



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

# **Presentation Meeting of Consolidated Financial Results for the Fiscal Year Ended March 31, 2017**

**May 15 , 2017**

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 ended March 31, 2017)

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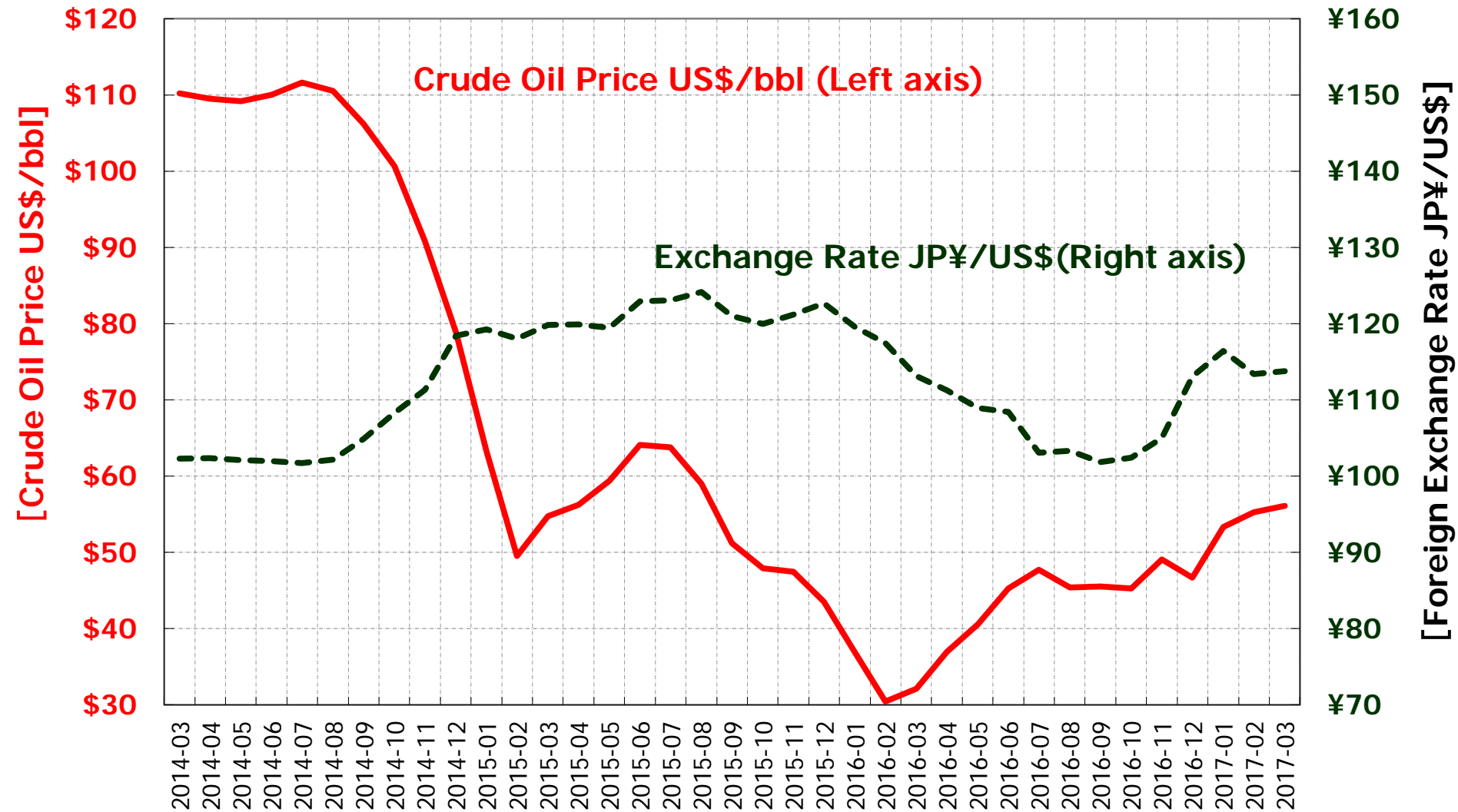
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**I . Financial Highlights,  
Dividend Policy,  
Follow-Up of the Mid-Term  
Business Plan**

**President  
Hideichi Okada**

# < Financial Highlights >

## Trends in Crude Oil Prices and Foreign Exchange Rate



# < Financial Highlights >

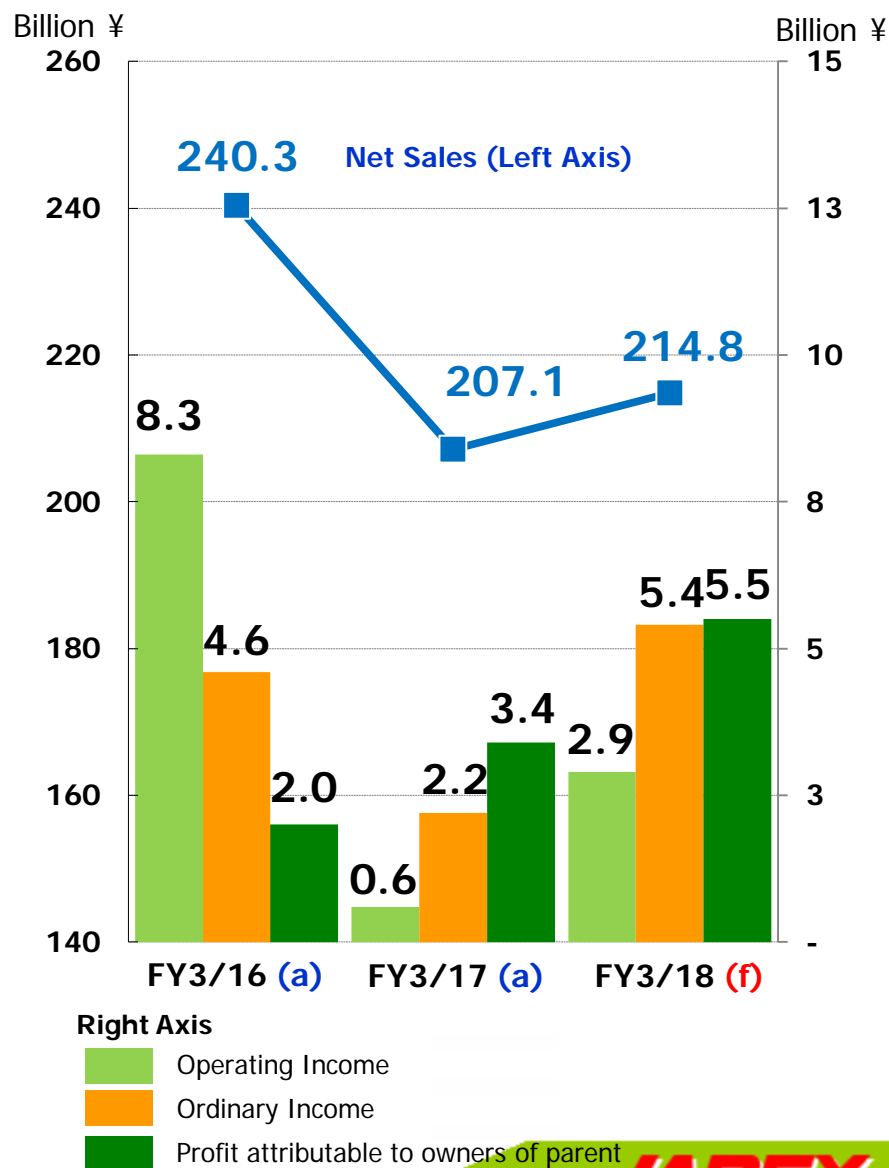
## Actual Results for FY3/17 and Forecasts for FY3/18

### Actual Results for FY3/17 (vs FY3/16)

Billion JP¥	FY3/16 (a)	FY3/17 (a)	Change	
Net Sales	240.3	207.1	-33.1	-13%
Operating Income	8.3	0.6	-7.6	-91%
Ordinary Income	4.6	2.2	-2.4	-52%
Profit attributable to owners of parent	2.0	3.4	+1.3	+64%
JCC Price (US\$/bbl)	51.48	45.60	-5.88	-11%
Exchange Rate (JP¥/US\$)	121.06	108.53	-12.53	-10%

### Forecasts for FY3/18 (vs FY3/17)

Billion JP¥	FY3/17 (a)	FY3/18 (f)	Change	
Net Sales	207.1	214.8	+7.7	+3%
Operating Income	0.6	2.9	+2.3	+336%
Ordinary Income	2.2	5.4	+3.2	+144%
Profit attributable to owners of parent	3.4	5.5	+2.1	+61%
JCC Price (US\$/bbl)	45.60	50.00	+4.40	+9%
Exchange Rate (JP¥/US\$)	108.53	110.00	+1.47	+1%



# <Dividend Policy>

## Payments in FY3/17 and Forecasts in FY3/18

### ■ JAPEX's Basic Policy

- Based on long-term and stable dividends for shareholders
- Amount of Dividends will be determined in each period for the time by comprehensively consideration with profit conditions and future needs for funds, such as new investments to secure reserves, maintain and expand our supply infrastructure, and others

### ■ Dividend Payments in FY3/17 and Dividend Forecasts in FY3/18

- In the amount of dividends in FY3/17, interim dividend per share was 5.00 yen and its year-end dividend per share is determined 10.00 yen accordance with the above basic policy and the latest financial results
- The forecast of total annual amount of dividends per share in FY3/18 is 20.00 yen, based on the above basic policy

Payments in FY3/17, Forecasts in FY3/18			
	Interim	Year-end	Total
FY3/17	5.00 yen	10.00 yen	15.00 yen
FY3/18 (f)	10.00 yen	10.00 yen	20.00 yen

### ■ Measures for financial improvement

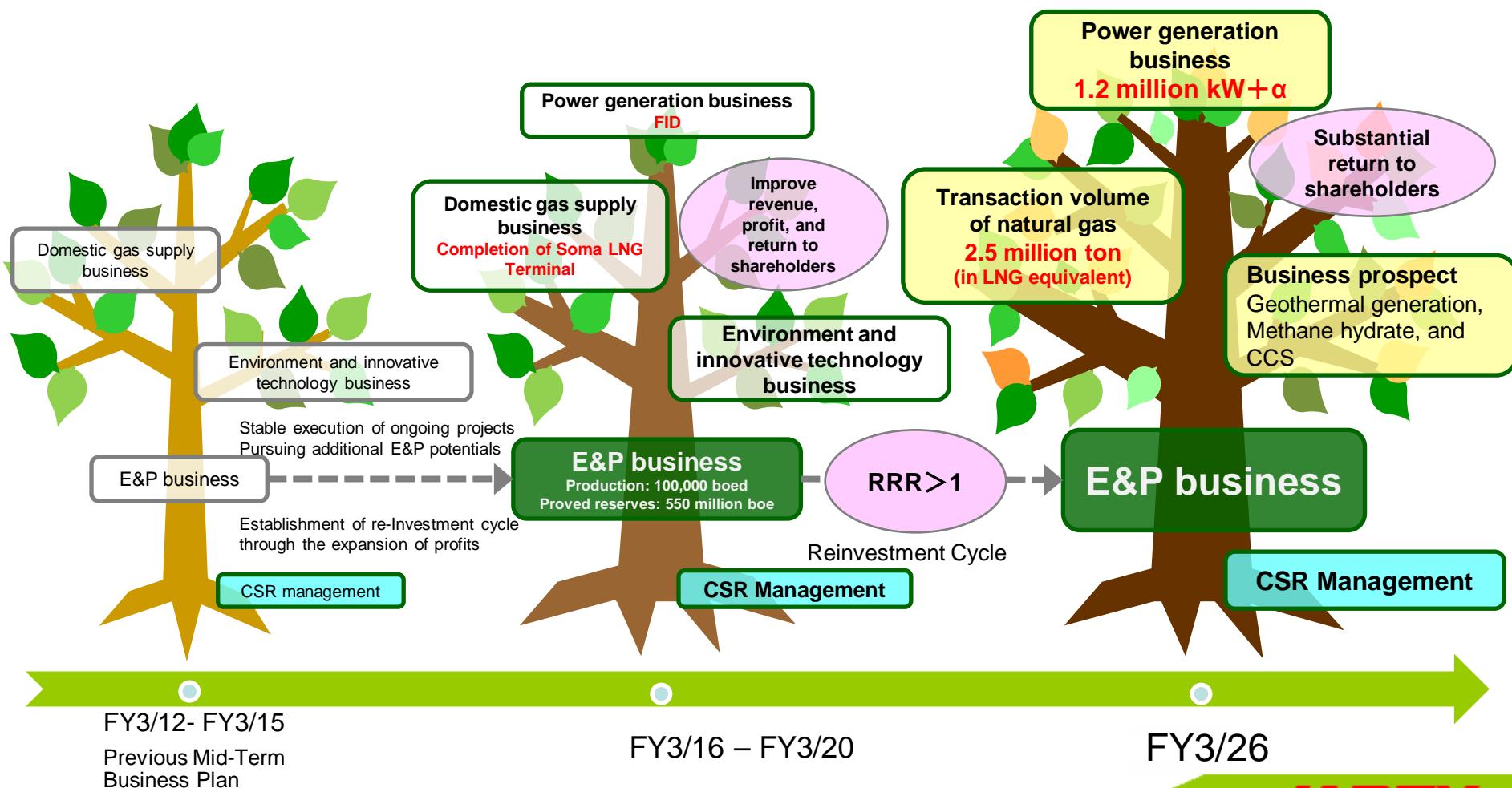
- Considering and implementing the company-wide level cost reductions including reduction of executive compensation, sales of assets, and others
- Struggle for the transform of corporate structure to maintain the corporate soundness even in low oil price environment, and pursue to enhance our corporate value
- As a result of cost reduction in FY3/17, SG&A expenses were reduced by 2.4 billion yen ( 3 billion yen by JAPEX non-consolidated) . In addition, as a result of sales of real estate, recorded 0.8 billion yen in extraordinary income
- In FY3/18, expecting to reduce SG&A expenses by 1.6 billion yen (1 billion yen by JAPEX non-consolidated) compared with FY3/17

# <Follow-Up of the Mid-Term Business Plan>

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

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

- Regarding our business as the tree, E&P will be “root” and “trunk” and the JAPEX group is pursuing to become a well-balanced integrated company like “the well-proportioned wood”






# <Follow-Up of the Mid-Term Business Plan>

## Outlook of Business Environment (1) Macro Environment

### ■ Summary of Outlook at formulating the Mid-Term Business Plan

- ① Actualized volatility risk of global crude oil price
- ② Geopolitical Risk
- ③ Intensifying competition of domestic gas business
- ④ Measure for global environmental problems

- Since it is unlikely to reach the international agreement for drastic suppression of fossil fuel usage, in mid-long terms, demands for oil and natural gas particularly in emerging countries will increase significantly, and oil and natural gas will continue to play major role globally as primary energy



### Changes in the macro environment afterward

- Low price of oil and natural gas ⇒ Prospect to continue its oversupply
- Adoption of COP21/Paris Agreement ⇒ Possibility to accelerate the movement of greenhouse gases reduction
- Brexit, Trumponomics ⇒ Changed the international political situation uncertain
- Amendment of JOGMEC law\* ⇒ Expectation of strengthening support for resource development and expansion of opportunities to acquire interests

### ■ Our current outlook

In consideration of concerns for future supply shortage caused by suppression of investments in E&P industries as well as demand growth of energy in emerging countries, **there is no change in our outlook of the macro environment at this time and we will continue to execute the basic strategy of Long-Term Business Vision and Medium-Term Business Plan while paying close attention to future trends**

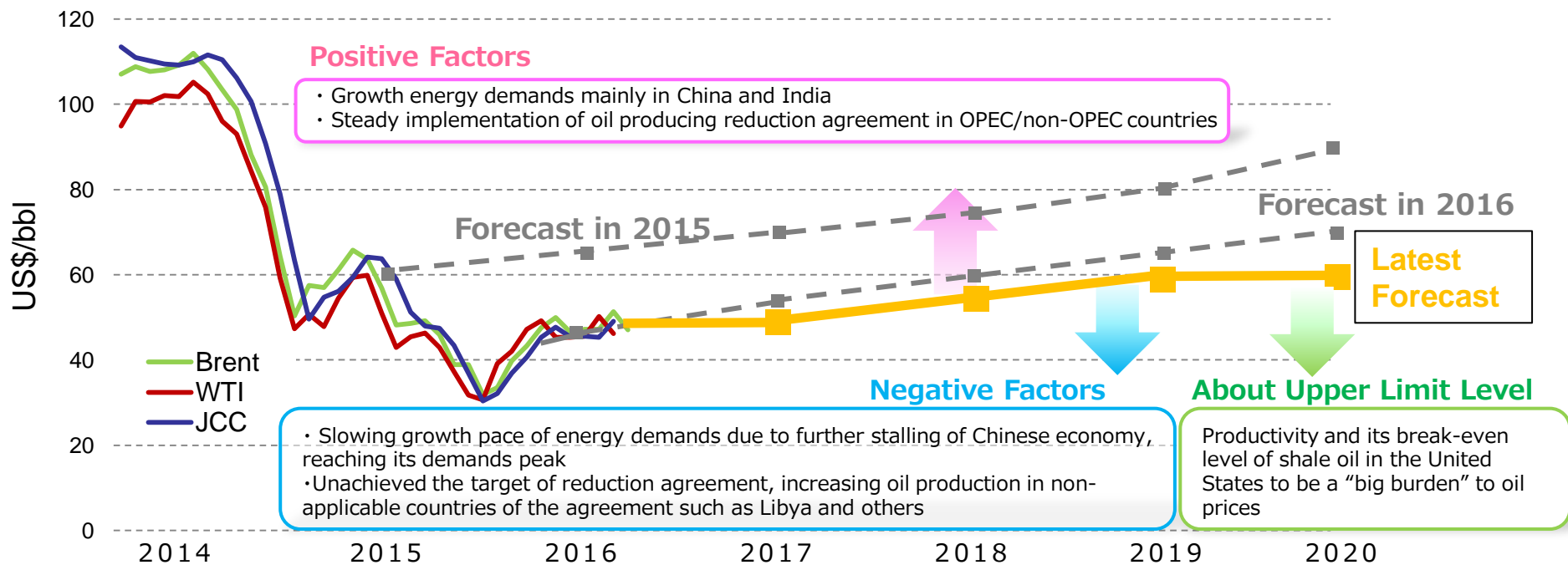
\* the Law Concerning the Japan Oil, Gas and Metals National Corporation

# <Follow-Up of the Mid-Term Business Plan>

## Outlook of Business Environment (2) Oil Price/Exchange Rate

### ■ Revised our oil price and exchange rate forecasts lower than previous follow-up of the Mid-Term Business Plan on 2016

- Recognizing the harsh market environment, we assume that the range of rising oil price and exchange rate will be even more limited than previous year regardless of expecting gradually market recovery



### Base Case (figures in parentheses are previous forecasts)

		2016	2017	2018	2019	2020-2021
Oil Price	US\$/bbl	- (45)	50 (55)	55 (60)	60 (65)	60 (70)
Exchange Rate		¥110/US\$ (115)		• ¥85/C\$ (80)		

# <Follow-Up of the Mid-Term Business Plan>

## Progress (1) Current Status of Ongoing Projects

### ■ E&P business

#### <Highest Priority Challenges>

Stable execution of ongoing overseas projects

#### Canada: Shale Gas and LNG Project

- ✓ **Upstream:** Ongoing shale gas production and sales, and slowing development speed due to delaying FID in midstream
- ✓ **Midstream:** Approved Environmental Assessment by CEAA in September, 2016 and under consideration of multiple options

#### Canada: Oil Sands Project

- ✓ Temporary suspension of bitumen production in Hangingstone demonstration area
- ✓ Planning to commence production of Hangingstone expansion area in mid 2017

#### Iraq : Garraf Project

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

#### Indonesia: Kangean Project

- ✓ Ongoing stable gas production in TSB Phase-1
- ✓ Preparing for the commencement of gas production in TSB Phase-2 in 2019 2Q

### ■ 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 the new operation organization for the commencement

#### Soma Natural Gas-Fired Power Generation Project

- ✓ Made decision of the commercialization on October, 2016
- ✓ Signed a project finance contract by Fukushima Gas Power Co., Ltd. on March, 2017

### ■ Environment and Innovative Technology Business

#### <Highest Priority Challenges>

Large demonstration projects such as CCS, Methane Hydrate

#### CCS

- ✓ Commencement of CO2 injection in large-scale CCS demonstration project on April, 2016

#### Methane Hydrate

- ✓ Ongoing the second offshore production test from April, 2017

#### Geothermal Energy

- ✓ Drilled the third exploratory well in Mt. Musa for geothermal research

# <Follow-Up of the Mid-Term Business Plan>

## Progress (2) Action Plan Under the Low Oil Price

- Based on risk analysis under continuously low oil & gas prices, conducting measures such as radically cost reduction

### Canada Oil Sands

#### Hangingsone Demonstration Area

Temporary  
Suspension of  
Production

- ✓ Temporary suspension of production operation from May 2016 to reserve preservation until recovering oil price

#### Hangingsone Expansion Area

Preparation for  
Production

- ✓ Radical cost reduction by an improved business plan, and implementation of operational efficiency improvement
- ✓ Considering to introduce improvement technology to enhance productivity of bitumen

### Canada Shale Gas and LNG

Production  
and Sales

#### Upstream: shale gas exploration

- ✓ Implementation of development focused on areas with high investment efficiency through reevaluation of well drilling and production plan

#### Midstream: LNG production

- ✓ Considering multiple development options and cost reduction measures to improve competitiveness of LNG business

### Iraq

#### Garraf Oil Field

Production  
and Sales

- ✓ Formulating an additional investment plan to enable self-turnover of cash flow in the project company

### Indonesia

#### Kangean TSB Phase2

Production  
and Sales

Preparation for  
Development

- ✓ Impact of low oil price is minor in this project
- ✓ Planning to cover the development fund by own funds of the project company.

### Others

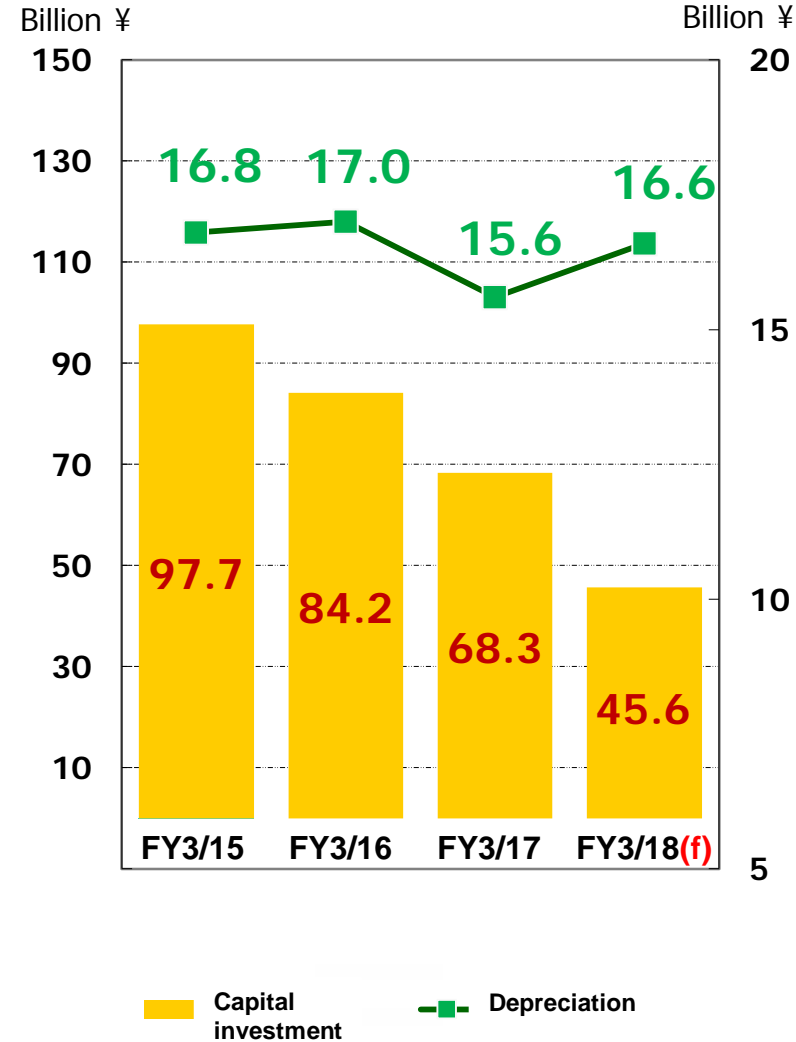
- ✓ Cost reduction mainly in exploration expenses and SG&A expenses in FY3/18 to decrease 6% in exploration expenses and SG&A expenses compared to FY3/17, please see p.26 of its detail
- ✓ Continuation of capital expenditures suppression in FY3/18 to decrease 33% compared to FY3/17, see next page in detail
- ✓ Continuation to freeze new investment
- ✓ Considering and implementing the company-wide level cost reductions including reduction of executive compensation, sales of assets, and others

# <Follow-Up of the Mid-Term Business Plan>

## Progress (3) Timeline of Major Projects

	FY3/17	FY3/18	FY3/19	FY3/20	FY3/21	FY3/22
<b>Canada Oil Sands</b> Expansion project		(Complement of the facility)				
					Commencement of production	
<b>Iraq Garraf</b> Expansion development						
<b>Indonesia Kangean</b> TSB Phase 2						
<b>Canada LNG</b> Upstream: Shale gas development						
<b>Canada LNG</b> Midstream: LNG production						
<b>Soma</b> LNG terminal / the connecting pipeline						
<b>Soma</b> Power generation						

Transition of capital investment and depreciation

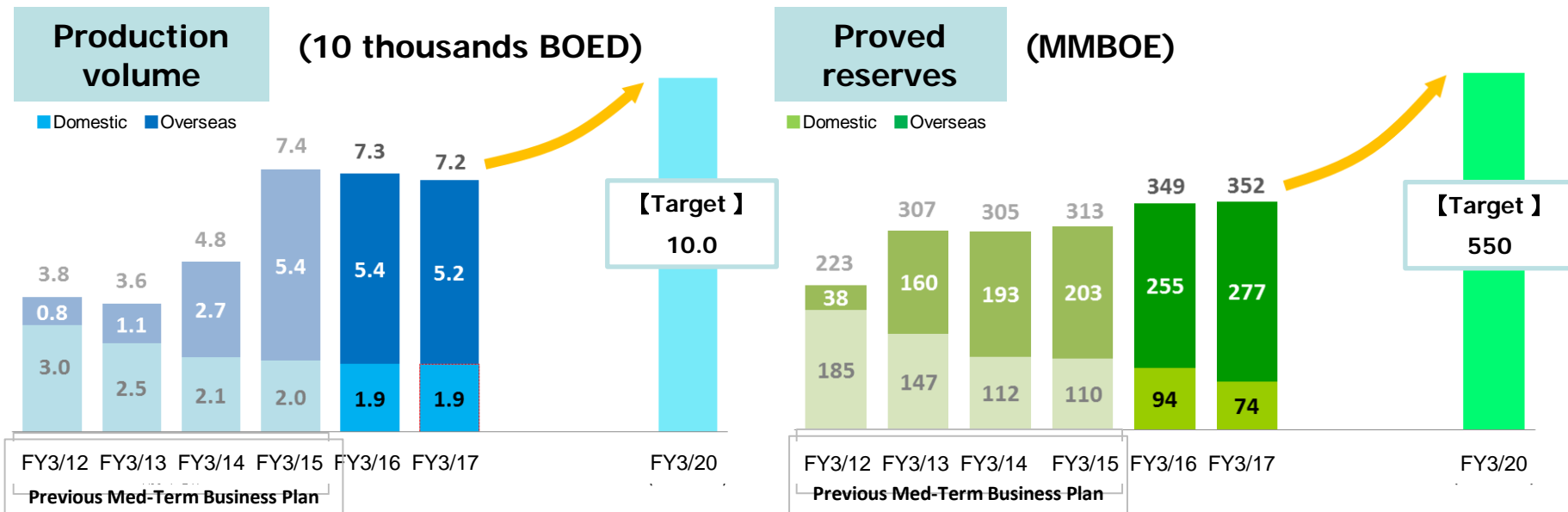


# <Follow-Up of the Mid-Term Business Plan>

## Progress (4) Transition of Production Volume and Proved Reserves

### ■ Actual on FY3/17; 72,000BOED of Production Volume / 352MMBOE of Proved Reserves

- Production volume was 2% decrease due to temporary suspension of production operation in the Hangingstone Demonstration area in Canada.
- Proved reserves was 1% increase due to increase by cost reduction of Shale Gas Development Project in Canada regardless of decrease by reducing production and review of domestic fields evaluations
- Due to delaying of Shale Gas Development in Canada and Garraf Oil Field development plan, keeping nearly flat rates in both production volume and proved reserves. The JAPEX group will continue to work toward achieving the mid-term targets while watching risks of delay or unachieved them related to progress of each projects



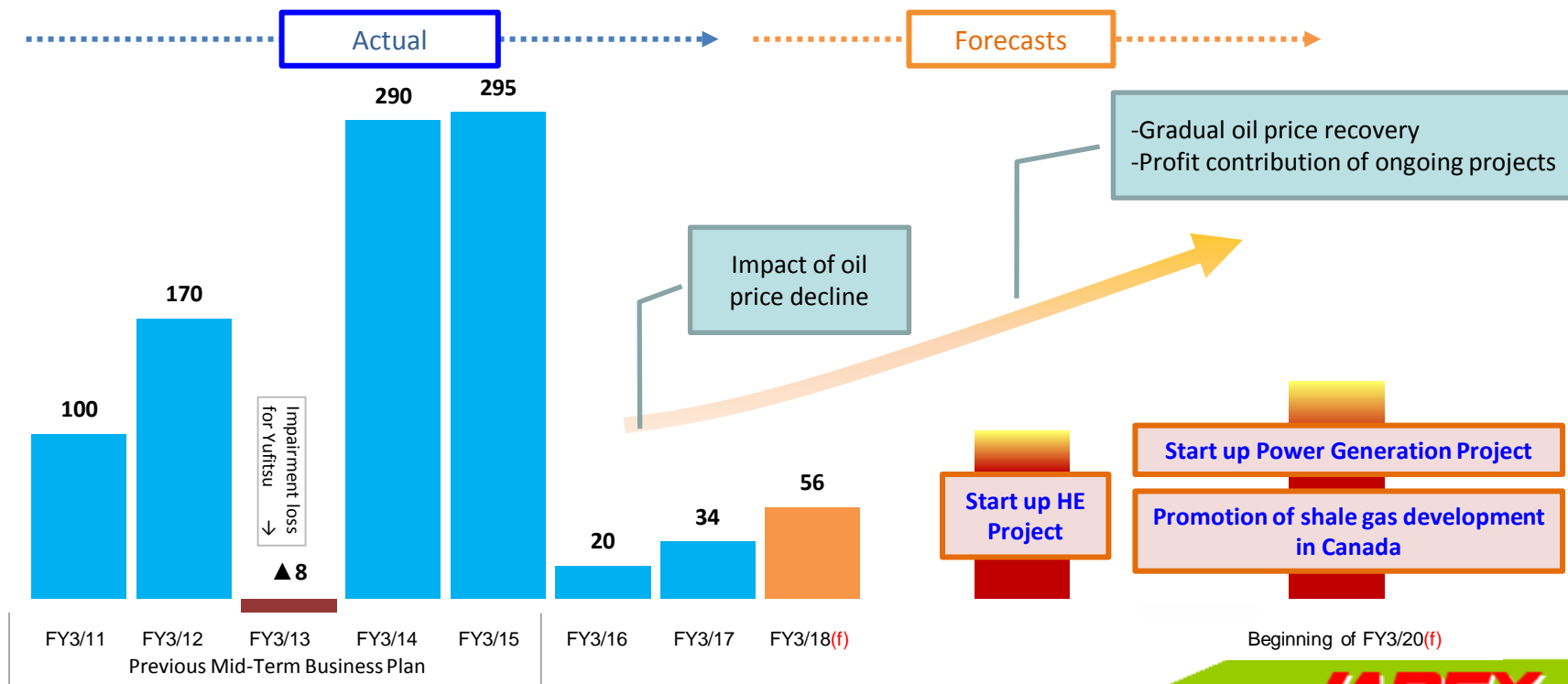
\*These figures concerning production volume and proved reserves mean the amount by economic share of the JAPEX group.

# <Follow-Up of the Mid-Term Business Plan>

## Prospects of Profit and Return to Shareholders

- Due to the continuation of low oil price and expansion of loss of affiliated company accounted for by the equity-method, consolidated profit attributable to owners of parent in FY3/17 was sluggish and FY3/18 is expected to be in still tough balance regardless of expecting slight recovery
- The JAPEX group will struggle for the transformation of corporate structure to ensure profits even in continuing recent low oil price environment through stable execution of ongoing projects and radically cost reduction
- In our dividend policy, maintain long-term and stable dividends as the basic policy and dividend scale will be set in each period for the time being through comprehensively consideration with the profit condition, future demand for funds, and others

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



# <Follow-Up Our Mid-Term Business Plan>

## CSR Management – Promotion of Core Policies “SHINE”

<b>S</b>	: Stable & Sustainable Energy Supply	Pursuing efforts to realize core CSR policies in response to expectations and requirements from all stakeholders and grow as a trusted global company
<b>H</b>	: HSE as Our Culture	
<b>I</b>	: Integrity & Governance	
<b>N</b>	: Being a Good Neighbor	
<b>E</b>	: The Employer of Choice	

**TARGET** Ratio of Women in management positions

【Target】				
2014	2015	2016	.....	2020
3.4%	4.5%	4.5%	⇒	More than 10.0%



**TOPIC** Named Nadeshiko Brand for the 2 year in a row

Selected as “Nadeshiko Brand 2017” enterprises for the second year in a row by METI and the Tokyo Stock Exchange which is the first time to mining industry of TSE being selected this brand for the second year in a row



**TOPIC** Named the Excellent Enterprises of Health & Productivity Management

Selected as one of “the Excellent Enterprises of Health & Productivity Management ~White 500~” which is a program conducted by METI and Nippon Kenko Kaigi to award large enterprises to pursue efforts for health and productivity management





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## **Ⅱ . Actual Results for the FY3/17**

**Managing Executive Officer  
Michiro Yamashita**

# Actual Results for FY3/17 (Highlight)

Billion JP¥	FY3/16 (a)	FY3/17				(a)
		Initial Forecasts (f) (May 12, 2016)	Revised Forecasts (f) (Nov.8, 2016)	Revised Forecasts (f) (Feb.8, 2017)		
Net Sales	240.3	194.5	189.5	210.3	207.1	
Operating Income	8.3	0.4	-1.2	-0.8	0.6	
Ordinary Income	4.6	1.0	-3.7	3.5	2.2	
Profit attributable to owners of parent	2.0	1.9	-0.3	4.9	3.4	
<b>Assumptions</b>						
JCC Price (US\$/bbl)	51.48	45.00	43.34	45.09	45.60	
Exchange Rate (JP¥/US\$)	121.06	115.00	103.63	107.20	108.53	

◆ Initial Forecasts (May 2016) → Revised Forecasts (November 2016) → Revised Forecasts (February 2017)

【-】Decline in selling price, Fluctuation in foreign currency exchange gains/losses (Reason for revision in November 8, 2016).

【+】Rising selling price, Increase in crude oil sales volume from overseas, Fluctuations in foreign exchange gains/losses, Sales of real estate (Reason for revision in February 8, 2017).

◆ Revised Forecasts (February 2017) → Second revision (April 2017) and Actual Result (May 2017)

【+】Rising selling price, Increase in sales volume of domestic crude oil, Improvement of income balance of domestic contracting business.

【-】Decrease of crude oil sales volume from overseas, Recognizing non-operating expenses based on equity in loss of affiliates.

# Actual Sales of Natural Gas for FY3/17 (year-on-year)

Sales volume : Million M3 Net sales : Million JP¥		FY3/16	FY3/17	Change
		Full (a)	Full (a)	Full
Natural gas	Sales volume	1,780	1,864	+84
	Net sales	68,469	55,329	-13,139

Decline in selling price

## Breakdown

Domestic gas	Sales volume	1,275	1,265	-10
(Domestically produced gas)	Sales volume	(769)	(744)	(-24)
Overseas gas	Sales volume	504	599	+95

(Million M3)

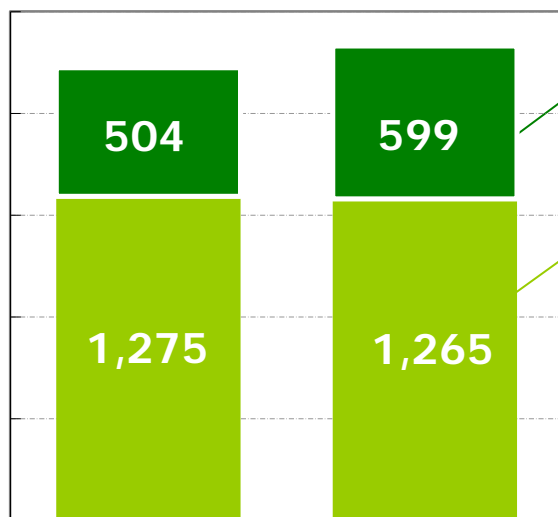
2,000

1,600

1,200

800

400



Sales volume of overseas gas

Increase in shale gas sales volume in Canada

Sales volume of domestic gas

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

# Actual Sales of Crude Oil for FY3/17 (year-on-year)

Sales volume : Thousand KL Net sales : Million JP¥		FY3/16 Full (a)	FY3/17 Full (a)	Change Full
<b>Crude oil</b>	Sales volume	3,233	2,762	-470
	Net sales	102,918	82,098	-20,820

## Breakdown

<b>Domestic crude oil (*)</b>	Sales volume	340	301	-38
	Net sales	13,815	10,273	-3,541
<b>Overseas crude oil (**)</b>	Sales volume	1,616	1,181	-434
	Net sales	48,384	28,653	-19,730
<b>Bitumen (***)</b>	Sales volume	306	91	-214
	Net sales	4,894	669	-4,225

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

Decrease in sales volume due to the temporary suspension of the production operation at the Hangingstone Demonstration area in Canada.

## Assumptions

<b>JCC price</b>	US\$/bbl	51.48	45.60	-5.88
<b>Bitumen price (***)</b>	US\$/bbl	21.05	9.94	-11.11
<b>Exchange rate</b>	JP¥ / US\$	121.06	108.53	-12.53

(\*) 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.

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

Million JP¥	FY3/16 (a)	FY3/17 (a)	Change
Net sales	240,302	207,130	-33,171
Gross profit	47,279	32,172	-15,107
Exploration expenses	6,516	1,512	-5,003
SG&A expenses	32,426	29,975	-2,451
Operating income (loss)	8,336	685	-7,651
Non-operating income (expenses)	-3,684	1,537	+5,221
Ordinary income (loss)	4,652	2,222	-2,429
Extraordinary income (loss)	-3,143	970	+4,113
Income taxes	6,388	1,642	-4,746
Profit (loss) attributable to non-controlling interests	-6,970	-1,892	+5,077
Profit (loss) attributable to owners of parent	2,090	3,443	+1,352

## Main factors for change

Increase factor (+) / Decreasing factor (-)

### Gross profit

Domestic crude oil and natural gas	- ¥7.0 billion
Overseas consolidated subsidiaries	- ¥7.0 billion
Reduction of consignment revenue	- ¥2.8 billion
Other	+ ¥1.4 billion

### Exploration expenses

Reduction of domestic exploration	+ ¥1.4 billion
Reduction of overseas exploration	+ ¥3.5 billion

### SG&A expenses

Reduction of G&A expenses of JAPEX (Non-consolidated), Cost reduction	+ ¥0.5 billion
Decrease in domestic selling expenses	+ ¥2.5 billion

### Non-operating income (expenses)

Equity in earnings of affiliates	- ¥5.8 billion
Foreign currency translation adjustments on debt, foreign currency exchange gains and losses	Losses ¥8.8 billion (FY3/16) → Gains ¥3.4 billion (FY3/17)
	+ ¥ 12.2 billion

### Extraordinary income (loss)

Decrease in FY3/16 impairment loss	+ ¥3.0 billion
Sales of real estate	+ ¥0.8 billion

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## **Ⅲ. Forecasts for the FY3/18**

**Managing Executive Officer  
Michiro Yamashita**

# Full Year Forecasts for FY3/18

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

Upper: from January 2016 to March 2017. Lower: from January 2017 to March 2018.					Full year
Jan.-Mar.	Apr.-Jun.	Jul.-Sep.	Oct.-Dec.	Jan.-Mar.	

JCC price	US\$/bbl	2016(a)		<b>37.17</b>	<b>45.92</b>	<b>46.72</b>	<b>52.00</b>	<b>45.60</b>
		2017(f)		<b>50.00</b>	<b>50.00</b>	<b>50.00</b>	<b>50.00</b>	<b>50.00</b>
Exchange rate	JP¥/US\$	2016(a)		<b>110.71</b>	<b>105.32</b>	<b>103.24</b>	<b>114.38</b>	<b>108.53</b>
		2017(f)		<b>110.00</b>	<b>110.00</b>	<b>110.00</b>	<b>110.00</b>	<b>110.00</b>

JACOS Bitumen	US\$/bbl	2016(a)	<b>7.12</b>	<b>16.95</b>	-	-		<b>9.94</b>
		2017(f)	-	-	-	-		-
JACOS Diluted bitumen	US\$/bbl	2016(a)	-	-	-	-		-
		2017(f)	-	-	<b>33.78</b>	<b>33.65</b>		<b>33.81</b>
JML Gas	C\$/mcf	2016(a)	<b>1.58</b>	<b>1.36</b>	<b>2.20</b>	<b>2.73</b>		<b>1.95</b>
		2017(f)	<b>2.23</b>	<b>2.23</b>	<b>2.23</b>	<b>2.23</b>		<b>2.23</b>

1. "JACOS Bitumen" stated herein bitumen selling price of Japan Canada Oil Sands Ltd. (Deduction of Royalty). Assuming a temporary suspension of the production operation at the Hangingstone Demonstration Project area from May 2016, not estimate FY3/18 sales.
2. "JACOS Diluted bitumen" stated herein diluted bitumen selling price of Japan Canada Oil Sands Ltd. (Deduction of Royalty). Assuming a commencement of production operation at the "Hangingstone expansion area" from the middle of 2017, estimate 2H sales.
3. "JML Gas" stated herein gas selling price of JAPEX Montney Ltd. (Deduction of Royalty)

# Natural Gas Sales Forecasts for FY3/18

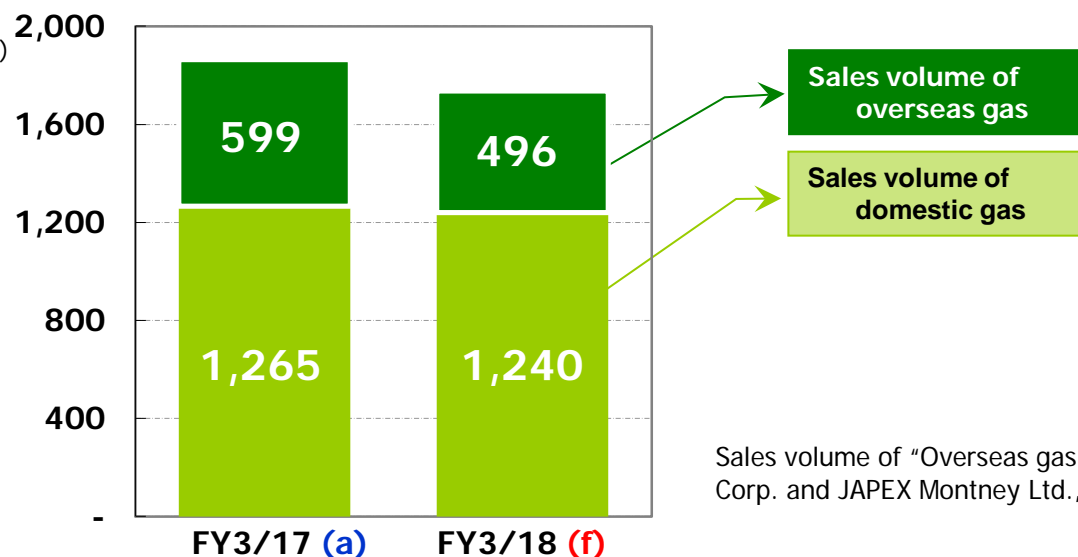
Sales volume : Million M3 Net sales : Million JP¥		FY3/17 Full (a)	FY3/18 Full (f)	Change Full
Natural gas :	Sales volume	1,864	1,736	-129
	Net sales	55,329	56,572	+1,242

Rising selling price

## Breakdown

Domestic gas	Sales volume	1,265	1,240	-26
(Domestically produced gas)	Sales volume	(744)	(713)	(-32)
Overseas gas	Sales volume	599	496	-103

(Million M3)



Sales volume of overseas gas

Sales volume of domestic gas

Reduction in shale gas sales volume in Canada

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 FY3/18

Sales volume : Thousand KL		FY3/17	FY3/18	Change
Net sales : Million JP¥		Full (a)	Full (f)	Full
<b>Crude oil</b>	Sales volume	2,762	2,898	+136
	Net sales	82,098	93,230	+11,132

## Breakdown

<b>Domestic crude oil (*)</b>	Sales volume	301	271	-31
	Net sales	10,273	9,993	-281
<b>Overseas crude oil (**)</b>	Sales volume	1,181	1,329	+147
	Net sales	28,653	40,501	+11,848
<b>Bitumen (***)</b>	Sales volume	91	—	-91
	Net sales	669	—	-669
<b>Diluted bitumen (****)</b>	Sales volume	—	339	+339
	Net sales	—	7,929	+7,929

## Assumptions

<b>JCC price</b>	US\$/bbl	45.60	50.00	+4.40
<b>Bitumen price (***)</b>	US\$/bbl	9.94	—	-9.94
<b>Diluted bitumen (****)</b>	US\$/bbl	—	33.81	+33.81
<b>Exchange rate</b>	JP¥ /US\$	108.53	110.00	+1.47

Rising selling price

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

Decrease in sales volume due to the temporary suspension of the production operation at the Hangingstone Demonstration area in Canada.

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

(\*) 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 both Bitumen and Diluted bitumen.

# Forecasts for FY3/18

Million JP¥	FY3/17	FY3/18	Change
	(a)	(f)	
Net sales	207,130	214,878	+7,747
Gross profit	32,172	32,660	+487
Exploration expenses	1,512	1,373	-140
SG&A expenses	29,975	28,300	-1,675
Operating income (loss)	685	2,988	+2,303
Non-operating income (expenses)	1,537	2,437	+900
Ordinary income (loss)	2,222	5,424	+3,202
Extraordinary income (loss)	970	-31	-1,002
Income taxes	1,642	2,301	+659
Profit (loss) attributable to non-controlling interests	-1,892	-2,472	-579
Profit (loss) attributable to owners of parent	3,443	5,564	+2,121

## Main factors for change

Increase factor (+) / Decreasing factor (-)

### Gross profit

Domestic crude oil and natural gas	- ¥2.0 billion
Overseas consolidated subsidiaries	+ ¥3.5 billion
Other	- ¥1.6 billion

### SG&A expenses

Reduction of G&A expenses of JAPEX (Non-consolidated)	+ ¥1.0 billion
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### Non-operating income (expenses)

Equity in earnings of affiliates	- ¥5.6 billion
Foreign currency translation adjustments on debt, foreign currency exchange gains and losses	Gains ¥3.4 billion (FY3/17) → Gains ¥0 billion (FY3/18)
	- ¥ 3.4 billion

### Extraordinary income (loss)

Sales of real estate in FY3/17	- ¥0.8 billion
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# Assumptions and Impacts on Profits

Assumptions	JCC price US\$50.00/bbl	Exchange rate JP¥110.00 / US\$	Canadian gas price C\$2.23/mcf (JP¥85.00/C\$)
<b>FY3/18 Impact on Profits</b>	<b>US\$1/bbl increase in JCC prices</b> would push profits up by...	<b>A weakening in JP¥1/US\$ exchange rates</b> would push profits up by...	<b>C\$1/mcf increase in gas prices</b> would push profits up by...
Operating income	JP¥ 530 million	JP¥ 230 million	JP¥ 1,740 million
Profit (loss) attributable to owners of parent	JP¥ 380 million	JP¥ 130 million	JP¥ 760 million

Assumptions		FY3/17	FY3/18	Change
		Full (a)	Full (f)	
JCC price	US\$/bbl	45.60	50.00	+4.40
Exchange rate	JP¥/US\$	108.53	110.00	+1.47
Canadian gas price	C\$/mcf	1.95	2.23	+0.28

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.

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# IV. Appendix

# <Appendix>

## E&P Business (1) Initiatives in Japan and Overseas

U.K. North Sea Block  
(Exploration)

Sakhalin 1 Project  
(Production & Development)

Oil Sands Project  
(Temporary suspension of production / Preparation for production)

Shale Gas/LNG Project  
(Production of natural gas / planning of LNG plant)

Iraq Garraf Oil Field  
(Production)

Domestic oil and gas fields  
(Production)

Shale Oil Development Project  
(Production)

Indonesia Kangean Block  
(Production & Development)

● Blocks owned by our consolidated subsidiaries or equity-method affiliates

# <Appendix>

## E&P Business (2) Domestic Initiatives

Compensation of domestic reserves and pursue the maintenance of production volume

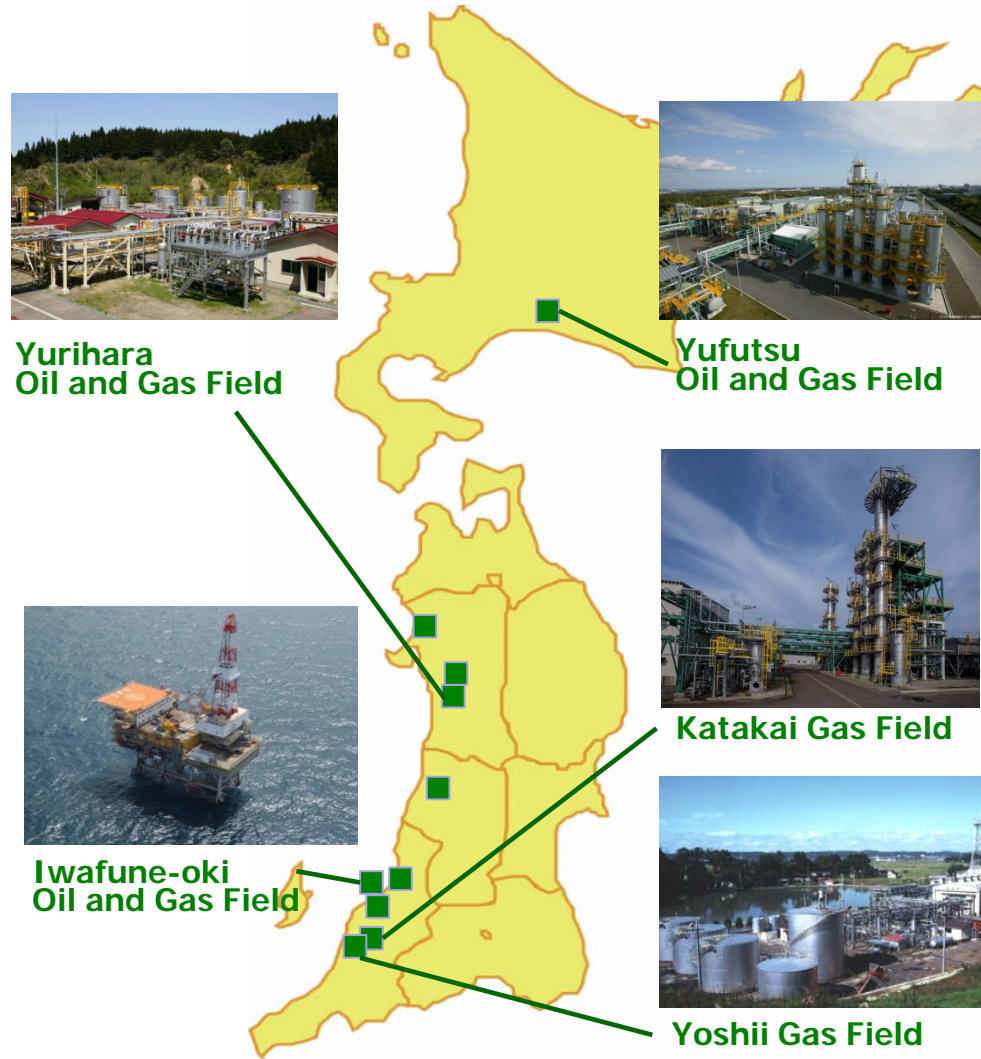
### Plan for the FY3/18

- Domestic exploration (Geophysics, Exploration well) is not scheduled in FY3/18
- Pursuing additional domestic E&P potential by utilizing government basic surveys

### Results for the FY3/17

- Domestic exploration (Geophysics, Exploration well) is not scheduled in FY3/17
- Conclusion of the Verification Tests of Tight Oil Development at the Onnagawa Formation of the Fukumezawa Oil Field

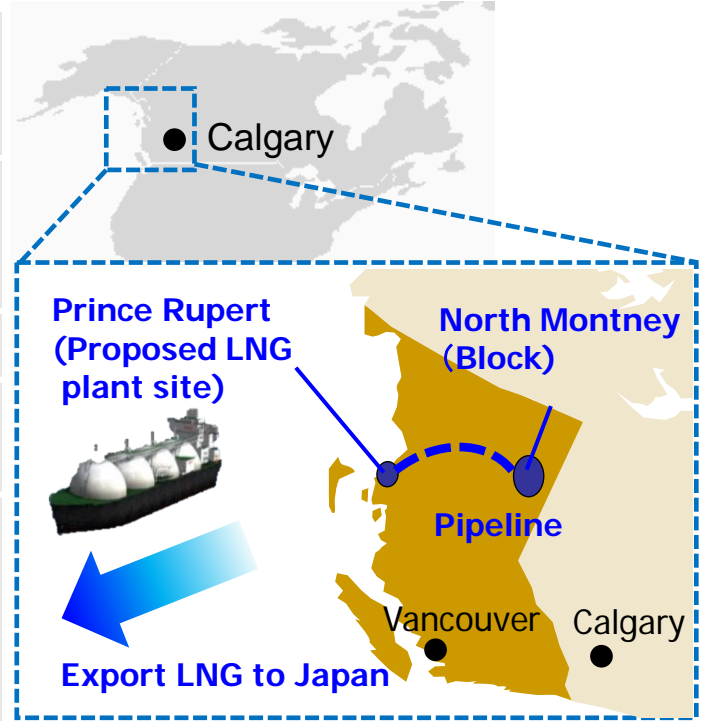
Operates 10 domestic oil and gas fields



# <Appendix>

## E&P Business (3) Canada Shale Gas and LNG Project

	Upstream: Shale Gas development and production project	Midstream: LNG project
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>•Ongoing development work focus on areas with high investment efficiency</li> <li>•Ongoing shale gas production and sales approximately 570 mmcf/d</li> </ul>	<ul style="list-style-type: none"> <li>•Considering development options to improve competitiveness of LNG business</li> </ul>

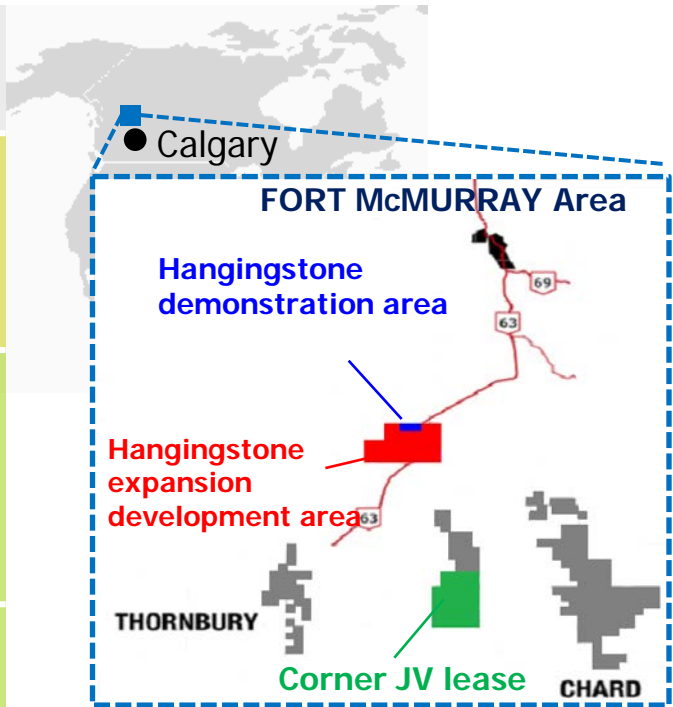


### ■ Project Schedule

April 2013	Signed a contract
June 2015	Conditional Final Investment Decision
September 2016	Approved Environmental Assessment by CEAA
Current Status	Considering development options

# <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 demonstration area <b>100%</b> interests approximately 5,000 bbl/d (Suspending from May 2016)	Temporary suspension of production (Cumulative production : 35.23M bbl as of end of May 2016)
	Expansion project of undeveloped part of Hangingstone area <b>75%</b> interests additional production of 20,000 bbl/d at the maximum	Preparing toward Production Start-up
	Corner JV lease <b>12%</b> interests	In appraisal
	Other bitumen leases (include Corner, Chard & Thornbury)	Considering future activities



Central Processing Facility for Hangingstone Expansion Project

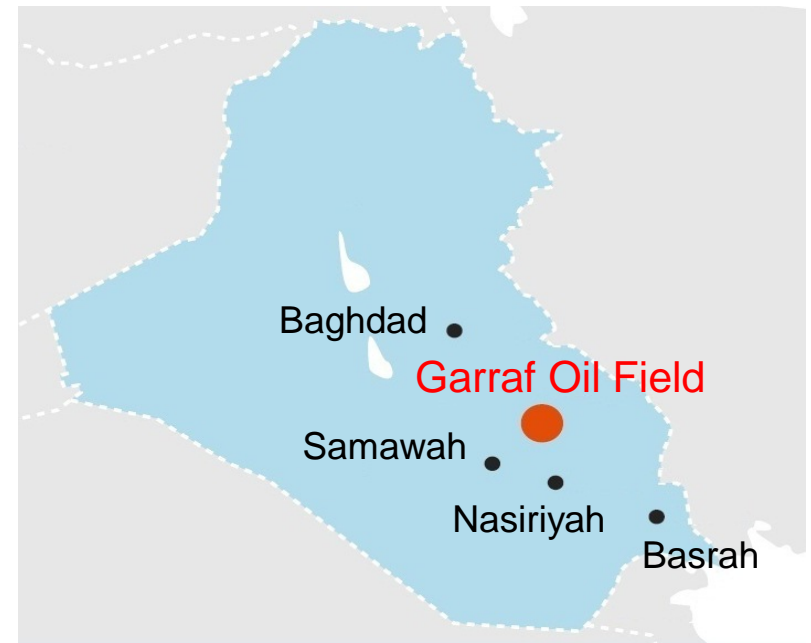
### ■ Schedule of Hangingstone Expansion Project

February 2013	Started development works (early civil work)
February 2017	Completed construction of facilities
April 2017	Started steam injection to horizontal well pairs
Mid 2017 (plan)	To start bitumen production
Mid 2018 (plan)	To achieve peak bitumen production rate (20,000bbl/d)



# <Appendix> E&P Business (5) Iraq : Garraf Oil Field

Project company	Japex Garraf Ltd.	
Interest	30% (cost share 40%) Operator : PETRONAS	
Field	Garraf Oil Field	In Production



2013 Expected cumulative production : 2030  
around 1.1 billion bbl

## Time Schedule

2013	First oil production on August 31 average daily production : approximately 64,000 bbl/d
2014 -	Average daily production 2014 : approximately 84,000 bbl/d 2017 April : approximately 100,000 bbl/d
<Upcoming development plan> Gradual increase from 100,000 bbl/d to 230,000 bbl/d subject to technical and commercial viability	

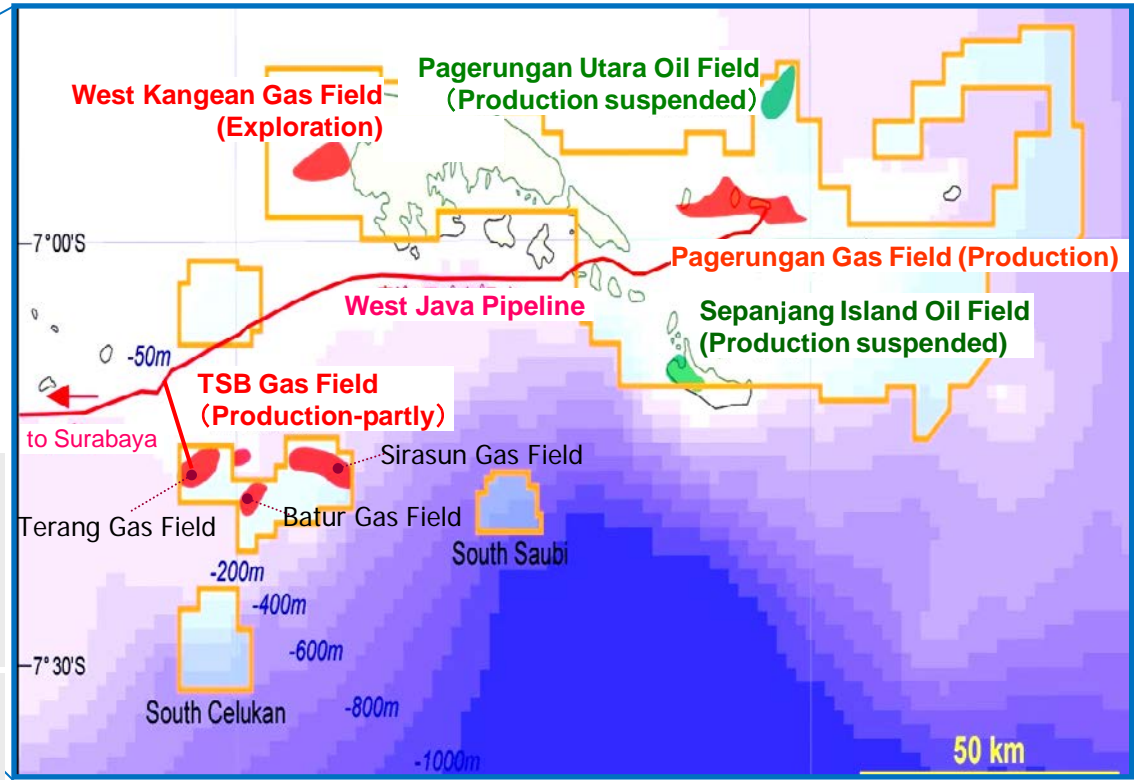


# <Appendix>

## E&P Business (6) Indonesia: Kangean Block



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



- production volume : approximately 40,000 boe/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 from August to November, 2016

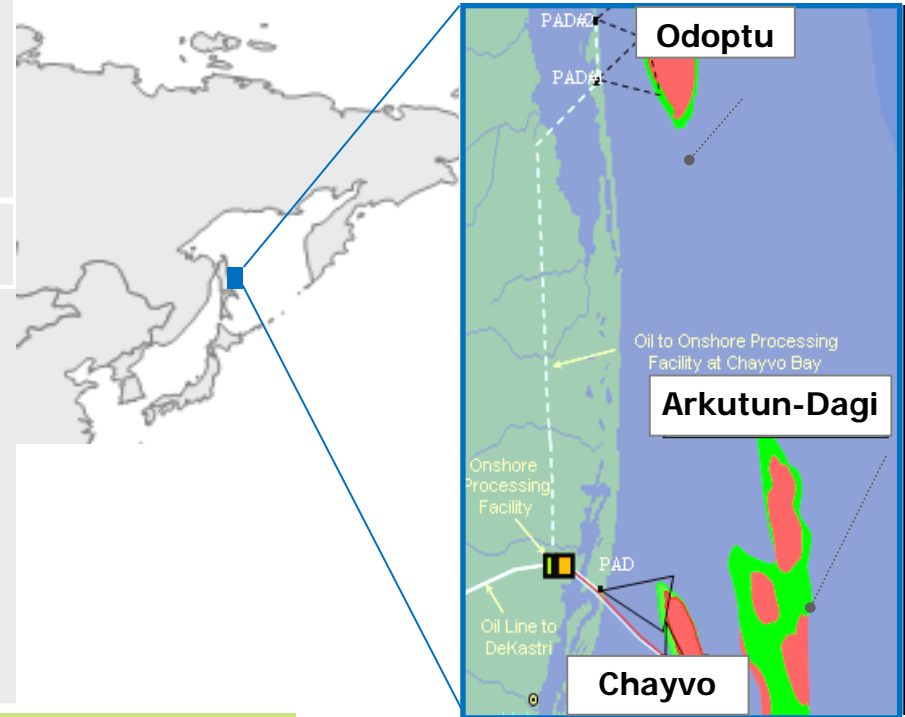
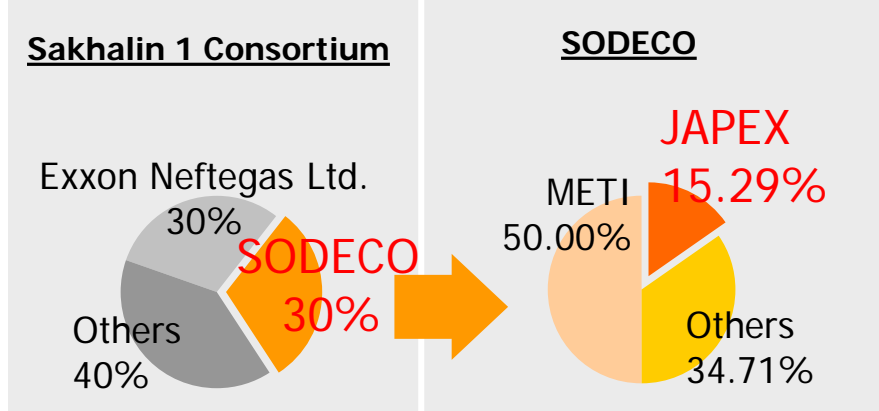


# <Appendix>

## 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>Interest</b>	
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Block	In Production at each fields
Chayvo,	* The Arkutun-Dagi Field commenced oil production in January 2015.
Odoptu,	* In 2015, the Chayvo field achieved a new world-record of extended reach drilling, at a measured depth of 13,500m.
Arkutun-Dagi	Total production volume of crude oil: <b>approximately 180,000 bbl/d</b> * Average production volume per day on 2017, 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 facilities	LNG ocean vessel : One (maximum 210,000m <sup>3</sup> class) LPG coastal vessel : One (maximum 2,500m <sup>3</sup> class)
Vaporizers	Capacity : 150t/h x7.0MPa
Shipping facilities	LNG coastal vessel : maximum 4,800 m <sup>3</sup> class LNG tanker : 5 lanes, 30t/h
Commencement of operation	March 2018 (Plan)

\*In addition to the above, 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

Start/End points	Start point : Soma LNG Terminal End point : Iwanuma Valve Station
Caliber	20B
Pressure	7.0Mpa
Length	Around 39km
Commencement of operation	March 2018 (Plan)



# <Appendix> Domestic natural gas supply business (2)

## Natural Gas-Fired Power Generation Project

### ■ Overview of the Natural Gas-fired Electric Power Generation Plant

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

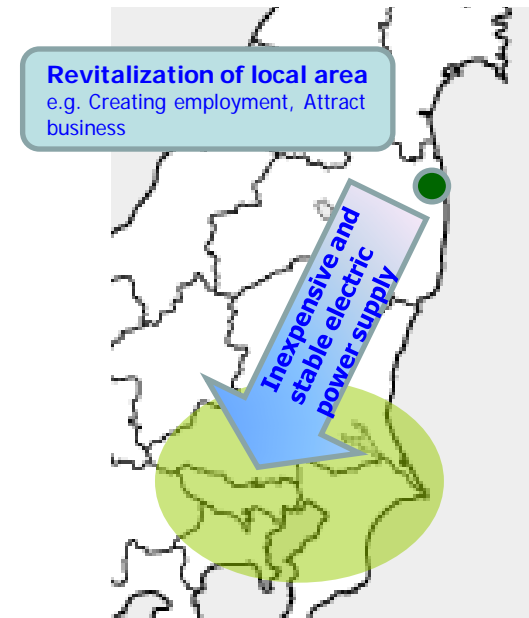
April 23, 2015	Establishment of Fukushima Gas Power Co., Ltd.
October 11, 2016	Decision on commercialization
2017 Summer	Commencement of construction after completion of Environmental Assessment process
2020 Spring	Commencement of commercial operations

\*Investment ratio: JAPEX 33%, Mitsui & Co., Ltd. 29%, Osaka Gas Co., Ltd. 20%, Mitsubishi Gas Chemical Co., Inc. 9%, Hokkaido Electric Power Co., Inc. 9%



Rendering of the Natural Gas-fired Electric Power Generation Plant at Soma Port.

Targeting commercial operations to Tokyo metropolitan area in 2020



# <Appendix> Environment and Innovative Technology Business

## CCS

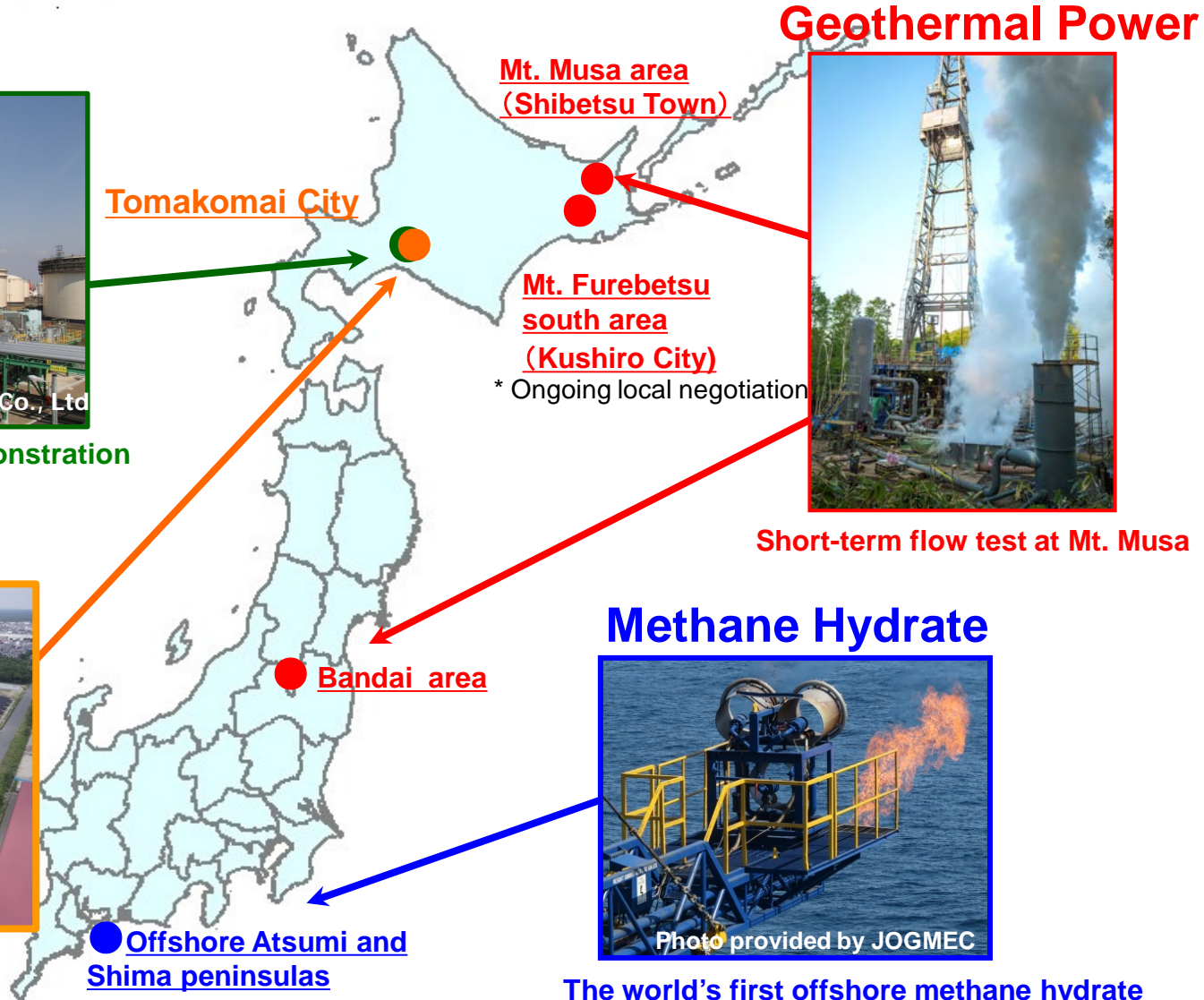


Ground facilities of CCS demonstration project in Tomakomai

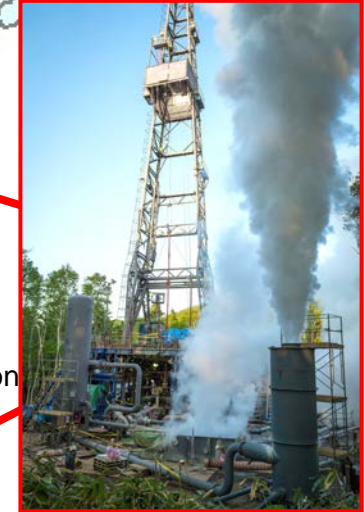
## Solar Power



Hokkaido District Office's mega-solar power plant site



## Geothermal Power



Short-term flow test at Mt. Musa

## Methane Hydrate



The world's first offshore methane hydrate gas production tests

# Abbreviation

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- BOE(D) Barrels of Oil Equivalent (per Day)
- CCS Carbon dioxide Capture and Storage
- CIF Cost, Insurance and Freight
- 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