



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

# **Consolidated Financial Results for the Three Months Ended June 30, 2017 <Supplementary Material>**

**August 8, 2017**

Japan Petroleum Exploration Co., Ltd.

# Cautionary Statement

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

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

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Note: Abbreviations used herein are as follows:

(a) = Actual results

(f) = Forecasts

FY = Fiscal Year (FY3/18, for instance, means 12 months ending March 31, 2018)

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

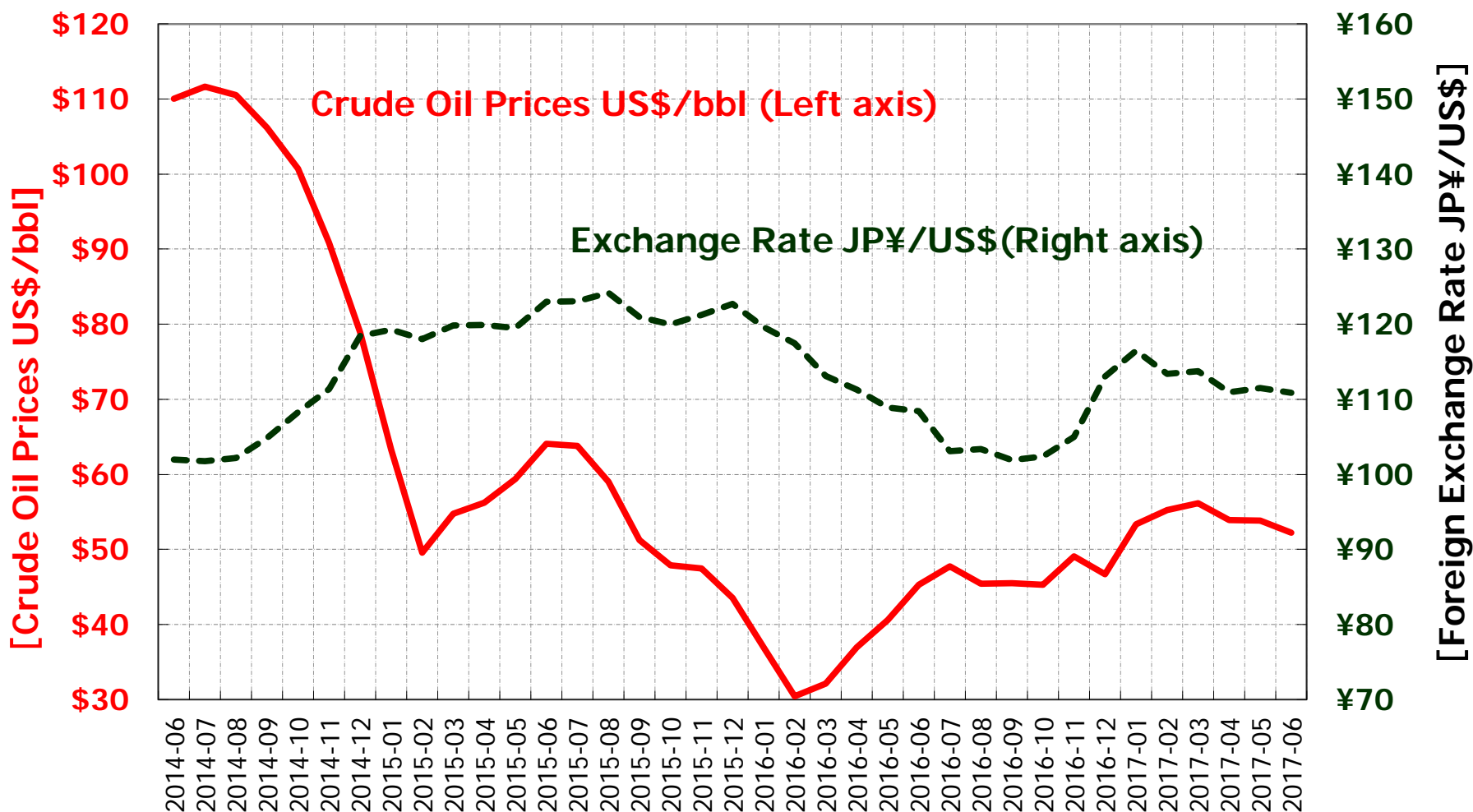
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# Trends in Crude Oil Prices and Foreign Exchange Rate



Japan Crude Cocktail (JCC) Price in the first 10 days of July 2017 on a prompt report basis :  
**US\$ 49.44/bbl JP¥ 111.33/US\$**

# Consolidated Financial Forecasts for FY3/18 (Highlights)

[Billion JP¥]	FY3/17		FY3/18			Change		
	1Q (a) ①	Full (a) ②	1Q (a) ③	Full (f) Previous forecasts (May 12, 2017) ④	Full (f) Revised forecasts (August 8, 2017) ⑤*	1Q (③-①)	Full (⑤-②)	Full (⑤-④)
Net sales	42.0	207.1	59.8	214.8	211.0	+1.7	+3.8	-3.8
Operating income (loss)	-0.9	0.6	2.2	2.9	4.4	+3.2	+3.8	+1.5
Ordinary income (loss)	3.3	2.2	5.7	5.4	-0.9	+2.4	-3.1	-6.3
Profit (loss) attributable to owners of parent	1.9	3.4	5.4	5.5	1.2	+3.5	-2.2	-4.3

## Assumptions

JCC price (US\$/bbl)	37.17	45.60	54.63	50.00	51.27	17.46	+5.67	+1.27
Exchange rate (JP¥/US\$)	110.71	108.53	112.12	110.00	110.62	+1.41	+2.09	+0.62

\* JAPEX announced the latest forecasts by "Notice of Financial Forecasts Revision" on August 8, 2017, regarding the consolidated financial forecasts of the fiscal year ending March 31, 2018.

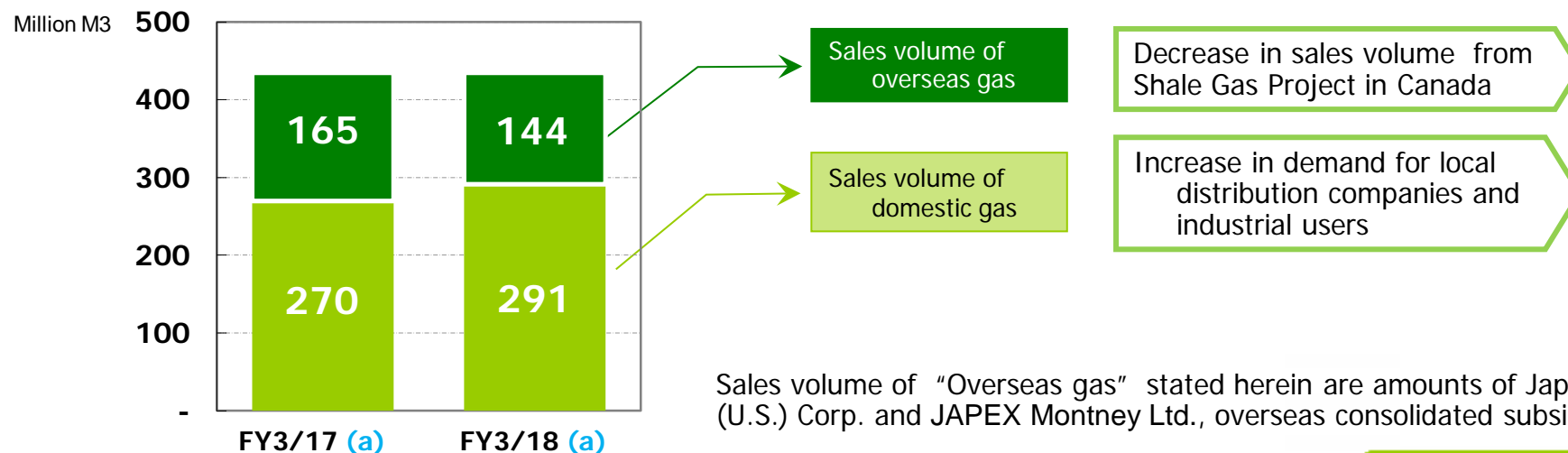
# Actual Sales of Natural Gas in 1Q FY3/18 (year-on-year)

Sales volume : Million M3		FY3/17	FY3/18	Change
Net sales : Million JP¥		1Q (a)	1Q (a)	
Natural gas	Sales volume	<b>436</b>	<b>435</b>	<b>-0</b>
	Net sales	<b>12,439</b>	<b>13,769</b>	<b>+1,329</b>

Rising selling price

## Breakdown

Domestic gas	Sales volume	<b>270</b>	<b>291</b>	<b>+20</b>
(Domestically produced gas)	Sales volume	<i>(166)</i>	<i>(180)</i>	<i>(+13)</i>
Overseas gas	Sales volume	<b>165</b>	<b>144</b>	<b>-21</b>



# Actual Sales of Crude Oil in 1Q FY3/18 ( year-on-year )

		FY3/17	FY3/18	Change
Sales volume : Thousand KL				
Net sales : Million JP¥		1Q(a)	1Q(a)	
Crude Oil	Sales volume	<b>711</b>	<b>872</b>	<b>+161</b>
	Net sales	<b>18,226</b>	<b>29,530</b>	<b>+11,303</b>

Increase in sales volume , rising selling price

## Breakdown

Domestic crude oil (*)	Sales volume	<b>73</b>	<b>78</b>	<b>+5</b>
	Net sales	<b>2,164</b>	<b>3,158</b>	<b>+993</b>
Overseas crude oil (**)	Sales volume	<b>326</b>	<b>442</b>	<b>+115</b>
	Net sales	<b>7,732</b>	<b>13,545</b>	<b>+5,813</b>
Bitumen (***)	Sales volume	<b>65</b>	<b>—</b>	<b>-65</b>
	Net sales	<b>329</b>	<b>—</b>	<b>-329</b>

Increase in oil sales volume from Garraf Oil Field in Iraq

Operation of bitumen production in the 3.75 Section Area (DEMO Area) in Canada has been suspended from May 2016, and decided not to re-start operation in August 2017

## Assumptions

JCC price	US\$/bbl	<b>37.17</b>	<b>54.63</b>	<b>+17.46</b>
Bitumen price (***)	US\$/bbl	<b>7.12</b>	<b>—</b>	<b>-7.12</b>
Exchange rate	JP¥/US\$	<b>110.71</b>	<b>112.12</b>	<b>+1.41</b>

(\*) Sales volume and net sales of "Domestic crude oil" stated herein do not include purchased crude oil.

(\*\*) Sales volume and net sales of "Overseas crude oil" stated herein are amounts of 3 overseas subsidiaries (Japex (U.S.) Corp., JAPEX Montney Ltd. and Japex Garraf Ltd.).

(\*\*\*) Royalty is excluded in the net sales and price of Bitumen.

# Actual Results for 1Q FY3/18 ( year-on-year )

[ Million JP¥]	FY3/17 1Q (a)	FY3/18 1Q (a)	Change
Net sales	42,096	59,803	+17,706
Gross profit	6,446	9,649	+3,202
Exploration expenses	125	367	+241
SG&A expenses	7,295	7,011	-283
Operating income (loss)	-974	2,270	+3,244
Non-operating income (expenses)	4,287	3,464	-822
Ordinary income (loss)	3,313	5,735	+2,422
Extraordinary income (loss)	-253	-5	+247
Income taxes	471	634	+162
Profit (loss) attributable to non-controlling interests	678	-397	-1,076
Profit (loss) attributable to owners of parent	1,909	5,492	+3,583

Main factors for change

Increase factor (+) / Decrease factor (-)

## Gross profit

Domestic crude oil and natural gas

+ ¥1.1 billion

Overseas consolidated subsidiaries

+ ¥2.0 billion

## Non-operating income (expenses)

Equity in earnings of affiliates

+ ¥3.1 billion

Foreign currency translation adjustments on debt, foreign currency exchange gains and losses

Gains ¥3.4 billion (FY3/17) → Losses ¥0.4 billion (FY3/18)  
- ¥ 3.9 billion

# Revised Forecasts for FY3/18

## [Assumptions]

			2017				2018	Full year
			Jan.-Mar.	Apr.-Jun.	Jul.-Sep.	Oct.-Dec.	Jan.-Mar.	
JCC price	US\$/bbl	Previous forecasts		<b>50.00</b>	<b>50.00</b>	<b>50.00</b>	<b>50.00</b>	<b>50.00</b>
		Revised forecasts		<b>54.63</b>	<b>50.00</b>	<b>50.00</b>	<b>50.00</b>	<b>51.27</b>
Exchange rate	JP¥/US\$	Previous forecasts		<b>110.00</b>	<b>110.00</b>	<b>110.00</b>	<b>110.00</b>	<b>110.00</b>
		Revised forecasts		<b>112.12</b>	<b>110.00</b>	<b>110.00</b>	<b>110.00</b>	<b>110.62</b>
JACOS Bitumen	US\$/bbl	Previous forecasts	-	-	-	-	-	-
		Revised forecasts	-	-	-	-	-	-
JACOS Diluted bitumen	US\$/bbl	Previous forecasts	-	-	<b>33.78</b>	<b>33.65</b>		<b>33.81</b>
		Revised forecasts	-	-	<b>32.89</b>	<b>32.83</b>		<b>32.84</b>
JML Gas	CA\$/mcf	Previous forecasts	<b>2.23</b>	<b>2.23</b>	<b>2.23</b>	<b>2.23</b>		<b>2.23</b>
		Revised forecasts	<b>2.71</b>	<b>2.62</b>	<b>2.23</b>	<b>2.23</b>		<b>2.45</b>

1. "JACOS Bitumen" stated herein bitumen selling price of Japan Canada Oil Sands Ltd. (Deduction of Royalty). Decided not to re-start operation at the DEMO Area in August 2017 and not estimated FY3/18 sales.
2. "JACOS Diluted bitumen" stated herein diluted bitumen selling price of Japan Canada Oil Sands Ltd. (Deduction of Royalty). Started production operation at the Hangingstone expansion area in August 2017, expected to start sales from the second half of FY3/18.
3. "JML Gas" stated herein gas selling price of JAPEX Montney Ltd. (Deduction of Royalty)



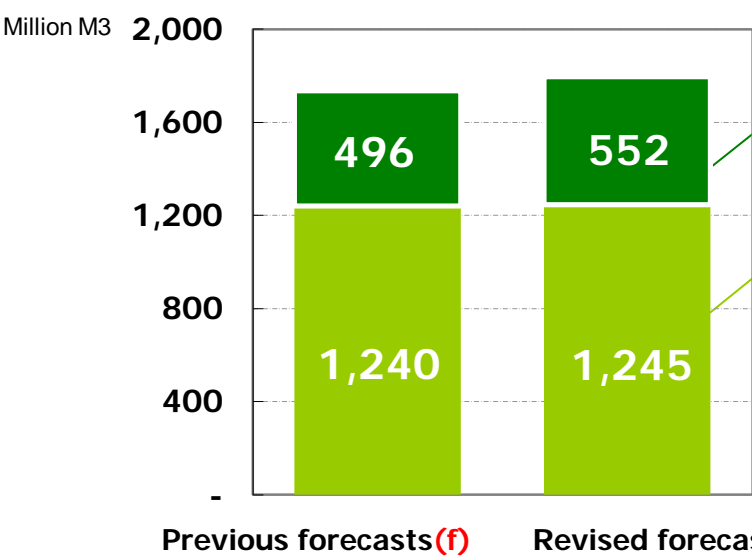
# Revised Forecasts Natural Gas Sales for FY3/18 (vs Previous Forecasts)

		FY3/18	FY3/18	Change
		Previous forecasts Full (f) May 12, 2017	Revised forecasts Full (f) August 8, 2017	Full
Sales volume : Million M3				
Net sales : Million JP¥				
Natural gas	Sales volume	<b>1,736</b>	<b>1,797</b>	<b>+61</b>
	Net sales	<b>56,572</b>	<b>59,128</b>	<b>+2,557</b>

Increase in sales volume, rising selling price

## Breakdown

Domestic gas	Sales volume	<b>1,240</b>	<b>1,245</b>	<b>+5</b>
(Domestically produced gas)	Sales volume	<i>(713)</i>	<i>(722)</i>	<i>(+8)</i>
Overseas gas	Sales volume	<b>496</b>	<b>552</b>	<b>+55</b>



Sales volume of overseas gas

Increase in shale gas sales volume in Canada

Sales volume of domestic gas

Increase in demand for local distribution companies and industrial users

Sales volume of "Overseas gas" stated herein are amounts of Japex (U.S.) Corp. and JAPEX Montney Ltd., overseas consolidated subsidiaries.

# Revised Forecasts Crude Oil Sales for FY3/18 (vs Previous Forecasts)

Sales volume : Thousand KL		FY3/18	FY3/18	Change	
Net sales : Million JP¥		Previous forecasts Full (f) May 12, 2017	Revised forecasts Full (f) August 8, 2017	Full	
Crude Oil	Sales volume	2,898	2,654	-244	
	Net sales	93,230	86,556	-6,674	Decrease of sales volume

## Breakdown

Domestic crude oil (*)	Sales volume	271	285	+15	
	Net sales	9,993	10,792	+800	
Overseas crude oil (**)	Sales volume	1,329	1,160	-168	Decrease of sales volume from Garraf Oil Field in Iraq
	Net sales	40,501	35,654	-4,848	
Bitumen (***)	Sales volume	—	—	—	Decision not to re-start operation of DEMO Area
	Net sales	—	—	—	
Diluted bitumen (****)	Sales volume	339	254	-85	Reduction of sales volume due to revision of commencement for the operation of Hangingsstone Oil Sands Project
	Net sales	7,929	5,768	-2,162	

## Assumptions

JCC price	US\$/bbl	50.00	51.27	+1.27	(*) Sales volume and net sales of "Domestic crude oil" stated herein do not include purchased crude oil.
Bitumen price (***)	US\$/bbl	—	—	—	
Diluted bitumen (****)	US\$/bbl	33.81	32.84	-0.97	(**) Sales volume and net sales of "Overseas crude oil" stated herein are amounts of 3 overseas subsidiaries (Japex (U.S.) Corp., JAPEX Montney Ltd. and Japex Garraf Ltd.).
Exchange rate	JP¥/US\$	110.00	110.62	+0.62	(***) , (****) Royalty is excluded in the net sales and price of both Bitumen and Diluted bitumen.

# Revised Forecasts for FY3/18 (vs Previous Forecasts)

[Million JP¥]	FY3/18	FY3/18	Change	Main factors for change Increase factor(+) / Decrease factor (-)
	Previous forecasts Full (f) May 12, 2017	Revised forecasts Full (f) August 8, 2017		
Net sales	214,878	211,025	-3,853	<b>Gross profit</b> Domestic crude oil and natural gas + ¥2.5 billion Overseas consolidated subsidiaries + ¥0.7 billion
Gross profit	32,660	35,804	+3,144	
Exploration expenses	1,373	1,329	-44	<b>SG&amp;A expenses</b> Review of cost classification - ¥1.7 billion
SG&A expenses	28,300	29,987	+1,687	
Operating income (loss)	2,988	4,489	+1,501	<b>Non-operating income (expenses)</b> Not re-starting SAGD operations in DEMO Area - ¥7.6 billion Not proceeding PNW LNG Project - ¥3.2 billion Other + ¥3.0 billion
Non-operating income (expenses)	2,437	-5,399	-7,836	
Ordinary income (loss)	5,424	-910	-6,335	
Extraordinary income (loss)	-31	-5,564	-5,533	<b>Extraordinary income (loss)</b> Not proceeding PNW LNG Project - ¥5.5 billion
Income taxes	2,301	-1,361	-3,661	
Profit (loss) attributable to non-controlling interests	-2,472	-6,333	-3,861	<b>Income tax adjustments</b> Tax effect accounting regarding DEMO Area + ¥2.0 billion
Profit (loss) attributable to owners of parent	5,564	1,219	-4,345	