



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

May 13, 2021

Japan Petroleum Exploration Co., Ltd.

**Sale of Shale Gas Project Interest in Canada
and Recording of Extraordinary Loss Related to the Project**

Japan Petroleum Exploration Co., Ltd. (JAPEX) announced that its Board of Directors has resolved to sell 10% of all ownership interest in the North Montney Joint Venture which undertakes the shale gas project in Canada (hereinafter "the NM project") to Petronas Energy Canada Ltd. (hereinafter "PECL"), the operator of the NM project. The interest is owned by JAPEX Montney Ltd. (hereinafter "JML"), an overseas consolidated subsidiary.

The NM project proceeds with shale gas development and production in the North Montney area of British Columbia, Canada. JAPEX participated in the NM project through JML in April 2013 and had proceeded with a feasibility study of the LNG project in addition to the shale gas development and production. Even after the decision not to proceed with the LNG project in July 2017 due to changes in the business environment, JAPEX has been working with PECL and its partners to maximize the value of the NM project by optimizing the development plan.

On the other hand, JAPEX formulated the medium-term business plan in 2018 with the recognition of the necessity to transform our business structure for the sustainable growth even in the market environment of 50-60 US dollars per barrel. Based on the recognition, our E&P projects have been striving to improve their profitability by optimizing the business portfolio, including the sale of the asset.

The environment surrounding the E&P business is expected to become even more severe due to the prolonging effects of the COVID-19 since early last year, including the structural changes by the new normal after the COVID-19 and accelerating the global decarbonization. Therefore, JAPEX has decided to sell 10% of all ownership interest in the North Montney Joint Venture which undertakes the NM project to PECL, with the judgement that would be difficult to recover JML's performance early.

JML is going to sign the contract concerning the interest sale with PECL on May 13, 2021. (MDT, local time in Calgary) All procedures of this sale are expected to complete by the end of June 2021.

As a result of this transaction, JAPEX expects to record an extraordinary loss of approximately 493 million Canadian dollars (about 39.4 billion Japanese yen*) in the consolidated financial results for the second quarter of the fiscal year ending March 31, 2022.

The impact mentioned above has already been reflected in the forecast of consolidated business performance for the fiscal year ending March 31, 2022, disclosed today. In the event of any revision or change in the estimated amount of impact or timing of posting due to the progress of future procedures, etc., we will disclose such information as appropriate.

Note: * Calculated based on the exchange rate assumption of 80 yen per Canadian dollar.

<Appendix>

Outline of the Canadian shale gas project as of May 13, 2021

Mineral License	North Montney Area, British Columbia, Canada	
Project Company	JAPEX Montney Ltd. Shareholders: JAPEX 55%, Japan Oil, Gas and Metals National Corporation (JOGMEC) 45%	
Operator	Petronas Energy Canada Ltd.	
Interest	PETRONAS Group	62%
	Sinopec Group	15%
	JAPEX Group	10%
	Indian Oil Group	10%
	Petroleum Brunei Group	3%
Status	Natural gas production and sale to the market in Western Canada	

Note: The LNG project in Lelu Island, Prince Rupert was decided not to proceed in July 2017.

< Previous Announcement Link >

- [“JAPEX Participates in Natural Gas Development & Production Project and LNG Project in British Columbia, Canada”](#) on March 4, 2013
- [“Pacific NorthWest LNG Project in British Columbia, Canada, Is Not Proceeding”](#) on July 26, 2017
- [“Notice Regarding Recording of Provision of Allowance for Doubtful Accounts in Extraordinary Loss in Non-consolidated Financial Results”](#) on March 10, 2021

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