



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

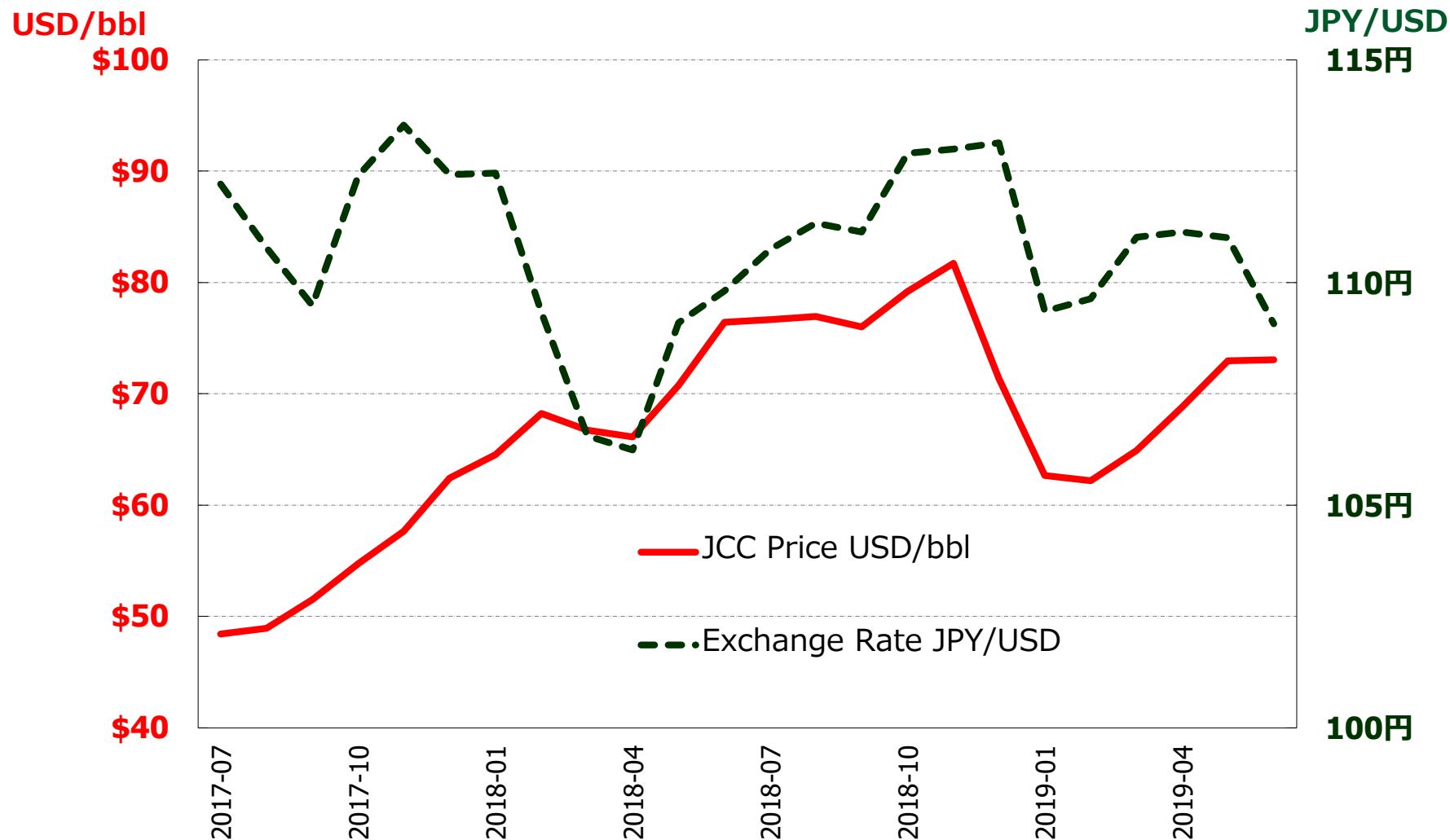
# Financial Results

## for the Three Months Ended June 30, 2019

August 9, 2019

Japan Petroleum Exploration Co., Ltd.

# Trends in Crude Oil Price and Foreign Exchange Rate



Japan Crude Cocktail (JCC) in the first 10 days of July 2019 on a flash report basis :

**USD69.70/bbl**

# Financial Highlights -1Q Results and Full Year Forecasts-

Billion Yen	FY3/19		FY3/20			Change		
	1Q (a) ①	Full year (a) ②	1Q (a) ③	Full year (f) Initial forecasts (May 10, 2019) ④	Full year (f) Revised forecasts (Aug. 9, 2019) ⑤*	1Q (③-①)	Full year (⑤-②)	Full year (⑤-④)
Net sales	<b>57.6</b>	<b>267.9</b>	<b>93.2</b>	<b>308.6</b>	<b>325.0</b>	<b>+35.6</b>	<b>+57.0</b>	<b>+16.3</b>
Operating profit (loss)	<b>-2.6</b>	<b>2.3</b>	<b>4.6</b>	<b>5.6</b>	<b>11.3</b>	<b>+7.2</b>	<b>+9.0</b>	<b>+5.7</b>
Ordinary profit (loss)	<b>-3.1</b>	<b>12.5</b>	<b>8.9</b>	<b>12.6</b>	<b>20.6</b>	<b>+12.0</b>	<b>+8.1</b>	<b>+8.0</b>
Profit (loss) attributable to owners of parent	<b>-2.2</b>	<b>14.7</b>	<b>8.9</b>	<b>11.4</b>	<b>18.0</b>	<b>+11.2</b>	<b>+3.2</b>	<b>+6.6</b>

## Assumptions

JCC (USD/bbl)	<b>67.95</b>	<b>71.94</b>	<b>68.77</b>	<b>65.00</b>	<b>66.06</b>	<b>+0.82</b>	<b>-5.88</b>	<b>+1.06</b>
Exchange rate (JPY/USD)	<b>107.42</b>	<b>110.35</b>	<b>111.11</b>	<b>110.00</b>	<b>110.32</b>	<b>+3.69</b>	<b>-0.03</b>	<b>+0.32</b>

\* JAPEX announced "Notice of Financial Forecasts Revision" on August 9, 2019, regarding the latest revision of consolidated financial forecasts of the fiscal year ending March 31, 2020.

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# **Financial Results for the Three Months Ended June 30, 2019**

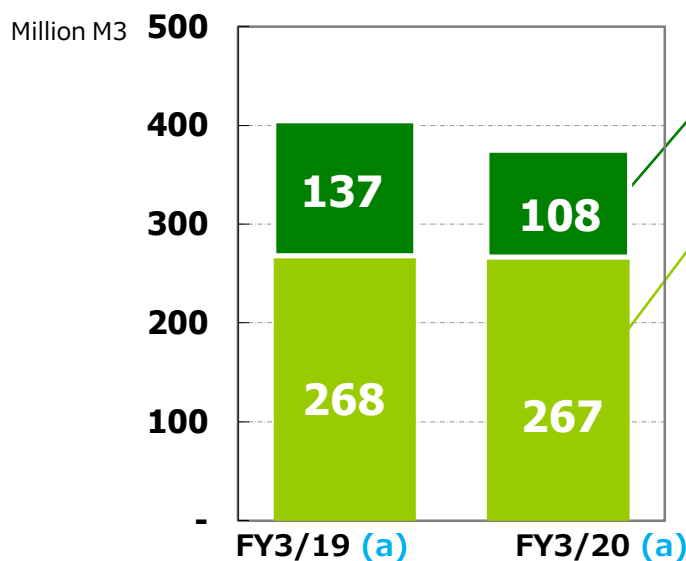
# Natural Gas Sales for 1Q FY3/20 (Year-on-Year)

Sales volume : Million M3 Net sales : Million Yen		FY3/19 1Q (a)	FY3/20 1Q (a)	Change
Natural gas	Sales volume	<b>406</b>	<b>375</b>	<b>-30</b>
	Net sales	<b>13,845</b>	<b>15,573</b>	<b>+1,727</b>

Increase in sales price in Japan

Sales volume by region

Japan	Sales volume	<b>268</b>	<b>267</b>	<b>-1</b>
<i>Gas produced in Japan</i>	<i>Sales volume</i>	<b>(137)</b>	<b>(137)</b>	<b>(0)</b>
Overseas	Sales volume	<b>137</b>	<b>108</b>	<b>-28</b>



Sales volume of overseas gas

Decrease in shale gas sales volume in Canada

Sales volume of gas in Japan

Sales volume in "Overseas" which are volume of 2 overseas subsidiaries (Japex (U.S.) Corp. and JAPEX Montney Ltd.,).

# Crude Oil Sales for 1Q FY3/20 (Year-on-Year)

Sales volume : Thousand KL Net sales : Million Yen		FY3/19 1Q(a)	FY3/20 1Q(a)	Change
Crude Oil	Sales volume	<b>711</b>	<b>1,293</b>	<b>+581</b>
	Net sales	<b>29,063</b>	<b>53,406</b>	<b>+24,342</b>

Growth in sales volume of crude oil produced in overseas, and diluted bitumen

## Equity oil sales

Crude oil produced in Japan* <sup>1</sup>	Sales volume	<b>61</b>	<b>79</b>	<b>+17</b>
	Net sales	<b>3,030</b>	<b>3,997</b>	<b>+967</b>
Crude oil produced in overseas* <sup>2</sup>	Sales volume	<b>173</b>	<b>465</b>	<b>+292</b>
	Net sales	<b>8,413</b>	<b>21,737</b>	<b>+13,323</b>
Diluted bitumen* <sup>3</sup>	Sales volume	<b>240</b>	<b>402</b>	<b>+161</b>
	Net sales	<b>5,436</b>	<b>10,689</b>	<b>+5,253</b>

Growth in crude oil sales volume of Garraf Oil Field, Iraq

Growth in bitumen production volume of the Hangingstone lease

## Sales price and exchange rate

JCC	USD/bbl	<b>67.95</b>	<b>68.77</b>	<b>+0.82</b>
Diluted bitumen* <sup>3</sup>	USD/bbl	<b>33.48</b>	<b>37.98</b>	<b>+4.50</b>
Exchange rate	JPY/USD	<b>107.42</b>	<b>111.11</b>	<b>+3.69</b>

\*1 Sales volume and net sales of "Crude oil produced in Japan" which do not include purchased crude oil.

\*2 Sales volume and net sales of "Crude oil produced in overseas" which are volume of 3 overseas subsidiaries (Japex (U.S.) Corp., JAPEX Montney Ltd. and Japex Garraf Ltd.).

\*3 Royalty is excluded in the net sales and price of diluted bitumen.

# 1Q FY3/20 Results (Year-on-Year)

Million Yen	FY3/19 1Q (a)	FY3/20 1Q (a)	Change
Net sales	57,623	93,252	+35,629
Gross profit	5,079	12,440	+7,360
Exploration expenses	143	217	+74
SG&A expenses	7,571	7,605	+34
Operating profit (loss)	-2,634	4,617	+7,251
Non-operating income (expenses)	-547	4,292	+4,839
Ordinary income (loss)	-3,181	8,909	+12,091
Extraordinary income (losses)	-62	-4	+58
Income taxes	602	-206	-808
Profit (loss) attributable to non-controlling interests	-1,585	159	+1,745
Profit (loss) attributable to owners of parent	-2,261	8,951	+11,213

Main factors for change

Increase factor “+” / Decrease factor “( )”

## Gross profit

Domestic business +¥3.0 bn.

Overseas business +¥4.3 bn.

## Non-operating income (expenses)

Foreign currency translation adjustments on debt, foreign exchange gains and losses  
(FY3/19) Loss of ¥3.4 bn. → (FY3/20) Gains of ¥1.0 bn.  
+¥4.5 bn.

## Income taxes

Tax effect of U.K. North Sea Offshore Project  
+¥1.5 bn.

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# FY3/20 Full Year Forecasts



# Price Assumptions for FY3/20 Forecasts

2019				2020	Full year
Jan.-Mar.	Apr.-Jun.	Jul.-Sep.	Oct.-Dec.	Jan.-Mar.	

WTI	USD/bbl	Initial	<b>53.69</b>	<b>55.33</b>	<b>55.00</b>	<b>55.00</b>		<b>54.76</b>
		Revised	<b>54.90</b>	<b>59.76</b>	<b>55.97</b>	<b>55.00</b>		<b>56.41</b>
JCC	USD/bbl	Initial		<b>65.00</b>	<b>65.00</b>	<b>65.00</b>	<b>65.00</b>	<b>65.00</b>
		Revised		<b>68.77</b>	<b>65.00</b>	<b>65.00</b>	<b>65.00</b>	<b>66.06</b>
Exchange rate	JPY/USD	Initial		<b>110.00</b>	<b>110.00</b>	<b>110.00</b>	<b>110.00</b>	<b>110.00</b>
		Revised		<b>111.11</b>	<b>110.00</b>	<b>110.00</b>	<b>110.00</b>	<b>110.32</b>

JACOS Diluted bitumen <sup>*1</sup>	USD/bbl	Initial	<b>37.23</b>	<b>35.79</b>	<b>33.51</b>	<b>33.55</b>		<b>35.01</b>
		Revised	<b>37.98</b>	<b>44.23</b>	<b>36.21</b>	<b>33.60</b>		<b>38.08</b>
JML Natural gas <sup>*2</sup>	CAD/mcf	Initial	<b>1.70</b>	<b>1.70</b>	<b>1.70</b>	<b>1.70</b>		<b>1.70</b>
		Revised	<b>2.28</b>	<b>1.41</b>	<b>1.57</b>	<b>1.57</b>		<b>1.71</b>

\*1 "JACOS Diluted bitumen" which is the diluted bitumen sales price of Japan Canada Oil Sands Ltd. (Excl. Royalty)

\*2 "JML Natural gas" which is the gas sales price of JAPEX Montney Ltd. (Excl. Royalty)

# Natural Gas Sales Forecasts for FY3/20 (vs Initial Forecasts)

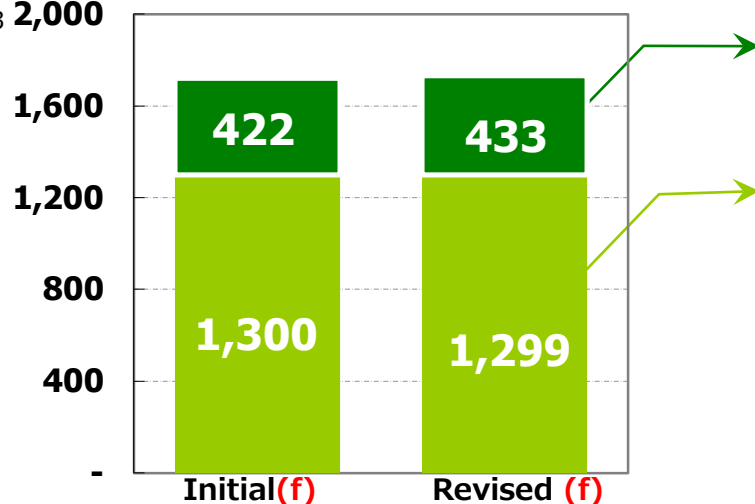
Sales volume : Million M3 Net sales : Million Yen		FY3/20	FY3/20	Change
		Initial (f) May 10, 2019	Revised (f) Aug. 9, 2019	
Natural gas	Sales volume	<b>1,722</b>	<b>1,732</b>	<b>+10</b>
	Net sales	<b>69,531</b>	<b>70,479</b>	<b>+947</b>

Growth in sales price in Japan

## Sales volume by region

Japan	Sales volume	<b>1,300</b>	<b>1,299</b>	<b>-1</b>
Gas produced in Japan	Sales volume	<b>(561)</b>	<b>(562)</b>	<b>(0)</b>
Overseas	Sales volume	<b>422</b>	<b>433</b>	<b>+11</b>

Million M3 **2,000**



Sales volume of overseas gas

Growth in shale gas sales volume in Canada

Sales volume of gas in Japan

Sales volume in "Overseas" which are volume of 2 overseas subsidiaries (Japex (U.S.) Corp. and JAPEX Montney Ltd.,).



# Crude Oil Sales Forecasts for FY3/20

## (vs Initial Forecasts)

Sales volume : Thousand KL Net sales : Million Yen		FY3/20 Initial (f) May 10, 2019	FY3/20 Revised (f) Aug. 9, 2019	Change
Crude Oil	Sales volume	<b>4,512</b>	<b>4,662</b>	<b>+149</b>
	Net sales	<b>168,257</b>	<b>180,270</b>	<b>+12,012</b>

Growth in sales volume of crude oil produced in overseas, and sales price of diluted bitumen

### Equity oil sales

Crude oil produced in Japan* <sup>1</sup>	Sales volume	<b>265</b>	<b>278</b>	<b>+12</b>
	Net sales	<b>12,463</b>	<b>13,392</b>	<b>+929</b>
Crude oil produced in overseas* <sup>2</sup>	Sales volume	<b>1,339</b>	<b>1,349</b>	<b>+11</b>
	Net sales	<b>55,235</b>	<b>58,959</b>	<b>+3,724</b>
Diluted bitumen* <sup>3</sup>	Sales volume	<b>1,516</b>	<b>1,654</b>	<b>+138</b>
	Net sales	<b>36,717</b>	<b>43,606</b>	<b>+6,890</b>

Growth in crude oil sales price of Garraf Oil Field, Iraq

Growth in sales volume and price of diluted bitumen of the Hangingstone lease

### Assumptions

JCC	USD/bbl	<b>65.00</b>	<b>66.06</b>	<b>+1.06</b>
Diluted bitumen* <sup>3</sup>	USD/bbl	<b>35.01</b>	<b>38.08</b>	<b>+3.07</b>
Exchange rate	JPY/USD	<b>110.00</b>	<b>110.32</b>	<b>+0.32</b>

\*1 Sales volume and net sales of "Crude oil produced in Japan" which do not include purchased crude oil.

\*2 Sales volume and net sales of "Crude oil produced in overseas" which are volume of 3 overseas subsidiaries (Japex (U.S.) Corp., JAPEX Montney Ltd. and Japex Garraf Ltd.).

\*3 Royalty is excluded in the net sales and price of diluted bitumen.

# FY3/20 Forecast (vs Initial Forecasts)

Million Yen	FY3/20 Initial (f) May 10, 2019	FY3/20 Revised (f) Aug. 9, 2019	Change
Net sales	<b>308,650</b>	<b>325,014</b>	<b>+16,363</b>
Gross profit	<b>37,783</b>	<b>43,285</b>	<b>+5,502</b>
Exploration expenses	<b>1,054</b>	<b>1,083</b>	<b>+29</b>
SG&A expenses	<b>31,126</b>	<b>30,858</b>	<b>-268</b>
Operating profit (loss)	<b>5,603</b>	<b>11,344</b>	<b>+5,742</b>
Non-operating income (expenses)	<b>7,067</b>	<b>9,350</b>	<b>+2,282</b>
Ordinary profit (loss)	<b>12,670</b>	<b>20,694</b>	<b>+8,024</b>
Extraordinary income (losses)	<b>-78</b>	<b>-62</b>	<b>+16</b>
Income taxes	<b>1,883</b>	<b>2,898</b>	<b>+1,015</b>
Loss attributable to non- controlling interests	<b>-704</b>	<b>-288</b>	<b>+416</b>
Profit attributable to owners of parent	<b>11,413</b>	<b>18,022</b>	<b>+6,609</b>

Main factors for change  
Increase factor “+” / Decrease factor “( )”

## Gross profit

Domestic business + ¥1.7 bn.  
Overseas business + ¥3.7 bn.

## Non-operating income

Foreign currency translation adjustments on  
debt, foreign currency exchange gains and  
losses +¥ 0.5 bn.

Dividend income +¥ 1.6 bn.

Decrease in interest expenses +¥ 0.4 bn.

## Income taxes

(JAPEX) Increase in tax expenses due to  
growth of profit before income taxes  
(¥0.6 bn.)

(JACOS) Review of tax effects due to change  
of tax rate (¥0.3 bn.)

# Natural Gas Sales Forecasts for FY3/20 (Year-on-Year)

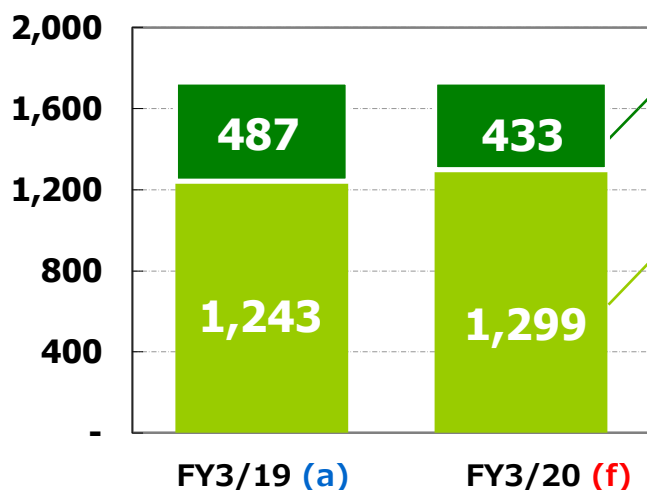
Sales volume : Million M3 Net sales : Million Yen		FY3/19(a)	FY3/20 Revised (f) Aug. 9, 2019	Change
Natural gas	Sales volume	1,731	1,732	+1
	Net sales	67,820	70,479	+2,659

Growth in sales volume in Japan

## Sales volume by region

Japan	Sales volume	1,243	1,299	+55
Gas produced in Japan	Sales volume	(630)	(562)	-69
Overseas	Sales volume	487	433	-55

Million M3



Sales volume of overseas gas

Decrease in shale gas sales volume in Canada

Sales volume of gas in Japan

Growth in demand for commissioning of the Fukushima Natural Gas Power Plant

Sales volume in "Overseas" which are volume of 2 overseas subsidiaries (Japex (U.S.) Corp. and JAPEX Montney Ltd.,).

# Crude Oil Sales Forecasts for FY3/20

## (Year-on-Year)

Sales volume : Thousand KL Net sales : Million Yen		FY3/19(a)	FY3/20 Revised (f) Aug. 9, 2019	Change
Crude Oil	Sales volume	<b>3,064</b>	<b>4,662</b>	<b>+1,597</b>
	Net sales	<b>124,696</b>	<b>180,270</b>	<b>+55,573</b>

Growth in sales volume

### Equity oil sales

Crude oil produced in Japan* <sup>1</sup>	Sales volume	<b>261</b>	<b>278</b>	<b>+17</b>
	Net sales	<b>13,746</b>	<b>13,392</b>	<b>-355</b>
Crude oil produced in overseas* <sup>2</sup>	Sales volume	<b>366</b>	<b>1,349</b>	<b>+982</b>
	Net sales	<b>16,599</b>	<b>58,959</b>	<b>+42,360</b>
Diluted bitumen* <sup>3</sup>	Sales volume	<b>1,176</b>	<b>1,654</b>	<b>+478</b>
	Net sales	<b>30,116</b>	<b>43,606</b>	<b>+13,490</b>

Growth in crude oil sales volume of Garraf Oil Field, Iraq

Growth in bitumen production volume of the Hangingstone lease

### Assumptions

JCC	USD/bbl	<b>71.94</b>	<b>66.06</b>	<b>-5.88</b>
Diluted bitumen* <sup>3</sup>	USD/bbl	<b>36.67</b>	<b>38.08</b>	<b>+1.41</b>
Exchange rate	JPY/USD	<b>110.35</b>	<b>110.32</b>	<b>-0.03</b>

\*1 Sales volume and net sales of "Crude oil produced in Japan" which do not include purchased crude oil.

\*2 Sales volume and net sales of "Crude oil produced in overseas" which are volume of 3 overseas subsidiaries (Japex (U.S.) Corp., JAPEX Montney Ltd. and Japex Garraf Ltd.).

\*3 Royalty is excluded in the net sales and price of diluted bitumen.

# FY3/20 Forecast (Year-on-Year)

Million Yen	FY3/19(a)	FY3/20 Revised (f) Aug. 9, 2019	Change
Net sales	267,980	325,014	+57,033
Gross profit	34,846	43,285	+8,439
Exploration expenses	788	1,083	+294
SG&A expenses	31,743	30,858	-886
Operating profit (loss)	2,313	11,344	+9,031
Non-operating income (expenses)	10,209	9,350	-860
Ordinary profit (loss)	12,523	20,694	+8,171
Extraordinary income (losses)	550	-62	-612
Income taxes	-1,254	2,898	+4,153
Loss attributable to non-controlling interests	-441	-288	+154
Profit attributable to owners of parent	14,770	18,022	+3,252

Main factors for change

Increase factor “+” / Decrease factor “( )”

## Gross profit

Domestic business (¥1.1 bn.)

Overseas business +¥9.5 bn.

## Non-operating income (expenses)

- Equity on earnings (¥ 5.7 bn.)
- Foreign currency translation adjustments on debt, foreign exchange gains and losses  
(FY3/19) Loss of ¥5.2bn. →(FY3/20) Gains of ¥0.5bn. +¥5.8 bn.
- Dividend income +¥3.1 bn.
- (FY3/19)Gains of ARO cancellation due to selling interests of the Hangingstone lease (¥3.2bn.)
- Increase in interest expenses (¥0.4bn.)

## Income taxes

(JAPEX) Increase in tax expense due to absence of one-time factor incurred in precious period (¥2.8bn.)

(FY3/19) Application of foreign tax credit on Garraf Project (¥2.3bn.)

Tax effect of U.K. North Sea Offshore Project +¥1.7bn.

# Sensitivities Analysis on FY3/20 Forecasts basis (2Q-4Q)

	FY3/20 2Q-4Q Assumptions	Fluctuation	Impacts on profit (Million Yen)		Main factors for change Increase factor "+" / Decrease factor "( )"
			Operating income	Profit attributable to owners of parent	
Crude oil price	<b>JCC</b> <b>USD 65.00/bbl</b>	Increase by USD1/bbl	<b>400</b>	<b>320</b>	+ Sales of oil and gas (Increase in LNG procurement cost)
	<b>WTI</b> <b>USD 56.91/bbl</b>		155	146	+ Sales of diluted bitumen
Exchange rate	<b>¥ 110.00/USD</b>	1 weaker yen against USD	<b>430</b>	<b>270</b>	+ Sales of oil and gas (Increase in LNG procurement cost)
Natural gas price in Canada	<b>CAD 1.51/mcf</b> <b>¥ 82.11/CAD</b>	Increase by CAD1/mcf	<b>130</b>	<b>90</b>	+ Sales of shale gas in Canada (Increase in operation cost of the Hangingsstone lease)

- Changes in equity method investment gain are not included in the above amount.
- 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 various other factors besides crude oil prices and exchange rates.



# Cautionary Statement

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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 (FY3/20, for instance, means 12 months ending March 31, 2020)

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

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