



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

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Notice of Recognition of Impairment Loss (Consolidated)
and Loss on Valuation of Shares of Subsidiaries and Associates (Non-Consolidated)

Japan Petroleum Exploration Co., Ltd. (JAPEX) announced that it will recognize an impairment loss (consolidated) and a loss on valuation of shares of subsidiaries and associates and a provision of allowance for overseas investment loss (non-consolidated) in the third quarter of the fiscal year ending March 31, 2018 (from October 1, 2017 to December 31, 2017) concerning the shale gas project in British Columbia, Canada (hereinafter "the Upstream Project") in which JAPEX has been participating through its overseas subsidiary, JAPEX Montney Ltd. (JML).

1. Details of the Losses

(1) Impairment Loss (Consolidated)

Following the decision of not proceeding with the Pacific NorthWest LNG Project (hereinafter "the PNW LNG Project")(*1) which had pursued the possibility of producing LNG from the shale gas in the Upstream Project, JML has decided to reduce the carrying amount of its asset to the recoverable amount based on the revised development plan of the Upstream Project without the assumption of the PNW LNG Project.

According to the decision as above, JAPEX will recognize 750 million Canadian dollars (approximately 68 billion yen)(*2)) of impairment loss as an extraordinary loss in the third quarter of the fiscal year ending March 31, 2018.

(2) Loss on Valuation of Shares of Subsidiaries and Associates, and Provision of the Allowance for Overseas Investment Loss (Non-Consolidated)

Owing to the significant decline of the value of JML's stock resulting from the recognition of the above-mentioned impairment loss, JAPEX will recognize 39 billion yen of a loss on valuation of shares of subsidiaries and associates and 4.4 billion yen of a provision of the allowance for overseas investment loss as an extraordinary loss in the third quarter of the fiscal year ending March 31, 2018.

2. Impacts on the Financial Statements

The estimated impact to profit (loss) attributable to owners of parent for the nine months ended December 31, 2017 will be a loss of approximately 34 billion yen due to the recognition of an impairment loss as above-mentioned.

The above-mentioned losses recognized in the non-consolidated financial statements will have no impact on the consolidated financial results because those losses are eliminated in the consolidated financial statements.

The consolidated financial forecasts for the fiscal year ending March 31, 2018 are under examination and will be disclosed promptly if and when it becomes necessary.

3. Future of the Upstream Project

Due to not having the assumption of the PNW LNG Project, the estimated sales volume of the shale gas for the purpose of assessing the recoverable amount of JML's assets was reduced, but the total shale gas volume existing in the area of the Upstream Project is not reduced.

The Upstream Project will continue to pursue its efficient development and production as well as maximizing the value of the project. JAPEX and JML remain committed to maximize the value of the Upstream Project taking advantage of our strengths and expertise in the E&P business.

Notes)

*1: Refer to the announcement "Pacific NorthWest LNG Project in British Columbia, Canada, Is Not Proceeding" on July 25, 2017

*2: Based on the assumption of an exchange rate as 90.69JPY/CAD

The assumptions and forecasts figures in this announcement are based on the currently available information. Actual performances and other results may differ materially due to various factors in the future.

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