



[Explanatory Material]

# Financial Results

for the Six Months Ended September 30, 2021

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November 9, 2021

**Japan Petroleum Exploration Co., Ltd.**

Note: This material is an English translation of the Japanese-language original

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**II . Financial Results for the Six Months Ended September 30, 2021**

**III . Revised Financial Forecasts for the fiscal year ending March 31, 2022**

Note) This material also serves as the presentation material for the financial results briefing for the institutional investors and analysts to be held on November 10, 2021.

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## **I . Financial Highlights**

**II . Financial Results for the Six Months Ended September 30, 2021**

**III . Revised Financial Forecasts for the fiscal year ending March 31, 2022**

# Financial Highlights

## ■ 2Q FY3/22 Results (Year-on-Year)

(Billion Yen)	FY3/21 2Q (a)	FY3/22 2Q (a)	Change	
Operating profit	(6.2)	9.5	+15.8	-
Ordinary profit	(6.8)	19.3	+26.1	-
Profit attributable to owners of parent	(6.9)	(119.6)	(112.7)	-

- Operating profit : (E&P) Increase in profit of domestic sales and diluted bitumen sales due to a rise of crude oil prices (I/U) Increase in profit due to an increase of the sales volume of electricity by operating for the full reporting period in Fukushima Natural Gas Power Plant\*  
\*Operated by Fukushima Gas Power Co., Ltd., which is invested by 5 companies as partners, including JAPEX
- Extraordinary losses : 44.2 bn. JPY of loss on transfer of interests (Shale gas project in Canada), 94.1 bn. JPY of loss on sale of shares of subsidiaries (Oil sands project in Canada)

## ■ FY3/22 Forecasts Revision (vs. Aug. 10 Forecasts)

(Billion Yen)	Aug 10, 2021 (f)	Nov 9, 2021 (f)	Change	
Operating profit	11.8	16.6	+4.7	+40%
Ordinary profit	26.1	28.3	+2.2	+9%
Profit attributable to owners of parent	(114.0)	(69.8)	+44.1	-

- Operating profit : (E&P) Increase in sales volume of natural gas produced in Japan and a rise of sales prices (I/U) Increase in marginal gain on LNG procurement
- Extraordinary income : 39.8 bn. JPY of gain on sale of investment securities

## ■ Shareholder Return

- Annual dividend forecast for the FY3/22 remains unchanged at 50 JPY per share (25.0 JPY at the interim and 25.0 JPY at the year-end)
- Decided to repurchase own shares for up to 3 million shares or 8 billion JPY

# Reduction of strategic shareholdings and shareholder returns

## Partial sale of INPEX shares

- Sold a portion of holding shares in INPEX CORPORATION and reduced our holding ratio from the perspective of asset efficiency and other factors.
- JAPEX to recognize 39.8 billion JPY of extraordinary income from sale of investment securities in 3Q FY3/22.
- Proceeds from sale of 49.8 billion JPY will be allocated to shareholder returns and investment in growth.

Number of shares owned before the sale	106,893,200 (7.32 %* <sup>1</sup> of the total number of outstanding shares excl. treasury shares)
Number of shares sold	53,446,600 (Sale price per share: 946 yen)
Number of shares owned after the sale	53,446,600 (3.80%* <sup>2</sup> of the total number of outstanding shares excl. treasury shares)

## Repurchase of own shares

- A portion of the proceeds from the aforementioned sales will be used to repurchase shares for shareholder returns and improve capital efficiency.
- All of the repurchased treasury shares will be cancelled.


Own shares to be repurchased	Up to 3,000,000* <sup>3</sup> shares or up to 8 billion JPY
Repurchase method	Market purchases
Repurchase period	From November 10, 2021 to November 9, 2022

Note)

\*1: Share holding ratio to 1,460,357,100 shares after excluding 1,966,500 shares of treasury shares as of September 30, 2021

\*2: Share holding ratio to 1,406,910,100 shares after excluding 1,966,500 shares of treasury shares as of September 30, 2021, and 53,446,600 shares of treasury shares repurchased by INPEX through ToSTNeT-3 today.

\*3: 5.25% of 57,152,394 shares, which is the number of shares obtained by excluding 2,382 shares of treasury shares from the total number of issued shares as of October 31, 2021.



**Aim to improve efficiency of both assets and capital while balancing between securing funds for investment in growth and shareholder returns**

# FY3/22 Current Progress on Main Business

## E&P Business

### **[Maintain and Increase domestic production volume]**

- Decided an additional development at Katakai Gas Field in Niigata (Apr.)

### **[Review of Business portfolio]**

- Transferred the interest of Shale Gas Project in Canada \*Transaction closed in Jul.
- Ended our promotion of Oil Sands Project in Canada \*Transaction closed in Sep.

## Infrastructure/Utility Business

### **[Renewable energy development]**

- Established the PHOTON sustainable PV investment limited partnership, a fund targeting at post-FIT era (Sep.)
- Decided to construct Chofu Biomass Power Plant in Shimonoseki-city, Yamaguchi Prefecture (Sep.)
- Decided to participate in the 2nd and 3rd plants of Abashiri biomass power generation project in Hokkaido (Sep.)

### **[Development of new gas demand and diversification of LNG procurement]**

- Signed the Energy Service Provider contract with Boehringer Ingelheim Seiyaku Co., Ltd. to provide natural gas based energy for Yamagata Plant (Jun.)
- Signed a LNG fuel sales contract for limestone carrier to Nippon Steel Corporation/Nittetsu Cement Co., Ltd. (Sep.)
- Received the first carbon-neutral LNG cargo at Soma LNG terminal (Oct.)

## New Business Development

### **[CCS/CCUS and carbon recycling]**

- Started joint study on CO<sub>2</sub> utilization around Niigata(May)
- Started joint study of CCUS project using joint Crediting Mechanism at Sukowati oil field in Indonesia (Jun.)
- Started joint study on energy transportation and supply infrastructure for CO<sub>2</sub>, hydrogen and ammonia (Jun.)
- Established “Tomakomai Sector-Coupling Study Committee” for developing scenarios in carbon recycling technology implementation(Sep.)

# FY3/22 Current Progress on Main ESG Challenges

## E Environment

### **【Contribution to the Low-carbonization】**

- ✓ Formulated “JAPEX2050”, a carbon-neutral direction & objective for 2050 (May)
- ✓ Established the Carbon Reduction Project Office in domestic E&P Project division to strengthen carbon-neutral measures in domestic oil and gas fields (Oct.)
- ✓ Obtained third-party evaluation for disclosed ESG information (Sep.)

## S Social

### **【Developing a Rewarding work environment】**

- ✓ Officially introduced the work-from-home system (Apr.)
- ✓ Implemented the vaccination against COVID-19 at the headquarters (Jul.- Aug.)

## G Governance

### **【Strengthen Corporate Governance Structure】**

- ✓ Established the Risk Management Committee and Sustainability Committee (Apr.)

### **【External evaluation obtained in the FY3/22】**

- ✓ MSCI Japan Empowering Women (WIN) Select (Jun.)
- ✓ R&I's Credit Ratings (newly obtained) : Long-term A + (Stable) / Short-term a-1 (Oct.)

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# E&P Business (Year-on-Year)

Net sales : Million Yen		1-2Q FY3/21 (a)		1-2Q FY3/22 (a)		Change			
		Sales volume	Net sales	Sales volume	Net sales	Sales volume		Net sales	
E&P Business	-	-	37,547	-	49,820	-	-	+12,273	+33%

## Breakdown

Crude oil	Thousand KL	1,126	28,452	345	17,494	(781)	(69%)	(10,957)	(39%)
Crude oil - Japan		138	3,726	154	7,465	+16	+12%	[1] +3,739	+100%
Crude oil - Overseas* <sup>1</sup>		187	4,701	176	9,358	(11)	(6%)	[2] +4,656	+99%
Purchased crude oil		800	20,024	13	671	[3] (786)	(98%)	(19,353)	(97%)
Diluted bitumen* <sup>2</sup>		613	7,757	959	31,121	[4] +346	+56%	+23,363	+301%
Natural Gas - Overseas* <sup>3</sup>	Million M3	229	1,336	128	1,204	(100)	(44%)	(132)	(10%)

## Main factors for change

- [1] Increase in sales price  
 [2] Increase in sales price of crude oil from Garraf Oil Field in Iraq  
 [3] Decrease in sales volume of purchased crude oil from SODECO due to application of the "Accounting Standard for Revenue Recognition"  
 [4] Increase in sales volume and price of diluted bitumen from the Hangingstone Lease in Canada

※Due to the transfer of interest, overseas crude oil and natural gas sales related to JML are recorded for the three months from January to March 2021.

※Due to the sale of JACOS's shares, diluted bitumen sales are recorded for the eight months from January to August 2021.

\*1 Include the amounts of 3 overseas subsidiaries (Japex Garraf Ltd., JAPEX Montney Ltd. and Japex (U.S.) Corp.)

\*2 Royalty is excluded in the net sales and price of diluted bitumen

\*3 Include the volume of 2 overseas subsidiaries (JAPEX Montney Ltd., (JML) and Japex (U.S.) Corp.)

# I/U Business Sales (Year-on-Year)

Net sales : Million Yen		1-2Q FY3/21 (a)		1-2Q FY3/22 (a)		Change			
		Sales volume	Net sales	Sales volume	Net sales	Sales volume		Net sales	
Infrastructure & Utility Business	-	-	43,982	-	<b>46,382</b>	-	-	+2,400	+5%

## Breakdown

Natural Gas - Japan	Million M3	520	25,059	<b>455</b>	<b>21,238</b>	[1]	(64)	(12%)	(3,820)	(15%)
- Produced in Japan		216	-	<b>233</b>	-	+16	+8%	-	-	
LNG	Thousand Ton	94	6,475	<b>96</b>	<b>8,186</b>	+1	+2%	+1,710	+26%	
Electricity	Million kWh	1,274	10,042	<b>1,605</b>	<b>14,998</b>	[2]	+331	+26%	+4,955	+49%
Other*	-	-	2,405	-	<b>1,960</b>	-	-	(445)	(19%)	

## Main factors for change

[1] Decrease in sales volume due to application of the "Accounting Standard for Revenue Recognition", and sales volume related to the commissioning of the Fukushima Natural Gas Power Plant in the FY3/21

[2] Increase in sales volume of electricity due to the Fukushima Natural Gas Power Plant operating for the full reporting period, and increase in sales price

\* Including net sales from commissioned regasification of LNG

# FY3/22 Results (Year-on-Year)

Million Yen	1-2Q FY3/21 (a)	1-2Q FY3/22 (a)	Change	
Net sales	98,127	<b>118,507</b>	+20,380	+21%
Gross profit	8,884	<b>25,784</b>	+16,900	+190%
Operating profit	(6,271)	<b>9,540</b>	+15,812	-
Ordinary profit	(6,837)	<b>19,349</b>	+26,187	-
Profit attributable to owners of parent	(6,975)	<b>(119,676)</b>	(112,700)	-

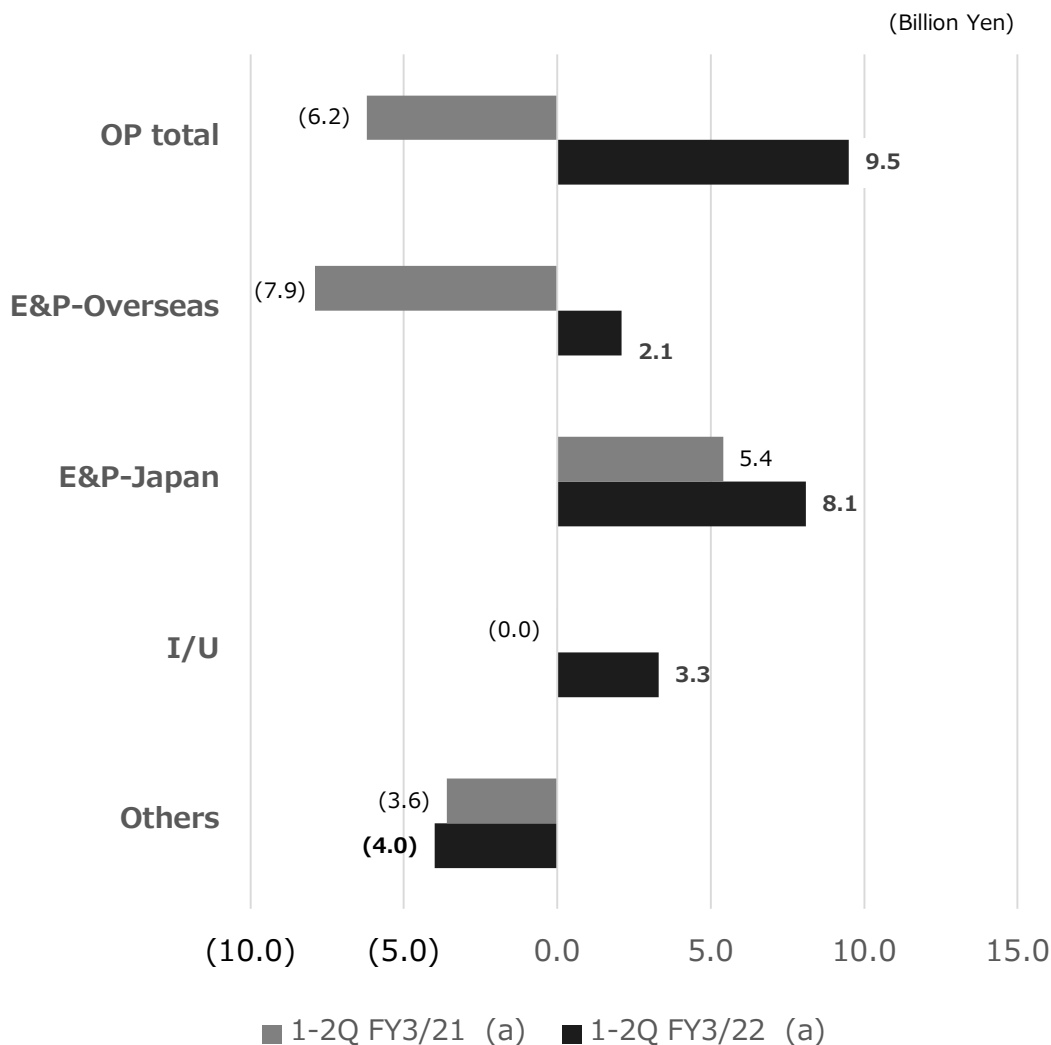
## Oil Price, Exchange Rate and Sales Price

		1-2Q FY3/21 (a)	1-2Q FY3/22 (a)	Change
WTI	USD/bbl	39.59	<b>62.21</b>	+22.62
Crude oil price (CIF)	USD/bbl	38.11	<b>67.38</b>	+29.27
Exchange rate	JPY/USD	107.46	<b>109.15</b>	+1.69
JACOS Diluted bitumen <sup>*1</sup>	USD/bbl	18.64	<b>46.90</b>	+28.26
JML Natural gas <sup>*2</sup>	CAD/mcf	2.09	<b>2.96</b>	+0.87

\*1 Diluted bitumen sales price of Japan Canada Oil Sands Ltd. (Excl. Royalty)

\*2 Natural gas sales price of JAPEX Montney Ltd. (Excl. Royalty)

# Operating Profit (Year-on-Year)



## E&P Business

**Overseas : + 10.1 bn. (7.9 bn.) → 2.1 bn.**

- Improvement in diluted bitumen sales due to a rise of crude oil prices

**Domestic : + 2.6 bn. 5.4 bn. → 8.1 bn.**

- Increase in profit due to a rise of crude oil prices

## I/U Business

**+3.3 bn. (0.0 bn.) → 3.3 bn.**

- Increase in sales volume of electricity due to the Fukushima Natural Gas Power Plant operating for the full reporting period

## Others \*

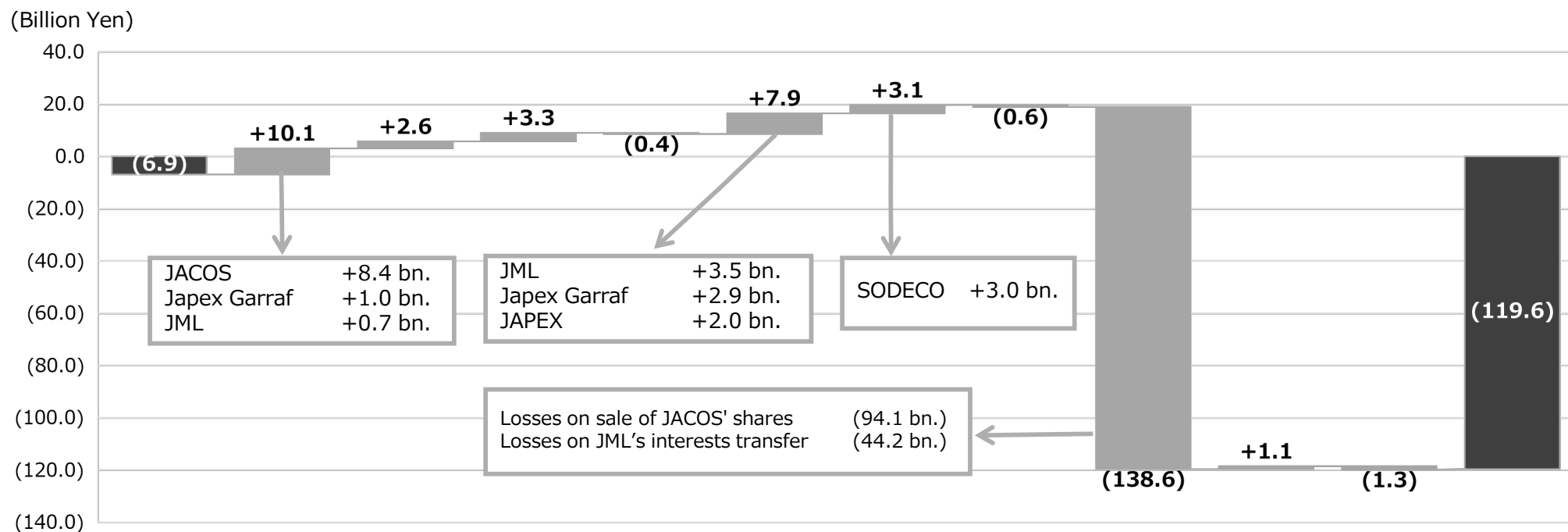
**(0.4 bn.) (3.6 bn.) → (4.0 bn.)**

- Decrease in profit of contract services and others

\* Operating income (contracting, oil products and commodities, and others) not belonging to the above business units, less headquarters administrative expenses

\* The amounts in the operating income breakdown by business segment are the figures for the Group's internal management

# Analysis of Net Income change (Year-on-Year)



Net income	Operating profit* +15.8 bn.				Non-operating income +10.3 bn.			Extraordinary income	Income taxes	Profit attributable to non-controlling interest	Net income FY3/22 1-2Q (a)
	FY3/21 1-2Q (a)	E&P overseas	E&P Japan	I/U	Others	Foreign exchange gains and loss	Equity on earnings				
FY3/21(a) 1-2Q	(7.9)	5.4	(0.0)	(3.6)	(3.9)	3.3	0.0	(0.0)	0.6	(0.5)	
FY3/22(a) 1-2Q	2.1	8.1	3.3	(4.0)	3.9	6.4	(0.6)	(138.6)	(0.4)	0.8	

\* The amounts in the operating income breakdown by business segment are the figures for the Group's internal management

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# E&P Business Sales Forecasts (vs Aug. 10 Forecasts)

Net sales : Million Yen		Previous (f) Aug. 10, 2021		Revised (f) Nov. 9, 2021		Change			
		Sales volume	Net sales	Sales volume	Net sales	Sales volume		Net sales	
E&P Business	-	-	71,444	-	<b>72,690</b>	-	-	+1,246	+2%

## Breakdown

Crude oil	Thousand KL	822	40,027	<b>816</b>	<b>40,393</b>	(6)	(1%)	+365	+1%	
Crude oil - Japan		285	13,628	<b>286</b>	<b>13,923</b>	+1	+1%	+294	+2%	
Crude oil - overseas <sup>*1</sup>		513	25,217	<b>505</b>	<b>25,261</b>	(7)	(2%)	+43	+0%	
Purchased crude oil		24	1,181	<b>24</b>	<b>1,208</b>	+0	+1%	+27	+2%	
Diluted bitumen <sup>*2</sup>		949	30,211	<b>959</b>	<b>31,121</b>	<b>[1]</b>	+10	+1%	+910	+3%
Natural Gas - Overseas <sup>*3</sup>	Million M3	130	1,205	<b>129</b>	<b>1,175</b>	(0)	(0%)	(29)	(2%)	

## Main factors for change

[1] Increase in sales volume and price of diluted bitumen from the Hangingstone Lease in Canada

\*1 Include the amounts of 3 overseas subsidiaries (Japex Garraf Ltd., JAPEX Montney Ltd. and Japex (U.S.) Corp.)

\*2 Royalty is excluded in the net sales and price of diluted bitumen

\*3 Include the volume of 2 overseas subsidiaries (JAPEX Montney Ltd., and Japex (U.S.) Corp.)

# I/U Business Sales Forecasts (vs Aug. 10 Forecasts)

Net sales : Million Yen		Previous (f) Aug. 10, 2021		Revised (f) Nov. 9, 2021		Change			
		Sales volume	Net sales	Sales volume	Net sales	Sales volume		Net sales	
Infrastructure & Utility Business	-	-	108,899	-	<b>112,602</b>	-	-	+3,703	+3%

## Breakdown

Natural Gas - Japan	Million M3	1,026	51,510	<b>1,042</b>	<b>54,075</b>	[1]	+15	+2%	+2,564	+5%
- Produced in Japan		491	-	<b>502</b>	-	+10	+2%	-	-	
LNG	Thousand Ton	301	21,487	<b>293</b>	<b>22,397</b>	(7)	(3%)	[2]	+910	+4%
Electricity	Million kWh	3,164	31,038	<b>3,111</b>	<b>31,370</b>	(53)	(2%)	[3]	+331	+1%
Others*	-	-	4,863	-	<b>4,759</b>	-	-	(103)	(2%)	

## Main factors for change

[1] Increase in sales volume and price

[2]-[3] Increase in sales price due to review of LNG price assumption

\* Including net sales from commissioned regasification of LNG



# FY3/22 Forecasts (vs Aug. 10 Forecasts)

Million Yen	Previous (f) Aug. 10, 2021	Revised (f) Nov. 9, 2021	Change	
Net sales	220,789	<b>235,098</b>	+14,308	+6%
Gross profit	42,141	<b>46,935</b>	+4,793	+11%
Operating profit	11,894	<b>16,669</b>	+4,774	+40%
Ordinary profit	26,159	<b>28,390</b>	+2,231	+9%
Profit attributable to owners of parent	(114,021)	<b>(69,847)</b>	+44,174	-

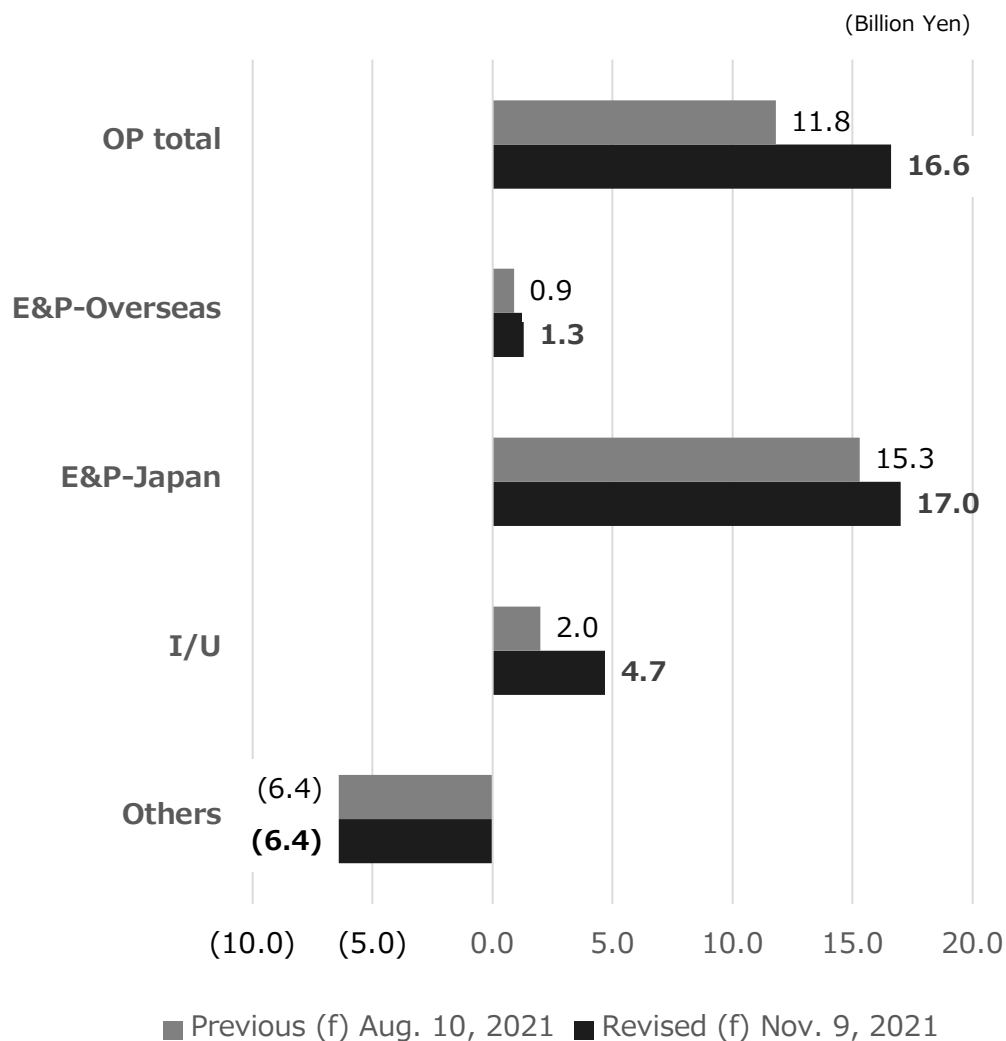
## Oil Price, Exchange Rate and Sales Price

		Previous (f) Aug. 10, 2021	Revised (f) Nov. 9, 2021	Change
WTI	USD/bbl	64.38	<b>64.06</b>	(0.32)
Crude oil price (CIF)	USD/bbl	68.28	<b>68.60</b>	+0.32
Exchange rate	JPY/USD	108.12	<b>108.60</b>	+0.48
JACOS Diluted bitumen <sup>*1</sup>	USD/bbl	46.84	<b>46.90</b>	+0.06
JML Natural gas <sup>*2</sup>	CAD/mcf	2.96	<b>2.96</b>	+0.00

\*1 Diluted bitumen sales price of Japan Canada Oil Sands Ltd. (Excl. Royalty)

\*2 Natural gas sales price of JAPEX Montney Ltd. (Excl. Royalty)

# Operating Profit (vs Aug. 10 Forecasts)



## E&P Business

**Overseas : +0.4 bn.      0.9 bn. → 1.3 bn.**

**Domestic : +1.6 bn.      15.3 bn. → 17.0 bn.**

- Increase in the sales unit price\* of natural gas related to domestic gas

\* Internal transaction price from E&P Business to I/U Business for the internal control

## I/U Business

**+2.6 bn.      2.0 bn. → 4.7 bn.**

- Increase in marginal gain on LNG procurement

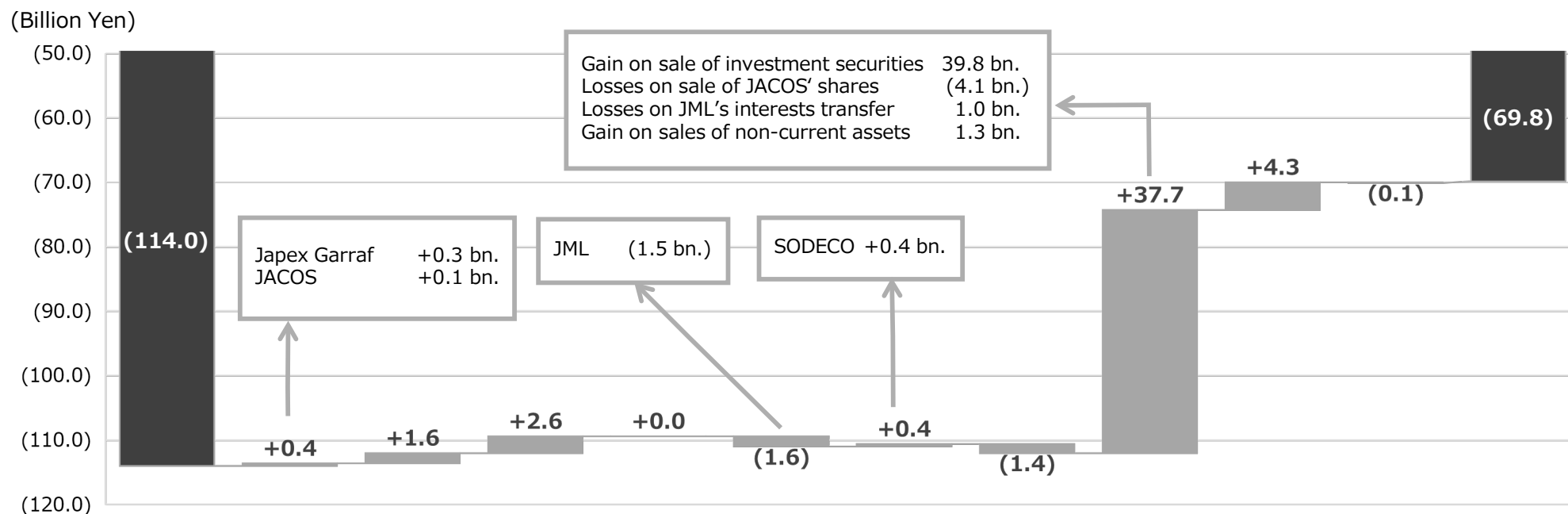
## Others\*

**+0.0 bn.      (6.4 bn.) → (6.4 bn.)**

\* Operating income (contracting, oil products and commodities, and others) not belonging to the above business units, less headquarters administrative expenses

\* The amounts in the operating income breakdown by business segment are the figures for the Group's internal management

# Analysis of Net Income change (vs Aug. 10 Forecasts)



FY3/22 (f) Aug. 10	Operating profit* +4.7 bn.				Non-operating income (2.5 bn.)			Extraordinary income	Income taxes	Profit attributable to non- controlling interest	FY3/22 (f) Nov. 9
	E&P overseas	E&P Japan	I/U	Others	Foreign exchange gains and loss	Equity on earnings	Others				
FY3/22 (f) Aug. 10	0.9	15.3	2.0	(6.4)	4.2	10.1	(0.1)	(133.7)	5.4	0.8	
FY3/22 (f) Nov. 9	1.3	17.0	4.7	(6.4)	2.6	10.6	(1.5)	(96.0)	1.1	1.0	

\* The amounts in the operating income breakdown by business segment are the figures for the Group's internal management

# E&P Business Sales Forecasts (Year-on-Year)

Net sales : Million Yen		FY3/21 (a)		FY3/22 Revised (f)		Change			
		Sales volume	Net sales	Sales volume	Net sales	Sales volume		Net sales	
<b>E&amp;P Business</b>	-	-	97,482	-	<b>72,690</b>	-	-	(24,791)	(25%)

## Breakdown

<b>Crude oil</b>		2,313	72,916	<b>816</b>	<b>40,393</b>	(1,496)	(65%)	(32,523)	(45%)
<b>Crude oil - Japan</b>		287	8,835	<b>286</b>	<b>13,923</b>	(1)	(0%)	<b>[1] +5,088</b>	<b>+58%</b>
<b>Crude oil - overseas<sup>*1</sup></b>	Thousand KL	538	18,268	<b>505</b>	<b>25,261</b>	(33)	(6%)	<b>[2] +6,992</b>	<b>+38%</b>
<b>Purchased crude oil</b>		1,486	45,812	<b>24</b>	<b>1,208</b>	<b>[3] (1,462)</b>	(98%)	(44,604)	(97%)
<b>Diluted bitumen<sup>*2</sup></b>		1,319	21,695	<b>959</b>	<b>31,121</b>	(360)	(27%)	<b>[4] +9,426</b>	<b>+43%</b>
<b>Natural Gas - Overseas<sup>*3</sup></b>	Million M3	470	2,870	<b>129</b>	<b>1,175</b>	<b>[5] (340)</b>	(72%)	(1,694)	(59%)

## Main factors for change

- [1] Increase in sales price
- [2] Increase in sales price of crude oil from Garraf Oil Field in Iraq
- [3] Decrease in sales volume of purchased crude oil from SODECO due to application of the "Accounting Standard for Revenue Recognition"
- [4] Increase in sales volume of diluted bitumen at the Hangingstone Lease in Canada
- [5] Decrease in sales volume due to the interests transfer of the Canadian shale gas project

\*1 Include the amounts of 3 overseas subsidiaries (Japex Garraf Ltd., JAPEX Montney Ltd. and Japex (U.S.) Corp.)

\*2 Royalty is excluded in the net sales and price of diluted bitumen

\*3 Include the volume of 2 overseas subsidiaries (JAPEX Montney Ltd., and Japex (U.S.) Corp.)

# I/U Business Sales Forecasts (Year-on-Year)

Net sales : Million Yen		FY3/21 (a)		FY3/22 Revised (f)		Change			
		Sales volume	Net sales	Sales volume	Net sales	Sales volume		Net sales	
Infrastructure & Utility Business	-	-	101,301	-	<b>112,602</b>	-	-	+11,301	+11%

## Breakdown

Natural Gas - Japan	Million M3	1,183	51,291	<b>1,042</b>	<b>54,075</b>	[1]	(140)	(12%)	+2,783	+5%
- Produced in Japan		528	-	<b>502</b>	-	(25)	(5%)	-	-	
LNG	Thousand Ton	284	15,591	<b>293</b>	<b>22,397</b>	[2]	+9	+3%	+6,805	+44%
Electricity	Million kWh	3,016	30,087	<b>3,111</b>	<b>31,370</b>	[3]	+94	+3%	+1,282	+4%
Others*	-	-	4,331	-	<b>4,759</b>	-	-	+428	+10%	

## Main factors for change

[1] Decrease in sales volume due to application of the "Accounting Standard for Revenue Recognition", and sales volume related to the commissioning of the Fukushima Natural Gas Power Plant in the FY3/21, increase in sales price

[2] Increase in sales volume and price

[3] Increase in sales volume of electricity taken from the Fukushima Natural Gas Power Plant

\* Including net sales from commissioned regasification of LNG

# FY3/22 Forecasts (Year-on-Year)

Million Yen	FY3/21 (a)	FY3/22 Revised (f)	Change	
Net sales	240,078	<b>235,098</b>	(4,979)	(2%)
Gross profit	36,534	<b>46,935</b>	+10,400	+28%
Operating profit	4,192	<b>16,669</b>	+12,476	+298%
Ordinary profit	10,001	<b>28,390</b>	+18,389	+184%
Profit attributable to owners of parent	(2,725)	<b>(69,847)</b>	(67,121)	-

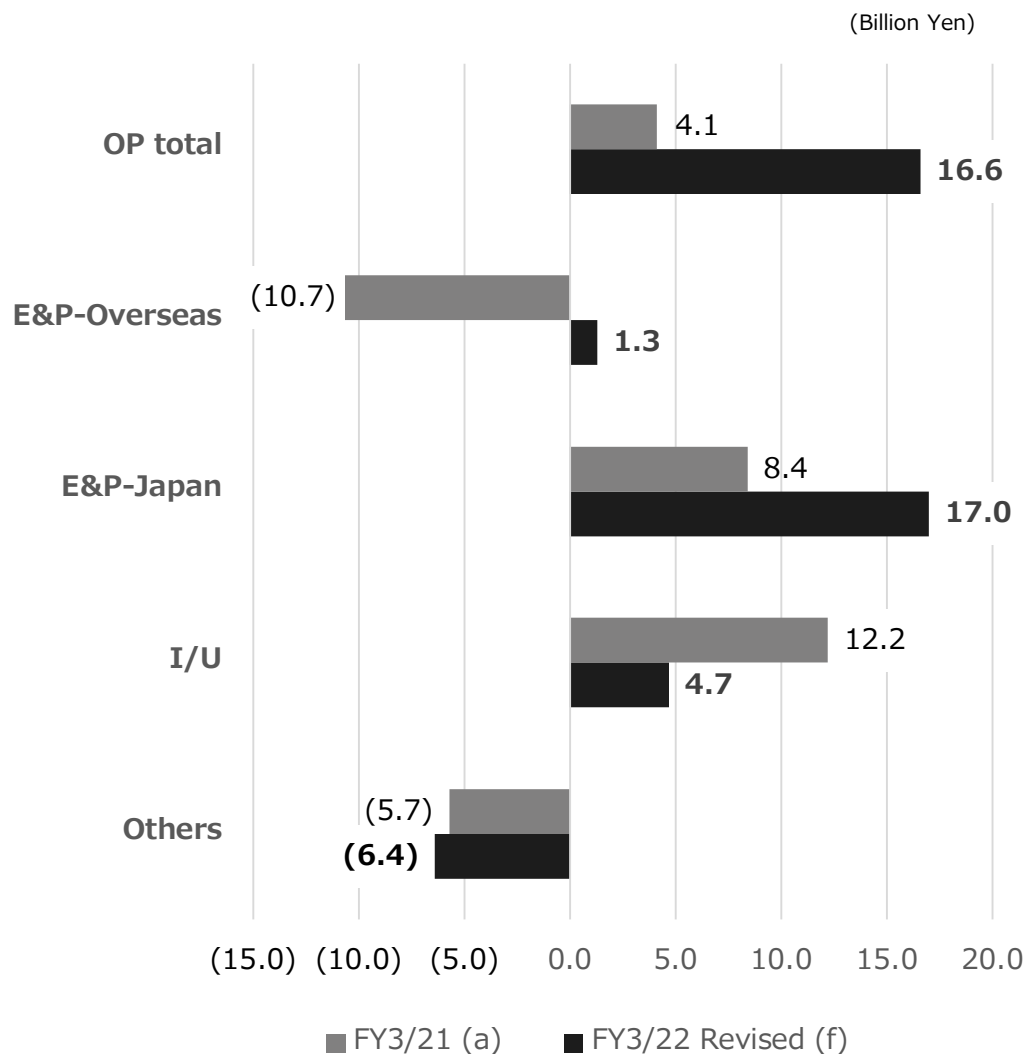
## Oil Price, Exchange Rate and Sales Price

		FY3/21 (a)	FY3/22 Revised (f)	Change
WTI	USD/bbl	40.87	<b>64.06</b>	+23.19
Crude oil price (CIF)	USD/bbl	42.91	<b>68.60</b>	+25.69
Exchange rate	JPY/USD	105.86	<b>108.60</b>	+2.74
JACOS Diluted bitumen <sup>*1</sup>	USD/bbl	25.06	<b>46.90</b>	+21.84
JML Natural gas <sup>*2</sup>	CAD/mcf	2.14	<b>2.96</b>	+0.82

\*1 Diluted bitumen sales price of Japan Canada Oil Sands Ltd. (Excl. Royalty)

\*2 Natural gas sales price of JAPEX Montney Ltd. (Excl. Royalty)

# Operating Profit (Year-on-Year)



## E&P Business

**Overseas : +12.1 bn. (10.7 bn.) → 1.3 bn.**

- Improvement in diluted bitumen sales due to a rise of crude oil prices and improvement in WCS differential

**Domestic : +8.5 bn. 8.4 bn. → 17.0 bn.**

- Increase in profit due to a rise of crude oil prices
- Increase in the sales unit price\* of natural gas related to domestic gas

\* Internal transaction price from E&P Business to Infrastructure/Utilities Business for the internal control

## I/U Business

**(7.5 bn.) 12.2 bn. → 4.7 bn.**

- Reversal of transient gains due to the hike in the JEPX spot market price in FY3/21
- Decrease in marginal gain on LNG procurement

## Others\*

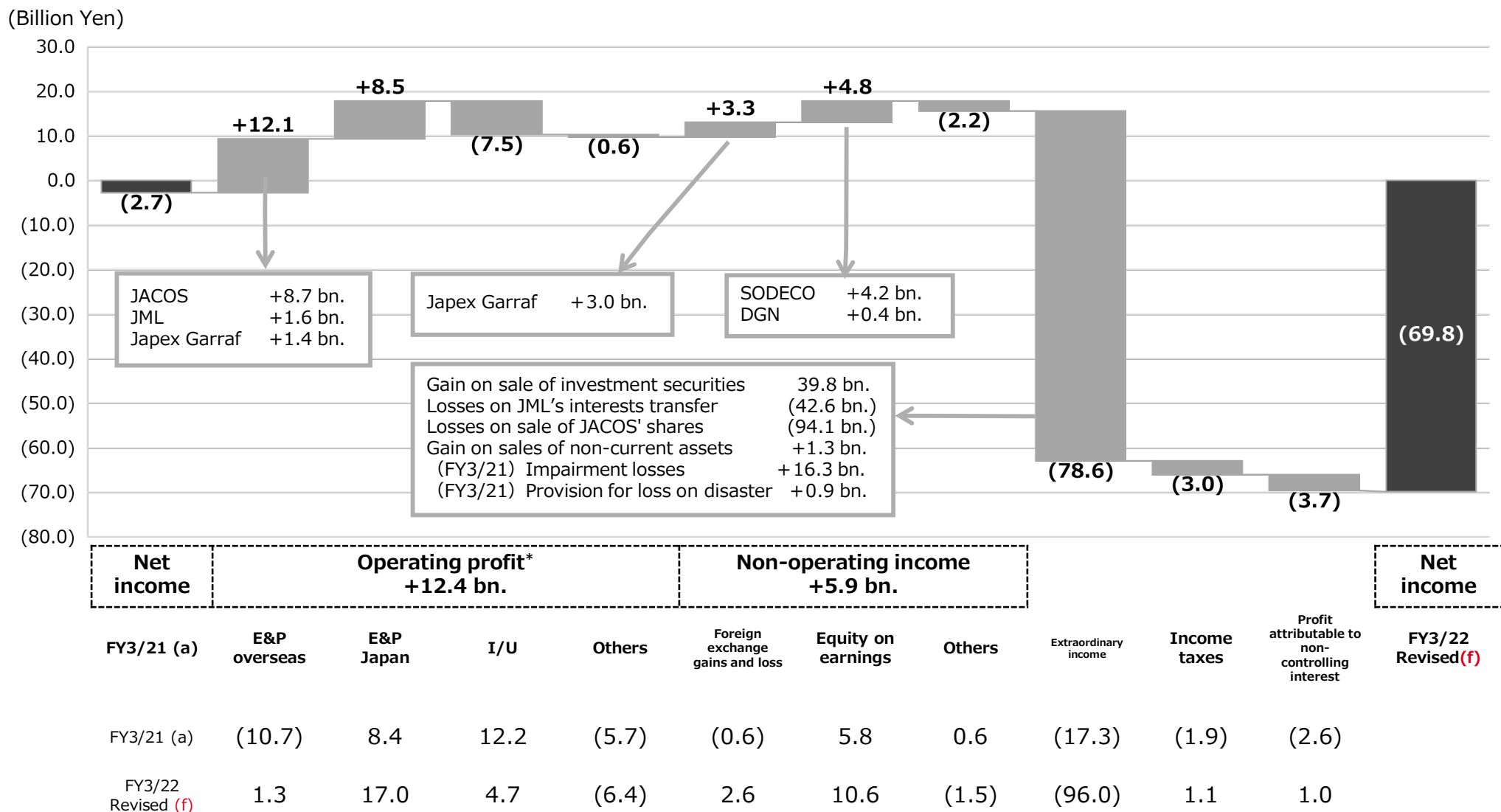
**(0.6 bn.) (5.7 bn.) → (6.4 bn.)**

- Decrease in profit of contract services and others

\* Operating income (contracting, oil products and commodities, and others) not belonging to the above business units, less headquarters administrative expenses

\* The amounts in the operating income breakdown by business segment are the figures for the Group's internal management

# Analysis of Net Income change (Year-on-Year)



\* The amounts in the operating income breakdown by business segment are the figures for the Group's internal management



# Cash Flows and Debt

Million Yen	FY3/21 (a)	FY3/22 (a)	FY3/21 (a)	FY3/22 (f)	
	1-2Q	1-2Q	Full year	Full year	
				Aug.10	Nov.9
<b>Cash flows from operating activities</b>	<b>14,769</b>	<b>(7,558)</b>	<b>43,263</b>	<b>28,608</b>	<b>20,955</b>
Depreciation	10,455	11,831	22,599	17,034	17,667
Recovery of recoverable accounts	3,161	6,289	15,196	22,031	20,912
<b>Cash flows from investing activities</b>	<b>(813)</b>	<b>(625)</b>	<b>(6,453)</b>	<b>9,629</b>	<b>50,408</b>
Purchase of property, plant and equipment	(9,601)	(8,310)	(15,153)	(14,223)	(16,621)
Payments of recoverable accounts	(10,810)	(12,401)	(14,971)	(23,417)	(26,462)
<b>Cash flows from financing activities</b>	<b>(7,616)</b>	<b>(54,201)</b>	<b>(15,626)</b>	<b>(82,142)</b>	<b>(70,265)</b>
<b>Cash and cash equivalents at end of period</b>	<b>143,433</b>	<b>98,263</b>	<b>157,963</b>	<b>114,059</b>	<b>159,061</b>

Interest-bearing debt* <sup>1</sup>	-	-	118,710	64,858	52,905
EBITDA* <sup>2</sup>	-	-	37,150	44,705	50,417
Debt-to-EBITDA ratio	-	-	3.2	1.5	1.1

\*1 Interest-bearing debt includes lease obligations, retirement benefit liabilities and contingent liabilities

\*2 EBITDA is the total of operating profit, depreciation, interest and dividends received on investment cash flow

# Appendix

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- 1. Net Sales**
- 2. Financial Results**
- 3. Segment Profit**
- 4. Price Assumptions for FY3/22 Forecasts**
- 5. Sensitivities Analysis on FY3/22 Forecasts Basis**
- 6. Main Business and Major Assets**
- 7. IR Materials**
- 8. Glossary**

## Appendix

# 1. Net Sales - E&P Business

	Million Yen	FY3/21				FY3/22				
		1Q	2Q	1-2Q	Full year	1Q	2Q	1-2Q	Full year (f)	
									8.10	11.9
Sales		22,904	14,642	37,547	97,482	16,796	33,024	49,820	71,444	72,690
Sales volume of Crude oil (Thousand KL)		687	438	1126	2,313	114	230	345	822	816
Net sales		15,936	12,515	28,452	72,916	5,556	11,938	17,494	40,027	40,393
Sales volume of Crude oil - Japan (Thousand KL)		60	78	138	287	85	69	154	285	286
Net sales		1,800	1,926	3,726	8,835	3,927	3,537	7,465	13,628	13,923
Sales volume of Crude oil - overseas *1 (Thousand KL)		168	18	187	538	22	154	176	513	505
Net sales		4,393	307	4701	18,268	1,312	8,045	9,358	25,217	25,261
Sales volume of Purchased crude oil (Thousand KL)		458	341	800	1,486	6	6	13	24	24
Net sales		9,742	10,281	20,024	45,812	316	354	671	1,181	1,208
Sales volume of Diluted bitumen (Thousand KL)		410	203	613	1,319	351	608	959	949	959
Net sales *2		6,258	1,499	7,757	21,695	10,058	21,063	31,121	30,211	31,121
Sales volume of Natural gas -overseas *3 (Million M3)		111	118	229	470	128	0	128	130	129
Net sales		709	627	1336	2,870	1,181	22	1,204	1,205	1,175
WTI (USD/bbl)		45.10	27.94	39.59	40.87	58.10	66.07	62.21	64.38	64.06
Crude oil price (CIF) (USD/bbl) *4		44.41	33.34	38.11	42.91	64.25	71.31	67.38	68.28	68.60
Exchange rate (JPY/USD) *4		108.04	106.88	107.46	105.86	108.43	109.96	109.15	108.12	108.6
Diluted bitumen *2 (USD/bbl)		22.30	11.29	18.64	25.06	40.99	49.75	46.90	46.84	46.9
JML natural gas *5 (CAD/mcf)		2.36	1.85	2.09	2.14	2.96	-	2.96	2.96	2.96

\*1 Include the amounts of 3 overseas subsidiaries (Japex Garraf Ltd., JAPEX Montney Ltd. and Japex (U.S.) Corp.)

\*2 Royalty is excluded in the net sales and price of diluted bitumen

\*3 Include the volume of 2 overseas subsidiaries (JAPEX Montney Ltd., and Japex (U.S.) Corp.)

\*4 Domestic sales price average of crude oil referring to crude oil (CIF) price and its conversion exchange rate

\*5 Gas sales price of JAPEX Montney Ltd. (Excl. Royalty)

## Appendix

# 1. Net Sales - I/U Business

	Million Yen	FY3/21				FY3/22				
		1Q	2Q	1-2Q	Full year	1Q	2Q	1-2Q	Full year (f)	
									8.10	11.9
Sales		20,997	22,985	43,982	101,301	23,009	23,372	46,382	108,899	112,602
Sales volume of Natural gas - Japan (Million M3)		248	271	520	1,183	233	222	455	1,026	1,042
Net sales		12,798	12,260	25,059	51,291	10,709	10,529	21,238	51,510	54,075
Sales volume of Natural gas produced in Japan (Million M3)		109	106	216	528	123	109	233	491	502
Sales volume of LNG (Thousand ton)		53	41	94	284	52	44	96	301	293
Net sales		3,597	2,878	6,475	15,591	4,397	3,788	8,186	21,487	22,397
Sales volume of Electricity (Million kWh)		448	825	1274	3,016	765	840	1,605	3,164	3,111
Net sales		3,493	6,548	10,042	30,087	7,163	7,834	14,998	31,038	31,370
Others*		1,108	1,297	2,405	4,331	739	1,220	1,960	4,863	4,759

\* Including the revenue from contracted transportation of natural gas and commissioned regasification of LNG

# Appendix

## 2. Financial Results

	Million Yen	FY3/21				FY3/22				
		1Q	2Q	1-2Q	Full year	1Q	2Q	1-2Q	Full year (f)	
									8.10	11.9
<b>Net sales</b>		<b>51,018</b>	<b>47,108</b>	<b>98,127</b>	<b>240,078</b>	<b>50,083</b>	<b>68,424</b>	<b>118,507</b>	<b>220,789</b>	<b>235,098</b>
E&P Business		22,904	14,642	37,547	97,482	16,796	33,024	49,820	71,444	72,690
Infrastructure/Utility Business		20,997	22,985	43,982	101,301	23,009	23,372	46,382	108,899	112,602
Others		7,116	9,480	16,597	41,294	10,277	12,026	22,303	40,445	49,804
Cost of sales		48,619	40,623	89,242	203,543	38,904	53,818	92,722	178,647	188,163
<b>Gross profit</b>		<b>2,399</b>	<b>6,485</b>	<b>8,884</b>	<b>36,534</b>	<b>11,179</b>	<b>14,605</b>	<b>25,784</b>	<b>42,141</b>	<b>46,935</b>
Exploration expenses		206	180	387	989	132	120	252	680	474
SG&A expenses		7,443	7,325	14,769	31,352	7,647	8,344	15,991	29,566	29,791
<b>Operating profit</b>		<b>(5,250)</b>	<b>(1,021)</b>	<b>(6,271)</b>	<b>4,192</b>	<b>3,400</b>	<b>6,140</b>	<b>9,540</b>	<b>11,894</b>	<b>16,669</b>
Non-operation income		<b>(4,325)</b>	<b>3,759</b>	<b>(566)</b>	<b>5,809</b>	<b>7,091</b>	<b>2,718</b>	<b>9,809</b>	<b>14,265</b>	<b>11,721</b>
Interest income		216	117	334	412	37	50	87	172	220
Interest expenses		(972)	(809)	(1,782)	(2,529)	(322)	(982)	(1,305)	(824)	(1,297)
Dividend income		49	1,283	1,332	2,823	48	2,138	2,186	3,635	3,393
Share of profit of entities accounted for using equity method		2,116	1,250	3,366	5,808	3,549	2,921	6,470	10,129	10,619
Provision for overseas investment		85	85	171	342	92	85	177	253	253
Foreign exchange gains and loss		(5,809)	1,837	(3,971)	(639)	3,851	89	3,941	-	2,668
Other		(10)	(6)	(17)	(408)	(165)	(1,584)	(1,750)	(3,376)	(4,135)
<b>Ordinary profit</b>		<b>(9,575)</b>	<b>2,737</b>	<b>(6,837)</b>	<b>10,001</b>	<b>10,491</b>	<b>8,858</b>	<b>19,349</b>	<b>26,159</b>	<b>28,390</b>
Extraordinary income		(3)	(11)	(15)	(17,324)	(1)	(138,663)	(138,665)	(133,795)	(96,004)
Profit before income taxes		(9,578)	2,725	(6,852)	(7,322)	10,489	(129,805)	(119,315)	(107,636)	(67,613)
Income taxes		173	463	636	(1,923)	2,832	(3,316)	(484)	5,487	1,170
Profit attributable to non-controlling interests		(215)	(298)	(514)	(2,673)	550	294	844	897	1,063
<b>Profit attributable to owners of parent</b>		<b>(9,536)</b>	<b>2,561</b>	<b>(6,975)</b>	<b>(2,725)</b>	<b>7,106</b>	<b>(126,782)</b>	<b>(119,676)</b>	<b>(114,021)</b>	<b>(69,847)</b>

# Appendix

## 3. Segment Profit

Million Yen		FY3/21(a)				FY3/22				
		1Q	2Q	1-2Q	Full year	1Q	2Q	1-2Q	Full year(f)	
									8.10	11.9
Japan	Operating profit	790	4,558	5,348	21,988	6,122	4,811	10,934	18,403	22,547
	Share of profit (loss) of entities accounted for using equity method	157	27	185	(319)	19	103	123	(214)	32
North America	Operating profit (loss)	(4,223)	(3,268)	(7,492)	(9,374)	(1,146)	2,883	1,737	1,279	1,631
	Share of profit of entities accounted for using equity method	-	-	-	-	-	-	-	-	-
Europe	Operating loss	(42)	(18)	(61)	(132)	(47)	(34)	(81)	(219)	(173)
	Share of profit of entities accounted for using equity method	-	-	-	-	-	-	-	-	-
Middle East	Operating profit (loss)	301	(83)	217	165	537	676	1,214	1,255	1,645
	Share of loss of entities accounted for using equity method	(2)	0	(2)	(10)	(3)	(2)	(6)	(10)	(14)
Others*1	Operating loss	-	-	-	-	-	-	-	-	-
	Share of profit of entities accounted for using equity method	1,961	1,223	3,184	6,138	3,534	2,820	6,354	10,354	10,601
Adjustments and Eliminations*2		(2,075)	(2,207)	(4,283)	(8,453)	(2,066)	(2,198)	(4,264)	(8,825)	(8,982)
Amounts on consolidated statement of income*3	Operating profit (loss)	(5,250)	(1,021)	(6,271)	4,192	3,400	6,140	9,540	11,894	16,669

\*1 Include the Sakhalin Oil and Gas Development Co., Ltd., Energi Mega Pratama Inc., and others

\*2 Mainly intersegment elimination and corporate expense.

Furthermore, Corporate expense represents mainly general and administrative expenses and experiment and research expense that are not allocated to reporting segments.

\*3 Segment profit (loss) is reconciled to operating profit in the consolidated statements of income.

## 4. Price Assumptions for FY3/22 Forecasts

Market Price			Upper: from January 2020 to March 2021				Full year	
			Lower: from January 2021 to March 2022					
			Jan.-Mar.	Apr.-Jun.	Jul.-Sep.	Oct.-Dec.	Jan.-Mar.	
WTI	USD/bbl	FY3/21	45.10	28.54	41.02	42.77	-	40.87
		FY3/22 Revised (f)	<b>58.10</b> <sup>*1</sup>	<b>66.07</b> <sup>*1</sup>	<b>69.85</b>	-	-	<b>64.06</b>
Crude oil price (CIF) <sup>*2</sup>	USD/bbl	FY3/21	-	44.41	33.34	44.51	49.99	42.91
		FY3/22 Revised (f)	-	<b>64.25</b> <sup>*1</sup>	<b>71.31</b> <sup>*1</sup>	<b>70.00</b>	<b>70.00</b>	<b>68.60</b>
Exchange rate <sup>*2</sup>	JPY/USD	FY3/21	-	108.04	106.88	105.46	104.03	105.86
		FY3/22 Revised (f)	-	<b>108.43</b> <sup>*1</sup>	<b>109.96</b> <sup>*1</sup>	<b>108.00</b>	<b>108.00</b>	<b>108.60</b>

### Sales Price

JACOS Diluted bitumen <sup>*3</sup>	USD/bbl	FY3/21	22.30	11.29	29.77	31.25	-	25.06
		FY3/22 Revised (f)	<b>40.99</b> <sup>*1</sup>	<b>49.75</b> <sup>*1</sup>	<b>51.26</b>	-	-	<b>46.90</b>
JML Natural gas <sup>*4</sup>	CAD/mcf	FY3/21	2.36	1.85	1.89	2.43	-	2.14
		FY3/22 Revised (f)	<b>2.96</b> <sup>*1</sup>	-	-	-	-	<b>2.96</b>

\*1 Actual

\*2 Domestic sales price average of crude oil referring to crude oil (CIF) price and its conversion exchange rate

\*3 Diluted bitumen sales price of Japan Canada Oil Sands Ltd. (Excl. Royalty)

\*4 Natural Gas sales price of JAPEX Montney Ltd. (Excl. Royalty)

## 5. Sensitivities Analysis on FY3/22 Forecasts Basis

	FY3/22 3Q-4Q Assumptions	Fluctuation	Impacts on profit (Million Yen)		Main factors for change Increase factor “+” / Decrease factor “( )”
			Operating profit	Profit attributable to owners of parent	
Crude oil price	<b>Crude oil price (CIF) USD 70.00/bbl</b>	Increase by 1USD/bbl	<b>(20)</b>	<b>(20)</b>	+ Sales of oil and gas (Increase in LNG procurement cost)
Exchange rate	<b>JPY 108.00/USD</b>	1 weaker JPY against USD	<b>160</b>	<b>80</b>	+ Sales of oil and gas (Increase in LNG procurement cost)

### 【Assumptions】

- Changes in equity method investment gain are not included in the above amount.
- In addition to the impact of exchange rate fluctuations shown on the above, translation adjustments of foreign-currency-denominated receivables and payables also occur
- Actual profits are influenced by various other factors besides crude oil prices and exchange rates.



## 6. Overview: E&P Business (Japan/Overseas)

### Updates on 2Q and after

- ✓ Canada: Completed transfer of Shale Gas Project interest in July
- ✓ Canada: Completed transaction to end our promotion of the the Oil Sands Project in September
- ✓ Japan : Established Carbon Reduction Project Office in Domestic E&P Project Division to strengthen Carbon-Neutral measures in domestic Oil and Gas Fields, in October

### Current Status

- Japan: Producing oil and natural gas at a total of 10 fields in Hokkaido, Akita, Yamagata and Niigata Prefectures / Considering the measures to increase production at existing oil and gas fields
- Overseas: Participating in the projects of crude oil and natural gas development and production / Considering new assets and interests acquisition

[Major overseas E&P projects]

Segment	Project Title (operator)	Project company (JAPEX's share)	Interest (JAPEX net)	Status	Gross Production volume (Average of Jan-Jun 2021)
Europe	UK North Sea: Seagull Project (Neptune E&P UK Limited)	JAPEX UK E&P Ltd.(100%)	15% (15%)	Development* <sup>1</sup>	-
Middle East	Iraq: Garraff Project (PETRONAS Carigali Iraq Holding B.V.)	Japex Garraf Ltd. (55%)	30% (16.5%)	Production/ Development* <sup>2</sup>	Approx. 78,000bbl/d* <sup>3</sup>
Other Areas	Indonesia: Kangean Project (Kangean Energy Indonesia Ltd.)	Energi Mega Pratama Inc.(25%)	100% (25%)	Production	4,730,000m <sup>3</sup> /d Approx. 28,800 boe/d
Other Areas	Russia: Sakhalin 1 Project (Exxon Neftegas Ltd.)	Sakhalin Oil and Gas Development Co., Ltd.(15.29%)	30% (4.59%)	Production/ Development	Undisclosed

\*1 : Production commencement is scheduled at early 2023.

\*2 : The timing of achieving production target of 230,000 bbl/d is unforeseeable due to Covid-19 pandemic situation and other factors.

\*3 : Average of Jan-Sep 2021, due to the change in consolidated interim period

## 6. Overview: I/U Business (Gas Supply and Electricity)

### Updates on 2Q and after

- ✓ Decisions on Renewable Energy Projects : Investment in the Chofu Biomass Power Generation Project in September, Participation in Abashiri Biomass Power Generation Project (Units 2 and 3) in September. Established PHOTON sustainable PV investment limited partnership in September.
- ✓ Signed a LNG fuel sales contract for limestone carrier to Nippon Steel Corporation/Nittetsu Cement Co., Ltd. in September
- ✓ JAPEX's first carbon-neutral LNG received at Soma LNG Terminal in Fukushima Prefecture in October.

### Current Status

- ✓ Gas Supply: Stable supply of natural gas and LNG through our domestic gas supply network / Promoting gas sales expansion including response to demand for fuel conversion
  - Soma LNG terminal in Fukushima Prefecture: Engaging the contract work of LNG vaporization and delivery of power generation fuel to the adjacent Fukushima natural gas power plant
- ✓ Electricity: Stable supply of electricity with low environmental impact generated by the power plants in operation / Participating in renewable energy development and investment projects and considering new projects

【Power plants in which we participate】

Type	Power plant (operator)	Share	Location	Capacity	Status
Natural gas fired	Fukushima Natural Gas Power Plant (Fukushima Gas Power Co., Ltd.)	33%	Shinchi Town, Soma County, Fukushima	1,180,000kW	In operation
Renewable Energy - Solar	Mega solar power generation at Japex Hokkaido District Office	100%	Tomakomai City, Hokkaido	1,800kW	In operation
Renewable Energy - Solar	Yufutsu Solar Power Plant (Solar Power Tomakomai Co., Ltd.)	20%	Tomakomai City, Hokkaido	13,000kW	In operation
Renewable Energy -Biomass	Chofu Biomass Power Plant (Chofu Bio-Power LLC)	39.9%	Shimonoseki City, Yamaguchi	74,950kW (to be determined)	In development
Renewable Energy -Biomass	Abashiri Biomass 2 <sup>nd</sup> / 3 <sup>rd</sup> Power Plant (Abashiri Biomass 2 <sup>nd</sup> / 3 <sup>rd</sup> Power Plant LLC.)	94.3%	Abashiri City, Hokkaido	total of 19,800kW (to be determined)	In development

【Participation in renewable energy investment funds】

- PHOTON sustainable PV investment limited partnership(Established in September 2021 to invest in PV power projects in Japan across the development and operation phases, with a 5-year investment period and a 15-year operational period.)

【Power projects under consideration and participation】

- Consortium to study large-scale offshore wind power : Noshiro, Mitane, and Oga offshore wind power generation project, Akita Central Offshore Wind Power Generation Project, Offshore Wind Power Generation Project off Yuza Town

## 6. Overview: New Business (Creation of environmentally friendly businesses)

### Updates on 2Q and after

- ✓ Establishment of “Tomakomai Sector-Coupling Study Committee” for developing scenarios in carbon recycling technology implementation as part of the “Feasibility Study Project for a Carbon Recycling Project Based in the Tomakomai Area” commissioned by NEDO in September

### Current Status

- Studying early practical application and commercialization of CCS (Carbon Dioxide Capture and Storage)/CCUS (Carbon Dioxide Capture, Utilization, and Storage)
- Considering collaboration and participation in carbon neutral businesses, with the potential for collaboration with CCS/CCUS

[Ongoing demonstration tests and study projects]

- Demonstration test in progress
  - Large-scale CCS demonstration test in Tomakomai City (JAPEX has invested and served technical supports for the operator, Japan CCS Co., Ltd.)
- Business feasibility study and review in progress
  - Feasibility study on a carbon recycling project based in the Tomakomai Area
  - Feasibility study on CO<sub>2</sub>-IOR at the Higashi-Niigata gas field (Joint study with Mitsubishi Gas Chemical Company, Inc., based on the collaboration with CO<sub>2</sub> emitted from their Niigata Plant)
  - Joint Study on Feasibility Evaluation of CCUS Project Utilizing Bilateral Credits in Sukowati Oil Field, Indonesia (With Pertamina and LEMIGAS)

## 7. IR Materials

Please visit our website for the integrated report and IR materials.

➤ **Integrated Report2021**

[https://www.japex.co.jp/ir/uploads/JAPEX\\_IR2021\\_e.pdf](https://www.japex.co.jp/ir/uploads/JAPEX_IR2021_e.pdf)



➤ **IR Materials**

IR Library

<https://www.japex.co.jp/en/ir/library/>

- Financial Results

<https://www.japex.co.jp/en/ir/library/result/>

- Explanatory Materials

<https://www.japex.co.jp/en/ir/library/explanatory/>

➤ **Financial Information**

<https://www.japex.co.jp/en/ir/figure/>

- 10-year performance and financial data (Excel format)

[https://www.japex.co.jp/ir/uploads/JAPEX\\_10yearFinancialData\\_e.xlsx](https://www.japex.co.jp/ir/uploads/JAPEX_10yearFinancialData_e.xlsx)

## 8. Glossary

### ■ Abbreviations

BOE(D)	Barrels of Oil Equivalent (per Day)
CCS	Carbon dioxide Capture and Storage
CCUS	Carbon dioxide Capture, Utilization and Storage
CIF	Cost, Insurance and Freight
FID	Final Investment Decision
GHG	Greenhouse Gas
HSE	Health, Safety and Environment
JCC	Japan Crude Cocktail
MH	Methane Hydrate
RRR	Reserve Replacement Ratio
WTI	West Texas Intermediate

### ■ Main Subsidiaries and Affiliates

JACOS*	Japan Canada Oil Sands Limited	Canada / Oil Sands Project
JML	JAPEX Montney Ltd.	Canada / Shale Gas Project
Japex Garraf	Japex Garraf Ltd.	Iraq / Garraf Project
EMPI	Energi Mega Pratama Inc.	Indonesia / Kangean Project
SODECO	Sakhalin Oil & Gas Development Co., Ltd.	Russia / Sakhalin-1 Project
DGN	Diamond Gas Netherlands B.V.	Malaysia LNG Project 3 (Tiga)
FGP	Fukushima Gas Power Co., Ltd.	Natural gas-fired electric power generation Business

Note) \*In the second quarter of FY22/3, all shares held by the Group were sold, and therefore JACOS was excluded from the scope of consolidation.

# Cautionary Statement

This document contains future outlooks such as plans, forecasts, strategies, and others which are not historical fact and these are made by the management's judgement based on the obtainable information at the time of the disclosure. Actual results may significantly differ from those future outlooks due to various factors.

This document is not intended to invite investment.

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## Note:

- Abbreviations used herein are as follows:

(a) = Actual results

(f) = Forecasts

FY = Fiscal Year (FY3/22, for instance, means 12 months ending March 31, 2022)

- Figures in parentheses in "Operating profit," "Ordinary profit," "Share of profit of entities accounted for using equity method," and "Profit attributable to owners of parent" represent losses in each category.

Any inquiries about the information contained herein or other Investor Relations questions are requested to be directed to:

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