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May 12, 2023

Consolidated Financial Results for the First Quarter Ended March 31, 2023 (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: May 12, 2023
 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 three months ended March 31, 2023 (from January 1, 2023 to March 31, 2023)

(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 | | | | | | | | |
| March 31, 2023 | 1,064 | (3.6) | (418) | – | (424) | – | (425) | – |
| March 31, 2022 | 1,105 | 68.1 | (71) | – | (11) | – | (12) | – |

Note: Comprehensive income For the three months ended March 31, 2023: JPY(531) million [–%]
 For the three months ended March 31, 2022: JPY(114) million [–%]

| | Basic earnings per share | Diluted earnings per share |
|--------------------|--------------------------|----------------------------|
| Three months ended | Yen | Yen |
| March 31, 2023 | (14.13) | – |
| March 31, 2022 | (0.42) | – |

(2) Consolidated financial position

| | Total assets | Net assets | Equity-to-asset ratio |
|-------------------|-----------------|-----------------|-----------------------|
| As of | Millions of yen | Millions of yen | % |
| March 31, 2023 | 5,944 | 2,976 | 50.0 |
| December 31, 2022 | 6,758 | 3,502 | 51.7 |

Reference: Equity As of March 31, 2023: JPY2,969million
 As of December 31, 2022: JPY3,495million

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, 2022 | – | 0.00 | – | 0.00 | 0.00 |
| Fiscal year ending December 31, 2023 | – | | | | |
| Fiscal year ending December 31, 2023 (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, 2023 (from January 1, 2023 to December 31, 2023)

(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, 2023 | 5,250 | 40.6 | – | – | (900) | – | – | – | – |

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): 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: 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 March 31, 2023 | 30,142,268 shares |
| As of December 31, 2022 | 30,076,640 shares |

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

| | |
|-------------------------|------------|
| As of March 31, 2023 | 128 shares |
| As of December 31, 2022 | 128 shares |

(iii) Average number of shares outstanding during the period

| | |
|-----------------------------------|-------------------|
| Three months ended March 31, 2023 | 30,114,943 shares |
| Three months ended March 31, 2022 | 29,633,278 shares |

* 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, 2022 | As of March 31, 2023 |
|-----------------------------------------------|-------------------------|----------------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 3,067,058 | 2,122,790 |
| Accounts receivable Trade and Contract Assets | 441,503 | 652,585 |
| Merchandise and finished goods | 122,908 | 180,726 |
| Advance payments to suppliers | 424,773 | 489,056 |
| Accounts receivable - other | 233,419 | 10,423 |
| Consumption taxes refund receivable | 103,955 | 190,676 |
| Other | 137,842 | 60,004 |
| Allowance for doubtful accounts | △4,386 | △5,992 |
| Total current assets | <u>4,527,076</u> | <u>3,700,271</u> |
| Non-current assets | | |
| Property, plant and equipment | 104,752 | 100,089 |
| Intangible assets | | |
| Software | 72,701 | 66,189 |
| Software in progress | 31,709 | 102,492 |
| Goodwill | 702,039 | 693,270 |
| Other | 2,077 | 2,024 |
| Total intangible assets | <u>808,528</u> | <u>863,977</u> |
| Investments and other assets | | |
| Investment securities | 1,126,590 | 1,057,322 |
| Guarantee deposits | 191,876 | 222,899 |
| Other | 8,817 | 8,817 |
| Allowance for doubtful accounts | △8,817 | △8,817 |
| Total investments and other assets | <u>1,318,466</u> | <u>1,280,222</u> |
| Total non-current assets | <u>2,231,747</u> | <u>2,244,289</u> |
| Total assets | <u>6,758,823</u> | <u>5,944,561</u> |

(Thousands of yen)

| | As of December 31, 2022 | As of March 31, 2023 |
|-------------------------------------------------------|-------------------------|----------------------|
| Liabilities | | |
| Current liabilities | | |
| Accounts payable - trade | 41,043 | 46,430 |
| Short-term borrowings | 674,900 | 589,900 |
| Current portion of long-term borrowings | 142,996 | 157,996 |
| Accounts payable - other | 532,625 | 602,273 |
| Income taxes payable | 36,291 | — |
| Advances received | 70,431 | 53,382 |
| Provision for sales promotion expenses | 449,057 | 319,147 |
| Other | 135,859 | 75,895 |
| Total current liabilities | 2,083,205 | 1,845,025 |
| Non-current liabilities | | |
| Long-term borrowings | 1,136,845 | 1,092,346 |
| Deferred tax liabilities | 13,812 | 5,667 |
| Other | 22,497 | 24,569 |
| Total non-current liabilities | 1,173,154 | 1,122,583 |
| Total liabilities | 3,256,360 | 2,967,608 |
| Net assets | | |
| Shareholders' equity | | |
| Share capital | 3,061,665 | 3,064,495 |
| Capital surplus | 2,930,526 | 2,933,356 |
| Retained earnings | △2,438,533 | △2,864,145 |
| Treasury shares | △163 | △163 |
| Total shareholders' equity | 3,553,495 | 3,133,544 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | △208,127 | △249,055 |
| Foreign currency translation adjustment | 149,733 | 85,249 |
| Total accumulated other comprehensive income | △58,394 | △163,805 |
| Share acquisition rights | 7,361 | 7,213 |
| Total net assets | 3,502,462 | 2,976,952 |
| Total liabilities and net assets | 6,758,823 | 5,944,561 |

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

Three months ended March 31, 2023

(Thousands of yen)

| | Three months ended March 31, 2022 | Three months ended March 31, 2023 |
|---------------------------------------------------------------|--------------------------------------|--------------------------------------|
| Net sales | 1,105,270 | 1,064,983 |
| Cost of sales | 176,456 | 193,694 |
| Gross profit | 928,813 | 871,288 |
| Selling, general and administrative expenses | 1,000,502 | 1,289,594 |
| Operating loss | △71,688 | △418,305 |
| Non-operating income | | |
| Interest income | 13 | 13 |
| Share of profit of entities accounted for using equity method | 57,772 | 4,750 |
| Foreign exchange gains | 3,425 | — |
| Gain from expired gift vouchers etc | 4,121 | 2,874 |
| Gain on donation of Subsidy income | — | 113,876 |
| Other | 132 | 2,031 |
| Total non-operating income | 65,465 | 123,545 |
| Non-operating expenses | | |
| Interest expenses | 5,124 | 9,383 |
| Foreign exchange losses | — | 5,137 |
| Loss on tax purpose reduction entry of non-current assets | — | 113,876 |
| Other | 97 | 1,366 |
| Total non-operating expenses | 5,222 | 129,763 |
| Ordinary loss | △11,445 | △424,523 |
| Loss before income taxes | △11,445 | △424,523 |
| Income taxes - current | 5,968 | 767 |
| Income taxes - deferred | △5,112 | 344 |
| Total income taxes | 855 | 1,112 |
| Loss | △12,300 | △425,636 |
| Loss attributable to owners of parent | △12,300 | △425,636 |

Consolidated statement of comprehensive income

Three months ended March 31, 2023

(Thousands of yen)

| | Three months ended March 31, 2022 | Three months ended March 31, 2023 |
|-----------------------------------------------------------------------------------|--------------------------------------|--------------------------------------|
| Loss | △12,300 | △425,636 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | — | △45,320 |
| Foreign currency translation adjustment | △12,065 | 174 |
| Share of other comprehensive income of entities accounted for using equity method | △89,873 | △60,265 |
| Total other comprehensive income | △101,938 | △105,411 |
| Comprehensive income | △114,239 | △531,047 |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of parent | △114,239 | △531,047 |

(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.

Change in accounting policy

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

The Company has applied the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021) from the beginning of the first quarter of the fiscal year ending March 31, 2023. Furthermore, in accordance with the transitional treatment prescribed in paragraph 27-2 of the Implementation Guidance on Accounting Standard for Fair Value Measurement, the Company has prospectively applied the new accounting policy provided in the Implementation Guidance on Accounting Standard for Fair Value Measurement. There is no impact on the quarterly consolidated financial statements

Segment information, etc.Segment information

For the three months ended March 31, 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 | | |
| Net sales | | | | | | |
| Goods or services that are transferred at a point in time | 610,863 | 65,542 | 707 | 677,113 | — | 677,113 |
| Goods or services that are transferred over a certain period of time | 203,644 | 224,501 | 10 | 428,156 | — | 428,156 |
| Revenue from contracts with customers | 814,508 | 290,044 | 717 | 1,105,270 | — | 1,105,270 |
| Revenues from external customers | 814,508 | 290,044 | 717 | 1,105,270 | — | 1,105,270 |
| Transactions with other segments | — | — | — | — | — | — |
| Net sales | 814,508 | 290,044 | 717 | 1,105,270 | — | 1,105,270 |
| Operating profit (loss) | 72,255 | 81,503 | △89,709 | 64,049 | △135,738 | △71,688 |

Notes: 1. Reconciling item for segment profit (loss) of negative 135,738 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 three months ended March 31, 2023

(Thousands of yen)

| | Reportable segments | | | | Reconciling items | Per quarterly consolidated financial statements |
|----------------------------------------------------------------------|---------------------|-------------|---------------------|---------------------|-------------------|-------------------------------------------------|
| | Energy Platform | Energy Data | EV Charging Service | Reportable segments | | |
| Sales | | | | | | |
| Goods or services that are transferred at a point in time | 472,991 | 19,397 | 8,314 | 500,704 | — | 500,704 |
| Goods or services that are transferred over a certain period of time | 339,366 | 222,424 | 2,488 | 564,278 | — | 564,278 |
| Revenue from contracts with customers | 812,357 | 241,821 | 10,803 | 1,064,983 | — | 1,064,983 |
| Revenues from external customers | 812,357 | 241,821 | 10,803 | 1,064,983 | — | 1,064,983 |
| Transactions with other segments | — | — | — | — | — | — |
| Net sales | 812,357 | 241,821 | 10,803 | 1,064,983 | — | 1,064,983 |
| Operating profit (loss) | 160,123 | 64,794 | △474,022 | △249,105 | △169,200 | △418,305 |

Notes: 1. Reconciling item for segment profit (loss) of negative 169,200 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**(Reduction of Capital Stock)**

At the Board of Directors meeting held on February 24, 2023, the Company resolved to submit a proposal to the 8th Ordinary General Meeting of Shareholders to be held on March 30, 2023 regarding the reduction of capital stock, which was approved at the meeting and became effective as of May 12, 2023.

1. Purpose of Capital Reduction

For the purpose of ensuring flexibility and mobility of capital policy, the amount of capital is to be reduced and transferred to other capital surplus in accordance with the provisions of Article 447, Paragraph 1 of the Companies Act.

2. Outline of Capital Reduction**(1) Amount of capital to be reduced**

The amount of capital stock of 3,061,665 thousand yen will be reduced by 3,051,665 thousand yen to 10,000 thousand yen. The amount of capital stock and the amount of capital after the reduction may change if stock acquisition rights such as stock options issued by the Company are exercised by the effective date of the capital reduction, or for other reasons.

(2) Method of capital reduction

The capital reduction will be a gratis capital reduction with no refund, and the total number of outstanding shares will not be changed.

3. Schedule of Capital Reduction

Date of Board resolution: February 24, 2023

Date of resolution of the Ordinary General Meeting of Shareholders: March 30, 2023

Final date for creditors to file objections: May 8, 2023

Effective date: May 12, 2023