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November 11, 2022

Consolidated Financial Results for the Third Quarter Ended September 30, 2022 (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: November 11, 2022
 Start of dividend payment: –
 Preparation of supplementary material on financial results: Yes
 Holding of financial results briefing: Yes

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

1. Consolidated financial results for the nine months ended September 30, 2022 (from January 1, 2022 to September 30, 2022)

(1) Consolidated operating results (cumulative)

(Percentages indicate changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Nine months ended								
September 30, 2022	2,820	29.0	(531)	–	(528)	–	(623)	–
September 30, 2021	2,186	74.6	137	66.4	139	133.6	61	63.2

Note: Comprehensive income For the nine months ended September 30, 2022: JPY(710) million [–%]
 For the nine months ended September 30, 2021: JPY15 million [(61.8%)]

	Basic earnings per share	Diluted earnings per share
Nine months ended	Yen	Yen
September 30, 2022	(20.90)	–
September 30, 2021	2.42	1.95

Notes: The Company conducted a stock split of common shares at a ratio of 2-for-1 on April 1, 2021, and a stock split of common shares at a ratio of 2-for-1 on January 1, 2022. 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	%
September 30, 2022	6,084	4,086	67.0
December 31, 2021	6,949	4,813	69.2

Reference: Equity As of September 30, 2022: JPY4,079 million
 As of December 31, 2021: JPY4,805 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, 2021	–	0.00	–	0.00	0.00
Fiscal year ending December 31, 2022	–	–	–		
Fiscal year ending December 31, 2022 (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 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, 2022 (from January 1, 2022 to December 31, 2022)

(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, 2022	3,400	12.7	(1,000)	–	–	–	–	–	–

Note: Revisions from earnings forecast most recently announced: None

*** Notes**

- (1) Changes in specified subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): Yes
- (2) Application of special accounting for preparing quarterly consolidated financial statements: None
- (3) Changes in accounting policies, changes in accounting estimates, and restatement
- (i) Changes in accounting policies due to revisions to accounting standards and other regulations: Yes
 - (ii) Changes in accounting policies due to other reasons: None
 - (iii) Changes in accounting estimates: None
 - (iv) Restatement: None

(4) Number of issued shares (common shares)

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

As of September 30, 2022	30,036,848 shares
As of December 31, 2021	29,466,300 shares

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

As of September 30, 2022	128 shares
As of December 31, 2021	86 shares

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

Three months ended September 30, 2022	29,819,058 shares
Three months ended September 30, 2021	25,643,844 shares

Notes: The Company conducted a stock split of common shares at a ratio of 2-for-1 on April 1, 2021, and a stock split of common shares at the ratio of 2-for-1 on January 1, 2022. 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, 2021	As of September 30, 2022
Assets		
Current assets		
Cash and deposits	5,571,870	3,777,744
Accounts receivable - trade	435,264	-
Accounts receivable Trade and Contract Assets	-	394,577
Other	75,606	334,769
Allowance for doubtful accounts	△6,258	△3,648
Total current assets	6,076,483	4,503,443
Non-current assets		
Property, plant and equipment	18,311	50,061
Intangible assets		
Software	118,335	79,434
Goodwill	368,775	422,986
Other	38,441	3,302
Total intangible assets	525,552	505,723
Investments and other assets		
Investment securities	299,120	836,879
Other	41,955	197,229
Allowance for doubtful accounts	△12,065	△8,817
Total investments and other assets	329,010	1,025,291
Total non-current assets	872,874	1,581,075
Total assets	6,949,357	6,084,519
Liabilities		
Current liabilities		
Accounts payable - trade	13,015	29,546
Short-term borrowings	9,900	9,900
Current portion of long-term borrowings	49,992	67,992
Accounts payable - other	325,066	311,311
Income taxes payable	124,008	315
Provision for sales promotion expenses	505,506	487,399
Other	157,400	93,649
Total current liabilities	1,184,889	1,000,114
Non-current liabilities		
Long-term borrowings	950,008	983,014
Other	597	14,814
Total non-current liabilities	950,605	997,828
Total liabilities	2,135,494	1,997,942

(Thousands of yen)

	As of December 31, 2021	As of September 30, 2022
Net assets		
Shareholders' equity		
Share capital	3,036,055	3,059,949
Capital surplus	2,904,222	2,928,360
Retained earnings	△1,059,241	△1,746,698
Treasury shares	△108	△163
Total shareholders' equity	4,880,929	4,241,448
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	△82,704	△238,149
Foreign currency translation adjustment	7,522	75,826
Total accumulated other comprehensive income	△75,182	△162,323
Share acquisition rights	8,116	7,450
Total net assets	4,813,863	4,086,576
Total liabilities and net assets	6,949,357	6,084,519

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

Nine months ended September 30, 2022

(Thousands of yen)

	Nine months ended September 30, 2021	Nine months ended September 30, 2022
Net sales	2,186,376	2,820,108
Cost of sales	311,995	520,484
Gross profit	1,874,380	2,299,623
Selling, general and administrative expenses	1,736,622	2,831,479
Operating profit (loss)	137,758	△531,855
Non-operating income		
Interest income	13	36
Share of profit of entities accounted for using equity method	5,063	14,430
Foreign exchange gains	12,490	—
Gain from expired gift vouchers etc	4,919	5,579
Other	5,733	1,852
Total non-operating income	28,220	21,898
Non-operating expenses		
Interest expenses	11,839	15,090
Commission expenses	11,913	1
Other	2,624	3,691
Total non-operating expenses	26,377	18,783
Ordinary profit (loss)	139,600	△528,740
Extraordinary income		
Gain on sale of non-current assets	—	493
Total extraordinary income	—	493
Extraordinary losses		
Impairment losses	—	63,403
Settlement package	—	11,469
Other	—	1,346
Total extraordinary losses	—	76,219
Profit (loss) before income taxes	139,600	△604,466
Income taxes - current	77,686	11,095
Income taxes - deferred	—	7,628
Total income taxes	77,686	18,724
Profit (loss)	61,914	△623,191
Profit (loss) attributable to owners of parent	61,914	△623,191

Consolidated statement of comprehensive income

Nine months ended September 30, 2022

(Thousands of yen)

	Nine months ended September 30, 2021	Nine months ended September 30, 2022
Profit (loss)	61,914	△623,191
Other comprehensive income		
Foreign currency translation adjustment	△4,727	△640
Share of other comprehensive income of entities accounted for using equity method	△41,573	△86,500
Total other comprehensive income	△46,301	△87,141
Comprehensive income	15,613	△710,332
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	15,613	△710,332

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

Not applicable.

Notes on significant changes in the amount of shareholders' equity

Not applicable.

Segment information, etc.Segment information

For the three nine ended September 30, 2021

(Thousands of yen)

	Reportable segments			Reconciling items (Note 1)	Per quarterly consolidated financial statements (Note 2)
	Energy Platform	Energy Data	Reportable segments		
Sales					
Revenues from external customers	1,593,985	592,390	2,186,376	—	2,186,376
Transactions with other segments	—	—	—	—	—
Net sales	1,593,985	592,390	2,186,376	—	2,186,376
Operating profit (loss)	295,881	158,906	454,787	△317,029	137,758

Notes: 1. Reconciling item for segment profit (loss) of negative 317,029 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.

For the nine months ended September 30, 2022

(Thousands of yen)

	Reportable segments				Reconciling items (Note 1)	Per quarterly consolidated financial statements (Note 2)
	Energy Platform	Energy Data	EV-Charging Service	Reportable segments		
Sales						
Goods or services that are transferred at a point in time	1,469,621	120,733	2,166	1,592,521	–	1,592,521
Goods or services that are transferred over a certain period of time	616,919	609,941	725	1,227,586	–	1,227,586
Revenue from contracts with customers	2,086,540	730,675	2,891	2,820,108	–	2,820,108
Revenues from external customers	2,086,540	730,675	2,891	2,820,108	–	2,820,108
Transactions with other segments	–	–	–	–	–	–
Net sales	2,086,540	730,675	2,891	2,820,108	–	2,820,108
Operating profit (loss)	256,547	119,208	△406,510	△30,754	△501,100	△531,855

Notes:

1. Reconciling item for segment profit (loss) of negative 501,100 thousand yen is the amount of corporate expenses not allocated to any reportable segments, consisting primarily of general and administrative expenses not attributable to any reportable segments.
2. Segment profit (loss) is adjusted with operating profit in the quarterly consolidated statement of income.

Significant events after reporting period

(Business combination of acquisition)

At the meeting of the Board of Directors held on September 30, 2022, the Company resolved to acquire the EVsmart business of Ayudante, Inc. (hereinafter “Ayudante”) to acquire the EVsmart business and entered into the business transfer with Ayudante on the same date. Based on this agreement, the Company acquired the EVsmart business on October 31, 2022.

1 . Outline of the business combination**(1) Name of acquired company and its business outline**

Names of the acquired company: Ayudante, Inc.

Business outline: Web marketing consulting, software development and management business

(2) Purpose of business transfer

Through this acquisition, we acquire proprietary assets (media and apps of EVsmart, the largest scale service in the EV industry) with a competitive advantage, enabling us to provide information on charging spots and charging charges as a single service through the apps from the provision of information on the web media.

In addition, we will establish barriers to entry in the EV recharging business by taking over the alliance structure with major automobile manufacturers.

Through this acquisition, we aim to expand our revenue base, improve convenience for EV users, and further promote the spread of EVs from our position as the EV recharging operator.

(3) Date of business combination

October 31, 2022

(4) Legal form of business combination

Acquisition of business for cash consideration

2 . Acquisition cost of the acquired company and related details of each class of consideration

Consideration for acquisition: Cash 300 million yen

3 . Major acquisition-related costs

Not determined at this time

4 . Amount of goodwill, basis of recognizing goodwill, and the method and period of amortization

Not determined at this time

5 . The assets acquired and the liabilities assumed at the acquisition date

Not determined at this time

(Reorganization of Subsidiary)

At the meeting of the Board of Directors held on August 12, 2022, the Company resolved to acquire from SMAP ENERGY Limited (hereinafter "SMAP"), a wholly owned subsidiary of the Company, all contractual relationships and other matters related to SMAP's businesses, including the electricity smart meter data analysis SaaS "SMAP" centered on ENCHANGE Cloud DR, which provides demand

response functions to electric power companies and concluded a business transfer agreement on the same date. We also resolved to establish a new subsidiary.

The target business has been transferred from SMAP on October 1, 2022. In addition, we have established a subsidiary on October 3, 2022.

Transfer of business from subsidiary

(1) Purpose of business transfer

The objective is to improve profitability through efficient management of development and sales resources by integrating operations with the Company's business divisions

(2) Name of acquired company and its business outline

Names of the acquired company: SMAP ENERGY Limited

Business outline: Energy data business

(3) The assets acquired and the liabilities assumed at the acquisition date

Not determined at this time

(4) Date of business combination

October 1, 2022

(Establishment of a subsidiary)

1. Purpose of establishing the subsidiary

By dividing business entities by function, the Company aims to speed up decision-making and improve management efficiency, strengthen competitiveness, and achieve self-sustaining growth.

2. Summary of the new subsidiary

(1) Name	ENECHANGE EV Lab Ltd.
(2) Location	Tokyo Square Garden 14F, 3-1-1 Kyobashi, Chuou-ku, Tokyo
(3) Title and name of Representative	Representative Director / Yoshiyuki Tanaka
(4) Business	Research and development and procurement of EV charging hardware and software, etc.
(5) Capital stock	5,000 thousand yen
(6) Establishment	October 3, 2022
(7) Number of shares to be acquired	900 stocks
(8) Equity ownership	ENECHANGE Ltd. : 100%

(Absorption-type merger of a consolidated subsidiary)

The Company has resolved to implement an absorption -type merger with its consolidated subsidiary, Shindenryoku Com Co., Ltd., at the meeting of the Board of Directors held on November 11, 2022.

1. Outline of the transaction

(1) Name and content of business of the company involved in the merger

Name of the company involved in the merger: Shindenryoku Com Co., Ltd.
 Content of business: Electric Power Brokerage, Energy Saving Consulting

(2) Date of the business combination

December 23, 2022 (scheduled)

(3) Legal form of the business combination

The merger has been conducted as an absorption-type merger, with the Company as the surviving company and Shindenryoku Com Co., Ltd. as the disappearing company.

(4) Name of the company after the business combination

ENECHANGE Ltd.

(5) Purpose of the merger

The merger is intended to improve management efficiency by consolidating management resources and integrating operations within the Group.

2. Outline of the accounting method

In accordance with the “Accounting Standard for Business Combinations” (ASBJ Statement No. 21, January 16, 2019) and the “Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures” (ASBJ Guidance No. 10, January 16, 2019), the merger was accounted for as a transaction under common control.