Note : This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

Annual Securities Report

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

Fiscal year	From: April 1, 2022
(The 53rd term)	To: March 31, 2023

Japan Petroleum Exploration Co., Ltd.

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

(E00041)

Table of Contents

Cover

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 27, 2023
Fiscal year	The 53rd term (April 1, 2022 to March 31, 2023)
Company name	Japan Petroleum Exploration Co., Ltd.
Company name in English	Japan Petroleum Exploration Co., Ltd.
Title and name of representative	FUJITA Masahiro, Representative Director and President
Address of registered headquarters	1-7-12 Marunouchi, Chiyoda-ku, Tokyo
Telephone number	+81-3-6268-7001
Name of contact person	OKAMOTO Mitsumasa, Manager of Document Administration Group, Administration & Legal Dept.
Nearest place of contact	1-7-12 Marunouchi, Chiyoda-ku, Tokyo
Telephone number	+81-3-6268-7001
Name of contact person	OKAMOTO Mitsumasa, Manager of Document Administration Group, Administration & Legal Dept.
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		49th	50th	51st	52nd	53rd
Fiscal year ended		March 31, 2019	March 31, 2020	March 31, 2021	March 31, 2022	March 31, 2023
Net sales	(Millions of yen)	267,980	318,822	240,078	249,140	336,492
Ordinary profit	(Millions of yen)	12,523	32,635	10,001	43,674	83,130
Profit (loss) attributable to owners of parent	(Millions of yen)	14,770	26,815	(2,725)	(30,988)	67,394
Comprehensive income	(Millions of yen)	(7,804)	(6,254)	(1,574)	(18,992)	68,436
Net assets	(Millions of yen)	450,156	440,157	434,492	402,770	457,169
Total assets	(Millions of yen)	655,288	627,132	624,786	471,941	568,180
Net assets per share	(Yen)	7,287.32	7,046.18	7,011.36	6,679.85	7,849.18
Basic earnings (loss) per share	(Yen)	258.44	469.18	(47.73)	(545.64)	1,236.65
Diluted earnings per share	(Yen)	–	–	–	–	–
Equity ratio	(%)	63.6	64.2	64.0	78.7	74.9
Return on equity	(%)	3.5	6.5	–	–	16.9
Price-earnings ratio	(Times)	9.27	3.79	–	–	3.61
Net cash provided by (used in) operating activities	(Millions of yen)	30,970	69,895	43,263	(1,052)	104,581
Net cash provided by (used in) investing activities	(Millions of yen)	(13,969)	(18,701)	(6,453)	52,067	(52,723)
Net cash provided by (used in) financing activities	(Millions of yen)	(15,493)	(13,743)	(15,626)	(70,939)	(14,506)
Cash and cash equivalents at end of period	(Millions of yen)	100,633	138,259	157,963	144,513	186,166
Number of employees [Separately, average number of temporary employees]	(Persons)	1,741 [494]	1,739 [473]	1,780 [464]	1,634 [443]	1,617 [482]

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 51st and 52nd terms.

2. For the51st 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 “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 ended March 31, 2022, and therefore, key financial data for the fiscal year ended March 31, 2022 and thereafter are computed with such accounting standard and relevant regulations applied.

(2) Financial data of reporting company

Fiscal year		49th	50th	51st	52nd	53rd
Fiscal year ended		March 31, 2019	March 31, 2020	March 31, 2021	March 31, 2022	March 31, 2023
Net sales	(Millions of yen)	180,024	217,079	169,195	133,642	233,160
Ordinary profit	(Millions of yen)	21,536	29,718	24,549	39,018	67,169
Profit (Loss)	(Millions of yen)	23,765	25,413	(26,664)	(20,003)	58,769
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	54,300
Net assets	(Millions of yen)	391,225	380,442	362,065	337,872	381,522
Total assets	(Millions of yen)	467,656	442,637	467,262	423,049	492,716
Net assets per share	(Yen)	6,845.27	6,656.63	6,343.70	6,072.94	7,035.75
Dividends per share [Interim dividend per share of the above]	(Yen)	40.0 [10.0]	50.0 [25.0]	50.0 [25.0]	50.0 [25.0]	370.0 [150.0]
Basic earnings (loss) per share	(Yen)	415.82	444.66	(466.92)	(352.20)	1,078.40
Diluted earnings per share	(Yen)	–	–	–	–	–
Equity ratio	(%)	83.7	85.9	77.5	79.9	77.4
Return on equity	(%)	6.1	6.6	–	–	16.3
Price-earnings ratio	(Times)	5.76	4.00	–	–	4.14
Dividend payout ratio	(%)	9.6	11.2	–	–	34.3
Number of employees [Separately, average number of temporary employees]	(Persons)	904 [200]	919 [193]	937 [203]	965 [205]	954 [220]
Total shareholder return	(%)	100.3	76.9	90.4	113.7	206.9
[Comparative index: TOPIX (mining industry) Total Return Index by industry]	(%)	[82.2]	[51.2]	[65.8]	[124.1]	[133.9]
Highest stock price	(Yen)	3,290	3,280	2,500	3,045	5,230
Lowest stock price	(Yen)	1,775	1,541	1,624	1,714	2,443

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 51st and 52nd terms.

2. For the 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 were recorded.

3. 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 ended March 31, 2022, and therefore, key financial data for the fiscal year ended March 31, 2022 and thereafter are computed with such accounting standard and relevant regulations applied.

4. The highest and lowest stock prices are quoted prices on the First Section of the Tokyo Stock Exchange on and before April 3, 2022 and on the Prime Market of the Tokyo Stock Exchange on and after April 4, 2022.

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 JAPEX 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 JAPEX (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 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. JAPEX 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.

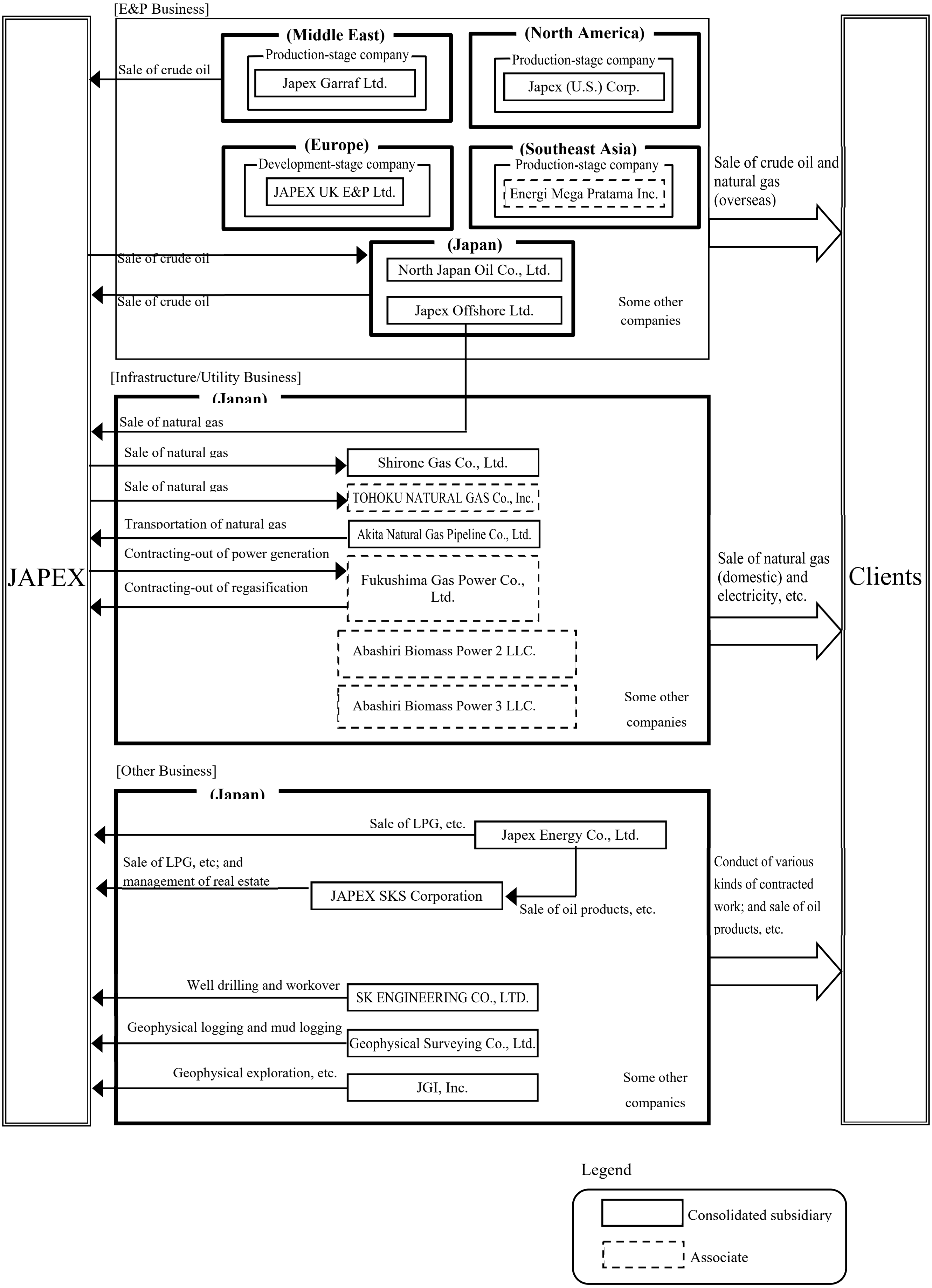
3. Description of Business

As of March 31, 2023, 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. purchases 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. In addition, JAPEX has been making efforts to develop renewable energy sources. JAPEX's associates, Abashiri Biomass Power 2 LLC. and Abashiri Biomass Power 3 LLC. have commenced their commercial operation of biomass power generation using domestic wood chips made from woods in Hokkaido as fuel.
	(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 workover operations. Mud logging refers to recording the results of surveys and analyses of mud that is circulated in wells during drilling and cuttings 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 and others 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 the project).

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	180,000 (thousand US dollars)	Exploration, development and production of petroleum resources in the United States	100.00	–	Receiving a loan from JAPEX for part of its business funds Interlocking officers: Yes
JAPEX UK E&P Ltd. (Note 1)	London, United Kingdom	151,662 (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	–	Selling crude oil and natural gas to 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
JAPEX Insurance Ltd. (Note 1)	Hamilton, Bermuda	3,500	Underwriting reinsurance of non-life insurance of JAPEX group	100.00	–	Underwriting a part of the insurance for JAPEX and its subsidiary, Japex Offshore Ltd. . 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. (Note 4)	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	–	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

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 (%)	
Kangean Energy Indonesia Ltd. (Notes 2 and 4)	Delaware, United Sates	10 (thousand US dollars)	Exploration, development and production of petroleum resources in the eastern Java Sea, Republic of Indonesia	– [100.00]	–	Interlocking officers: Yes
EMP Exploration (Kangean) Ltd. (Notes 2 and 4)	London, United Kingdom	100 (British pounds)	Exploration, development and production of petroleum resources in the eastern Java Sea, Republic of Indonesia	– [100.00]	–	Interlocking officers: Yes
Abashiri Biomass Power 2 LLC.	Abashiri, Hokkaido	1,297	Operation of biomass power generation using domestic wood chips	33.80	–	Receiving debt guarantees from JAPEX for some of its borrowings Interlocking officers: Yes
Two other companies						

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 JAPEX 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 JAPEX.

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

(1) Net sales	50,459
(2) Ordinary profit	312
(3) Profit	206
(4) Net assets	1,533
(5) Total assets	7,850

5. Employees

(1) Information about consolidated companies

As of March 31, 2023

Segment	Number of employees (Persons)
Japan	1,216 [373]
North America	6 [2]
Europe	1 [—]
Middle East	1 [—]
Total for reportable segments	1,224 [375]
Other	— [—]
Corporate (company-wide)	393 [107]
Total	1,617 [482]

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.

(2) Information about Reporting Company

As of March 31, 2023

Number of employees (Persons)	Average age (Years old)	Average length of service (Years)	Average annual salary (Yen)
954 [220]	40.50	15.74	8,567,461

Segment	Number of employees (Persons)
Japan	561 [113]
North America	– [–]
Europe	– [–]
Middle East	– [–]
Total for reportable segments	561 [113]
Other	– [–]
Corporate (company-wide)	393 [107]
Total	954 [220]

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 JAPEX have a union called JEC RENGO *Sekiyu Kaihatsu Rodokumiai* (JAPEX Labor Union), and the number of union members is 698 (including those seconded to outside JAPEX from JAPEX) as of March 31, 2023.

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

(4) Percentage of female managers, percentage of male employees taking childcare leave, and wage variance between male and female workers

March 31, 2023

	Reporting company	Consolidated subsidiary
		Japex Pipeline Ltd. (Note 3)
Percentage of female managers (Note 1)	6.0%	–%
Percentage of male employees taking childcare leave (Note 2)	58.9%	–
Wage variance between male and female workers (Note 1)	All workers: 66.6% Of which regular employees: 66.6% Of which non-regular employees: 59.8%	–

Notes: 1. The percentage was calculated pursuant to the provisions of the Act on the Promotion of Women's Active Engagement in Professional Life (Act No. 64 of 2015).

2. The percentage was calculated pursuant to the provisions of Article 71-4, item (i) of the Ordinance for Enforcement of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members (Ordinance of the Ministry of Labor No. 25 of 1991) as prescribed by the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members (Act No. 76 of 1991).

3. Japex Pipeline Ltd. which is a consolidated subsidiary that is required to publicize certain matters based on its choice publicized the percentage of female managers pursuant to the provisions of the Act on the Promotion of Women's Active Engagement in Professional Life (Act No. 64 of 2015).

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 JAPEX

As a company focusing mainly on the exploration, development, production, and distribution of oil and natural gas, with the mission of contributing to stable supply of energy 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 supply of energy 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 crude oil and natural gas at home and abroad.
- 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

In light of irreversible changes in energy supply and demand structure driven by the progress in global decarbonization, in May 2021, JAPEX formulated and announced the JAPEX 2050, which outlines our responsibility and focus area the carbon-neutral society.

In addition, in March 2022, we formulated and announced the "JAPEX Management Plan 2022–2030," which sets forth a basic policy of improving profitability and building a business foundation for 2030 and beyond.

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 CO_2 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 net CO_2 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 CO_2 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 sites (deep saline aquifers), drilling injection wells, and monitoring stored CO2.

  Note: Deep saline aquifer: Sandstone layer in deep underground that includes ancient sea water (salt water) which are not suitable for drinking. Its geographical distributions are broader compared to oil and natural gas reservoirs, and CO2 storage capacity is anticipated.
- 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.)

By steadily implementing “JAPEX 2050” and “JAPEX Management Plan 2022–2030,” we will continue to contribute to the realization of a carbon-neutral society in 2050 and further increase our growth and corporate value as a comprehensive energy company.

2. Views and Initiatives on Sustainability

Please note that any forward-looking statements in the following discussion are based on JAPEX's judgement as of the filing date of this Annual Securities Report.

(1) Basic views and initiatives

JAPEX believes that our mission is to provide a stable supply of energy and that our business activities themselves are a form of CSR. Under this recognition, we have been promoting sustainability activities based on a policy on sustainability activities, which is to actively work on solving social issues toward the realization of a sustainable society, and the five core CSR themes "SHINE" to realize value creation in the medium- to long-term. Every year, we establish CSR action plans in line with the core themes and individual challenges. The Sustainability Committee over which the President presides implements a PDCA cycle by reviewing the achievement progress and setting goals for the following fiscal year.

In 2023, we have defined the "Materiality" as what connects core CSR themes "SHINE" and our management plan. "Materiality" has identified the four issues from the core CSR themes "SHINE" as what to work on now for our sustainable growth.

The correlation between the five core CSR themes "SHINE" and the four issues of Materiality is as follows:

Core CSR themes	Individual challenges	Materiality	ESG	Corresponding elements of SDGs
[S] **S**table and sustainable energy supply	(1) Stable energy supply (2) Development of new technologies (3) Climate change response	• Stable energy supply • Establishment of CN business • Digital transformation (DX)	E. S	
[H] **H**SE as our culture	(4) Occupational health and safety (5) Pollution prevention and resource recycling (6) Preserving biodiversity and ecosystems		E, S	
[I] **I**ntegrity and governance	(7) Governance (8) Crisis management (9) Compliance		G	
[N] Being a good **N**eighbor	(10) Growing together with stakeholders		S	
[E] The **E**mployer of choice	(11) Promotion of HR development and diversity (12) Creating a fair and good working environment	• Promotion of HR development and diversity • Digital transformation (DX)	S	

• "**S**table energy supply" corresponds to matters related to development of crude oil and natural gas that are covered by the individual challenge (1).

• "Establishment of CN business" corresponds to matters related to CCS/CCUS that are covered by the individual challenges (2) and (3).

• "Promotion of HR development and diversity" corresponds to development of human resources, diversity and matters related thereto that are covered by the individual challenges (11) and (12). While the individual challenge (11) was heretofore presented as "Respecting employee diversity and developing human resources," it has now been modified to "Promotion of HR development

and diversity” to conform to the presentation for Materiality.
• “Digital transformation (DX)” corresponds to all individual challenges of SHINE, but to the individual challenges of (1) and (12) with respect to specific stated goals.

Details of issues of Materiality are as follows. We will publicize the progress of Materiality on our website and integrated reports, as necessary.

<Issues for contributing to society through our business>

Stable energy supply

• We consider that oil and natural gas will continue to be indispensable energy sources for society even in a carbon neutrality by 2050
• Based on this consideration, we will continue to work for stable energy supply through the oil and natural gas development

Establishment of CN business

• In order to realize a stable energy supply even in the future, we will contribute to the carbon-neutral society by establishing CCS and others as our business.

<Strengthening of Management Foundation>

Promotion of HR development and diversity

• We consider that human resources (HR) are an origin of the value creation and an essential for the realization of our management plan
• Based on this consideration, we will enhance the ability of each employee for value creation through HR development and strengthen the company-wide capabilities through diversity promotion

Digital transformation (DX)

• We will realize the working environment for add-valued businesses through the strategic utilization of data and digital technologies and make continuous challenges for further increasing our corporate value.

(2) Climate change

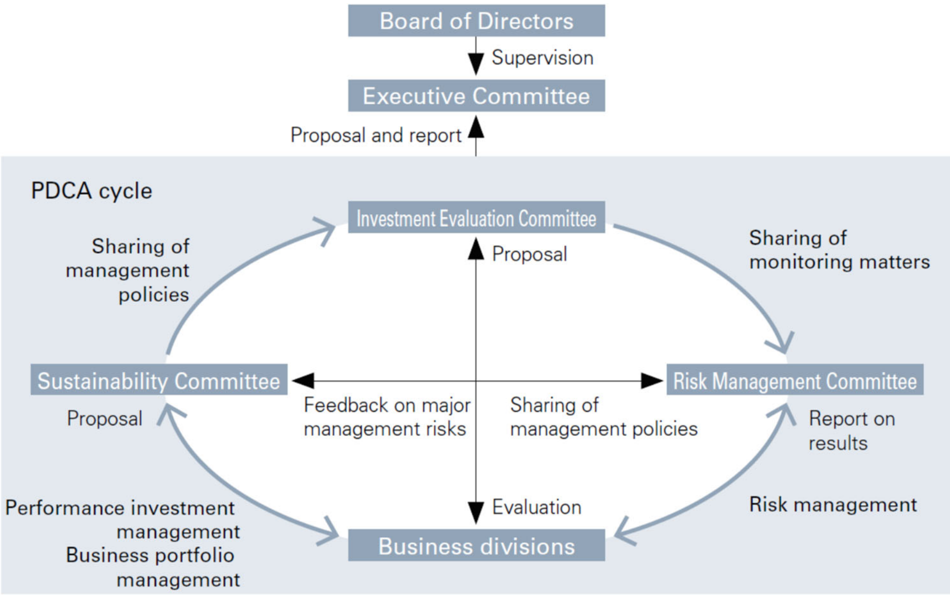
JAPEX positions climate change response as one of its top management priorities. Aiming to contribute to global initiatives on climate change and the government’s goal of achieving carbon neutrality by 2050, the entire JAPEX Group, including subsidiaries and associates, is working to transform its business portfolio by reducing GHG emissions and developing CCS and other new technologies.

<Governance>

We have built a system for appropriate decision-making under the supervision of the Board of Directors. Key matters for business execution, including climate change response, are deliberated at the Executive Committee and various other committees before being resolved by or reported to the Board of Directors. Key matters for execution, including climate change response and other medium- to long-term policies and plans, are subject to resolution by the Board of Directors. The “JAPEX2050: Toward a Carbon-Neutral Society” (JAPEX2050) and “JAPEX Management Plan 2022–2030” were all matters resolved by the Board of Directors. In addition, the progress toward GHG emission reduction targets, ESG external evaluation results, ESG activity status, and other such information are reported annually to the Board of Directors. Climate change response is also addressed by the Sustainability Committee, Risk Management Committee, and Investment Evaluation Committee in addition to the Executive Committee. We have created a PDCA cycle for climate change response through deliberations at and reports to various committees as well as data collaboration and integrated management among business divisions and various committees.

In fiscal 2021, we prepared a skills matrix that lists the knowledge, experience, and skills of each of our Directors and Audit & Supervisory Board Members. In this matrix, we specified ESG and sustainability skills as items.

PDCA Cycle Related to Climate Change



<Strategy>

Because of the business characteristics of handling fossil resources, JAPEX has positioned climate change response as a key matter in the consideration of business strategies. We conduct scenario analyses to evaluate the medium- to long term impact that climate change will have on JAPEX's business. In formulating "JAPEX Management Plan 2022–2030" in March 2022, we conducted a financial impact analysis under four scenarios, more scenarios than usual, to evaluate the impact of climate change risks will have on our medium- to long-term earnings in more details. Specifically, we conducted a scenario analysis using carbon and oil prices published in the four scenarios (NZE*1, SDS*2, APS*3, and STEPS*4) presented in the World Energy Outlook (WEO) of the International Energy Agency (IEA) as parameters and used the analysis results for the consideration of the new management plan by the Sustainability Committee.

We have evaluated the percentage of investment allocated to risk assets on an ongoing basis from the perspective of climate change and aim to formulate a sustainable business portfolio even under the NZE scenario with the most stringent conditions.

*1 Net Zero Emissions by 2050 Scenario

*2 Sustainable Development Scenario

*3 Announced Pledges Scenario

*4 Stated Policies Scenario

<Risk management>

JAPEX manages climate change risks within its integrated risk management, which is a process for identifying and assessing company-wide risks. Within the risk matrix created by conducting a quantitative risk assessment based on the impact and probability of risks, we positioned transition risks due to climate change as major risks with a large impact, and list them in "Item 2. Overview of Business, 3. Business and Other Risks."

In addition to reviewing the risk matrix mentioned above, the Risk Management Committee also confirms the progress toward GHG emission reduction targets and manages risks of existing major projects. The Sustainability Committee addresses medium- to long-term climate change risks, and the Investment Evaluation Committee manages climate change risks such as carbon taxes in the investment evaluation of new projects. In this way, we develop and maintain processes to manage diverse climate change risks.

<Metrics and targets>

We established a net zero target by 2050 and a fiscal 2030 target as a milestone for GHG emissions (Scope 1+2) in our own operations.

• 2050: Achieve net zero

• FY2030: Reduce GHG emissions (Scope 1+2) of emissions intensity (GHG emissions intensity*) in our operations by 40% compared to fiscal 2019

* CO_2 emissions (ton-CO_2) per 1 terajoule (TJ) of energy supplied by JAPEX

In addition, regarding emissions in our own supply chain (Scope 3), we established qualitative targets where we aim to strengthen business fields that contribute to emission reductions.

As presented in the following table, GHG emissions intensity in fiscal 2022 for Scope 1+2 was reduced by 11% from fiscal 2019, being less reduced compared to the previous year. The main reasons were a decrease in sales of domestic crude oil and natural gas (a decrease in intensity denominator) and an increase in GHG emissions due to emissions resulting from a failure of production facilities and other reasons (an increase in intensity numerator).

Changes in Scope 1+2 Emission Intensity

Target	FY2019	FY2020	FY2021	FY2022*
GHG emission intensity (ton-CO_2/TJ)	3.97	3.44	3.20	3.56
Reduction rate from base year (%)	-	-13%	-19%	-11%

* GHG emissions (Scope 1+2) have been certified by a third party to improve reliability since FY2020. The figures of GHG emission intensity and reduction rate from base year for FY2022 are, however, provisional because they are under verification by the third party on the date of filing of this Annual Securities Report.

(3) Human capital

<Strategy>

JAPEX has defined basic approaches to support its human resources strategy to achieve growth to a comprehensive energy company based on "JAPEX Management Plan 2022–2030." We have established "Human Resources Development Policy" and "Internal Environment Development Policy" to develop environment for corporate and employee conduct and human resources development, as well as "JAPEX Diversity, Equity & Inclusion (DE&I) Policy" to ensure diversity in human resources. We also have established "JAPEX Health Management Declaration" to promote heath management under a system managed by the President.

Based on these approaches, we have implemented various measures.

[Human Resources Development Policy]

With a view to achieve sustainable growth to a comprehensive energy company, JAPEX and employees shall engage in the following activities:

1. Employees demonstrate their abilities as independent professionals who respond flexibly to changes and achieve their personal growth through contributing to JAPEX's business.
2. JAPEX provides employees with growth opportunities to develop human resources who can try to resolve technical and social challenges on energy issues and climate change.

[Internal Environment Development Policy]

JAPEX shall engage in the following activities to provide an environment to develop human resources:

1. Provide employees with job opportunities to try to achieve new higher goals for sustainable growth.
2. Support employees' career growth so that they can improve their knowledge and experience to demonstrate their abilities to the fullest extent.
3. Create an environment in which all employees can actively engage in their work by making the best use of their personalities and feel that their work are satisfying and meaningful.
4. Foster a corporate culture in which all employees learn and grow on their own initiative.

[JAPEX Diversity, Equity & Inclusion (DE&I) Policy]

In order to respond to changes in the business environment and achieve further growth as a comprehensive energy company, we regard the promotion of diversity, equity and inclusion (DE&I) as an important management issue, and aim to strengthen our corporate competitiveness and achieve sustainable development. To this end, we enable our diverse employees to create new value by encouraging each and every one to play their active role and grow their careers through fully demonstrating their inherent capabilities.

By respecting diversity in terms of gender, nationality, age, disability, career, personality, and values, and by correcting social imbalances caused by these characteristics and differences, we will realize an organizational culture in which all employees can be productive and active.

(1) Foster an organizational culture that makes the most of diversity
We seek to improve productivity and create innovation by fostering an organizational culture that makes the most of their individual characteristics and qualities of all employees, with positively accepting diversity and respecting differences.

(2) Promote the activities of diverse human resources
By securing outstanding talents regardless of gender, nationality, age, etc., and by providing timely and appropriate placement and training as well as providing support for career and skill development tailored to each employee, we put in place a system that allows all human resources to demonstrate their capabilities and play their active role as self-directed professionals, thereby increasing individual engagement.

(3) Create an environment that respects diversity
We promote the development of a work environment that allows employees to exert themselves to the fullest in all situations, taking into consideration the circumstances and characteristics of each individual, including childcare, nursing care, disabilities, and LGBTQ+.

[JAPEX Health Management Declaration]
The JAPEX group has the mission for stable energy supply and making social contributions by our business. Aiming to realize our sustainable growth and value maximization based on the mission, Health, Safety, and Environment (HSE) is the top priority in our business actions.

With understanding that each employee's health is essential for sustainable growth and value maximization, JAPEX declares to promote health management.

• Always be conscious of occupational safety and health and strive to ensure it and prevent industrial accidents.
• Create a comfortable work environment for better health both physically and mentally, including promoting work-life balance.
• Respect the diversity in values, individuality, and privacy and prevent discrimination and harassment.
• Promote physical and mental health in cooperation with the health insurance association and the labor union so that employees and their families can live healthily for longer years.

<Major initiatives for the fiscal year ended March 31, 2023>
• Matters regarding human resources development
JAPEX has launched the reskilling program for human resources development to promote DX and shift to new business fields with a view to achieving “JAPEX Management Plan 2022-2030.” For the DX basic education, we aim to create an organizational culture of autonomous learning by providing education to all employees, including Directors and other officers and supporting them when they obtain related qualifications. We also have launched programs aiming at improving expertise to develop human resources who promote new business. In addition, we have newly established our internal university (JAPEX University) that plans support for employees’ personal growth and career development through their independent and self-motivated learning and systematically develops educational contents, mainly including lecture videos provided by internal lecturers.
• Matters regarding career development
To support employees in independently planning and achieving their career, we have internally disclosed the Guidelines for Operations specifying operations and requirements of each division at JAPEX, as well as working to enhance an internal personnel recruitment system. In addition, we have a system to provide private consultation in place by setting up a consultation desk, as well as providing career training by age group. Furthermore, we have internally disclosed the career of officers and managers, etc. and developed a system where any employee can directly consult such Directors and other officers if he/she wishes.
• Matters regarding the promotion of diversity
To ensure diverse range of perspectives and views that would lead to the achievement of “JAPEX Management Plan 2022-2030,” we have actively employed mid-career employees with diverse experiences and worked to promote them to managers so that they will be appointed to key positions. For the promotion of women’s activities, we have set targets for the percentages of female new-graduates hired and female employees promoted to management positions, considering the total number of employees in relative

shortage and the number of management positions as an important issue. In addition, to create a working environment where diverse human resources can play an active role, we are committed to promoting a variety of ways of working that are tailored to the individual circumstances of each employee. We have introduced a telecommuting system and a full flextime system, as well as a principle that transfers involving relocation must be consented by the employee. We are also making efforts to encourage male employees to take childcare leave, aiming at creating an organizational culture where the taking of childcare leave is actively encouraged. On top of the foregoing initiatives, we launched unconscious bias training for managers several years ago to remove a bottleneck in the promotion of diversity and provided the training more widely to all employees, including general employees in the fiscal year ended March 31, 2023.

• Matters regarding the maintenance and improvement of employees' health

JAPEX has established the JAPEX Health Management Declaration and to promote it under the responsibility of the President based on the idea that consideration for the health of employees contributes to the growth and sustainable developments of the company. In the fiscal year ended March 31, 2023, based on the results of health checkups and health surveys, we have focused on the three major health issues that we regard as important—"improvement of lifestyle," "smoking cessation," and "women's health issues." We are enhancing our efforts for the maintenance and improvement of employees' health by measures such as adopting a system for employees to manage the results of their health checkups and health related data at any time and e-Learning for health issues, setting a non-smoking time to restrict smoking during working hours and in the office, providing corporate support for purchasing quit-smoking products, providing all employees with seminars related to female-specific cancers.

<Metrics and targets>

[Targets and results of DE&I Policy]

(i) Target and results of the promotion of female employees to management positions

Target	FY2020	FY2021	FY2022
25 or more persons by FY2025	19	19	18

(ii) Target and results of percentage of female new-graduates hired

Target	FY2020	FY2021	FY2022
30% or more every year by FY2025	38.5%	33.3%	33.3%

(iii) Target and results of percentage of mid-career hires in management positions

Target	FY2020	FY2021	FY2022
Maintain 20% or more until the end of FY2025	20.1%	24.5%	25.9%

(iv) Target and results of percentage of mid-career hires to total hires

Target	FY2020	FY2021	FY2022
50% or more every year by FY2025	63.8%	56.4%	52.1%

(v) Target and results of percentage of male employees taking childcare leave

Target	FY2020	FY2021	FY2022
80% or more by the end of FY2025	45.3%	75.6%	58.9%

(4) Respect for human rights

In working on solving social issues toward the realization of a sustainable society, JAPEX has established the Human Rights Policy, which defines its basic stance of promoting respect for human rights of stakeholders involved in our business activities throughout its value chain under the JAPEX Group Code of Ethics and Conduct. As part of the human rights due diligence in FY2022, we analyzed current status and extracted challenges for our efforts to respect human rights. We will endeavor to ensure respect for human rights of stakeholders involved in our business activities by continuously implementing human rights due diligence in FY2023 and thereafter, and implementing it more widely on the JAPEX Group companies and our value chain.

(5) Procurement policy

In working on solving social issues toward the realization of a sustainable society, JAPEX has established CSR Procurement Policy, which defines its efforts on CSR elements in JAPEX Group's procurement activities. In addition, by illustrating specific actions in CSR Procurement Policy to promote CSR procurement activities in concert with JAPEX Group's suppliers, we ask them to understanding of, and to cooperate in the Policy to build a better partnership.

3. 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 JAPEX'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, 2024 is estimated to increase or decrease by ¥470 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, 2024 is estimated to increase or decrease by ¥570 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 "4. 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) 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. In addition, if some partners withdraw from projects, smooth operation of the projects may be interfered with.

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 31, 2023: 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 JAPEX’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 31, 2023: 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 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. Under the strained situation in Ukraine, a new company was formed by the government of the Russian Federation and succeeded to all rights and obligations under the production sharing agreement. Sakhalin Oil and Gas Development Co., Ltd. has been approved by the government of the Russian Federation to subscribe for a proprietary equity in the new company in proportion to its participating interest. 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 and utilities business. We are actively engaged in the development of demand by utilizing existing natural gas pipelines and supplying LNG from satellite terminals using tankers and other vehicles for areas outside the pipelines reach. 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. These factors may be caused by a decrease in population due to the declining birthrate and aging population, a decline in the utilization rate of customers' facilities, and intensifying competition with peer companies.

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 prefecture (investment ratio at the end of the fiscal year ended March 31, 2023: 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 competition 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 infectious diseases such as COVID-19
While we regard that COVID-19 now has a lesser impact on economic activities in and outside Japan, the spread of any infectious disease like COVID-19 or a new infectious disease that requires measures to be taken, such as urban blockades, declaration of a state of emergency, and priority measures to prevent the spread thereof, 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.

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 that 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 retail liberalization aimed at introducing the principle of competition in the Japanese gas and power industries, the business acts have been revised repeatedly and new revisions of systems may be made in future. If such revision of legal systems is made, it may bring an opportunity for the JAPEX Group to expand its business due to factors such as market revitalization, but at the same time have an adverse effect on our business performance due to additional obligations to be borne or an intensified competition.

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 business performance.

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

As of the end of the fiscal year ended March 31, 2023, JAPEX held 4.09% 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 ¥115,940 million, of which ¥74,664 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. JAPEX’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 and then an equivalent of 15.94% of the shares were sold with a transfer date of June 15, 2007. As a result, the percentage of shares held by the Minister was reduced to 34.00%. Thereafter, JAPEX acquired treasury shares from November 2021 to August 2022 and canceled its treasury shares in September 2022, which resulted in the percentage of shares held by the Minister being increased to 35.79% as of March 31, 2023.

The shares held by the Minister may be sold in the future, and 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 Group's officers and employees conduct any illegal or improper activities, it may cause tangible damage, such as suspension of oil and gas production operations and 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.

4. 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 JAPEX) for the fiscal year ended March 31, 2023 are as follows.

(a) Overviews of financial position and operating results

In the fiscal year ended March 31, 2023, economic and social activities continued to normalize even amid the ongoing effects of the novel coronavirus disease (COVID-19). However, there is concern that the contraction in the overseas economy caused by global monetary tightening may have a negative effect on the Japanese economy.

The Japan Crude Cocktail (JCC) price rose from the upper $100s per barrel at the beginning of the fiscal year to the upper $110s per barrel in the first half of the fiscal year due to pressure on crude oil supply and demand caused by the crisis in Ukraine. Thereafter, concern over slowing demand with the renewed spread of COVID-19 in China and concerns over the impact of interest rate hikes by the U.S. Federal Reserve Board (FRB) led to a decline in prices, with the JCC price finishing the fiscal year in the mid-$80 level.

In the currency exchange market, the yen started the fiscal year in the lower ¥120/US$ level, but the trend of yen depreciation strengthened from the first half to the second half of the fiscal year. While the trend shifted to yen appreciation from January onwards, the exchange rate was around the mid-¥130/US$ 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 faced 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.

In recent years, the business environment surrounding the JAPEX Group has changed significantly, including the acceleration of the global move toward decarbonization. To respond promptly and flexibly to these changes in the business environment, in May 2021, we formulated and announced "JAPEX2050: Toward a Carbon-Neutral Society" 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. We are diligently promoting our businesses based on these plans.

During the fiscal year, net sales was ¥336,492 million, an increase of ¥87,351 million (+35.1%) year on year. Gross profit was ¥96,111 million, an increase of ¥46,208 million (+92.6%) year on year. Main factors behind the year-on-year increase for net sales and increase for gross profit include a rise in the selling prices of crude oil and natural gas in Japan as a result of the rising price of crude oil and LNG, despite the absence of sales of diluted bitumen as a result of the transfer of all the shares of Japan Canada Oil Sands Limited (JACOS) in the previous fiscal year, which had been a consolidated subsidiary to promote the oil sands project in Canada.

Exploration expenses was ¥2,885 million, an increase of ¥2,525 million (+702.0%) year on year. Selling, general and administrative expenses was ¥31,139 million, an increase of ¥1,405 million (+4.7%) year on year. As a result, operating profit was ¥62,085 million, an increase of ¥42,276 million (+213.4%) year on year.

Ordinary profit was ¥83,130 million, an increase of ¥39,456 million (+90.3%) year on year, due mainly to a recording of gain on derivatives.

Profit before income taxes improved by ¥101,585 million year on year to ¥83,084 million (loss before income taxes of ¥18,501 million in the previous fiscal year) due mainly to the absence of loss on sale of shares of subsidiary resulting from the transfer of all the shares in JACOS and loss on transfer of interests owned by JAPEX Montney Ltd. in the shale gas project of North Montney Area in British Columbia, Canada, which were recorded the previous fiscal year. Profit attributable to owners of parent improved by ¥98,383 million year on year to ¥67,394 million (loss attributable to owners of parent of ¥30,988 million in the previous fiscal year).

Below is a breakdown of net sales.

(i) E&P Business

Net sales from the E&P Business came to ¥56,063 million, a decrease of ¥17,359 million (-23.6%) year on year, mainly due to the absence of the sales of diluted bitumen resulting from the transfer of all the shares of JACOS, despite a rise in the selling price of crude oil.

(ii) Infrastructure/Utility Business

Net sales from the Infrastructure/Utility Business came to ¥213,657 million, an increase of ¥93,812 million (+78.3%) year on year. This was mainly the result of a rise in the selling prices due to the rising crude oil price and LNG price, despite the decreased sales volume for natural gas (Japan) and electricity.

(iii) Other Businesses

Net sales from other businesses, such as the contract services (drilling and geological surveys, etc.), sale of oil products, including liquefied petroleum gas (LPG), heavy oil and the like, as well as other subcontracted tasks, came to ¥66,771 million, an increase of ¥10,898 million (+19.5%) 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, natural gas (including LNG), electricity, contract services, oil products and the like. In the fiscal year under review, net sales came to ¥303,047 million, an increase of ¥110,378 million (+57.3%) year on year, mainly due to higher sales prices of crude oil, natural gas, and electric power. Segment profit increased by ¥44,115 million (+178.3%) year on year to ¥68,855 million, mainly due to improvements in balance of sales revenue resulting from higher sales prices.

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 ¥9,161 million, a decrease of ¥24,652 million (-72.9%) year on year, due mainly to the absence of the sales of diluted bitumen resulting from the transfer of all the shares of JACOS. Segment profit increased by ¥2,420 million (+135.3%) year on year to ¥4,210 million, mainly due to improvements in balance of sales revenue resulting from higher sales prices.

Europe

In the Europe segment, development of the UK North Sea block located offshore Aberdeen is being conducted. In the fiscal year under review, there was segment loss of ¥170 million (compared to segment loss of ¥151 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 ¥24,283 million, an increase of ¥1,626 million (+7.2%) year on year. With respect to segment profit (loss), there was segment loss of ¥112 million, a decrease of ¥2,757 million (compared to segment profit of ¥2,644 million in the previous fiscal year).

Total assets at the end of this fiscal year increased by ¥96,238 million from the previous fiscal year-end to ¥568,180 million.

Current assets increased by ¥54,871 million from the previous fiscal year-end. This was due to increases in cash and deposits, and raw materials and supplies. Non-current assets increased by ¥41,367 million from the previous fiscal year-end. This was mainly due to increases in the recording of wells and construction in progress under property, plant and equipment, and other factors.

Liabilities increased by ¥41,839 million from the previous fiscal year-end to ¥111,010 million.

Current liabilities increased by ¥39,009 million from the previous fiscal year-end. This was mainly due to increases in notes and accounts payable - trade, income taxes payable, and accounts payable - other under other. Non-current liabilities increased by ¥2,830 million from the previous fiscal year-end. The main factor was an increase in deferred tax liabilities.

Net assets increased by ¥54,399 million from the previous fiscal year-end to ¥457,169 million.
The main factor was an increase in retained earnings.

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

As of March 31, 2023, cash and cash equivalents (hereinafter "net cash") increased by ¥41,653 million compared to the end of the previous fiscal year to ¥186,166 million. Below is a summary of cash flows for each activity.

(Cash flows from operating activities)

Net cash provided by operating activities amounted to ¥104,581 million. This was mainly due to profit before income taxes of ¥83,084 million and increase in trade payables of ¥21,537 million.

(Cash flows from investing activities)

Net cash used in investing activities amounted to ¥52,723 million. Net cash was mainly used in purchase of property, plant and equipment of ¥35,973 million and payments of recoverable accounts of ¥27,729 million, while net cash was provided by interest and dividends received of ¥8,974 million.

(Cash flows from financing activities)

Net cash used in financing activities was ¥14,506 million. Net cash was mainly used in dividends paid of ¥9,531 million and purchase of treasury shares of ¥4,263 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, 2023 (April 1, 2022– March 31, 2023)	YoY (%)
E&P Business	Crude oil (kl)	232,919	(17.1)
	Natural gas (thousand m^3)	509,861	(6.0)
Infrastructure/Utility Business	LNG (t)	1,258	(41.1)
	Electricity (thousand kWh)	2,509,471	(5.5)

- North America

		Fiscal year ended March 31, 2023 (April 1, 2022– March 31, 2023)	YoY (%)
E&P Business	Crude oil (kl)	120,959	226.9
	Natural gas (thousand m^3)	14,136	(89.3)
Infrastructure/Utility Business	LNG (t)	–	–
	Electricity (thousand kWh)	–	–

- Middle East

		Fiscal year ended March 31, 2023 (April 1, 2022– March 31, 2023)	YoY (%)
E&P Business	Crude oil (kl)	397,737	(18.6)
	Natural gas (thousand m^3)	–	–
Infrastructure/Utility Business	LNG (t)	–	–
	Electricity (thousand kWh)	–	–

Notes: Part of the natural gas production volume is used as raw material for LNG.

(ii) Status of orders received

JAPEX 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, 2023 (April 1, 2022– March 31, 2023)		YoY (%)	
		Sales volume	Amount (Millions of yen)	Sales volume	Amount
E&P Business	Crude oil (kl)	259,179	22,618	(17.0)	33.4
	Natural gas (overseas) (thousand m³)	–	–	–	–
Subtotal			22,618		33.4
Infrastructure/Utility Business	Natural gas (domestic) (thousand m³)	989,051	97,360	(6.8)	67.8
	LNG (t)	340,503	51,572	15.2	128.2
	Electricity (thousand kWh)	3,005,864	58,735	(0.6)	71.1
	Others		5,988		22.1
Subtotal			213,657		78.3
Other businesses	Contract services		7,750		21.2
	Oil products/merchandise		56,573		19.5
	Others		2,447		15.3
Subtotal			66,771		19.5
Total			303,047		57.3

- North America

		Fiscal year ended March 31, 2023 (April 1, 2022– March 31, 2023)		YoY (%)	
		Sales volume	Amount (Millions of yen)	Sales volume	Amount
E&P Business	Crude oil (kl)	128,821	8,800	229.4	507.7
	Natural gas (overseas) (thousand m^3)	11,494	360	(91.2)	(71.0)
Subtotal			9,161		(72.9)
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			9,161		(72.9)

- Middle East

		Fiscal year ended March 31, 2023 (April 1, 2022– March 31, 2023)		YoY (%)	
		Sales volume	Amount (Millions of yen)	Sales volume	Amount
E&P Business	Crude oil (kl)	307,631	24,283	(3.5)	7.2
	Natural gas (overseas) (thousand m^3)	–	–	–	–
Subtotal			24,283		7.2
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			24,283		7.2

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. “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 JAPEX’s supply network, which consists of the natural gas fields in Japan and the LNG terminals that vaporize gas linked by a pipeline network.
4. “Others” of the Infrastructure/Utility Business includes contracted transportation of natural gas and contracted regasification of LNG used for power plant fuel, etc.
5. Under the Other businesses, “Oil products/merchandise” includes liquefied petroleum gas (LPG), heavy oil, gas oil and kerosene, and “Others” includes other subcontracted tasks.
6. The sales results by major purchaser and their ratio to the total sales are as follows. The ratio for the previous fiscal year is omitted because there were no customers whose sales accounted for 10% of the total sales.

Purchaser	Fiscal year ended March 31, 2022 (April 1, 2021– March 31, 2022)		Fiscal year ended March 31, 2023 (April 1, 2022– March 31, 2023)	
	Amount (Millions of yen)	Ratio (%)	Amount (Millions of yen)	Ratio (%)
TOHOKU NATURAL GAS Co., Inc.	–	–	38,133	11.3

(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, 2023 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 JAPEX		Total	
		Domestic		Overseas		Subtotal					
		Crude oil (Thousand kL)	Gas (Million m^3)	Crude oil (Thousand kL)	Gas (Million m^3)	Crude oil (Thousand kL)	Gas (Million m^3)	Crude oil (Thousand kL)	Gas (Million m^3)	Crude oil (Thousand kL)	Gas (Million m^3)
As of March 31, 2022		1,616	7,187	11,510	371	13,127	7,557	3,808	995	16,934	8,552
	Increase due to expansion or discovery	63	9	–	–	63	9	–	–	63	9
	Change due to revision of evaluation from the previous fiscal year	160	287	(51)	(122)	109	165	(3,645)	(341)	(3,535)	(177)
	Change due to acquisition and/or divestiture	–	–	1,510	427	1,510	427	–	–	1,510	427
	Decrease due to production	(233)	(538)	(432)	(13)	(665)	(551)	(163)	(296)	(827)	(847)
As of March 31, 2023		1,606	6,944	12,538	662	14,144	7,606	0	357	14,144	7,964

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: 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. Through its equity method affiliate Sakhalin Oil and Gas Development Co., Ltd. (SODECO), JAPEX has been participating in the Sakhalin-1 Project. A new business entity Sakhalin-1 Limited Liability Company (hereinafter "S-1 LLC") was established on October 14, 2022, pursuant to the Presidential Decree No. 723 of the Russian Federation on October 7, 2022 and Governmental Decree No. 1808 of the Russian Federation on October 12, 2022, and the contractual rights and obligations pursuant to the production sharing agreement were transferred to S-1 LLC. SODECO was approved by the government of the Russian Federation to subscribe for a proprietary equity in the S-1 LLC, according to its 30% interest in the Sakhalin 1 project. However, the reserves of SODECO are excluded from the above table because it is difficult for us to obtain information to assess the reserves. The quantity reduced due to the exclusion is included in "Change due to revision of evaluation from the previous fiscal year" for the equity method affiliate.

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 73% of the proved reserves of JAPEX and its consolidated subsidiaries in Japan as of March 31, 2023 (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. The sum total of domestic and overseas quantity is equivalent to around 47% of the total proved reserves as of March 31, 2023 (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 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 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

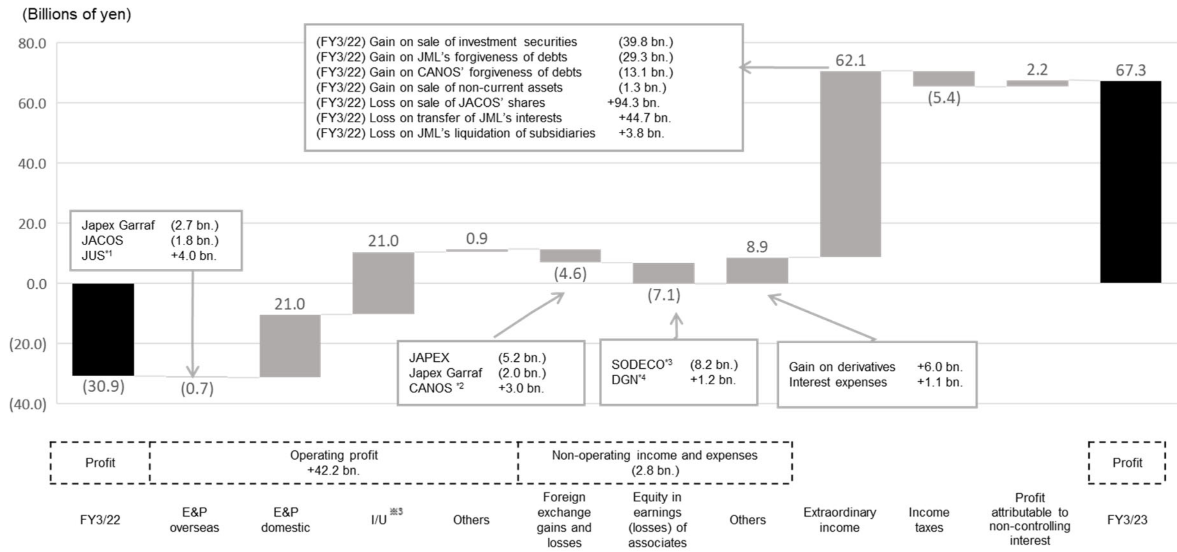
Views and issues analyzed/discussed with regard to the status of operating results and other relevant items from the management's perspective, are as follows.

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

Profit attributable to owners of parent of the JAPEX Group for the fiscal year under review increased by ¥98.3 billion year on year to ¥67.3 billion, as shown in Chart 1 "Main factors for changes in profit or loss for the fiscal year under review (YoY)." 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 Japex (U.S.) Corp.
*2 Canada Oil Sands Co., Ltd.
*3 Sakhalin Oil and Gas Development Co., Ltd.
*4 Diamond Gas Netherlands B.V.
*5 Infrastructure/Utility

(Operating profit: + ¥42.2 billion)

The main components of the increase of ¥42.2 billion in operating profit are as follows: an increase in operating profit of ¥21.0 billion each in the domestic E&P Business and the Infrastructure/Utility Business due to an increase in sales prices of crude oil, natural gas and electricity.

(i) Overseas E&P Business

The overseas E&P Business mainly covers JUS projects in the North America segment and Japex Garraf projects in the Middle East segment. While the North America segment included JACOS and JML projects in the previous fiscal year, all shares of JACOS and all interest held by JML in the shale gas project were transferred in the previous fiscal year.

A year-on-year decrease of ¥0.7 billion in operating profit of the overseas E&P Business was mainly due to a decrease of ¥1.8 billion in operating profit caused by the absence of JACOS' operating profit recorded in the previous year, all shares of which had been transferred and a decrease of ¥2.7 billion in Japex Garraf Ltd.'s operating profit caused by a one-off cost, which were only partially offset by an increase of ¥4.0 billion in operating profit due to factors such as an increase in oil production resulting from tight oil development project in which JUS has participated.

(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 a operating profit increase of ¥21.0 billion mainly due to higher crude oil and natural gas sales prices*. As shown in Chart 2 "Results of crude oil price and exchange rate (YoY)," JCC price rose from US$73.28 per barrel of the previous fiscal year to US$102.26 per barrel of the fiscal year under review, a year-on-year increase of US$28.98 per barrel (+39.5%), 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.

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

			Upper: from January 2021 to March 2022 / Lower: from January 2022 to March 2023					Full year
			Jan.-Mar.	Apr.-Jun.	Jul.-Sep.	Oct.-Dec.	Jan.-Mar.	
WTI*	USD/bbl	FY3/22 (a)	58.10	66.07	69.85	-	-	64.06
		FY3/23 (a)	94.41	108.65	91.76	82.85	-	94.42
Crude oil CIF (JCC)	USD/bbl	FY3/22 (a)	-	64.25	71.31	77.30	82.70	73.28
		FY3/23 (a)	-	101.55	115.31	105.93	89.98	102.26
Exchange rate	JPY/USD	FY3/22 (a)	-	108.43	109.96	111.69	114.52	111.20
		FY3/23 (a)	-	122.50	133.58	143.32	133.39	132.86

*1 For FY3/22, it presents the average WTI for diluted bitumen sales of Japan Canada Oil Sands Co., Ltd. (JACOS), the former overseas subsidiary of JAPEX (until August 2021).

(iii) Infrastructure/Utility Business

The Infrastructure/Utility Business mainly covers the sale of natural gas (domestic natural gas and regasified LNG) to customers in regions along JAPEX's own gas pipeline network and the sale of LNG via a satellite supply system using tank trucks 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 increase of ¥21.0 billion. This was due mainly to the absence of a one-off factor in the previous fiscal year (an increase in cost arising from procurement of alternative sources in a spot market due to production problems which happened in LNG suppliers), as well as the rising sales prices of natural gas and electricity resulting from the rising average import price of LNG due to the soaring of LNG spot prices.

Ordinary profit for the fiscal year under review was ¥83.1 billion, an increase of ¥39.4 billion (+90.3%) year on year. The increase of ¥39.4 billion was due mainly to an increase in operating profit as mentioned above and a decrease in non-operating income and expenses of ¥2.8 billion, as shown in Chart 1 "Main factors for changes in profit or loss for the fiscal year under review (YoY)."

(Non-operating income and expenses:(¥2.8 billion))

A year-on-year decrease of ¥4.6 billion in foreign exchange gains was due mainly to a decrease in foreign exchange gains regarding JAPEX's foreign currency denominated receivables and foreign currency deposit compared to the previous fiscal year.

A year-on-year decrease of ¥7.1 billion in share of profit of entities accounted for using equity method was due mainly to a decrease in sales volume of crude oil at Sakhalin Oil and Gas Development Co., Ltd.

A year-on-year increase of ¥8.9 billion in other non-operating income and expenses was due mainly to gain on derivatives of ¥6.0 billion generated from a book-out transaction of LNG (a transaction to sell back LNG at an agreed market price without making physical exchange).

Profit before income taxes for the fiscal year under review increased by ¥101.5 billion year on year to ¥83.0 billion. As shown in Chart 1 "Main factors for changes in profit or loss for the fiscal year under review (YoY)," the ¥101.5 billion increase was due to the increase in ordinary profit as mentioned above and the increase of ¥62.1 billion in extraordinary items.

Extraordinary items increased due to the absence of loss on transfer of JML's interests in the shale gas project of ¥44.7 billion and loss on sale of all the JACOS' shares of ¥94.3 billion, both recorded in the previous fiscal year, which were partially offset by the absence of gain on sale of investment securities of ¥39.8 billion recorded in the previous fiscal year resulting from the sale of a portion of strategic shareholdings.

Profit attributable to owners of parent for the fiscal year under review amounted to ¥67.3 billion, a year-on-year increase of ¥98.3 billion. As shown in Chart 1 "Main factors for changes in profit or loss for the fiscal year under review (YoY)," the main factors behind the increase of ¥98.3 billion were the above-mentioned increase in profit before income taxes, a decrease of ¥5.4 billion in profit due to an increase in income taxes, and an increase of ¥2.2 billion in profit (loss) attributable to non-controlling interests.
The amount of total income taxes, obtained by "income taxes – current" plus "income taxes – deferred," was ¥15.1 billion. The increase in total income taxes was due mainly to an increase of ¥6.9 billion of income taxes – current resulting from a significant increase in income at JAPEX. The amount of profit attributable to non-controlling interests was ¥0.5 billion for the fiscal year under review. This was due mainly to a decrease 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. 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.
In the fiscal year under review, interest-bearing debts increased mainly due to JAPEX's debt guarantees of ¥4.3 billion on borrowings from financial institutions of JAPEX's associates, Abashiri Biomass Power 2 LLC. and Abashiri Biomass Power 3 LLC. We have, however, achieved a "debt-to-EBITDA ratio < 2" continuously from the previous fiscal year.

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

(Billions of yen)	FY3/22	FY3/23
Interest-bearing debt[*1]	6.1	10.4
EBITDA[*2]	57.3	85.3
Debt-to-EBITDA ratio	0.1	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, etc. 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 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 results	FY2023 forecasts	(Remarks)
Growth investment	FY2026 ¥275 bn. FY2030 ¥450 bn.	¥44.1 bn.	55.1 bn.+ α (Cumulative total: 99.3 bn.+ α)	• Included continuous investments in projects under development in the relevant fiscal year. • For FY3/2023, included additional investment in tight oil development in the United States.
Shareholder returns	FY2026 ¥25 bn. FY2030 ¥50 bn.	¥13.8 bn.	17.3 bn. (Cumulative total: 31.1 bn.)	• Total of the year-end dividend for the previous fiscal year and the interim dividend for the relevant fiscal year. • For FY3/2022 results, included purchases of 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)."

5. Material Contracts

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%

6. 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.

Japan

Research issues	Purpose	Researcher (Research system)	R&D expenses (Millions of yen)
Research for a flexible offshore 3D seismic survey method	To introduce a flexible offshore 3D seismic survey system and apply it to the offshore 3D seismic reflection survey service mainly for coastal regions	JGI, Inc.	102
Development of full-waveform inversion technology	To improve technologies by collecting information on state-of-the-art technologies, utilizing provided codes, and accumulating know-how of a data analysis method	JGI, Inc.	32
Research for permanent monitoring technology	To research on a most cost-effective monitoring method to meet demand of monitoring for CCS, carbon-recycling and so forth	JGI, Inc.	30
Establishment of an electromagnetic exploration method for deep sea resource exploration	To develop a package of an electromagnetic offshore exploration at a reasonable price to understand, with high accuracy, subsurface characteristics of submarine hydrothermal deposits and hydrocarbon reservoirs through integrated analysis of the package with the reflection method data	JGI, Inc.	16
Research for establishment of an optimal analysis method	To examine an appropriate method of utilization of analytical software and further improve the quality of processing results and the efficiency of work	JGI, Inc.	14
Establishment of geological modeling and simulation technology applicable to hydrogeology analysis	To establish a workflow from geological modeling for fluid flow analysis to fluid flow simulation to expand and advance our business scope	JGI, Inc.	12
Research for satellite's differential interferometric SAR technique	To enhance data processing and analysis technologies for satellite's differential interferometric SAR technique and research on a method of use of the technology and applied technology as additional information for seismic survey service and other services	JGI, Inc.	11
Research on offshore high-resolution exploration method	To develop various high-resolution offshore exploration methods, while putting into practice and upgrading technologies used for such methods	JGI, Inc.	10
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 offshore civil engineering survey field	JGI, Inc.	10
Others	–	Japan Petroleum Exploration Co., Ltd. JGI, Inc. GEOSYS, Inc. Geophysical Surveying Co., Ltd.	51
Total			291

Item 3. Information about Facilities

1. Overview of Capital Expenditures

During the fiscal year under review, JAPEX made capital investment (after elimination of intersegment transactions) of ¥38,132 million, which corresponds to the total amount of property, plant and equipment and intangible assets acquired.

In the Japan segment, capital investment of ¥6,094 million was made mainly for the construction of production facilities.

In the North America segment, capital investment of ¥25,738 million was made, which mainly consists of the development expenditure for shale oil joint development projects in the states of Texas and Oklahoma.

In the Europe segment, capital investment of ¥6,300 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 ¥27,729 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 (Tomakomai City, Hokkaido)	Production facilities Gas supply facilities Offices	0	0	0 (720,644)	0	0	0	91 [21]
Akita District Office (Akita City, Akita)	Production facilities Offices	673	582	261 (178,458)	1	56	1,575	72 [21]
Nagaoka District Office (Note 2) (Nagaoka City, Niigata)	Production facilities Gas supply facilities Offices	22,606	2,082	3,700 (626,006)	575	1,018	29,983	197 [44]
Soma District Office (Soma County, Fukushima)	Manufacturing facilities Offices	8,974	14,300	4,794 (306,811)	–	905	28,975	87 [7]
Head Office (Chiyoda-ku, Tokyo and Mihama-ku, Chiba City, Chiba)	Research facilities Welfare facilities Other	1,026	3	709 (30,061)	–	489	2,228	507 [127]

Notes: 1. The carrying amounts shown in the table are those after the write-off of the impairment losses.

2. JAPEX 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.	Head Office Niigata District Office (Chiyoda-ku, Tokyo and Kita-ku, Niigata City, Niigata)	Production facilities Offices	0	0	542 (177,329)	0	0	543	33 [25]
Shirone Gas Co., Ltd.	Head Office (Tsubame City, Niigata)	Gas supply facilities, etc.	89	2,274	515 (14,124)	–	85	2,964	41 [10]
JGI, Inc.	Ranzan Research Center (Ranzanmachi, Hiki County, Saitama)	Geophysical exploration equipment	201	89	317 (4,847)	–	366	974	20 [7]
	Head Office (Bunkyo-ku, Tokyo)	Computing equipment	17	0	–	–	108	125	50 [36]
JAPEX SKS Corporation	Head office and branches (Minato-ku, Tokyo, Tomakomai City, Hokkaido, and Mitsuke City, Niigata)	Production facilities, etc.	81	433	229 (2,475)	–	14	758	79 [75]

Note: The carrying amounts shown in the table are those after the write-off of the impairment losses.

.

(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.	1,935	–	–	16,054	0	17,991	6 [2]

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, 2023.

(1) 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	2,915	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 4,830 m)	3,600	194	Self-financing	August 2023 February 2024	–
SK ENGINEERING CO., LTD	Head office and branches (Chiyoda-ku, Tokyo, Tomakomai City, Hokkaido, Akita City, Akita, and Nagaoka City, Niigata	A 1500-meter drilling rig	1,650	0	Self-financing and borrowings from the parent company	May 2023 September 2024	–

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, 2023. 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.

3. One production well of Nagaoka District Office, Japan Petroleum Exploration Co., Ltd. specified in the Annual Securities Report for the fiscal year ended March 31, 2022 was completed in May 2023.

(2) North America

Company name Office name	Location	Description of facilities	Estimated amount of expenditures (Millions of dollars)		Funding method	Commenced/To be commenced To be completed	Increase in capacity after completion
			Total amount	Amount already paid			
Japex (U.S.) Corp.	Texas, United States	Wells and production facilities, etc.	15	–	Self-financing	January 2023 December 2023	About 7,200 barrels per day

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, 2023)	Number of shares issued as of filing date (Shares) (June 27, 2023)	Name of financial instruments exchange on which securities are listed or authorized financial instruments business association to which securities are registered	Description
Common stock	54,300,076	54,300,076	Tokyo Stock Exchange Prime Market	The number of shares constituting one unit is 100 shares
Total	54,300,076	54,300,076	–	–

(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)
September 30, 2022 (Note)	(2,854,700)	54,300,076	–	14,288,694	–	–

Note: The decrease in number of shares is a result of cancellation of treasury shares.

(5) Shareholding by shareholder category

As of March 31, 2023

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	29	31	246	234	27	16,314	16,893	–
Share ownership (Units)	202,077	99,411	11,534	54,841	121,121	153	53,463	542,600	40,076
Percentage of shareholdings (%)	37.24	18.32	2.13	10.11	22.32	0.03	9.85	100.00	–

Note: Of 2,630 treasury shares, 26 units are included in the "Individuals and others" column while 30 shares are included in the "Number of shares of less than one unit" column. 711 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, 2023

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	35.79
The Master Trust Bank of Japan, Ltd. (Trust account)	2-11-3 Hamamatsucho, Minato-ku, Tokyo	6,341,800	11.68
INPEX CORPORATION	5-3-1, Akasaka, Minato-ku, Tokyo	2,852,212	5.25
CEP LUX - ORBIS SICAV (Standing proxy: Tokyo Branch, Citibank N.A.)	31 Z. A. BOURMICHT, L-8070 BERTRANGE, LUXEMBOURG (6-27-30, Shinjuku, Shinjuku-ku, Tokyo)	1,913,104	3.52
Custody Bank of Japan, Ltd. (Trust Account)	1-8-12, Harumi, Chuo-ku, Tokyo	1,384,500	2.55
JFE Engineering Corporation	2-2-3 Uchisaiwaicho, Chiyoda-ku, Tokyo	924,012	1.70
Mizuho Bank, Ltd.	1-5-5 Otemachi, Chiyoda-ku, Tokyo	720,152	1.33
JPMorgan Securities Japan Co., Ltd.	Tokyo Building, 2-7-3, Marunouchi, Chiyoda-ku, Tokyo	615,320	1.13
JP MORGAN CHASE BANK 385632 (Standing proxy: Settlement & Clearing Services Dept., Mizuho Bank, Ltd.)	25 BANK STREET, CANARY WHARF, LONDON, E14 5JP, UNITED KINGDOM (Shinagawa Intercity Tower A, 2-15-1, Konan, Minato-ku, Tokyo)	504,810	0.93
STATE STREET BANK AND TRUST COMPANY 505001 (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)	482,986	0.89
Total	–	35,171,620	64.78

Note: Change reports pertaining to large shareholding reports by Orbis Investment Management Limited dated January 13, 2023, are available for public inspection to the effect that the company held shares in JAPEX as follows as of January 17, 2023. 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, 2023.

A summary of the reports is as follows:

Name	Address	Number of share certificates held (Shares)	Shareholding ratio (%)
Orbis Investment Management Limited	Orbis House, 25 Front Street, Hamilton, HM 11, Bermuda	3,994,704	7.36

(7) Voting rights

1) Issued shares

As of March 31, 2023

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 (other)		–	–	–
Shares with full voting rights (treasury shares, etc.)	Common stock	2,600	–	–
Shares with full voting rights (other)	Common stock	54,257,400	542,574	–
Shares of less than one unit	Common stock	40,076	–	–
Number of issued shares		54,300,076	–	–
Total number of voting rights		–	542,574	–

Notes: 1. The number of "Shares with full voting rights (other)" of common stock includes 71,100 shares of JAPEX (711 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 30 treasury shares held by JAPEX.

2) Treasury shares

As of March 31, 2023

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	2,600	–	2,600	0.00
Total	–	2,600	–	2,600	0.00

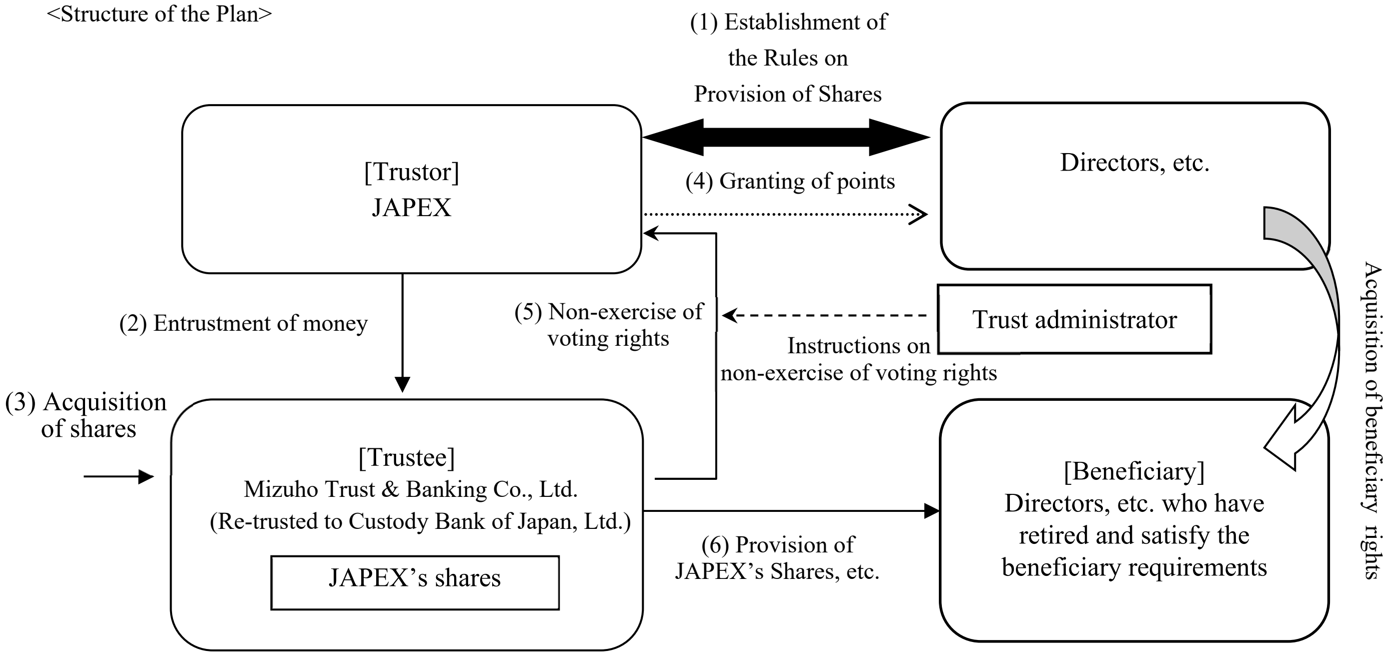
Note 71,100 shares of JAPEX held by the Custody Bank of Japan, Ltd. (Trust Account) as trust assets of the Board Benefit Trust are not included in treasury shares.

(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, JAPEX 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) JAPEX established the Rules on Provision of Shares to Officers within the scope of the framework approved in this proposal.

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

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

(4) JAPEX 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 JAPEX's shares held in the Trust in accordance with the instructions of the trust administrator, who is independent from JAPEX.

(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 JAPEX'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, JAPEX will provide the Director, etc. with money equivalent to the fair value of JAPEX's common stock.

(Note) Pursuant to the Rules on Provision of Shares to Officers, JAPEX may forfeit part or all of the points granted to any Director, etc. as resolved at a meeting of the Board of Directors if such Director, etc. is dismissed or causes significant damage to JAPEX's or the Group's business due to his/her execution of duties (malus).

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

JAPEX 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, JAPEX 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 and acquisition of common stock under Article 155, item 7 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	1,440,600	3,737,376,360
Treasury shares acquired during the fiscal year under review	1,414,100	4,262,517,963
Total number and value of remaining shares resolved	145,300	105,677
Unexercised percentage as of the end of the fiscal year under review (%)	4.84	0.00
Treasury shares acquired during the period from April 1, 2023 until the filing date of this Annual Securities Report	–	–
Unexercised percentage as of the filing date (%)	4.84	0.00

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

Category	Number of shares (Shares)	Total amount (Yen)
Treasury shares acquired during the fiscal year under review	248	919,720
Treasury shares acquired during the period from April 1, 2023 until the filing date of this Annual Securities Report	–	–

Note: The number of treasury shares acquired during the period from April 1, 2023 until the filing date of this Annual Securities Report does not include shares of less than one unit acquired during the period from June 1, 2023 to the filing date of this Annual Securities Report.

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

Category	Fiscal year under review		From April 1, 2023 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	2,854,700	8,004,544,578	–	–
Acquired treasury shares that were transferred for merger, share exchange, share issuance and company split	–	–	–	–
Other (—)	–	–	–	–
Treasury shares held	2,630	–	2,630	–

Notes: 1. The number of shares held during the period from April 1, 2023 to the filing date of this Annual Securities Report does not include shares of less than one unit acquired during the period from June 1, 2023 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, 2023 until the filing date of this

Annual Securities Report do not include 71,100 shares of JAPEX held by the Custody Bank of Japan, Ltd. (Trust Account) as trust assets of the Board Benefit Trust.

3. Dividend Policy

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. JAPEX'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.)
Based on this policy, we decided to pay a dividend of ¥370 (an interim dividend of ¥150 and year-end dividend of ¥220) per share for the fiscal year under review.

Pursuant to Article 454, paragraph 5 of the Companies Act, our Articles of Incorporation stipulate that JAPEX may, by a resolution of the Board of Directors, pay an interim dividend on September 30 of each year as the record date. JAPEX 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 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 10, 2022	8,144	150
Resolutions at the Ordinary General Meeting of Shareholders held on June 27, 2023	11,945	220

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 adopting 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.

The status of activities of the Board of Directors and the Nomination and Compensation Committee for the fiscal year ended March 31, 2023 is as follows:

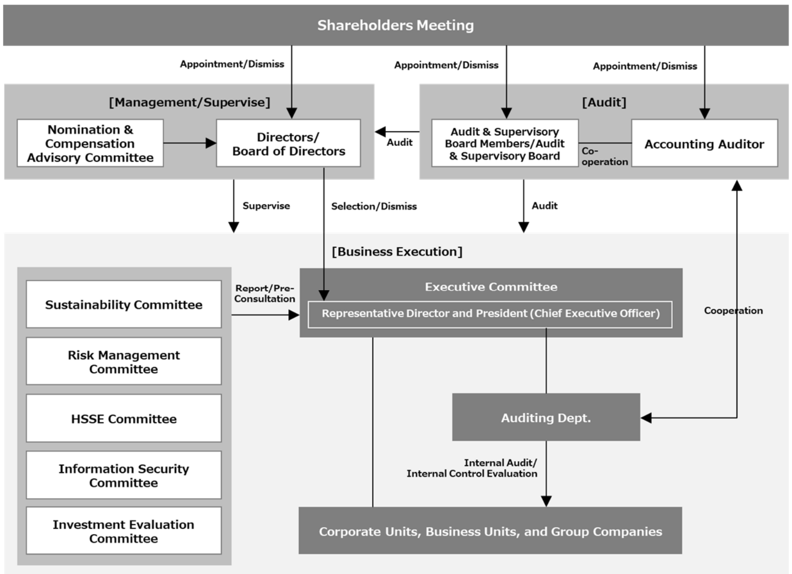
Organs	Number of Meetings and Detailed Descriptions of Discussions	Attendance by Directors and Members
Board of Directors	• 14 meetings were held for the fiscal year under review. • Pursuant to the provisions of the Companies Act, the following matters were discussed: matters regarding the general meeting of shareholders, matters regarding the settlement of accounts, matters regarding officers, matters regarding participation in specific projects and loans to relevant subsidiaries, and so forth. • In addition to the foregoing, the Board of Directors received reports of specific items for discussion, including the management plan, sustainability, IR, HSE (health, safety, and environment), personnel strategies, DX (digital transformation), health management, and the whistleblowing system, as well as regular reports of the status of production and sale of gas and other energies in Japan and the overseas business, and then discussed matters such as the status of efforts.	• Persons attended 14 out of 14 meetings: FUJITA Masahiro, ISHII Yoshitaka, YAMASHITA Michiro, HIRATA Toshiyuki, YAMASHITA Yukari (Note 1), KAWASAKI Hideichi (Note 1) • Persons attended 13 out of 14 meetings: WATANABE Osamu • Persons attended 12 out of 14 meetings: ITO Tetsuo (Note 1) • Persons attended 11 out of 11 meetings: NAKAJIMA Toshiaki • Persons attended 10 out of 11 meetings: SUGIYAMA Yoshikuni (Note 1) • Persons attended 9 out of 11 meetings: KITAI Kumiko (Note 1) • Persons attended 3 out of 3 meetings: OZEKI Kazuhiko (Note 2), ITO Hajime (Note 2), KOJIMA Akira (Notes 1 and 2)
Nomination and Compensation Committee	• Two meetings were held for the fiscal year under review. • The committee discussed matters regarding officers (election of Directors and Audit & Supervisory Board Members to be proposed to the general meeting of shareholders and election of Executive Officers, compensation and bonuses for Directors, the skill matrix, officers' share ownership plan, and so forth).	• The chair and all members (*) attended all meetings of the 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, SUGIYAMA Yoshikuni, and KOJIMA Akira are the Outside Directors as defined under Article 2, item 15 of the Companies Act.

2. Directors OZEKI Kazuhiko, ITO Hajime, and KOJIMA Akira retired on June 28, 2022.

In addition to the above structure, risk is managed by Risk Management Committee and other internal committees of JAPEX. 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, JAPEX 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 JAPEX'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. JAPEX 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 reported to Audit & Supervisory Board Members and the Board of Directors of JAPEX.

In accordance with subsidiary and associate management regulation, JAPEX concludes a group management agreement with relevant companies to monitor their corporate management. JAPEX 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. The insureds bear no responsibility for payment of the insurance premiums.

i) Scope of the persons insured

- JAPEX's Directors, Audit & Supervisory Board Members, Executive Officers, Counselors, Fellows, and management employees, including those who have already retired or resigned

• Officers and management employees of JAPEX's subsidiaries, etc., including those who have already retired or resigned

Notes: 1. Persons with high expertise in JAPEX's specific professional fields have been appointed as Fellows to support corporate management (JAPEX has two Fellows as of March 31, 2023).

2. Management employees of JAPEX's associates in overseas are not covered by the insurance contract.

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 and JAPEX's subsidiaries, etc. during the coverage period.

In overseas, this insurance contract covers compensation for the first claimed damages borne by the insured persons of JAPEX and JAPEX's subsidiaries and associations covered by the insurance contract during the coverage period due to their unjust behavior.

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 JAPEX 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 JAPEX 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, JAPEX 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, described in (2)1 below, 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) Special undertakings that contribute to the source of our corporate value and to the realization of the basic policy

1. Source of our corporate value

JAPEX has developed its business focusing on the improvement of the self-sufficiency of oil and natural gas since its foundation in 1955. Starting out with zero reserves, JAPEX has established its current business base in the compounding discoveries of new oil and gas fields one after another, and is operating the businesses of exploration, development and production, and transportation and distribution of oil and natural gas resources as its core business.

The source of our corporate value lies in our business model where we conduct exploration, development, and distributing in integrated manner, upon our ownership of oil and natural gas interests, while providing, in Japan, a stable supply of gas using infrastructure such as pipelines and LNG terminals and supplying electricity from natural gas-fired power generation and renewable energy sources. As such, JAPEX conducts a business with a highly public nature, as well as taking on a crucially important responsibility in terms of maintaining and ensuring stable supply and safe operation as an enterprise involved in the supply of energy, which is compared to the bloodstream of industrial activity and civic life. Moreover, to contribute to the realization of a carbon-neutral society, JAPEX is working toward the early commercialization of CCS (Carbon dioxide capture and storage) and CCUS (Carbon dioxide capture, utilization, and storage), mainly utilizing E&P technologies.

This business model is backed with JAPEX's 1) advanced exploration technology for oil and natural gas, 2) comprehensive technological capabilities such as oil/gas field development technology and operation know how both in and out of Japan, 3) construction of a strong infrastructure such as natural gas transport pipelines and LNG terminals in Japan, and 4) trust relationships with our stakeholders including customer, stockholder and community, based on the buildup of a stable, long-term supply record due to the aforementioned network.

It is not uncommon for it to take more than 10 years to reach the production stage from exploration of a new oil or gas field in the E&P business. In addition, in order to contribute to the realization of a carbon-neutral society, it is required to develop business with a long-term perspective and contribute to society through consideration for the protection of the global environment. Also, in the view of today's international energy situation, in which the global competition with regard to the securement of energy resources is intensifying, efforts for improvement of corporate technology and know-how, securing human resources, and the further enrichment of trust relationships with each stakeholder are essential for the continuing growth of the business and enhancement of our corporate value. This, we believe, is still what brings the future maintenance and improvement of our corporate value and thus of the common interest of our stockholders.

2. Undertakings for the improvement of corporate value

In view of the irreversible changes in energy demand structure due to global progress toward decarbonization, in May 2021 we formulated and announced “JAPEX 2050,” which outlines our responsibilities toward the realization of a carbon-neutral society and our direction for future business development.

In addition, in March 2022, we formulated and announced the “JAPEX Management Plan 2022–2030,” which sets forth a basic policy of improving profitability and building a business foundation for 2030 and beyond.

A summary of “JAPEX 2050” and “JAPEX Management Plan 2022-2030” is as described in “Item 2. Overview of Business, 1. Management Policy, Business Environment, and Issues to be Addressed, (2) Medium- to long-term management strategies and issues to be addressed.”

By steadily implementing “JAPEX 2050” and “JAPEX Management Plan 2022–2030,” we will continue to contribute to the realization of a carbon-neutral society in 2050 and further increase our growth and corporate value as a comprehensive energy company.

3. Fortification of Corporate Governance

JAPEX plans to implement the above measures and intends to acquire and improve our corporate value and consequently the common interest of our shareholders. Furthermore, we believe that our path to sustainable growth over the long term lies in efficient and transparent management and building relationships of trust by fulfilling our accountability to shareholders and other stakeholders. To this end, we are striving to enhance corporate governance.

First of all, Directors or Executive Officers, who are appointed and assigned duties by the Representative Directors and Board of Directors, serve as JAPEX’s 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) assume the role of supervising the execution of their duties.

In addition, in order to strengthen the supervisory function of the Board of Directors, JAPEX has appointed five Outside Directors who are highly independent and have deep insight. The Outside Directors contribute to vigorous discussion at meetings of the Board of Directors by actively providing comments on proposals and deliberations. In addition, with a view to providing sufficient information to Outside Directors, thereby helping them perform their role appropriately, JAPEX has arrangements in place including liaison meetings for Outside Directors and Outside Audit & Supervisory Board Members for providing preliminary briefing to Outside Directors and Outside Audit & Supervisory Board Members on proposals for the Board of Directors, as well as for exchanging information and opinions among them.

All Audit & Supervisory Board Members attend the Board of Directors’ Meeting and the full-time Audit & Supervisory Board Members also attend the other important meetings as well as exchange opinions with Directors who execute business operations or Executive Officers as appropriate, thus serving in the supervisory function. Furthermore, as an internal audit, the Auditing Department evaluates the systems and execution of various management activities of JAPEX from the viewpoint of legality and rationality, and provides suggestions and advice for improvement and rationalization to the subject departments as necessary.

Furthermore, the Nomination and Compensation Advisory 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 the transparency and objectivity of the procedures for making decisions concerning the nomination and compensation of Directors.

On the other hand, concerning the internal control, the Risk Management Committee, as the main actor, is continuing its inspection and development of the framework to ensure due business operation.

Furthermore, in addition to such corporate governance in management mechanism, we anticipate to attain the optimal business execution appropriately, through improved transparency of management brought by IR activities such as results briefings and enrichment of the website.

(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. Purpose of the Plan

The Plan has been adopted 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 JAPEX. 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 JAPEX'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 without contribution regarding those 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 and shall implement any other reasonable measures that could be taken under the laws and regulations and JAPEX's Articles of Incorporation.

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 JAPEX's Board of Directors pursuant to the Independent Committee Provision.

Following persons are members of the Independent Committee.

ITO Tetsuo, Outside Director, JAPEX
YAMASHITA Yukari, 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 Ordinary General Meeting of the Shareholders, 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 53rd Ordinary General Meeting of the Shareholders held on June 27, 2023.

However, even before the expiration of the effective period, 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 12, 2023.
(https://www.japex.co.jp/en/news/uploads/pdf/JAPEX20230512_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; the 50th meeting held on June 26, 2020; and the 53rd meeting held on June 27, 2023.

And the Board of Directors made it clear that JAPEX 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 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 Outside Audit & Supervisory Board Members and information disclosure

The practical decisions on the operations of the Plan are executed by the Independent Committee which only consists of Outside Directors and Outside Audit & Supervisory Board Members 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)
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 Jun. 2023 Director, Chairman, JAPEX (to present)	Note 3	59,700
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	8,400
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	3,300
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	3,300

Position	Name	Date of birth	Business experience	Term of office	Number of shares held (Shares)
Director Managing Executive Officer In charge of Corporate Communication Office, Corporate Strategy Dept., and Information Technology 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	1,300
Director Managing Executive Officer President of Technical Division	TEZUKA Kazuhiko	Nov. 6, 1960	Dec. 1983 Joined JAPEX Jun. 2005 General Manager of Development & Engineering Laboratory, Research Center Jun. 2011 General Manager of Development & Engineering Laboratory, Research Center, Technical Division Apr. 2014 General Manager of Advanced Technology Laboratory, Research Center, Technical Division Jun. 2014 General Manager of Research Center, Technical Division Jun. 2020 Executive Officer, President of Technical Division Apr. 2022 Managing Executive Officer, President of Technical Division Jun. 2023 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) Jun. 2022 Representative Director, Chairman at Nippon Television Holdings, Inc. (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	3,000
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 GROUP 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) Mar. 2023 Director, Vice President, AKTIO HOLDINGS Corporation (to present)	Note 6	—
Total					81,400

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 27, 2023.

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 family register. YAMASHITA has been used in career.

8. WASEDA Amane, ANRAKU Toshiyuki, and TAKANO Osamu were appointed by JAPEX as Fellow as of June 24, 2015, April 1, 2022, and April 1, 2023 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 Overseas Business Division I	ABE Satoshi
Managing Executive Officer	In charge of Environmental Business Promotion Dept. and New Business Promotion Dept.	IKENO Tomonori
Managing Executive Officer	Vice President of Power Business Division	KASA Hirofumi
Managing Executive Officer	President of Overseas Business Division II	YAMADA Tomomi
Executive Officer	General Manager of Nagaoka 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
Executive Officer	In charge of Internal Control, Administration & Legal Dept., and Human Resource Dept.	FUNATSU Jiro
Executive Officer	President of Domestic E&P Project Division, in charge of HSE Dept.	TAKAHASHI Toshihiro
Executive Officer	President of Gas Supply & Facility Engineering Division	SUDA Akira

10. The skill matrix of Directors and Audit & Supervisory Board Members is as follows:

	Name	Position	Corporate manage-ment	Financial affairs, accounting, and tax affairs	Legal affairs and risk manage-ment	ESG and sustainability	Knowledge about energy industry	Global business	Technology and DX
1	WATANABE Osamu	Director and Chairman	○			○	○	○	
2	FUJITA Masahiro	Representative Director President Chief Executive Officer	○		○	○	○	○	
3	ISHII Yoshitaka	Representative Director	○			○	○		○
4	YAMASHITA Michiro	Director		○	○		○		
5	NAKAJIMA Toshiaki	Director		○	○	○	○		
6	TEZUKA Kazuhiko	Director	○				○		○
7	ITO Tetsuo	Outside Director			○	○			
8	YAMASHITA Yukari	Outside Director				○	○	○	○
9	KAWASAKI Hideichi	Outside Director	○			○		○	○
10	KITAI Kumiko	Outside Director			○	○			
11	SUGIYAMA Yoshikuni	Outside Director	○		○	○	○		
12	NAKAMURA Mitsuyoshi	Audit & Supervisory Board Member (full-time)			○		○		○

13	MOTOYAMA Yoshihiko	Audit & Supervisory Board Member (full-time)			○		○		○
14	KAWAKITA Chikara	Outside Audit & Supervisory Board Member	○	○	○				
15	MOTOYAMA Hiroshi	Outside Audit & Supervisory Board Member	○	○	○				

2) Outside Officers

(The number of Officers)

The number of JAPEX'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.

Outside Audit & Supervisory Board Member MOTOYAMA Hiroshi served as executive at Mizuho Bank, Ltd., one of the major shareholders of JAPEX (a shareholding ratio of 1.33% as of March 31, 2023), but about 12 years have passed since he retired. Considering the shareholding ratio as of March 31, 2023, 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 Board 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, we can invigorate discussion at the meeting of the Board of Directors.

JAPEX nominates Outside Directors and Outside Audit & Supervisory Board Members 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 Audit & Supervisory Board Member 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 JAPEX'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. 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 or 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 by Audit & Supervisory Board.

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 full-time 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 Audit & Supervisory Board is held once a month, in principle. During the fiscal year under review, 12 meetings of the Audit & Supervisory Board were held. The attendance rate of each Audit & Supervisory Board Member is as follows:

Title	Name	Attendance rate for the Audit & Supervisory Board during the fiscal year under review
Audit & Supervisory Board Member (full-time)	SHIMOMURA Koichi	100% (2/2)
	NAKAMURA Mitsuyoshi	100% (12/12)
	MOTOYAMA Yoshihiko	100% (10/10)
Outside Audit & Supervisory Board Member	WATANABE Hiroyasu	50% (1/2)
	NAKAJIMA Norio	100% (2/2)
	KAWAKITA Chikara	100% (10/10)
	MOTOYAMA Hiroshi	100% (10/10)

Notes: 1. The rates of attendance of a full-time Audit & Supervisory Board Member SHIMOMURA Koichi and Outside Audit & Supervisory Board Members WATANABE Hiroyasu and NAKAJIMA Norio are those until the conclusion of the 52nd Ordinary General Meeting of Shareholders held on June 28, 2022, when they retired.

2. The rates of attendance of a full-time Audit & Supervisory Board Member MOTOYAMA Yoshihiko and Outside Audit & Supervisory Board Members KAWAKITA Chikara and MOTOYAMA Hiroshi are those from the 52nd Ordinary General Meeting of Shareholders held on June 28, 2022, when they were elected.

The Audit & Supervisory Board resolved, reported, deliberated on and discussed the following matters throughout the fiscal year under review.

Fourteen matters were resolved, which included audit plans of Audit & Supervisory Board Members (audit policies, the contents and methods of interim and year-end audits, and so forth), audit standards of Audit & Supervisory Board Members, the rules for the Audit & Supervisory Board, agreement on the selection of the Accounting Auditor and the determination of audit fees, preparation of an audit report of Audit & Supervisory Board and notification of the contents thereof.

Nineteen matters were reported, which included key audit matters reviewed, audit results, assessment results of the Accounting Auditor, the quarterly review results and annual accounting audit results by the Accounting Auditor, prior approval by Audit & Supervisory Board Members for non-assurance services based on the revision of the JICPA Code of Ethics.

Four matters were deliberated on and discussed, which included business reports and compensation for Audit & Supervisory Board Members.

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 assess the systems and status of implementation of various management activities in light of the lawfulness and reasonableness and provide guidance and advice to improve or rationalize audited matters, as necessary.

Internal audits are conducted following the annual plan in order, and the Auditing Dept. reports the results of each audit to President and shares them with officers in charge of the audited matters and full-time Audit & Supervisory Board Members.

The Auditing Dept. also evaluates the internal control for financial reporting pursuant to the Financial Instruments and Exchange Act by having six staff members engage in that evaluation. The evaluation results are utilized in internal control audits conducted by the Accounting Auditor, and are reported to the Audit & Supervisory Board and the Board of Directors.

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 48 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: 7 certified public accountants and 22 other individuals

(Policy and reasons for appointing audit firm)

JAPEX'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, JAPEX 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 Board 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 Board 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	10	71	19
Consolidated subsidiaries	23	–	21	0
Total	98	10	93	20

(Previous fiscal year)

Non-audit services provided to JAPEX 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.

(Fiscal year under review)

Non-audit services provided to JAPEX include a study on revision of laws concerning Health, Safety and Environment (HSE), support for establishment of a human rights policy, and preparation of documents for audits of projects in Indonesia.

Non-audit services provided to consolidated subsidiaries include services for income and expenditure statements for gas transportation service.

(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	23	-	9	4
Consolidated subsidiaries	31	15	46	28
Total	54	15	55	33

(Previous fiscal year)

Services provided to JAPEX did not include non-audit services.

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

(Fiscal year under review)

Non-audit services provided to JAPEX include advice concerning tax matters regarding overseas business trips by JAPEX’s employees and tax return service, advice concerning visa acquisition for overseas business trips by JAPEX’s employees, and tax return service for JAPEX’s overseas offices.

Non-audit services provided to consolidated subsidiaries include tax-related advice and instruction to Japex (U.S.) Corp., Japex Garraf Ltd. and JAPEX UK E&P Ltd.

(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 JAPEX 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 JAPEX 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 JAPEX'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. Individual Director's contribution to JAPEX's management is measured 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 the aforementioned 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 a total return ratio as a general rule as an indicator of performance evaluation based on JAPEX's recognition that returning profits to shareholders is an important management issue) and a monetary amount equivalent to the market price of said shares is provided as a general rule to directors upon retirement. Note: The policy for provision of share-based compensation before FY2022 was to use annual dividend amounts as a general rule as an indicator of performance evaluation.
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, JAPEX 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, a total shareholder return ratio is used as an indicator of performance evaluation as JAPEX recognizes that returning profits to shareholders is an important management issue. By setting these indicators, we aim to raise awareness among 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 JAPEX over the medium and long term and the improvement of profit distribution to shareholders. 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 right figure that works as an incentive. For the fiscal year under review, JAPEX posted consolidated profit of ¥67,394 million. The target for the indicator for the fiscal year under review used for share-based compensation was annual dividend amount. The target for the fiscal year under review was ¥50 per share as stated in (h) below, and the actual amount paid for the fiscal year under review was ¥370 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	・ JAPEX will introduce a share-based compensation plan (Board Benefit Trust) for Directors, etc. and provide the share-based compensation to JAPEX'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 JAPEX's shares are acquired through a trust (the "Trust"), using money contributed by JAPEX as financial funds, and Directors, etc. are provided with JAPEX's shares and an amount of money equivalent to the market value of JAPEX'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, JAPEX's business performance, etc. (*) JAPEX 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.)	JAPEX shall contribute money as defined below to the Trust, as the financial funds for the Trust to acquire JAPEX'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 JAPEX's shares	In principle, JAPEX's shares shall be acquired from stock exchange markets (or may be through the disposal of JAPEX's treasury shares).

Note: The Board of Directors resolved with respect to the "point calculation method" specified above at its meeting held on March 31, 2023 that a total shareholder return ratio (target value: 30%) would be used as a general rule as an indicator of performance evaluation for the policy for provision of share-based compensation from FY2023 onwards, with a range of fluctuation from 0% to 120%, assuming that the payment ratio at the target value is 100%.

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 JAPEX 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 28, 2022	• Resolution on determination of the compensation amount for Directors and the payment of retirement benefits to Executive Officers who will assume office of Directors
March 31 2023	• Resolution on amendments to the policy for determining individual Directors' compensation

(Nomination and Compensation Committee)

Date of meeting	Description
May 11, 2022	• Deliberation on determination of the compensation amount of Directors
January 26, 2023	• Deliberation on the revision of an indicator of performance evaluation under the officers' share ownership plan

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)	336	260	62	13	8
Audit & Supervisory Board Members (excluding Outside Audit & Supervisory Board Members)	43	43	–	–	3
Outside Officers	74	74	–	–	10

Note: 1. The above number of recipients includes three Directors and one Audit & Supervisory Board Member who retired, and two Audit & Supervisory Board Members who resigned, upon the conclusion of the 52nd Ordinary General Meeting of Shareholders held on June 28, 2022.

2. The above amount comprises the amount paid or allocated for base compensation, provision for bonuses and 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, JAPEX paid ¥3 million to one Audit & Supervisory Board Member who retired at the conclusion of the 52nd Ordinary General Meeting of Shareholders held on June 28, 2022 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 JAPEX’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	20	1,807
Shares other than unlisted shares	4	76,530

(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	–	–	–
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	1	0
Shares other than unlisted shares	-	-

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, outlines of business collaboration, quantitative effect of holding, and reason for increase in number of shares	Holding of JAPEX's shares
INPEX CORPORATION	53,446,600 74,664	53,446,600 76,963	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
Nitto Boseki Co., Ltd.	660,000 1,329	660,000 1,861	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
MITSUBISHI GAS CHEMICAL COMPANY, INC.	163,770 321	163,770 340	The company and JAPEX jointly conduct business at the Group's major oil and gas fields, including 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

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
	213	161		

Note: The Board of Directors verified the reasonableness of these shareholdings at its meeting held in December 2022.

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	84	3	89

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	2	–	2

Item 5. Financial Information

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

(1) The consolidated financial statements of JAPEX 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 JAPEX 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.”).

JAPEX 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, JAPEX’s consolidated and non-consolidated financial statements for the fiscal year from April 1, 2022 to March 31, 2023 have been audited by Ernst & Young ShinNihon LLC.

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

JAPEX has taken special measures to ensure the appropriateness of the consolidated financial statements, etc. Specifically, JAPEX 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 JAPEX 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, 2022	As of March 31, 2023
Assets		
Current assets		
Cash and deposits	147,241	191,956
Notes and accounts receivable - trade	*1,*2 47,158	*1,*2 47,993
Contract assets	405	480
Securities	3,030	3,000
Merchandise and finished goods	2,143	2,216
Work-in-process	29	11
Raw materials and supplies	12,503	21,613
Other	14,458	14,574
Allowance for doubtful accounts	(51)	(54)
Total current assets	226,920	281,791
Non-current assets		
Property, plant and equipment		
Buildings and structures	*3 178,766	*3 181,787
Accumulated depreciation	(141,557)	(145,756)
Buildings and structures, net	37,208	36,030
Wells	75,314	94,048
Accumulated depreciation	(73,388)	(77,417)
Wells, net	1,925	16,630
Machinery, equipment and vehicles	*3 146,470	*3 147,047
Accumulated depreciation	(122,216)	(126,573)
Machinery, equipment and vehicles, net	24,253	20,473
Land	11,536	11,532
Construction in progress	14,797	28,284
Other	*3 20,945	*3 23,644
Accumulated depreciation	(17,829)	(18,184)
Other, net	3,116	5,460
Total property, plant and equipment	92,837	118,411
Intangible assets	5,802	5,569
Investments and other assets		
Investment securities	*4,*5 108,910	*4,*5 115,940
Long-term loans receivable	49	1,307
Deferred tax assets	3,709	3,813
Retirement benefit asset	2,319	1,703
Other	31,734	40,031
Allowance for doubtful accounts	(45)	(47)
Allowance for overseas investment loss	(297)	(341)
Total investments and other assets	146,380	162,407
Total non-current assets	245,021	286,388
Total assets	471,941	568,180

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	11,479	26,489
Current portion of long-term borrowings	260	260
Income taxes payable	2,196	9,333
Contract liabilities	258	155
Provision for loss on disaster	1,841	2,119
Other	9,205	25,892
Total current liabilities	25,241	64,250
Non-current liabilities		
Long-term borrowings	510	250
Deferred tax liabilities	16,867	20,461
Retirement benefit liability	3,376	3,428
Asset retirement obligations	19,539	20,043
Other	3,636	2,577
Total non-current liabilities	43,929	46,759
Total liabilities	69,171	111,010
Net assets		
Shareholders’ equity		
Share capital	14,288	14,288
Capital surplus	2,607	–
Retained earnings	310,592	362,989
Treasury shares	(3,886)	(136)
Total shareholders’ equity	323,602	377,141
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	48,346	46,324
Deferred gains or losses on hedges	(1,862)	(699)
Foreign currency translation adjustment	89	2,275
Remeasurements of defined benefit plans	1,464	590
Total accumulated other comprehensive income	48,036	48,491
Non-controlling interests	31,131	31,536
Total net assets	402,770	457,169
Total liabilities and net assets	471,941	568,180

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

Consolidated Statement of Income

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Net sales	[*1]249,140	[*1]336,492
Cost of sales	[*2,*3]199,237	[*2,*3]240,380
Gross profit	49,903	96,111
Exploration expenses	359	2,885
Selling, general and administrative expenses	[*4,*5]29,734	[*4,*5]31,139
Operating profit	19,809	62,085
Non-operating income		
Interest income	266	1,173
Dividend income	4,049	3,520
Share of profit of entities accounted for using equity method	14,226	7,109
Foreign exchange gains	10,002	5,332
Gain on derivatives	–	6,082
Other	1,535	373
Total non-operating income	30,080	23,592
Non-operating expenses		
Interest expenses	1,187	5
Late charges	3,335	–
Commitment fees	292	312
Provision for loss on disaster	331	1,509
Other	1,069	720
Total non-operating expenses	6,215	2,547
Ordinary profit	43,674	83,130
Extraordinary income		
Gain on sale of non-current assets	[*6]1,307	[*6]0
Gain on sale of investment securities	39,826	–
Gain on forgiveness of debts	42,462	–
Total extraordinary income	83,596	0
Extraordinary losses		
Loss on sale of non-current assets	[*7]0	[*7]8
Loss on retirement of non-current assets	[*8]46	[*8]38
Loss on disaster	[*9]1,416	–
Loss on sale of shares of subsidiaries	94,373	–
Loss on transfer of mining rights	44,724	–
Loss on liquidation of subsidiaries	3,889	–
Other	1,320	–
Total extraordinary losses	145,772	46
Profit (loss) before income taxes	(18,501)	83,084
Income taxes - current	2,855	11,223
Income taxes - deferred	6,797	3,878
Total income taxes	9,652	15,102
Profit (loss)	(28,153)	67,981
Profit attributable to non-controlling interests	2,835	587
Profit (loss) attributable to owners of parent	(30,988)	67,394

Consolidated Statement of Comprehensive Income

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Profit (loss)	(28,153)	67,981
Other comprehensive income		
Valuation difference on available-for-sale securities	4,121	(2,019)
Deferred gains or losses on hedges	(1,718)	715
Foreign currency translation adjustment	6,412	1,993
Remeasurements of defined benefit plans, net of tax	(202)	(873)
Share of other comprehensive income of entities accounted for using equity method	547	639
Total other comprehensive income	*9,161	*454
Comprehensive income	(18,992)	68,436
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(24,548)	67,848
Comprehensive income attributable to non-controlling interests	5,556	587

3) Consolidated Statement of Changes in Equity

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)
Profit (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 equity method					–
Purchase of treasury shares				(3,737)	(3,737)
Disposal of treasury shares				2	2
Cancellation of treasury shares					–
Transfer from retained earnings to capital surplus					–
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)
Profit (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 equity method							–
Purchase of treasury shares							(3,737)
Disposal of treasury shares							2
Cancellation of treasury shares							–
Transfer from retained earnings to capital surplus							–
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

Fiscal year ended March 31, 2023 (April 1, 2022 – March 31, 2023)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	14,288	2,607	310,592	(3,886)	323,602
Changes during period					
Dividends of surplus			(9,537)		(9,537)
Profit (loss) attributable to owners of parent			67,394		67,394
Change in ownership interest of parent due to transactions with non-controlling interests					–
Change in scope of equity method			(63)		(63)
Purchase of treasury shares				(4,263)	(4,263)
Disposal of treasury shares				8	8
Cancellation of treasury shares		(8,004)		8,004	–
Transfer from retained earnings to capital surplus		5,396	(5,396)		–
Net changes in items other than shareholders' equity					
Total changes during period	–	(2,607)	52,396	3,749	53,539
Balance at end of period	14,288	–	362,989	(136)	377,141

	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	48,346	(1,862)	89	1,464	48,036	31,131	402,770
Changes during period							
Dividends of surplus							(9,537)
Profit (loss) attributable to owners of parent							67,394
Change in ownership interest of parent due to transactions with non-controlling interests							–
Change in scope of equity method							(63)
Purchase of treasury shares							(4,263)
Disposal of treasury shares							8
Cancellation of treasury shares							–
Transfer from retained earnings to capital surplus							–
Net changes in items other than shareholders' equity	(2,021)	1,163	2,185	(873)	454	405	859
Total changes during period	(2,021)	1,163	2,185	(873)	454	405	54,399
Balance at end of period	46,324	(699)	2,275	590	48,491	31,536	457,169

4) Consolidated Statement of Cash Flows

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Cash flows from operating activities		
Profit (loss) before income taxes	(18,501)	83,084
Depreciation	17,721	14,257
Loss on retirement of property, plant and equipment	45	37
Loss (gain) on valuation of short-term and long-term investment securities	–	10
Increase (decrease) in allowance for doubtful accounts	15	4
Decrease (increase) in retirement benefit asset	64	616
Increase (decrease) in retirement benefit liability	(168)	51
Increase (decrease) in allowance for overseas investment loss	(75)	44
Interest and dividend income	(4,316)	(4,693)
Interest expenses	1,187	5
Foreign exchange losses (gains)	(9,911)	(5,646)
Loss (gain) on sale of short-term and long-term investment securities	53,579	0
Loss (gain) on liquidation of subsidiaries	3,899	–
Share of loss (profit) of entities accounted for using equity method	(14,226)	(7,109)
Loss on transfer of mining rights	44,724	–
Recovery of recoverable accounts	17,780	18,295
Gain on forgiveness of debts	(42,462)	–
Decrease (increase) in trade receivables	(12,410)	(893)
Decrease (increase) in inventories	(2,737)	(9,139)
Increase (decrease) in trade payables	(9,422)	21,537
Decrease (increase) in accounts receivable - other	2,292	(10,541)
Increase (decrease) in accrued consumption taxes	(2,360)	3,768
Other, net	(18,989)	1,068
Subtotal	5,726	104,759
Income taxes refund (paid)	(6,778)	(177)
Net cash provided by (used in) operating activities	(1,052)	104,581

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Cash flows from investing activities		
Payments into time deposits	(41,247)	(36,106)
Proceeds from withdrawal of time deposits	44,920	34,453
Proceeds from sale and redemption of securities	30	30
Purchase of property, plant and equipment	(16,278)	(35,973)
Proceeds from sale of property, plant and equipment	2,248	2
Purchase of intangible assets	(290)	(191)
Payments for asset retirement obligations	(128)	(8)
Purchase of investment securities	(11,827)	(2,625)
Proceeds from sale and redemption of investment securities	53,062	674
Proceeds from sale of shares of subsidiaries resulting in change in scope of consolidation	*2 29,382	–
Payments of recoverable accounts	(23,244)	(27,729)
Loan advances	(6,721)	(1,694)
Proceeds from collection of loans receivable	24	7,135
Interest and dividends received	19,860	8,974
Proceeds from dividends of residual property	6	271
Proceeds from capital reduction of investments	75	19
Proceeds from transfer of interests	2,701	–
Other, net	(507)	43
Net cash provided by (used in) investing activities	52,067	(52,723)
Cash flows from financing activities		
Proceeds from short-term borrowings	20,900	–
Repayments of short-term borrowings	(20,900)	–
Repayments of long-term borrowings	(59,703)	(260)
Purchase of treasury shares	(3,737)	(4,263)
Dividends paid	(2,857)	(9,531)
Dividends paid to non-controlling interests	(2,085)	(181)
Interest paid	(674)	(5)
Repayments of lease liabilities	(255)	(264)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(1,626)	–
Net cash provided by (used in) financing activities	(70,939)	(14,506)
Effect of exchange rate change on cash and cash equivalents	6,475	4,301
Net increase (decrease) in cash and cash equivalents	(13,449)	41,653
Cash and cash equivalents at beginning of period	157,963	144,513
Cash and cash equivalents at end of period	*1 144,513	*1 186,166

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.

JAPEX Insurance Ltd. has been included in the scope of consolidation from the fiscal year ended March 31, 2023 because it was a newly established company with investment from JAPEX.

(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 JAPEX's equity interests), and retained earnings (amount proportionate to JAPEX'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: 10

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.

Abashiri Biomass Power 2 LLC., an associate of JAPEX, is included in the scope of entities accounted for using the equity method due to its increased materiality.

(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 JAPEX's consolidated financial statements in terms of profit or loss (amount proportionate to JAPEX's equity interests), retained earnings (amount proportionate to JAPEX'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, except 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 two other consolidated subsidiaries is December 31.

For Japex Garraf Ltd., the financial statements based on a provisional settlement of accounts conducted on the consolidated balance sheet date are used.

The financial statements of Japex (U.S.) Corp. and two other consolidated subsidiaries 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 gas pipelines, Shiroishi-Koriyama gas pipelines, Soma-Iwanuma gas pipelines, assets of the Hokkaido District Office and Soma District Office of JAPEX, 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 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 policies 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 policies for significant revenues and expenses

With regard to revenues from contracts with clients of JAPEX 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.

JAPEX 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 hedged items

Hedging instruments: Foreign exchange forward contracts and crude oil swaps

Hedged items: Accounts payable – trade, accounts payable – other and proceeds from sale of crude oil

3) Hedging policy

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

4) Method of assessing the effectiveness of hedges

The Group 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, 2023

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
Deferred tax assets	20,837	22,162

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

(2) Information about significant accounting estimates on identified items

1) Calculation method

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

As of March 31, 2023, deductible temporary differences which are deemed recoverable 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 the following fiscal year.

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. JAPEX 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.

Although the COVID-19 pandemic, which is one of the factors affecting the above assumptions, continues to have a certain impact on economic activities in Japan and overseas, we believe that this situation is improving.

Also, while the current situation in Russia and Ukraine has destabilized crude oil and natural gas prices globally, we believe that various structural changes brought about by the 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, JAPEX 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 and net tax loss carried forward can be utilized.

3) Effects on the consolidated financial statements for the year ending March 31, 2024

Any changes in the above assumptions may affect taxable income and increase or decrease the amount of deferred tax assets recorded for JAPEX 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 and net tax loss carried forward for consolidated subsidiaries.

(Changes in presentation)

Consolidated balance sheet

"Income taxes payable," which was included in "Other" under "Current liabilities" 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 consolidated financial statements for the previous fiscal year have been reclassified.

Accordingly, "Other" of ¥11,402 million presented under "Current liabilities" in the consolidated balance sheet for the previous fiscal year has been reclassified as "Income taxes payable" of ¥2,196 million and "Other" of ¥9,205 million.

Consolidated statement of income

"Commitment fees" and "Provision for loss on disaster," which were included in "Other" under "Non-operating expenses" in the previous fiscal year are separately presented in the fiscal year under review because of the increased quantitative significance. To reflect this change in presentation, the consolidated financial statements for the previous fiscal year have been reclassified.

Accordingly, "Other" of ¥1,693 million presented under "Non-operating expenses" in the consolidated statements of income for the previous fiscal year has been reclassified as "Commitment fees" of ¥292 million, "Provision for loss on disaster" of ¥331 million, and "Other" of ¥1,069 million.

"Loss on sale of non-current assets," which was included in "Other" under "Extraordinary losses" 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 consolidated financial statements for the previous fiscal year have been reclassified.

Accordingly, "Other" of ¥1,321 million presented under "Extraordinary losses" in the consolidated statements of income for the previous fiscal year has been reclassified as "Loss on sale of non-current assets" of ¥0 million and "Other" of ¥1,320 million.

Consolidated statement of cash flows

"Decrease (increase) in accounts receivable - other," which was included in "Other, net" under "Cash flows from operating activities" 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 consolidated financial statements for the previous fiscal year have been reclassified.

Accordingly, "Other, net" of ¥(16,697) million presented under "Cash flows from operating activities" in the consolidated statement of cash flows for the previous fiscal year has been reclassified as "Decrease (increase) in accounts receivable - other" of ¥2,292 million and "Other, net" of ¥(18,989) million.

Consolidated statement of income

"Taxes and dues," which was not included in the notes to major expense items and amount of "Selling, general and administrative expenses" in the previous fiscal year, is included in the notes in the fiscal year under review because of the increased quantitative significance.

Accordingly, "Taxes and dues" of ¥1,941 million, which was not presented in the previous fiscal year, has been included in in the notes to major expense items and amount of "Selling, general and administrative expense."

Tax effect accounting

"Foreign tax credit carried forward," which was included in "Other" under "Deferred tax assets" in the previous fiscal year, is separately presented in the fiscal year under review because of the increased quantitative significance.

Accordingly, "Other" of ¥6,083 million presented under "Deferred tax assets" for the previous fiscal year has been reclassified as "Foreign tax credit carried forward" of ¥905 million and "other" of ¥5,177 million.

(Additional information)

Share-based compensation plan

JAPEX, 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 JAPEX’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 JAPEX in order to further motivate Directors, etc. to contribute to the improvement of the business performance and corporate value of JAPEX over the medium and long term.

(1) Overview of the transaction

Under the Plan, Directors, etc. are provided with JAPEX’s shares and an amount of money equivalent to the market value of JAPEX’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 JAPEX.

The Directors, etc. shall receive JAPEX’s Shares, etc., upon their retirement from office, in principle.

(2) JAPEX’s shares remaining in the trust

JAPEX’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, 2022 and 2023 were ¥137 million and 76,000 shares, and ¥128 million and 71,000 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	As of March 31, 2023
Notes receivable - trade	160	142
Accounts receivable - trade	42,764	47,466

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, 2022	As of March 31, 2023
Buildings and structures	42	42
Machinery, equipment and vehicles	4,856	4,865
Other	198	198

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

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
Investment securities (equity securities)	12,641	20,161
Investment securities (investments in capital)	2,121	2,795
Investment securities (corporate bonds)	4,590	4,459

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

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
Investment securities	4,869	4,733

In addition to the assets pledged as collateral above, investment securities of ¥1,604 million and ¥2,110 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, 2023 and 2022, respectively.

*6. Contingent liabilities

(Millions of yen)

As of March 31, 2022		As of March 31, 2023	
(1) Liabilities for guarantees on borrowings to financial institutions			
Kumamoto Mirai LNG Co., Ltd.	31	Abashiri Biomass Power 2 LLC.	2,218
Employees (borrowings for housing funds)	22	Abashiri Biomass Power 3 LLC.	2,107
Greenland Petroleum Exploration Co., Ltd.	20	Ozu Biomass Power Co., Ltd.	412
		Kumamoto Mirai LNG Co., Ltd.	25
		Employees (borrowings for housing funds)	16
(2) Guarantees on liabilities related to production facilities			
Kangean Energy Indonesia Ltd.	116		–
Total	191	Total	4,781

*7 JAPEX 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 (five banks in the previous fiscal year) to facilitate efficient procurement of working capital. The unused balances of these agreements as of March 31, 2022 and 2023 are as follows:

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
Total overdraft limit and commitment line	88,988	91,093
Executed borrowings	–	–
Unused balance	88,988	91,093

(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. Revenue from contracts with clients in net sales is as presented in “Notes to consolidated financial statements (Revenue recognition) 1. Information on disaggregation of revenue from contracts with clients.”

*2 Inventories at the end of the period are stated after write-downs due to decline in profitability, and cost of sales includes the following valuation loss of inventories.

(Millions of yen)

Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
2,512	13

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

(Millions of yen)

Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
40	38

*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, 2022	Fiscal year ended March 31, 2023
Personnel expenses	11,248	10,969
(of the above, retirement benefit expenses)	560	507
Freight costs	5,130	2,594
Taxes and dues	1,941	3,750
Depreciation	4,162	3,979

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

(Millions of yen)

Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
179	291

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

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Machinery, equipment and vehicles	0	0
Land	1,290	0
Other	16	–
Total	1,307	0

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

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Buildings and structures	–	5
Other	0	2
Total	0	8

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

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Machinery, equipment and vehicles	36	30
Other	10	7
Total	46	38

*9 Losses on disaster

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, 2022	Fiscal year ended March 31, 2023
Valuation difference on available-for-sale securities		
Gains (losses) arising during the year	45,762	(2,804)
Reclassification adjustments	(39,826)	–
Pre-tax amount	5,936	(2,804)
Tax effect	(1,814)	785
Valuation difference on available-for-sale securities	4,121	(2,019)
Deferred gains or losses on hedges		
Gains (losses) arising during the year	(2,386)	1,397
Reclassification adjustments	–	(36)
Pre-tax amount	(2,386)	1,361
Tax effect	668	(646)
Deferred gains or losses on hedges	(1,718)	715
Foreign currency translation adjustment		
Gains (losses) arising during the year	7,601	1,993
Reclassification adjustments	(1,188)	–
Foreign currency translation adjustment	6,412	1,993
Remeasurements of defined benefit plans, net of tax		
Gains (losses) arising during the year	46	(722)
Reclassification adjustments	(328)	(327)
Pre-tax amount	(281)	(1,049)
Tax effect	78	176
Remeasurements of defined benefit plans, net of tax	(202)	(873)
Share of other comprehensive income of entities accounted for using equity method		
Gains (losses) arising during the year	375	511
Reclassification adjustments	172	126
Adjustment for asset acquisition cost	–	2
Share of other comprehensive income of entities accounted for using equity method	547	639
Total other comprehensive income	9,161	454

(Consolidated statement of changes in equity)

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 shares in treasury shares of common shares comprises an increase due to the purchase of treasury shares by resolution of the Board of Directors.

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

3. The number of treasury shares of common shares 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).

Fiscal year ended March 31, 2023 (April 1, 2022 – March 31, 2023)

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	–	2,854,700	54,300,076
Total	57,154,776	–	2,854,700	54,300,076
Treasury shares				
Common shares	1,518,982	1,414,348	2,859,600	73,730
Total	1,518,982	1,414,348	2,859,600	73,730

Notes: 1. The decrease of 2,854,700 shares in total issued shares of common shares comprises a decrease due to the cancellation of treasury shares by resolution of the Board of Directors.

2. The increase of 1,414,348 shares in treasury shares of common shares comprises an increase of 1,414,100 shares due to the acquisition of treasury shares by resolution of the Board of Directors and an increase of 248 shares due to the purchase of shares less than one unit.

3. The decrease of 2,859,600 shares in treasury shares of common shares comprises decreases due to 2,854,700 shares in cancellation of treasury shares by resolution of the Board of Directors and 4,900 shares in the provision of shares through the Board Benefit Trust (BBT).

4. The number of treasury shares of common shares includes shares held by the Board Benefit Trust (BBT) (76,000 shares at the beginning of the fiscal year ended March 31, 2023 and 71,100 shares at the end of the fiscal year ended March 31, 2023).

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 28, 2022	Common shares	1,392	25	March 31, 2022	June 29, 2022
Meeting of the Board of Directors held on November 10, 2022	Common shares	8,144	150	September 30, 2022	December 12, 2022

Notes: 1: 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).

2. The total amount of the dividend at the meeting of the Board of Directors held on November 10, 2022 includes a dividend of ¥10 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 27, 2023	Common shares	11,945	Retained earnings	220	March 31, 2023	June 28, 2023

Note: The total amount of the dividend at the Ordinary General Meeting of Shareholders held on June 27, 2023 includes a dividend of ¥15 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, 2022	Fiscal year ended March 31, 2023
Cash and deposits	147,241	191,956
Time deposits with maturity over three months	(5,727)	(8,789)
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	144,513	186,166

*2 Breakdown of assets and liabilities of a subsidiary excluded from the scope of consolidation due to the sale of its shares

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

Fiscal year ended March 31, 2023 (April 1, 2022 – March 31, 2023)

Not applicable.

(Leases)

Operating lease transactions

(As lessee)

Future lease payments

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
Due within one year	879	880
Due after one year	6	2
Total	885	883

(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. 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 ¥74,664 million and ¥76,963 million as of March 31, 2023 and 2022, the proportions of which to investment securities are 64.4% and 70.7%, 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.

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 hedged 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. “Cash and deposits,” “Notes and accounts receivable - trade,” “Securities,” “Notes and accounts payable - trade,” “Current portion of long-term borrowings,” and “Income taxes payable” are not stated as they are cash, and settled within a short period of term and their fair values approximate their carrying amounts.

As of March 31, 2022

	Consolidated balance sheet amount (Millions of yen)	Fair value (Millions of yen)	Difference (Millions of yen)
(1) Investment securities (*1, *2)	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 (*3)	38	38	–

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

(*2) 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

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

As of March 31, 2023

	Consolidated balance sheet amount (Millions of yen)	Fair value (Millions of yen)	Difference (Millions of yen)
(1) Investment securities (*1, *2)	81,081	82,241	1,160
(2) Long-term loans receivable	1,307	1,307	–
Total assets	82,388	83,548	1,160
(1) Long-term borrowings	250	250	–
Total liabilities	250	250	–
Derivative transactions (*3)	31	31	–

(*1) Investments in partnerships and other similar entities for which equity interests are reported on a net basis on the consolidated balance sheet are not included in (1) Investment securities. The consolidated balance sheet amount of these investments is ¥10,116 million.

(*2) 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, 2023 (Millions of yen)
Unlisted equity securities	24,743

(*3) 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, 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

As of March 31, 2023

	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	191,954	–	–	–
Notes and accounts receivable - trade	47,993	–	–	–
Securities and investment securities				
Held-to-maturity debt securities				
Corporate bonds	–	–	–	5,732
Available-for-sale securities with maturities				
Debt securities (corporate bonds)	–	–	–	–
Long-term loans receivable	–	400	537	369
Total	239,947	400	537	6,102

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

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	–	–

As of March 31, 2023

	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	250	–	–
Total	260	250	–	–

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
Commodity-related transactions	–	–	–	—
Total assets	79,417	38	–	79,455
Derivative transactions				
Currency-related transactions	–	–	–	–
Commodity-related transactions	–	–	–	–
Total liabilities	–	–	–	–

As of March 31, 2023

Category	Fair value (Millions of yen)			
	Level 1	Level 2	Level 3	Total
Investment securities				
Available-for-sale securities				
Equity securities	76,614	–	–	76,614
Derivative transactions				
Currency-related transactions	–	6	–	6
Commodity-related transactions	–	52	–	52
Total assets	76,614	59	–	76,673
Derivative transactions				
Currency-related transactions	–	1	–	1
Commodity-related transactions	–	26	–	26
Total liabilities	–	27	–	27

(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

As of March 31, 2023

Category	Fair value (Millions of yen)			
	Level 1	Level 2	Level 3	Total
Investment securities				
Held-to-maturity debt securities				
Corporate bonds	–	–	5,611	5,611
Available-for-sale securities				
Equity securities	–	14	–	14
Long-term loans receivable	–	1,307	–	1,307
Total assets	–	1,321	5,611	6,933
Long-term borrowings	–	250	–	250
Total liabilities	–	250	–	250

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, 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

As of March 31, 2023

	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	4,459	5,611	1,152
Securities whose fair value does not exceed their consolidated balance sheet amount	–	–	–
Total	4,459	5,611	1,152

2. Available-for-sale securities

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

As of March 31, 2023

	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	75,209	10,965	64,243
	(2) Debt securities			
	1) Corporate bonds	–	–	–
	2) Other debt securities	–	–	–
	(3) Other	–	–	–
	Subtotal	75,209	10,965	64,243
Securities whose consolidated balance sheet amount does not exceed their acquisition cost	(1) Equity securities	1,412	1,532	(120)
	(2) Debt securities			
	1) Corporate bonds	–	–	–
	2) Other debt securities	–	–	–
	(3) Other	3,000	3,000	–
	Subtotal	4,412	4,532	(120)
Total		79,621	15,497	64,123

3. Available-for-sale securities sold

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	–

Fiscal year ended March 31, 2023

Not applicable.

4. Impaired securities

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

During the year ended March 31, 2023, the Group recorded impairment losses of ¥10 million on available-for-sale securities without market value.

If the market value of the securities other than shares without market value declines by 50% or more from its acquisition cost as of the end of the fiscal year, in principle, 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.

If the real value of shares without market value declines by 50% or more from its acquisition cost, the Group recognizes impairment losses for the decline, considering its recoverability.

(Derivative Transactions)

Derivative transactions for which hedge accounting is applied

(1) Currency-related transactions

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

As of March 31, 2023

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	1,580	–	6
	US dollar	Accounts payable - other	43	–	(1)
Allocation method for foreign exchange forward contracts, etc.	Foreign exchange forward contracts				
	Buying				
	US dollar	Accounts payable - trade	2,420	–	(Note)
Total			4,044	–	5

(Note) As foreign exchange forward contracts, etc. subject to the allocation method are accounted for together with the hedged accounts payable - trade, their fair value is included in that of the accounts payable - trade.

(2) Commodity-related transactions

As of March 31, 2022

Not applicable.

As of March 31, 2023

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	Crude oil swap contracts Receive fixed rates and pay floating rates	Proceeds from sale of crude oil	4,853	1,369	26
Total			4,853	1,369	26

(Retirement benefits)

1. Overview of retirement benefit plans adopted

JAPEX 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, 2022	Fiscal year ended March 31, 2023
Retirement benefit obligations at beginning of period	15,285	14,782
Service costs	932	880
Interest costs	132	128
Actuarial gains and losses	(130)	363
Retirement benefits paid	(1,437)	(1,777)
Retirement benefit obligations at end of period	14,782	14,377

(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, 2022	Fiscal year ended March 31, 2023
Plan assets at beginning of period	15,204	14,831
Expected return on plan assets	152	148
Actuarial gains and losses	(83)	(358)
Contributions from employer	464	443
Retirement benefits paid	(906)	(1,250)
Plan assets at end of period	14,831	13,813

(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, 2022	Fiscal year ended March 31, 2023
Retirement benefit liability at beginning of period	1,079	1,105
Retirement benefit expenses	236	232
Retirement benefits paid	(128)	(99)
Contributions to plans	(80)	(77)
Retirement benefit liability at end of period	1,105	1,160

(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, 2022	As of March 31, 2023
Funded retirement benefit obligations	12,511	12,109
Plan assets	(14,831)	(13,813)
	(2,319)	(1,703)
Unfunded retirement benefit obligations	3,376	3,428
Net retirement benefit liability (asset) on consolidated balance sheet	1,056	1,724
Retirement benefit liability	3,376	3,428
Retirement benefit asset	(2,319)	(1,703)
Net retirement benefit liability (asset) on consolidated balance sheet	1,056	1,724

(5) Breakdown of retirement benefit expenses

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Service costs	932	880
Interest costs	132	128
Expected return on plan assets	(152)	(148)
Amortization of actuarial gains and losses	(328)	(327)
Retirement benefit expenses calculated by simplified method	236	232
Retirement benefit expenses on defined benefit plans	819	765

(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, 2022	Fiscal year ended March 31, 2023
Actuarial gains and losses	(281)	(1,049)
Total	(281)	(1,049)

(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, 2022	As of March 31, 2023
Unrecognized actuarial gains and losses	2,033	983
Total	2,033	983

(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, 2022	As of March 31, 2023
Debt securities	55%	57%
Equity securities	33%	32%
Cash and deposits	4%	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, 2022	Fiscal year ended March 31, 2023
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, 2022	As of March 31, 2023
Deferred tax assets		
Allowance for overseas investment loss	83	96
Net tax loss carried forward (Note 2)	49,188	40,130
Retirement benefit liability	991	1,009
Depreciation on non-current assets	5,286	4,707
Payable for retirement benefits for directors and other officers	57	58
Assets retirement obligations	5,333	5,684
Impairment losses on non-current assets	2,154	2,150
Investment securities	1,261	1,144
Tax credit carried forward	3,940	4
Foreign tax credit carried forward	905	1,543
Other	5,177	6,655
Subtotal deferred tax assets	74,380	63,183
Valuation allowance for net tax loss carried forward (Note 2)	(37,560)	(25,844)
Valuation allowance for total of deductible temporary differences	(15,982)	(15,177)
Total valuation allowance (Note 1)	(53,543)	(41,021)
Total deferred tax assets	20,837	22,162
Deferred tax liabilities		
Reserve for mine prospecting	(7,197)	(8,403)
Valuation difference on available-for-sale securities	(18,585)	(17,800)
Reserve for tax purpose reduction entry of non-current assets	(201)	(191)
Undistributed earnings	(657)	(1,799)
Retirement benefit asset	(617)	(477)
Depreciation of foreign subsidiaries, etc.	(5,819)	(9,063)
Other	(917)	(1,074)
Total deferred tax liabilities	(33,996)	(38,810)
Net deferred tax liabilities	(13,158)	(16,648)

Notes 1 The change in valuation allowance is mainly due to a decrease in net tax loss carried forward at the Group level.

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

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 (a)	46	662	40,180	8,298	49,188
Valuation allowance	(46)	(506)	(37,007)	–	(37,560)
Deferred tax assets	–	155	3,173	8,298	(b) 11,627

(a) Net tax loss carried forward is calculated by multiplying the effective statutory tax rate.

(b) 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 part of net tax loss carried forward which is expected to be recoverable from the estimated taxable income in the future.

As of March 31, 2023

	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)	–	288	29,335	10,506	40,130
Valuation allowance	–	(203)	(25,640)	–	(25,844)
Deferred tax assets	–	84	3,694	10,506	(d) 14,285

(c) Net tax loss carried forward is calculated by multiplying the effective statutory tax rate.

(d) Deferred tax assets of ¥14,285 million are recognized for net tax loss carried forward of ¥40,130 million (calculated by multiplying the effective statutory tax rate). Valuation allowance has not been recognized for the part of 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

	As of March 31, 2022	As of March 31, 2023
Effective statutory tax rate	–	28.0
(Adjustments)		
Income not taxable permanently for income tax purposes (e.g., dividend income)	–	(0.4)
Expenses not deductible permanently for income tax purposes (e.g., entertainment expenses)	–	0.4
Consolidation adjustment items related to the application of the equity method	–	(2.4)
Change in valuation allowance	–	(12.1)
Tax rate differences with consolidated subsidiaries	–	(0.4)
Taxation differences with foreign subsidiaries	–	0.5
Consolidation adjustment items	–	1.6
Tax credit	–	2.7
Other	–	0.3
Actual effective tax rate after applying tax effect accounting	–	18.2

Note: This information for the fiscal year ended March 31, 2022 is not presented as JAPEX 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 (0.186)% to 2.287% for domestic obligations and 2.25% 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, 2022	Fiscal year ended March 31, 2023
Balance at beginning of period	21,436	19,539
Increase due to acquisition of new assets	530	232
Increase (decrease) due to change in estimate	(470)	3
Accretion expense	207	182
Liabilities settlement	(184)	(8)
Foreign currency translation adjustment	273	57
Other changes, net (Note)	(2,254)	37
Balance at end of period	19,539	20,043

Note: "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, 2023.

(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)	54,838	–	–	–	54,838
	LNG	22,034	–	–	–	22,034
	Electricity	34,320	–	–	–	34,320
	Others	4,903	–	–	–	4,903
	Subtotal	116,097	–	–	–	116,097
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
Revenue from contracts with clients		188,921	33,814	–	22,657	245,392
Revenue from other sources		3,748	–	–	–	3,748
Net sales to outside clients		192,669	33,814	–	22,657	249,140

Fiscal year ended March 31, 2023 (April 1, 2022 – March 31, 2023)

(Millions of yen)

		Reportable segment				
		Japan	North America	Europe	Middle East	Total
E&P Business	Crude oil	22,618	8,764	–	24,283	55,666
	Diluted bitumen	–	–	–	–	–
	Natural gas (overseas)	–	360	–	–	360
	Subtotal	22,618	9,124	–	24,283	56,026
Infrastructure/Utility Business	Natural gas (Japan)	92,540	–	–	–	92,540
	LNG	45,614	–	–	–	45,614
	Electricity	58,735	–	–	–	58,735
	Others	5,988	–	–	–	5,988
	Subtotal	202,879	–	–	–	202,879
Other businesses	Contract services	7,750	–	–	–	7,750
	Oil products/merchandise	56,573	–	–	–	56,573
	Others	2,112	–	–	–	2,112
	Subtotal	66,435	–	–	–	66,435
Revenue from contracts with clients		291,933	9,124	–	24,283	325,341
Revenue from other sources		11,113	36	–	–	11,150
Net sales to outside clients		303,047	9,161	–	24,283	336,492

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 policies for significant 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, 2023

(1) Balances, etc. of contract assets and contract liabilities

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Receivables from contracts with clients at beginning of period	38,888	42,924
Receivables from contracts with clients at end of period	42,924	47,609
Contract assets at beginning of period	169	405
Contract assets at end of period	405	480
Contract liabilities at beginning of period	52	258
Contract liabilities at end of period	258	155

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, 2023, the Group recognized an immaterial amount of revenue, which was previously included in contract liabilities as of the beginning of the period. The revenue the Group 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 Group 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	Fiscal year ended March 31, 2023
One year or less	232	155
Over one year	114	26
Total	347	181

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 of 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, sale, etc. of crude oil and natural gas 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.

3. Information regarding net sales, profit (loss), assets and other items by reportable segment

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

(Millions of yen)

	Reportable segment					Others (Note 1)	Total	Adjustment (Note 2)	Amount on the 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

Fiscal year ended March 31, 2023 (April 1, 2022 – March 31, 2023)

(Millions of yen)

	Reportable segment					Others (Note 1)	Total	Adjustment (Note 2)	Amount on the consolidated financial statements (Note 3)
	Japan	North America	Europe	Middle East	Total				
Net sales									
Net sales to outside clients	303,047	9,161	–	24,283	336,492	–	336,492	–	336,492
Intersegment sales or transfers	–	–	–	–	–	–	–	–	–
Total	303,047	9,161	–	24,283	336,492	–	336,492	–	336,492
Segment profit (loss)	68,855	4,210	(170)	(112)	72,783	–	72,783	(10,697)	62,085
Segment assets	71,445	27,662	20,611	25,450	145,170	–	145,170	423,009	568,180
Other items									
Depreciation	10,044	3,654	–	293	13,991	–	13,991	265	14,257
Share of profit (loss) of entities accounted for using equity method	326	–	–	(11)	315	6,793	7,109	–	7,109
Investments in entities accounted for using equity method	1,107	–	–	286	1,394	10,269	11,664	–	11,664
Increase in property, plant and equipment and intangible assets	5,898	25,738	6,300	–	37,937	–	37,937	195	38,132

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, 2022	Fiscal year ended March 31, 2023
Elimination of intersegment transactions	4	1
Corporate expenses *	(9,218)	(10,698)
Total	(9,213)	(10,697)

* 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, 2022	As of March 31, 2023
Elimination of intersegment transactions	(12)	(10)
Corporate assets *1	2,239	2,277
Other assets *2	357,280	420,743
Total	359,508	423,009

*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.

[Related information]

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	Iraq	Others	Total
192,592	32,835	22,671	1,041	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	US	UK	Total
76,753	2,198	13,885	92,837

3. Information by major client

(Millions of yen)

Name of client	Net sales	Related segment
TOHOKU NATURAL GAS Co., Inc.	19,751	Japan

Fiscal year ended March 31, 2023 (April 1, 2022 – March 31, 2023)

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	55,703	–	360	97,360	51,572	58,735	5,988

	Other businesses			Total
	Contract services	Oil products/merchandise	Others	
Net sales to outside clients	7,750	56,573	2,447	336,492

2. Information by geographical area

(1) Net sales

(Millions of yen)

Japan	Canada	Iraq	Others	Total
303,009	–	24,299	9,183	336,492

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	US	UK	Total
72,789	25,010	20,611	118,411

3. Information by major client

(Millions of yen)

Name of client	Net sales	Related segment
TOHOKU NATURAL GAS Co., Inc.	38,133	Japan

[Information on impairment losses on non-current assets by reportable segment]

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

Not applicable.

Fiscal year ended March 31, 2023 (April 1, 2022 – March 31, 2023)

Not applicable.

[Information on amortization and unamortized balance of goodwill by reportable segment]

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

Not applicable.

Fiscal year ended March 31, 2023 (April 1, 2022 – March 31, 2023)

Not applicable.

[Information on gain on bargain purchase by reportable segment]

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

Not applicable.

Fiscal year ended March 31, 2023 (April 1, 2022 – March 31, 2023)

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, 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) JAPEX 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 end of the period 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) JAPEX provides FGP with certificates of FGP shares and corporate bonds held by JAPEX 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, 2023 (April 1, 2022 – March 31, 2023)

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	TOHOKU NATURAL GAS Co., Inc.	Aoba-ku, Sendai City, Miyagi	300	Purchase and sale of natural gas in the Tohoku region	(Ownership) Direct 45.00	Sale of natural gas Interlocking officers	Sale of natural gas (Note (1))	37,915	Accounts receivable - trade	4,277
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	Redemption of corporate bonds (Note (2))	636	Investment securities	4,459
							Pledge of collateral (Note (3))	32,788	–	–

Note: Terms and conditions of transactions and policies on determination thereof, etc.

(1) Prices for sale of natural gas to TOHOKU NATURAL GAS Co., Inc. are determined considering the market price.

(2) JAPEX 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 end of the period is the amount used for the consolidated balance sheet, and it reflects a deduction of ¥1,272 million due to the application of the equity method.

(3) JAPEX provides FGP with certificates of FGP shares and corporate bonds held by JAPEX 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, 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 JAPEX own a majority of voting rights	Japan Oil, Gas and Metals National Corporation (Note 1)	Minato-ku, Tokyo	1,122,000 (Note 2 (1))	Support for exploration and development of oil resources, etc.	–	Debt guarantee	Performance of guarantee (Note 2 (2))	43,272	–	–
							Forgiveness of debt (Note 2 (3))	41,796	–	–

Notes: 1. Japan Oil, Gas and Metals National Corporation changed its name to Japan Organization for Metals and Energy Security as of November 14, 2022.

2. 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 JAPEX's borrowings from financial institutions. In connection with the performance of such guarantee obligation, JAPEX recorded ¥3,335 million as a late charge.

(3) Regarding the reimbursement obligations arisen from the subrogation payment, JAPEX received forgiveness of debt in conjunction with the proceedings to dissolve and liquidate a subsidiary of JAPEX and recorded a gain on forgiveness of debt of ¥41,796 million.

Fiscal year ended March 31, 2023 (April 1, 2022 – March 31, 2023)

Not applicable.

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, 2023, the summarized financial information of all associates accounted for using the equity method (10 companies), including a material associate, Sakhalin Oil and Gas Development Co., Ltd., is as follows:

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Total current assets	124,848	103,503
Total non-current assets	158,960	157,897
Total current liabilities	84,841	33,295
Total non-current liabilities	160,014	161,961
Total net assets	38,953	66,144
Net sales	284,274	178,141
Profit before income taxes	148,556	61,062
Profit	93,673	42,790

(Per Share Information)

	Fiscal year ended March 31, 2022 (April 1, 2021 – March 31, 2022)	Fiscal year ended March 31, 2023 (April 1, 2022 – March 31, 2023)
Net assets per share	¥6,679.85	¥7,849.18
Basic earnings (loss) per share	¥(545.64)	¥1,236.65

Notes: 1. Diluted earnings per share for the fiscal year ended March 31, 2022 is not presented, since basic loss per share was recorded and there is no dilutive share. Diluted earnings per share for the fiscal year ended March 31, 2023 is not presented, since there is no dilutive share.

2. JAPEX'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 (76,000 shares in the fiscal year ended March 31, 2022, and 71,100 shares in the fiscal year ended March 31, 2023).
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 earnings (loss) per share (76,486 shares in the fiscal year ended March 31, 2022, and 72,604 shares in the fiscal year ended March 31, 2023).

3. The basis for calculation of basic earnings (loss) per share is as follows:

	Fiscal year ended March 31, 2022 (April 1, 2021 – March 31, 2022)	Fiscal year ended March 31, 2023 (April 1, 2022 – March 31, 2023)
Profit (loss) attributable to owners of parent (Millions of yen)	(30,988)	67,394
Amounts not attributable to common shareholders (Millions of yen)	–	–
Profit (loss) attributable to owners of parent related to common shares (Millions of yen)	(30,988)	67,394
Average number of shares during the period (Thousands of shares)	56,794	54,497

(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	260	260	0.45	–
Current portion of lease obligations	245	243	–	–
Long-term borrowings, less current portion	510	250	0.45	2024 to 2025
Lease obligations, less current portion	1,572	1,449	–	2024 to 2031
Other interest-bearing debt	–	–	–	–
Total	2,588	2,203	–	–

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	250	–	–	–
Lease obligations	236	227	217	190

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	9,646	91	–	9,738
Under the provisions of local laws and contracts with regard to oil and natural gas production facilities overseas	791	359	–	1,151
Under the Act on Prevention of Marine Pollution and Maritime Disaster	6,979	50	–	7,030
Under the provision of land lease contracts and other	2,120	11	8	2,123
Total	19,539	512	8	20,043

(2) Other

Quarterly information for the fiscal year ended March 31, 2023

(Quarterly cumulative period)	First three months	First six months	First nine months	Fiscal year under review
Net sales (Millions of yen)	58,617	120,708	225,105	336,492
Profit before income taxes (Millions of yen)	22,598	43,068	57,851	83,084
Profit attributable to owners of parent (Millions of yen)	15,640	31,430	43,286	67,394
Basic earnings per share (Yen)	283.66	573.89	793.00	1,236.65

(Fiscal period)	First quarter	Second quarter	Third quarter	Fourth quarter
Basic earnings per share (Yen)	283.66	290.26	218.65	444.57

2. Non-consolidated Financial Statements, etc.

(1) Non-consolidated Financial Statements

1) Balance sheet

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
Assets		
Current assets		
Cash and deposits	103,939	132,041
Accounts receivable - trade	*4 36,133	*4 33,348
Merchandise and finished goods	2,025	2,093
Raw materials and supplies	10,440	19,697
Advance payments to suppliers	0	321
Prepaid expenses	671	765
Accrued revenue	*4 134	*4 30
Accounts receivable - other	*4 382	*4 10,796
Advances paid	*4 817	*4 502
Other	*4 11,409	*4 2,045
Total current assets	165,954	201,641
Non-current assets		
Property, plant and equipment		
Buildings	9,352	9,049
Structures	*1 26,884	*1 24,233
Wells	85	576
Machinery and equipment	*1 20,688	*1 16,978
Vessels	0	0
Vehicles	1	0
Tools, furniture and fixtures	*1 1,875	*1 1,596
Land	9,466	9,466
Leased assets	53	76
Construction in progress	499	514
Wells in progress	687	3,376
Total property, plant and equipment	69,596	65,868
Intangible assets		
Leasehold interests in land	151	151
Software	702	516
Other	150	191
Total intangible assets	1,005	859
Investments and other assets		
Investment securities	*2 94,833	*2 92,996
Shares of subsidiaries and associates	*2 82,833	*2 115,047
Long-term loans receivable from subsidiaries and associates	–	7,944
Long-term prepaid expenses	2,333	2,541
Prepaid pension costs	114	299
Other	*4 12,929	*4 13,458
Allowance for doubtful accounts	(17)	(19)
Allowance for overseas investment loss	(6,533)	(7,920)
Total investments and other assets	186,493	224,347
Total non-current assets	257,095	291,075
Total assets	423,049	492,716

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
Liabilities		
Current liabilities		
Accounts payable - trade	*4 18,424	*4 19,959
Lease liabilities	197	199
Accounts payable - other	*4 1,002	*4 12,945
Accrued expenses	*4 5,352	*4 7,058
Income taxes payable	378	6,959
Deposits received	566	158
Deposits received from subsidiaries and associates	23,955	27,955
Provision for bonuses for directors (and other officers)	18	62
Provision for loss on disaster	1,841	2,119
Other	248	92
Total current liabilities	51,985	77,509
Non-current liabilities		
Lease liabilities	1,470	1,320
Deferred tax liabilities	13,315	14,553
Provision for retirement benefits	2,098	1,847
Provision for share awards	47	70
Asset retirement obligations	15,182	15,300
Other	1,076	591
Total non-current liabilities	33,191	33,683
Total liabilities	85,176	111,193
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	834	211
Reserve for mine prospecting	18,419	21,400
Reserve for tax purpose reduction entry of non-current assets	518	492
Reserve for exploration	47,246	47,246
General reserve	171,600	121,600
Retained earnings brought forward	38,353	127,248
Total retained earnings	280,543	321,771
Treasury shares	(3,886)	(136)
Total shareholders' equity	290,945	335,923
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	48,340	46,320
Deferred gains or losses on hedges	(1,413)	(721)
Total valuation and translation adjustments	46,927	45,599
Total net assets	337,872	381,522
Total liabilities and net assets	423,049	492,716

2) Statement of income

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Net sales	*1 133,642	*1 233,160
Cost of sales	*1 98,357	*1 150,165
Gross profit	35,285	82,994
Exploration expenses	*1 512	*1 3,230
Selling, general and administrative expenses	*1,*2 21,365	*1,*2 24,390
Operating profit	13,407	55,373
Non-operating income		
Interest income	*1 128	*1 405
Dividend income	*1 21,781	*1 7,201
Foreign exchange gains	7,022	1,746
Gain on derivatives	–	6,082
Other	*1 1,611	*1 434
Total non-operating income	30,543	15,871
Non-operating expenses		
Interest expenses	*1 25	*1 16
Loss on valuation of shares of subsidiaries and associates	3,555	10
Provision for overseas investment loss	–	1,387
Inactive facilities related expenses	225	215
Administrative expenses of inactive mountain	63	49
Commitment fees	292	312
Provision for loss on disaster	331	1,509
Other	*1 438	*1 572
Total non-operating expenses	4,932	4,074
Ordinary profit	39,018	67,169
Extraordinary income		
Gain on sale of non-current assets	1,291	0
Gain on sale of investment securities	39,826	–
Total extraordinary income	41,117	0
Extraordinary losses		
Loss on retirement of non-current assets	32	19
Loss on disaster	1,416	–
Bad debts expenses	12,763	–
Loss on valuation of shares of subsidiaries	77,307	–
Other	1,048	–
Total extraordinary losses	92,568	19
Profit (loss) before income taxes	(12,432)	67,149
Income taxes - current	33	7,003
Income taxes - deferred	7,536	1,376
Total income taxes	7,570	8,379
Profit (loss)	(20,003)	58,769

3) Statement of Changes in Equity

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

(Millions of yen)

	Shareholders' equity										
		Capital surplus	Retained earnings								
				Other retained earnings							
	Share capital	Other capital surplus	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
Balance at beginning of period	14,288	–	3,572	1,512	14,919	72	543	47,246	171,600	63,938	303,404
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	–
Reversal of general reserve											–
Dividends of surplus										(2,857)	(2,857)
Profit (loss)										(20,003)	(20,003)
Purchase of treasury shares											–
Disposal of treasury shares											–
Cancellation of treasury shares											–
Transfer from retained earnings to capital surplus											–
Net changes in items other than shareholders' equity											
Total changes during period	–	–	–	(678)	3,500	(72)	(25)	–	–	(25,584)	(22,860)
Balance at end of period	14,288	–	3,572	834	18,419	–	518	47,246	171,600	38,353	280,543

	Shareholders' equity		Valuation and translation adjustments			
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments	Total net assets
Balance at beginning of period	(151)	317,540	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		–				–

Reversal of general reserve		–				–
Dividends of surplus		(2,857)				(2,857)
Profit (loss)		(20,003)				(20,003)
Purchase of treasury shares	(3,737)	(3,737)				(3,737)
Disposal of treasury shares	2	2				2
Cancellation of treasury shares		–				–
Transfer from retained earnings to capital surplus		–				–
Net changes in items other than shareholders' equity			4,121	(1,718)	2,402	2,402
Total changes during period	(3,734)	(26,595)	4,121	(1,718)	2,402	(24,192)
Balance at end of period	(3,886)	290,945	48,340	(1,413)	46,927	337,872

Fiscal year ended March 31, 2023 (April 1, 2022 – March 31, 2023)

(Millions of yen)

	Shareholders' equity										
		Capital surplus	Retained earnings								
				Other retained earnings							
	Share capital	Other capital surplus	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
Balance at beginning of period	14,288	–	3,572	834	18,419	–	518	47,246	171,600	38,353	280,543
Changes during period											
Reversal of reserve for overseas investment loss				(622)						622	–
Provision of reserve for mine prospecting					5,300					(5,300)	–
Reversal of reserve for mine prospecting					(2,319)					2,319	–
Reversal of reserve for special depreciation											–
Reversal of reserve for tax purpose reduction entry of non-current assets							(25)			25	–
Reversal of general reserve									(50,000)	50,000	–
Dividends of surplus										(9,537)	(9,537)
Profit (loss)										58,769	58,769
Purchase of treasury shares											–
Disposal of treasury shares											–
Cancellation of treasury shares		(8,004)									–
Transfer from retained earnings to capital surplus		8,004								(8,004)	(8,004)
Net changes in items other than shareholders' equity											
Total changes during period	–	–	–	(622)	2,980	—	(25)	—	(50,000)	88,894	41,227
Balance at end of period	14,288	–	3,572	211	21,400	—	492	47,246	121,600	127,248	321,771

	Shareholders' equity		Valuation and translation adjustments			Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments	
Balance at beginning of period	(3,886)	290,945	48,340	(1,413)	46,927	337,872
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		–				–
Reversal of general reserve		–				–

Dividends of surplus		(9,537)				(9,537)
Profit (loss)		58,769				58,769
Purchase of treasury shares	(4,263)	(4,263)				(4,263)
Disposal of treasury shares	8	8				8
Cancellation of treasury shares	8,004	–				–
Transfer from retained earnings to capital surplus		–				–
Net changes in items other than shareholders' equity			(2,019)	691	(1,327)	(1,327)
Total changes during period	3,749	44,977	(2,019)	691	(1,327)	43,650
Balance at end of period	(136)	335,923	46,320	(721)	45,599	381,522

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 gas 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 policies 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, JAPEX 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 JAPEX'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 policies for revenues and expenses

With regard to revenues from contracts with clients of JAPEX, 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.

JAPEX 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 JAPEX 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 hedged items	Hedging instruments: Foreign exchange forward contracts Hedged items: Accounts payable - trade
(3) Hedging policy	To avoid future foreign currency fluctuation risk associated with foreign currency transactions, etc., JAPEX enters into hedge transactions only in connection with the relevant assets, liabilities and forecast transactions.
(4) Method of assessing the effectiveness of hedges	JAPEX 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, 2023

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Deferred tax assets	12,821	11,788

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 presentation)

Statement of income

“Provision for loss on disaster,” which was included in “Other” under “Non-operating expenses” 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 ¥770 million presented under “Non-operating expenses” in the statement of income for the previous fiscal year has been reclassified as “Provision for loss on disaster” of ¥331 million and “Other” of ¥438 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, 2022	As of March 31, 2023
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, 2022	As of March 31, 2023
Investment securities	6,369	5,732
Shares of subsidiaries and associates	610	605

3. Contingent liabilities

(Millions of yen)

As of March 31, 2022		As of March 31, 2023	
(1) Liabilities for guarantees on borrowings to financial institutions			
Kumamoto Mirai LNG Co., Ltd.	31	Abashiri Biomass Power 2 LLC.	2,218
Employees (borrowings for housing funds)	22	Abashiri Biomass Power 3 LLC.	2,107
Greenland Petroleum Exploration Co., Ltd.	20	Ozu Biomass Power Co., Ltd.	412
		Kumamoto Mirai LNG Co., Ltd.	25
		Employees (borrowings for housing funds)	16
(2) Guarantees on liabilities related to production facilities			
Kangean Energy Indonesia Ltd.	116		–
Total	191	Total	4,781

*4. Monetary receivables from and payables to subsidiaries and associates (excluding those presented separately)

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
Short-term receivables	11,777	6,016
Long-term receivables	130	130
Short-term payables	15,630	2,520
Long-term payables	–	–

5. JAPEX 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, 2022 and 2023 are as follows:

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
Total overdraft limit and commitment line	84,458	86,129
Executed borrowings	–	–
Unused balance	84,458	86,129

(Statement of income)

*1. Transactions with subsidiaries and associates

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Volume of operating transactions		
Net sales	24,295	45,962
Purchases	12,840	15,584
Volume of other transactions	18,170	4,075

*2. Selling expenses for the fiscal years ended March 31, 2022 and 2023 roughly account for 57% and 56% of SG&A expenses, respectively, while general and administrative expenses for 43% and 44%, 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, 2022	Fiscal year ended March 31, 2023
Compensation for directors and other officers	411	377
Salaries for employees, etc.	6,460	6,859
Retirement benefit expenses	370	370
Freight costs	2,506	2,547
Cost of outsourcing construction work	2,652	3,305
Depreciation	3,559	3,435

(Securities)

Shares of subsidiaries and associates

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), JAPEX does not disclose their fair value because of the lack of quoted market prices.

Fiscal year ended March 31, 2023

With regard to the shares of subsidiaries and associates (balance sheet amounts are ¥95,627 million and ¥19,419 million, respectively), JAPEX does not disclose their fair value because of the lack of quoted market prices.

(Tax effect accounting)

1. Significant components of deferred tax assets and liabilities

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
Deferred tax assets		
Allowance for overseas investment loss	1,829	2,217
Net tax loss carried forward	10,398	29,061
Provision for retirement benefits	587	517
Depreciation on non-current asset	5,156	4,573
Investment securities and shares of subsidiaries and associates	758	565
Asset retirement obligations	4,290	4,326
Impairment losses on non-current assets	2,021	2,021
Tax credit carried forward	3,940	4
Other	3,932	3,942
Subtotal deferred tax assets	32,915	47,230
Valuation allowance for net tax loss carried forward	(7,280)	(25,452)
Valuation allowance for total of deductible temporary differences	(12,813)	(9,989)
Total valuation allowance	(20,094)	(35,441)
Total deferred tax assets	12,821	11,788
Deferred tax liabilities		
Reserve for mine prospecting	(6,819)	(7,980)
Reserve for overseas investment loss	(324)	(82)
Reserve for tax purpose reduction entry of non-current assets	(201)	(191)
Valuation difference on available-for-sale securities	(18,585)	(17,800)
Other	(204)	(287)
Total deferred tax liabilities	(26,136)	(26,341)
Deferred tax liabilities, net	(13,315)	(14,553)

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

(%)

	As of March 31, 2022	As of March 31, 2023
Effective statutory tax rate	–	28.0
(Adjustments)		
Income not taxable for income tax purposes (e.g., dividend income)	–	(1.8)
Expenses not deductible for income tax purposes (e.g., entertainment expenses)	–	0.5
Change in valuation allowance	–	22.4
Taking over tax losses carried forward from liquidation of subsidiaries	–	(40.3)
Tax credit	–	3.4
Other	–	0.3
Actual effective tax rate after applying tax effect accounting	–	12.5

Note: This information for the fiscal year ended March 31, 2022 is not presented as JAPEX 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 policies 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	9,352	198	2	499	9,049	14,344
	Structures	26,884	548	0	3,199	24,233	125,542
	Wells	85	818	–	326	576	64,865
	Machinery and equipment	20,688	143	22	3,831	16,978	98,152
	Vessels	0	–	–	0	0	24
	Vehicles	1	–	–	0	0	15
	Tools, furniture and fixtures	1,875	208	3	484	1,596	10,252
	Land	9,466	–	–	–	9,466	–
	Leased assets	53	44	2	19	76	3,559
	Construction in progress	499	2,675	2,660	–	514	–
	Wells in progress	687	4,102	1,414	–	3,376	–
	Total	69,596	8,740	4,105	8,362	65,868	316,756
Intangible assets	Leasehold interests in land	151	–	–	–	151	–
	Software	702	135	1	321	516	515
	Other	150	191	136	14	191	83
	Total	1,005	327	137	335	859	599

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	17	2	–	19
Allowance for overseas investment loss	6,533	2,226	839	7,920
Provision for bonuses for directors (and other officers)	18	62	18	62
Provision for loss on disaster	1,841	1,436	1,158	2,119
Provision for share awards	47	38	16	70

(2) Components of major assets and liabilities

This information is not presented as JAPEX 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 JAPEX in relation to entrustment of the purchase and sale of securities
Method of public notice	Public notice shall be given electronically; provided, however, that in the event that JAPEX is unable to give electronic public notice due to an accident or other unavoidable reason, public notice shall be given by publication in The Nihon Keizai Shimbun published in Tokyo. JAPEX will give public notice on the following URL: https://www.japex.co.jp/
Special benefits for shareholders	Not applicable.

Note: 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.

Item 7. Reference Information of Reporting Company

1. Information about Parent of Reporting Company

JAPEX 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, JAPEX has filed the following documents:

(1) Annual Securities Report, attached document thereof and Confirmation Letter

Filed for the 52nd term ended March 31, 2022 (from April 1, 2021 to March 31, 2022) with the Director-General of the Kanto Local Finance Bureau on June 28, 2022.

(2) Internal Control Report and attached document thereof

Filed with the Director-General of the Kanto Local Finance Bureau on June 28, 2022.

(3) Quarterly Securities Reports and Confirmation Letter

Filed for the first quarter (from April 1 to June 30, 2022) of the 53rd term ended March 31, 2023 with the Director-General of the Kanto Local Finance Bureau on August 10, 2022.

Filed for the second quarter (from July 1 to September 30, 2022) of the 53rd term ended March 31, 2023 with the Director-General of the Kanto Local Finance Bureau on November 11, 2022.

Filed for the third quarter (from October 1 to December 31, 2022) of the 53rd term ended March 31, 2023 with the Director-General of the Kanto Local Finance Bureau on February 10, 2023.

(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) and 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 July 6, 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 July 25, 2022.

(5) Share Buyback Reports

Filed for the reporting period from June 1 to June 30, 2022 with the Director-General of the Kanto Local Finance Bureau on July 14, 2022.

Filed for the reporting period from July 1 to July 31, 2022 with the Director-General of the Kanto Local Finance Bureau on August 10, 2022.

Filed for the reporting period from August 1 to August 31, 2022 with the Director-General of the Kanto Local Finance Bureau on September 14, 2022.

Filed for the reporting period from September 1 to September 30, 2022 with the Director-General of the Kanto Local Finance Bureau on October 14, 2022.

Filed for the reporting period from October 1 to October 31, 2022 with the Director-General of the Kanto Local Finance Bureau on November 14, 2022.

Filed for the reporting period from November 1 to November 30, 2022 with the Director-General of the Kanto Local Finance Bureau on December 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.

Filed for the 52nd term ended March 31, 2022 (from April 1, 2021 to March 31, 2022) with the Director-General of the Kanto Local Finance Bureau on May 2, 2023.

Section 2 Information about Reporting Company's Guarantor, etc.

Not applicable.

(TRANSLATION ONLY)

Independent Auditor's Report and Internal Control Audit Report

June 27, 2023

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, 2023, 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, 2022 to March 31, 2023, 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, 2023, 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 ¥22,162 million as of March 31, 2023. Of the item above, the Company submitting consolidated financial statements recorded deferred tax assets of ¥11,788 million including ¥3,608 million recognized 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 also impacts the determination of reasonably estimable periods of future taxable income according to corporate classifications based on the Implementation Guidance on Recoverability of Deferred Tax Assets (ASBJ Guidance No.26). Such estimates entail uncertainties under which management has difficulty making decisions and providing evidence. 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), including whether or not such judgements and periods satisfy the requirements of paragraph 29 of the same Implementation Guidance. Since the reasons for having incurred significant net tax loss had been discussed in the previous fiscal year, we discussed with management, we especially discussed the business environment surrounding the Company with its management and examined whether the Company could show reasonable grounds that it would generate taxable income before adding/deducting temporary differences for approximately three to five years in the future. Furthermore, to consider the appropriateness of the estimation of taxable income for the following fiscal year, we discussed with management the management environment and underlying business plans, including the decarbonization trends, the effect of economic sanctions adopted against Russia and trends in the domestic economy. 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 taxable income for the following fiscal year and 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, and discussed with management the impact of the economic environment, such as the decarbonization trends, on the prices of crude oil and natural gas. – We compared sales volumes with past results for each major product and merchandise, such as crude oil, natural gas, and electricity, and considered the consistency between production amounts and the results of reserve assessment for crude oil and natural gas.

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, and to pay attention to whether there are any other indications of material errors in the other information aside from such material inconsistency.
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 whether it is appropriate to prepare the consolidated financial statements with the assumption of 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.

(TRANSLATION ONLY)

<Audit of Internal Control>

Opinion

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, 2023.

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, 2023, 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 original of the above Independent Auditor's 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 27, 2023

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 the provisions of 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, 2023, and the non-consolidated statement of income and non-consolidated statement of changes in equity and the notes to significant accounting policies for the 53rd fiscal year from April 1, 2022 to March 31, 2023, 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, 2023, 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 ¥11,788 million as of March 31, 2023. Of the item above, the Company recorded deferred tax assets of ¥3,608 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 (Recoverability of Deferred Tax Assets) 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, and to pay attention to whether there are any other indications of material errors in the other information aside from such material inconsistency.

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 non-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 non-consolidated financial statements is not expressing 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 original of above Independent Auditor's 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.