

Consolidated Financial Results for the Nine Months Ended December 31, 2023 <under Japanese GAAP>

February 9, 2024

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/en/>
 Representative: FUJITA Masahiro, Representative Director and President
 Inquiries: MATSUMOTO Akinori, General Manager, Corporate Communication Office
 Telephone: +81-3-6268-7111 (from overseas)
 Scheduled date to commence dividend payments: –
 Scheduled date to file Quarterly Report: February 9, 2024
 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, 2023

(April 1, 2023 – December 31, 2023)

(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	%
December 31, 2023	229,938	2.1	39,868	2.9	48,162	(16.8)	36,515	(15.6)
December 31, 2022	225,105	31.4	38,742	232.6	57,878	135.9	43,286	–

Note: Comprehensive income: Nine months ended December 31, 2023: 67,257 million yen (40.5%)
 Nine months ended December 31, 2022: 47,880 million yen (–%)

	Basic earnings per share	Diluted earnings per share
Nine months ended	Yen	Yen
December 31, 2023	673.93	–
December 31, 2022	793.00	–

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of December 31, 2023	601,935	502,683	78.0
As of March 31, 2023	568,180	457,169	74.9

Reference: Equity As of December 31, 2023: 469,273 million yen As of March 31, 2023: 425,632 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, 2023	–	150.00	–	220.00	370.00
Fiscal year ending March 31, 2024	–	125.00	–	–	–
Fiscal year ending March 31, 2024 (Forecasts)	–	–	–	125.00	250.00

Note: Revisions to the latest forecasts of cash dividends: None

3. Consolidated financial forecasts for the fiscal year ending March 31, 2024 (April 1, 2023 – March 31, 2024)
(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, 2024	330,700	(1.7)	50,700	(18.3)	59,100	(28.9)	45,000	(33.2)	833.06

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): None
- (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. Quarterly 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, 2023 54,300,076 shares
 - As of March 31, 2023 54,300,076 shares
 - b. Number of treasury shares at the end of the period
 - As of December 31, 2023 576,053 shares
 - As of March 31, 2023 73,730 shares
 - c. Average number of shares during the period (cumulative from the beginning of the fiscal year)
 - Nine months ended December 31, 2023 54,183,142 shares
 - Nine months ended December 31, 2022 54,586,057 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, 2023” 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, 2023

(1) Explanation of operating results

During the nine months ended December 31, 2023, net sales was ¥229,938 million, an increase of ¥4,833 million (+2.1%) year on year. Gross profit was ¥62,745 million, a decrease of ¥1,143 million (-1.8%) year on year. Main factors behind the year-on-year increase for net sales and decrease for gross profit include a decrease in the selling prices of crude oil, natural gas, and electricity due to the calming of the market prices of crude oil and others compared to the same period of the previous fiscal year, despite the growth of sales volume for crude oil in North America and the Middle East.

Exploration expenses was ¥2,018 million, an increase of ¥17 million (+0.9%) year on year. Selling, general and administrative expenses was ¥20,858 million, a decrease of ¥2,287 million (-9.9%) year on year. As a result, operating profit was ¥39,868 million, an increase of ¥1,125 million (+2.9%) year on year.

Ordinary profit was ¥48,162 million, a decrease of ¥9,716 million (-16.8%) year on year, due mainly to decreases in share of profit of entities accounted for using equity method and foreign exchange gains.

Profit before income taxes decreased by ¥9,710 million year on year to ¥48,141 million. Profit attributable to owners of parent decreased by ¥6,771 million year on year to ¥36,515 million.

Below is a breakdown of net sales.

(i) E&P Business

Net sales from the E&P Business came to ¥72,841 million, an increase of ¥36,938 million (+102.9%) year on year, mainly due to the growth of sales volume for crude oil in North America and the Middle East.

(ii) Infrastructure/Utility Business

Net sales from the Infrastructure/Utility Business came to ¥110,714 million, a decrease of ¥31,034 million (-21.9%) year on year. This was mainly the result of a decrease in the selling prices following the calming in the market prices for crude oil and others, and decreased sales volumes for natural gas and 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 ¥46,383 million, a decrease of ¥1,070 million (-2.3%) year on year.

(2) Explanation of financial position

Total assets at the end of the third quarter increased by ¥33,755 million from the previous fiscal year-end to ¥601,935 million.

Current assets decreased by ¥32,578 million from the previous fiscal year-end. This was mainly due to decreases in cash and deposits, and raw materials and supplies. Non-current assets increased by ¥66,333 million from the previous fiscal year-end. This was mainly due to an increase in property, plant and equipment owing to the recording of wells, etc., and an increase in investment securities owing to a rise in their market values.

Liabilities decreased by ¥11,759 million from the previous fiscal year-end to ¥99,251 million.

Current liabilities decreased by ¥23,370 million from the previous fiscal year-end. This was due mainly to a decrease in notes and accounts payable - trade. Non-current liabilities increased by ¥11,611 million from the previous fiscal year-end. This was mainly due to an increase in deferred tax liabilities resulting from the rise in market values of investment securities and other factors.

Net assets increased by ¥45,514 million from the previous fiscal year-end to ¥502,683 million. The main factors were increases in retained earnings and 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, 2024 have been revised from the forecasts announced on November 10, 2023.

Please refer to the “Notice of Financial Forecasts Revision” disclosed on February 9, 2024, the same day of this report.

2. Quarterly consolidated financial statements and significant notes thereto

(1) Quarterly consolidated balance sheet

(Millions of yen)

	As of March 31, 2023	As of December 31, 2023
Assets		
Current assets		
Cash and deposits	191,956	166,668
Notes and accounts receivable - trade, and contract assets	48,474	50,969
Securities	3,000	3,000
Merchandise and finished goods	2,216	2,786
Work in process	11	211
Raw materials and supplies	21,613	17,179
Other	14,574	8,450
Allowance for doubtful accounts	(54)	(54)
Total current assets	281,791	249,212
Non-current assets		
Property, plant and equipment	118,411	157,466
Intangible assets	5,569	5,478
Investments and other assets		
Investment securities	115,940	149,089
Other	46,855	41,116
Allowance for doubtful accounts	(47)	(47)
Allowance for overseas investment loss	(341)	(380)
Total investments and other assets	162,407	189,777
Total non-current assets	286,388	352,722
Total assets	568,180	601,935

(Millions of yen)

	As of March 31, 2023	As of December 31, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	26,489	10,451
Income taxes payable	9,333	7,508
Provisions	2,331	1,390
Other	26,096	21,530
Total current liabilities	64,250	40,880
Non-current liabilities		
Deferred tax liabilities	20,461	28,566
Retirement benefit liability	3,428	3,414
Provisions	620	291
Asset retirement obligations	20,043	21,549
Other	2,206	4,549
Total non-current liabilities	46,759	58,371
Total liabilities	111,010	99,251
Net assets		
Shareholders' equity		
Share capital	14,288	14,288
Retained earnings	362,989	380,700
Treasury shares	(136)	(2,893)
Total shareholders' equity	377,141	392,095
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	46,324	67,160
Deferred gains or losses on hedges	(699)	(2,214)
Foreign currency translation adjustment	2,275	11,811
Remeasurements of defined benefit plans	590	419
Total accumulated other comprehensive income	48,491	77,177
Non-controlling interests	31,536	33,410
Total net assets	457,169	502,683
Total liabilities and net assets	568,180	601,935

(2) Quarterly consolidated statement of income and Quarterly consolidated statement of comprehensive income
Quarterly consolidated statement of income

(Millions of yen)

	Nine months ended December 31, 2022	Nine months ended December 31, 2023
Net sales	225,105	229,938
Cost of sales	161,216	167,193
Gross profit	63,888	62,745
Exploration expenses	2,000	2,018
Selling, general and administrative expenses	23,145	20,858
Operating profit	38,742	39,868
Non-operating income		
Interest income	749	1,544
Dividend income	1,719	2,106
Share of profit of entities accounted for using equity method	6,734	1,516
Foreign exchange gains	4,864	3,248
Gain on derivatives	6,082	–
Other	271	823
Total non-operating income	20,422	9,239
Non-operating expenses		
Interest expenses	3	220
Commitment fees	235	240
Provision for loss on disaster	576	217
Other	469	267
Total non-operating expenses	1,285	945
Ordinary profit	57,878	48,162
Extraordinary income		
Gain on sale of non-current assets	0	0
Total extraordinary income	0	0
Extraordinary losses		
Loss on retirement of non-current assets	27	21
Total extraordinary losses	27	21
Profit before income taxes	57,851	48,141
Income taxes	13,490	9,569
Profit	44,361	38,572
Profit attributable to non-controlling interests	1,074	2,056
Profit attributable to owners of parent	43,286	36,515

Quarterly consolidated statement of comprehensive income

(Millions of yen)

	Nine months ended December 31, 2022	Nine months ended December 31, 2023
Profit	44,361	38,572
Other comprehensive income		
Valuation difference on available-for-sale securities	(2,142)	20,833
Deferred gains or losses on hedges	85	(1,711)
Foreign currency translation adjustment	4,943	9,759
Remeasurements of defined benefit plans, net of tax	(176)	(171)
Share of other comprehensive income of entities accounted for using equity method	809	(24)
Total other comprehensive income	3,519	28,685
Comprehensive income	47,880	67,257
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	46,806	65,201
Comprehensive income attributable to non-controlling interests	1,073	2,055

- (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 the Board of Directors meeting held on November 10, 2023, JAPEX made a resolution concerning the repurchase of own shares, and as of December 31, 2023, it acquired 510,800 treasury shares. Accordingly, over the nine months ended December 31, 2023, treasury shares increased by ¥2,772 million to stand at ¥2,893 million as of December 31, 2023.

(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 3 LLC., an affiliate of JAPEX, became an equity method affiliate of JAPEX due to its increased material significance.

Effective the second quarter, Longboat JAPEX Norge AS became an equity method affiliate of JAPEX because JAPEX acquired its shares.

Effective the third quarter, Blue Spruce Operating LLC became an equity method affiliate of JAPEX because JAPEX acquired its proprietary equity.

(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 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.

3. Supplemental information

Status of production and sales

(1) Production

		Nine months ended December 31, 2022 (April 1, 2022 – December 31, 2022)	Nine months ended December 31, 2023 (April 1, 2023 – December 31, 2023)	(Reference) Fiscal year ended March 31, 2023 (April 1, 2022 – March 31, 2023)
E&P Business	Crude oil (kL)	513,632 (340,781)	820,921 (652,620)	751,616 (518,697)
	Natural gas (thousand m ³)	377,860 (6,800)	393,415 (45,925)	523,998 (14,136)
Infrastructure/ Utility Business	LNG (t)	1,258	–	1,258
	Electricity (thousand kWh)	1,783,118	2,284,202	2,509,471

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.

(2) Sales

		Nine months ended December 31, 2022 (April 1, 2022 – December 31, 2022)		Nine months ended December 31, 2023 (April 1, 2023 – December 31, 2023)		(Reference) Fiscal year ended March 31, 2023 (April 1, 2022 – March 31, 2023)	
		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)	402,807	35,672	1,000,433	72,350	695,633	55,703
	Natural gas (overseas) (thousand m ³)	5,260	230	42,723	490	11,494	360
	Subtotal		35,902		72,841		56,063
Infrastructure/ Utility Business	Natural gas (Japan) (thousand m ³)	692,086	62,625	646,318	55,741	989,051	97,360
	LNG (t)	213,137	34,877	99,611	10,193	340,503	51,572
	Electricity (thousand kWh)	2,146,280	40,843	2,641,776	40,059	3,005,864	58,735
	Others		3,400		4,719		5,988
	Subtotal		141,748		110,714		213,657
Other Businesses	Contract services		6,121		4,837		7,750
	Oil products/ merchandise		39,835		39,028		56,573
	Others		1,496		2,517		2,447
	Subtotal		47,454		46,383		66,771
Total			225,105		229,938		336,492

- Notes: 1. “Crude oil” 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 a pipeline network.
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.