

Security code 5 0 2 0

May 12, 2017

JXTG Group Medium-Term Management Plan

FY2017 – FY2019

JXTG Holdings, Inc.

Overview of JXTG Group

JXTG Holdings

Aiming to develop into one of the most prominent and comprehensive energy, resources and materials company groups in Asia

JXTG Nippon Oil & Energy

A leap forward to become a standout market leader

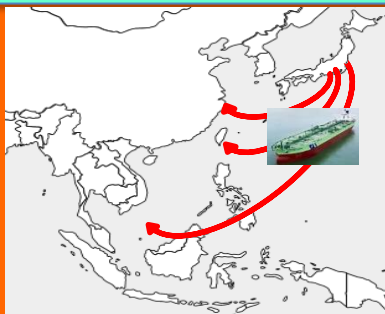


Market Share of domestic sales of petroleum products

50%

FY2016 actual: No. 1 in Japan

Established presence in the global market



Paraxylene ※1

No. 1 in world **3.62** million tons/year

Propylene

No. 1 in Asia **1.7** million tons/year

Listed subsidiaries

NIPPO/Toho Titanium

JX Nippon Oil & Gas Exploration

Crude oil and natural gas production (a project company basis)

128

 thousand barrels/day

Crude oil equivalent (FY2016 actual)

JX Nippon Mining & Metals

Equity entitled copper mine production

200

 thousand tons/year

contained in copper concentrate (FY2016 actual)

Refined copper production capacity

920

 thousand tons/year

on equity stake basis as of March 2017 ※2

Electronic Materials

Products with world No.1 market shares

*1. External sales basis *2 Total of 650,000 tons/year of Pan Pacific Copper (JX Nippon Mining & Metals having 67.8% equity stake) and 270,000 tons/year of LS-Nikko Copper (JX Nippon Mining & Metals having 39.9% equity stake)

JXTG Group Philosophy

【 Mission 】

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

【 Our Five Core Values 】

As a member of the community

High ethical standards

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

Health, safety and environment

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

Supporting day-to-day life

Focus on customers

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

For a vibrant future

Taking on challenges

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

Moving Forward

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

Position of the Medium-Term Management Plan

Realizing the Group Philosophy

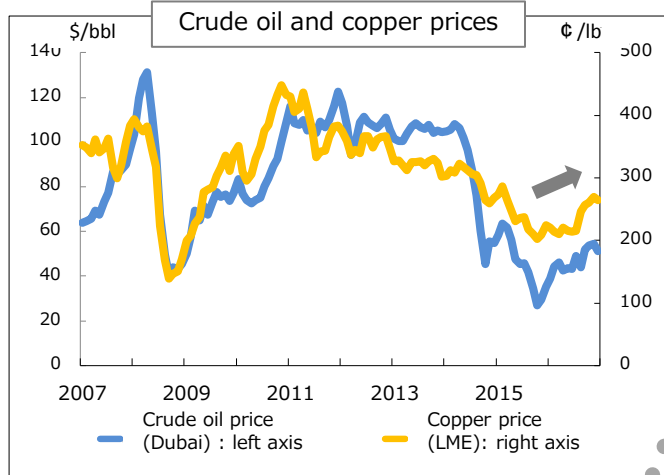
- In order to contribute to the development of society and economy and the creation of a sustainable and vigorous future, the Group endeavors to enhance its core businesses, promote innovation and operate business globally.
- At the same time, the Group will foster human resources with high ethical standards and willingness to take on new challenges, who are essential in promoting the above, to become one of the most prominent and internationally-competitive comprehensive energy, resources and materials company groups in Asia.

Position of Medium-Term Management Plan (FY2017-FY2019)

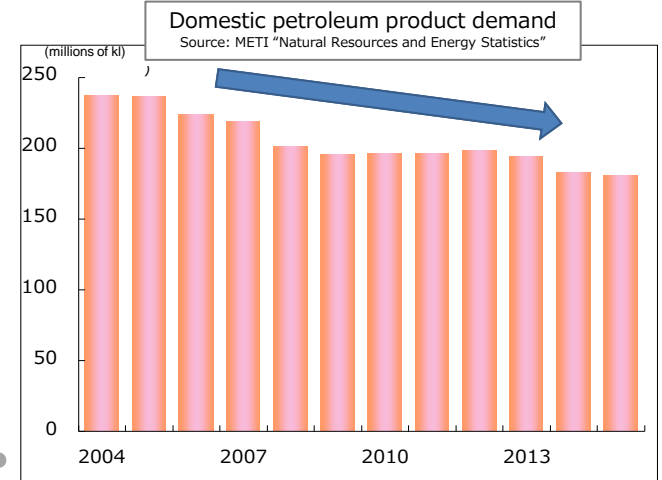
“Execution Plan for a Drastic Transformation”

Business Environment

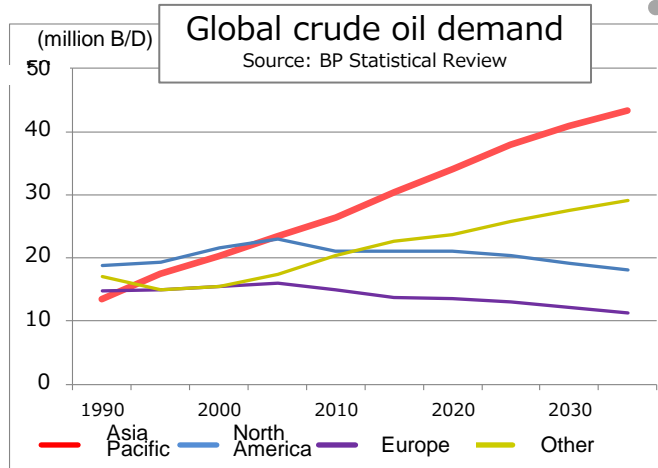
Natural resource prices slowly recovering



Domestic petroleum product demand continuously declining



Moderate growth continuing in emerging countries



Environment surrounding JXTG Group

Arrival of IoT society; Other changes in trend



JXTG Group will promote “management that focuses on cash flows and capital efficiency” in order to establish a profit basis and a financial basis adaptable to changing business environment

■ Enhancing profitability of core businesses

- Thorough business transformation centered on energy business
- Maximizing and realizing at an early date synergies of business integration

■ Focusing on cash flows and capital efficiency

- Optimizing business portfolio
- Developing and strengthening businesses that will be mainstays of the future

■ Strengthening business foundation

(e.g. Development of management control system, fostering human resources)

Management Target

■ Management Target (IFRS)

Operating income
(excluding inventory impact)

FY2017 350 billion yen
FY2018 400 billion yen
FY2019 500 billion yen

Free cash flow

(Cumulative amount of FY2017 – FY2019)
500 billion yen

Net D/E Ratio

0.7 times or lower (capital total basis)

ROE

10% or more

■ Key Factors (FY2017 → FY2019)

Exchange rate: 110 yen/\$

Crude price: 50→60 \$/bbl

Copper price: 250→270 ¢/lb

Enhancing Shareholder Return

■ Shareholder return policy

Based on the understanding that return of profits to shareholders is a material management task, JXTG Group will redistribute profits by reflecting changes in medium-term consolidated business results and prospects as a basic policy, while striving to maintain stable dividends.



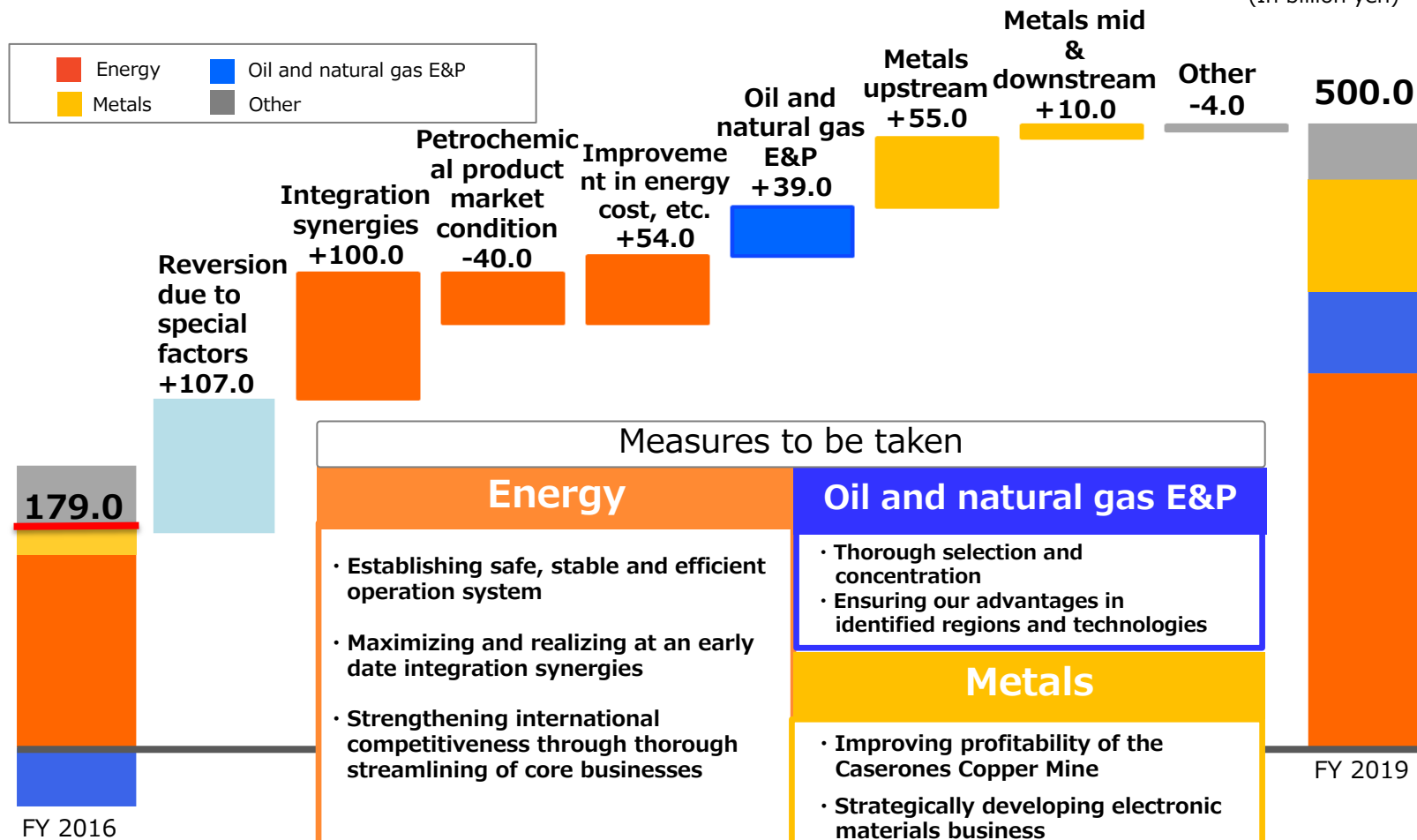
■ Indication of shareholder return in this medium-term management plan

- In order to reflect the effect of business integration positively at an early date, JXTG Group will pay dividends of 18 yen per share per annum in FY2017, which is increased by 2 yen.
- JXTG Group will aim for additional shareholder return (dividend increase/acquisition of treasury stock) depending on the degree of progress in achieving management targets.

Enhancing Profitability of Core Businesses

Aim to achieve operating income of 500 billion yen in FY2019 by maximizing profitability of core businesses and integration synergies

(In billion yen)



**A Leap forward to become one of the most prominent comprehensive energy companies in Asia through “thorough business transformation”
- Challenge to drastically changing business environment -**

1. Maximizing and realizing at an early date integration synergies;
Strengthening international competitiveness through thorough streamlining of core businesses
2. Developing and strengthening businesses that will be mainstays of the future
3. Reinforcing business management by improving business infrastructure
4. Establishing efficient administrative division structure

Business Strategy by Segment | Energy Business

■ Strengthening competitiveness of core businesses

Petroleum Refining & Marketing; Petrochemical products business

- Maximizing and realizing at an early date the integration synergies
- Establishing optimal production and supply system based on consolidation and elimination of refineries and plants
- Optimizing accommodation and delivery of raw materials and selection of crude oil
- Integrating various sales systems at an early date
- Strengthening competitiveness of the Kawasaki plants
- Maximizing profit by utilizing our market presence in basic petrochemical products

■ Developing and expanding businesses that will be mainstays of the future

Electricity business

- Having solid track record of electricity sales
- Developing electric power with an eye to an optimal electric power portfolio

Overseas business

- Taking in demands for petroleum products in Asia-Pacific region
(Examining and promoting projects in Vietnam and Australia)

High performance materials business

- Encouraging growth of existing businesses and promoting new businesses
- Research and development in the strategic sector

Lubricant business

- Developing and offering high value products
- Establishing highly profitable structure by optimizing manufacturing, procurement and distribution

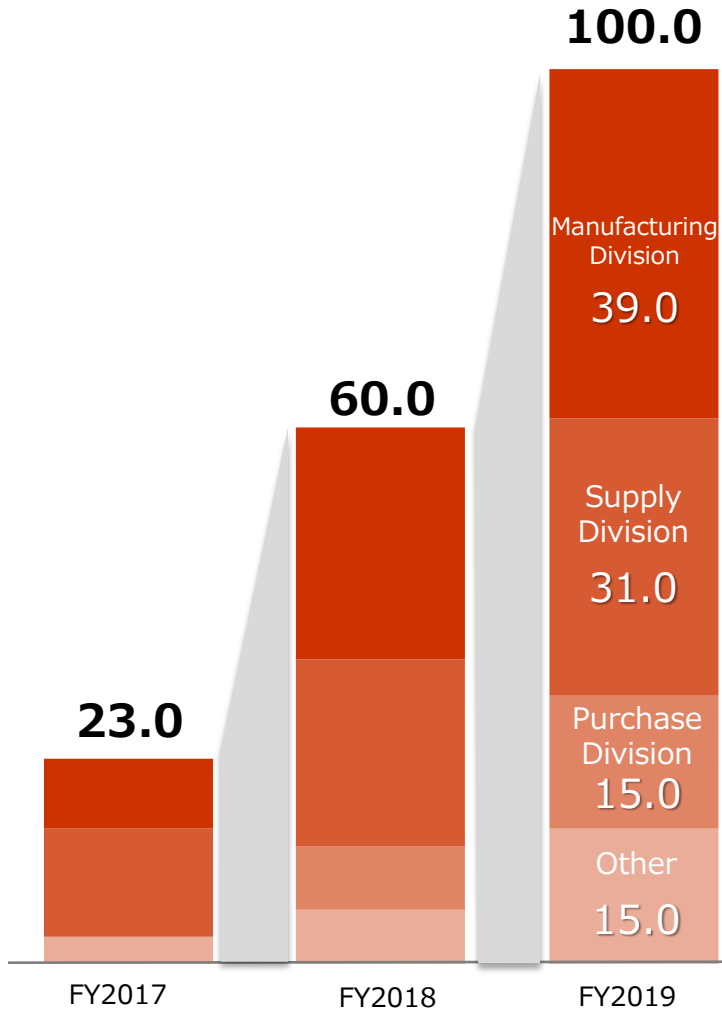
■ Reinforcing management control system by improving business infrastructure

- Improving and tightening internal control
- Building an integrated core operation system (ERP system)
- Reducing cost by optimizing procurement of materials and services, etc.

Business Strategy by Segment | Energy Business (Integration Synergy)

<Growth of Synergy Effect Value in Coming Three Years>

(In billions of yen)



<Breakdown of synergies (items/value)> (In billions of yen)

Manufacturing Division

Promoting energy saving	16.0
Reducing repair cost	6.0
Streamlining production through integrated operation in the Kawasaki area	5.0
Other (e.g. improving equipment yield, expanding export)	12.0

Supply Division

Optimization through efforts such as accommodation of materials, half-finished goods and products among refineries	7.0
Optimizing tanker allocation with fewer port stops and reducing cost by increasing special crude oil processing	7.0
Other (e.g. eliminating and consolidating oil tanks, and adding high value to products)	17.0

Purchase Division

Reducing cost by optimizing procurement of materials and services	15.0
---	------

Other

Other company-wide streamlining and rationalization (e.g. improving operations by introducing the ERP system)	15.0
---	------

Oil and Natural Gas E&P

Ensuring thorough selection and concentration; Establishing a strong structure that can endure a lower oil price

Enhancing profitability of core businesses

Regional strategy

- Allocating our business resources preferentially to the regions where we can exercise our strength (Southeast Asia and Middle East)
- Maintaining and expanding long-term and favorable trust relationships with countries and regions through operator projects

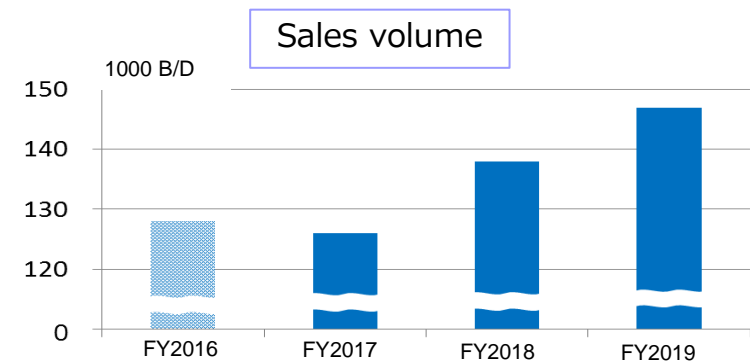
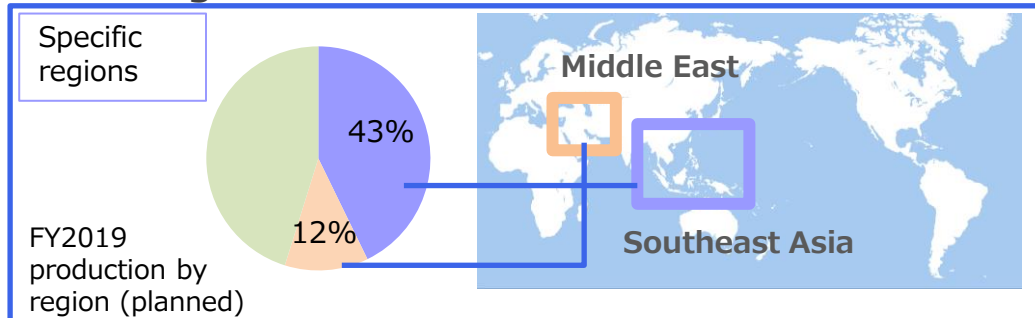
Technological strategy

- Acquiring, developing and utilizing CO2-EOR technology

Financial strategy

- Promoting cost reduction
- Thorough selection and concentration
- Reinvestment within our own cash flow
 - Establishing a strong structure that can endure a lower oil price

Adhere to our strength in specific regions and technological areas



Business Strategy by Segment | Metals Business

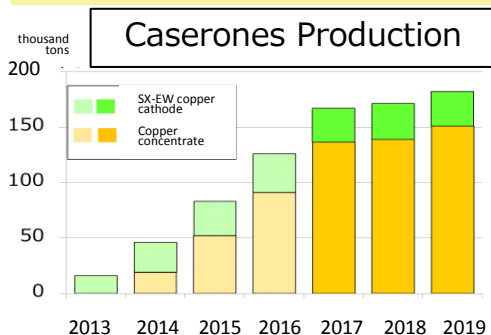
Metals

Strengthening profitability of the Caserones Copper Mine in Chile and expanding the size of the electronic materials business

Strengthening profitability of core business

Resource Development (Caserones)

- Maintaining high operation rate
- Strengthening competitiveness through thorough cost reduction



Electronic Materials

- Strengthening profitability of the existing areas
- Strengthening competitiveness by utilizing IoT and AI

Recycling and environmental services

- Establishing minimum-cost operation structure by pursuing efficiency

Titanium

- Developing the Saudi project into a profitable asset at an early date
- Establishing optimal production structure

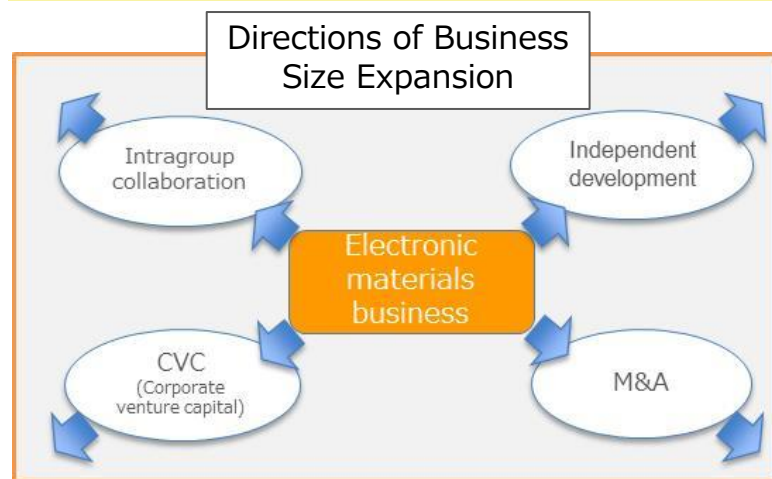
Copper smelting

- Ensuring safe and stable operation and strengthening cost competitiveness of smelters

Developing and strengthening businesses that will be mainstays of the future

Developing the group of technology-based businesses (Electronic materials)

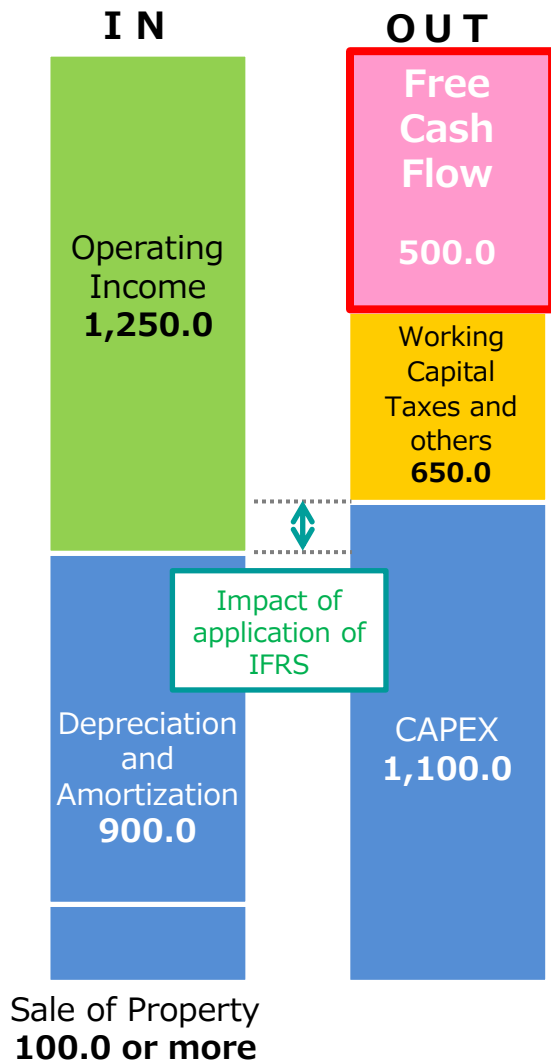
- Developing markets, strengthening sales, and developing technologies in anticipation of the arrival of IoT society
- Proactively devoting management resources to prospective areas (Strategically investing in independent development; proactively utilizing group-held technologies, M&A and CVC)



Creating Cash Flow

Cash flow for FY2017-FY2019

(Unit: billion yen)



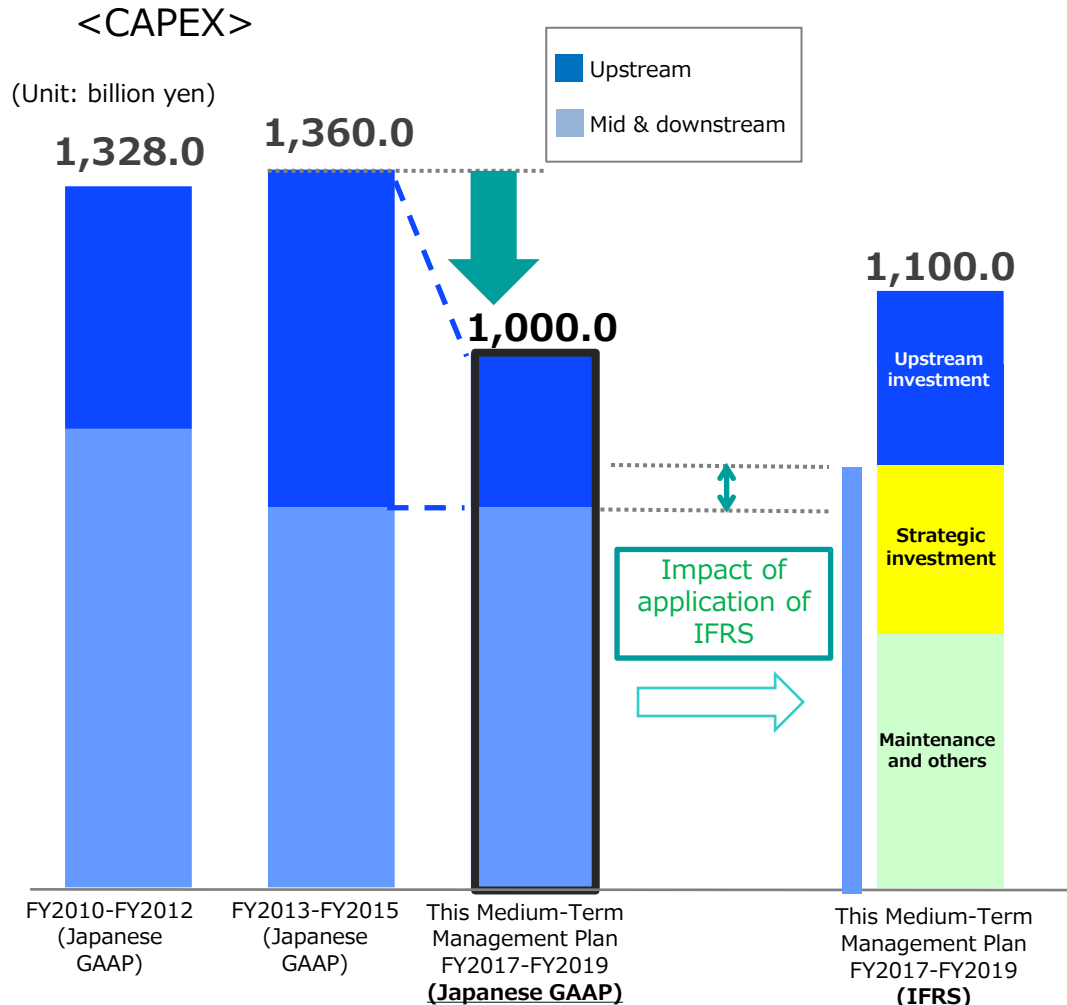
- Maximizing profits, including the integration synergies
- Selecting CAPEX carefully
- Promoting sale of property actively
- Reducing working capital

Improving financial base

Enhancing shareholder return

Optimizing Business Portfolio

JXTG Group will reduce investment in upstream businesses and prioritize investment in mid & downstream business and growth business



Selecting CAPEX carefully

Reducing CAPEX to approximately 70% of investment for the period of FY2013-FY2015 (JX+TG)

Shifting allocation of investment

- Reducing upstream business to invest in
- Allocating investment preferentially to mid & downstream business

Promoting strategic investments in mid & downstream business

- Enhancing profitability of core business
- Cultivating and strengthening business that will be mainstays of the future

Developing and Strengthening Businesses That Will Be Mainstays of the Future

JXTG Group will strive to develop and strengthen businesses that will be mainstays of the future taking advantage of its strengths (network, technologies, infrastructures and others)

Overseas business operation

Taking in demands in Asia-Pacific region (such as Vietnam and Australia)

Electricity and gas businesses

- Building an optimal power source portfolio or other measures (such as coke power generation facility in Mizushima Refinery and Muroran Biomass Power Generation)

Technology-based businesses

Developing “group of stable, profitable businesses” steadily taking advantage of strengths of JXTG Group’s technologies

Lubricants

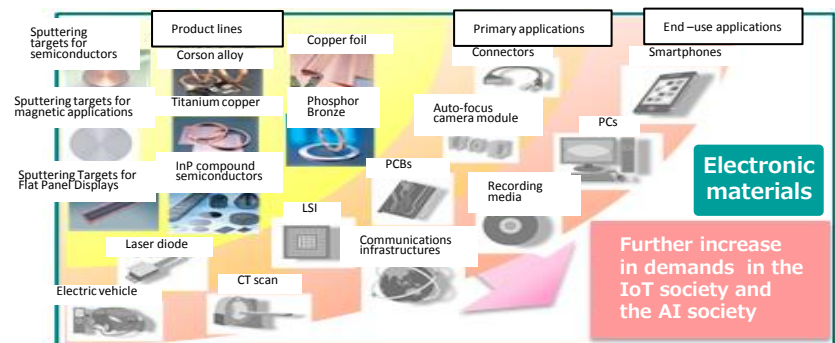
Developing and offering high value-added products

Functional materials

Strengthening business base of specialty & performance materials

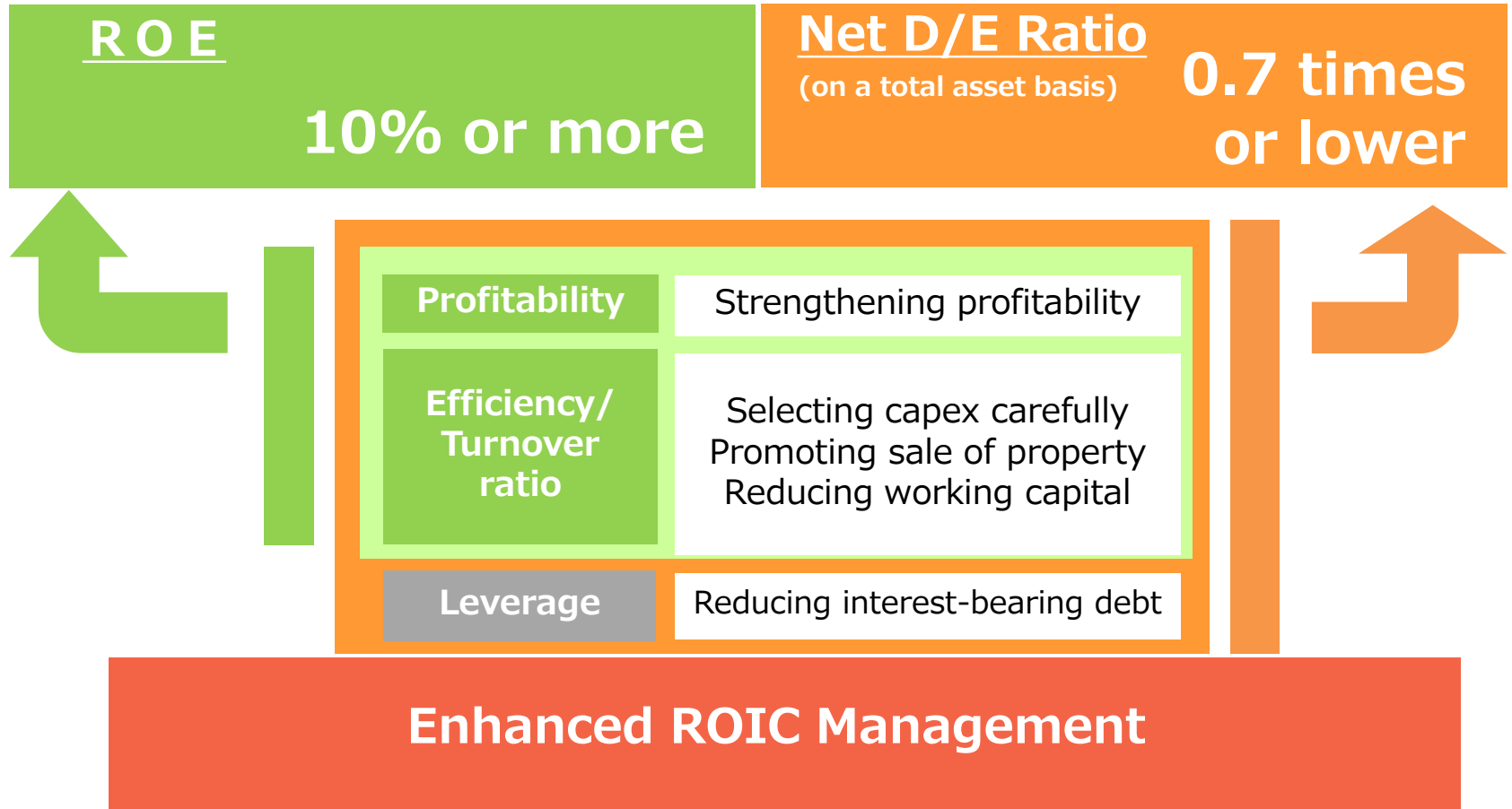
Electronic materials

Taking in demands for electronic materials that are growing due to the IoT society



Focusing on Capital Efficiency

JXTG Group will work strengthen profitability through enhanced ROIC management, and strive to improve efficiency and turnover ratio of its assets by carefully selecting capex and taking other measures.



JXTG Group will construct and strengthen business foundation promptly that supports global business deployment

- Innovating the business process focused on arrival of the IoT society**
Utilizing the latest enterprise-wide core IT system (ERP)
- Improving the internal control system and operate it rigidly**
Introducing the internal control method based on global standards
- Fostering human resources**
Fostering human resources who will realize the improvement of mid to long-term corporate value
- Promoting CSR management aiming for “compatibility between economic value and social value”**
Strengthening efforts for ESG (environment, society and governance)

Supplementary Data

Supplementary Data | Key Factors

		FY2016	FY2017	FY2018	FY2019
All segments	Exchange rate [Yen/\$]	108	110	110	110
Energy	Crude oil price [fiscal year] [Dubai] [\$]/B]	46	50	55	60
Oil and Natural Gas E&P	Sales volume <Crude oil equivalent> [1,000 bbl/day]	128	126	138	147
	Crude oil price [Brent] [\$]/B]	49	53	58	63
Metals	Copper price [LME] [fiscal year] [¢/lb]	234	250	260	270
	Equity entitled copper mine production [1,000 tons/period, year]	200	235	247	255
	PPC refined copper sales [1,000 tons/period, year]	602	576	625	645
	TRCF* sales [1,000 km/month]	5.0	5.4	5.6	5.8
	Precision rolled products sales [1,000 tons/month]	4.0	4.0	4.1	4.2
	Gold recovery volume by Recycling & Environmental Services [tons/period, year]	5.6	6.3	6.7	7.3

* Treated Rolled Copper Foil

Supplementary Data | Operating Income excl. Inventory Valuation

	FY2016	FY2017	FY2018	FY2019
	billion yen	billion yen	billion yen	billion yen
Operating Income excl. inventory valuation	179.0	350.0	400.0	500.0
Energy Business	155.0	210.0	240.0	300.0
Oil and Natural Gas E&P Business	(47.0)	20.0	50.0	65.0
Metals Business	22.0	44.0	65.0	90.0
Upstream	(23.0)	9.0	15.0	30.0
Mid & downstream	45.0	35.0	50.0	60.0
Others	49.0	76.0	45.0	45.0

Supplementary Data | Sensitivity Analysis

■ Key Factors (FY2019)

Exchange Rate: 110 Yen/\$

Crude Oil FOB: 60 \$/bbl
(Dubai Spot)

Copper Price: 270 ¢/lb

■ Sensitivity Analysis for FY2019 Operating Income

(billion yen)

Key Factors	Change	Segment	Impact
Exchange Rate	5 Yen/\$ yen depreciation	Energy (in-house fuel costs rise, margin improvement in petrochemicals, FX rate, etc.)	+10.0
		Oil and Natural Gas E&P	+3.0
		Metals (Margin improvement, FX rate)	+7.0
		Subtotal	+20.0
		Inventory valuation gain	+23.0
		Total	+43.0
Crude Oil (Dubai spot)	+5\$/bbl	Energy (in-house fuel costs rise)	-4.0
		Oil and Natural Gas E&P	+17.0
		Subtotal	+13.0
		Inventory valuation gain	+44.0
		Total	+57.0
Copper Price (LME)	+10¢/lb	Metals	+6.0
		Total	+6.0

Supplementary Data | CAPEX Plan

(Unit: billion yen)

		Total for 3 years
Energy	Strategic investments	190.0
	Maintenance and others	370.0
	Total	560.0

Main contents of strategic investments

Electric power development (Muroran Biomass/Coke power generation facility in Mizushima Refinery)

Oil and Natural Gas E&P	Strategic investments	150.0
	Maintenance and others	130.0
	Total	280.0

Expansion of Tangguh LNG , and others

Metals	Strategic investments	70.0
	Maintenance and others	130.0
	Total	200.0

Strengthen technology-based business (electronic materials)

Others	Strategic investments	30.0
	Maintenance and others	30.0
	Total	60.0

Group total	Strategic investments	440.0
	Maintenance and others	660.0
	Total	1,100.0

Leveling investment

[Investment for each fiscal year]

FY2017	400.0
FY2018	350.0
FY2019	350.0