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

February 13, 2020

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 Scheduled date of filing of Quarterly Securities Report: February 14, 2020
 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 Third Quarter of FY2019 (From April 1, 2019 to December 31, 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	%
3Q of FY2019	7,607,197	(8.7)	221,435	(51.8)	202,734	(53.4)	124,553	(55.2)	114,419	(61.0)
3Q of FY2018	8,331,344	12.7	459,310	11.6	435,474	10.7	278,282	3.3	293,677	(13.7)

	Basic profit per share	Diluted profit per share
	Yen	Yen
3Q of FY2019	38.23	38.22
3Q of FY2018	82.17	82.14

(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	%
3Q of FY2019	8,872,109	3,087,507	2,684,425	30.3
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: No

The forecasts of consolidated results for the fiscal year of 2019 remain unchanged from the previous forecasts announced on November 8, 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 December 31, 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)

Third Quarter of FY2019 ended December 31, 2019:	3,230,282,649 shares
FY2018 ended March 31, 2019:	3,385,993,649 shares

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

Third Quarter of FY2019 ended December 31, 2019:	10,898,693 shares
FY2018 ended March 31, 2019:	56,898,910 shares

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

Third Quarter of FY2019 ended December 31, 2019:	3,257,992,215 shares
Third Quarter of FY2018 ended December 31, 2018:	3,386,593,034 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
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)	3Q of FY2019 (As of December 31, 2019)
ASSETS		
Current assets		
Cash and cash equivalents	385,434	369,953
Trade and other receivables	1,363,974	1,304,149
Inventories	1,590,207	1,628,840
Other financial assets	47,184	61,367
Other current assets	198,851	177,966
Sub total	3,585,650	3,542,275
Assets held for sale	1,737	1,737
Total current assets	3,587,387	3,544,012
Non-current assets		
Property, plant and equipment	3,381,642	3,805,632
Goodwill	196,482	193,334
Intangible assets	345,800	337,682
Investments accounted for using the equity method	403,241	425,224
Other financial assets	422,597	424,877
Other non-current assets	7,662	8,760
Deferred tax assets	133,000	132,588
Total non-current assets	4,890,424	5,328,097
TOTAL ASSETS	8,477,811	8,872,109

(Millions of yen)

	FY2018 (As of March 31, 2019)	3Q of FY2019 (As of December 31, 2019)
LIABILITIES		
Current liabilities		
Trade and other payables	1,852,441	1,734,773
Bonds and borrowings	644,288	941,170
Income taxes payable	28,016	38,706
Lease liabilities	-	70,733
Other financial liabilities	18,867	32,446
Provisions	40,413	13,489
Other current liabilities	348,301	288,639
Total current liabilities	2,932,326	3,119,956
Non-current liabilities		
Bonds and borrowings	1,573,705	1,442,307
Liabilities for retirement benefits	274,206	257,977
Lease liabilities	-	447,539
Other financial liabilities	37,027	33,857
Provisions	152,269	154,679
Other non-current liabilities	105,518	52,744
Deferred tax liabilities	282,944	275,543
Total non-current liabilities	2,425,669	2,664,646
Total liabilities	5,357,995	5,784,602
EQUITY		
Common stock	100,000	100,000
Capital surplus	1,222,193	1,142,555
Retained earnings	1,272,960	1,329,395
Treasury stock	(29,698)	(5,091)
Other components of equity	152,385	117,566
Total equity attributable to owners of the parent	2,717,840	2,684,425
Non-controlling interests	401,976	403,082
Total equity	3,119,816	3,087,507
TOTAL LIABILITIES AND EQUITY	8,477,811	8,872,109

**(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)

	3Q of FY2018 (From April 1, 2018 to December 31, 2018)	3Q of FY2019 (From April 1, 2019 to December 31, 2019)
Revenue	8,331,344	7,607,197
Cost of sales	7,436,642	6,840,547
Gross profit	894,702	766,650
Selling, general and administrative expenses	584,828	610,781
Share of profit of investments accounted for using the equity method	44,581	40,165
Other operating income	144,049	51,439
Other operating expenses	39,194	26,038
Operating profit	459,310	221,435
Finance income	4,972	6,999
Finance costs	28,808	25,700
Profit before tax	435,474	202,734
Income tax expense	133,701	57,315
Profit	301,773	145,419
Profit attributable to:		
Owners of the parent	278,282	124,553
Non-controlling interests	23,491	20,866
Profit	301,773	145,419
		(Yen)
Basic profit per share	82.17	38.23
Diluted profit per share	82.14	38.22

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

(Millions of yen)

	3Q of FY2018 (From April 1, 2018 to December 31, 2018)	3Q of FY2019 (From April 1, 2019 to December 31, 2019)
Profit	301,773	145,419
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	(27,769)	(4,684)
Remeasurement gains on defined benefit plans	910	7,013
Shares of other comprehensive income (loss) of investments accounted for using the equity method	(850)	(236)
Total	(27,709)	2,093
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of foreign operations	21,314	(18,422)
Changes in fair value of cash flow hedges	(1,231)	(2,620)
Shares of other comprehensive income (loss) of investments accounted for using the equity method	(470)	(12,051)
Total	19,613	(33,093)
Other comprehensive income (loss), net of tax	(8,096)	(31,000)
Total comprehensive income	293,677	114,419
Comprehensive income attributable to:		
Owners of the parent	269,383	96,360
Non-controlling interests	24,294	18,059
Total comprehensive income	293,677	114,419

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

Third Quarter of FY2018 (April 1, 2018 – December 31, 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	-	-	278,282	-	-	-
Other comprehensive income (loss)	-	-	-	-	(27,912)	256
Total comprehensive income (loss)	-	-	278,282	-	(27,912)	256
Purchase of treasury stock	-	-	-	(30,031)	-	-
Disposal of treasury stock	-	0	-	0	-	-
Cancellation of treasury stock	-	(30,000)	-	30,000	-	-
Cash dividends	-	-	(67,988)	-	-	-
Share-based payment transactions	-	108	-	33	-	-
Equity transactions with non-controlling interests, etc.	-	188	-	-	-	-
Transfer from other components of equity to retained earnings	-	-	136	-	667	-
Transfer from other components of equity to non-financial assets	-	-	-	-	-	2,546
Other	-	(1,537)	-	-	-	-
Total transactions with owners	-	(31,241)	(67,852)	2	667	2,546
Balance as of December 31, 2018	100,000	1,219,426	1,227,832	(4,728)	116,051	(3,323)

	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	-	-	-	278,282	23,491	301,773
Other comprehensive income (loss)	17,954	803	(8,899)	(8,899)	803	(8,096)
Total comprehensive income (loss)	17,954	803	(8,899)	269,383	24,294	293,677
Purchase of treasury stock	-	-	-	(30,031)	-	(30,031)
Disposal of treasury stock	-	-	-	0	-	0
Cancellation of treasury stock	-	-	-	-	-	-
Cash dividends	-	-	-	(67,988)	(11,217)	(79,205)
Share-based payment transactions	-	-	-	141	-	141
Equity transactions with non-controlling interests, etc.	(65)	-	(65)	123	9,817	9,940
Transfer from other components of equity to retained earnings	-	(803)	(136)	-	-	-
Transfer from other components of equity to non-financial assets	-	-	2,546	2,546	1,222	3,768
Other	-	-	-	(1,537)	(11,223)	(12,760)
Total transactions with owners	(65)	(803)	2,345	(96,746)	(11,401)	(108,147)
Balance as of December 31, 2018	56,920	-	169,648	2,712,178	393,327	3,105,505

Third Quarter of FY2019 (April 1, 2019 – December 31, 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	-	-	124,553	-	-	-
Other comprehensive income (loss)	-	-	-	-	(5,763)	(2,391)
Total comprehensive income (loss)	-	-	124,553	-	(5,763)	(2,391)
Purchase of treasury stock	-	-	-	(53,982)	-	-
Disposal of treasury stock	-	0	-	0	-	-
Cancellation of treasury stock	-	(78,728)	-	78,728	-	-
Cash dividends	-	-	(72,118)	-	-	-
Share-based payment transactions	-	187	-	105	-	-
Equity transactions with non-controlling interests, etc.	-	-	-	-	-	-
Transfer from other components of equity to retained earnings	-	-	6,072	-	684	-
Transfer from other components of equity to non-financial assets	-	-	-	-	-	(554)
Other	-	(1,097)	-	(244)	-	-
Total transactions with owners	-	(79,638)	(66,046)	24,607	684	(554)
Balance as of December 31, 2019	100,000	1,142,555	1,329,395	(5,091)	106,407	(11,822)

	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	-	-	-	124,553	20,866	145,419
Other comprehensive income (loss)	(26,795)	6,756	(28,193)	(28,193)	(2,807)	(31,000)
Total comprehensive income (loss)	(26,795)	6,756	(28,193)	96,360	18,059	114,419
Purchase of treasury stock	-	-	-	(53,982)	-	(53,982)
Disposal of treasury stock	-	-	-	0	-	0
Cancellation of treasury stock	-	-	-	-	-	-
Cash dividends	-	-	-	(72,118)	(16,019)	(88,137)
Share-based payment transactions	-	-	-	292	-	292
Equity transactions with non-controlling interests, etc.	-	-	-	-	(655)	(655)
Transfer from other components of equity to retained earnings	-	(6,756)	(6,072)	-	-	-
Transfer from other components of equity to non-financial assets	-	-	(554)	(554)	(513)	(1,067)
Other	-	-	-	(1,341)	1,101	(240)
Total transactions with owners	-	(6,756)	(6,626)	(127,703)	(16,086)	(143,789)
Balance as of December 31, 2019	22,981	-	117,566	2,684,425	403,082	3,087,507

(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 third quarter of FY2019 was immaterial.

(Segment Information)

I. Third Quarter of FY2018 (April 1, 2018 – December 31, 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	7,130,099	114,348	769,044	8,013,491	317,853	-	8,331,344	
Inter-segment revenue or transfers (Note 1)	4,364	-	1,383	5,747	38,531	(44,278)	-	
Total	7,134,463	114,348	770,427	8,019,238	356,384	(44,278)	8,331,344	
Segment profit (loss) (Note 2)	300,562	57,966	59,763	418,291	31,381	9,638	459,310	
Finance income								4,972
Finance costs								28,808
Profit before tax								435,474

- (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 9,638 million yen includes the net amount of 11,419 million yen, which is the income and expenses of the entire Company not allocated to the reporting segments or the "Other" category.

II. Third Quarter of FY2019 (April 1, 2019 – December 31, 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	6,423,939	98,219	747,148	7,269,306	337,891	-	7,607,197	
Inter-segment revenue or transfers (Note 1)	3,934	-	1,356	5,290	33,513	(38,803)	-	
Total	6,427,873	98,219	748,504	7,274,596	371,404	(38,803)	7,607,197	
Segment profit (loss) (Note 2)	101,594	40,144	48,395	190,133	28,147	3,155	221,435	
Finance income								6,999
Finance costs								25,700
Profit before tax								202,734

- (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 3,155 million yen includes the net amount of 4,633 million yen, which is the income and expenses of the entire Company not allocated to the reporting segments or the "Other" category.