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Annual Securities Report

(Report pursuant to Article 24, Paragraph 1 of the Financial Instruments and Exchange Act)

Fiscal year	From: April 1, 2021
(The 52nd term)	To: March 31, 2022

Japan Petroleum Exploration Co., Ltd.

1-7-12 Marunouchi, Chiyoda-ku, Tokyo

(E00041)

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Document title	Annual Securities Report
Clause of stipulation	Article 24, paragraph 1 of the Financial Instruments and Exchange Act
Place of filing	Director-General of the Kanto Local Finance Bureau
Filing date	June 28, 2022
Fiscal year	The 52nd term (April 1, 2021 to March 31, 2022)
Company name	Japan Petroleum Exploration Co., Ltd.
Company name in English	Japan Petroleum Exploration Co., Ltd.
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Place for public inspection	Tokyo Stock Exchange, Inc. (2-1 Nihombashi Kabutocho, Chuo-ku, Tokyo)

Section 1 Company Information

Item 1. Overview of Company

1. Key Financial Data

(1) Consolidated financial data

Fiscal year		48th	49th	50th	51st	52nd
Fiscal year ended		March 31, 2018	March 31, 2019	March 31, 2020	March 31, 2021	March 31, 2022
Net sales	(Millions of yen)	230,629	267,980	318,822	240,078	249,140
Ordinary profit	(Millions of yen)	3,828	12,523	32,635	10,001	43,674
Profit (loss) attributable to owners of parent	(Millions of yen)	(30,959)	14,770	26,815	(2,725)	(30,988)
Comprehensive income	(Millions of yen)	(50,730)	(7,804)	(6,254)	(1,574)	(18,992)
Net assets	(Millions of yen)	459,255	450,156	440,157	434,492	402,770
Total assets	(Millions of yen)	699,536	655,288	627,132	624,786	471,941
Net assets per share	(Yen)	7,438.23	7,287.32	7,046.18	7,011.36	6,679.85
Basic earnings (loss) per share	(Yen)	(541.70)	258.44	469.18	(47.73)	(545.64)
Diluted earnings per share	(Yen)	–	–	–	–	–
Equity ratio	(%)	60.8	63.6	64.2	64.0	78.7
Return on equity	(%)	–	3.5	6.5	–	–
Price-earnings ratio	(Times)	–	9.27	3.79	–	–
Net cash provided by (used in) operating activities	(Millions of yen)	52,881	30,970	69,895	43,263	(1,052)
Net cash provided by (used in) investing activities	(Millions of yen)	(54,218)	(13,969)	(18,701)	(6,453)	52,067
Net cash provided by (used in) financing activities	(Millions of yen)	(1,196)	(15,493)	(13,743)	(15,626)	(70,939)
Cash and cash equivalents at end of period	(Millions of yen)	99,892	100,633	138,259	157,963	144,513
Number of employees [Separately, average number of temporary employees]	(Persons)	1,788 [489]	1,741 [494]	1,739 [473]	1,780 [464]	1,634 [443]

Notes: 1. The amounts of diluted earnings per share are not stated since there were no dilutive shares and basic losses per share were recorded for the 48th, 51st, and 52nd terms.

2. For the 48th, 51st, and 52nd terms, the figures of return on equity and price-earnings ratio are not stated since losses attributable to owners of parent were recorded.

3. The “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28, February 16, 2018) and other relevant standards have been applied since the beginning of the 49th term, and therefore, key financial data for the 48th term are computed with the amendments applied retrospectively.

4. The “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and relevant revised ASBJ regulations have been applied from the beginning of the fiscal year under review, and therefore, key financial data for the fiscal year under review are computed with the accounting standard and relevant regulations applied.

(2) Financial data of reporting company

Fiscal year		48th	49th	50th	51st	52nd
Fiscal year ended		March 31, 2018	March 31, 2019	March 31, 2020	March 31, 2021	March 31, 2022
Net sales	(Millions of yen)	165,134	180,024	217,079	169,195	133,642
Ordinary profit	(Millions of yen)	20,292	21,536	29,718	24,549	39,018
Profit (Loss)	(Millions of yen)	(26,666)	23,765	25,413	(26,664)	(20,003)
Share capital	(Millions of yen)	14,288	14,288	14,288	14,288	14,288
Number of issued shares	(Thousand shares)	57,154	57,154	57,154	57,154	57,154
Net assets	(Millions of yen)	388,976	391,225	380,442	362,065	337,872
Total assets	(Millions of yen)	491,223	467,656	442,637	467,262	423,049
Net assets per share	(Yen)	6,805.92	6,845.27	6,656.63	6,343.70	6,072.94
Dividends per share [Interim dividend per share of the above]	(Yen)	20.0 [10.0]	40.0 [10.0]	50.0 [25.0]	50.0 [25.0]	50.0 [25.0]
Basic earnings (loss) per share	(Yen)	(466.58)	415.82	444.66	(466.92)	(352.20)
Diluted earnings per share	(Yen)	–	–	–	–	–
Equity ratio	(%)	79.2	83.7	85.9	77.5	79.9
Return on equity	(%)	–	6.1	6.6	–	–
Price-earnings ratio	(Times)	–	5.76	4.00	–	–
Dividend payout ratio	(%)	–	9.6	11.2	–	–
Number of employees [Separately, average number of temporary employees]	(Persons)	920 [197]	904 [200]	919 [193]	937 [203]	965 [205]
Total shareholder return	(%)	96.1	96.4	74.0	86.9	109.1
[Comparative index: TOPIX (mining industry) Total Return Index by industry]	(%)	[118.9]	[97.7]	[60.9]	[78.2]	[147.5]
Highest stock price	(Yen)	3,340	3,290	3,280	2,500	3,045
Lowest stock price	(Yen)	2,070	1,775	1,541	1,624	1,714

Notes: 1. The amounts of diluted earnings per share are not stated since there were no dilutive shares and basic losses per share were recorded for the 48th, 51st, and 52nd terms.
2. For the 48th, 51st, and 52nd terms of reporting company, the figures of return on equity, price-earnings ratio, and dividend payout ratio are not stated since losses attributable to owners of parent were recorded.
3. The "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018) and other relevant standards have been applied since the beginning of the 49th term, and therefore, key financial data for the 48th term are computed with the amendments applied retrospectively.
4. The "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and relevant revised ASBJ regulations have been applied from the beginning of the fiscal year under review, and therefore, key financial data for the fiscal year under review are computed with the accounting standard and relevant regulations applied.
5. The highest and lowest stock prices are quoted prices on the First Section of the Tokyo Stock Exchange.

2. History

In December 1955, Japan Petroleum Exploration Co., Ltd. was founded as a special company under the Law of Japan Petroleum Exploration Co., Ltd. In October, 1967, when Japan Petroleum Development Corporation (JPDC) was founded, this special company was dissolved with all of its goodwill invested into JPDC. The business activities of this special company were continued as a division of JPDC. This form of business operation was implemented as a three-year time-limited measure as set forth in the Supplementary Provisions of the Japan Petroleum Development Corporation Law. Accordingly, in April 1970, the above division separated from JPDC to be reorganized as Japan Petroleum Exploration Co., Ltd. (hereinafter "JAPEX" or the "Company"), which is a private company under the Commercial Law.

Thus, although the Company was established in April 1970, the start of its business dates back to December 1955, when the above special company was founded. For this reason, the following history starts from December 1955.

Dec. 1955	Founded as a special company under the name of Japan Petroleum Exploration Co., Ltd, the predecessor of the Company (hereinafter referred to as the "Predecessor Company"), with the government's contribution exceeding 50% (56% at the foundation)
Mar. 1958	Discovered the Mitsuke oil field in Niigata
Jul. 1958	Discovered the Sarukawa oil field in Akita
Jun. 1959	Discovered the Higashi-Niigata gas field in Niigata
Dec. 1960	Discovered the Katakai gas field in Niigata
Jun. 1962	Established JAPEX SKS Corporation (currently a consolidated subsidiary of JAPEX)
Feb. 1966	Established North Sumatra Offshore Petroleum Exploration Co., Ltd. (currently INPEX CORPORATION)
Oct. 1967	Dissolved and integrated into Japan Petroleum Development Corporation (JPDC) as its division upon foundation of JPDC
Apr. 1968	Discovered the Yoshii gas field in Niigata
Apr. 1970	Separated from JPDC and reorganized as a private company, Japan Petroleum Exploration Co., Ltd. (with JPDC succeeding the government's equity stake in the Predecessor Company)
May 1971	Established Japex Offshore Ltd. (currently a consolidated subsidiary of JAPEX) (Note 1)
Oct. 1971	Established SK ENGINEERING CO., LTD. (currently a consolidated subsidiary of JAPEX)
Jun. 1976	Discovered the Yurihara oil and gas field in Akita
Apr. 1983	Established JGI, Inc. (currently a consolidated subsidiary of JAPEX) (Note 2)
Mar. 1989	Discovered the Yufutsu oil and gas field in Hokkaido
Mar. 1996	Completed construction of the Niigata-Sendai gas pipeline with a total length of 251 km capable of supplying natural gas to an extensive area
Oct. 2003	Established Shirone Gas Co., Ltd. (currently a consolidated subsidiary of JAPEX) (Note 3)
Dec. 2003	Listed on the First Section of the Tokyo Stock Exchange
May 2007	Acquired an equity stake in Energi Mega Pratama Inc. (a corporation of the British Virgin Islands that operates in the Kangean Block in Indonesia, currently an equity-method associate of JAPEX)
Nov. 2009	Acquired equity stake in Japex Energy Co., Ltd. (currently a consolidated subsidiary of JAPEX)
Mar. 2010	Established Japex Garraf Ltd. (currently a consolidated subsidiary of JAPEX) (Note 4)
Mar. 2014	Established JAPEX UK E&P Ltd. (a corporation of the United Kingdom for exploration activities in a block located offshore of Aberdeen in the UK North Sea, currently a consolidated subsidiary of JAPEX)
Apr. 2015	Established Fukushima Gas Power Co., Ltd. (currently an equity-method associate of JAPEX)
Mar. 2018	Commenced operation of the Soma LNG Terminal in Fukushima
Apr. 2020	Commenced sale of electricity generated by Fukushima Gas Power Co., Ltd. (Note 5)
Apr. 2022	Transferred from the First Section to the Prime Market of the Tokyo Stock Exchange (TSE) in response to the restructure of TSE's market segments

Notes: 1. Japex Offshore Ltd. discovered the Aga-oki oil and gas field and the Iwafune-oki oil and gas field both in Niigata in March 1972 and in June 1983, respectively.

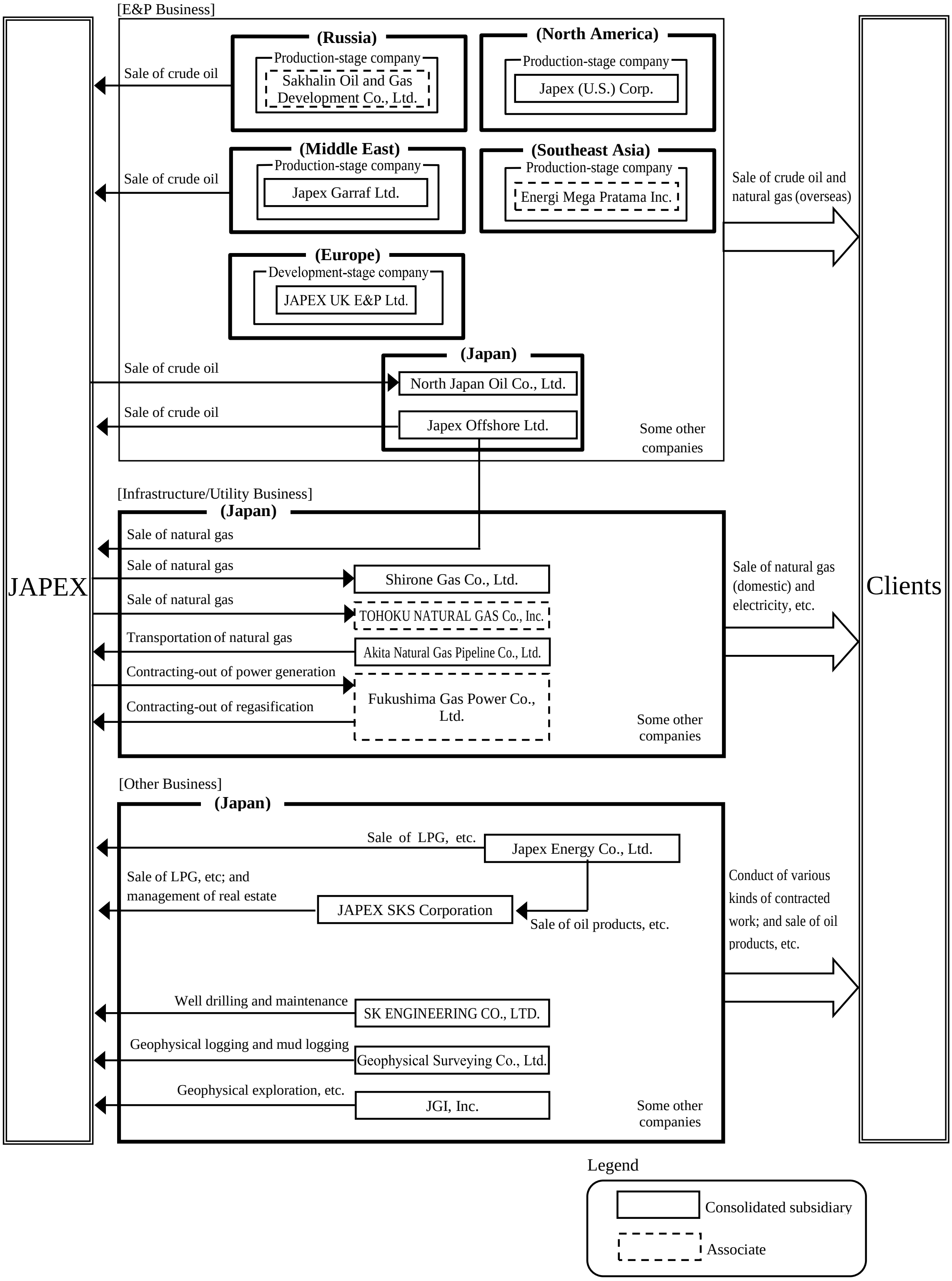
2. The Company entrusts a major portion of its geophysical exploration work to JGI, Inc.
3. Shirone Gas Co., Ltd. commenced general gas utility services in April 2004.
4. Japex Garraf Ltd. commenced production at the Garraf oil field in August 2013.
5. Fukushima Gas Power Co., Ltd. started the commercial operation of Unit No. 1 and Unit No.2 of the Fukushima Natural Gas Power Plant in April and in August, respectively, in 2020.

3. Description of Business

As of March 31, 2022, the JAPEX Group comprises JAPEX, 22 subsidiaries and 20 associates. Our main business categories are the "E&P Business," the "Infrastructure/Utility Business," and "Other businesses." In addition to its business activities in Japan, the JAPEX Group is conducting business overseas through its project companies established considering their business locations. The JAPEX Group consists of segments by business location. The description of business in each business segment and the positioning of JAPEX, the subsidiaries, and the associates are as follows:

Business Segment	Description of Business
Japan	(1) E&P Business JAPEX and its consolidated subsidiary Japex Offshore Ltd. produce crude oil and natural gas in Japan. In addition, the consolidated subsidiary North Japan Oil Co., Ltd. purchase and sells JAPEX's crude oil.
	(2) Infrastructure/Utility Business In addition to the domestic natural gas produced by the JAPEX Group, JAPEX regasifies LNG from imported LNG at the Soma LNG Terminal and Nihonkai LNG Co., Ltd.'s Niigata LNG Terminal. This gas is sold to customers in regions along JAPEX's own gas pipeline network spanning over 800 km in length. The consolidated subsidiary Shirone Gas Co., Ltd. and the associate TOHOKU NATURAL GAS Co., Inc. sell gas received from JAPEX's wholesale supply. The consolidated subsidiary Akita Natural Gas Pipeline Co., Ltd. transports the natural gas that JAPEX sells in Akita Prefecture. In Hokkaido, JAPEX receives LNG from coastal vessels at the Yufutsu LNG Receiving Terminal and sells the regasified LNG and domestic natural gas to customers in the prefecture. In addition, JAPEX and some of its associates supply LNG via an LNG satellite system using tank trucks and tank containers to meet demand for natural gas in the areas outside of its pipeline network. Also, JAPEX provides gas transportation services using its pipeline network to gas transportation service clients. JAPEX's associate Fukushima Gas Power Co., Ltd. (FGP) conducts power generation business at the Fukushima Natural Gas Power Plant, which is adjacent to the Soma LNG Terminal. JAPEX contracts with FGP to convert LNG to electricity and sells electricity mainly to other retail electric providers. In addition, JAPEX is contracted by FGP for regasification of the LNG used as fuel for the power plant. To stably procure the necessary LNG for the Gas Business and Electric Power Business, JAPEX works hard to diversify its suppliers and contract terms.
	(3) Other businesses The consolidated subsidiary SK ENGINEERING CO., LTD. is contracted by JAPEX and other companies for well drilling and maintenance operations. The consolidated subsidiary Geophysical Surveying Co., Ltd. is contracted by JAPEX and other companies to conduct geophysical logging and mud logging related to well drilling and maintenance operations. Mud logging refers to recording the results of surveys and analyses of mud that is circulated in wells during drilling and the excavated top layer of earth that is brought to the surface by the mud. The consolidated subsidiary JGI, Inc. is contracted by JAPEX and other companies to conduct geophysical exploration. The consolidated subsidiary Japex Energy Co., Ltd.'s main business is the sale of oil products. This subsidiary sells LPG to JAPEX and other oil products to JAPEX SKS Corporation and other companies.
North America	E&P Business When conducting exploration and development of crude oil and natural gas fields overseas, in most cases, JAPEX establishes a company for each project to ensure efficient operations, and promotes project as joint ventures with other companies in an effort to diversify risks. In North America, the consolidated subsidiary Japex (U.S.) Corp. participates in a project at the production stage.
Europe	E&P Business The consolidated subsidiary JAPEX UK E&P Ltd. participates in a project at the development stage in the UK North Sea.
Middle East	E&P Business The consolidated subsidiary Japex Garraf Ltd. participates in a project at the production stage in the Garraf oil field in the Republic of Iraq.
Other	E&P Business JAPEX also has business segments in Southeast Asia (the associate Energi Mega Pratama Inc. participates in a project at the production stage) and Russia (the associate Sakhalin Oil and Gas Development Co., Ltd. participates in project at the production stage).

The following chart summarizes the structure of the Group's businesses. In this chart, business segments are in parentheses while description of business are in square brackets.



4. Subsidiaries and Associates

Company name	Address	Share capital or capital contribution (Millions of yen)	Main businesses	JAPEX's stake and percentage of voting rights held		Description of relationship
				Stake (%)	Percentage of voting rights held (%)	
(Consolidated subsidiaries)						
Akita Natural Gas Pipeline Co., Ltd.	Akita City, Akita	250	Transportation of natural gas by pipeline in Akita Prefecture	100.00	–	Transporting JAPEX's natural gas. Interlocking officers: Yes
SK ENGINEERING CO., LTD.	Chiyoda-ku, Tokyo	300	Provision of contracted well drilling and engineering services	100.00	–	Conducting a contracted-out part of JAPEX's well drilling work. Interlocking officers: Yes
JAPEX SKS Corporation	Minato-ku, Tokyo	90	Manufacture and sale of oil products; real estate management; and insurance agency	100.00	–	Purchasing crude oil and natural gas from JAPEX. Also selling products such as LPG to JAPEX; and managing real estate of JAPEX. Interlocking officers: Yes
North Japan Oil Co., Ltd.	Sakata City, Yamagata	80	Sale of crude oil, recycling of waste oil, contracted transportation of crude oil	100.00	–	Purchasing crude oil from JAPEX. Also conducting contracted transportation of JAPEX's crude oil. Interlocking officers: Yes
Shirone Gas Co., Ltd. (Note 1)	Tsubame City, Niigata	3,000	Production, supply and sale of gas in Tsubame City and Niigata City, Niigata Prefecture	100.00	–	Purchasing JAPEX's natural gas to supply it as city gas. Interlocking officers: Yes
Japex Pipeline Ltd.	Nagaoka City, Niigata	80	Pipeline maintenance and management	100.00	–	Conducting maintenance and management work for JAPEX's main gas pipelines. Interlocking officers: Yes
JGI, Inc. (Note 1)	Bunkyo-ku, Tokyo	2,100	Conduct of contracted geophysical exploration work and development of geophysical exploration technology	100.00	–	Conducting geophysical exploration work contracted out by JAPEX. Interlocking officers: Yes
Geophysical Surveying Co., Ltd.	Chiyoda-ku, Tokyo	446	Conduct of contracted geophysical logging and mud-logging work	100.00	–	Conducting contracted geophysical logging and mud-logging work for JAPEX's well drilling work. Interlocking officers: Yes

Company name	Address	Share capital or capital contribution (Millions of yen)	Main businesses	JAPEX's stake and percentage of voting rights held		Description of relationship
				Stake (%)	Percentage of voting rights held (%)	
Japex (U.S.) Corp. (Note 1)	Houston, Texas, United States	53,000 (thousand US dollars)	Exploration, development and production of petroleum resources in the United States, and capital participation in the Malaysia LNG project	100.00	–	Interlocking officers: Yes
Canada Oil Sands Co., Ltd. (Note 1)	Chiyoda-ku, Tokyo	34,863	Investment in exploration and development of oil sands through Japan Canada Oil Sands Limited	100.00	–	Interlocking officers: Yes
JAPEX UK E&P Ltd. (Note 1)	London, United Kingdom	110,662 (thousand British pounds)	Exploration and development of petroleum resources in the UK North Sea	100.00	–	Interlocking officers: Yes
North Japan Security Service Co., Ltd.	Kita-ku, Niigata City, Niigata	30	Industrial safety services, security services	89.42	–	Providing security services to JAPEX, the subsidiary Japex Offshore Ltd., and other associated companies. Interlocking officers: Yes
Japex Offshore Ltd. (Note 1)	Chiyoda-ku, Tokyo	5,963	Exploration, development and production of petroleum resources on the continental shelf of the Sea of Japan	70.61	–	Purchasing crude oil and natural gas from JAPEX. Interlocking officers: Yes
GEOSYS, Inc. (Note 3)	Bunkyo-ku, Tokyo	49	Conduct of contracted geophysical exploration work; and sale of geophysical exploration equipment	57.82 (57.82)	–	Providing business support to the subsidiary JGI, Inc. Interlocking officers: Yes
Japex Energy Co., Ltd. (Note 5)	Taito-ku, Tokyo	90	Purchase and sale of LNG, oil products, etc.	90.00	–	Selling products such as LPG to JAPAX, the subsidiary JAPEX SKS Corporation, and other associated companies. Interlocking officers: Yes
Japex Garraf Ltd. (Note 1)	Chiyoda-ku, Tokyo	20,930	Exploration, development and production of petroleum resources in the Garraf oil field, Iraq	55.00	–	Selling crude oil to JAPEX. Interlocking officers: Yes

Company name	Address	Share capital or capital contribution (Millions of yen)	Main businesses	JAPEX's stake and percentage of voting rights held		Description of relationship
				Stake (%)	Percentage of voting rights held (%)	
(Equity-method associate) TOHOKU NATURAL GAS Co., Inc.	Aoba-ku, Sendai City, Miyagi	300	Purchase and sale of natural gas in the Tohoku region	45.00	–	Purchasing natural gas from JAPEX. Interlocking officers: Yes
TELNITE CO., LTD.	Chiyoda-ku, Tokyo	98	Manufacture and sale of drilling fluid chemicals; and provision of mud services	47.00	–	Selling drilling fluid chemicals to JAPEX. Also providing contracted mud services for JAPEX's well drilling work. Interlocking officers: Yes
Fukushima Gas Power Co., Ltd.	Chiyoda-ku, Tokyo	537	Operation and commissioning of Power generation business using a natural gas power plant	33.30	–	Conducting contracted operation of power generation for JAPEX, namely converting LNG to electricity. Also contracting-out regasification of LNG to JAPEX. Having its debt obligation collateralized by JAPEX's assets. Interlocking officers: Yes
Sakhalin Oil and Gas Development Co., Ltd.	Minato-ku, Tokyo	22,592	Exploration, development and production of petroleum resources on Sakhalin Island and its land shelf in the Russian Federation	15.29	–	Selling part of its crude oil to JAPEX. Interlocking officers: Yes
Energi Mega Pratama Inc.	British Virgin Islands	1,000 (thousand US dollars)	Exploration, development and production of petroleum resources in the eastern Java Sea, Republic of Indonesia	25.00	–	Interlocking officers: Yes

<table>
<tr><th rowspan="2">Company name</th><th rowspan="2">Address</th><th rowspan="2">Share capital or capital contribution (Millions of yen)</th><th rowspan="2">Main businesses</th><th colspan="2">JAPEX's stake and percentage of voting rights held</th><th rowspan="2">Description of relationship</th></tr>
<tr><th>Stake (%)</th><th>Percentage of voting rights held (%)</th></tr>
<tr><td>Kangean Energy Indonesia Ltd. (Notes 2 and 4)</td><td>Delaware, United Sates</td><td>10 (thousand US dollars)</td><td>Exploration, development and production of petroleum resources in the eastern Java Sea, Republic of Indonesia</td><td>–
[100.00]</td><td>–</td><td>Having JAPEX as a guarantor for a part of its liabilities for production facilities.
Interlocking officers: Yes</td></tr>
<tr><td>EMP Exploration (Kangean) Ltd. (Notes 2 and 4)</td><td>London, United Kingdom</td><td>100 (British pounds)</td><td>Exploration, development and production of petroleum resources in the eastern Java Sea, Republic of Indonesia</td><td>–
[100.00]</td><td>–</td><td>Interlocking officers: Yes</td></tr>
<tr><td>Diamond Gas Netherlands B.V. (Note 3)</td><td>Amsterdam, Netherlands</td><td>5,536 (thousand US dollars)</td><td>Investment in Malaysia LNG Tiga Sdn Bhd's businesses, which produce LNG in Malaysia</td><td>20.00
(20.00)</td><td>–</td><td>Interlocking officers: Yes</td></tr>
<tr><td>Three other companies</td><td></td><td></td><td></td><td></td><td></td><td></td></tr>
</table>

Notes: 1. The company is a specified subsidiary.

2. The figure inside the square brackets under "Percentage of voting rights held" represents the percentage held by parties who are closely related to or aligned with the Company and is excluded from the above percentage.
3. The figure inside the parentheses under "Percentage of voting rights held" represents the percentage of indirectly held voting rights and is included in the above percentage.
4. The company is considered to be an associate because JAPEX has a substantial influence thereon despite having a stake therein that is less than 20%.
5. The amount of sales of Japex Energy Co., Ltd. (excluding intercompany sales) exceeded 10% of the amount of consolidated net sales of the Company.

Information on profit or loss, etc. (Millions of yen):

(1) Net sales	41,268
(2) Ordinary profit	426
(3) Profit	279
(4) Net assets	1,382
(5) Total assets	7,445

5. Employees

(1) Information about consolidated companies

As of March 31, 2022

Segment	Number of employees (Persons)
Japan	1,253 [349]
North America	5 [1]
Europe	1 [–]
Middle East	1 [–]
Total for reportable segments	1,260 [350]
Other	– [–]
Corporate (company-wide)	374 [93]
Total	1,634 [443]

Notes: 1. The number of employees represents the number of regular employees, which excludes the number of temporary employees provided inside the square brackets.

2. "Other" represents business segments other than the reportable segments and includes locations such as Southeast Asia.

3. The number of employees provided under "Corporate (company-wide)" represents the number of employees belonging to administration divisions that cannot be classified to any specific segment.

4. The number of employees (including temporary employees) decreased by 167 from March 31, 2021 to March 31, 2022 mainly because the Company transferred all the shares of Japan Canada Oil Sands Limited (JACOS), which was one of the Company's consolidated subsidiaries.

(2) Information about Reporting Company

As of March 31, 2022

Number of employees (Persons)	Average age (Years old)	Average length of service (Years)	Average annual salary (Yen)
965 [205]	40.48	16.02	8,544,503

Segment	Number of employees (Persons)
Japan	591 [112]
North America	– [–]
Europe	– [–]
Middle East	– [–]
Total for reportable segments	591 [112]
Other	– [–]
Corporate (company-wide)	374 [93]
Total	965 [205]

Notes: 1. The number of employees represents the number of regular employees, which excludes the number of temporary employees provided inside the square brackets.

2. Persons seconded to JAPEX from outside JAPEX are excluded from the calculations of average age, average length of service, and average annual salary.

3. Average annual salary includes bonuses and extra wages.

4. "Other" represents business segments other than the reportable segments and includes locations such as Southeast Asia.

5. The number of employees provided under "Corporate (company-wide)" represents the number of employees belonging to administration divisions that cannot be classified to any specific segment.

(3) Labor union

Employees of the Company have a union called JEC RENGO *Sekiyu Kaihatsu Rodokumiai* (Petroleum Development Labor Union), and the number of union members is 691 (including those seconded to outside JAPEX from JAPEX) as of March 31, 2022.

Labor-management relations have remained favorable, and there are no special matters to be noted as to the relationship with the labor union.

Item 2. Overview of Business

1. Management Policy, Business Environment, and Issues to be Addressed

Please note that any forward-looking statements in the following discussion are based on the judgement of the JAPEX Group's management as of the end of the fiscal year under review.

(1) Basic management policies of the company

As a company focusing mainly on the exploration, development, production, and sale of oil and natural gas, with the mission of contributing to stable energy supply in Japan through securing reserves and expanding production, the JAPEX Group has established its business foundation by continuously discovering new oil and gas reserves, since its foundation in 1955.

As the JAPEX Group's supply volume increases, its social responsibility for stable energy supply is growing. Meanwhile, it has become crucial for the Group to build a new business model based on, among other things, irreversible changes in the energy supply and demand structure driven by the progress in global decarbonization. Therefore, JAPEX aims to develop as a company with market competitiveness whilst adapting to changes in its business environment. Our corporate vision is as follows:

Contribute to society through stable supply of energy and address social issues towards Sustainable Development Goals

- Explore, develop, produce and distribute oil and natural gas domestically and internationally d.
- Further strengthen the natural gas supply chain, built on our domestic infrastructures, by combining the electric power supply business.
- Contribute to resolving energy and climate change related challenges towards a sustainable society through developing and commercializing new technologies, drawing on our expertise.
- Achieve sustainable growth and maximize corporate value, while placing top priority on maintaining trust with all stakeholders.

(2) Medium- to long-term management strategies and issues to be addressed

Based on "Long-Term Vision 2030" and "Medium-term Business Plan 2018-2022," both of which were formulated in May 2018, JAPEX has been pushing forward with its efforts to grow to the integrated energy company utilizing our oil and gas E&P and its supply bases. As part of efforts we made for oil and natural gas E&P in fiscal 2021, JAPEX has ended its participation in the oil sands project and the shale gas project in Canada to improve our profitability by optimizing the business portfolio. Also, JAPEX has purchased treasury shares based on the resolution of the meeting of the Board of Directors held in November 2021 to expand shareholders' returns and improve equity efficiency. (The period for purchasing treasury shares was to be from November 10, 2021 to November 9, 2022. All of the treasury shares will be cancelled on November 30, 2022.)

In light of the irreversible changes in the energy supply and demand structure driven by the progress in global decarbonization, in May 2021, we have formulated "JAPEX2050: Toward a Carbon-Neutral Society" (hereinafter referred to as "JAPEX2050"), which outlines our responsibilities that we must take on to realize a carbon-neutral society and presents a direction for our business development.

Considering the drastic changes in our business environment, we have formulated "JAPEX Management Plan 2022–2030" as a medium -to long- term management plan in March 2022, with the aim of improving profitability and transforming into the business structure set forth in "JAPEX2050."

Outlines of "JAPEX2050" and "JAPEX Management Plan 2022–2030" are as follows.

[JAPEX2050]

1) GHG emission reduction target

(a) Achieve net-zero emissions (Scope1 + Scope2) from JAPEX operations in 2050

As a first step, reduce the CO2 emission intensity of JAPEX operations by 40% in FY2030 compared to FY2019.

Note: Scope1: Direct emission of greenhouse effect gas generated from emission sources owned or managed by companies or households

Scope2: Indirect emission of greenhouse effect gas accompanying use of electricity, steam and heat

(b) Strengthen line of business that contribute to the reduction of our supply chain emissions (Scope3)

Contribute to establish new technologies and energy supply with lower environmental impact, for reducing CO2 emissions in our supply chain.

Note: Scope3: Indirect emission in supply chain except cases of Scope2

2) Focused efforts to realize a carbon-neutral society

(a) Turn Carbon Neutral into a profitable business based on CO2 injection and storage technology

Aim to achieve the early implementation and commercialization of CCS (Carbon dioxide Capture and Storage)/CCUS (Carbon dioxide Capture, Utilization, and Storage) as a pioneer in Japan.

- Make the most of JAPEX strengths accumulated through oil and natural gas E&P in exploring and selecting candidate deep saline aquifers for implementations, drilling injection wells, and monitoring stored CO2.
- Make contributions to CO2 transportation by leveraging our experience and expertise in natural gas and LNG (liquefied natural gas) supply.

Strive to collaborate and enter into carbon-neutral businesses areas, where synergies with CCS and CCUS can be expected.

- Focus on BECCS (Bio-energy with Carbon Capture and Storage) and natural gas-fired power plants with CCS as assumed areas of collaboration
- Consider entering into business areas of carbon-recycling, including blue hydrogen and methanation.

(b) Expand participation in renewable energy projects

Aim to increase renewable energy projects in which JAPEX participates while utilizing knowledge and experience in conventional businesses.

- Increase the business opportunities and examine commercialization, mainly in biomass power generation leveraging experiences in natural gas power generation business and offshore wind power generation which have an affinity with knowledge and experience of E&P.

(c) Stable supply of oil and natural gas

Recognizing that oil and natural gas will remain as one of the major energy sources worldwide, continue to meet the demand for them.

As a comprehensive energy company, aim to achieve a carbon-neutral society through the use of CCS/CCUS and other decarbonization technologies, rather than through a complete shift away from oil and natural gas.

- Participate in natural gas development projects and consider employing CCS/CCUS in them.
- Horizontally deploy various supply methods for natural gas and LNG to meet demand for fuel switching from coal and heavy oil.

[JAPEX Management Plan 2022–2030]

1) Basic policy

Improve profitability and build business foundation for 2030 and beyond

- Aim to achieve a reasonable profit level considering capital costs and enhance shareholder returns by focusing on priority items in the business fields of E&P, Infrastructure/Utility, and Carbon Neutral.

2) Management goals

(a) Quantitative targets

- Business profit: ¥50 billion scale as of FY2030 (Interim target: ¥30 billion scale as of FY2026)
- ROE: 8% as of FY2030 (Interim target: 5% as of FY2026)
- Profit composition target on E&P-to-non E&Ps: 5-to-5 as of FY2030 (Interim target: 6-to-4 as of FY2026)

Note: Business profit the figure is calculated by subtracting head office administrative expenses and other expenses of approximately ¥6 billion from the sum of operating profit and share of profit of entities accounted for using equity method (including profits to be distributed under limited partnership and silent partnership agreements) in each business field. The forecast crude oil price used in this calculation is JCC US$50 per barrel.

(b) Carbon neutral related target

- Launch CCS/CCUS hub & cluster model business utilizing our existing domestic oil and gas fields and others by FY2030
- Reduce GHG emission intensity of JAPEX operations by 40% in FY2030 compared to FY2019

3) Fund allocation

- Out of a total of ¥500 billion in cash inflows, allocate ¥450 billion in growth investments and ¥50 billion in shareholder returns

4) Profit targets and priority items of each business field

(a) E&P field

Contribute to early expansion of profit scale and respond to low-carbonization

- Business profit target: ¥27 billion as of FY2030 (Interim target: ¥23 billion as of FY2026)
- Priority items

Domestic: Conduct stable production of oil and natural gas in existing oil and gas fields, pursue additional development at existing oil and gas fields and their surrounding areas, and reduce GHG emissions at oil and gas production locations

Overseas: Steadily promote existing projects and acquire new interests

(b) Infrastructure/Utility field

Transform business structure to withstand market changes such as oil price volatility

- Business profit target: ¥27 billion as of FY2030 (Interim target: ¥12 billion as of FY2026)
- Priority items

Domestic: Maintain and expand gas supply volumes, continue stable operations of FGP power plant, make steady progress in on-going development projects of renewable energy, and participate in additional projects

Overseas: Participate in an LNG supply infrastructure development project and consider possible participation in renewable energy projects

Note: FGP: Abbreviation of Fukushima Gas Power Co., Ltd. managing Fukushima Natural Gas Power Plant (our investment ratio of 33%)

(c) Carbon Neutral field

Contribute to smooth transition for a carbon-neural society in 2050

- Business profit target: ¥2 billion as of FY2030 (Interim target: ¥1 billion as of FY2026)
- Priority items

Domestic: Launch CCS/CCUS hub and cluster model business utilizing existing oil and gas fields and others

Overseas: Participate in CCS projects in systematically advanced areas and participate in feasibility studies on CCS/CCUS in emerging countries

5) Return to shareholders

Our basic shareholder return policy is to pay dividends in line with our financial results each fiscal year, with a target consolidated dividend payout ratio of 30% starting from interim- and year-end dividends of the fiscal year ending March 31, 2023. At the same time, we will do our utmost to maintain an annual dividend of ¥50 per share, even if we suffer from a temporary setback in our business performance due to changes in the business environment and other factors. (However, for a fiscal year in which a drastic change in profit attributable to owners of parent is recorded due to extraordinary income or losses and other special factors, the amount of dividends will be determined in consideration of such impact.)

We will strive to improve profitability and build medium- to long-term business foundation through the above-mentioned approaches, contributing to realization of a carbon-neutral society in 2050.

2. Business and Other Risks

The following risk information includes major items that may have an impact on the JAPEX Group's operating results and financial position. Recognizing the possibility of the occurrence of these risks, we strive to avoid their occurrence and to take appropriate measures in the event of their occurrence.

JAPEX manages risks through the Management Risk Committee and other various internal committees. For further information, please refer to "Item 4. Information about Reporting Company, 4. Corporate Governance, (1) Overview of corporate governance, 3) Other matters regarding corporate governance (Status of development of risk management system)."

The following risks are determined by JAPEX as major risks after discussions at the Management Risk Committee and the Board of Directors meetings. The operating results and financial position of the JAPEX Group may be affected by risks that are not listed below. This section contains forward-looking statements based on the judgment of the Company's management as of the filing date.

(1) Risks related to commodity prices and exchange rates

1) Fluctuation risks in crude oil and natural gas prices

The JAPEX Group is engaged in the E&P Business in Japan and overseas and the Infrastructure/Utility Business in Japan. The net sales and operating profit of these businesses are significantly affected by fluctuations in crude oil and natural gas prices.

For example, our operating profit for the fiscal year ending March 31, 2023 is estimated to increase or decrease by ¥240 million when the oil price increases or decreases by US$1 per barrel. This increase or decrease includes the impact of changes in the procurement cost of LNG, which is linked to the price of crude oil, and resulting changes in sales prices of domestic natural gas and electricity. However, actual operating profit will be affected by a variety of factors other than those mentioned above.

If the carrying amount of business assets at that point in time is not expected to be recovered from future profits due to a reduction in the estimated medium- to long-term sales prices of crude oil, natural gas, etc., an impairment loss will be recorded for the assets, which may have a negative impact on the financial position and operating results of the JAPEX Group.

2) Exchange rate fluctuation risks

Fluctuations in the exchange rate between the US dollar and Japanese yen have an impact on net sales and operating profit, etc., because the JAPEX Group sells crude oil and natural gas produced in Japan in yen-denominated terms that refer to the customs clearance price (CIF price) of crude oil and LNG. Such fluctuations will also affect the domestic sales prices of natural gas made from imported LNG and electricity fueled by imported LNG and will affect the purchase prices as well.

Our operating profit for the fiscal year ending March 31, 2023 is estimated to increase or decrease by ¥410 million when the exchange rate increases or decreases by ¥1/US dollar.

(2) Risks related to business

[E&P Business]

1) Risks related to E&P business investment (exploration and development investment)

The general characteristics of our E&P businesses include the following investment-related risks.

(a) Risks related to exploration investment

In exploration activities, we first identify the geological structure of the target area by analyzing the geological conditions, strata, and geophysical exploration. If the area is evaluated as positive, we conduct exploratory drilling to confirm the extent of the oil and gas reservoirs and the amount of resources. However, geological uncertainty cannot be eliminated even with the recent development of exploration technology. It is not always possible to discover crude oil and natural gas on the expected scale. Therefore, due to the failure of exploration activities, we may not be able to recover the expenditures previously invested, and we may incur investment losses.

(b) Risks related to development investment

When moving onto the development of oil and gas fields, we strive to make rational final investment decisions based on a variety of information and assumptions obtained at that time, such as the estimated amount of resources obtained through exploration activities, the construction and operating costs of wells, production and transportation facilities, and the estimated sales prices of products. However, we may not be able to make a final investment decision due to a variety of factors, including changes in equipment specifications as a result of subsequent detailed technical studies, price hikes in materials and services required for development, delays in government approval procedures and drilling work, new geological problems in the production stage, and declines in crude oil and natural gas prices. In addition, due to the same factors above, the profitability of the business may become lower than expected at the time of the final investment decision. As a result, investment losses may be incurred due to the inability to recover expenditures previously invested.

(c) Risks related to future well abandonment

The JAPEX Group’s current production wells and fields need to be abandoned after the end of production. The Group records the present value of the costs in relation to abandonments of wells and fields based on current estimates as asset retirement obligations. In the future, if the estimated amount is expected to be insufficient due to changes in the abandonment plan, tightening of regulations, or soaring prices of materials and equipment, it may be necessary to increase the amount of asset retirement obligations, which may have an adverse impact on the financial position and operating results of the JAPEX Group. For details of asset retirement obligations, please refer to “Item 5. Financial Information, 1 Consolidated Financial Statements, etc., (1) Consolidated financial statements, Notes to consolidated financial statements (Asset retirement obligations).”

(d) Risks due to long investment payback period

The E&P businesses require a long period of time and substantial investment in exploration phase, from the initial basic survey to the discovery of resources through drilling, and in the development phase, which involves drilling of development wells and construction of production and transportation facilities after the discovery of resources. Therefore, it usually takes a long lead time from the start of a business to the recovery of investment and the contribution to profits. During this period, changes in the business environment may result in an increase in investment (including those resulting from delays in development schedules), a decrease in demand, a decline in sales prices, an increase in operating costs, and fluctuations in foreign exchange rates, which may lower the profitability of the business. Such changes also may prevent the recovery of expenditures previously incurred and result in investment losses.

(e) Risks related to reserves and production volume

In order to maintain and develop the E&P businesses, it is necessary to compensate for and expand reserves and production, which will decrease in line with production activities, in the medium- to long- term through continuous acquisition of mineral rights, exploration and development efforts. However, due to the existence of the risks listed in “(a) Risks related to exploration investment” through “(d) Risks due to long investment payback period” above, as well as the risks related to overseas E&P businesses and risks related to climate change as described below, if such operations are not successful, the amount of reserves and production may decrease in the future, which may adversely affect the JAPEX Group’s operating results.

Reserves are evaluated based on the quantity of oil and gas in surface form that is estimated to be economically and operationally extractable from known oil and gas reservoirs at the time of evaluation based on geological and engineering data. The quantity may be revised upward or downward according to review based on new data to be obtained in the future, changes in economic conditions, and changes in internationally recognized reserve definitions. For details, please refer to “3. Management’s Discussion and Analysis of Financial Position, Operating Results and Cash Flows, (1) Overview of operating results, (d) Reserves of the JAPEX Group.”

2) Risks specific to overseas E&P business investment

In addition to the “1) Risks related to E&P business investment (exploration and development investment)” above, the overseas E&P businesses have the following risks as a general trend.

(a) Country risk

Some of our overseas E&P businesses are conducted in regions with relatively high country risk. Political, economic, and social turmoil (including significant deterioration in public safety), changes in legislation, taxation systems, or policies in these countries may adversely affect the smooth execution of the Group's overseas business.

(b) Market risk

Crude oil and natural gas produced in overseas E&P businesses are sold in the most advantageous market that has been selected for each project after comprehensive consideration about transportation capacity by pipeline, etc., and production and sales costs for maximizing business profits. However, due to factors such as the nature of the products and the supply and demand environment, we may be forced to sell our products at a significant discount to typical crude oil and natural gas price indices (WTI, Henry Hub, etc.), which may worsen the profitability of our business.

(c) Partner risk

When a large amount of investment is required to carry out the business, or when there are high risks in terms of technology, etc., we engage in joint business with other companies as partners, rather than with ourselves, in order to diversify funds and risks.

In making decisions regarding joint ventures, each partner is generally granted voting rights according to the amount of interests held, and we have no controlling authority in joint ventures in which we hold only a minor share. As a result, our intentions are not necessarily reflected in decisions on exploration and development plans, etc., and if such decisions are made in a manner that is not in line with our interests, we may not be able to obtain expected profits.

The major overseas E&P businesses in production that require a considerable amount of funds are as described in “3) Risks related to major individual projects in overseas E&P businesses” below.

3) Risks related to major individual projects in overseas E&P businesses

a) Iraq Garraf oil field development project

JAPEX has been participating in the development and production project in Garraf oil field located in the southern part of the Republic of Iraq through its investment in a consolidated subsidiary Japex Garraf Ltd. (investment ratio at the end of the fiscal year ended March 2022: 55.00%), which holds 30% working interest in the project and provides 40% of funding. JAPEX has been promoting development businesses jointly with the operator, PETRONAS Carigali Iraq Holding B.V. (the subsidiary of PETRONAS).

The production started in August 2013, and the project is currently conducting additional development work under the final development plan to increase crude oil production, while allocating the proceeds from the sale of collected crude oil to capital investment.

The production volume, sales volume, and net sales and operating profit of the project may decrease due to the deterioration of the political, social, and security situation in the country and the agreement of the OPEC to reduce production. In addition, in the event of an increase in costs, delays in development schedules, or a decrease in production, there may be a shortage of crude oil sales revenue to fund capital expenditures, resulting in an increase in the Company’s financial burden.

(b) Russia Sakhalin-1 Project

JAPEX has been participating in the development of crude oil and natural gas off the coast of Sakhalin Island, Russia (Russia Sakhalin-1 Project) through its investment in Sakhalin Oil and Gas Development Co., Ltd. (investment ratio at the end of the fiscal year ended March 2022: 15.29%).

As for the production and sales of crude oil and gas in the Russia Sakhalin-1 Project, its operating profit is significantly affected by fluctuations in crude oil and natural gas prices, as described in “(1) Risks related to commodity prices and exchange rates, 1) Fluctuation risks in crude oil and natural gas prices” above. Sakhalin Oil and Gas Development Co., Ltd. is an important associate of JAPEX. If the operating profit of Sakhalin Oil and Gas Development Co., Ltd. significantly decreases due to such factors, the JAPEX Group’s operating results may be adversely affected. Due to the strained situation in Ukraine, on March 1, 2022, US-based ExxonMobil, the operator of the project, announced its withdrawal from the project. The operating results of the JAPEX Group may be adversely affected if our business activities will be restrained for a long period due to the impact of the economic sanction against Russia.

[Infrastructure/Utility Business]

1) Risks related to natural gas sales

From the perspective of mitigating the impact of various risks in our E&P businesses, JAPEX is working to expand the volume of natural gas we handle as part of our Infrastructure/Utility Business. We are actively engaged in the development of demand by utilizing existing natural gas pipelines and supplying LNG by the LNG satellite system using tank trucks and other means beyond the reach of our pipelines. However, the Group’s operating results may be adversely affected by factors such as a decline in the current handling volume of natural gas (including the volume of transportation service for third parties), a failure to develop new demand, or a decline in unit sales prices. Those factors are due to the decreasing population arising from the decreasing birthrate and aging population, the lower utilization ratio of users’ capacity and more intensified competition among companies in the same industry.

We are striving to procure LNG that will be required based on future sales volume projections by combining long-term contracts with spot contracts to ensure both stability in procurement and flexibility in response to demand fluctuations. However, in the event of an unexpected decrease in demand, we may not be able to cope with the situation by simply

adjusting the amount of LNG procured through spot contracts, and may incur a payment under the take or pay clause in a long-term contract for untaken LNG volumes or resell the LNG at a lower price.
Although we have taken measures such as appropriately transferring fluctuations in LNG procurement prices to sales prices, we may not be able to transfer such fluctuations to sales prices sufficiently if the LNG procurement prices rise in a short period of time. In such a case, there is a possibility that the JAPEX Group's financial position and operating results may be adversely affected.

2) Risks related to natural gas thermal power generation business
JAPEX has invested in Fukushima Gas Power Co., Ltd., the main promoter of the natural gas-fired power generation business at Soma Port in Fukushima (investment ratio at the end of the fiscal year ended March 31, 2022: 33.30%), where we are engaged in the power generation business using the power generation capacity equivalent to the investment ratio.
We have concluded long-term sales contracts with several customers, mainly retailers, for a significant portion of the electricity we take. However, the JAPEX Group's operating results may be adversely affected in the event that a decrease in electricity sales volume or sales unit price occurs in the future due to procurement of alternative power sources required for dealing with power plant equipment trouble or intensified completion among power sources.

[Overall business]
1) Risks related to accidents and disasters
The JAPEX Group strives to maintain the integrity of its facilities (such as natural gas pipelines) and develop emergency response measures including security systems and Business Continuity Plans (BCPs) for operations such as well drilling, production and transportation of crude oil and natural gas, and storage, regasification, and transportation of LNG. However, we cannot completely prevent the risk of human and property damage or the inability to operate oil and gas fields due to operational accidents and disasters (including abnormal weather, earthquakes, and other natural disasters), the spread of epidemics (pandemics), crime and terrorism (including cybersecurity-related ones). In such an event, not all of the damage is covered by insurance. In addition to direct damage, it could result in secondary damage such as loss of income due to interruption of sales, compensation for damage to customers to whom we are obligated to supply, compensation for damage due to environmental pollution such as soil, air, water, and ocean, administrative punishment, and loss of public trust.

2) Risks related to COVID-19
While the timing of when the COVID-19 pandemic will end remains uncertain, the spread of COVID-19 and the measures taken in various countries, such as urban blockades, declaration of a state of emergency, and priority measures to prevent the spread of COVID-19, may reduce demand for oil, natural gas, and electricity and, furthermore, may cause a decline in the prices of crude oil, natural gas, and electricity. In addition, the JAPEX business activities may be stagnant or delayed due to infection of JAPEX employees or restrictions on the movement of materials and equipment necessary for JAPEX employees or business activities.
We have continued to take measures to prevent infection and spread of COVID-19. As part of such measures, we have established an emergency task force to deal with measures against COVID-19 within the Company. We have also implemented measures such as expanding the flextime system, telecommuting, restricting non-urgent business trips in Japan and to overseas, and workplace vaccination, as well as restricting access to the central monitoring and control room at domestic operation sites.

3) Risks related to climate change
Following the adoption of the Paris Agreement, efforts have been made worldwide to reduce greenhouse gases, which are considered to be the cause of climate change and global warming, and the movement toward the realization of a low-carbon society is accelerating.
Recognizing the importance of responding to climate change, JAPEX has been implementing necessary measures in such areas as governance, business strategies, risk management, and emissions management based on the TCFD recommendations. Of the risks related to climate change, risks associated with the transition to a low-carbon or decarbonized society (policy and regulatory risks, technology risks, market risks, etc.) and physical risks due to natural disasters (acute risks caused by sudden meteorological events including typhoons and chronic risks associated with long-term climate change including sea level rise) may become apparent in the medium- to long- term. As a result, if climate change policies are strengthened in various countries and environmental laws and regulations, including carbon taxes, are revised or newly introduced, there is a

possibility ’hat the JAPEX's business value may be damaged due to a decrease in domestic and overseas demand for oil and natural gas, a prolonged slump in sales prices, and additional costs.

4) Risks related to acquisition of new projects and establishment of new businesses

As described in “Item 2. Overview of Business, 1. Management Policy, Business Environment, and Issues to be Addressed,” in May 2021, JAPEX announced the “JAPEX2050.” It outlines our responsibilities and issues to be addressed to realize a carbon-neutral society, as well as our future actions and direction for our business development. Also, in March 2022, JAPEX announced the “JAPEX Management Plan 2022–2030” as the medium- to long- term management plan with the aim of transforming into the business structure set forth in “JAPEX2050.” The “JAPEX2050” and “JAPEX Management Plan 2022–2030” state that we will work on the E&P field; Infrastructure/Utility field with a focus on the supply of renewable energy; and other areas related to CCS (capture and storage of CO2) and CCUS (capture, utilization, and storage of CO2) as our business foundation. However, if these efforts do not lead to the acquisition of new projects or the establishment of new businesses, it may adversely affect the JAPEX Group’s operating results.

3. Specific laws and regulations

1) Laws and regulations related to gas and electric utilities

As part of various deregulation measures aimed at introducing the principle of completion in the Japanese gas industry, the revised Gas Business Act was enacted on April 1, 2017. Under the Gas Business Act, LNG terminals of a certain size or larger are required to be opened to third parties in addition to natural gas pipelines, for which a third-party consignment obligation has been imposed. JAPEX believes that such deregulation will stimulate the Japanese gas market as a whole and increase demand for natural gas. This will increase the marketing flexibility of the JAPEX Group, leading to the expansion of business domains and customer bases. On the other hand, the progress of such structural reforms may lead to severe price competition, which may have a negative impact on the JAPEX Group’s natural gas sales.

In the electric power business, the government is promoting electric power system reforms to ensure a stable supply of electricity, minimize electricity charges, make choices for households and other users, and expand business opportunities for companies. These reforms may have a negative impact on the Company's electricity sales in the future due to a review of policies related to the electric power business and changes in market conditions associated with such policies.

2) Other laws and regulations specific to the JAPEX Group’s business

Due to the nature of the Group's business, the Group's operations may impose various environmental burdens. The JAPEX Group therefore has taken all necessary procedures, including the acquisition of licenses and approvals from regulatory authorities, submission of notifications, and provision of product information to customers, in accordance with the Mine Safety Act, High Pressure Gas Safety Act, and other relevant laws and regulations, in a legal and appropriate manner, and no serious problems have occurred to date. However, if the current laws and regulations are strengthened in line with increasing global environmental awareness, an increase in costs related to additional facilities and operational measures could have a negative impact on the JAPEX Group’s operating results.

4. Risks associated with the variation in INPEX CORPORATION's stock price

As of the end of the fiscal year ended March 31, 2022, JAPEX held 3.85% of the shares of INPEX CORPORATION. As of the end of the fiscal year under review, the balance of investment securities of the JAPEX Group was ¥108,910 million, of which ¥76,963 million was for the shares of INPEX CORPORATION. If the stock price of the company fluctuates, it may affect the financial position of the JAPEX Group.

5. The Company’s shares held by the government

In December 2003, JAPEX listed its shares on the First Section of the Tokyo Stock Exchange through a secondary offering of some of the shares held by the then Japan National Oil Corporation (JNOC). As a result, the percentage of shares held by the JNOC declined from 65.74% to 49.94%.

With the abolition of JNOC, the remaining shares of JAPEX held by JNOC were transferred to the government (Minister of Economy, Trade and Industry) on April 1, 2005. An equivalent of 15.94% of the shares held by JNOC were sold with a transfer date of June 15, 2007. As a result, the percentage of shares held by the Minister (after deducting treasury shares) was reduced to 34.88% as of March 31, 2022. The remaining shares may continue to be sold, and the timing, method, and quantity of such sale may have an impact on the JAPEX's stock price.

There is a memorandum of understanding between the government and JAPEX regarding the holding of these shares. It states that JAPEX will consult with the government regarding “amendments to the articles of incorporation,” “changes in capital or issuance of corporate bonds,” “settlement of accounts and appropriation of retained earnings,” “transfer or acquisition of part or all of the operation,” “determination of candidates for directors,” and “matters that have a significant impact on assets or business management.” This memorandum is managed in a manner that respects the independence of JAPEX’s management, and the existence of the memorandum has never hindered JAPEX’s business or restricted the contents of its business.

6. Compliance

The JAPEX Group must fulfill the following social responsibilities in conducting business in Japan and overseas.

(a) Compliance with laws and regulations

Comply with laws and regulations including the Companies Act, the Tax Act, the Financial Instruments and Exchange Act, the Anti-Monopoly Act, the Labor Standards Act, environment-related laws, information security-related laws, anti-bribery laws, the Mining Act, the Gas Business Act, and other business laws.

(b) Implementation of information security measures

Appropriately manage confidential information, including collected personal information, so as not to be leaked or used for other purposes in the course of business.

(c) Blocking unfair trade

Do not engage in unfair transactions such as bribery or giving benefits to anti-social forces.

(d) Respect for human rights

Do not engage in or participate in human rights violations throughout the supply chain, including discrimination, harassment, forced or child labor, and unfair interference with the rights of indigenous peoples.

In order to fulfill these social responsibilities, the JAPEX Group strives to raise awareness of compliance and human rights among its officers and employees through in-house training and other means. In addition to establishing internal rules and committees (please refer to “Item 4. Information about Reporting Company, 4. Corporate Governance, (1) Overview of corporate governance” below), we have established internal control systems for internal audits and financial reporting. However, if JAPEX’s officers and employees conduct any illegal or improper activities, it may cause tangible damage, such as the suspension of oil and gas production operations and the incurrence of legal expenses, as well as intangible damage, such as loss of public trust, which may have a negative impact on the JAPEX Group’s operating results.

3. Management's Discussion and Analysis of Financial Position, Operating Results and Cash Flows

(1) Overview of operating results

The overviews of the financial position, operating results and cash flows (hereinafter referred to as "operating results") of JAPEX Group (JAPEX, consolidates subsidiaries and equity-method associates of the Company) for the fiscal year ended March 31, 2022 are as follows.

(a) Overviews of financial position and operating results

In the fiscal year ended March 31, 2022, the Japanese economy remained under difficult circumstances due to the impact of the new coronavirus infection (COVID-19), and although temporarily there were signs of a recovery in consumer spending and industrial production, the recovery trend was weak and uncertain.

The Japan Crude Cocktail (JCC) price was in an upward trend from the upper $60s per barrel at the beginning of the fiscal year against the backdrop of accelerated normalization of economic activities. Since February, the price has been soaring due to concerns over crude oil and natural gas supply from Russia as the situation in Ukraine became more strained, and it was in the lower $90s per barrel by the end of the fiscal year.

In the currency exchange market, the yen was in the upper ¥100/US$ level at the beginning of the fiscal year, but the yen depreciation trend strengthened going into the second half of the fiscal year, and was around the mid ¥110 level at the end of the fiscal year. As a result, the JAPEX Group's average oil sales price for the fiscal year rose compared to the previous fiscal year.

On the other hand, the JAPEX Group continued to face a severe domestic market environment with respect to natural gas sales. In addition to competition with prices of other oil products, that was due to continuing competition in the entire energy industry driven by the full retail liberalization of electricity and gas.

Under such circumstances, although the JAPEX Group has been promoting business based on "Long-Term Vision 2030 and Mid-Term Business Plan 2018-2022" announced in May 2018, the business environment surrounding the JAPEX Group has been undergoing significant changes, such as the further acceleration of global decarbonization among others, and it has become necessary to respond to these changes quickly and flexibly. For this reason, during the fiscal year ended March 31, 2022, in May 2021, we formulated and announced "JAPEX2050," which outlines the responsibilities and challenges we must take in order to achieve global net-zero CO2 emissions by 2050, and the direction for JAPEX's future actions and business development, and then in March 2022, we formulated and announced the "JAPEX Management Plan 2022-2030," which is based on the basic policy of improving profitability and building a business foundation for 2030 and beyond. Based on these plans, we will continue to promote our business diligently.

During the fiscal year, net sales was ¥249,140 million, an increase of ¥9,062 million (+3.8%) year on year. Gross profit was ¥49,903 million, an increase of ¥13,368 million (+36.6%) year on year. Main factors behind the year-on-year increase for net sales and increase for gross profit were improvements in sales of crude oil in Japan and diluted bitumen due to a rise in crude oil prices, despite a decrease in revenue due to the net presentation of most of the crude oil purchase and sales following the application of the Accounting Standard for Revenue Recognition.

Exploration expenses was ¥359 million, a decrease of ¥629 million (-63.6%) year on year. Selling, general and administrative expenses was ¥29,734 million, a decrease of ¥1,618 million (-5.2%) year on year. As a result, operating profit was ¥19,809 million, an increase of ¥15,616 million (+372.5%) year on year.

Ordinary profit was ¥43,674 million, an increase of ¥33,672 million (+336.7%) year on year, due mainly to the turnaround from foreign exchange losses to foreign exchange gains and an increase in share of profit of entities accounted for using equity method.

Loss before income taxes deteriorated by ¥11,178 million to ¥18,501 million year on year, mainly due to the recording of loss on sale of shares of subsidiaries resulting from the transfer of all the shares in Japan Canada Oil Sands Limited (JACOS), a consolidated subsidiary that promotes the oil sands project in Canada, and loss on transfer of interests resulting from the transfer of JAPEX Montney Ltd. (JML)'s interest in the shale gas project of North Montney Area in British Columbia, Canada, despite the recording of gain on sale of investment securities due to the sale of a portion of strategic shareholdings. Loss attributable to owners of parent deteriorated by ¥28,262 million to ¥30,988 million year on year.

Below is a breakdown of net sales.

(i) E&P Business

Net sales from the E&P Business came to ¥73,422 million, a decrease of ¥24,059 million (-24.7%) year on year, mainly due to a decrease in most of the crude oil purchase and sales due to the impact of the net presentation, despite higher sales prices of crude oil and diluted bitumen.

(ii) Infrastructure/Utility Business

Net sales from the Infrastructure/Utility Business came to ¥119,845 million, an increase of ¥18,543 million (+18.3%) year on year. This was mainly the result of higher sales prices of natural gas (Japan), liquefied natural gas (LNG), and electricity, despite reduced sales volume for natural gas (Japan).

(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 ¥55,872 million, an increase of ¥14,578 million (+35.3%) year on year.

Below is a summary of performance by segment (before elimination of intersegment transactions).

Japan

Net sales in the Japan segment are mainly composed of crude oil and natural gas (including LNG), electricity, contract services,

oil products and the like. During the fiscal year under review, net sales came to ¥192,669 million, a decrease of ¥20,649 million (-9.7%) year on year, due to a change of presentation from a gross basis to a net basis for transactions in which our role was agent,

following the application of the Accounting Standard for Revenue Recognition, despite higher sales prices of crude oil, natural gas, electric power, etc. Segment profit increased by ¥2,751 million (+12.5%) year on year to ¥24,739 million, due to improvements in sales of crude oil and natural gas.

North America

Net sales in the North America segment are mainly composed of crude oil and natural gas (including diluted bitumen). In the fiscal year under review,

net sales came to ¥33,814 million, an increase of ¥7,748 million (+29.7%) year on year due mainly to an improvement in sales prices of diluted bitumen in JACOS Hangingstone leases. Segment profit increased ¥11,163 million year on year to ¥1,789 million (compared with a segment loss of ¥9,374 million in the previous fiscal year).

Europe

In the Europe segment, exploration activities have been conducted in the UK North Sea block located offshore Aberdeen. In the fiscal year under review, there was segment loss of ¥151 million (compared to segment loss of ¥132 million in the previous fiscal year).

Middle East

Net sales from the Middle East segment are composed of crude oil. In the fiscal year under review, net sales came to ¥22,657 million, an increase of ¥5,907 million (+35.3%) year on year, due mainly to a higher sales price. Segment profit came to ¥2,644 million, an increase of ¥2,479 million year on year.

Total assets at the end of this fiscal year decreased by ¥152,845 million from the previous fiscal year-end to ¥471,941 million. Current assets increased by ¥5,885 million from the previous fiscal year-end. This was mainly due to increases in notes and accounts receivable - trade and income taxes refund receivable included in other, despite a decrease in cash and deposits. Non-current assets decreased by ¥158,730 million from the previous fiscal year-end. This was mainly due to a reversal of deferred tax assets and a decrease in property, plant and equipment resulting from excluding JACOS from consolidation by the sale of all the shares of JACOS, despite an increase in recovery accounts included in other under investments and other assets.

Liabilities decreased by ¥121,123 million from the previous fiscal year-end to ¥69,171 million.
Current liabilities decreased by ¥78,534 million from the previous fiscal year-end. This was due mainly to the decrease in current portion of long-term borrowings because of fulfilling its guarantee obligation for consolidated subsidiary JML's borrowings. Non-current liabilities decreased by ¥42,588 million from the previous fiscal year-end. This was mainly due to the decrease in long-term borrowings by fulfilling guarantee obligation of JACOS's borrowings.

Net assets decreased by ¥31,721 million from the previous fiscal year-end to ¥402,770 million.
The main factor was a decrease in retained earnings.

(b) Overview of cash flows for the fiscal year under review

As of March 31, 2022, cash and cash equivalents (hereinafter "net cash") decreased by ¥13,449 million compared to the end of the previous fiscal year to ¥144,513 million. Below is a summary of cash flows for each activity.

(Cash flows from operating activities)

Net cash used in operating activities amounted to ¥1,052 million. This was mainly due to loss before income taxes of ¥18,501 million, loss on sale of short-term and long-term investment securities of ¥53,579 million, and gain on forgiveness of debt of ¥42,462 million.

(Cash flows from investing activities)

Net cash provided by investing activities amounted to ¥52,067 million. Net cash was mainly used in payments of recoverable accounts of ¥23,244 million, while net cash was mainly provided by proceeds from sale and redemption of investment securities of ¥53,062 million and of proceeds from sale of shares of subsidiaries resulting in change in scope of consolidation of ¥29,382 million.

(Cash flows from financing activities)

Net cash used in financing activities was ¥70,939 million. Net cash was mainly used in repayments of long-term borrowings of ¥59,703 million.

(c) Status of production, orders received and sales

(i) Status of production

Below is a status of production performance by segment for the fiscal year under review.

- Japan

		Fiscal year ended March 31, 2022 (April 1, 2021– March 31, 2022)	YoY (%)
E&P Business	Crude oil (kl)	280,997	(8.8)
	Natural gas (thousand m^3)	542,563	(2.9)
	Bitumen (kl)	–	–
Infrastructure/Utility Business	LNG (t)	2,136	(36.1)
	Electricity (thousand kWh)	2,655,529	4.4

- North America

		Fiscal year ended March 31, 2022 (April 1, 2021– March 31, 2022)	YoY (%)
E&P Business	Crude oil (kl)	37,000	(48.6)
	Natural gas (thousand m^3)	132,025	(72.1)
	Bitumen (kl)	656,377	(26.2)
Infrastructure/Utility Business	LNG (t)	–	–
	Electricity (thousand kWh)	–	–

- Middle East

		Fiscal year ended March 31, 2022 (April 1, 2021 – March 31, 2022)	YoY (%)
E&P Business	Crude oil (kl)	488,391	3.9
	Natural gas (thousand m^3)	–	–
	Bitumen (kl)	–	–
Infrastructure/Utility Business	LNG (t)	–	–
	Electricity (thousand kWh)	–	–

Notes: 1. Part of the natural gas production volume is used as a feedstock for LNG.

2. Bitumen is a type of extra-heavy oil extracted from oil sands.

(ii) Status of orders received

The Company and its consolidated subsidiaries do not conduct production by order.

(iii) Status of sales

Below is a status of sales performance by segment for the fiscal year under review.

- Japan

		Fiscal year ended March 31, 2022 (April 1, 2021 – March 31, 2022)		YoY (%)	
		Sales volume	Amount (Millions of yen)	Sales volume	Amount
E&P Business	Crude oil (kl)	312,181	16,951	(86.1)	(76.0)
	Diluted bitumen (kl)	–	–	–	–
	Natural gas (overseas) (thousand m^3)	–	–	–	–
Subtotal			16,951		(76.0)
Infrastructure/Utility Business	Natural gas (domestic) (thousand m^3)	1,061,244	58,024	(10.3)	13.1
	LNG (t)	295,536	22,596	4.0	44.9
	Electricity (thousand kWh)	3,023,294	34,320	0.2	14.1
	Others		4,903		13.2
Subtotal			119,845		18.3
Other businesses	Contract services		6,395		(16.2)
	Oil products/merchandise		47,354		48.3
	Others		2,122		22.7
Subtotal			55,872		35.3
Total			192,669		(9.7)

- North America

		Fiscal year ended March 31, 2022 (April 1, 2021 – March 31, 2022)		YoY (%)	
		Sales volume	Amount (Millions of yen)	Sales volume	Amount
E&P Business	Crude oil (kl)	39,112	1,448	(46.5)	(3.5)
	Diluted bitumen (kl)	959,777	31,121	(27.3)	43.5
	Natural gas (overseas) (thousand m^3)	130,214	1,244	(72.3)	(56.7)
	Subtotal		33,814		29.7
Infrastructure/Utility Business	Natural gas (domestic) (thousand m^3)	–	–	–	–
	LNG (t)	–	–	–	–
	Electricity (thousand kWh)	–	–	–	–
	Others		–		–
	Subtotal		–		–
Other businesses	Contract services		–		–
	Oil products/merchandise		–		–
	Others		–		–
	Subtotal		–		–
Total			33,814		29.7

- Middle East

		Fiscal year ended March 31, 2022 (April 1, 2021 – March 31, 2022)		YoY (%)	
		Sales volume	Amount (Millions of yen)	Sales volume	Amount
E&P Business	Crude oil (kl)	318,632	22,657	–	–
	Diluted bitumen (kl)	–	–	–	–
	Natural gas (overseas) (thousand m^3)	–	–	–	–
Subtotal			22,657		–
Infrastructure/Utility Business	Natural gas (domestic) (thousand m^3)	–	–	–	–
	LNG (t)	–	–	–	–
	Electricity (thousand kWh)	–	–	–	–
	Others		–		–
Subtotal			–		–
Other businesses	Contract services		–		–
	Oil products/merchandise		–		–
	Others		–		–
Subtotal			–		–
Total			22,657		–

Notes: 1. Intersegment transactions are offset and eliminated.
2. "Crude oil" includes crude oil that the JAPEX Group extracted from mines and crude oil purchased from other companies.
3. Diluted bitumen is bitumen diluted by ultra-light crude oil for pipeline transportation.
4. "Natural gas (domestic)" 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 (domestic) is classified under the Infrastructure/Utility Business, since both natural gas produced in Japan and regasified LNG are sold together by the 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.
5. "Others" of the Infrastructure/Utility Business includes contracted transportation of natural gas and contracted regasification of LNG used for power plant fuel, etc.
6. Under the Other businesses, "Oil products/merchandise" includes liquefied petroleum gas (LPG), fuel oil, gas oil and kerosene, and "Others" includes other subcontracted tasks.
7. At the beginning of the fiscal year under review, sales of crude oil in the Japan segment decreased significantly due the net presentation of most of the crude oil purchase and sales for transactions in which our role was agent, following the application of the Accounting Standard for Revenue Recognition. Details are described in "Item 2. Overview of Business, 3. Management's Discussion and Analysis of Financial Position, Operating Results and Cash Flows, (1) Overview of operating results, (a) Overviews of financial position and operating results."

(d) Reserves of the JAPEX Group

The below table shows proved reserves held by the reporting company and its consolidated subsidiaries as of March 31, 2022 as well as proved reserves held by equity-method associates equivalent to the reporting company's stake in such associates as of that date.

Proved reserves	JAPEX and consolidated subsidiaries								Equity-method associates of the Company		Total		
	Domestic		Overseas			Subtotal							
	Crude oil (Thousand kl)	Gas (Million m^3)	Crude oil (Thousand kl)	Bitumen (Thousand kl)	Gas (Million m^3)	Crude oil (Thousand kl)	Bitumen (Thousand kl)	Gas (Million m^3)	Crude oil (Thousand kl)	Gas (Million m^3)	Crude oil (Thousand kl)	Bitumen (Thousand kl)	Gas (Million m^3)
As of March 31, 2021	1,647	6,722	13,484	13,237	10,252	15,131	13,237	16,975	4,254	1,451	19,385	13,237	18,426
Increase due to expansion or discovery	66	691	–	–	–	66	–	691	–	–	66	–	691
Change due to revision of evaluation from the previous fiscal year	184	344	(730)	–	(1)	(546)	–	343	53	(50)	(494)	–	294
Change due to acquisition and/or divestiture	–	–	(551)	(12,610)	(9,605)	(551)	(12,610)	(9,605)	–	–	(551)	(12,610)	(9,605)
Decrease due to production	(281)	(571)	(693)	(627)	(275)	(974)	(627)	(847)	(498)	(407)	(1,472)	(627)	(1,253)
As of March 31, 2022	1,616	7,187	11,510	–	371	13,127	–	7,557	3,808	995	16,934	–	8,552

Notes: 1. Proved reserves held by the following consolidated subsidiaries include reserves attributable to non-controlling interests. (Figures in parentheses are non-controlling interests' percentage.)

Domestic: Japex Offshore Ltd. (29.39%)

Overseas: Canada Oil Sands Co., Ltd. (5.42%), JAPEX Montney Ltd. (45.00%), Japex Garraf Ltd. (45.00%)

2. Reserves of consolidated subsidiaries and equity-method associates whose balance sheet dates differ from the consolidated balance sheet date are accounted for on the basis of the entity's respective fiscal year-end.
3. We transferred all of the working interest held by JAPEX Montney Ltd. to Petronas Energy Canada Ltd., the operator of the leases. Also, all of the shares of Japan Canada Oil Sands Co., Ltd. held by Canada Oil Sands Co., Ltd. were transferred to HE Acquisition Corporation. The former and latter procedures were completed on July 5, 2021 and September 17, 2021, respectively. As a result of these transfers, overseas crude oil and gas under "JAPEX and consolidated subsidiaries" (reserves held by JAPEX Montney Ltd.) decreased by 1,422 thousand kl and 9,749 million m^3, respectively, while overseas bitumen under "JAPEX and consolidated subsidiaries" (reserves held by Canada Oil Sands Co., Ltd.) decreased by 12,610 thousand kl. Those figures are included in "Change due to acquisition and/or divestiture."

Proved reserves detailed in the above table represent the quantity of oil and gas in surface form that is estimated to be economically and operationally extractable from known oil and gas reservoirs at the time of evaluation based on geological and engineering data. The figures do not include the past production volumes or resource volumes related to undiscovered deposits.

As for the definitions of reserves, the Petroleum Resources Management System (PRMS), which were established in 2007 by four organizations, namely the Society of Petroleum Engineers (SPE), the World Petroleum Council (WPC), the American Association of Petroleum Geologists (AAPG), and the Society of Petroleum Evaluation Engineers (SPEE), have been widely accepted as an international standard.

The figures presented in the tables above are based on JAPEX's own evaluations in accordance with the PRMS' definition of "proved reserves," which was revised in 2018. The figures do not include reserves corresponding to "probable reserves" or "possible reserves," i.e., reserves that have higher uncertainty regarding future extractability than proved reserves under the PRMS. Further, under the same definitions, projects for which commercial development plans have not been finalized (even if the existence of resource deposits has been confirmed) are separately classified from reserves as "contingent resources." Accordingly, the figures presented on this table do not include the JAPEX Group's contingent resources in areas lacking finalized development plans.

We acknowledge that the definition of proved reserves used by the U.S. Securities and Exchange Commission (SEC) is also widely accepted, especially among investors in the United States. The definition of proved reserves by the SEC is fundamentally similar to that under the PRMS.

JAPEX discloses the figures based on its own judgment in accordance with the PRMS' definition of proved reserves. Regarding the reserves held by overseas project companies, we disclose the figures based on the economic shares specified in the contracts among each project company and authorities such as the local government.
In addition, Ryder Scott Company, L.P. has been contracted by JAPEX to conduct a third-party assessment and appraisal of the validity of JAPEX's evaluation and judgement for the quantity equivalent to around 77% of the proved reserves of JAPEX and its consolidated subsidiaries in Japan as of March 31, 2022 (the quantity is hereinafter referred to as "[1]") as disclosed on the above table. Regarding the overseas reserves, reserves held by Japex (U.S.) Corp., JAPEX UK E&P Ltd. and Kangean Energy Indonesia Ltd. are assessed by third parties for the quantity equivalent to around 37% of the total proved reserves as of March 31, 2022 (the quantity is hereinafter referred to as "[2]") as disclosed on the above table. As the figures of proved reserves obtained by JAPEX's own evaluation and the those obtained by the third-party assessments approximate, we believe that the former figures are appropriate.

Reserves are ultimately a projection of future production capacity shrouded in uncertainty. Nevertheless, JAPEX strives to ensure accurate evaluations based on currently available scientific evidence, including geological and engineering data. Despite these efforts, the quantity may be revised upward or downward according to review based on new data to be obtained in the future, changes in economic conditions, and changes in the internationally accepted definitions for reserves.

[1] We calculate 1 kiloliter of crude oil or bitumen as 1,033.1 cubic meters of natural gas (1BOE = 5.8Mscf).
[2] Same as [1].

(2) Management's discussion and analysis of operating results and other relevant items

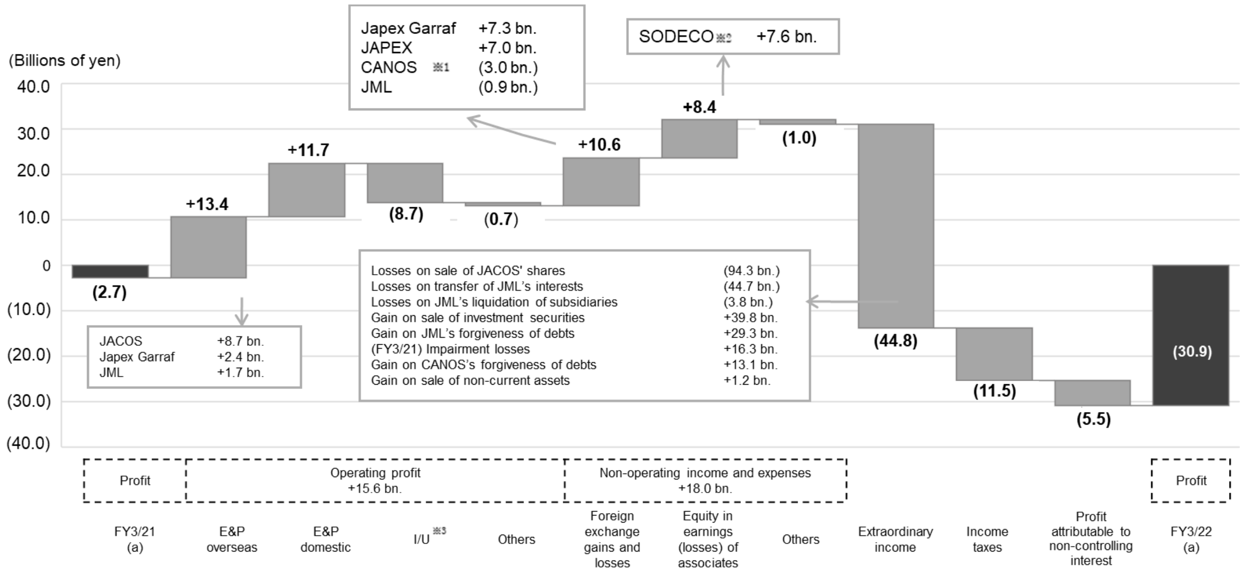
Views and issues analyzed/discussed with regard to the status of operating results and other relevant items from the management's perspective, are as follows.

Please note that any forward-looking statements in the following discussion are based on the judgement of the JAPEX Group's management as of the end of the fiscal year under review.

(a) Views and issues analyzed/discussed with regard to the financial position and the status of operating results and other relevant items

Loss attributable to owners of parent of the JAPEX Group for the fiscal year under review deteriorated by ¥28.2 billion year on year to ¥30.9 billion, as shown in the below Chart 1 "Main factors for changes in profit or loss for the fiscal year under review (year on year)." Main factors for changes are analyzed per each line item profit as follows.

Chart 1: Main factors for changes in profit or loss for the fiscal year under review (YoY)



Note) *1 Canada Oil Sands Co., Ltd.
*2 Sakhalin Oil and Gas Development Co., Ltd.
*3 Infrastructure/Utility

(Operating profit: + ¥15.6 billion)

The main components of the increase of ¥15.6 billion in operating profit are as follows: an increase in operating profit in the overseas E&P Business of ¥13.4 billion, an increase in operating profit in the domestic E&P Business of ¥11.7 billion, and a decrease in operating profit in the Infrastructure/Utility Business of ¥8.7 billion due to the absence of one-off profit factor incurred in the previous fiscal year.

(i) Overseas E&P Business

The overseas E&P Business mainly covers JACOS and JML projects in the North America segment and Japex Garraf projects in the Middle East segment.

Operating profit of the overseas E&P Business recorded an increase of ¥13.4 billion mainly due to the improvement in sales profit caused by higher diluted bitumen sales prices at JACOS.

Sales volume was 959 thousand kl, a decrease of 360 thousand kl (-27.3%) year on year due to the transfer of all the shares of JACOS in September 2021.

The sales price of diluted bitumen increased from US$25.06 per barrel of the previous fiscal year to US$46.90 per barrel of the fiscal year under review, an increase of US$21.84 per barrel (+87.2%) year on year, as shown in the below Chart 2 "Results of crude oil price and exchange rate (YoY)."

Japex Garraf Ltd. recorded its operating profit increase of ¥2.4 billion. As factors of this year-on-year increase, influence arising from the temporary suspension of development and production operations due to COIVD-19 was diminished in the previous fiscal year. Also, as Japex Garraf Ltd. adopted the method of performing provisional settlement of accounts on the consolidated balance sheet date effective from the fiscal year under review, the settlement of accounts for 15 months was applied in the fiscal year under review.

Chart 2: Results of crude oil price and exchange rate (YoY)

			Upper: from January 2020 to March 2021 Lower: from January 2021 to March 2022					Full year
			Jan.-Mar.	Apr.-Jun.	Jul.-Sep.	Oct.-Dec.	Jan.-Mar.	
WTI[*1]	USD/bbl	FY3/21 (a)	45.10	28.54	41.02	42.77	-	40.87
		FY3/22 (a)	58.10	66.07	69.85	-	-	64.06
Crude oil CIF (JCC)[*2]	USD/bbl	FY3/21 (a)	-	44.41	33.34	44.51	49.99	42.91
		FY3/22 (a)	-	64.25	71.31	77.30	82.70	73.28
Exchange rate[*2]	JPY/USD	FY3/21 (a)	-	108.04	106.88	105.46	104.03	105.86
		FY3/22 (a)	-	108.43	109.96	111.69	114.52	111.20

JACOS Diluted bitumen[*3]	USD/bbl	FY3/21 (a)	22.30	11.29	29.77	31.25	-	25.06
		FY3/22 (a)	40.99	49.75	51.26	-	-	46.90

*1 FY3/22 is the average WTI for diluted bitumen sales of Japan Canada Oil Sands Co., Ltd. (JACOS), the former overseas subsidiary of JAPEX (until August 2021).
*2 Domestic sales price of crude oil referring to crude oil (CIF) price and its conversion exchange rate
*3 FY3/22 is the sales price of diluted bitumen (less royalty fee) of JACOS, the former overseas subsidiary of JAPEX (until August 2021).

(ii) Domestic E&P Business

The domestic E&P Business mainly covers production and sales activities for crude oil and natural gas conducted by JAPEX and its consolidated subsidiary, Japex Offshore Ltd. Such activities are included in the Japan segment. While the classification of crude oil (domestic) represents the sales for customers outside of the Group, natural gas (domestic) represents the deemed sales from transactions with the Infrastructure/Utility Business set for internal management purposes.

The domestic E&P Business recorded an operating profit increase of ¥11.7 billion mainly due to higher crude oil and natural gas sales prices*. As shown in the above Chart 2 “Results of crude oil price and exchange rate (YoY),” JCC price rose from US$42.91 per barrel of the previous fiscal year to US$73.28 per barrel of the fiscal year under review, a year-on-year increase of US$30.37 per barrel (+70.8%), causing an increase in operating profit.

* Sales prices of natural gas (domestic) represents transaction prices of natural gas supplied from the domestic E&P Business to the Infrastructure/Utility Business set for internal management purposes.

(iii) Infrastructure/Utility Business

The Infrastructure/Utility Business mainly covers the sale of natural gas to customers in regions along JAPEX’s own gas pipeline network and the sale of LNG via a satellite supply system using tanker trucks and railway tank containers to meet demand for natural gas in the areas outside of its pipeline network, as well as the sale of electricity.

The Infrastructure/Utility Business recorded a year-on-year operating profit decrease of ¥8.7 billion. This was due mainly to absence of one-off profits from a surge in Japan Electric Power Exchange (JEPX) transaction prices in the previous fiscal year and higher cost arising from procurement of alternative sources in a spot market due to production problems which happened in LNG suppliers.

Ordinary profit for the fiscal year under review was ¥43.6 billion, an increase of ¥33.6 billion (+336.7%) year on year. The increase of ¥33.6 billion was due mainly to an increase in operating profit mentioned above and an increase in non-operating income and expenses of ¥18.0 billion, as shown in the above Chart 1 “Main factors for changes in profit or loss for the fiscal year under review (YoY).”

(Non-operating income and expenses:+¥18.0 billion)

A year-on-year increase of ¥10.6 billion in foreign exchange gains of was due mainly to the turnaround from foreign exchange losses to foreign exchange gains regarding a foreign currency deposit of Japex Garraf Ltd. and an increase in foreign exchange gains regarding JAPEX’s foreign currency denominated receivables and foreign currency deposit caused by the yen depreciation.

A year-on-year increase of ¥8.4 billion in share of profit of entities accounted for using equity method was due mainly to an increase in net sales from Sakhalin Oil and Gas Development Co., Ltd. caused by higher crude oil prices.

A year-on-year decrease of ¥1.0 billion in other non-operating income and expenses was due to the recording of delinquency charges of ¥3.3 billion, which was only partially offset by some positive factors such as an increase of ¥1.2 billion in dividend income and a decrease of ¥1.3 billion in interest expenses.

Loss before income taxes for the fiscal year under review deteriorated by ¥11.1 billion year on year to ¥18.5 billion. As shown in the above Chart 1 "Main factors for changes in profit or loss for the fiscal year under review (YoY)," the ¥11.1 billion decrease was due to the decrease of ¥44.8 billion in extraordinary items, which more than offset the above-mentioned increase in ordinary profit.

Extraordinary items deteriorated because of negative factors, such as loss on transfer of interests of ¥44.7 billion recorded due to the transfer of JML's interest in the shale gas project and loss on sale of shares of subsidiaries of ¥94.3 billion resulting from the transfer of all the shares of JACOS, which significantly exceeded gain on sale of investment securities of ¥39.8 billion recorded due to the sale of a portion of strategic shareholdings.

Loss attributable to owners of parent for the fiscal year under review amounted to ¥30.9 billion, a year-on-year decrease of ¥28.2 billion. As shown in the above Chart 1 "Main factors for changes in profit or loss for the fiscal year under review (YoY)," the main factors behind the decrease of ¥28.2 billion were a decrease caused by the above-mentioned increase in loss before income taxes as well as decreases in total income taxes and profit (loss) attributable to non-controlling interests totaling ¥17.0 billion.
The amount of total income taxes, obtained by "income taxes – current" plus "income taxes – deferred," was ¥9.6 billion, a year-on-year decrease of ¥11.5 billion. Based on the medium- to long-term crude oil prices and future cash flows estimated under our management plan, we carefully considered the recoverability of deferred tax assets in the future. Accordingly, the decrease in total income taxes was due mainly to an increase in income tax - deferred of ¥13.6 billion recorded by drawing down deferred tax assets of ¥7.5 billion. The amount of profit (loss) attributable to non-controlling interests was ¥2.8 billion for the fiscal year under review (a year-on-year decrease of ¥5.5 billion). This was due mainly to an increase in profit of Japex Garraf Ltd. for the fiscal year under review.

(b) Analysis and discussion of cash flow and capital resources and liquidity of funds
(Basic policy)
In line with our financial discipline outlining a "debt-to-EBITDA ratio < 2," we will secure funds necessary for business continuity and new investment, keeping our financial soundness. The below Chart 3 "Changes in a debt-to-EBITDA ratio" shows the change of the ratio from the previous fiscal year to the fiscal year under review.
The balance of long-term borrowings (including current portion) recorded a year-on-year decrease of ¥111.5 billion due to the transfer of all the shares of JACOS and the transfer of JML's interest in the shale gas project.
As a result, we have achieved a "debt-to-EBITDA ratio < 2." We will keep this figure as our financial discipline.

Chart 3: Changes in a debt-to-EBITDA ratio

(Billions of yen)	FY3/21	FY3/22
Interest-bearing debt*1	118.7	6.1
EBITDA*2	37.1	57.3
Debt-to-EBITDA ratio	3.2	0.1

Notes: *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 based on investment cash flow statement.

(Funding methodology)

The JAPEX Group efficiently uses internal funds and loans from banks to secure necessary funds to meet the fund demand.

While the Group's working capital is primarily procured using internal funds, the Group has introduced a CMS (cash management systems) in an effort to improve funding efficiency and secure liquidity of funding.

Foreign currencies for transactions such as purchase of LNG are exposed to foreign currency fluctuation risk. The Group mitigates such risk by utilizing foreign exchange forward contracts.

We have entered into loan commitment agreements with multiple banks to facilitate efficient procurement of working capital. The Group can borrow money in yen or US dollar under these agreements.

(Funding use and allocation)

(i) Consolidated financial position and funds allocation policy

The JAPEX Group has planned to allocate ¥450.0 billion to growth investments in fields such as E&P, Infrastructure/Utility, Carbon Neutral fields and ¥50.0 billion to shareholder returns for 9 years from FY2022 to FY2030, as shown in the below Chart 4 "JAPEX Management Plan 2022-2030, allocation policy." Also, we have determined to adopt a consolidated dividend payout ratio for the basic policy for shareholder returns and to pay dividends in line with financial results with a target payout ratio of 30%.

The Group has planned to raise funds for the above-mentioned funds allocation of ¥500.0 billion through cash flows from operating activities of ¥380.0 billion and cash on hand and bank loans of ¥120.0 billion.

Chart 4: JAPEX Management Plan 2022-2030, allocation policy

Item	Expected allocation*	FY2022 forecast	(Main factors)
Growth investment	FY2026 ¥275 bn. FY2030 **¥450 bn.**	**¥38 bn.** **+ new projects**	• Executing investment plans of projects under development • Continuing to consider candidate of new overseas E&P interests and new projects in the I/U field
Shareholder returns	FY2026 ¥25 bn. FY2030 **¥50 bn.**	**¥9 bn.**	• Consisting of year-end dividend for FY3/2022 and interim dividend for FY3/2023 • Purchasing treasury shares

* Cumulative totals for 5 years from FY2022 to FY2026 and 9 years from FY2022 to FY2030

(ii) Approach for funds on hand

While the E&P Business, in particular, requires a large amount of investment funds, it usually takes a long time from the start of the business to recover the investment. During this time, the business is exposed to the risk of changes in business environment. In light of such business characteristics, we have managed funds properly thorough methods such as preparing monthly financial plans, in order to secure liquidity on hand necessary for the smooth business operation.

(c) Significant accounting estimates and assumptions

The Group's consolidated financial statements are prepared based on accounting principles generally accepted in Japan. The management of the Group prepares these consolidated financial statements based on their estimates, which affect assets and liabilities on the balance sheet date, and the amounts and disclosure of revenues and expenses during the reporting period within the range of certain accounting principles. Although the appropriateness of these estimates is continuously assessed based on past results and circumstances and reviewed, when necessary, they may differ from actual results due to uncertainties inherent to estimates.

The Group's highly uncertain accounting estimates for the fiscal year under review include that for the recoverability of deferred tax assets. The recoverability of deferred tax assets is largely dependent on estimates of future earned revenue and generated cash flow from the Group's main operation activities. Especially this item receives a direct influence from market conditions such as crude oil prices and foreign exchange, and estimates of reserves.

The above-mentioned significant accounting estimates and assumptions used for the preparation of the consolidated financial statements, among other matters, are as stated in "Item 5. Financial Information, 1 Consolidated Financial Statements, etc., (1) Consolidated financial statements, Notes to consolidated financial statements, (Significant accounting estimates)."

4. Material Contracts

(1) E&P Business

Contracting party	Outline of contracts	
Japan Petroleum Exploration Co., Ltd. (Reporting company) Japex Offshore Ltd. (Consolidated subsidiary) MITSUBISHI GAS CHEMICAL COMPANY, INC.	Contract date	February 23, 1983
	Contract period	February 9, 1983 to the end of joint development
	Contract details	An agreement on a joint business regarding exploration, development and production of oil and natural gas in Iwafune-oki area in of Niigata Prefecture Ratio of working interests of each company is as follows. Japan Petroleum Exploration Co., Ltd. 46.667% Japex Offshore Ltd. 33.333% MITSUBISHI GAS CHEMICAL COMPANY, INC. 20.000%
Japex Garraf Ltd. (Consolidated subsidiaries) Iraq Dhi Qar Oil Company PETRONAS (Malaysia's state-owned oil company) North Oil Company (Iraq)	Contract date	January 18, 2010 As of March 31, 2010, contractual rights and obligations were transferred from the reporting company.
	Contract period	20 years from February 2010
	Contract details	Service agreement for development and production in Garraf oil field in the Republic of Iraq (*) (*) Service agreement for development and production: Under this contract format, an oil development company invest required funds and technology to conduct development. Also, the oil development company may recover invested funds from a certain ratio of produced crude oil and natural gas and receive rewards in accordance with the amount of rewards per predetermined production. Ratio of capital participation of each contractor is as follows. PETRONAS 45% Japex Garraf Ltd. 30% North Oil Company (Iraq) 25%

(2) Infrastructure/Utility Business

Contracting party	Outline of contracts	
Japan Petroleum Exploration Co., Ltd. (Reporting company) Malaysia LNG Tiga Sdn Bhd	Contract date	April 9, 2002
	Contract period	20 years from April 2002
	Contract details	A long-term sales and purchase agreement with Malaysia LNG Tiga Sdn Bhd regarding purchase of LNG from Malaysia LNG Project 3 (Sarawak, Malaysia) Main contract terms are as follows. (1) Purchase quantity: 480 thousand t/year at maximum We are obliged to pay the amount equivalent to the prescribed untaken production volume for each fiscal year (a take-or-pay clause) and have a right to request the delivery of the untaken volume at a later fiscal year. (2) Delivery terms: Ex–Ship We receive delivery at the Niigata Terminal of Nihonkai LNG Co., Ltd. and the Soma LNG Terminal.
	Note: The contract period and the reception period of final cargos have been extended to the end of December 2022 at the longest.	

5. Research and Development Activities

The JAPEX Group has been considering entry into the fields of next-generation technologies and new businesses. In addition to issues directly linked to businesses, we choose specific themes in technical domains such as exploration (geology), geophysical exploration and production as well as in environmental business fields where such aforementioned technologies are applicable. Subsequently we conduct research and development and studies on such themes.

Research tasks and R&D expenses per segment for the fiscal year under review are as follows.

(a) Japan

Research issues	Purpose	Researcher (Research system)	R&D expenses (Millions of yen)
Research for selected and focused exploration method	To establish the specifically optimized technology for each research object through fusion between the existing method and new element technologies	JGI, Inc.	28
Development of joint inversion technology	To develop the technology for estimating underground structure and characteristics with integration of reflection seismic surveys, electrical and electromagnetic exploration, magnetic exploration and gravity exploration and develop work flows of data analysis	JGI, Inc.	19
Establishment of an electromagnetic exploration method for deep sea resource exploration	To develop a package of an electromagnetic ocean exploration at a reasonable price to understand, with high accuracy, underground characteristics of seafloor hydrothermal deposits and hydrocarbon reservoirs through integrated analysis of the package with the reflection method data	JGI, Inc.	17
Consideration on applicability of new technologies to seismic surveys	To improve and streamline our seismic surveys from economic, efficient and technological perspectives to meet customers' various needs	JGI, Inc.	17
Research on oceanic high-resolution exploration method	To develop various high-resolution oceanic exploration methods, while putting into practice and upgrading technologies used for such methods	JGI, Inc.	17
Establishment of the exploration method for the sea floor S-wave velocity structure	To develop the exploration method of the S-wave velocity structure at the sea floor, responding to data acquisition operation in the ocean civil engineering survey field	JGI, Inc.	13
Establishment of geological modeling and simulation technology applicable to hydrogeology analysis	To establish a workflow from geological modeling for fluid movement analysis to fluid movement simulation to expand and advance our business scope	JGI, Inc.	10
Others	–	Japan Petroleum Exploration Co., Ltd. JGI, Inc. GEOSYS, Inc.	40
Total			164

(b) North America

Research issues	Purpose	Researcher (Research structure)	R&D expenses (Millions of yen)
Technology development for oil sand	To develop the assessment method for oil layers and the improvement method of production process	Japan Canada Oil Sands Co., Limited (jointly conducted with the Province of Alberta, Canada, etc.)	14

Item 3. Information about Facilities

1. Overview of Capital Expenditures

During the fiscal year under review, the Company made capital investment (after elimination of intersegment transactions) of ¥13, 886 million, which corresponds to the total amount of property, plant and equipment and intangible assets acquired.

In the Japan segment, capital investment of ¥6,353 million was made mainly for the construction of production facilities.

In the North America segment, capital investment of ¥3,000 million was made, which mainly consists of the development expenditure for the North Montney leases in Canada and the expansion development expenditure for the Hangingstone leases in Canada.

In the Europe segment, capital investment of ¥4,532 million was made, which mainly consists of the development expenditure for a block (commonly known as Seagull Block) located offshore in the UK North Sea.

No capital investment was made in the Middle East and Other segments.

The other capital expenditure for the fiscal year under review includes the expenditure of ¥23,244 million for the development and other projects at the Garraf oil field in Iraq in the Middle East segment, which was recorded as payments of recoverable accounts.

2. Major Facilities (Facilities by Office)

Major facilities of the JAPEX Group by segment are as follows:

(1) Japan

(a) Reporting company

Office (Location)	Description of facilities	Carrying amount (Millions of yen)						Number of employees (Persons)
		Buildings and structures	Machinery, equipment and vehicles	Land (Area: m^2)	Wells	Other	Total	
Hokkaido District Office (Note 1) (Tomakomai City, Hokkaido)	Production facilities Gas supply facilities Offices	0	0	0 (720,644)	0	0	0	98 [20]
Akita District Office (Akita City, Akita)	Production facilities Offices	717	718	261 (178,458)	0	36	1,734	74 [17]
Nagaoka District Office (Note 2) (Nagaoka City, Niigata)	Production facilities Gas supply facilities Offices	25,099	2,806	3,700 (626,007)	85	1,321	33,013	203 [51]
Soma District Office (Soma County, Fukushima)	Manufacturing facilities Gas supply facilities Offices	9,336	17,151	4,794 (306,811)	–	1,121	32,404	91 [6]
Head Office (Chiyoda-ku, Tokyo and Mihama-ku, Chiba City, Chiba)	Research facilities Welfare facilities Other	1,077	1	709 (30,061)	–	448	2,237	499 [111]

Notes: 1. In the fiscal year ended March 31, 2021, impairment losses were recorded on business assets related to the Yufutsu oil and gas field in operation under the management of Hokkaido District Office. Their carrying amount shown in the table is that after the write-off of the impairment losses.

2. The Company is renting a part of the gas pipeline used in the district for which Nagaoka District Office operates, and this part is not included in the table.

(b) Domestic subsidiaries

Company name	Office (Location)	Description of facilities	Carrying amount (Millions of yen)						Number of employees (Persons)
			Buildings and structures	Machinery, equipment and vehicles	Land (Area: m^2)	Wells	Other	Total	
Japex Offshore Ltd. (Note 1)	Head Office Niigata District Office (Chiyoda-ku, Tokyo and Kita-ku, Niigata City, Niigata)	Production facilities Offices	0	0	542 (177,329)	0	1	543	37 [22]
Shirone Gas Co., Ltd.	Head Office (Tsubame City, Niigata)	Gas supply facilities, etc.	97	2,350	516 (14,146)	–	89	3,054	41 [11]
JGI, Inc.	Ranzan Research Center (Ranzanmachi, Hiki County, Saitama)	Geophysical exploration equipment	57	154	317 (4,847)	–	112	642	20 [6]
	Head Office (Bunkyo-ku, Tokyo)	Computing equipment	19	0	–	–	137	156	55 [32]
JAPEX SKS Corporation (Note 2)	Head office and branches (Minato-ku, Tokyo, Tomakomai City, Hokkaido, and Mitsuke City, Niigata)	Production facilities, etc.	98	584	232 (2,499)	–	27	942	76 [79]

Notes: 1. In the fiscal year ended March 31, 2021, impairment losses were recorded on business assets related to the Iwafune-oki oil and gas field in operation under the management of Japex Offshore Ltd. Their carrying amount shown in the table is that after the write-off of the impairment losses.
2. JAPEX SKS Corporation is leasing LNG supply facilities, which are not included in the table.

(2) North America
(a) Overseas subsidiaries

Company name	Office (Location)	Description of facilities	Carrying amount (Millions of yen)						Number of employees (Persons)
			Buildings and structures	Machinery, equipment and vehicles	Land (Area: m^2)	Wells	Other	Total	
Japex (U.S.) Corp.	Head Office (Houston, Texas, United States)	Production facilities, etc.	265	–	–	1,840	0	2,106	5 [1]

Note: Japan Canada Oil Sands Limited (JACOS), which had been a consolidated subsidiary of JAPEX, transferred all the shares of JACOS it held on September 17, 2021. In addition, JAPEX Montney Ltd. (JML), which had been a consolidated subsidiary of JAPEX, transferred all 10% interest in the shale gas leases and its related asses on July 5, 2021. Accordingly, the facilities owned by JACOS and JML are no longer included in the major facilities of the JAPEX Group.

Notes: 1. The above figures represent carrying amounts after deducting the depreciation expenses at the end of the fiscal year under review.
2. The figures in the square brackets represent the numbers of temporary employees, which is not included in the number above.

3. Planned Addition, Retirement, and Other Changes of Facilities

The following describes the status and plans of addition, expansion, acquisition and renovation of major facilities as of March 31, 2022.

Japan

Company name Office name	Location	Description of facilities	Estimated amount of expenditures (Millions of yen)		Funding method	Commenced/To be commenced To be completed	Increase in capacity after completion
			Total amount	Amount already paid			
Nagaoka District Office, Japan Petroleum Exploration Co., Ltd.	Niigata City, Niigata	Heat capacity control facilities	3,000	2,846	Self-financing	October 2019 Not yet determined (Note 1)	(Note 2)
Nagaoka District Office, Japan Petroleum Exploration Co., Ltd.	Ojiya City, Niigata	One production well (with total depth of about 5,300 m)	5,900	687	Self-financing	June 2022 February 2023	–

Notes: 1. As of March 31, 2021, these facilities were expected to be completed in March 2022. However, a part of the construction has not been completed, and the time of completion is not yet determined as of March 31, 2022. Note that the majority of these facilities was already received and inspected, and started operations in November 2021.
2. No capacity increase is expected because these facilities are not intended to increase the gas transportation amount.

Item 4. Information about Reporting Company

1. Company's Shares, etc.

(1) Total number of shares

1) Total number of shares

Class	Total number of shares authorized to be issued (Shares)
Common stock	120,000,000
Total	120,000,000

2) Issued shares

Class	Number of shares issued as of end of period (Shares) (March 31, 2022)	Number of shares issued as of filing date (Shares) (June 28, 2022)	Name of financial instruments exchange on which securities are listed or authorized financial instruments business association to which securities are registered	Description
Common stock	57,154,776	57,154,776	Tokyo Stock Exchange First section (as of the end of the fiscal year under review) Prime Market (as of the filing date)	The number of shares constituting one unit is 100 shares
Total	57,154,776	57,154,776	—	—

(2) Share acquisition rights

1) Stock option plans

Not applicable.

2) Shareholder right plans

Not applicable.

3) Share acquisition rights for other uses

Not applicable.

(3) Exercises of moving strike convertible bonds, etc.

Not applicable.

(4) Changes in number of issued shares, share capital and legal capital surplus

Date	Changes in the total number of issued shares (Shares)	Balance of total number of issued shares (Shares)	Increase (decrease) in total number of issued shares (Thousands of yen)	Balance of share capital (Thousands of yen)	Increase (decrease) in legal capital surplus (Thousands of yen)	Balance of legal capital surplus (Thousands of yen)
January 1, 2003 (Note)	42,866,082	57,154,776	–	14,288,694	–	–

Note: The increase in number of shares is a result of four-for-one stock split.

(5) Shareholding by shareholder category

As of March 31, 2022

Category	Status of shares (one unit of shares: 100 shares)								Number of shares of less than one unit (Shares)
	National and local governments	Financial institutions	Financial service providers	Other corporations	Foreign investors, etc.		Individuals and others	Total	
					Non-individuals	Individuals			
Number of shareholders (Persons)	12	31	28	167	227	14	8,637	9,116	—
Share ownership (Units)	202,077	99,289	11,841	54,851	159,859	113	43,368	571,398	14,976
Percentage of shareholdings (%)	35.36	17.38	2.07	9.60	27.98	0.02	7.59	100.00	—

Note: Of 1,442,982 treasury shares, 14,429 units are included in the "Individuals and others" column while 82 shares are included in the "Number of shares of less than one unit" column. 760 units of JAPEX shares held by the Custody Bank of Japan, Ltd. (Trust Account) as trust assets of the Board Benefit Trust are not included in treasury shares, but included in "Financial institutions."

(6) Major shareholders

As of March 31, 2022

Name	Address	Number of shares held (Shares)	Shareholding ratio (excluding treasury shares) (%)
Minister of Economy, Trade and Industry	1-3-1 Kasumigaseki, Chiyoda-ku, Tokyo	19,432,724	34.88
The Master Trust Bank of Japan, Ltd. (Trust account)	2-11-3 Hamamatsucho, Minato-ku, Tokyo	6,548,100	11.75
INPEX CORPORATION	5-3-1, Akasaka, Minato-ku, Tokyo	2,852,212	5.12
CEP LUX - ORBIS SICAV (Standing proxy: N.A. Tokyo Branch, Citibank)	31 Z. A. BOURMICHT, L-8070 BERTRANGE, LUXEMBOURG (6-27-30, Shinjuku, Shinjuku-ku, Tokyo)	2,269,118	4.07
Custody Bank of Japan, Ltd. (Trust Account)	1-8-12, Harumi, Chuo-ku, Tokyo	1,410,400	2.53
NORTHERN TRUST CO. (AVFC) SUB A/C USL NON-TREATY (Standing proxy: Custody Service, Tokyo Branch, the Hongkong and Shanghai Banking Corporation Limited.)	50 BANK STREET CANARY WHARF LONDON E14 5NT, UK (3-11-1 Nihonbashi, Chuo-ku, Tokyo)	1,307,830	2.35
JFE Engineering Corporation	2-2-3 Uchisaiwaicho, Chiyoda-ku, Tokyo	924,012	1.66
STATE STREET BANK AND TRUST COMPANY 505103 (Standing proxy: Settlement & Clearing Services Dept., Mizuho Bank, Ltd.)	P.O. BOX 351 BOSTON MASSACHUSETTS 02101 U.S.A. (Shinagawa Intercity Tower A, 2-15-1, Konan, Minato-ku, Tokyo)	898,020	1.61
SSBTC CLIENT OMNIBUS ACCOUNT (Standing proxy: Custody Service, Tokyo Branch, the Hongkong and Shanghai Banking Corporation Limited.)	ONE LINCOLN STREET, BOSTON MA USA 02111 (3-11-1 Nihonbashi, Chuo-ku, Tokyo)	739,634	1.33
Mizuho Bank, Ltd.	1-5-5 Otemachi, Chiyoda-ku, Tokyo	720,152	1.29
Total	—	37,102,202	66.60

Notes: 1. JAPEX holds 1,442,982 treasury shares, but is excluded from “Major shareholders.” These treasury shares do not include 76,000 shares of the Company held by the Custody Bank of Japan, Ltd. (Trust Account) as trust assets of the Board Benefit Trust.

2. Change reports pertaining to large shareholding reports by Orbis Investment Management (Guernsey) Limited and its joint holder Orbis Investment Management Limited dated April 4, 2022, are available for public inspection. However, the information in the reports is not stated in the preceding table since JAPEX has not confirmed the actual status of shareholding as of March 31, 2022.

A summary of the reports is as follows:

Name	Address	Number of share certificates held (Shares)	Shareholding ratio (%)
Orbis Investment Management (Guernsey) Limited	1st Floor, Tudor House, Le Bordage, St. Peter Port, Guernsey, GY1 1DB	1,570,400	2.75
Orbis Investment Management Limited	Orbis House, 25 Front Street, Hamilton, HM 11, Bermuda	2,275,657	3.98

(7) Voting rights

1) Issued shares

As of March 31, 2022

Category	Number of shares (Shares)	Number of voting rights	Description
Shares without voting rights	—	—	—
Shares with restricted voting rights (treasury shares, etc.)	—	—	—
Shares with restricted voting rights (others)	—	—	—
Shares with full voting rights (treasury shares, etc.)	Common stock 1,442,900	—	—
Shares with full voting rights (others)	Common stock 55,696,900	556,969	—
Shares of less than one unit	Common stock 14,976	—	—
Number of issued shares	57,154,776	—	—
Total number of voting rights	—	556,969	—

Notes: 1. The number of "Shares with full voting rights (other)" of common stock includes 76,000 shares of the Company (760 voting rights) held by the Custody Bank of Japan, Ltd. (Trust Account) as trust assets of the Board Benefit Trust.

2. The number of "Shares of less than one unit" of common stock includes 82 treasury shares held by the Company.

2) Treasury shares

As of March 31, 2022

Name of shareholder	Address of shareholder	Number of shares held in own name (Shares)	Number of shares held in others' names (Shares)	Total number of shares held (Shares)	Shareholding ratio (%)
Japan Petroleum Exploration Co., Ltd.	1-7-12 Marunouchi, Chiyoda-ku, Tokyo	1,442,900	—	1,442,900	2.52
Total	—	1,442,900	—	1,442,900	2.52

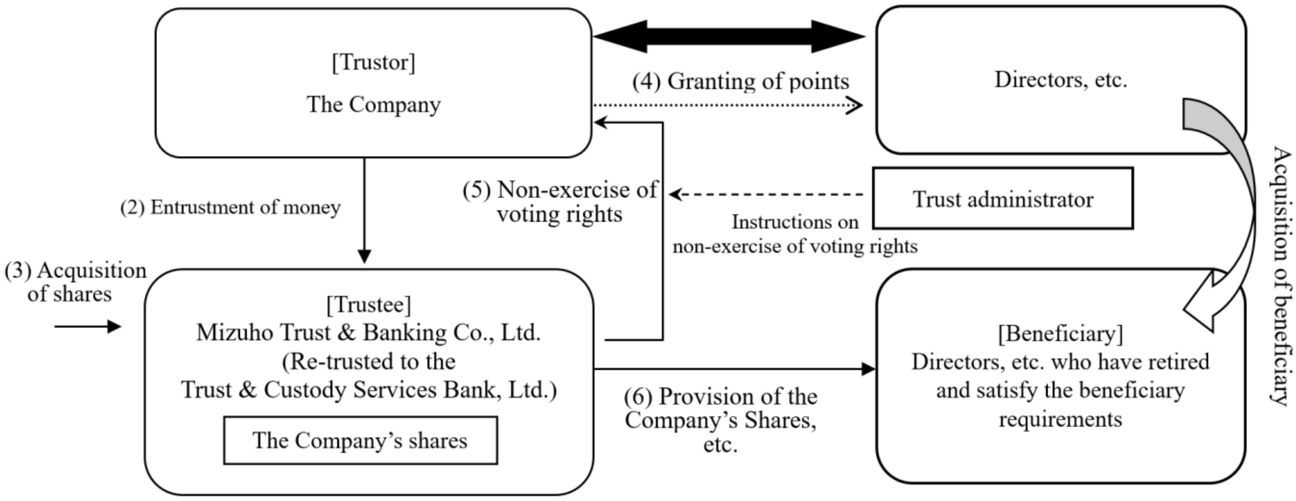
Note 76,000 shares of the Company held by the Custody Bank of Japan, Ltd. (Trust Account) as trust assets of the Board Benefit Trust are not included in treasury shares.

(8) Share ownership plan for Directors and other Officers and employees

1) Overview of the share ownership plan for Directors and other Officers

In accordance with the resolution of the 50th Ordinary General Meeting of Shareholders held on June 26, 2020, the Company has introduced a "Board Benefit Trust (BBT)" (hereinafter the "Plan"), a performance-based stock compensation plan for Directors (excluding Outside Directors) and Executive Officers who do not concurrently serve as Directors (hereinafter "Directors, etc.").

<Structure of the Plan>



(1) The Company will establish the Rules on Provision of Shares to Officers within the scope of the framework approved in this proposal.

(2) The Company will entrust money within the scope approved in this proposal.

(3) The Trust will acquire the Company's shares through the stock market on which the Company's shares are listed, or by way of subscribing to a disposition of the Company's treasury shares, using the money entrusted as in (2) above as the funds.

(4) The Company will grant points to Directors, etc. in accordance with the Rules on Provision of Shares to Officers.

(5) The Trust will not exercise voting rights of the Company's shares held in the Trust in accordance with the instructions of the trust administrator, who is independent from the Company.

(6) The Trust will provide those individuals who retire from office as Directors, etc. and fulfill the beneficiary eligibility requirements stipulated in the Rules on Provision of Shares to Officers (hereinafter referred to as the "Beneficiaries") with the Company's shares, according to the number of points granted to the relevant Beneficiary. However, if a Director, etc. fulfills the requirements stipulated in the Rules on Provision of Shares to Officers, the Company will provide the Director, etc. with money equivalent to the fair value of the Company's common stock.

2) Total number/amount of shares to be delivered to Directors and other Officers

The Company will initially contribute funds of up to ¥141 million (including ¥63 million for Directors) to the Trust, as the necessary funds for the initial three fiscal years, from the fiscal year ended March 31, 2021 to the fiscal year ending March 31 2023 (hereinafter, the Initial Period), upon establishing the Trust. Furthermore, after the expiration of the Initial Period, in principle, the Company will make additional contributions to the Trust of up to ¥235 million (including ¥105 million for Directors) for every five fiscal years until the termination of the Plan.

3) Beneficiaries of the Plan

Beneficiaries are the retired Directors, etc., who satisfy the conditions in the Rules on Provision of Shares to Officers.

2. Acquisition and Disposal of Treasury Shares

Class of Shares, etc.: Acquisition of common stock under Article 155, item 3 of the Companies Act

(1) Acquisition by resolution of General Meeting of Shareholders

Not applicable.

(2) Acquisition by resolution of Board of Directors

Acquisition in accordance with the provisions of Article 156 of the Companies Act, as applied pursuant to Article 165, paragraph 3 of the same act

Category	Number of shares (Shares)	Total amount (Yen)
Status of resolution at the Board of Directors' meeting (held on November 9, 2021) (Purchase period: November 10, 2021 through November 9, 2022)	3,000,000	8,000,000,000
Treasury shares acquired before the fiscal year under review	—	—
Treasury shares acquired during the fiscal year under review	1,440,600	3,737,376,360
Total number and value of remaining shares resolved	1,559,400	4,262,623,640
Unexercised percentage as of the end of the fiscal year under review (%)	52.0	53.3
Treasury shares acquired during the period from April 1, 2021 until the filing date of this Annual Securities Report	675,500	1,779,170,986
Unexercised percentage as of the filing date (%)	29.5	31.0

Note: The number of treasury shares acquired during the period from April 1, 2021 until the filing date of this Annual Securities Report does not include shares acquired through market purchase of treasury shares during the period from June 1, 2022 to the filing date of this Annual Securities Report.

(3) Acquisition not based on resolution of General Meeting of Shareholders or Board of Directors' meeting

Not applicable.

(4) Disposal of acquired treasury shares and number of treasury shares held

Category	Fiscal year under review		From April 1, 2021 until the filing date of this Annual Securities Report	
	Number of shares (Shares)	Total amount of disposal (Yen)	Number of shares (Shares)	Total amount of disposal (Yen)
Acquired treasury shares for which subscribers were solicited	—	—	—	—
Acquired treasury shares that were disposed of	—	—	—	—
Acquired treasury shares that were transferred for merger, share exchange, share issuance and company split	—	—	—	—
Other (—)	—	—	—	—
Treasury shares held	1,442,982	—	2,118,482	—

Notes: 1. The number of shares held during the period from April 1, 2021 to the filing date of this Annual Securities Report does not include shares acquired through market purchase or shares of less than one unit during the period from June 1, 2022 to the filing date of this Annual Securities Report.

2. The treasury shares held during the fiscal year under review and those held from April 1, 2021 until the filing date of this Annual Securities Report do not include 76,000 shares of the Company held by the Custody Bank of Japan, Ltd. (Trust Account) as trust assets of the Board Benefit Trust.

3. Dividend Policy

JAPEX's basic shareholder return policy is to maintain stable payout of dividends over the long term. Specific dividend amounts are set in comprehensive consideration of profit situation of each fiscal year and future funding needs in line with medium- to long-term forecasts of the business environment. At the same time, as a company responsible for stable supply of oil and natural gas, which are indispensable resources for social life, we take into account our retained earnings for maintaining and expanding supply infrastructure and investment aimed at securing new oil and natural gas reserves in Japan and overseas.
Based on this policy, we are scheduled to pay a dividend of ¥50 (an interim dividend of ¥25 and year-end dividend of ¥25) per share for the fiscal year under review.

As stated in the shareholder return policy set forth in the "JAPEX Management Plan 2022-2030" announced on March 28, 2022, the Company has decided to change its dividend policy for interim and year-end dividends from the fiscal year ending March 2023 onwards as follows, in order to strengthen shareholder returns in light of the new management plan's basic policies and profit level forecasts.

> "We recognize that returning profits to shareholders is an important management issue, as well as maintaining a sound management base and strengthening our financial position. We aim to sustainably increase corporate value through proactive investment using retained earnings and expansion of our business base, thereby sharing the fruits of our efforts with our shareholders.
> The Company's basic policy for profit distribution is to pay dividends in line with business results for each fiscal year with a target consolidated dividend payout ratio of 30%, while striving to maintain an annual dividend of ¥50 per share even in the event of a temporary downturn in business performance due to factors such as changes in the business environment. (However, in the year when profit attributable to owners of parent fluctuates significantly due to extraordinary income or loss or other exceptional factors, the amount of dividend will be determined in consideration of such fluctuations.)"

Pursuant to Article 454, paragraph 5 of the Companies Act, our Articles of Incorporation stipulate that the Company may, by a resolution of the Board of Directors, pay an interim dividend on September 30 of each year as the record date. The Company pays dividends twice a year as dividends of surplus: an interim dividend and a year-end dividend. The amount of interim dividend is resolved at the meeting of the Board of Directors, year-end dividend at a General Meeting of Shareholders.

Dividends of surplus for the fiscal year are in accordance with the previous policy before the amendments and are as follows:

Date of resolution	Total amount of dividends (Millions of yen)	Dividend per share (Yen)
Resolution at the Board of Directors' meeting held on November 9, 2021	1,428	25
Resolutions at the Ordinary General Meeting of Shareholders held on June 28, 2022	1,392	25

4. Corporate Governance

(1) Overview of corporate governance

1) Basic views on corporate governance

Contributing to society through stable energy supply and addressing social issues toward realizing the sustainable development goals is the corporate vision of JAPEX. In order to achieve the corporate vision and to maximize our corporate value in a medium- and long-term perspective, the efficient and transparent corporate management and the building of mutual trust relationships with our stakeholders including shareholders through ensuring our accountability are required, and corporate governance is one of our important topics as the foundation.

2) Outline of corporate governance structure and reasons for such structure

(Outline of corporate governance)

At JAPEX, Directors and Executive Officers, who are appointed and assigned duties by the Representative Directors and the Board of Directors, serve as operating officers. The Board of Directors and Audit & Supervisory Board Members, along with the Audit & Supervisory Board that is comprised of all Audit & Supervisory Board Members, are responsible for supervising the execution of their duties. (Company with an Audit & Supervisory Board)

The Board of Directors is held regularly once a month. Decisions on important business execution are left to the Board. It also serves supervisory functions as it receives business execution reports from Directors or Executive Officers.

In addition, in order to strengthen the supervisory functions of the Board of Directors, JAPEX appointed five insightful and independent Outside Directors. We actively listen to their opinions and advice on meeting agenda and deliberations, which are highly independent from management and are essential to invigorate discussions at the Board of Directors' meeting.

From the standpoint of accelerating the speed of decision-making, we hold the Executive Committee composed of Directors and other officers of JAPEX to make decisions on the matters not involved by the decision-making standard of the Board of Directors and to make a discussion to assist the decision-making in the Board of Directors. The Executive Committee is held twice a month in principle, with extraordinary meetings held as needed.

The Nomination and Compensation Committee has been established under the Board of Directors, with a view toward strengthening the supervisory function of the Board of Directors, by further ensuring transparency and objectivity of the procedures for making decisions concerning nomination and compensation of Directors.

Members of the above organs as of the filing date are as follows:

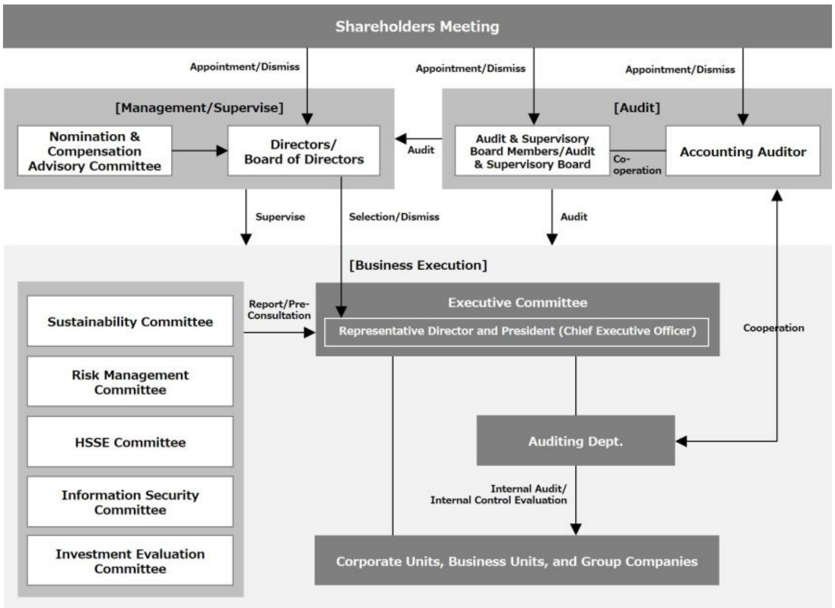
Organs	Members
Board of Directors	Chair: FUJITA Masahiro, Representative Director and President Members: WATANABE Osamu, ISHII Yoshitaka, YAMASHITA Michiro, HIRATA Toshiyuki, NAKAJIMA Toshiaki, ITO Tetsuo (Note 1) , YAMASHITA Yukari (Note 1), KAWASAKI Hideichi (Note 1), KITAI Kumiko (Note 1), SUGIYAMA Yoshikuni (Note 1), NAKAMURA Mitsuyoshi, MOTOYAMA Yoshihiko, KAWAKITA Chikara (Note 2), MOTOYAMA Hiroshi (Note 2)
Audit & Supervisory Board	Chair: NAKAMURA Mitsuyoshi, Audit & Supervisory Board Member (Full-time) Members: MOTOYAMA Yoshihiko, KAWAKITA Chikara (Note 2), MOTOYAMA Hiroshi (Note 2)
Executive Committee	Chair: FUJITA Masahiro, Representative Director and President Members: WATANABE Osamu, ISHII Yoshitaka, YAMASHITA Michiro, HIRATA Toshiyuki, NAKAJIMA Toshiaki, SUGA Tsuyoshi, KAKU Senichiro, MATSUNAGA Tadashi, NAKAMURA Tsuneta, ABE Satoshi, TEZUKA Kazuhiko
Nomination and Compensation Committee	Chair: FUJITA Masahiro, Representative Director and President Members: WATANABE Osamu, ITO Tetsuo (Note 1), YAMASHITA Yukari (Note 1), KAWASAKI Hideichi (Note 1)

Notes: 1. ITO Tetsuo, YAMASHITA Yukari, KAWASAKI Hideichi, KITAI Kumiko and SUGIYAMA Yoshikuni are the Outside Directors as defined under Article 2, item 15 of the Companies Act.

2. KAWAKITA Chikara and MOTOYAMA Hiroshi are the Outside Audit & Supervisory Board Members as defined under Article 2, item 16 of the Companies Act.

In addition to the above structure, risk is managed by Risk Management Committee and other internal committees of the Company. For details, please refer to 3) Other matters regarding corporate governance (Status of development of risk management system).

<Corporate Governance Structure>



(Reasons for adopting the current corporate governance structure)

As stated above, the Company has put in place a structure where Outside Directors comment on and supervise the corporate management by operating officers from an independent standpoint and audits on Directors' performance of duties are conducted by Audit & Supervisory Board Members, along with the Audit & Supervisory Board. Such structure has been working well and fully ensures objective and appropriate decision-making. Therefore, we believe that JAPEX is capable of strengthening its corporate governance by adopting a corporate structure of a company with an audit & supervisory board.

3) Other matters regarding corporate governance

(Matters concerning the development of internal control system)

At JAPEX, the Management Risk Committee and the Auditing Dept. take initiative to continue efforts to monitor and develop a system to ensure appropriate business operations. JAPEX develops such a system required by the Companies Act and the Regulations for Enforcement of the Companies Act in accordance with the following policies.

(i) Systems to ensure that the execution of duties by Directors complies with laws and regulations and the articles of incorporation

JAPEX ensures mutual checks among Directors by having each Director submit proposals and reports to the Board of Directors based on each responsibility and authority in accordance with regulations and decision-making standards of the Board of Directors. In addition, Audit & Supervisory Board Members offer opinions to the Board of Directors where necessary.

(ii) Systems concerning the retention and management of information on the execution of duties by Directors

JAPEX retains the minutes of Board of Directors meetings, approval for management, various contracts, and other major documents that indicate the execution status of operations. The details of the system are stipulated by the document handling regulations.

(iii) Regulations and other systems relating to manage risks of loss

JAPEX reviews the credit management regulations, market risk management and derivative trading regulations, and other emergency response procedures, and where necessary, prepares manuals and other documents from the perspective of risk management.

(iv) Systems to ensure that Directors execute their duties efficiently

The Board of Directors meets monthly in principle, to conduct swift decision-making on agenda items on which the Executive Committee has deliberated in advance. The Board of Directors also ensures efficient execution by delegating authority in accordance with the decisions and authorization regulations.

(v) Systems to ensure that the execution of duties by employees complies with laws and regulations and the articles of incorporation

At JAPEX, each department is managed their duties in accordance with various operating rules and manuals. The Auditing Dept. audits the effectiveness of internal controls and report the results to President.

(vi) Systems to ensure appropriate business activities in a business group comprised of JAPEX and its subsidiaries

JAPEX appropriately applies the subsidiary and associate management regulation and the group management agreement to support the development and operation of its subsidiaries' internal control systems and risk management for ensuring the appropriateness of the business operations of the entire corporate group. Our subsidiaries establish and operate a system similar to our system that is stipulated in the preceding five items, depending on the type of business, size, and other attributes. Our subsidiaries' director report to us on the status of execution of their duties regularly or as needed. In addition, our Auditing Dept. conducts audits on subsidiaries regularly.

(vii) Matters relating to employees who assist in the duties of Audit & Supervisory Board

At the request of its Audit & Supervisory Board, JAPEX appoints one or more employees as Audit & Supervisory Board office members.

(viii) Matters relating to the independence of the employees set forth in the preceding item from Directors

Personnel-related decisions on the relevant employees, including appointment and transfer, are subject to the prior agreement of the Audit & Supervisory Board.

(ix) Matters relating to ensure the effectiveness of instructions given by Audit & Supervisory Board Members to the relevant employees

The employees appointed by the Audit & Supervisory Board office perform their duties in accordance with the instructions of the Audit & Supervisory Board, and operating departments cooperate with such employees in the performance of their duties.

(x) Systems for our Directors and employees and subsidiaries' Directors to report to the Audit & Supervisory Board

(a) Our Directors make monthly business reports at Board of Directors meetings and circulate requests for management approval to Audit & Supervisory Board Members Note. In addition, Director or employee immediately reports to a Member of the Audit & Supervisory Board if he/she discovers any facts that may cause significant damage to JAPEX.

Note: Specifically, the full-time Audit & Supervisory Board Members receive requests for management approval in accordance with the segregation of duties among Audit & Supervisory Board Members.

(b) Our subsidiaries' director, audit & supervisory board member, or employee report to a Member of the Audit & Supervisory Board when he/she discovers any fact that may cause significant damage to JAPEX. The same also applies to matters deemed necessary in connection with the performance of duties.

(xi) Systems to ensure that persons who made a report as set forth in the preceding item are not treated disadvantageously due to such reporting

Applicable to JAPEX and its subsidiaries, the handling procedures for such reporting stipulates that no person who made a report as set forth in the preceding item is subjected to any disadvantageous treatment for such reporting.

(xii) Matters relating to policies concerning the procedure for advance payment or reimbursement of expenses that arise in the execution of duties by Audit & Supervisory Board Members, or other expenses or obligations that arise in such execution of duties

Audit & Supervisory Board Members may request prepayment, reimbursement, or other payment in case of necessary to execute their duties by the writing with the reason, amount, and others. Based on the writing, JAPEX makes advance payments or reimbursements.

(xiii) Other systems to ensure effective audits of Audit & Supervisory Board Members

The Auditing Dept. and the Accounting Auditor provide information regularly to Audit & Supervisory Board Members.

(xiv) System to ensure the appropriateness of documents and other information related to financial calculations

In order to ensure the reliability of financial reporting, an internal control system for financial reporting is established. And it is ensured its proper operation and evaluation of its effectiveness.

(Status of development of risk management system)
In order to adequately operate the internal control system, we have set up various internal committees and developed a system for risk management. Management risks in general and risks associated with individual businesses are evaluated and managed by the Management Risk Committee from a cross-sectional perspective, and deliberated by specialized committees to mitigate the risks. For example, Investment Evaluation Committee verifies risks and the appropriateness of investments in important projects. Once the investment decision was made for an individual project, the Management Risk Committee monitors the progress of the project and formulates measures against challenges faced by the project.
In an attempt to realize sustainable growth in a medium-to -long run, the Sustainability Committee was established. It deliberates on "JAPEX Management Plan 2022–2030," as well as important managerial policies concerning environment, social and governance (ESG), including the Company's cross-sectional policies to respond to climate change. In cases when matters related to business and other risks are raised for deliberation at the Committee, insights obtained from the activities of the Management Risk Committee and the Investment Evaluation Committee shall be reflected or utilized in the deliberation as appropriate. The Company has also established specialized committees the Information Security Committee and the Health, Safety, Security and Environment (HSSE) Committee to deliberate important issues concerning information security and occupational health-and-safety, respectively.
Deliberation results and verification results obtained by these internal committees are reported to the Executive Committee and the Board of Directors as needed before they discuss related matters.

(System to ensure appropriate business activities in subsidiaries)
The Auditing Dept. conducts internal audits on our subsidiaries based on annual audit plan to ensure appropriateness of their business activities. Audit results are reported to the President, then to Audit & Supervisory Board Members, and corrective actions are taken as needed.
The Auditing Dept. evaluates on the development and operating status of subsidiaries' overall internal control for financial reporting, and the evaluation results are utilized in internal control audits conducted by the Accounting Auditor, and are shared with Audit & Supervisory Board Members of the Company.
In accordance with subsidiary and associate management regulation, JAPEX concludes a group management agreement with relevant companies to monitor their corporate management. The Company also conducts audits on our major subsidiaries by full-time Audit & Supervisory Board Members and the Auditing Dept.

(Outline of the limited liability agreement)
JAPEX amended the articles of incorporation at the General Meeting of Shareholders as of June 2015, enacted the new article related to the limited liability agreement with Outside Directors and Outside Audit & Supervisory Board Members, and each Outside Directors and Outside Audit & Supervisory Board Members executed the agreement based on the above article. The outline of the limited liability agreement is as follows:
(i) The limited liability agreement with Outside Directors
In the case where Outside Director(s) is(are) liable for damages which have arisen to JAPEX under paragraph 1, Article 423 of the Companies Act, given his/her performance of duties are made faithfully and without any gross negligence, he/she should be liable for damages to JAPEX within the limit of minimum amount as stipulated in each item of paragraph 1, Article 425 of the Companies Act and should be exempted from any liabilities beyond the minimum amount by JAPEX.
(ii) The limited liability agreement with Outside Audit & Supervisory Board Members
In the case where Outside Audit & Supervisory Board Member(s) is(are) liable for damages which have arisen to JAPEX under paragraph 1, Article 423 of the Companies Act, given his/her performance of duties are made faithfully and without any gross negligence, he/she should be liable for damages to JAPEX within the limit of minimum amount as stipulated in each item of paragraph 1, Article 425 of the Companies Act and should be exempted from any liabilities beyond the minimum amount by JAPEX.

(Outline of Directors' and Officers' liability insurance contract)
JAPEX has concluded a Directors' and Officers' liability insurance contract as stipulated in Article 430-3, paragraph 1 of the Companies Act with an insurance company and fully bares the insurance premiums.
i) Scope of the persons insured
JAPEX's Directors, Audit & Supervisory Board Members, Executive Officers, Counselors, and Fellows, including

those who have already retired

Note: Persons with high expertise in the Company's specific professional fields have been appointed as Fellows to support corporate management (the Company has two Fellows as of the filing date).

ii) Outline of the insurance contract

This insurance contract covers compensation for damages borne by the insured persons (third-party damage suit and shareholder derivative suit) in the event of claims made against them for actions taken (or inaction) in their roles as an officer of JAPEX during the coverage period. Provided, however, that there are certain exemptions. For example, the damage caused as a result of any conduct in violation of laws and regulations or the damage covered by other forms of insurance shall not be covered.

4) Quorum of Directors

The Articles of Incorporation of JAPEX stipulate that the number of Directors is to be 18 or less.

5) Requirement for the adoption of resolutions for electing Directors

Our Articles of Incorporation stipulate that the Directors of the Company shall be elected by a majority vote of all eligible shareholders present at a General Meeting of Shareholders which shall have attendance of shareholders holding, in aggregate, not less than one third (1/3) of the total voting rights of all eligible shareholders.

The Articles of Incorporation also stipulate that cumulative voting shall not be used for the resolution for electing Directors.

6) Decision-making body of interim dividends

Pursuant to Article 454, paragraph 5 of the Companies Act, our Articles of Incorporation stipulate that the Company may, by a resolution of the Board of Directors, pay an interim dividend on September 30 of each year as the record date. This is intended to return profits to shareholders in a flexible manner.

7) Decision-making body for the purchase of treasury shares

Pursuant to Article 165, paragraph 2 of the Companies Act, our Articles of Incorporation stipulate that, upon resolution of the Board of Directors, the Company may acquire its treasury shares by trading in the market etc. as stipulated in paragraph 1 of the same article. This is to facilitate the purchase of treasury shares with flexibility.

8) Requirement for the adoption of special resolution of General Meeting of Shareholders

Our Articles of Incorporation stipulate that resolutions under Article 309, paragraph 2 of the Companies Act shall only be adopted by two thirds (2/3) or more of the votes of the shareholders at a General Meeting of Shareholders which shall have attendance of shareholders holding, in aggregate, not less than one third (1/3) of the total eligible voting rights. This is intended to facilitate smooth operations of the General Meeting of Shareholders.

Overview of the measures to prevent large-scale acquisition of our company's shares (Takeover Defense Measures)

(1) Basic policy regarding the person controlling decisions relative to policies for our finances and business

JAPEX considers that the person controlling our financial and business policy decisions should fully understand the content of our finances and business and the source of our corporate value, and is eligible to protect and enhance corporate value and ultimately the shareholders' common interests in a continuing, sustainable manner.

JAPEX believes the decision on an acquisition proposal which is associated with the transfer of corporate control should ultimately be made based on the general decision of our shareholders. Furthermore, JAPEX does not disapprove of large-scale share acquisition that contributes to our corporate value and ultimately the shareholders' common interests.

Nevertheless, among large-scale share acquisitions, there are many that do not contribute to the corporate value and the shareholders' common interests, in light of their purpose, including such that cause a clear infringement on the corporate value and the shareholders' common interests, such that has the risk of a de facto coercion against the shareholders to sell their shares, such that does not provide sufficient time and/or information for the Board of Directors and the shareholders consideration of the content of the large-scale share acquisition or for the Board of Directors to propose an alternative plan, and such that require consultation and negotiation with the acquirer to draw out a more favorable condition than the conditions presented from the acquirer.

The large-scale share acquirer should understand the source of our corporate value, not to mention the content of JAPEX's finances and business, and unless he or she protects and enhances them over medium to long term, our corporate value and ultimately the shareholders' common interests will be damaged.

JAPEX considers such a large-scale acquirer that does not contribute to our corporate value and the shareholders' common interests inappropriate as the controlling person to determine the policies of our finances and business, and thus consider necessary to protect our corporate value and ultimately the shareholders' common interests by taking essential and substantial measures against such attempts.

(2) Source of our corporate value and special undertakings to realize the basic policy

1. Source of our corporate value

Since its establishment in 1955, JAPEX has expanded business with the main goal set at raising Japan's self-sufficiency of oil and combustible natural gas. Having started from zero reserve of oil and gas, JAPEX discovered new oil and gas fields one after another, and has established its business foundation of today. JAPEX is engaged in exploration, development, and sale of oil and natural gas as its core business.

The source of our corporate value lies in our integrated business model where we conduct exploration, development and sale by ourselves after we acquire interest in oil and natural gas fields. JAPEX is a company that supplies energy which is vital to industrial activities and our everyday activities. JAPEX takes on crucially important responsibility for ensuring and maintaining stabile supply and safe operations and conducts a business with high public nature.

The Company's integrated business model is backed by 1) advanced exploration technology for oil and natural gas, 2) oil-and-gas field development technology with operation know-hows in and outside of Japan, and 3) a domestic natural gas pipeline network which was built to facilitate transportation in Japan, and trustful relationships that have been built over the years among customers, shareholders, local communities and other stakeholders, as a result of long record of stable supply utilizing such a network.

It is not uncommon to take over ten years from a discovery of a new oil or gas field to reach production stage. Therefore, our business must be conducted with long-term perspective. At the same time, we are required to contribute to society, with consideration given to preserve global environment. Considering today's international energy situation, where global competition to secure energy resources is likely to further intensify, it is essential for JAPEX to work to improve its technology and know-hows, secure human resources, strengthen trustful relationships with stakeholders in order to achieve the Company's sustainable growth and enhancement of its corporate value. Through such efforts, we believe our corporate value would increase, which would lead to ensure and improve common interest of our shareholders as in past years.

2. Undertakings to enhance corporate value

In May, 2021, we announced the "JAPEX2050," which outlines responsibilities and challenges of JAPEX toward achieving carbon-neutral society, while indicating the Company's response to be taken and direction for future business development.

In March, 2022, we also formulated and announced the "JAPEX Management Plan 2022–2030," a new management plan that aims to respond quickly and flexibly to changes in the business environment, such as increasingly accelerating global decarbonization. Its basic policy is to improve profitability and build business foundation for 2030 and beyond. It outlines management goals such as interim targets of FY2026, as well as basic policies on fund allocation and shareholders return. In addition, it unveils priority items to be addressed to achieve business goals in such business field as E&P, Infrastructure/Utility and Carbon Neutral.

By steadily implementing measures based on JAPEX2050 and JAPEX Management Plan 2022–2030, we will work toward achieving a carbon-neutral society in 2050 and continue to grow and further enhance our corporate value as an integrated energy company.

3. Strengthening Corporate Governance

By implementing these measures above, we are determined to further increase our corporate value and secure and improve shareholders' common interests. We strive to enhance corporate governance while operating with efficiency and transparency. Building a trustful relationship with stakeholders is a sure way to achieve long and stable business development, and we believe this is possible by ensuring accountability to all stakeholders, including shareholders.

At JAPEX, Directors and Executive Officers, who are appointed and assigned duties by the Representative Directors and the Board of Directors, serve as operating officers. The Board of Directors and Audit & Supervisory Board Members, along with the Audit & Supervisory Board that is comprised of all Audit & Supervisory Board Members, are responsible for supervising the execution of their duties. (Company with an Audit & Supervisory Board)

In addition, in order to strengthen the supervisory functions of the Board of Directors, JAPEX appointed five insightful and independent Outside Directors. We actively listen to their opinions and advice on meeting agenda and deliberations, which are highly independent from management and are essential to invigorate discussions at the Board of Directors' meeting. We have also set up the Outside Officer Liaison Meeting as a place for outside officers to be pre-informed of the agenda to be discussed at the Board of Directors' meetings and exchange information and opinions each other so that they can be well informed and perform their duties in most appropriate manner.

All Audit & Supervisory Board Members attend the Board of Directors' meeting and full-time Audit & Supervisory Board Members attend the Executive Committee and other important management meetings to perform the supervisory function over the corporate management by exchanging opinions as necessary with Directors and Executive Officers responsible for business execution. Internal audits of JAPEX are conducted by the Auditing Dept. under the direct management of the President to confirm the compliance with laws and internal regulations as well as the appropriateness of business operations of each department, including the verification of the effectiveness of internal control.

The Nomination and Compensation Committee has been established under the Board of Directors in order to strengthen the supervisory functions of the Board of Directors by making procedures for the nomination of Directors and the determination of their compensation transparent and objective.

As for the internal control, the Management Risk Committee takes initiative to continue efforts to monitor and develop a system to ensure appropriate business operations.

In addition to such corporate governance in terms of management structure, we engage in IR activities such as holding financial result briefings and enhancing websites to improve the transparency of management. Through these activities, we hope to realize most appropriate business operation that best fits the changing circumstances of today.

(3) Undertakings based on the basic policy to prevent the controlling of decision of policies of our finances and business by inappropriate persons (the "Plan")

1. The purpose of the Plan

The Plan has been introduced according to the basic policy described above (1) for the purpose of ensuring and improving our corporate value and the common interests of our shareholders.

The Board of Directors, as set forth in the Basic Policy, considers a person who performs the large-scale acquisition of JAPEX share certificates, etc., without contributing to our corporate value and/or the common interests of our shareholders inappropriate for making financial and business policy decisions regarding the Company. The Plan aims to prevent the control of our financial and business policies by such inappropriate persons and deter large-scale acquisition that is detrimental to our corporate value and/or the common interests of our shareholders. At the same time, the Plan shall allow the Company's Board of Directors to ensure the necessary information and time required to propose an alternative plan to our shareholders or for our shareholders to sufficiently judge whether such a large-scale acquisition of JAPEX share certificates, etc., is acceptable and/or allow negotiation and other measures to be taken on behalf of our shareholders.

2. Overview of the Plan

The Plan determines the necessary procedure for achieving the aforementioned purpose, such as demanding the prior provision of information from the acquirer, upon the emergence of a person who intends to acquire 20% or more of JAPEX share certificates, etc.

In case the decision of not implementing the Plan has been made by the Board of Directors based on the procedures of the Plan, the acquirer shall be authorized to make a large-scale acquisition of JAPEX share certificates, etc., only after such a board decision.

In case the acquirer does not comply with the procedure set forth in the Plan or the intended large-scale acquisition of JAPEX share certificates, etc., has a risk of impairing our corporate value and/or the common interest of our shareholders and if the predetermined requirements for the implementation of the Plan are satisfied, JAPEX shall allot share options with exercise conditions in which the exercise of rights by the acquirer is, in principle, impermissible or with acquisition clauses where JAPEX may, in principle, acquire share options from persons other than the acquirer in exchange for JAPEX shares to all shareholders excluding JAPEX at that point of time, through an allotment of share options without contribution.

In the event that the allotment of share options without contribution is executed according to the Plan, and associated by its execution or acquisition by JAPEX, when JAPEX shares are issued to all shareholders except for the acquirer, the percentage of voting rights the acquirer holds may be diluted up to a maximum of approximately 50%.

With regard to the decision whether to implement or not implement the allotment of share options without contribution, or to acquire, according to the Plan, in order to eliminate the arbitrary decision of the Board of Directors, it shall undergo the objective decision of the Independent Committee constituted only of Outside Director etc., who are independent from the Company's Board of Directors pursuant to the Independent Committee Provision.

Following persons are members of the Independent Committee.

TSUCHIYA Keiichiro, former President, Meiji University
ITO Tetsuo, Outside Director, JAPEX
KAWAKITA Chikara, Outside Audit & Supervisory Board Member, JAPEX

Moreover, in the event that the allotment of share options without contribution is implemented according to the Plan, the Board of Directors shall, in principle, convoke a general meeting of the shareholders to confirm the decision of the shareholders concerning said implementation of the allotment of share options without contribution.

We aim to ensure transparency of the process of these procedures through the timely disclosure of appropriate information to our shareholders.

The effective period of the Plan shall be until the close of the Ordinary General Meeting of the Shareholders regarding the latest fiscal year ending within three years after the close of the Annual Shareholders' Meeting, which is the same as the delegation period of the authority to decide the matters concerning the allotment of the Share Options without contribution in the Plan to be in accordance with the resolution of the 50th Annual Shareholders' Meeting held on June 26, 2020.

However, even before the expiration of the effective period, 1) if a resolution for withdrawing the above delegation to the Board of Directors with regard to the decision on matters concerning the allotment of the Share Options without contribution in the Plan is made at a general meeting of the shareholders, or 2) if a resolution to abolish the Plan is made by the Board of Directors, the Plan shall be abolished at that point in time.

Details of the Plan is available on our website. Please refer to our news release "Renewal of the Measures to Prevent Large-scale Acquisition of Our Company Shares (Takeover Defense Measures)" issued on May 14, 2020.

(https://www.japex.co.jp/en/news/uploads/pdf/JAPEX20200514_TDM_Update_e.pdf)

(4) Decision and its reason of the Board of Directors concerning the Plan

1. The Plan must be in accordance with the Basic Policy

The Plan is a framework in accord with the Basic Policy that ensures our corporate value and consequently the common interest of our shareholders, by enabling the decision-making of shareholders concerning the acceptance of the Acquisition, or ensuring the information and time necessary for the proposal of an alternative plan by the Board of Directors, and/or enabling negotiation or other communication with the acquirer on behalf of the shareholders, in the event of Acquisition of JAPEX share certificates, etc.

2. The Plan must not be such that is detrimental to the common interest of our shareholders and does not serve the purpose of retaining the position of our corporate officers.

JAPEX considers the Plan to be not detrimental to the common interest of our shareholders and that it does not serve the purpose of retaining the position of our corporate officers for the following reasons:

1) That the Plan satisfies the guiding requirements of the takeover defense measure:
The Plan satisfies the three principles (1) the principle of protecting and enhancing corporate value and shareholders' common interests; (2) the principle of prior disclosure and shareholders' will; and (3) the principle of ensuring the necessity and reasonableness of defensive measures, set forth in the Guidelines Regarding Takeover Defense for the Purposes of Protection and Enhancement of Corporate Value and the Shareholders' Common Interests announced by the Ministry of Economy, Trade and Industry and the Ministry of Justice on May 27, 2005.

2) That the Plan respects the decision of the shareholders:
The introduction of the Plan was tabled and discussed at the 38th Ordinary General Meeting of Shareholders held on June 25, 2008 to confirm the intention of shareholders and was approved at the meeting. So were the updates of the Plan at the following Ordinary General Meetings of Shareholders: the 41st meeting held on June 24, 2011; the 44th meeting held on June 25, 2014; the 47th meeting held on June 28, 2017; and the 50th meeting held on June 26, 2020.
And the Board of Directors made it clear that the Company holds a General Meeting of Shareholders to hear shareholders' decision regarding the implementation of the Plan for certain cases depicted in the Plan.
In addition, the Plan contains a sunset provision that stipulates an effective period of approximately three years. Alongside, even before the expiration of the effective period, if a resolution withdrawing the above delegation resolution is made at a general meeting of the shareholders or if a resolution abolishing the Plan is made by the Board of Directors, the Plan shall be abolished at that point of time. In that context, the intention of our shareholders will be reflected on the prevalence of the Plan.

3) Respect for the decision of the Outsider Directors and information disclosure
The practical decisions on the operations of the Plan are executed by the Independent Committee which only consists of Outside Directors who are independent.
Furthermore, the overview of the decision is to be disclosed to our shareholders, ensuring the framework for a transparent operation of the Plan to serve the corporate value and the common interest of our shareholders.

4) Establishment of reasonable objective requirements
The Plan shall not be implemented if it does not meet the reasonable objective requirements, ensuring the framework to prevent the arbitrary implementation by the Board of Directors.

5) Hearing of opinions from third party experts
When an acquirer emerges, the Independent Committee may receive advice from financial advisors, certified public accountants, lawyers, certified tax accountants, consultants, and other experts at the expense of JAPEX. This creates a mechanism for securing fairness and objectivity of the decisions given by the Independent Committee to a stronger degree.

6) That the takeover defense measure is not a dead-hand or slow-hand type measure
A large-scale purchaser of JAPEX share certificates, etc. can appoint Directors of their own designation in a general meeting of the shareholders and abolish this Plan through the Board of Directors constituted of such Directors.
Therefore, the Plan is not a dead-hand type takeover defense measure (a takeover defense measure of which implementation cannot be deterred even with the replacement of over half of the constituting members of the Board of Directors).
Furthermore, the assumption of Directors at JAPEX does not employ the staggered system, which does not make the Plan a slow-hand type takeover defense measure (a takeover measure of which implementation takes time to deter due to the impossibility of an all-together replacement of the constituting members of the Board of Directors).

(2) Directors and Senior Management

1) List of Directors and Senior Management

Male: 13, Female: 2 (percentage of females among Directors and Audit & Supervisory Board Members: 13.3%)

Position	Name	Date of birth	Business experience	Term of office	Number of shares held (Shares)
Representative Director Chairman	WATANABE Osamu	Dec. 6, 1940	Apr. 1964 Joined the Ministry of International Trade and Industry Jul. 1997 Vice Minister of International Trade and Industry Jul. 2002 Chairman, Japan External Trade Organization Jun. 2007 Executive Vice President, JAPEX Jun. 2008 President and CEO, JAPEX Jun. 2016 Representative Director and Chairman, JAPEX (to present)	Note 3	56,300
Representative Director President Chief Executive Officer	FUJITA Masahiro	Nov. 12, 1954	Apr. 1977 Joined the Ministry of International Trade and Industry Jul. 2008 Director-General, Trade and Economic Corporation Bureau, the Ministry of Economy, Trade and Industry Nov. 2010 Executive Officer, Sumitomo Corporation Jun. 2018 Representative Director, Executive Vice President, Sumitomo Corporation Apr. 2019 Representative Director, Assistant to President and CEO, Sumitomo Corporation Jun. 2019 Representative Director, Executive Vice President, JAPEX Oct. 2019 Representative Director, President & CEO, JAPEX (to present) Oct. 2019 Chairman, JAPEX Montney Ltd. Oct. 2019 Representative Director, President, JAPEX Offshore Ltd. (to present) Nov. 2019 Representative Director, President, JAPEX Garraf Ltd.	Note 3	6,700
Representative Director Executive Vice President Advisor to President, President of Power Business Division, in charge of Secretary Office, responsible for Carbon Neutral Related Business	ISHII Yoshitaka	Apr. 3, 1957	Apr. 1981 Joined JAPEX Apr. 2010 General Manager of Technical Dept., Nagaoka Division Office Jun. 2014 Executive Officer, General Manager of Nagaoka Division Office, Domestic Project Division Apr. 2017 Executive Officer, General Manager of Nagaoka District Office Jun. 2017 Managing Executive Officer, General Manager of Nagaoka District Office Nov. 2017 Managing Executive Officer, Vice President of Inter-regional Gas Supply Division and President of Soma Project Division Jun. 2018 Representative Director and President, Fukushima Gas Power Co., Ltd. (to present) Jun. 2018 Director, Managing Executive Officer, President of Inter-regional Gas Supply Division and President of Soma Project & Power Business Division Oct. 2018 Director, Managing Executive Officer, President of Inter-regional Gas Supply Division and President of Soma Project & Power Business Division Jun. 2020 Director, Senior Managing Officer, President of Power Business Division (to present) Jun. 2021 Representative Director, Executive Vice President, President of Power Business Division (to present)	Note 3	3,000
Director Senior Managing Executive Officer In charge of Finance & Accounting Dept., Deal Execution/PMI Support Dept.	YAMASHITA Michiro	Oct. 27, 1959	Apr. 1982 Joined JAPEX Jun. 2005 General Manager of Corporate Planning Dept. Apr. 2010 Vice President of Environment and Innovative Technology Projects Division Jun. 2011 Vice President of Environment and Innovative Technology Projects Division Jun. 2013 Executive Officer Jun. 2016 Managing Executive Officer Jun. 2018 Director, Managing Executive Officer Apr. 2022 Director, Senior Managing Executive Officer (to present)	Note 3	3,100

Position	Name	Date of birth	Business experience	Term of office	Number of shares held (Shares)
Director Managing Executive Officer President, Overseas Business Division I	HIRATA Toshiyuki	Jan. 5, 1958	Apr. 1981 Joined JAPEX Jun. 2005 President, Japan Canada Oil Sands Limited Jun. 2012 Executive Officer, JAPEX Jun. 2015 Managing Executive Officer Jun. 2017 Managing Director Jun. 2017 Representative Director and President, Canada Oil Sands Co., Ltd. Jun. 2017 Chairman, Japan Canada Oil Sands Limited. Jun. 2018 Director, Managing Executive Officer Jun. 2020 Director, Managing Executive Officer, President of Middle East, Asia & Europe Project Division Jun. 2020 President, JAPEX UK E&P Ltd. Apr. 2022 Director, Managing Executive Officer, President of Overseas Business Division I (to present)	Note 3	4,600
Director Managing Executive Officer In charge of Corporate Communication Office, and Corporate Strategy Dept.	NAKAJIMA Toshiaki	May 1, 1962	Apr. 1986 Joined JAPEX Jun. 2010 General Manager of Corporate Planning Dept. Jun. 2011 General Manager of Corporate Planning Dept. Jun. 2019 Executive Officer Jun. 2021 Managing Executive Officer Jun. 2022 Director, Managing Executive Officer (to present)	Note 3	1,100
Director	ITO Tetsuo	Mar. 15, 1948	Apr. 1975 Appointed as a prosecutor Jun. 2001 Head of Special Investigation Force, Tokyo District Public Prosecutors Office Jan. 2009 Deputy Prosecutor-General, Supreme Public Prosecutors Office Apr. 2011 Attorney, registered at Daiichi Tokyo Bar Association Apr. 2011 Of Counsel at Nishimura & Asahi Jun. 2016 Director (to present)	Note 3	—
Director	YAMASHITA Yukari	Oct. 23, 1959	Oct. 1985 Joined The Institute of Energy Economics, Japan Jun. 2011 Board Member, Unit Manager of Global Environment & Sustainable Development Unit, The Institute of Energy Economics, Japan Jul. 2011 Board Member, Director in charge of the Energy Data and Modelling Center, The Institute of Energy Economics, Japan Jun. 2019 Director, JAPEX (to present) Jun. 2020 Managing Director in charge of the Energy Data and Modelling Center, The Institute of Energy Economics, Japan (to present)	Note 3	—
Director	KAWASAKI Hideichi	Jan. 10, 1947	Apr. 1970 Joined Oki Electric Industry Co., Ltd. Apr. 2001 Executive Officer, Oki Electric Industry Co., Ltd. Apr. 2004 Senior Vice President, Oki Electric Industry Co., Ltd. Jun. 2005 Managing Director, Oki Electric Industry Co., Ltd. Apr. 2009 Vice President, Representative Director, Oki Electric Industry Co., Ltd. Jun. 2009 President, Representative Director, Oki Electric Industry Co., Ltd. Apr. 2016 Chairman of the Board, Representative Director, Oki Electric Industry Co., Ltd. Jun. 2018 Chairman of the Board, Oki Electric Industry Co., Ltd. Jun. 2020 Director, JAPEX (to present)	Note 3	1,000

Position	Name	Date of birth	Business experience	Term of office	Number of shares held (Shares)
Director	KITAI Kumiko	Oct. 29, 1952	Apr. 1976 Joined Ministry of Labor Jul. 1999 Deputy Governor, Shizuoka Prefecture Aug. 2005 Director General, Employment Environment and Equal Employment, Children and Families Bureau, Ministry of Health, Labor and Welfare Sep. 2006 Director-General of Secretariat, Central Labour Relations Commission Aug. 2007 Executive Director, Japan Industrial Safety and Health Association Apr. 2012 Attorney registered at Daini Tokyo Bar Association (to present) Jul. 2014 Attorney, Kachidoki Law Office (to present) Jun. 2022 Director, JAPEX (to present)	Note 3	—
Director	SUGIYAMA Yoshikuni	Oct. 11, 1954	Apr. 1978 Joined The Yomiuri Shimbun Jun. 2010 Director, Tokyo Head Office, The Yomiuri Shimbun Jun. 2011 Director, Yomiuri Shimbun Holdings (to present) Jun. 2011 Managing Director, Tokyo Head Office, The Yomiuri Shimbun Jun. 2012 Senior Managing Director, The Yomiuri Shimbun Tokyo Head Office Jun. 2014 Representative Director, President, The Yomiuri Shimbun Seibu Head Office Jun. 2015 Representative Director, President, The Yomiuri Shimbun Osaka Head Office Jun. 2019 Board Director, Nippon Television Holdings, Inc. Jun. 2020 Representative Director, President, Nippon Television Holdings, Inc. (to present) Jun. 2022 Director, JAPEX (to present)	Note 3	—
Audit & Supervisory Board Member (full-time)	NAKAMURA Mitsuyoshi	Aug. 18, 1958	Apr. 1982 Joined JAPEX Jul. 2012 General Manager of Iraq Project Dept., Middle East, Africa & Europe Project Division Jul. 2013 Advisor to President of Middle East, Africa & Europe Project Division Aug. 2014 Vice President of Middle East, Africa & Europe Project Division Sep. 2015 President of HSE Dept. Jul. 2018 Advisor to President of Middle East, Africa & Europe Project Division and General Manager of Dubai Representative Office, Middle East, Africa & Europe Jun. 2020 Project Division Assistant of the executive in charge of HSE Dept. Jun. 2021 Audit & Supervisory Board Member (to present)	Note 4	300
Audit & Supervisory Board Member (full-time)	MOTOYAMA Yoshihiko	Apr. 23, 1960	Apr. 1983 Joined JAPEX Jan. 2007 General Manager of Accounting and Procurement Dept., Sapporo Division Office (later Hokkaido Division Office) Jul. 2013 General Manager of Procurement Dept. Jun. 2019 Executive Officer Jun. 2021 Advisor to President Jun. 2021 Representative Director, President, JAPEX Offshore Ltd. Jun. 2022 Audit & Supervisory Board Member (full-time), JAPEX	Note 5	2,900
Audit & Supervisory Board Member	KAWAKITA Chikara	Oct. 15, 1954	Apr. 1977 Joined the Ministry of Finance Jul. 2010 Commissioner, National Tax Agency Oct. 2012 Professor, Graduate School of Law, Hitotsubashi University Jun. 2013 Outside Director, ITOCHU Corporation Oct. 2014 Deputy Chairperson, General Insurance Rating Organization of Japan. Jun. 2019 KONAMI HOLDINGS CORPORATION, Outside Audit & Supervisory Committee member Jun. 2022 Outside Audit & Supervisory Board Member (to present)	Note 6	—

Position	Name	Date of birth	Business experience	Term of office	Number of shares held (Shares)
Audit & Supervisory Board Member	MOTOYAMA Hiroshi	Jun. 15, 1954	Apr. 1977 Joined The Industrial Bank of Japan, Limited (later Mizuho Bank, Ltd.) Dec. 2002 General Manager of Head Office Sales Dept. No. 9, Mizuho Corporate Bank Apr. 2004 Executive Officer, General Manager of IT & System Management Dept., Mizuho Corporate Bank Apr. 2007 Managing Executive Officer, Mizuho Financial Group, Inc. Jun. 2007 Managing Director, Mizuho Financial Group, Inc. Apr. 2009 Deputy President, Representative Director, Mizuho Corporate Bank Jun. 2011 President & CEO, Representative Director, Mizuho Securities Co., Ltd. Jun. 2016 President & CEO, IBJ Leasing Company, Ltd. (later Mizuho Leasing Company, Limited.) Jun. 2020 Advisor, IBJ Leasing Company (to present) Jun. 2022 Outside Audit & Supervisory Board Member (to present)	Note 6	–
Total					79,000

Notes: 1. Directors ITO Tetsuo, YAMASHITA Yukari, KAWASAKI Hideichi, KITAI Kumiko and SUGIYAMA Yoshikuni are the Outside Directors as defined under Article 2, item 15 of the Companies Act.

2. Audit & Supervisory Board Members KAWAKITA Chikara and MOTOYAMA Hiroshi are the Outside Audit & Supervisory Board Members as defined under Article 2, item 16 of the Companies Act.
3. The terms of office shall expire at the conclusion of the Ordinary General Meeting of Shareholders for the last fiscal year ending within one year after the election on June 28, 2022.
4. The terms of office shall expire at the conclusion of the Ordinary General Meeting of Shareholders for the last fiscal year ending within four years after the election on June 25, 2021.
5. The terms of office shall expire at the conclusion of the Ordinary General Meeting of Shareholders for the last fiscal year ending within three years after the election on June 28, 2022.
6. The terms of office shall expire at the conclusion of the Ordinary General Meeting of Shareholders for the last fiscal year ending within four years after the election on June 28, 2022.
7. Director YAMASHITA Yukari is registered as NIWA Yukari in national register. YAMASHITA has been used in career.
8. WASEDA Amane and ANRAKU Toshiyuki were appointed by the Company as Fellow as of June 24, 2015 and April 1, 2022 respectively. Fellows support the management with high degree of expertise in specialized fields.
9. JAPEX has introduced an Executive Officer System.
   Executive Officers who are not concurrently serving as Directors are as follows:

Senior Managing Executive Officer	President of Marketing & Sales Division, in charge of Procurement Dept.	SUGA Tsuyoshi
Managing Executive Officer	President of Gas Supply & Facility Engineering Division	KAKU Senichiro
Managing Executive Officer	In charge of Internal Control, Administration & Legal Dept., Human Resource Dept., and Information Technology Dept.	MATSUNAGA Tadashi
Managing Executive Officer	President of Domestic E&P Project Division, in charge of HSE Dept.	NAKAMURA Tsuneta
Managing Executive Officer	Vice President of Domestic E&P Project Division, Vice President of Gas Supply & Facility Engineering Division	MIYADAI Takamasa
Managing Executive Officer	President of Overseas Business Division II	ABE Satoshi
Managing Executive Officer	President of Technical Division	TEZUKA Kazuhiko

Executive Officer	General Manager of Nagaoka District Office	TAKAHATA Shinichi	Representative Director and President, North Japan Security Service Co., Ltd.
Executive Officer	In charge of Environmental Business Promotion Dept., and New Business Promotion Dept.	IKENO Tomonori	
Executive Officer	Vice President of Power Business Division	KASA Hirofumi	
Executive Officer	Vice President of Overseas Business Division II, Advisor to President of Technical Division	YAMADA Tomomi	
Executive Officer	General Manager of Soma District Office	NAKANO Masanori	
Executive Officer	Vice President of Marketing & Sales Division, General Manager of Hokkaido Marketing & Sales Office of Marketing & Sales Division	NAGAHAMA Yasushi	
Executive Officer	In charge of LNG Marketing & Procurement Office	OHAMA Tadashi	
Executive Officer	Vice President of Power Business Division	YASUI Akira	

2) Outside Officers

(The number of Officers)

The number of the Company's Outside Directors is five and the number of its Outside Audit & Supervisory Board Members is two.

(Personal, capital, material business relationships or any other conflicts of interest with JAPEX)

JAPEX has entered into business transactions with Nishimura & Asahi, where Outside Director ITO Tetsuo serves Of Counsel. However, considering the scale and the nature of the transactions, the decision-making of JAPEX will not be significantly affected. In addition, no relationships exist that may raise conflict of interest with our other general shareholders.

JAPEX has entered into business transactions with The Institute of Energy Economics, Japan, where Outside Director YAMASHITA Yukari serves as a Managing Director. However, considering the scale and the nature of the transactions, the decision-making of JAPEX will not be significantly affected. In addition, no relationships exist that may raise conflict of interest with our other general shareholders.

All the Outside Directors and Outside Audit & Supervisory Members, including the ones above, do not have conflicts of interest with JAPEX.

(Functions and roles to be played in corporate governance and criteria or policies concerning independence)

We believe that, by appointing Outside Directors, the supervisory functions of the Board of Directors will be strengthened. We also believe that, by letting the Outside Directors and Outside Audit & Supervisory Board Members actively comment on and give advice on the meeting agenda, deliberations and other matters from an independent standpoint from management, discussions because their opinion and advice are highly independent from the management, we can invigorate discussion at the meeting of the Board of Directors.

JAPEX nominates Outside Directors who have experience as a corporate manager at a private firm, and persons with legal expertise, among others, because such persons can provide supervision and wide-ranging proposals to our management based on their abundant experience and deep insight. In addition to meeting the independence criteria stipulated by the Tokyo Stock Exchange, JAPEX regards that a person is independent if the person does not meet any of the following conditions:

i) An executive of a company that provides products or services to JAPEX and for which the amount paid by JAPEX exceeds 2% of the consolidated net sales of the company in any of the last three fiscal years

ii) An executive of a company in which JAPEX's borrowings account for more than 2% of the consolidated total assets of JAPEX in any of the last three fiscal years

iii) An executive of a company to which JAPEX provides products or services and whose payments to JAPEX exceed 2% of the consolidated net sales of JAPEX in any of the last three fiscal years

iv) A person who has received compensation exceeding ¥10 million per year from JAPEX as a consultant, accounting expert, or legal expert in any of the last three years in addition to officer compensation (in the case of an organization such as a corporation or association, a person who belongs to such organization)

v) A relative within the second degree of kinship of a person who falls under any of (1) through (4) below:

(1) A person listed in i) to iv) above

(2) An executive of a subsidiary of JAPEX

(3) A director who is not an executive of a subsidiary of JAPEX (limited to cases where an outside auditor is designated as an independent officer)

(4) A person who fell into (2) or (3) above, or was an executive of JAPEX (including a director who is not an executive if an Outside Audit & Supervisory Board Member is designated as an independent officer) in the past three years

(Our stance on the appointment)

We believe the current appointment of Outside Directors and Outside Audit & Supervisory Board Members is reasonable from a standpoint of governance such as the number and structure of Directors and Audit & Supervisory Board Members.

	Name	Reasons for Appointment
Outside Director	ITO Tetsuo	He has extensive knowledge and experience as a legal specialist. We expect him to identify the Company's business challenges with accuracy, and pose questions that contribute to reasonable and appropriate decision-making. Therefore, we have appointed him an Outside Director.
	YAMASHITA Yukari	She has extensive knowledge through her experience as a researcher at the institute which conducts survey and research on energy economics as well as energy and environmental policies. We expect to receive valuable proposals that would bring JAPEX to grow steadily for a long time as a comprehensive energy company as the company. We believe she would fit perfectly for the task. Therefore, we have appointed her our Outside Director.
	KAWASAKI Hideichi	He has extensive knowledge on corporate management in general that come from abundant managerial experience in global firms in telecommunications and other areas. Based on the experience, we expect useful proposals from him which would help JAPEX deal with range of challenges. Therefore, we have appointed him our Outside Director.
	KITAI Kumiko	She has deep insight that comes from abundant experience of working at government offices in the field of labor administration and extensive knowledge on labor and other laws. We expect her to provide supervision over and proposals to our corporate management from a legal expert perspective. Therefore, we have appointed her an Outside Director.
	SUGIYAMA Yoshikuni	He has deep insight and abundant corporate management experience he has acquired through his career at a newspaper company and others. We expect him to provide supervision over our corporate management from an objective and neutral standpoint as well as wide-ranging proposals that would bring JAPEX to grow sustainably and enhance its corporate value in the medium to long run. Therefore, we have appointed him an Outside Director.
Outside Audit & Supervisory Board Member	KAWAKITA Chikara	Based on his abundant experience and deep insight in policy execution at the Ministry of Finance and as a professor at a graduate school, we consider him capable of conducting audits appropriately from an objective standpoint independent from our management team engaged in JAPEX's business execution. Therefore, we have appointed him an Outside Audit & Supervisory Board Member.
	MOTOYAMA Hiroshi	Based on his abundant corporate management experience and deep insight he has acquired through his career at financial institutions, etc., we consider him capable of conducting audits appropriately from an objective standpoint independent from our management team engaged in JAPEX's business execution. Therefore, we have appointed him an Outside Audit & Supervisory Board Member.

3) Mutual cooperation between Outside Directors and Outside Audit & Supervisory Board Members in supervision or audits and internal audits, audits by Audit & Supervisory Board Members and accounting audits, and relationship with the internal control division

Together with Audit & Supervisory Board Members, Outside Directors are pre-informed of audit plans and receive briefings on auditing results upon receiving auditor's reports from the Accounting Auditor. In addition, the Outside Officer Liaison Meeting has been set up as a place for outside officers to be pre-informed of the meeting agenda at the Board of Directors' meetings and to provide and exchange information.

Outside Audit & Supervisory Board Members are pre-informed of audit plans and receive briefings on auditing results upon receiving auditor's reports from the Accounting Auditor as members of the Audit & Supervisory Board. Reports on internal audits conducted by the Auditing Dept. and the internal control report prepared by the department are submitted to the Audit & Supervisory Board and explained by the department.

(3) Audits

1) Audits by Audit & Supervisory Board Members

(Structure and members)

The number of Audit & Supervisory Board Members is four, two of which are outside Audit & Supervisory Board Members. Each member exercises auditing authority independently based on the auditing policy and each responsibility between the members which are predetermined.

Audit & Supervisory Board Members KAWAKITA Chikara and MOTOYAMA Hiroshi both have considerable knowledge on finance and accounting. While KAWAKITA acquired such knowledge from his experience in policy execution at the Ministry of Finance, MOTOYAMA acquired it from his long-term experience at financial institutions.

(Activities)

All Audit & Supervisory Board Members attend the Board of Directors and the Outside Officer Liaison Meeting, and Audit & Supervisory Board Members attend the Executive Committee and other important management meetings to perform the function of management supervision by exchanging opinions as necessary with Directors and Executive Officers responsible for business execution.

The Company holds a meeting of the Audit & Supervisory Board once a month, in principle. During the fiscal year under review, the Company held 10 meetings of the Audit & Supervisory Board. The attendance rate of each Audit & Supervisory Board Member is as follows:

Title	Name	Attendance rate for the Audit & Supervisory Board meetings during the fiscal year under review
Audit & Supervisory Board Member (full-time)	SHIMOYAMA Koichi	100% (10/10)
Audit & Supervisory Board Member (full-time)	UCHIDA Kenji	100% (2/2)
Audit & Supervisory Board Member (full-time)	NAKAMURA Mitsuyoshi	100% (8/8)
Outside Audit & Supervisory Board Member	WATANABE Hiroyasu	50% (5/10)
Outside Audit & Supervisory Board Member	NAKAJIMA Norio	100% (10/10)

Notes:
1. An Audit & Supervisory Board Member UCHIDA Kenji's rate of attendance is stated until the conclusion of the 51st Ordinary General Meeting of Shareholders held on June 25, 2021, when he retired.
2. An Audit & Supervisory Board Member NAKAMURA Mitsuyoshi's rate of attendance is stated from the 51st Ordinary General Meeting of Shareholders held on June 25, 2021, when he was elected.
3. Although an Audit & Supervisory Board Member WATANABE Hiroyasu could not attend some of the meetings due to treatment and recovery at the hospital, he received relevant documents and reports and executed his duties adequately even during such period.

The Audit & Supervisory Board resolves such matters as audit plans, formulation of audit reports, and appointment of the Accounting Auditor. In addition, audit results on domestic offices and overseas business locations as well as major subsidiaries are reported at the Board's meetings.

The Audit & Supervisory Board is pre-informed of audit plans and receives briefings on auditing results upon receiving auditor's reports from the Accounting Auditor. In addition, full-time Audit & Supervisory Members receives reports on the implementation status of audits as necessary.

2) Internal audits

Internal audits of JAPEX are conducted by the Auditing Dept. under the direct management of the President. The Auditing Dept. has been assigned five staff members to conduct internal audits, and they confirm whether the business operations of each department are carried out in accordance with the laws and internal regulations.

Internal audits are conducted following the annual plan in order, and the Auditing Dept. reports the results of each audit to

President and provides guidance and advice to the relevant business departments where necessary.
Reports on internal audits conducted by the Auditing Dept. are submitted to the President, as well as to the Audit & Supervisory Board, and the Accounting Auditor. The department gives explanation on the implementation status of audits to full-time Audit & Supervisory Board Members on a regular basis.
The Auditing Dept. evaluates on the development and operating status of JAPEX' internal control for financial reporting, and the evaluation results are utilized in internal control audits conducted by the Accounting Auditor, and are shared with Audit & Supervisory Board Members of the Company.

3) Accounting audits

(Matters concerning accounting firm)
Ernst & Young ShinNihon LLC. was the accounting firm that conducted audits on financial statements and internal control for the fiscal year under review, and the continuous audit period is 47 years. Certified public accountants who executed the audit duties are as follows:
Name: YUKAWA Yoshio, YAMAZAKI Kazuhiko, YOSHIDA Takeshi
Composition of assistants to the audit engagement: 10 certified public accountants and 24 other individuals

(Policy and reasons for appointing audit firm)
The Company's Audit & Supervisory Board has formulated "Standards for Appointment of Accounting Auditor."
Specifically, the Board makes a decision on such appointment based on the comprehensive consideration after conducting an interview with the audit firm to examine and confirm 1) outline of the audit firm; 2) system for conducting audits, etc.; and 3) estimated audit fee, and exchanging opinions and coordinating with execution division.
Based on the above standard, the Company has reappointed Ernst & Young ShinNihon LLC.
When the Accounting Auditor has breached or contravened laws or regulations such as the Companies Act, has neglected their duties, or has engaged in conduct unbecoming as an Accounting Auditor, or when considered necessary by the Audit & Supervisory Board, the Board decides the content of proposal on dismissal or non-reappointment of the Accounting Auditor. Based on such decision, the Board of Directors submits the proposal to a General Meeting of Shareholders.
If the Accounting Auditor falls under any of the items of Article 340, paragraph 1 of the Companies Act, the Audit & Supervisory Board dismisses the Accounting Auditor with consent of all Audit & Supervisory Members. In such a case, an Audit & Supervisory Board Member designated by the Audit & Supervisory Board shall report the dismissal of the Accounting Auditor and the reason for it at the first General Meeting of Shareholders convened after the dismissal.

(Evaluation of audit firm by Audit & Supervisory Board and its members)
The Audit & Supervisory Board has formulated the "Standards for Evaluation of Accounting Auditor" consisting of seven evaluation items: 1) quality control of the audit firm; 2) auditing team; 3) audit fee, etc.; 4) communication with Audit & Supervisory Members; 5) Relationship with management, etc.; 6) group audit; and 7) fraud risk. The evaluation was conducted on auditing certified public accountants, etc. for each of the items above and concluded that the audit firm satisfied all the standards.

4) Details of audit fees, etc.

(a) Audit fees paid to auditing certified public accountants, etc.

Category	Previous fiscal year		Fiscal year under review	
	Fees for audit certification services (Millions of yen)	Fees for non-audit services (Millions of yen)	Fees for audit certification services (Millions of yen)	Fees for non-audit services (Millions of yen)
Reporting company	74	16	74	10
Consolidated subsidiaries	24	1	23	–
Total	99	17	98	10

(Previous fiscal year)

Non-audit services provided to the Company and its consolidated subsidiaries include advice concerning the "Accounting Standard for Revenue Recognition."

(Fiscal year under review)

Non-audit services provided to the Company include advice concerning the "Accounting Standard for Revenue Recognition," as well as a study on revision of laws concerning Health, Safety and Environment (HSE).

Services provided to consolidated subsidiaries did not include non-audit services.

(b) Audit fees paid to the same network (Ernst & Young LLC.) to which auditing certified public accountants., etc. belong (excluding fees specified in (a) above)

Category	Previous fiscal year		Fiscal year under review	
	Fees for audit certification services (Millions of yen)	Fees for non-audit services (Millions of yen)	Fees for audit certification services (Millions of yen)	Fees for non-audit services (Millions of yen)
Reporting company	10	–	23	–
Consolidated subsidiaries	59	23	31	15
Total	70	23	54	15

(Previous fiscal year)

Services provided to the Company did not include non-audit services.

Non-audit services provided to consolidated subsidiaries include tax-related advice and instruction to Japex (U.S.) Corp., Japan Canada Oil Sand Limited (JACOS) and Canada Oil Sands Co., Ltd. (CANOS).

(Fiscal year under review)

Services provided to the Company did not include non-audit services.

Non-audit services provided to consolidated subsidiaries include tax-related advice and instruction to Japex (U.S.) Corp.

(c) Details of fees for other significant audit certification services

(Previous fiscal year)

Not applicable.

(Fiscal year under review)

Not applicable.

(d) Policy for determining audit fees

Audit fees paid by the Company to auditing certified public accountant, etc. are determined based on a number of days required for the audit and other factors.

(e) Reasons for the Audit & Supervisory Board's consent to fees for the Accounting Auditor

The Audit & Supervisory Board, after receiving the necessary documents and reports from relevant departments of the Company and the Accounting Auditor, assessed and deliberated whether the audit plans of the Accounting Auditor, the status of the performance of duties by the Accounting Auditor, a calculation basis for the estimation of audit fees were appropriate. Consequently, the Audit & Supervisory Board concluded that the amount was appropriate and consented to the amount of fees to be paid to the Accounting Auditor in accordance with Article 399, paragraph 1 of the Companies Act.

(4) Compensation for Directors and other Officers

1) Policy for determining the compensation amount for Directors and other officers or the calculation method thereof

(a) Compensation for Directors

Compensation for Directors is determined based on the policy for determining the compensation of directors set by the Board of Directors after deliberation by the Nomination and Compensation Committee. In determining the details of compensation for each Director for the fiscal year under review, the Nomination and Compensation Committee deliberated on the draft based on the determination policy. The Board of Directors therefore judged that the details were in line with the determination policy, with the respect for the Committee's deliberation results. The policy for determining the compensation of directors is outlined below.

Basic policy	・Regarding the compensation of directors, the compensation structure can function as an incentive to sustainably enhance corporate value. When deciding the compensation of individual directors, our basic policy is to set an appropriate level in consideration of the roles aligned with their position. ・Specifically, the compensation of directors (excluding outside directors) comprises base compensation and performance-linked compensation (bonuses and share-based compensation). Compensation for outside directors is only base compensation, considering their duty of supervising management.
Policy for determining base compensation (monetary compensation)	・Base compensation of the Company's directors is fixed monthly monetary compensation and is decided in comprehensive consideration of their position, balance with market standard and employees' salaries, number of years of service, and more.
Policy for determining performance-linked, or non-monetary compensation	・Of performance-linked compensation, bonuses are paid at certain times every year based on consolidated net income as an indicator measuring their contribution to results for the corresponding fiscal year. Specifics are decided in comprehensive consideration of their position, dividends, the level of employee bonuses, their contribution of directors to corporate management in each fiscal year, past results, payment record, and more. Note: The Board of Directors resolved at its meeting held on March 28, 2022 that the policy for bonus payment from FY2022 onwards is to measure the contribution of the Board of Directors to corporate management based on the achievement of previously set annual goals and business plans (including GHG reduction target), human resource management, leadership, and execution ability, in addition to contribution to business performance. ・Of performance-linked compensation, share-based compensation is based on the Rules on Provision of Shares to Officers approved by the Board of Directors within the limit approved at the General Meeting of Shareholders. JAPEX shares equivalent to the number of points provided in line with their positions and performance (using annual dividend amounts as a general rule as an indicator of performance evaluation from the perspective of maintaining our basic policy on long-term stable dividends) and a monetary amount equivalent to the market price of said shares is provided as a general rule to directors upon retirement.
Policy concerning the ratio of compensation	・We aim for the ratio of performance-linked compensation (bonuses and share-based compensation) to total compensation to be around 30% at standard amounts. To ensure the compensation system can better function as an incentive to sustainably enhance corporate value, we will consider revising the ratio as appropriate.

Matters on determination of compensation	・Regarding individual compensation, the representative director and president is entrusted with the specific details based on a resolution by the Board of Directors. That authority enables the allocation of bonuses based on each director's base compensation and the directors' contribution to corporate management. It also enables the setting of the specific timing of the payment. ・Calculation methods for base compensation and bonuses are deliberated in advance at the Nomination and Compensation Committee. The representative director and president must decide the method with respect to the results of the deliberations. ・The provision of points in share-based compensation is reported in advance of the Nomination and Compensation Committee.

(b) Compensation of Audit & Supervisory Board Member

Compensation for Audit & Supervisory Board Members is determined after consulting with Audit & Supervisory Board Members, and within the limit approved at a General Meeting of Shareholders.

(c) Details of non-monetary performance-linked compensation

In accordance with the resolution of the 50th Ordinary General Meeting of Shareholders held on June 26, 2020, the Company has introduced a share-based compensation plan (Board Benefit Trust) for Directors (excluding Outside Directors) and Executive Officers who do not concurrently serve as Directors, as mentioned in (h) below.

(d) Policy on determining payment ratios of performance-linked and non-performance-linked compensation

The policy is the same as (a) above.

(e) Indicators used for performance-linked compensation, reasons why we use them and how we decide on the amount of the performance-linked compensation

Performance-linked compensation is composed of bonus and share-based compensation. For bonuses, consolidated profit is used as an indicator to measure contribution to business performance for the corresponding fiscal year. For share-based compensation, annual dividend amount is used, as it reflects the evaluation of performance under the Company's basic policy of long-term stable dividend payment. By setting these indicators, we aim to raise awareness Directors, etc. of improving business performance for the corresponding fiscal year, as well as to motivate them to contribute to the improvement of the business performance and corporate value of the Company over the medium and long term. The amount of performance-linked compensation is decided in accordance with the policy for determining compensation for Directors described in (a) above.

(f) Target and actual figures of indicators used for performance-linked compensation

Of performance-linked compensation, the specific target for the indicator used for bonuses (consolidated profit) has not been set, as our business performance is often affected by external factors such as fluctuations of crude oil and natural gas prices as well as foreign exchange rates, and therefore it is difficult to set accurate figure that works as an incentive. For the fiscal year under review, the Company posted consolidated loss of ¥30,988 million. The target for the indicator used for share-based compensation (annual dividend amount) was ¥50 per share as stated in (h) below, and the actual amount paid for the fiscal year under review was ¥50 per share.

(g) Policy on determination of compensation amount by position or the calculation method thereof

As described in the policy for determining compensation for Directors in (a) above, our basic policy for deciding the compensation amount for Directors is to set it at an appropriate level in consideration of their roles and others according to their position.

(h) Summary of resolutions related to compensation at General Meetings of Shareholders

i) The following was resolved on monetary compensation for Directors at the General Meeting of Shareholders. The number of eligible Directors as of the filing date is 11, including five Outside Directors.

Date of the General Meeting of Shareholders' resolution	June 28, 2022, at the 52nd Ordinary General Meeting of Shareholders
Resolution summary	Up to ¥50 million per month (of which up to ¥5 million per month is for Outside Directors) Note: The amount does not include the portion of employees' salaries for Directors who concurrently serve as employees.

ii) The following was resolved on share-based compensation for Directors at the General Meeting of Shareholders: The number of eligible Directors (excluding Outside Directors) as of the filing date is six.

Date of the General Meeting of Shareholders' resolution	June 26, 2020, at the 50th Ordinary General Meeting of Shareholders
Resolution summary	・ The Company will introduce a share-based compensation plan (Board Benefit Trust) for Directors, etc. and provide the share-based compensation to the Company's Directors separately from their monetary compensation. ・ The outline of the Board Benefit Trust (BBT) is as sated below and the details are left to the Board of Directors' decision.

(Board Benefit Trust)

Outline of the Plan	The Plan is a performance-linked share-based compensation plan under which the Company's shares are acquired through a trust (the "Trust"), using money contributed by the Company as financial funds, and Directors, etc. are provided with the Company's shares and an amount of money equivalent to the market value of the Company's shares through the Trust, in accordance with the Rules on Provision of Shares to Officers.
Persons eligible for the Plan	Directors (excluding Outside Directors) and Executive Officers who do not concurrently serve as Directors
Timing of provision	Upon retirement from office
Number of shares to be provided	Accumulated points calculated in accordance with the "Point calculation method" below. Number of shares to be provided shall be decided upon retirement. (1 point = 1 share)
Applicable period for granting points and timing thereof	The applicable period shall be one year following the (re)appointment of an officer (from the date of the Ordinary General Meeting of Shareholders to the prior day of the next year's Ordinary General Meeting of Shareholders), and points shall be granted at the date of the Ordinary General Meeting of Shareholders.
Conditions for granting points	Each of Directors, etc. shall be in office as of the last day (March 31) of the fiscal year preceding the Ordinary General Meeting of Shareholders each year.
Point calculation method	The number of points shall be calculated in accordance with the Rules on Provision of Shares to Officers based on position, the Company's business performance, etc. (*) The Company shall use the annual dividend amount as an indicator to evaluate performance (target amount: ¥50), with a range of fluctuation from 0% to 120%, assuming that the payout ratio at the target value is 100%.
Applicable period	The initial period shall be three fiscal years up to FY2022, and the subsequent applicable period is expected to be every five fiscal years.
Trust account (amount of compensation, etc.)	The Company shall contribute money as defined below to the Trust, as the financial funds for the Trust to acquire the Company's shares. 1) Initial three fiscal years: up to ¥141 million (including ¥63 million for Directors) 2) Every five fiscal years afterwards: up to ¥235 million (including ¥105 million for Directors)
Acquisition method of the Company's shares	In principle, the Company's shares shall be acquired from stock exchange markets (or may be through the disposal of the Company's treasury shares).

iii) The following was resolved on compensation for Audit & Supervisory Board Members at the General Meeting of Shareholders. The number of eligible Audit & Supervisory Board Members as of the filing date is four.

Date of the General Meeting of Shareholders' resolution	June 24, 2015, at the 45th Ordinary General Meeting of Shareholders
Resolution summary	Up to ¥8 million per month

(i) Name of the person responsible for deciding on compensation amount, calculation method thereof, and details and scope of his/her discretion

Under (a) above, regarding individual compensation of Directors for the fiscal year under review, the Board of Directors delegated the Representative Director and President FUJITA Masahiro to decide the amount of base compensation, allocation of bonuses based on contribution to corporate management, and the specific timing of the payment for each Director. The reason for the delegation is because the Representative Director and President is in the best position to evaluate each Director, while taking into account the comprehensive business performance of the Company and other factors. Before finally deciding on the delegated matters, their adequacy, etc. were verified by the Nomination and Compensation Committee.

(j) Activities of the Board of Directors and the Committee in deciding on compensation amount, etc.

Compensation for Directors and other officers for the fiscal year under review is decided after going through deliberation at the Nomination and Compensation Committee, which is then followed by deliberation and resolution by the Board of Directors. The following are activities for the fiscal year under review:

(Board of Directors)

Date of meeting	Description
June 25, 2021	・Resolution on the compensation amount for Directors and the payment of retirement benefits to retiring Directors
March 28, 2022	・Resolution on amendments to the policy for determining individual Directors' compensation

(Nomination and Compensation Committee)

Date of meeting	Description
January 21, 2022	・Deliberation on how to reflect contribution of Directors and Executive Officers in their bonuses

2) Total amount of compensation by position, type of compensation and number of recipients

Position	Total amount of consolidated compensation (Millions of yen)	Total amount of each type of compensation (Millions of yen)			Number of recipients (Persons)
		Base compensation	Bonus	Share-based compensation	
Directors (excluding Outside Directors)	335	303	18	13	8
Audit & Supervisory Board Members (excluding Outside Audit & Supervisory Board Members)	41	41	—	—	3
Outside Officer	66	66	—	—	6

Note: 1. The above number of recipients includes one Director and one Audit & Supervisory Board Member who retired upon the conclusion of the 51st Ordinary General Meeting of Shareholders held on June 25, 2021.

2. The above share-based compensation comprises the amount of provision equivalent to money provided based on the acquired points under share-based compensation that were provided during the fiscal year.

3. In addition to the above total amount, the Company paid ¥14 million to one Director retired at the conclusion of the 51st Ordinary General Meeting of Shareholders held on June 25, 2021 as the final payment amount of retirement benefits associated with the abolishment of the retirement benefit plan, based on the resolution at the 45th Ordinary General Meeting of Shareholders held on June 24, 2015.

(5) Shareholdings

1) Standards for and view on the classification of investment shares

JAPEX classifies shares of companies we have determined to be necessary to promote smooth business execution and to maintain good business relationships for the purpose of achieving sustainable growth and enhancing medium- to long-term corporate value as "investment shares held for purposes other than pure investment (strategic shareholdings)" separately from investment shares held for pure investment purposes.

2) Investment shares held for purposes other than pure investment

i) Shareholding policy, method of verification of the rationale for shareholdings, and details of verification by the Board of Directors, etc. of the appropriateness of shareholdings of individual issues

To verify the reasonableness of these shareholdings, the Board of Directors performs a qualitative evaluation related to the appropriateness of the purpose of holding for each issue and a quantitative evaluation on whether the benefits and risks from each holding are commensurate with the Company's cost of capital every year. If we determine that it has become less reasonable to hold certain issues based on these evaluations, we reduce the number of those shareholdings.

ii) Number of issues and carrying amount

	Number of issues	Total balance sheet amount (Millions of yen)
Unlisted shares	21	1,821
Shares other than unlisted shares	4	79,327

(Issues whose number of shares increased during the fiscal year under review)

	Number of issues	Total acquisition price related to increase in number of shares (Millions of yen)	Reasons for the increase
Unlisted shares	1	1	Acquisition of new shares for expanding business domain
Shares other than unlisted shares	–	–	–

(Issues whose number of shares decreased during the fiscal year under review)

	Number of issues	Total sales price related to decrease in number of shares (Millions of yen)
Unlisted shares	–	–
Shares other than unlisted shares	1	50,560

iii) Numbers of specified investment shares and deemed holding investment shares by issue, and their balance sheet amount

Specified investment shares

Issue	Fiscal year under review Number of shares (Shares) Total balance sheet amount (Millions of yen)	Previous fiscal year Number of shares (Shares) Total balance sheet amount (Millions of yen)	Purpose of holding, quantitative effect of holding, and reason for increase in number of shares	Holding of JAPEX's shares
INPEX CORPORATION	53,446,600	106,893,200	Since JAPEX took initiative in establishing North Sumatra Offshore Petroleum Exploration Co., Ltd., the precursor to INPEX CORPORATION (hereinafter "INPEX") in 1966, JAPEX has held a certain number of its shares since then, although its management was separated from ours later. INPEX places its upstream oil and gas business as its core business, and jointly promotes part of overseas projects with JAPEX. JAPEX therefore holds INPEX's shares to facilitate the business relationship. Because the quantitative effect of the shareholding involves trade secrets, etc., it is difficult to disclose such information. However, JAPEX has conducted a qualitative assessment on the appropriateness of the purposes of holding as well as a quantitative assessment on benefits and risks associated with the holding, and concluded that the shareholding was reasonable.	Yes
	76,963	80,811		
Nitto Boseki Co., Ltd.	660,000	660,000	The company is an important customer along the JAPEX's natural gas pipeline, and JAPEX holds its shares to maintain favorable trading relationship. Because the quantitative effect of the shareholding involves trade secrets, etc., it is difficult to disclose such information. However, JAPEX has conducted a qualitative assessment on the appropriateness of the purposes of holding as well as a quantitative assessment on benefits and risks associated with the holding, and concluded that the shareholding was reasonable.	No
	1,861	2,656		
MITSUBISHI GAS CHEMICAL COMPANY, INC.	163,770	163,770	The company and JAPEX jointly conduct business at the Group's major oil and gas fields, namely Iwafune-oki oil and gas field and Higashi-Niigata gas field. JAPEX holds its shares to facilitate business relationship as well as to maintain favorable trading relationship. Because the quantitative effect of the shareholding involves trade secrets, etc., it is difficult to disclose such information. However, JAPEX has conducted a qualitative assessment on the appropriateness of the purposes of holding as well as a quantitative assessment on benefits and risks associated with the holding, and concluded that the shareholding was reasonable.	Yes
	340	444		

Hokkaido Gas Co., Ltd.	110,000	110,000	The company is an important customer for our sale of natural gas in Hokkaido, and JAPEX holds its share to maintain favorable trading relationship. Because the quantitative effect of the shareholding involves trade secrets, etc., it is difficult to disclose such information. However, JAPEX has conducted a qualitative assessment on the appropriateness of the purposes of holding as well as a quantitative assessment on benefits and risks associated with the holding, and concluded that the shareholding was reasonable.	Yes
	161	176		

Note: The Board of Directors verified the reasonableness of these shareholdings at its meeting held in December 2021.

JAPEX does not have deemed holdings of investment shares.

3) Investment shares held for pure investment purposes

Category	Fiscal year under review		Previous fiscal year	
	Number of issues	Total balance sheet amount (Millions of yen)	Number of issues	Total balance sheet amount (Millions of yen)
Unlisted shares	–	–	–	–
Shares other than unlisted shares	3	89	3	126

Category	Fiscal year under review		
	Total of dividends received (Millions of yen)	Total of gain (loss) on sale (Millions of yen)	Total of valuation gain (loss) (Millions of yen)
Unlisted shares	–	–	–
Shares other than unlisted shares	4	–	2

Item 5. Financial Information

1. Basis for Preparation of Consolidated Financial Statements and Non-consolidated Financial Statements

(1) The consolidated financial statements of the Company are prepared in accordance with the Ordinance on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements (Ordinance of the Ministry of Finance No. 28 of 1976).

(2) The non-consolidated financial statements of the Company are prepared in accordance with the Ordinance on the Terminology, Forms, and Preparation Methods of Financial Statements (Ordinance of the Ministry of Finance No. 59 of 1963; hereinafter referred to as the “Ordinance on Financial Statements, etc.”).

The Company falls under the company allowed to file specified financial statements and prepares its non-consolidated financial statements pursuant to the provisions of Article 127 of the Ordinance on Financial Statements, etc.

2. Audit Certificate

Pursuant to the provisions set forth in Article 193-2, paragraph 1 of the Financial Instruments and Exchange Act, the Company’s consolidated and non-consolidated financial statements for the fiscal year from April 1, 2021 to March 31, 2022 have been audited by Ernst & Young ShinNihon LLC.

3. Special Measures to Ensure the Appropriateness of Consolidated Financial Statements, etc.

The Company has taken special measures to ensure the appropriateness of the consolidated financial statements, etc. Specifically, the Company has joined the Financial Accounting Standards Foundation and has participated in seminars held by the foundation in order to understand accounting standards properly and establish a system that allows the Company to adapt to changes in accounting standards appropriately.

1 Consolidated Financial Statements, etc.

(1) Consolidated financial statements

1) Consolidated Balance Sheet

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
Assets		
Current assets		
Cash and deposits	162,368	147,241
Notes and accounts receivable - trade	*1 39,519	*2 47,158
Contract assets	–	405
Securities	3,030	3,030
Merchandise and finished goods	4,297	2,143
Work-in-process	140	29
Raw materials and supplies	8,001	12,503
Other	3,715	14,458
Allowance for doubtful accounts	(38)	(51)
Total current assets	221,034	226,920
Non-current assets		
Property, plant and equipment		
Buildings and structures	*3 327,422	*3 178,766
Accumulated depreciation	(169,580)	(141,557)
Buildings and structures, net	157,841	37,208
Wells	119,329	75,314
Accumulated depreciation	(94,363)	(73,388)
Wells, net	24,965	1,925
Machinery, equipment and vehicles	*3 145,143	*3 146,470
Accumulated depreciation	(117,309)	(122,216)
Machinery, equipment and vehicles, net	27,834	24,253
Land	12,385	11,536
Construction in progress	34,537	14,797
Other	*3 36,783	*3 20,945
Accumulated depreciation	(27,603)	(17,829)
Other, net	9,180	3,116
Total property, plant and equipment	266,745	92,837
Intangible assets		
Other	6,129	5,802
Total intangible assets	6,129	5,802
Investment and other assets		
Investment securities	*4, *5 105,070	*4, *5 108,910
Long-term loans receivable	48	49
Deferred tax assets	7,940	3,709
Retirement benefit asset	2,384	2,319
Other	15,850	31,734
Allowance for doubtful accounts	(44)	(45)
Allowance for overseas investment loss	(373)	(297)
Total investments and other assets	130,877	146,380
Total non-current assets	403,752	245,021
Total assets	624,786	471,941

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	21,546	11,479
Current portion of long-term borrowings	62,175	260
Contract liabilities	–	258
Provision for loss on disaster	913	1,841
Other	19,142	11,402
Total current liabilities	103,776	25,241
Non-current liabilities		
Long-term borrowings	50,180	510
Deferred tax liabilities	7,919	16,867
Retirement benefit liability	3,545	3,376
Asset retirement obligations	21,262	19,539
Other	3,609	3,636
Total non-current liabilities	86,517	43,929
Total liabilities	190,294	69,171
Net assets		
Shareholders' equity		
Share capital	14,288	14,288
Capital surplus	–	2,607
Retained earnings	344,438	310,592
Treasury shares	(151)	(3,886)
Total shareholders' equity	358,575	323,602
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	44,228	48,346
Deferred gains or losses on hedges	(488)	(1,862)
Foreign currency translation adjustment	(3,810)	89
Remeasurements of defined benefit plans	1,667	1,464
Total accumulated other comprehensive income	41,596	48,036
Non-controlling interests	34,320	31,131
Total net assets	434,492	402,770
Total liabilities and net assets	624,786	471,941

2) Consolidated Statement of Income and Consolidated Statement of Comprehensive Income

Consolidated Statement of Income

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Net sales	240,078	*1 249,140
Cost of sales	*2, *3 203,543	*2, *3 199,237
Gross profit	36,534	49,903
Exploration expenses	989	359
Selling, general and administrative expenses	*4, *5 31,352	*4, *5 29,734
Operating profit	4,192	19,809
Non-operating income		
Interest income	412	266
Dividend income	2,823	4,049
Share of profit of entities accounted for using equity method	5,808	14,226
Foreign exchange gains	–	10,002
Other	846	1,535
Total non-operating income	9,891	30,080
Non-operating expenses		
Interest expenses	2,529	1,187
Late charges	–	3,335
Foreign exchange losses	639	–
Other	912	1,693
Total non-operating expenses	4,081	6,215
Ordinary profit	10,001	43,674
Extraordinary income		
Gain on sale of non-current assets	*6 11	*6 1,307
Gain on sale of investment securities	–	39,826
Gain on forgiveness of debts	–	42,462
Total extraordinary income	11	83,596
Extraordinary losses		
Loss on retirement of non-current assets	*7 30	*7 46
Impairment losses	*8 16,351	–
Loss on disaster	*9 948	*9 1,416
Loss on sale of shares of subsidiaries	–	94,373
Loss on transfer of interests	–	44,724
Loss on liquidation of subsidiaries	–	3,889
Other	5	1,321
Total extraordinary losses	17,335	145,772
Loss before income taxes	(7,322)	(18,501)
Income taxes - current	4,941	2,855
Income taxes - deferred	(6,864)	6,797
Total income taxes	(1,923)	9,652
Loss	(5,399)	(28,153)
Profit (loss) attributable to non-controlling interests	(2,673)	2,835
Loss attributable to owners of parent	(2,725)	(30,988)

Consolidated Statement of Comprehensive Income

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Loss	(5,399)	(28,153)
Other comprehensive income		
Valuation difference on available-for-sale securities	11,160	4,121
Deferred gains or losses on hedges	125	(1,718)
Foreign currency translation adjustment	(7,853)	6,412
Remeasurements of defined benefit plans, net of tax	910	(202)
Share of other comprehensive income of entities accounted for using equity method	(517)	547
Total other comprehensive income	* 3,825	* 9,161
Comprehensive income	(1,574)	(18,992)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,375	(24,548)
Comprehensive income attributable to non-controlling interests	(2,949)	5,556

3) Consolidated Statement of Changes in Equity

Fiscal year ended March 31, 2021 (April 1, 2020 – March 31, 2021)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	14,288	–	350,934	(11)	365,212
Changes during period					
Dividends of surplus			(2,857)		(2,857)
Loss attributable to owners of parent			(2,725)		(2,725)
Change in ownership interest of parent due to transactions with non-controlling interests					–
Change in scope of consolidation			(0)		(0)
Change in scope of equity method			(911)		(911)
Purchase of treasury shares				(140)	(140)
Disposal of treasury shares					–
Net changes in items other than shareholders' equity					
Total changes during period	–	–	(6,495)	(140)	(6,636)
Balance at end of period	14,288	–	344,438	(151)	358,575

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	33,061	181	3,494	756	37,494	37,450	440,157
Changes during period							
Dividends of surplus							(2,857)
Loss attributable to owners of parent							(2,725)
Change in ownership interest of parent due to transactions with non-controlling interests							–
Change in scope of consolidation							(0)
Change in scope of equity method							(911)
Purchase of treasury shares							(140)
Disposal of treasury shares							–
Net changes in items other than shareholders' equity	11,167	(670)	(7,305)	910	4,101	(3,130)	971
Total changes during period	11,167	(670)	(7,305)	910	4,101	(3,130)	(5,665)
Balance at end of period	44,228	(488)	(3,810)	1,667	41,596	34,320	434,492

Fiscal year ended March 31, 2022 (April 1, 2021 – March 31, 2022)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	14,288	–	344,438	(151)	358,575
Changes during period					
Dividends of surplus			(2,857)		(2,857)
Loss attributable to owners of parent			(30,988)		(30,988)
Change in ownership interest of parent due to transactions with non-controlling interests		2,607			2,607
Change in scope of consolidation					–
Change in scope of equity method					–
Purchase of treasury shares				(3,737)	(3,737)
Disposal of treasury shares				2	2
Net changes in items other than shareholders' equity					
Total changes during period	–	2,607	(33,846)	(3,734)	(34,973)
Balance at end of period	14,288	2,607	310,592	(3,886)	323,602

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	44,228	(488)	(3,810)	1,667	41,596	34,320	434,492
Changes during period							
Dividends of surplus							(2,857)
Loss attributable to owners of parent							(30,988)
Change in ownership interest of parent due to transactions with non-controlling interests							2,607
Change in scope of consolidation							–
Change in scope of equity method							–
Purchase of treasury shares							(3,737)
Disposal of treasury shares							2
Net changes in items other than shareholders' equity	4,117	(1,374)	3,900	(202)	6,440	(3,189)	3,251
Total changes during period	4,117	(1,374)	3,900	(202)	6,440	(3,189)	(31,721)
Balance at end of period	48,346	(1,862)	89	1,464	48,036	31,131	402,770

4) Consolidated Statement of Cash Flows

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Cash flows from operating activities		
Loss before income taxes	(7,322)	(18,501)
Depreciation	22,599	17,721
Impairment losses	16,351	–
Loss on retirement of property, plant and equipment	30	45
Loss (gain) on valuation of short-term and long-term investment securities	12	–
Increase (decrease) in allowance for doubtful accounts	6	15
Decrease (increase) in retirement benefit asset	(1,413)	64
Increase (decrease) in retirement benefit liability	16	(168)
Increase (decrease) in allowance for overseas investment loss	(342)	(75)
Interest and dividend income	(3,235)	(4,316)
Interest expenses	2,529	1,187
Foreign exchange losses (gains)	(7)	(9,911)
Loss (gain) on sale of short-term and long-term investment securities	–	53,579
Loss (gain) on liquidation of subsidiaries	–	3,899
Share of loss (profit) of entities accounted for using equity method	(5,808)	(14,226)
Loss on transfer of interests	–	44,724
Recovery of recoverable accounts	15,196	17,780
Gain on forgiveness of debts	–	(42,462)
Decrease (increase) in trade receivables	(12,188)	(12,410)
Decrease (increase) in inventories	4,003	(2,737)
Increase (decrease) in trade payables	10,211	(9,422)
Increase (decrease) in accrued consumption taxes	2,219	(2,360)
Other, net	3,490	(16,697)
Subtotal	46,348	5,726
Income taxes refund (paid)	(3,085)	(6,778)
Net cash provided by (used in) operating activities	43,263	(1,052)

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Cash flows from investing activities		
Payments into time deposits	(28,281)	(41,247)
Proceeds from withdrawal of time deposits	46,446	44,920
Proceeds from sale and redemption of securities	–	30
Purchase of property, plant and equipment	(15,153)	(16,278)
Proceeds from sale of property, plant and equipment	21	2,248
Purchase of intangible assets	(416)	(290)
Payments for asset retirement obligations	(114)	(128)
Purchase of investment securities	(6,806)	(11,827)
Proceeds from sale and redemption of investment securities	–	53,062
Proceeds from sale of shares of subsidiaries resulting in change in scope of consolidation	–	*2 29,382
Payments of recoverable accounts	(14,971)	(23,244)
Loan advances	(26)	(6,721)
Proceeds from collection of loans receivable	22	24
Interest and dividends received	10,358	19,860
Proceeds from dividends of residual property	–	6
Proceeds from capital reduction of investments	3,068	75
Proceeds from transfer of interests	–	2,701
Other, net	(598)	(507)
Net cash provided by (used in) investing activities	(6,453)	52,067
Cash flows from financing activities		
Proceeds from short-term borrowings	75,079	20,900
Repayments of short-term borrowings	(77,813)	(20,900)
Repayments of long-term borrowings	(6,470)	(59,703)
Purchase of treasury shares	(140)	(3,737)
Dividends paid	(2,858)	(2,857)
Dividends paid to non-controlling interests	(180)	(2,085)
Interest paid	(2,908)	(674)
Repayments of lease liabilities	(335)	(255)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	–	(1,626)
Net cash provided by (used in) financing activities	(15,626)	(70,939)
Effect of exchange rate change on cash and cash equivalents	(1,479)	6,475
Net increase (decrease) in cash and cash equivalents	19,703	(13,449)
Cash and cash equivalents at beginning of period	138,259	157,963
Cash and cash equivalents at end of period	*1 157,963	*1 144,513

Notes to consolidated financial statements

(Notes to significant accounting policies for preparation of consolidated financial statements)

1. Disclosure of scope of consolidation

(1) Number of consolidated subsidiaries: 16

Names of major consolidated subsidiaries

JGI, Inc., Japex (U.S.) Corp., Japex Offshore Ltd., Shirone Gas Co., Ltd., Japex Energy Co., Ltd., and Japex Garraf Ltd.

Japan Canada Oil Sands Limited, a former consolidated subsidiary, has been excluded from the scope of consolidation because all the shares of the said company we held were sold.

JAPEX Montney Ltd., a former consolidated subsidiary, has been excluded from the scope of consolidation because its liquidation was completed.

(2) Names of major unconsolidated subsidiaries, etc.

Major unconsolidated subsidiaries

Seiki Plant Services, Co., Ltd. and Japex Canada Limited

(Reason for exclusion from the scope of consolidation)

These unconsolidated subsidiaries have been excluded from the scope of consolidation because they are small in scale, and have no material impact on consolidated financial statements in terms of the total amount of items including total assets, net sales, profit or loss (amount proportionate to the Company's equity interests), and retained earnings (amount proportionate to the Company's equity interests).

2. Disclosure about application of equity method

(1) Number of unconsolidated subsidiaries accounted for using equity method: 0

(2) Number of associates accounted for using equity method: 11

Names of major unconsolidated subsidiaries and associates accounted for using equity method

Energi Mega Pratama Inc., Diamond Gas Netherlands B.V., Sakhalin Oil and Gas Development Co., Ltd. and Fukushima Gas Power Co., Ltd.

(3) Certain unconsolidated subsidiaries (Seiki Plant Services Co., Ltd., Japex Canada Limited, etc.) and associates (DAIWA Exploration & Consulting Co., Ltd., Joban Kyodo Gas Co., Ltd., etc.) are excluded from the scope of entities accounted for using the equity method because such exclusion has no material impact on the Company's consolidated financial statements in terms of profit or loss (amount proportionate to the Company's equity interests), retained earnings (amount proportionate to the Company's equity interests), etc., and they are immaterial as a whole.

(4) Entities accounted for using the equity method whose closing dates are different from the consolidated closing date are accounted for on the basis of the entities' respective closing date.

(5) Any difference between the cost and the underlying net equity at fair value of investments in entities accounted for using the equity method is amortized by the straight-line method over a period of not exceeding 20 years, expect for minor accounts that are amortized at one time as incurred.

3. Disclosure about fiscal years, etc. of consolidated subsidiaries

The balance sheet date of Japex (U.S.) Corp., Japex Garraf Ltd., and another consolidated subsidiary is December 31. The consolidated financial statements of Japex Garraf Ltd. were previously prepared based on the last day of the consolidated subsidiary's fiscal year in the event that there was a difference of less than three months between the last day of the consolidated subsidiary's fiscal year and the consolidated balance sheet date. However, said subsidiary has changed the method to perform a provisional settlement of accounts on the consolidated balance sheet date effective from the fiscal year under review in order to offer more appropriate understanding of business information and disclosure of the consolidated financial statements.

The financial statements of Japex (U.S.) Corp. and another consolidated subsidiary as of their balance sheet date are used in preparing the consolidated financial statements. The necessary adjustments have been made to the consolidated financial statements for any significant transactions that took place between January 1 and the consolidated balance sheet date March 31.

4. Disclosure of accounting policies

(1) Accounting policy for measuring significant assets

1) Securities

Held-to-maturity debt securities

Stated at amortized cost.

Available-for-sale securities

Available-for-sale securities other than shares, etc. without market price

Stated at fair value based primarily on the market price at the fiscal year-end. Unrealized gains and losses are recognized directly in net assets and the cost of securities sold is determined using the moving-average method.

Shares, etc. without market price

Stated at cost using the moving-average method.

Investments in limited investment partnerships and silent partnerships are recorded by adding or subtracting the amount of equity interest in the net assets of the partnerships to/from "investment securities."

2) Derivatives

Stated at fair value.

3) Inventories

Stated at cost (a method in which carrying amount is written down based on any decline in profitability).

Merchandise and finished goods

Stated mainly by the first-in, first-out method.

Raw materials and supplies

Stated mainly by the moving-average method.

(2) Accounting policy for depreciation/amortization of significant assets

1) Property, plant and equipment (excluding leased assets)

Buildings (excluding attached facilities) acquired on or after April 1, 1998, facilities attached to buildings and structures of certain domestic consolidated subsidiaries acquired on or after April 1, 2016, Sendai pipelines, Shiroishi-Koriyama gas pipelines, Soma-Iwanuma gas pipelines, assets of the Hokkaido District Office and Soma District Office of the Company, and property, plant and equipment items held by three domestic consolidated subsidiaries are depreciated by the straight-line method.

Property, plant and equipment items held by a foreign consolidated subsidiary are depreciated by the unit of production method.

Other property, plant and equipment items (excluding leased assets) are depreciated by the declining-balance method.

The principal useful lives are as follows:

Buildings and structures: 2 to 60 years

Wells: 3 years

Machinery, equipment and vehicles: 2 to 22 years

2) Intangible assets (excluding leased assets)

Amortized by the straight-line method.

Capitalized computer software costs are amortized by the straight-line method over a period of 5 years, which is the period available for internal use.

Intangible assets of one foreign consolidated subsidiary are mainly amortized by the unit of production method.

3) Leased assets

Finance leases which do not transfer ownership of the leased assets to the lessee

Leased assets are depreciated by the straight-line method over the lease terms with no residual value.

(3) Accounting standards for significant provisions

1) Allowance for doubtful accounts

To provide for potential credit losses on receivables, the allowance for doubtful accounts is stated at the amount determined based on the historical experience of bad debt with respect to ordinary receivables, plus an estimate of uncollectible amounts determined by reference to specific doubtful receivables from customers which are experiencing financial difficulties.

2) Allowance for overseas investment loss

The allowance for overseas investment loss is stated at the amount determined based on the investees' financial position and certain other factors for possible losses arising from investments in the exploration and development of overseas natural resources.

3) Provision for loss on disaster

The provision for loss on disaster is stated at the estimated amount of payment for restoration expenses accompanying disasters.

(4) Accounting treatment of retirement benefits

1) Method of attributing expected benefit to periods

The retirement benefit obligations for employees are attributed to each period by the benefit formula method over the estimated years of service of the eligible employees.

2) Accounting treatment of actuarial gains and losses and prior service costs

Prior service costs are amortized as incurred by the straight-line method over a certain period (10 years), which is shorter than the average remaining years of service of the employees.

Actuarial gains and losses are amortized in the following year in which the gains or losses are recognized by the straight-line method over a certain period (10 years), which is shorter than the average remaining years of service of the employees.

3) Application of simplified method for smaller enterprises

Certain consolidated subsidiaries apply the simplified method for calculating retirement benefit expenses and liabilities based on the assumption that the benefits payable, which are calculated as if all eligible employees voluntarily terminated their employment at fiscal year-end, approximates the retirement benefit obligation at year's end.

(5) Accounting standards for significant revenues and expenses

With regard to revenues from contracts with clients of the Company and its consolidated subsidiaries, the main performance obligations in key businesses and the timing at which these obligations are typically satisfied (i.e., when revenues are typically recognized) are as follows.

The Company and its consolidated subsidiaries conduct the “E&P Business,” the “Infrastructure/Utility Business,” and “Other businesses” in the four reportable segments provided in the segment information: “Japan,” “North America,” “Europe” and “Middle East.”

1) E&P Business

In the E&P Business, exploration, development, production, production services, and sales of crude oil and natural gas are conducted at business locations in Japan and overseas. It is judged that in these sales, legal ownership and physical possession of assets, as well as significant risks and economic rewards associated with ownership of assets, are transferred, and the right to receive consideration for delivered products is obtained, at the time the products are delivered to clients. Thus, revenue is recognized at that time. As for production services, when control over goods or services is transferred to clients over a certain period of time, revenue is recognized according to progress in the satisfaction of performance obligations. For measurement of progress, the output approach based on production volume is used.

2) Infrastructure/Utility Business

In the Infrastructure/Utility Business, sales of gases (natural gas and LNG) and electricity are conducted at business locations in Japan. It is judged that in these sales, legal ownership and physical possession of assets, as well as significant risks and economic rewards associated with ownership of assets, are transferred, and the right to receive consideration for delivered products is obtained, at the time the products are delivered to clients. Thus, revenue is recognized at that time.

3) Other businesses

In the Other businesses, contract services (drilling and geological surveys, etc.) and sales of oil products, etc. are conducted at business locations in Japan. As for contract services, when control over goods or services is transferred to clients over a certain period of time, revenue is recognized according to progress in the satisfaction of performance obligations. For measurement of progress, the input approach based on incurred costs is used. It is judged that in sales of oil products, etc., legal ownership and physical possession of assets, as well as significant risks and economic rewards associated with ownership of assets, are transferred, and the right to receive consideration for delivered products is obtained, at the time the products are delivered to clients. Thus, revenue is recognized at that time.

For all businesses, in identification of performance obligations, it is examined whether the JAPEX Group acts as a principal or an agent. If the nature of its promise is a performance obligation to provide the specified goods or services itself, as a principal it presents revenue at the gross amount of consideration in its consolidated statement of income. If the nature is a performance obligation to make arrangements so that these goods or services are provided by other parties, as an agent it presents revenue at the amount of commissions or fees, or the net amount of consideration, in its consolidated statement of income.

Revenue is recognized based on the transaction price under contracts with clients. If a contract contains multiple performance obligations, the transaction price is allocated to each performance obligation at a ratio of standalone selling price. Since consideration for transactions is usually paid within one year after the satisfaction of performance obligations, such consideration does not include any significant financing component.

(6) Accounting policy for translating significant foreign currency assets and liabilities into yen

Monetary receivables and payables denominated in foreign currencies are translated into yen at the spot exchange rate on the consolidated balance sheet date, and the resulting translation adjustments are presented as foreign exchange gains or losses. Meanwhile, assets, liabilities, revenues and expenses of foreign consolidated subsidiaries, etc. are translated into yen at the spot exchange rate on their respective balance sheet dates, and the resulting translation adjustments are included in foreign currency translation adjustment under net assets.

(7) Significant hedge accounting

1) Hedge accounting method

Deferral hedge accounting is adopted for hedge transactions. Foreign exchange forward contracts are accounted for by the allocation method if the foreign exchange forward contracts meet certain criteria to adopt the method.

2) Hedging instruments and hedge items

Hedging instruments: Foreign exchange forward contracts

Hedged items: Accounts payable - trade and accounts payable - other

3) Hedging policy

To avoid future foreign currency fluctuation risk associated with foreign currency transactions, etc., the Company enters into hedge transactions only in connection with the relevant assets, liabilities and forecast transactions.

4) Method of assessing the effectiveness of hedges

The Company assesses whether the critical terms of the hedging instruments and hedged items are closely aligned, and the hedge transactions are effective in offsetting the price fluctuation, etc. at the inception of the hedge and on an ongoing basis.

Forward exchange contracts accounted for by the allocation method are not subject to the assessment of hedge effectiveness.

(8) Scope of cash and cash equivalents in the consolidated statement of cash flows

Cash and cash equivalents in the consolidated statement of cash flows consist of cash on hand, readily available deposits and highly liquid short-term investments with maturities of three months or less when purchased that are exposed to an insignificant risk of changes in value.

(9) Other material matters for preparation of consolidated financial statements

Accounting treatment of recoverable accounts

Investments made under a development and production service contract are included in recoverable accounts. These investments are recovered through sales to customers of a portion of the crude oil production received based on the contract.

In addition, an amount corresponding to the recovered investments at the time of sale is recorded as cost of sales.

(Significant accounting estimates)

Recoverability of deferred tax assets

(1) Amounts recorded in the consolidated financial statements for the fiscal year ended March 31, 2022

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
Deferred tax assets	29,017	20,837

Note: The amount is before offset with deferred tax liabilities.

(2) Information about significant accounting estimates on identified items

1) Calculation method

The Company reviews the recoverability of deferred tax assets in accordance with the "Implementation Guidance on Recoverability of Deferred Tax Assets."

As of March 31, 2022, deductible temporary differences which are deemed collectible and net tax loss carried forward are recognized as deferred tax assets as a result of the scheduling of temporary differences based on the estimated amount of taxable income before adding or subtracting temporary differences for a reasonably estimable period in the future as of the end of the year ended March 31, 2022.

In addition, consolidated subsidiaries recognize deferred tax assets in accordance with respective accounting standards they apply.

2) Major assumptions used for significant accounting estimates

The recoverability of deferred tax assets is largely dependent on estimates of future taxable income. The Company and its consolidated subsidiaries estimate the timing and amount of future taxable income in accordance with the tax laws of the respective countries. The assumptions underlying these estimates, such as the sales price of each product, sales volume and foreign exchange rates, are incorporated into the business plans approved by management.

As of March 31, 2022, the specific dissipation of the COVID-19 pandemic, which is one of the factors affecting the above assumptions, still remains uncertain, and the impact on economic activities in Japan and overseas has continued.

Although the current economic sanctions against Russia and the turmoil in the energy market have kept crude oil and natural gas prices high globally, we believe that various structural changes brought about by the prolonged effects of the COVID-19 pandemic and progress on global decarbonization could be a risk factor for future demand for fossil fuels. In light of the changes in the business environment surrounding our company and the trend of rising global carbon prices, our projection for the medium- to long-term oil price is set at US$50 per barrel.

Taking into consideration the impact of such business conditions on the future business environment, the Company has calculated the amount of deferred tax assets to the extent that it is probable that taxable income will be available against which the deductible temporary differences, unused tax credit carried forward and net tax loss carried forward can be utilized.

3) Effects on the consolidated financial statements for the year ending March 31, 2023

Changes in estimates due to changes in the above assumptions may affect taxable income and increase or decrease the amount of deferred tax assets recorded for the Company and its consolidated subsidiaries.

The amount of deferred tax assets may also increase or decrease as a result of reexamining the reasonably estimable period in the future due to changes in the above assumptions in order to examine the recoverability using taxable income based on future profitability and tax planning estimates for deductible temporary differences, unused tax credit carried forward and net tax loss carried forward.

(Changes in accounting policies)

Application of Accounting Standard for Revenue Recognition, etc.

As the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and relevant revised ASBJ regulations were applied from the beginning of the fiscal year under review, we have recognized the revenue at the time the control of promised goods or services is transferred to the client, at the amount expected to be received upon the exchange of said goods or services. As a result, we have changed the method of recognizing revenue to a net basis for certain purchase and sale transactions of crude oil, natural gas, etc., where we previously recognized revenue on a gross basis, after determining its role (as principal or agent) in the provision of goods or services to clients.

The application of the Accounting Standard for Revenue Recognition and relevant revised ASBJ regulations is subject to the transitional treatment provided for in the proviso to paragraph 84 of the Accounting Standard for Revenue Recognition. The cumulative effect of the retrospective application, assuming the new accounting policy had been applied to periods prior to the beginning of the fiscal year under review was added to or deducted from the opening balance of retained earnings of the fiscal year under review, and thus the new accounting policy was applied from such opening balance; provided, however, that the new accounting policy was not retrospectively applied to contracts for which nearly all the revenue amounts had been recognized according to the previous treatment in periods prior to the beginning of the fiscal year under review, by applying the method provided for in paragraph 86 of the Accounting Standard for Revenue Recognition.

Consequently, for the fiscal year under review, net sales decreased ¥61,966 million, cost of sales decreased ¥61,906 million, and selling, general and administrative expenses decreased ¥59 million compared with those before the adoption of the Accounting Standard for Revenue Recognition. There was no effect on operating profit, ordinary profit, and loss before income taxes. In addition, there was also no effect on the opening balance of retained earnings of the fiscal year under review.

Due to the application of the Accounting Standard for Revenue Recognition and relevant revised ASBJ regulations, "notes and accounts receivable - trade" under current assets of the consolidated balance sheet as of the end of the previous fiscal year has been included in "notes and accounts receivable - trade" and "contract assets" under current assets from the consolidated balance sheet as of the end of the fiscal year under review, and "other" under current liabilities of the consolidated balance sheet as of the end of the previous fiscal year has been included in "contract liabilities" and "other" under current liabilities from the consolidated balance sheet as of the end of the fiscal year under review. In accordance with the transitional treatment provided for in paragraph 89-2 of the Accounting Standard for Revenue Recognition, figures for the previous fiscal year have not been restated in accordance with the new approach to presentation.

In accordance with the transitional treatment provided for in paragraph 89-3 of the Accounting Standard for Revenue Recognition, notes on revenue recognition for the previous fiscal year are not presented.

Application of Accounting Standard for Fair Value Measurement, etc.

We have applied the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019) and relevant ASBJ regulations from the beginning of the fiscal year under review. And we have applied new accounting policies stipulated in the Accounting Standard for Fair Value Measurement and relevant ASBJ regulations prospectively in accordance with the transitional treatment provided for in paragraph 19 of the Accounting Standard for Fair Value Measurement and paragraph 44-2 of the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019). There was no effect of this application on the consolidated financial statements.

In addition, fair value information by level within the fair value hierarchy is presented in the notes on financial instruments. However, notes for the previous fiscal year are not presented in accordance with the transitional treatment provided for in paragraph 7-4 of the "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19, July 4, 2019).

(Additional information)

Share-based compensation plan

The Company, based on the resolution of the 50th Ordinary General Meeting of Shareholders held on June 26, 2020, has introduced a "Board Benefit Trust (BBT)" (hereinafter referred to as the "Plan"), a performance-linked share-based compensation plan for the Company's Directors (excluding Outside Directors) and Executive Officers who do not concurrently serve as Directors (hereinafter collectively referred to as "Directors, etc."). The Plan aims to further clarify the linkage between compensation for Directors, etc. and the business performance and share value of the Company in order to further motivate Directors, etc. to contribute to the improvement of the business performance and corporate value of the Company over the medium and long term.

(1) Overview of the transaction

Under the Plan, Directors, etc. are provided with the Company's shares and an amount of money equivalent to the market value of the Company's shares (hereinafter referred to as the "Company's Shares, etc.") through the trust established based on the Plan, in accordance with the Rules on Provision of Shares to Officers established by the Company.

The Directors, etc. shall receive the Company's Shares, etc., upon their retirement from office, in principle.

(2) The Company's shares remaining in the trust

The Company's shares remaining in the trust are recorded as treasury shares under net assets at the carrying amount in the trust (except for incidental costs). The carrying amounts and the numbers of shares of the treasury shares as of March 31, 2021 and 2022 were ¥140 million and 77,000 shares, and ¥137 million and 76,000 shares, respectively.

(Consolidated balance sheet)

*1 Notes and accounts receivable - trade includes accounts receivable from construction contracts.

*2 Notes and accounts receivable - trade includes following receivables arising from contracts with clients.

(Millions of yen)

	As of March 31, 2022
Notes receivable - trade	160
Accounts receivable - trade	42,764

The above accounts receivable - trade includes accounts receivable from construction contracts.

*3. The amount deducted from the acquisition costs of property, plant and equipment due to government subsidies received, etc. is as follows:

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
Buildings and structures	42	42
Machinery, equipment and vehicles	4,851	4,856
Other	198	198

*4 Investments in unconsolidated subsidiaries and associates are as follows:

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
Investment securities (equity securities)	13,868	12,641
Investment securities (investments in capital)	0	2,121
Investment securities (corporate bonds)	4,510	4,590

*5 The following assets were pledged as collateral for borrowings of subsidiaries and associates.

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
Investment securities	4,797	4,869

In addition to the assets pledged as collateral above, investment securities of ¥2,110 million and ¥2,190 million, which have been reduced due to application of the equity method on the consolidated balance sheet, were pledged as collateral as of March 31, 2022 and 2021, respectively.

*6. Contingent liabilities

(Millions of yen)

As of March 31, 2021		As of March 31, 2022	
(1) Liabilities for guarantees on borrowings to financial institutions			
Employees (borrowings for housing funds)	38	Kumamoto Mirai LNG Co., Ltd.	31
Kumamoto Mirai LNG Co., Ltd.	38	Employees (borrowings for housing funds)	22
Greenland Petroleum Exploration Co., Ltd.	19	Greenland Petroleum Exploration Co., Ltd.	20
(2) Guarantees on liabilities related to production facilities			
Kangean Energy Indonesia Ltd.	736	Kangean Energy Indonesia Ltd.	116
Total	832	Total	191

*7 The Company and certain consolidated subsidiaries (JAPEX SKS Corporation, SK ENGINEERING CO., LTD., JGI, Inc., Japex (U.S.) Corp., and Japex Energy Co., Ltd.) have entered into overdraft agreements and loan commitment agreements with five banks (six banks in the previous fiscal year) to facilitate efficient procurement of working capital. The unused balances of these agreements as of March 31, 2021 and 2020 are as follows:

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
Total overdraft limit and commitment line	141,901	88,988
Executed borrowings	55,993	–
Unused balance	85,908	88,988

(Consolidated statement of income)

*1 Revenue from contracts with clients

Revenue from contracts with clients is not disclosed separately from other sources of revenue in net sales. Net sales includes ¥245,392 million of revenue from contracts with clients.

*2 Cost of sales includes the following write-downs of inventories due to decline in profitability.

(Millions of yen)

Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
371	2,512

*3 Provision for loss on construction contracts included in cost of sales

(Millions of yen)

Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
88	40

*4 Below is a breakdown of major expense items and amount of selling, general and administrative expenses:

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Personnel expenses	11,225	11,248
(of the above, retirement benefit expenses)	564	560
Freight costs	7,093	5,130
Depreciation	4,333	4,162

*5 Total amount of research and development expenses included in general and administrative expenses

(Millions of yen)

Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
190	179

*6 The main components of gain on sale of non-current assets are as follows:

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Buildings and structures	3	0
Machinery, equipment and vehicles	7	0
Land	–	1,290

*7 The main components of loss on retirement of non-current assets are as follows:

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Buildings and structures	10	7
Machinery, equipment and vehicles	15	36

*8 Impairment losses

In the fiscal year ended March 31, 2021, the JAPEX Group recognized impairment losses on the asset groups as shown below.

Use	Location	Impairment losses	
		Type	Amount (Millions of yen)
Business assets related to Yufutsu oil and gas field	Tomakomai City, Hokkaido and others	Buildings and structures	1,598
		Machinery, equipment and vehicles	3,466
		Land	3,780
		Other	2,326
	Total		11,172
Business assets related to Iwafune-oki oil and gas field	Tainai City, Niigata and others	Machinery, equipment and vehicles	3,821
		Other	824
	Total		4,645
Other			533

The JAPEX Group deems a production facility, etc. as the minimum unit that generates largely independent cash flows for business assets, and groups assets at the level of individual property for idle assets.

As for business assets related to the Yufutsu oil and gas field, the carrying amount of business assets for production operation was written off to the recoverable amount, and the write-off was recorded as impairment losses under extraordinary losses, based on review of future cash flows with a downward revision in the crude oil price forecast. In addition, the recoverable amount of this asset group is mainly measured at value in use, which is recorded at the memorandum value as the future cash flows are expected to be negative.

As for business assets related to the Iwafune-oki oil and gas field, the carrying amount of business assets for production operation was written off to the recoverable amount, and the write-off was recorded as impairment losses under extraordinary losses, based on review of future cash flows with an increase in asset retirement obligations due to a change in the estimate for expenses related to the future withdrawal of the Iwafune-oki offshore platform and well abandonment.

The recoverable amount for this asset group is measured from its value in use, then calculated by discounting future cash flows at 8%.

*9 Losses on disaster

Fiscal year ended March 31, 2021 (April 1, 2020 – March 31, 2021)

The JAPEX Group recorded losses due to damage caused by the earthquake that occurred off the coast of Fukushima Prefecture in February 2021. Losses on disaster of ¥948 million includes provision for loss on disaster of ¥913 million.

Fiscal year ended March 31, 2022 (April 1, 2021 – March 31, 2022)

The JAPEX Group recorded losses due to damage caused by the earthquake that occurred off the coast of Fukushima Prefecture in March 2022. Losses on disaster of ¥1,416 million includes provision for loss on disaster of ¥970 million.

(Consolidated statement of comprehensive income)

* Reclassification adjustments and tax effects relating to other comprehensive income

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Valuation difference on available-for-sale securities		
Gains (losses) arising during the year	15,500	45,762
Reclassification adjustments	–	(39,826)
Pre-tax amount	15,500	5,936
Tax effect	(4,339)	(1,814)
Valuation difference on available-for-sale securities	11,160	4,121
Deferred gains or losses on hedges		
Gains (losses) arising during the year	174	(2,386)
Reclassification adjustments	–	–
Pre-tax amount	174	(2,386)
Tax effect	(48)	668
Deferred gains or losses on hedges	125	(1,718)
Foreign currency translation adjustment		
Gains (losses) arising during the year	(7,852)	7,601
Reclassification adjustments	(1)	(1,188)
Foreign currency translation adjustment	(7,853)	6,412
Remeasurements of defined benefit plans, net of tax		
Gains (losses) arising during the year	1,501	46
Reclassification adjustments	(237)	(328)
Pre-tax amount	1,264	(281)
Tax effect	(354)	78
Remeasurements of defined benefit plans, net of tax	910	(202)
Share of other comprehensive income of entities accounted for using equity method		
Gains (losses) arising during the year	(626)	375
Reclassification adjustments	48	172
Adjustment for asset acquisition cost	60	–
Share of other comprehensive income of entities accounted for using equity method	(517)	547
Total other comprehensive income	3,825	9,161

(Consolidated statement of changes in equity)

Fiscal year ended March 31, 2021 (April 1, 2020 – March 31, 2021)

1. Class and total number of issued shares and class and number of treasury shares

	Number of shares at the beginning of the fiscal year (Shares)	Increase (Shares)	Decrease (Shares)	Number of shares at the end of the fiscal year (Shares)
Issued shares				
Common shares	57,154,776	–	–	57,154,776
Total	57,154,776	–	–	57,154,776
Treasury shares				
Common shares	2,303	77,679	–	79,982
Total	2,303	77,679	–	79,982

Notes: 1. The increase of 77,679 treasury shares of common stock comprises an increase of 79 shares due to purchases of shares of less than one unit and an increase of 77,600 shares due to an acquisition of the Company's shares by the Board Benefit Trust (BBT).

2. The number of treasury shares of common stock at the end of the fiscal year ended March 31, 2021 includes 77,600 shares held by the Board Benefit Trust (BBT).

2. Dividends

(1) Cash dividends paid

Resolution	Class of shares	Total dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Ordinary General Meeting of Shareholders held on June 26, 2020	Common shares	1,428	25	March 31, 2020	June 29, 2020
Meeting of the Board of Directors held on November 10, 2020	Common shares	1,428	25	September 30, 2020	December 14, 2020

Note: The total amount of the dividend at the meeting of the Board of Directors held on November 10, 2020 includes a dividend of ¥1 million for shares held by the Board Benefit Trust (BBT).

(2) Dividends payments whose record date is in the fiscal year under review but whose effective date is in the following fiscal year

Resolution	Class of shares	Total dividends (Millions of yen)	Source of dividends	Dividends per share (Yen)	Record date	Effective date
Ordinary General Meeting of Shareholders held on June 25, 2021	Common shares	1,428	Retained earnings	25	March 31, 2021	June 28, 2021

Note: The total amount of the dividend at the Ordinary General Meeting of Shareholders held on June 25, 2021 includes a dividend of ¥1 million for shares held by the Board Benefit Trust (BBT).

Fiscal year ended March 31, 2022 (April 1, 2021 – March 31, 2022)

1. Class and total number of issued shares and class and number of treasury shares

	Number of shares at the beginning of the fiscal year (Shares)	Increase (Shares)	Decrease (Shares)	Number of shares at the end of the fiscal year (Shares)
Issued shares				
Common shares	57,154,776	–	–	57,154,776
Total	57,154,776	–	–	57,154,776
Treasury shares				
Common shares	79,982	1,440,600	1,600	1,518,982
Total	79,982	1,440,600	1,600	1,518,982

Notes: 1. The increase of 1,440,600 treasury shares of common stock comprises an increase due to the purchase of treasury shares by resolution of the Board of Directors.

2. The decrease of 1,600 treasury shares of common stock comprises a decrease due to the provision of shares through the Board Benefit Trust (BBT).

3. The number of treasury shares of common stock includes shares held by the Board Benefit Trust (BBT) (77,600 shares at the beginning of the fiscal year ended March 31, 2022 and 76,000 shares at the end of the fiscal year ended March 31, 2022).

4. The Board of Directors resolved at its meeting held on November 9, 2021 to cancel treasury shares in accordance with the provisions of Article 178 of the Companies Act. However, the cancellation procedures were not completed for the following treasury shares by the end of the fiscal year ended March 31, 2022.

Carrying amount ¥3,737 million
Class of shares Common shares
Number of shares 1,440,600 shares

2. Dividends

(1) Cash dividends paid

Resolution	Class of shares	Total dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Ordinary General Meeting of Shareholders held on June 25, 2021	Common shares	1,428	25	March 31, 2021	June 28, 2021
Meeting of the Board of Directors held on November 9, 2021	Common shares	1,428	25	September 30, 2021	December 13, 2021

Notes: 1: The total amount of the dividend at the Ordinary General Meeting of Shareholders held on June 25, 2021 includes a dividend of ¥1 million for shares held by the Board Benefit Trust (BBT).

2. The total amount of the dividend at the meeting of the Board of Directors held on November 9, 2021 includes a dividend of ¥1 million for shares held by the Board Benefit Trust (BBT).

(2) Dividends payments whose record date is in the fiscal year under review but whose effective date is in the following fiscal year

Resolution	Class of shares	Total dividends (Millions of yen)	Source of dividends	Dividends per share (Yen)	Record date	Effective date
Ordinary General Meeting of Shareholders held on June 28, 2022	Common shares	1,392	Retained earnings	25	March 31, 2022	June 29, 2022

Note: The total amount of the dividend at the Ordinary General Meeting of Shareholders held on June 28, 2022 includes a dividend of ¥1 million for shares held by the Board Benefit Trust (BBT).

(Consolidated statement of cash flows)

*1 Reconciliation of cash and cash equivalents at end of period and the amount recorded in the consolidated balance sheet

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Cash and deposits	162,368	147,241
Time deposits with maturity over three months	(7,405)	(5,727)
Short-term investments, etc. having maturities within three months from the acquisition date		
(Securities) Money management fund and others	3,000	3,000
Cash and cash equivalents	157,963	144,513

*2 Breakdown of assets and liabilities of a subsidiary excluded from the scope of consolidation due to the sale of its shares during the fiscal year ended March 31, 2022

Japan Canada Oil Sands Limited was excluded from the scope of consolidation due to the sale of its shares. Its assets and liabilities at the time of the sale is as follows:

Current assets	¥6,990 million
Non-current assets	¥128,628 million
Total assets	¥135,619 million
Current liabilities	¥3,799 million
Non-current liabilities	¥689 million
Total liabilities	¥4,489 million

(Leases)

Operating lease transactions

(As lessee)

Future lease payments

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
Due within one year	100	879
Due after one year	62	6
Total	163	885

(Financial instruments)

1. Information about financial instruments

(1) Policy for measures relating to financial instruments

The Group's policy is to obtain operating funds ensuring funding liquidity and controlling risks. The Group raises necessary funds mainly through funds on hand and bank loans. Domestic capital investment is financed by commercial banks. The Group does not enter into derivative transactions for trading or speculative purposes but uses them to hedge the undermentioned risks.

(2) Description of financial instruments and related risk and risk management

Operating receivables such as notes and accounts receivable - trade are exposed to customers' credit risk. The Group works to prevent bad debts by monitoring credit conditions, etc. of customers on a timely basis in accordance with internal credit management rules.

Securities and investment securities mainly consist of equity securities of partner companies, and for those exposed to market fluctuation risk, fair value evaluation is reported to the directors on a regular basis in accordance with the internal regulations. Investment securities mainly consist of equity securities of INPEX CORPORATION recorded at ¥76,963 million and ¥80,811 million as of March 31, 2022 and 2021, the proportions of which to investment securities are 70.7% and 76.9%, respectively.

Loans receivable are mainly loans to our subsidiaries and associates for their operating capital and are exposed to credit risk. The Group manages the credit risk appropriately by monitoring the collection status of the loans receivable.

Notes and accounts payable - trade and accounts payable - other are due within one year. Accounts payable - trade and others relating to LNG purchase are exposed to foreign currency fluctuation risk, and the risk is hedged mainly by foreign exchange forward contracts.

Borrowings are mainly for domestic capital investment.

In addition, foreign currencies to provide mainly for overseas business investment are exposed to foreign currency fluctuation risk. The Group hedges such risk by utilizing foreign exchange forward contracts.

Implementation and management of derivative transactions, including foreign exchange forward contracts, are based on the internal regulations which prescribe the authorization and maximum upper limit of the transactions, and the department responsible for derivative transactions executes transactions after obtaining approval from the person responsible for authorization. The Group enters into transactions only with creditworthy financial institutions to reduce the counterparty risk. Details of hedge accounting, such as hedging instruments and hedge items, hedging policy and the method for assessing hedge effectiveness are described above in "Significant hedge accounting" of "Disclosure of accounting policies."

Liquidity risk associated with financing is managed mainly by preparing monthly financial plans.

(3) Supplementary information on fair value of financial instruments

As the calculation of fair values of financial instrument includes variable factors, those values may vary if different assumptions are applied.

Also, for the contract amount, etc. regarding derivative transactions described in the "Notes to consolidated financial statements (Derivative Transactions)," the contract amount itself does not indicate market risk related to derivative transactions.

2. Fair value of financial instruments

Consolidated balance sheet amount, fair value and the difference are as follows.

As of March 31, 2021

	Consolidated balance sheet amount (Millions of yen)	Fair value (Millions of yen)	Difference (Millions of yen)
(1) Investment securities (*2)	84,251	84,258	6
(2) Long-term loans receivable	48	48	–
Total assets	84,299	84,306	6
(1) Long-term borrowings	50,180	50,180	–
Total liabilities	50,180	50,180	–
Derivative transactions (*3)	426	426	–

(*1) "Cash and deposits," "Notes and accounts receivable - trade," "Securities," "Notes and accounts payable - trade," and "Current portion of long-term borrowings" are not stated as they are cash, and settled within a short period of term and their fair values approximate their carrying amounts.

(*2) The following financial instruments are not included in "(1) Investment securities" as there were no market prices available and it is extremely difficult to determine the fair value. The consolidated balance sheet amount of such financial instruments is as follows:

Category	As of March 31, 2021 (Millions of yen)
Unlisted equity securities	16,307
Unlisted corporate bonds	4,510

The consolidated balance sheet amount of unlisted corporate bonds has been reduced by ¥1,858 million due to application of the equity method.

(*3) Receivables and payables arising from derivative transactions are presented on a net basis. Net payables are shown in parenthesis.

As of March 31, 2022

	Consolidated balance sheet amount (Millions of yen)	Fair value (Millions of yen)	Difference (Millions of yen)
(1) Investment securities (*2, *3)	84,014	85,994	1,980
(2) Long-term loans receivable	49	49	–
Total assets	84,063	86,044	1,980
(1) Long-term borrowings	510	510	–
Total liabilities	510	510	–
Derivative transactions (*4)	38	38	–

(*1) "Cash and deposits," "Notes and accounts receivable - trade," "Securities," "Notes and accounts payable - trade," and "Current portion of long-term borrowings" are not stated as they are cash, and settled within a short period of term and their fair values approximate their carrying amounts.

(*2) Investments in partnerships and other similar entities for which equity interests are not included in (1) Investment securities as they are reported on a net basis on the consolidated balance sheet. The consolidated balance sheet amount of these investments is ¥7,787 million.

(*3) Shares without market value are not included in "(1) Investment securities." The consolidated balance sheet amount of such financial instruments is as follows:

Category	As of March 31, 2022 (Millions of yen)
Unlisted equity securities	17,108

(*4) Receivables and payables arising from derivative transactions are presented on a net basis. Net payables are shown in parenthesis.

Note 1: Redemption schedule of monetary receivables and securities with maturities after the consolidated closing date

As of March 31, 2021

	Due within one year (Millions of yen)	Due after one year through five years (Millions of yen)	Due after five years through ten years (Millions of yen)	Due after ten years (Millions of yen)
Cash and deposits	162,365	–	–	–
Notes and accounts receivable - trade	39,519	–	–	–
Securities and investment securities				
Held-to-maturity debt securities				
Corporate bonds	–	–	–	6,369
Available-for-sale securities with maturities				
Debt securities (corporate bonds)	30	30	–	–
Long-term loans receivable	–	40	7	–
Total	201,915	70	7	6,369

As of March 31, 2022

	Due within one year (Millions of yen)	Due after one year through five years (Millions of yen)	Due after five years through ten years (Millions of yen)	Due after ten years (Millions of yen)
Cash and deposits	147,239	–	–	–
Notes and accounts receivable - trade	47,158	–	–	–
Securities and investment securities				
Held-to-maturity debt securities				
Corporate bonds	–	–	–	6,369
Available-for-sale securities with maturities				
Debt securities (corporate bonds)	30	–	–	–
Long-term loans receivable	–	38	10	–
Total	194,428	38	10	6,369

Note 2: Repayment schedule of long-term borrowings after the consolidated closing date

As of March 31, 2021

	Due within one year (Millions of yen)	Due after one year through five years (Millions of yen)	Due after five years through ten years (Millions of yen)	Due after ten years (Millions of yen)
Long-term borrowings	62,175	25,610	24,840	–
Total	62,175	25,610	24,840	–

As of March 31, 2022

	Due within one year (Millions of yen)	Due after one year through five years (Millions of yen)	Due after five years through ten years (Millions of yen)	Due after ten years (Millions of yen)
Long-term borrowings	260	510	–	–
Total	260	510	–	–

3. Breakdown of financial instruments by level within the fair value hierarchy

Fair values of financial instruments are categorized into the following three levels according to the observability and materiality of inputs used in the measurement of fair values.

Level 1: Fair value measured using observable inputs, i.e., quoted prices in active markets for assets or liabilities being measured.

Level 2: Fair value measured using observable inputs other than Level 1 inputs.

Level 3: Fair value measured using unobservable inputs.

If multiple inputs are used that are significant to the fair value measurement, the fair value measurement is categorized in its entirety in the level of the lowest level input that is significant to the entire measurement.

(1) Financial instruments recorded at fair value in the consolidated balance sheet

As of March 31, 2022

Category	Fair value (Millions of yen)			
	Level 1	Level 2	Level 3	Total
Investment securities				
Available-for-sale securities				
Equity securities	79,417	–	–	79,417
Derivative transactions				
Currency-related transactions	–	38	–	38
Total assets	79,417	38	–	79,455

(2) Financial instruments other than those recorded at fair value in the consolidated balance sheet

As of March 31, 2022

Category	Fair value (Millions of yen)			
	Level 1	Level 2	Level 3	Total
Investment securities				
Held-to-maturity debt securities				
Corporate bonds	–	–	6,563	6,563
Available-for-sale securities				
Equity securities	–	14	–	14
Long-term loans receivable	–	49	–	49
Total assets	–	63	6,563	6,627
Long-term borrowings	–	510	–	510
Total liabilities	–	510	–	510

Note: Explanation of valuation techniques and inputs used in the fair value measurement

Investment securities

Listed shares are valued using quoted prices. As listed shares are traded in active markets, their fair value is classified as Level 1.

The fair value of shares other than listed shares is classified as Level 2 because they are traded infrequently in the public market and not considered to have quoted prices in active markets.

The fair value of held-to-maturity debt securities is measured using the discounted cash flow method based on future cash flows from debt securities and appropriate benchmarks such as market rate of return. As unobservable inputs have a significant effect on the fair value measurement, it is classified as Level 3.

Long-term loans receivable

The fair value of long-term loans receivable is measured using the discounted cash flow method based on future cash flows and appropriate benchmarks such as market rate of return, and is classified as Level 2.

Derivative transactions

The fair value of derivative transactions is measured based on quotes, etc. provided by financial institutions, and is classified as Level 2.

Long-term borrowings

The fair value is measured using the discounted cash flow method based on the sum of principal and interest, remaining maturities and an interest rate reflecting credit risk, and is classified as Level 2.

(Securities)

1. Held-to-maturity debt securities

As of March 31, 2021

Information of unlisted corporate bonds (consolidated balance sheet amount: ¥4,510 million) is not stated because it is deemed to be extremely difficult to determine the fair value as the timing of redemption is undecided.

As of March 31, 2022

	Consolidated balance sheet amount (Millions of yen)	Fair value (Millions of yen)	Unrealized gain (loss) (Millions of yen)
Securities whose fair value exceeds their consolidated balance sheet amount	4,590	6,563	1,973
Securities whose fair value does not exceed their consolidated balance sheet amount	–	–	–
Total	4,590	6,563	1,973

2. Available-for-sale securities

As of March 31, 2021

	Type	Consolidated balance sheet amount (Millions of yen)	Acquisition cost (Millions of yen)	Unrealized gain (loss) (Millions of yen)
Securities whose consolidated balance sheet amount exceeds their acquisition cost	(1) Equity securities	84,214	23,225	60,989
	(2) Debt securities			
	1) Corporate bonds	60	60	0
	2) Other debt securities	–	–	–
	(3) Other	–	–	–
	Subtotal	84,274	23,285	60,989
Securities whose consolidated balance sheet amount does not exceed their acquisition cost	(1) Equity securities	6	6	–
	(2) Debt securities			
	1) Corporate bonds	–	–	–
	2) Other debt securities	–	–	–
	(3) Other	3,000	3,000	–
	Subtotal	3,006	3,006	–
Total		87,281	26,292	60,989

Note: Unlisted equity securities (consolidated balance sheet amount: ¥2,438 million) are not included in the above "Available-for-sale securities" as they have no market prices, and their fair value is deemed extremely difficult to determine.

As of March 31, 2022

	Type	consolidated balance sheet amount (Millions of yen)	Acquisition cost (Millions of yen)	Unrealized gain (loss) (Millions of yen)
Securities whose consolidated balance sheet amount exceeds their acquisition cost	(1) Equity securities	79,417	12,491	66,925
	(2) Debt securities			
	1) Corporate bonds	–	–	–
	2) Other debt securities	–	–	–
	(3) Other	–	–	–
	Subtotal	79,417	12,491	66,925
Securities whose consolidated balance sheet amount does not exceed their acquisition cost	(1) Equity securities	6	6	–
	(2) Debt securities			
	1) Corporate bonds	30	30	–
	2) Other debt securities	–	–	–
	(3) Other	3,000	3,000	–
	Subtotal	3,036	3,036	–
Total		82,453	15,527	66,925

3. Available-for-sale securities sold

Fiscal year ended March 31, 2021

Not applicable.

Fiscal year ended March 31, 2022

Type	Sales amount (Millions of yen)	Total gain on sale (Millions of yen)	Total loss on sale (Millions of yen)
(1) Equity securities	50,560	39,826	–
(2) Debt securities			
1) Corporate bonds	–	–	–
2) Other debt securities	–	–	–
(3) Other	–	–	–
Total	50,560	39,826	–

4. Impaired securities

During the year ended March 31, 2021, the Group recorded impairment losses for the amount of ¥12 million on available-for-sale securities whose fair value is extremely difficult to determine.

During the year ended March 31, 2022, the Group recorded no impairment loss on securities.

If the market value of the security declines by 50% or more from its acquisition cost as of the end of the fiscal year, the Group recognizes the difference between the market value and the acquisition cost as impairment losses. If the decline ranges between about 30% and 50%, the Group recognizes impairment losses for the necessary amount considering its recoverability.

(Derivative Transactions)

Derivative transactions for which hedge accounting is applied

Currency-related transactions

As of March 31, 2021

Hedge accounting method	Type of transaction	Major hedged items	Contract amount, etc. (Millions of yen)	Due after one year (Millions of yen)	Fair value (Millions of yen)
General treatment	Foreign exchange forward contracts				
	Buying				
	US dollar	Accounts payable - trade	2,188	–	28
	US dollar	Accounts payable - other	29,643	–	398
Total			31,831	–	426

Note: Method for measuring fair value

The fair value is measured based on quotes, etc. provided by financial institutions, etc.

As of March 31, 2022

Hedge accounting method	Type of transaction	Major hedged items	Contract amount, etc. (Millions of yen)	Due after one year (Millions of yen)	Fair value (Millions of yen)
General treatment	Foreign exchange forward contracts				
	Buying				
	US dollar	Accounts payable - trade	3,380	–	35
	US dollar	Accounts payable - other	34	–	2
	British pound	Accounts payable - other	16	–	0
Total			3,432	–	38

(Retirement benefits)

1. Overview of retirement benefit plans adopted

The Company and its domestic consolidated subsidiaries have defined benefit plans, i.e., defined benefit corporate pension plans and lump-sum retirement payment plans.

Certain domestic consolidated subsidiaries participate in the Smaller Enterprise Retirement Allowance Mutual Aid System and calculate retirement benefit liability and retirement benefit expenses using the simplified method.

2. Defined benefit plans

(1) Reconciliation between retirement benefit obligations at the beginning of period and the end of period (excluding plans applying the simplified method shown in (3))

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Retirement benefit obligations at beginning of period	15,546	15,285
Service costs	935	932
Interest costs	134	132
Actuarial gains and losses	68	(130)
Retirement benefits paid	(1,400)	(1,437)
Retirement benefit obligations at end of period	15,285	14,782

(2) Reconciliation between plan assets at the beginning of period and the end of period (excluding plans applying the simplified method shown in (3))

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Plan assets at beginning of period	14,035	15,204
Expected return on plan assets	140	152
Actuarial gains and losses	1,570	(83)
Contributions from employer	457	464
Retirement benefits paid	(999)	(906)
Plan assets at end of period	15,204	14,831

(3) Reconciliation between retirement benefit liabilities of plans applying the simplified method at the beginning of period and the end of period

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Retirement benefit liability at beginning of period	1,045	1,079
Retirement benefit expenses	231	236
Retirement benefits paid	(118)	(128)
Contributions to plans	(79)	(80)
Retirement benefit liability at end of period	1,079	1,105

(4) Reconciliation between retirement benefit obligations and plan assets at the end of period and retirement benefit liability and retirement benefit asset on the consolidated balance sheets

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
Funded retirement benefit obligations	12,819	12,511
Plan assets	(15,204)	(14,831)
	(2,384)	(2,319)
Unfunded retirement benefit obligations	3,545	3,376
Net retirement benefit liability (asset) on consolidated balance sheet	1,160	1,056
Retirement benefit liability	3,545	3,376
Retirement benefit asset	(2,384)	(2,319)
Net retirement benefit liability (asset) on consolidated balance sheet	1,160	1,056

(5) Breakdown of retirement benefit expenses

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Service costs	935	932
Interest costs	134	132
Expected return on plan assets	(140)	(152)
Amortization of actuarial gains and losses	(154)	(328)
Amortization of prior service costs	(82)	–
Retirement benefit expenses calculated by simplified method	231	236
Retirement benefit expenses on defined benefit plans	924	819

(6) Remeasurements of defined benefit plans, net of tax

The breakdown of items (before tax effect) recorded in remeasurements of defined benefit plans, net of tax is as follows:

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Prior service costs	(82)	–
Actuarial gains and losses	1,346	(281)
Total	1,264	(281)

(7) Remeasurements of defined benefit plans

The breakdown of items (before tax effect) recorded in remeasurements of defined benefit plans is as follows:

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
Unrecognized actuarial gains and losses	2,315	2,033
Total	2,315	2,033

(8) Plan assets

1) Breakdown of plan assets

The percentage of various assets to total plan assets by main category is as follows:

	As of March 31, 2021	As of March 31, 2022
Debt securities	55%	55%
Equity securities	35%	33%
Cash and deposits	2%	4%
Other	8%	8%
Total	100%	100%

2) Determination of long-term expected rate of return

In order to determine the long-term expected rate of return on plan assets, the Group considers the current and expected allocation of plan assets and the current and expected long-term rate of return from various assets constituting plan assets.

(9) Actuarial assumptions

Main actuarial assumptions (weighted averages)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Discount rate	0.9%	0.9%
Long-term expected rate of return	1.0%	1.0%

(Tax effect accounting)

1. Significant components of deferred tax assets and liabilities

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
Deferred tax assets		
Allowance for overseas investment loss	104	83
Net tax loss carried forward (Note 2)	22,687	49,188
Retirement benefit liability	1,057	991
Depreciation on non-current assets	22,516	5,286
Payable for retirement benefits for directors and other officers	60	57
Assets retirement obligations	5,803	5,333
Impairment losses on non-current assets	2,156	2,154
Investment securities	13,390	1,261
Tax credit carried forward	3,909	3,940
Other	4,062	6,083
Subtotal deferred tax assets	75,749	74,380
Valuation allowance for net tax loss carried forward (Note 2)	(12,743)	(37,560)
Valuation allowance for total of deductible temporary differences	(33,988)	(15,982)
Total valuation allowance (Note 1)	(46,732)	(53,543)
Total deferred tax assets	29,017	20,837
Deferred tax liabilities		
Reserve for mine prospecting	(5,830)	(7,197)
Valuation difference on available-for-sale securities	(16,770)	(18,585)
Reserve for tax purpose reduction entry of non-current assets	(211)	(201)
Undistributed earnings	(314)	(657)
Reserve for special depreciation	(28)	–
Retirement benefit asset	(686)	(617)
Depreciation of foreign subsidiaries, etc.	(3,812)	(5,819)
Other	(1,341)	(917)
Total deferred tax liabilities	(28,996)	(33,996)
Net deferred tax assets (liabilities)	20	(13,158)

Note 1 The change in valuation allowance is mainly due to an increase in net tax loss carried forward and a decrease in depreciation at the Group level.

2 Net tax loss carried forward and breakdown of deferred tax assets thereof by expiration dates

As of March 31, 2021

	Expire in one year or less (Millions of yen)	Expire after one year through five years (Millions of yen)	Expire after five years through ten years (Millions of yen)	Expire after ten years/No expiration date (Millions of yen)	Total (Millions of yen)
Net tax loss carried forward (a)	49	451	1,016	21,171	22,687
Valuation allowance	(49)	(399)	(999)	(11,296)	(12,743)
Deferred tax assets	–	52	17	9,874	(b) 9,944

(a) Net tax loss carried forward is calculated by multiplying the effective statutory tax rate.
(b) Deferred tax assets of ¥9,944 million are recognized for net tax loss carried forward of ¥22,687 million (calculated by multiplying the effective statutory tax rate). Valuation allowance has not been recognized for the net tax loss carried forward which is expected to be recoverable from the estimated taxable income in the future.

As of March 31, 2022

	Expire in one year or less (Millions of yen)	Expire after one year through five years (Millions of yen)	Expire after five years through ten years (Millions of yen)	Expire after ten years/No expiration date (Millions of yen)	Total (Millions of yen)
Net tax loss carried forward (c)	46	662	40,180	8,298	49,188
Valuation allowance	(46)	(506)	(37,007)	–	(37,560)
Deferred tax assets	–	155	3,173	8,298	(d) 11,627

(c) Net tax loss carried forward is calculated by multiplying the effective statutory tax rate.
(d) Deferred tax assets of ¥11,627 million are recognized for net tax loss carried forward of ¥49,188 million (calculated by multiplying the effective statutory tax rate). Valuation allowance has not been recognized for the net tax loss carried forward which is expected to be recoverable from the estimated taxable income in the future.

2. Reconciliation of the effective tax rates reflected in the consolidated statement of income and the effective statutory tax rates

The fiscal year ended March 31, 2021

This information is not presented as the Company recognized loss before income taxes.

The fiscal year ended March 31, 2022

This information is not presented as the Company recognized loss before income taxes.

(Asset retirement obligations)

1. Asset retirement obligations recognized in the consolidated balance sheets

Asset retirement obligations recognized by the Group are determined based on the estimated costs of decommissioning oil and natural gas wells and production facilities in accordance with laws, land lease contracts, etc. for wells and production facilities in Japan and overseas, and the appropriate discount rates.

The Group estimates the periods in which the obligations are paid out to be approximately 2 to 35 years from acquisition of assets. This estimate is reasonably made based on the plans for decommissioning wells and facilities or the estimated producing lives of fields if no such plan exists. Discount rates applied are (0.217)% to 2.287% for domestic obligations and 2.09% to 4.84% for overseas.

Although the future costs to be incurred upon decommissioning and timing when the obligations are incurred are based on the Group's best estimate, uncertainty exists regarding both the amount and timing of incurring these costs.

Changes in the balance of asset retirement obligations are as follows:

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Balance at beginning of period	15,660	21,436
Increase due to acquisition of new assets	66	530
Increase due to change in estimate (Note 1)	5,677	(470)
Accretion expense	222	207
Liabilities settlement	(101)	(184)
Foreign currency translation adjustment	(85)	273
Other changes, net (Note 2)	(3)	(2,254)
Balance at end of period	21,436	19,539

Notes: 1. Change in estimate for asset retirement obligations

The Company changed its estimate for asset retirement obligations that had been recorded as costs related to the future removal of the offshore platform and well abandonment in the Iwafune-oki oil and gas field (hereinafter referred to as costs related to removal) due to the acquisition of new information on costs related to removal in the year ended March 31, 2021. Accordingly, the Company has changed its estimate for the costs related to removal to be required at the time of business termination. The increase of ¥5,375 million due to the change in estimate has been added to the balance of asset retirement obligations before the change in estimate.

As a result of this change in estimate, operating profit decreased by ¥873 million and loss before income taxes increased by ¥4,441 million.

2. "Other changes, net" for the fiscal year ended March 31, 2022, represents a decrease due to the transfer of all of 10% interests in the shale gas field of North Montney Area, British Columbia, Canada owned by JAPEX Montney Ltd., along with related assets, in July 2021 and the transfer of all shares of Japan Canada Oil Sands Limited in September 2021.

2. Asset retirement obligations other than those recognized in the consolidated balance sheets

The Group has obligations to restore sites to their original condition in accordance with laws, land lease contracts, etc. regarding oil and natural gas production facilities. However, maintaining and ensuring a stable supply of natural gas in the Infrastructure/Utility Business, which is the Group's primary business operation, is of high public interest; therefore, even after completion of production activities, the Group plans to continue to use some of the assets held for the purpose of producing and selling oil and gas on a permanent basis in order to fulfill the responsibilities as a supplier for users of natural gas by holistically integrating these assets. Thus, the Group does not recognize the relevant asset retirement obligations since it is impossible at this point to estimate asset retirement obligations on a reasonable basis as of March 31, 2022.

(Business combinations)

Business divestiture

1. Outline of business divestiture

(1) Name of successor company

HE Acquisition Corporation (HAC)

(2) Description of business divested

The oil sands project in Canada promoted by Japan Canada Oil Sands Limited (JACOS), in which the Company held 100% of the shares through Canada Oil Sands Co., Ltd., a consolidated subsidiary (the project that promotes the development and production of oil sands in the Hangingstone leases in Alberta, Canada; hereinafter referred to as the “Project”)

(3) Main reason for business divestiture

JAPEX formulated the medium-term business plan in May 2018 with the recognition of the necessity to transform its business structure for the sustainable growth even in the market environment of US$50–60 per barrel. Based on the recognition, its E&P projects have been striving to improve their profitability by optimizing the business portfolio, including the sale of the assets. The environment surrounding the E&P business is expected to become even more severe due to the prolonging effects of the COVID-19 since early last year, including the structural changes by the new normal after the COVID-19 and the acceleration of the global decarbonization. In light of this situation, the Company has decided to end its promotion of the Project and to transfer all shares of JACOS, after considering the medium- to long-term position of the Project, as the Company continues to strengthen its resilience to low oil prices and a low-carbon environment. JAPEX has reached an agreement with HAC (headquartered in Alberta, Canada) for the transfer of all shares of JACOS.

(4) Date of business divestiture

September 17, 2021

(5) Other matters concerning the outline of the transaction including legal form

Share transfer in which consideration received is only property including cash

2. Outline of accounting treatment performed

(1) Amount of transfer profit or loss

Loss on sale of shares of subsidiaries ¥94,373 million

(2) Appropriate carrying amounts of assets and liabilities related to transferred business, and their breakdown

Current assets	¥6,990 million
Non-current assets	¥128,628 million
Total assets	¥135,619 million
Current liabilities	¥3,799 million
Non-current liabilities	¥689 million
Total liabilities	¥4,489 million

(3) Accounting treatment

The difference between the sales price and the consolidated carrying amount of the transferred shares was recorded as “Loss on sale of shares of subsidiaries” in extraordinary losses.

3. Reportable segment in which the divested businesses were included

North America segment

4. Approximate amounts of profits and losses related to the divested business recorded in the consolidated statement of income for the fiscal year ended March 31, 2022

Net sales	¥31,121 million
Operating profit	¥1,851 million

(Revenue recognition)

1. Information on disaggregation of revenue from contracts with clients

Fiscal year ended March 31, 2022 (April 1, 2021 – March 31, 2022)

(Millions of yen)

		Reportable segment				
		Japan	North America	Europe	Middle East	Total
E&P Business	Crude oil	16,951	1,448	–	22,657	41,056
	Diluted bitumen	–	31,121	–	–	31,121
	Natural gas (overseas)	–	1,244	–	–	1,244
	Subtotal	16,951	33,814	–	22,657	73,422
Infrastructure/Utility Business	Natural gas (Japan)	58,024	–	–	–	58,024
	LNG	22,596	–	–	–	22,596
	Electricity	34,320	–	–	–	34,320
	Others	4,903	–	–	–	4,903
	Subtotal	119,845	–	–	–	119,845
Other businesses	Contract services	6,395	–	–	–	6,395
	Oil products/merchandise	47,354	–	–	–	47,354
	Others	2,122	–	–	–	2,122
	Subtotal	55,872	–	–	–	55,872
Total		192,669	33,814	–	22,657	249,140

Note: 1 The amount of revenue from other sources is immaterial.

2. Information that provides the basis for understanding revenue from contracts with clients

Information that provides the basis for understanding revenue is as presented in “Notes to consolidated financial statements (Notes to significant accounting policies for preparation of consolidated financial statements), 4. Disclosure of accounting policies, (5) Accounting standards for revenues and expenses.”

3. Information on relationship between satisfaction of performance obligations under contract with customers and cash flows generated from said contracts, and amount and timing of revenue expected to be recognized in the following fiscal year onward based on contracts with clients existing as of March 31, 2022

(1) Balances, etc. of contract assets and contract liabilities

The beginning and ending balances of receivables arising from contracts with clients, contract assets, and contract liabilities are as follows:

(Millions of yen)

	Fiscal year ended March 31, 2022
Receivables from contracts with clients at beginning of period	38,888
Receivables from contracts with clients at end of period	42,924
Contract assets at beginning of period	169
Contract assets at end of period	405
Contract liabilities at beginning of period	52
Contract liabilities at end of period	258

Contract assets consist primarily of unbilled receivables from construction contracts. Contract liabilities are mainly related to advances received from customers for construction contracts.

During the fiscal year ended March 31, 2022, the Company recognized an immaterial amount of revenue, which was previously included in contract liabilities as of the beginning of the period. The revenue the Company recognized related to performance obligations that were satisfied, or partially satisfied, in previous periods was immaterial.

(2) Transaction price allocated to the remaining performance obligations

The following table summarizes the aggregate transaction price allocated to the remaining performance obligations in construction contracts, etc. and the period over which revenue is expected to be recognized. The Company has applied the practical expedient to exclude the transactions for contracts with an original expected duration of one year or less and the variable consideration allocated to unsatisfied performance obligations for long-term sales contracts, etc.

(Millions of yen)

	Fiscal year ended March 31, 2022
One year or less	232
Over one year	114
Total	347

4. Note to provision for loss on construction contracts

Provision for loss on construction contracts included in cost of sales is presented in "Notes to consolidated financial statements (Consolidated statement of income)."

(Segment information, etc.)

[Segment information]

1. Summary of reportable segments

The JAPEX Group's reportable segments are segments for which separated financial information is available and which are periodically examined by the Board of Directors to determine allocation of managerial resources and assess business performance, among components of the JAPEX Group.

In addition to business activities in Japan, the JAPEX Group has developed business activities overseas through a project company established at each business location.

Therefore, the JAPEX Group consists of segments by business location and considers "Japan," "North America," "Europe" and "Middle East" as reportable segments.

"Japan" consists of business activities such as exploration, development, and production for crude oil and natural gas, and sales of crude oil as the E&P Business in Japan; sales of natural gas and LNG, contract services for transportation of natural gas, and generation and sales of electric power, etc. as the Infrastructure/Utility Business; and manufacturing, purchase, sale and transportation of oil products, contract services for well drilling work, etc. as the Other Businesses.

"North America" consists of business activities such as exploration, development, production, purchase, sale, etc. for crude oil, natural gas and bitumen (extra-heavy oil extracted from oil sands) as E&P Business in North America.

"Europe" consists of business activities such as development of crude oil and natural gas as E&P Business in Europe.

"Middle East" consists of business activities such as development, production, sale, etc. of crude oil and natural gas as E&P Business in the Middle East.

2. Method for calculating net sales, profit (loss), assets and other items by reportable segment

The method for accounting for reported operating segments is basically the same as the description in "Notes to significant accounting policies for preparation of consolidated financial statements." Profit of reportable segments is the figure based on operating profit. Intersegment revenue and transfers are based on prevailing market prices.

As described in "Changes in accounting policies," we have applied the Accounting Standard for Revenue Recognition and relevant revised ASBJ regulations from the beginning of the fiscal year ended March 31, 2022, and have changed accounting treatment for revenue recognition. Accordingly, we have changed the method of calculating profit or loss of operating segments.

3. Information regarding net sales, profit (loss), assets and other items by reportable segment

Fiscal year ended March 31, 2021 (April 1, 2020 – March 31, 2021)

(Millions of yen)

	Reportable segment					Others (Note 1)	Total	Adjustments (Note 2)	Amount on consolidated financial statements (Note 3)
	Japan	North America	Europe	Middle East	Total				
Net sales									
Net sales to outside clients	213,308	26,065	–	703	240,078	–	240,078	–	240,078
Intersegment sales or transfers	11	–	–	16,045	16,056	–	16,056	(16,056)	–
Total	213,319	26,065	–	16,749	256,134	–	256,134	(16,056)	240,078
Segment profit (loss)	21,988	(9,374)	(132)	165	12,645	–	12,645	(8,453)	4,192
Segment assets	79,397	180,230	7,968	13,211	280,808	–	280,808	343,978	624,786
Other items									
Depreciation	12,595	9,590	0	192	22,378	–	22,378	221	22,599
Share of profit (loss) of entities accounted for using equity method	(319)	–	–	(10)	(329)	6,138	5,808	–	5,808

Investments in entities accounted for using equity method	679	–	–	286	966	17,121	18,087	–	18,087
Increase in property, plant and equipment and intangible assets	4,961	7,456	2,104	–	14,522	–	14,522	149	14,672

Fiscal year ended March 31, 2022 (April 1, 2021 – March 31, 2022)

(Millions of yen)

	Reportable segment					Others (Note 1)	Total	Adjustments (Note 2)	Amount on consolidated financial statements (Note 3)
	Japan	North America	Europe	Middle East	Total				
Net sales									
Net sales to outside clients	192,669	33,814	–	22,657	249,140	–	249,140	–	249,140
Intersegment sales or transfers	–	–	–	–	–	–	–	–	–
Total	192,669	33,814	–	22,657	249,140	–	249,140	–	249,140
Segment profit (loss)	24,739	1,789	(151)	2,644	29,022	–	29,022	(9,213)	19,809
Segment assets	75,607	4,631	13,885	18,308	112,433	–	112,433	359,508	471,941
Other items									
Depreciation	10,203	6,901	–	366	17,471	–	17,471	250	17,721
Share of profit (loss) of entities accounted for using equity method	(47)	–	–	(13)	(61)	14,287	14,226	–	14,226
Investments in entities accounted for using equity method	679	–	–	286	966	10,603	11,569	–	11,569
Increase in property, plant and equipment and intangible assets	6,109	3,000	4,532	–	13,643	–	13,643	243	13,886

Notes: 1. The “Others” category represents operating segments that are not included in reportable segments, and includes Russia, etc.

2. Major components of adjustment are as follows:

(1) Segment profit (loss)

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Elimination of intersegment transactions	14	4
Corporate expenses *	(8,467)	(9,218)
Total	(8,453)	(9,213)

* Corporate expenses are mainly general and administrative expenses and experimentation and research expenses, all of which are not attributable to the reportable segments.

(2) Segment assets

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
Elimination of intersegment transactions	(586)	(12)
Corporate assets *1	3,208	2,239
Other assets *2	341,355	357,280
Total	343,978	359,508

*1. Corporate assets are mainly assets for management by the headquarters that do not belong to the reportable segments.

*2. Assets allocated to segments are recoverable accounts included in property, plant and equipment, intangible assets, and investments and other assets, whereas other assets are assets other than property, plant and equipment, intangible assets, and recoverable accounts that are not allocated to segments.

3. Segment profit (loss) was adjusted to operating profit in the consolidated statement of income.
4. Due to the change in the accounting treatment for revenue recognition, and compared with the figures obtained by the previous treatment, net sales of “Japan” for the fiscal year ended March 31, 2022 decreased by ¥82,149 million. In addition, there is no impact on the segment profit.

[Related information]

Fiscal year ended March 31, 2021 (April 1, 2020 – March 31, 2021)

1. Information by product or service

(Millions of yen)

	E&P Business			Infrastructure/Utility Business			
	Crude oil	Diluted bitumen	Natural gas (overseas)	Natural gas (Japan)	LNG	Electricity	Others
Net sales to outside clients	72,916	21,695	2,870	51,291	15,591	30,087	4,331

	Other businesses			Total
	Contract services	Oil products/merchandise	Others	
Net sales to outside clients	7,633	31,931	1,729	240,078

2. Information by geographical area

(1) Net sales

(Millions of yen)

Japan	Canada	Russia	Iraq	Others	Total
152,325	25,745	44,918	16,768	320	240,078

Note: Net sales are classified into countries or regions based on the place where products, etc. were delivered and the location where services were rendered.

(2) Property, plant and equipment

(Millions of yen)

Japan	Canada	UK	Others	Total
81,422	175,541	7,968	1,812	266,745

3. Information by major client

This information is not presented as there are no clients that account for 10% or more of net sales on the consolidated statement of income among net sales to external clients.

Fiscal year ended March 31, 2022 (April 1, 2021 – March 31, 2022)

1. Information by product or service

(Millions of yen)

	E&P Business			Infrastructure/Utility Business			
	Crude oil	Diluted bitumen	Natural gas (overseas)	Natural gas (Japan)	LNG	Electricity	Others
Net sales to outside clients	41,056	31,121	1,244	58,024	22,596	34,320	4,903

	Other businesses			Total
	Contract services	Oil products/merchandise	Others	
Net sales to outside clients	6,395	47,354	2,122	249,140

2. Information by geographical area

(1) Net sales

(Millions of yen)

Japan	Canada	Russia	Iraq	Others	Total
192,592	32,835	57	22,671	984	249,140

Note: Net sales are classified into countries or regions based on the place where products, etc. were delivered and the location where services were rendered.

(2) Property, plant and equipment

(Millions of yen)

Japan	Canada	UK	Others	Total
76,753	–	13,885	2,198	92,837

3. Information by major client

This information is not presented as there are no clients that account for 10% or more of net sales on the consolidated statement of income among net sales to external clients.

[Information on impairment losses on non-current assets by reportable segment]

Fiscal year ended March 31, 2021 (April 1, 2020 – March 31, 2021)

(Millions of yen)

Japan	North America	Europe	Middle East	Others	Corporate and elimination	Total
16,351	–	–	–	–	–	16,351

Fiscal year ended March 31, 2022 (April 1, 2021 – March 31, 2022)

Not applicable.

[Information on amortization and unamortized balance of goodwill by reportable segment]

Fiscal year ended March 31, 2021 (April 1, 2020 – March 31, 2021)

Not applicable.

Fiscal year ended March 31, 2022 (April 1, 2021 – March 31, 2022)

Not applicable.

[Information on gain on bargain purchase by reportable segment]

Fiscal year ended March 31, 2021 (April 1, 2020 – March 31, 2021)

Not applicable.

Fiscal year ended March 31, 2022 (April 1, 2021 – March 31, 2022)

Not applicable.

[Information on related parties]

1. Related party transactions

(1) Transactions between the company submitting consolidated financial statements and related parties

Unconsolidated subsidiaries and associates of the company submitting consolidated financial statements

Fiscal year ended March 31, 2021 (April 1, 2020 – March 31, 2021)

Type	Names of company, etc.	Location	Share capital or capital contribution (Millions of yen)	Description of business	JAPEX's stake and percentage of voting rights held (%)	Relationship with related party	Description of transaction	Transaction amount (Millions of yen)	Account title	Balance at end of period (Millions of yen)
Associate	Sakhalin Oil and Gas Development Co., Ltd.	Minato-ku, Tokyo	22,592	Exploration, development and production of oil resources	(Ownership) Direct 15.29	Purchase of crude oil Interlocking officers	Purchase of crude oil (Note 1)	44,857	Accounts payable - trade	10,148
Associate	Fukushima Gas Power Co., Ltd.	Chiyoda-ku, Tokyo	537	Operation and contract work of power generation business using a natural gas power plant	(Ownership) Direct 33.30	Outsourcing of power generation operations Contract work of LNG regasification operations Pledge of collateral Interlocking officers	Underwriting of corporate bonds (Note 2)	6,369	Investment securities	4,510
							Pledge of collateral (Note 3)	40,622	–	–

Note: Terms and conditions of transactions and policies on determination thereof, etc.

(1) Prices for purchase of crude oil from Sakhalin Oil and Gas Development Co., Ltd. are determined based on the market price.

(2) The Company underwrites corporate bonds issued by FGP and determines the interest rate of the corporate bonds reasonably in consideration of market interest rates. The balance as of the year-end is the amount used for the consolidated balance sheet, and it reflects a deduction of ¥1,858 million due to the application of the equity method.

(3) The Company provides FGP with certificates of FGP shares and corporate bonds held by the Company as collateral for its borrowings from financial institutions. The transaction amount is the balance of borrowings corresponding to assets pledged as collateral as of the end of the period.

Fiscal year ended March 31, 2022 (April 1, 2021 – March 31, 2022)

Type	Names of company, etc.	Location	Share capital or capital contribution (Millions of yen)	Description of business	JAPEX's stake and percentage of voting rights held (%)	Relationship with related party	Description of transaction	Transaction amount (Millions of yen)	Account title	Balance at end of period (Millions of yen)
Associate	Fukushima Gas Power Co., Ltd.	Chiyoda-ku, Tokyo	537	Operation and contract work of power generation business using a natural gas power plant	(Ownership) Direct 33.30	Outsourcing of power generation operations Contract work of LNG regasification operations Pledge of collateral Interlocking officers	Underwriting of corporate bonds (Note 1)	–	Investment securities	4,590
							Pledge of collateral (Note 2)	35,168	–	–

Note: Terms and conditions of transactions and policies on determination thereof, etc.

(1) The Company underwrote corporate bonds issued by FGP and determined the interest rate of the corporate bonds reasonably in consideration of market interest rates. The balance as of the year-end is the amount used for the consolidated balance sheet, and it reflects a deduction of ¥1,778 million due to the application of the equity method.

(2) The Company provides FGP with certificates of FGP shares and corporate bonds held by the Company as collateral for its borrowings from financial institutions. The transaction amount is the balance of borrowings corresponding to assets pledged as collateral as of the end of the period.

(2) Transactions between consolidated subsidiaries of the company submitting consolidated financial statements and related parties

Companies, etc. having the same parent company as the company submitting consolidated financial statements, and subsidiaries, etc. of other subsidiaries and associates of the company submitting the consolidated financial statements

Fiscal year ended March 31, 2021 (April 1, 2020 – March 31, 2021)

Type	Names of company, etc.	Location	Share capital or capital contribution (Millions of yen)	Description of business	JAPEX's stake and percentage of voting rights held (%)	Relationship with related party	Description of transaction	Transaction amount (Millions of yen)	Account title	Balance at end of period (Millions of yen)
Company, etc. in which major shareholders of the Company own a majority of voting rights	Japan Oil, Gas and Metals National Corporation	Minato-ku, Tokyo	1,046,500 (Note 1)	Support for exploration and development of oil resources, etc.	–	Debt guarantee	Debt guarantee Note 2	55,834	–	–

Note: Terms and conditions of transactions and policies on determination thereof, etc.

(1) The amount stated above is as of March 19, 2021.

(2) The Company has received debt guarantees for borrowings from financial institutions, and it pays a guarantee fee calculated based on the amount of the debt guarantee. The transaction amount is the balance of guarantees received as of the year-end.

Fiscal year ended March 31, 2022 (April 1, 2021 – March 31, 2022)

Type	Names of company, etc.	Location	Share capital or capital contribution (Millions of yen)	Description of business	JAPEX's stake and percentage of voting rights held (%)	Relationship with related party	Description of transaction	Transaction amount (Millions of yen)	Account title	Balance at end of period (Millions of yen)
Company, etc. in which major shareholders of the Company own a majority of voting rights	Japan Oil, Gas and Metals National Corporation	Minato-ku, Tokyo	1,122,000 (Note 1)	Support for exploration and development of oil resources, etc.	–	Debt guarantee	Performance of guarantee (Note 2)	43,272	–	–
							Forgiveness of debt (Note 3)	41,796	–	–

Note: Terms and conditions of transactions and policies on determination thereof, etc.

(1) The amount stated is as of December 27, 2021.

(2) The Japan Oil, Gas and Metals National Corporation performed guarantee obligations, by making payment by subrogation of the Company's borrowings from financial institutions. In connection with the performance of such guarantee obligation, the Company recorded ¥3,335 million as a late charge.

(3) Regarding the reimbursement obligations arisen from the subrogation payment, the Company received forgiveness of debt in conjunction with the proceedings to dissolve and liquidate a subsidiary of the Company and recorded a gain on forgiveness of debt of ¥41,796 million.

2. Notes to parent company or material associates

(1) Information on parent company

Not applicable.

(2) Summarized financial information on material associates

For the fiscal year ended March 31, 2022, the summarized financial information of all associates accounted for using the equity method (11 companies), including a material associate, Sakhalin Oil and Gas Development Co., Ltd., is as follows:

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Total current assets	91,929	124,848
Total non-current assets	169,489	158,960
Total current liabilities	58,169	84,841
Total non-current liabilities	164,543	160,014
Total net assets	38,706	38,953
Net sales	201,229	284,274
Profit before income taxes	71,917	148,556
Profit	41,604	93,673

(Per Share Information)

	Fiscal year ended March 31, 2021 (April 1, 2020 – March 31, 2021)	Fiscal year ended March 31, 2022 (April 1, 2021 – March 31, 2022)
Net assets per share	¥7,011.36	¥6,679.85
Basic loss per share	¥47.73	¥545.64

Notes: 1. Diluted earnings per share is not presented, since basic loss per share was recorded and there is no dilutive share.

2. The Company's shares held by the Board Benefit Trust (BBT) are included in the treasury shares that are deducted from the total number of issues shares at the fiscal year end when calculating net assets per share (77,600 shares in the fiscal year ended March 31, 2021, and 76,000 shares in the fiscal year ended March 31, 2022).
Moreover, they are also included in the treasury shares that are deducted when calculating the average number of shares during the period in order to calculate basic loss per share (46,021 shares in the fiscal year ended March 31, 2021, and 76,486 shares in the fiscal year ended March 31, 2022).

3. The basis for calculation of basic loss per share is as follows:

	Fiscal year ended March 31, 2021 (April 1, 2020 – March 31, 2021)	Fiscal year ended March 31, 2022 (April 1, 2021 – March 31, 2022)
Loss attributable to owners of parent (Millions of yen)	2,725	30,988
Amounts not attributable to common shareholders (Millions of yen)	–	–
Loss attributable to owners of parent related to common shares (Millions of yen)	2,725	30,988
Average number of shares during the period (Thousands of shares)	57,106	56,794

(Significant subsequent events)

Not applicable.

5) Annexed Consolidated Detailed Schedules

Schedule of corporate bonds

Not applicable.

Schedule of borrowings, etc.

Category	Balance at beginning of period (Millions of yen)	Balance at end of period (Millions of yen)	Average interest rate (%)	Borrowing period
Short-term borrowings	–	–	–	–
Current portion of long-term borrowings	62,175	260	0.45	–
Current portion of lease obligations	271	245	–	–
Long-term borrowings, less current portion	50,180	510	0.45	2023 to 2025
Lease obligations, less current portion	1,705	1,572	–	2023 to 2031
Other interest-bearing debt	–	–	–	–
Total	114,332	2,588	–	–

Notes: 1. "Average interest rate" indicates the weighted average interest rate on the balance of long-term borrowings at the end of the period.

2. The average interest rate on lease obligations is not presented because lease obligations are recorded on the consolidated balance sheets at the amount before deduction of the amount equivalent to interest included in the aggregate lease payments.

3. The scheduled repayment amounts of long-term borrowing and lease obligations (excluding current portion) for five years after the consolidated balance sheet date are as follows.

	Due after one year through two years (Millions of yen)	Due after two years through three years (Millions of yen)	Due after three years through four years (Millions of yen)	Due after four years through five years (Millions of yen)
Long-term borrowings	260	250	–	–
Lease obligations	223	213	204	194

Schedule of assets retirement obligations

Category	Balance at beginning of period (Millions of yen)	Increase during period (Millions of yen)	Decrease during period (Millions of yen)	Balance at end of period (Millions of yen)
Under the Petroleum and Inflammable Natural Gas Resources Development Law	9,552	93	–	9,646
Under the Environmental Protection and Enhancement Act, etc. enforced in the Province of Canada	2,529	311	2,841	–
Under the provisions of local laws and contracts with regard to oil and natural gas production facilities overseas	133	658	–	791
Under the Act on Prevention of Marine Pollution and Maritime Disaster	6,930	49	–	6,979
Under the provision of land lease contracts and other	2,289	11	179	2,120
Total	21,436	1,124	3,021	19,539

(2) Other

Quarterly information for the fiscal year ended March 31, 2022

(Quarterly cumulative period)	First three months	First six months	First nine months	Fiscal year under review
Net sales (Millions of yen)	50,083	118,507	171,364	249,140
Profit (loss) before income taxes (Millions of yen)	10,489	(119,315)	(72,604)	(18,501)
Profit (loss) attributable to owners of parent (Millions of yen)	7,106	(119,676)	(85,057)	(30,988)
Basic earnings (loss) per share (Yen)	124.50	(2,096.81)	(1,491.67)	(545.64)

(Fiscal period)	First quarter	Second quarter	Third quarter	Fourth quarter
Basic earnings (loss) per share (Yen)	124.50	(2,221.29)	608.28	963.78

2. Non-consolidated Financial Statements, etc.

(1) Non-consolidated Financial Statements

1) Balance sheet

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
Assets		
Current assets		
Cash and deposits	108,323	103,939
Accounts receivable - trade	*4 28,596	*4 36,133
Merchandise and finished goods	3,826	2,025
Raw materials and supplies	6,381	10,440
Advance payments to suppliers	4	0
Prepaid expenses	495	671
Accrued revenue	*4 20	*4 134
Accounts receivable - other	*4 340	*4 382
Advances paid	*4 462	*4 817
Other	*4 695	*4 11,409
Total current assets	149,148	165,954
Non-current assets		
Property, plant and equipment		
Buildings	9,488	9,352
Structures	*1 27,715	*1 26,884
Wells	113	85
Machinery and equipment	*1 24,613	*1 20,688
Vessels	1	0
Vehicles	3	1
Tools, furniture and fixtures	*1 1,902	*1 1,875
Land	10,315	9,466
Leased assets	52	53
Construction in progress	427	499
Wells in progress	–	687
Total property, plant and equipment	74,634	69,596
Intangible assets		
Leasehold interests in land	151	151
Software	766	702
Other	157	150
Total intangible assets	1,075	1,005
Investments and other assets		
Investment securities	*2 93,025	*2 94,833
Shares of subsidiaries and associates	*2 154,241	*2 82,833
Long-term loans receivable from subsidiaries and associates	23,951	–
Long-term prepaid expenses	2,169	2,333
Prepaid pension costs	–	114
Other	*4 1,543	*4 12,929
Allowance for doubtful accounts	(22,956)	(17)
Allowance for overseas investment loss	(9,572)	(6,533)
Total investments and other assets	242,403	186,493
Total non-current assets	318,113	257,095
Total assets	467,262	423,049

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
Liabilities		
Current liabilities		
Accounts payable - trade	*4 22,033	*4 18,424
Lease liabilities	211	197
Accounts payable - other	*4 3,529	*4 1,002
Accrued expenses	*4 5,246	*4 5,352
Income taxes payable	1,748	378
Deposits received	136	566
Deposits received from subsidiaries and associates	24,013	23,955
Unearned revenue	16	–
Provision for bonuses for directors (and other officers)	40	18
Provision for loss on disaster	913	1,841
Asset retirement obligations	173	–
Other	200	248
Total current liabilities	58,263	51,985
Non-current liabilities		
Lease obligations	1,640	1,470
Deferred tax liabilities	4,631	13,315
Provision for retirement benefits	2,396	2,098
Provision for share awards	23	47
Provision for loss on guarantees	22,811	–
Asset retirement obligations	15,060	15,182
Other	369	1,076
Total non-current liabilities	46,933	33,191
Total liabilities	105,196	85,176
Net assets		
Shareholders' equity		
Share capital	14,288	14,288
Retained earnings		
Legal retained earnings	3,572	3,572
Other retained earnings		
Reserve for overseas investment loss	1,512	834
Reserve for mine prospecting	14,919	18,419
Reserve for special depreciation	72	–
Reserve for tax purpose reduction entry of non-current assets	543	518
Reserve for exploration	47,246	47,246
General reserve	171,600	171,600
Retained earnings brought forward	63,938	38,353
Total retained earnings	303,404	280,543
Treasury shares	(151)	(3,886)
Total shareholders' equity	317,540	290,945
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	44,218	48,340
Deferred gains or losses on hedges	305	(1,413)
Total valuation and translation adjustments	44,524	46,927
Total net assets	362,065	337,872
Total liabilities and net assets	467,262	423,049

2) Statement of income

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Net sales	*1 169,195	*1 133,642
Cost of sales	*1 134,883	*1 98,357
Gross profit	34,312	35,285
Exploration expenses	815	512
Selling, general and administrative expenses	*2 21,021	*2 21,365
Operating profit	12,475	13,407
Non-operating income		
Interest income	*1 366	*1 128
Dividend income	*1 11,295	*1 21,781
Foreign exchange gains	6	7,022
Other	*1 1,417	*1 1,611
Total non-operating income	13,085	30,543
Non-operating expenses		
Interest expenses	*1 216	*1 25
Loss on valuation of shares of subsidiaries and associates	–	3,555
Inactive facilities related expenses	280	225
Administrative expenses of inactive mountain	59	63
Commitment fees	344	292
Other	*1 111	*1 770
Total non-operating expenses	1,011	4,932
Ordinary profit	24,549	39,018
Extraordinary income		
Gain on sale of non-current assets	0	1,291
Gain on sale of investment securities	–	39,826
Total extraordinary income	0	41,117
Extraordinary losses		
Loss on retirement of non-current assets	19	32
Impairment losses	*3 13,366	–
Loss on disaster	948	1,416
Bad debts written off	–	12,763
Loss on valuation of shares of subsidiaries	–	77,307
Provision of allowance for doubtful accounts for subsidiaries and associates	17,112	–
Provision for loss on guarantees	22,811	–
Other	–	1,048
Total extraordinary losses	54,258	92,568
Loss before income taxes	(29,709)	(12,432)
Income taxes - current	3,585	33
Income taxes - deferred	(6,629)	7,536
Total income taxes	(3,044)	7,570
Loss	(26,664)	(20,003)

3) Statement of Changes in Equity

Fiscal year ended March 31, 2021 (April 1, 2020 – March 31, 2021)

(Millions of yen)

	Shareholders' equity											
		Retained earnings										
			Other retained earnings									
	Share capital	Legal retained earnings	Reserve for overseas investment loss	Reserve for mine prospecting	Reserve for special depreciation	Reserve for tax purpose reduction entry of non-current assets	Reserve for exploration	General reserve	Retained earnings brought forward	Total retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	14,288	3,572	2,540	13,700	144	568	47,246	171,600	93,554	332,926	(11)	347,203
Changes during period												
Reversal of reserve for overseas investment loss			(1,027)						1,027	–		–
Provision of reserve for mine prospecting				1,800					(1,800)	–		–
Reversal of reserve for mine prospecting				(580)					580	–		–
Reversal of reserve for special depreciation					(72)				72	–		–
Reversal of reserve for tax purpose reduction entry of non-current assets						(25)			25	–		–
Dividends of surplus									(2,857)	(2,857)		(2,857)
Loss									(26,664)	(26,664)		(26,664)
Purchase of treasury shares											(140)	(140)
Disposal of treasury shares												
Net changes in items other than shareholders' equity												
Total changes during period	–	–	(1,027)	1,219	(72)	(25)	–	–	(29,616)	(29,521)	(140)	(29,662)
Balance at end of period	14,288	3,572	1,512	14,919	72	543	47,246	171,600	63,938	303,404	(151)	317,540

	Valuation and translation adjustments			Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments	
Balance at beginning of period	33,057	181	33,239	380,442
Changes during period				
Reversal of reserve for overseas investment loss				–
Provision of reserve for mine prospecting				–
Reversal of reserve for mine prospecting				–
Reversal of reserve for special depreciation				–
Reversal of reserve for tax purpose reduction entry of non-current assets				–
Dividends of surplus				(2,857)
Loss				(26,664)
Purchase of treasury shares				(140)
Disposal of treasury shares				–
Net changes in items other than shareholders' equity	11,160	124	11,284	11,284
Total changes during period	11,160	124	11,284	(18,377)
Balance at end of period	44,218	305	44,524	362,065

Fiscal year ended March 31, 2022 (April 1, 2021 – March 31, 2022)

(Millions of yen)

	Shareholders' equity											
		Retained earnings										
			Other retained earnings									
	Share capital	Legal retained earnings	Reserve for overseas investment loss	Reserve for mine prospecting	Reserve for special depreciation	Reserve for tax purpose reduction entry of non-current assets	Reserve for exploration	General reserve	Retained earnings brought forward	Total retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	14,288	3,572	1,512	14,919	72	543	47,246	171,600	63,938	303,404	(151)	317,540
Changes during period												
Reversal of reserve for overseas investment loss			(678)						678	–		–
Provision of reserve for mine prospecting				3,500					(3,500)	–		–
Reversal of reserve for mine prospecting										–		–
Reversal of reserve for special depreciation					(72)				72	–		–
Reversal of reserve for tax purpose reduction entry of non-current assets						(25)			25	–		–
Dividends of surplus									(2,857)	(2,857)		(2,857)
Loss									(20,003)	(20,003)		(20,003)
Purchase of treasury shares											(3,737)	(3,737)
Disposal of treasury shares											2	2
Net changes in items other than shareholders' equity												
Total changes during period	–	–	(678)	3,500	(72)	(25)	–	–	(25,584)	(22,860)	(3,734)	(26,595)
Balance at end of period	14,288	3,572	834	18,419	–	518	47,246	171,600	38,353	280,543	(3,886)	290,945

	Valuation and translation adjustments			Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments	
Balance at beginning of period	44,218	305	44,524	362,065
Changes during period				
Reversal of reserve for overseas investment loss				–
Provision of reserve for mine prospecting				–
Reversal of reserve for mine prospecting				–
Reversal of reserve for special depreciation				–
Reversal of reserve for tax purpose reduction entry of non-current assets				–
Dividends of surplus				(2,857)
Loss				(20,003)
Purchase of treasury shares				(3,737)
Disposal of treasury shares				2
Net changes in items other than shareholders' equity	4,121	(1,718)	2,402	2,402
Total changes during period	4,121	(1,718)	2,402	(24,192)
Balance at end of period	48,340	(1,413)	46,927	337,872

Notes to non-consolidated financial statements

(Significant accounting policies)

1. Accounting policy for measuring assets

(1) Securities

・Held-to-maturity debt securities	Stated at amortized cost
・Shares of subsidiaries and associates	Stated at cost using the moving average method
・Available-for-sale securities	
Available-for-sale securities other than shares, etc. without market price	Stated at fair value based primarily on market price at the fiscal year-end. Unrealized gains or losses are recognized directly in net assets and the cost of securities sold is determined using the moving-average method.
Shares, etc. without market price	Stated at cost using the moving average method Investments in limited investment partnerships and silent partnerships are recorded by adding or subtracting the amount of equity interest in the net assets of the partnerships to/from "investment securities."
(2) Derivatives	Stated at fair value.
(3) Inventories	Stated at cost (a method in which carrying amount is written down based on any decline in profitability).
・Merchandise and finished goods	Stated by the first-in, first-out method.
・Raw materials and supplies	Stated by the moving average method.

2. Accounting policy for depreciation/amortization of non-current assets

(1) Property, plant and equipment (excluding leased assets)	Sendai pipelines, Shiroishi-Koriyama gas pipelines, Soma-Iwanuma gas pipelines, assets of the Hokkaido District Office and Soma District Office, and buildings (excluding attached facilities) acquired on or after April 1, 1998, are depreciated by the straight-line method. Other assets are depreciated by the declining-balance method. The principal useful lives are summarized as follows: Buildings: 2 to 50 years Structures: 2 to 60 years Wells: 3 years Machinery and equipment: 2 to 17 years
(2) Intangible assets (excluding leased assets)	Amortized by the straight-line method. Capitalized computer software costs are amortized by the straight-line method over a period of 5 years, which is the period available for internal use.
(3) Leased assets	Finance leases which do not transfer ownership of the leased assets to the lessee Leased assets are depreciated by the straight-line method over the lease terms with no residual value.

3. Accounting standards for provisions

(1) Allowance for doubtful accounts	To provide for potential credit losses on receivables, the allowance for doubtful accounts is stated at the amount determined based on the historical experience of bad debt with respect to ordinary receivables, plus an estimate of uncollectible amounts determined by reference to specific doubtful receivables from customers which are experiencing financial difficulties.

(2) Provision for bonuses for directors (and other officers)	To provide for the payment of bonuses to directors and other officers, the provision for bonuses for directors (and other officers) is stated at the estimated amount of payment at the end of the fiscal year under review.
(3) Provision for retirement benefits	To provide for the payment of retirement benefits to employees, etc., the provision for retirement benefits is stated at the estimated amount of retirement benefit obligations and plan assets at the end of the fiscal year under review. In calculating retirement benefit obligations, the Company uses the benefit formula basis to attribute expected retirement benefits to periods up to the end of the fiscal year under review. Prior service costs are amortized as incurred by the straight-line method over a certain period (10 years), which is shorter than the average remaining years of service of the employees. Actuarial gains and losses are amortized in the following year in which the gains or losses are recognized by the straight-line method over a certain period (10 years), which is shorter than the average remaining years of service of the employees.
(4) Allowance for overseas investment loss	The allowance for overseas investment loss is stated at the amount determined based on the investees' financial position and certain other factors for possible losses arising from investments in the exploration and development of overseas natural resources.
(5) Provision for share awards	To provide for the payment of the Company's shares, etc. to directors (excluding outside directors) and executive officers who do not concurrently serve as directors, the provision for share award is stated at the estimated amount of share awards at the end of the fiscal year under review, in accordance with the Rules on Provision of Shares to Officers.
(6) Provision for loss on disaster	The provision for loss on disaster is stated at the estimated amount of payment for restoration expenses accompanying disasters.

4. Accounting standards for revenues and expenses

With regard to revenues from contracts with clients of the Company, the main performance obligations in key businesses and the timing at which these obligations are typically satisfied (i.e., when revenues are typically recognized) are as follows.

The Company conducts the "E&P Business," the "Infrastructure/Utility Business," and "Other businesses" at business locations in Japan.

(1) E&P Business

In the E&P Business, exploration, development, production, and sales of crude oil and natural gas are conducted at business locations in Japan. It is judged that in these sales, legal ownership and physical possession of assets, as well as significant risks and economic rewards associated with ownership of assets, are transferred, and the right to receive consideration for delivered products is obtained, at the time the products are delivered to clients. Thus, revenue is recognized at that time.

(2) Infrastructure/Utility Business

In the Infrastructure/Utility Business, sales of gases (natural gas and LNG) and electricity are conducted at business locations in Japan. It is judged that in these sales, legal ownership and physical possession of assets, as well as significant risks and economic rewards associated with ownership of assets, are transferred, and the right to receive consideration for delivered products is obtained, at the time the products are delivered to clients. Thus, revenue is recognized at that time.

(3) Other businesses

In the Other businesses, contract services (drilling, etc.) and sales of oil products, etc. are conducted at business locations in Japan. As for contract services, when control over goods or services is transferred to clients over a certain period of time, revenue is recognized according to progress in the satisfaction of performance obligations. For measurement of progress, the input approach based on incurred costs is used. It is judged that in sales of oil products, etc., legal ownership and physical possession of assets, as well as significant risks and economic rewards associated with ownership of assets, are transferred, and the right to receive consideration for delivered products is obtained, at the time the products are delivered to clients. Thus, revenue is recognized at that time.

For all businesses, in identification of performance obligations, it is examined whether the Company acts as a principal or an agent. If the nature of its promise is a performance obligation to provide the specified goods or services itself, as a principal it presents revenue at the gross amount of consideration in its statement of income. If the nature is a performance obligation to make arrangements so that these goods or services are provided by other parties, as an agent it presents revenue at the amount of commissions or fees, or the net amount of consideration, in its statement of income.

Revenue is recognized based on the transaction price under contracts with clients. If a contract contains multiple performance obligations, the transaction price is allocated to each performance obligation at a ratio of standalone selling price. Since consideration for transactions is usually paid within one year after the satisfaction of performance obligations, such consideration does not include any significant financing component.

5. Accounting policy for translating foreign currency-denominated assets and liabilities into yen

Monetary receivables and payables denominated in foreign currencies are translated into yen at the spot exchange rate on the balance sheet date, and the resulting translation adjustments are presented as foreign exchange gains or losses.

6. Hedge accounting

(1) Hedge accounting method	Deferral hedge accounting is adopted for hedge transactions. Foreign exchange forward contracts are accounted for by the allocation method if the foreign exchange forward contracts meet certain criteria to adopt the method.
(2) Hedging instruments and hedge items	Hedging instruments: Foreign exchange forward contracts Hedged items: Accounts payable - trade and accounts payable - other
(3) Hedging policy	To avoid future foreign currency fluctuation risk associated with foreign currency transactions, etc., the Company enters into hedge transactions only in connection with the relevant assets, liabilities and forecast transactions.
(4) Method of assessing the effectiveness of hedges	The Company assesses whether the critical terms of the hedging instruments and hedged items are closely aligned, and the hedge transactions are effective in offsetting the price fluctuation, etc. at the inception of the hedge and on an ongoing basis. Forward exchange contracts accounted for by the allocation method are not subject to the assessment of hedge effectiveness.

(Significant accounting estimates)

Recoverability of deferred tax assets

(1) Amounts recorded in the non-consolidated financial statements for the fiscal year ended March 31, 2022

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Deferred tax assets	18,894	12,821

Note: The amount is before netting out with deferred tax liabilities.

(2) Information about significant accounting estimates on identified items

The method of calculating the amount in (1) is the same as that described in "Notes to consolidated financial statements, (Significant accounting estimates), Recoverability of deferred tax assets."

(Changes in accounting policies)

Application of Accounting Standard for Revenue Recognition, Etc.

As the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and relevant revised ASBJ regulations were applied from the beginning of the fiscal year under review, we have recognized the revenue at the time the control of promised goods or services is transferred to the client, at the amount expected to be received upon the exchange of said goods or services. As a result, we have changed the method of recognizing revenue to a net basis for certain purchase and sale transactions of crude oil, natural gas, where we previously recognized revenue on a gross basis, after determining its role (as principal or agent) in the provision of goods or services to clients.

The application of the Accounting Standard for Revenue Recognition and relevant revised ASBJ regulations is subject to the transitional treatment provided for in the proviso to paragraph 84 of the Accounting Standard for Revenue Recognition. The cumulative effect of the retrospective application, assuming the new accounting policy had been applied to periods prior to the beginning of the fiscal year under review was added to or deducted from the opening balance of retained earnings of the fiscal year under review, and thus the new accounting policy was applied from such opening balance; provided, however, that the new accounting policy was not retrospectively applied to contracts for which nearly all the revenue amounts had been recognized according to the previous treatment in periods prior to the beginning of the fiscal year under review, by applying the method provided for in paragraph 86 of the Accounting Standard for Revenue Recognition.

Consequently, for the fiscal year under review, net sales decreased ¥80,306 million, cost of sales decreased ¥80,246 million, and selling, general and administrative expenses decreased ¥59 million compared with those before the adoption of the Accounting Standard for Revenue Recognition. There was no effect on operating profit, ordinary profit, and loss before income taxes. In addition, there was also no effect on the opening balance of retained earnings of the fiscal year under review.

Due to the application of the Accounting Standard for Revenue Recognition and relevant revised ASBJ regulations, "accounts receivable - trade" under "current assets" of the balance sheet at the end of the previous fiscal year has been included in "accounts receivable - trade" and "other" as of the end of the fiscal year under review. In accordance with the transitional treatment provided for in paragraph 89-2 of the Accounting Standard for Revenue Recognition, figures for the previous fiscal year have not been restated in accordance with the new approach to presentation.

In accordance with the transitional treatment provided for in paragraph 89-3 of the Accounting Standard for Revenue Recognition, notes on revenue recognition for the previous fiscal year are not presented.

Application of Accounting Standard for Fair Value Measurement, Etc.

We have applied the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019) and relevant ASBJ regulations from the beginning of the fiscal year under review. And we have applied new accounting policies stipulated in the Accounting Standard for Fair Value Measurement and relevant ASBJ regulations prospectively in accordance with the transitional treatment provided for in paragraph 19 of the Accounting Standard for Fair Value Measurement and paragraph 44-2 of the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019). There was no effect of this application on the non-consolidated financial statements.

(Changes in presentation)

Statement of income

"Foreign exchange gains," which was included in "other" under "non-operating income" in the previous fiscal year is separately presented in the fiscal year under review because of the increased quantitative significance. To reflect this change in presentation, the non-consolidated financial statements for the previous fiscal year have been reclassified.

Accordingly, "other" of ¥1,423 million presented under "non-operating income" in the statement of income for the previous fiscal year has been reclassified as "foreign exchange gains" of ¥6 million and "other" of ¥1,417 million.

(Additional information)

Share-based compensation plan

This information is not presented as the same information is disclosed in the "Notes to consolidated financial statements (Additional information)."

(Balance sheet)

*1. For assets acquired in previous years, the amount of reduction entry due to receipt of a government subsidy is ¥5,000 million. The balance sheet amount is stated net of this amount. The following table summarizes the amount of such accumulated reduction entry of property, plant and equipment.

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
Structures	42	42
Machinery and equipment	4,759	4,759
Tools, furniture and fixtures	198	198

*2. The following assets were pledged as collateral for borrowings of subsidiaries and associates.

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
Investment securities	6,369	6,369
Shares of subsidiaries and associates	619	610

3. Contingent liabilities

(Millions of yen)

As of March 31, 2021		As of March 31, 2022	
(1) Liabilities for guarantees on borrowings to financial institutions			
Japan Canada Oil Sands Limited *1	28,272	Kumamoto Mirai LNG Co., Ltd.	31
JAPEX Montney Ltd. *2	6,800	Employees (borrowings for housing funds)	22
Employees (borrowings for housing funds)	38	Greenland Petroleum Exploration Co., Ltd.	20
Kumamoto Mirai LNG Co., Ltd.	38		
Greenland Petroleum Exploration Co., Ltd.	19		
(2) Guarantees on liabilities related to production facilities			
Kangean Energy Indonesia Ltd.	736	Kangean Energy Indonesia Ltd.	116
(3) Completion guarantee for pipeline construction			
JAPEX Montney Ltd.	5,705		–
(4) Guarantee for letter of credit from financial institutions			
Japan Canada Oil Sands Limited	4,469		–
Total	46,079	Total	191

*1 Of this amount, ¥400 million is re-guaranteed by another company.

*2 The amount stated is net of provision for loss on guarantees of ¥22,811 million.

*4. Monetary receivables from and payables to subsidiaries and associates (excluding those presented separately)

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
Short-term receivables	2,676	11,777
Long-term receivables	91	130
Short-term payables	18,317	15,630
Long-term payables	–	–

5. The Company has entered into overdraft agreements and loan commitment agreements with four banks to facilitate efficient procurement of working capital. The unused balances of these agreements as of March 31, 2021 and 2022 are as follows:

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
Total overdraft limit and commitment line	66,100	84,458
Executed borrowings	–	–
Unused balance	66,100	84,458

(Statement of income)

*1. Transactions with subsidiaries and associates

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Volume of operating transactions		
Net sales	23,196	24,295
Purchases	71,894	12,840
Volume of other transactions	9,582	18,170

*2. Selling expenses for the fiscal years ended March 31, 2021 and 2022 roughly account for 60% and 57% of SG&A expenses, respectively, while general and administrative expenses for 40% and 43%, respectively.

Below is a breakdown of major expense items and amount of selling, general and administrative expenses:

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Compensation for directors and other officers	432	411
Salaries for employees, etc.	6,512	6,460
Retirement benefit expenses	408	370
Freight costs	2,444	2,506
Cost of outsourcing construction work	2,940	2,652
Depreciation	3,677	3,559

*3. Impairment losses

In the fiscal year ended March 31, 2021, the Company recognized impairment losses on the asset groups as shown below.

Use	Location	Impairment losses	
		Type	Amount (Millions of yen)
Business assets related to Yufutsu oil and gas field	Tomakomai City, Hokkaido and others	Buildings	1,062
		Machinery and equipment	3,466
		Land	3,780
		Leased assets	1,234
		Other	1,628
	Total		11,172
Business assets related to Iwafune-oki oil and gas field	Tainai City, Niigata and others	Machinery and equipment	1,660
Other			533

The Company deems a production facility, etc. as the minimum unit that generates largely independent cash flows for business assets, and groups assets at the level of individual property for idle assets.

As for business assets related to the Yufutsu oil and gas field, the carrying amount of business assets for production operation was written off to the recoverable amount, and the write-off was recorded as impairment losses under extraordinary losses, based on review of future cash flows with a downward revision in the crude oil price forecast.

In addition, the recoverable amount of this asset group is mainly measured at value in use, which is recorded at the memorandum value as the future cash flows are expected to be negative.

As for business assets related to the Iwafune-oki oil and gas field, the carrying amount of business assets for production operation was written off to the recoverable amount, and the write-off was recorded as impairment losses under extraordinary losses, based on review of future cash flows with an increase in asset retirement obligations due to a change in the estimate for expenses related to the future withdrawal of the Iwafune-oki offshore platform and well abandonment.

The recoverable amount for this asset group is measured from its value in use, then calculated by discounting future cash flows at 8%.

(Securities)

Shares of subsidiaries and associates

Fiscal year ended March 31, 2021

With regard to the shares of subsidiaries and associates (balance sheet amounts are ¥135,608 million and ¥18,632 million, respectively), the Company does not disclose their fair value because of the lack of quoted market prices and the inability to estimate fair value.

Fiscal year ended March 31, 2022

With regard to the shares of subsidiaries and associates (balance sheet amounts are ¥68,690 million and ¥14,142 million, respectively), the Company does not disclose their fair value because of the lack of quoted market prices and the inability to estimate fair value.

(Tax effect accounting)

1. Significant components of deferred tax assets and liabilities

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
Deferred tax assets		
Allowance for overseas investment loss	2,680	1,829
Net tax loss carried forward	–	10,398
Provision for retirement benefits	671	587
Depreciation on non-current asset	5,998	5,156
Investment securities and shares of subsidiaries and associates	12,883	758
Asset retirement obligations	4,301	4,290
Impairment losses on non-current assets	2,023	2,021
Allowance for doubtful accounts	6,427	4
Provision for loss on guarantees	6,387	–
Tax credit carried forward	3,899	3,940
Other	2,586	3,927
Subtotal deferred tax assets	47,858	32,915
Valuation allowance for net tax loss carried forward	–	(7,280)
Valuation allowance for total of deductible temporary differences	(28,964)	(12,813)
Total valuation allowance	(28,964)	(20,094)
Total deferred tax assets	18,894	12,821
Deferred tax liabilities		
Reserve for mine prospecting	(5,503)	(6,819)
Reserve for overseas investment loss	(588)	(324)
Reserve for tax purpose reduction entry of non-current assets	(211)	(201)
Reserve for special depreciation	(28)	–
Valuation difference on available-for-sale securities	(16,770)	(18,585)
Other	(424)	(204)
Total deferred tax liabilities	(23,526)	(26,136)
Deferred tax liabilities, net	(4,631)	(13,315)

2. Reconciliation of the effective tax rates reflected in the consolidated statement of income and the effective statutory tax rates

Fiscal year ended March 31, 2021

This information is not presented as the Company recognized loss before income taxes.

Fiscal year ended March 31, 2022

This information is not presented as the Company recognized loss before income taxes.

(Revenue recognition)

Information that provides the basis for understanding revenue from contracts with clients is as presented in “Notes (Significant accounting policies), 4. Accounting standards for revenues and expenses” in the financial statements.

(Significant subsequent events)

Not applicable.

4) Annexed Detailed Schedules

Schedule of total property, plant and equipment

(Millions of yen)

Category	Type of assets	Balance at beginning of period	Additions	Deductions	Depreciation	Balance at end of period	Accumulated depreciation
Property, plant and equipment	Buildings	9,488	459	84	510	9,352	13,846
	Structures	27,715	2,381	3	3,209	26,884	122,344
	Wells	113	84	–	113	85	64,538
	Machinery and equipment	24,613	487	29	4,383	20,688	94,601
	Vessels	1	–	–	0	0	23
	Vehicles	3	–	–	1	1	15
	Tools, furniture and fixtures	1,902	438	0	464	1,875	9,928
	Land	10,315	–	848	–	9,466	–
	Leased assets	52	28	3	23	53	3,616
	Construction in progress	427	4,538	4,467	–	499	–
	Wells in progress	–	687	–	–	687	–
	Total	74,634	9,107	5,437	8,708	69,596	308,915
Intangible assets	Leasehold interests in land	151	–	–	–	151	–
	Software	766	245	0	308	702	953
	Other	157	253	245	14	150	76
	Total	1,075	499	246	322	1,005	1,029

Note: Major components of increase during period are as follows:

Construction in progress: Construction work of calorific value adjustment facility ¥2,786 million

Schedule of allowances and provisions

(Millions of yen)

Account title	Balance at beginning of period	Increase during period	Decrease during period	Balance at end of period
Allowance for doubtful accounts	22,956	–	22,938	17
Allowance for overseas investment loss	9,572	196	3,235	6,533
Provision for bonuses for directors (and other officers)	40	18	40	18
Provision for loss on disaster	913	1,302	374	1,841
Provision for share awards	23	30	5	47
Provision for loss on guarantees	22,811	–	22,811	–

(2) Components of major assets and liabilities

This information is not presented as the Company prepares the consolidated financial statements.

(3) Other

Not applicable.

Item 6. Outline of Share-related Administration of Reporting Company

Fiscal year	From April 1 to March 31
Ordinary General Meeting of Shareholders	June
Record date	March 31
Record date of dividends of surplus	September 30 March 31
Number of shares constituting one unit	100 shares
Purchase of shares of less than one unit	
Handling office	(Special account) Stock Transfer Agency Department, Head Office, Mizuho Trust & Banking Co., Ltd. 1-3-3 Marunouchi, Chiyoda-ku, Tokyo, Japan
Transfer agent	(Special account) Mizuho Trust & Banking Co., Ltd. 1-3-3 Marunouchi, Chiyoda-ku, Tokyo, Japan
Forwarding office	————————
Purchase fee	Amounts equivalent to fees determined by the share handling regulations of the Company in relation to entrustment of the purchase and sale of securities
Method of public notice	Publication in The Nihon Keizai Shimbun published in Tokyo
Special benefits for shareholders	Not applicable.

Notes: 1. Provisions regarding rights pertaining to shares of less than one unit

The Articles of Incorporation of JAPEX has the following provisions regarding rights pertaining to shares of less than one unit:

Article 9 (Rights Pertaining to Shares of Less than One Unit (*tangen*)

Any Company shareholder holding less than one unit (*tangen*) shall be unable to exercise any rights other than those set out below:

1. Rights stipulated in Article 189-2 of the Companies Act
2. Rights of pre-emption in respect of issues of shares or grants of share options, in proportion to their shareholdings.

2. The Articles of Incorporation were amended by the resolution of the Ordinary General Meeting of the Shareholders held on June 28, 2022. Accordingly, the method of public notice of the Company has changed as follows:
Public notice of the Company shall be given electronically; provided, however, that in the event that the Company is unable to give electronic public notice due to an accident or other unavoidable reason, public notice shall be given by publication in The Nikkei published in Tokyo. The Company will give public notice on the following URL:
https://www.japex.co.jp/

Item 7. Reference Information of Reporting Company

1. Information about Parent of Reporting Company

The Company does not have any company or entity as its parent.

2. Other Reference Information

From the beginning of the fiscal year under review until the filing date of this Annual Securities Report, the Company has filed the following documents:

(1) Annual Securities Report, attached document thereof and Confirmation Letter

Filed for the 51st term ended March 31, 2021 (from April 1, 2020 to March 31, 2021) with the Director-General of the Kanto Local Finance Bureau on June 28, 2021.

(2) Internal Control Report and attached document thereof

Filed with the Director-General of the Kanto Local Finance Bureau on June 28, 2021.

(3) Quarterly Securities Reports and Confirmation Letter

Filed for the first quarter (from April 1 to June 30, 2021) of the 52nd term ended March 31, 2022 with the Director-General of the Kanto Local Finance Bureau on August 11, 2021.

Filed for the second quarter (from July 1 to September 30, 2021) of the 52nd term ended March 31, 2022 with the Director-General of the Kanto Local Finance Bureau on November 10, 2021.

Filed for the third quarter (from October 1 to December 31, 2021) of the 52nd term ended March 31, 2022 with the Director-General of the Kanto Local Finance Bureau on February 10, 2022.

(4) Extraordinary Reports

Filed the Extraordinary Report pursuant to Article 19, paragraph 2, item 9-2 (Result of exercise of voting rights at a general meeting of shareholders) of the Cabinet Office Ordinance on Disclosure of Corporate Affairs with the Director-General of the Kanto Local Finance Bureau on July 5, 2021.

Filed the Extraordinary Report pursuant to Article 19, paragraph 2, item 3 (Changed to a specified subsidiary company) and item 12 and item 19 (Event which may have serious effects on the financial position, operating results and cash flow statuses of the Company and its consolidated companies) of the Cabinet Office Ordinance on Disclosure of Corporate Affairs with the Director-General of the Kanto Local Finance Bureau on August 3, 2021.

Filed the Extraordinary Report pursuant to Article 19, paragraph 2, item 12 and item 19 (Event which may have serious effects on the financial position, operating results and cash flow statuses of the Company and consolidated companies) of the Cabinet Office Ordinance on Disclosure of Corporate Affairs with the Director-General of the Kanto Local Finance Bureau on November 12, 2021.

Filed the Extraordinary Report pursuant to Article 19, paragraph 2, item 19 (Event which may have serious effects on the financial position, operating results and cash flow status of consolidated companies) of the Cabinet Office Ordinance on Disclosure of Corporate Affairs with the Director-General of the Kanto Local Finance Bureau on December 23, 2021.

Filed the Extraordinary Report pursuant to Article 19, paragraph 2, item 12 (Event which may have serious effects on the financial position, operating results and cash flow status of the Company) of the Cabinet Office Ordinance on Disclosure of Corporate Affairs with the Director-General of the Kanto Local Finance Bureau on March 28, 2022.

Filed the Extraordinary Report pursuant to Article 19, paragraph 2, item 3 (Changed to a specified subsidiary company) of the Cabinet Office Ordinance on Disclosure of Corporate Affairs with the Director-General of the Kanto Local Finance Bureau on March 28, 2022.

(5) Share Buyback Reports

Filed for the reporting period from November 1 to November 30, 2021 with the Director-General of the Kanto Local Finance Bureau on December 14, 2021.

Filed for the reporting period from December 1 to December 31, 2021 with the Director-General of the Kanto Local Finance Bureau on January 13, 2022.

Filed for the reporting period from January 1 to January 31, 2022 with the Director-General of the Kanto Local Finance Bureau on February 10, 2022.

Filed for the reporting period from February 1 to February 28, 2022 with the Director-General of the Kanto Local Finance Bureau on March 14, 2022.

Filed for the reporting period from March 1 to March 31, 2022 with the Director-General of the Kanto Local Finance Bureau on April 14, 2022.

Filed for the reporting period April 1 to April 30, 2022 with the Director-General of the Kanto Local Finance Bureau on May

13, 2022.

Filed for the reporting period May 1 to May 31, 2022 with the Director-General of the Kanto Local Finance Bureau on June 14, 2022.

(6) Amendment Report of the Annual Securities Report and Confirmation Letter

Filed for the 51st term ended March 31, 2021 (from April 1, 2020 to March 31, 2021) with the Director-General of the Kanto Local Finance Bureau on June 10, 2022.

Section 2 Information about Reporting Company's Guarantor, etc.

Not applicable.

(TRANSLATION ONLY)

Independent Auditor's Report and Internal Control Audit Report

June 28, 2022

The Board of Directors

Japan Petroleum Exploration Co., Ltd.

Ernst & Young ShinNihon LLC

Tokyo Office

YUKAWA Yoshio
Designated and Engagement Partner
Certified Public Accountant

YAMAZAKI Kazuhiko
Designated and Engagement Partner
Certified Public Accountant

YOSHIDA Takeshi
Designated and Engagement Partner
Certified Public Accountant

<Audit of Financial Statements>

Opinion

Pursuant to the provisions of Article 193-2, paragraph 1 of the Financial Instruments and Exchange Act, we have audited the consolidated financial statements of Japan Petroleum Exploration Co., Ltd. (the "Company") provided in the Financial Information section in the Company's Annual Securities Report, namely, the consolidated balance sheet as of March 31, 2022, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity, and consolidated statement of cash flows for the fiscal year from April 1, 2021 to March 31, 2022, and the notes to significant accounting policies for preparation of consolidated financial statements and other notes and the annexed consolidated detailed schedules.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company and its consolidated subsidiaries (collectively, the "Group") as of March 31, 2022, and its consolidated financial performance and cash flows for the fiscal year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Recoverability of Deferred Tax Assets	
Key Audit Matters and the Reasoning	Auditor’s Response
As described in “Notes to consolidated financial statements, (Significant accounting estimates),” the Group recorded deferred tax assets before offsetting deferred tax liabilities of ¥20,837 million as of March 31, 2022. Of the item above, the Company recorded deferred tax assets of ¥12,821 million including ¥3,118 million for some part of net tax loss carried forward. As a result of performing the scheduling of deductible temporary differences based on the estimated taxable income before adding/deducting temporary differences over the reasonably estimable period as of the end of the current fiscal year, the Group recorded its deferred tax assets for the recoverable deductible temporary differences and net tax loss carried forward. The recoverability of deferred tax assets largely depends on the estimation of future taxable income. Selling prices and volumes are used as primary assumptions for estimating the timing and amount of future taxable income. E&P Business and Infrastructure/Utility Business are primary businesses of the Company. These primary assumptions are significantly affected by irreversible structural changes and decarbonization trends in various areas such as energy demand and environmental issues. These estimates largely depend on business plans and entail uncertainties under which management has difficulty making decisions and providing evidence, including determining reasonably estimable periods for evaluating the recoverability of deferred tax assets. In addition, deferred tax assets have significance in terms of amount. Taking these matters into consideration, we determined that recoverability of deferred tax assets of the Company is a key audit matter.	For the purpose of considering the recoverability of deferred tax assets of the Company, we examined the appropriateness of the corporate judgments and reasonably estimable periods of future taxable income relating to corporate classifications based on the Implementation Guidance on Recoverability of Deferred Tax Assets (ASBJ Guidance No.26). In particular, we discussed with management the reasons for having incurred significant net tax loss and the management environment surrounding the Company, and compared the medium- to long-term plans formulated in the past with actual results. Furthermore, to consider the appropriateness of the estimation of future taxable income, we discussed with management the management environment and underlying business plans, including the decarbonization trends and the effect of economic sanctions adopted against Russia. We mainly performed the procedures below: – We compared the actual sales volumes with the estimates formulated in the past to assess the effectiveness of the estimation processes determined by management. – We considered the consistency between the estimates of future taxable income with the business plans approved by management. – We compared crude oil and natural gas prices, the basis of selling prices, with estimated prices announced by external research firms. – We compared sales volumes with past results and considered the consistency between production amounts and the results of reserve assessment.

Other Information

The other information consists of the information included in the annual securities report, other than the consolidated financial statements, the non-consolidated financial statements, and our auditor’s reports thereon. Management is responsible for the preparation and disclosure of the other information. The Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for overseeing the Directors’ execution of duties relating to the design and operations of the reporting process about the other information.

Our opinion on the consolidated financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If we conclude that there is a material misstatement of this other information based on the work we have performed, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Management, the Audit & Supervisory Board Members and the Audit & Supervisory Board for the Consolidated Financial Statements

Management is responsible for preparing and fairly presenting these consolidated financial statements in accordance with accounting principles for consolidated financial statements generally accepted in Japan, and for designing and operating such internal control as management determines necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern and disclosing, as required by accounting principles generally accepted in Japan, matters related to going concern.

The Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for overseeing the Directors' execution of duties relating to the design and operations of the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our responsibilities are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion on the consolidated financial statements based on our audit from an independent standpoint. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

In accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

・Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. The procedures selected or applied depend on the auditor's judgement. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

・Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Group's internal control.

・Evaluate the appropriateness of accounting policies used by the management and their method of application, as well as the reasonableness of accounting estimates made by the management and related notes thereto.

・Conclude on the appropriateness of management's use of the going concern basis for preparing the consolidated financial statements. And, based on the audit evidence obtained, determine whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related notes to the consolidated financial statements or, if such notes are inadequate, to express a qualified opinion with exceptions on the consolidated financial statements. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

・Evaluate whether the overall presentation of the consolidated financial statements and the notes thereto are in accordance with accounting principles generally accepted in Japan, as well as the overall presentation, structure and content of the consolidated financial statements, including the notes thereto, and whether the consolidated financial statements represent the underlying transactions and accounting events in a manner that achieves fair presentation.

・Obtain sufficient appropriate audit evidence regarding the financial information of the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit of consolidated financial statements. We remain solely responsible for our audit opinion.

We communicate with the Audit & Supervisory Board Members and the Audit & Supervisory Board regarding the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit, and other matters required by auditing standards.

We also provide the Audit & Supervisory Board Members and the Audit & Supervisory Board with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the financial statements in Japan, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards in order to eliminate or reduce obstruction factors.

Of the matters communicated with the Audit & Supervisory Board Members and the Audit & Supervisory Board, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period as key audit matters in our auditor's report and describe the matters in our auditor's report. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

<Audit of Internal Control>

Opinion

To make an audit certification pursuant to Article 193-2, paragraph 2 of the Financial Instruments and Exchange Act, we have audited the Internal Control Report of Japan Petroleum Exploration Co., Ltd. as of March 31, 2022.

In our opinion, the accompanying Internal Control Report, in which Japan Petroleum Exploration Co., Ltd. states that internal control over financial reporting was effective as of March 31, 2022, presents fairly, in all material respects, the assessment of internal control over financial reporting, in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

Basis for Opinion

We conducted our internal control audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Internal Control Audit section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management, the Audit & Supervisory Board Members and the Audit & Supervisory Board for the Internal Control Report

Management is responsible for designing and operating effective internal control over financial reporting, and for preparing and fairly presenting its report on internal control in accordance with standards for assessment of internal control over financial reporting generally accepted in Japan.

The Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for overseeing and verifying the design and operating effectiveness of internal control over financial reporting.

Internal control over financial reporting may not fully prevent or detect misstatements in financial reporting.

Auditor's Responsibilities for the Internal Control Audit

Our responsibilities are to obtain reasonable assurance about whether the Internal Control Report is free from material misstatement and to issue an internal control audit report that includes our opinion on the Internal Control Report based on our internal control audit from an independent standpoint.

In accordance with auditing standards for internal control over financial reporting generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

・Perform audit procedures to obtain audit evidence for the assessment results for internal control over financial reporting in the internal control report. Internal control audit procedures selected and applied depend on the auditor's judgment, taking into account the significance of effects on the reliability of financial reporting.

・Evaluate the overall presentation of the Internal Control Report, including the appropriateness of the scope, procedures and results of management's assessments of internal control over financial reporting.

・Obtain sufficient appropriate audit evidence about the results of the assessments of internal control over financial reporting in the Internal Control Report. We are responsible for the direction, supervision and performance of the audit of the Internal Control Report. We remain solely responsible for our audit opinion.

We communicate with the Audit & Supervisory Board Members and the Audit & Supervisory Board regarding the scope and timing of the planned internal control audit, results thereof, significant deficiencies in internal control to be disclosed that we identify during our audit and those that were remediated, and other matters required by auditing standards for internal control.

We also provide the Audit & Supervisory Board Members and the Audit & Supervisory Board with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the financial statements in Japan, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards in order to eliminate or reduce obstruction factors.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Notes:1. The above report is the electronic version of the original Independent Auditor's Report. The original report is kept separately by the Company (the reporting company of the Annual Securities Report).

2. The associated XBRL data are not included in the scope of the audit.

(TRANSLATION ONLY)

Independent Auditor’s Report

June 28, 2022

The Board of Directors

Japan Petroleum Exploration Co., Ltd.

Ernst & Young ShinNihon LLC
Tokyo Office

YUKAWA Yoshio
Designated and Engagement Partner
Certified Public Accountant

YAMAZAKI Kazuhiko
Designated and Engagement Partner
Certified Public Accountant

YOSHIDA Takeshi
Designated and Engagement Partner
Certified Public Accountant

Opinion

Pursuant to Article 193-2, paragraph 1 of the Financial Instruments and Exchange Act, we have audited the non-consolidated financial statements of Japan Petroleum Exploration Co., Ltd. (the “Company”) provided in the “Financial Information” section in the Company’s Annual Securities Report, namely, the non-consolidated balance sheet as of March 31, 2022, and the non-consolidated statement of income and non-consolidated statement of changes in equity and the notes to significant accounting policies for the 52nd fiscal year from April 1, 2021 to March 31, 2022, and the related notes and the annexed detailed schedules.

In our opinion, the accompanying non-consolidated financial statements present fairly, in all material respects, the financial position of the Company as of March 31, 2022, and its financial performance for the fiscal year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Non-consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the non-consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the non-consolidated financial statements of the current period. These matters were addressed in the context of our audit of the non-consolidated financial statements as a whole, and in forming the auditor’s opinion thereon, and we do not provide a separate opinion on these matters.

Recoverability of Deferred Tax Assets

As described in “Notes to non-consolidated financial statements, (Significant accounting estimates),” the Company recorded deferred tax assets before offsetting deferred tax liabilities of ¥12,821 million as of March 31, 2022. Of the item above, the Company recorded deferred tax assets of ¥3,118 million for some part of net tax loss carried forward. The statement is omitted because the details are the same as those of the key audit matters described in the auditor’s report for the consolidated financial statements.

Other Information

The other information consists of the information included in the annual securities report, other than the consolidated financial statements, the non-consolidated financial statements, and our auditor's reports thereon. Management is responsible for the preparation and disclosure of the other information. The Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for overseeing the Directors' execution of duties relating to the design and operations of the reporting process about the other information.
Our opinion on the non-consolidated financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon.
In connection with our audit of the non-consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the non-consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.
If we conclude that there is a material misstatement of this other information based on the work we have performed, we are required to report that fact.
We have nothing to report in this regard.

Responsibilities of Management, the Audit & Supervisory Board Members and the Audit & Supervisory Board for the Non-Consolidated Financial Statements
Management is responsible for preparing and fairly presenting non-consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines necessary to enable the preparation and fair presentation of the non-consolidated financial statements that are free from material misstatement, whether due to fraud or error.
In preparing the non-consolidated financial statements, management is responsible for assessing whether it is appropriate to prepare the non-consolidated financial statements with the assumption of the Company's ability to continue as a going concern, and disclosing, as required by accounting principles generally accepted in Japan, matters related to going concern.
The Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for overseeing the Directors' execution of duties relating to the design and operations of the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Non-consolidated Financial Statements
Our responsibilities are to obtain reasonable assurance about whether the non-consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion on the non-consolidated financial statements based on our audit from an independent standpoint. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these non-consolidated financial statements.
In accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. The procedures selected or applied depend on the auditor's judgement. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- When performing risk assessment procedures, obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of auditing the non-consolidated financial statements to express an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used by the management and their method of application, as well as the reasonableness of accounting estimates made by the management and related notes thereto.
- Conclude on the appropriateness of management's use of the going concern basis for preparing the non-consolidated financial statements. And, based on the audit evidence obtained, determine whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related notes to the non-consolidated financial statements or, if such notes are inadequate, to express a qualified opinion with exceptions on the non-consolidated financial statements. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate whether the overall presentation of the non-consolidated financial statements and the notes thereto are in accordance with accounting principles generally accepted in Japan, as well as the overall presentation, structure and content of the non-consolidated financial statements, including the notes thereto, and whether the non-consolidated financial statements represent the underlying transactions and accounting events in a manner that achieves fair presentation.

We communicate with the Audit & Supervisory Board Members and the Audit & Supervisory Board regarding the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit, and other matters required by auditing standards.

We also provide the Audit & Supervisory Board Members and the Audit & Supervisory Board with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the financial statements in Japan, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards in order to eliminate or reduce obstruction factors.

Of the matters communicated with the Audit & Supervisory Board Members and the Audit & Supervisory Board, we determine those matters that were of most significance in the audit of the non-consolidated financial statements for the current fiscal year as key audit matters in our auditor’s report and describe the matters in our auditor’s report. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its engagement partners do not have any interest in the Company which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Notes 1. The above report is the electronic version of the original Independent Auditor’s Report. The original report is kept separately by the Company (the reporting company of the Annual Securities Report).

2. The associated XBRL data are not included in the scope of the audit.