JAPEX

Japan Petroleum Exploration Co., Ltd.

Integrated Report 2024

For the Year Ended March 31, 2024

Essential Energies for Essential Needs

Corporate Vision

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.

The JAPEX Group Code of Ethics and Conduct

To realize our Corporate Vision and sustain as a company trusted by society, we hereby establish the JAPEX Group Code of Ethics and Conduct, which provides corporate ethics standards and principles of action to be adhered by all officers and employees.

1. Comply with applicable laws and regulations, and respect international code of conduct.
2. Place top priority on HSE (health, safety, and environment).
3. Strive to maintain trust with stakeholders and to contribute to society.
4. Respect the human rights of all people.
5. Make efforts to create a good working environment.
6. Engage in fair and free competition and maintain appropriate trading practices.
7. Maintain sound and transparent relationships with politicians, political parties, and government officials/agencies.
8. Stand firmly and exclude relationship to any anti-social forces.
9. Pay careful attention to managing and protecting confidential information and personal/clients' data.

JAPEX's History

JAPEX was founded in 1955 as a company engaged in the exploration, development, and production (E&P*1) of oil and natural gas.
With *stable energy supply* as our mission, we aim to grow to a comprehensive energy company, while contributing to the development of the E&P of oil and natural gas in Japan.

Started as a national policy concern to promote domestic oil and gas exploration → **Put its business on track by successively discovering oil fields in Japan** → **Expanded business regions and promoted business diversification** → **Aim to grow as a comprehensive energy company**

E&P field

1955 Founded as a government-owned company by the Law of Japan Petroleum Exploration Co., Ltd.

1956 Discovered the Biratori Oil Field in Hokkaido, the first oil field discovered by JAPEX (In production from 1956 to 1961)

E&P field

1972 Discovered the Aga-oki Oil and Gas Field in Niigata, the first ever offshore oil field discovered since the establishment of Japex Offshore Ltd. in 1971 (In production from 1976 to 1998)



Aga-oki Platform

Infrastructure/Utility field

1996 Commenced operation of the Niigata-Sendai Gas Pipeline



Niigata-Sendai Gas Pipeline

E&P field

2007 Participated in the Kangean Project in Indonesia

Carbon Neutral field

2008 Participated in funding Japan CCS Co., Ltd., which was established with the aim of creating practical applications for CCS*2 technologies in Japan

E&P field

2013 Commenced production of crude oil at the Garraf Project in Iraq

2014 Participated in the Seagull Project in the U.K. North Sea

2023 Participated in exploration and development projects in offshore blocks of Norway

Infrastructure/Utility field

2018 Commenced operation of the Soma LNG Terminal

2020 Commenced commercial operation of the Fukushima Natural Gas Power Plant



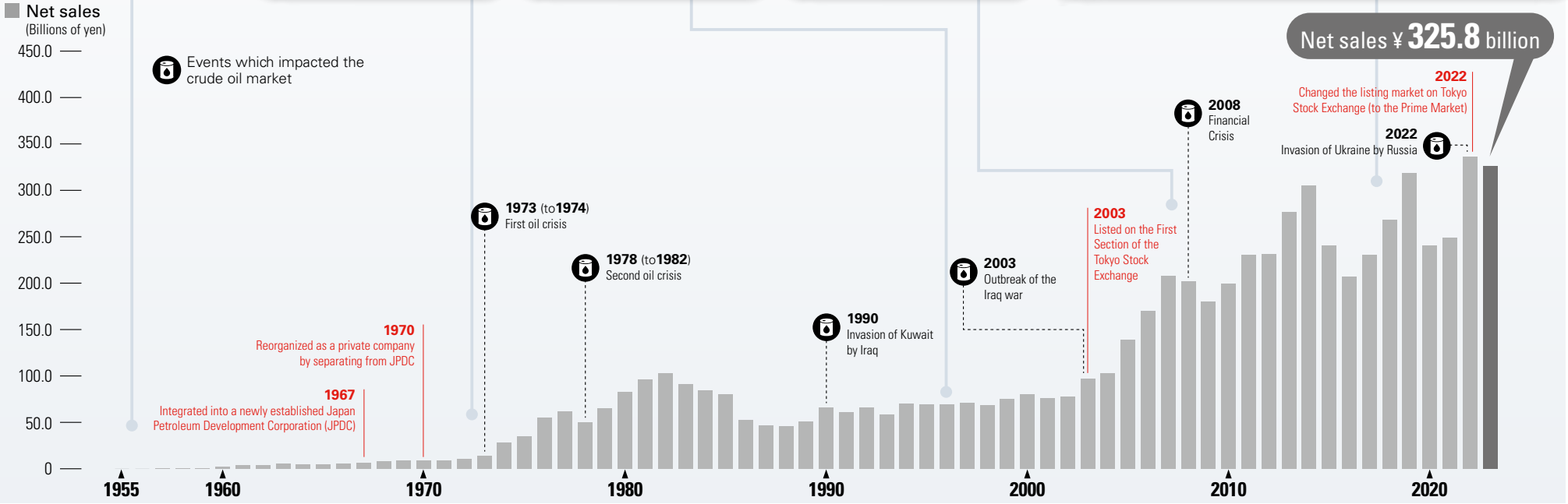
Fukushima Natural Gas Power Plant of Fukushima Gas Power Co., Ltd.

Carbon Neutral field

2019 Achieved target of injecting 300,000 tons of CO_2 in the Tomakomai CCS pilot test conducted through Japan CCS Co., Ltd.

2023 Commissioned by JOGMEC to undertake surveys in the Tomakomai and Higashi-Niigata areas as part of the publicly solicited "Business Feasibility Study on Japanese Advanced CCS Project" for 2023

Transition of net sales*3



*1 Exploration & Production (E&P): Businesses that engage in the exploration, development, and production of oil and gas
*2 Carbon dioxide capture and storage (CCS): Technologies that separate and capture CO_2 from gas emissions of electric power plants, factories, and other facilities, then inject and store the CO_2 in stable underground geological layers
*3 Non-consolidated net sales up to 2002, and consolidated net sales in 2003 and later

JAPEX's Strengths

JAPEX's three strengths comprise the JAPEX Group's comprehensive technical capabilities related to oil and gas exploration, development, production (E&P), transportation and sales; resilient domestic infrastructure that undergirds the stable supply of natural gas; and trusted relationships with stakeholders that serve as the foundation of our business. By leveraging these strengths, we will contribute to a stable supply of energy, which is our mission, and the realization of a carbon-neutral society.

The JAPEX Group's comprehensive technical capabilities



Technical capabilities in the E&P field

- The JAPEX Group possesses comprehensive technical capabilities that fully cover the entire E&P field. P.30

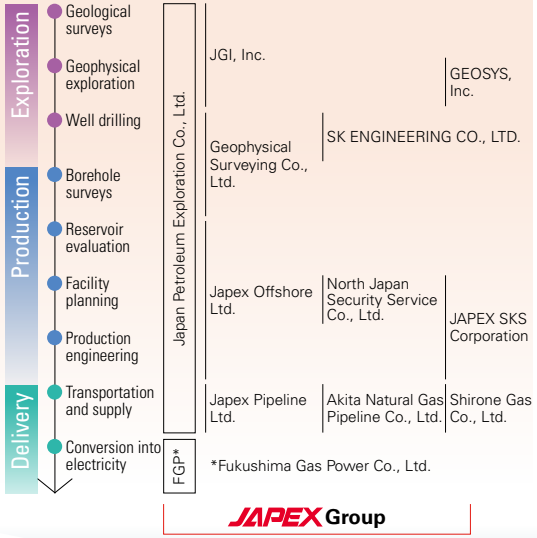
Application of technical capabilities in the CN* field centered on CCS

- We are working to create environmentally friendly businesses that contribute to society's decarbonization by leveraging the technologies and expertise cultivated in the E&P field.
  * CN: Carbon Neutral P.35

Operator*1 capabilities in the entire oil and gas supply chain

- We possess operator capabilities that span the Group's entire supply chain, including the E&P field, oil and gas transportation, regasification of imported LNG, and natural gas power generation.

Operator capabilities in the entire oil and gas supply chain



Resilient domestic infrastructure



Diverse gas supply network

- We provide a stable supply of environmentally low-impact LNG and natural gas through diverse means of transportation, such as JAPEX's own natural gas pipeline network and tank trucks, coastal vessel.

Resilient system for stable operation of infrastructure

- In the Shiunji Gas Field in Niigata Prefecture, we are storing domestic natural gas underground to help meet variable demand and ensure a stable supply of gas for emergencies.
- We are building a system for stable operation of infrastructure without major accidents and injuries. We have been able to ensure safety during crises, such as the Great East Japan Earthquake, achieving quick recovery and restart of supply. P.33

Relationships of trust with stakeholders



Relationships of trust with local communities that we have valued since our founding

- Building good relationships with local communities is essential for us to stay in our business. Since our founding, we have been operating our business over the years in various regions across Japan, which have been made possible through gaining the understanding and cooperation of all stakeholders, including local governments and residents. We have been able to alleviate concerns over our business by paying close attention to environmental and safety measures and carefully explaining our plans and listening close to all concerned. We have also been winning the confidence of local communities through active involvement in regional activities.
  The relationships of trust we have built with local communities form the most important foundation for us to contribute to the realization of a carbon-neutral society through CCS. P.61

Contributing to a stable supply of energy, which is our mission, and the realization of a carbon-neutral society by leveraging our three strengths

E&P field

- The operation and additional development of domestic oil and gas fields are the source of solid cash flows. We aim to further grow the E&P field by expanding our technical capabilities and experience in exploration, development, and production overseas based on our comprehensive technical capabilities cultivated over many years as the foundation of JAPEX.

Infrastructure/Utility field

- We remain committed to a stable supply and promotion of utilization of natural gas based on our resilient domestic infrastructure, including pipelines and the Soma LNG Terminal, and by procurement of domestic natural gas and overseas LNG.
  Moreover, we seek for further growth of our power business by expanding the renewable energy business, while ensuring the stable operation of the Fukushima Natural Gas Power Plant.

Carbon Neutral field

- With regard to CCS/CCUS*2 technologies which have drawn attention as a last resort for achieving carbon neutrality, we have internally developed necessary technologies for storage work. We also have worked to measure and examine the storage potential and transportation in the Business Feasibility Study on Japanese Advanced CCS Project commissioned by JOGMEC, and aim to launch the domestic CCS/CCUS business by 2030 based on the trusted relationships with local communities we have nurtured for many years.

*1 Operator: A contractual term used in the exploration, development, and production of oil and natural gas via collaboration between multiple partners; the "operator" is the partner commissioned to handle and manage actual operations.
*2 Carbon dioxide capture, utilization, and storage (CCUS): A technology to effectively utilize the CO_2 generated by power plants, factories, and other facilities before it is released into the atmosphere, and to store it deep underground

INDEX



Foreword

01 Corporate Vision & Code of Ethics and Conduct
02 JAPEX's History
03 JAPEX's Strengths

JAPEX's Vision

05 President's Message
11 At a Glance
12 What We Do
13 The JAPEX Group's Value Creation Process
14 JAPEX2050

Strategy

17 JAPEX Management Plan 2022–2030
21 Message from the Officer in charge of Finance & Accounting Dept.
23 Digital Transformation (DX)
23 Message from the Officer in charge of Corporate Strategy Dept.
25 Human Resources Strategy
25 Message from the Officer in charge of Human Resources Dept.

Value Creation Through Business

28 E&P Field
31 Infrastructure/Utility Field
34 Carbon Neutral Field

Initiatives to Support Value Creation

38 Sustainability Management
43 Integrity and Governance
43 Outside Directors' Roundtable Discussion
45 Corporate Governance
51 Risk Management
53 Compliance and Respect for Human Rights
55 Stable and Sustainable Energy Supply
55 Climate Change Response
58 HSE as Our Culture
58 Occupational Health and Safety/Pollution Prevention
60 Preserving Biodiversity and Ecosystems
61 Being a Good Neighbor
61 Growing Together with Stakeholders
62 The Employer of Choice
62 Diversity Promotion
63 Health Management and Good Working Environment

Financial and Other Information

66 Financial Highlights
67 Non-Financial Highlights
68 External Evaluation
69 Corporate Data

JAPEX's official YouTube channel

www.youtube.com/@mediaandinvestorrelationsj5388

Editorial Policy

This report, positioned as an important communication tool with all our stakeholders including investors, is intended to convey in an easy to understand way our initiatives to sustainably enhance our corporate value. In doing so, this report highlights their connection to our financial and non-financial data.

Integrated Report 2024 presents JAPEX's views on corporate value enhancement under the new management structure through messages from the new President and new officer in charge of Finance & Accounting Dept. and outside directors' roundtable discussion.

This report also features the progress we have made on JAPEX Management Plan 2022–2030 as well as the progress of DX and human resources strategies, together with messages from the responsible officers as part of the strengthening of our business foundation.

Reference Guidelines

METI, Guidance for Collaborative Value Creation
The IFRS Foundation, International Integrated Reporting Framework

Environment Social Governance
Guidance for Collaborative Value Creation

Organizations Covered by This Report

This report covers Japan Petroleum Exploration Co., Ltd. (JAPEX), its 16 consolidated subsidiaries, and other Group companies.

Reporting Period

Fiscal 2023 started on April 1, 2023 and ended March 31, 2024.
Some statements include data before March 31, 2023 or after April 1, 2024.

Issuing Date

October 2024 (Next issue: October 2025)

Disclaimer

This Integrated Report includes past and current facts about JAPEX and its subsidiaries and associates, their plans and prospects as of the issuing date, as well as forecasts based on their management plans and corporate management policies. These forecasts represent management's assumptions or decisions based on information currently available. Readers should be aware that actual results may differ from these forecasts due to changes in the business environment.

Website for shareholders and investors
https://www.japex.co.jp/en/ir/

Sustainability website
https://www.japex.co.jp/en/sustainability/

10 Year Financial Data
https://www.japex.co.jp/ir/uploads/JAPEX_10yearFinancialData_e.xlsx

Financial Results
https://www.japex.co.jp/en/ir/library/result/

Securities Report
https://www.japex.co.jp/en/ir/library/report/

Explanatory Materials
https://www.japex.co.jp/en/ir/library/explanatory/

Management Plan
https://www.japex.co.jp/en/ir/management/managementplan/

ESG Performance Data
https://www.japex.co.jp/en/sustainability/management/esgdata/



Accelerating the Building of Core Assets

Through Focused Allocation of Management Resources to E&P and CCS/CCUS Businesses

YAMASHITA Michiro
Representative Director and President
Chief Executive Officer

Q What do you think is expected of you as President of JAPEX? What do you hope to accomplish in this role?

Becoming President in the Milestone Year Marking 20 Years Since Listing

I became Representative Director and President on April 1, 2024. Although my background is in accounting and finance, I believe that my range of experience in various positions, including overseas assignments, secondments to overseas project companies, and in our corporate strategy divisions, is one of the reasons I was appointed President.

I have been with JAPEX for 42 years since joining in 1982, spending the last 20-plus years engaging with the market in various capacities. I first got involved with the market in March 2001, when we decided to list on the Tokyo Stock Exchange (TSE), and I was put in charge of the preparation team for the listing. In the limited time available to prepare for listing, we had to develop and sophisticate the various systems required of a listed company, such as those for accounting close, internal controls, information management, and timely disclosure. We also had to compile vast amounts of listing preparation documents, pass the underwriting examination by the lead underwriter, and pass the listing examination by the TSE. Every day was tense. It was all a new experience for me, from developing an equity story to present our growth strategy to the market to holding roadshows for institutional investors.

After listing on the TSE in December 2003, I was engaged in JAPEX's first IR activities for about two years. In June 2007, as General Manager of Corporate Planning Dept. at that time, I was put in charge of a secondary offering of our shares. Since 2013, as Executive Officer in charge of Finance & Accounting Dept., I have engaged in ongoing dialogue with the market through financial results briefings and other meetings for analysts and institutional investors.

When former President Fujita approached me at the end of last year to discuss the possibility of appointing me as President, it came as a complete surprise. However, I decided to accept the offer because I thought that being asked to become President at such a significant milestone as the 20th anniversary of our listing was some kind of coincidence. I have been prepared for my role as an officer since becoming an Executive Officer in 2013, so I do not feel any additional pressure just from becoming President. I also do not believe there is any special significance to appointing a "home-grown" President, who has joined and built an entire career within JAPEX. Whether one is a "home-grown" or not, what's most important is having the aptitude for management and the ability to steer the Company with vision.

Over the past 20 years, the demands placed on JAPEX by the market have been constantly changing. We have seen firsthand how times have changed, from placing value of the scale of crude oil and natural gas reserves and production volume to a focus on accountability for capital efficiency and growth strategies in the age of decarbonization. As the energy industry as a whole faces unprecedented change, we will continue to focus on dialogue with market participants while dealing with the challenge of how to improve corporate value over the medium to long term. As I devote myself to JAPEX's continued growth, I will carry on the legacy of previous presidents who have shaped the Company's history.

Making the Most of My Strength of Knowing JAPEX Inside Out

I have been with JAPEX for over 40 years, so I believe I have a good understanding of its strengths and weaknesses. I recognize the importance of taking a broader perspective as President having overhead view of my past efforts as the officer in charge of Finance & Accounting Dept. and develop JAPEX's strengths with a sense of speed.

The Group's strengths include comprehensive technical capabilities covering all stages from oil and gas exploration, development, and production (E&P) to transportation and sales; resilient infrastructure that undergirds the stable supply of natural gas; and trusted relationships with stakeholders that serve as the foundation of our business. CCS/CCUS technologies, which are regarded as a last resort for achieving carbon neutrality (CN), are an area in which the Group can demonstrate its strengths. In addition to possessing the full range of various diverse technologies required for CO_2 storage capacity assessment, drilling, monitoring, and other processes, the Group has also maintained trusted relationships with local communities for many years. We aim for commercialization as quickly as possible while coming up with ways to create synergies by combining these strengths of the Company.

Sticking to My Mission of Creating a Stronger JAPEX

We have formulated JAPEX2050: Toward a Carbon-Neutral Society and our medium- to long-term management plan JAPEX Management Plan 2022–2030 (the "Management Plan") to demonstrate our commitment to the stable supply of fossil fuels, which will continue to be crucial, and to outline our roadmap for ensuring that we will continue to play an important social role in the future CN society. In line with these policies, we are working to build a resilient company that is less susceptible to market conditions such as crude oil prices, while striking a good balance between investments in the E&P business and in the non-E&P businesses. Although we need to conduct annual follow-ups to check progress and adjust trajectories or strategies as necessary to adapt to changes in the business environment, the basic principles of the Management Plan should remain unchanged.

Our current business performance is relatively strong, but this has been supported in no small part by high crude oil prices and the weak yen. We still face various challenges when it comes to sustaining profits. In addition, although our return on equity (ROE) has been above the average for companies listed on the TSE Prime Market, our price earnings ratio (PER) has been below average, resulting in a price book-value ratio (PBR) below 1x. These ongoing conditions are partly due to concerns about the sustainability of the oil and natural gas business in a decarbonized society and structural factors such as volatility in oil and natural gas prices, as well as a lack of understanding and confidence in our efforts to enhance our corporate value. In light of this situation, my mission in a nutshell is to build on the foundation laid by former President Fujita, advance his efforts, and create a stronger JAPEX by pursuing proactive management rather than simply maintaining the status quo.

Currently, our business activities are diversifying, and above all, the energy industry's business environment is undergoing unprecedented changes. There are many uncertainties, such as how demand for oil and natural gas will change, how a hydrogen society will materialize, and when and in what form CCS/CCUS will be commercialized. We must continue to invest in preparation for an uncertain future and build a stronger JAPEX in the midst of uncertainty.

If we remain complacent and avoid risks, we will have no future. Looking ahead, we must be mindful of the fact that the investments we make now will shape JAPEX for 10 and even 20 years to come. In this sense, we must be flexible and adapt our business activities to leverage our strengths, based on the tangible and intangible assets we have built up to date.

Q How do you view the decarbonization movement?

Oil and Natural Gas as Ongoing Indispensable Energy Sources for Society

There is no stopping the acceleration of global decarbonization. Because of this movement, the fossil fuel industry is coming under increased scrutiny every year, especially from European investors and financial institutions. Financial institutions in particular are taking a firmer stance on curbing greenhouse gas emissions (financed emissions), including Scope 3 emissions, of investees and borrowers. This is making it more difficult to finance the E&P sector, and the business environment surrounding us is becoming increasingly severe.

At the same time, the emergence of geopolitical risks such as the Ukraine crisis and Middle East conflicts has reaffirmed the importance of oil and natural gas. In the IEA World Energy Outlook 2023, released in October 2023, the Announced Pledges Scenario shows that demand for oil and natural gas will remain the same in 2030 compared to 2022 levels, with more than half of the demand continuing into 2050. This indicates that oil and natural gas will continue to play a major role in the future.

We also support the expansion of renewable energy, which is considered an important energy source for achieving net-zero emissions and are actively promoting solar and biomass power generation projects. However, we believe it is unrealistic to assume that renewable energy will completely replace oil and natural gas. Fossil fuels, especially natural gas, will not only be key players in the energy transition but will also continue to see high levels of demand in a decarbonized society, through their use in thermal power generation combined with CCS and as a raw material for blue hydrogen. As we face the challenging task of ensuring energy security while simultaneously transitioning to a CN society, we believe that the decarbonization of fossil fuels is the most practical solution.

This understanding informs our view that oil and natural gas will continue to be indispensable energy sources even in a CN society by 2050, and we aim to achieve a both stable energy supply and the establishment of CN business in a way that makes optimal use of our strengths.

Q Looking back on your past efforts as well, what challenges are you currently facing and what is your future strategy to achieve both a stable energy supply and the establishment of CN business?

Looking Back at the Strong Performance in Fiscal 2023, the Second Year of the Management Plan

In fiscal 2023, the second year of the JAPEX Management Plan 2022–2030, we achieved solid performance with business profit of ¥55.8 billion and ROE of 11.5%.

In the E&P business in Japan, we worked on the additional development of the Katakai Gas Field in Niigata Prefecture, and overseas, we acquired a series of additional well interests in the tight oil* development project in the United States in May and December 2023, both of which have contributed to earnings. In addition, we began production of crude oil and natural gas from the Seagull Project in the U.K. North Sea in November of the same year. We also began exploration and development in the Norwegian offshore blocks through capital participation in a local company.

In the CN business, we made progress with CCS/CCUS. We were commissioned by JOGMEC to conduct surveys in the Tomakomai and Higashi-Niigata areas for the publicly solicited "Business Feasibility Study on Japanese Advanced CCS Project" for 2023. Overseas, we have also taken major steps toward future CCS/CCUS commercialization in North America, Malaysia, and Indonesia. In terms of other CN projects, we are expanding the scope of our efforts in the CN field, such as forming an alliance with companies in different industries to begin a joint study to establish an ammonia supply base in the Soma area of Fukushima Prefecture.

In the infrastructure and utilities (I/U) business, we proceeded with the development of Ozu, Chofu, and Tahara Biomass Power Plants.

Building Core Assets with a View to the Late 2020s to 2030s and Beyond

We have assessed that our series of investments in tight oil development in the United States over the past several years has enabled us to improve our profitability in the short term. Even with only the assets we have acquired by the end of fiscal 2023, we are on track to achieve our Management Plan targets of ¥30.0 billion in business profit and 5% ROE by fiscal 2026.

However, we currently see a high degree of uncertainty regarding the profitability required to achieve the target of 8% ROE in fiscal 2030. Our current investment style in the United States (i.e., participation in tight oil development through the acquisition of well interests) involves short project life cycles, so to sustain high levels of operating profit in the future, we must continually make new investments of hundreds of millions of dollars. In order to increase the sustainability of profits, we recognize the need to prioritize the buildup of core assets that are expected to contribute to profits in a stable manner over the medium to long term. In other words, it is essential to acquire assets that will play a leading role in our future growth story and contribute to the sustainable enhancement of our corporate value. It goes without saying that we will continue to identify and commercialize projects that can exceed internally set hurdle rates commensurate with business risks, but at the same time, JAPEX as a whole must build a portfolio that exceeds the cost of shareholders' equity.

My ideal JAPEX balance sheet would have a balanced allocation of assets that contribute to medium- to long-term profit growth with a view to the five to 10 years into the future in addition to assets that generate profit in the short term. Based on my discussions with market participants, I am aware that there are calls for strengthening shareholder returns through the repurchase of shares and for improving efficiency through the reduction of equity. In fact, we decided to repurchase up to 3 million shares or treasury stock worth ¥20.0 billion in November 2023 in order to return to our shareholders excess profits that have exceeded those projected in the Management Plan. However, excluding these one-off profit returns, I believe our top priority should be to maintain sufficient capital for future investments and to enhance our business assets.

* Tight oil: Crude oil trapped within geological layers with low porosity and permeability. Although the crude oil itself can be classified as light to medium oil, tight oil is developed by means of fracturing with horizontal wells due to the poor fluidity in the reservoir.

Building Core Assets for Now and into the Foreseeable Future by Investing in E&P and CCS/CCUS Businesses

Our current Management Plan is based on the basic principle of investing in both E&P and non-E&P fields in a balanced manner to build a strong business base that is less susceptible to market conditions such as crude oil prices. In reality, however, there are some areas, such as renewable energy, where the investment environment has become overheated and it has become significantly more difficult to secure returns commensurate with the risk. Although we will continue to pursue opportunities in renewable energy and infrastructure business, our main focuses are on the E&P business from the perspective of making investments that are commensurate with the current cost of capital and on the CCS/CCUS business from the perspective of expected future profit contributions. We position these businesses as core assets for now and into the foreseeable future that are highly competitive and sustainable.

To build core assets by investing in the E&P business, we will concentrate management resources in the U.S., where we have accumulated knowledge and networks, and in Norway, where we have secured a base through capital participation. Particularly in the U.S., we will gradually expand the scale of our business and build core assets by starting a small operator business for shale projects.

Although our CN business has not yet posted a profit, we aim to become one of the leading CCS/CCUS companies in Japan as the top runner in the domestic CCS/CCUS market with our strength in comprehensive technological capabilities. In Japan, we will promote the commercialization of two projects in the Tomakomai area and the Higashi-Niigata area. Overseas, our top priority for now and into the foreseeable future is to come to a final investment decision for the CCS project in Wyoming, with BSO of the U.S.A., in which we had capital participation, as the main business entity. We will also take a leading role in the commercialization of CCS/CCUS in Sarawak, Malaysia and Sukowati Oil Field, Indonesia. However, it will take a considerable amount of time for these new businesses to make a tangible contribution to our earnings, so we will first earn a solid profit every year from our domestic and overseas E&P business and our existing I/U business, and then invest this profit in new growth areas.

In domestic natural gas supply projects of the I/U business, we will promote securing sources from the two aspects of maintaining domestic natural gas production volume and procuring LNG at highly competitive prices. In addition to quantitative expansion in the form of increased sales of natural gas and LNG, we aim to increase our profit margin by raising prices, with the understanding of our customers.

In our overseas infrastructure business, we have decided to participate in the Freeport LNG Project in the U.S.A. in May 2024 to strengthen our earnings base to withstand market changes



such as oil price volatility. The project has lower earnings volatility caused by the energy price fluctuation and is expected to continue contributing to profits in a stable manner over the long term. In the U.S., we are considering getting involved in the operator business for shale projects, and the pursuit of synergies between shale gas production and the LNG terminal business will be a strategic issue for us in the future.

In addition, as is true of the entire electricity business including renewable energy, the structure of the electricity market has become increasingly complex with concepts such as environmental value and the value of adjusting power. However, this complexity holds potential for revenue opportunities. By pursuing business opportunities such as storage batteries, we aim to achieve further growth.

We will continue these efforts in fiscal 2024 and beyond to drive additional growth in business profit and ROE. Additionally, we will work to enhance the market's understanding and confidence in the sustainability of our profits and enhancement of corporate value.

Q Of the material issues identified by JAPEX, how do you intend to address "Digital transformation (DX)" and "Promotion of HR development and diversity," which you have positioned as issues to strengthen the business foundations?

Promoting DX and HR Development to Strengthen the Business Foundations

We are currently working simultaneously on a number of reforms to strengthen our business foundations, which act as the "roots" supporting management. These reforms include the promotion of DX, personnel system reform, and improvement of employee engagement. Each of these efforts is aimed at furthering change and creating a stronger JAPEX.

In terms of DX, by fiscal 2025, we hope to complete the construction of an integrated data infrastructure, which was identified as an issue in Business Process Re-engineering (BPR), to achieve greater efficiency and sophistication in operations and improved productivity in fiscal 2026 and beyond.

Regarding HR development, we view human resources as our greatest asset and the driving force behind our growth. We will take multifaceted measures to enhance their value and let them demonstrate their full potential. Specifically, we are promoting health management, which is the health care of employees considering from the business management perspective and the strategic implementation of such care, with the goal of further enhancing corporate value. As a result of these efforts, in March 2024, we were selected for the first time as one of the 2024 Health and Productivity Stock Selection, a joint initiative by the Ministry of Economy, Trade and Industry (METI) and the Tokyo Stock Exchange. In addition, JAPEX has been recognized as one of the White 500 in Health and Productivity Management Outstanding Organizations, jointly implemented by METI and the Nippon Kenko Kaigi.

In addition, in July 2024, we fundamentally revised our human resources system in order to enhance our business development capabilities, including the optimization of talent placement and staffing. Through a complete transition from the "job qualification grading system" that we had employed for many years to a "role grading system" based on roles that one plays, we aim to become a company where talented human resources can play more active roles than ever before.

In response to the expansion of business areas and the increase in various M&A opportunities, we are also enhancing our educational programs such as M&A training with the aim of increasing human resources who are well-versed in investment project valuation and the asset acquisition process.

No matter what growth path I envision for JAPEX's future, I tell my employees not to be afraid of change but to embrace continuous change. One specific example is the implementation of hot desking in part of our Head Office, designed to foster stimulating interactions across departments. In addition, from April 2024, we have given our employees more freedom in terms of what they wear to work. As part of our efforts to improve the working environment, we expect to improve productivity, create innovation and revitalize communications by allowing employees to dress in their own way and work in clothing that is comfortable for them to wear. These changes are small but definite. Ongoing exposure to changes that break away from conventional practices will foster a mindset that is open to change, even for things we have long taken for granted. This mindset will ultimately help transform our corporate culture for the better. With this mindset, we will accelerate our growth as a company as we work together with a sense of speed to promote new businesses such as CCS, strengthen the business foundations essential for our company, and make other necessary changes.

Q In closing, what would you like to tell our stakeholders?

Placing an Emphasis on Active Dialogue (Engagement) with Stakeholders

We intend to allocate management resources and build a business portfolio that is conscious of cost of capital and capital efficiency for our sustainable growth. At the same time, we will promote mutual understanding by emphasizing active dialogue (engagement) with shareholders and investors and reflecting their constructive opinions in corporate management from a medium- to long-term perspective.

The business environment surrounding us is expected to undergo further changes in the future. By responding appropriately to the risks and opportunities presented by these changes, we aim to grow as a comprehensive energy company and further enhance our corporate value. We ask for your continued understanding and support in these new endeavors.

At a Glance

Taking internal and external environment into account,
JAPEX aims to grow in the following three fields: E&P, Infrastructure/Utility (I/U), and Carbon Neutral (CN).

E&P Field

Overview

Since its founding, JAPEX has been involved in exploration, development, and production of the upstream processes of the oil and natural gas industry. Today, we operate 10 oil and natural gas fields in Japan, while pursuing additional development at existing oil and gas fields and their surrounding areas as well as exploration to discover new fields. Overseas, we are engaged in exploration, development, and production at 6 locations as well as participating in development projects such as offshore or unconventional resources development, through which we accumulate knowledge. We have racked up numerous accomplishments in Japan and overseas. The wide range of technologies and expertise we have accumulated over time have contributed to the stable supply of energy.

Business foundation of the E&P

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

Continue to invest in acquisition of new interests and promote low-carbon operations

Business profit*1 target

¥23.0 billion as of FY2026 ▶ **¥27.0 billion** as of FY2030

Infrastructure/Utility Field

Overview

We utilize a combination of our supply infrastructure, such as high-pressure gas pipelines and LNG terminals, and transportation systems using tank trucks and coastal vessels, thereby securing stable supply of domestic natural gas, regasified LNG, and LNG in the broad areas including Hokkaido and Tohoku regions. In addition, we will seek to transform our business structure to withstand market changes such as oil price volatility through the natural gas-fired power generation at the Fukushima Natural Gas Power Plant located at Soma Port in Fukushima as well as the renewable energy business.

Business foundation of the Infrastructure/Utility

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

Expand the profit scale of renewable energy and other businesses

Business profit target

¥12.0 billion as of FY2026 ▶ **¥27.0 billion** as of FY2030

Carbon Neutral Field

Overview

We have been working to establish and commercialize CO_2 underground storage technology, which we have developed utilizing our accumulated knowledge of oil and natural gas development and production. In Japan, aiming for the early launch of advanced CCS projects where several companies and business locations have participated, we are conducting feasibility studies in Hokkaido, Niigata, and other locations. Overseas, we aim to commercialize CCS projects through investing in a multi-purpose project for CCS and natural gas and helium production in the United States and conducting joint development and feasibility studies in Malaysia and Indonesia.

Business foundation of the Carbon Neutral

Achieve CCS/CCUS that contributes to smooth transition to a carbon-neutral society in 2050

Launch CCS/CCUS hub and cluster*2 model business utilizing existing oil and gas fields and others

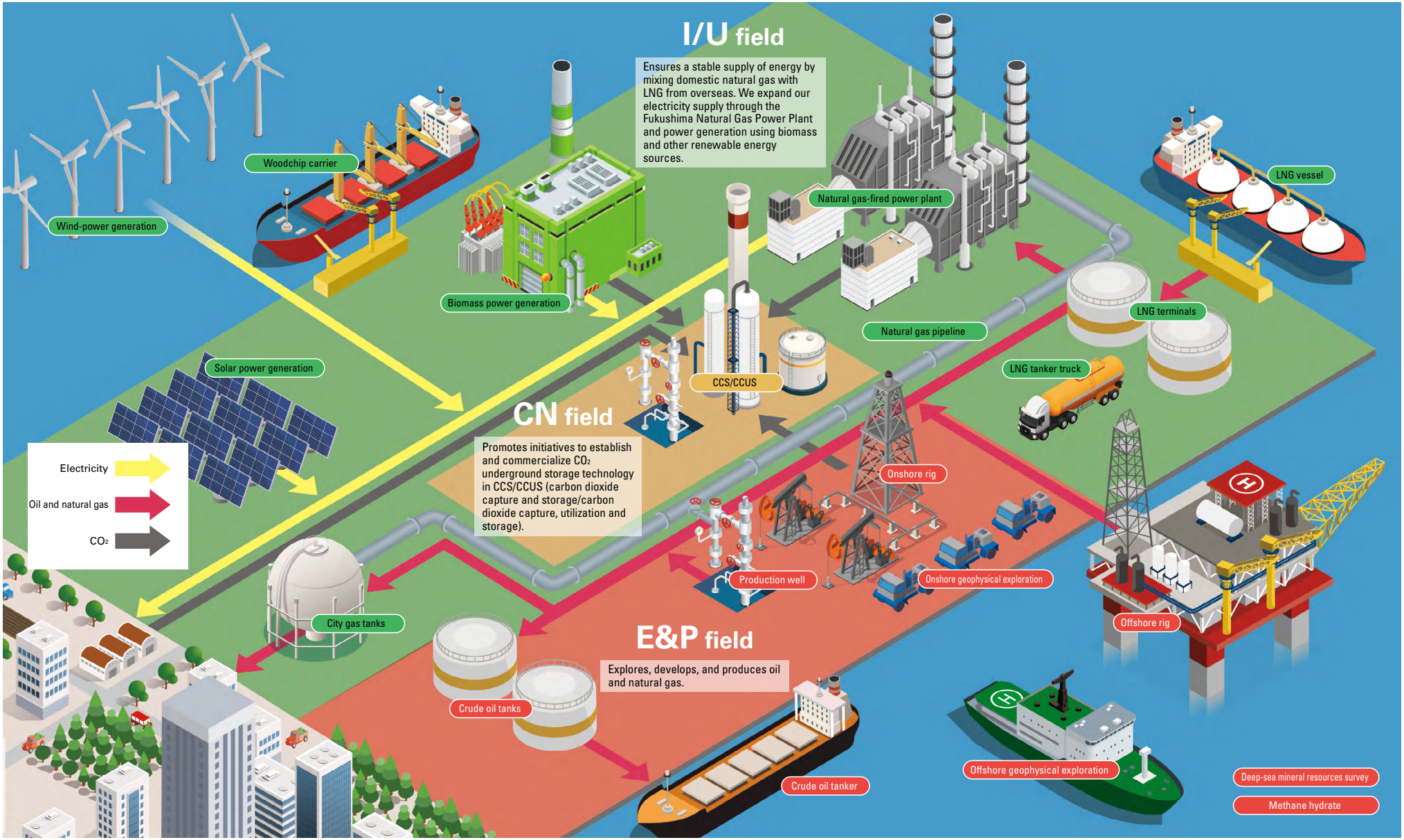
Business profit target

¥1.0 billion as of FY2026 ▶ **¥2.0 billion** as of FY2030

*1 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)
*2 CCS/CCUS network that connects multiple CO_2 emitter and CO_2 storage sites

As indicated in JAPEX2050: Toward a Carbon-Neutral Society, we have positioned the three fields—"E&P," "Infrastructure/Utility (I/U)," and "Carbon Neutral (CN)"— as key areas as a comprehensive energy company that contributes to net-zero greenhouse gas (GHG*) emissions in 2050.

Please visit the following link to watch our corporate profile video.
https://www.youtube.com/watch?v=qc1ouCF_S8g



* Greenhouse gas (GHG):
A gas in the atmosphere that absorbs a portion of the infrared radiation emitted from the earth's surface, thereby producing a greenhouse effect. Water vapor and carbon dioxide (CO_2) fall into this category. In recent years, the concentration of some of these gases in the atmosphere has been increasing, and they are considered to be the main cause of global warming.

The JAPEX Group's Value Creation Process

By making the most of various resources possessed by the JAPEX Group, we will fulfill our corporate social responsibility (CSR) to achieve both a stable and sustainable energy supply and a carbon-neutral society while aiming for sustainable enhancement of our corporate value.

Realizing JAPEX2050: P.14

Toward a Carbon-Neutral Society

Enhancing Corporate Value

Awareness of the External Environment

- Increasing risks associated with climate change and rising demand for low-environmental-impact energy
- Heightened geopolitical risks
- Fluctuations in crude oil and natural gas prices and exchange rates
- Risks related to business and development investment
- Declining and aging population with a low birth rate in Japan
- Advancement of digital technology

Input

(FY2023 results)

Financial capital P.66
- Shareholders' equity: **¥404.0 billion**
- Interest-bearing debt: **¥9.0 billion**
- Equity ratio: **76.2%**

Production capital P.31
- Three LNG terminals (Hokkaido, Fukushima, Niigata)
- High-pressure gas pipeline spanning a total of over 800 km
- Power plant output:
  Total output* from eight locations: 1,390 thousand kW
  Of which, total renewable energy output from seven locations: 210 thousand kW
  * Gross output
  Transport by dedicated tanker trucks and coastal vessels in addition to the above

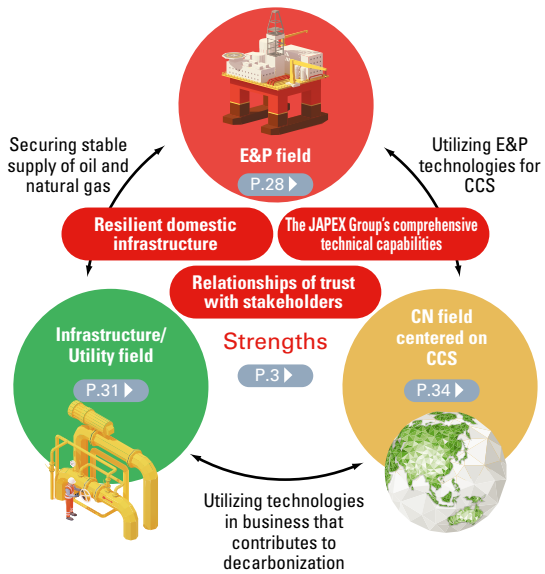
Intellectual capital P.28 P.31
- Development and operational capabilities of the E&P Business: operation track record of 68 years
- Comprehensive technical capabilities of the Group that fully augment the entire E&P field and highly knowledgeable geological and reservoir technicians
- Operating results of the Infrastructure/Utility Business: high-pressure gas pipeline operation of 63 years; LNG terminal operation of 21 years; tanker truck transport of 41 years; coastal vessel transport of 13 years

Human capital P.25 P.62
- Increase in the number of new graduates and mid-career hires
- Skill acquiring education: advanced business skill education
- Launch of a reskilling program (DX education, etc.)
- Increase in the educational budget

Social and relationship capital P.61
- Relationships of trust with operating regions and clients
- Support of the Japanese government
- Continuous partnership with oil-producing countries for over 40 years

Natural capital P.28 P.35
- Proved reserves: 141 million boe
- Domestic oil and gas fields that can be used for CCS/CCUS and adjusting supply and demand

Business Model



JAPEX Management Plan 2022–2030 P.17

Materiality P.17 P.38

Core CSR Themes "SHINE" P.39

Corporate Vision P.1

Output

(FY2023 results)

Financial achievement P.66
- Consolidated profit: **¥53.6 billion**
- EBITDA: **¥93.6 billion**
- Cash flows from operating activities: **¥90.5 billion**
- ROE: **11.5%**

Production and supply of energy P.28 P.31
- Production volume: **32 thousand boe/day**
- Domestic natural gas and LNG sales volume: **0.99 million tons**
- Electricity sales volume: **3.5 billion kWh**

External evaluation P.68
- Selected for the FTSE Blossom Japan Index
- Selected for the FTSE Blossom Japan Sector Relative Index
- Selected for the S&P/JPX Carbon Efficient Index
- Selected for the MSCI Japan Empowering Women Index
- Obtained a B rating in the CDP Climate Change Questionnaire
- Selected for the Health & Productivity Stock Selection

ESG performance P.67
- LTIF*1: **0.28 (target: 0.00)**
- Percentage of female managers: **5.9%**
- Percentage of employees taking childcare leave
  Male: **60.0%**
  Female: **100%**
- GHG emission P.57 P.67
  Scope 1 + 2: **237 thousand ton-CO_2**
  Emission intensity*2: **3.38 ton-CO_2/TJ**
  (reduced by 15% compared with FY2019)

*1 Lost Time Injury Frequency: Calculated as the number of lost time injuries per 1,000,000 work hours.
*2 Emission intensity: Represents CO_2 emissions (ton-CO_2) per 1 terajoule (TJ) of energy supplied by JAPEX.

Outcomes

Economic value
- ROE to 8% or more in FY2030
- Set a basic policy to target a consolidated dividend payout ratio of 30%

Social and environmental value
- Maintain a stable energy supply
- Contribute to the realization of a carbon-neutral society through technology like CCS/CCUS
- Reduce GHG emission intensity from JAPEX operations

Three SDGs we focus our efforts on



Capital Improvement

JAPEX 2050

Toward a Carbon-Neutral Society

Background of JAPEX2050 Formulation

Under the Long-term Vision 2030 formulated in 2018, JAPEX has targeted "Growth to a comprehensive energy company utilizing oil and gas E&P and its supply basis." We have been working to transform into a business structure that enables sustainable growth even when oil prices are low and that can respond to the changing needs of society.

Meanwhile, since the formulation of the long-term vision, the global trend toward decarbonization has been gaining steam in response to the Paris Agreement. In line with this trend, in October 2020, the Japanese government announced its aim to realize carbon neutrality by 2050. It made us aware of the need to evolve our current initiatives, and thus we updated our medium- to long-term risk recognition.

As a result, we concluded that, in order to appropriately address identifies risks and achieve growth by taking advantage of opportunities, we need to clarify our responsibilities in the carbon-neutral society in 2050 as well as the business fields to focus on. Accordingly, we have formulated "JAPEX2050: Toward a Carbon-Neutral Society" and announced it in May 2021. JAPEX2050 comprises GHG emission reduction targets and focused efforts to realize a carbon-neutral society.

Recognition of Medium- to Long-term Risks and Policies for Addressing Such Risks

Business fields	Medium- to long-term risks recognized	Risk mitigation policies
Company-wide business portfolio	Fluctuations in crude oil and natural gas prices	・Shift to a business portfolio that is resilient against low crude oil prices (by making the renewable energy business profitable; creating new businesses, such as CCS/CCUS; and expanding such businesses) ・Pursue a low-carbon and decarbonized business portfolio (to reduce GHG emissions in line with JAPEX's target of achieving net-zero emissions in 2050)
	Rapid transition to a decarbonized society	
E&P field 	Declining volume of oil and gas reserves	・Develop remaining production potential in Japan ・Acquire new interests overseas
	Rapid transition to a decarbonized society	・Shift the focus of the E&P field to natural gas ・Introduce CCS/CCUS in participating projects
Infrastructure/ Utility field 	Decline in domestic natural gas production	・Procure LNG with competitiveness
	Rapid transition to a decarbonized society	・Expand the renewable energy business ・Decarbonize power generation and gas businesses (by introducing carbon-offset LNG*) ・Horizontally deploy various supply methods for natural gas and LNG targeting overseas markets
Carbon Neutral field 	Resolution of issues related to CCS/CCUS operations to achieve the early commercialization of these businesses in Japan	・Push ahead with both technological and marketing endeavors, including securing CO_2 storage capacities, promoting cost reductions, and taking initiative in rule making

* Carbon-offset LNG: Liquified natural gas that is deemed to generate zero CO_2 in use on a global scale by offsetting GHGs generated in the process, from extraction to combustion of natural gas, with CO_2 credits created through environmental conservation projects (carbon offset)

GHG Emission Reduction Targets

Scope1+2

2030

Reduce CO_2 emission intensity of JAPEX operations by 40% compared to FY2019

2050

Achieve net-zero emissions

Scope3

Contribute to establishing new technologies and energy supply with low environmental impact, for achieving net zero CO_2 emissions by 2050

Scope 1+2*1

We will reduce GHG emission intensity*2 of JAPEX operations by 40% in fiscal 2030 compared to fiscal 2019*3 and achieve net zero GHG emissions from JAPEX's operating locations by 2050.

To achieve these targets, we have set the following measures as priority action items.

Scope 1 emissions reduction measure: Consider injection of CO_2 emitted from domestic oil and gas fields

Scope 2 emissions reduction measure: Gradually shift to zero-emission electricity

To steadily achieve our GHG reduction targets, we set targets for every fiscal year in the CSR action plans and manage their progress. P.40 CSR Action Plan

*1 Based on the GHG Protocol's operational control approach
*2 CO_2 emissions (ton-CO_2) per 1 terajoule (TJ) of energy supplied by JAPEX
*3 FY2019 intensity: 3.97 ton-CO_2/TJ

Scope3

JAPEX's total Scope 1, 2, and 3 GHG emissions amounted to around 8,598 thousand tons of CO_2 in fiscal 2023, and Scope 3 emissions accounted for the vast majority at about 97%. Because Scope 3 category 11 (use of sold products) emissions were especially high at about 90% of the total, the reduction of these emissions is an important issue for JAPEX. We aim to reduce Scope 3 emissions by promoting the efforts, focused on realizing a carbon-neutral society, which are explained on the following pages.

Focused Efforts to Realize a Carbon-Neutral Society

1. 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/CCUS as a pioneer in Japan
- Strive to collaborate and enter into carbon-neutral business areas, where synergies with CCS and CCUS can be expected
  (focusing on BECCS*1 and natural gas-fired power plants with CCS, entering into business area of carbon-recycling, etc.)

2. Expand participation in renewable energy projects

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

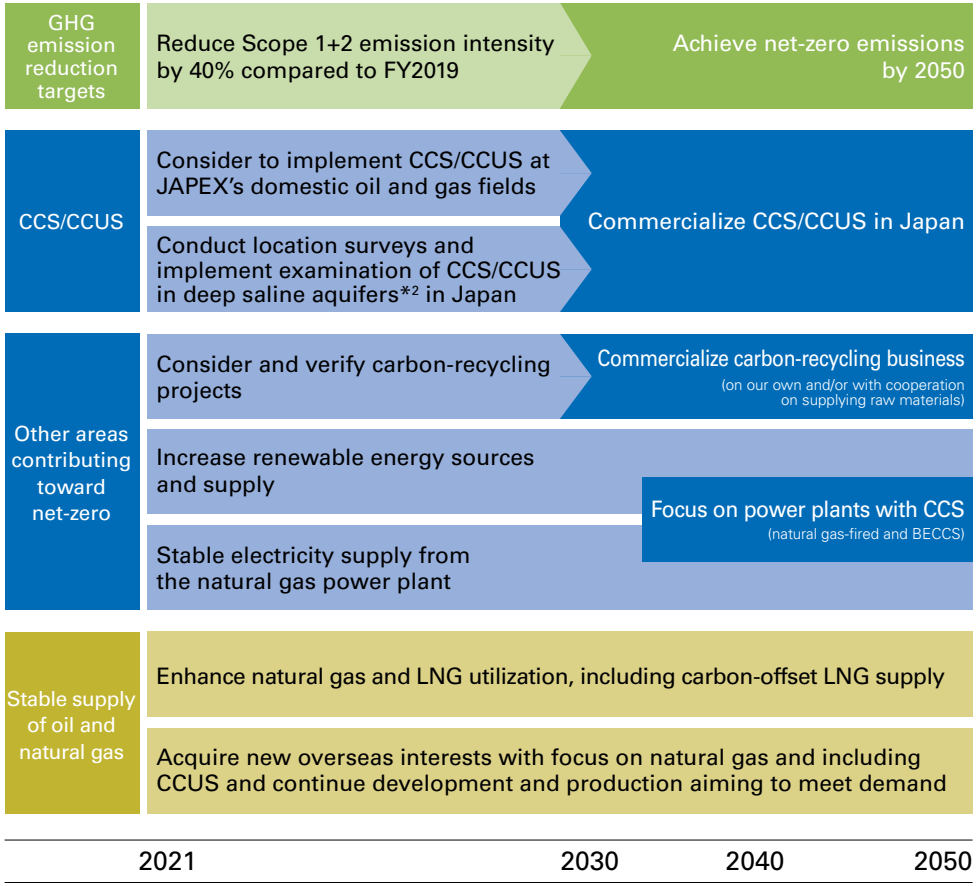
3. Stable supply of oil and natural gas

- Recognizing that oil and natural gas will remain as one of the major energy sources worldwide, continue to meet the demand for them
- To realize a carbon-neutral society, promote the decarbonization of fossil fuels by combining with CCS/CCUS and other decarbonization technologies

For more details on JAPEX2050, please visit our corporate website.
Also, for our specific initiatives to be taken by 2030, please refer to the JAPEX Management Plan 2022–2030, which is explained on the following pages.

*1 Bioenergy with carbon capture and storage (BECCS): A term coined to refer to a technology that links CCS and biomass energy. When biomass is burned for energy use, CO_2 is emitted, but it is not counted as CO_2 emissions because the amount of CO_2 emitted during the entire life cycle of biomass remains the same. If the CO_2 from biomass combustion is captured, transported, and stored underground, there will be a net reduction in atmospheric CO_2.

JAPEX2050 Roadmap



*2 Deep saline acquirers represent a sandstone layer deep underground that includes ancient seawater (saltwater) which is not suitable for drinking. Its geographical distribution is broader compared to oil and natural gas reservoirs, and CO_2 storage capacity is anticipated.

JAPEX Management Plan 2022–2030

Based on its basic policy of "improving profitability and building a business foundation for 2030 and beyond," JAPEX Management Plan 2022–2030 (the "Management Plan") aims to achieve a reasonable profit level considering capital costs and enhance shareholder returns by strengthening efforts in three business fields of "E&P," "Infrastructure/Utility (I/U)," and "Carbon Neutral (CN)."

Achieving Every Target Under JAPEX2050

Achieve a Reasonable Profit Level Considering Capital Costs and Enhance Shareholder Returns

JAPEX Management Plan 2022–2030

Basic policy: Improve profitability and build a business foundation for 2030 and beyond

Business Foundation



E&P field (!)

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

Continue to invest in acquisition of new interests and promote low-carbon operations



Infrastructure/ Utility field

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

Expand the profit scale of renewable energy and other businesses



Carbon Neutral field (!)

Contribute to smooth transition to a carbon-neutral society in 2050

Launch CCS/CCUS hub and cluster model business (an advanced CCS projects) utilizing existing oil and gas fields and others

Efforts to Strengthen Business Foundation

Enhancement of human capital management (!)

Secure and develop human resources for DX

Organizational changes

Promote DX based on business challenges

Measures to promote DX (Digital Transformation) (!)

Management Goals

- Quantitative targets: business profit, ROE, profit composition

	Medium-term targets by FY2026	Long-term targets by FY2030
Business profit (Operating profit + Share of profit of entities accounted for using equity method)*1	**¥30.0 billion**	**¥50.0 billion**
Breakdown E&P field	¥23.0 billion	¥27.0 billion
I/U field	¥12.0 billion	¥27.0 billion
CN field	¥1.0 billion	¥2.0 billion
Other*2	-¥6.0 billion	-¥6.0 billion
ROE	**Approx. 5%**	**Approx. 8%**
Profit composition ratio (E&P-to-non-E&P*3)	**6:4**	**5:5**
Assumed crude oil price (JCC*4: USD/bbl)	50.00	50.00
Exchange rate assumption (JPY/USD)	110.00	110.00

*1 Share of profit of entities accounted for using equity method includes profits to be distributed under limited partnership and silent partnership agreements
*2 Other revenue (contract service and oil products sales, etc.) less head office administrative expenses
*3 Non-E&Ps refer to I/U and CN fields
*4 Japan Crude Cocktail (JCC): The average price of crude oil imported by Japan and determined in reference to cost, insurance and freight (CIF)

- Carbon neutral related targets
  - CCS/CCUS hub and cluster model business (an advanced CCS project) utilizing existing domestic oil and gas fields and others
    Make a meaningful progress by 2026, aiming to launch as a model business by fiscal 2030
  - Reduction of GHG emission intensity of JAPEX operations by -40% (compared to fiscal 2019)
    Begin CO_2 injection pilot trial at domestic oil and gas fields by 2026, aiming to achieve the target in fiscal 2030

(!) We have identified **material issues** that link the **core CSR themes "SHINE"** and the **JAPEX Management Plan 2022–2030** P.38. For more information on initiatives related to material issues for strengthening the business foundation, please refer to this page.

➡ Strengthening Human Capital Management P.25
➡ Digital Transformation (DX) P.23

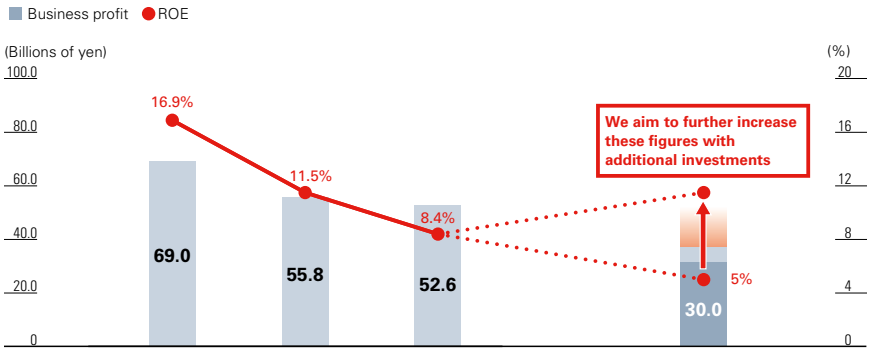
Progress of the Management Plan

In the E&P field, we achieved short-term profitability improvement through investments in the U.S. tight oil business. In the I/U field, the Fukushima Natural Gas Power Plant (FGP), the Soma LNG Terminal, and LNG procurement margins contributed to our earnings. Additionally, we have also invested in domestic biomass power generation projects. In the CN field, we have not yet achieved profitability, but are continuing to conduct feasibility studies on CCS/CCUS projects in Japan and overseas.

As a result of these efforts, operating cash flow (CF) by the end of fiscal 2024 is expected to be approximately 1.5 times the planned value for fiscal 2026, and shareholder returns are projected to be approximately 2.5 times higher (see graph on the lower left). Growth investment is progressing largely as planned and is expected to exceed ¥194.5 billion by the end of fiscal 2024, compared to the planned ¥275.0 billion by fiscal 2026.

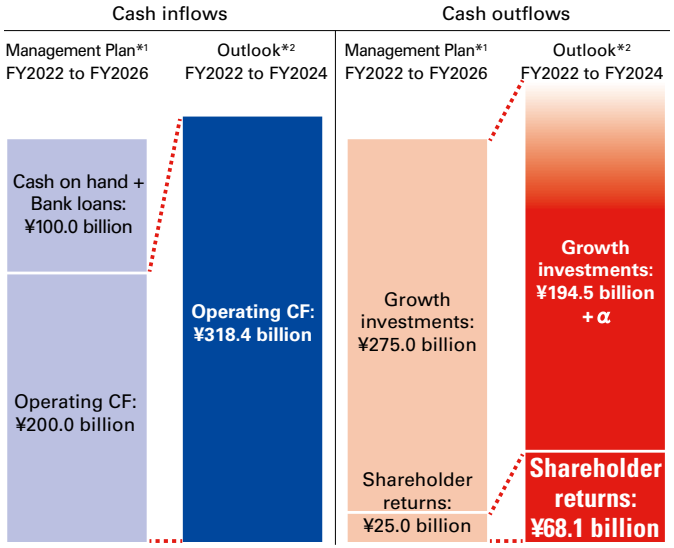
Furthermore, as shown in the graph on the right, even with the assets acquired by the end of fiscal 2023 alone, we are on track to achieve a business profit of ¥30.0 billion and an ROE of 5%, which were set as targets for fiscal 2026 in the Management Plan. We aim to further increase these figures with additional investments moving forward.

Business profit and ROE outlook



	FY2022 (results)	FY2023 (results)	FY2024 (outlook)	FY2026 (outlook)
JCC	102.26	86.28	85.00	70.00
Exchange rate	132.86	143.28	140.00	140.00

Cash Flows



*1 Assumed crude oil price (JCC) of 50 USD/bbl and an exchange rate of ¥110/USD
*2 From the explanatory materials for the fiscal year ended March 31, 2024

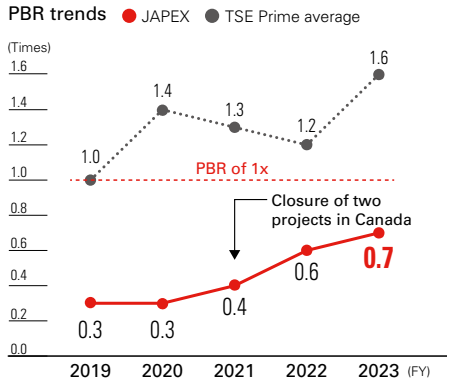
Breakdown of shareholder returns

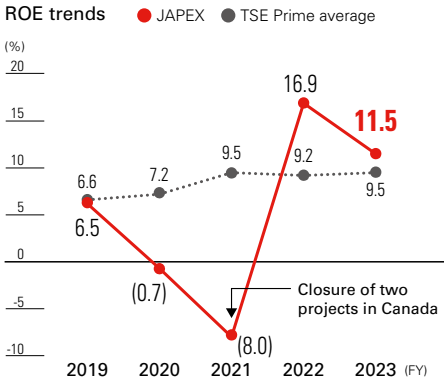
Outlook up to FY2024			(Detailed breakdown) Dividend at the end of previous period	Interim dividend	Purchase of treasury shares
Cumulative total ¥68.1 billion	FY2024*3 (Outlook)	¥27.7 billion	¥9.2 billion	¥6.4 billion	¥12.0 billion
	FY2023 (Results)	¥26.6 billion	¥11.9 billion	¥6.7 billion	¥7.9 billion
	FY2022 (Results)	¥13.8 billion	¥1.4 billion	¥8.1 billion	¥4.3 billion

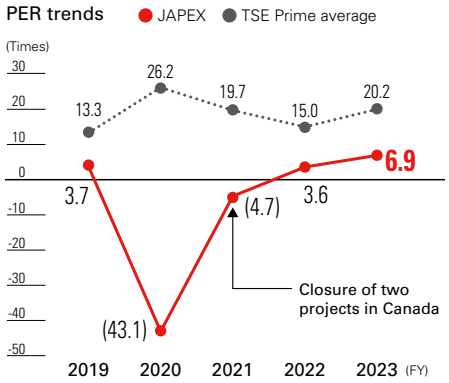
*3 From the explanatory materials for the fiscal year ended March 31, 2024

Current Situation Analysis Including Market Evaluation (PBR, etc.)

While our price to book ratio (PBR) has been improving, it stood at 0.7x as of the fiscal year ended March 31, 2024. Meanwhile, our ROE for the same fiscal year was 11.5%, surpassing the TSE Prime average. However, we recognize that our below-average price to earnings ratio (PER) remains a challenge. We attribute this not only to common industry issues, such as the sustainability of oil and gas-related businesses in a decarbonizing society and the high volatility of oil and natural gas prices, but also to a lack of sufficient understanding and confidence in our efforts to enhance corporate value. Based on this analysis of the status quo, we have organized our future policy for improving corporate value around three key pillars: "investment focused on capital efficiency," "enhancement of shareholder returns," and "continuous dialogue with stakeholders."







*The two projects in Canada refer to the oil sands project and the shale gas project. Please also refer to Financial Highlights on P.66.

Toward Enhancing Corporate Value

Investment focused on capital efficiency

We regard the E&P field, a key strength of JAPEX, and CCS/CCUS, which are expected to contribute to future profits as our core assets and the allocation of management resources will be prioritized.

Enhancement of shareholder returns

We purchased treasury shares (November 2023 to August 2024).

Continuous dialogue with stakeholders

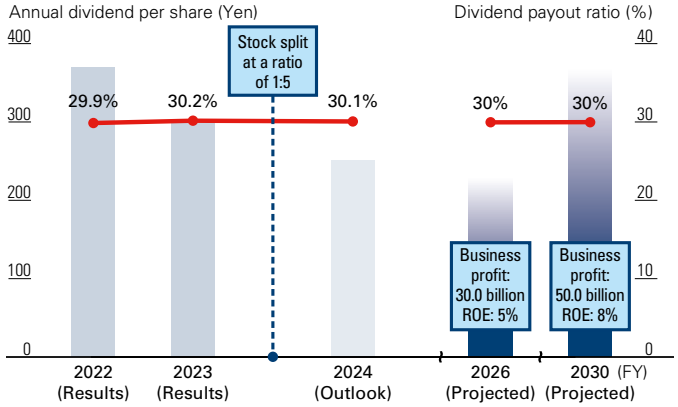
We will conduct a stock split (in October 2024) to improve stock liquidity and expand our investor base.

*Please refer to the graph below for the outlook on shareholder returns at the time of the stock split.

Basic Policy on Shareholder Returns

Pay dividends in line with business results for each fiscal year with a target consolidated dividend payout ratio of 30% starting from fiscal 2022. Strive to maintain an annual dividend of ¥50 per share even in the event of a temporary downturn in business performance.

The graph below shows the annual dividend per share (bar graph) and the dividend payout ratio (line graph). We are implementing shareholder returns in line with our basic policy.



*At the meeting of the Board of Directors held on May 14, 2024, JAPEX passed a resolution to conduct a 5-for-1 stock split of shares of common stock, with an effective date of October 1, 2024. For the fiscal year ending March 2025 (forecast), the year-end dividend per share, without considering the stock split, is expected to be ¥125.00, with a total annual dividend of ¥250.00.

Progress in Each Field up to Fiscal 2023 and Future Initiatives

E&P field



Overseas, we have been continuously expanding our investment in the U.S. tight oil development business since 2022. Additionally, in 2023, we took a stake in a local company that promotes exploration and development in the Norwegian offshore blocks. Subsequently, in July 2024, the company became a wholly-owned subsidiary of JAPEX. Domestically, we also have been advancing additional development around the Katakai Gas Field in Niigata Prefecture, with the first well of the incremental project beginning production in 2023. In the United States, we aim to launch a small-scale operator business and gradually expand its scale. Domestically, we will continue to build up reserves including additional development at Katakai and to pursue potential opportunities through offshore exploration.

	FY2023 results	FY2024 outlook
Domestic E&P	● Additional development work around the Katakai Gas Field in Niigata Prefecture: First well began production in December/Second well currently being drilled	● Additional development work around the Katakai Gas Field in Niigata Prefecture: Second well to begin production in the latter half of the year
Overseas E&P	● Took a stake in a local company that promotes exploration and development in the Norwegian offshore mining area (May) ● Acquisition of additional well interests in a tight oil development in the U.S. (May and December) ● Production of crude oil and natural gas began at the Seagull Project (PJ) in the U.K. North Sea (November)	● Well development work to be completed at the Seagull Project (PJ) in the U.K. North Sea, with production volume expanded (latter half of the year) ● Gradual start of production from the additionally acquired interests in U.S. tight oil development **+ Focus on acquisition of new overseas oil and gas interests**
Ongoing	● **Considering low-carbon measures for domestic operations** ● **Promote development of overseas project** Continuing additional development of the Garraf Project in Iraq to reach a scale of 230,000 barrels per day, and conducting exploration and development in the Norwegian offshore blocks through JAPEX Norge AS (J Norge)	

Infrastructure/ Utility field



To strengthen our earnings base to withstand changes in the external environment, such as oil price fluctuations, we will promote initiatives to further increase stable cash flow, particularly in the renewable energy and overseas supply infrastructure businesses. As of FY2024, we have made the decision to participate in the "Freeport LNG Project" in Texas, U.S.A., aiming to enhance value through synergies with our existing businesses.

	FY2023 results	FY2024 outlook
Domestic renewable energy development	● Established PJ Asset Management Co., Ltd. to handle the development, management, and operation of solar power plants (June) ● Commenced operations at the Mitsuke PV Power Plant in Niigata Prefecture (August) ● Invested in PowerX, Inc., a company specializing in storage batteries (August)	● Commenced commercial operation of the Ozu Biomass Power Plant in Ehime Prefecture (August) ● Commenced commercial operation of the Chofu Biomass Power Plant in Yamaguchi Prefecture (January) **+ Focus on participation in new renewable energy projects in Japan and overseas**
Overseas LNG midstream and downstream business development	● Conducted feasibility study for energy service business utilizing LNG for industrial park in northern Vietnam (August)	● Joined the Freeport LNG Project in Texas, U.S.A. (May)
Ongoing	● **Domestic renewable energy development** Development of a biomass power plant with JAPEX participation: Tahara, Aichi Prefecture (commercial operation scheduled to commence in 2025)	

Carbon Neutral field



Overseas, in FY2023, we initiated CCS commercialization efforts in systematically advanced overseas countries with advanced institutional frameworks by acquiring a stake in Blue Spruce Operating LLC (BSO) of the U.S. Additionally, at the Sukowati Oil Field in Indonesia, where we have been studying the feasibility of commercializing CCS/CCUS for some time, we conducted a CO_2 injection test in collaboration with Pertamina and other partners. Domestically, we were commissioned by JOGMEC to undertake feasibility surveys in the Tomakomai and Higashi-Niigata areas as part of the publicly solicited "Business Feasibility Study on Japanese Advanced CCS Project" for 2023. Going forward, in systematically advanced overseas countries, we aim to bring the CCS project under consideration with BSO to a final investment decision, while also seeking to participate in other minor investment projects. In countries with proposed institutional frameworks, we will take a proactive role in advancing feasibility studies for CCS/CCUS projects at the Sukowati Oil Field in Indonesia and in Sarawak, Malaysia. Domestically, we will focus on launching the two projects in the Tomakomai and Higashi-Niigata areas, which we were commissioned to conduct as part of the "Business Feasibility Study on Japanese Advanced CCS Project," in preparation for building hub-and-cluster CCS/CCUS assets after 2030.

	FY2023 results	FY2024 outlook
Feasibility studies for domestic and international carbon neutral (CN) projects	● Commissioned by JOGMEC to undertake surveys for the Tomakomai and Higashi-Niigata areas as part of the publicly solicited "Business Feasibility Study on Japanese Advanced CCS Project" for 2023 (July and August 2023) ● Through acquiring a stake in BSO, initiated our first concrete CCS commercialization feasibility investigations in a systematically advanced overseas country (October 2023) ● CO_2 injection test conducted at the Sukowati Oil Field in Indonesia (December 2023) ● Initiated a joint feasibility study to establish an ammonia supply base in the Soma area of Fukushima Prefecture (January 2024) ● Signed a CO_2 storage site agreement with PETRONAS for the commercialization of CCS offshore Sarawak, Malaysia (February 2024)	**+ Continue to consider participation in new CN projects in Japan and overseas**
Ongoing	● **Feasibility studies for CN projects in Japan** Advancing commercialization feasibility studies in the Tomakomai and Higashi-Niigata areas ● **Overseas CCS/CCUS feasibility study** CO_2-EOR in Indonesia (in collaboration with Pertamina and others)/CCS in Malaysia (in collaboration with PETRONAS and others)/CCS in the U.S. (in collaboration with BSO)	

Message from the Officer in charge of Finance & Accounting Dept.



Toward Investment Management with a Stronger Focus on Capital Efficiency

NISHIMURA Yutaka

Executive Officer
In charge of Finance & Accounting Dept. and Deal Execution/PMI Support Dept.

I have been serving as the Executive Officer in charge of Finance & Accounting Dept. since April 2024. Since joining the Company in 1992, I have dedicated my career to finance & accounting, with roles that include an overseas posting in the Middle East, preparing for JAPEX's stock market listing, and General Manager of the Finance & Accounting Dept. and Deal Execution/ PMI Support Dept. Through these experiences, I've had the opportunity to contribute to the Company's growth.

As the Officer in charge of Finance & Accounting Dept., I would like to contribute to the "allocation of management resources to improve capital efficiency" with the aim of enhances corporate value. To achieve the goals of the JAPEX Management Plan 2022–2030, we need a business management system that not only focuses on earnings and cash flows in each business but also emphasizes capital efficiency combined with the invested capital. Moreover, to operate our businesses effectively, I believe it is also essential to have a system to develop human resources into human assets that can serve as assets for JAPEX.

Allocating Investments to Pursue the Goals of the Management Plan

When I joined JAPEX, we were focused exclusively on E&P. Since then, the Infrastructure/Utility (I/U) field, centered around our natural gas supply business, has grown to be a second pillar for us. A key project that sparked this growth was the laying of a gas pipeline between Niigata and Sendai in 1996. This pipeline was later extended to Fukushima Prefecture, leading to the opening of the Soma LNG Terminal in 2018. We've also expanded our LNG procurement capabilities to contribute to the stable supply of natural gas, and, together with our investment partners, entered the power business in 2020 by constructing a natural gas power plant in Fukushima Prefecture. We are now also involved in renewable energy projects such as biomass power generation. As our third pillar, we are working on the commercialization of CCS/CCUS in the carbon neutral (CN) field, aiming to balance a stable energy supply with the development of a decarbonized society.

To achieve the current Management Plan targets (business profit of ¥50.0 billion and an ROE of 8% in fiscal 2030, assuming a crude oil price of US$50 per barrel), we will implement optimal fundraising and allocation strategies, taking into account the risks and capital costs of each business, and aim for sustainable growth and increase in corporate value of our Group.

Investment Results for Fiscal 2023

In fiscal 2023, we allocated ¥73.3 billion to growth investments, exceeding the previous year's amount by ¥29.2 billion. Our main investments were in the E&P field, including the acquisition of well interests in tight oil development in U.S. (approximately ¥54.0 billion), additional development of the Katakai Gas Field in Niigata Prefecture (approximately ¥7.0 billion), the Seagull Project in U.K. North Sea (approximately ¥5.0 billion), and acquiring a stake in a local company that holds offshore blocks of Norway (approximately ¥3.0 billion). On the other hand, in the I/U field, we continued to invest in the development of domestic biomass power generation projects, while in the CN field, we acquired a stake in BSO, a company that holds blocks in southwestern Wyoming, U.S.A.

Investment Plan for Fiscal 2024 and Beyond

In the E&P field, we will endeavor to acquire projects mainly in North America and the North Sea area. In June of this year, we acquired additional well interests in tight oil development

in U.S. which are expected to contribute to early profits. Additionally, to enhance profit sustainability, we are planning to acquire an operator business. In the North Sea, we are advancing the exploration, development, and production of crude oil and natural gas in offshore blocks of Norway through JAPEX Norge AS, which became a wholly-owned subsidiary in July of this year.

In the I/U field, we participated in the Freeport LNG Project in Texas, U.S.A., in May. This project is seen as a key initiative to secure long-term, stable cash flow in a low-country-risk environment in U.S.

In the CN field, we plan to move forward with surveys, including assessing CO_2 storage capacity, as we work toward the Final Investment Decision (FID)* for the CCS/CCUS projects promoted by BSO in U.S. To further advance the commercialization of CCS, we also need to nurture this as one of JAPEX's core business pillars, with initiatives in locations such as Tomakomai and Higashi-Niigata area in Japan, as well as in Malaysia and Indonesia.

Shifting to Business Operations with a Greater Focus on Capital Efficiency

By the end of fiscal 2023, JAPEX's consolidated balance sheet showed a ¥92.7 billion increase in total assets compared to the previous year, bringing the total to ¥660.9 billion. Of this amount, non-current assets amounted to ¥411.1 billion (up ¥124.7 billion year on year) due to investments in the tight oil development in U.S., the Seagull Project in U.K. North Sea, as well as the rise in market value of investment securities.

During our time as a dedicated E&P company, it was possible to evaluate the capital efficiency of each business, including those of our subsidiaries, by reviewing the financial statements and doing some number crunching. As a result, we didn't really need to separate the balance sheet by business for management accounting purposes. However, as we expand from the E&P field into the I/U and CN fields, which have different investment return characteristics, we need to rethink our management approach. It's essential to accurately capture the unique aspects of each business and manage it in a way that improves overall capital efficiency.

I believe that the shift from a business management style that focuses on earnings and cash flow information to one that also includes capital efficiency indicators will deepen our dialogue with shareholders, investors, and other stakeholders. As the Officer in charge of Finance & Accounting Dept., I see my role as partnering with business division officers and employees to ensure each investment project in each business field enhances corporate value by exceeding capital costs. I also want to help foster a shift in mindset—from simply looking at how much profit each business generates to focusing on how much profit is created and how that profit is distributed between shareholder returns and reinvestment for future growth.

From Human Resources to Human Assets

We recognize the need to equip employees with the right skill sets for M&A activities during regular operations. To reduce the burden on those involved in deals and streamline the various processes leading to successful project completion, JAPEX has been running the selective M&A Talent Development Program since fiscal 2023. In each cohort, around 10 selected participants spend six months learning the hard skills required for M&A—such as accounting, taxation, finance, legal affairs, valuation, and business due diligence—mainly through case studies. This program was initiated during my time as head of the Deal Execution/PMI Support Dept., where I recognized the need to bridge the gap between the skills employees possessed (the "As-is" skills) when assigned to deals and the skills they needed in order to successfully complete those deals (the "To-be" skills).

For each business to succeed, it is not enough to simply provide funding and management metrics—we also need to enhance the capabilities of the people we assign to those businesses. We are continuing to explore a training framework to learn more general cross-functional skills that are essential for business formation, not just specific to M&As.

In terms of investment in human resource development, we doubled our training expenditure in fiscal 2023 to approximately ¥150 million (compared to the start of our current Management Plan in fiscal 2021). Going forward, I'd like to shift the way we think about "human resource investment," which is recorded as an expense in financial accounting, and start viewing it as "human asset investment"—an invaluable company resource. I intend to make this a key topic in our discussions on the evolution of management accounting.

*FID (Final Investment Decision): In the context of oil and gas projects, FID often refers to the final decision regarding investment before entering the development phase (i.e., facility design, procurement, and construction). Prior to FID, relevant parties must meet all requirements, such as formulating robust plans for development, marketing, and fundraising; signing necessary contracts; obtaining approval from authorities; and securing sufficient human resources.

Digital Transformation (DX)

Message from the Officer in charge of Corporate Strategy Dept.



Looking Beyond Being DX-Ready

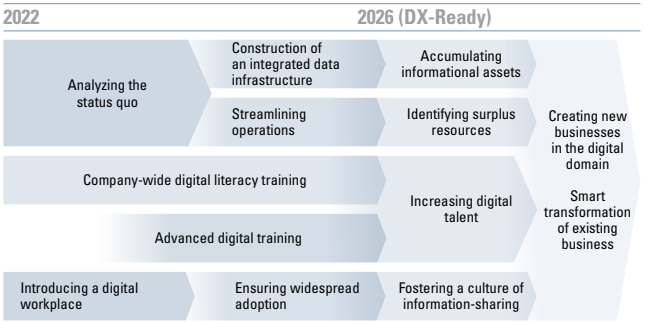
NAKAJIMA Toshiaki

Director, Managing Executive Officer
In charge of Corporate Communication Office and Corporate Strategy Dept.

DX Promotion Plan

JAPEX has identified four key challenges (material issues) that we must now address to achieve sustainable growth P.38. One of these is digital transformation (DX). By strategically utilizing data and digital technologies, we aim to create a work environment where employees can focus on high-value tasks, while also building a management foundation that enhances corporate value.

Specifically, following the roadmap shown below, we are currently working toward becoming "DX-Ready" by the mid-2020s, the midpoint of our Management Plan. Being DX-Ready means being ready to transform our business through digital technologies. The key progress made up to fiscal 2023 is detailed on the next page.

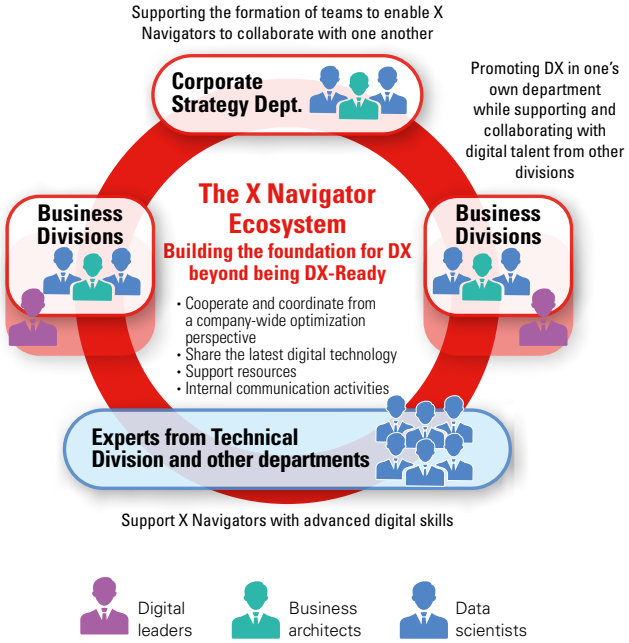


From fiscal 2024 to fiscal 2025, we will further deepen the initiatives taken up until fiscal 2023 and focus on establishing a digital infrastructure, primarily through the building of an integrated data infrastructure that consolidates key internal information and data. At the same time, we will pursue a fundamental overhaul of our operations through Business Process Re-engineering (BPR), which will enable us to streamline and automate existing business operations using the integrated data infrastructure. The human resources freed up through this process will then be reallocated to the creation of new business areas.

Developing DX talent

Developing digital talent capable of making advanced use of the consolidated data is also essential. To promote so-called digital democratization, JAPEX has launched the X Navigator Ecosystem as part of our efforts to become DX-Ready. This initiative includes the creation and launch of an education program (detailed later in the report) aimed at developing approximately 150 advanced digital professionals, such as business architects and data scientists. Employees who complete the advanced digital training program will serve as X Navigators, taking responsibility for driving operational efficiency and DX initiatives within their respective departments. They will also collaborate with X Navigators from other departments to engage in cross-organizational initiatives.

Additionally, the Corporate Strategy Dept. and the Technical Division will encourage the autonomous and proactive creative activities of the X Navigators. They will support these efforts by promoting understanding, securing resources, and sharing information and expertise. Furthermore, they will work to establish a system that reduces barriers to the X Navigators' initiatives and challenges.



Achievements up to Fiscal 2023

Strengthening the DX Promotion System

In addition to establishing a group dedicated to promoting DX within Corporate Strategy Dept. in 2022, we integrated the Information Technology Dept. into the Corporate Strategy Dept. in October 2023. Through this, we are strengthening digital governance while driving corporate transformation by aligning business strategy with DX/IT strategy.

Constructing an Integrated Data Infrastructure

At the time we began our DX efforts, much of the internal data was scattered across systems with insufficient interdepartmental cooperation and stored as Excel files with inconsistent formats. As a result, a significant issue was the unproductive effort spent on transferring and processing data between individuals, making it difficult to utilize the data organically and in real time.

To address this issue, we are working on building an integrated data infrastructure that consolidates internal information and serves as a central hub. The integrated data infrastructure collects data close to the source, automates manual data transfer and processing, and streamlines business processes. Furthermore, the integrated data platform automatically aggregates and generates highly reliable data for the management dashboard, enabling rapid information sharing and decision-making. By simplifying analysis and visualization of combined internal data, it facilitates data-driven management through creative problem-solving and the generation of innovative ideas.

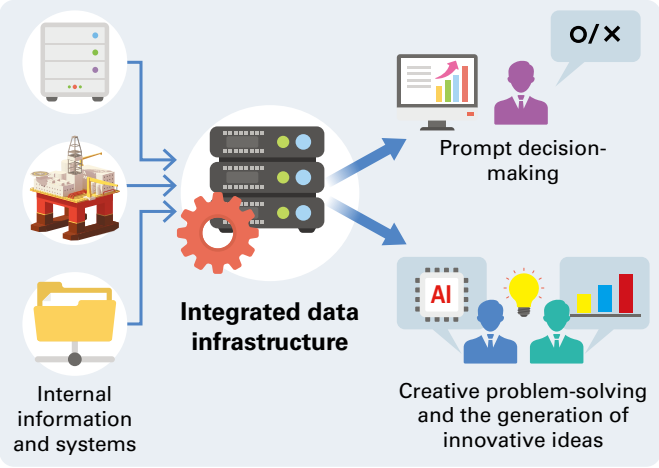
By fiscal 2023, we completed the design of optimized business processes and the examination of the system architecture. We are now in the process of building the integrated data infrastructure on the cloud.

Creating Human Resource Development Programs

To cultivate all employees as digital talent, not just advanced digital professionals like business architects and data scientists, we have developed a training program that includes digital leaders and basic digital talent. Full-scale training under this program began in fiscal 2023.

Training Results

By April 2024, approximately 60 employees had completed the Business Architect or Data Scientist programs and had already begun their activities as X Navigators. General managers or equivalents are also steadily working through their Digital Leader training. In addition, all employees have taken the Basic Digital Talent program to acquire DX and IT literacy.



	Nurturing talent	Number of staff to be trained/ target	Ideal talent profile	Programs
	Digital leaders	All general managers and equivalents	Plan business and organizational strategies leveraging digital tools	E-learning, idea generation workshops, DX/AI planning workshops*
	Business architects	70 employees	Plan and promote projects combining business and digital technology	AI model implementation workshops (no-code tools) in addition to the digital leaders programs
	Data scientists	80 employees	Design, implement, and operate advanced data collection and analysis systems	AI model implementation workshops (Python) in addition to the digital leaders programs
	Basic Digital Talent	All employees	Understand DX and utilize digital tools	E-learning, certification recommendations (IT Passport, Data Scientist Certification, Deep Learning for General)

Beyond Being DX-Ready

To achieve a balance between our material business issues, namely "Stable Energy Supply" and "Establishment of Carbon Neutral (CN) Business," it is necessary to build a new business model that goes beyond our traditional one of supplying oil and natural gas. For example, in the societal implementation of CCS that JAPEX is working on, it is necessary to manage the logistics chain—from CO_2 emission sources to transportation and storage—as well as the attribution of emission reduction effects and virtual transactions, such as credits, in an integrated and tamper-proof manner. Establishing this new framework through digital technologies and bringing the new business model to fruition is one of the forms of DX that JAPEX aims to achieve.

In preparation for the planned organizational integration of our domestic E&P and natural gas/LNG supply businesses in fiscal 2025, we plan to introduce a new operations information management system that will enable centralized real-time monitoring of operational data from each site at our integrated operations center. Going forward, by consolidating the operational data from this system, along with data from each business division, into the integrated data infrastructure, we will gain a bird's-eye view of the entire gas value chain. This will allow us to leverage AI-based predictions to implement preventative maintenance and optimize supply-demand and inventory management.

Human Resources Strategy

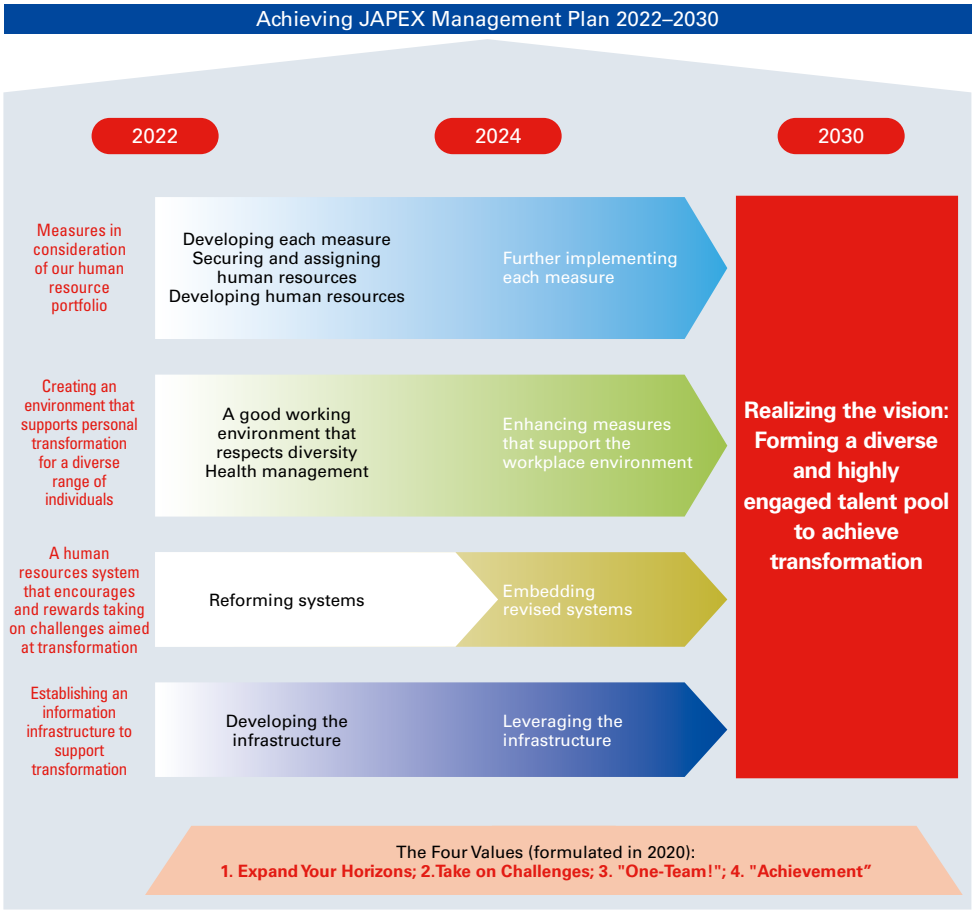
Message from the Officer in charge of Human Resources Dept.



Forming a Diverse and Highly Engaged Talent Pool

FUNATSU Jiro

Director, Managing Executive Officer
In charge of Administration & Legal Dept. and Human Resources Dept.



The Vision to Be Achieved Through Strengthening Human Capital Management

JAPEX is taking on the challenge of building a business model that involves new value creation and business transformation alongside our existing operations. Our founding business of the domestic oil and gas E&P must enhance its profitability while also adapting to the trend toward decarbonization. For JAPEX's sustainable growth, we must adopt a mindset of embracing challenges and transforming our business model. A strong foundation of human capital is essential to support these efforts, but with the declining birthrate and aging population, continuously securing such talent both internally and externally is no easy task. To achieve this, it is essential to build a co-creative and trusting relationship where the company and its employees share a common vision and work together toward mutual growth. Specifically, this means creating a relationship in which the company provides opportunities and an environment where diverse employees can thrive based on their individuality and motivation, while feeling healthy and fulfilled in their work. At the same time, employees utilize these opportunities and the environment to adapt to change, independently transform themselves, and contribute with enthusiasm. Thus, through strengthening human capital management, we have set a vision of "forming a diverse and highly engaged talent pool to achieve transformation," and are promoting the initiatives shown in the figure on the left.

Reforming the Human Resources Evaluation System: Transitioning to a Role Grading System based on the roles that one plays

In fiscal 2023, we thoroughly discussed the need to revise our human resources system in light of internal and external environmental changes, as well as JAPEX's vision for the future and the

type of talent we will seek moving forward. These discussions were held extensively at the management level, alongside continuous dialogue with our employees. As a result, we decided to reform our system to better support employee self-transformation and the taking on of challenges, while providing appropriate opportunities for growth. This new system will more fairly reward the scope of responsibilities, performance, and role-related behaviors demonstrated by employees. Additionally, it aims to enhance employee engagement and improve our competitiveness in attracting talent from the external labor market. To foster a culture where diverse ideas and insights come together and innovation is driven through collaboration, the new evaluation system places emphasis not only on fulfilling one's own role but also on contributing positively to the growth and motivation of one's subordinates and colleagues, as well as enhancing organizational engagement. Additionally, as shown in the diagram on the previous page, JAPEX has formulated a set of values that should be prioritized to achieve our Management Plan. To elicit contributions that emphasize the concept of "challenge, transformation, and creation," which is central to our HR system reform, it is essential to practice and pursue our values. We have therefore defined specific role-related behaviors based on these values. The new HR system launched in July 2024, and moving forward, we will implement training programs and provide various guidelines to promote understanding of the system and ensure it is successfully embedded.

Improving Engagement

In fiscal 2023, as part of building the foundation to achieve our vision, we advanced several key initiatives in addition to reforming the HR system.

We view engagement as a collaborative and trusting relationship in which both employees and the company fulfill their responsibilities and strive for mutual growth, and we have made increasing engagement a focal point of our efforts. As part of these efforts, we introduced a survey to visualize the current state of engagement from multiple perspectives and developed a framework and infrastructure for implementing efficient and effective improvement measures.

The survey results revealed several areas for improvement, including communication across different levels of the organization, particularly with senior management. Based on the analysis, we are implementing measures at both the departmental and company-wide levels. Moving forward, we will evaluate the effectiveness of the measures taken in response to the issues identified in fiscal 2023 and continue to explore these challenges further while improving our initiatives.

Our Human Resources Portfolio—Human Resource Development

To build a robust workforce structure for the first three years of our Management Plan, we expanded mid-career recruitment in fiscal 2023 and enhanced internal training opportunities, including career development support and reskilling initiatives.

As specific career development support measures, we introduced career development guidelines and encouraged 1-to-1 meetings between supervisors and subordinates. In addition to enhancing the existing internal open recruitment system, we have begun exploring and trialing an internal dual-role system starting in fiscal 2024. We have also established a consultation service where employees can seek advice on various career-related concerns, implemented a talent management system to share information on job descriptions and work experience across departments, and created a framework that allows employees to reference each other's career paths and seek guidance.

We have implemented various reskilling and upskilling programs as opportunities for autonomous learning. As a result of expanding the programs we offer, the training cost per employee in fiscal 2023 increased by approximately 1.4 times compared to the previous year.

Moving forward, with an eye toward 2030, we will begin formulating a workforce plan (human resources portfolio plan) that identifies the capabilities, quantity, and quality of the talent we require. To achieve the plan, we will further visualize and centralize information regarding employee skills and work experience. By leveraging the talent management system, we will work to secure human resources more efficiently. As the next step in securing specialized talent, we will focus on further utilizing and investing in the training of internal human resources, particularly senior employees with high expertise in existing businesses, regardless of age.

Main reskilling and upskilling programs

- **JAPEX UNIVERSITY**
  To support self-growth for our employees through proactive and autonomous learning, we launched JAPEX UNIVERSITY in fiscal 2022, primarily featuring video content delivered by in-house instructors. As of the end of fiscal 2023, approximately 100 courses have been offered.
- **Developing highly specialized talent**
  As part of our efforts to create an environment where individuals can enhance their knowledge and experience and maximize their abilities, we have been providing support for employees, regardless of their educational background, to pursue MBAs or specialized degrees. We are now expanding this support to include PhD programs, strengthening the development of highly specialized talent. In fiscal 2023, we provided support for employees pursuing PhD degrees in fields expected to contribute to our technological strategy agenda.

Expanding investment in talent

(Thousands of yen)

	FY2021	FY2022	FY2023
Training expenses per employee	69	107	154

Value Creation Through Business

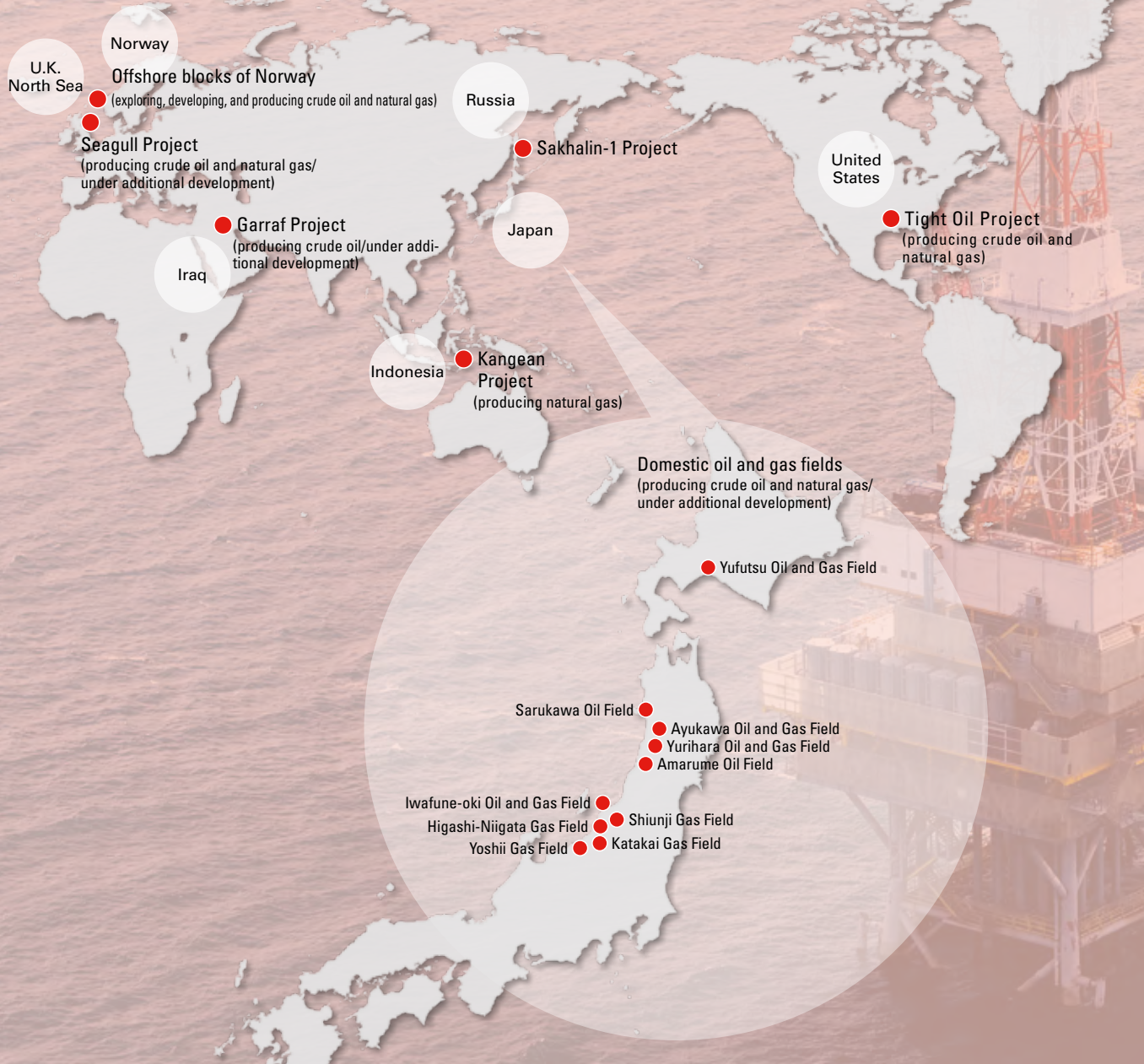
INDEX

28 E&P Field

31 Infrastructure/Utility Field

34 Carbon Neutral Field

Status of blocks, leases, and projects in which the JAPEX Group participates



Strengths

- **Comprehensive technical capabilities of the Group that fully cover the entire E&P field**
- **Relationships of trust with stakeholders, including clients, local communities, and oil-producing countries**

JAPEX's Direction Toward JAPEX2050

Stable supply of oil and natural gas

- **Interest acquisition and development**
- **Promotion of natural gas use**
- **Promotion of low-carbon operations**

JAPEX Management Plan 2022–2030

Profit targets and priority items

- Business profit target: ¥23.0 billion as of FY2026
  ➡¥27.0 billion as of FY2030
- Business profit results: ¥42.6 billion as of FY2023
- 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

Current state

Net production volume (FY2023 results)	
Total	32.5 thousand boe/d
(Breakdown)	
Japan	12.4 thousand boe/d
Overseas	20.1 thousand boe/d
Crude oil	20.2 thousand boe/d
Natural gas	12.3 thousand boe/d

Net proved reserves (as of March 31, 2024)	
Total	141 million boe
(Breakdown)	
Japan	56 million boe
Overseas	84 million boe
Crude oil	86 million boe
Natural gas	54 million boe

Units boe/d: barrels of oil equivalent per day
boe: barrels of oil equivalent

JAPEX will continue to contribute to early expansion of profit scale and reduce GHG emissions in our operations. We will also seek to diversify business risks by continuously acquiring assets of a certain size and holding various types of assets.

Risks

- Decrease in demand and volatility in sales prices of oil and natural gas due to the progress of decarbonization
- Increasing difficulties in acquisition of interests
- Rise in exploration and development costs as well as carbon tax and other environmental response costs

Opportunities

- Pursuit of remaining production potential in oil and gas fields in Japan
- Acquisition of new projects in key overseas regions



Drilling work site at Katakai Gas Field in Niigata Prefecture

FY2023 Activity Results

Japan

- Drilling for the additional development work of Katakai Gas Field in Niigata in December

Overseas

- Acquired additional interest in tight oil development projects in the United States in May and December
- Decided to invest in exploration and development projects in offshore blocks of Norway in May
- Began crude oil and natural gas production at the Seagull Project in the U.K. North Sea in November

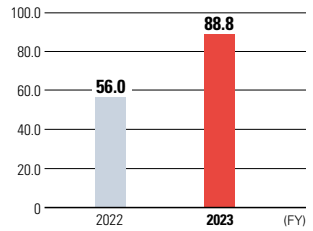
In Japan, one of the largest drilling rigs in Japan owned by a JAPEX Group company was put into operation to drill at great depths for additional development of the Katakai Gas Field in Niigata Prefecture. It began production in December 2023.

Overseas, we acquired additional partial well interests in tight oil development projects in the Eagle Ford Formation in southern Texas and the Codell Formation in Wyoming of the U.S.A., in May and December 2023. Together with the interests already acquired in January and May 2022, development work is progressing smoothly, and we have started production in phases. In May, we took a stake in a local company that promotes exploration, development, and production in the Norwegian offshore blocks. Subsequently, in July 2024, the company became a wholly-owned subsidiary of JAPEX.

We have also begun crude oil and natural gas production in stages at the Seagull Project in the U.K. North Sea.

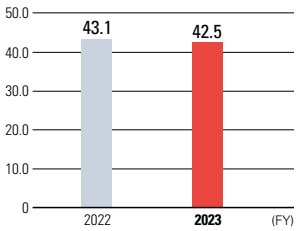
Net Sales and Operating Profit of the E&P Business

Net sales (Billions of yen)



Factors for Change
U.S. tight oil development and launch of sales of the Seagull Project in the U.K. North Sea.

Operating profit (Billions of yen)



Factors for Change
Downward swing mainly due to the fall in crude oil and natural gas sales prices

Issues to be Addressed and Policy on Initiatives to be Taken Going Forward

Pursuit of remaining production potential in oil and gas fields in Japan

With the aim of supplementing our reserves and increasing production volume in Japan, we will conduct additional development at existing oil and gas fields and their surrounding areas (including offshore exploration). We expect to invest ¥30.0 billion by FY2030 in domestic oil and gas fields.

In addition to maintaining domestic production volume through the additional development of existing oil and gas fields, we will also strive to contribute to carbon neutrality through re-injection of associated CO_2 generated from our oil and gas production and by launching CCS/CCUS projects that utilize oil and gas fields.

Acquisition of new projects in key overseas regions

For overseas E&P, we will steadily promote projects that are currently in production or under development and pursue opportunities to acquire and invest in new mining interests, mainly in North America and the North Sea, where we have already participated in some other projects. We will further increase the amount of investment in overseas E&P from the Management Plan's envisioned ¥200.0 billion by FY2030.

In the short term, we will seek to acquire projects with short payback periods that can be expected to contribute to earnings quickly. Over the medium to long term, we aim to ensure a stable energy supply with a low environmental burden, with an eye toward introducing CCS/CCUS to projects we participate in, as well as preferentially considering the acquisition of new natural gas projects.

JAPEX's Comprehensive Technical Capabilities across the Entire E&P Business

Since JAPEX's founding in 1955 as a specialized upstream oil and gas company, we have focused on oil and gas E&P. To transport and supply the oil and gas JAPEX has produced or procured, we have also built up our own supply network in Japan. JAPEX's strength lies in the Group's ability to handle the entire E&P process of exploration, development, and production.

Flow of Oil and Gas E&P Business

Exploration

- **Surface geological surveys:** In areas targeted for exploration and their surrounding regions, we conduct surveys of their geologic structure, strata, petrophysical properties, and geochemical characteristics.
- **Geophysical exploration:** We assess the geologic structure through a seismic survey using electromagnetic waves and artificial vibrations underground.
- **Drilling of exploration wells:** Based on analyses of the geophysical exploration and surface survey, we drill test wells at promising sites to confirm the presence of oil and gas.
- **Evaluation:** If the test drilling is successful, to confirm the spread of the oil and gas and the scale of the reserves, we drill exploratory and evaluation wells to conduct more detailed evaluations of the reserves.

Development

- **Front End Engineering Design (FEED):** Development plans including drilling plans, production plans, and facility plans are formulated.
- **Drilling of production wells:** Production wells are drilled in accordance with production plans.
- **Construction of facilities:** Facilities are constructed for processing, storing, and transporting oil and natural gas.

Production

- **Production operations:** Oil and natural gas produced from production wells are processed at the plant, transported, and sold.
- **Enhanced Oil Recovery (EOR*):** We apply this to production wells where production efficiency has declined with the age since the start of production.

* EOR: Enhanced Oil Recovery
EOR, also known as tertiary recovery, involves the injection of heat, gaseous carbon dioxide or other chemicals into the reservoir. While primary recovery uses natural oil emission energy and secondary recovery increases the volume of oil recovered by maintaining or raising pressure in the oil sands layer, EOR alters the physical or chemical behavior of the residual crude oil, thereby enhancing oil recovery.

JAPEX's Main Advanced E&P Technologies

Reservoir Simulation Technology The movement of oil and natural gas underground is visualized by simulations based on geological models to create future predictions. By carefully analyzing the best recovery methods for reservoirs, the technology formulates efficient and effective development plans.

Well Production Technology This technology covers the phases from drilling wells to production in the production engineering (PE) field, which aims to improve production from each well for efficient oil and gas recovery. JAPEX is currently applying the following PE mainly to the development and production of domestic oil and gas fields.

- Artificial lift: Producing crude oil using pumps and other machinery
- Well stimulation: Acidizing and fracturing
- Sand control: Application of gravel packs, etc.

Example of DX in E&P Technology: Automatic Identification of Promising Points by Artificial Intelligence (AI)

In the interpretation of geophysical exploration data, we identified geologically promising points (prospects) using the experience and skills of technicians through the following processes.

- Process of identifying geological structures (reservoirs) that can store oil and natural gas
- Process of estimating the potential for oil and natural gas to be present in the geological structure
- Process of combining these to identify prospects

We have automated these processes using AI to increase the efficiency of interpretation work and reduce the risk of inconsistencies and oversight errors in work done by technicians. In the future, this AI technology will be utilized not only for oil and natural gas discoveries but also in the CCS business to conduct surveys on suitable CO_2 storage sites.



Prospects estimated by AI (image)

Additional development at the Katakai Gas Field in Niigata Prefecture

At the Katakai Gas Field, drilling operations are targeted at depths of over 5,000 meters below the surface using the latest evaluation techniques. We are carefully drilling using a 60-meter-tall drilling rig, the largest in Japan, and various materials and equipment that can withstand high pressure, high temperatures, and high hardness. Two wells were drilled during this drilling operation, and the first began natural gas production in December 2023. The second well is scheduled to begin production in the second half of 2024.



The operation and additional development of domestic oil and gas fields are the source of solid cash flows. We aim to further grow the E&P field by expanding our technical capabilities and experience in exploration, development, and production overseas based on our comprehensive technical capabilities cultivated over many years as the foundation of JAPEX.

* Please visit the following link to see the detailed information on other technologies. ➡ https://www.japex.co.jp/en/technology/

Infrastructure/Utility Field

Main Facilities Comprising the Energy Supply Chain

Domestic Natural Gas Supply Network

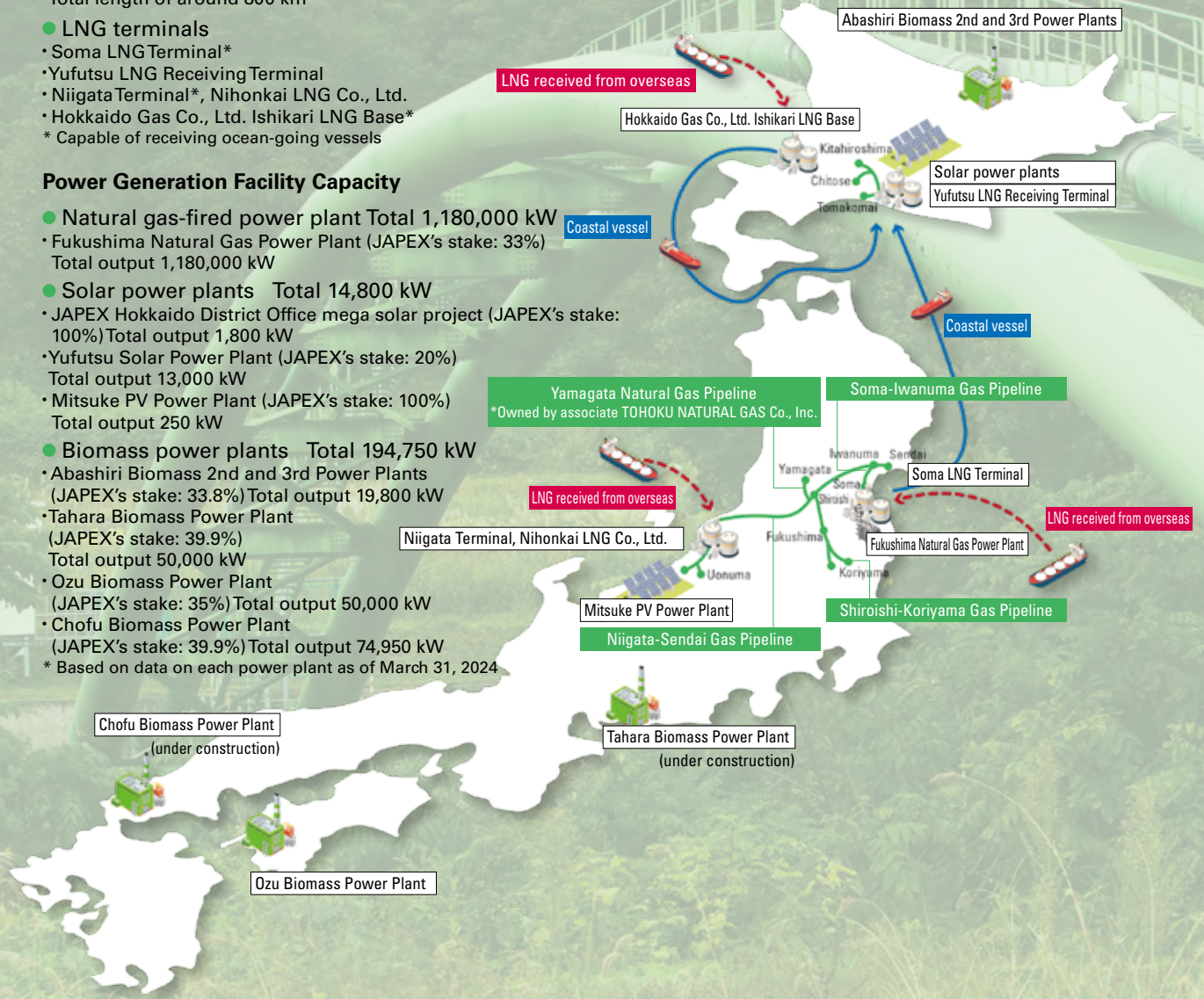
- High-pressure gas pipeline
  - Total length of around 800 km
- LNG terminals
  - Soma LNG Terminal*
  - Yufutsu LNG Receiving Terminal
  - Niigata Terminal*, Nihonkai LNG Co., Ltd.
  - Hokkaido Gas Co., Ltd. Ishikari LNG Base*

* Capable of receiving ocean-going vessels

Power Generation Facility Capacity

- Natural gas-fired power plant Total 1,180,000 kW
  - Fukushima Natural Gas Power Plant (JAPEX's stake: 33%) Total output 1,180,000 kW
- Solar power plants Total 14,800 kW
  - JAPEX Hokkaido District Office mega solar project (JAPEX's stake: 100%) Total output 1,800 kW
  - Yufutsu Solar Power Plant (JAPEX's stake: 20%) Total output 13,000 kW
  - Mitsuke PV Power Plant (JAPEX's stake: 100%) Total output 250 kW
- Biomass power plants Total 194,750 kW
  - Abashiri Biomass 2nd and 3rd Power Plants (JAPEX's stake: 33.8%) Total output 19,800 kW
  - Tahara Biomass Power Plant (JAPEX's stake: 39.9%) Total output 50,000 kW
  - Ozu Biomass Power Plant (JAPEX's stake: 35%) Total output 50,000 kW
  - Chofu Biomass Power Plant (JAPEX's stake: 39.9%) Total output 74,950 kW

* Based on data on each power plant as of March 31, 2024



Strengths

- **JAPEX's own domestic natural gas supply chain connecting gas fields in production and LNG terminals through a high-pressure gas pipeline network**
- **An infrastructure and operational framework that strives to reduce risks related to major accidental and disaster-caused damages**
- **Domestic gas fields with underground storage capacity in case of supply-demand adjustments and emergencies**

JAPEX's Direction Toward JAPEX2050

Promotion of natural gas and LNG use

- **Switching from other fossil fuels**
- **Meeting diverse demand for LNG**

Expand participation in renewable energy projects

JAPEX Management Plan 2022–2030

Profit targets and priority items

- Business profit target: ¥12.0 billion as of FY2026
  ➡¥27.0 billion as of FY2030
- Business profit results: ¥21.2 billion as of FY2023
- Priority items
  - Domestic: Maintain and expand gas supply volumes, continue stable operations of Fukushima Natural Gas Power Plant, make steady progress in ongoing 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

Current state

FY2023 results

Domestic natural gas and LNG sales volume:	0.99 million tons
Electricity sales volume:	3.5 billion kWh

In order to transform business structure to withstand market changes such as oil price volatility, we will work to diversify our gas supply by switching fuels, add new renewable energy development projects, and discover LNG supply infrastructure development projects overseas.

Risks

- Decreasing energy demand due to the declining population in Japan and subsequent decreases in sales volumes of natural gas and electricity
- Intensifying competition in the Japanese market due to the liberalization of electricity and gas businesses

Opportunities

- Expanding sales of natural gas by switching fuels (introducing natural gas with the aim of GHG emission reduction for industrial clients)
- Expanding the scope of services through contract businesses that utilize existing infrastructure and supply of energy with a low environmental impact



Ehime Prefecture Ozu Biomass Power Plant

FY2023 Activity Results

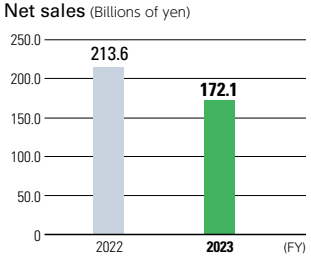
LNG Transportation and Supply

- Conducted feasibility study of energy service utilizing LNG to the industrial park in northern Vietnam in August

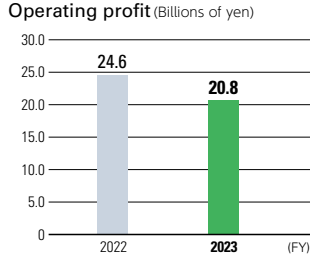
Domestic Renewable Energy Development

- Established PJ Asset Management Co., Ltd. to handle the development, management, and operation of solar power plants in June
- Commenced operations at the Mitsuke PV Power Plant in Niigata Prefecture in August
- Invested in PowerX, Inc., a company specializing in storage batteries in August
- First wood pellet supply ship to Ozu Biomass Power Plant arrived at port in March

Net Sales and Operating Profit of the Infrastructure/Utility Business



Factors for Change
Decrease in sales volume and sales prices of natural gas and LNG.
Decline in electricity sales prices



Factors for Change
Decrease in gain on LNG procurement, etc.

Issues to be Addressed and Policy on Initiatives to be Taken Going Forward

Expanding Sales of Natural Gas by Switching Fuels

Leveraging our expertise and experience in the domestic natural gas supply chain, we aim to increase the sales volume of gas by focusing on cultivating demand, such as by diversifying supply methods for LNG and promoting the switch of fuels from coal and fuel oil to natural gas. In addition, we will realize a competitive energy supply by combining long-term and spot contracts for LNG and continue working to procure and supply carbon-offset LNG in order to meet client needs.

Carbon-Offset LNG Initiatives

Carbon-offset LNG is an initiative to reduce emissions of greenhouse gases generated in the process from extraction to combustion of natural gas to zero by offsetting them with credits from forest conservation and afforestation projects. For projects, CO_2 emission reductions and absorption are certified and credited by a reliable inspection agency.

Expanding the Supply of Energy with a Low Environmental Impact

Development of Renewable Energy Striving to expand the supply of electricity with a low environment impact, we aim to steadily promote projects currently in progress and add new projects, especially those for biomass power and offshore wind power generation. As for biomass power generation, we will work to study feasibility and acquire new projects and continue considering biomass power that realizes negative emissions* by combining with CCS/CCUS (as called BECCS).

* Negative emissions technologies (NET): Technologies that contribute to the removal of atmospheric CO_2, i.e., carbon dioxide removal (CDR), by separating and capturing CO_2 from the atmosphere and storing it underground

JAPEX's Initiatives to Realize a Stable Energy Supply

With its mission to contribute to society through a stable supply of energy, JAPEX is working to assure the redundancy and earthquake-resistance of its facilities and upgrading its emergency-response systems to steadily provide clients with energy even amid crises. Going forward, we will continue to ensure a stable energy supply based on the Company's strengths of a diverse gas supply network and a resilient infrastructure and operation system, which we have built up with the technical capabilities and know-how cultivated through our many years of domestic operations.

Initiatives to Ensure a Secure, Safe, and Stable Energy Supply

Ensuring Our Stability amid Demand Fluctuations and Crises

We supply gas through the pipeline from multiple sources, including oil and gas fields located in the Sea of Japan; the Niigata Terminal of Nihonkai LNG Co., Ltd., which we participate in; and our Soma LNG Terminal situated on the Pacific coast. By utilizing these sources in a well-balanced way, we enable flexible response to demand volatility and ensure a supply system resilient to disasters, equipment malfunctions, and other adverse events. In addition, at our Shiunji Gas Field (Shibata City, Niigata Prefecture), we bring in natural gas produced at other oil and gas fields through the pipeline network and inject and store it underground. This stored natural gas contributes to stable gas supply by being available for utilization during crises and to respond to demand volatility.

Emergency Response System

We use a remote monitoring and control system to conduct 24-hour, 365-day monitoring that maintains the proper conditions and safety of the Company's pipeline network, supply-related equipment, LNG terminals, and other facilities. In emergencies, we can shut off gas remotely. In addition, we have installed emergency shutoff valves to shut off gas remotely from a monitoring center when there is an abnormality in major valve stations or clients' receiving facilities. At key locations along the pipelines, we install vent towers to safely vent gas within the pipeline as necessary. In these and other ways, we have prepared our facilities to be able to safely respond to unusual events.

Safety Assurance Systems

To constantly assure safety, JAPEX's patrol personnel pay careful attention to daily pipeline patrols, safety inspections of peripheral facilities, inspections for gas leaks, the installation of safety signage and roadside signs, among other measures. We ensure that immediate precautions are taken in necessary areas when a disaster occurs, such as torrential rain, heavy snow, and earthquakes. After assuring the safety at the site, we promptly assess whether there is any damage to facilities by conducting patrols along the pipeline and work to restore services.

In addition, when construction work is conducted in areas surrounding pipelines, we work to prevent accidents by visiting the construction sites to avoid injuries caused by insufficient precautions.

First Wood Pellet Supply Ship to Ozu Biomass Power Plant Arrives at Port

As part of measures related to carbon neutrality, JAPEX is investing in biomass power generation business and working on a biomass fuel supply business.

In March 2024, a biomass fuel ship loaded with wood pellets (approximately 25,000 tons) supplied by JAPEX arrived at Nagahama Port in Ozu City, Ehime Prefecture as the first ship for the Ozu Biomass Power Plant. The Ozu Biomass Power Plant is a biomass-fired power plant with an output of approximately 50,000 kW that uses appropriately certified wood pellets imported from overseas.

Starting with this wood pellets supply, JAPEX plans to begin supplying fuel to multiple biomass power plants.



Unloading wood pellets from a ship

We remain committed to a stable supply and promotion of utilization of natural gas based on our resilient domestic infrastructure, including pipelines and the Soma LNG Terminal, and by procurement of domestic natural gas and overseas LNG. Moreover, we will strive to build up business profits that are not affected by market conditions by expanding the renewable energy business, while ensuring the stable operation of the Fukushima Natural Gas Power Plant.

Carbon Neutral Field

Toward a Carbon-Neutral Society

JAPEX will contribute to realizing a carbon-neutral society based on its knowledge and experience gained from many years in the oil and natural gas (development) business.

- **Comprehensive technical capabilities cultivated in the E&P business**
- **Establishing CO_2 infrastructure using experience in the transportation and supply of natural gas and LNG**

JAPEX's Direction Toward JAPEX2050

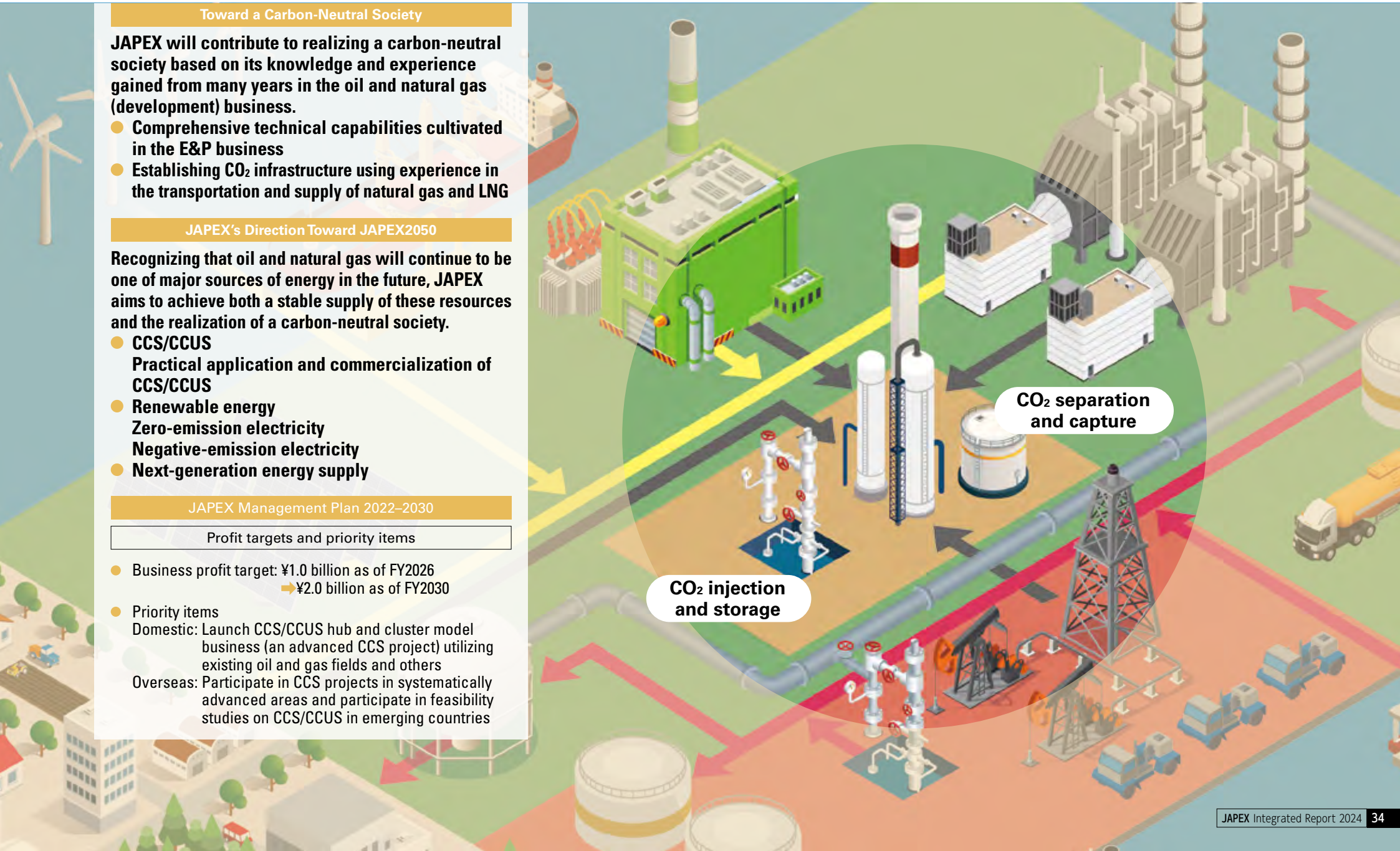
Recognizing that oil and natural gas will continue to be one of major sources of energy in the future, JAPEX aims to achieve both a stable supply of these resources and the realization of a carbon-neutral society.

- **CCS/CCUS**
  Practical application and commercialization of CCS/CCUS
- **Renewable energy**
  Zero-emission electricity
  Negative-emission electricity
- **Next-generation energy supply**

JAPEX Management Plan 2022–2030

Profit targets and priority items

- Business profit target: ¥1.0 billion as of FY2026
  ➡¥2.0 billion as of FY2030
- Priority items
  Domestic: Launch CCS/CCUS hub and cluster model business (an advanced CCS project) 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



JAPEX's Strengths and New Possibilities in Carbon Neutrality

In line with JAPEX2050, we will promote initiatives focused on considering the commercialization of CCS/CCUS in and outside Japan in order to contribute to smooth transition to a carbon-neutral society in 2050.

We are focusing on CCS/CCUS to achieve carbon neutrality. In Japan, CCS/CCUS technologies have been raised as an issue since the 2000s in Strategic Energy Plans. In the Sixth Strategic Energy Plan (revised in 2021), they are positioned as technologies for reducing greenhouse gas emissions in fields where decarbonization is difficult to achieve. CCS/CCUS technologies are considered important tools for realizing both decarbonization and industrial and energy policies.

In the 2010s, the government conducted Japan's first large-scale CCS pilot test in Tomakomai City, Hokkaido, and Japan CCS Co., Ltd. (JCCS), a project company funded by JAPEX and other private-sector companies, was commissioned to conduct the test. By 2019, it had reached the target of 300,000 tons of CO_2 injected under the seabed.

In recent years, the Ministry of Economy, Trade and Industry has been at the forefront of active discussions on a long-term roadmap and national legislation on CCS. As a result, the "CCS Long-Term Roadmap" to 2050 was formulated and legislation is being developed for its practical use. In May 2024, the Diet passed the "Act on Carbon Dioxide Storage Businesses (CCS Business Act)," which contains a licensing system for storage businesses, and the infrastructure for commercialization is being developed.

JAPEX's strengths in CCS/CCUS are its E&P-related technologies and personnel applicable to this area, the Group's ability to provide comprehensive services from selecting appropriate sites to monitoring, and its multiple oil and gas fields expected to be able to store a significant amount of CO_2 in Japan.

By leveraging these strengths, we have begun studies aimed at commercialization in Japan and overseas based on our experience at JCCS.

Selecting candidate sites for CCS/CCUS and injecting, storing, and monitoring CO_2

- The Group's technical capabilities that are essential technological elements for realizing CCS/CCUS, such as underground surveys, drilling, and monitoring
- Utilizing data related to deep saline aquifers (layers where CO_2 is expected to be stored) gained from exploration in Japan to date

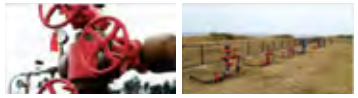
Underground surveys from land and sea (geophysical exploration)



Well drilling from land to seabed



Well management/monitoring



Flow of CCS and CCUS

Capturing CO_2 before it is emitted into the atmosphere from power plants and factories

CO_2 separation and capture

Necessary elements
Establishing CO_2 separation plants

Transporting separated CO_2 to storage sites by pipelines and other methods

CO_2 transportation

Necessary elements
Establishing CO_2 transportation pipelines

CO_2 utilization

Injecting and storing CO_2 from wells to underground

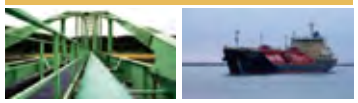
CO_2 injection and storage

Necessary elements
Selecting sites appropriate for CO_2 storage
Drilling wells for injection/monitoring the status of injection and storage

Transporting separated and captured CO_2

- Establishing CO_2 transportation infrastructure using experience in the transportation and supply of natural gas and LNG

Including high-pressure gas pipelines and coastal vessel transportation



Collaborating on and entering carbon-neutral business fields

- Applying CCS/CCUS to natural gas and biomass power generation
- Considering entering blue hydrogen and methanation-related fields

Focusing on natural gas-fired and biomass power plants, including facilities owned by other companies, in addition to our own power business

Blue hydrogen
Producing hydrogen by decomposing natural gas, and then capturing and storing CO_2

Methanation
Producing methane (CH_4) from hydrogen (H_2) and CO_2

With regard to CCS/CCUS technologies which have drawn attention as a last resort for achieving carbon neutrality, we have internally developed necessary technologies for storage business. In Japan, based on the trusted relationships with local communities we have nurtured for many years, we are aiming for commercialization by 2030 in Tomakomai and Higashi-Niigata, the target areas of the advanced CCS project.
Based on our experience in Japan, we will also promote commercialization in the U.S., Indonesia, and Malaysia.

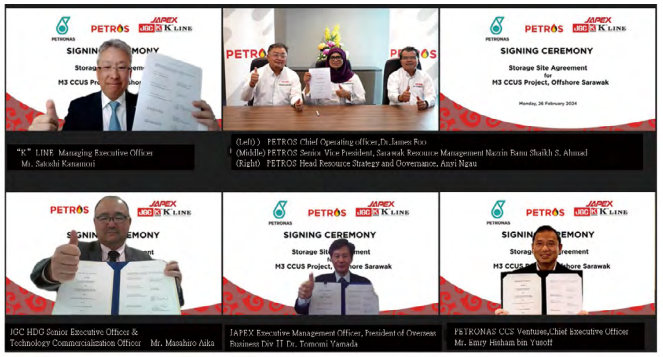
JAPEX's Initiatives to Achieve Carbon Neutrality

CCS/CCUS

- Commissioned by JOGMEC to conduct CCS feasibility studies in the Tomakomai and Higashi-Niigata areas for the publicly solicited "Business Feasibility Study on Japanese Advanced CCS Project" for 2023 (Jul and Aug 2023)
- Signed a joint study agreement to conduct CO_2 injection tests at the Sukowati Oil Field in Indonesia (Jul 2023)/Started CO_2 injection tests (Dec 2023)
- Signed a Memorandum of Understanding with SKK Migas for cooperation in realizing Hub & Cluster CCS/CCUS in Indonesia (Sep 2023)
- Equity participation in our first CCS business study project in systematically advanced overseas country (Oct 2023)
- Signed a Key Principles Agreement (KPA) with PETRONAS for the maturation and development of the CCS project in Malaysia (Nov 2023)/ Signed a CO_2 Storage Site Agreement with PETROS for a CCS project (Feb 2024)

Consideration of Next Generation Energy Supply Infrastructure, Etc.

- Initiated a joint feasibility study to establish an ammonia supply base in the Soma area of Fukushima Prefecture (Jan 2024)



CO_2 storage site agreement signed to develop CCS project in Malaysia

Domestic and Overseas Commercialization Efforts Aimed at Achieving Carbon Neutrality

CCS Commercialization Efforts in Japan

We are promoting CCS/CCUS as an area where we can demonstrate our strengths in the E&P field, which we have cultivated over the years. As a concrete initiative in Japan, we have been commissioned by JOGMEC to conduct CCS feasibility studies in the Tomakomai and Higashi-Niigata areas for the publicly solicited "Business Feasibility Study on Japanese Advanced CCS Project" for 2023. In the study, we are collaborating with each company that is a source of CO_2 emissions to evaluate the necessary functions and size as well as operational challenges of the facilities. We will continue to accelerate our efforts, in cooperation with related parties, with the aim of commencing operations in 2030 and achieving a carbon-neutral society.

In addition, with an eye on developing the medium- to long-term business environment, we are actively working to promote the social implementation of CCS/CCUS from all perspectives, such as considering the construction of an efficient CO_2 transport network and measures to enhance its social acceptance.

CCS Commercialization Efforts Overseas

We are accumulating knowledge through early business entry in systematically advance countries in regions such as North America and Europe, where systems and market environments for implementing CCS/CCUS as a business are already well established. Equipped with this experience, we are also exploring the feasibility of CCS projects in emerging countries in Southeast Asia and other regions where systems for CCS business are still under development.

In the U.S., a systematically advanced country, we have taken a stake in BSO, which is pursuing a project including CCS in southwestern Wyoming in the Dry Piney area, and we are focusing on evaluating it for our first commercial CCS project in a systemically advanced country.

In Malaysia, a country that is developing CCS systems, Japanese companies are working together with Malaysian companies to commercialize a CCS hub using depleted gas fields off the coast of Sarawak as CO_2 storage sites. In Indonesia, a CO_2 injection test in the Sukowati Oil Field is being conducted jointly by the public and private sectors in Indonesia and Japan to help verify the effects of CO_2-EOR and CO_2 storage.

Next-Generation Energy Supply Considerations

We are studying not only CCS/CCUS but also next-generation energy supply infrastructure. Specifically, we are working together with four other companies to conduct a feasibility study for the establishment of an ammonia import, storage, and supply base in the Soma area of Fukushima Prefecture, with the aim of promoting decarbonization in the region. This initiative has been selected for the FY2024 "Subsidy for Measures to Promote Introduction of Non-Fossil Energy (Hydrogen Supply Infrastructure Improvement Project)" by the Consortium for Resilient Omni-energy supply System.

- October 22, 2021 Ministry of Economy, Trade and Industry
  Cabinet Decision on the Sixth Strategic Energy Plan
  https://www.meti.go.jp/english/press/2021/1022_002.html
- February 10, 2023 Ministry of Economy, Trade and Industry
  Cabinet Decision on the Basic Policy for the Realization of GX
  https://www.meti.go.jp/english/press/2023/0210_003.html
- May 31, 2024 Consortium for Resilient Omni-energy Supply System
  Results of Public Solicitation for the FY2024 "Subsidy for Measures to Promote Introduction of Non-Fossil Energy (Hydrogen Supply Infrastructure Improvement Project)"
  https://cros2.jp/suiso.html
  (in Japanese only)

Initiatives to Support Value Creation

INDEX

38 Sustainability Management

43 Integrity and Governance

43 Outside Directors' Roundtable Discussion

45 Corporate Governance

51 Risk Management

53 Compliance and Respect for Human Rights

55 Stable and Sustainable Energy Supply

55 Climate Change Response

58 HSE as Our Culture

58 Occupational Health and Safety/Pollution Prevention

60 Preserving Biodiversity and Ecosystems

61 Being a Good Neighbor

61 Growing Together with Stakeholders

62 The Employer of Choice

62 Diversity Promotion

63 Health Management and Good Working Environment

Sustainability Management
—Materiality—

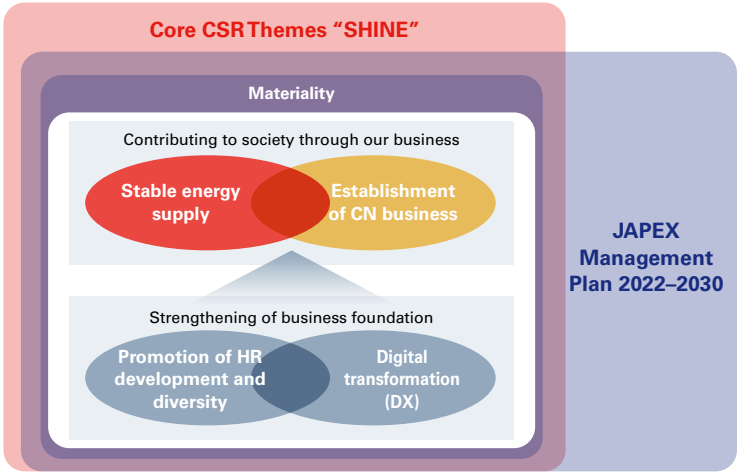
Basic Concept

With a mission to provide a stable supply of energy, JAPEX believes that our business activities themselves are a form of CSR. Under this recognition, we have been promoting sustainability activities to aim at both solving social issues toward the realization of a sustainable society and enhancing our corporate value in the medium- to long-term.

Sustainability Management
https://www.japex.co.jp/en/sustainability/management/

Overview of Materiality

Under the basic concept of sustainability management, we have identified our material issues in 2023 as what connects core CSR themes "SHINE" and "JAPEX Management Plan 2022–2030," which were established in 2014 and 2022, respectively. Among the core CSR themes, which are focused on building relationships of trust with stakeholders, challenges that should be particularly addressed now to achieve JAPEX's sustainable growth are identified as material issues. These material issues are centered on value creation 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

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 added-value businesses through the strategic utilization of data and digital technologies and make continuous challenges for further increasing our corporate value

Process for identifying material issues

STEP 1. Evaluating present status and identifying challenges
- Recognize social issues and monitor JAPEX's responses thereto based on the external ESG evaluation results and various guidelines
- Conduct sustainability workshops and questionnaire surveys for management officers
- Prepare a draft of material issues based on the above processes

STEP 2. Holding discussions at the Sustainability Committee
- Hold discussions based on the draft of material issues among general managers and officers
- Identify four material issues as challenges that should be particularly addressed now to achieve JAPEX's sustainable growth

STEP 3. Reviewing the items of CSR disclosure
- Describe the material issues in the Annual Securities Report and summarize their correlation with the core CSR themes "SHINE"
- Summarize the correlation of specific action items with the material issues in the CSR Action Plan

Correlation between Core CSR Themes "SHINE" and Materiality

In the core CSR themes "SHINE," we identified five core themes and 12 individual challenges under the core themes. We review each individual challenge as needed based on changes in society and its demands.

Correlation between Core CSR Themes "SHINE" and Materiality

Core CSR themes		Individual challenges	Materiality	ESG
S	**S**table and sustainable energy supply	❶ Stable energy supply ❷ Development of new technologies ❸ Climate change response	● Stable energy supply ● Establishment of CN business ● Digital transformation (DX)	E S
H	**H**SE* as our culture	❹ Occupational health and safety ❺ Pollution prevention and resource recycling ❻ Preserving biodiversity and ecosystems	—	E S
I	**I**ntegrity and governance	❼ Governance ❽ Crisis management ❾ Compliance	—	G
N	Being a good **N**eighbor	❿ Growing together with stakeholders	—	S
E	The **E**mployer of choice	⓫ Promotion of HR development and diversity ⓬ Creating a fair and good working environment	● Promotion of HR development and diversity ● Digital transformation (DX)	S

*HSE is an acronym for Health, Safety and Environment that refers to occupational safety, health, and the environment.

- "Stable energy supply" corresponds to matters related to development of oil and natural gas that are covered by the individual challenge ❶.
- "Establishment of CN business" corresponds to matters related to CCS/CCUS that are covered by the individual challenges ❷ and ❸.
- "Promotion of HR development and diversity" corresponds to development of human resources, diversity and matters related thereto that are covered by the individual challenges ⓫ and ⓬.
- "Digital transformation (DX)" corresponds to all individual challenges of SHINE, but to the individual challenges of ❶ and ⓬ with respect to specific stated goals.

Sustainability Management Promotion System

The Sustainability Committee has been established to deliberate and discuss medium- to long-term business issues and relevant sustainability matters that we should address to ensure the Company's sustainable growth.

The President serves as the Chair, the officer in charge of the Corporate Strategy Dept. serves as the Vice Chair, and the Corporate Strategy Dept. serves as the secretariat. The Committee meets multiple times per year to deliberate and discuss the items listed on the right.

Matters deliberated by the Sustainability Committee are reported to the Board of Directors as needed, and important matters are resolved. Also, the status of activities related to ESG is reported every year to the Board of Directors.

CSR action plans are established and reviewed every year on a company-wide basis, and disclosed through the Sustainability Committee in the Integrated Report and as the CSR Action Plan. On this occasion, we place managers and personnel responsible for sustainability in each department and discuss and coordinate the formulation of the action plans and the disclosure of information.

Primary Items to Be Deliberated by the Sustainability Committee

- Establishment and review of a management plan
- Basic policies related to sustainability, including the Code of Ethics and Conduct
- Important environmental, social, and governance (ESG) issues
- Establishment and review of core CSR themes and CSR action plans
- Disclosure of sustainability information to outside the Company, such as in the Integrated Report

CSR Activities' Action Plans, Targets, and Achievements
https://www.japex.co.jp/en/sustainability/management/materiality/

Main Targets and Achievements in Fiscal 2023

Core CSR themes	ESG	Individual challenges	Fiscal 2023 action plans and targets	Fiscal 2023 achievements	Materiality	SDGs
S Stable and Sustainable Energy Supply	E S	① Stable energy supply ② Development of new technologies ③ Climate change response	Promote E&P business	Acquired additional interests in the U.S. tight oil development project; acquired equity in a subsidiary of Longboat Energy PLC which promotes exploration and development projects in offshore blocks of Norway; started producing crude oil and natural gas in Seagull Block in the U.K. North Sea; completed drilling and started production of the first well and started drilling of the second well in the additional development of the surrounding areas of the Katakai Gas Field in Niigata Prefecture.	・Stable energy supply ・Establishment of CN business ・DX	
			Promote DX based on business challenges	Formulated a DX promotion roadmap to promote three initiatives for strengthening the DX promotion system, building an integrated database, and providing advanced digital training.		
			Promote CCS/CCUS commercialization studies in Japan and overseas	Overseas ・Participated in a CCS project in a systematically advanced country (equity participation in Blue Spruce Operating LLC having assets in southwestern Wyoming, U.S.A). ・Started CO_2 injection field test at the Sukowati Oil Field in Indonesia ・Signed a CO_2 storage site agreement with Petronas for the commercialization of CCS offshore Sarawak, Malaysia Domestic ・Commissioned by JOGMEC to conduct CCS feasibility studies in the Tomakomai and Higashi-Niigata areas for the publicly solicited "Business Feasibility Study on Japanese Advanced CCS Project" for 2023.		
			Achieve our GHG emission intensity target (Scope 1 + 2) of 3.42 ton-CO_2/TJ based on JAPEX2050	Result: 3.38 ton-CO_2/TJ		
H HSE as Our Culture	E S	④ Occupational health and safety ⑤ Pollution prevention and resource recycling ⑥ Preserving biodiversity and ecosystems	Reduce domestic occupational injury frequency rate ・LTIF*1: 0.00 ・TRIR*2: 0.86	LTIF: 0.28 TRIR: 2.53	—	
			Continue KEI's efforts in Indonesia to earn the Blue ranking in the Program for Pollution Control, Evaluation and Rating (PROPER)*3	Maintained earning the Blue ranking by continuing environmental activities.		
			Reduce negative impacts	Started considering the environmental impact of JAPEX's business activities taking into account the guidelines published by TNFD P.60; held a seminar on biodiversity (including reduction of water consumption and waste) for employees.		
I Integrity and Governance	G	⑦ Governance ⑧ Crisis management ⑨ Compliance	Strengthen our corporate governance system	Held a seminar for management officers and provided training for newly appointed Executive Officers (themed on corporate governance, corporate management, human rights, and generative AI).	—	
			Strengthen cybersecurity	Conducted self-assessment using the cybersecurity management visualization tool in accordance with the guidelines published by the Ministry of Economy, Trade and Industry/Information-technology Promotion Agency, Japan to identify issues to be addressed.		
			Promote efforts to respect human rights	Conducted human rights due diligence on subsidiaries and associates in Japan; conducted questionnaires on harassment, according to which the percentage of the respondents who reported having experienced harassment remained almost flat from the previous fiscal year.		
N Being a Good Neighbor	S	⑩ Growing together with stakeholders	Make contributions to local communities and engage in social activities in our domestic and overseas operating areas	Overseas projects ・Garraf: Constructed and repaired facilities at schools and educational facilities, conducted an education campaign in elementary schools, distributed food items for local events, donated facilities and equipment to medical institutions. ・Kangean: Constructed a park, provided support for fisheries and small and medium enterprises, conducted infrastructure improvements such as mosque renovations, cleaned up coast waste, provided economic development support, etc. Domestic operating areas ・Held on-site tours for local parties concerned, participated in community events, ensured safety for children commuting to school, volunteered to stand guard, sponsored advertisements, made donations, etc.	—	
			Promote supply chain management	Conducted a CSR procurement survey to suppliers and expanded the scope of parties with whom we interview; ensured and created a fair trading and competitive environment.		
			Promote constructive dialogue with stakeholders	Provided information to the Tokyo Stock Exchange and the press in a timely and appropriate manner and produced and distributed publications; maintained and created opportunities for dialogue, including IR site tours for securities analysts and institutional investors and IR briefings for individual investors.		
E The Employer of Choice	S	⑪ Promotion of HR development and diversity ⑫ Creating a fair and good working environment	Achieve targets based on the DE&I policy ・Percentage of female new-graduates hired: 30% or more	Percentage of female new-graduates hired: 35.0%	・Promotion of HR development and diversity ・DX	
			Strengthen human capital management	Participation rate for reskilling programs: over 85% Launched new skilling programs: provided two programs (M&A Talent Development Program, basic financial course).		
			Promote the creation of a good working environment	Revised our human resources evaluation system from a job qualification grading system to a role grading system based on the roles that one plays; conducted an engagement survey.		
			Promote health management	Selected for the first time as one of the 2024 Health & Productivity Stock Selection; recognized as one of the "White 500 in Health and Productivity Management Outstanding Organizations"; certified as a Sports Yell Company 2024.		

*1 Lost Time Injury Frequency: Calculated as the number of lost time injuries per 1,000,000 work hours.
*2 Total Recordable Injury Rate: Calculated as the number of total recordable injuries per 1,000,000 work hours.
*3 PROPER is a rating program by the Indonesian Ministry of Environment to evaluate companies' environmental measures and environmental regulation compliance, from the highest rating of gold to green, blue, red, and black.

Sustainability Management —CSR Action Plan—

CSR Activities' Action Plans, Targets, and Achievements
https://www.japex.co.jp/en/sustainability/management/materiality/

Targets in Fiscal 2024

Core CSR themes	ESG	Individual challenges	Fiscal 2024 action plans and targets
S Stable and Sustainable Energy Supply	E S	① Stable energy supply	● Promote the E&P Business toward stable supply of oil and natural gas ● Promote the I/U Business toward stable supply of natural gas and electricity ● Promote DX based on business challenges
		② Development of new technologies	● Promote the development of technologies to realize the early practical application of CCS/CCUS ● Pursue well stimulation technologies for tight reservoir development projects in Japan (including Akita tight oil) through joint research with JOGMEC ● Continue measures toward commercialization of methane hydrate ● Continue efforts to develop deep-sea mineral resources through new Horizon Ocean Research & Technology Co., Ltd.
		③ Climate change response	● Promote CCS/CCUS commercialization in Japan and overseas ● Achieve our GHG emission intensity target (Scope 1 + 2) of 3.26 ton-CO_2/TJ based on JAPEX2050 ● Reduce emissions to achieve the GHG emission reduction target set by the Japan Energy Resources Development Association based on the Japan Business Federation's Carbon Neutrality Action Plan ● Scale up the renewable energy business ● Contribute to a low-carbon society by promoting the use of natural gas
H HSE as Our Culture	E S	④ Occupational health and safety	● Promote initiatives based on the Medium-term HSE Plan Achieve zero lost time injuries ・LTIF: 0.00 ・TRIR: 1.00
		⑤ Pollution prevention and resource recycling	● Continue measures to maintain a 45% reduction in VOC emissions compared to the base year (FY2000) ● Promote efforts to reduce water consumption ● Promote efforts to reduce waste ● Continue KEI's efforts in Indonesia to earn the Blue ranking in the Program for Pollution Control, Evaluation and Rating (PROPER), a performance-level evaluation program for corporate environmental management
		⑥ Preserving biodiversity and ecosystems	● Continue efforts in creating positive impacts in protected areas ● Continue efforts to reduce negative impacts at business locations and their surrounding areas

Core CSR themes	ESG	Individual challenges	Fiscal 2024 action plans and targets
I Integrity and Governance	G	⑦ Governance	● Strengthen our corporate governance system ● Promote the Enterprise Risk Management (ERM) Framework ● Strengthen information security and promote personal information protection
		⑧ Crisis management	● Continue to strengthen the Business Continuity Plan (BCP) ・Maintain and enhance disaster prevention capabilities (improvement and enhancement of emergency response capabilities) ● Strengthen cybersecurity ● Continue overseas security response
		⑨ Compliance	● Ensure thorough compliance ● Promote efforts to respect human rights ・Conduct human rights due diligence on overseas Group companies and transaction partners
N Being a Good Neighbor	S	⑩ Growing together with stakeholders	● Make contributions to local communities and engage in social activities in our domestic and overseas operating areas ● Promote supply chain management ● Promote constructive dialogue with stakeholders
E The Employer of Choice	S	⑪ Promotion of HR development and diversity	● Promote diversity, equity, and inclusion (DE&I) Achieve targets based on the DE&I policy ・Percentage of female new-graduates hired: 30% or more ・Percentage of mid-career hires to total hires: 50% or more ・Number of female managers: 25 or more (by the end of FY2025) ・Percentage of mid-career hires in management positions: Maintain 20% or more (until the end of FY2025) ・Percentage of male employees taking childcare leave: 80% or more (by the end of FY2025) ● Strengthen human capital management ・Promote reskilling and skilling programs (promote DX education, make use of JAPEX UNIVERSITY as a learning platform, provide a management personnel development program, etc.)
		⑫ Creating a fair and good working environment	● Promote the creation of a good working environment ● Promote health management ● Explore and trial an internal dual role system; consider implementing an external side job system ● Improve office environment

UN Global Compact

JAPEX has participated in the UN Global Compact (UNGC) since 2020 and has been taking measures related to 10 principles in four areas of the UNGC covering human rights, labour, environment, and anti-corruption. In fiscal 2023, we participated in 10 of the 14 subcommittees of the Global Compact Network Japan (GCNJ), which mainly comprises Japanese companies that have signed the UNGC. We have collected information related to the latest trends and best practices on sustainability and enhanced the networks of personnel in charge of promoting sustainability.

UN Global Compact (UNGC)
https://unglobalcompact.org/

The Ten Principles in Four Areas of the UN Global Compact

Human Rights	Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and Principle 2: make sure that they are not complicit in human rights abuses.
Labour	Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining; Principle 4: the elimination of all forms of forced and compulsory labour; Principle 5: the effective abolition of child labour; and Principle 6: the elimination of discrimination in respect of employment and occupation.
Environment	Principle 7: Businesses should support a precautionary approach to environmental challenges; Principle 8: undertake initiatives to promote greater environmental responsibility; and Principle 9: encourage the development and diffusion of environmentally friendly technologies.
Anti-corruption	Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

FY2023 Subcommittee Activity Results

- Supply Chain Subcommittee
- Environmental Management Subcommittee
- Human Rights Subcommittee
- Human Rights Due Diligence (HRDD) Subcommittee
- Anti-corruption Subcommittee
- Disaster Risk Reduction (DRR) Subcommittee
- SDGs Subcommittee
- ESG Subcommittee
- Reporting Research Subcommittee
- Circular Economy Subcommittee

Global Compact Network Japan (GCNJ)
https://www.ungcjn.org/
(in Japanese only)

Declaration of Partnership Building

JAPEX announced the Declaration of Partnership Building in fiscal 2021. We endorse the purpose of the Council on Promoting Partnership Building for Cultivating the Future, whose members consist of Chairman of the Japan Business Federation; Chairman of the Japan Chamber of Commerce and Industry; President of the Japanese Trade Union Confederation (RENGO), and relevant Ministers (Cabinet Office; Ministry of Economy, Trade and Industry; Ministry of Health, Labour and Welfare; Ministry of Agriculture, Forestry and Fisheries; and Ministry of Land, Infrastructure, Transport and Tourism), and will collaborate, co-exist, and co-prosper with our supply chain transaction partners.

Portal Website for Declaration of Partnership Building
https://www.biz-partnership.jp/index.html
(in Japanese only)

GX League

The GX* League was established based on the GX League Basic Concept announced by the Ministry of Economy, Trade and Industry in February 2022 as a forum for companies actively engaged in green transformation (GX) activities to work together with players from government, academia (universities, etc.), and financial institutions which are taking on challenges toward GX to discuss, as a unit, the transformation of the entire economic and social system, and to take the lead in the creation of new markets.
As the GX League's objective is consistent with the JAPEX2050, we have declared our participation in the GX League in 2023, following the declaration of our endorsement in 2022. We will work to contribute to realizing a carbon-neutral society in cooperation with the endorsing companies, the government, and other institutions through the GX League.

GX League official website
https://gx-league.go.jp/en/

*Green Transformation (GX): Transformation of the entire economic and social system to realize a carbon-neutral society

Global CCS Institute

In May 2022, JAPEX joined the Global CCS Institute (GCCSI), an international think tank whose mission is to accelerate the deployment of carbon capture and storage (CCS) globally. GCCSI's membership includes governments, private companies, and research bodies. GCCSI shares expertise and data regarding CCS. By utilizing insights and membership networks obtained through GCCSI, we will further advance our efforts regarding CCS/CCUS.

GCCSI official website
https://www.globalccsinstitute.com/

CCS+ Initiative

In June 2022, JAPEX joined CCS+ Initiative (CCS+), which is an international platform aiming to scale-up CCS, CCU (carbon dioxide capture and utilization), and CDR (carbon dioxide removal) projects. By developing carbon accounting methodologies for each phase of CO_2 capture, transport, and storage, CCS+ aims for the accurate and separate measurement of CO_2 reduction and removals in diverse CCS projects and the monetization of such projects. Through the participation in CCS+, we will strive to contribute to realizing a net zero society by establishing methodologies to generate carbon credits from CCS/CCUS.

CCS+ Initiative official website
https://www.ccsplus.org/

Integrity and Governance
—Outside Directors' Roundtable Discussion—



Insight into the board's operations and general thoughts on JAPEX at present

What are your impressions of how the JAPEX Board of Directors is run?

Kawasaki During my four years as an Outside Director, I've witnessed significant progress and development in the board's operation. We receive comprehensive pre-meeting briefings that allow us to engage fully in discussions with an understanding of the key points. These briefings include descriptions of discussions held during the Executive Committee meetings, enabling us to engage in meaningful dialogue of our own with an awareness of the executive team's perspective on the issues.

Yamashita The diverse expertise among the Outside Directors fosters a variety of questions, which in turn lead further comments and deeper discussions from other board members—a great virtuous cycle. Previously, board meetings often centered around financial reporting and numbers, but we're now seeing more focus on new investment projects tied to management strategies, creating a more vibrant environment.

Kitai Since we adjusted the criteria for board agenda items in 2023, we've been able to devote time to important issues from a big-picture perspective, such as our growth strategies. Besides these, other important business challenges are thoroughly explained to us during the Outside Officer Liaison meetings. This helps facilitate candid discussions at the board meetings, with each member contributing their insights and expertise from various perspectives.

How would you sum up the status quo for JAPEX and the challenges it faces?

Kawasaki As a first initiative for the company, I attended JAPEX's recent financial results briefing as a representative. I mentioned there that our bold restructuring efforts in 2021 are now bearing fruit, and we're actively working toward achieving our long-term vision for 2050. Even as a board member, I can sense the strong drive from the executive team to steadily build assets that will contribute to future profitability.

Kitai One key challenge I'd like to highlight is the need for a clear succession plan. With the recent change of President, I believe it's essential to begin addressing the way discussion of succession planning within the board and the Nomination and Compensation Committee by taking this as one of good opportunity.

Yamashita From a diversity perspective, I'm concerned that we still don't have enough female managers. During roundtable discussions with female employees, I've heard their concerns and anxieties around taking on managerial roles while balancing family and childcare responsibilities. To address or alleviate these challenges, I believe we need to provide more visible career paths, as well as introduce mentoring programs and other initiatives to support our employees.

Kawasaki I would also like to highlight the recent change to JAPEX's Articles of Incorporation, which allows the board to appoint someone other than the President as Chair. I believe the Chair shall be assumed by director other than the President. As the President is responsible for executing the company's operations, and it can be challenging to chair board meetings while also deliberating on matters concerning their own responsibilities. Taking this reality, in my view, this is a meaningful change in light of establish a governance structure where the Chairman, or possibly an Outside Director in the future, serves as the Chair, while the President takes a central role in the discussions.

In response to the feedback from the board that technical terminology was difficult to comprehend, site visits were organized to help improve understanding. Directors Kawasaki and Kitai visited the Katakai Gas Field, while Director Yamashita toured the Yufutsu Oil and Gas Field, the Yufutsu LNG Receiving Terminal, and the Japan CCS Co., Ltd. Tomakomai Demonstration Center. Could you please share your impressions having viewed these sites?

Yamashita It was incredibly valuable to have the opportunity to speak directly with the onsite engineers. Seeing the technology firsthand was, of course, important, as it's not something that can be fully understood from technical presentations in a meeting room. However, what reassured me the most was hearing firsthand how well the integration of District Offices has been communicated to our employees—something that wasn't apparent from meeting room discussions. I would be very eager to continue these site visits moving forward.

Kitai Absolutely. One thing that really stood out to me was seeing our female colleagues actively working on site. It was truly inspiring to see how dedicated everyone was, no matter their gender, working so hard together.

Kawasaki I had the opportunity to experience firsthand the reality and scale of the site, which had previously only been presented in board meetings through charts. It was clear, and I personally felt, just how dedicated our colleagues are to their work. For corporate management, it's crucial that employees feel fulfilled in their roles and that there is alignment between the perspectives of HQ and colleagues on the ground. This site visit confirmed that both are in place.

JAPEX appoints an internal member of staff as President for the first time

Starting in April 2024, Chairman Fujita and President Yamashita will lead the company under a new structure.
Could you please share any thoughts or words of encouragement for the new President?

Kitai I'm sure the appointment of an internal candidate as President is something our employees are pleased with, and it's truly impressive to have such an outstanding individual from within the company itself. I've heard from Chairman Fujita that the President has a healthy sense of urgency and is eager to embrace transformative challenges, which gives me great optimism about his leadership moving forward. I also believe that Chairman Fujita, in his new position, will leverage his extensive internal and external networks to support President Yamashita. This new leadership structure looks very promising for JAPEX.

Kawasaki I completely agree with Ms. Kitai. The topic of succession planning came up earlier, and I do believe that continuing to appoint presidents from within the company is the ideal approach. I truly hope this will be the direction we take in the future.

Yamashita I think the surprise of a President being appointed from within JAPEX is likely to have a significant effect in boosting employee motivation and fostering a sense of trust.



YAMASHITA Yukari
Outside Director



KAWASAKI Hideichi
Outside Director

As JAPEX enters a new phase on its path toward JAPEX2050, having President Yamashita, with his deep knowledge of key management indicators and business metrics, lead the company sends a strong message and serves as a great source of motivation for staff. Moreover, Chairman Fujita has successfully navigated the challenging process of withdrawing from the Canada projects. With rising energy prices providing a beneficial tailwind for JAPEX, I look forward to him providing valuable guidance when it comes to making critical decisions and investment judgments.

Toward enhancing corporate value: Challenges and expectations

As we face the reality of a PBR below 1x, I would like to ask your thoughts on how we should approach cash allocation in terms of shareholder returns, growth investments, and strengthening the management foundation, with the goal of enhancing corporate value going forward.

Kawasaki There is an understanding among some investors that strengthening shareholder returns will lead to higher share prices and increased corporate value. However, I believe the appropriate measures to take vary depending on the nature of the business. As an Outside Director, I have also been considering what the ideal direction for JAPEX should be, and have worked closely with the executive team in ongoing discussions around capital policies and growth strategies aimed at enhancing corporate value. With the collective agreement of the Outside Directors, this has led to the November 2023 announcement on "Action to Implement Management that is Conscious of Cost of Capital and Stock Price." Therefore, the first step is to clearly communicate our stance. At the same time, my view is that we must continuously reassess whether our current approach remains appropriate in light of evolving circumstances.

Yamashita As Mr. Kawasaki mentioned, the capital policy and growth strategy that JAPEX is currently outlining is something we, as Outside Directors, fully support. Moreover, I believe this strategy is well-received by our employees. From my perspective as a specialist in the energy sector, I'd like to emphasize that fossil fuels will remain an important resource during the energy transition, and JAPEX has the means to decarbonize fossil resources through carbon capture and storage (CCS) technology. This year, Japan passed the Hydrogen Society Promotion Act and the CCS Business Act, I could say the environment has been set up aligns well with JAPEX's strategic direction. I'm hopeful that by having confidence in our technology and staying a step ahead of national policy in our business and technological development, we can accelerate our progress along this growth path.



KITAI Kumiko
Outside Director

Kitai I would like to provide my perspective on strengthening the management foundation, which is essential for sustainable growth and enhancing corporate value. Earlier, we discussed diversity, particularly efforts to promote greater participation of women. JAPEX recognizes the importance and challenges of human resources strategy and advancing digital transformation (DX), and various initiatives, including personnel system reforms, are currently underway. While we continue to face significant challenges in fully achieving our goals in these areas, JAPEX has many talented young individuals, and we will continue to rely on them. To attract and retain these individuals those who shape the company's future, it is crucial to create an environment where they can work comfortably and feel motivated. Therefore, I believe it is critical to accelerate our efforts, to regularly assess their effectiveness, and continue driving reform. I have high hopes for JAPEX's continued endeavors in this regard.

Basic Concept

JAPEX recognizes contributing to society through a stable supply of energy as its mission and helping to realize the sustainable development goals by addressing social issues as its Corporate Vision. To achieve its Corporate Vision and maximize its corporate value from both the medium- and long-term perspectives, it is necessary to ensure efficient and transparent corporate management and build relationships of mutual trust with stakeholders, including shareholders, by fulfilling its accountability. Therefore, sound corporate governance, which is foundational to JAPEX, is one of its most important challenges.

Corporate Governance
https://www.japex.co.jp/en/sustainability/governance/cg/

Corporate Governance Report
https://www.japex.co.jp/en/sustainability/uploads/pdf/JAPEX_CGreport_e.pdf

Initiatives to Strengthen Corporate Governance

2015 to 2018
- Increased the number of Outside Directors (1→2) (in 2015)
- Increased the number of Outside Directors (2→3) (in 2016)
- Began evaluating the effectiveness of the Board of Directors (in 2017)
- Reformed the executive officer system (in 2018)

2019
- Established the Nomination and Compensation Committee
- Amended the Code of Conduct to establish the Code of Ethics and Conduct
- Changed the title and composition of the Executive Committee

2020
- Increased the number of Outside Directors (3→4)
- Raised the ratio of Outside Directors to more than one-third
- Shortened the term of office of Directors from two years to one year
- Introduced a performance-linked share-based compensation plan

2021
- Established the Sustainability Committee and the Risk Management Committee

2022
- Increased the number of female Directors (1→2)
- Increased the number of Outside Directors (4→5)
- Linked officers' compensation to responses to climate change

2023 to 2024
- Amended the decision-making standard of the Board of Directors (in 2023)
- Amended the Articles of Incorporation to enable the appointment of a Chairman of the Board of Directors other than the President (in 2024)

Governance Structure

Overview of JAPEX's Governance Structure

- Company with an audit & supervisory board
- Introduced an Executive Officer System to clarify the business execution system
- All Outside Directors and Audit & Supervisory Board Members who fulfill independent officer qualifications are designated as independent officers
- The ratio of Outside Directors is one-third or more, the ratio of Outside Audit & Supervisory Board Members is half or more
- Held the Outside Officer Liaison Meeting as a place to provide explanations to, provide information to, and exchange information with outside officers in advance of the Board of Directors' proposals

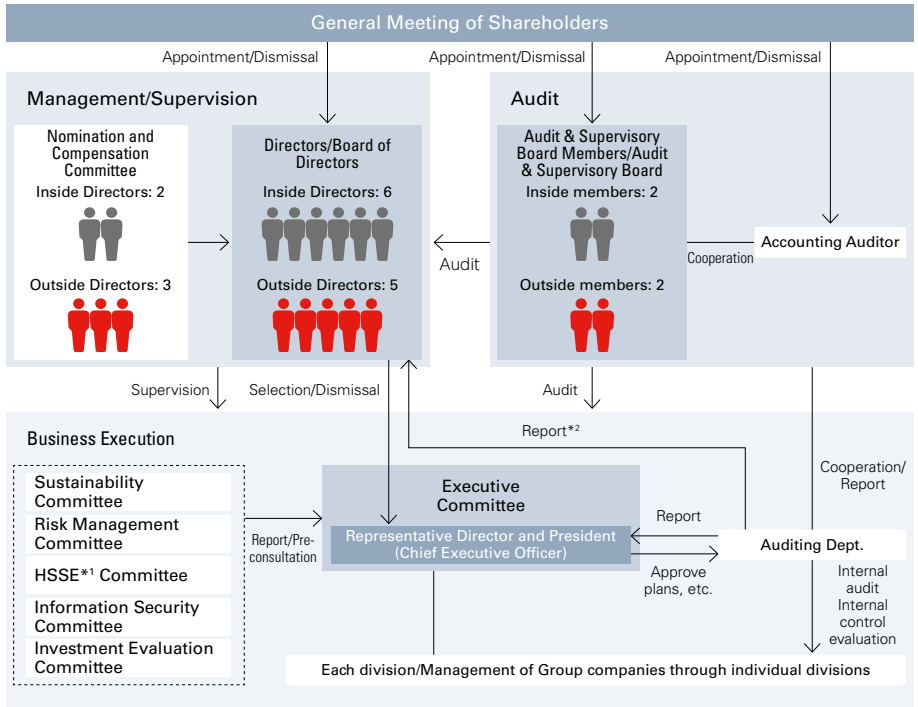
JAPEX has adopted a governance structure of a company with an audit & supervisory board and introduced an Executive Officer System to clarify the business execution system. Under this structure, Directors or Executive Officers, who are appointed and assigned duties by the Representative Directors and 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, JAPEX appointed a suitable number of insightful and independent Outside Directors and Outside Audit & Supervisory Board Members to strengthen the supervisory functions of the Board of Directors. We actively listen to their opinions and advice on meeting agenda and deliberations, which are highly independent from management and are essential to invigorate discussions at the Board of Directors' meeting. We believe that our governance structure, where independent Outside Directors and Outside Audit & Supervisory Board Members provide opinions and supervise management by operating officers, sufficiently ensures objective and appropriate decision-making.

Governance Structure Data

Maximum number of Directors prescribed in Articles of Incorporation	18 persons
Term of office for Directors	1 year
Number of Directors	11 persons
Number (ratio) of independent Outside Directors	5 persons (45.5%)
Number (ratio) of female Directors	2 persons (18.2%)

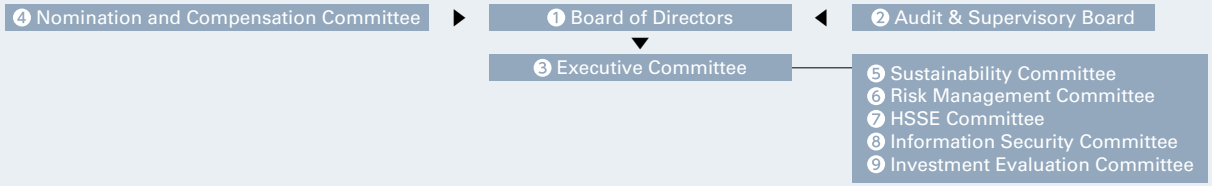
Maximum number of Audit & Supervisory Board Members prescribed in Articles of Incorporation	4 persons
Term of office for Audit & Supervisory Board Members	4 years
Number of Audit & Supervisory Board Members	4 persons
Number of Outside Audit & Supervisory Board Members	2 persons
Number of members of Nomination and Compensation Committee	5 persons (including 3 Outside Directors)

Corporate Governance Structure (As of June 26, 2024)



*1 An acronym for Health, Safety, Security, and Environment that refers to occupational health, safety, environment, and overseas security
*2 Clarify direct reporting from the Auditing Dept. to the Board of Directors in response to the revision of the internal control reporting system

Overview of Boards and Committees (As of June 26, 2024)



1 Board of Directors

The Board of Directors discusses and makes decisions concerning important business execution as well as the exclusive prerogatives of the Board of Directors. It is regularly held once a month.

Chair	Composition	Number of meetings held in FY2023
Representative Director and Chairman FUJITA Masahiro	11 Directors including 5 Outside Directors, two of which are female 4 Audit & Supervisory Board Members	14
Key issues deliberated in FY2023		
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, the Board received reports of specific items for discussion, including the Management Plan, sustainability, IR, HSE, personnel strategies, DX, health management, and the whistle-blowing system, in addition to regular reports of the status of production and sale of gas and other energies in Japan and other projects, and then discussed matters such as the status of efforts.		

2 Audit & Supervisory Board

The Audit & Supervisory Board supervises the Company's management and business execution by the Board of Directors. Its meetings are held once a month in principle.

Chair	Composition	Number of meetings held in FY2023
Full-time Audit & Supervisory Board Member MOTOYAMA Yoshihiko	4 Audit & Supervisory Board Members including 2 Outside Audit & Supervisory Board Members	12
Key issues deliberated in FY2023		
Twelve 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), agreement on the selection of the Accounting Auditor and the determination of audit fees, and preparation of an audit report of Audit & Supervisory Board and notification of the contents thereof. Forty-two matters were reported, which included key audit matters reviewed, audit results, assessment results of the Accounting Auditor, and the quarterly review results and annual accounting audit results by the Accounting Auditor. Two matters were deliberated and consulted upon, which included business reports and compensation for Audit & Supervisory Board Members.		

*Regarding the composition of each committee or board, only Directors and Audit & Supervisory Board Members responsible for supervision are listed.

3 Executive Committee

From the standpoint of accelerating the speed of decision-making, we hold the Executive Committee that is composed of internal Directors and some Executive 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. Its meetings are held twice a month in principle, with extraordinary meetings held as needed.

Chair	Composition	Number of meetings held in FY2023
Representative Director and President YAMASHITA Michiro	6 Directors 2 Audit & Supervisory Board Members	18
Key issues deliberated in FY2023		
Appropriateness of joining overseas projects, the personnel system, organizational changes, etc.		

4 Nomination and Compensation Committee

The Nomination and Compensation Committee discusses the procedures to make decisions concerning the nomination and compensation of Directors. It is organized under the Board of Directors, in order to further enhance the supervisory function of the Board of Directors.

Chair	Composition	Number of meetings held in FY2023
Outside Director ITO Tetsuo	5 Directors including 3 Outside Directors	4
Key issues deliberated in FY2023		
The committee discussed matters including appointment of candidates for Directors and Audit & Supervisory Board Members and appointment of Executive Officers, compensation and bonuses for Directors, the skill matrix, and plans for provision of shares to officers.		

5 Sustainability Committee

The Sustainability Committee deliberates the Management Plan and ESG management.

Chair	Composition	Number of meetings held in FY2023
Representative Director and President YAMASHITA Michiro	5 Directors	16
Key issues deliberated in FY2023		
Progress in the Management Plan, personnel system revisions, CSR action plan targets and results, efforts to respect human rights, and initiatives addressing risks and opportunities related to natural capital.		

6 Risk Management Committee

The Risk Management Committee evaluates and manages various management risks from a cross-sectional perspective; monitors the progress of individual projects; formulates measures against challenges. It also deliberates on matters related to compliance violations.

Chair	Composition	Number of meetings held in FY2023
Representative Director and President YAMASHITA Michiro	6 Directors	4
Key issues deliberated in FY2023		
Business and other risks (Revision of business risk evaluation)		

7 HSSE Committee

Deliberation of issues related to HSSE.

Chair	Composition	Number of meetings held in FY2023
Executive Officer TAKAHASHI Toshihiro	1 Director	1
Key issues deliberated in FY2023		
Review of the HSE plan for FY2023 and Medium-term HSE Plan for FY2022		

8 Information Security Committee

Deliberation of issues related to Information Security.

Chair	Composition	Number of meetings held in FY2023
Director and Managing Executive Officer NAKAJIMA Toshiaki	4 Directors	1
Key issues deliberated in FY2023		
Revision of the cyber security system and related matters		

9 Investment Evaluation Committee

Verification of risks and appropriateness of investments in important projects.

Chair	Composition	Number of meetings held in FY2023
Director and Managing Executive Officer NAKAJIMA Toshiaki	3 Directors	8
Key issues deliberated in FY2023		
New investment projects in FY2023		

Evaluation of the Effectiveness of the Board of Directors

JAPEX analyzes and evaluates the effectiveness of the Board of Directors once every year with the aim of contributing to the maximization of our medium- to long-term corporate value by ascertaining and improving the effectiveness of the supervision of management by the Board of Directors. In fiscal 2023, we conducted the evaluation as follows and confirmed the results at the Board of Directors in May 2024.

1. Evaluation Method

Questionnaire prepared by the secretariat of the Board of Directors (evaluation of the status of efforts to address issues identified in the questionnaire conducted in April 2023)

2. Evaluation Items

(1) Operation of the Board of Directors

- Promotion of discussions from a broad perspective on management issues (sustainability, human capital, DX initiatives, etc.) and improvement of operations
- Promotion of discussions and improvement of operations, focusing on the perspective of portfolio optimization
- Detailed discussion of succession plans and executive compensation
- Continued consideration of the status of diversity and increasing the ratio of outside officers
- Other administrative operational improvements

(2) Activities outside the framework of the Board of Directors (holding meetings, etc. to activate communication)

3. Evaluation Results

(1) Operation of the Board of Directors

- It was generally positively evaluated with respect to the promotion of discussions on management issues from a broad perspective and discussions focusing on the perspective of portfolio optimization.
- On the other hand, it was evaluated that we need to continue to examine the operation of an issue reporting process, including the timely sharing of information on individual issues, the frequent reporting of important issues, and the sharing of information in easy-to-understand documents.
- In addition to the above, it was evaluated that the following operational improvements were required.
  - Examination of the structure and principles of documents based on the premise of paperless data sharing and confirmation, as well as data sharing of materials of past meetings of the Board of Directors
  - Consideration of efforts for discussions with all outside officers on succession plans, executive compensation and diversity, etc.

(2) Evaluation of the effectiveness of the Board of Directors

- It was evaluated that consideration needed to be made on the establishment of a PDCA cycle, including quantitative evaluation, together with the method of implementation of such cycle.

4. Initiatives Going Forward

Based on the results of this evaluation, we will respond to the issues that were identified. Going forward, we will continue working to further enhance the functionality of the Board of Directors by periodically identifying issues through opinions and surveys of attendees at Board of Directors meetings.

Initiatives for Management Personnel Development

To expand the pool of management candidates, our officers select and train multiple successor candidates. Additionally, we provide ongoing training to develop selected employees in management positions through our management personnel development program.

There has been a change of Representative Director and President/Chief Executive Officer (the "President") at JAPEX in April 2024. When selecting the new President, the Nomination and Compensation Committee, which includes a majority of Outside Directors, deliberated on the proposal for the election. Based on the deliberations, the Board of Directors made the decision.

To be appointed as President, a candidate must possess balanced qualities of leadership, the ability to act, communication skills, understanding, and flexibility. Furthermore, when selecting the President, we comprehensively consider business performance, personality, knowledge, and the ability to drive the Management Plan. Moreover, we are taking into consideration the period between the appointment of the next President and the changeover, and provide support after new President assume his/her duties.

Compensation for Directors and Other Officers

1. 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. The policy for determining the compensation of directors is outlined below.

Basic policy

- Regarding the compensation of JAPEX's Directors, the compensation structure can function as an incentive to sustainably enhance corporate value. When deciding the compensation for individual Directors, our basic policy is to set an appropriate level in consideration of the roles aligned with their position.
- Specifically, compensation for Directors (excluding Outside Directors) comprises base compensation and performance-linked compensation (bonuses and share-based compensation). Meanwhile, compensation for Outside Directors is only base compensation, considering their duty of supervising management.

Policy for 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 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: 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 (so-called malus clause).

At the 54th Ordinary General Meeting of the Shareholders held on June 26, 2024, a resolution was passed to revise the compensation framework. By this resolution, the maximum points given in a fiscal year was revised from 31,400 points (including 14,000 points for Directors) to 45,400 points (including 18,300 points for Directors).

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 to the Nomination and Compensation Committee.

2. Compensation for Audit & Supervisory Board Members

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.

3. Targets 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 currently 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 an appropriate figure that works as an incentive.

For fiscal 2023, JAPEX posted consolidated profit of ¥53,661 million. The total return ratio serves as the indicator for share-based compensation as part of performance-linked compensation. The result for the fiscal 2023 was 44.77%.

Total Amount of Compensation for Directors and Audit & Supervisory Board Members (FY2023)

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	Performance-linked compensation		
			Bonus	Share-based compensation	
Directors (Outside Directors)	373 (55)	299 (55)	61 (—)	12 (—)	12 (5)
Audit & Supervisory Board Members (Outside Audit & Supervisory Board Members)	71 (22)	71 (22)	—	—	4 (2)
Total (Outside Officers)	445 (77)	371 (77)	61 (—)	12 (—)	16 (7)

Note: The above number of recipients includes one Director who retired upon the conclusion of the 53rd Ordinary General Meeting of Shareholders held on June 27, 2023.

Executives
https://www.japex.co.jp/en/company/organization/executives/

Directors, Audit & Supervisory Board Members, and Executive Officers (As of July 1, 2024)

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

Representative Director and Chairman

FUJITA Masahiro



Jun. 2019 Representative Director, Executive Vice President, JAPEX
Apr. 2024 Assumed his current position

Length of service: 5 years

Representative Director and President, Chief Executive Officer

YAMASHITA Michiro



Apr. 1982 Joined JAPEX
Apr. 2024 Assumed his current position

Length of service: 6 years

Representative Director, Executive Vice President

ISHII Yoshitaka

Advisor to President, President of Power Business Division, in charge of Secretary Office



Apr. 1981 Joined JAPEX
Jun. 2021 Assumed his current position

Length of service: 6 years

Director, Managing Executive Officer

NAKAJIMA Toshiaki

In charge of Corporate Communication Office and Corporate Strategy Dept.



Apr. 1986 Joined JAPEX
Jun. 2022 Assumed his current position

Length of service: 2 years

Director, Managing Executive Officer

TEZUKA Kazuhiko

President of Technical Division



Dec. 1983 Joined JAPEX
Jun. 2023 Assumed his current position

Length of service: 1 year

Director, Managing Executive Officer

FUNATSU Jiro

In charge of Administration & Legal Dept. and Human Resources Dept.



Apr. 1988 Joined JAPEX
Jun. 2024 Assumed his current position

Length of service: –

Outside Director

ITO Tetsuo*1



Jun. 2016 Assumed his current position
Significant position concurrently held
Attorney at Sawayaka Law Office

Length of service: 8 years

Outside Director

YAMASHITA Yukari*1



Jun. 2019 Assumed her current position
Significant position concurrently held
Managing Director, Charge of Energy Data and Modelling Center at The Institute of Energy Economics, Japan

Length of service: 5 years

Outside Director

KAWASAKI Hideichi*1



Jun. 2020 Assumed her current position

Length of service: 4 years

Outside Director

KITAI Kumiko*1



Jun. 2022 Assumed her current position
Significant positions concurrently held
Attorney at Kachidoki Law Office, Independent Auditor at OSAKI ELECTRIC CO., LTD.

Length of service: 2 years

Outside Director

SUGIYAMA Yoshikuni*1



Jun. 2022 Assumed his current position
Significant positions concurrently held
Representative Director, Chairman at Nippon Television Holdings, Inc., Representative Director, Chairman at NTV Network Corporation, and Director at The Yomiuri Shimbun Holdings

Length of service: 2 years

Audit & Supervisory Board Members (*2 Audit & Supervisory Board Members KAWAKITA Chikara and KATO Yoshitaka are Outside Audit & Supervisory Board Members as defined under Article 2, item 16 of the Companies Act.)

Full-time Audit & Supervisory Board Member

MOTOYAMA Yoshihiko



Apr. 1983 Joined JAPEX
Jun. 2022 Assumed his current position

Length of service: 2 years

Full-time Audit & Supervisory Board Member

TAKAHATA Shinichi



Apr. 1984 Joined JAPEX
Jun. 2024 Assumed his current position

Length of service: –

Outside Audit & Supervisory Board Member

KAWAKITA Chikara*2



Jun. 2022 Assumed his current position
Significant positions concurrently held
Chairman at The Salt Science Research Foundation,
Chairman at NOMURA INSTITUTE OF ESTATE PLANNING

Length of service: 2 years

Outside Audit & Supervisory Board Member

KATO Yoshitaka*2



Jun. 2024 Assumed his current position
Significant position concurrently held
Outside Corporate Auditor at Sumitomo Chemical Company, Limited

Length of service: –

Executive officers who do not concurrently serve as Directors and Fellows

(Fellows support the management with high degree of expertise in specialized fields)

Senior Managing Executive Officer SUGA Tsuyoshi	Managing Executive Officer ABE Satoshi	Managing Executive Officer IKENO Tomonori	Managing Executive Officer KASA Hirofumi	Managing Executive Officer YAMADA Tomomi
Managing Executive Officer NAGAHAMA Yasushi	Executive Officer NAKANO Masanori	Executive Officer OHAMA Tadashi	Executive Officer YASUI Akira	Executive Officer TAKAHASHI Toshihiro
Executive Officer SUDA Akira	Executive Officer NISHIMURA Yutaka	Executive Officer HIRATA Kazunari	Fellow ANRAKU Toshiyuki	Fellow TAKANO Osamu

Reasons for Appointment of Outside Directors and Outside Audit & Supervisory Board Members

	Name	Reasons for Appointment
Directors	ITO Tetsuo	To use his extensive knowledge and experience as a legal and risk management specialist in the Company's management
	YAMASHITA Yukari	To use her deep insight in energy economy and energy and environmental policies she acquired through research activities at a research institute engaging in survey and research in the Company's management
	KAWASAKI Hideichi	To use his extensive knowledge on corporate management in general that come from abundant managerial experience in global firms in telecommunications and other areas, in the Company's management
	KITAI Kumiko	To use her deep insight that comes from her extensive administrative experience primarily in the areas of labor administration in government positions, etc., as well as extensive knowledge of laws and risk management, including labor legislation, in the Company's management
	SUGIYAMA Yoshikuni	To use his deep insight and abundant corporate management experience he has acquired through his career at a newspaper company and others in the Company's management
Audit & Supervisory Board Members	KAWAKITA Chikara	To use his deep insight he has acquired through his experience in policy execution at the Ministry of Finance and as a professor at a graduate school in the Company's management
	KATO Yoshitaka	To use his specialist knowledge and extensive experience in finance, accounting, taxation, and risk management through his organizational management as Chairman and CEO of an audit firm and his many years of work as a certified public accountant in the Company's management

Skills Matrix

Name	Title	Nomination and Compensation Committee	Corporate management	Finance/ Accounting/Tax affairs	Legal affairs/ Risk management	ESG/ Sustainability	Knowledge on the energy industry	Global business	Technologies/ DX
FUJITA Masahiro	Representative Director and Chairman	Member	○		○	○	○	○	
YAMASHITA Michiro	Representative Director and President	Member	○	○	○	○	○		
ISHII Yoshitaka	Representative Director		○			○	○		○
NAKAJIMA Toshiaki	Director			○	○	○	○		○
TEZUKA Kazuhiko	Director		○				○		○
FUNATSU Jiro	Director				○	○	○		
ITO Tetsuo	Outside Director	Chair			○	○			
YAMASHITA Yukari	Outside Director	Member				○	○	○	○
KAWASAKI Hideichi	Outside Director	Member	○			○		○	○
KITAI Kumiko	Outside Director				○	○			
SUGIYAMA Yoshikuni	Outside Director		○		○	○	○		
MOTOYAMA Yoshihiko	Full-time Audit & Supervisory Board Member				○		○		○
TAKAHATA Shinichi	Full-time Audit & Supervisory Board Member						○	○	○
KAWAKITA Chikara	Outside Audit & Supervisory Board Member		○	○	○				
KATO Yoshitaka	Outside Audit & Supervisory Board Member		○	○	○				

Note: The table above indicates the major skills possessed by each individual and does not represent all the knowledge, experience, and abilities possessed by them.
"Corporate management" includes management experience at organizations or associations other than companies.

Basic Concept

Our business environment is becoming more uncertain as the social environment changes rapidly. Nevertheless, it is inevitable to control risks properly in order to achieve the goals of our management plan and increase our corporate value. JAPEX has developed and maintains a company-wide integrated risk management process and a process for evaluating and managing business risks in the course of investment decisions associated with various projects, as well as the execution and operation stages of these projects. Other countermeasures against diverse risks include developing Business Continuity Plans (BCPs) and establishing and maintaining an information security management system.

Risk Management
https://www.japex.co.jp/en/sustainability/governance/riskmgmt/

Risk Management System

JAPEX established the Risk Management Committee to manage major company-wide risks. The Risk Management Committee meets once every three months in principle with the President as the Chair. The primary items to be discussed by the Committee are as listed below.

- Identification and evaluation of company-wide risks
- Management of progress in key projects currently in the execution and operation stage and the determination of response to issues
- Verification of compliance violation incidents

In fiscal 2023, the Committee met four times to discuss topics including an external environment trend study on climate change risks and a report of the progress of the reduction target of GHG emission intensity, in addition to the above matters.

The Sustainability Committee is charged with managing JAPEX2050 and JAPEX Management Plan 2022–2030, and its response to environmental, social, and governance (ESG) issues. Moreover, the Sustainability Committee engages in discussion regarding how to address risks identified by the Risk Management Committee and deemed to constitute management issues requiring particular attention over the long term.

In addition, business risks associated with projects that would entail a certain level of financial burden are reviewed by the Investment Evaluation Committee.

The risk management system, including the secretariat of the Risk Management Committee, is jointly promoted by the Corporate Strategy Dept. and Administration & Legal Dept.

Integrated Risk Management

JAPEX prepares a risk matrix by identifying and evaluating company-wide risks. Each division identifies risks in light of such matters as the characteristics and geographical locations of its business operations as well as relevant regulatory conditions, then quantitatively assesses each risk from the perspectives of probability of its materialization and its estimated magnitude. The Risk Management Committee is tasked with annually deliberating the risk assessment which is, in turn, reported to the Board of Directors, and then, described in detail in the Annual Securities Report and on the corporate website.

To date, we have identified the following six major risks. 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.

1. Risks related to commodity prices and exchange rates
2. Risks related to business
   - E&P Business: Risks related to exploration and development investment, reserves, and those specific to overseas business
   - I/U Business: Risks related to natural gas sales and natural gas thermal power generation business
   - Overall business: Risks related to accidents and disasters, climate change, and establishment of new businesses,

   etc.
3. Specific laws and regulations
4. Risks associated with the variation in INPEX CORPORATION's stock price and business performance
5. JAPEX's shares held by the government
6. Compliance

In fiscal 2023, we have quantitatively assessed and reported to the Board of Directors the financial impact of combined risks in the case of simultaneous occurrence of multiple risks of significant importance, in addition to updating the risk assessment.

Please visit the above link to see the detailed risk information posted on our corporate website.

Risk Management Process



Business Risk Assessment

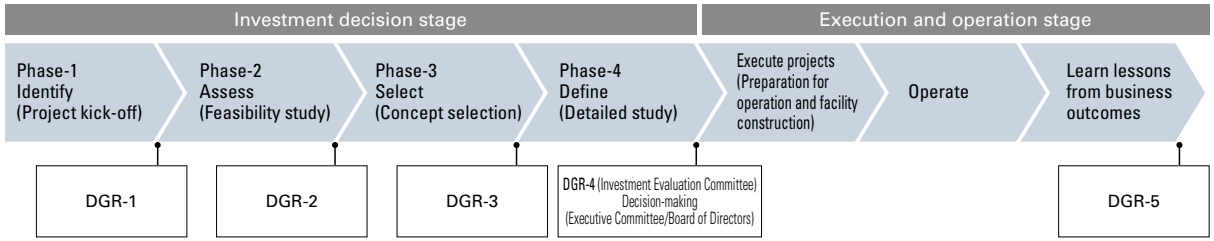
When making investment decisions that would entail a certain level of financial burden, we employ the Decision Gate (DG) process consisting of four phases (see the diagram below). This process identifies risks and opportunities associated with such decisions from technical, economical, commercial, organizational, and political-social (TECOP) perspectives, with Decision Gate Reviews (DGRs) being carried out to evaluate and discuss countermeasures to be implemented by the Company and other matters. Items examined via each DGR are also presented below. The Investment Evaluation Committee, which takes on DGR-4, evaluates the appropriateness of investment by taking into account not only the economic potential of the project but also a broad range of business risks, including those associated with ESG and geopolitical issues. Moreover, the recent shift in the business environment in connection with climate change has been radical. In conjunction with this shift, since fiscal 2020, efforts have been under way, in countries and regions where each project takes place, to step up monitoring of the status of carbon tax introduced along with government-led reduction targets for GHG emissions and other local regulatory trends. Results of each DGR are reported to the Executive Committee, which is authorized to give final approval on investment, and the Board of Directors.

The status of projects in the execution and operation stage is overseen by management and corporate divisions via monitoring at the Risk Management Committee, which employs a cross-sectional approach to quantitatively identify and assess each risk, with the aim of maintaining appropriate business management.

In addition, the DGR-5 is carried out to utilize insights and takeaways acquired in the course of business operations ("Lessons Learned") in future investment decisions. The DGR-5 is mainly focused on identifying factors contributing to the success or failure of each project to strengthen and improve the business risks assessment and management process. Additionally, we report matters related to important projects to the Board of Directors.

We also make the above efforts to verify the effectiveness of our risk management processes.

DG Process Overview



Deliberation topics	New investment projects that could have a particularly significant impact on the Company's business and investment projects that will be undertaken as additions to existing projects				Major overseas E&P projects and some domestic projects	
Evaluation points	Confirm the project's alignment with strategy, then identify risks and opportunities based on assessments of the external environment	Identify all alternative options and evaluate their feasibility, risks, and opportunities	Select the concept delivering maximum value from multiple options	Get ready/Prepare to proceed into execution phase	Review the progress of project execution to prevent value impairment	Add to knowledge for future projects
Rules and guidelines	Decision Gate process and guidelines					
	Investment Evaluation Committee Rules Investment Evaluation Guidelines				Risk Management Committee Rules Project Management Guidelines	

Emergency Response and Business Continuity Plans

To ensure appropriate response to emergencies at operation sites and fields, we have in place the Emergency Countermeasure Regulations and various response manuals. At the event of an emergency, business divisions and major business locations collect information, provide communications and instructions in accordance with the prescribed processes. In addition, if necessary,the Emergency Response Headquarters, etc. will be set up at JAPEX's head office and major business locations.

Moreover, we also have developed Business Continuity Plans (BCPs) and initial response manuals to respond to a major earthquake, infectious diseases outbreaks, and other incidents that would severely impact our business.

At major business locations, we regularly conduct emergency drills for operation sites and fields, large-scale urban disasters, and employee safety confirmation, based on the results of which we work to improve the methods of response to emergencies. We also reinforce our disaster prevention systems by conducting drills in cooperation with our Group companies and local disaster prevention organizations.

Information Security

JAPEX has set up the Information Security Committee to promote proper and secure management, as well as the effective utilization of information. Under this Committee, we develop and maintain substantial IT infrastructure.

In fiscal 2023, the Committee decided to significantly revise the cyber security system as part of our crisis management efforts. We updated our client PCs and introduced a device security system with superior security and functionality, as well as a remote access system.

We also provide regular education on information security to our employees to enhance awareness and mitigate the risk of security incidents. In addition, we strive to provide a comfortable IT infrastructure to improve the working environment.

Basic Concept

To remain a company trusted by society, JAPEX is striving to establish a corporate culture of compliance with conventional wisdom and social norms where all officers and employees act ethically and with integrity. Additionally, in accordance with JAPEX's "Human Rights Policy," we are promoting respect for the human rights of stakeholders involved in our business activities across the value chain.

Compliance
https://www.japex.co.jp/en/sustainability/governance/compliance/

Compliance

Framework

JAPEX has formulated the JAPEX Group Code of Ethics and Conduct, the Compliance Manual, and a booklet featuring commentaries on compliance case studies. In this way, we strive to promote thorough compliance and ensure that our action is always guided by corporate ethics. These documents are updated on an as necessary basis, with the latest versions distributed to all employees.

Chaired by the President, the Risk Management Committee discusses structures and policies related to compliance and verifies potential incidents of compliance violation.

Prevention of Bribery and Corruption

The JAPEX Group Code of Ethics and Conduct stipulates that the Company shall maintain sound and transparent relationships with politicians, political parties, and government officials/agencies. Based on this code, the Compliance Manual provides detailed requirements to be observed. These requirements are understood and practiced by all officers and employees.

The Group also established the Anti-Bribery Guidelines that stipulate such matters as the development of a system for ensuring strict compliance with relevant laws and regulations and the clarification of internal authorization procedures. In line with these guidelines, we implement periodic self-checks, anti-bribery training, and other measures to prevent bribery incidents in an effective manner.

There were no incidents involving the violation of the Anti-Bribery Guidelines in fiscal 2023. Furthermore, we do not make any political contributions.

Education

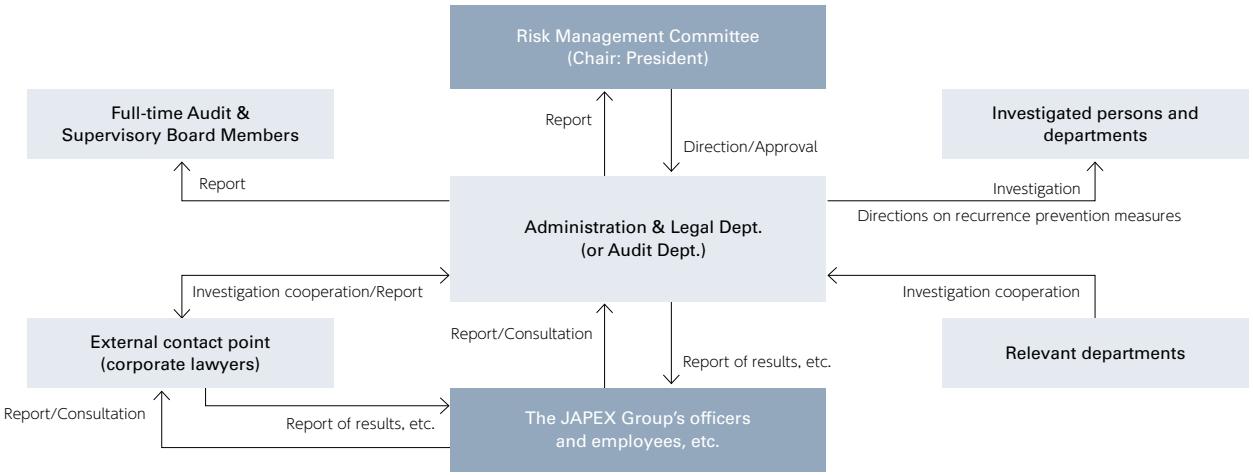
We have defined sustainability, compliance, and insider trading prevention as three basic items deserving attention of all officials and employees in the course of their daily operations. Accordingly, lectures on these topics are mandatory for all and incorporated into training for new hires and career stage training, both of which are conducted annually.

Whistle-blowing System

The JAPEX Group has a whistle-blowing system about issues associated with compliance requirements, including respect for human rights, fair procurement and trade, as well as the maintenance of proper and appropriate relationships with politics and governments, in compliance with the Whistleblower Protection Act. The system secures an external helpline through which employees can directly report to or consult with corporate lawyers while ensuring strict confidentiality to enable anonymous reporting and consultation. We also prohibit the detrimental treatment of those who use the system and otherwise strive to protect whistleblowers.

In fiscal 2023, one case (excluding harassment reports) was reported and consulted via this system, and it was properly addressed.

Structure of Whistle-blowing System



Respect for Human Rights
https://www.japex.co.jp/en/sustainability/social/humanrights/

Respect for Human Rights

Human Rights Policy

JAPEX has established JAPEX Group's "Human Rights Policy" in accordance with the UN "Guiding Principles on Business and Human Rights." This policy has been established as a specific policy based on the commitment to respecting human rights shown in the existing "JAPEX Group Code of Ethics and Conduct," taking into account external experts' opinions. By establishing the policy for showing the JAPEX Group's stance for respecting human rights once again and our current human rights issues in our businesses, we aim to promote understanding of our human rights efforts to stakeholders as well as the Group's officers and employees.

Human Rights Policy
https://www.japex.co.jp/en/sustainability/social/humanrights/

Human Rights Due Diligence

Based on the UN "Guiding Principles on Business and Human Rights," JAPEX works to identify, prevent, and mitigate adverse human rights impacts that are linked to its business activities by establishing a human rights due diligence process. We strive to avoid causing or contributing to adverse human rights impacts through our value chain. These initiatives are regularly reported at meetings of the Sustainability Committee, chaired by the President. JAPEX has established a whistle-blowing system about issues associated with compliance requirements to support respect for human rights P.53 .

FY2023 results

Investigation targets	17 subsidiaries and associates in Japan
Investigation items	① Management structure for conducting human rights due diligence ② Investigation through questionnaires covering human rights risks and the status of measures against them
Investigation results	As a whole, the following items were identified as needing improvement. ① Management structure for conducting human rights due diligence in general (dissemination of Human Rights Policy, establishment of an external reporting desk, etc.) ② Initiatives for "prohibition of discrimination" and "freedom of association and the right to collective bargaining"
Response	Based on the investigation results, we report necessary measures to each company and work towards prevention and mitigation.

Education

In fiscal 2023, we had executive study meetings about human rights mainly for officers of our subsidiaries and associates.

Specific Initiatives

Anti-harassment Measures

We have established the Anti-harassment Rules and a harassment consultation desk to realize a comfortable work environment. If an incident involving harassment occurs, we carefully conduct interviews with individuals involved and take strict disciplinary action while issuing a reminder to employees to prevent similar incidents from recurring.

In fiscal 2023, nine harassment cases were consulted on and properly addressed. In addition, as part of our specific efforts, we distributed periodic e-mail newsletters to all employees and provided them with relevant information via the intranet to raise their awareness. We also conducted internal surveys on harassment twice.

Response to Sexual Minorities

We have the "Inner Rule of Same-sex Partnership," which defines treating our employees' same-sex partners in the same manner as legally married spouses, and it enables employees to apply for allowances and benefits in the relevant inner rules.

Also, to prevent prejudice and discrimination against sexual minorities, the Anti-harassment Rules sets the harassment regarding SOGI (Sexual Orientation and Gender Identity) as an object to prevent.

UK Modern Slavery Act

JAPEX Group discloses a statement of its policies and initiatives in accordance with the "UK Modern Slavery Act 2015."

Measures for the Modern Slavery Act
https://www.japex.co.jp/sustainability/uploads/pdf/JAPEXStatement_ModernSlaveryAct.pdf

Stable and Sustainable Energy Supply
—Climate Change Response—

Basic Concept

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.

Information on other individual challenges related to stable and sustainable energy supply is available on the following pages:
Stable and Sustainable Energy Supply (E&P field) P.28
Stable and Sustainable Energy Supply (Infrastructure/Utility field) P.31
Development of New Technologies (Carbon Neutral field) P.34
Development of New Technologies
https://www.japex.co.jp/en/technology/

Climate Change Response

Policy on Climate Change Response

In May 2021, JAPEX formulated its carbon neutral direction and objective JAPEX2050 and clarified its direction to achieve net zero GHG emissions from its operations by 2050 and contribute to realization of a carbon-neutral society. As a concrete roadmap to 2030, we formulated the Management Plan 2022–2030 (the "Management Plan") in March 2022. Based on the Management Plan, we will push forward with the transition to a carbon-neutral society, work to build a medium- to long-term business foundation, and strive to enhance information disclosure in line with the TCFD Recommendations.

Status of Climate Change Response in Line with TCFD Recommendations

1. Governance

Climate change response is the priority of JAPEX's management, and we have built a system for appropriate decision-making under the supervision of the Board of Directors.

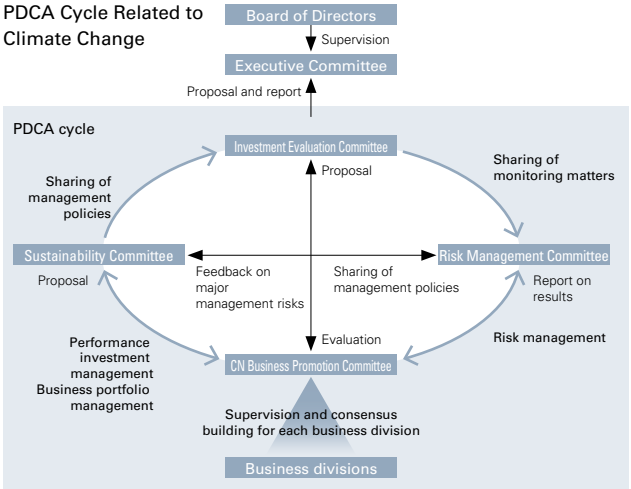
Key matters for business execution (medium- to long-term policies and plans), including climate change response, are deliberated at the Executive Committee and various other committees before being resolved by or reported to the Board of Directors. In addition, the progress of GHG emission intensity targets is reported annually to the Board of Directors. The JAPEX2050 and the Management Plan were all matters resolved by the Board of Directors.

Climate change-related deliberations are also addressed by the Sustainability Committee, Risk Management Committee, Investment Evaluation Committee, and Carbon Neutral Business Promotion 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 addition, 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 also specified ESG and sustainability skills.

To strengthen the linkage between the achievement of GHG emission intensity targets and management responsibility, we have included the achievement level of company-wide climate change response objectives to annual evaluation items of Executive Officers from fiscal 2022. The annual GHG emission intensity targets set forth in the CSR action plans serve as indicators.

PDCA Cycle Related to Climate Change



Status of Governance Activities for Climate Change Response

Committee	Main issue	Number of meetings
Board of Directors	Resolution and report of key matters for major business execution related to climate change response (resolution of the JAPEX2050 and the Management Plan, report on the management risk matrix, report on ESG activities, etc.)	Around 5 to 10 times per year
Executive Committee	Deliberation of key matters for business execution related to climate change response (deliberation of the JAPEX2050 and the Management Plan, deliberation of the management risk matrix)	Around 4 times per year
Sustainability Committee	Deliberation of the Corporate Vision and the basic policies related to ESG (deliberation of the JAPEX2050 and the Management Plan)	Around 10 times per year
Risk Management Committee	Cross-sectional assessment and management of management risks, including climate change response, monitoring of individual businesses*, and deliberation and report of countermeasures for various issues (deliberation of the risk matrix, report on the results of GHG emission intensity targets) *Such as carbon tax trends in operating regions and GHG emission results at locations	Around 2 times per year
Investment Evaluation Committee	Deliberation of risks for major investments* and the appropriateness of investments *If carbon tax and GHG emission regulations emerge, we evaluate their impacts, and even if they do not emerge, we evaluate their impacts based on internal carbon pricing.	Convened as appropriate
CN Business Promotion Committee	Formulation and implementation of our strategy for each carbon-neutral business area* Management of progress on structuring carbon neutral projects Promotion of inter-divisional collaboration on carbon neutrality *Domestic CCS field, overseas CCS/CCUS field, next-generation energy field, etc.	Convened as appropriate (10 times in FY2023)

2. 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 the Company's business. We conduct scenario analyses to evaluate the medium- to long term impact that climate change will have on JAPEX's business. In formulating the Management Plan, as a medium- to long-term financial impact analysis, we conducted scenario analyses 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. The Sustainability Committee regularly reviews the percentage of investment allocated to risk assets and opportunities from the perspective of climate change, considering the IEA's WEO scenarios.

*1 Net Zero Emissions by 2050 Scenario
*2 Sustainable Development Scenario
*3 Announced Pledges Scenario
*4 Stated Policies Scenario

3. Risk Management

JAPEX has established the Risk Management Committee to manage key company-wide risks including those related to climate change (Integrated Risk Management).

As part of Integrated Risk Management, we formulated a risk matrix to identify and assess company-wide risks. Each division identities risks in light of such matters as the characteristics and geographical locations of its business operations as well as relevant regulatory conditions, then quantitatively assesses each risk from the perspectives of probability of its materialization and its estimated magnitude. The assessment of the risks is reported to the Board of Directors annually after being deliberated by the Risk Management Committee. Those positioned as major risks are described in the Annual Securities Report as business and other risks.

P.51 ➡ Risk Management

The Sustainability Committee, which is charged with managing JAPEX 2050, the Management Plan and environmental, social and governance (ESG) issues, engages in discussion regarding how to address risks identified by the Risk Management Committee and deemed to constitute management issues requiring particular attention over the long term. Moreover, the Sustainability Committee assesses and manages JAPEX's business portfolio including sustainability-related opportunities in the process of the formulation and progress management of management plans.

Major Risks Related to Climate Change

Risk categories		Expected timing	Impact	Impact level	Countermeasures
Transition risks	Policy and legal risks	Long term	Increase in additional expenses due to carbon taxes and other environmental laws and regulations	Large	• GHG emission reduction based on the net zero target by 2050
	Market and technology risks	Long term	Decrease in revenue due to weaker oil and gas demand and lower prices	Large	• Assessment of transition risks through internal carbon pricing during the investment stage
	Reputation risk	Medium term	Divestment from the E&P Business	Medium	• Shift to a sustainable business portfolio based on the results of scenario analysis
Physical risks	Acute risks	Medium term	Impacts on onshore and offshore facilities due to extreme changes in weather	Small	• As a result of the weather disaster risk assessment using hazard maps, the impact is limited, and no problem has currently been found in the existing countermeasures.
	Chronic risks	Long term	Impacts of sea-level rise on onshore and offshore facilities and impacts of water resources depletion	Small	• As a result of the risk assessment of sea-level rise using scientific data, the impact is limited, and no problem has currently been found in the existing countermeasures.

Major Opportunities Related to Climate Change

Opportunity categories		Term	Item in the Management Plan 2022–2030	Impact level	Specific progress
Resource efficiency	Adopt more efficient production and distribution processes.	Long term	Use CCS/CCUS along with other decarbonization technologies at our production sites.	Medium	• Consider CCS projects in systematically advanced overseas countries in the design and operation of the CCUS system (Equity Participation in Blue Spruce Operating LLC having assets in Wyoming, U.S.A).
Product and service	Develop and expand products and services with lower emissions.	Long term	Implement and commercialize CCS/CCUS promptly.	High	• Continue the feasibility study of CCS project in the Tomakomai and Higashi-Niigata areas, where JAPEX, in collaboration with other companies, submitted proposals for public solicitations regarding the "Business Feasibility Study on Japanese Advanced CCS Project." • Study the feasibility of an overseas CCS/CCUS projects Indonesia Sukowati Oil Field CO_2-EOR (Enhanced Oil Recovery) with Pertamina Group and Lemigas/Malaysia CCUS with PETRONAS, etc. • Consider underground storage of associated CO_2 at domestic fields.
		Medium term	Participate in projects of LNG supply infrastructure development.	Medium	• Join the northern Vietnam LNG terminal project. • Study the feasibility of an energy service business utilizing LNG for an industrial park in northern Vietnam.
		Medium term	Expand energy supply with low environmental impact and service areas through businesses such as commissioned projects that utilize existing infrastructure.	Low	• Expand sales of carbon-offset LNG in Japan.

Note: "Medium term" indicates five or fewer years and "Long term" indicates over five years.
Note: "High" indicates ¥5.0 billion or more, "Medium" indicates ¥1.0 billion or more and less than ¥5.0 billion, and "Low" indicates less than ¥1.0 billion.

4. Metrics and Targets

4-1 JAPEX Group's GHG Emission Reduction Targets

- 2050: Achieve net zero
- FY2030: Reduce GHG emission intensity in our operations by 40% compared to fiscal 2019

GHG Emission Intensity

We established a net zero target by 2050 and a fiscal 2030 target (40% reduction in emission intensity compared to fiscal 2019) as a milestone for GHG emission intensity (Scope 1+2) in our own operations.

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.

We reduced GHG emission intensity in fiscal 2023 by 15% compared to fiscal 2019. The main reasons were that the energy amount provided did not change much year on year (maintained intensity denominator) and that GHG emissions decreased (decreased intensity numerator) due to the implementation of energy-saving measures at our production sites and the introduction of renewable energy sources (including the purchase of non-fossil certificates).

Changes in GHG Emission Intensity

FY	2019	2020	2021	2022	2023
GHG emission intensity (ton-CO_2/TJ)*	3.97	3.44	3.20	3.56	3.38
Reduction rate from base year (FY2019) (%)	—	-13%	-19%	-11%	-15%

*In line with the base year emissions recalculation of the GHG Protocol, which is an international standard for GHG calculation and reporting, we reflected the end of our Canadian Oil Sands Project business in fiscal 2021, and for the base year emissions (FY2019) and all fiscal years thereafter, we calculate GHG emission intensity excluding the project from emissions and energy supply volume.

Initiatives for Reducing GHG Emissions

As part of our GHG emissions reduction action plan, we have established measures to reduce Scope 1 and Scope 2 emissions respectively. Scope 1 reduction measures include injection of emitted CO_2 in oil and gas fields in Japan, energy conservation measures such as reducing self-consumed gases (natural gas, etc.), and vent*1/flare*2 emissions reduction. Scope 2 reduction measures include the gradual shift to zero emission electricity consumption (including introduction of renewable energy).

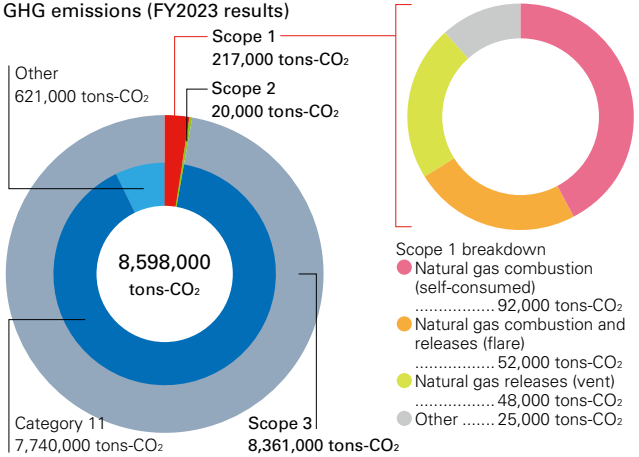
*1 Vent: Releasing excess gas directly into the atmosphere for operation at the time of emergency or startup
*2 Flare: Burning excess gas other than one that is shipped as products or one that is used as refinery fuel at gathering stations, crude oil production facilities, gas processing facilities, natural gas liquefaction and storage terminals, refineries and other facilities

Scope 1, 2, and 3 Emissions

Scope 1, 2, and 3 emissions in fiscal 2023 totaled 8,598,000 tons-CO_2, with 97% attributed to Scope 3 emissions. Of the Scope 3 emissions, 93% were from Category 11 (use of sold products).

In fiscal 2023, for the purpose of lowering Scope 1 emissions, we implemented process improvements to reduce methane emissions. Our efforts to reduce Scope 2 emissions include energy conservation measures at production fields, purchase of non-fossil certificates for approximately 38,000 tons-CO_2, and introduction of renewable energy for part of our electricity purchase.

GHG emissions (FY2023 results)



4-2 Japan Energy Resources Development Association Targets

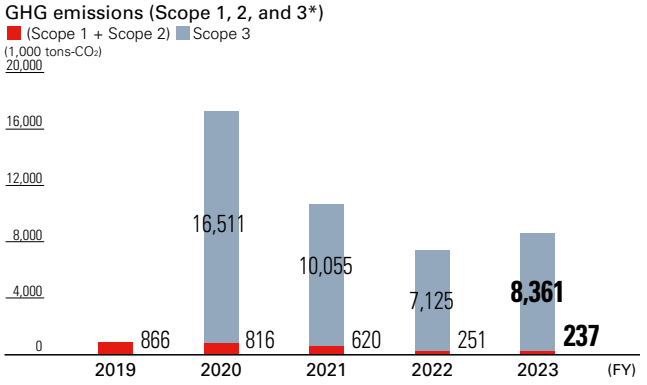
The Japan Energy Resources Development Association, which JAPEX belongs to, participates in the Japan Business Federation's Carbon Neutrality Action Plan. The plan covers mining facilities of oil and natural gas development businesses in Japan, setting a target to reduce GHG emissions by 40% by 2030, compared to fiscal 2013 levels. In addition to our GHG emission intensity targets, we are also working to achieve the Japan Energy Resources Development Association's emission reduction targets.

5. Other Measures Related to Climate Change

In Japan, Green Transformation (GX) is being promoted to achieve carbon neutrality. Human resource development related to GX is addressed in national policy, with the government collaborating with companies and educational institutions to develop personnel with the skills required for GX.

JAPEX also recognizes the importance of improving the literacy of employees involved in GX to achieve the GHG emissions reduction target set in JAPEX2050. Therefore, we are strengthening internal educational programs on GX.

GHG emissions (Scope 1, 2, and 3*)



*Scope 3 emissions have been calculated since fiscal 2020. Scope 1, 2, and 3 emissions were significantly reduced from fiscal 2020 to 2021 due to the termination of the Canadian Oil Sands Project business in fiscal 2021.

ESG Performance Data
https://www.japex.co.jp/en/sustainability/management/esgdata/

HSE as Our Culture

—Occupational Health and Safety/Pollution Prevention—

Basic Concept

JAPEX prioritizes occupational health, safety, and environment (HSE) in its business activities in consideration of the business characteristics of handling crude oil and natural gas and works to reduce the risks of accidents and injuries and environmental pollution. Under the JAPEX HSE Policy, we have established an HSE management system to assess HSE risks and implement countermeasures, followed by periodic reviews by the HSSE Committee, thereby creating a PDCA cycle, in an effort to foster a culture of "HSE First" and "Safety First."

Health, Safety, and Environment (HSE)
https://www.japex.co.jp/en/sustainability/social/hse/

Occupational health and safety

HSE Management System

The Company has been implementing its unique HSE management system (HSE-MS) and applying it to businesses the JAPEX Group operates. Under the system over which the HSE Department has control and which consists of relevant departments established in each district office and subsidiary, the HSE-MS sets out risk assessment methods, targets, education, operation management, audits, and review methods by management. HSE-related audits are conducted annually.

The HSSE Committee, which is chaired by the executive in charge of the HSE Dept. and attended by the labor union president, conducts an overall review of the HSE-MS and deliberates important matters and basic policies related to HSSE, which adds the 'S' of (overseas) Security to HSE. The status of HSE activities is reported annually to the Board of Directors.

Medium-term HSE Plan

The HSSE Committee formulates the Medium-term HSE Plan, which includes targets for reducing injury frequency rate, preventing environmental pollution, improving HSE-MS, and enhancing employees' HSE capabilities. We reduce HSE risks and foster an HSE culture by sharing the medium- to long-term vision and targets across the Group. Key issues in this plan are designated as the CSR Action Plan. P.40 ➡ CSR Action Plan

Identification and Countermeasures for HSE Risks

To reduce HSE risks, we conduct a risk assessment. Specifically, hazard sources are identified, and then the risk level of the possible risks from those hazard sources is categorized as H (high), M (medium), or L (low). For risks categorized as H and M, risk reduction measures are considered and implemented until the level is reduced to L. We review the list of risks every year and share the information among district offices to prevent accidents, disasters, and environmental pollution.

Current Status and Measures for Occupational Injuries

To reduce occupational injuries, JAPEX is strengthening safety measures by monitoring indicators such as Lost Time Injury Frequency and Total Recordable Injury Rate. In fiscal 2023, Total Recordable Injury Rate increased as a result of frequent non-lost workday accidents due to suspected heat stroke. In fiscal 2024, we introduced heat stroke prevention measures, such as wearable devices and fan-equipped workwear designed for use in explosion-proof areas. By detecting health issues early and enhancing the working environment with these measures, we are striving to prevent heat stroke and other accidents and injuries.

Domestic Occupational Injury Frequency Rate

FY	2021	2022	2023
Lost Time Injury Frequency (LTIF)*1	0.00	0.84	0.28
Total Recordable Injury Rate (TRIR)*2	0.88	1.39	2.53

*1 Lost Time Injury Frequency: Calculated as the number of lost time injuries per 1,000,000 work hours.
*2 Total Recordable Injury Rate: Calculated as the number of total recordable injuries per 1,000,000 work hours.

HSE Education


Hazard experience training using VR

We have various HSE education programs aligned with different purposes under the HSE-MS and conduct them at each location. These include basic education for all employees, career stage education such as for middle-level employees and new managers, professional education and training to prevent incidents for specific operational employees, and visitor education for contractors when they conduct operations on the premises of the Company or its locations for the first time. Furthermore, we use virtual reality (VR) training to improve hazard sensitivity through simulations of occupational injuries.

Process Safety

We are working to set up comprehensive and systematic process safety in line with the status of each location. We work to increase sensitivity to process safety risks through measures including training sessions for technicians on risk assessment methods related to process safety (HAZOP*3, etc.).

*3 HAZOP: Hazard and Operability Studies

Overseas Security Measures

To protect the safety of our employees engaged in overseas operations, JAPEX conducts countermeasures, training, and educational activities from ordinary times based on our overseas safety and crisis management guidelines. Moreover, in high-risk countries, we perform audits for specialized local security systems.

Pollution Prevention and Resource Recycling

We are working to voluntarily assess various environmental risks (pollution, water resources, biodiversity, climate change, etc.) that arise in the course of our business activities and implement countermeasures against them, on top of ensuring compliance with laws and regulations.

P.55 Climate Change P.60 Biodiversity

Air Pollution Prevention

We aim to assess, manage, and reduce emissions of the air pollutants VOCs (volatile organic compounds), NOx (nitrogen oxide) and SOx (sulfur oxide).

We have been participating in a voluntary action plan to reduce domestic VOCs emissions as a member of the Japan Natural Gas Association since fiscal 2005. As part of our ongoing drive to reduce VOC emissions, we are working to seal crude oil storage tanks better and incinerate VOCs that would otherwise be emitted from production facilities. Fiscal 2023 domestic VOC emissions totaled 977 tons, a year-on-year decrease of 1.2%.

Leakage Prevention

To prevent leakage of liquids such as mine drainage water and crude oil, we design equipment and prepare operation manuals at our production fields and plants, while reflecting hazard registrations based on assessments of process accidents' HSE risks. We regularly review hazard registrations and risk assessments, taking into account the aging of facilities and changes in operating conditions, to ensure proper operational management and inspection systems.

In fiscal 2023, no accidents related to the leakage of liquids such as mine drainage water and crude oil were reported in JAPEX.

Water Resource Management

JAPEX appropriately disposes of the water resources it uses. After purifying water used in the production of oil and natural gas, as well as pit water collected in the course of mining, to meet wastewater standards set by laws and regulations, we either expel it into public waterways or inject it back underground, in addition to being discharged as sewage.

At our domestic operation locations, we strive to use water more effectively by promoting the recycling and reuse of water resources used as a coolant in production facilities and water used as boiler water.

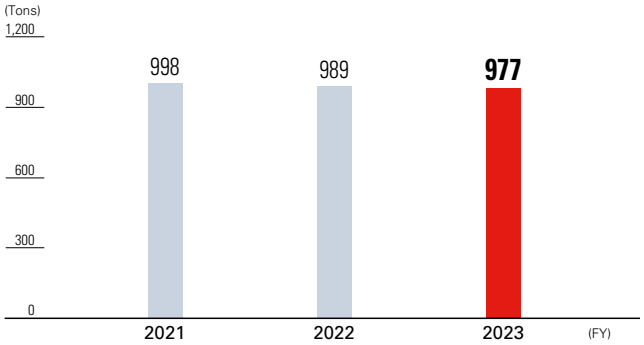
As part of strengthening water resource management, we conducted a water risk assessment at JAPEX's operating locations using the water risk mapping tool of the World Resources Institute. We confirmed that none of the areas are under high water stress as of March 2024.

Reduction of Waste Emissions

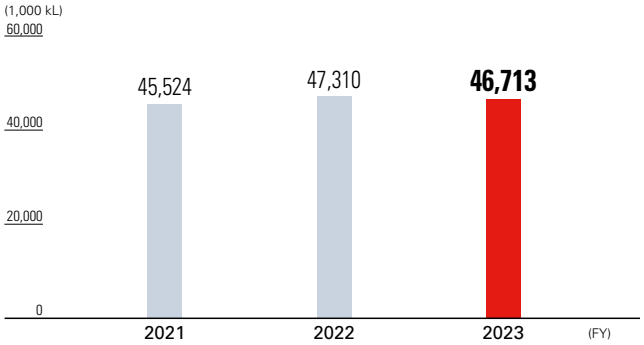
Industrial waste produced through our business activities is properly processed in compliance with laws and regulations. We also strive to reduce and recycle waste generated from our business activities. In particular, portions of sludge, waste oil, and metal scrap are outsourced to specialized contractors for recycling.

Waste emissions related to drilling activities for additional development in Japan increased in fiscal 2022 and 2023.

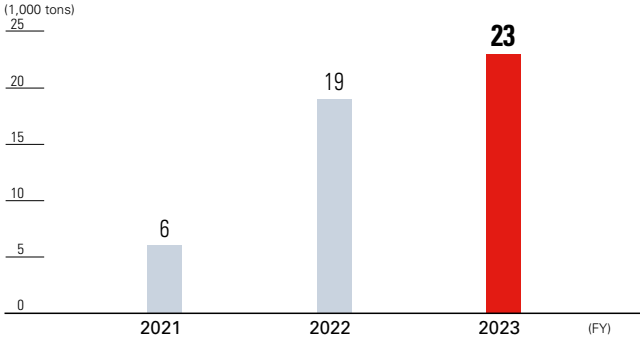
VOC Emissions in Japan



Water Withdrawal in Japan



Waste Emissions in Japan



HSE Policy
https://www.japex.co.jp/en/sustainability/social/hse/

Core CSR Themes
https://www.japex.co.jp/en/sustainability/management/materiality/

Biodiversity
https://www.japex.co.jp/en/sustainability/environment/biodiversity/

Basic Concept

The JAPEX Group has incorporated biodiversity and ecosystem preservation into the JAPEX HSE Policy, setting it as one of the core CSR themes. In both domestic and overseas operations, we are committed to paying attention to and conserving biodiversity.

Preserving Biodiversity and Ecosystems

Initiatives to Preserve Biodiversity and Ecosystems

JAPEX has promoted the conservation of resources, such as water and biodiversity, and has strived to prevent pollution caused by factors such as waste generated from its operations as part of the HSE initiatives.

In September 2023, the TNFD*1 recommendations, calling for information disclosure on natural capital and biodiversity, were released. JAPEX evaluated the dependencies and impacts of its businesses on nature and identified priority business areas for the first-stage consideration of the LEAP analysis*2, endorsed in the Recommendations. The results were reported to the Sustainability Committee.

Evaluation of Dependencies and Impacts on Nature

Recognizing the importance of assessing the relationship between our operations and the natural environment from the perspectives of "dependency" and "impact," we analyzed the level of dependency and impact on nature for each key business process and visualized the results in the following table. Dependency on nature and the levels of impact for each factor are classified into five levels, ranging from "Very High (VH)" to "Very Low (VL)." Through this evaluation, we found that water resources, other resources, and climate regulation had significantly high levels of dependency on nature, while GHG emissions and water use had high levels of impact on nature.

Qualitative Evaluation of Risks and Opportunities Related to Nature

We analyzed risks and opportunities related to nature expected at this point to clarify their relationship. Additionally, we collected information on external cases in each area where we depend on and impact nature. Major nature-related risks for JAPEX's businesses are categorized into physical and transition risks. Physical risks include operational disruptions due to water shortages and the impact of increased extreme weather on land and sea facilities. Transition risks include additional costs due to environmental laws and regulations, including carbon taxes, and claims for damages from accidental crude oil spills.

Identification of Priority Business Areas

Based on the "evaluation of dependencies and impacts on nature" and "qualitative evaluation of risks and opportunities to nature," the E&P field was identified as having the highest dependency, impact, and risks among all of JAPEX's businesses. Therefore, it is designated as a top priority for the LEAP analysis.

Initiatives Going Forward

Starting in fiscal 2024, we are prioritizing the LEAP analysis for the E&P field. At our direct operation bases, we are evaluating nature-related risks and opportunities for our business activities, focusing on priority regions. Additionally, we will consider encompassing important risks and opportunities into our strategy based on the results of the LEAP analysis for the priority business. We will continue to advance our efforts to respond to climate change and conserve biodiversity.

*1 The Taskforce on Nature-related Financial Disclosures (TNFD) is an international organization established to develop frameworks that help companies and financial institutions properly assess and disclose risks and opportunities related to natural capital and biodiversity.
*2 A comprehensive evaluation process for managing nature-related risks and opportunities, focusing on the biomes and regions where a business operates. "LEAP" refers to the four phases of "Locate," "Evaluate," "Assess," and "Prepare."
*3 The dependency and impact on nature, as indicated in the heat map, were evaluated using ENCORE (2018-2023 version), an analysis tool for nature-related risks provided by Global Canopy, UNEP FI, and UNEP-WCMC. We also referred to SBTN Sectorial Materiality Tool for Step 1a, which screens environmental impacts and is provided by SBTs for Nature.

Heat Map of Dependency and Impact on Nature*3

		Dependency level							Impact level										
Field	Key process	Water resources	Other resources	Pollution removal	Water recycling/ Water quality	Climate regulation	Disaster mitigation/ Soil stabilization	Other regulation	Land ecosystem use	Freshwater ecosystem use	Ocean ecosystem use	GHG emission	Water use	Waste	Non-GHG air pollution	Soil pollution	Water contamination	Disturbances	Invasive alien species
E&P	Exploration/Production/ Development	VL	-	VL	-	M	L	-	H	H	H	VH	VH	H	H	H	H	H	-
	Refinement/Sales	L	-	M	H	M	M	L	H	H	H	H	VH	H	H	H	H	-	L
Infrastructure/Utility	Natural gas supply	-	-	L	M	M	H	VL	H	H	H	H	H	M	H	H	H	H	M
	Thermal power generation	VH	-	L	M	M	H	VL	M	H	-	VH	VH	H	H	H	H	H	-
	Biomass power generation	M	VH	L	M	M	H	VL	M	-	-	L	H	H	H	H	H	-	-
	Solar power generation	VL	-	L	M	VH	H	VL	H	-	-	L	L	M	-	L	L	-	-
Carbon neutrality	CCS/CCUS	VL	-	VL	-	VL	M	-	H	H	H	L	VH	H	L	H	L	H	-

*VH: Very High, H: High, M: Medium, L: Low, VL: Very Low, -: Our key processes are not expected to have significant dependency or impact on the item.

Being a Good Neighbor
—Growing Together with Stakeholders—

Basic Concept

JAPEX believes that in order to continue our business activities in a safe and stable manner, it is important to accurately understand social demands, and gain an understanding of and build relationships of trust with our stakeholders. We are committed to building good relationships with our stakeholders through various contribution activities with respect for the cultures and customs of our operating regions in Japan and overseas, as well as through constructive dialogue and provision of information.

Relationship with Stakeholders
https://www.japex.co.jp/en/sustainability/management/stakeholders/

Relationship with Stakeholders

JAPEX continuously engages in dialogue with our stakeholders to gain their understanding and cooperation in our business activities. We also aim to contribute to the revitalization and development of local communities by responding to the expectations and requests from various stakeholders.

Stakeholders	Main means of communication taken in FY2023
Clients	● Dialogues with clients through marketing activities ● Provision of product information ● Tours of our facilities for clients
Shareholders and investors	● General meeting of shareholders ● Financial results briefing for analysts and institutional investors (quarterly) ● One-on-one meetings with analysts and institutional investors ● Tours of our facilities for analysts and institutional investors ● Business briefings for individual investors ● Tours of our district offices for shareholders ● Issuance of an integrated report and business reports ● Disclosure through the Company's website
Local communities	● Dialogues with local governments, local communities, etc. ● Tours of our facilities ● Participation in, support for, and sponsorship of local events ● Social contribution activities and volunteer activities
Oil- and gas-producing countries	● Interviews related to new projects ● Various meetings and briefings on the progress of projects
Business partners	● Meetings with companies involved in new projects ● Workshops, meetings, and briefings related to operations and technologies ● Regular meetings with operators (including technical discussions) ● Meetings that we attend as a shareholder of project companies
Transaction partners	● Disclosure of the CSR procurement policy and CSR procurement guidelines ● CSR procurement questionnaire ● Fair transactions—compliance with the terms and conditions for transmission ● HSE management based on the Company's contractor HSE management guidelines
Employees	● Individual interviews (three times a year) ● Townhall meetings and skull sessions between management and employees ● Training and seminars ● Regular meetings with the labor union ● Provision of information through in-house intranet and in-house journal

IR Activities

JAPEX is working to expand disclosures on financial status, business performance, and other business aspects, while promoting initiatives toward timely, appropriate, and fair information disclosure to shareholders, investors, and other stakeholders.

In fiscal 2023, we held four financial results briefings as part of our IR activities for analysts and institutional investors. We also conducted two tours of our facilities to promote understanding of JAPEX's geophysical exploration technology, and drilling and production.

At one-on-one meetings, we had dialogue primarily on our business performance, progress in each business and our management plan, and capital and shareholder return policies. Opinions and requests we received during the meetings were summarized and fed back to management.

Additionally, as part of our IR activities for individual investors, we participated in a company briefing for individual investors hosted by an IR support firm in order to enhance the Company's recognition.



Tours of our facilities for analysts and institutional investors
Demonstration of geophysical exploration (JGI, Inc. in Saitama)



IR seminar for investors (held in Hokkaido)

Dialogue between Management and Employees

To strengthen communication between management and employees, we hold a townhall meeting (company-wide dialogue meeting) every year as an opportunity to conduct dialogues that foster direct communication from management to employees regarding our management policies and vision of the future. We also hold skull sessions conducted in small groups including both officers and employees. At the session, they lively exchange opinions on themes aligned with management issues.

Kids Open Office Day

We held "Kids Open Office Day" for the elementary school-aged children of our employees working at the Head Office. The participants toured the office, interacted with office members, learned about petroleum, tried on workwear and helmets, and exchanged business cards, among other activities. We expect these experiences to deepen understanding of the job, promote family communication, and enhance employee engagement.



Kids Open Office Day

The Employer of Choice
—Diversity Promotion—

Basic Concept

From the perspective of realizing job satisfaction for each of our diverse employees and maximizing their abilities, as well as creating innovations for change, we will work to promote diversity and gain diverse perspectives to strengthen our organizational capabilities.

Diversity, Equity & Inclusion
https://www.japex.co.jp/en/sustainability/social/diversity/

Diversity, Equity & Inclusion

Utilization of diverse human resources with consideration to improving engagement

Policy

In order to respond to changes in the business environment and achieve further growth as a comprehensive energy company, JAPEX regards the promotion of diversity, equity and inclusion (DE&I) as an important management issue and has established the JAPEX Diversity, Equity & Inclusion (DE&I) Policy. As part of our DE&I promotion initiatives, we promote the activities of diverse human resources, enhance systems such as those for balancing work and family, and implement related goal setting and training. We aim to strengthen corporate competitiveness and achieve sustainable development by empowering each and every one of our diverse employees to play their active role, grow their careers, and create new value by fully demonstrating their inherent capabilities.

Specific Initiatives

Mid-career Recruitment

To adopt flexible 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 managerial positions in order to appoint them to key positions.

Career Support System

JAPEX has introduced the following systems to support employees in continuing and advancing their careers by allowing them to demonstrate their inherent potential without being affected by various life events.

- Support for childcare costs for sick children and business trips
- Support for childcare costs for employees returning to full-time work after childcare leave
- Rehiring system for employees who left the Company due to their spouse's overseas transfer

Efforts to Recruit Women to Management Positions

We secure excellent human resources regardless of gender and promote them to positions with responsibilities. To promote women's participation and career advancement, we conduct individual interviews with female employees in pre-management positions. We also have introduced a system to support female employees in balancing their life events and career development. We are working to improve environments to enable female employees to thrive as independent professionals and continue to grow without fear of change.

Women Energy

"Women Energy" is an activity aimed at fostering networking among female employees. It is voluntarily operated to create opportunities for communication across organizational and professional boundaries, helping participants leverage these interactions for career development. The activities include career vision building, and information exchange and lectures to support career development. In fiscal 2023, three meetings were held.



Roundtable Discussion with Female Outside Directors

To promote the career development of female employees, we held a roundtable discussion with two female Outside Directors, female managerial employees, and female candidates for managerial positions. They lively exchanged opinions on topics such as challenges in future career development, personal goals, and the Company's organizational culture, drawing on the experience of the Outside Directors. Going forward, JAPEX is committed to supporting the career development of female employees and expanding opportunities for them to take on active roles.



Environment where diversity is respected

We are making efforts to prevent discrimination and bias by introducing training and relevant rules on unconscious bias and psychological safety as well as those on recognition of sexual minorities. In fiscal 2023, we conducted LGBTQ+ training sessions for all employees.

Basic Concept

JAPEX practices health management based on the idea that consideration for the health of employees contributes to the growth and sustainability of the company. In addition, JAPEX is working to ensure a good work-life balance and to create a working environment where employees who have restrictions on working hours or locations due to childcare, caregiving, or disabilities can also play an active role.

Health Management
https://www.japex.co.jp/en/sustainability/social/healthmgmt/

Good Working Environment
https://www.japex.co.jp/en/sustainability/social/workenvironment/

Health Management

Health Management Promotion System

JAPEX has established a health management promotion system overseen by the President to practice health management. Based on the JAPEX Group Code of Ethics and Conduct, the JAPEX Health Management Declaration, and the JAPEX HSE Policy, we work in cooperation with the health insurance association and the labor union to support employees in maintaining and promoting their health primarily by preventing industrial accidents, creating a good working environment, respecting the diversity in values, and preventing harassment.

Initiatives that Help Promote Employee Health

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 service that allows employees to record and review data such as health checkup results and life logs by themselves, and e-Learning for health issues, introducing a full-day smoking ban at certain offices including the head office, providing corporate support for purchasing quit-smoking products, and providing all employees with seminars related to female-specific cancers. As these measures were recognized, JAPEX was selected for the first time as one of the "2024 Health & Productivity Stock Selection" in March 2024. In addition, it was recognized as one of the "White 500 in Health and Productivity Management Outstanding Organizations" for the fourth time since 2019.

Good Working Environment

Work-life Balance

JAPEX is reviewing its systems and introducing new systems to respect the diversity in employees and realize an autonomous and flexible working style. We are working to create a good working environment where diverse human resources can play an active role by allowing them to combine work at office and work from home and promoting the use of childcare and caregiving systems. Since fiscal 2022, we have been trialing the removal of dress codes (formally implemented from fiscal 2024) to improve productivity, create innovation and revitalize communications by allowing employees to dress in their own way and work in clothing that is comfortable for them to wear. In addition, as part of our efforts to innovate the office environment, we are trialing Activity Based Working (ABW) in certain areas of the head office. We are also encouraging employees to take paid leave. We set recommended days for taking annual paid leave and encourage employees to take consecutive holidays.



Employees working in casual attire

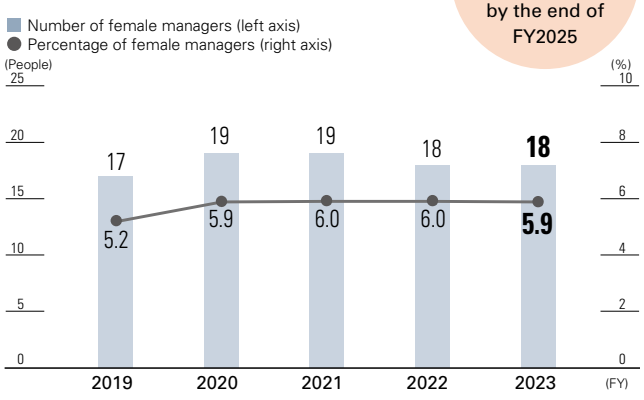
Main Working Systems Introduced by JAPEX

- Flextime system (no core time)
- Work-from-home system
- Removal of dress codes (formally implemented from fiscal 2024)
- Setting of recommended days for taking annual paid leave and encouragement to take consecutive holidays
- Special leave for spouse's childbirth
- Support for childcare costs (support for employees returning to full-time work after childcare leave, etc.)
- Support for childcare provided until the child enters the fourth grade of elementary school (days off for child nursing care, shortened working hours for childcare, support for childcare costs for sick children, support for costs of extended-hours childcare during business trips, etc.)
- Support measures during childcare leave (measures to mitigate salary reductions, guarantee for the payment of 80% of the bonuses)

Data Related to DE&I and Good Working Environment

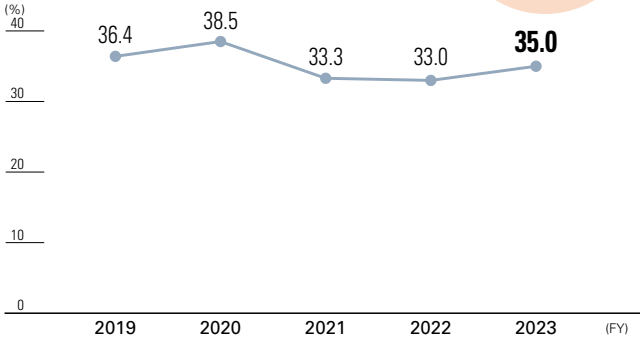
Number and Percentage of Female Managers

Number of female managers
Target
25 or more by the end of FY2025



Percentage of Female New-graduates Hired

Target
30% or more every year

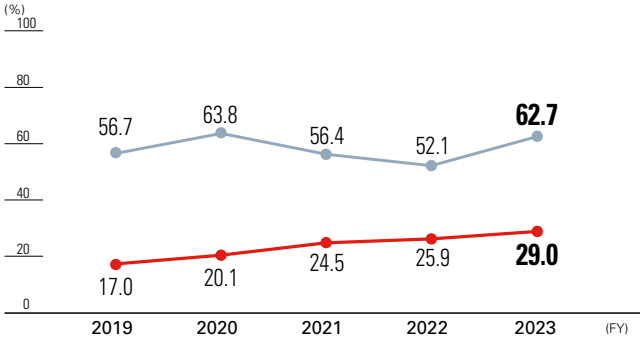


*Data as of April

Percentage of Mid-career Hires

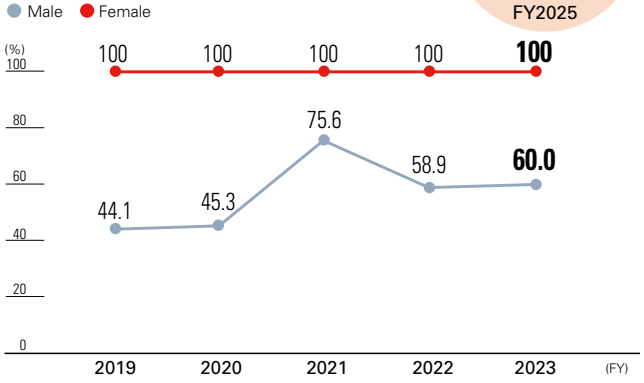
Percentage of mid-career hires to total hires
Target
50% or more every year

Percentage of mid-career hires in management positions
Target
Maintain 20% or more until the end of FY2025

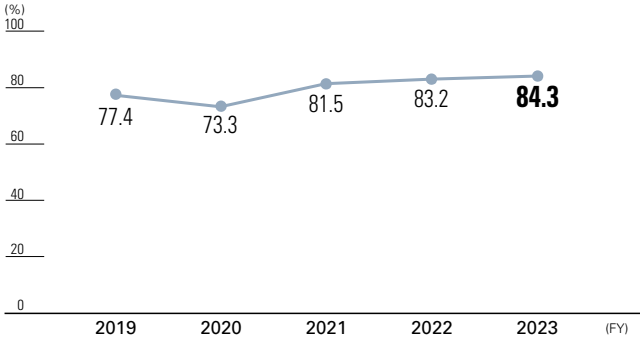


Percentage of Employees Taking Childcare Leave

Percentage of male employees taking childcare leave
Target
80% or more by the end of FY2025



Rate of Paid Leave Taken



Financial and Other Information

INDEX

66 Financial Highlights

67 Non-Financial Highlights

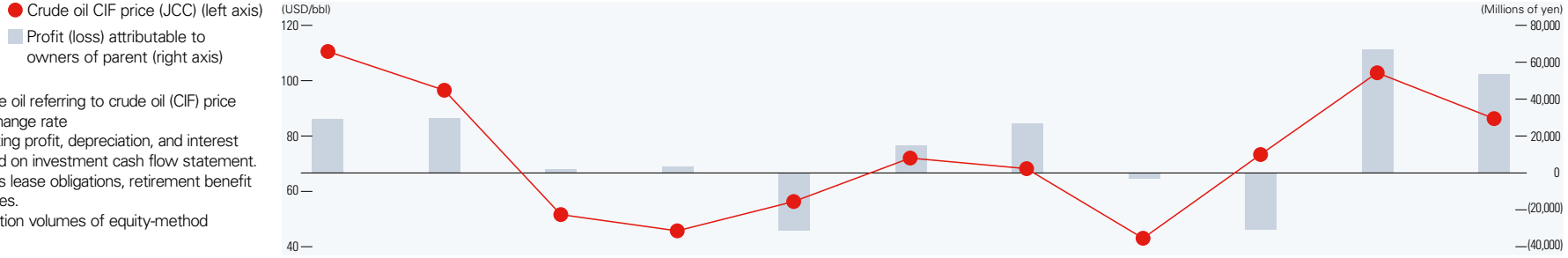
68 External Evaluation

69 Corporate Data

Financial Highlights

(Fiscal years ended March 31)

		2014/3	2015/3	2016/3	2017/3	2018/3	2019/3	2020/3	2021/3	2022/3	2023/3	2024/3
Crude oil CIF price (JCC)*1 (USD/bbl)		110.51	96.48	51.48	45.60	56.20	71.94	68.11	42.91	73.28	102.26	**86.28**
Exchange rate*1 (JPY/USD)		99.31	106.23	121.06	108.53	111.67	110.35	109.15	105.86	111.20	132.86	**143.28**
For Fiscal Year (Millions of yen)												
Net sales		276,588	304,911	240,302	207,130	230,629	267,980	318,822	240,078	249,140	336,492	**325,863**
Cost of sales		210,460	234,649	193,022	174,957	191,366	233,133	271,780	203,543	199,237	240,380	**238,567**
Exploration expenses		9,800	4,489	6,516	1,512	1,324	788	893	989	359	2,885	**3,536**
Selling, general and administrative expenses		31,692	33,625	32,426	29,975	29,173	31,743	31,864	31,352	29,734	31,139	**28,512**
Operating profit		24,634	32,146	8,336	685	8,764	2,313	14,283	4,192	19,809	62,085	**55,247**
Ordinary profit		43,889	54,839	4,652	2,222	3,828	12,523	32,635	10,001	43,674	83,130	**68,808**
Profit (loss) attributable to owners of parent		29,015	29,567	2,090	3,443	❺(30,959)	14,770	26,815	(2,725)	❾(30,988)	67,394	**53,661**
EBITDA		53,905	61,963	31,200	21,887	33,211	41,736	58,296	37,150	57,391	85,316	**93,606**
Net cash provided by (used in) operating activities		45,226	78,666	57,659	43,672	52,881	30,970	69,895	43,263	(1,052)	104,581	**90,564**
Net cash provided by (used in) investing activities		❶❷(131,600)	❹(63,031)	(125,771)	(84,686)	(54,218)	(13,969)	(18,701)	(6,453)	52,067	(52,723)	**(99,659)**
Net cash provided by (used in) financing activities		71,680	18,475	54,816	18,360	(1,196)	(15,493)	(13,743)	(15,626)	(70,939)	(14,506)	**(28,596)**
Cash and cash equivalents at end of period		102,830	142,657	126,570	103,630	99,892	100,633	138,259	157,963	144,513	186,166	**152,598**
At Fiscal Year-end (Millions of yen)												
Total assets		663,038	736,862	707,601	746,739	699,536	655,288	627,132	624,786	471,941	568,180	**660,928**
Net assets		495,915	540,647	495,317	510,609	459,255	450,156	440,157	434,492	402,770	457,169	**537,574**
Long-term borrowings		21,636	20,726	130,030	141,903	135,959	127,715	118,774	50,180	510	250	—
Interest-bearing debt		98,345	121,827	163,575	176,012	170,193	151,726	140,848	118,710	6,156	10,412	**9,091**
Financial Ratios												
Basic earnings (loss) per share (Yen)		507.68	517.35	36.58	60.24	(541.70)	258.44	469.18	(47.73)	(545.64)	1,236.65	**994.43**
Return on Equity (%)		7.2	6.7	0.5	0.8	(7.2)	3.5	6.5	(0.7)	(8.0)	16.9	**11.5**
Debt*3-to-EBITDA*2 ratio (Times)		1.8	2.0	5.2	8.0	5.1	3.6	2.4	3.2	0.1	0.1	**0.1**
Net assets per share (Yen)		7,389.82	8,055.59	7,366.40	7,655.26	7,438.23	7,287.32	7,046.18	7,011.36	6,679.85	7,849.18	**9,532.46**
Annual dividends per share (Yen)		50.00	50.00	50.00	15.00	20.00	40.00	50.00	50.00	50.00	⓫370.00	**300.00**
Production Volume in the Fiscal Year (daily) (Thousand boe/d)												
Production volume*4	Natural gas	26.4	32.3	34.0	33.7	31.2	28.1	26.6	25.3	22.4	14.1	**12.3**
	Crude oil*5	❸21.8	42.1	39.7	38.3	29.5	❼33.4	49.6	36.3	36.1	14.3	**20.2**
	Total	48.3	74.4	73.7	72.0	60.7	61.5	76.2	61.7	58.5	28.4	**32.5**
Proved Reserve Volume at Fiscal Year-end (Millions of boe)												
Proved reserves	Domestic	112	110	94	74	73	64	58	51	54	52	**56**
	Overseas	❷193	203	255	277	❻229	❽323	296	266	⓾105	85	**84**
	Total	305	313	349	352	302	387	355	317	159	137	**141**



*1 Domestic sales price of crude oil referring to crude oil (CIF) price (JCC) and its conversion exchange rate
*2 EBITDA is the total of operating profit, depreciation, and interest and dividends received based on investment cash flow statement.
*3 Interest-bearing debt includes lease obligations, retirement benefit liability, and contingent liabilities.
*4 These figures include production volumes of equity-method associates.
*5 Figures include bitumen.

Conversion Factors and Units:
Crude oil 1 kL = 6.29 bbl
Crude oil 1 kL = Natural gas 1,033.1 m³
boe: barrels of oil equivalent
boe/d: barrels of oil equivalent per day

❶ Investment in development of Canadian Oil Sands Project
❷ Participation in Canadian Shale Gas Project
❸ Commencement of commercial production in Iraq Garraf Oil Field
❹ Commencement of construction of Soma LNG Terminal (commencement of operation in March 2018)
❺ Impairment loss due to decision to end commercialization of Canadian LNG Project
❻ Decision to end commercialization of Canadian LNG Project
❼ Achievement of stable production of 20,000 barrels/d in Canadian Oil Sands Project
❽ Decision on additional development in Iraq Garraf Oil Field
❾ Extraordinary losses resulting from the end of our participation in two projects in Canada
❿ End of our participation in two projects in Canada
⓫ Adoption of consolidated dividend payout ratio as a dividend policy

Please visit the following link to see the information on business profit by region.
10 Year Financial Data
https://www.japex.co.jp/ir/uploads/JAPEX_10yearFinancialData_e.xlsx

Non-Financial Highlights

(Fiscal years ended March 31)

				2019/3	2020/3	2021/3	2022/3	2023/3	2024/3
Environment									
Greenhouse gas emissions (1,000 ton-CO_2)	Scope 1		Domestic	268	230	207	185	217	**217**
			Overseas	446	542	534	369	0	**0**
	Scope 2		Domestic	51	53	61	57	33	**20**
			Overseas	35	41	14	10	0	**0**
	Scope 3			—	—	16,511	10,055	7,125	**8,361**
Energy consumption (TJ)			Domestic	2,873	2,971	3,102	3,052	3,190	**3,002**
			Overseas	9,082	10,764	10,936	7,459	0	**1**
			Total (Domestic + Overseas)	11,955	13,734	14,038	10,511	3,190	**3,003**
Water withdrawal (1,000 kL)*1			Domestic	806	943	871	45,524	47,310	**46,713**
			Overseas	406	201	293	166	0	**0**
			Total (Domestic + Overseas)	1,212	1,144	1,164	45,690	47,310	**46,713**
Waste discharge (1,000 kL)*1			Domestic	1,081	1,212	1,607	46,566	48,266	**47,631**
			Overseas	260	282	210	121	0	**0**
			Total (Domestic + Overseas)	1,341	1,494	1,816	46,687	48,266	**47,631**
Society									
Occupational health and safety	Domestic	Fatal Accident Rate (FAR)*2		0.00	0.00	0.00	0.00	0.00	**0.00**
		Lost Time Injury Frequency (LTIF)*3		/	0.00	0.29	0.00	0.84	**0.28**
		Total Recordable Injury Rate (TRIR)*4		/	1.46	0.58	0.88	1.39	**2.53**
	Overseas	Fatal Accident Rate (FAR)*2		0.00	0.00	0.00	0.00	—	—
		Lost Time Injury Frequency (LTIF)*3		0.00	0.00	2.42	0.00	—	—
		Total Recordable Injury Rate (TRIR)*4		5.13	7.94	7.25	0.00	—	—
Number of employees (Persons)	Consolidated			1,741	1,739	1,780	1,634	1,617	**1,641**
	Non-consolidated			904	919	937	965	954	**979**
Number of mid-career hires (Persons)	Non-consolidated			10	17	30	31	25	**42**
Turnover rate (voluntary) (%)	Non-consolidated			2.7	2.0	2.0	3.2	2.5	**1.6**
Average length of service (Years)	Non-consolidated			17.9	17.1	16.6	16.0	15.7	**15.0**
Percentage of female managers (%)	Non-consolidated			5.2	5.2	5.9	6.0	6.0	**5.9**
Employment rate of people with disabilities (%)	Non-consolidated			2.8	2.6	2.8	2.6	2.6	**2.8**
Annual paid leave	Non-consolidated	Average days of paid leave taken (Days)		14.3	14.7	14.0	15.4	15.8	**15.8**
		Average rate of paid leave taken (%)		74.1	77.4	73.3	81.5	83.2	**84.3**
Childcare and caregiver leave	Non-consolidated	Percentage of male employees taking childcare leave (%)		28.9	44.1	45.3	75.6	58.9	**60.0**
		Percentage of female employees taking childcare leave (%)		100	100	100	100	100	**100**
		Percentage of employees returning to work after childcare leave (%)*5		100	100	100	100	100	**100**
		Retention rate after childcare leave (%)*6		100	100	100	100	100	**100**
		Number of employees taking caregiver leave (Persons)		0	0	1	1	0	**1**
		Number of employees taking time off for caregivers (Persons)		19	12	13	20	17	**24**

JAPEX has obtained independent third-party assurance for certain data. Please visit the following link of "ESG Performance Data" to see the detailed information including the scope of non-financial data.

ESG Performance Data

https://www.japex.co.jp/en/sustainability/management/esgdata/

*1 Added "Seawater" and "Marine waters" to the scope of calculation of water withdrawal and water discharge from 2022/3.
*2 Fatal Accident Rate: Calculated as the number of fatal accidents per 100,000,000 work hours.
*3 Lost Time Injury Frequency: Calculated as the number of lost time injuries per 1,000,000 work hours.
*4 Total Recordable Injury Rate: Calculated as the number of total recordable injuries per 1,000,000 work hours.
*5 Percentage of employees returning to work after childcare leave = (Number of employees returning to work after taking childcare leave during the current fiscal year ÷ Number of employees expected to return to work during the current fiscal year after taking childcare leave) × 100
*6 Retention rate after childcare leave = (Out of those returning to work in the previous fiscal year after taking childcare leave, number of employees who remained employed as of March 31 of the current fiscal year ÷ Number of employees returning to work after taking childcare leave in the previous fiscal year) × 100

External Evaluation

Credit Rating	Moody's:	Rating & Investment Information (long-term rating):	Rating & Investment Information (short-term rating):
	Baa1 (Stable)	**A+** (Stable)	**a-1**

ESG Indices of which JAPEX is a Constituent

FTSE Blossom Japan Index

FTSE Blossom Japan Index
This is a general ESG index that reflects the performance of Japanese companies that demonstrate strong ESG practices, which are evaluated using the ESG rating scheme developed by FTSE Russell. The index is one of the ESG indices adopted by the Government Pension Investment Fund (GPIF).

FTSE Blossom Japan Sector Relative Index

FTSE Blossom Japan Sector Relative Index
This is a general ESG index that reflects the performance of Japanese companies that demonstrate relatively strong ESG practices in each sector. Companies are evaluated from three perspectives: ESG rating by FTSE Russell, GHG emissions per unit of net sales, and management attitude toward climate-change risks and opportunities. The index is one of the ESG indices adopted by GPIF.

S&P/JPX Carbon Efficient Index

S&P/JPX Carbon Efficient Index
This is an index developed by S&P Dow Jones Indices LLC, and the weighting of its components is determined based on their status of environmental information disclosure and carbon efficiency (carbon emissions per unit of net sales). The index is one of the ESG indices adopted by GPIF.

2023 CONSTITUENT MSCI JAPAN EMPOWERING WOMEN INDEX (WIN)

MSCI Japan Empowering Women Index (WIN)*
This is an index developed by MSCI Inc. to select companies with higher Gender Diversity Score, which is calculated from multiple perspectives based on data related to female employment as disclosed under the Act on Promotion of Women's Participation and Advancement in the Workplace, from each sector. The index is one of the ESG indices adopted by GPIF.

Evaluation for Sustainability

CDP DISCLOSER 2023

CDP
CDP is a UK-based non-profit organization that works with institutional investors around the world to encourage companies to disclose climate change and other environmental information. CDP also publishes its scoring data to the world. It is one of the key indicators to measure a company's commitment to the environment. JAPEX obtained a B rating for its response to the CDP Climate Change Questionnaire.

健康経営銘柄 2024 Health and Productivity

2024 Health & Productivity Stock Selection
JAPEX has been selected for the first time as one of the Health & Productivity Stock Selection, jointly organized by the Ministry of Economy, Trade and Industry (METI) and the Tokyo Stock Exchange (TSE). In addition, JAPEX has been recognized as "White 500" under the Health & Productivity Management Outstanding Organizations Recognition Program, jointly implemented by METI and the Nippon Kenko Kaigi (the fourth time since 2019).

2018年認定 くるみん

"Kurumin" certification
In August 2018, JAPEX obtained the Next-Generation Certification Mark (nicknamed "Kurumin") certification from the Tokyo Labor Bureau of the Ministry of Health, Labour and Welfare as a childcare support company that balances work and childcare according to the action plan (from April 2016 to March 2018) based on the Act on Advancement of Measures to Support Raising Next-Generation Children.

女性が活躍しています

"Eruboshi" certification
In February 2021, JAPEX acquired the "Eruboshi" certification mark (third level) from the Tokyo Labor Bureau of the Ministry of Health, Labour and Welfare, based on the Act on Promotion of Women's Participation and Advancement in the Workplace, as a company with excellent implementation of initiatives to promote women's activities.

* MSCI ESG Indexes

THE INCLUSION OF Japan Petroleum Exploration Co., Ltd. IN ANY MSCI INDEX, AND THE USE OF MSCI LOGOS, TRADEMARKS, SERVICE MARKS OR INDEX NAMES HEREIN, DO NOT CONSTITUTE A SPONSORSHIP, ENDORSEMENT OR PROMOTION OF Japan Petroleum Exploration Co., Ltd. BY MSCI OR ANY OF ITS AFFILIATES.
THE MSCI INDEXES ARE THE EXCLUSIVE PROPERTY OF MSCI. MSCI AND THE MSCI INDEX NAMES AND LOGOS ARE TRADEMARKS OR SERVICE MARKS OF MSCI OR ITS AFFILIATES.

Corporate Data (As of March 31, 2024)

Corporate Profile

Company Name	Japan Petroleum Exploration Co., Ltd. (JAPEX)
Established	April 1, 1970
Share Capital	¥14,288,694,000
Fiscal Year	April 1 to March 31 of the following year
Number of Employees	1,641 (consolidated basis)
Main Businesses	Exploration, development, production, and sale of oil, natural gas, and other energy resources, contract service-related operations such as drilling; development of solar, wind, geothermal, biomass, and other renewable energy resources; and supply of electric power
Main Offices	Head Office (see below), Hokkaido, Akita, Nagaoka, Soma, Sendai, JAPEX Research Center (Chiba), Houston, Jakarta, Aberdeen, Dubai, Singapore
Head Office	SAPIA Tower, 1-7-12 Marunouchi, Chiyoda-ku, Tokyo 100-0005, Japan TEL: +81-3-6268-7000 (Administration & Legal Dept.)

Stock Information*1

*1 JAPEX will conduct a 5-for-1 stock split of shares of common stock, with an effective date of October 1, 2024.

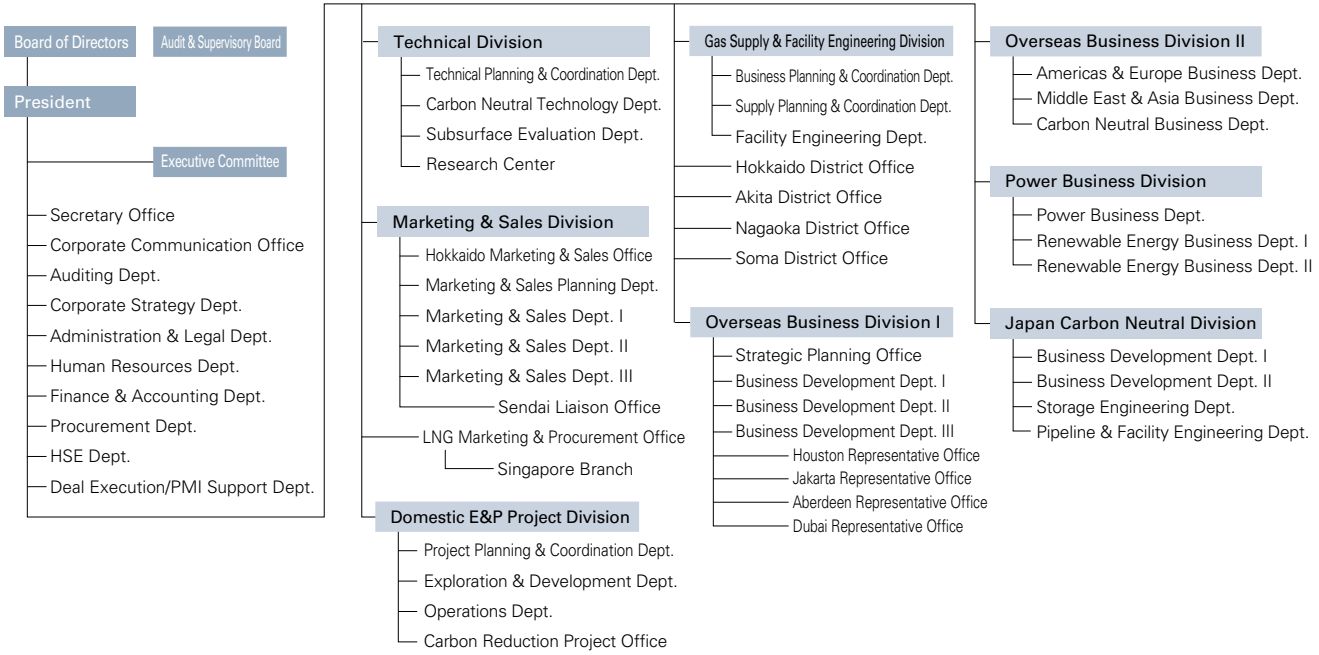
Exchange Listing	Tokyo Stock Exchange, Prime Market (Securities Code: 1662)
Common Stock (Authorized)	120,000,000 shares
Common Stock (Issued)	54,300,076 shares
Number of Shareholders	24,368

Major Shareholders

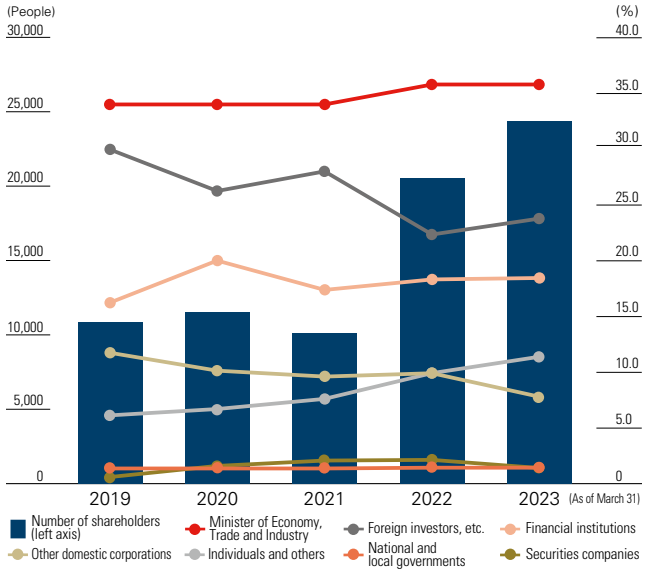
Shareholder name	Number of shares	Voting rights*2 (%)
Minister of Economy, Trade and Industry	19,432,724	36.72
The Master Trust Bank of Japan, Ltd. (Trust Account)	7,160,400	13.53
CEP LUX-ORBIS SICAV	1,736,271	3.28
INPEX CORPORATION	1,426,106	2.69
Custody Bank of Japan, Ltd. (Trust Account)	1,239,200	2.34
STATE STREET BANK AND TRUST COMPANY 505001	981,869	1.86
JFE Engineering Corporation	924,012	1.75
STATE STREET BANK AND TRUST COMPANY 505223	595,350	1.12
THE BANK OF NEW YORK MELLON 140044	528,451	1.00
Marubeni-Itochu Steel Inc.	473,444	0.89

*2 Voting rights are calculated by excluding treasury shares (1,375,686 shares).

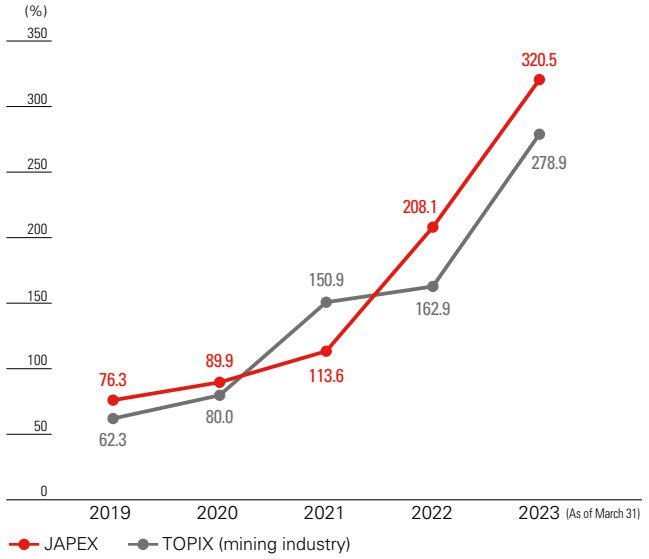
Organization (as of April 1, 2024)



Number of Shareholders and Shareholding (%) by Shareholder Type



Total Shareholder Returns (TSR*1) over Five Years*2



(Comparative index: TOPIX (mining industry) Total Return Index by industry)
*1 Calculated using the formula set by the Cabinet Office Order for total returns for shareholders, combining capital gains and dividends.
*2 The year-end value from fiscal 2019 onward if invested at the final price as of March 31, 2019

Group Companies

Consolidated Subsidiaries

Company name	Share capital (Millions of yen)		Main businesses	JAPEX's stake and percentage of voting rights held (%)	
				Stake	Percentage of voting rights held
Akita Natural Gas Pipeline Co., Ltd.		250	Transportation of natural gas by pipeline in Akita Prefecture	100.00	
SK ENGINEERING CO., LTD.		300	Provision of contracted well drilling and engineering services	100.00	
JAPEX SKS Corporation		90	Manufacture and sale of oil products; real estate management; and insurance agency	100.00	
North Japan Oil Co., Ltd.		80	Sale of crude oil, recycling of waste oil, contracted transportation of crude oil	100.00	
Shirone Gas Co., Ltd.		3,000	Production, supply, and sale of gas in Tsubame City and Niigata City, Niigata Prefecture	100.00	
Japex Pipeline Ltd.		80	Pipeline maintenance and management	100.00	
JGI, Inc.		2,100	Conduct of contracted geophysical exploration work and development of geophysical exploration technology	100.00	
Geophysical Surveying Co., Ltd.		446	Conduct of contracted geophysical logging and mud-logging work	100.00	
Japex (U.S.) Corp.	thousand USD	191,000	Exploration, development, and production of petroleum resources in the United States	100.00	
JAPEX UK E&P Ltd.	thousand GBP	161,662	Exploration, development, and production of petroleum resources in the UK North Sea	100.00	
North Japan Security Service Co., Ltd.		30	Industrial safety services, security services	89.42	
Japex Offshore Ltd.		5,963	Exploration, development, and production of petroleum resources on the continental shelf of the Sea of Japan	70.61	
GEOSYS, Inc.*1		49	Conduct of contracted geophysical exploration work and sale of geophysical exploration equipment	57.82	(57.82)
Japex Energy Co., Ltd.		90	Purchase and sale of LNG, oil products, etc.	90.00	
Japex Garraf Ltd.		20,930	Exploration, development, and production of petroleum resources in the Garraf Oil Field, Iraq	55.00	
JAPEX Insurance Ltd.		3,500	Underwriting reinsurance of non-life insurance of JAPEX group	100.00	

Equity-method Associates

Company name	Share capital (Millions of yen)		Main businesses	JAPEX's stake and percentage of voting rights held (%)	
				Stake	Percentage of voting rights held
TOHOKU NATURAL GAS Co., Inc.		300	Purchase and sale of natural gas in the Tohoku region	45.00	
TELNITE CO., LTD.		98	Manufacture and sale of drilling fluid chemicals and provision of mud services	47.00	
Fukushima Gas Power Co., Ltd.		537	Operation and contract work of power generation business using a natural gas power plant	33.30	
Sakhalin Oil and Gas Development Co., Ltd.*2		22,592	Exploration, development, and production of petroleum resources on Sakhalin Island and its land shelf in the Russian Federation	15.29	
Energi Mega Pratama Inc.	thousand USD	1,000	Exploration, development, and production of petroleum resources in the eastern Java Sea, Republic of Indonesia	25.00	
Kangean Energy Indonesia Ltd.*2, *3	thousand USD	10	Exploration, development, and production of petroleum resources in the eastern Java Sea, Republic of Indonesia	—	[100.00]
EMP Exploration (Kangean) Ltd.*2, *3	GBP	100	Exploration, development, and production of petroleum resources in the eastern Java Sea, Republic of Indonesia	—	[100.00]
Abashiri Biomass Power 2 LLC		1,297	Operation of biomass power generation business using domestic wood chips	33.80	
Abashiri Biomass Power 3 LLC		1,238	Operation of biomass power generation business using domestic wood chips	33.80	
Longboat JAPEX Norge AS*4	thousand Norwegian krone	6,786	Exploration, development, and production of petroleum resources offshore Norway	49.90	
Blue Spruce Operating LLC*1	thousand USD	11,630	Consideration of separation and capture of CO_2 and sale of natural gas and helium in Wyoming, U.S.A.	40.00	(40.00)

*1 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.
*2 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%.
*3 The figure inside the square brackets under "Percentage of voting rights held" represents the percentage held by parties who are closely related to or aligned with the Company and is excluded from the above percentage.
*4 The company became a wholly owned subsidiary of JAPEX in July 2024 and was renamed JAPEX Norge AS.

10 Year Financial Data

https://www.japex.co.jp/ir/uploads/JAPEX_10yearFinancialData_e.xlsx

Financial Results

https://www.japex.co.jp/en/ir/library/result/

Securities Report

https://www.japex.co.jp/en/ir/library/report/

Explanatory Materials

https://www.japex.co.jp/en/ir/library/explanatory/

Management Plan

https://www.japex.co.jp/en/ir/management/managementplan/

ESG Performance Data

https://www.japex.co.jp/en/sustainability/management/esgdata/

JAPEX

Inquiries:

Japan Petroleum Exploration Co., Ltd.

Corporate Communication Office

TEL: +81-3-6268-7111 FAX: +81-3-6268-7302

https://www.japex.co.jp/en/