

Consolidated Financial Results for the Three Months Ended June 30, 2024 <under Japanese GAAP>

August 8, 2024

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

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

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

1. Consolidated financial results for the three months ended June 30, 2024 (April 1, 2024 – June 30, 2024)

(1) Consolidated operating results (cumulative) (Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended								
June 30, 2024	89,465	45.9	12,948	0.3	16,560	(9.1)	11,493	(11.6)
June 30, 2023	61,321	4.6	12,903	31.5	18,219	(19.4)	12,999	(16.9)

Note: Comprehensive income: Three months ended June 30, 2024: 15,535 million yen ((28.8)%
 Three months ended June 30, 2023: 21,833 million yen (10.2%)

	Basic earnings per share		Diluted earnings per share	
	Yen		Yen	
Three months ended				
June 30, 2024		219.44		–
June 30, 2023		239.73		–

(2) Consolidated financial position

	Total assets		Net assets		Equity ratio	
	Millions of yen		Millions of yen		%	
As of June 30, 2024		687,110		537,415		73.1
As of March 31, 2024		660,928		537,574		76.2

Reference: Equity As of June 30, 2024: 502,531 million yen As of March 31, 2024: 503,902 million yen

2. Cash dividends

	Annual dividends				
	First quarter	Second quarter	Third quarter	Fiscal year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2024	–	125.00	–	175.00	300.00
Fiscal year ending March 31, 2025	–				
Fiscal year ending March 31, 2025 (Forecast)		125.00	–	25.00	–

- Notes: 1. Revisions to the latest forecasts of cash dividends: None
2. JAPEX's Board of Directors resolved at a meeting held on May 14, 2024 to conduct a 5-for-1 stock split of shares of common stock, with an effective date of October 1, 2024. The year-end dividend per share for the fiscal year ending March 31, 2025 (forecast) is stated after considering the effect of such the stock split, and the total annual dividend is expressed as “-.” If the stock split is not considered, the year-end dividend for the fiscal year ending March 31, 2025 (forecast) will be 125.00 yen, and the total annual dividend will be 250.00 yen.

3. Consolidated financial forecasts for the fiscal year ending March 31, 2025 (April 1, 2024 – March 31, 2025) (Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Fiscal year ending March 31, 2025	358,400	10.0	53,800	(2.6)	57,800	(16.0)	44,000	(18.0)	170.62

- Notes: 1. Revisions to the consolidated financial forecasts most recently announced: Yes
2. Basic earnings per share is calculated considering the effect of the stock split as noted in “2. Cash dividends.” Without considering the stock split, basic earnings per share in the consolidated earnings forecast for the fiscal year ending March 31, 2025 is 853.11 yen.

* Notes

- (1) Significant changes in the scope of consolidation during the three months under review: None
- (2) Application of specific accounting for preparing quarterly consolidated financial statements: Yes
Note: For details, please refer to “(3) Notes to quarterly consolidated financial statements (Notes to specific accounting for preparing quarterly consolidated financial statements)” of “2. Quarterly consolidated financial statements and significant notes thereto” on page 10 of the attached material.
- (3) Changes in accounting policies, changes in accounting estimates, and restatement
- Changes in accounting policies due to revisions to accounting standards and other regulations: None
 - Changes in accounting policies due to other reasons: None
 - Changes in accounting estimates: None
 - Restatement: None
- (4) Number of issued shares (common shares)
- Total number of issued shares at the end of the period (including treasury shares)
 - As of June 30, 2024 54,300,076 shares
 - As of March 31, 2024 54,300,076 shares
 - Number of treasury shares at the end of the period
 - As of June 30, 2024 2,374,986 shares
 - As of March 31, 2024 1,438,286 shares
 - Average number of shares during the period (cumulative from the beginning of the fiscal year)
 - Three months ended June 30, 2024 52,379,084 shares
 - Three months ended June 30, 2023 54,226,346 shares

* Review of the Japanese-language originals of the attached quarterly consolidated financial statements by certified public accountants or an audit corporation: None

* Proper use of financial forecasts, and other special matters

The forward-looking statements, including the financial forecasts shown in this document are based on information currently available to our company and on certain assumptions deemed to be reasonable. As such, they do not constitute guarantees by our company of future performance. Actual performance and other results may differ materially from these forecasts due to various factors.

For the suppositions that form the assumptions for financial forecasts and cautions concerning the use thereof, please refer to “(3) Explanation of consolidated financial forecasts and other forward-looking statements” of “1. Overview of operating results and others” on page 5 of the attached material to the quarterly financial results report.

(Attached Material)

1. Overview of operating results and others

(1) Overview of operating results for the three months ended June 30, 2024

During the three months ended June 30, 2024, net sales was ¥89,465 million, an increase of ¥28,143 million (+45.9%) year on year. Gross profit was ¥22,278 million, an increase of ¥1,769 million (+8.6%) year on year. Main factors behind the year-on-year increase for net sales and increase for gross profit include the growth of sales volume for crude oil in North America and the Middle East.

Exploration expenses was ¥1,713 million, an increase of ¥1,457 million (+570.2%) year on year. Selling, general and administrative expenses was ¥7,616 million, an increase of ¥266 million (+3.6%) year on year. As a result, operating profit was ¥12,948 million, an increase of ¥45 million (+0.3%) year on year.

Ordinary profit was ¥16,560 million, a decrease of ¥1,658 million (-9.1%) year on year, due mainly to a reversal from a share of profit of entities accounted for using equity method to a share of loss, and a decrease in foreign exchange gains.

Profit before income taxes decreased by ¥1,650 million year on year to ¥16,558 million. Profit attributable to owners of parent decreased by ¥1,505 million year on year to ¥11,493 million.

Below is a breakdown of net sales.

(i) E&P Business

Net sales from the E&P Business came to ¥29,836 million, an increase of ¥19,111 million (+178.2%) year on year, mainly due to the growth of sales volume for crude oil in North America and the Middle East.

(ii) Infrastructure/Utility Business

Net sales from the Infrastructure/Utility Business came to ¥43,749 million, an increase of ¥7,351 million (+20.2%) year on year. This was mainly the result of an increase in sales volume for LNG.

(iii) Other Businesses

Net sales from other businesses, such as the contract services (drilling and geological surveys, etc.), sale of oil products, including liquefied petroleum gas (LPG), fuel oil and the like, as well as other subcontracted tasks, came to ¥15,880 million, an increase of ¥1,681 million (+11.8%) year on year.

(2) Overview of financial position for the three months ended June 30, 2024

Total assets at the end of the first quarter increased by ¥26,181 million from the previous fiscal year-end to ¥687,110 million.

Current assets decreased by ¥40,878 million from the previous fiscal year-end. This was mainly due to a decrease in cash and deposits. Non-current assets increased by ¥67,059 million from the previous fiscal year-end. This was mainly due to an increase in property, plant and equipment owing to the recording of wells, etc., and an increase in investment securities due to the purchase of investment securities.

Liabilities increased by ¥26,340 million from the previous fiscal year-end to ¥149,694 million.

Current liabilities increased by ¥25,806 million from the previous fiscal year-end. This was due mainly to increases in notes and accounts payable - trade, and short-term borrowings. Non-current liabilities increased by ¥533 million from the previous fiscal year-end. This was mainly due to an increase in deferred tax liabilities resulting from the rise in market values of investment securities and other factors.

Net assets decreased by ¥159 million from the previous fiscal year-end to ¥537,415 million. This was mainly due to a decrease due to the purchase of treasury shares despite counteracting increases resulting from the recording of retained earnings and foreign currency translation adjustment.

(3) Explanation of consolidated financial forecasts and other forward-looking statements

The consolidated financial forecasts for the fiscal year ending March 31, 2025 have been revised from the forecasts announced on May 14, 2024.

Please refer to the “Notice of Financial Forecasts Revision” disclosed on August 8, 2024, the same day of this report.

2. Quarterly consolidated financial statements and significant notes thereto

(1) Quarterly consolidated balance sheet

(Millions of yen)

	As of March 31, 2024	As of June 30, 2024
Assets		
Current assets		
Cash and deposits	169,997	130,744
Notes and accounts receivable - trade, and contract assets	41,610	40,371
Securities	3,000	3,000
Merchandise and finished goods	2,602	3,799
Work in process	40	142
Raw materials and supplies	19,885	17,687
Other	12,684	13,198
Allowance for doubtful accounts	(53)	(54)
Total current assets	249,768	208,889
Non-current assets		
Property, plant and equipment		
Wells, net	70,826	79,494
Other, net	105,474	106,522
Total property, plant and equipment	176,300	186,016
Intangible assets	5,265	5,352
Investments and other assets		
Investment securities	180,415	239,629
Other	49,389	47,433
Allowance for doubtful accounts	(47)	(47)
Allowance for overseas investment loss	(163)	(163)
Total investments and other assets	229,593	286,851
Total non-current assets	411,160	478,220
Total assets	660,928	687,110

(Millions of yen)

	As of March 31, 2024	As of June 30, 2024
Liabilities		
Current liabilities		
Notes and accounts payable - trade	9,520	19,936
Short-term borrowings	–	20,000
Income taxes payable	5,309	7,541
Provisions	286	183
Other	33,978	27,240
Total current liabilities	49,095	74,902
Non-current liabilities		
Deferred tax liabilities	41,739	43,069
Retirement benefit liability	3,414	3,459
Provisions	306	302
Asset retirement obligations	24,687	23,552
Other	4,110	4,408
Total non-current liabilities	74,258	74,792
Total liabilities	123,354	149,694
Net assets		
Shareholders' equity		
Share capital	14,288	14,288
Retained earnings	397,846	400,078
Treasury shares	(8,094)	(14,343)
Total shareholders' equity	404,040	400,023
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	84,686	86,109
Deferred gains or losses on hedges	8,704	7,720
Foreign currency translation adjustment	4,881	7,153
Remeasurements of defined benefit plans	1,589	1,524
Total accumulated other comprehensive income	99,862	102,507
Non-controlling interests	33,671	34,883
Total net assets	537,574	537,415
Total liabilities and net assets	660,928	687,110

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

(Millions of yen)

	Three months ended June 30, 2023	Three months ended June 30, 2024
Net sales	61,321	89,465
Cost of sales	40,812	67,187
Gross profit	20,508	22,278
Exploration expenses	255	1,713
Selling, general and administrative expenses	7,349	7,616
Operating profit	12,903	12,948
Non-operating income		
Interest income	520	705
Dividend income	57	68
Share of profit of entities accounted for using equity method	338	-
Foreign exchange gains	4,764	4,086
Other	116	104
Total non-operating income	5,797	4,964
Non-operating expenses		
Interest expenses	24	598
Share of loss of entities accounted for using equity method	-	589
Provision for loss on disaster	233	-
Other	224	164
Total non-operating expenses	481	1,352
Ordinary profit	18,219	16,560
Extraordinary income		
Gain on sale of non-current assets	0	-
Total extraordinary income	0	-
Extraordinary losses		
Loss on retirement of non-current assets	9	1
Total extraordinary losses	9	1
Profit before income taxes	18,209	16,558
Income taxes	4,335	3,669
Profit	13,874	12,889
Profit attributable to non-controlling interests	874	1,395
Profit attributable to owners of parent	12,999	11,493

Quarterly consolidated statement of comprehensive income

(Millions of yen)

	Three months ended June 30, 2023	Three months ended June 30, 2024
Profit	13,874	12,889
Other comprehensive income		
Valuation difference on available-for-sale securities	7,930	1,421
Deferred gains or losses on hedges	285	(2,484)
Foreign currency translation adjustment	(231)	2,424
Remeasurements of defined benefit plans, net of tax	(81)	(64)
Share of other comprehensive income of entities accounted for using equity method	57	1,349
Total other comprehensive income	7,959	2,646
Comprehensive income	21,833	15,535
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	20,959	14,139
Comprehensive income attributable to non-controlling interests	874	1,396

(3) Notes to quarterly consolidated financial statements

(Changes in the scope of consolidation or the scope of application of the equity method)

Significant changes in the scope of application of the equity method

Effective the first quarter, the silent partnership of which operator is Ozu Biomass Power Co., Ltd., an affiliate of JAPEX, became an equity method affiliate due to the increased material significance. In addition, Gulf Coast LNG Holdings LLC became an equity method affiliate because JAPEX acquired interest in that company.

(Notes to specific accounting for preparing quarterly consolidated financial statements)

Deferral accounting of cost variance

Cost variance arising from seasonal changes in production level is deferred as current assets (other) and current liabilities (other) because such variance is expected to be almost completely eliminated by the end of the cost accounting period.

Calculation of taxes

For the taxes, JAPEX and some of its consolidated subsidiaries compute first by reasonably estimating the effective tax rate after applying tax effect accounting against profit before income taxes for the fiscal year including the first quarter, and next by multiplying the quarterly profit before income taxes by such estimated effective tax rate.

However, in cases where the calculation of taxes using such estimated effective tax rate yields a result that is not reasonable to a significant extent, the effective statutory tax rate is used.

Note that income taxes - deferred is included in income taxes.

(Notes to segment information, etc.)

I Three months ended June 30, 2023

Information regarding net sales and profit (loss) by reportable segment

(Millions of yen)

	Reportable segment					Others	Total	Adjustment (Note) 1	Amount on the quarterly consolidated statement of income (Note) 2
	Japan	North America	Europe	Middle East	Total				
Net sales									
Net sales to outside clients	54,673	5,744	–	903	61,321	–	61,321	–	61,321
Intersegment sales or transfers	–	–	–	–	–	–	–	–	–
Total	54,673	5,744	–	903	61,321	–	61,321	–	61,321
Segment profit (loss)	13,732	1,952	(111)	447	16,021	–	16,021	(3,118)	12,903

Notes: 1. The segment profit (loss) adjustment of ¥(3,118) million includes intersegment eliminations of ¥0 million and corporate expenses that are not allocated to any reportable segments of ¥(3,118) million. 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 profit (loss) was adjusted to operating profit in the quarterly consolidated statement of income.

II Three months ended June 30, 2024

Information regarding net sales and profit (loss) by reportable segment

(Millions of yen)

	Reportable segment					Others	Total	Adjustment (Note) 1	Amount on the quarterly consolidated statement of income (Note) 2
	Japan	North America	Europe	Middle East	Total				
Net sales									
Net sales to outside clients	64,348	12,388	645	12,084	89,465	–	89,465	–	89,465
Intersegment sales or transfers	6	–	–	–	6	–	6	(6)	–
Total	64,354	12,388	645	12,084	89,472	–	89,472	(6)	89,465
Segment profit (loss)	9,957	4,853	(275)	1,503	16,039	–	16,039	(3,090)	12,948

Notes: 1. The segment profit (loss) adjustment of ¥(3,090) million includes intersegment eliminations of ¥0 million and corporate expenses that are not allocated to any reportable segments of ¥(3,091) million. 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 profit (loss) was adjusted to operating profit in the quarterly consolidated statement of income.

(Notes on significant changes in the amount of shareholders' equity)

JAPEX's Board of Directors resolved at a meeting held on November 10, 2023 on matters related to the repurchase of own shares, and as of June 30, 2024, JAPEX had acquired 2,309,700 treasury shares. Accordingly, over the three months ended June 30, 2024, treasury shares increased by ¥6,249 million to stand at ¥14,343 million as of June 30, 2024.

(Notes on premise of going concern)

No item to report.

(Notes to quarterly consolidated statement of cash flows)

Quarterly consolidated statement of cash flows for the three months ended June 30, 2024 is not prepared. Depreciation (including amortization related to intangible assets, etc. excluding goodwill) for the three months ended June 30, 2024 is as follows.

	(Millions of yen)	
	Three months ended June 30, 2023 (April 1, 2023 – June 30, 2023)	Three months ended June 30, 2024 (April 1, 2024 – June 30, 2024)
Depreciation	5,309	9,788

(Notes to significant subsequent events)

(Business combination by acquisition)

JAPEX's Executive Committee resolved on June 14, 2024 to purchase all the shares of Longboat JAPEX Norge AS ("LJN"), which was then an equity-method affiliate of JAPEX, held by Longboat Energy plc ("LBE") and making it a subsidiary. In addition, a share purchase agreement was concluded on the same date, and on July 12, 2024, the purchase of the shares was completed.

1. Outline of business combination

(1) Name of acquired company and details of its business

Name	Longboat JAPEX Norge AS
Details of business	Exploration, development and production of petroleum resources in offshore Norway

(2) Reasons for acquisition of shares

In July 2023, JAPEX engaged in capital participation in LJN to lay the foundation for its business expansion in Norway. LJN is currently engaged in exploration and development in multiple license interests in the Norwegian North Sea and the Norwegian Sea. In addition, the procedure to acquire interests in production assets was completed in January 2024, and crude oil and natural gas production from the assets has begun.

Following change in the management of LBE in May 2024, there has been a reconsideration of the Norwegian business policy, and as a result of discussions with LBE regarding the future management policy for LJN, JAPEX decided to set its sights on further expanding its Norwegian business by making LJN a subsidiary.

(3) Date of business combination

July 1, 2024 (deemed acquisition date)

(4) Legal form of business combination

Share acquisition in consideration for cash

(5) Name of company after combination

JAPEX Norge AS

(6) Ratio of voting rights after acquisition

Ratio of voting rights held immediately before the date of business combination	49.9%
Ratio of voting rights additionally acquired	50.1%
Ratio of voting rights after acquisition	100.0%

(7) Main grounds for determining the acquiring company

JAPEX is the acquiring company as it acquired the shares in consideration for cash.

2. Acquisition cost for the acquired company and breakdown by type of consideration

Consideration for acquisition	Market value of shares held immediately before the business combination on the date of the business combination	¥401 million
	Consideration for additional acquisition (cash)	¥403 million
Acquisition cost		¥804 million

3. Supplemental information

Status of production and sales

(1) Production

		Three months ended June 30, 2023 (April 1, 2023 – June 30, 2023)	Three months ended June 30, 2024 (April 1, 2024 – June 30, 2024)	(Reference) Fiscal year ended March 31, 2024 (April 1, 2023 – March 31, 2024)
E&P Business	Crude oil (kL)	268,226 (215,320)	382,714 (321,984)	1,143,923 (911,914)
	Natural gas (thousand m ³)	133,585 (10,780)	152,789 (36,070)	554,757 (70,533)
Infrastructure/ Utility Business	Electricity (thousand kWh)	657,182	525,465	3,085,392

Note: The figures in parentheses represent overseas production and are included in the total.

(2) Sales

		Three months ended June 30, 2023 (April 1, 2023 – June 30, 2023)		Three months ended June 30, 2024 (April 1, 2024 – June 30, 2024)		(Reference) Fiscal year ended March 31, 2024 (April 1, 2023 – March 31, 2024)	
		Sales volume	Net sales (Millions of yen)	Sales volume	Net sales (Millions of yen)	Sales volume	Net sales (Millions of yen)
E&P Business	Crude oil (kL)	152,850	10,608	403,031	28,966	1,240,742	87,808
	Natural gas (overseas) (thousand m ³)	10,336	116	35,076	869	65,950	1,002
	Subtotal		10,724		29,836		88,810
Infrastructure/ Utility Business	Natural gas (Japan) (thousand m ³)	202,037	20,200	195,913	16,778	955,826	81,487
	LNG (t)	30,995	1,498	169,294	15,960	275,149	30,190
	Electricity (thousand kWh)	774,913	13,137	579,923	9,585	3,548,750	53,272
	Others		1,561		1,425		7,197
	Subtotal		36,398		43,749		172,147
Other Businesses	Contract services		1,329		1,662		6,395
	Oil products/ merchandise		12,112		13,605		55,423
	Others		756		611		3,087
	Subtotal		14,199		15,880		64,905
Total			61,321		89,465		325,863

- Notes: 1. “Crude oil” includes crude oil that the JAPEX Group produced in oil fields and the crude oil purchased from other companies.
2. “Natural gas (Japan)” of the Infrastructure/Utility Business refers to gas supplied in Japan via pipeline and comprises the total of natural gas produced in Japan and regasified LNG. Natural gas (Japan) is classified under the Infrastructure/Utility Business, since both natural gas produced in Japan and LNG vaporized gas are sold together by our company’s supply network, which consists of the natural gas fields in Japan and the LNG terminals that vaporize gas linked by pipeline networks.
3. “Others” of the Infrastructure/Utility Business includes commissioned transportation of natural gas and contracted vaporization of LNG used for power plant fuel, etc.
4. Under the Other Businesses, “Oil products/merchandise” includes liquefied petroleum gas (LPG), fuel oil, gas oil and kerosene, and “Others” includes other subcontracted tasks.