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

November 8, 2016

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Updating Production Schedule and Cost Forecast of the Hangingstone Oil Sands Project in the Province of Alberta, Canada

Japan Petroleum Exploration Co., Ltd. (JAPEX), through its consolidated subsidiary, Japan Canada Oil Sands Limited (JACOS), is proceeding with development work in the undeveloped area of the Hangingstone leases in the Province of Alberta, Canada, (the Hangingstone Oil Sands Project) adjacent to the Hangingstone Demonstration Project area. JACOS has reviewed the expected timing of production start-up of bitumen (ultra heavy crude oil extracted from oil sands) from the Hangingstone Oil Sands Project and the forecast of construction costs, and concluded that the former would be in the middle of 2017 and the latter would increase from the original estimate of 1,250 million Canadian dollars to about 1,500 million Canadian dollars (net to JACOS).

Since December 2012, when JAPEX announced its final investment decision on the Hangingstone Oil Sands Project, JACOS has been advancing construction work and the project's overall development was approximately 96% complete as of September 2016. Construction work on the Central Processing Facility and Utilities / Infrastructure (CPF), which started in September 2013, has been delayed in engineering, module fabrication and field construction. The construction work was also temporarily suspended for approximately 1 month due to the wildfire that occurred in Fort McMurray area in the Province of Alberta in May 2016. JACOS has been taking various measures to recover the delayed construction schedule and control the cost increase, and has established a more realistic project schedule and cost forecast reflecting the effects of these measures.

Reviews of the expected timing of production start-up and forecast of construction costs have been conducted as the construction of the CPF reaches the final stage. The impact of these events on the consolidated financial forecast for the fiscal year ending March 31, 2017 is immaterial, and the increased costs will be covered by equity injection to JACOS as required. JACOS will continue to make its best effort in construction management to avoid further delays and cost increases in the remaining work. While the Hangingstone Oil Sands Project will have positive operating net cash flow even in the current crude price environment, JACOS commits to consider and implement all possible measures to maximize the project value, such as reduction of costs after production start-up, improvement of sales price by optimization of transportation costs, etc.

As JAPEX announced in May 2016, JACOS temporarily suspended its production operations in the Hangingstone Demonstration area. JAPEX made this decision considering that the 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.

JAPEX/JACOS is actively pursuing the best timing to re-start the production operations taking into account the oil price, technical risks, etc.

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