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Frequently Asked Questions and Answers (August 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.

Q1. Regarding the EV charging business, new entrants are increasing and competition is intensifying, but what is the outlook for the future?

We are aware that several EV charging service providers have entered the market and are competing in the areas of destination charging, which is our focus, and home charging. The Company recognizes that the appearance of competition is to be expected, and, as a leading company in the industry, it is inevitable that our services will be imitated.

Although we are unable to ascertain the details of orders received by competitors, we will focus on sales activities to owners of facilities such as hotels, golf courses, and other destination locations, and continue to thoroughly improve our services to provide EV drivers and facility owners with a high-quality EV charging experience.

In the preliminary portion of the charging infrastructure subsidies, the application requirements have been changed to a "bidding system," and we believe that this rule will likely apply not only to the secondary allocation but also to applications for subsidies in the next fiscal year and beyond. We believe that this change from a first-come, first-served basis will result in a healthy competitive environment, and that those businesses that have a solid foundation and long-term outlook will remain.

Q2. What are the factors behind the sharp increase in orders for EV chargers in Q2 to 2,906 units (+1,098% YoY)? Can this pace continue in the future?

This is mainly due to a rush of applications from site owners to meet the deadline for this year's subsidy applications. Therefore, we do not expect the same number of orders to continue every quarter. Even if we receive orders at the pace of 3,000 units, we believe that the subsidy will not be sufficient.

We also do not believe that it is enough to simply receive a large number of orders; we instead plan to receive orders for about 1,000 charge ports per quarter at prime locations to the extent, which is a level where we feel we can deliver solid execution. Since there is a cap on the amount of subsidies, we do not prefer to rapidly increase the number of orders received, but will prioritize the selection of installation sites where high utilization rates can be expected.

Q3. The outline of the preliminary charging infrastructure subsidy program has been released and applications will be accepted from September. Will the number of orders that did not qualify for subsidies this year be carried over to the next fiscal year? Is there any risk of cancellation?

When we receive orders for charge ports, we inform facility owners of the possibility of applying for subsidies in the next fiscal year before conducting sales activities. If we fail to apply for the subsidy in time for this year, we will have to apply for the subsidy in the next year.

Q4. Regarding the EV charging business, you had announced business alliances with various companies; what is the contribution of these alliances?

With companies with which we have announced business alliances (partner companies), we are promoting collaboration in the development of EV charger installation sites and sales activities. Although we do not disclose the ratio of partner sales to our direct sales in terms of the number of orders received, we have established a system to obtain orders not only with our own resources but also through our partners. As announced in a press release issued in February of this year, we have been approaching site owners to replace charging ports operated by e-Mobility Power, which have been installed for up to eight years, with our 6 kW charging ports. We plan to proceed with the replacement between this fiscal year and next fiscal year.

Q5. Regarding the platform business, why have sales declined while the number of users is growing steadily? Also, have expenses been increasing due to the resumption of user acquisition activities?

On a YoY basis, non-recurring revenue has decreased. The second quarter of the previous year was before the impact of the situation in Russia and Ukraine was fully realized, but the net effect was a temporary drop in non-recurring revenue. Unit prices are gradually returning to the level of FY22 Q2, but this is still ongoing.

In addition, prior to the situation in Russia and Ukraine, there was little differentiation in rate plans offered by major electric power companies due to the fuel adjustment system. Today, however, the majority of energy companies, including the major ones, set their own fuel cost adjustments. The situation in Russia and Ukraine has led to a sudden diversification of rate plans, such as the offering of fixed tariffs instead of variable tariffs, and a more competitive market environment, which will increase the need for comparison sites such as ENECHANGE.

With regard to the increase in costs associated with the resumption of user acquisition activities, this is associated with the resumption of web advertising and call center activities in order to resume user acquisition, which had been suspended due to the aforementioned situation in Russia and Ukraine.

Q6. What is your policy on tax and accounting treatment of the issue of taxation on trust-type stock options? No extraordinary loss was recorded for this issue, but what is your policy for the future?

In FY23 Q2, an amount of 429,599 thousand yen, equivalent to the required payment of withholding taxes, was recorded in "Accounts payable" under "Current liabilities" in the quarterly consolidated balance sheet, and the corresponding receivable was recorded in "Accounts receivable - other" under "Current assets".

We are currently discussing future actions to address this issue, both internally and in consultation with external experts, etc. Depending on the situation, there may be an impact on our financial position and business performance.

Q7. Looking at the shareholder composition, the ratio of domestic and foreign institutional investors has been increasing; do you expect this trend to continue? What is the status of your contacts with institutional investors?

We have been actively engaged in IR activities for some time now, including individual IR interviews and efforts to disclose information in English and Japanese on the same day. We have received more requests for IR meetings after the announcement of the second quarter financial results than during the announcement of the first quarter financial results.

We will continue to strengthen our IR engagement activities, as we believe that institutional investors are very important, both as stable shareholders and from the perspective of improving liquidity.