



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

* Please note this document is a translation of the original Japanese document “Financial Results for the Six Months Ended September 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.

November 11, 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	November 13, 2020	Scheduled Date to Start Dividend Payment -
Preparation of Supplementary Material on Financial Results:	Yes	
Holding of Financial Results Meeting:	Yes (for Institutional Investors and analysts)	

(Rounded down to the nearest million Japanese Yen)

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

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

Six Months Ended	Net Sales		Operating Income		Ordinary Income		Net Income Attributable to Owners of Parent	
	JPY million	%	JPY million	%	JPY million	%	JPY million	%
September 30, 2020	47,314	14.0	4,722	△15.0	4,620	△13.9	2,680	△12.4
September 30, 2019	41,489	34.6	5,554	200.5	5,366	224.6	3,058	234.1

(*Note)	6 months ended Sep 30, 2020	2,957	JPY million	(△33.4%)	6 months ended Sep 30, 2019	4,438	JPY million	(41.2%)
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Six Months Ended	EPS	Diluted EPS
	JPY	JPY
September 30, 2020	52.65	52.42
September 30, 2019	60.36	59.96

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio
	JPY million	JPY million	%
September 30, 2020	108,879	35,536	25.0
March 31, 2020	104,780	34,262	25.0

(*Reference)	September 30, 2020	27,222	JPY million	March 31, 2020	26,144	JPY million
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2. Dividend

	Annual Dividend				
	1Q	2Q	3Q	4Q	Total
	JPY	JPY	JPY	JPY	JPY
Fiscal Year Ended March 31, 2020	—	—	—	18.00	18.00
Fiscal Year Ending March 31, 2021	—	0.00	—	—	—
Fiscal Year Ending March 31, 2021 (Forecast)	—	—	—	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) As erex Group manages its operations on an annual basis, consolidated financial forecasts for the nine months ending December 31, 2020 have been omitted. For details, please refer to "1. Qualitative Information for the Six Months Ended September 30, 2020, (3) Explanations on the Forward Looking Statements including Financial Forecasts" on page 3 of the attached documents.

(*Notes)

(1) Changes in important subsidiaries during the six months ended September 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 September 30, 2020	51,094,200 shares	As of March 31, 2020	51,043,200 shares
② Number of Treasury Stocks at the End of Period	As of September 30, 2020	175,037 shares	As of March 31, 2020	173,602 shares
③ Average Number of Shares during the Period	6 Months ended September 30, 2020	50,903,347 shares	6 Months ended September 30, 2019	50,673,491 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.

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1. Qualitative Information for the Six Months Ended September 30, 2020

(1) Explanations on the Operating Results

During the six months ended September 30, 2020, the Japanese economy deteriorated rapidly due to the impact of the global spread of the new coronavirus infection, and the situation continues to this day.

In the electric power industry, demand for electric power, mainly for ultra-high-voltage and high-voltage power, has been declining in line with the contraction of economic activities. On the policy front, revisions to the Basic Energy Plan have started in light of the shift to renewable energy as the main power source, and erex Group believes that a more proactive approach to renewable energy will be required to be taken for the early realization of a low-carbon society.

Under these circumstances, erex Group has been working on the integrated electric power business from fuel business to power generation and power retail business with renewable energy as the core, and is focusing on measures to secure profits in each business field. In September of this year, erex Group raised funds for the development of a mega non-FIT biomass power plant and other projects in order to advance to the next stage of growth by issuing stock acquisition rights through a third-party allotment. erex Group will continue to steadily expand its business in the future.

In the electric power retail business, as mentioned above, overall demand for electric power is declining, but erex Group sold 1,566 GWh of power, up 20.3% from the same period of the previous year, through marketing efforts centered on Evergreen Marketing. In the high-voltage segment, despite the challenging environment due to falling resource prices and increased competition, erex Group's power sales volume increased 1,109 GWh, up 18.0% from the same period of the previous year, due to the expansion of the customer base with high demand and the expansion of services such as CO₂-free plans. In the low-voltage sector, power sales volume increased to 456 GWh, up 26.4% from the same period of the previous year, and the number of customers increased to approximately 209,000 (an increase of approximately 70,000 customers as compared to the same period of the previous year), mainly due to an expansion of the customer base by integrating high-voltage and low-voltage and strengthening sales activities, as well as an increase in power sales volume of T'dash (formerly Xoom Energy Japan), which was acquired through an M&A in June this year and Okinawa Gas New Power.

In the power generation business, Tosa and Saiki power plants, as well as Buzen and Ofunato power plants, which started operations in January this year, are operating steadily. Construction work of Okinawa Uruma biomass power plant is progressing as planned with a view to starting commercial operations in 2021. In addition, preparatory work for the Cambodian hydropower project, erex Group's first overseas project, has started, which is scheduled to start commercial operations in 2023.

In the fuel business, erex Group has been establishing and expanding a stable and low-cost procurement system for fuels, mainly palm kernel shells (PKS), through a combination of in-house procurement by a Malaysian JV and other companies and procurement from trading companies. In addition, erex Group will develop new procurement sources in Southeast Asia and Russia mainly for future non-FIT mega biomass power plants.

In the electric power trading business, erex Group is working to reduce costs by increasing the percentage of power procurement from JEPX as JEPX prices remained low, while maintaining a stable power procurement as a base.

With regard to SG&A expenses, erex Group will continue to improve its operations and control costs that are on the rise.

As a result of the above, consolidated net sales were JPY47,314 million (up JPY5,825 million YoY), cost of sales was JPY38,877 million (up JPY5,901 million YoY), gross profit was JPY8,436 million (down JPY75 million YoY), SG&A expenses were JPY3,714 million (up JPY755 million YoY), operating income was JPY4,722 million (down 15.0% YoY), ordinary income was JPY4,620 million (down 13.9% YoY), and net income attributable to owners of parent was JPY2,680 million (down 12.4% YoY) during the six months ended September 30, 2020 (1st and 2nd quarters of FY March 2021).

(2) Explanations on the Financial Position

(Assets)

Current assets as of September 30, 2020 increased by JPY2,886 million as compared to March 31, 2020 to JPY39,173 million. This was due mainly to an increase in cash and deposits, and accounts receivable / trade. Noncurrent assets as of September 30, 2020 increased by JPY1,212 million as compared to March 31, 2020 to JPY69,705 million. This was due mainly to an increase in goodwill as a result of the acquisition of T'dash LLC.

As a result, total assets as of September 30, 2020 increased by JPY4,098 million as compared to March 31, 2020 to JPY108,879 million.

(Liabilities)

Current liabilities as of September 30, 2020 increased by JPY1,702 million as compared to March 31, 2020 to JPY27,566 million. This was due mainly to an increase in short-term loans payable. Noncurrent liabilities as of September 30, 2020 increased by JPY1,122 million as compared to March 31, 2020 to JPY45,775 million. This was due mainly to an increase in long-term loans payable.

As a result of the above, total liabilities as of September 30, 2020 increased by JPY2,824 million as compared to March 31, 2020 to JPY73,342 million.

(Net Assets)

Net assets as of September 30, 2020 increased by JPY1,274 million as compared to March 31, 2020 to JPY35,536 million. This was due mainly to an increase in retained earnings.

As a result, capital-to-asset ratio as of September 30, 2020 was 25.0%.

(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. Quarterly Consolidated Financial Statements and Important Notes

(1) Quarterly Consolidated Balance Sheet.

	(JPY Million)	
	March 31, 2020	September 30, 2020
Assets		
Current Assets		
Cash and Deposits	16,236	17,877
Accounts Receivable/Trade	9,134	11,390
Materials and Supplies	1,208	1,197
Accrued Revenue	5,798	6,398
Consumption Taxes Receivable	2,335	506
Others	1,572	1,941
Allowance for Doubtful Accounts	-	△137
Total Current Assets	36,287	39,173
Noncurrent Assets		
Property, Plant and Equipment		
Buildings and Structures (Net)	6,956	6,758
Machinery and Delivery Equipment (Net)	36,281	35,125
Land	747	747
Construction in Progress	11,729	12,025
Others (Net)	138	121
Total Property, Plant and Equipment (Net)	55,853	54,778
Intangible Assets		
Goodwill	-	2,266
Others	1,874	1,842
Total Intangible Assets	1,874	4,108
Investments and Other Assets		
Investment Securities	1,673	1,825
Affiliated Companies' Shares	1,599	1,981
Deferred Tax Assets	690	685
Long-Term Prepaid Expenses	2,089	2,472
Lease and Guarantee Deposits	597	619
Derivative Accounts Receivable	3,872	3,197
Others	412	167
Allowance for Doubtful Accounts	△170	△131
Total Investments and Other Assets	10,765	10,818
Total Noncurrent Assets	68,493	69,705
Total Assets	104,780	108,879

(JPY Million)

	March 31, 2020	September 30, 2020
Liabilities		
Current Liabilities		
Accounts Payable/Trade	6,189	7,569
Short-Term Loans Payable	5,430	8,400
Current Portion of Long-Term Loans Payable	7,506	6,141
Accounts Payable/Other than Trade	2,746	2,949
Income Taxes Payable	2,371	1,352
Provision for Bonuses	111	124
Others	1,508	1,028
Total Current Liabilities	25,864	27,566
Noncurrent Liabilities		
Long-Term Loans Payable	38,398	39,403
Retirement Benefit Liabilities	72	118
Asset Retirement Obligation	3,990	3,996
Deferred Tax Liabilities	1,093	1,136
Provision for Directors' Compensation BIP Trust	116	136
Derivative Liabilities	712	722
Others	271	261
Total Noncurrent Liabilities	44,653	45,775
Total Liabilities	70,517	73,342
Net Assets		
Shareholders' Equity		
Capital Stock	5,211	5,217
Capital Surplus	4,486	4,213
Retained Earnings	14,615	16,293
Treasury Stock	△155	△155
Total Shareholders' Equity	24,158	25,569
Accumulated Other Comprehensive Income		
Valuation difference on available-for-sale securities	△421	△432
Deferred Hedge Gain/Loss	2,395	2,107
Foreign Currency Translation Adjustments	12	△51
Total Accumulated Other Comprehensive Income	1,986	1,624
Stock Acquisition Rights	-	28
Non-Controlling Shareholders' Interest	8,117	8,314
Total Net Assets	34,262	35,536
Total Liabilities and Net Assets	104,780	108,879

(2) Quarterly Consolidated Income Statement and Quarterly Consolidated Comprehensive Income Statement

(Quarterly Consolidated Income Statement)

	(JPY Million)	
	Six Months Ended September 30, 2019	Six Months Ended September 30, 2020
Net Revenues	41,189	47,314
Cost of Sales	32,976	38,877
Gross Profit	8,512	8,436
Selling, General, and Administrative Expenses	2,958	3,714
Operating Income	5,554	4,722
Non-Operating Income		
Interest Income	14	4
Dividend Income	8	19
Equity Method	-	87
Gain on Sales of Investment Securities	19	-
Derivative Valuation Gain	-	95
Miscellaneous Income	2	31
Others	4	8
Total Non-Operating Income	49	246
Non-Operating Expenses		
Interest Expense	136	271
Equity Method	48	-
Commission Expense	46	23
Foreign Exchange Loss	3	43
Others	2	9
Total Non-Operating Expenses	237	348
Ordinary Income	5,366	4,620
Income before Income Taxes	5,366	4,620
Income Taxes	1,646	1,297
Income Taxes Deferred	△20	△2
Total Income Taxes	1,626	1,295
Net Income	3,740	3,325
Net Income Attributable to Non-Controlling Shareholders	681	645
Net Income Attributable to owners of Parent	3,058	2,680

(Quarterly Consolidated Comprehensive Income Statement)

(JPY Million)

	Six Months Ended September 30, 2019	Six Months Ended September 30, 2020
Net Income	3,740	3,325
Other Comprehensive Income		
Valuation difference on available-for-sale securities	△98	△10
Deferred hedge gains/losses	808	△289
Foreign currency translation adjustments	△12	△58
Share of other comprehensive income of associates accounted for using equity method	0	△9
Total Other Comprehensive Income	698	△368
Comprehensive income	4,438	2,957
(Breakdown)		
Comprehensive income attributable to owners of parent	3,784	2,318
Comprehensive income attributable to non-controlling interests	654	639

(3) Quarterly Consolidated Cashflow Statement

(JPY million)

	Six Months Ended September 30, 2019	Six Months Ended September 30, 2020
Cashflow from Operating Activities		
Income before Income Taxes	5,366	4,620
Depreciation	893	1,933
Amortization of Goodwill	-	49
Increase (ΔDecrease) in Provision for Bonuses	18	13
Increase (ΔDecrease) in Retirement Benefit Liabilities	16	46
Interest Income and Dividend Income	Δ22	Δ23
Interest Expenses	136	271
Decrease (ΔIncrease) in Accounts Receivable	Δ3,334	Δ1,542
Decrease (ΔIncrease) in Inventory	Δ883	71
Increase (ΔDecrease) in Accounts Payable	208	941
Decrease (ΔIncrease) in Consumption Tax Receivable	50	2,067
Increase (ΔDecrease) in Consumption Tax Payable	244	Δ254
Decrease (ΔIncrease) in Accrued Revenue	161	Δ597
Increase (ΔDecrease) in Accrued Expenses	Δ225	Δ76
Others	Δ15	Δ300
Sub-Total	2,613	7,221
Interest and Dividend Received	24	25
Interest Paid	Δ137	Δ268
Income Taxes Paid	Δ739	Δ2,169
Cashflow from Operating Activities	1,762	4,809
Cashflow from Investing Activities		
Payment for Acquisition of PP&E	Δ1,252	Δ565
Payment for Acquisition of Intangible Assets	Δ186	Δ110
Payment for Acquisition of Investment Securities	Δ249	-
Collection of Lease and Guarantee Deposits	Δ59	11
Payments of Loans Receivable	-	Δ648
Purchase of Shares of Affiliated Companies	-	Δ317
Purchase of Shares of Subsidiaries Resulting in Change in Scope of Consolidation	-	Δ2,400
Others	17	1
Cashflow from Investing Activities	Δ1,730	Δ4,030
Cashflow from Financing Activities		
Repayment of Leasehold Obligations	Δ12	Δ7
Proceeds from Short Term Loans Payable	-	2,970
Proceeds from Long Term Loans Payable	11,928	4,230
Repayment of Long Term Loans Payable	Δ994	Δ4,589
Dividend Payment	Δ609	Δ1,001
Dividend Payment to Non-Controlling Shareholders	-	Δ730
Proceeds from Issuance of New Shares	13	11
Proceeds from Issuance of Stock Acquisition Rights	-	28
Proceeds from Sale of Treasury Stock	18	-
Payment for Acquisition of Treasury Stock	-	Δ0
Proceeds from Subscription by Non-Controlling Shareholders	994	-
Others	Δ42	Δ18
Cashflow from Financing Activities	11,295	892
Effect of Exchange Rate Change on Cash and Cash Equivalents	Δ13	Δ31
Increase (ΔDecrease) in Cash and Cash Equivalents	11,313	1,641
Cash and Cash Equivalents at the Beginning of the Year	10,281	16,236
Cash and Cash Equivalents at the End of the Quarter	21,595	17,877

(4) 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

(Material Subsequent Events)

(Capital Increase through the Exercise of the 3rd Series of Stock Acquisition Rights)

After the end of the first six months of the current fiscal year, a portion of the 3rd stock acquisition rights with exercise price adjustment clauses through 3rd party allotment was exercised by November 10, 2020. The summary of the exercise is as follows.

- (1) Number of stock acquisition rights exercised: 24,000
- (2) Class and number of shares issued: 2,400,000 shares
- (3) Total exercise price: JPY2,676 million
- (4) Increase in capital: JPY1,338 million
- (5) Increase in capital surplus: JPY1,338 million