

## Consolidated Financial Results for the Nine Months Ended December 31, 2022 <under Japanese GAAP>

February 10, 2023

Note: The following report is a summary of the Japanese-language original.

Company name: Japan Petroleum Exploration Co., Ltd.  
 Listing: Prime Market, Tokyo Stock Exchange  
 Securities code: 1662  
 URL: <https://www.japex.co.jp/>  
 Representative: FUJITA Masahiro, Representative Director and President  
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Scheduled date to commence dividend payments: –

Scheduled date to file Quarterly Report: February 10, 2023

Presentation of supplementary material on quarterly financial results: Yes

Holding of quarterly financial results presentation meeting (for institutional investors and analysts): Yes

(Millions of yen with fractional amounts discarded, unless otherwise noted)

### 1. Consolidated financial results for the nine months ended December 31, 2022

(April 1, 2022 – December 31, 2022)

#### (1) Consolidated operating results (cumulative) (Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Nine months ended								
December 31, 2022	225,105	31.4	38,742	232.6	57,878	135.9	43,286	–
December 31, 2021	171,364	14.2	11,649	–	24,533	–	(85,057)	–

Note: Comprehensive income: Nine months ended December 31, 2022: 47,880 million yen (–%)  
 Nine months ended December 31, 2021: (96,808) million yen (–%)

	Basic earnings per share		Diluted earnings per share	
	Yen		Yen	
Nine months ended				
December 31, 2022		793.00		–
December 31, 2021		(1,491.67)		–

#### (2) Consolidated financial position

	Total assets		Net assets		Equity ratio	
	Millions of yen		Millions of yen		%	
As of December 31, 2022		536,475		436,613		75.4
As of March 31, 2022		471,941		402,770		78.7

Reference: Equity As of December 31, 2022: 404,590 million yen As of March 31, 2022: 371,638 million yen

### 2. Cash dividends

	Annual dividends				
	First quarter	Second quarter	Third quarter	Fiscal year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2022	–	25.00	–	25.00	50.00
Fiscal year ending March 31, 2023	–	150.00	–		
Fiscal year ending March 31, 2023 (Forecasts)				180.00	330.00

Note: Revisions to the latest forecasts of cash dividends: Yes

3. Consolidated financial forecasts for the fiscal year ending March 31, 2023 (April 1, 2022 – March 31, 2023)  
(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Fiscal year ending March 31, 2023	326,679	31.1	61,250	209.2	78,964	80.8	60,000	–	1,100.97

Note: Revisions to the consolidated financial forecasts most recently announced: Yes

\* Notes

- (1) Changes in significant subsidiaries during the nine months under review (changes in specified subsidiaries resulting in the change in scope of consolidation): Yes

New inclusion: one company (JAPEX Insurance Ltd.)

Exclusion: one company (Canada Oil Sands Co., Ltd.)

Note: For details, please refer to “(3) Notes to quarterly consolidated financial statements (Changes in significant subsidiaries during the nine months under review)” of “2. Consolidated financial statements and significant notes thereto” on page 9 of the attached material.

- (2) Application of specific accounting for preparing quarterly consolidated financial statements: Yes

Note: For details, please refer to “(3) Notes to quarterly consolidated financial statements (Application of specific accounting for preparing quarterly consolidated financial statements)” of “2. Consolidated financial statements and significant notes thereto” on page 9 of the attached material.

- (3) Changes in accounting policies, changes in accounting estimates, and restatement

a. Changes in accounting policies due to revisions to accounting standards and other regulations: None

b. Changes in accounting policies due to other reasons: None

c. Changes in accounting estimates: None

d. Restatement: None

- (4) Number of issued shares (common shares)

a. Total number of issued shares at the end of the period (including treasury shares)

As of December 31, 2022 54,300,076 shares

As of March 31, 2022 57,154,776 shares

b. Number of treasury shares at the end of the period

As of December 31, 2022 73,730 shares

As of March 31, 2022 1,518,982 shares

c. Average number of shares during the period (cumulative from the beginning of the fiscal year)

Nine months ended December 31, 2022 54,586,057 shares

Nine months ended December 31, 2021 57,021,331 shares

\* Quarterly financial results reports are exempt from quarterly review conducted by certified public accountants or an audit corporation.

\* Proper use of financial forecasts, and other special matters

The forward-looking statements, including the financial forecasts shown in this document are based on information currently available to our company and on certain assumptions deemed to be reasonable. As such, they do not constitute guarantees by our company of future performance. Actual performance and other results may differ materially from these forecasts due to various factors.

For the suppositions that form the assumptions for financial forecasts and cautions concerning the use thereof, please refer to “(3) Explanation of consolidated financial forecasts and other forward-looking statements” of “1. Qualitative information regarding settlement of accounts for the nine months ended December 31, 2022” on page 4 of the attached material to the quarterly financial results report.

(Attached Material)

## 1. Qualitative information regarding settlement of accounts for the nine months ended December 31, 2022

### (1) Explanation of operating results

During the nine months ended December 31, 2022, net sales was ¥225,105 million, an increase of ¥53,740 million (+31.4%) year on year. Gross profit was ¥63,888 million, an increase of ¥29,377 million (+85.1%) year on year. Main factors behind the year-on-year increase for net sales and increase for gross profit include a rise in the selling prices of crude oil and natural gas in Japan as a result of the rising price of crude oil and LNG, despite the absence of sales of diluted bitumen as a result of the transfer of all the shares of Japan Canada Oil Sands Limited (JACOS), which had been a consolidated subsidiary to promote the oil sands project in Canada in the previous fiscal year.

Exploration expenses was ¥2,000 million, an increase of ¥1,646 million (+465.1%) year on year. Selling, general and administrative expenses was ¥23,145 million, an increase of ¥637 million (+2.8%) year on year. As a result, operating profit was ¥38,742 million, an increase of ¥27,093 million (+232.6%) year on year.

Ordinary profit was ¥57,878 million, an increase of ¥33,345 million (+135.9%) year on year, due mainly to a recording of gain on derivatives.

Profit before income taxes improved by ¥130,456 million year on year to ¥57,851 million (loss before income taxes of ¥72,604 million in the same period of the previous fiscal year) due mainly to the absence of loss on sale of shares of subsidiaries resulting from the transfer of all the shares in JACOS in the same period of the previous fiscal year, and loss on transfer of interests resulting from the transfer of JAPEX Montney Ltd.'s interest in the shale gas project of North Montney Area in British Columbia, Canada. Profit attributable to owners of parent improved by ¥128,344 million year on year to ¥43,286 million (loss attributable to owners of parent of ¥85,057 million in the same period of the previous fiscal year).

Below is a breakdown of net sales.

#### (i) E&P Business

Net sales from the E&P Business came to ¥35,902 million, a decrease of ¥18,657 million (-34.2%) year on year, mainly due to the absence of the sales of diluted bitumen resulting from the transfer of all the shares of JACOS, despite a rise in the selling price of crude oil.

#### (ii) Infrastructure/Utility Business

Net sales from the Infrastructure/Utility Business came to ¥141,748 million, an increase of ¥62,583 million (+79.1%) year on year. This was mainly the result of a rise in the selling prices due to the rising crude oil price and LNG price, despite the decreased sales volume for natural gas (Japan) and electricity.

#### (iii) Other Businesses

Net sales from other businesses, such as the contract services (drilling and geological surveys, etc.), sale of oil products, including liquefied petroleum gas (LPG), fuel oil and the like, as well as other subcontracted tasks, came to ¥47,454 million, an increase of ¥9,815 million (+26.1%) year on year.

### (2) Explanation of financial position

At the end of the third quarter, total assets increased by ¥64,533 million from the previous fiscal year-end to ¥536,475 million.

Current assets increased by ¥29,272 million from the previous fiscal year-end. This was due to increases in cash and deposits, and raw materials and supplies. Non-current assets increased by ¥35,261 million from the previous fiscal year-end. This was mainly due to an increase in recoverable accounts included in other under investments and other assets, the recording of wells and construction in progress under property, plant and equipment, and other factors.

Liabilities increased by ¥30,689 million from the previous fiscal year-end to ¥99,861 million.

Current liabilities increased by ¥31,058 million from the previous fiscal year-end. This was due mainly to increases in income taxes payable and notes and accounts payable - trade. Non-current liabilities decreased by ¥368 million from the previous fiscal year-end.

Net assets increased by ¥33,843 million from the previous fiscal year-end to ¥436,613 million. The main factors were increases in retained earnings and foreign currency translation adjustment.

(3) Explanation of consolidated financial forecasts and other forward-looking statements

The consolidated financial forecasts for the fiscal year ending March 31, 2023 have been revised from the forecasts announced on November 10, 2022.

Please refer to the “Notice of Financial Forecasts Revision, Year-End Dividend Forecast Revision and Recording of Non-operating Expenses and Non-operating Income” disclosed on February 10, 2023, the same day of this report.

## 2. Consolidated financial statements and significant notes thereto

### (1) Consolidated quarterly balance sheet

(Millions of yen)

	As of March 31, 2022	As of December 31, 2022
<b>Assets</b>		
Current assets		
Cash and deposits	147,241	163,977
Notes and accounts receivable - trade, and contract assets	47,564	46,328
Securities	3,030	3,000
Merchandise and finished goods	2,143	2,721
Work in process	29	205
Raw materials and supplies	12,503	25,065
Other	14,458	14,944
Allowance for doubtful accounts	(51)	(51)
<b>Total current assets</b>	<b>226,920</b>	<b>256,192</b>
Non-current assets		
Property, plant and equipment	92,837	108,949
Intangible assets	5,802	5,918
Investments and other assets		
Investment securities	108,910	116,326
Other	37,812	49,475
Allowance for doubtful accounts	(45)	(45)
Allowance for overseas investment loss	(297)	(341)
<b>Total investments and other assets</b>	<b>146,380</b>	<b>165,414</b>
<b>Total non-current assets</b>	<b>245,021</b>	<b>280,282</b>
<b>Total assets</b>	<b>471,941</b>	<b>536,475</b>

(Millions of yen)

	As of March 31, 2022	As of December 31, 2022
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	11,479	18,732
Income taxes payable	2,196	11,351
Provisions	1,905	1,927
Other	9,660	24,288
Total current liabilities	25,241	56,300
Non-current liabilities		
Deferred tax liabilities	16,867	17,327
Retirement benefit liability	3,376	3,404
Provisions	486	633
Asset retirement obligations	19,539	19,623
Other	3,659	2,570
Total non-current liabilities	43,929	43,560
<b>Total liabilities</b>	<b>69,171</b>	<b>99,861</b>
<b>Net assets</b>		
Shareholders' equity		
Share capital	14,288	14,288
Capital surplus	2,607	-
Retained earnings	310,592	338,881
Treasury shares	(3,886)	(136)
Total shareholders' equity	323,602	353,034
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	48,346	46,200
Deferred gains or losses on hedges	(1,862)	(978)
Foreign currency translation adjustment	89	5,046
Remeasurements of defined benefit plans	1,464	1,287
Total accumulated other comprehensive income	48,036	51,556
Non-controlling interests	31,131	32,023
<b>Total net assets</b>	<b>402,770</b>	<b>436,613</b>
<b>Total liabilities and net assets</b>	<b>471,941</b>	<b>536,475</b>

(2) Consolidated quarterly statement of income and Consolidated quarterly statement of comprehensive income  
Consolidated quarterly statement of income

(Millions of yen)

	Nine months ended December 31, 2021	Nine months ended December 31, 2022
Net sales	171,364	225,105
Cost of sales	136,853	161,216
Gross profit	34,511	63,888
Exploration expenses	353	2,000
Selling, general and administrative expenses	22,508	23,145
Operating profit	11,649	38,742
Non-operating income		
Interest income	164	749
Dividend income	2,255	1,719
Share of profit of entities accounted for using equity method	9,466	6,734
Foreign exchange gains	5,100	4,864
Gain on derivatives	–	6,082
Other	624	271
Total non-operating income	17,610	20,422
Non-operating expenses		
Interest expenses	1,246	3
Late charges	2,215	–
Provision for loss on disaster	361	576
Other	903	705
Total non-operating expenses	4,726	1,285
Ordinary profit	24,533	57,878
Extraordinary income		
Gain on sale of non-current assets	1,307	0
Gain on sale of investment securities	39,826	–
Total extraordinary income	41,133	0
Extraordinary losses		
Loss on retirement of non-current assets	9	27
Loss on sale of shares of subsidiaries	94,372	–
Loss on transfer of interests	43,616	–
Other	273	–
Total extraordinary losses	138,272	27
Profit (loss) before income taxes	(72,604)	57,851
Income taxes	10,743	13,490
Profit (loss)	(83,348)	44,361
Profit attributable to non-controlling interests	1,708	1,074
Profit (loss) attributable to owners of parent	(85,057)	43,286

Consolidated quarterly statement of comprehensive income

(Millions of yen)

	Nine months ended December 31, 2021	Nine months ended December 31, 2022
Profit (loss)	(83,348)	44,361
Other comprehensive income		
Valuation difference on available-for-sale securities	(12,678)	(2,142)
Deferred gains or losses on hedges	(287)	85
Foreign currency translation adjustment	(406)	4,943
Remeasurements of defined benefit plans, net of tax	(177)	(176)
Share of other comprehensive income of entities accounted for using equity method	89	809
Total other comprehensive income	(13,460)	3,519
Comprehensive income	(96,808)	47,880
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(98,164)	46,806
Comprehensive income attributable to non-controlling interests	1,355	1,073



(3) Notes to quarterly consolidated financial statements

(Notes on premise of going concern)

No item to report.

(Notes on significant changes in the amount of shareholders' equity)

At a meeting of the Board of Directors held on November 9, 2021, JAPEX made a resolution concerning the repurchase of own shares, and as of December 31, 2022, it acquired 2,854,700 treasury shares. Consequently, treasury shares increased by ¥4,262 million during the nine months ended December 31, 2022.

Also, at a meeting of the Board of Directors held on November 9, 2021, JAPEX made a resolution concerning the cancellation of own shares, and as of September 30, 2022, it cancelled 2,854,700 treasury shares. Therefore, as of December 31, 2022, capital surplus, retained earnings and treasury shares decreased by ¥2,607 million, ¥5,396 million and ¥8,004 million, respectively.

(Changes in significant subsidiaries during the nine months under review)

JAPEX Insurance Ltd., has been newly established and included in the scope of consolidation from the second quarter. In addition, JAPEX Insurance Ltd. qualifies as a specified subsidiary of JAPEX.

(Changes in the scope of consolidation or the scope of application of the equity method)

*Significant changes in the scope of application of the equity method*

Effective the first quarter, Abashiri Biomass Power 2 LLC., an affiliate of JAPEX, became an equity method affiliate of JAPEX due to its increased material significance.

(Application of specific accounting for preparing quarterly consolidated financial statements)

*Deferral accounting of cost variance*

Cost variance arising from seasonal changes in production level is deferred as current liabilities (other) because such variance is expected to be almost completely eliminated by the end of the cost accounting period.

*Calculation of taxes*

For the taxes, JAPEX and some of its consolidated subsidiaries compute first by reasonably estimating the effective tax rate after applying tax effect accounting against profit before income taxes for the fiscal year including the third quarter, and next by multiplying the quarterly profit before income taxes by such estimated effective tax rate.

However, in cases where the calculation of taxes using such estimated effective tax rate yields a result that is not reasonable to a significant extent, the effective statutory tax rate is used.

Note that income taxes - deferred is included in income taxes.

(Additional information)

*Accounting estimates in connection with the spread of novel coronavirus disease (COVID-19)*

There are no significant changes with respect to assumptions about the impact of COVID-19 described in (Additional information) of Quarterly Report for the three months ended June 30, 2022.

(Significant subsequent events)

*Business transfer to new company in Sakhalin-1 Project*

Through its equity method affiliate Sakhalin Oil and Gas Development Co., Ltd. (SODECO), JAPEX has been participating in the Sakhalin-1 Project, a crude oil and natural gas development project off the coast of Sakhalin Island, Russia. A new business entity Sakhalin-1 Limited Liability Company (hereinafter "LLC") was established on October 14, 2022, pursuant with the Presidential Decree No. 723 of the Russian Federation on October 7, 2022 and Governmental Decree No. 1808 of the Russian Federation on October 12, 2022, and the contractual rights and obligations pursuant to the production sharing agreement were transferred to LLC.

SODECO was approved by the government of the Russian Federation to subscribe for a proprietary equity in the LLC, according to its 30% interest in the Sakhalin 1 project. We are currently reviewing the impact of this matter on our financial position, operating results, and cash flows for the next quarter and subsequent periods.

### 3. Supplemental information

#### Status of production and sales

##### (1) Production

		Nine months ended December 31, 2021 (April 1, 2021 – December 31, 2021)	Nine months ended December 31, 2022 (April 1, 2022 – December 31, 2022)	(Reference) Fiscal year ended March 31, 2022 (April 1, 2021 – March 31, 2022)
E&P Business	Crude oil (kL)	652,573 (441,584)	513,632 (340,781)	806,390 (525,392)
	Natural gas (thousand m <sup>3</sup> )	515,424 (130,981)	377,860 (6,800)	674,588 (132,025)
	Bitumen (kL)	656,377 (656,377)	– (–)	656,377 (656,377)
Infrastruc- ture/ Utility Business	LNG (t)	2,136	1,258	2,136
	Electricity (thousand kWh)	1,979,477	1,783,118	2,655,529

- Notes: 1. The figures in parentheses represent overseas production and are included in the total.  
2. Part of the natural gas production volume is used as a feedstock for LNG.  
3. Bitumen is a type of extra-heavy oil extracted from oil sands.

(2) Sales

		Nine months ended December 31, 2021 (April 1, 2021 – December 31, 2021)		Nine months ended December 31, 2022 (April 1, 2022 – December 31, 2022)		(Reference) Fiscal year ended March 31, 2022 (April 1, 2021 – March 31, 2022)	
		Sales volume	Net sales (Millions of yen)	Sales volume	Net sales (Millions of yen)	Sales volume	Net sales (Millions of yen)
E&P Business	Crude oil (kL)	421,772	22,241	402,807	35,672	669,926	41,056
	Diluted bitumen (kL)	959,777	31,121	–	–	959,777	31,121
	Natural gas (overseas) (thousand m <sup>3</sup> )	129,429	1,197	5,260	230	130,214	1,244
	Subtotal		54,560		35,902		73,422
Infrastruc- ture/Utility Business	Natural gas (Japan) (thousand m <sup>3</sup> )	727,889	36,135	692,086	62,625	1,061,244	58,024
	LNG (t)	217,254	16,822	213,137	34,877	295,536	22,596
	Electricity (thousand kWh)	2,241,078	22,656	2,146,280	40,843	3,023,294	34,320
	Others		3,550		3,400		4,903
	Subtotal		79,165		141,748		119,845
Other businesses	Contract services		4,625		6,121		6,395
	Oil products /merchandise		31,330		39,835		47,354
	Others		1,682		1,496		2,122
	Subtotal		37,638		47,454		55,872
Total			171,364		225,105		249,140

- Notes: 1. “Crude oil” includes crude oil that the JAPEX Group produced in oil fields and the crude oil purchased from other companies.
2. Diluted bitumen is bitumen diluted by ultra-light crude oil for pipeline transportation.
3. “Natural gas (Japan)” of the Infrastructure/Utility Business refers to gas supplied in Japan via pipeline and comprises the total of natural gas produced in Japan and regasified LNG. Natural gas (Japan) is classified under the Infrastructure/Utility Business, since both natural gas produced in Japan and LNG vaporized gas are sold together by our company’s supply network, which consists of the natural gas fields in Japan and the LNG terminals that vaporize gas linked by a pipeline network.
4. “Others” of the Infrastructure/Utility Business includes commissioned transportation of natural gas and contracted vaporization of LNG used for power plant fuel, etc.
5. Under the Other businesses, “Oil products/merchandise” includes liquefied petroleum gas (LPG), fuel oil, gas oil and kerosene, and “Others” includes other subcontracted tasks.