

Japan Petroleum Exploration Co., Ltd. (JAPEX)

Securities Code: 1662 (Prime Market of the Tokyo Stock Exchange)

Summary of Q&A Session in Briefing on Results for the Fiscal Year Ended March 31, 2026

to Institutional Investors and Analysts

Date and time: Thursday, May 14, 2026, 14:30–15:40 (in-person and online hybrid conference)

Attendance: 45 attendees (institutional investors and analysts)

Key Questions and Answers:

Q1: Regarding Verdad's investment policy for the future, is there a possibility that the pace of production increases could accelerate against the backdrop of rising oil prices?

A1: Regarding Verdad's cash flow for the current fiscal year, we expect total cash inflows of ¥44 billion, consisting of ¥32 billion in operating profit and ¥12 billion in depreciation. From this, approximately ¥28 billion will be allocated to CAPEX, with the remaining ¥16 billion used to cover principal and interest payments and other expenses. For the current fiscal year, we plan to drill approximately 50 new wells in operator assets and approximately 40 in non-operator assets. For the time being, we plan to drill approximately 50 new wells annually in operator assets. Combined with expenditures in non-operator assets, we anticipate annual development investment of \$200 million to \$300 million. If higher oil prices result in surplus funds, we will consider whether to accelerate the pace of production increase or expand our asset base through acquisitions of adjacent assets, etc. to optimize our development plans.

Q2: Does the cash flow plan for FY2026 include new investment such as M&A?

A2: Growth investment for the current fiscal year incorporates only the development plans for existing assets and do not include costs for acquiring new assets. We are considering the acquisitions of new assets in Norway, Indonesia, North America, and other regions outside the scope of the projected cash flow.

Q3: Excluding the total of ¥7.2 billion decrease in profit resulting from escalating tensions in the Middle East, is it correct to understand that the underlying operating profit after the acquisition of Verdad's assets, based on an assumed oil price of \$70/bbl, would be approximately ¥48 billion with ROE at around 7%?

A3: We share that understanding. In addition, without those special factors of approximately ¥15.6 billion in LNG procurement costs and about ¥3.9 billion in losses from Garraf, which total around ¥20 billion, we consider ROE to be approximately 8%.

Q4: You indicated that LNG alternative procurement is temporary. Will it be replaced in the future by term contracts or similar arrangements?

A4: We have factored alternative procurement costs into the financial forecasts for a total of three cargoes: two in the first half and one in the second half. While we basically regard the alternative procurement as a one-off measure, we are also considering responses in anticipation of a prolonged situation.

We cannot rule out the risk of future damage to liquefaction and other facilities, and depending on the situation in the Strait of Hormuz, there is a possibility of further alternative procurement during the current fiscal year. Furthermore, even if the current situation temporarily normalizes, the risk of a renewed flare-up cannot be ruled out. Therefore, we will consider reviewing our portfolio, including the proportion of term contracts for actual demand, and production areas beyond the current fiscal year.

Q5: When you review the LNG procurement portfolio, are you going to shift toward less volatile procurement, given that it will be difficult in the future to secure the large marginal gain on LNG procurement that has been recorded so far?

A5: LNG procurement gains are highly variable and therefore we do not set our forecast high at the beginning of the fiscal year. If alternative procurement is no longer required, there is a possibility of continuing to secure a certain level of marginal gain on procurement. However, these gains may decline compared with past performance. We will continue our efforts to procure LNG at prices below the JLC.

In the new management plan we recently announced, we anticipate downward pressure on spot market from the

increase in new LNG supply sources from 2027–2028 onwards, and therefore, our forecast for marginal gain on procurement is quite conservative.

Q6: What are the factors behind the year-on-year change in overseas crude oil sales volume planned for the current fiscal year and the decrease in electricity sales volume for the current fiscal year?

A6: The main changes are an increase of just over approximately 4 million bbl in North America, primarily due to the consolidation of Verdad, and a decrease of approximately 3 million bbl from the Garraf oil field, where no production or sales are expected in the current fiscal year. The decline in overseas crude oil sales volume resulting from the deconsolidation of the UK subsidiary in July 2025 is expected to be slightly more than offset by sales volume from the Norwegian subsidiary in the current fiscal year.

The decrease of approximately 500 million kWh in electricity sales is attributable to the extended scheduled maintenance periods at power plants and power generation curtailment due to transmission and distribution network maintenance work.

Q7: Are the impacts of the Middle East situation incorporated on a conservative basis or are they considered highly probable? What is the reason for factoring in one alternative LNG cargo in the second half of the fiscal year? In addition, when should cost increases for chemicals and related items be factored in?

A7: We have factored in the impacts based on highly probable and realistic assumptions. While we are assuming a JKM price of \$12/MMBtu for the second half of the fiscal year, prices were hovering around \$10/MMBtu prior to the escalation of tensions in the Middle East. As we do not assume a complete normalization of the situation, we have incorporated procurement of one additional cargo in the second half of the fiscal year.

Regarding chemicals and oil products, there will be no impact because the necessary quantities of heavy fuel oil A, etc., which is used for exploratory drilling off the coast of Hidaka and at the Tomakomai CCS, have already been procured. Since the volume of chemicals used, including methanol, is small, the direct impact on operating expenses would be negligible even if prices doubled. However, in the event of prolonged supply shortages, indirect operational disruptions, such as difficulties in securing substitutes, may be expected.

Q8: It seems that the LNG alternative procurement costs are significantly higher than JKM market prices. Were additional costs incurred due to emergency procurement?

A8: The two cargoes in the first quarter were procured under low-cost term contracts based on crude oil prices of \$65–70; however, replacement procurement was made in the spot market at \$18–20/MMBtu, resulting in a significant loss. As the price for one cargo is assumed to fall to JKM \$12/MMBtu in the second half, its share of the ¥15.6 billion is small.

Q9: If navigation through the Strait of Hormuz resumes, can production at the Garraf oil field resume early?

A9: As for the Garraf oil field, there is a strong possibility that production could resume sooner if safe navigation through the Strait of Hormuz is secured. The production facilities at the Garraf oil field were not damaged, and judging from news reports, there is no information indicating that the Basra export terminal has been damaged. Once safe navigation is secured and storage tanks at the port become available, we expect production at other oil fields as well to resume sequentially. However, as this is based on instructions from Iraqi authorities, we cannot make this decision on our own. Since there is a possibility of facility damage in the future, we have adopted a somewhat conservative assumption that production will be suspended during the current fiscal year, even after the situation returns to normal.

Q10: Why have the corporate tax rates for the previous fiscal year and the current fiscal year been kept at a low level?

A10: Due to the utilization of tax loss carryforwards arising from the disposal of two Canada projects in FY2021, the nominal tax rate does not correspond to the income tax expense recognized in the profit and loss statement.

Q11: Does the ¥15.6 billion in LNG alternative procurement costs reflect only the price gap between crude oil prices and spot procurement prices? Have you factored in the impact of the overall rise in the JLC level on electricity and gas sales prices?

A11: The ¥15.6 billion reflects only the difference between term and spot procurement prices. We have separately

factored in the increase in electricity and gas earnings linked to JLC resulting from the overall rise in the JLC market, and our forecast for the fiscal year ending March 31, 2027 takes both of these factors into account.

Q12: As you focus on overseas E&P, what is the future direction of your domestic I/U business (gas business in Honshu and renewable energy)?

A12: The business environment such as infrastructure differs between Hokkaido and Honshu. JAPEX does not own a primary LNG terminal for ocean-going carriers in Hokkaido, and given the expected decline in domestic gas production going forward, it was determined that securing stable earnings would be difficult, leading to the decision to sell the facility. In contrast, in Honshu, JAPEX owns its Soma LNG terminal and power plants, and production from domestic oil and gas fields continues. Therefore, we will continue to work on promoting natural gas demand and expanding sales through our energy services and other businesses. Regarding renewable energy, we have determined that offshore wind power is too challenging and will instead strengthen our efforts in the energy storage systems and solar power solutions.

Q13: In domestic I/U business, is it possible that JAPEX will acquire large-scale assets in Honshu?

A13: Regarding natural gas, JAPEX focuses on developing new demand and expanding sales. We are not considering the acquisition of assets in isolated areas not connected to the pipeline network.

Q14: Let us know the overview of the exploratory drilling project off the coast of Hidaka.

A14: This is an exploration project targeting natural gas in offshore waters. Gas was previously discovered through exploratory drilling conducted under the government's basic test drilling project, and we are currently conducting exploratory drilling, funded by both government subsidies and our own funds, to confirm the existence of commercial-scale reserves. If the results are favorable, we will consider additional exploration and the concept of a development plan.

Q15: Please provide the current ROIC and breakdown by segment.

A15: The group-wide ROIC was 5.3% for the fiscal year ended March 31, 2026, and is estimated at 4.9% for the fiscal year ending March 31, 2027. One reason for the decline in the fiscal year ending March 31, 2027 is that while the denominator is expanding in advance due to an increase in borrowings associated with the acquisition of Verdad, it will take time for the acquisition to contribute to profits. We plan to include ROIC in our financial results explanatory materials going forward. However, we believe that disclosure of segment-specific ROIC may lead to misunderstandings if businesses at different stages of development are compared in a straightforward way. Therefore, we would like to consider the appropriate form of disclosure through dialogue with investors.

Cautionary Statement

This document contains future outlooks such as plans, forecasts, strategies, and others which are not historical fact and these are made by the management's judgement based on the obtainable information at the time of the disclosure. Actual results may significantly differ from those future outlooks due to various factors.

This document is not intended to invite investment.

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