



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

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Pacific NorthWest LNG Project in British Columbia, Canada, Is Not Proceeding

Japan Petroleum Exploration Co., Ltd. (JAPEX) announced today that Pacific NorthWest LNG (hereinafter "PNW LNG"), Canadian operating company for the Pacific NorthWest LNG Project in British Columbia, Canada (hereinafter "the PNW LNG Project"), has decided not to proceed with the PNW LNG Project which JAPEX has been pursuing through its Canadian subsidiary JAPEX Montney Ltd. (JML). This was announced by PNW LNG on July 25, 2017 (Pacific Daylight Time (PDT), Canada).

We participated in the PNW LNG Project since 2013 for the purpose of producing LNG from our shale gas reserves in North Montney in British Columbia, Canada (hereinafter "the Upstream Project") in order to secure long-term supply of LNG to our domestic market through Soma LNG terminal, and have made steady efforts for the development of shale gas resources and the realization of the PNW LNG Project(*1).

However, we have reached the decision not to proceed because the circumstances in the LNG industry have changed dramatically compared to the time we decided to participate in the PNW LNG Project.

The construction of our Soma LNG terminal continues as planned and is scheduled to commence operation from March 2018. Considering the current circumstances in the LNG market, we believe that multiple alternative sources of supply are available for the procurement of LNG for the time being.

In the Upstream Project we are producing natural gas at the rate of approximately 500 million cubic feet per day (approximately 90,000 boe/day). JAPEX and JML together with partners remain committed to exploring all options to maximize the value of the Upstream Project and will continue to implement an efficient development of significant gas assets taking advantage of JAPEX's strengths and expertise in the E&P business.

This decision is part of the aspiration of JAPEX to respond to the changed circumstances in the global oil and gas industry by making efforts to transform itself into a lean and resilient corporation. We will continue to strive to improve our corporate value by enhancing flexibility and precision of making investment decisions.

Followed by this resolution, there will be a total loss of approximately CAD 102 million (JPY8,700Million(*2)) on our consolidated financial results ending March 31, 2018, which includes the extraordinary loss of termination of approximately 900km pipeline construction plan estimated at approximately CAD 65 million (JPY 5,500 million(*2)) and the non-operating expense as the equity method investment loss of PNW LNG estimated at approximately CAD 37 million (JPY 3,200 million(*2)). The consolidated financial forecast of the fiscal year ending March 31, 2018 is under examination including the afore-mentioned impact and will be announced at the same time as the announcement of the Consolidated Financial Results for the three months ended June 30, 2017 scheduled on August 8, 2017. In addition, any impact to the Upstream Project associated with the decision not to proceed with the PNW LNG Project will be examined carefully based on the asset valuation review and other information, and will be disclosed properly if necessary.

*1: Announced on June 12, 2015 (Refer to "Conditional Final Investment Decision (FID) of LNG Project in British Columbia Canada")

*2: Exchange Rate is JPY85/CAD

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