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Frequently Asked Questions and Answers (September 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. In the recent Kaisha Shikiho (databook on listed companies in Japan), the sales forecast for FY23 was lower than the forecast for FY22. What is the company's recognition of this?

In the latest Kaisha Shikiho, our sales for FY23 is forecasted 3.2 billion JPY, which is a decrease from the forecasted sales of 3.4 billion JPY for FY22. This forecast is based on their analysis only and is not a public announcement by the Company. Although we have not disclosed our earnings forecast for FY23, our current understanding is as follows.

In the Platform business, the increasing prices of resources have worsened the earnings of electricity companies, and activities to acquire users through our platform have slowed down. Although there are signs of improvement in the industry environment, the future outlook remains difficult to predict. The impact of the decline in sales to our company has become apparent from the second half of 2022. On the other hand, we are reacting by taking measures such as winning customers needing to switch electricity when moving, and we expect the industry environment to improve from the spring of 2023 onward. As a result, sales in this business in the next fiscal year are expected to be on par with the current fiscal year.

As for the Data business, the majority of sales are recurring revenues, and sales are expected to increase as new customers are acquired.

In addition to the above, orders for the EV Charging business are progressing steadily and are expected to contribute to business performance during FY23. The Model 2 zero initial and monthly cost plan that we are currently promoting is a business model in which sales of hardware are recorded at the time of installation and charging revenues are earned on an ongoing basis thereafter. We have set an order target of 3,000 units by end of FY23 Q2, and given the sequential progress of these installations, the EV Charging business is expected to contribute to sales starting in FY23.

In light of the above, we expect that our sales in FY23 may well be higher than in FY22. Our official forecast for FY23 will be made at the time of the announcement of our full-year financial results for FY22, scheduled in February 2023.

Q2. It appears that the company is aggressively marketing the ENECHANGE EV Charge, but will the advertising costs drive the company even deeper into the negative in the next fiscal year?

ENECHANGE EV Charge has begun advertising through online and other media. While we plan to continue aggressively promoting sales, the deficit is expected to narrow next fiscal year, partly due to the impact of recording sales from the chargers that have started operation.

As mentioned in Q1, we can generate a certain amount of profit from hardware sales and charging revenues, which we plan to use aggressively for sales promotion. Although the business segment is expected to post a loss due to an increase in personnel and other SG&A expenses, the size of the loss is expected to be smaller in FY23 compared to FY22.

Q3. In the Japanese car sales market, the dealer network is strong, and manufacturers could take the initiative to install EV chargers at each dealership. Is this not a risk?

The chargers to be installed at dealerships under the initiative of manufacturers are basically expected to be route charging using a Level 3 charger. This is different than destination charging with a Level 2 charger, which is our focus. As such, we do not believe that this will pose a risk.

The Company believes that the ability to charge EVs at destinations and at home is important, and that route charging will become necessary as infrastructure for emergency situations. We believe that it is not enough to simply install chargers in dealer networks, but from the standpoint of convenience for EV users, it is necessary to create an environment where charging is always available at the destination.

Q4. At the Q2 FY22 individual financial results meeting, the ENECHANGE EV Charge installation will proceed after September, but we have not seen any significant changes on GoGoEV yet. Please tell us about the status of installations.

Due to the grant review process, it will take longer than usual to install the Model 2 that is compatible with the grant. Although the review process is currently taking some time, orders are steadily accumulating and the review process is progressing in due course, so we ask for patience while waiting for the release of installation information.

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 (September, 2022)

Press Release Date	Facility Name	Number of EV chargers installed (unit)	Location
September 13, 2022	Miraiships Inc.	2	Miyagi

Q5. Demand for energy-saving services has been increasing due to the tight energy supply in the summer, but it was reported that all regions will have a reserve ratio of at least 3% this winter. Is there any change in demand for energy-saving services?

On September 15, 2022, the Electricity and Gas Basic Policy Subcommittee of the Ministry of Economy, Trade and Industry announced the outlook for electricity supply and demand this winter and announced that all areas have exceeded the 3% reserve ratio required for a stable supply.

At the same time, the Subcommittee also emphasized the importance of energy conservation efforts as a demand-side measure, and we recognize that energy-saving services are still strongly in demand. We will continue to work for the introduction of the service this winter.

Q6. Tokyo Electric Power Company and other major electricity companies had announced the outline of a standard rate increase for corporate customers. Will it affect the Platform business?

The increase in standard rates for companies by TEPCO EP corresponds with our understanding of stage 5 of the 6 stages to normalization of the energy market that we announced in our financial results for the FY22 Q1. We view it positively in that it will lead to improved earnings for electricity companies.

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 in 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

However, we recognize that there are uncertainties as to how competitive the new entrants will be under the new rate structure set by the major electricity companies, and we are continuing to monitor the situation closely.

We expect that the effects of stages 1-3 will become apparent in the 2nd half of the current financial year, and the effects of stages 4-5 will become apparent in the next financial year.