



**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 3<sup>rd</sup> Quarter of FY March 31, 2024**

**(9 Months Ended December 31, 2023)**

**February 9, 2024**

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- 1. Summary of FY March 2024: 3Q Financial Results and 4Q Forecasts**
2. Forecasts for FY March 2025 (Supplemental Information to the Material Released on November 10, 2023)
3. Progress of Overseas Business

- Net sales decreased by 37.4 billion yen year on year due to decreased demand for high-voltage retail, decreased wholesale volume to JEPX, and price declines
- The surplus of procured power was forced to be sold at cheap prices at JEPX, resulting in negative spread
- Positive retail earnings due to expansion of rate plans such as market-linked plans

(JPY Billion)	FY March 2023 1Q~3Q (Results)	FY March 2024 1Q~3Q (Results)	Increase/Decrease	YoY Comparison	FY March2024 Full Year Forecasts (Revised on Nov 10)
Net Sales	221.7	184.3	△37.4	△16.9%	219.4
EBITDA*	16.0	△10.5	△26.5	-	-
SG&A Expenses	8.0	7.9	△0.1	△2.1%	-
Operating Income	14.3	△15.1	△29.4	-	△21.3
Ordinary Income	11.1	△13.8	△24.9	-	△19.8
Net Income*	5.9	△15.8	△21.7	-	△22.0

\*EBITDA... Income before income taxes + Interest expense + Depreciation + Amortization of goodwill, etc.

\*Net income attributable to the owners of the parent company

[Note] Tentative accounting treatment had been applied for business combination in the previous fiscal year, but since the calculation of market value, etc. as of the date of the business combination was completed, the accounting treatment was finalized in the current fiscal year. As a result, some of the amounts of goodwill, etc. for the previous fiscal year have been changed.

- Net sales decreased by 20.7 billion yen year on year due to decreased demand for high-voltage retail, decreased wholesale volume to JEPX, and price declines
- The surplus of procured power was forced to be sold at cheap prices at JEPX, resulting in continued negative spread
- Positive retail earnings due to expansion of rate plans, including market-linked plans and new rate plans (including hybrid plan and fully fixed plan)

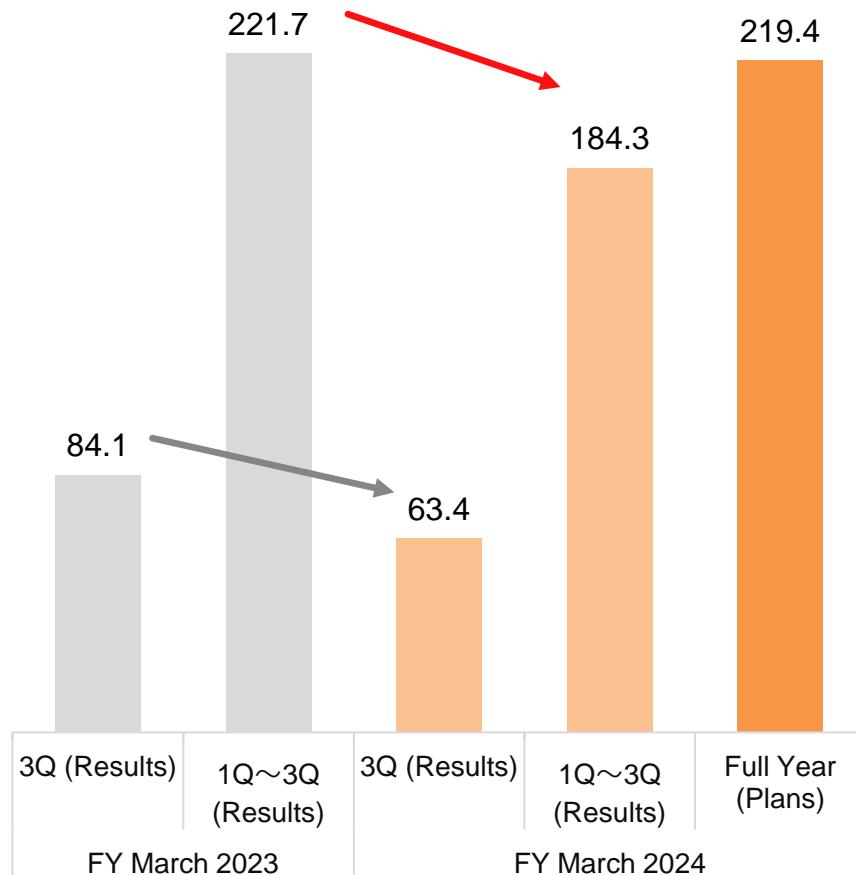
(JPY Billion)	FY March 2023 3Q (Results)	FY March 2024 3Q (Results)	Increase/Decrease	YoY Comparison
Net Sales	84.1	63.4	△20.7	△24.6%
EBITDA*	5.2	△3.4	△8.7	-
SG&A Expenses	2.7	2.5	△0.1	△7.3%
Operating Income	3.5	△4.4	△7.9	-
Ordinary Income	3.5	△4.6	△8.2	-
Net Income*	1.3	△4.7	△6.1	-

\*EBITDA... Income before income taxes + Interest expense + Depreciation + Amortization of goodwill, etc.

\*Net income attributable to the owners of the parent company

[Note] Tentative accounting treatment had been applied for business combination in the previous fiscal year, but since the calculation of market value, etc. as of the date of the business combination was completed, the accounting treatment was finalized in the current fiscal year. As a result, some of the amounts of goodwill, etc. for the previous fiscal year have been changed.

(JPY Billion)



Net Sales **JPY184.3** billion

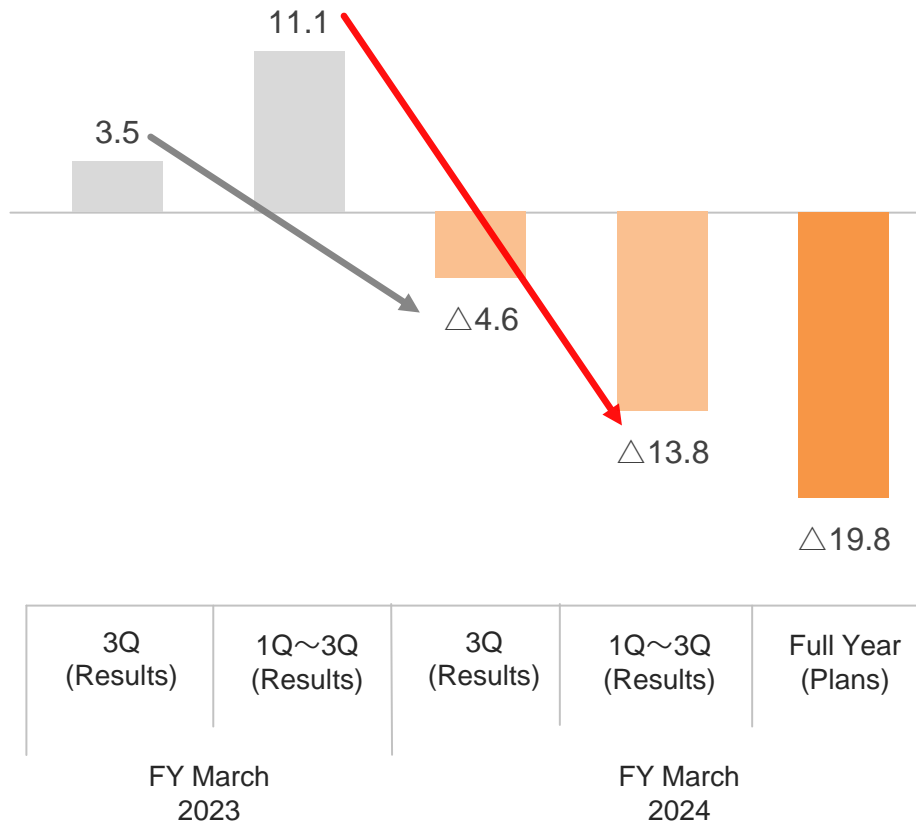
△ **16.9%YoY**

(JPY Billion)	Net Sales (Composition Ratio)	
	FY March 2023 1Q~3Q (Results)	FY March 2024 1Q~3Q (Results)
High Voltage Retail	43.7	34.3 <sup>*1</sup>
Low Voltage Retail	29.9	29.8 <sup>*1</sup>
Wholesale (Including Sales to 3rd Parties by Power Plants)	144.6	111.0 <sup>*2</sup>
Fuel Sales to 3rd Parties, City Gas, etc.	3.3	9.1

<sup>\*1</sup>: Including subsidies to mitigate drastic changes

<sup>\*2</sup>: Buzen Biomass Power Plant is excluded from the scope of consolidation from the current fiscal year due to a change in operating rules. The impact of this exclusion is reflected.

(JPY Billion)



## Ordinary Income

△ **JPY13.8 billion**

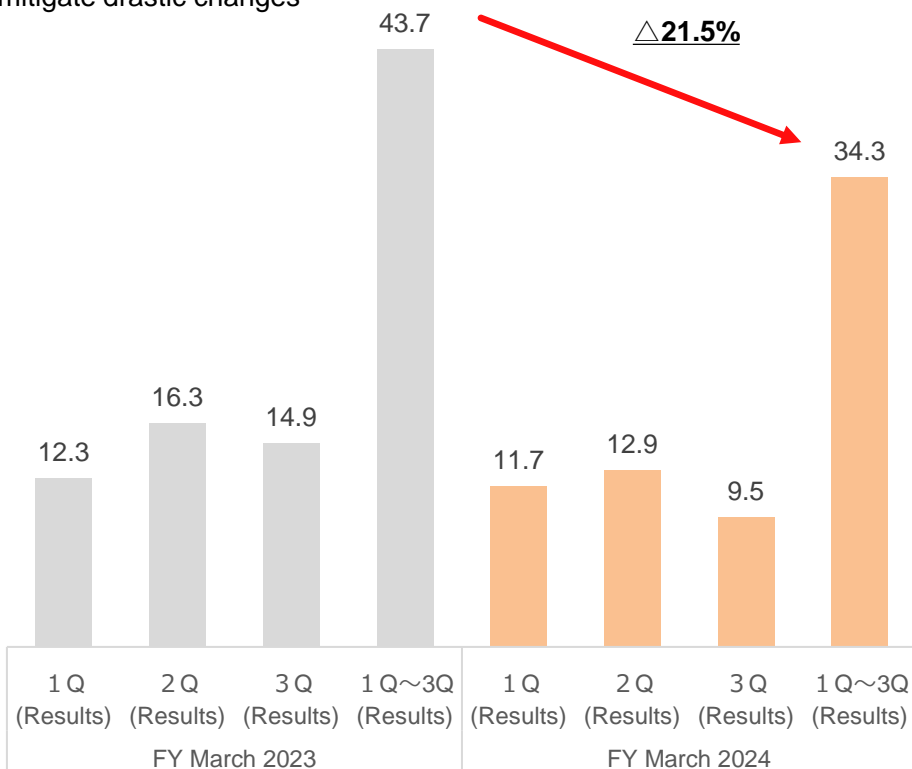
- Ordinary income decreased significantly due to procurement of relatively expensive power sources
- The surplus of procured power was forced to be sold at cheaper prices as wholesale at JEPX due to the change to market-linked plans at low-voltage and the decline in retail demands, resulting in negative spread
- Itoigawa Power Plant saw a significant decrease in profit in the 1H due to the impact of expensive price coal inventory, but the 3Q saw a significant improvement thanks to a switch to low-priced fuel in the current market
- Positive retail earnings due to expansion of rate plans such as market-linked plans

- While the power sales volume decreased by 42.4% due to a profit-oriented strategy with price hike, the unit prices rose, resulting in an increase in sales per customer
- Expansion of rate menus (the proprietary plans using the electricity market), reducing decline in net sales

## Net Sales

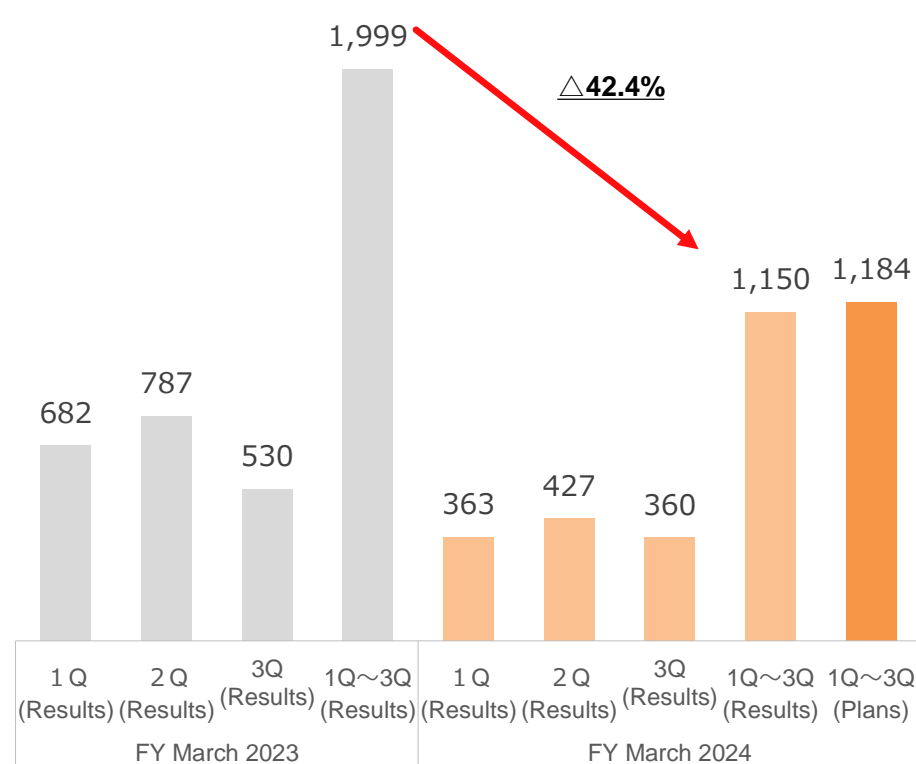
(JPY Billion)

\* Including subsidies to mitigate drastic changes



## Power Sales Volume

(GWh)



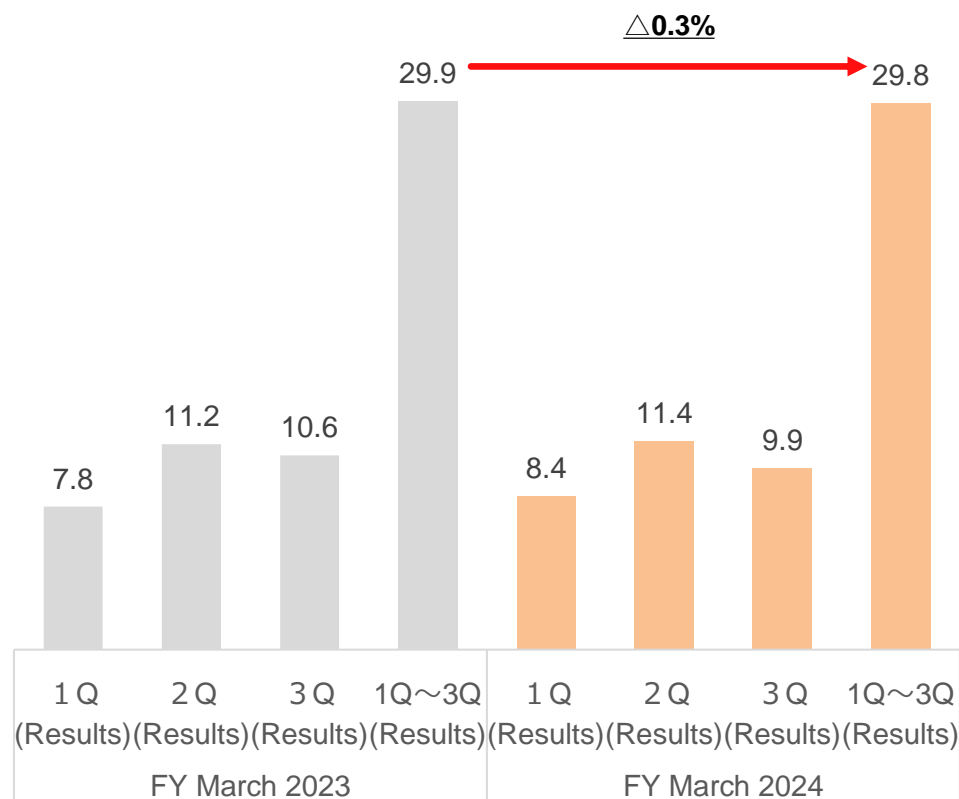


- Switching to market-linked plans stabilized profit margins
- Both power sales volume and the number of customers were largely unchanged from the previous year, but exceeded the plans due to the strengthening of the web-channel, etc.

## Net Sales

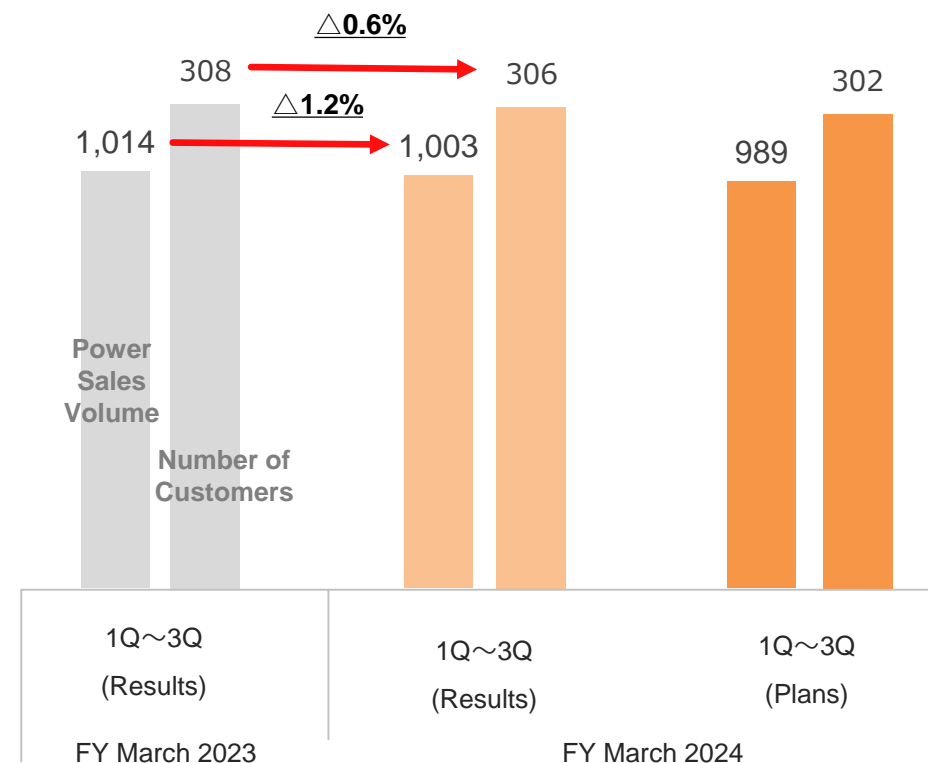
\* Including subsidies to mitigate drastic changes

(JPY Billion)

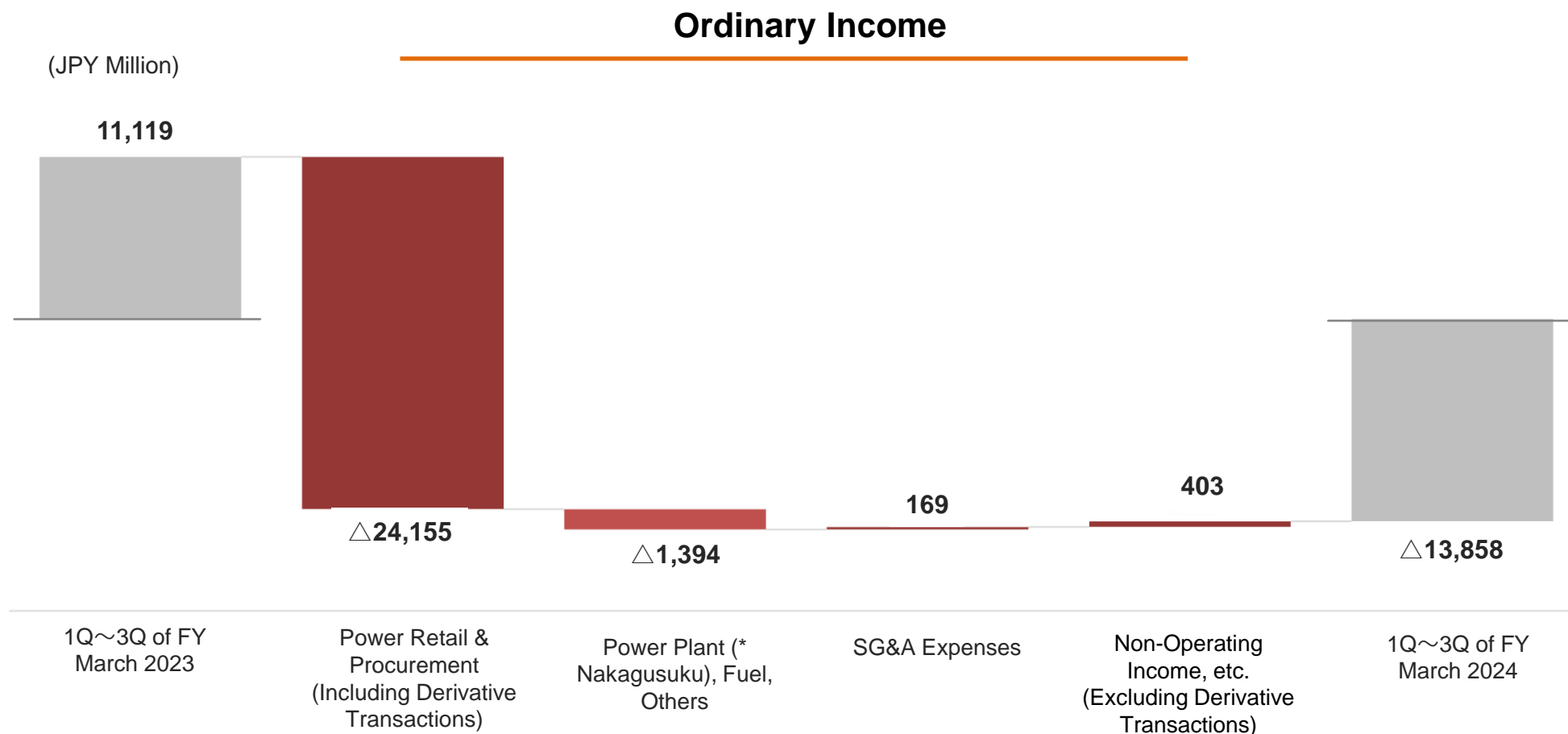


## Power Sales Volume & Number of Customers

(Power Sales Volume: GWh)  
(Number of Customers: thousands)



# 1Q~3Q of FY March 2024: Reasons for the YoY Changes in Ordinary Income



\* Buzen Biomass Power Plant is excluded from the scope of consolidation from the current fiscal year due to a change in operating rules

[Note] Tentative accounting treatment had been applied for business combination in the previous fiscal year, but since the calculation of market value, etc. as of the date of the business combination was completed, the accounting treatment was finalized in the current fiscal year. As a result, some of the amounts of goodwill, etc. for the previous fiscal year have been changed.

(JPY Million)

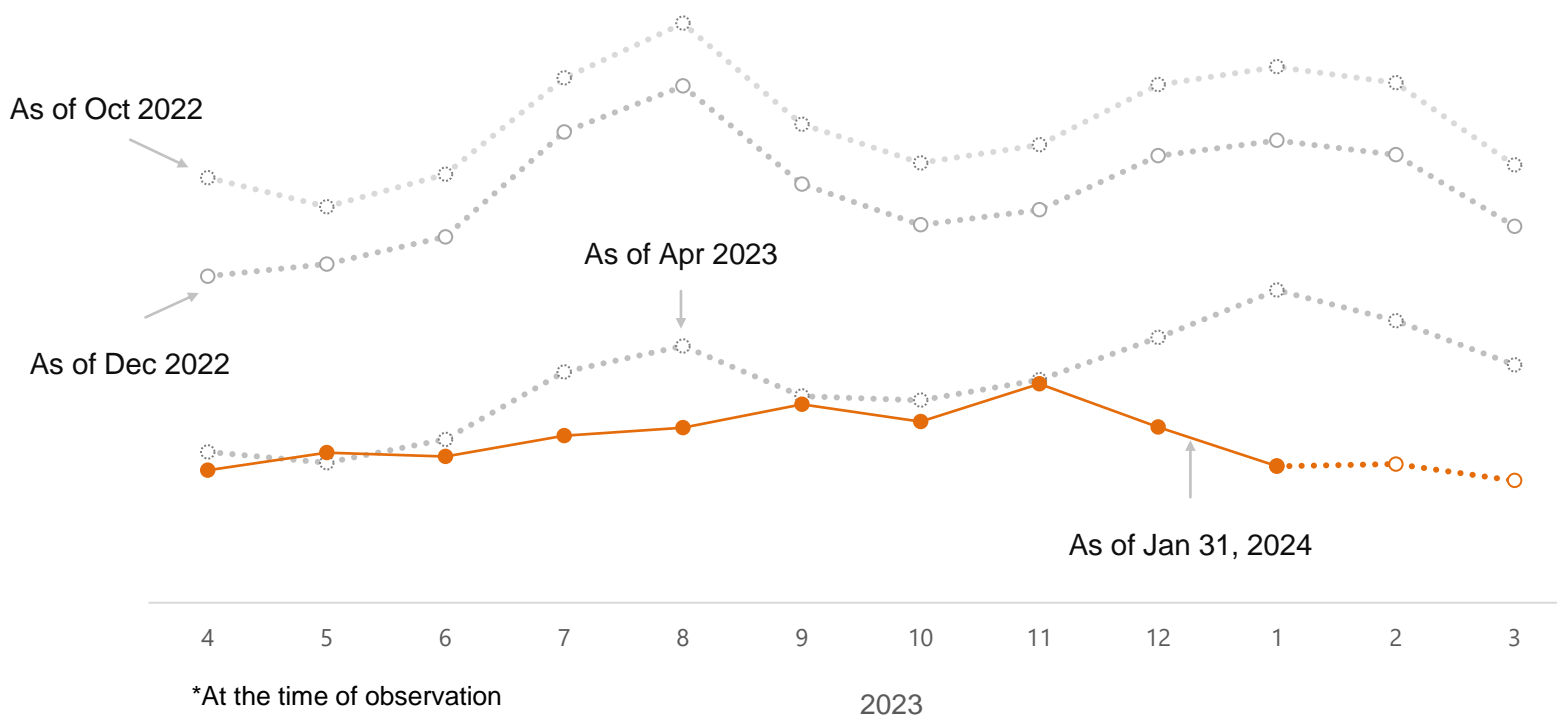
<div><div>(1) Power Retail/Power Procurement (<u>△24,155</u>)</div><div><ul style="list-style-type: none"><li>• Profit decreased significantly due to procurement of relatively expensive power sources</li><li>• Profit decreased significantly as a result of wholesale of surplus power to JEPX with a negative spread due to decreased retail demands and the change to the market-linked plan at low-voltage retail</li><li>• Profit increased despite a significant decrease in high-voltage power sales volume due to a profit-oriented price hike strategy</li><li>• Retail profit was positive due to the expansion of rate plans such as market-linked plans</li></ul></div></div>	<div><div>(2) Power Plant (Nakagusuku), Fuel, Others (<u>△1,394</u>)</div><div><ul style="list-style-type: none"><li>• Exclusion of Buzen from the scope of consolidation (from FY March 2024) (<u>△1,430</u>)</li><li>• Increase in cost of power generation at Nakagusuku (decrease in operation, etc.) (<u>△637</u>)</li><li>• External fuel sales, etc. (<u>△303</u>)</li><li>• FIP subsidy of Tosa Power Plant (+1,404) etc.</li></ul></div></div> <div><div>SG &amp; A Expenses (<u>+169</u>)</div><div><ul style="list-style-type: none"><li>• Agency fees (decrease) (+411)</li><li>• Sales promotion expenses (decrease) (+151)</li><li>• System-related expenses (increase) (<u>△250</u>)</li><li>• Others (increase) (<u>△117</u>) etc.</li></ul></div></div> <div><div>Non-Operating Income, etc.: (<u>+403</u>)</div><div><ul style="list-style-type: none"><li>• Interest income from affiliates (increase) (+175) etc.</li></ul></div></div>
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# Summary of the Consolidated Balance Sheet

(JPY Billion)	FY March 2023 (End of the Period)	3Q of FY March 2024		
		Results	Increase/ Decrease	Major Reasons for Increase/Decrease
Current Assets	79.3	68.2	△11.0	<ul style="list-style-type: none"> <li>Decrease in cash and deposits</li> <li>Decrease in accounts receivable/trade due to decrease in the number of customers</li> </ul>
Noncurrent Assets	92.7	75.9	△16.7	<ul style="list-style-type: none"> <li>Decrease in “buildings and structures” and “machinery and delivery equipment” due to the exclusion of Buzen New Energy (BNE) from the scope of consolidation</li> <li>Increase in investments in affiliates (due to exclusion of BNE from consolidation)</li> </ul>
<b>Total Assets</b>	<b>172.1</b>	<b>144.2</b>	<b>△27.8</b>	
Current Liabilities	48.4	39.9	△8.4	<ul style="list-style-type: none"> <li>Decrease in accounts payable/trade due to shorter turnover period</li> <li>Decrease due to payment of income taxes payable</li> </ul>
Noncurrent Liabilities	49.7	46.7	△3.0	<ul style="list-style-type: none"> <li>Decrease in long-term loans payable (due to exclusion of BNE from consolidation)</li> <li>Increase due to issuance of bonds</li> </ul>
<b>Total Liabilities</b>	<b>98.1</b>	<b>86.6</b>	<b>△11.4</b>	
Capital Stock	57.5	40.4	△17.1	<ul style="list-style-type: none"> <li>Decrease due to net loss and dividend payment</li> </ul>
Accumulated Other Comprehensive Income	4.4	8.2	3.8	<ul style="list-style-type: none"> <li>Increase in deferred hedge gain/loss on foreign exchange forward contracts</li> </ul>
Noncontrolling Shareholders' Interest	11.9	8.7	△3.1	<ul style="list-style-type: none"> <li>Due to exclusion of BNE from consolidation</li> </ul>
<b>Total Net Assets</b>	<b>73.9</b>	<b>57.5</b>	<b>△16.4</b>	
Cash & Deposits	33.6	25.4	△8.2	<ul style="list-style-type: none"> <li>Due to exclusion of BNE from consolidation</li> <li>Decrease due to increase in working capital and payment of income taxes payable</li> </ul>
Interest-Bearing Debt	55.1	56.1	1.0	<ul style="list-style-type: none"> <li>Decrease in long-term loans payable (due to exclusion of BNE from consolidation)</li> <li>Increase due to issuance of bonds</li> <li>Increase in loans payable for Vietnam business</li> </ul>
Net Asset Ratio	36.0%	33.8%	△ 2.2%	<ul style="list-style-type: none"> <li>Decrease in shareholders' equity due to net loss</li> </ul>

- JEPX prices are assumed to remain low due to warm winter, excess power supply capacity, etc.

Tokyo Area Baseload Futures Prices (yen/kWh)



\*At the time of observation

\*Analyzed and prepared by erex Group

Observation	Annual Average (yen/kWh)
Oct 2022	37.1
Dec 2022	30.9
Apr 2023	16.5
Sep 2023	13.9
Jan 2024	12.0

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- Forecasts are to return to profitability in FY March 2025 following the termination of procurement of relatively expensive PPA Sources
- Procurement sources are to be adjusted by retail rate plans to respond to price fluctuations at JEPX, etc. (see next page)

(JPY Billion)	FY March 2024 Full Year (Revised on Nov 10)	FY March 2025 Full Year (Forecasts)	Increase/ Decrease
Net Sales	219.4	200.0	△19.4
Operating Income	△21.3	4.7	26.0
Ordinary Income	△19.8	4.3	24.1
Net Income *	△22.0	2.8	24.8

## <Reasons for the Increase/Decrease in Sales and Profits>

- Decrease in power wholesale due to elimination of procurement surplus
- Termination of procurement of relatively expensive PPA sources
- Elimination of sales to JEPX with negative spread

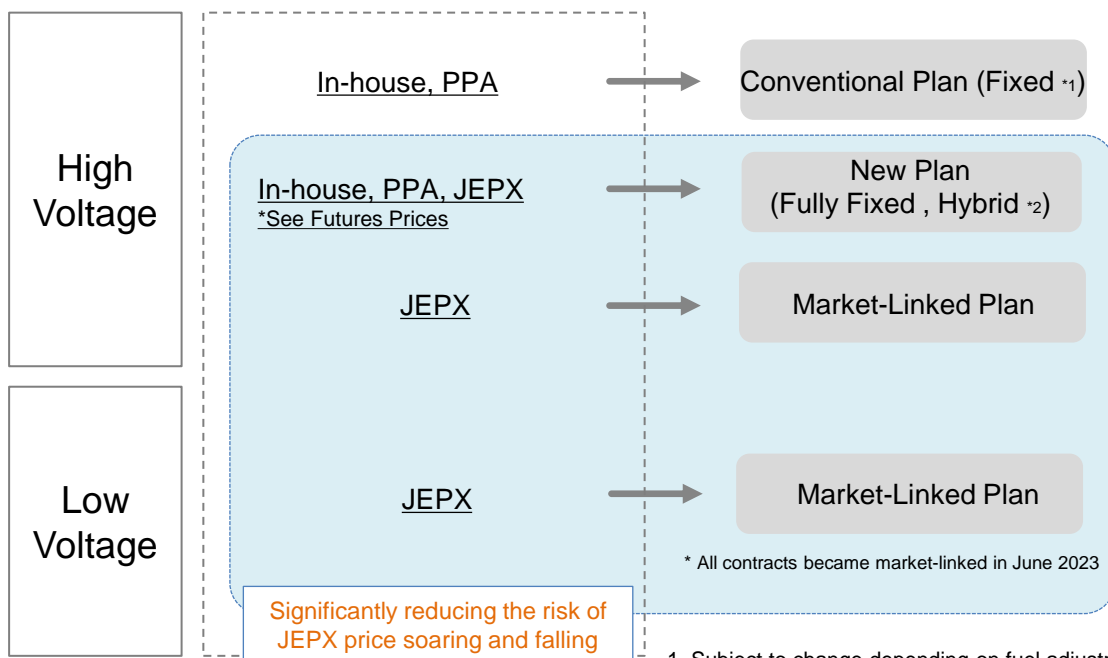
\* Net income attributable to the owners of the parent company

- Relatively expensive procurement contracts, which have been the major factor of significantly negative earnings in FY March 2024, will be terminated by the end of FY March 2024
- Earnings have stabilized due to market linkage mainly in low-voltage retail
- In principle, no position-risk will be taken in FY March 2025, as erex Group will be procuring neutrally, including intra-period transactions
- Procurement from in-house power sources, PPA sources, and JEPX will be implemented according to retail rate plans

Basic Image of Power Procurement

<Power Procurement>

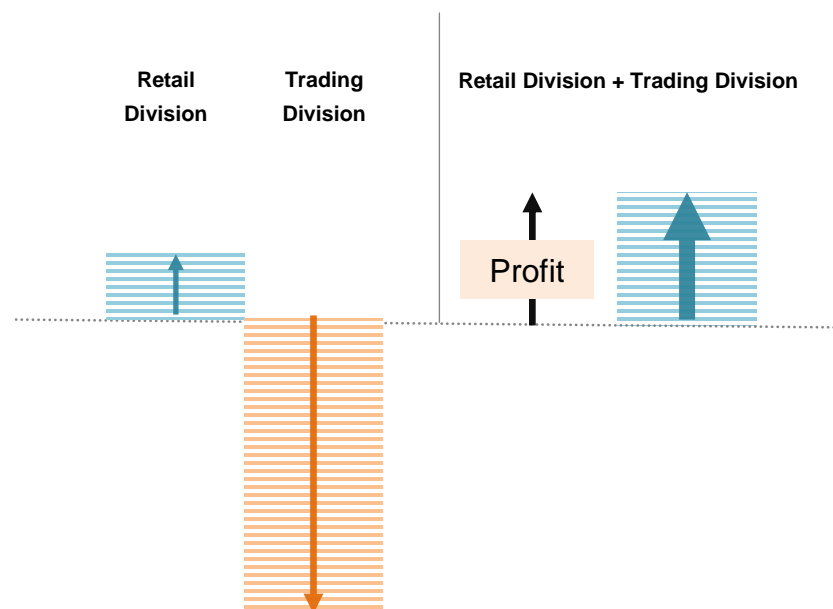
<Retail Rate Plans>



1. Subject to change depending on fuel adjustment costs
2. Unit prices are fixed in summer and winter, and market-linked in other seasons

Financial Improvement Image

Improved earnings by strengthening the integration of power sales and power procurement




FY March 2024

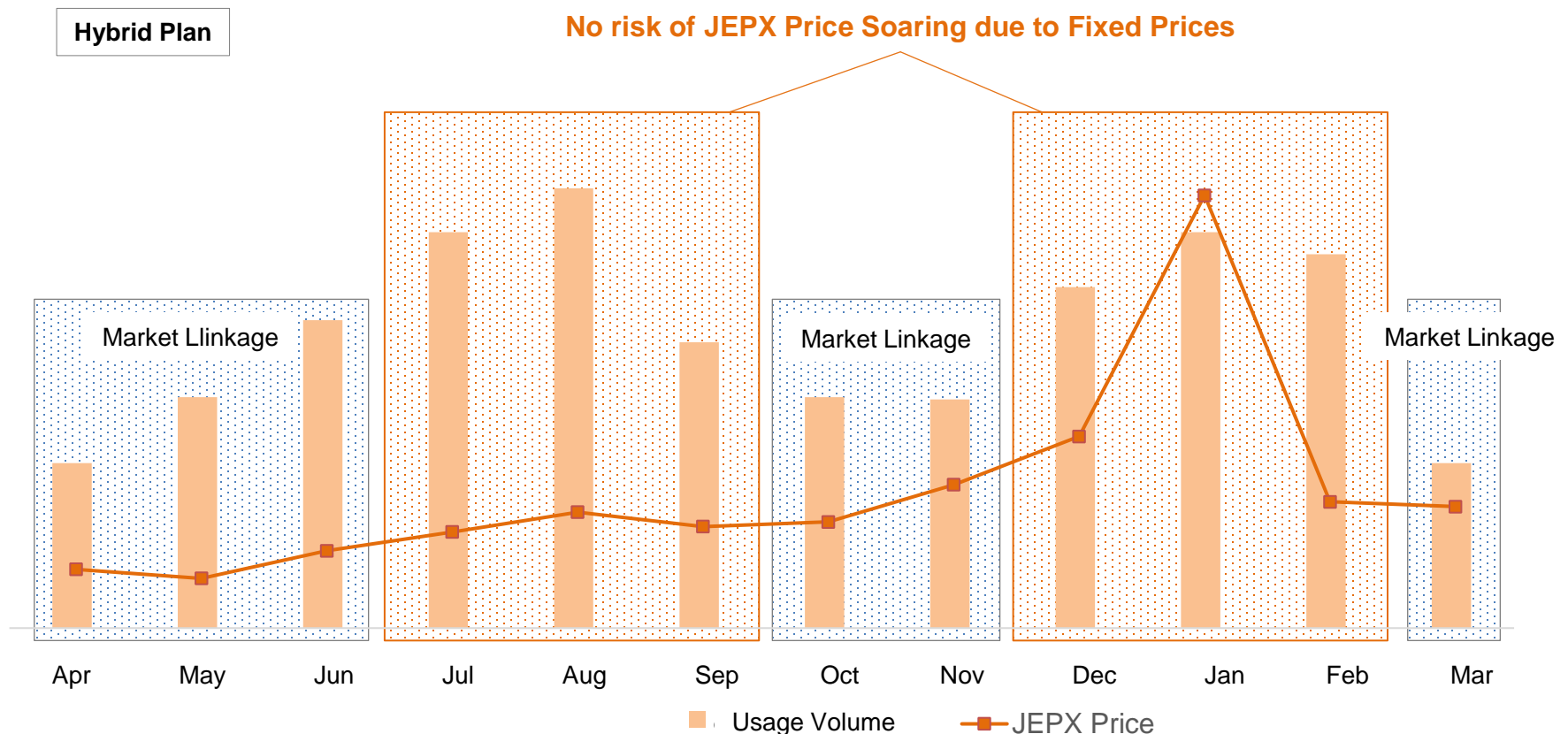
FY March 2025



- Responding to changes in the market environment, with electric power market prices remaining low and customers becoming more environmentally conscious at an accelerating pace
- Strengthening differentiation strategy to become the power retailer of choice by offering multiple plans to meet customer needs

Category	FY March 2025
What erex Group Aims to be	<ul style="list-style-type: none"> <li>● To contribute to the de-carbonization of customers through power supply</li> <li>● To provide inexpensive power through in-house power generation and cost reduction</li> <li>● To create new value through the use of electricity futures, etc.</li> </ul>  To become the power retailer of choice
High Voltage	<ul style="list-style-type: none"> <li>● To strengthen de-carbonization solutions</li> <li>● To accelerate fully fixed plan offerings through sales agents</li> <li>● To expands plans to meet customer needs, including market-linked and hybrid plans</li> </ul>
Low Voltage	<ul style="list-style-type: none"> <li>● To promote environmental value by making all customers CO2-free</li> <li>● To strengthen Web Channels</li> <li>● To develop new sales agents (e.g., proposals when moving)</li> <li>● To enhance new services using DR and post-FIT</li> </ul>

- A plan that allows customers to enjoy the benefits when market prices fall while limiting the risk when market prices rise by setting fixed unit prices in summer and winter and linking other seasons to JEPX
- Inquiries are increasing for hybrid and fully fixed plans, which are based on erex Group's knowledge of risk management through electricity futures and derivatives trading ahead of competitors and rate plan design that captures retail needs



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- A memorandum of understanding (MOU) has been signed with the Ministry of Mines and Energy of the Kingdom of Cambodia to confirm the roles and cooperation in energy development, including biomass fuel and biomass power generation
- Feasibility study is aimed to be completed by June 2024
- Fuel research is underway for rubber trees, acacia, coconuts, etc., and new acacia forests are being considered for cultivation in consultation with the Kingdom of Cambodia



The exchange of documents ceremony of the MOU held in the presence of Prime Minister Kishida and Prime Minister Hün Manêt



MOU Ceremony at the ASEAN-Japan Economic Co-Creation Forum 2023/12/16

Reference: METI: MOU for the AZEC Summit Meeting, December 2023, Agency for Natural Resources and Energy  
<https://www.meti.go.jp/press/2023/12/20231218004/20231218004-9.pdf>



- Biomass power plant (PDP7) under construction in Hậu Giang Province is scheduled to start operations by the end of 2024, and the construction is currently progressing according to schedule
- Foundation work has been completed. Construction of each building and boiler installation are in progress



Capacity	20MW (10MW x 2)
Fuel	Rice husks: approx. 130,000 t/year
FIT Price	8.47¢/kWh

- erex Group's 1<sup>st</sup> integrated report "INTEGRATED REPORT 2023" to be published soon (Only in Japanese language. English version is scheduled to be available in April)
- The purpose of this report is to provide stakeholders with a deeper understanding of erex Group, including Representative Director and President Hitoshi Honna's thoughts, sustainability initiatives, and financial strategy



## INTEGRATED REPORT 2023

erex Group

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**ENERGY RESOURCE EXCHANGE**