



Consolidated Financial Results for the Three Months Ended June 30, 2024 (1Q of FY March 2025, IFRS)

* Please note this document is a translation of the original Japanese document "Consolidated Financial Results for the Three Months Ended June 30, 2024 (Kessan Tanshin)" and is only for reference purposes. In the event of any discrepancy between this translated document and the original Japanese document, the latter shall prevail.

August 9, 2024

Company Name	erex Co., Ltd.	Listing Market: Tokyo Stock Exchange
Stock Code	9517	URL: https://www.erex.co.jp/en/ir/
Representative Director	(Title) Representative Director and President	(Name) Hitoshi Honna
Contact	(Title) Executive Director	(Name) Takanobu Yasunaga
Scheduled Date to Start Dividend Payment	-	
Preparation of Supplementary Material on Financial Results:	Yes	
Holding of Financial Results Meeting:	Yes	

(Rounded down to the nearest million Japanese Yen)

1. Consolidated Financial Results for the Three Months Ended June 30, 2024 (April 1, 2024 – June 30, 2024)

(1) Consolidated Operating Results (Cumulative) (% shows year-over-year changes)

	Net Sales		Operating Income		Income before Income Taxes		Quarterly Net Income	
	JPY million	%	JPY million	%	JPY million	%	JPY million	%
Three Months Ended June 30, 2024	33,440	△40.2	1,911	-	3,143	-	2,312	-
June 30, 2023	55,902	-	△4,573	-	△3,803	-	△3,206	-

	Quarterly Net Income Attributable to the Owners of the Parent Company		Quarterly Comprehensive Income		Quarterly Net Income per Share (EPS, Basic)	Quarterly Net Income per Share (EPS, Diluted)
	JPY million	%	JPY million	%	JPY	JPY
Three Months Ended June 30, 2024	1,747	-	5,544	305.1	25.22	-
June 30, 2023	△3,312	-	1,368	-	△55.92	-

(Note) Diluted EPS for the 1Q of FY March 2025 is not stated, as there are no dilutive shares having dilutive effects. Diluted EPS for the 1Q of FY March 2024 is not stated, as dilutive shares exist, but they are anti-dilutive.

(2) Consolidated Financial Position

	Total Assets	Total Equity	Equity Attributable to Owners of the Parent Company	Ratio of Equity Attributable to Owners of the Parent Company to Total Assets
	JPY million	JPY million	JPY million	%
June 30, 2024	158,750	72,094	64,129	40.4
March 31, 2024	147,961	55,135	47,638	32.2

2. Dividend

	Annual Dividend				
	1Q	2Q	3Q	4Q	Total
	JPY	JPY	JPY	JPY	JPY
Fiscal Year Ended March 31, 2024	—	0.00	—	0.00	0.00
Fiscal Year Ending March 31, 2025	—				
Fiscal Year Ending March 31, 2025 (Forecasts)		0.00	—	Not Decided	Not Decided

(*Note) Changes from the most recently announced dividend forecasts: No

3. Financial Forecasts for the Fiscal Year Ending March 31, 2025 (April 1, 2024 – March 31, 2025)

(% shows year-over-year changes)

	Net Sales		Operating Income		Income before Income Taxes		Net Income Attributable to the Owners of the Parent Company		Net Income per Share (EPS, Basic)
	JPY million	%	JPY million	%	JPY million	%	JPY million	%	JPY
Full Year	155,456	-	5,378	-	4,388	-	1,885	-	31.75

(*Note 1) Changes from the most recently announced financial forecasts: No

(*Note 2) Interim financial forecasts are not provided because financial numbers are internally managed on an annual basis. For details, please see “1. Qualitative Information for the Three Months Ended Jun 30, 2024, (3) Explanations on the Forward-Looking Statements including Financial Forecasts” on page 3 of the appendix.

(*Notes)

(1) Important changes in the scope of consolidation during the three months ended June 30, 2024: No

(2) Changes in accounting policies and changes in accounting estimates

- ① Changes in accounting policies as required by IFRS: No
- ② Changes in accounting policies other than ① above: No
- ③ Changes in accounting estimates: No

(3) The Number of Issued and Outstanding Shares (Common Shares)

① Number of Issued and Outstanding Shares (Including Treasury Stocks) at the End of the Period	As of June 30, 2024	74,375,508 shares	As of March 31, 2024	59,517,808 shares
② Number of Treasury Stocks at the End of the Period	As of June 30, 2024	142,014 shares	As of March 31, 2024	142,014 shares
③ Average Number of Shares during the Period	3 Months ended June 30, 2024	69,280,927 shares	3 Months ended June 30, 2023	59,241,244 shares

(* Review of the accompanying quarterly consolidated financial statements by a certified public accountant or auditing firm: No

(* Explanations regarding the appropriate use of financial forecasts and other special instructions

(Cautions regarding forward looking statements)

Forward looking statements included in this document, including financial forecasts, are based on information that is currently available to management of erex Co., Ltd. and certain assumptions that are judged to be reasonable, and are not intended to guarantee the achievement of these financial forecasts. Actual results may be significantly different from these financial forecasts due to various factors.

(Application of International Financial Reporting Standards (IFRS))

erex Group voluntarily started to adopt International Financial Reporting Standards (IFRS) from the 1Q of FY March 2025, and financial figures for the same period of the previous fiscal year and the full year of the previous fiscal year are also presented in accordance with IFRS.

(Supplementary Materials)

Supplementary materials will be posted on the website of erex (<https://www.erex.co.jp/ir/>) on the same day.

Table of Contents of the Appendix

1. Summary of Operating Results, etc.	2
(1) Summary of Operating Results for the Current Quarter	2
(2) Summary of Financial Position for the Current Quarter	4
(3) Explanations on the Forward-Looking Statements including Financial Forecasts	4
(4) Important Events Related to Going Concern Assumptions, etc.	4
2. Condensed Quarterly Consolidated Financial Statements and Important Notes	5
(1) Condensed Quarterly Consolidated Statements of Financial Position	5
(2) Condensed Quarterly Consolidated Statements of Income and Condensed Quarterly Consolidated Statements of Comprehensive Income	7
(3) Notes to Condensed Quarterly Consolidated Financial Statements	9
(Basis of Preparation)	9
(Segment Information)	9
(Notes in Case of Significant Changes in the Amount of Equity Attributable to Owners of the Parent Company)	9
(Notes Related to Going Concern Assumptions)	9
(Notes to Condensed Quarterly Consolidated Statements of Cash Flows)	9
(First-Time Adoption)	10

1. Summary of Operating Results, etc.

Effective from the current consolidated fiscal year, erex Group adopts International Financial Reporting Standards ("IFRS"). Financial numbers for the previous fiscal year have also been reclassified to IFRS for comparative analysis.

For the differences between IFRS and Japanese GAAP in financial numbers, please refer to "2. Condensed Quarterly Financial Statements and Important Notes (3) Notes to Condensed Quarterly Consolidated Financial Statements (Initial Adoption)" on page 9 of the appendix. .

(1) Summary of Operating Results for the Current Quarter

During the current fiscal year, the Japanese economy was in a situation of high geopolitical risks such as Russia's invasion of Ukraine and the Israel-Hamas conflict, while the yen continued to depreciate, inflation remained high, and fuel prices were on an upward trend. In the domestic electric power market, the level of demands remained low due to seasonal factors, and market prices remained inexpensive.

Under these circumstances, consolidated net sales for the 1Q of the current fiscal year were 33,440 million yen (down 40.2% YoY), cost of sales was 29,424 million yen (down 50.0% YoY), and gross profit was 4,015 million yen (compared with a gross loss of 3,002 million yen in the same period of the previous fiscal year). Selling, general and administrative expenses were 2,146 million yen (down 21.0% YoY), resulting in operating income of 1,911 million yen (compared with operating loss of 4,573 million yen in the same period of the previous fiscal year) and quarterly net income of 2,312 million yen (compared with quarterly net loss of 3,206 million yen).

In response to the substantial loss in the previous fiscal year, erex Group implemented structural reforms to optimize the balance between procurement and retail sales by changing its electric power procurement policy and by strengthening inter-divisional coordination, eliminating sales with negative spread of the previous fiscal year. In addition, in the retail sales division, efforts to leverage its originality and new measures were successful, and operating income steadily progressed. On the other hand, erex Group concluded business alliances with JFE Engineering Corporation and TODA CORPORATION, the allottees of the third-party allotment of new shares that was completed on May 30, and is in concrete discussions with KYUDENKO CORPORATION and Sumitomo Mitsui Finance and Leasing Company Limited regarding business developments in Japan and overseas. Furthermore, its overseas business is steadily progressing toward profitability, and in Vietnam, the Hau Giang Biomass Power Plant (*) is scheduled to start operations in December 2024, and construction of two biomass power plants (Yen Bai and Tuyen Quang) (*) is scheduled to start by the end of the year.

The following is an explanation of the situation by business.

In the electric power retail business, erex Group's sales subsidiaries, Evergreen Marketing Co., Ltd. and Evergreen Retailing Co., Ltd. play a central role, while Okinawa Gas New Power Co., Ltd., T'dash G.K. and e-sell Co., Ltd. are also engaged in sales activities. In the high-voltage sector, power sales volume increased by 38.2% year-on-year to 502 million kWh due to expanded sales of erex Group's proprietary plans. On the other hand, net sales decreased by 0.8% year-on-year due to a decline in unit selling prices as a result of an increase in the ratio of hybrid plans (referring to futures prices) and a drop in market prices. In the low-voltage sector, power sales volume increased by 6.1% to 288 million kWh due to an increase in new applications from corporate customers with high usage and high gross profit, and the number of customers increased by 0.7% to 303,000, reflecting the success of enhanced communication with sales agents and improvement of the website, resulting in 6.0% increase in net sales.

In the trading business, the risk of having excess supply capacity decreased as a result of the strategy of procuring power on a case-by-case basis at an appropriate volume and price for fixed sales volume. The business has eliminated excess capacity for wholesale and other external sales, and both wholesale power sales volume and net sales in particular declined significantly year-on-year, but the profit has stabilized, resulting in being generally in line with the business plan. On the other hand, erex Group also worked on developing and structuring its own retail sales menus and schemes by using its trading know-how for the retail business, such as trading on the wholesale electricity trading market (JEPX), PPA with other companies, and electric power derivatives trading, which contributed to erex Group's retail sales.

In the power generation business, the Saiki, Buzen, Ofunato, and Nakagusuku Biomass Power Plants generally operated as planned. On the other hand, the Tosa Power Plant did not generate power during the 1Q in consideration of the PKS price and FIP unit price, while the Itoigawa Power Plant also did not generate power as it continued to operate in consideration of the coal price and electricity market price.

In the fuel business, despite ups and downs in the market associated with the supply and demand of biomass fuels, the results were generally in line with the plans due to procurement and supply under long-term contracts. On the other hand, erex Group also made efforts to utilize additional procurement when the prices of PKS and wood pellets declined due to troubles and delays in the start of operation, etc. at other companies' biomass power plants in Japan. In addition, erex Group is promoting the use of unused biomass fuels such as woody residues and the development of biomass fuels through the cultivation of new sorghum, mainly in Vietnam.

(*) These power plants have been adopted as the Ministry of the Environment's "Equipment Subsidy Program of the Joint Crediting Mechanism (JCM) Financial Assistance Business" (a project to reduce greenhouse gas emissions in developing countries through the use of superior de-carbonization technologies, etc., and to measure, report, and

verify (MRV) the results of such projects. The objective is to reduce GHG emissions in developing countries, etc. and to contribute to the achievement of GHG emission reduction targets in Japan and partner countries through JCM. The subsidy will be provided up to one-half of the initial investment cost for superior de-carbonization technologies. This project is being implemented under the cooperation of the Vietnamese and Japanese governments.) The Hau Giang Biomass Power Plant was announced in a press release dated July 1, 2022, titled "Determination of the First Adopted Project in the Public Call for Equipment Subsidy Programs under the FY2022 JCM Financial Assistance Business. The two power plants, Yen Bai and Tuyen Quang, were announced on March 22, 2024 in the press release titled "Adoption of the FY2023 JCM Financial Assistance Business for the Equipment Subsidy Program".

(2) Summary of Financial Position for the Current Quarter

(Assets)

Current assets at the end of the 1Q of the current fiscal year were 69,546 million yen, an increase of 2,698 million yen as compared to the end of the previous fiscal year. This was mainly due to an increase in cash and cash equivalents, which was partially offset by a decrease in trade and other receivables and other financial assets (current). Non-current assets were 89,203 million yen, an increase of 8,090 million yen from the end of the previous fiscal year. This was mainly due to an increase in property, plant and equipment and other financial assets (non-current).

As a result, total assets were 158,750 million yen, an increase of 10,788 million yen from the end of the previous fiscal year.

(Liabilities)

Current liabilities at the end of the 1Q of the current fiscal year were 41,953 million yen, a decrease of 4,449 million yen from the end of the previous fiscal year. This was mainly due to a decrease in trade and other payables, income taxes payable and other current liabilities, which was partially offset by an increase in borrowings (current). Non-current liabilities were 44,702 million yen, a decrease of 1,720 million yen from the end of the previous fiscal year. This was mainly due to a decrease in bonds borrowings (non-current), which was partially offset by an increase in deferred tax liabilities.

As a result, total liabilities were 86,655 million yen, a decrease of 6,170 million yen from the end of the previous fiscal year.

(Equity)

Total equity at the end of the 1Q of the current fiscal year was 72,094 million yen, an increase of 16,959 million yen from the end of the previous fiscal year. This was mainly due to an increase in common stock and capital surplus as a result of third-party allotment of new shares.

As a result, the ratio of equity attributable to the owners of the parent company was 40.4%.

(3) Forward-Looking Statements Including Consolidated Financial Forecasts

There is no change to the financial forecasts that were announced in "Financial Results for FY March 2024 (Kessan Tanshin)" dated May 10, 2024. The financial forecasts that were announced on May 10, 2024 are based on the information available to erex Group at the time of the announcement, and include uncertainties. Actual results may be different from these financial forecasts due to various factors.

(4) Important Events Related to Going Concern Assumptions, etc.

As a result of a decrease in net assets due to the recognition of significant net loss in the previous consolidated fiscal year, erex Group was in breach of financial covenants attached to some of its borrowing agreements as of the end of the previous consolidated fiscal year.

However, erex Group has obtained the consent of all relevant financial institutions not to exercise the right of forfeiture of the benefit of time with respect to the contracts that were in violation of the financial covenants, and erex Group does not consider that there is any material uncertainty regarding going concern assumptions.

2. Condensed Quarterly Consolidated Financial Statements and Important Notes

(1) Condensed Quarterly Consolidated Statements of Financial Position

	Transition Date (April 1, 2023)	Previous Consolidated Fiscal Year (March 31, 2024)	1Q of Current Consolidated Fiscal Year (June 30, 2024)
	JPY million	JPY million	JPY million
Assets			
Current Assets			
Cash and Cash Equivalents	33,498	19,670	31,140
Trade and Other Receivables	29,719	27,312	24,939
Inventory	2,311	2,388	1,680
Other Financial Assets	11,288	8,108	3,405
Income Taxes Receivable	402	2,360	2,046
Other Current Assets	2,109	7,008	6,332
Total Current Assets	79,320	66,848	69,546
Noncurrent Assets			
Property, Plant and Equipment	57,373	34,618	35,369
Right-of-Use-Assets	4,096	1,676	1,593
Goodwill	3,943	3,078	3,078
Intangible Assets	1,707	1,629	1,564
Investments Accounted for Using the Equity Method	3,258	9,644	9,698
Other Financial Assets	25,211	29,210	36,609
Deferred Tax Assets	885	590	539
Other Noncurrent Assets	729	663	750
Total Noncurrent Assets	97,205	81,113	89,203
Total Assets	176,525	147,961	158,750

(Continued on the following page.)

	Transition Date (April 1, 2023)	Previous Consolidated Fiscal Year (March 31, 2024)	1Q of Current Consolidated Fiscal Year (June 30, 2024)
	JPY million	JPY million	JPY million
Liabilities and Equity			
Liabilities			
Current Liabilities			
Trade and Other Payables	21,968	17,644	14,380
Borrowings	14,761	22,386	23,509
Lease Liabilities	531	383	200
Other Financial Liabilities	4,529	320	444
Income Taxes Payable	4,611	1,727	445
Other Current Liabilities	3,020	3,941	2,972
Total Current Liabilities	49,424	46,403	41,953
Noncurrent Liabilities			
Bonds and Borrowings	40,265	33,516	30,566
Lease Liabilities	3,495	1,495	1,585
Other Financial Liabilities	409	421	493
Retirement Benefit Liabilities	1,011	886	875
Allowances	6,840	5,424	5,442
Deferred Tax Liabilities	2,677	4,678	5,738
Total Noncurrent Liabilities	54,700	46,422	44,702
Total Liabilities	104,124	92,826	86,655
Equity			
Common Stock	11,313	11,362	17,291
Capital Surplus	10,225	11,013	16,926
Retained Earnings	35,797	13,283	15,021
Treasury Stock	△124	△124	△124
Other Components of Equity	3,576	12,102	15,014
Equity Attributable to the Owners of the Parent Company	60,788	47,638	64,129
Non-Controlling Interests	11,612	7,497	7,965
Total Equity	72,401	55,135	72,094
Total Liabilities and Equity	176,525	147,961	158,750

(2) Condensed Quarterly Consolidated Statements of Income and Condensed Quarterly Consolidated Statements of Comprehensive Income

(Condensed Quarterly Consolidated Statements of Income)

	1Q of Previous Consolidated Fiscal Year (April 1, 2023 - June 30, 2023)	1Q of Current Consolidated Fiscal Year (April 1, 2024 - June 30, 2024)
	JPY million	JPY million
Net Sales	55,902	33,440
Cost of Sales	58,904	29,424
Gross Profit/Loss(Δ)	Δ3,002	4,015
Selling, General, and Administrative Expenses	2,714	2,146
Other Revenues	1,149	47
Other Expenses	5	4
Operating Income/Loss(Δ)	Δ4,573	1,911
Financial Income	985	1,508
Financial Expenses	84	240
Share of Profit/Loss(Δ) of Investments Accounted for Using the Equity Method	Δ130	Δ35
Income/Loss(Δ) before Income Taxes	Δ3,803	3,143
Income Taxes	Δ596	831
Net Income/Loss(Δ)	Δ3,206	2,312
Net Income/Loss(Δ) Attributable to		
Owners of the Parent Company	Δ3,312	1,747
Non-Controlling Interests	106	565
Net Income/Loss(Δ)	Δ3,206	2,312
Net Income/Loss(Δ) Per Share	Δ55.92	25.22

(Note) Diluted EPS for the 1Q of FY March 2024 is not stated as dilutive shares exist, but they are anti-dilutive. Diluted EPS for the 1Q of FY March 2025 is not stated as there are no dilutive shares having dilutive effects.

(Condensed Quarterly Consolidated Statements of Comprehensive Income)

	1Q of Previous Consolidated Fiscal Year (April 1, 2023 - June 30, 2023)	1Q of Current Consolidated Fiscal Year (April 1, 2024 - June 30, 2024)
	JPY million	JPY million
Net Income/Loss(Δ)	Δ3,206	2,312
Other Comprehensive Income		
Items that will not be Reclassified to Profit or Loss		
Financial Assets at Fair Value through Other Comprehensive Income	564	337
Total of Items that will not be Reclassified to Profit or Loss	564	337
Items that may be Reclassified Subsequently to Profit or Loss		
Cash Flow Hedges	3,711	2,640
Exchange Differences on Translating Foreign Operations	283	181
Share of Other Comprehensive Income of Investments Accounted for Using the Equity Method	16	73
Total of Items that may be Reclassified Subsequently to Profit or Loss	4,011	2,894
Total Other Comprehensive Income, Net of Tax	4,575	3,231
Comprehensive Income	1,368	5,544
Comprehensive Income/Loss(Δ) Attributable to		
Owners of the Parent Company	1,209	4,952
Non-Controlling Interests	159	592
Comprehensive Income/Loss(Δ)	1,368	5,544

(3) Notes to Condensed Quarterly Consolidated Financial Statements

(Basis of Preparation)

The condensed quarterly consolidated financial statements of erex Group are prepared in accordance with Article 5, Paragraph 2 of the Standards for Preparation of Quarterly Financial Statements, etc. of Tokyo Stock Exchange, Inc. (however, the omission of a statement as stipulated in Article 5, Paragraph 5 of the Standards for Preparation of Quarterly Financial Statements, etc. is applied).

(Segment Information)

1Q of the previous consolidated fiscal year (April 1, 2023 - June 30, 2023) and 1Q of the current consolidated fiscal year (April 1, 2024 - June 30, 2024)

erex Group's reportable segments are components of erex Group for which separate financial information is available and are subject to periodic review by the Board of Directors for the purpose of determining the allocation of management resources and evaluating business performance.

Since erex Group consists of a single segment, primarily engaged in the electric power business, the statement by reportable segment has been omitted.

(Notes in Case of Significant Changes in the Amount of Equity Attributable to Owners of the Parent Company)

1Q of the previous consolidated fiscal year (April 1, 2023 - June 30, 2023)

Not applicable.

1Q of the current consolidated fiscal year (April 1, 2024 - June 30, 2024)

erex Group resolved at the Board of Directors meeting held on May 10, 2024 to issue new shares by way of third-party allotment to JFE Engineering Corporation, TODA CORPORATION, KYUDENKO CORPORATION and Sumitomo Mitsui Finance and Leasing Company Limited, and all payment procedures were completed as of May 30, 2024.

As a result, common stock and capital surplus increased by 5,928 million yen and 5,898 million yen during the 1Q of the current consolidated fiscal year, respectively, to 17,291 million yen and 16,926 million yen, respectively, as of June 30, 2024. Direct issuance costs of 29 million yen (after tax effect) related to the issuance of new shares were deducted from capital surplus.

(Notes Related to Going Concern Assumptions)

Not applicable.

(Notes to Condensed Quarterly Consolidated Statements of Cash Flows)

No condensed quarterly consolidated statements of cash flows have been prepared for the 1Q of the current fiscal year. Depreciation and amortization expenses for the 1Q of the current fiscal year are as follows.

	1Q of Previous Consolidated Fiscal Year (April 1, 2023 - June 30, 2023)	1Q of Current Consolidated Fiscal Year (April 1, 2024 - June 30, 2024)
	JPY million	JPY million
Depreciation & Amortization Expenses	1,102	908

erex Group owns a majority of the equity of Buzen New Energy G.K. on its own account. However, due to the conclusion of a memorandum of understanding between the investors on April 1, 2023 regarding changes to the agreement between the investors, decisions on important matters now require the consent of all investors, and erex Group no longer controls decisions on the company's financial and business policies. As a result, Buzen New Energy G.K. was excluded from the scope of consolidation and became an equity method affiliate from the 1Q of the previous consolidated fiscal year. Since no sale of equity interest was involved, no consideration was received, and also there was no change in ownership ratio.

The decrease in cash and cash equivalents related to the exclusion of subsidiaries from consolidation was 6,444 million yen.

(First-Time Adoption)

erex Group adopted IFRS from the 1Q of the current consolidated fiscal year. The most recent consolidated financial statements prepared in accordance with Japanese GAAP relate to the consolidated fiscal year ended March 31, 2024, and the date of transition to IFRS is April 1, 2023.

(1) Exemptions from IFRS1

In principle, IFRS requires companies applying IFRS for the first time (hereinafter referred to as "first-time adopters") to apply the standards required by IFRS retrospectively. However, IFRS1 "First-time Adoption of International Financial Reporting Standards" (hereinafter referred to as "IFRS1") specifies some of the standards required by IFRS to which mandatory exemptions must be applied and others to which optional exemptions apply. The effect of the application of these provisions is adjusted in retained earnings or other components of equity at the date of transition to IFRS. The exemptions adopted by erex Group in transitioning from Japanese GAAP to IFRS are as follows.

<Business Combinations>

First-time adopters are allowed to elect not to apply IFRS3 "Business Combinations" (hereinafter referred to as "IFRS3") retrospectively to business combinations that took place before the date of transition to IFRS. erex Group applied this exemption and elected not to apply IFRS3 retrospectively to business combinations that took place before the date of transition. As a result, the amount of goodwill arising from business combinations prior to the transition date is based on the carrying amount as of the transition date in accordance with Japanese GAAP. Goodwill was tested for impairment as of the transition date, regardless of whether there was any indication of impairment.

<Exchange Differences on Translating Foreign Operations>

IFRS1 allows first-time adopters to elect to treat the accumulated translation differences of foreign operations as zero as of the date of transition to IFRS. erex Group elected to treat the accumulated translation differences of foreign operations as zero at the date of transition.

<Stock-Based Compensation>

erex Group elected not to apply IFRS2 to share-based compensation that vested prior to the transition date.

<Leasing>

IFRS1 allows first-time adopters to determine whether leases are included in contracts that exist at the date of transition to IFRS based on facts and circumstances that exist as of that date. First-time adopters are also allowed to measure the lease liability at the present value of the remaining lease payments discounted at the lessee's additional borrowing rate as at the date of transition, and to measure the right-of-use assets at the same amount as the lease liability.

erex Group applies this exemption to lease recognition and measurement.

<Borrowing Cost>

IFRS1 allows the beginning date of capitalization of borrowing costs related to qualifying assets to be the date of transition to IFRS. erex Group capitalizes borrowing costs related to qualifying assets on and after the transition date.

<Designation of Previously Recognized Financial Instruments>

IFRS1 allows the designation of equity financial assets as financial assets at fair value through other comprehensive income based on facts and circumstances existing at the transition date.

erex Group designated certain equity financial assets as financial assets at fair value through other comprehensive income based on facts and circumstances existing at the transition date.

(2) Mandatory Exceptions to IFRS1

IFRS1 prohibits retrospective application of IFRS to "estimates", "derecognition of financial assets and financial liabilities", "hedge accounting", "non-controlling interests" and "classification and measurement of financial instruments". erex Group applied these items prospectively from the date of transition.

(3) Adjustment Table

The adjustments required to be disclosed on first-time adoption of IFRS are as follows.

erex Group had applied provisional accounting treatment for the business combination with Itoigawa Power Generation Co., Ltd. on August 1, 2022 under Japanese GAAP for the fiscal year ended March 31, 2023, and the subsequently finalized accounting treatment was reflected retroactively to the date erex Group had acquired control. With the finalization of this provisional accounting treatment, the initial allocation of acquisition cost reflects a significant revision, resulting in an increase in "intangible assets" and "asset retirement obligations" and a decrease in "retained earnings" and "non-controlling interest", respectively.

Adjustments to Equity as at April 1, 2023 (Date of Transition to IFRS)

Japanese GAAP Presentation Items	Japanese GAAP	Re-Classification	Recognition & Measurement Difference	IFRS	Note	IFRS Presentation Items
	million yen	million yen	million yen	million yen		
Assets						Assets
Current Assets						Current Assets
Cash and Deposits	33,621	△133	-	33,488	(a)	Cash and Cash Equivalents
Accounts Receivable/Trade	26,078	3,640	-	29,719	(b)	Trade and Other Receivables
Materials and Supplies	2,311	-	-	2,311		Inventory
Short-Term Loans to Affiliated Companies	5,195	6,092	-	11,288	(a)(c)	Other Financial Assets
Accrued Revenue	3,640	△3,640	-	-	(b)	
Consumption Taxes Receivable, etc.	1,297	△1,297	-	-	(d)	
Derivative Receivables	5,714	△5,714	-	-	(c)	
	-	402	-	402	(d)	Income Taxes Receivable
Others	1,468	701	△60	2,109	(d)(i)(t)	Other Current Assets
Total Current Assets	79,329	50	△60	79,320		Total Current Assets
Non-Current Assets						Non-Current Assets
Property, Plant and Equipment	57,503	△17	△111	57,373	(j)	Property, Plant and Equipment
	-	17	4,078	4,096	(k)	Right-of-Use Assets
Intangible Assets	5,701	△1,757	-	3,943	(l)	Goodwill
	-	1,707	-	1,707		Intangible Assets
Investment Securities	2,681	22,643	△113	25,211	(c)(n)	Other Financial Assets
Affiliated Companies' Shares	2,708	-	550	3,258	(e)(m)	Investments Accounted for Using the Equity Method
Deferred Tax Assets	808	-	77	885	(q)	Deferred Tax Assets
Long-Term Prepaid Expenses	729	△729	-	-	(d)	
Lease and Guarantee Deposits	6,959	△6,959	-	-	(c)	
Derivative Receivables	8,016	△8,016	-	-	(c)	
Others	8,218	△7,489	-	729	(c)(d)	Other Non-Current Assets
Allowance for Doubtful Accounts	△550	550	-	-	(c)	
Total Non-Current Assets	92,775	△50	4,480	97,205		Total Non-Current Assets
Total Assets	172,105	-	4,419	176,525		Total Assets

Japanese GAAP Presentation Items	Japanese GAAP	Re-Classification	Recognition & Measurement Difference	IFRS	Note	IFRS Presentation Items
	million yen	million yen	million yen	million yen		
Liabilities						Liabilities and Equity
Current Liabilities						Liabilities
Accounts Payable/Trade Short-Term Borrowings	19,137	2,462	368	21,968	(b)(s)	Current Liabilities Trade and Other Payables
Borrowings	9,440	5,342	△20	14,761	(f)(o)	Borrowings
Current Portion of Long-Term Borrowings	5,342	△5,342	-	-	(f)	
Accounts Payable /Other than Trade	-	12	519	531	(k)	Lease Liabilities
Income Taxes Payable	2,462	1,995	71	4,529	(b)(c)(p)	Other Financial Liabilities
Income Taxes Payable	4,611	-	-	4,611		Income Taxes Payable
Provision for Bonuses	323	△323	-	-	(d)	
Derivative Liabilities	4,452	△4,452	-	-	(c)	
Others	2,629	305	85	3,020	(d)(r)	Other Current Liabilities
Total Current Liabilities	48,400	-	1,023	49,424		Total Current Liabilities
Non-Current Liabilities						Non-Current Liabilities
Bonds Payable Long-Term Borrowings	5,000	35,345	△80	40,265	(f)(o)	Bonds and Borrowings
Borrowings	35,345	△35,345	-	-	(f)	
Retirement Benefit Liabilities	-	5	3,490	3,495	(k)	Lease Liabilities
Asset Retirement Obligations	286	-	725	1,011	(r)	Retirement Benefit Liabilities
Deferred Tax Liabilities	6,419	-	421	6,840	(d)(j)	Allowances
Deferred Tax Liabilities	2,161	-	515	2,677	(q)	Deferred Tax Liabilities
Derivative Liabilities	151	△151	-	-	(c)	
Others	387	145	△123	409	(c)(t)	Other Financial Liabilities
Total Non-Current Liabilities	49,751	-	4,948	54,700		Total Non-Current Liabilities
Total Liabilities	98,152	-	5,972	104,124		Total Liabilities
Net Assets						Equity
Common Stock	11,313	-	-	11,313		Common Stock
Capital Surplus	10,088	-	137	10,225	(t)	Capital Surplus
Retained Earnings	36,315	-	△518	35,797	(x)	Retained Earnings
Treasury Stock	△124	-	-	△124		Treasury Stock
Accumulated Other Comprehensive Income	4,420	-	△844	3,576	(n)(v)(w)	Other Components of Equity
Non-Controlling Interests	-	-	△1,225	60,788		Equity Attributable to the Owners of the Parent Company
Non-Controlling Interests	11,939	-	△327	11,612	(u)	Non-Controlling Interests
Total Net Assets	73,953	-	△1,552	72,401		Total Equity
Total Liabilities and Net Assets	172,105	-	4,419	176,525		Liabilities and Equity

Adjustments to Equity as at June 30, 2023 (1Q of the Previous Consolidated Fiscal Year)

Japanese GAAP Presentation Items	Japanese GAAP	Re- Classification	Recognition & Measurement Difference	IFRS	Note	IFRS Presentation Items
	million yen	million yen	million yen	million yen		
Assets						Assets
Current Assets						Current Assets
Cash and Deposits	17,456	△61	-	17,395	(a)	Cash and Cash Equivalents
Accounts Receivable/Trade	19,951	6,341	-	26,293	(b)	Trade and Other Receivables
Materials and Supplies	1,987	-	-	1,987		Inventory
Short-Term Loans to Affiliated Companies	5,628	5,804	-	11,433	(a)(c)	Other Financial Assets
Accrued Revenue	6,341	△6,341	-	-	(b)	
Consumption Taxes Receivable, etc.	2,087	△2,087	-	-	(d)	
Derivative Receivables	5,680	△5,680	-	-	(c)	
	-	406	△313	93	(d)(q)	Income Taxes Receivable
Others	1,804	1,618	△67	3,356	(d)(i)(t)	Other Current Assets
Total Current Assets	60,939	0	△380	60,558		Total Current Assets
Non-Current Assets						Non-Current Assets
Property, Plant and Equipment	35,397	△15	△22	35,358	(j)	Property, Plant and Equipment
	-	15	3,186	3,202	(k)	Right-of-Use Assets
Intangible Assets	5,617	△1,691	17	3,943	(l)	Goodwill
	-	1,691	-	1,691		Intangible Assets
Investment Securities	2,864	26,946	245	30,056	(c)(n)	Other Financial Assets
Affiliated Companies' Shares	2,832	5,924	600	9,357	(e)(m)	Investments Accounted for Using the Equity Method
Investments in Affiliated Companies	5,924	△5,924	-	-	(e)	
Deferred Tax Assets	672	-	34	706	(q)	Deferred Tax Assets
Long-Term Prepaid Expenses	617	△617	-	-	(d)	
Lease and Guarantee Deposits	6,634	△6,634	-	-	(c)	
Derivative Receivables	11,143	△11,143	-	-	(c)	
Others	9,756	△9,139	-	617	(c)(d)	Other Non-Current Assets
Allowance for Doubtful Accounts	△588	588	-	-	(c)	
Total Non-Current Assets	80,871	△0	4,062	84,934		Total Non-Current Assets
Total Assets	141,810	-	3,682	145,492		Total Assets

Japanese GAAP Presentation Items	Japanese GAAP	Re-Classification	Recognition & Measurement Difference	IFRS	Note	IFRS Presentation Items
	million yen	million yen	million yen	million yen		
Liabilities						Liabilities and Equity
Current Liabilities						Liabilities
Accounts Payable/Trade Short-Term Borrowings	11,630	2,771	22	14,424	(b)(s)	Current Liabilities Trade and Other Payables
Borrowings	9,940	2,811	-	12,751	(f)(o)	Borrowings
Current Portion of Long-Term Borrowings	2,811	△2,811	-	-	(f)	
Accounts Payable /Other than Trade	-	12	467	480	(k)	Lease Liabilities Other Financial Liabilities
Income Taxes Payable	2,771	254	-	3,025	(b)(c)(p)	Income Taxes Payable
Provision for Bonuses	1,489	-	△205	1,284	(q)	
Derivative Liabilities	134	△134	-	-	(d)	
Others	2,996	△2,996	-	-	(c)	
Total Current Liabilities	1,166	93	83	1,342	(d)(r)	Other Current Liabilities
Non-Current Liabilities	32,940	-	368	33,308		Total Current Liabilities
Bonds Payable Long-Term Borrowings	11,000	20,810	△49	31,760	(f)(o)	Non-Current Liabilities Bonds and Borrowings
Retirement Benefit Liabilities	20,810	△20,810	-	-	(f)	
Asset Retirement Obligations	-	5	2,651	2,656	(k)	Lease Liabilities Retirement Benefit Liabilities
Deferred Tax Liabilities	264	-	734	998	(r)	
Others	5,240	-	514	5,755	(d)(j)	Allowances Deferred Tax Liabilities
Total Non-Current Liabilities	1,662	-	243	1,905	(q)	Other Financial Liabilities
Bonds Payable Long-Term Borrowings	387	△5	△123	258	(c)(t)	Other Financial Liabilities
Retirement Benefit Liabilities	39,364	-	3,971	43,336		Total Non-Current Liabilities
Asset Retirement Obligations	72,304	-	4,339	76,644		Total Liabilities
Deferred Tax Liabilities						
Others						
Total Non-Current Liabilities						
Total Liabilities						
Net Assets						Equity
Common Stock	11,313	-	-	11,313		Common Stock
Capital Surplus	10,088	-	153	10,241	(t)	Capital Surplus
Retained Earnings	31,211	-	△32	31,178	(x)	Retained Earnings
Treasury Stock	△124	-	-	△124		Treasury Stock
Accumulated Other Comprehensive Income	8,336	-	△503	7,832	(n)(v)(w)	Other Components of Equity
Non-Controlling Interests	-	-	△383	60,442		Equity Attributable to the Owners of the Parent Company
Total Net Assets	8,680	-	△274	8,405	(u)	Non-Controlling Interests
Total Net Assets	69,506	-	△657	68,848		Total Equity
Total Liabilities and Net Assets	141,810	-	3,682	145,492		Liabilities and Equity

Adjustments to Equity as at March 31, 2024 (Previous Consolidated Fiscal Year)

Japanese GAAP Presentation Items	Japanese GAAP	Re-Classification	Recognition & Measurement Difference	IFRS	Note	IFRS Presentation Items
	million yen	million yen	million yen	million yen		
Assets						Assets
Current Assets						Current Assets
Cash and Deposits	23,506	Δ3,836	-	19,670	(a)	Cash and Cash Equivalents
Accounts Receivable/Trade	21,106	6,205	-	27,312	(b)	Trade and Other Receivables
Materials and Supplies	2,388	-	-	2,388		Inventory
Short-Term Loans to Affiliated Companies	3,301	4,806	-	8,108	(a)(c)	Other Financial Assets
Accrued Revenue	6,205	Δ6,205	-	-	(b)	
Consumption Taxes Receivable, etc.	4,714	Δ4,714	-	-	(d)	
Derivative Receivables	740	Δ740	-	-	(c)	
	-	2,360	-	2,360	(d)	Income Taxes Receivable
Others	4,938	2,124	Δ55	7,008	(d)(i)(t)	Other Current Assets
Total Current Assets	66,903	-	Δ55	66,848		Total Current Assets
Non-Current Assets						Non-Current Assets
Property, Plant and Equipment	34,682	Δ0	Δ62	34,618	(j)	Property, Plant and Equipment
	-	0	1,675	1,676	(k)	Right-of-Use Assets
Intangible Assets	4,428	Δ1,629	279	3,078	(l)	Goodwill
	-	1,629	-	1,629		Intangible Assets
Investment Securities	3,666	25,276	267	29,210	(c)(n)	Other Financial Assets
Long-Term Loans to Affiliated Companies	1,500	Δ1,500	-	-	(c)	
Affiliated Companies' Shares	2,759	6,290	594	9,644	(e)(m)	Investments Accounted for Using the Equity Method
Investments in Affiliated Companies	6,290	Δ6,290	-	-	(e)	
Deferred Tax Assets	570	-	20	590	(q)	Deferred Tax Assets
Long-Term Prepaid Expenses	602	Δ602	-	-	(d)	
Lease and Guarantee Deposits	2,817	Δ2,817	-	-	(c)	
Derivative Receivables	13,113	Δ13,113	-	-	(c)	
Others	8,190	Δ7,587	61	663	(c)(d)(i)	Other Non-Current Assets
Allowance for Doubtful Accounts	Δ344	344	-	-	(c)	
Total Non-Current Assets	78,277	-	2,835	81,113		Total Non-Current Assets
Total Assets	145,180	-	2,780	147,961		Total Assets

Japanese GAAP Presentation Items	Japanese GAAP	Re-Classification	Recognition & Measurement Difference	IFRS	Note	IFRS Presentation Items
	million yen	million yen	million yen	million yen		
Liabilities						Liabilities and Equity
Current Liabilities						Liabilities
Accounts Payable/Trade Short-Term Borrowings	15,047	2,466	130	17,644	(b)(s)	Current Liabilities Trade and Other Payables
Borrowings	14,830	3,200	4,356	22,386	(f)(o)	Borrowings
Current Portion of Long-Term Borrowings	3,200	△3,200	-	-	(f)	
Accounts Payable /Other than Trade	-	3	379	383	(k)	Lease Liabilities
Income Taxes Payable	2,466	△2,146	-	320	(b)(c)(p)	Other Financial Liabilities
Income Taxes Payable	1,727	-	-	1,727		Income Taxes Payable
Provision for Bonuses	166	△166	-	-	(d)	
Derivative Liabilities	316	△316	-	-	(c)	
Others	3,656	159	125	3,941	(d)(r)	Other Current Liabilities
Total Current Liabilities	41,411	-	4,992	46,403		Total Current Liabilities
Non-Current Liabilities						Non-Current Liabilities
Bonds Payable Long-Term Borrowings	11,000	26,913	△4,397	33,516	(f)(o)	Bonds and Borrowings
Borrowings	26,913	△26,913	-	-	(f)	
Retirement Benefit Liabilities	-	12	1,482	1,495	(k)	Lease Liabilities
Asset Retirement Obligations	360	-	525	886	(r)	Retirement Benefit Liabilities
Deferred Tax Liabilities	5,303	-	120	5,424	(d)(j)	Allowances
Deferred Tax Liabilities	4,399	-	278	4,678	(q)	Deferred Tax Liabilities
Derivative Liabilities	161	△161	-	-	(c)	
Others	396	149	△123	421	(c)(t)	Other Financial Liabilities
Total Non-Current Liabilities	48,536	-	△2,113	46,422		Total Non-Current Liabilities
Total Liabilities	89,947	-	2,878	92,826		Total Liabilities
Net Assets						Equity
Common Stock	11,362	-	-	11,362		Common Stock
Capital Surplus	10,898	-	114	11,013	(t)	Capital Surplus
Retained Earnings	12,751	-	531	13,283	(x)	Retained Earnings
Treasury Stock	△125	-	1	△124		Treasury Stock
Accumulated Other Comprehensive Income	12,617	-	△514	12,102	(n)(v)(w)	Other Components of Equity
Non-Controlling Interests	-	-	133	47,638		Equity Attributable to the Owners of the Parent Company
Non-Controlling Interests	7,728	-	△231	7,497	(u)	Non-Controlling Interests
Total Net Assets	55,233	-	△98	55,135		Total Equity
Total Liabilities and Net Assets	145,180	-	2,780	147,961		Liabilities and Equity

Adjustments to Income / Loss and Comprehensive Income / Loss from April 1, 2023 to June 30, 2023 (1Q of the Previous Consolidated Fiscal Year)

(Items for Consolidated Income Statement)

Japanese GAAP Presentation Items	Japanese GAAP	Re-Classification	Recognition & Measurement Difference	IFRS	Note	IFRS Presentation Items
	million yen	million yen	million yen	million yen		
Net Sales	55,902	-	-	55,902		Net Sales
Cost of Sales	59,047	-	△142	58,904	(j)(k)(r)(s)	Cost of Sales
Gross Loss (△)	△3,145	-	142	△3,002		Gross Loss (△)
Selling, General, and Administrative Expenses	2,782	△15	△52	2,714	(h)(i)(k)(l)(o)(r)(s)	Selling, General, and Administrative Expenses
	-	1,149	-	1,149	(g)	Other Revenues
	-	34	△29	5	(g)	Other Expenses
Operating Loss (△)	△5,927	1,130	224	△4,573		Operating Loss (△)
Non-Operating Income	2,134	△2,134	-	-	(g)	
Non-Operating Expenses	342	△342	-	-	(g)	
	-	985	0	985	(g)(n)	Financial Income
	-	56	27	84	(g)(o)	Financial Expenses
	-	△250	120	△130	(g)(m)	Share of Profit/Loss(△) of Investments Accounted for Using the Equity Method
Loss before Income Taxes (△)	△4,135	15	316	△3,803		Loss before Income Taxes (△)
Income Taxes	1,230	△1,643	△183	△596	(h)(q)	Income Taxes
Income Taxes Deferred	△1,658	1,658	-	-	(h)	
Net Loss (△)	△3,706	-	500	△3,206		Net Loss(△)
						Net Loss(△) Attributable to
Net Loss (△) Attributable to the Owners of the Parent Company	△3,797	-	485	△3,312		Owners of the Parent Company
Net Loss (△) Attributable to Non-Controlling Interests	91	-	14	106	(u)	Non-Controlling Interests

(Items for Consolidated Comprehensive Income Statement)

Japanese GAAP Presentation Items	Japanese GAAP	Re- Classification	Recognition & Measurement Difference	IFRS	Note	IFRS Presentation Items
	million yen	million yen	million yen	million yen		
Net Loss (Δ)	$\Delta 3,706$	-	500	$\Delta 3,206$		Net Loss (Δ)
Other Comprehensive Income						Other Comprehensive Income
Valuation Difference on Available-for-Sale Securities	213	-	350	564	(n)	Items that will not be Reclassified to Profit or Loss Financial Assets at Fair Value through Other Comprehensive Income
Deferred Hedge Gain/Loss	- 3,456	-	350 255	564 3,711	(w)	Items that will not be Reclassified to Profit or Loss Items that may be Reclassified Subsequently to Profit or Loss Cash Flow Hedges Exchange Differences on Translating Foreign Operations
Foreign Currency Translation Adjustments	283	-	-	283		Share of Other Comprehensive Income of Investments Accounted for Using the Equity Method
Share of Other Comprehensive Income of Associates Accounted for Using Equity Method	15	-	0	16		Items that may be Reclassified Subsequently to Profit or Loss Total Other Comprehensive Income, Net of Tax
Total Other Comprehensive Income	3,968	-	606	4,575		Comprehensive Income
Comprehensive Income	262	-	1,106	1,368		Comprehensive Income/Loss(Δ) Attributable to
Comprehensive Income Attributable to the Owners of the Parent Company	118	-	1,091	1,209		Owners of the Parent Company
Comprehensive Income Attributable to Non- Controlling Interests	144	-	14	159	(u)	Non-Controlling Interests

Adjustments to Income / Loss and Comprehensive Income / Loss from April 1, 2023 to March 31, 2024 (Previous Consolidated Fiscal Year)

(Items for Consolidated Income Statement)

Japanese GAAP Presentation Items	Japanese GAAP	Re-Classification	Recognition & Measurement Difference	IFRS	Note	IFRS Presentation Items
	million yen	million yen	million yen	million yen		
Net Sales	244,977	-	-	244,977		Net Sales
Cost of Sales	254,143	-	△458	253,685	(j)(k)(r)(s)	Cost of Sales
Gross Loss (△)	△9,166	-	458	△8,708		Gross Loss (△)
Selling, General, and Administrative Expenses	10,685	△13	△463	10,208	(h)(i)(k)(l)(o)(r)(s)	Selling, General, and Administrative Expenses
	-	192	-	192	(g)	Other Revenues
	-	2,984	240	3,224	(g)	Other Expenses
Operating Loss (△)	△19,851	△2,778	681	△21,949		Operating Loss (△)
Non-Operating Income	2,650	△2,650	-	-	(g)	
Non-Operating Expenses	1,187	△1,187	-	-	(g)	
Extraordinary Loss	2,260	△2,260	-	-	(g)	
	-	2,222	5	2,227	(g)(n)	Financial Income
	-	464	113	577	(g)(o)	Financial Expenses
	-	235	114	350	(g)(m)	Share of Profit/Loss(△) of Investments Accounted for Using the Equity Method
Loss before Income Taxes (△)	△20,649	13	687	△19,949		Loss before Income Taxes (△)
Income Taxes	1,665	268	△266	1,667	(h)(q)	Income Taxes
Income Taxes Deferred	255	△255	-	-	(h)	
Net Loss (△)	△22,570	-	953	△21,616		Net Loss(△)
						Net Loss(△) Attributable to
Net Loss (△) Attributable to the Owners of the Parent Company	△22,257	-	910	△21,347		Owners of the Parent Company
Net Loss (△) Attributable to Non-Controlling Interests	△313	-	43	△269	(u)	Non-Controlling Interests

(Items for Consolidated Comprehensive Income Statement)

Japanese GAAP Presentation Items	Japanese GAAP	Re- Classification	Recognition & Measurement Difference	IFRS	Note	IFRS Presentation Items
	million yen	million yen	million yen	million yen		
Net Loss (Δ)	$\Delta 22,570$	-	953	$\Delta 21,616$		Net Loss (Δ)
Other Comprehensive Income						Other Comprehensive Income
Valuation Difference on Available-for-Sale Securities	1,131	-	359	1,490	(n)	Items that will not be Reclassified to Profit or Loss Financial Assets at Fair Value through Other Comprehensive Income
	-	-	147	147	(r)	Remeasurement of Defined Benefit Plans
Deferred Hedge Gain/Loss	- 6,848	-	506 1,907	1,638 8,756	(w)	Items that will not be Reclassified to Profit or Loss Items that may be Reclassified Subsequently to Profit or Loss Cash Flow Hedges Exchange Differences on Translating Foreign Operations
Foreign Currency Translation Adjustments	204	-	-	204		Share of Other Comprehensive Income of Investments Accounted for Using the Equity Method
Share of Other Comprehensive Income of Associates Accounted for Using Equity Method	54	-	$\Delta 0$	54		Items that may be Reclassified Subsequently to Profit or Loss Total Other Comprehensive Income, Net of Tax
Total Other Comprehensive Income	8,239	-	1,907	9,015		Comprehensive Income Comprehensive Income/Loss(Δ) Attributable to
Comprehensive Income	$\Delta 14,331$	-	3,367	$\Delta 10,963$		
Comprehensive Income Attributable to the Owners of the Parent Company	$\Delta 14,060$	-	3,306	$\Delta 10,756$		Owners of the Parent Company
Comprehensive Income Attributable to Non- Controlling Interests	$\Delta 270$	-	61	$\Delta 207$	(u)	Non-Controlling Interests

(4) Notes to Adjustments to Equity, Income / Loss and Comprehensive Income / Loss

(Reclassification of Presentation)

Reclassifications were made to the presentation to conform to the provisions of IFRS. The main items are as follows.

(a) Cash and Deposits

Time deposits with deposit terms of over three months, which were included in "cash and deposits" under Japanese GAAP, have been reclassified to "other financial assets (current)" under IFRS.

(b) Trade Receivables and Trade Payables

"Accounts receivable / other than trade", that were separately presented under Japanese GAAP, have been reclassified and presented as "trade and other receivables" under IFRS, and "accounts payable / other than trade", that were separately presented under Japanese GAAP, have been reclassified and presented as "trade and other payables" under IFRS.

(c) Other Financial Assets and Financial Liabilities

"Short-term loans receivable to affiliates" and "derivative receivables (current)," that were separately presented under Japanese GAAP, have been reclassified and presented as "other financial assets (current)" under IFRS. "Investment securities", "long-term loans receivable to affiliates", "lease and guarantee deposits", and "derivative receivables (non-current)", that were separately presented, and investments, etc. included in "others" in non-current assets under Japanese GAAP, have been reclassified and presented as "other financial assets (non-current)" under IFRS.

In addition, "allowance for doubtful accounts (non-current)," that was separately presented under Japanese GAAP, has been reclassified under IFRS to be presented net, directly deducted from "other financial assets (non-current)."

"Derivative liabilities (current)", that were separately presented under Japanese GAAP, have been reclassified and presented as "other financial liabilities (current)" under IFRS, while "derivative liabilities (non-current)", that were separately presented under Japanese GAAP, have been reclassified and presented as "other financial liabilities (non-current)" under IFRS.

(d) Other Current Assets and Current Liabilities

"Consumption taxes receivable" and advance payments, included in "others" in current assets, that were separately presented in current assets under Japanese GAAP, have been reclassified and presented in "other current assets" under IFRS, and "long-term prepaid expenses", which were separately presented in non-current assets under Japanese GAAP, have been reclassified and presented as "other non-current assets" under IFRS.

In addition, income taxes receivable, which were included in "others" in current assets, have been separately presented as "income taxes receivable" under IFRS.

"Provision for bonuses" and deposits received, etc., included in "others" in current liabilities under Japanese GAAP, that were separately presented in current assets under Japanese GAAP, have been reclassified and presented as "other current liabilities" under IFRS, and "asset retirement obligations", that were separately presented in non-current liabilities, have been reclassified and presented as "allowances (non-current)" under IFRS.

(e) Amounts Recorded for Investments Accounted for Under the Equity Method

"Affiliated companies' shares" and "investments in affiliated companies", that were separately presented under Japanese GAAP, have been reclassified and presented as "investments accounted for using the equity method" under IFRS.

(f) Bonds and Borrowings

"Short-term borrowings" and "current portion of long-term borrowings", that were separately presented as current assets under Japanese GAAP, have been reclassified and presented as "borrowings (current)" under IFRS, and "bonds payable" and "long-term borrowings", which were presented separately as long-term liabilities under Japanese GAAP, have been reclassified and presented as "bonds and borrowings (non-current)" under IFRS.

(g) Non-Operating Income/Expenses and Extraordinary Gain/Loss

Out of the items that were presented as "non-operating income", "non-operating expenses", "extraordinary gain" and "extraordinary loss" under Japanese GAAP, financial-related gains and losses are recorded as "financial income" and "financial expenses," while other items are recorded as "other revenues", "other expenses", and "share of profit/loss of investments accounted for using the equity method", etc. under IFRS.

(h) Income Tax Expense

"Income taxes" and "income taxes deferred" were separately presented under Japanese GAAP, but are collectively presented as "income tax expense" under IFRS.

In addition, the value-added portion of the pro forma standard enterprise tax was included in "selling, general and administrative expenses" under Japanese GAAP, but is included in "income taxes" under IFRS.

(Recognition & Measurement Difference)

(i) Contract Costs

The incremental costs of acquiring contracts with customers, such as sales agency commissions, were expensed in a lump sum under Japanese GAAP, but are recognized as assets under IFRS for the portion expected to be recoverable.

(j) Property, Plant and Equipment

Under Japanese GAAP, the amount of the asset retirement obligation asset measured using the discount rate at the time of initial recognition was recognized continuously. Under IFRS, however, the asset retirement obligation asset is recognized after reassessing the discount rate at the end of the reporting period.

(k) Leases

Under Japanese GAAP, leases of lessees were classified into finance leases and operating leases, and operating leases were accounted for in the same manner as for normal rental transactions. Since there is no distinction between finance leases and operating leases under IFRS, basically "right-of-use assets" and "lease liabilities" are recorded for all leases.

(l) Amount of Goodwill Recognized

Under Japanese GAAP, goodwill is amortized, but under IFRS, goodwill is not amortized and is tested for impairment each period without amortization after the transition date.

(m) Amount Recognized for Investments Accounted for Using the Equity Method

Under Japanese GAAP, goodwill for investments accounted for using the equity method is amortized, but under IFRS it is not amortized and has not been amortized since the date of transition.

In addition, the declining-balance method was used for depreciation of property, plant and equipment (machinery, equipment and vehicles, and tools, furniture and fixtures) at certain equity-method affiliates under Japanese GAAP, but the straight-line method is used under IFRS.

(n) Financial Assets

Under Japanese GAAP, non-marketable securities are carried at cost, whereas under IFRS, securities are measured at fair value and changes in fair value are recognized in profit or loss or other comprehensive income, depending on the nature of the security.

(o) Bonds and Borrowings

Transaction costs directly attributable to the issuance of bonds and borrowings, which are measured at amortized cost after initial recognition, were expensed as incurred under Japanese GAAP, but are deducted from the initial measurement of bonds and borrowings under IFRS.

In addition, "long-term borrowings" which are in violation of financial covenants has been reclassified to "borrowings (current)" under IFRS.

(p) Conditional Consideration

Under Japanese GAAP, the conditional consideration for a business combination transaction accounted for under Japanese GAAP at the time of acquisition was not recognized until it was certain to be delivered after the business combination, whereas under IFRS, the fair value of the conditional consideration is measured and such fair value is recognized as "other financial liabilities (current)".

(q) Income Taxes

Under Japanese GAAP, tax expense in each quarter is in principle calculated in the same manner as in the annual financial statements, whereas under IFRS, tax expense is recorded using the tax rate applicable to the estimated total annual profit, i.e., the estimated average annual effective tax rate applicable to pre-tax income for the quarterly reporting period.

With the adoption of IFRS, the recoverability of all deferred tax assets was re-examined. Deferred tax assets and deferred tax liabilities have been recognized for temporary differences arising from the adjustments from Japanese GAAP to IFRS.

(r) Employee Benefits

Under IFRS, liabilities are recorded for unused paid vacations that were not accounted for under Japanese GAAP, and "cost of sales" and "selling, general and administrative expenses" have been adjusted accordingly.

Liabilities for retirement benefits and retirement benefit expenses were calculated using the simplified method (the amount payable at the end of the period for voluntary retirement is used as the retirement benefit obligation) under Japanese GAAP, but under IFRS, they are calculated using the projected unit credit method. Under IFRS, actuarial gains and losses are recognized as other comprehensive income and transferred immediately to retained earnings when incurred, and prior service cost is recognized as net income or loss when incurred.

(s) Levies

Under Japanese GAAP, property taxes and other levy items were expensed over the fiscal year, but under IFRS, they are expensed when the tax levy is determined and recognized as "trade and other payables" in current liabilities.

(t) Capital Surplus Adjustments

Under Japanese GAAP, the estimated amount of benefits related to stock-based compensation plans (performance-based stock compensation plans) was recorded as "others" in non-current liabilities, but under IFRS, the estimated amount of stock-based benefits is accounted for as equity-settled share-based payment compensation, and the adjustment is recognized as "capital surplus".

With respect to restricted stock compensation, the increase in equity was recognized at the time the shares were granted under Japanese GAAP, whereas under IFRS, the increase in equity is recognized as the services are rendered after the shares are granted.

(u) Attribution of Comprehensive Income to Non-Controlling Interests

Under Japanese GAAP, when non-controlling interests result in a negative balance, the negative balance is borne by the owners of the parent company (unless the contract stipulates that the negative balance is still attributable to the owners of the parent company and the non-controlling interests), whereas under IFRS, the negative balance is attributable to the owners of the parent company and the non-controlling interests.

(v) Transfer of Accumulated Translation Differences Related to Foreign Subsidiaries

Upon first-time adoption, the exemption provided in IFRS1 was elected and all cumulative translation differences at the date of transition were transferred to retained earnings.

(w) Cash Flow Hedges

Under Japanese GAAP, the basis adjustment to non-financial assets or non-financial liabilities of amount accumulated in surplus related to cash flow hedges was made in accordance with a reclassification adjustment and affected other comprehensive income. However, under IFRS, this does not apply to reclassification adjustments, and therefore "other comprehensive income" is not affected.

(x) Adjustments to Retained Earnings

The impact on retained earnings of the adjustments resulting from the adoption of IFRS is as follows. The amounts below are after adjusting for related tax effects and non-controlling interests.

	Transition Date (April 1, 2023)	1Q of the Previous Consolidated Fiscal Year (June 30, 2023)	Previous Consolidated Fiscal Year (March 31, 2024)
	million yen	million yen	million yen
Adjustments of the Amount of Property, Plant and Equipment of Equity-Method Affiliates	822	845	912
Recognition of Right-of-Use Assets and Lease Liabilities	△491	△483	△432
Adjustments related to Goodwill	-	93	366
Adjustments related to Asset Retirement Obligations	△350	△352	△126
Adjustments related to Retirement Benefit Accounting	△650	△660	△465
Transfer of Accumulated Translation Differences related to Foreign Subsidiaries	431	431	431
Others	△279	93	△153
Total	△518	△32	531