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Consolidated Financial Results for the Second Quarter of Fiscal Year 2013 [Japanese GAAP]

November 1, 2013

Company name: JX Holdings, Inc.

Code number: 5020

Stock Exchange Listings: Tokyo and Nagoya

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Scheduled date of filing of Quarterly Securities Report : November 13, 2013

Scheduled date of commencement of dividend payments : December 5, 2013

Supplemental materials for the quarterly financial results : Yes

Quarterly financial results presentation : Yes (for institutional investors and analysts)

(Amounts of less than ¥ 1 million are rounded off)

1. Consolidated Results for the Second Quarter of FY 2013 (From April 1, 2013 to September 30, 2013)

(1) Consolidated Operating Results (Percentage figures are changes from the same period in the previous fiscal year)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
2Q of FY2013	5,777,689	11.3	139,429	272.8	176,115	121.2	89,706	234.2
2Q of FY2012	5,189,137	2.2	37,401	(80.8)	79,618	(66.6)	26,842	(78.8)

(Note) Comprehensive income : 2Q of FY2013: ¥ 189,916 million < 897.2 % >

2Q of FY2012: ¥ 19,044 million < (85.8)% >

	Net income per share	Diluted net income per share
	Yen	Yen
2Q of FY2013	36.08	—
2Q of FY2012	10.79	—

(2) Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio
	Millions of yen	Millions of yen	%
2Q of FY2013	7,401,408	2,530,374	28.1
FY2012	7,274,891	2,327,432	26.7

(Reference) Shareholders' equity : 2Q of FY2013 ended September 30, 2013: ¥2,078,105 million

FY2012 ended March 31, 2013: ¥1,942,754 million

2. Dividends

	Annual cash dividend per share				
	End of 1Q	End of 2Q	End of 3Q	Year-End	Total
	Yen	Yen	Yen	Yen	Yen
FY2012	—	8.00	—	8.00	16.00
FY2013	—	8.00	—	8.00	16.00
FY2013 (Forecast)	—	—	—	8.00	16.00

(Note) Revisions of the forecast of cash dividends since the latest announcement: None

3. Forecasts of Consolidated Results for FY 2013 (From April 1, 2013 to March 31, 2014)

(Percentage figures are changes from the same period in the previous fiscal year)

	Net Sales		Operating income		Ordinary income		Net income		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
FY2013	11,860,000	5.7	215,000	(14.5)	300,000	(8.6)	150,000	(5.9)	60.32

(Note) Revisions of the forecasts of consolidated results since the latest announcement: Yes

Please refer to "Notification of Revisions to the Annual Forecasts" announced today.

As for the forecasts of income excluding inventory valuation factors*, please see the following.

Forecasts (FY2013) and actual results (FY2012) excluding inventory valuation factors	FY2013	Operating income		Ordinary income	
		Millions of yen	%	Millions of yen	%
	FY2012	175,000	(9.9)	260,000	(4.1)
		194,200		271,000	

* The impact of inventory valuation on the cost of sales by using the average method.

Explanatory Notes

(1) Changes in the number of material subsidiaries during the term under review : None

Note: This item indicates whether there were changes in specified subsidiaries involving a change in the scope of consolidation.

(2) Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements : Yes

(3) Changes in accounting policies and in accounting estimates, and restatement

(i) Changes in accounting policies owing to revisions in accounting standards and the like : None

(ii) Changes in accounting policies other than (i) above : None

(iii) Changes in accounting estimates : None

(iv) Restatement : None

(4) Number of shares issued (Common stock)

(i) Number of issued shares at the end of the period (including treasury stocks)

Second Quarter of FY2013 ended September 30, 2013 : 2,495,485,929 shares

FY2012 ended March 31, 2013 : 2,495,485,929 shares

(ii) Number of treasury stocks at the end of the period

Second Quarter of FY2013 ended September 30, 2013 : 8,943,900 shares

FY2012 ended March 31, 2013 : 8,906,760 shares

(iii) Average number of shares issued during the period

Second Quarter of FY2013 ended September 30, 2013 : 2,486,561,541 shares

Second Quarter of FY2012 ended September 30, 2012 : 2,486,659,333 shares

Information Regarding the Status of Quarterly Review Procedures Performance

This report is not subject to quarterly review procedures required pursuant to the Financial Instruments and Exchange Act. As of the time of disclosing this report, quarterly review procedures of consolidated financial statements required pursuant to the Financial Instruments and Exchange Act have not been completed.

Explanation Regarding Appropriate Use of Forward-looking Statements on Results, and Other Specific Comments

This material contains forward-looking statements; however, actual results may differ materially from those reflected in such forward-looking statements, due to various factors, including the following:

(1) changes in macroeconomic conditions and changes in the competitive environment in the energy, resources and materials industries; (2) revisions to laws and strengthening of regulations; and (3) litigation and other similar risks.

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1. Qualitative Information on the Quarterly Results

(1) Explanations on Operating Results

Overview

The global economy during the consolidated cumulative second quarter (from April 1, 2013 to September 30, 2013) has remained uncertain, because of such factors as the stagnant European economy, and the slowdown of economic growth in China and other emerging nations. With regard to the Japanese economy, there has been a modest recovery with improvements in corporate earnings and consumer spending due to the accelerating depreciation of the Yen and high stock prices.

In the crude oil market, the Dubai crude oil price dropped, from \$107 per barrel at the beginning of the period due to concerns over the economic slowdown in the U.S. and China, and was down to the level of \$100. After July, the price recovered due to such geopolitical matters as disrupted political climate in Egypt and tense situation in Syria. The Dubai crude oil price was \$105 per barrel at the end of the period, with an average of \$104 per barrel for the period, a decrease of \$2 per barrel from the same period of the previous fiscal year.

The copper price in international markets (price on the London Metal Exchange (LME)) started at 337 cents per pound at the beginning of the period, but dropped slightly because of such factors as the uncertainty in the global economy and concerns over a further slowdown in demand in China, and was 331 cents at the end of the period. The average price for the period was 323 cents per pound, a decrease of 30 cents per pound from the same period of the previous fiscal year.

The Japanese yen against the U.S. dollar maintained downward momentum, sliding from 94 yen at the beginning of the period reflected by the monetary relaxation measures by Bank of Japan and other elements, and was 98 yen at the end of the period, with an average of 99 yen for the period, which is 20 yen lower than the previous year's same period.

Under these conditions, on a consolidated basis in the cumulative second quarter, net sales increased 11.3% from the same period of the previous fiscal year to 5,777.7 billion yen, and ordinary income amounted to 176.1 billion yen, an increase of 121.2% from the same period of the previous fiscal year. Excluding inventory valuation factors (the impact of inventory valuation on the cost of sales by using the average method), ordinary income amounted to 111.5 billion yen, a decrease of 11.2% from the same period of the previous fiscal year.

The overview of our operating results by segment is as outlined below.

We have changed the reporting segment of the titanium business, which was included in the "Other" category in the previous fiscal year, to the "Metals" segment from the first quarter due to a change in our business management system. For the purpose of comparisons with the same period of the previous fiscal year provided below, figures of the same period of the previous fiscal year have been adjusted according to the segment or category after such change.

Energy

Domestic demand for gasoline decreased from the same period of the previous fiscal year, as

a result of the rebound from previous year's intense heat after August, although increased demand for a holiday because of the good weather between April and July. Other demand for domestic petroleum products decreased from the same period of the previous fiscal year, with the decline in demand by power stations as a result of increased operation of coal-fired electric power plants. Domestic petroleum product margins were at lower levels compared with the same period of the previous fiscal year reflecting a market supply and demand situation. Petrochemical product margins improved from the same period of the previous fiscal year due to steady core products prices such as paraxylene and benzene, as well as a consequence of yen depreciation.

An income of 62.2 billion yen was recorded due to inventory valuation factors (the impact of inventory valuation on the cost of sales by using the periodic average method) resulting from the yen depreciation (a factor improving the profit/loss status by 105.5 billion yen compared with the same period of the previous fiscal year).

Under these conditions, net sales in the Energy business for the cumulative second quarter were 5,009.2 billion yen, an increase of 12.1% from the same period of the previous fiscal year, and ordinary income amounted to 91.4 billion yen, compared with 9.6 billion yen in ordinary loss from the same period of the previous fiscal year. Excluding inventory valuation factors, ordinary income amounted to 29.2 billion yen, a decrease of 13.4% from the same period in the previous fiscal year.

Oil and Natural Gas Exploration and Production (E&P)

Crude oil and natural gas production volume decreased from that during the same period of the previous year, due to such factors as a natural decline in production volume at oil and gas fields. Furthermore, sales prices of crude oil and natural gas on a calendar year basis decreased compared with the same period of the previous year, reflecting the current crude oil market conditions.

With regard to the exploration activities, we acquired 10% and 7% participating interests, respectively, located in the offshore North West Shelf Australia in June 2013. We acquired 40% participating interest located in Deepwater Block, Sarawak, Malaysia as the operator in September 2013. We also confirmed a gas and condensate reservoir, which are offshore of southern Vietnam in June 2013. We confirmed a gas reservoir, located in the offshore North West Shelf Australia in July 2013.

With regard to the development and production activities, we commenced commercial oil production from the Finucane South field in the North West Shelf offshore Australia in May 2013.

In addition to the above, as of April 1, 2013, we succeeded to human resources having expertise and knowledge regarding the Oil and Natural Gas E&P business who were transferred from Arabian Oil Company, Ltd. by way of an incorporation-type company split, and thereby strengthened our structure to promote the acquisition of new projects, and the maximization of the production volume at, and the value of, the concession areas held.

Under these conditions, net sales in the Oil and Natural Gas E&P business in the cumulative second quarter recorded 94.1 billion yen, a decrease of 1.4% from the same period of the previous fiscal year, and ordinary income amounted to 53.1 billion yen, a decrease of 8.9% from the same period of the previous fiscal year.

Metals

With regard to the resource development business, our profit level was lower than the same period of the previous fiscal year as copper prices were on the decline and remained below the level of the same period of the previous fiscal year.

With regard to the copper smelting and refining business, the electrolytic copper sales volume increased from the same period of the previous fiscal year, as we compensated for the decline in domestic demand with exports. Product prices were above the level of the same period of the previous fiscal year as a consequence of yen depreciation, despite the decline in LME copper prices. Conditions for purchasing copper concentrate slightly improved compared with the same period of the previous fiscal year, while sales prices for sulfuric acid declined as a result of deterioration of the international market.

With regard to the electronic materials business, our product sales prices generally increased from the same period of the previous fiscal year mainly due to the yen depreciation. In terms of sales volume, copper foils and other related products decreased, while thin film material-related products increased from the same period of the previous fiscal year.

With regard to the recycling and environmental services business, the volume of collected copper and precious metals decreased from the same period of the previous fiscal year. Product prices of precious metals generally increased compared with the same period of the previous fiscal year, as a consequence of yen depreciation.

With regard to the titanium business, the product sales volume decreased from the same period of the previous fiscal year as a result of inventory adjustment by users.

Under these conditions, net sales in the Metals business in the cumulative second quarter increased to 506.5 billion yen, an increase of 8.8% from the same period of the previous fiscal year. Ordinary income was 19.6 billion yen, a decrease of 9.4% from the same period of the previous fiscal year.

Other

Net sales for other business activities in the cumulative second quarter were 200.4 billion yen, an increase of 6.8% from the same period of the previous fiscal year, and ordinary income was 9.8 billion yen, an increase of 24.6% from the same period of the previous fiscal year.

With regard to the construction business, although the demand for public work was steady, because the trend in private capital investment recovery was slow, we continued to be confronted with a difficult operating environment. We worked aggressively to obtain orders based on technological superiority and to strengthen sales of products—such as asphalt mixtures—as well as to improve profitability through cost reductions and increasing operational efficiency.

Net sales of each segment specified above include in-house intersegment sales of 32.5 billion yen, compared with 27.0 billion yen in the same period of the previous fiscal year.

Special Gain & Loss and Quarterly Net Income

Special gain totaled 9.7 billion yen—including 9.0 billion yen of gain on sales of non-current assets.

Special loss totaled 16.7 billion yen—including 4.0 billion yen of loss on disposal of non-current assets, and 3.9 billion yen of impairment loss.

The above factors resulted in income before income taxes and minority interests of 169.1 billion yen. From this amount, by deducting 65.7 billion of income taxes and 13.7 billion yen of minority interests in income, the quarterly net income amounted to 89.7 billion yen, an increase of 234.2% from the same period of the previous fiscal year.

(2) Explanations on Financial Position

- (i) Assets:** The total assets as of the end of the second quarter amounted to 7,401.4 billion yen, an increase of 126.5 billion yen from the end of the previous fiscal year.
- (ii) Liabilities:** The total liabilities as of the end of the second quarter amounted to 4,871.0 billion yen, a decrease of 76.4 billion yen from the end of the previous fiscal year. The balance of interest-bearing debts amounted to 2,608.4 billion yen, an increase of 59.1 billion yen from the end of the previous fiscal year.
- (iii) Net Assets:** The total net assets as of the end of the second quarter amounted to 2,530.4 billion yen, an increase of 202.9 billion yen from the end of the previous fiscal year.

The shareholders' equity ratio increased by 1.4 points from the end of the previous fiscal year, and it is 28.1%. The amount of net assets per share is 835.74 yen, a 54.44 yen increase from the end of the previous fiscal year; and the net D/E ratio (net debt equity ratio) is 1.12, an improvement of 0.06 points from the end of the previous fiscal year.

(3) Explanations on Future Forecast Information, including the Forecasts of Consolidated Results

The Company has revised the forecast of its consolidated results for fiscal year 2013 that we announced last time (May 9, 2013).

Net sales are expected to be 11,860.0 billion yen (a decrease of 390.0 billion yen compared with the previous forecast), due partly to a decrease in the sales volume of petroleum products. Operating income is expected to be 215.0 billion yen (a decrease of 40.0 billion yen from the previous forecast), due partly to a decrease in petroleum product margins as a result of the market deterioration. Ordinary income is expected to be 300.0 billion yen (a decrease of 35.0 billion yen from the previous forecast), and net income is expected to be 150.0 billion yen (a decrease of 20.0 billion yen from the previous forecast).

As an average for fiscal year 2013, the revised forecast assumes an exchange rate of 97 yen per U.S. dollar; a crude oil price (Dubai crude) of \$102 per barrel; and an international copper price (LME price) of 321 cents per pound. (Previous forecast: an exchange rate of 95 yen per U.S. dollar; a crude oil price of \$105 per barrel; and an international copper price of 340 cents per pound.)

This forecast of consolidated results is based on information available as of the date of announcement of this report. The actual financial results may differ from the forecasted figures due to various factors.

In the second quarter, there are no revisions to the Company's previous forecast of dividend payment of 16 yen per share for the fiscal year, consisting of an interim dividend of 8 yen per share and a year-end dividend of 8 yen per share.

2. Matters regarding Summary Information (Explanatory Notes)

(1) Changes in the number of material subsidiaries during the term under review

None.

(2) Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements

(Calculation of Tax Expenses)

Tax expenses are calculated by multiplying net income before income taxes by the estimated effective tax rate, which is reasonably estimated for the net income before income taxes for the consolidated fiscal year including this second quarter after applying tax-effect accounting.

(3) Changes in accounting policies and in accounting estimates, and restatement

None.

Supplemental Information
3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

Account title	FY 2012 (As of March 31, 2013)	Second Quarter of FY 2013 (As of September 30, 2013)
Assets		
Current assets:		
Cash and deposits	250,098	282,944
Notes and accounts receivable-trade	1,339,210	1,150,785
Inventories	1,819,312	1,870,773
Other	330,472	315,957
Allowance for doubtful accounts	(1,299)	(1,982)
Total current assets	3,737,793	3,618,477
Non-current assets:		
Property, plant and equipment:		
Land	965,353	965,034
Other, net	1,225,330	1,337,617
Total property, plant and equipment	2,190,683	2,302,651
Intangible assets	134,845	138,705
Investments and other assets:		
Investments in securities	663,117	691,796
Other	559,961	661,292
Allowance for doubtful accounts	(11,508)	(11,513)
Total investments and other assets	1,211,570	1,341,575
Total non-current assets	3,537,098	3,782,931
Total assets	7,274,891	7,401,408

(Millions of yen)

Account title	FY 2012 (As of March 31, 2013)	Second Quarter of FY 2013 (As of September 30, 2013)
Liabilities		
Current liabilities:		
Notes and accounts payable-trade	892,965	855,027
Short-term borrowings	841,863	874,073
Commercial papers	449,000	444,000
Current portion of bonds	45,615	30,532
Accounts payable-other	763,732	642,957
Other provision	47,578	30,087
Other	276,732	290,858
Total current liabilities	3,317,485	3,167,534
Non-current liabilities:		
Bonds payable	192,960	187,720
Long-term loans payable	1,019,817	1,072,075
Provision for retirement benefits	93,860	92,997
Other provision	64,475	63,074
Other	258,862	287,634
Total non-current liabilities	1,629,974	1,703,500
Total liabilities	4,947,459	4,871,034
Net assets		
Shareholders' equity:		
Common stock	100,000	100,000
Capital surplus	746,711	746,711
Retained earnings	1,053,576	1,122,226
Treasury stock	(3,854)	(3,873)
Total shareholders' equity	1,896,433	1,965,064
Accumulated other comprehensive income:		
Unrealized gain on securities	35,260	45,156
Unrealized gain on hedging derivatives	7,768	7,576
Foreign currency translation adjustments	3,293	60,309
Total accumulated other comprehensive income	46,321	113,041
Minority interests	384,678	452,269
Total net assets	2,327,432	2,530,374
Total liabilities and net assets	7,274,891	7,401,408

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

(Millions of yen)

Account title	Second Quarter of FY 2012 (from April 1, 2012 to September 30, 2012)	Second Quarter of FY 2013 (from April 1, 2013 to September 30, 2013)
Net sales	5,189,137	5,777,689
Cost of sales	4,904,481	5,372,539
Gross profit	284,656	405,150
Selling, general and administrative expenses	247,255	265,721
Operating income (loss)	37,401	139,429
Non-operating income:		
Interest income	1,185	1,766
Dividend income	12,926	13,407
Foreign currency exchange gain	5,038	3,307
Equity in earnings of affiliates	28,426	22,579
Other	13,809	13,955
Total non-operating income	61,384	55,014
Non-operating expenses:		
Interest expense	12,775	12,145
Other	6,392	6,183
Total non-operating expenses	19,167	18,328
Ordinary income (loss)	79,618	176,115
Special gain:		
Gain on sales of non-current assets	3,188	8,964
Other	890	782
Total special gain	4,078	9,746
Special loss:		
Loss on sales of non-current assets	668	722
Loss on disposal of non-current assets	4,219	4,017
Impairment loss	2,526	3,897
Loss on valuation of investments in securities	4,839	3,338
Loss on step acquisitions	1,939	—
Other	720	4,752
Total special loss	14,911	16,726
Income (loss) before income taxes and minority interests	68,785	169,135
Income taxes	29,637	65,691
Income (loss) before minority interests	39,148	103,444
Minority interests in income	12,306	13,738
Net income (loss)	26,842	89,706

Consolidated Statements of Comprehensive Income

(Millions of yen)

Account title	Second Quarter of FY 2012 (from April 1, 2012 to September 30, 2012)	Second Quarter of FY 2013 (from April 1, 2013 to September 30, 2013)
Income (loss) before minority interests	39,148	103,444
Other comprehensive income:		
Unrealized gain (loss) on securities	(15,438)	11,457
Unrealized gain (loss) on hedging derivatives	(4,821)	380
Foreign currency translation adjustments	(1,030)	61,728
Share of other comprehensive income of affiliates accounted for by equity method	1,185	12,907
Total other comprehensive income	(20,104)	86,472
Comprehensive income	19,044	189,916
Comprehensive income attributable to:		
Shareholders of JX Holdings, Inc.	7,163	156,430
Minority interests	11,881	33,486

(3) Explanatory Notes to Consolidated Financial Statements

(Notes on the Assumption of a Going Concern)

None

(Notes on Significant Changes in Shareholders' Equity)

None

(Segment Information, etc.)

Segment Information

I. Second Quarter of FY 2012 (April 1, 2012 - September 30, 2012)

1. Information on Net Sales and Income (Loss) from each Reporting Segment

(Millions of yen)

	Energy	Oil and Natural Gas E&P	Metals	Other	Total	Adjustments (Note 1)	Recorded Amount on Consolidated Statements of Income (Note 2)
Net Sales							
Sales to Outside Customers	4,463,603	95,482	464,381	165,671	5,189,137	-	5,189,137
In-house Intersegment Sales	4,054	-	1,023	21,960	27,037	(27,037)	-
Total	4,467,657	95,482	465,404	187,631	5,216,174	(27,037)	5,189,137
Segment Income (Loss)	(9,576)	58,234	21,641	7,882	78,181	1,437	79,618

(Note 1) The segment income (loss) adjustments of 1,437 million yen includes the net amount of the entire Company's income and expenses not allocated to the reporting segments or the "Other" category of 1,342 million yen.

(Note 2) Segment income (loss) is adjusted to ordinary income stated in the consolidated statement of income.

II. Second Quarter of FY 2013 (April 1, 2013 - September 30, 2013)

1. Information on Net Sales and Income (Loss) from each Reporting Segment

(Millions of yen)

	Energy	Oil and Natural Gas E&P	Metals	Other	Total	Adjustments (Note 1)	Recorded Amount on Consolidated Statements of Income (Note 2)
Net Sales							
Sales to Outside Customers	5,004,928	94,140	505,176	173,445	5,777,689	-	5,777,689
In-house Intersegment Sales	4,248	-	1,366	26,919	32,533	(32,533)	-
Total	5,009,176	94,140	506,542	200,364	5,810,222	(32,533)	5,777,689
Segment Income (Loss)	91,354	53,052	19,600	9,822	173,828	2,287	176,115

(Note 1) The segment income (loss) adjustments of 2,287 million yen includes the net amount of the entire Company's income and expenses not allocated to the reporting segments or the "Other" category of 2,272 million yen.

(Note 2) Segment income (loss) is adjusted to ordinary income stated in the consolidated statement of income.

2. Notes on Changes in Reporting Segment

We have changed the reporting segment of the titanium business, which was included in the "Other" category in the previous fiscal year, to the "Metals" segment from the first quarter due to a change in our business management system. As a result of such segment category change, the segment information for the Second Quarter of FY 2012 was prepared based on the category after such change.

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