



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



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**Final Investment Decision on Construction Project
of Soma LNG Receiving Terminal and a Connecting Pipeline**

Japan Petroleum Exploration Co., Ltd. (hereafter, “JAPEX”) has made a Final Investment Decision (FID) at the meeting of Board of Directors today, to construct an LNG receiving terminal in Shinchi Town, Fukushima Prefecture (Soma Port) as well as a connecting pipeline to convey the vaporized LNG gas at the terminal to JAPEX’s main pipeline.

Over the years, JAPEX has been supplying natural gas produced domestically in Niigata, Yamagata and Akita prefectures, as well as vaporized LNG gas received from overseas, to users in the production areas and to those in other areas through its pipeline network, which includes the Niigata-Sendai Pipeline and Shiroishi-Koriyama Pipeline. JAPEX has also been supplying LNG in liquid form to users through LNG satellite stations utilizing freight cars and tank trucks.

Given rising public awareness of the environment and energy conservation, it is expected that demand for natural gas to become increasingly strong in the areas including Tohoku region along the Pacific Ocean including Fukushima, Miyagi and Iwate, in addition to the areas along the Sea of Japan. While recognizing that it is its mission to society to proactively respond to the demand growth in these areas and supply natural gas at a competitive price stably over a long term, JAPEX has carried out a front-end engineering design including demand survey for the construction of a new LNG receiving terminal at Soma Port in Fukushima Prefecture, with a connecting pipeline, since November last year.

The FID that was made today covers the construction of Soma LNG receiving

terminal that will store and vaporize LNG to be offloaded from large ocean-going LNG tankers docked at Soma Port, and the construction of a new 40km pipeline to convey vaporized LNG gas from the terminal to JAPEX's Niigata-Sendai Pipeline (connecting at the Uematsu Valve Station in Natori City, Miyagi Prefecture), which is considered JAPEX's main artery.

In April this year, JAPEX acquired a 10% interest in a natural gas development and production project in British Columbia, Canada, and a 10% interest in the Canada Pacific NorthWest LNG Project, where natural gas to transport to the Port of Prince Rupert on the western coast of Canada through pipeline, liquefy and export it as LNG, including the right to offtake the 10% of LNG. The said projects are operated by Petroliam Nasional Berhad (PETRONAS), a Malaysian state-owned corporation. These projects is to be managed under an integrated framework wherein all partners undertake the entire process of development, production, liquefaction and offtake at the same rate of interest, aiming to achieving stable and efficient performance. The project partners are working toward beginning operation at the liquefaction plant by the end of 2018. Under this project, JAPEX will offtake 10% (1.2 million tons) of LNG at the plant (about 12 million tons per annum) and use it as one of the LNG sources to be received at Soma LNG receiving terminal, which will be put into operation in March 2018.

On August 2 this year, the plan to construct Soma LNG receiving terminal was approved by the Reconstruction Agency as a reconstruction promotion plan under the Act on a post-disaster reconstruction of the Great East Japan Earthquake (Shinchi Town Reconstruction Promotion Plan; Approval No.: Fukushima, No. 23). Through this construction, JAPEX will put further effort into contributing to the post-disaster reconstruction, economic stimulation, and creation of local employment as well as to securing stable energy supply in the affected areas.

In the wake of the Great East Japan Earthquake, JAPEX temporarily suspended but soon resumed the delivery of natural gas to local gas distribution companies in the affected areas via its Niigata-Sendai Pipeline. By connecting the new natural gas infrastructure to be constructed along the Pacific Ocean to the Niigata-Sendai pipeline, JAPEX will be able to supply natural gas both from the Sea of Japan side and the Pacific Ocean side, which will dramatically improve supply security in the event of a large-scale disaster.

With a view to accelerating the process of restoration and reconstruction in the

affected areas, JAPEX will explore the effective use of Soma LNG receiving terminal. Specifically, JAPEX will consider to take into account, while seeking partnerships with companies well-versed in the power generation business, the possibility to participate in biddings for power generation to be invited by power companies, with the aim of contributing to the expansion of the terminal function and the invigoration of local economies.

JAPEX will look to further strengthen its natural gas business as one of our core profit by employing an integrated operation and supply system (“gas integration”) that unflinchingly supplies consumers with natural gas and LNG produced from gas fields in Japan and abroad through pipelines and LNG import terminals.

As such, in accordance with this FID, JAPEX has reorganized the Soma Project Division, which was established on November 30 last year.

[Project Overview (front-end engineering design)]

(Soma LNG receiving terminal)

- Construction site: Shinchi Town, Fukushima Prefecture (No. 4 port area in Soma Port), site area: approximately 20ha
- Facilities: One LNG storage tank (230,000kl), Large ocean-going LNG tankers receiving berth, LNG domestic vessel shipping and receiving berth, two LNG vaporizers, gas heat capacity control facilities for vaporized gas, LNG tank truck loading facilities, other facilities

(Connecting pipeline)

- Route and length: From Shinchi Town, Fukushima Prefecture, to Natori City, Miyagi Prefecture; approximately 40km
- Specification: Diameter, 20B (20 inches); design pressure, 7 MPa (megapascals)

(Facility completion and commencement of operation)

- Construction to be completed in: December 2017
- Service to be commenced in: March 2018

(Investment amount & Finance)

- Total construction costs for Soma LNG receiving terminal and connecting pipeline: around 60 billion yen

- Financing: Own funds and bank loans

**【Planned construction area of Soma LNG receiving terminal
(Pier 4, Soma port, Shinchi Town, Fukushima Prefecture)】**



【Image of Soma LNG receiving terminal (front-end engineering design)】



【Supply chain: Canada Pacific NorthWest LNG project~Soma~Niigata】

