

Based on erex Group's 2023-2025 Mid-Term Business Plan

Supplementary Explanatory Material on the Current Management Policies

May 31, 2023

Executive Summary (*the material starts from page 3)

The business environments are becoming increasingly uncertain and unstable due to de-carbonization, geopolitical risks, etc., and the society may undergo major changes. In light of these uncertain environments, erex Group needs to take a strategic approach.

With an eye on the future arrival of a de-carbonized society, and with a more venture spirit than ever before, erex Group will steadily advance plans for large-scale biomass power plants in Japan and will also implement business developments steadily for de-carbonization, mainly in Vietnam, Cambodia, and other Southeast Asian countries under the vision "to become a pioneer in the new era of electric power with renewable energy at its core".

The two years from the current fiscal year will be a transition period to establish a new business foundation, and while it is an uncertain business period, it will be an important preparation period to establish a competitive advantage through "strong defense" and "development" as erex Group moves forward with efforts for future "growth"

I. FY2023-FY2024 period is an "important preparation period" for overseas growth strategy

The two years from the current fiscal year will be a transition period to build a new business foundation for growth in FY2025, the final year of the mid-term business plan, and beyond

Vietnam Business: The 8th National Power Development Plan (PDP8) was officially approved on May 15, and a large-scale project has started (14 units by 2030: construction of 2 units to be started in the current fiscal year).

1. Preparation for large investment projects
2. Acquisition of industrial land, establishment of a system for accumulation and transportation to secure fuel on a long-term basis, construction of a new pellet plant ahead of others

3. Securing human resources, developing an organizational structure throughout Vietnam, developing public relations structure
4. Full-scale preparation for biomass R&D center

Domestic Business: Promoting the following domestic businesses amidst a situation where competitive environment in liberalized markets is hindered

1. Managing the risk of rising and falling fuel and wholesale power market prices
2. Promoting carbon neutrality and ensuring stable power supply
3. Ensuring profitability in the power retail business, eliminating negative spread, focusing on demand response
4. Thorough efficiency improvement of fuel and power generation in an integrated manner
5. Highly efficient large biomass projects
6. Promoting transition business based on coal price trends, etc.

II. Toward a de-carbonization strategy

Aiming for 510.0 billion yen net sales / 25.0 billion yen ordinary income in 2030

Solid growth through biomass business initiatives, etc. in Vietnam and other Southeast Asian countries

1. Energy conversion to biomass in the agricultural sector with a focus on distributed power sources
2. Increase in energy self-sufficiency, employment, etc.
3. Social contribution in the Asian region
4. Global emissions trading
5. Efforts to create clean energy with a focus on competitive fuels

III. Realization of a corporate structure that is resilient to change

Contributing to the realization of a de-carbonized society by viewing de-carbonization initiatives as a business opportunity to drive growth in the following four businesses, while steadily managing risks associated with energy price fluctuations

1. Biomass fuel business
2. Biomass power generation business in Vietnam and other Southeast Asian countries
3. Transition business to convert coal-fired power generation to biomass
4. Global emissions trading business

erex Group will contribute to society's energy transition and create and maximize corporate

value through the expansion of renewable energy, sale of CO₂-free power, and the diffusion and expansion of biomass fuels by utilizing the technologies and knowledge possessed by erex Group.

erex Group will accelerate its growth as a new energy company in the de-carbonized era from its development and transformation into a de-carbonized business company and its strategy for the biomass fuel business in Southeast Asia.



erex Co., Ltd. [9517]

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As part of its de-carbonization strategy, erex Group plans to reduce CO2 emissions by 25 million tons by 2030. Looking ahead to the realization of a net-zero society where trade of environmental value will materialize through carbon pricing and global emissions trading, erex Group aims to transform itself into a leading de-carbonization company and achieve growth through the monetization of environmental value.

Rapid and Significant Changes

De-Carbonization

- Climate change, de-carbonization
- Ecosystem protection, environmental regulations

Digital Technology

- Digital transformation
- Distributed power sources
- Demand response

Geopolitical Risk

- Intensifying conflict between East and West
- Soaring prices of energy resources
- Logistics risk and cost increases

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Preparation Period for Overseas Growth Sstrategy

FY2023 - FY2024



510.0 Billion Yen Net Sales / 25.0 Billion Yen Ordinary Income in 2030

After a period of preparation for overseas growth strategy, erex Group aims to achieve **510.0 billion yen net sales / 25.0 billion yen ordinary income in 2030**

erex Group will be engaged in biomass business to contribute to energy conversion to biomass in the agricultural sector, centering on distributed power sources, improving energy self-sufficiency, and increasing employment, etc. in Vietnam and other Southeast Asian countries. In addition, erex Group will make efforts to contribute to society in the Asian region, trade global emission credits, and create clean energy centered on competitive fuels to achieve steady growth both domestically and internationally

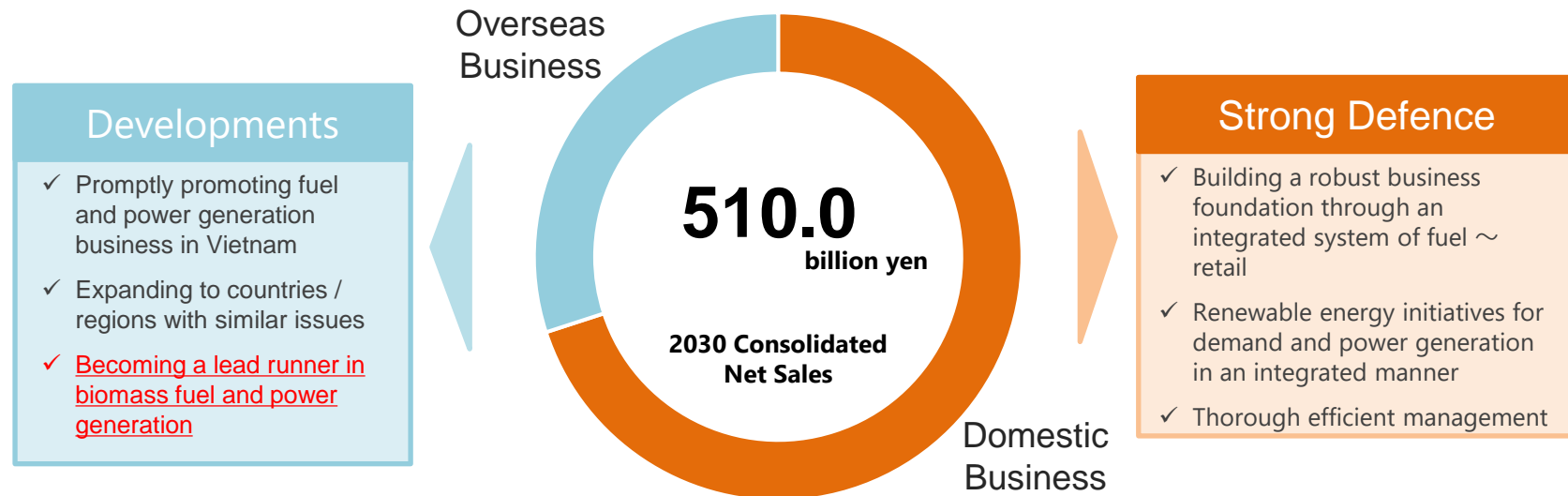
Growth Strategy

In the four areas that will drive erex Group's growth, "biomass fuel business", "biomass power generation business in Southeast Asia including Vietnam", "transition of coal-fired power generation to biomass", and "global emissions trading," erex Group views its de-carbonization efforts as business opportunities that will drive its growth, and through these efforts it will create new value and contribute to the realization of a "de-carbonized society"

To this end, erex Group believes it is important to accelerate its global commitment to de-carbonization.

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Plans for FY March 2024 and Beyond

Year-over-year decrease in sales and earnings

- Earnings from trading not included due to uncertainty over JEPX price levels and volatility
- Impact of upfront costs for overseas development

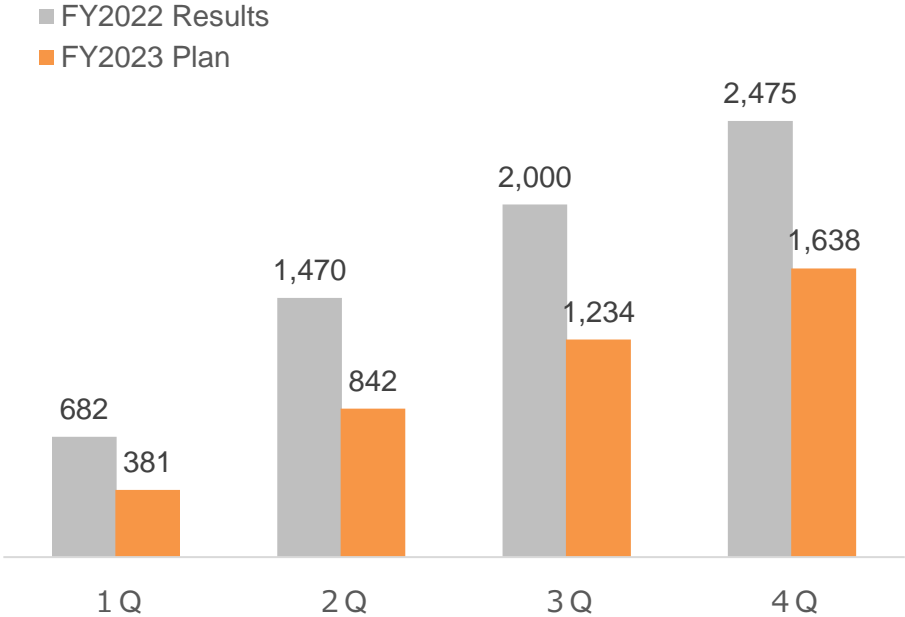
(billion yen)	FY March 2023 Full Year (Results)	FY March 2024 Full Year (Plans)	Details
Net Sales	296.3	228.0	<ul style="list-style-type: none"> • Decrease in wholesale (trading)
Selling, General, and Administrative Expenses	10.8	—	<ul style="list-style-type: none"> • Increase in upfront investment costs for overseas investment projects (approx. 4.0 billion yen) 1) Increase in outsourcing and investigation expenses due to business expansion 2) Increased expenses for fuel business expansion
Operating Income	14.8	7.7	<ul style="list-style-type: none"> • Decrease in earnings from wholesale (trading) • Upfront investment costs of overseas investment projects • Cost increase due to higher procurement prices
Ordinary Income	15.2	7.5	<ul style="list-style-type: none"> • Decrease in earnings from wholesale (trading) • Upfront investment costs of overseas investment projects • Cost increase due to higher procurement prices
Net Income*	9.1	4.4	

*Net income attributable to the owners of the parent company

High Voltage

- erex Group continues to implement price increase measures, and to pursue a sales strategy emphasizing profitability in the current fiscal year
- Sales expansion of market-linked plans, etc.

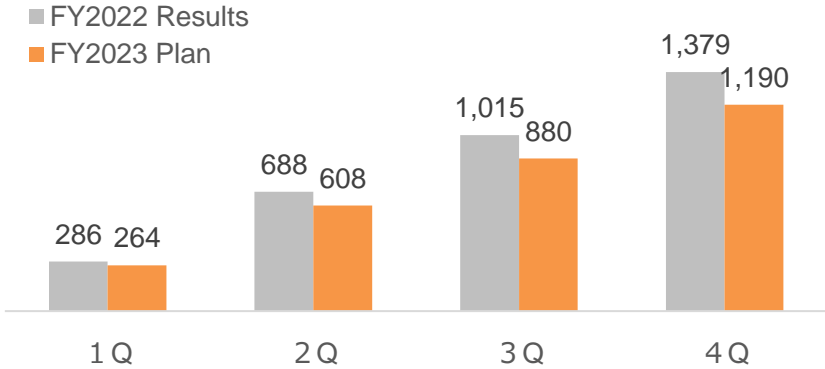
Power Sales Volume



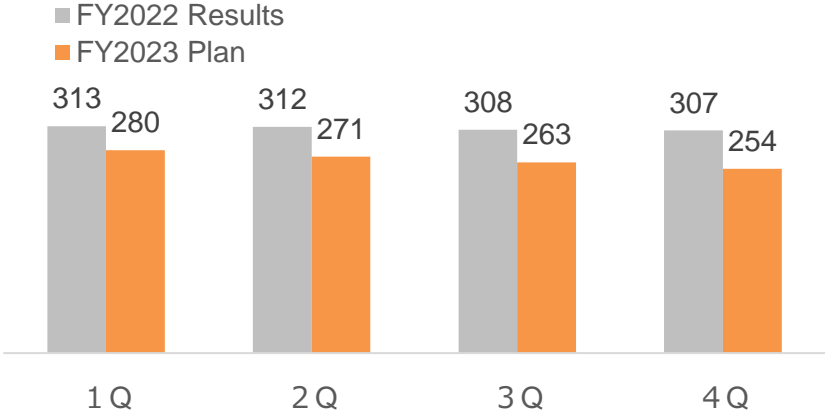
Low Voltage

- erex Group continues to focus on sales developments to profitable customers in the current fiscal year
- New customer acquisitions, development of partners in areas where high profitability can be expected

Power Sales Volume

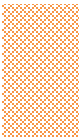


Number of Customers





- Start of operations of Hau Giang Biomass Power Plant in Vietnam and Hydroelectric Power Plant in Cambodia
- Monetization of biomass fuels in Vietnam and other countries



- Ensuring profitability in the retail business (high-voltage and low-voltage)
- Wholesale and other trading

