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Frequently Asked Questions and Answers (June 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. What are the key points of the recently announced ENECHANGE EV CHARGE strategy? Is it possible to bring forward the order target of 3,000 units for Q2 FY2023?

In the press release issued on June 29, 2022, "Up to 30 billion yen invested to install 30,000 units by 2027 under the new ENECHANGE EV CHARGE brand" we announced our new ENECHANGE EV CHARGE brand, our new EV chargers, and our efforts to achieve the installation target of 30,000 units. The new EV chargers have been certified by the Japan Automobile Research Institute Registration Body (JARI), which is subject to strict screening, and are compliant with the "FY2021 Subsidy for EV Charging Infrastructure". This enables us to offer more advantageous plans to site hosts.

Accordingly, we have announced three strategies to reach our mid-term goal of 30,000 units installed. These are as follows:

- (1) The "EV Charging Installation Support Campaign" will allow customers to install EV chargers free of charge by taking advantage of subsidies and adding our own installation support incentives. This campaign is planned to be implemented until the target of 30,000 units is achieved. In addition to support for new installation, we will also provide free replacement of existing chargers. Existing EV chargers with 3kW output will be replaced with our 6kW chargers free of charge.
- (2) The launch of the partner program will promote sales activities and expand the number of partner companies from the approximately 50 partners currently to 500.
- (3) EVs are expected to be used as virtual power plants in the future, and we will consider using the chargers to balance electricity supply and demand.

We believe that in addition to achieving our target of 3,000 orders in Q2 FY2023 as soon as possible, we expect to be able to generate revenue earlier through the use of the subsidies.

Q2. In the press release on ENECHANGE EV CHARGE, ENECHANGE announced plans to make aggressive investments; do you need to fundraise further?

In a press release issued on June 29, we have announced plans to invest approximately 30 billion yen over the next five years. This investment is intended to achieve the cumulative order target of 30,000 units by 2027.

If government subsidies continue at the same level as this year, we expect to be able to cover approximately 80% of the installation costs of the chargers through the use of government subsidies, which will be combined with additional subsidies provided by the Tokyo Metropolitan Government and other local governments. In addition, we are also pursuing bank loans and lease financing for the remaining portion, using the EV chargers as collateral, and we expect the initial real investment burden to be less than 10% of the total investment amount.

In December 2021, we raised funds through a public offering, and we do not plan to raise funds through the issuance of new shares for the actual portion of our company's investment. In the event of a reduction in the subsidy amount or other major changes in the subsidy system in the next fiscal year or thereafter, the Company may revise its investment plan.

Q3. What types of businesses do you envision as partners for ENECHANGE EV CHARGE?

ENECHANGE EV CHARGE has launched a partner program and is actively seeking new partners. We believe that our main targets include real estate companies, parking operators, travel booking sites, golf course booking sites, and car leasing companies. The number of partners is currently about 50, but we hope to reach our target of 500 by the end of FY2023. If we receive an average of 10 orders per year from partner companies, this would lead to an increase in orders by about 5,000 units per year, which we believe is a very important benchmark for the early installation of 30,000 units.

Q4. Will ENECHANGE EV CHARGE also maintain the existing fixed monthly payment plan?

ENECHANGE EV CHARGE is a service that lets site hosts install EV chargers with no up-front cost, but on the condition that we receive the charging revenues after installation. Therefore, site hosts who wish to open their facilities to customers and employees free of charge are not able to use this plan.

For such site hosts, we offer the Standard plan, which charges the same monthly fee as before. There are no restrictions on charging fees as part of this plan.

Q5. How much charging time is required to reach the break-even point and return on investment for ENECHANGE EV CHARGE?

ENECHANGE EV CHARGE can be introduced while reducing our out-of-pocket expenses through the use of subsidies.

The market rate for EV charging is 55 yen per kWh. Since our EV charger has an output of 6kW, assuming a charging fee of 330 yen per hour, we expect to be profitable with 1 hour of charging per day.

In addition, EV charging time is increasing at an annual rate of about 30% (based on our research), and is expected to accelerate as EVs become more popular, so we anticipate that early payback on our investment will be possible.

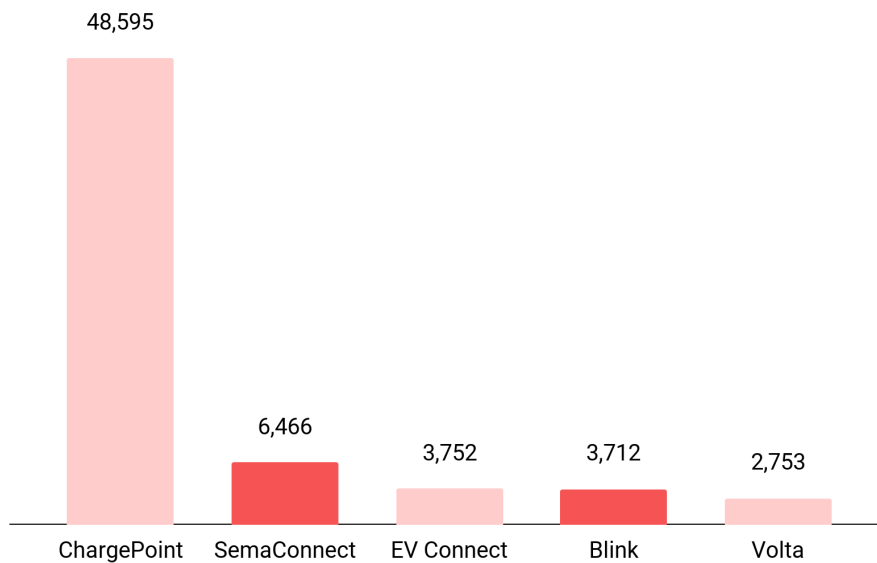
Q6. It appears that U.S.-based charging company Blink has acquired SemaConnect, but is there any threat of an acquisition of a company that provides EV charging services in Japan?

Blink, a provider of EV charging services in the U.S. (4th in the number of Level 2 charging installations in the U.S.), announced that it has acquired SemaConnect (2nd in the same category), for approximately \$200 million. We believe that consolidation is underway due to intensifying competition in the U.S.

At this time, we do not face the same intense competition in Japan. Therefore, we believe that our competitive advantage in ENECHANGE EV CHARGE lies in gaining the top share in the business as quickly as possible by making the best use of our resources before other companies emerge.

(References)

Number of Level 2 charging facilities installed by EV charging operators in the U.S. (Unit: installed charging units)



Note: U.S. Department of Energy "Alternative Fuels Data Center" (viewed June 22, 2022)

Q7. ENEOS has taken over the operation of approximately 4,600 EV chargers from NEC, but is this a threat to ENECHANGE EV CHARGE?

Based on the published information on this case, we believe that most of the EV chargers owned by NEC were Level 2 chargers that were installed using a subsidy program that began about seven years ago. Certain national grocery chains have approximately 100 EV chargers installed per store. This is materially different from our strategy of widely installing the first charger in as many locations as possible.

In a press release issued on June 6, 2022, ENEOS stated that it will promote the expansion of its EV charging network through route charging. As this is a different use case, we believe it does not directly overlap with our EV Charging business which instead focuses on destination charging.

Q8. Panasonic has started offering EV charging infrastructure solutions, but does this pose a threat to ENECHANGE EV CHARGE?

With regard to the EV charging infrastructure solution "Charge-ment" announced by Panasonic on May 27, 2022, we are aware that it provides EV charging control for companies such as corporations and municipalities that own multiple EVs - which is also known as "fleet charging" solutions. The customer needs for this use case are different than for the destination charging use case we address. Therefore, we do not consider it to be a direct competitor of ours.

Q9. There have been news reports that the Japanese government is offering support, such as incentives to households and companies that save electricity. Is this related to ENECHANGE's business?

Some media reports indicate that the government will provide support such as incentives to households and companies that save electricity in order to alleviate the electricity supply-demand shortage. As mentioned in the "Five Recommendations for Energy Normalization" press release issued on June 14, 2022, Demand Response (DR) services, in which rewards are earned for cooperation in saving electricity, are an effective means of dealing with electricity supply-demand shortages.

We believe that the government's actions will be effective in improving the supply and demand of electricity in Japan, and that it will be necessary to study the design of future methods of acquiring and incentivizing Demand Response service participants, especially in order to alleviate the supply and demand shortage that is expected to occur this winter. We have been providing the "SMAP DR" Demand Response service which utilizes smart meter data from households to energy companies, and we intend to cooperate as much as possible by utilizing our accumulated know-how.

In response to the recent urgency for saving electricity, we will also work to develop new services that will make it easier for all citizens to save electricity.

Q10. ENECHANGE has begun offering new electricity tariffs that are less expensive than the new final guaranteed supply contract, but how much more affordable will it be and what impact will it have on your business performance?

The Electricity and Gas Market Surveillance Commission, at its meeting on May 31, 2022, decided to make the final guaranteed supply contract linked to the wholesale electricity market, and the new final guaranteed tariff is expected to be always more expensive than the tariffs offered by the electricity companies.

In response, we announced in a press release dated June 17, 2022* that we have begun exclusively offering plans that are less expensive than the new final guaranteed tariff (New Electricity Tariff).

This is a new electricity tariff offered by certain new entrants, which we exclusively handle, and which we offer to companies that inquire through ENECHANGE Biz. The specific amount of discount will vary greatly depending on the usage of electricity, so we will make a proposal tailored to each customer's usage.

Although we expect that the handling of the new electricity tariff will increase the opportunities for companies that currently have final guarantee contracts to find better alternatives through our service, we do not currently expect the impact to be sufficient to cause us to revise our earnings forecast.

*"Relief for Electricity Final Guaranteed Supply Contractors to Grow to 30,000 Nationwide by Summer, Exclusive sales of electricity tariffs to help electricity refugees begin"

Q11. You have published "Five Recommendations for Energy Normalization." If accepted, how will this affect ENECHANGE's business?

We believe that all of the recommendations in our "Five Recommendations for Energy Normalization," published as a press release on June 14, 2022, are necessary for people to feel secure in their choice of electricity and, as a result, will have a positive impact on our business.

The first, "Promote smart power saving by all Japanese citizens" proposes the active use of Demand Response, and as the government has announced its support for alleviating electricity shortages, this is a proposal regarding the spread of smart meters to further advance Demand Response for households. We believe that if this is implemented, it will also lead to the adoption of services such as SMAP DR in our Data business.

The second, "Promotion of EVs and PHVs" proposes further promotion of EVs and PHVs because they reduce fuel imports from overseas and lead to the utilization of surplus renewable energy. While the current subsidy system has restrictions on the facilities eligible for subsidies and the timing of utilization of EV charging facilities, we believe that removing these restrictions will encourage more facility owners to consider installing EV charging facilities. We believe that this will promote the spread of EVs and PHVs and contribute to the expansion of our EV charging business.

The third, "Combat energy poverty" is a proposal to provide subsidies to reduce the burden of electricity costs on those in need. Although this measure does not directly affect our business, we believe that it is a necessary proposal to maintain a society in which everyone can use and choose electricity with peace of mind.

The fourth, "Change in fuel procurement due to Russian embargo and promotion of renewable energy" proposes a review of fuel cost adjustment and the promotion of retailers to set their own fuel cost adjustment. We believe that reviewing the fuel cost adjustment system, which is one of the causes of the current confusion in the electricity market, will improve the profitability of electricity retailers and enable each company to offer its own electricity tariffs, thereby creating a healthy competitive environment.

The fifth, "Necessity of protecting consumers from the risk of resource price hikes," proposes the consideration of developing a fixed charge tariff from the perspective of consumer protection. We believe that by allowing customers to choose from tariffs that are not affected by resource price spikes, we will be able to offer options that are more in line with their needs and increase user satisfaction.