

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 Three Months Ended June 30, 2025, to Institutional Investors and Analyst

Date and time: Friday, August 8, 2025, 11:00–12:00 (web conference)

Attendance: 35 attendees (institutional investors and analysts)

Key Questions and Answers:

Q1: What impact will asset replacement in Indonesia and Norway have on results for this fiscal year or the next fiscal year?

A1: With respect to Indonesia, we sold the shares of Energi Mega Pratama Inc. (EMPI) that owns Kangean block and purchased the shares of EMP Gebang (EMPG) that owns Gebang block. The gain on the sale of EMPI shares is expected to be approximately ¥600 million. The contributions to profit and loss for this fiscal year from Gebang block have not been included. As the expenditures for exploration and development are expected to be incurred in the future, there will be impacts on cash flows. Regarding Norway, it is an asset swap. The production and sales are expected to begin around October in this fiscal year, which has currently no significant impact on profit and loss. However, we anticipate an increase in cash flows from investing activities due to the acquisition of property, plant and equipment.

Q2: What impact will the transfer of Japex Energy Co., Ltd. have on results?

A2: Since the transfer process is planned to be completed at the end of December of this year, the absence of Japex Energy will result in decreasing about ¥15 billion in sales for the fourth quarter. There will be almost no impact on profit and loss.

Q3: How is the progress of the acquisition of new interests and operator assets for the U.S. tight oil development project?

A3: When announcing the results for the fiscal year ended March 31, 2025, we indicated the direction to acquire and manage operator assets in U.S. through newly established Peoria Resources LLC. We have continued to engage in activities aimed at acquiring operator assets through Peoria Resources LLC. We have acquired non-operator assets additionally about five times so far, with the production for this fiscal year performing steadily year on year. However, since the production will decline if we only have existing assets, we are also in parallel pursuing the acquisition of non-operator assets that will contribute to revenue early on.

Q4: Why was the full-year results forecast for the U.S. tight oil development project revised upward? In addition, please tell us the production outlook for the next fiscal year and beyond.

A4: It comes down to our having been overly conservative in estimating cost of sales in the plan at the beginning of the year. Tight oil declines rapidly, so we assumed that the production of assets that were acquired in previous fiscal years would decline, but costs would not decrease accordingly. However, costs are also expected to decrease significantly compared with the plan at the beginning of the year. Therefore, we have revised the forecast upward.
We will refrain from providing the production outlook for the next fiscal year and beyond at this time.

Q5: What are the amounts of margin loss on resale of LNG included in the operating profit forecast for Infrastructure & Utility (I/U) and the increase in profit of electricity sales? In addition, please tell us the number of cargos procured.

A5: We procured alternative spot cargos due to concern for the blockade of the Strait of Hormuz in June. However, as the situation has stabilized, we have decided to resell them and have included the expected margin loss on resale in this forecast. In light of its potential impact on future business operations and other factors, we will refrain from answering the margin loss amounts. We will also refrain from answering increase amounts in profit of electricity sales.
The number of alternative cargos procured is one.

Q6: Please tell us the reason why cash flows from investing activities have increased compared with the previous forecast. In addition, please tell us the outlook for medium-term cash flows for the next fiscal year and beyond as well.

A6: Cash flows from investing activities have increased by ¥12.5 billion mainly due to the expenditure for the acquisition of property, plant and equipment in Norway and the expenditure for loans to an equity-method affiliate that owns Gebang block.

With respect to the medium-term cash flows for the next fiscal year and beyond, although we expect to invest in the development for Gebang block and interest in Verdande, Norway, we believe that it will have no significant impact on the policy to proactively invest in planned future new E&P businesses.

Q7: Amid a decline in West Texas Intermediate (WTI), are opportunities to obtain new projects in the E&P business in North America expanding?

A7: It is unlikely that the mergers and acquisitions environment will change overnight. However, WTI is recently on a downward trend. Amid the announcement of downward revision in the global economy due to impact of Trump's tariffs, the possibility of a global decline in oil demand, and the OPEC+ production increases, we hope that the environment will become easier for us to acquire interests at relatively low prices. We are pursuing opportunities for discovering projects while watching medium- to long-term oil price trends closely.

Q8: What are the factors contributing to the ¥500 million increase in the profit outlook for Gulf Coast LNG Holdings LLC (GCLH, the Freeport LNG project) as an equity-method affiliate compared with the previous forecast?

A8: The main factor is the improvement in the operating rate.

At the time of the participation in 2024, we explained that there would be an annual contribution of approximately more than one billion yen in equity method profit. The profit level has stepped up thanks to the improvement in the operating rate, which was difficult for us to appropriately estimate at the time of the acquisition of interests due to the impacts of facility troubles and hurricanes. At the beginning of the fiscal year, we anticipated stable operations and projected ¥2.6 billion in equity method profit. However, after closing the first quarter, we determined that favorable operations could be expected for the full year as well, and therefore revised the forecast upward. Moreover, the project basically generates revenue through liquefaction tolling, but it also sells LNG on a spot basis using excess production capacity. The spot sales can be a factor causing fluctuations, as they are affected by the LNG market.

Q9: Is it possible that the improvement in trade terms, such as the rise in U.S. domestic prices being added to the liquefaction tolling price, is reflected as a factor contributing to GCLH's revenue improvement?

A9: We have no clear recognition at this time. We perceive that liquefaction tolling trade is stable and the situation has not changed significantly.

Q10: Please tell us what impact the biomass fuel sales, a factor in the I/U business's revenue increase, have on results. In addition, we would like to confirm the strategic positioning of the business.

A10: We supply fuel for each of the biomass power plants in Chofu, Ozu, and Tahara, which commenced full-year operations in this fiscal year and the contributions to profit from the biomass fuel sales alone are approximately several hundred million yen. The contributions to total revenue of the biomass power generation business are approximately in the low hundreds of millions of yen, which will remain the same in the future.

In terms of management, we are engaged in efforts aimed at contributions to revenue from fuel supply. It is difficult to pursue high profitability solely by selling the generated electricity. We aim for biomass fuel supply to support the electricity sales business.

Q11: Under the theme for building core assets, please tell us JAPEX's thinking behind asset replacement in Indonesia and Norway.

A11: We have been operating in Kangean block, Indonesia for many years; however, as a result of considering remaining scope for exploration and development, we determined that it would be difficult for us to lead to new contributions to revenue. While reviewing Kangean block, we reached an agreement with Energi Mega Persada Tbk. (EMP) to replace them with Gebang block. We determined that Gebang block would lead to new contributions to profit since we possess some knowledge due to previously owning assets in the same area.

In Norway, due to the high tax rate, it is difficult to expect high profit solely by acquiring assets at the production stage. In order to improve the overall economics of the portfolio, we make use of a tax system that enables immediate amortization of expenditures for exploration and development by combining exploration-type and development-type assets. Although the exploratory drilling in assets held was successful this time, it will take some time before the investment returns will begin. Accordingly, we replaced them with assets that will early contribute to revenue. Going forward, we aim to enhance the overall value of the Norway business by newly discovering exploration-type and development-type projects as well.

Q12: From the perspective of improving ROE and ROIC, please tell us the positioning of the electric power business in the I/U field.

A12: At the time of the announcement of the 2022 Medium-term Business Plan, we expected the participation in offshore wind power generation and the contributions to profit. However, since the business environment has become highly competitive, we are currently taking a wait-and-see approach. As the next step in the electric power business, we have started operation of the Mihama battery energy storage system. We aim to assume a role of an aggregator of trading in the market across the capacity market, the supply and demand adjustment market, etc. in addition to electricity sales. We perceive that the level of the Green Transformation - Emissions Trading Scheme (GX-ETS), is currently under discussion by the government. However, we believe that if the environmental value of renewable energy increases in the

future, significant contributions to ROE can be fully expected and intend to continue our efforts.

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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