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Frequently Asked Questions and Answers (August 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 sales forecast was left unchanged due to a decrease in non-recurring revenue in the Platform business, but how much of a decrease should be expected? Will recurring revenue also decrease?

Quarterly non-recurring revenue for the Platform business in Q1 and Q2 were approximately 600 million JPY each (1.2 billion JPY in total for the first half), but are expected to fall to about one-third of that amount in Q3 and Q4. Recurring revenue is proportional to users' electricity bills, and as such it is expected to increase in line with higher electricity rates. However, we have not factored this into our earnings forecast, as we prefer to keep our estimates conservative. Moreover, since the number of users is expected to remain flat from Q2 onward, recurring revenue is expected to remain flat.

Q2. What is the expectation for the timing and scale of the effects of the alliance with Sumasapo?

We announced on August 5, 2022 in "Notice Concerning the Capital and Business Alliance with Sumasapo Inc." that our partnership with Sumasapo Inc. means we are now able to provide electricity and gas switching services utilizing Sumasapo's 604 property management company channels (2.26 million households).

Sumasapo has strong connections with real estate management companies, and we expect to increase our user base by having them introduce us to users who need to switch their electricity when they move house. We are discussing a phased increase in the number of user referrals in the future. We expect this to contribute to our business performance from FY23, and we aim to acquire more than 50,000 users per year.

Q3. Are there opportunities for M&A of companies that are switching energy as well, similar to your M&A of Shindenryoku com, and are there opportunities for acquisitions of competitors on an even larger scale?

In the Platform business, we have a policy of promoting so-called roll-up M&As, in which we acquire companies that are engaged in the energy switching support business similar to ours. We announced our M&A of Oberlous Japan Inc. in October 2021 and Shindenryoku Com Co., Ltd. in July 2022, and will continue to pursue similar M&As.

Although we provide electricity switching support to approximately 400,000 users (average household equivalent*), we are aware that there are no competitors that provide switching support to hundreds of thousands of

users like we do, though there are several companies operating on a scale of tens of thousands of users. We will continue to aggressively consider roll-up M&A of these companies.

*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.

Q4. The reason for the deficit in the full-year forecast (operating loss of 1 billion JPY) is due to the investment in the EV Charging business, but since the operating loss for the first half was 220 million JPY, it seems that a lot of investment is planned for the second half. What is its intended use?

The full-year forecast for the current fiscal year calls for an operating loss of 1.0 billion JPY due to the EV Charging business and common expenses, while the Platform business and Data business will remain profitable.

We plan to invest 1.1 billion JPY in the EV Charging business this fiscal year, the majority of which will be for personnel expenses due to aggressive personnel expansion, with plans to quickly increase the number of personnel in the EV Charging business from about 30 at present to about 100 during the next fiscal year.

In addition, we will also consider other aggressive marketing activities to realize the installation of 30,000 EV chargers, starting with a free installation campaign and a partner program, as well as advertising in the second half of the year.

Q5. It was explained that ENECHANGE is the only company that offers subsidies for 6kW charging. Is there a risk that competitors will emerge in this field in the future?

The ENECHANGE EV Charge Model 2 has a 6 kW output and 4G compatibility, and is currently the only model with these specifications that is subsidized.

Since chargers with the Model 2 specifications are already in use overseas, it is conceivable that competition will emerge in the future. However, since a period of examination and other regulatory procedures are required before subsidies can be applied, we will take advantage of our current competitive situation to conduct aggressive sales activities.

Q6. Regarding the establishment of ENECHANGE EV Lab, a subsidiary to develop and procure EV chargers, will it require a lot of manpower and investment to develop chargers?

In order to build a competitive edge in the hardware and software aspects of the EV Charging business, we plan to establish a new subsidiary, ENECHANGE EV Lab Ltd., which will conduct development and other activities related to the EV Charging business. ENECHANGE EV Lab does not expect to have to invest a lot in terms of hardware, as we are mainly looking to collaborate with overseas manufacturers and do not intend to develop everything ourselves.

Manufacturers that sell many chargers in overseas markets are unable to take advantage of economies of scale in the Japanese market, where the EV market is still growing, and have little incentive to localize their products, such as to support subsidy eligibility. Therefore, we believe that by supporting the introduction of these chargers to the Japanese market, we can help overseas manufacturers develop their markets while adding excellent chargers that are already established overseas as one of the products of ENECHANGE EV Charge.

Q7. ENECHANGE EV Charge is sold in several options; will utilizing subsidy-eligible models be the main focus in the future?

With the introduction of the subsidy-compliant ENECHANGE EV Charge Model 2, we are offering the Free Installation Campaign in which both installation and system usage fees start at zero JPY, and in return, we receive all charging revenues. We expect that the Free Installation model will be the main source of orders in the future, and we will actively utilize it as long as the government subsidy program continues.

Q8. What is the progress of the installation of the ENECHANGE EV Charge?

Regarding the status of the ENECHANGE EV Charge installation, this disclosure provides a summary of the information distributed as a press release in the past month. Please note that the following press release provides only a part of the results, not all of the installation results.

Results of ENECHANGE EV Charge Installations - Press Release List (August, 2022)

Press Release Date	Facility Name	Number of EV chargers installed (unit)	Location
August 10, 2022	Kusatsu Onsen-ryokan, Eidaya	1	Gunma
August 22, 2022	Metropolitan Expressway Service Co., Shinonome A and B parking lots (two locations)	3	Tokyo
August 24, 2022	Nasukogen Rindoh-ko Family Bokujo	2	Tochigi
August 26, 2022	Roadside Station Crossroad Mitsugi	2	Hiroshima

Q9. For demand response (DR) services, the growing demand for electricity saving seems to be an opportunity. Is there any need for aggressive investment? Also, has the expected increase in demand for DR this winter been factored into your earnings forecast?

Due to electricity supply and demand constraints, DR, an energy-saving service in which electricity companies offer incentives based on the amount of electricity saved, is attracting increasing attention, and we have received many inquiries about our SMAP DR. We consider this as an opportunity to expand our business, but unlike ENECHANGE EV Charge, SMAP DR has already been completed as a product and does not require much new investment. Therefore, we believe that we will be able to secure profitability in the Data business while making investments in engineering and other expenses for business expansion.

Also, we have not included the increase in demand for energy-saving services in our full-year earnings forecast for this fiscal year, but even if the introduction of SMAP DR progresses toward this winter, we believe that the impact on earnings will be minimal. Therefore, we expect a full-scale contribution to our business performance in the next fiscal year or later.

Q10. What are impairment losses and settlements shown in the financial statements?

The impairment loss was related to software in the Data business. We aggregate our engineering personnel costs by service and product and capitalize a portion of these costs as software, which is amortized over a maximum period of five years. However, we recorded a one-time impairment loss on software related to some products for which we reviewed the sales plan.

The compensation was recorded because it was incurred with a business partner. Further details are not disclosed, but this is a one-time expense based on individual factors and will not have a material impact on business operations.