

Consolidated Financial Results for the Six Months Ended September 30, 2017 <under Japanese GAAP>

November 10, 2017

Note: The following report is a summary of the Japanese-language original.

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 Listing: Tokyo Stock Exchange, First Section
 Securities code: 1662
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Scheduled date to file Quarterly Report: November 13, 2017
 Scheduled date to commence dividend payments: December 13, 2017
 Presentation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results presentation meeting (for institutional investors and analysts): Yes

(Millions of yen with fractional amounts discarded, unless otherwise noted)

1. Consolidated financial results for the six months ended September 30, 2017 (April 1, 2017 – September 30, 2017)

(1) Consolidated operating results (cumulative) (Percentages indicate year-on-year changes.)

| | Net sales | | Operating profit | | Ordinary profit | | Profit attributable to owners of parent | |
|--------------------|-----------------|--------|------------------|---|-----------------|---|---|---|
| | Millions of yen | % | Millions of yen | % | Millions of yen | % | Millions of yen | % |
| September 30, 2017 | 112,382 | 22.8 | 3,452 | – | 8,888 | – | 7,756 | – |
| September 30, 2016 | 91,494 | (26.3) | (3,213) | – | (2,238) | – | (1,267) | – |

Note: Comprehensive income: Six months ended September 30, 2017: 14,436 million yen (– %)
 Six months ended September 30, 2016: (20,072) million yen (– %)

| | Basic earnings per share | Diluted earnings per share |
|--------------------|--------------------------|----------------------------|
| | Yen | Yen |
| September 30, 2017 | 135.71 | – |
| September 30, 2016 | (22.17) | – |

(2) Consolidated financial position

| | Total assets | Net assets | Equity ratio |
|--------------------------|-----------------|-----------------|--------------|
| | Millions of yen | Millions of yen | % |
| As of September 30, 2017 | 746,006 | 522,945 | 60.5 |
| As of March 31, 2017 | 746,739 | 510,609 | 58.6 |

Reference: Equity As of September 30, 2017: 451,649 million yen As of March 31, 2017: 437,518 million yen

2. Cash dividends

| | Annual dividends | | | | |
|---|------------------|----------------|---------------|-----------------|-------|
| | First quarter | Second quarter | Third quarter | Fiscal year-end | Total |
| | Yen | Yen | Yen | Yen | Yen |
| Fiscal year ended March 31, 2017 | – | 5.00 | – | 10.00 | 15.00 |
| Fiscal year ending March 31, 2018 | – | 10.00 | | | |
| Fiscal year ending March 31, 2018 (Forecasts) | | | – | 10.00 | 20.00 |

Note: Revisions to the latest forecasts of cash dividends: None

3. Consolidated financial forecasts for the fiscal year ending March 31, 2018 (April 1, 2017 – March 31, 2018)
(Percentages indicate year-on-year changes.)

| | Net sales | | Operating profit | | Ordinary profit | | Profit attributable to owners of parent | | Basic earnings per share |
|-----------------------------------|-----------------|-----|------------------|-------|-----------------|--------|---|--------|--------------------------|
| | Millions of yen | % | Millions of yen | % | Millions of yen | % | Millions of yen | % | Yen |
| Fiscal year ending March 31, 2018 | 213,802 | 3.2 | 4,314 | 529.8 | 654 | (70.6) | 1,737 | (49.6) | 30.38 |

Note: Revisions to the consolidated financial forecasts most recently announced: Yes

* Notes

- (1) Changes in significant subsidiaries during the six months under review (changes in specified subsidiaries resulting in the change in scope of consolidation): None
- (2) Application of specific accounting for preparing quarterly consolidated financial statements: Yes
Note: For details, please refer to “(3) Notes to consolidated financial statements (Application of specific accounting for preparing quarterly consolidated financial statements)” of “2. Consolidated financial statements and significant notes thereto” on page 9 of the attached material.
- (3) Changes in accounting policies, changes in accounting estimates, and restatement
 - a. Changes in accounting policies due to revisions to accounting standards and other regulations: None
 - b. Changes in accounting policies due to other reasons: None
 - c. Changes in accounting estimates: None
 - d. Restatement: None
- (4) Number of issued shares (common shares)
 - a. Total number of issued shares at the end of the period (including treasury shares)

| | |
|--------------------------|-------------------|
| As of September 30, 2017 | 57,154,776 shares |
| As of March 31, 2017 | 57,154,776 shares |
 - b. Number of treasury shares at the end of the period

| | |
|--------------------------|--------------|
| As of September 30, 2017 | 2,139 shares |
| As of March 31, 2017 | 2,139 shares |
 - c. Average number of shares during the period (cumulative from the beginning of the fiscal year)

| | |
|-------------------------------------|-------------------|
| Six months ended September 30, 2017 | 57,152,637 shares |
| Six months ended September 30, 2016 | 57,152,637 shares |

* Quarterly financial results reports are not required to be subjected to quarterly reviews.

* Proper use of financial forecasts and other special matters

The forward-looking statements, including the financial forecasts shown in this document are based on information currently available to the Company and on certain assumptions deemed to be reasonable. As such, they do not constitute guarantees by the Company of future performance. Actual performance and other results may differ materially from these forecasts due to various factors.

For the suppositions that form the assumptions for financial forecasts and cautions concerning the use thereof, please refer to “(3) Explanation of consolidated financial forecasts and other forward-looking statements” of “1. Qualitative information regarding settlement of accounts for the six months ended September 30, 2017” on page 4 of the attached material to the quarterly financial results report.

(Method of accessing supplementary material on quarterly financial results)

JAPEX plans to hold a presentation meeting for institutional investors and analysts on November 13, 2017. JAPEX plans to post the material distributed at this presentation meeting on its website promptly after the meeting is held.

(Attached Material)

1. Qualitative information regarding settlement of accounts for the six months ended September 30, 2017

(1) Explanation of operating results

During the six months ended September 30, 2017, net sales was ¥112,382 million, an increase of ¥20,887 million (+22.8%) year on year. Gross profit was ¥17,884 million, an increase of ¥6,209 million (+53.2%) year on year. The main factors behind the year-on-year increases in net sales and gross profit were rises in sales prices of crude oil and natural gas, and an increase in sales volume of domestic natural gas.

Exploration expenses was ¥643 million, a decrease of ¥1 million (-0.3%) year on year. Selling, general and administrative expenses was ¥13,788 million, a decrease of ¥455 million (-3.2%) year on year. As a result, operating profit improved by ¥6,666 million year on year to ¥3,452 million (operating loss of ¥3,213 million in the same period of the previous fiscal year).

Ordinary profit improved by ¥11,126 million year on year to ¥8,888 million (ordinary loss of ¥2,238 million in the same period of the previous fiscal year), mainly because of an increase in share of profit of entities accounted for using equity method and the turnaround from foreign exchange losses to foreign exchange gains.

Profit before income taxes improved by ¥11,385 million year on year to ¥8,875 million (loss before income taxes of ¥2,509 million in the same period of the previous fiscal year), as a result of a turnaround from ordinary loss to ordinary profit. Profit attributable to owners of parent also improved by ¥9,023 million year on year to ¥7,756 million (loss attributable to owners of parent of ¥1,267 million in the same period of the previous fiscal year).

Below is a breakdown of sales.

(i) E&P

Net sales from E&P (including liquefied natural gas (LNG) and bitumen) came to ¥87,520 million, an increase of ¥15,569 million (+21.6%) year on year. This was mainly the result of a rise in sales price of crude oil and natural gas and an increase in sales volume of domestic natural gas.

(ii) Contract Services

Net sales from contract services (drilling and geological surveys, etc.) came to ¥5,237 million, an increase of ¥1,249 million (+31.3%) year on year.

(iii) Other Businesses

Net sales from other businesses, such as the sale of oil products, including liquefied petroleum gas (LPG), fuel oil and the like, the transportation of natural gas, etc., as well as other subcontracted tasks, came to ¥19,624 million, an increase of ¥4,068 million (+26.2%) year on year.

(2) Explanation of financial position

At the end of the second quarter, total assets decreased by ¥733 million from the previous fiscal year-end to ¥746,006 million.

Current assets increased by ¥263 million from the previous fiscal year-end, mainly due to an increase in cash and deposits. Non-current assets decreased by ¥997 million. This was due to the decline in property, plant and equipment resulting from the impact of fluctuation in foreign exchange rates and depreciation, progress in the recovery of recoverable accounts included in other investments and other assets, and other factors, despite the increase in investment securities resulting from the rise in market values and other factors.

Liabilities decreased by ¥13,068 million from the previous fiscal year-end to ¥223,060 million.

Current liabilities decreased by ¥8,124 million from the previous fiscal year-end, mainly due to a decrease in notes and accounts payable - trade. Non-current liabilities decreased by ¥4,944 million. This was due to the impact of fluctuation in foreign exchange rates and the reclassification of loans payable with

repayments due in one year or less to current liabilities in long-term loans payable.

Net assets increased by ¥12,335 million from the previous fiscal year-end to ¥522,945 million. The main factors were increases in retained earnings and valuation difference on available-for-sale securities, despite decreases in foreign currency translation adjustment and non-controlling interests.

(3) Explanation of consolidated financial forecasts and other forward-looking statements

The consolidated financial forecasts for the fiscal year ending March 31, 2018 have been revised from the forecasts announced on August 8, 2017.

Please refer to the “Notice of Financial Forecasts Revision” released on November 10, 2017, the same day of this report.

2. Consolidated financial statements and significant notes thereto

(1) Consolidated quarterly balance sheet

(Millions of yen)

| | As of March 31, 2017 | As of September 30, 2017 |
|--|----------------------|--------------------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 109,488 | 119,546 |
| Notes and accounts receivable - trade | 28,283 | 20,464 |
| Securities | 1,302 | 1,500 |
| Merchandise and finished goods | 4,282 | 4,313 |
| Work in process | 84 | 228 |
| Raw materials and supplies | 5,414 | 4,861 |
| Other | 12,534 | 10,742 |
| Allowance for doubtful accounts | (31) | (33) |
| Total current assets | 161,359 | 161,623 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Construction in progress | 217,984 | 222,885 |
| Other, net | 165,805 | 159,631 |
| Total property, plant and equipment | 383,790 | 382,517 |
| Intangible assets | | |
| Other | 8,487 | 7,846 |
| Total intangible assets | 8,487 | 7,846 |
| Investments and other assets | | |
| Investment securities | 148,237 | 165,200 |
| Other | 47,466 | 31,305 |
| Allowance for doubtful accounts | (51) | (50) |
| Allowance for overseas investment loss | (2,549) | (2,436) |
| Total investments and other assets | 193,102 | 194,019 |
| Total non-current assets | 585,380 | 584,382 |
| Total assets | 746,739 | 746,006 |

(Millions of yen)

| | As of March 31, 2017 | As of September 30, 2017 |
|---|----------------------|--------------------------|
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable - trade | 13,634 | 5,115 |
| Provision | 57 | 316 |
| Other | 24,219 | 24,355 |
| Total current liabilities | 37,911 | 29,786 |
| Non-current liabilities | | |
| Long-term loans payable | 141,903 | 134,604 |
| Deferred tax liabilities | 29,497 | 32,698 |
| Provision | 1,175 | 1,320 |
| Net defined benefit liability | 3,572 | 3,469 |
| Asset retirement obligations | 18,292 | 18,079 |
| Other | 3,776 | 3,102 |
| Total non-current liabilities | 198,218 | 193,274 |
| Total liabilities | 236,129 | 223,060 |
| Net assets | | |
| Shareholders' equity | | |
| Capital stock | 14,288 | 14,288 |
| Capital surplus | 183 | 183 |
| Retained earnings | 345,693 | 354,900 |
| Treasury shares | (10) | (10) |
| Total shareholders' equity | 360,155 | 369,362 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 69,832 | 78,033 |
| Deferred gains or losses on hedges | (226) | 124 |
| Foreign currency translation adjustment | 7,301 | 3,594 |
| Remeasurements of defined benefit plans | 455 | 535 |
| Total accumulated other comprehensive income | 77,363 | 82,287 |
| Non-controlling interests | 73,091 | 71,295 |
| Total net assets | 510,609 | 522,945 |
| Total liabilities and net assets | 746,739 | 746,006 |

(2) Consolidated quarterly statement of income and Consolidated quarterly statement of comprehensive income
Consolidated quarterly statement of income

(Millions of yen)

| | Six months ended September 30, 2016 | Six months ended September 30, 2017 |
|---|--|--|
| Net sales | 91,494 | 112,382 |
| Cost of sales | 79,819 | 94,497 |
| Gross profit | 11,675 | 17,884 |
| Exploration expenses | | |
| Exploration expenses | 712 | 698 |
| Exploration subsidies | (67) | (55) |
| Total exploration expenses | 645 | 643 |
| Selling, general and administrative expenses | 14,243 | 13,788 |
| Operating profit (loss) | (3,213) | 3,452 |
| Non-operating income | | |
| Interest income | 587 | 686 |
| Dividend income | 1,045 | 1,108 |
| Share of profit of entities accounted for using equity method | 71 | 3,349 |
| Other | 520 | 1,422 |
| Total non-operating income | 2,224 | 6,566 |
| Non-operating expenses | | |
| Interest expenses | 472 | 714 |
| Foreign exchange losses | 491 | - |
| Other | 284 | 416 |
| Total non-operating expenses | 1,249 | 1,131 |
| Ordinary profit (loss) | (2,238) | 8,888 |
| Extraordinary income | | |
| Gain on sales of non-current assets | - | 2 |
| Total extraordinary income | - | 2 |
| Extraordinary losses | | |
| Loss on sales of non-current assets | 0 | 3 |
| Loss on retirement of non-current assets | 21 | 10 |
| Provision for loss on business liquidation | 249 | - |
| Other | - | 0 |
| Total extraordinary losses | 270 | 14 |
| Profit (loss) before income taxes | (2,509) | 8,875 |
| Income taxes | 414 | 1,108 |
| Profit (loss) | (2,924) | 7,767 |
| Profit (loss) attributable to non-controlling interests | (1,657) | 10 |
| Profit (loss) attributable to owners of parent | (1,267) | 7,756 |

Consolidated quarterly statement of comprehensive income

(Millions of yen)

| | Six months ended September 30, 2016 | Six months ended September 30, 2017 |
|--|--|--|
| Profit (loss) | (2,924) | 7,767 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | 4,249 | 8,160 |
| Deferred gains or losses on hedges | (6) | 369 |
| Foreign currency translation adjustment | (20,434) | (4,126) |
| Remeasurements of defined benefit plans, net of tax | 71 | 76 |
| Share of other comprehensive income of entities accounted for using equity method | (1,027) | 166 |
| Changes in equity interest | – | 2,022 |
| Total other comprehensive income | (17,148) | 6,669 |
| Comprehensive income | (20,072) | 14,436 |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of parent | (14,450) | 14,702 |
| Comprehensive income attributable to non-controlling interests | (5,622) | (266) |

(3) Notes to consolidated financial statements

(Notes on premise of going concern)

No item to report.

(Notes on significant changes in the amount of shareholders' equity)

No item to report.

(Application of specific accounting for preparing quarterly consolidated financial statements)

Deferral accounting of cost variance

Cost variance arising from seasonal changes in production level is deferred as current liabilities (other) because such variance is expected to be almost completely eliminated by the end of the cost accounting period.

Calculation of taxes

For the taxes, JAPEX and some of its consolidated subsidiaries compute first by reasonably estimating the effective tax rate after applying tax effect accounting against profit before income taxes for the fiscal year including the second quarter, and next by multiplying the quarterly profit before income taxes by such estimated effective tax rate.

However, in cases where the calculation of taxes using such estimated effective tax rate yields a result that is not reasonable to a significant extent, the effective statutory tax rate is used.

Note that income taxes - deferred is included in income taxes.

(Significant subsequent events)

Decision not to proceed with LNG Project in British Columbia, Canada

With regard to Pacific NorthWest LNG project in British Columbia, Canada (hereinafter “the PNW LNG Project”) which JAPEX pursued through its foreign subsidiary JAPEX Montney Ltd. (hereinafter “JML”), Pacific NorthWest LNG (hereinafter “PNWL”), an operating company, decided not to proceed with the project on July 25, 2017 (Pacific Daylight Time (PDT), Canada).

In April 2013, JAPEX took part, through JML, in shale gas development and production project (hereinafter “the Upstream Project”) as well as the PNW LNG Project for producing LNG from shale gas reserves. We reached the decision, however, not to proceed due to changes to circumstances in the LNG industry.

As a result of this decision, JAPEX will post approximately CAD 60 million of extraordinary losses for termination of the pipeline construction plan relating to the PNW LNG Project and approximately CAD 36 million of share of loss of entities accounted for using equity method relating to PNWL in non-operating expenses respectively in this fiscal year. We are examining impacts to the Upstream Project associated with the decision.

Decision not to re-start production operation of bitumen by SAGD process in the 3.75 section area of Hangingstone in the province of Alberta, Canada

JAPEX and its foreign subsidiary Japan Canada Oil Sands Limited (hereinafter “JACOS”) both resolved at their respective meetings of Board of Directors held on August 8, 2017 (local time on August 8, 2017), not to re-start production operations of bitumen (ultra-heavy crude oil extracted from oil sands formation) production by JACOS using SAGD (Steam Assisted Gravity Drainage) process* in the 3.75 Section Area (hereinafter “the DEMO Area”) at the Hangingstone leases in the province of Alberta, Canada.

Since the start of the pilot production using SAGD process in the DEMO Area in 1999, JACOS has produced a cumulative total of 35 million barrels of bitumen. However, the wildfires in May 2016 forced suspension of operations, and aiming at improvement of our financial results under the stagnating oil prices environment, we decided to leave the production operations suspended rather than re-start later that year.

We have been evaluating the possibility to re-start production operations, but in the continuing adverse business environment including low oil prices and the increasing technical risks of a re-start due to declining temperature and pressure of the oil sands formation, we decided not to re-start production operations using SAGD process in the DEMO Area.

As a result of this decision, JAPEX plans to post the whole amount of approximately US\$69 million of property, plant and equipment relating to the DEMO Area as non-operating expenses using the unit-of-production method in this fiscal year.

* One of the methods to extract ultra-heavy crude oil by injecting steam into the formation to increase fluidity of ultra-heavy crude oil and to use the gravity effect for extraction.

3. Supplemental information

Status of production and sales

(1) Production

| | | Six months ended September 30, 2016 (April 1, 2016 – September 30, 2016) | Six months ended September 30, 2017 (April 1, 2017 – September 30, 2017) | (Reference) Fiscal year ended March 31, 2017 (April 1, 2016 – March 31, 2017) |
|-----|---|---|---|--|
| E&P | Crude oil (kl) | 777,429 (625,336) | 696,640 (547,370) | 1,570,228 (1,264,026) |
| | Natural gas (thousand m ³) | 677,202 (313,503) | 638,954 (268,529) | 1,380,939 (600,976) |
| | LNG (t) | 8,437 | 6,729 | 10,154 |
| | Bitumen (kl) | 90,751 (90,751) | – (–) | 90,751 (90,751) |

- Notes: 1. The figures in parentheses represent overseas production and are included in the total.
2. Part of the natural gas production volume is used as a feedstock for LNG.
3. Bitumen is a type of extra-heavy oil extracted from oil sands formation.

(2) Sales

| | | Six months ended September 30, 2016 (April 1, 2016 – September 30, 2016) | | Six months ended September 30, 2017 (April 1, 2017 – September 30, 2017) | | (Reference) Fiscal year ended March 31, 2017 (April 1, 2016 – March 31, 2017) | |
|---------------------|---|---|-----------------------------|---|-----------------------------|--|-----------------------------|
| | | Volume | Amount (Millions of yen) | Volume | Amount (Millions of yen) | Volume | Amount (Millions of yen) |
| E&P | Crude oil (kl) | 1,623,849 | 43,202 | 1,548,075 | 53,086 | 2,670,522 | 81,428 |
| | Natural gas (thousand m ³) | 844,862 | 23,184 | 833,721 | 26,839 | 1,864,865 | 55,329 |
| | LNG (t) | 78,459 | 4,974 | 131,147 | 7,595 | 398,295 | 20,278 |
| | Bitumen (kl) | 91,624 | 589 | – | – | 91,627 | 669 |
| Subtotal | | | 71,951 | | 87,520 | | 157,706 |
| Contract services | | | 3,987 | | 5,237 | | 10,354 |
| Other businesses | Oil products /merchandise | | 13,179 | | 16,842 | | 33,354 |
| | Others | | 2,375 | | 2,781 | | 5,715 |
| Subtotal | | | 15,555 | | 19,624 | | 39,069 |
| Total | | | 91,494 | | 112,382 | | 207,130 |

- Notes: 1. “Oil products/merchandise” includes liquefied petroleum gas (LPG), fuel oil, gas oil and kerosene, and “Others” includes the transportation of natural gas and oil products as well as other subcontracted tasks.
2. Monetary amounts in the table do not include consumption taxes.