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

February 6, 2014

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 : February 13, 2014

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 Third Quarter of FY 2013 (From April 1, 2013 to December 31, 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	%
3Q of FY2013	9,003,589	11.8	201,738	49.4	255,901	36.3	131,879	43.5
3Q of FY2012	8,054,551	3.4	135,011	(42.4)	187,803	(34.7)	91,907	(42.1)

(Note) Comprehensive income : 3Q of FY2013: ¥ 261,520 million < 133.5 % >

3Q of FY2012: ¥ 112,000 million < (17.9)% >

	Net income per share	Diluted net income per share
	Yen	Yen
3Q of FY2013	53.04	—
3Q of FY2012	36.96	—

(2) Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio
	Millions of yen	Millions of yen	%
3Q of FY2013	8,021,176	2,595,459	26.4
FY2012	7,274,891	2,327,432	26.7

(Reference) Shareholders' equity : 3Q of FY2013 ended December 31, 2013: ¥2,119,469 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	—	—	—
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	12,300,000	9.6	215,000	(14.5)	300,000	(8.6)	150,000	(5.9)	60.33

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

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	%
			115,000	(40.8)	200,000
	FY2012	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)

Third Quarter of FY2013 ended December 31, 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

Third Quarter of FY2013 ended December 31, 2013 : 8,967,878 shares

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

(iii) Average number of shares issued during the period

Third Quarter of FY2013 ended December 31, 2013 : 2,486,552,345 shares

Third Quarter of FY2012 ended December 31, 2012 : 2,486,640,460 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 third quarter (from April 1, 2013 to December 31, 2013) has, while showing signs of recovery such as a steady growth of the U.S. economy, 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 \$108 per barrel at the end of the period, with an average of \$105 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)) was a modest movement that started at 337 cents per pound at the beginning of the period, and was 335 cents at the end of the period. On the other hand, because of such factors as the uncertainty in the global economy and concerns over a further slowdown in demand in China, the average price for the period was 323 cents per pound, a decrease of 32 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 the economic recovery in the U.S., and was 105 yen at the end of the period, with an average of 99 yen for the period, which is 19 yen lower than the previous year's same period.

Under these conditions, on a consolidated basis in the cumulative third quarter, net sales increased 11.8% from the same period of the previous fiscal year to 9,003.6 billion yen, and ordinary income amounted to 255.9 billion yen, an increase of 36.3% 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 158.8 billion yen, a decrease of 21.3% 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 until 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 93.8 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) resulting from the yen depreciation (a factor improving the profit/loss status by 105.6 billion yen compared with the same period of the previous fiscal year).

Under these conditions, net sales in the Energy business for the cumulative third quarter were 7,809.5 billion yen, an increase of 12.0% from the same period of the previous fiscal year, and ordinary income amounted to 112.6 billion yen, an increase of 84.6% from the same period of the previous fiscal year. Excluding inventory valuation factors, ordinary income amounted to 18.8 billion yen, a decrease of 74.2% 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. 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. In September and December, we also acquired 40% participating interests in each of Deepwater Blocks offshore Sarawak, Malaysia. Furthermore, we confirmed a gas and condensate reservoir which is offshore of southern Vietnam in June, and a gas reservoir located in the offshore North West Shelf Australia in July.

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 November 2013, 5-year extension up to 2025 of Production Sharing Contract has been granted for our activities in Rang Dong oilfield of the block in Vietnam, which we participate as one of the operators.

Under these conditions, net sales in the Oil and Natural Gas E&P business in the cumulative third quarter recorded 147.0 billion yen, an increase of 8.6% from the same period of the previous fiscal year, and ordinary income amounted to 81.3 billion yen, an increase of 9.1% 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 on a calendar year basis 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 due to the increase in 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. Also the sales volume generally increased from the same period of the previous fiscal year, mainly reflecting the increasing demand in the IT field.

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 third quarter increased to 766.7 billion yen, an increase of 11.2% from the same period of the previous fiscal year. Ordinary income was 36.1 billion yen, an increase of 12.3% from the same period of the previous fiscal year.

Other

Net sales for other business activities in the cumulative third quarter were 331.7 billion yen, an increase of 10.5% from the same period of the previous fiscal year, and ordinary income was 22.9 billion yen, an increase of 31.1% from the same period of the previous fiscal year.

With regard to the construction business, although the demand for public work was steady and the trend in private capital investment indicates recovery, because increases in labor costs and raw material prices became apparent, 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 51.3 billion yen, compared with 44.9 billion yen in the same period of the previous fiscal year.

Special Gain & Loss and Quarterly Net Income

Special gain totaled 15.1 billion yen—including 10.9 billion yen of gain on sales of non-current assets.

Special loss totaled 23.3 billion yen—including 6.8 billion yen of impairment loss, and 5.7 billion yen of loss on disposal of non-current assets.

The above factors resulted in income before income taxes and minority interests of 247.7 billion yen. From this amount, by deducting 90.9 billion of income taxes and 24.9 billion yen of minority interests in income, net income amounted to 131.9 billion yen, an increase of 43.5% 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 third quarter amounted to 8,021.2 billion yen, an increase of 746.3 billion yen from the end of the previous fiscal year.
- (ii) Liabilities:** The total liabilities as of the end of the third quarter amounted to 5,425.7 billion yen, an increase of 478.3 billion yen from the end of the previous fiscal year. The balance of interest-bearing debts amounted to 3,002.0 billion yen, an increase of 452.7 billion yen from the end of the previous fiscal year.
- (iii) Net Assets:** The total net assets as of the end of the third quarter amounted to 2,595.5 billion yen, an increase of 268.0 billion yen from the end of the previous fiscal year.

The shareholders' equity ratio decreased by 0.3 points from the end of the previous fiscal year, and it is 26.4%. The amount of net assets per share is 852.38 yen, a 71.08 yen increase from the end of the previous fiscal year; and the net D/E ratio (net debt equity ratio) is 1.27, a deterioration of 0.09 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 (November 1, 2013).

As an average for fiscal year 2013, the revised forecast assumes an exchange rate of 100 yen per U.S. dollar; a crude oil price (Dubai crude) of \$105 per barrel; and an international copper price (LME price) of 322 cents per pound. (Previous forecast: an exchange rate of 97 yen per U.S. dollar; a crude oil price of \$102 per barrel; and an international copper price of 321 cents per pound.)

Net sales are expected to be 12,300.0 billion yen (an increase of 440.0 billion yen compared

with the previous forecast), as partly it is expected that the crude oil price translated into yen is higher than the previous assumption. As for the forecast of operating income, ordinary income and net income, we have left unchanged from the previous forecast due partly to a decrease in petroleum product margins as a result of the market deterioration, while income arising from inventory valuation factors is expected to increase in accordance with the rise in crude oil price. 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 third 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 third 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)	3Q of FY 2013 (As of December 31, 2013)
Assets		
Current assets:		
Cash and deposits	250,098	303,537
Notes and accounts receivable-trade	1,339,210	1,464,068
Inventories	1,819,312	2,044,482
Other	330,472	330,853
Allowance for doubtful accounts	(1,299)	(1,977)
Total current assets	3,737,793	4,140,963
Non-current assets:		
Property, plant and equipment:		
Land	965,353	963,278
Other, net	1,225,330	1,383,017
Total property, plant and equipment	2,190,683	2,346,295
Intangible assets	134,845	135,604
Investments and other assets:		
Investments in securities	663,117	724,202
Other	559,961	685,657
Allowance for doubtful accounts	(11,508)	(11,545)
Total investments and other assets	1,211,570	1,398,314
Total non-current assets	3,537,098	3,880,213
Total assets	7,274,891	8,021,176

(Millions of yen)

Account title	FY 2012 (As of March 31, 2013)	3Q of FY 2013 (As of December 31, 2013)
Liabilities		
Current liabilities:		
Notes and accounts payable-trade	892,965	883,559
Short-term borrowings	841,863	1,287,962
Commercial papers	449,000	453,000
Current portion of bonds	45,615	30,512
Accounts payable-other	763,732	778,762
Other provision	47,578	25,448
Other	276,732	284,648
Total current liabilities	3,317,485	3,743,891
Non-current liabilities:		
Bonds payable	192,960	187,720
Long-term loans payable	1,019,817	1,042,786
Provision for retirement benefits	93,860	93,326
Other provision	64,475	63,013
Other	258,862	294,981
Total non-current liabilities	1,629,974	1,681,826
Total liabilities	4,947,459	5,425,717
Net assets		
Shareholders' equity:		
Common stock	100,000	100,000
Capital surplus	746,711	746,711
Retained earnings	1,053,576	1,144,315
Treasury stock	(3,854)	(3,885)
Total shareholders' equity	1,896,433	1,987,141
Accumulated other comprehensive income:		
Unrealized gain on securities	35,260	58,874
Unrealized gain on hedging derivatives	7,768	6,926
Foreign currency translation adjustments	3,293	66,528
Total accumulated other comprehensive income	46,321	132,328
Minority interests	384,678	475,990
Total net assets	2,327,432	2,595,459
Total liabilities and net assets	7,274,891	8,021,176

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

(Millions of yen)

Account title	3Q of FY 2012 (from April 1, 2012 to December 31, 2012)	3Q of FY 2013 (from April 1, 2013 to December 31, 2013)
Net sales	8,054,551	9,003,589
Cost of sales	7,534,969	8,389,482
Gross profit	519,582	614,107
Selling, general and administrative expenses	384,571	412,369
Operating income (loss)	135,011	201,738
Non-operating income:		
Interest income	1,933	2,373
Dividend income	19,457	22,901
Foreign currency exchange gain	—	735
Equity in earnings of affiliates	42,208	39,143
Other	21,633	19,743
Total non-operating income	85,231	84,895
Non-operating expenses:		
Interest expense	19,008	18,381
Foreign currency exchange loss	3,349	—
Other	10,082	12,351
Total non-operating expenses	32,439	30,732
Ordinary income (loss)	187,803	255,901
Special gain:		
Gain on sales of non-current assets	5,288	10,872
Gain on sales of investment securities	159	4,055
Other	993	178
Total special gain	6,440	15,105
Special loss:		
Loss on sales of non-current assets	1,241	1,832
Loss on disposal of non-current assets	6,626	5,723
Impairment loss	3,903	6,770
Loss on step acquisitions	1,939	—
Other	4,290	9,006
Total special loss	17,999	23,331
Income (loss) before income taxes and minority interests	176,244	247,675
Income taxes	60,850	90,893
Income (loss) before minority interests	115,394	156,782
Minority interests in income	23,487	24,903
Net income (loss)	91,907	131,879

Consolidated Statements of Comprehensive Income

(Millions of yen)

Account title	3Q of FY 2012 (from April 1, 2012 to December 31, 2012)	3Q of FY 2013 (from April 1, 2013 to December 31, 2013)
Income (loss) before minority interests	115,394	156,782
Other comprehensive income:		
Unrealized gain (loss) on securities	(5,280)	25,335
Unrealized gain (loss) on hedging derivatives	(4,262)	(1,163)
Foreign currency translation adjustments	5,220	62,200
Share of other comprehensive income of affiliates accounted for by equity method	928	18,366
Total other comprehensive income	(3,394)	104,738
Comprehensive income	112,000	261,520
Comprehensive income attributable to:		
Shareholders of JX Holdings, Inc.	90,087	217,850
Minority interests	21,913	43,670

(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. Third Quarter of FY 2012 (April 1, 2012 - December 31, 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	6,967,983	135,315	687,933	263,320	8,054,551	-	8,054,551
In-house Intersegment Sales	6,444	-	1,503	36,912	44,859	(44,859)	-
Total	6,974,427	135,315	689,436	300,232	8,099,410	(44,859)	8,054,551
Segment Income (Loss)	60,978	74,559	32,195	17,472	185,204	2,599	187,803

(Note 1) The segment income (loss) adjustments of 2,599 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 2,480 million yen.

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

II. Third Quarter of FY 2013 (April 1, 2013 - December 31, 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	7,802,775	147,014	764,435	289,365	9,003,589	-	9,003,589
In-house Intersegment Sales	6,693	-	2,219	42,345	51,257	(51,257)	-
Total	7,809,468	147,014	766,654	331,710	9,054,846	(51,257)	9,003,589
Segment Income (Loss)	112,571	81,336	36,148	22,908	252,963	2,938	255,901

(Note 1) The segment income (loss) adjustments of 2,938 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 2,760 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 Third Quarter of FY 2012 was prepared based on the category after such change.

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