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November 10, 2023

Consolidated Financial Results for the Third Quarter Ended September 30, 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: November 10, 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 nine months ended September 30, 2023 (from January 1, 2023 to September 30, 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	%
Nine months ended September 30, 2023	3,923	39.1	(1,248)	–	(1,336)	–	(1,382)	–
September 30, 2022	2,820	29.0	(531)	–	(528)	–	(623)	–

Note: Comprehensive income For the nine months ended September 30, 2023 : JPY(1,416) million [–%]
 For the nine months ended September 30, 2022 : JPY(710) million [–%]

	Basic earnings per share	Diluted earnings per share
Nine months ended September 30, 2023	Yen (45.59)	Yen –
September 30, 2022	(20.90)	–

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
As of	Millions of yen	Millions of yen	%
September 30, 2023	6,199	2,152	34.6
December 31, 2022	6,758	3,502	51.7

Reference: Equity As of September 30, 2023: JPY2,147 million
 As of December 31, 2022: JPY3,495 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, 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 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	6,500	74.1	–	–	(1300)	–	–	–	–

Note: Revisions from earnings forecast most recently announced: Yes

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 September 30, 2023	30,875,492 shares
As of December 31, 2022	30,076,640 shares

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

As of September 30, 2023	128 shares
As of December 31, 2022	128 shares

(iii) Average number of shares outstanding during the period

Three months ended September 30, 2023	30,335,439 shares
Three months ended September 30, 2022	29,819,058 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.

Business and other risks

The following is the latest status of business risks and other risks that were reported in the Annual Securities Report for the previous fiscal year during the first half of the current consolidated fiscal year. There are no material changes from the Annual Securities Report with regard to items not mentioned.

Forward-looking statements in the text are based on the judgment of the Group as of the end of the current quarterly consolidated accounting period.

(1) Novelty in EV Charging business

The Group's EV Charging business began to be disclosed as an independent segment in the first quarter of FY22. As this business has been in operation for a relatively short period of time, it is assumed that new transactions and events, including receipt of subsidies, are likely to occur more frequently than in the other disclosed segments. In addition, in light of the gradual increase in the number of other EV charging businesses, it is assumed that competition for business partners and customers will intensify, and in some cases, unexpected problems may arise with customers, business partners, and other third parties, which may lead to litigation. Although we conduct our business operations after verifying various conditions in advance, the occurrence of events that differ from our initial assumptions may affect our business performance and financial position.

(2) Use of Funds and Investment Effects

The funds procured through the public offering in December 2021 will be used for the following purposes:

In the Platform business

- A. Funds to strengthen promotion, sales and advertising systems;
- B. Funds for acquisitions aimed at strengthening the Group's customer base;
- C. Funds to contribute to the expansion of the Group's own services;

In the Data business,

- D. Funds for investment in and operation of the "Decarbonized Tech Fund"
- E. Funds for future growth of the EV Charging and Data business;
- G. Funds for hiring engineers, sales, and support personnel in the Platform business and Data business.

However, on May 13, 2022, the timing of the appropriation of (A) was changed to undecided. This was due to the pause in user acquisition activities in the energy industry triggered by soaring wholesale electricity prices and negative profit spreads. This situation has largely stabilized, and on August 10, 2023 we announced that we have resumed the use of the funds procured for (A).

Although it is our policy to make these investments after a rigorous cost-benefit analysis, there is a possibility that we may not be able to achieve the expected investment effects. In the future, there is a possibility that the funds raised will be used for purposes other than those mentioned above due to further expansion of the business portfolio, which was not planned at the time of the fundraising. In the event that the Company intends to use the procured funds for purposes other than those mentioned above, the Company plans to promptly disclose the change in the use of the funds.

(3) Competitors

With respect to our group's Platform business there are several companies that offer electricity and gas switching platforms to residential and corporate users. We recognize that there is a certain degree of competition in this market. In response, we have worked to increase the number of electricity and gas service providers with which we are affiliated, improve the value of our services for users, and strengthen our ability to attract users online through SEO and aggressive advertising measures, as well as offline through the expansion of partnerships. Against the latter competition, we have been striving to improve our competitiveness by differentiating our service model, which allows customers to select the

most suitable service provider from multiple electricity and gas companies, as a differentiating factor. As a result, we recognize that the competitive environment is limited as of the date of submission of this document.

In the Data business environment, there are some other operators that are developing commercial products for customer management systems and supply/demand management systems. However, our ENECHANGE Cloud Marketing service is developing services with a unique positioning, utilizing the proprietary database accumulated from the Platform business to promote online user acquisition. As of the date of submission of this document, we consider the competitive environment to be relatively light. Even if a new competitor enters the market in the future, we believe that we will be able to maintain our superiority over the competition by leveraging our marketing expertise, accumulated database, data analysis technology, and other differentiating factors developed through the ENECHANGE electricity and gas comparison site. In the ENECHANGE Cloud DR service, the number of domestic and overseas competitors is likely to increase as smart meters become more widely used, and the competitive environment is likely to intensify. However, we will strive to improve our competitiveness by developing products utilizing our proprietary database accumulated through the provision of services to domestic and overseas client companies, and by building up our knowledge and experience in data utilization.

In the EV Charging business, we recognize that competition is gradually intensifying, both in the acquisition of business partners and users, and in applications for subsidies. As of FY23 Q3, the Company had received orders for 7,329 EV charging ports. In terms of software, in addition to a highly convenient app that provides EV charging information for EV drivers, we also provide Level 2 charging ports and a payment system in cooperation with e-Mobility Power Co. As EVs become more prevalent in the future, we strive to further improve our competitiveness by reinforcing these advantages, increase the number of charging ports installed, and increase the utilization rate.

However, if competitors with superior technologies and business models enter the market in the future and intensify competition in the Group's business domain, resulting in cancellations by our Group's users or pricing pressure, or if the number of installations and utilization rates remain sluggish, or if customer acquisition is otherwise slower than anticipated, we may lose our competitive edge. Furthermore, the Group's business, operating results, and financial position may be affected under such circumstances.

(4) Policy Trends Related to EVs and EV Charging Infrastructure

In the environment surrounding the energy industry from a long-term perspective, under the Japanese government's policy of promoting Green Transformation (GX), government subsidies and other programs are being developed to promote the spread of EVs and EV charging infrastructure. The strategy for the EV Charging business of our Group is based on the assumption that government subsidies for EVs and EV charging infrastructure will be provided. In such cases, inventories may temporarily increase. In the event of other major policy changes by the national or prefectural governments, the number of EV chargers ordered or available for installation in the EV Charging business may decrease, which may affect our business performance.

(5) Dilution of stock value due to exercise of stock options

The Company has adopted a stock option plan to provide incentives to directors, executive officers, employees, subsidiary directors, subsidiary employees, and outside collaborators. As of the date of submission of this document, there are 2,457,036 dilutive shares resulting from stock options, representing 7.4% of the total number of outstanding shares (30,900,800 shares). The majority of these shares are intended for the long-term commitment of management and key employees, and there are certain restrictions on the exercise period of the rights. Specifically, the stock acquisition rights granted to Yohei Kiguchi, the CEO of the Company, are for terms that will become exercisable in stages starting in 2018, thus ensuring his commitment to the long-term value enhancement of the Group. In addition, the stock acquisition rights granted to Yasuyuki Ueno are so-called Market Issuance Stock Acquisition Rights Trust®, the terms of which are to be granted in stages and become exercisable over a five-year

period beginning in 2018 to the Company's directors (excluding Yohei Kiguchi, CEO), executive officers, employees, subsidiary directors, subsidiary employees and outside collaborators. The conditions are as follows.

The use of the Trust for Market Issuance Stock Acquisition Rights® is expected to have a significant impact on the Group's business performance, as it is expected to strengthen the Group's long-term operations via its ability to recruit human resources and control the level of salaries, bonuses, and other compensation in cash. Excluding these stock acquisition rights, the number of unexercised shares from options balance of stock acquisition rights as of the date of submission of this document is 80,736 shares, which corresponds to 0.3% of the total number of outstanding shares (30,900,800 shares). As of the date of submission of this document, there are no plans to issue further new stock acquisition rights, but if the stock acquisition rights granted in the future are exercised due to changes in the competitive environment or other factors, the per-share value of shares held by existing shareholders may be diluted.

In addition, on May 30, 2023, the National Tax Agency published "Taxation on Stock Options (Q&A)," which states that "trust-type stock options" are considered to be a substantial salary, since the economic benefits of the stock options are deemed to be substantial salary when executives and employees exercise the rights granted by the company and acquire shares of the issuing company, and the executives and employees. Therefore, the Company has taken the position that if an officer or employee exercises such stock options and acquires shares of the issuing company, the economic benefit is treated as employment income and withholding tax must be collected and paid.

In the second quarter of the current fiscal year, the amount of 314,212 thousand JPY as the amount equivalent to the required payment of withholding income tax was recorded in "Accounts payable-other" under "Current liabilities" in the quarterly consolidated balance sheets, and the corresponding receivable was recorded in "Accounts receivable-other" under current assets.

In response to the National Tax Agency's opinion, we are currently discussing future actions in consultation with internal and external experts, etc. Depending on the situation, there may be an impact on our financial position and business performance.

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

	(Thousands of yen)	
	As of December 31, 2022	As of September 30, 2023
Assets		
Current assets		
Cash and deposits	3,067,058	1,420,166
Accounts receivable Trade and Contract Assets	441,503	1,056,802
Merchandise and finished goods	122,908	466,101
Advance payments to suppliers	424,773	264,937
Accounts receivable - other	233,419	434,372
Consumption taxes refund receivable	103,955	72,545
Other	137,842	177,159
Allowance for doubtful accounts	△4,386	△6,135
Total current assets	4,527,076	3,885,949
Non-current assets		
Property, plant and equipment	104,752	101,203
Intangible assets		
Software	72,701	205,983
Software in progress	31,709	3,120
Goodwill	702,039	639,320
Other	2,077	1,919
Total intangible assets	808,528	850,344
Investments and other assets		
Investment securities	1,126,590	1,135,780
Guarantee deposits	191,876	226,706
Other	8,817	-
Allowance for doubtful accounts	△8,817	-
Total investments and other assets	1,318,466	1,362,487
Total non-current assets	2,231,747	2,314,034
Total assets	6,758,823	6,199,984
Liabilities		
Current liabilities		
Accounts payable - trade	41,043	203,228
Short-term borrowings	674,900	1,239,675
Current portion of long-term borrowings	142,996	182,996
Accounts payable - other	532,625	928,915
Income taxes payable	36,291	21,113
Advances received	70,431	129,501
Provision for sales promotion expenses	449,057	108,749
Other	135,859	208,068
Total current liabilities	2,083,205	3,022,250
Non-current liabilities		
Long-term borrowings	1,136,845	1,003,348
Deferred tax liabilities	13,812	10,373
Other	22,497	11,285
Total non-current liabilities	1,173,154	1,025,006
Total liabilities	3,256,360	4,047,257

(Thousands of yen)

	As of December 31, 2022	As of September 30, 2023
Net assets		
Shareholders' equity		
Share capital	3,061,665	44,450
Capital surplus	2,930,526	6,016,642
Retained earnings	△2,438,533	△3,821,370
Treasury shares	△163	△163
Total shareholders' equity	3,553,495	2,239,559
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	△208,127	△270,267
Foreign currency translation adjustment	149,733	177,871
Total accumulated other comprehensive income	△58,394	△92,396
Share acquisition rights	7,361	5,564
Total net assets	3,502,462	2,152,727
Total liabilities and net assets	6,758,823	6,199,984

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

Nine months ended September 30, 2023

(Thousands of yen)

	Nine months ended September 30, 2022	Nine months ended September 30, 2023
Net sales	2,820,108	3,923,019
Cost of sales	520,484	1,090,923
Gross profit	2,299,623	2,832,095
Selling, general and administrative expenses	2,831,479	4,080,268
Operating loss	△531,855	△1,248,173
Non-operating income		
Interest income	36	21
Share of profit of entities accounted for using equity method	14,430	—
Gain from expired gift vouchers etc	5,579	3,575
Gain on donation of Subsidy income	—	114,278
Other	1,852	5,377
Total non-operating income	21,898	123,252
Non-operating expenses		
Interest expenses	15,090	28,589
Commission expenses	1	1,147
Share of loss of entities accounted for using equity method	—	37,678
Loss on tax purpose reduction entry of non-current assets	—	114,067
Other	3,691	29,630
Total non-operating expenses	18,783	211,112
Ordinary loss	△528,740	△1,336,033
Extraordinary income		
Gain on sale of non-current assets	493	—
Total extraordinary income	493	—
Extraordinary losses		
Impairment losses	63,403	21,948
Settlement payments	11,469	—
Other	1,346	—
Total extraordinary losses	76,219	21,948
Loss before income taxes	△604,466	△1,357,981
Income taxes - current	11,095	24,274
Income taxes - deferred	7,628	605
Total income taxes	18,724	24,880
Loss	△623,191	△1,382,861
Loss attributable to owners of parent	△623,191	△1,382,861

Consolidated statement of comprehensive income

Nine months ended September 30, 2023

(Thousands of yen)

	Nine months ended September 30, 2022	Nine months ended September 30, 2023
Loss	△623,191	△1,382,861
Other comprehensive income		
Valuation difference on available-for-sale securities	—	△24,550
Foreign currency translation adjustment	△640	△8,946
Share of other comprehensive income of entities accounted for using equity method	△86,500	△504
Total other comprehensive income	△87,141	△34,001
Comprehensive income	△710,332	△1,416,863
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	△710,332	△1,416,863

(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

I. For the three nine 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.

II. For the nine months ended September 30, 2023

(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	1,486,749	92,742	753,013	2,332,505	—	2,332,505
Goods or services that are transferred over a certain period of time	956,735	624,118	9,659	1,590,513	—	1,590,513
Revenue from contracts with customers	2,443,485	716,861	762,672	3,923,019	—	3,923,019
Revenues from external customers	2,443,485	716,861	762,672	3,923,019	—	3,923,019
Transactions with other segments	—	—	—	—	—	—
Net sales	2,443,485	716,861	762,672	3,923,019	—	3,923,019
Operating profit (loss)	278,703	127,116	△1,107,505	△701,684	△546,488	△1,248,173

Notes: 1. Reconciling item for segment profit (loss) of negative 546,488 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.