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, 2026
to Institutional Investors and Analysts

Date and time: Friday, August 7, 2026, 11:00–11:45 (web conference)

Attendance: 54 attendees (institutional investors and analysts)

Key Questions and Answers:

**Q1:** What was the rationale behind the acquisition of Fundare, and what impact will the acquisition have on the balance sheet, income statement, and cash flows?

**A1:** We established Peoria by engaging two experts to explore potential business opportunities in the United States, and acquired the Verdad assets in February 2026. Fundare's assets are located in close proximity to the Verdad leasehold acreage in the DJ Basin in Colorado. We therefore decided to acquire Fundare in anticipation of synergies between the two companies.

In terms of the impact on the income statement, our financial forecasts for the fiscal year ending March 31, 2027 incorporate an operating profit contribution of approximately ¥1 billion or more. The impact on the balance sheet has yet to be determined, as we are currently discussing with our local auditor whether the transaction should be accounted for as an asset acquisition or a business combination. In terms of cash flows, we expect to record an outflow of ¥48.0 billion under "Purchase of shares of subsidiaries resulting in change in scope of consolidation" in cash flows from investing activities.

**Q2:** You have provided the forecast that Fundare will contribute approximately ¥15.0 billion to operating profit in the fiscal year ending March 31, 2028. What are your price assumptions for crude oil, how do you plan to increase production from the current level of approximately 9,500 boed, and how will the resulting free cash flow be used?

**A2:** The estimate assumes a crude oil price in the mid-$60s per barrel. Although we expect Fundare's current production to trend downward, we intend to increase production by formulating a development plan that combines the Fundare assets with the Verdad assets acquired in February 2026. We plan to present specific plans, including quantitative details, when we announce our second-quarter financial results.

We plan to fund the acquisition using Peoria's cash on hand and additional borrowings under its reserve-based lending (RBL) facility, without any equity injection from JAPEX or Japex (U.S.) Corp. (JUS). While the combined development plan for the Verdad and Fundare assets has yet to be formulated, we expect to achieve growth by developing underdeveloped areas. We believe that an operating profit contribution of approximately ¥15.0 billion is fully achievable through measures such as the efficient, integrated development of the Fundare and Verdad assets. Cash flows generated from existing wells and additional development wells will be distributed as dividends to Peoria's shareholders after being used to repay borrowings under the RBL facility.

**Q3:** Was the revision to the financial forecasts resulting from higher LNG procurement costs in Infrastructure & Utility (I/U) based on actual results to date, or does it reflect an anticipated increase in costs going forward? Also, has there been any change in the expected number of alternative LNG cargoes to be procured for the full year, currently set at three?

**A3:** We see two factors behind the increase in procurement costs: the alternative procurement of cargoes from sources other than the Middle East and higher costs for LNG purchased under term contracts. Our estimate of the additional costs arising from alternative procurement, which was ¥15.6 billion in our initial forecast, remains unchanged.

Meanwhile, the cost of LNG purchased under term contracts increased because Brent crude oil prices exceeded $140 per barrel in April and remained high throughout the first quarter, and because we raised our oil price assumption for the second quarter. As a result, we revised down our operating profit forecast for the I/U business by ¥1.0 billion from the previous forecast. Of the three cargoes assumed in our initial forecast—two in the first half and one in the second half—the procurement of the second cargo scheduled for the first half was delayed until July, resulting in a timing difference. However, our full-year assumption regarding alternative procurement remains unchanged.

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| Q4: | What led to the recognition of a loss on valuation of LNG derivatives, and what impact will it have on the full-year results? Also, given the recent renewed rise in JKM prices, why do the revised financial forecasts not incorporate any recovery in the valuation of the derivatives? |
| A4: | A "book-out transaction," in which an LNG cargo purchased under a term contract is sold back to the seller at the spot price, is treated as a derivative transaction for accounting purposes. The price differential must therefore be remeasured at the end of each quarter. In the book-out transaction in question, LNG was purchased at a crude oil-linked price and sold back at the spot price. Spot prices surged at the end of March, resulting in a valuation gain of ¥4.5 billion as of March 31. By June 30, the valuation gain had decreased to ¥3.0 billion. We therefore recognized the ¥1.5 billion difference as a loss on valuation of derivatives in non-operating expenses.<br><br>The revised financial forecasts assume that the valuation remains at its actual level as of the end of June. Because the LNG book-out transaction is scheduled to be settled in the next fiscal year, valuation gains or losses will continue to arise at the end of each quarter during the current fiscal year. However, because the revised forecasts assume that the valuation as of June 30 remains unchanged, they do not incorporate the impact of the recent renewed rise in JKM prices. |

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| Q5: | How did you determine the scale of the planned sale of investment securities? Is the partial sale related to funding the acquisition of Fundare? |
| A5: | The sale is not intended to fund the acquisition of Fundare. Rather, its purpose is to secure funds in a flexible and timely manner for various investment projects currently under consideration. As the sale has yet to be executed, we would like to refrain from commenting on the details. |

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| Q6: | What is the current status of the Garraf oil field? |
| A6: | Operations at the Garraf oil field have resumed intermittently and on a partial basis. However, safe navigation through the Strait of Hormuz has not been secured, and conditions do not yet permit crude oil shipments. At least for the current fiscal year, we do not expect Japex Garraf to make any crude oil shipments throughout the year. This assumption remains unchanged from our initial forecast. |



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