



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

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Impact of the Escalating Tensions in the Middle East on JAPEX's Performance

Japan Petroleum Exploration Co., Ltd. (JAPEX) announces the impact on its business performance resulting from the escalating tensions in the Middle East.

JAPEX procures LNG (liquefied natural gas) through term contracts and other arrangements to serve as feedstock for natural gas supply and as fuel for power generation at the Fukushima Natural Gas Power Plant. Currently, due to the ongoing de facto blockade of the Strait of Hormuz, JAPEX has purchased substitute cargoes on a spot basis from other production areas for two LNG cargoes originally scheduled to be procured from the Persian Gulf in the first quarter of fiscal year 2026. As a result, the procurement cost of LNG concerned is expected to rise significantly compared to levels prior to the escalation of tensions in the Middle East.

As from the supplier perspective, there are no concerns that the natural gas or electricity supply will be disrupted, as JAPEX is implementing the aforementioned alternative procurement measures.

Furthermore, JAPEX is participating in Garraf oil field in southern Iraq (hereinafter "Iraq") through its consolidated subsidiary, Japex Garraf Ltd. At the oil field, we are advancing operations jointly with the operator, PETRONAS Carigali Iraq Holding B.V. (a subsidiary of PETRONAS).

Currently, production and shipments at Garraf oil field have been suspended following a force majeure declaration by the Iraqi government, and there is no prospect of resumption. Consequently, we cannot anticipate revenue from the project.

While rising crude oil prices and the weakening of the yen, driven by the escalating tensions in the Middle East, are factors contributing to increased revenue and profits, higher costs from unplanned spot purchases of LNG and the suspension of production operations at the Garaf oil field could lead to a significant decline in profits. In addition, the supply and demand balance for chemical products used in the production operations of domestic oil and gas fields is tight; if this situation persists, it will drive up operating costs. JAPEX is currently analyzing the specific financial impact of these factors and plans to incorporate an estimated impact, based on certain assumptions regarding future developments, into our earnings forecast for the fiscal year ending March 2027, which will be announced on May 13. The impact on financial results for the fiscal year ended March 2026 will be minimal.

JAPEX will continue to closely monitor developments on the ground and make every effort to ensure a stable energy supply.

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