



erex Co., Ltd. [9517]

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

Supplementary Materials for the 1H of FY March 31, 2021

(6 Months Ended September 30, 2020)

November 11, 2020

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Summary of Financial Results

~1H of FY March 2021 (6 Months Ended September 30, 2020) ~

(JPY billion)	1H of FY March 2020 (Results)	1H of FY March 2021 (Results)	FY March 2021 Full Year (Plans)	YoY Comparisons	Achievement Ratio against Full Year Plans
Net Sales	41.48	47.31	95.88	14.0%	49.3%
Operating Income	5.55	4.72	8.31	△15.0%	56.8%
Ordinary Income	5.36	4.62	8.46	△13.9%	54.6%
Net Income*	3.05	2.68	5.08	△12.4%	52.7%
EBITDA*	6.39	6.90	12.92	7.9%	53.3%

* Quarterly net income attributable to owners of parent

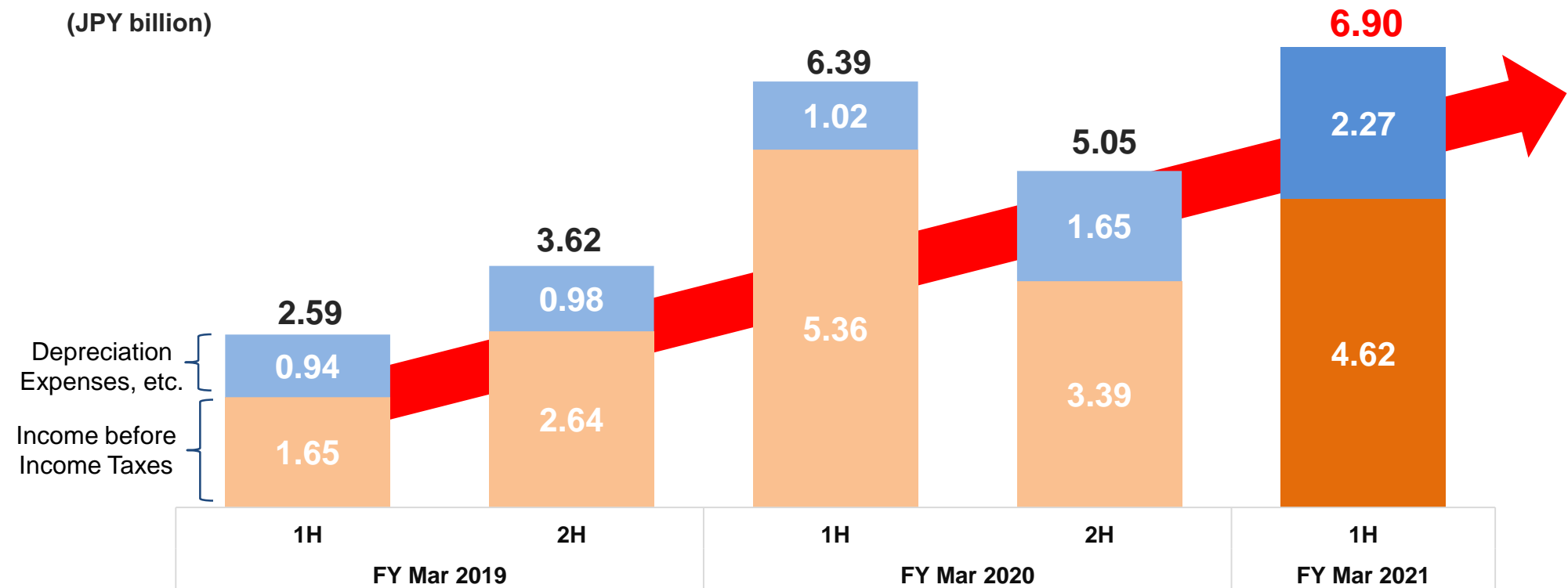
* EBITDA...Income before income taxes + interest expenses + depreciation expenses + amortization of contribution for construction, etc.

(JPY billion)	2Q of FY March 2020 (Results)	2Q of FY March 2021 (Results)	YoY Comparisons
Net Sales	25.53	28.72	12.5%
Operating Income	3.62	3.45	△4.9%
Ordinary Income	3.54	3.56	0.7%
Net Income*	1.76	2.16	23.1%

* Quarterly net income attributable to owners of parent

- EBITDA*, which shows erex Group's earnings power, expanded steadily. EBITDA for the 1H of the current fiscal year reached a new record high.

(JPY billion)



* EBITDA...Income before income taxes + interest expenses + depreciation expenses + amortization of contribution for construction, etc.

① Power retail sales volume was about 1,566 GWh (+20.3% YoY)

- Power demand in the electric power industry as a whole decreased due to the effects of the corona virus
- erex Group's power sales volume increased YoY and was more than the plan as a result of enhanced sales, mainly of EGM

② Power plants operated broadly in line with the plans

- Tosa, Saiki and Ofunato power plants operated broadly in line with the plans
- Buzen power plant operated steadily in the 2Q and contributed to earnings

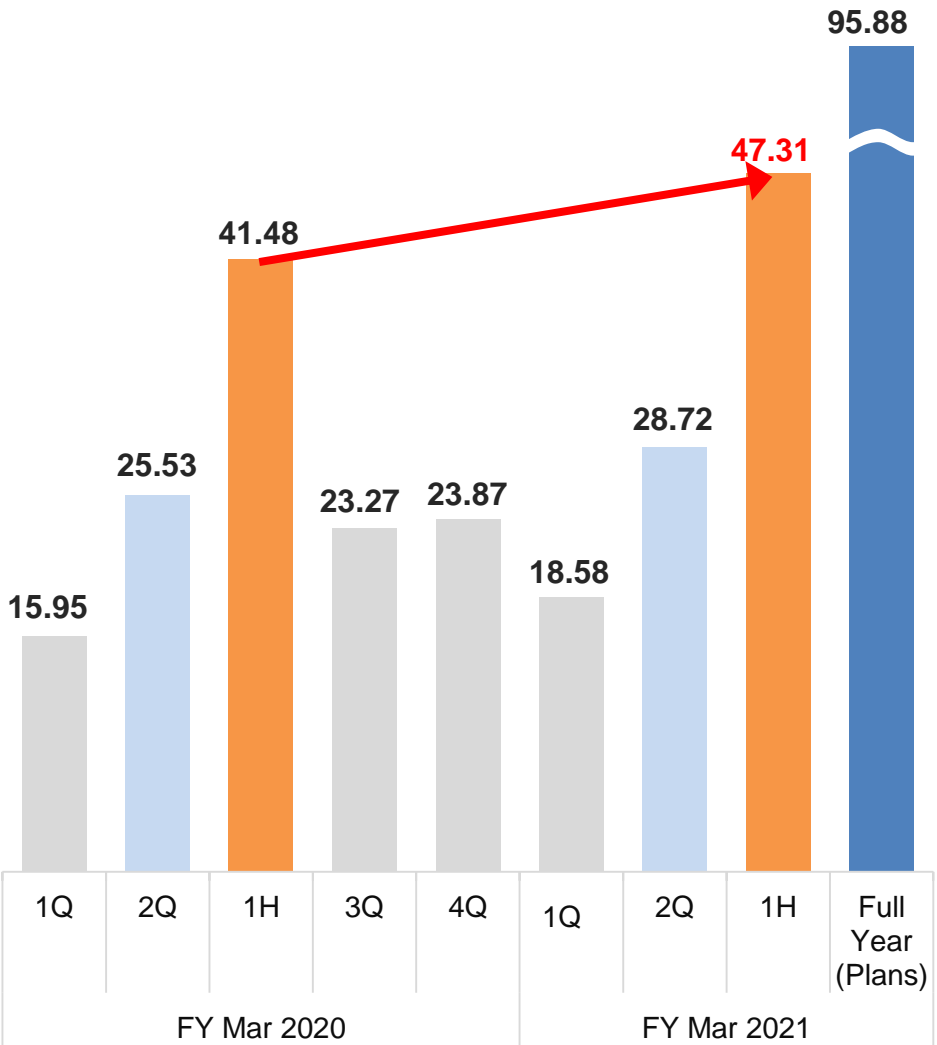
③ Sales prices fell, that could not be fully offset by declining procurement prices

- Sales prices fell in the 1Q due to the impact of fuel cost adjustments in line with falling fuel prices. Although procurement prices also fell, profit margins declined and profitability deteriorated.
- In the Q2, JEPX procurement was increased to limit the decline in profit margins and to secure earnings.
- Acquisition of T'dash (formerly xoom Energy Japan) started to contribute to the earnings in the 2Q

④ Measures for the future

- Environmental research for the mega biomass power plant is expected to start in the 2H of the current fiscal year
- Fund raising was made with an eye on future growth (issued on September 7th)

(JPY billion)



Net sales **JPY47.31 billion**

+ 14.0% YoY

High voltage retail

- Net sales decreased by 0.3% YoY due to lower unit sales prices, despite increased demand

Low voltage retail

- Sales increased by 20.1% YoY
- Number of customers increased to about 209,000 (+70,000 YoY)

Wholesale

- Procured power was utilized for PPA and market transactions

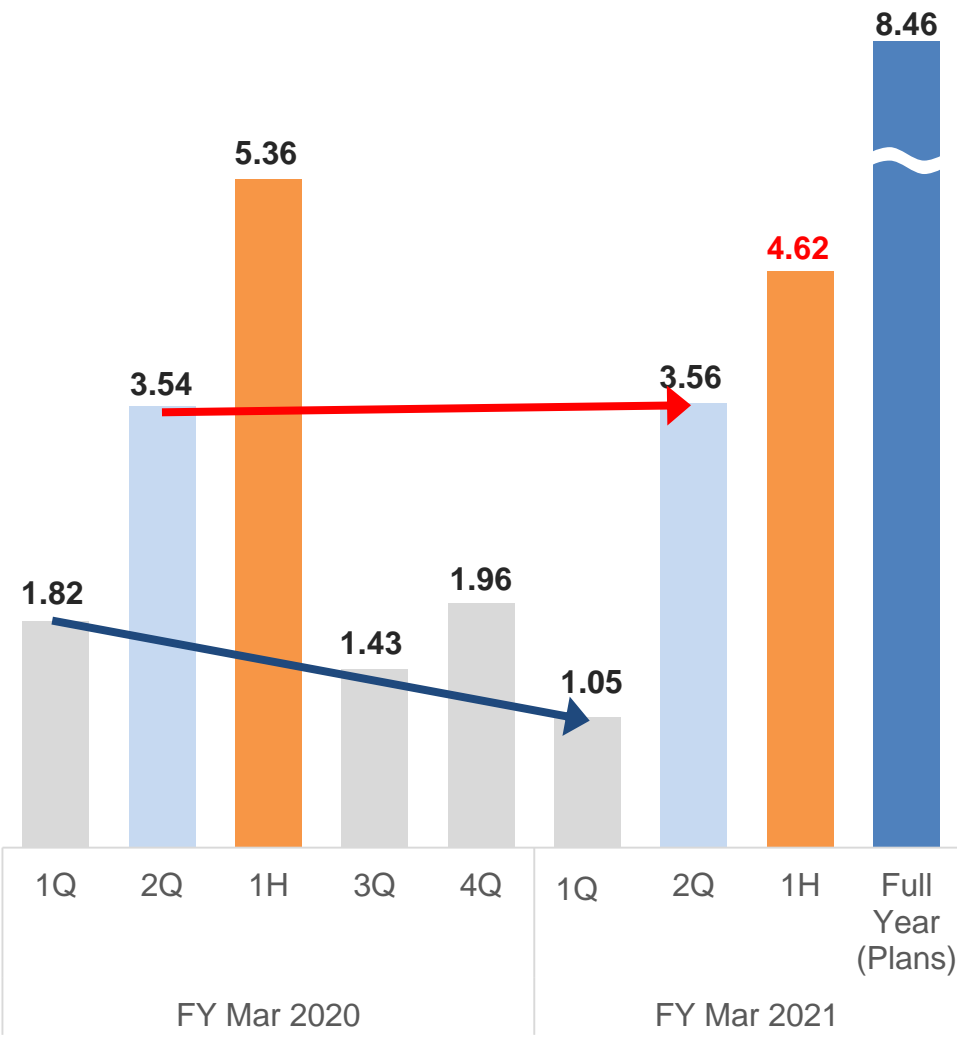
Buzen power plant

- All power generated was sold to a 3rd party

✘ Ofunato power plant

- All power generated was sold to erex

(JPY billion)



Ordinary Income **JPY4.62 billion**

- 13.9% YoY

- Despite an increase in power sales volume, there was a significant decline in unit sales prices, and margins with procurement contracted, resulting in lower profitability. But profitability improved in the 2Q.
- Buzen Power Plant contributed to earnings with steady operations in the 2Q

Operating income ratio: 10.0% (-3.4% YoY)

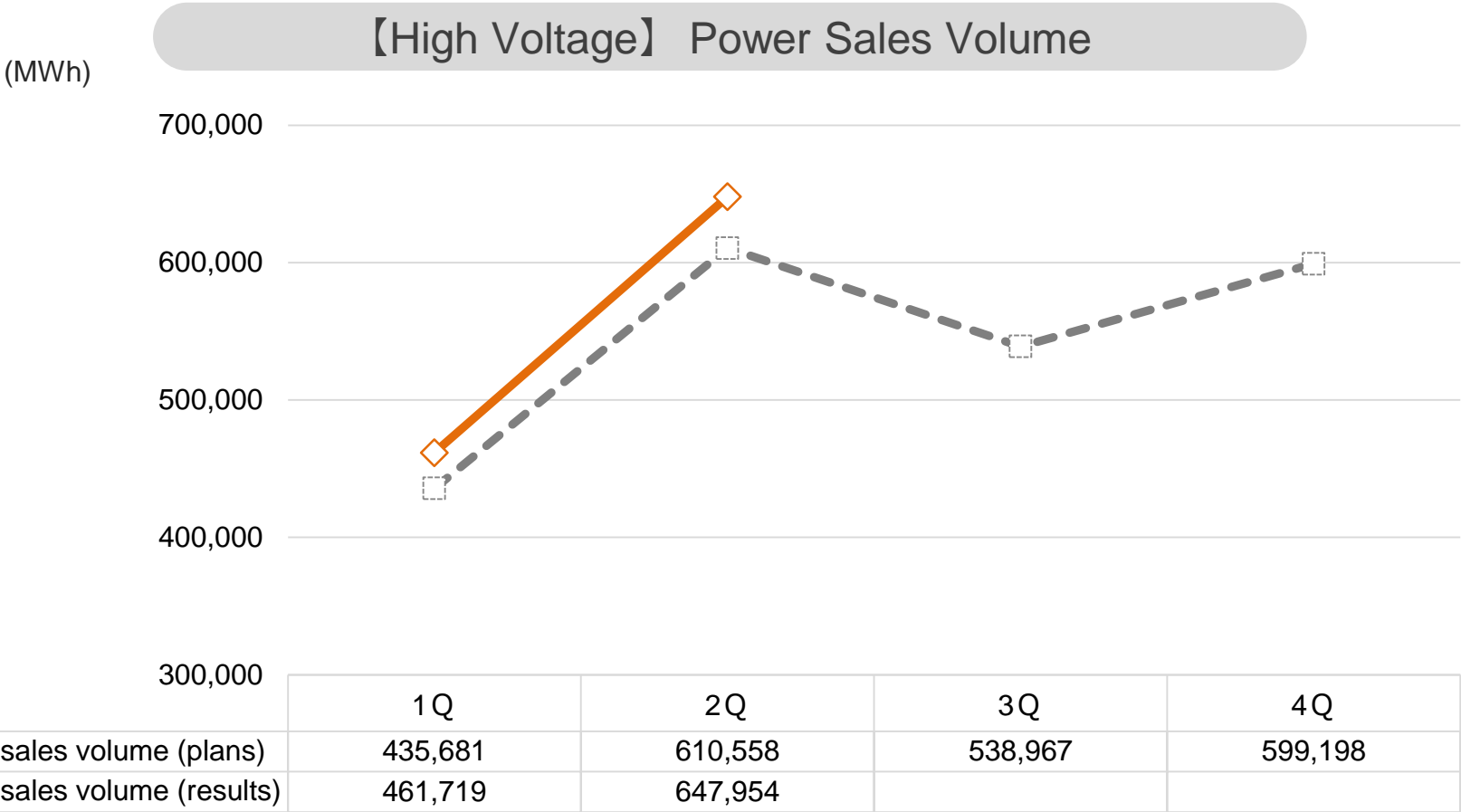
1Q: 6.8% 2Q: 12.0%

Ordinary income ratio: 9.8% (-3.2% YoY)

1Q: 5.7% 2Q: 12.4%

Power sales volume grew YoY and exceeded the plans

- Power sales volume grew by 18.0% YoY
- Power sales volume exceeded the plans by strengthening sales to customers with large consumption and by expanding direct sales
- "Market-Linked Plan" and other diversified plans were introduced to meet customer needs



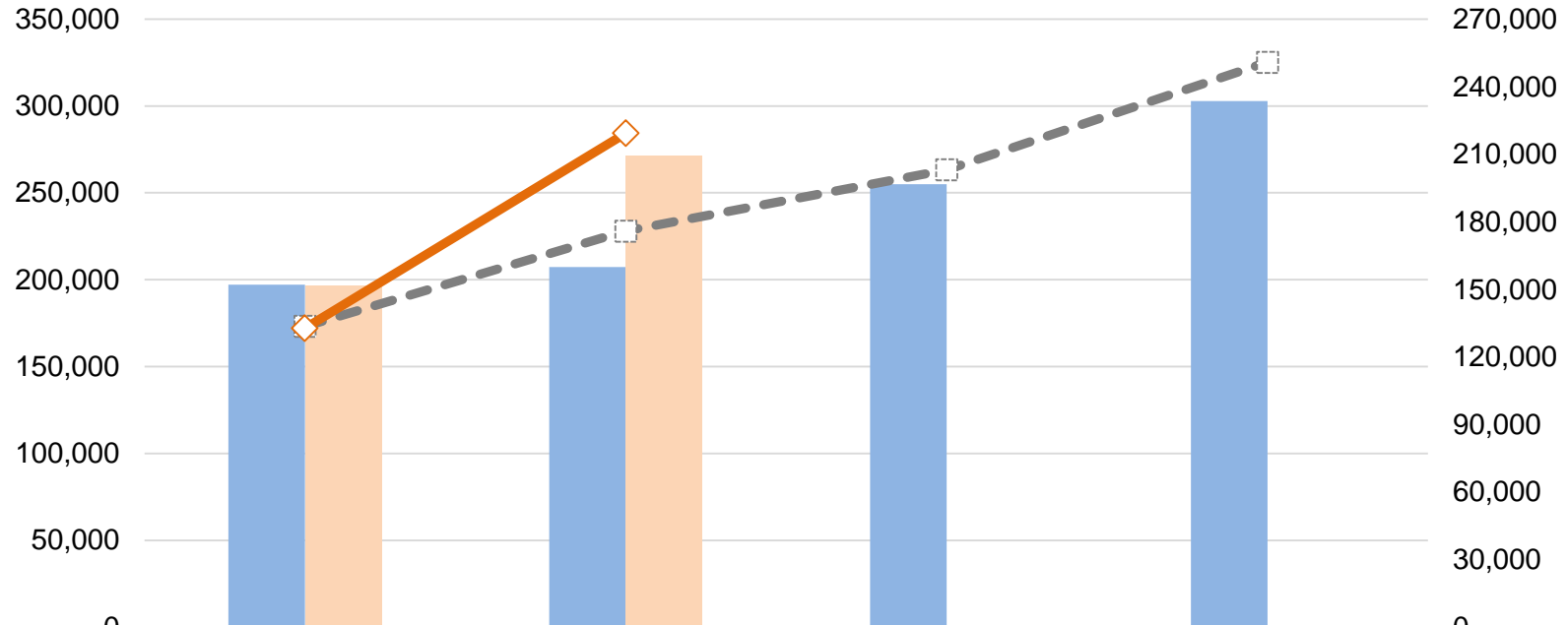
Both power sales volume and the number of customers exceeded the plans.

- Power sales volume increased by 26.4% YoY, while the number of customers increased by about 70,000 YoY
- “Evergreen Retailing” saw an increase in the number of customers due to the implementation of sales promotion campaigns for key partners.
- T'dash (xoom Energy Japan) started to contribute to earnings in the 2Q
- Okinawa Gas New Power showed steady progress through “sales agent”

【Low Voltage】 Power Sales Volume & Number of Customers

(MWh)

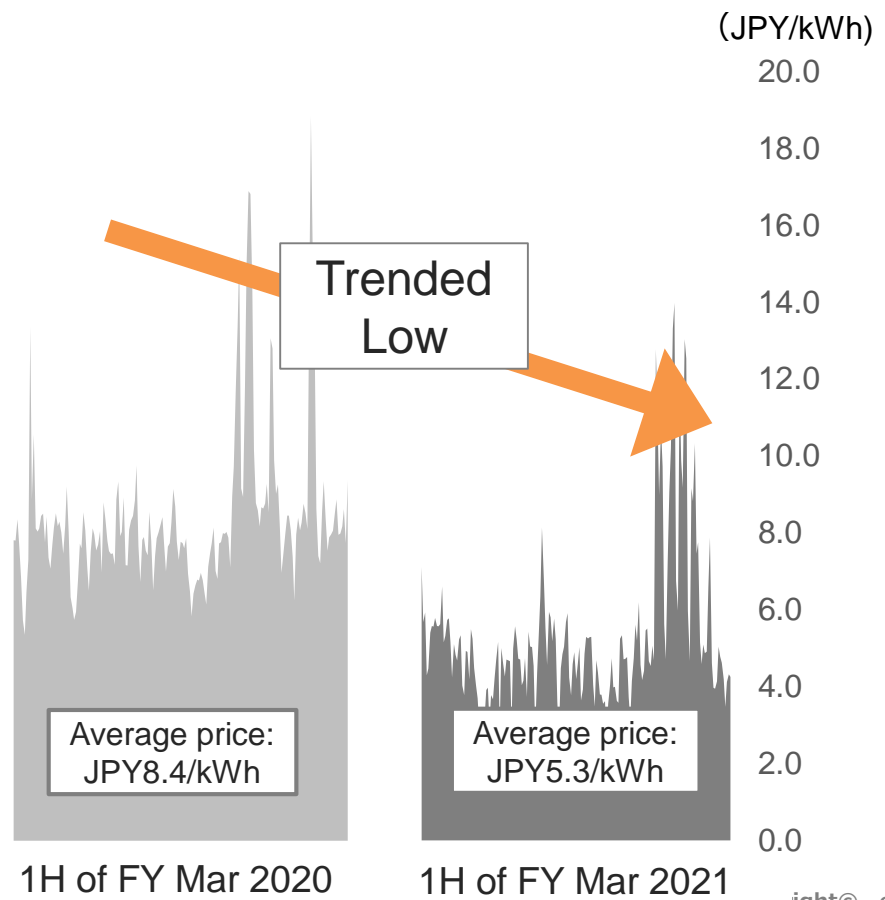
(number of customers)



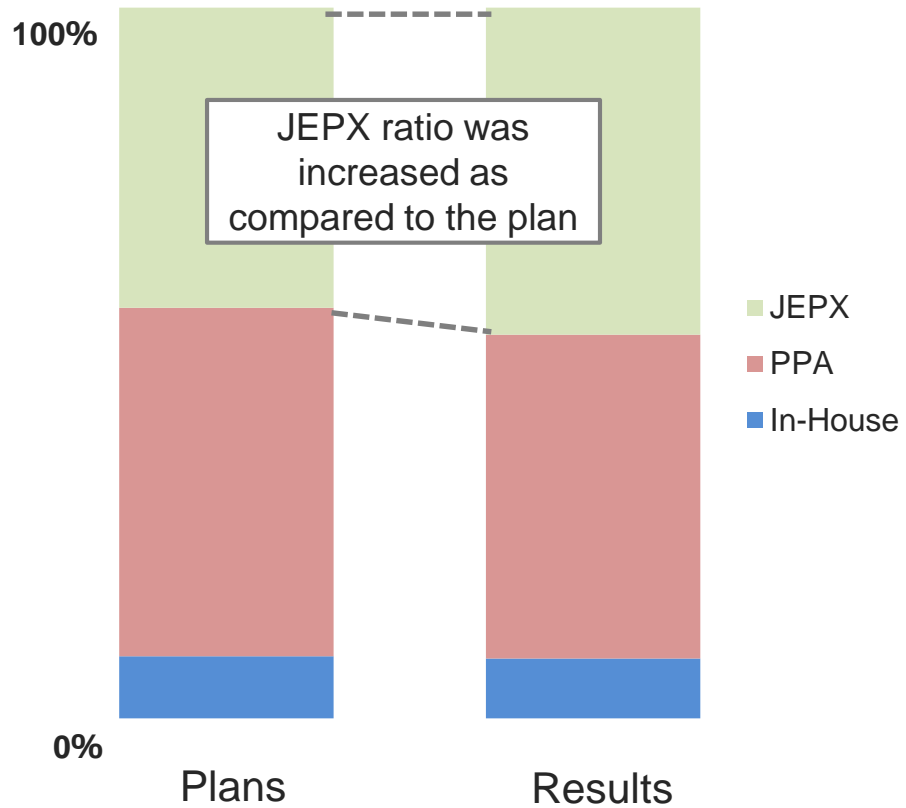
	1Q	2Q	3Q	4Q
# of customers (plans)	152,113	159,849	196,764	233,658
# of customers (results)	151,451	209,368		
Power sales volume (plans)	173,157	227,986	263,250	325,228
Power sales volume (results)	172,104	284,339		

- JEPX prices in the 1H of FY March 2021 remained at a low level nationwide (-3.1 yen/kWh YoY) due to a decrease in demand caused by the impact of corona virus
- erex Group expanded the share of procurement from JEPX as compared to the original plan to reduce procurement costs

Trend of JEPX Price (System Price)

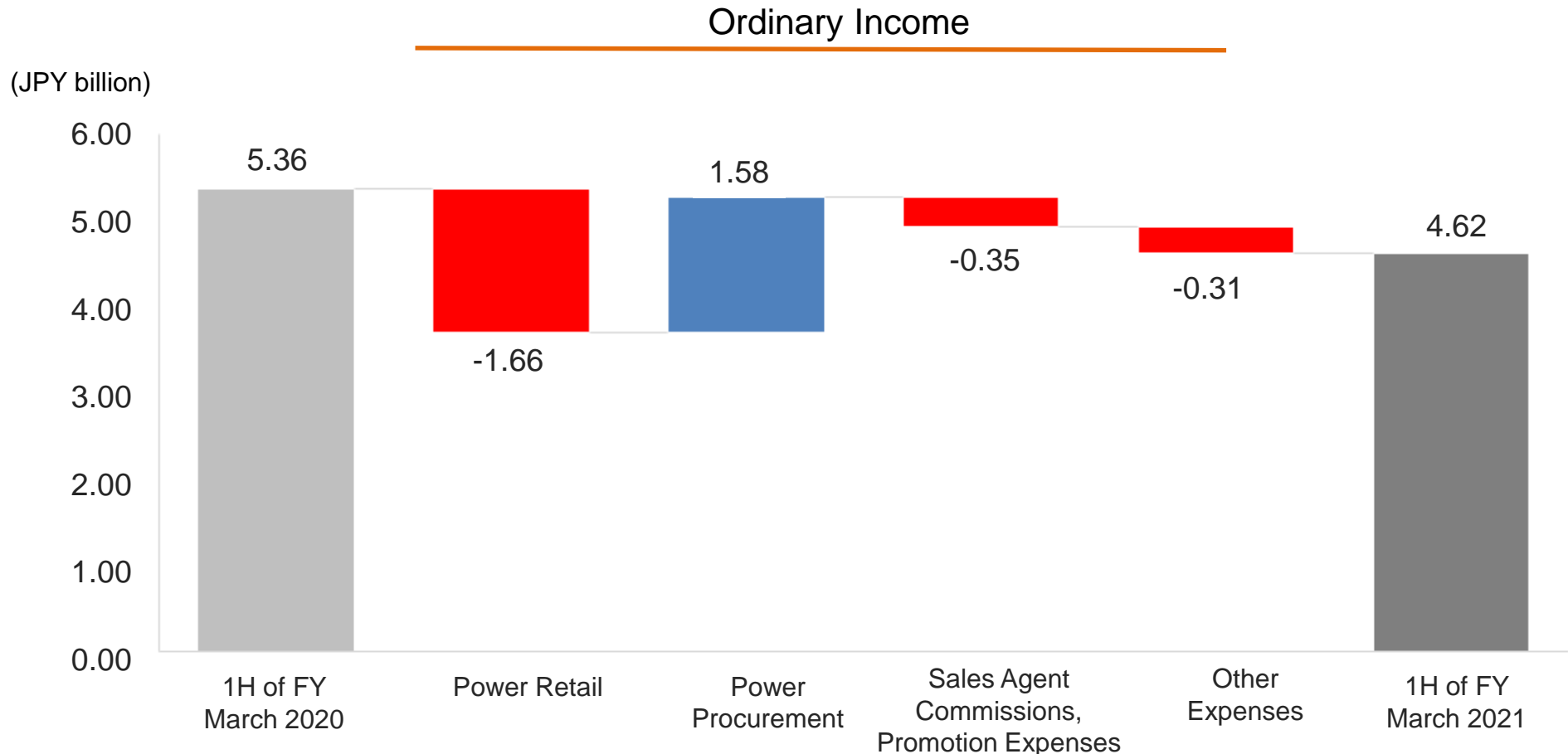


Procurement Mix (1H of FY March 2021)



Reasons for YoY Ordinary Income Decline in the 1H of FY March 2021

- Price cuts in response to increased competition and fuel adjustments led to a significant decline in unit sales prices
- As JEPX prices were substantially lower, the percentage of procurement from JEPX was increased from the original plans to lower procurement costs. However, sales and procurement margins contracted. Power sales volume increased, but earnings deteriorated.
- Buzen power plant contributed to earnings.



Summary of the Consolidated Balance Sheet (JPY billion)



	FY March 2020 (March 31, 2020)	1H of FY March 2021 (September 30, 2020)		
		Results	Increase /Decrease	Major Reasons for Increase/Decrease
Current Assets	36.2	39.1	2.8	Increase in accounts receivable (trade) +JPY2.2 billion
Noncurrent Assets	68.4	69.7	1.2	
Total Assets	104.7	108.8	4.0	
Current Liabilities	25.8	27.5	1.7	Increase in short-term loans payable +JPY1.6 billion
Noncurrent Liabilities	44.6	45.7	1.1	
Total Liabilities	70.5	73.3	2.8	
Shareholders' Equity	24.1	25.5	1.4	
Valuation & Translation Difference, etc.	1.9	1.6	-0.3	
Non-controlling Shareholders' Interest	8.1	8.3	0.2	
Total Net Assets	34.2	35.5	1.2	
Cash & Deposits	16.2	17.8	1.6	
Interest-Bearing Debt	51.3	53.9	2.6	Increase in short-term loans payable
Net Asset Ratio	25.0%	25.0%	0.0%	

	FY Mar 2020 (Full Year)	1H of FY Mar 2021	
		Results	Factors Affecting the Change from the Opening Balance
Cash and Cash Equivalents at the Beginning of the Period	10.2	16.2	
Cashflow from Operating Activities	6.5	4.8	
Income before Income Taxes	8.7	4.6	
Depreciation	2.3	1.9	
Increase/decrease in working capital*	-4.1	-1.1	
Income Taxes	-1.2	-2.1	
Others	0.7	1.4	
Cashflow from Investing Activities	-15.8	-4.0	Acquisition of T'dash, etc.
Cashflow from Financing Activities	15.3	0.8	Increase in short-term loans payable, payment of dividends, etc.
Cash and Cash Equivalents at the End of the Period	16.2	17.8	
Free Cashflow	-9.2	0.7	
Interest-Bearing Debt (Net)	35.1	36.0	

*Accounts receivable/Trade + Inventory + Accrued Revenue – Accounts Payable/Trade

Power Retail

In the 2H, erex Group will continue to actively promote the current measures and expect to increase sales

【High Voltage】

- Strengthening sales to customers who use large amounts of power and promoting direct sales with the aim of increasing power sales volume
- Expanding CO2 Free Plan

【Low Voltage】

- Selecting and concentrating sales partners, expanding additional services (CO2 free plan, set plan with storage batteries)

Power Procurement

- Procurement costs are to be improved by reviewing part of PPAs
- JEPX is to be further utilized, whose price is expected to remain at a low level

Power Generation

Existing Power Plants

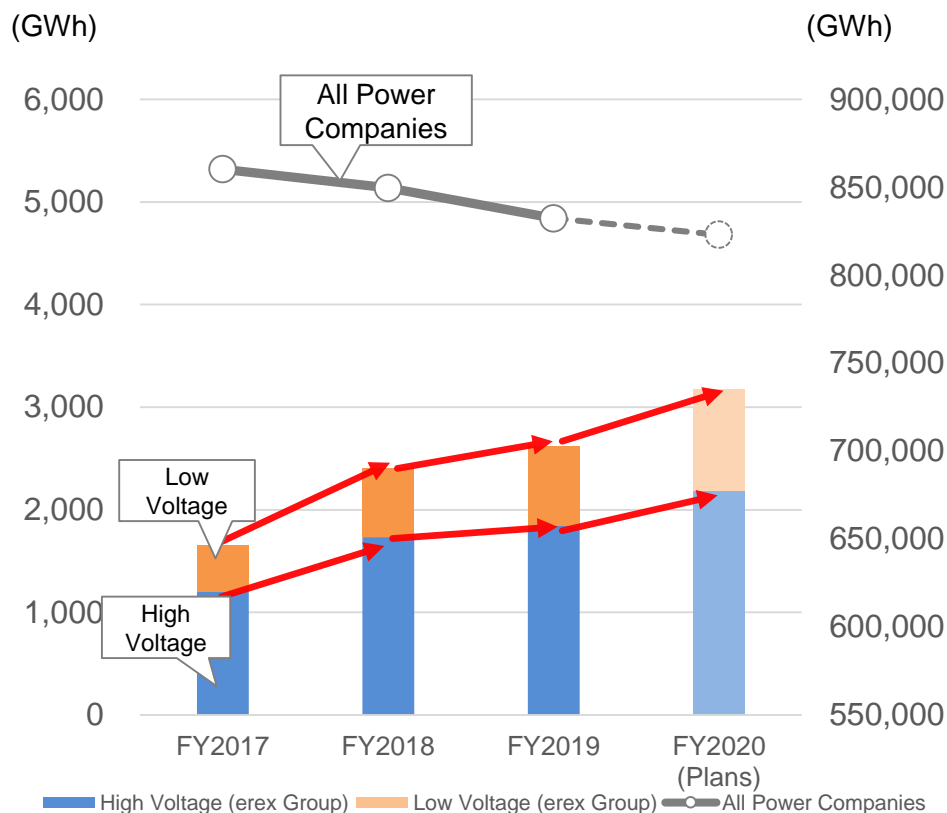
- Ensuring safe and stable operations for smooth performance
- Periodic repairs are planned for each power plant in the 3Q (major repairs are planned for Tosa).

Power Plant Under Construction (Okinawa), Solving Power Procurement Issues in Okinawa

- Increasing demands toward the start of operations in July 2021

- Despite a decline in demand in the electric power industry as a whole, erex Group is expanding its power sales volume and is aiming for further expansion in the 2H
- The number of low-voltage customers reached 210,000. erex Group is aiming for further increase in the number of customers through a sales structure centered on Evergreen.

Trend of Power Sales Volume



Reinforcing “High-Margin” Low-Voltage Sales Structure



Aiming for further expansion of the low voltage business through a three-company sales structure

- Construction is progressing on schedule to start commercial operations in July 2021
- Okinawa area has high potential for customer expansion. This power plant is expected to be a cheap and stable power source.



Power Output	49,000 kW
FIT Price	JPY24/kWh (20 years)
Fuel	PKS Wood Pellet
erex Group's Shareholding Ratio	45%

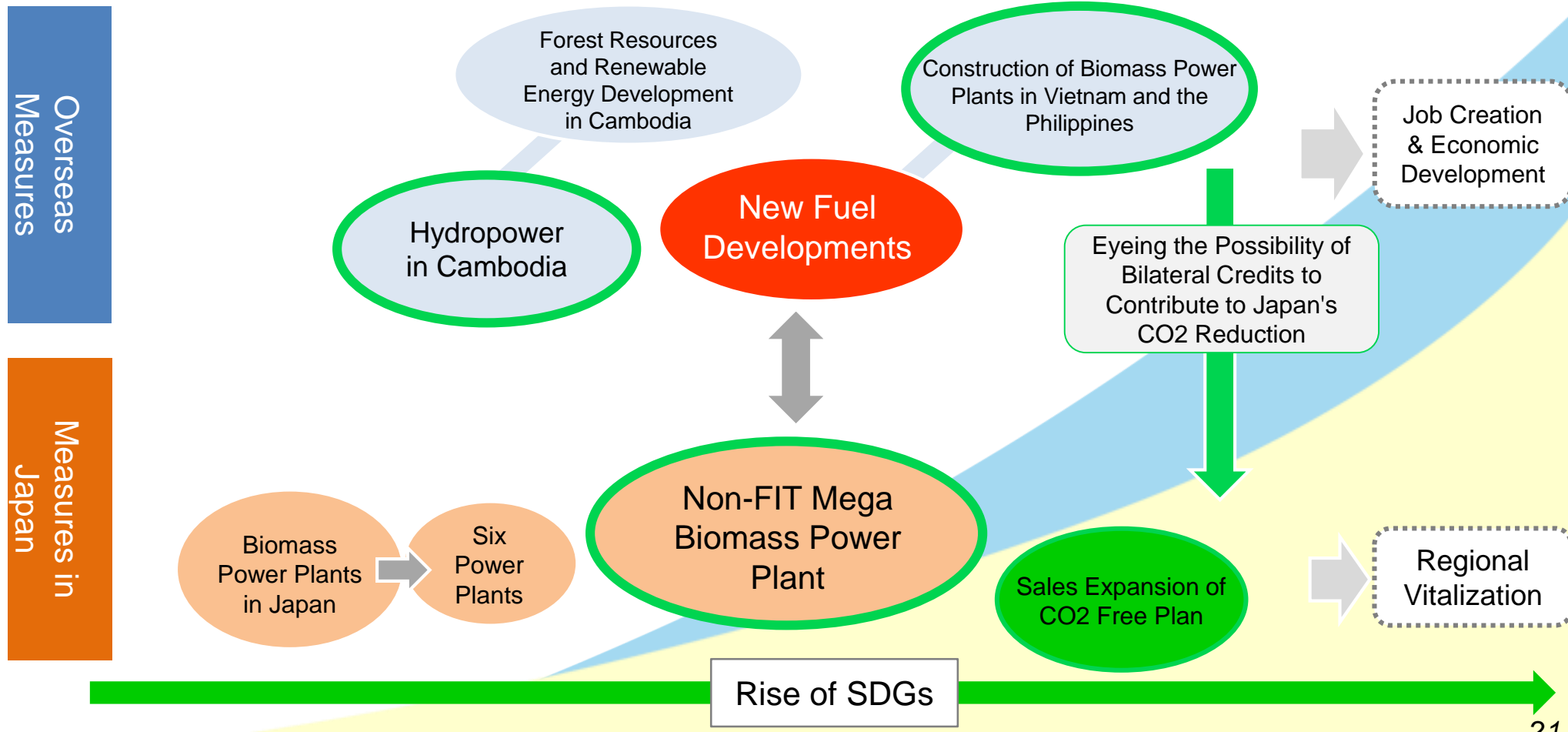
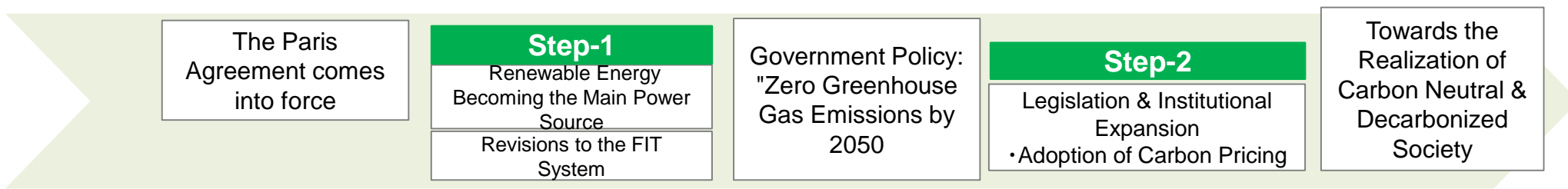
Stock Acquisition Rights (with exercise price adjustment clauses and exercise permission clauses)

Estimated Funding Amount	About JPY10 billion	Number of Stock Acquisition Rights	80,000 (100 shares per stock acquisition right)			
Number of Dilutive Shares & Dilution Rate	8,000,000 Dilutive Shares 15.67% Dilution Rate (vs total voting rights as of March 31, 2020)					
Exercise Period	About 2 Years (September 24, 2020~September 30, 2022)					
Exercise Price	Initial	JPY1,268	Ceiling	N/A	Floor	JPY888
Allottees	SMBC Nikko Securities and Mizuho Securities					
Exercise Permission Clauses	The allottees may not exercise the Stock Acquisition Rights without the permission of erex					

- The share of renewable energy in Japan's power supply mix in 2030 is 22-24% or more
⇒ A tailwind for biomass power generation, which is erex Group's strength
- Revisions to the FIT system (Competitive bidding applies to biomass power generation. Also, from next fiscal year, it will move to the FIP system)
⇒ By being the first to develop non-FIT mega biomass, erex Group gains first mover advantage and continues to create projects
- Expanding the fuel business overseas
⇒ Requests for biomass power generation projects in several countries in Southeast Asia; opportunities to establish new revenue streams

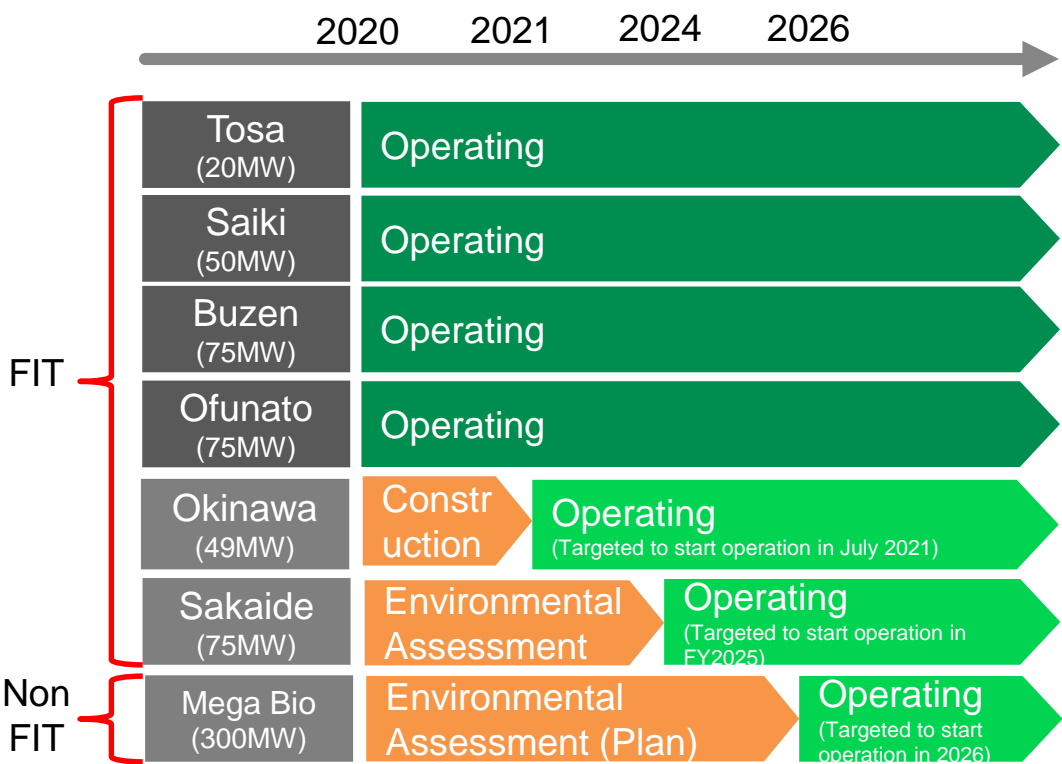
Specific Use of Funds	Scheduled Period of Expenditure	Amount
① Investment and financing for hydropower project in Cambodia	Sep 2020~Dec 2023	JPY2.2 billion
② Development funds for the construction of a mega biomass power plant	Sep 2020~Mar 2022	JPY2.1 billion
③ Repayment of debt related to investment for M&A in the electric power retail business	Sep 2020~Mar 2021	JPY3.0 billion
④ Investment and financing for future fuel and power generation projects	Dec 2020~Mar 2023	JPY2.8 billion

Toward the Next Stage

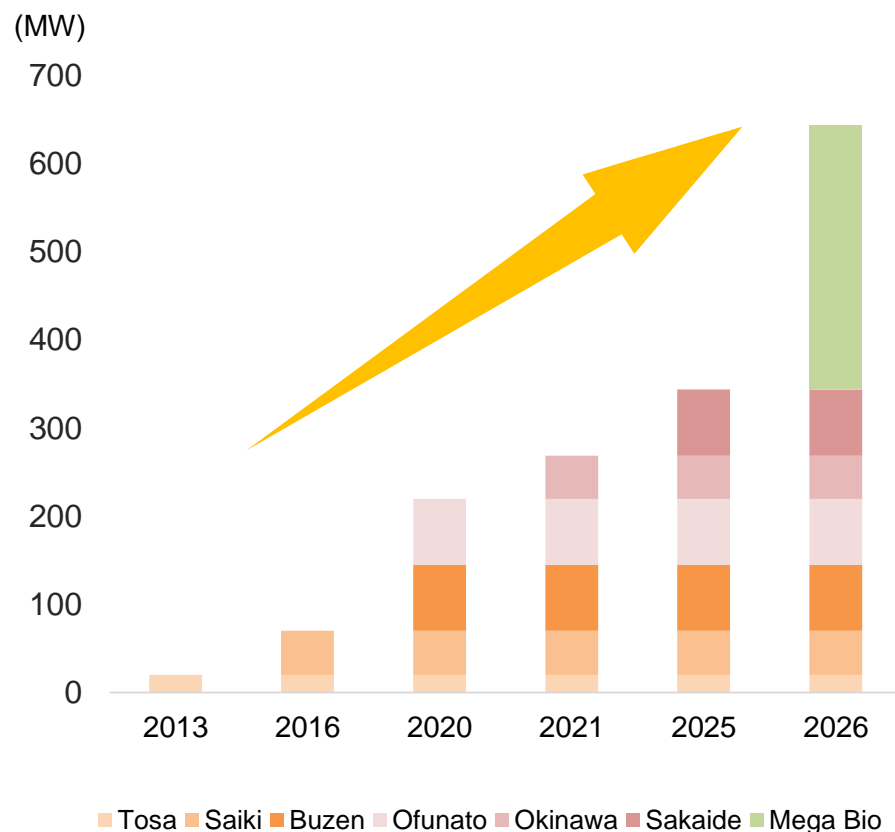


- erex Group continues to develop biomass power plants that can provide a stable supply of electric power.
- By 2025, the total output will reach 344 MW at six locations. All plants are subject to the FIT system.
- Based on the technology that has been cultivated so far, erex Group is currently working on a feasibility study to develop a non-FIT mega biomass power plant. Environmental survey is expected to start in the 2H of this fiscal year.

Schedule of Power Generation Projects



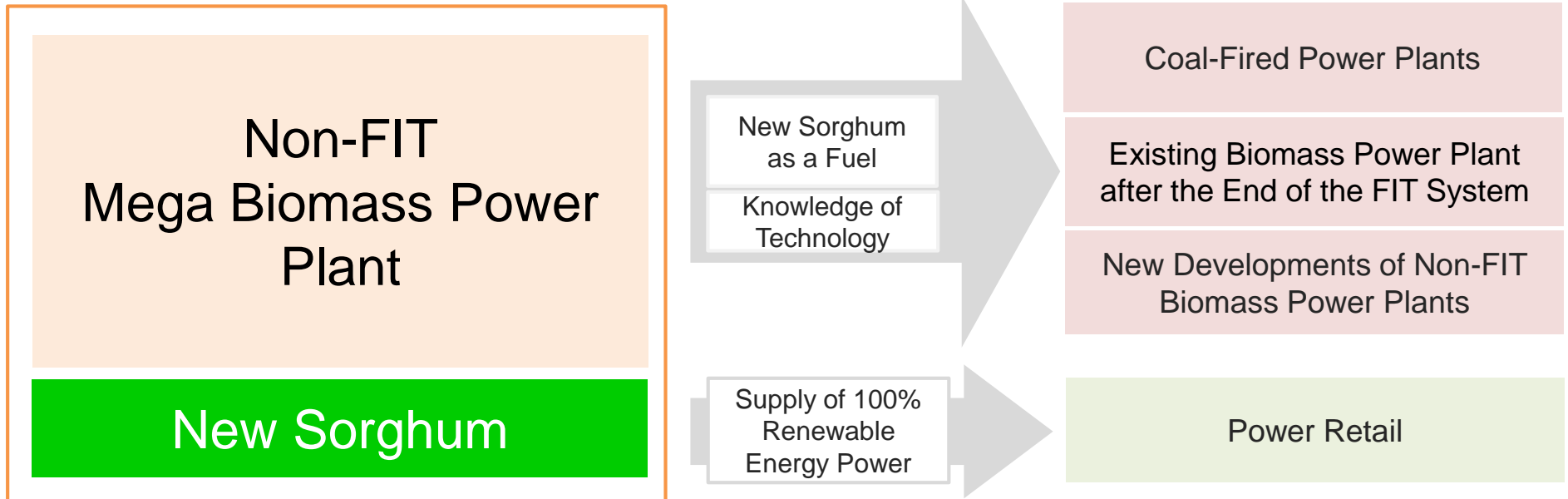
Total Biomass Power Output



- Paving the way for the continuation of the operation of existing biomass power plants and the development of new biomass power plants after the end of the FIT system
- New Sorghum, which is developed for mega biomass power plants, can be used as a biomass fuel for co-firing at coal-fired power plants and significantly reduces CO2 emissions.

Making Biomass Power Generation Sustainable.

Significant for Japan's Energy Policy

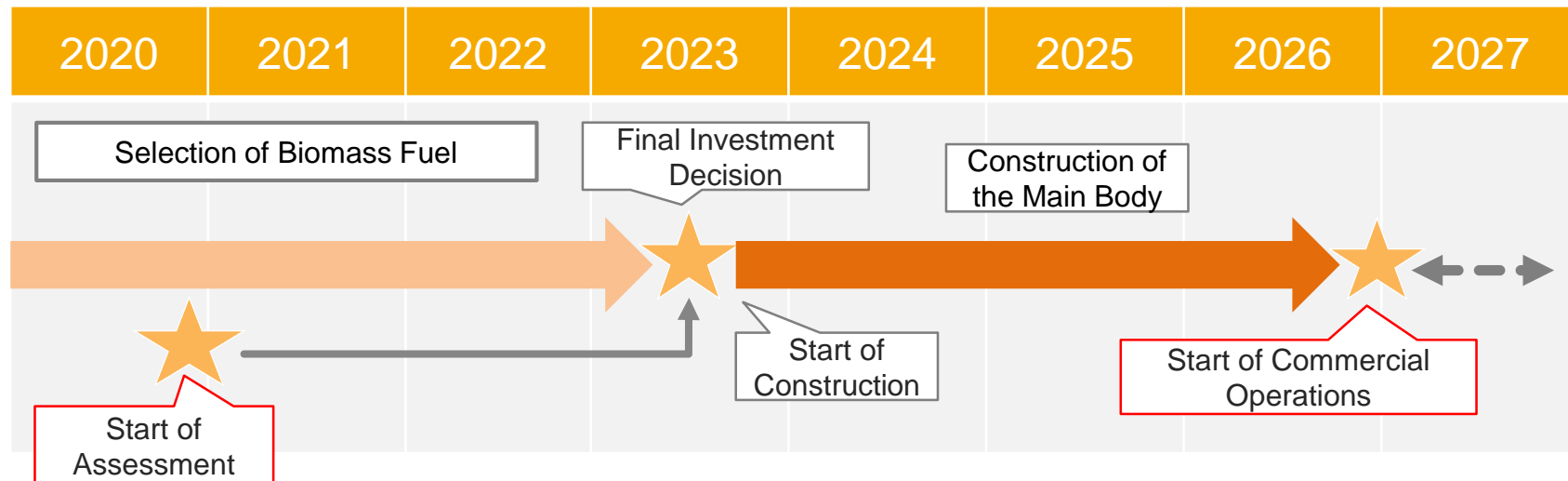


- 300 MW Non-FIT mega biomass power plant, the world's largest level, makes significant progress toward realization based on two years of feasibility study

Progress toward the Realization of Mega Biomass Power Plant

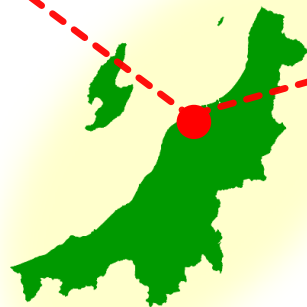
- Response to grid connection was received on October 30th
- Construction site has been determined to be the outskirts of Higashi-Kou, Seiro Town, Niigata Prefecture
- Environmental assessment is scheduled to start in late November.
- New fuel "New Sorghum" and wood pellets are being considered as biomass fuels. Demonstration tests of "New Sorghum" have started.

Current Timeline





Conceptual Drawing at Completion

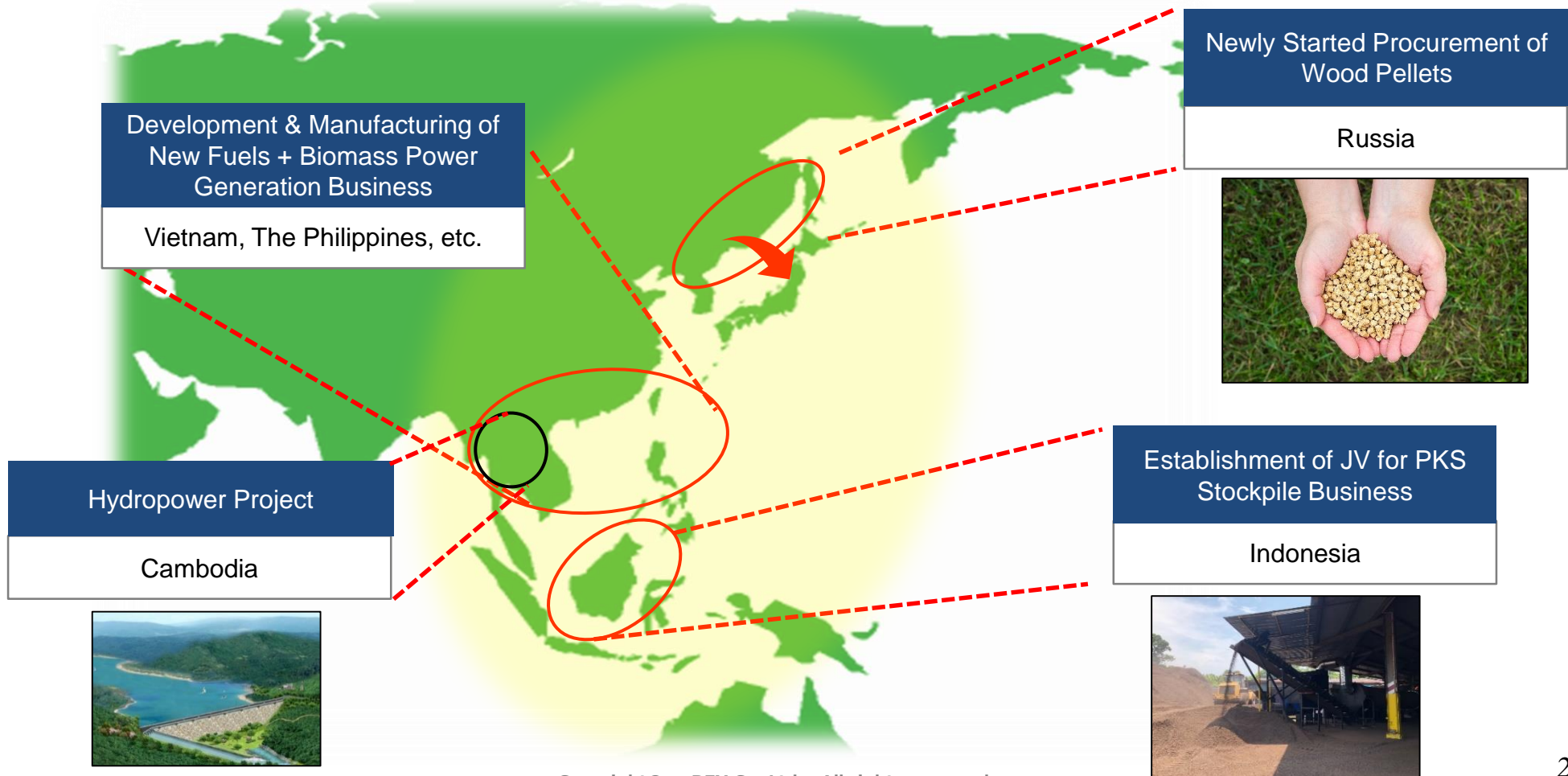


Niigata Prefecture

Outline

Power Output	300MW (World's Largest Level)
Boiler Type	Ultra-supercritical pressure re-burning boiler (biomass combustion system)
Estimated Annual Power Generation	About 2,000GWh
Fuel Usage Amount	About 1.2 million tons/year
CO2 Reduction Amount	About 1 million tons/year
Fuel	<ul style="list-style-type: none"> • New Sorghum • Wood Pellet
Business Area	About 400,000 m ²

- erex Group plans to develop and manufacture fuels for mega biomass in Russia, Vietnam, etc. erex Group has also started feasibility study of renewable energy developments in Vietnam, the Philippines, etc.
- A joint venture company for the stockpile business was established with DSN, a major Indonesian company, to strengthen the supply chain of PKS.
- erex Group participated in a hydropower project in Cambodia in October 2019



The Position of Sorghum as a Fuel for Biomass Power Generation

- Development of “Non-food” fuel sorghum through breeding

Features of fuel sorghum

- Low environmental impact
- Low moisture content
- Early maturing and high yield per unit area can be expected.

- Needs in the agricultural sector

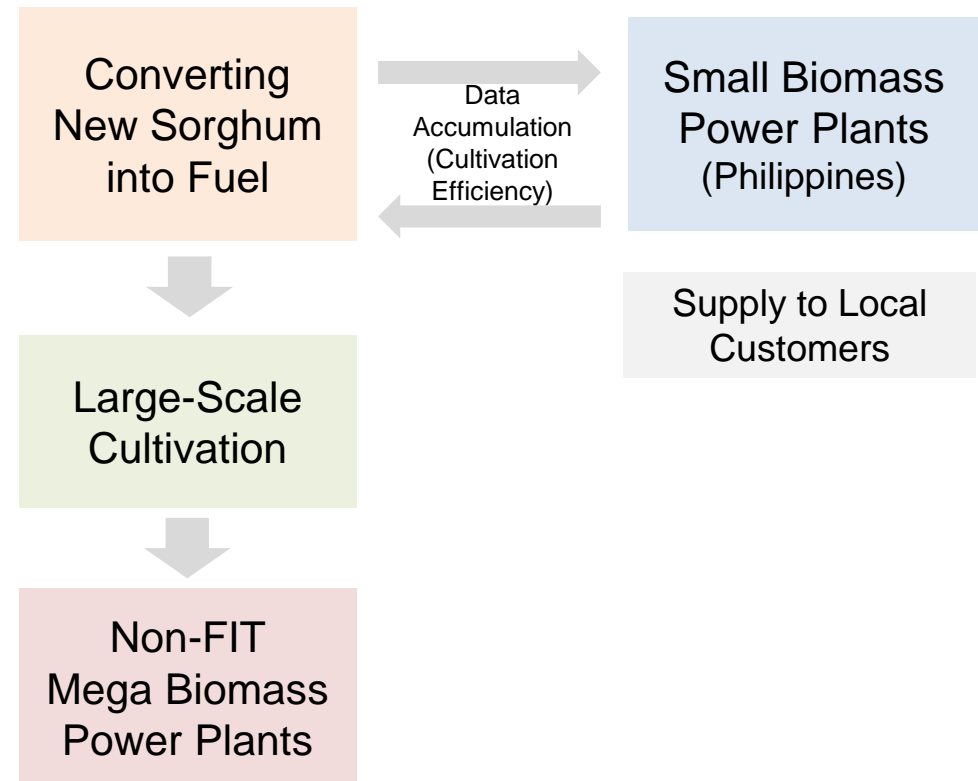
There is a need to use idle land and to convert other crops to sorghum. ⇒ Contributing to stable income and job creation for local farmers



Construction of Small Biomass Power Plants in the Philippines & Vietnam

Plans to promote fuel cultivation and power generation business through "local production for local consumption".

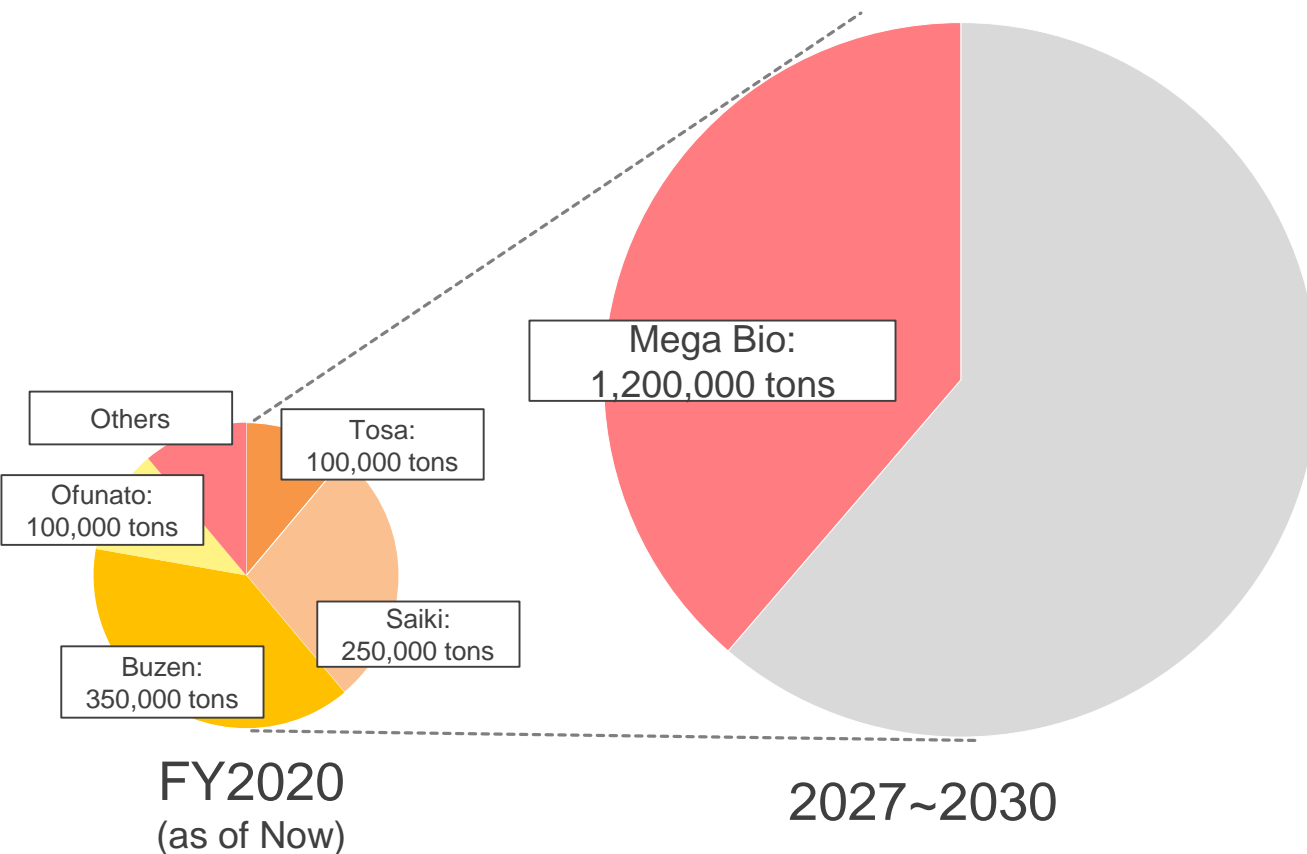
A small biomass power plant is under consideration for construction locally. Plans to accumulate data to improve cultivation efficiency



- The volume of biomass fuel handled by erex Group is expected to expand with the operation of a mega biomass power plant.

Sales to 3rd parties are to be expanded with the new fuel, "New Sorghum".

Biomass Fuel Handling Volume



The amount of biomass fuels handled is expected to increase from the current about 900,000 tons to **3 million** tons or more

Aiming to Become a **Major** of Biomass Fuel

- erex Group's first overseas and first hydropower business. Formation of international consortium.
- In Cambodia, which relies on imports for about 25% of its annual power needs, this project can generate power throughout the year and plays a major role in ensuring a stable supply of power.
- The start of commercial operations is targeted to be in FY2023. Stable earnings for 35 years

Outline

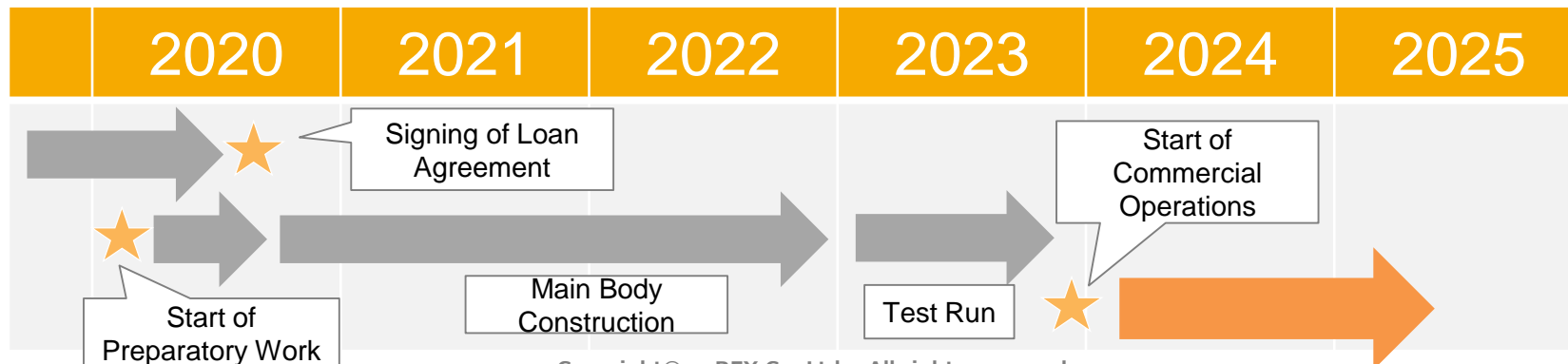
Power Output	80,000 kW(369GWh/year)
Total Investment Costs	USD231 million
Power Sold to	Electricity Authority of Cambodia
Shareholding Ratio	34%※
Power Sales Unit Price	7.9 ¢ /kWh Fixed for 35 years
Dam Area, Water Storage Amount	85km ² (1.2 billion m ³)

※ erex Group is considering increasing its shareholding ratio to 51% by the end of 2020

Conceptual Drawing at Completion



Timeline as of Now (Plan)



- Preparatory work is underway, and progress is being made on schedule for the start of commercial operations in FY2023.

Entire View (photo taken in July 2020)



Entire View (photo taken in October 2020)



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ENERGY RESOURCE EXCHANGE