



Note: This document is an English translation of the Japanese-language original

# **Consolidated Financial Results for the Fiscal Year Ended March 31, 2018 <Supplementary Material>**

**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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Note: Abbreviations used herein are as follows:

(a) = Actual results

(f) = Forecasts

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

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

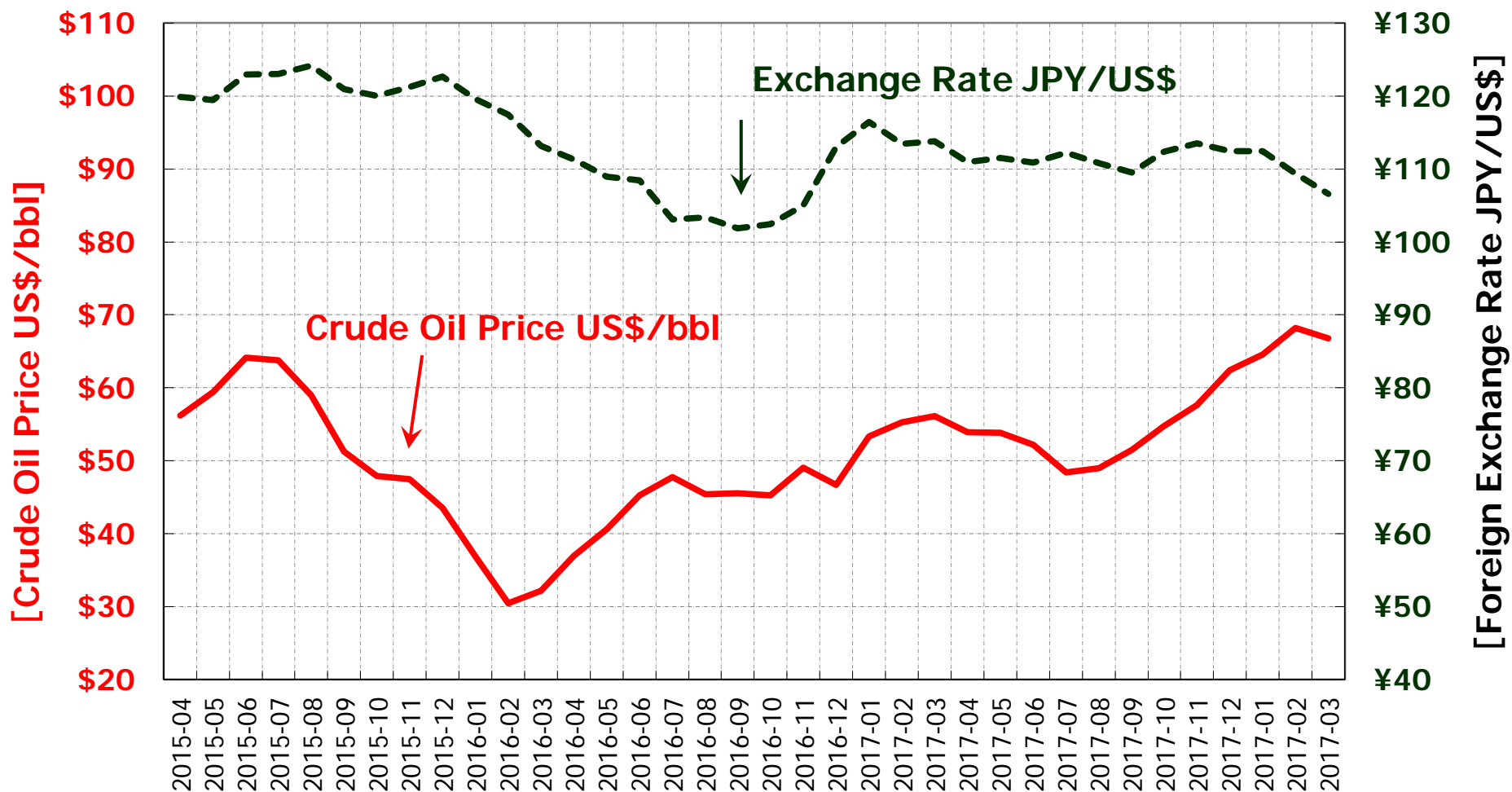
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# Trends in Crude Oil Price and Foreign Exchange Rate

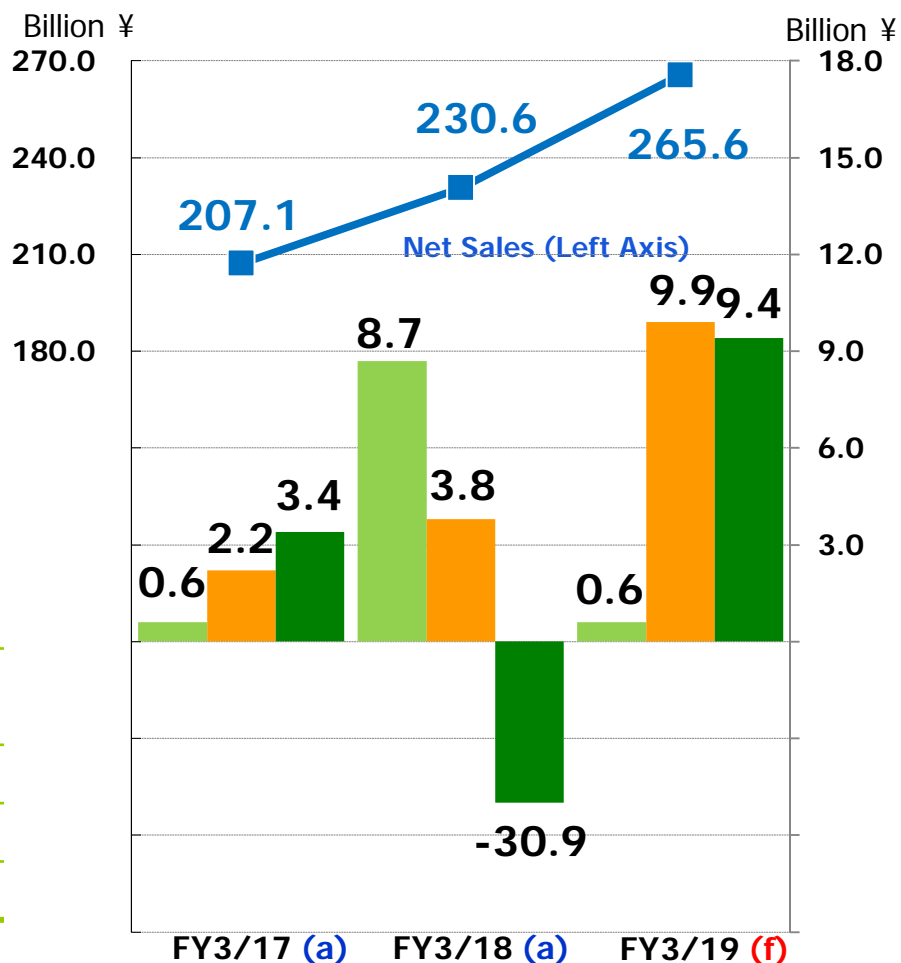


Japan crude cocktail (JCC) price in the first 10 days of April 2018  
on a prompt report basis: **US\$66.01/bbl** **JPY105.68/US\$**

# Actual Results for FY3/18 and Forecasts for FY3/19 (Highlight)

## Actual Results for FY3/18 (vs FY3/17)

| Billion JPY                                    | FY3/17<br>(a) | FY3/18<br>(a) | Change |      |
|--|---------------|---------------|--------|------|
| Net sales                                      | 207.1         | 230.6         | +23.4  | +11% |
| Operating profit                               | 0.6           | 8.7           | +8.0   | - %  |
| Ordinary profit                                | 2.2           | 3.8           | +1.6   | +72% |
| Profit (loss) attributable to owners of parent | 3.4           | -30.9         | -34.4  | - %  |
| JCC price (US\$/bbl)                           | 45.60         | 56.20         | +10.60 | +23% |
| Exchange rate (JPY/US\$)                       | 108.53        | 111.67        | +3.14  | +2%  |



## Forecasts for FY3/19 (vs FY3/18)

| Billion JPY                                    | FY3/18<br>(a) | FY3/19<br>(f) | Change |       |
|--|---------------|---------------|--------|-------|
| Net sales                                      | 230.6         | 265.6         | +35.0  | +15%  |
| Operating profit                               | 8.7           | 0.6           | -8.1   | -92%  |
| Ordinary profit                                | 3.8           | 9.9           | +6.1   | +159% |
| Profit (loss) attributable to owners of parent | -30.9         | 9.4           | +40.4  | - %   |
| JCC price (US\$/bbl)                           | 56.20         | 60.00         | +3.80  | +6%   |
| Exchange rate (JPY/US\$)                       | 111.67        | 110.00        | -1.67  | -1%   |

### Right Axis

- Operating Profit
- Ordinary Profit
- Profit (loss) attributable to owners of parent

# Actual Results for FY3/18 (Summary)

| Billion JPY                                       | FY3/17 (a) | FY3/18                                  |  |  |       | (a) |
|---|------------|---|--|--|-------|-----|
|   |            | Initial Forecasts<br>(f) (May 12, 2017) | Revised Forecasts<br>(f) (Aug.8, 2017) | Revised Forecasts<br>(f) (Feb.9, 2018) |       |     |
| Net sales   | 207.1      | 214.8                                   | 211.0                                  | 230.5                                  | 230.6 |     |
| Operating profit                                  | 0.6        | 2.9                                     | 4.4                                    | 6.7                                    | 8.7   |     |
| Ordinary profit                                   | 2.2        | 5.4                                     | -0.9                                   | 5.4                                    | 3.8   |     |
| Profit (loss) attributable<br>to owners of parent | 3.4        | 5.5                                     | 1.2                                    | -28.4                                  | -30.9 |     |

## Assumptions

|                             |        |        |        |        |        |
|-----------------------------|--------|--------|--------|--------|--------|
| JCC price (US\$/bbl)        | 45.60  | 50.00  | 51.27  | 53.60  | 56.20  |
| Exchange rate<br>(JPY/US\$) | 108.53 | 110.00 | 110.62 | 111.30 | 111.67 |

◆ Initial Forecasts (May 2017) → Revised Forecasts (August 2017) → Revised Forecasts (February 2018)

[+] Increase in sales price and volume, Fluctuation in foreign currency exchange gains/losses

[-] Losses on the Pacific NorthWest LNG Project (the PNW LNG Project), Losses on the Oil Sands Project at Hangingstone DEMO area, Impairment loss on the Shale Gas Project in Canada

◆ Revised Forecasts (February 2018) → Second Revision (April 2018) and Actual Result (May 2018)

[+] Increase in sales price, Increase in sales volume of domestic crude oil

[-] Share of loss of entities accounted for using equity method, related to Japan Drilling Co., Ltd.

# Natural Gas sales for FY3/18 (year-on-year)

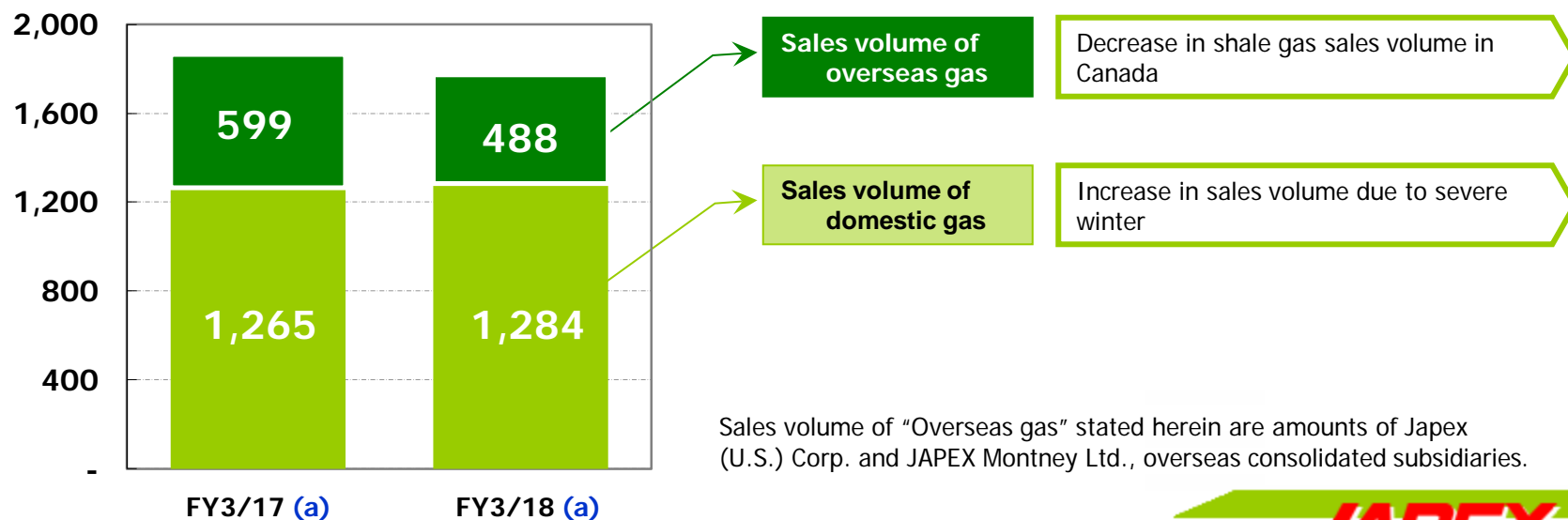
| Sales volume : Million M3<br>Net sales : Million JPY |              | FY3/17   | FY3/18   | Change |
|--|--------------|----------|----------|--------|
|  |              | Full (a) | Full (a) | Full   |
| Natural gas  | Sales volume | 1,864    | 1,773    | -91    |
|  | Net sales    | 55,329   | 60,431   | +5,101 |

Increase in sales price

## Breakdown

|                             |              |       |       |      |
|-----------------------------|--------------|-------|-------|------|
| Domestic gas                | Sales volume | 1,265 | 1,284 | +19  |
| (Domestically produced gas) | Sales volume | (744) | (739) | (-5) |
| Overseas gas                | Sales volume | 599   | 488   | -111 |

(Million M3)



# Crude Oil sales for FY3/18 (year-on-year)

| Sales volume : Thousand KL<br>Net sales : Million JPY |              | FY3/17<br>Full (a) | FY3/18<br>Full (a) | Change<br>Full |
|---|--------------|--------------------|--------------------|----------------|
| Crude oil   | Sales volume | 2,762              | 2,506              | -255           |
|   | Net sales    | 82,098             | 93,685             | +11,587        |

Increase in sales price

## Breakdown

|                         |              |        |        |        |
|-------------------------|--------------|--------|--------|--------|
| Domestic crude oil (*)  | Sales volume | 301    | 291    | -10    |
|                         | Net sales    | 10,273 | 12,265 | +1,991 |
| Overseas crude oil (**) | Sales volume | 1,181  | 991    | -189   |
|                         | Net sales    | 28,653 | 33,749 | +5,095 |
| Bitumen (***)           | Sales volume | 91     | —      | -91    |
|                         | Net sales    | 669    | —      | -669   |
| Diluted bitumen (****)  | Sales volume | —      | 160    | +160   |
|                         | Net sales    | —      | 4,512  | +4,512 |

Increase in crude oil sales volume from Garraf Oil Field, Iraq.

Suspended SAGD operations at the Hangingstone DEMO area

Commencement of production operations at the Hangingstone Joint Venture area

## Assumptions

|                              |            |        |        |        |
|------------------------------|------------|--------|--------|--------|
| JCC price                    | US\$/bbl   | 45.60  | 56.20  | +10.60 |
| Bitumen (***)                | US\$/bbl   | 9.94   | —      | —      |
| Diluted bitumen price (****) | US\$/bbl   | —      | 39.63  | —      |
| Exchange rate                | JPY / US\$ | 108.53 | 111.67 | +3.14  |

(\*) 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 and diluted bitumen.

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

| Million JPY   | FY3/17  | FY3/18  | Change  |
|---|---------|---------|---------|
|   | (a)     | (a)     |         |
| Net sales   | 207,130 | 230,629 | +23,499 |
| Gross profit  | 32,172  | 39,263  | +7,090  |
| Exploration expenses                                    | 1,512   | 1,324   | -188    |
| SG&A expenses   | 29,975  | 29,173  | -801    |
| Operating profit (loss)                                 | 685     | 8,764   | +8,079  |
| Non-operating income (expenses)                         | 1,537   | -4,936  | -6,473  |
| Ordinary profit (loss)                                  | 2,222   | 3,828   | +1,606  |
| Extraordinary income (losses)                           | 970     | -73,231 | -74,202 |
| Income taxes  | 1,642   | 239     | -1,402  |
| Profit (loss) attributable to non-controlling interests | -1,892  | -38,683 | -36,791 |
| Profit (loss) attributable to owners of parent          | 3,443   | -30,958 | -34,401 |

Main factors for change

Increase factor (+) / Decreasing factor (-)

## Gross profit

Domestic crude oil and natural gas + ¥3.9 billion  
Overseas consolidated subsidiaries + ¥3.3 billion

## Non-operating income (expenses)

Equity in earnings + ¥1.6 billion  
(FY3/17) Loss of ¥4.2 billion → (FY3/18) Loss of ¥2.6 billion

Foreign currency translation adjustments on debt,  
foreign currency exchange gains and losses  
(FY3/17) Profit of ¥3.4 billion → (FY3/18) Profit of ¥2.7 billion  
- ¥ 0.7 billion

Depreciation expenses related to the Hangingstone  
DEMO area - ¥ 7.8 billion

## Extraordinary losses

Loss on the PNW LNG Project  
Contract cancellation loss due to termination of pipeline  
construction plan - ¥ 5.4 billion

Impairment loss due to the revision to the development plan  
of the shale gas project - ¥ 67.4 billion



# Full Year Forecasts for FY3/19

## [Assumptions for Crude Oil Price and Exchange Rate]

|                          |          | Upper: from January 2017 to March 2018.<br>Lower: from January 2018 to March 2019. |              |               |               |               | Full<br>year  |               |
|--------------------------|----------|--|--------------|---------------|---------------|---------------|---------------|---------------|
|                          |          | Jan.-Mar.  | Apr.-Jun.    | Jul.-Sep.     | Oct.-Dec.     | Jan.-Mar.     |               |               |
| JCC price                | US\$/bbl | 2017(a)  |              | <b>54.63</b>  | <b>49.88</b>  | <b>54.49</b>  | <b>64.89</b>  | <b>56.20</b>  |
|                          |          | 2018(f)  |              | <b>60.00</b>  | <b>60.00</b>  | <b>60.00</b>  | <b>60.00</b>  | <b>60.00</b>  |
| Exchange rate            | JPY/US\$ | 2017(a)  |              | <b>112.12</b> | <b>111.38</b> | <b>111.77</b> | <b>111.39</b> | <b>111.67</b> |
|                          |          | 2018(f)  |              | <b>110.00</b> | <b>110.00</b> | <b>110.00</b> | <b>110.00</b> | <b>110.00</b> |
| JACOS<br>Diluted bitumen | US\$/bbl | 2017(a)  | -            | -             | <b>36.79</b>  | <b>39.76</b>  |               | <b>39.63</b>  |
|                          |          | 2018(f)  | <b>35.50</b> | <b>36.95</b>  | <b>37.23</b>  | <b>37.26</b>  |               | <b>36.79</b>  |
| JML<br>gas               | C\$/mcf  | 2017(a)  | <b>2.71</b>  | <b>2.67</b>   | <b>1.37</b>   | <b>1.29</b>   |               | <b>2.07</b>   |
|                          |          | 2018(f)  | <b>2.00</b>  | <b>2.00</b>   | <b>2.00</b>   | <b>2.00</b>   |               | <b>2.00</b>   |

1. "JACOS Diluted bitumen" stated herein is the diluted bitumen sales price of Japan Canada Oil Sands Ltd. (Royalty excluded) Production operation at the "Hangingstone expansion area" commenced in the middle of 2017.
2. "JML gas" stated herein is the gas sales price of JAPEX Montney Ltd. (Royalty excluded)

# Natural Gas Sales Forecasts for FY3/19

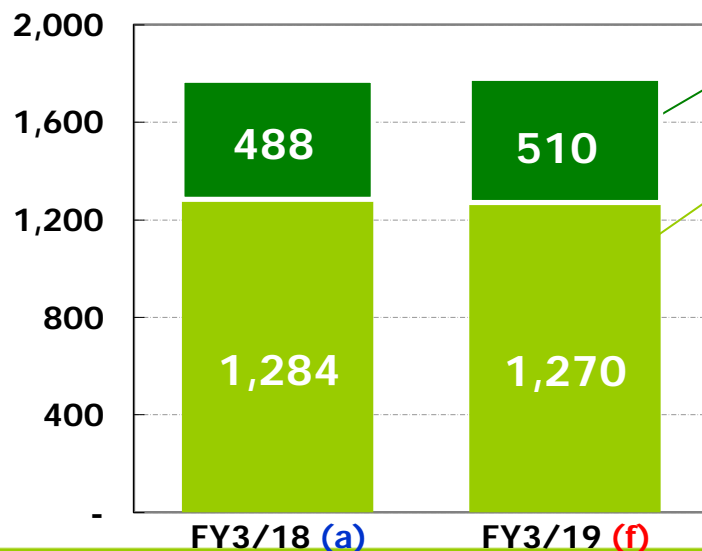
| Sales volume : Million M3<br>Net sales : Million JPY |              | FY3/18<br>Full (a) | FY3/19<br>Full (f) | Change<br>Full |
|--|--------------|--------------------|--------------------|----------------|
| Natural gas :  | Sales volume | 1,773              | 1,780              | +7             |
|  | Net sales    | 60,431             | 64,102             | +3,670         |

Increase in sales price

## Breakdown

|                             |              |       |       |       |
|-----------------------------|--------------|-------|-------|-------|
| Domestic gas                | Sales volume | 1,284 | 1,270 | -14   |
| (Domestically produced gas) | Sales volume | (739) | (666) | (-73) |
| Overseas gas                | Sales volume | 488   | 510   | +21   |

(Million M3)



Sales volume of overseas gas

Increase in shale gas sales volume in Canada

Sales volume of domestic gas

Decrease from the increase in sales volume due to severe winter in the previous term

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

# Crude Oil Sales Forecasts for FY3/19

| Sales volume : Thousand KL<br>Net sales : Million JPY |              | FY3/18   | FY3/19   | Change  |
|---|--------------|----------|----------|---------|
|   |              | Full (a) | Full (f) | Full    |
| <b>Crude oil</b>                                      | Sales volume | 2,506    | 3,368    | +861    |
|   | Net sales    | 93,685   | 119,835  | +26,149 |

Increase in sales price

## Breakdown

|                                |              |        |        |         |
|--------------------------------|--------------|--------|--------|---------|
| <b>Domestic crude oil (*)</b>  | Sales volume | 291    | 265    | -27     |
|                                | Net sales    | 12,265 | 11,622 | -643    |
| <b>Overseas crude oil (**)</b> | Sales volume | 991    | 851    | -141    |
|                                | Net sales    | 33,749 | 32,894 | -855    |
| <b>Diluted bitumen (***)</b>   | Sales volume | 160    | 1,197  | +1,037  |
|                                | Net sales    | 4,512  | 30,472 | +25,960 |

Decrease in crude oil sales volume from Garraf Oil Field, Iraq

Increase sales volume because of the commencement of full year production operation at the Hangingstone Expansion Project in Canada

## Assumptions

|                              |           |        |        |       |
|------------------------------|-----------|--------|--------|-------|
| <b>JCC price</b>             | US\$/bbl  | 56.20  | 60.00  | +3.80 |
| <b>Diluted bitumen (***)</b> | US\$/bbl  | 39.63  | 36.79  | -2.84 |
| <b>Exchange rate</b>         | JPY /US\$ | 111.67 | 110.00 | -1.67 |

(\*) 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 diluted bitumen

# Forecasts for FY3/19

| Million JPY   | FY3/18<br>(a) | FY3/19<br>(f) | Change  |
|---|---------------|---------------|---------|
| Net sales   | 230,629       | 265,649       | +35,019 |
| Gross profit  | 39,263        | 32,951        | -6,312  |
| Exploration expenses                                    | 1,324         | 1,073         | -252    |
| SG&A expenses   | 29,173        | 31,234        | +2,060  |
| Operating profit (loss)                                 | 8,764         | 644           | -8,121  |
| Non-operating income (expenses)                         | -4,936        | 9,303         | +14,240 |
| Ordinary profit (loss)                                  | 3,828         | 9,947         | +6,119  |
| Extraordinary income (losses)                           | -73,231       | 632           | +73,864 |
| Income taxes  | 239           | 1,495         | +1,256  |
| Profit (loss) attributable to non-controlling interests | -38,683       | -403          | +38,280 |
| Profit (loss) attributable to owners of parent          | -30,958       | 9,487         | +40,446 |

## Main factors for change

Increase factor (+) / Decreasing factor (-)

### Gross profit

Domestic crude oil and natural gas - ¥1.5 billion  
 Overseas consolidated subsidiaries + ¥2.0 billion  
 Operating cost in the Soma LNG Terminal - ¥0.6 billion

### SG&A expenses

Reduction of G&A expenses of JAPEX (Non-consolidated) + ¥0.7 billion  
 Increase in transportation expenses due to the full year production operation at the Hangingstone Expansion Project in Canada - ¥2.5 billion

### Non-operating income (expenses)

Equity in earnings + ¥8.9 billion  
 (FY3/18) Loss of ¥2.6 billion → (FY3/19) Profit of ¥6.3 billion  
 Foreign currency translation adjustments on debt, foreign currency exchange gains and losses  
 (FY3/18) Profit of ¥2.7 billion → (FY3/19) Not estimated - ¥2.7 billion  
 Decrease in depreciation expenses related to the Hangingstone DEMO area in FY3/18 + ¥7.8 billion

### Extraordinary income (loss)

Decrease in losses on the PNW LNG Project in FY3/18 + ¥72.9 billion

# Assumptions and Impact on Profits

| Assumptions                                    | JCC price<br>US\$60.00/bbl  | Exchange rate<br>JPY110.00 / US\$  | Canadian gas prices<br>C\$2.00/mcf<br>(JPY88.00/C\$)               |
|--|---|--|--|
| <b>FY3/19<br/>Impact on Profits</b>            | <b>US\$1/bbl increase in JCC prices</b> would push profits up by... | <b>A weakening in JPY1/US\$ exchange rates</b> would push profits up by... | <b>C\$1/mcf increase in gas prices</b> would push profits up by... |
| Operating profit                               | JPY 610 million   | JPY 270 million  | JPY 550 million  |
| Profit (loss) attributable to owners of parent | JPY 500 million   | JPY 180 million  | JPY 410 million  |

| Assumptions         |          | FY3/18   | FY3/19   | Change |
|---------------------|----------|----------|----------|--------|
|                     |          | Full (a) | Full (f) |        |
| JCC price           | US\$/bbl | 56.20    | 60.00    | +3.8   |
| Exchange rate       | JPY/US\$ | 111.67   | 110.00   | -1.67  |
| Canadian gas prices | C\$/mcf  | 2.07     | 2.00     | -0.07  |

Note: In addition to the impact of exchange rate fluctuations shown 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.