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

November 8, 2019

Company name: JXTG Holdings, Inc. Stock Exchange Listings: Tokyo and Nagoya
 Code number: 5020 URL: <https://www.hd.jxtg-group.co.jp/>
 Representative: Tsutomu Sugimori Representative Director, President
 Contact person: Ryo Inoue Group Manager, Investor Relations Group, Finance & Investor Relations Department
 Telephone: +81-3-6257-7075
 Scheduled date of filing of Quarterly Securities Report: November 13, 2019
 Scheduled date of commencement of dividend payments: December 4, 2019
 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 Second Quarter of FY2019 (From April 1, 2019 to September 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	%
2Q of FY2019	5,063,069	(6.8)	130,865	(70.3)	117,878	(72.2)	71,038	(75.1)	33,296	(90.2)
2Q of FY2018	5,429,567	15.9	441,201	125.8	424,140	133.3	285,053	131.1	338,062	117.2

	Basic profit per share	Diluted profit per share
	Yen	Yen
2Q of FY2019	21.68	21.67
2Q of FY2018	84.03	84.00

(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	%
2Q of FY2019	8,493,117	3,043,065	2,650,441	31.2
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	-	11.00	-	-	-
FY2019 (Forecast)	-	-	-	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
FY2019	10,400,000	(6.6)	280,000	(47.9)	250,000	(50.8)	155,000	(51.9)	48.15

Note: Revision to the most recent consolidated earnings forecast: Yes

Regarding the revisions to the forecasts of consolidated results, please refer to “Notification of the Difference between the Forecasts and the Actual of Consolidated Results for the First Half of the Fiscal Year 2019 and Revisions to the Annual Forecasts” announced today.

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 September 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: 350,000 million yen (percentage change from the previous fiscal year: (32.1)%)

(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)

Second Quarter of FY2019 ended September 30, 2019: 3,330,282,649 shares
FY2018 ended March 31, 2019: 3,385,993,649 shares

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

Second Quarter of FY2019 ended September 30, 2019: 110,873,803 shares
FY2018 ended March 31, 2019: 56,898,910 shares

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

Second Quarter of FY2019 ended September 30, 2019: 3,277,287,951 shares
Second Quarter of FY2018 ended September 30, 2018: 3,392,186,467 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)	2Q of FY2019 (As of September 30, 2019)
ASSETS		
Current assets		
Cash and cash equivalents	385,434	347,469
Trade and other receivables	1,363,974	1,145,707
Inventories	1,590,207	1,538,555
Other financial assets	47,184	52,253
Other current assets	198,851	164,720
Sub total	3,585,650	3,248,704
Assets held for sale	1,737	1,737
Total current assets	3,587,387	3,250,441
Non-current assets		
Property, plant and equipment	3,381,642	3,735,265
Goodwill	196,482	193,997
Intangible assets	345,800	340,540
Investments accounted for using the equity method	403,241	422,242
Other financial assets	422,597	409,254
Other non-current assets	7,662	8,273
Deferred tax assets	133,000	133,105
Total non-current assets	4,890,424	5,242,676
TOTAL ASSETS	8,477,811	8,493,117

(Millions of yen)

	FY2018 (As of March 31, 2019)	2Q of FY2019 (As of September 30, 2019)
LIABILITIES		
Current liabilities		
Trade and other payables	1,852,441	1,499,308
Bonds and borrowings	644,288	853,598
Income taxes payable	28,016	31,958
Lease liabilities	-	62,561
Other financial liabilities	18,867	19,474
Provisions	40,413	15,928
Other current liabilities	348,301	319,072
Total current liabilities	2,932,326	2,801,899
Non-current liabilities		
Bonds and borrowings	1,573,705	1,474,367
Liabilities for retirement benefits	274,206	266,584
Lease liabilities	-	394,300
Other financial liabilities	37,027	35,641
Provisions	152,269	149,347
Other non-current liabilities	105,518	52,111
Deferred tax liabilities	282,944	275,803
Total non-current liabilities	2,425,669	2,648,153
Total liabilities	5,357,995	5,450,052
EQUITY		
Common stock	100,000	100,000
Capital surplus	1,222,193	1,193,310
Retained earnings	1,272,960	1,308,807
Treasury stock	(29,698)	(55,173)
Other components of equity	152,385	103,497
Total equity attributable to owners of the parent	2,717,840	2,650,441
Non-controlling interests	401,976	392,624
Total equity	3,119,816	3,043,065
TOTAL LIABILITIES AND EQUITY	8,477,811	8,493,117

**(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)

	2Q of FY2018 (From April 1, 2018 to September 30, 2018)	2Q of FY2019 (From April 1, 2019 to September 30, 2019)
Revenue	5,429,567	5,063,069
Cost of sales	4,724,541	4,578,724
Gross profit	705,026	484,345
Selling, general and administrative expenses	382,934	399,555
Share of profit of investments accounted for using the equity method	35,500	25,834
Other operating income	115,934	39,741
Other operating expenses	32,325	19,500
Operating profit	441,201	130,865
Finance income	2,528	4,747
Finance costs	19,589	17,734
Profit before tax	424,140	117,878
Income tax expense	122,948	35,151
Profit	301,192	82,727
Profit attributable to:		
Owners of the parent	285,053	71,038
Non-controlling interests	16,139	11,689
Profit	301,192	82,727
		(Yen)
Basic profit per share	84.03	21.68
Diluted profit per share	84.00	21.67

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

(Millions of yen)

	2Q of FY2018 (From April 1, 2018 to September 30, 2018)	2Q of FY2019 (From April 1, 2019 to September 30, 2019)
Profit	301,192	82,727
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	8,308	(15,526)
Remeasurement gains on defined benefit plans	7,818	4,418
Shares of other comprehensive income (loss) of investments accounted for using the equity method	(222)	(262)
Total	15,904	(11,370)
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of foreign operations	33,216	(25,389)
Changes in fair value of cash flow hedges	(8,362)	(2,858)
Shares of other comprehensive income (loss) of investments accounted for using the equity method	(3,888)	(9,814)
Total	20,966	(38,061)
Other comprehensive income (loss), net of tax	36,870	(49,431)
Total comprehensive income	338,062	33,296
Comprehensive income attributable to:		
Owners of the parent	319,930	26,081
Non-controlling interests	18,132	7,215
Total comprehensive income	338,062	33,296

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

Second Quarter of FY2018 (April 1, 2018 – September 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	-	-	285,053	-	-	-
Other comprehensive income (loss)	-	-	-	-	7,638	(7,257)
Total comprehensive income (loss)	-	-	285,053	-	7,638	(7,257)
Purchase of treasury stock	-	-	-	(30,019)	-	-
Disposal of treasury stock	-	0	-	0	-	-
Cash dividends	-	-	(34,198)	-	-	-
Share-based payment transactions	-	60	-	33	-	-
Equity transactions with non-controlling interests, etc.	-	-	-	-	-	-
Transfer from other components of equity to retained earnings	-	-	3,824	-	3,972	-
Transfer from other components of equity to non-financial assets	-	-	-	-	-	1,707
Other	-	(1,732)	-	-	-	-
Total transactions with owners	-	(1,672)	(30,374)	(29,986)	3,972	1,707
Balance as of September 30, 2018	100,000	1,248,995	1,272,081	(34,716)	154,906	(11,675)

	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	-	-	-	285,053	16,139	301,192
Other comprehensive income (loss)	26,700	7,796	34,877	34,877	1,993	36,870
Total comprehensive income (loss)	26,700	7,796	34,877	319,930	18,132	338,062
Purchase of treasury stock	-	-	-	(30,019)	-	(30,019)
Disposal of treasury stock	-	-	-	0	-	0
Cash dividends	-	-	-	(34,198)	(8,564)	(42,762)
Share-based payment transactions	-	-	-	93	-	93
Equity transactions with non-controlling interests, etc.	(197)	-	(197)	(197)	11,125	10,928
Transfer from other components of equity to retained earnings	-	(7,796)	(3,824)	-	-	-
Transfer from other components of equity to non-financial assets	-	-	1,707	1,707	837	2,544
Other	-	-	-	(1,732)	(10,948)	(12,680)
Total transactions with owners	(197)	(7,796)	(2,314)	(64,346)	(7,550)	(71,896)
Balance as of September 30, 2018	65,534	-	208,765	2,795,125	391,016	3,186,141

Second Quarter of FY2019 (April 1, 2019 – September 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	-	-	71,038	-	-	-
Other comprehensive income (loss)	-	-	-	-	(15,803)	(2,219)
Total comprehensive income (loss)	-	-	71,038	-	(15,803)	(2,219)
Purchase of treasury stock	-	-	-	(53,970)	-	-
Disposal of treasury stock	-	0	-	0	-	-
Cancellation of treasury stock	-	(28,634)	-	28,634	-	-
Cash dividends	-	-	(36,660)	-	-	-
Share-based payment transactions	-	67	-	105	-	-
Equity transactions with non-controlling interests, etc.	-	-	-	-	-	-
Transfer from other components of equity to retained earnings	-	-	3,541	-	738	-
Transfer from other components of equity to non-financial assets	-	-	-	-	-	(390)
Other	-	(316)	-	(244)	-	-
Total transactions with owners	-	(28,883)	(33,119)	(25,475)	738	(390)
Balance as of September 30, 2019	100,000	1,193,310	1,308,807	(55,173)	96,421	(11,486)

	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	-	-	-	71,038	11,689	82,727
Other comprehensive income (loss)	(31,214)	4,279	(44,957)	(44,957)	(4,474)	(49,431)
Total comprehensive income (loss)	(31,214)	4,279	(44,957)	26,081	7,215	33,296
Purchase of treasury stock	-	-	-	(53,970)	-	(53,970)
Disposal of treasury stock	-	-	-	0	-	0
Cancellation of treasury stock	-	-	-	-	-	-
Cash dividends	-	-	-	(36,660)	(15,806)	(52,466)
Share-based payment transactions	-	-	-	172	-	172
Equity transactions with non-controlling interests, etc.	-	-	-	-	(638)	(638)
Transfer from other components of equity to retained earnings	-	(4,279)	(3,541)	-	-	-
Transfer from other components of equity to non-financial assets	-	-	(390)	(390)	(10)	(400)
Other	-	-	-	(560)	754	194
Total transactions with owners	-	(4,279)	(3,931)	(91,408)	(15,700)	(107,108)
Balance as of September 30, 2019	18,562	-	103,497	2,650,441	392,624	3,043,065

(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 second quarter of FY2019 was immaterial.

(Segment Information)

I. Second Quarter of FY2018 (April 1, 2018 – September 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	4,642,859	70,774	516,477	5,230,110	199,457	-	5,429,567
Inter-segment revenue or transfers (Note 1)	2,757	-	1,077	3,834	22,115	(25,949)	-
Total	4,645,616	70,774	517,554	5,233,944	221,572	(25,949)	5,429,567
Segment profit (loss) (Note 2)	343,708	35,565	40,637	419,910	17,874	3,417	441,201
Finance income							2,528
Finance costs							19,589
Profit before tax							424,140

- (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 3,417 million yen includes the net amount of 3,516 million yen, which is the income and expenses of the entire Company not allocated to the reporting segments or the “Other” category.

II. Second Quarter of FY2019 (April 1, 2019 – September 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	4,277,916	59,085	498,153	4,835,154	227,915	-	5,063,069
Inter-segment revenue or transfers (Note 1)	2,507	-	927	3,434	23,151	(26,585)	-
Total	4,280,423	59,085	499,080	4,838,588	251,066	(26,585)	5,063,069
Segment profit (loss) (Note 2)	49,175	24,826	35,225	109,226	16,934	4,705	130,865
Finance income							4,747
Finance costs							17,734
Profit before tax							117,878

- (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 4,705 million yen includes the net amount of 3,618 million yen, which is the income and expenses of the entire Company not allocated to the reporting segments or the “Other” category.