

Consolidated Financial Results for the Three Months Ended June 30, 2023 <under Japanese GAAP>

August 9, 2023

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

Company name: Japan Petroleum Exploration Co., Ltd.
 Listing: Prime Market, Tokyo Stock Exchange
 Securities code: 1662
 URL: <https://www.japex.co.jp/en/>
 Representative: FUJITA Masahiro, Representative Director and President
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 Scheduled date to commence dividend payments: –
 Scheduled date to file Quarterly Report: August 10, 2023
 Presentation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results presentation meeting (for institutional investors and analysts): Yes

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

1. Consolidated financial results for the three months ended June 30, 2023 (April 1, 2023 – June 30, 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	%
Three months ended June 30, 2023	61,321	4.6	12,903	31.5	18,219	(19.4)	12,999	(16.9)
June 30, 2022	58,617	17.0	9,810	188.5	22,600	115.4	15,640	120.1

Note: Comprehensive income: Three months ended June 30, 2023: 21,833 million yen (10.2 %)
 Three months ended June 30, 2022: 19,821 million yen (11.2 %)

	Basic earnings per share		Diluted earnings per share	
	Yen		Yen	
Three months ended June 30, 2023	239.73		–	
June 30, 2022	283.66		–	

(2) Consolidated financial position

	Total assets		Net assets		Equity ratio	
	Millions of yen		Millions of yen		%	
As of June 30, 2023	556,244		466,803		78.1	
As of March 31, 2023	568,180		457,169		74.9	

Reference: Equity As of June 30, 2023: 434,574 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	–				
Fiscal year ending March 31, 2024 (Forecasts)		100.00	–	100.00	200.00

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	306,100	(9.0)	38,900	(37.3)	44,800	(46.1)	34,000	(49.6)	627.00

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

* Notes

- (1) Changes in significant subsidiaries during the three 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. 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 June 30, 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 June 30, 2023	73,730 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)

Three months ended June 30, 2023	54,226,346 shares
Three months ended June 30, 2022	55,136,725 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 three months ended June 30, 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 three months ended June 30, 2023

(1) Explanation of operating results

During the three months ended June 30, 2023, net sales was ¥61,321 million, an increase of ¥2,704 million (+4.6%) year on year. Gross profit was ¥20,508 million, an increase of ¥3,812 million (+22.8%) 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 price of natural gas in Japan as a result of the increase in LNG price, etc., and the growth of sales volume for crude oil in North America.

Exploration expenses was ¥255 million, an increase of ¥158 million (+162.0%) year on year. Selling, general and administrative expenses was ¥7,349 million, an increase of ¥561 million (+8.3%) year on year. As a result, operating profit was ¥12,903 million, an increase of ¥3,093 million (+31.5%) year on year.

Ordinary profit was ¥18,219 million, a decrease of ¥4,381 million (-19.4%) 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 ¥4,389 million year on year to ¥18,209 million. Profit attributable to owners of parent decreased by ¥2,640 million year on year to ¥12,999 million.

Below is a breakdown of net sales.

(i) E&P Business

Net sales from the E&P Business came to ¥10,724 million, an increase of ¥3,458 million (+47.6%) year on year, mainly due to the growth of sales volume for crude oil in North America.

(ii) Infrastructure/Utility Business

Net sales from the Infrastructure/Utility Business came to ¥36,398 million, an increase of ¥388 million (+1.1%) year on year. This was mainly the result of a rise in the selling prices due to the increase in LNG price, etc., and the growth of sales volume for electricity, despite the decreased sales volume for natural gas (Japan) 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 ¥14,199 million, a decrease of ¥1,142 million (-7.4%) year on year.

(2) Explanation of financial position

Total assets at the end of the first quarter decreased by ¥11,935 million from the previous fiscal year-end to ¥556,244 million.

Current assets decreased by ¥42,431 million from the previous fiscal year-end. This was mainly due to decreases in cash and deposits and notes and accounts receivable - trade, and contract assets. Non-current assets increased by ¥30,496 million from the previous fiscal year-end. This was mainly due to the recording of wells, etc. under property, plant and equipment, a rise in market values of investment securities, and an increase in recoverable accounts included in other under investments and other assets.

Liabilities decreased by ¥21,570 million from the previous fiscal year-end to ¥89,440 million.

Current liabilities decreased by ¥25,257 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 ¥3,686 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 ¥9,634 million from the previous fiscal year-end to ¥466,803 million. The main factor was an increase 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 May 12, 2023.

Please refer to the “Notice of Financial Forecasts Revision” disclosed on August 9, 2023, the same day of this report.

2. Consolidated financial statements and significant notes thereto

(1) Consolidated quarterly balance sheet

(Millions of yen)

	As of March 31, 2023	As of June 30, 2023
Assets		
Current assets		
Cash and deposits	191,956	177,215
Notes and accounts receivable - trade, and contract assets	48,474	29,784
Securities	3,000	3,000
Merchandise and finished goods	2,216	2,438
Work in process	11	106
Raw materials and supplies	21,613	18,848
Other	14,574	8,019
Allowance for doubtful accounts	(54)	(53)
Total current assets	281,791	239,359
Non-current assets		
Property, plant and equipment	118,411	129,671
Intangible assets	5,569	5,471
Investments and other assets		
Investment securities	115,940	127,234
Other	46,855	54,912
Allowance for doubtful accounts	(47)	(47)
Allowance for overseas investment loss	(341)	(357)
Total investments and other assets	162,407	181,741
Total non-current assets	286,388	316,884
Total assets	568,180	556,244

(Millions of yen)

	As of March 31, 2023	As of June 30, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	26,489	5,877
Income taxes payable	9,333	5,935
Provisions	2,331	2,378
Other	26,096	24,801
Total current liabilities	64,250	38,993
Non-current liabilities		
Deferred tax liabilities	20,461	23,641
Retirement benefit liability	3,428	3,432
Provisions	620	656
Asset retirement obligations	20,043	20,158
Other	2,206	2,558
Total non-current liabilities	46,759	50,446
Total liabilities	111,010	89,440
Net assets		
Shareholders' equity		
Share capital	14,288	14,288
Retained earnings	362,989	363,971
Treasury shares	(136)	(136)
Total shareholders' equity	377,141	378,124
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	46,324	54,257
Deferred gains or losses on hedges	(699)	(555)
Foreign currency translation adjustment	2,275	2,240
Remeasurements of defined benefit plans	590	508
Total accumulated other comprehensive income	48,491	56,450
Non-controlling interests	31,536	32,229
Total net assets	457,169	466,803
Total liabilities and net assets	568,180	556,244

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

(Millions of yen)

	Three months ended June 30, 2022	Three months ended June 30, 2023
Net sales	58,617	61,321
Cost of sales	41,920	40,812
Gross profit	16,696	20,508
Exploration expenses	97	255
Selling, general and administrative expenses	6,788	7,349
Operating profit	9,810	12,903
Non-operating income		
Interest income	149	520
Dividend income	47	57
Share of profit of entities accounted for using equity method	5,988	338
Foreign exchange gains	6,748	4,764
Other	82	116
Total non-operating income	13,015	5,797
Non-operating expenses		
Interest expenses	1	24
Commitment fees	76	78
Provision for loss on disaster	25	233
Other	122	145
Total non-operating expenses	225	481
Ordinary profit	22,600	18,219
Extraordinary income		
Gain on sale of non-current assets	–	0
Total extraordinary income	–	0
Extraordinary losses		
Loss on retirement of non-current assets	1	9
Total extraordinary losses	1	9
Profit before income taxes	22,598	18,209
Income taxes	5,304	4,335
Profit	17,293	13,874
Profit attributable to non-controlling interests	1,653	874
Profit attributable to owners of parent	15,640	12,999

Consolidated quarterly statement of comprehensive income

(Millions of yen)

	Three months ended June 30, 2022	Three months ended June 30, 2023
Profit	17,293	13,874
Other comprehensive income		
Valuation difference on available-for-sale securities	926	7,930
Deferred gains or losses on hedges	94	285
Foreign currency translation adjustment	1,107	(231)
Remeasurements of defined benefit plans, net of tax	(58)	(81)
Share of other comprehensive income of entities accounted for using equity method	458	57
Total other comprehensive income	2,527	7,959
Comprehensive income	19,821	21,833
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	18,167	20,959
Comprehensive income attributable to non-controlling interests	1,653	874

(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)

No item to report.

(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.

(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) 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 first 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

		Three months ended June 30, 2022 (April 1, 2022 – June 30, 2022)	Three months ended June 30, 2023 (April 1, 2023 – June 30, 2023)	(Reference) Fiscal year ended March 31, 2023 (April 1, 2022 – March 31, 2023)
E&P Business	Crude oil (kL)	143,592 (83,395)	268,226 (215,320)	751,616 (518,697)
	Natural gas (thousand m ³)	129,753 (1,020)	133,585 (10,780)	523,998 (14,136)
Infrastruc- ture/Utility Business	LNG (t)	249	–	1,258
	Electricity (thousand kWh)	546,523	657,182	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

		Three months ended June 30, 2022 (April 1, 2022 – June 30, 2022)		Three months ended June 30, 2023 (April 1, 2023 – June 30, 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)	79,277	7,251	152,850	10,608	695,633	55,703
	Natural gas (overseas) (thousand m ³)	732	14	10,336	116	11,494	360
	Subtotal		7,266		10,724		56,063
Infrastruc- ture/Utility Business	Natural gas (Japan) (thousand m ³)	231,801	17,923	202,037	20,200	989,051	97,360
	LNG (t)	49,551	6,062	30,995	1,498	340,503	51,572
	Electricity (thousand kWh)	665,930	10,986	774,913	13,137	3,005,864	58,735
	Others		1,037		1,561		5,988
	Subtotal		36,009		36,398		213,657
Other businesses	Contract services		1,173		1,329		7,750
	Oil products /merchandise		13,757		12,112		56,573
	Others		410		756		2,447
	Subtotal		15,341		14,199		66,771
Total			58,617		61,321		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.