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

November 4, 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 : November 13, 2014

Scheduled date of commencement of dividend payments : December 5, 2014

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 2014 (From April 1, 2014 to September 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	%
2Q of FY2014	5,442,426	(5.8)	14,266	(89.8)	41,990	(76.2)	17,659	(80.3)
2Q of FY2013	5,777,689	11.3	139,429	272.8	176,115	121.2	89,706	234.2

(Note) Comprehensive income : 2Q of FY2014: ¥ 6,069 million < (96.8) % >

2Q of FY2013: ¥ 189,916 million < 897.2 % >

	Net income per share	Diluted net income per share
	Yen	Yen
2Q of FY2014	7.10	—
2Q of FY2013	36.08	—

(2) Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio
	Millions of yen	Millions of yen	%
2Q of FY2014	7,887,983	2,590,117	26.8
FY2013	7,781,775	2,626,294	27.4

(Reference) Shareholders' equity : 2Q of FY2014 ended September 30, 2014: ¥2,110,359 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	—	8.00			
FY2014 (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 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
FY2014	11,720,000	(5.6)	105,000	(50.9)	180,000	(40.5)	70,000	(34.6)	28.15

(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 (FY2014) and actual results (FY2013) excluding inventory valuation factors		Operating income		Ordinary income	
		Millions of yen	%	Millions of yen	%
	FY2014	175,000	85.4	250,000	36.6
FY2013	94,400		183,000		

* 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 : 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)

Second Quarter of FY2014 ended September 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

Second Quarter of FY2014 ended September 30, 2014 : 9,020,557 shares

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

(iii) Average number of shares issued during the period

Second Quarter of FY2014 ended September 30, 2014 : 2,486,482,783 shares

Second Quarter of FY2013 ended September 30, 2013 : 2,486,561,541 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, 2014 to September 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 employment situation, despite the repercussions of the pre-consumption tax hike purchasing rush.

In the crude oil market, the Dubai crude oil price started at \$104 per barrel at the beginning of the period, and reached to the level above \$110 temporarily in June due to the growing tension in the Iraqi situation. After that, the price dropped due to such factors as relaxation of geopolitical risk and concerns over slowdown in the global economy, and was at \$95 per barrel at the end of the period, with an average of \$104 per barrel for the period, at the same level as that at the same period of the previous fiscal year.

The copper price in international markets (price on the London Metal Exchange (LME)) remained low as a whole due to such factors as the uncertainty of the Chinese economy. The price started at 301 cents per pound at the beginning of the period, and was at 306 cents at the end of the period. The average price for the period was 313 cents per pound, a decrease of 10 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 converted to drop as the result of the observation of rising interest rates in U.S. in September. The Japanese yen was at 109 yen at the end of the period, with an average of 103 yen for the period, which was 4 yen lower than the previous year's same period.

Under these conditions, on a consolidated basis in the cumulative second quarter, net sales decreased 5.8% from the same period of the previous fiscal year, to 5,442.4 billion yen, and ordinary income amounted to 42.0 billion yen, a decrease of 76.2% 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 71.6 billion yen, a decrease of 35.8% from the same period of the previous fiscal year.

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

Energy

With regard to the petroleum products business, as the domestic demand further follows a structural decrease, sales volume decreased considerably 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 the unseasonable weather of summer, and heavy fuel oil and crude oil for power stations affected by the decline in power demand and the increased operation of LNG-fired electric and hydroelectric power plants. 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.

With regard to the petrochemical product business, particularly our main petrochemical product of paraxylene, margins were at lower levels compared with the same period of the previous fiscal year due to the deterioration of the market reflecting the economic slowdown in China, although we made efforts to improve the market by means of the production adjustments.

A loss of 30.5 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 92.7 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 4,617.0 billion yen, a decrease of 7.8% from the same period of the previous fiscal year, and ordinary loss amounted to 35.3 billion yen, compared with 91.4 billion yen in ordinary income from the same period of the previous fiscal year. Excluding inventory valuation factors, ordinary loss was 4.8 billion yen, compared with 29.2 billion yen in ordinary income 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 increased from the same period of the previous fiscal year, as a result of the contribution of the project which newly started production, despite a natural decline in production volume at oil and gas fields. Sales prices of crude oil and natural gas on a calendar year basis reflected the crude oil market, and rose from the same period of the previous fiscal year.

With regard to the exploration activities, we made an oil discovery in the Exploration Permit WA-435-P offshore North West Shelf Australia in August 2014. Also we discovered gas and condensate in Blocks 05-1b and 05-1c offshore southern Vietnam.

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, to move into the development phase for the Layang Field in Block SK10 offshore Sarawak, Malaysia, in which we hold a participating interest as an operator. With the approval, we continue the development 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.

Furthermore, we started the project to construct the plant which captures Carbon dioxide (CO₂) in the processed flue gas out of coal-fired power unit, and increase oil production by injecting the captured CO₂ to an oil field in U.S.

Under these conditions, net sales in the Oil and Natural Gas E&P business in the cumulative second quarter recorded 104.4 billion yen, an increase of 10.9% from the same period of the

previous fiscal year, and ordinary income amounted to 34.7 billion yen, a decrease of 34.5% from the same period of the previous fiscal year.

Metals

With regard to the resource development business, our profit level became higher than the same period of the previous fiscal year due to an increase in sales volume of the mines that we are investing in Chile, though copper prices were on the decline from the same period of the previous fiscal year. Furthermore, in the Caserones Copper and Molybdenum Deposit Development Project, we reached the first shipment of copper concentrate in July 2014, and achieved the full-fledged operating system.

With regard to the copper smelting and refining business, the electrolytic copper prices remained at the level of the same period of the previous fiscal year as the yen's depreciation progressed, though there was an influence 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 cumulative second quarter increased to 550.0 billion yen, an increase of 8.6% from the same period of the previous fiscal year. Ordinary income was 23.9 billion yen, an increase of 22.2% from the same period of the previous fiscal year.

Other

Net sales for other business activities in the cumulative second quarter were 209.7 billion yen, an increase of 4.6% from the same period of the previous fiscal year, and ordinary income was 16.4 billion yen, an increase of 66.7% 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 38.7 billion yen, compared with 32.5 billion yen in the same period of the previous fiscal year.

Special Gain & Loss and Quarterly Net Income

Special gain totaled 27.1 billion yen—including 24.9 billion yen of gain on sales of non-current assets.

Special loss totaled 33.0 billion yen—including 10.9 billion yen of impairment loss, 8.2 billion yen of restructuring cost in relation to fuel cells for home use and 6.2 billion yen of loss on valuation of investments in securities.

The above factors resulted in income before income taxes and minority interests of 36.1 billion yen. From this amount, by deducting 12.4 billion of income taxes and 6.0 billion yen of minority interests in income, the quarterly net income amounted to 17.7 billion yen, a decrease of 80.3% 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 second quarter amounted to 7,888.0 billion yen, an increase of 106.2 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 5,297.9 billion yen, an increase of 142.4 billion yen from the end of the previous fiscal year. The balance of interest-bearing debts amounted to 3,027.0 billion yen, an increase of 225.3 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 2,590.1 billion yen, a decrease of 36.2 billion yen from the end of the previous fiscal year.

The shareholders' equity ratio was decreased 0.6% from the end of the previous fiscal year, and was 26.8%. The amount of net assets per share was 848.74 yen, a 9.92 yen decrease from the end of the previous fiscal year; and the net D/E ratio (net debt equity ratio) was 1.30, a deterioration of 0.12 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 (July 31, 2014), as follows.

As an average for the fiscal year 2014, the revised forecast assumes an exchange rate of 104 yen per U.S. dollar; a crude oil price (Dubai crude) of \$99 per barrel; and an international

copper price (LME price) of 316 cents per pound. (Previous forecast: an exchange rate of 101 yen per U.S. dollar; a crude oil price of \$105 per barrel; and an international copper price of 317 cents per pound.)

Net sales are expected to be 11,720.0 billion yen (a decrease of 330.0 billion yen compared with the previous forecast), due partly to a decrease in the crude oil price compared with the previous forecast.

Further, due partly to an expansion of losses from inventory valuation factors, caused by a decrease in the crude oil price, operating income is expected to be 105.0 billion yen (a decrease of 70.0 billion yen from the previous forecast). Ordinary income is expected to be 180.0 billion yen (a decrease of 65.0 billion yen from the previous forecast), and net income is expected to be 70.0 billion yen (a decrease of 50.0 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 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

(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 the 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 the cumulative second quarter.

As a result of these changes, a liability for retirement benefits as of the beginning of the cumulative second 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 the cumulative second 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)	2Q of FY 2014 (As of September 30, 2014)
Assets		
Current assets:		
Cash and deposits	281,733	293,644
Notes and accounts receivable-trade	1,401,114	1,145,704
Inventories	1,797,189	2,020,316
Other	287,744	255,947
Allowance for doubtful accounts	(2,196)	(3,873)
Total current assets	<u>3,765,584</u>	<u>3,711,738</u>
Non-current assets:		
Property, plant and equipment:		
Land	960,203	958,223
Other, net	1,428,988	1,476,279
Total property, plant and equipment	<u>2,389,191</u>	<u>2,434,502</u>
Intangible assets	132,679	128,492
Investments and other assets:		
Investments in securities	713,646	779,315
Other	791,043	844,311
Allowance for doubtful accounts	(10,368)	(10,375)
Total investments and other assets	<u>1,494,321</u>	<u>1,613,251</u>
Total non-current assets	<u>4,016,191</u>	<u>4,176,245</u>
Total assets	<u><u>7,781,775</u></u>	<u><u>7,887,983</u></u>

(Millions of yen)

Account title	FY 2013 (As of March 31, 2014)	2Q of FY 2014 (As of September 30, 2014)
Liabilities		
Current liabilities:		
Notes and accounts payable-trade	884,486	786,934
Short-term borrowings	1,079,713	1,269,101
Commercial papers	450,000	456,000
Current portion of bonds	30,480	21,480
Accounts payable-other	687,043	662,508
Provision	32,916	24,692
Other	290,250	290,920
Total current liabilities	3,454,888	3,511,635
Non-current liabilities:		
Bonds payable	187,480	201,240
Long-term loans payable	1,054,020	1,079,191
Provision	74,756	70,496
Liability for retirement benefits	89,357	117,499
Asset retirement obligations	86,763	105,442
Other	208,217	212,363
Total non-current liabilities	1,700,593	1,786,231
Total liabilities	5,155,481	5,297,866
Net assets		
Shareholders' equity:		
Common stock	100,000	100,000
Capital surplus	746,711	746,711
Retained earnings	1,119,478	1,098,608
Treasury stock	(3,893)	(3,910)
Total shareholders' equity	1,962,296	1,941,409
Accumulated other comprehensive income:		
Unrealized gain on securities	51,312	69,886
Unrealized gain on hedging derivatives	5,551	1,325
Foreign currency translation adjustment	113,204	95,870
Retirement benefits liability adjustment	2,695	1,869
Total accumulated other comprehensive income	172,762	168,950
Minority interests	491,236	479,758
Total net assets	2,626,294	2,590,117
Total liabilities and net assets	7,781,775	7,887,983

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

(Millions of yen)

Account title	2Q of FY 2013 (from April 1, 2013 to September 30, 2013)	2Q of FY 2014 (from April 1, 2014 to September 30, 2014)
Net sales	5,777,689	5,442,426
Cost of sales	5,372,539	5,157,390
Gross profit	405,150	285,036
Selling, general and administrative expenses	265,721	270,770
Operating income	139,429	14,266
Non-operating income:		
Interest income	1,766	1,424
Dividend income	13,407	20,385
Foreign currency exchange gain	3,307	—
Equity in earnings of affiliates	22,579	24,395
Other	13,955	11,800
Total non-operating income	55,014	58,004
Non-operating expenses:		
Interest expense	12,145	12,972
Foreign currency exchange loss	—	5,968
Other	6,183	11,340
Total non-operating expenses	18,328	30,280
Ordinary income	176,115	41,990
Special gain:		
Gain on sales of non-current assets	8,964	24,949
Other	782	2,174
Total special gain	9,746	27,123
Special loss:		
Loss on sales of non-current assets	722	311
Loss on disposal of non-current assets	4,017	3,648
Impairment loss	3,897	10,899
Loss on valuation of investments in securities	3,338	6,201
Restructuring cost	—	8,191
Other	4,752	3,759
Total special loss	16,726	33,009
Income before income taxes and minority interests	169,135	36,104
Income taxes	65,691	12,427
Income before minority interests	103,444	23,677
Minority interests in income	13,738	6,018
Net income	89,706	17,659

Consolidated Statements of Comprehensive Income

(Millions of yen)

Account title	2Q of FY 2013 (from April 1, 2013 to September 30, 2013)	2Q of FY 2014 (from April 1, 2014 to September 30, 2014)
Income before minority interests	103,444	23,677
Other comprehensive income:		
Unrealized gain (loss) on securities	11,457	19,710
Unrealized gain (loss) on hedging derivatives	380	(4,250)
Foreign currency translation adjustment	61,728	(28,852)
Retirement benefits liability adjustment	—	(783)
Share of other comprehensive income of affiliates accounted for by equity method	12,907	(3,433)
Total other comprehensive income	86,472	(17,608)
Comprehensive income	189,916	6,069
Comprehensive income attributable to:		
Shareholders of JX Holdings, Inc.	156,430	8,732
Minority interests	33,486	(2,663)

(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 2013 (April 1, 2013 - September 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	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.

II. Second Quarter of FY 2014 (April 1, 2014 - September 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	4,612,974	104,444	548,608	176,400	5,442,426	-	5,442,426
In-house Intersegment Sales	4,006	-	1,382	33,280	38,668	(38,668)	-
Total	4,616,980	104,444	549,990	209,680	5,481,094	(38,668)	5,442,426
Segment Income (Loss)	(35,307)	34,745	23,943	16,374	39,755	2,235	41,990

(Note 1) The segment income (loss) adjustments of 2,235 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 2,091 million yen.

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

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