

## Consolidated Financial Results for the Six Months Ended September 30, 2022 <under Japanese GAAP>

November 10, 2022

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/>  
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Scheduled date to commence dividend payments: December 12, 2022  
 Scheduled date to file Quarterly Report: November 11, 2022  
 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 six months ended September 30, 2022 (April 1, 2022 – September 30, 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	%
Six months ended September 30, 2022	120,708	1.9	19,304	102.3	43,084	122.7	31,430	–
September 30, 2021	118,507	20.8	9,540	–	19,349	–	(119,676)	–

Note: Comprehensive income: Six months ended September 30, 2022: 34,953 million yen (–%)  
 Six months ended September 30, 2021: (110,004) million yen (–%)

Six months ended	Basic earnings per share		Diluted earnings per share	
	Yen		Yen	
September 30, 2022	573.89		–	
September 30, 2021	(2,096.81)		–	

#### (2) Consolidated financial position

	Total assets		Net assets		Equity ratio	
	Millions of yen		Millions of yen		%	
As of September 30, 2022	509,949		431,832		78.1	
As of March 31, 2022	471,941		402,770		78.7	

Reference: Equity As of September 30, 2022: 398,214 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)			–	150.00	300.00

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	304,563	22.2	45,242	128.4	66,951	53.3	53,000	–	972.52

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

\* Notes

- (1) Changes in significant subsidiaries during the six 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 six 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 September 30, 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 September 30, 2022 73,510 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)

Six months ended September 30, 2022 54,766,817 shares

Six months ended September 30, 2021 57,075,423 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 six months ended September 30, 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 six months ended September 30, 2022

### (1) Explanation of operating results

During the six months ended September 30, 2022, net sales was ¥120,708 million, an increase of ¥2,200 million (+1.9%) year on year. Gross profit was ¥33,980 million, an increase of ¥8,195 million (+31.8%) 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 ¥1,140 million, an increase of ¥887 million (+351.6%) year on year. Selling, general and administrative expenses was ¥13,535 million, a decrease of ¥2,455 million (-15.4%) year on year. As a result, operating profit increased by ¥9,764 million year on year to ¥19,304 million.

Ordinary profit increased by ¥23,734 million year on year to ¥43,084 million, due mainly to an increase in foreign exchange gains and a recording of gain on valuation of derivatives.

Profit before income taxes improved by ¥162,383 million year on year to ¥43,068 million (loss before income taxes of ¥119,315 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 ¥151,106 million year on year to ¥31,430 million (loss attributable to owners of parent of ¥119,676 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 ¥14,142 million, a decrease of ¥35,678 million (-71.6%) 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 ¥76,779 million, an increase of ¥30,397 million (+65.5%) year on year. This was mainly the result of a rise in the selling prices of natural gas (Japan) and electricity due to the rising crude oil price and LNG price, despite the decreased sales volume for 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 ¥29,786 million, an increase of ¥7,482 million (+33.5%) year on year.

### (2) Explanation of financial position

At the end of the second quarter, total assets increased by ¥38,007 million from the previous fiscal year-end to ¥509,949 million.

Current assets increased by ¥10,884 million from the previous fiscal year-end. This was due to an increase in cash and deposits despite a decrease in notes and accounts receivable - trade, and contract assets. Non-current assets increased by ¥27,123 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 construction in progress under property, plant and equipment, and other factors.

Liabilities increased by ¥8,945 million from the previous fiscal year-end to ¥78,117 million.

Current liabilities increased by ¥9,980 million from the previous fiscal year-end. The main factor was an increase in income taxes payable. Non-current liabilities decreased by ¥1,034 million from the previous fiscal year-end. This was mainly due to a decrease in deferred tax liabilities resulting from the fall in market values of investment securities and other factors.

Net assets increased by ¥29,061 million from the previous fiscal year-end to ¥431,832 million. The main factors were increases in foreign currency translation adjustment and retained earnings.

(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 August 9, 2022.

Please refer to the “Notice of Financial Forecasts Revision, Recording of Non-operating Income, Interim Dividend Payout and Dividend Forecast Revision” disclosed on November 10, 2022, 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 September 30, 2022
<b>Assets</b>		
Current assets		
Cash and deposits	147,241	176,455
Notes and accounts receivable - trade, and contract assets	47,564	29,567
Securities	3,030	3,000
Merchandise and finished goods	2,143	2,447
Work in process	29	143
Raw materials and supplies	12,503	15,596
Other	14,458	10,646
Allowance for doubtful accounts	(51)	(51)
Total current assets	226,920	237,804
Non-current assets		
Property, plant and equipment	92,837	104,084
Intangible assets	5,802	5,895
Investments and other assets		
Investment securities	108,910	108,750
Other	37,812	53,757
Allowance for doubtful accounts	(45)	(45)
Allowance for overseas investment loss	(297)	(297)
Total investments and other assets	146,380	162,165
Total non-current assets	245,021	272,144
Total assets	471,941	509,949

(Millions of yen)

	As of March 31, 2022	As of September 30, 2022
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	11,479	10,325
Income taxes payable	2,196	9,393
Provisions	1,905	1,878
Other	9,660	13,624
Total current liabilities	25,241	35,222
Non-current liabilities		
Deferred tax liabilities	16,867	16,260
Retirement benefit liability	3,376	3,372
Provisions	486	547
Asset retirement obligations	19,539	19,530
Other	3,659	3,185
Total non-current liabilities	43,929	42,895
Total liabilities	69,171	78,117
<b>Net assets</b>		
Shareholders' equity		
Share capital	14,288	14,288
Capital surplus	2,607	-
Retained earnings	310,592	335,169
Treasury shares	(3,886)	(135)
Total shareholders' equity	323,602	349,322
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	48,346	44,963
Deferred gains or losses on hedges	(1,862)	(1,683)
Foreign currency translation adjustment	89	4,265
Remeasurements of defined benefit plans	1,464	1,346
Total accumulated other comprehensive income	48,036	48,892
Non-controlling interests	31,131	33,617
Total net assets	402,770	431,832
<b>Total liabilities and net assets</b>	<b>471,941</b>	<b>509,949</b>

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

(Millions of yen)

	Six months ended September 30, 2021	Six months ended September 30, 2022
Net sales	118,507	120,708
Cost of sales	92,722	86,727
Gross profit	25,784	33,980
Exploration expenses	252	1,140
Selling, general and administrative expenses	15,991	13,535
Operating profit	9,540	19,304
Non-operating income		
Interest income	87	406
Dividend income	2,186	1,651
Share of profit of entities accounted for using equity method	6,470	6,684
Foreign exchange gains	3,941	9,176
Gain on valuation of derivatives	–	6,446
Other	450	173
Total non-operating income	13,137	24,540
Non-operating expenses		
Interest expenses	1,305	2
Late charges	1,087	–
Commitment fees	144	155
Provision for loss on disaster	377	250
Other	412	352
Total non-operating expenses	3,327	760
Ordinary profit	19,349	43,084
Extraordinary income		
Gain on sale of non-current assets	16	–
Total extraordinary income	16	–
Extraordinary losses		
Loss on retirement of non-current assets	4	15
Loss on sale of shares of subsidiaries	94,122	–
Loss on transfer of interests	44,281	–
Other	272	–
Total extraordinary losses	138,681	15
Profit (loss) before income taxes	(119,315)	43,068
Income taxes	(484)	8,970
Profit (loss)	(118,831)	34,097
Profit attributable to non-controlling interests	844	2,667
Profit (loss) attributable to owners of parent	(119,676)	31,430

Consolidated quarterly statement of comprehensive income

(Millions of yen)

	Six months ended September 30, 2021	Six months ended September 30, 2022
Profit (loss)	(118,831)	34,097
Other comprehensive income		
Valuation difference on available-for-sale securities	9,023	(3,378)
Deferred gains or losses on hedges	(224)	(64)
Foreign currency translation adjustment	205	4,036
Remeasurements of defined benefit plans, net of tax	(118)	(117)
Share of other comprehensive income of entities accounted for using equity method	(58)	379
Total other comprehensive income	8,827	855
Comprehensive income	(110,004)	34,953
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(110,496)	32,285
Comprehensive income attributable to non-controlling interests	491	2,667

(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 September 30, 2022, it acquired 2,854,700 treasury shares. Consequently, JAPEX acquired treasury shares of ¥4,262 million during the six months ended September 30, 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 September 30, 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 six months under review)

JAPEX Insurance Ltd., has been newly established and included in the scope of consolidation from the second quarter of the current fiscal year. 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 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 second 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 in the second quarter of the fiscal year ending March 31, 2023 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.

Through permission by the government of the Russian Federation to acquire the shares of LLC according to its interest ratio, SODECO will be able to continue to participate in the Sakhalin-1 project. We are currently reviewing the effects for the Sakhalin-1 Project by this event as well as the monetary impacts on the financial position, operating results, and cash flows for the next quarter and subsequent periods.

### 3. Supplemental information

#### Status of production and sales

##### (1) Production

		Six months ended September 30, 2021 (April 1, 2021 – September 30, 2021)	Six months ended September 30, 2022 (April 1, 2022 – September 30, 2022)	(Reference) Fiscal year ended March 31, 2022 (April 1, 2021 – March 31, 2022)
E&P Business	Crude oil (kL)	468,284 (327,049)	297,110 (181,998)	806,390 (525,392)
	Natural gas (thousand m <sup>3</sup> )	371,479 (129,984)	246,826 (1,922)	674,588 (132,025)
	Bitumen (kL)	656,377 (656,377)	– (–)	656,377 (656,377)
Infrastruc- ture/ Utility Business	LNG (t)	1,717	1,102	2,136
	Electricity (thousand kWh)	1,430,044	1,206,213	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

		Six months ended September 30, 2021 (April 1, 2021 – September 30, 2021)		Six months ended September 30, 2022 (April 1, 2022 – September 30, 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)	345,053	17,494	141,842	14,101	669,926	41,056
	Diluted bitumen (kL)	959,777	31,121	–	–	959,777	31,121
	Natural gas (overseas) (thousand m <sup>3</sup> )	128,747	1,204	1,494	40	130,214	1,244
	Subtotal		49,820		14,142		73,422
Infrastructure/Utility Business	Natural gas (Japan) (thousand m <sup>3</sup> )	455,915	21,238	446,423	35,966	1,061,244	58,024
	LNG (t)	96,960	8,186	94,053	13,486	295,536	22,596
	Electricity (thousand kWh)	1,605,817	14,998	1,452,999	25,251	3,023,294	34,320
	Others		1,960		2,074		4,903
Subtotal		46,382		76,779		119,845	
Other businesses	Contract services		3,394		3,861		6,395
	Oil products /merchandise		17,853		25,037		47,354
	Others		1,055		887		2,122
Subtotal		22,303		29,786		55,872	
Total			118,507		120,708		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.