



Consolidated Financial Results for the year ended December 31, 2023 [IFRS]

March 27, 2024

Note: The following report is an English translation of the Japanese-language original.

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(Amounts less than one million yen are rounded off)

1. Consolidated Financial Results for the year ended December 31, 2023 (January 1, 2023 through December 31, 2023)

(1) Consolidated operating results

(Figures in % represent the changes from the previous fiscal year)

	Revenue		Operating profit		Profit before tax		Profit		Profit attributable to owners of parent		Total comprehensive income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
For the year ended December 31, 2023	2,164,516	(6.5)	1,114,189	(25.9)	1,253,384	(13.3)	332,576	(31.6)	321,708	(35.5)	616,945	(38.0)
December 31, 2022	2,316,086	-	1,503,667	-	1,445,382	-	485,955	-	498,452	-	994,545	-

	Basic earnings per share	Diluted earnings per share	Return on equity attributable to owners of parent	Ratio of profit before tax to total assets	Ratio of operating profit to revenue
For the year ended December 31, 2023	Yen 248.55	Yen 248.38	% 8.0	% 19.0	% 51.5
December 31, 2022	364.73	364.57	14.6	24.6	64.9

(Reference): Share of profit (loss) of investments accounted for using equity method: for the year ended December 31, 2023, ¥18,389 million
 for the year ended December 31, 2022, ¥166,253 million

(2) Consolidated financial position

	Total assets	Total equity	Equity attributable to owners of parent	Ratio of equity attributable to owners of parent to total assets	Equity attributable to owners of parent per share
As of December 31, 2023	Millions of yen 6,739,476	Millions of yen 4,499,033	Millions of yen 4,209,101	% 62.5	Yen 3,345.22
As of December 31, 2022	6,448,414	4,068,560	3,807,381	59.0	2,915.31

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of the year
For the year ended December 31, 2023	Millions of yen 788,130	Millions of yen (320,116)	Millions of yen (487,272)	Millions of yen 201,149
December 31, 2022	782,274	(535,123)	(246,597)	208,238

2. Dividends

	Cash dividends per share					Total cash dividends (Annual)	Payout ratio (Consolidated)	Ratio of dividends to equity attributable to owners of parent (Consolidated)
	At 1st quarter end	At 2nd quarter end	At 3rd quarter end	At fiscal year end	Total			
For the year ended	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
December 31, 2022	–	30.00	–	32.00	62.00	83,420	17.0	2.4
December 31, 2023	–	37.00	–	37.00	74.00	94,943	29.8	2.4
For the year ending December 31, 2024 (Forecasts)	–	38.00	–	38.00	76.00		29.0	

(Note): “Dividends” as stated above refer to common stock. For information regarding Class A stock (not listed), please refer to Exhibit “Dividends of Class A stock.”

3. Forecasts for Consolidated Financial Results for the year ending December 31, 2024 (January 1, 2024 through December 31, 2024)

(Figures in % represent the changes from the corresponding period of the previous fiscal year)

	Revenue		Operating profit		Profit before tax		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
For the six months ending June 30, 2024	1,043,000	(3.3)	544,000	(10.4)	559,000	(21.2)	155,000	(37.6)	123.19
For the year ending December 31, 2024	1,931,000	(10.8)	1,010,000	(9.4)	1,043,000	(16.8)	330,000	2.6	262.27

*Notes

(1) Significant changes in scope of consolidation : None
(Changes in the specified subsidiaries during the period due to change in scope of consolidation)

(2) Changes in accounting policies and changes in accounting estimates

1. Changes in accounting policies required by IFRS : None
2. Other changes in accounting policies : None
3. Changes in accounting estimates : None

(3) Number of shares issued (Common stock)

1. Number of shares issued at the end of the period : 1,386,667,167 shares as of December 31, 2023
(including treasury stock): 1,386,667,167 shares as of December 31, 2022
2. Number of treasury stock at the end of the period: 128,422,706 shares as of December 31, 2023
80,672,863 shares as of December 31, 2022
3. Average number of shares: 1,294,325,142 shares for the year ended December 31, 2023
1,366,647,207 shares for the year ended December 31, 2022

(Note): The shares held by “the Board Incentive Plan Trust” are included in number of treasury stock at the end of the period.
(As of December 31, 2023: 891,560 shares As of December 31, 2022: 910,363 shares)

*This financial report is not subject to audit by certified public accountants or audit firms.

*Explanation regarding the appropriate use of estimated consolidated financial results

1. The Group has voluntarily adopted the International Financial Reporting Standards (IFRS) instead of accounting principles generally accepted in Japan (Japanese GAAP), starting with the consolidated financial statements in the Annual Securities Report for the year ended December 31, 2023. This financial results and attachments are being voluntarily disclosed as important financial information based on IFRS from the items provided in the Annual Securities Report. Furthermore, the Group released the financial results based on the Japanese GAAP (Consolidated Financial Results for the year ended December 31, 2023) on February 13, 2024.
2. The aforementioned forecasts “3. Forecasts for Consolidated Financial Results for the year ending December 31, 2024” are based on the currently available information and contain many uncertainties. The final results might be significantly different from the aforementioned forecasts due to changes in business conditions including oil and natural gas price levels, production and sales plans, project development schedules, government regulations and financial and tax schemes.

Exhibit:

Dividends of Class A stock

	Cash dividends per share				
	At 1st quarter end	At 2nd quarter end	At 3rd quarter end	At fiscal year end	Total
For the year ended	Yen	Yen	Yen	Yen	Yen
December 31, 2022	–	12,000.00	–	12,800.00	24,800.00
December 31, 2023	–	14,800.00	–	14,800.00	29,600.00
For the year ending					
December 31, 2024 (Forecasts)	–	15,200.00	–	15,200.00	30,400.00

(Note): The Company conducted a stock split at a ratio of 1:400 of common stock effective October 1, 2013. However, for Class A stock (not listed), no stock split was implemented. The article specifying that dividends of Class A stock are equivalent to dividends of common stock prior to the stock split is included in the Articles of Incorporation.

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1. Consolidated Financial Statements and Principal Notes

(1) Consolidated Statement of Financial Position

(Millions of yen)

Accounts	As of January 1, 2022 (date of transition)	As of December 31, 2022	As of December 31, 2023
Assets			
Current assets			
Cash and cash equivalents	192,254	208,238	201,149
Trade and other receivables	198,454	287,452	232,017
Inventories	47,393	71,907	69,856
Income taxes receivable	2,619	5,948	10,640
Loans receivable	38,366	32,179	42,350
Other financial assets	13,872	85,039	227,068
Other current assets	32,616	41,417	37,992
Subtotal	525,576	732,183	821,075
Assets held for sale	–	26,422	17,341
Total current assets	525,576	758,605	838,417
Non-current assets			
Oil and gas assets	3,292,382	3,540,507	3,601,558
Other property, plant and equipment	27,757	27,390	25,481
Goodwill	–	19,706	20,471
Intangible assets	6,048	6,775	9,033
Investments accounted for using equity method	325,139	636,582	751,903
Loans receivable	1,011,804	1,279,140	1,306,529
Other financial assets	50,587	60,149	95,890
Asset for retirement benefits	–	1,734	896
Deferred tax assets	27,276	77,541	72,977
Other non-current assets	18,483	40,280	16,316
Total non-current assets	4,759,479	5,689,809	5,901,058
Total assets	5,285,056	6,448,414	6,739,476

(Millions of yen)

Accounts	As of January 1, 2022 (date of transition)	As of December 31, 2022	As of December 31, 2023
Liabilities and equity			
Liabilities			
Current liabilities			
Trade and other payables	146,524	210,836	207,913
Bonds and borrowings	80,493	75,878	161,059
Other financial liabilities	39,345	81,833	40,808
Income taxes payable	50,845	126,745	131,721
Asset retirement obligations	1,266	10,100	19,018
Other current liabilities	38,570	31,122	11,690
Subtotal	357,045	536,517	572,212
Liabilities directly related to assets held for sale	–	4,213	–
Total current liabilities	357,045	540,730	572,212
Non-current liabilities			
Bonds and borrowings	1,099,721	1,194,369	895,923
Other financial liabilities	72,291	70,805	66,025
Liability for retirement benefits	7,052	689	803
Asset retirement obligations	364,830	334,234	369,483
Deferred tax liabilities	137,437	234,556	332,940
Other non-current liabilities	1,773	4,466	3,054
Total non-current liabilities	1,683,105	1,839,123	1,668,230
Total liabilities	2,040,151	2,379,854	2,240,442
Equity			
Common stock	290,809	290,809	290,809
Capital surplus	678,949	679,113	679,131
Retained earnings	2,180,837	2,521,998	2,746,530
Treasury stock	(75,425)	(121,358)	(221,330)
Other components of equity	(41,490)	436,818	713,959
Total equity attributable to owners of parent	3,033,680	3,807,381	4,209,101
Non-controlling interests	211,224	261,178	289,932
Total equity	3,244,904	4,068,560	4,499,033
Total liabilities and equity	5,285,056	6,448,414	6,739,476

(2) Consolidated Statement of Profit or Loss and Consolidated Statement of Comprehensive Income

Consolidated Statement of Profit or Loss

(Millions of yen)

Accounts	For the year ended December 31, 2022	For the year ended December 31, 2023
Revenue	2,316,086	2,164,516
Cost of sales	(818,130)	(848,080)
Gross profit	1,497,956	1,316,435
Exploration expenses	(12,702)	(25,901)
Selling, general and administrative expenses	(91,975)	(95,747)
Other operating income	95,971	25,094
Other operating expenses	(151,836)	(124,081)
Share of profit (loss) of investments accounted for using equity method	166,253	18,389
Operating profit	1,503,667	1,114,189
Finance income	73,820	217,310
Finance costs	(132,105)	(78,116)
Profit before tax	1,445,382	1,253,384
Income tax expense	(959,427)	(920,807)
Profit	485,955	332,576
Profit (loss) attributable to		
Owners of parent	498,452	321,708
Non-controlling interests	(12,497)	10,867
Profit	485,955	332,576
Earnings per share		
Basic earnings per share (Yen)	364.73	248.55
Diluted earnings per share (Yen)	364.57	248.38

Consolidated Statement of Comprehensive Income

(Millions of yen)

Accounts	For the year ended December 31, 2022	For the year ended December 31, 2023
Profit	485,955	332,576
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	3,035	2,460
Remeasurement gains (losses) on defined benefit plans	1,634	(1,406)
Share of other comprehensive income of investments accounted for using equity method	(74)	-
Total items that will not be reclassified to profit or loss	4,595	1,054
Items that may be reclassified subsequently to profit or loss		
Cash flow hedges	195	337
Exchange differences on translation of foreign operation	455,403	285,720
Financial assets measured at fair value through other comprehensive income	-	(209)
Share of other comprehensive income of investments accounted for using equity method	48,397	(2,533)
Total items that may be reclassified subsequently to profit or loss	503,995	283,315
Other comprehensive income, net of tax	508,590	284,369
Comprehensive income	994,545	616,945
Comprehensive income attributable to		
Owners of parent	975,145	591,848
Non-controlling interests	19,400	25,096
Comprehensive income	994,545	616,945

(3) Consolidated Statement of Changes in Equity

(Millions of yen)

	Equity attributable to owners of parent					
	Common stock	Capital surplus	Retained earnings	Treasury stock	Other components of equity	
					Exchange differences on translation of foreign operation	Cash flow hedges
As of January 1, 2022	290,809	678,949	2,180,837	(75,425)	–	(16,171)
Profit	–	–	498,452	–	–	–
Other comprehensive income	–	–	–	–	423,504	48,592
Total comprehensive income	–	–	498,452	–	423,504	48,592
Purchase of treasury stock	–	–	–	(121,191)	–	–
Disposal of treasury stock	–	(10)	–	10	–	–
Cancellation of treasury stock	–	–	(75,248)	75,248	–	–
Dividends	–	–	(80,426)	–	–	–
Increase (decrease) by business combination	–	–	–	–	–	–
Changes in ownership interest in subsidiaries	–	19	–	–	–	–
Share-based payment transactions	–	154	–	–	–	–
Transfer from other components of equity to retained earnings	–	–	(1,616)	–	–	–
Total transactions with owners	–	163	(157,291)	(45,932)	–	–
As of December 31, 2022	290,809	679,113	2,521,998	(121,358)	423,504	32,421

	Equity attributable to owners of parent					
	Other components of equity			Total	Non-controlling interests	Total
	Financial assets measured at fair value through other comprehensive income	Remeasurement gains (losses) on defined benefit plans	Total			
As of January 1, 2022	(25,319)	–	(41,490)	3,033,680	211,224	3,244,904
Profit	–	–	–	498,452	(12,497)	485,955
Other comprehensive income	2,961	1,633	476,692	476,692	31,898	508,590
Total comprehensive income	2,961	1,633	476,692	975,145	19,400	994,545
Purchase of treasury stock	–	–	–	(121,191)	–	(121,191)
Disposal of treasury stock	–	–	–	–	–	–
Cancellation of treasury stock	–	–	–	–	–	–
Dividends	–	–	–	(80,426)	(11,140)	(91,567)
Increase (decrease) by business combination	–	–	–	–	20,061	20,061
Changes in ownership interest in subsidiaries	–	–	–	19	21,633	21,653
Share-based payment transactions	–	–	–	154	–	154
Transfer from other components of equity to retained earnings	3,250	(1,633)	1,616	–	–	–
Total transactions with owners	3,250	(1,633)	1,616	(201,443)	30,553	(170,890)
As of December 31, 2022	(19,107)	–	436,818	3,807,381	261,178	4,068,560

(Millions of yen)

	Equity attributable to owners of parent					
	Common stock	Capital surplus	Retained earnings	Treasury stock	Other components of equity	
					Exchange differences on translation of foreign operation	Cash flow hedges
As of January 1, 2023	290,809	679,113	2,521,998	(121,358)	423,504	32,421
Profit	–	–	321,708	–	–	–
Other comprehensive income	–	–	–	–	271,491	(2,196)
Total comprehensive income	–	–	321,708	–	271,491	(2,196)
Purchase of treasury stock	–	–	–	(99,999)	–	–
Disposal of treasury stock	–	(28)	–	28	–	–
Dividends	–	–	(90,176)	–	–	–
Changes in ownership interest in subsidiaries	–	(159)	–	–	–	–
Share-based payment transactions	–	205	–	–	–	–
Transfer from other components of equity to retained earnings	–	–	(7,000)	–	–	–
Total transactions with owners	–	18	(97,176)	(99,971)	–	–
As of December 31, 2023	290,809	679,131	2,746,530	(221,330)	694,996	30,224

	Equity attributable to owners of parent					
	Other components of equity			Total	Non-controlling interests	Total
	Financial assets measured at fair value through other comprehensive income	Remeasurement gains (losses) on defined benefit plans	Total			
As of January 1, 2023	(19,107)	–	436,818	3,807,381	261,178	4,068,560
Profit	–	–	–	321,708	10,867	332,576
Other comprehensive income	2,251	(1,406)	270,140	270,140	14,229	284,369
Total comprehensive income	2,251	(1,406)	270,140	591,848	25,096	616,945
Purchase of treasury stock	–	–	–	(99,999)	–	(99,999)
Disposal of treasury stock	–	–	–	–	–	–
Dividends	–	–	–	(90,176)	(8,294)	(98,471)
Changes in ownership interest in subsidiaries	–	–	–	(159)	11,952	11,792
Share-based payment transactions	–	–	–	205	–	205
Transfer from other components of equity to retained earnings	5,594	1,406	7,000	–	–	–
Total transactions with owners	5,594	1,406	7,000	(190,129)	3,657	(186,472)
As of December 31, 2023	(11,261)	–	713,959	4,209,101	289,932	4,499,033

(4) Consolidated Statement of Cash Flows

(Millions of yen)

Accounts	For the year ended December 31, 2022	For the year ended December 31, 2023
Cash flows from operating activities		
Profit before tax	1,445,382	1,253,384
Depreciation and amortization	306,063	319,608
Impairment loss	146,343	100,890
Increase (decrease) in asset retirement obligations	(26,617)	9,597
Finance costs (income)	58,285	(139,194)
Foreign exchange loss (gain)	(45,354)	(12,437)
Share of loss (profit) of investments accounted for using equity method	(166,253)	(18,389)
Decrease (increase) in inventories	(18,649)	4,204
Decrease (increase) in trade and other receivables	(52,407)	75,828
Increase (decrease) in trade and other payables	32,684	(28,888)
Other operating activities	(36,951)	6,243
Subtotal	1,642,525	1,570,847
Interest received	49,806	107,978
Dividends received	20,281	9,079
Interest paid	(24,768)	(63,059)
Income taxes paid	(905,570)	(836,716)
Net cash provided by (used in) operating activities	782,274	788,130
Cash flows from investing activities		
Payments into time deposits	(47,755)	(38,145)
Proceeds from withdrawal of time deposits	43,772	26,831
Payments for acquisition of exploration and evaluation assets	(18,052)	(47,985)
Payments for acquisition of development and production assets	(221,530)	(202,665)
Payments for purchases of other property, plant and equipment	(4,101)	(1,484)
Payments for purchases of investments	(78,118)	(432,325)
Proceeds from sale and redemption of investments	19,830	312,727
Payments for purchases of investments accounted for using the equity method	(68,380)	(76,549)
Proceeds from sale of investments accounted for using the equity method	27,311	-
Payments for acquisition of subsidiaries	(31,410)	-
Net decrease (increase) in short-term loans receivable	399	(1,999)
Long-term loans made	(335,298)	(4,027)
Collection of long-term loans receivable	158,440	152,153
Other investing activities	19,769	(6,645)
Net cash provided by (used in) investing activities	(535,123)	(320,116)

(Millions of yen)

Accounts	For the year ended December 31, 2022	For the year ended December 31, 2023
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(5,450)	20,121
Proceeds from long-term borrowings	164,716	102,895
Repayments of long-term borrowings	(215,157)	(403,599)
Repayments of lease liabilities	(19,384)	(20,119)
Purchase of treasury stock	(121,191)	(99,999)
Cash dividends paid	(80,399)	(90,147)
Capital contribution from non-controlling interests	21,653	11,792
Cash dividends paid to non-controlling interests	(11,140)	(8,294)
Other financing activities	19,756	80
Net cash provided by (used in) financing activities	(246,597)	(487,272)
Net increase (decrease) in cash and cash equivalents	553	(19,258)
Cash and cash equivalents at beginning of the year	192,254	208,238
Effect of exchange rate changes on cash and cash equivalents	19,673	12,169
Net increase (decrease) in cash and cash equivalents resulting from transfer to assets held for sale	(4,243)	-
Cash and cash equivalents at end of the year	208,238	201,149

(5) Notes to Consolidated Financial Statements

(Conditions or events that indicate there could be substantial doubt about the Company's ability to continue as a going concern)
None

(Segment information)

For the year ended December 31, 2022 (January 1, 2022 through December 31, 2022)

(Millions of yen)

	Reportable segments			Other *1	Total	Adjustments *2	Consolidated
	Oil & Gas Japan	Oil & Gas Overseas					
		Ichthys Project	Other Projects				
Revenue							
Revenue from external customers	214,600	368,503	1,712,751	20,231	2,316,086	–	2,316,086
Intersegment revenue	6,102	23,348	–	5,513	34,964	(34,964)	–
Total	220,703	391,851	1,712,751	25,744	2,351,051	(34,964)	2,316,086
Exploration expenses	(829)	(2,683)	(9,189)	–	(12,702)	–	(12,702)
Share of profit (loss) of investments accounted for using equity method	–	148,587	16,066	1,599	166,253	–	166,253
Finance income	549	62,138	9,960	132	72,780	1,039	73,820
Finance costs	(808)	(105,254)	(25,745)	(204)	(132,014)	(91)	(132,105)
Income tax expense	(18,581)	(44,399)	(896,935)	(5,426)	(965,342)	5,915	(959,427)
Segment profit (loss)	45,205	288,388	117,772	(4,856)	446,510	51,942	498,452
(Other items)							
Depreciation and amortization	17,820	111,106	174,212	894	304,033	2,029	306,063
Impairment loss *3	9,707	3,732	132,903	–	146,343	–	146,343
Investments for exploration and development, etc. *4	19,202	86,746	186,881	75,834	368,665	–	368,665

- Notes:
- The "Other" category consists of the operating segments that are not included in the reportable segments, and includes the five net-zero businesses, etc.
 - Adjustments are as follows:
 - Adjustments of segment profit (loss) include corporate profit (loss) of ¥50,322 million that is not allocated to reportable segments or the "Other" category and elimination of intersegment transactions of ¥1,620 million. Corporate profit (loss) mainly consists of foreign exchange gains (losses) of ¥39,745 million managed on a Group-wide basis and ¥5,915 million as the portion of the amount of the income tax expense of the parent and the financial subsidiary attributable to all companies.
 - Adjustments of depreciation and amortization are depreciation and amortization that are not allocated to reportable segments or the "Other" category.
 - Impairment loss consists of impairment loss on oil and gas assets, and does not include impairment loss on investments accounted for using equity method.
 - Investments for exploration and development, etc., consist of mainly payments for acquisition of exploration and evaluation assets and development and production assets among oil and gas assets, and the total amount incurred during the fiscal year for payments to acquire shares to participate and make additional investments in projects such as oil, natural gas, and renewable energy. The amount corresponding to the Group's investment stake in Ichthys LNG Pty Ltd, a jointly controlled entity, is included in this amount.

For the year ended December 31, 2023 (January 1, 2023 through December 31, 2023)

(Millions of yen)

	Reportable segments			Other *1	Total	Adjustments *2	Consolidated
	Oil & Gas Japan	Oil & Gas Overseas					
		Ichthys Project	Other Projects				
Revenue							
Revenue from external customers	232,897	373,173	1,528,264	30,181	2,164,516	–	2,164,516
Intersegment revenue	6,974	20,446	–	13,976	41,397	(41,397)	–
Total	239,872	393,619	1,528,264	44,158	2,205,914	(41,397)	2,164,516
Exploration expenses	(7,112)	(8,976)	(9,811)	–	(25,901)	–	(25,901)
Share of profit (loss) of investments accounted for using equity method	–	39,219	6,614	(27,444)	18,389	–	18,389
Finance income	9	191,271	22,772	1,924	215,977	1,332	217,310
Finance costs	(844)	(29,437)	(44,757)	(2,477)	(77,516)	(600)	(78,116)
Income tax expense	(15,581)	(87,610)	(796,261)	(3,849)	(903,303)	(17,504)	(920,807)
Segment profit (loss)	42,035	309,898	746	(18,028)	334,652	(12,944)	321,708
(Other items)							
Depreciation and amortization	19,185	128,596	168,547	1,061	317,390	2,218	319,608
Impairment loss *3	–	–	100,890	–	100,890	–	100,890
Investments for exploration and development, etc. *4	10,975	104,254	142,527	77,357	335,115	–	335,115

- Notes:
- The “Other” category consists of the operating segments that are not included in the reportable segments, and includes the five net-zero businesses, etc.
 - Adjustments are as follows:
 - Adjustments of segment profit (loss) include corporate profit (loss) of ¥(14,949) million that is not allocated to reportable segments or the “Other” category and elimination of intersegment transactions of ¥2,005 million. Corporate profit (loss) mainly consists of foreign exchange gains (losses) of ¥(2,738) million managed on a Group-wide basis and ¥(17,504) million as the portion of the amount of the income tax expense of the parent and the financial subsidiary attributable to all companies.
 - Adjustments of depreciation and amortization are depreciation and amortization that are not allocated to any reportable segment or the “Other” category.
 - Impairment loss consists of impairment loss on oil and gas assets, and does not include impairment loss on investments accounted for using equity method.
 - Investments for exploration and development, etc., consists of mainly payments for acquisition of exploration and evaluation assets and development and production assets among oil and gas assets and the total amount incurred during the fiscal year for payments to acquire shares to participate and make additional investments in projects such as oil, natural gas, and renewable energy. The amount corresponding to the Group’s investment stake in Ichthys LNG Pty Ltd, a jointly controlled entity, is included in this amount.

(Per share information)

Basic and diluted earnings per share are calculated based on the following:

	For the year ended December 31, 2022	For the year ended December 31, 2023
Profit attributable to owners of parent (Millions of yen)	498,452	321,708
Profit not attributable to common stock of parent		
Dividends on Class A stock (Millions of yen)	(0)	(0)
Profit used to calculate basic earnings per share (Millions of yen)	498,452	321,708
Profit adjustments (Millions of yen)	-	-
Profit used to calculate diluted earnings per share (Millions of yen)	498,452	321,708
Average number of shares of common stock during the period (Shares)	1,366,647,207	1,294,325,142
Effect of dilutive potential shares of common stock		
Board Incentive Plan Trust (Shares)	603,363	897,292
Average number of dilutive potential shares (Shares)	1,367,250,570	1,295,222,434
Basic earnings per share (Yen)	364.73	248.55
Diluted earnings per share (Yen)	364.57	248.38

(Note) The Company's shares (common stock) held by the Board Incentive Plan Trust are recognized as treasury stock, and thus the number of shares is deducted from the average number of shares of common stock during the period when calculating basic earnings per share and diluted earnings per share.

(Significant subsequent events)

None

(First-time adoption)

Starting from the year ended December 31, 2023, the Group discloses consolidated financial statements in accordance with IFRS. The most recent consolidated financial statements prepared in accordance with Japanese GAAP is for the year ended December 31, 2022, and the date of transition to IFRS is January 1, 2022.

In principle, under IFRS, a company adopting IFRS for the first time (hereinafter “first-time adopter”) is required to apply the standards under IFRS retrospectively. However, IFRS 1 “First-time Adoption of International Financial Reporting Standards” (hereinafter “IFRS 1”) provides optional exemptions to retrospective application and mandatory exceptions prohibiting retrospective application of certain standards required under IFRS. The effect of the adoption of these provisions is adjusted in retained earnings or accumulated other comprehensive income at the date of transition to IFRS. The exemptions adopted by the Group for the transition from Japanese GAAP to IFRS are as follows:

(1) Exemptions to IFRS 1

- Business combination

A first-time adopter may elect not to apply IFRS 3 “Business Combinations” (hereinafter “IFRS 3”) retrospectively to business combinations that occurred before the date of transition to IFRS. The Group has adopted this exemption and elects not to apply IFRS 3 retrospectively to business combinations that occurred before the date of transition. As a result, amounts of goodwill and amounts equivalent to goodwill in affiliates and joint ventures arising in business combinations that occurred before the date of transition are based on carrying amounts as of the date of transition in accordance with Japanese GAAP. Goodwill is tested for impairment as of the date of transition regardless of whether there is indication of impairment.

- Deemed cost

IFRS 1 permits the use of fair value of property, plant and equipment and intangible assets at the date of transition to IFRS as deemed cost at that date. The Group uses the fair value of certain oil and gas assets at the date of transition as the deemed cost under IFRS at that date.

- Exchange differences on translation of foreign operations

IFRS 1 permits the cumulative exchange differences on translation of foreign operations to be deemed zero at the date of transition to IFRS. The Group elects to deem zero the cumulative exchange differences on translation of foreign operations at the date of transition.

- Leases

IFRS 1 permits a first-time adopter to assess whether a contract contains a lease at the date of transition to IFRS. The Group has adopted this exemption and determines whether a contract contains a lease based on the facts and circumstances existing at the date of transition.

- Decommissioning liabilities included in the cost of property, plant and equipment

For liabilities related to obligations of decommissioning, etc. included in the cost of property, plant and equipment, IFRS 1 permits a first-time adopter to either apply retrospectively from when the obligations of decommissioning, etc. occur or measure obligations of decommissioning, etc. at the date of transition.

The Group elects to measure obligations of decommissioning, etc. included in the cost of property, plant and equipment at the date of transition.

- Borrowing costs

IFRS 1 permits the use of the date of transition to IFRS as the commencement date for capitalization of borrowing costs on qualifying assets. The Group has adopted this exemption and continues to expense borrowing costs for construction projects started prior to the date of transition.

(2) Mandatory exceptions to IFRS 1

Under IFRS 1, retrospective application of IFRS is prohibited for “estimates,” “derecognition of financial assets and financial liabilities,” “hedge accounting,” “non-controlling interests,” and “classification and measurement of financial assets.” The Group has adopted these items prospectively from the date of transition.

(3) Reconciliations

Reconciliations of equity as of January 1, 2022 (date of transition to IFRS)

(Millions of yen)

Line items under Japanese GAAP	Japanese GAAP (Note)	Reclassification	Effects of differences in recognition and measurement	IFRS	Notes	Line items under IFRS
Assets						Assets
Current assets						Current assets
Cash and deposits	201,765	(9,772)	261	192,254	(a)(l)	Cash and cash equivalents
Accounts receivable-trade and contract assets	168,224	28,635	1,593	198,454	(b)(l)	Trade and other receivables
Inventories	47,817	3,803	(4,228)	47,393	(l)	Inventories
Accounts receivable-other	42,309	(42,309)	–	–	(b)(c)(d)	
	–	2,646	(26)	2,619	(d)	Income taxes receivable
	–	35,474	2,891	38,366	(c)	Loans receivable
	–	12,707	1,165	13,872	(a)(c)	Other financial assets
Other	70,852	(35,509)	(2,726)	32,616	(c)(l)	Other current assets
Allowance for doubtful accounts	(12,104)	12,104	–	–	(b)	
Total current assets	518,864	7,782	(1,069)	525,576		Total current assets
Fixed assets						Non-current assets
Tangible fixed assets	2,259,849	871,893	160,638	3,292,382	(e)(l)(m) (n)(q)(u)	Oil and gas assets
	–	27,753	3	27,757	(e)(n)	Other property, plant and equipment
	–	29,550	(29,550)	–	(f)(o)	Goodwill
Intangible assets	446,660	(440,612)	0	6,048	(e)(f)	Intangible assets
	–	342,874	(17,734)	325,139	(g)(r)	Investments accounted for using equity method
Investment securities	397,953	(350,444)	3,078	50,587	(e)(g)	Other financial assets
Long-term loans receivable	1,011,801	–	2	1,011,804		Loans receivable
Recoverable accounts under production sharing	548,170	(548,170)	–	–	(e)(l)	
Deferred tax assets	21,713	–	5,563	27,276	(s)	Deferred tax assets
Other	11,704	6,968	(189)	18,483	(l)	Other non-current assets
Allowance for doubtful accounts	(652)	652	–	–		
Allowance for recoverable accounts under production sharing	(61,871)	61,871	–	–	(e)	
Allowance for investments in exploration	(1,400)	1,400	–	–		
Total fixed assets	4,633,928	3,737	121,812	4,759,479		Total non-current assets
Total assets	5,152,792	11,519	120,743	5,285,056		Total assets

(Note) Some of the Group’s foreign consolidated subsidiaries and foreign equity-method affiliates have applied IAS 12 “Income Taxes” (amended in May 2021) from the year ended December 31, 2023. The amendments have been applied retrospectively, and Japanese GAAP as of January 1, 2022 (date of transition to IFRS) provides figures after retrospective application.

(Millions of yen)

Line items under Japanese GAAP	Japanese GAAP (Note)	Reclassification	Effects of differences in recognition and measurement	IFRS	Notes	Line items under IFRS
Liabilities						Liabilities and equity
Current liabilities						Liabilities
Accounts payable-trade	14,888	136,877	(5,241)	146,524	(h)(l)	Current liabilities
Short-term loans	80,493	–	–	80,493		Trade and other payables
Income taxes payable	51,350	–	(504)	50,845		Bonds and borrowings
Accounts payable-other	98,518	(98,518)	–	–	(h)	Income taxes payable
Provision for bonuses	1,386	(1,386)	–	–		
Provision for bonuses to officers	200	(200)	–	–		
Provision for loss on business	9,400	(9,400)	–	–		
Provision for exploration projects	9,444	(9,444)	–	–		
Asset retirement obligations	672	–	593	1,266	(q)	Asset retirement obligations
	–	30,498	8,847	39,345	(i)(n)	Other financial liabilities
Other	82,533	(36,906)	(7,057)	38,570	(h)(i)(l)	Other current liabilities
Total current liabilities	348,888	11,519	(3,362)	357,045		Total current liabilities
Long-term liabilities						Non-current liabilities
Bonds payable	30,000	1,069,721	–	1,099,721	(j)	Bonds and borrowings
Long-term debt	1,069,721	(1,069,721)	–	–	(j)	
Deferred tax liabilities	109,565	–	27,872	137,437	(s)	Deferred tax liabilities
Provision for stocks payment	100	(100)	–	–		
Provision for special repair and maintenance	650	(650)	–	–		
Liability for retirement benefits	7,048	–	4	7,052		Liability for retirement benefits
Asset retirement obligations	258,339	–	106,491	364,830	(q)	Asset retirement obligations
	–	14,953	57,337	72,291	(i)(n)	Other financial liabilities
Other	15,845	(14,303)	231	1,773	(i)	Other non-current liabilities
Total long-term liabilities	1,491,270	(100)	191,936	1,683,105		Total non-current liabilities
Total liabilities	1,840,159	11,418	188,573	2,040,151		Total liabilities
Net assets						Equity
Common stock	290,809	–	–	290,809		Common stock
Capital surplus	681,398	100	(2,549)	678,949		Capital surplus
Retained earnings	1,750,065	–	430,771	2,180,837	(w)	Retained earnings
Treasury stock	(75,425)	–	–	(75,425)		Treasury stock
Accumulated other comprehensive income	443,441	–	(484,932)	(41,490)	(p)(u)(v)	Other components of equity
Non-controlling interests	222,344	–	(11,119)	211,224	(t)	Non-controlling interests
Total net assets	3,312,633	100	(67,830)	3,244,904		Total equity
Total liabilities and net assets	5,152,792	11,519	120,743	5,285,056		Total liabilities and equity

(Note) Some of the Group's foreign consolidated subsidiaries and foreign equity-method affiliates have applied IAS 12 "Income Taxes" (amended in May 2021) from the year ended December 31, 2023. The amendments have been applied retrospectively, and Japanese GAAP as of January 1, 2022 (date of transition to IFRS) provides figures after retrospective application.

Reconciliations of equity as of December 31, 2022 (date of most recent consolidated financial statements prepared under Japanese GAAP)

(Millions of yen)

Line items under Japanese GAAP	Japanese GAAP (Note)	Reclassification	Effects of differences in recognition and measurement	IFRS	Notes	Line items under IFRS
Assets						Assets
Current assets						Current assets
Cash and deposits	227,829	(19,628)	37	208,238	(a)(k)(l)	Cash and cash equivalents
Accounts receivable-trade and contract assets	252,938	34,320	193	287,452	(b)(k)(l)	Trade and other receivables
Securities	58,152	(58,152)	–	–	(c)	
Inventories	68,154	4,883	(1,130)	71,907	(k)(l)	Inventories
Accounts receivable-other	61,758	(61,758)	–	–	(b)(c)(d)	
	–	5,948	–	5,948	(d)	Income taxes receivable
	–	32,180	(1)	32,179	(c)	Loans receivable
	–	84,635	404	85,039	(a)(c)	Other financial assets
Other	73,588	(31,750)	(419)	41,417	(c)(k)(l)	Other current assets
Allowance for doubtful accounts	(13,020)	13,020	–	–	(b)	
Total current assets	729,401	3,697	(915)	732,183		Subtotal
	–	26,422	–	26,422	(k)	Assets held for sale
	729,401	30,118	(915)	758,605		Total current assets
Fixed assets						Non-current assets
Tangible fixed assets	2,473,118	855,338	212,050	3,540,507	(e)(k)(l) (m)(n)(q) (u)	Oil and gas assets
	–	27,387	3	27,390	(e)(k)(n)	Other property, plant and equipment
	–	40,332	(20,626)	19,706	(f)(o)	Goodwill
Intangible assets	482,704	(475,929)	0	6,775	(e)(f)	Intangible assets
	–	656,287	(19,704)	636,582	(g)(r)	Investments accounted for using equity method
Investment securities	742,914	(679,963)	(2,801)	60,149	(c)(g)	Other financial assets
Long-term loans receivable	1,279,383	–	(243)	1,279,140		Loans receivable
Recoverable accounts under production sharing	521,541	(521,541)	–	–	(e)(l)	
Deferred tax assets	69,705	–	7,836	77,541	(s)	Deferred tax assets
Asset for retirement benefits	1,734	–	–	1,734		Asset for retirement benefits
Other	15,765	23,871	643	40,280	(k)(l)	Other non-current assets
Allowance for doubtful accounts	(690)	690	–	–		
Allowance for recoverable accounts under production sharing	(53,873)	53,873	–	–	(e)	
Allowance for investments in exploration	(1,852)	1,852	–	–		
Total fixed assets	5,530,452	(17,800)	177,157	5,689,809		Total non-current assets
Total assets	6,259,853	12,318	176,241	6,448,414		Total assets

(Note) Some of the Group's foreign consolidated subsidiaries and foreign equity-method affiliates have applied IAS 12 "Income Taxes" (amended in May 2021) from the year ended December 31, 2023. The amendments have been applied retrospectively, and Japanese GAAP as of December 31, 2022 (date of the most recent consolidated financial statements prepared under Japanese GAAP) provides figures after retrospective application.

(Millions of yen)

Line items under Japanese GAAP	Japanese GAAP (Note)	Reclassification	Effects of differences in recognition and measurement	IFRS	Notes	Line items under IFRS
Liabilities						Liabilities and equity
Current liabilities						Liabilities
Accounts payable-trade	47,183	163,127	526	210,836	(h)(k)(l)	Current liabilities
Short-term loan	75,878	–	–	75,878		Trade and other payables
Income taxes payable	126,675	–	69	126,745		Bonds and borrowings
Accounts payable-other	118,448	(118,448)	–	–	(h)	Income taxes payable
Provision for bonuses	1,458	(1,458)	–	–		
Provision for bonuses to officers	130	(130)	–	–		
Provision for loss on business	8,631	(8,631)	–	–		
Provision for exploration projects	3,391	(3,391)	–	–		
Asset retirement obligations	15,504	(37)	(5,366)	10,100	(k)(q)	Asset retirement obligations
	–	74,271	7,562	81,833	(i)(n)	Other financial liabilities
Other	129,439	(96,005)	(2,311)	31,122	(h)(i)(k) (l)	Other current liabilities
Total current liabilities	526,740	9,296	480	536,517		Subtotal
	–	4,213	–	4,213	(k)	Liabilities directly related to assets held for sale
	526,740	13,508	480	540,730		Total current liabilities
Long-term liabilities						Non-current liabilities
Bonds payable	30,000	1,164,369	–	1,194,369	(j)	Bonds and borrowings
Long-term debt	1,164,369	(1,164,369)	–	–	(j)	
Deferred tax liabilities	192,507	–	42,048	234,556	(s)	Deferred tax liabilities
Provision for stocks payment	245	(245)	–	–		
Provision for special repair and maintenance	705	(705)	–	–		
Liability for retirement benefits	689	–	–	689		Liability for retirement benefits
Asset retirement obligations	303,159	(1,190)	32,266	334,234	(k)(q)	Asset retirement obligations
	–	15,366	55,439	70,805	(i)(n)	Other financial liabilities
Other	19,064	(14,660)	62	4,466	(i)	Other non-current liabilities
Total long-term liabilities	1,710,742	(1,435)	129,816	1,839,123		Total non-current liabilities
Total liabilities	2,237,483	12,073	130,296	2,379,854		Total liabilities
Net assets						Equity
Common stock	290,809	–	–	290,809		Common stock
Capital surplus	683,382	245	(4,514)	679,113		Capital surplus
Retained earnings	2,055,459	–	466,538	2,521,998	(w)	Retained earnings
Treasury stock	(121,358)	–	–	(121,358)		Treasury stock
Accumulated other comprehensive income	852,558	–	(415,739)	436,818	(p)(u)(v)	Other components of equity
Non-controlling interests	261,517	–	(339)	261,178	(t)	Non-controlling interests
Total net assets	4,022,370	245	45,944	4,068,560		Total equity
Total liabilities and net assets	6,259,853	12,318	176,241	6,448,414		Total liabilities and equity

(Note) Some of the Group's foreign consolidated subsidiaries and foreign equity-method affiliates have applied IAS 12 "Income Taxes" (amended in May 2021) from the year ended December 31, 2023. The amendments have been applied retrospectively, and Japanese GAAP as of December 31, 2022 (date of the most recent consolidated financial statements prepared under Japanese GAAP) provides figures after retrospective application.

Notes on reconciliations of equity

(i) Reclassification

(a) Cash and cash equivalents

Time deposits with deposit terms of more than three months, which were included in “Cash and deposits” under Japanese GAAP, have been reclassified as “Other financial assets” in current assets under IFRS.

(b) Trade and other receivables

Part of “Accounts receivable-other” and “Allowance for doubtful accounts” in current assets, which were presented separately under Japanese GAAP, have been reclassified as “Trade and other receivables” under IFRS.

(c) Other financial assets

“Securities” and part of “Accounts receivable-other,” which were presented separately, and loans receivable included in “Other” in current assets under Japanese GAAP, have been reclassified as “Other financial assets” in current assets and “Loans receivable” under IFRS.

In addition, investment securities other than “investments accounted for using equity method,” which were included in “investment securities” under Japanese GAAP, have been reclassified as “Other financial assets” in non-current assets under IFRS.

(d) Income taxes receivable

“Income taxes receivable,” which was included in “Accounts receivable-other” under Japanese GAAP, is presented separately under IFRS.

(e) Oil and gas assets

Assets related to oil and gas exploration, evaluation, development, and production activities, which were presented as “Intangible assets,” “Recoverable accounts under production sharing,” and “Allowance for recoverable accounts under production sharing” under Japanese GAAP, have been reclassified as “Oil and gas assets” under IFRS.

In addition, property, plant and equipment other than assets related to oil and gas, which was included in “Tangible fixed assets” under the Japanese GAAP, has been reclassified as “Other property, plant and equipment” under IFRS.

(f) Goodwill

“Goodwill,” which was included in “Intangible assets” under Japanese GAAP, is presented separately under IFRS.

(g) Investments accounted for using equity method

“Investments accounted for using equity method,” which was included in “Investment securities” under Japanese GAAP, is presented separately under IFRS.

(h) Trade and other payables

“Accounts payable-other,” which was presented separately under Japanese GAAP, and part of accrued expenses included in “Other” in current liabilities under Japanese GAAP, have been reclassified as “Trade and other payables” under IFRS.

(i) Other financial liabilities

Lease liabilities and deposits payable, which were included in “Other” in current liabilities and “Other” in long-term liabilities under Japanese GAAP, have been reclassified as “Other financial liabilities” in current liabilities and “Other financial liabilities” in non-current liabilities under IFRS.

(j) Bonds and borrowings

“Bonds payable” and “Long-term debt,” which were presented separately under Japanese GAAP, have been reclassified as “Bonds and borrowings” in non-current liabilities under IFRS.

- (k) Assets held for sale and liabilities directly related to assets held for sale
“Assets held for sale” and “Liabilities directly related to assets held for sale” are presented separately in accordance with IFRS presentation rules.
- (l) Invested capital for joint operations
Invested capital related to production sharing contract projects, which was included in “Recoverable accounts under production sharing” under Japanese GAAP, is measured as the Group’s equivalent share of the assets and liabilities of joint operations and included in the appropriate account to represent the rights and obligations with respect to the assets and liabilities of joint operations under IFRS.
- (ii) Effects of differences in recognition and measurement
- (m) Oil and gas assets
Under Japanese GAAP, oil and gas assets were accounted for differently depending on the type of contract. However, under IFRS, payments related to oil and natural gas exploration and evaluation are accounted for using the successful efforts method, and payments related to development wells and related production facilities are recognized as oil and gas assets and depreciated using the unit-of-production method. For certain “Oil and gas assets,” the fair value at the date of transition or the carrying amount calculated in accordance with previous GAAP is used as the deemed cost, which is ¥83,407 million higher compared to the carrying amount under Japanese GAAP. In addition, the fair value at the date of transition considering the increase, etc. from the recognition of lease assets (right-of-use assets) and the capitalization of asset retirement obligation costs is ¥693,892 million. Fair value is estimated using the discounted cash flow method and is classified as Level 3. The main unobservable inputs used in the fair value measurement are the outlook for future oil prices and the reserves.
- (n) Lease assets and lease liabilities
Under Japanese GAAP, operating lease transactions by a lessee are expensed as rental transactions. However, under IFRS, in principle, lease assets (right-of-use assets) and lease liabilities are recognized for all lease transactions by a lessee. Lease assets (right-of-use assets) are included in “Oil and gas assets” and “Other property, plant and equipment,” and lease liabilities are included in “Other financial liabilities” in current liabilities and “Other financial liabilities” in non-current liabilities.
- (o) Goodwill
Under Japanese GAAP, limited to cases where there are indications of impairment in the group of cash-generating units, including goodwill, the Group had determined whether to recognize an impairment loss by comparing the carrying amount of the asset with the total undiscounted future cash flows expected from the group of cash-generating units, including goodwill in question. However, under IFRS, the recoverable amount is calculated as value in use based on the discounted future cash flows expected from the group of cash-generating units, including goodwill in question, and an impairment loss is recognized if the recoverable amount is less than the carrying amount.
As a result of the goodwill impairment test performed on the date of transition, for ¥29,550 million of goodwill allocated to the group of cash-generating units of “Oil & Gas Japan” segment, the carrying amount of the group of cash-generating units was reduced to its recoverable amount, and the entire amount of goodwill was reduced from retained earnings, as the initially anticipated future cash flow was no longer expected.
The recoverable amount is measured by value in use and is ¥281,163 million. Value in use is calculated by discounting estimated cash flows to present value for the period covered by the business plans approved by management and for the subsequent period considered for the volume of LNG received from natural gas production from mining areas in Japan, the Group’s own mining areas, etc. The key assumptions used in this calculation are future sales volume and crude oil and natural gas prices, and the assumptions are based on the best estimates by management taking into account various factors, such as the impact of the spread of COVID-19, that are considered reasonable on the date of transition. The discount rate is determined based on the pre-tax weighted average cost of capital of the group of cash-generating units, and the discount rate used to calculate value in use is 6.4%.

- (p) Financial assets measured at fair value through other comprehensive income
Under Japanese GAAP, gains (losses) on sale or impairment losses on investment securities were treated as profit or loss. However, under IFRS, for equity financial instruments designated to be measured at fair value through other comprehensive income, changes in fair value are recognized in other comprehensive income and transferred to retained earnings when they are derecognized.
- (q) Asset retirement obligations and the corresponding asset retirement costs
Under Japanese GAAP, asset retirement obligations and the corresponding asset retirement costs related to production sharing contract projects were not recognized. However, under IFRS, in principle, asset retirement obligations and the corresponding asset retirement costs related to all projects, including production sharing contracts, are recognized.
In addition, under Japanese GAAP, discount rates were subject to review in the event of significant changes to estimates associated with increases in undiscounted cash flows used in the calculation of asset retirement obligations. However, under IFRS, adjustments are made to reflect the latest and best estimates, which entails reassessing asset retirement obligations at the end of each reporting period and accordingly reviewing the discount rate.
- (r) Investments accounted for using equity method
Due to the adoption of IFRS, the carrying amount of “Investments accounted for using equity method” has decreased compared to Japanese GAAP due to changes in the adjustments to the financial statements of some joint ventures when the accounting policies differ from those adopted by the Group.
- (s) Deferred tax assets and deferred tax liabilities
With the adoption of IFRS, the recoverability of all deferred tax assets has been reassessed. In addition, deferred tax assets and deferred tax liabilities have been recognized for temporary differences arising from the adjustments from Japanese GAAP to IFRS.
- (t) Non-controlling interests
The related non-controlling interests have been adjusted for the differences in recognition and measurement arising from the reconciliations from Japanese GAAP to IFRS.
Under Japanese GAAP, if the amount of losses of a subsidiary that is allocated to non-controlling interests in the subsidiary exceeds the amount that should be borne by the non-controlling shareholders, the excess amount is borne by the parent company’s equity. However, under IFRS, regardless of whether or not subsidiaries have recognized losses, total comprehensive income from the date of transition and onwards is borne by both equity attributable to owners of parent and non-controlling interests.
- (u) Functional currency of subsidiaries
Under Japanese GAAP, financial statements were prepared based on the currency of the country where the subsidiary is located. However, under IFRS, the functional currency is determined, and financial statements are prepared based on the functional currency of each company. For consolidation purposes, exchange differences arising from translation to Japanese yen, which serves as the Group’s presentation currency for the consolidated financial statements, are recorded in other comprehensive income.
In accordance with the aforementioned, for subsidiaries incorporated in Japan for whose functional currency is deemed to be the US dollar under IFRS, whereas under Japanese GAAP, the exchange rate on the transaction date was used for translation to Japanese yen for transactions in US dollars, under IFRS, certain non-monetary items denominated in US dollars (including oil and gas assets) within those subsidiaries are translated to Japanese yen using the exchange rate at the end of the fiscal year in the process of translating the assets and liabilities of those subsidiaries to Japanese yen, given that the currency used for transaction and functional currency are both US dollars.
- (v) Accumulated exchange differences on translation of foreign operations
The Group has elected the exemption provided in IFRS 1 at first-time adoption, and transferred all accumulated exchange differences on translation of foreign operations to retained earnings at the date of transition.

(w) Reconciliations of retained earnings

(Millions of yen)

	As of January 1, 2022	As of December 31, 2022
(m) Oil and gas assets	62,737	(43,119)
(o) Goodwill	(29,550)	(20,586)
(p) Financial assets measured at fair value through other comprehensive income	28,099	19,470
(q) Asset retirement obligations and the corresponding asset retirement costs	(86,720)	8,124
(r) Investments accounted for using equity method	(14,342)	(13,781)
(s) Deferred tax assets and deferred tax liabilities	(20,817)	(32,618)
(t) Non-controlling interests	11,119	27,238
(u) Functional currency of subsidiaries	15,611	65,671
(v) Accumulated exchange differences on translation of foreign operations	456,972	456,972
Other	7,662	(832)
Total	430,771	466,538

Reconciliations of profit or loss and comprehensive income for the year ended December 31, 2022 (January 1, 2022 through December 31, 2022) (year of most recent consolidated financial statements prepared under Japanese GAAP)

(Millions of yen)

Line items under Japanese GAAP (summary)	Japanese GAAP (Note)	Reclassification	Effects of differences in recognition and measurement	IFRS	Notes	Line items under IFRS
Net sales	2,324,660	–	(8,573)	2,316,086	(j)	Revenue
Cost of sales	943,414	8,391	(133,675)	818,130	(a)(c)(d)	Cost of sales
Gross profit	1,381,245	(8,391)	125,102	1,497,956		Gross profit
Exploration expenses	29,202	–	(16,500)	12,702	(e)	Exploration expenses
Selling, general and administrative expenses	105,634	(184)	(13,475)	91,975	(f)	Selling, general and administrative expenses
	–	88,905	7,066	95,971	(a)(j)	Other operating income
	–	36,731	115,104	151,836	(a)(g)	Other operating expenses
	–	165,684	569	166,253	(a)	Share of profit (loss) of investments accounted for using equity method
Operating income	1,246,408	209,650	47,608	1,503,667		Operating profit
Other income	335,638	(335,638)	–	–	(a)	
Other expenses	140,051	(140,051)	–	–	(a)	
Extraordinary loss	25,799	(25,799)	–	–	(a)	
	–	80,850	(7,030)	73,820	(a)(h)	Finance income
	–	120,815	11,290	132,105	(a)(i)	Finance costs
Income before income taxes	1,416,196	(102)	29,288	1,445,382		Profit before tax
Income taxes-current	952,982	(1,578)	8,022	959,427	(b)	Income tax expense
Income taxes-deferred	(1,476)	1,476	–	–	(b)	
Net income	464,689	–	21,265	485,955		Profit
Other comprehensive income						Other comprehensive income
						Items that will not be reclassified to profit or loss
Unrealized holding gain (loss) on securities	1,581	–	1,454	3,035	(h)	Financial assets measured at fair value through other comprehensive income
	–	–	1,634	1,634		Remeasurement gains (losses) on defined benefit plans
	–	(73)	0	(74)		Share of other comprehensive income of investments accounted for using equity method
						Items that may be reclassified subsequently to profit or loss
Deferred gain (loss) on hedges	195	–	–	195		Cash flow hedges
Translation adjustments	355,243	–	100,159	455,403	(j)	Exchange differences on translation of foreign operations
Share of other comprehensive income of affiliates accounted for by the equity-method	59,060	73	(10,737)	48,397		Share of other comprehensive income of investments accounted for using equity method
Total other comprehensive income	416,081	–	92,509	508,590		Other comprehensive income, net of tax
Comprehensive income	880,770	–	113,775	994,545		Comprehensive income

(Note) Some of the Group's foreign consolidated subsidiaries and foreign equity-method affiliates have applied IAS 12 "Income Taxes" (amended in May 2021) from the year ended December 31, 2023. The amendments have been applied retrospectively, and the year ended December 31, 2022 under Japanese GAAP (January 1, 2022 through December 31, 2022) (year of most recent consolidated financial statements prepared under Japanese GAAP) provides figures after retrospectively application.

Notes on reconciliations of profit or loss and comprehensive income

(i) Reclassification

(a) Reconciliations of line items

Items that were presented as “Other income,” “Other expenses,” and “Extraordinary loss” under Japanese GAAP are recorded as “Finance income” and “Finance costs” for financial-related profits and losses under IFRS. Other items are presented in “Cost of sales,” “Other operating income,” “Other operating expenses,” and “Share of profit (loss) of investments accounted for using equity method.”

(b) Income tax expense

“Income taxes-current” and “Income taxes-deferred,” which were presented separately under Japanese GAAP, are collectively presented as “Income tax expense” under IFRS.

(ii) Effects of differences in recognition and measurement

(c) Depreciation of oil and gas assets

Under Japanese GAAP, depreciation of oil and gas assets was accounted for differently depending on the type of contract. However, under IFRS, payments related to oil and natural gas development wells and related production facilities and asset retirement costs for asset retirement obligations are recognized as oil and gas assets (development and production assets) and are depreciated using the unit-of-production method based on the total volume of proved and probable reserves after production begins.

(d) Remeasurement of asset retirement obligations

Under Japanese GAAP, discount rates were subject to review in the event of significant changes to estimates associated with increases in undiscounted cash flows used in the calculation of asset retirement obligations. However, under IFRS, adjustments are made to reflect the latest and best estimates, which entails reassessing asset retirement obligations at the end of each reporting period and accordingly reviewing the discount rate.

(e) Exploration expenses

Under Japanese GAAP, exploration expenses were accounted for differently depending on the type of contract. However, under IFRS, payments related to oil and natural gas exploration and evaluation are accounted for using the successful efforts method, and certain payments are recognized as oil and gas assets (exploration and evaluation assets).

(f) Non-amortization of goodwill

Because goodwill was amortized under Japanese GAAP, we recorded ¥8,963 million in amortization, but because it is not amortized under IFRS, the amount amortized has been retrospectively restated.

(g) Impairment loss

In cases where there are indications of impairment in oil and natural gas development wells and related production facilities, under Japanese GAAP, the Group had determined whether to recognize an impairment loss by comparing the carrying amount of the asset in question with the total undiscounted future cash flows expected from the asset in question. However, under IFRS, the recoverable amount is calculated as the value in use based on the discounted future cash flows expected from the asset in question, and an impairment loss is recognized if the recoverable amount is less than the carrying amount.

Furthermore, under Japanese GAAP, payments related to oil and natural gas exploration and evaluation were accounted for differently depending on the type of contract. However, under IFRS, they are accounted for using the successful efforts methods, and certain payments are recognized as assets and impairment losses are recorded when the prospect of commercial profitability is impaired.

(h) Financial assets measured at fair value through other comprehensive income

Under Japanese GAAP, gain (loss) on sale of or impairment loss on investment securities were treated as profit or loss. However, under IFRS, for equity financial instruments designated to be measured at fair value through other comprehensive income, changes in fair value are recognized in other comprehensive income and reclassified to retained earnings when they are derecognized.

(i) Interest expense

Under Japanese GAAP, interest expenses related to production sharing contract projects were included in “Recoverable accounts under production sharing.” However, under IFRS, in principle, interest expenses related to all projects, including production sharing contracts, are included in “Finance costs,” except for borrowing costs associated with qualifying assets that fulfill requirements for capitalization.

(j) Functional currency of subsidiaries

Under Japanese GAAP, financial statements were prepared based on the currency of the country where the subsidiary is located. However, under IFRS, the functional currency is determined, and financial statements are prepared based on the functional currency of each company. For consolidation purposes, exchange differences arising from translation to Japanese yen, which serves as the Group’s presentation currency for the consolidated financial statements, are recorded in other comprehensive income.

In accordance with the aforementioned, for subsidiaries incorporated in Japan for whose functional currency is deemed to be the US dollar under IFRS, whereas under Japanese GAAP, the exchange rate on the transaction date was used for translation to Japanese yen for transactions in US dollars, under IFRS, certain transactions denominated in US dollars (including sales transactions) within those subsidiaries are translated to Japanese yen using the average exchange rate for the reporting period in the process of translating the revenue and expenses of those subsidiaries to Japanese yen, given that the currency used for transactions and functional currency are both US dollars.

In addition, for subsidiaries incorporated in Japan for whose functional currency is deemed to be the US dollar under IFRS, whereas under Japanese GAAP, exchange differences arising from translation of monetary receivables and payables denominated in US dollars were recognized as foreign exchange gains and losses, under IFRS, for certain monetary items denominated in US dollars within those subsidiaries, exchange differences arising from the process of translating the assets and liabilities of those subsidiaries to Japanese yen are recognized as other comprehensive income, given that the currency used for transactions and functional currency are both US dollars.

Reconciliations of cash flows for the year ended December 31, 2022 (year of most recent consolidated financial statements prepared under Japanese GAAP)

Compared with the consolidated statement of cash flows under Japanese GAAP, the consolidated statement of cash flows under IFRS for the year ended December 31, 2022 showed an increase of ¥30,990 million in net cash provided by operating activities, an increase of ¥9,548 million in net cash used in investing activities, an increase of ¥4,668 million in net cash used in financing activities, and a decrease of ¥16,988 million in effect of exchange rate changes on cash and cash equivalents.

The main differences are as follows:

- (a) Under Japanese GAAP, payments incurred in connection with oil and natural gas operations are accounted for differently depending on the type of contract. Cash investments made under a production sharing contract were categorized as cash flows from operating activities and cash flows from investing activities, depending on the details of the contract. Under IFRS, as the Group recognizes assets, liabilities, revenue and expenses in the equivalent amount of the Group’s share regardless of the type of contract, and payments for exploration are accounted for using the successful efforts method, the Group does not use accounts related to the recoverable accounts under production sharing, but classifies them as cash flows from operating activities and cash flows from investing activities according to the nature of payments. As a result, cash flows from operating activities and cash flows from investing activities have changed.
- (b) Under Japanese GAAP, lease payments under operating lease transactions were classified as cash flows from operating activities. However, under IFRS, lease liabilities are required to be recognized for all leases in principle, and repayments of lease liabilities are classified as cash flows from financing activities. As a result, cash flows from operating activities and cash flows from financing activities have changed.
- (c) Under Japanese GAAP, financial statements were prepared based on the currency of the country where the subsidiary is located. However, under IFRS, the functional currency is determined, and financial statements are prepared based on the functional currency of each company. As a result, the effect of exchange rate changes on cash and cash equivalents and each cash flow have changed.