

ENECHANGE

CHANGING ENERGY FOR A BETTER WORLD

FY2021 1st Quarter Financial Results

ENECHANGE Ltd.

May 14, 2021

Tokyo Stock Exchange Mothers

Securities Code: 4169



Handling of these materials

These materials contain statements regarding future prospects. These statements have been prepared based on information at the time they were prepared. These statements are not guarantees of future results, and contain risks and uncertainties. Please note that actual results may differ greatly from the outlook due to changes in the environment, etc.

Factors affecting actual results include, but are not limited to, domestic and international economic conditions and trends in industries connected to the Company.

In addition, information contained in these materials from outside our company has been quoted from publicly-available information, etc. We have not verified the accuracy, appropriateness, etc. of such information in any way, and make no guarantees regarding it.

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Company Highlights

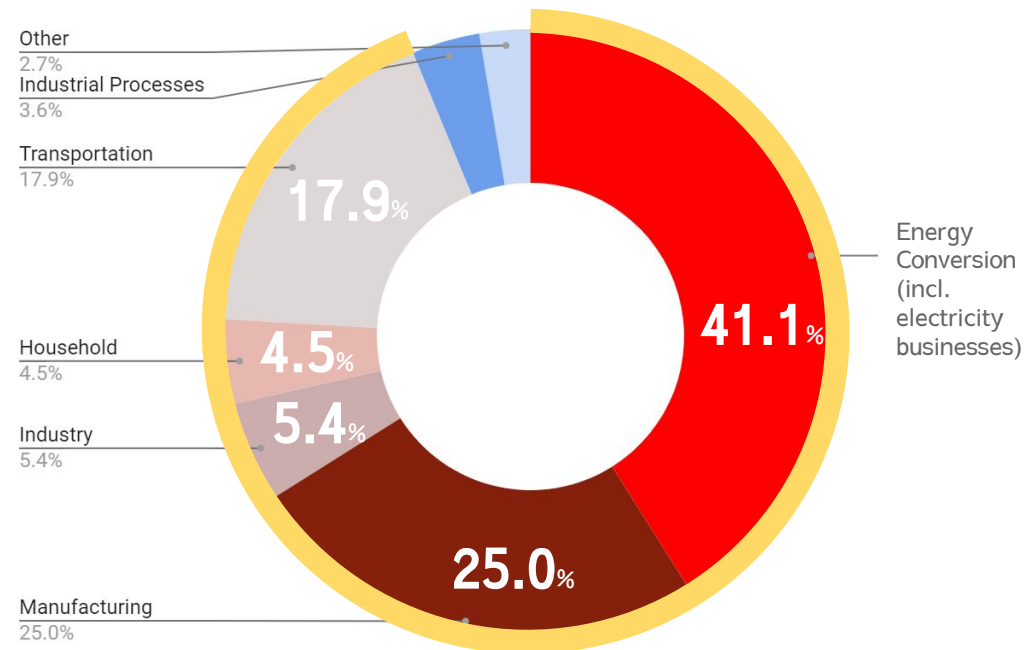
Innovation in the energy industry is vital to achieve a carbon-free society

All major nations have agreed to become carbon-free by 2050, and the world is rapidly moving towards decarbonization. The energy industry accounts for 93%*² of total national CO₂ emissions.

Japan, the United States, the United Kingdom, and other major nations have agreed to become carbon-free by 2050.*¹



CO₂ emissions in Japan (by sector)



*1 Image credits: President Joe Biden (amana), Prime Minister Suga (ZUMA Press/amana), Prime Minister Boris Johnson (Sipa USA/amana). These images are used in accordance with copyright law and may not be copied or reused without permission.

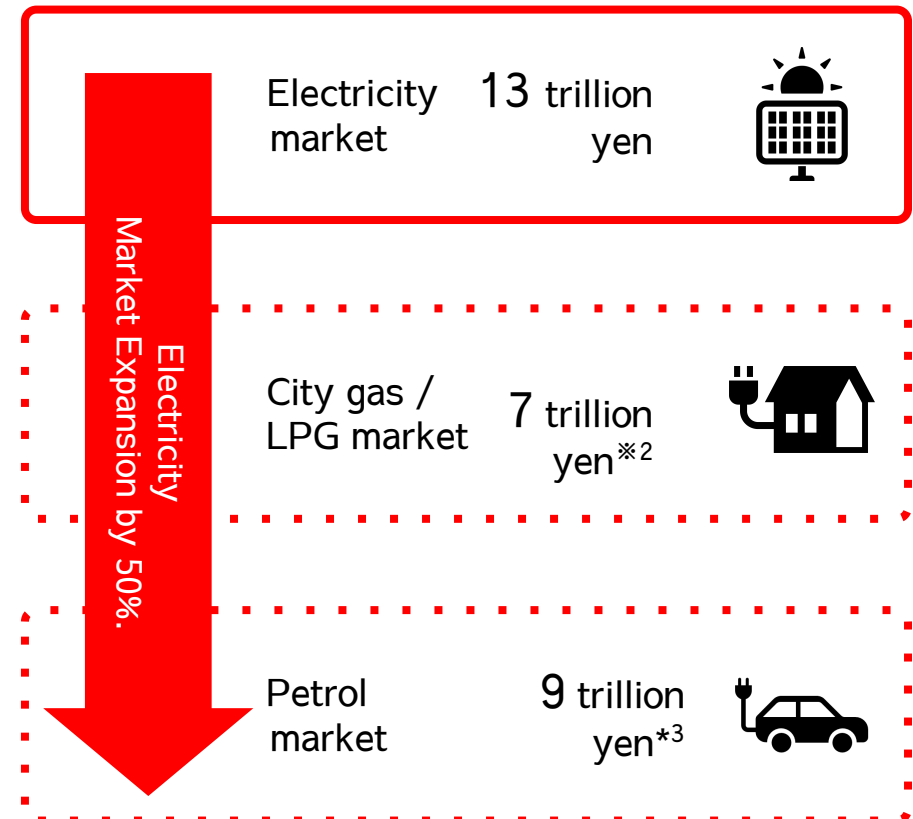
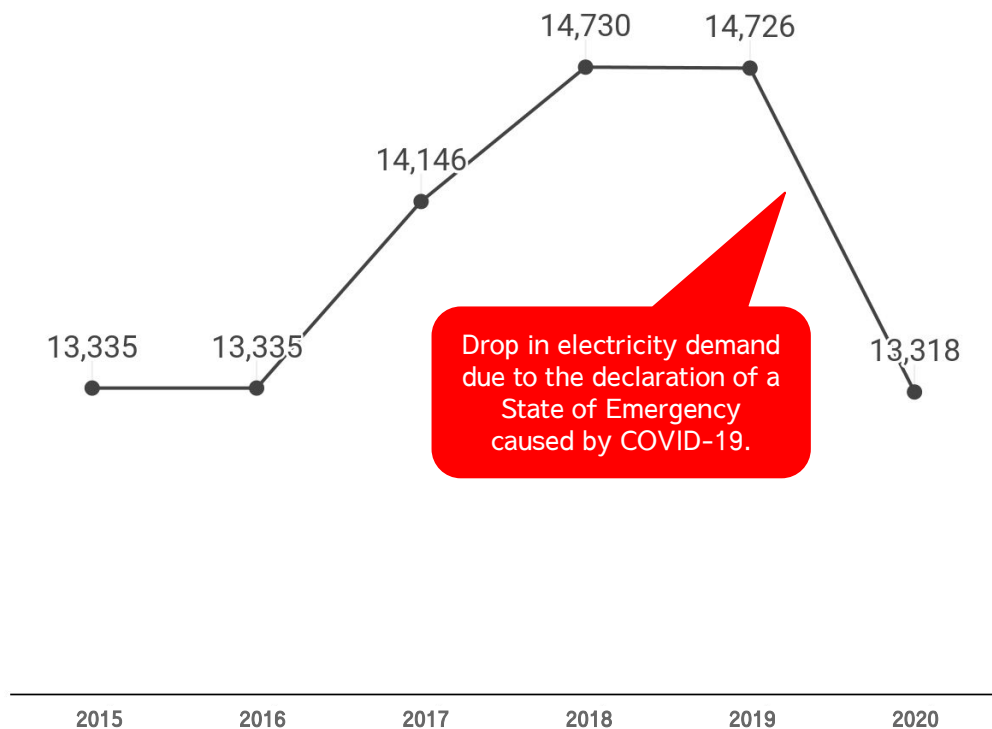
*2 Created by ENECHANGE based on National Institute for Environmental Studies, “Greenhouse Gases Inventory”, “Greenhouse Gas Emissions Data for Japan (Preliminary Figures for 2019)” .

Electrification expands electricity market to 20 trillion yen

With the trend towards decarbonization, part of the city gas, LPG and petrol markets will be electrified as fully-electric homes and electric vehicles become more popular. This means that the electricity market, which is worth about 13 trillion yen currently, is expected to grow by up to 50%, making it worth 20 trillion yen.

Electricity Market (Base Market)*¹ Unit: JPY BN

20 trillion yen market through electrification



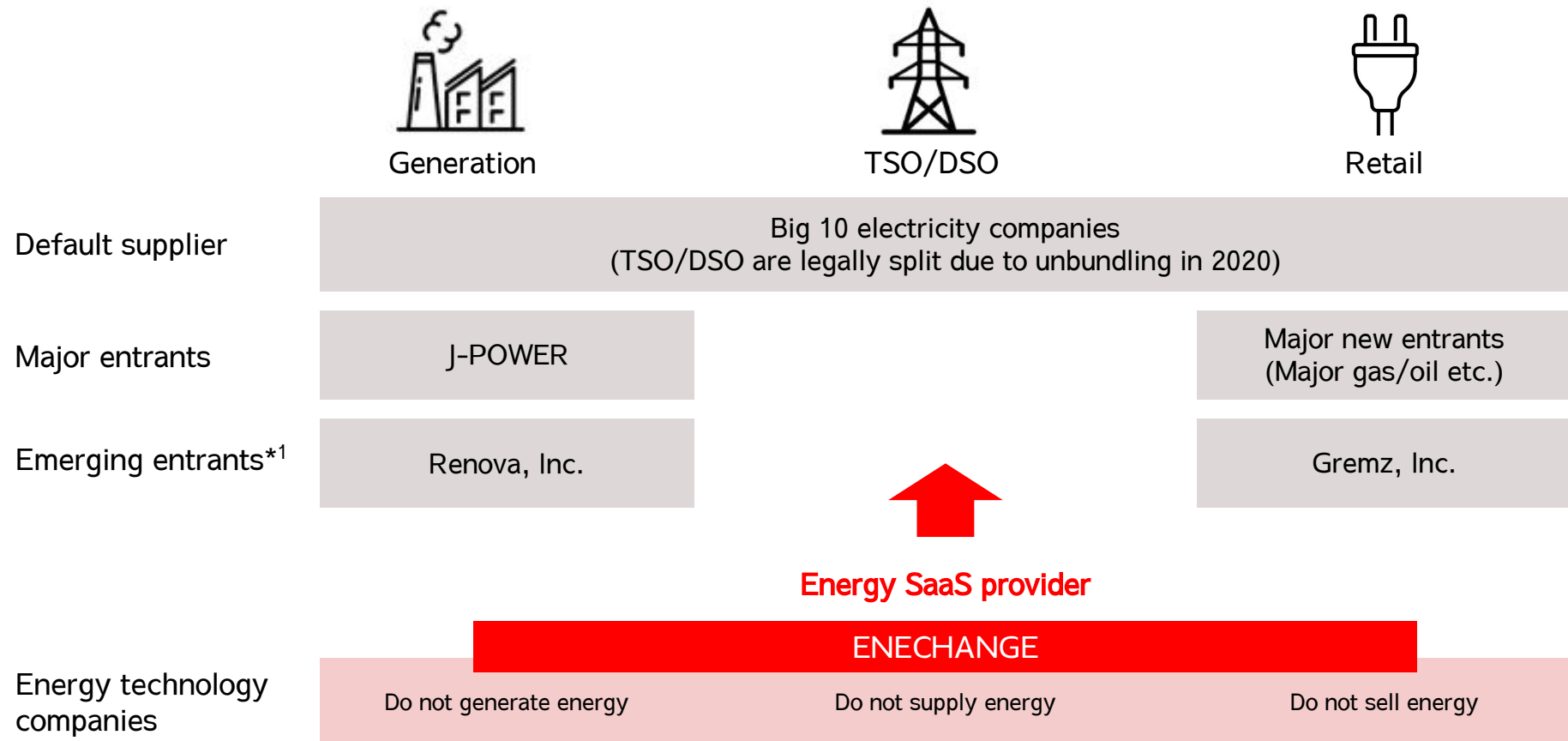
*1. Based on the electricity sales amount in Electricity and Gas Market Surveillance Commission, "Electricity Trading Report Results" Figures for 2015 are not listed so are assumed to be the same as for 2016.

*2. Calculated based on city gas sales amounts in Electricity and Gas Market Surveillance Commission, "Results of Gas Transactions" and the Japan LP Gas Association sales volume data.

*3. Source: Teikoku Databank, "Total Sales of Service Station Management Companies" (2017)

A category leader in the energy technology sector

ENECHANGE is an energy tech company that promotes innovation in the energy industry as a neutral technology provider. As we head towards a carbon-free society, our role is to empower the transformation of the entire energy industry through providing the latest technology services to energy companies.

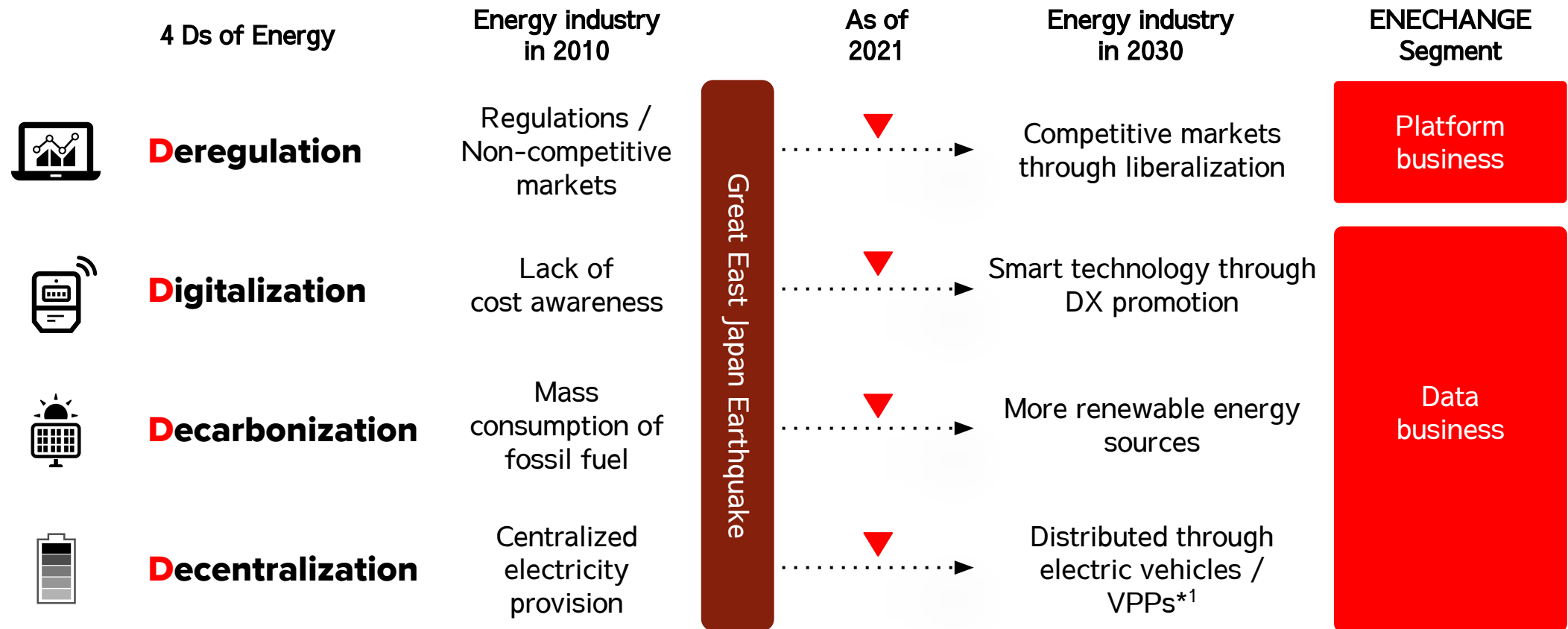


*1. Selected companies with the highest market capitalization amongst companies newly listed on the Tokyo Stock Exchange in the 2010s.

Energy SaaS specialized in the 4 Ds of Energy

Japan's energy industry needs to innovate in the four areas covered by the 4Ds of Energy. ENECHANGE was established in 2015 to meet the Deregulation aim in Japan, and is expanding to the other 3Ds.

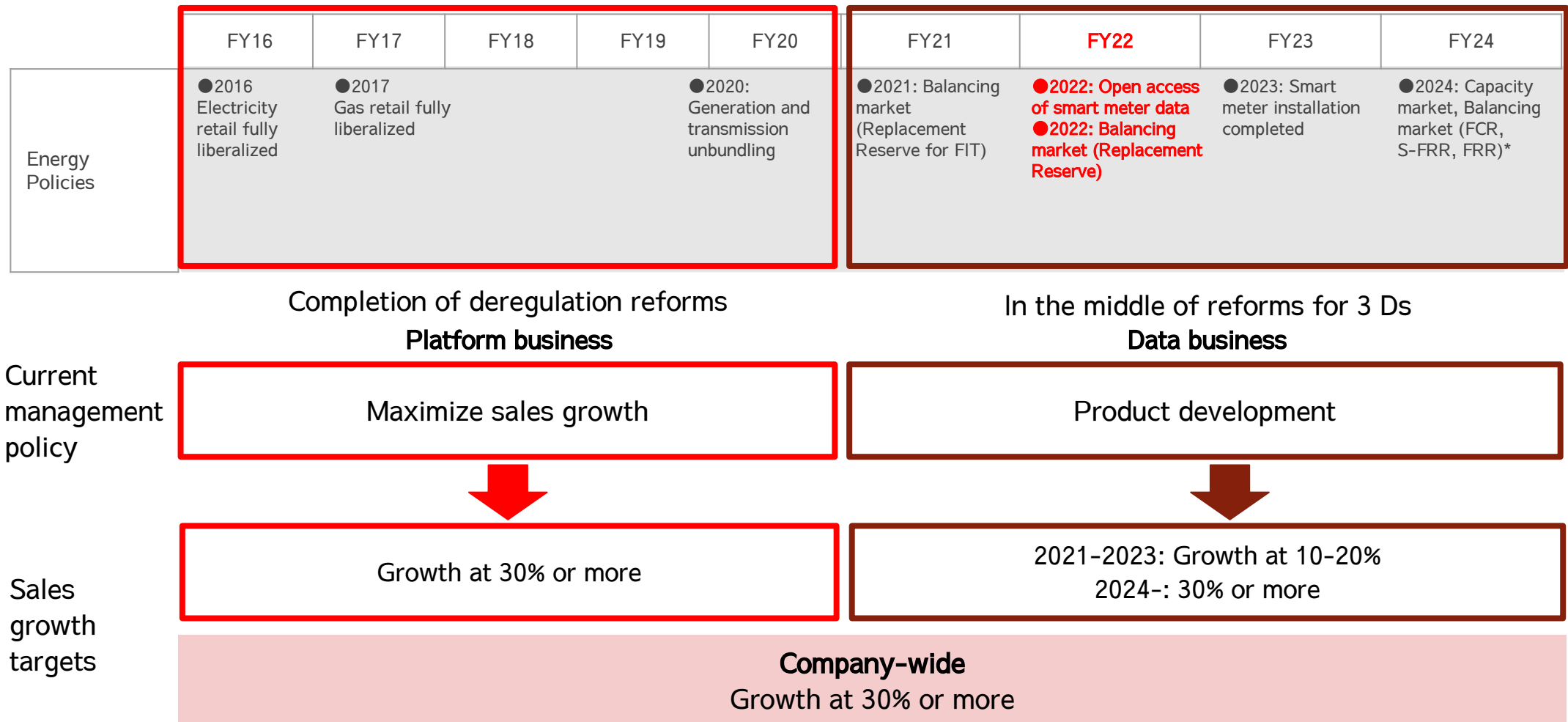
Deregulation falls under our Platform business, while the other 3 Ds fall under our Data business.



*1. VPP = Virtual Power Plant: the owner or a third party of a power generation or storage facility directly connected to the electricity grid controls its energy resources to provide the same functionality as a power plant.

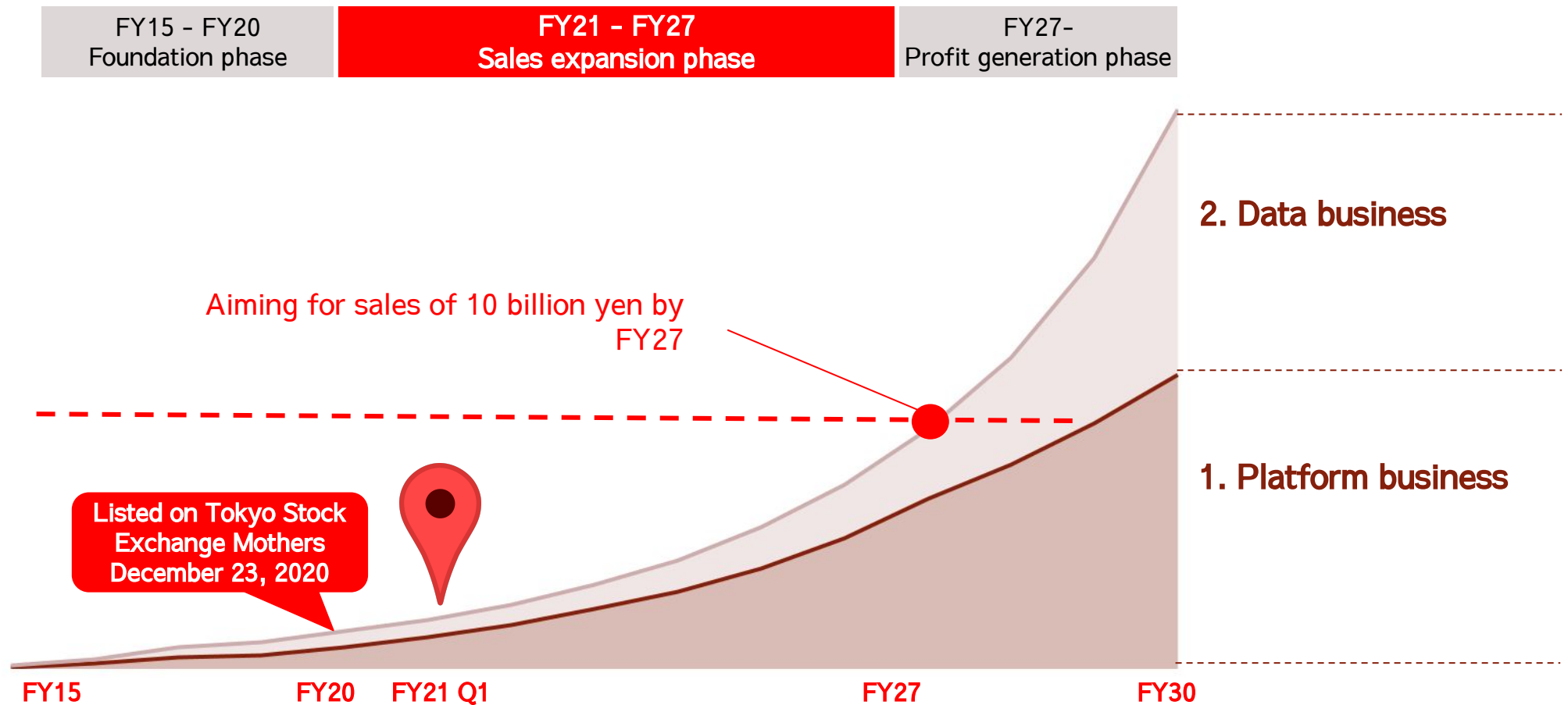
2 stages of growth in line with energy policy reforms

Japan's energy policy reform is in a nine-year transitional period set between 2016 and 2024. The Platform business, where policy reforms have been completed, is in the sale expansion phase. However, as policy reforms related to the Data business will not be completed until 2024, product development is currently being prioritized.



Prioritizing sales growth to achieve 10 billion yen sales by FY2027

We are targeting an annual growth of at least 30%, aiming for sales of 10 billion yen by FY2027.
We also aim to accelerate achieving this goal ahead of schedule through the use of capital markets.



CHANGING ENERGY FOR A BETTER WORLD

The ENECHANGE story began around 10 years ago, with the Great East Japan Earthquake.

I first became aware of the importance of energy issues when visiting the disaster area as a volunteer. I thought, “I want to devote my life to this problem.”

That led me to taking up a PhD in engineering at the University of Cambridge, UK.

Behind this decision, which might seem like taking the long way around at first glance, was my belief that accumulating knowledge in Europe, with its advanced energy systems, would allow me to contribute to reforms in Japan's energy industry.

Using the results of my research into energy data at Cambridge, I founded ENECHANGE.

The name ENECHANGE comes from my desire to CHANGE ENERGY.

The company brings together people from around the world who share this mission of “CHANGING ENERGY FOR A BETTER WORLD”

To bring about a carbon-free society, we must have the 4 Ds reforms of the energy industry. ENECHANGE uses the technological capacity, overseas knowledge, and networks we fostered at Cambridge to encourage reform in Japan's energy industry.



Executive Summary

FY2021 Q1: Executive Summary

Consolidated Financial Results (FY2021 Q1)

Best-ever quarterly sales (+56% YoY) and **recurring revenue** (+26% YoY) .
The first quarter has seen **increased revenues and profits above our forecast**, which was for an operating loss.

Platform business

Due to increased demand for electricity switching and an increase in one-time fees, we reached **record high sales** (+133% YoY) and **recurring revenue** (+38% YoY).

Data business

Reached **record high recurring revenue** (+15% YoY) due to client increase (+41% YoY).
Launched **3 new products** (decarbonization and decentralization).

Full-year earnings forecast for FY2021

While **the pace of revenue and profit increase is faster than our forecast**, our forecast remains conservative and unchanged.
(We forecast negative profit for Q2.)

Consolidated results for FY2021 Q1

Consolidated Financial Results for FY2021 Q1

(Unit: JPY MM)	FY2020 Q1	FY2021 Q1	YoY
Sales	420	657	+56%
Gross Profit	315	560	+78%
<i>Gross Profit Margin</i>	75.2%	85.3%	+10.1pt
SG&A expenses	273	527	+93%
Operating Profit	42	33	(22)%
<i>Operating Profit Margin</i>	10.1%	5.0%	(5.1)pt
Ordinary profit	42	43	3.0%
Net Profit attributable to owners of parent	40	14	(65)%

Progress rate for full-year sales forecast

The progress rate for the full-year sales forecast is 28.6%, so YoY growth is progressing at a steady pace.

FY2021 Q1 Sales

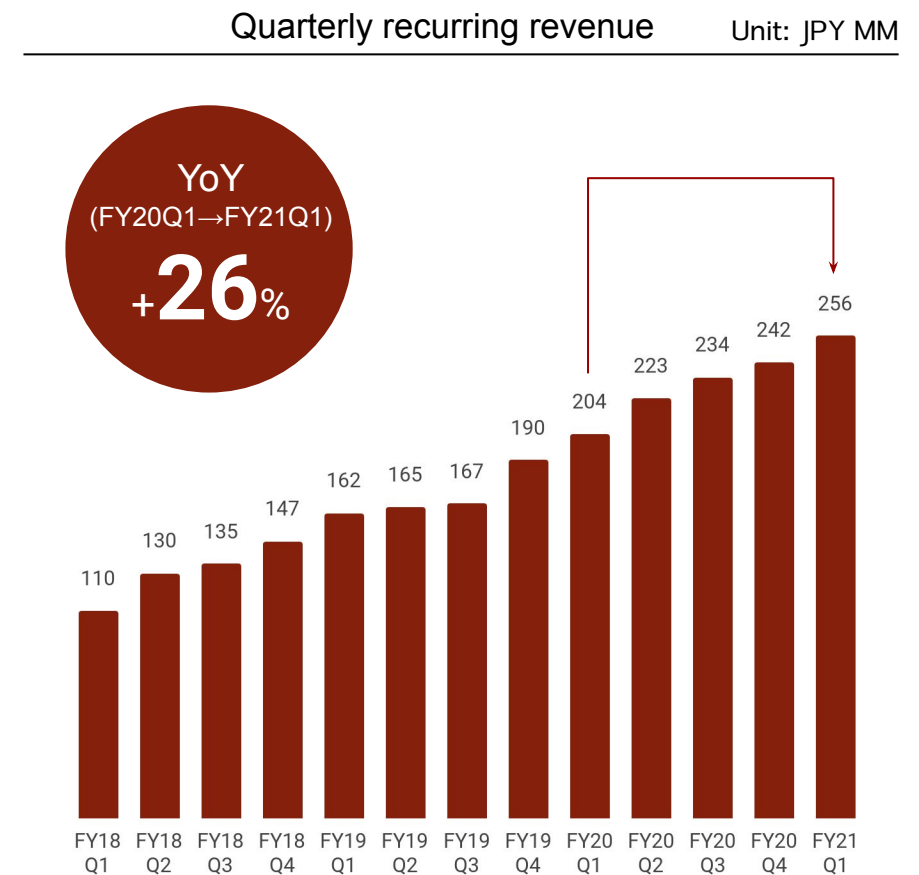
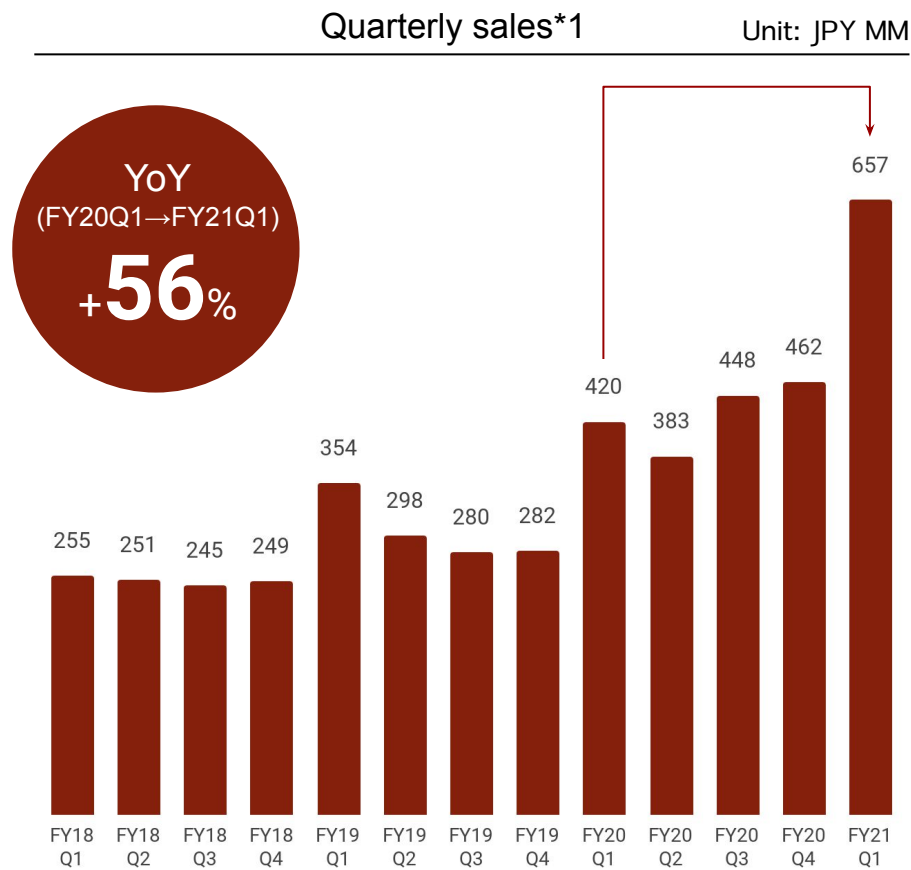


FY2020 Q1 Sales



Recorded highest-ever sales and recurring revenue

Sales are up +56% YoY, while recurring revenue is up +26%.



*1. Lists sales excluding our SIM business (SIM Change, our SIM/smartphone comparison service for home use) that was transferred on July 31, 2019.

Our Platform business is the driver of sales growth by segment

Our Platform business has increased sales YoY of +133% and an increase in recurring revenue YoY of +38% due to increasing demand for electricity switching and one-time fees.

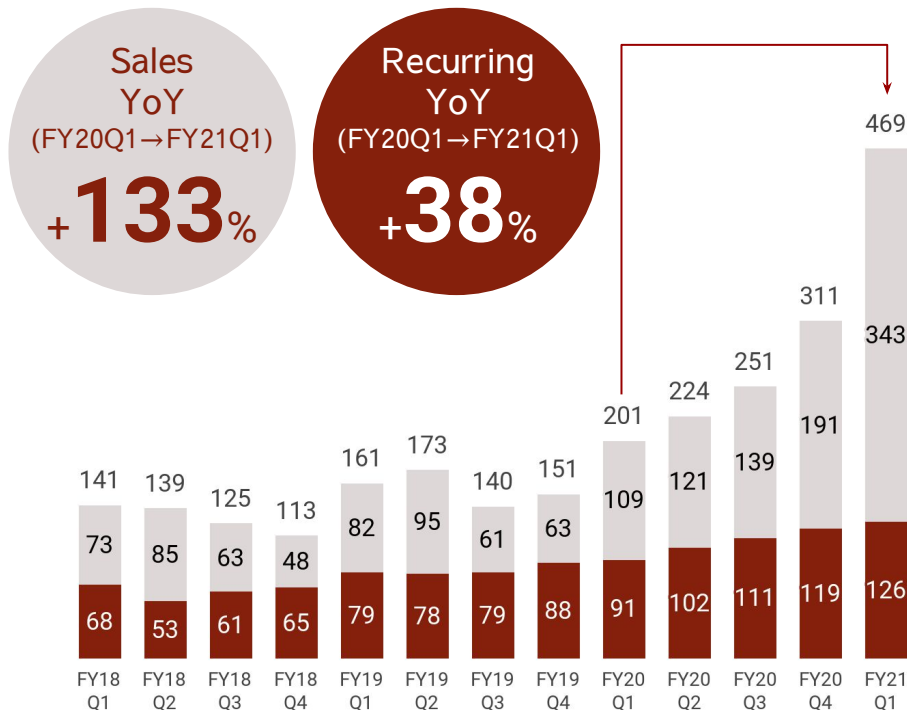
Our Data business is focused on recurring revenue products, increased by +15% YoY.

The sales dropped 14% YoY due to an anticipated decline in non-recurring revenue.

Platform business
quarterly sales*1

Unit: JPY MM

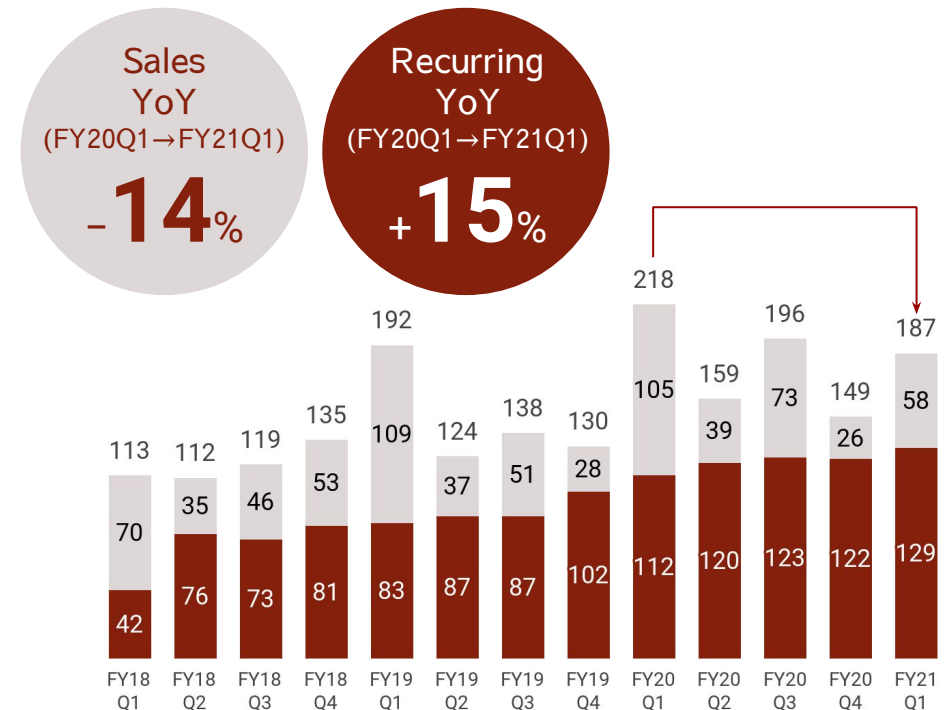
■ Non-Recurring Revenue ■ Recurring Revenue



Data business
quarterly sales

Unit: JPY MM

■ Non-Recurring Revenue ■ Recurring Revenue



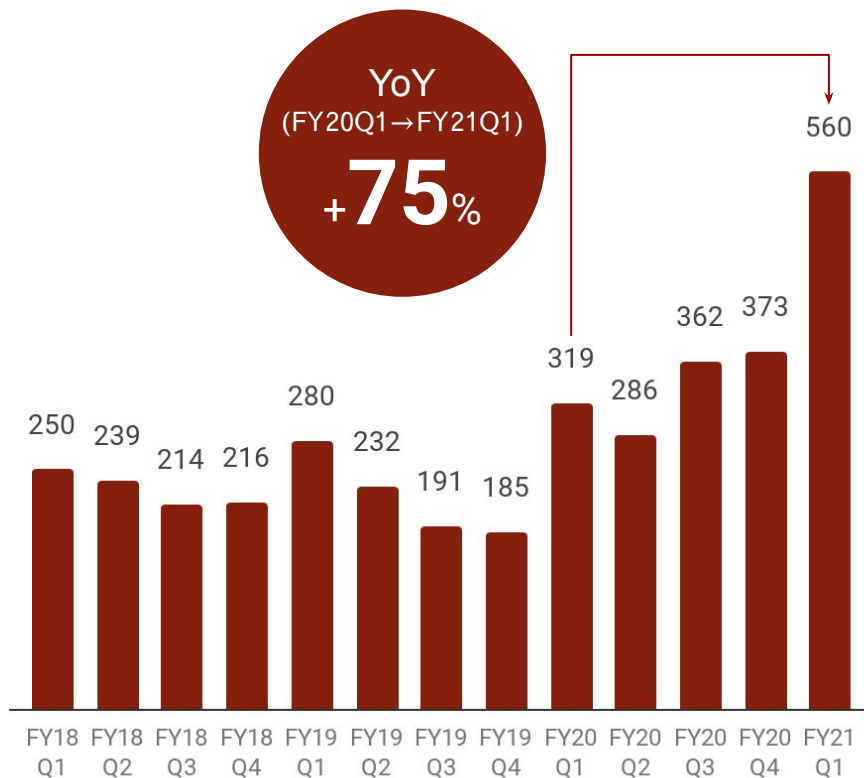
*1. Lists sales excluding our SIM business that was transferred on July 31, 2019.

Record high gross profit and gross profit margin

With the increase in sales of the Platform business and its high gross profit margin, Q1 gross profit was 560 million yen (75% increase YoY) with a gross profit margin of 85% (9 pts increase YoY).

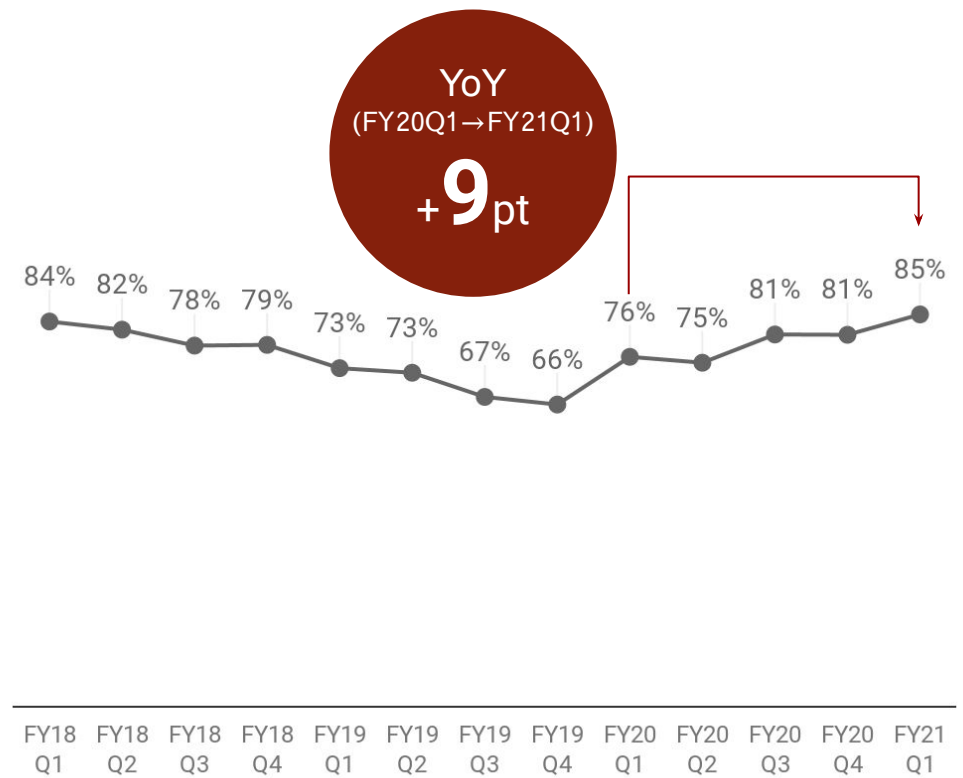
Gross profit

Unit: JPY MM



Gross profit margin

Unit: %



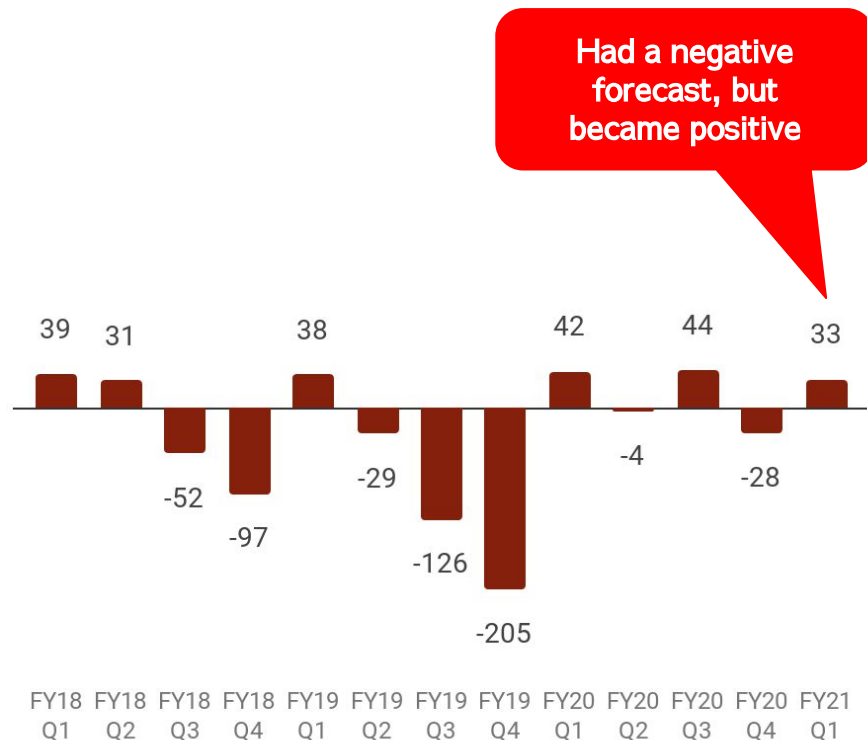
Adjusted operating profit is the highest ever

As we continue to actively invest in user acquisition (advertising and sales commissions) for the Platform business, operating profit for the first quarter was forecast to be negative, but improving sales helped push it into profitability.

In addition, adjusted operating profit*¹ hit an all-time high of +163% YoY.

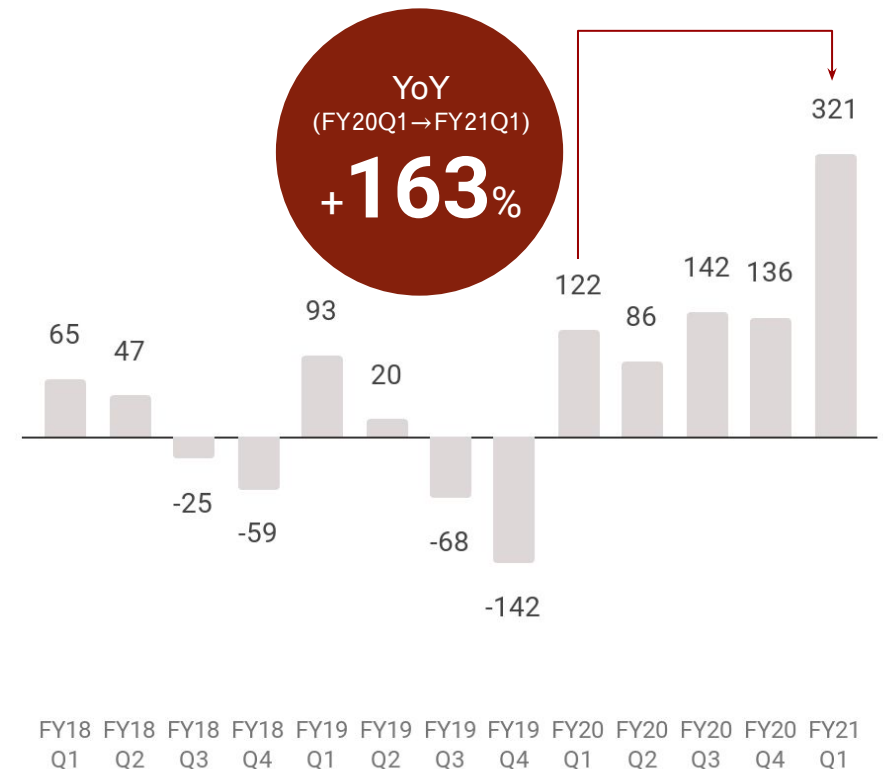
Operating profit (quarterly)

Unit: JPY MM



Adjusted operating profit*¹ (quarterly)

Unit: JPY MM

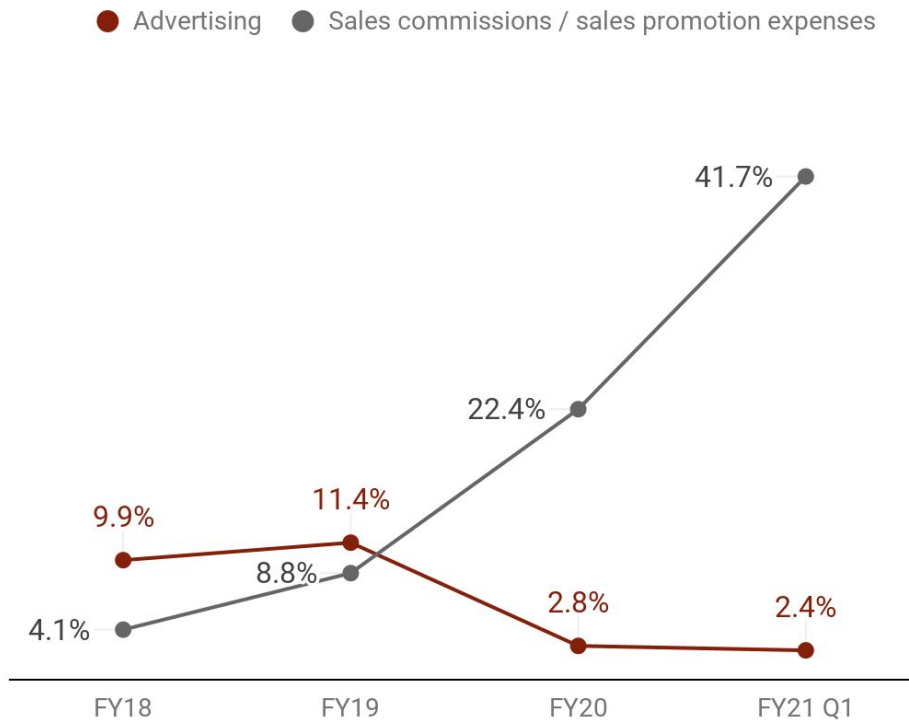


*¹ Adjusted operating profit is calculated by subtracting user acquisition expenses from operating profit. User acquisition expenses is the total of advertising expenses (expenses associated with activities not directly related to customer acquisition, such as listings and advertisements) and sales commissions (expenses borne directly by users or partners as a result of switching).

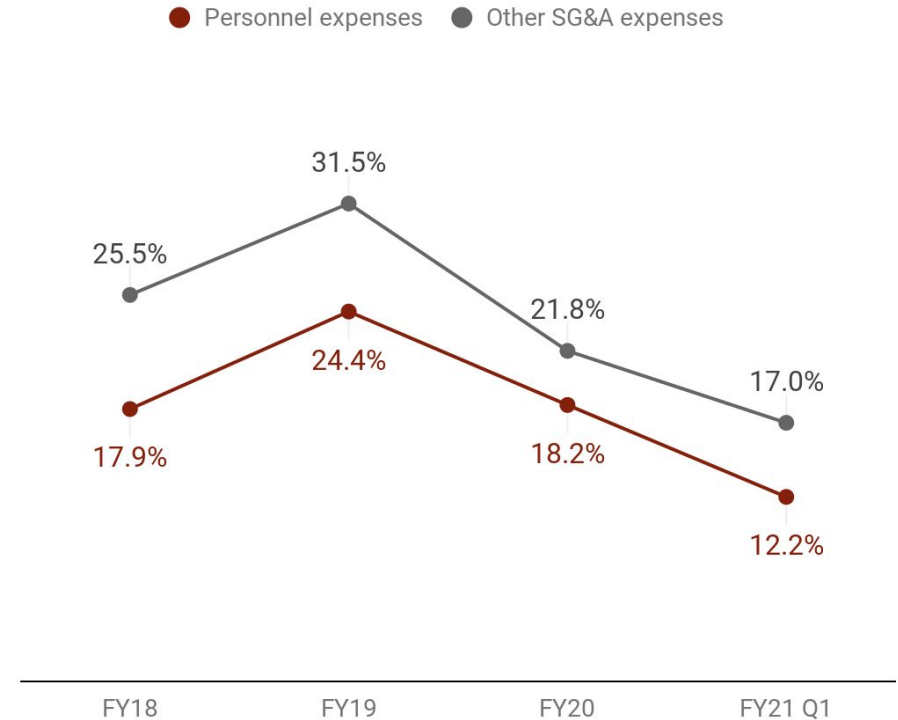
SG&A expenses as a percentage of sales

The percentage of sales commissions increases in line with the strengthening of partner strategies aimed at acquiring new users. The percentage of personnel expenses, outsourcing expenses, and other expenses remains trending downwards due to accumulating recurring revenue.

Advertising and sales commissions/sales promotion expenses ratio



Personnel expenses*¹ and other SG&A expenses*² ratio



*1 Total of personnel expenses (including legally-stipulated welfare expenses) as a part of SG&A expenses for the entire company.

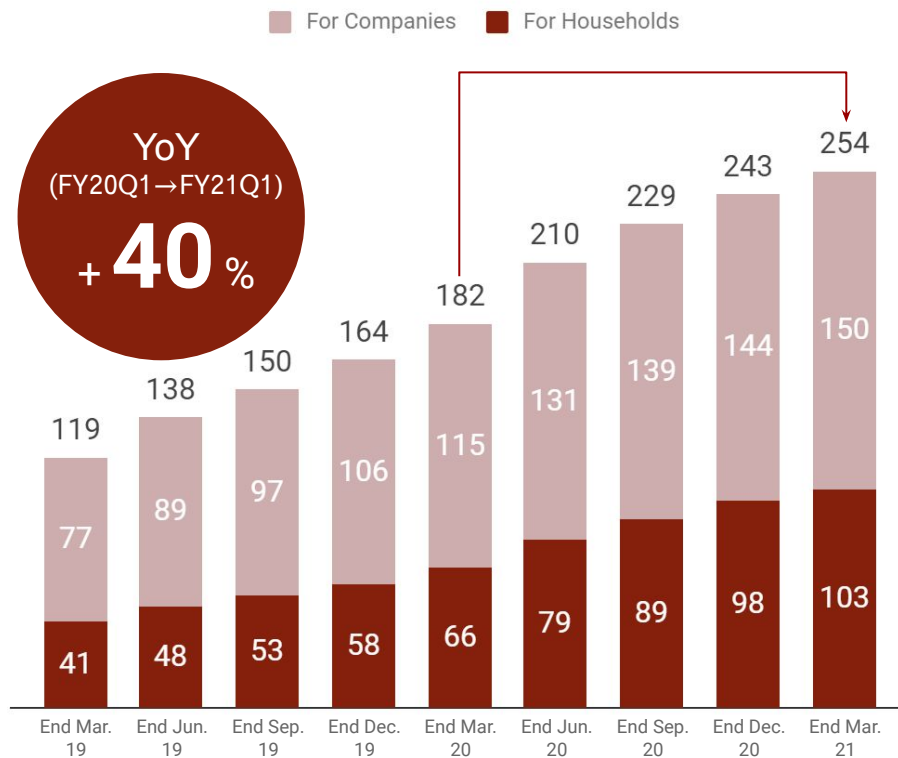
*2 Total of outsourcing expenses, etc. excluding advertising and sales commissions/sales promotion expenses and personnel expenses as a part of SG&A expenses.

Accelerating growth of both KPIs to maximise the sales

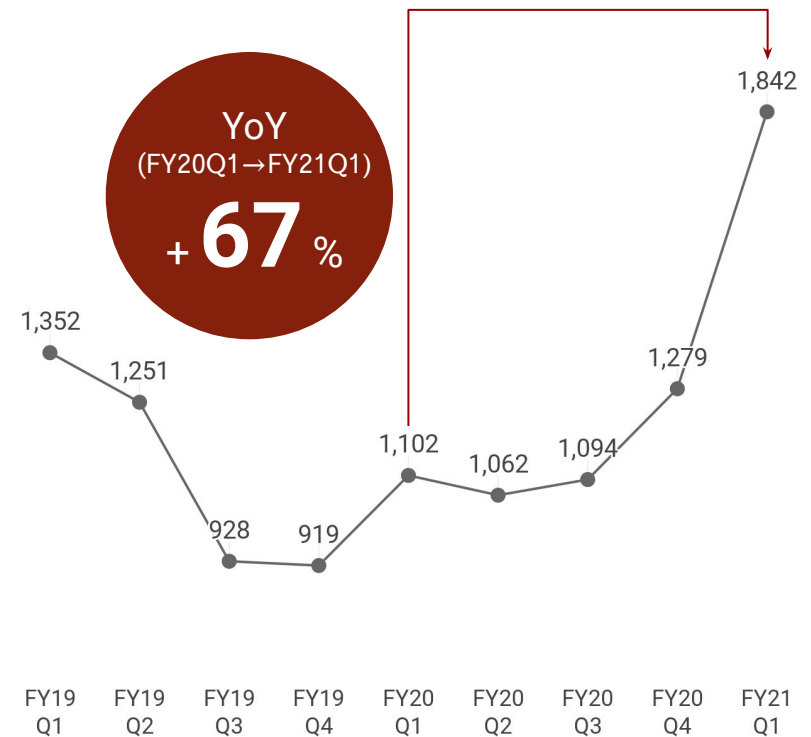
Due to an increased focus on electricity bills caused by the JEPX price hikes in January and the expansion of our online channels, there was +40% growth in user acquisition(monthly churn rate of 1.1%*¹), which exceeded our forecast.

ARPU has also increased +67% YoY, enhanced by the rise in one-time fees due to increased market competition.

Number of users eligible for recurring revenue
(converted on a general household basis)*² Unit: 1,000 people



ARPU*³ Unit: JPY



*1. Churn rate is as of the end of Dec. 2020. The churn number is calculated by the formula (the number of contracts for the previous month + the number of supply starts for this month - the number of contracts for this month) for household and corporate users. The churn rate is calculated by the ratio of the number of churns to the number of contracts which incur a renewal fee for home/corporate users (monthly average of last 12 months).

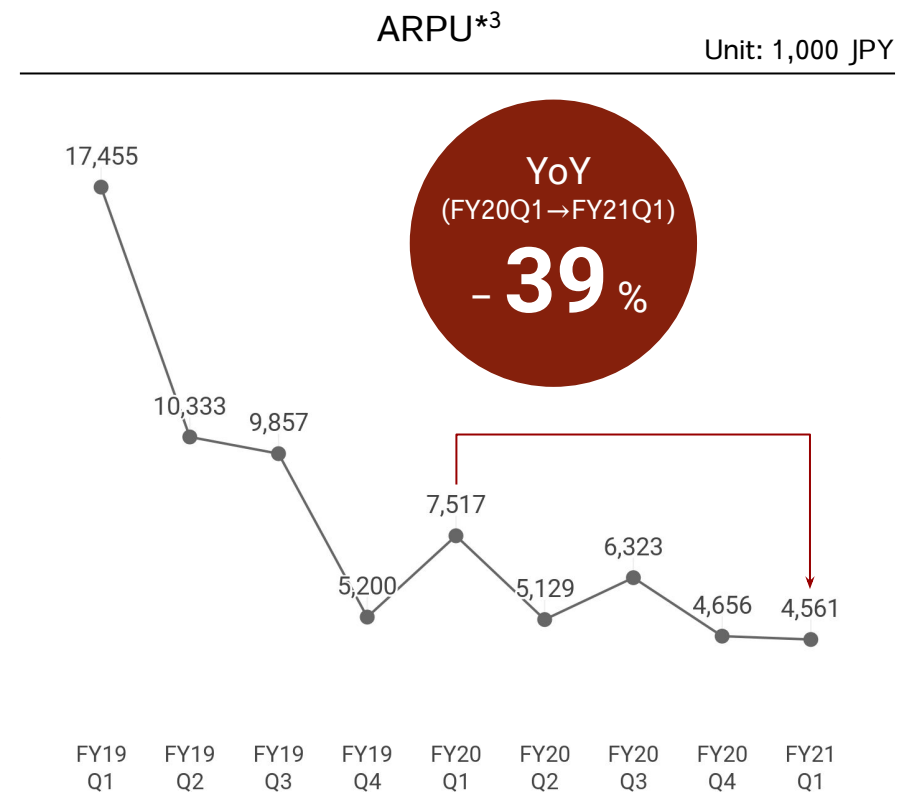
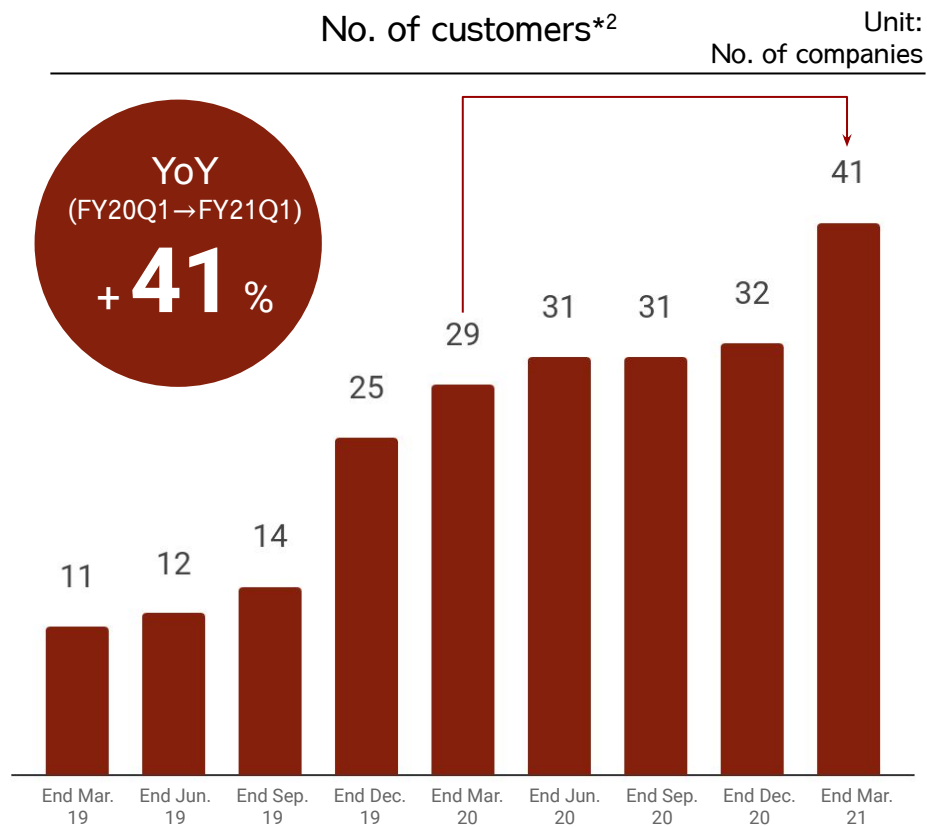
*2. To accurately compare the impact of company and household switches, switches are calculated for companies using an equivalent rate and converted based on the rebates from the total obtained capacity using the capacity of a general household as 4 kW.

*3. Average Revenue Per User: Calculated after dividing the quarterly segment sales by the number of users eligible for recurring revenue at the end of the quarter.

The number of customer increased by 41% and ARPU is maintained

Due to the sales of EMAP, the number of customers grew +41% YoY (monthly churn rate of about 1%*1).

ARPU showed a decrease of -39% YoY due to the anticipated decline of non-recurring revenue in the first quarter of 2020, but still maintained the high ARPU per quarter.



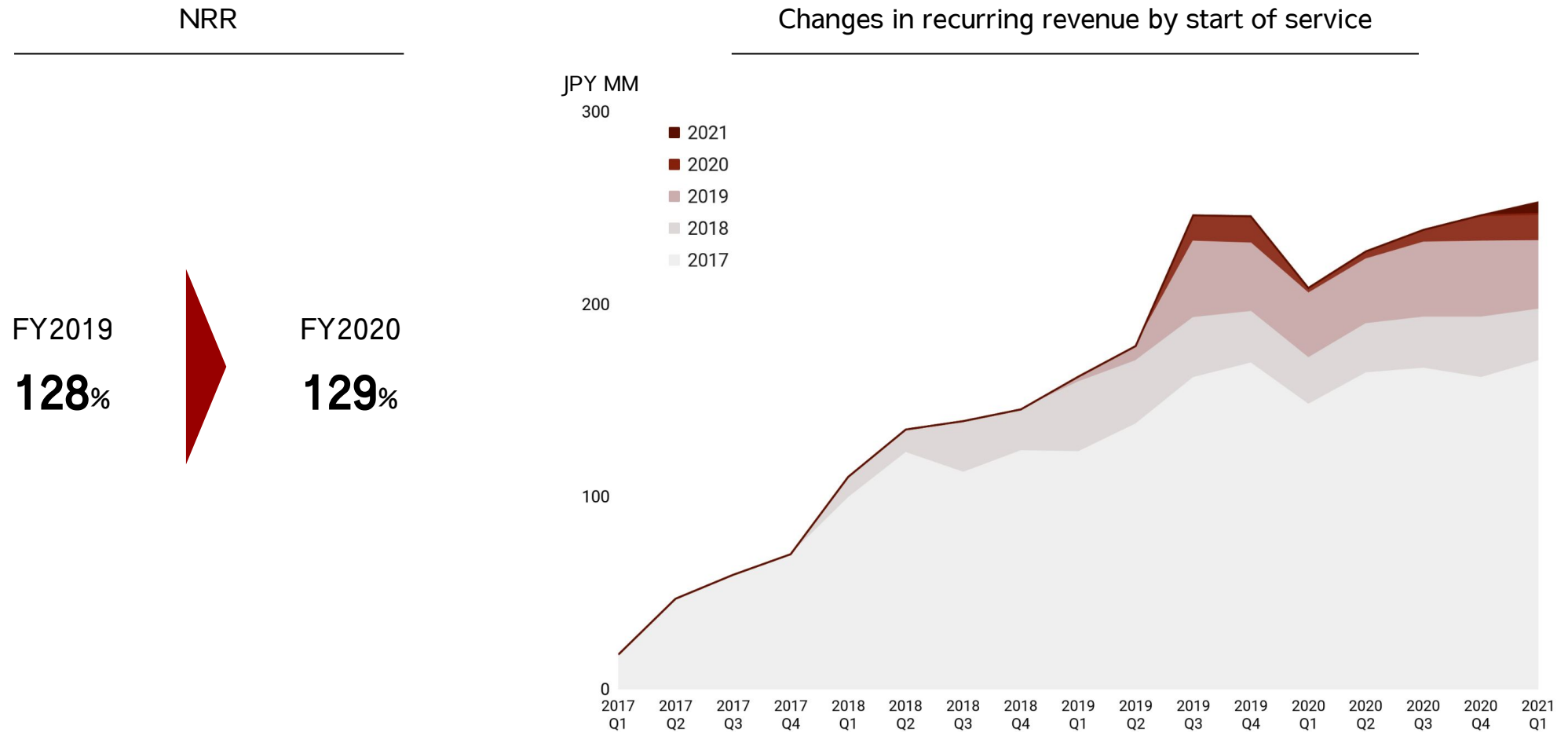
*1. Churn rate is as of the end of Dec. 2020. Churn rate = Number of churns in the fiscal year (including churns during the period) / Number of continuous products at the end of the previous fiscal year + Number of new products in the fiscal year (including churns during the period)

*2. Counting number of customers as of the end of the period

*3. Average Revenue Per User: Calculated after dividing the quarterly segment sales by the number of customers at the end of the quarter.

Achieving negative churn as an energy SaaS

Due to cross-selling multiple of our services to our partner companies (electricity/gas companies, etc.), we have seen steady growth in recurring revenue from existing customers, and our NRR (Net Revenue Retention)*¹ is over 120%.



*1 The net revenue retention is calculated by dividing recurring revenue at the end of fiscal period N from customers at the end of fiscal period N-1 by the recurring revenue at the end of fiscal period N-1.

Business Explanation

Energy Platform

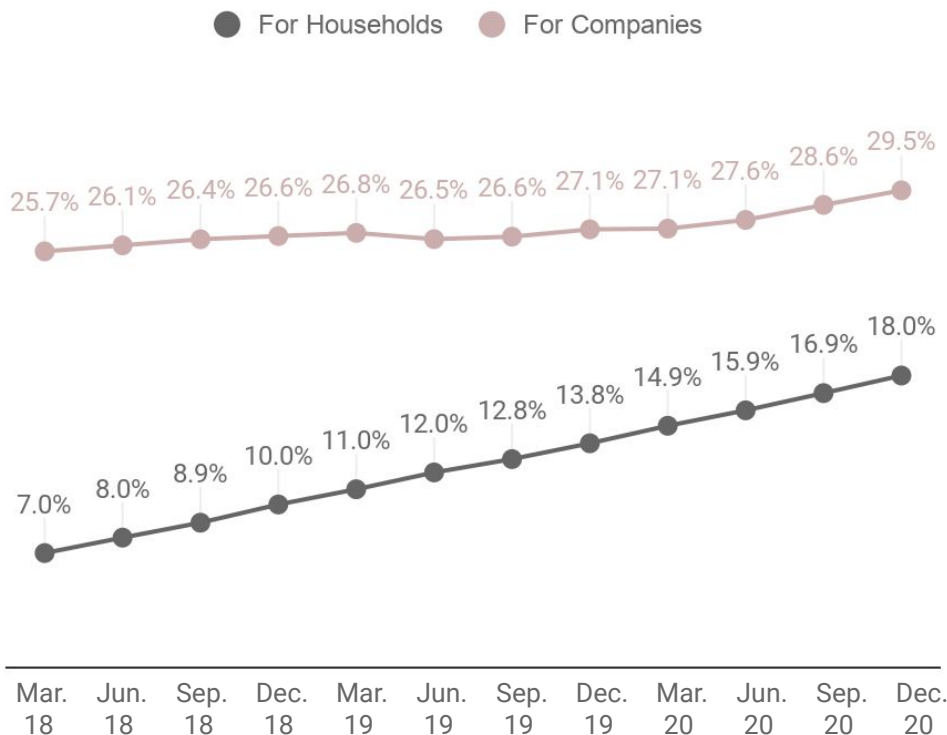
The leading online energy switching platform in Japan

Both customer share of new entrant and our share have been expanding

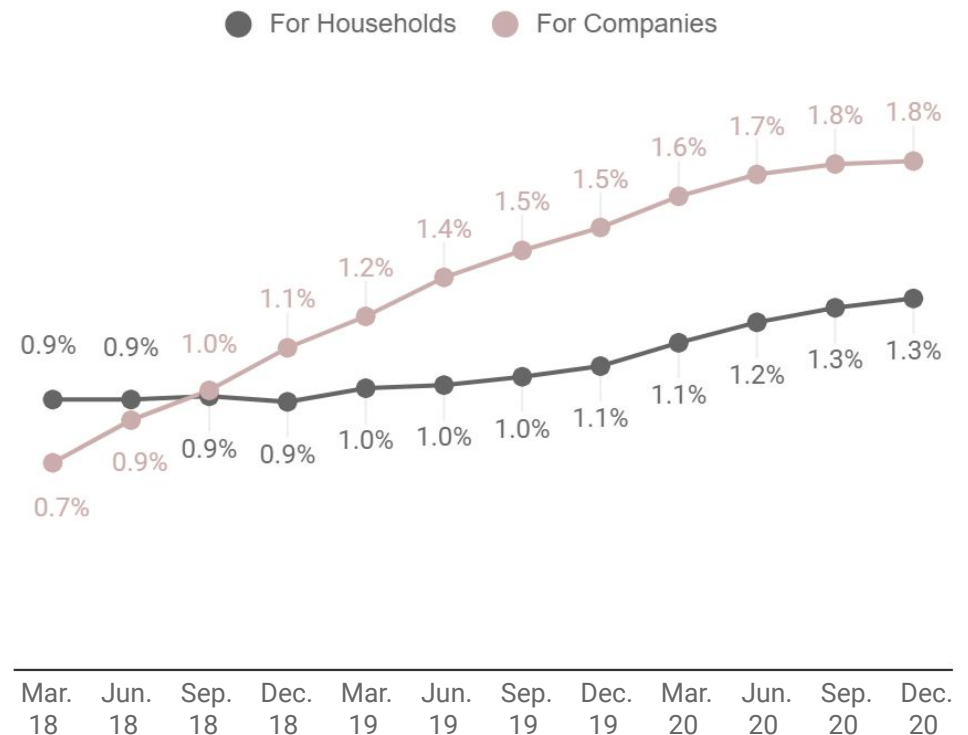
The liberalization of the electricity retail market happened in 2016 for households and in 2005 for companies, allowing customers to change from their default regional supplier.

The share of customers using a new entrant supplier*¹ (on a contract number basis) is 18.0% for households and 29.5% for companies. Our share of these customers increased steadily to 1.3% for households and 1.8% for companies.

Customer shares of new entrant suppliers*²



Our share of customers using a new entrant supplier*²



*1. We define a “new entrant supplier” as a supplier that was not a default regional one prior to liberalization.

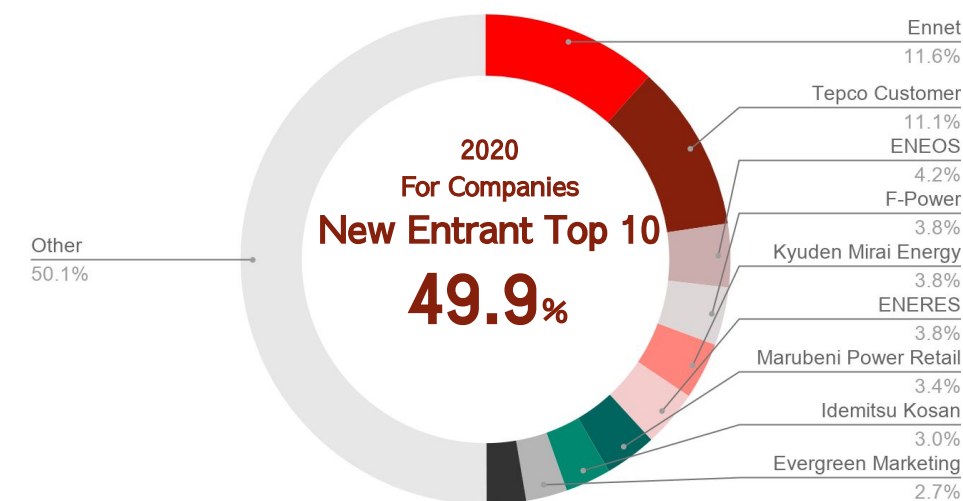
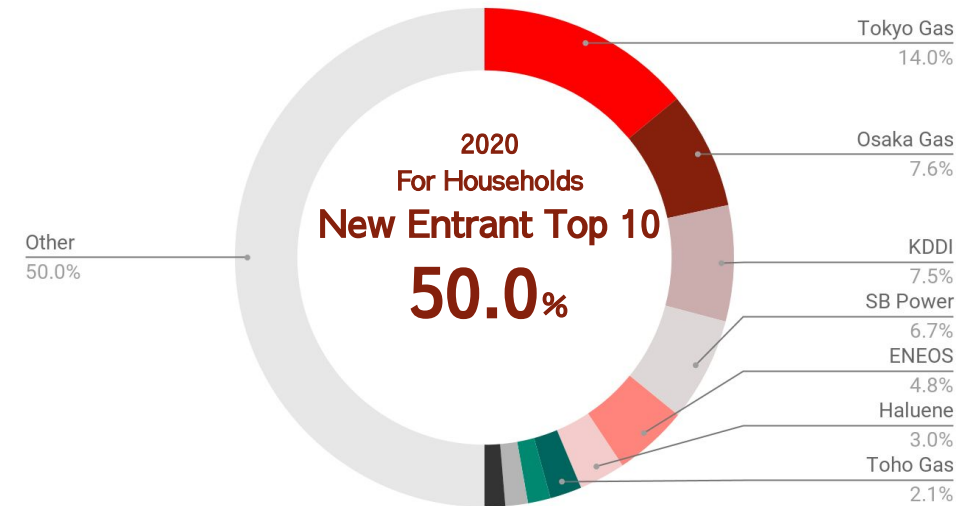
*2. Created based on the number of contracts in the Electricity Trading Report by the Electricity and Gas Market Surveillance Commission (Left) and our share based on the sales amount (kWh) of (Right).

New entrants with strong offline channels dominate the top ranks

The top new entrant supplier rankings are occupied by major energy, oil, communication, trading companies. We have contracts with most of them. However, the strong offline channels of each company (sales visits, stores, etc.) is the main source of customer acquisition.

For Households (as of December 2020)			
1	Tokyo Gas	Major gas company	14.0%
2	Osaka Gas	Major gas company	7.6%
3	KDDI	Major communications company	7.5%
4	SB Power	Major communications company (Softbank subsidiary)	6.7%
5	ENEOS	Major oil company	4.8%
6	Haluene	Major communications company (Hikari Tsushin affiliate)	3.0%
7	Toho Gas	Major gas company	2.1%
8	Rakuten Mobile	Major communications company (Rakuten subsidiary)	1.5%
9	Looop	Independent energy company	1.5%
10	Daiwa House	Major housing manufacturer	1.3%

For Companies (as of December 2020)			
1	Ennet	Joint venture of NTT Group, Tokyo Gas, Osaka Gas	11.6%
2	Tepco Customer Service	TEPCO subsidiary	11.1%
3	ENEOS	Major oil company	4.2%
4	F-Power	Independent energy company	3.8%
5	Kyuden Mirai Energy	Kyushu Electric Power subsidiary	3.8%
6	ENERES	Major communications company (KDDI) subsidiary	3.8%
7	Marubeni Power Retail	Major trading company subsidiary	3.4%
8	Idemitsu Kosan	Major oil company	3.0%
9	Evergreen Marketing	TEPCO subsidiary	2.7%
10	Orix	Major financial services company	2.6%



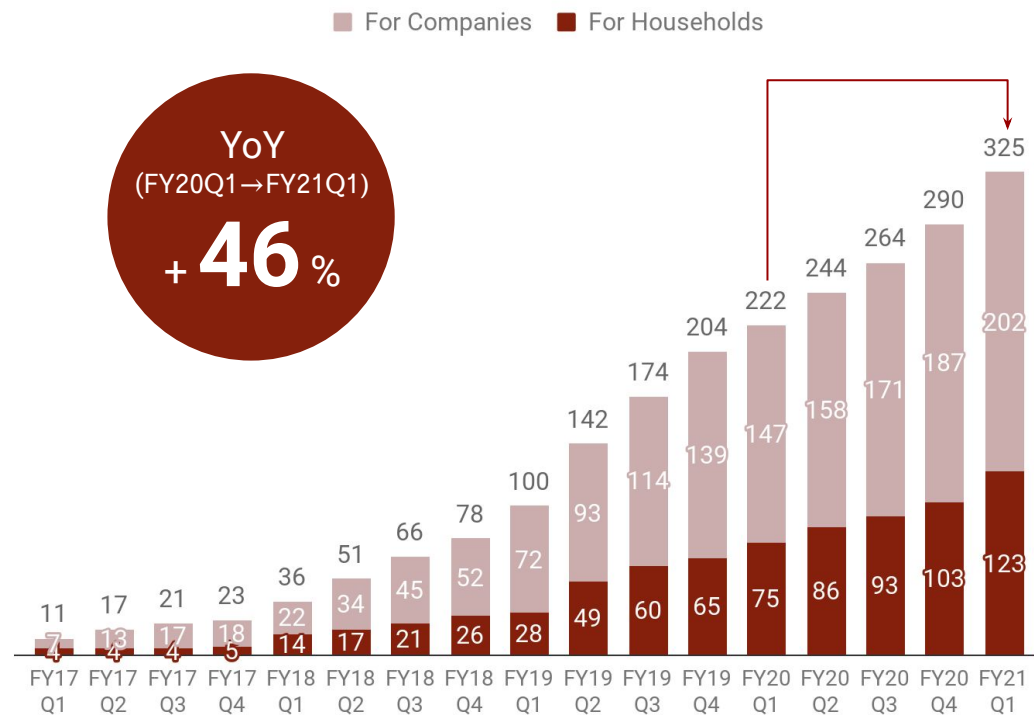
*Created based on the sales volume (kWh) in Agency for Natural Resources and Energy "Electricity Demand Performance" (Dec. 2020).

Partnership strategy strengthens our offline channels

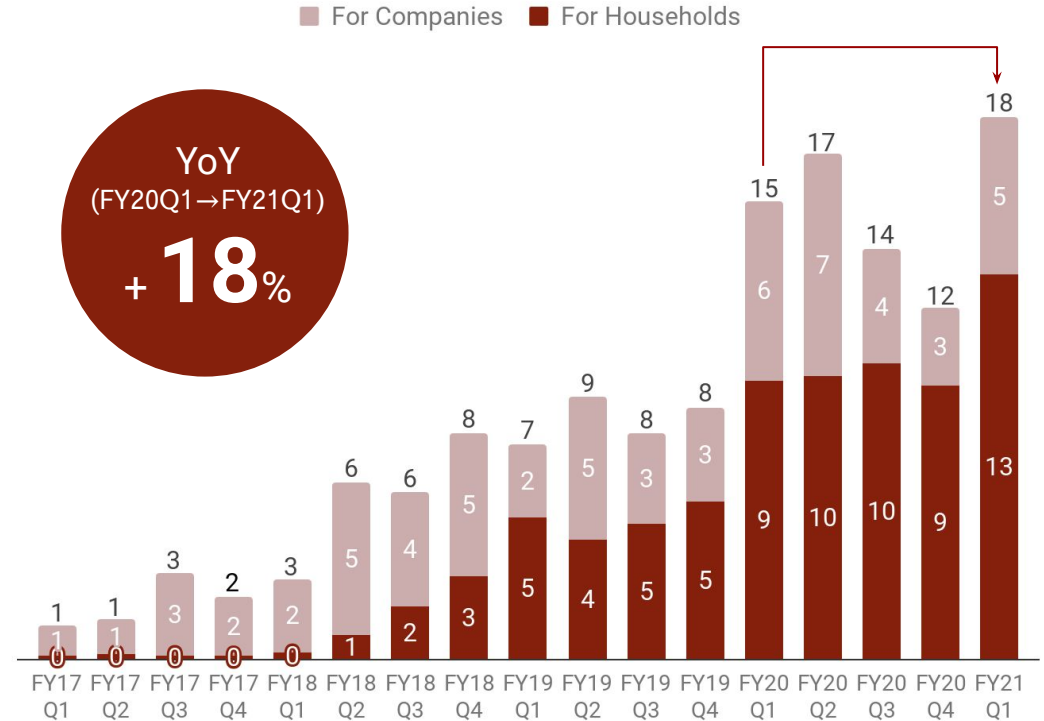
To strengthen offline channels, we emphasize our partnership strategy that provides our electricity/gas switching platform system to real estate management companies, financial institutions, and so on.

We have 325 partner companies, an increase of +46% YoY, and an increase in the number of contracts via partners of +18% YoY.

Changes in partner numbers Unit: No. of companies



Number of new contracts via partners (converted on a household basis)* Unit: 1,000 contracts



* 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.

LTV/CAC jumps to 5.3x while increasing investment in user acquisition

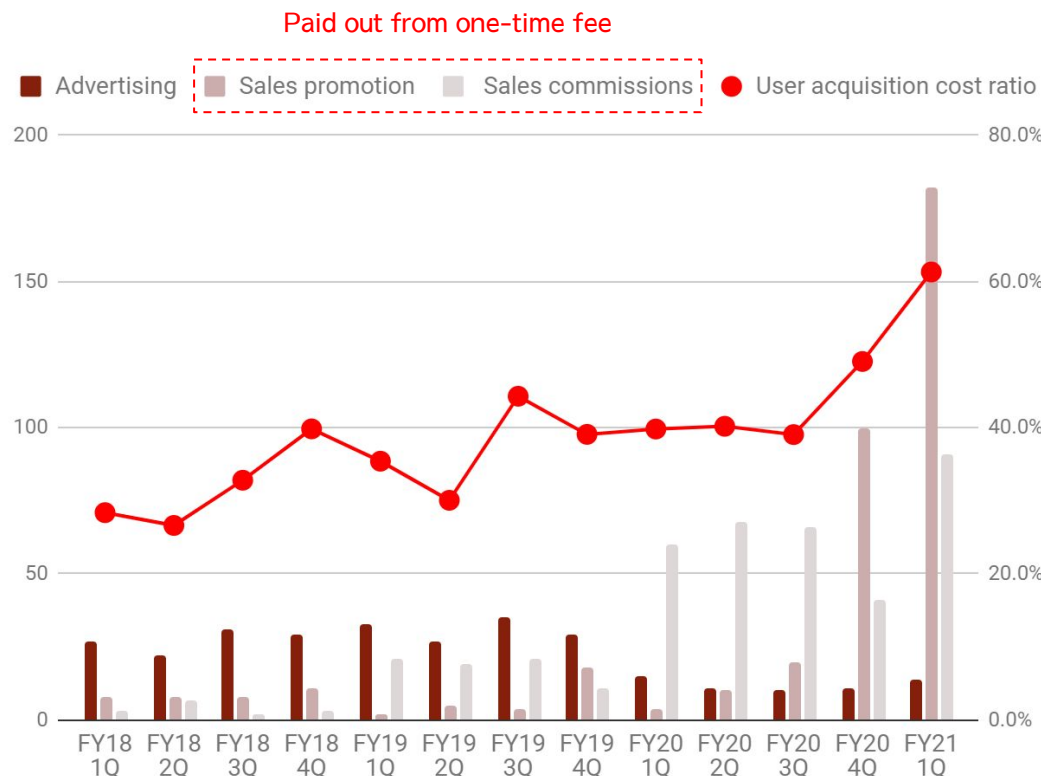
We are actively investing in user acquisition through sales promotion in our direct channels and sales commissions for our partner channels, which are paid out from one-time fees. They are equivalent to about 60% of segment sales.

As there has been a steady rise in user acquisition while CAC remains similar, LTV/CAC increases to 5.3x.

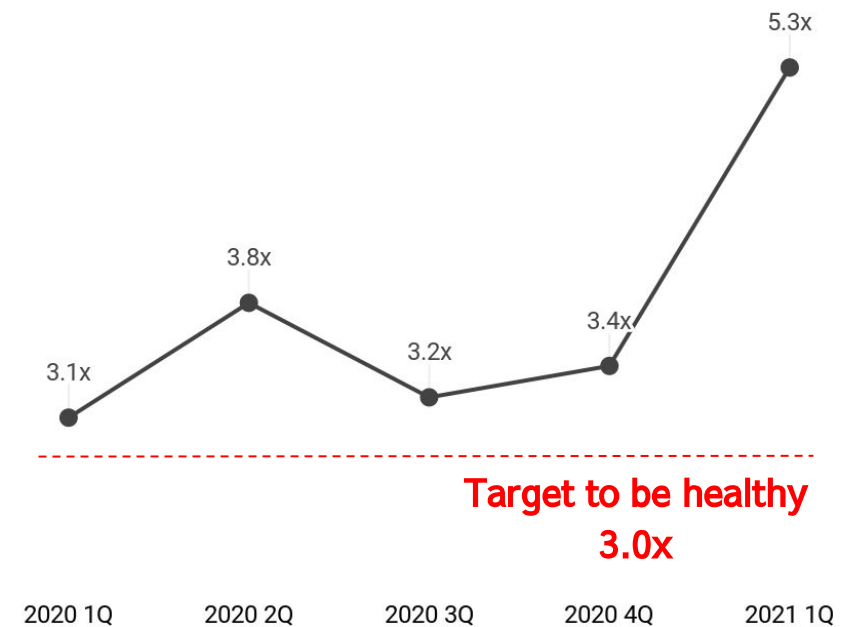
Given the new LTV/CAC level, there is still room for investment, so we plan to consider advertising aggressively.

User acquisition costs*1

Unit: JPY MM



LTV/CAC*2



*1. The total of advertising expenses (expenses arising as a result of activities directly for the acquisition of customers such as listing advertisements), sales promotion expenses (expenses borne directly by users as a result of switching), and sales commissions (expenses borne directly by partners as a result of switching).

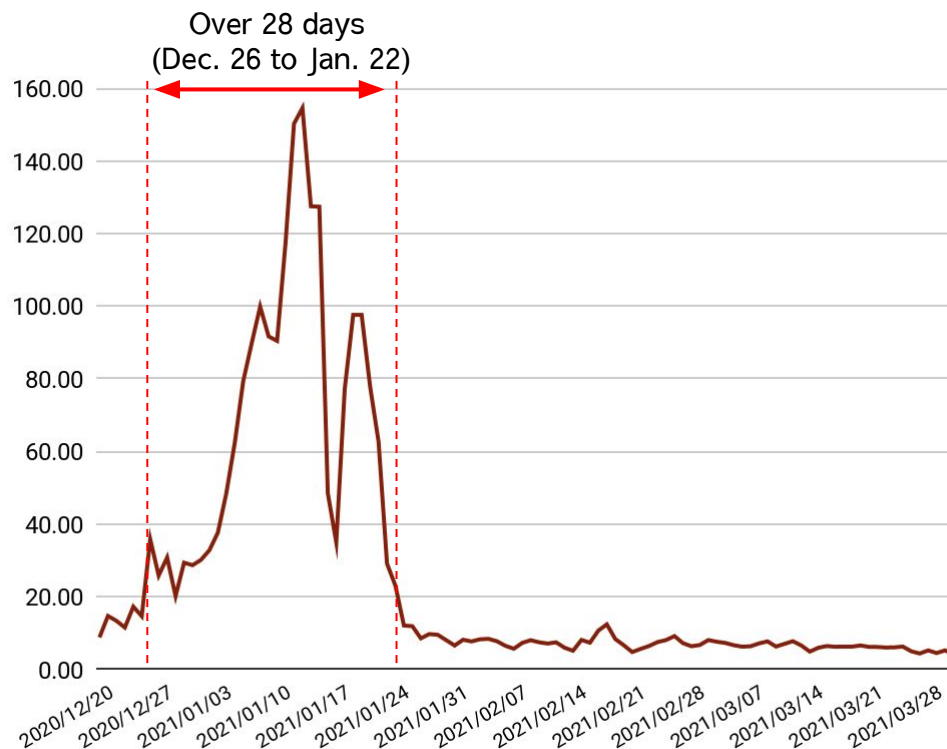
*2. Ratio of LTV (Lifetime Value; customer lifetime value) to CAC (Customer Acquisition Cost; unit price for acquiring customers). See the appendix for details.

Achievements (1): JEPX hike increases the number of applications

Electricity wholesale prices at Japan Electric Power Exchange (JEPX) spiked for a month during a cold snap etc. and have since reverted. Among the top 100 electric retailers, only one company (F-Power) went into administration, and there has been no impact on our customers.

Our prompt measures such as helplines resulted in a major increase in the number of applications.

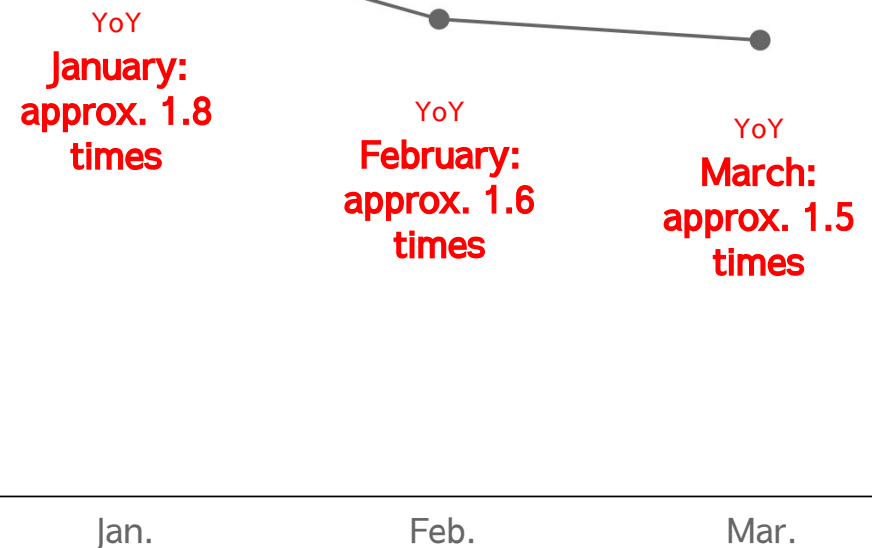
JEPX prices*1



*1 Daily average of system prices as calculated from JEPX trading information

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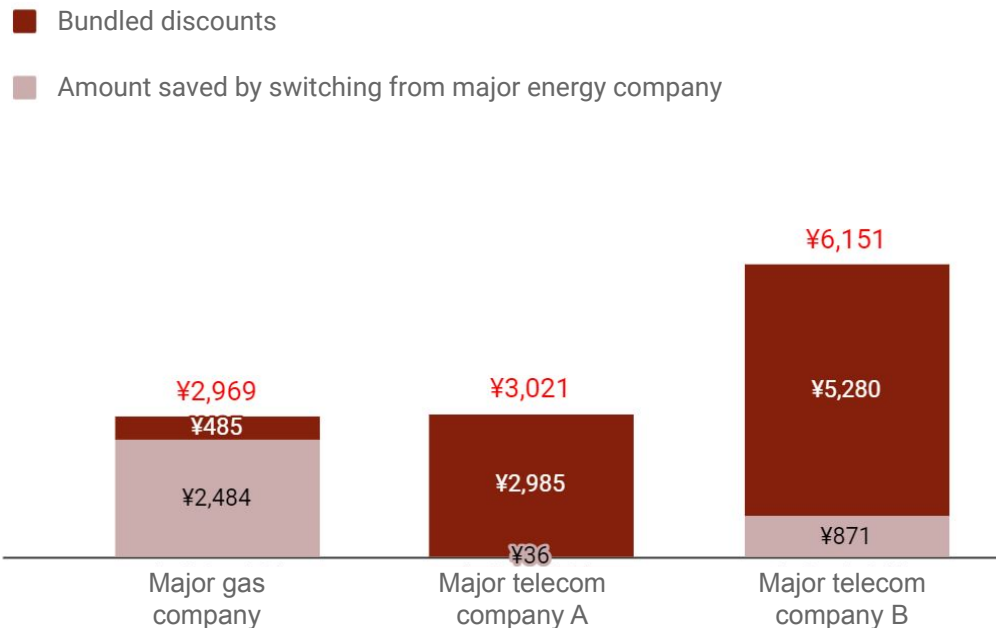
YoY ratio of application numbers
(household)



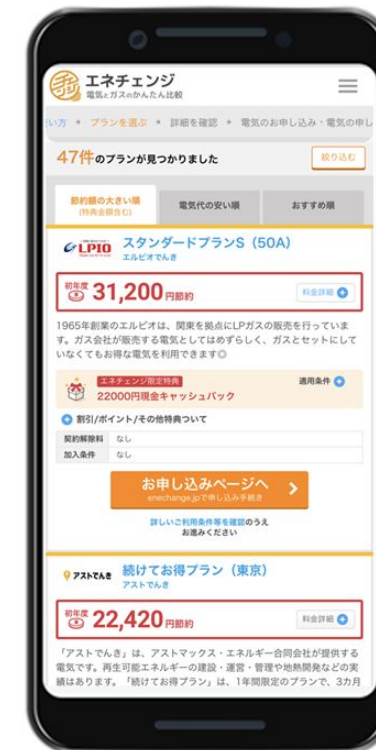
Achievements (2): Increased applications due to ENECHANGE-only cashback program

Offline channels require expenses – such as for sales personnel – so the amount of savings that can be passed on is limited compared to online channels. Online channels therefore give customers higher savings, which gives them an incentive to switch online. Our ENECHANGE-exclusive cashback program that makes effective use of online channels has helped us increase applications and ARPU.

Amount saved when switching offline*¹



Top displayed plans at ENECHANGE*²



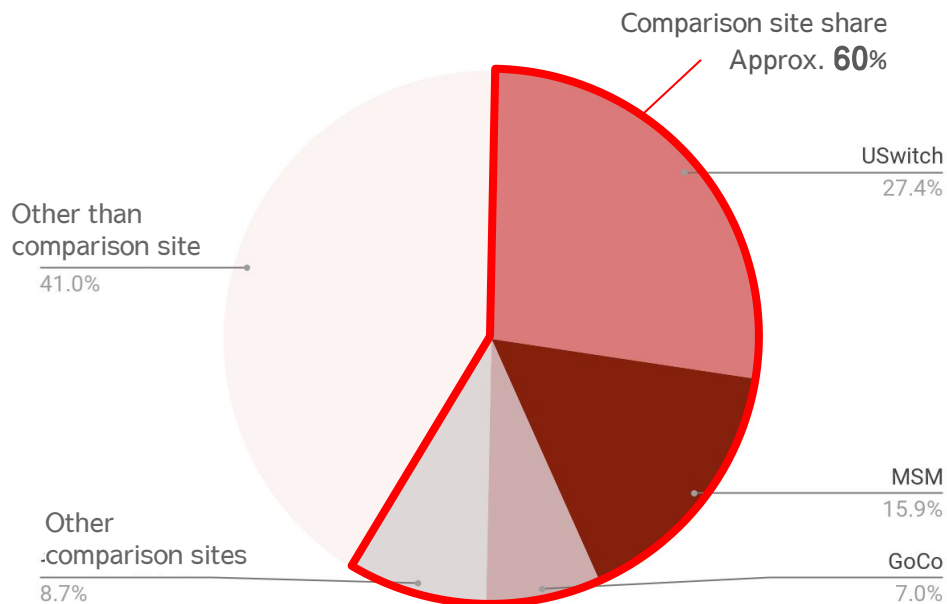
*¹ Annual savings for a standard four-person household (contracted amperage: 50A, average monthly usage: 300kWh) switching from Tepco Meter-Rate Lighting B to different new energy companies. Calculations are based on electricity bills only, not including fuel adjustment costs or renewable energy power generation promotion surcharges.

*² A simulated results screen when changing from Tokyo Gas using the same conditions at the ENECHANGE electricity/gas switching website.

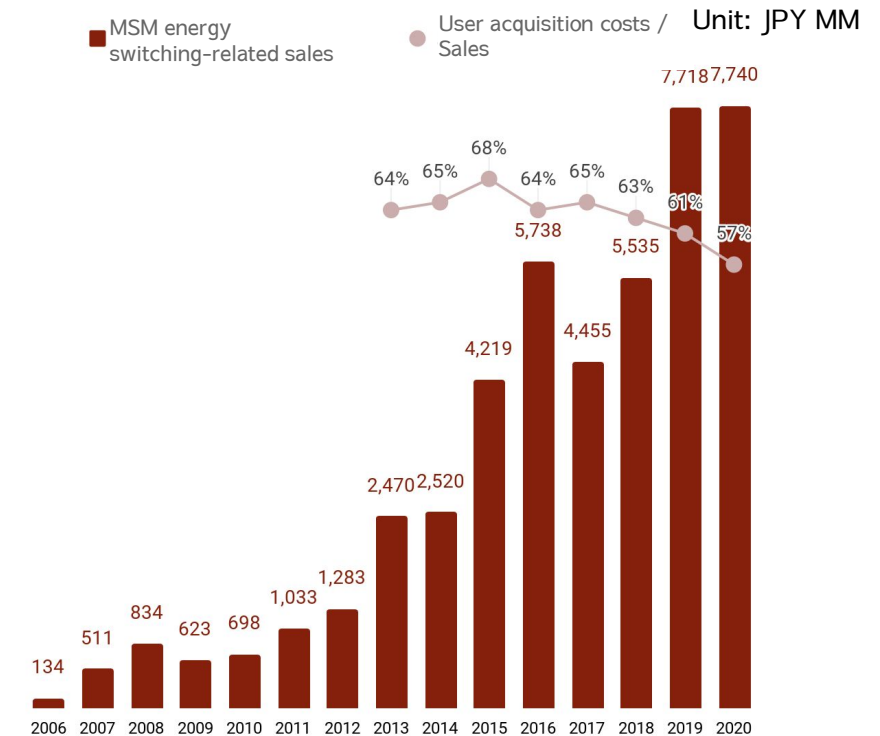
[Updated figures for 2020] UK case: Estimated market scale of Energy Switching is 30 billion yen

The UK, where the electricity market has been liberalized since 1999, has seen about 60%^{*1} of users using online price comparison sites for energy. MoneySuperMarket (MSM), which has the second-largest switching share, has a CAGR of approx. 37%^{*2} (2006-2019), achieved by expanding their use of online channels, aggressive investment in advertising (approximately 60% of sales), partner expansion, and M&A. Its energy switching-related sales were 7.2 billion yen in 2019 (estimated total operating profit rate of 30%), with an estimated switching share of 15.9%.^{*3}

Channel Share in UK Energy Switches



MSM Sales and Share of Energy Switches



*1. Calculated from Ofgem, "State of the Energy Market 2019".

*2. Sales based on sales for the energy segment in the financial information of each company (public bulletins if not publicly listed) and converted at a rate of 140 JPY:1 GBP.

*3. Share is the share of sales of the different companies calculated from GOV.UK, "Quarterly domestic energy switching statistics"

*Energy-related sales (Unit: JPY MM, converted at a rate of 150 JPY:1 GBP)

Energy Data

Greater efficiency through digitalization

Lessons from overseas markets where the 4 Ds are advanced

The 4 Ds of Energy are a global trend. We must use advanced markets as case studies to inform the Japanese market environment. The UK is leading in deregulation, but in terms of digitization, decarbonization, and decentralization, each country has different conditions, so a more nuanced analysis is needed.

		Advanced Cases		
4 Ds of Energy		UK 	US 	Japan 
	Deregulation	1999: Deregulation	Varies by state	2016: Deregulation
	Digitalization	Smart meter penetration rate: 42%* ¹ Data liberalized	Smart meter penetration rate: 56%* ² Data liberalized	Smart meter penetration rate: 86%* ³ Data liberalized (2022)
	Decarbonization	Renewable energy ratio: 37%* ⁴	Renewable energy ratio: 17%* ⁴	Renewable energy ratio: 18%* ⁴
	Decentralization	VPP capacity: 4GW* ⁵	VPP capacity: 22GW* ⁶	VPP capacity: 4GW* ⁷

*1. Department for Business, Energy & Industrial Strategy, "Smart Meter Statistics in Great Britain" (March 9, 2021)

*2. Federal Energy Regulatory Commission, "2020 Assessment of Demand Response and Advanced Metering"

*3. Estimated based on Agency for Natural Resources and Energy 27th Electricity and Gas Basic Policy Subcommittee Document 3, "Progress of full liberalization of electricity/gas retailing" (July 28, 2020)

*4. Agency for Natural Resources and Energy, "Energy of Japan (2020 Edition)"

*5. Ofgem, "Report on the Operation of the Capacity Market in 2018/2019" (March 31, 2020)

*6. Calculated from adoption of distributed flexible resources, in McKinsey & Company, "Less carbon means more flexibility: Recognizing the rise of the new resources in the electricity mix" (October 1, 2018)

*7. Ministry of Economy, Trade and Industry, "Japanese Energy Market- Optimum Use of Distributed Energy Resources for Demand-side Response" (April 22, 2021)

Strategic collaborations utilizing our overseas network

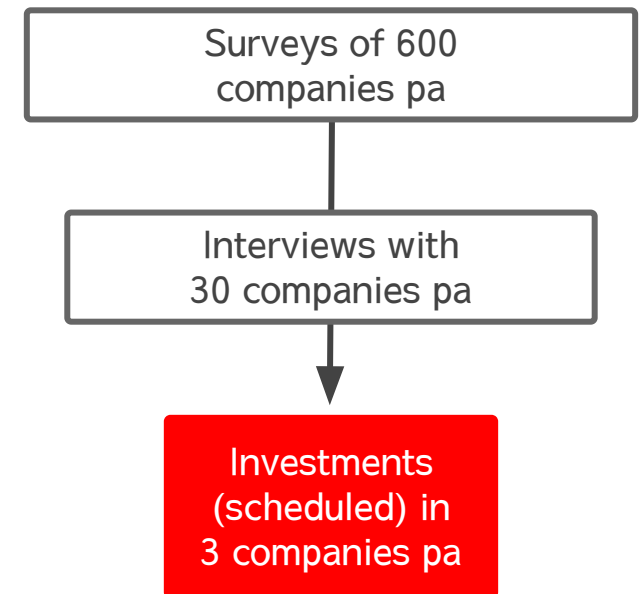
Through ENECHANGE Insight Ventures, we provide surveys, partnerships, and investment negotiations for Japanese companies for some 600 cutting-edge global energy companies each year. In addition, we will also create strategic capital and business alliances with promising ventures utilizing our investment participation fund.*¹



Research through
ENECHANGE Insight



Japan Energy Fund No. 1*²
provides investment for
capital alliance



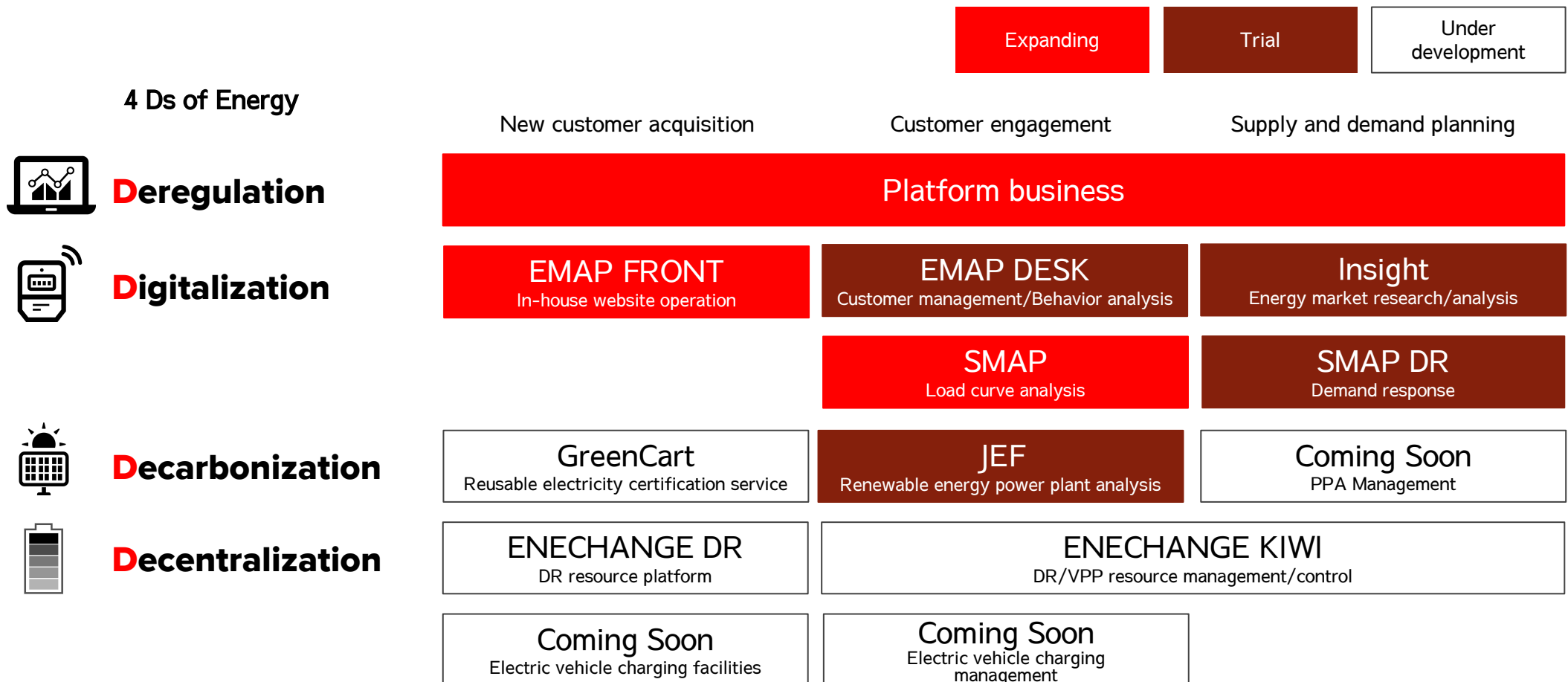
*¹ The Japan Energy Fund, an overseas-specialized decarbonization energy fund, is run by ENECHANGE and a Loop affiliate with the goal of reaching a grand total of about 100 billion yen in investment scale.

*² The No. 1 Fund aims for a scale of 1 million USD (11 billion yen). Its investors are Daiwa Energy & Infrastructure Co. Ltd. and the Hokuriku Electric Power Group.

Future SaaS products are under development

The Data business is responsible for 3 of the Ds, and aims to establish a business foundation by catering to the varying needs of energy companies (acquiring new customers, customer engagement, supply and demand planning).

In addition to our current focus products of EMAP and SMAP, around 10 products are under trial/development.



Achievements (1): Launch of online green electricity certificate platform GreenCart

As a product for Decarbonization, we have started GreenCart, a platform for issuing green electricity certificates jointly with Japan Natural Energy Company (a TEPCO subsidiary). This is the first online platform that provides immediate issue of green energy certificates. We have also secured our own certificates for 100% of the electricity we use as a company to demonstrate our commitment to green energy.

Issuing green electricity certificates through GreenCart



Certificate of Green Power (ENECHANGE, FY2021)



Achievements (2): Exclusive partnership with VPP SaaS provider Kiwi Power

As a product for Decentralization, we have announced an exclusive partnership with the British company Kiwi Power, one of the world's largest VPP SaaS companies which is backed by ENGIE. By merging Kiwi Power's rich experiences with our own knowledge and technology capacities, we will start providing ENECHANGE KIWI, a VPP SaaS, to resource owners such as storage batteries or home generator owners, and VPP aggregators.

Outline of Kiwi Power



Achievements

Managed **1GW** resources

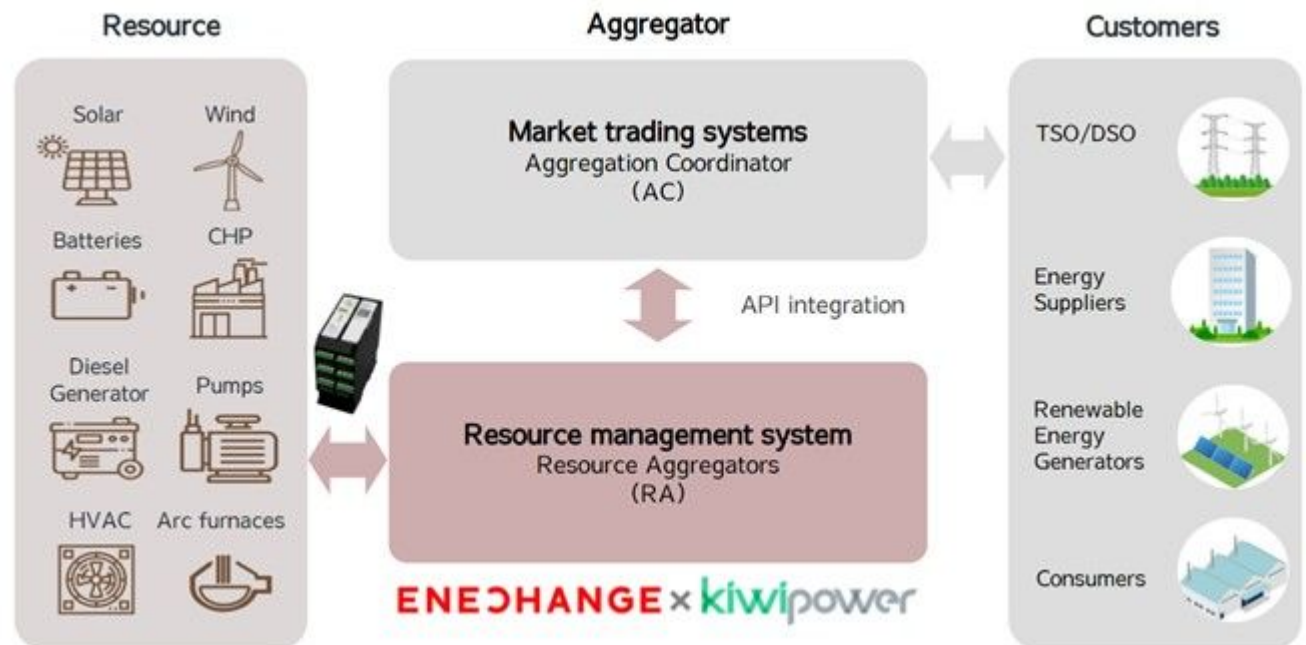
800+ locations

Active in over **10** countries

Over **10** years experience

Over **80** employees

Service Flow in Japan



Overseas cases: Starting in the US for SaaS aimed at energy companies

There are many SaaS companies aimed at energy companies similar to ourselves overseas. This includes Oracle Utilities Opower (listed on the New York Stock Exchange in 2014, then acquired by Oracle Corporation for approximately 532M USD*¹) and Uplight (an unlisted unicorn company with an estimated market capitalization of 1.5B USD*²).

Our strategy is to learn from overseas examples and use this knowledge to lead the Japanese market.

	Major market	Sales	No. of customers	New customer acquisition	Customer engagement	Supply and demand planning
ENECHANGE Data business	Japan	0.7 billion yen	32 companies	✓	✓	✓
Oracle Utilities Opower	North America	16 billion yen* ³	100 companies* ¹		✓	✓
Uplight	North America	11 billion yen* ⁴	80 companies* ²	✓	✓	✓

*1. From [Oracle's press release](#) (May 2, 2016)

*2. From [Uplight's press release](#) (March 3, 2021)

*3. From Opower's [financial results FY2015](#) (\$148M USD, converted at a rate of 110 JPY:1 USD)

*4. From [The AES Corporation Fourth Quarter & Full Year 2019 Financial Review, Prepared Remarks](#) (\$100M USD, converted at a rate of 110 JPY:1 USD)

Forecast for FY2021

Consolidated Financial Results Forecast for FY2021

Our Q1 revenues and profits were higher than our forecast; however, we remain conservative in our overall forecast. If we determine that revisions to our financial results forecast are required, we intend to promptly revise our financial results forecast.

(Unit: JPY MM)	FY2020 results	FY2021 forecast	YoY	Change rate	FY2021 Q1 results	Progress rate
Sales	1,713	2,300	+587	+34.3%	657	+28.6%
Operating Profit	53	Positive	—	—	33	—*1
Ordinary profit	6	Positive	—	—	43	—*1
Net profit attributable to owners of parent	(16)	Positive	—	—	14	—*1

*1 We expect a loss for Q2 due to the increase in user acquisition cost.

Assumptions for Consolidated Financial Results Forecast for FY2021

Assumptions when our financial results forecast was published (February 12, 2021)

Updates from when our financial results forecast was published

Platform

- Assumed based on aiming for growth of 40% or more.
- No. of users: assumes the number of users gained at equal or greater ratio to previous year.
- ARPU: increase driven by one-time payments.
- Segment expenses: increased user acquisition cost while maintaining LTV/CAC discipline. Other costs shared among segments are assumed to mainly increase in terms of personnel expenses.

↑ Customer acquisition on upwards swing from initial forecast thanks to increased applications due to cold weather and impact on JEPX
 ↑ ARPU increased more than expected at the beginning of the fiscal year due to increased one-time payments
 ↓ Segment expenses had sales commissions increase due to increased user acquisition (linked with one-time fees). However, LTV/CAC has been maintained at the healthy level.

Data

- Assumed based on aiming for sales growth of 10% to 20%.
- No. of customers: assumes the number of customers gained at equal or greater ratio to previous year.
- ARPU: while increasing from existing customers, we expect similar levels due to the sales of low-cost products.
- Segment expenses: assuming an increase mainly in terms of personnel expenses for medium-term product development

→ Number of customers increasing as expected at start of fiscal year thanks to new orders
 → ARPU trending at the same level as FY2020 Q4, as expected at start of fiscal year
 → Segment expenses increasing in line with employment, as expected at start of fiscal year

Company-wide Common Expenses

- Assuming increased company-wide common expenses due to increased employment, etc.

→ Increasing personnel expenses due to progress with employment, as expected at start of fiscal year
 ↑ Effects of expenses reductions through postponing company-wide events in line with the declaration of the State of Emergency

Operating Profit

- A policy of maintaining profitability while investing in user acquisition for the Platform business in particular to ensure sales growth.
- We expect operating loss for the first and second quarters due to our the boost of user acquisition cost.

↑ We expected an operating loss, but user acquisitions for the platform business went well, increasing one-time payments more than assumed, allowing us to be in profit.
 → We continue to forecast operating loss for the second quarter.

Other

- Includes conservative considerations for the effects of the COVID-19 and the Declaration of a State of Emergency, etc.
- No loss/gain provision for uncertain events such as unconfirmed new businesses, M&A, etc.

→ We made our affiliate, SMAP Energy Limited, a fully-owned subsidiary in March (minimal effects on financial results)

A team of directors who can balance both high growth and corporate governance as an energy tech company

Adding Kenichi Fujita, the former CEO and Chairman of Siemens Japan (one of the world's largest energy tech companies) will strengthen our expertise in energy tech and overseas trends, committing us to a future growth strategy for our data business. We are actively working on building an appropriate governance system, with the majority of our directors being independent outside directors.

	Name Post at ENECHANGE	Major Past Posts	Energy / Environment Business*	Energy Tech	Energy Overseas Trends	Corporate Governance	Accounting & Finance / Capital Markets	Organizational Development / Personnel
	Yohei Kiguchi Representative Director and CEO	University of Cambridge, Doctoral researcher	✓	✓	✓			
	Ippei Arita Representative Director and COO	JP Morgan Engineer	✓	✓				✓
	Minoru Takeda Independent Outside Director	Showa Shell, Chairman Royal Dutch Shell Japan, CEO	✓		✓	✓		
	Aki Mori Independent Outside Director	Renova, CFO Goldman Sachs, IBD	✓			✓	✓	
	Kenichi Fujita Independent Outside Director	Siemens Japan CEO and Chairman	✓	✓	✓	✓		
	Shinichiro Yoshihara Independent Outside Director	EPCO Representative Director and CFO, CPA	✓			✓	✓	✓

* Checked boxes indicate at least 5 years of professional experience in the relevant business. * Colored boxes have been particularly strengthened by Mr. Fujita's appointment.

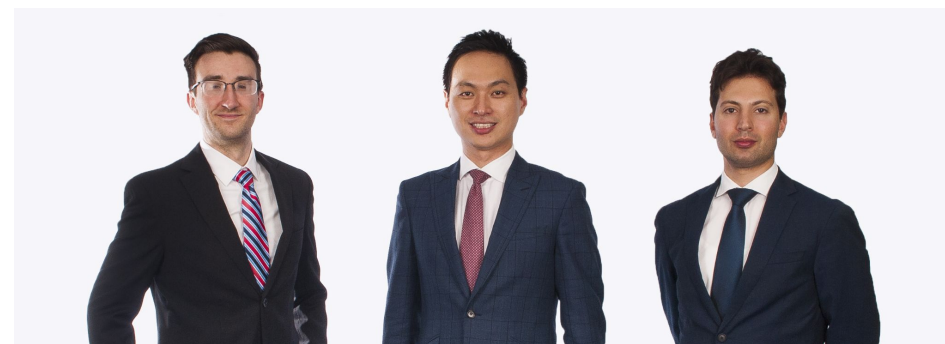
SMAP Energy Limited becomes a wholly-owned subsidiary

To strengthen our Data business, we bought out the minority shares (from University of Cambridge and professors, etc.) of our British subsidiary, SMAP Energy Limited, and made it a wholly-owned subsidiary. SMAP was founded in 2016 as a Cambridge spin-out based on the research and development results of our CEO, Yohei Kiguchi, during his doctoral work at the University of Cambridge. It develops and provides SMAP, a smart meter analysis SaaS.

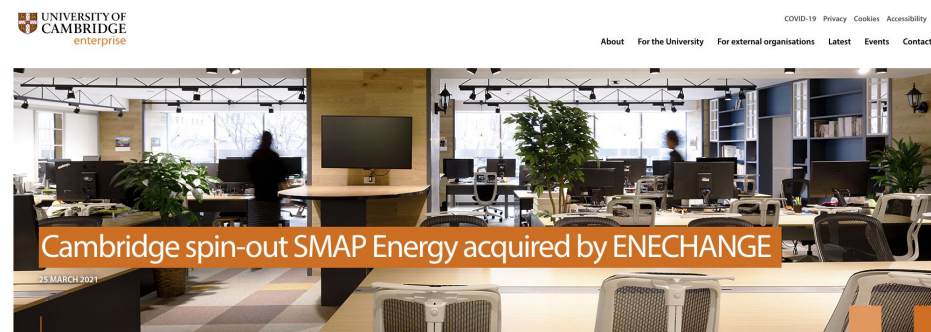
Company Outline

Name	SMAP Energy Limited	
Address	1 King William Street, London, UK	
Representative	CEO: Yohei Kiguchi	
Capital	166.70 GBP	
Established	February 4, 2016	
Financial performance (FY2020)	Sales	1,690,000 GBP
	Operating profit	190,000 GBP
	Ordinary profit	56,000 GBP
	Current net income	48,000 GBP

* SMAP is a consolidated subsidiary of ENECHANGE, and the impact on the consolidated financial results for FY2021 of this additional acquisition of shares is expected to be minimal.



SMAP Energy Limited joint founders: Monroe (Left), Kiguchi (Middle), Mortada (Right)



Press release from the University of Cambridge

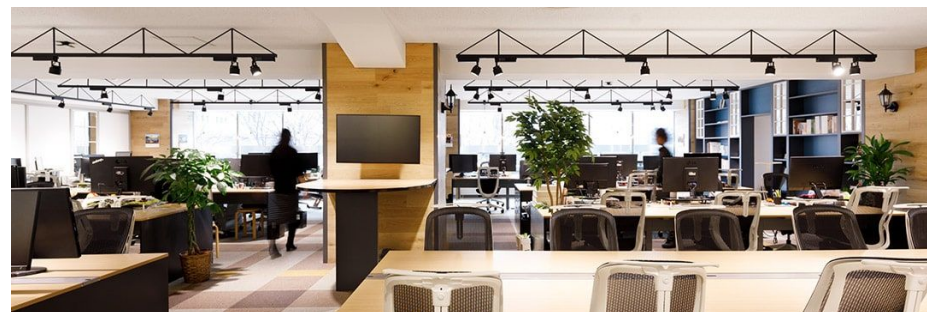
APPENDIX

Company Outline

Company Outline

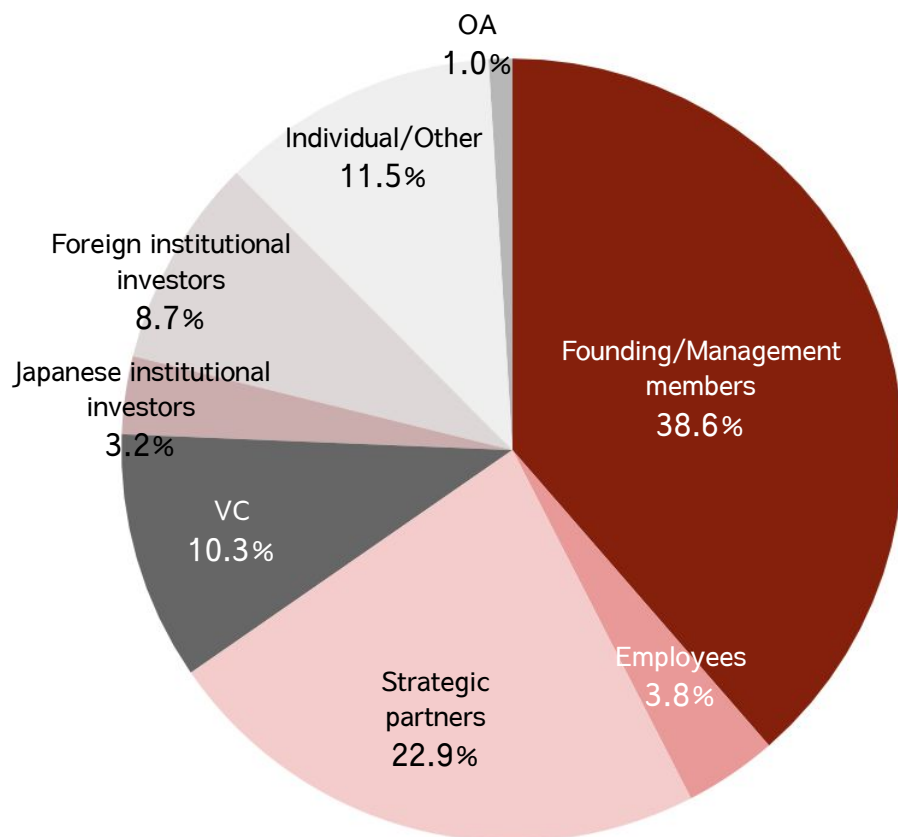
Company name	ENECHANGE Ltd.
Address	3F, Nihon Building, 2-6-2 Otemachi, Chiyoda-ku, Tokyo, Japan
Founded	April 2015
Businesses	Platform (for deregulation) Data (for digitalization, decarbonization, and decentralization)
Representatives	Yohei Kiguchi, Representative Director and CEO Ippei Arita, Representative Director and COO
Employees	91 (as of December 31, 2020; consolidated basis)
Headquarters	Tokyo, Japan
Subsidiary	SMAP Energy Limited (UK)

Head Office: Tokyo



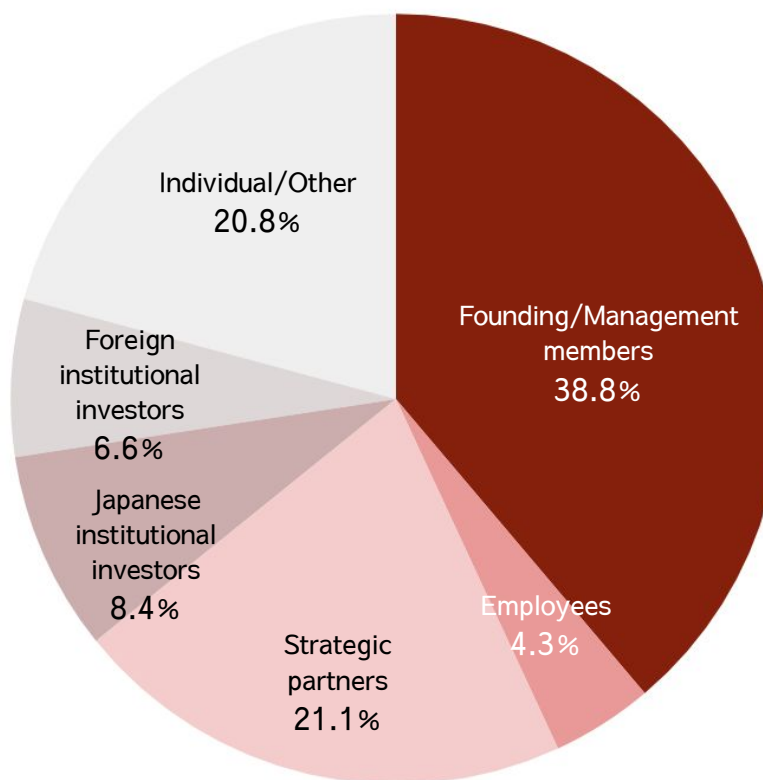
Group business: London



As of December 31, 2020 (including OA)*¹


Total shares issued: 5,838,476

As of March 31, 2021


 Total shares issued: 5,952,458*²

*¹ Stockholder composition classifications have been changed from the graphs in the financial results materials for FY2020.

*² The company implemented a 2-for-1 stock split with March 31, 2021, as the date of record. The total number of issued shares is the number before the stock split.

CEO Yohei Kiguchi and COO Ippei Arita both have engineering experience, have both spent time overseas, and have contributed to the Group since its founding. With two representative directors, we can provide flexible business management both in Japan and overseas.



Yohei Kiguchi CEO / Co-Founder

After witnessing the impact of the Great East Japan Earthquake, Yohei developed a deeper interest in the problems facing the energy sector and decided to study overseas at Cambridge University in the UK. He pursued a masters and doctoral program in engineering and energy data AI analysis.

During his time at Cambridge, he founded ENECHANGE in 2015, and SMAP Energy Limited (now a UK subsidiary) in 2016. He is also a current member of several committees in energy policy at the Japanese government.



Ippei Arita COO / Co-Founder

After completing a computer science masters program at Waseda University, Ippei worked at JPMorgan Securities Japan as an software engineer. He has also worked to develop online gaming services at GREE, Inc.

He joined Yohei' s lead research in Cambridge as chief engineer in 2013. Ippei became a co-founder of ENECHANGE in 2015. His major strength is his technical background and management ability, and he leads ENECHANGE's domestic business operations.

Our board members and management team have expertise in a range of fields that include the energy industry, engineering, and finance, as well as high-level governance from outside directors who have management experience in listed companies in the energy industry.

☆: Independent director

Board Members



Minoru Takeda ☆
Outside director

- Earned B.S. and M.S. from Keio University, Faculty of Science and Technology, and M.S. from MIT Sloan School of Management.
- Held numerous management positions in major oil companies (ExxonMobil & Royal Dutch Shell), and involved in M&A.
- At Royal Dutch Shell, was GM for Asia Pacific LNG Business and President of Shell Japan.
- During 2015-2018, served as Chairman of Showa Shell Sekiyu.



Aki Mori ☆
Outside director

- From 2015 to 2020, he was CFO at Renova, Inc., TSE1-listed renewable energy operator.
- Before joining Renova, he worked for Goldman Sachs as an investment banker both in Tokyo and New York for a decade.
- He earned a B.A. in Commerce with a focus on Finance and Accounting from Waseda University



Shinichiro Yoshihara ☆
Outside director

- A graduate of the College of Business Administration, Yokohama National University, and a chartered accountant.
- He worked in auditing at Asahi & Co. (now KPMG AZSA LLC).
- In 2002, he joined EPCO, Ltd. and was appointed a director and manager of the business planning office. The same year, EPCO was listed on JASDAQ. As Representative Director and CFO, he oversaw the company changing its listing from JASDAQ (TSE) to the Second Section, and then its listing on the First Section of the TSE in 2019.



Kenichi Fujita ☆
Outside director

- Served as head of international consulting departments for companies at places like UFJ Institute and a German company. where he was involved in areas such as global management strategies, overseas investment strategies, and cross-border M&A.
- After joining Siemens in 2006, he served as CEO of their automotive parts subsidiary, Director of the Energy Sector at the head office, and Executive Officer of the Energy Division, then as CEO and Chairman at Siemens Japan.

Key Executives / Subsidiary Officers



Takuya Sugimoto, CPA
CFO (Chief Financial Officer)
Joined in July 2019 as CFO.
After graduating from the School of Business Administration, Kobe University, he worked at Deloitte, J.P. Morgan, and Rakuten in financing and M&A.



Masayuki Tanaka
CTO (Chief Technology Officer)
Joined in May 2015, and appointed CTO in January 2020.
After getting master's degrees at the University of Tokyo, he joined ENECHANGE at its founding after working at GREE. Having previously created c3.js (JavaScript data visualization) library, he leads our community of engineers.



Paul Monroe
SMAP Energy Limited (UK subsidiary) Officer
Has a master's degree from the University of Cambridge. After working at NASA and in a US-based consulting company, he helped found SMAP Energy. He is responsible for energy data business operations in Europe.



Kazumasa Ariga
SMAP Energy Limited (UK subsidiary) Japan Representative
Appointed the executive officer for the energy data business in July 2020. After graduating from the School of Commerce at Waseda University, he worked on smart meters, electric vehicles, and more at TEPCO and Mitsubishi Electric Corporation.

SDG Initiatives

To create a sustainable world, we are committed to promote energy transition as an energy technology company. ENECHANGE is actively working on ways to achieve the following six SDGs using our services through the 4 Ds of Energy, and we disclose our commitment to the SDGs on our website (<https://enechange.co.jp/en/sdgs/>).

Our focus areas regarding SDGs



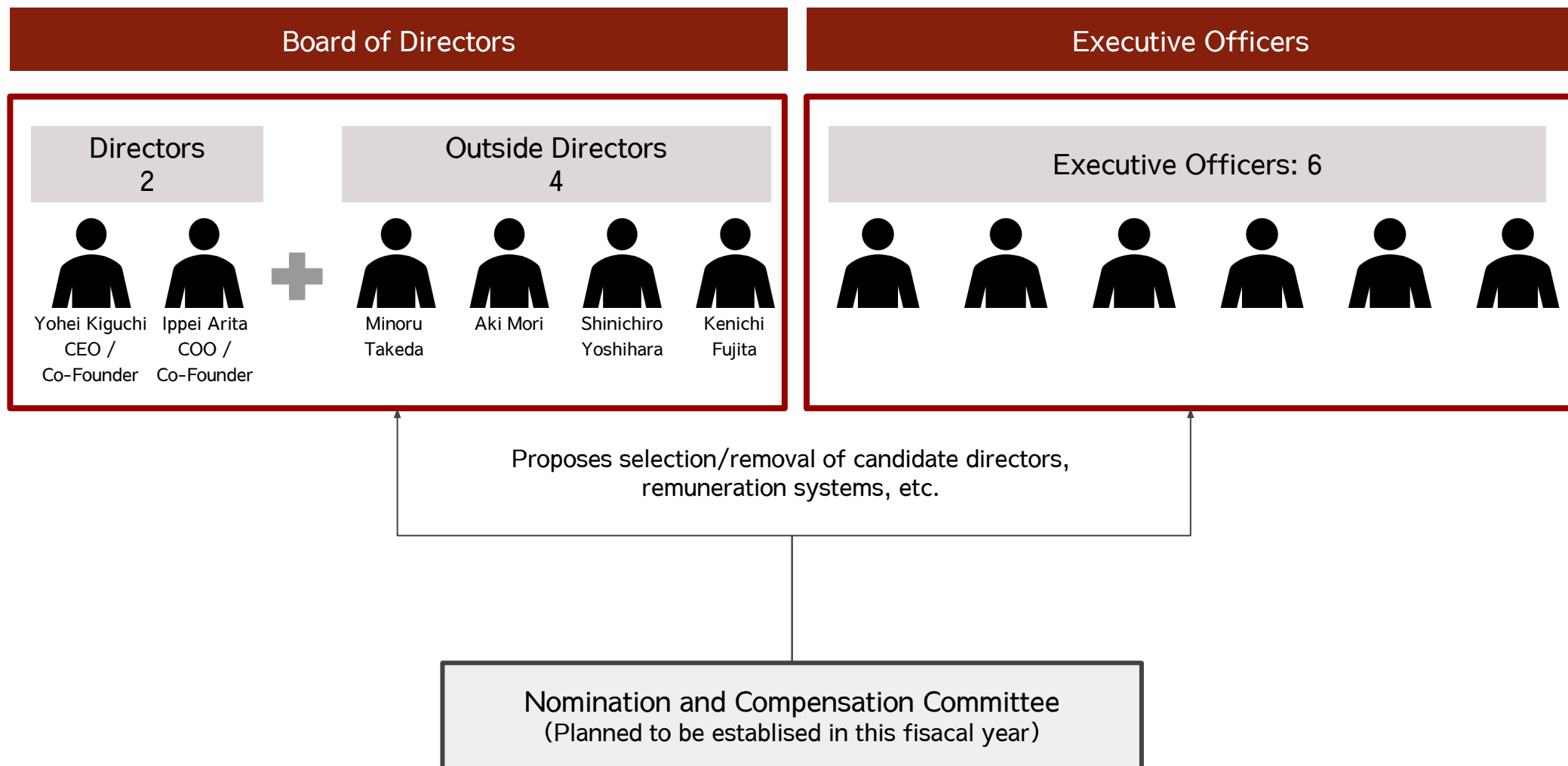
Disclosure of our commitment on the website

The 4 Ds of energy and initiatives towards the SDGs in our businesses

Deregulation	Electricity/gas switching platform for households	Improving quality of life and corporate value through freely switching energies 
	Electricity/gas switching platform for corporations	
Digitalization	EMAP (Digital Marketing Support SaaS)	Achieving a society that uses energy data to supply energy stably 
	SMAP (Smart Meter Data Utilization SaaS)	
Decarbonization	Japan Energy Fund (Renewable Energy Power Plant Analysis and Operation Management Services)	Achieving a carbon-free society and a society that utilises energy big data 
Decentralization		
Corporate		Changing Energy For A Better World 

The Board of Directors is composed of a majority of outside directors, and we are promoting the separation of management supervision and execution by introducing an Executive Officer system.

Aiming for further improving governance, we plan to establish a Nomination and Compensation Committee in this fiscal year.



Consolidated balance sheet

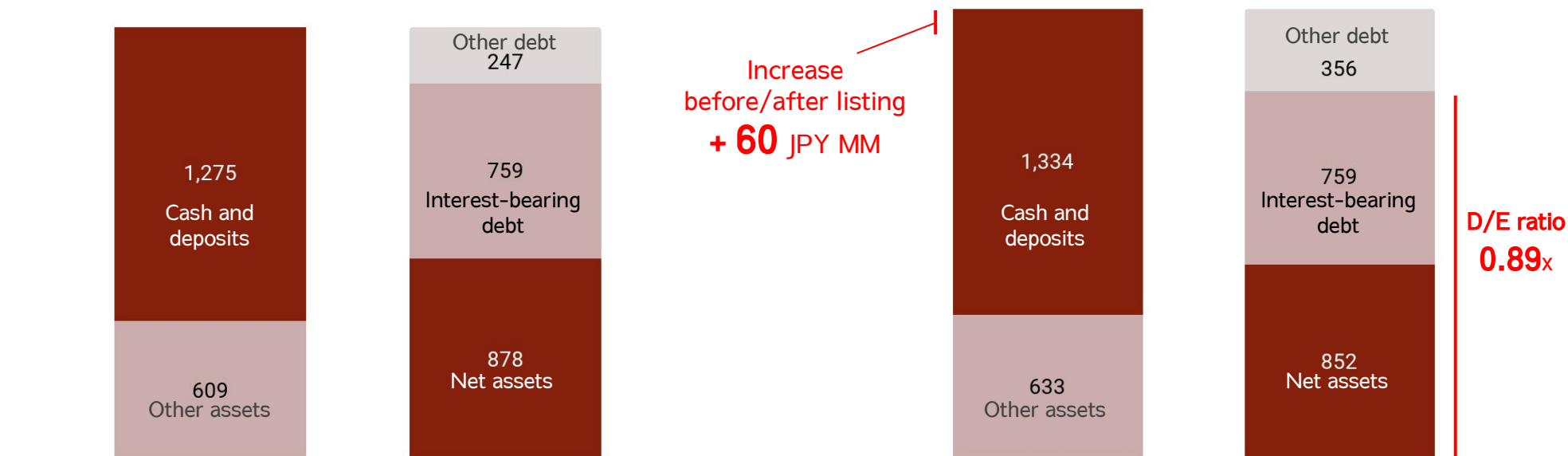
(Unit: JPY MM)	End of December 2020	End of March 2021	
		Actual	QoQ
Current assets	1,626	1,638	+11
Cash and deposits	1,334	1,265	(68)
Fixed Assets	340	434	+93
Total Assets	1,967	2,072	+105
Current Liabilities	364	534	+170
Interest-bearing debts	9	9	-
Fixed Debts	750	750	+0
Interest-bearing debts	750	750	-
Net Assets	852	787	(65)

Financial base to support mid- to long-term growth

As our cash flow from operating activities is positive, we intend to actively invest in the business within the scope where our operating profit can remain positive, as well as utilize our interest-bearing debt with an awareness of capital costs (D/E ratio = 0.89x). We shall consider financing through interest-bearing debt and equity in order to accelerate growth.

Consolidated Balance Sheet
As of end Sept. 2020 Unit: JPY MM

Consolidated Balance Sheet
As of end Dec. 2020 Unit: JPY MM



Cost Structure by Segment*¹

(Unit: JPY MM)	FY2020 Q1				FY2021 Q1			
	Company-wide	Platform Business	Data Business	Company-wide costs	Company-wide	Platform Business	Data Business	Company-wide costs
Sales	420	202	218	-	657	469	187	-
Cost of sales	104	14	90	-	96	14	83	-
Gross profit	316	188	128	-	560	456	105	-
<i>Gross Profit Margin</i>	75.2%	93.1%	58.7%	-	85.3%	97.1%	55.9%	-
Sales costs & general administration costs	274	160	39	75	527	371	45	102
Advertising expenses	16	16	0	0	14	14	0	0
Sales commissions, sales promotion expenses	65	65	0	0	274	274	0	0
Personnel expenses	111	51	25	36	137	49	38	50
Outsourcing expenses	41	22	7	12	57	34	3	20
Other	41	6	7	27	47	1	4	38
Operating profit*²	42	28	89	(75)	33	75	60	(102)
<i>Operating Profit Margin</i>	10.1%	13.9%	40.8%	-	5.0%	16.1%	32.1%	-

*1. The figures for the breakdown of sales costs & general administration costs are management accounting figures, and have not been audited or reviewed by KPMG AZSA LLC.

*2. The profits for each segment show the segment profits before distribution of company-wide costs.

Platform Business

Japan's largest electricity/gas switching platform

Through operation of a platform that has 2.2 million unique monthly visitors and 52 affiliated electricity/gas companies*, we can handle everything from price comparisons to switch processing all at once. The service was launched in response to the liberalization of the electricity market in 2016, and continues to grow due to the maturing of the liberalized market and the promotion of remote work in the pandemic.



For Households
Electricity/Gas switching platform

Deregulation

×

Decarbonization



For Companies
Electricity/Gas switching platform

Deregulation

×

Decarbonization

* Total number of partner electricity/gas companies as of the end of December 2020 (excluding duplicates).

Support for choosing the optimal plan from many different suppliers

For both ENECHANGE (for households) and ENECHANGE Biz (for companies), users can select their optimal electricity or gas tariffs offered by affiliated companies and apply to change - all for free. We can cater to a range of cost-reduction needs, with users able to select based on what is important to them, such as tariff structure and CO2 emissions.

Households

Average first-year savings for a standard four-person household: 38,512 yen*²

We chose environmentally-friendly electricity and saved 13,729 yen in the first year for a two-person household.*³



I chose the most economical plan at ENECHANGE and saved 47,935 yen in the first year for a four-person household.*³



I don't use much electricity, but I still wanted it cheaper, and saved 14,927 yen in the first year.*³



Companies

Average electricity charge savings: 15%*²

Our Shizuoka Plant has multiple factories, and switching all of them saves us 10.8% off our electricity costs.



Our Shizuoka distillery switched to low-environmental impact electricity in accordance with our Corporate Mission, saving us 17.8%.



At our Tokyo office buildings, we save even more after our second switch, reducing our costs 7.2% at all three sites.



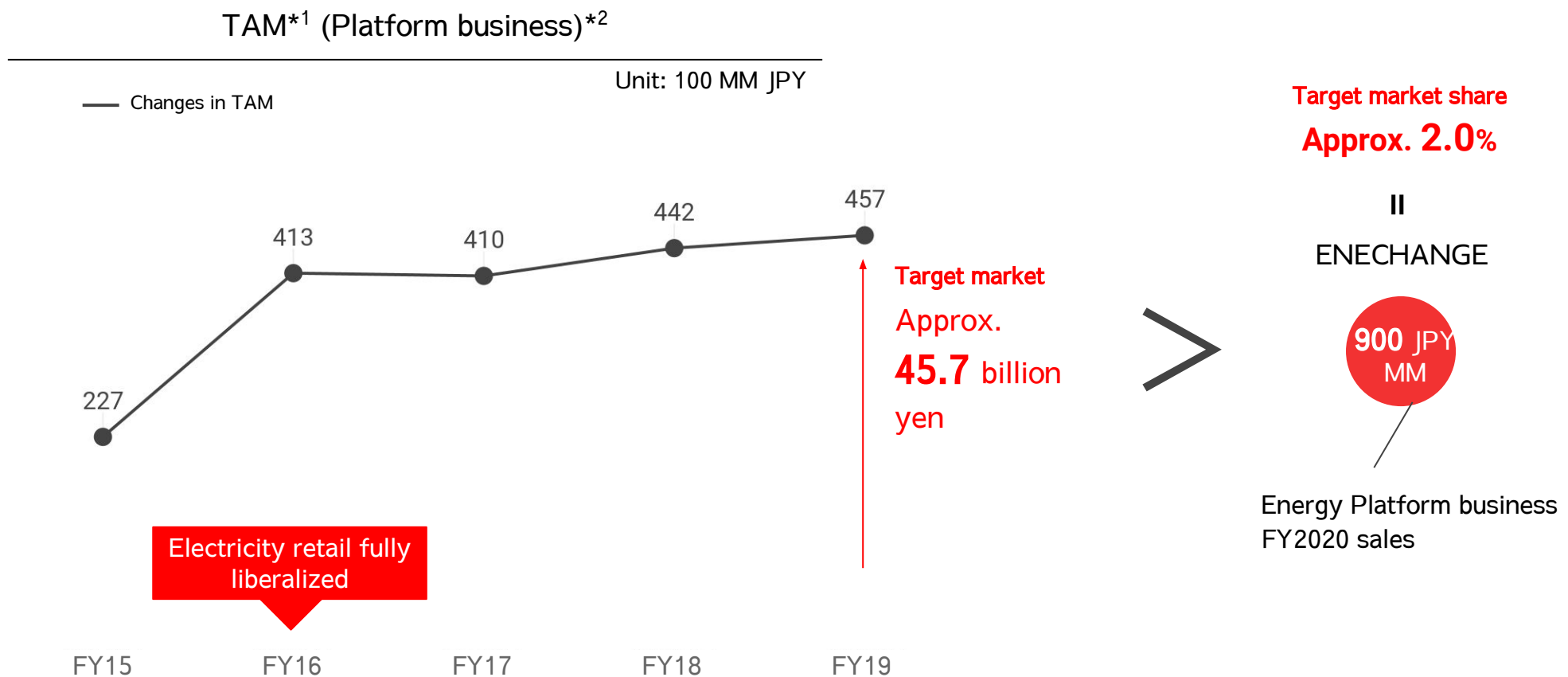
*1. According to the Ministry of Health, Labour and Welfare's "Comprehensive Survey of Living Conditions" (published July 2020) the average number per household was 2.39 persons in FY2019. Hence, the annual average amount of electricity saved is based on the results of a simulation that shows two- or three-person households in top place.

*2. Calculated the average reduction rate of electricity bills from our track record in corporate switches.

*3. First year savings including campaign.

Target market advertising budget in electricity industry: 45.7 billion yen

The complete deregulation of electricity retail in 2016 has meant expanding advertising budgets for the electricity industry. The advertising budget for the electricity industry, the target market of the energy platform business, is 45.7 billion yen, of which ENECHANGE's share is about 2.0%.

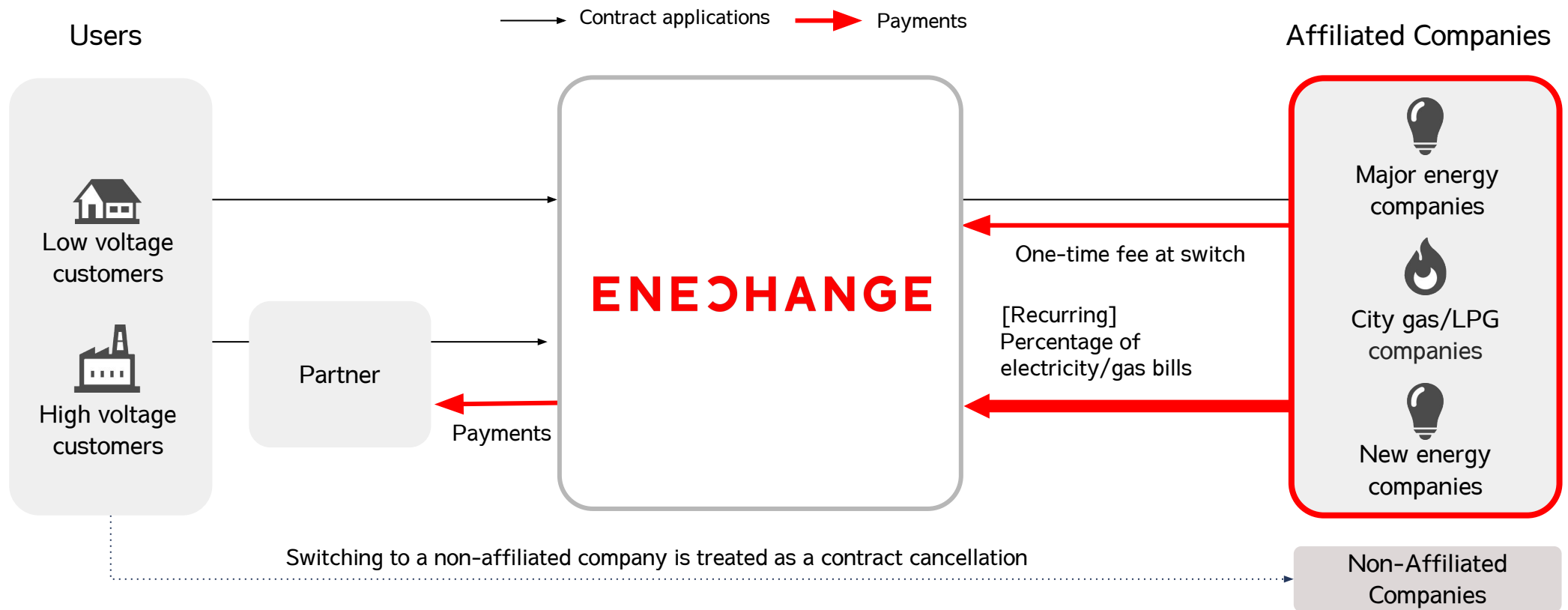


*1. TAM stands for Total Addressable Market. This term refers to the largest market size that the Group currently envisions. It is not calculated to show the objective market size of the businesses we are running as of the date of submission of this document, but includes estimated values as well.

*2. Calculated by multiplying the base market with the advertising-to-sales ratio of energy companies from Nikkei Advertising Research Institute, "Advertising Expenses of Leading Companies" .

Recurring revenue for electricity/gas usage bills

After switching an electricity or gas contract, we get a one-time fee from the affiliated company as well as recurring revenue linked to electricity/gas bills. We have partnerships with many companies, and switching to non-affiliated companies (cancellation) is limited. From the viewpoint of the affiliated company, our service is considered as a customer acquisition SaaS.

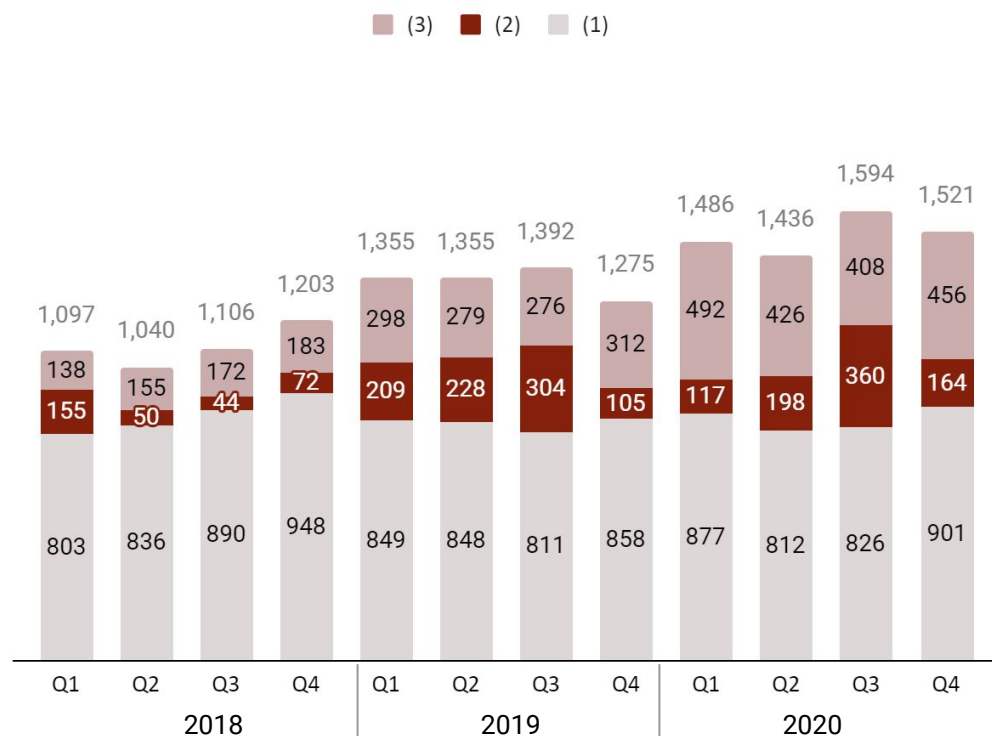


Numbers of switches and our switching share (Households)

Switches include switching (1) from “big 10” energy suppliers, (2) from a new entrant supplier, and (3) new contracts due to relocation. Our FY2020 Q4 shares of each segment are estimated at (1) 0.4% (2) 2.3% (3) 1.9% respectively, and 0.9% overall.

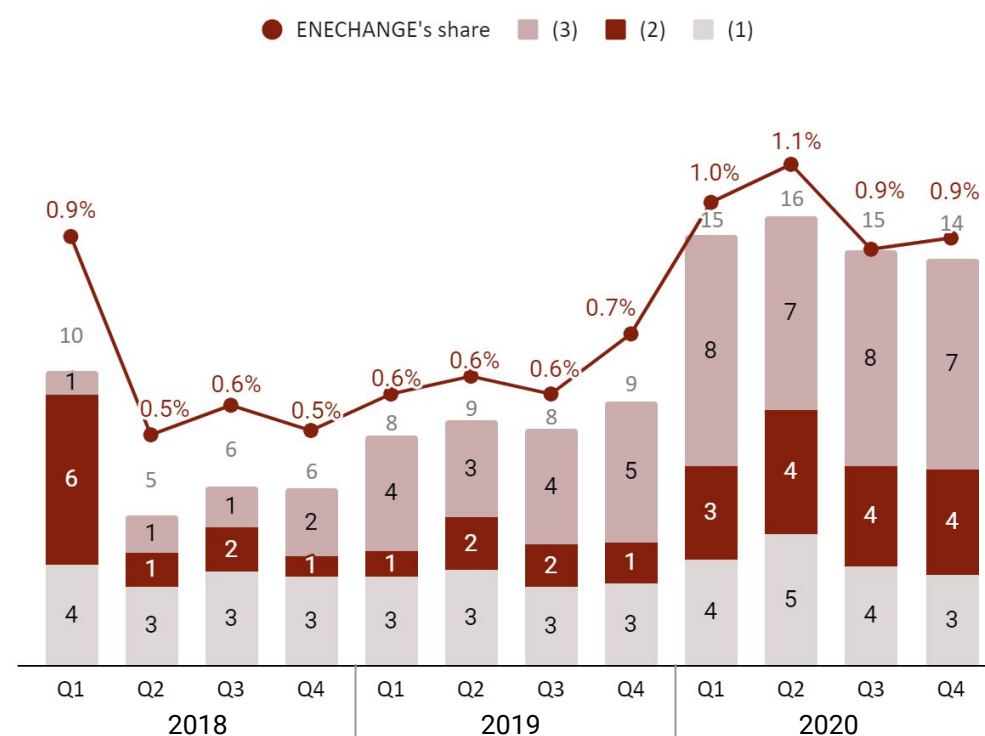
Number of switches to new entrants
in Japan (quarterly)*¹

Unit: Thousands
of cases



Number of switches at ENECHANGE
(households)*²

Unit: Thousands
of cases



*1. Based on Electricity and Gas Market Surveillance Commission, "Results of Electric Power Transactions".

*2. The number of switches at ENECHANGE is only for households because the number of special high voltage and high voltage switches is not included in *1. Share is the percentage of our switches in *1.

FY2020 Achievement: Increasing share of switches from new entrants

Number of switches from new entrants is increasing with the maturing effects of electricity liberalization. Compared to the first time switch, there were issues such as "the bill saving is difficult to estimate" and "the database management is complicated", but we actively support switching from new entrants with managing a database of 600 companies and more than 1,600 tariffs.

ENECHANGE simulator



Simulation results page at ENECHANGE

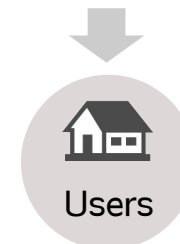
Our unique strengths



We manage more than 1,600 tariffs from 600 companies in our database

ENECHANGE

Can simulate and switch from new entrants without hassle



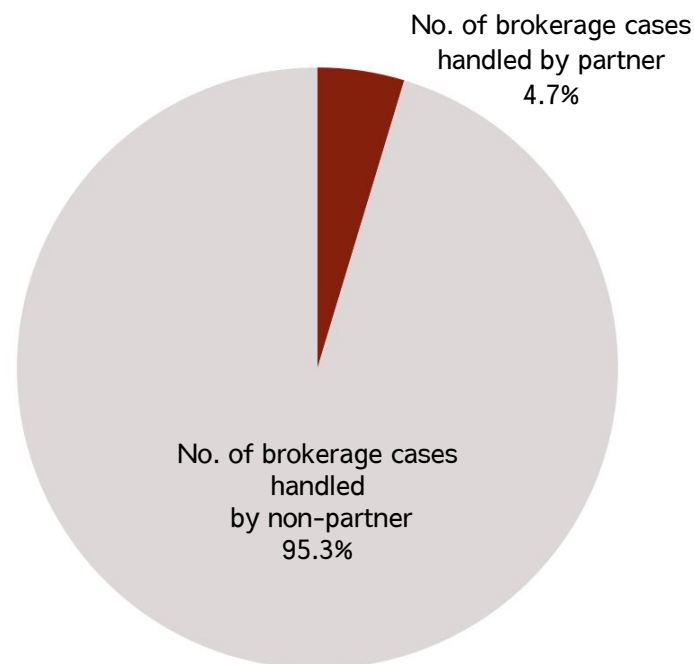
FY2020 Achievement: Increasing share of new entrants during relocation

Since liberalization, electricity is not provided unless you sign an electricity contract at the timing of relocation, and this often causes problems when moving in. In partnership with property agents, we offer "ENECHANGE for Relocation" to ensure smooth access to electricity when moving in.

Out of the property agents in Japan, approx. 4.7% cases are handled by our partner, and we expect even greater expansion.

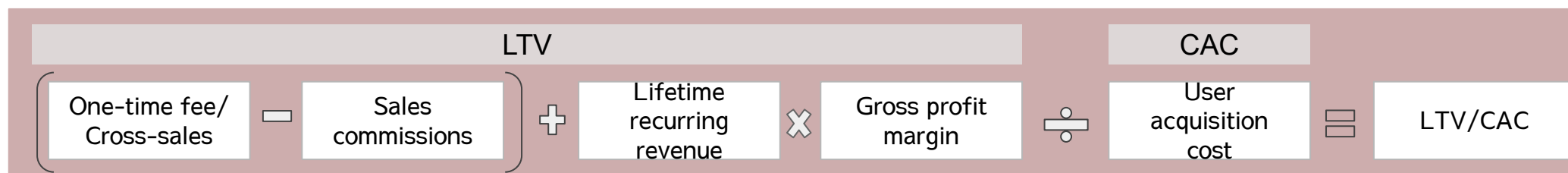
Brochures of “ENECHANGE for Relocation”

Share of partnerships with property agents
(as of the end of Jan. 2021)



*1. No. of brokered cases: Forecast for 2020 from Yano Research Institute Ltd., Calculated using the number of brokers we handle, based on the number of brokers projected for 2020.

LTV/CAC definitions and future policies



Explanation of Terms

One-time fee/ Cross-sales	- One-time fee are payments received from partner companies when switching electricity/gas. - Cross-sales are sales obtained by selling products other than electricity/gas switching to users.
Sales commissions	- Incentive fees from introducing customers from online/offline partners and fees related to issuing gift certificates given to ENECHANGE users. - The policy for both is to pay them within the scope of one-time fee.
Lifetime recurring revenue	- Total amount per user of recurring revenue received from partner companies who have received an electricity/gas switchover. - Calculated by multiplying the reciprocal of the churn rate (av. 1.10% for total EP business) to the figure that is the number of users eligible for recurring revenue (as of the end of the period) divided by the recurring revenue (recurring sales).
Gross profit rate	- Gross profit rate for Platform business
User acquisition cost	- Total of expenses shared across segments such as advertising expenses, personnel expenses, and call center and server expenses (totalled in the same way when we pay sales commissions that are one-time payments or more). - Calculated by dividing the above by the number of new users.

Action Plan (Highlighted areas are our focus areas)

Households

Expectation of
increase in
one-time fee

—

Development of
user-maintenance
measures to improve
churn rate

95% (FY2020)

Companies

Energy-saving
product cross-sales

—

Maintain churn
rate at low level

Policy for investing focused on advertising
expenses while maintaining LTV/CAC
at a healthy level

*1. The number of contracts is churns by the (number of contracts for the previous month + the number of supply starts for this month - the number of cancellations for this month) for household and corporate users. The churn rate is calculated by the ratio of the number of churns to the number of contracts which incur a renewal fee for home/corporate users (monthly average of last 12 months).

Data Business

Cloud-based digital transformation service for electricity/gas companies

We offer cloud-based digital transformation (DX) services for energy companies.

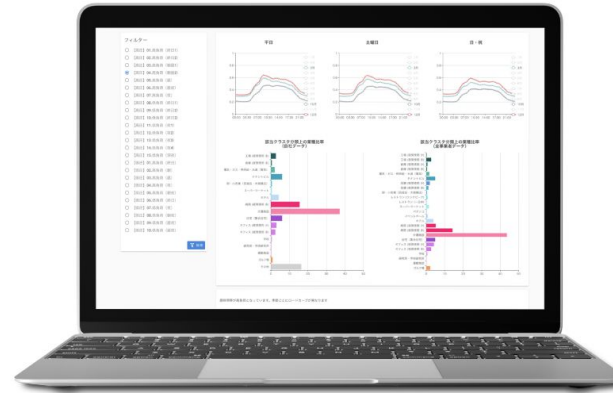
We are currently rolling out three services (EMAP, SMAP) and are developing multiple new services.



Electricity/gas
price comparison



Electricity/gas
switching application



Smart meter-based
customer analysis



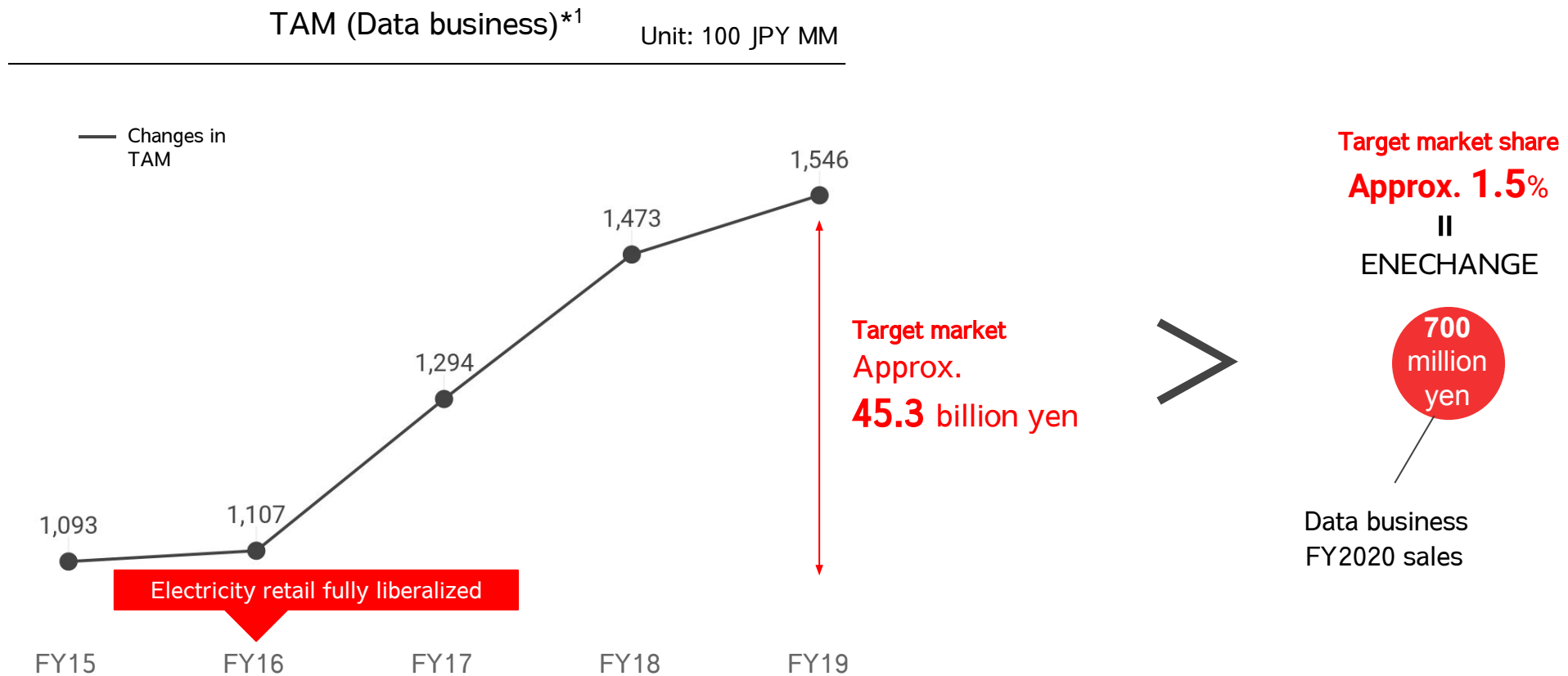
Smart meter-based
demand response

EMAP
Energy marketing SaaS

SMAP
Smart meter usage SaaS

Target market is new IT system budget in electricity industry: 45.3 billion yen

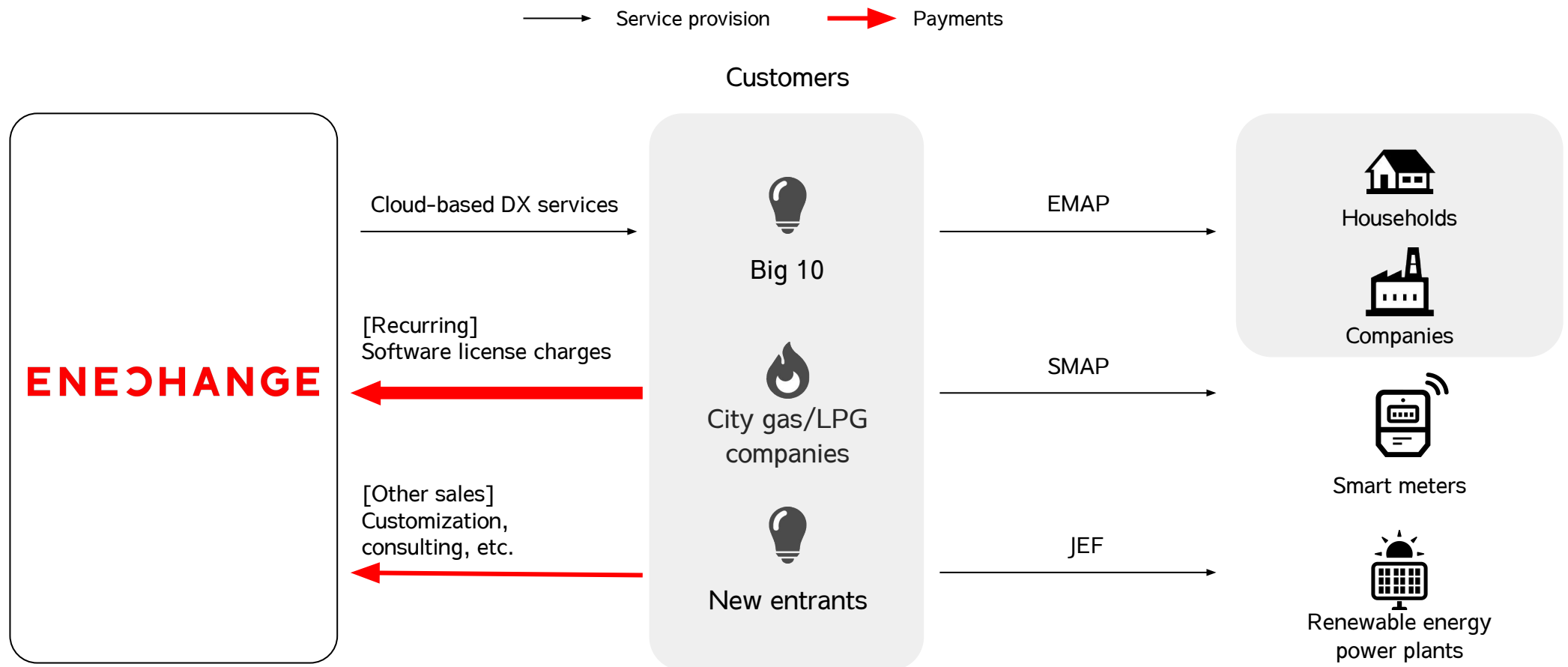
With the demand for investment in new systems related to the 4 Ds of energy, the sales IT budget ratio of the electricity industry has increased. The increase from 2015, before energy liberalization, has been 45.3 billion yen. ENECHANGE considers this our target market, and our share is estimated at 1.5%. In addition, our main competitors are on-premises businesses, so we can expect an expansion of our share through enhancing our SaaS products.



*1. Multiplied the base market with the IT budget ratio in the energy industry (infrastructure sector) sales in Japan Users Association of Information Systems.

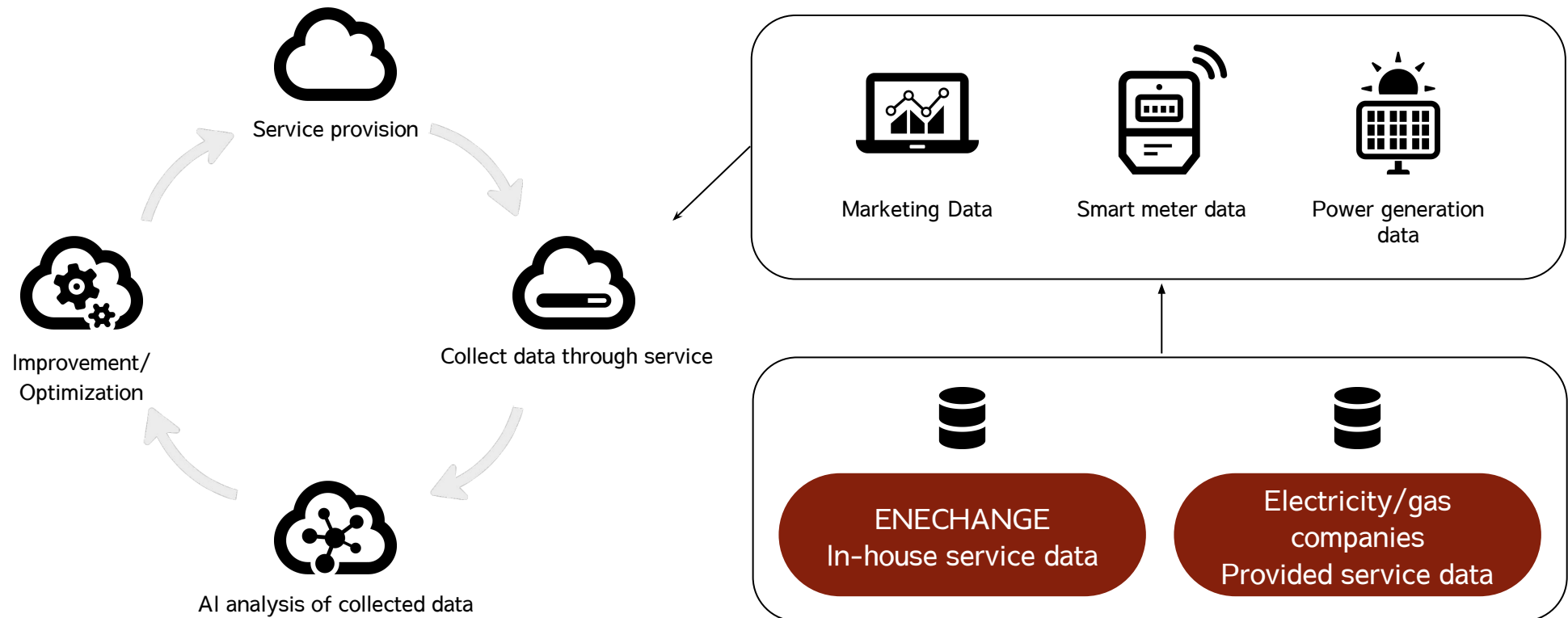
Recurring revenue from monthly license charges

We provide our proprietary products as SaaS (B2B2C) to electricity/gas companies, and our revenue is based on recurring software licenses (recurring revenue ratio: 66%) through usage charges linked to the number of households, companies, smart meters, etc. Other sales come from customization, etc.



Providing services based on big data analysis

By transforming marketing data, smart meter data, power generation data and more with AI technology, we can provide more advanced services than any single company alone.



Case Study (EMAP): Launch with Hokuriku Electric Power Company, increasing customer satisfaction and reducing costs

Hokuriku Electric Power started using EMAP for relocation and customer support management.

EMAP leverages the accumulated experience at ENECHANGE, and we have improved user satisfaction and reduced costs.

Five years have passed since the start of electricity liberalization in 2016, and we anticipate more demand for EMAP.

EMAP for Hokuriku Electric Power



User Voices (Hokuriku Electric Power Company)



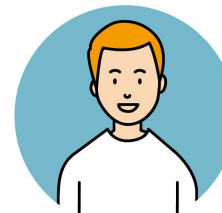
Customer support

Being able to complete procedures on the website has reduced the number of incoming calls, greatly relieving the load on the call center.



Living sales department

EMAP's user-friendly UI improves customer satisfaction, prevents them canceling, and supports acquiring new contracts.



Systems department
supervisor

Provision through SaaS means we don't need to manage infrastructure and can update flexibly, which keeps operation costs down.

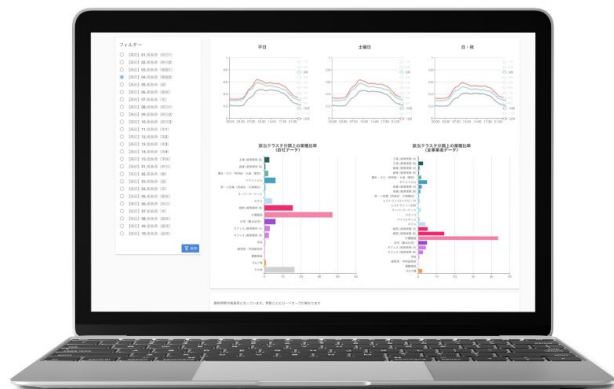
Case Study (SMAP): Expanding to new entrants through enhanced functionality

The spread of smart meters is increasing the need for data utilization by new entrants.

New SMAP-enhanced functions use machine learning (AI) technology to analyze load curve and formulate sales policies, help reduce costs, and so on.

Key enhancements in 2020

1. Customer load curve analysis
Providing a sales strategy support service by utilizing technologies such as load curve analysis and clustering.
2. Automation of grid tariff optimization
Energy retailers can reduce cost by optimising grid tariff per customer. SMAP automates this optimization process by incorporating and analysing smart meter data.

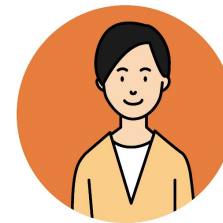


User Voices (New energy companies)



Sales

By using load curve analysis we are able to easily select customers who use a lot of electricity during the daytime, and therefore suitable to solar panel sales.



Sales

We can conduct load curve analysis, so we are considering a campaign for specific clusters and estimating scale when studying new tariffs.



Manager

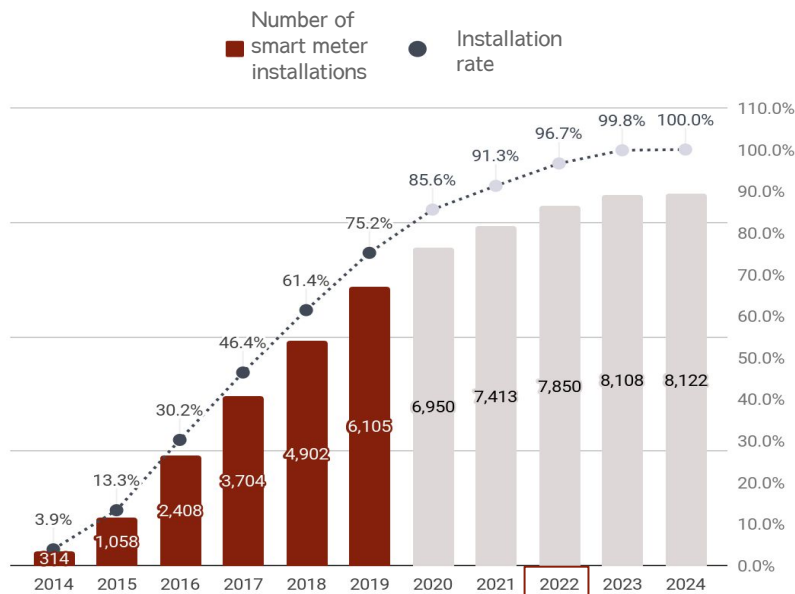
Thanks to automation of grid tariff optimization, we can reduce costs by several tens of millions of yen annually without any additional effort.

Open access to smart meter data in 2022

Smart meter data*¹ is expected to be available through open API access in April 2022, which will allow companies other than electricity/gas companies access to data obtained from over 78 million smart meters.

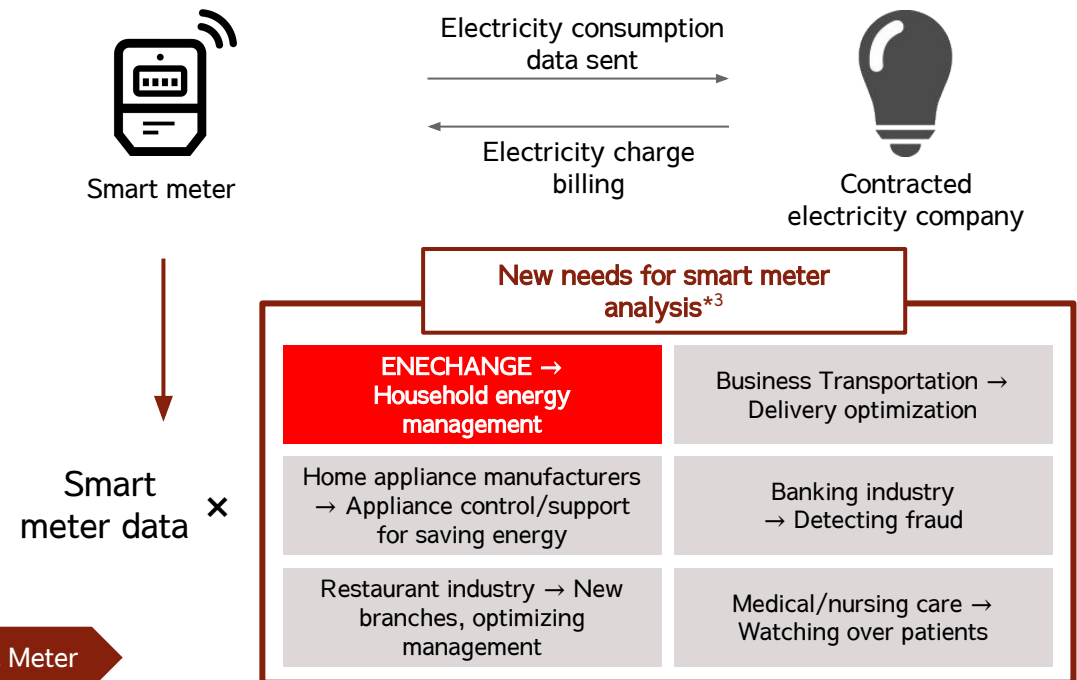
The utilization of smart meter data is expected to expand, and we will aim to expand our smart meter-related businesses.

Number of installed smart meters*²



April 2022: Open Access of Smart Meter

The future of smart meter data



*1. The "Revision of the Electricity Business Act and the Act on Special Measures Concerning Procurement of Electricity from Renewable Energy Sources by electricity Utilities" to promote the utilization of smart meter data to expand the use of data obtained from smart meters was passed by the 201st Ordinary Session of the Diet and is scheduled to come into effect in 2022. Once the law comes into effect, smart meter data will become available for use by businesses other than electricity retailers, and the use of smart meter data by various businesses is expected to stimulate the market.

*2. Graph created based on the plans to introduce smart meters in the low-voltage section in the Agency for Natural Resources and Energy 27th Electricity and Gas Basic Policy Subcommittee Document 3, "Progress of full liberalization of electricity/gas retailing" (July 28, 2020).

*3. Taken from examples in the materials in the Agency for Natural Resources and Energy, "The Effective Utilization of Power Data" (March 19, 2020)

Entering a 100 Billion yen VPP (virtual power plant) market

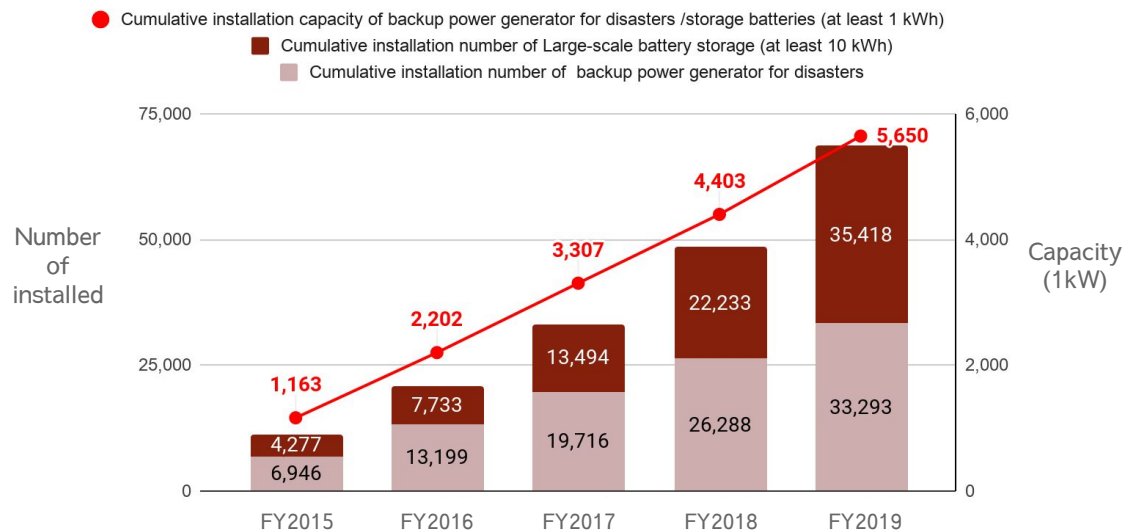
We expect to see a VPP market (estimated scale: 100 billion yen) start in Japan with the launch of the balancing market in 2021*¹ and the capacity market in 2024. Leveraging our access to Japan's largest energy platform and energy data utilization technology, we will enter into the VPP market.

VPP Market Scale in Japan

The amount of flexible resources such as batteries and backup power generation is 5.6GW,*² and the market scale in Japan is expected to be 100 billion yen.

Overseas market size: UK: JPY 79 BN, Germany: JPY 85 BN*³

Backup power generator for disasters / Large-scale battery storage (at least 10 kWh)
Cumulative installation/capacity transition in FY2015-19



Launch of ENECHANGE DR Service

We announced our ENECHANGE DR (Demand Response) service, a matching platform for flexible resources (batteries, backup generators, etc.) aimed at aggregators entering the VPP market (February 9, 2021).

We aim to become the biggest DR resource matching platform in Japan.



*1. Tertiary adjustment capacity refers to the adjustment capacity aimed at balancing supply and demand. Response time for (1) is 15 minutes and for (2) is 45 minutes. Continual use is 3 hours.

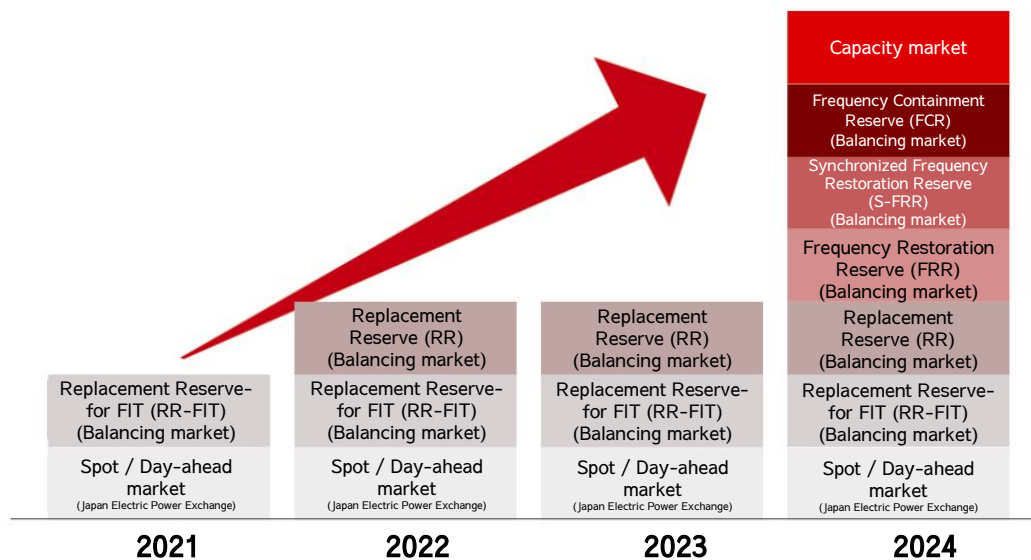
*2. Cumulative total of the number of new installations of backup power generators for disasters and large storage cells (at least 10 kWh) in FY2015-19. Sources: Backup power generators for disasters: Nippon Engine Generator Association / Large storage cells: Japan Electrical Manufacturers' Association independent statistics

*3. Created by ENECHANGE based on the final report (July 2018) of the "Survey of Supply and Demand Adjustment Markets in Western Nations" (converted at 1 EUR = 125 JPY / 1GBP = 140 JPY)

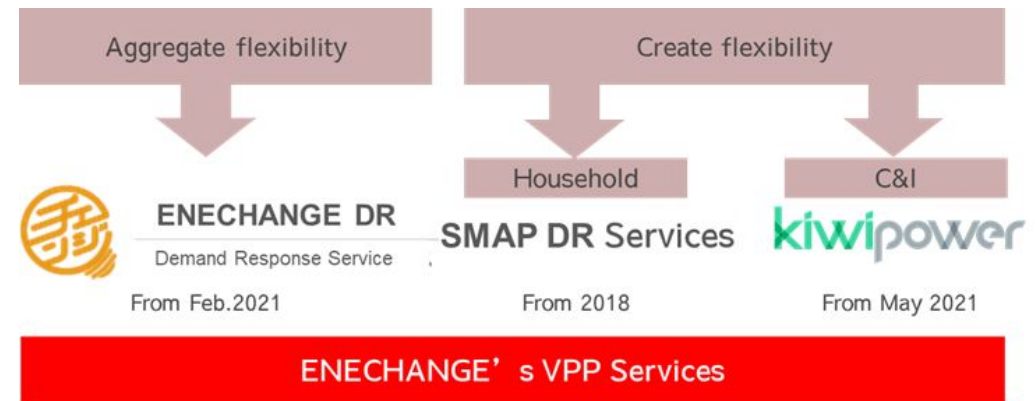
Entering a 100 Billion yen VPP (virtual power plant) market

The VPP market in Japan (estimated market scale of 100 billion yen) is expected to be driven by the balancing market (Replacement Reserve-for FIT (RR-FIT) from 2021 and Replacement Reserve (RR) starting in 2022*¹) and the capacity market (starting in 2024). (Overseas market scale: UK: 79 billion yen, Germany: 85 billion yen*²) Leveraging Japan's largest energy-related customer base and energy data utilization technology, we will make an entry into the VPP market.

VPP Market Scale in Japan



Our VPP strategy



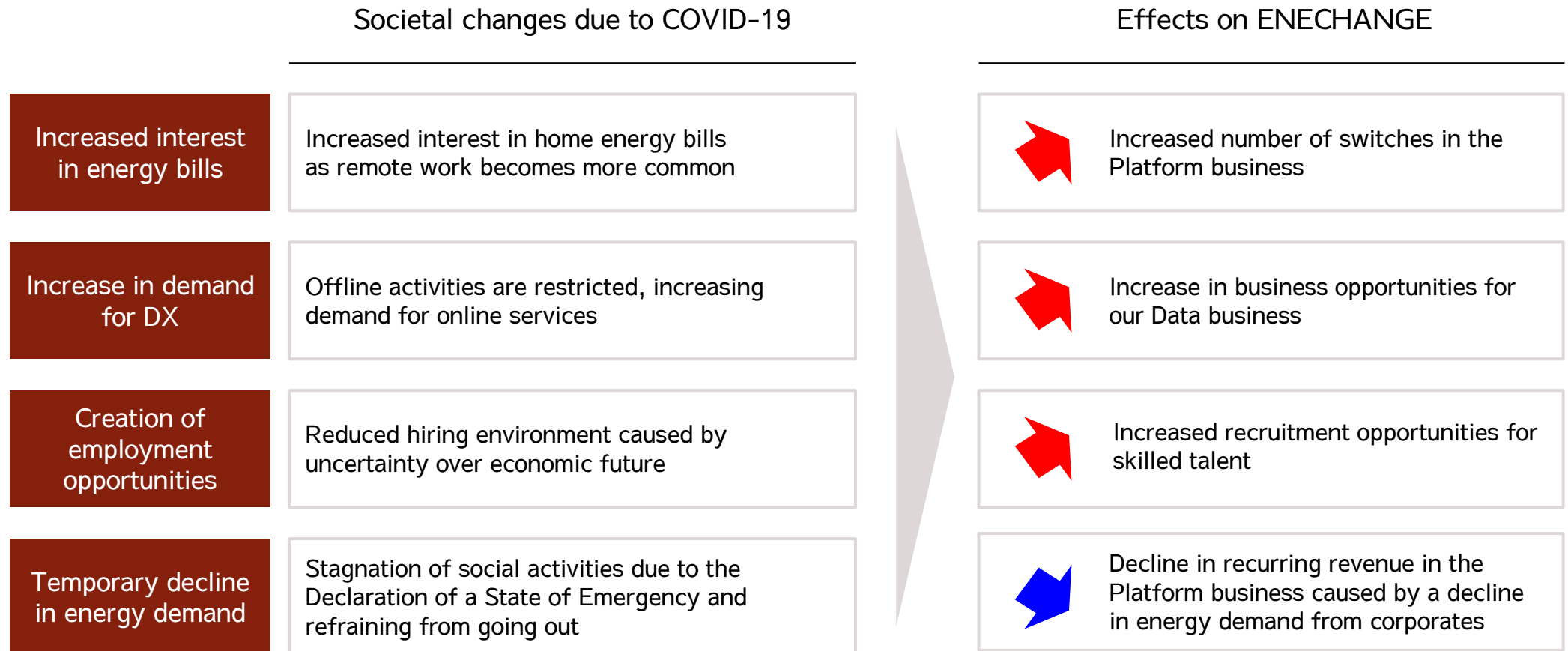
*1 Replacement Reserve refers to the flexibility (of a power system) for the purpose of adjusting the supply-demand balance. The response time for RR is 15 minutes and for RR-FIT is 45 minutes, with a duration of 3 hours

*2 Calculated by ENECHANGE based on the final report of the "Survey on the Balancing Market in Europe and the United States" (July 2018) by OCCTO (calculations based on €1 = 125 yen and £1 = 140 yen)

Risk Information

Effects of COVID-19 lockdown

With the spread of COVID-19 and the Declaration of a State of Emergency by the government, we consider this to be an opportunity for expanded usage of online channels and increased demand for DX services. In addition, we will accelerate the recruitment of talent by encouraging remote working practices. At the same time, the lockdown has caused a temporary decrease in electricity demand, especially by the corporate sector, and this could decrease our recurring revenue in our Platform business.



Item	Affected Business Segment	Main Risk	Potential of Manifestation	Impact	Risk Countermeasure
Business environment: Electricity retail market	Platform	- The possibility that growth of existing businesses will slow with switching rates declining, caused by events such as a decrease in interest of end users to switch as well as lowered competitiveness among new energy retailers.	Low	High	- Raise awareness of the Company and to educate users in order to increase their motivation to switch - Respond by developing businesses that do not depend on switching in business fields such as digitalization, decarbonization, and decentralization to combat concerns about slowed growth in the electricity retail market.
Business environment: Energy policy reform	Data	- The possibility that the development of new businesses could be affected if energy-related deregulation or systematic reforms in Japan do not proceed as planned, or there are unexpected changes in the laws or regulations.	Low	High	- Respond by monitoring system reform by setting up a government policy supervisor, submitting public comments, and participating in governance committees.
Other: Novel coronavirus infections	Platform Data	- The possibility that the energy usage of corporate users drops considerably due to repeat declarations of states of emergency and calls to refrain from going out as the COVID-19 pandemic becomes long-term, or that it affects the business performance of our Group customers more than expected.	Medium	High	- Diversify business offerings to mitigate adverse effects of coronavirus pandemic.

Item	Affected Business Segment	Main Risk	Potential of Manifestation	Impact	Risk Countermeasure
Business content/Provided services: Dependence on electricity/gas companies	Platform Data	- The possibility that unexpected events such as natural disasters and sudden phenomena could worsen the management conditions of the electricity/gas companies that are our business partners, leading to revisions of existing contract conditions, cancellations, suspension of new orders, and so on.	Low	High	- Respond by establishing a business foundation that does not depend on specific companies by expanding businesses in multiple directions.
Business content/Provided services: Status of competitors	Platform Data	- The possibility that the entry of competitors could cause greater competition in the Group's business fields, resulting in user cancellation, drops in unit prices contracted with electricity/gas companies, or a slowdown in taking up our services.	Low	Medium	- Respond by developing better services and products through healthy competition.
Business content/Provided services: Search engines	Platform	- The possibility that customer acquisition could be affected if changes to algorithm logic in internet searches affect the display rankings of search results or a new search engine becomes mainstream.	Medium	Medium	- Adjust SEO strategy. - Respond by attracting customers through channels that do not rely on the internet.
Business content/Provided services: Technological innovation, etc.	Data	- The possibility that we will be unable to respond quickly enough to changes in customer needs or technological innovations, or that it will require considerable funds such as system investment or personnel expenses to respond to these changes.	Low	Medium	- Facilitate horizontal information sharing between departments, mainly through the CTO Office, and by rolling out services that match customer needs.
Business content/Provided services: System failures, etc.	Platform Data	- The possibility that natural or man-made disasters, terrorism, war, etc. could cause a system failure and hamper the provision of our services.	Low	High	- Respond by reducing risk in system architecture to minimize reliance on external vendors such as servers, and formulating a backup plan that allows business continuance in the event of a system failure in an external vendor.