



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

Consolidated Financial Results for the Nine Months Ended December 31, 2017 <Supplementary Material>

February 9, 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 ending March 31, 2018)

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

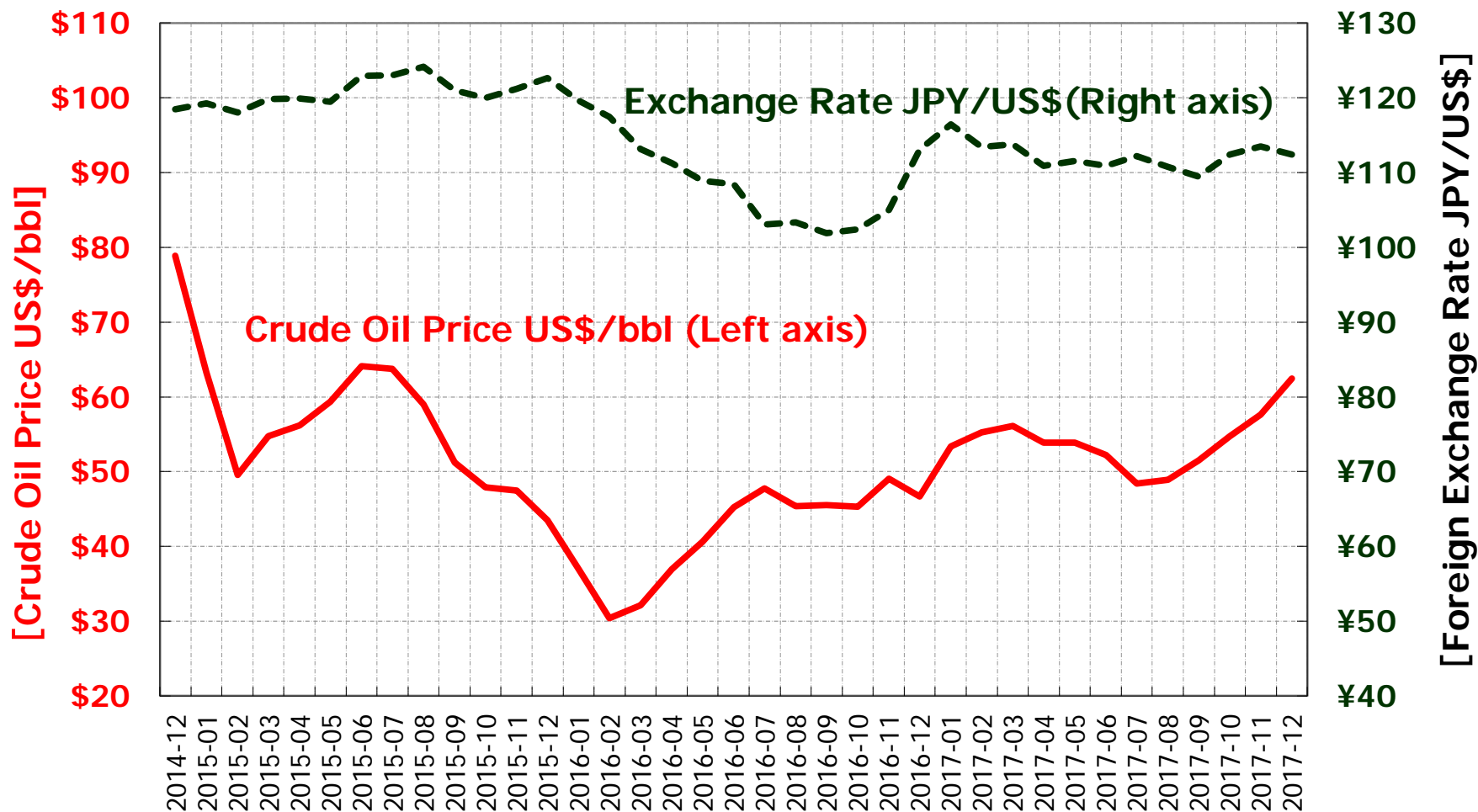
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Trends in Crude Oil Price and Foreign Exchange Rate



Japan crude cocktail (JCC) price in the first 10 days of January 2018 on a prompt report basis: **US\$63.33/bbl** **JPY113.07/US\$**

Actual Results for 1Q-3Q and Forecasts for FY3/18

<Highlight>

[Billion JPY]	FY3/17		FY3/18			Change		
	1Q-3Q (a) ①	Full (a) ②	1Q-3Q (a) ③	Full (f) Previous forecasts (November 10, 2017) ④	Full (f) Revised forecasts (February 9, 2018) ⑤*	1Q-3Q (③-①)	Full (⑤-②)	Full (⑤-④)
Net sales	144.6	207.1	158.2	213.8	230.5	+13.5	+23.4	+16.7
Operating profit (loss)	-1.6	0.6	4.4	4.3	6.7	+6.0	+6.1	+2.4
Ordinary profit (loss)	0.2	2.2	4.1	0.6	5.4	+3.8	+3.1	+4.7
Profit (loss) attributable to owners of parent	1.8	3.4	-30.3	1.7	-28.4	-32.1	-31.9	-30.2

Assumptions

JCC price (US\$/bbl)	43.35	45.60	53.09	51.25	53.60	+9.74	+8.00	+2.35
Exchange rate (JPY/US\$)	106.06	108.53	111.79	110.94	111.30	+5.73	+2.77	+0.36

*JAPEX announced the latest forecasts in "Notice of Financial Forecasts Revision and Non-operating Income and Extraordinary Losses Recognition" on February 9, 2018, regarding the consolidated financial forecasts of the fiscal year ending March 31, 2018

Losses on Overseas Projects in 3Q

	Details of the Losses	Amount	Classification in Statement of Income
Losses on the Pacific NorthWest LNG Project (the PNW LNG Project)	Equity method investment loss on Pacific NorthWest LNG Ltd., a Canadian operating company(*)	Approx. JPY3.3 billion (approx. C\$36 million)	Non-operating expenses
	Contract cancellation loss due to termination of approx. 900 km pipeline construction plan(*)	Approx. JPY5.4 billion (approx. C\$60 million)	Extraordinary losses
	Impairment loss due to the revision to the development plan of the shale gas project in Canada(**) →Details on page 6	Approx. JPY68.0 billion (approx. C\$750 million)	Extraordinary losses
Losses on the Oil Sands Project at Hangingstone DEMO area	Depreciation of the whole amount of property, plant and equipment for the Hangingstone DEMO area in Canada, due to the decision not to re-start SAGD operations at the DEMO area(***)	Approx. JPY7.8 billion (approx. US\$69 million)	Non-operating expenses

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

(**) Refer to “Notice of Recognition of Impairment Loss (Consolidated) and Loss on Valuation of Shares of Subsidiaries and Associates (Non-Consolidated)” released on January 26, 2018

(***) Refer to “Start of Production Operations in Oil Sands Project at Hangingstone in the Province of Alberta, Canada, and Decision not to Re-start SAGD Operations in the 3.75 Section Area” released on August 8, 2017

Impairment Loss on the Shale Gas Project in Canada

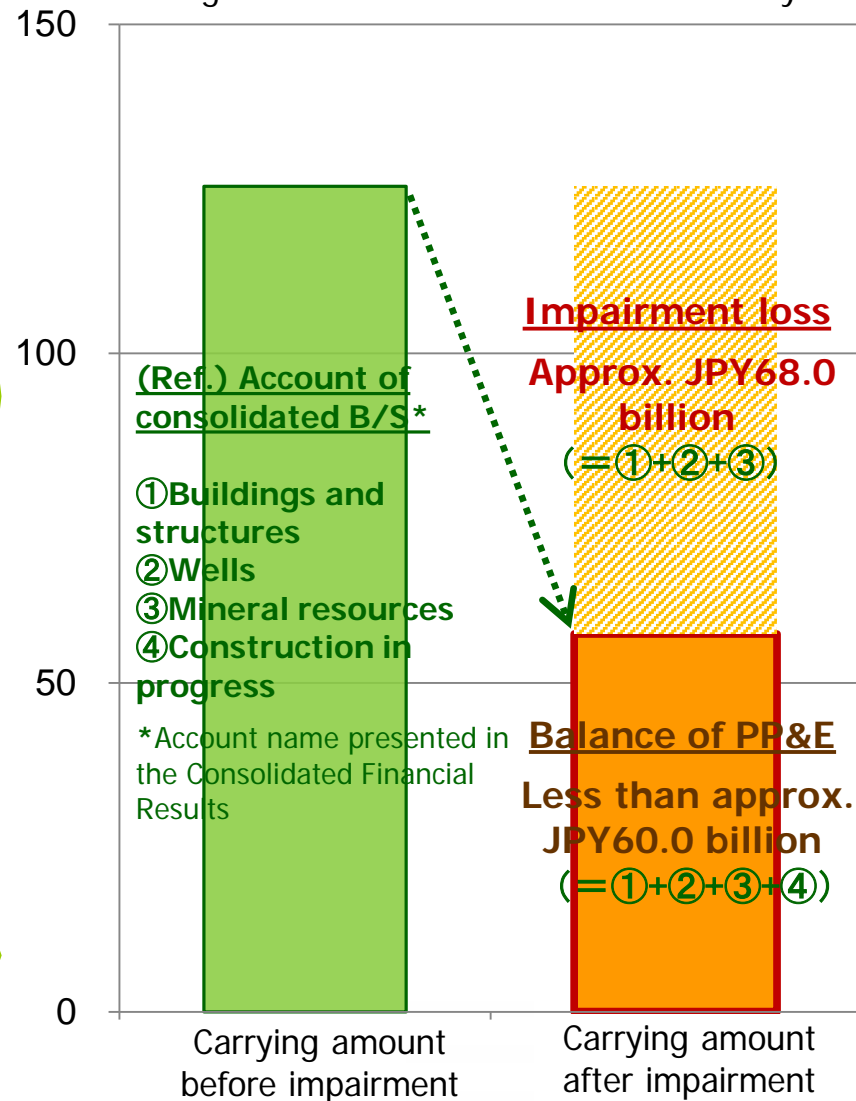
Background

- Revised the development plan of the shale gas project (the Upstream Project) without the assumption of the PNW LNG Project (12 million tons LNG/year):
 - ✓ Reduced the estimated sales volume of the shale gas for the purpose of assessing the recoverable amount
 - ✓ Reflected recent declines of gas prices in North America to the assumed sales price
- Measured the recoverable amount of the asset for the Upstream Project based on the revision above:
 - ✓ Recognized approx. JPY68.0 billion (C\$750 million) of impairment loss
 - ✓ Reduced the balance of property, plant and equipment (PP&E) to less than approx. JPY60.0 billion

Future of the Upstream Project

- Not reduced of total shale gas volume existing in the area of the project
- Pursuing its efficient development and production as well as maximizing the value of the project

Billion (JPY) Changes in PP&E balance of JAPEX Montney Ltd.



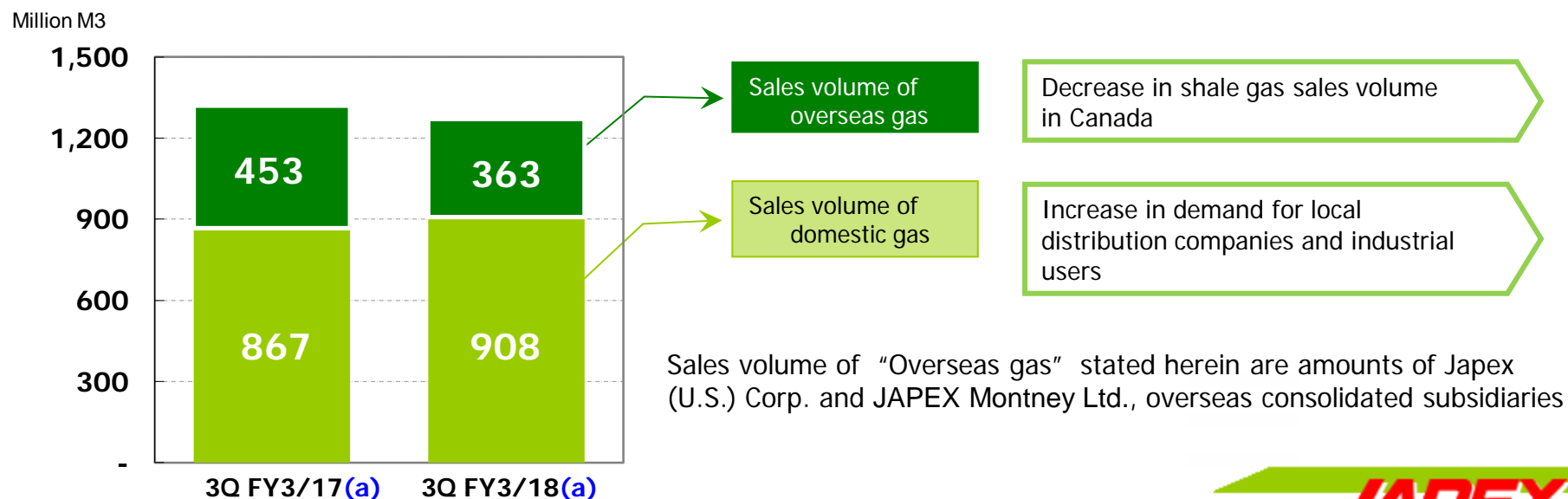
Actual Sales of Natural Gas in 1Q-3Q FY3/18 (year-on-year)

Sales volume : Million M3 Net sales : Million JPY		FY3/17	FY3/18	Change
		1Q-3Q (a)	1Q-3Q (a)	
Natural gas	Sales volume	1,321	1,272	-49
	Net sales	37,170	42,433	+5,262

Increase in domestic sales volume, Increasing selling price

Breakdown

Domestic gas	Sales volume	867	908	+40
(Domestically produced gas)	Sales volume	(521)	(540)	(+18)
Overseas gas	Sales volume	453	363	-90



Actual Sales of Crude Oil in 1Q-3Q FY3/18

(year-on-year)

Sales volume : Thousand KL Net sales : Million JPY		FY3/17	FY3/18	Change
		1Q-3Q (a)	1Q-3Q (a)	
Crude Oil	Sales volume	2,320	1,767	-553
	Net sales	63,720	62,341	-1,378

Decrease in sales volume

Breakdown

Domestic crude oil (*)	Sales volume	224	215	-8
	Net sales	7,166	8,597	+1,430
Overseas crude oil (**)	Sales volume	1,167	821	-346
	Net sales	27,555	26,345	-1,209
Bitumen (***)	Sales volume	91	—	-91
	Net sales	594	—	-594
Diluted bitumen (****)	Sales volume	—	14	+14
	Net sales	—	390	+390

Decrease in sales volume from Garraf Oil Field in Iraq

Not to re-start SAGD operations at the Hangingstone DEMO area

Commencement of production operations at the Hangingstone Joint Venture area

Assumptions

JCC price	US\$/bbl	43.35	53.09	+9.74
Bitumen price (***)	US\$/bbl	9.94	—	—
Diluted bitumen (****)	US\$/bbl	—	36.79	—
Exchange rate	JPY/US\$	106.06	111.79	+5.73

(*) 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

Actual Results for 1Q-3Q FY3/18 (year-on-year)

[Million JPY]	FY3/17 1Q-3Q (a)	FY3/18 1Q-3Q (a)	Change
Net sales	144,678	158,274	+13,596
Gross profit	20,668	26,816	+6,148
Exploration expenses	1,104	996	-108
SG&A expenses	21,240	21,419	+178
Operating profit (loss)	-1,676	4,400	+6,077
Non-operating income (expenses)	1,951	-289	-2,240
Ordinary profit (loss)	274	4,111	+3,837
Extraordinary income (losses)	-288	-73,583	-73,295
Income taxes	620	-409	-1,029
Profit (loss) attributable to non-controlling interests	-2,483	-38,725	-36,241
Profit (loss) attributable to owners of parent	1,848	-30,337	-32,186

Main factors for change
Increase factor (+) / Decrease factor (-)

Gross profit

Domestic crude oil and natural gas + ¥3.2 billion
Overseas consolidated subsidiaries + ¥3.1 billion

Non-operating income (expenses)

Equity in earnings + ¥2.8 billion
(Including: Not proceeding the PNW LNG Project - ¥3.3 billion)

Foreign currency translation adjustments on debt, foreign currency exchange gains and losses
(FY3/17) Profit of ¥0.6 billion
→ (FY3/18) Profit of ¥3.8 billion

+ ¥3.2 billion

Not to re-start SAGD operations at the Hangingstone DEMO area - ¥7.8 billion

Extraordinary losses

Not proceeding the PNW LNG Project - ¥5.4 billion
Impairment loss on the shale gas project in Canada - ¥68.0 billion

Income taxes adjustments

Tax effect accounting regarding Oil Sands Project at the Hangingstone DEMO area + ¥2.0 billion

Revised Forecasts for FY3/18

[Assumptions]			2017				2018	Full year
			Jan.-Mar.	Apr.-Jun.	Jul.-Sep.	Oct.-Dec.	Jan.-Mar.	
JCC price	US\$/bbl	Previous forecasts		54.63	49.88	50.00	50.00	51.25
		Revised forecasts		54.63	49.88	54.49	55.00	53.60
Exchange rate	JPY/US\$	Previous forecasts		112.12	111.38	110.00	110.00	110.94
		Revised forecasts		112.12	111.38	111.77	110.00	111.30
JACOS Bitumen	US\$/bbl	Previous forecasts	-	-	-	-	-	-
		Revised forecasts	-	-	-	-	-	-
JACOS Diluted bitumen	US\$/bbl	Previous forecasts	-	-	37.46	32.83		33.15
		Revised forecasts	-	-	36.79	39.63		39.37
JML Gas	C\$/mcf	Previous forecasts	2.71	2.67	1.29	1.94		2.21
		Revised forecasts	2.71	2.67	1.37	1.24		2.05

1. "JACOS Bitumen" stated herein bitumen selling price of Japan Canada Oil Sands Ltd. (Deduction of Royalty). Decided not to re-start SAGD operations at the Hangingstone DEMO area in August 2017 and not estimated FY3/18 sales.
2. "JACOS Diluted bitumen" stated herein diluted bitumen selling price of Japan Canada Oil Sands Ltd. (Deduction of Royalty). Commenced production operation at the Hangingstone Joint Venture area in August 2017, and started sales thereafter.
3. "JML Gas" stated herein gas selling price of JAPEX Montney Ltd. (Deduction of Royalty)

Revised Forecasts Natural Gas Sales for FY3/18 (vs Previous Forecasts)

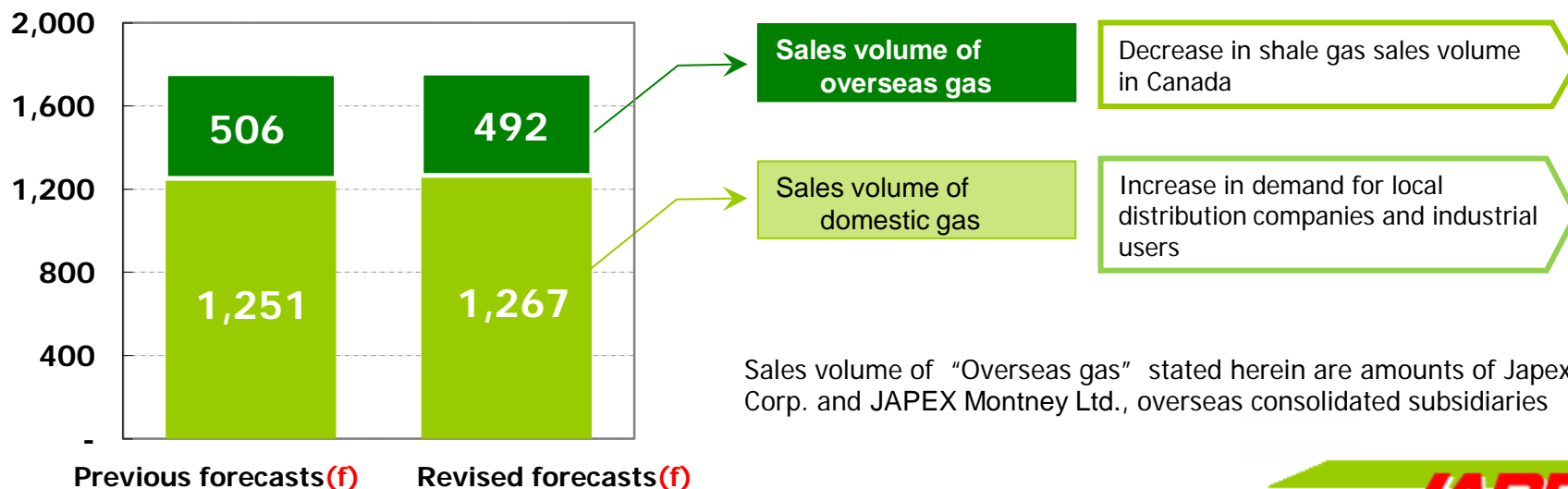
		FY3/18	FY3/18	Change
		Previous forecasts Full (f) (November 10, 2017)	Revised forecasts Full (f) (February 9, 2018)	
Sales volume : Million M3				
Net sales : Million JPY				
Natural gas	Sales volume	1,757	1,759	+2
	Net sales	58,333	59,457	+1,124

Increase in domestic sales volume,
Increasing selling price

Breakdown

Domestic gas	Sales volume	1,251	1,267	+16
(Domestically produced gas)	Sales volume	<i>(723)</i>	<i>(731)</i>	<i>(+8)</i>
Overseas gas	Sales volume	506	492	-14

Million M3



Revised Forecasts Crude Oil Sales for FY3/18 (vs Previous Forecasts)

Revised forecasts

		FY3/18	FY3/18	Change
		Previous forecasts Full (f) (November 10, 2017)	Revised forecasts Full (f) (February 9, 2018)	
Sales volume : Thousand KL				
Net sales : Million JPY				
Crude Oil	Sales volume	2,603	2,624	+20
	Net sales	87,104	94,836	+7,732

Increase in sales volume of purchased overseas crude oil

Breakdown

Domestic crude oil (*)	Sales volume	285	292	+7
	Net sales	10,831	11,754	+922
Overseas crude oil (**)	Sales volume	1,154	993	-162
	Net sales	36,790	33,609	-3,182
Bitumen (***)	Sales volume	—	—	—
	Net sales	—	—	—
Diluted bitumen (****)	Sales volume	210	160	-50
	Net sales	4,814	4,483	-331

Decrease in sales volume from Garraf Oil Field in Iraq

Not to re-start SAGD operations at the Hangingstone DEMO area

Adjustment of production volume due to restriction on oil supply to the U.S.

Assumptions

JCC price	US\$/bbl	51.25	53.60	+2.35
Bitumen price (***)	US\$/bbl	—	—	—
Diluted bitumen (****)	US\$/bbl	33.15	39.37	+6.22
Exchange rate	JPY/US\$	110.94	111.30	+0.36

(*) 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

Revised Forecasts for FY3/18 (vs Previous Forecasts)

Million JPY	Previous forecasts Full (f) (November 10, 2017)	Revised forecasts Full (f) (February 9, 2018)	Change
Net sales	213,802	230,553	+16,751
Gross profit	35,391	37,354	+1,963
Exploration expenses	1,362	1,277	-85
SG&A expenses	29,714	29,291	-423
Operating profit (loss)	4,314	6,785	+2,471
Non-operating income (expenses)	-3,661	-1,377	+2,284
Ordinary profit (loss)	654	5,408	+4,755
Extraordinary income (losses)	-5,579	-73,182	-67,604
Income taxes	-720	-461	+259
Profit (loss) attributable to non-controlling interests	-5,941	-38,846	-32,905
Profit (loss) attributable to owners of parent	1,737	-28,466	-30,203

Main factors for change
Increase factor (+) / Decrease factor (-)

Gross profit

Domestic crude oil and natural gas
+ ¥2.2 billion
Overseas consolidated subsidiaries
- ¥0.1 billion

Non-operating income (expenses)

Foreign currency translation adjustments on debt, foreign currency exchange gains and losses
(FY3/17) Profit of ¥2.0 billion
→ (FY3/18) Profit of ¥3.6 billion
+ ¥1.5 billion
Equity in earnings + ¥1.1 billion

Extraordinary losses

Impairment loss on the shale gas project in Canada
- ¥67.4 billion

Revised Forecasts Natural Gas Sales for FY3/18

(year-on-year)

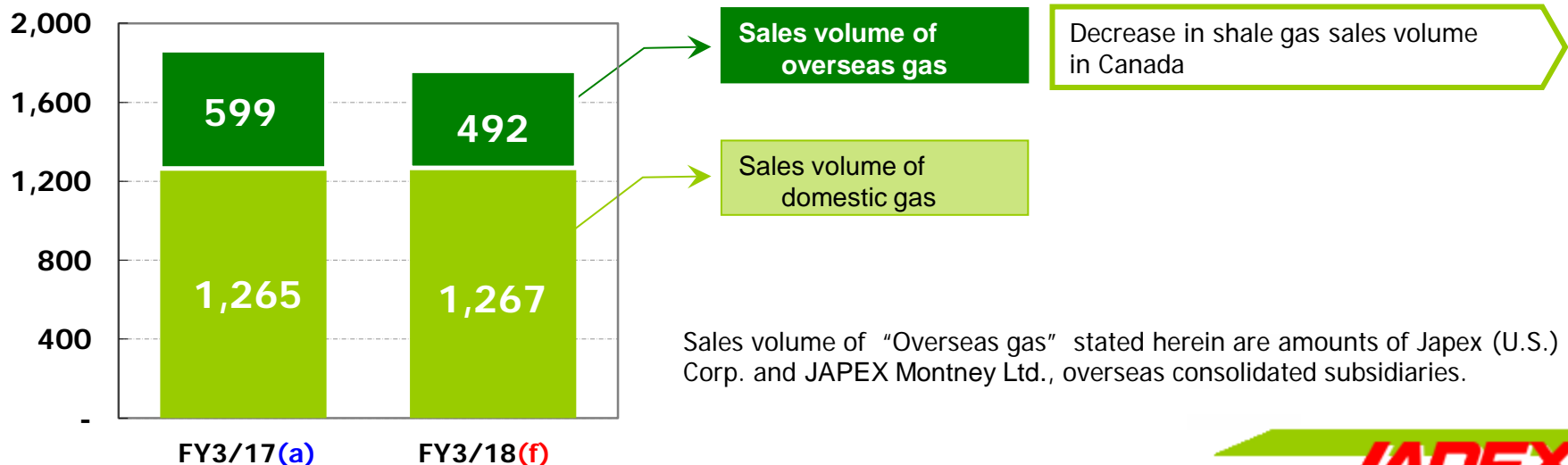
		FY3/17	FY3/18	Change
		Full (a)	Revised forecasts Full (f) (February 9, 2018)	
Sales volume : Million M3				
Net sales : Million JPY				
Natural gas	Sales volume	1,864	1,759	-106
	Net sales	55,329	59,457	+4,127

Increasing selling price

Breakdown

Domestic gas	Sales volume	1,265	1,267	+2
(Domestically produced gas)	Sales volume	<i>(744)</i>	<i>(731)</i>	<i>(-13)</i>
Overseas gas	Sales volume	599	492	-108

Million M3



Revised Forecasts Crude Oil Sales for FY3/18 (year-on-year)

		FY3/17	FY3/18	Change
		Full (a)	Revised forecasts Full (f) (February 9, 2018)	
Sales volume : Thousand KL				
Net sales : Million JPY				
Crude Oil	Sales volume	2,762	2,624	-138
	Net sales	82,098	94,836	+12,738

Increasing selling price
Increase in sales volume from the Hangingstone Joint Venture area

Breakdown

Domestic crude oil (*)	Sales volume	301	292	-10
	Net sales	10,273	11,754	+1,480
Overseas crude oil (**)	Sales volume	1,181	993	-189
	Net sales	28,653	33,609	+4,955
Bitumen (***)	Sales volume	91	—	-91
	Net sales	669	—	-669
Diluted bitumen (****)	Sales volume	—	160	+160
	Net sales	—	4,483	+4,483

Increasing selling price from Garraf Oil Field in Iraq

Not to re-start SAGD operations at the Hangingstone DEMO area

Commencement of production operations at the Hangingstone Joint Venture area

Assumptions

JCC price	US\$/bbl	45.60	53.60	+8.00
Bitumen price (***)	US\$/bbl	9.94	—	—
Diluted bitumen (****)	US\$/bbl	—	39.37	—
Exchange rate	JPY/US\$	108.53	111.30	+2.77

(*) 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

Revised Forecasts for FY3/18 (year-on-year)

[Million JPY]	FY3/17	FY3/18	Change	Main factors for change Increase factor(+) / Decrease factor (-)
	Full (a)	Revised forecasts Full (f) (February 9, 2018)		
Net sales	207,130	230,553	+23,422	Gross profit Domestic crude oil and natural gas + ¥2.5 billion Overseas consolidated subsidiaries + ¥3.3 billion Other - ¥0.8 billion
Gross profit	32,172	37,354	+5,181	
Exploration expenses	1,512	1,277	-235	Non-operating income (expenses) Equity in earnings + ¥5.4 billion (Including: Not proceeding the PNW LNG Project - ¥3.3 billion) Not to re-start SAGD operations at the Hangingstone DEMO area - ¥7.8 billion
SG&A expenses	29,975	29,291	-684	
Operating profit (loss)	685	6,785	+6,100	Extraordinary losses Not proceeding the PNW LNG Project - ¥5.4 billion Impairment loss on the shale gas project in Canada - ¥67.4 billion
Non-operating income (expenses)	1,537	-1,377	-2,914	
Ordinary profit (loss)	2,222	5,408	+3,186	Income taxes adjustments Tax effect accounting regarding Oil Sands Project at the Hangingstone DEMO area + ¥2.0 billion
Extraordinary income (losses)	970	-73,182	-74,153	
Income taxes	1,642	-461	-2,104	
Profit (loss) attributable to non-controlling interests	-1,892	-38,846	-36,954	
Profit (loss) attributable to owners of parent	3,443	-28,466	-31,909	