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September 13, 2024

Consolidated Financial Results for the Second Quarter Ended June 30, 2024 (Under Japanese GAAP)

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 Listing: Tokyo Stock Exchange
 Securities code: 4169
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 Scheduled date to file Semi-annual Securities Report: September 13, 2024
 Scheduled date to commence dividend payments: –
 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, 2024 (from January 1, 2024 to June 30, 2024)

(1) Consolidated operating results (cumulative) (Percentages indicate changes from the previous corresponding period.)

	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, 2024	2,721	33.0	(1,421)	–	(888)	–	(1,784)	–
June 30, 2023	2,046	(4.9)	(1,151)	–	(1,213)	–	(1,214)	–

Note: Comprehensive income For the six months ended June 30, 2024: JPY (1,795) million [–%]
 For the six months ended June 30, 2023: JPY (1,297) million [–%]

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
June 30, 2024	(53.08)	–
June 30, 2023	(40.21)	–

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
As of	Millions of yen	Millions of yen	%
June 30, 2024	7,685	801	10.1
December 31, 2023	5,564	(1,479)	(26.7)

Reference: Equity
 As of June 30, 2024: JPY 772 million
 As of December 31, 2023: JPY (1,483) million

2. Cash dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended December 31, 2023	–	0.00	–	0.00	–
Fiscal year ending March 31, 2025	–	0.00			
Fiscal year ending March 31, 2025 (Forecast)			–	–	–

- Notes
- Revisions from dividend forecast most recently announced: None
 - The Company's Articles of Incorporation stipulate that the record dates for dividend fall on the last day of the fiscal year. At present, the forecast for dividends with this record date has yet to be determined.

3. Consolidated earnings forecasts for the fiscal year ending March 31, 2025 (from January 1, 2024 to March 31, 2025)

(Percentages indicate year-on-year changes.)

	Sales		Operating profit		Adjusted Operating 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 March 31, 2025	6,500	–	TBD	–	TBD	–	TBD	–	TBD

- Notes
- Revisions from earnings forecast most recently announced: None
 - As indicated in the "Notice Regarding the Revision of Earnings Forecast (Undetermined)" disclosed on March 27, 2024, our earnings forecast was undecided. However, as stated in the "Notice Concerning the FY24 Full-Year Earnings Forecast" published on September 2, 2024, we have formulated our growth strategy and earnings forecast based on the assumption that EV JUDEN INFRA ICHIGO LLC will be within the consolidated scope. Furthermore, assuming the approval of the proposal for a partial revision of the Articles of Incorporation, including the change of fiscal year-end, at the extraordinary general meeting of shareholders on September 3, 2024, the fiscal year will be an irregular 15-month period from January 1, 2024, to March 31, 2025, and figures are calculated accordingly. Regarding the earnings forecast for profit, the timing and amount of subsidies for the EV Charging business are variable, which may cause significant fluctuations, so it has not been disclosed. However, we expect a deficit for the fiscal year ending March 2025.
By segment, the Platform business and Data business are expected to achieve sales of approximately JPY 6.4 billion, and the EV Charging business is expected to achieve sales of approximately JPY 100 million.
For details, please refer to "1. Overview of operating results, etc., (3) Explanation of consolidated earnings forecast and other forward-looking information" on page 5.

*Notes

- Significant changes in the scope of consolidated during the period: None
- Application of special accounting for preparing semi-annual consolidated financial statements: None
- Changes in accounting policies, changes in accounting estimates, and restatement
 - Changes in accounting policies due to revisions to accounting standards and other regulations: None
 - Changes in accounting policies due to other reasons: None
 - Changes in accounting estimates: None
 - 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, 2024	34,845,872 shares
As of December 31, 2023	30,935,684 shares

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

As of June 30, 2024	410 shares
As of December 31, 2023	259 shares

(iii) Average number of shares outstanding during the period

Six months ended June 30, 2024	33,622,527 shares
Six months ended June 30, 2023	30,197,418 shares

* These Consolidated Financial Results reports are exempt from 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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1. Overview of operating results, etc.

(1) Overview of operating results for the current semi-annual period

During the six months ended June 30, 2024, the Japanese economy has been recovering moderately with an improvement in the employment and income environment and the effects of various policies, despite still showing signs of being caught in a standstill. The outlook for the economy remains uncertain due to factors such as the impact of continued high interest rates in Europe and the U.S. and concerns about the outlook for the Chinese economy.

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 JPY 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 JPY. In the energy industry, which plays a central role in the GX movement, our base market, electricity sales, has expanded to approximately 18 trillion JPY (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, in the Energy Platform business, our group has strengthened collaboration with energy companies for two services, “ENECHANGE” (a platform for switching household 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 aggressively marketed Charge 2, which corresponds to the EV charging infrastructure development project under the “Subsidy for Promotion of Introduction of Charging and Refueling Infrastructure to Promote Clean Energy Vehicles” and Charge 3, a model for condominiums, and began vigorous advertising activities such as taxi and elevator advertising in order to continuously make active investments 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.

As a result, the operating results of our group for the six months ended June 30, 2024 have recorded sales of 2,721,923 thousand JPY (an increase of 33.0% compared to the previous corresponding period), an operating loss of 1,421,093 thousand JPY (compared to an operating loss of 1,151,138 thousand JPY in the previous corresponding period), an ordinary loss of 888,409 thousand JPY (compared to an ordinary loss of 1,213,232 thousand JPY in the previous corresponding period). Loss attributable to owners of parent was 1,784,564 thousand JPY (compared to a loss attributable to owners of parent of 1,214,093 thousand JPY in the previous corresponding period).

In addition, we have recorded a gain on donation of subsidy income of 716,752 thousand JPY in non-

operating income. 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 23.7% increase in the number of continuing reward-eligible users compared to the previous corresponding period, reaching 627,094. Additionally, due to the surge in electricity prices and the performance recovery of energy companies, the semi-annual ARPU (Note 3) (recurring revenue) was 606 JPY, and the semi-annual ARPU (non-recurring revenue) was 25,276 JPY.

As a result, the segment sales reached 2,098,989 thousand JPY (an increase of 36.4% compared to the previous corresponding period), and the segment profit amounted to 165,287 thousand JPY (an increase of 53.7% 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 6.6% decrease in the number of customers to 57 companies compared to the previous corresponding period. Additionally, through the cross-selling to existing customers, the semi-annual ARPU (recurring revenue) increased by 22.1% to 3,862 thousand JPY compared to the previous corresponding period, and the semi-annual ARPU (non-recurring revenue) increased by 33.8% to 1,009 thousand JPY compared to the previous corresponding period.

As a result, segment sales amounted to 567,052 thousand JPY (an increase of 18.2% compared to the previous corresponding period), and segment profit was 95,762 thousand JPY (a decrease of 13.2% compared to the previous corresponding period).

3 EV Charging business

In the “EV Charging business,” we have proactively invested in increased hiring of engineering and sales personnel to launch and promote the business. We also implemented aggressive marketing activities, including TV commercials. As a result of these efforts, the cumulative number of destination charging points (6 kW or more), a focus area for our company, reached 2,429 units (Note 4) as of June 30, 2024. Additionally, we have expanded partner collaborations, aiming for further business expansion.

As a result, the segment sales amounted to 55,881 thousand JPY (an increase of 101.4% compared to the previous corresponding period), and the segment loss was 1,172,073 thousand JPY (compared to a segment loss of 1,018,570 thousand JPY 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.
4. Created by extracting only 6kW charging spots from EVsmart’s “EV Charging ports Statistics” (excluding basic charging).

(2) Overview of financial position for the current semi-annual period

1 Assets, liabilities, and total shareholders' equity

(Assets)

At the end of the second quarter of the current fiscal year, current assets amounted to 5,564,705 thousand JPY, an increase of 1,927,083 thousand JPY compared to the end of the previous fiscal year. This increase is primarily due to an increase of 2,190,266 thousand JPY in cash and deposits.

Additionally, non-current assets amounted to 2,121,133 thousand JPY at the end of the second quarter of the current fiscal year, an increase of 193,947 thousand JPY compared to the end of the previous fiscal year. This increase is primarily due to increases of 47,595 thousand JPY in software in progress and 129,980 thousand JPY in other under investments and other assets.

As a result, total assets were 7,685,838 thousand JPY, an increase of 2,121,030 thousand JPY 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 4,305,453 thousand JPY, an increase of 739,541 thousand JPY compared to the end of the previous fiscal year. This increase was primarily due to decreases of 377,155 thousand JPY in short-term borrowings and 437,939 thousand JPY in provision for expenses related to revisions to financial results, while the current portion of long-term borrowings increased by 825,000 thousand JPY, accounts payable – other increased by 511,986 thousand JPY, and other increased by 100,686 thousand JPY.

Non-current liabilities amounted to 2,578,985 thousand JPY at the end of the second quarter of the current fiscal year, a decrease of 899,137 thousand JPY from the end of the previous fiscal year. This decrease was mainly due to a decrease of 913,998 thousand JPY in long-term borrowings.

As a result, the total liabilities were 6,884,438 thousand JPY, a decrease of 159,595 thousand JPY 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 801,399 thousand JPY, an increase of 2,280,626 thousand JPY compared to the end of the previous fiscal year. This increase was primarily due to recording 1,784,564 thousand JPY in loss attributable to owners of parent due to a decrease in retained earnings, while capital surplus increased by 4,042,229 thousand JPY. As a result, the equity-to-asset ratio was 10.1% ((26.7)% 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 4,369,982 thousand JPY, compared to 2,179,715 thousand JPY at 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)

In the six months ended June 30, 2024, the funds used in operating activities amounted to 526,566 thousand JPY (the previous corresponding period saw an outflow of 1,018,408 thousand JPY). The main factors for the increase included impairment losses of 634,417 thousand JPY, interest expenses of 97,280 thousand JPY, an increase in accounts payable – other of 729,077 thousand JPY, other, net of 105,146 thousand JPY, and subsidies received of 681,460 thousand JPY. On the other hand, the main factors for the decrease were a loss before income taxes of 1,782,721 thousand JPY, a decrease in provision for expenses related to revisions to financial results of 437,939 thousand JPY, and a gain on donation of subsidy income of 716,752 thousand JPY.

(Cash flows from investing activities)

In the six months ended June 30, 2024, the funds used in investing activities amounted to 1,491,688

thousand JPY (the previous corresponding period saw an outflow of 714,175 thousand JPY). The main factors for the decrease included 1,098,608 thousand JPY in purchase of property, plant and equipment, 86,522 thousand JPY in purchase of intangible assets, 117,724 thousand JPY in short-term loan advances, 129,990 thousand JPY in long-term loan advances, and 86,870 thousand JPY in conditional acquisition consideration.

(Cash flows from financing activities)

In the six months ended June 30, 2024, the funds generated from financing activities amounted to 4,195,717 thousand JPY (the previous corresponding period saw an outflow of 71,878 thousand JPY). The main factors for the increase included 3,999,899 thousand JPY of proceeds from issuance of shares and 690,650 thousand JPY of proceeds from sale and leaseback transactions. The main factors for the decrease were 377,155 thousand JPY of net increase (decrease) in short-term borrowings and 62,977 thousand JPY for repayments of lease liabilities.

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

The environment for the current period surrounding the energy industry to which our group belongs has witnessed a rise in electricity prices and the stabilization of wholesale electricity market prices influenced by the surge in resource prices since the escalation of the Russia-Ukraine situation, and the trend in the percentage of electricity sales by new entrants is reversing from a downward trend in June 2023. In addition, the Corporate IT Trends Survey shows that overall, 48% of companies expect to increase their IT budgets, and furthermore, eight major energy companies saw record profits due to rises in electricity costs for households, etc. in the previous fiscal year (FY23), and willingness to invest in IT is expected to improve.

Amid this external environment, we forecast net sales of 6.5 billion JPY and recurring revenue of 3.4 billion JPY in the fiscal year ending March 31, 2025 (irregular 15-month accounting period).

(4) Significant events affecting premise of going concern

Up until the previous fiscal year, the Group has recorded consecutive operating losses, ordinary losses, and losses attributable to owners of parent. At the end of the current fiscal year, the Group had excess liabilities of 1,479,226 thousand JPY on the consolidated balance sheet. Although the Company has eliminated the excess liabilities as of the end of the second quarter of the current fiscal year by capital increase through third-party allotment in February 2024, it has continued to record an operating loss of 1,421,093 thousand JPY, an ordinary loss of 888,409 thousand JPY, and a loss attributable to owners of parent of 1,784,564 thousand JPY for the six months ended June 30, 2024.

In addition, the Company is in breach of financial covenants with respect to borrowings for certain financial institutions with which it has transactions, although it has not been notified that the acceleration clause will be applied at this time.

Furthermore, as announced in the “Notice Concerning the Release of the Investigation Report by the Independent Investigation Committee” dated June 27, 2024, the Company has been pointed out that the following issues had been identified as a result of this investigation which include: lack of a system that can handle the business risks of the EV Charging business; lack of appropriate communication with the Company’s financial auditor; top management’s disregard for compliance; and a failure to establish effective internal controls and governance to fulfill sufficient checks and supervisory functions. As a result of the release of such an investigation report, there is a possibility that relationships with stakeholders may deteriorate and the Company’s brand power may be damaged.

These events and circumstances constitute a business or situation that raises significant doubts about the premise of going concern.

To resolve such events and circumstances, on the business front, in the “EV Charging business,” while the competitive environment is becoming more severe, the Company aims to strengthen profitability by promoting the improvement of profitability through cost efficiency based on the know-how accumulated over the past two years and other factors. In addition, the Company is working to continuously increase stable segment operating profit in the “Energy Platform business” and “Energy Data business.”

Although some of the borrowings were in breach of financial covenants, the Company is discussing financial plans, etc. with the financial institutions with which it has transactions and continues to maintain close relationships with them in an effort to receive their continued support. On February 26, 2024, the Company issued new shares to be allocated to JIC VGI Opportunity Fund 1 Investment Business Limited Liability Partnership, raising a total of 3,999,899 thousand JPY, thereby securing the funds necessary for the immediate investment in the “EV Charging business.”

Moreover, the Company, as announced in the “Notice Regarding Formulation of Measures to Prevent Recurrence, Etc.” dated July 29, 2024, regarding measures to prevent recurrence, will endeavor to regain the trust of all related parties by promptly implementing measures to prevent recurrence in line with the recommendations in the investigation report by the Independent Investigation Committee.

The Company is working to secure and maintain the necessary funds through the above measures. However, there is significant uncertainty regarding the premise of going concern based on the following facts; it is still unclear whether the Company will be able to strengthen its profitability in the EV Charging business amid the increasingly competitive environment and whether the Company will be able to obtain continued support from the financial institutions with which it has transactions; the Company has agreed to requests for early repayment for certain financial institutions with other financial institutions’ understanding; and the results of the release of the investigation report may damage the Company’s relationship with various stakeholders and its brand power.

The Company has prepared the semi-annual consolidated financial statements on a going concern basis, and the effects of significant uncertainty regarding the Company’s premise of a going concern have not been reflected in the semi-annual consolidated financial statements.

2. Semi-annual consolidated financial statements and significant notes

(1) Semi-annual consolidated balance sheet

(Thousands of yen)

	As of December 31, 2023	As of June 30, 2024
Assets		
Current assets		
Cash and deposits	2,179,715	4,369,982
Accounts receivable Trade and Contract Assets	587,827	589,329
Merchandise and finished goods	5,908	2,091
Advance payments to suppliers	7,136	3,671
Accounts receivable - other	672,011	158,381
Consumption taxes refund receivable	75,207	208,308
Other	164,878	281,283
Allowance for doubtful accounts	(55,064)	(48,342)
Total current assets	3,637,621	5,564,705
Non-current assets		
Property, plant and equipment	15,040	31,109
Intangible assets		
Software	202,239	211,113
Software in progress	661	48,257
Goodwill	357,900	385,651
Total intangible assets	560,801	645,022
Investments and other assets		
Investment securities	1,018,705	998,086
Guarantee deposits	227,377	228,815
Long-term accounts receivable - other	105,250	88,110
Other	10	129,990
Total investments and other assets	1,351,344	1,445,002
Total non-current assets	1,927,186	2,121,133
Total assets	5,564,807	7,685,838

(Thousands of yen)

	As of December 31, 2023	As of June 30, 2024
Liabilities		
Current liabilities		
Accounts payable - trade	39,718	52,023
Short-term borrowings	777,155	400,000
Current portion of long-term borrowings	177,996	1,002,996
Accounts payable - other	1,081,460	1,593,446
Income taxes payable	–	1,527
Contract liabilities	191,195	254,786
Provision for sales promotion expenses	111,616	151,156
Provision for expenses related to revisions to financial results	919,850	481,911
Other	266,918	367,605
Total current liabilities	3,565,911	4,305,453
Non-current liabilities		
Bonds payable	1,000,000	1,000,000
Long-term borrowings	1,533,849	619,851
Long-term unearned revenue	405,250	429,720
Lease liabilities	241,878	265,297
Long-term accounts payable - other	287,796	249,423
Deferred tax liabilities	9,349	14,692
Total non-current liabilities	3,478,123	2,578,985
Total liabilities	7,044,034	6,884,438
Net assets		
Shareholders' equity		
Share capital	47,044	15,285
Capital surplus	6,018,962	10,061,191
Retained earnings	(7,423,676)	(9,208,241)
Treasury shares	(297)	(442)
Total shareholders' equity	(1,357,966)	867,793
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(297,005)	(293,783)
Foreign currency translation adjustment	171,121	198,729
Total accumulated other comprehensive income	(125,883)	(95,053)
Share acquisition rights	4,623	28,660
Total net assets	(1,479,226)	801,399
Total liabilities and net assets	5,564,807	7,685,838

(2) Semi-annual consolidated statements of income and consolidated statement of comprehensive income

Semi-annual consolidated statement of income

Six months ended June 30, 2024

(Thousands of yen)

	Six months ended June 30, 2023	Six months ended June 30, 2024
Sales	2,046,162	2,721,923
Cost of sales	418,654	546,260
Gross profit	1,627,507	2,175,663
Selling, general and administrative expenses	2,778,646	3,596,757
Operating loss	(1,151,138)	(1,421,093)
Non-operating income		
Interest income	16	9
Gain from expired gift vouchers, etc.	3,568	64
Gain on donation of subsidy income	114,278	716,752
Other	4,190	661
Total non-operating income	122,053	717,486
Non-operating expenses		
Interest expenses	18,210	97,280
Commission expenses	1,147	40,420
Share of loss of entities accounted for using equity method	1,597	14,925
Foreign exchange losses	17,703	14,403
Loss on tax purpose reduction entry of noncurrent assets	114,067	—
Other	31,420	17,772
Total non-operating expenses	184,147	184,802
Ordinary loss	(1,213,232)	(888,409)
Extraordinary losses		
Impairment losses	—	634,417
Loss on valuation of investment securities	—	850
Change in provision for expenses related to revisions to financial results	—	259,043
Total extraordinary losses	—	894,311
Loss before income taxes	(1,213,232)	(1,782,721)
Income taxes - current	406	1,900
Income taxes - deferred	554	42
Total income taxes	961	1,943
Loss	(1,214,193)	(1,784,664)
Loss attributable to non-controlling interests	(100)	(100)
Loss attributable to owners of parent	(1,214,093)	(1,784,564)

Semi-annual consolidated statement of comprehensive income

Six months ended June 30, 2024

(Thousands of yen)

	Six months ended June 30, 2023	Six months ended June 30, 2024
Loss	(1,214,193)	(1,784,664)
Other comprehensive income		
Valuation difference on available-for-sale securities	(38,638)	1,235
Foreign currency translation adjustment	13,428	12,867
Share of other comprehensive income of entities accounted for using equity method	(58,053)	(24,694)
Total other comprehensive income	(83,263)	(10,591)
Comprehensive income	(1,297,456)	(1,795,256)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(1,297,356)	(1,795,156)
Comprehensive income attributable to non-controlling interests	(100)	(100)

(3) Semi-annual consolidated statement of cash flows

(Thousands of yen)

	Six months ended June 30, 2023	Six months ended June 30, 2024
Cash flows from operating activities		
Loss before income taxes	(1,213,232)	(1,782,721)
Depreciation	33,423	37,697
Impairment losses	–	634,417
Loss (gain) on valuation of investment securities	–	850
Interest expenses	18,210	97,280
Amortization of goodwill	55,102	59,118
Foreign exchange losses (gains)	1,471	2,922
Gain on donation of subsidy income	(114,278)	(716,752)
Increase (decrease) in provision for expenses related to revisions to financial results	–	(437,939)
Loss on tax purpose reduction entry of non-current assets	114,067	–
Gain from expired gift vouchers etc.	(3,568)	(64)
Share of loss (profit) of entities accounted for using equity method	1,597	14,925
Increase (decrease) in allowance for doubtful accounts	936	(6,722)
Increase (decrease) in provision for sales promotion expenses	(303,394)	39,603
Decrease (increase) in trade receivables	(102,182)	(2,357)
Decrease (increase) in advance payments to suppliers	17,404	7,236
Decrease (increase) in inventories	4,136	3,582
Decrease (increase) in accounts receivable - other	(85,391)	25,083
Decrease (increase) in consumption taxes refund receivable	35,569	(133,100)
Increase (decrease) in trade payables	1,549	12,305
Increase (decrease) in accounts payable - other	480,549	729,077
Increase (decrease) in contact liabilities	37,001	63,590
Increase (decrease) in refund liabilities	51,495	47,207
Decrease(increase) in sales deposit	(113,205)	(1,582)
Decrease (increase) in other assets	10,371	1,045
Increase (decrease) in other liabilities	(33,061)	65,455
Other, net	26,130	105,146
Subtotal	(1,079,294)	(1,134,691)
Interest and dividends received	16	9
Interest paid	(17,116)	(71,444)
Subsidies received	114,278	681,460
Income taxes paid	(36,291)	(1,900)
Net cash provided by (used in) operating activities	(1,018,408)	(526,566)
Cash flows from investing activities		
Purchase of property, plant and equipment	(478,079)	(1,098,608)
Purchase of intangible assets	(138,402)	(86,522)
Purchase of investment securities	(94,468)	(16,967)
Proceeds from repayments of investment securities	16,133	44,994
Short-term loan advances	–	(117,724)
Long-term loan advances	–	(129,990)
Conditional acquisition consideration	(19,358)	(86,870)
Net cash provided by (used in) investing activities	(714,175)	(1,491,688)

(Thousands of yen)

	Six months ended June 30, 2023	Six months ended June 30, 2024
Cash flows from financing activities		
Proceeds from share issuance to non-controlling shareholders resulting from establishment of consolidated subsidiary	100	100
Net increase (decrease) in short-term borrowings	(24,900)	(377,155)
Repayments of long-term borrowings	(58,998)	(88,998)
Proceeds from issuance of shares	–	3,999,899
Repayments of lease liabilities	(20,516)	(62,977)
Proceeds from sale and leaseback transactions	14,146	690,650
Proceeds from issuance of shares resulting from exercise of share acquisition rights	19,436	34,199
Other, net	(1,147)	–
Net cash provided by (used in) financing activities	(71,878)	4,195,717
Effect of exchange rate change on cash and cash equivalents	13,975	12,804
Net increase (decrease) in cash and cash equivalents	(1,790,487)	2,190,266
Cash and cash equivalents at beginning of period	3,067,058	2,179,715
Cash and cash equivalents at end of period	1,276,570	4,369,982

(4) Notes to semi-annual consolidated financial statements

(Notes on segment information, etc.)

(Segment information, etc.)

Segment information

I 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 semi-annual consolidated financial statements (Note 2)
	Energy Platform	Energy Data	EV Charging	Reportable segment		
Sales						
Goods or services that are transferred at a point in time	–	53,562	21,848	75,411	–	75,411
Goods or services that are transferred over a certain period of time	1,538,545	426,301	5,904	1,970,750	–	1,970,750
Revenue from contracts with customers	1,538,545	479,864	27,752	2,046,162	–	2,046,162
Revenues from external customers	1,538,545	479,864	27,752	2,046,162	–	2,046,162
Transactions with other segment	–	–	–	–	–	–
Net sales	1,538,545	479,864	27,752	2,046,162	–	2,046,162
Segment profit (loss)	107,530	110,371	(1,018,570)	(800,668)	(350,470)	(1,151,138)

Note 1: Reconciling items of (350,470) thousand JPY for segment profit (loss) represent corporate expenses not allocated to any reported segment.

Corporate expenses mainly consist of general administrative expenses not attributable to any reporting segment.

Note 2: Segment profit (loss) is adjusted with operating loss in the semi-annual consolidated statement of income.

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

Not applicable.

II For the six months ended June 30, 2024

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

(Thousands of yen)

	Reportable segments				Reconciling items (Note 1)	Per semi-annual consolidated financial statements (Note 2)
	Energy Platform	Energy Data	EV Charging	Reportable segment		
Sales						
Goods or services that are transferred at a point in time	–	37,574	37,326	74,900	–	74,900
Goods or services that are transferred over a certain period of time	2,098,989	529,478	18,554	2,647,022	–	2,647,022
Revenue from contracts with customers	2,098,989	567,052	55,881	2,721,923	–	2,721,923
Revenues from external customers	2,098,989	567,052	55,881	2,721,923	–	2,721,923
Transactions with other segment	–	–	–	–	–	–
Net sales	2,098,989	567,052	55,881	2,721,923	–	2,721,923
Segment profit (loss)	165,287	95,762	(1,172,073)	(911,023)	(510,070)	(1,421,093)

Note 1: Reconciling items of (510,070) thousand JPY for segment profit (loss) represent corporate expenses not allocated to any reported segment.

Corporate expenses mainly consist of general administrative expenses not attributable to any reporting segment.

Note 2: Segment profit (loss) is adjusted with operating loss in the semi-annual 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)

An impairment loss was recorded in the EV Charging business segment. The amount of such impairment loss recorded for the six months ended June 30, 2024 was 634,417 thousand JPY.

(Material change in the amount of goodwill)

In the Energy Platform business segment, additional goodwill was recorded due to the payment of contingent consideration for the acquisition of Shindenryoku Com Co., Ltd. The increase in goodwill due to such an event was 86,870 thousand JPY for the six months ended June 30, 2024.

(Notes in case of significant changes in shareholders' equity)

As a result of receiving payment for the third-party allotment of new shares from JIC VGI Opportunity Fund 1 Investment Business Limited Liability Partnership on February 26, 2024, the Company's share capital and legal capital surplus increased by 1,999,949 thousand JPY, respectively, for the six months ended June 30, 2024.

On the other hand, in accordance with the resolution at the 9th Annual General Meeting of Shareholders held on March 28, 2024, as of the same date, share capital of 2,046,994 thousand JPY and legal capital surplus of 5,098,649 thousand JPY after the capital increase through third-party allotment were reduced by 2,036,994 thousand JPY and 5,098,649 thousand JPY, respectively, and were transferred to other capital surplus.

As a result, share capital amounted to 15,285 thousand JPY and capital surplus amounted to 10,061,191 thousand JPY as of the end of the second quarter of the current fiscal year.

(Note on entity's ability to continue as going concern)

Up until the previous fiscal year, the Group has continuously recorded operating losses, ordinary losses, and losses attributable to owners of parent. At the end of the previous fiscal year, the Company had excess liabilities of 1,479,226 thousand JPY on the consolidated balance sheet. Although the Company has eliminated the excess liabilities as of the end of the second quarter of the current fiscal year by capital increase through third-party allotment in February 2024, it has continued to record an operating loss of 1,421,093 thousand JPY, an ordinary loss of 888,409 thousand JPY, and a loss attributable to owners of parent of 1,784,564 thousand JPY for the six months ended June 30, 2024. In addition, the Company is in breach of financial covenants with respect to borrowings for certain financial institutions with which it has transactions, although it has not been notified that the acceleration clause will be applied.

Furthermore, as announced in the "Notice Concerning the Release of the Investigation Report by the Independent Investigation Committee" dated June 27, 2024, the Company has been pointed out that the following issues had been identified as a result of this investigation which include: lack of a system that can handle the business risks of the EV Charging business; lack of appropriate communication with the Company's financial auditor; top management's disregard for compliance; and a failure to establish effective internal controls and governance to fulfill sufficient checks and supervisory functions. As a result of the release of such an investigation report, there is a possibility that relationships with stakeholders may deteriorate and the Company's brand power may be damaged.

These events and circumstances constitute a business or situation that raises significant doubts about the premise of going concern.

To resolve such events and circumstances, on the business front, in the "EV Charging business," while the competitive environment is becoming more severe, the Company aims to strengthen profitability by promoting the improvement of profitability through cost efficiency based on the know-how accumulated over the past two years and other factors. In addition, the Company is working to continuously increase stable segment operating profit in the "Energy Platform business" and "Energy Data business."

Although some of the borrowings were in breach of financial covenants, the Company is discussing financial plans, etc. with the financial institutions with which it has transactions and continues to maintain close relationships with them in an effort to receive their continued support. On February 26, 2024, the Company issued new shares to be allocated to JIC VGI Opportunity Fund 1 Investment Business Limited Liability Partnership, raising a total of 3,999,899 thousand JPY, thereby securing the funds necessary for the immediate investment in the "EV Charging business."

Moreover, the Company, as announced in the "Notice Regarding Formulation of Measures to Prevent Recurrence, Etc." dated July 29, 2024, regarding measures to prevent recurrence, will endeavor to regain the trust of all related parties by promptly implementing measures to prevent recurrence in line with the recommendations in the investigation report by the Independent Investigation Committee.

The Company is working to secure and maintain the necessary funds through the above measures. However, there is significant uncertainty regarding the premise of going concern based on the following facts; it is still unclear whether the Company will be able to strengthen its profitability in the EV Charging business amid the increasingly competitive environment and whether the Company will be able to obtain continued support from the financial institutions with which it has transactions; the Company has agreed to requests for early repayment for certain financial institutions with other financial institutions' understanding; and the results of the release of the investigation report may damage the Company's relationship with various stakeholders and its brand power.

The Company has prepared the semi-annual consolidated financial statements on a going concern basis, and the effects of significant uncertainty regarding the Company's premise of a going concern have not been reflected in the semi-annual consolidated financial statements.

(Significant subsequent events)

(Voluntary early repayment of certain borrowings)

After the Independent Investigation Committee established on March 27, 2024 began its investigation, the Group has successively reported the situation to the financial institutions with which it has transactions and requested their cooperation in maintaining the loan balance and expanding future loans. Under such circumstances, the Group received a request from one of the banks with which it does business for early repayment due to individual circumstances. The Group does not believe that there are any reasons for such early repayment, and also believes that it should avoid preferential repayment of loans to some of the financial institutions with which the Group has transactions, given that the Group is in the process of requesting cooperation in maintaining and expanding its loan balance with these financial institutions. The Group therefore consulted with other financial institutions and held discussions with the one company in question. As a result, the Group obtained the understanding of the other financial institutions regarding the voluntary early repayment to such company, and on July 8, 2024, the Company made a voluntary early repayment of the entire amount of the borrowings (570,000 thousand JPY) to such company.

No similar events have occurred at present, and the financial institutions with which the Company has transactions have been cooperative.

(Change in accounting period)

The Company, at the Board of Directors meeting held on July 29, 2024, resolved to change the fiscal year-end (the last day of the business year) and partially revise the Articles of Incorporation, and received approval at the extraordinary shareholders' meeting held on September 3, 2024.

1. Reason for change

The Company had maintained an accounting period for the fiscal year to be from January 1 to December 31 of the same year. In order to enhance the efficiency of our group's business management and the convenience of monthly comparisons with peer companies, we will change our fiscal year from January 1 to December 31 of the same year to from April 1 to March 31 of the following year.

2. Details of change

Current: From January 1 to December 31 of the same year

Revised: From April 1 to March 31 of the following year

The 10th fiscal period, which will serve as the transitional period for the change in fiscal year-end, is scheduled to be 15 months from January 1, 2024, to March 31, 2025.