

November 13, 2024

Company Name: ENECHANGE Ltd.

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

Inquiries: Yuichiro Shinohara, Senior Executive Officer / CFO
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**(Revision) Partial Revision of Consolidated Financial Results for the FY23 Q3 Financial Summary
(Under Japanese GAAP) and Notice Concerning the Submission of the Corrected FY23 Q3 Report**

ENECHANGE (hereinafter referred to as “the Company”) has made corrections to part of the FY23 Q3 Financial Results (Under Japanese GAAP) submitted on November 10, 2023, and has submitted a correction report for the Q3 report for FY23. Details are as follows.

1. Background and Reasons for Revision

The Company’s Board of Directors passed a resolution on November 10, 2023, and on the same day, the Company released its financial results for the FY23 Q3 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 Q3 Financial Results previously disclosed and submitted a correction report for the FY23 Q3 Report.

2. 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.

Summary Information in the Consolidated Financial Results: Page 1

1.Consolidated Financial Results for FY23 Q3 (January 1, 2023 - September 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	%
Nine months ended								
September 30, 2023	<u>3,923</u>	<u>39.1</u>	<u>(1,248)</u>	—	<u>(1,336)</u>	—	<u>(1,382)</u>	—
September 30, 2022	2,820	29.0	(531)	—	(528)	—	(623)	—

Note: Comprehensive income For the three months ended September 30, 2023: JPY(1,713) million[–%]
 For the three months ended September 30, 2022: JPY(710) million [–%]

	Basic earnings per share	Diluted earnings per share
Nine months ended	Yen	Yen
September 30, 2023	<u>(345.59)</u>	–
September 30, 2022	(20.90)	–

[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	%
Nine months ended								
September 30, 2023	<u>3,230</u>	<u>14.6</u>	<u>(1,545)</u>	–	<u>(1,649)</u>	–	<u>(1,696)</u>	–
September 30, 2022	2,820	29.0	(531)	–	(528)	–	(623)	–

Note: Comprehensive income For the nine months ended September 30, 2023: JPY(1,730) million[–%]
 For the nine months ended September 30, 2022: JPY(710) million [–%]

	Basic earnings per share	Diluted earnings per share
Nine months ended	Yen	Yen
September 30, 2023	<u>(55.92)</u>	–
September 30, 2022	(20.90)	–

Summary Information in the Consolidated Financial Results: Page 1

1.Consolidated Financial Results for FY23 Q3 (January 1, 2023 - September 30, 2023) ,

(2)Consolidated financial position

[Before Revision]

	Total assets	Net assets	Equity-to-asset ratio
As of	Millions of yen	Millions of yen	%
September 30, 2023	<u>6,199</u>	<u>2,152</u>	<u>34.6</u>
December 31, 2022	6,758	3,502	51.7

Reference: Equity As of September 30, 2023 : JPY1,850million
 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	%
September 30, 2023	<u>6,577</u>	<u>1,839</u>	<u>27.9</u>
December 31, 2022	6,758	3,502	51.7

Reference: Equity As of September 30, 2023: JPY1,833 million
 As of December 31, 2022: JPY3,495 million

For the attached documents, please refer to the "FY23 Q3 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.

November 10, 2023

Consolidated Financial Results for the Third Quarter Ended September 30, 2023 (Under Japanese GAAP)

Company name: ENECHANGE Ltd.
 Listing: Tokyo Stock Exchange
 Securities code: 4169
 URL: <https://enechange.co.jp/>
 Representative: Tomoya Maruoka, Representative Director and CEO
 Inquiries: Yuichiro Shinohara, Senior Executive Officer and CFO
 TEL: +81-3-6635-1021
 Scheduled date to file Quarterly Report: November 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 nine months ended September 30, 2023 (from January 1, 2023 to September 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	%
Nine months ended								
September 30, 2023	3,230	14.6	(1,545)	–	(1,649)	–	(1,696)	–
September 30, 2022	2,820	29.0	(531)	–	(528)	–	(623)	–

Note: Comprehensive income For the nine months ended September 30, 2023: JPY(1,730) million[–%]
 For the nine months ended September 30, 2022: JPY(710) million [–%]

	Basic earnings per share	Diluted earnings per share
Nine months ended	Yen	Yen
September 30, 2023	(55.92)	–
September 30, 2022	(20.90)	–

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
As of	Millions of yen	Millions of yen	%
September 30, 2023	6,577	1,839	27.9
December 31, 2022	6,758	3,502	51.7

Reference: Equity As of September 30, 2023: JPY1,833 million
 As of December 31, 2022: JPY3,495 million

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	6,500	74.1	–	–	(1,300)	–	–	–	–

Note: Revisions from earnings forecast most recently announced: Yes

Notes

- (1) Changes in specified subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): Yes

Newly included: One company (EV JUDEN INFRA ICHIGO LLC)

Excluded: – company (–)

- (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 September 30, 2023	30,875,492 shares
As of December 31, 2022	30,076,640 shares

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

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

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

Nine months ended September 30, 2023	30,335,439 shares
Nine months ended September 30, 2022	29,819,058 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 nine months ended September 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 the rise in prices caused by a weaker yen and fluctuations in financial capital markets.

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, in the Energy Platform business, we have strengthened collaboration with energy companies for two services, “ENECHANGE” (a platform for switching household electricity and gas providers) and “ENECHANGE Biz” (a platform for switching corporate electricity and gas providers). Taking advantage of the opening of electricity data derived from smart meters under certain rules, we have introduced the service “ENECHANGE My Energy” that utilizes this data. Through this service, we aim to enhance acquisition of new users and support for existing users by proposing optimal electricity plans for the diversified and complex electricity rate plans.

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.” Additionally, leveraging the software behind the “ENECHANGE EV Charge” app, we have expanded our services with the development and operation of EV charging apps, as well as providing API for nationwide EV charging location information under the solution “ENECHANGE Cloud EV.” We have also strengthened our service offerings, including undertaking the development of the “ENEOS Charge Plus EV Charging App” provided by ENEOS Corporation.

In the EV Charging business, we continued vigorous advertising activities and active investments in order to increase our market share in the EV charging field, as well as efforts to contribute to further improvement of convenience for EV users. In addition, the installation of EV chargers has progressed steadily, with more than 500 units installed per month since the summer of 2023.

As a result, the operating results of our group for the nine months ended September 30, 2023 have recorded sales of 3,230,492 thousand yen (an increase of 14.6% compared to the previous corresponding period), an operating loss of 1,545,616 thousand yen (compared to an operating loss of 531,855 thousand yen in the previous corresponding period), an ordinary loss of 1,649,677 thousand yen (compared to an ordinary loss of 528,740 thousand yen in the previous corresponding period). Loss attributable to owners of parent was 1,696,405 thousand yen (compared to a loss attributable to owners of parent of 623,191 thousand yen in the previous corresponding period).

In addition, we have recorded a gain on donation of subsidy income of 116,547 thousand yen in non-operating income, and loss on tax purpose reduction entry of noncurrent assets of 114,067 thousand yen and share of loss of entities accounted for using equity method of 37,678 thousand yen in non-operating expenses. Gain on donation of subsidy income and loss on tax purpose reduction entry of noncurrent assets are related to the development of charging infrastructure in the EV Charging business. Share of loss of entities accounted for using equity method is related to investments in Japan Energy Capital 1

L.P. and Japan Energy Capital 2 L.P., which are affiliates accounted for using the equity method. We have also recorded impairment losses of 21,948 thousand yen in extraordinary losses. This is related to the decline in profitability of some intangible assets in the Energy Data 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 23.1% increase in the number of continuing reward-eligible users compared to the previous corresponding period, reaching 539,772. Regarding the quarterly ARPU (Note 3), due to the impact of an increase in one-time fee received from affiliated energy companies at the time of the switchover, the ARPU (recurring revenue) increased by 29.0% to 672 yen compared to the previous corresponding period, and the ARPU (non-recurring revenue) increased by 137.6% to 14,988 yen compared to the previous corresponding period.

As a result, the segment sales reached 2,394,911 thousand yen (an increase of 14.8% compared to the previous corresponding period), and the segment profit amounted to 236,023 thousand yen (a decrease of 8.0% 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 21.2% increase in the number of customers to 63 companies compared to the previous corresponding period. As for the quarterly ARPU, due to a decrease in recurring revenue, the ARPU (recurring revenue) decreased by 18.9% to 2,778 thousand yen compared to the previous corresponding period, and the ARPU (non-recurring revenue) increased by 25.9% to 968 thousand yen compared to the previous corresponding period.

As a result, segment sales amounted to 716,861 thousand yen (a decrease of 1.9% compared to the previous corresponding period), and segment profit was 127,116 thousand yen (an increase of 6.6% 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 7,329 units since the start of the business. Additionally, more than 500 units of chargers were installed per month during the summer period from late August to the end of September 2023.

As a result, the segment sales amounted to 118,720 thousand yen (2,891 thousand yen in the previous corresponding period), and the segment loss was 1,362,268 thousand yen (compared to a segment loss of 406,510 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**(Assets)**

At the end of the third quarter of the current fiscal year, current assets amounted to 3,400,318 thousand yen, a decrease of 1,126,757 thousand yen compared to the end of the previous fiscal year. This decrease is primarily due to decreases of 1,353,833 thousand yen in cash and deposits, 117,567 thousand yen in merchandise and finished goods and 415,090 thousand yen in advance payments to suppliers, while accounts receivable Trade and Contract Assets increased by 189,690 thousand yen and accounts receivable - other increased by 542,625 thousand yen.

Additionally, non-current assets amounted to 3,177,488 thousand yen at the end of the third quarter of the current fiscal year, an increase of 945,741 thousand yen compared to the end of the previous fiscal year. This increase is primarily due to increases of 707,195 thousand yen in construction in progress and 133,282 thousand yen in software, while goodwill decreased by 62,719 thousand yen.

As a result, total assets were 6,577,807 thousand yen, a decrease of 181,015 thousand yen compared to the end of the previous fiscal year.

(Liabilities)

At the end of the third quarter of the current fiscal year, current liabilities amounted to 3,089,052 thousand yen, an increase of 1,005,847 thousand yen compared to the end of the previous fiscal year. This increase was primarily due to increases of 564,775 thousand yen in short-term borrowings, 553,983 thousand yen in accounts payable - other, 106,828 thousand yen in contact liabilities, and 50,440 thousand yen in refund liabilities, while provision for sales promotion expenses decreased by 340,307 thousand yen.

Non-current liabilities amounted to 1,649,571 thousand yen at the end of the third quarter of the current fiscal year, an increase of 476,416 thousand yen from the end of the previous fiscal year. This increase was mainly due to increases of 300,000 thousand yen in bonds payable, 206,482 thousand yen in long-term unearned revenue, and 106,869 thousand yen in other, while long-term borrowings decreased by 133,497 thousand yen.

As a result, the total liabilities were 4,738,624 thousand yen, an increase of 1,482,263 thousand yen compared to the end of the previous fiscal year.

(Total shareholders' equity)

At the end of the third quarter of the current fiscal year, the total shareholders' equity was 1,839,183 thousand yen, a decrease of 1,663,279 thousand yen compared to the end of the previous fiscal year. This decrease was primarily due to the recording of 1,696,405 thousand yen in loss attributable to owners of parent.

As a result, the equity-to-asset ratio was 27.9% (51.7% at the end of the previous fiscal year).

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

During the period under review, in the environment surrounding the energy industry to which our group belongs, the rise in electricity prices and wholesale electricity market prices affected by soaring resource prices since the escalation of the Russia-Ukraine situation, have settled down. In addition, while the percentage of electric vehicles (EVs) and plug-in hybrid vehicles (PHVs) in new car sales remains at a record high, the Ministry of Economy, Trade and Industry's target for the installation of chargers by 2030 has doubled from 150,000 units to 300,000 units (target for regular chargers has increased from 120,000 units to 270,000 units) (Note 1). In light of this, demand for EVs and EV charging infrastructure is expected to increase.

In this external environment, the Company has continued to implement measures to gain market share in each business segment while maintaining investment discipline. As a result, net sales are expected to exceed the previous forecast, and ordinary profit is expected to fall short of the forecast.

- (I) In the "Energy Platform business," in the previous forecast, we had assumed that it would still take some time for the ARPU to recover, while we expected an increase in net sales due to the growing number of users through the second half of the fiscal year. From the first half of the fiscal year, the

ARPU recovered more than expected in the previous forecast, contributing to an increase in recurring revenue. In the revised forecast, we expect net sales to continue to increase in the second half of the year due to the increasing number of users.

- (II) In the “EV Charging business,” the previous forecast anticipated a full-scale increase in net sales and improvement in profit and loss from the second half of the fiscal year due to the installation and start of use of EV chargers. Since this is the first year of full-scale operations, we had conservatively estimated the sales unit price associated with the installation and start of use of EV chargers. In the revised forecast, the accuracy of the assumed unit price has increased with the progress of the business. In addition, net sales are expected to increase from the previous forecast due to impact from the recent improvement in the assumed unit price compared to the assumed unit price in the previous forecast.

- (III) In the “Energy Data business,” in the previous forecast, we had conservatively estimated net sales, considering the IT budget cuts at electric utilities owing to the deteriorating business environment. In the revised forecast, we maintain our sales forecast, as sales are generally progressing as planned.

As a result of the above, we have revised our full-year sales forecast upward from 5,250 million yen to 6,500 million yen (up 74.1% from the previous fiscal year) due to expected increases in sales in the energy platform business and EV charging business.

Meanwhile, the decision on the government subsidy for the EV charging business is expected to be made after mid-November this year, slightly later than expected. In line with this, it is increasingly likely that some installation work will be delayed to January 2024, and profits are expected to decrease from the previous forecast. We have thereby revised our ordinary loss forecast downward from an ordinary loss of 900 million yen to an ordinary loss of 1,300 million yen (ordinary loss of 1,156 million yen in the previous fiscal year).

Financial results forecasts for each stage of profit and loss other than ordinary profit and loss remain undisclosed.

- (Note) 1. Described based on the “Green Growth Strategy with Carbon Neutrality by 2050” and the “Guidelines for Promoting Charging Infrastructure Development” from the Ministry of Economy, Trade and Industry.

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

(Thousands of yen)

	As of December 31, 2022	As of September 30, 2023
Assets		
Current assets		
Cash and deposits	3,067,058	<u>1,713,225</u>
Accounts receivable Trade and Contract Assets	441,503	<u>631,193</u>
Merchandise and finished goods	122,908	<u>5,341</u>
Advance payments to suppliers	424,773	<u>9,683</u>
Accounts receivable - other	233,419	<u>776,045</u>
Consumption taxes refund receivable	103,955	<u>117,807</u>
Other	137,842	<u>153,156</u>
Allowance for doubtful accounts	(4,386)	<u>(6,135)</u>
Total current assets	<u>4,527,076</u>	<u>3,400,318</u>
Non-current assets		
Property, plant and equipment		
Construction in progress	31,764	<u>738,959</u>
Other	72,988	<u>225,688</u>
Total property, plant and equipment	<u>104,752</u>	<u>964,647</u>
Intangible assets		
Software	72,701	205,983
Software in progress	31,709	3,120
Goodwill	702,039	639,320
Other	2,077	1,919
Total intangible assets	<u>808,528</u>	<u>850,344</u>
Investments and other assets		
Investment securities	1,126,590	1,135,780
Guarantee deposits	191,876	226,706
Other	8,817	10
Allowance for doubtful accounts	(8,817)	—
Total investments and other assets	<u>1,318,466</u>	<u>1,362,497</u>
Total non-current assets	<u>2,231,747</u>	<u>3,177,488</u>
Total assets	<u>6,758,823</u>	<u>6,577,807</u>

(Thousands of yen)

	As of December 31, 2022	As of September 30, 2023
Liabilities		
Current liabilities		
Accounts payable - trade	41,043	<u>50,659</u>
Short-term borrowings	674,900	1,239,675
Current portion of long-term borrowings	142,996	182,996
Accounts payable - other	532,625	<u>1,086,608</u>
Income taxes payable	36,291	<u>22,921</u>
Contact liabilities	70,431	<u>177,260</u>
Provision for sales promotion expenses	449,057	108,749
Refund liabilities	—	<u>50,440</u>
Other	135,859	<u>169,741</u>
Total current liabilities	<u>2,083,205</u>	<u>3,089,052</u>
Non-current liabilities		
Long-term borrowings	1,136,845	1,003,348
Bonds payable	—	<u>300,000</u>
Long-term unearned revenue	—	<u>206,482</u>
Deferred tax liabilities	13,812	10,373
Other	22,497	<u>129,367</u>
Total non-current liabilities	<u>1,173,154</u>	<u>1,649,571</u>
Total liabilities	<u>3,256,360</u>	<u>4,738,624</u>
Net assets		
Shareholders' equity		
Share capital	3,061,665	44,450
Capital surplus	2,930,526	6,016,642
Retained earnings	(2,438,533)	<u>(4,134,914)</u>
Treasury shares	(163)	(163)
Total shareholders' equity	<u>3,553,495</u>	<u>1,926,015</u>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(208,127)	(270,267)
Foreign currency translation adjustment	149,733	177,871
Total accumulated other comprehensive income	<u>(58,394)</u>	<u>(92,396)</u>
Share acquisition rights	7,361	5,564
Total net assets	<u>3,502,462</u>	<u>1,839,183</u>
Total liabilities and net assets	<u>6,758,823</u>	<u>6,577,807</u>

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

Nine months ended September 30

(Thousands of yen)

	Nine months ended September 30, 2022	Nine months ended September 30, 2023
Net sales	2,820,108	3,230,492
Cost of sales	520,484	705,380
Gross profit	2,299,623	2,525,112
Selling, general and administrative expenses	2,831,479	4,070,729
Operating loss	(531,855)	(1,545,616)
Non-operating income		
Interest income	36	22
Share of profit of entities accounted for using equity method	14,430	—
Gain from expired gift vouchers etc.	5,579	3,575
Gain on donation of Subsidy income	—	116,547
Other	1,852	5,377
Total non-operating income	21,898	125,521
Non-operating expenses		
Interest expenses	15,090	32,674
Commission expenses	1	1,160
Taxes and dues	—	22,485
Share of loss of entities accounted for using equity method	—	37,678
Loss on tax purpose reduction entry of non-current assets	—	114,067
Other	3,691	21,516
Total non-operating expenses	18,783	229,582
Ordinary loss	(528,740)	(1,649,677)
Extraordinary income		
Gain on sale of non-current assets	493	—
Total extraordinary income	493	—
Extraordinary losses		
Impairment losses	63,403	21,948
Settlement payments	11,469	—
Other	1,346	—
Total extraordinary losses	76,219	21,948
Loss before income taxes	(604,466)	(1,671,625)
Income taxes - current	11,095	24,274
Income taxes - deferred	7,628	605
Total income taxes	18,724	24,880
Loss	(623,191)	(1,696,505)
Loss attributable to non-controlling interests	—	(100)
Loss attributable to owners of parent	(623,191)	(1,696,405)

Quarterly consolidated statement of comprehensive income

Nine months ended September 30

(Thousands of yen)

	Nine months ended September 30, 2022	Nine months ended September 30, 2023
Loss	(623,191)	<u>(1,696,505)</u>
Other comprehensive income		
Valuation difference on available-for-sale securities	—	(24,550)
Foreign currency translation adjustment	(640)	(8,946)
Share of other comprehensive income of entities accounted for using equity method	(86,500)	(504)
Total other comprehensive income	<u>(87,141)</u>	<u>(34,001)</u>
Comprehensive income	<u>(710,332)</u>	<u>(1,730,507)</u>
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(710,332)	<u>(1,730,407)</u>
<u>Comprehensive income attributable to non-controlling interests</u>	=	<u>(100)</u>

(3) 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 44,450 thousand yen and 6,016,642 thousand yen, respectively, in the third 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 third 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, commodity sales and purchase agreement and construction contract, 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.
- Since a call option has been granted to the Company and a put option granted to the bondholder, and the exercise price of each is set as the investment price, we have determined that, given the economic rationality, it is highly likely that either option will be exercised, and that the control requirement (guarantee of debt for approximately a majority of the total amount of financing) is expected to be met.
- In the case that the put option granted to the bondholder is exercised, the Company has an obligation to acquire the equity interest in silent partnership after the bonds are converted at the investment price. Accordingly, in the case that the situation of the “EV Charging business” of EV JUDEN INFRA ICHIGO LLC is unfavorable, and thereby the deficit situation persists, it is expected that the put option will be exercised by the bondholder and the Company will be responsible for almost the entire loss of EV JUDEN INFRA ICHIGO LLC.

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 Nine months ended September 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	—	120,733	2,166	<u>122,900</u>	—	<u>122,900</u>
Goods or services that are transferred over a certain period of time	<u>2,086,540</u>	609,941	725	<u>2,697,207</u>	—	<u>2,697,207</u>
Revenue from contracts with customers	2,086,540	730,675	2,891	2,820,108	—	2,820,108
Revenues from external customers	2,086,540	730,675	2,891	2,820,108	—	2,820,108
Transactions with other segments	—	—	—	—	—	—
Net sales	2,086,540	730,675	2,891	2,820,108	—	2,820,108
Operating profit (loss)	256,547	119,208	(406,510)	(30,754)	(501,100)	(531,855)

Notes: 1. Reconciling item for segment profit (loss) of negative 501,100 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 nine months ended September 30, 2022.

(Material change in the amount of goodwill)

In the Energy Platform business segment, goodwill was recorded as a result of making Shindenryoku Com Co., Ltd. a subsidiary. This resulted in a 101,901 thousand yen increase in goodwill for the nine months ended September 30, 2022.

II For the Nine months ended September 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	—	92,742	<u>106,045</u>	<u>198,787</u>	—	<u>198,787</u>
Goods or services that are transferred over a certain period of time	<u>2,394,911</u>	624,118	<u>12,675</u>	<u>3,031,705</u>	—	<u>3,031,705</u>
Revenue from contracts with customers	<u>2,394,911</u>	716,861	<u>118,720</u>	<u>3,230,492</u>	—	<u>3,230,492</u>
Revenues from external customers	<u>2,394,911</u>	716,861	<u>118,720</u>	<u>3,230,492</u>	—	<u>3,230,492</u>
Transactions with other segments	—	—	—	—	—	—
Net sales	<u>2,394,911</u>	716,861	<u>118,720</u>	<u>3,230,492</u>	—	<u>3,230,492</u>
Operating profit (loss)	<u>236,023</u>	127,116	<u>(1,362,268)</u>	<u>(999,128)</u>	(546,488)	<u>(1,545,616)</u>

Notes: 1. Reconciling item for segment profit (loss) of negative 546,488 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)

An impairment loss on intangible assets was recorded in the Energy Data business segment. The amount of such impairment loss recorded for the nine months ended September 30, 2023 was 21,948 thousand yen.

Significant subsequent events

(Issuance of corporate bonds and conclusion of agreement regarding equity interest in silent partnership) EV JUDEN INFRA ICHIGO LLC, a consolidated subsidiary of the Company, issued its second series unsecured bonds with a payment date of October 31, 2023.

The outline is as follows.

<u>Name</u>	<u>Second series unsecured bonds</u>
<u>Total amount of bonds</u>	<u>700,000 thousand yen</u>
<u>Interest rate</u>	<u>7.0%</u>
<u>Payment date</u>	<u>October 31, 2023</u>
<u>Method and date of redemption of bonds</u>	<u>Lump-sum redemption on October 31, 2031 (Note)</u>
<u>Collateral</u>	<u>There is no collateral provided by the Company, nor are there any collateral or guarantees provided by third parties.</u>
<u>Use of funds</u>	<u>Acquisition and operation of EV charging facilities</u>

(Note) On October 18, 2023, the Company entered into an agreement regarding equity interest in silent partnership with the bondholders of the above-mentioned bonds, which stipulates that, after the bonds held by the bondholders are converted into equity interest in silent partnership three years after the investment, the Company will have the right (call option) to acquire the investors' equity interest at the book value of the investment, and the investor will have the right (put option) to sell the equity interest to the Company or a third party designated by the Company at the book value of the investment.

(Conclusion of a loan agreement between a representative director of the Company and a bondholder of EV JUDEN INFRA ICHIGO LLC)

The Company's Representative Director has entered into a loan agreement with bondholders who underwrote the second series unsecured bonds of EV JUDEN INFRA ICHIGO LLC in October 2023, and provided a loan of 350,000 thousand yen.

In light of the following use of funds and repayment terms, the Company has determined that the loan is an indirect underwriting of the subsidiary's bonds.

Use of funds: Limited to the payment of bonds issued by EV JUDEN INFRA ICHIGO LLC to bondholders.

Repayment terms of the loan: In the event that, after the bonds held by bondholders are converted into equity interests in silent partnerships, bondholders receive the consideration for the sale of their equity interests in silent partnerships as a result of the exercise of the Company's call option or the bondholders' put option, they shall repay the entire principal amount within one month of the date of receipt of such consideration.