

Consolidated Financial Results for the Six Months Ended September 30, 2024

<under Japanese GAAP>

November 13, 2024

Note: The following is an English translation 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/en/>
 Representative: YAMASHITA Michiro, Representative Director and President
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 Scheduled date to commence dividend payments: December 12, 2024
 Scheduled date to file semi-annual securities report: November 13, 2024
 Presentation of supplementary material on financial results: Yes
 Holding of 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 six months ended September 30, 2024 (April 1, 2024 – September 30, 2024)

(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	%
Six months ended September 30, 2024	183,606	21.8	28,771	0.9	25,815	(34.0)	21,139	(23.9)
Six months ended September 30, 2023	150,708	24.9	28,501	47.6	39,135	(9.2)	27,770	(11.6)

Note: Comprehensive income: Six months ended September 30, 2024: 25,728 million yen ((63.7%)
 Six months ended September 30, 2023: 70,817 million yen (102.6%)

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
September 30, 2024	81.46	–
September 30, 2023	102.42	–

Note: JAPEX conducted a 5-for-1 stock split of shares of common stock on October 1, 2024. Basic earnings per share were calculated assuming that the share split was conducted at the beginning of the previous fiscal year.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of September 30, 2024	679,925	543,425	75.0
As of March 31, 2024	660,928	537,574	76.2

Reference: Equity As of September 30, 2024: 509,661 million yen As of March 31, 2024: 503,902 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, 2024	–	125.00	–	175.00	300.00
Fiscal year ending March 31, 2025	–	125.00			
Fiscal year ending March 31, 2025 (Forecast)			–	25.00	–

Notes: 1. Revisions to the latest forecasts of cash dividends: None
2. JAPEX conducted a 5-for-1 stock split of shares of common stock on October 1, 2024. The year-end dividend per share for the fiscal year ending March 31, 2025 (forecast) is stated after considering the effect of such the stock split, and the total annual dividend is expressed as “-.” If the stock split is not considered, the year-end dividend for the fiscal year ending March 31, 2025 (forecast) will be 125.00 yen, and the total annual dividend will be 250.00 yen.

3. Consolidated financial forecasts for the fiscal year ending March 31, 2025 (April 1, 2024 – March 31, 2025) (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, 2025	364,000	11.7	55,400	0.3	54,200	(21.2)	78,500	46.3	304.43

Notes: 1. Revisions to the consolidated financial forecasts most recently announced: Yes
2. JAPEX conducted a 5-for-1 stock split of shares of common stock on October 1, 2024. Basic earnings per share in the consolidated earnings forecast for the fiscal year ending March 2025 takes into account the impact of the stock split.

* Notes

- (1) Significant changes in the scope of consolidation during the six months under review: Yes
New inclusion: three companies (JAPEX Norge AS, Gulf Coast LNG Holdings LLC, the silent partnership of which operator is Ozu Biomass Power Co., Ltd.)
Exclusion: one company (Longboat JAPEX Norge AS)
Note: For details, please refer to “(3) Notes to semi-annual consolidated financial statements (Changes in the scope of consolidation or the scope of application of the equity method)” of “2. Semi-annual consolidated financial statements and significant notes thereto” on page 10 of the attached material.
- (2) Application of specific accounting for preparing semi-annual consolidated financial statements: Yes
Note: For details, please refer to “(3) Notes to semi-annual consolidated financial statements (Notes to specific accounting for preparing semi-annual consolidated financial statements)” of “2. Semi-annual consolidated financial statements and significant notes thereto” on page 10 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 September 30, 2024 257,000,380 shares
As of March 31, 2024 271,500,380 shares
b. Number of treasury shares at the end of the period
As of September 30, 2024 809,930 shares
As of March 31, 2024 7,191,430 shares
c. Average number of shares during the period (cumulative from the beginning of the fiscal year)
Six months ended September 30, 2024 259,520,373 shares
Six months ended September 30, 2023 271,147,516 shares

Note: JAPEX conducted a 5-for-1 stock split of shares of common stock on October 1, 2024. Total number of issued shares at the end of the period, number of treasury shares at the end of the period and average number of shares during the period were calculated assuming that the share split was conducted at the beginning of the previous fiscal year.

* The Japanese-language originals of semi-annual financial results reports are exempt from 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. Overview of operating results and others” on page 5 of the attached material to the semi-annual financial results report.

(Attached Material)

1. Overview of operating results and others

(1) Overview of operating results for the six months ended September 30, 2024

During the six months ended September 30, 2024, net sales was ¥183,606 million, an increase of ¥32,897 million (+21.8%) year on year. Gross profit was ¥46,495 million, an increase of ¥3,191 million (+7.4%) year on year. Main factors behind the year-on-year increase for net sales and increase for gross profit include the growth of sales volume for crude oil in North America and Europe.

Exploration expenses was ¥2,122 million, an increase of ¥1,140 million (+116.1%) year on year. Selling, general and administrative expenses was ¥15,601 million, an increase of ¥1,780 million (+12.9%) year on year. As a result, operating profit was ¥28,771 million, an increase of ¥270 million (+0.9%) year on year.

Ordinary profit was ¥25,815 million, a decrease of ¥13,319 million (-34.0%) year on year, mainly due to a reversal from a share of profit of entities accounted for using equity method to a share of loss, and a reversal from foreign exchange gains to foreign exchange losses.

Profit before income taxes decreased by ¥13,066 million year on year to ¥26,054 million. Profit attributable to owners of parent decreased by ¥6,630 million year on year to ¥21,139 million.

Below is a breakdown of net sales.

(i) E&P Business

Net sales from the E&P Business came to ¥65,946 million, an increase of ¥18,410 million (+38.7%) year on year, mainly due to the growth of sales volume for crude oil in North America and Europe.

(ii) Infrastructure/Utility Business

Net sales from the Infrastructure/Utility Business came to ¥86,548 million, an increase of ¥11,861 million (+15.9%) year on year. This was mainly the result of an increase in sales volume for LNG.

(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 ¥31,110 million, an increase of ¥2,624 million (+9.2%) year on year.

(2) Overview of financial position for the six months ended September 30, 2024.

Total assets at the end of the six months ended September 30, 2024 increased by ¥18,996 million from the previous fiscal year-end to ¥679,925 million.

Current assets decreased by ¥48,001 million from the previous fiscal year-end. This was mainly due to a decrease in cash and deposits. Non-current assets increased by ¥66,998 million from the previous fiscal year-end. This was mainly due to the recording of property, plant and equipment and the purchase of investment securities, which resulted in increases in both items.

Liabilities increased by ¥13,145 million from the previous fiscal year-end to ¥136,500 million.

Current liabilities increased by ¥17,740 million from the previous fiscal year-end. This was mainly due to an increase in short-term borrowings. Non-current liabilities decreased by ¥4,594 million from the previous fiscal year-end. This was mainly due to a decrease in deferred tax liabilities resulting from the decline in market values of investment securities and other factors.

Net assets increased by ¥5,851 million from the previous fiscal year-end to ¥543,425 million. This was mainly due to an increase resulting from the recording of foreign currency translation adjustment, despite a decrease in valuation difference on available-for-sale securities.

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

The consolidated financial forecasts for the fiscal year ending March 31, 2025 have been revised from the forecasts announced on August 8, 2024.

Please refer to the “Notice of Financial Forecasts Revision, Interim Dividend Payout, and the change in dividend policy ” disclosed on November 13, 2024, the same day of this report.

2. Semi-annual consolidated financial statements and significant notes thereto

(1) Semi-annual consolidated balance sheet

(Millions of yen)

	As of March 31, 2024	As of September 30, 2024
Assets		
Current assets		
Cash and deposits	169,997	112,919
Notes and accounts receivable - trade, and contract assets	41,610	44,423
Securities	3,000	3,000
Merchandise and finished goods	2,602	3,712
Work in process	40	210
Raw materials and supplies	19,885	18,283
Other	12,684	19,271
Allowance for doubtful accounts	(53)	(54)
Total current assets	249,768	201,766
Non-current assets		
Property, plant and equipment		
Wells, net	70,826	95,081
Other, net	105,474	119,033
Total property, plant and equipment	176,300	214,115
Intangible assets	5,265	5,371
Investments and other assets		
Investment securities	180,415	220,059
Other	49,389	38,815
Allowance for doubtful accounts	(47)	(40)
Allowance for overseas investment loss	(163)	(163)
Total investments and other assets	229,593	258,672
Total non-current assets	411,160	478,159
Total assets	660,928	679,925

(Millions of yen)

	As of March 31, 2024	As of September 30, 2024
Liabilities		
Current liabilities		
Notes and accounts payable - trade	9,520	9,824
Short-term borrowings	–	18,173
Income taxes payable	5,309	5,859
Provisions	286	161
Other	33,978	32,818
Total current liabilities	49,095	66,836
Non-current liabilities		
Deferred tax liabilities	41,739	36,416
Retirement benefit liability	3,414	3,491
Provisions	306	306
Asset retirement obligations	24,687	25,009
Other	4,110	4,439
Total non-current liabilities	74,258	69,663
Total liabilities	123,354	136,500
Net assets		
Shareholders' equity		
Share capital	14,288	14,288
Retained earnings	397,846	391,935
Treasury shares	(8,094)	(737)
Total shareholders' equity	404,040	405,486
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	84,686	69,233
Deferred gains or losses on hedges	8,704	6,028
Foreign currency translation adjustment	4,881	27,453
Remeasurements of defined benefit plans	1,589	1,459
Total accumulated other comprehensive income	99,862	104,174
Non-controlling interests	33,671	33,763
Total net assets	537,574	543,425
Total liabilities and net assets	660,928	679,925

(2) Semi-annual consolidated statement of income and Semi-annual consolidated statement of comprehensive income
Semi-annual consolidated statement of income

(Millions of yen)

	Six months ended September 30, 2023	Six months ended September 30, 2024
Net sales	150,708	183,606
Cost of sales	107,404	137,110
Gross profit	43,304	46,495
Exploration expenses	982	2,122
Selling, general and administrative expenses	13,820	15,601
Operating profit	28,501	28,771
Non-operating income		
Interest income	985	1,363
Dividend income	2,035	2,367
Share of profit of entities accounted for using equity method	1,270	–
Foreign exchange gains	6,352	–
Other	524	215
Total non-operating income	11,167	3,945
Non-operating expenses		
Interest expenses	58	1,285
Commitment fees	159	137
Provision for loss on disaster	141	–
Share of loss of entities accounted for using equity method	–	907
Foreign exchange losses	–	4,403
Other	174	168
Total non-operating expenses	533	6,901
Ordinary profit	39,135	25,815
Extraordinary income		
Gain on bargain purchase	–	421
Gain on sale of non-current assets	0	0
Total extraordinary income	0	421
Extraordinary losses		
Loss on step acquisitions	–	175
Loss on retirement of non-current assets	13	6
Total extraordinary losses	13	181
Profit before income taxes	39,121	26,054
Income taxes	9,092	4,639
Profit	30,029	21,415
Profit attributable to non-controlling interests	2,258	276
Profit attributable to owners of parent	27,770	21,139

Semi-annual consolidated statement of comprehensive income

(Millions of yen)

	Six months ended September 30, 2023	Six months ended September 30, 2024
Profit	30,029	21,415
Other comprehensive income		
Valuation difference on available-for-sale securities	33,818	(15,452)
Deferred gains or losses on hedges	492	(2,776)
Foreign currency translation adjustment	6,155	22,923
Remeasurements of defined benefit plans, net of tax	(114)	(129)
Share of other comprehensive income of entities accounted for using equity method	436	(252)
Total other comprehensive income	40,788	4,313
Comprehensive income	70,817	25,728
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	68,559	25,452
Comprehensive income attributable to non-controlling interests	2,257	276

(3) Notes to semi-annual consolidated financial statements

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

1. Significant changes in the scope of consolidation

During the six months ended September 30, 2024, we acquired additional shares of Longboat JAPEX Norge AS, which was an equity-method affiliate. Therefore, we have changed its name to JAPEX Norge AS and included it in the scope of consolidation.

2. Significant changes in the scope of application of the equity method

During the six months ended September 30, 2024, the silent partnership of which operator is Ozu Biomass Power Co., Ltd., an affiliate of JAPEX, became an equity method affiliate due to the increased material significance, and Gulf Coast LNG Holdings LLC became an equity method affiliate because JAPEX acquired interest in that company.

In addition, we acquired additional shares of Longboat JAPEX Norge AS, which was an equity-method affiliate, and included it in the scope of consolidation. Therefore, we have excluded it from the scope of application of the equity method.

(Notes to specific accounting for preparing semi-annual consolidated financial statements)

Deferral accounting of cost variance

Cost variance arising from seasonal changes in production level is deferred as current assets (other) and 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 six months ended September 30, 2024, and next by multiplying the semi-annual 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.

(Notes to segment information, etc.)

I Six months ended September 30, 2023

Information regarding net sales and profit (loss) by reportable segment

(Millions of yen)

	Reportable segment					Others	Total	Adjustment (Note) 1	Amount on the semi- annual consolidated statement of income (Note) 2
	Japan	North America	Europe	Middle East	Total				
Net sales									
Net sales to outside clients	111,587	14,564	–	24,557	150,708	–	150,708	–	150,708
Intersegment sales or transfers	–	–	–	–	–	–	–	–	–
Total	111,587	14,564	–	24,557	150,708	–	150,708	–	150,708
Segment profit (loss)	26,341	5,488	(248)	3,119	34,702	–	34,702	(6,200)	28,501

Notes: 1. The segment profit (loss) adjustment of ¥(6,200) million includes intersegment eliminations of ¥0 million and corporate expenses that are not allocated to any reportable segments of ¥(6,201) million. Corporate expenses are mainly general and administrative expenses and experimentation and research expenses, all of which are not attributable to the reportable segments.

2. Segment profit (loss) was adjusted to operating profit in the semi-annual consolidated statement of income.

II Six months ended September 30, 2024

Information regarding net sales and profit by reportable segment

(Millions of yen)

	Reportable segment					Others	Total	Adjustment (Note) 1	Amount on the semi- annual consolidated statement of income (Note) 2
	Japan	North America	Europe	Middle East	Total				
Net sales									
Net sales to outside clients	127,720	27,368	6,323	22,194	183,606	–	183,606	–	183,606
Intersegment sales or transfers	12	–	–	–	12	–	12	(12)	–
Total	127,733	27,368	6,323	22,194	183,619	–	183,619	(12)	183,606
Segment profit	20,544	10,351	2,205	2,140	35,241	–	35,241	(6,469)	28,771

Notes: 1. The segment profit adjustment of ¥(6,469) million includes intersegment eliminations of ¥(1) million and corporate expenses that are not allocated to any reportable segments of ¥(6,468) million. Corporate expenses are mainly general and administrative expenses and experimentation and research expenses, all of which are not attributable to the reportable segments.

2. Segment profit was adjusted to operating profit in the semi-annual consolidated statement of income.

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

JAPEX's Board of Directors resolved at a meeting held on November 10, 2023 on matters related to the repurchase of own shares, and as of September 30, 2024, JAPEX had acquired 15,000,000 treasury shares. As a result, treasury shares increased by ¥10,437 million during the six months ended September 30, 2024. In addition, JAPEX's Board of Directors resolved at a meeting held on November 10, 2023, on matters related to the cancellation of treasury shares, and resolved at a meeting held on September 26, 2024, on matters related to a partial change to the cancellation. JAPEX cancelled 14,500,000 treasury shares on September 30, 2024. As a result, retained earnings and treasury shares decreased by ¥17,788 million each, during the six months ended September 30, 2024. JAPEX conducted a 5-for-1 stock split of shares of common stock on October 1, 2024. The number of shares shown above is the number of shares after the stock split.

(Notes on premise of going concern)

No item to report.

(Notes to significant subsequent events)

(Stock Split and Partial Amendment to the Articles of Incorporation)

JAPEX conducted a stock split and partially amended its Articles of Incorporation in connection with this split on October 1, 2024, based on the resolution at the Board of Directors held on May 14, 2024.

1. Purpose of the stock split

The purpose of the stock split is to increase the liquidity of its shares and expand the investor base by reducing the price per unit of investment.

2. Outline of the stock split

(1) Method of the stock split

Each share of common stock owned by shareholders listed or recorded in the closing register of shareholders on the record date of September 30, 2024, was split into five shares.

(2) Number of shares to be increased by the stock split

Total number of issued shares before the stock split	51,400,076 shares
Number of shares to be increased by the stock split	205,600,304 shares
Total number of issued shares following the stock split	257,000,380 shares
Total number of authorized shares following the stock split	600,000,000 shares

Note: JAPEX cancelled treasury shares on September 30, 2024. The above total number of issued shares before the stock split is the number of shares after the cancellation of treasury shares.

(3) Schedule of the stock split

Public notice of record date	September 13, 2024
Record date	September 30, 2024
Effective date	October 1, 2024

(4) Effect on per share information

The effect on per share information is stated in the relevant section.

3. Partially amend the JAPEX's Articles of Incorporation in connection with the stock split.

(1) Purpose of the amendment

In connection with the stock split, an associated article of the Article of Incorporation was amended effective October 1, 2024, in accordance with Article 184, Paragraph 2 of the Companies Act.

(Sale of investment securities)

JAPEX's Board of Directors resolved at a meeting held on November 13, 2024 to sell a portion of its investment securities held. As a result, a gain on sales of investment securities (extraordinary gain) is expected to be recorded in the fiscal year ending March 31, 2025.

1. Reason for sale of investment securities

To use as a source of funds for growth investments

2. Details of sale of investment securities

- | | |
|--------------------------------------------|--------------------------------|
| (1) Type of asset sold | One listed security held JAPEX |
| (2) Gain on sales of investment securities | Approx. 42 billion yen |

Note: Gain on sale of investment securities is an estimated amount calculated based on the current stock price of the relevant security and may change depending on future conditions.

3. Supplemental information

Status of production and sales

(1) Production

		Six months ended September 30, 2023 (April 1, 2023 – September 30, 2023)	Six months ended September 30, 2024 (April 1, 2024 – September 30, 2024)	(Reference) Fiscal year ended March 31, 2024 (April 1, 2023 – March 31, 2024)
E&P Business	Crude oil (kL)	546,545 (440,374)	779,894 (664,032)	1,143,923 (911,914)
	Natural gas (thousand m ³)	255,876 (27,541)	292,808 (68,768)	554,757 (70,533)
Infrastructure/ Utility Business	Electricity (thousand kWh)	1,717,047	1,419,450	3,085,392

Note: The figures in parentheses represent overseas production and are included in the total.

(2) Sales

		Six months ended September 30, 2023 (April 1, 2023 – September 30, 2023)		Six months ended September 30, 2024 (April 1, 2024 – September 30, 2024)		(Reference) Fiscal year ended March 31, 2024 (April 1, 2023 – March 31, 2024)	
		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)	650,603	47,259	877,647	64,133	1,240,742	87,808
	Natural gas (overseas) (thousand m ³)	25,790	276	69,390	1,813	65,950	1,002
	Subtotal		47,536		65,946		88,810
Infrastructure/ Utility Business	Natural gas (Japan) (thousand m ³)	399,748	36,389	397,954	33,173	955,826	81,487
	LNG (t)	61,567	6,049	266,981	24,693	275,149	30,190
	Electricity (thousand kWh)	1,946,513	29,251	1,514,041	23,613	3,548,750	53,272
	Others		2,996		5,068		7,197
	Subtotal		74,686		86,548		172,147
Other Businesses	Contract services		3,117		4,065		6,395
	Oil products/ merchandise		23,755		25,811		55,423
	Others		1,612		1,233		3,087
	Subtotal		28,486		31,110		64,905
	Total		150,708		183,606		325,863

- Notes: 1. “Crude oil” of the E&P Business includes crude oil that the JAPEX Group produced in oil fields and the crude oil purchased from other companies.
2. “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 pipeline networks.
3. “Others” of the Infrastructure/Utility Business includes commissioned transportation of natural gas and contracted vaporization of LNG used for power plant fuel, etc.
4. Under the Other Businesses, “Oil products/merchandise” includes liquefied petroleum gas (LPG), fuel oil, gas oil and kerosene, and “Others” includes other subcontracted tasks.