



erex Co., Ltd. [9517]

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

Supplementary Materials for FY March 2024

May 10, 2024

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- 1. Summary of Financial Results for FY March 2024**
2. Business Plans for FY March 2025
3. Mid/Long-Term Growth Strategy

[Year-over-Year Comparison]

- Net sales: $\triangle 51.3$ billion yen year-over-year due to decrease in high-voltage power sales volume, decrease in wholesale volume to JEPX, and decline in prices
- Ordinary income: $\triangle 33.6$ billion yen year-over-year due to the negative spread caused by forced to sell the surplus of procured power sources at low prices at JEPX

[Comparison with the Plans (revised on November 10, 2023)]

- Net sales: +25.5 billion yen vs plans due to increase in low-voltage power sales volume and hedging transactions
- Ordinary income: +1.4 billion yen vs plans due to increase in low-voltage power sales volume and decrease in SG&A expenses

(JPY Billion)	FY March 2023 Full Year (Results)	FY March 2024 Full Year (Initial Plans)	FY March 2024 Full Year (Revised on November 10)	FY March 2024 Full Year (Results)	Year-over-Year Increase/Decrease	Year-over-Year % Change
Net Sales	296.3	228.0	219.4	244.9	$\triangle 51.3$	$\triangle 17.3\%$
EBITDA *	21.8	-	-	$\triangle 16.1$	$\triangle 37.9$	-
SG&A Expenses	10.8	-	-	10.6	$\triangle 0.2$	$\triangle 1.9\%$
Operating Income	14.8	7.7	$\triangle 21.3$	$\triangle 19.8$	$\triangle 34.6$	-
Ordinary Income	15.2	7.5	$\triangle 19.8$	$\triangle 18.3$	$\triangle 33.6$	-
Net Income *	9.1	4.4	$\triangle 22.0$	$\triangle 22.2$	$\triangle 31.4$	-

*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: $\triangle 13.9$ billion yen year-over-year due to decrease in high-voltage power sales volume, decrease in wholesale volume to JEPX, and decline in prices
- Ordinary income: $\triangle 8.6$ billion yen year-over-year due to continued negative spread caused by forced to sell the surplus of procured power sources at low prices at JEPX

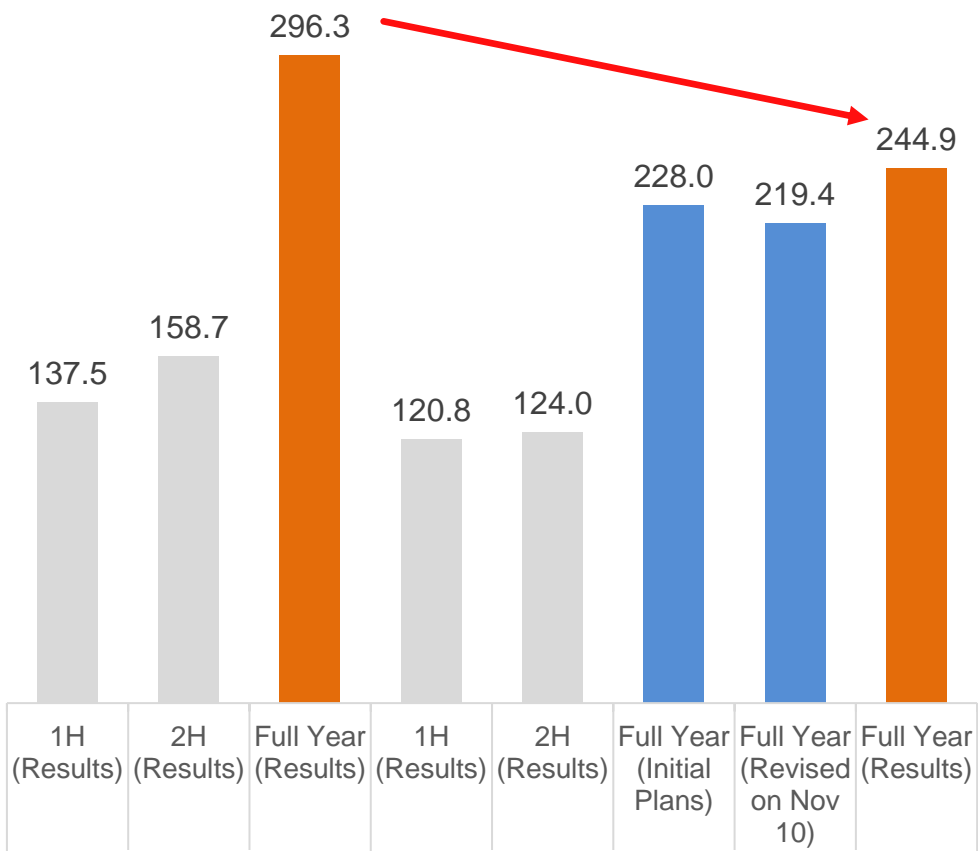
(JPY Billion)	FY March 2023 4Q (Results)	FY March 2024 4Q (Results)	Year-over-Year Increase/Decrease	Year-over-Year % Change
Net Sales	74.6	60.6	$\triangle 13.9$	$\triangle 18.7\%$
EBITDA *	5.8	$\triangle 5.6$	$\triangle 11.4$	-
SQ&A Expenses	2.8	2.7	0.0	$\triangle 1.5\%$
Operating Income	0.5	$\triangle 4.6$	$\triangle 5.2$	-
Ordinary Income	4.1	$\triangle 4.5$	$\triangle 8.6$	-
Net Income *	3.2	$\triangle 6.3$	$\triangle 9.5$	-

*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)

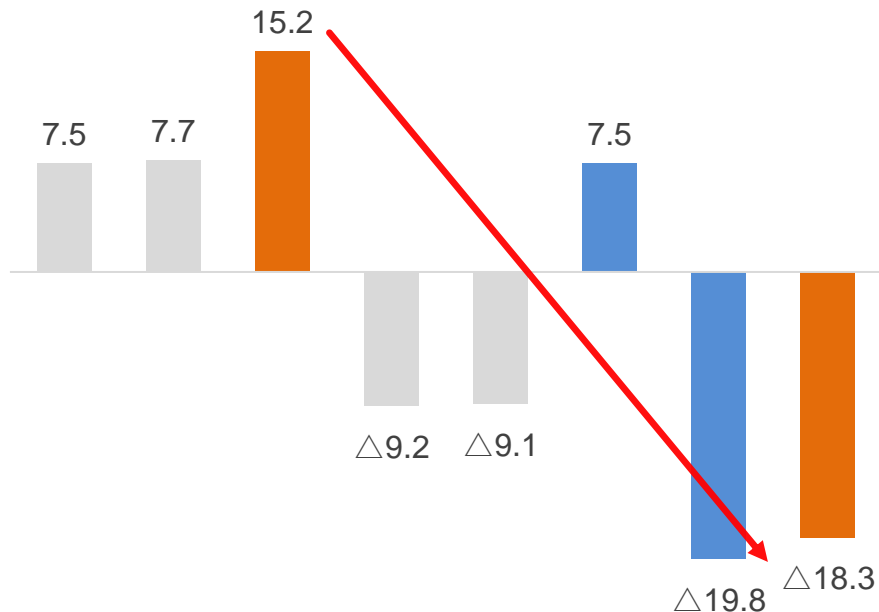


Net Sales **JPY244.9** Billion
 △17.3% YoY

(JPY Billion)	Net Sales (Composition Ratio)	
	FY March 2023 Full Year (Results)	FY March 2024 Full Year (Results)
High Voltage Retail	57.5 *1	43.6 *1
Low Voltage Retail	40.9 *1	41.4 *1
Wholesale (Including Sales to 3rd Parties by Power Plants)	190.8	147.8 *2
Fuel Sales to 3 rd Parties, City Gas, etc.	6.9	11.9

*1: Including subsidies to mitigate drastic changes
 *2: 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
 △JPY18.3 Billion

- Significant decrease in ordinary income due to procurement of relatively expensive power sources
- Surplus power sources generated by the market linkage of low-voltage power supply and decreased retail demands were forced to be sold as wholesale to JEPX at low prices, resulting in negative spread
- Lower-than-planned SG&A expenses were a factor for boosting ordinary income
- Low-voltage retail business exceeded the plans due to acquisition of large projects

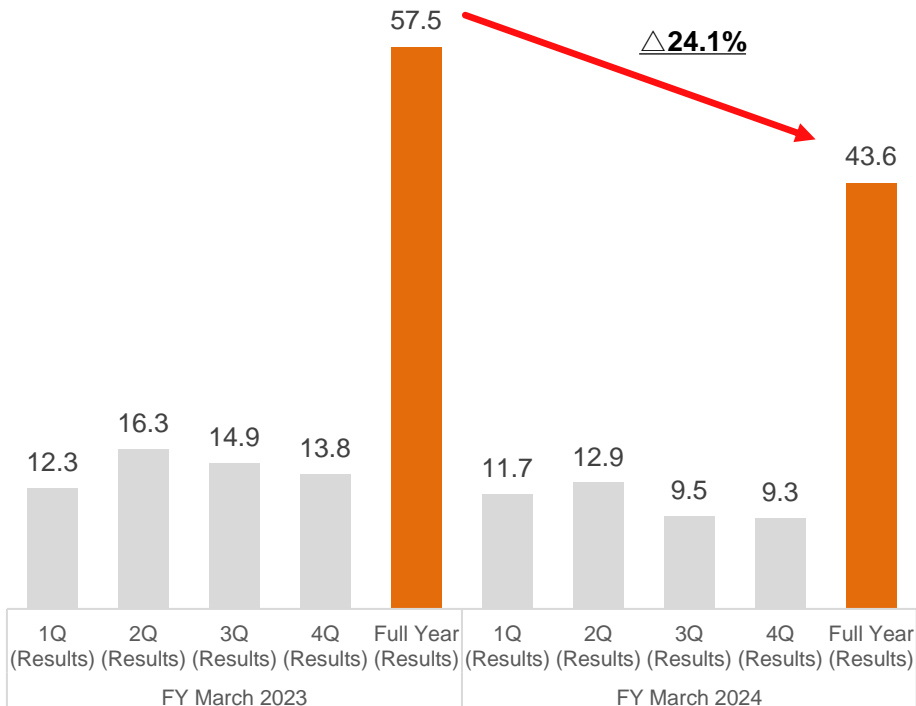
1H (Results)	2H (Results)	Full Year (Results)	1H (Results)	2H (Results)	Full Year (Initial Plans)	Full Year (Revised on Nov 10)	Full Year (Results)
FY March 2023			FY March 2024				

- Power sales volume fell 38.5% due to a profit-oriented price hike strategy, but unit prices rose, resulting in an increase in sales per customer
- The decline in net sales and power sales volume was reduced by expanding erex Group’s proprietary plans

Net Sales

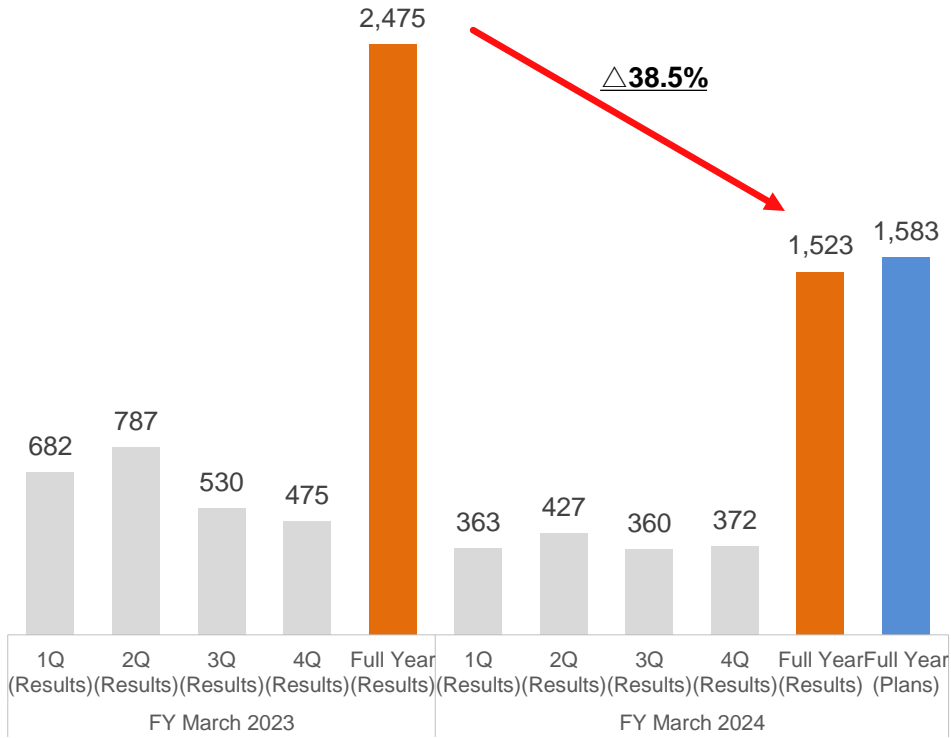
(JPY Billion)

* Including subsidies to mitigate drastic changes



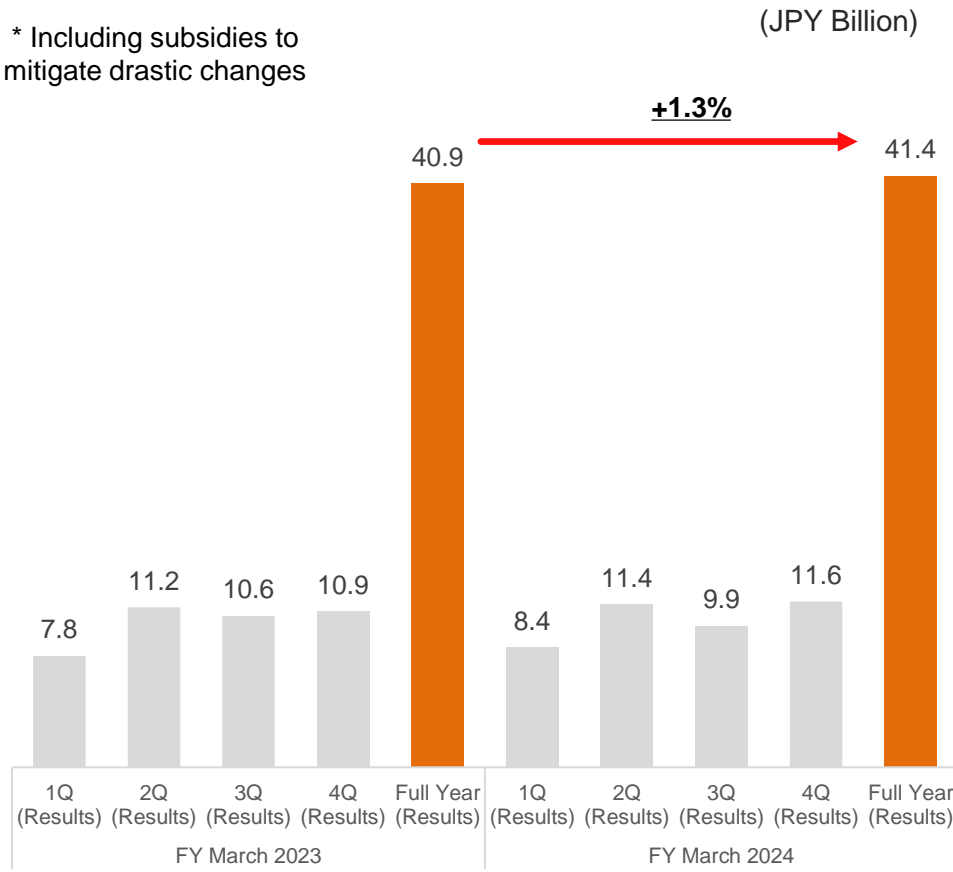
Power Sales Volume

(GWh)

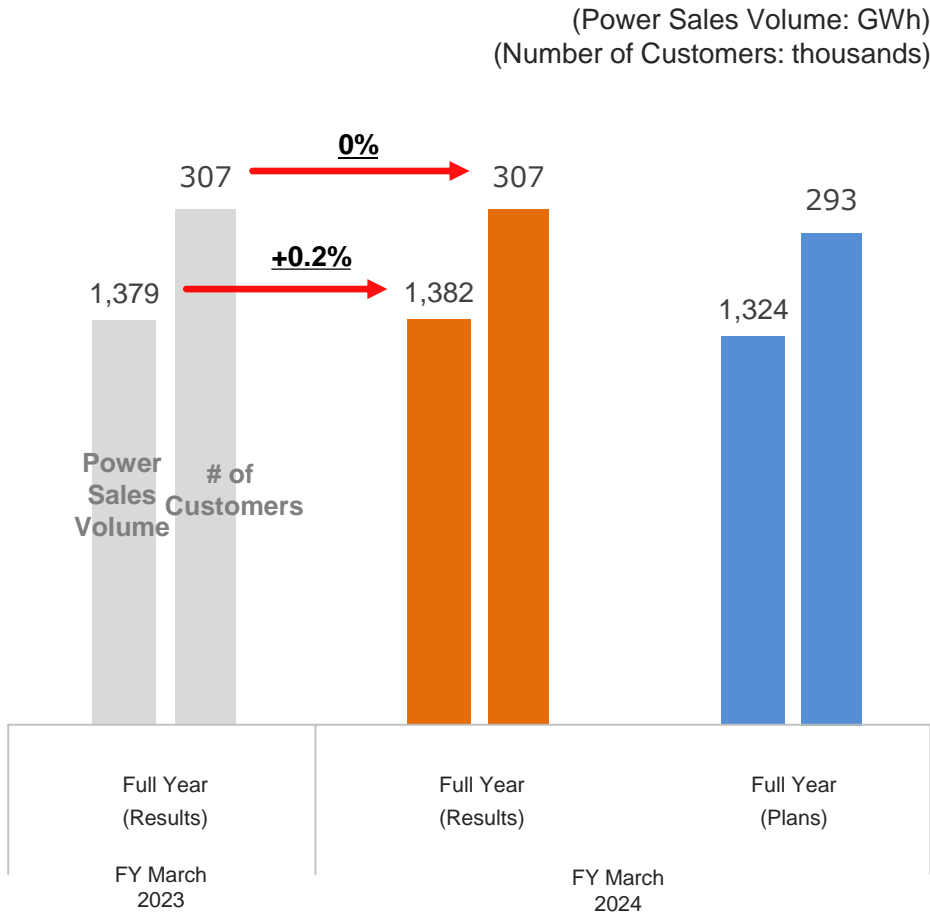


- Switching to market-linked plans stabilized profit margins
- Switching to CO2-free plan for all low-voltage contracts started
- Both power sales volume and the number of customers were largely flat year-over-year, but exceeded the plans due to acquisition of large projects

Net Sales



Power Sales Volume & Number of Customers



Summary of the Consolidated Balance Sheet



(JPY Billion)	FY March 2023 (End of the Period)	FY March 2024 (End of the Period)		
		Results	Increase/ Decrease	Major Reasons for Increase/Decrease
Current Assets	79.3	66.9	△12.4	<ul style="list-style-type: none"> Decrease in cash and deposits Decrease in accounts receivable/trade due to decrease in the number of customers
Noncurrent Assets	92.7	78.2	△14.4	<ul style="list-style-type: none"> Decrease in “buildings and structures” and “machinery and delivery equipment” due to the exclusion of Buzen New Energy (BNE) from the scope of consolidation Increase in investments in affiliates (due to exclusion of BNE from consolidation)
Total Assets	172.1	145.1	△26.9	
Current Liabilities	48.4	41.4	△6.9	<ul style="list-style-type: none"> Decrease in accounts payable/trade due to shorter turnover period Decrease in derivative liabilities (power derivatives, etc.) Increase in short-term loans payable due to increase in working capital
Noncurrent Liabilities	49.7	48.5	△1.2	<ul style="list-style-type: none"> Decrease in long-term loans payable (due to exclusion of BNE from consolidation) Increase due to issuance of bonds
Total Liabilities	98.1	89.9	△8.2	
Capital Stock	57.5	34.8	△22.7	<ul style="list-style-type: none"> Decrease due to net loss and dividend payment
Accumulated Other Comprehensive Income	4.4	12.6	8.1	<ul style="list-style-type: none"> Increase in deferred hedge gains/losses due to realization of foreign exchange contracts and power derivatives
Noncontrolling Shareholders' Interest	11.9	7.7	△4.2	<ul style="list-style-type: none"> Due to exclusion of BNE from consolidation
Total Net Assets	73.9	55.2	△18.7	
Cash & Deposits	33.6	23.5	△10.1	<ul style="list-style-type: none"> Due to exclusion of BNE from consolidation Decrease due to increase in working capital
Interest-Bearing Debt	55.1	55.9	0.8	<ul style="list-style-type: none"> Decrease in long-term loans payable due to exclusion of BNE from consolidation Increase in long-term loans payable due to financing for Vietnam project, etc. Increase due to issuance of bonds
Net Asset Ratio	36.0%	32.7%	△3.3%	<ul style="list-style-type: none"> Decrease in shareholders' equity due to net loss

- Cash flows from operating activities were negative numbers (Δ) due to net loss
- Cash flows from financing activities were positive numbers (+) due to increased loans payable to finance working capital and Vietnam projects

(JPY Billion)	FY March 2023 (End of the Period)	FY March 2024 (End of the Period)	
		Results	Major Factors for Increase/Decrease from the Beginning Balance
Cash and Cash Equivalents at the Beginning of the Fiscal Year	26.7	33.4	
Cash Flow from Operating Activities	21.4	Δ 23.2	
Income before Income Taxes	15.2	Δ 20.6	
Depreciation and Amortization	5.5	3.5	Decrease due to exclusion of BNE from consolidation
Increase/Decrease in Working Capital*	5.2	Δ 2.6	Increase in accounts receivable/other than trade due to increase in grants for renewable energy, etc.
Payment of Income Taxes	Δ 2.7	Δ 4.7	
Others	Δ 1.9	1.3	
Cash Flows from Investing Activities	Δ 14.5	Δ 0.1	
Cash Flows from Financing Activities	Δ 0.2	15.6	Increase in corporate bonds, short-term and long-term loans payable
Effect of Exchange Rate Changes on Cash and Cash Equivalents	0.0	0.2	
Decrease in cash and cash equivalents due to exclusion of subsidiaries from consolidation	-	Δ 6.4	Decrease due to exclusion of BNE from consolidation
Cash and Cash Equivalents at the End of the Fiscal Year	33.4	19.6	
Free Cash Flow	6.9	Δ 23.3	Decrease in cash flow from operating activities
Interest-Bearing Debt (Net)	21.6	37.1	

* Accounts/notes receivable/trade + Inventory + Accrued revenue - Accounts payable/trade

- The results for Tosa, Saiki, Buzen, Ofunato, and Nakagusuku power plants were broadly in line with the plans
- Power generation volume of Itoigawa Power Plant decreased due to extended periodic repair period
- The number of output control orders in Tohoku, Shikoku, Kyushu, and Okinawa significantly increased

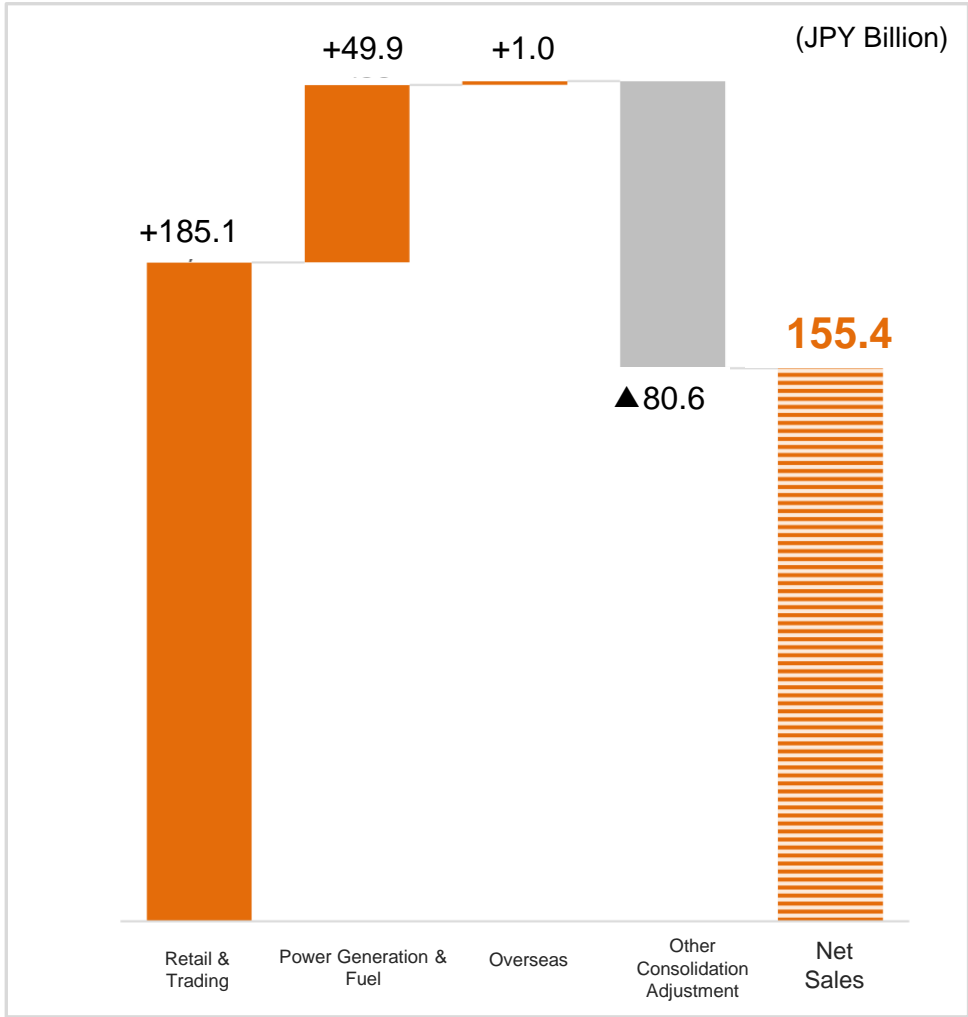
Power Plant Name	Power Generation Volume (GWh)			Output Control
	Plans	Results	vs Plans	
Tosa	127	114	90%	31 times
Saiki	332	337	102%	171 times
Buzen	489	477	98%	140 times
Ofunato	517	526	102%	15 times
Nakagusuku	333	321	96%	39 times
Itoigawa	534	375	70%	5 times

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3. Mid/Long-Term Growth Strategy

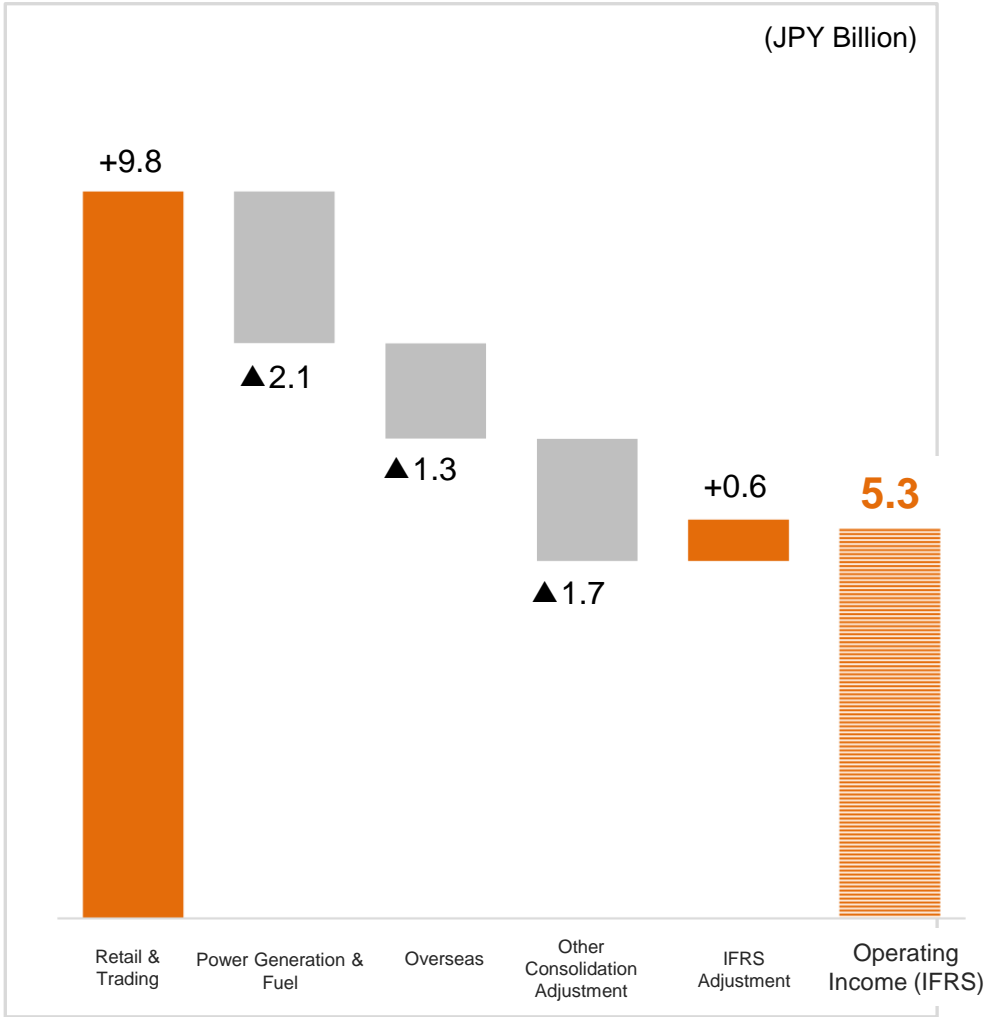
(JPY Billion)	FY March 2024 Full Year Results (Japanese GAAP)	(JPY Billion)	FY March 2025 Full Year Plans (IFRS)
Net Sales	244.9	Net Sales*	155.4
Operating Income	△19.8	Operating Income	5.3
Ordinary Income	△18.3	Income Before Income Taxes	4.3
Net income (Net income attributable to owners of the parent)	△22.2	Net Income (Net income attributable to owners of the parent)	1.8

*The reason for the significant decrease in net sales is that sales from transactions to adjust supply and demand, for which it is difficult to predict transaction volumes in advance, were excluded from the plans

Net Sales



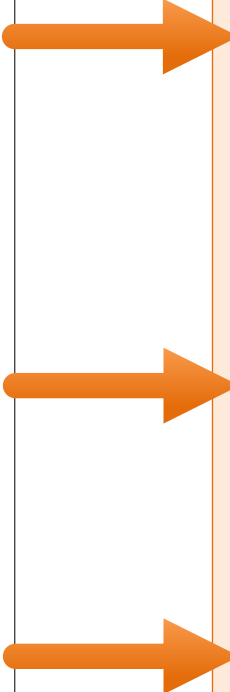
Operating Income



* Figures by division are those before IFRS adjustments
 * Internal calculations as erex Group has only one business segment

Reflections on FY March 2024

- [Supply and Demand Management]
 - Discrepancy between power procurement price and power sales price (securing PPA power sources that are expensive relative to sales price)
 - Discrepancy between power procurement volume and power sales volume (generation of PPA power surpluses due to market linkage of low-voltage retail and unplanned decrease in retail demands)
- [Inter-Departmental Collaboration]
 - Lack of coordination due to division of work by department (departmental optimization)
- [Financial Condition]
 - Damage to financial position due to significant losses



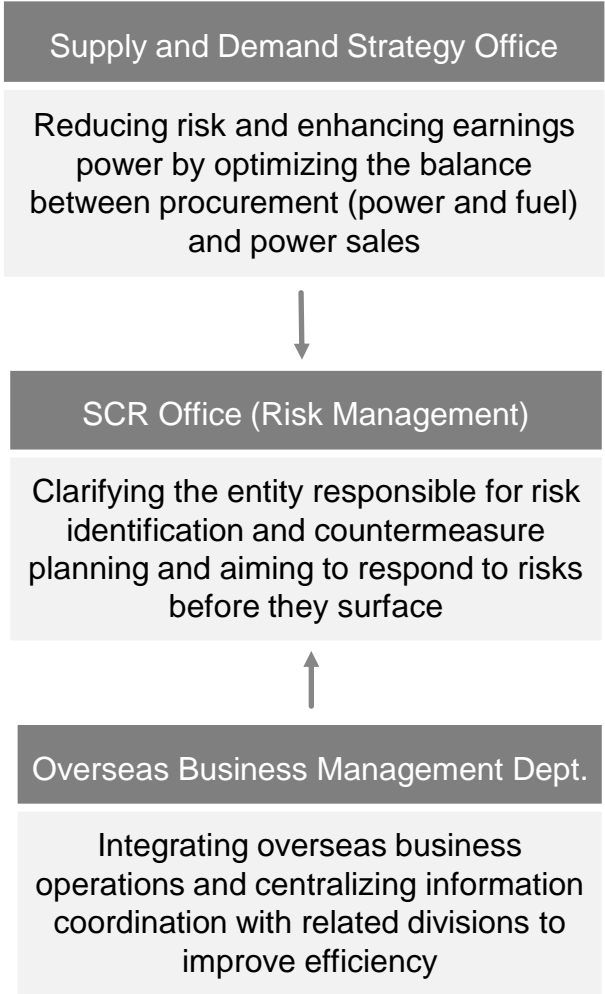
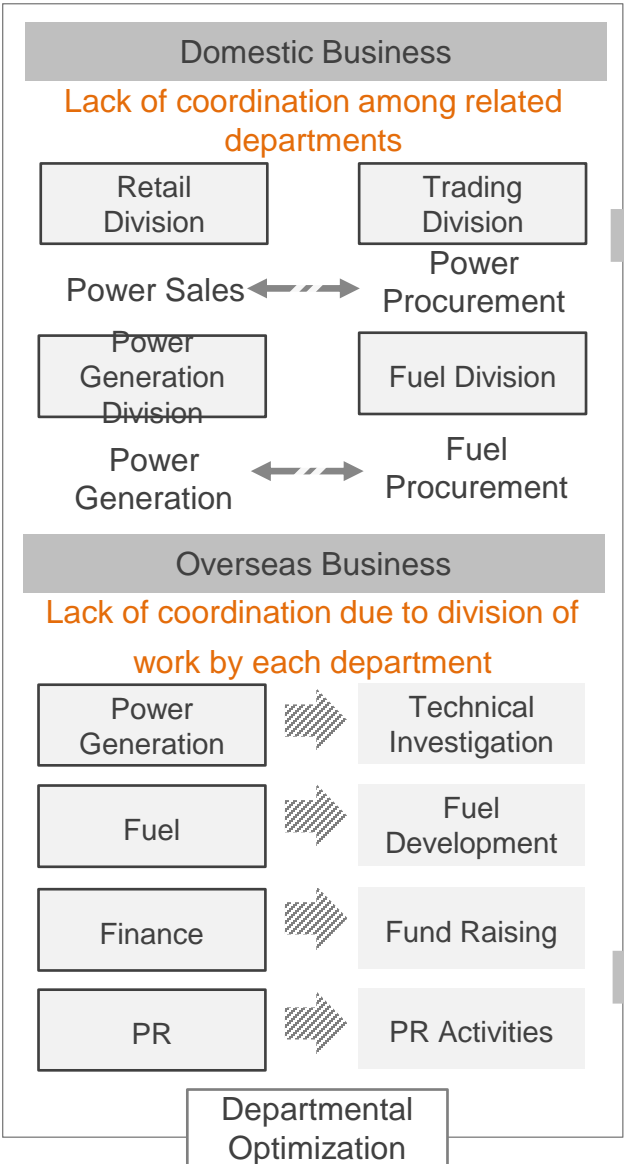
Actions for FY March 2025 and Beyond

- [Supply and Demand Management]
 - To procure power sources consistent with retail selling prices on a case-by-case basis, rather than procuring in anticipation of JEPX price hikes
 - To utilize a variety of sources, including PPA power sources, in-house power sources, and JEPX, and to conduct procurement as needed for a determined sales volume on a case-by-case basis
- [Inter-Departmental Collaboration]
 - To strengthen inter-departmental collaboration and to build a risk management system (group-wide optimization) through the creation of Supply and Demand Strategy Office, SCR Office (risk management), and Overseas Business Management Department
- [Financial Condition]
 - Acceptance of investments from business partners who can enhance the corporate value of both parties in growth business initiatives (strategic alliances)

Reflections on FY March 2024

Organizational Response

FY March 2025 Topics



- (1) Domestic Measures
- Development of new plans to meet customer needs, such as fully fixed plans and hybrid plans
 - Procurement for new applications by leveraging trading expertise, including power futures
 - Flexible operation of Itoigawa Power Plant depending on JEPX price

- (2) Overseas Measures
- Commercial operation of two pellet factories in Vietnam (Yen Bai, Tuyen Quang) on the shortest schedule
 - Started procedures for early start of construction of biomass power plant in Vietnam (IRC approval)
 - FS for construction of biomass power plants in Cambodia (by summer)

- (3) Future Measures to be Considered
- Continued implementation of business restructuring
 - Aiming for upward earnings growth in the 2H by continuing to consider additional measures in the retail and power generation areas

- New shares were issued through third-party allotment to improve the financial position damaged by the substantial loss in FY March 2024 and to fund the growth of overseas business in Vietnam and other countries
- Third-party allotment was conducted to business partners whose businesses are highly compatible with the businesses promoted by erex Group and can complement each other in growth business initiatives
- Further strengthening of relationships with the following allottees is expected to enhance the corporate value of both parties

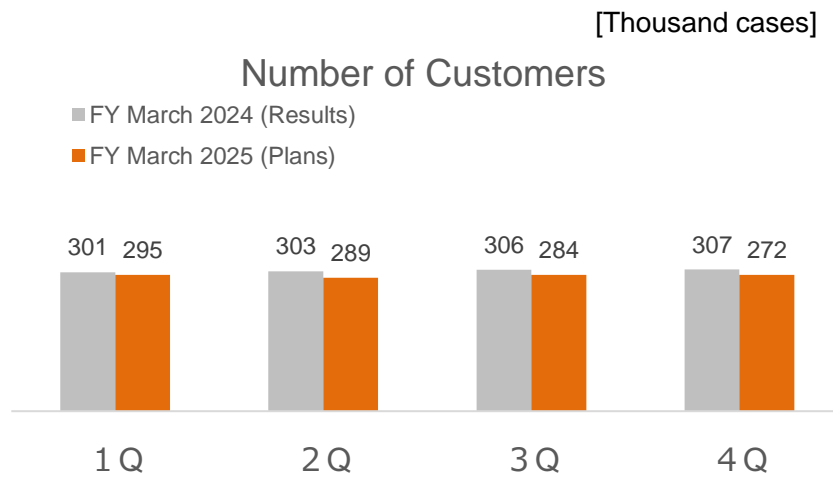
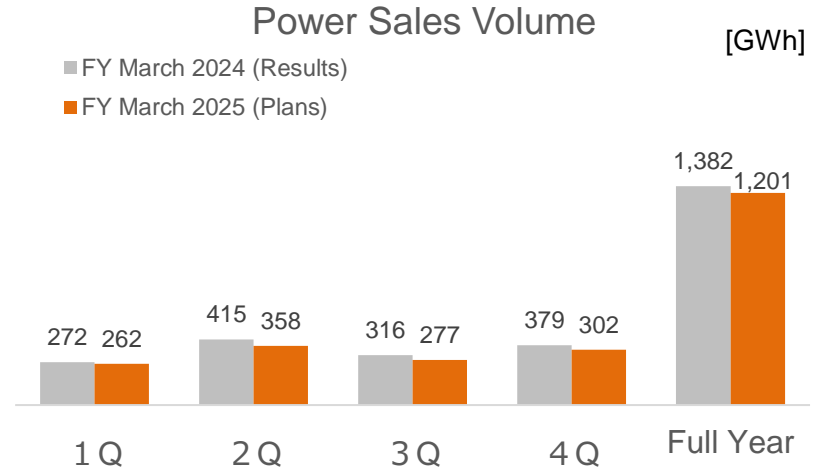
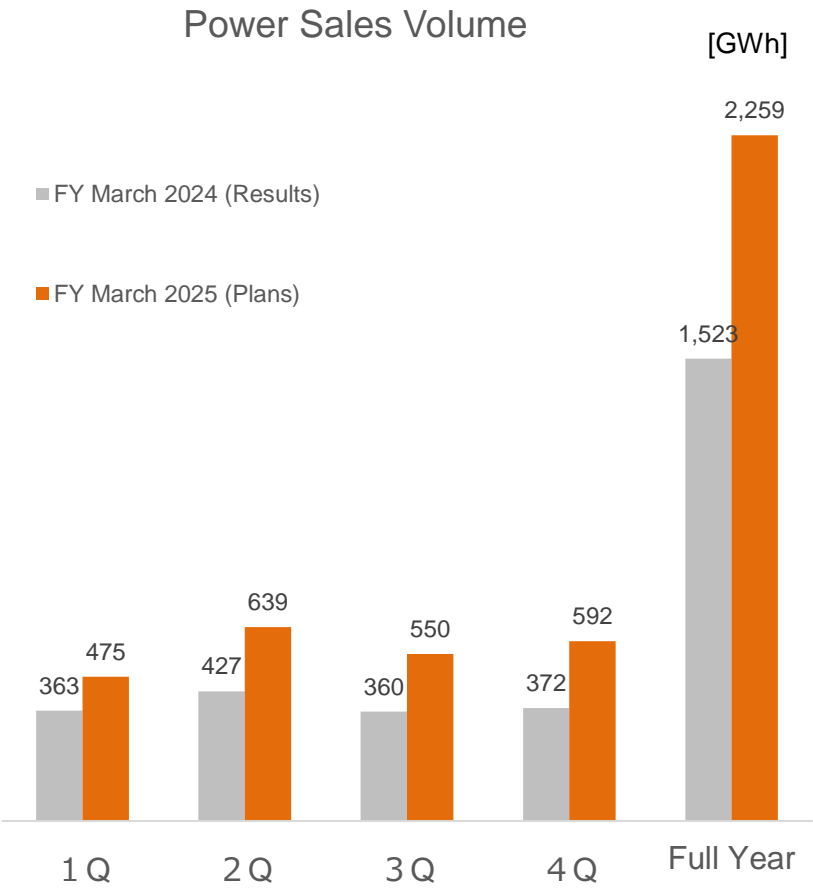
Allottee Name	Relevance to erex Group
JFE Engineering Corporation	A leading engineering company in Japan that has made contributing to solving climate change issues a priority management issue. This company has traditionally played an important role in the construction of power plants for erex Group's subsidiaries and affiliates. In addition, a capital and business alliance agreement was signed between the two companies on May 10, 2024
Sumitomo Mitsui Finance and Leasing Company Limited	A leading leasing company in Japan, which is promoting renewable energy initiatives and expanding the handling of products that lead to de-carbonization as a priority issue and focus measure. erex Group's subsidiaries have taken out a long-term loan from this company, and this company group has been cooperating with erex Group subsidiaries by concluding an outsourcing contract for electric power retailing operations
TODA CORPORATION	A leading civil engineering and construction company in Japan with an environmental policy of "contributing to the realization of a globally sustainable society through the resolution of environmental issues"
KYUDENKO CORPORATION	A leading comprehensive facility construction company in Japan, with "Realization of a de-carbonized society" as one of its long-term visions. This company and erex Group have been cooperating and working together through joint investments in domestic power generation projects

See p. 34 and 35 for details

- High-Voltage: Increase in power sales volume is planned through expansion of proprietary plans that meet customer needs, such as fully fixed plans and hybrid plans
- Low-Voltage: Both the power sales volume and the number of customers are planned to remain largely unchanged, as erex Group will focus on sales development to highly profitable customers

High Voltage

Low Voltage



Policy for Efforts in FY March 2025 and Beyond

Overall Strategy

- Thoroughly managing risk by integrating supply and demand, and expanding proprietary rate plans that meet customer needs
- Establishing a mid-to-long-term growth structure by reinvesting in the retail business, while achieving the plan for every single year
- Reinforcing aggregator functions to establish a position as a renewable energy company
- Reaching out to the less-awareness segments to de-carbonize, mainly high voltage (all low voltage contracts shifted to CO2 free)

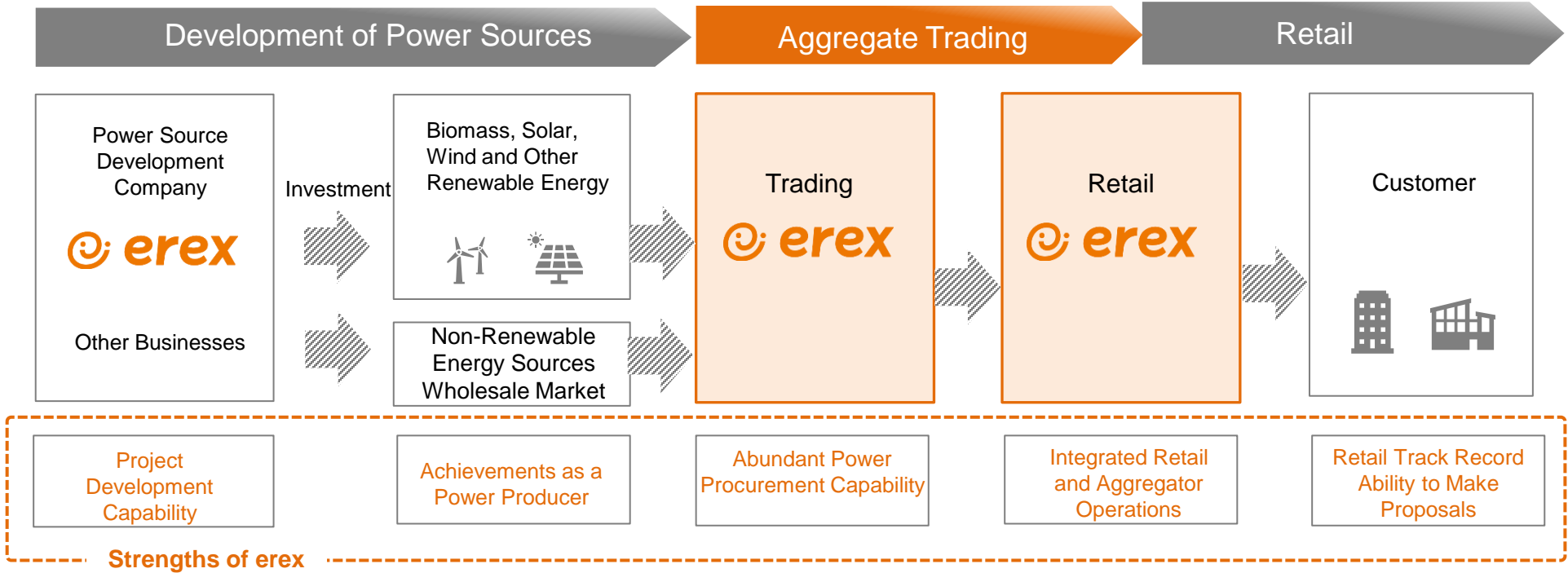
High Voltage

- Developing new rate plans to prepare for rising futures prices and to maintain the competitiveness of futures reference plans. Expanding plans to offer a wider range of choices to customers who want to minimize the risk of price increases while emphasizing the benefits of reductions
- Strengthening direct sales function to acquire large new customers
- Thoroughly reducing costs and managing risk by integrating supply and demand in anticipation of intensified price competition due to future reductions in capacity contributions

Low Voltage

- Providing incentives at the optimum timing through sales promotion campaigns, etc. Aiming to increase (net) the number of customers by extending new acquisitions
- Developing plans that can expect continuous acquisition through agents by designing services that are easy for agents to handle, such as "fixed fee", "no base fee campaign", "CO2 free," etc.
- Strengthening sales channels such as moving, web, etc., where the number of acquisitions is relatively controllable

- Participating in the renewable energy business of large customers in the aggregator business by holding an aggregator license and leveraging the experience in trading and retail
- Conducted discussions with developers of a wide variety of power sources, including offshore wind
- Improved intervention value by providing a comprehensive and integrated range of services

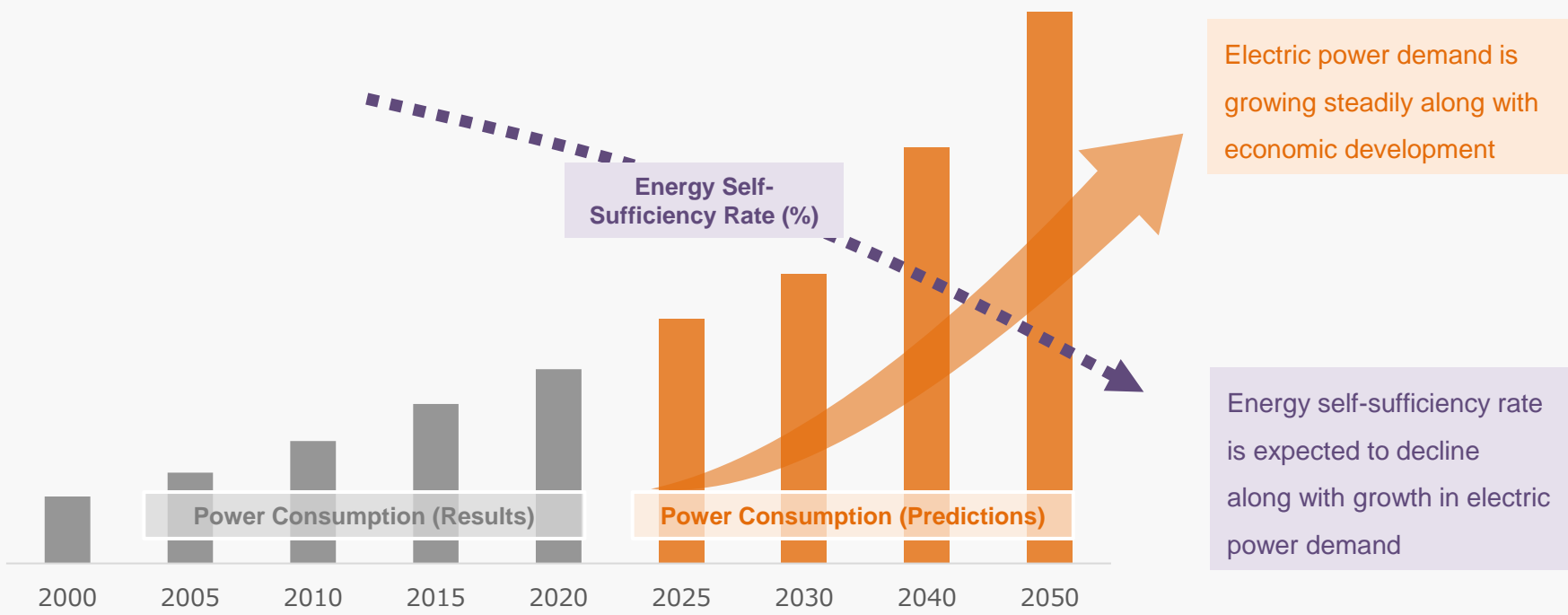


Customers want a one-stop service for the utilization of renewable energy, And erex Group is developing integrated services based on power generation, trading, and retail, with the addition of aggregate functions

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Increase in Electric Power Demand in Southeast Asia ➔ Decrease in Energy Self-Sufficiency Rate

Correlation between Electric Power Demand and Energy Self-Sufficiency Rate of 10 ASEAN Countries (Illustrative Image)



Electric power demand is growing steadily along with economic development

Energy self-sufficiency rate is expected to decline along with growth in electric power demand

Source: IEA (<https://www.iea.org/countries>)

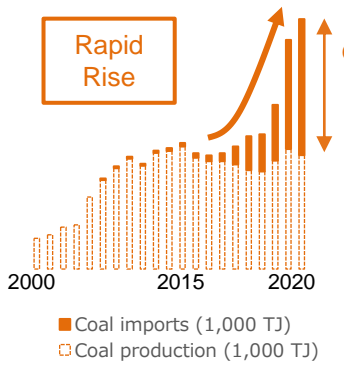
(<https://www.iea.org/reports/southeast-asia-energy-outlook-2022/key-findings>)

Great Business Potential and Social Significance

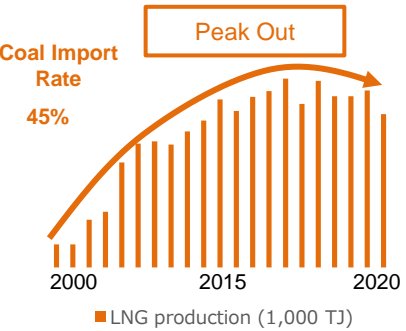
A major issue is to respond to the increased demand for electric power associated with economic growth

- ✓ Response to de-carbonization is also necessary
- ✓ Rich in biomass resources due to tropical monsoon climate

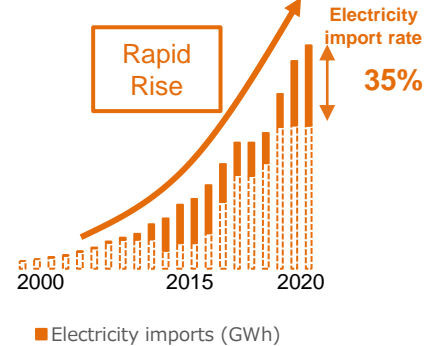
Vietnam: Rising Coal Import Rate



Vietnam: Reaching the Peak in Natural Gas Production



Cambodia: Rising Electric Power Import Rate



Stable Power Source
 Biomass power generation is a stable power source that is not affected by weather conditions. Since biomass fuels will be developed domestically (in Vietnam and Cambodia), energy self-sufficiency rate can also be increased to support economic growth

Carbonization De-
 De-carbonization is a global issue, and without de-carbonization, it is impossible to cope with an increasingly globalized society. In Vietnam and Cambodia, where biomass fuels are abundant, the use of biomass power generation is optimal

Contribution to Employment
 The planned production of biomass fuels inevitably requires workers. Since biomass fuel will be purchased for compensation, the wages of the workers will be guaranteed. In addition, a wide range of fields are expected, including power generation, fuel accumulation, and transportation

Biomass power generation is the best solution

Power of erex to make Vietnam and Cambodia “model countries for de-carbonization”

ETS market prices in Asia, including Japan, are expected to be at the same level as EU/California-ETS

Past Major Events and Future Schedule

2015.12	Adoption of Paris Agreement※1	2025	Vietnam ETS demonstration market to be established
2023.10	TSE carbon credit market launched	2026	Japan ETS market to be established
2024.03	Two erex projects selected for JCM※2	2027	Two erex projects scheduled to begin operations
2024.04	Officially announced as eligible credit for JCM GX-ETS	2028	Vietnam ETS market to be established, credit generation for 2 erex projects

※1 JCM is a bilateral credit system implemented under Article 6 of the Paris Agreement

Carbon Credit Market Status



Source: [Allowance Price Explorer | International Carbon Action Partnership \(icapcarbonaction.com\)](https://www.icapcarbonaction.com/allowance-price-explorer/)

※2) Power plants in Yen Bai and Tuyen Quang Provinces were selected for the "Financing Programme for Joint Crediting Mechanism (JCM) Model Projects in FY2023. 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.

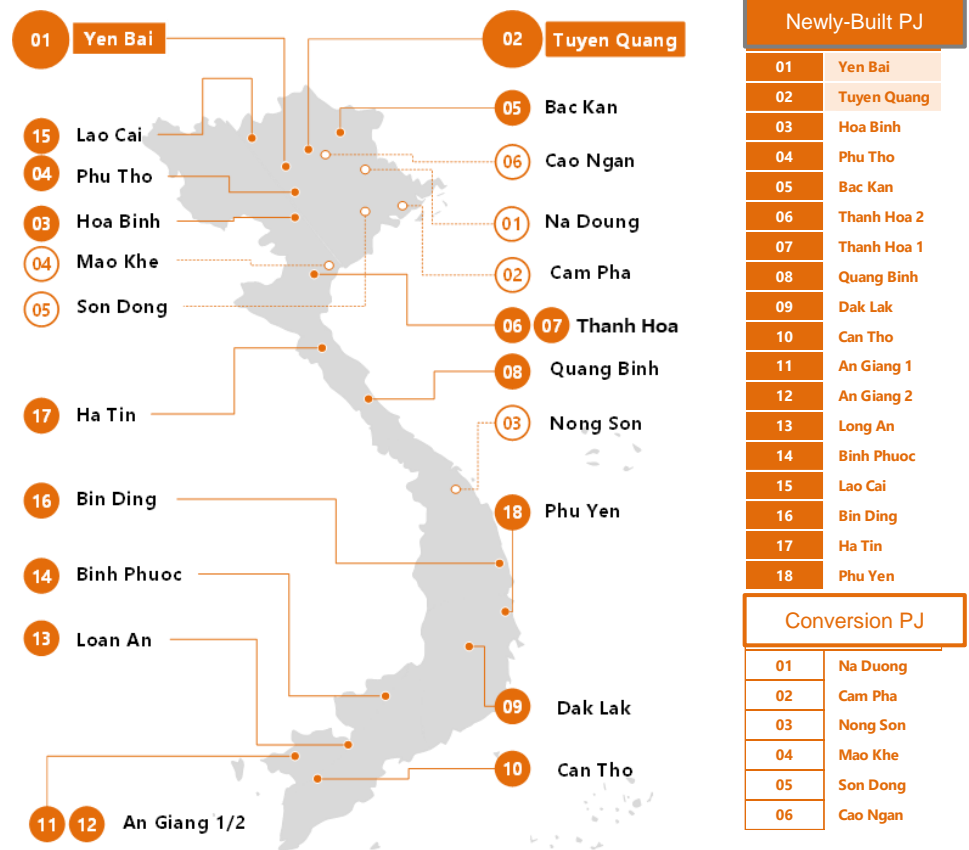
Newly-Built Biomass Power Generation, Coal-Fired Conversion

- Approval of the Implementation Plan for the 8th Power Development Plan (PDP8) of Vietnam (April 1, 2024)
- Of the 18 sites (1,100 MW in total), two sites, Yen Bai and Tuyen Quang, have been selected as priority projects, and procedures are underway for early construction
- A project to gradually convert existing coal-fired power plants to bio-firing in order to achieve stable supply, economic efficiency, and de-carbonization at the same time

Fuel Business

- Development of unused biomass fuels from woody residues (northern part) and agricultural residues (south-central part) is being promoted
- Construction of factories is underway in Yen Bai and Tuyen Quang provinces to produce wood pellets mainly from unused resources such as wood residues (groundbreaking ceremonies for pellet factories in Yen Bai and Tuyen Quang were held in July 2023 and March 2024, respectively)
- Export of pelletized fuel to Japan and other countries is to be considered

Each Project Site



Hydroelectric Power Generation Business

- 80 MW hydroelectric power plant is under construction in Pursat with completion scheduled for November 2025
- Cambodia imports about 30% of its electric power, resulting in serious power shortages. The project is capable of generating electric power year-round, including the dry season, which is rare in Cambodia
- Purchase contract for 35 years by EDC (Electricite du Cambodge) at a purchase unit price of 7.9¢/kWh (the government guarantees the purchase of about JPY12 for hydroelectric power generation with no fuel costs)
- There is potential for the development of a small hydroelectric power plant downstream of the said power plant, and a study has been initiated for development



Diversion Tunnel



Upstream Entrance Reinforcement Work

Biomass Power Generation Business

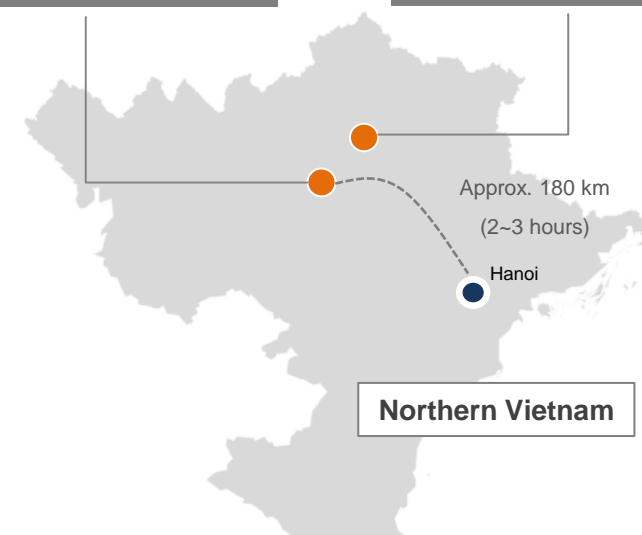
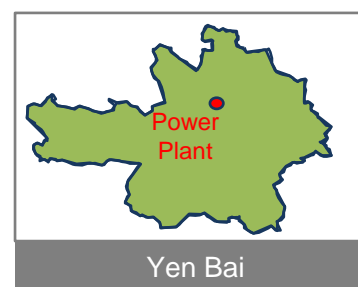
- A Memorandum of Understanding (MOU) has been signed with the Ministry of Mines and Energy of the Kingdom of Cambodia to confirm roles and cooperation in energy development, including biomass fuel and biomass power generation
- Purchase price of 16 yen/kWh or more is expected
- Project finance is assumed
- Ongoing research to secure fuel for rubber trees, acacia, coconuts, etc.
- Aiming to complete feasibility study by around summer



- On April 1, 2024, the country of Vietnam approved the Implementation Plan of the 8th National Power Development Plan (PDP8)
- Biomass power plants in Yen Bai and Tuyen Quang are high priority power plants in the PDP8 implementation plan
- On March 22, 2024, the 50 MW biomass power generation project in Yen Bai Province and the 50 MW biomass power generation project in Tuyen Quang Province were selected for Financing Programme for Joint Crediting Mechanism (JCM*) Model Projects in FY2023.,

Newly-Built Biomass Power Plant in Yen Bai	Business Company Name	erex Yen Bai Biomass Power Co., Ltd.
	Power Plant Name	Yen Bai Biomass Power Plant
	Planned Construction Site	Yen Bai Province, Socialist Republic of Vietnam
	Investing Company (Planned)	erex Co., Ltd 100%.
	Selling Price	8.47US cent/kWh (based on Vietnam's FIT system)
	Generation Output	50MW
	Fuel	Woody residue (approx. 500,000 t/year)
	Construction Period	Approx. 2.5 years
	Funding (Planned)	Project finance (about 30% equity)

Newly-Built Biomass Power Plant in Tuyen Quang	Business Company Name	erex Tuyen Quang Biomass Power Co., Ltd.
	Power Plant Name	Tuyen Quang Biomass Power Plant
	Planned Construction Site	Tuyen Quang Province, Socialist Republic of Vietnam
	Investing Company (Planned)	erex Co., Ltd 100%.
	Selling Price	8.47US cent/kWh (based on Vietnam's FIT system)
	Generation Output	50MW
	Fuel	Woody residue (approx. 500,000 t/year)
	Construction Period	Approx. 2.5 years
	Funding (Planned)	Project finance (about 30% equity)



* 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

- Investment License (IRC) was issued by the Embassy of Vietnam on May 8, 2024 for the project to construct a biomass power plant planned in Yen Bai
- This is the 1st IRC issued for a biomass power plant for PDP8, and erex Group’s biomass power construction plan in PDP8 is now in full swing
- Electric power generated will be sold to the state-owned Vietnam Electricity (EVN)



<Left>

Hitoshi Honna,
erex Co., Ltd

<Right>

Chan Phi Thuan, Chairman of the Provincial
People’s Committee, Yen Bai Province

<Center>

Pham Quang Hieu, Ambassador Extraordinary
and Plenipotentiary of Vietnam to Japan



High interest in Vietnam, broadcast on Vietnam National Television (VTV)

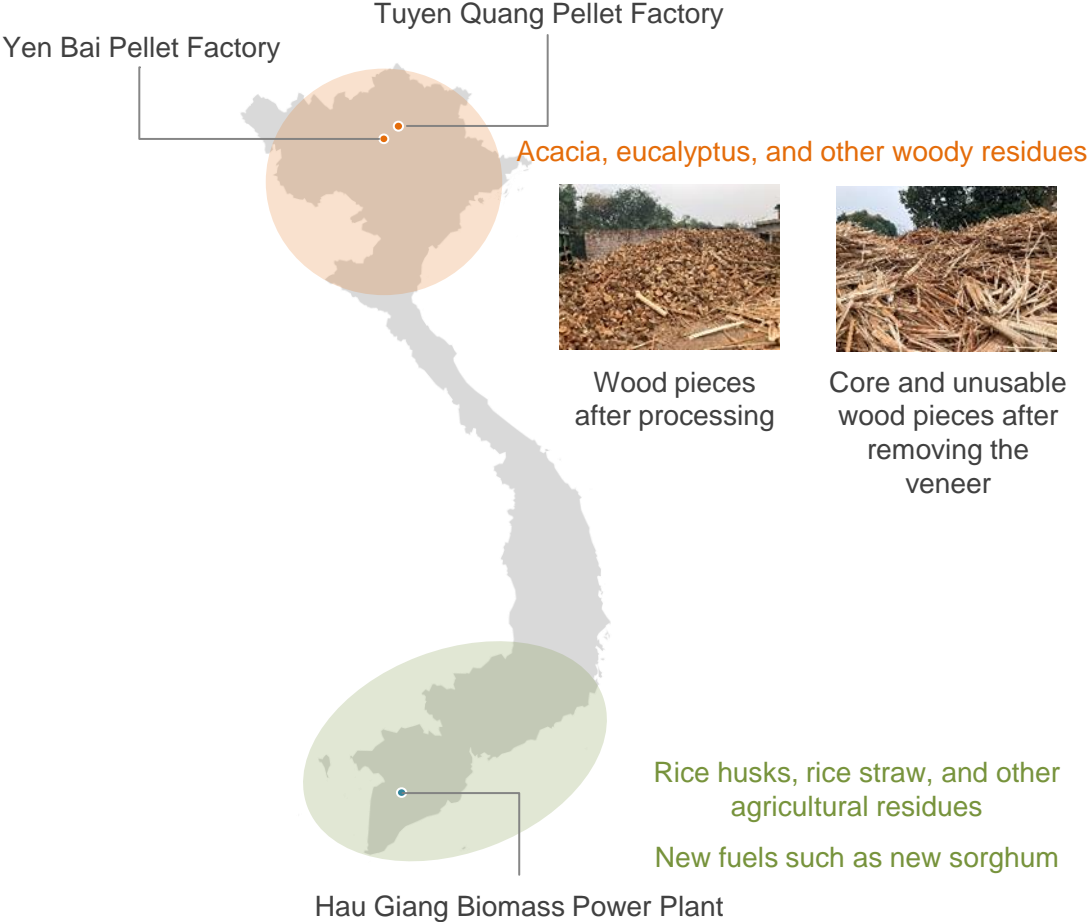
Development of Unused Biomass Fuels such as Woody Residues and Agricultural Residues

- Many unused biomass fuels such as bark, twigs, etc. remain
- Procurement routes have been secured, planning to use the pellets at biomass power plants in Yen Bai and Tuyen Quang, which are currently under construction planning. Export to Japan and other countries is also considered after processing at pellet factories
- Negotiations are underway with several existing pellet companies in Vietnam to develop a joint wood pellet business

Development of New Fuels such as New Sorghum

- Test plantings of new sorghum and other crops continue
- Sowing for 3 harvests per year is conducted at the same location

<MAP of Biomass Fuel Business Development>



- Construction of wood pellet factories in Yen Bai and Tuyen Quang provinces using unutilized resources such as wood residues as main raw materials is underway (groundbreaking ceremonies for pellet factories in Yen Bai and Tuyen Quang were held in July 2023 and March 2024, respectively)
- Exporting pelletized fuel to Japan and other countries is considered
- Japan Bank for International Cooperation (JBIC) and Sumitomo Mitsui Banking Corporation provide co-financing

Yen Bai Province Pellet Factory

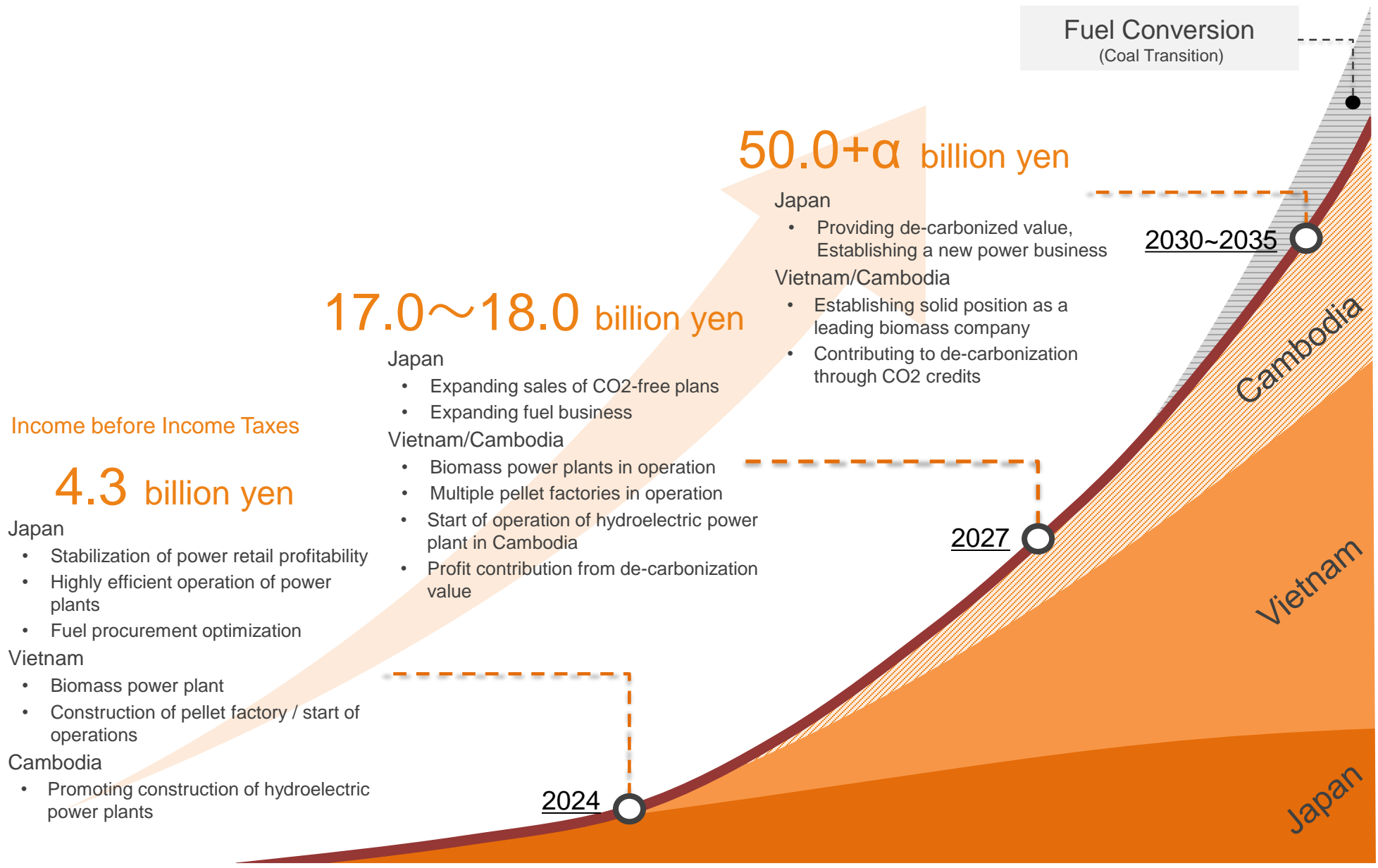


Business Company Name	erex Sakura Biomass Yen Bai LLC
Business Operations	erex Sakura Biomass Yen Bai Factory
Planned Construction Site	Yen Bai Province, Vietnam
Investing Company (Planned)	erex: 97% SAKURA GREEN ENERGY JOINT STOCK COMPANY: 3%
Start of Operations (Planned)	January 2025
Investment Amount	20,400,000USD

Tuyen Quang Province Pellet Factory



Business Company Name	erex Sakura Biomass Tuyen Quang LLC
Business Operations	erex Sakura Biomass Tuyen Quang Factory
Planned Construction Site	Tuyen Quang Province, Vietnam
Investing Company (Planned)	EREX: 97% SAKURA GREEN ENERGY JOINT STOCK COMPANY: 3%
Start of Operations (Planned)	December 2024
Investment Amount	20,400,000USD



Fuel Conversion
(Coal Transition)

50.0+α billion yen

2030~2035

17.0~18.0 billion yen

2027

2024

Income before Income Taxes

4.3 billion yen

- Japan
- Stabilization of power retail profitability
 - Highly efficient operation of power plants
 - Fuel procurement optimization

- Vietnam
- Biomass power plant
 - Construction of pellet factory / start of operations

- Cambodia
- Promoting construction of hydroelectric power plants

- Japan
- Expanding sales of CO2-free plans
 - Expanding fuel business
- Vietnam/Cambodia
- Biomass power plants in operation
 - Multiple pellet factories in operation
 - Start of operation of hydroelectric power plant in Cambodia
 - Profit contribution from de-carbonization value

- Japan
- Providing de-carbonized value, Establishing a new power business
- Vietnam/Cambodia
- Establishing solid position as a leading biomass company
 - Contributing to de-carbonization through CO2 credits

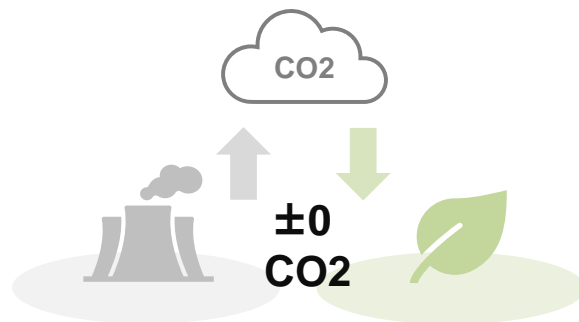
Cambodia

Vietnam

Japan

Aiming for **Carbon Neutral** and then for **Carbon Negative** in Vietnam and Other Southeast Asian Countries

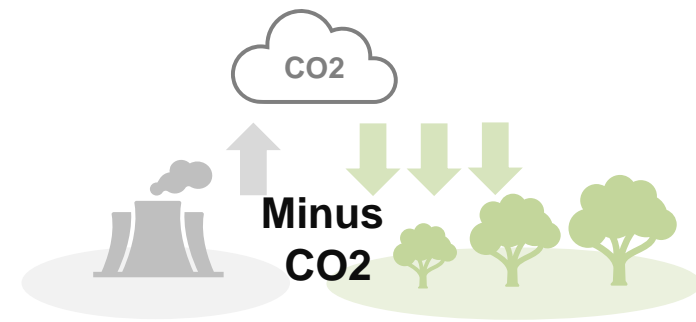
Carbon-Neutral **2030** **CARBON NEUTRAL**



Providing know-how, Capital investment,
Emission avoidance/reduction-type credit creation

By converting coal power plants into biomass-fired power plants, CO2 emissions that would have come from fossil fuels without the PJ are reduced

Carbon Negative **2050** **CARBON NEGATIVE**



Active afforestation
CO2 absorption/removal-type credit creation

In addition to reducing CO2 through biomass power generation, CO2 emissions are reduced by absorbing CO2 through afforestation

appendix

At the Board of Directors meeting held on May 10, 2024, a resolution was passed to issue new shares through third-party allotment to JFE Engineering Corporation, TODA CORPORATION, KYUDENKO CORPORATION, and Sumitomo Mitsui Finance and Leasing Company Limited

Use of Funds to be Raised

erex Group expects to have significant capital needs as it moves forward with its power generation and fuel development projects in Vietnam. However, the financial results for FY March 2024 were significant loss, the equity ratio decreased by 10.4% from 43.1% to 32.7%, and interest-bearing debt increased by 11.4 billion yen from 44.5 billion yen to 55.9 billion yen as compared to the end of the 1Q of FY March 2024. The funds to be raised through this third-party allotment will be used to fund such investments and to reduce interest-bearing debt in order to improve the financial position of erex Group, which is a prerequisite for such investments.

Purpose and Reason for the Capital Increase

erex Group has been searching for business partners who are engaged in businesses that are highly compatible with the businesses promoted by erex Group and have the potential to complement each other's business efforts in the future, with the aim of enhancing the corporate value of both parties by further strengthening relationship. erex Group then approached business partners that have been judged to be conducive to the aforementioned objectives to underwrite its shares, and selected the allottees from among those that expressed a willingness to underwrite its shares. erex Group has determined that the allottees are the most suitable allottees because they have good understanding of the business of erex Group and its social significance, and has the intention to hold the shares for a long period of time.

Outline of the Third-Party Allotment

Number of Newly Issued Shares	A	14,857,700 shares
Number of Issued Shares Before Capital Increase	B	59,517,808 shares
Number of Issued Shares After Capital Increase	A+B	74,375,508 shares
Dilution Ratio*	A/B	24.96%
Fund Raising Amount		11,856,444,600 yen
Capital Increase Payment Date		May 30, 2024

* 24.98% in terms of total voting rights

Allottee	Number of Shares Alloted
JFE Engineering Corporation *	4,391,400 shares
TODA CORPORATION	4,391,400 shares
KYUDENKO CORPORATION	3,568,700 shares
Sumitomo Mitsui Finance and Leasing Company, Limited	2,506,200 shares

*Capital and business alliance has been formed with JFE Engineering Corporation

2. Specific Use of Funds to be Raised

Specific Use of Funds	Amount (JPY Million)	Scheduled Timing of Expenditure
Overseas Business Growth Fund (Funds for construction of biomass power plants and pellet factories in Vietnam, etc.)	8,384	June 2024 - March 2028
Reduction of interest-bearing debt to improve financial position	3,430	June 2024 - March 2025

- erex Group will start to adopt International Financial Reporting Standards (IFRS) in place of Japanese GAAP for its consolidated financial statements for FY2024 (FY ending March 2025) in order to improve the international comparability of its financial information in the capital markets and to enhance communication with its investors and other stakeholders

Disclosure Schedule for Voluntary Adoption of IFRS

Accounting Period		Disclosure Materials	Applicable Accounting Standards
FY2023	4Q (End of the Term)	Financial Results (Kessan Tanshin) Annual Securities Report Consolidated Financial Statements Supplementary Materials for Financial Results	Japanese Standard
FY2024	1Q – 3Q	Quarterly Financial Results (Kessan Tanshin) Quarterly Securities Report Supplementary Materials for Financial Results	IFRS
	4Q (End of the Term)	Financial Results (Kessan Tanshin) Annual Securities Report Consolidated Financial Statements Supplementary Materials for Financial Results	

<Announced on November 10, 2023>

 FY March 2025 Full-Year Plans
(Japanese GAAP)

vs

<Announced on May 10, 2024>

 FY March 2025 Full-Year Plans
(Japanese GAAP)

- The reason for the significant decrease in net sales is that sales from supply-demand adjustment transactions, the volume of which is difficult to forecast in advance, were excluded from the plans (the plans announced on November 10 included such sales as estimates)
- Profits have been revised due to higher electric power sales volume than previously planned, higher biomass fuel prices, a larger negative foreign exchange gain/loss due to yen depreciation, and higher net income attributable to noncontrolling shareholders, etc.

(JPY Billion)	FY March 2025 Full Year Plans (Announced on Nov 10, 2023)	FY March 2025 Full Year Plans (Announced on May 10, 2024)	Increase/Decrease
Net Sales	200.0	155.4	△44.6
Operating Income	4.7	4.8	0.1
Ordinary Income	4.3	3.9	△0.4
Net Income*	2.8	1.4	△1.4

*Net income attributable to owners of the parent company



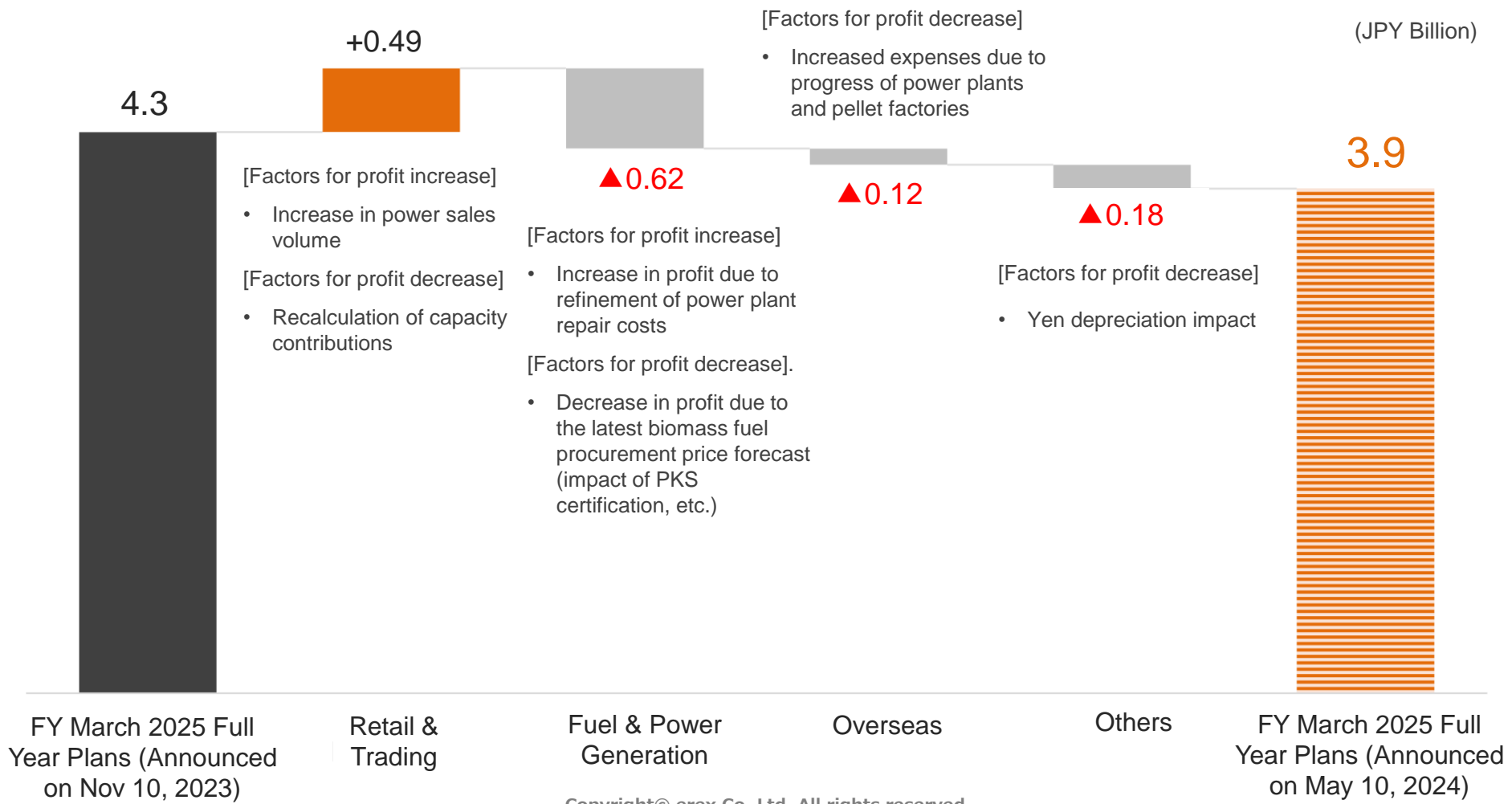
<Announced on November 10, 2023>
 FY March 2025 Full-Year Plans
 (Japanese GAAP)

vs

<Announced on May 10, 2024>
 FY March 2025 Full-Year Plans
 (Japanese GAAP)

Ordinary Income

(JPY Billion)



FY March 2024 Full-Year Results
(Japanese GAAP)

vs

FY March 2025 Full-Year Plans
(Japanese GAAP)

- The reason for the significant decrease in net sales is that sales from supply-demand adjustment transactions, the volume of which is difficult to forecast in advance, were excluded from the plans
- Profit increase is due to the elimination of negative spread caused by procurement of relatively expensive PPA power sources and increase in power sales volume

(JPY Billion)	FY March 2024 Full Year Results	FY March 2025 Full Year Plans (Announced on May 10, 2024)	Increase/Decrease
Net Sales	244.9	155.4	△89.5
Operating Income	△19.8	4.8	24.6
Ordinary Income	△18.3	3.9	22.2
Net Income *	△22.2	1.4	23.7

*Net income attributable to owners of the parent company

FY March 2024 Full-Year Results
(Japanese GAAP)

vs

FY March 2025 Full-Year Plans
(Japanese GAAP)

Ordinary Income

(JPY Billion)

- [Factors for profit increase]
- Increase in profit due to improvement of procurement position and increase in power sales volume

- [Factors for profit decrease]
- Initial cost increase due to project progress



▲ 18.3



+21.4

- [Factors for profit increase]
- Increase in profit due to contract amount to secure capacity
 - Increase in profit due to external sales of biomass fuels
 - Increase in profit due to refinement of power plant repair costs



+2.5



▲ 0.1



▲ 1.6

- [Factors for profit decrease]
- Yen depreciation impact



3.9

FY March 2024 Full Year Results

Retail & Trading

Fuel & Power Generation

Overseas

Others

FY March 2025 Full Year Plans (Announced on May 10, 2024)

FY March 2025 Full-Year Plans
(Japanese GAAP)

vs

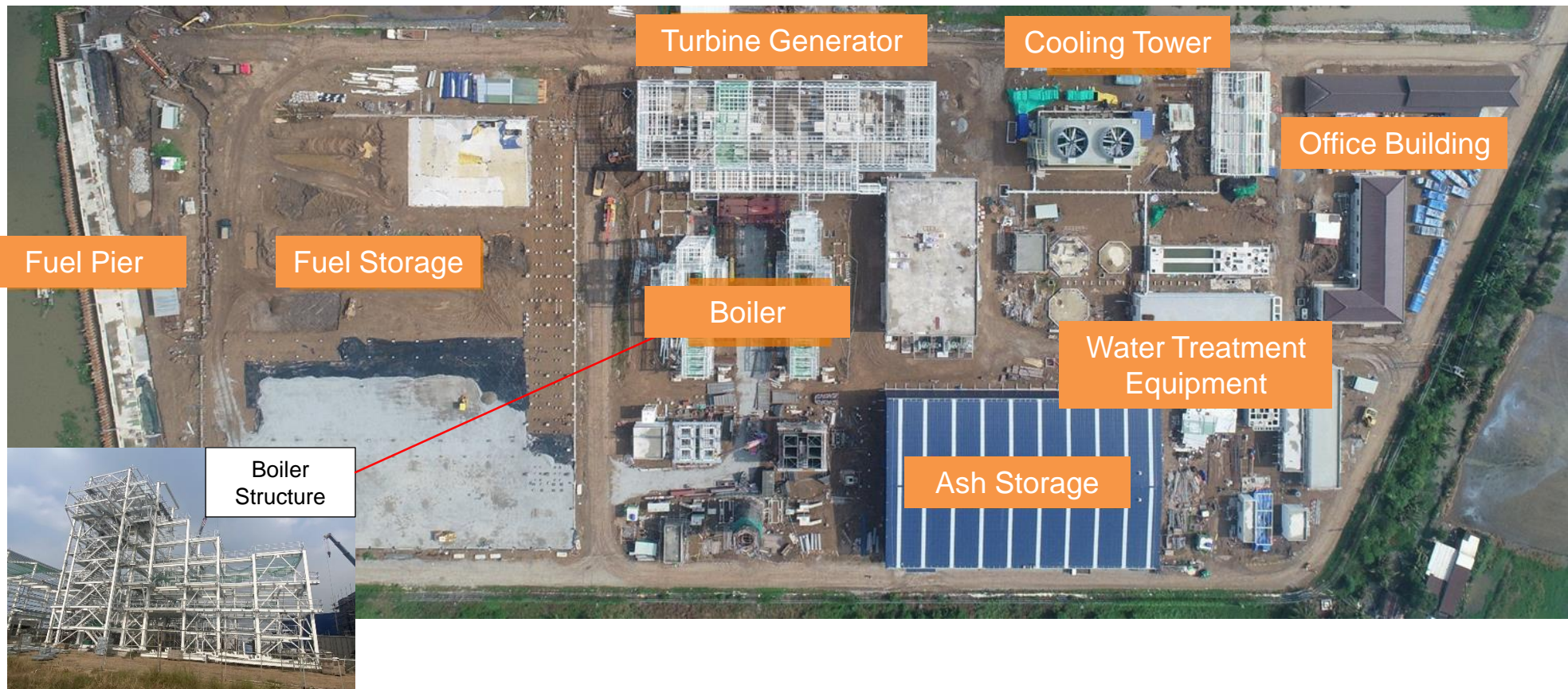
FY March 2025 Full-Year Plans
(IFRS)

- Differences between Japanese GAAP and IFRS are mainly due to differences in the accounting treatment of goodwill amortization and contract acquisition costs

(JPY Billion)	FY March 2025 Full Year Plans (Japanese GAAP)	(JPY Billion)	FY March 2025 Full Year Plans (IFRS)
Net Sales	155.4	Net Sales	155.4
Operating Income	4.8	Operating Income	5.3
Ordinary Income	3.9	Income before Income Taxes	4.3
Net Income (Net Income Attributable to Owners of the Parent)	1.4	Net Income (Net Income Attributable to Owners of the Parent)	1.8

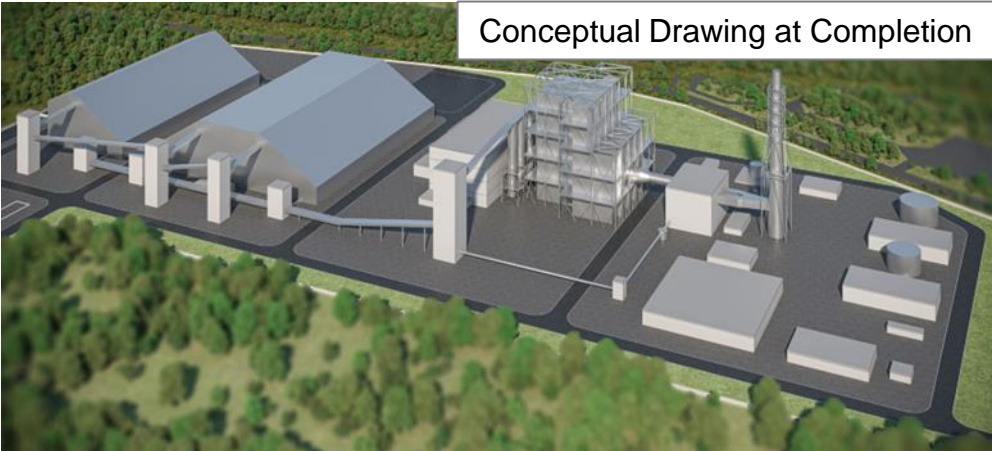
	Topics
Retail	<ul style="list-style-type: none"> Plans that meet customer needs, such as fully fixed plans and hybrid plans are to be proposed (high voltage) All contracts are to be shifted to CO2 free plans from April (low voltage) Customer acquisition by direct web sales and agents, such as acquisition of customers at the time of relocation, etc. are to be strengthened (low voltage) Corporate PPA, DR, and other solutions are to be provided
Trading	<ul style="list-style-type: none"> By the end of FY2023 (end of March 2024), all relatively expensive PPA contracts were terminated Procurement is to be conducted on a case-by-case basis as needed for the determined sales volume Major risks due to surpluses/shortages are to be prevented by balance management using futures markets Retail plans utilizing expertise in various power transactions, including power futures, are to be created
Power Generation	<ul style="list-style-type: none"> Itoigawa Power Plant (coal-fired) plans to operate in compliance with necessary requirements as capacity market operations begin Power generation is expected to decrease due to increase in output control orders (increasing trend from FY2022) The # of days for scheduled maintenance is to be shortened by improving the efficiency, and thorough routine maintenance to shorten the period for equipment inspections due to natural disasters, etc. is to be conducted
Fuel	<ul style="list-style-type: none"> Certification system is introduced for PKS from FY2024, and fuel costs are increasing. Cost reduction is to be conducted by switching to wood pellets in part Full-scale external sales based on long-term fuel supply contracts are to be started in Japan Reduction of transportation costs by utilizing forward exchange contracts to cope with yen depreciation and by increasing the size of marine vessels transporting fuel by sea is to be conducted
Overseas	<ul style="list-style-type: none"> Hau Giang Biomass Power Plant, Yen Bai and Tuyen Quang pellet factories are to be completed (Vietnam) Preparations for early construction start for Yen Bai and Tuyen Quang biomass power plants are to be conducted (Vietnam) Construction of hydroelectric power plant is to be continued; feasibility study underway for construction of new biomass power plants (Cambodia)

- Vietnam's 1st commercial biomass power plant (20MW) is under construction. This will be the 1st overseas power plant for erex Group and is scheduled to start operations at the end of 2024
- Construction of Hau Giang Biomass Power Plant was approved in the 7th National Power Development Plan (PDP7)
- Two boiler and turbine power generation facilities are to be put into operations in phases



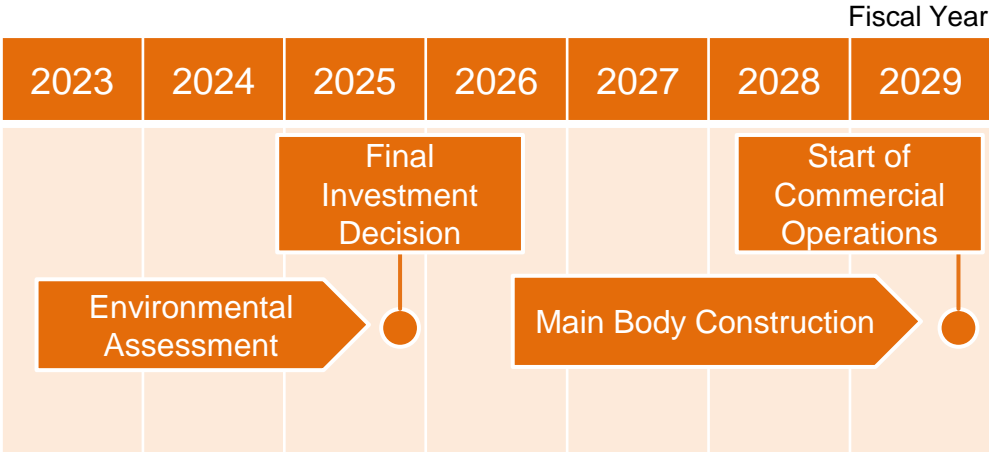
Non-FIT Mega Biomass Power Plant

- Environmental assessment is progressing smoothly after environmental impact assessment methodology document was submitted in November 2023, and briefing sessions for residents were held in December (Niigata City, Seiro Town)
- Niigata Prefecture Governor's Opinion was received on March 29 after review boards of Niigata Prefecture, Niigata City, and Seiro Town from January to March, 2024
- Examination was completed at the 1st METI Environmental Examination Advisory Committee for FY2024 Thermal Power Subcommittee (April 23) (currently awaiting recommendation/notification from the Minister of Economy, Trade and Industry)



Conceptual Drawing at Completion

Equipment Output	300MW (World's Largest Level)
Planned Construction Site	Near Higashikou, Seiro Town, Niigata Prefecture
Boiler Type	Ultra-Supercritical Pressure Re-Fired Boiler (Biomass Combustion Method)
Assumed Annual Power Generation	Approx. 2,000 GWh
CO2 Reduction	Approx. 1 million tons/year



erex

ENERGY RESOURCE EXCHANGE