



Note: The following press release is an English translation of the Japanese-language original

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Final Investment Decision on Hangingstone Oil Sands Project  
in Alberta Province, Canada

Japan Petroleum Exploration Co, Ltd. (Japex) has made the Final Investment Decision (FID) on an oil sands project in the Hangingstone area in the Province of Alberta, Canada (Hangingstone Project) at the meeting of the Board of Directors today.

Japan Canada Oil Sands Ltd. (JACOS), a consolidated subsidiary of Japex, currently produces 6,000 to 7,000 barrels per day of bitumen (ultra heavy crude oil extracted from oil sands) at its Hangingstone Demonstration Project area. The Hangingstone Project is a joint venture project to develop an area adjacent to the current Demonstration Project by JACOS and Nexen Inc. (Nexen) in which JACOS holds a 75% participating interest as the operator, while Nexen holds the remaining 25% interest. Completing the front end engineering design and obtaining Scheme Approval from the Alberta provincial government in November, 2012, the partners will now commence full-scale development work aiming at production start-up in the first half of 2016.

Considering investment timing and technical risks, the partners have decided to adopt a staged development approach. More specifically, the initial stage will result in bitumen production capacity of around 20,000 barrels per day. A decision on expansion of the facilities to bitumen production capacity of approximately 30,000 barrels per day will be made after start-up of the operation. Bitumen production will continue for around 30 years using the steam-assisted gravity drainage (SAGD) method, which has already been utilized at the Hangingstone Demonstration operation for more than 10 years.

JACOS' produced bitumen will be diluted by ultra-light crude oil such as condensate and sold as diluted bitumen equivalent to heavy crude oil through pipelines mainly to refineries in U.S.A.

Total costs for the initial development are anticipated to be around 1.4 billion Canadian Dollars, 1.1 billion Canadian Dollars (90 billion Japanese Yen) net to JACOS (75%), which will be covered by own funds and bank loans.

JACOS will commence development work immediately after this announced FID. Nexen has approved the design and execution plan for the Hangingstone Project allowing the project to move forward, and is anticipated to make a final FID decision with regard to their share of the development during the first quarter of 2013.

< Summary of Hangingstone Project >

(1) Production start-up (plan):

First half of 2016

(2) Production (plan):

Production volume at the initial development will be approximately 20,000 barrels per day. Facilities are expandable corresponding to bitumen production capacity of 30,000 barrels per day.

Production Duration will be around 30 years.

(3) Participating interest:

JACOS            75% (Operator)

Nexen            25%

(4) Total development costs (initial development):

1.4 billion Canadian Dollars

Net to JACOS (75%) 1.1 billion Canadian Dollars (90 billion Japanese Yen)

(5) Financing (initial development):

Own funds and bank loans

(6) Marketing

Plan to sell as diluted bitumen mainly to refineries in U.S.A. through pipelines

(7) Regulatory approval

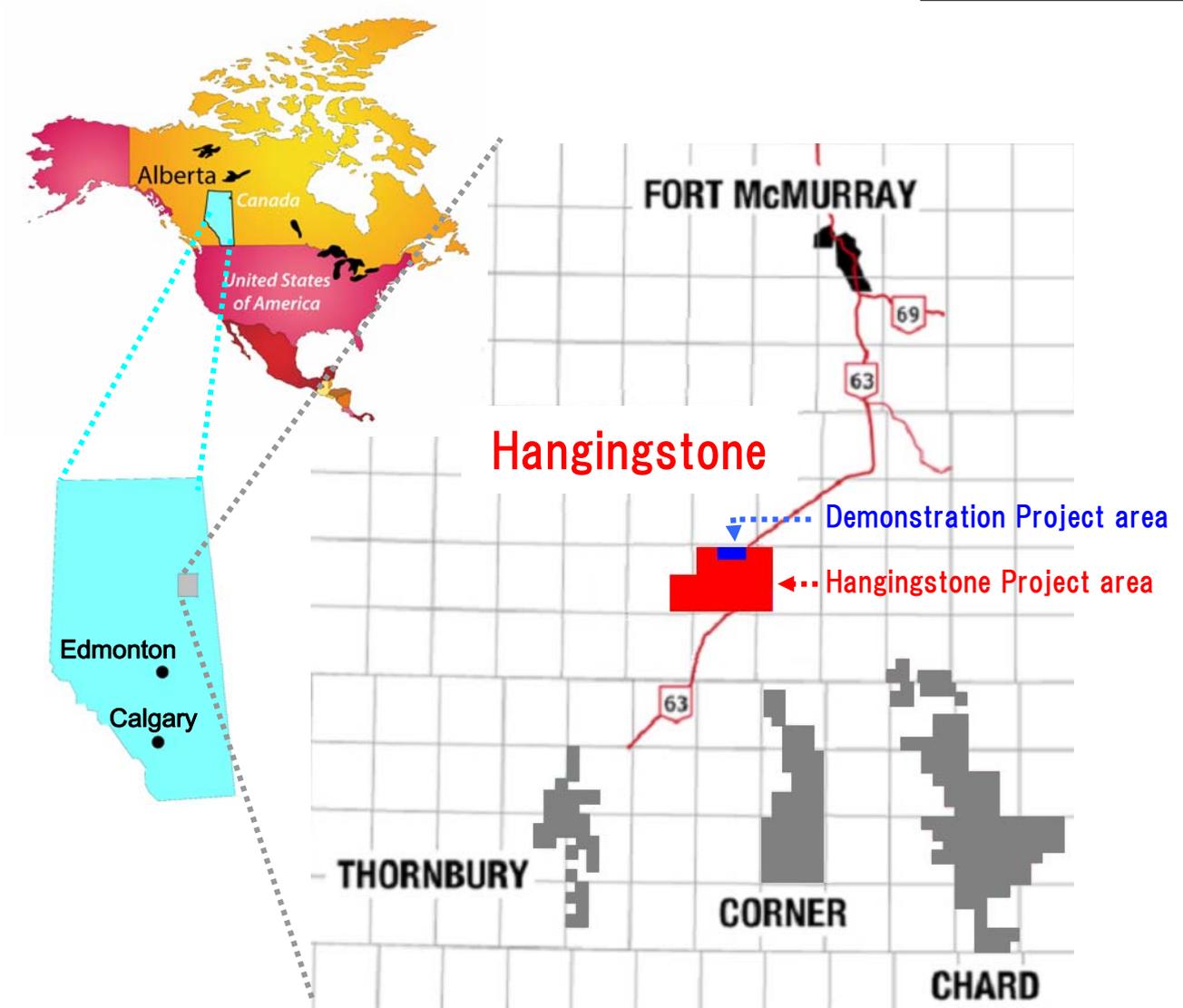
Application was filed in Alberta Provincial government (ERCB and AESRD) in April, 2010, and

ERCB Scheme Approval was granted in November, 2012.

(8) Meaning of Hangingstone Project for Japex

Japex, through JACOS and with support of Japanese government and industry, had been conducting various demonstration tests for finding methods applicable to commercial bitumen production in the Canadian oil sands region, and started production utilizing the SAGD method in 1999. With the development of the Hangingstone Project, the oil sand business is becoming one of Japex's core business areas. Japex also plans to consider the possibility of developing other oil sands leases, including Corner and Chard in the future having the Hangingstone Project as a basis.

<Attached: Location Map / Image of SAGD method>



<Image of SAGD method>

