



Note: The following press release is an English translation of the Japanese-language original

May 11, 2018

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Long-term Vision and Mid-term Business Plan of JAPEX

Japan Petroleum Exploration Co., Ltd. (JAPEX) hereby released "Long-term Vision 2030" (hereinafter "Long-vision") as our growth strategy toward 2030 and "Mid-term Business Plan" (hereinafter "Mid-plan") to determine our management direction and business priority for coming five years from fiscal 2018.

JAPEX formulated Long-term Business Vision and Medium-term Business Plan in the first five years (hereinafter "former-plan") in May 2015, which is aiming for "Transformation to the Integrated Energy Company with a focus on Oil and Gas E&P Business." Based on the former-plan, the JAPEX group had struggled to strengthen our business basement with a large amount of investment including the development for full-scale commercial production of Canada Oil Sands Project in the Hangingstone leases and the completion of Soma LNG Terminal at Soma port in Fukushima prefecture and to expand our business into related fields which have affinity to our fundamental business such as joining natural gas-fired power generation project at Soma port, making contributions in national verification projects for next-gen resource development, and others.

However, after formulation of the former-plan, our business profit in E&P business declined by downfall in crude oil and natural gas prices, and the Pacific NorthWest LNG project which was planned to produce LNG from its upstream shale gas reserves in British Columbia of Canada was decided not to proceed. Mainly by these changes in our business condition, our mid-range targets were required to be revised. Furthermore, in response to the situation change of energy sector by international climate protection agreements and carbon emissions as well as the growing interest for companies' effort to ESG (Environment, Social, Governance) from stakeholders, we decided that reconsideration of our business vision was needed in the long-term view with our recognition for making contributions to sustainable society and stable energy supply as our mission.

The summary of new Long-vision and Mid-plan is as follows:

1. Long-term Vision 2030

1) Aspiration toward 2030

"Growth to the Integrated Energy Company Utilizing our Oil and Gas E&P and its Supply Basis"

2) Long-term Strategy

- Under the recognition that oil and gas will play the key role as global primary-energy in mid-to-long term, the JAPEX group continuously undertakes stable energy supply in response to the changes of needs in the market and clients.

- Playing active role for the resolution of global-scale issues particularly in low-carbon/decarbonization listed in "Sustainable Development Goals (SDGs)" adopted by the United Nation, the JAPEX group makes effort to CO₂ reduction in our business and is aiming to generate and expand new businesses of environmentally-friendly in non-E&P field including realization of carbon offset technologies and renewable energies.

3) Long-term Targets

- Aim to achieve "RRR(*2) > 1" by new opportunities and projects of oil and gas E&P
- Play the leading role for the realization of CCS(*3) technology by utilizing our E&P capabilities which will contribute to carbon offset
- Transform our business structure so that the business profit ratio will be "6:4 of E&P to non-E&P" by ensuring new investment funds under financial discipline of "Debt/EBITDA < 2" and allocate half of the new funds to non-E&P business

2. Mid-term Business Plan 2018-2022

1) Mid-term Strategy

- Pursuing to be the aspiration toward 2030, we will be aiming to improve our profitability to achieve "ROE => 5%" level in fiscal 2022 under market circumstance with crude oil prices of 60USD/bbl
- In fiscal 2018 to 2019 as the first half of mid-term, we are focusing on the optimization of our business portfolio and financial soundness as the immediate priorities
- After fiscal 2020 as the second half, we will drive concrete initiatives for sustainable growth including new investment in E&P field as well as business generation in non-E&P field, using new investment funds generated in the first half

2) Mid-term Tactics and Targets

- <1> E&P Business: Proceed to improve operation efficiency of domestic oil and gas fields and additional development in its around areas, to conduct offshore exploration mainly as national researches, and to optimize our owned portfolio and discover new investment opportunities in overseas
- <2> Infrastructure & Utility Business: Ensure stable energy supply and promote natural gas use by domestic-produced gas and various LNG sources for the targets of domestic gas sales amount of 1.6 million tons natural gas (equivalent LNG) per year and sales amount of 2.8 billion kWh electric power per year, execute stable operation and improve utilization of Fukushima Natural Gas Power Plant(*4), and pursue business development of renewable energies
- <3> New Business Development: Establish a dedicated team to strengthen the organization structure for discovering new business opportunities with the utilization of our competitive and advance resources including E&P technologies and knowledge of domestic natural gas supply network which have developed, and accelerate to develop business models and profitable projects

Please refer the appendix for details of Long-term Vision 2030 and Mid-term Business Plan 2018-2022.

The JAPEX group will endeavor to increase its corporate value through improvement to more profitable business structure for sustainable growth under market circumstance of lower crude oil prices, and transformation of our business structure being able to respond changes in society.

Notes)

*1: Exploration & Production

*2: Reserve Replacement Ratio

*3: Carbon dioxide Capture and Storage; JAPEX is playing a key role in a national verification test through joining Japan CCS Co., Ltd.(JCCS) as a stakeholder

*4: Owned by Fukushima Gas Power Co., Ltd. (JAPEX's investment ratio=33%)

(Appendix) Long-term Vision 2030 and Mid-term Business Plan 2018-2022

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(Appendix)

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

**Long-term Vision 2030
and
Mid-term Business Plan 2018-2022**

May 11 , 2018

Japan Petroleum Exploration Co., Ltd.

Cautionary Statement

This document contains future prospects such as plans, forecasts, strategies, and others which are not historical fact and these are made by the management's judgement based on the obtainable information at the time of the disclosure. Actual results may significantly differ from those future prospects due to various factors.

This document is not intended to invite investment.

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Background

Current Status

Need to revise quantitative targets of Long-Term Business Vision and Medium-Term Business Plan (proved reserves, production volumes, natural gas handled volume) formulated in May 2015, due to deterioration in E&P* business profit caused by low oil and gas prices and not proceeding the PNW LNG Project **.

Changes in Social Needs

It is necessary to redefine our social role based on changing social needs for the energy industry, including the United Nations 'The 2030 Agenda for Sustainable Development' and the Paris Agreement.

Long-term Vision 2030 and Mid-term Business Plan

Newly formulated "Long-term Vision 2030 and Mid-term Business Plan 2018-2022". Realize sustainable energy supply by reforming business structure to respond to long-term social structural changes and improve profitability in the oil price range of US\$50-60/bbl.

(*) E&P: Exploration & Production

(**) Refer to "Pacific NorthWest LNG Project in British Columbia, Canada, Is Not Proceeding" released on July 26, 2017

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Corporate Vision

Contribute to society through stable supply of energy, and solve social issues to realize sustainable development agendas.

Explore, develop, produce and deliver oil and natural gas in Japan and overseas.

Further enhance natural gas supply chain, consisting of our domestic infrastructures, by power supply business.

Contribute to solve problems for sustainable society on energy and climate change, through development and commercialization of new technology utilizing our existing technology and expertise.

Trust with stakeholder as first priority
Achieve sustainable growth and maximize corporate value

E&P Business

Infrastructure
Utility Business

New Business
Development

What JAPEX Aims for by 2030

**Growth to the Integrated Energy
Company Utilizing Oil and Gas E&P
and its Supply Base**

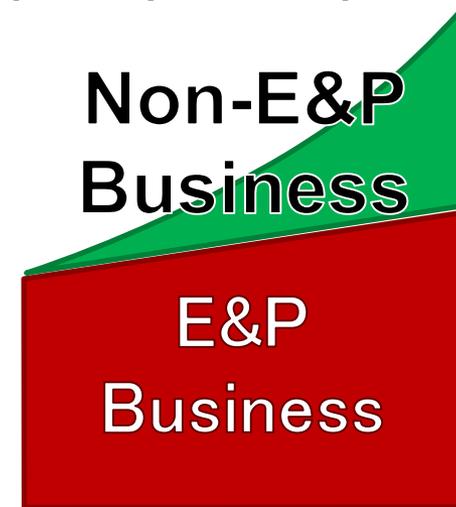
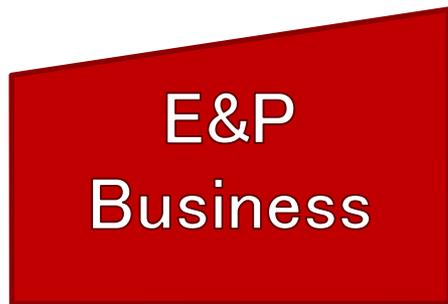
Meet the Local communities and clients' demands for stable oil and Gas supply as well as play an active role to solve global issues such as low-carbonization and decarbonization.

Profit Composition

Business portfolio that enables sustainable growth

- Global oil and gas demand in 2050 is considered as similar to the current level
- It is necessary to develop both E&P and non-E&P business for future uncertainty
- **By creating new environmentally-friendly businesses utilizing full use of our competence, JAPEX will transform our business structure and aim for the profit composition "6 : 4 of E&P to Non-E&P" in 2030**

【Corporate profit composition**】



2030 Ratio

4
.
6

➤ Maintaining "RRR > 1" *

- Infrastructure/Utility Business
- New Business Development

(*) RRR : Reserve Replacement Ratio = Increase in reserves (during a certain period) ÷ Production volume

(**) Operating profit + Equity method investment income/loss basis

Social Agendas JAPEX Address

Focus on solving three social agendas of sustainable development goals (SDGs)* leveraging oil and gas E&P and its supply base

Social
Agendas

7 AFFORDABLE AND
CLEAN ENERGY



Stable supply to meet primary energy demand, for the needs of local communities and customers

9 INDUSTRY, INNOVATION
AND INFRASTRUCTURE



Contribute to the reconstruction of Fukushima prefecture and local communities through a robust supply base starting from the Soma LNG Terminal and the Fukushima Natural Gas Power Plant

13 CLIMATE
ACTION



Play an active role to solve global issues for low carbonization and decarbonization

Our
Efforts

(*) Sustainable Development Goals: Agenda adopted at UN Headquarters in September 2015. Toward realization of a sustainable society it consists of 17 goals to be achieved by 2030 and 169 targets

Business Environment Surrounding JAPEX

Our Business Opportunities

Decarbonization
ESG

CCS*, **
Renewable Energy

Liberalization
of Electricity
and Gas Market

Power Supply
Energy Service

Business
Environment
Surrounding
JAPEX

Oil & Gas
Price Trend

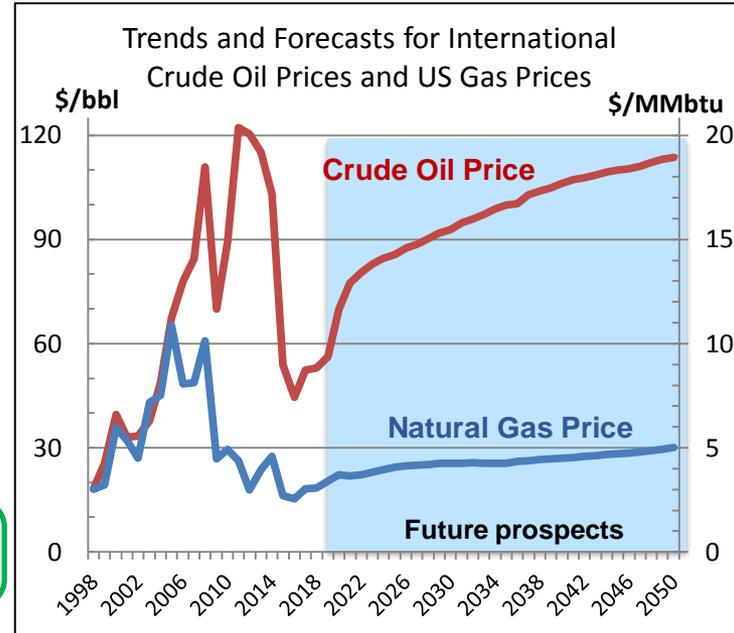
Oil & Gas continue to
be the primary energy

Distributed
Power Supply
IoT·AI

Natural Gas –Fired Power
Generation as Flexible Power
Supply

Domestic
Population
Decline

Smart Community
Compact City Business



Source: EIA

- Most predictions insist rise of oil and gas prices
- Current volatility is high



Transformation to a business structure capable of sustainable growth is necessary on the premise of continuing the oil price of \$50-60/bbl

(*) CCS: Carbon dioxide Capture and Storage

(**) There is also the concept of CCUS (Carbon dioxide Capture, Utilization and Storage) including the use of CO2

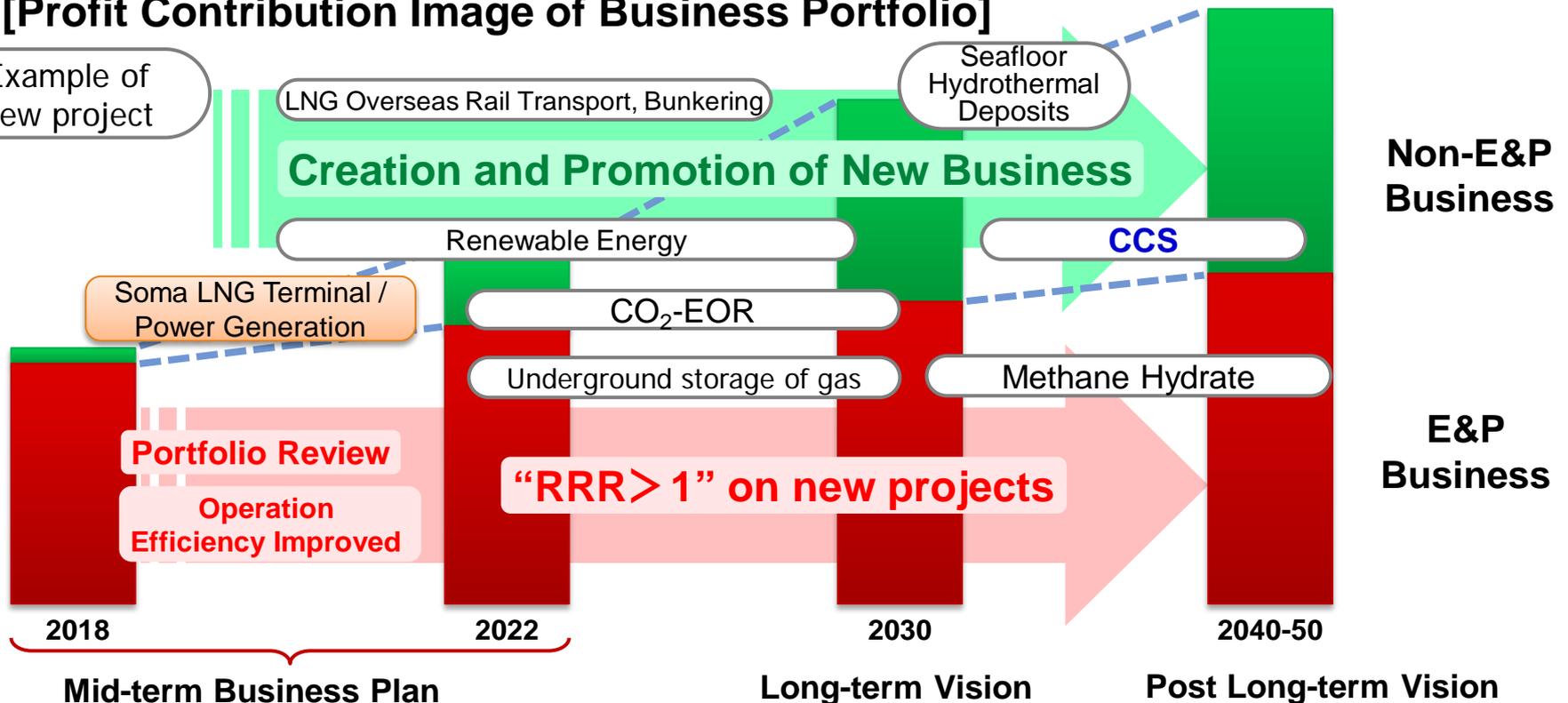
Towards Integrated Energy Company

Allocation of Management Resources to Realize the Target

- Secure funds for new investment under financial discipline “Debt/EBITDA* < 2”
- **Allocate approximately half of new investment resources to non-E&P business in the medium to long term**

[Profit Contribution Image of Business Portfolio]

Example of new project



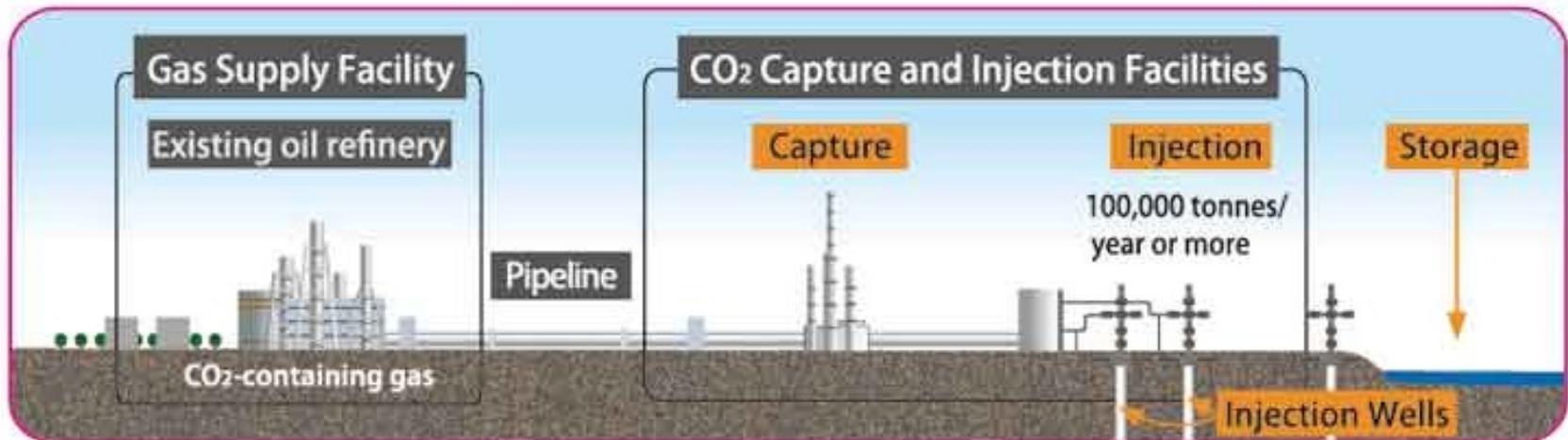
(*) EBITDA: Earnings before Interest, Taxes, Depreciation and Amortization

[Priority Business] CCS

- According to the International Energy Agency (IEA), **CCS is expected to contribute 14% of the total CO2 reductions by 2060** in order to achieve the "2 °C target" of the Paris Agreement
- If CCS is commercialized, **there is the possibility of offsetting the substantial amount of CO2 emitted at the time of combustion of oil and natural gas on the client side**, in addition to CO2 emitted during our business process.

Through Japan CCS Co., Ltd., we utilize the E&P underground technology we have accumulated so far and are leading the project of pioneering CCS technology development that is gaining global attention.

- Achieved 150,000 ton cumulative injected CO2 volume by large-scale CCS demonstration project at Tomakomai, Hokkaido. About 2,000 visitors per year. (as of March 31, 2018)



— Provided by Japan CCS Co., Ltd.

ESG Efforts for Sustainable Growth

Relationship with
SHINE*

Environment

- **Commercialization of CCS**
- Energy saving and diffusion of natural gas as a clean energy
- Create environmentally friendly new business

S

H

Social

- Safety first priority
- Regional promotion through stable energy supply
- **Contribution to Fukushima reconstruction through Soma Project**
- Local production and local consumption of energy and disaster-resistant community planning

H

N

Governance

- Diversity & inclusion
- Dialogue with stakeholders
- Disclosure of ESG information under international standards

I

E

(*) Five core CSR themes as “SHINE” initiatives

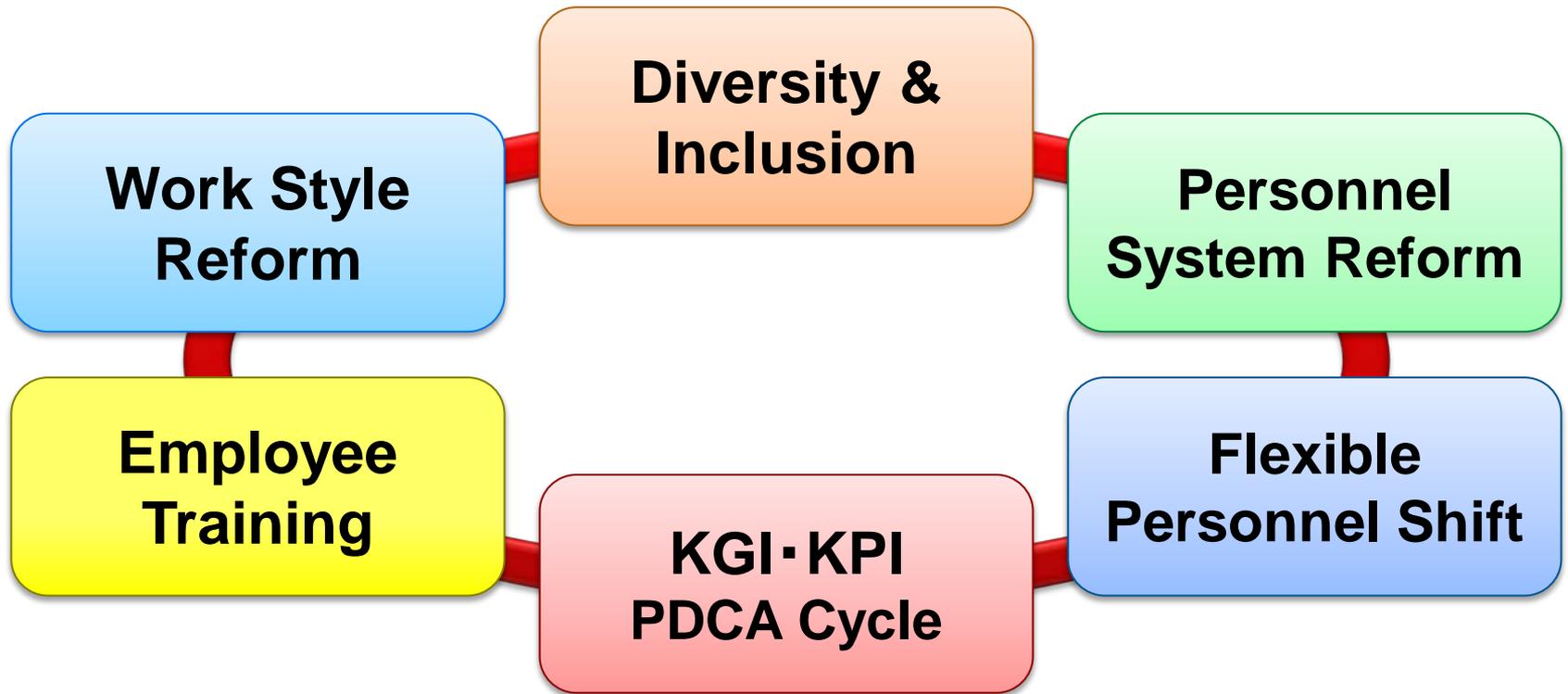
[S]: Stable and sustainable energy supply [H]: HSE as our culture [I]: Integrity and governance

[N]: Being a good Neighbor [E]: The Employer of choice

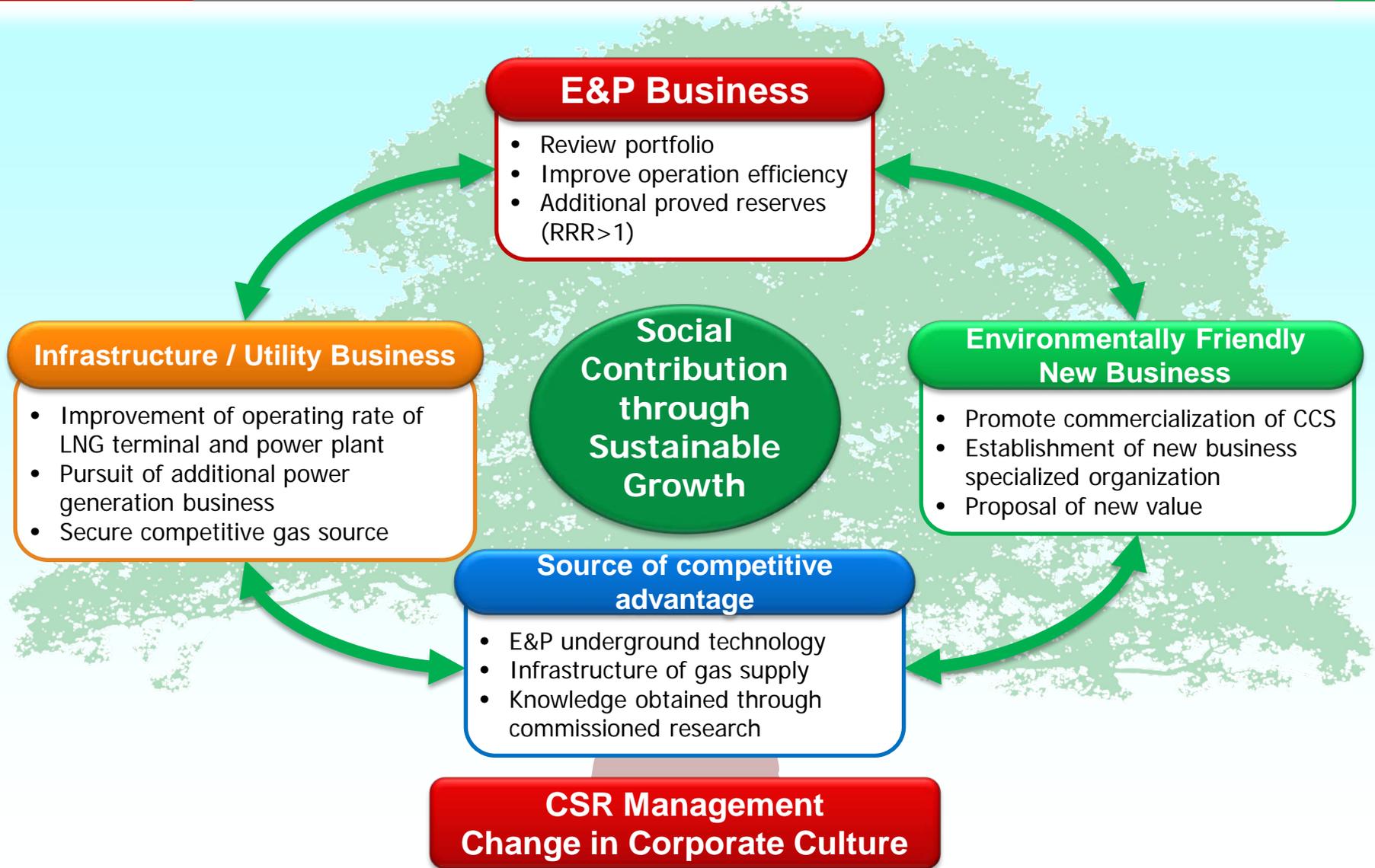
Transformation of Corporate Culture

- Transforming mindsets and Human Resource Development -

While aiming to increasing the creativity and challenging spirit of each of the executives and employees, JAPEX aim to transform into a company with abundant mobility and diversity.



JAPEX's "Integrated Energy Company"



Relationship Between Long-term Vision and Mid-term Business Plan

Social Contribution through
Sustainable Growth

Achieve
ROE=>5%

Long-term
Vision

2040-2050

2030

2022

Mid-term
Business Plan

2018

- Review portfolio
- Financial soundness
- Improve profitability of existing business

Pursuit of new business opportunities

Building a sustainable growth portfolio

Compliance of stable supply of energy and low carbon society

Mid-Term Tactics and Targets

Achieve "ROE => 5%" level in 2022
(crude oil prices US\$60/bbl)

Latter
Half

- **Active Investment** 1 : 1 of E&P to Non-E&P (Investment allocation)

- **Secure Investment Resources**
Own funds 30 to 60 billion yen + Reserve capacity of borrowing

Overseas

Domestic

First
Half

- Improve profitability thoroughly of overseas existing E&P project
- Improve financial indicators including asset sales
 - Debt / EBITDA < 2



- Maximizing the value of domestic resources
- Sales expansion
 - Gas: 1.6 million ton
 - Power: 2.8 billion kWh
- Reduction of G&A expenses: 1 billion yen

(1) E&P Business

[Long-term Targets] Aim to achieve "RRR > 1"*

Overseas E&P

- Maximize the value of existing projects / contribution to earnings
- Appropriate portfolio including asset sales
- Discover new investment opportunities

Domestic E&P

- Maximize production rate / Additional development
- Maintenance and improvement of field operation capability and operation efficiency
- Promote offshore exploration based on national research

Compatibility of E&P business and low-carbon society

Acceleration of CCS efforts utilizing E&P technology

Establishment of investment evaluation standard taking account of climate change response*

(*) Considering introducing internal carbon pricing (Risk management system that quantitatively evaluates the impact of carbon emissions in current or future business activities)

(2) Infrastructure & Utility Business

[2022 Target]

- **Domestic natural gas sales volume: 1.6 million ton**
(Including LNG for power generation)
- **Electricity sales volume: 2.8 billion kWh**
(Equivalent to the annual electricity consumption of about 930,000 households in general households)

Domestic gas supply business

- Promote natural gas use as clean energy
- Construct robust supply base by adding gas underground storage to the network Soma LNG Terminal and gas pipeline
- Secure stable supply by domestically produced gas and diversification LNG procurement source

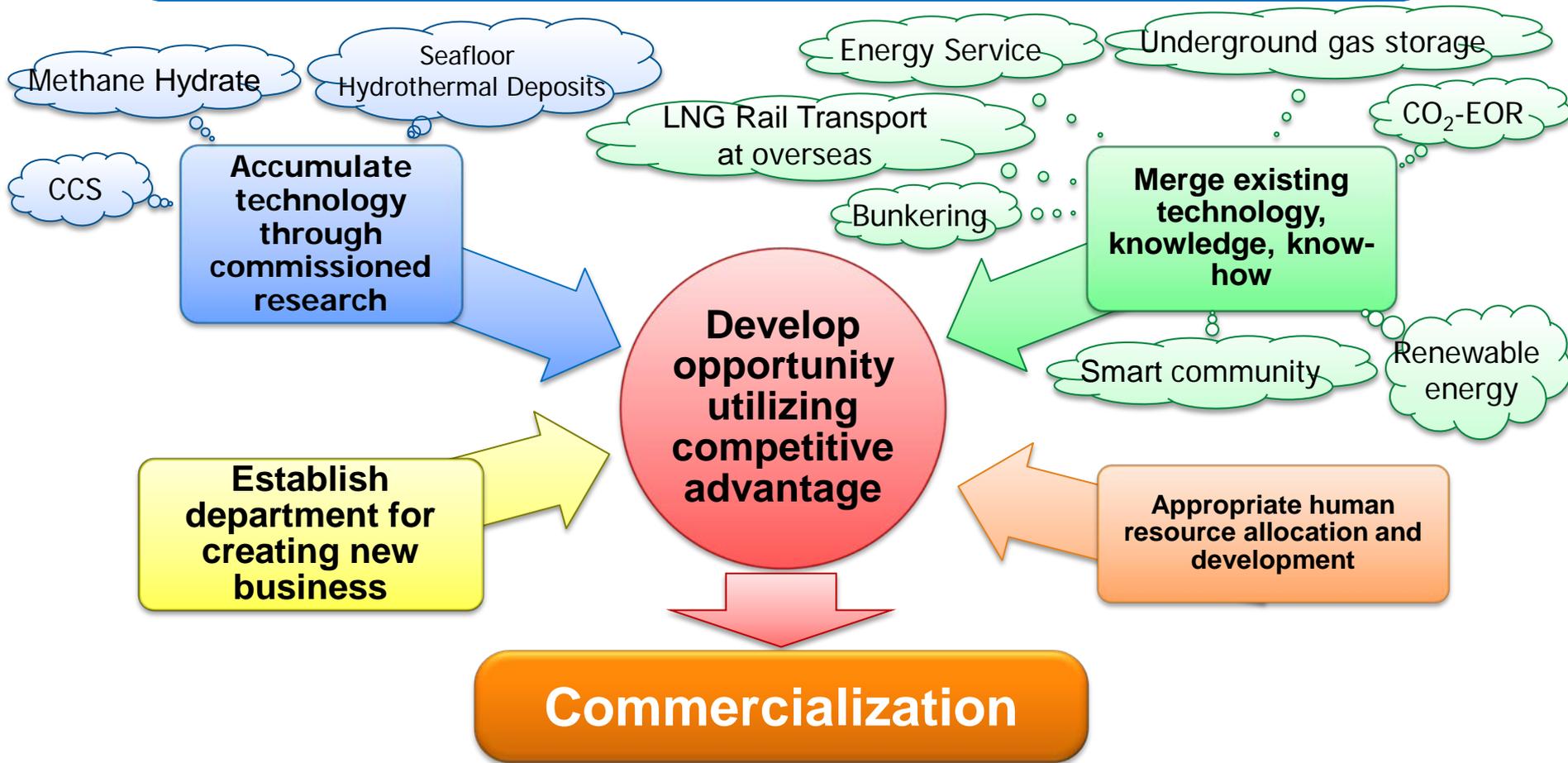
Power generation/ Electricity sales

- Establish electric power business structure through the Fukushima Natural Gas Power Plant* and improvement of operating rate
- Pursuit of renewable energy development

(*).Owned by Fukushima Gas Power Co., Ltd. (JAPEX investment ratio 33%)

(3) New Business Development

[Target] Commercialization by "new business model" utilizing the competitive advantage of JAPEX

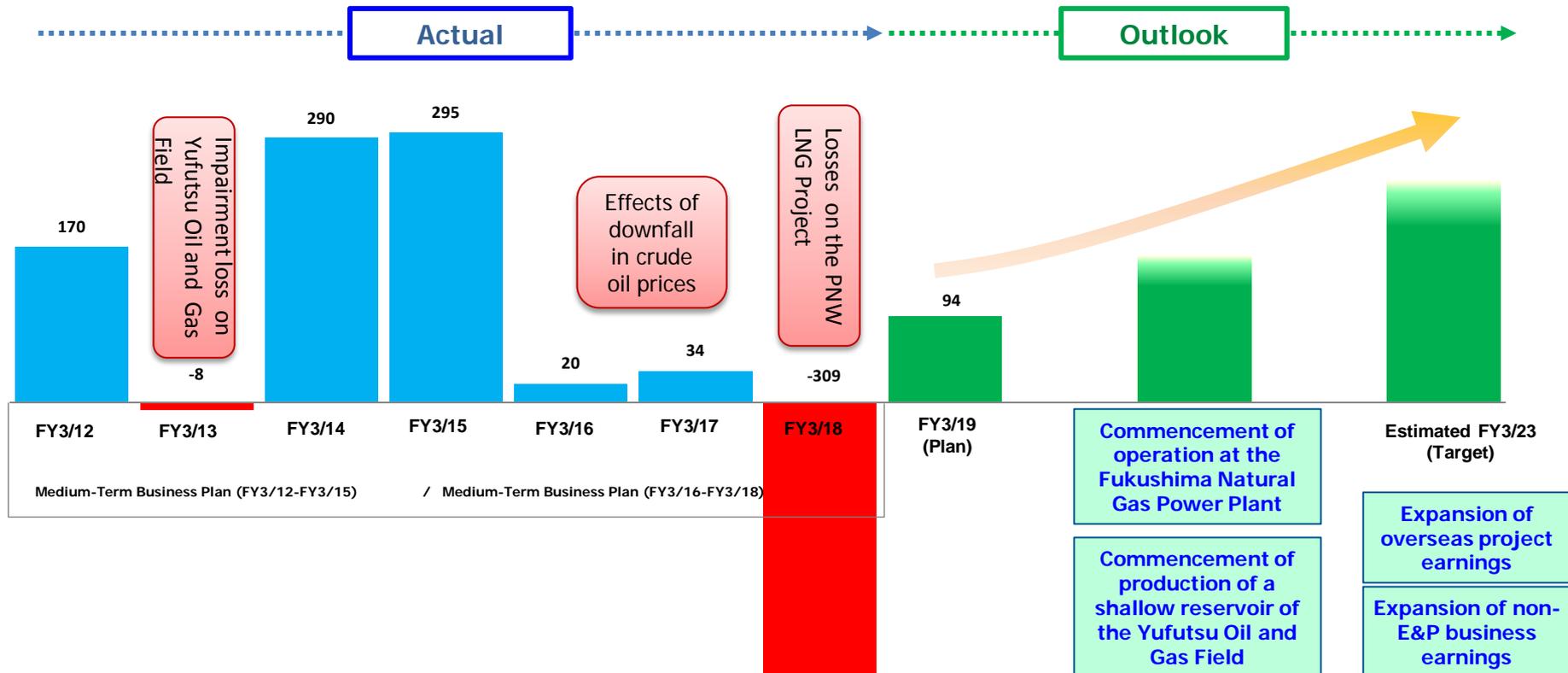


Profit Target and Return to Shareholders

Profit Target and Return to Shareholders for Medium Term Business Plan Period

- JAPEX is aiming to **achieve "ROE => 5%"** as the minimum profit target corresponding to our business size under the oil price of US\$60/bbl around FY2022.
- JAPEX will firmly maintain its policy for long-term and stable dividends to shareholders.

[Transition of Profit attributable to owners of parent (100M Yen)]

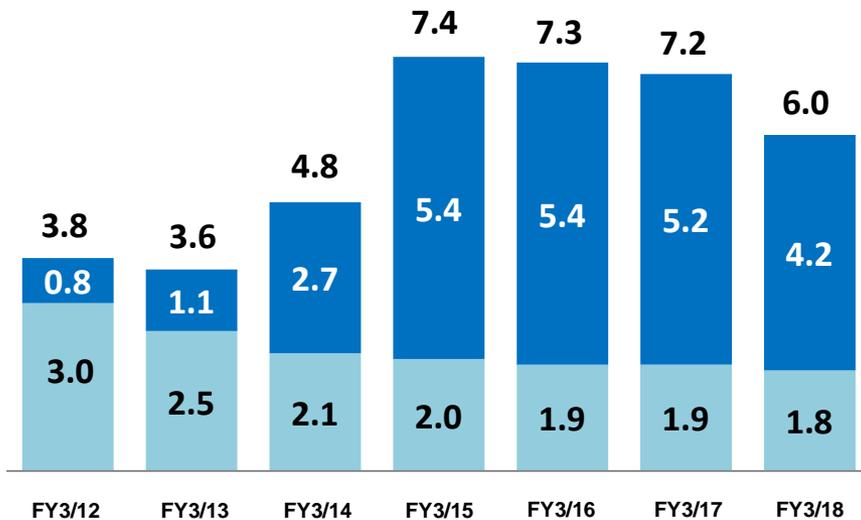


Transition of Production Volume and Proved Reserves

- Both production volume and proved reserves decreased due to development delay of overseas projects and re-evaluation due to the decision of not to proceed the PNW LNG Project
- For the time being, we will aim to **achieve long-term "RRR > 1" by compensating proved reserves with high profitability** without setting production volume and proved reserves target.

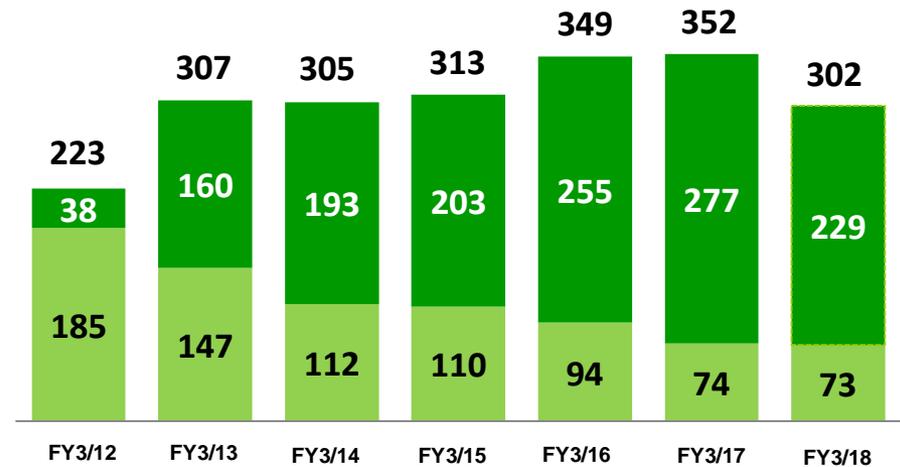
Production volume (10 thousands BOED)

Domestic Overseas



Proved reserves (MMBOE)

Domestic Overseas



FY3/18 Overview of Key Projects in Progress

■ E&P business

Domestic

- ✓ Investment decision on commencement of oil development of a shallow reservoir of the Yufutsu Oil and Gas Field in June 2017
- ✓ Pursuing additional domestic E&P potential including utilizing government basic surveys

Canada: Shale Gas Development and Production Project

- ✓ Upstream: Producing and marketing gas. Formulated development plan to preferentially develop high economic efficiency
- ✓ Midstream: Decided not to proceed PNWL project in July 2017

Canada: Oil Sands Project in Hangingstone Leases

- ✓ Sold the Hangingstone Demonstration area in April 2018
- ✓ Commenced production in the Hangingstone Joint Venture area in August 2017; expected to reach 20,000 bbl/d in second half of 2018

Iraq : Garraf Project

- ✓ Ongoing stable crude oil production of approx. 90,000 bbl/d
- ✓ Commencement of further development to increase the production to 230,000 bbl/d under the Final Development Plan

Indonesia: Kangean Project

- ✓ Ongoing stable gas production from the Terang Gas Field
- ✓ Under development of the Sirasun and Batur Gas Fields expected to start production in 2Q 2019

■ Infrastructure·Utility Business

Soma LNG Terminal

- ✓ Commenced operation at Soma LNG Terminal in March 2018
- ✓ Commenced operation on the Soma-Iwanuma Gas Pipeline in November 2017

Soma Natural Gas-Fired Power Generation Project

- ✓ Commenced of construction in October 2017

■ New Business

CCS

- ✓ Proceeding of CO₂ injection in large-scale CCS demonstration project from April 2016
- ✓ Achieved 150,000 ton cumulative injected CO₂ volume in March 2018

Methane Hydrate

- ✓ Completed the second offshore production test from April to June 2017. Achieved 260,000 m³ cumulative production volume during 36 days production test

Geothermal Power

- ✓ Completed of evaluation work in the Mt. Musa area, Hokkaido
- ✓ Ongoing study and evaluation work in other projects