

Consolidated Financial Results for the First Quarter of Fiscal Year 2014 [Japanese GAAP]

July 31, 2014

Company name: JX Holdings, Inc.

Code number: 5020

Stock Exchange Listings: Tokyo and Nagoya

URL: <http://www.hd.jx-group.co.jp/>

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Scheduled date of commencement of dividend payments : —

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 First Quarter of FY 2014 (From April 1, 2014 to June 30, 2014)

(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	%
1Q of FY2014	2,640,850	(4.8)	2,707	(95.0)	14,850	(79.5)	14,157	(60.3)
1Q of FY2013	2,773,797	8.7	53,606	—	72,465	—	35,671	—

(Note) Comprehensive income : 1Q of FY2014: ¥ 5,754 million < (94.3) % >

1Q of FY2013: ¥ 100,083 million < — % >

	Net income per share	Diluted net income per share
	Yen	Yen
1Q of FY2014	5.69	—
1Q of FY2013	14.35	—

(2) Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio
	Millions of yen	Millions of yen	%
1Q of FY2014	7,698,057	2,590,904	27.4
FY2013	7,781,775	2,626,294	27.4

(Reference) Shareholders' equity : 1Q of FY2014 ended June 30, 2014: ¥2,108,439 million

FY2013 ended March 31, 2014: ¥2,135,058 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
FY2013	—	8.00	—	8.00	16.00
FY2014	—	—	—	—	—
FY2014 (Forecast)	—	8.00	—	8.00	16.00

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

3. Forecasts of Consolidated Results for FY 2014 (From April 1, 2014 to March 31, 2015)

(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
1H of FY2014	5,700,000	(1.3)	10,000	(92.8)	45,000	(74.4)	30,000	(66.6)	12.07
FY2014	12,050,000	(2.9)	175,000	(18.1)	245,000	(19.0)	120,000	12.1	48.26

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

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

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

(Forecasts)		Operating income		Ordinary income	
		Millions of yen		Millions of yen	
		%	%	%	%
Income excluding inventory valuation factors	1H of FY2014	30,000	(59.9)	65,000	(41.7)
	FY2014	200,000	111.9	270,000	47.5

* 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 : Yes

(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)

First Quarter of FY2014 ended June 30, 2014 : 2,495,485,929 shares

FY2013 ended March 31, 2014 : 2,495,485,929 shares

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

First Quarter of FY2014 ended June 30, 2014 : 9,012,346 shares

FY2013 ended March 31, 2014 : 8,981,945 shares

(iii) Average number of shares issued during the period

First Quarter of FY2014 ended June 30, 2014 : 2,486,485,769 shares

First Quarter of FY2013 ended June 30, 2013 : 2,486,571,977 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.

Table of Contents for the Attached Material

- 1. Qualitative Information on the Quarterly Results**
 - (1) Explanations on Operating Results 2
 - (2) Explanations on Financial Position..... 5
 - (3) Explanations on Future Forecast Information, including the Forecasts of Consolidated Results 5

- 2. Matters regarding Summary Information (Explanatory Notes)**
 - (1) Changes in the number of material subsidiaries during the term under review.... 6
 - (2) Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements 6
 - (3) Changes in accounting policies and in accounting estimates, and restatement..... 6

- 3. Consolidated Financial Statements**
 - (1) Consolidated Balance Sheets 7
 - (2) Consolidated Statements of Income and Comprehensive Income 9
 - (3) Explanatory Notes to Consolidated Financial Statements 11
 - (Notes on the Assumption of a Going Concern)..... 11
 - (Notes on Significant Changes in Shareholders' Equity)..... 11
 - (Segment Information, etc.)..... 11

1. Qualitative Information on the Quarterly Results

(1) Explanations on Operating Results

Overview

The global economy during the consolidated first quarter (from April 1, 2014 to June 30, 2014) continued its moderate recovery, as the U.S. economy stayed steady and the European economy maintained its movements toward improvement. The Japanese economy showed a tendency toward a modest recovery overall, with improvements in corporate earnings and the increase in capital investments, despite the repercussions of the pre-consumption tax hike purchasing rush.

In the crude oil market, the Dubai crude oil prices moved within narrow limits, starting at \$104 per barrel at the beginning of the period and fluctuated around \$105. The Dubai crude oil prices increased in June due to the growing tension in the Iraqi situation, and were at \$109 per barrel at the end of the period, with an average of \$106 per barrel for the period, an increase of \$5 per barrel from the same period of the previous fiscal year.

The copper prices in international markets (prices on the London Metal Exchange (LME)) remained low as a whole, as a result of the credit uncertainty of China, and other factors. They started at 301 cents per pound at the beginning of the period, and were at 315 cents at the end of the period. The average price for the period was 308 cents per pound, a decrease of 16 cents per pound from the same period of the previous fiscal year.

The Japanese yen against the U.S. dollar remained flat, after starting at 103 yen at the beginning of the period, and was at 101 yen at the end of the period, with an average of 102 yen for the period, which was 3 yen lower than the previous year's same period.

Under these conditions, on a consolidated basis in the first quarter, net sales decreased 4.8% from the same period of the previous fiscal year, to 2,640.9 billion yen, and ordinary income amounted to 14.9 billion yen, down 79.5% 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 12.9 billion yen, a decrease of 69.1% from the same period of the previous fiscal year.

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

Energy

Demand for domestic petroleum products decreased from the same period of the previous fiscal year, with gasoline being subject to the repercussions of the pre-consumption tax hike purchasing rush, and heavy fuel oil and crude oil for power stations affected by the increased operation of LNG-fired electric power plants. Domestic petroleum product margins were at higher levels compared with the same period of the previous fiscal year, reflecting the movement toward reducing excess refining capacity in response to the Law Concerning Sophisticated Methods of Energy Supply Structures*, through such measures as suspending the crude oil treatment at the Muroran Refinery, as the domestic demand for petroleum products further follows a structural decrease. On the other hand, the petrochemical product margins, particularly the margin of paraxylene, the main petrochemical product, were at lower levels compared with the same period of the previous fiscal year, due to the economic

slowdown in China.

An income of 1.8 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), a factor deteriorating the profit/loss status by 27.6 billion yen compared with the same period of the previous fiscal year.

Under these conditions, net sales in the Energy business for the first quarter were 2,232.9 billion yen, a decrease of 6.8% from the same period of the previous fiscal year, and ordinary loss amounted to 24.3 billion yen, compared with 26.1 billion yen in ordinary income from the same period of the previous fiscal year. Excluding inventory valuation factors, ordinary loss was 26.1 billion yen, compared with 3.3 billion yen in ordinary loss from the same period of the previous fiscal year.

*The Law Concerning Sophisticated Methods of Energy Supply Structures: an act that imposes an obligation on petroleum business operators to increase the ratio of heavy oil dissolving equipment capacity to a required level in relation to crude oil refining capacity, in order to promote the efficient use of fossil fuels.

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

Crude oil and natural gas production volume remained at the level of the same period of the previous year, as a result of our efforts to ensure stable production, despite 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 were generally at the level of the same period of the previous year, due to such factors as the fluctuations of the current crude oil market conditions remaining in narrow range.

With regard to the development and production activities, we received in May 2014 the approval, from PETROLIAM NASIONAL BERHAD (PETRONAS), a national oil company of Malaysia, for the Field Development Plan for the Layang Field in Block SK10 offshore Sarawak, Malaysia, in which we hold a participating interest as an operator. With the approval, we have decided to move that Plan into the development phase toward the launch of production in 2016. We also shipped in May 2014 the first LNG cargo in the PNG LNG Project in Papua New Guinea, in which we participate through Nippon Papua New Guinea LNG LLC. As a result, the PNG LNG Project has moved from the project development to the production operations phase, and continues to focus on safely and reliably delivering Papua New Guinea's natural gas resources to Asian markets, including Japan, for a long time in the future.

Under these conditions, net sales in the Oil and Natural Gas E&P business in the first quarter recorded 54.8 billion yen, an increase of 13.6% from the same period of the previous fiscal year, and ordinary income amounted to 20.0 billion yen, a decrease of 35.5% 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 from the same period of the previous fiscal year.

With regard to the copper smelting and refining business, the electrolytic copper prices were

below the level of the same period of the previous fiscal year as a consequence of the decline in LME copper prices. The electrolytic copper sales volume increased from the same period of the previous fiscal year, due primarily to export growth. Conditions for purchasing copper concentrate improved compared with the same period of the previous fiscal year.

With regard to the electronic materials business, our product sales volume generally increased from the same period of the previous fiscal year with the growing demand in the IT industry, such as for smartphones.

With regard to the recycling and environmental services business, product prices of precious metals generally decreased from the same period of the previous fiscal year, primarily as a result of the decline in metal prices. The volume of collected copper and precious metals increased from the same period of the previous fiscal year.

With regard to the titanium business, the product sales volume stayed at the same level as the same period of the previous fiscal year, due to such factors as the inventory adjustment by users continuing from the previous fiscal year.

Under these conditions, net sales in the Metals business in the first quarter increased to 268.2 billion yen, an increase of 6.1% from the same period of the previous fiscal year. Ordinary income was 9.7 billion yen, a decrease of 3.3% from the same period of the previous fiscal year.

Other

Net sales for other business activities in the first quarter were 102.2 billion yen, an increase of 12.4% from the same period of the previous fiscal year, and ordinary income was 7.4 billion yen, an increase of 143.1% from the same period of the previous fiscal year.

With respect to the construction business, although the demand for public work was steady and despite the trend in private capital investment recovery, we continued to be confronted with a difficult operating environment, because of the impact of such factors as the rise in labor costs and raw materials prices. Under these conditions, 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 17.2 billion yen, compared with 15.0 billion yen in the same period of the previous fiscal year.

Special Gain & Loss and Quarterly Net Income

Special gain totaled 25.7 billion yen—including 23.7 billion yen of gain on sales of non-current assets.

Special loss totaled 10.1 billion yen—including 7.0 billion yen of impairment loss, and 2.0 billion yen of loss on disposal of non-current assets.

The above factors resulted in income before income taxes and minority interests of 30.4 billion yen. From this amount, by deducting 11.9 billion of income taxes and 4.3 billion yen

of minority interests in income, the quarterly net income amounted to 14.2 billion yen, a decrease of 60.3% 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 first quarter amounted to 7,698.1 billion yen, a decrease of 83.7 billion yen from the end of the previous fiscal year.
- (ii) Liabilities:** The total liabilities as of the end of the first quarter amounted to 5,107.2 billion yen, a decrease of 48.3 billion yen from the end of the previous fiscal year. The balance of interest-bearing debts amounted to 2,882.6 billion yen, an increase of 80.9 billion yen from the end of the previous fiscal year.
- (iii) Net Assets:** The total net assets as of the end of the first quarter amounted to 2,590.9 billion yen, a decrease of 35.4 billion yen from the end of the previous fiscal year.

The shareholders' equity ratio is at the same level as that at the end of the previous fiscal year, 27.4%. The amount of net assets per share is 847.96 yen, a 10.7 yen decrease from the end of the previous fiscal year; and the net D/E ratio (net debt equity ratio) is 1.23, a deterioration of 0.05 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 the fiscal year 2014 that we announced last time (May 9, 2014), as follows.

As an average for the fiscal year 2014, the revised forecast assumes an exchange rate of 101 yen per U.S. dollar; a crude oil price (Dubai crude) of \$105 per barrel; and an international copper price (LME price) of 317 cents per pound. (Previous forecast: an exchange rate of 100 yen per U.S. dollar; a crude oil price of \$100 per barrel; and an international copper price of 320 cents per pound.)

Net sales are expected to be 12,050.0 billion yen (an increase of 330.0 billion yen compared with the previous forecast), due partly to an increase in the crude oil price compared with the previous forecast.

Further, due partly to a reduction in losses from inventory valuation factors, caused by an increase in the crude oil price, operating income is expected to be 175.0 billion yen (an increase of 30.0 billion yen from the previous forecast). Ordinary income is expected to be 245.0 billion yen (an increase of 35.0 billion yen from the previous forecast), and net income is expected to be 120.0 billion yen (an increase of 10.0 billion yen from the previous forecast).

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 first 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 first quarter, after applying tax-effect accounting.

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

(Changes in Accounting Policies)

(Application of Accounting Standard, Etc. for Retirement Benefits)

We adopted the "Accounting Standard for Retirement Benefits" (The Accounting Standards Board of Japan ("ASBJ") Statement No.26, May 17, 2012) ("Accounting Standard"), and the "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25, May 17, 2012) ("Guidance"), effective from this first quarter, regarding the provisions set forth in the main clause of paragraph 35 of the Accounting Standard, and the main clause of paragraph 67 of the Guidance. As a result, we changed the calculation method for retirement benefits obligation and current service cost. We changed the attribution method of the estimated amount of retirement benefits, from the straight-line standard, to the benefit formula standard. In addition, we changed the calculation method for discount rates.

Concerning the application of the Accounting Standard for Retirement Benefits, based on the provisional treatment set out in the standard, the effects of changes in the calculation method for the retirement benefits obligation and current service cost have been reflected in the retained earnings at the beginning of this first quarter.

As a result of these changes, a liability for retirement benefits as of the beginning of this first quarter increased by 29,666 million yen, and the retained earnings decreased by 18,676 million yen. The impact of the above on the Consolidated Statements of Income for this first quarter is minor.

Supplemental Information
3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

Account title	(Millions of yen)	
	FY 2013 (As of March 31, 2014)	1Q of FY 2014 (As of June 30, 2014)
Assets		
Current assets:		
Cash and deposits	281,733	290,294
Notes and accounts receivable-trade	1,401,114	1,103,567
Inventories	1,797,189	1,930,242
Other	287,744	270,673
Allowance for doubtful accounts	(2,196)	(1,328)
Total current assets	3,765,584	3,593,448
Non-current assets:		
Property, plant and equipment:		
Land	960,203	959,132
Other, net	1,428,988	1,449,632
Total property, plant and equipment	2,389,191	2,408,764
Intangible assets	132,679	129,665
Investments and other assets:		
Investments in securities	713,646	745,765
Other	791,043	831,003
Allowance for doubtful accounts	(10,368)	(10,588)
Total investments and other assets	1,494,321	1,566,180
Total non-current assets	4,016,191	4,104,609
Total assets	7,781,775	7,698,057

(Millions of yen)

Account title	FY 2013 (As of March 31, 2014)	1Q of FY 2014 (As of June 30, 2014)
Liabilities		
Current liabilities:		
Notes and accounts payable-trade	884,486	778,893
Short-term borrowings	1,079,713	1,141,594
Commercial papers	450,000	454,000
Current portion of bonds	30,480	20,480
Accounts payable-other	687,043	633,599
Other provision	32,916	16,424
Other	290,250	293,875
Total current liabilities	3,454,888	3,338,865
Non-current liabilities:		
Bonds payable	187,480	202,480
Long-term loans payable	1,054,020	1,064,080
Provision	74,756	75,009
Liability for retirement benefits	89,357	116,736
Asset retirement obligations	86,763	102,444
Other	208,217	207,539
Total non-current liabilities	1,700,593	1,768,288
Total liabilities	5,155,481	5,107,153
Net assets		
Shareholders' equity:		
Common stock	100,000	100,000
Capital surplus	746,711	746,711
Retained earnings	1,119,478	1,095,106
Treasury stock	(3,893)	(3,901)
Total shareholders' equity	1,962,296	1,937,916
Accumulated other comprehensive income:		
Unrealized gain on securities	51,312	63,572
Unrealized gain on hedging derivatives	5,551	3,871
Foreign currency translation adjustment	113,204	100,837
Retirement benefits liability adjustment	2,695	2,243
Total accumulated other comprehensive income	172,762	170,523
Minority interests	491,236	482,465
Total net assets	2,626,294	2,590,904
Total liabilities and net assets	7,781,775	7,698,057

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

(Millions of yen)

Account title	1Q of FY 2013 (from April 1, 2013 to June 30, 2013)	1Q of FY 2014 (from April 1, 2014 to June 30, 2014)
Net sales	2,773,797	2,640,850
Cost of sales	2,589,017	2,504,378
Gross profit	184,780	136,472
Selling, general and administrative expenses	131,174	133,765
Operating income	53,606	2,707
Non-operating income:		
Interest income	895	701
Dividend income	7,122	5,720
Foreign currency exchange gain	—	1,211
Equity in earnings of affiliates	13,435	9,655
Other	8,487	6,017
Total non-operating income	29,939	23,304
Non-operating expenses:		
Interest expense	6,171	6,186
Foreign currency exchange loss	1,377	—
Other	3,532	4,975
Total non-operating expenses	11,080	11,161
Ordinary income	72,465	14,850
Special gain:		
Gain on sales of non-current assets	7,906	23,666
Other	735	2,023
Total special gain	8,641	25,689
Special loss:		
Loss on sales of non-current assets	284	64
Loss on disposal of non-current assets	2,492	2,018
Impairment loss	653	7,046
Cancellation fees of charter contracts	1,824	—
Other	2,782	1,020
Total special loss	8,035	10,148
Income before income taxes and minority interests	73,071	30,391
Income taxes	32,008	11,938
Income before minority interests	41,063	18,453
Minority interests in income	5,392	4,296
Net income	35,671	14,157

Consolidated Statements of Comprehensive Income

(Millions of yen)

Account title	1Q of FY 2013 (from April 1, 2013 to June 30, 2013)	1Q of FY 2014 (from April 1, 2014 to June 30, 2014)
Income before minority interests	41,063	18,453
Other comprehensive income:		
Unrealized gain (loss) on securities	711	12,598
Unrealized gain (loss) on hedging derivatives	6,407	(1,649)
Foreign currency translation adjustment	44,020	(17,590)
Retirement benefits liability adjustment	—	(392)
Share of other comprehensive income of affiliates accounted for by equity method	7,882	(5,666)
Total other comprehensive income	59,020	(12,699)
Comprehensive income	100,083	5,754
Comprehensive income attributable to:		
Shareholders of JX Holdings, Inc.	81,942	6,826
Minority interests	18,141	(1,072)

(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. First Quarter of FY 2013 (April 1, 2013 - June 30, 2013)

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	2,394,619	48,239	252,159	78,780	2,773,797	-	2,773,797
In-house Intersegment Sales	2,174	-	728	12,122	15,024	(15,024)	-
Total	2,396,793	48,239	252,887	90,902	2,788,821	(15,024)	2,773,797
Segment Income (Loss)	26,101	31,049	10,073	3,026	70,249	2,216	72,465

(Note 1) The segment income (loss) adjustments of 2,216 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 2,142 million yen.

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

II. First Quarter of FY 2014 (April 1, 2014 - June 30, 2014)

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	2,230,976	54,781	267,572	87,521	2,640,850	-	2,640,850
In-house Intersegment Sales	1,906	-	642	14,646	17,194	(17,194)	-
Total	2,232,882	54,781	268,214	102,167	2,658,044	(17,194)	2,640,850
Segment Income (Loss)	(24,345)	20,020	9,741	7,357	12,773	2,077	14,850

(Note 1) The segment income (loss) adjustments of 2,077 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 2,057 million yen.

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

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