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Notice Concerning the Revision of the Earnings Forecast

ENECHANGE (hereinafter referred to as the "Company") announces that our Board of Directors, at a meeting held on May 13, 2022, revised the consolidated earnings forecast for the fiscal year ending December 31, 2022 (January 1, 2022 to December 31, 2022), which was announced on February 10, 2022 (the "Previous Forecast"), to the following.

1. Revision of the consolidated earnings forecast for the fiscal year ending December 31, 2022 (January 1, 2022 - December 31, 2022)

(millions of yen)

	Net sales	Operating profit (Loss)	Ordinary profit (Loss)	Profit (Loss) attributable to owners of parent	Basic earnings (loss) per share (Yen)
Previous forecast (A)	4,000	△1,500	—	—	—
Revised forecast (B)	3,400	△1,000	—	—	—
Difference (B-A)	△600	500	—	—	—
Rate of change (%)	△15%	—	—	—	—
<Reference> Results for the fiscal year ended December 31, 2020	3,018	40	(2)	(85)	(3.10)

(Note 1) Net loss per share for the year ended December 31, 2021 is calculated based on the average number of shares outstanding during the year.
(Note 2) The Company conducted a 2-for-1 stock split on April 1, 2021, and the Company conducted a 2-for-1 stock split on January 1, 2022. Net loss per share is calculated on the assumption that the stock split was conducted at the beginning of the previous fiscal year.

2. Reason for the revision

The Group has defined the core area of its business as innovation on the demand side of electricity and is engaged in SaaS (Software as a Service) business specialized in the energy industry from a market-neutral position, with the aim of realizing a net zero society in the future. Specifically, we are engaged in (I) the "Energy Platform business" (hereinafter referred to as "Platform business"), which supports selection of electricity and/or gas tariffs for household and corporate users, (II) the "Energy Data business" (hereinafter referred to as "Data business"), which provides electricity management services in the cloud for electricity companies, and (III) the "EV Charging Business" (hereinafter referred to as "EV Charging Business"), which aims to increase the value of parking spaces by installing EV chargers for site hosts.

(I) Platform business
In the business environment of the Platform business, since the time of the previous earnings forecast announcement, global resource prices have soared due to the invasion of Ukraine by Russia on February 24, 2022. In addition, the temporary shutdown of thermal power plants due to the earthquake in mid-March and the severe cold weather have caused wholesale electricity market prices ("JEPX prices") to soar, resulting in high energy procurement prices and a continuous downward turn in profits for electricity companies.

In response to the JEPX price increases, the following effects, listed in order of stage 1 to stage 6 below, are expected to impact electricity companies, while the effects shown in parentheses are expected to impact our business results.

1) Reduction in energy company advertising expenses (Reduction in ARPU due to lower one-time fees at the switch)
2) Energy companies stop acquiring new customers (Loss of opportunities to acquire users due to lack of energy companies to switch to)
3) Energy companies withdrawing from the business, stopping contract renewal (A reduction in recurring revenue due to existing users leaving)
4) Increase in “electricity contract refugees" (Increased user acquisition due to high switching needs)
5) Electricity bills rising to a level where energy companies can profitably supply customers (Increase in ARPU due to higher energy bills)
6) Energy companies restart user acquisition activities (Recovery of ARPU due to higher one-time fees at switch)

At the time of our previous earnings forecast announcement, we had factored in the impact of stage 1 on our business performance, but the situation has become even more serious. At present, the situation has progressed from stage 3 to stage 4, and the adverse impact on our company up to stage 3 has become apparent. Thus, it is expected that there will be a decrease in sales from May 2022 onward. However, we expect a gradual improvement in the business environment from the second half of the year onward as it moves into stage 5 and stage 6.

In response to stage 4, we started providing the "Electricity Retail Withdrawal Support Service" to meet the smooth withdrawal needs of electricity companies exiting the electricity retail business and the growing needs of some electricity companies to acquire new users. As a whole, we see that the provision of these services can be an opportunity to increase the number of users.

For stage 5, the Company has taken measures in response to changes in the business environment, such as providing its own fuel supply support service to meet the growing needs of electricity companies to improve their profitability, which it sees as an opportunity for the Company to increase ARPU.

In light of the situation where many electricity companies are still reluctant to acquire new users due to deteriorating income and constrained expenditure budgets, from March 2022 onward we have decided to significantly curtail advertising investment that was planned when the period started and prioritize securing profitability in the Platform business until we see improvement in the external business environment.

(II) Data business
On March 22, 2022, the Japanese government issued an "electricity supply-demand crunch warning" following a strong earthquake. It has also announced a severe outlook for this year's electricity supply-demand reserve ratio, which is expected to fall below the minimum required level of 3% (Note 1). With this in mind, the importance of technologies to control electricity demand through Demand Response ("DR") and other means, as well as to secure electricity supply, is increasing.

Under these circumstances, we anticipate opportunities for the Data business to expand sales to electricity companies due to rising demand for DR-related services. However, at this point we have not changed the assumptions of our plan since the previous earnings forecast announcement. Sales of other products are performing well as assumed at the time of the previous forecast announcement, and we intend to continue to operate this business segment with a positive segment profit, while making necessary investments for further product development such as hiring engineers.

(III) EV Charging business

In the EV Charging business environment, the number of EVs and PHVs sold in the first quarter of 2022 was 18,527 units, accounting for about 2.8% of all new car sales in Japan - both record highs (Note 2). With various manufacturers planning to sell more EVs in Japan by the end of 2022, EVs are expected to further increase their share of sales.
In addition, the fiscal 2021 supplementary budget includes a subsidy for promoting the introduction of clean energy vehicles and infrastructure (Note 3), which is expected to include new funds for EV Charging equipment and installation work, This is expected to lead to increased demand for EV charging infrastructure in the country as a whole.

While the Company has set an early target of receiving orders for 3,000 units by the end of the second quarter of FY23, the number of orders received to date has exceeded the previous earnings forecast and is on track to meet the internal sales target. Since this business has been largely unaffected by the external environment, such as rising global resource prices, and continues to be in the investment phase, we expect segment profit to be negative and intend to expand market share as quickly as possible through additional investments.

As a result of (I), (II), and (III) listed above, the Company revises the previous forecast figures of the net sales from 4.0 billion yen to 3.4 billion yen due to the expected decrease in non-recurring revenues associated with a slowdown in user acquisition in the Platform business from May 2022 onward.
In terms of SG&A expenses, advertising expenses (marketing, sales promotion and sales commissions), which were estimated at 1 billion yen at the beginning of the period, are expected to be 0.3 billion yen due to postponement of advertising investment in the Platform business. In addition, due to additional investment in the EV Charging business based on strong order volumes, we expect expenses to be 1.1 billion yen, compared to our initial estimate of 0.9 billion yen. Plus, company-wide costs not attributable to each reporting segment are expected to decrease by 0.1 billion yen, compared to our initial estimate, due to cost reduction initiatives.

As a result of the above, the Company has revised the previous forecast figures of the operating loss from -1.5 billion yen to -1.0 billion yen.

The specific amount of the forecast for each stage of profit and loss below operating profit continues to be undisclosed.

(Note 1) OCCTO 72nd Committee on Adjustment Capability and Supply-Demand Balance Evaluation "Electricity Supply-Demand Outlook for FY2022 and Supply-Demand Measures" (April 12, 2022)
(Note 2) Japan Automobile Dealers Association, Inc. "Passenger Car Sales by Fuel Type,"
(Note 3) METI "Subsidy for Promoting the Introduction of Clean Energy Vehicles and Infrastructure" in the FY2021 supplementary budget and "Subsidy for Promoting the Introduction of Clean Energy Vehicles" in the FY2022 budget

(Reference information: Assumptions for the previous forecast)

In the long term, the Company focuses on increasing corporate value by maximizing free cash flow, and in the medium term, on growing sales, which is the source of free cash flow.

To this end, we define sales as the number of customers multiplied by ARPU. In order to build a stable management foundation with high sales growth rate, we will develop businesses that emphasize recurring revenue, work to maximize the number of customers through aggressive growth investments, and increase ARPU by increasing the value provided to customers through continuous expansion of service lineups.

Based on the above, for the fiscal year ending December 31, 2022, we are targeting a sales growth rate of 30% or more compared to the previous fiscal year. In addition, in order to maintain a high growth rate thereafter, we have planned for the period from the fiscal year ending December 31, 2022 to be the "upfront investment phase" and intend to use the funds procured through the public offering conducted in December 2021 for investment in growth. Specifically, the Company expects to invest mainly in advertising and sales promotion activities to expand its market share in the Platform business, and in growth investments necessary to expand the EV Charging business.

In addition, we believe that the Group's business development will be affected by Japan's energy-related institutional reforms.
In this regard, in the Platform business, we believe that we are in a sales expansion phase as the related institutional reforms are largely completed, and we target segment sales growth of more than 30% over the previous fiscal year for the fiscal year ending December 31, 2022.
In the Data business, related institutional reforms are scheduled through 2024. We will strive to strengthen and expand sales of existing services for the time being, and we plan to develop and demonstrate new services in parallel, targeting 10-20% growth over the previous consolidated fiscal year.
In addition, the Company expects to generate sales associated with the EV Charging business.

As a result of the above, the Group expects net sales of 4,000 million yen (up 32.5% from the previous consolidated fiscal year) for the fiscal year ending December 31, 2022. In addition, due to aggressive investment in growth, we expect an operating loss of 1,500 million yen (compared to an operating profit of 40 million yen in the previous fiscal year). In view of the fact that each stage of profit and loss below operating income includes many drivers that are influenced by factors other than business activities, we do not disclose specific monetary forecasts for ordinary income and net income attributable to shareholders of the parent company.

The above forward-looking statements are based on information currently available to the Company and certain information that we consider reasonable, and involve risks and uncertainties. Actual results may vary due to various uncertainties in the future.
Please note that if the Company calculates new forecasts internally during the period, it may disclose revised forecasts in accordance with the standards for disclosing earnings forecasts.

(Note) The forecasts are based on information available at the time of release of this document and are subject to various uncertainties.