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Consolidated Financial Results for the Six Months Ended September 30, 2023 [Japanese GAAP]



November 14, 2023

Company name: Remixpoint, inc.

Stock exchange listing: Tokyo Stock Exchange

Code number: 3825

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Scheduled date of filing quarterly securities report: November 14, 2023

Scheduled date of commencing dividend payments: —

Availability of supplementary briefing material on quarterly financial results: Available

Schedule of quarterly financial results briefing session: Scheduled (for institutional investors and analysts)

(Amounts of less than one million yen are rounded down.)

1. Consolidated Financial Results for the Six Months Ended September 30, 2023 (April 1, 2023 to September 30, 2023)

(1) Consolidated Operating Results (cumulative) (% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Six months ended September 30, 2023	10,155	(35.2)	868	—	829	—	900	(77.2)
September 30, 2022	15,669	49.3	(513)	—	(356)	—	3,946	306.0

(Note) Comprehensive income: Six months ended September 30, 2023: ¥900 million [(77.2)%]
Six months ended September 30, 2022: ¥3,946 million [306.0%]

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
September 30, 2023	7.59	7.59
September 30, 2022	32.75	32.43

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of September 30, 2023	18,573	17,490	94.1
As of March 31, 2023	19,271	16,826	87.3

(Reference) Equity: As of September 30, 2023: ¥17,483 million

As of March 31, 2023: ¥16,819 million

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year- end	Total
Fiscal year ended March 31, 2023	Yen –	Yen 0.00	Yen –	Yen 2.00	Yen 2.00
Fiscal year ending March 31, 2024	–	0.00			
Fiscal year ending March 31, 2024 (forecast)			–	–	–

(Note) Revision to the dividend forecasts announced most recently: No

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2024 (April 1, 2023 to March 31, 2024)

Electricity trading prices tend to rise sharply in the winter months when supply and demand is tight. Additionally, the impact of the conflict in Israel on energy prices is uncertain. Furthermore, payment of capacity contribution,* which will begin in the fiscal year ending March 31, 2025, are likely to impact electricity trading prices in the fiscal year under review. As a result, it is difficult to reasonably estimate results for the fiscal year under review and thus the Company has refrained from disclosing consolidated financial forecasts for the fiscal year ending March 31, 2024 at the present time.

The Company intends to announce consolidated financial forecasts for the fiscal year ending March 31, 2024 as soon as a reasonable estimate becomes possible.

*“Capacity contribution” is payment to be made by retail electricity suppliers and general power transmission and distribution operators to the Organization for Cross-regional Coordination of Transmission Operators, Japan in order to secure supply capability in the capacity market (the market for ensuring future supply capabilities (kW)).

* Notes:

- (1) Changes in significant subsidiaries during the six months ended September 30, 2023: No
- (2) Accounting policies adopted specially for the preparation of quarterly consolidated financial statements: No
- (3) Changes in accounting policies, changes in accounting estimates and retrospective restatement
 - 1) Changes in accounting policies due to the revision of accounting standards: No
 - 2) Changes in accounting policies other than 1) above: No
 - 3) Changes in accounting estimates: No
 - 4) Retrospective restatement: No
- (4) Total number of issued shares (common stock)
 - 1) Number of issued shares at the end of the period (including treasury shares):
 - September 30, 2023: 122,717,800 shares
 - March 31, 2023: 122,717,800 shares
 - 2) Number of treasury shares at the end of the period:
 - September 30, 2023: 4,060,000 shares
 - March 31, 2023: 4,060,000 shares
 - 3) Average number of shares during the period:
 - Six months ended September 30, 2023: 118,657,800 shares
 - Six months ended September 30, 2022: 120,531,163 shares

* These quarterly financial results are outside the scope of quarterly review by certified public accountants or an audit corporation.

* Explanation of the proper use of financial results forecast and other special notes
(Caution regarding forward-looking statements)

The forward-looking statements herein are based on information that is currently available and certain assumptions deemed reasonable by the Company.

For matters to note concerning conditions serving as the basis for financial forecasts and the use of financial forecasts, etc., see “1. Qualitative Information on Quarterly Consolidated Financial Results (3) Explanation of Consolidated Financial Forecasts and Other Forward-Looking Statements” on page 4 of the attached materials.

(Holding of financial results briefing session and obtaining supplementary documentation)

The Company plans to hold an online briefing session for institutional investors and analysts on Monday, November 20, 2023. The supplementary documentation will be posted on the Company’s website immediately after the announcement of consolidated financial results.

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1. Qualitative Information on Quarterly Consolidated Financial Results

(1) Explanation of Operating Results

For the six months ended September 30, 2023 (April 1, 2023 - September 30, 2023), net sales decreased by 35.2% year on year to ¥10,155 million. Operating profit was ¥868 million (compared to operating loss of ¥513 million in the previous corresponding period), ordinary profit was ¥829 million (compared to ordinary loss of ¥356 million in the previous corresponding period), and profit attributable to owners of parent decreased by 77.2% year on year to ¥900 million.

The Company, with a share capital of ¥10 million, may include an amount of losses that have been included in deductible expenses under the blue return system in deductible expenses up to the amount of income of the business year. As a result, the amount of income taxes - current was ¥4 million.

Operating results by business segment for the six months ended September 30, 2023 are as follows. Net sales amounts given here for each segment do not include inter-segment net sales.

The Group's reportable segments have been determined based on sections of high importance in accordance with the evaluation of operating results, the building of business strategies, the allocation of management resources, etc., and, up to the end of the previous fiscal year, were organized into five sections as the "energy business," "used car business," "resilience business," "financial business," and "other businesses."

In the finance business, the Group sold 51% of its equity in BPJ, which had been included in the financial business segment as a consolidated subsidiary, to a group company of SBI Holdings, Inc. on July 1, 2022, then sold the remaining 49% of BPJ's shares, also to a group company of SBI Holdings, Inc. on March 31, 2023. As a result, the financial business section was discontinued on May 12, 2023. Accordingly, from the three months ended June 30, 2023, profit and loss from the business has been included in "other business," and profit and loss from investments related to cryptoasset-related businesses, which were treated as operating transactions, are reported under non-operating income or expenses.

The Group also resolved, on February 14, 2023, to discontinue the used car business segment by around March 31, 2023, in order to focus its management resources and promote the reconstruction of its business portfolio, at the Board of Directors meeting. Some product inventory from this business remained as of March 31, 2023, but this was completely sold as of June 30, 2023. As this business segment is discontinued and only an immaterial amount of profit and loss was generated from this segment during the three months ended June 30, 2023, profit and loss from the business are included in "other business" from the three months ended June 30, 2023.

As a result, beginning from the three months ended June 30, 2023, the Group's reportable segments comprised the "energy business," "resilience business," and "other businesses." Moreover, whereas segment profit was hitherto treated as ordinary profit due to the inclusion of the results of BPJ in the finance business segment as an equity method affiliate, segment profit has been changed from ordinary profit to operating profit pursuant to the sale of the Company's entire shareholding in BPJ. In addition, for year-on-year comparisons, the figures for the previous corresponding period have been changed to those on the operating profit basis.

Energy business

In the energy business, the Company is engaged primarily in the electric power retail business. During the six months ended September 30, 2023, net sales declined since the total contracted capacity of high-voltage users, which account for approximately 80% of revenue, slightly decreased and monthly averages of system prices on the Japan Electric Power Exchange (hereafter referred to as "JEPX") in April, May, June, July, August, and September 2023 were ¥8.56/kWh, ¥8.65/kWh, ¥8.48/kWh, ¥10.13/kWh, ¥11.68/kWh, and ¥13.39/kWh, respectively, remaining stable at a lower level than in the previous corresponding period (when monthly averages of system prices on JEPX were ¥17.8/kWh, ¥16.9/kWh, ¥21.3/kWh, ¥24.80/kWh, ¥25.52/kWh and ¥24.02/kWh respectively, in April, May, June, July, August, and September 2022).

In addition, until the previous fiscal year, the Company had used electricity futures contracts to ensure fixed prices for a certain percentage of procured electricity, and thus profit and loss had significantly fluctuated for accounting purposes subject to changes in market prices. During the six months ended September 30, 2023, the Company transferred risk of fluctuation of electricity market prices to electricity sales prices without using electricity futures contracts, through efforts including the further transition of user contracts into market-linked plans and supplying fixed-unit-price plans using electricity procured through constant backup. Consequently, the Company was able to secure a constant amount of profit.

As a result, net sales for the segment decreased by 16.3% year on year to ¥9,703 million and segment profit (operating profit) was ¥1,222 million (segment loss [operating loss] was ¥414 million in the previous corresponding period).

Resilience business

The resilience business consists of the energy saving consulting business, the infection control business and the storage batteries business. In the energy saving consulting business, income from subsidies awarded slightly decreased year on year. However, in the infection control business, sales of MA-T System products (“Amazing Water” Series), the mainstay products of the infection control business, and other environmental improvement products increased year on year. In the storage batteries business, the Company’s original-brand home-use storage battery systems (remixbattery) were recognized for their high safety and quality, obtaining third-party JET grid-interconnection certification, and net sales increased year on year, with the commencement of full-scale sales activities due to the amelioration of the production slowdown from the global shortage of semiconductors.

As a result, net sales for the segment increased by 36.5% year on year to ¥349 million and segment profit (operating profit) was ¥14 million (segment loss [operating loss] was ¥3 million in the previous corresponding period).

Others

Other businesses include the marketing consulting business and newly launched businesses. It also includes profit and loss from the used car business, for which business discontinuation was completed in the three months ended June 30, 2023, and the financial business, which the Company resolved to discontinue in the three months ended June 30, 2023. The figures for the previous corresponding period have been reclassified to include profit and loss from these businesses, leading to a substantial decrease in net sales and profits year on year.

As a result, net sales for the segment decreased by 97.3% year on year to ¥102 million and segment profit (operating profit) decreased by 98.2% year on year to ¥6 million.

(2) Explanation of Financial Position

At the end of the second quarter under review, total assets were ¥18,573 million, a decrease of ¥698 million from ¥19,271 million at the end of the previous fiscal year. The main factors for this include an increase of ¥1,356 million in cash and deposits, along with decreases of accrued income taxes of ¥1,110 million, notes and accounts receivable - trade, and contract assets of ¥712 million, and ¥254 million in leasehold and guarantee deposits.

Total liabilities were ¥1,082 million, a decrease of ¥1,362 million from ¥2,445 million at the end of the previous fiscal year. The main factors for this include decreases of ¥749 million of income taxes payable, ¥286 million in accounts payable - other, and ¥202 million in deposits received.

Total net assets were ¥17,490 million, an increase of ¥664 million from ¥16,826 million at the end of the previous fiscal year. The main factors for this include an increase of ¥900 million due to profit attributable to owners of parent, along with a decrease of ¥237 million due to the payment of dividends. In accordance with the resolution of the 20th annual general meeting of shareholders held on June 28, 2023, ¥7,867 million from share capital and ¥687 million from legal capital surplus were transferred to other capital surplus.

(3) Explanation of Consolidated Financial Forecasts and Other Forward-Looking Statements

1) Performance outlook for the fiscal year under review

While the sharp rise in energy, crude oil and natural gas prices that was triggered by Russia's invasion of Ukraine and other such factors, and that was apparent in the last year, began to show signs of abating from the start of 2023, the impact of the conflict in Israel on energy prices is uncertain and fluctuations in electricity trading prices remain difficult to predict. In the short term, it will be necessary to ascertain what impact electricity trading prices trends for this winter, when supply and demand will be tight, as well as capacity contribution, which will begin in the fiscal year ending March 31, 2025, will have on electricity trading prices and other factors in the fiscal year ending March 31, 2024. The Group has a policy of seeking to adapt appropriately to such changes in the business climate, but at the present time it is difficult to reasonably estimate sales and profits. Thus the Company has refrained from disclosing consolidated financial forecasts for the fiscal year ending March 31, 2024 at this time.

The Company intends to announce consolidated financial forecasts for the fiscal year ending March 31, 2024 as soon as a reasonable estimate becomes possible.

2) Dividend outlook for the fiscal year under review

The Company's core approach to capital policy is to seek an appropriate balance between healthy financial underpinnings, improving capital efficiency and the strengthening of shareholder returns, while also increasing corporate value by growing and expanding businesses and by improving management efficiency and profitability. The Company considers the returning of profits to our shareholders to be a priority management policy.

Regarding the fiscal year ending March 31, 2024, as noted above, environments that impact the Company's businesses are unclear, making it difficult to reasonably estimate results at the present time. As a result, no interim dividends will be paid and year-end dividend forecast has not yet been determined.

2. Quarterly Consolidated Financial Statements and Primary Notes

(1) Quarterly Consolidated Balance Sheets

(Million yen)

	As of March 31, 2023	As of September 30, 2023
Assets		
Current assets		
Cash and deposits	11,173	12,530
Notes and accounts receivable - trade, and contract assets	4,061	3,349
Finished goods	16	3
Merchandise	221	153
Raw materials and supplies	69	62
Accrued income taxes	1,173	62
Owned cryptoassets	120	23
Operational investment securities	355	-
Other	623	761
Allowance for doubtful accounts	(196)	(208)
Total current assets	17,620	16,738
Non-current assets		
Property, plant and equipment	107	102
Intangible assets	83	75
Investments and other assets		
Investment securities	70	104
Leasehold and guarantee deposits	1,389	1,135
Fixed loan	2	2
Other	1	417
Allowance for doubtful accounts	(2)	(2)
Total investments and other assets	1,461	1,656
Total non-current assets	1,651	1,834
Total assets	19,271	18,573

(Million yen)

	As of March 31, 2023	As of September 30, 2023
Liabilities		
Current liabilities		
Accounts payable - trade	520	600
Accounts payable - other	430	143
Deposits received	348	146
Income taxes payable	774	24
Other	371	164
Total current liabilities	2,445	1,080
Non-current liabilities		
Deferred tax liabilities	0	2
Total non-current liabilities	0	2
Total liabilities	2,445	1,082
Net assets		
Shareholders' equity		
Share capital	7,877	10
Capital surplus	3,268	11,136
Retained earnings	7,629	8,293
Treasury shares	(1,956)	(1,956)
Total shareholders' equity	16,819	17,483
Share acquisition rights	6	7
Total net assets	16,826	17,490
Total liabilities and net assets	19,271	18,573

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income

Six Months Ended September 30

(Million yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Net sales	15,669	10,155
Cost of sales	14,506	8,372
Gross profit	1,163	1,783
Selling, general and administrative expenses	1,676	914
Operating profit (loss)	(513)	868
Non-operating income		
Interest income	0	0
Dividend income	0	–
Share of profit of entities accounted for using equity method	90	–
Consulting fee income	75	–
Foreign exchange gains	4	–
Subsidy income	–	10
Gain on investments in investment partnerships	–	26
Other	6	5
Total non-operating income	177	43
Non-operating expenses		
Share acquisition rights issuance costs	1	1
Share issuance costs	6	–
Loss on investments in investment partnerships	2	–
Loss on valuation of crypto assets	–	76
Provision of allowance for doubtful accounts	4	–
Commission expenses	2	–
Other	2	5
Total non-operating expenses	21	83
Ordinary profit (loss)	(356)	829
Extraordinary income		
Gain on sale of non-current assets	–	0
Gain on sale of shares of subsidiaries and associates	8,226	–
Gain on reversal of share acquisition rights	–	1
Total extraordinary income	8,226	2
Profit before income taxes	7,869	831
Income taxes - current	3,871	4
Income taxes - refund	–	(75)
Income taxes - deferred	50	2
Total income taxes	3,922	(68)
Profit	3,946	900
Profit attributable to owners of parent	3,946	900

Quarterly Consolidated Statements of Comprehensive Income
Six Months Ended September 30

(Million yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Profit	3,946	900
Comprehensive income	3,946	900
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,946	900
Comprehensive income attributable to non-controlling interests	–	–

(3) Notes to Quarterly Consolidated Financial Statements

(Notes on going concern assumption)

There is no relevant information.

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

For the six months ended September 30, 2022 (from April 1, 2022 to September 30, 2022)

During the six months ended September 30, 2022, the Group's share capital and legal capital surplus increased by ¥693 million each due to the issuance of new shares following the partial exercise of paid-in stock options (share acquisition rights) issued to the Company's directors, employees and others as the 11th Share Acquisition Rights, 14th Share Acquisition Rights, 17th Share Acquisition Rights and 19th Share Acquisition Rights.

In accordance with the resolution of the 19th annual general meeting of shareholders, ¥4,627 million of capital surplus was transferred to retained earnings to cover the deficit.

In addition, based on the resolution of the Board of Directors meeting held on May 13, 2022, the Company acquired 4,000,000 shares of treasury stock, resulting in an increase of ¥1,938 million in treasury shares.

For the six months ended September 30, 2023 (from April 1, 2023 to September 30, 2023)

In accordance with the resolution of the 20th annual general meeting of shareholders, ¥7,867 million from share capital and ¥687 million from legal capital surplus were transferred to other capital surplus.

(Additional information)

(Operational investment securities)

The Company discontinued the financial business on May 12, 2023. As a result, on the consolidated balance sheets, ¥341 million of "operational investment securities" were reclassified into ¥237 million of "other" under investments and other assets and ¥104 million of "investment securities," effective the same day.

In addition, profits of ¥26 million related to investment securities and others above were recorded as gain on investments in investment partnerships under non-operating income.

(Segment information, etc.)

For the six months ended September 30, 2022 (from April 1, 2022 to September 30, 2022)

1. Information on net sales, and profit (loss) for each reportable segment

(Million yen)

	Reportable segment				Adjustment (Note 1)	Amount recorded in quarterly consolidated statement of income (Note 2)
	Energy business	Resilience business	Others	Total		
Net sales						
Net sales to outside customers	11,599	256	3,813	15,669	-	15,669
Inter-segment net sales or transfers	-	-	0	0	(0)	-
Total	11,599	256	3,813	15,669	(0)	15,669
Segment profit (loss)	(414)	(3)	350	(66)	(446)	(513)

(Notes) 1. The adjustment for segment profit (loss) of negative ¥446 million is primarily corporate expenses not allocated to the reportable segments. The corporate expenses are mainly general and administrative expenses, which are not attributable to the reportable segments.

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

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

There is no relevant information.

For the six months ended September 30, 2023 (from April 1, 2023 to September 30, 2023)

1. Information on net sales, and profit (loss) for each reportable segment

(Million yen)

	Reportable segment				Adjustment (Note 1)	Amount recorded in quarterly consolidated statement of income (Note 2)
	Energy business	Resilience business	Others	Total		
Net sales						
Net sales to outside customers	9,703	349	102	10,155	-	10,155
Inter-segment net sales or transfers	-	-	-	-	-	-
Total	9,703	349	102	10,155	-	10,155
Segment profit	1,222	14	6	1,243	(374)	868

(Notes) 1. The adjustment for segment profit of negative ¥374 million is primarily corporate expenses not allocated to the reportable segments. The corporate expenses are mainly general and administrative expenses, which are not attributable to the reportable segments.

2. The segment profit is adjusted with operating profit in the quarterly consolidated statement of income.

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

There is no relevant information.

3. Matters related to changes in reportable segments, etc.

During the three months ended June 30, 2023, the financial business was discontinued pursuant to the sale of the Company's entire shareholding in BPJ, previously an equity method affiliate of the Company. The used car business was also discontinued to promote the optimal allocation of management resources. As a result, the Company has the following three reportable segments from the three months ended June 30, 2023: "energy business," "resilience business," and "others."

Additionally, whereas segment profit (loss) had previously been changed from operating profit to ordinary profit in order to continue to include BPJ's results in the financial business segment pursuant to its reclassification from a consolidated subsidiary to an equity method affiliate on July 1, 2022, the Company's entire shareholding in BPJ has subsequently been sold, as described above, and the Company no longer

records a share of profit or loss of BPJ. Therefore, segment profit (loss) has been changed from ordinary profit to operating profit from the three months ended June 30, 2023.

Segment information for the six months ended September 30, 2022 is disclosed based on the classifications and segment profit (loss) after the change.

(Significant subsequent events)

(Business combination by acquisition)

The Company resolved, at the Board of Directors meeting held on October 26, 2023, to execute a share exchange transaction where the Company will become a wholly-owning parent company and ZERO MEDICAL, INC. (hereinafter, “ZERO MEDICAL”) will become a wholly-owned subsidiary (hereinafter, the “share exchange”) and concluded a share exchange agreement by and between both companies (hereinafter, the “share exchange agreement.”) Pursuant to the provisions of Article 796, paragraph (2) of the Companies Act, the Company plans to execute the share exchange through a simplified procedure that does not require the approval of the general meeting of shareholders, with the effective date of December 1, 2023.

1. Outline of the business combination

(1) Outline of the counterparty of the share exchange

Trade name	ZERO MEDICAL, INC.
Location of Head Office	1-5-4 Higashiyama, Meguro-ku, Tokyo, Japan
Name of the representative	Yukihiro Hara
Amount of share capital	¥10 million (as of May 31, 2023)
Amount of net assets	¥109 million (as of May 31, 2023)
Amount of total assets	¥836 million (as of May 31, 2023)
Business description	Consulting business related to medical care, welfare, and nursing care, as well as website creation, planning, and operation, etc.

(2) Main reason for the business combination

Aiming to create and deliver new value to society and with the motto of tackling, through business, issues that arise as society transforms, the Group has been pursuing its business to contribute to a sustainable society, focusing mainly on environmental issues such as realization of carbon neutrality, through supplying electricity from power generation that emits less carbon dioxide, expanding sales of storage batteries and engaging in energy saving consulting to support our customers’ ESG activities in the energy business and resilience business, along with other activities.

ZERO MEDICAL, on the other hand, has been pursuing its business to solve social issues mainly in the areas of health and welfare, and has set a mission for 2030 to “contribute to a sustainable society by striving to solve social issues centered on health and education” under the corporate philosophy of “a company that is necessary to society, has value in society, and is in harmony with society.” Regarding health, ZERO MEDICAL is engaged mainly in services specialized for dental and medical clinics, including management consulting and one-stop digital marketing services ranging from website creation to subsequent operations. In the future, ZERO MEDICAL also plans to enhance its recruitment media specialized for dentists, veterinarians and veterinary nurses, to develop services that are more closely aligned with medical professionals. Regarding the other pillar, welfare, ZERO MEDICAL sets the mottos “Creating a warm society through coexistence of children with challenges and local communities” and “Agriculture × Welfare.” Activities under this pillar are not limited to the operation of support facilities that provide after-school and other day care services for children with disabilities or special developmental needs, but extend to subsequent employment support that not only provides support for self-reliance, but also aims to vitalize local communities and realize an inclusive society through employment in agriculture-related areas.

Furthermore, the Company and ZERO MEDICAL have been exchanging business information since the Company outsourced its call center operation in the electric power retail business to ZERO MEDICAL.

In this exchange, both companies agreed on the idea that “solving social issues leads to economic benefits for the company,” and reached the certainty that both companies can contribute to a sustainable society together in the pursuit of a sustainable society, the Company from the standpoint of Environment and ZERO MEDICAL from the standpoint of Society. In addition, both companies believe that the maximization of each other’s trading network, human resources, and business know-how will lead to the expansion of business share and the creation of new revenue opportunities, which will contribute to the increase of corporate value. As a result, both companies concluded the share exchange agreement.

(3) Scheduled date of execution of the share exchange (effective date)

December 1, 2023 (scheduled)

(4) Legal form of the business combination

A share exchange where the Company will become a wholly-owning parent company and ZERO MEDICAL will become a wholly-owned subsidiary

(5) Names of the companies after the business combination

The names of the companies will not change subsequent to the business combination.

(6) Acquired voting right ratio

Voting right ratio after the acquisition: 100%

2. Acquisition cost of the acquired company and breakdown thereof

The Company will deliver 1,625,000 shares of common stock and cash of ¥375 million by allotment under the share exchange.

3. Exchange ratio for each type of shares and calculation method thereof, and number of shares delivered

(1) Exchange ratio for each type of shares

The Company will deliver common shares and cash by allotment to the shareholders of ZERO MEDICAL who are listed or recorded in the register of shareholders as of the time immediately prior to the share exchange takes effect, in exchange for the common shares of ZERO MEDICAL held by the shareholders at the following ratio: 2,031.25 shares of common stock of the Company and cash of ¥468,750 for 1 share of common stock of ZERO MEDICAL. For the delivery of shares under the share exchange, the Company plans to allot its treasury shares and therefore, issuance of new common shares is not planned.

The details of the allotment of shares for the share exchange may be subject to change upon consultation between the two companies in the event of a material change in the terms and conditions on which the calculation is based.

(2) Calculation method of the share exchange ratios

In order to ensure the fairness and appropriateness of the determination of the allotment details for the share exchange, both companies decided to engage a third-party valuation institution independent of both companies to calculate the share exchange ratios and CSG Consulting, Inc. (hereinafter, “CSG Consulting”) as the third-party valuation institution.

With reference to the calculation results submitted by CSG Consulting, the Company and ZERO MEDICAL have discussed and deliberated the details of the allotment in relation to the share exchange between the two companies, comprehensively taking into account factors such as the financial conditions, asset conditions and future prospects and other factors of the two companies. As a result, the Company and ZERO MEDICAL concluded that the exchange ratio and other details of the share exchange described in (1) above are within the range of the share exchange ratios calculated by CSG Consulting, will not harm the interests of the shareholders and are reasonable, and therefore the Company and ZERO MEDICAL agreed to execute the share exchange in accordance with the exchange ratio and other details of the share

exchange described in (1) above.