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August 13, 2021

Consolidated Financial Results for the Second Quarter Ended June 30, 2021 (Under Japanese GAAP)

Company name: ENECHANGE Ltd.
 Listing: Tokyo Stock Exchange
 Securities code: 4169
 URL: <https://enechange.co.jp/>
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 Scheduled date to file Quarterly Report: August 13, 2021
 Start of dividend payment: –
 Preparation of supplementary material on financial results: Yes
 Holding of financial results briefing: Yes

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

1. Consolidated financial results for the Second Quarter ended June 30, 2021 (from January 1, 2021 to June 30, 2021)

(1) Consolidated operating results (cumulative)

(Percentages indicate changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended								
June 30, 2021	1,386	–	59	–	79	–	16	–
June 30, 2020	–	–	–	–	–	–	–	–

Note: Comprehensive income For the Second Quarter ended June 30, 2021: JPY5 million [–%]
 For the Second Quarter ended June 30, 2020: JPY– million [–%]

	Basic earnings per share	Diluted earnings per share
Second Quarter ended	Yen	Yen
June 30, 2021	1.34	1.04
June 30, 2020	–	–

Notes: 1. As the Company had not prepared quarterly consolidated financial statements for the first six months of the fiscal year ended December 31, 2020, figures for the first six months of the fiscal year ended December 31, 2020 and percentage changes from the previous corresponding period, as well as percentage changes from the previous corresponding period for the first six months of the fiscal year ending December 31, 2021, are not presented.

2. The Company conducted a stock split of common shares at a ratio of 3-for-1 on September 17, 2020, and a stock split of common shares at a ratio of 2-for-1 on April 1, 2021. Basic earnings per share and diluted earnings per share are calculated on the assumption that the said stock splits had been conducted at the beginning of the previous fiscal year.

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
As of	Millions of yen	Millions of yen	%
June 30, 2021	2,562	1,004	38.8
December 31, 2020	1,967	852	42.6

Reference: Equity As of June 30, 2021: JPY 995 million
 As of December 31, 2020: JPY 838 million

2. Cash dividends

	Annual dividends				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended December 31, 2020	–	0.00	–	0.00	0.00
Fiscal year ending December 31, 2021	–	0.00			
Fiscal year ending December 31, 2021 (Forecast)	–	–	–	–	–

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

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

3. Consolidated earnings forecasts for the fiscal year ending December 31, 2021 (from January 1, 2021 to December 31, 2021)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Fiscal year ending December 31, 2021	2,600	51.8	–	–	–	–	–	–	–

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

2. The Group's management policy is to create shareholder value by maximizing free cash flows over the long term, with an emphasis on sales growth, a source of free cash flows, in the medium term. Based on this management policy, in the fiscal year ending December 31, 2021, the Group aims to achieve a year-on-year increase in net sales of 30% or more and plans to carry out growth investments with the aim of maintaining a high growth rate in following fiscal years. Operating profit, Ordinary profit, and Profit attributable to owners of parent are expected to be positive, but we have decided not to disclose specific forecast figures in order to make investment decisions in a flexible and expeditious manner.

* **Notes**

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

(2) Application of special accounting for preparing quarterly consolidated financial statements: None

(3) Changes in accounting policies, changes in accounting estimates, and restatement

(i) Changes in accounting policies due to revisions to accounting standards and other regulations: None

(ii) Changes in accounting policies due to other reasons: None

(iii) Changes in accounting estimates: None

(iv) Restatement: None

(4) Number of issued shares (common shares)

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

As of June 30, 2021	13,492,984 shares
As of December 31, 2020	11,562,952 shares

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

As of June 30 2021	43
As of December 31, 2020	—

(iii) Average number of shares outstanding during the period

Three months ended June 30, 2021	12,399,222 shares
Three months ended June 30, 2020	—

Notes: 1. As the Company had not prepared quarterly consolidated financial statements for the first six months of the fiscal year ended December 31, 2020, the average number of shares outstanding during that period is not presented.

2. The Company conducted a stock split of common shares at a ratio of 3-for-1 on September 17, 2020, and a stock split of common shares at the ratio of 2-for-1 on April 1, 2021. The “Total number of issued shares at the end of the period,” the “Number of treasury shares at the end of the period” and the “Average number of shares outstanding during the period” are calculated on the assumption that the said stock splits had been conducted at the beginning of the previous fiscal year.

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

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

Forward-looking statements, including the consolidated forecasts stated in these materials, are based on information currently available to the Company and certain assumptions deemed reasonable. Consequently, any statements herein do not constitute assurances regarding actual results by the Company. Actual business and other results may differ substantially due to various factors.

Consolidated financial statements and significant notes**(1) Consolidated balance sheet**

(Thousands of yen)

	As of December 31, 2020	As of June 30, 2021
Assets		
Current assets		
Cash and deposits	1,334,449	1,675,569
Accounts receivable - trade	254,241	304,490
Other	38,268	36,842
Allowance for doubtful accounts	(503)	—
Total current assets	1,626,457	2,016,901
Non-current assets		
Property, plant and equipment	27,328	23,380
Intangible assets		
Software	108,826	116,438
Other	11,843	31,355
Total intangible assets	120,669	147,794
Investments and other assets		
Investment securities	176,557	353,686
Other	16,182	21,185
Total investments and other assets	192,739	374,871
Total non-current assets	340,737	546,046
Total assets	1,967,194	2,562,948
Liabilities		
Current liabilities		
Accounts payable - trade	7,403	12,672
Short-term borrowings	9,900	9,900
Accounts payable - other	140,229	174,463
Income taxes payable	14,967	75,771
Provision for sales promotion expenses	62,981	406,834
Other	128,867	128,702
Total current liabilities	364,350	808,344
Non-current liabilities		
Long-term borrowings	750,000	750,000
Other	380	416
Total non-current liabilities	750,380	750,416
Total liabilities	1,114,730	1,558,761

(Thousands of yen)

	As of December 31, 2020	As of June 30, 2021
Net assets		
Shareholders' equity		
Share capital	906,802	1,048,337
Capital surplus	906,792	916,504
Retained earnings	(973,654)	(956,989)
Treasury shares	—	△108
Total shareholders' equity	839,939	1,007,744
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	—	△14,518
Foreign currency translation adjustment	(1,725)	1,865
Total accumulated other comprehensive income	(1,725)	(12,653)
Share acquisition rights	14,250	9,096
Total net assets	852,464	1,004,187
Total liabilities and net assets	1,967,194	2,562,948

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

Six months ended June 30, 2021

(Thousands of yen)

	Six months ended June 30, 2021
Net sales	1,386,060
Cost of sales	189,124
Gross profit	1,196,935
Selling, general and administrative expenses	1,137,467
Operating profit	59,468
Non-operating income	
Interest income	6
Share of profit of entities accounted for using equity method	9,960
Foreign exchange gains	13,039
Gain from expired gift vouchers	2,977
Other	6,357
Total non-operating income	32,341
Non-operating expenses	
Interest expenses	7,818
Commission expenses	2,563
Other	2,422
Total non-operating expenses	12,804
Ordinary profit	79,006
Profit before income taxes	79,006
Income taxes - current	62,340
Profit	16,665
Profit attributable to non-controlling interests	-
Profit attributable to owners of parent	16,665

Consolidated statement of comprehensive income

Six months ended June 30, 2021

(Thousands of yen)

	Six months ended June 30, 2021
Profit	16,665
Other comprehensive income	
Foreign currency translation adjustment	(5,140)
Share of other comprehensive income of entities accounted for using equity method	(5,787)
Total other comprehensive income	(10,928)
Comprehensive income	5,736
Comprehensive income attributable to	
Comprehensive income attributable to owners of parent	5,736
Comprehensive income attributable to non-controlling interests	-

(3) Consolidated statement of cash flows

Six months ended June 30, 2021

(Thousands of yen)

	Six months ended June 30, 2021
Cash flows from operating activities	
Profit before income taxes	79,006
Depreciation	26,290
Interest expenses	7,818
Foreign exchange losses (gains)	△13,979
Gain from expired gift vouchers	△2,977
Share of loss (profit) of entities accounted for using equity method	△9,960
Share issuance costs	962
Increase (decrease) in provision for sales promotion expenses	343,852
Decrease (increase) in trade receivables	△48,668
Increase (decrease) in trade payables	5,268
Increase (decrease) in accounts payable - other	29,790
Increase (decrease) in advances received	14,257
Decrease (increase) in other assets	2,207
Increase (decrease) in other liabilities	△11,736
Other, net	△509
Subtotal	421,622
Interest and dividends received	6
Interest paid	△9,131
Income taxes paid	△3,847
Net cash provided by (used in) operating activities	408,650
Cash flows from investing activities	
Purchase of property, plant and equipment	△5,012
Purchase of intangible assets	△35,250
Purchase of investment securities	△377,785
Proceeds from repayments of investment securities	204,829
Other payments	△5,000
Net cash provided by (used in) investing activities	△218,219
Cash flows from financing activities	
Proceeds from issuance of shares	30,501
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	△131,823
Proceeds from issuance of shares resulting from exercise of share acquisition rights	246,453
Net cash provided by (used in) financing activities	145,132
Effect of exchange rate change on cash and cash equivalents	5,556
Net increase (decrease) in cash and cash equivalents	341,119
Cash and cash equivalents at beginning of period	1,334,449
Cash and cash equivalents at end of period	1,675,569

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

Not applicable.

Notes on significant changes in the amount of shareholders' equity

The Company received proceeds from issuance of new shares through third-party allotment on January 20, 2021, and share capital and capital surplus increased by 15,732 thousand yen each.

In addition, based on the resolution of the meeting of the Board of Directors held on March 19, 2021, the Company acquired additional shares of its consolidated subsidiary SMAP ENERGY Limited, making it a wholly owned subsidiary as of March 31, 2021. Capital surplus decreased by 131,823 thousand yen due to the transactions with non-controlling shareholders to increase the parent company's interest.

Furthermore, share capital and capital surplus increased by 125,803 thousand yen each due to the exercise of stock acquisition rights in the six months ended June 30, 2021.

As a result, share capital and capital surplus amounted to 1,048,337 thousand yen and 916,504 thousand yen respectively at the end of June 30, 2021.

Segment information

For the Six months ended June 30, 2021

	Reportable segments			Reconciling items	Per quarterly consolidated statement of income
	Energy Platform Business	Energy Data Business	Total		
Net sales					
Revenues from external customers	1,030,402	355,657	1,386,060	–	1,386,060
Transactions with other segments	–	–	–	–	–
Total	1,030,402	355,657	1,386,060	–	1,386,060
Segment profit (loss)	175,799	93,108	268,908	(209,439)	59,468

- Notes: 1. Reconciling item for segment profit (loss) of negative 209,439 thousand yen is the amount of corporate expenses not allocated to any reportable segments, consisting primarily of general and administrative expenses not attributable to any reportable segments.
2. Segment profit (loss) is adjusted with operating profit in the quarterly consolidated statement of income.