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Frequently Asked Questions and Answers (February 2022)

Thank you for your continued interest in our company. The main questions from investors this month and the answers to those questions are disclosed below. This disclosure is made around the end of each month for the purpose of strengthening transparency and fair disclosure. Although there may be some discrepancies in the answers from time to time, please understand that at the time of writing this is the most current version of our policy.

Q1. The company has canceled the implementation of TV commercials, which you were considering at the time of the fundraising in December, but will you carry out the investment in the ENECHANGE's EV charging service as planned? What kind of changes in the environment have occurred since the quick change in policy from fundraising?

With regard to TV commercials, at the time we were raising funds in November 2021, we were considering implementing them as an advertising measure to attract more users because the number of customers served by new entrants was increasing and electricity switching was becoming more widespread in Japan, creating an environment where our services would be easily accepted and customer acquisition would be cost effective.

However, from January 2022 onward, there is a growing expectation that the cost of securing energy supply will rise due to soaring resource prices and JEPX prices. The sales of our Platform business consist of recurring revenue and one-time fees from energy companies, and the one-time fees increase or decrease depending on the willingness of new entrants to acquire users. In response to the above-mentioned concerns about high costs, new energy retail entrants in particular are expected to become more cost-conscious in acquiring users, and as a result, there is a rapidly growing concern that our one-time compensation will be adversely affected.

Considering the impact of the current high interest rates and falling stock market, we recognize that the environment has changed to a point where we need to be more cautious and prioritize the implementation of cost-effective measures in order to make effective use of the funds raised in December 2021.

Within the 1.2 billion yen earmarked for promotional activities in the Platform business, we have decided to postpone the implementation of TV commercials, and will prioritize the use of the funds raised to strengthen digital marketing and partner incentives, which are more likely to have a visible effect. No expenses have yet been incurred as the decision was made before the TV commercial production began.

On the other hand, with regard to the investment for EV Charging Service, which is the other major use of funds, we believe that the earlier we invest in this business, the sooner we will be able to build our strategic

moat. We recognize that there will be no change in the trend of EV adoption and expansion, evidenced by the rising ratio of EV and PHV in new car sales in Japan. Therefore, there is no change in our policy of making aggressive investments to achieve early business growth.

Q2. Regarding the EV Charging Service, it seems that a campaign is being conducted, but what is the installation progress? Will you be disclosing the installation results on a monthly or other regular basis?

The campaign price for EV Charging Service is temporarily being implemented in order to reach the early target of 3,000 orders. As for the current situation, the number of orders has been increasing and we have already started installation work.

At this stage, we do not disclose the number of installations on a monthly basis in order to refrain from disclosing information to potential competitors, however we will inform investors when we have made meaningful progress.

Q3. Why was the target for the EV Charging Service initially 5,000 units and then 3,000 units?

While we had previously stated that the target was 5,000 units, the "early target of 3,000 units" stated in the FY2021 Financial Results was not intended to lower the number of units, but rather to clearly state that an early target of at least 3,000 units is necessary if we are to be evaluated on par with overseas precedents. Our medium- to long-term target is 30,000 units.

Q4. What are your plans for the sales structure and agency sales of the EV Charging Service? What is the content of the investment to strengthen the personnel structure in FY2022?

We plan to use about 50% of our investment in the EV Charging Service in 2022 to strengthen our personnel structure, especially to increase the number of sales staff, and improve our sales strategy throughout Japan. In addition to our own sales staff, we also conduct sales activities in cooperation with construction companies and partner companies in the Platform business.

Q5. Are there any competitors in the field of destination charging?

EV charging infrastructure can be broadly divided into three types: (1) basic charging at home, (2) route charging at expressway service areas, and (3) destination charging at facilities at the destination.

ENECHANGE's EV Charging Service is a service that focuses on (3) destination charging.

In terms of competition, we recognize that e-Mobility Power Co., Inc. (hereinafter referred to as "e-Mobility") is developing destination charging, but their focus area is route charging. In addition, there are several other venture companies that are developing destination charging services, but none of them are well capitalized or have a distinct advantage. We believe that there is potential for our service to capture a large share of the market.

Q6. Are you going to enter the field of home charging?

Regarding home charging, we are particularly focusing on shared parking facilities, such as rented apartments and condominiums and their associated multi-story parking lots. Since it is common in these instances for multiple vehicles to share a charger and this is an area where we can utilize the software and know-how we have cultivated in destination charging, we have prepared a pricing plan for condominiums and are increasing sales activities.

We believe that the field of home charging will fundamentally be provided by electricity companies. For this reason, we are developing a service for electricity companies called "EMAP EV Charging" as an initiative to support EV charging at home.

The EMAP series consists of the services we currently provide to electricity companies, and we believe that by adding a service specifically for managing and visualizing EV charging at home to our lineup, we will be able to utilize our technology in the field of home charging as well. We will introduce this product to investors as soon as we are able to announce the details.

Q7. What is your business strategy regarding VPP (Virtual Power Plant) using EVs?

We are aware of the potential for EV to be used in VPP, but there are many institutional and technological issues that need to be addressed in order for this to become a viable business, and we believe that this is an area for future growth in the medium to long term.

We are currently prioritizing the expansion of the EV Charging Service, as we believe that the network and technological capabilities we will acquire in the sector will give us an advantage when the VPP business becomes viable in the future.

Q8. The number of affiliated companies in the Platform business increased in FY2021, but the business environment is becoming more difficult for energy companies. Is there any change in their willingness to acquire customers?

The number of affiliated electricity companies in the Platform business has increased from 52 in FY2020 to 56 in FY2021.

Due to the recent sharp rise in wholesale prices, energy companies that are expecting to see their profitability worsen are reducing their advertising expenses. Conversely, some companies that are relatively unaffected (such as new entrants affiliated with gas companies) are taking the situation as an opportunity to increase their advertising expenses.

As a result, the number of affiliated companies in the Platform business is increasing, and by always working with a wide variety of stable, reputable energy companies we can promote energy switching in a variety of market conditions.

Q9. What are the factors behind the seemingly stagnant market share of new entrant corporate customers of ENECHANGE?

Although our share of the corporate switching has remained unchanged, we recognize that the overall market for corporate energy switching is stagnant.

Corporate customers continue to switch due to the sharp rise in electricity prices, but as mentioned above, the profitability of energy companies is expected to worsen due to the sharp rise in wholesale prices. In general, the profit margins of corporate customers are relatively low for energy companies, and hence we believe that there is a decline in their motivation to acquire new customers in this segment.

We will promote the acquisition of users by offering a range of switching options that meet the needs of corporate customers, including the addition of the FIT Non-Fossil Certificate with Tracking, a type of Renewable Origin Certificate service for users who want electricity from renewable energy sources.

Q10. The Nikkei reported that about 10 energy-related companies, including ENECHANGE, will jointly set up an organization to manage electricity data and start external sales when the Electricity Business Act is revised in April to allow the provision of some electricity data to third parties with the consent of individuals. What is the role of this organization and what are the prospects for revenue? Also, how will you deal with the risk of handling personal information?

Efforts to liberalize electricity data, scheduled for the spring of 2022, are underway, and our company is participating in a group that is considering the use of smart meters. This policy reform will have a direct impact on our services in the Data business (EMAP, SMAP, and KIWI), and we expect to expand our business as the environment improves.

However, the reality is that there has been a delay in this policy reform, and as of April 2022, only a few measures are expected to be implemented. Hence, we assume that our related business will not be fully developed until 2023 or later. For this reason, the positive impact of this policy reform has not been factored into our business forecast for FY2022. In addition, specific rules for the handling of personal information will be developed through the organization mentioned in the article.

Q11. Regarding the earnings forecast for FY2022, if we assume an operating loss of 1.5 billion yen for investment in growth, isn't the 33% sales growth forecast too low?

Since our listing in December 2020, we have set a target of 10 billion yen in sales for FY2027, which can be achieved by continuing sales growth of 30% or more. As of the beginning of the fiscal year, we have set our forecast at a growth rate of 30% as a guide in line with our initial policy. We will work to exceed this level and revise the initial forecast upward during the fiscal year.

The forecast of 1.5 billion yen in operating loss incorporates the impact of approximately 1.2 billion yen in investments for growth in the Platform business (mainly advertising expenses) and approximately 900 million yen in investments for growth in the Data business (mainly increased expenses for the EV Charging Service). The investment in the Platform business is planned to be spent mainly on advertising, and sales are expected to increase in line with the investment.

On the other hand, the investment in the Data business is mainly for establishing the sales and operations base for the EV Charging Service, and the sales forecast for the EV Charging Service is based on conservative assumptions. Therefore, the main reason for the expected operating deficit is the Data business.

For FY2021, we have achieved a 76% increase in sales growth. The increase in ARPU is due to a large increase in one-time fees, which is a form of non-recurring revenues.

In our forecast for FY2022, while we expect the number of users to increase by more than 35% due to aggressive measures to acquire users, we expect ARPU to decline by about 5%, taking into account the decline in one-time fees in consideration of the challenging business environment of energy companies.

Q12. Why do we need to make upfront investments at a loss?

As stated in the answer to Q11, the main reason for the expected operating loss is the Data business.

In the Platform business, the market share of new entrants has increased to over 30% for companies and over 20% for households, and energy switching is expected to become a future norm.

With the recent rise in electricity prices, there is a growing need to compare and reduce electricity bills, making it easier to increase the number of users by focusing on advertising. During this period, we will focus on efficient and cost-controllable measures, such as online advertising, to effectively promote sales while maintaining a limited level of deficit.

Regarding the EV Charging Service, several factors are at play: the sales ratio of EVs and PHVs is increasing in Japan; in 2022, automakers will announce new EVs; and we expect that overseas companies and companies from different industries will enter the Japanese market in rapid succession. Considering this, we recognize that this is a field that will grow rapidly in the near future. By actively developing our business now, we will be able to capture a large share of the EV charging infrastructure field. On the other hand, we have determined that we should aggressively invest in this field early because the longer we wait, the less we can take advantage of being the first mover.

Q13. Do you plan to use up the unused portion of the funds obtained from the public offering in 2021?

As stated in the announcement, the company plans to allocate the funds over a period of time depending on the item, including funds for repayment of loans related to the acquisition of shares in Oberlous Japan Inc. (until 2025), funds for investment in and operation of the Decarbonized Tech Fund (until 2024), and funds for strengthening its own services in the Platform business (until 2023).

Q14. Two large shareholding reports were submitted in early February. What do you think of this as a company?

In the Large Shareholding Report submitted by UBS Bank on February 4 (Number of shares held: 1,568,700 shares, 5.32% of the total number of shares issued by the Company), it is stated that the holdings of securities companies and other financial institutions are generally held by institutional investors (such as hedge funds and some other long investors) who are not interested in holding voting rights, and that the shares are held in

the name of the securities companies. We understand that this probably reflects the amount acquired through UBS in January.

The transaction is not for pure investment but for dealing purposes, and although we cannot ascertain the actual intention of the investor, we assume that the shares are held by a European investor since the transaction was conducted at the London branch.

With regard to the large shareholding report submitted by Baillie Gifford on February 7 (Number of shares held: 1,724,500 shares, 5.85% of the Company's total number of issued shares), we recognize that they are a long-only investor and that it holds shares for medium- to long-term holding purposes.

In both cases, while overseas investors are selling their shares in the Japanese stock market as a whole, we believe that the ratio of overseas institutional investors is increasing, which was one of the objectives of our fundraising last year.

Institutional investors in Europe are proactive in their efforts to decarbonize, and in the UK in particular, there are strong similarities with Japan regarding the deregulation in the energy sector, with widespread energy switching amongst consumers and companies. We see that it is easy for them to evaluate our business based on the examples of UK- or Europe-based companies. In all of the above cases, while overseas investors are selling their shares in the Japanese stock market as a whole, we have received decisions to increase their purchases, and we believe that we are making steady progress in increasing the ratio of overseas institutional investors, which was one of the objectives of our fundraising last year.

Q15. Since the public offering, the frequency of IR disclosures seems to have decreased. Is there a reason for this?

We will continue to proactively disclose information through timely disclosure and press releases as our business progresses, and will continue to make contact with investors and disseminate information, including this Q&A disclosure which started in January 2022.