

March 19, 2021

Company Name:	ENECHANGE Ltd.
Representative:	Yohei Kiguchi, Representative Director and CEO Ippei Arita, Representative Director and COO (TSE Mothers Code No. 4169)
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## **Notice of Making Consolidated Subsidiary a Wholly Owned Subsidiary through Additional Acquisition of Shares**

ENECHANGE (hereinafter referred to as "the Company") announces that the Company resolved at the Board of Directors Meeting held on March 19, 2021, to enter into a share and option purchase agreement with minority shareholders of SMAP ENERGY LIMITED (hereinafter referred to as "SMAP ENERGY"), a consolidated subsidiary of the Company, to acquire all of the issued shares and share options held by minority shareholders including Cambridge Enterprise and associated individuals (hereinafter referred to as "the Acquisition") and make SMAP ENERGY a wholly-owned subsidiary of the Company.

### **1. Background and purpose**

SMAP ENERGY was established in February 2016 and is currently a consolidated subsidiary in the U.K. in which the Company holds an 80.20% stake. SMAP ENERGY is mainly engaged in the development and operation of "SMAP", a smart meter data analysis software-as-a-service (SaaS) for energy companies. After making SMAP ENERGY a subsidiary in June 2017, the Company has been providing its services to major new entrants and other electricity/gas companies in Japan.

We have defined our business domain as the energy tech domain and aim to become a category leader. In preparation for the open access to smart meter data (see Note 1) scheduled for April 2022, along with launch of the balancing market in 2021 (see Note 2) and launch of the capacity market in 2024, we expect the VPP (Virtual Power Plant) market to reach 100 billion yen in size (see Note 3). We recognize further expansion of business opportunities by utilizing energy data, such as equipment control and demand response in accordance with market prices. By making SMAP ENERGY - a firm which has a global network mainly in Europe and has a competitive edge in energy data analysis technology - a wholly owned subsidiary, we will be able to speed up decision-making and concentrate management resources. Furthermore, by leveraging our global network, we will pursue business opportunities in Japan, strengthen our positioning in overseas markets, and have a pipeline for hiring talented engineers from a global background.

The Company will continue to focus on creating shareholder value by maximizing free cash flow in the long term and on sales growth, which is the source of free cash flow, in the medium term, and will develop a vertical SaaS business specializing in the energy industry in response to the structural reform known as the 4Ds of energy.

(Note) 1. "Amendment to the Electricity Business Act and the Act on Special Measures Concerning the Promotion of the Utilization of Electricity Data" was passed in the 201st ordinary Diet session and is scheduled to come into effect in 2022, with the aim of promoting the utilization of electricity data obtained from smart meters. Once enacted, it will be possible for businesses other than electricity companies to utilize electricity data, and the market is expected to be revitalized through the utilization of electricity data by various businesses.

(Note) 2. Tertiary adjustment capacity refers to the adjustment capacity aimed at balancing supply and demand. Response time for (1) is 15 minutes and for (2) is 45 minutes, with continual use for 3 hours.

(Note) 3. Based on the calculation derived from the cumulative total of new installations of backup power generators for disasters and large storage battery cells (at least 10 kWh) in 2015-2019. Sources – Backup

power generators for disasters: Nippon Engine Generator Association / Large storage cells: Japan Electrical Manufacturers' Association independent statistics

SMAP ENERGY's corporate website: <https://smapenergy.com/>

## 2. Effect of making SMAP ENERGY a wholly owned subsidiary

By making SMAP ENERGY a wholly owned subsidiary, we expect to be able to strengthen product development and promote global expansion in the energy data business - which accounted for 40% of our consolidated net sales in the fiscal year ending December 31, 2020 - by speeding up decision-making and actively exchanging human resources, especially engineers. We will also pursue other synergies in further improving the operational efficiency of back-office departments and developing new businesses in strategic growth areas.

## 3. Overview of SMAP ENERGY LIMITED

1) Name	SMAP ENERGY LIMITED		
2) Address	1 King William Street, London, EC4N 7AF, United Kingdom		
3) Name and title of representative	Yohei Kiguchi, CEO		
4) Description of business	Providing Smart Meter data analytics SaaS "SMAP"		
5) Capital	GBP 166.70		
6) Date of establishment	February 4, 2016		
7) Major shareholders and their shareholding ratio	ENECHANGE Ltd. 80.20% Other minority shareholders 19.80%		
8) Relationship between the Company and SMAP ENERGY	Capital Relationship	The Company holds 80.20% of the issued shares of SMAP ENERGY, making it a consolidated subsidiary.	
	Personal Relationship	Yohei Kiguchi, Representative Director and CEO of the Company, serves as CEO of SMAP ENERGY.	
	Business Relationship	There are mutual business relationships between the Company and SMAP ENERGY.	
	Status of Related Party	SMAP ENERGY is already the Company's consolidated subsidiary and thus the Company's related party.	
9) Operating results and financial position of SMAP ENERGY over the past 3 years (thousand GBP)			
Fiscal Year End	December, 2018	December, 2019	December, 2020
Net Assets	238	(376)	(327)
Total Assets	646	997	1,097
Net Sales	1,046	1,490	1,690

Operating profit (loss)	113	(275)	190
Ordinary profit (loss)	175	(243)	56
Net profit (loss)	116	(644)	48

(Note) Decimals are rounded down.

#### 4. Overview of the seller of the shares

1) Name	Paul Monroe, Cambridge Enterprise, 6 Individuals and 1 Corporate (Note)
2) Address	N/A (Note)
3) Relationship between the Company	Director of SMAP ENERGY etc

(Note) Undisclosed due to shareholders' requests.

#### 5. Number of shares/share options to be acquired, acquisition costs, and number of shares/share options held before and after the acquisition

1) Number of shares held before the change	1,337 shares (Number of voting rights: 1,337 rights) (Percentage of voting rights: 80.20%)
2) Number of share options held before the change	0 share options
3) Number of shares to be acquired	330 shares (Number of voting rights: 330 rights)
4) Number of share options to be acquired	360 share options
5) Acquisition costs	N/A (Note)
6) Number of shares held after the change	1,667 shares (Number of voting rights: 1,667 rights) (Percentage of voting rights: 100.00%)
7) Number of share options after the change	360 share options

(Note) Undisclosed due to the agreement between parties. The price was determined based on fair value calculation conducted by Plutus Consulting Group.

#### 6. Schedule

1) Date of resolution by the Board of Directors	March 19, 2021
2) Signing date of share purchase agreement	March 19, 2021
3) Closing date of share purchase	March 31, 2021 (scheduled)

## **7. Outlook**

As SMAP ENERGY is already a consolidated subsidiary of the Company, the acquisition of additional shares will eliminate the non-controlling interest of the subsidiary in the consolidated financial statements and thus 100% of the net income will be attributable to the Company. However, the impact of the acquisition on the consolidated financial results for the fiscal year ending December 31, 2021 will be immaterial. We will make timely disclosure if a material impact on the forecast is expected.