

ENECHANGE

FY21

Financial Results

ENECHANGE Ltd.
February 10, 2022
Tokyo Stock Exchange Mothers
Securities Code: 4169



“ Let’s Change Energy ”

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Handling of these materials

These materials contain statements regarding future prospects. These statements have been prepared based on information available at the time they were prepared. These statements are not guarantees of future results, and contain risks and uncertainties. Please note that actual results may differ greatly from the outlook due to changes in the environment, etc.

Factors affecting actual results include, but are not limited to, domestic and international economic conditions and trends in industries connected to the Company.

In addition, information contained in these materials from outside our company has been quoted from publicly-available information, etc. We have not verified the accuracy, appropriateness, etc. of such information in any way, and make no guarantees regarding it.

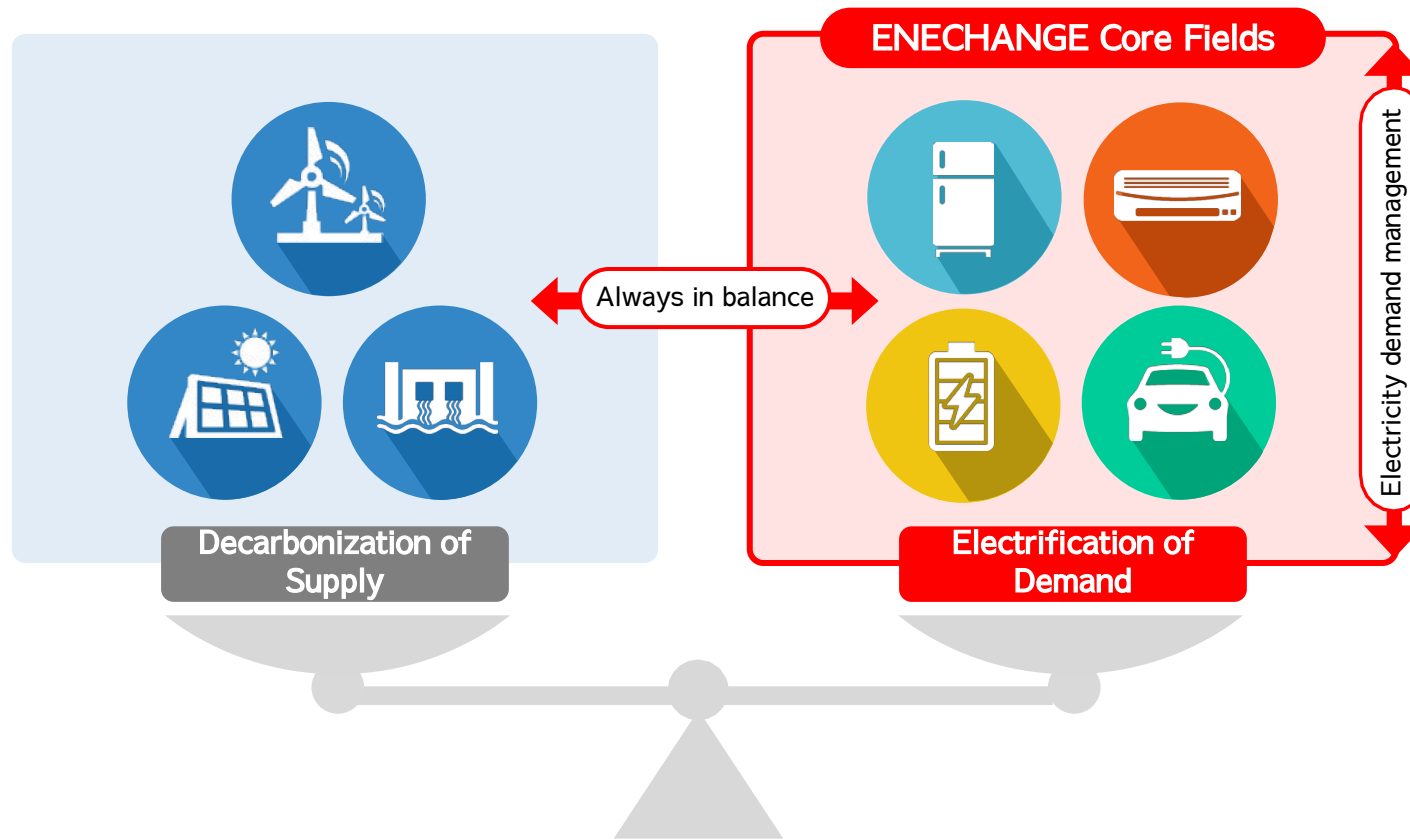


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Company Highlights

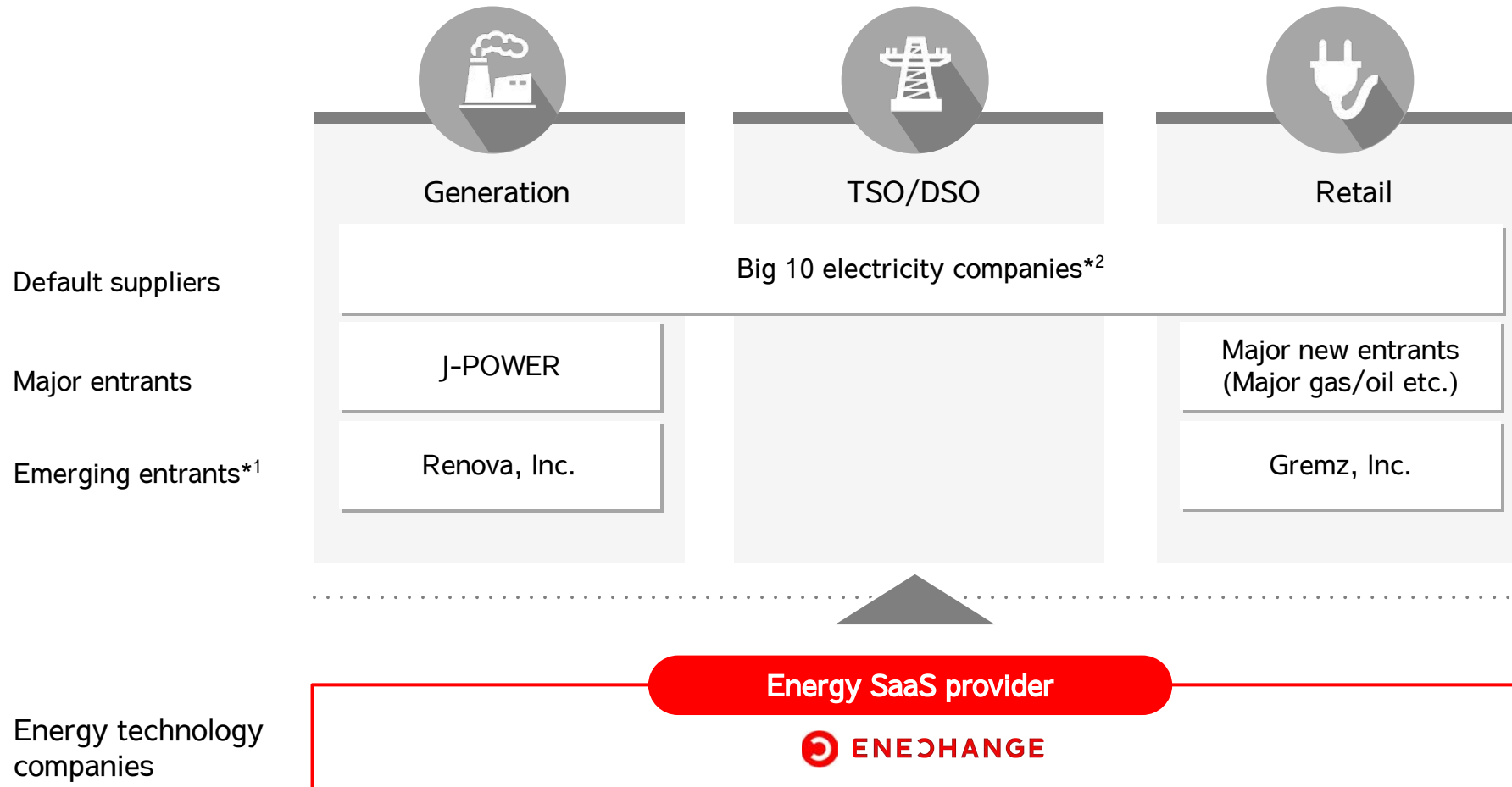
ENECHANGE is a company that promotes net zero

ENECHANGE's core business is innovation on the demand side of electricity. We promote the realization of a net zero future through energy switching and demand management technologies such as electric vehicle charging infrastructure and demand response.



A category leader in the energy technology sector

ENECHANGE is an energy technology company that promotes innovation in the energy industry as a market neutral technology provider. As we move towards a net zero society, our role is to empower the transformation of the entire energy industry by providing the latest technologies and services to energy companies.



*1. Selected companies amongst companies newly listed on the Tokyo Stock Exchange in the 2010s.

*2. TSO/DSO are legally split due to unbundling in 2020.

Vertical SaaS business specialized in the energy industry

We are developing a vertical SaaS business specialized in the energy industry. The Platform business provides Japan's largest energy switching platform, while the Data business provides electricity demand management services, such as EV charging infrastructure and demand response.

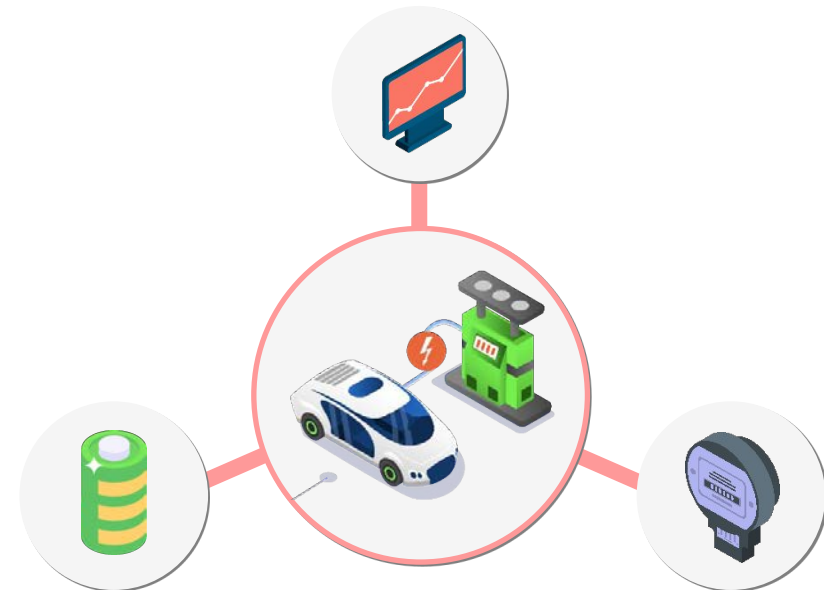
Platform business



Energy company comparison and switching services in the wake of deregulation

Maximize sales growth

Data business



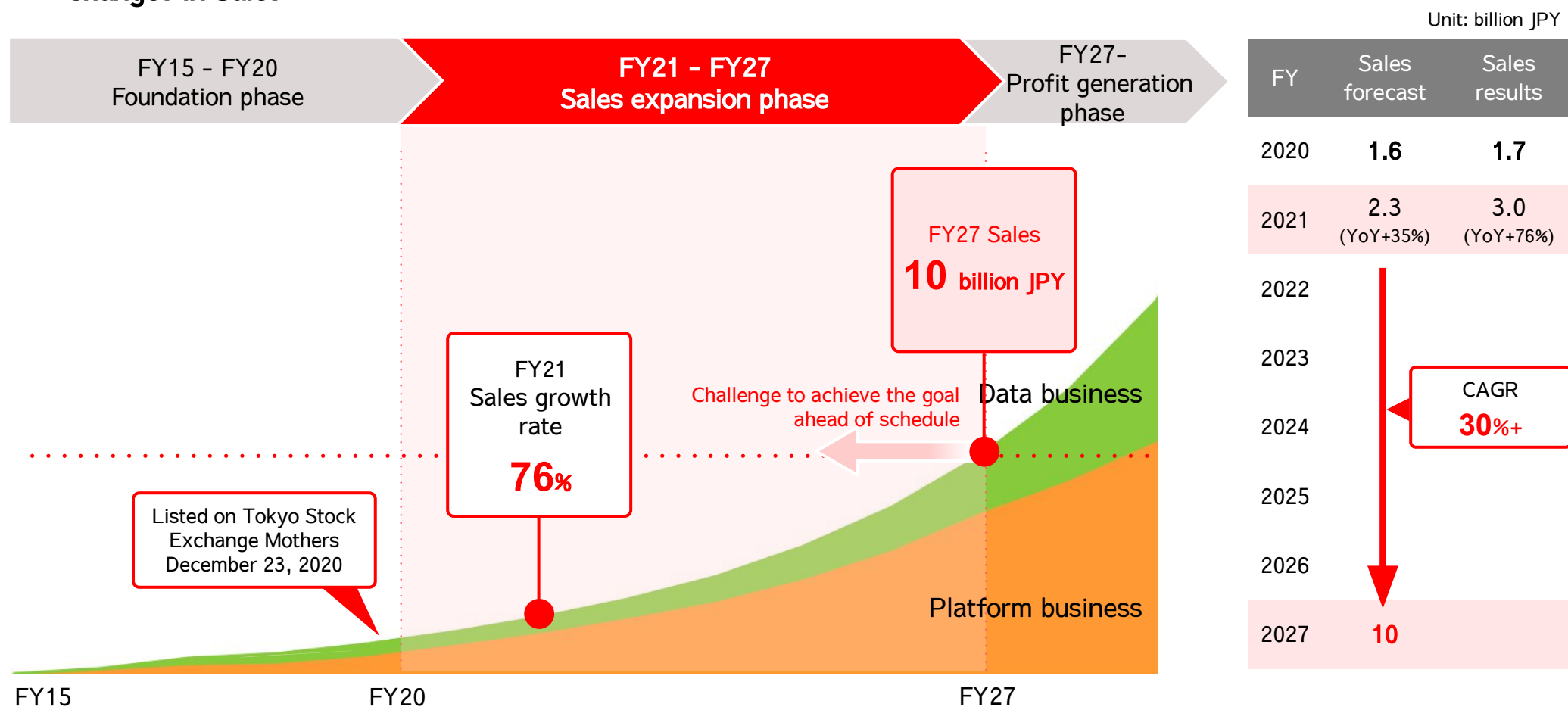
Electricity demand management services in relation to EV charging infrastructure and demand response

Product development

Prioritizing sales growth to achieve 10 billion JPY sales ahead of schedule

As a guideline for maintaining a high rate of sales growth, we are aiming for an average annual sales growth of 30%+ and sales of 10 billion JPY by FY27. In FY21, we achieved 76% sales growth, far exceeding our initial forecast (35% growth). By utilizing the funds from the public offering conducted in December 2021, we aim to achieve our goal of 10 billion JPY in sales ahead of schedule.

■ Changes in Sales





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Executive Summary

FY21: Executive Summary

FY21 Consolidated Financial Results

- **Annual sales** of 3.0 billion JPY (+76% YoY; 131% of 2.3 billion JPY initial forecast) and **recurring revenue** of 1.1 billion JPY (+26% YoY), **both record highs**
- **Gross profit reached a record high** of 2.5 billion JPY (+95% YoY), while operating profit remained profitable despite the start of aggressive investments

Platform business

- **Number of users reached a record high** (+59% YoY)
- **Quarterly sales** (+99% YoY) and **recurring revenue** (+32% YoY) **both hit record highs**
- Growth driver has been partner channels and M&A

Data business

- **Number of customers reached a record high** (+56% YoY)
- Quarterly sales (+41% YoY) increased steadily, while **recurring revenue reached a record high** (+37% YoY)
- Investment into EV Charging Service

FY22 Full-year earnings forecast

- 4.0 billion JPY sales (+33% YoY) and -1.5 billion JPY operating loss are expected
- Utilizing 3.9 billion JPY raised last December, **we plan to invest a total of 2.1 billion JPY** in advertising (Platform business, 1.2 billion JPY) and our EV Charging Service (Data business, 900 million JPY)



3

Consolidated financial results for FY21

Consolidated financial results for FY21

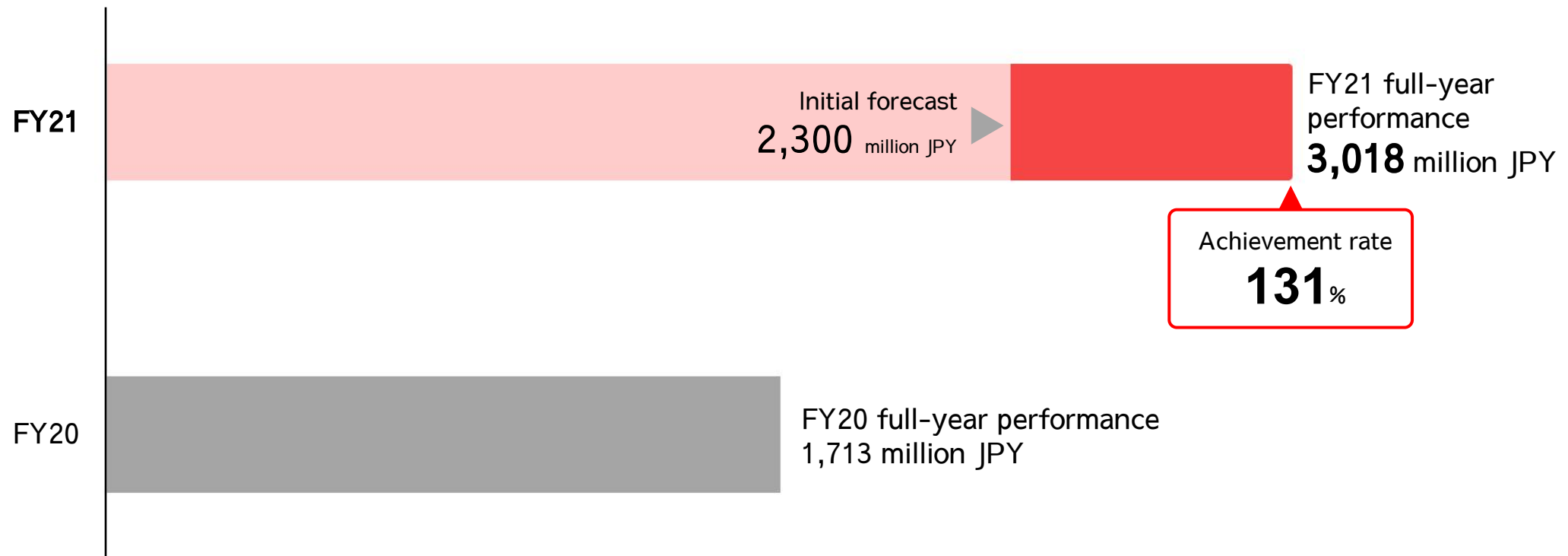
(Unit: JPY MM)

	Q4 (Oct-Dec)			Full year (Jan-Dec)		
	FY20	FY21	YoY	FY20	FY21	YoY
Sales	461	831	+80.4%	1,713	3,018	+76.2%
Gross Profit	366	707	+93.0%	1,323	2,582	+95.0%
<i>Gross Profit Margin</i>	79.6%	85.1%	+5.5pt	77.3%	85.6%	+8.3pt
<i>SG&A expenses</i>	396	804	+103.0%	1,270	2,541	+100.0%
Operating Profit	(29)	(96)	-	53	40	(23.2)%
<i>Operating Profit Margin</i>	(6.4)%	(11.6)%	(5.2)pt	3.1%	1.4%	(1.7)pt
Ordinary Profit	(53)	(141)	-	6	(2)	-
Net Profit attributable to owners of parent	(54)	(145)	-	(16)	(85)	-

Sales significantly exceeded the initial forecast (+131%)

Sales reached 3,018 million JPY, which was 131% of the initial forecast of 2,300 million JPY. The business performed better than expected, with three upward revisions to the forecast during the full-year period.

■ Sales

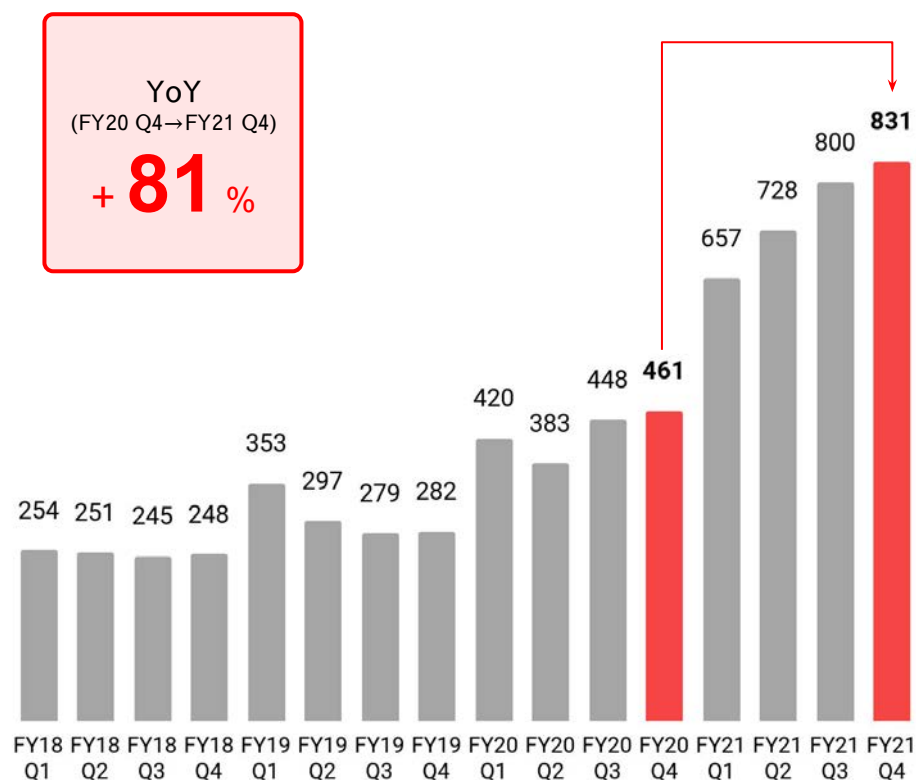


Record-high sales (+81%) and recurring revenue (+35%)

Quarterly sales grew +81% year on year, and recurring revenue rose +35% year on year - both reaching record highs.

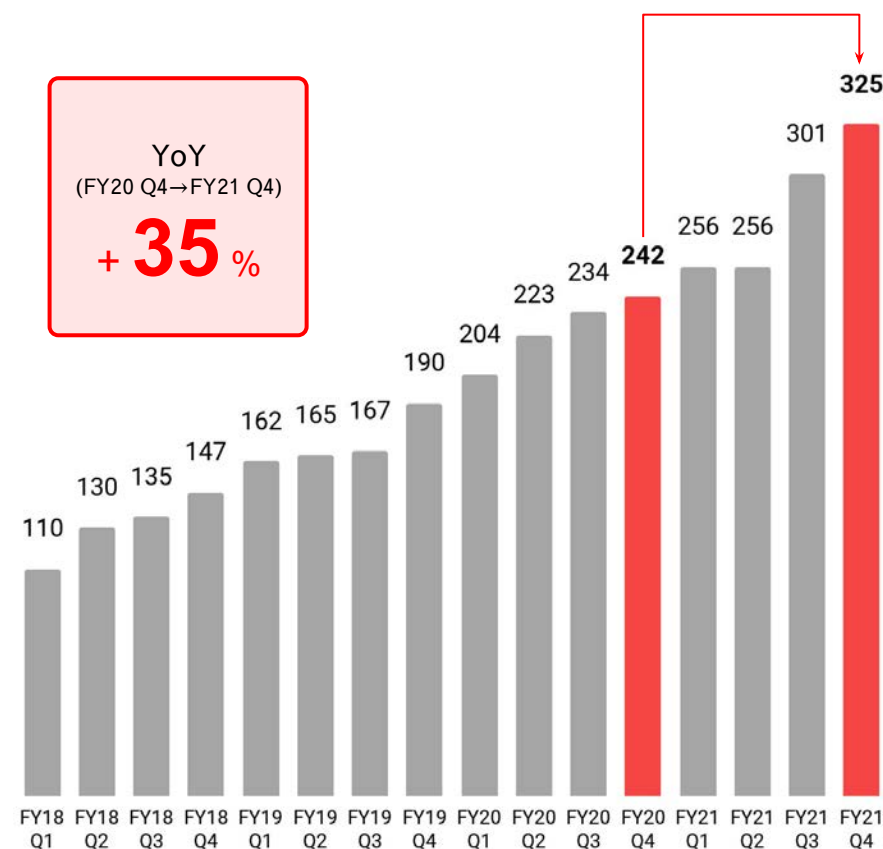
■ Quarterly sales*1

Unit: JPY MM



■ Quarterly recurring revenue*2

Unit: JPY MM



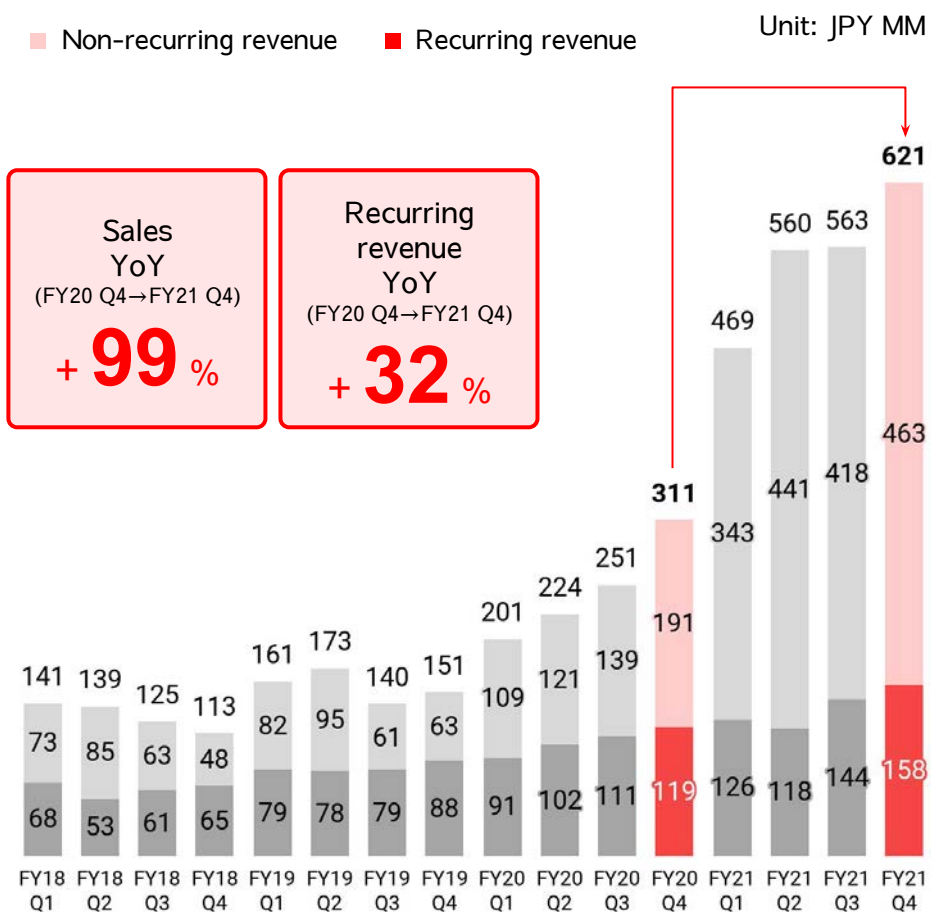
*1. Shows sales excluding our SIM business (SIM Change, our SIM/smartphone comparison service for home use) that was transferred on July 31, 2019.

*2. Recurring revenue is an aggregate of recurring compensation, software license fees, and other items that arise from the company's operating activities each fiscal year.

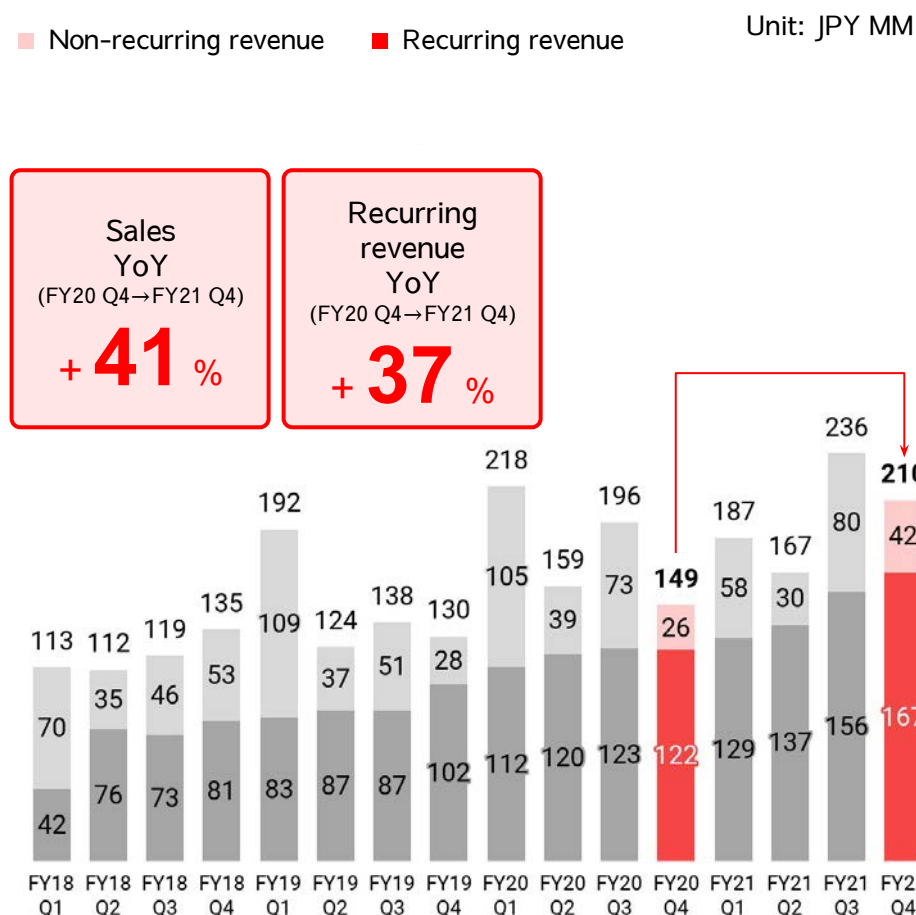
Record high recurring revenue for both businesses

In our Platform business, sales increased +99% YoY and recurring revenue increased +32% YoY - both hitting record highs. This was driven by an increase in demand for electricity switching. In our Data business, sales increased +41% YoY and recurring revenue increased +37% YoY (record high) due to the introduction of products to new customers and cross-selling to existing customers.

■ Platform business quarterly sales*1



■ Data business quarterly sales



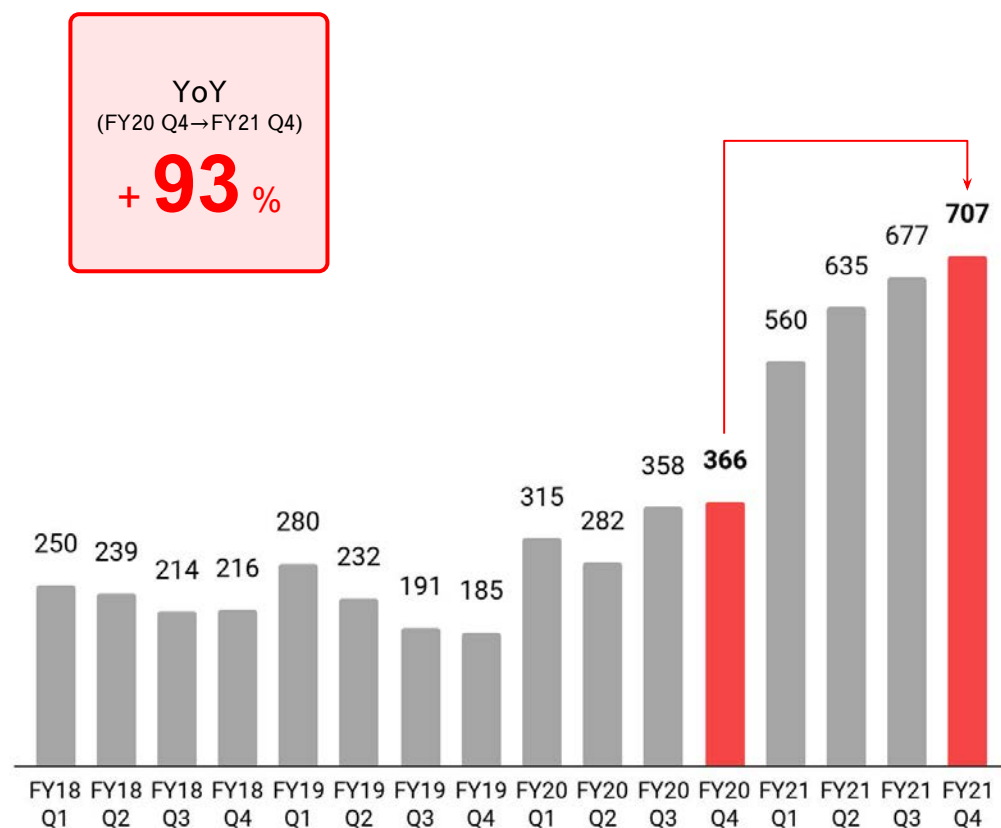
*1. Lists sales excluding our SIM business that was transferred on July 31, 2019.

New record high gross profit (+93%)

With the increase in sales in the Platform business, which has a high gross profit margin, gross profit for the quarter increased to 707 million JPY (+93% YoY) - a record high. The gross profit margin maintained a high level of 85% (+5pt YoY).

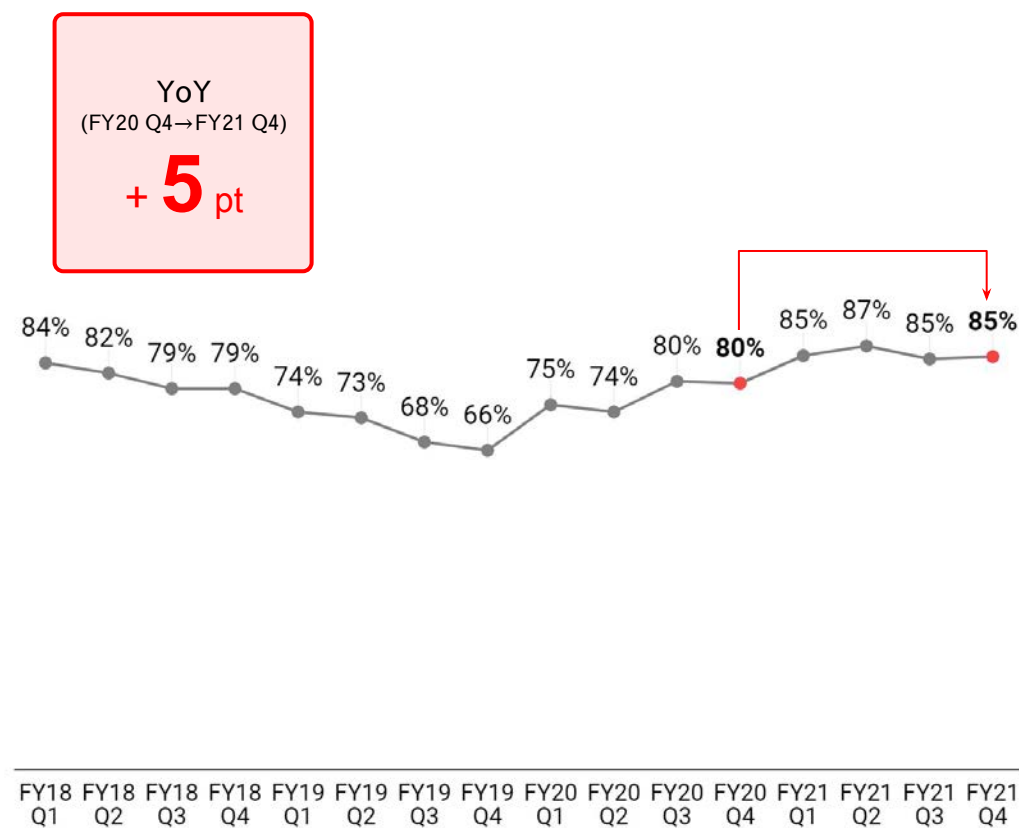
■ Gross profit

Unit: JPY MM



■ Gross profit margin

Unit: %

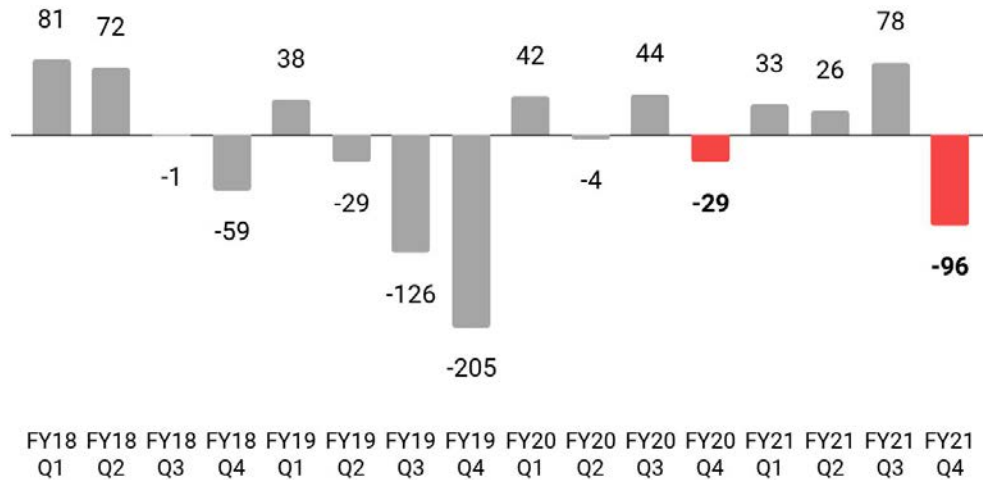


Record high adjusted operating profit (+196%)

In addition to the one-time fees related to the acquisition of Oberlous and the fundraising last December (approximately 32 million JPY), we have started aggressive investment in advertising in the Platform business, resulting in an operating loss in Q4 as planned. Adjusted operating profit*¹ grew to 402 million JPY (+196% YoY), reaching a record high.

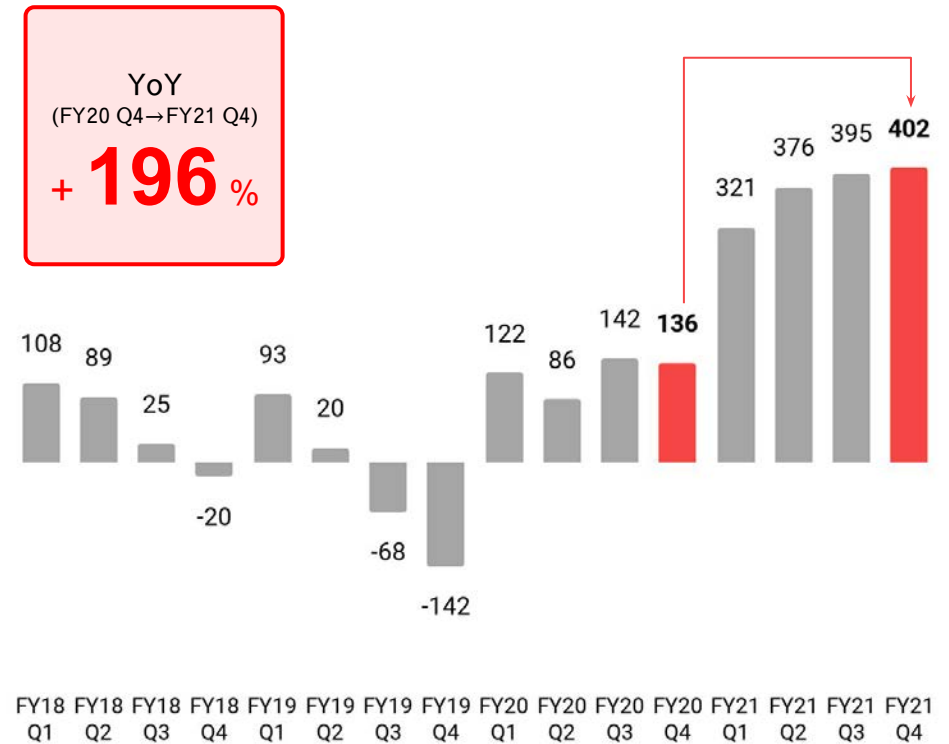
■ Operating profit (quarterly)

Unit: JPY MM



■ Adjusted operating profit*¹ (quarterly)

Unit: JPY MM



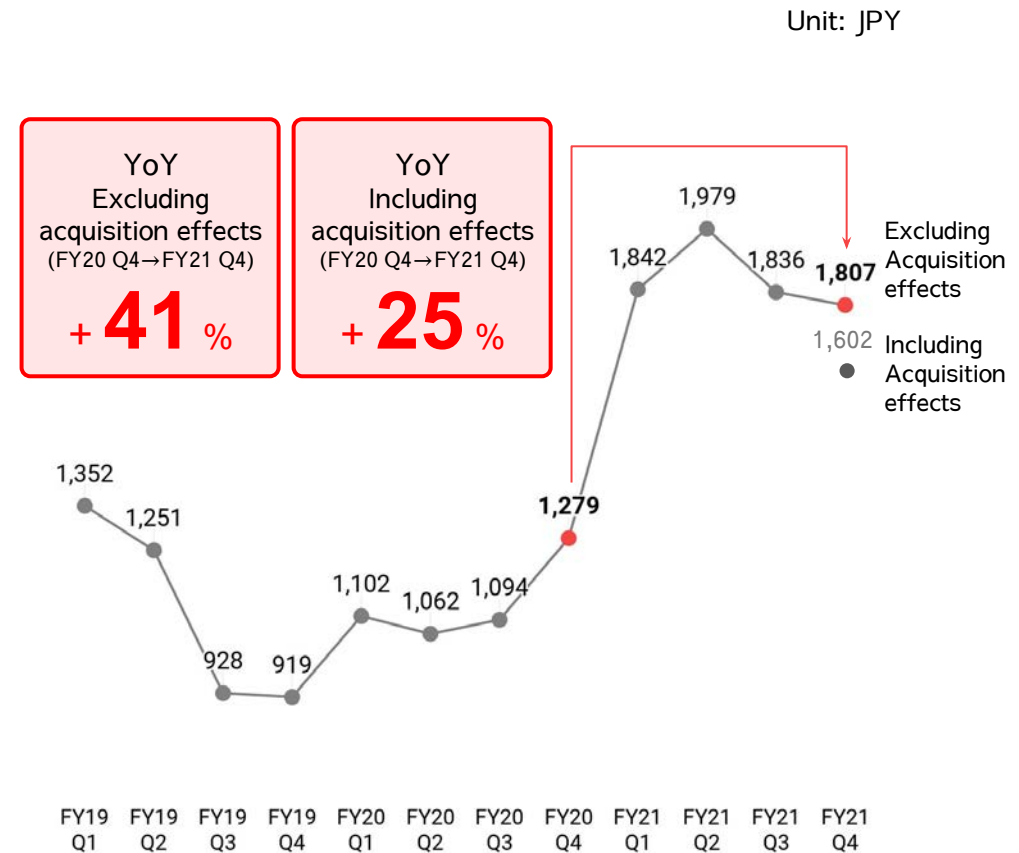
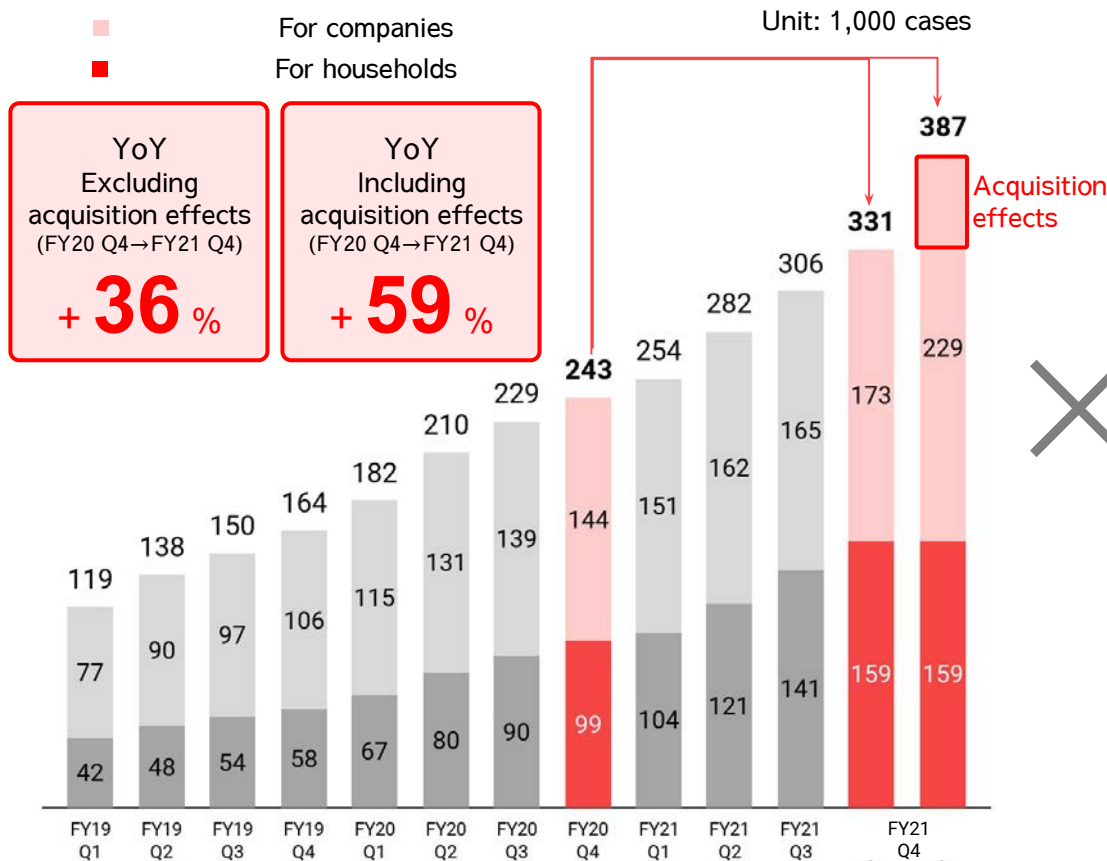
*1 Adjusted operating profit is calculated by subtracting advertising expenses, sales commissions (expenses paid directly to partners as a result of switching), sales promotion expenses (expenses paid directly to users as a result of switching), amortization of goodwill and one-time fees from operating profit.

Platform business: Record high number of users (+59%), while ARPU maintained a high level

The number of users increased +59% YoY (+36% excluding the acquisition effects) due to an increase in the number of applications for switching. Compared with FY21 Q3, ARPU decreased as the user increase from the acquisition was not accompanied by one-time fees at switch. Excluding the impact of the acquisition, ARPU remained at the same high level as in the past three quarters, increasing +41% YoY.

Number of users (converted on a general household basis)*1

ARPU *2



*1. To accurately compare the impact of company and household switches, switches are calculated for companies using an equivalent rate and converted based on the rebates from the total obtained capacity using the capacity of a general household as 4 kW. "Number of users" is the same as "Number of users eligible for recurring revenue" in the previous report.

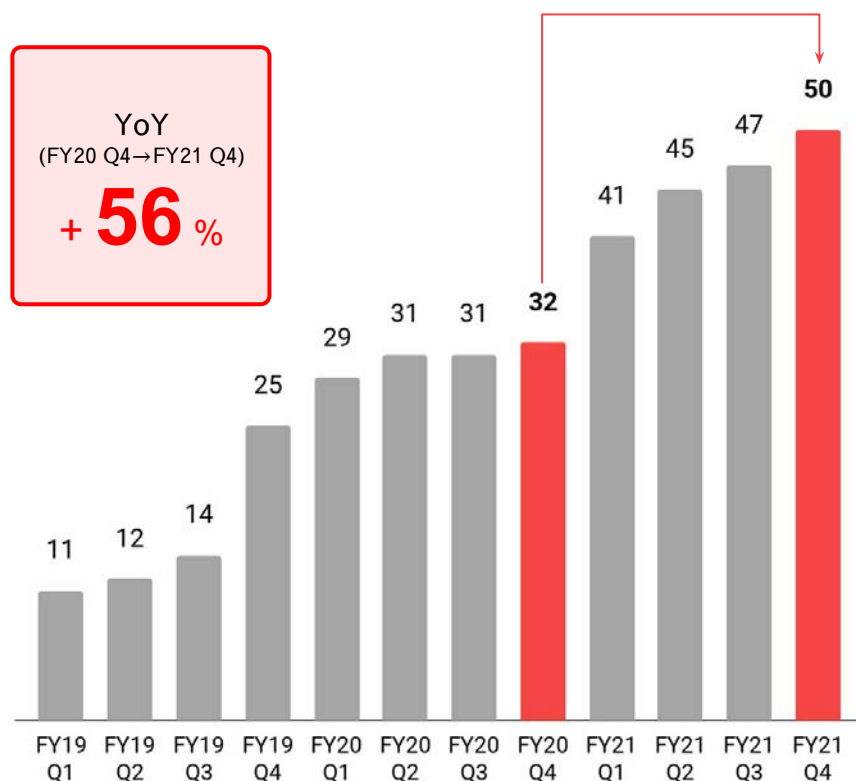
*2. Average Revenue Per User: Calculated after dividing the quarterly segment sales by the number of users eligible for recurring revenue at the end of the quarter.

Data business: Record high number of customers (+56%)

The number of customers increased +56% YoY to a record high due to the introduction of our core products to new customers, mainly EMAP and SMAP. Although ARPU decreased -10% YoY due to the onboarding of new customers through introductory products and offers, it maintained a stable level.

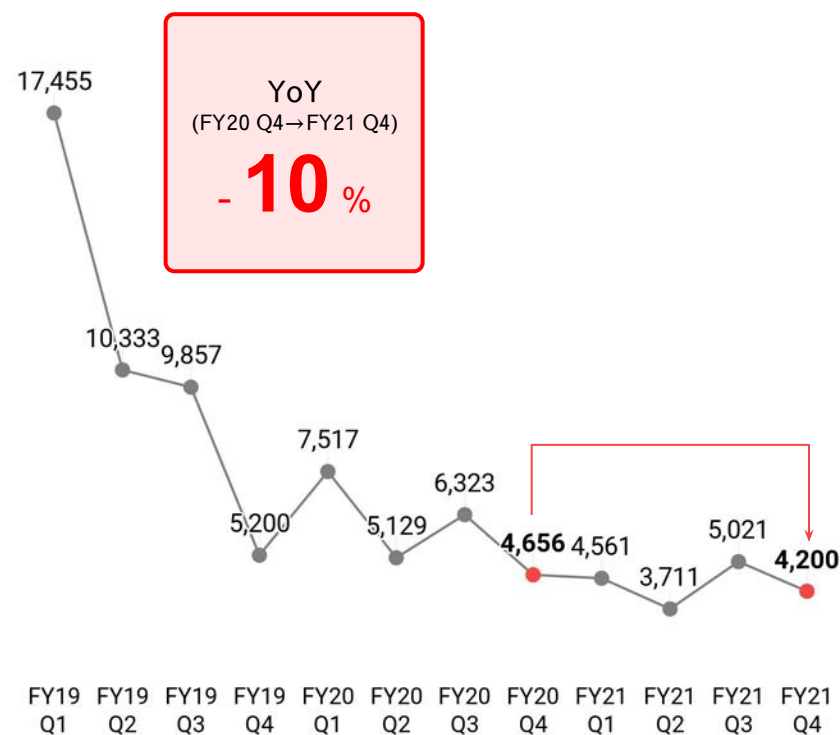
■ Number of customers *1

Unit: Number of companies



■ ARPU *2

Unit: 1,000 JPY



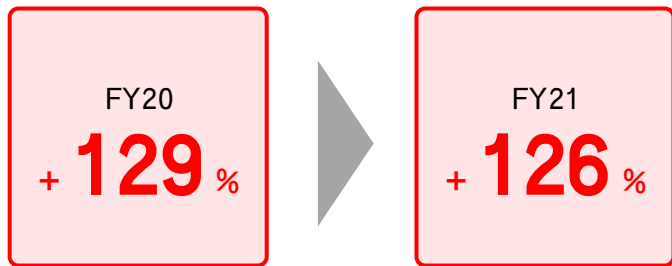
*1. Counting number of customers as of the end of the period

*2. Average Revenue Per User: Calculated after dividing the quarterly segment sales by the number of customers at the end of the quarter

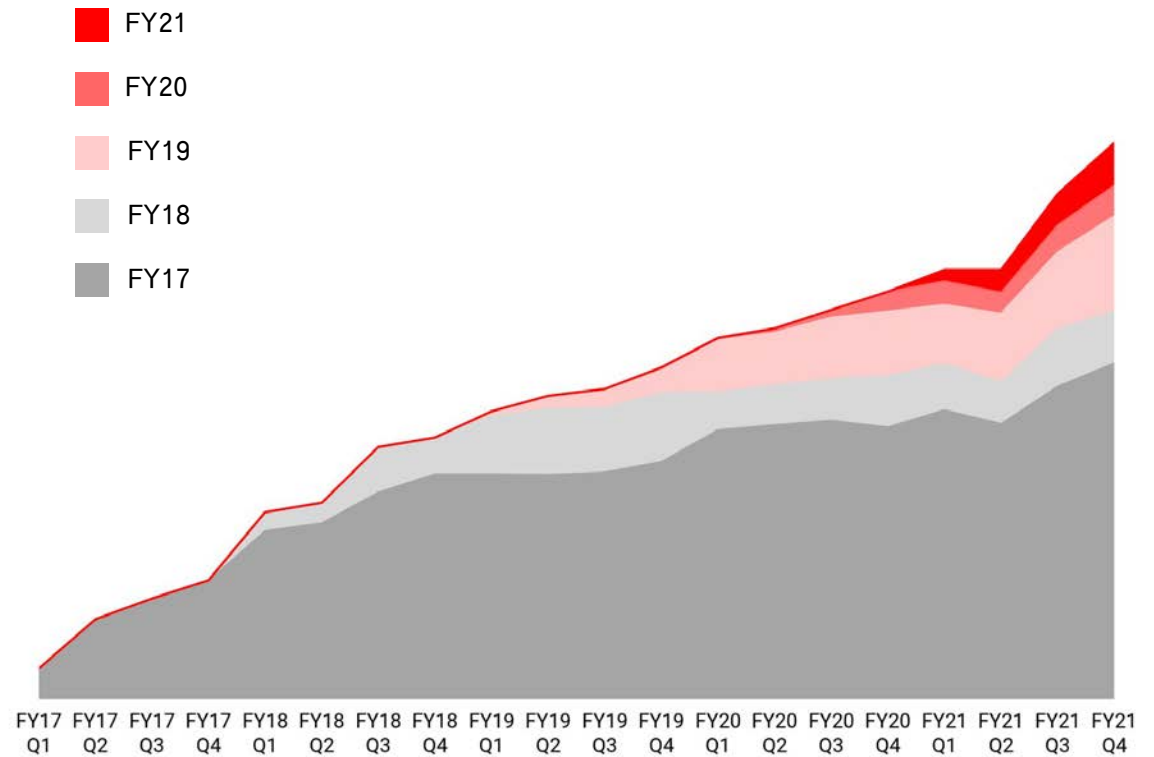
Maintaining positive NRR as an energy SaaS

Due to cross-selling multiple services to our clients (energy companies, etc.), we have seen steady growth in recurring revenue from existing customers, and our NRR (Net Revenue Retention)*¹ has been over 120%. Although recurring revenue growth temporarily slowed in the first half of FY21 due to the decline in electricity demand from the State of Emergency caused by COVID-19, growth accelerated again in the second half of the year.

■ NRR



■ Changes in recurring revenue by start of service



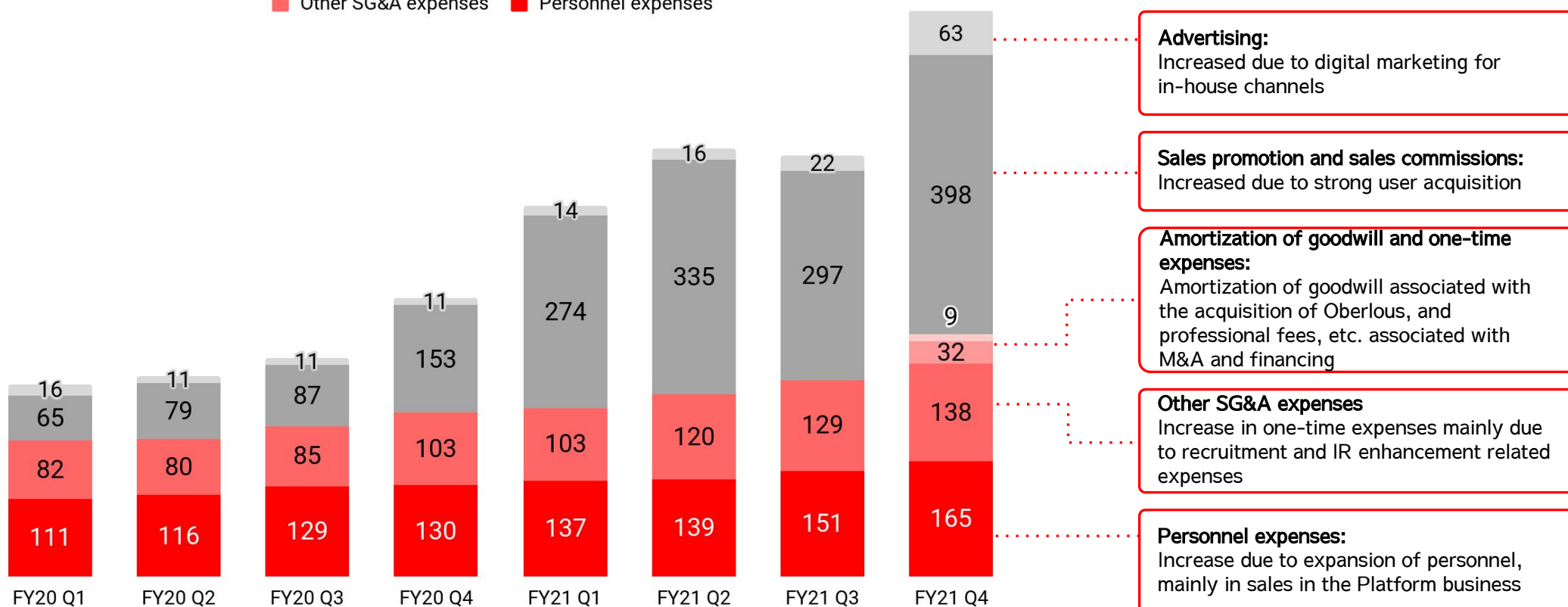
*1 The net revenue retention is calculated by dividing recurring revenue at the end of fiscal period N from customers at the end of fiscal period N-1 by the recurring revenue at the end of fiscal period N-1.

Maintain cost control at an appropriate level while aggressively investing in user acquisition

In FY21 Q4, we increased our expenses for advertising, sales promotion and sales commissions, and recruitment (among other SG&A expenses). By effectively controlling our costs, we were able to achieve an operating profit of 40 million JPY for the full year as per our guidance.

■ Changes in SG&A expenses

■ Advertising ■ Sales promotion and sales commissions ■ Amortization of goodwill ■ One-time expenses
 ■ Other SG&A expenses ■ Personnel expenses





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Business Explanation

- Platform business
- Data business



■ **Platform business**

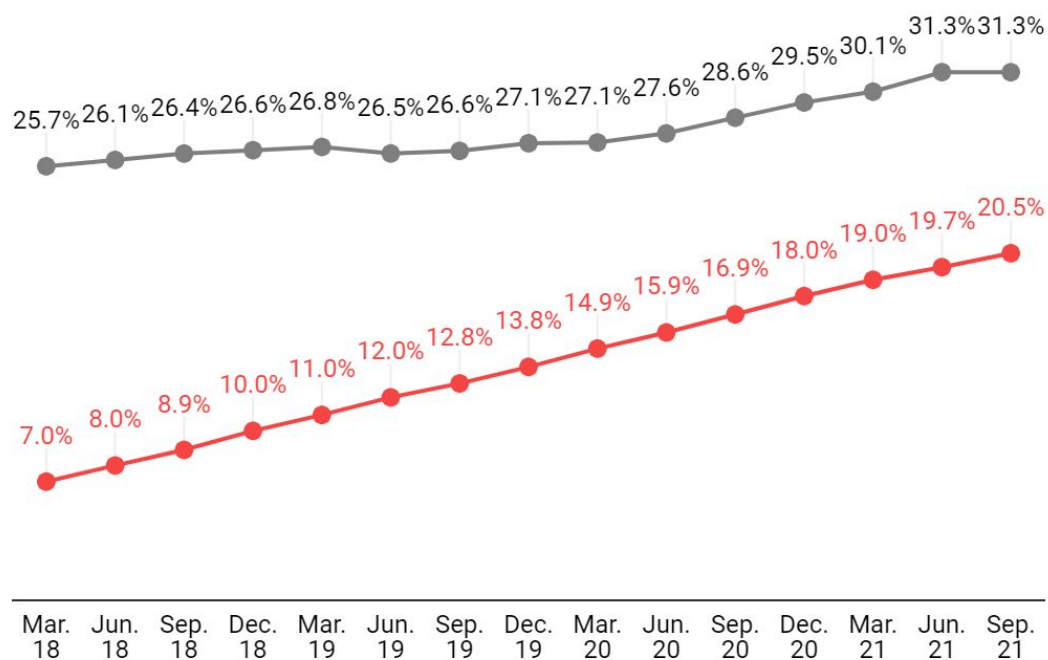
Our market share reached a record high

The liberalization of the electricity retail market happened in 2005 for companies and in 2016 for households. The share of new entrants (based on the number of contracts) is 31.3% for companies and 20.5% for households.

Our market share of customers using a new entrant supplier*1 (on a contract number basis) reached a record high of 1.9% for companies and 1.7% for households, with the household share in particular showing rapid expansion.

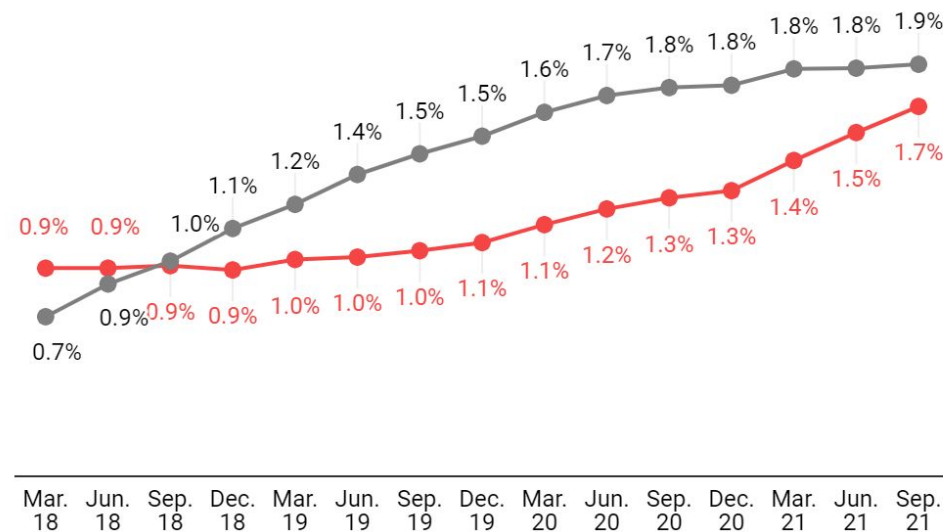
Customer shares of new entrant suppliers*2

- For households
- For companies



Our market share of customers using a new entrant supplier*2

- For households
- For companies

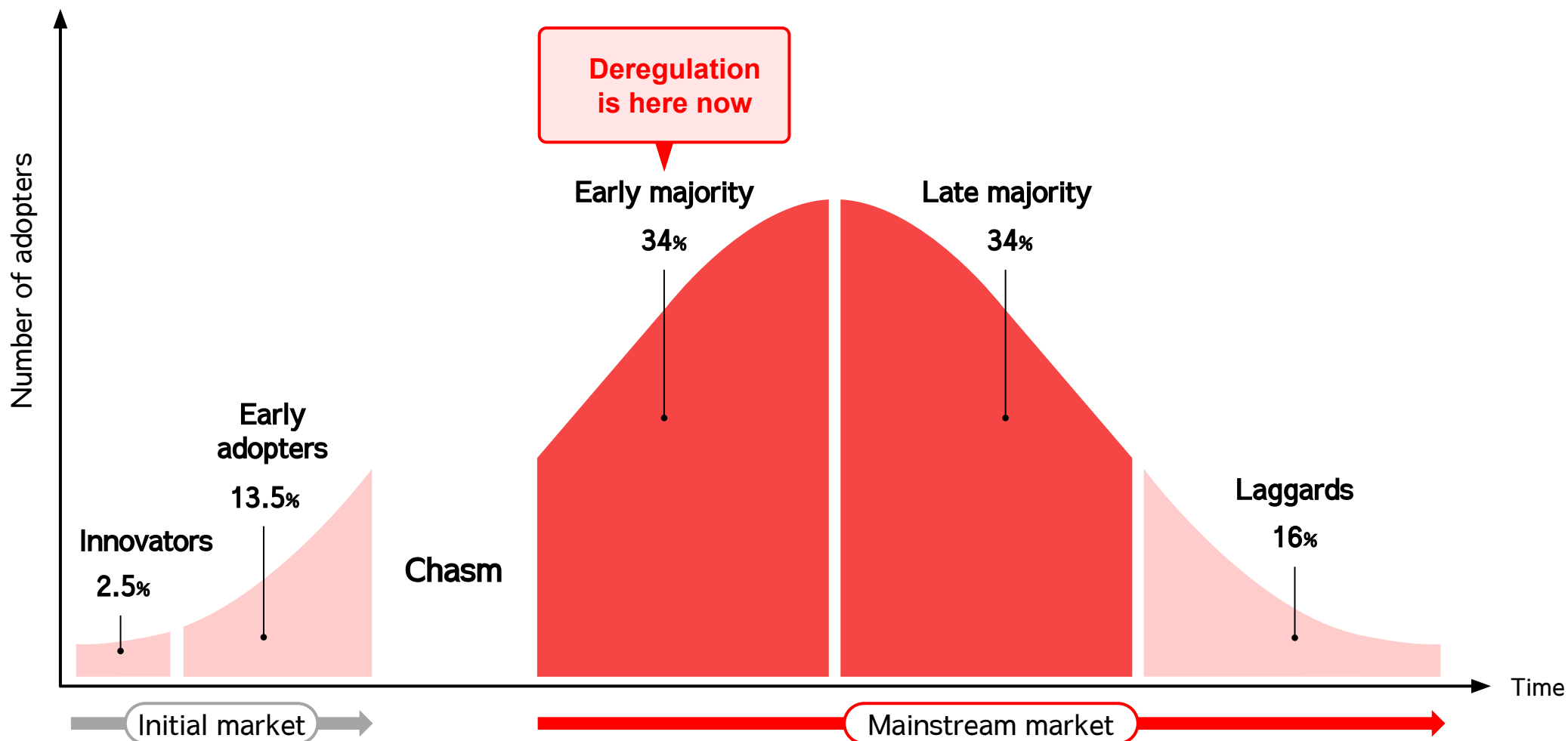


*1. We define a “new entrant supplier” as a supplier that was not a default regional supplier prior to liberalization.

*2. Created based on the number of contracts in the Electricity Trading Report by the Electricity and Gas Market Surveillance Commission (Left) and our share based on the sales amount (kWh) of (Right).

Switching after crossing the "chasm" is expected to accelerate

With the share of new entrants crossing the "chasm" of early adoption, we expect user switches to accelerate in the near future. We will actively promote sales in order to expand our share even further during this expansion period.

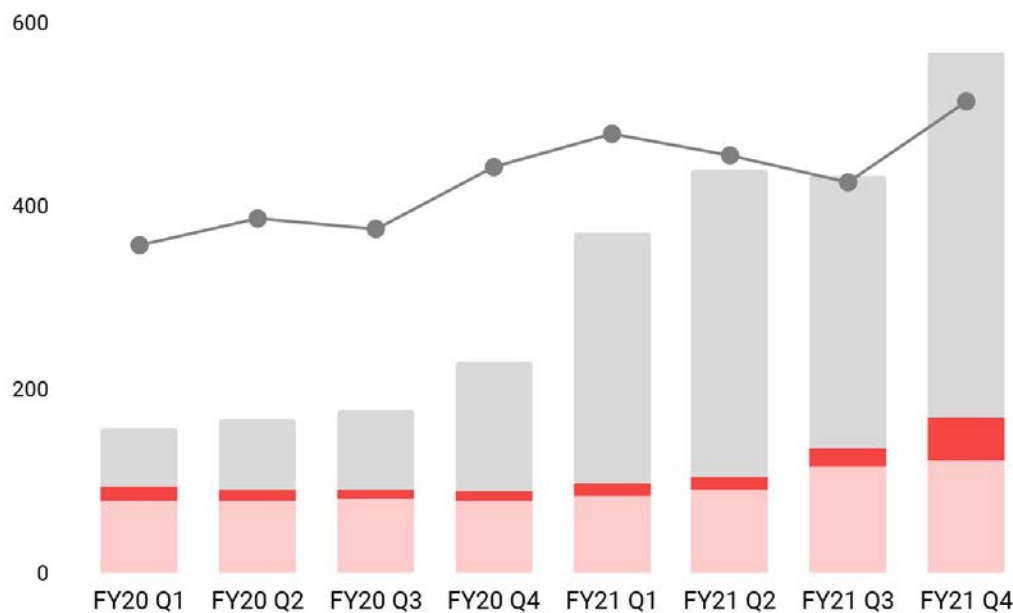


CAC increased alongside advertising, LTV/CAC maintained at 3.5x

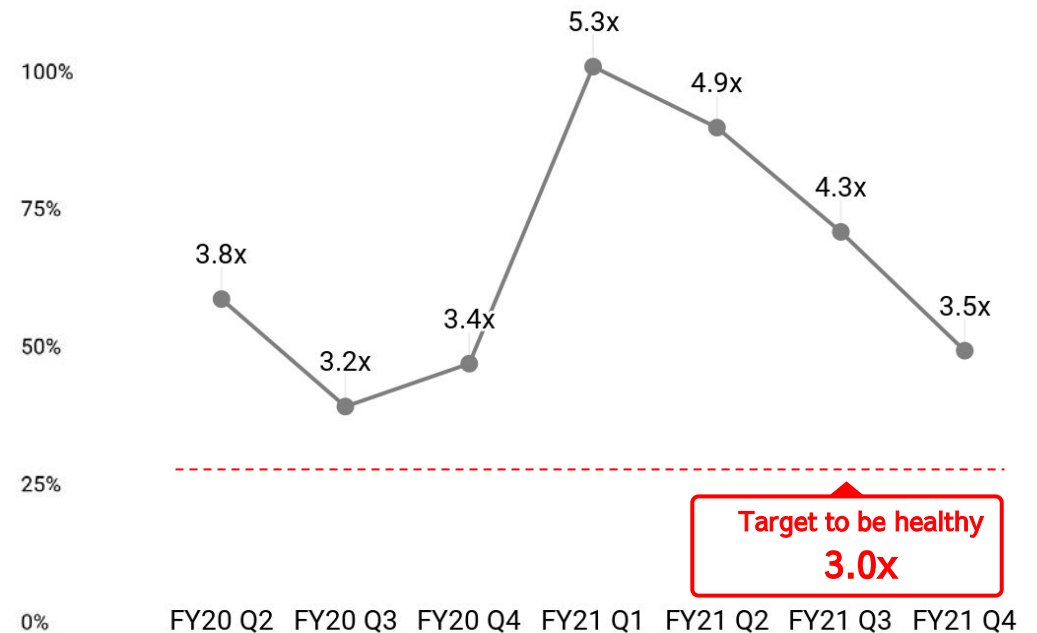
Due to an increase in CAC through digital marketing to strengthen our in-house channels, LTV/CAC fell but remained at a healthy level (3.5x). We are considering more aggressive customer acquisition measures.

■ Changes in SG&A expenses in Platform business*1

- (Sales promotion + Sales Commissions) / One-time fee
 - Sales Promotion + Sales Commissions
 - Advertising
 - Personnel expenses, Other expenses
- Customer Acquisition Cost*2



■ LTV/CAC*2



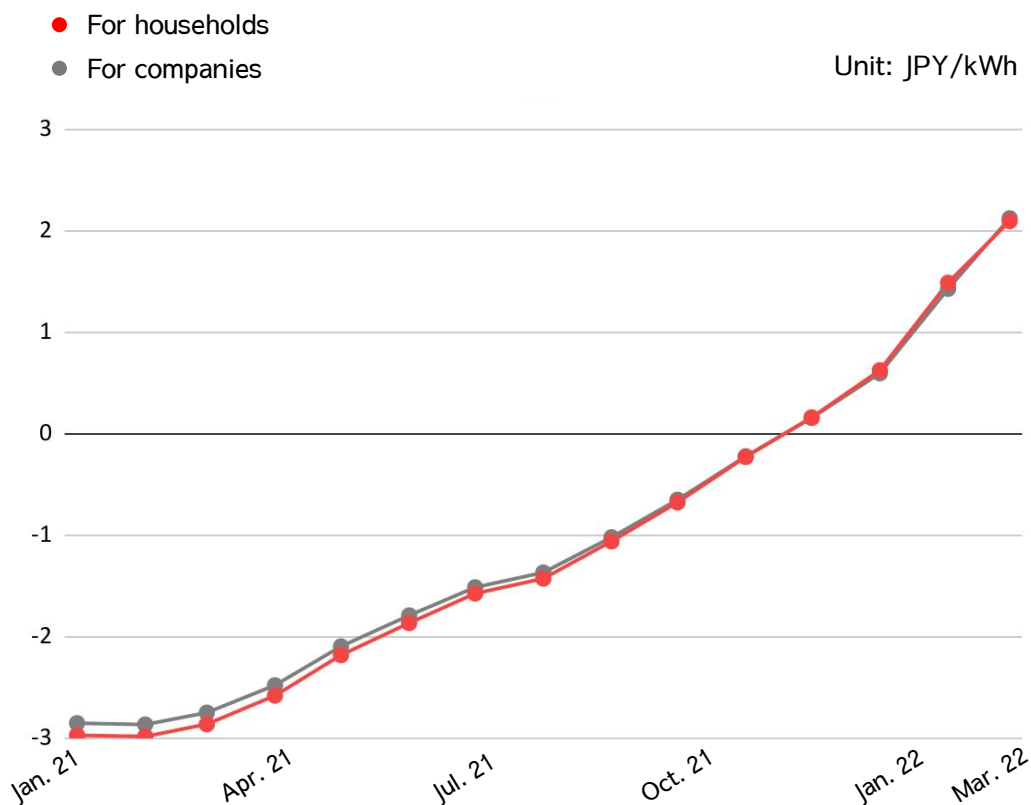
*1. The total of advertising expenses (expenses arising as a result of activities such as listing advertisements, which are not directly for the acquisition of customers), sales promotion expenses (benefits passed directly to users as a result of switching), sales commissions (expenses borne directly by partners as a result of switching), personnel expenses and other expenses. Sales promotion (in-house channels) and sales commissions (partner channels) are covered by a percentage of one-time fees from affiliated companies.

*2. LTV: Lifetime Value, CAC: Customer Acquisition Cost. See the appendix for details.

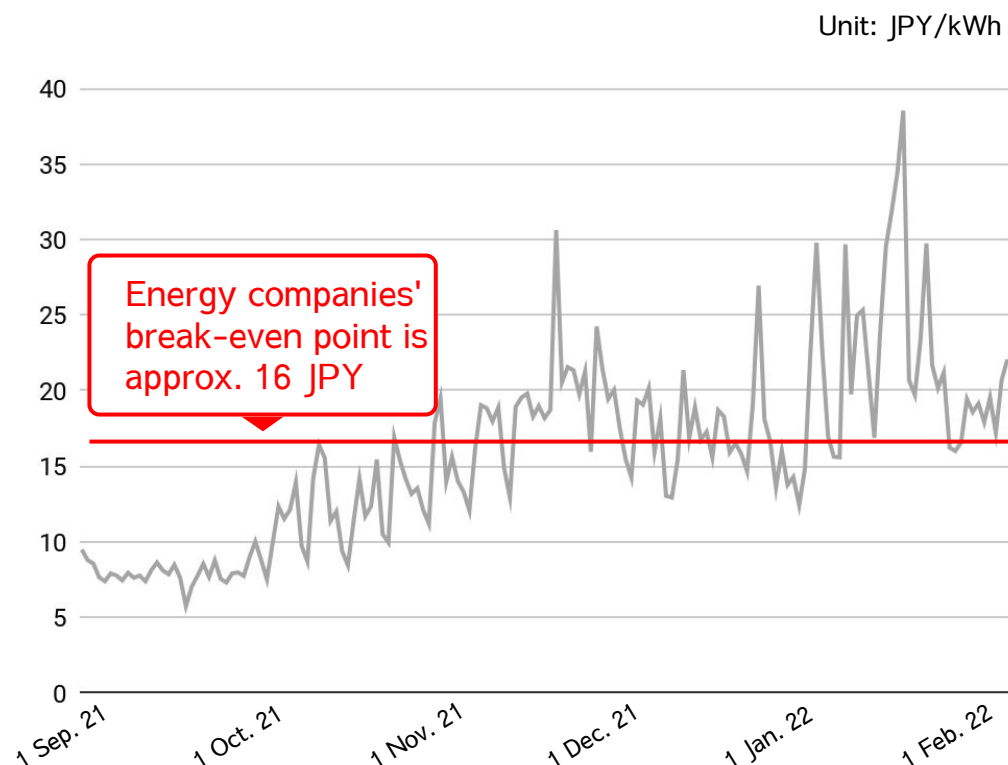
Key news: Electricity wholesale prices up, worsening profit for energy companies

With the global rise in energy prices, energy bills have increased following a steep rise in fuel adjustment costs. While cost-consciousness is driving electricity switching, rising prices in the Japan Electric Power Exchange (JEPX) are beginning to affect energy company profitability. For us, the effect has been a reduction in one-time fees as sales promotion expenses are reduced.

Changes in fuel adjustment costs*1



JEPX prices*2



*1 Prepared by calculating the average value per month of ten energy companies from "New Entrants Net," Energy Information Center. Low voltage for households use, high voltage for companies use.
 *2 Daily average of system prices as calculated from JEPX trading information.

Highlights (1): Strengthening advertising through digital marketing

We have begun to use the funds from the public offering in December 2021 to strengthen our advertising. We prioritize digital marketing as the effects are more likely to be immediately apparent. Our TV commercials have been suspended temporarily while global energy prices remain high.

■ Focus on digital marketing

Search Advertising
(Google / Yahoo)



■ Starting advertising to strengthen in-house channels



“Moving is an opportunity to switch!”



“If I had known about ENECHANGE,
I could have saved more money this month...”

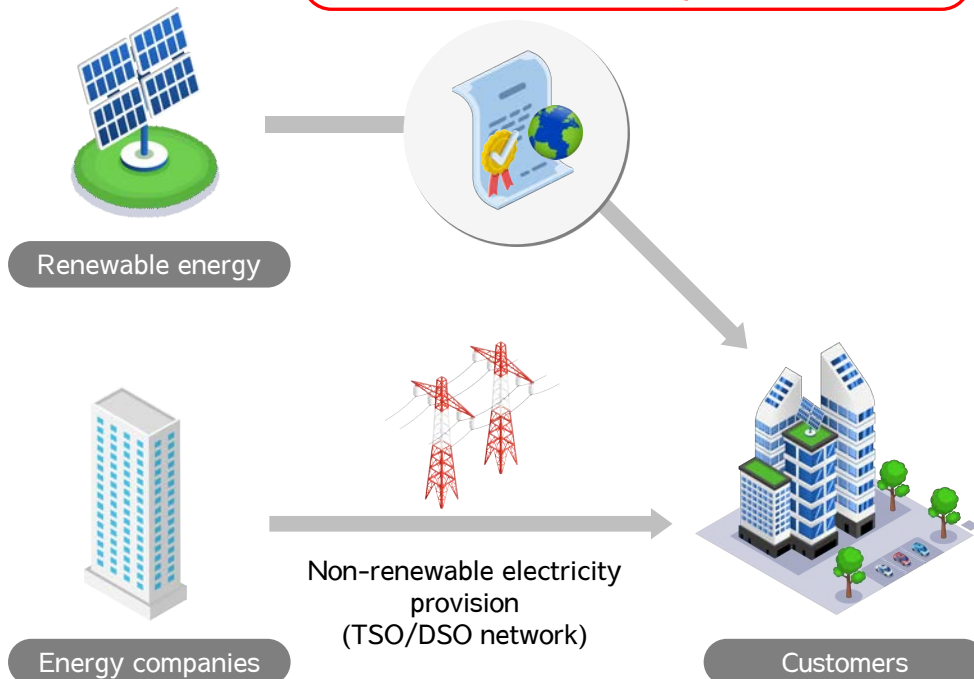
Highlights (2): Launch of Renewable Origin Certificates for companies

With regulatory changes taking effect from November 2021, ENECHANGE is now able to conduct transactions with FIT Non-Fossil Certificate With Tracking*1. Listed companies in the Prime market are required to disclose information in accordance with TCFD*2 advice, and we expect to see a high demand for Renewable Origin Certificates as a decarbonization measure for Scope 2.

■ Use of Renewable Origin Certificates

Intermediaries will be able to transact Renewable Origin Certificates from November 2021.

Started transactions by ENECHANGE



■ Campaign to offer FIT Non-Fossil Certificates



Price: 0.3 JPY/kWh
Limited time offer:
now free!

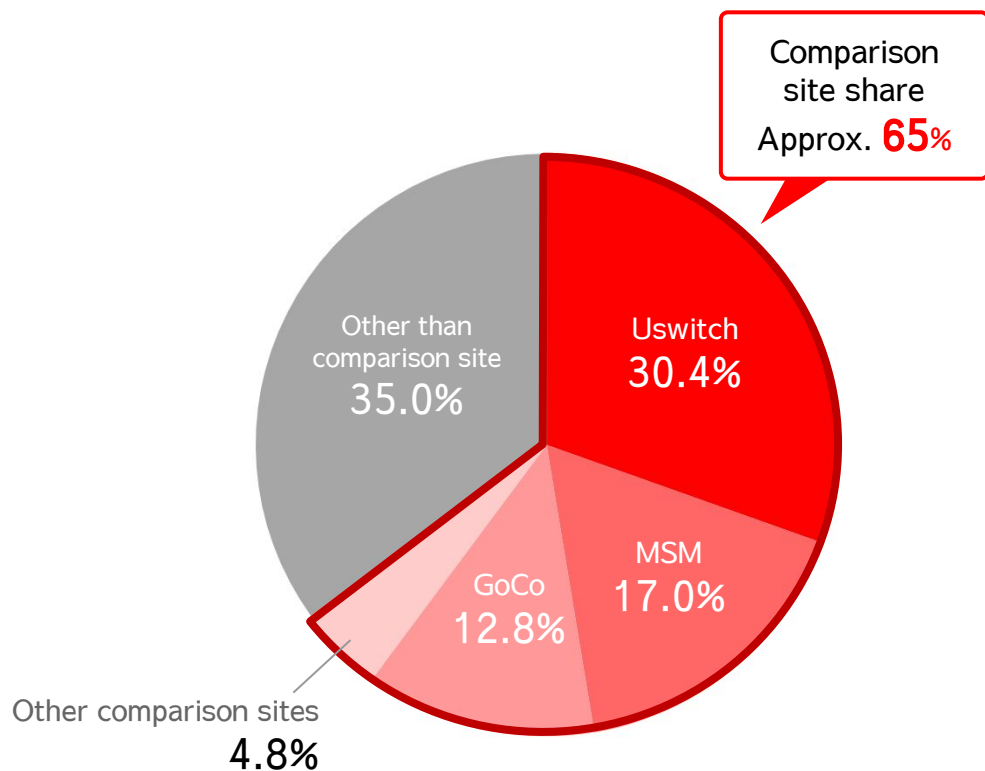
*1 Certificates of the environmental value of electricity generated by non-fossil fuel energy sources, which are subject to the Feed-in Tariff (FIT) established to promote the spread of renewable energy.

*2 Task Force on Climate-related Financial Disclosures, an organization established by the Financial Stability Board at the request of the G20 in December 2015 to promote the disclosure of information on how climate change will affect the finances of companies and institutions. In their recommendations, greenhouse gas emissions are defined in three scopes; Scope 2 refers to greenhouse gas emissions when businesses purchase electricity, heat, and steam from other companies and use them.

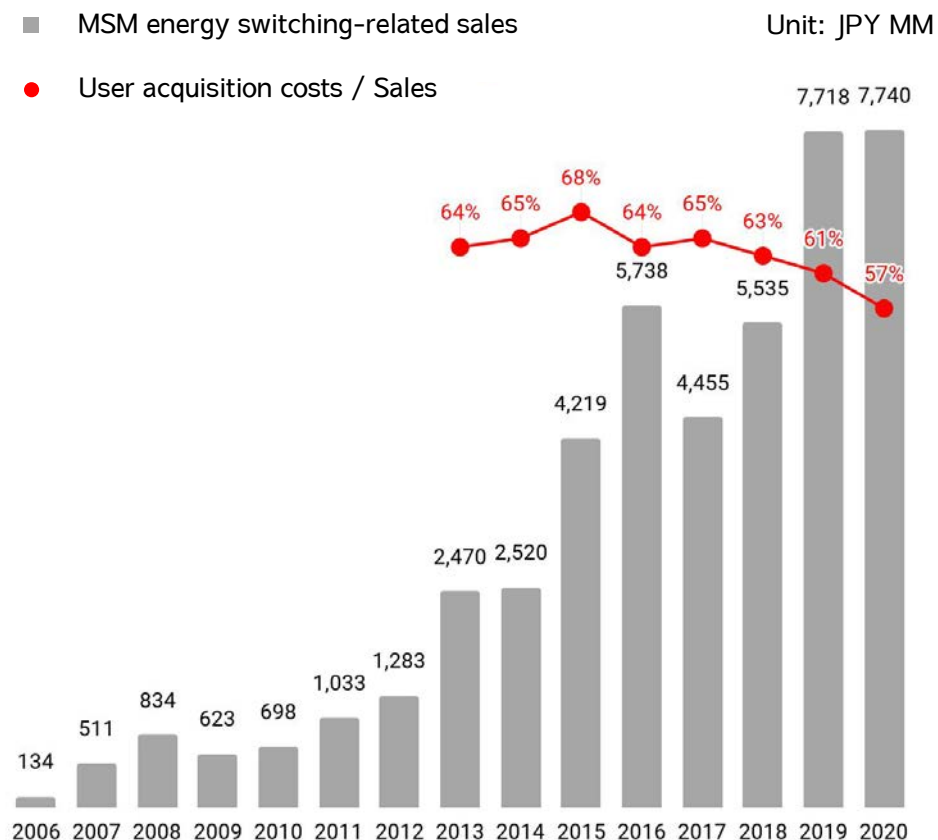
UK: Energy switching revenue of top two comparison websites totaled 22 billion JPY

The UK, where the energy market has been liberalized since 1999, has seen about 65%^{*1} of switches performed using online price comparison sites for energy. The largest company, USwitch, had sales of about 14 billion JPY and a market share of 30.4%.^{*2} The second largest company, MoneySuperMarket (MSM), had energy switching-related sales of 7.7 billion JPY and a market share of 17.0%.^{*3}

■ Market Share in UK Energy Switches^{*2}



■ MSM Sales^{*4} and Share of Energy Switches



*1. Calculated from Ofgem, "Household Consumer Perceptions of the energy market Q3 2020".

*2. Share is the share of sales of the different companies calculated from GOV.UK, "Quarterly domestic energy switching statistics"

*3. Sales based on sales for the energy segment in the financial information of each company (public bulletins if not publicly listed) and converted at a rate of 150 JPY:1 GBP.

*4. Energy-related sales (Unit: JPY MM, converted at a rate of 150 JPY:1 GBP)



■ **Data business**

Energy tech companies emerging overseas (EV charging)

Many overseas EV charging companies went public in 2021 and are prioritizing sales growth while incurring losses due to upfront investments. Despite the recent decline in the overall stock market, the companies are still valued at a high PSR due to expectations for the growth potential of EV charging.

Company name	Ticker Symbol	Business	IPO Date	Market cap ^{*1}	Sales ^{*1} (TTM)	EBITDA ^{*1}	PSR ^{*2}	Stock Exchange	Main sales market
Tesla	TSLA	EV, EV Charging , Battery VPP ^{*3}	Jun. 2010	\$941 B	\$53.8 B	\$9.3 B	17.5x	NASDAQ	Global
ChargePoint	CHPT	EV Charging	Mar. 2021	\$4.6 B	\$204 M	-\$204 M	22.5x	NYSE	USA Europe
Wallbox	WBX	EV Charging	Oct. 2021	\$1.9 B	\$41 M	-\$19 M	47.2x	NYSE	Europe
FASTNED	FAST	EV Charging	Jun. 2014	\$894 M	\$9 M	-\$5 M	95.1x	Euronext Amsterdam	Europe
Blink	BLNK	EV Charging	Feb. 2018	\$882 M	\$15 M	-\$41 M	57.2x	NASDAQ	USA
Volta	VLTA	EV Charging	Aug. 2021	\$798 M	\$29 M	-\$122 M	28.0x	NYSE	USA
EVgo FAST CHARGING	EVGO	EV Charging	Jun. 2021	\$567 M	\$19 M	-\$55 M	29.4x	NASDAQ	USA
Pod Point	PODP	EV Charging	Nov. 2021	\$472 M	\$64 M	-\$0 M	7.3x	LSE	Europe

*1. From Yahoo Finance (as of January 31, 2022) , €1=\$1.13, £1=\$1.35

*2. Price to Sales Ratio, Calculated as market cap divided by sales (TTM)

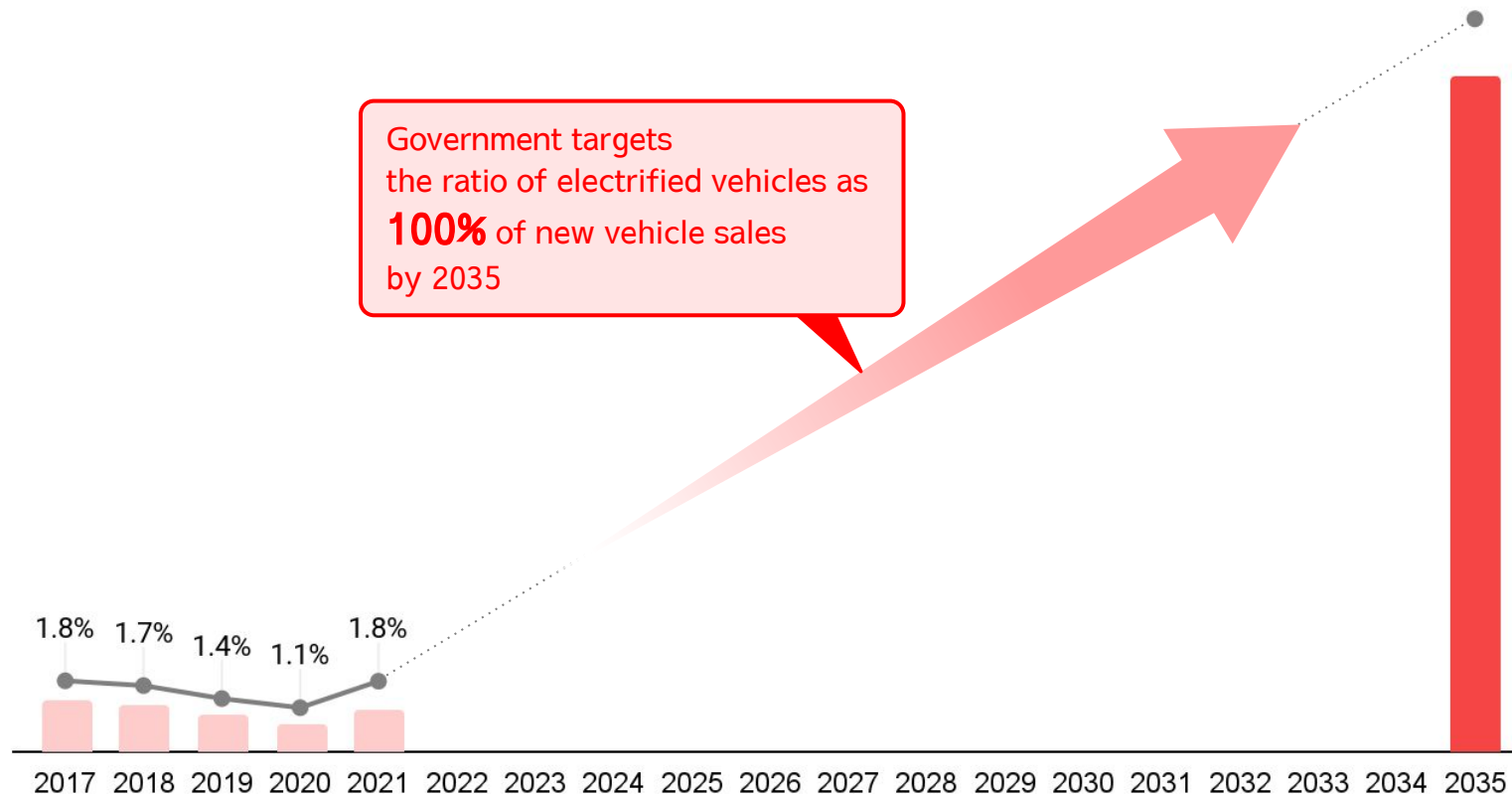
*3. VPP - Virtual Power Plant

Widespread adoption of EVs is important to achieve decarbonization in Japan

The Japanese government has set a goal of increasing the percentage of electrified vehicles in new vehicle sales to 100%*¹ by 2035. The widespread use of EVs will play an important role in realizing a decarbonized society, and the demand for EV charging is expected to increase in tandem with the widespread use of EVs.

- Changes in the ratio of EVs and PHVs in new cars sold in Japan and growth projection*²

■ EV and PHV sales volume ● EV and PHV sales ratio



*1. METI “The 6th Strategic Energy Plan” (October 22, 2021), Electrified vehicles includes Electric Vehicle (EV), Plug-in Hybrid Vehicle (PHV), Fuel Cell Vehicle (FCV), Hybrid Vehicle (HV).

*2. Actual results up to 2021: Japan Automobile Dealers Association, “Sales of Vehicles by Fuel Source (Passenger Cars).”

Focused investment in 4 SaaS products

The Data business, which addresses fields related to the Energy 3Ds, focuses on 4 major SaaS products: EMAP (DX^{*1} services for energy companies), SMAP (DR for households), KIWI (DR^{*2} for companies), and ENECHANGE EV Charging Service. We will primarily focus on the EV Charging Service for the time being.

Data business

DIGITALIZATION

DECARBONIZATION

DECENTRALIZATION

EMAP

DX services for energy companies



東京電力エナジーパートナー



SMAP

DR for households



ENECHANGE KIWI

DR for companies



EV Charging Service

EV Charging infrastructure



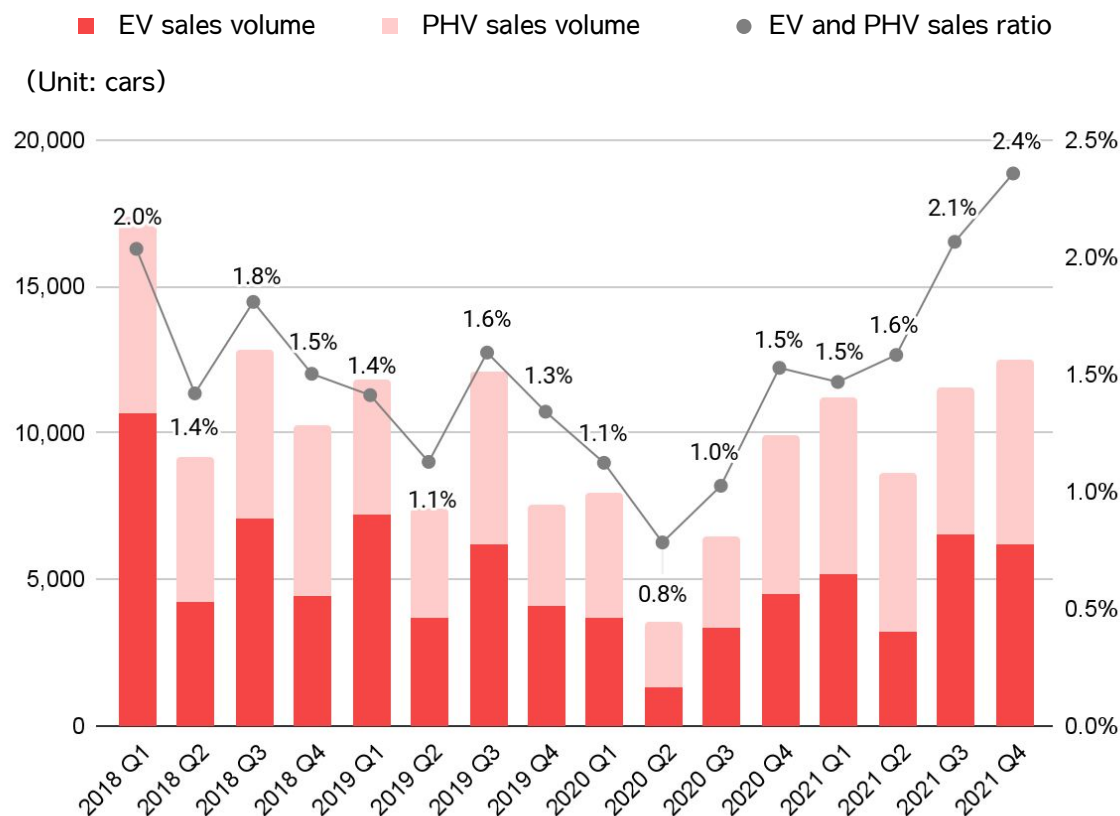
*1. DX = Digital Transformation

*2. DR = Demand Response

Key news: 2022 is Year One of EV, increased commitment to the EV sector

In 2022, Japan is increasing its commitment to the EV sector to the extent that it could be called "Year One of EV." The ratio of EVs and PHVs among new cars sold is at its highest level ever, and it is becoming increasingly clear that demand is rising. Moreover, in addition to Toyota's active expansion into EVs and Sony's entry into the EV sector, numerous new EV models are being announced by overseas manufacturers and are likely to expand into the Japanese market.

■ Changes in the ratio of EVs and PHVs in new cars sold in Japan*1



■ 2022 is Year One of EV in Japan

Japan	<ul style="list-style-type: none"> ■ bZ4X (Toyota EV SUV) ■ Solterra (Subaru EV SUV) ■ Ariya (Nissan EV Crossover) ■ IMk (Nissan/Mitsubishi EV light vehicle) ■ Establishment of Sony Mobility Inc.
Europe USA	<ul style="list-style-type: none"> ■ A6 e-tron (Audi EV sedan) ■ EQE (Mercedes-Benz EV sedan) ■ Macan EV (Porsche EV SUV) ■ ID.5 (Volkswagen EV SUV coupe) ■ Cadillac Lyriq (GM EV SUV)
China	<ul style="list-style-type: none"> ■ China FAW Group moves into the Japanese market ■ Chinese-made EVs are used by Japanese companies
Subsidies	<ul style="list-style-type: none"> ■ METI's subsidy program for supporting the introduction of clean energy vehicles and infrastructures Subsidy amount: Doubled from 420,000 JPY to a max of 800,000 JPY ■ Tokyo's Project to Promote the Spread of Electric Vehicles Subsidy amount: 450,000 JPY

*1 Prepared by ENECHANGE from Japan Automobile Dealers Association, "Sales of Vehicles by Fuel Source (Passenger Cars)."

Highlights (1): Developing the destination charging field by leveraging our advantages

EV charging use cases can be divided into (1) home charging, (2) route charging, and (3) destination charging, and we will focus on (3), which is also mainly performed by overseas listed companies. We are developing our EV Charging Service by leveraging our expertise, such as sales channels, software development capabilities, and our overseas EV charging business knowledge.

■ Focus on destination charging

1. Home Charging
Charging at home



Level 1
or 2
Charging

2. Route Charging
Charging on the way



DC Fast
Charging

3. Destination Charging
Charging at the destination



Level 2
Charging

■ Our Strengths

Customer base cultivated
through company switching



Software development
capability



Marketing data



Smart meter
data

Overseas EV charging know-how



ChargePoint, Inc.
Former Executive



EVBox
Former Executive

Highlights (2): Start of EV Charging Service and expanding across the whole country

The EV Charging Service has received strong demand from major suburban retail outlets, hotels, and restaurant chains, and we are installing units across the country. Our strategy is to have the first unit installed by each site owner and establish a foothold for additional orders as EV ownership spreads. This will enable us to gain a dominant position for the future.

■ Start of EV Charging Service

White version



Secondary version



■ Leverage corporate customer base to install the first units





5

Forecast for FY22

Consolidated Financial Forecast for FY22

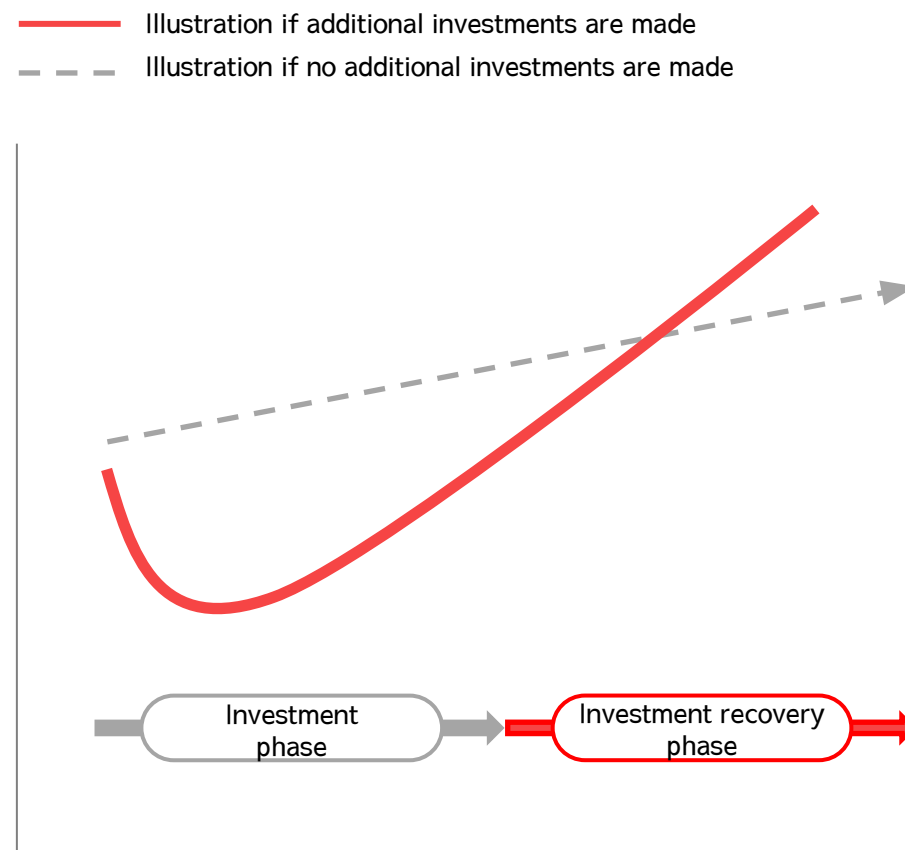
The approximately 3.9 billion JPY raised through the public offering will be used for growth investment for FY22. Sales growth is expected to be over 30%, with an operating loss expected due to growth investment. The business is expected to become profitable after it moves into the investment recovery phase.

Forecast for FY22

Unit: JPY MM

	FY21 Full-year results	FY22 Full-year forecast	Change rate
Sales	3,018	4,000	+33%
Operating income	40	(1,500)	-

Illustration of expenses and contributions to profit

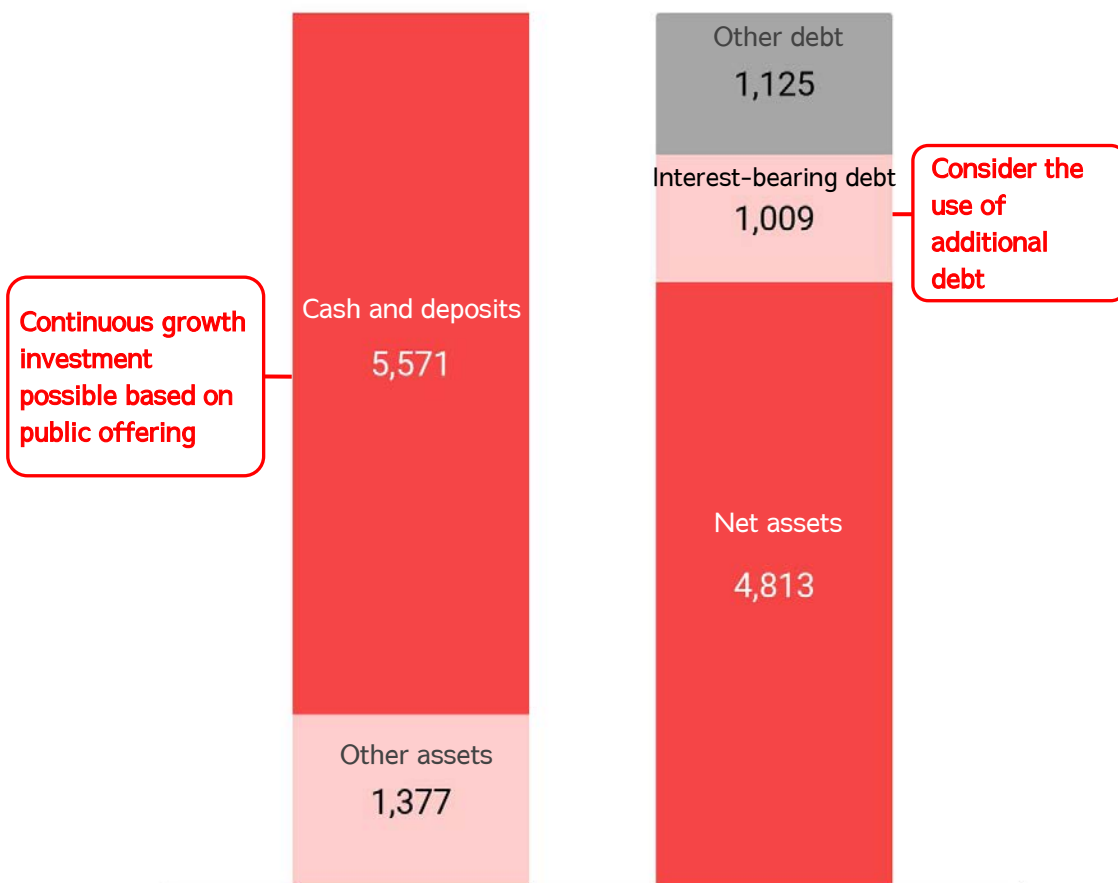


Financial Soundness

As a breakdown of the operating deficit of 1.5 billion JPY, we plan to invest approximately 1.2 billion JPY in the Platform business and 900 million JPY in the Data business for growth, and our financial soundness is sufficient. In addition, we will consider implementing M&A using interest-bearing debt.

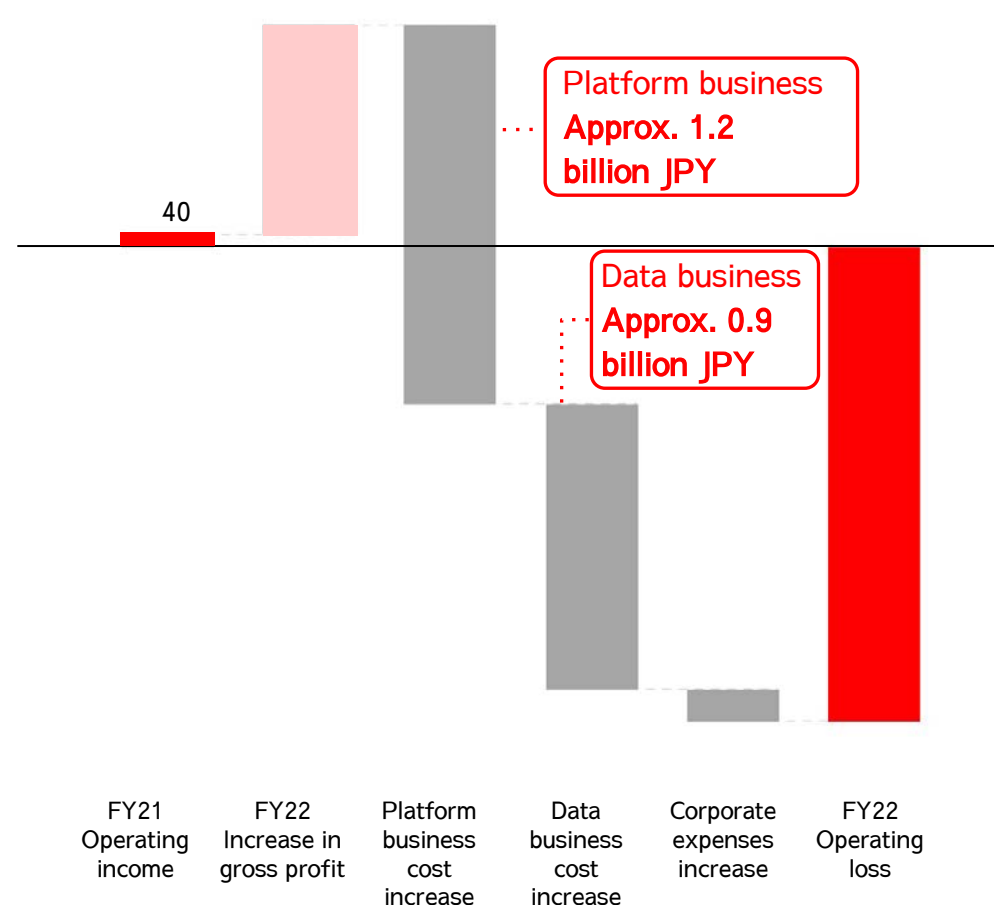
Financial condition (as of December 31, 2021)

Unit: JPY MM



Investment plan for FY22

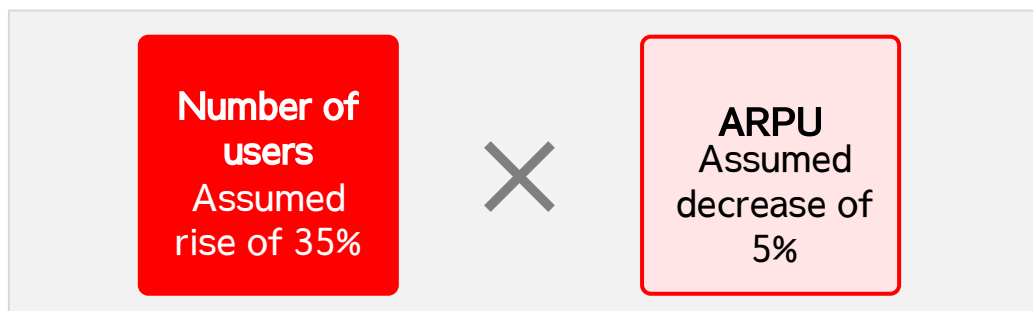
Unit: JPY MM



(1) Platform Business: Assumptions for sales forecast

We expect to grow our number of user by +35% with additional investment. However, with a decrease in one-time fees associated with high energy prices, we expect to see a -5% decrease in ARPU. Taking these into account, sales are expected to increase over 30%. Note that this does not include increases in sales due to mass marketing or potential M&A activities.

■ Assumptions for sales forecast



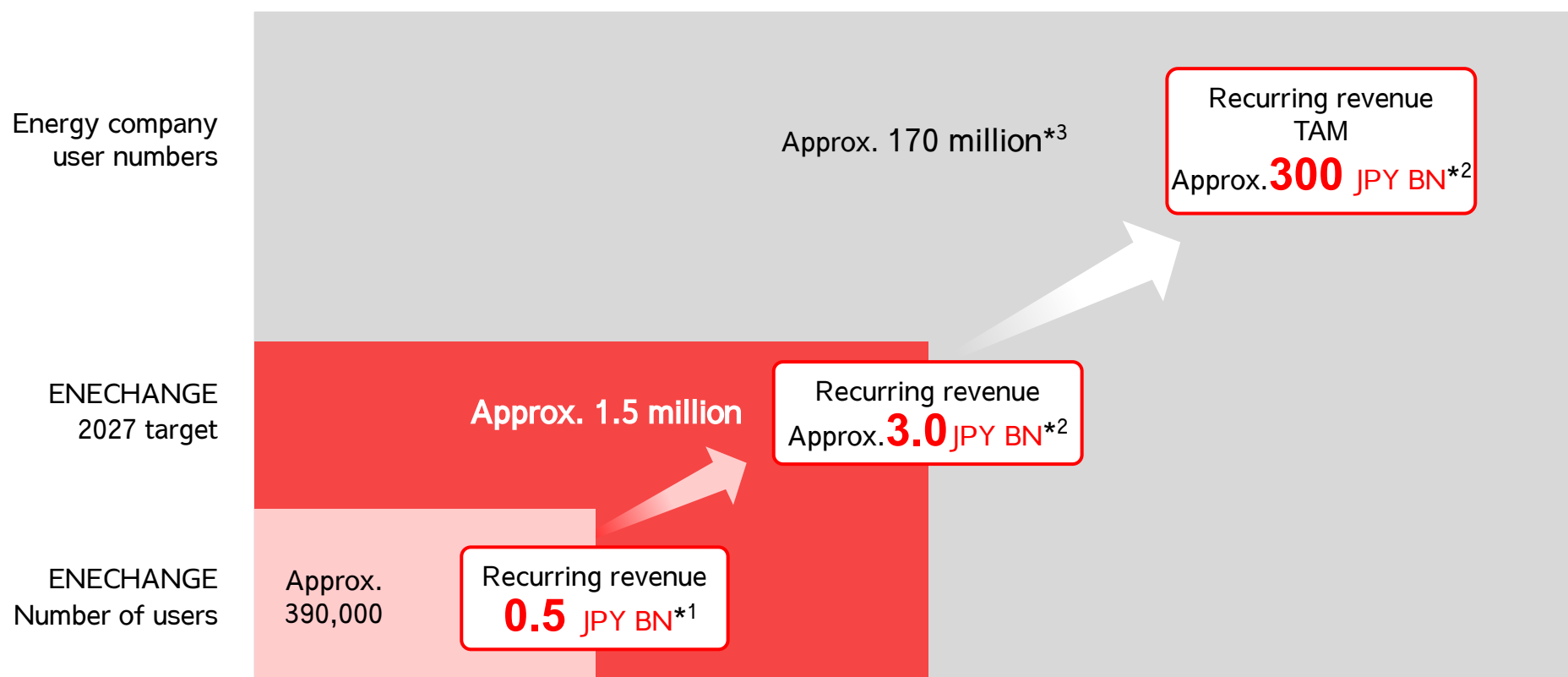
■ Strategies to increase sales

Prioritize increasing number of users

Strategy		2022 Policy
Strengthening of in-house channels	Mass marketing	Postponed for the time being
	Digital marketing	Priority focus
Strengthening of partner channels		Priority focus
"Roll-up" style M&A		Priority focus *Not included in forecast

(1) KPIs of Platform business: Focus on increasing the number of users

In the Platform business, the numbers of new entrant users are expected to increase, and we have plenty of room for growth. We aim to achieve 1.5 million users by 2027, which would generate sales of approximately 7 billion JPY with 3 billion JPY from recurring revenue.



*1 FY21 Results for Recurring Revenue in the Platform Business

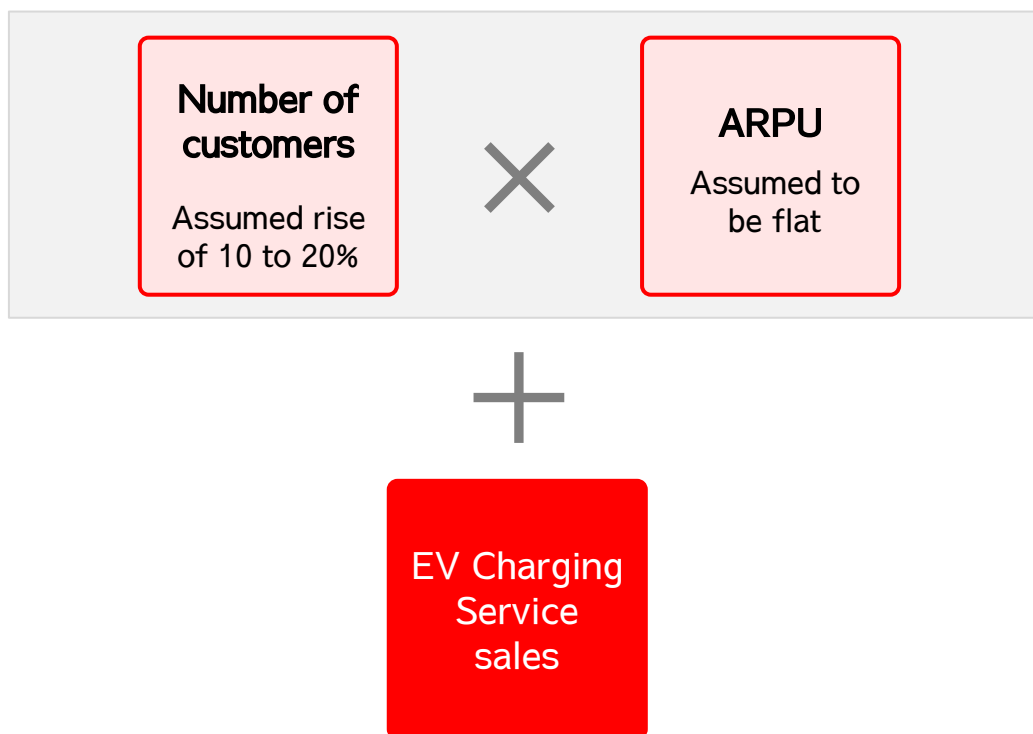
*2 Calculated with the recurring revenue unit price per user as approximately 1,786 JPY (calculated by dividing the recurring revenue for FY21 Q4 (excluding the impact of the acquisition) by the number of users at the end of FY21 Q3 and multiplying by the number of users at the end of FY21 Q4).

*3 From the Electricity and Gas Transaction Monitoring Committee's "Results of Electricity Transactions": In addition to the number of low-voltage accounts, the ratio of low-voltage to high-voltage electricity sales in the past 12 months was calculated and multiplied by the number of low-voltage accounts, which was then added up as the number of high-voltage household equivalents.

(2) Data business: Assumptions for sales forecast

The number of customers is expected to increase about +10-20% driven by sales of our existing products. ARPU is expected to remain flat due to offsetting impacts of low prices for new customers and up/cross-selling. We prioritize investment in the EV Charging Service, but the sales assumption is conservative.

Assumptions for sales forecast



Strategies to increase sales

Prioritize EV Charging Service

Service	Strategy	2022 Policy
EMAP	New customer acquisition through low prices Increased ARPU through up-selling and cross-selling to existing customers	Continue to operate business for organic growth
SMAP		
ENECHANGE KIWI		
EV Charging Service	Investment to widely obtain orders for first unit	Priority focus

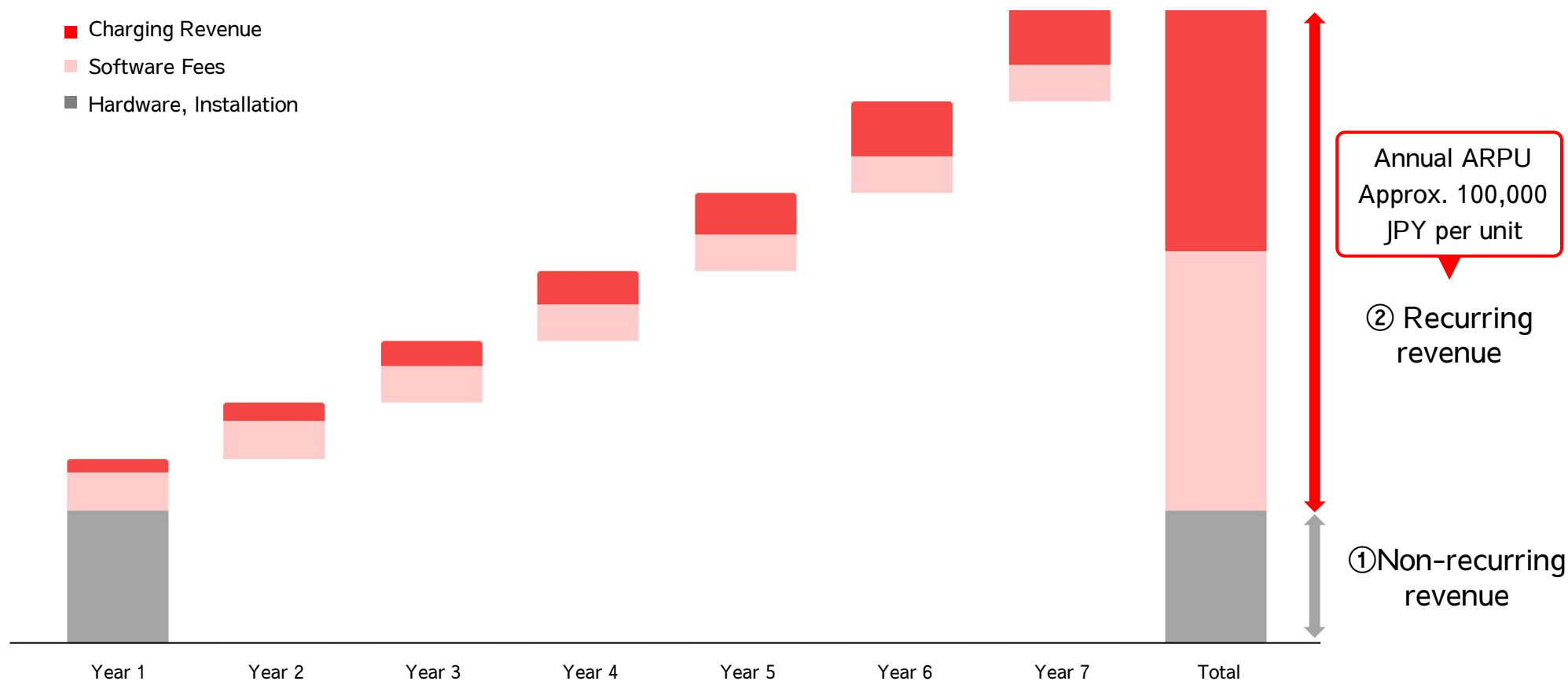
*1. Counting number of customers as of the end of the period

*2. Average Revenue Per User: Calculated after dividing the quarterly segment sales by the number of users at the end of the quarter.

(2) Data business: Revenue model for the EV Charging Service

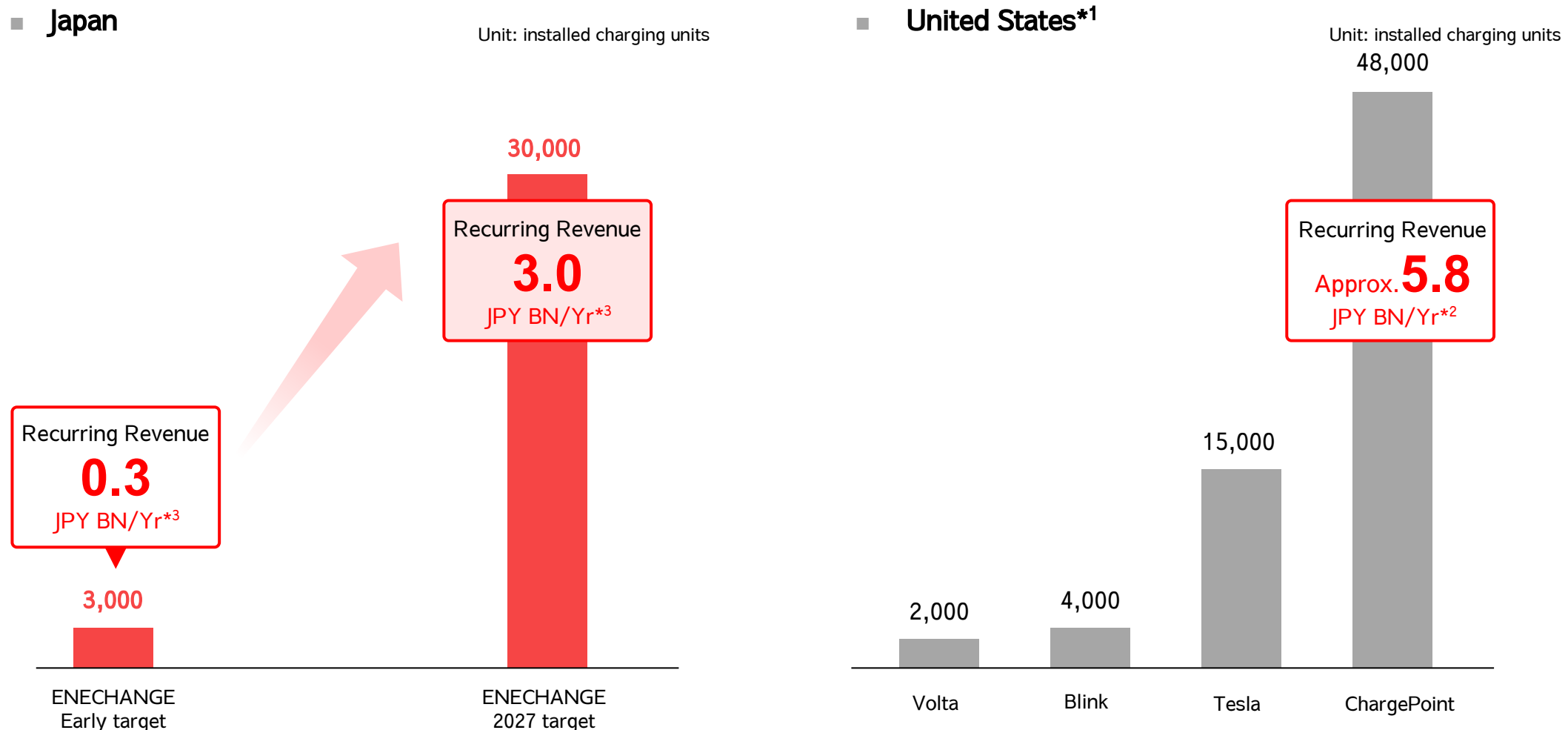
Revenue is derived from ① sales and installation of hardware (non-recurring) as well as ② software fees and charging revenue (recurring revenue). Annual ARPU is assumed to be approximately 100,000 JPY per unit, and charging revenue should increase as EVs become more common. We will emphasize the number of installed units as a KPI and work on increasing this number as quickly as possible.

■ Illustration of revenue model



(2) Data business: Focusing on the number of EV charging installations

The EV Charging Service aims to make 3,000 installations, similar to listed EV charging companies overseas, in the short-term so that we can become the leader in Level 2 charging in Japan. We will then aim for 30,000 units installed by 2027, at which point we expect to achieve the same level of profitability as the Platform business by generating recurring revenue of approximately 3 billion JPY and non-recurring revenues from hardware sales and installation.



*1 Source: No. of Level 2 chargers (including public, private, etc.) disclosed in US Department of Energy Alternative Fuels Data Center in the United States as of January 2022

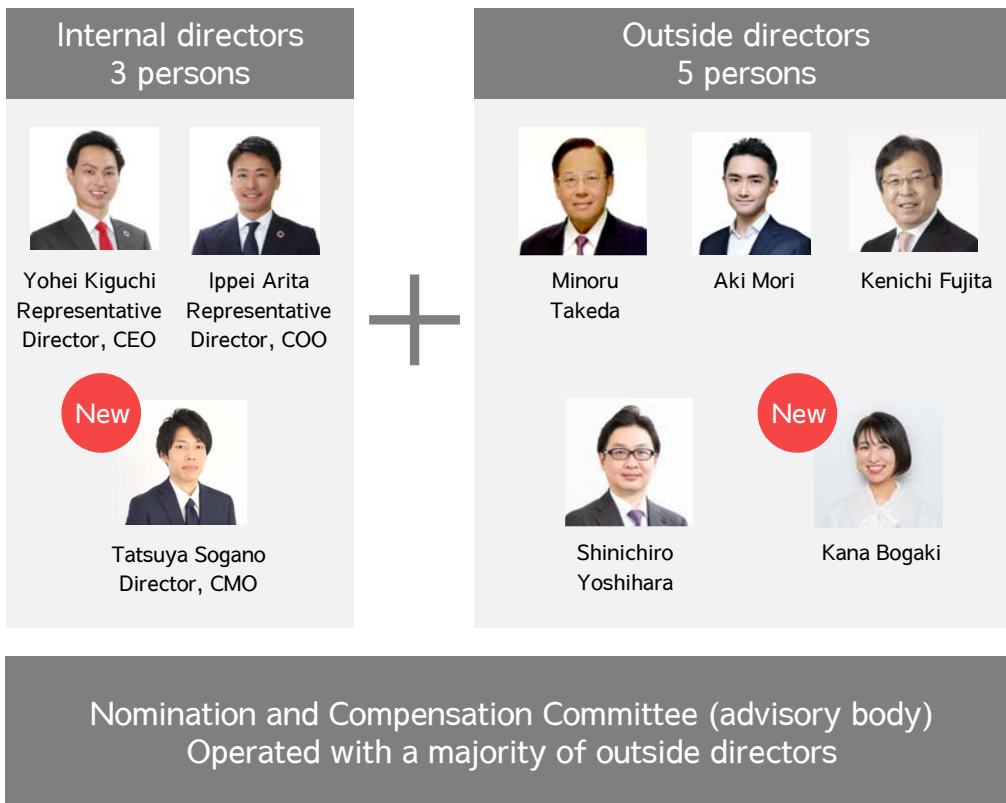
*2 Taken from Q3 Fiscal 2022 Financial Results, ChargePoint. Annualization of subscriptions (36M USD) out of total sales Q1-Q3 2021, converted at an exchange rate of 115 JPY = 1 USD.

*3 Calculated with ARPU as 100,000 JPY annually (per unit).

Appointing directors with strong marketing expertise

With the appointment of Mr. Sogano as Director, CMO and Ms. Bogaki, co-founder/director of Makuake, Inc., as Outside Director, we aim to strengthen our leadership in the marketing field. We will maintain a structure in which outside directors account for the board majority, and we will promote initiatives to ensure diversity, in line with the Japanese Corporate Governance Code.

■ Proposed composition of the Board of Directors and Nomination and Compensation Committee



■ Introduction of directors to be appointed



Tatsuya Sogano Director, CMO

Graduated from Faculty of Commerce and Management at Hitotsubashi University in 2013, Tatsuya Sogano worked at P&G, developing business strategies based on understanding of consumers and markets. In June 2015, he sold the self-developed service to ENECHANGE Ltd. and joined the company, where he is mainly responsible for services for households, driving the growth of the platform business through marketing and business partnerships. In July 2019, Tatsuya was appointed an executive officer of the company.



Kana Bogaki Outside Director

After graduating from Doshisha University, she started her career at CyberAgent, Inc. in 2006 where she helped establish subsidiaries Cyber Buzz, Inc. and two gaming companies. In 2013, she co-founded Makuake, Inc. and joined as Board Director. She is in charge of the Curator Department, overseer of PR, and often gives lectures across Japan. Alongside her leadership roles she also manages cooperation with distribution channels, local governments and financial institutions. In addition, she has experience as a judge for the design and creativity awards TBDA and ACC, etc.

* The election of directors will be formally decided after the approval at the 7th Annual General Meeting of Shareholders to be held in March 2022.



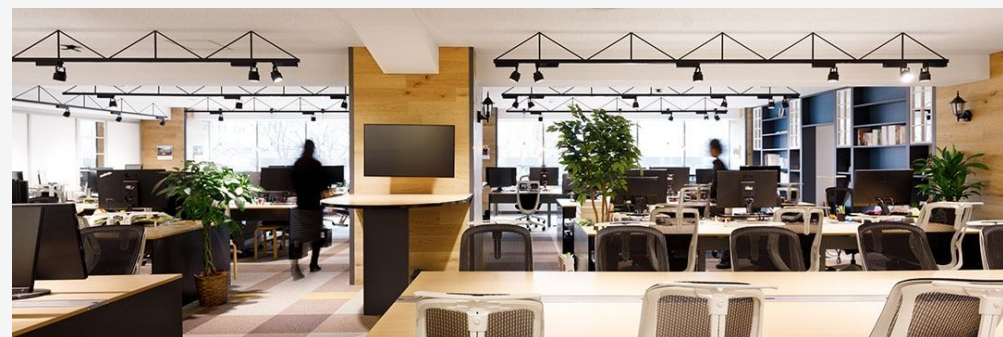
6

Appendix

Company outline

Company name	ENECHANGE Ltd.
Address	3F, Nihon Building, 2-6-2 Otemachi, Chiyoda-ku, Tokyo, Japan, 100-0004
Founded	April 2015
Businesses	Platform (for deregulation) Data (for digitalization, decarbonization, and decentralization)
Representatives	Yohei Kiguchi, Representative Director and CEO Ippei Arita, Representative Director and COO
Employees	122 (as of December 31, 2021; consolidated basis)
Headquarters	Tokyo, Japan
Subsidiaries	SMAP Energy Limited (UK) Oberlous Japan Inc. (Japan)

- Head Office: TOKYO



- Group business: LONDON

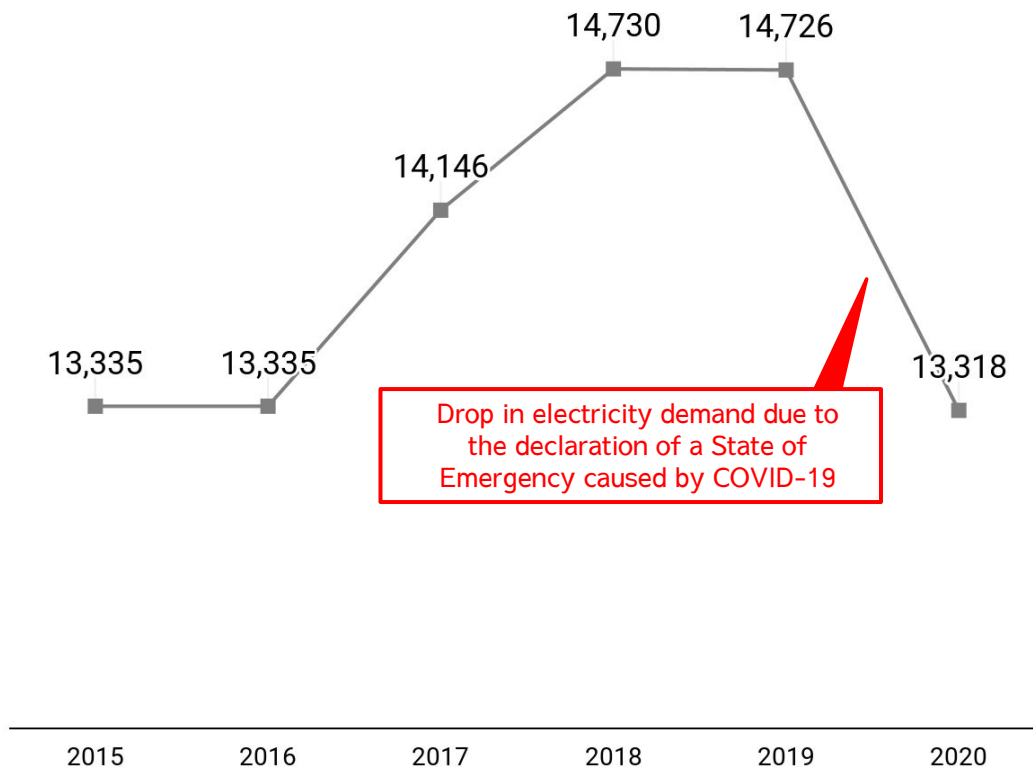


Electrification will expand electricity market to 18 trillion JPY

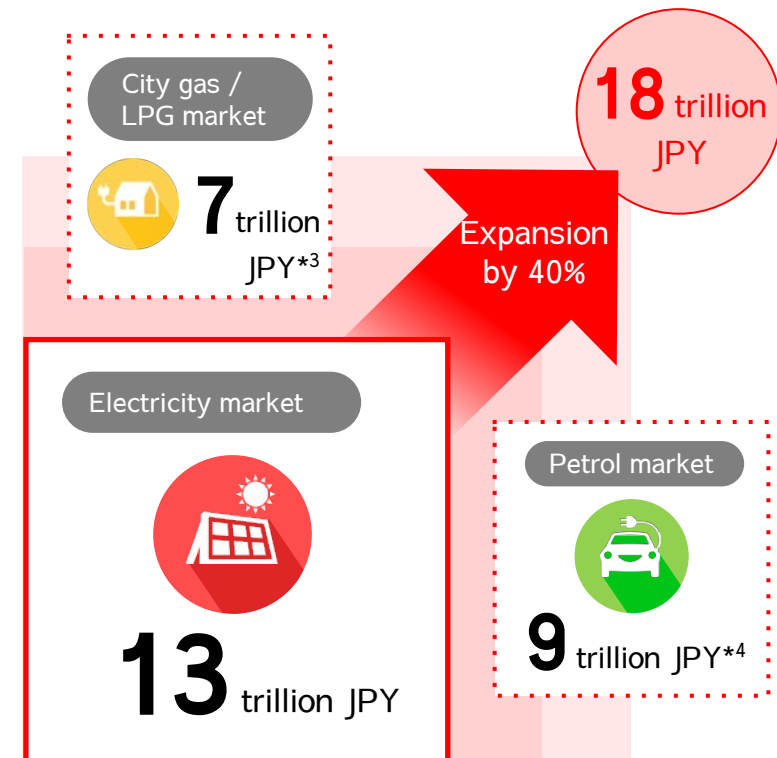
The move towards decarbonization is encouraging the spread of fully electrified homes and electric vehicles. As a result, the electricity market is expected to grow from its current level of 13 trillion JPY to 18 trillion JPY (+40%*1) by 2050.

■ Electricity Market (Base Market)*2

Unit: JPY BN



■ 18 trillion JPY market through electrification



*1. Source: METI, “Green Growth Strategy towards 2050 Carbon Neutrality”

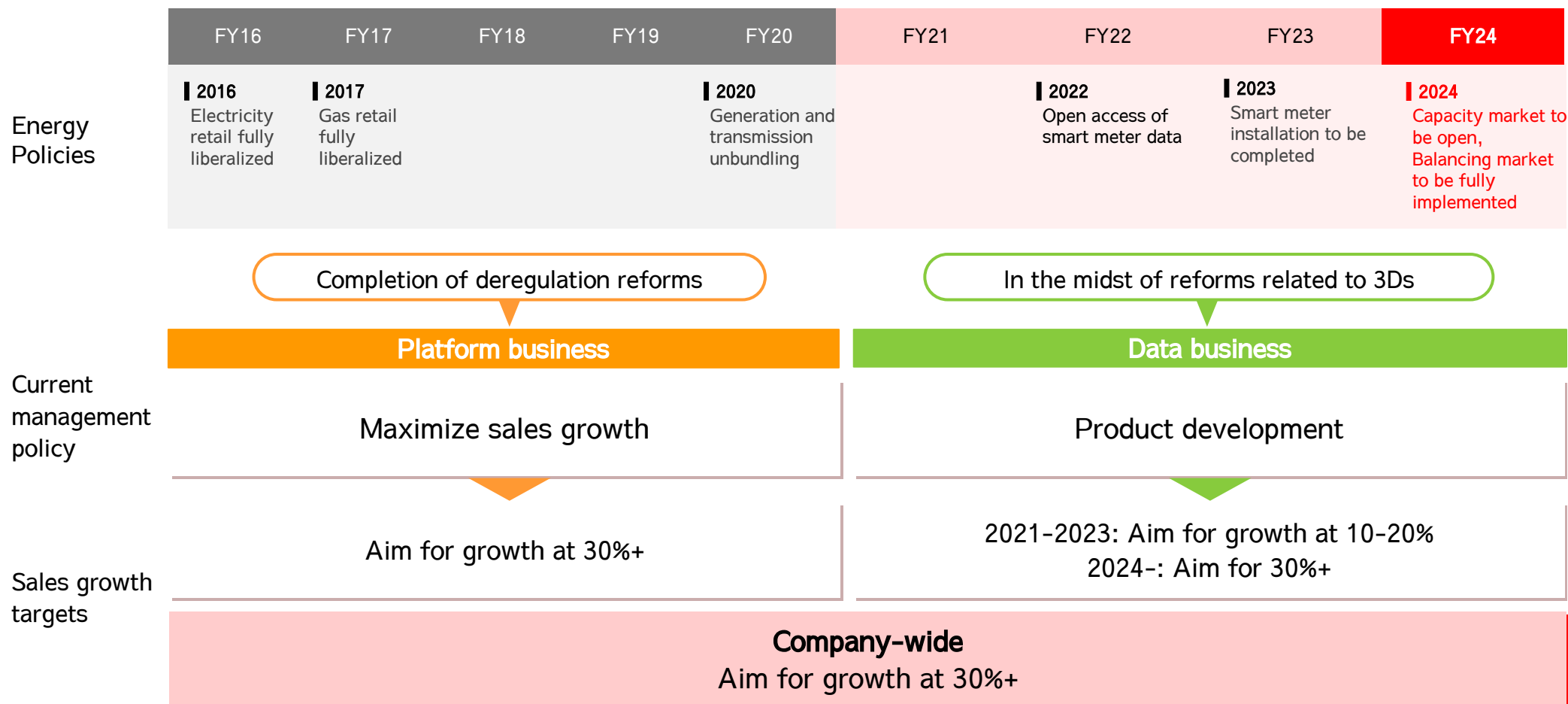
*2. Based on the electricity sales amount in Electricity and Gas Market Surveillance Commission, “Electricity Trading Report Results” ; figures for 2015 are not listed so are assumed to be the same as for 2016.

*3. Calculated based on city gas sales amounts in Electricity and Gas Market Surveillance Commission, “Results of Gas Transactions” and the Japan LP Gas Association sales volume data.

*4. Source: Teikoku Databank, “Total Sales of Service Station Management Companies” (2017)

2 stages of growth in line with energy policy reforms

Japan's energy policy reform is in a nine-year transitional period set between 2016-2024. The Platform business, which is in step with completed policy reforms, is in the sales expansion phase. However, as policy reforms related to the Data business will not be completed until 2024, product development is currently being prioritized.



CHANGING ENERGY FOR A BETTER WORLD

The ENECHANGE story began around 10 years ago, with the Great East Japan Earthquake. I first became aware of the importance of energy issues when visiting the disaster area as a volunteer.

I thought, “I want to devote my life to this problem.”

That experience led me to pursue a PhD in engineering at the University of Cambridge, UK. Behind this decision, which might seem like taking the long way around, was my belief that acquiring knowledge in Europe, with its advanced energy systems, would allow me to contribute to reforms in Japan's energy industry. Using the results of my research into energy data at Cambridge, I founded ENECHANGE.

The name ENECHANGE comes from my desire to CHANGE ENERGY. The company brings together people from around the world who share this mission of “CHANGING ENERGY FOR A BETTER WORLD”

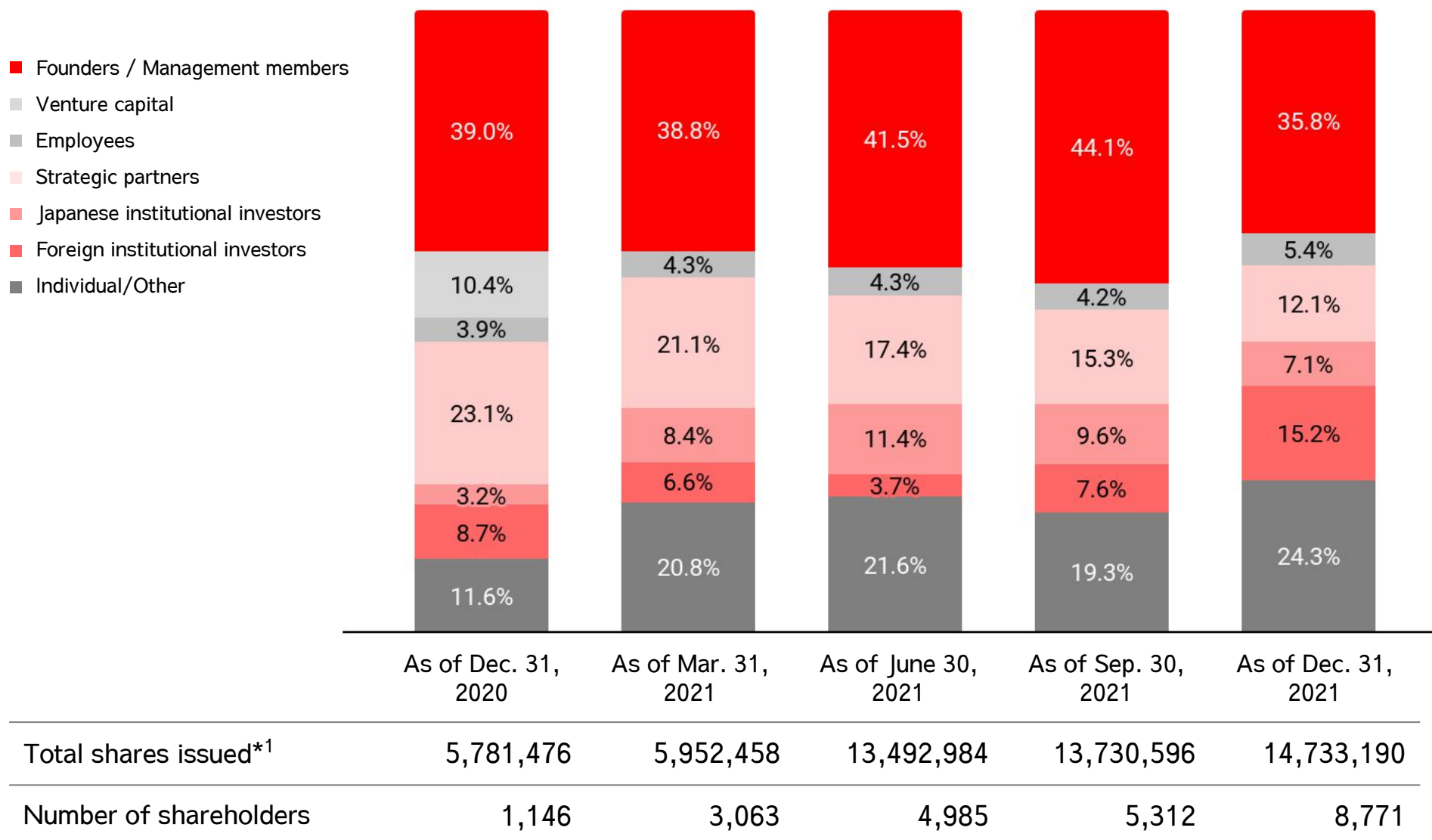
To bring about a carbon-free society, we must reform the energy industry through the 4Ds. ENECHANGE uses the technological capacity, global knowledge, and networks we fostered at Cambridge to encourage reform in Japan's energy industry.

- Yohei Kiguchi, PhD
Founder & CEO



Shareholder Information

Since the end of last fiscal year, the ratio of domestic and overseas institutional investors has almost doubled from 11.9% to 22.3%. The number of shareholders has also increased eightfold, from approximately 1,100 to 8,700.



*1. The Company conducted 2-for-1 stock splits effective April 1, 2021 and January 1, 2022. The total number of shares issued does not take into account the effect of this stock split and is the number at that time.

Our Two Representative Directors

CEO Yohei Kiguchi and COO Ippei Arita both have engineering experience, have both spent time overseas, and have contributed to the Group since its founding. With two representative directors, we can provide flexible business management both in Japan and overseas.



ENECHANGE



Yohei Kiguchi CEO / Co-Founder

After witnessing the impact of the Great East Japan Earthquake, Yohei developed a deeper interest in the problems facing the energy sector and decided to study overseas at Cambridge University in the UK. There, he obtained a master's degree and a doctorate in engineering in energy data AI analysis.

During his time at Cambridge, he founded ENECHANGE in 2015 and SMAP Energy Limited (now a UK subsidiary) in 2016. He is also a current member of several committees in energy policy at the Japanese government.

Ippei Arita COO / Co-Founder

After completing a computer science masters program at Waseda University, Ippei worked at JPMorgan Securities Japan as a software engineer. He has also worked to develop online gaming services at GREE, Inc.

He joined Yohei in Cambridge as chief engineer in 2013. Ippei became a co-founder of ENECHANGE in 2015. His major strength is his technical background and management ability, and he leads ENECHANGE's domestic business operations.

Professional Management Team

Outside directors



Minoru Takeda Outside director★

Earned B.S. and M.S. from Keio University, Faculty of Science and Technology, and M.S. from MIT Sloan School of Management. Held numerous management positions in major oil companies (ExxonMobil & Royal Dutch Shell), and involved in M&A. At Royal Dutch Shell, was GM for Asia Pacific LNG Business and President of Shell Japan. During 2015–2018, served as Chairman of Showa Shell Sekiyu.



Aki Mori Outside director ★

From 2015 to 2020, he was CFO at Renova, Inc., TSE1-listed renewable energy operator. Before joining Renova, he worked for Goldman Sachs as an investment banker both in Tokyo and New York for a decade. He earned a B.A. in Commerce with a focus on Finance and Accounting from Waseda University.



Kenichi Fujita Outside director ★

Served as head of international consulting departments for companies at places, such as UFJ Institute and a German company, where he was involved in areas such as global management strategies, overseas investment strategies, and cross-border M&A. After joining Siemens in 2006, he served as CEO of their automotive parts subsidiary, Director of the Energy Sector at the head office, Executive Officer of the Energy Division, and then as CEO and Chairman at Siemens Japan.



Shinichiro Yoshihara Outside director ★

A graduate of the College of Business Administration, Yokohama National University, and a chartered accountant. He worked in auditing at Asahi & Co. (now KPMG AZSA LLC). In 2002, he joined EPCO, Ltd. and was appointed a director and manager of the business planning office. The same year, EPCO was listed on JASDAQ. As Representative Director and CFO, he oversaw the company changing its listing from JASDAQ (TSE) to the Second Section, and then its listing on the First Section of the TSE in 2019.



Kana Bogaki Outside director ★

After graduating from Doshisha University, she started her career at CyberAgent, Inc. in 2006 where she helped establish subsidiaries Cyber Buzz, Inc. and two gaming companies. In 2013, she co-founded Makuake, Inc. and joined as Board Director. She is in charge of the Curator Department, oversees PR, and often gives lectures across Japan. Alongside her leadership roles she also manages cooperation with distribution channels, local governments and financial institutions.

Director



Tatsuya Sogano Director, CMO

Graduated from Faculty of Commerce and Management at Hitotsubashi University in 2013. He worked at P&G, developing business strategies based on understanding of consumers and markets. In June 2015, he sold the self-developed service to ENECHANGE Ltd. and joined the company, where he is mainly responsible for services for households, driving the growth of the platform business through marketing and business partnerships.



Takuya Sugimoto

CFO (Chief Financial Officer)/ CPA

Joined in July 2019 as CFO. After graduating from the School of Business Administration, Kobe University, he worked at Deloitte, J.P. Morgan, and Rakuten in financing and M&A.



Masayuki Tanaka

CTO (Chief Technology Officer)

Joined in May 2015, and appointed CTO in January 2020. After getting master's degrees at the University of Tokyo, he joined ENECHANGE at its founding after working at GREE. Having previously created c3.js (JavaScript data visualization) library, he leads our community of engineers.



Paul Monroe









SMAP Energy Limited (UK subsidiary) Officer

Has a master's degree from the University of Cambridge. After working at NASA and in a US-based consulting company, he helped found SMAP Energy. He is responsible for Data business operations in Europe.

Key Executives / Subsidiary Officers

☆: Independent director

A team of directors who balance high growth and corporate governance as an energy tech company

	Name Post at ENECHANGE	Major Past Posts	Nomination and Remuneration Committee	Energy / Environment Business	Energy Tech	Energy Overseas Trends	Corporate Governance	Accounting & Finance / Capital Markets	Organizational Development / Personnel	Marketing
	Yohei Kiguchi Representative Director and CEO	University of Cambridge, Doctoral researcher	○	✓	✓	✓				
	Ippei Arita Representative Director and COO	JP Morgan, Engineer		✓	✓				✓	
	Tatsuya Sogano Director and CMO	P&G Marketing		✓	✓					✓
	Minoru Takeda Independent Outside Director	Showa Shell, Chairman Royal Dutch Shell Japan, CEO	○ Committee Chair	✓		✓	✓			
	Aki Mori Independent Outside Director	Renova, CFO Goldman Sachs, IBD	○	✓			✓	✓		
	Kenichi Fujita Independent Outside Director	Siemens Japan CEO and Chairman		✓	✓	✓	✓			
	Shinichiro Yoshihara Independent Outside Director	EPCO Representative Director and CFO, CPA		✓			✓	✓	✓	
	Kana Bogaki Independent Outside Director	Makuake Co-founder/Director					✓		✓	✓

* Checked boxes indicate at least 5 years of professional experience in the relevant business.

* The election of directors will be formally decided after the approval at the 7th Annual General Meeting of Shareholders to be held in March 2022.

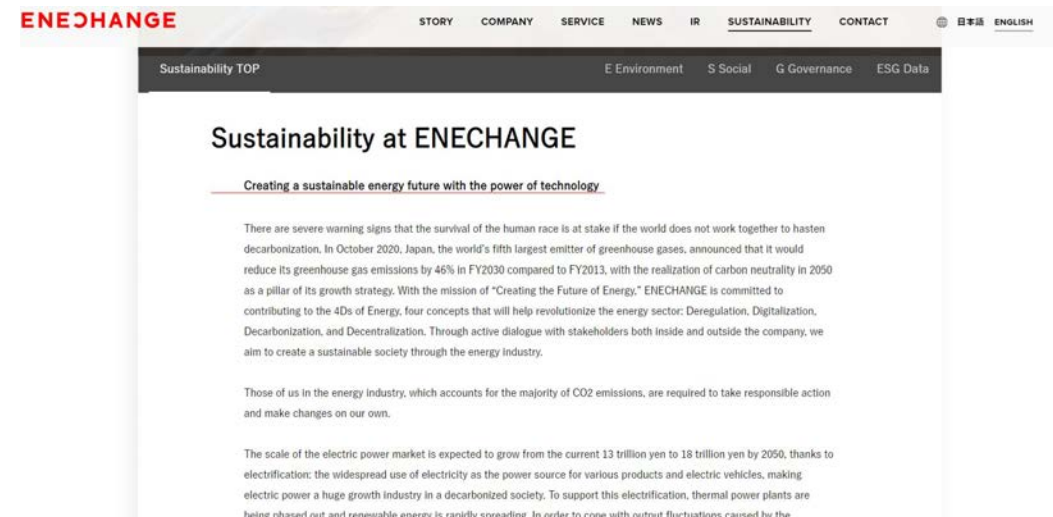
SDG Initiatives

To create a sustainable world, we are committed to promoting the energy transition as an energy technology company. ENECHANGE is actively working on ways to achieve the following six SDGs using our services to help further the 4Ds of Energy, and we disclose our commitment to the SDGs on our website (<https://enechange.co.jp/en/sustainability/>).

■ Our focus areas regarding SDGs



■ Disclosure of our commitment on the website



Numbers as a vertical SaaS*¹ company in the energy industry

Sales
(FY21)

3.0 billion JPY
(Gross profit margin 85%)

+76% YoY

NRR*³

126%

Target market*⁵

Platform business	45.7 billion JPY
Data business	45.3 billion JPY

Recurring revenue*²
(FY21)

1.1 billion JPY

+26% YoY

Average monthly churn rate*⁴ (FY21)

Platform business	1.3%
Data business	0.7%

Target market share*⁵

Platform business	4.8%
Data business	1.7%

*1 SaaS (Software as a Service) that provides functions specialized for each industry.

*2 Recurring revenue is an aggregate of recurring compensation, software license fees, and other items that arise from the company's operating activities each fiscal year.

*3 The net revenue retention is calculated by dividing recurring revenue at the end of fiscal period N from customers at the end of fiscal period N-1 by the recurring revenue at the end of fiscal period N-1.

*4 Churn rates are as of the end of Dec. 2021, excluding the impact of cancellations from "market-linked plan" users due to the sharp rise in JEPX prices in the first half of FY21 as a one-time factor. Platform business: The churn number is calculated for household and business users by the formula: *number of users eligible for recurring revenue at the end of the previous month + number of new users acquired in this month - number of users eligible for recurring revenue at the end of this month*. The churn rate is calculated during the relevant period as: *churn number / number of users eligible for recurring revenue*. Average monthly churn rate is calculated as: *average monthly churn in the past 12 months / average monthly number of users eligible for recurring revenue in the past 12 months*. Data business: The churn number is calculated by the formula: *number of customers at the end of the previous month + number of new customers acquired in this month - number of customers at the end of this month*. Average monthly churn rate is calculated as: *average churn number in the past 12 months / average number of customers in the past 12 months*.

*5. The target market is calculated based on the figures for 2019 as 2020 was greatly affected by COVID-19. Details are provided in the Appendix.

Cost Structure by Segment*1

Unit: JPY MM

	FY20				FY21			
	Company-wide	Platform business	Data business	Company-wide costs	Company-wide	Platform business	Data business	Company-wide costs
Sales	1,713	989	724	0	3,018	2,215	802	0
Cost of sales	389	51	339	0	435	65	370	0
Gross profit	1,323	938	385	0	2,582	2,149	432	0
<i>Gross Profit Margin</i>	<i>77.2%</i>	<i>94.9%</i>	<i>53.2%</i>	<i>-</i>	<i>85.6%</i>	<i>97.0%</i>	<i>53.9%</i>	<i>-</i>
Sales costs & general administration costs	1,270	748	171	351	2,541	1,830	251	459
Advertising expenses	49	48	0	0	115	109	2	3
Sales commissions, sales promotion expenses	384	385	0	0	1,304	1,304	0	0
Personnel expenses	486	193	119	173	592	225	172	195
Outsourcing expenses	181	97	32	52	249	127	14	107
Other	169	25	20	125	279	63	61	153
Operating profit*2	53	190	215	(351)	40	319	180	(459)
<i>Operating Profit Margin</i>	<i>3.1%</i>	<i>19.2%</i>	<i>29.7%</i>	<i>-</i>	<i>1.3%</i>	<i>14.4%</i>	<i>22.4%</i>	<i>-</i>

*1. The figures for the breakdown of sales costs & general administration costs are management accounting figures, and have not been audited or reviewed by KPMG AZSA LLC.

*2. The profits for each segment show the segment profits before distribution of company-wide costs.

Consolidated balance sheet

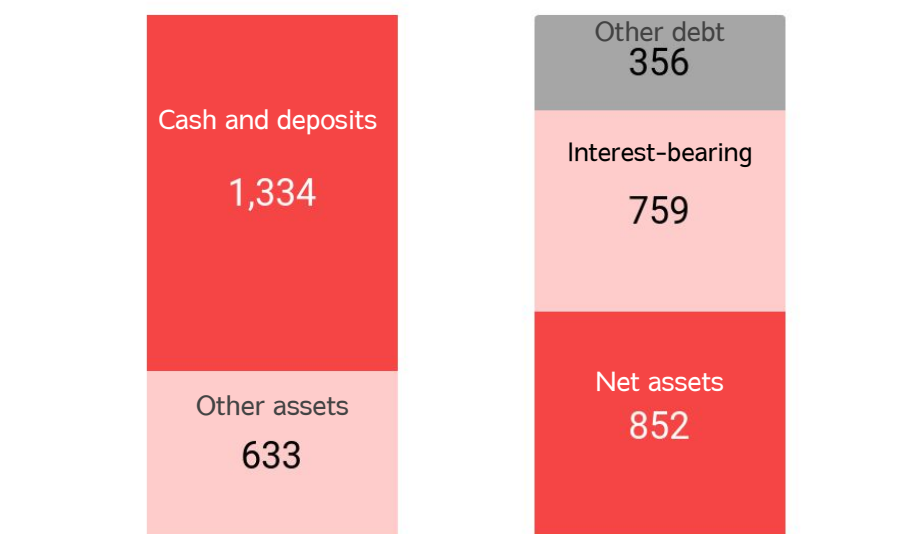
Unit: JPY MM

	End of FY21 Q3	End of FY21 Q4	
		Actual	QoQ
Current Assets	2,121	6,076	+4,450
Cash and Deposits	1,716	5,571	+4,237
Fixed Assets	563	872	+532
Total Assets	2,684	6,949	+4,982
Current Liabilities	889	1,184	+820
Interest-bearing Debts	9	59	—
Fixed Liabilities	750	950	+200
Interest-bearing Debts	750	950	+200
Net Assets	1,045	4,813	+3,961

Financial Base

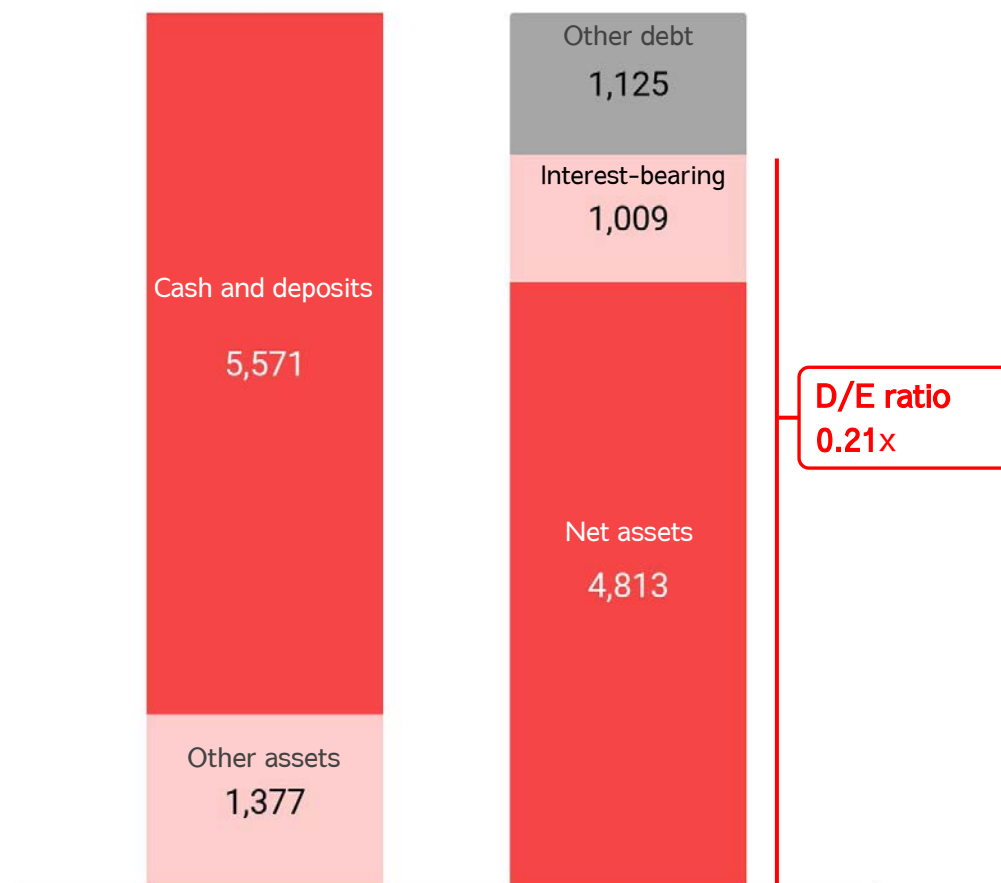
■ Consolidated Balance Sheet as of end Dec. 2020

Unit: JPY MM



■ Consolidated Balance Sheet as of end Dec. 2021

Unit: JPY MM



Cash Flow Trends

Unit: JPY MM

	FY20	FY21	
		Actual	YoY
Cash Flow by Sales Activities	139	481	+345
Cash Flow by Investment Activities	(294)	(552)	(258)
Cash Flow by Finance Activities	1,285	4,302	+3,017
Cash and Cash Equivalents at end of period	1,334	5,571	+4,237

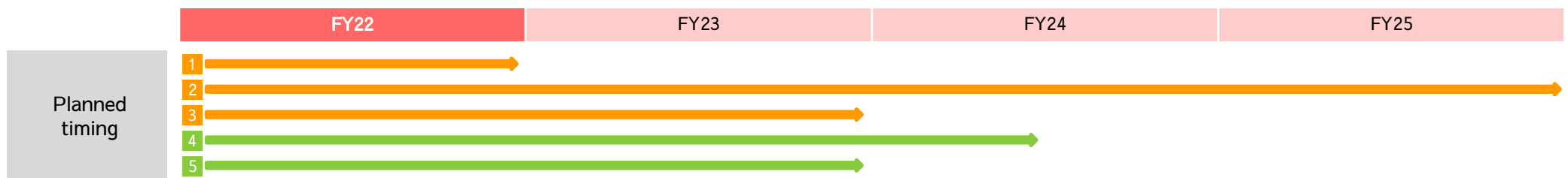
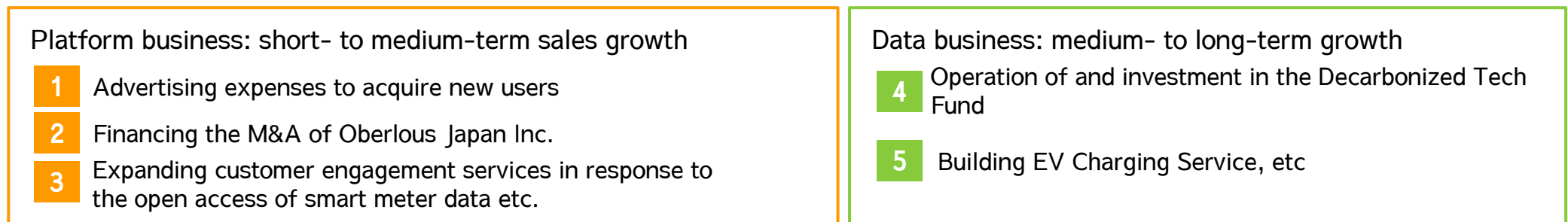
Financial Results Forecast Assumption: Utilizing funds raised

We will utilize the approximately 3.9 billion JPY raised through the public offering in December 2021 as planned. In terms of advertising for the Platform business, we will prioritize digital marketing and the reinforcement of partner channels, which are more likely to be effective. We will also consider whether and when to implement mass marketing such as TV commercials.

■ Management Policy



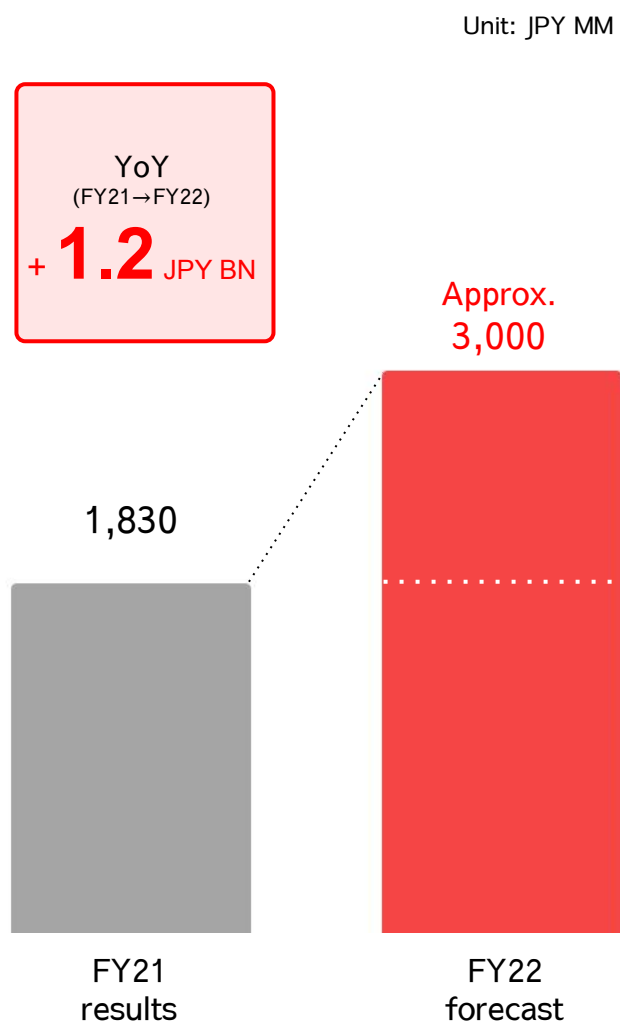
Funds raised **3,914** million JPY



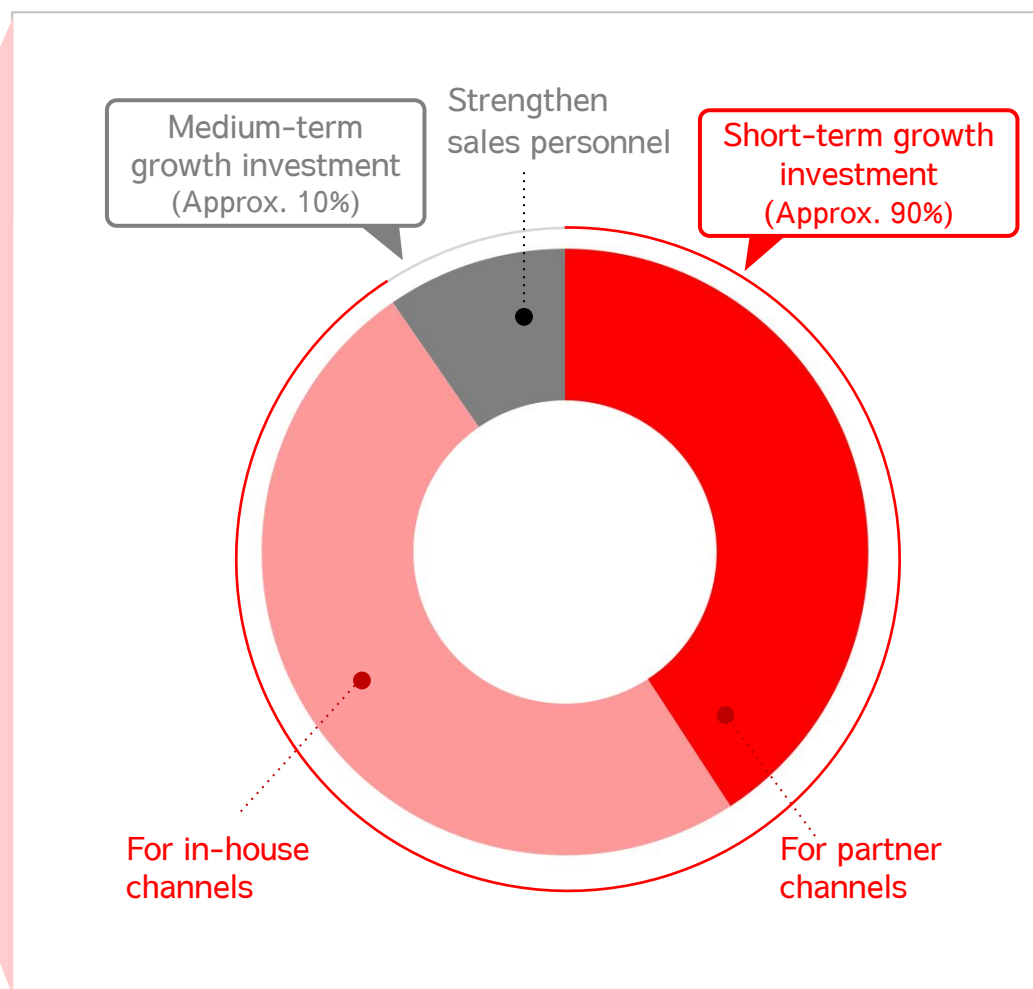
Platform business: Investment plan

We plan to make 90% of our growth investments into user acquisition via both in-house and partner channels. We expect the LTV/CAC ratio to decrease to 2.0x in FY22, and the payback period is expected to be 33 months.

■ YoY comparison of SG&A expenses



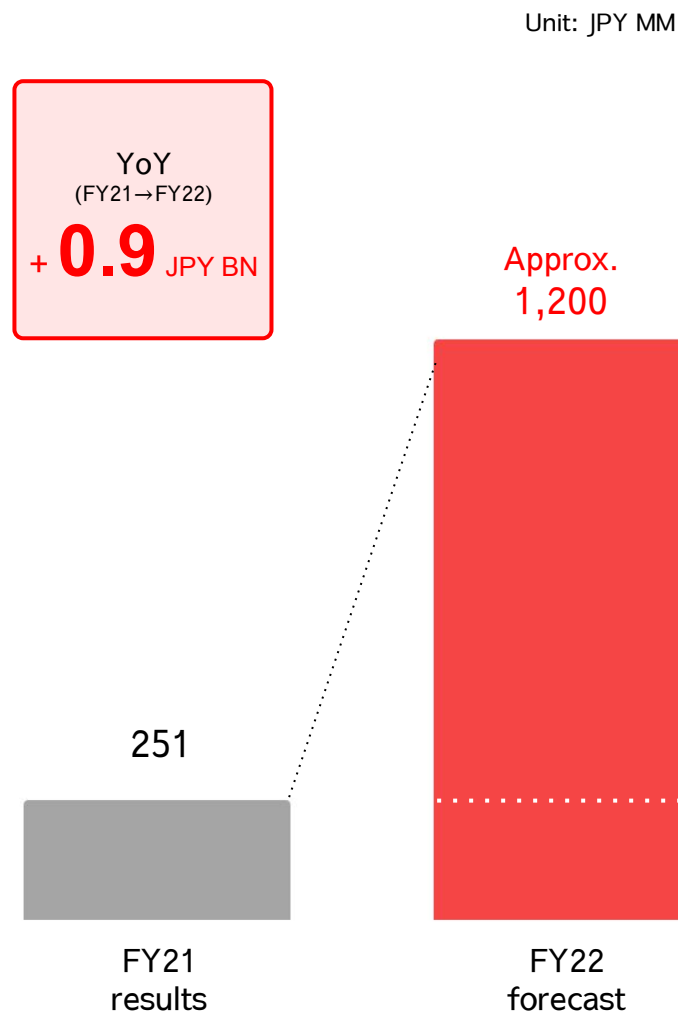
■ Breakdown of investment



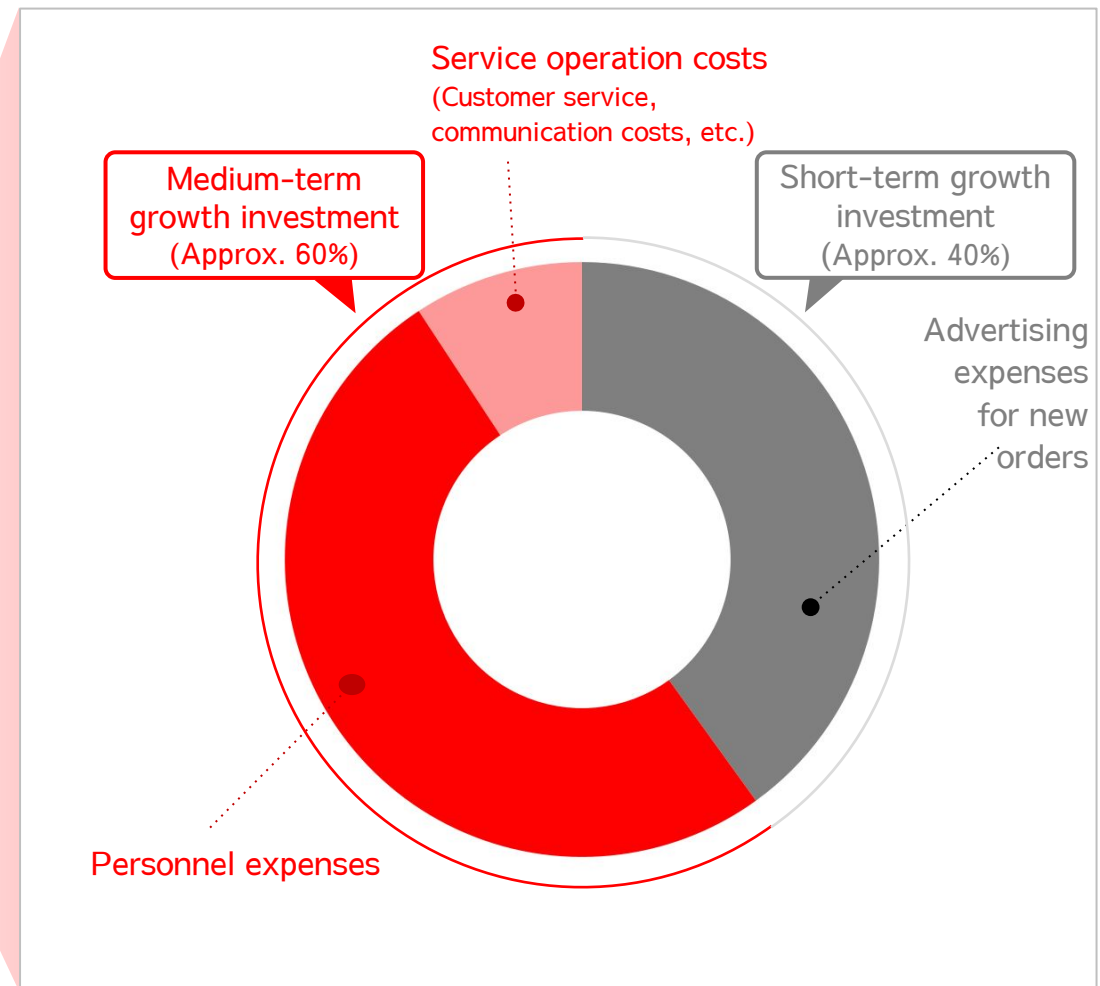
Data business: Investment plan

The investment in the Data business will mainly be used for the EV Charging Service. This includes 60% for personnel expenses (engineers and sales staff), expansion of the customer support system, and infrastructure development. 40% will be used to invest in the acquisition of new users.

■ YoY comparison of SG&A expenses



■ Breakdown of investment





■ **Platform business**

Japan's largest energy switching platform

Through operation of our platform that has 2 million unique monthly visitors and 56 affiliated energy companies*, we can handle everything from price comparisons to switch processing all at once. The service was launched in response to the liberalization of the electricity market in 2016, and continues to grow due to the maturing of the liberalized market and the promotion of remote work in the pandemic.



**For Households
Energy switching platform**

**For Companies
Energy switching platform**

Deregulation

×

Decarbonization

Deregulation

×

Decarbonization

* Total number of partner energy companies as of end of December 2021 (excluding duplicates).

Support for choosing the optimal plan from many different suppliers

For both ENECHANGE (for households) and ENECHANGE Biz (for companies), users can select their optimal electricity or gas tariffs offered by affiliated companies and apply to change - all for free. We can cater to a range of cost-reduction needs, with users able to select based on what is important to them, such as tariff structure and CO₂ emissions.

Households

Average first-year savings for a standard four-person household: 38,512 JPY*2

We chose environmentally-friendly electricity and saved 13,729 JPY in the first year for a two-person household.*3



I chose the cheapest plan at ENECHANGE and saved 47,935 JPY in the first year for a four-person household.*3



I don't use much electricity, but I still wanted it cheaper, and saved 14,927 JPY in the first year.*3



Companies

Average electricity charge savings: 15%*2

Our Shizuoka Plant has multiple factories, and switching all of them saves us 10.8% off our electricity costs.



Our Shizuoka distillery switched to low-environmental impact electricity in accordance with our Corporate Mission, saving us 17.8%.



At our Tokyo office buildings, we saved even more after our second switch, reducing our costs 7.2% at all three sites.



*1. According to the Ministry of Health, Labour and Welfare's "Comprehensive Survey of Living Conditions" (published July 2020) the average number per household was 2.39 persons in FY19. Hence, the annual average amount of electricity saved is based on the results of a simulation that shows two- or three-person households in top place.

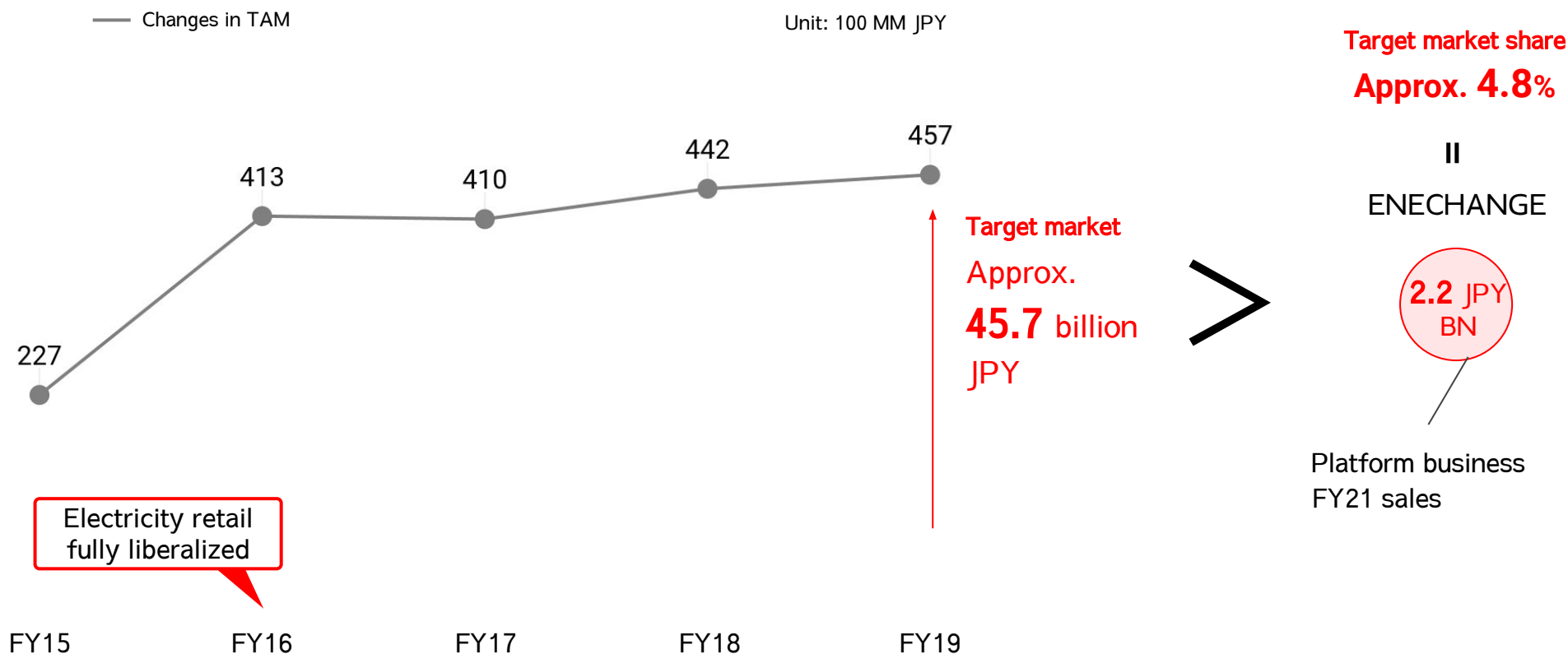
*2. Calculated as the average reduction rate of electricity bills from data of company switches using ENECHANGE in company switches.

*3. First year savings including promotion campaigns.

Target market is advertising budget in electricity industry: 45.7 billion JPY

The complete deregulation of electricity retail in 2016 has meant expanding advertising budgets for the electricity industry. The advertising budget for the electricity industry, the target market of the Platform business, is 45.7 billion JPY, of which ENECHANGE's share is about 4.8%.

TAM*1 (Platform business)*2

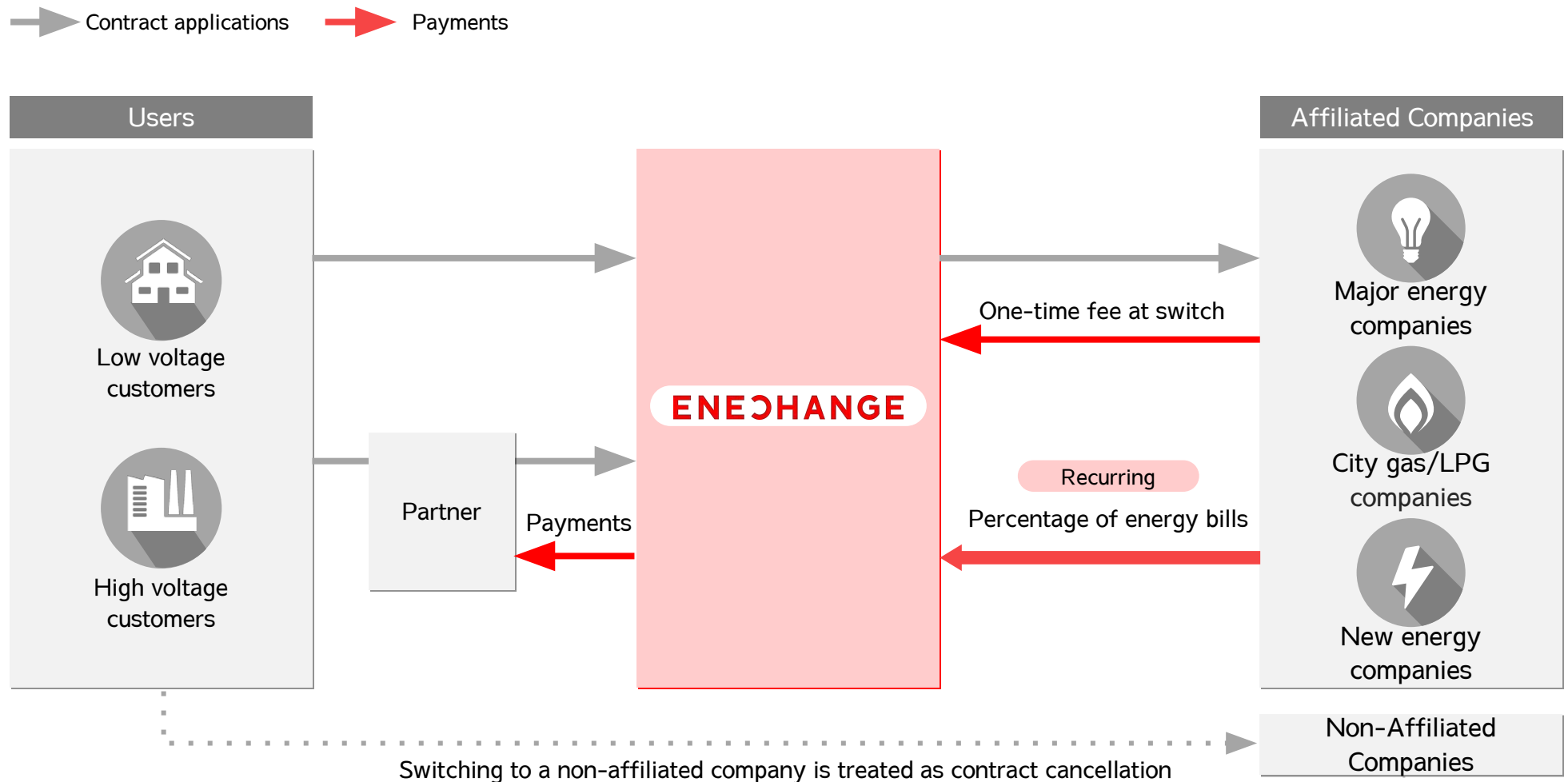


*1. TAM stands for Total Addressable Market. This term refers to the largest market size that the Group currently envisions. It is not calculated to show the objective market size of the businesses we are running as of the date of submission of this document, but includes estimated values as well.

*2. Calculated by multiplying the base market with the advertising-to-sales ratio of energy companies from Nikkei Advertising Research Institute, "Advertising Expenses of Leading Companies". The target market is calculated based on the figures for 2019 as 2020 was greatly affected by COVID-19.

Recurring revenue for energy usage bills

After switching an electricity or gas contract, we receive a one-time fee from the affiliated company as well as recurring revenue linked to energy bills. We have partnerships with many companies, and switching to non-affiliated companies (cancellation) is limited. From the viewpoint of the affiliated company, our service is considered a customer acquisition SaaS.

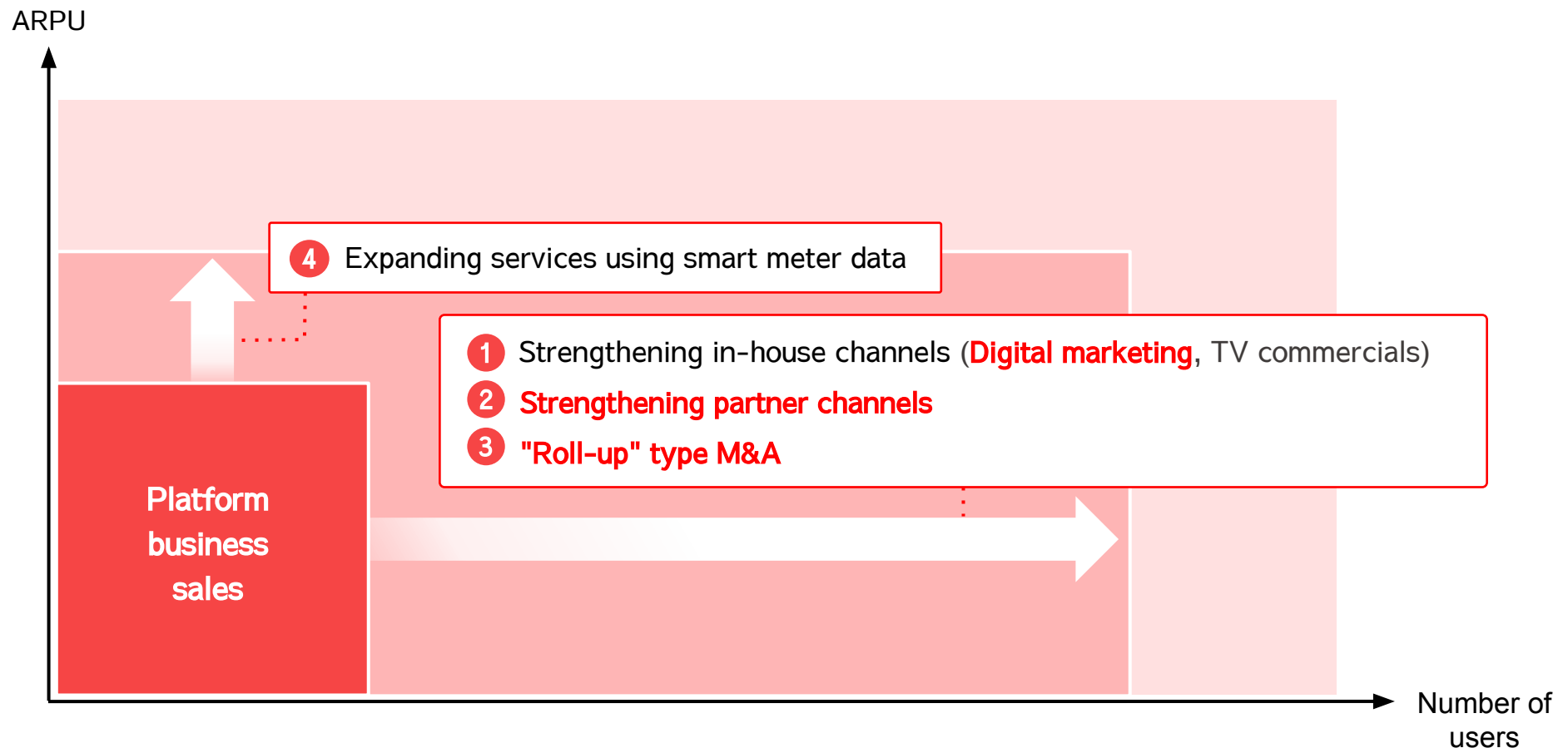


4 strategies to maximize sales

To maximize sales growth of the Platform business, our KPIs are the number of users and ARPU.

In the short-term, we aim to increase the number of users at an annual rate of 30% through digital marketing, strengthening partner channels, and conducting "roll-up" type M&A.

■ 4 key sales expansion strategies in Platform business



The number of partners

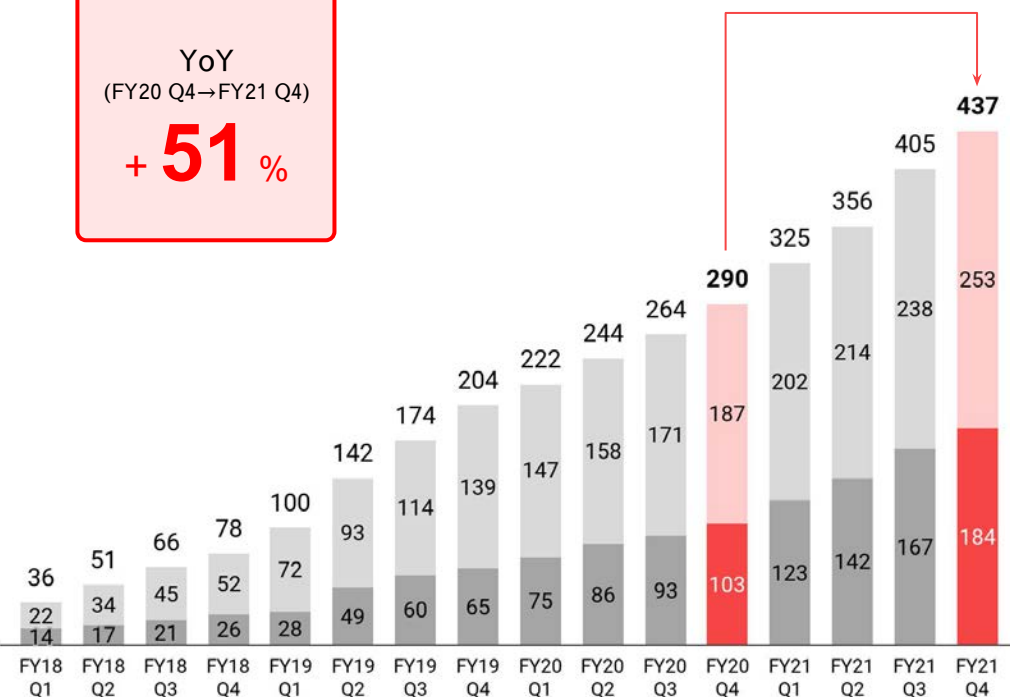
To strengthen offline channels, we emphasized our partnership strategy, where we provide our energy switching platform system to real estate companies, financial institutions, etc.

The number of partners is 437 (+51% YoY), mainly real estate and energy-related companies.

■ Number of partners

- For companies
- For households

YoY
 (FY20 Q4→FY21 Q4)
+ 51 %



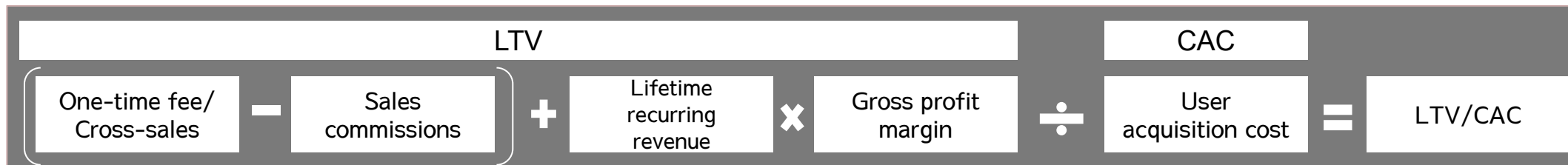
■ Type of partner company

- Real Estate
- Energy-related companies (energy-saving equipment, etc.)
- Consulting
- Financial institutions, professional firms
- BPO



* To accurately compare the impact of company and household switches, switches are calculated for companies using an equivalent rate and converted based on the rebates from the total obtained capacity using the capacity of a general household as 4 kW.

LTV/CAC definitions and future policies



Explanation of Terms

Action Plan (Highlighted areas are our focus areas)

		Households	Companies
One-time fee/ Cross-sales	<ul style="list-style-type: none"> - One-time fees are payments received from partner companies when switching energy. - Cross-sales are sales obtained by selling products other than energy switching to users. 	Maintain high level of one-time fee	Energy-saving product cross-sales
Sales commissions	<ul style="list-style-type: none"> - Incentive fees from introducing customers from online/offline partners and fees related to issuing gift certificates to ENECHANGE users. - The policy for both is to pay them within the scope of one-time fee. 	—	—
Lifetime recurring revenue	<ul style="list-style-type: none"> - Total amount per user of recurring revenue received from partner companies who have received an energy switchover. - Calculated by multiplying the reciprocal of the churn rate (avg. 1.3% per month for total Platform business) to the figure that is the recurring revenue (recurring sales) divided by the number of users eligible for recurring revenue (as of the end of the period). 	Development of user-maintenance measures to improve churn rate	Maintain churn rate at low level
Gross profit rate	<ul style="list-style-type: none"> - Gross profit rate for Platform business 	97% (FY21)	
User acquisition cost	<ul style="list-style-type: none"> - Total of expenses shared across segments such as advertising expenses, personnel expenses, and call center and server expenses (tallied up in the same way when we pay sales commissions that are one-time payments or more). - Calculated by dividing the above by the number of new users. 	Policy for investing focused mainly on advertising expenses	

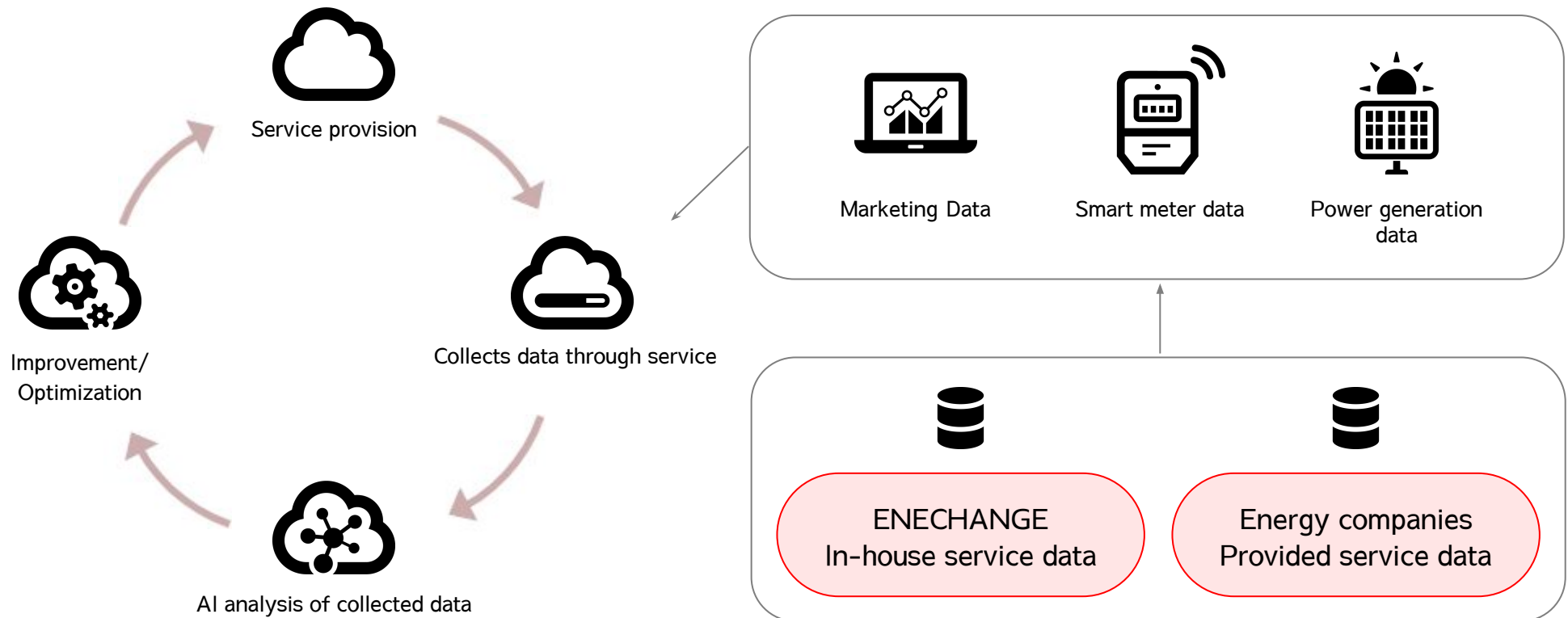
*1. Churn rates are as of the end of Dec. 2021, excluding the impact of cancellations from "market-linked plan" users due to the sharp rise in JEPX prices in the first half of FY21 as a one-time factor. The churn number is calculated for household and business users by the formula: number of users eligible for recurring revenue at the end of the previous month + number of new users acquired in this month - number of users eligible for recurring revenue at the end of this month. The churn rate is calculated during the relevant period as: churn number / number of users eligible for recurring revenue. Average monthly churn rate is calculated as: average monthly churn in the past 12 months / average monthly number of users eligible for recurring revenue in the past 12 months.



■ **Data business**

Providing services based on big data analysis

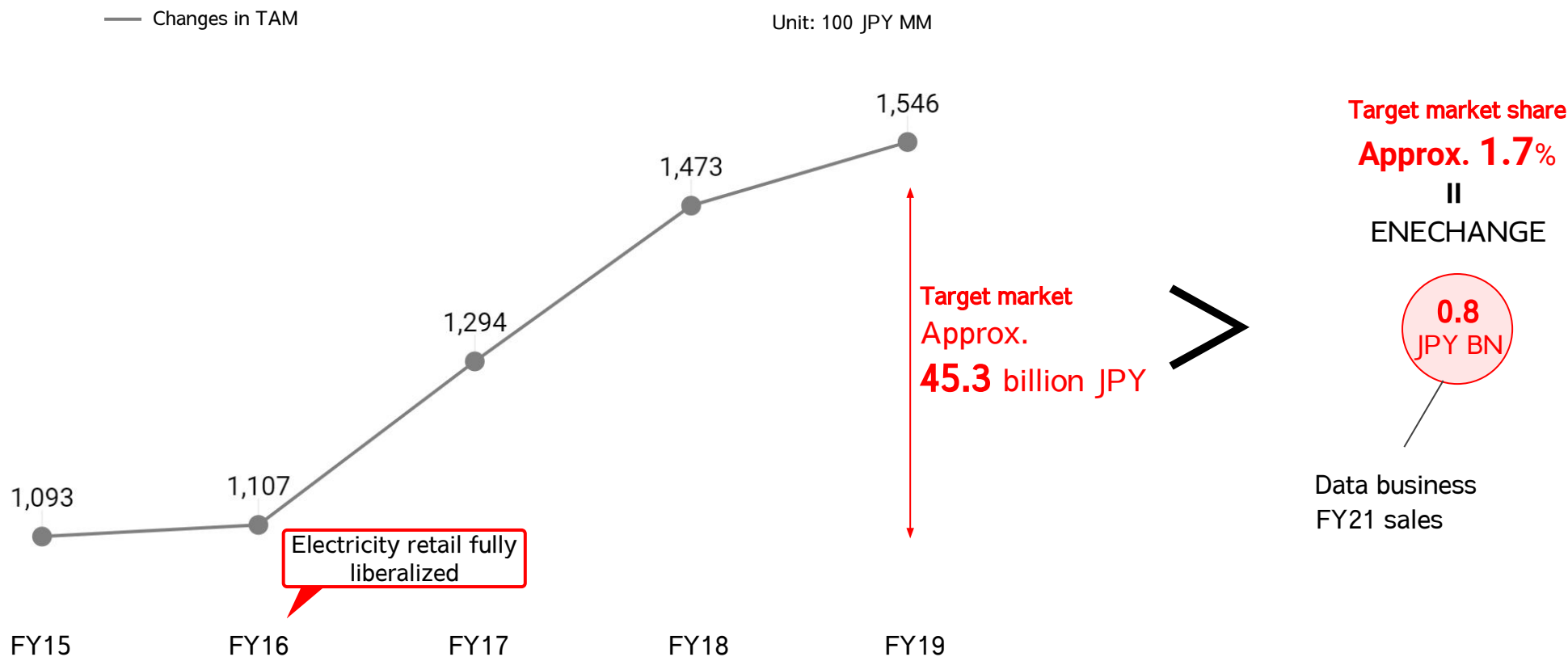
By transforming marketing data, smart meter data, power generation data and more with AI technology, we can provide more advanced services than any single company alone.



Target market is new IT system budget in electricity industry: 45.3 billion JPY

With the demand for investment in new systems related to the 4Ds of Energy, the sales IT budget ratio of the electricity industry has increased. Since 2015, before energy liberalization, the increase has been 45.3 billion JPY. We consider this our target market, and our share is estimated at 1.7%. In addition, since our main competitors in this area are consultancies and in-house software development, our SaaS applications can gain market share by presenting a cost advantage.

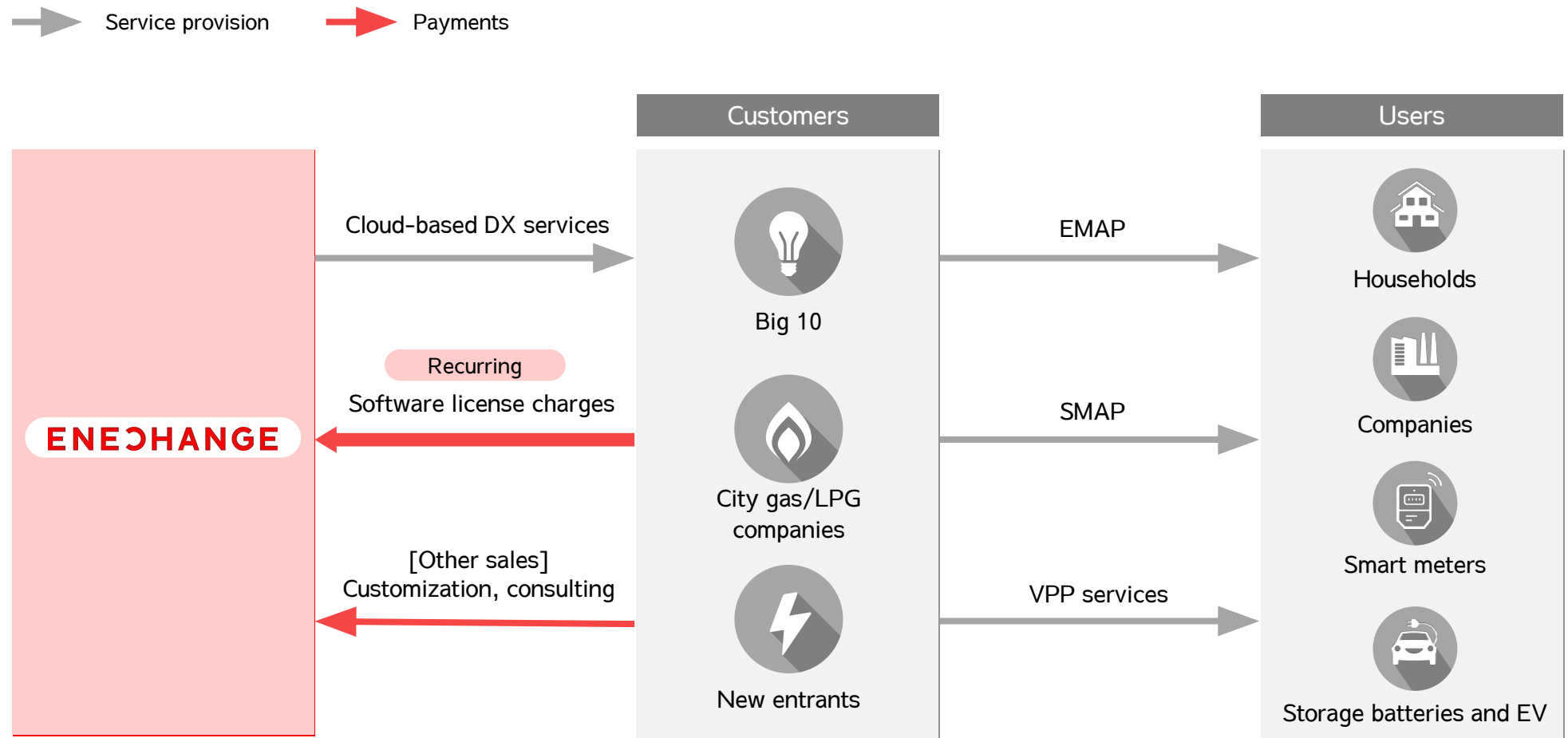
TAM (Data business)*1



*1. Multiplied the base market with the IT budget ratio in the energy industry (infrastructure sector) sales in Japan Users Association of Information Systems. The target market is calculated based on the figures for 2019 as 2020 was greatly affected by COVID-19.

Recurring revenue from monthly license charges

We provide our proprietary products as SaaS (B2B2C) to energy companies, and our revenue is based on recurring software licenses (recurring revenue ratio: 66%) through usage charges linked to the number of households, companies, smart meters, etc. Other sales come from customization, etc.



Strategic collaborations utilizing our overseas network

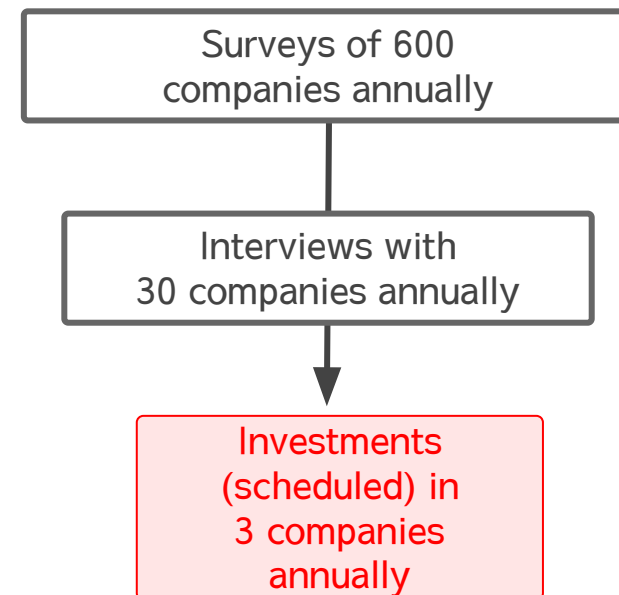
Through ENECHANGE Insight Ventures, we provide surveys, partnerships, and investment negotiations for Japanese companies in some 600 cutting-edge global energy companies each year. In addition, we will also create strategic capital and business alliances with promising ventures utilizing our investment participation fund.*1



Research through ENECHANGE Insight Ventures



Japan Energy Fund No. 1*2 provides investment for capital alliance



*1 The Japan Energy Fund, an overseas-specialized decarbonization energy fund, is run by ENECHANGE and a Loop affiliate with the goal of reaching a grand total of about 100 billion JPY in investment size.

*2 The No. 1 Fund aims for AUM of 100 million USD (11 billion JPY). Its investors are Daiwa Energy & Infrastructure Co. Ltd. and the Hokuriku Electric Power Group.



■ **Risk information**

Known Risks (1/2)

Item	Affected Business Segment	Main Risk	Potential of Manifestation	Impact	Risk Countermeasure
Business environment: Electricity retail market	Platform	- The possibility that growth of existing businesses will slow with switching rates declining, caused by events such as a decrease in interest of end users to switch as well as lowered competitiveness among new energy retailers.	Medium	High	- Raise awareness of the Company and to educate users in order to increase their motivation to switch - Respond by developing businesses that do not depend on switching in business fields such as digitalization, decarbonization, and decentralization to combat concerns about slowed growth in the electricity retail market.
Business environment: Energy policy reform	Data	- The possibility that the development of new businesses could be affected if energy-related deregulation or systemic reforms in Japan do not proceed as planned, or there are unexpected changes in the laws or regulations.	Medium	High	- Respond by monitoring system reform by setting up a government policy supervisor, submitting public comments, and participating in governance committees.
Other: Novel coronavirus infections	Platform Data	- The possibility that the energy usage of company users drops considerably due to repeated states of emergency and calls to refrain from going out as the COVID-19 pandemic becomes long-term, or that it affects the business performance of our Group customers more than expected.	Medium	High	- Diversify business offerings to mitigate adverse effects of coronavirus pandemic.

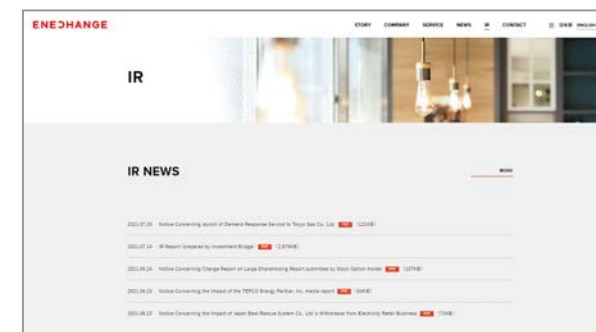
Known Risks (2/2)

Item	Affected Business Segment	Main Risk	Potential of Manifestation	Impact	Risk Countermeasure
Business content/Provided services: Dependence on energy companies	<div style="background-color: #f7941d; color: white; padding: 5px; border-radius: 5px; display: inline-block;">Platform</div> <div style="background-color: #76c730; color: white; padding: 5px; border-radius: 5px; display: inline-block;">Data</div>	- The possibility that unexpected events such as surge in oil/LNG price or the price of electricity traded on the Japan Exchange for Wholesale Electricity ("JEPX"), natural disasters and sudden phenomena could worsen the management conditions of the energy companies that are our business partners, leading to revisions of existing contract conditions, cancellations, suspension of new orders, and so on.	Low	High	- Respond by establishing a business foundation that does not depend on specific companies by expanding businesses in multiple directions.
Business content/Provided services: Status of competitors	<div style="background-color: #f7941d; color: white; padding: 5px; border-radius: 5px; display: inline-block;">Platform</div> <div style="background-color: #76c730; color: white; padding: 5px; border-radius: 5px; display: inline-block;">Data</div>	- The possibility that the entry of competitors could cause greater competition in the Group's business fields, resulting in user cancellation, drops in unit prices contracted with energy companies, or a slowdown in taking up our services.	Low	Medium	- Respond by developing better services and products through healthy competition.
Business content/Provided services: Search engines	<div style="background-color: #f7941d; color: white; padding: 5px; border-radius: 5px; display: inline-block;">Platform</div>	- The possibility that customer acquisition could be affected if changes to algorithm logic in internet searches affect the display rankings of search results or a new search engine becomes mainstream.	Medium	Medium	- Adjust SEO strategy. - Respond by attracting customers through channels that do not rely on the internet.
Business content/Provided services: Technological innovation, etc.	<div style="background-color: #76c730; color: white; padding: 5px; border-radius: 5px; display: inline-block;">Data</div>	- The possibility that we will be unable to respond quickly enough to changes in customer needs or technological innovations, or that it will require considerable funds such as system investment or personnel expenses to respond to these changes.	Low	Medium	- Facilitate horizontal information sharing between departments, mainly through the CTO Office, and by rolling out services that match customer needs.
Business content/Provided services: System failures, etc.	<div style="background-color: #f7941d; color: white; padding: 5px; border-radius: 5px; display: inline-block;">Platform</div> <div style="background-color: #76c730; color: white; padding: 5px; border-radius: 5px; display: inline-block;">Data</div>	- The possibility that natural or man-made disasters, terrorism, war, etc. could cause a system failure and hamper the provision of our services.	Low	High	- Respond by reducing risk in system architecture to minimize reliance on external vendors such as servers, and formulating a backup plan that allows business continuance in the event of a system failure in an external vendor.

IR information desk

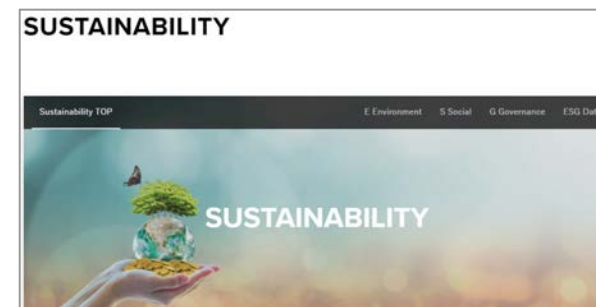
IR Website: <https://enechange.co.jp/en/ir/>

Our IR website contains the latest financial information, including financial summaries and presentation materials, as well as stock information and materials related to the General Meeting of Shareholders. We also have a page for individual investors.



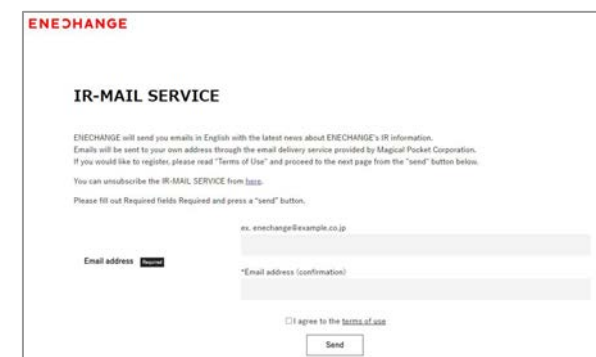
Sustainability: <https://enechange.co.jp/en/sustainability/>

This page introduces our ESG materiality map and our environmental, social and governance initiatives.



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