

July 9, 2024

Company name: ENECHANGE Ltd.

Representative: Yohei Kiguchi, Representative Director and CEO
(TSE Growth Code No. 4169)

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(Revision of Explanation and Numerical Data) Partial Revision of Consolidated Financial Results for the Fiscal Year Ended December 31, 2023 (Under Japanese GAAP)

ENECHANGE (hereinafter referred to as “the Company”) hereby announces that it has made partial revisions to the Consolidated Financial Results for the Fiscal Year Ended December 31, 2023 (Under Japanese GAAP) submitted on February 9, 2024, as follows.

1. Background and Reasons for Revision

The Company’s Board of Directors passed a resolution on February 9, 2024, and on the same day the Company released its financial results for the fiscal year ended December 31, 2023. Subsequently, however, on February 16, 2024, the Company received a report from KPMG AZSA LLC (hereinafter referred to as “AZSA”) stating that it had received an external report that the accounting treatment of a scheme using a Special Purpose Company (SPC), EV JUDEN INFRA ICHIGO LLC, in the EV charging business (hereinafter referred to as the “Scheme”) was questionable.

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 AZSA, concerning the accounting approaches and treatments for the Scheme within its new EV charging business, a new business that was launched in full swing in the fiscal year ended December 31, 2023, 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 reviewing additional disclosed information, 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, based on the fact that in the above discussion, AZSA has raised concerns about potential issues in our internal controls related to the execution and accounting of the Scheme, such as the necessary information for assessing the inclusion of the SPC in the Company’s consolidated scope not being reported or shared in a timely and sufficient manner with our Board of Directors, etc., and in the questionable 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 to proceed with the investigation, 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 announced in the “Notice Concerning the Submission of FY23 Securities Report” dated today, the Company has prepared and submitted the Securities Report for FY23 to the Kanto Local Finance Bureau after taking actions to include the SPC within its consolidated scope as well as other necessary actions based on the investigation results by the Independent Investigation Committee. Accordingly, the Company has decided to make partial revisions to the financial results for the fiscal year ended December 31, 2023 that were previously released, and the impact of the partial revisions to the financial results for the fiscal year ended December 31, 2023, is shown in the summary table in the “3. Differences before and after Revisions and Reasons thereof” below.

As a result of the investigation by the Independent Investigation Committee, no doubts were found regarding the accounting treatment of transactions in the EV charging business separated from the Scheme, and therefore, the Company does not plan to make any revisions to the financial results for the fiscal year ended December 31, 2022 and the Securities Report for FY22.

At present, the Company plans to make revisions to the Quarterly Report for FY23 Q3, and will do so after the submission of the Quarterly Report for FY24 Q1.

2. Future Outlook

“Explanatory Materials Related to Business Plan and Growth Potential” and the undetermined consolidated earnings forecasts for the fiscal year ending December 31, 2024, will be released at the time of the announcement of the financial results for the second quarter of the fiscal year ending December 31, 2024.

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.

Summary Information in the Consolidated Financial Results: Page 1

1. Consolidated financial results for the fiscal year ended December 31, 2023 (from January 1, 2023 to December 31, 2023),

(1) Consolidated operating results

[Before Revision]

(1) Consolidated operating results

(Percentages indicate year-on-year changes.)

Fiscal year ended	Sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
December 31, 2023	<u>6,625</u>	<u>77.4</u>	<u>(1,066)</u>	—	<u>(1,199)</u>	—	<u>(1,247)</u>	—
December 31, 2022	3,734	23.7	(1,121)	—	(1,156)	—	(1,315)	—

Note: Comprehensive income For the fiscal year ended December 31, 2023: JPY(1,271) million [—%]
For the fiscal year ended December 31, 2022: JPY(1,298) million [—%]

Fiscal year ended	Basic earnings per share	Diluted earnings per share	Return on equity	Ordinary profit/total assets	Operating profit/sales
	Yen	Yen	%	%	%
December 31, 2023	<u>(40.91)</u>	—	<u>(43.1)</u>	<u>(18.1)</u>	<u>(16.1)</u>
December 31, 2022	(44.01)	—	(31.7)	(17.1)	(30.1)

Reference: Share of profit (loss) of entities accounted for using equity method
For fiscal year ended December 31, 2023: JPY(43) million
For fiscal year ended December 31, 2022: JPY 9 million

[After Revision]

(1) Consolidated operating results

(Percentages indicate year-on-year changes.)

Fiscal year ended	Sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
December 31, 2023	<u>4,379</u>	<u>17.3</u>	<u>(2,125)</u>	—	<u>(2,404)</u>	—	<u>(4,985)</u>	—
December 31, 2022	3,734	23.7	(1,121)	—	(1,156)	—	(1,315)	—

Note: Comprehensive income For the fiscal year ended December 31, 2023: JPY(5,052) million [—%]
For the fiscal year ended December 31, 2022: JPY(1,298) million [—%]

	Basic earnings per share	Diluted earnings per share	Return on equity	Ordinary profit/ total assets	Operating profit/ sales
Fiscal year ended	Yen	Yen	%	%	%
December 31, 2023	<u>(163.55)</u>	—	<u>(495.7)</u>	<u>(43.2)</u>	<u>(48.5)</u>
December 31, 2022	(44.01)	—	(31.7)	(17.1)	(30.1)

Reference: Share of profit (loss) of entities accounted for using equity method
For fiscal year ended December 31, 2023: JPY(90) million
For fiscal year ended December 31, 2022: JPY 9 million

Summary Information in the Consolidated Financial Results: Page 1

1. Consolidated financial results for the fiscal year ended December 31, 2023 (from January 1, 2023 to December 31, 2023),
(2) Consolidated financial position
[Before Revision]

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
December 31, 2023	<u>6,636</u>	<u>2,302</u>	<u>34.6</u>	<u>74.43</u>
December 31, 2022	6,758	3,502	51.7	116.21

Reference: Equity
As of December 31, 2023: JPY2,297 million
As of December 31, 2022: JPY3,495 million

[After Revision]

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
December 31, 2023	<u>5,564</u>	<u>(1,479)</u>	<u>(26.7)</u>	<u>(47.82)</u>
December 31, 2022	6,758	3,502	51.7	116.21

Reference: Equity
As of December 31, 2023: JPY(1,483) million
As of December 31, 2022: JPY3,495 million

Summary Information in the Consolidated Financial Results: Page 2

1. Consolidated financial results for the fiscal year ended December 31, 2023 (from January 1, 2023 to December 31, 2023),
(3) Consolidated cash flows
[Before Revision]

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
Fiscal year ended	Millions of yen	Millions of yen	Millions of yen	Millions of yen
December 31, 2023	<u>(1,910)</u>	<u>(426)</u>	<u>558</u>	<u>1,298</u>

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
December 31, 2022	(1,910)	(1,546)	958	3,067

[After Revision]

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
Fiscal year ended	Millions of yen	Millions of yen	Millions of yen	Millions of yen
December 31, 2023	<u>(1,621)</u>	<u>(931)</u>	<u>1,654</u>	<u>2,179</u>
December 31, 2022	(1,910)	(1,546)	958	3,067

Summary Information in the Consolidated Financial Results report: Page 2

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

[Before Revision]

(Percentages indicate year-on-year changes.)

	Sales		Operating profit		Adjusted Operating Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ending December 31, 2024	<u>10,000</u>	<u>50.9</u>	<u>—</u>	—	<u>—</u>	—

	Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Yen
Fiscal year ending December 31, 2024	<u>—</u>	—	<u>—</u>	—	<u>—</u>

*Adjusted Operating Profit: Operating Profit + Stock Compensation Expense

Note: Our group is focused on improving corporate value through the maximization of free cash flow in the long term, and emphasizing revenue growth in the medium term. Based on this philosophy. For the fiscal year ending in December 2024, we are aiming for sales of 10 billion yen, which represents a growth rate of over 50% compared to the previous consolidated fiscal year. In order to achieve this growth rate, we are planning to make aggressive investments. Although we expect to record a profit at Adjusted Operating Profit, we have decided not to disclose specific financial forecasts for adjusted operating profit, ordinary profit, and profit attributable to owners of the parent, in order to make dynamic investment decisions. For details, please refer to “1. Summary of Business Results, (4) Future Outlook” on page 7.

[After Revision]

(Percentages indicate year-on-year changes.)

	Sales		Operating profit		Adjusted Operating Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ending December 31, 2024	<u>TBD</u>	<u>—</u>	<u>TBD</u>	—	<u>TBD</u>	—

	Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Yen
Fiscal year ending December 31, 2024	<u>TBD</u>	—	<u>TBD</u>	—	<u>TBD</u>

*Adjusted Operating Profit: Operating Profit + Stock Compensation Expense

Summary Information in the Consolidated Financial Results: Page 2

3. Consolidated earnings forecasts for the fiscal year ending December 31, 2024 (from January 1, 2024 to December 31, 2024), *Notes

[Before Revision]

- (1) Changes in specified subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None
- (2) 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

[After Revision]

- (1) Changes in specified subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): Yes
- (2) 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

Summary Information in the Consolidated Financial Resultst: Page 3

(Reference) 1. Non-Consolidated financial results for the fiscal year ended December 31, 2023 (from January 1, 2023 to December 31, 2023), (1) Non-Consolidated financial results

[Before Revision]

(1) Non-Consolidated operating results

(Percentages indicate year-on-year changes.)

	Sales		Operating profit		Ordinary profit		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended								
December 31, 2023	<u>4,333</u>	<u>29.2</u>	<u>(506)</u>	—	<u>(538)</u>	—	<u>(1,323)</u>	—
December 31, 2022	3,354	18.1	(1,187)	—	(1,139)	—	(1,153)	—

	Basic earnings per share	Diluted earnings per share
Fiscal year ended	Yen	Yen
December 31, 2023	(43.42)	—
December 31, 2022	(38.62)	—

[After Revision]

(1) Non-Consolidated operating results

(Percentages indicate year-on-year changes.)

Fiscal year ended	Sales		Operating profit		Ordinary profit		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
December 31, 2023	4,264	27.1	(792)	—	(650)	—	(3,106)	—
December 31, 2022	3,354	18.1	(1,187)	—	(1,139)	—	(1,153)	—

	Basic earnings per share	Diluted earnings per share
Fiscal year ended	Yen	Yen
December 31, 2023	(101.92)	—
December 31, 2022	(38.62)	—

Summary Information in the Consolidated Financial Results: Page 3

(Reference) 1. Non-Consolidated financial results for the fiscal year ended December 31, 2023 (from January 1, 2023 to December 31, 2023), (2) Non-Consolidated financial position

[Before Revision]

(2) Non-Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
December 31, 2023	6,189	2,291	36.9	73.90
December 31, 2022	6,849	3,630	52.9	120.46

Reference: Equity

As of December 31, 2023: JPY2,286 million

As of December 31, 2022: JPY3,623 million

[After Revision]

(2) Non-Consolidated operating results

	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen

	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
December 31, 2023	<u>5,584</u>	<u>506</u>	<u>9.0</u>	<u>16.37</u>
December 31, 2022	6,849	3,630	52.9	120.46

Reference: Equity

As of December 31, 2023: JPY501 million

As of December 31, 2022: JPY3,623 million

Please refer to the “(Revision of Explanation and Numerical Data) Consolidated Financial Results for the Fiscal Year Ended December 31, 2023 (Under Japanese GAAP)” below. Revisions are underlined.

We deeply apologize for the significant inconvenience and concern this may cause to our shareholders, investors, and all other parties involved.

Note: This document has been translated from 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.

February 9, 2024

Consolidated Financial Results for the Fiscal Year Ended December 31, 2023 (Under Japanese GAAP)

Company name: ENECHANGE Ltd.
 Listing: Tokyo Stock Exchange Prime Market
 Securities code: 4169
 URL: <https://enechange.co.jp/>
 Representative: Yohei Kiguchi, Representative Director and CEO
 Inquiries: Tomoya Maruoka, Executive Officer / CFO
 Telephone: +81-3-6635-1021
 Scheduled date of annual general meeting of shareholders: March 28, 2024
 Scheduled date to commence dividend payments: –
 Scheduled date to file annual report: March 28, 2024
 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 fiscal year ended December 31, 2023 (from January 1, 2023 to December 31, 2023)

(1) Consolidated operating results

(Percentages indicate year-on-year changes.)

Fiscal year ended	Sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
December 31, 2023	4,379	17.3	(2,125)	–	(2,404)	–	(4,985)	–
December 31, 2022	3,734	23.7	(1,121)	–	(1,156)	–	(1,315)	–

Note: Comprehensive income For the fiscal year ended December 31, 2023: JPY(5,052) million [–%]
 For the fiscal year ended December 31, 2022: JPY(1,298) million [–%]

Fiscal year ended	Basic earnings per share	Diluted earnings per share	Return on equity	Ordinary profit/total assets	Operating profit/sales
	Yen	Yen	%	%	%
December 31, 2023	(163.55)	–	(495.7)	(43.2)	(48.5)
December 31, 2022	(44.01)	–	(31.7)	(17.1)	(30.1)

Reference: Share of profit (loss) of entities accounted for using equity method

For the fiscal year ended December 31, 2023: JPY(90) million
 For the fiscal year ended December 31, 2022: JPY9 million

(2) Consolidated financial position

As of	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
December 31, 2023	5,564	(1,479)	(26.7)	(47.82)
December 31, 2022	6,758	3,502	51.7	116.21

Reference: Equity

As of December 31, 2023: JPY(1,483) million
 As of December 31, 2022: JPY3,495 million

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
Fiscal year ended	Millions of yen	Millions of yen	Millions of yen	Millions of yen
December 31, 2023	<u>(1,621)</u>	<u>(931)</u>	<u>1,654</u>	<u>2,179</u>
December 31, 2022	(1,910)	(1,546)	958	3,067

2. Cash dividends

	Annual dividends per share					Total dividends (Total)	Payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal year ended December 31, 2022	–	0.00	–	0.00	0.00	–	–	–
Fiscal year ended December 31, 2023	–	0.00	–	0.00	0.00	–	–	–
Fiscal year ending December 31, 2024 (Forecast)	–	–	–	–	–		–	

Note: 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, 2024 (from January 1, 2024 to December 31, 2024)

(Percentages indicate year-on-year changes.)

	Sales		Operating profit		Adjusted Operating Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ending December 31, 2024	<u>TBD</u>	–	<u>TBD</u>	–	<u>TBD</u>	–

	Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Yen
Fiscal year ending December 31, 2024	<u>TBD</u>	–	<u>TBD</u>	–	<u>TBD</u>

*Adjusted Operating Profit: Operating Profit + Stock Compensation Expense

*Notes

- (1) Changes in specified subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): Yes
- (2) 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

(3) Number of issued shares (common shares)

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

As of December 31, 2023	30,935,684 shares
As of December 31, 2022	30,076,640 shares

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

As of December 31, 2023	259 shares
As of December 31, 2022	128 shares

(iii) Average number of shares outstanding during the period

Fiscal year ended December 31, 2023	30,480,958 shares
Fiscal year ended December 31, 2022	29,879,922 shares

(Reference)

1. Non-Consolidated financial results for the fiscal year ended December 31, 2023 (from January 1, 2023 to December 31, 2023)

(1) Non-Consolidated operating results

(Percentages indicate year-on-year changes.)

Fiscal year ended	Sales		Operating profit		Ordinary profit		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
December 31, 2023	<u>4,264</u>	<u>27.1</u>	<u>(792)</u>	—	<u>(650)</u>	—	<u>(3,106)</u>	—
December 31, 2022	3,354	18.1	(1,187)	—	(1,139)	—	(1,153)	—

Fiscal year ended	Basic earnings per share	Diluted earnings per share
	Yen	Yen
December 31, 2023	<u>(101.92)</u>	—
December 31, 2022	(38.62)	—

(2) Non-Consolidated financial position

As of	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
December 31, 2023	<u>5,584</u>	<u>506</u>	<u>9.0</u>	<u>16.37</u>
December 31, 2022	6,849	3,630	52.9	120.46

Reference: Equity

As of December 31, 2023: JPY501 million
As of December 31, 2022: JPY3,623 million

* These Consolidated Financial Results reports are exempt from audit conducted 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 business performance

(1) Overview of the current period's business performance

During the current fiscal year, 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 has been 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 stabilization of electricity 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, our group has continued to engage in proactive sales activities and investments aimed at enhancing our market share in the field of EV charging under our EV Charging business. We have also continued initiatives that contribute to further improving the convenience for EV users.

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 Holdings, Inc.

As a result, the consolidated performance of our group for the fiscal year ended has recorded sales of 4,379,001 thousand JPY (an increase of 17.3% compared to the previous year), an operating loss of 2,125,017 thousand JPY (compared to an operating loss of 1,121,703 thousand JPY in the previous year), an ordinary loss of 2,404,967 thousand JPY (compared to an ordinary loss of 1,156,664 thousand JPY in the previous year). Net loss attributable to the parent company's shareholders was 4,985,167 thousand JPY (compared to a net loss attributable to the parent company's shareholders of 1,315,060 thousand JPY in the previous year) due to the recording of 1,606,489 thousand JPY in impairment losses

related to the EV Charging business, etc. as extraordinary losses and 919,850 thousand JPY in extraordinary expenses related to the revisions of the financial results for the fiscal year ended December 31, 2023.

In addition, we have recorded a subsidy grant benefit of 120,487 thousand JPY in non-operating income and loss on tax purpose reduction entry of noncurrent assets of 114,067 thousand JPY in non-operating expenses. These are related to the development of charging infrastructure in the EV Charging business.

The performance of each segment is as follows.

1 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, a focus area for our company, reached 2,076 units (Note 3). Additionally, we have expanded partner collaborations, aiming for further business expansion.

As a result, the segment sales amounted to 139,807 thousand JPY (a decrease of 26.2% compared to the previous year), and the segment loss was 2,081,636 thousand JPY (compared to a segment loss of 784,491 thousand JPY in the previous year).

2 Energy Platform business

In the “Energy Platform business,” both household and corporate switch counts have been robust, resulting in a 24.2% increase in the number of continuing reward-eligible users compared to the previous fiscal year, reaching 573,139. Additionally, due to the surge in electricity prices and the performance recovery of energy companies, ARPU (Note 4) (recurring revenue) for the current fiscal year increased by 23% to 616 JPY compared to the previous fiscal year, and ARPU (Non-recurring revenue) for the current fiscal year increased by 71% to 14,239 JPY compared to the previous fiscal year.

As a result, the segment sales reached 3,241,980 thousand JPY (an increase of 25.9% compared to the previous period), and the segment profit amounted to 359,435 thousand JPY (an increase of 58.6% compared to the previous period).

3 Energy Data business

In the “Energy Data business,” continuous service provision to existing customers and the introduction of new customers to digital marketing support SaaS “ENECHANGE Cloud Marketing” and household Demand Response service “ENECHANGE Cloud DR” resulted in a 5.2% increase in the number of customers to 61 companies compared to the previous fiscal year. Additionally, through the introduction of cross-selling to existing customers, ARPU (recurring revenue) for the current fiscal year increased by 17.5% to 3,246 thousand JPY compared to the previous fiscal year, and ARPU (Non-recurring revenue) for the current fiscal year increased by 1.2% to 1,033 thousand JPY compared to the previous fiscal year.

As a result, segment sales amounted to 997,212 thousand JPY (an increase of 2.9% compared to the previous year), and segment profit was 158,420 thousand JPY (a decrease of 3.3% compared to the previous year).

(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. Created by extracting only 6kW charging spots from EVsmart's "EV Charging ports Statistics"

(excluding basic charging).

4. Average Revenue Per User (ARPU) is an abbreviation for the average revenue per user, representing the average revenue per user.

(2) The overview of the current financial status

(Assets)

At the end of the current fiscal year, current assets amounted to 3,637,621 thousand JPY, a decrease of 889,455 thousand JPY compared to the end of the previous fiscal year. This decrease is primarily due to an increase of 146,324 thousand JPY in trade receivables and contract assets and an increase of 438,591 thousand JPY in prepaid expense, while cash and deposits decreased by 887,343 thousand JPY, merchandise and products decreased by 117,000 thousand JPY, and advances to suppliers decreased by 417,637 thousand JPY. Additionally, non-current assets amounted to 1,927,186 thousand JPY at the end of the current fiscal year, a decrease of 304,560 thousand JPY from the end of the previous fiscal year. This decrease is primarily due to a 129,538 thousand yen increase in software, while investment securities decreased by 107,884 thousand JPY and goodwill decreased by 344,139 thousand JPY. As a result, total assets were 5,564,807 thousand JPY, a decrease of 1,194,015 thousand JPY compared to the end of the previous fiscal year.

(Liabilities)

At the end of the current fiscal year, current liabilities amounted to 3,565,911 thousand JPY, an increase of 1,482,705 thousand JPY compared to the end of the previous fiscal year. This increase was primarily due to increases of 548,835 thousand JPY in accounts payable – other, 102,255 thousand yen in short-term borrowings, 120,763 thousand JPY in contract liabilities, and 919,850 thousand JPY in provision for expenses related to revisions to financial results, while the provision for sales promotion expenses decreased by 337,440 thousand JPY.

Non-current liabilities amounted to 3,478,123 thousand JPY at the end of the current fiscal year, an increase of 2,304,968 thousand JPY from the end of the previous fiscal year. This increase was mainly due to increases of 397,004 thousand JPY in long-term borrowings, 1,000,000 thousand JPY in bonds payable, 219,380 thousand JPY in lease liabilities, 405,250 thousand JPY in long-term unearned revenue, and 287,796 thousand JPY in long-term accounts payable – other.

As a result, the total liabilities were 7,044,034 thousand JPY, an increase of 3,787,673 thousand JPY compared to the end of the previous fiscal year.

(Total shareholders' equity)

At the end of the current fiscal year, the total shareholders' equity was (1,479,226) thousand JPY, a decrease of 4,981,689 thousand JPY compared to the end of the previous fiscal year. This decrease was primarily due to 4,985,167 thousand JPY in net loss attributable to owners of parent being recorded.

(3) Summary of the cash flow for the current period

At the end of the current fiscal year, cash and cash equivalents (hereinafter referred to as "funds") amounted to 2,179,715 thousand JPY, compared to 3,067,058 thousand JPY at the end of the previous fiscal year.

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

(Cash flows from operating activities)

In the current fiscal year, the funds used in operating activities amounted to 1,621,096 thousand JPY (the previous period saw an outflow of 1,910,932 thousand JPY). The main factors for the increase included depreciation expenses of 83,348 thousand JPY, amortization of goodwill of 109,052 thousand JPY, a change in provision for expenses related to revisions to financial results of 919,850 thousand JPY, impairment losses on non-current assets of 114,067 thousand JPY, an increase in accounts payable – other of 277,419 thousand JPY, and subsidies received 120,487 thousand JPY. On the other

hand, the main factors for the decrease were a loss before income taxes of 4,959,249 thousand JPY, gain on donation of subsidy income of 120,487 thousand JPY, and a decrease in provision for sales promotion expenses of 333,862 thousand JPY.

(Cash flows from investing activities)

In the current fiscal year, the funds used for investing activities amounted to 931,244 thousand JPY (the previous period saw an outflow of 1,546,692 thousand JPY). The main factors for the expenditure were 648,510 thousand JPY spent on the acquisition of tangible fixed assets, 166,920 thousand JPY in purchase of property, plant and equipment, and 124,563 thousand JPY in purchase of investment securities, among others.

(Cash flows from financing activities)

In the current fiscal year, the funds generated from financing activities amounted to 1,654,211 thousand JPY (the previous period saw an inflow of 958,454 thousand JPY). The main factors for the increase include 1,000,000 thousand JPY of proceeds from issuance of bonds, 155,849 thousand JPY of proceeds from sale and leaseback transactions, 102,255 thousand JPY of net increase in short-term borrowings, and 570,000 thousand JPY in proceeds from long-term borrowings. The main factor for the decrease was expenditures of 137,996 thousand JPY for repayments of long-term borrowings.

(4) Outlook for the future

The company emphasizes the enhancement of corporate value through the long-term maximization of free cash flow and, in the medium term, focuses on the growth of sales.

In the EV Charging business, amid a period of the highest-ever ratio of electric vehicles (EVs) and plug-in hybrid vehicles (PHEVs) in new passenger car sales; the doubling of the Ministry of Economy, Trade and Industry's installation target for charging ports from 150,000 to 300,000 by 2030 (with the installation target for Level 2 charging increased from 120,000 to 270,000) (Note 1); and the announcement of allocating a total of 36 billion JPY to the budget for charging infrastructure development in 2024 (Note 2), the demand for EV charging infrastructure is expected to further increase in the future.

In the Energy Platform business, it is anticipated that the worsening of the Russia-Ukraine situation and the resulting surge in resource prices have led to electricity rate increases and stability in wholesale electricity market prices. This situation is expected to encourage electricity companies to actively pursue user acquisition.

In the Energy Data business, we have successfully established relationships with major energy companies in terms of customer numbers. In the future, we plan to focus on expanding service offerings to major power companies to improve Average Revenue Per User (ARPU).

Furthermore, as disclosed on January 5, 2024, in the announcement regarding the "Funding & Career Commit Mega Venture Incentive" program, we intend to use adjusted operating profit (operating profit minus stock compensation expense) as an indicator of the company's inherent profitability in our forecasts for the fiscal year ending December 2024 and beyond.

The future-oriented statements mentioned above are based on information currently available to our group and certain information deemed reasonable by us, incorporating risks and uncertainties. Actual performance may vary in the future due to various uncertain factors.

Please note that in the event our group calculates new forecasts internally during the fiscal period, there is a possibility of disclosing revisions to the performance forecasts in accordance with disclosure standards.

(Notes)

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.
2. Described based on the “Future Execution of Subsidies for Promoting the Introduction of Charging and Refueling Infrastructure for the Promotion of Clean Energy Vehicles” from the Ministry of Economy, Trade and Industry.

(5) Significant events affecting premise of going concern

Up until the current fiscal year, the Group has recorded operating losses for two consecutive fiscal years, ordinary losses for three consecutive years, and losses attributable to owners of parent for five consecutive years. In the current fiscal year, the Group recorded a significant operating loss of 2,125,017 thousand JPY, ordinary loss of 2,404,967 thousand JPY, and loss attributable to owners of parent of 4,985,167 thousand JPY. As a result, as of December 31, 2023, the Company had excess liabilities of 1,479,226 thousand JPY on the consolidated balance sheet.

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 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 effective operation of advertising 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 as of the end of the previous fiscal year and as of the end of the current fiscal year, 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 will strive to restore confidence by formulating measures to prevent recurrence and raising awareness of compliance 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 from certain financial institutions with other financial institutions’ understanding; the results of the release of the investigation report may damage the Company’s relationship with various stakeholders and its brand power; and there may be obstacles to the business operation of the Company if it becomes difficult for the Representative Director Yohei Kiguchi to be involved in the Group.

2. The basic approach to the selection of accounting standards

Our group, considering comparability between companies, applies Japanese accounting standards. Regarding the application of IFRS (International Financial Reporting Standards), we plan to appropriately respond, taking into account various domestic and international situations.

3. Consolidated financial statements and significant notes

(1) Consolidated balance sheet

(Thousands of yen)

	As of December 31, 2022	As of December 31, 2023
Assets		
Current assets		
Cash and deposits	3,067,058	2,179,715
Accounts receivable Trade and Contract Assets	441,503	587,827
Merchandise and finished goods	122,908	5,908
Advance payments to suppliers	424,773	7,136
Prepaid expenses	106,507	160,283
Accounts receivable - other	233,419	672,011
Consumption taxes refund receivable	103,955	75,207
Other	31,335	4,595
Allowance for doubtful accounts	(4,386)	(55,064)
Total current assets	4,527,076	3,637,621
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	11,675	-
Tools, furniture and fixtures, net	36,979	15,040
Leased assets, net	24,333	-
Construction in progress	31,764	-
Total property, plant and equipment	104,752	15,040
Intangible assets		
Software	72,701	202,239
Software in progress	31,709	661
Goodwill	702,039	357,900
Other	2,077	-
Total intangible assets	808,528	560,801
Investments and other assets		
Investment securities	1,126,590	1,018,705
Guarantee deposits	191,876	227,377
Long-term accounts receivable - other	-	105,250
Other	8,817	10
Allowance for doubtful accounts	(8,817)	-
Total investments and other assets	1,318,466	1,351,344
Total non-current assets	2,231,747	1,927,186
Total assets	6,758,823	5,564,807

(Thousands of yen)

	As of December 31, 2022	As of December 31, 2023
Liabilities		
Current liabilities		
Accounts payable - trade	41,043	39,718
Short-term borrowings	674,900	777,155
Current portion of long-term borrowings	142,996	177,996
Accounts payable - other	532,625	1,081,460
Income taxes payable	36,291	–
Contract liabilities	70,431	191,195
Refund liabilities	–	64,564
Provision for sales promotion expenses	449,057	111,616
Provision for expenses related to revisions to financial results	–	919,850
Other	135,859	202,354
Total current liabilities	2,083,205	3,565,911
Non-current liabilities		
Bonds payable	–	1,000,000
Long-term borrowings	1,136,845	1,533,849
Long-term unearned revenue	–	405,250
Lease liabilities	22,497	241,878
Long-term accounts payable - other	–	287,796
Deferred tax liabilities	13,812	9,349
Total non-current liabilities	1,173,154	3,478,123
Total liabilities	3,256,360	7,044,034
Net assets		
Shareholders' equity		
Share capital	3,061,665	47,044
Capital surplus	2,930,526	6,018,962
Retained earnings	(2,438,533)	(7,423,676)
Treasury shares	(163)	(297)
Total shareholders' equity	3,553,495	(1,357,966)
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(208,127)	(297,005)
Foreign currency translation adjustment	149,733	171,121
Total accumulated other comprehensive income	(58,394)	(125,883)
Share acquisition rights	7,361	4,623
Total net assets	3,502,462	(1,479,226)
Total liabilities and net assets	6,758,823	5,564,807

(2) Consolidated statements of income and consolidated statement of comprehensive income

Consolidated statement of income

(Thousands of yen)

	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023
Sales	3,734,068	4,379,001
Cost of sales	798,344	1,027,404
Gross profit	2,935,723	3,351,596
Selling, general and administrative expenses	4,057,427	5,476,614
Operating loss	(1,121,703)	(2,125,017)
Non-operating income		
Interest income	36	25
Commission income	479	2,487
Gain from expired gift vouchers etc	6,069	3,578
Foreign exchange gains	8,043	—
Share of profit of entities accounted for using equity method	9,034	—
Gain on donation of Subsidy income	194,593	120,487
Other	2,229	4,698
Total non-operating income	220,485	131,277
Non-operating expenses		
Interest expenses	21,933	77,940
Share issuance costs	442	525
Foreign exchange losses	—	6,075
Commission expenses	35,262	50,172
Taxes and dues	—	38,217
Share of loss of entities accounted for using equity method	—	90,573
Loss on tax purpose reduction entry of noncurrent assets	194,518	114,067
Other	3,289	33,654
Total non-operating expenses	255,445	411,227
Ordinary loss	(1,156,664)	(2,404,967)
Extraordinary income		
Gain on sale of non-current assets	493	—
Gain on change in equity	3,208	—
Total extraordinary income	3,701	—
Extraordinary losses		
Impairment losses	63,403	1,606,489
Loss on valuation of investment securities	—	26,580
Loss on retirement of non-current assets	1,346	1,360
Settlement payments	11,469	—
Provision for expenses related to revisions to financial results	—	919,850
Total extraordinary losses	76,219	2,554,281
Loss before income taxes	(1,229,182)	(4,959,249)
Income taxes - current	76,891	25,360
Income taxes - deferred	8,986	657
Total income taxes	85,878	26,017
Loss	(1,315,060)	(4,985,267)
Loss attributable to non-controlling interests	—	(100)
Loss attributable to owners of parent	(1,315,060)	(4,985,167)

Consolidated statement of comprehensive income

(Thousands of yen)

	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023
Loss	(1,315,060)	(4,985,267)
Other comprehensive income		
Valuation difference on available-for-sale securities	31,500	(48,039)
Foreign currency translation adjustment	(5,639)	10,239
Share of other comprehensive income of entities accounted for using equity method	(9,073)	(29,689)
Total other comprehensive income	16,787	(67,489)
Comprehensive income	(1,298,272)	(5,052,756)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(1,298,272)	(5,052,656)
Comprehensive income attributable to non-controlling interests	—	(100)

(3) Consolidated statement of changes in equity

Fiscal year ended December 31, 2022

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	3,036,055	2,904,222	(1,059,241)	(108)	4,880,929
Cumulative effects of changes in accounting policies	–	–	(64,231)	–	(64,231)
Restated balance	3,036,055	2,904,222	(1,123,472)	(108)	4,816,697
Changes during period					
Issuance of new shares	25,609	25,609			51,219
Loss attributable to owners of parent			(1,315,060)		(1,315,060)
Purchase of treasury shares				(54)	(54)
Increase and decrease in other capital surplus		694			694
Net changes in items other than shareholders' equity					
Total changes during period	25,609	26,303	(1,315,060)	(54)	(1,263,201)
Balance at end of period	3,061,665	2,930,526	(2,438,533)	(163)	3,553,495

	Accumulated other comprehensive income			Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at beginning of period	(82,704)	7,522	(75,182)	8,116	4,813,863
Cumulative effects of changes in accounting policies	–	–	–	–	(64,231)
Restated balance	(82,704)	7,522	(75,182)	8,116	4,749,631
Changes during period					
Issuance of new shares					51,219
Loss attributable to owners of parent					(1,315,060)
Purchase of treasury shares					(54)
Increase and decrease in other capital surplus					694
Net changes in items other than shareholders' equity	(125,422)	142,210	16,787	(754)	16,032
Total changes during period	(125,422)	142,210	16,787	(754)	(1,247,168)
Balance at end of period	(208,127)	149,733	(58,394)	7,361	3,502,462

Fiscal year ended December 31, 2023

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	3,061,665	2,930,526	(2,438,533)	(163)	3,553,495
Changes during period					
Issuance of new shares	37,044	37,044			74,089
Loss attributable to owners of parent			(4,985,167)		(4,985,167)
Purchase of treasury shares				(134)	(134)
Transfer from share capital to other capital surplus	(3,051,665)	3,051,665			–
Change in ownership interest of parent due to transactions with non-controlling interests		(274)			(274)
Increase and decrease in other capital surplus			24		24
Net changes in items other than shareholders' equity					
Total changes during period	(3,014,621)	3,088,435	(4,985,142)	(134)	(4,911,462)
Balance at end of period	47,044	6,018,962	(7,423,676)	(297)	(1,357,966)

	Accumulated other comprehensive income			Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at beginning of period	(208,127)	149,733	(58,394)	7,361	3,502,462
Changes during period					
Issuance of new shares					74,089
Loss attributable to owners of parent					(4,985,167)
Purchase of treasury shares					(134)
Transfer from share capital to other capital surplus					–
Change in ownership interest of parent due to transactions with non-controlling interests					(274)
Increase and decrease in other capital surplus					24
Net changes in items other than shareholders' equity	(88,878)	21,388	(67,489)	(2,737)	(70,227)
Total changes during period	(88,878)	21,388	(67,489)	(2,737)	(4,981,689)
Balance at end of period	(297,005)	171,121	(125,883)	4,623	(1,479,226)

(4) Consolidated statement of cash flows

(Thousands of yen)

	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023
Cash flows from operating activities		
Loss before income taxes	(1,229,182)	(4,959,249)
Depreciation	54,792	83,348
Amortization of goodwill	66,274	109,052
Impairment losses	63,403	1,606,489
Interest expenses	21,933	77,940
Foreign exchange losses (gains)	(8,043)	2,931
Gain on donation of Subsidy income	(194,593)	(120,487)
Change in provision for expenses related to revisions to financial results	-	919,850
Loss (gain) on valuation of investment securities	-	26,580
Loss on tax purpose reduction entry of non-current assets	194,518	114,067
Gain from expired gift vouchers etc	(6,069)	(3,578)
Share of loss (profit) of entities accounted for using equity method	(9,034)	90,573
Loss (gain) on change in equity	(3,208)	-
Settlement payments	11,469	-
Share issuance costs	442	525
Increase (decrease) in allowance for doubtful accounts	(1,872)	50,678
Increase (decrease) in provision for sales promotion expenses	(50,379)	(333,862)
Decrease(increase) in sales deposit	(130,000)	(31,801)
Decrease (increase) in trade receivables	125	(145,959)
Decrease (increase) in advance payments to suppliers	(423,427)	417,637
Decrease (increase) in inventories	(123,438)	115,036
Decrease (increase) in accounts receivable - other	-	(222,197)
Decrease (increase) in consumption taxes refund receivable	(103,955)	28,747
Increase (decrease) in trade payables	28,028	91,022
Increase (decrease) in accounts payable - other	202,066	277,419
Increase (decrease) in contract liabilities	957	120,763
Increase (decrease) in refund liabilities	-	64,564
Decrease (increase) in other assets	(92,314)	(25,179)
Increase (decrease) in other liabilities	(36,364)	(82,968)
Other	36,185	89,695
Subtotal	(1,731,686)	(1,638,359)
Interest and dividend income	37	25
Interest paid	(21,211)	(77,890)
Settlement paid	(11,469)	-
Subsidies received	-	120,487
Income taxes paid	(146,601)	(25,360)
Net cash provided by (used in) operating activities	(1,910,932)	(1,621,096)
Cash flows from investing activities		
Purchase of property, plant and equipment	(277,558)	(648,510)
Purchase of intangible assets	(44,344)	(166,920)
Purchase of investment securities	(814,829)	(124,563)
Proceeds of redemption of investment securities	35,391	31,819
Payments of guarantee deposits	(32,041)	(3,700)
Conditional acquisition consideration	-	(19,358)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(81,414)	-
Payments for acquisition of businesses	(300,000)	-
Other, net	(31,895)	(10)
Net cash provided by (used in) investing activities	(1,546,692)	(931,244)

(Thousands of yen)

	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	665,000	102,255
Proceeds from long-term borrowings	340,000	570,000
Repayments of long-term borrowings	(60,159)	(137,996)
Proceeds from issuance of bonds	–	1,000,000
Purchase of treasury shares	–	(134)
Proceeds from issuance of shares resulting from exercise of share acquisition rights	50,022	70,551
Proceeds from payment by non-controlling shareholders associated with establishment of consolidated subsidiaries	–	100
Repayments of lease liabilities	(1,092)	(56,242)
Proceeds from sale and leaseback transactions	–	155,849
Other, net	(35,316)	(50,172)
Net cash provided by (used in) financing activities	958,454	1,654,211
Effect of exchange rate change on cash and cash equivalents	(5,641)	10,786
Net increase (decrease) in cash and cash equivalents	(2,504,812)	(887,343)
Cash and cash equivalents at beginning of period	5,571,870	3,067,058
Cash and cash equivalents at end of period	3,067,058	2,179,715

(5) Notes to consolidated financial statements

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

Up until the current fiscal year, the Group has recorded operating losses for two consecutive fiscal years, ordinary losses for three consecutive years, and losses attributable to owners of parent for five consecutive years. In the current fiscal year, the Group recorded a significant operating loss of 2,125,017 thousand JPY, ordinary loss of 2,404,967 thousand JPY, and loss attributable to owners of parent of 4,985,167 thousand JPY. As a result, as of December 31, 2023, the Company had excess liabilities of 1,479,226 thousand JPY on the consolidated balance sheet.

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 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 effective operation of advertising 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 as of the end of the previous fiscal year and as of the end of the current fiscal year, 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. As stated in the "(Significant Subsequent Events)". 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 will strive to restore confidence by formulating measures to prevent recurrence and raising awareness of compliance 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 from certain financial institutions with other financial institutions' understanding as stated in the "(Significant Subsequent Events)"; the results of the release of the investigation report may damage the Company's relationship with various stakeholders and its brand power; and there may be obstacles to the business operation of the Company if it becomes difficult for the Representative Director Yohei Kiguchi to be involved in the Group.

The Company has prepared the 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 consolidated financial statements.

(Accounting Policy Change)

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

We have applied the “Guidance on Accounting Standard for Fair Value Measurement” (Guidance on Corporate Accounting Standard No. 31, June 17, 2021, hereinafter referred to as “Guidance on Fair Value Measurement”) from the beginning of the current fiscal year. In accordance with the transitional handling defined in paragraph 27-2 of the Guidance on Fair Value Measurement, we have decided to apply the new accounting policies defined by the Guidance on Fair Value Measurement going forward. This application does not have an impact on the consolidated financial statements.

(Additional information)

The National Tax Agency published “Taxation on Stock Options (Q&A)” on May 30, 2023, stating that “trust-type stock options” are considered to result in economic benefits that are essentially regarded as salary when company personnel exercise the rights granted to them to acquire shares. Therefore, when personnel exercise these stock options to acquire shares from the issuing company, the economic benefits derived must be subjected to withholding income tax as salary income and paid accordingly.

In the current fiscal year, an amount of 306,983 thousand JPY, corresponding to the amount due for withholding income tax, has been recorded as 19,186 thousand JPY in “Accounts payable - other” under “Current liabilities” and 287,796 thousand JPY in “Long-term accounts payable - other” under “Non-current liabilities” on the consolidated balance sheet. Corresponding receivables have been recorded as 145,881 thousand JPY in “Accounts receivable - other” under “Current assets” and 105,250 thousand JPY in “Long-term accounts receivable - other” under “Non-current assets.”

In addition, allowance for doubtful accounts of 50,415 thousand JPY has been recorded in current assets for the estimated uncollectible amount based on the calculation of the repayable amount under certain assumptions for each right holder.

(Segment information, etc.)

Segment information

1. Description of reportable segments

The reportable segments are components of the Group for which discrete financial information is available and whose operating results are reviewed periodically by the Board of Directors to determine the allocation of management resources and evaluate the segments' operating performance.

The Group has three reportable segments: the Energy Platform business, which supports general consumers in making an optimal choice regarding electricity, gas, etc. in the deregulated energy market; the Energy Data business, which provides cloud solutions to electricity/gas companies in the field of digitalization; and the EV Charging business, which provides a package of services from installation to operation of EV charging facilities.

The Energy Platform business operates ENECHANGE and ENECHANGE Biz; the Energy Data business provides cloud services for electricity and gas companies, including ENECHANGE Cloud marketing and ENECHANGE Cloud DR; and the EV - Charging business provides EV charging services under the brand name "ENECHANGE EV Charge" for a monthly fee.

For the fiscal year ended December 31, 2023, sales of the Group's "Energy Platform business" amounted to 3,241,980 thousand JPY, which accounts for 74% of consolidated sales of 4,379,001 thousand JPY, and has the following characteristics.

(1) Commission income on electricity or gas switchover contracts

- The Company receives a certain amount of income from electric or gas companies when users switch their electric or gas contracts on the Company's switching platform service.
- With respect to such income, there has been a sharp increase in sales in the last three years, and the top sales clients have changed from period to period.

(2) Commission income from customer introductions to partner companies

- In addition to attracting customers through the Company's own platform, the Company attracts customers through its partner companies.
- While the partner companies implement their own switching services such as Internet connection, the Company introduces customers to such partner companies and receives a commission from customer introduction. With respect to such income, there has been a sharp increase in sales during the current fiscal year.
- In addition to sales from partner companies, the Company outsources sales to partner companies for attracting users and has incurred outsourcing expenses.
- Therefore, both sales and expenses are recorded for the same partner company.

2. Method of calculating sales, profit (loss), assets, liabilities, and other items for each reportable segment

The accounting method used for the reported operating segments is largely the same as that used for preparation of the consolidated financial statements. Segment profit is based on operating profit.

3. Disclosure of sales, profit (loss) for each reportable segment
Fiscal year ended December 31, 2022

(Thousands of yen)

	Reportable segments				Reconciling items (Note 1)	Per consolidated financial statements (Note 2)
	Energy Platform	Energy Data	EV-Charging Service, Reportable segments	Total		
Sales						
Goods or services that are transferred at a point in time	—	163,518	187,132	<u>350,651</u>	—	<u>350,651</u>
Goods or services that are transferred over a certain period of time	<u>2,575,297</u>	805,876	2,242	<u>3,383,416</u>	—	<u>3,383,416</u>
Revenue from contracts with customers	2,575,297	969,395	189,375	3,734,068	—	3,734,068
Other income	—	—	—	—	—	—
Revenues from external customers	2,575,297	969,395	189,375	3,734,068	—	3,734,068
Transactions with other segment	—	—	—	—	—	—
Total sales	2,575,297	969,395	189,375	3,734,068	—	3,734,068
Operating profit (loss)	226,567	163,766	(784,491)	(394,158)	(727,545)	(1,121,703)
Other items						
Depreciation	768	36,811	1,290	38,870	15,921	54,792
Amortization of goodwill	60,068	—	6,205	66,274	—	66,274
Investments in entities accounted for using equity method	—	864,640	—	864,640	—	864,640

Note 1: Reconciling items of -(727,545) thousand JPY for segment profit or (loss) and the reconciling items of 15,921 thousand JPY for depreciation expense 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 profit in the consolidated statement of income.

Note 3: Segment assets and liabilities are not shown, as the Group does not take them into account in determining the allocation of management resources and evaluating the segments' operating performance. However, related expenses are allocated to each reportable segment based on reasonable criteria.

(Thousands of yen)

	Reportable segments				Reconciling items (Note 1)	Per consolidated financial statements (Note 2)
	Energy Platform	Energy Data	EV-Charging Service, Reportable segments	Total		
Sales						
Goods or services that are transferred at a point in time	<u>—</u>	133,079	<u>118,660</u>	<u>251,740</u>	—	<u>251,740</u>
Goods or services that are transferred over a certain period of time	<u>3,241,980</u>	864,132	<u>21,146</u>	<u>4,127,260</u>	—	<u>4,127,260</u>
Revenue from contracts with customers	<u>3,241,980</u>	997,212	<u>139,807</u>	<u>4,379,001</u>	—	<u>4,379,001</u>
Other income	—	—	—	—	—	—
Revenues from external customers	<u>3,241,980</u>	997,212	<u>139,807</u>	<u>4,379,001</u>	—	<u>4,379,001</u>
Transactions with other segment	—	—	—	—	—	—
Total sales	<u>3,241,980</u>	997,212	<u>139,807</u>	<u>4,379,001</u>	—	<u>4,379,001</u>
Operating profit (loss)	<u>359,435</u>	158,420	<u>(2,081,636)</u>	<u>(1,563,781)</u>	<u>(561,236)</u>	<u>(2,125,017)</u>
Other items						
Depreciation	<u>514</u>	<u>46,089</u>	<u>12,350</u>	<u>58,954</u>	<u>24,394</u>	<u>83,348</u>
Amortization of goodwill	71,817	—	37,235	109,052	—	109,052
Investments in entities accounted for using equity method	—	<u>836,574</u>	—	<u>836,574</u>	—	<u>836,574</u>

Note 1: Reconciling items of (561,236) thousand JPY for segment profit or (loss) and the reconciling items of 24,394 thousand JPY for depreciation expense 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 profit in the consolidated statement of income.

Note 3: Segment assets and liabilities are not shown, as the Group does not take them into account in determining the allocation of management resources and evaluating the segments' operating performance. However, related expenses are allocated to each reportable segment based on reasonable criteria.

(Per share information)

(Yen)

	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023
Net assets per share	116.21	<u>(47.82)</u>
Basic earnings per share	(44.01)	<u>(163.55)</u>

Notes 1: Diluted earnings per share is not stated because although potential shares exist, basic loss per share was recorded.

2: Basis for calculation of basic loss per share is as follows:

	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023
Loss attributable to owners of parent (Thousands of yen)	(1,315,060)	<u>(4,985,167)</u>
Amounts not attributable to common shareholders (Thousands of yen)	—	—
Loss attributable to owners of parent related to common shares (Thousands of yen)	(1,315,060)	<u>(4,985,167)</u>
Average number of common shares outstanding during the period (Shares)	29,879,922	30,480,958
Overview of dilutive shares that are not included in the calculation of diluted earnings per share as they have no dilutive effects	<p>Share options resolved at the extraordinary general meeting of shareholders held on October 31, 2015 (1st Share Acquisition Rights) Common shares: 15,600 shares Total number of share acquisition rights: 1,300 units</p> <p>Share options resolved at the extraordinary general meeting of shareholders held on December 22, 2016 (2nd Share Acquisition Rights) Common shares: 14,676 shares Total number of share acquisition rights: 1,223 units</p> <p>Share options resolved at the extraordinary general meeting of shareholders held on December 21, 2017 (4th Share Acquisition Rights) Common shares: 48,948 shares Total number of share acquisition rights: 4,079 units</p> <p>Share options resolved at the extraordinary general meeting of shareholders held on February 2, 2018 (5th Share Acquisition Rights) Common shares: 1,512 shares Total number of share acquisition rights: 126 units</p> <p>Share options resolved at the extraordinary general meeting of shareholders held on September 10, 2018 (6th Share Acquisition Rights) Common shares: 1,344,000 shares Total number of share acquisition rights: 112,000 units</p> <p>Share options resolved at the extraordinary general meeting of shareholders held on September 10, 2018 (7th Share Acquisition Rights) Common shares: 1,910,496 shares Total number of share acquisition rights: 159,208 units</p>	<p>Share options resolved at the extraordinary general meeting of shareholders held on October 31, 2015 (1st Share Acquisition Rights) Common shares: 15,600 shares Total number of share acquisition rights: 1,300 units</p> <p>Share options resolved at the extraordinary general meeting of shareholders held on December 22, 2016 (2nd Share Acquisition Rights) Common shares: 14,676 shares Total number of share acquisition rights: 1,223 units</p> <p>Share options resolved at the extraordinary general meeting of shareholders held on December 21, 2017 (4th Share Acquisition Rights) Common shares: 47,436 shares Total number of share acquisition rights: 3,953 units</p> <p>Share options resolved at the extraordinary general meeting of shareholders held on February 2, 2018 (5th Share Acquisition Rights) Common shares: 1,512 shares Total number of share acquisition rights: 126 units</p> <p>Share options resolved at the extraordinary general meeting of shareholders held on September 10, 2018 (6th Share Acquisition Rights) Common shares: 840,000 shares Total number of share acquisition rights: 70,000 units</p> <p>Share options resolved at the extraordinary general meeting of shareholders held on September 10, 2018 (7th Share Acquisition Rights) Common shares: <u>1,445,808</u> shares Total number of share acquisition rights: <u>120,484</u> units</p>

(Significant Subsequent Events)

(Issuance of Paid-In Warrants)

At the Board of Directors meeting held on January 5, 2024, it was resolved to issue new share subscription rights (8th Share Acquisition Rights) to our directors, subsidiary directors, executive officers, and employees as described below. Furthermore, at the Board of Directors meeting held on February 1, 2024, it was resolved to issue new share subscription rights (9th Share Acquisition Rights) to our executive officers as described below.

1. Purpose and Reason for the Issue

In the context of discussions on "Growth Market Reform" aiming to stimulate the "metabolism" of companies that have stagnated in growth by demanding continuous growth post-listing, especially in Japan's growth market where many companies experience a decline in share price after listing, we recognize that one of the reasons for such underperformance in the stock prices is the underdevelopment of stock incentives post-listing. This, particularly for growth companies with weak profit bases, results in inferior compensation packages compared to large corporations and unlisted startups, preventing sufficient investment in human capital.

Against this backdrop, our company introduced a stock incentive package equivalent to those of U.S. companies to ensure that our executive team commits their capital and careers in the medium to long term for growth, aiming to become a "mega-venture" with a market capitalization of over 100 billion JPY.

It is worth noting that if all these stock options were exercised, the dilution rate would be 7.92% (Note 1). However, this package is designed to align with shareholder interests, targeting expansion in performance and enhancement of corporate value. Participants are required to make a commitment— both financial (locked up until the achievement of conditions) and career (full-time employment until the achievement of conditions)—as a condition, which is aimed at ensuring full commitment both financially and personally towards the achievement of targets. We anticipate that the realization of these targets will contribute to the enhancement of the company's corporate value and the value for shareholders.

(Note 1) Calculated based on the number of issued shares as of the end of December 2023, which is 30,935,684 shares.

1. Outline of the Issue

(1) 8th Share Acquisition Rights

① Allcation Date	January 22, 2024
② Classification and Number of Eligible Persons	1 company director 1 director of a subsidiary company 12 executive officers 33 employees
③ Number of Stock Acquisition Rights	24,214
④ Type, Details, and Number of Shares to which the Stock Acquisition Rights Apply	Common stock, 2,421,400 shares
⑤ Payment Amount upon Exercise of Stock Acquisition Rights (in yen)	1,055
⑥ Exercise Period of Stock Acquisition Rights	From April 1, 2026 to January 22, 2034
⑦ Issue Price and Capital Contribution Amount of Shares Issued upon Exercise of the Rights (in yen)	Issue price: 1,055 Capital contribution amount: 528
⑧ Conditions for the Exercise of Stock Acquisition Rights	(Note)

<p>⑨ Matters Concerning the Transfer of Stock Acquisition Rights</p>	<p>The transfer of these stock acquisition rights requires the approval of the company's board of directors.</p>
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(2) 9th Share Acquisition Rights

① Allocation Date	February 16, 2024
② Classification and Number of Eligible Persons	1 executive officer
③ Number of Stock Acquisition Rights	286
④ Type, Details, and Number of Shares to which the Stock Acquisition Rights Apply	Common stock, 28,600 shares
⑤ Payment Amount upon Exercise of Stock Acquisition Rights (in yen)	1,130
⑥ Exercise Period of Stock Acquisition Rights	From April 1, 2026 to February 16, 2034
⑦ Issue Price and Capital Contribution Amount of Shares Issued upon Exercise of the Rights (in yen)	Issue price: <u>1,130</u> Capital contribution amount: 550
⑧ Conditions for the Exercise of Stock Acquisition Rights	(Note)
⑨ Matters Concerning the Transfer of Stock Acquisition Rights	The transfer of these stock acquisition rights requires the approval of the company's board of directors.

(Notes) 1. Persons allotted the stock acquisition rights (hereinafter referred to as “stock acquisition right holders”) can only exercise these rights if they fulfill all conditions specified in (a) and either condition in (b) or (c). It should be noted that these conditions do not need to be satisfied within the same fiscal year.

(a) For any fiscal year from 2025 to 2032, if the company's audited consolidated income statement (or the income statement, if a consolidated statement is not prepared) as reported in the securities report shows revenues of 13 billion JPY or more, and an ordinary profit of 1 billion JPY or more.

Furthermore, in determining the revenues and ordinary profits, if the Board of Directors deems it inappropriate to make judgments based on the actual figures reported in the consolidated income statement (or the income statement if not prepared) due to changes in applicable accounting standards or events that significantly impact the company's performance, such as mergers and acquisitions, the company may adjust the actual figures taking into account the impacts of such mergers and acquisitions within reasonable limits. Also, in case there are significant changes in the concepts of items to be referenced due to the application of International Financial Reporting Standards, changes in fiscal year-ends, etc., the Board of Directors will separately determine the indicators to be referenced.

If the said income statement includes share-based compensation expenses related to this stock acquisition right, the judgment will be made based on ordinary profit before deduction of share-based compensation expense, excluding its impact.

(b) From the allocation date to the expiration date of the exercise period, if the company's market capitalization (calculated by the following formula) on each day of a specific consecutive five business days (excluding days when no ordinary transactions of the company's common stock occur) is 100 billion JPY or more.

[Calculation formula]

Market Capitalization = (Total number of issued common shares of the company* - Number of treasury shares of common stock held by the company*) × The closing price of the company's common stock in ordinary transactions on the Tokyo Stock Exchange * For each day of the specified consecutive five business days.

(c) If the company's common stocks are listed on the Tokyo Stock Exchange Prime Market from the allocation date to the expiration date of the exercise period.

2. At the time of exercising the stock acquisition rights, the stock acquisition right holders must be directors, auditors, or employees of the company or its affiliates. However, this does not apply if the person has retired due to expiration of their term, reached retirement age, or for other legitimate reasons, and the Board of Directors has approved.

3. Exercise of these stock acquisition rights by the inheritors of the stock acquisition right holders is permitted.
4. If the exercise of these stock acquisition rights results in exceeding the total number of shares that can be issued by the company at that time, the exercise of these rights cannot be performed.
5. It is not possible to perform exercises of less than one stock acquisition right.

(Issuance of new shares through a third-party allotment, and reduction in the amount of capital and capital reserve)

Our company has resolved at the board of directors' meeting held on February 9, 2024, to issue new shares via third-party allotment to JICVGI Opportunity Fund No. 1 investment Limited Partnership as the scheduled allottee, with payment completion planned for February 26, 2024.

- | | |
|---|--|
| 1. Type and Number of Shares to Be Issued | :3,784,200 shares |
| 2. Issue Price | :1,057 JPY per share |
| 3. Total Issue Price | : 3,999,899 thousand JPY |
| 4. Capital Contribution per Share | : 528.5 JPY |
| 5. Total Capital Contribution Amount | : 1,999,949 thousand JPY |
| 6. Method of Offering or Allotment | : Third-party allotment capital increase |
| 7. Allottee | : JICVGI Opportunity Fund No. 1 Investment Limited Partnership |
| 8. Use of Funds | : As investment funds for future growth |
- (1) Funds for investment in strengthening promotion and operational structure of the EV Charging business
 - (2) Working capital for the purchase of charging ports for the construction of the EV charging infrastructure network
 - (3) Investment Funds to contribute to the future growth of the EV Charging business

(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.