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Consolidated Financial Results for the First Quarter of Fiscal Year 2019 [IFRS]

August 7, 2019

Company name: JXTG Holdings, Inc. Stock Exchange Listings: Tokyo and Nagoya
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 Scheduled date of filing of Quarterly Securities Report: August 13, 2019
 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 yen are rounded off.)

1. Consolidated Results for the First Quarter of FY2019 (From April 1, 2019 to June 30, 2019)

(1) Operating Results

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

	Revenue		Operating profit		Profit before tax		Profit attributable to owners of the parent		Total comprehensive income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
1Q of FY2019	2,514,844	(2.0)	49,254	(78.3)	42,533	(80.4)	17,387	(88.0)	(10,934)	-
1Q of FY2018	2,566,927	15.4	227,344	404.9	217,196	470.9	145,138	663.4	151,753	513.6

	Basic profit per share	Diluted profit per share
	Yen	Yen
1Q of FY2019	5.25	5.25
1Q of FY2018	42.66	42.64

(2) Financial Position

	Total assets	Total equity	Total equity attributable to owners of the parent	Equity ratio attributable to owners of the parent
	Millions of yen	Millions of yen	Millions of yen	%
1Q of FY2019	8,628,663	3,032,033	2,640,686	30.6
FY2018	8,477,811	3,119,816	2,717,840	32.1

2. Dividends

	Annual cash dividends per share				
	End of 1st quarter	End of 2nd quarter	End of 3rd quarter	Year-End	Total
	Yen	Yen	Yen	Yen	Yen
FY2018	-	10.00	-	11.00	21.00
FY2019	-				
FY2019 (Forecast)		11.00	-	11.00	22.00

Note: Revision to the most recent dividend forecast: No

3. Forecasts of Consolidated Results for Fiscal Year 2019 (From April 1, 2019 to March 31, 2020)

(Percentage figures are changes from the amount for the corresponding period in the previous fiscal year.)

	Revenue		Operating profit		Profit before tax		Profit attributable to owners of the parent		Basic profit per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
First Half of FY2019	5,500,000	1.3	290,000	(34.3)	275,000	(35.2)	175,000	(38.6)	53.33
FY2019	11,500,000	3.3	550,000	2.4	515,000	1.3	320,000	(0.7)	97.51

Note: Revision to the most recent consolidated earnings forecast: No

The forecasts of consolidated results for the first half and the full fiscal year of 2019 remain unchanged from the previous forecasts announced on May 13, 2019.

Average number of shares issued during the period that forms the basis for the calculation of basic profit per share specified above is calculated with the number of issued shares (excluding treasury stock) as of June 30, 2019.

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

Operating profit excluding inventory valuation factors:

Forecasts for FY2019:	500,000 million yen (percentage change from the previous fiscal year: (3.0)%)
(Reference) Actual results for FY2018:	515,700 million yen

(*) The impact of inventory valuation on the cost of sales by using the weighted-average method and by writing down the book value.

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) Changes in accounting policies and in accounting estimates

- (i) Changes in accounting policies required by the IFRS: Yes
(ii) Changes in accounting policies other than (i) above: None
(iii) Changes in accounting estimates: None

Note: For details, please refer to "Summary of Quarterly Consolidated Financial Statements and Major Explanatory Notes Thereto (4) Explanatory Notes to the Summary of Quarterly Consolidated Financial Statements (Changes in accounting policies)" on page 7 of the Attached Material.

- (3) Number of shares issued (Common stock)

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

First Quarter of FY2019 ended June 30, 2019:	3,385,993,649 shares
FY2018 ended March 31, 2019:	3,385,993,649 shares

- (ii) Number of shares of treasury stock at the end of the period

First Quarter of FY2019 ended June 30, 2019:	104,367,224 shares
FY2018 ended March 31, 2019:	56,898,910 shares

- (iii) Average number of shares issued during the period

First Quarter of FY2019 ended June 30, 2019:	3,308,909,521 shares
First Quarter of FY2018 ended June 30, 2018:	3,402,544,164 shares

- This report is not subject to quarterly review procedures conducted by certified public accountants or an audit corporation.
- Explanation regarding appropriate use of forward-looking statements on results, and other specific comments (Note on Statements Regarding Prospective Matters)
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.
- Changes from the previous fiscal year (or corresponding period in the previous fiscal year) are not presented ("–") if either or both of the fiscal year (or period) under review and the previous fiscal year (or corresponding period) are negative, or if the percentage change is 1,000% or greater.

Summary of Quarterly Consolidated Financial Statements and Major Explanatory Notes Thereto

(1) Summary of Quarterly Consolidated Statements of Financial Position

(Millions of yen)

	FY2018 (As of March 31, 2019)	1Q of FY2019 (As of June 30, 2019)
ASSETS		
Current assets		
Cash and cash equivalents	385,434	383,031
Trade and other receivables	1,363,974	1,169,411
Inventories	1,590,207	1,577,661
Other financial assets	47,184	72,724
Other current assets	198,851	179,976
Sub total	3,585,650	3,382,803
Assets held for sale	1,737	16,486
Total current assets	3,587,387	3,399,289
Non-current assets		
Property, plant and equipment	3,381,642	3,735,654
Goodwill	196,482	194,304
Intangible assets	345,800	342,621
Investments accounted for using the equity method	403,241	399,473
Other financial assets	422,597	418,737
Other non-current assets	7,662	7,846
Deferred tax assets	133,000	130,739
Total non-current assets	4,890,424	5,229,374
TOTAL ASSETS	8,477,811	8,628,663

(Millions of yen)

	FY2018 (As of March 31, 2019)	1Q of FY2019 (As of June 30, 2019)
LIABILITIES		
Current liabilities		
Trade and other payables	1,852,441	1,656,897
Bonds and borrowings	644,288	836,071
Income taxes payable	28,016	24,076
Lease liabilities	-	60,822
Other financial liabilities	18,867	20,625
Provisions	40,413	31,604
Other current liabilities	348,301	334,972
Sub total	2,932,326	2,965,067
Liabilities directly related to assets held for sale	-	15,957
Total current liabilities	2,932,326	2,981,024
Non-current liabilities		
Bonds and borrowings	1,573,705	1,431,175
Liabilities for retirement benefits	274,206	267,877
Lease liabilities	-	400,230
Other financial liabilities	37,027	36,817
Provisions	152,269	149,550
Other non-current liabilities	105,518	51,892
Deferred tax liabilities	282,944	278,065
Total non-current liabilities	2,425,669	2,615,606
Total liabilities	5,357,995	5,596,630
EQUITY		
Common stock	100,000	100,000
Capital surplus	1,222,193	1,221,695
Retained earnings	1,272,960	1,253,375
Treasury stock	(29,698)	(54,569)
Other components of equity	152,385	120,185
Total equity attributable to owners of the parent	2,717,840	2,640,686
Non-controlling interests	401,976	391,347
Total equity	3,119,816	3,032,033
TOTAL LIABILITIES AND EQUITY	8,477,811	8,628,663

**(2) Summary of Quarterly Consolidated Statements of Profit or Loss
and Summary of Quarterly Consolidated Statements of Comprehensive Income or Loss**
(Summary of Quarterly Consolidated Statements of Profit or Loss)

(Millions of yen)

	1Q of FY2018 (From April 1, 2018 to June 30, 2018)	1Q of FY2019 (From April 1, 2019 to June 30, 2019)
Revenue	2,566,927	2,514,844
Cost of sales	2,246,532	2,284,087
Gross profit	320,395	230,757
Selling, general and administrative expenses	191,909	198,125
Share of profit of investments accounted for using the equity method	17,657	10,054
Other operating income	99,544	19,906
Other operating expenses	18,343	13,338
Operating profit	227,344	49,254
Finance income	1,167	2,531
Finance costs	11,315	9,252
Profit before tax	217,196	42,533
Income tax expense	64,621	19,930
Profit	152,575	22,603
Profit attributable to:		
Owners of the parent	145,138	17,387
Non-controlling interests	7,437	5,216
Profit	152,575	22,603
		(Yen)
Basic profit per share	42.66	5.25
Diluted profit per share	42.64	5.25

(Summary of Quarterly Consolidated Statements of Comprehensive Income or Loss)

(Millions of yen)

	1Q of FY2018 (From April 1, 2018 to June 30, 2018)	1Q of FY2019 (From April 1, 2019 to June 30, 2019)
Profit	152,575	22,603
Other comprehensive income (loss), net of tax		
Items that will not be reclassified to profit or loss		
Changes in fair value of financial assets measured at fair value through other comprehensive income	(14,537)	(8,443)
Remeasurement gains on defined benefit plans	3,644	2,489
Shares of other comprehensive income (loss) of investments accounted for using the equity method	(330)	25
Total	(11,223)	(5,929)
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of foreign operations	16,478	(21,749)
Changes in fair value of cash flow hedges	(905)	(1,097)
Shares of other comprehensive income (loss) of investments accounted for using the equity method	(5,172)	(4,762)
Total	10,401	(27,608)
Other comprehensive income (loss), net of tax	(822)	(33,537)
Total comprehensive income	151,753	(10,934)
Comprehensive income attributable to:		
Owners of the parent	143,010	(12,754)
Non-controlling interests	8,743	1,820
Total comprehensive income	151,753	(10,934)

(3) Summary of Quarterly Consolidated Statements of Changes in Equity

First Quarter of FY2018 (April 1, 2018 – June 30, 2018)

	(Millions of Yen)					
	Common stock	Capital surplus	Retained earnings	Treasury stock	Other components of equity	
					Changes in fair value of financial assets measured at fair value through other comprehensive income (loss)	Changes in fair value of cash flow hedges
Balance as of April 1, 2018	100,000	1,250,667	1,017,402	(4,730)	143,296	(6,125)
Profit	-	-	145,138	-	-	-
Other comprehensive income (loss)	-	-	-	-	(15,334)	(32)
Total comprehensive income (loss)	-	-	145,138	-	(15,334)	(32)
Purchase of treasury stock	-	-	-	(18,108)	-	-
Disposal of treasury stock	-	-	-	0	-	-
Cash dividends	-	-	(34,198)	-	-	-
Share-based payment transactions	-	30	-	16	-	-
Equity transactions with non-controlling interests, etc.	-	-	-	-	-	-
Transfer from other components of equity to retained earnings	-	-	(348)	-	3,985	-
Transfer from other components of equity to non-financial assets	-	-	-	-	-	308
Total transactions with owners	-	30	(34,546)	(18,092)	3,985	308
Balance as of June 30, 2018	100,000	1,250,697	1,127,994	(22,822)	131,947	(5,849)

	Other components of equity			Total equity attributable to owners of the parent	Non-controlling interests	Total equity
	Exchange differences on translation of foreign operations	Remeasurement losses (gains) on defined benefit plans	Total			
Balance as of April 1, 2018	39,031	-	176,202	2,539,541	380,434	2,919,975
Profit	-	-	-	145,138	7,437	152,575
Other comprehensive income (loss)	9,601	3,637	(2,128)	(2,128)	1,306	(822)
Total comprehensive income (loss)	9,601	3,637	(2,128)	143,010	8,743	151,753
Purchase of treasury stock	-	-	-	(18,108)	-	(18,108)
Disposal of treasury stock	-	-	-	0	-	0
Cash dividends	-	-	-	(34,198)	(8,479)	(42,677)
Share-based payment transactions	-	-	-	46	-	46
Equity transactions with non-controlling interests, etc.	132	-	132	132	11,213	11,345
Transfer from other components of equity to retained earnings	-	(3,637)	348	-	-	-
Transfer from other components of equity to non-financial assets	-	-	308	308	261	569
Total transactions with owners	132	(3,637)	788	(51,820)	2,995	(48,825)
Balance as of June 30, 2018	48,764	-	174,862	2,630,731	392,172	3,022,903

First Quarter of FY2019 (April 1, 2019 – June 30, 2019)

(Millions of Yen)

	Common stock	Capital surplus	Retained earnings	Treasury stock	Other components of equity	
					Changes in fair value of financial assets measured at fair value through other comprehensive income (loss)	Changes in fair value of cash flow hedges
Balance as of April 1, 2019	100,000	1,222,193	1,272,960	(29,698)	111,486	(8,877)
Cumulative effect of Changes in accounting policies	-	-	(2,072)	-	-	-
Restated balance	100,000	1,222,193	1,270,888	(29,698)	111,486	(8,877)
Profit	-	-	17,387	-	-	-
Other comprehensive income (loss)	-	-	-	-	(8,352)	(1,592)
Total comprehensive income (loss)	-	-	17,387	-	(8,352)	(1,592)
Purchase of treasury stock	-	-	-	(24,956)	-	-
Disposal of treasury stock	-	0	-	0	-	-
Cancellation of treasury stock	-	-	-	-	-	-
Cash dividends	-	-	(36,660)	-	-	-
Share-based payment transactions	-	(23)	-	85	-	-
Equity transactions with non-controlling interests, etc.	-	-	-	-	-	-
Transfer from other components of equity to retained earnings	-	-	1,760	-	818	-
Transfer from other components of equity to non-financial assets	-	-	-	-	-	(299)
Other	-	(475)	-	-	-	-
Total transactions with owners	-	(498)	(34,900)	(24,871)	818	(299)
Balance as of June 30, 2019	100,000	1,221,695	1,253,375	(54,569)	103,952	(10,768)

	Other components of equity			Total equity attributable to owners of the parent	Non-controlling interests	Total equity
	Exchange differences on translation of foreign operations	Remeasurement losses (gains) on defined benefit plans	Total			
Balance as of April 1, 2019	49,776	-	152,385	2,717,840	401,976	3,119,816
Cumulative effect of Changes in accounting policies	-	-	-	(2,072)	(867)	(2,939)
Restated balance	49,776	-	152,385	2,715,768	401,109	3,116,877
Profit	-	-	-	17,387	5,216	22,603
Other comprehensive income (loss)	(22,775)	2,578	(30,141)	(30,141)	(3,396)	(33,537)
Total comprehensive income (loss)	(22,775)	2,578	(30,141)	(12,754)	1,820	(10,934)
Purchase of treasury stock	-	-	-	(24,956)	-	(24,956)
Disposal of treasury stock	-	-	-	0	-	0
Cancellation of treasury stock	-	-	-	-	-	-
Cash dividends	-	-	-	(36,660)	(11,844)	(48,504)
Share-based payment transactions	-	-	-	62	-	62
Equity transactions with non-controlling interests, etc.	-	-	-	-	(96)	(96)
Transfer from other components of equity to retained earnings	-	(2,578)	(1,760)	-	-	-
Transfer from other components of equity to non-financial assets	-	-	(299)	(299)	(244)	(543)
Other	-	-	-	(475)	602	127
Total transactions with owners	-	(2,578)	(2,059)	(62,328)	(11,582)	(73,910)
Balance as of June 30, 2019	27,001	-	120,185	2,640,686	391,347	3,032,033

(4) Explanatory Notes to the Summary of Quarterly Consolidated Financial Statements

(Notes on the Assumption of a Going Concern)

None

(Changes in Accounting Policies)

(Adoption of IFRS 16 “Leases”)

IFRS 16 “Leases” (as lessee)

The JXTG Group has adopted IFRS 16 “Leases” (issued in January 2016) (hereinafter, referred to as “IFRS 16”) from the first quarter of FY2019. In applying IFRS 16, the JXTG Group has adopted the transitional method in which the cumulative effect of initially applying this standard is recognized as an adjustment to the balance of retained earnings at the beginning of the first quarter of FY2019.

In transition to IFRS 16, the JXTG Group has elected to apply the practical expedient provided in paragraph C3 of IFRS 16 to grandfather the assessment of whether a contract contains a lease under IAS 17 “Leases” (hereinafter, referred to as “IAS 17”) and IFRIC 4 “Determining whether an Arrangement contains a Lease.”

For leases previously classified as operating leases under IAS 17, right-of-use assets and lease liabilities were recognized on the date of initial application of IFRS 16 except for short-term leases and leases of low-value assets.

Lease liabilities are initially recognized at the present value of the lease payments outstanding as of the commencement date of the lease by discounting them at the interest rate implicit in the lease. However, unless the interest rate implicit in the lease is practicably readily determinable, the JXTG Group uses its own incremental borrowing rates. The weighted average of such incremental borrowing rates applied to the lease liabilities recognized in the summary of quarterly consolidated statements of financial position as of April 1, 2019 is 1.3%.

Right-of-use assets are initially measured at the amount of the initial measurement of the lease liabilities plus any estimated costs incurred to fulfill restoration arising from the lease contract. Right-of-use assets are depreciated systematically over the lease term.

Lease payments are allocated to finance costs and the repayment portion of the outstanding lease liabilities in a way that the constant rate of interest is applied to the outstanding lease liability. Finance costs are presented separately from depreciation associated with the right-of-use assets in the summary of quarterly consolidated statements of profit or loss.

Lease payments for short-term leases and leases of low-value assets are recognized as expenses on a straight-line basis over the lease term unless another systematic basis is more representative of the pattern of the lessee’s benefit.

For leases as lessee previously classified as finance leases under IAS 17, the right-of-use assets and lease liabilities at the date of initial application were recorded at the carrying amounts of the leased assets and the lease obligations at the date immediately before the date of initial application.

The following is the reconciliation of future minimum lease payments of non-cancellable operating leases disclosed under IAS 17 as of March 31, 2019 and lease liabilities recognized in the summary of quarterly consolidated statements of financial position as of the date of initial application.

	(Millions of yen)
	Amount
(a) Future minimum lease payments of non-cancellable operating leases as of March 31, 2019	189,910
Discounted present value of (a)	177,503
Finance lease obligations as of March 31, 2019	59,344
Effect of reassessment of lease term, etc.	237,314
Lease liabilities as of April 1, 2019	474,161

The following is the reconciliation of leased assets recognized in the consolidated statements of financial position as of March 31, 2019 and right-of-use assets recognized in the summary of quarterly consolidated statements of financial position as of the date of initial application.

	(Millions of yen)
	Amount
Leased assets included in property, plant and equipment as of March 31, 2019	44,606
Asset retirement obligations related to the above leased assets as of March 31, 2019	7,492
Right-of-use assets recognized in property, plant and equipment as of April 1, 2019	407,817
Right-of-use assets included in property, plant and equipment as of April 1, 2019	459,915

Due to the above application, retained earnings decreased 2,072 million yen at the date of initial application.

The impact on the summary of quarterly consolidated statements of profit or loss for the first quarter of FY2019 was immaterial.

(Segment Information)

I. First Quarter of FY2018 (April 1, 2018 – June 30, 2018)

Information on Revenue, Profit or Loss and Other Items from Each Reporting Segment

(Millions of yen)

	Energy	Oil and natural gas E&P	Metals	Total reporting segments	Other	Adjustments (Note 3)	Recorded amount on consolidated financial statements	
Revenue								
Revenue from external customers	2,169,650	33,584	268,866	2,472,100	94,827	-	2,566,927	
Inter-segment revenue or transfers (Note 1)	1,321	-	504	1,825	11,459	(13,284)	-	
Total	2,170,971	33,584	269,370	2,473,925	106,286	(13,284)	2,566,927	
Segment profit (loss) (Note 2)	177,899	17,278	21,132	216,309	8,943	2,092	227,344	
Finance income								1,167
Finance costs								11,315
Profit before tax								217,196

- (Notes)
1. Inter-reporting segment revenue or transfers are based on actual market prices.
 2. Segment profit (loss) is stated as operating profit in the summary of the quarterly consolidated statements of profit or loss.
 3. The segment profit adjustment of 2,092 million yen includes the net amount of 1,905 million yen, which is the income and expenses of the entire Company not allocated to the reporting segments or the "Other" category.

II. First Quarter of FY2019 (April 1, 2019 – June 30, 2019)

Information on Revenue, Profit or Loss and Other Items from Each Reporting Segment

(Millions of yen)

	Energy	Oil and natural gas E&P	Metals	Total reporting segments	Other	Adjustments (Note 3)	Recorded amount on consolidated financial statements	
Revenue								
Revenue from external customers	2,128,629	31,702	247,450	2,407,781	107,063	-	2,514,844	
Inter-segment revenue or transfers (Note 1)	1,315	-	194	1,509	14,049	(15,558)	-	
Total	2,129,944	31,702	247,644	2,409,290	121,112	(15,558)	2,514,844	
Segment profit (loss) (Note 2)	13,025	13,223	15,288	41,536	5,453	2,265	49,254	
Finance income								2,531
Finance costs								9,252
Profit before tax								42,533

- (Notes)
1. Inter-reporting segment revenue or transfers are based on actual market prices.
 2. Segment profit (loss) is stated as operating profit in the summary of the quarterly consolidated statements of profit or loss.
 3. The segment profit adjustment of 2,265 million yen includes the net amount of 2,190 million yen, which is the income and expenses of the entire Company not allocated to the reporting segments or the "Other" category.