



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

July 29, 2021

Japan Petroleum Exploration Co., Ltd.

**Ending our Promotion of the Oil Sands Project in Canada,  
the Change in Subsidiary, the Recognition of Extraordinary Losses,  
and the Voluntary Return of Executive Compensation**

Japan Petroleum Exploration Co., Ltd. (JAPEX) announced that its Board of Directors has resolved today to end our promotion of the oil sands project in Canada (hereinafter the "Project") by Japan Canada Oil Sands Limited (JACOS), and to transfer all shares of JACOS, holding its 100% shares through Canada Oil Sands Co., Ltd. (CANOS), a consolidated subsidiary, to HE Acquisition Corporation (HAC).

As a result of this matter, JAPEX expects a change in the subsidiary, recognition of extraordinary losses in the fiscal year ending March 31, 2022, and voluntary return of executive compensation.

### **1. Ending our promotion of the Oil Sands Project in Canada**

The Project promotes the development and production of oil sands in the Hangingstone leases in Alberta, Canada. JAPEX, through JACOS, has contributed to establish and spread the technology of oil sands development and production in Canada since the 1970s. At present, JACOS has been producing bitumen, an extra-heavy oil, of the range of 20,000 barrels per day in the current production area of the Hangingstone leases, which started production in 2017.

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 assets.

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 acceleration of the global decarbonization. In light of this situation, we have decided to end our promotion of the Project and to transfer all shares of JACOS, after considering the medium- to long-term position of the Project as we continue to strengthen our resilience to low oil prices and a low-carbon environment.

We will promptly conclude the share transfer agreement between CANOS and HAC and proceed with the necessary procedures. For details on the share transfer, please refer to "2. Change in subsidiary."

## 2. Change in subsidiary

### 1) Reason for the change

To transfer all shares of JACOS held through CANOS (93.60% of voting rights held by JAPEX; 94.58% of voting rights held by the Company including indirect ownership) in accordance with the decision to end to promote the Project.

### 2) Outline of the subsidiary subject to change

(1)	Name	Japan Canada Oil Sands Limited (JACOS)		
(2)	Location	Suite 2300, 639 5th Avenue SW, Calgary, Alberta T2P 0M9, Canada		
(3)	Title and Name of Representative	IKENO Tomonori, President		
(4)	Description of Business	Exploration, development and production of oil sands under lease agreements in Canada		
(5)	Share Capital (thousand USD)	788,255		
(6)	Date of Incorporation	August 4, 1978		
(7)	Major Shareholder and Shareholding Ratio	Canada Oil Sands Co., Ltd. (100%)		
(8)	Relationship with the Company	Capital Relationship	JAPEX indirectly holds 100% shares of JACOS through CANOS.	
		Personnel Relationship	JAPEX has dispatched four directors to JACOS.	
		Business Relationship	There are transactions related to the dispatch of directors and employees from JAPEX to JACOS.	
(9)	Business results of this company for the past three years			
	Fiscal year	December 2018	December 2019	December 2020
	Net assets (thousand USD)	777,441	797,918	712,564
	Total assets (thousand USD)	1,418,944	1,457,680	1,311,194
	Net assets per share (USD)	25.65	26.33	23.51
	Net sales (thousand USD)	271,317	410,965	209,614
	Operating profit (thousand USD)	△55,113	52,124	△69,773
	Ordinary profit (thousand USD)	△52,715	32,280	△85,042
	Net profit (thousand USD)	△52,715	20,476	△85,354
	Net profit per share (USD)	△1.73	0.67	△2.81
	Dividend per share (USD)	—	—	—

### 3) Outline of the other party to the share transfer

(1)	Name	HE Acquisition Corporation (HAC) *	
(2)	Location	Suite 1220, 407-2nd Street, Calgary, Alberta, T2P 2T8, Canada	
(3)	Title and Name of Representative	Robert Logan, President and CEO	
(4)	Description of Business	Development and production operations of oil sands	
(5)	Date of Incorporation	July 12, 2021	
(6)	Major Shareholder and Shareholding Ratio	GAC HoldCo Inc 100%	
(7)	Relationship with the Company	Capital Relationship	N/A
		Personnel Relationship	N/A
		Business Relationship	N/A
		Related parties status	N/A

\*Note: This company is a privately-held company and the information of its share capital, net assets and total assets is not disclosed.

### 4) Number of shares to be transferred and status of shares held before and after the transfer

(1)	Number of shares held before the change	30,302,083 (Number of voting rights : 30,302,083) (Percentage of voting rights held: 100%)
(2)	Number of shares transferred	30,302,083 (Number of voting rights : 30,302,083)
(3)	Transaction price	Not disclosed due to confidentiality agreement between the parties. The price is determined by negotiation with the counterparty through a fair process.(*)
(4)	Number of shares held after the change	0 (Number of voting rights : 0) (Percentage of voting rights held : 0%)

\*Note: TD Securities acted as a financial advisor to CANOS in connection with the transaction.

### 5) Schedules

(1)	Date of resolution by the Board of Directors	July 29, 2021
(2)	Date of contract execution	July 29, 2021 (Planned on July 28, 2021 at MDT)
(3)	Date of share transfer	September 15, 2021 (Planned)

### 3. Extraordinary losses recognition related to the transaction

JAPEX expects to record approximately 90 billion yen of a loss on sale of subsidiary shares under extraordinary loss in the consolidated financial results for the second quarter of the fiscal year ending March 31, 2022, concerning the sale of JACOS shares held by CANOS.

The consolidated financial forecast for the fiscal year ending March 31, 2022, including this matter, is currently under review and will be disclosed at the time of the announcement of the first quarter financial results scheduled on August 10, 2021.

In the non-consolidated financial results for the same quarter, JAPEX expects to record approximately 80 billion yen of loss on valuation of subsidiary shares related to CANOS shares held by the Company, and approximately 10 billion yen of provision for loss on guarantees associated with the Company's guarantee obligations for a portion of JACOS's borrowings from financial institutions, under the extraordinary losses.

Note: The above extraordinary loss amounts are based on currently available information and certain assumptions. Actual amounts may differ due to various factors.

### 4. Voluntary Return of Executive Compensation

In consideration of the prospect of a significant downward revision to the consolidated business performance forecast for the fiscal year ending March 31, 2022, due to the recognition of the extraordinary losses, we have received a proposal for the voluntary return of executive compensation and has decided to accept it as described below.

#### 1) Details of the voluntary return of executive compensation

Representative Director and Chairman Representative Director and President	30% of Monthly Compensation
Representative Director, Executive Vice President (1 person) Director, Senior Managing Executive Officer (1 person) Director, Managing Executive Officer (1 person) Managing Executive Officer (1 person) Executive Officer (1 person)	10% of Monthly Compensation

#### 2) Period of voluntary return

3 months from August, 2021.

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