

September 10, 2024

Company Name: ENECHANGE Ltd.

Representative: Tomoya Maruoka Representative Director and CEO
(TSE Growth Code No. 4169)

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**(Revision) Partial Revision of Consolidated Financial Results for the FY23 Q2 Financial Summary
(Under Japanese GAAP) and Notice Concerning the Submission of the Corrected FY23 Q2 Report**

ENECHANGE (hereinafter referred to as “the Company”) has made corrections to part of the FY23 Q2 Financial Results (Under Japanese GAAP) submitted on August 10, 2023, and has submitted a correction report for the Q2 report for FY23. Details are as follows.

1. Background and Reasons for Revision

The Company’s Board of Directors passed a resolution on August 10, 2024, and on the same day, the Company released its financial results for the FY23 Q2 Financial Summary.

As announced in the “Notice Regarding the Establishment of an Independent Investigation Committee and Consideration of Extending the Filing Deadline for the FY23 Securities Report” dated March 27, 2024, and the “Notice Regarding the Submission of an Application for Approval to Extend the Filing Deadline for the Securities Report for FY23” dated March 29, 2024, in the course of discussions with KPMG AZSA LLC (hereinafter referred to as “AZSA”) concerning the accounting approaches and treatments for the Scheme within the EV charging business, AZSA informed us initially that the necessary information for assessing the inclusion of the SPC in the Company’s consolidated scope was not fully disclosed. Upon further investigation, AZSA concluded that the SPC should be included in the Company’s consolidated scope. Consequently, to promptly finalize its consolidated financial statements, the Company has decided to accept AZSA’s advice to include the SPC within its consolidated scope.

Additionally, AZSA has raised concerns about potential issues in our internal controls related to the execution and accounting of the Scheme and in the accounting treatment of transactions in the EV charging business separate from the Scheme. The Company has recognized the necessity of conducting a fair investigation to clarify the factual basis underlying the previous accounting treatment of the SPC as non-consolidated (hereinafter referred to as “the Accounting Treatment”). This includes verifying the process of deliberation over the Accounting Treatment, investigating the existence of cases similar to the Accounting Treatment, researching and evaluating the factual circumstances, and assessing issues related to internal controls. Consequently, the Company established an independent investigation committee and, as announced in the “Notice Concerning the Receipt of the Investigation Report by the Independent Investigation Committee” dated June 21, 2024, the Company received the investigation report from the Independent Investigation Committee.

As stated in the "Notice Concerning the Submission of FY23 Securities Report" dated July 9, 2024, we have taken steps to include this SPC in our consolidated scope and addressed other necessary measures based on the results of the Independent Investigation Committee. Consequently, we prepared the FY23 Securities Report and submitted it to the Kanto Local Finance Bureau.

Today, we have made partial amendments to the FY23 Q2 Financial Results previously disclosed and submitted a correction report for the FY23 Q2 Report. Initially, these corrections were planned to be made concurrently with the submission of the FY24 Semi-Annual Report (originally scheduled for August 14, 2024). However, given the extension of the submission deadline for the FY24 Semi-Annual Report to September 13, 2024, as noted in the "Approval of the application for a deadline extension for filing the FY24 Semi-Annual Report" dated August 14, 2024, we decided to proceed with these corrections beforehand.

2. Future Outlook

We are planning to correct the Q3 report for FY23. After preparing the consolidated financial statements for Q3 of FY23 and having them reviewed by AZSA, we will proceed with disclosure.

3. Details of Revisions (Revisions are underlined)

The revised portions are as follows, and the revised financial results are also attached at the end of this document.

1.Consolidated Financial Results for FY23 Q2 (January 1, 2023 - June 30, 2023) , (1) Consolidated operating results (Cumulative)

[Before Revision]

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended								
June 30, 2023	<u>2,091</u>	<u>(2.8)</u>	<u>(1,088)</u>	—	<u>(1,152)</u>	—	<u>(1,153)</u>	—
June 30, 2022	2,151	55.2	(222)	—	(176)	—	(270)	—

Note: Comprehensive income For the three months ended June 30, 2023: JPY(1,236) million[-%]
For the three months ended June 30, 2022: JPY(264) million[-%]

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
June 30, 2023	<u>(38.20)</u>	—
June 30, 2022	(9.11)	—

[After Revision]

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended								
June 30, 2023	<u>2,046</u>	<u>(4.9)</u>	<u>(1,151)</u>	—	<u>(1,213)</u>	—	<u>(1,214)</u>	—
June 30, 2022	2,151	55.2	(222)	—	(176)	—	(270)	—

Note: Comprehensive income For the six months ended June 30, 2023: JPY(1,297) million[-%]
For the six months ended June 30, 2022: JPY(264) million[-%]

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
June 30, 2023	<u>(40.21)</u>	—
June 30, 2022	(9.11)	—

Summary Information in the Consolidated Financial Results: Page 1

1.Consolidated Financial Results for FY23 Q2 (January 1, 2023 - June 30, 2023) , (2)Consolidated financial position

[Before Revision]

	Total assets	Net assets	Equity-to-asset ratio
As of	Millions of yen	Millions of yen	%
June 30, 2023	<u>5,618</u>	<u>2,285</u>	<u>40.6</u>
December 31, 2022	6,758	3,502	51.7

Reference: Equity As of June 30, 2023 : JPY2,278million
As of December 31, 2022 : JPY3,495million

[After Revision]

	Total assets	Net assets	Equity-to-asset ratio
As of	Millions of yen	Millions of yen	%
June 30, 2023	<u>5,512</u>	<u>2,224</u>	<u>40.2</u>
December 31, 2022	6,758	3,502	51.7

Reference: Equity As of June 30, 2023: JPY2,217million
As of December 31, 2022: JPY3,495million

For the attached documents, please refer to the "FY23 Q2 Earnings Report (Japanese Standards) (Consolidated)".
Corrections are underlined.

We deeply apologize for the significant inconvenience caused to shareholders, investors, and related parties.

Note: This document has been translated from a part of the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

August 10, 2023

Consolidated Financial Results for the Second Quarter Ended June 30, 2023 (Under Japanese GAAP)

Company name: ENECHANGE Ltd.
 Listing: Tokyo Stock Exchange
 Securities code: 4169
 URL: <https://enechange.co.jp/>
 Representative: Masayoshi Hirata, Representative Director and Chairman of the Board of Directors
 Inquiries: Tomoya Maruoka, Executive Officer / CFO
 TEL: +81-3-6635-1021
 Scheduled date to file Quarterly Report: August 10, 2023
 Start of dividend payment: –
 Preparation of supplementary material on financial results: Yes
 Holding of financial results briefing: Yes

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Consolidated financial results for the six months ended June 30, 2023 (from January 1, 2023 to June 30, 2023)

(1) Consolidated operating results (cumulative)

(Percentages indicate changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended								
June 30, 2023	<u>2,046</u>	<u>(4.9)</u>	<u>(1,151)</u>	–	<u>(1,213)</u>	–	<u>(1,214)</u>	–
June 30, 2022	2,151	55.2	(222)	–	(176)	–	(270)	–

Note: Comprehensive income For the six months ended June 30, 2023: JPY(1,297) million[–%]
 For the six months ended June 30, 2022: JPY(264) million[–%]

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
June 30, 2023	<u>(40.21)</u>	–
June 30, 2022	(9.11)	–

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
As of	Millions of yen	Millions of yen	%
June 30, 2023	<u>5,512</u>	<u>2,224</u>	<u>40.2</u>
December 31, 2022	6,758	3,502	51.7

Reference: Equity As of June 30, 2023: JPY2,217million
 As of December 31, 2022: JPY3,495million

2. Cash dividends

	Annual dividends				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended December 31, 2022	–	0.00	–	0.00	0.00
Fiscal year ending December 31, 2023	–	0.00			
Fiscal year ending December 31, 2023 (Forecast)			–	–	–

Notes: 1. Revisions from dividend forecast most recently announced: None

2. The Company's Articles of Incorporation stipulate that the record dates for dividend fall on the last day of the second quarter and the last day of the fiscal year. At present, the forecast for dividends with these record dates has yet to be determined.

3. Consolidated earnings forecasts for the fiscal year ending December 31, 2023 (from January 1, 2023 to December 31, 2023)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Fiscal year ending December 31, 2023	5,250	40.6	–	–	(900)	–	–	–	–

Note: Revisions from earnings forecast most recently announced: None

Notes

- (1) Changes in specified subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): Yes
- (2) Application of special accounting for preparing quarterly consolidated financial statements: None
- (3) Changes in accounting policies, changes in accounting estimates, and restatement
- (i) Changes in accounting policies due to revisions to accounting standards and other regulations: Yes
 - (ii) Changes in accounting policies due to other reasons: None
 - (iii) Changes in accounting estimates: None
 - (iv) Restatement: None

(4) Number of issued shares (common shares)

- (i) Total number of issued shares at the end of the period (including treasury shares)

As of June 30, 2023	30,311,012 shares
As of December 31, 2022	30,076,640 shares

- (ii) Number of treasury shares at the end of the period

As of June 30, 2023	128 shares
As of December 31, 2022	128 shares

- (iii) Average number of shares outstanding during the period

Six months ended June 30, 2023	30,197,418 shares
Six months ended June 30, 2022	29,728,996 shares

* These Consolidated Financial Results reports are exempt from quarterly review procedures by certified public accountants or an audit corporation.

* Proper use of earnings forecasts, and other special matters:

Forward-looking statements, including the consolidated forecasts stated in these materials, are based on information currently available to the Company and certain assumptions deemed reasonable.

Consequently, any statements herein do not constitute assurances regarding actual results by the Company. Actual business and other results may differ substantially due to various factors.

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Qualitative information on quarterly financial results

(1) Explanation of operating results

During the six months ended June 30, 2023, the Japanese economy has shown signs of improvement in the employment and income environment, with the effects of various policies contributing to a recovery in individual consumption and corporate earnings. The outlook for the economy remains uncertain due to factors such as risk of a downturn in overseas economies putting downward pressure on the Japanese economy and the rise in prices caused by a weaker yen amid continued global monetary tightening and others.

In the environment surrounding the energy industry to which our group belongs, there is a deterioration in the financial situation of energy companies influenced by the surge in resource prices since the escalation of the Russia-Ukraine situation. However, with the rise in electricity prices and the stabilization of wholesale electricity market prices, some energy companies are showing positive movements towards user acquisition.

From a long-term perspective, the environment surrounding the energy industry continues to witness the progress of Green Transformation (GX). In the 5th GX Implementation Meeting held by the Japanese government on December 22, 2022, the “Basic Policies for Achieving GX - Roadmap for the Next 10 Years” was presented. With a goal to realize 150 trillion yen in GX investments by the public and private sectors, the Japanese government has expressed its intention to execute early investment support of around 20 trillion yen. In the energy industry, which plays a central role in the GX movement, our base market, electricity sales, has expanded to approximately 18 trillion yen (Note 1) since the full liberalization of retail electricity in April 2016. Moreover, there is a target to achieve 100% EV penetration, including new car sales of electric cars, by 2035 (Note 2). The increasing adoption of EVs and the associated demand for EV charging ports are anticipated to rise significantly.

In this environment, our group has strengthened collaboration with energy companies for two services developed in the Energy Platform business, “ENECHANGE” (a platform for switching household electricity and gas providers) and “ENECHANGE Biz” (a platform for switching corporate electricity and gas providers), while focusing on continuous acquisition of new users and support for existing users.

In the Energy Data business, we have been actively working on continuous development of new features and strengthening sales for services such as the cloud-based digital marketing support SaaS “ENECHANGE Cloud Marketing” primarily provided to energy and gas companies, and the household Demand Response service “ENECHANGE Cloud DR.” In particular, we focused on sales promotion of Demand Response service, which provides incentives to electricity users based on the amount of electricity they save, to meet the growing social demand for electricity conservation in response to a power crunch.

In the EV Charging business, we continued vigorous advertising activities and active investments such as taxi and elevator advertising and alliance with Tokio Marine & Nichido Fire Insurance Co., Ltd. in order to increase our market share in the EV charging field. In addition, we have been working to improve the convenience of EV users, mainly through collaboration with e-Mobility Power Co., Inc. and integration of an EV charging location search app “EVsmart” and “ENECHANGE EV Charge.”

As a result, the operating results of our group for the six months ended June 30, 2023 have recorded sales of 2,046,162 thousand yen (a decrease of 4.9% compared to the previous corresponding period), an operating loss of 1,151,138 thousand yen (compared to an operating loss of 222,967 thousand yen in the previous corresponding period), an ordinary loss of 1,213,232 thousand yen (compared to an ordinary loss of 176,998 thousand yen in the previous corresponding period). Loss attributable to owners of parent was 1,214,093 thousand yen (compared to a loss attributable to owners of parent of 270,831 thousand yen in the previous corresponding period).

In addition, we have recorded a gain on donation of subsidy income of 114,278 thousand yen in non-operating income and loss on tax purpose reduction entry of noncurrent assets of 114,067 thousand yen in non-operating expenses. These are related to the development of charging infrastructure in the EV Charging business.

The operating results of each segment are as follows.

1 Energy Platform business

In the “Energy Platform business,” both household and corporate switch counts have been robust, resulting in a 25.5% increase in the number of continuing reward-eligible users compared to the previous corresponding period, reaching 506,819. Regarding the quarterly ARPU (Note 3), due to the impact of a decline in one-time fee received from affiliated energy companies at the time of the switchover, the quarterly ARPU (recurring revenue) was 502 yen, and the quarterly ARPU (Non-recurring revenue) was 12,194 yen.

As a result, the segment sales reached 1,538,545 thousand yen (a decrease of 6.0% compared to the previous corresponding period), and the segment profit amounted to 107,530 thousand yen (a decrease of 44.7% compared to the previous corresponding period).

2 Energy Data business

In the “Energy Data business,” continuous service provision to existing customers, the introduction of new customers to digital marketing support SaaS “ENECHANGE Cloud Marketing” and household Demand Response service “ENECHANGE Cloud DR,” and product development resulted in a 15.1% increase in the number of customers to 61 companies compared to the previous corresponding period. Additionally, the quarterly ARPU remained stable and decreased by 6.4% to 3,902 thousand yen compared to the previous corresponding period.

As a result, segment sales amounted to 479,864 thousand yen (a decrease of 6.3% compared to the previous corresponding period), and segment profit was 110,371 thousand yen (an increase of 6.8% compared to the previous corresponding period).

3 EV Charging business

In the “EV Charging business,” we have proactively invested in expansion of organizational structure by increasing hiring of engineering and sales personnel to promote the business. We also implemented aggressive marketing activities, including taxi and elevator advertising. As a result of these efforts, the cumulative number of orders received reached 6,482 units since the start of the business. Additionally, we have expanded partner collaborations, including collaboration with e-Mobility Power Co., Inc., aiming for further business expansion.

As a result, the segment sales amounted to 27,752 thousand yen (an increase of 1,596.1% compared to the previous corresponding period), and the segment loss was 1,018,570 thousand yen (compared to a segment loss of 208,439 thousand yen in the previous corresponding period).

- (Notes)
1. Calculated from the electricity sales amount in the “Electricity Trading Results” of the Electricity and Gas Market Surveillance Commission.
 2. Ministry of Economy, Trade and Industry “6th Basic Energy Plan” (October 22, 2021), electric vehicles include electric cars (EV), plug-in hybrid cars (PHV), fuel cell vehicles (FCV), and hybrid cars (HV).
 3. Average Revenue Per User (ARPU) is an abbreviation for the average revenue per user, representing the average revenue per user.

(2) Explanation of financial position

1) Assets, liabilities, and total shareholders’ equity

(Assets)

At the end of the second quarter of the current fiscal year, current assets amounted to 2,440,392 thousand yen, a decrease of 2,086,683 thousand yen compared to the end of the previous fiscal year. This decrease is primarily due to decreases of 1,790,487 thousand yen in cash and deposits and 409,273 thousand yen in advance payments to suppliers. Additionally, non-current assets amounted to 3,072,242 thousand yen at the end of the second quarter of the current fiscal year, an increase of 840,495 thousand yen compared to the end of the previous fiscal year. This increase is primarily due to increases of 746,273 thousand yen in property, plant and equipment, 81,998 thousand yen in software, and 39,669 thousand yen in software in progress.

As a result, total assets were 5,512,635 thousand yen, a decrease of 1,246,188 thousand yen compared to the end of the previous fiscal year.

(Liabilities)

At the end of the second quarter of the current fiscal year, current liabilities amounted to 2,217,977 thousand yen, an increase of 134,771 thousand yen compared to the end of the previous fiscal year. This increase was primarily due to an increase of 410,294 thousand yen in accounts payable – other, while provision for sales promotion expenses decreased by 306,962 thousand yen.

Non-current liabilities amounted to 1,069,839 thousand yen at the end of the second quarter of the current fiscal year, a decrease of 103,315 thousand yen from the end of the previous fiscal year. This decrease was mainly due to a decrease of 88,998 thousand yen in long-term borrowings.

As a result, the total liabilities were 3,287,817 thousand yen, an increase of 31,456 thousand yen compared to the end of the previous fiscal year.

(Total shareholders' equity)

At the end of the second quarter of the current fiscal year, the total shareholders' equity was 2,224,817 thousand yen, a decrease of 1,277,644 thousand yen compared to the end of the previous fiscal year. This decrease was primarily due to a decrease in retained earnings by the recording of 1,214,093 thousand yen in loss attributable to owners of parent.

As a result, the equity-to-asset ratio was 40.2% (51.7% at the end of the previous fiscal year).

2) Cash flows

At the end of the second quarter of the current fiscal year, cash and cash equivalents (hereinafter referred to as “funds”) amounted to 1,276,570 thousand yen, a decrease of 1,790,487 thousand yen compared to the end of the previous fiscal year.

The cash flow situation for the second quarter of the current fiscal year and the factors involved are as follows:

(Cash flows from operating activities)

The funds used in operating activities amounted to 1,018,408 thousand yen (the previous period saw an outflow of 707,161 thousand yen). This was mainly due to a decrease in funds resulting from a loss before income taxes of 1,213,232 thousand yen, a decrease in provision for sales promotion expenses of 303,394 thousand yen, and gain on donation of subsidy income of 114,278 thousand yen, and an increase in funds resulting from an increase in accounts payable – other of 480,549 thousand yen, subsidies received of 114,278 thousand yen, and loss on tax purpose reduction entry of noncurrent assets of 114,067 thousand yen.

(Cash flows from investing activities)

The funds used in investing activities amounted to 714,175 thousand yen (the previous period saw an outflow of 511,712 thousand yen). This was mainly due to a decrease in funds resulting from 478,079 thousand yen in purchase of property, plant and equipment, 138,402 thousand yen in purchase of intangible fixed assets, and 94,468 thousand yen in purchase of investment securities.

(Cash flows from financing activities)

The funds used in financing activities amounted to 71,878 thousand yen (the previous period saw an inflow of 6,715 thousand yen). This was mainly due to a decrease in funds resulting from 58,998 thousand yen for repayments of long-term borrowings.

(3) Explanation of consolidated earnings forecast and other forward-looking information

There are no changes to the consolidated earnings forecasts for the fiscal year ending December 31, 2023, from those announced in “Consolidated Financial Results for the Fiscal Year Ended December 31, 2022” on February 10, 2023.

Quarterly consolidated financial statements and significant notes**(1) Quarterly consolidated balance sheet**

(Thousands of yen)

	As of December 31, 2022	As of June 30, 2023
Assets		
Current assets		
Cash and deposits	3,067,058	<u>1,276,570</u>
Accounts receivable Trade and Contract Assets	441,503	<u>543,822</u>
Merchandise and finished goods	122,908	<u>2,292</u>
Advance payments to suppliers	424,773	<u>15,500</u>
Accounts receivable - other	233,419	<u>315,698</u>
Consumption taxes refund receivable	103,955	<u>81,657</u>
Other	137,842	<u>210,173</u>
Allowance for doubtful accounts	(4,386)	<u>(5,323)</u>
Total current assets	<u>4,527,076</u>	<u>2,440,392</u>
Non-current assets		
Property, plant and equipment	104,752	<u>851,025</u>
Intangible assets		
Software	72,701	154,699
Software in progress	31,709	71,379
Goodwill	702,039	666,295
Other	2,077	1,972
Total intangible assets	<u>808,528</u>	<u>894,346</u>
Investments and other assets		
Investment securities	1,126,590	1,101,088
Guarantee deposits	191,876	<u>225,781</u>
Other	8,817	-
Allowance for doubtful accounts	(8,817)	-
Total investments and other assets	<u>1,318,466</u>	<u>1,326,869</u>
Total non-current assets	<u>2,231,747</u>	<u>3,072,242</u>
Total assets	<u>6,758,823</u>	<u>5,512,635</u>

(Thousands of yen)

	As of December 31, 2022	As of June 30, 2023
Liabilities		
Current liabilities		
Accounts payable - trade	41,043	45,071
Short-term borrowings	674,900	650,000
Current portion of long-term borrowings	142,996	172,996
Accounts payable - other	532,625	942,919
Income taxes payable	36,291	2,029
Advances received	70,431	107,433
Provision for sales promotion expenses	449,057	142,095
<u>Refund liabilities</u>	—	51,495
Other	135,859	103,936
Total current liabilities	2,083,205	2,217,977
Non-current liabilities		
Long-term borrowings	1,136,845	1,047,847
Deferred tax liabilities	13,812	9,453
Other	22,497	12,538
Total non-current liabilities	1,173,154	1,069,839
Total liabilities	3,256,360	3,288,703
Net assets		
Shareholders' equity		
Share capital	3,061,665	20,107
Capital surplus	2,930,526	5,992,299
Retained earnings	(2,438,533)	(3,652,602)
Treasury shares	(163)	(163)
Total shareholders' equity	3,553,495	2,359,641
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(208,127)	(241,519)
Foreign currency translation adjustment	149,733	99,862
Total accumulated other comprehensive income	(58,394)	(141,657)
Share acquisition rights	7,361	6,834
Total net assets	3,502,462	2,224,817
Total liabilities and net assets	6,758,823	5,512,635

(2) Quarterly consolidated statement of income and consolidated statement of comprehensive income**Quarterly consolidated statement of income**

Six months ended June 30, 2023

(Thousands of yen)

	Six months ended June 30, 2022	Six months ended June 30, 2023
Net sales	2,151,139	2,046,162
Cost of sales	346,663	418,654
Gross profit	1,804,475	1,627,507
Selling, general and administrative expenses	2,027,443	2,778,646
Operating loss	(222,967)	(1,151,138)
Non-operating income		
Interest income	13	16
Share of profit of entities accounted for using equity method	41,851	—
Foreign exchange gains	8,127	—
Gain from expired gift vouchers etc.	5,205	3,568
Gain on donation of Subsidy income	—	114,278
Other	1,663	4,190
Total non-operating income	56,861	122,053
Non-operating expenses		
Interest expenses	9,954	18,210
Share of loss of entities accounted for using equity method	—	1,597
Foreign exchange losses	—	17,703
Loss on tax purpose reduction entry of non-current assets	—	114,067
Other	938	32,567
Total non-operating expenses	10,893	184,147
Ordinary loss	(176,998)	(1,213,232)
Extraordinary losses		
Impairment losses	63,403	—
Settlement payments	11,469	—
Total extraordinary losses	74,873	—
Loss before income taxes	(251,871)	(1,213,232)
Income taxes - current	12,790	406
Income taxes - deferred	6,169	554
Total income taxes	18,959	961
Loss	(270,831)	(1,214,193)
Loss attributable to non-controlling interests	—	(100)
Loss attributable to owners of parent	(270,831)	(1,214,093)

Quarterly consolidated statement of comprehensive income**Six months ended June 30, 2023**

(Thousands of yen)

	Six months ended June 30, 2022	Six months ended June 30, 2023
Loss	(270,831)	<u>(1,214,193)</u>
Other comprehensive income		
Valuation difference on available-for-sale securities	—	(38,638)
Foreign currency translation adjustment	(2,920)	13,428
Share of other comprehensive income of entities accounted for using equity method	8,913	(58,053)
Total other comprehensive income	5,993	<u>(83,263)</u>
Comprehensive income	<u>(264,838)</u>	<u>(1,297,456)</u>
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(264,838)	<u>(1,297,356)</u>
<u>Comprehensive income attributable to non-controlling interests</u>	—	<u>(100)</u>

(3) Quarterly consolidated statement of cash flows

Six months ended June 30, 2023

(Thousands of yen)

	Six months ended June 30, 2022	Six months ended June 30, 2023
Cash flows from operating activities		
Loss before income taxes	(251,871)	(1,213,232)
Depreciation	29,166	33,423
Impairment losses	63,403	–
Interest expenses	9,954	18,210
Amortization of goodwill	27,009	55,102
Foreign exchange losses (gains)	(16,515)	1,471
Gain on donation of Subsidy income	–	(114,278)
Loss on tax purpose reduction entry of non-current assets	–	114,067
Gain from expired gift vouchers etc.	(5,205)	(3,568)
Settlement payments	11,469	–
Share of loss (profit) of entities accounted for using equity method	(41,851)	1,597
Increase (decrease) in allowance for doubtful accounts	(4,962)	936
Increase (decrease) in provision for sales promotion expenses	45,200	(303,394)
Decrease (increase) in trade receivables	(11,941)	(102,182)
Decrease (increase) in advance payments to suppliers	–	17,404
Decrease (increase) in inventories	(6,000)	4,136
Decrease (increase) in accounts receivable - other	–	(85,391)
Decrease (increase) in consumption taxes refund receivable	–	35,569
Increase (decrease) in trade payables	13,439	1,549
Increase (decrease) in accounts payable - other	(96,507)	480,549
Increase (decrease) in <u>contact liabilities</u>	(21,446)	37,001
<u>Increase (decrease) in refund liabilities</u>	–	51,495
Decrease(increase) in sales deposit	(130,000)	(113,205)
Decrease (increase) in other assets	(138,003)	10,371
Increase (decrease) in other liabilities	(43,060)	(33,061)
Other, net	(13)	26,130
Subtotal	(567,737)	(1,079,294)
Interest and dividends received	13	16
Interest paid	(11,280)	(17,116)
<u>Subsidies received</u>	–	114,278
Income taxes paid	(128,155)	(36,291)
Net cash provided by (used in) operating activities	(707,161)	(1,018,408)
Cash flows from investing activities		
Purchase of property, plant and equipment	(18,318)	(478,079)
Purchase of intangible assets	(18,309)	(138,402)
Purchase of investment securities	(451,698)	(94,468)
Proceeds from repayments of investment securities	–	16,133
Conditional acquisition consideration	–	(19,358)
Payments of guarantee deposits	(23,386)	–
Net cash provided by (used in) investing activities	(511,712)	(714,175)

(Thousands of yen)

	Six months ended June 30, 2022	Six months ended June 30, 2023
Cash flows from financing activities		
<u>Proceeds from share issuance to non-controlling shareholders resulting from establishment of consolidated subsidiary</u>	—	<u>100</u>
Net increase (decrease) in short-term borrowings	—	(24,900)
Repayments of long-term borrowings	(24,996)	(58,998)
Repayments of lease liabilities	—	(20,516)
<u>Proceeds from sale and leaseback transactions</u>	<u>—</u>	<u>14,146</u>
Proceeds from issuance of shares resulting from exercise of share acquisition rights	31,711	19,436
Other, net	—	(1,147)
Net cash provided by (used in) financing activities	6,715	<u>(71,878)</u>
Effect of exchange rate change on cash and cash equivalents	6,050	<u>13,975</u>
Net increase (decrease) in cash and cash equivalents	(1,206,107)	<u>(1,790,487)</u>
Cash and cash equivalents at beginning of period	5,571,870	3,067,058
Cash and cash equivalents at end of period	4,365,763	<u>1,276,570</u>

(4) Notes to quarterly consolidated financial statements**Notes on premise of going concern**

Not applicable.

Notes on significant changes in the amount of shareholders' equity

In accordance with the resolution of the 8th Ordinary General Meeting of Shareholders held on March 30, 2023, the Company's capital was reduced by 3,051,665 thousand yen and transferred to other capital surplus on May 12, 2023, effective as of May 12, 2023. As a result, capital stock and capital surplus amounted to 20,107 thousand yen and 5,992,299 thousand yen, respectively, in the second quarter of the current fiscal year.

There was no significant change in total shareholders' equity.

Change in accounting policy

(Application of Implementation Guidance on Accounting Standard for Fair Value Measurement)

The Company has applied the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021) from the beginning of the first quarter of the fiscal year ending December 31, 2023. Furthermore, in accordance with the transitional treatment prescribed in paragraph 27-2 of the Implementation Guidance on Accounting Standard for Fair Value Measurement, the Company has prospectively applied the new accounting policy provided in the Implementation Guidance on Accounting Standard for Fair Value Measurement. There is no impact on the quarterly consolidated financial statements

Additional Information

(Taxation on trust-type stock options)

On May 30, 2023, the National Tax Agency published "Taxation on Stock Options (Q&A)," stating that "trust-type stock options" are deemed to be substantive salary at the time an officer or employee exercises the rights granted by the company and acquires the shares, and that the company is required to withhold tax retroactively even for those officers or employees who have exercised the rights. The Company is required to withhold tax retroactively for those who have already exercised their stock options.

In the second quarter of the current fiscal year, the amount of 306,983 thousand yen as the amount equivalent to the required withholding tax payment was recorded in "Accounts payable-other" under "Current liabilities" in the consolidated balance sheet, and the corresponding receivable was recorded in "Accounts receivable-other" under "Current assets."

In response to the National Tax Agency's opinion, we are currently considering future actions in consultation with internal and external experts, etc. Depending on the situation, there may be an impact on our financial position and business performance.

(Change in scope of consolidation or application of equity method)

(1) Significant changes in the scope of consolidation

Starting in the first quarter of the fiscal year ending December 31, 2023, EV JUDEN INFRA ICHIGO LLC has been included in the scope of consolidation due to its new establishment. The company is a limited liability company (LLC) established in February 2023 as a Special Purpose Company (SPC) for the purpose of owning EV charging facilities. The LLC's representative partner and executive officers, as well as the investor at the time of its establishment, is the General Incorporated Association for EV Charging Infrastructure (GIA), and there is no direct capital relationship between the LLC, GIA, and the Company. However, as a result of applying "2. Specific Application to Investment Associations" (3), which is stipulated in Q1 of "Practical Solution on Application of the Control Criteria and Influence Criteria to Investment Associations" (ASBJ PITF No. 20, final revision

on March 25, 2011; hereinafter referred to as “PITF No. 20”), to which Q4 of “Practical Solution on Investors’ Accounting for Limited-Liability Partnerships and Limited-Liability Companies” (ASBJ PITF No. 21, final revision on March 27, 2009; hereinafter referred to as “PITF No.21”) refers, we have determined that the Company has substantial control over the LLC for the following reasons: i) the authority to conduct business with respect to such investment association that we have on our own account (including cases where we do not have such authority to conduct business), together with the authority to conduct business held by close parties and consenting parties, accounts for a majority of such authority to conduct business; ii) the case falls under “a case that meets any of the requirements (ii) through (vi) of “2. Specific Application to Investment Associations” (2)” in Q1 of PITF No. 20; and iii) it is not clear that we are unable to determine the financial policies and operating or business policies of EV JUDEN INFRA ICHIGO LLC.

Regarding i), specifically, we assess that the combined authority of the Company and GIA to conduct business accounts for a majority of EV JUDEN INFRA ICHIGO LLC’s authority to conduct business as GIA is considered to be a close party to the Company for the following reasons.

- Based on the EV JUDEN INFRA ICHIGO LLC’s basic operating agreement, we have determined that all significant decisions and business execution for the EV Charging business of EV JUDEN INFRA ICHIGO LLC are performed by the Company.
- The executor of duties in GIA is an accounting firm, and we have determined that the firm and GIA, which is substantially the same as the accounting firm, are the formal executors of the business.
- We have determined that this is the case when the Company bears almost all of the losses arising from the “EV Charging business” of EV JUDEN INFRA ICHIGO LLC, etc.

With respect to ii), we have determined that the Company bears almost all of the losses arising from the business of EV JUDEN INFRA ICHIGO LLC based on the existence of an agreement to control EV JUDEN INFRA ICHIGO LLC’s decisions on material financial policies and operating or business policies, as well as a joint and several guarantee agreement for EV JUDEN INFRA ICHIGO LLC’s lease obligations.

- The Company is liable for joint and several guarantees of EV JUDEN INFRA ICHIGO LLC’s lease obligations, and these guarantees may exceed a majority of the total amount of the financing.

Regarding iii), specifically, we do not consider it is clear that the Company’s business (e.g., selecting locations for EV charging facilities, entering into agreements with facility owners, determining lease terms, entering into joint and several guarantee agreements for EV JUDEN INFRA ICHIGO LLC’s lease obligations, etc.) is not capable of determining the EV JUDEN INFRA ICHIGO LLC’s financial policies and operating or business policies.

For the above reasons, we have assessed EV JUDEN INFRA ICHIGO LLC as substantially controlled by the Company based on the control criteria and determined to include it as a consolidated subsidiary.

Segment information, etc.Segment information

I For the Six months ended June 30, 2022

1. Disclosure of sales, profit (loss) for each reportable segment

(Thousands of yen)

	Reportable segments				Reconciling items (Note 1)	Per quarterly consolidated financial statements (Note 2)
	Platform	Data	EV Charging	Reportable segments		
Net sales						
Goods or services that are transferred at a point in time	—	96,551	1,497	<u>98,049</u>	—	<u>98,049</u>
Goods or services that are transferred over a certain period of time	<u>1,637,574</u>	415,376	138	<u>2,053,090</u>	—	<u>2,053,090</u>
Revenue from contracts with customers	1,637,574	511,928	1,636	2,151,139	—	2,151,139
Revenues from external customers	1,637,574	511,928	1,636	2,151,139	—	2,151,139
Transactions with other segments	—	—	—	—	—	—
Net sales	1,637,574	511,928	1,636	2,151,139	—	2,151,139
Operating profit (loss)	194,363	103,316	(208,439)	89,240	(312,207)	(222,967)

Notes: 1. Reconciling item for segment profit (loss) of negative 312,207 thousand yen is the amount of corporate expenses not allocated to any reportable segments, consisting primarily of general and administrative expenses not attributable to any reportable segments.

2. Segment profit (loss) is adjusted with operating profit in the quarterly consolidated statement of income.

2. Information on impairment loss on non-current assets and goodwill by reportable segment

(Material impairment loss on non-current assets)

In the “Energy Data Business” segment, impairment loss on intangible fixed assets was recorded. The amount of impairment loss recorded was 63,403 thousand yen for the six months ended June 30, 2022.

II For the Six months ended June 30, 2023

1. Disclosure of sales, profit (loss) for each reportable segment

(Thousands of yen)

	Reportable segments				Reconciling items (Note 1)	Per quarterly consolidated financial statements (Note 2)
	Energy	Data	EV Charging	Reportable segments		
Net sales						
Goods or services that are transferred at a point in time	=	53,562	<u>21,848</u>	<u>75,411</u>	-	<u>75,411</u>
Goods or services that are transferred over a certain period of time	<u>1,538,545</u>	426,301	<u>5,904</u>	<u>1,970,750</u>	-	<u>1,970,750</u>
Revenue from contracts with customers	<u>1,538,545</u>	479,864	27,752	<u>2,046,162</u>	-	<u>2,046,162</u>
Revenues from external customers	<u>1,538,545</u>	479,864	27,752	<u>2,046,162</u>	-	<u>2,046,162</u>
Transactions with other segments	-	-	-	-	-	-
Net sales	<u>1,538,545</u>	479,864	27,752	<u>2,046,162</u>	-	<u>2,046,162</u>
Operating profit (loss)	<u>107,530</u>	110,371	<u>(1,018,570)</u>	<u>(800,668)</u>	(350,470)	<u>(1,151,138)</u>

Notes: 1. Reconciling item for segment profit (loss) of negative 350,470 thousand yen is the amount of corporate expenses not allocated to any reportable segments, consisting primarily of general and administrative expenses not attributable to any reportable segments.

2. Segment profit (loss) is adjusted with operating profit in the quarterly consolidated statement of income

2. Information on impairment loss on non-current assets and goodwill by reportable segment

Not applicable.