



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

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**Temporary Suspension of the Production Operation
at the Hangingstone Demonstration Project area in the Province of Alberta, Canada**

Japan Petroleum Exploration Co., Ltd. (hereinafter “JAPEX”) has decided to temporarily suspend a production operation of bitumen (ultra heavy crude oil extracted from oil sands) conducted by Japan Canada Oil Sands Limited (hereinafter “JACOS”), a consolidated subsidiary of JAPEX, in its Hangingstone Demonstration Project area (hereinafter “Demo Area”) to react to the recent sharp decline of oil price as follows.

1. Background of Temporary Suspension

Since 1999, JACOS has been producing bitumen in Demo Area as one of the pioneers of in-situ producers utilizing the Steam Assisted Gravity Drainage (SAGD) method, by which bitumen can be extracted from deposits too deep to mine. JACOS’ priority has always been to conduct operations in a safe and responsible manner, while maintaining good communications with the local communities. Recent production rate was approximately 5,000 barrels per day.

However, considering the current low oil price trends, JAPEX has come to a conclusion that temporary suspension of the production operation would be the best decision to improve JAPEX/JACOS’ short term financial results, while at the same time leaving resources in the ground to be produced when market conditions and resulting profitability are improved. Following today’s JAPEX decision, JACOS will move operation staff working in the Demo Area to work on the forthcoming operations in undeveloped part of the Hangingstone area adjacent to Demo Area (hereinafter “Hangingstone Expansion project”, please refer to the news release “Final Investment Decision on Hangingstone Oil Sands Project in Alberta Province, Canada” dated December 14, 2012) now under construction. This will enable JACOS to use very experienced staff for smoother start-up of Hangingstone Expansion project.

To this point, the devastating wildfires in the Fort McMurray area of Alberta, Canada, that have been burning since May 1, 2016, have not damaged any of JACOS assets or facilities. However, JACOS did complete an emergency shut-down at the Demo Area operations to ensure the safety of the staff as well as due to restrictions of infrastructure including transportation of staff and sales produced product. While some work will be required to properly suspend the Demo Area facilities, today’s JAPEX decision will result in the Demo Area’s production being suspended for a while even after the wildfires are contained.

2. Timing of Resumption of Demo Area Production Operation

The specific timing of re-starting the production operation has not been determined at the moment. JAPEX will make the decision based upon the comprehensive evaluation of factors such as expected future oil price trends and reservoir conditions during the suspension period. JACOS will keep on studying and preparing an optimized plan for, and advance their preparations towards, the resumption of producing operations so that it will be able to execute the resumption in a timely manner once the oil price recovers while minimizing the risks to the recovery of the remaining reserves

3. Impact on JAPEX Consolidated Financial Results

The impacts of the temporary suspension have been reflected in “Consolidated financial forecasts for the fiscal year ended March 31, 2017 (April 1, 2016 - March 31, 2017)” of “Consolidated Financial Results for the Fiscal Year Ended March 31, 2016 <under Japanese GAAP>” released today.

4. Others

JACOS has been proceeding with construction work at the Hanginstone Expansion project with which approximately 20,000 barrels per day bitumen production (gross, JACOS 75% net 15,000 barrels per day) will be added, aiming at the mechanical completion within 2016 and the first production in 2017. However, JACOS has temporarily shut down construction work on the project because of wildfires since the priority is the safety of employees and contractors. Once the wildfires are contained, JACOS will re-start the construction works and continue the project as planned, which is expected to have a better operational efficiency than the production operation in the Demo Area.

If the impacts of the wildfires to JAPEX Consolidated Financial Results become clear and material, we will update and disclose it immediately.