



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

# Presentation of Consolidated financial results for the fiscal year ended March 31, 2012

**May 14 , 2012**

Japan Petroleum Exploration Co., Ltd.

## Cautionary statement

---

Any information contained herein with respect to JAPEX's plans, estimates, strategies and other statements that are not historical facts are forward-looking statements about the future performance of JAPEX. Readers should be aware that actual results and events may differ substantially from these projections due to various factors.

The provision of this document should not be construed as a solicitation for investment.

**Copyright :** All information contained herein is protected by copyright, and may not be copied or reproduced without the prior consent of JAPEX.

Note: The following abbreviations are used within this document:

1H = First half (1Q-2Q)

2H = Second half (3Q-4Q)

(a) = Actual result

(e) = Estimate

Any inquiries about the information contained herein or other Investor Relations questions should be directed to:

Investor Relations Group, Media & Investor Relations Department,  
Japan Petroleum Exploration Co., Ltd. (JAPEX)  
TEL: +81-3-6268-7111

# **Contents**

---

- 1. Business Overview**
- 2. Actual results for FY2012**
- 3. Estimates for FY2013**



---

# Business Overview

President  
Osamu Watanabe

# JAPEX' s Perception of the Business Environment

## ✓ An increasingly competitive resource development environment

- Growing nationalism in oil and gas producing countries
- Increasing global energy consumption reflecting increase in population and an economic growth in Asia & Africa
- Active movement of international oil companies and national oil companies purchasing conventional and unconventional resources interests

## ✓ Intense competition in the domestic natural gas business

- Aggressive natural gas infrastructure development by competitive companies

*Reinforcement of infrastructure development including pipelines will be taken as a policy in view of shifting to natural gas and of stable supply of energy, particularly after the Great East Japan Earthquake.*

- Intense competition for LNG procurement accompanying the global outlook of increasing demand

## ✓ Trends in energy prices

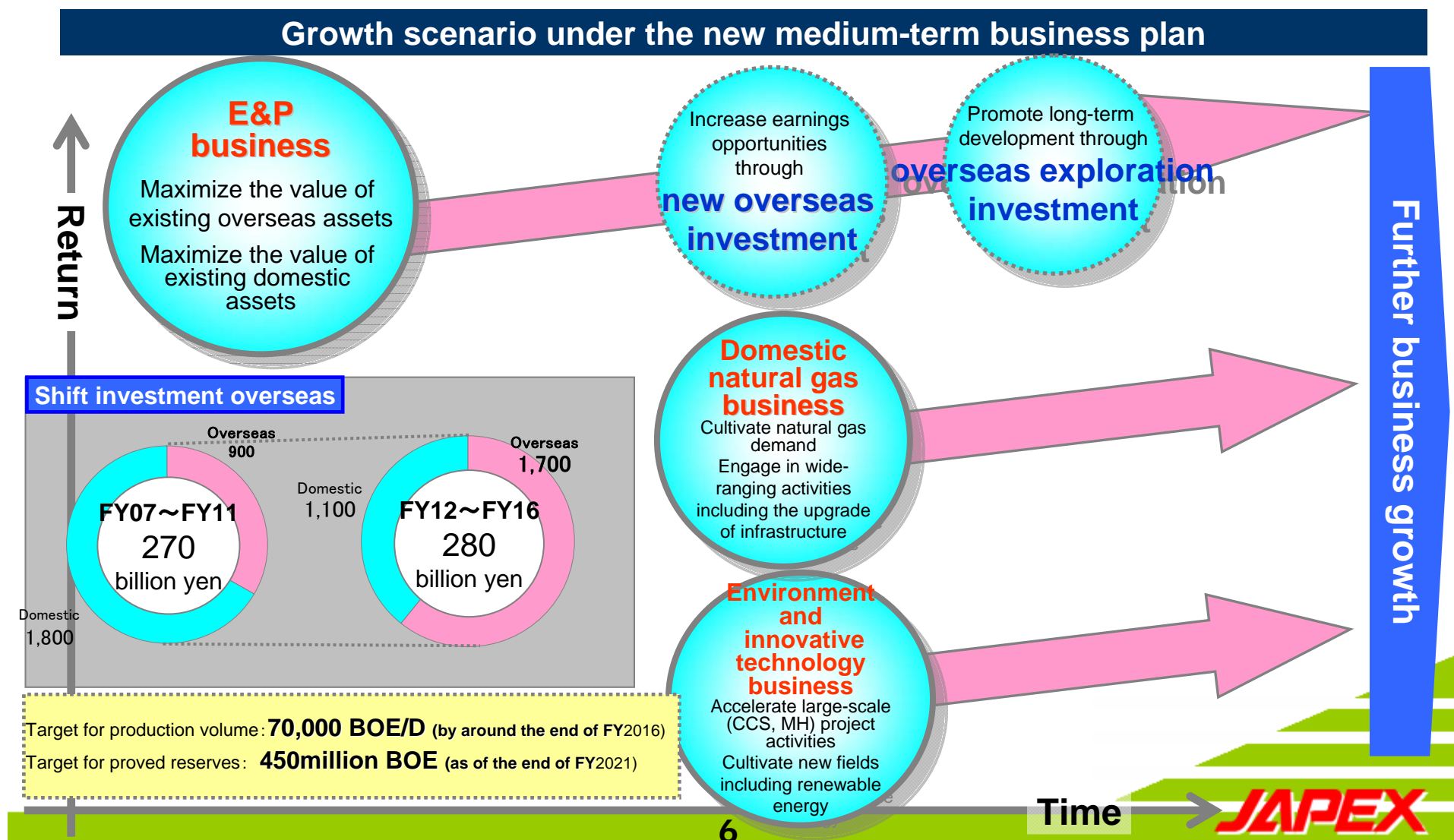
- Marked increase in crude oil prices from 2004; Record high in July 2008
- A sharp drop after July 2008; indications of a steady recovery. (Increasing volatility)
- Uncertain trend in energy prices influenced by political unrest in the Middle East and by fear for global economic slowdown

## ✓ Growing social awareness toward environmental issues

- Commonly held GHG (Greenhouse Gas) reduction goal leading up to 2050
- GHG reduction efforts triggering new opportunities for business growth
- New energy and renewable energy will be introduced and promoted in Japan as a policy with *Feed-in Tariff*

# Corporate Vision and Basic Strategies for JAPEX Expansion

- While positioning E&P at the Company's main activities, endeavor to increase business opportunities by shifting to E&P activities overseas and pursuing new investment in domestic natural gas as well as environment and innovative technology as the means to help realize business expansion



# Production volume and Proved reserves

■ Actual production volume of FY2012: 38,000 BOE/D

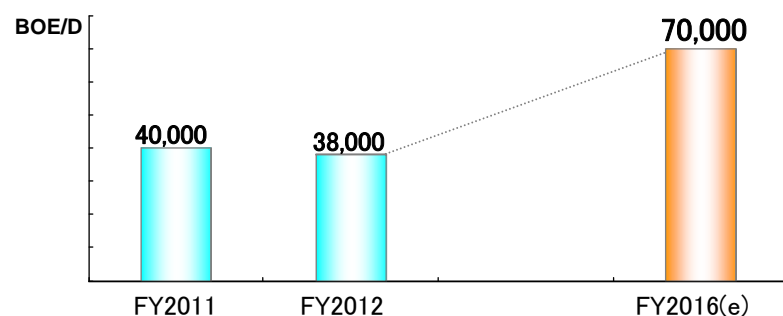
⇒ Decreased 5% YOY. Main reason was the change of conversion factor\* for natural gas.

■ Actual proved reserves of FY2012: 224 million BOE

⇒ Decreased 13% YOY. Main reasons were the decrease due to production and the change of conversion factor.

■ Aim to achieve the medium-term targets by ensuring progress in the Canada Oil Sands Expansion Project and Garraf Project of Iraq as well as the acquisition of new projects.

## Production volume

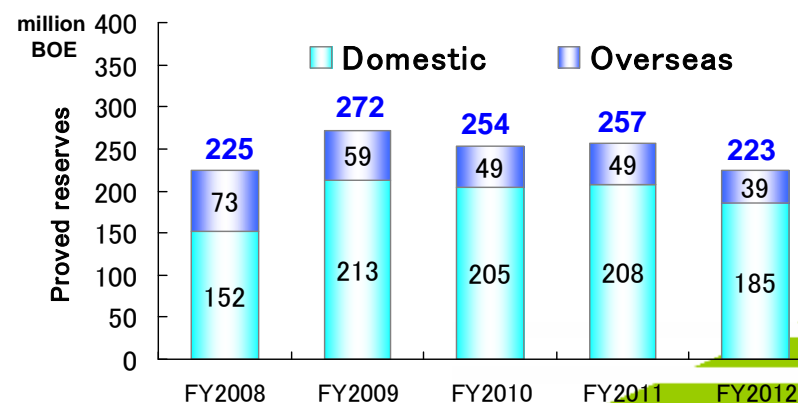
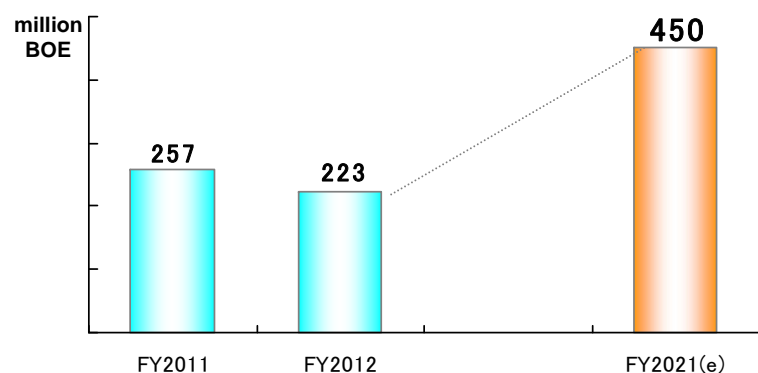


\* As for oil equivalent production volume and proved reserves, JAPEX has been disclosing data that defines **5.6mcf** of natural gas=1bbl of oil equivalent  $\ll 1,000\text{m}^3=1\text{kl} \gg$ .

As for the data after FY2012, we announce to change the conversion factor to **5.8mcf** of natural gas=1bbl of oil equivalent  $\ll 1,033\text{m}^3=1\text{kl} \gg$  that Petroleum Resources Management System (PRMS) recommends.

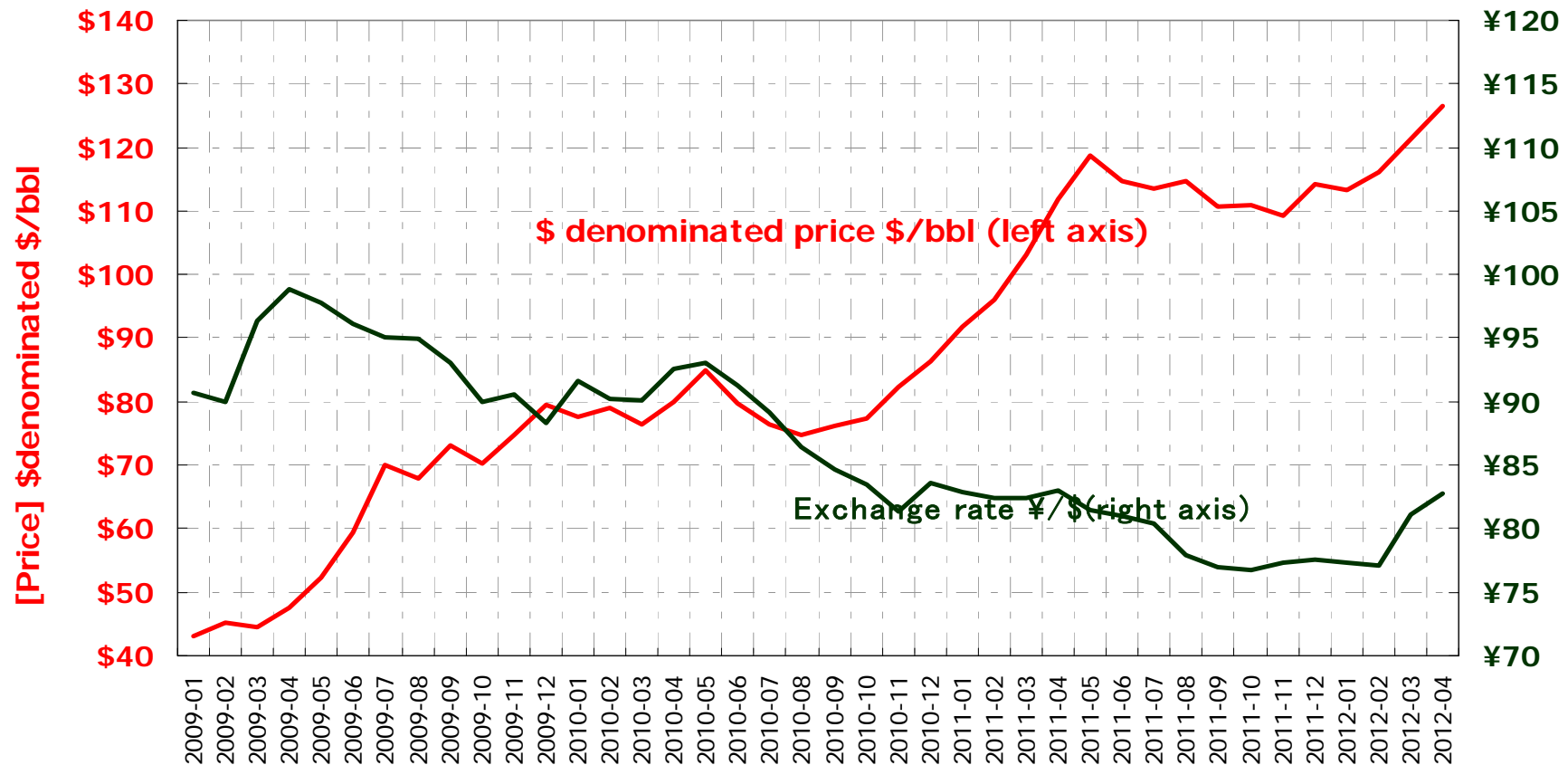
Please note that the data before FY2011 are indicated based on the conventional conversion factor, even though.

## Proved reserves



Note) "Production volume" and "Proved Reserves" are equivalent to JAPEX group's interest.

## Trends in Crude oil prices and Foreign exchange rates



Japan Crude Cocktail (JCC) Price in the first 20 days of April 2012

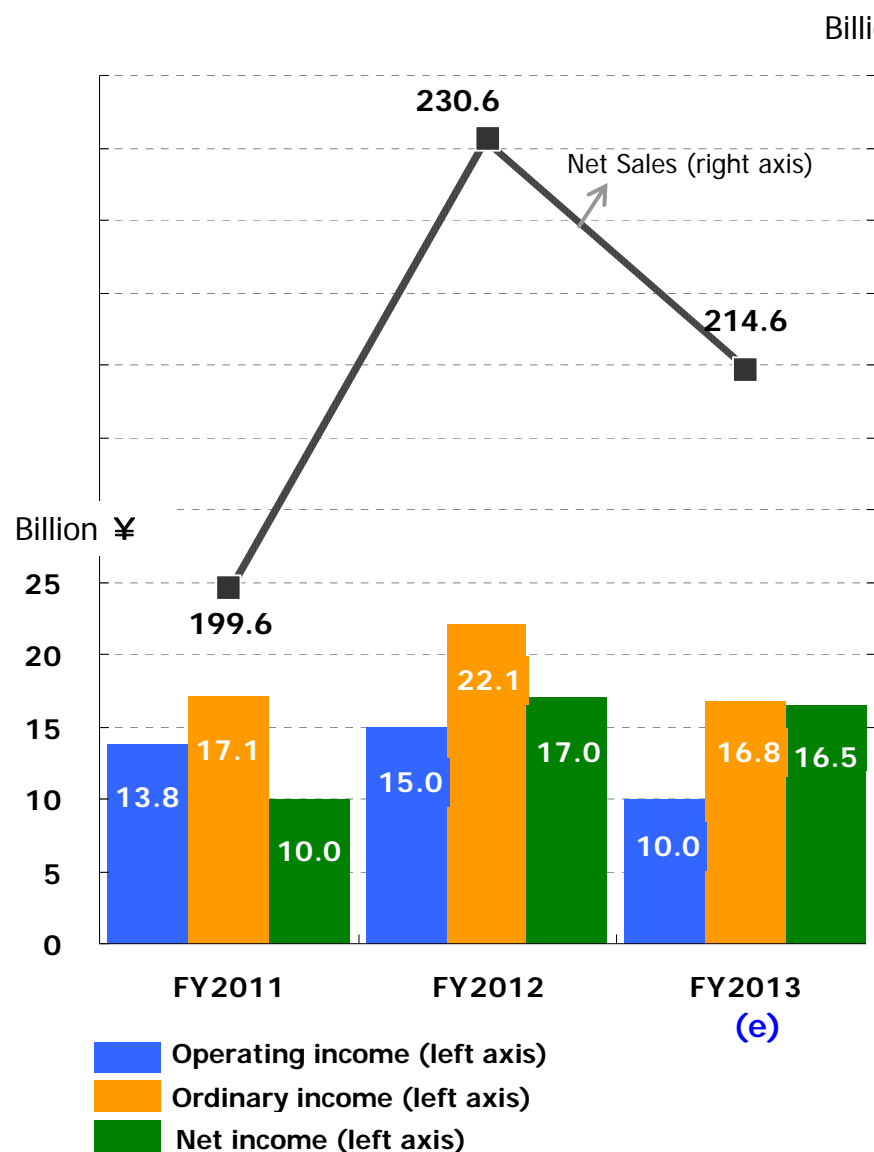
on a prompt report basis : **USD 126.54/bbl**

**Yen 82.80/USD**

**JAPEX**



## Actual results for FY2012 and Estimate for FY2013 (Highlight)



### Actual results for FY2012 (vs FY2011)

[ Billion ¥ ]	FY2011 (a)	FY2012 (a)	change	
Net Sales	199.6	230.6	30.9	16%
Operating income	13.8	15.0	1.2	9%
Ordinary income	17.1	22.1	5.0	29%
Net income	10.0	17.0	7.0	70%
JCC price USD/bbl	82.69	112.43	29.74	36%
Exchange rate Yen/USD	86.24	78.93	(7.31)	(8%)

### Estimate for FY2013 (vs FY2012)

[ Billion ¥ ]	FY2012 (a)	FY2013 (e)	change	
Net Sales	230.6	214.6	(16.0)	(7%)
Operating income	15.0	10.0	(5.0)	(33%)
Ordinary income	22.1	16.8	(5.3)	(24%)
Net income	17.0	16.5	(0.5)	(3%)
JCC price USD/bbl	112.43	100.00	(12.43)	(11%)
Exchange rate Yen/USD	78.93	80.00	1.07	1%

# Domestic exploration plan for FY2013

## ●Extention well drilling schedule

	Total Depth	FY2013											
		1Q			2Q			3Q			4Q		
		4	5	6	7	8	9	10	11	12	1	2	3
Numanohata(T1) East C2	2,100m												
Akebono(T1) A5	1,700m												
Katakai SK-29D (Katakai SK-29D-1)	4,830m (4,940m)												
Katakai R4	5,395m												

Continued

## ■Geophysical prospecting survey plan : 2 sites

2D seismic survey	47km in Akita Prefecture ( <i>Oga</i> )
2D seismic survey	21km in Yamagata Prefecture ( <i>Southern Mt. Chokai</i> )

## ◇Result for FY2012

	Total Depth	FY2012														
		1Q			2Q			3Q			4Q					
		4	5	6	7	8	9	10	11	12	1	2	3			
Akeno SK-1D <i>Exploration well</i>	5,265m															Succeeded

●Extention well: 4wells  
■Seismic survey : 2 sites

Akebono(T1) A5 (1,700m)  
Numanohata(T1) East C2 (2,100m)

■Oga 2D (47km)

Southern Mt. Chokai 2D (21km)

Katakai SK-29D main well (4,830m)  
Katakai SK-29D-1 branch well (4,940m)

Katakai R4 (5,395m)

**JAPEX**

# CAPEX plan for FY2013

[ Billion ¥]	FY09	FY10	FY11	FY12	FY13 (e)
CAPEX	30.9	28.8	21.9	23.8	33.4
Depreciation and amortization	21.5	23.2	24.5	23.9	18.0

## Main items of CAPEX for FY2013

### Domestic CAPEX ¥ 7.8 billion

#### ◆ Upgrading of production facilities

### Overseas CAPEX ¥ 25.6 billion

#### ◆ Iraq:

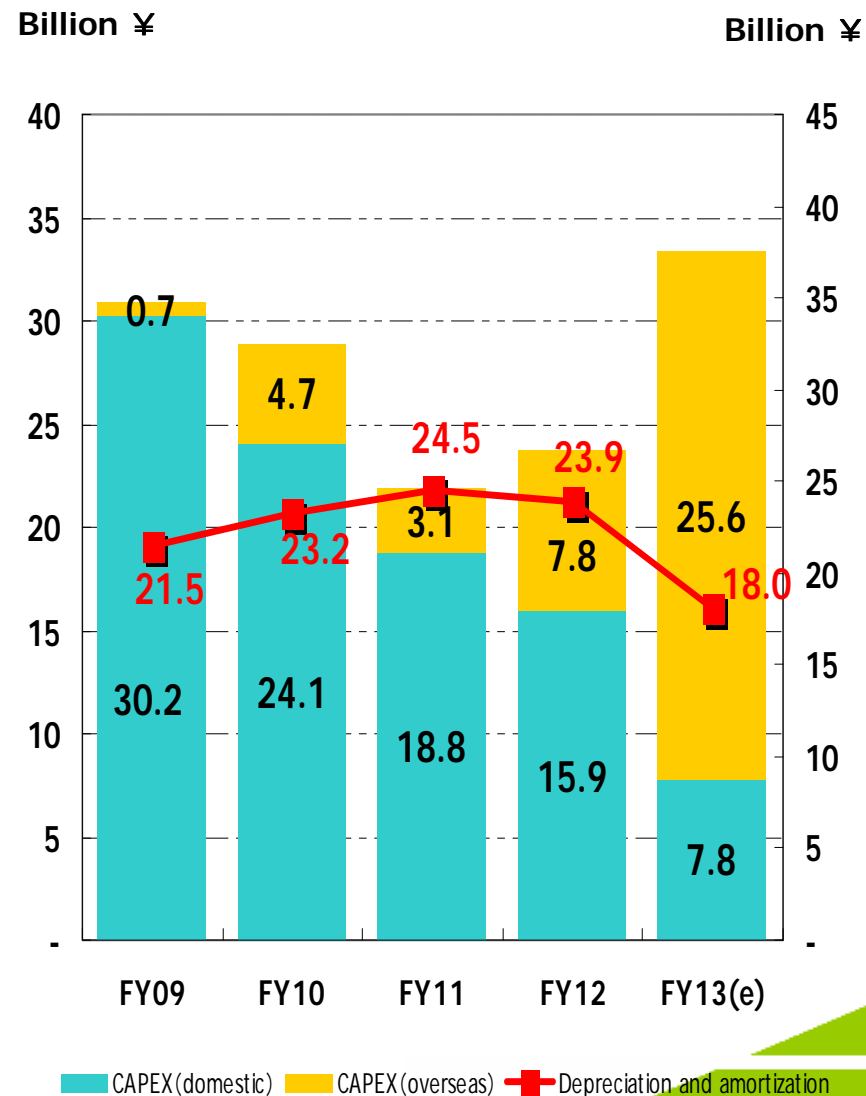
-Development of Garraf oil field

#### ◆ Canada:

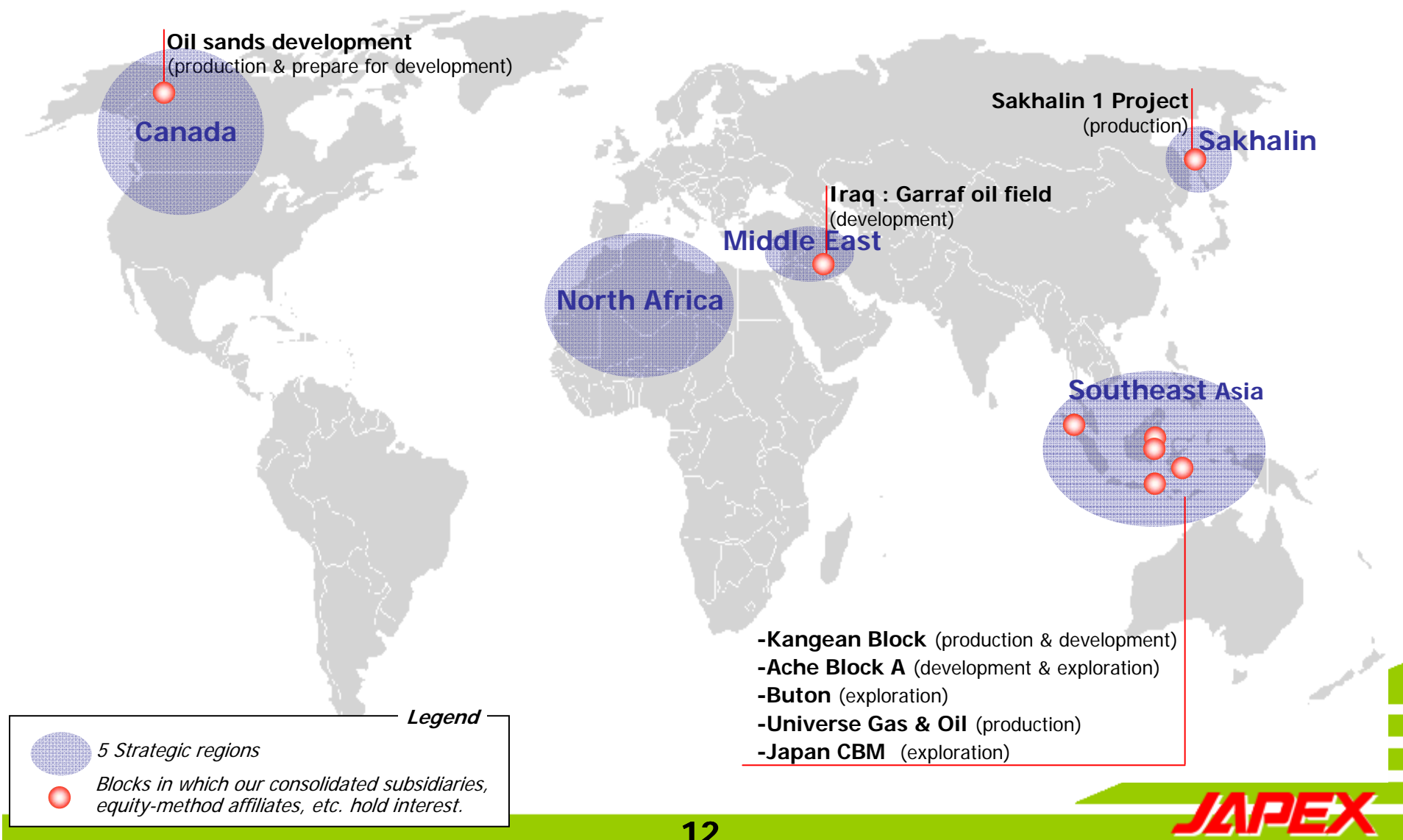
-Improvement of production facility for the oil sand project

#### ◆ Indonesia:

-Development of gas field (Ache Block A)

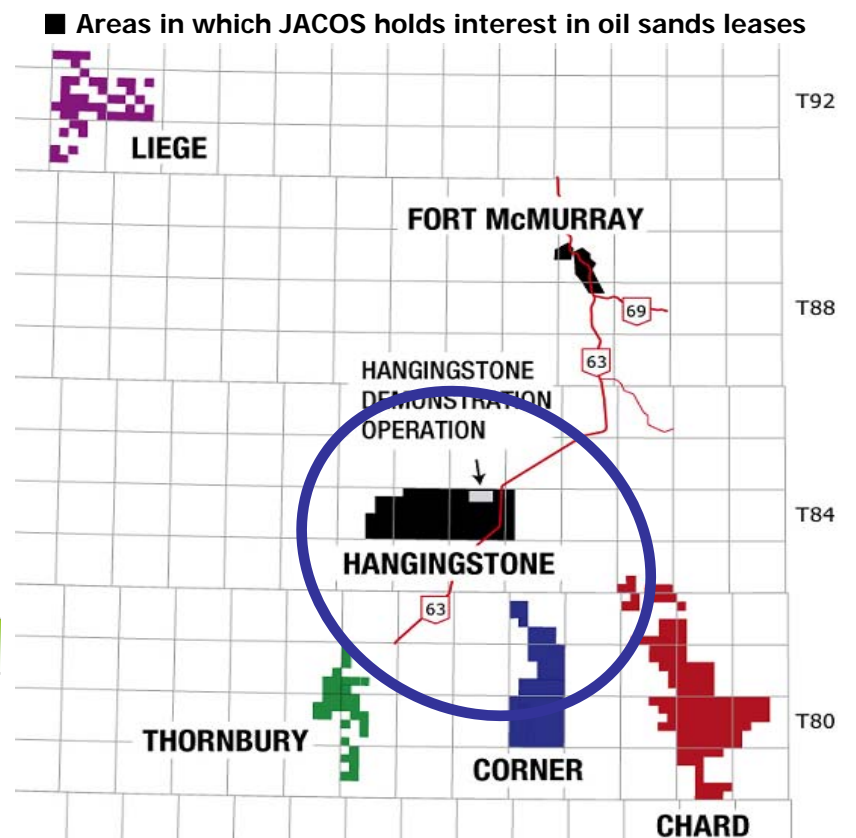


# Overseas business : Basic strategy



# Current status of overseas business ① Canada oil sands

Project company	Canada Oil Sands Co., Ltd. (CANOS) (86.64% owned by JAPEX )
Operator	Japan Canada Oil Sands Ltd. (JACOS) (Local subsidiary, wholly owned by CANOS)
Block	Interest
<b>Hangingstone 3.75 section</b> -Producing around 7,000 bbl/d -Cumulative production of 26 million bbl (as of end-December, 2011)	100%
<b>Expansion project of undeveloped part of Hangingstone area</b> -Additional production of 30,000 bbl/d at the maximum	75%
Schedule	
Apr. 2010	Applied development approval Start FEED
Winter of 2012 to 2013	(4 <sup>th</sup> Quarter) Make FID after acquiring development approval Start construction
1st Half of 2016	Plan to commence production



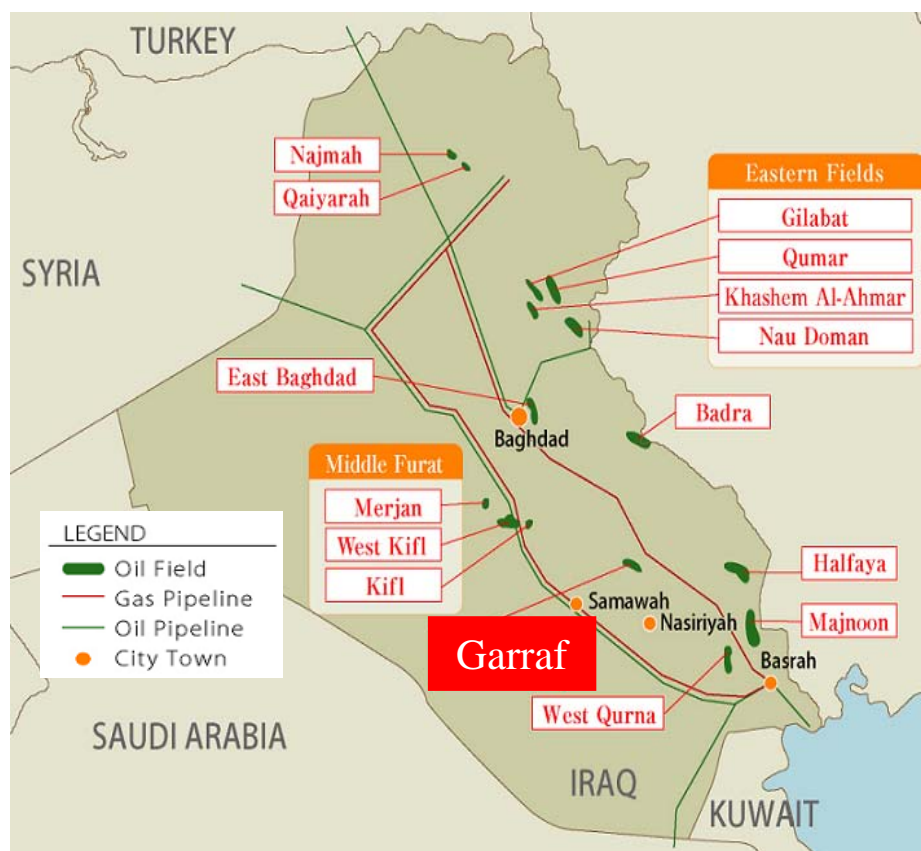
■ Contingent resources of undeveloped oil sands areas held by JACOS : 1,717 million bbl (as of end-December 2008)

■ Areas where oil sand resources were evaluated:

The Hangingstone area, the Chard area, the Corner area and the Thornbury area were evaluated. The evaluated areas consist of solely owned and jointly owned areas, are 788.4km<sup>2</sup> (gross) or 373.4km<sup>2</sup> (net). Bitumen also exists in the Liege area, but there is no bitumen development plan at present due to the subsurface conditions of its existence.

## Current status of overseas business ② Iraq

Garraf development project		Contractors	PETRONAS (Operator)	JAPEX	North Oil Company (NOC)
Contract Type	Development and Production Service Contract				
Counterparty	South Oil Company (SOC)	Payment share	60%	40%	-
Contract term	20 years (may be extended for maximum 5 years)	Participating interest	45%	30%	25%



2010 The contract effect on Feb.10, 2010

2011 Drilling campaign commenced in June 2011

2012 | Commence initial production at 50,000 bbl/d

2016 Increase production gradually

2017 Achieve plateau production target of 230,000 bbl/d

Expected cumulative production during the contract term : around 1.3 billion bbl

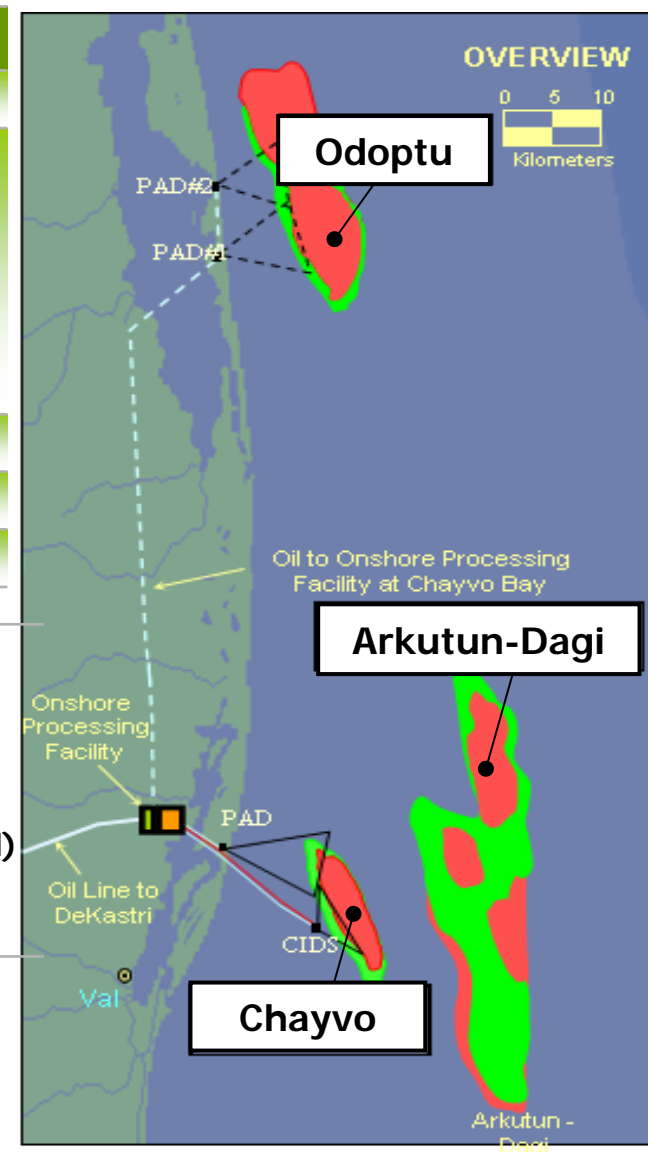
**JAPEX**



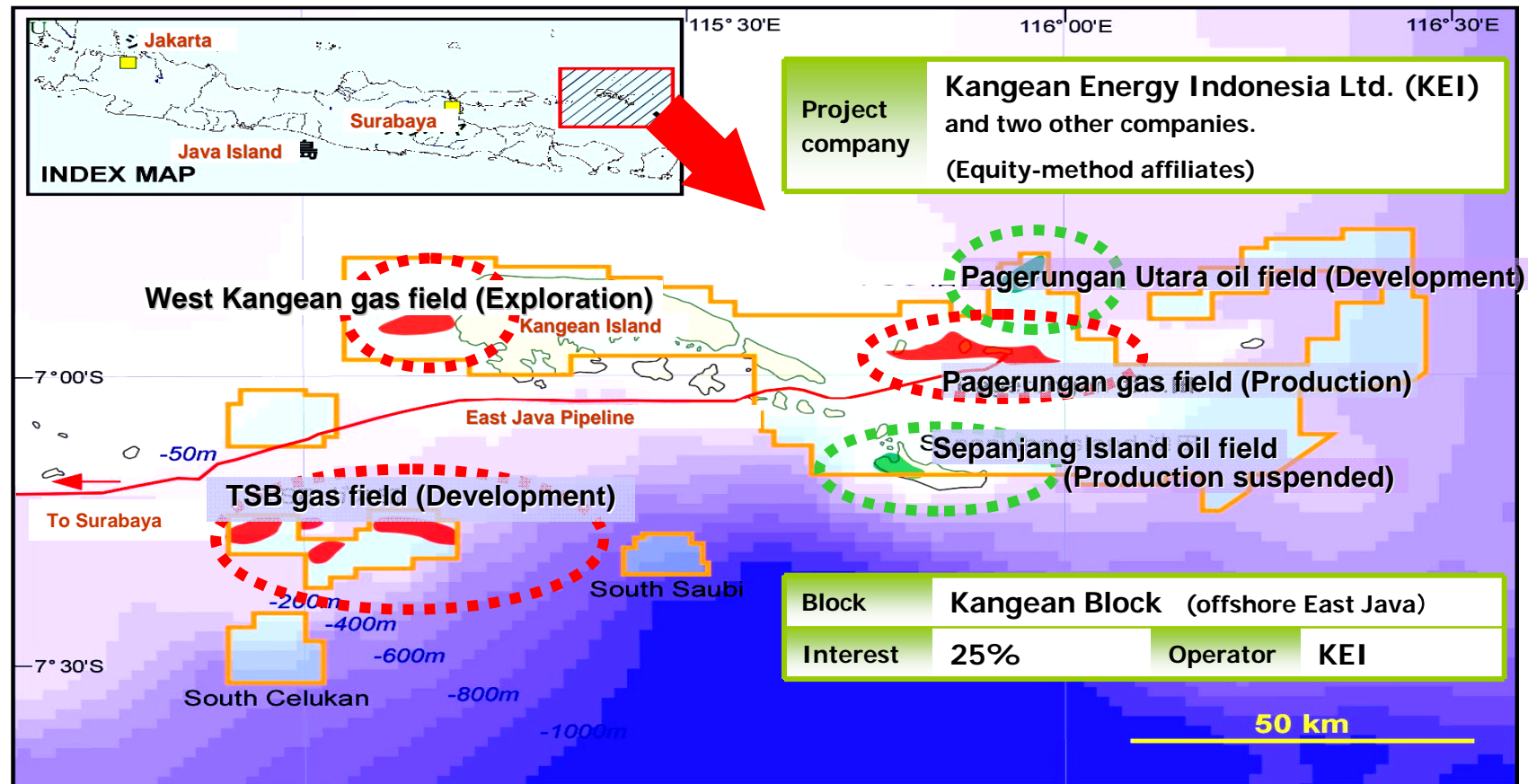
## Current status of overseas business ③ Sakhalin 1 Project

Sakhalin 1 Consortium		Interest
Exxon Neftegas Ltd.		30%
Sakhalin Oil and Gas Development Co., Ltd. (SODECO)		30%
Minister of Economy, Trade and Industry : 50.00%		
JAPEX : 14.46%	ITOCHU Corp. : 14.46%	
Marubeni Corp. : 11.68%	INPEX : 5.74%	
ITOCHU Oil Exploration Co., Ltd. : 3.66%		
ONGC		20%
SMNG-Shelf		11.5%
Rosneft - Astra		8.5%

Oct. 2005	<b>Chayvo oil and gas field</b> Commenced production of crude oil
Oct. 2006	Commenced exports of Sokol crude
Feb. 2007	Achieved peak gross production target (250,000 bbl/d)
Jan. 2008	Achieved cumulative production of 100 million bbl
Sep. 2010	<b>Odoptu oil and gas field</b> Commenced production of crude oil
2014	<b>Arkutun-Dagi oil and gas field</b> Expected production of crude oil



## Current status of overseas business ④ Indonesia: Kangean Block



- Current gross production : Crude oil equivalent of around 5,000 boe/d.
- TSB gas field : Plan to commence production of 300 million cf/d (around 50,000 boe/d in crude oil equivalent) in end-May 2012.
- Plan to expand gross production to around 55,000 boe/d through the above additional production.
- Production Sharing Contract (PSC): Effective till 2030.



## Current status of overseas business ⑤ Indonesia: **Block A Aceh**

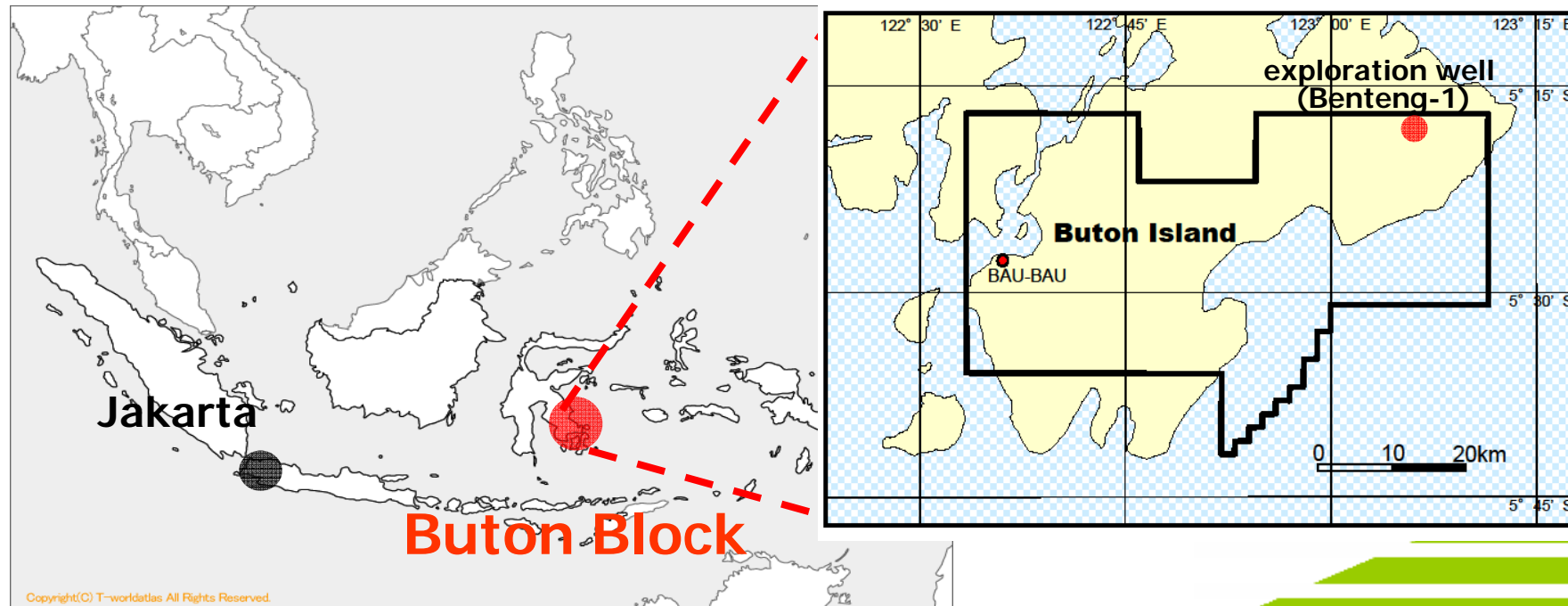
Project company	Japex Block A Ltd.
Interest	16.67%
Block	Block A Aceh (northern Sumatra)
Operator	Medco
Gross production	Around 100 million cf/d (around 20,000 boe/d in crude oil equivalent )



- 2010 Approved extension PSC (Contract term : **20 years** from September 1, 2011 )
- 2011 After concluding extension PSC ,  
start **development** to commence gas production
- 2014 Alur Rambong gas field  
Julu Rayeu gas field  
Alur Siwah gas field

## Current status of overseas business ⑥ Indonesia: Buton Block

Project company	Japex Buton Ltd.	Interest	40%
Block	Buton Block (onshore/offshore block on Buton Island, Southeast Sulawesi)		
2008	Airborne gravity and magnetic surveys 2D seismic surveys		
2009	Selected the exploration well structure		
2012	Drilling 1st exploration well (Benteng-1) with total depth 3,200m		





---

# Actual results for FY2012

Executive Vice President  
Hiroshi Sato

## Actual results for FY2012 ( Highlight )

[ Million ¥]	FY2011 <b>Actual</b>	FY2012			FY2012 <b>Actual</b>
		Initial estimate (May 2011)	Revised estimate ① (Nov. 2011)	Revised estimate ② (Feb. 2012)	
Net Sales	<b>199,651</b>	223,479	229,031	226,227	<b>230,638</b>
Operating income	<b>13,849</b>	11,757	8,365	12,214	<b>15,045</b>
Ordinary income	<b>17,122</b>	15,634	12,974	17,932	<b>22,159</b>
Net income	<b>10,010</b>	11,528	10,175	13,805	<b>17,027</b>
JCC price      USD/bbl	<b>82.69</b>	90.00	105.66	111.13	<b>112.43</b>
Exchange rate   Yen/USD	<b>86.24</b>	85.00	80.52	79.69	<b>78.93</b>
Bitumen price    CAD/bbl	<b>48.32</b>	47.82	46.25	49.71	<b>49.81</b>
Exchange rate    Yen/CAD	<b>81.47</b>	85.00	80.00	76.22	<b>76.22</b>

**Initial estimate (May 2011) → Revised estimate ① (Nov. 2011)**

【+】Rise in crude oil prices

【-】Downward revision of the production and sales plans for natural gas & crude oil

**Revised estimate ① (Nov. 2011) → Revised estimate ② (Feb. 2012)**

【+】Rise in crude oil prices    【+】Decrease in exploration expenses    【+】Increase in non-operating income (expenses)

**Revised estimate ② (Feb. 2012) → Actual results**

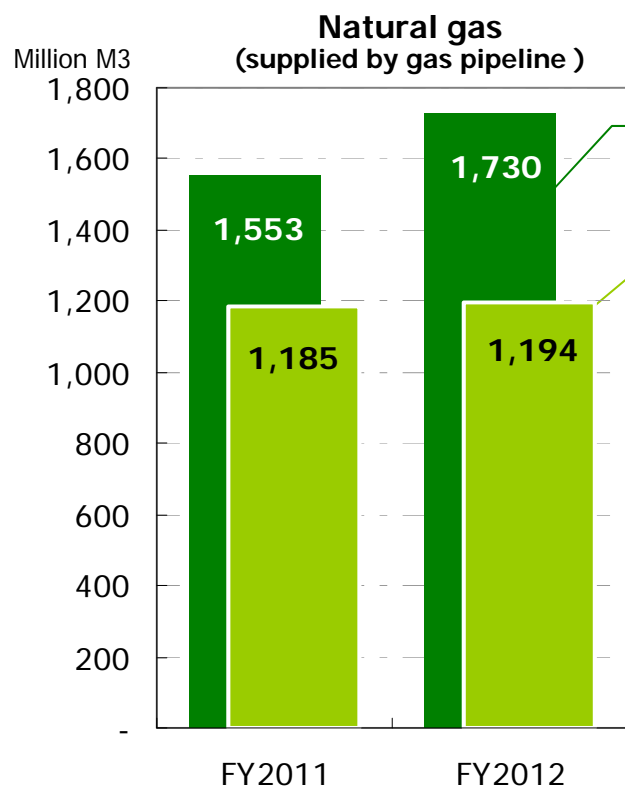
【+】Rise in natural gas prices & crude oil prices    【+】Increase in demand    【-】Increase in non-operating income (expenses)

Ordinary income ¥ 22.1 billion (+¥4.2billion)    Net income ¥17.0 billion (+¥3.2billion)

## Actual sales of Natural gas in FY2012(vs FY2011)

			FY2011		FY2012		change	
			1H (a)	Full (a)	1H (a)	Full (a)	1H	Full
<b>Natural gas:</b>	Sales volume	million M3	696	1,553	742	1,730	45	176
	Net sales	million ¥	27,039	61,090	31,170	74,957	4,130	13,867
Of which, Domestically produced gas:	Sales volume	million M3	529	1,185	522	1,194	(7)	9

Sales volume of "Domestically produced gas" stated herein does not include purchased gas.



Sales volume (total)

Of which, domestically produced gas

**Sales volume increased by 176 million M3 (+11%) vs FY11**

-Increase in demand for utility gas customers and industrial users

**Net sales increased by ¥13.8 billion (+22%) vs FY11**

-Increase in demand (+176 million M3 (+11%))

-Rise in sales prices

## Actual sales of Crude oil in FY2012 (vs FY2011)

Sales volume : Thousand KL Net sales : Million ¥		FY 2011		FY 2012		change	
		1H (a)	Full (a)	1H (a)	Full (a)	1H	Full
Crude oil:	Sales volume	946	1,899	896	1,778	(50)	(120)
	Net sales	38,242	77,629	46,649	89,891	8,406	12,262

Breakdown of equity oil

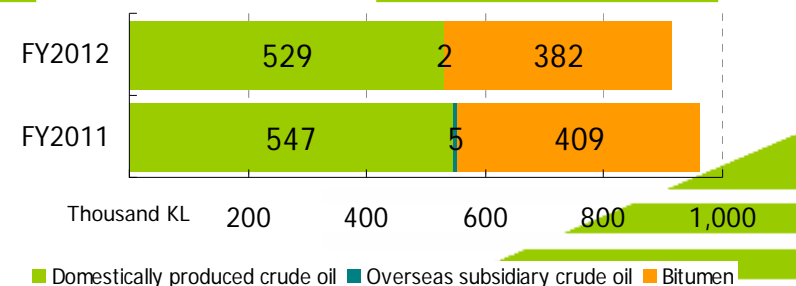
Domestically produced crude oil:	Sales volume	246	547	239	529	(6)	(18)
	Net sales	11,083	25,777	13,925	30,351	2,841	4,573
Overseas subsidiary crude oil:	Sales volume	3	5	1	2	(1)	(2)
	Net sales	117	187	84	128	(33)	(59)
Bitumen:	Sales volume	197	409	175	382	(21)	(26)
	Net sales	5,512	10,141	4,207	9,137	(1,304)	(1,003)

Oil price and Exchange rate assumptions

JCC price	USD/bbl	78.95	82.69	112.38	112.43	33.43	29.74
Exchange rate	Yen/USD	90.71	86.24	81.07	78.93	(9.64)	(7.31)
Bitumen price	CAD/bbl	52.98	48.32	45.70	49.81	(7.28)	1.49
Exchange rate	Yen/CAD	83.76	81.47	83.38	76.22	(0.38)	(5.25)

Domestically produced crude oil : 【+】 Rise in crude oil prices

Bitumen : 【-】 Decrease in production volume and Strong yen



Sales volume and net sales of "Domestically produced crude oil" stated herein do not include purchased crude oil. Royalty is excluded in the net sales and price of Bitumen.

Sales volume and net sales of "Overseas subsidiary crude oil" stated herein are amounts of Japex (U.S.) Corp., an overseas consolidated subsidiary.

## Actual results for FY2012 (vs FY2011)

《Causes of increase(+) or decrease(-)》

[ Million ¥]	FY2011 (a)	FY2012 (a)	change
Net sales	199,651	230,638	30,986
Gross profit	54,732	56,278	1,545
Exploration expenses	9,798	7,805	(1,992)
SG&A expenses	31,084	33,426	2,342
Operating income	13,849	15,045	1,195
Non-operating income (expenses)	3,272	7,114	3,842
Ordinary income	17,122	22,159	5,037
Extraordinary income (losses)	(4,166)	311	4,477
Income taxes	2,161	4,746	2,585
Minority interests in income	783	696	(86)
Net income	10,010	17,027	7,016

### Gross profit

Domestic crude oil and natural gas  
+ ¥5.8 billion  
LNG substitution expense - ¥2.3 billion  
Transportation fee of natural gas  
- ¥2.0 billion

### Exploration expenses

Domestic exploration + ¥1.8 billion

### Non-operating income (expenses)

Dividends income + ¥2.4 billion  
Gain on sales of securities + ¥0.7 billion

### Extraordinary income (losses)

(Impact on FY2011)

Loss on adjustment for changes of accounting  
standard for asset retirement obligations

+ ¥2.3 billion

Loss on Great East Japan Earthquake

+ ¥1.5 billion

(Impact on FY2012)

Insurance income regarding Great East Japan  
Earthquake + ¥0.6 billion



---

# Estimates for FY2013

Executive Vice President  
Hiroshi Sato



## Estimates for FY2013 (Point)

[ Million ¥ ]	FY2012		FY2013		change	
	1H (a)	Full (a)	1H (e)	Full (e)	1H	Full
Net Sales	104,596	230,638	95,823	214,653	(8,773)	(15,985)
Operating income	6,219	15,045	4,858	10,003	(1,361)	(5,042)
Ordinary income	7,887	22,159	5,503	16,819	(2,385)	(5,341)
Net income	6,333	17,027	6,441	16,526	107	(501)
JCC price USD/bbl	112.38	112.43	100.00	100.00	(12.38)	(12.43)
Exchange rate Yen/USD	81.07	78.93	80.00	80.00	(1.07)	1.07
Bitumen price CAD/bbl	45.70	49.81	54.12	52.91	8.42	3.10
Exchange rate Yen/CAD	83.38	76.22	80.00	80.00	(3.38)	3.78

### Point FY2013 vs FY2012

Operating income ➤ Exploration expenses -¥ 6.0 billion  
-¥ 5.0 billion

Ordinary income ➤ Non-operating income -¥ 0.3 billion : Dividends income  
-¥ 5.3 billion (expenses)

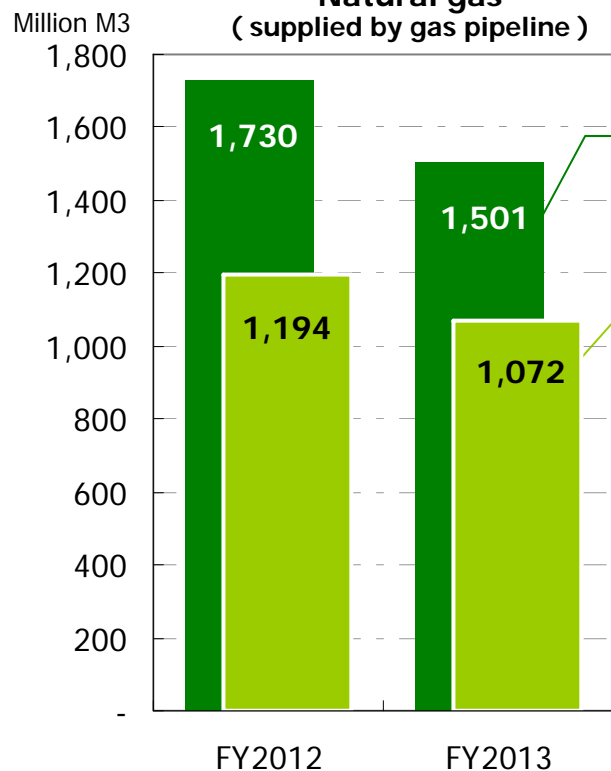
Net income ➤ Extraordinary income +¥ 2.0 billion  
-¥ 0.5 billion (losses)  
➤ Income taxes +¥ 2.7 billion

## Estimated Natural gas sales in FY2013

			FY2012		FY2013		change	
			1H (a)	Full (a)	1H (e)	Full (e)	1H	Full
Natural gas:	Sales volume	Million M3	742	1,730	698	1,501	(45)	(229)
	Net sales	Million ¥	31,170	74,957	31,385	67,225	215	(7,733)
Of which, Domestically produced gas:	Sales volume	Million M3	522	1,194	519	1,072	(4)	(123)

Sales volume of "Domestically produced gas" stated herein does not include purchased gas.

**Natural gas**  
(supplied by gas pipeline)



Sales volume (total)

Of which, domestically produced gas

**Sales volume decreased by 229 million M3 (-13%) vs FY2012**

-Decrease in demand for utility gas customers and industrial users

**Net sales decreased by ¥7.7 billion (-10%) vs FY2012**

-Decrease in sales volume ( -229 million M3 (-13%))

## Estimated Crude oil sales in FY2013

Sales volume : Thousand KL Net sales : Million ¥		FY 2012		FY 2013		change	
		1H (a)	Full (a)	1H (e)	Full (e)	1H	Full
Crude oil:	Sales volume	896	1,778	804	1,763	(92)	(15)
	Net sales	46,649	89,891	37,577	81,603	(9,072)	(8,288)

Breakdown of equity oil

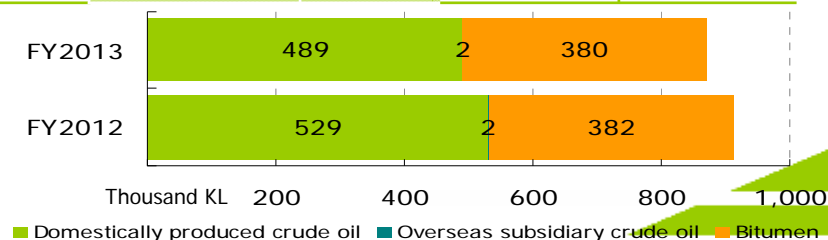
Domestically produced crude oil:	Sales volume	239	529	251	489	11	(40)
	Net sales	13,925	30,351	12,920	25,146	(1,006)	(5,205)
Overseas subsidiary crude oil:	Sales volume	1	2	1	2	(1)	(1)
	Net sales	84	128	48	91	(36)	(37)
Bitumen:	Sales volume	175	382	173	380	(3)	(3)
	Net sales	4,207	9,137	4,705	10,103	498	966

Oil price and Exchange rate assumptions

JCC price	USD/bbl	112.38	112.43	100.00	100.00	(12.38)	(12.43)
Exchange rate	Yen/USD	81.07	78.93	80.00	80.00	(1.07)	1.07
Bitumen price	CAD/bbl	45.70	49.81	54.12	52.91	8.42	3.10
Exchange rate	Yen/CAD	83.38	76.22	80.00	80.00	(3.38)	3.78

Domestically produced crude oil : 【－】Fall in crude oil prices

Bitumen : 【＋】Increase in sales price and Weakening of the yen



Sales volume and net sales of "Domestically produced crude oil" stated herein do not include purchased crude oil. Royalty is excluded in the net sales and price of Bitumen.

Sales volume and net sales of "Overseas subsidiary crude oil" stated herein are amounts of Japex (U.S.) Corp., an overseas consolidated subsidiary.

## Estimates for FY2013

[ Million ¥]	FY2012 (a)	FY2013 (e)	change
Net sales	230,638	214,653	(15,985)
Gross profit	56,278	54,865	(1,413)
Exploration expenses	7,805	13,896	6,090
SG&A expenses	33,426	30,966	(2,461)
Operating income	15,045	10,003	(5,042)
Non-operating income (expenses)	7,114	6,816	(299)
Ordinary income	22,159	16,819	(5,341)
Extraordinary income (losses)	311	2,378	2,067
Income taxes	4,746	1,969	(2,778)
Minority interests in income	696	702	5
Net income	17,027	16,526	(501)

« Causes of increase(+) or decrease(-) »

### Gross profit

Domestic crude oil and natural gas  
- ¥4.0 billion  
Transportation on consignment income  
+ ¥2.1 billion

### Exploration expenses

Domestic exploration - ¥4.2 billion  
Overseas exploration - ¥1.8 billion

### Non-operating income (expenses)

Dividends income - ¥0.5 billion

## Oil price and Exchange rate assumptions and impact on profits

Assumption	JCC price USD 100 /bbl	Exchange rate Yen 80 /USD	Bitumen price CAD 52.91 /bbl ( Yen 80 /CAD )
Impact on Profits	USD 1 /bbl increase in crude oil prices would push profits up by...	A weakening in the yen to Yen 5/USD would push profits up by...	CAD 1/bbl increase in bitumen prices would push profits up by...
Operating income	200 million Yen	890 million Yen	( 2.38 billion CAD ) 190 million Yen
Net income	130 million Yen	620 million Yen	(2.09 billion CAD ) 170 million Yen

		FY2012			FY2013			change
		1H (a)	2H (a)	Full (a)	1H (e)	2H (e)	Full (e)	
JCC price	USD/bbl	112.38	112.48	112.43	100.00	100.00	100.00	(12.43)
Exchange rate	Yen / USD	81.07	77.17	78.93	80.00	80.00	80.00	1.07
Bitumen price	CAD/bbl	45.70	43.98	49.81	54.12	51.89	52.91	3.01
Exchange rate	Yen /CAD	83.38	81.47	76.22	80.00	80.00	80.00	3.78

Note1: Royalty is excluded in "Bitumen price".

Note2: In addition to the impact of exchange rate fluctuations shown on the above, translation adjustments of foreign-currency- denominated receivables and payables also occur.  
Actual profits are influenced by a variety of other factors besides crude oil prices and exchange rates.