Acquisition related expenses

Acquisition related expenses for this business combination are 4,904 million yen, mainly comprised of audit fees and attorneys' fees, and recorded in "selling, general and administrative expenses" in the consolidated statements of profit and loss (3,932 million yen for the previous consolidated fiscal year, and 972 million yen for the current consolidated fiscal year).

8. Notes to Material Subsequent Events

Not applicable

9. Additional Information

Not applicable

4. Notes to Non-consolidated Financial Statements

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 as of the non-consolidated balance sheet date. (Valuation differences are included directly in shareholders’ equity. 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 Non-current Assets

Property, plant and equipment (excluding leased assets):

The straight-line method.

Major expected lifetime is as follows:

Buildings and structures: 2 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:

In accordance with the share remuneration rules, the Company records an estimated amount of shares to be delivered to directors who were awarded 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.

2. Notes to Non-consolidated Balance Sheets

(1) Assets Offered as Security

(i) Assets offered as security

Stocks of subsidiaries and affiliates:	155,384 million yen

(ii) Obligations to the above

Subsidiaries' and affiliates' accounts payable-other:	11,617 million yen

(2) Accumulated Depreciation of Property, Plant and Equipment: 8,917 million yen

(3) Guarantee Obligations:

Guarantee on loans:	606,252 million yen*
Guarantee on transactions-other:	231,976 million yen
Total	838,228 million yen

* Out of the total amount above, the Company's guarantee on 2,548 million yen is re-guaranteed by another company.

(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:	37,474 million yen
Long-term monetary claims:	- million yen
Short-term monetary obligations:	9,564 million yen
Long-term monetary obligations:	- million yen

3. Notes to Non-consolidated Statements of Income

Volume of Transactions with Subsidiaries and Affiliates

Operating revenue:	17,101 million yen
Operating expenses:	4,927 million yen
Volume of transactions other than in business transactions:	23,743 million yen

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

Class and Number of Treasury Stocks as of the End of this Fiscal Year

Common stock: 7,031,710 shares

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	111
Investment securities	1,017
Excess of allowed depreciation limit	3
Income tax payable	985
Other	1,806
Subtotal of deferred tax assets	3,922
Valuation reserve	(1,438)
Total deferred tax assets	2,485
(Deferred Tax Liabilities)	
Land	652

Reserve for advanced depreciation of non-current assets	761
Investment securities	19,206
Other	541
Total deferred tax liabilities	21,160
Net deferred tax liabilities	18,675

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	JXTG Nippon Oil & Energy Corporation	Directly owned, 100%	Business management; Interlocking directorate	Receipt of business management fee (Note 1)	9,215	Operating accounts receivable	144
				Guarantee of obligations or the like (Note 2)	336,326		
				Succession due to company split (Note 3)			
				Succession of assets due to company split	197,092		
				Succession of liabilities due to company split	201,442		
Subsidiary	JX Nippon Oil & Gas Exploration Corporation	Directly owned, 100%	Business management; Interlocking directorate	Receipt of business management fee (Note 1)	1,314	Operating accounts receivable	23
				Receipt of fee for guarantee of obligations (Note 4)	89		
				Guarantee of obligations or the like (Note 4)	27,058		
Subsidiary	JX Nippon Mining & Metals Corporation	Directly owned, 100%	Business management; Interlocking directorate	Receipt of business management fee (Note 1)	2,634	Operating accounts receivable	41
				Guarantee of obligations or the like (Note 5)	60,471		
				Acceptance of increase in capital (Note 6)	110,000		
Subsidiary	JX Nippon Finance Corporation	Directly owned, 100%	Outsourcing of funds related services; Interlocking directorate	Loan of working funds or the like (Note 7)			
				Short-term loans or the like	3,667,908	Short-term loans receivable from subsidiaries and affiliates	206,198
				Collection of short-term funds	4,007,710		
				Long-term loans or the like	267,012	Long-term loans receivable from subsidiaries and affiliates	1,234,012
				Intra-group fund transactions (Note 8)			
				Borrowing of short-term funds	33,622	Short-term loans payable to subsidiaries and affiliates	52,522
				Long-term borrowings	160,000	Long-term loans payable to subsidiaries and affiliates	483,000
				Receipt of interest (Note 7) (Note 8)	11,432		

Subsidiary	JX Nippon Finance Netherlands B.V.	Directly owned, 100%	Guarantee of obligations	Guarantee of obligations or the like (Note 4) Receipt of fee for guarantee of obligations (Note 4)	35,930 19	Accounts receivable	3
Subsidiary	JX Nippon Exploration and Production (U.K.) Limited	Indirectly owned, 100%	Guarantee of obligations	Guarantee of obligations or the like (Note 4) Receipt of fee for guarantee of obligations (Note 4)	187,569 706	Accounts receivable	160
Subsidiary	Nippon Oil Exploration (PNG) Pty. Ltd	Indirectly owned, 100%	Guarantee of obligations	Guarantee of obligations or the like (Note 4) Receipt of fee for guarantee of obligations (Note 4)	32,870 135	-	-
Subsidiary	SCM Minera Lumina Copper Chile	Indirectly owned, 77%	Guarantee of obligations	Guarantee of obligations or the like (Note 4) Receipt of fee for guarantee of obligations (Note 4)	53,265 76	Accounts receivable	746

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

(Note 1) The core operating companies (JXTG Nippon Oil & Energy Corporation, JX Nippon Oil & Gas Exploration Corporation, and JX Nippon Mining & Metals Corporation) bear, as a business management fee, the expenses necessary for operating the Company, in proportion to their respective business size and so on. Consumption tax or the like is included in the balance at end of period.

(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) Assets and liabilities succeeded due to the company split were those of the business management activities transferred to the Company in accordance with the resolution of the Board of Directors. Details of the absorption-type company split are in “8. Notes to Business Combination.”

(Note 4) 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.

(Note 5) The Company granted loan guarantees for JX Nippon Mining & Metals Corporation’s loans payable, but does not receive any guarantee fees.

(Note 6) JX Nippon Mining & Metals Corporation allocated new shares to a third-party, and the Company purchased the shares at 100 million yen paid per share.

(Note 7) The Company has been lending the funds it procured through borrowings from outside financial institutions or the like, issuances of commercial papers or bonds, or the like, at the interest rate determined in light of the costs to procure such funds.

(Note 8) The Company has borrowed necessary business funds from JX Nippon Finance Corporation, and has been depositing its surplus funds, as intra-group funds transactions.
Interests on loans and deposits are decided reasonably by taking consideration of the market interest rates. In addition, the Company discloses information on the short-term monetary transactions of the Group companies on the internet.

7. Notes to Per-share Information

Net assets per share ·· 521.51 yen
Net income per share ·· 12.77 yen
Diluted net income per share after adjustments ··············· 12.77 yen

8. Notes to Business Combination

(1) Business integration between JX Holdings, Inc. and TonenGeneral Sekiyu K.K.
Notes are omitted as details are included in “7. Notes to Business Combination” of the Notes to Consolidated Financial Statements.

(2) Absorption-type company split of JXTG Nippon Oil & Energy Corporation

(i) Details of the transaction

(a) Details of the relevant business operations:

Rights and obligations related to JXTG Nippon Oil & Energy Corporation's business management activities succeeded to by the Company.

(b) Date of business combination:

April 1, 2017

(c) Legal form of business combination:

An absorption-type company split in which JXTG Nippon Oil & Energy Corporation is the splitting company and the Company is the successor company.

(d) Matters related to summaries of other business dealings:

The Company aims to optimize and streamline the group companies' resources by succeeding the rights and obligations related to JXTG Nippon Oil & Energy Corporation's management activities.

(ii) Outline of accounting treatment

The accounting treatment for transactions under common control applied to this transaction in accordance with the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, dated September 13, 2013) and "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10, dated September 13, 2013).

In addition, effective April 1, 2017, when the absorption-type company split became effective, the Company recorded the gain on extinguishment of tie-in shares of 610 million yen as extraordinary income which reflects the difference between the net assets from the splitting company (JXTG Nippon Oil & Energy Corporation) and an increase in the amount of shares of the splitting company which the Company holds (JXTG Nippon Oil & Energy Corporation) and an increase in the amount of shares of the splitting company which the Company holds.

9. Notes to Material Subsequent Events

Not applicable.

10. Additional Information

Not applicable.