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Frequently Asked Questions and Answers (October 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 is the purpose of the acquisition of the EVsmart business from Ayudante, Inc.?

In a timely disclosure on September 30, 2022, "Notice Concerning the Acquisition of EVsmart from Ayudante, Inc." we announced the acquisition of EVsmart, which provides a media platform specializing in EVs and a charging location search application, from Ayudante, Inc. EVsmart has been providing these since 2014, the dawn of the EV industry in Japan, and is widely recognized and highly regarded in the industry with the media recording 1 million page views per month and its apps being downloaded more than 200,000 times in total.

We expect that this business acquisition will increase the visibility of our services, and that the seamless integration of the EVsmart application and ENECHANGE EV Charge application will contribute to increasing both the number of units installed and ARPU, which are KPIs for our EV Charging business.

In addition, EVsmart's charging location data has been licensed to major automakers. We believe that the data obtained through EVsmart can be analyzed and provided as marketing data to automobile manufacturers and to build the foundation for further new services.

In July 2021, EVgo, a leading EV charging point operator in the US, acquired Recargo for approximately 25 million USD. Recargo runs PlugShare, the world's leading EV charging application. Charging point operators are increasingly pursuing a strategy of M&A of companies that offer EV charging information, and this takeover is envisioned as following a similar strategy in Japan.

Q2. According to the disclosed information, EVsmart is expected to post a loss for the current fiscal year. What is your plan for future profitability?

EVsmart is expected to generate sales of approximately 39 million JPY and an ordinary loss of approximately 89 million JPY for FY22 (estimated on a full-year basis based on actual results for June 2022).

We believe that by leveraging the business base, it will contribute to an increase in the number of units installed and ARPU, which are KPIs for the EV Charging business, and as a result, contribute to the overall profitability of the EV Charging business.

Q3. It was reported that Ubiden, Inc. (hereinafter referred to as “Ubiden”), a charging point operator, is partnering with ORIX Corporation (hereinafter referred to as “ORIX”) to install 50,000 chargers by 2025. It appears to be ahead of the goal set by ENECHANGE, but does it pose a threat?

ORIX has invested in Ubiden which provides the "WeCharge" EV charging service (amount not disclosed). Additionally, ORIX Auto Corporation and Ubiden announced that they have entered into a business alliance to expand the use of EV charging services for corporate customers.

"WeCharge" will be installed at newly developed condominiums, group-operated hotels and logistics facilities. They will also provide customers who are considering using EVs with proposals for procuring vehicles on a lease or rental basis and installing EV charging facilities. According to reports, they plan to install 50,000 EV charging facilities by 2025.

We recognize that Ubiden is a company that provides services mainly for home charging at condominiums, etc. with 3kW chargers, and in the alliance with ORIX, the proposal is to install the chargers at facilities operated by the ORIX group and sell them to corporate customers. Hence, it appears that the alliance is centered on the home charging field.

In this point, we believe that this strategy is different from that of ENECHANGE EV Charge, which is developing its business targeting the field of destination charging by utilizing chargers with 6kW output, and that this alliance will not pose a significant threat to our business. We believe that the 6kW charging facility is suitable for destination charging, as the battery capacity of EVs has been increasing in recent years.

As announced in the press release of October 18, 2022, "Announcing partnership with JTB Trading to develop EV charging infrastructure at lodging facilities nationwide", we will further accelerate our efforts to expand our services in the area of destination charging mainly in hotels, leisure facilities, hospitals, and schools, in cooperation with JTB Trading Inc.

Q4. The subsidies for the EV charging infrastructure have been closed due to exceeding the budgeted amount; will this affect the performance of the EV Charging business?

Due to strong demand, the budgeted amount for the charging infrastructure under the Subsidies for Promoting the Introduction of Clean Energy Vehicles and Infrastructure in the FY2021 Supplementary Budget was exceeded as of September 21, and new applications for the subsidy have now closed. The impact of this matter on our business forecast for the FY22 is negligible.

We have received strong orders for the Model 2 that corresponds to the subsidies, and will proceed with the installation of the projects for which applications have already been submitted. However, for orders received after the subsidy program closure date, we will have to wait for the resumption of the subsidy program and a certain time lag is expected to occur until installation.

Some media reports indicate that the subsidy program for this fiscal year will be resumed with the second supplementary budget, and we are also discussing with various related organizations to ensure that our activities to promote and expand EV charging infrastructure will continue.

Q5. ENECHANGE commented that the future of the Platform business is uncertain due to the turmoil in the electricity industry. Please explain your perception of the current situation.

In the electricity industry, the environment continues to be unpredictable, as prices in the wholesale market (JEPX) remain at high levels, although the surge in resource prices seen for a time has stabilized somewhat.

Electricity suppliers are raising prices to improve profitability, but the situation differs for company and household consumers. For companies, suppliers are trying to improve profitability by raising basic and metered rates, offering market-linked tariffs, and adopting unique fuel adjustment costs. On the other hand, the number customers on final guaranteed supply tariffs, which were originally intended as an emergency evacuation measure, has reached a record high.

Starting with the revision of rates for final guaranteed supply, unit price revisions of standard tariffs have been announced. With the uncertainty of the unit prices for new applications of standard tariffs by TEPCO and Tohoku Electric Power and the business environment for corporate customers, the overall situation is expected to be confusing.

For households, fuel cost adjustments have reached the upper limit for all major electricity companies in regulated tariffs, which require an application to be submitted to the Ministry of Economy, Trade and Industry (METI) when raising prices. However, from the viewpoint of consumer protection, it is difficult to raise the regulated rates further, and an increasing number of consumers are switching to the regulated tariffs, which are cheaper than the tariffs currently on the market and cannot be raised at each supplier's discretion.

As described above, electricity suppliers continue to face a difficult business environment. Even if regulated tariffs are used, supplying electricity at a monetary loss is not sustainable and prices should be fairly reflected on to consumer tariffs. Furthermore, the objective was to terminate regulated tariffs once deregulation had become widespread, and an increase in the switch to regulated tariffs would go against the principle of electricity deregulation. Therefore, we recognize that the tariffs of the major electricity suppliers should be corrected in order to improve the industry environment.

The worst-case scenario for us is that the choice for electricity suppliers will be only the major electricity suppliers and demand for comparison sites will consequently disappear, but we believe that deregulation of the electricity industry will continue. Even if there is a temporary stagnation, we believe that the need to compare electricity companies will remain after the industry environment normalizes. In the interim, we are currently working to strengthen our business base by building partnerships and initiatives to meet the needs for switching electricity, particularly for users moving house.

Q6. The number of companies that have adopted the government's electricity conservation program as a countermeasure to the tight energy supply this winter appears to be increasing. What is the status of ENECHANGE's adoption of this program?

As a demand-side measure to address the tight energy supply, the government has launched a program to promote electricity-saving, and is currently encouraging electricity suppliers to register for the program. According to the Agency for Natural Resources and Energy's website, as of October 27, 2022, 205 companies have adopted the program.

As part of this, we are introducing "SMAP DR," our energy-saving service, and this winter we expect to greatly exceed the number of DR participants we had in the summer of 2022.