

eREX Revises FY2023 Earnings Forecast—No Immediate Impact on Ratings, but Downward Pressure Increases

The following is Japan Credit Rating Agency, Ltd. (JCR)'s opinion on the downward revision of the earnings forecast of eREX Co., Ltd. (security code: 9517) for the fiscal year ending March 31, 2024.

- (1) On November 10, 2023, eREX Co., Ltd. (the “Company”) revised its earnings forecast for the fiscal year ending March 31, 2024 (FY2023). The forecast of net income (loss) attributable to the owners of the parent company was changed from an income of 4.4 billion yen to a loss of 22 billion yen. In the past few years, the Company has achieved good results in business performance through its business operations that prepare for the risk of rising wholesale electricity market prices. However, energy market prices have rapidly declined since the fourth quarter of FY2022. The wholesale electricity market prices have remained below the Company's forecast. It became difficult for the Company to eliminate the negative spread for the power procured over its sales volume in FY2023, and it was forced to post a significant loss.
- (2) The reason for not immediately affecting the rating is that there is a reasonable probability that the deterioration in performance will be only temporary. The Company has initiated measures to recover its performance in FY2024. In addition to rebalancing its electricity procurement and sales volume, it is increasing the weight of its market-linked service menu and steering its business operations in a manner that is neutral to fluctuations in wholesale electricity market prices.
- (3) However, if the Company continues its investment expansion policy while its equity capital is expected to be impaired at the end of FY2023 and its financial strength is expected to decline, downward pressure on the rating will increase. JCR will confirm the speed of profit recovery and the strength of management's commitment to financial improvement in FY2024 and beyond, and reflect them in the rating accordingly.

Shigenobu Tonomura, Tadashi Ono

<Reference>

Issuer: eREX Co., Ltd.

Long-term Issuer Rating: A- Outlook: Stable

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