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Frequently Asked Questions and Answers (May 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 be advised that at the time of writing this is the most current version of our policy.

Q1. The forecast for FY22 has been revised. Regarding the assumption for the sales forecast, isn't it too conservative to assume a 5% increase for the full year from the previous year, while the number of users in the Platform business has already increased by about 4% from the end of the previous year? Also, what is the background behind the 5% decrease in ARPU for the full year when ARPU is at a record high?

In the Notice Concerning the Revision of the Earnings Forecasts disclosed on May 13, 2022, we revised our full-year forecasts for FY22. Sales were revised from 4.0 billion yen to 3.4 billion yen and operating loss was revised from 1.5 billion yen to 1.0 billion yen. The reason for this revision was a change in the outlook for the Platform business due to the deteriorating business environment, and we revised our KPI of user growth from 35% annual growth to 5% annual growth. ARPU is assumed to fall 5% per year, unchanged from the previous forecast.

The number of users was unaffected by the invasion of Ukraine by Russia in FY22 Q1. It increased 59% YoY and approximately 4% compared to the end of the previous fiscal year, supported by switching demand due to higher electricity bills. However, we expect the number of new user acquisitions to slow significantly in the future due to the difficult environment for acquiring new users since May, when electricity companies stopped user acquisition activities and the full impact of the suspension of new applications began to materialize. On the other hand, we expect existing user cancellations to be about the same as in the previous fiscal year (average monthly cancellation rate of 1.3%), and assume that the number of users will increase only 5% YoY for the full fiscal year. The assumption for the number of users does not factor in increases in the number of acquisitions or cancellations due to the withdrawal of electricity companies from the business, which is yet to be confirmed.

ARPU reached a record high in Q1 because electricity companies were still conducting user acquisition activities at the time and higher electricity bills led to a rise in recurring revenue. However, as mentioned above, our one-time fee (non-recurring revenue) is expected to decrease significantly because of the suspension of user acquisition activities by electricity companies from May onward. Nonetheless, we expect a partial recovery in one-time fees after the summer and an increase in recurring revenues due to higher electricity rates, so we expect a decline of only about 5% for the full year, as previously forecast.

Q2. When will you reach the stage 6 on slide 26 of your Presentation Material for FY2022 Q1?

In the Presentation Material for FY22 Q1 Financial Results, we disclosed our company's concept of the 6 stages to the normalization of the energy market.

Stage	Impact of JEPX price increases	Effects on ENECHANGE
1	Reduction in energy company advertising expenses	Reduction in ARPU due to lower one-time fees at the switch
2	Energy companies stop acquiring new customers	Loss of opportunities to acquire users due to lack of energy companies to switch to
3	Energy companies withdrawing from the business, stopping contract renewal	A reduction in recurring revenue due to existing users leaving
4	Increase in energy contract "refugees"	Increase user acquisition due to high switching needs
5	Electricity bills rising to level where energy companies can profitably supply customers	Increase in ARPU due to higher energy bills
6	Energy companies restart user acquisition activities	Recovery of ARPU due to higher one-time fees at the switch

We believe that we are currently in Stage 3-4, and we are aware that there are several electricity companies that have notified their customers of proposed price increases from July onward as shown in Stage 5. Therefore, we believe that we will gradually move toward Stage 5 after July.

In order to advance to Stage 6, we believe that the profitability of electricity companies must improve as a result of the normalization of costs, in addition to an increase in sales as the electricity rate increases run their course. In terms of sales, many companies have already begun proposing price increases for corporate customers, but the proposals for household customers are still limited. On the cost side, government-led countermeasures have been announced, including lower international resource prices, the restart of nuclear power plants, and institutional reforms related to JEPX. Therefore, we cannot say anything definite about the timing of the transition to Stage 6, but we currently assume that progress toward the realization of Stage 6 will be made in the next year or later.

Q3. What are the assumptions for the full year sales forecast for the Data business for FY22? It is still listed as 10-20% growth, but is it a problem that the number of customers did not increase in Q1? Also, the company expects ARPU to remain flat for the full year, but why did it increase in Q1?

The number of customers - 50 - remained unchanged from the previous quarter. There are no particular concerns in this regard, as the timing of onboarding can shift by several months depending on the status of consideration by electricity companies. We are currently receiving significant consideration for new product introductions, and in particular, services that support the implementation of demand response such as SMAP DR are attracting increasing attention due to the recent electricity supply crunch and other factors. We believe we can achieve a 10-20% increase in the number of customers compared to the previous fiscal year.

ARPU was approximately 5.8 million yen (+27% YoY)* in Q1. Thanks to the contribution of cross-selling and upselling efforts for services, ARPU is improving.

Regarding the assumptions for the forecast of the Data business for FY22, since the negative impact of the energy industry is not expected to spill over to the Data business at this point, the pace of growth in the number of customers is expected to be 10-20% per year, while ARPU is expected to remain flat YoY. Both are as assumed at the beginning of the period.

*Approximately 5 million yen (+10% YoY) excluding the impact of the application of the Accounting Standard for Revenue Recognition.

Q4. What is the business model for demand response service and how much growth potential do you anticipate?

With the progressive phasing out of thermal power generation, the supply-demand balance for electricity is expected to remain tight this year. Under these circumstances, there is a growing demand for demand response services such as SMAP DR, in which the Company requests each household to save electricity and provides incentives according to the amount of electricity saved. This service is based on a SaaS model in which we provide the service to energy companies and receive monthly service usage fees (which vary based on the number of users at the energy companies).

We are currently consulting with some energy companies, including major electricity companies, and expect stable growth as we see this as a service that is essential to society. We believe that the size of the market is based on the IT system budgets of energy companies, and that this service will contribute to the realization of our sales growth target 10-20% annually in the Data business.

Q5. I see that you have released a new app for your EV Charging business. What can this app do? What are the advantages?

On May 19, 2022, we launched a dedicated smartphone application for the ENECHANGE EV Charging Service. In addition to searching for EV charging spots located nationwide, you can also check the availability of ENECHANGE EV Charging Stations. This service allows users to register on the app and complete the entire process from charging to payment with a single app.

Conventional EV charging services require the issuance of a special card before use, but with the ENECHANGE EV Charging Service, EV drivers can charge their vehicles without any hassle, simply by installing the app.

< App features >

- 1 . One-stop EV charging spot search and charging
- 2 . Search for EV charging spots on a map
- 3 . Search by charging output
- 4 . Map that shows you which EV charging spots near your current location are available for charging
- 5 . Provides directions to ENECHANGE EV charging spots with photos

Q6. How long is the lead time from order to revenue for the EV Charging business?

In the EV Charging business, after receiving an order, it takes about 3 months to actually install, as it is necessary to conduct on-site surveys and prepare for installation work, such as pulling in electric wires. Thereafter, we expect revenues to gradually increase as EV owners become aware of the facilities and the operation rate increases.

Q7. You are advertising two types of plans in the EV Charging business, Standard and Lite. Which plan do you receive more applications for?

In the Standard plan, the parking facility owner (site host) bears the installation cost and pays a monthly software usage fee to us, and the charging revenue is shared with us. In the Lite plan, the installation cost and software usage fee are both zero, and in return, we receive all of the charging revenue.

Although we do not disclose the percentage of applications and are unable to provide details, we have received applications for both plans according to the needs of site hosts. For example, the Standard plan, which allows for flexible charging rates, is suitable for those who want to offer a one-hour free charging to visitors, while the Lite plan is suitable for owners who want to set up charging facilities easily.

Q8. Will the supply of hardware for EV charging facilities become a bottleneck due to lack of semiconductors?

We are currently installing EV charging equipment from Nitto Kogyo, but we recognize that there is a risk of delays in equipment manufacturing due to the global shortage of semiconductors. At present, we do not consider this to be a bottleneck, but we believe it is strategically important to be able to handle charging equipment from multiple manufacturers while ensuring quality, and we are in the process of selecting a range of manufacturers, including those from overseas.

Q9. Why are you investing in overseas venture companies through the Japan Energy Fund?

We have formed the Japan Energy Fund jointly with several companies and have invested in promising energy-related venture companies overseas through the Fund.

Through the operation of the Fund, we are constructing a network of energy-related companies around the world, establishing an information network, and utilizing this in our business operations in Japan. At the same time, we are strengthening relationships with major Japanese companies by introducing them to international venture companies. We are also considering business alliances with companies that we can generate strategic relationships with. The purpose of the Fund's operations is as stated above, and is not primarily to realize investment returns.

Q10. Will you not buy back management's shares that were sold last year as a stock price measure? Or is it possible to consider an MBO in the current situation where the stock price is declining?

Concurrently with the public offering conducted in December 2021, the two executive officers conducted a secondary offering of shares. Since the purpose of this secondary offering of shares was to increase the liquidity of the shares to facilitate trading by large investors, and since the two executive officers are exposed to our management information (insider information) on a daily basis, it is not practical for them to flexibly acquire our shares. Therefore, there are no plans to buy back the shares at this time.

In addition, an MBO will not be considered as we intend to continue to expand our business while taking advantage of the benefits of being a publicly traded company, which will increase our financing options and enhance our credibility.

In terms of stock price measures, we believe that the most important thing is to continue to pursue business growth initiatives and achieve earnings growth. Although the business environment is particularly difficult for the Platform business, we will work to achieve stable growth in the Data business and gain the top market share in the EV Charging business, while solidifying our Platform business until the business environment stabilizes.