



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

# **Presentation Meeting of Consolidated Financial Results for the Six Months Ended September 30, 2016**

**November 9 , 2016**

Japan Petroleum Exploration Co .,Ltd.

# Cautionary Statement

**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.**

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**Note: Abbreviations used herein are as follows:**

**1H = First half (1Q-2Q)**

**2H = Second half (3Q-4Q)**

**(a) = Actual results**

**(f) = Forecasts**

**FY = Fiscal Year (FY3/17, for instance, means 12 months ending March 31, 2017)**

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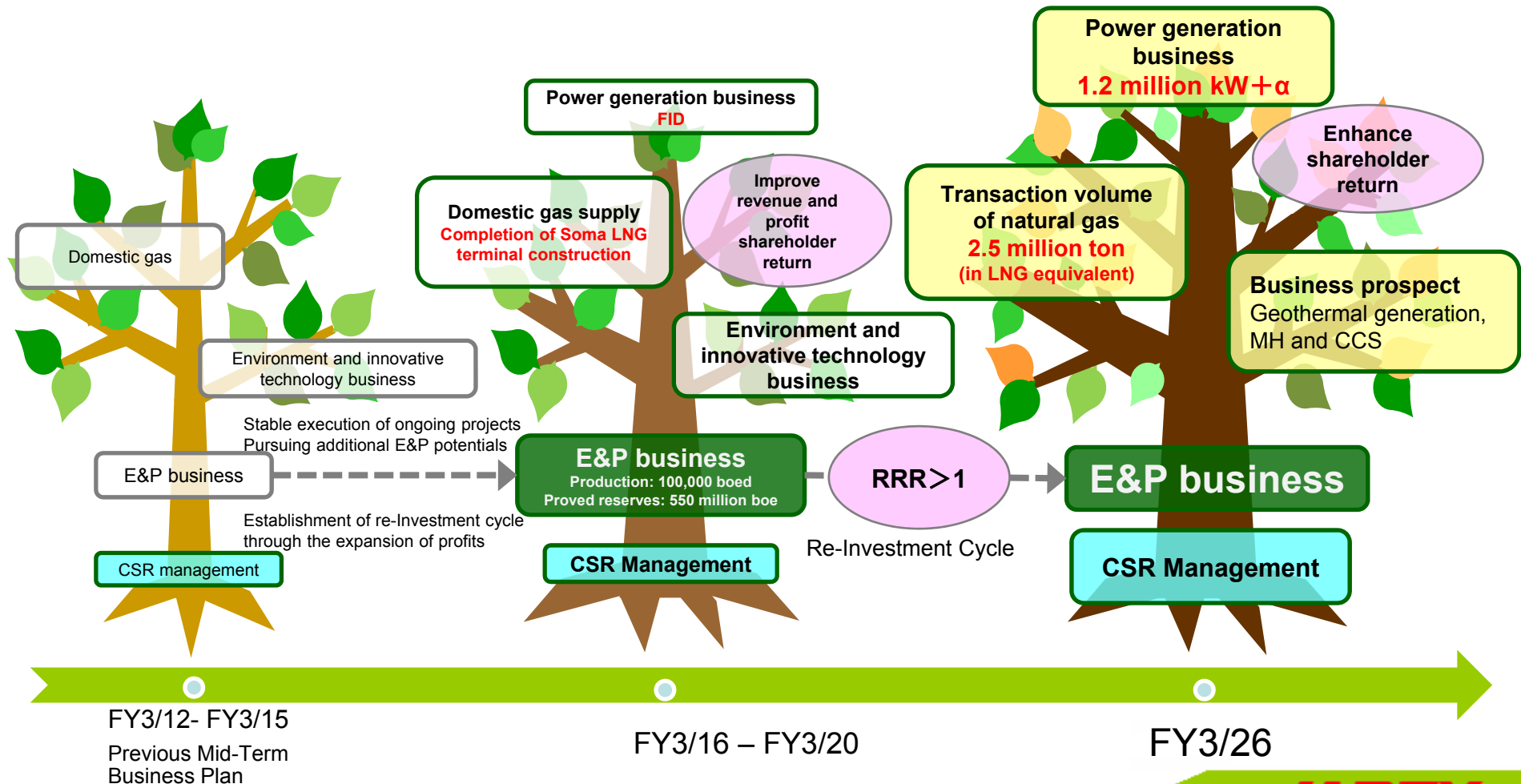
# I . Business Overview

**President  
Hideichi Okada**

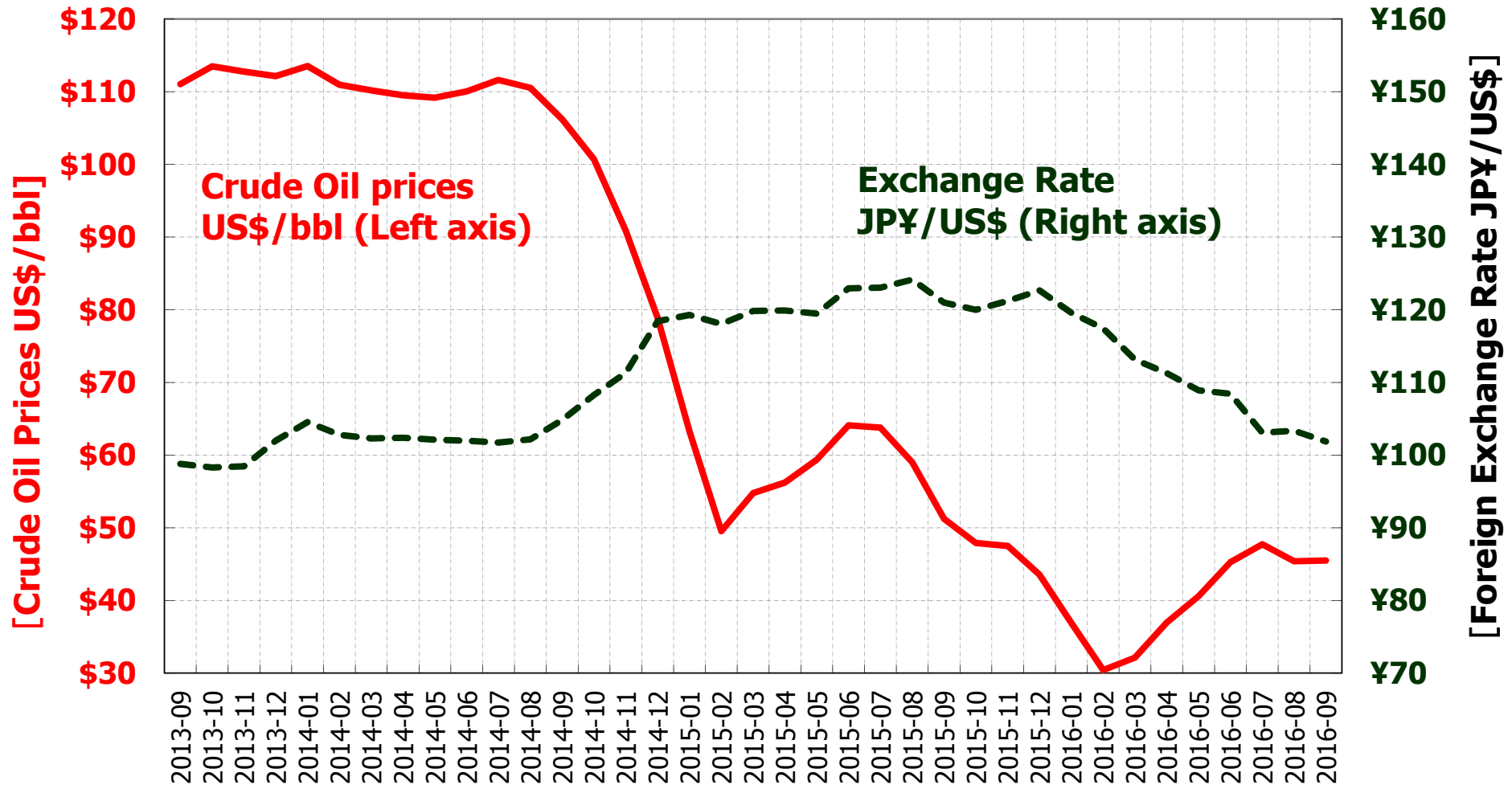
# Long-Term Business Vision and Medium-Term Business Plan

## “Transformation to an Integrated Energy Company with a Focus on Oil and Gas E&P”

- If we liken our business into a tree, E&P business will be “root” and “trunk”, and we will grow each business around E&P business as “the well-proportioned wood”



# Trends in Crude Oil Prices and Foreign Exchange Rate



Japan Crude Cocktail (JCC) Price in the first 10 days of October 2016 on a prompt report basis: **US\$ 45.38/bbl** **JPY 101.53/US\$**

## Revised Forecasts for FY3/17 (Highlight)

Billion ¥	FY3/16	FY3/17				Difference	
	Full (a)	Previous forecasts 1H (f) Aug.5, 2016 ①	1H (a) ②	Previous forecasts Full (f) Aug.5, 2016 ③	Revised forecasts Full (f) Nov.8, 2016 ④	1H (②-①)	Full (④-③)
Net sales	240.3	90.1	91.4	198.0	189.5	+1.3	-8.5
Operating income (loss)	8.3	-3.3	-3.2	-0.5	-1.2	+0.1	-0.7
Ordinary income (loss)	4.6	-0.4	-2.2	0.7	-3.7	-1.7	-4.4
Profit (loss) attributable to owners of parent	2.0	0.3	-1.2	1.8	-0.3	-1.6	-2.2
JCC price US\$/bbl	51.48	43.81	41.64	46.87	43.34	-2.17	-3.53
Bitumen price US\$/bbl	21.05	9.90	9.94	10.31	10.28	+0.04	-0.03
Exchange rate JP¥/US\$	121.06	107.34	107.67	106.10	103.63	+0.33	-2.47

# Current Status of Ongoing Projects (Highlight)

## ■ E&P business

### <Highest Priority Challenges>

Stable execution of ongoing overseas projects

### Canada: Shale Gas and LNG Project

- ✓ **Upstream:** Shale gas production under controlled investment
- ✓ **Midstream:** Environmental Assessment approved by CEAA in September, 2016, and analyzing 190 attached conditions

### Canada: Oil Sands Project

- ✓ Temporary suspension of Bitumen production in 3.75 section area
- ✓ Plan to commence production of expansion area in mid 2017, under consideration of improved business plan

### Iraq : Garraf Project

- ✓ Ongoing 100 thousands bbl/d stable crude oil production
- ✓ Under the discussion with the government for step-by-step development towards 230 thousands bbl/d production

### Indonesia: Kangean Project

- ✓ Preparing for the commencement of TSB Phase-2 gas production in 2019 2Q
- ✓ Exploration phase drilling in South Saubi structure

## ■ Domestic Natural Gas Supply Business

### <Highest Priority Challenges>

Establish "Integrated Natural Gas Supply System"  
Diversification in both "Supply" and "Procurement" sides

### Soma LNG Terminal

- ✓ Under stable construction toward the commercial commencement in March 2018
- ✓ Launched development of the operation organization for the commencement

### Soma Natural Gas-fired Power Generation Project

- ✓ Decision on commercialization of power generation project

## ■ Environment and Innovative Technology Business

### <Highest Priority Challenges>

Accelerating large projects such as CCS, Methane Hydrate

### CCS

- ✓ Commencement of CO2 injections operations in large-scale CCS demonstration project on April 2016.

### Methane Hydrate

- ✓ Preparation for the second offshore production test in 2017

### Geothermal Energy

- ✓ Drilling the 3rd exploratory well in Musa-dake (Mt.) for geothermal research



# E&P Business

## Current status of Canada Shale Gas and LNG project

### 【Upstream】

#### Measures in response to low crude oil prices

Low gas price (Premise price 2016) environment

CA\$1.74/Mcf (After deduction of royalty;  
Forecasts Nov. 8, 2016 )

#### ➤ Suppression of investment

e.g. 2015 actual drilling number: 159

→2016 planning drilling number: 36

#### ➤ Increased production efficiency

Improvement of production capacity per mine  
through the improvement of the drilling  
locations and well design

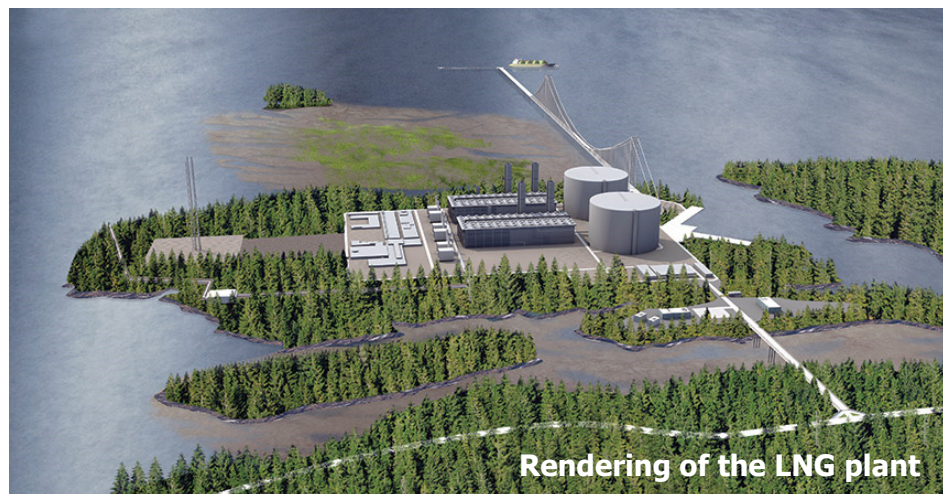


### 【Midstream】

#### Make a comprehensive judgment of FID after scrutiny of additional conditions of the Environmental Assessment by CEEA

Examples of the 190 conditions attached  
to the approval

1. Placing a maximum capacity on  
greenhouse gas emissions
2. Set a limit on the construction period  
for part of the underwater work



# E&P Business Hangingstone Oil Sands Project

## - Improved Business Plan -

### 【Current Status and Forecasts】

- Progress (as of Sep.): 96%
- Impact of temporary suspension due to wildfire in Fort McMurray area and delay in CPF construction works
  - ✓ Production Start-up: Mid 2017
  - ✓ Cost forecasts: Approx. CA\$1.5B (CA\$250MM increase from LE)
- Even under the current oil price, positive operating net cash flow  
2016 2H US\$45/bbl (f)

\* Production operations in Demo will be determined taking into account expected oil price and OPEX.

### 【Consider and Implement Improved Business Plan】

To maximize project value, steadily implement Step 1 and pursue possibility to realize Step 2

#### (Step1: Improvement by cost reduction)

##### Cost reduction within the current concept

- ① Reduction of future CAPEX (wells and FF) by optimization of engineering and work sequence
- ② Reduction of G&A and OPEX by optimization of organization, personnel costs, etc.
- ③ Pursue possibility to reduce transportation cost by sharing facilities with third party

#### (Step2: Adoption of new technology)

##### Pursue possibility to improve efficiency of production by applying SA-SAGD method (co-inject condensate)

- ① Reduction of OPEX by saving fuel gas consumption
- ② Acceleration of recover of investment with accelerated production

# Domestic natural gas supply business

## Commercialization of Natural Gas-Fired Power Generation Project

### The Natural Gas-fired Power Generation Project at Soma Port in Fukushima

#### Objective

- Stable supply of inexpensive and low-environmental load electricity to the wide area in the electricity liberalization
- Reconstruction and contribution to the economic and industrial revitalization of the coastal area of Fukushima

- Nov. 2013 Started feasibility study of power generation project by JAPEX
- Apr. 2015 Founded **Fukushima Gas Power Co., Ltd. (FGP)** by JAPEX and Mitsui & Co., Ltd.  
Taking over the investigation and procedures works of this project from JAPEX
- ✓ Implementation of Environmental Assessment processes required for the power plant construction
  - ✓ Evaluation of the economics for the decision of commercialization
- Oct.11, 2016 Decision on commercialization of power generation project

#### ① Decision on Commercialization of the Project

- Commencement of construction after completion of Environmental Assessment processes (expected in 2017 Summer)
- Start to investments and preparations for the commencement of construction in the site

#### ② New Shareholders (Business Partners) Participation in FGP

- In addition to JAPEX and Mitsui & Co., Ltd., newly participations of Osaka Gas Co., Ltd., Mitsubishi Gas Chemical Co., Inc., and Hokkaido Electric Power Co., Inc.

#### ③ Adopt "Tolling System"

- Possible its own LNG procurement and power supply and sales business for each business partners

# Dividend Payout of FY17/3

## JAPEX's Basic Policy

- ◆ Maintain Long-term and Stable Dividends for shareholders
- ◆ Set the Dividend based on Medium to Long Term Business Forecasts and Retained Earnings

## Interim Dividend Payout and Year-end Dividend Forecast Revision of FY3/17

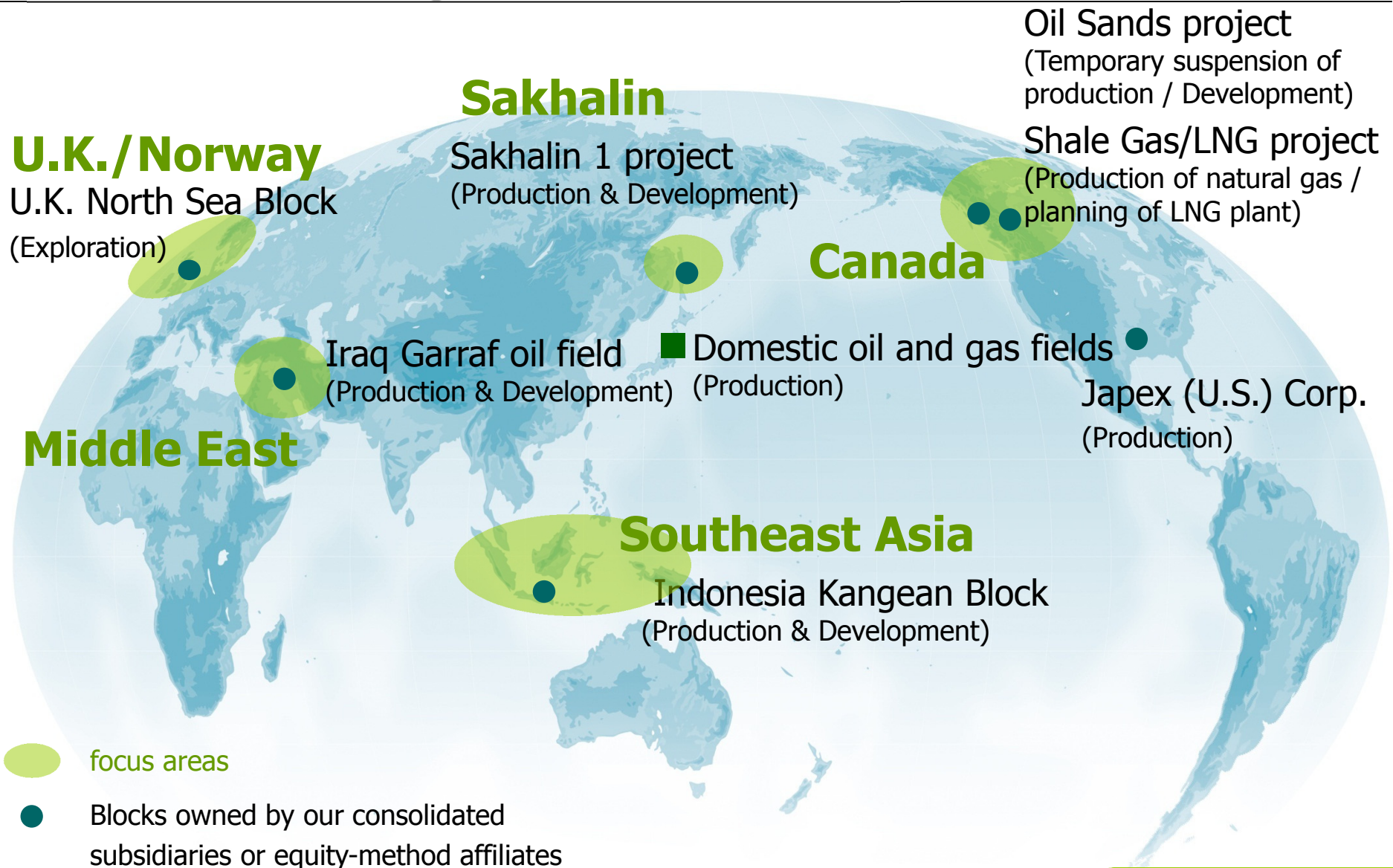
- ◆ Regrettably Revised the Interim Dividend due to Significant Downturn of our Financial Results and Forecasts as below
- ◆ Also Changed the Year-end Dividend Forecast into "Undetermined"
  - Plans to announce right after the decision considering our financial forecasts

<b>Interim Dividend Payout from Earnings of FY3/17 (Announced on November 8, 2016)</b>			
	<b>Interim</b>	<b>Year-end</b>	<b>Total</b>
<b>Latest dividend forecast</b>	<b>25.00 yen</b>	<b>25.00 yen</b>	<b>50.00 yen</b>
<b>Revised dividend forecast</b>	<b>5.00 yen</b>	<b>Undetermined</b>	<b>Undetermined</b>
<b>Previous dividend result (FY16/3)</b>	<b>25.00 yen</b>	<b>25.00 yen</b>	<b>50.00 yen</b>

- ◆ Consider and Execute the Measures of Financial Improvement due to seriously accepted the result of lower revisions of financial forecast and cutting the interim dividend
  - e.g. Company-wide Level Cost Reductions Including Compensation Reduction of Directors and Officers, Sales of our Portfolio Assets, etc.
- ◆ Struggle for the transform of corporate structure to maintain the corporate soundness even in low oil price environment, and pursue to enhance our corporate value

# <Appendix> E&P Business (1)

## Initiatives in Japan and Overseas



# <Appendix> E&P Business (2)

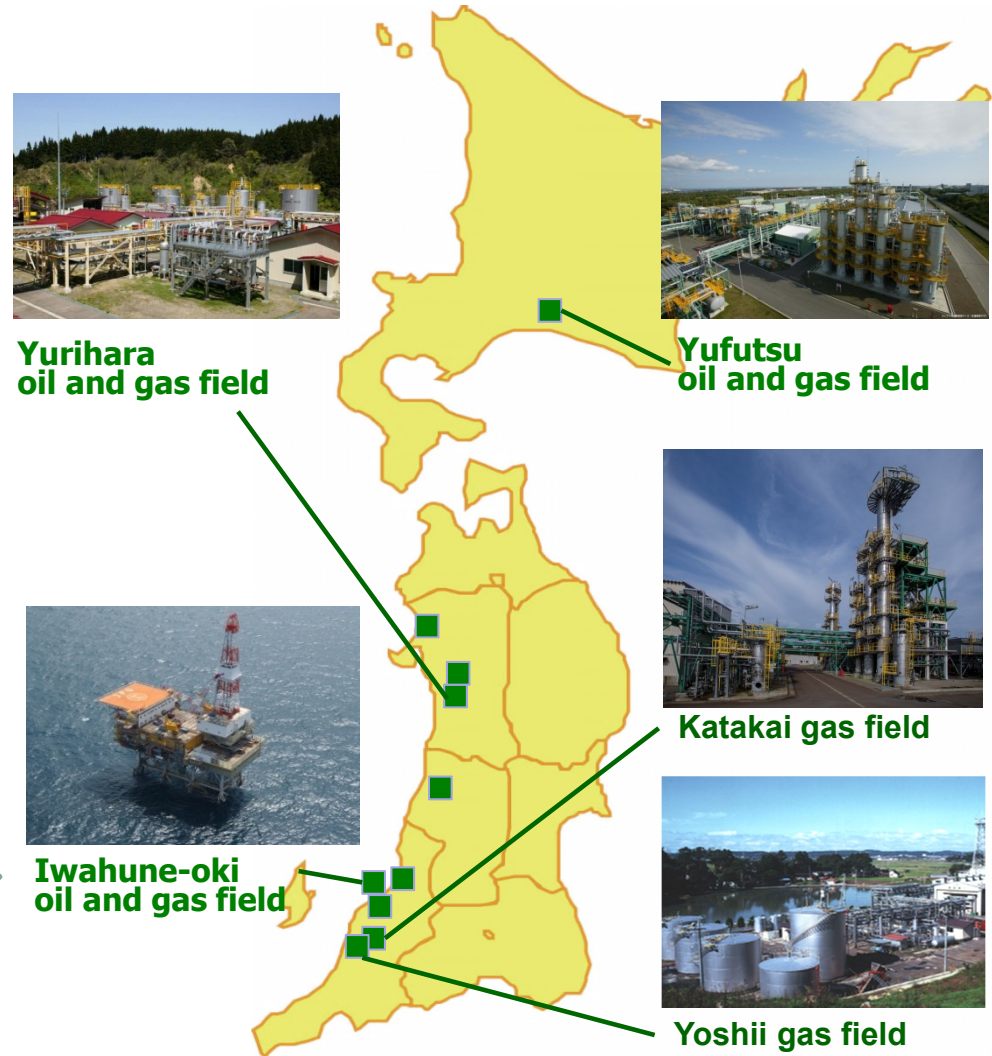
## Domestic Initiatives

### Domestic exploration

- Domestic exploration (Geophysics, Exploration well) is not scheduled in FY3/17
- Pursuing additional domestic E&P potential by utilizing government basic surveys
- Based on the results so far, considering efficient exploration plan

Compensation of domestic reserves and pursue the maintenance of production volume

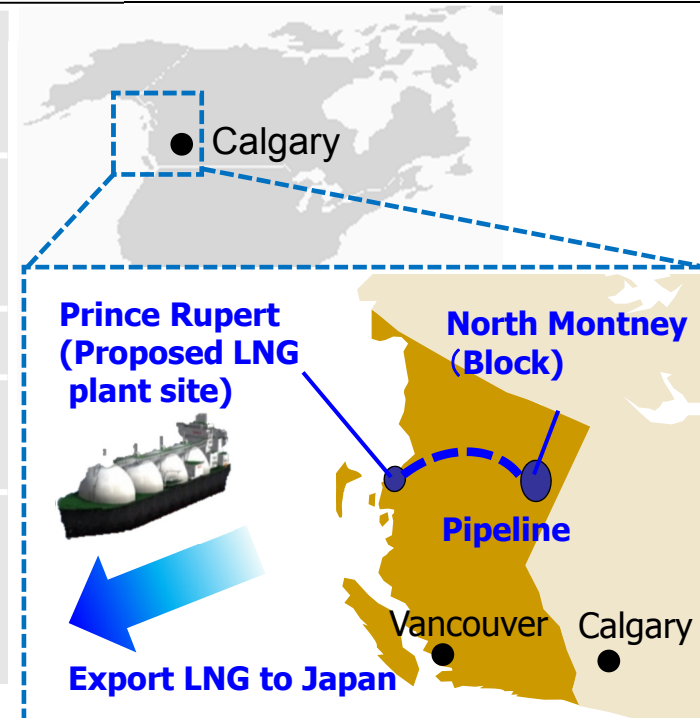
### Operates 10 domestic oil and gas fields



# <Appendix> E&P Business (3)

## Canada Shale Gas and LNG Project

	Shale Gas development and Production project (Upstream)	LNG project (Midstream)
Block / Proposed site	North Montney Area, British Columbia, Canada	Lelu Island, The Port of Prince Rupert, British Columbia, Canada
Interest	10% Interest	10% Equity
Operator	PETRONAS (Including subsidiaries)	PETRONAS (Including subsidiaries)
Current status	<ul style="list-style-type: none"> <li>•Production and sales of shale gas</li> <li>•Reducing the development investment</li> </ul>	Analyzing 190 attached conditions.



### ■ Project Schedule

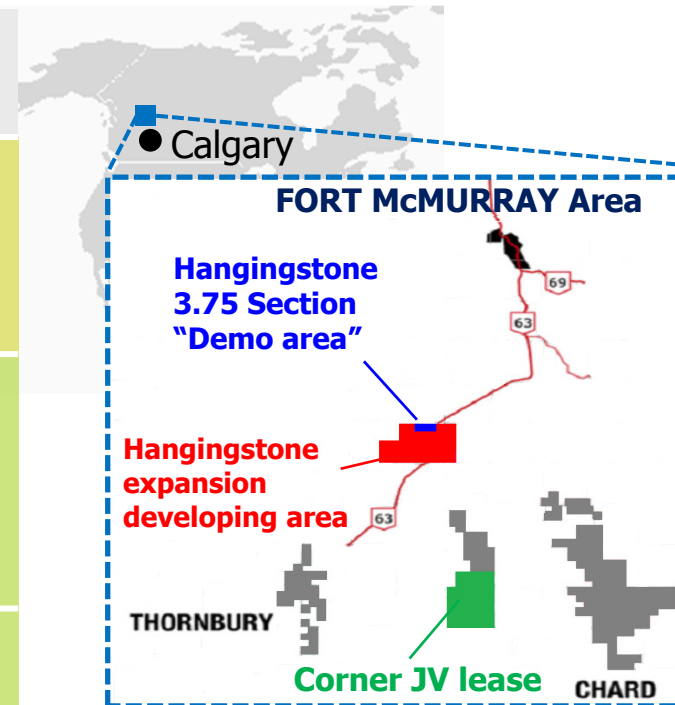
April 2013	Conclusion of contract, Production and sales of Natural Gas
June 2015	Conditional Final Investment Decision
July 2015	Approval of the Project Development Agreement by the Legislative Assembly of B.C.
Sep. 27, 2016	<ul style="list-style-type: none"> <li>Environmental-assessment was approved by CEAA.</li> <li>➤ Consultation for FID between partners after analyzing 190 conditions.</li> </ul>
2022 or later	First LNG production (12MMtonnes/y)



# <Appendix> E&P Business (4)

## Canada Oil Sands Project

Project	Canada Oil Sands Co., Ltd. (CANOS)	
Company	Operator : Japan Canada Oil Sands Ltd. (JACOS)	
Block	Hangingstone 3.75 section <b>100%</b> Interests Approximately 5,000 bbl/d (Suspending the production operation)	Temporary suspension of the production (Cumulative production : 35.07M bbl as of end of March 2016)
	Expansion project of undeveloped part of Hangingstone area <b>75%</b> Interests Additional production of 20,000 bbl/d at the maximum	In development
	Corner JV lease <b>12%</b> Interests	In appraisal
	Other bitumen leases (include Corner, Chard & Thornbury)	Considering future activities



### ■ Schedule of Hangingstone Expansion

Feb. 2013	Started early civil work for construction facilities
May-Jun. 2014	Construction temporary pause by Alberta wildfires
Dec. 2016	Completion of construction
Mid 2017	Commencement of production

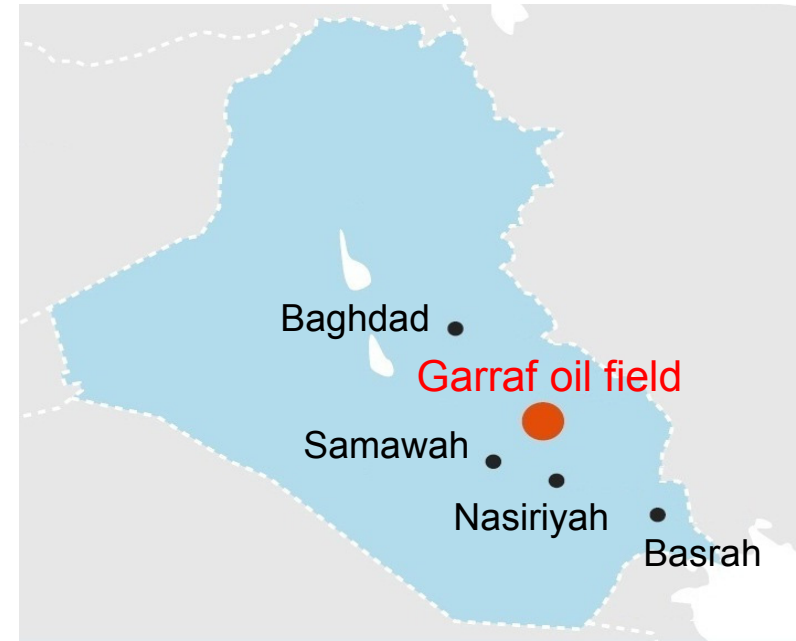




# <Appendix> E&P Business (5)

## Iraq : Garraf Oil Field

<b>Project company</b>	<b>Japex Garraf Ltd.</b>	
<b>Interest</b>	<b>30%</b> (cost share 40%) Operator : PETRONAS	
<b>Field</b>	<b>Garraf</b>	<b>In Production</b>
<b>2013</b>	<b>2030</b>	
Expected cumulative production :		
<b>Around 1.1 billion bbl</b>		



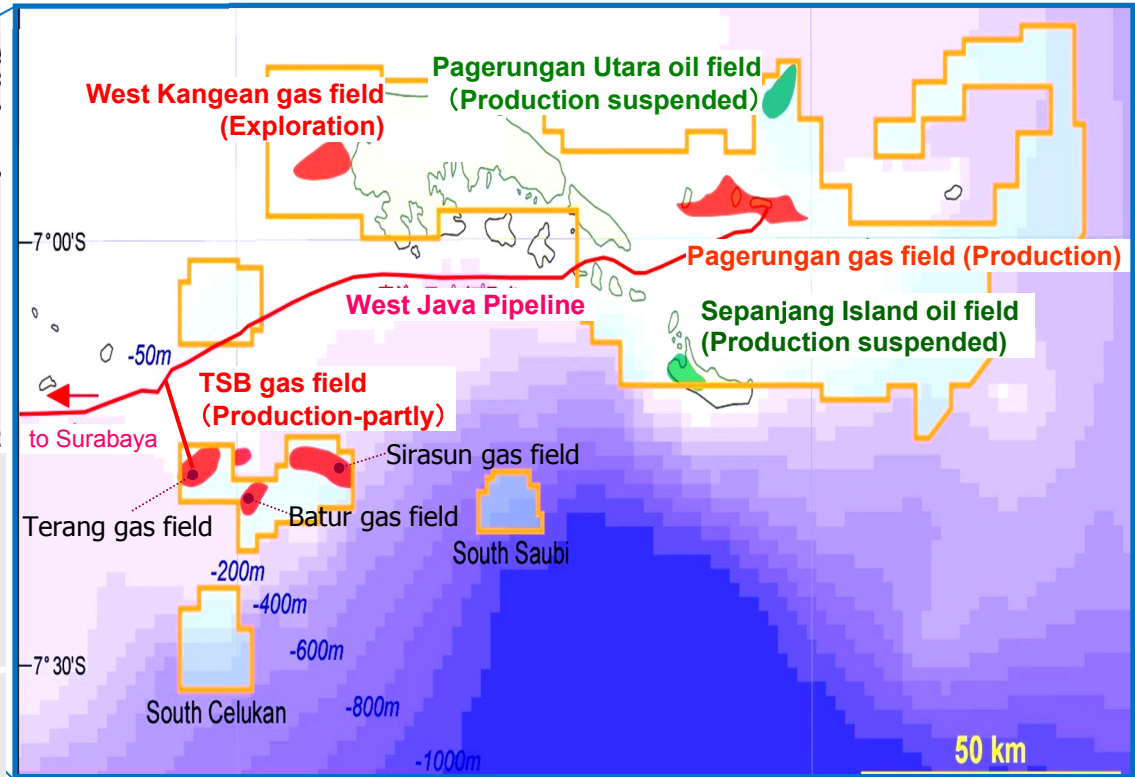
### ■ Time Schedule

<b>2013</b>	<b>First oil production on August 31</b> Average daily production : Approximately 64,000 bbl/d
<b>2014 - 2016</b>	Average daily production 2014 : Approximately 84,000 bbl/d 2015 - : Approximately 100,000 bbl/d
<b>2017 onwards</b>	Gradual increase from 100,000 bbl/d to 230,000 bbl/d subject to technical and commercial viability



# <Appendix> E&P Business (6)

## Indonesia: Kangean Block



<b>Project Company</b>	<b>Kangean Energy Indonesia Ltd. (KEI)</b> + 2 others, Equity-method affiliate
<b>Interest</b>	<b>25%</b> (Operator : KEI)

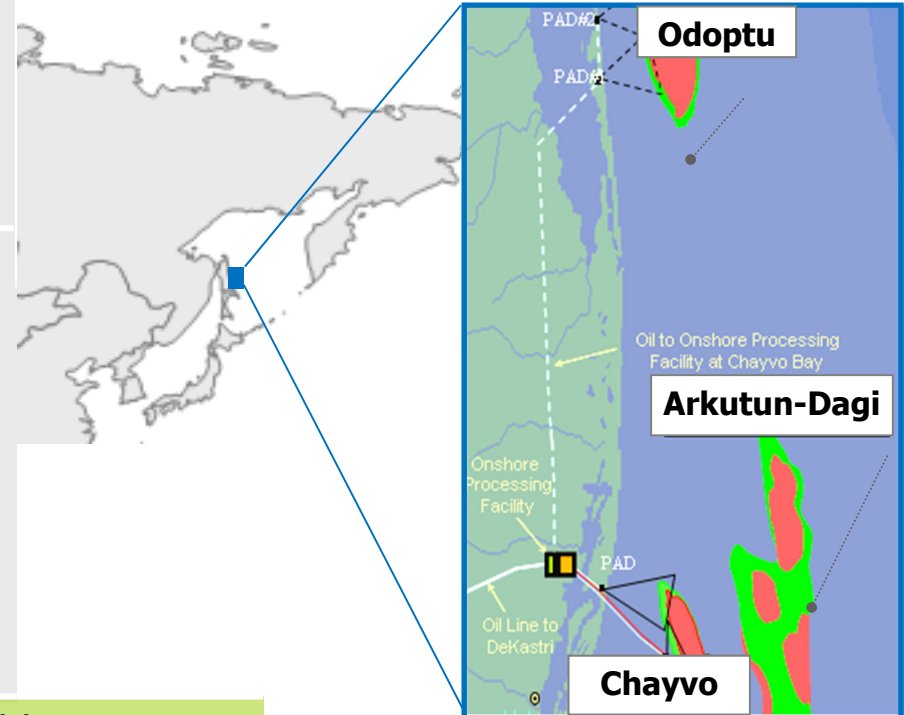
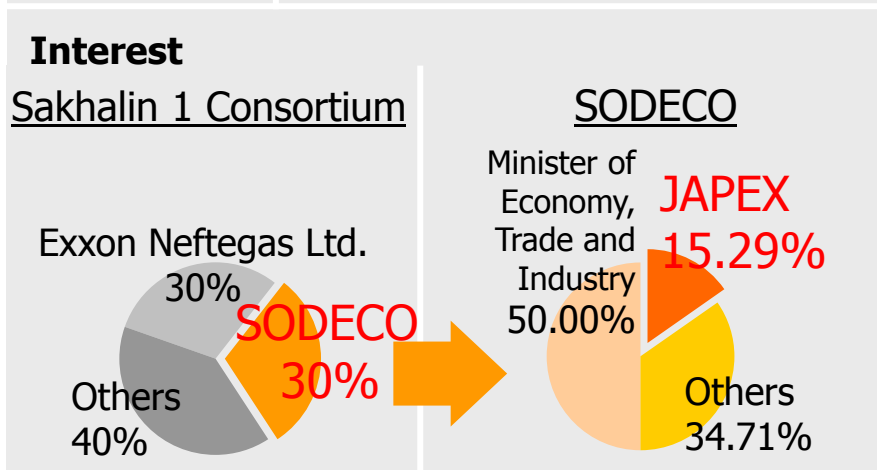
- production volume : approximately **50,000boe/d**
- the TSB gas field  
(Phase1: *Terang*) : Production started in end-May 2012.  
Maximum production 0.3billion cf/d  
(Approximately 50,000boed)  
(Phase2: *Sirasun, Batur*) : Targeting the start of production in 2Q 2019.
- South Saubi Structure : Drilling Campaign (Aug.-Oct. 2016)



# <Appendix> E&P Business (7)

## Sakhalin 1 Project

<b>Project Company</b>	Sakhalin Oil and Gas Development Co., Ltd. (SODECO) Equity-method affiliate
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<b>Block</b>	Chayvo,	In Production at each fields
	Odoptu,	* The Arkutun-Dagi field commenced oil production in January 2015. * The Chayvo field achieved a new world-record of extended reach drilling.
	Arkutun-Dagi	Total production volume of Crude Oil : <b>Approximately 180,000 bbl/d</b> * Average production volume per day on 2016, based on JAPEX's estimates.



# <Appendix> Domestic Natural Gas Supply Business (1) Construction of Soma LNG Terminal

## ■ Soma LNG Terminal

Site	Shinchi-Town, Fukushima Pref. (No.4 wharf area of Soma Port)
Capacity	One LNG Tank of Aboveground Style/PC type containing 230,000kl
Receiving capacity	LNG ocean-going vessel : Full set (maximum 210,000m <sup>3</sup> class) LPG domestic vessel : Full set (maximum 2,500m <sup>3</sup> class)
Vaporizers	Sending power : 7.0MPa 75t/h x2
Shipping facilities	LNG domestic vessel : maximum 4,800 m <sup>3</sup> class Tanker truck : 5 lanes, 30t/h
Commencement of operation	March 2018 (Planned)



\*In addition to the above, it plans to construct a new LNG vaporization equipment and LNG storage tank (230,000kl) in accordance with the implementation of the power generation project.

## ■ Soma-Iwanuma Gas Pipeline

Starting / end point	Starting point : Soma LNG terminal End point : Iwanuma branch Valve station
Caliber	20B
Pressure	7Mpa
Length	Around 39km
Commencement of operation	March 2018 (Planned)



# <Appendix> Domestic natural gas supply business (2) Natural Gas-Fired Power Generation Project

## ■ Overview of the Electric Power Generation Plant (planned)

Company name	Fukushima Gas Power Co., Ltd.*
Method	Gas Turbine and Steam Power (Combined Cycle)
Capacity	1.18 million kW (2 units of 0.59 million kW)
Fuel	Natural Gas (Vaporized LNG) Amount 700,000-1,000,000 t/y (Utilization Ratio 60%-90%)
Thermal efficiency	Sending End 60.64% (LHV, Temperature 15°C)
Gas turbine	1,500°C Class
Steam turbine	Steam Condition (High-pressure/ Medium-pressure/ Low-pressure) 600/600/284°C 15.6/3.34/0.5MPa
Heat recovery boiler	Steam Flow 370/85/50t/h NOx Emission concentration Less than 5ppm

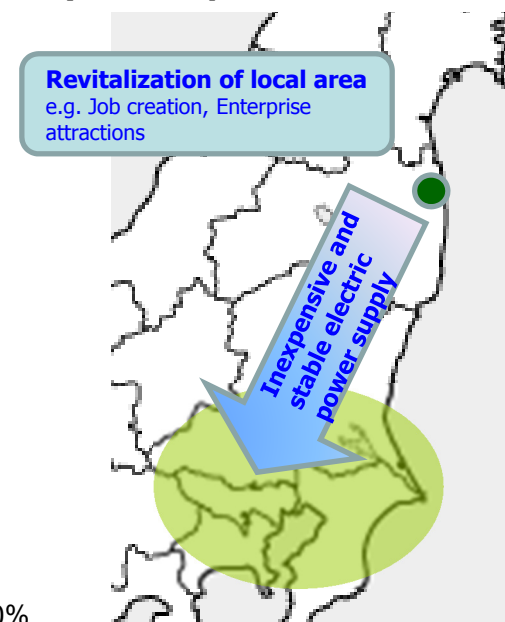
## ■ Schedule

Apr. 23, 2015	Establishment of Fukushima Gas Power Co., Ltd.
Oct. 11, 2016	Decision on commencement of construction
2017 Summer	Commencement of construction after completion of Environmental Assessment process
2020 Spring	Commencement of commercial operations

\*Investment ratio (As of Oct.11,2016) : JAPEX 33%, Mitsui & Co., Ltd. 29%, Osaka Gas Co., Ltd. 20%, Mitsubishi Gas Chemical Co., Inc. 9%, Hokkaido Electric Power Co., Inc. 9%



Targeting commercial operations to Tokyo metropolitan area in 2020



# <Appendix> Environment and innovative technology Geothermal, MH, CCS, Solar Power

## CCS



Photo provided by Japan CCS Co., Ltd

Facilities of CCS demonstration project in Tomakomai city

Tomakomai City

## Geothermal Power

Mt. Musa area  
(Shibetsu Town)

Mt. Furebetsu  
south area  
(Kushiro City)

\* Ongoing local negotiation.



Provisional jet test in Mt. Musa area

## Solar Power



The mega-solar power plant located within Hokkaido District Office site

Bandai area

Offshore Atsumi and Shima peninsulas

## Methane Hydrate



Photo provided by JOGMEC

The world's first offshore methane hydrate gas production tests

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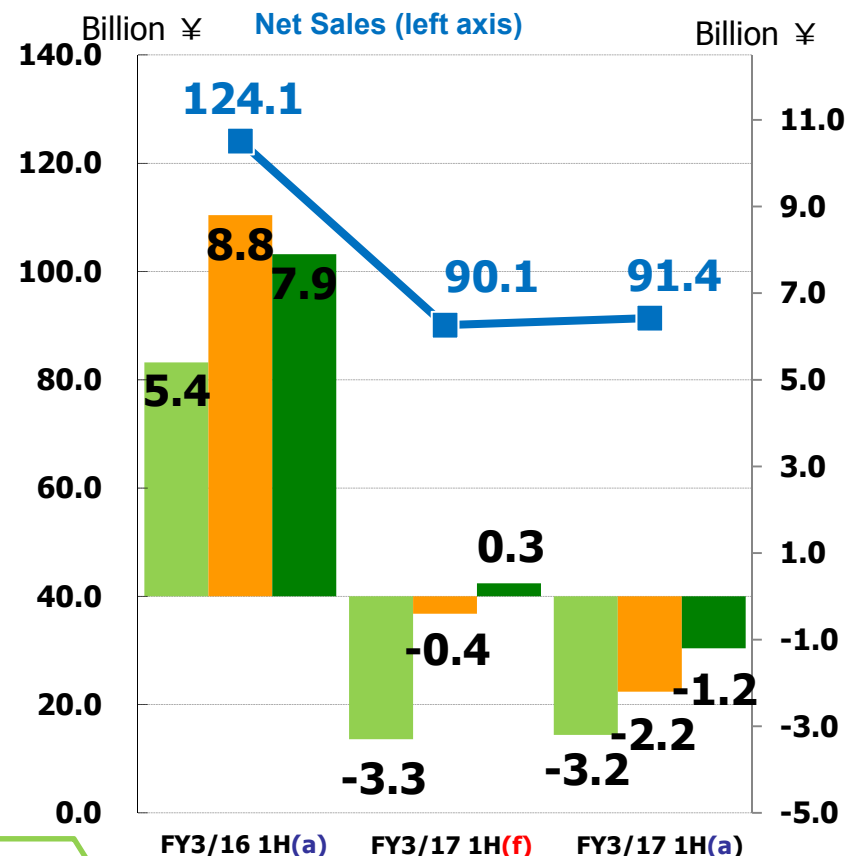
# **II . Consolidated Financial Results**

## **for the Six Months Ended September 30, 2016**

**Managing Executive Officer**  
**Michiro Yamashita**

# Actual Financial Results for 1H FY3/17 (Summary)

Billion ¥	FY3/16 1H (a)	FY3/17 1H (f) Aug. 5, 2016	FY3/17 1H (a)	Difference %
Net Sales	124.1	90.1	91.4	+1.5%
Operating income (loss)	5.4	-3.3	-3.2	+ %
Ordinary income (loss)	8.8	-0.4	-2.2	+ %
Profit (loss) attributable to owners of parent	7.9	0.3	-1.2	+ %
JCC price US\$/bbl	59.21	43.81	41.64	
Bitumen price US\$/bbl	26.16	9.90	9.94	
Exchange rate JP¥/US\$	121.44	107.34	107.67	



### Main points of difference with previous forecasts (Aug.5, 2016) and actual results

- Net Sales + ¥1.3 billion  
Re-schedule of crude oil sales of Garraf Oil Field, Iraq
- Operating income + ¥0.1 billion
- Ordinary income - ¥1.7 billion  
Fluctuations in foreign currency exchange rate (-2.2billion), Equity in earnings (+0.2billion)
- Profit attributable to owners of parent - ¥1.6 billion

- right axis
- Operating income
  - Ordinary income
  - Profit attributable owners of parent

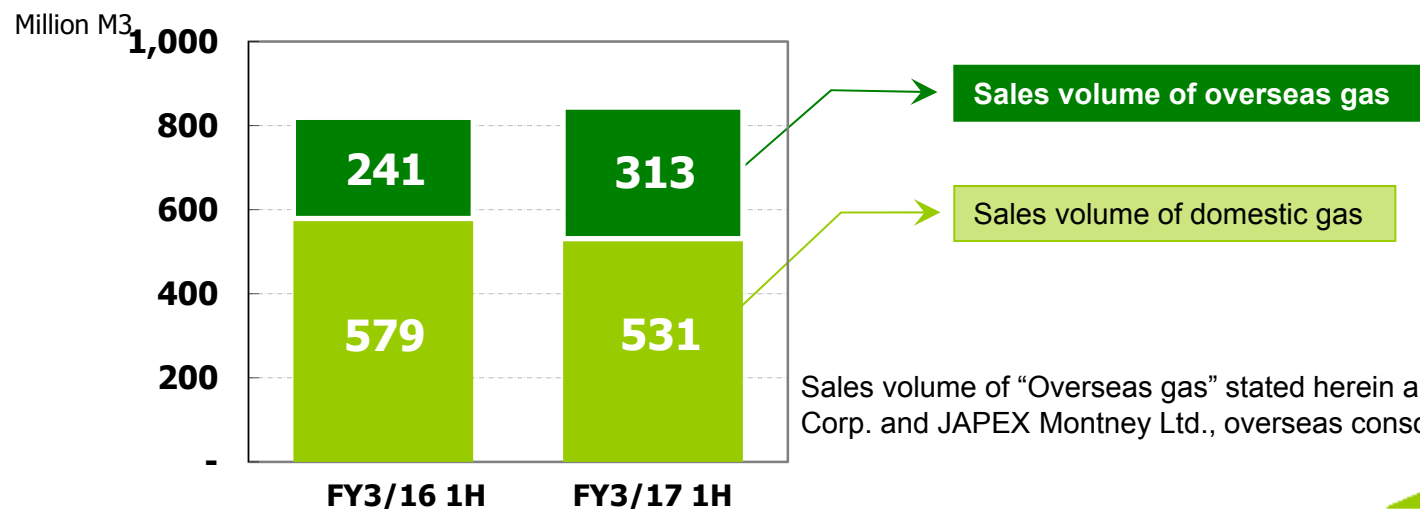


## Actual Sales of Natural Gas in 1H FY3/17 (vs 1H FY3/16)

Sales volume : Million M3 Net sales : Million ¥		FY3/16 1H(a)	FY3/17 1H (a)	Difference
Natural gas	Sales volume	<b>820</b>	<b>845</b>	<b>+24</b>
	Net sales	<b>33,031</b>	<b>23,184</b>	<b>-9,846</b>

### Breakdown

Domestic gas	Sales volume	<b>579</b>	<b>531</b>	<b>-47</b>
(Domestically produced gas)	Sales volume	<b>(361)</b>	<b>(324)</b>	<b>(-36)</b>
Overseas gas	Sales volume	<b>241</b>	<b>313</b>	<b>+71</b>



## Actual Sales of Crude Oil in 1H FY3/17 (vs 1H FY3/16)

Sales volume : Thousand KL Net sales : Million ¥		FY3/16 1H (a)	FY3/17 1H (a)	Difference
Crude oil	Sales volume	<b>1,480</b>	<b>1,715</b>	<b>+235</b>
	Net sales	<b>57,148</b>	<b>43,792</b>	<b>-13,355</b>

Decline in sales prices

### Breakdown

Domestic crude oil *1	Sales volume	<b>180</b>	<b>149</b>	<b>-30</b>
	Net sales	<b>8,427</b>	<b>4,645</b>	<b>-3,781</b>
Overseas crude oil *2	Sales volume	<b>669</b>	<b>986</b>	<b>+317</b>
	Net sales	<b>24,416</b>	<b>23,112</b>	<b>-1,303</b>
Bitumen *3	Sales volume	<b>143</b>	<b>91</b>	<b>-51</b>
	Net sales	<b>2,927</b>	<b>589</b>	<b>-2,338</b>

\*1 Sales volume and net sales of "Domestic crude oil" do not include purchased crude oil.

\*2 Sales volume and net sales of "Overseas crude oil" are amounts 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 Bitumen.

### Assumptions

JCC price	US\$/bbl	<b>59.21</b>	<b>41.64</b>	<b>-17.57</b>
Bitumen price	US\$/bbl	<b>26.16</b>	<b>9.94</b>	<b>-16.22</b>
Exchange rate	JP¥ / US\$	<b>121.44</b>	<b>107.67</b>	<b>-13.77</b>

## Actual Results for 1H FY3/17 (year-on-year)

Million ¥	FY3/16 (a)	FY3/17 (a)	Difference	Causes of increase(+) or decrease(-)
<b>Net sales</b>	<b>124,157</b>	<b>91,494</b>	<b>-32,663</b>	
<b>Gross profit</b>	<b>26,408</b>	<b>11,675</b>	<b>-14,733</b>	<b>Gross profit</b> Domestic crude oil and natural gas - ¥7.6 billion Overseas consolidated subsidiaries - ¥5.3 billion Reduction of consignment revenue - ¥1.6 billion
<b>Exploration expenses</b>	<b>4,769</b>	<b>645</b>	<b>-4,124</b>	<b>Exploration expenses</b> Overseas exploration - ¥3.4 billion Domestic exploration - ¥0.6 billion
<b>SG&amp;A expenses</b>	<b>16,231</b>	<b>14,243</b>	<b>-1,987</b>	<b>SG&amp;A expenses</b> Decrease of transportation cost and G&A expenses of JACOS - ¥0.4 billion Cost reduction - ¥1.5 billion
<b>Operating income (loss)</b>	<b>5,407</b>	<b>-3,213</b>	<b>-8,621</b>	
<b>Non-operating income (loss)</b>	<b>3,434</b>	<b>975</b>	<b>-2,459</b>	<b>Non-operating income (loss)</b> Equity in earnings - ¥2.2 billion
<b>Ordinary income (loss)</b>	<b>8,842</b>	<b>-2,238</b>	<b>-11,081</b>	
<b>Extraordinary income (loss)</b>	<b>-72</b>	<b>-270</b>	<b>-198</b>	
<b>Income taxes</b>	<b>3,660</b>	<b>414</b>	<b>-3,245</b>	
<b>Profit (loss) attributable to non-controlling interests</b>	<b>-2,853</b>	<b>-1,657</b>	<b>+1,196</b>	
<b>Profit (loss) attributable to owners of parent</b>	<b>7,963</b>	<b>-1,267</b>	<b>-9,230</b>	

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# **Ⅲ. Revised Full Year Forecasts for FY3/17**

**Managing Executive Officer  
Michiro Yamashita**

## Assumptions of Revised Forecasts for FY3/17

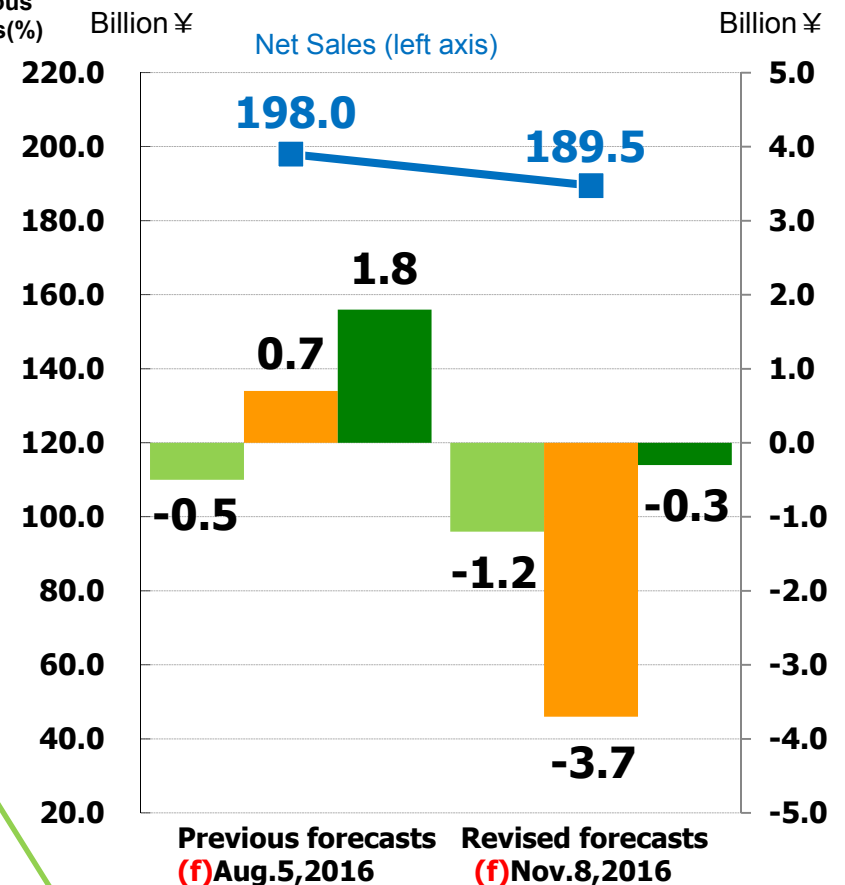
### [Assumptions]

			2016				2017	Full year
			Jan.-Mar.	Apr.-Jun.	Jul.-Sep.	Oct.-Dec.	Jan.-Mar.	
JCC price	US\$/bbl	Previous forecasts		37.17	50.00	50.00	50.00	46.87
		Revised forecasts		37.17	45.92	45.00	45.00	43.34
Exchange rate	JP¥/US\$	Previous forecasts		110.71	105.00	105.00	105.00	106.10
		Revised forecasts		110.71	105.32	100.00	100.00	103.63
JACOS Bitumen	US\$/bbl	Previous forecasts	7.12	16.80	-	-		10.31
		Revised forecasts	7.12	16.95	-	-		10.28
JML Gas	CA\$/mcf	Previous forecasts	1.58	1.34	1.94	1.94		1.68
		Revised forecasts	1.58	1.36	2.14	1.94		1.74

1. "JACOS Bitumen" stated herein Bitumen selling price of Japan Canada Oil Sands Ltd. (Deduction of Royalty).  
On the premise of a temporarily suspend a production operation in Demo area from May 2016, the second half of sales does not expect.
2. "JML Gas" stated herein gas sales price of JAPEX Montney Ltd. (Deduction of Royalty)

# Revised Full Year Forecasts for FY3/17 (Summary)

Billion ¥	Previous forecasts Full(f) Aug.5,2016	Revised forecasts Full(f) Nov.8,2016	Difference	Difference VS Previous Forecasts(%)
Net Sales	1,980	1,895	-85	-4.3%
Operating income (loss)	-5	-12	-7	-%
Ordinary income (loss)	7	-37	-44	-%
Profit (loss) attributable to owners of parent	18	-3	-22	-%
JCC price US\$/bbl	46.87	43.34	-3.53	
Bitumen price US\$/bbl	10.31	10.28	-0.03	
Exchange rate JP¥/US\$	106.10	103.63	-2.47	



Main points of difference with previous forecasts (Aug.5, 2016) and revised forecast (November 8, 2016) \*Causes of increase (+) or decrease (-)

- Net Sales - ¥8.5 billion Decline in sales prices
- Operating income - ¥0.7 billion Decrease in gross profit (- ¥0.4 billion)
- Ordinary income - ¥4.4 billion Fluctuations in foreign currency exchange rate (-3.6 billion)
- Profit attributable to owners of parent - ¥2.2 billion Reduction of corporate tax (+0.9 billion)

right axis

- Operating income
- Ordinary income
- Profit attributable to owners of parent

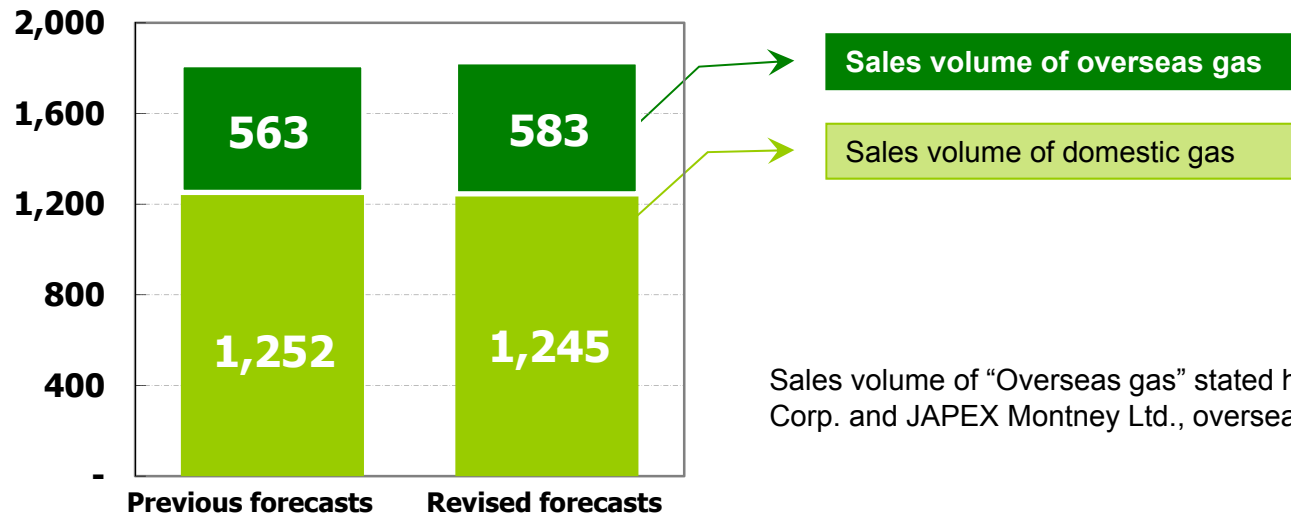
# Revised Forecasts Natural Gas Sales in FY3/17 (vs Previous Forecasts)

Sales volume : Million M3 Net sales : Million ¥		Previous forecasts Full(f) Aug 5, 2016	Revised forecasts Full(f) Nov.8, 2016	Difference
Natural gas	Sales volume	<b>1,816</b>	<b>1,828</b>	<b>+13</b>
	Net sales	<b>55,047</b>	<b>53,847</b>	<b>-1,200</b>

Breakdown

Domestic gas	Sales volume	<b>1,252</b>	<b>1,245</b>	<b>-7</b>
(Domestically produced gas)	Sales volume	<b>(732)</b>	<b>(733)</b>	<b>(+1)</b>
Overseas gas	Sales volume	<b>563</b>	<b>583</b>	<b>+20</b>

Million M3



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

# Revised Forecasts Crude Oil Sales in FY3/17 (vs Previous Forecasts)

Revised Full Year Forecasts

Sales volume : Thousand KL Net sales : Million ¥		Previous forecasts Full(f) Aug.5, 2016	Revised forecasts Full(f) Nov.8, 2016	Difference
Crude Oil	Sales volume	<b>2,725</b>	<b>2,852</b>	<b>+127</b>
	Net sales	<b>79,506</b>	<b>75,000</b>	<b>-4,506</b>

Decline in sales prices

## Breakdown

Domestic crude oil *1	Sales volume	<b>299</b>	<b>302</b>	<b>+3</b>
	Net sales	<b>10,133</b>	<b>9,309</b>	<b>-824</b>
Overseas crude oil *2	Sales volume	<b>1,486</b>	<b>1,496</b>	<b>+11</b>
	Net sales	<b>40,183</b>	<b>35,543</b>	<b>-4,640</b>
Bitumen *3	Sales volume	<b>92</b>	<b>92</b>	<b>+0</b>
	Net sales	<b>624</b>	<b>592</b>	<b>-31</b>

\*1 Sales volume and net sales of "Domestic crude oil" do not include purchased crude oil.

\*2 Sales volume and net sales of "Overseas crude oil" are amounts 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 Bitumen.

## Assumptions

JCC price	US\$/bbl	<b>46.87</b>	<b>43.34</b>	<b>-3.53</b>
Bitumen price	US\$/bbl	<b>10.31</b>	<b>10.28</b>	<b>-0.03</b>
Exchange rate	JP¥/US\$	<b>106.10</b>	<b>103.63</b>	<b>-2.47</b>



## Revised Forecasts for FY3/17 (vs Previous Forecasts)

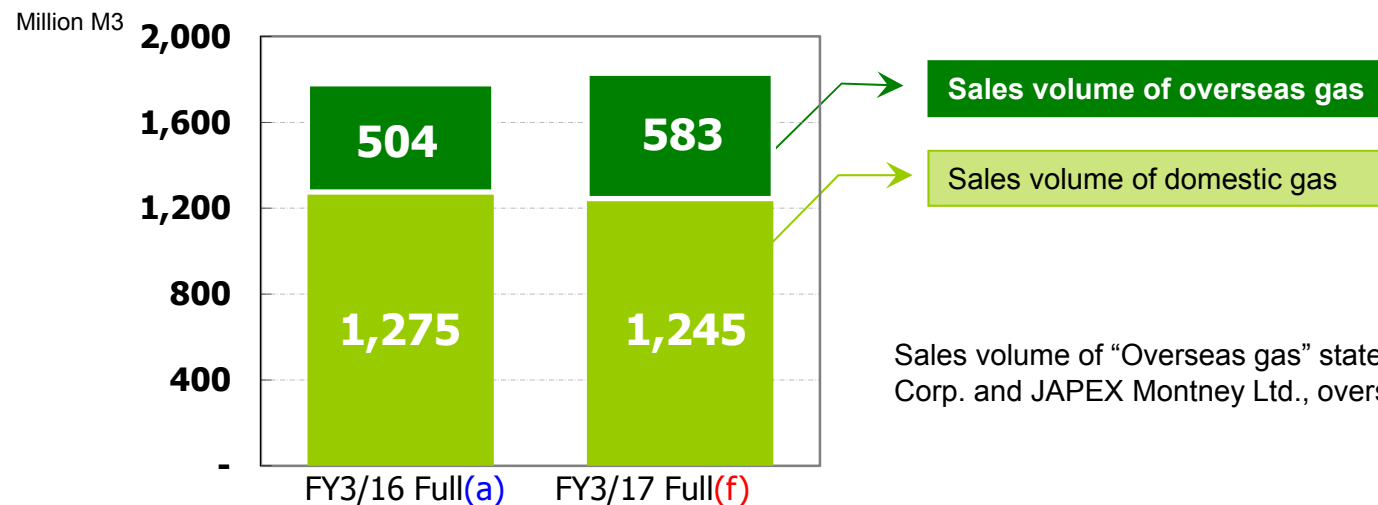
Million ¥	Previous forecasts Full(f) Aug. 5, 2016	Revised forecasts Full(f) Nov.8, 2016	Difference	Causes of increase(+) or decrease(▲)
<b>Net sales</b>	<b>198,057</b>	<b>189,528</b>	<b>-8,529</b>	
<b>Gross profit</b>	<b>29,607</b>	<b>29,154</b>	<b>-454</b>	<b>Gross profit</b> Domestic crude oil and natural gas - ¥1.2billion Overseas consolidated subsidiaries + ¥0.3billion Other + ¥0.5billion
<b>Exploration expenses</b>	<b>1,839</b>	<b>1,845</b>	<b>+6</b>	
<b>SG&amp;A expenses</b>	<b>28,318</b>	<b>28,594</b>	<b>+276</b>	
<b>Operating income (loss)</b>	<b>-549</b>	<b>-1,285</b>	<b>-736</b>	
<b>Non-operating income</b>	<b>1,274</b>	<b>-2,439</b>	<b>-3,714</b>	<b>Non-operating income (loss)</b> Foreign currency translation adjustments on debt, foreign exchange gains and losses (Previous) Gains ¥1.6billion →(Current) Losses ¥ 1.9billion - ¥3.6billion Equity in earnings      +¥0.1billion
<b>Ordinary income (loss)</b>	<b>725</b>	<b>-3,725</b>	<b>-4,450</b>	
<b>Extraordinary income</b>	<b>-313</b>	<b>97</b>	<b>+410</b>	
<b>Income taxes</b>	<b>1,569</b>	<b>584</b>	<b>-985</b>	
<b>Profit (loss) attributable to non-controlling interests</b>	<b>-3,031</b>	<b>-3,871</b>	<b>-840</b>	
<b>Profit (loss) attributable to owners of parent</b>	<b>1,874</b>	<b>-341</b>	<b>-2,215</b>	

## Revised Forecasts Natural Gas Sales in FY3/17 (vs FY3/16)

		FY3/16	FY3/17	Difference
		Full (a)	Revised forecasts Full(f) Nov.8,2016	
Sales volume : Million M3				
Net sales : Million ¥				
Natural gas	Sales volume	<b>1,780</b>	<b>1,828</b>	<b>+47</b>
	Net sales	<b>68,469</b>	<b>53,847</b>	<b>-14,622</b>

### Breakdown

Domestic gas	Sales volume	<b>1,275</b>	<b>1,245</b>	<b>-31</b>
(Domestically produced gas)	Sales volume	<b>(769)</b>	<b>(733)</b>	<b>(-35)</b>
Overseas gas	Sales volume	<b>504</b>	<b>583</b>	<b>+78</b>



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

## Revised Forecasts Crude Oil Sales in FY3/17 (vs FY3/16)

		FY3/16	FY3/17	Difference
Sales volume : Thousand KL Net sales : Million ¥		Full (a)	Revised forecasts Full(e) Nov.8,2016	
Crude oil	Sales volume	<b>3,233</b>	<b>2,852</b>	<b>-381</b>
	Net sales	<b>102,918</b>	<b>75,000</b>	<b>-27,917</b>
Breakdown				
Domestic crude oil *1	Sales volume	<b>340</b>	<b>302</b>	<b>-38</b>
	Net sales	<b>13,815</b>	<b>9,309</b>	<b>-4,506</b>
Overseas crude oil *2	Sales volume	<b>1,616</b>	<b>1,496</b>	<b>-119</b>
	Net sales	<b>48,384</b>	<b>35,543</b>	<b>-12,841</b>
Bitumen *3	Sales volume	<b>306</b>	<b>92</b>	<b>-214</b>
	Net sales	<b>4,894</b>	<b>592</b>	<b>-4,302</b>
Assumptions				
JCC price	US\$/bbl	<b>51.48</b>	<b>43.34</b>	<b>-8.14</b>
Bitumen	US\$/bbl	<b>21.05</b>	<b>10.28</b>	<b>-10.77</b>
Exchange rate	JP¥/US\$	<b>121.06</b>	<b>103.63</b>	<b>-17.43</b>

Decline in sales prices

- \*1 Sales volume and net sales of "Domestic crude oil" do not include purchased crude oil.
- \*2 Sales volume and net sales of "Overseas crude oil" are amounts 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 Bitumen.

## Revised Forecasts for FY3/17 (vs FY3/16)

Million ¥	FY3/16 Full (a)	FY3/17 Revised forecasts Full (f) Nov.8, 2016	Difference	Causes of increase(+) or decrease(-)
<b>Net sales</b>	<b>240,302</b>	<b>189,528</b>	<b>-50,774</b>	
<b>Gross profit</b>	<b>47,279</b>	<b>29,154</b>	<b>-18,126</b>	<b>Gross profit</b> Domestic crude oil and natural gas - ¥8.7billion Overseas consolidated subsidiaries - ¥7.5billion Reduction of consignment revenue - ¥2.6billion
<b>Exploration expenses</b>	<b>6,516</b>	<b>1,845</b>	<b>-4,670</b>	<b>Exploration expenses</b> Overseas exploration - ¥3.5billion Domestic exploration - ¥1.1billion
<b>SG&amp;A expenses</b>	<b>32,426</b>	<b>28,594</b>	<b>-3,833</b>	
<b>Operating income (loss)</b>	<b>8,336</b>	<b>-1,285</b>	<b>-9,622</b>	<b>SG&amp;A expenses</b> Decrease of transportation cost and G&A expenses of JACOS - ¥1.4 billion Other e.g. Cost reduction - ¥2.4 billion
<b>Non-operating income (loss)</b>	<b>-3,684</b>	<b>-2,439</b>	<b>+1,245</b>	
<b>Ordinary income (loss)</b>	<b>4,652</b>	<b>-3,725</b>	<b>-8,376</b>	<b>Non-operating income (losses)</b> Equity in earnings - ¥4.3billion  Foreign currency translation adjustments on debt, other foreign exchange gains and losses (Previous) Losses ¥8.8billion →(Current) Losses ¥1.9billion + ¥6.8billion
<b>Extraordinary income</b>	<b>-3,143</b>	<b>97</b>	<b>+3,239</b>	
<b>Income taxes</b>	<b>6,388</b>	<b>584</b>	<b>-5,804</b>	
<b>Profit (loss) attributable to non-controlling interests</b>	<b>-6,970</b>	<b>-3,871</b>	<b>+3,099</b>	
<b>Profit (loss) attributable to owners of parent</b>	<b>2,090</b>	<b>-341</b>	<b>-2,431</b>	

# Assumptions and Impact on Profits [2H]

		FY3/16	FY3/17				
		1Q-4Q(a)	1Q(a)	2Q(a)	3Q(f)	4Q(f)	1Q-4Q(f)
JCC price	US\$/bbl	51.48	37.17	45.92	45.00	45.00	43.34
Exchange rate	JP¥/US\$	121.06	110.71	105.32	100.00	100.00	103.63
Canadian gas	CA\$/mcf	2.11	1.58	1.36	2.14	1.94	1.74

Assumptions	JCC price (3Q-4Q)	Exchange rate (3Q-4Q)	Canadian gas (4Q)
	US\$ 45.00/bbl	100.00 JP¥/US\$	CA\$ 1.94/mcf JP¥ 80/CA\$

Impact on Profit	US\$ 1/bbl increase in JCC prices would push profits up by...	A weakening in JP¥ 1/US\$ exchange rates would push profits up by...	CA\$ 1/mcf increase in Canadian gas prices would push profits up by...
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Operating income	JP¥ 120million	JP¥ 70million	JP¥ 520million
Profit attributable to owners of parent	JP¥ 90million	JP¥ 30million	JP¥ 240million

Note: 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 a variety of other factors besides crude oil prices and exchange rates.

# Abbreviation

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- BOE(D) Barrels of Oil Equivalent (per Day)
- CCS Carbon dioxide Capture and Storage
- COP Conference Of the Parties
- CSR Corporate Social Responsibility
- E&P Exploration and Production
- FID Final Investment Decision
- GHG Greenhouse Gas
- HE Hangingstone Expansion
- HSE Health, Safety and Environment
- IOR (EOR) Improved (Enhanced) Oil Recovery
- JCC Japan Crude Cocktail
- JOGMEC Japan Oil, Gas and Minerals National Corporation
- LNG Liquefied Natural Gas
- MH Methane Hydrate
- P/L Pipeline
- PNWL Pacific North West LNG
- ROE Return on Equity
- RRR Reserves Replacement Ratio
- SODECO Sakhalin Oil & Gas Development Co., Ltd.
- TSB Terang, Sirasun, Batur
- WTI West Texas Intermediate