

Integrated Report
2025

erec Co.,Ltd.

Empowering
the future, together

To become a social pioneer in the new era of electric power with renewable energy at its core

The main issues faced by the energy sector are decarbonization and stable supply of energy.

Japan has now enacted its 7th Strategic Energy Plan, and renewable energy is becoming increasingly important.

Conversely, in Southeast Asia the increased demand for electricity associated with economic growth is a significant issue.

erex will leverage its experience in renewable energy to promote decarbonization in Japan and other countries.

Note:

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The Integrated Report 2025

This report introduces erex business activities, strategies for medium- to long-term growth, and sustainability initiatives, and communicates to our stakeholders our aims and the value that we provide.

Value creation stories	Offers a road map for value creation based on our corporate activities and outlook for the future.
Value creation strategy	Introduces the progress and outcome of the initiatives undertaken by each business to achieve medium- and long-term growth, as well as future prospects.
Sustainability	Presents our approach, policy, and systems for sustainability, and conveys the necessity and importance of initiatives.
Company data	Lists business performance and other data required to understand our Company.

Q. What are erex's business activities?
See p. 05 "Business strategy and business model" for an overview of erex business as a whole.

Q. What are erex's strengths?
See p. 11 "Value creation process" for a general overview.

Q. What are the prospects for future growth?
See p. 29 "Medium- to long-term growth strategy" for an explanation of business for future focus areas.

Q. What are erex's initiatives for the environment?
See p. 39 "Sustainability" and the following sections.

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Scope of the report
erex Co., Ltd. and affiliated companies

Reporting period
April 2024 to March 2025

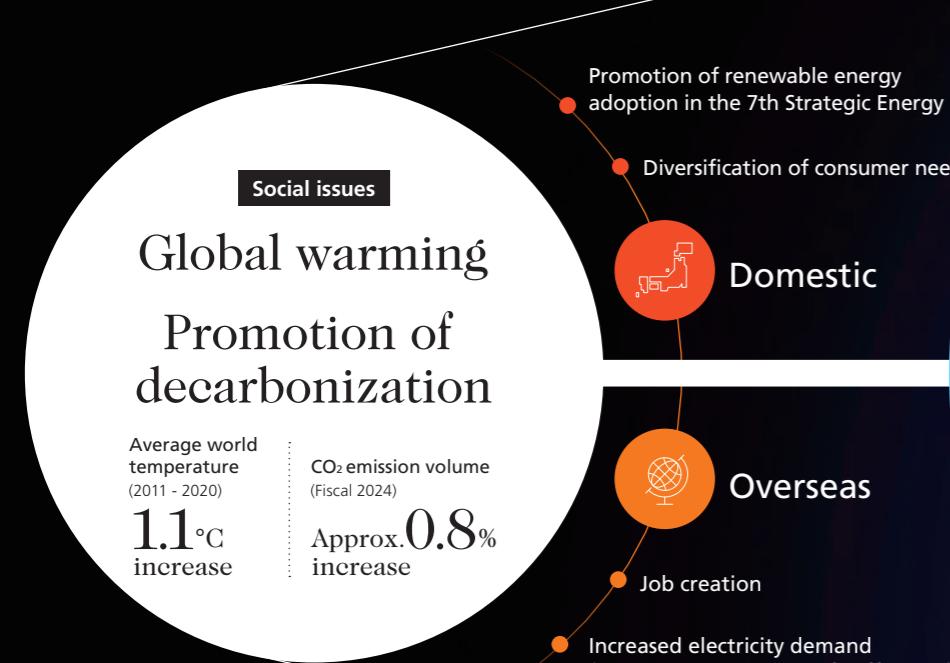
* Some information outside of the reporting period is also included.

Referenced guidelines

 IFRS Foundation "International Integrated Reporting Framework"
Ministry of Economy, Trade and Industry "Guidance For Integrated Corporate Disclosure and Company-Investor Dialogue for Collaborative Value Creation"

Cautions regarding forward-looking statements
While this report contains information regarding erex's current plans, performance forecasts, and strategies, this information represents forecasts as of the time of disclosure and includes risks and uncertainties. Please be aware that results may differ significantly due to future economic conditions and changes in the business environment surrounding the Company.

A new form for power companies



Our Future Vision

An energy company that helps to reduce global CO₂ and contributes to economic growth

To become a pioneer in the new era of electric power with renewable energy at its core

The realization of a decarbonized society is a goal that we should work together on a global basis to achieve in order to resolve global warming. As demand for electricity increases both domestically and internationally, it is difficult to address these issues with conventional energy systems alone. erex uses renewable energy to the maximum extent possible to achieve a new form for power companies that contribute to the environment and economic growth, and is seeking to solve both of these conflicting issues.



Industry-unique revenue model

Leveraging business platforms in Japan and overseas to create a decarbonization business cycle

Our strengths lie in developing our decarbonization businesses in Japan and around the world. We will make maximum use of these strengths, working with our strategic partners to enhance our technical and financial capabilities to circulate investment in decarbonization, and seeking to achieve business growth as we contribute to both the environment and to economic growth.

Aggregation
Naturally variable power sources become the mainstay, making adjustment of supply and demand essential. We will seek to grow revenue by increasing the amount of electricity handled through aggregation.

Carbon credits
An effective method of reducing emissions volumes. Used for decarbonization in Japan, with profits allocated to reinvestment overseas. Carbon credits will be a major source of revenue.

Fuel supply chains
We will expand the biomass power generation business by constructing a fuel supply chain that allows us to provide a stable supply of fuel. This will also help accelerate decarbonization.

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Value creation process → p. 11

Medium-to long-term growth strategy → p. 29

Overseas business strategy

“Development”

- Obtaining carbon credits through biomass power generation and biomass co-firing at coal-fired power plants
- Meeting demand through construction of fuel supply chains

Operation of power plants and fuel factories
Biomass co-firing at coal-fired power plants

Reinvestment

Leveraging carbon credit earnings

Construction of fuel supply chain

Strengthening technical capabilities and finance

Co-creation with strategic partners

Decarbonization
Creating carbon credits

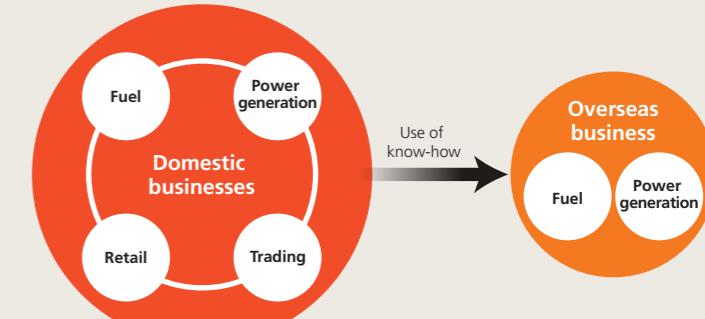
Domestic business strategy

“Strong Defense”

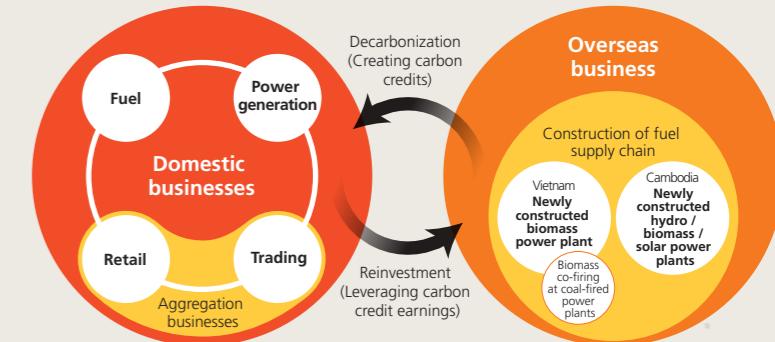
- Developing businesses from upstream fuel and power generation to downstream retail and trading
- Executing new growth strategy through aggregation businesses, etc.
- Maximizing use of carbon credits



Current business model



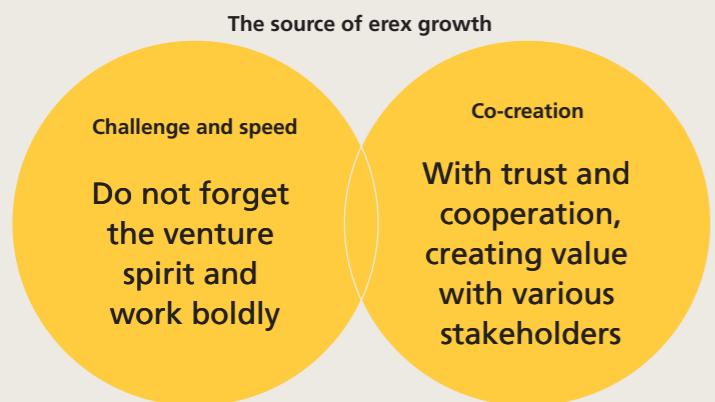
Future business models



We will monetize carbon credits created in our overseas businesses in Japan, reinvesting those profits overseas to accelerate decarbonization in both countries.

Taking a leap into the future through investment for growth and a foundation for business

erex has been operating for 26 years since entering the electricity retail market as Japan's electricity sector was liberalized, and currently supplies electricity to approximately 240,000 customers. We have pursued bold initiatives throughout our history, operating our own power trading operations and in 2008 becoming the first electricity provider in Japan to introduce a sales partner system.* Leveraging this robust business foundation, we are now expanding our focus to Southeast Asia, actively moving forward growth investments such as the development of biomass power plants locally. Looking to the future, we aim to achieve further breakthroughs by utilizing carbon credits generated through overseas operations.



Promoting investment in growth

Building a firm foundation for business

* Sales partner system: A system that pays remuneration to participants who sell to customers as representatives of erex subsidiaries Evergreen Marketing Co., Ltd., or Evergreen Retailing Co., Ltd.

Fiscal 2030 onwards Income before income taxes

25-30 billion yen



Developing businesses for biomass / solar power generation, and biomass co-firing at coal-fired power plants in Vietnam and Cambodia

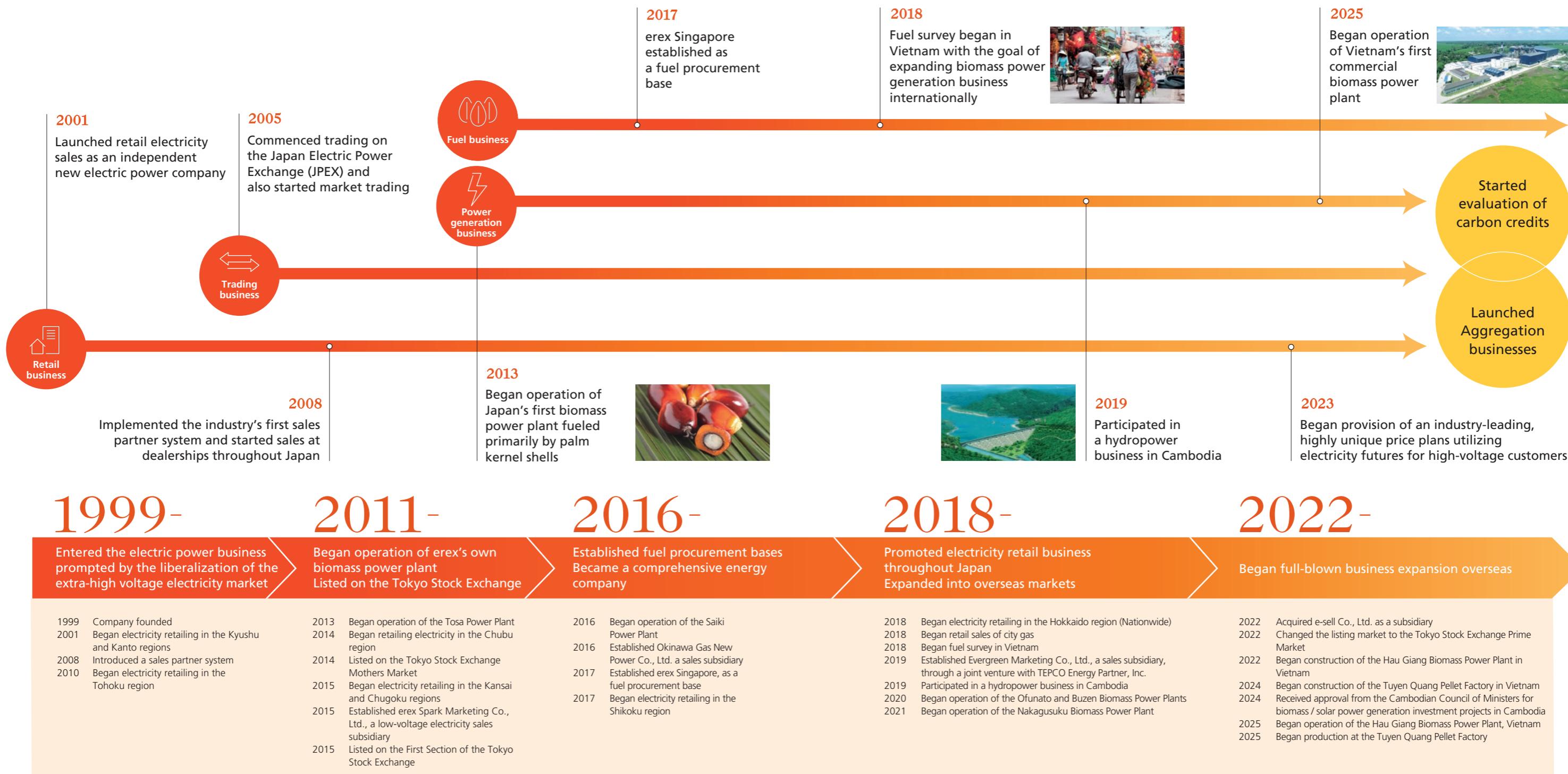
Carbon credits

Overseas business strategy
“Development”

Domestic business strategy
“Strong Defense”

Expanding business growth beyond
30 billion yen

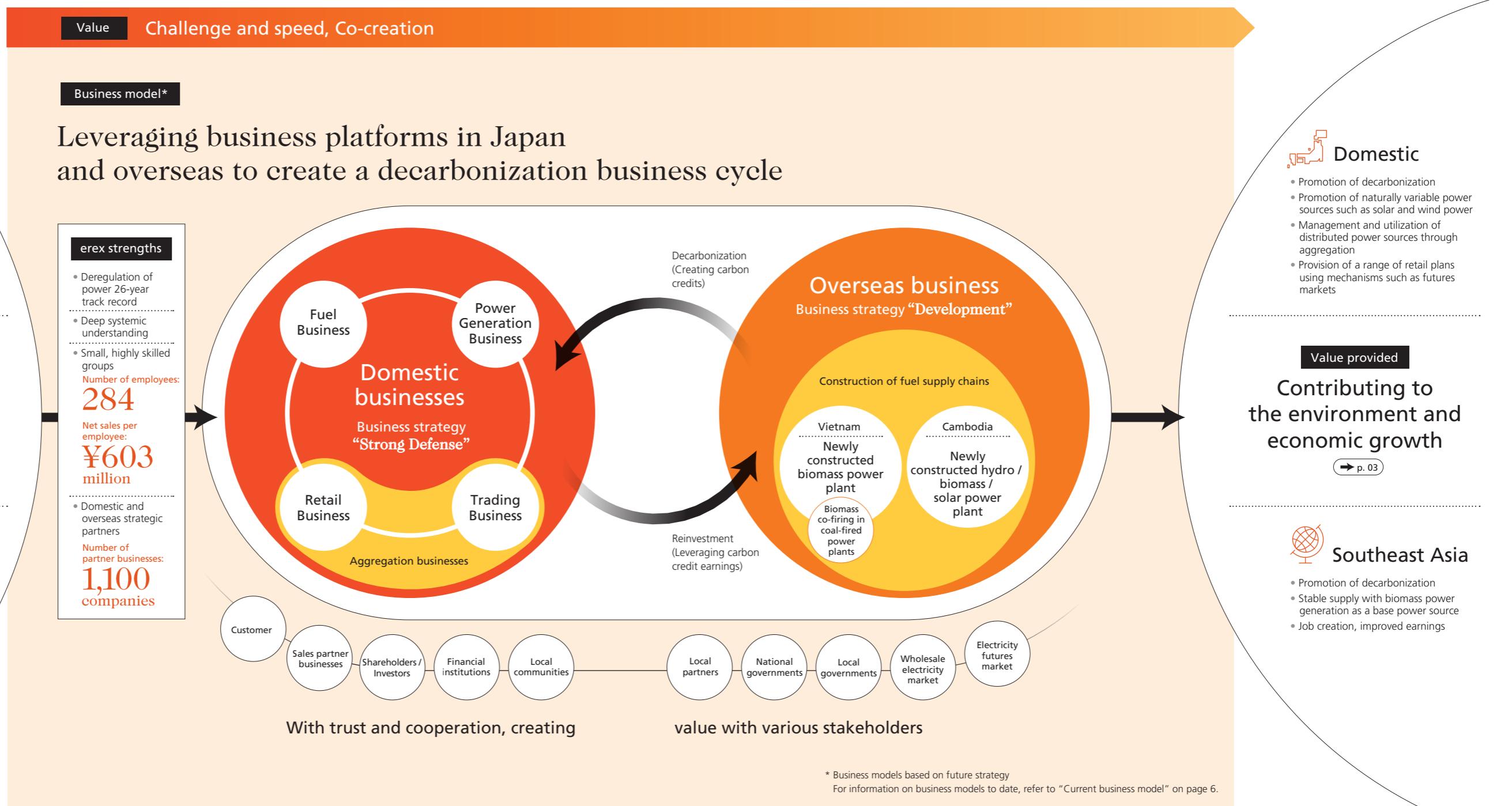
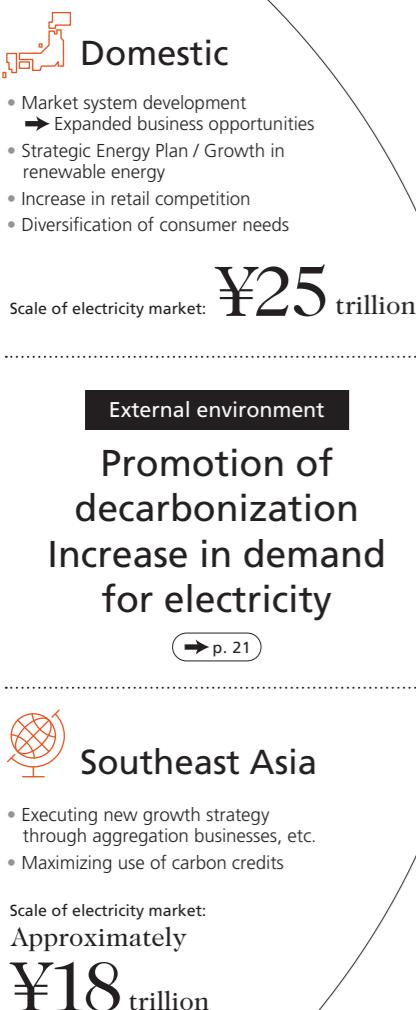
A history of bold challenges and rapid creation of new value since the Company's founding 26 years ago

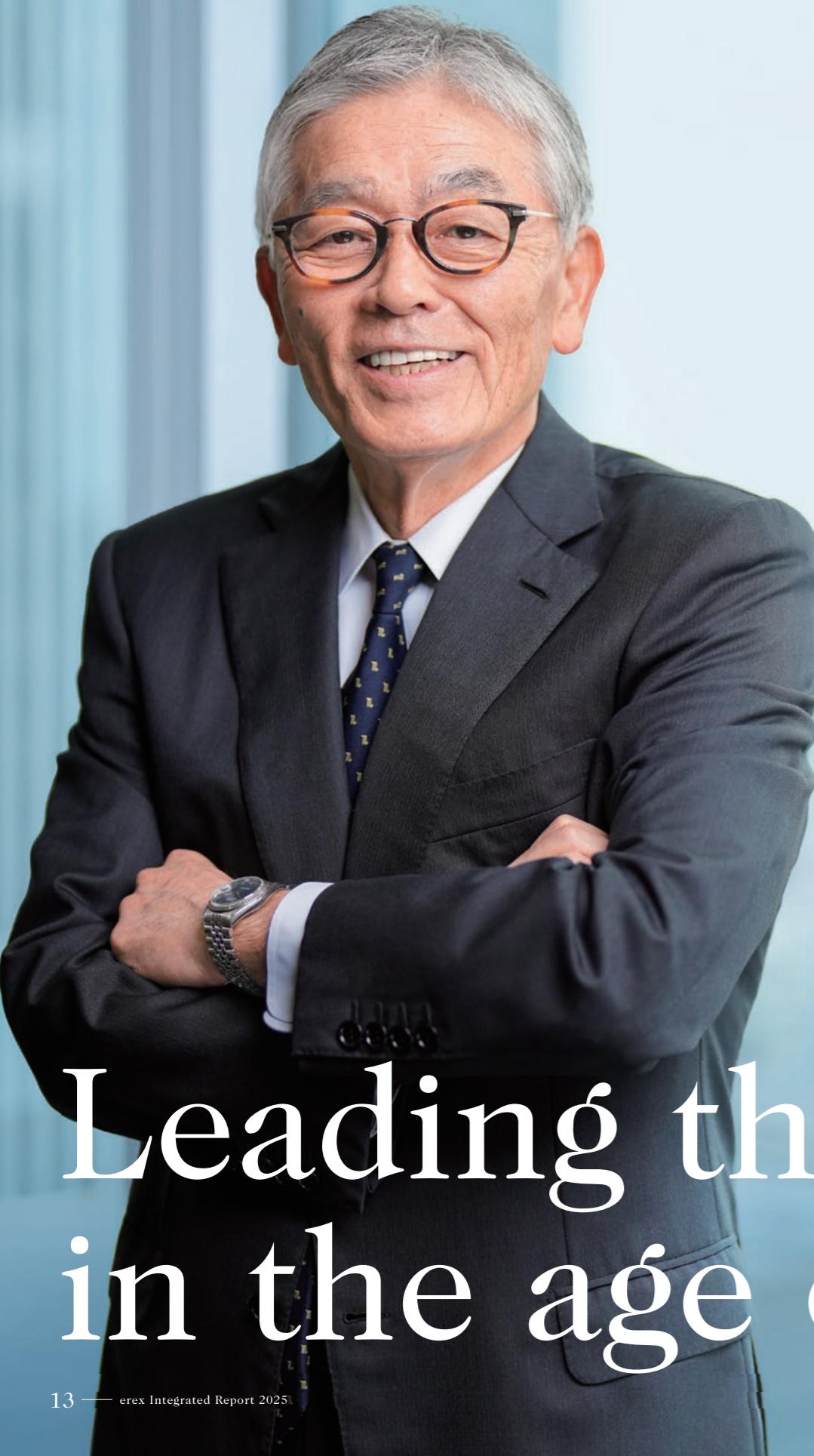


World events

1999	Liberalization of extra-high voltage retail electricity market
2004	Liberalization of high-voltage retail electricity market
2005	The Japan Electric Power Exchange (JEPX) commenced electricity trading
2011	Great East Japan Earthquake
2012	Feed-in Tariff (FIT) system launched
2015	Adoption of the Paris Agreement
2016	Full liberalization of retail electricity market
2017	Full liberalization of city gas retail market
2020	Legal separation of power transmission/distribution sectors in former general electric utility companies
2021	Formulation of Japan's 6th Strategic Energy Plan, setting of the 2050 carbon neutrality target
2021	26th Conference of Parties (COP26) to the United Nations Framework Convention on Climate Change
2022	Russian invasion of Ukraine
2023	Declaration of the Asia Zero Emission Community (AZEC) initiative
2023	28th Conference of Parties (COP28) to the United Nations Framework Convention on Climate Change
2025	Formulation of Japan's 7th Strategic Energy Plan

Contributing to the environment and economic growth through our renewable energy business and by providing functions that address decarbonization needs





Hitoshi Honna

President and
Representative Director

Born in 1948. After graduating from Keio University, joined Toa Nenryo Kogyo K.K. (now ENEOS Corporation). Appointed vice president and representative director in April 2000, before becoming president and representative director in 2016.

Energy is fascinating

We spoke with President and Representative Director Hitoshi Honna about the difficulties and appeal of the power industry, as well as the business strategy that erex will employ to address these challenges, taking an investor's perspective.

—erex has welcomed the 26th anniversary of its founding. How does it feel to look back?

Honna: I am once again reminded of how fascinating energy is.

—What exactly are you referring to when you say that the energy industry is fascinating?

Honna: erex is developing businesses in Vietnam and Cambodia, but when the Company was founded, we never imagined that we would be traveling to these areas on a monthly basis to sit down with leaders in each country to discuss energy strategies. However, on reflection, this was bound to happen because energy is an important issue that affects the growth of a country.

Energy is thus the infrastructure that serves as the foundation for all industry, making it extremely important. I find the responsibility this brings with it extremely rewarding, and indeed, fascinating.

It is truly exciting to think about how many people in these areas will be happy when our projects in Vietnam and Cambodia come to reality.

—Yes, that is an exciting idea. Is there anything else that fascinates you?

Honna: I previously worked at Toa Nenryo Kogyo (now ENEOS) in the energy industry for a long time. There is a great deal of uncertainty in the energy sector, with many things that are difficult to predict. However, that is

precisely why there are new opportunities for learning and strategic innovation, which I also find fascinating.

—With geopolitical risk rising around the world, as a manager, I think that dealing with uncertainty is becoming more difficult. What approach do you take to management?

Honna: I base my management decisions on whether the result serves society. However, I have many concerns.

Decarbonization is a huge global trend and is an issue that we must address. While there may be short-term fluctuations or movements that go against the overall flow, I believe that in the medium to long term these represent opportunities for investment.

While there is a cost to making good decisions, correcting poor ones costs a lot more. In that sense, I approach management with the intention to make good decisions, even if there is a cost to doing so.

—So, you emphasize the importance of taking a medium- to long-term perspective in working to address important social issues?

Honna: Energy in particular is social infrastructure that supports our industries and lifestyles. I think that the question of whether we can contribute to society is extremely important. Social contribution is a huge incentive to management.

Leading the energy industry in the age of de carbonization

—What do you think would fascinate the investors who are the main readers of this integrated report?
Honna: First, the size of the market. The value of the electricity market in Japan stands at around 25 trillion yen. erex was founded 26 years ago and has been a listed company for more than 10 years. At the time of listing in fiscal 2014, our net sales were approximately 17 billion yen, with an operating income of around 1.5 billion yen. Most recently, in fiscal 2024, these figures were respectively approximately 170 billion yen and 7 billion yen, so while I am not satisfied, I think that we have been able to achieve a certain level of success.

—Even so, erex still holds less than one percent of market share.

Honna: Yes, the market still has ample room for expansion, and since the demand for electricity is increasing, further market growth can also be expected. While management skills are of course a prerequisite to the growth of a company after its founding, I also think that as a venture company we chose our market well.

—Taking international markets into consideration, there is even more potential.

Honna: That's right. Southeast Asia, our current area of operations, has a strong demand for electricity. For example, demand in Vietnam is growing 10% annually. What's more, since approximately 60% of the world's CO₂ is emitted in Asia, I believe that promoting decarbonization initiatives is very important.

—Did you consider the growth potential of the energy industry from the moment the company was founded?
Honna: Yes, we did. When we founded the company, we focused as a startup on our downstream retail business. However, we also had our eyes on expanding upstream into power generation and fuel supply. I first developed an interest in the energy industry when I was looking for a company to join as a student. I joined Toa Nenryo Kogyo (now ENEOS) because the energy industry seemed to be an essential element of infrastructure that would allow me to work on the global stage. Early after I began working at the Company, I experienced the first oil shock, which awakened me to the importance of energy, and I decided to make it my life's work. I believe that that was the right choice, and that the experience in the energy industry is what has led to the company's growth.

—You used the word "venture." Now, when erex has grown significantly, how is the Company perceived?

Honna: We are still a venture company. That is true regarding our future potential for growth, but I also think that it should be our guiding principle and the reason for our existence.

Electricity requires a long-term stable supply. In that context, many large businesses have entered the market, and electricity supports social infrastructure. However, because it is an infrastructure-based business, achieving results takes a certain amount of time. Furthermore, we face the new challenge of decarbonization; electricity accounts for approximately 40% of Japan's CO₂ emissions, and thus it is an urgent priority for the industry to respond.

—That seems like a challenging situation.

Honna: I believe that promoting a long-term stable supply and rapid decarbonization in parallel requires both the steady, cautious approach of a large company and the mindset of a venture company that is aligned with "challenge and speed" as defined in our corporate values. To date, we have established a unique position by taking on challenges and responding rapidly in a variety of situations.

—What other fascinations does the energy sector hold from an investor's perspective?

Honna: The anticipated growth in the domestic electricity market due to the increased demand for power from data centers and semiconductor factories because of the rise of AI, as well as the possible major fluctuations in industry share and ranks are also fascinating.

—So, do you anticipate that the demand for electricity will grow?

Honna: Until a little while ago, electricity demand in Japan was expected to decline gradually due to factors such as world-class energy efficiency and a shrinking population. However, current projections suggest that demand may increase. This is a very important change.

Furthermore, Southeast Asia is experiencing rapid growth and there is an irreversible trend towards decarbonization, and erex can leverage both.

Leveraging our strengths to address the issues of Japan and Southeast Asia

Advantages of domestic businesses

—That really is exciting. What is happening to make these changes in market share possible?

Honna: In response to decarbonization, the use of renewable energy is accelerating, and power composition and energy systems are undergoing dramatic change. This may also trigger changes in the structure of industry. For example, under Japan's 7th Strategic Energy Plan, the amount of power generated from renewable energy sources is planned to double from present levels by 2040.

Output from solar and wind power fluctuates greatly depending on weather conditions. It is probably impossible to introduce power of this nature in large volumes using conventional energy systems.

—Do you mean that significant changes are going to happen in Japan as well? Could you talk in a little more detail about the changes that accelerated deployment of renewable energy is likely to bring?

Honna: First, I will touch on the characteristics of electricity that you need to understand. When supply and demand of electricity are not balanced, various problems can occur in the power grid, with power outages happening in the worst case. The amount of power generated by solar and wind power fluctuates with the weather, making mechanisms to balance supply and demand necessary.

—“Power balancing” is not a phrase one often hears. What exactly does it mean?

Honna: One example is the use of storage batteries. In fine weather, power generated by solar systems that exceeds demand can be stored in batteries and used at night or on rainy days when there is insufficient power available, balancing requirements.

—I see.

Honna: In reality, more complex phenomena occur, which is when companies such as erex step in with systems to balance supply and demand.

—Will this kind of balancing become necessary in Japan as well?

Honna: Yes, it will. Japan has many kinds of consumers, from large factories and buildings to ordinary homes. We also generate power in a variety of different ways, including nuclear power, thermal, and renewable energy. What's more, balancing must be made that takes daily fluctuations due to factors such as the weather into account.

—I think I understand the basic mechanisms now. What role does erex play?

Honna: This balancing function is referred to as “aggregation,” and erex functions as an “aggregator.”

Aggregation businesses → p. 31

—Why is erex able to be an aggregator?

Honna: erex possesses the broad-ranging expertise and capabilities needed for the power business, ranging from power generation and fuel to trading and retail.

In particular, we have been working on the supply and demand management capabilities essential to balancing from an early stage. This is an area where we can put our strengths to good use, and we are now moving forward with our aggregation businesses in an active, strategic manner.

—Thank you. That has helped me come to understand the domestic businesses



The challenges of international business

—Next, please tell us about Vietnam and Cambodia, where erex is making inroads. First, what are the challenges?

Honna: There is a shortage of power. Both countries are experiencing rapid economic growth, and it seems that the demand for electricity will continue to increase going forward.

In 2023, Vietnam used approximately 278 billion kWh of electricity, a figure that is anticipated to reach 625 billion kWh in 2050. Japan consumed approximately 913 billion kWh in 2023, which I think you can understand is quite a significant figure.

Vietnam's production of coal peaked in around 2011, and LNG in 2014. Since the country cannot satisfy its growing demand for power with its own resources it imports electricity. Such declines in energy self-sufficiency cause outflows in foreign currency and pose a challenge to energy security.

—Conversely, there is also a growing trend toward decarbonization in Southeast Asia.

Honna: Like Japan, both Vietnam and Cambodia have declared that they will be carbon neutral by 2050.

Accordingly, it will be necessary to introduce renewable energy power sources that boost energy self-sufficiency without increasing CO₂. However, both countries suffer from a lack of electricity infrastructure, making it a challenge to take on wind and solar power generation.

—With electricity demand is rising steeply and the need to promote decarbonization, they face even greater difficulties than Japan.

Honna: One possible solution that is gaining attention is biomass power generation. These systems can operate day or night, and the amount of power they generate can be balanced, so that they can be used as both as a base load power source^{*1} and a dispatchable power source.^{*2} Additionally, Southeast Asia is rich in unused biomass resources. These can be produced and consumed locally, offering significant cost advantages.

Moreover, biomass power generation creates many jobs in areas around power plants and allows the income of farmers to be increased, a key issue in Southeast Asia.

Actually, Vietnam's 8th National Power Development Plan (PDP8) positions biomass power generation as a key energy source.

—erex has been involved with the biomass power generation business for a while, hasn't it?

Honna: We launched our power generation business in 2013. Over the long term we have achieved a high operational rate and improved the profitability of our power plants. We established a fuel procurement base in Singapore in 2017.

We have leveraged this kind of experience to begin operation of the Hau Giang Biomass Power Plant in Vietnam's Can Tho City (formerly Hau Giang Province) in April 2025, the country's first commercial biomass power plant.

—So there are already biomass power plants operating in Vietnam?

Honna: For erex, this was also the first biomass power plant we had ever operated overseas.

I think that the experience we gained through the process of taking the project from development through to completing construction and then operation will be extremely useful in accelerating our biomass power generation business in Southeast Asia.

—I imagine that there would be some significant difficulties in developing a biomass power plant in Vietnam. Was erex able to do it on its own?

Honna: We formed a partnership with PECC2, a subsidiary of Vietnam Electricity (EVN) to move the project forward. PECC2 also served as an EPC vendor, constructing the facility at low cost. erex also provided technical instruction and manual preparation on-site, allowing both companies to conduct operations efficiently. Although this was the country's first commercial biomass power plant, I believe that the fact that we were able to operate and manage it using local personnel was extremely significant for Vietnam.

Although Japan and Vietnam have significantly different customs and practices for construction management and permit procedures, we were able to leverage PECC2's expertise and network to overcome these difficulties.

Additionally, the Hau Giang Biomass Power Plant uses rice husks as fuel. These have become a key energy source in southern Vietnam, where rice cultivation is dominant, and represent a major achievement in generating power using locally sourced rice husks.

*1 Power sources that can operate for extended periods at a constant output day or night with low generation costs, serving as a foundation for a stable power supply

*2 Power sources capable of flexibly adjusting output in response to fluctuations in electricity demand or in the output from renewable energy sources, supporting grid stabilization measures such as frequency control, or adjustments to the supply/demand balance.

—So, the future looks bright! Please tell me about future developments in Vietnam.

Honna: We are moving ahead with construction of two 50 MW biomass power plants in Tuyen Quang Province and Lao Cai Province (formerly Yen Bai Province), both of which are scheduled to start operations as early as the end of fiscal 2027.

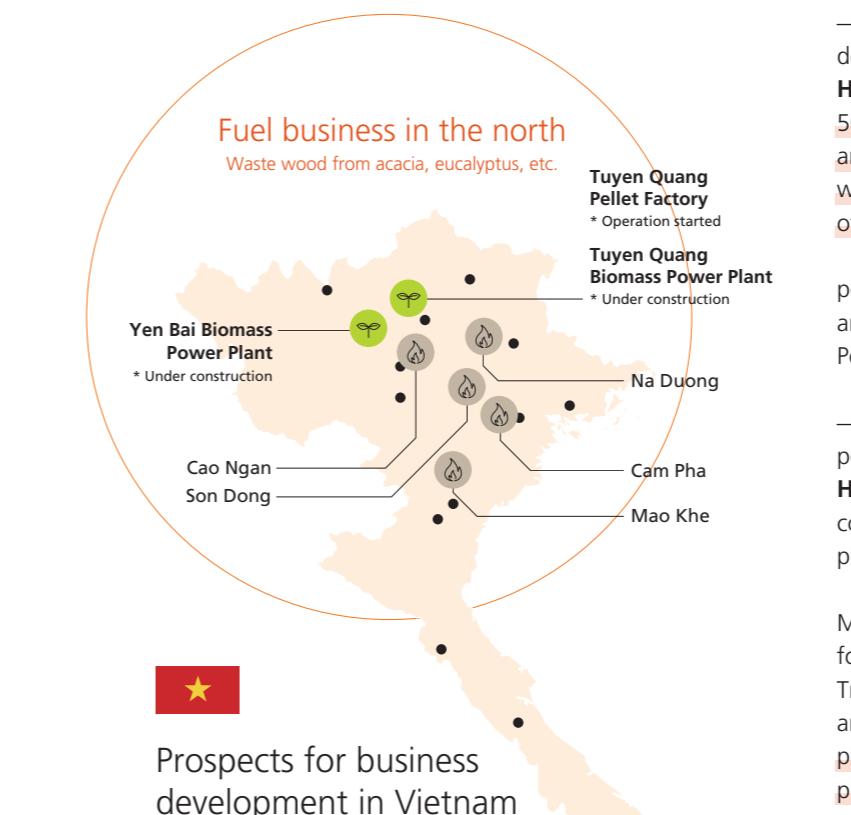
There are plans to develop as many as 18 biomass power plants within Vietnam, including these two facilities, and I believe that our success with the Hau Giang Biomass Power Plant can be used as a good example.

—You also plan a biomass co-firing project at a coal-fired power plant.

Honna: The Vietnamese government intends to promote co-firing of biomass and other fuels at coal-fired power plants that have been operating for more than 20 years.

erex has been chosen to receive subsidies from Japan's Ministry of Economy, Trade and Industry (FY2025 Subsidy for Projects That Support De-Carbonization and Energy Transition Technologies, etc. in Resource-Rich Countries) and conducted demonstration tests at two coal-fired power plants owned by Vinacomin Power in September 2025. We plan to move on to fully-fledged development from 2026.

Replacing coal with biomass fuel is intended to improve energy self-sufficiency, lower electricity costs, and promote decarbonization through the creation of carbon credits.



Prospects for business development in Vietnam

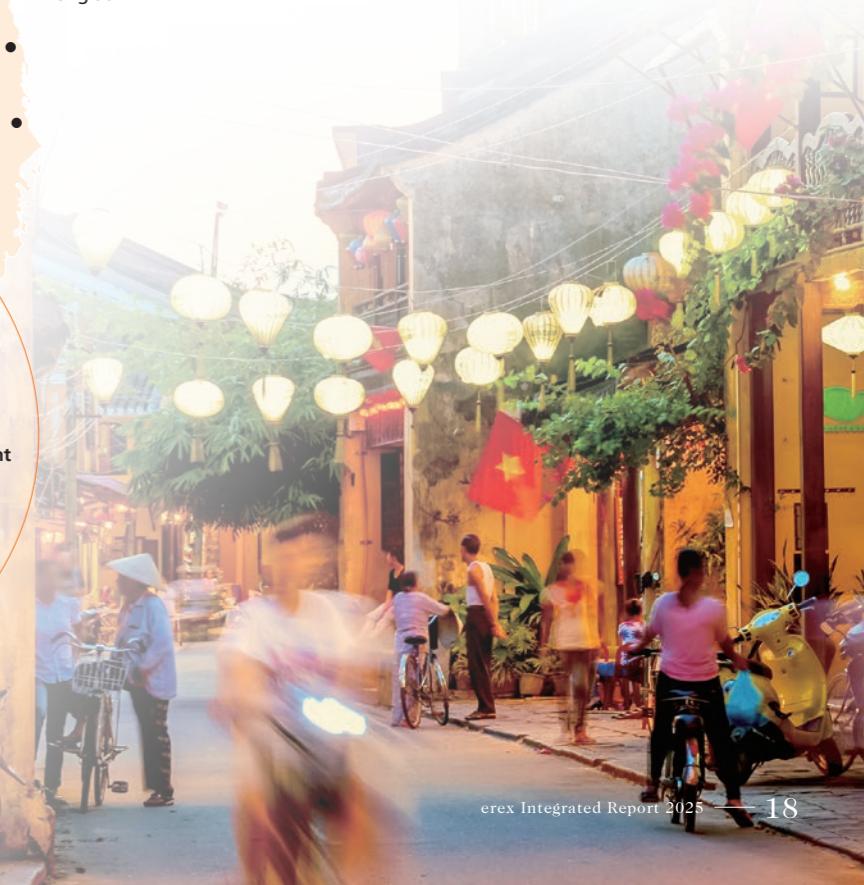
 Locations of 18 power plants planned by erex

 Locations of 6 coal-fired power plants operated by Vinacomin Power

• Other project locations

Fuel business in the south
Agricultural residues such as rice husks

Hau Giang Biomass Power Plant * Operation started



—What are the challenges to future development in Vietnam?

Honna: To attract further investment in biomass power generation in Vietnam with a view to balancing decarbonization and a stable energy supply, solutions must be found for issues related to feed-in tariffs, exchange rates, and financing.

—What measures are you taking to address these issues?

Honna: Negotiating feed-in tariffs and exchange rates is the first priority, but we must also leverage carbon credits and government support to improve economic viability. Currently, we are engaging in discussions with a range of stakeholders.

—Securing fuel would appear to be crucial to developing the power generation business.

Honna: Yes, which is why we are moving forward with the construction of a fuel supply chain.

Biomass fuel has sufficient potential in Southeast Asia, but the supply chain is insufficiently developed.

I believe that building a supply chain will contribute to decarbonization and energy self-sufficiency in Southeast



Projects For business development in Cambodia



Hydropower plant
*Under construction

Biomass power plant
*Under development

Asia. erex is currently building relationships with fuel suppliers as we develop biomass power plants. Additionally, we built a new wood pellet factory in Vietnam's Tuyen Quang Province and began production of certified materials in March 2025.

Fuel supply chains ➔ p. 34

—This is deeply interesting, and holds enormous potential for the future. Please tell me about the situation in Cambodia.

Honna: With the growing demand for electricity in Cambodia, the country faces a power shortage and relies on imports for approximately 40 percent of its power. Decarbonization must also be addressed at the same time. erex is now constructing a hydropower plant in Pursat Province. Work has completed on the dam body embankment, with trial operation planned for the first half of 2026. For this project, we have entered into a 35-year government-guaranteed power purchasing agreement with the Electricity Authority of Cambodia, which is anticipated to provide stable profit in the long term after trial operation.

—I would guess that the challenges are different from those faced in Vietnam?

Honna: There are relatively high risks that are specific to Cambodia, such as political instability, and Japanese companies have only made limited inroads in the country, so there are certain hurdles that need to be overcome. Conversely, we have joined with PowerChina, a partner with the capability to negotiate with the Cambodian government and world leader in the construction and management of hydropower plants, and are implementing risk hedging strategy and a diversification strategy. One example can be seen in how we utilize deferred payments from EPC vendors to reduce the initial financial burden.

—Do you have any plans for biomass power plants in Cambodia?

Honna: We are moving forward with the construction of a new 50 MW biomass power plant, and plan to start operations around fiscal 2027. This will be co-located with a 40 MW solar power facility, and we anticipate a high level of feed-in tariffs. I believe that we can also leverage a network consisting of the government and local stakeholders that we have built up in the course of constructing the Hydropower plant, along with our experience in the biomass power business in Vietnam.

Furthermore, we are planning to construct fuel supply chains that include afforestation and imports from neighboring countries to ensure a stable supply of biomass fuel.

Essential decarbonization methods to achieve further growth

—While the situations in Japan and Southeast Asia are very different, both share the theme of decarbonization.

Honna: Decarbonization is a theme that needs to be addressed on a global scale and is an irreversible trend. erex will take on the challenge of addressing these issues in Southeast Asia, where strong economic growth is faced with difficulties in aligning with efforts towards decarbonization.

There is also a cost to decarbonization.

—What can we do?

Honna: I believe that leveraging carbon credits to create an investment cycle linking Japan to the biomass power generation business in Southeast Asia will allow us to address decarbonization and achieve a stable supply of energy at the same time. erex is proud to be a company that has developed businesses in both regions, and has a deep understanding of each, which is what has allowed us to craft this strategy.

Carbon credits ➔ p. 33

—That would seem to be extremely important for Japan as well.

Honna: The three projects we have underway in Vietnam (the Hau Giang Biomass Power Plant and the new biomass power plants being constructed in Tuyen Quang Province and the former Yen Bai Province) are eligible for JCM equipment subsidies,^{*3, *4} with the reduction in greenhouse gas emissions evaluated quantitatively and applied to Japan's NDC^{*5} targets.

^{*3} Ministry of the Environment, Japan has been implementing the "JCM Model Projects," which provides financial supports covering up to half of the initial investment costs. The purpose of this model projects is to financially support the implementation of projects which reduce GHG emissions by utilizing leading decarbonizing technologies in developing countries, and in return, to acquire JCM credits for achievement of Japan's GHG emission reduction and the partner countries' emission reduction target. This project is being implemented with the cooperation of the Vietnamese and Japanese governments.

^{*4} The Hau Giang Biomass Power Plant was announced on July 1, 2022 in "MOE Japan Selected 16 Projects for JCM Model Projects of Joint Crediting Mechanism (JCM) Financing Support Programme for FY2022 (First Round)." The newly constructed biomass power plants in the former Yen Bai Province and in Tuyen Quang Province were announced on March 22, 2024 in "MOE Japan Selects Nine New JCM Model Projects of Joint Crediting Mechanism (JCM) Financing Support Programme for FY2023 (Fourth Round)."

^{*5} NDC (Nationally Determined Contribution): Based on the Paris Agreement and targets and action plans for reducing greenhouse gas emissions, which are voluntarily set by individual countries and submitted to the United Nations Framework Convention on Climate Change (UNFCCC) Secretariat.



JCM credits are anticipated to be applicable to ETS (emissions trading system) in Japan, thus promoting investment in decarbonization through public-private cooperation.

Moreover, these projects are opportunities to demonstrate the technological capabilities of Japanese companies in an international setting, and I believe that they may serve as model cases for the AZEC concept. Additionally, these initiatives may deepen strategic partnerships, promoting Japan's energy security in Southeast Asia.

—What is the current status of ETS implementation in Japan and Vietnam?

Honna: The Japanese system is called "GX-ETS" (Green Transformation Emissions Trading Scheme) and is scheduled to go into full operation in fiscal 2026.

In Vietnam, erex and the Vietnamese government plan to establish a task force with the goal of establishing a carbon credit ETS market in 2029.

—Now I understand that this is an extremely important business to Japan as well as Vietnam and Cambodia.

Honna: erex will leverage the strengths that we have developed thus far to balance environmental factors with economic growth, contributing to the creation of sustainable social value.

I would like to ask for your continued support as we move forward.

Increasing environmental awareness throughout the world provides favorable conditions for the renewable energy sector

Domestic market The environment surrounding the power industry

Broadening business opportunities and changes in industrial restructuring through electricity liberalization

The liberalization of the retail electricity market in Japan began in March 2000 with the extra-high voltage sector, with the goal of introducing competition to address relatively high electricity prices compared to other countries and to offer consumers more choices.

The market was completely liberalized in April 2016, with registered new power businesses such as erex currently numbering more than 700 companies, and a variety of fee plans and services have become available to meet consumer needs.

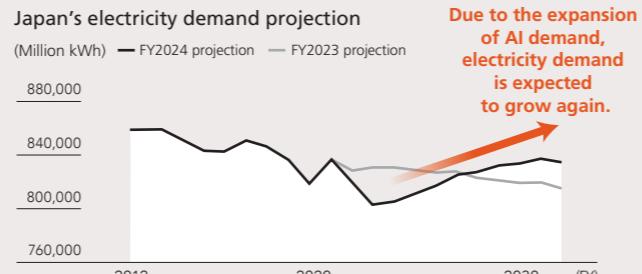
Additionally, electricity trading began on the JEPX (Japan Electric Power Exchange) in April 2005, with futures market trading starting in September 2019. The infrastructure functions needed for new power businesses to develop were enhanced.

This led to the domestic electricity market growing hugely to a scale of approximately 25 trillion yen so that new power companies now command a share of approximately 20% of total power sales.

Conversely, until 2023 demand for electricity was predicted to drop in stages due to Japan's declining population and the proliferation of energy-saving devices. However, in 2024, this changed to a forecast increase in demand. This was primarily due to an anticipated increase in demand for electricity brought on by the

construction of new data centers and semiconductor factories in the context of the growing demand for AI.

Although we anticipate significant changes in the environment and systems surrounding erex as the market grows, we hope to utilize the market and systems effectively as we respond flexibly to the needs of consumers and society and contribute to both, achieving even greater growth than before.



Source: Prepared by erex based on "Outlook for Future Electricity Demand" (January 27, 2025) released by the Ministry of Economy, Trade and Industry.

Future market projection

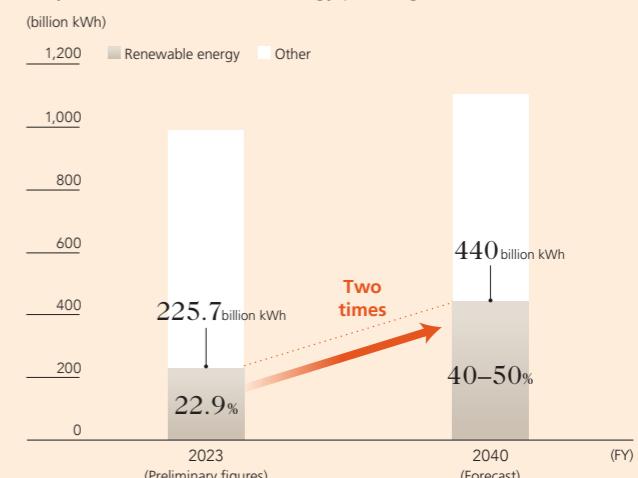
Share of renewable energy to increase to 40-50% by 2040

The 7th Strategic Energy Plan received Cabinet approval in February 2025. According to preliminary reports, electricity generated in fiscal 2023 stood at 985.4 billion kWh, with renewable energy accounting for 22.9% (225.7 billion kWh) of this figure. According to this plan, electricity generated will reach 1.1 to 1.2 trillion kWh by fiscal 2040, with renewable energy anticipated to make up 40-50% (between 440 and 600 billion kWh) of this total.

Market for aggregation businesses grows in response to mainstreaming of naturally variable power sources

There is now a growing need for procurement of decarbonized electricity, primarily for large-scale consumers. Additionally, with naturally variable power sources such as solar and wind increasing, it will be vital to adjust the balance between electricity supply and demand to achieve a stable power supply. Under these circumstances, aggregation businesses are projected to become increasingly important going forward, with market growth expected.

Projections for renewable energy power generation*1



*1 Prepared by erex based on the Ministry of Economy, Trade and Industry's 7th Strategic Energy Plan.

Aggregation businesses ➔ p. 31

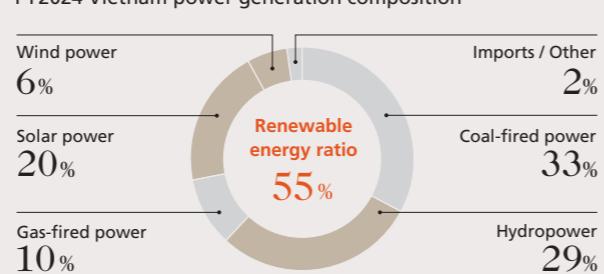
Overseas markets The environment surrounding the power industry

Demand for electricity rises in response to rapid economic growth in Southeast Asia

Demand for energy is increasing significantly in Southeast Asia as the region's economies grow rapidly. Conversely, Vietnam and Cambodia have set carbon neutrality as a goal, and balancing this with economic growth is a challenge. In particular, Vietnam faces challenges in that coal-fired power accounts for a high proportion of its power generation, and it must phase out expensive imported coal. Against this background, in 2023, Japan launched the AZEC (the Asia Zero Emission Community) as an international framework for cooperation in order to promote decarbonization while balancing economic growth and energy security in the Asian region.

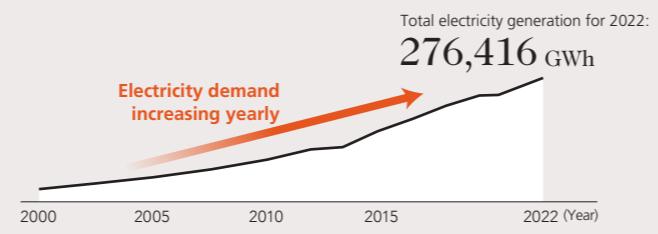
A joint statement was announced at AZEC, promoting public-private collaboration and support for policy formulation, strengthened cooperation in decarbonization technologies, and support for energy transition through diverse pathways tailored to the circumstances in each country. The Company also signed a memorandum of understanding (MOU) with Vinacomin Power Holding Corp. at the 2022 public-private Asia Green Growth Partnership Ministerial Meeting (AGGPM) regarding the consideration of biomass co-firing in Vietnam's coal-fired power plants, and in 2023 signed an MOU with Tuyen Quang Province and Lao Cai Province (formerly Yen Bai Province) at the AZEC Public-Private Investment Forum for joint development of fuel-related businesses.

FY2024 Vietnam power generation composition



Source: Created by erex based on the JETRO business briefing (April 15, 2025).

Total electricity generation in Vietnam



Source: International Energy Agency (IEA)
<https://www.iea.org/countries/vietnam/electricity>

Future market projection

Increase in installation of renewable energy with a view to achieving carbon neutrality

Every country in Southeast Asia plans to increase the share of renewable energy in its power generation mix, with a view to achieving carbon neutrality. The share of renewable energy in Vietnam stood at 55% in 2024 and will reach between 63 and 71% in 2030. In Cambodia, this share was 61% in 2024 and is planned to reach 74% in 2040.

Projection for renewable energy ratio in Vietnam*2



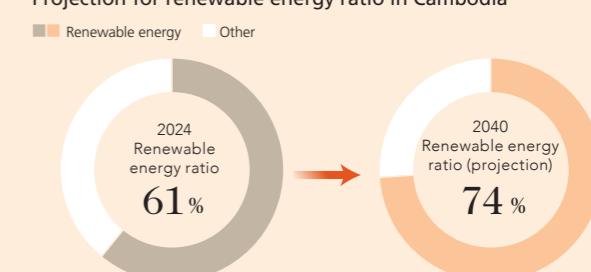
*2 Compiled by erex based on the revised version of Vietnam's Adjusted Power Development Plan VIII (April 15, 2025) and JETRO business briefing (May 7, 2025).

*3 Compiled by erex based on Cambodia's "Power Development Master Plan 2022-2040" and "Salient Features of Power Development in the Kingdom of Cambodia Until December 2024" issued by the EAC.

Declining energy self-sufficiency makes development of domestic power sources an urgent matter

Plans are in place in Vietnam and Cambodia to increase imports of electricity from neighboring countries to respond to growing demand for electricity, and thus developing domestic power generation capacity is an urgent matter. Biomass power generation, which allows local production for local consumption, is a stable source of power that is unaffected by weather conditions and is expected to help improve energy self-sufficiency.

Projection for renewable energy ratio in Cambodia*3



Business Overview and Initiatives in Fiscal 2025

Domestic businesses

Retail Business

 Toshimichi Tanaka
 Managing Director


A change in procurement strategy eliminated the below-cost sales from fiscal 2023. In the face of increased competition in the market, the use of web channels, the adoption of highly unique plans utilizing electricity futures, and the acquisition of high-volume corporate customers led to an increase in electricity sold. We also began to evaluate collaboration in the aggregation businesses with partners in Japan and internationally, including those with whom we have capital and business alliances. We have formed a dedicated team and are promoting the development of projects such as corporate power purchasing agreements (PPA) and storage systems.

Priority measures and initiatives for fiscal 2025		Goals
High voltage	<ul style="list-style-type: none"> Improve sales of market-linked plans Increase in electricity sales volume through strengthened direct sales 	We will respond to increased competition and greater customer acceptance of market-linked plans and seek to further increase electricity sales volume.
Low voltage	<ul style="list-style-type: none"> Increase electricity sales volume through promotions with partners Promote measures to retain existing customers 	Fiscal 2024 saw the transfer of sales subsidiary T'dash in the third quarter. Based on the results of sales promotions since the fourth quarter, we continue to invest in sales promotion activities appropriately, and work to increase sales volume.
Aggregation businesses	<ul style="list-style-type: none"> Strengthen discussions aimed at realizing cooperation with different companies 	Working from the 7th Strategic Energy Plan, we will develop our aggregation businesses to meet the demand for renewable energy.

Power Generation Business

 Tomoki Kakuta
 Executive Director


Power plants in Japan are maintaining a high utilization rate. In particular, the Saiki Power Plant has had no unplanned stops during the three-year period since fiscal 2022 and is currently continuing to operate. Additionally, erex is using expertise gained through the construction and operation of power plants in Japan to move ahead with development overseas. We are committed to international cooperation, engaging in efforts such as accepting international technical trainees at our power plants, and will help as a center of training and development.

Priority measures and initiatives for fiscal 2025		Goals
Further promote cooperation between power plants to achieve high operational rates.		Achieve safe, stable operations
Minimize unplanned stoppages and promote the reuse of operational resources.		Pursue profitability
Expand activities as a training hub for onboarding technical personnel.		Contribute as a training hub of development

Overseas businesses

Vietnam

A new 20 MW biomass power plant in the city of Can Tho (formerly Hau Giang Province), Vietnam, began operating in April 2025. Vietnam's first commercial biomass power plant and the first erex power plant outside Japan, the Hau Giang Biomass Power Plant, is eligible*¹ for the fiscal 2022 Joint Crediting Mechanism (JCM) Funding Support program.*² Manufacturing certified materials has begun at a wood pellet factory in Tuyen Quang Province. Construction of new biomass power plants*³ is also underway in Lao Cai Province (formerly Yen Bai Province) and Tuyen Quang Province.

Vietnam's business environment and significance

Vietnam has declared to achieve carbon neutrality by 2050. It is currently heavily dependent on coal-fired power plants, and imports of expensive coal are increasing. Using affordable domestic biomass will help to increase farmers' incomes, create jobs, and use domestically produced energy.

To be implemented in fiscal 2025	Future schedule
Co-firing at coal-fired power plants Co-firing tests in September 2025.	In fiscal 2026, we plan to start commercial operation of biomass co-firing with 20 to 30% coal.
New biomass power generation Yen Bai Biomass Power Plant and Tuyen Quang Biomass Power Plant placed their order for EPC in November and December 2025, respectively.	Planned start of operations at the end of fiscal 2027.
A business cooperation agreement with Vietnam Electricity (EVN) subsidiary PECC2 has already been concluded.	Joint review of project development and systems design, etc.

Cambodia

We have signed a 35-year power purchasing agreement with the Electricity Authority of Cambodia regarding the hydropower generation business. Construction work has been completed on the dam embankment. Additionally, installation of the power generation equipment and excavation of the water-diversion tunnels are currently in progress. For biomass power generation business, we have received approval from the Cambodian government for a business plan utilizing afforestation and are moving forward with power source development to supply power over a 25-year period.

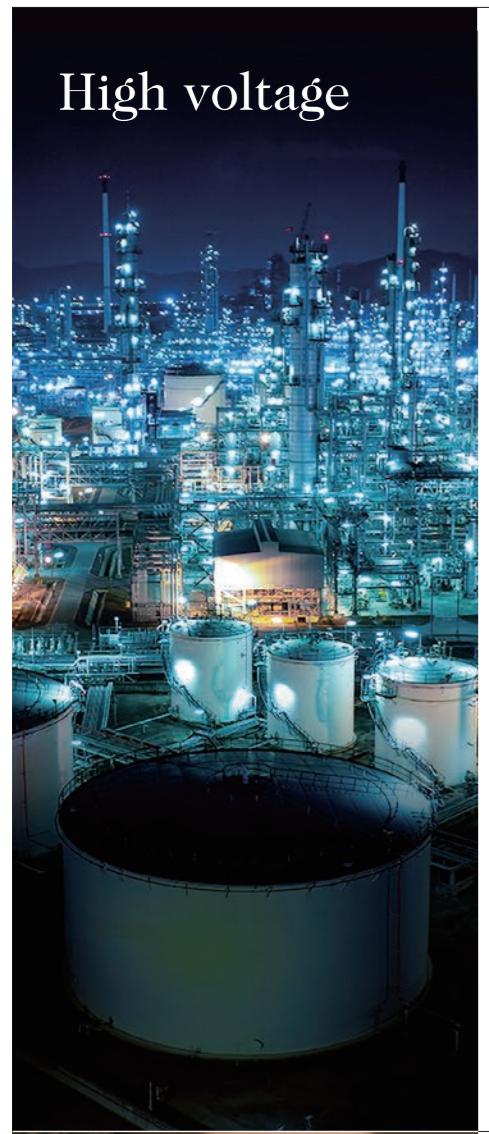
Cambodia's business environment and significance

Cambodia has formulated a power master plan that combines a range of renewable energy sources, with the goal of achieving net zero GHG (greenhouse gas) emissions by 2050. It is essential to secure domestic power sources using biomass, hydropower, and solar power.

To be implemented in fiscal 2025	Future schedule
Hydropower generation Construction of the dam embankment has completed.	Construction is scheduled to be completed in June of 2026, along with the start of trial operations.
Biomass power generation EPC ordering and construction are scheduled to start within fiscal 2025.	Construction is scheduled to be completed and operations will start in fiscal 2027.

*1 The announcement was made on July 1, 2022, in "Regarding the Decision on the First Round of Selected Projects with Regard to the Equipment Subsidy Program under the FY2022 Joint Crediting Mechanism."
 *2 Ministry of the Environment, Japan has been implementing the "JCM Model Projects," which provides financial supports covering up to half of the initial investment costs. The purpose of this model projects is to financially support the implementation of projects which reduce GHG emissions by utilizing leading decarbonizing technologies in developing countries, and in return, to acquire JCM credits for achievement of Japan's GHG emission reduction and the partner countries' emission reduction target. This project is being implemented with the cooperation of the Vietnamese and Japanese governments.
 *3 It is eligible for the JCM Equipment Subsidy Project. The announcement was made on March 22, 2024 in "Regarding the Selection of the Projects for Equipment Subsidy under the Joint Crediting Mechanism."

Putting a variety of plans in place and increasing electricity sales volume



High voltage

Increasing sales volume with unique pricing plans

Customer needs are diversifying as the liberalization of electricity market progresses.

In response to these needs, from July 2023, we began offering hybrid plans and fully fixed plans for extra-high voltage and high-voltage customers, many of whom used these in fiscal 2024.

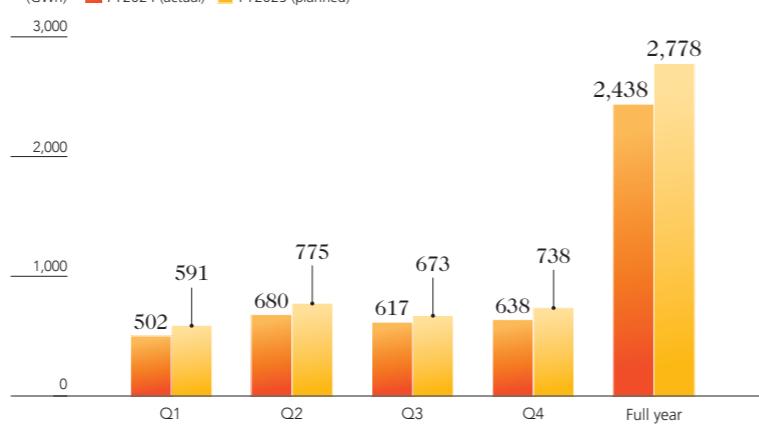
Additionally, to meet the needs of customers preparing for the possibility of growing market volatility, we launched market-linked shift plans in May 2025.

We are able to develop new plans such as these thanks to our ability to combine trading, which allows us to procure power in a manner tailored to customer needs, with our retail functions, which give us a direct understanding of customer opinions.

Going forward, we will continue to respond to the diversifying needs of our customers, seeking to increase electricity sales volume and grow profits.

Electricity sales volume

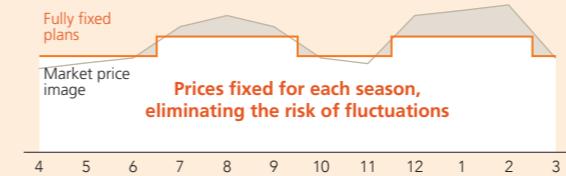
(GWh) ■ FY2024 (actual) ■ FY2025 (planned)



Plans

Fully fixed plans (Launched in July 2023)

- Price fixed for each season
- Unaffected by fuel price fluctuations, etc., making electricity fee forecasting simple



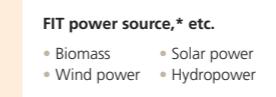
Hybrid plans (Launched in September 2023)

- A combination of market-linked and fully fixed prices
- Keeps the advantages of cheap market prices while avoiding the risk of major fluctuations



CO2-free plans (Launched in July 2023)

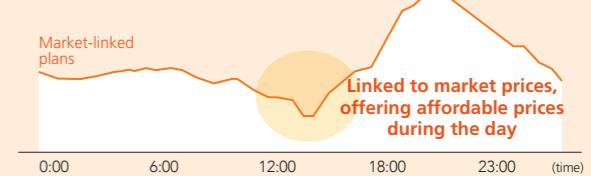
- Plans that utilize an effective 100% renewable energy
- CO2 emissions coefficient is zero
- Can be combined with all plans



* FIT: A system intended to promote the adoption of renewable energy, under which electric utilities are mandated to purchase power generated using renewable energy at a fixed price for a set period.

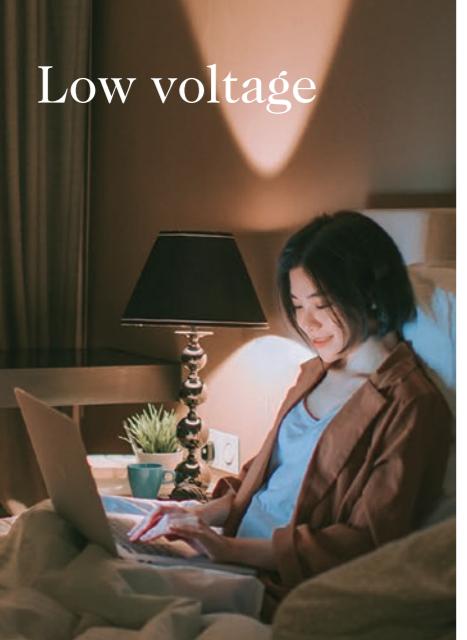
Market-linked plans (Launched in December 2020)

- Provided with prices linked to electricity markets
- Beneficial for companies that use large amounts of electricity in the daytime, when market prices often tend to be cheaper



Market-linked shift plans (Launched in May 2025) NEW

- Plans that leverage the benefits of market-linked plans
- Switches to a standard fee plan automatically when market prices are high



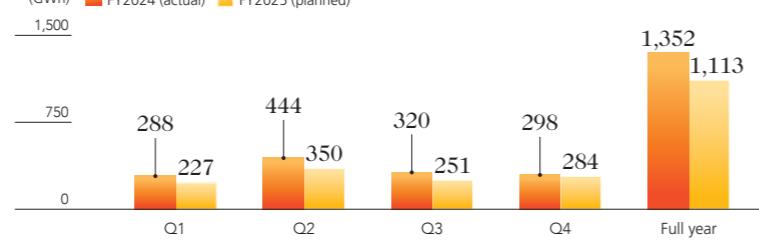
Low voltage

Increase electricity sales volume by developing new sales channels and investing appropriately in promotional expenses.

We are developing plans suited to customer needs in the low-voltage sector and began sales of lifestyle plans in March 2025. In addition to existing initiatives, we are moving forward with efforts to collaborate with new sales partners such as web advertising channels and real estate companies that target relocation

Electricity sales volume

(GWh) ■ FY2024 (actual) ■ FY2025 (planned)

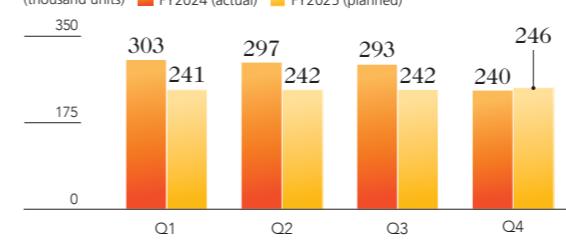


demand. With regard to investing in promotional expenses, we have implemented KPI management centering on LTV*1 and CAC,*2 and are increasing customer acquisitions through appropriate spending on promotions.

*1 LTV: Lifetime value *2 CAC: Customer acquisition cost

Supply volume

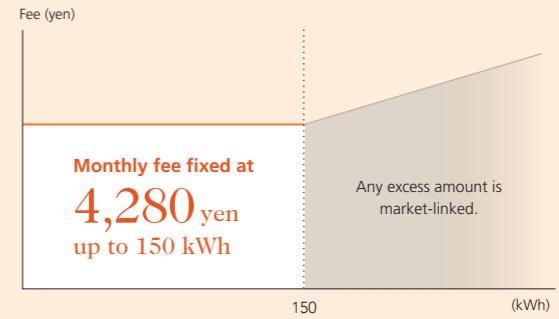
(thousand units) ■ FY2024 (actual) ■ FY2025 (planned)



Plans

Lifestyle plans (Launched in March 2025)

- Electricity fees are a set value until a set amount each month
- Customers choose from five plans to suit their lifestyle



Taking on challenges in Vietnam and Cambodia

The rapid economic growth in Vietnam and Cambodia means that there is demand for a stable supply of power, improved energy self-sufficiency, and support for decarbonization. The Company will leverage its knowledge of biomass power generation and fuel supply in Japan to help solve issues in both countries and promote decarbonization in Japan through the acquisition and transfer of carbon credits. We will work to achieve expanded earning capacity with fiscal 2025 as a turning point in our overseas strategy.

Cambodia



1 Hydropower plants

We are currently constructing an 80 MW hydropower plant in Pursat Province and have concluded a 35-year power purchasing agreement with the Electricity Authority of Cambodia based on the BOT method.*1 Trial operation is planned for six months after construction is completed in June of 2026.

*1 An abbreviation for "Build Operate and Transfer," a method under which a private company constructs facilities, operates and manages them for a set period to recover funds, and then transfers them to the public sector

2 Newly constructed biomass and solar power plants

We are developing a 50 MW biomass power plant and a 40 MW solar power plant. We plan to supply biomass fuel through afforestation and operate the power generation project for a 25-year period. We will establish a joint venture with a local partner to allow us to begin construction quickly, and plan to begin operations in fiscal 2027.



Vietnam



3 Hau Giang Biomass Power Plant

The Hau Giang Biomass Power Plant, which we have been constructing since December 2022, began commercial operations in April 2025. This power plant is the first commercial biomass power plant in Vietnam and is also the first biomass power plant for erex overseas. It has been selected under the Ministry of the Environment's FY2022 Joint Crediting Mechanism (JCM) Financing Program: Equipment Subsidy Project.*2, *3

Operating company name	Hau Giang Bioenergy Joint Stock Company
Power plant name	Hau Giang Biomass Power Plant
Location	Can Tho City (formerly Hau Giang Province), Socialist Republic of Vietnam
Investing companies	erex Co., Ltd. 51%, Power Engineering Consulting Joint Stock Company 2 10%, Other 39%
Power generation	20 MW
Fuel	Rice husks (130,000 tons/year)

3 Business partnership agreement concluded with PECC2. Accelerated partnership

On April 24, 2025, the Company entered into a business partnership agreement with Power Engineering Consulting Joint Stock Company 2 ("PECC2" a subsidiary of Vietnam Electricity, a co-investor in this project to develop and build the Hau Giang Biomass Power Plant.

Purpose of the business partnership: Mutual cooperation to achieve decarbonization using biomass energy in Vietnam, improve energy self-sufficiency, offer a stable supply of power, increase employment, and raise incomes

5 6 Newly constructed biomass power plant

We are constructing 50 MW biomass power plants in Lao Cai Province (formerly Yen Bai Province) and Tuyen Quang Province, and plan to commence operations at the end of fiscal 2027. These have been selected under the Ministry of the Environment's FY2023 Joint Crediting Mechanism (JCM) Financing Program: Equipment Subsidy Project.*2, *4



4 Tuyen Quang Pellet Factory

We have been moving forward with construction of the Tuyen Quang Pellet Factory in Vietnam since March 2024 and began manufacturing certified wood pellets in March 2025. By operating this factory, we will contribute to decarbonization and help to create jobs in Tuyen Quang Province. We export the pellets manufactured to Japan and other countries.

Operating company name	EREX SAKURA BIOMASS TUYEN QUANG CO., LTD
Factory name	Errex Sakura Tuyen Quang Biomass Fuel Factory
Location	Tuyen Quang Province, Socialist Republic of Vietnam
Investing companies	erex Co., Ltd. 97%, SAKURA GREEN ENERGY JOINT STOCK COMPANY 3%
Production capacity	150,000 tons/year
Raw material	Wood/Wood residues, etc.

7 8 Coal-fired power generation with biomass co-firing

Coal-fired power generation with biomass co-firing is an endeavor to replace the coal that is used for a large proportion of Vietnam's power source with biomass, which is a domestically available source of energy. The policy of the Vietnamese government is to begin co-firing of biomass at coal-fired power plants that have been in operation for at least 20 years.

Co-firing trials are planned at Na Duong and Cao Ngan power plants which are belonging to the Vinacomin Power Holding Corp. in September and December 2025, respectively. These trials have been selected for subsidies*5 from the Ministry of Economy, Trade and Industry.

*2 Ministry of the Environment, Japan has been implementing the "JCM Model Projects," which provides financial supports covering up to half of the initial investment costs. The purpose of this model projects is to financially support the implementation of projects which reduce GHG emissions by utilizing leading decarbonizing technologies in developing countries, and in return, to acquire JCM credits for achievement of Japan's GHG emission reduction and the partner countries' emission reduction target. This project is being implemented with the cooperation of the Vietnamese and Japanese governments.

*3 The announcement was made on July 1, 2022, in "MOE Japan Selected 16 Projects for JCM Model Projects of Joint Crediting Mechanism (JCM) Financing Support Programme for FY2022 (First Round)."

*4 The announcement was made on March 22, 2024 in "MOE Japan Selects Nine New JCM Model Projects of Joint Crediting Mechanism (JCM) Financing Support Programme for FY2023 (Fourth Round)."

*5 FY2025 "Subsidy for Resource-rich Countries' De-Carbonization and Energy Conversion Technology Support Project."

Leveraging a business foundation in Japan and overseas to create a circular decarbonization business and achieve growth

Our strength lies in the fact that we are expanding our decarbonization business both overseas and in Japan. We use this to maximum effect as we move forward with strengthening our technical and financial capabilities through co-creation with our strategic partners and circulating investments in decarbonization to achieve growth and balance economic and environmental considerations.

Overview of business strategy

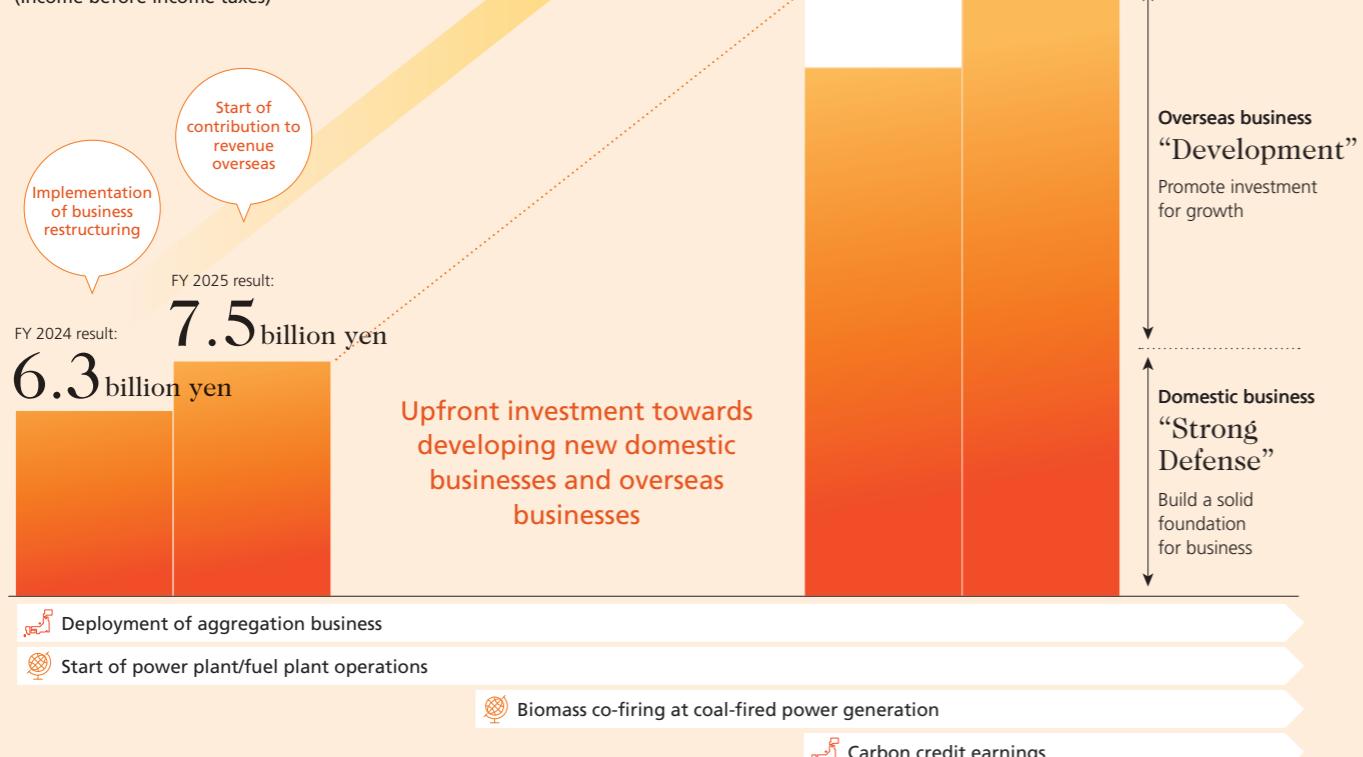


- Strengthening foundations through structural reform (selection and concentration of business)
- Executing new growth Strategy through aggregation businesses, etc.
- Maximizing use of carbon credits

Business strategy and business model → p. 05

Image of medium- to long-term growth in Japan and overseas

(Income before income taxes)



Domestic business

Review of fiscal 2024

Establishment of systems to allow investment for growth

Governments	• Formulation of Japan's 7th Strategic Energy Plan
Business environment	<ul style="list-style-type: none"> • Intensification of retail competition • Diversification of consumer needs
Priority measures	<ul style="list-style-type: none"> • Thorough risk management • Introducing unique fee plans • Focus on aggregation businesses • Collaboration with capital partners • Reconstruction of businesses for growth • Stabilization of revenue base
Business environment	<ul style="list-style-type: none"> • Increased demand accompanying economic growth • Reduction in energy self-sufficiency
Priority measures	<ul style="list-style-type: none"> • Preparing an environment for investment (Acquiring permission/Implementing access) • Collaboration with domestic and overseas strategic partners • Preparation for expansion overseas

In fiscal 2024 we executed the following measures to restructure our businesses in response to the net loss booked in the previous fiscal year.

1. Optimization of supply/demand balance in response to changes in our retail procurement strategy
2. Establishment of risk management frameworks through organizational restructuring
3. Improvement and strengthening of our financial position through third-party allocation of new shares
4. Review of unprofitable businesses

In addition, we achieved profits above initial plans in the retail business, driven by expanded sales of highly unique price plans.

We were able to improve the ratio of equity attributable to owners of the parent company to total assets from 32.4% to 41.8%, thereby establishing a framework for investment in growth, which was a major achievement in fiscal 2024.

Aspirations for the future

Becoming a top runner in supporting decarbonization

We will accelerate co-creation with many of our strategic partners in Japan and overseas through the expansion of existing retail operations and aggregation businesses, dramatically improving retail revenue.

With adoption of renewable energy accelerating, we will adjust supply and demand imbalances in our growing aggregation businesses and support customers in their development and promotion of renewable energy.

Specifically, we will use our expertise in the trading business to aggregate power sources and demand-side resources while leveraging technology such as storage batteries, adjusting imbalances in supply and demand of electricity. In doing so, we support a range of consumers from small- and medium-sized businesses to large enterprises in their efforts to develop and use renewable energy. As a result, we will further enhance our strengths in the trading business by increasing our electricity sales.

As businesses, we will develop grid battery storage, solar-integrated battery storage, corporate PPA, and demand response. Additionally, we will support initiatives for decarbonization by allowing selling carbon credits from other countries to consumers in Japan.

Overseas business

Review of fiscal 2024

Completion of power plants and pellet factories. Taking the first major step

Governments	<ul style="list-style-type: none"> • Vietnam: April 2025 Intergovernmental agreements between Japan and Vietnam • Cambodia: Government guarantees for hydropower, biomass, and solar power generation
Business environment	<ul style="list-style-type: none"> • Increased demand accompanying economic growth • Reduction in energy self-sufficiency
Priority measures	<ul style="list-style-type: none"> • Preparing an environment for investment (Acquiring permission/Implementing access) • Collaboration with domestic and overseas strategic partners • Preparation for expansion overseas

In Vietnam, the Hau Giang Biomass Power Plant which we have been constructing since December 2022, began commercial operations in Can Tho City (formerly Hau Giang Province) in April 2025. This power plant is the first commercial biomass power plant in Vietnam and is also the first biomass power plant for erex overseas. This is a groundbreaking initiative that will help to balance decarbonization with stable supply of energy in Vietnam, which has declared that it will achieve carbon neutrality by 2050. Additionally, this project has been selected under the Ministry of the Environment's FY2022 Joint Crediting Mechanism (JCM) Financing Program: Equipment Subsidy Project.*1

We have also been constructing the Tuyen Quang Pellet Factory in Tuyen Quang Province since March 2024 and have been manufacturing certified wood pellets since March 2025.

The realization of both projects is a significant step in the Company's overseas expansion.

* Footnotes 1 and 2 are the same as footnotes 2 and 3 on page 28.

Aspirations for the future

Promoting carbon credits and constructing fuel supply chains

Our medium- to long-term growth strategy overseas has the following two themes.

Construction of fuel supply chains Actualization of carbon credits

To respond to the growing demand for electricity in Southeast Asia and the desire for decarbonization, we are working to construct supply chains for biomass fuel. Based on the results of surveys to date, we will work in cooperation with the governments of Vietnam and Cambodia to become a major fuel supplier, focusing on cost efficiency while also maintaining an awareness of potential imports from neighboring countries.

With regard to carbon credits, we are engaged in ongoing dialogue with the Vietnamese government, and the institutional framework for carbon credit trading is currently being developed in Vietnam. erex will bring carbon credits acquired in Southeast Asia (primarily in Vietnam) to Japan, constructing a business model in which it leverages them for decarbonization in Japan, and invests the resulting funds in overseas operations. Bringing this cycle to reality is a groundbreaking achievement that will contribute to the achievement of a decarbonized society.

Three primary areas of focus that will allow further business growth

Aggregation businesses

that will fundamentally improve retail revenue

Q. What is aggregation?

A. A system for aggregating disparate power resources for efficient management and utilization.

The inherent characteristics of electricity require supply and demand to be balanced to prevent power outages occurring when supply and demand are not balanced throughout the power grid.

For example, because power generated using solar power fluctuates depending on weather conditions, discrepancies with actual power requirements may arise (Fig. 1).

Storing excess power in batteries for use when there is a shortage of electricity allows adjustment of supply and demand (Fig. 2). Other methods include increasing or reducing power supply capacity or promoting or suppressing demand. Adjusting the difference between supply and demand by bundling power supply and demand resources for efficient use and management is referred to as "aggregation."

Image of adjustment to supply/demand balance

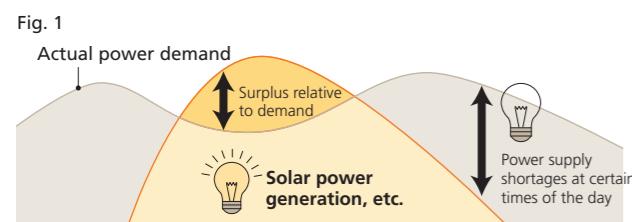


Fig. 1

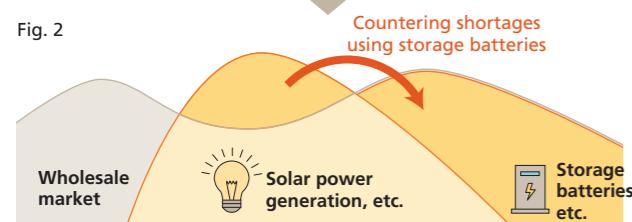


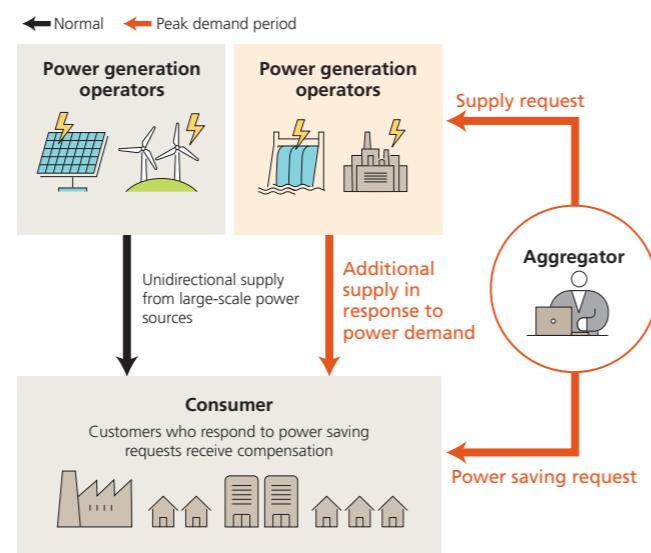
Fig. 2

Q. Can supply/demand adjustments be performed from the power supply side only?

A. There is a mechanism to control demand volume, called demand response.

During times of high demand, such as in the daytime when electricity supply is tight, electricity consumption is temporarily adjusted or shifted to other periods. Participating consumers receive payments or discounts. Aggregators like erex adjust supply and demand by combining various methods.

Image of adjustments when power supply and demand is tight



Q. What are some specific erex initiatives?

A. We promote grid battery storage, solar-integrated battery storage, corporate PPA, and demand response.

We leverage our sales network to address various supply- and demand-side needs. We are working on grid battery storage, solar-integrated battery storage, corporate PPA, and demand response as specific solutions.



Q. What are erex's advantages?

A. We leverage our sales network and many years of experience in supply and demand management to offer an integrated solution that provides all the functions needed in the aggregation businesses.

On the consumer (demand) side, the recent increase in environmental awareness has brought with it a diverse range of needs, such as accelerated adoption of renewable energy, utilization of environmental value, stable electricity procurement and optimization of electricity fees. On the power vendor (supply) side, these needs include stabilization of naturally variable power sources, optimization of power generation plans, and handling of systemic limitations.

erex possesses a comprehensive range of end-to-end services needed for aggregation businesses, from upstream power generation and trading to downstream retailing, and can offer services to both demand-side customers and supply-side power generation vendors.

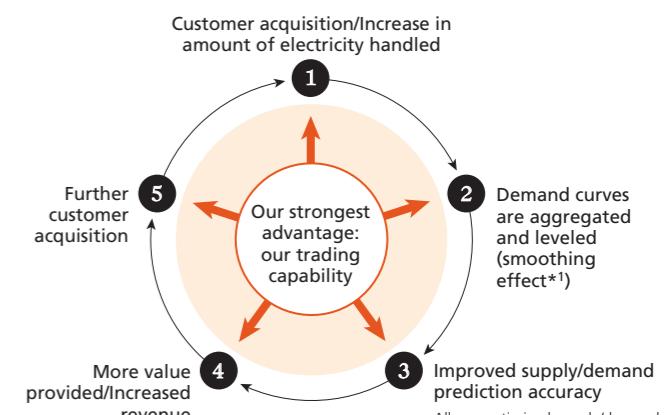
Moreover, we will leverage our sales network and years of experience in supply and demand management to the maximum extent possible, and work to achieve business growth.

Q. What is erex's strategy going forward?

A. We will move forward with customer development and work to boost revenue by increasing the volume of electricity we handle.

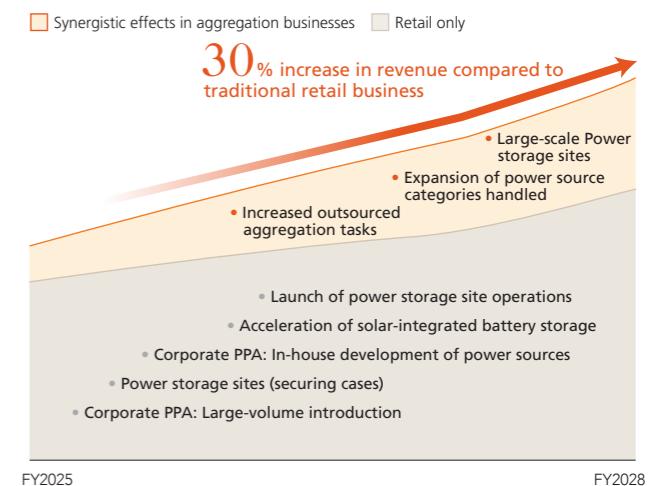
We will continue to leverage our existing sales network to pursue customer development, and develop aggregation businesses as solutions. This will allow us to expand the volume of electricity we handle, generate revenue, and pursue synergistic effects that return value to customers. The Company possesses a diverse customer base across a range of regions and voltage bands. As the demand curve flattens due to increased overall demand we will be able to forecast demand with greater precision. Through better-optimized procurement and adjustment of supply and demand, we will offer added-value aggregation functions to our customers (Fig. 4).

Effect of increases in amount of electricity handled



*1 Smoothing effect: A phenomenon where the increases and decreases in the amount of power consumed by individual users cancel each other out, reducing overall fluctuations in demand.

Growth in retail revenue due to co-creation with aggregation businesses



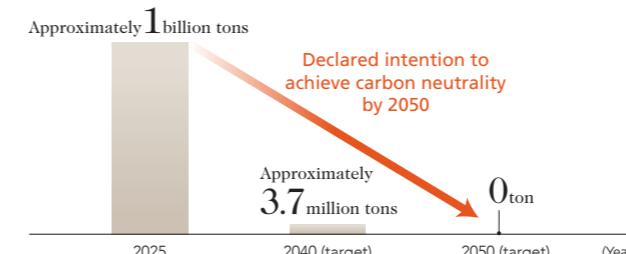
FY2025

FY2028

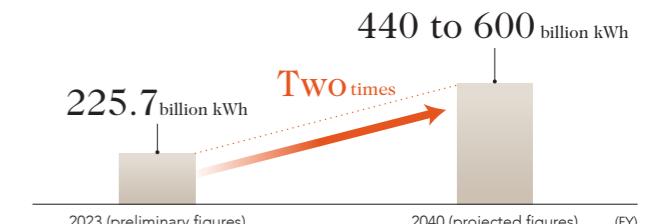
What is happening in the Japanese power industry

Japan has declared that it will achieve carbon neutrality by 2050. To achieve that goal, Japan's 7th Strategic Energy Plan, which was released in February 2025, indicates that the country plans to deploy twice the current amount of renewable energy sources. As naturally variable power sources such as solar and wind power become mainstream, aggregation functions that adjust supply-demand imbalances by bundling a range of power and demand-side resources will be required throughout Japan. The accelerating grassroots adoption of storage batteries can also be attributed to these factors.

Targets for reduction of greenhouse gas emissions in Japan



Increase in power generation due to expansion in renewable energy sources*2



*2 Created by erex based on the Ministry of Economy, Trade and Industry 7th Strategic Energy Plan

Three primary areas of focus that will allow further business growth

Carbon credits as an important revenue stream

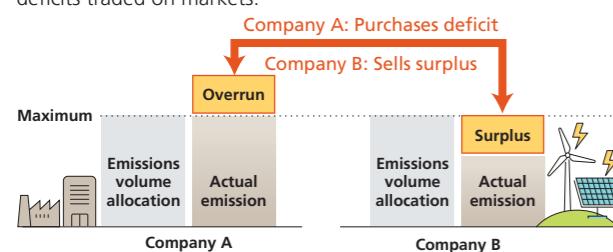
Q. What are carbon credits?

A. A form of carbon pricing, carbon credits are a system for certifying and trading greenhouse gas emissions and achievements in absorption or removal as "credits."

This system allows companies and organizations to offset emissions instead of reducing them themselves, by purchasing emission reductions or removals achieved by others. Companies that exceed the maximum (for example, Company A in the diagram below) must purchase emissions rights from other companies or purchase carbon credits.

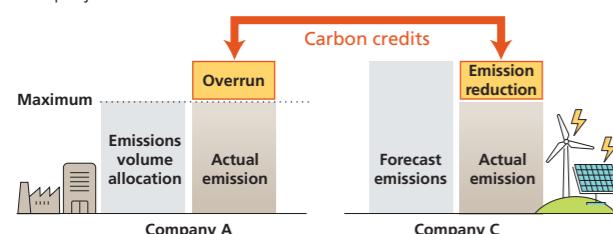
ETS

A system under which a government allocates a limited amount of greenhouse gas emissions to a business, with surpluses and deficits traded on markets.



Carbon credits

A system in which emissions reductions are achieved as a result of efforts to reduce greenhouse gases can be traded as credits, based on the difference between the projected emissions without the project and the actual reduced emissions.



* The credit ratio is limited to up to 10% of the actual emissions.

See: What is emissions trading?

A form of carbon pricing in which countries or businesses place an upper limit (cap) on greenhouse gas emissions and buy and sell emissions rights within that framework. Companies with low emissions sell their surplus allocation, while those with more emissions purchase them, reducing overall emissions. In Japan, GX-ETS* will start in 2026.

* GX-ETS: An abbreviation for "Green Transformation (GX) Emissions Trading Scheme", an emissions trading scheme introduced for industry by the Japanese government.

Q. Why are carbon credits necessary?

A. Because carbon credits are an effective method of reducing emissions and support sustainable growth.

Responding to international rules

Use of compliance credits is also an effective way to meet the goals of each country and of the Paris Agreement, even in domains where emissions reduction is difficult.

Supporting decarbonization management

Some carbon credits allow companies to meet targets and comply with the SBTi and RE100 targets, supporting decarbonization management even when emissions reduction within each company is difficult.

Circulating environmental value

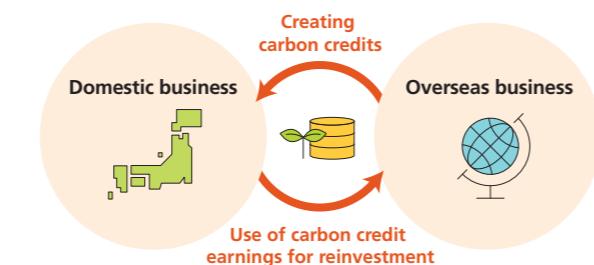
By linking forest conservation and the adoption of renewable energy with a credit mechanism, we will enable financing and integrate environmental value with the economic cycle.

Q. What strategy is erex pursuing?

A. We are using carbon credits for decarbonization in Japan and are reinvesting the resulting revenue overseas.

Carbon credits are an effective way to achieve decarbonization, and every country is focusing on efforts in this area. Using carbon credits earned overseas for decarbonization within Japan and recycling them by investing the resulting funds in our overseas businesses will be one of the major sources of revenue for erex.

Projects we believe to be eligible: Newly constructed biomass power plants in Vietnam, co-firing biomass in coal-fired power plants, newly constructed biomass plants in Cambodia



See: What progress is being made in the ETS market in Vietnam?

In March 2025, erex met with the Climate Change Bureau in Vietnam. We also sent a letter to Prime Minister Chinh and confirmed that the Vietnamese Government is moving ahead with completing institutional arrangements by June 2025. Decree 119/2025/NĐ-CP on the Vietnam ETS was officially published in June, thereby implementing the institutional arrangements for the establishment of the Vietnam Carbon Credit ETS market. erex and the Vietnamese Government plan to establish a task force aimed at creating the Vietnam Carbon Credit ETS market in 2029.

Construction of fuel supply chains to provide stable supply

Q. What are fuel supply chains?

A. "Fuel supply chain" refers to the entire process from procurement of fuel to supply at a power plant.

A fuel supply chain is the entire process from procurement (development) of fuel to processing, transport, and delivery to a power plant. Construction of fuel supply chains positioned in the upstream segment of the energy industry contributes to the stability and profitability of the entire industry.

Image diagram of fuel supply chain



Q. Why is it important to construct fuel supply chains?

A. Fuel supply chains are positioned upstream in the energy industry, and their efficiency determines the success or failure of the industry as a whole.

Currently, it would be difficult to say that supply chains for biomass fuel in Southeast Asia are sufficiently developed, and concerns regarding stable supply are hindering the growth and expansion of the biomass power industry.

Moreover, stable procurement of fuel leads to stable operation of power plants and is directly associated with high profitability. Accordingly, we believe that constructing supply chains will encourage the expansion of the biomass power generation industry by ensuring a stable supply of fuel, accelerating the transition to decarbonization. Additionally, players constructing fuel supply chains in the energy industry serve to provide added value throughout the industry, and consequently often generate stable, high revenue in the long term.

Q. What is the status of erex initiatives?

A. In Vietnam, operations have commenced at our wood pellet factory, and supply systems have been constructed for the Hau Giang Biomass Power Plant. We will evaluate afforestation for new biomass power plants in Cambodia.

Because it is unaffected by weather, biomass power generation offers highly stable operation compared to other renewable energy sources and can also be used as both a base power source and a dispatchable power source. Accordingly, it is expected to contribute to the realization of a decarbonized society.

Southeast Asia has an abundant supply of biomass fuel, keeping fuel costs low. The use of biomass power generation will thus be instrumental in promoting decarbonization.

After receiving certification, erex began manufacturing wood pellets in Tuyen Quang Province, Vietnam, in March 2025. Additionally, we have established systems to supply the 130,000 tons of rice husks required annually as fuel by the Hau Giang Biomass Power Plant that started commercial operations in Can Tho City (formerly Hau Giang Province) in April 2025. Through overseas business development efforts such as this, we are making steady progress towards the construction of networks that include local partners.

In Cambodia we are working to construct supply chains including afforestation, with the goal of commencing operation of biomass power plants in fiscal 2027.

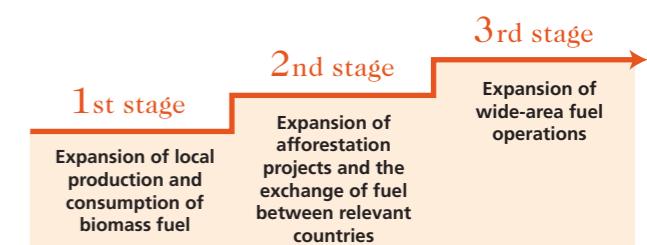
Q. What are your future ambitions?

A. We hope to become a major supplier of biomass fuel.

Development and operation of power plants are both core businesses for erex, which gives us an accurate understanding of the needs of the power generation vendors who are our users, and allows us to supply fuel of the quality that such users demand.

Construction of biomass fuel supply chains in Southeast Asia requires communication with farmers as well as surveys that extend deep into mountainous regions, and thus there are many challenges that are unique to these areas. However, we believe that if we can overcome these challenges, the barriers to entry for other companies will be significantly higher, as will the added value that we are able to provide.

erex will leverage its extensive knowledge of the biomass business in Japan to expand its biomass power generation businesses in Southeast Asia and contribute to decarbonization, and will work to become a major supplier of biomass fuel.



A financial strategy that balances contributing to a decarbonized society with improving corporate value

The results of our business restructuring have steadily become apparent in the fiscal 2024 financial results

Fiscal 2024 was a year in which we moved ahead with our business restructuring, defining our goal: "We will steadily return to profitability and restore our place as a company that can make investments for growth." We engaged in multiple improvement measures at the same time, revising our retail procurement strategy to optimize supply-demand balance, strengthening risk management systems through organizational restructuring, improving our financial position through the third-party allocation of new shares, and reviewing unprofitable businesses. These initiatives have produced concrete results on the financial front, and their effect has been clearly apparent in the fiscal 2024 financial results.

Net sales for fiscal 2024 were 171.2 billion yen, 110% of the initial planned figure. The primary reason for this increase lies in the fact that sales in the Retail & Trading Business were above those planned.

In terms of profitability, net income attributable to the owners of the parent company was 112% of that planned, with operating income at 133%, and income before income taxes at 144%, all significantly in excess of

initial plan targets. In particular, in fiscal 2023 the Retail & Trading Business booked a significant loss due to a mismatch between sales and procurement, but recovered to achieve an operating income of 13.5 billion yen in fiscal 2024 due to improvements in its earnings structure, organizational restructuring and a revised procurement strategy. This result was significantly greater than the 9.8 billion yen in operating income anticipated in the initial plan and drove a company-wide improvement in earnings.

In addition, the Power Generation and Fuel Division, which was initially forecast to generate an operating loss of 2.1 billion yen, instead generated a loss of 1.3 billion yen, contributing to improved earnings. These results demonstrate that our business restructuring is intended not only to reduce costs, but to transform us into an entity with a profitable business foundation. Fiscal 2024 was a crucial year in which the Company has made a new start towards sustainable growth, and we view it as a year in which we have established a foundation that will allow us to recover financial soundness and business profitability.

Fiscal 2025 is a critical turning point

Net sales are forecast to rise slightly over the previous fiscal year to 176.1 billion yen in fiscal 2025, and we anticipate

improved profitability as we continue stable business operations. Operating income is anticipated to be 8.6 billion yen and income before income taxes 7.5 billion yen, representing an increase in profit of approximately 20% over fiscal 2024 results, while net income attributable to the owners of the parent company is expected to increase by approximately 60% over the fiscal 2024 figure of 2.1 billion yen, reaching 3.4 billion yen. These values demonstrate our intent to balance a strengthened revenue structure with investment for growth and reflect the results of our efforts towards financial soundness and improved business value. Although we booked a significant loss in fiscal 2023 we have continued efforts to move forward with new business, even under such difficult circumstances.

In fiscal 2025, after a period of preparation, we will finally enter a phase in which our overseas businesses begin to contribute to sales and revenue.

In particular, in addition to establishing new biomass power plants and converting existing coal-fired power plants to biomass co-firing in Vietnam and Cambodia, we intend to monetize the value of carbon credits (environmental value) created from these overseas businesses through carbon trading. Through participation in international environmental value exchanges, we aim to create new revenue opportunities.

In our domestic business we are also promoting new aggregation business initiatives centered on our retail business with the goal of enhancing our competitive edge in the domestic market, driven by collaboration with multiple business partners.

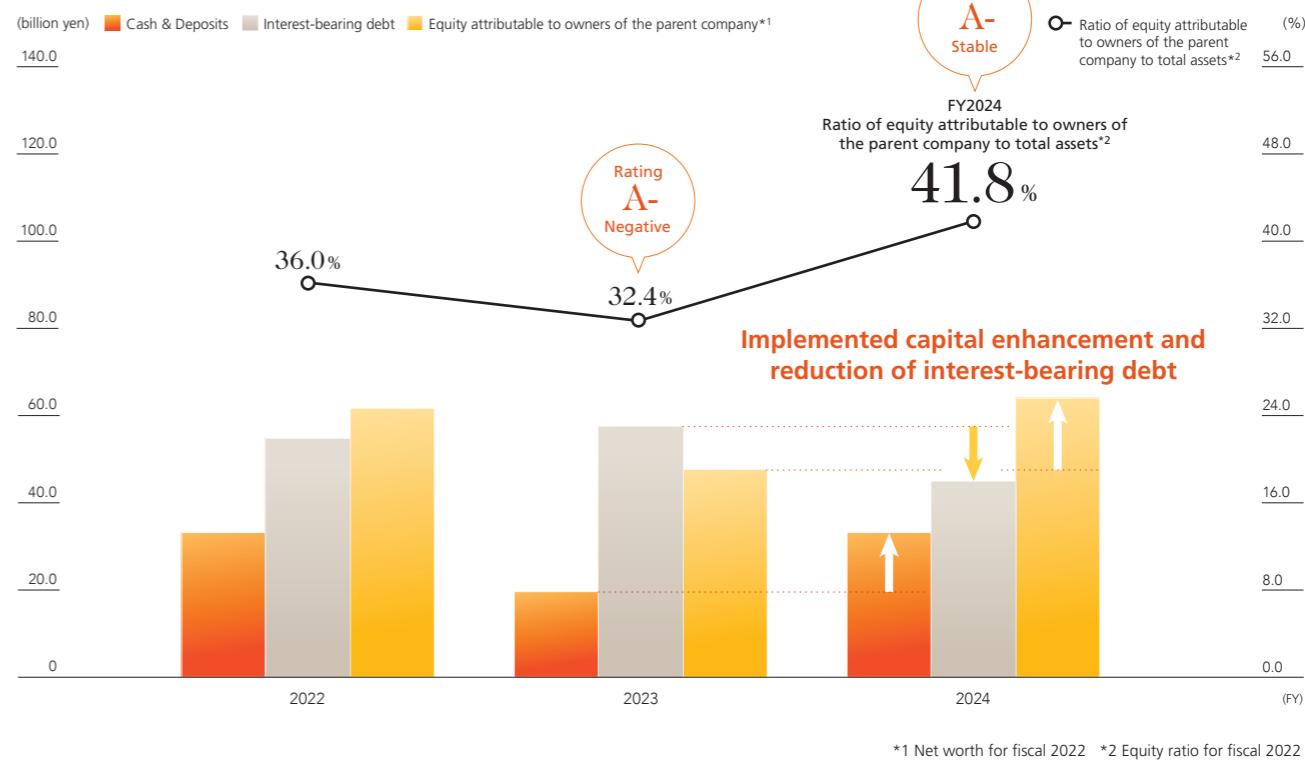
Establishing a foundation for growth based on strategic capital alliances and an improved financial position

erex is working continuously to strengthen its financial foundation, which is a prerequisite for executing sustained growth investments effectively. In fiscal 2024, as part of our business restructuring, we promoted the improvement of our financial position through strategic capital alliances. In May 2024, as part of a business and financial strategy with a view towards cooperation with overseas businesses, we engaged in a third-party allocation increase to JFE Engineering Corporation, Kyudenko Corporation, Toda Corporation, and Sumitomo Mitsui Finance and Leasing Company Limited. Moreover, in December of the same year, we obtained agreement for a third-party allocation increase for East Japan Railway Company. In June 2025, we announced off-site corporate PPA initiatives with the East Japan Railway Company.

Net sales / Income before income taxes



Improvement and strengthening of our financial position



This capital strengthening and return to profit in fiscal 2024 increased the equity ratio (ratio of equity attributable to owners of the parent company to total assets, which is known as the "equity ratio" under Japanese standards) to 41.8% as of March 31, 2025. Additionally, the credit rating of erex has changed from its previous A- (negative) to A- (stable), confirming the Company's financial soundness and improved reliability.

Moreover, we are actively engaged in reducing interest-bearing debt and lowering financial risk by improving the soundness of our capital structure. In particular, with regard to the financial risk associated with responses to climate change, we recognize that almost all of the investments we are promoting domestically and internationally help promote decarbonization, and at this time we believe that significant financial risks are unlikely to materialize.

Additionally, regarding return to shareholders, although our non-consolidated distributable dividend for fiscal 2023 was negative and we were forced to suspend dividends, in fiscal 2024 we successfully achieved a return to profitability and reinstated a dividend of 11 yen per share. We plan to offer a dividend of the same value in fiscal 2025, but will move ahead with careful, forward-looking evaluation, working to balance improving business value with a return to shareholders, without being bound by our initial plans.

Maintaining a strategy of balanced domestic and international investment

Backed by a stable financial foundation, erex is continuing to invest strategically towards sustainable business growth. In fiscal 2024, we were able to begin operation of the first commercial biomass power plant in Vietnam (the Hau Giang Biomass Power Plant^{*1}) and began manufacturing certified wood pellets at the Tuyen Quang Pellet Factory. These efforts are the results of continued investments in growth and are positioned as part of the Company's medium-to-long-term growth strategy.

We will continue these efforts in fiscal 2025 with plans to actively promote international investment in projects related to renewable energy, such as building new biomass and solar power plants and promoting projects aimed at decarbonization through biomass co-firing in existing plants in Vietnam, and constructing new biomass power plants in Cambodia. We are also formulating capital plans as well as investment budgets for our businesses in Japan in anticipation of investment in solar power generation and storage batteries as part of our aggregation businesses.

erex financial strategy is based on a rational portfolio-based strategy of using stable profits from its

retail and trading businesses to make preemptive investment in international businesses that are anticipated to grow. Predicated on risk management and on ensuring the profitability of overseas businesses, we also emphasize domestic growth and view appropriate allocation of resources, taking into account the balance between businesses, as important.

In terms of investment decisions, for domestic power generation projects, we have used an IRR (internal rate of return) of 8-10% as an internal benchmark and are formulating business plans for overseas businesses based on an assumption of higher rates of return. We hope that this will raise our capital efficiency and allow us to achieve ongoing improvements in corporate value.

Sustainability management and contribution to local communities

erex has promoted initiatives towards decarbonization from an early stage in the energy domain, where stable, low-cost provision is required. We have a track record of implementing advanced initiatives, and our focus on biomass power generation since the introduction of the FIT system, and the switch of all electricity sold by our low-voltage sales subsidiary Evergreen Retailing Co., Ltd. to CO₂-free electricity are examples of this stance. Initiatives such as these have won favor with our stakeholders, and we rarely receive criticism for not making enough effort toward sustainability. Going forward, we will work towards further strengthening our sustainability management through initiatives to improve our CDP score and voluntary disclosure of our Scope 3 emissions.

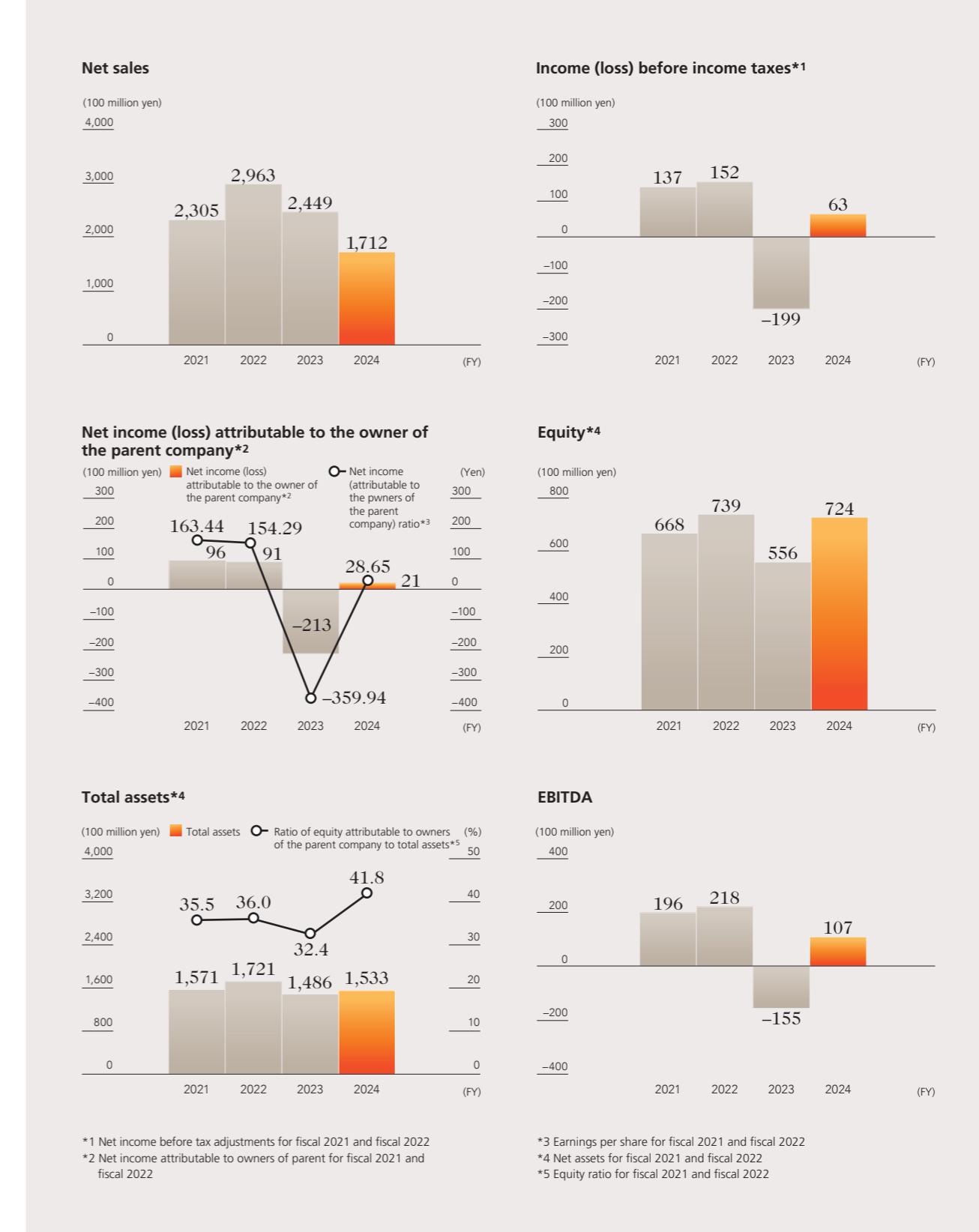
In particular our biomass power generation businesses in Vietnam and Cambodia are areas where we seek to achieve sustainable growth through cooperation with local communities in efforts such as improving energy self-sufficiency, creating jobs, and raising the incomes of agricultural workers, and we see our businesses as contributing to sustainability. We recognize that ensuring transparent and accessible communication of these initiatives to our stakeholders is a key responsibility for the Company.

*1 It has been selected under the Ministry of the Environment's FY2022 Joint Crediting Mechanism (JCM) Financing Program: Equipment Subsidy Project.^{*2, *3}

*2 Ministry of the Environment, Japan has been implementing the "JCM Model Projects," which provides financial supports covering up to half of the initial investment costs. The purpose of this model projects is to financially support the implementation of projects which reduce GHG emissions by utilizing leading decarbonizing technologies in developing countries, and in return, to acquire JCM credits for achievement of Japan's GHG emission reduction and the partner countries' emission reduction target. This project is being implemented with the cooperation of the Vietnamese and Japanese governments.

*3 The announcement was made on July 1, 2022, in "MOE Japan Selected 16 Projects for JCM Model Projects of Joint Crediting Mechanism (JCM) Financing Support Programme for FY2022 (First Round)."

Financial highlights



Energy is indispensable for human life. As a company that handles energy, erex is committed to supporting everyday lifestyles in which people are able to take peace of mind for granted, and to promoting sustainability through the realization of a decarbonized society so that future generations can continue to live in a world where access to electricity can be taken for granted. erex offers new innovations to help bring decarbonized societies to reality globally. Specifically, we will work to achieve this through the construction of fuel supply chains and the creation of carbon credits. The sustainability that erex aims for includes not only the global environment but also society as a whole. erex will fulfill its corporate responsibility by taking a broad perspective, supporting people's lifestyles, the communities where its power plants are located and its fuels are produced, and its employees, stakeholders, and supply chain partners.

Sustainability cycle diagram



Sustainability that contributes to economic growth and environmental initiatives

Basic Sustainability Policy

Addressing Climate Change with Challenge and Speed

—erex, a decarbonized company that continues to evolve for the betterment of people's lives—

erex has adopted achieving a globally decarbonized society as its mission, and seeks to become an energy company that contributes to both economic growth and environmental initiatives by providing a range of solutions that meet the need for decarbonization. The Company hopes to encourage the adoption and growth of renewable energy in Japan and internationally.

Specifically, the Company will leverage its experience in biomass power generation projects to work on various projects in Japan and around the world to improve energy self-sufficiency, create jobs, and contribute to industrial development.

Additionally, we will utilize the environmental value that we have created in projects overseas for transactions in Japan, promoting global decarbonization. To support people's lives and co-create a better future, we will continue to evolve with our motto of "challenge and speed."

Additionally, erex has set net zero targets with the goal of contributing to the GHG reduction targets of Japan and the Paris Agreement. We assess our progress towards these targets rigorously through regular checks of GHG emissions from Scope 1 to Scope 3, with management conducting an annual review. If any delays or setbacks are identified, we conduct root cause analyses immediately and take any necessary corrective actions. These may include the elimination of reduction investment plans and specific initiatives, and formulation and execution of additional countermeasures.

Structures for Promoting Sustainability Initiatives

In fiscal 2022, erex established a Sustainability Committee to build a governance structure for sustainability. Chaired by the director in charge of corporate planning, its members include erex's managing director and numerous other executives.

Additionally, a secretariat comprising four dedicated members has been established within the Corporate Planning Department that oversees cross-departmental initiatives. The Sustainability

Committee promotes erex activities aimed at achieving a sustainable society, such as those to address climate change and strengthen human capital. It is tasked with supporting managerial decisions that look beyond the short term to take a medium-to-long-term perspective on improving corporate value.

With regard to individual initiatives for sustainability, we have established individual subcommittees for the environment, society, and governance, with members selected from each department and affiliated companies under the instruction of the secretariat. These subcommittees evaluate and discuss specific measures. Content discussed by subcommittees is reported at meetings of the Sustainability Committee, which are held at least four times yearly, and deliberated on by the Committee. Regarding reports on matters discussed and decided by the Sustainability Committee, the Executive Committee considers any proposed actions as important management and business strategies and consults with the Sustainability Committee as necessary when making management decisions. The Board of Directors receives reports on the matters discussed by the Executive Committee and is tasked with supervising the promotion of sustainability at erex.

Diagram of framework for promoting sustainability (as of March 31, 2025)



TCFD Initiatives



In March 2023, erex expressed its support for the declarations made by the Task Force on Climate-related Financial Disclosures (TCFD).

Accordingly, erex will reconfirm the environmental impact of its business activities and promote disclosure of climate-related information. In addition, the Sustainability Committee will play a central role in the Company's efforts to become carbon neutral and its aim to achieve a sustainable society together with its stakeholders.

Items included in erex's information disclosure are based on the framework developed by the TCFD and will be reviewed and improved upon annually through discussion by the Sustainability Committee.



Governance

Governance related to climate change has been integrated into our overall sustainability governance framework.

The Sustainability Committee identifies and assesses climate-related risks in line with TCFD recommendations and organizes and reviews measures to address them.

Strategy

Faced with long-term uncertainty in the future, erex is working to improve business resilience, focusing primarily on the power generation business that is the Company's mainstay.

erex has assessed the impact of global average temperature increases on the Company under multiple scenarios—the 1.5°C scenario (for example, the benchmark set by IEA's net zero emissions NZE scenario to achieve decarbonization) and the 4°C scenario (for example, the IEA's stated policies scenario, which predicts the future impact of prevailing emissions) to project potential outcomes for 2050, evaluating the impacts as "risks" and "opportunities."

Meanwhile, it may be possible to secure raw materials at a stable price in the long term through diversification of biomass fuel and by strengthening in-house procurement systems for fuels that meet renewable energy standards. We believe that this will allow us to expand sales by lowering our costs. As a result, we assume that the demand for fuel will increase and have identified the growing demand for renewable energy and biomass as a transition risk. Furthermore, we assume the possibility that the supply of fuels that meet renewable energy standards will not keep pace with demand, and that the resulting increase in costs will have a particularly significant impact on our business activities.

At present, it is difficult to quantitatively evaluate the impact that these risks and opportunities will have on the financial status of erex, so we qualitatively evaluate them on three levels: major, moderate, and minor. On the other hand, by promoting the development of various biomass fuels, such as through our development projects for new fuels, and by strengthening in-house procurement of fuels that meet renewable energy standards, we expect that we will be able to procure raw materials at stable prices over the long term, and thus have an opportunity to expand sales by lowering our costs.

Since it is difficult to quantitatively evaluate the impact of climate change on our financial condition, we have qualitatively evaluated the impact on three levels: major, moderate, and minor. We will continue to analyze scenarios to improve the accuracy of our predictions regarding the degree of impact on our financial condition while strengthening our ability to respond to the risks and opportunities associated with climate change to make our business more sustainable.

Additionally, we assume that risks and opportunities will emerge as follows:

- Short term: Within three years
- Medium term: Beyond three years to 2030
- Long term: After 2030

Risk Management

At erex, the Sustainability Committee secretariat, in collaboration with relevant departments, takes the lead in collecting and organizing information on the identification and assessment of risks and opportunities associated with climate change. Based on this information, the Sustainability Committee discusses and determines response policies, which are then reported to the Board of Directors.

The Company is currently considering the establishment of a risk management system that includes the materialization and progress management of measures to address significant risks and opportunities related to climate change. Going forward, we will work to make our risk management more effective through organizational improvements.

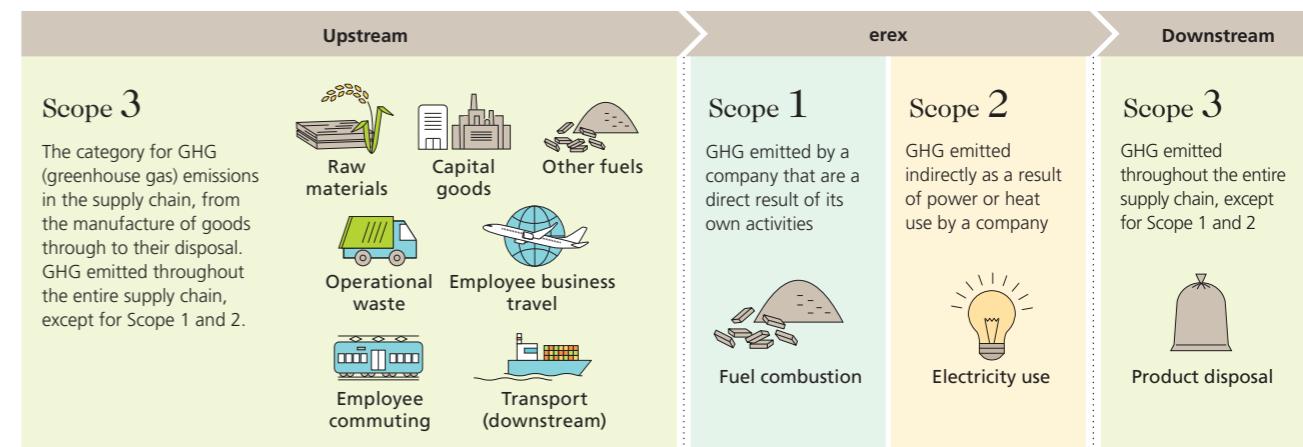
Goals and Indicators

Based on the GHG Protocol, the erex Group calculates GHG (greenhouse gas) emissions as an indicator for achieving carbon neutrality. In these calculations, we reflected the impact of consolidation and reorganization of subsidiary companies and recalculated in line with changes to calculation methods. Going forward, erex will continue to calculate GHG emissions and monitor the environmental impact of the Group's operations while moving ahead with initiatives intended to bring about the achievement of a decarbonized society.

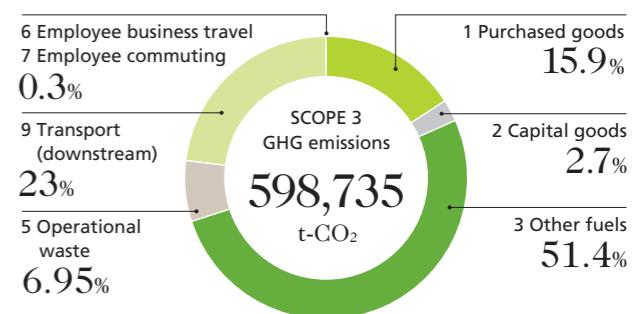
FY2024 GHG emissions results*

796,996 t-CO ₂		
Scope 1	Scope 2	Scope 3
193,888 t-CO ₂	4,373 t-CO ₂	598,735 t-CO ₂

Breakdown of supply chain emissions



FY2024 Scope 3 breakdown of GHG emissions



* Figures are from the Securities Report for the fiscal year ended March 2025. We are continuing to implement measures to improve transparency.

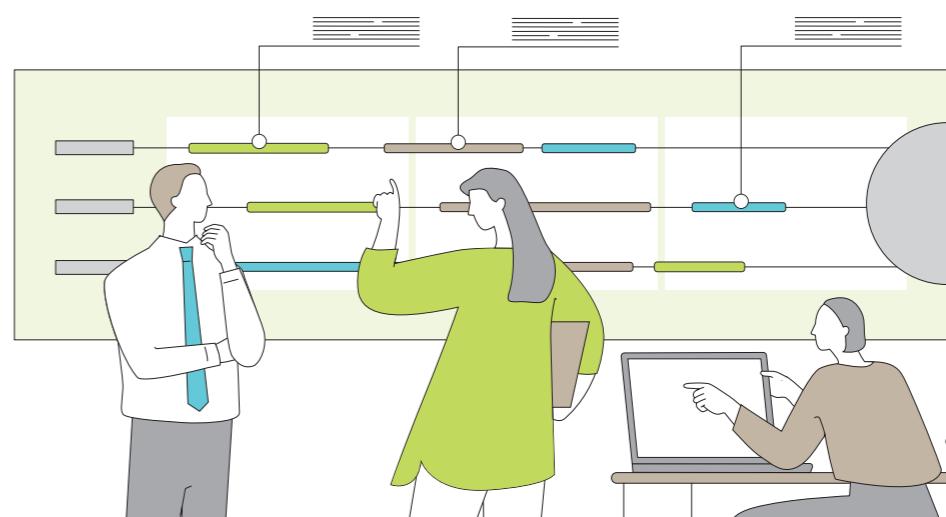
TCFD Initiatives

Main Risks Related to Climate Change and Response Measures

Classification	Impact on the Company	Severity	Projected time frame	Countermeasures
Conversion risks	Policy and law Orders and regulations for existing products and services	Medium	Short term	If there are changes to the regulations on fuels used for biomass power generation, erex may have to convert to other fuels that maintain their status as renewable energy sources. In this case, the Company may incur costs associated with conversion to fuels that meet revised regulations, or face increased fuel costs if it converts to higher-cost fuels that meet the revised regulations.
	Increased reputational risk and costs associated with addressing unmet emission targets and inadequate disclosure information (including information on mixing fuels that have not received third-party certification, and discrepancies in certified biomass ratios).	Medium	Short term	To ensure a stable supply of biomass fuels, erex takes the initiative to procure biomass fuels such as palm kernel shells (PKS) and wood pellets from overseas. In addition, the Company is working to obtain certifications that cover various aspects of supply chain management in relation to the protection of the natural environment and the sustainable use of biomass fuels, such as Green Gold Label (GGL) certification for PKS in 2020.
Technology	Technology Replacing existing products and services with low-emission alternatives	Small	Medium- to long-term	As environmental awareness continues to grow, the supply of renewable energy is likely to increase. This could cause an increase in the number of days that renewable energy output is curtailed, thereby leading to lower sales.
	Markets Increased cost of raw materials	Large	Short term	While demand for fuels is likely to increase in response to a growing demand for renewable energy and biomass power generation, the supply of fuels that meet renewable energy standards may not keep pace with demand, resulting in an increase in the cost of fuel.
Physical risks	Reputation Increased stakeholder concerns or negative stakeholder feedback	Medium	Short term	An inadequate response to climate-related issues or information disclosure requirements may cause a decline in share prices or a loss of investor confidence, leading to increased financing costs or a decrease in company value.
	Acute risk Increased severity and frequency of extreme weather events such as cyclones and floods	Medium	Medium- to long-term	Increasingly severe windstorms and floods may cause damage to biomass fuel production plants or cause disruptions in the supply chain, thereby impeding fuel procurement and power plant operations, resulting in a decrease in sales.
Physical risks	Acute risk Increased severity and frequency of extreme weather events such as cyclones and floods	Medium	Medium- to long-term	Increasingly severe windstorms and floods may damage power generation facilities, causing them to cease operations and resulting in a decrease in sales.

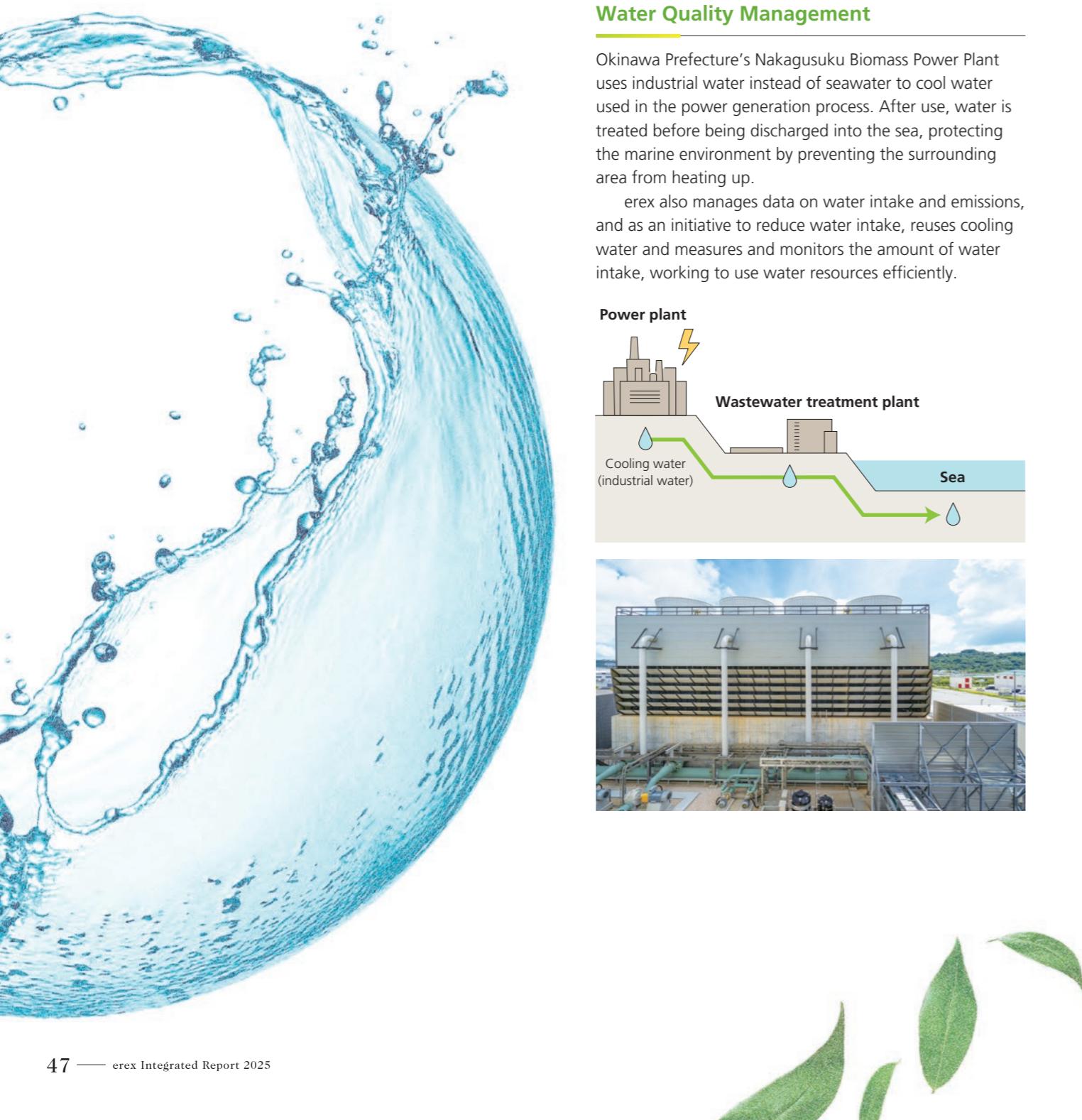
Opportunities Related to Climate Change and Response Measures

Classification	Impact on the Company	Severity	Projected time frame	Countermeasures
Opportunities	Technology Replacing existing products and services with low-emission alternatives	Medium	Medium- to long-term	The introduction of policies promoting a shift to power grids that leverage the potential of renewable energy will likely lead to fewer days of output restrictions, increasing revenues. Earnings will increase through the development and commercialization of businesses that utilize more efficient energy management systems that rely on storage batteries.
	Markets Increased cost of raw materials	Medium	Medium- to long-term	Cost of sales will likely decrease as new technologies lead to the development of biomass fuels with higher power generation efficiency that lower the cost per unit of electricity generated.
Reputation	Markets Increased cost of raw materials	Small	Medium- to long-term	An increased need for bioenergy with carbon capture and storage (BECCS) will likely increase the demand for biomass power generation, resulting in higher sales.
	Reputation Changes in customer behavior	Large	Short term	erex will be able to procure raw materials at stable prices over the long term by strengthening its own procurement of fuels that meet renewable energy standards, resulting in lower fuel costs.
Reputation	Reputation Changes in customer behavior	Large	Short term	The growing demand for renewable energy from companies and others working to address climate change will likely increase the need for electricity generated from renewable energy sources, including biomass energy, resulting in higher sales.
	Reputation Increased stakeholder concerns or negative stakeholder feedback	Small	Short term	As part of climate change mitigation efforts, the expansion of electrification and increased demand for renewable energy power are expected to drive revenue growth.
Reputation	Reputation Increased stakeholder concerns or negative stakeholder feedback	Medium	Short term	Proactively addressing and disclosing the status of ESG issues and attracting ESG investment will likely increase erex business value as a result of higher stock prices.
	Reputation Increased stakeholder concerns or negative stakeholder feedback	Medium	Short term	In its management plan, the Company aims for carbon neutrality by 2050. It also aims to reduce in-house GHG emissions and leverage its biomass business to promote the avoidance of emissions.



Environment

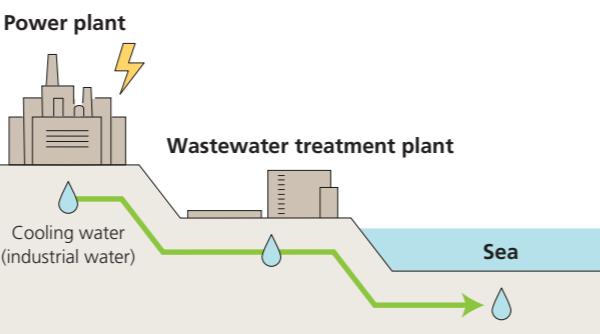
erex is actively promoting environmental initiatives in order to realize its 2030 Vision of "Realizing a sustainable society—To become a pioneer in the new era of electric power with renewable energy at its core." erex has set a target of contributing to a CO₂ reduction of 25 million tons by 2030, and is promoting the biomass fuel business and the operation of biomass power plants in Japan and overseas.



Water Quality Management

Okinawa Prefecture's Nakagusuku Biomass Power Plant uses industrial water instead of seawater to cool water used in the power generation process. After use, water is treated before being discharged into the sea, protecting the marine environment by preventing the surrounding area from heating up.

erex also manages data on water intake and emissions, and as an initiative to reduce water intake, reuses cooling water and measures and monitors the amount of water intake, working to use water resources efficiently.



Reducing Air Pollution

When transporting biomass fuels to power plants, erex uses custom-built covered trucks fitted with an airtight structure to prevent dust from scattering during transportation. Power plants are equipped with exhaust gas treatment equipment as an initiative to reduce emissions of air pollutants such as soot and dust, SO_x, NO_x. Moreover, erex regularly measures exhaust gas emissions based on legal standards.



Biodiversity

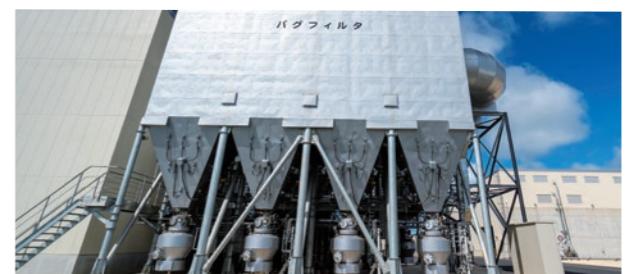
erex conducts environmental assessments to prevent pollution and destruction of the environment caused by the construction and operation of power generation facilities. Specifically, the Company assesses environmental impact through ecological surveys of plants and animals and reflects the results in its design and construction.

In addition, with regard to the use of fuel in Japan, erex procures fuels that have been certified by a third-party organization to prevent ecosystem destruction caused by slash-and-burn agriculture and illegal logging by fuel suppliers.



Waste Management

Bag filters are installed to remove fine ash contained in exhaust gas at power plants and ensure that there is no impact on the people or the environment in their vicinity. In addition, erex strives to protect the environment by making effective use of waste. For example, ash generated from burning PKS (palm kernel shells) is fully collected, then granulated, solidified, and reused as a cement raw material. These cement raw materials are also used as building materials in some public works projects, contributing to environmental preservation.



Expansion of CO₂-free Plans

Beginning in fiscal 2024, Evergreen Retailing Co., Ltd. (EGR), a subsidiary of erex, switched all of the contracts of its customers to CO₂-free plans. Switching to the new plans has contributed to reducing CO₂ emissions by approximately 380,000 tons, contributing to environmental preservation.

Going forward, we will work to enhance our services, providing electricity at an affordable price that is virtually CO₂-free, and allowing more customers to use clean energy.

Social

When it comes to sustainability initiatives, companies are being urged to address a broad range of issues beyond climate change, including human rights and the resolution of poverty. Against this backdrop, erex aims to create a virtuous cycle, returning the revenue earned through its business activities to society at large and contributing to its sustainable development, and in doing so, achieving further growth itself. The Company's fundamental stance on sustainability is one of continuing to be a company that grows together with society through sustainable business operations.

Human Capital

Corporate Environment Improvement Policy and Human Resources Development Policy

erex has defined its vision for 2030 as "To become a pioneer in the new era of electric power with renewable energy at its core." To achieve this vision, we promote fair recruitment practices that do not take gender or nationality into consideration, and support the activities of a diverse range of human resources. We also strive to provide a working environment where our employees can work with peace of mind, and work to offer fair evaluations and treatment. In doing so, we seek to maximize each individual's abilities and value. We believe that these efforts will improve employee engagement and contribute to the sustainable enhancement of our corporate value.

Specific Initiatives (Including Established Indicators and Targets)

Promotion of Diversity

As erex expands its business globally toward the realization of a decarbonized society, we believe that it is essential that talented individuals play an active role, regardless of nationality or gender. With this understanding, we promote diversity according to the following policies.

At erex, we believe that leveraging a diverse base of people is key to bringing the erex management philosophy

of "challenge and speed" to fruition, and to accelerating our development overseas. With the external environment undergoing rapid, dramatic change, we will endeavor to promote a sustainable growth strategy by cultivating flexible, adaptable human resources who can view issues from a range of different perspectives.

In particular, we acknowledge that the under-representation of women in both employee and managerial positions is problematic, and have maintained a policy of consistently hiring a certain target ratio of female new graduates, and of strengthening mid-career recruiting.

In fiscal 2024 we appointed one new female manager, and in 2025, 42.9% of the planned new graduate hires are women, and we have also hired one foreign national. In addition to training new employees, we are working to enhance our human resources portfolio by hiring those who can be immediately productive in line with our new business development.

Although we recognize that there are ongoing challenges related to diversity, we have yet to find any fundamentally effective solutions. Conversely, we also believe that any heavy-handed action would be inappropriate. We will maintain our current goals for promoting women's advancement, and work diligently towards achieving these goals by our deadlines.

While we continue with existing recruitment initiatives and the promotion of women to management roles, in fiscal

2025 we plan to invite women leaders from outside the Company to give seminars and hold roundtable discussions. Through these efforts, we will work to foster the creation of an organizational culture in which each employee understands and is able to leverage the value of diversity.

Human Resources Development

erex is implementing the following measures to allow each employee to grow according to the relevant stages of their career. erex began hiring new graduates six years ago and offers employees quarterly training during the first three years after joining the Company to provide ongoing follow-up. In recent years, increasing numbers of people have joined erex from other companies in their twenties, and we also hire veteran personnel with a wealth of experience. With employees from so many diverse backgrounds gathered, we feel that it is necessary to enhance the training offered post-placement. Although the fact that our employees come from a wide range of backgrounds is one of our strengths, we must promote the standardization of our operational foundations regarding organizational operations. This will allow us to improve the quality and efficiency of our operations as well as reduce risk. In addition to the training programs we have implemented to date, such as the three-year training program for new graduates, tutor training, and new section chief training, we hold a variety of other training programs, including department manager training, communication training for all employees, intercultural communication training, and an English-language café (to encourage people to practice conversational English), as well as other training tailored to specific job positions. Going forward, we will promote and implement training for new and mid-career hires below the level of section chief, an area we had not previously addressed. Moreover, going on from the communication skills training held for all employees last year, we intend to offer a second phase of training focusing on our management philosophy. Through these initiatives, we intend to support the growth of our employees, enhance our organizational capabilities, and work to effect ongoing improvements to our corporate value.

Main initiatives

Training system by job position	Broad-based training for new graduates · Managerial training by position
Follow-ups with young employees	New graduate recruitment training and quarterly follow-up training (for the first three years)
Attending external business seminars	Creating an environment that allows all employees to take online seminars and share information with other employees
Fair personnel evaluation	Setting quarterly targets and conducting personnel evaluation interviews

Introduction of Diverse Work Styles

erex respects the abilities and lifestyles of each employee and actively promotes the introduction of diverse work styles to maximize the value of each. In August 2024, we implemented improvements to the treatment of those posted overseas, and beginning in April 2025, we have focused on creating a more employee-friendly work environment, implementing a system of accumulated sick leave, and revising systems for leave for childcare and care of the elderly and related programs. In particular, we are promoting the creation of an environment in which employees can take childcare leave, regardless of their gender, and are working to improve the ratio of male employees taking it. We hope that in-house sharing of experiences and innovative ideas from those who have taken childcare leave will help to create a workplace culture that makes it easy for anyone to take it.

Main initiatives

- Work style reforms (staggered working hours, establishing a paid leave encouragement period, improving treatment of employees posted overseas)
- Thorough implementation of childcare leave system regardless of gender

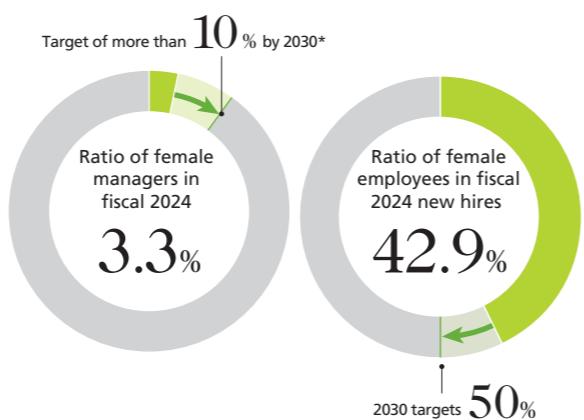
Fair Evaluation and Treatment

To create an environment in which all employees can work with a sense of fulfillment over the long term, it is extremely important to operate a fair personnel evaluation system. erex will continue to proactively enhance its employee benefits so that employees and their families can feel at ease. In fiscal 2024 we instituted the use of a new evaluation goal sheet and began setting goals and quantifying results in the evaluation of our achievements. Accordingly, our one-on-one meetings provide a forum for both managers and members to clearly understand and communicate their progress, which in turn helps link personal growth with fair evaluations. Moreover, we have introduced new systems that are able to record and share goal management and progress checking via the web, in an effort to construct highly transparent evaluation systems. These systems reduce the operational load on employees and their managers and offer an environment in which they can concentrate on one-to-one dialogue. Going forward, we plan to link these systems with personnel data and use them for human resources development, developing the capabilities of our employees and improving our organizational strength.

Main initiatives

- Retirement benefits and corporate pension systems
- Employee stock ownership plan
- Orphan education pension
- Subsidy for medical check-up expenses

Percentage of female employees in total workforce in fiscal 2024
30.1%



* Results and target values do not include subsidiary companies, etc.

Social

Respect for Human Rights

erex Group Human Rights Policy

Based on the belief that a company's social responsibility compels it to respect human rights, the erex Group has established the erex Group Human Rights Policy as an action guideline, using the Group's sustainability policy as a starting point. The Group is committed to engaging in sincere and responsible business activities in each country and region where it operates.



erex Group Human Rights Policy (excerpt)

- 1. Compliance with Laws and Regulations Related to Human Rights**
 - Comply with the laws and regulations applicable in each country or region where we conduct business activities
 - Respect international standards when the above laws and regulations differ from international norms
- 2. Scope of Policy Application**

Applies to everyone working for erex Group, including executives and employees
- 3. Initiatives to Respect Human Rights in Business Activities**

Promote initiatives that prioritize respect for human rights to stakeholders
- 4. Human Rights Due Diligence**

Strive to identify, prevent, and reduce any actual or latent negative human rights impacts that may occur in our business activities
- 5. Remedy and Correction**

If erex Group causes or is found to have been involved in a negative impact on human rights in its business activities, take appropriate steps to remedy or correct the problem and work to prevent it from happening again
- 6. Dialogue with Stakeholders**

Actively engage in dialogue and consultation with stakeholders regarding responses to actual and latent human rights risks.
- 7. Information Disclosure**

Disclose information appropriately through websites and other platforms

Employment Initiatives for People with Disabilities

In recent years, erex has begun initiatives aimed at employing people with disabilities, offering work support through agricultural work on farms in Saitama Prefecture. In addition to harvesting seasonal vegetables, erex is currently trying to grow fruit such as watermelons.

The harvested produce is provided to local children's cafeterias, and is also sold within the Company, and erex is considering donating a portion of the proceeds to low-income households and individuals in need of social support. erex will continue to engage in these activities as part of its corporate social responsibility initiatives.



Community Contribution Activities in Regions Where Power Plants Are Located

The Group is actively involved in community contribution activities that emphasize coexistence with local communities in regions where its power plants are located. We have participated in local shrine festivals in Buzen City, Fukuoka Prefecture since 2018. Additionally, we gave a presentation entitled "High-efficiency design at Nakagusuku Biomass Power Plant" at the 62nd National Heat Transfer Symposium, which was held in Okinawa Prefecture.



Support for Human Resources Development in Vietnam

As a Japanese business that is investing in Vietnam, erex strives to support the development of human resources with the goal of contributing to sustainable social and economic development that is not restricted to the energy sector. This is part of our long-term value creation strategy, balancing efforts to advance a decarbonized society with fostering coexistence with local communities.

Supporting Study-Abroad Training Programs for Young and Female Civil Servants

From 2023, erex has sponsored the human resources development program implemented by Vietnam's Ministry of Home Affairs, providing support for the expenses of young and female civil servants from Vietnam's central and regional governments who are studying abroad at Japanese universities and other educational training institutions. This program is intended to help participants learn best practices through visits to administrative agencies in Japan, and to acquire leadership and management skills and apply them to administrative operations in Vietnam.

Scholarships for Students in Provincial Areas

In 2024 we awarded erex Tuition Support Scholarships to students in Tuyen Quang Province and Lao Cai Province (formerly Yen Bai Province), where erex is developing power plants and pellet factories, who are facing difficulties in continuing their studies for financial reasons. Although Vietnam is undergoing rapid economic growth, disparities remain in the educational opportunities available in ethnic minority areas and mountainous regions. By providing support for education in these regions, erex hopes to contribute to sustainable regional development and create social value in connection with our business activities.



Recognition for Outstanding Health and Productivity Management

erex positions employee health as an important management issue and promotes initiatives aimed at maintaining and improving health. As a result, erex has been recognized as a Certified Health & Productivity Management Outstanding Organization for three consecutive years. The program honors companies that practice particularly outstanding health and productivity management based on initiatives aligned with local health issues and health promotion initiatives advanced by the Nippon Kenko Kaigi.

erex has endeavored to create a working environment that allows all employees to demonstrate their capabilities to the full in good health. As of fiscal 2024, we have also begun implementing measures such as removing age restrictions from financial subsidies for medical check-ups. Furthermore, we added a new individual consultation desk in March 2025 to improve our broader employee support systems, building on existing procedures and consultations regarding personnel systems.

Going forward, we will continue engaging in activities to maintain and promote employee well-being so that we remain a company that is healthy and rewarding for employees and their families.

Governance

Corporate Governance

Basic Concept

erex seeks to clarify its management responsibilities and accountability to its stakeholders, including shareholders, customers, and employees, and to provide them with the benefits of maximizing its corporate value. To this end, the Company will ensure transparency and soundness in management and the execution of business as well as rigorous compliance. Furthermore, erex has adopted the promotion of efficient management as a fundamental policy and is working to further enhance its corporate governance.

Corporate Governance System

erex is a company with an Audit & Supervisory Board and utilizes the following system of governance.

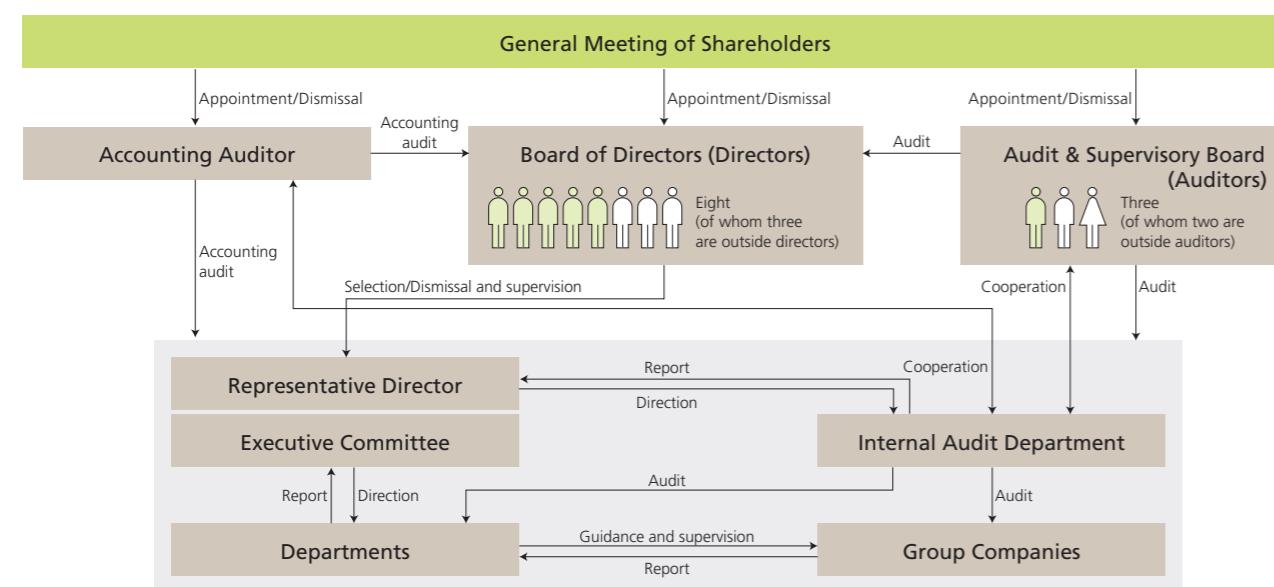
Directors and auditors are directly appointed by shareholders, and as personnel entrusted with management, are responsible for fulfilling their respective roles satisfactorily and are accountable to all stakeholders, including shareholders, for the state of management.

The erex Group operates across the entire value chain in the energy business from upstream to downstream, and in recent years has also expanded its business overseas. Thus, a multifaceted evaluation of risk that is based on expertise and business experience in the energy industry is required when making management decisions or supervising management.

Accordingly, erex has established a system to ensure transparency and fair decision-making by having the executive directors—who are familiar with the Company's business activities—engage in management-related decisions from diverse perspectives. Outside directors provide advice and guidance from an independent standpoint, and auditors, who are completely independent from the Board of Directors, audit and supervise directors' execution of duties to ensure that decision-making is fair and transparent.

Stance on the Diversity, Size, and Balance of Knowledge, Experience, and Abilities of the Board of Directors

The Board of Directors currently has eight members, which erex believes is an appropriate number for maintaining rapid decision-making as the Company expands its business scale. The board consists of directors from within the Company, who have a deep understanding of each of the Company's businesses, and outside directors who provide supervision from an objective and independent point of view. erex believes that its Board of Directors has a well-balanced makeup, comprising a diverse range of members with different professional backgrounds, experience, and expertise. erex is endeavoring to combine objectivity with expertise to enhance its systems of governance, appointing outside directors who have management experience at other companies.



Skills Matrix

The following skills matrix sets out each director's business experience and expertise.

	Corporate Management & Business Strategy	Energy Industry	International Business	Engineering	Sales & Marketing	New Business & Innovation	Finance & Accounting	Compliance	IT
Hitoshi Honna President and Representative Director	○	○	○		○	○	○	○	
Tomoki Kakuta Executive Director	○	○	○	○		○		○	○
Yasushi Saito Managing Director	○	○	○	○	○	○			○
Toshimichi Tanaka Managing Director	○	○	○		○	○		○	○
Norio Hirai Director	○		○		○	○	○	○	
Makoto Tamura Outside Board	○		○		○	○	○	○	
Michiaki Morita Outside Board	○		○		○	○	○	○	
Shigeru Kimura Outside Board	○	○	○		○		○	○	

Process and Policy for Appointing Directors

At erex, the president and representative director selects candidates based on an overall assessment of whether they can suitably fulfill the responsibilities of a director, taking into account their past performance, character, insight, and other factors, and their high ethical standards. After selection, thorough explanation is provided at a Board of Directors meeting attended by outside Board directors, and a resolution is passed to appoint the candidate as a director responsible for business execution.

Criteria for Selecting Outside Board Directors

Appointment of outside board directors is predicated on candidates meeting the requirements for independence as stipulated by the Tokyo Stock Exchange, possessing expert knowledge and a wealth of experience in a range of fields, and being able to provide objective and neutral advice and supervision of management.

All current outside board directors have management experience at other companies. The reasons for their appointment are as follows.

Name	Reason for Appointment	Attendance at Board of Directors' Meetings (FY2024)
Makoto Tamura	Leverages many years of experience in security companies and other areas of the finance sector to offer advice from a shareholder's perspective on issues such as risk monitoring related to business strategy and finance.	14/14 times
Michiaki Morita	Leverages expertise based on many years of experience in the finance and securities industry and a broad knowledge of all aspects of management. Offers opinions on the appropriateness and relevance of erex management strategy, etc.	14/14 times
Shigeru Kimura	With many years of experience at a power company, possesses a high level of insight into the power industry and wide-ranging knowledge of all aspects of management. Offers opinions on the appropriateness and relevance of erex management strategy, etc.	14/14 times

Governance

Evaluation of the Effectiveness of the Board of Directors

To achieve ongoing improvements to the effectiveness of the Board of Directors, erex conducts an evaluation of the board at a set time each year. Through this evaluation, the Company identifies issues that need to be addressed and shares them between the constituent members of the board, creating a framework for improvement. Below is a summary of the evaluation results for fiscal 2024.

1. Evaluation Method

- (1) In March 2025, all directors and auditors completed a five-step scale self-evaluation questionnaire. In addition to questions verifying the ongoing effectiveness of the Board of Directors, the evaluation included content to verify the status of the board's response to the changing external environment and other factors affecting corporate governance.
- (2) At the Board of Directors meeting held in May 2025, board members shared their views on the analysis of questionnaire results. To ensure objective evaluation, question design and tabulation and the analysis of the results are outsourced to an external organization.

2. Main Items in the Evaluation Questionnaire

- Composition and processes of the Board of Directors
- Management and business strategies
- Business ethics and risk management
- Performance monitoring and evaluation and compensation of management
- Dialogue with shareholders

3. Evaluation Results

Evaluation concluded that the content and volume of materials, prior explanations, responsibilities of independent outside Board directors, and the holding of free and open discussions were generally appropriate. Conversely, we recognize that there are challenges in promoting understanding of digital transformation (DX) policies and the provision of information on risk management and strategy formulation for overseas businesses. We will work to further improve the effectiveness of the board by addressing these problems.

Executive Compensation

1. Basic Policy

To create a compensation system that adequately incentivizes directors to continuously strive to improve corporate value, the Company's basic policy sets compensation at a level appropriate to each director's responsibilities.

2. Policy to Determine Basic Compensation for Each Director (Including Timing and Other Conditions for Granting Compensation)

Basic compensation is determined through an overall and comprehensive assessment that includes the Company's business performance and the compensation levels at other companies in the industry, and is set according to each position as well as whether the director is internal or external. Additionally, it reflects individual performance for the previous fiscal year as determined through discussions between the president and representative director and the director in charge of human resources, and the individual's basic compensation amount is finalized accordingly.

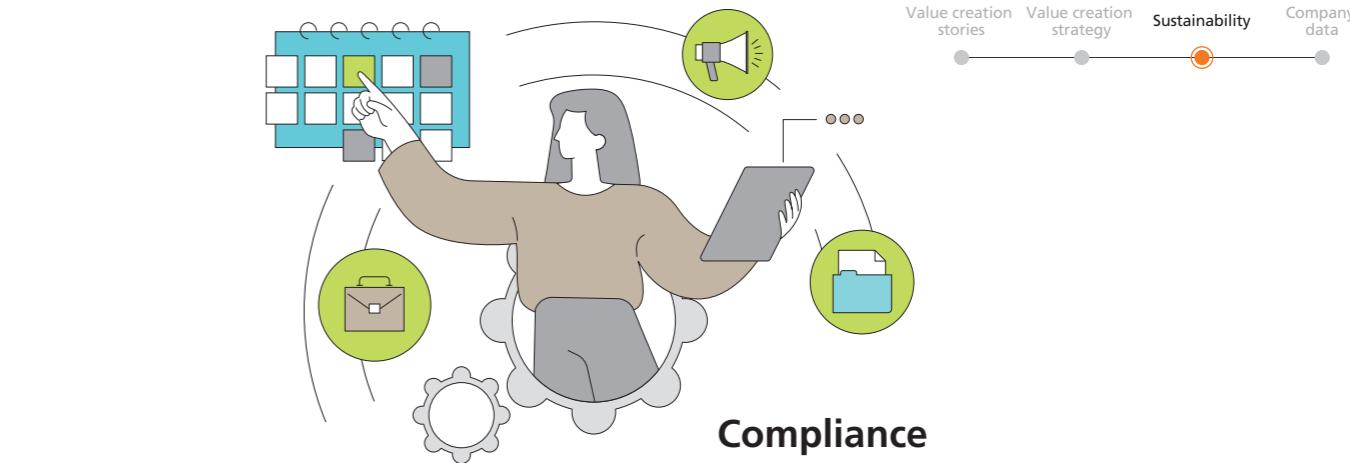
Compensation by type	Basic compensation (Monetary compensation)
Content	Fixed compensation paid monthly
Application	Executive Director, Outside Board Director

3. Policy to Determine Amount, Calculation Method, and Other Details for Performance-based Compensation

Performance-based compensation comprises bonuses and restricted stock.

(1) Bonuses

Bonuses are paid at a fixed time each fiscal year, with the amount subject to income before income taxes as well as individual performance and other related factors in the previous fiscal year.



(2) Restricted stock

Shares issued to directors as compensation cannot be transferred or disposed of during a certain period, usually three years or more, as determined by the compensation framework agreed upon at the General Meeting of Shareholders. Monetary compensation shall be paid to eligible directors for delivery of restricted shares at a fixed time. The amount shall be determined by the Board of Directors each fiscal year.

The number of shares to be issued shall be determined according to internal rules set at a Board of Directors' meeting attended by outside Board directors. More specifically, the number of shares is set on a stepwise basis within a range of 80% and 130% according to the degree of accomplishment of income before income taxes targets set for the previous fiscal year.

Performance-based compensation

	Content of compensation	Application
Bonus (Monetary compensation)	Short-term incentive encouraging directors to steadily achieve performance goals for the fiscal year	Executive directors, outside Board directors
Restricted stock (Non-monetary compensation)	Medium- to long-term incentive promoting management that increases corporate and shareholder value over the medium- to long-term	Executive Director

4. Policy to Determine the Ratio of Basic Compensation and Performance-based Compensation for Each Director

Based on benchmarks set by companies of the same size with comparable performance and business models, erex has adopted a compensation framework designed so that the composition ratio of performance-based compensation increases with rank.

As compensation ratios fluctuate according to company performance, the following guidelines have been set according to the category of director, as summarized below.

	Basic compensation (Monetary compensation)	Bonus (Monetary compensation)	Restricted stock (Non-monetary compensation)
Director	40–100%	0–40%	0–40%
Outside Board Director	70–100%	0–30%	—

Compliance

The erex Group has established its compliance regulations, which stipulate basic compliance-related matters throughout the Group, as well as setting out 15 principles to be observed by directors and employees of the Company and its Group companies.

The Company appoints a director in charge of compliance, who conducts compliance training within the Group, maintains an internal reporting system and works to address any violations of laws, articles of incorporation, and other internal regulations, and to strengthen our compliance-related systems. In the event that a violation is discovered, the matter is reported to the Board of Directors in accordance with compliance regulations, and appropriate action is taken in coordination with outside specialists, such as legal advisors.

A quarterly meeting of compliance officers is held to share information on incidents within the Group and to share and horizontally deploy response measures across the Group. At the same time, Groupwide compliance training is conducted to raise compliance awareness.

This training is intended to encourage behavior based on common sense and compliance with laws and regulations, and addresses specific topics to promote understanding of these issues, including insider trading regulations, managing confidential information, protecting personal information and preventing harassment.

Code of Conduct

In order to realize the vision and mission detailed in the Company's management philosophy, erex established a code of conduct that requires directors and employees (including fixed-term employees) to be aware of the Company's corporate social responsibility, to act in the spirit of legal compliance, and to contribute to society through the Company's business activities based on various experiences accumulated over the years.

Internal Reporting System

The erex Group has established internal reporting regulations to help prevent illegal or illicit conduct as well as early detection of such behavior. These regulations ensure the anonymity of whistleblowers, maintain the confidentiality of information received, and specify the appropriate point of contact. Recorded cases of internal reports are reported to the Board of Directors on a quarterly basis.



We asked the outside board directors at erex, Mr. Tamura, Mr. Morita, and Mr. Kimura, for their thoughts on how the erex Board of Directors operates, and for their insights on our strengths and competitive advantages.



Outside Board Director
Makoto Tamura

Building a unique business model to achieve further growth in a rapidly changing electricity market

What key points are discussed in Board of Directors meetings?

I believe that appropriate sharing of information is essential to achieving effective discussion and dialogue with management. For example, proactively sharing agendas prior to Board of Directors meetings allowed improvements to be made, and we were able to move ahead with meetings better prepared and with a clearer understanding of what was required than was previously possible. Furthermore, in fiscal 2024, although structural reforms led to us achieving profitability at an early stage, the issue of how to draft our next strategy for growth was an important theme.

I have deliberately focused on medium- to long-term growth rather than emphasizing short-term results and have been active in expressing my opinion in meetings of the Board of Directors. Consequently, I believe that we have been successful in establishing a foundation for growth centered on overseas business.

What are the risks and strengths of erex's growth strategy in an energy industry with a volatile market environment?

While stable provision is of paramount importance in the energy business, rapid regulatory and business environmental changes mean that the industry is dominated by large companies. Under such circumstances, erex has leveraged its strengths in "challenge and speed" and "co-creation," and taking on challenges to move more rapidly than other companies, engaging in co-creation with our partners to achieve growth. While we continue to pursue stable operation of our businesses in Japan, erex has deliberately expanded into regions with challenging business environments such as Southeast Asia, which illustrates our proactive stance. Although there are difficult obstacles in these regions such as the construction of networks, I believe that overcoming these will allow us to create barriers to entry that cannot be replicated by other companies, and to construct unique business models.



Outside Board Director
Michiaki Morita

Enhancing the effectiveness of governance to achieve international expansion

What do you think of our Sustainability Committee and ESG strategy?

Addressing climate change and human rights issues is essential to increasing business value and achieving sustainable growth. In 2022, erex established the Sustainability Committee to promote the formulation of interdepartmental strategies and manage progress. The committee has held eight discussion settings to date.

I believe that the committee is fulfilling its function of assessing the appropriateness of management decisions from the standpoints of improving corporate value in the medium- to long term rather than simply focusing on short-term measures.

What is your view of governance at erex?

There is an active exchange of opinions on a variety of issues at Board of Directors meetings. Discussions of business strategy are rooted in a mindset that incorporates a diverse range of perspectives, with the opinions of outside board directors being actively reflected in these debates, fostering positive interactions with the executive side of the company.

Moreover, erex corporate culture seems healthy, without any sectionalism in evidence even as the organization grows, and employees are able to exchange opinions from a variety of viewpoints regardless of their own areas of responsibility.

Drawing on the experience I have accumulated through many years in the fields of marketing and finance, including time spent at the Bank of Japan, where I monitored organizational management and the business as a whole from a risk management perspective. I will continue to work to offer proposals for the construction of sustainable risk management systems. Going forward, to improve effectiveness, I believe that it is important for the Board of Directors to discuss diversity. Additionally, as we move ahead with full-blown international expansion and develop our biofuel operations as another pillar of our business, recruiting personnel with global business experience and expertise in forestry and agriculture will be important.



Outside Board Director
Shigeru Kimura

Holding discussions based on the actual state of the power business

What do you focus on to manage risk appropriately?

Value chains in the energy business are extensive, requiring knowledge of fuel, power generation, trading, and retail, and an understanding of risk characteristics. I use the experience that I have acquired over many years in the power industry to offer opinions based on my knowledge of the regulations and systems in that domain, focusing on the standpoints of competitive environments and geopolitical and legal risks.

Timing is vital when it comes to expanding value chains. erex has been proactive in assessing risk while taking on the challenges posed by post-disaster changes in the environment and the progress in deregulating power, and the Company has constructed an integrated value chain. It is not easy for other companies to construct similar models, and indeed, I feel that there are few cases where companies established after liberalization have been able to realize systems like those of erex.

Furthermore, to fulfill our responsibility as an infrastructure business, it is essential that our business operations are stable, and that we are able to raise funds through the capital market. A significant feature of erex is the company aimed for public listing from the moment it was founded, and achieved this in 2014.

Compared to other companies, where do the strengths and competitive advantages of erex lie?

Since my appointment in 2019, our sales capabilities have improved dramatically, especially in making compelling service and contract proposals, which has boosted customer satisfaction and in turn led to the acquisition of new customers. Furthermore, we have leveraged the expertise gained through biomass power generation in Japan, and engaged in co-creation with partners, embarking on full-fledged expansion overseas in fiscal 2024 in cooperation with the governments of Vietnam and Cambodia.

To make the most of these strengths, I believe that discussions at meetings of the Board of Directors that focus on maintaining our competitive advantages are extremely important.

**Hitoshi Honna**

President and Representative Director

Born October 28, 1948
Total number of shares: 527,000

Led the management of the erex Group for more than 20 years since its founding. After being appointed President and Representative Director in 2016, propelled the Group forward with strong leadership that helped it achieve impressive growth.

**Tomoki Kakuta**

Executive Director

Born July 14, 1964
Total number of shares: 24,000

Possesses deep industry insight thanks to many years of experience in the energy sector. Since joining the Company, has been involved with corporate planning, human resources and general affairs, fuel procurement, and overseas business, contributing to the growth of Company business.

**Makoto Tamura**

Outside Board Director

Born July 23, 1966
Total number of shares: 5,000

Leverages many years of experience in security companies and other areas of the finance sector to offer advice from a shareholder's perspective on issues such as risk monitoring related to business strategy and finance.

**Michiaki Morita**

Outside Board Director

Born March 7, 1949
Total number of shares: 6,000

Leverages expertise based on many years of experience in the finance and securities industry and a broad knowledge of all aspects of management. Offers opinions on the appropriateness and relevance of erex management strategies, etc.

**Yasushi Saito**

Managing Director

Born November 23, 1971
Total number of shares: 94,000

Since joining the Company, has been tasked with business development, corporate planning, and sales, focused on business development for areas such as power generation fuels. Contributes to sales growth and the expansion of the Company thanks to his deep insight and wealth of experience.

**Toshimichi Tanaka**

Managing Director

Born October 25, 1971
Total number of shares: 66,000

Since joining the Company, has been tasked with business development and corporate planning, focusing on sales in retail divisions. Contributes to sales growth and the expansion of the Company thanks to his deep insight and wealth of experience.

**Shigeru Kimura**

Outside Board Director

Born February 18, 1948
Total number of shares: 5,000

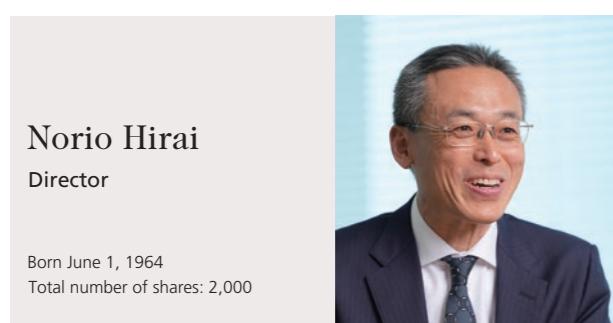
With many years of experience at a power company, possesses a high level of insight into the power industry and wide-ranging knowledge of all aspects of management. Offers opinions on the appropriateness and relevance of erex management strategies, etc.

**Takeshi Kusano**

Full-time Auditor

Born May 10, 1961
Total number of shares: 12,000

Since joining the Company, has been involved in operations in corporate divisions and possesses a broad-ranging insights extending across all administrative operations. Offers opinions on the appropriateness and relevance of erex management strategies, etc.

**Norio Hirai**

Director

Born June 1, 1964
Total number of shares: 2,000

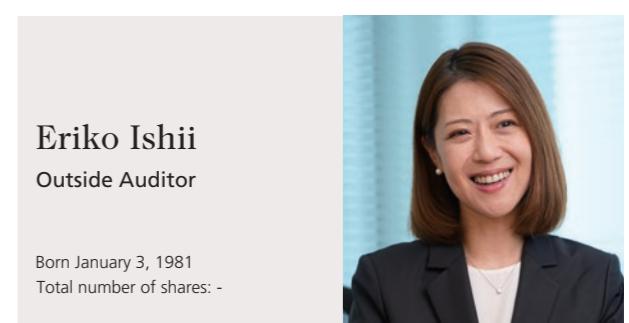
Possesses deep industry insight thanks to many years of experience in the financial sector. Since joining the Company, has been involved in overseas business and financial accounting, contributing to the growth of Company business.

**Makoto Kojo**

Outside Auditor

Born November 4, 1949
Total number of shares: -

Possesses extensive experience as a professor of law at numerous universities and has served on energy-related committees such as the Advisory Committee for Energy at the Ministry of Economy, Trade and Industry.

**Eriko Ishii**

Outside Auditor

Born January 3, 1981
Total number of shares: -

Leverages expertise and extensive experience in corporate law gained as a lawyer in Japan and New York State to offer opinions on the appropriateness and relevance of erex decision making.

	2015	2016	2017	2018	2019	2020	2021	2022	Japanese Accounting Standards		International Financial Reporting Standards	
									2023	2024	2023	2024
Financial data												
Net sales	22,877	31,167	46,948	65,827	88,639	141,885	230,502	296,312	244,977	171,217		
Operating income/loss	1,723	3,535	4,813	4,702	9,246	15,720	12,498	14,823	-21,949	7,137		
Income/loss before income taxes ¹	1,614	3,219	4,540	4,298	8,764	14,852	13,761	15,234	-19,949	6,330		
Net income/loss attributable to owners of the parent company ²	1,112	1,917	3,038	2,764	4,515	6,285	9,653	9,131	-21,347	2,118		
Basic earnings/loss per share ³	26.78	38.40	60.32	54.64	89.03	116.29	163.44	154.29	-359.94	28.65		
Depreciation and amortization expenses	456	867	1,656	1,682	2,301	3,872	4,857	5,564	4,073	3,639		
Total assets	27,202	42,473	54,377	75,024	104,780	127,879	157,159	172,105	148,611	153,382		
Equity ⁴	14,732	15,918	17,857	25,824	34,262	54,496	66,820	73,953	55,601	72,480		
Equity attributable to owners of the parent company per share (yen)	282.31	264.35	282.89	384.03	513.95	747.48	942.26	1,046.80	810.17	823.19		
Ratio of equity attributable to owners of the parent company to total assets ⁵ (%)	50.7	31.3	26.3	25.9	25.0	34.5	35.5	36.0	32.4	41.8		
Net income (attributable to the owners of the parent company) ratio (%)	9.4	14.2	22.0	16.4	19.8	17.9	19.3	15.5	-39.3	3.8		
Cash flows from operating activities	818	1,204	4,183	5,678	6,511	18,704	13,312	21,489	-22,701	19,495		
Cash flows from investing activities	-4,182	-12,693	-2,377	-23,960	-15,870	-9,667	-22,975	-14,576	-6,558	-5,533		
Cash flows from financing activities	7,502	8,996	4,736	16,045	15,375	6,411	4,659	-225	15,148	32		
Cash and cash equivalents at the end of the period	8,405	5,913	12,461	10,226	16,236	31,700	26,799	33,488	19,670	33,613		
Payout ratio (%)	31.1	26.0	19.9	22.0	20.2	15.5	13.5	14.2	-	38.4		
Non-financial data												
Electricity sales volume (high voltage, million kWh)	765	960	1,189	1,693	1,851	2,338	4,614	2,475	1,523	2,438		
Electricity sales volume (low voltage, million kWh)	-	144	451	662	768	1,025	1,212	1,379	1,382	1,352		
Renewable energy power generation capacity (MW)	29	79	79	79	220	220	269	418	418	418		
Number of employees	79	104	137	139	182	213	214	263	269	284		
Sales per employee	289	299	342	473	487	666	1,077	1,126	910	602		

*1 Up to fiscal 2022, net income before tax adjustments

*2 Up to fiscal 2022, net income attributable to the owners of the parent company

*3 Up to fiscal 2022, Earnings per share

*4 Up to fiscal 2022, net assets

*5 Up to fiscal 2022, equity ratio

IR activities

Basic policy of IR activities and their purpose

At erex, we believe that dialogue with our shareholders and investors is essential to achieving sustainable growth and improving corporate value, and we emphasize constructive communication and the fair and timely disclosure of information. The President and the director in charge of IR engage in meetings and briefings at which they listen to opinions, which are then shared with the Board of Directors as appropriate. In fiscal 2024, in addition to financial results briefings and briefings for institutional investors, we held briefings for sales staff at securities companies and provided information on our ESG initiatives and business strategy through our IR website and the Integrated Report. Going forward, we will continue to create opportunities for dialogue with a diverse range of stakeholders and will work to improve our corporate value by enhancing our efforts to disseminate information.

Main IR activities (number of times)

Activities	FY2023	FY2024
Financial results briefings	4	4
Briefings for institutional investors	2	1
Briefings for individual investors	0	2
Conferences sponsored by securities companies	1	2
Briefings for sales staff at securities companies	0	2

IR meetings with institutional investors (number of people)

Domestic/Overseas	FY2023	FY2024
Domestic	317	192
Overseas	51	26

Website

Various IR materials, including timely disclosures and financial results, are posted on the Investor Relations section of the erex website.

For more information, please refer to the Company website.



IR information

<https://www.erek.co.jp/en/ir/>

Company information

Company profile (as of March 31, 2025)

Company name	erek Co., Ltd.
Headquarters	14F Kyobashi Edogrand, 2-2-1 Kyobashi, Chuo-ku, Tokyo 104-0031, Japan
Contact	+81-3-3243-1185
Established	December 8th, 1999
Capital	¥18,346,329,596
Number of employees	284 (Consolidated) 173 (Non-Consolidated)

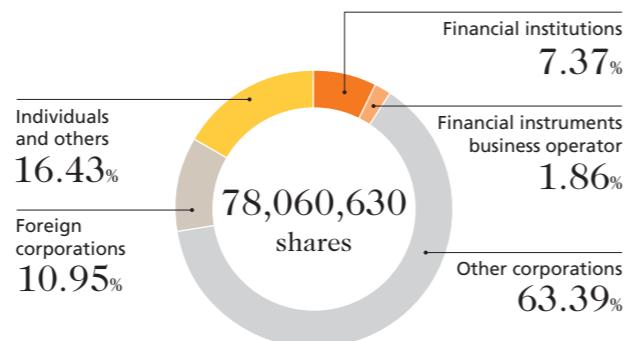
Rating information (as of April 2025)

Rating agency	JCR
Type of rating	Long-term issuer rating
Rating	A-
Outlook	Stable

Stock status

Total number of shares authorized to be issued	163,572,000
Total number of shares	78,066,758 shares (including treasury stock 6,128)
Number of shareholders	15,825

Number of shareholders by investor type



Financial institutions	5,751,486 shares
Financial instruments business operator	1,448,890 shares
Other corporations	49,488,316 shares
Foreign corporations	8,544,958 shares
Individuals and others	12,826,980 shares

Major shareholders (Top 10)

Name of shareholder	Number of shares owned (shares)	Shareholding ratio (%)
UH Partners 3, Inc.	6,570,100	8.41
DAIWA CM SINGAPORE LTD – NOMINEE HIKARITSUSHIN INVESTMENTS ASIA PTE LTD	5,347,300	6.84
JFE Engineering Corporation	4,391,400	5.62
TODA CORPORATION	4,391,400	5.62
The Master Trust Bank of Japan, Ltd. (Trust Account)	4,125,800	5.28
KISCO Ltd.	4,000,976	5.12
East Japan Railway Company	3,646,500	4.67
Kraftia Corporation	3,568,700	4.57
UH5 Inc	3,543,900	4.53
Ueda Yagi Tanshi Co., Ltd.	3,434,000	4.39

Status of affiliated companies

Company name	Percentage of voting rights held	Company name	Percentage of voting rights held
erek New Energy K.K.	100.00	Straits Green Energy Sdn. Bhd.	65.00
erek New Energy Saiki K.K.	70.00	Straits Green Energy Pte. Ltd.	65.00
Okinawa Uruma New Energy K.K.	44.78	erek Biomass Management Co., Ltd.	67.00
Itoigawa Power Generation Co., Ltd.	64.00	erek Vietnam Co., Ltd.	100.00
Hau Giang Bioenergy Joint Stock Company	49.00	erek (Cambodia) Co., Ltd.	100.00
Evergreen Retailing Co., Ltd.	65.98	erek Sakura Biomass Yen Bai Co., Ltd.	97.00
Evergreen Marketing Co., Ltd.	65.98	erek Sakura Biomass Tuyen Quang Co., Ltd.	97.00
Okinawa Gas New Power Co., Ltd.	80.00	erek International Co., Ltd.	100.00
e-sell Co., Ltd.	100.00	erek Yen Bai Biomass Power Co., Ltd.	100.00
erek Singapore Pte. Ltd.	100.00	erek Tuyen Quang Biomass Power Co., Ltd.	100.00

External evaluation



CDP Climate Change 2024

We acquired a "B" score in a fiscal 2024 questionnaire on climate change conducted by the CDP, an international non-profit environmental organization. We view this as acknowledgment that our initiatives for the environment have achieved a certain level of recognition.



 erex

erex Co.,Ltd.
<https://www.erex.co.jp/en/>

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