CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2023

MITSUI OIL EXPLORATION CO.,LTD.

Please note that the accompanying consolidated financial statments and notes are translation of the original Japanese document prepared in accordance with the provision set forth in the Companies Act of Japan and applicable regulations and in accordance with the accounting principles generally accepted in Japan and is only for reference purpose. In the event of any differences between this translated consolidated financial statements and the original Japanese document, the original Japanese document shall prevail.

Consolidated Balance Sheet

March 31, 2023

	Millions of yen		Thousands of U.S. dollars (Note 1)
ASSETS	March 31, 2023	March 31, 2022	March 31, 2023
Current Assets			
Cash and cash equivalents	¥427,701	¥395,067	$3,203,035
Receivables-trade (Note 7)	1,663	6,399	12,454
Inventories	585	1,247	4,383
Other current assets	6,160	7,240	46,133
Total Current Assets	436,110	409,953	3,266,005
Investments and Other Assets			
Investments in securities (Note 7)	81,009	71,711	606,672
Other assets	866	1,132	6,484
Total Investments and Other Assets	81,875	72,843	613,156
Property and Equipment (Note 3)			
Buildings and structures	780	1,267	5,844
Wells	3,967	5,709	29,708
Machinery and equipment	2,844	4,010	21,300
Land	7	7	52
Construction in progress	2,960	2,746	22,170
Other	66	93	496
Total Property and Equipment	10,625	13,831	79,571
Intangible Assets			
Mineral rights	2,309	2,403	17,289
Exploration expenditures	17,961	17,268	134,513
Allowance for exploration expenditures	(19,226)	(18,462)	(143,983)
Other	131	121	980
Total Intangible Assets	1,175	1,330	8,800
Total Assets	¥529,784	¥497,958	$3,967,531

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Consolidated Balance Sheet

March 31, 2023

	Millions of yen		Thousands of U.S. dollars (Note 1)
LIABILITIES AND EQUITY	March 31, 2023	March 31, 2022	March 31, 2023
Current Liabilities			
Accounts payable (Note 7)	¥3,721	¥7,878	$27,866
Income taxes payable	1,907	3,997	14,278
Accrued expenses	1,016	1,187	7,610
Deposits received (Note 7)	187	192	1,403
Derivative liabilities	5	178	35
Asset retirement obligations (Note 2(q), 4)	16,352	10,512	122,458
Other current liabilities	404	282	3,029
Total Current Liabilities	23,592	24,224	176,680
Long-Term Liabilities			
Deferred tax liabilities	244	236	1,827
Asset retirement obligations (Note 2(q), 4)	122,939	108,729	920,682
Long-term accounts payable (Note 7)	-	12	0
Other long-term liabilities	689	859	5,156
Total Long-Term Liabilities	123,871	109,836	927,666
Total Liabilities	147,463	134,061	1,104,346
Contingent Liabilities (Note 6)			
Equity (Note 5)			
Common stock	33,133	33,133	248,135
Shares authorized for both 2023 and 2022: 80,000,000			
Shares outstanding for both 2023 and 2022: 66,266,800			
Retained earnings	314,407	299,733	2,354,581
Total	347,541	332,867	2,602,715
Accumulated Other Comprehensive Income			
Unrealized gains on available-for-sale securities	8,636	13,630	64,674
Deferred gains (losses) on hedges	(1)	359	(10)
Foreign currency translation adjustments	20,682	12,175	154,890
Total	29,317	26,164	219,554
Noncontrolling Interests	5,464	4,866	40,916
Total Equity	382,321	363,897	2,863,185
Total Liabilities and Equity	¥529,784	¥497,958	$3,967,531

See notes to consolidated financial statements.

Consolidated Statement of Income

Year ended March 31, 2023	Millions of yen		Thousands of U.S. dollars (Note 1)
	Year ended March 31,2023	Year ended March 31,2022	Year ended March 31,2023
Net sales	¥23,502	¥72,970	$176,009
Cost of sales	7,900	43,630	59,159
Gross profit	15,603	29,339	116,850
Selling, general, and administrative expenses	4,556	6,692	34,117
Operating income	11,047	22,648	82,733
Other income (expenses)			
Interest and dividend income	4,809	1,122	36,011
Equity in earnings (losses) of associated companies	9,988	1,057	74,799
Foreign exchange gain (loss)	2,463	(758)	18,442
Gain (loss) on write-off of asset retirement obligation of fully depreciated assets related to change in accounting estimate (Note 2(q))	(13,782)	6,036	(103,213)
Realized gain (loss) on derivatives	-	(67)	-
Gain on sales of investments in securities	4,854	5,050	36,355
Provision for exploration expenditure	(820)	(1,684)	(6,137)
Gain on liquidation of subsidiaries and associated companies	438	-	3,282
Impairment loss	(834)	-	(6,244)
Other - net	485	668	3,634
Other income (expenses) - net	7,602	11,423	56,929
Income before income taxes	18,649	34,071	139,662
Income taxes			
Current	3,370	16,685	25,236
Deferred	8	(109)	61
Total income taxes	3,378	16,576	25,297
Net income	15,271	17,495	114,365
Net income attributable to noncontrolling interests	597	114	4,474
Net income attributable to owners of the parent	¥14,674	¥17,381	$109,891

	Yen		U.S. dollars (Note 1)
Per share of common stock	Year ended March 31,2023	Year ended March 31,2022	Year ended March 31,2023
Net income	¥221.43	¥262.29	$1.66
Cash dividends applicable to the year	-	-	-

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

Year ended March 31, 2023

	Millions of yen						
	Common stock	Retained earnings	Unrealized gains (losses) on available-for-sale securities	Deferred gains (losses) on hedges	Foreign currency translation adjustments	Noncontrolling interests	Total equity
BALANCE, March 31, 2021	¥33,133	¥282,352	¥11,096	(¥65)	¥7,249	¥4,610	¥338,376
Changes in scope of consolidation						(2)	(2)
Net income		17,381					17,381
Net changes of items other than shareholders' equity			2,534	424	4,926	258	8,141
Net change in the year	-	17,381	2,534	424	4,926	256	25,521
BALANCE, March 31, 2022	¥33,133	¥299,733	¥13,630	¥359	¥12,175	¥4,866	¥363,897
Changes in scope of consolidation					(527)		(527)
Net income		14,674					14,674
Net changes of items other than shareholders' equity			(4,994)	(360)	9,034	597	4,277
Net change in the year	-	14,674	(4,994)	(360)	8,507	597	18,424
BALANCE, March 31, 2023	¥33,133	¥314,407	¥8,636	(¥1)	¥20,682	¥5,464	¥382,321

	Thousands of U.S. dollars (Note 1)						
	Common stock	Retained earnings	Unrealized gains (losses) on available-for-sale securities	Deferred gains (losses) on hedges	Foreign currency translation adjustments	Noncontrolling interests	Total equity
BALANCE, March 31, 2022	$248,135	$2,244,690	$102,076	$2,685	$91,180	$36,442	$2,725,208
Changes in scope of consolidation					(3,944)		(3,944)
Net income		109,891					109,891
Net changes of items other than shareholders' equity			(37,402)	(2,696)	67,654	4,474	32,030
Net change in the year	-	109,891	(37,402)	(2,696)	63,710	4,474	137,977
BALANCE, March 31, 2023	$248,135	$2,354,581	$64,674	($10)	$154,890	$40,916	$2,863,185

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Year ended March 31, 2023

1. Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements have been prepared from the accounts maintained by Mitsui Oil Exploration Co., Ltd. ("MOECO"), in accordance with the provisions set forth in the Companies Act of Japan and applicable regulations (the "Companies Act") and in accordance with the accounting principles generally accepted in Japan. The information provided in the notes to the consolidated financial statements is limited to that required by the Companies Act. The consolidated statement of cash flows is presented herein, although the preparation of such statement is not required under the Companies Act.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to MOECO's consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2021 consolidated financial statements to conform to the classifications used in 2022.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which MOECO is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥133.53= US$1, the rate of exchange on March 31, 2023. The translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

Statement of comprehensive income is not required as a part of the basic financial statements under the Companies Act of Japan and applicable regulations and, accordingly, is not presented herein.

2. Summary of Significant Accounting Policies

a) Principles of consolidation and accounting for investments in affiliates

The accompanying consolidated financial statements include the accounts of MOECO, 12 subsidiaries (together, the "Group"), and 7 affiliates. The 12 subsidiaries are Moeco Thailand Co., Ltd., Moeco Cambodia Co., Ltd., Moeco Vietnam Petroleum Co., Ltd., Moeco Southwest Vietnam Petroleum Co., Ltd., Moeco Libya Co., Ltd., Siam Moeco Ltd., MOECO International B.V., MOECO OIL (SARAWAK) SDN.BHD., MOECO Southwest Vietnam Pipeline B.V., MOECO Sakakemang B.V., MOECO Southeast Jambi B.V., and MOECO South Sakakemang B.V. The 7 affiliates are Mitsui E&P Middle East B.V., Orange Energy Limited, Mitsui E&P UK Ltd., Erawan2 FSO Bahamas Ltd., Mitsui E&P Brasil Ltda., Mitsui E&P Argentina S.A., and Iwate Geothermal Power Co., Ltd., and are accounted for by the equity method. Under the control and influence concepts, those companies in which MOECO, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Group has the ability to exercise significant influence are accounted for by the equity method. For the year ended March 31, 2023, MOECO Asia Pte. Ltd., MOECO Asia MG3 Pte. Ltd., MOECO Asia PSCG Pte. Ltd., MOECO Asia EP2 Pte. Ltd., MOECO Oil & Gas Asia Pte. Ltd., MOECO Asia Offshore Pte. Ltd., MOECO Asia South Pte. Ltd., were excluded from the scope of consolidation due to company dissolution resolved. As the closing date of December 31 for certain subsidiaries and affiliates differed from the consolidated closing date, necessary adjustments have been made to the financial statements of those companies to reflect any significant transactions made between MOECO's closing date and those of the consolidated subsidiaries.

The excess of cost over the underlying net assets, excluding noncontrolling interests at fair value, as of their dates of acquisition, is accounted for as goodwill and amortized over 20 years by the straight-line method.

All significant intercompany balances and transactions are eliminated in consolidation.

b) Cash equivalents

Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value. Cash equivalents include time deposits that represent short-term investments, all of which mature or become due within six months of the date of acquisition.

c) Inventories

Inventories are stated at the lower of cost determined by the retail method, or net selling value.

d) Marketable and Investment securities

Depending on management's intent, marketable and investment securities are classified and accounted for as follows:

Marketable available-for-sale securities are reported at fair value with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity.

Nonmarketable available-for-sale securities are stated at cost determined by the moving-average method.

For other-than-temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.

e) Property and equipment

Property and equipment are stated at cost. Depreciation is mainly calculated by the straight-line method over the estimated useful lives of the respective assets.

f) Mineral rights

Mineral rights are carried at cost, less accumulated amortization, which is calculated by the straight-line method over the duration of the petroleum production period, mainly fixed within a contract with the government.

g) Allowance for exploration expenditures

The costs that have been invested in exploration activities, such as geological and geophysical expenses, drilling, and other administration, are capitalized as exploration expenditures in intangible assets. An allowance for exploration expenditures is provided for future possible loss on exploration expenditures in the case of failure in exploration considering the possibility of recovery of exploration expenditures as there is a fairly low probability of success of exploration before approval for development by oil-producing countries. Moreover, an allowance for exploration expenditures that is incurred before the decision to transition to development has occurred is maintained until commencement of selling and realization of profitability for activities that are still in the development stage because of uncertainties.

Furthermore, an allowance for exploration expenditures is also provided for mineral rights, which includes a signature bonus and so on, associated with the conclusion of a contract with the government.

h) Long-lived assets

The Group reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or asset group may not be recoverable. An impairment loss is recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss is measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

i) Liability for retirement benefits

Liability for retirement benefits is based on benefit reserves and plan assets in the actuarial report at the consolidated balance sheet date.

j) Income taxes

The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

k) Foreign currency transactions

All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the consolidated balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statement of income.

l) Foreign currency financial statements

The assets, liabilities, revenue, and expense accounts of overseas subsidiaries are translated into yen at the exchange rates of their balance sheet dates, and the differences arising from the translation are presented as “Foreign currency translation adjustments” in equity.

Differences arising from such translation are divided into “Foreign currency translation adjustments” and “'Noncontrolling interests” in a separate component of equity.

m) Derivatives

The Group uses derivative financial instruments to manage its exposures to fluctuations in foreign exchange rates and commodity prices. Derivatives are stated at fair value and realized gains and losses on derivative transactions are recognized in the consolidated statement of income.

n) Per share information

Net income per share attributable to owners of the parent is calculated by dividing profit attributable to owners of the parent by the weighted-average number of common stock outstanding during the reporting period.

Cash dividends per share presented in the accompanying consolidated statement of income are dividends applicable to the respective years, including dividends to be paid after the end of the year.

o) Hedge activities

Hedging activities are accounted for on a deferred basis.

p) Accounting estimates

The accounting item in the consolidated financial statements that is based on the accounting estimates and may significantly affect the consolidated financial statements in subsequent year is as follows:

Asset retirement obligation of ¥139,291 million ($1,043,141thousand)

q) Change in accounting estimates

For the year ended March 31, 2023, the Group has changed the accounting estimate of expenses related to the removal cost of some facilities producing crude oil and natural gas due to fluctuations in the unit cost of each process of the removal of facilities in Thailand. Due to this change in accounting estimate, the Group revised asset retirement obligations and added ¥14,363 million ($107,567 thousand) from the amount of the liability for asset retirement obligations. Also, gross profit and operating income respectively increased by ¥0.1 million ($0.8 thousand) and income before income taxes decreased by ¥13,782 million ($103,212 thousand). Meanwhile, the Group recorded the increase in depreciation for changes in estimate for asset retirement obligations of depreciated asset in previous years of ¥13,782 million ($103,213 thousand) as “Gain (loss) on write-off of asset retirement obligation of fully depreciated assets related to change in accounting estimate”.

This change in accounting estimate will result in a decrease to income before income taxes of ¥584 million ($4,374 thousand) in subsequent years.

3. Accumulated Depreciation and impairment

Accumulated depreciation and impairment of property and equipment for the years ended March 31, 2023 and 2022, were as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31, 2023	March 31, 2022	March 31, 2023
Accumulated depreciation and impairment of property and equipment	¥87,576	¥689,655	$655,850

4. Asset Retirement Obligations

The Group has estimated expenses to remove some facilities producing crude oil and natural gas in Thailand and recorded asset retirement obligations, which are expected to be incurred at the time of termination of the projects in the Gulf of Thailand. The discount rate is the distribution rate of U.S. Treasury Bills.

The changes in asset retirement obligations for the years ended March 31, 2023 and 2022, were as follows:

	Millions of yen		Thousands of U.S. dollars
	Year ended March 31, 2023	Year ended March 31, 2022	Year ended March 31, 2023
Balance at beginning of year	¥119,241	¥126,147	$892,988
Additional provisions associated with acquisition of property and equipment	33	632	245
The decrease associated with disposition of property and equipment	(6,334)	(16,226)	(47,432)
The (decrease) increase associated with change of estimate	14,528	(6,015)	108,797
Adjustment associated with passage of time	446	2,853	3,338
Foreign currency translation adjustments	11,377	12,421	85,203
The decrease associated with fulfillment of asset retirement obligations	-	(570)	-
Balance at end of year	¥139,291	¥119,241	$1,043,141

5. Equity

Japanese companies are subject to the Companies Act. The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the total aggregate amount of legal reserve and additional paid-in capital equals 25% of the amount of common stock.

6. Contingent Liabilities

On March 31, 2023, MOECO had the following contingent liabilities:

(1) Guarantees of indebtedness of an affiliated company

MOECO provides guarantees to the financial institutions in relation to the borrowing of MOECO’s affiliated company amounting to ¥139 million ($1,039 thousand).

Mitsui & Co., Ltd. (the “Parent”) provides guarantees to the financial institutions in relation to the borrowing of MOECO’s affiliated company and MOECO guarantees its equity interest percentages of the affiliated company to the Parent amounting to ¥32,204 million ($241,174 thousand).

(2) Revolving guarantees of contract performance bond of an affiliated company

The Parent provides revolving guarantees to the operator in relation to the contract performance of MOECO’s affiliated company and MOECO guarantees its equity interest percentages of the affiliated company to the Parent amounting to a maximum limit of ¥3,159 million ($23,660 thousand).

The financial institutions provide revolving guarantees to the operator in relation to the contract performance of MOECO’s affiliated company and MOECO guarantees its equity interest percentages of the affiliated company to the financial institutions amounting to a maximum limit of ¥309 million ($2,315 thousand).

7. Financial Instruments and Related Disclosures

(1) Policy for financial instruments

The Group emphasizes capital safety and liquidity in its fund management. Cash surpluses, if any, are invested in time deposits and short-term investments. Fund procurement is mainly operated by bank loans. Derivatives are not used for speculative purposes, but to manage exposure to financial risks.

(2) Nature and extent of risks arising from financial instruments and risk management

Receivables, such as trade accounts, are exposed to customer credit risk. The Group manages credit risk from receivables on the basis of internal guidelines.

Securities mainly consist of equity securities. Marketable and investment securities are managed by monitoring market values and financial position of issuers on a regular basis.

Debt loans are short-term debt incurred as temporary bridging funds and long-term debt for projects related development and production.

Derivatives include commodity contracts for sale of oil and condensate, which are used to manage exposure to market risks from changes in sales price. The Group limits the counterparties to these contracts to major financial institutions and manages its credit risk at a low level.

(3) Fair values of financial instruments

For the year ended March 31, 2023, the consolidated balance sheet amount, fair values of financial instruments are as follows: Investments in equity instruments that do not have a quoted market price in an active market are not included in the following table. The fair values of cash and cash equivalents, income taxes payable, and accrued expenses are not disclosed because their maturities are short and the carrying values approximate fair value.

(a) Fair values of financial instruments

	Millions of yen		
March 31, 2023	Carrying amount	Fair value	Unrealized gain
Receivables-trade	¥1,663	¥1,663	-
Marketable securities and investment securities	8,901	8,901	-
Accounts payable	(3,721)	(3,721)	-
Deposits received	(187)	(187)	-
Derivatives	(5)	(5)	-
Total	¥6,651	¥6,651	-

	Millions of yen		
March 31, 2022	Carrying amount	Fair value	Unrealized gain
Receivables-trade	¥6,399	¥6,399	-
Marketable securities and investment securities	14,036	14,036	-
Accounts payable	(7,878)	(7,878)	-
Deposits received	(192)	(192)	-
Long-term accounts payable	(12)	(12)	-
Derivatives	(178)	(178)	-
Total	¥12,176	¥12,176	-

	Thousands of U.S. dollars		
March 31, 2023	Carrying amount	Fair value	Unrealized gain
Receivables-trade	$12,454	$12,454	-
Marketable securities and investment securities	66,662	66,662	-
Accounts payable	(27,866)	(27,866)	-
Deposits received	(1,403)	(1,403)	-
Derivatives	(35)	(35)	-
Total	$49,812	$49,812	-

The fair value of financial instruments is categorized into the following three levels, depending on the observability and significance of the inputs used in making fair value measurements.

Level 1: Fair values measured by using quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Fair values measured by using inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly or indirectly.

Level 3: Fair values measured by using unobservable inputs for the assets or liabilities.

If multiple inputs are used that have a significant impact on the measurement of fair value, fair value is classified at the lowest level in the fair value measurement among the levels to which each of these inputs belongs.

Marketable securities: Level 1
Listed stocks are valued by using market price. It is classified as Level 1 due to its active market.

Receivables-trade: Level 2
These fair values are calculated by the discounted present value method based on the amount of receivables, the period until maturity, and the interest rate that takes into account credit risk for each receivable classified by a certain period. These are classified as Level 2.

Accounts payable and Deposits received, Long-term accounts payable: Level 2
These fair values are calculated by the discounted present value method based on the future cash flow, the period until the repayment date, and the interest rate that takes into account credit risk for each debt divided by a certain period. These are classified as Level 2.

Derivatives: Level 2
Derivative are calculated based on the market prices of foreign exchange banks, etc., and the fair value is calculated using observable market. It is classified as Level 2.

(b) Financial instruments whose fair value cannot be reliably determined

	Carrying amount		
	Millions of yen		Thousands of U.S. dollars
	March 31, 2023	March 31, 2022	March 31, 2023
Unlisted shares	¥72,108	¥57,674	$540,010

8. Significant Non-cash Transactions

	Millions of yen		Thousands of U.S. dollars
	Year ended March 31, 2023	Year ended March 31, 2022	Year ended March 31, 2023
Asset retirement obligations	¥14,561	(¥5,384)	$109,043