



Consolidated Financial Results for the Three Months Ended June 30, 2020 (Based on Japanese GAAP)

* Please note this document is a translation of the original Japanese document "Financial Results for the Three Months Ended June 30, 2020 (Kessan Tanshin)" and is only for reference purposes. In the event of any discrepancy between this translated document and the original Japanese document, the latter shall prevail.

August 7, 2020

Company Name	erex Co.,Ltd.	Listing Market TSE
Stock Code	9517	URL https://www.erex.co.jp/en/ir/
Representative Director	(Title) Representative Director and President	(Name) Hitoshi Honna
Contact	(Title) Executive Director	(Name) Kuniharu Takemata TEL +81-3-3243-1167
Scheduled Date to File Securities Report	August 14, 2020	Scheduled Date to Start Dividend Payment -
Preparation of Supplementary Material on Financial Results:	Yes	
Holding of Financial Results Meeting:	No	

(Rounded down to the nearest million Japanese Yen)

1. Consolidated Financial Results for the Three Months Ended June 30, 2020 (April 1, 2020 – June 30, 2020)

(1) Consolidated Operating Results (Cumulative) (% shows year-over-year changes)

	Net Sales		Operating Income		Ordinary Income		Net Income Attributable to Owners of Parent	
	JPY million	%	JPY million	%	JPY million	%	JPY million	%
Three Months Ended								
June 30, 2020	18,589	16.5	1,271	△34.0	1,056	△42.1	513	△60.5
June 30, 2019	15,956	27.7	1,926	61.5	1,825	62.4	1,298	80.8

(*Note)	3 months ended Jun 30, 2020	781	JPY million	(△4.0%)	3 months ended Jun 30, 2019	814	JPY million	(△59.2%)
---------	-----------------------------	-----	-------------	---------	-----------------------------	-----	-------------	----------

	EPS	Diluted EPS
Three Months Ended	JPY	JPY
June 30, 2020	10.08	10.04
June 30, 2019	25.63	25.46

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio
	JPY million	JPY million	%
June 30, 2020	108,468	33,327	23.8
March 31, 2020	104,780	34,262	25.0

(*Reference)	June 30, 2020	25,869	JPY million	March 31, 2020	26,144	JPY million
--------------	---------------	--------	-------------	----------------	--------	-------------

2. Dividend

	Annual Dividend				
	1Q	2Q	3Q	4Q	Total
Fiscal Year Ended March 31, 2020	JPY	JPY	JPY	JPY	JPY
Fiscal Year Ending March 31, 2020	—	0.00	—	18.00	18.00
Fiscal Year Ending March 31, 2021 (Forecast)	—	0.00	—	18.00	18.00

(*Note) Changes from the most recently announced dividend forecasts: None

3. Financial Forecasts for Fiscal Year Ending March 31, 2021 (April 1, 2020 – March 31, 2021)

(% shows year-over-year changes)

	Net Sales		Operating Income		Ordinary Income		Net Income Attributable to Owners of Parent		EPS
	JPY million	%	JPY million	%	JPY million	%	JPY million	%	JPY
Full Year	95,880	8.2	8,311	△10.1	8,462	△3.4	5,083	12.6	99.92

(*Note 1) Changes from the most recently announced financial forecasts: None

(*Note 2) Interim financial forecasts are not provided because financials are internally managed on an annual basis. For details, please see "1. Qualitative Information for the Three Months Ended Jun 30, 2020, (3) Forward Looking Statements including financial forecasts" on page 3 of the appendix.

(*Notes)

(1) Changes in important subsidiaries during the three months ended June 30, 2020 (changes in specified subsidiaries resulting in the change in the scope of consolidation): No

(2) Application of special accounting methods for preparing quarterly consolidated financial statements: No

(3) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements

1) Changes in accounting policies due to amendments to accounting standards and other regulations: No

2) Changes in accounting policies due to reasons other than 1) above: No

3) Changes in accounting estimates: No

4) Restatement of prior period financial statements: No

(4) The Number of Issued and Outstanding Shares (Common Shares)

① Number of Issued and Outstanding Shares (Including Treasury Stocks) at the End of Period	As of June 30, 2020	51,070,200 shares	As of March 31, 2020	51,043,200 shares
② Number of Treasury Stocks at the End of Period	As of June 30, 2020	173,602 shares	As of March 31, 2020	173,602 shares
③ Average Number of Shares during the Period	3 Months ended June 30, 2020	50,886,598 shares	3 Months ended June 30, 2019	50,649,585 shares

* This document (Quarterly Kessan Tanshin) is not subject to the audit procedures by certified public accountants or audit firms.

* Explanations regarding the appropriate use of financial forecasts and other special instructions

(Cautions regarding forward looking statements)

Forward looking statements included in this document, including financial forecasts, are based on information that is currently available to management of erex and certain assumptions that are judged to be reasonable, and are not intended to guarantee the achievement of these financial forecasts. Actual results may be significantly different from these financial forecasts due to various factors.

(Supplementary Materials)

Supplementary materials will be posted on the website of erex (<https://www.erex.co.jp/ir/>) on the same day.

Table of Contents of the Appendix

1. Qualitative Information for the 3 Months Ended June 30, 2020	2
(1) Explanations on the Operating Results	2
(2) Explanations on the Financial Position	2
(3) Explanations on the Forward Looking Statements including Financial Forecasts	3
2. Consolidated Quarterly Financial Statements and Important Notes	4
(1) Consolidated Balance Sheet	4
(2) Consolidated Income Statement and Consolidated Comprehensive Income Statement	6
Consolidated Income Statement	6
Consolidated Comprehensive Income Statement	7
(3) Notes to the Consolidated Financial Statements	8
(Notes Related to Going Concern Assumptions)	8
(Notes in Case of Significant Changes in Shareholders' Equity)	8

1. Qualitative Information for the 3 Months Ended June 30, 2020

(1) Explanations on the Operating Results

During the first quarter of the fiscal year under review (3 months ended June 30, 2020), the Japanese economy faced a difficult situation due to the global spread of the new coronavirus infection, which greatly restricted social and economic activities in Japan and overseas. Although economic activities are resuming after the lifting of the state of emergency, there are concerns about the arrival of the second wave of new coronavirus infections, and the future of the economy remains uncertain.

In the electric power industry, the impact of the new coronavirus infection has had a significant impact on social and production activities, with a significant drop in the price of crude oil and other resources, a decline in production activities, and a decrease in demand for electric power due to low temperatures across the country, which has resulted in low power prices on the JEPX.

In the electric power retail sales business, despite the impact of the spread of the new coronavirus, electric power sales volume was 634 GWh (+11.6% YoY) due to steady sales activities and other factors. In the high-voltage sector, unit sales prices continued to fall as the competitive environment and fuel adjustment costs continued to affect the business. On the other hand, despite a slowdown in demand growth, electric power sales volume increased to approximately 462 million kWh (+11.5% YoY) as a result of measures such as strengthening sales to customers with large consumption and direct sales. In the low-voltage sector, electric power sales volume increased to 172 million kWh (+11.6% YoY) and the number of electric power customer facilities increased to 151,000 (+15,000 YoY), due mainly to the development of services using LINE and other services and the expansion of city gas supply areas.

Tosa and Saiki power plants are now operating without any trouble after periodic repairs and equipment inspections. Buzen biomass power plant has undergone a periodic equipment inspection and initial trouble response. The plant is now operating without any trouble. The construction of Okinawa Uruma Biomass Power Plant is now well underway, with the plant scheduled to start commercial operations in 2021. Preparatory work for erex Group's first overseas project, the Cambodian hydroelectric power project, has started. Preparations are currently underway for the main body of the project.

In the fuel business, erex Group is building a stable and low-cost supply system for fuel, mainly PKS (palm kernel shells), through a combination of in-house procurement by a JV in Malaysia and others and procurement from trading companies.

In the power trading business, erex Group has increased the percentage of transactions in the market as compared to the initial plan to reduce the cost of power procurement sources, as prices on JEPX has remained low, while maintaining a stable power procurement as a base.

Selling, general and administrative (SG&A) expenses increased by 20.1% YoY due to an increase in sales promotion and other expenses associated with strengthened sales activities and electric power sales volume increase, despite group-wide cost reduction efforts.

As a result of the above, consolidated net sales were JPY18,589 million (+16.5% YoY), consolidated operating income was JPY1,271 million (-34.0% YoY), consolidated ordinary income was JPY1,056 million (-42.1% YoY), and net income attributable to owners of parent was JPY513 million (-60.5% YoY) during the three months ended June 30, 2020 (1st quarter of FY March 2021).

(2) Explanations on the Financial Position

(Assets)

Current assets as of June 30, 2020 increased by JPY1,343 million as compared to March 31, 2020 to JPY37,630 million. This was due mainly to increase in accounts receivable (trade) and accounts receivable (other than trade). Noncurrent assets as of June 30, 2020 increased by JPY2,345 million as compared to March 31, 2020 to JPY70,838 million. This was due mainly to increase in goodwill as a result of acquiring XOOM Energy Japan LLC.

As a result, total assets as of June 30, 2020 increased by JPY3,688 million as compared to March 31, 2020 to JPY108,468 million.

(Liabilities)

Current liabilities as of June 30, 2020 increased by JPY3,570 million as compared to March 31, 2020 to JPY29,435 million. This was due mainly to decrease in short-term loans payable. Noncurrent liabilities as of June 30, 2020 increased by JPY1,052 million as compared to March 31, 2020 to JPY45,706 million. This was due mainly to increase in long-term loans payable.

As a result of the above, total liabilities as of June 30, 2020 increased by JPY4,623 million as compared to March 31, 2020 to JPY75,141 million.

(Net Assets)

Net assets as of June 30, 2020 decreased by JPY935 million as compared to March 31, 2020 to JPY33,327 million. This was due mainly to decrease in retained earnings due to dividend payment.

As a result, capital-to-asset ratio as of June 30, 2020 was 23.8%.

(3) Forward Looking Statements including Consolidated Financial Forecasts

There is no change to the financial forecasts that were announced in "Financial Results for FY Ended March 31, 2020 (Kessan Tanshin)" dated May 13, 2020. The financial forecasts that were announced on May 13, 2020 are based on the information available to erex Group at the time of the announcement, and include uncertainties. Actual results may be different from these financial forecasts due to various factors.

2. Consolidated Quarterly Financial Statements and Important Notes

(1) Consolidated Balance Sheet.

	(JPY Million)	
	March 31, 2020	June 30, 2020
Assets		
Current Assets		
Cash and Deposits	16,236	15,711
Accounts Receivable/Trade	9,134	11,469
Materials and Supplies	1,208	1,751
Accrued Revenue	5,798	6,171
Consumption Taxes Receivable	2,335	202
Others	1,572	2,451
Allowance for Doubtful Accounts	-	△127
Total Current Assets	36,287	37,630
Noncurrent Assets		
Property, Plant and Equipment		
Buildings and Structures (Net)	6,956	6,854
Machinery and Delivery Equipment (Net)	36,281	35,613
Land	747	747
Construction in Progress	11,729	11,743
Others (Net)	138	124
Total Property, Plant and Equipment (Net)	55,853	55,084
Intangible Assets		
Goodwill	-	2,302
Others	1,874	1,916
Total Intangible Assets	1,874	4,218
Investments and Other Assets		
Investment Securities	1,673	1,766
Affiliated Companies' Shares	1,599	1,881
Deferred Tax Assets	690	705
Long-Term Prepaid Expenses	2,089	2,459
Lease and Guarantee Deposits	597	642
Derivative Accounts Receivable	3,872	4,043
Others	412	193
Allowance for Doubtful Accounts	△170	△157
Total Investments and Other Assets	10,765	11,534
Total Noncurrent Assets	68,493	70,838
Total Assets	104,780	108,468

(JPY Million)

	March 31, 2020	June 30, 2020
Liabilities		
Current Liabilities		
Accounts Payable/Trade	6,189	5,110
Short-Term Loans Payable	5,430	10,400
Current Portion of Long-Term Loans Payable	7,506	7,299
Accounts Payable/Other than Trade	2,746	3,893
Income Taxes Payable	2,371	523
Provision for Bonuses	111	62
Others	1,508	2,145
Total Current Liabilities	25,864	29,435
Noncurrent Liabilities		
Long-Term Loans Payable	38,398	39,190
Retirement Benefit Liabilities	72	77
Asset Retirement Obligation	3,990	3,993
Deferred Tax Liabilities	1,093	1,353
Provision for Directors' Compensation BIP Trust	116	126
Derivative Liabilities	712	703
Others	271	261
Total Noncurrent Liabilities	44,653	45,706
Total Liabilities	70,517	75,141
Net Assets		
Shareholders' Equity		
Capital Stock	5,211	5,214
Capital Surplus	4,486	4,489
Retained Earnings	14,615	14,209
Treasury Stock	△155	△155
Total Shareholders' Equity	24,158	23,758
Accumulated Other Comprehensive Income		
Valuation difference on available-for-sale securities	△421	△491
Deferred Hedge Gain/Loss	2,395	2,626
Foreign Currency Translation Adjustments	12	△23
Total Accumulated Other Comprehensive Income	1,986	2,111
Non-Controlling Shareholders' Interest	8,117	7,457
Total Net Assets	34,262	33,327
Total Liabilities and Net Assets	104,780	108,468

(2) Consolidated Income Statement and Consolidated Comprehensive Income Statement

(Consolidated Income Statement)

(JPY Million)

	Three Months Ended June 30, 2019	Three Months Ended June 30, 2020
Net Revenues	15,956	18,589
Cost of Sales	12,632	15,639
Gross Profit	3,324	2,949
Selling, General, and Administrative Expenses	1,397	1,678
Operating Income	1,926	1,271
Non-Operating Income		
Interest Income	6	2
Dividend Income	7	17
Others	2	7
Total Non-Operating Income	16	27
Non-Operating Expenses		
Interest Expense	66	135
Commission Expense	23	14
Derivative Loss	-	64
Equity Method	22	3
Others	5	23
Total Non-Operating Expenses	118	242
Ordinary Income	1,825	1,056
Income before Income Taxes	1,825	1,056
Income Taxes	549	419
Income Taxes Deferred	6	△23
Total Income Taxes	556	395
Net Income	1,268	660
Net Income Attributable to Non-Controlling Shareholders	△29	147
Net Income Attributable to owners of Parent	1,298	513

(Consolidated Comprehensive Income Statement)

(JPY Million)

	Three Months Ended June 30, 2019	Three Months Ended June 30, 2020
Net Income	1,268	660
Other Comprehensive Income		
Valuation difference on available-for-sale securities	△178	△70
Deferred hedge gains/losses	△255	233
Foreign currency translation adjustments	△22	△38
Share of other comprehensive income of associates accounted for using equity method	1	△3
Total Other Comprehensive Income	△454	121
Comprehensive income	814	781
(Breakdown)		
Comprehensive income attributable to owners of parent	875	637
Comprehensive income attributable to non-controlling interests	△61	144

(3) Notes to the Consolidated Financial Statements

(Notes Related to Going Concern Assumptions)

N/A

(Notes in Case of Significant Changes in Shareholders' Equity)

N/A