

February 24, 2023

Company Name: ENECHANGE Ltd.

Representative: Yohei Kiguchi, Representative Director and CEO  
Ipppei Arita, Representative Director, COO and CTO  
(TSE Growth Code No. 4169)

Inquiries: Takuya Sugimoto, Executive Officer / CFO  
TEL: +81-3-6635-1021

### **Frequently Asked Questions and Answers (February 2023)**

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 to reinforce 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. Your forecast for FY23 shows that you will be profitable in terms of ordinary profit in the second half of the year. What are the factors behind the turnaround?**

In the forecast for FY23, a deficit of -0.9 billion JPY is planned for ordinary loss for the full year. A loss of over 0.9 billion JPY is expected in the first half of the year and a profit is expected in the second half of the year.

There are two factors contributing to the improvement in earnings in the second half of the year. First, the recognition of sales from the EV Charging business is biased towards the second half of the year. In the EV Charging business, orders are currently being received mainly for subsidy-eligible plans. Applications for the subsidy will be accepted from April 2023 onward. Considering the time required for application approval, sales from the EV Charging business will be recorded in June onwards with a bias towards the second half of the year. Therefore, a large improvement in profits is also expected in the second half of the year.

Second, the business environment in the Platform business is expected to gradually improve towards the end of the year. Since the Russian invasion of Ukraine, energy prices have risen sharply, resulting in a significant deterioration in the earnings of energy companies, which has affected us in the form of lower non-recurring revenue from one-time fees at the time of switch.

However, energy companies are improving their profitability by increasing electricity tariffs, and regulated tariffs for households will increase from April 2023 onwards. As a result, competition among energy companies is gradually increasing, and the Company expects to see an increase in user acquisition due to an increase in cash back offers and increased interest in energy bills. The effects of this improvement in the industry environment are expected to be reflected in our results in the second half of the year.

For the above reasons, the Company expects to achieve a positive ordinary profit in the second half of FY23.

**Q2. Sales in the EV Charging business in FY22 Q4 are reported to be from hardware sales. Will the same or higher sales be recorded in FY23 Q1 and beyond?**

As stated in the answer to Q1, sales from the EV Charging business in FY23 are expected to be biased towards the second half of the year, as orders are mainly for products based on the use of subsidies.

**Q3. Has the EV Charging business recorded any charging revenues, and what are the prospects for its contribution to future performance?**

The impact of charging revenues for FY22 is negligible, as charging revenues from the use of EV charging ports are generated after installation. In FY23, hardware sales are expected to continue to account for the majority of EV Charging business sales.

In order to increase charging revenue, it will be necessary to increase the number of charging ports installed and the utilization rate. With regard to the number of charging ports installed, installation work will be carried out gradually in line with the subsidy timetable. With regards to the utilization rate, a further increase is expected through the partnership with e-Mobility Power Co.,Inc. (hereafter referred to as "eMP"), announced on February 9, 2023. We assume that the utilization rate will increase significantly due to the improved convenience for EV drivers.

In the medium to long term, in addition to the increase in the utilization rate as a result of our initiatives, the frequency of use is expected to increase as EVs become more widespread.

**Q4. What is the background to the business partnership with eMP and is there any difference in profitability compared to using the ENECHANGE app?**

eMP is a company whose shareholders include automakers and energy companies, and is committed to the development of EV charging infrastructure in Japan. In addition to installing charging ports (mainly EV fast charging ports) eMP provides a network that allows customers to use various charging ports with a single card.

eMP recognises that the partnership with the Company, which is actively developing its business in the field of Level 2 charging, is in line with its business philosophy, as it will lead to increased convenience for EV drivers.

For us, being part of eMP's network will enable more EV drivers to use our charging ports, which we believe will lead to an increase in the utilization rate. The exact profitability from the charging revenue is not disclosed, but the business model is sufficiently profitable for us. In addition to increasing the frequency of use, we believe that we have achieved a partnership on terms that are sufficiently beneficial for us.

**Q5. How much will the number of personnel in the EV Charging business increase in the future?**

At the end of December 2022, the EV Charging business had 71 staff members, which is expected to increase to about 100 by around the first half of 2023. This includes personnel in sales, construction management, software engineers, marketing, and other positions.

**Q6. What are the factors behind the projected sales growth of the Platform business in the FY23 forecast, and will ARPU recover?**

In FY22 Q4, the Platform business achieved steady growth in the number of users, but ARPU was -34% YoY due to the impact of declining demand from energy companies to acquire users. However, it has started to rise from the previous quarter and, as stated in the answer to Q1, ARPU is expected to improve due to a recovery in non-recurring revenue and user acquisition.

With regard to corporate customers in particular, user acquisition activities are already in the recovery phase as energy bills for this segment have already increased. For household customers, we expect a similar recovery from the increase in regulated tariffs from April 2023 onwards.

Although we conservatively assume that ARPU levels will not recover to record highs in the first half of FY22, we believe that the number of users acquired will increase and growth can be achieved, as interest is high due to rising energy bills.

**Q7. What are the factors contributing to the operating loss in the Platform business in FY22 Q4?**

The operating loss of the Platform business for FY22 Q4 was -29 million JPY. This is attributable to planned expenditures for user acquisition activities in FY23 and reflects the target of growth while maintaining profitability for the Platform business in FY22.

We intend to continue to expand our Platform business, striking the right balance between revenue growth and profitability.