

ENECHANGE

CHANGING ENERGY FOR A BETTER WORLD

FY2021 3rd Quarter Financial Results

ENECHANGE Ltd.

November 12, 2021

Tokyo Stock Exchange Mothers

Securities Code: 4169



Handling of these materials

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

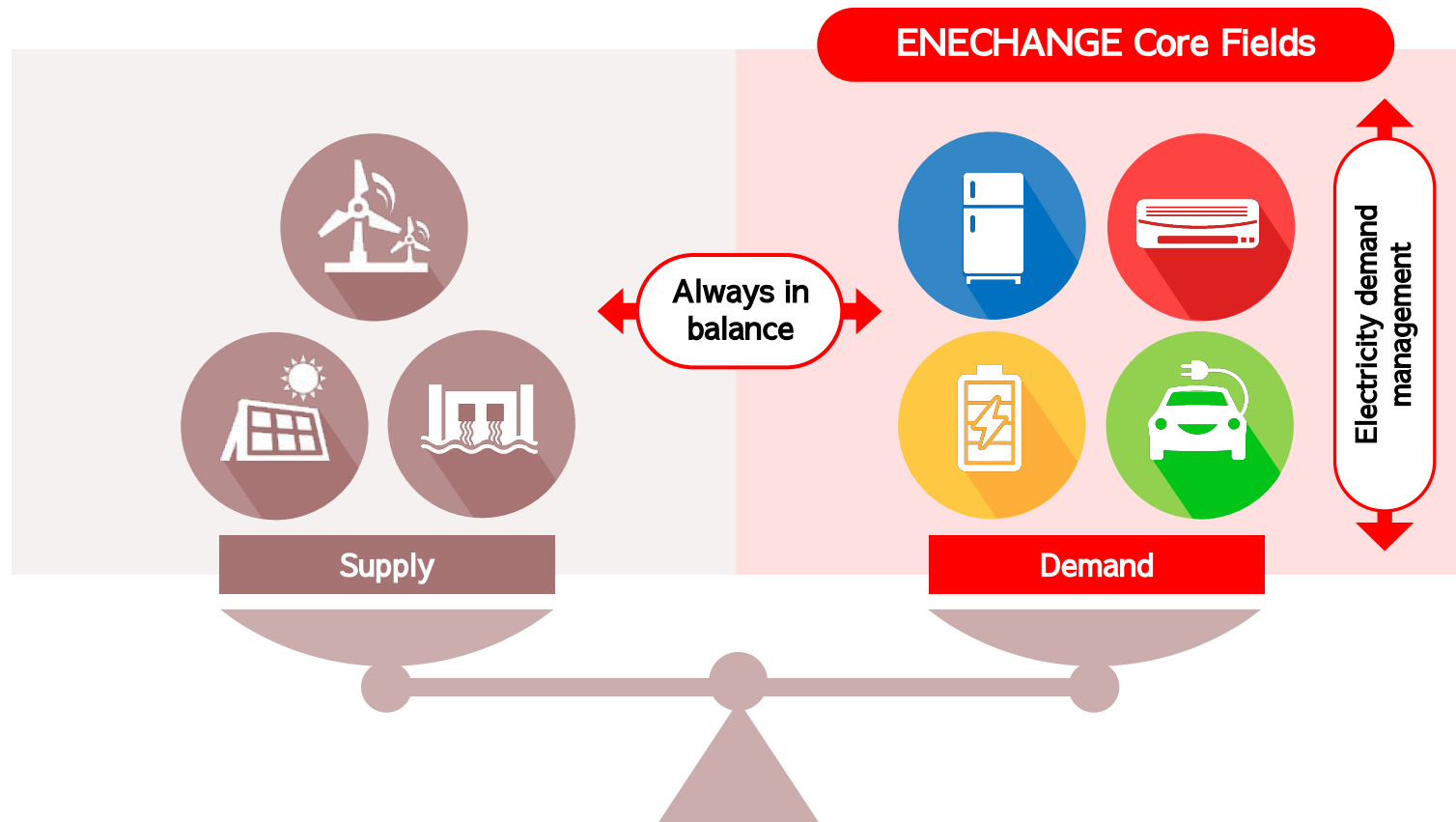
In addition, information contained in these materials from outside our company has been quoted from publicly-available information, etc. We have not verified the accuracy, appropriateness, etc. of such information in any way, and make no guarantees regarding it.

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Company Highlights

ENECHANGE is a company that promotes carbon zero

With international agreements in place targeting net zero by 2050, the energy industry is in need of major reforms. ENECHANGE's core business is innovation on the demand side of electricity. We will promote the realization of a net zero future through energy switching and demand management technologies such as electric vehicle charging infrastructure and battery management.

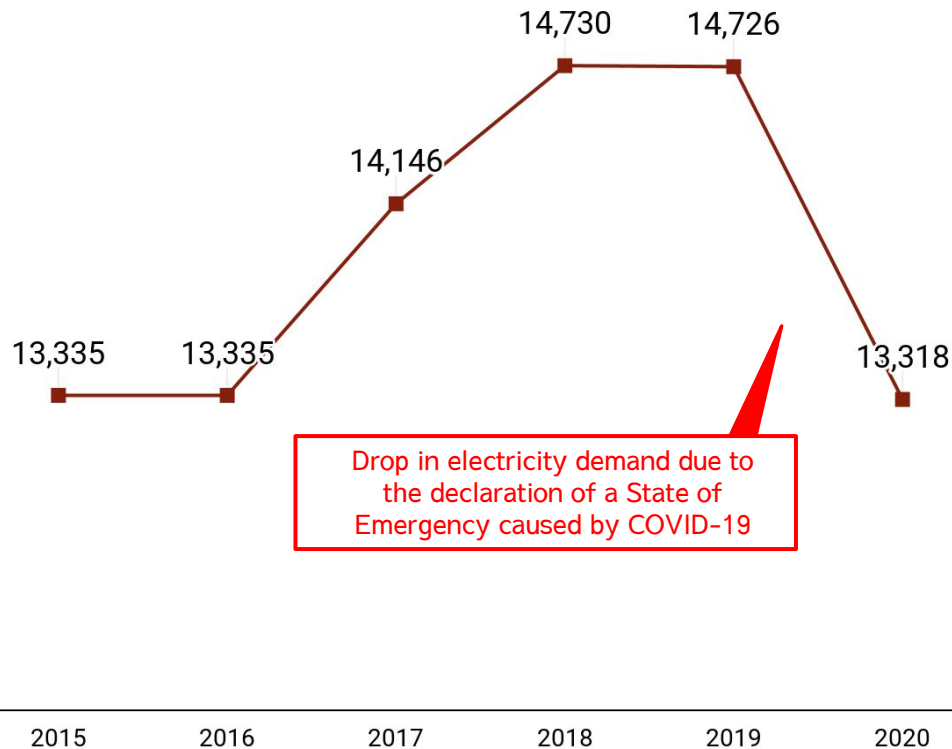


*1. Prepared by ENECHANGE based on National Institute for Environmental Studies, "Greenhouse Gas Inventory" and "Greenhouse Gas Emissions Data for Japan". Includes energy conversion sector, industrial sector, business sector, households sector, and transportation sector.

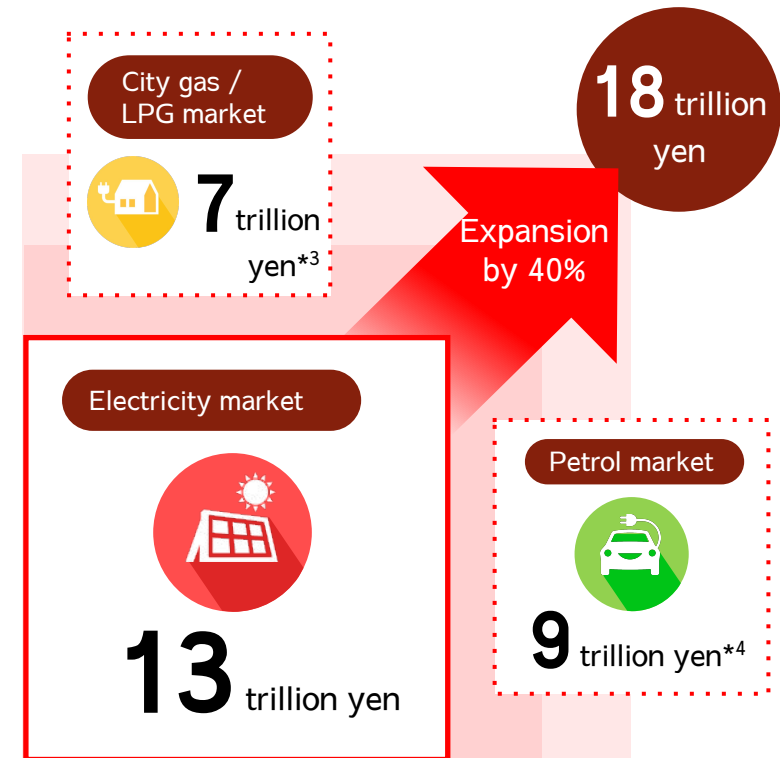
Electrification will expand electricity market to 18 trillion yen

The move towards decarbonization is encouraging the spread of fully electrified homes and electric vehicles. As a result, the electricity market is expected to grow from its current level of 13 trillion yen to 18 trillion yen (+40%*¹) by 2050.

Electricity Market (Base Market)*² Unit: JPY BN



18 trillion yen market through electrification



*1. Source: METI, “Green Growth Strategy towards 2050 Carbon Neutrality”.

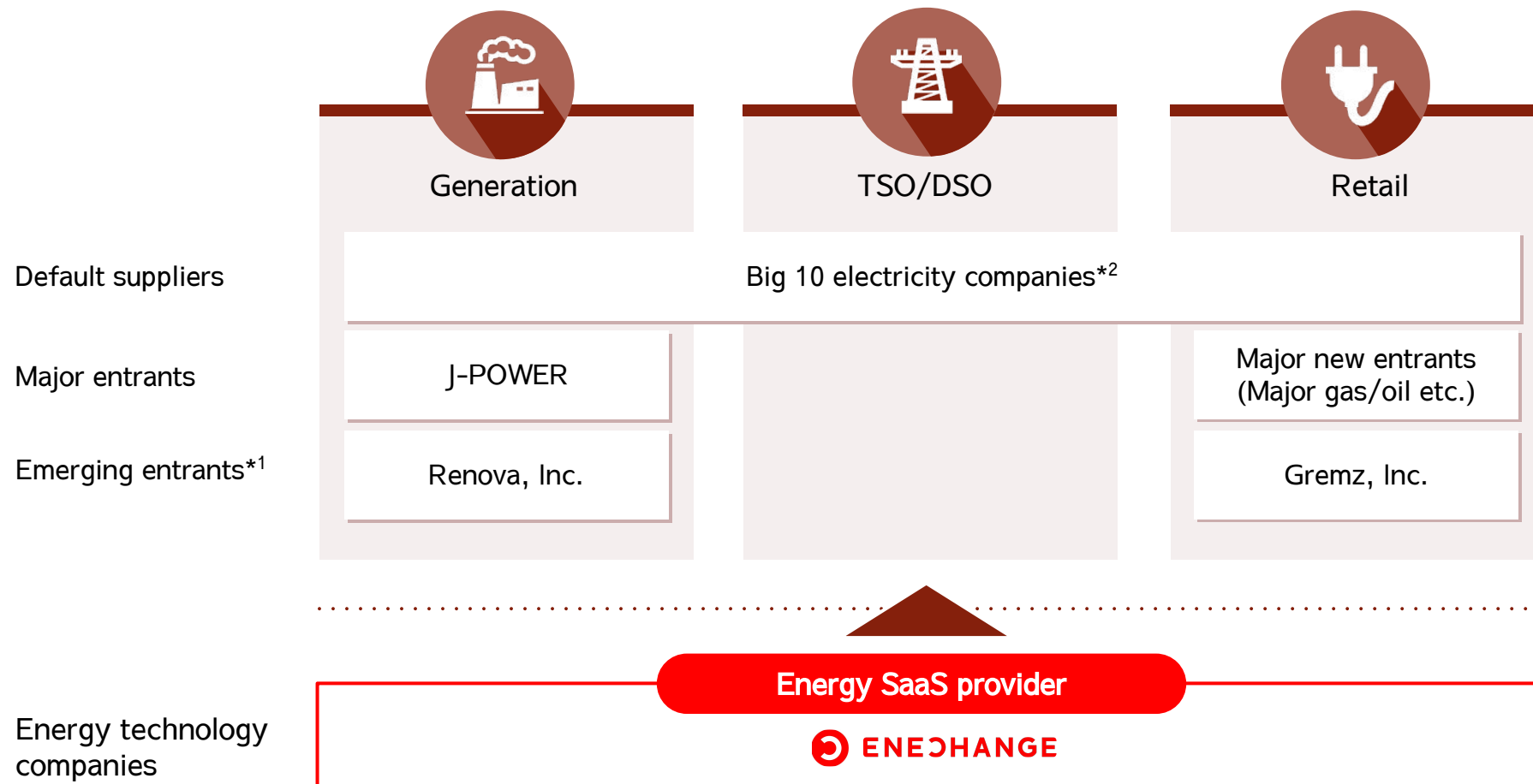
*2. Based on the electricity sales amount in Electricity and Gas Market Surveillance Commission, “Electricity Trading Report Results” Figures for 2015 are not listed so are assumed to be the same as for 2016.

*3. 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.

*4. 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 market neutral technology provider. As we move towards a carbon-free society, our role is to empower the transformation of the entire energy industry by providing the latest technologies and technical services to energy companies.



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

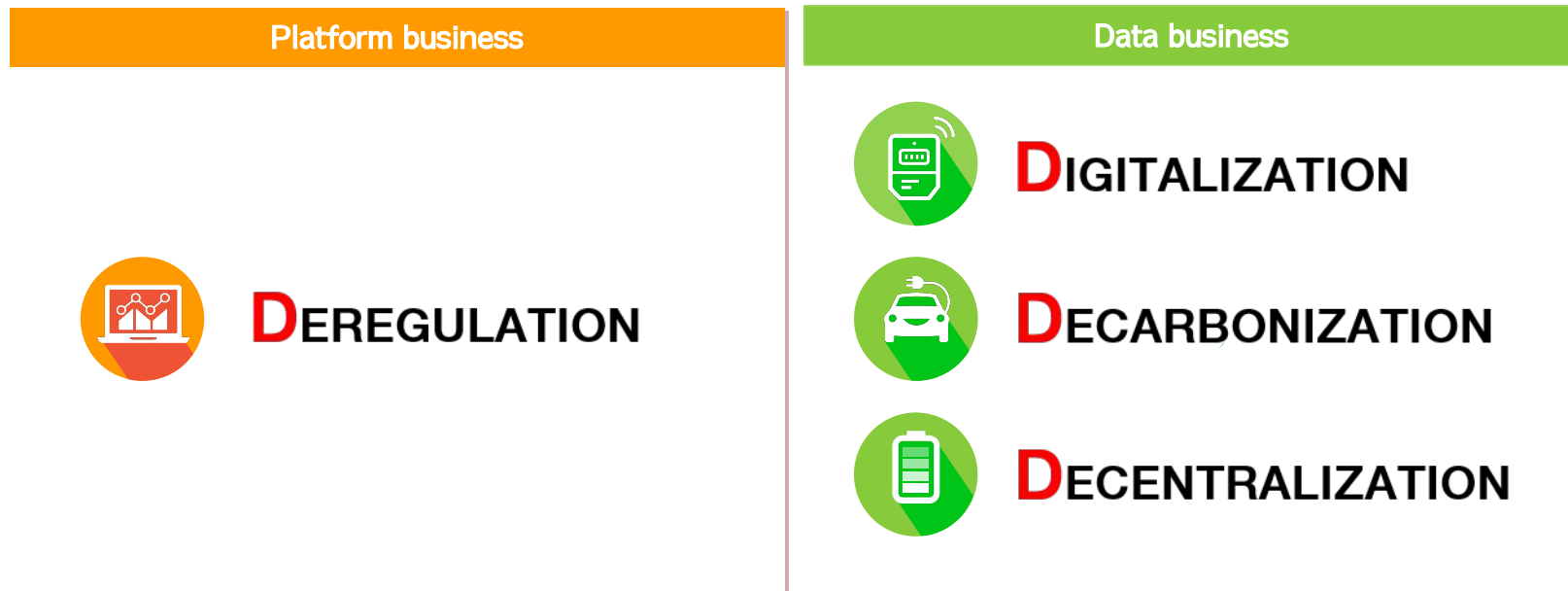
*2. TSO/DSO are legally split due to unbundling in 2020.

Energy SaaS specialized in the 4Ds of Energy

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

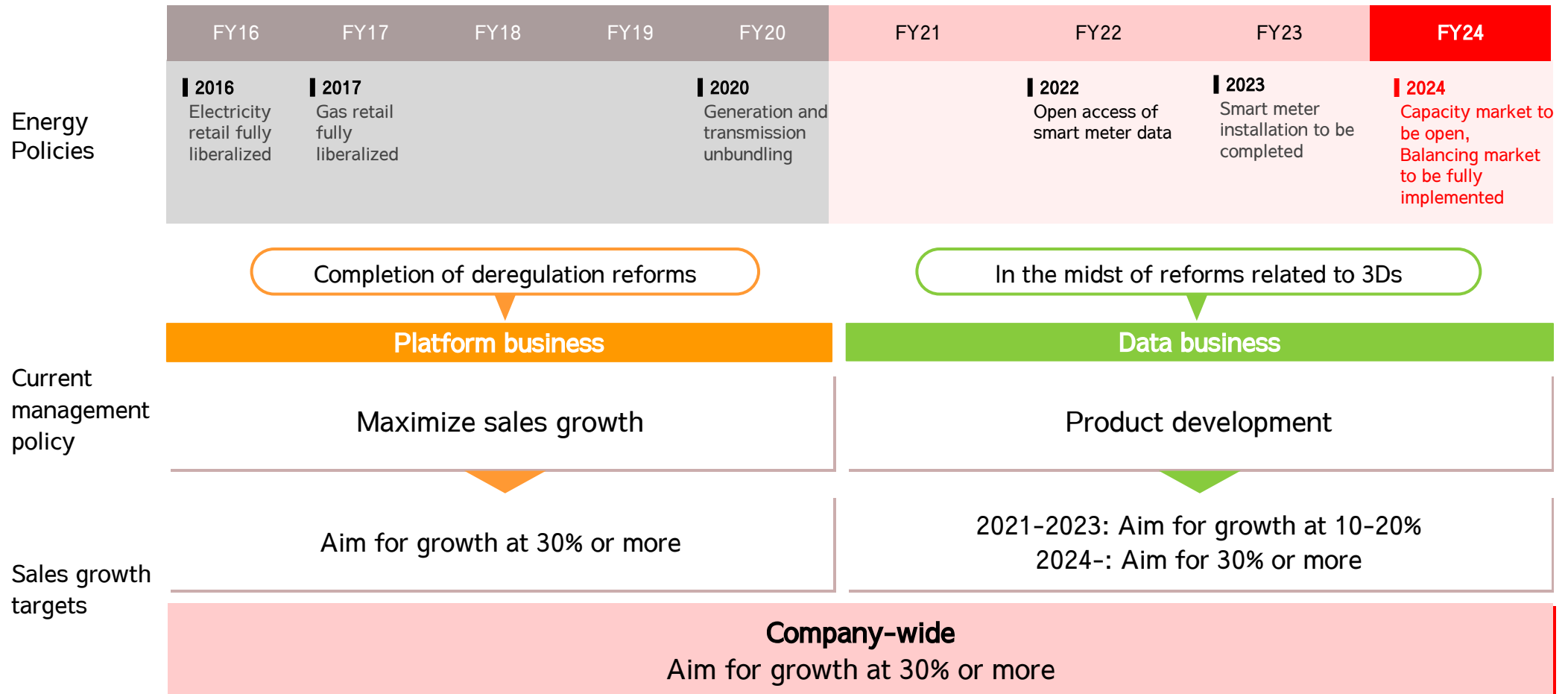
Deregulation falls under our Platform business, while the other Ds fall under our Data business.

4D



2 stages of growth in line with energy policy reforms

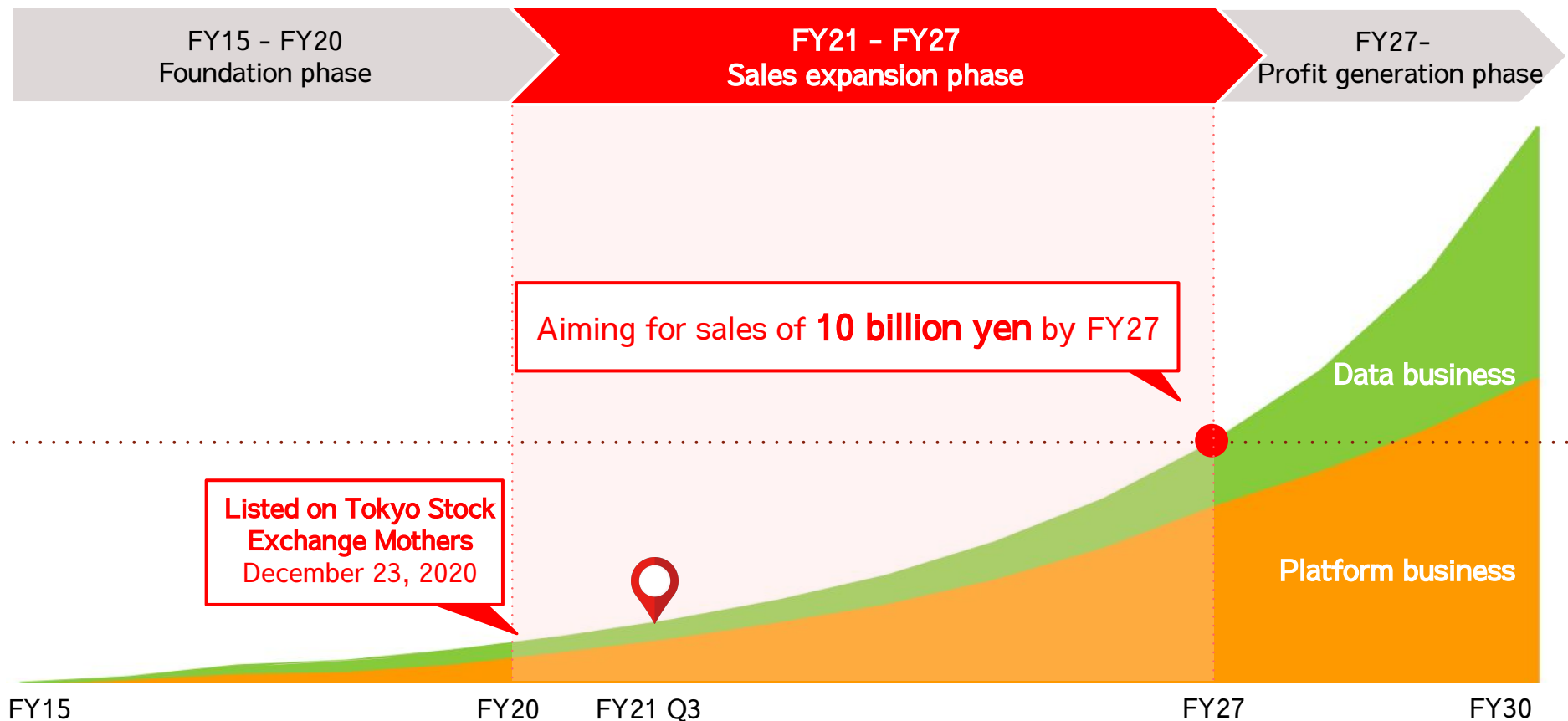
Japan's energy policy reform is in a nine-year transitional period set between 2016-2024. The Platform business, which is in step with completed policy reforms, is in the sales expansion phase. However, as policy reforms related to the Data business will not be completed until 2024, product development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



Prioritizing sales growth to achieve 10 billion yen sales by FY2027

We are targeting an annual sales growth of 30% on average and are aiming for sales of 10 billion yen by FY2027. We also aim to achieve this goal ahead of schedule through the use of the capital market.

Changes in Sales



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 experience led me to pursue a PhD in engineering at the University of Cambridge, UK. Behind this decision, which might seem like taking the long way round, was my belief that acquiring 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 reform the energy industry through the 4Ds. ENECHANGE uses the technological capacity, global knowledge, and networks we fostered at Cambridge to encourage reform in Japan's energy industry.

- Yohei Kiguchi, CEO



Executive Summary

FY2021 Q3: Executive Summary

Consolidated Financial Results (FY2021 Q3)

New record quarterly sales of 800 million yen (+79% YoY) and recurring revenue of 301 million yen (+28% YoY)
New record quarterly gross profit of 677 million yen (+87% YoY) and adjusted operating profit of 395 million yen (+176% YoY)

Platform business

The number of users **reached a record high (+33% YoY)**
Record-high sales (+124% YoY) and recurring revenue (+30% YoY)
Accelerated growth rate through **M&A of Oberlous**

Data business

New record high number of customers (+52% YoY)
Record-high sales (+20% YoY) and recurring revenue (+27% YoY)
Launched **ENECHANGE Electric Vehicle (EV) Charging Service**

Full-year earnings forecast for FY2021

Good **progress of 84%** towards the upwardly-revised sales forecast
A **1:2 stock split** is planned for December 31, 2021, to reduce the investment unit and increase liquidity

Numbers as a vertical SaaS^{*1} company in the energy industry

Quarterly sales
(FY2020 YoY)

1.7 billion yen
(Gross profit margin 77.3%)
+35 %

NRR^{*2}

129 %

Target market^{*4}

Platform business **45.7** billion yen
Data business **45.3** billion yen

Recurring revenue
(FY2020 YoY)

0.9 billion yen
+33 %

Average monthly
churn rate^{*3} (FY 2020)

Platform business **1.1** %
Data business **1.0** %

Target market share^{*4}

Platform business **2.0** %
Data business **1.5** %

^{*1} SaaS (Software as a Service) that provides functions specialized to each industry.

^{*2} 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.

^{*3} Churn rates are as of the end of Dec. 2020. Platform business: The churn number is calculated for household and business users by the formula: *number of contracts for the previous month + number of supply starts for this month - number of contracts for this month*. The churn rate is calculated during the relevant period as: *churn number / number of users eligible for recurring revenue*. Average monthly churn rate is calculated as: *average monthly churn in the past 12 months / average monthly number of users eligible for recurring revenue in the past 12 months*. Data business: The churn number is calculated by the formula: *number of customers at the end of the previous month + number of new customers acquired in this month - number of customers at the end of this month*. Average monthly churn rate is calculated as: *average churn number in the past 12 months / average number of customers in the past 12 months*.

^{*4} The target market is calculated based on the figures for 2019 as 2020 was greatly affected by the coronavirus. Details are provided in the Appendix.

Consolidated results for FY2021 Q3

Consolidated financial results for FY2021 Q3

(Unit: JPY MM)	Q3 (Jul-Sep)			YTD progress (Jan-Sep)		
	FY2020	FY2021	YoY	FY2020	FY2021	YoY
Sales	448	800	+78.5%	1,252	2,186	+74.6%
Gross Profit	358	677	+88.9%	957	1,874	+95.8%
<i>Gross Profit Margin</i>	80.0%	84.6%	+4.6pt	76.4%	85.7%	+9.3pt
SG&A expenses	313	599	+91.0%	874	1,736	+98.6%
Operating Profit	44	78	+74.4%	82	137	+66.4%
<i>Operating Profit Margin</i>	10.0%	9.8%	(0.2)pt	6.6%	6.3%	(0.3)pt
Ordinary Profit	40	60	+49.1%	59	139	+133.6%
Net Profit attributable to owners of parent	37	45	+19.4%	37	61	63.2%

Progress rate for full-year sales forecast (84.1%)

The sales forecast was revised upwards on May 24, 2021. The progress rate for the third quarter is 84.1%, so QoQ growth has progressed at a steady pace thus far. For the current performance forecast, we will consider any revisions based on a careful inspection of the effects of the M&A of Oberlous, which will be consolidated from November.

FY2021 Q3 Sales

2,186 million yen

May 24, 2021
Upward revision from initial
forecast of 2.3 billion yen

FY2021 full-year
forecast
2,600 million yen

Progress rate: **84.1%**

FY2020 Q3 Sales

1,252 million yen

FY2020 full-year
performance
1,713 million yen

Progress rate: **73.1%**

Sales (+79% YoY) & recurring revenue (+28% YoY) reached record highs

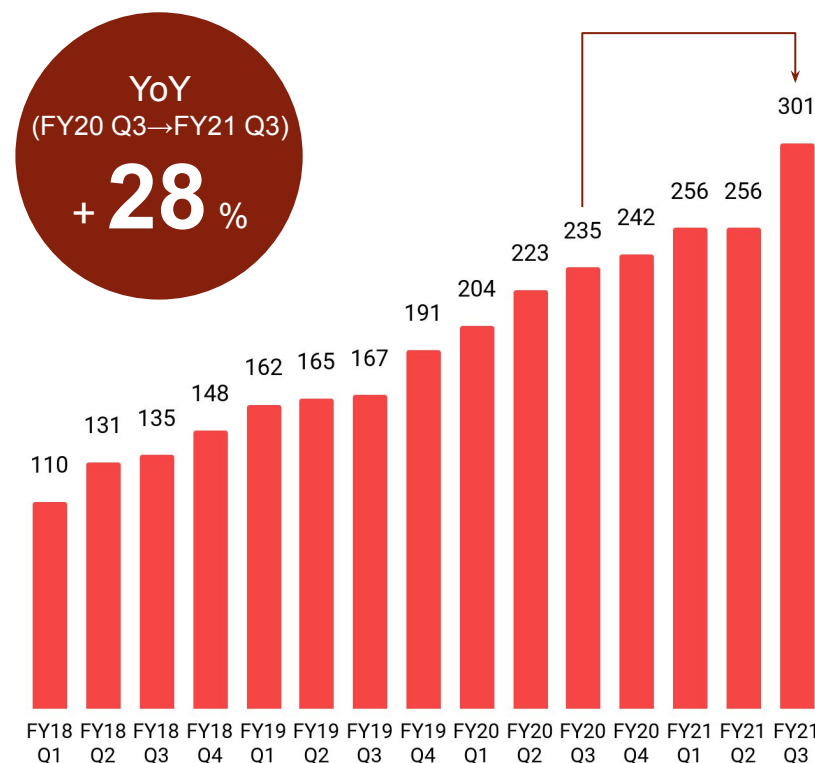
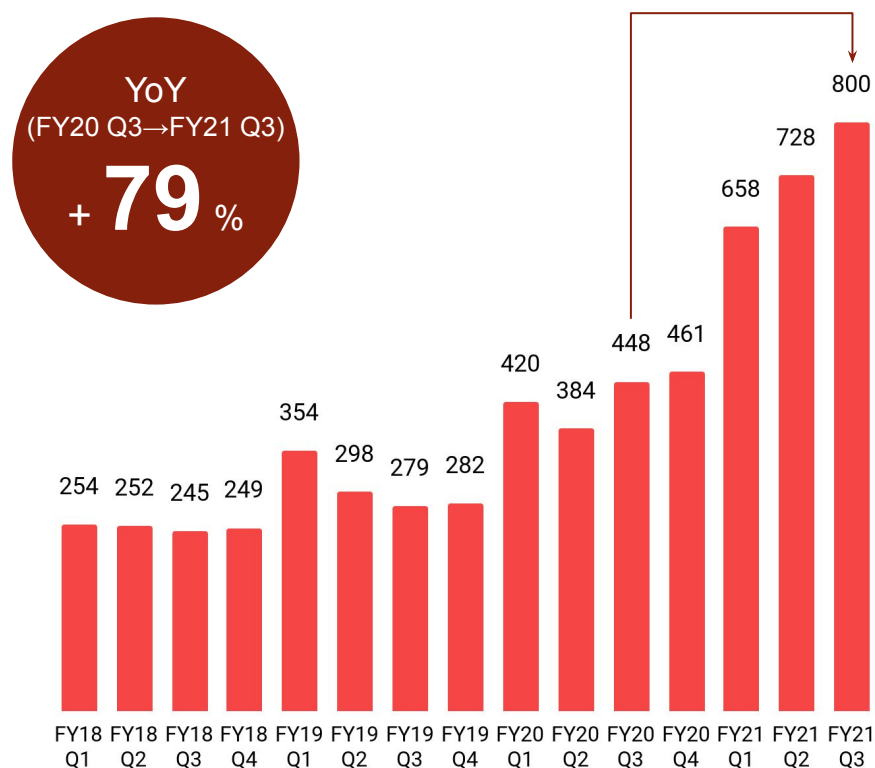
Quarterly sales reached a record high of +79% YoY, and recurring revenue also reached a record high of +28%. Recurring revenue growth temporarily slowed in the previous quarter due to the lockdown, and normalized in the current quarter.

Quarterly sales*1

Unit: JPY MM

Quarterly recurring revenue

Unit: JPY MM



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

Sales and recurring revenue in both businesses reached new record highs

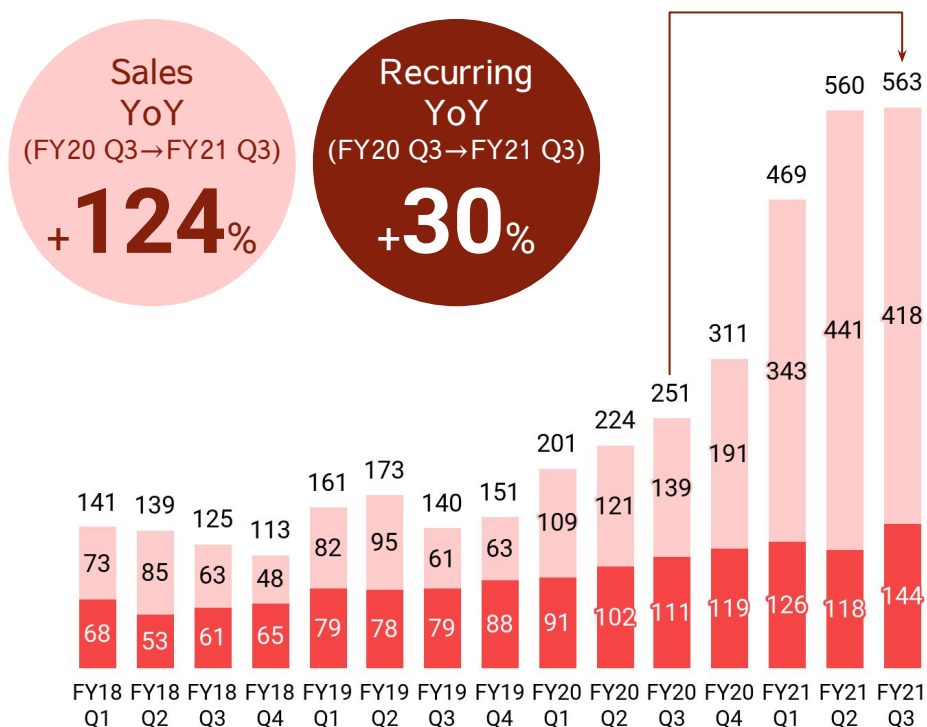
Alongside an increase in our one-time fee and a rise in demand for energy switching, our Platform business achieved record high sales of +124% YoY. Recurring revenue also increased +30% YoY.

In our Data business, sales increased +20% YoY and recurring revenue increased +27%, both record highs, due to the introduction of core products to new customers and cross-selling to existing customers.

Platform business
quarterly sales*1

Unit: JPY MM

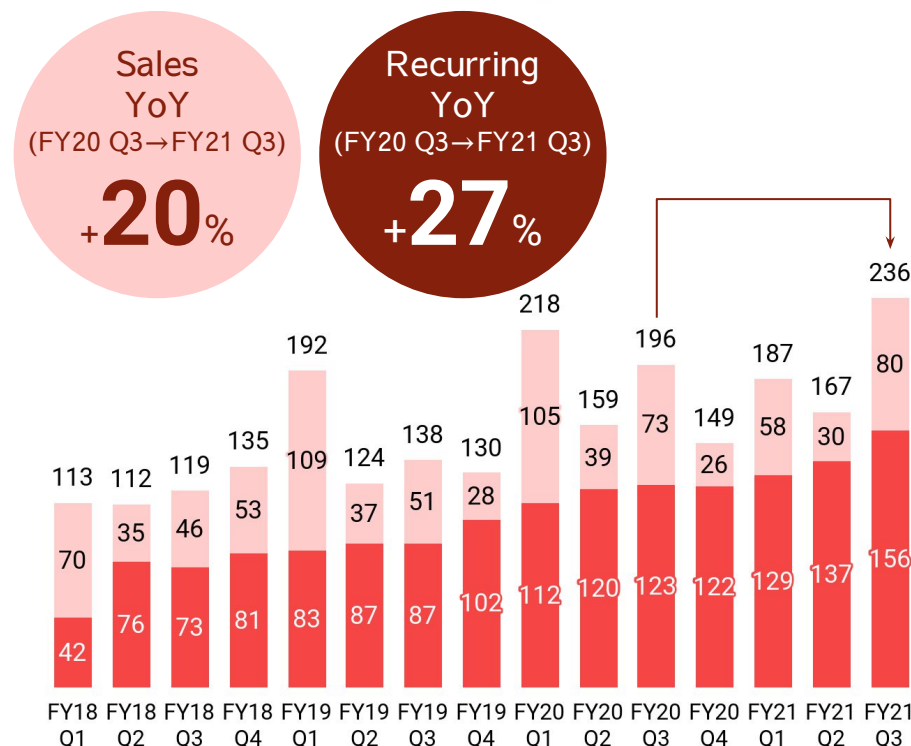
Non-Recurring revenue Recurring revenue



Data business
quarterly sales

Unit: JPY MM

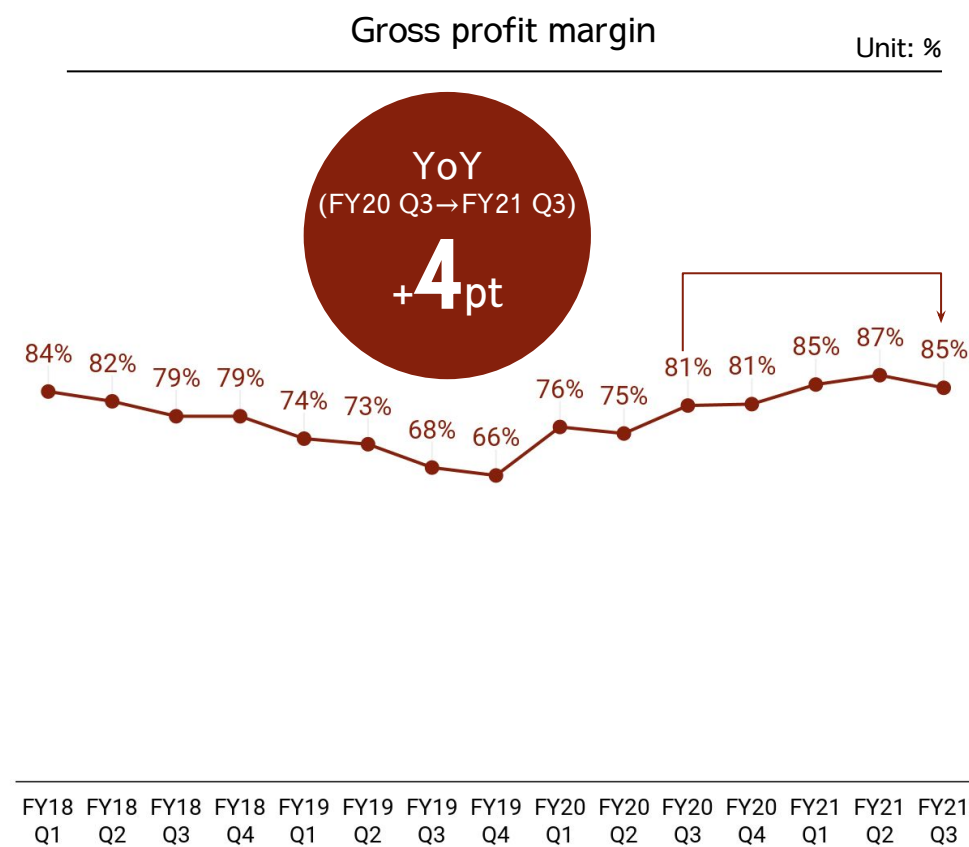
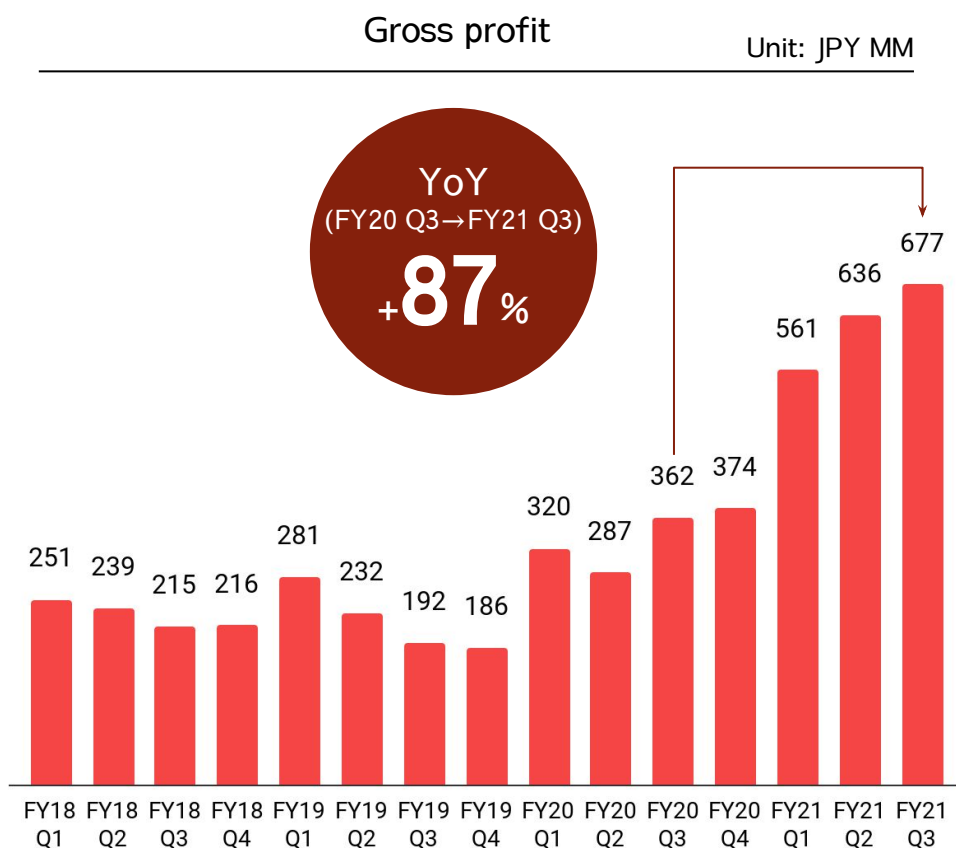
Non-Recurring Revenue Recurring Revenue



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

New record high gross profit (+87%)

With the increase in sales of the Platform business, quarterly gross profit reached a new record high of 677 million yen (+87% YoY), and the gross profit margin was maintained at a high level of 85% (+4 pts YoY).

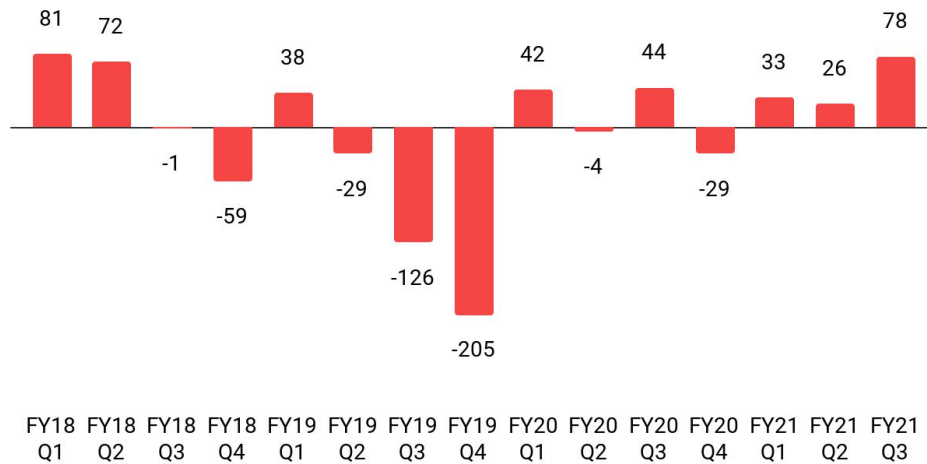


New record high adjusted operating profit (+176%)

As we continued to actively invest in sales promotion (in-house channels) and sales commissions (partner channels) in the Platform business, operating profit for the third quarter was projected to be negative, but improved sales helped to deliver a quarterly operating profit in this year. Adjusted operating profit*¹ was 395 million yen (+176% YoY), a record high.

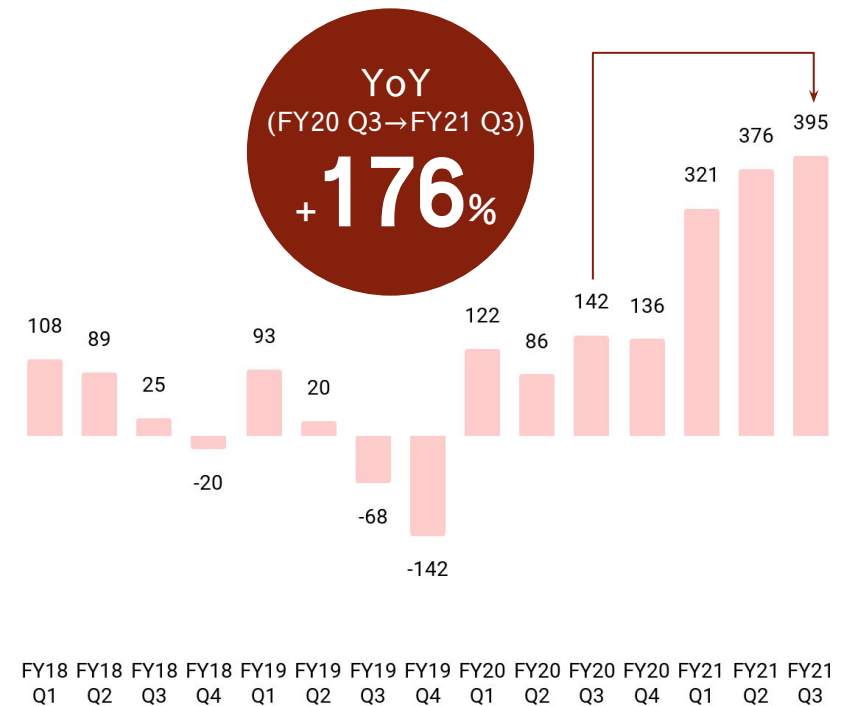
Operating profit (quarterly)

Unit: JPY MM



Adjusted operating profit*¹ (quarterly)

Unit: JPY MM



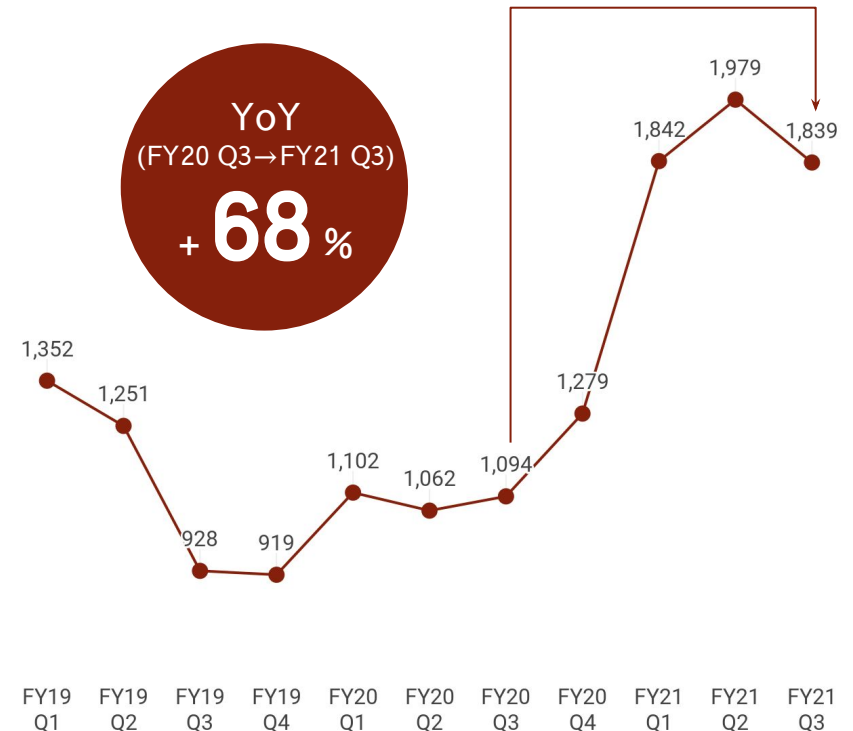
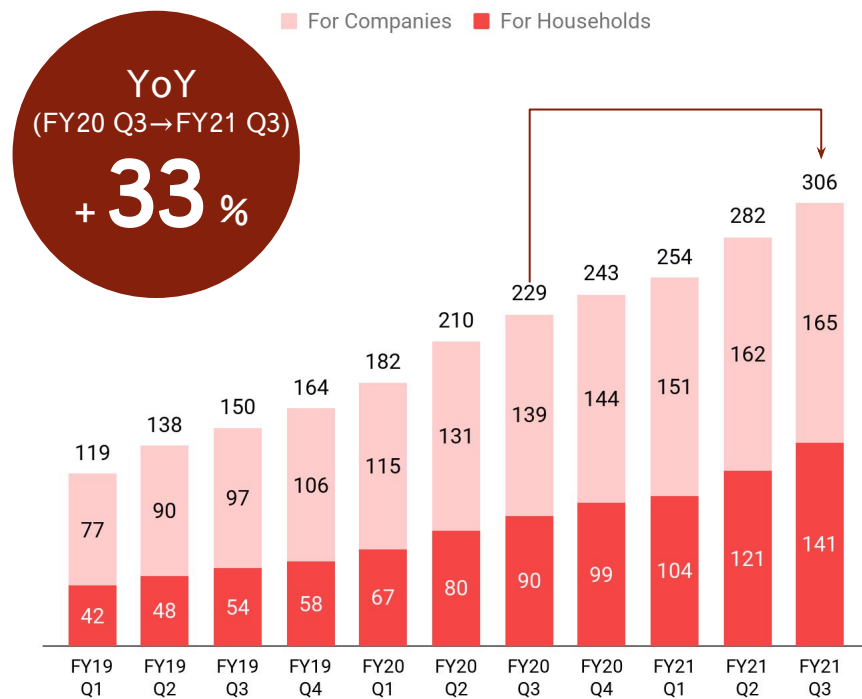
*¹ Adjusted operating profit is calculated by subtracting user acquisition expenses from operating profit. User acquisition expenses is the total of advertising expenses (expenses associated with activities not directly related to customer acquisition, such as listings and advertisements) and sales commissions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

The number of users (+33%) hit a record high, and ARPU was maintained at a high level

The number of users eligible for recurring revenue grew +33% YoY due to the expanding use of both online channels and offline partners. ARPU was maintained at a similar level to the previous two quarters and grew +68% YoY.

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

ARPU*² Unit: JPY

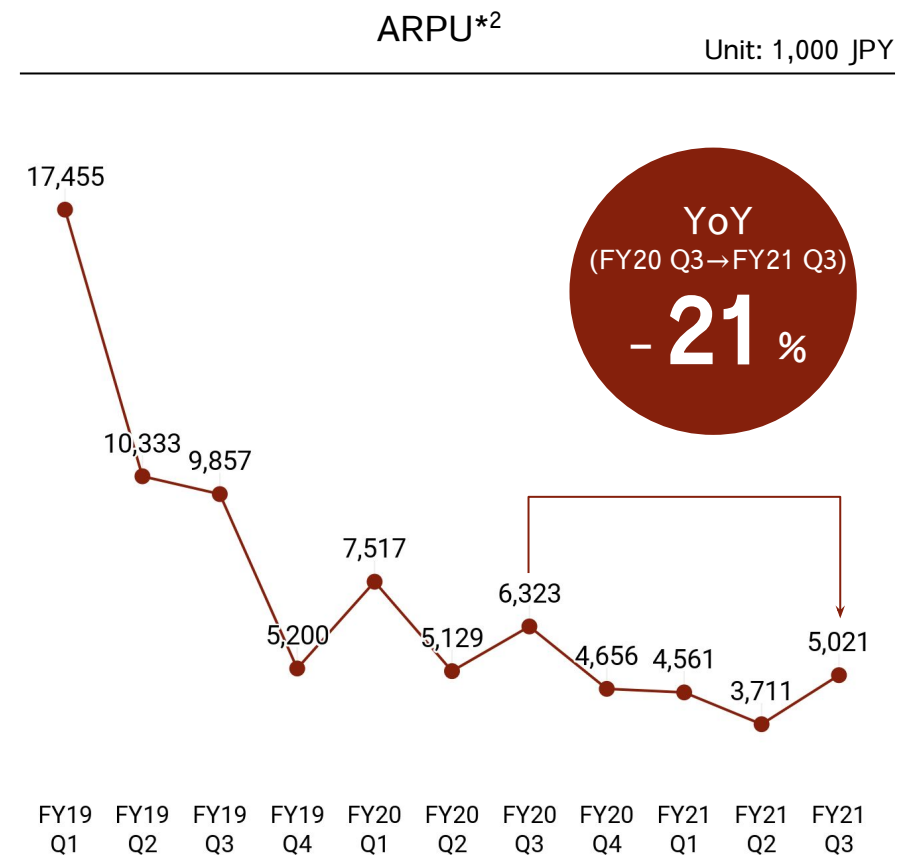
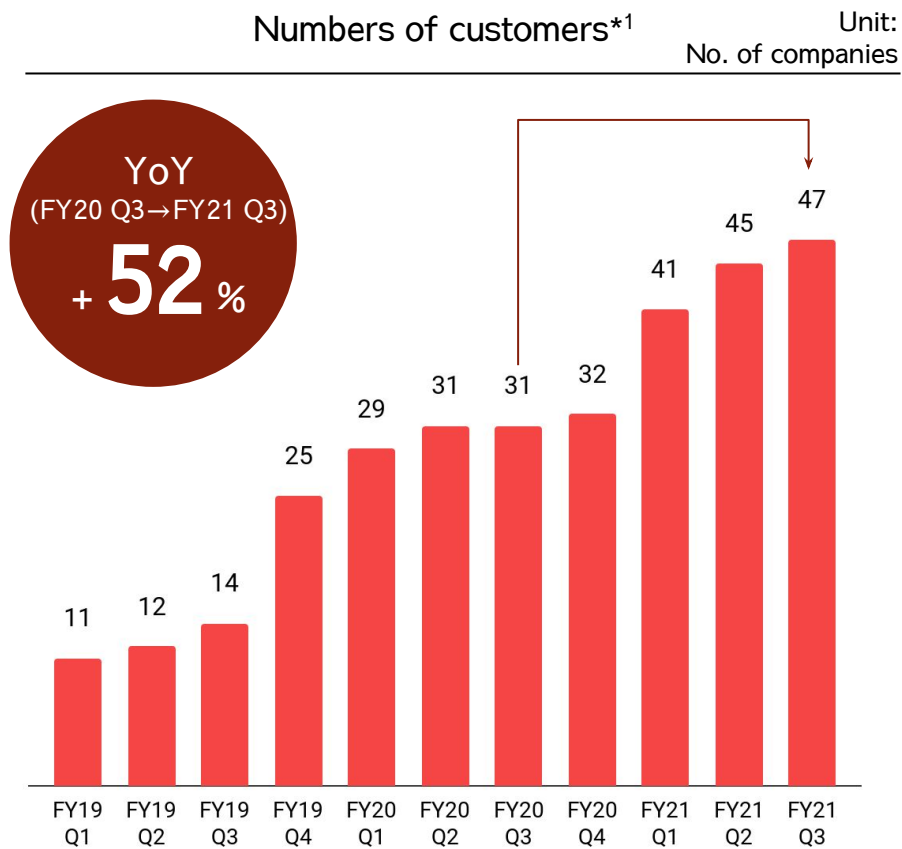


*1. To accurately compare the impact of company and household switches, switches are calculated for companies using an equivalent rate and converted based on the rebates from the total obtained capacity using the capacity of a general household as 4 kW.

*2. 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.

New record high client numbers (+52%) while ARPU increased QoQ

With the introduction of our core products (EMAP and SMAP) to new customers, the number of customers grew +52% YoY, a new record high. ARPU was down -21% YoY due to a planned decline in non-recurring revenue YoY, but increased on a QoQ level due to cross-selling to existing customers.



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

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

Positive NRR as an energy SaaS

Due to cross-selling multiple services to our clients (energy companies, etc.), we have seen steady growth in recurring revenue from existing customers, and our NRR (Net Revenue Retention)*¹ has been over 120%.

NRR

FY2019

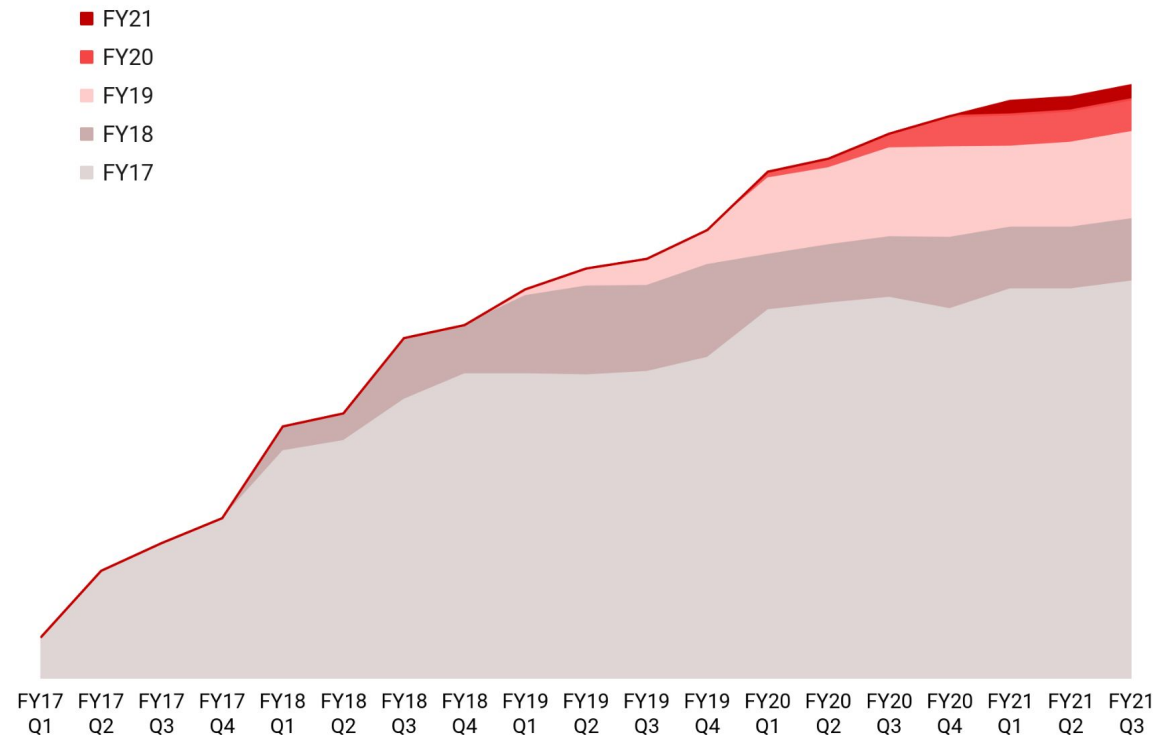
128%



FY2020

129%

Changes in recurring revenue by start of service

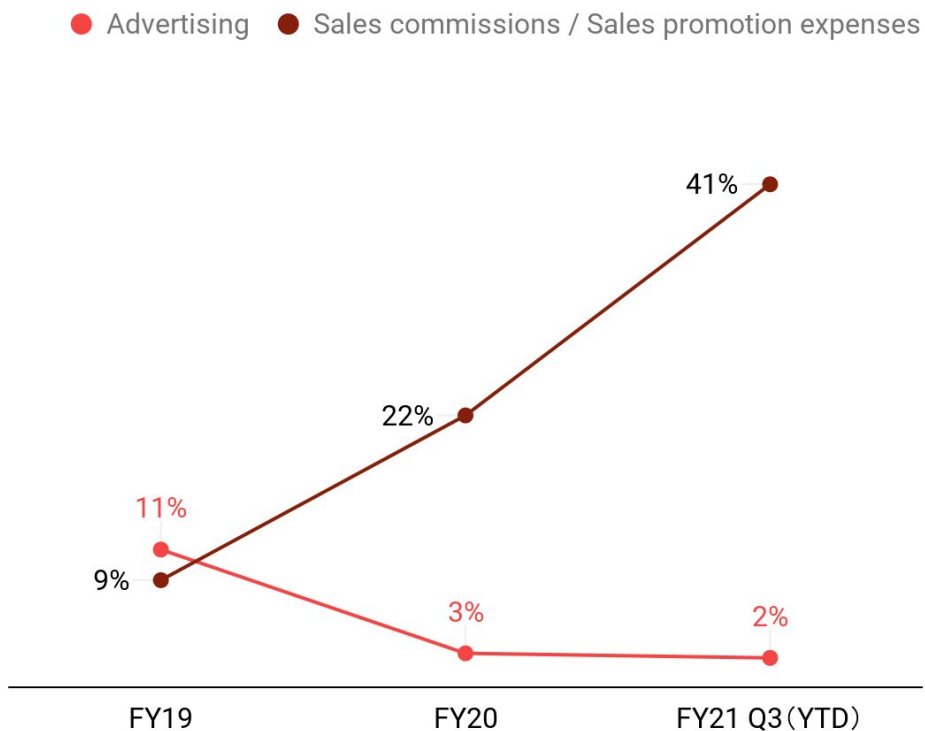


*1 The net revenue retention is calculated by dividing recurring revenue at the end of fiscal period N from customers at the end of fiscal period N-1 by the recurring revenue at the end of fiscal period N-1.

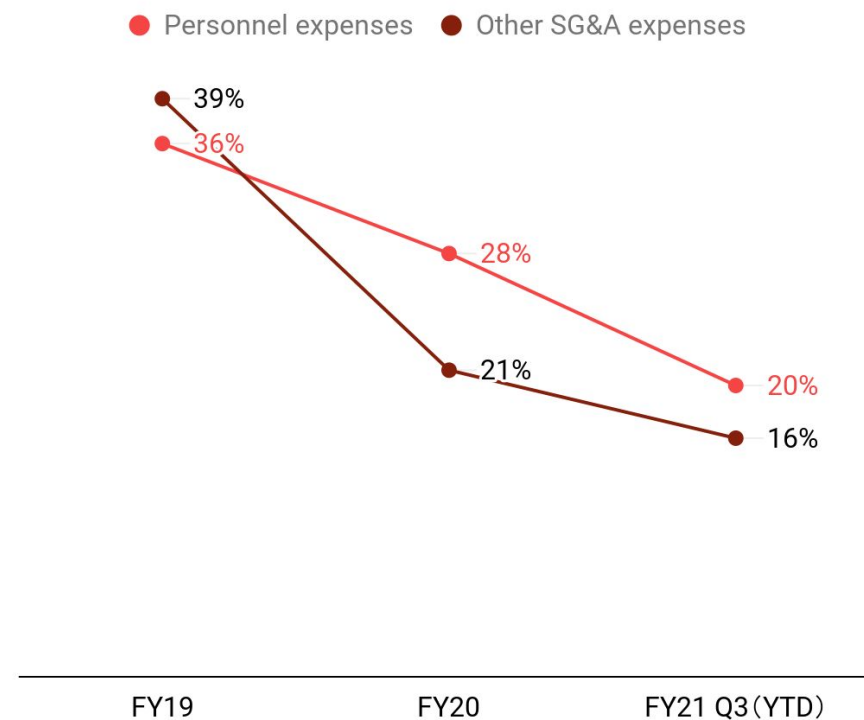
The ratio of SG&A expenses to sales continued to decline

The percentage of sales commissions increased in line with the focus on customer acquisition via partner channels. On the other hand, the percentage of personnel expenses and other expenses continued to decline due to accumulating recurring revenue.

Advertising and sales commissions/sales promotion*¹
expenses ratio



Personnel expenses*² and other SG&A expenses*³
ratio



*1 Advertising (costs associated with activities not directly related to customer acquisition, such as listing ads), sales promotion expenses (costs paid to users as a result of switching), and sales commissions expenses (costs paid to partners as a result of switching).

*2 Total of personnel expenses as a part of SG&A expenses for the entire company.

*3 Total of SG&A expenses excluding advertising, sales commissions/sales promotion expenses and personnel expenses.

Business Explanation

Platform business

The leading online energy switching platform in Japan

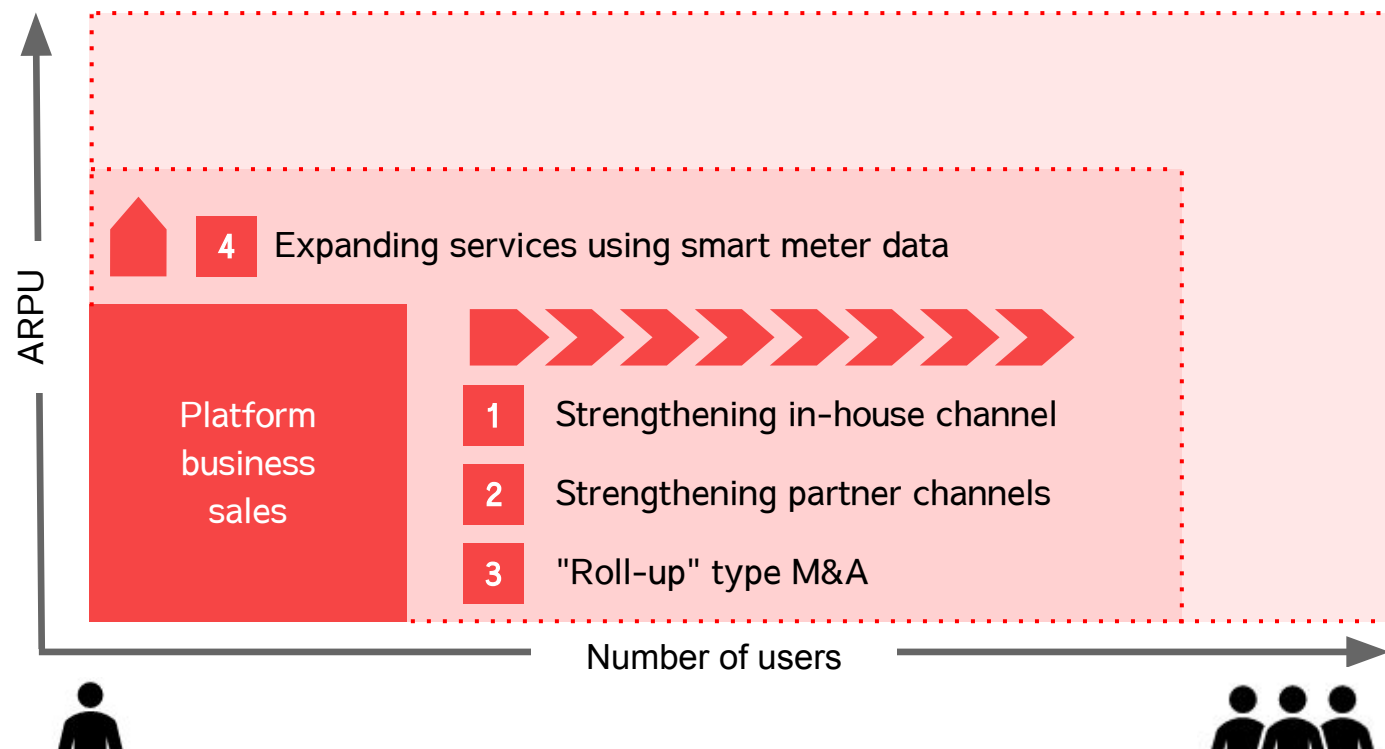
4 strategies to maximize sales

As our Platform business is in the sales expansion phase, it is important to increase our KPI targets.

We aim to increase the number of users at an annual rate of 30% by strengthening our in-house channel, partner channels, and so-called "roll-up" type M&A, in which we acquire companies in the same industry.

We also aim to increase ARPU by expanding services in response to the open access to smart meter data.

4 key sales expansion strategies in Platform business

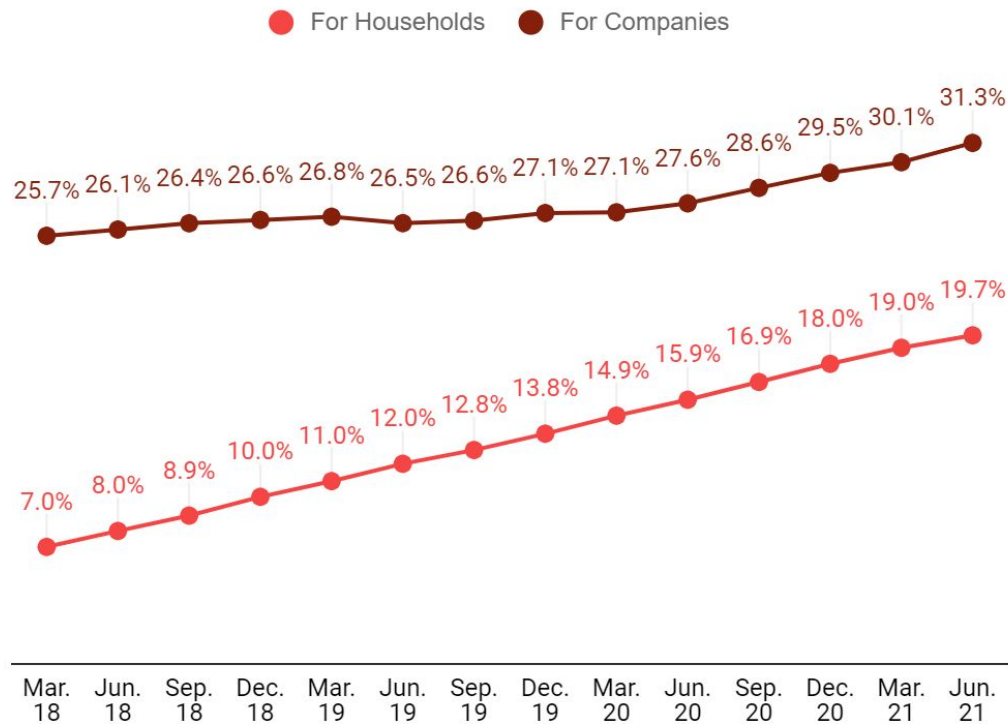


Our market share reached a record high

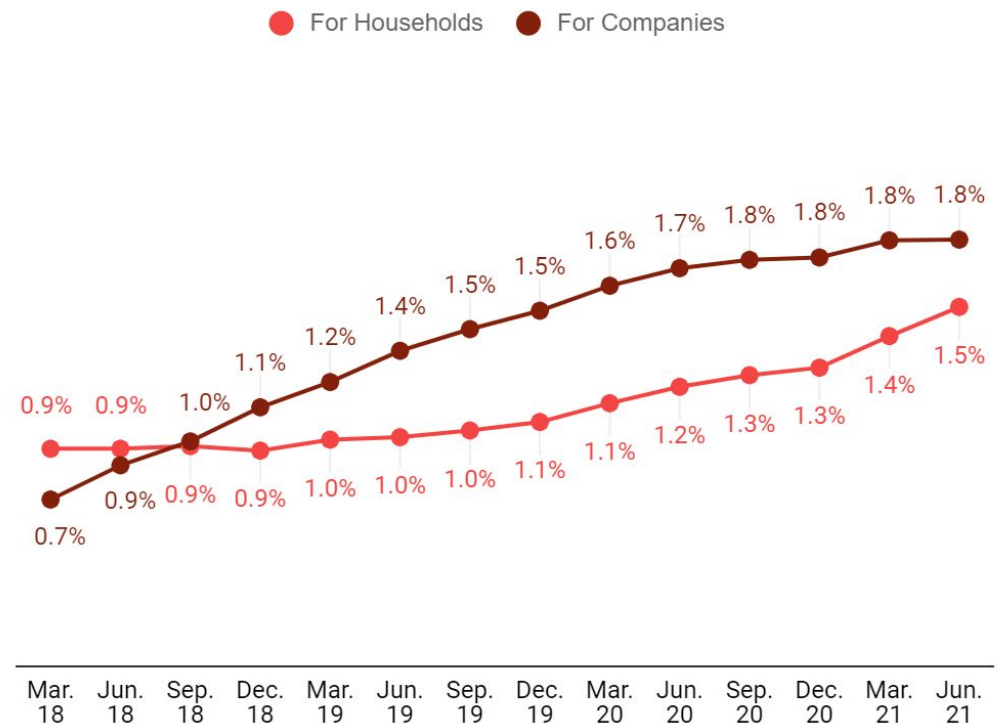
The liberalization of the electricity retail market happened in 2005 for companies and in 2016 for households. The share of new entrants (based on the number of contracts) is 31.3% for companies and 19.7% for households.

Our market share of customers using a new entrant supplier*¹ (on a contract number basis) reached a record high of 1.8% for companies and 1.5% for households, with the household share in particular showing rapid expansion.

Customer shares of new entrant suppliers*²



Our market 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 supplier 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).

The number of partners reached a record high

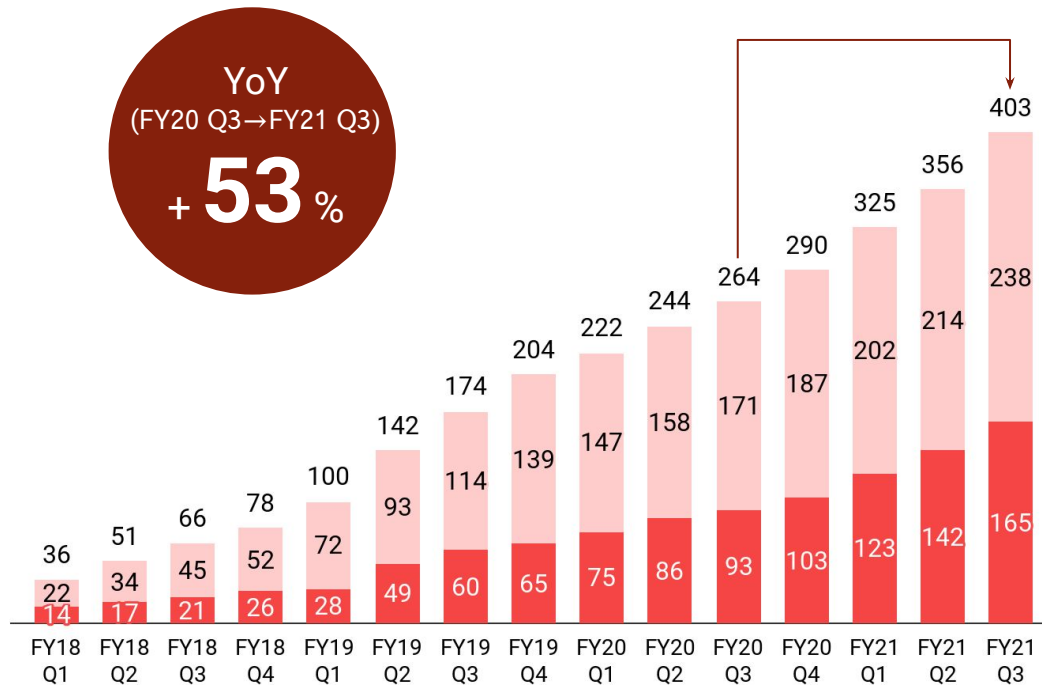
To strengthen offline channels, we emphasized our partnership strategy that provides our energy switching platform system to real estate companies, financial institutions, etc.

We have 403 partners (+53% YoY), and the number of users via partners increased +68% YoY.

Number of partners

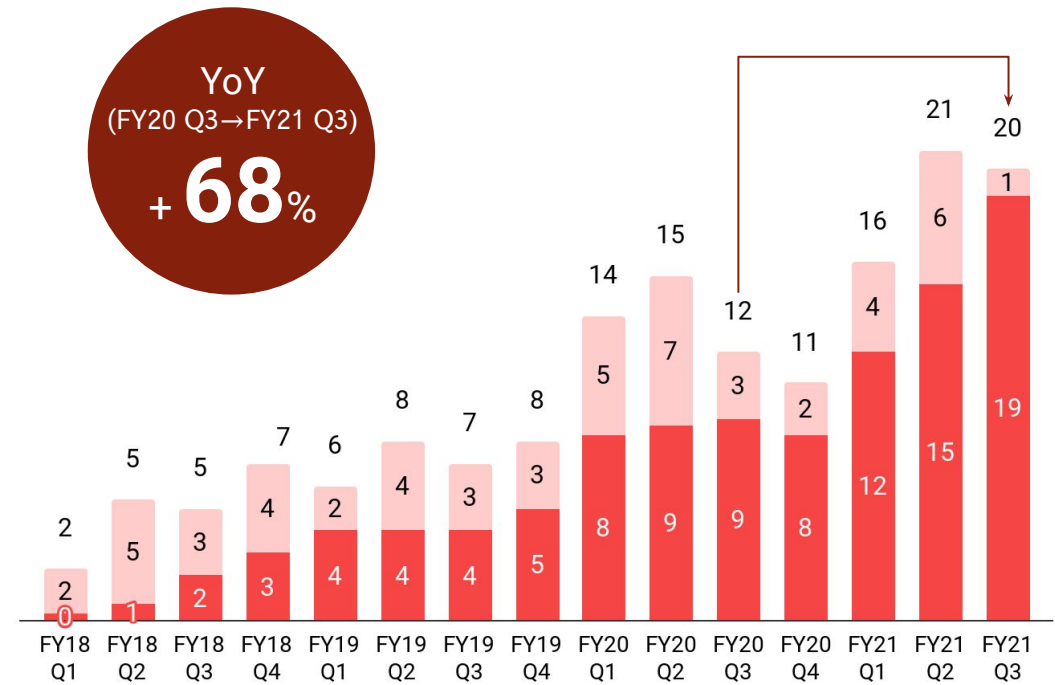
Unit: No. of companies

For Companies For Households


Number of new users via partners
(converted on a household basis)*

Unit: 1,000 customers

For Companies For Households



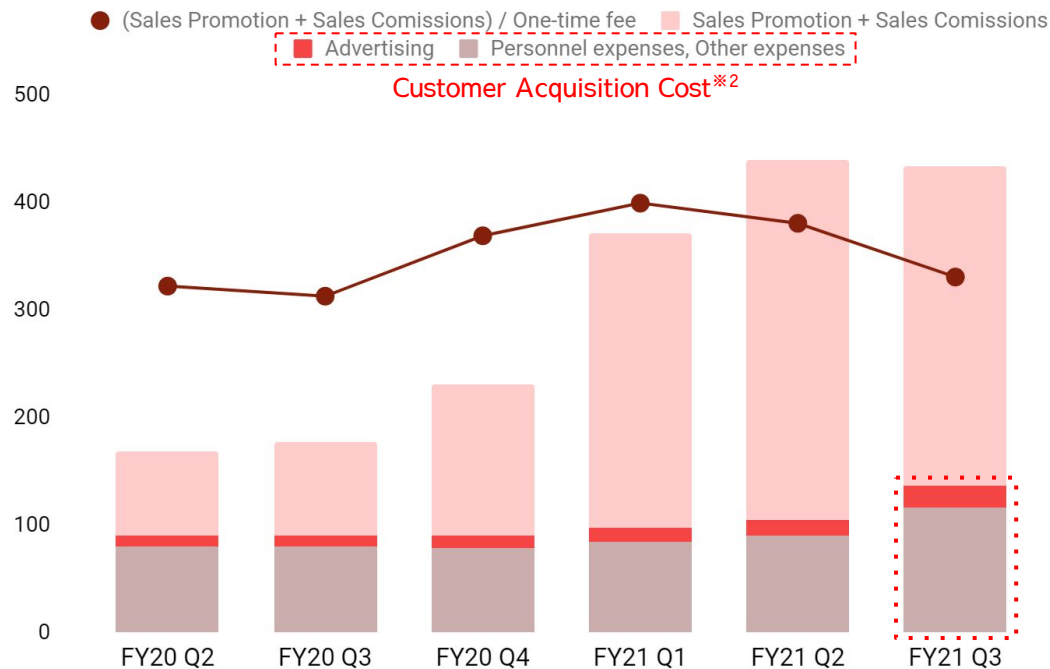
* To accurately compare the impact of company and household switches, switches are calculated for companies using an equivalent rate and converted based on the rebates from the total obtained capacity using the capacity of a general household as 4 kW.

Despite increased investment in CAC, LTV/CAC was maintained at a healthy level (4.3x)

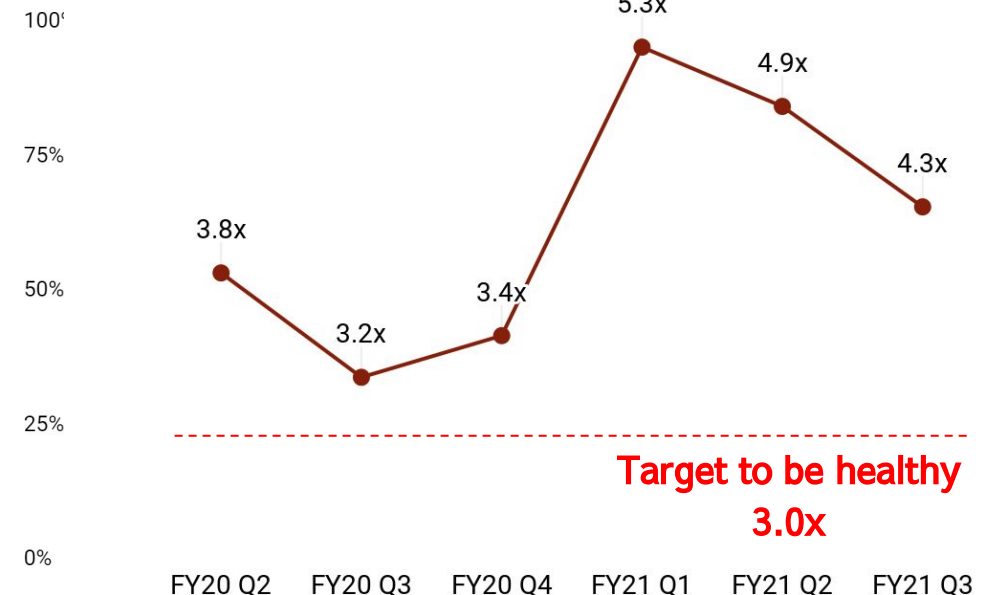
Due to an increase in CAC through the increase of sales personnel expenses and the use of new advertising media, LTV/CAC fell but remained at a healthy level (4.3x). We are considering more aggressive customer acquisition measures.

Changes in SG&A expenses in Platform business*1

Unit: JPY MM



LTV/CAC*2



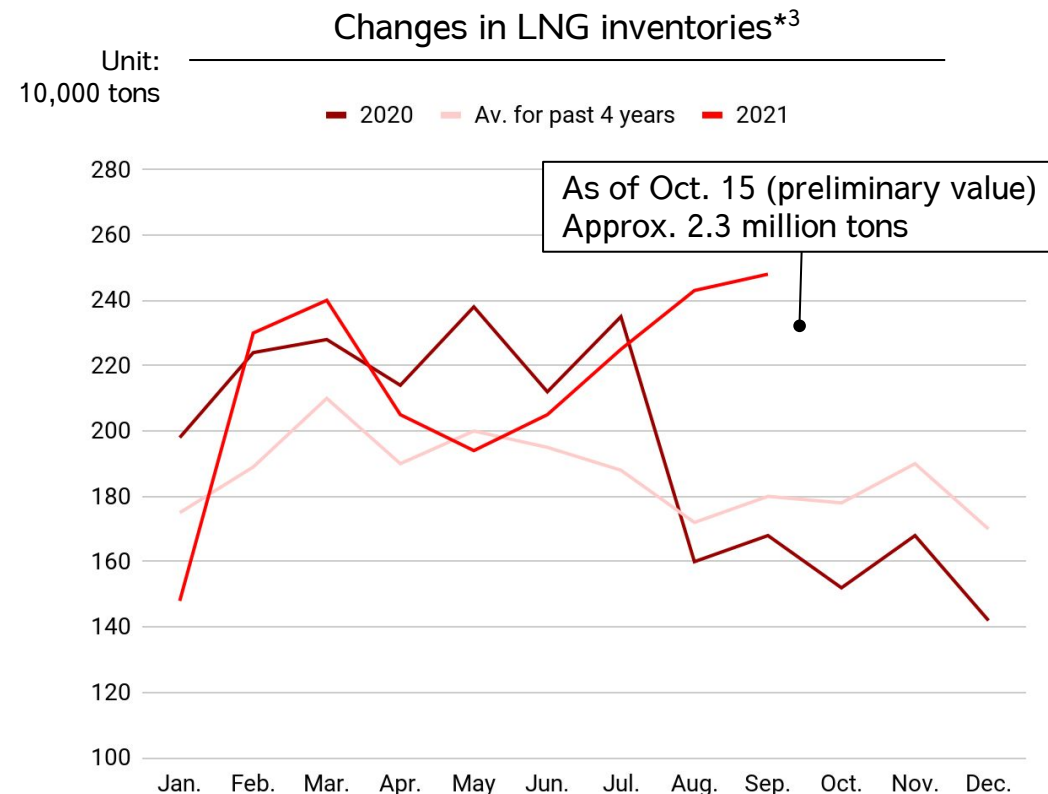
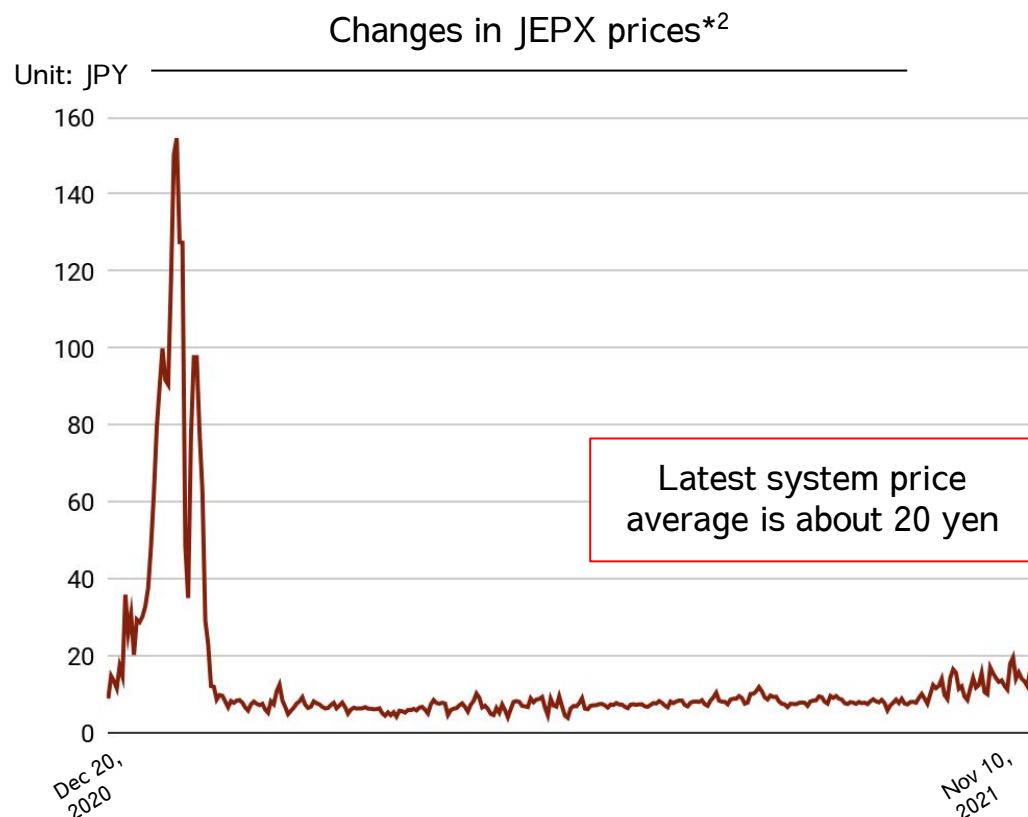
*1. The total of advertising expenses (expenses arising as a result of activities directly for the acquisition of customers such as listing advertisements), sales promotion expenses (benefits passed directly to users as a result of switching), sales commissions (expenses borne directly by partners as a result of switching), personnel expenses and other expenses. Sales promotion (in-house channel) and sales commissions (partner channels) are covered by a percentage of one-time fees from affiliated companies.

*2. LTV: Lifetime Value; customer lifetime value, CAC: Customer Acquisition Cost. See the appendix for details.

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Key news: Continue to monitor the impact of high global oil/LNG prices

Despite the global rise in oil/LNG prices, the impact on Japan's wholesale electricity (JEPX) prices is expected to be limited*¹. This is because Japanese electricity companies have long-term contracts, and the public and private sectors have taken measures such as increasing LNG inventories in response to last winter's fuel shortages. On the other hand, the recent JEPX price has been gradually increasing, and we are closely watching the situation to observe the impacts on electricity retailers. A positive note is that there is higher demand for energy switching due to the fuel charge increase.



*¹ Agency for Natural Resources and Energy, "Recent Trends Surrounding Fuel and Electricity" (October 26, 2021)

*² Daily average of system prices as calculated from JEPX trading information

*³ Extracted from Agency for Natural Resources and Energy, "Measures to Ensure Supply Capacity for Winter 2021" (October 21, 2021)

Highlights (1): Strengthening our position for companies in the real estate industry through M&A of Oberlous

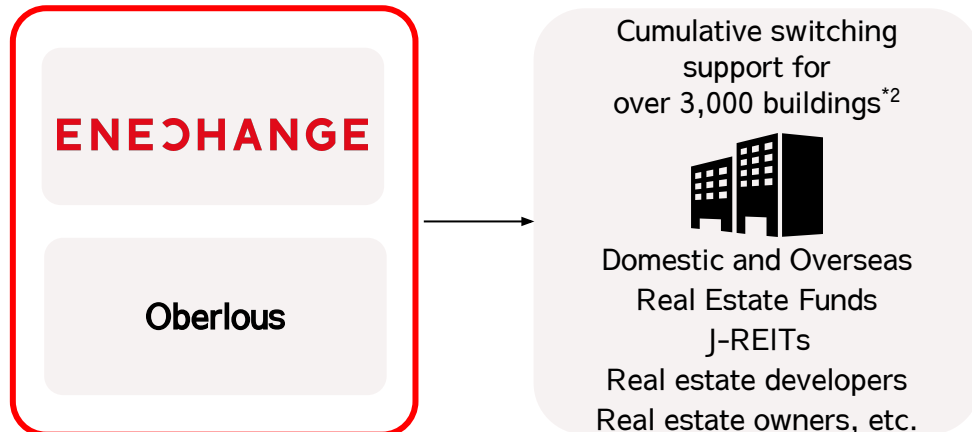
Oberlous Japan Inc. operates a switching service aimed at the real estate industry. Through this M&A, our number of users will increase +13%. As decarbonization is an urgent issue in the real estate industry, we will provide switching services that match customer needs, such as 100% renewable energy plans.

Furthermore, we aim to expand our business through more "roll-up" type M&A.

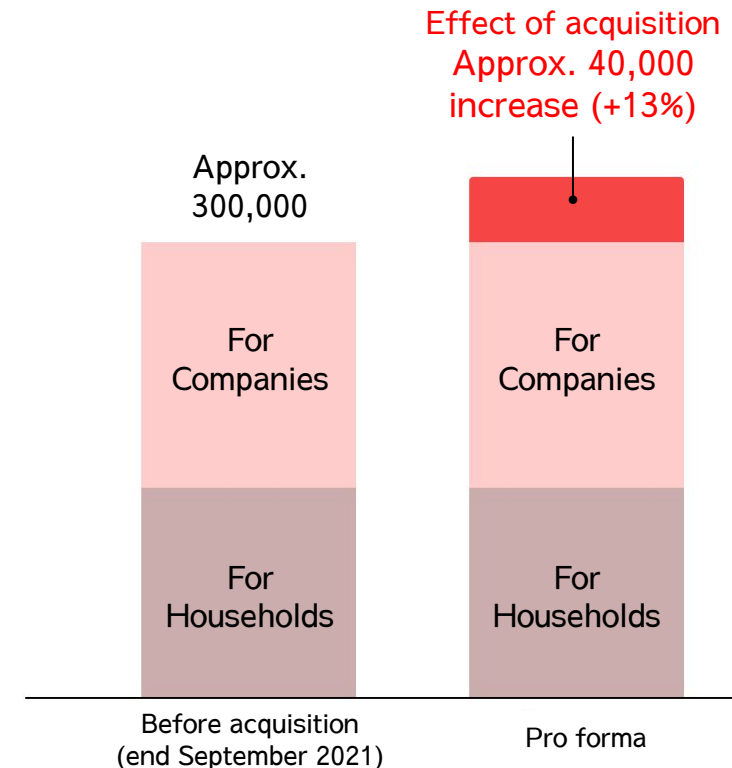
Deal summary

- Closing date: November 1st, 2021
- Purchase amount: JPY 350M, acquired 100% shares
- Funding: cash, considering borrowings
- Impact on consolidated financial results forecast: TBD

Inherit sales personnel and expertise
Strengthen real estate industry customer base



Increasing number of users*1



*1 The cumulative total of users eligible for recurring revenue for Oberlous as of the end of September 2021 converted to general households and graphed.

*2 Actual switching numbers supported by Oberlous up to the time of acquisition (October 15, 2021)

Highlights (2): Strengthening our in-house channels through advertising

We are strengthening our advertising activities to further promote awareness of ENECHANGE as an energy switching platform and encourage more online switching. By expanding our advertising activities (video, social media, etc.), we are now approaching users that we could not reach previously, and we expect to acquire more users online.

Promotional video for households*1



“Quickly find the company with the best price!”

Promotional video for companies*1



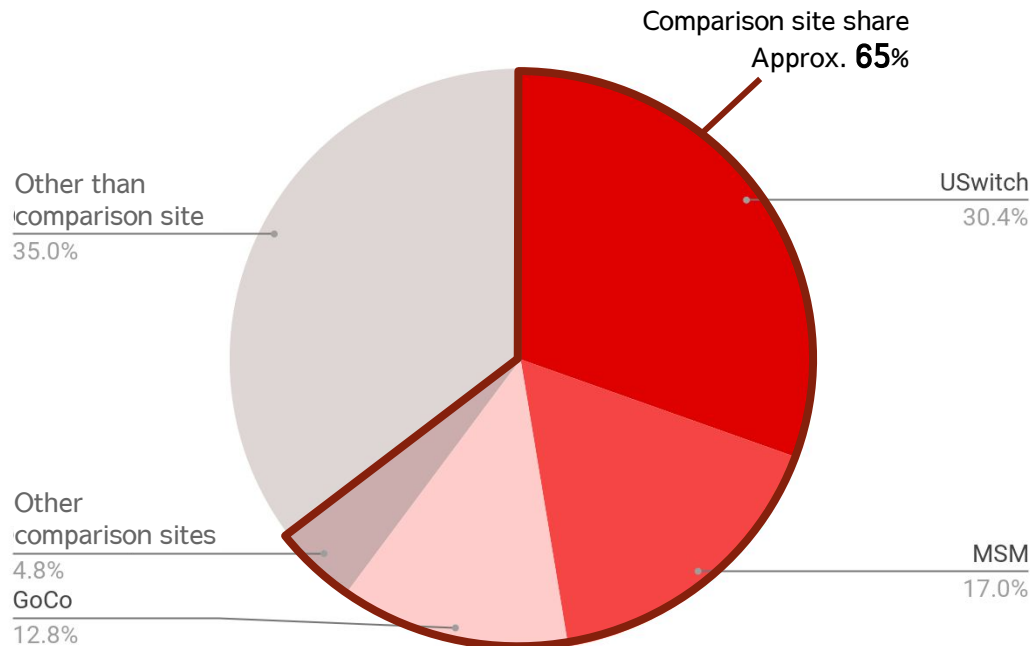
“Leave the switching procedures to us!”

*1 Posted on ENECHANGE's YouTube channel <https://www.youtube.com/c/EnechangeJpGo>

UK: Energy switching revenue of the top two price comparison websites totaled 22 billion yen

The UK, where the energy market has been liberalized since 1999, has seen about 65%^{*1} of switches performed using online price comparison sites for energy. MoneySuperMarket (MSM), which has the second-largest switching share, grew at 34%^{*2} CAGR (2006-2020) by using aggressive advertising, partner expansion, and M&A. Its energy switching-related sales were 7.7 billion yen in 2020 (estimated total operating profit of 25%). The largest company, USwitch, has sales of about 14 billion yen.^{*3}

Channel Share in UK Energy Switches



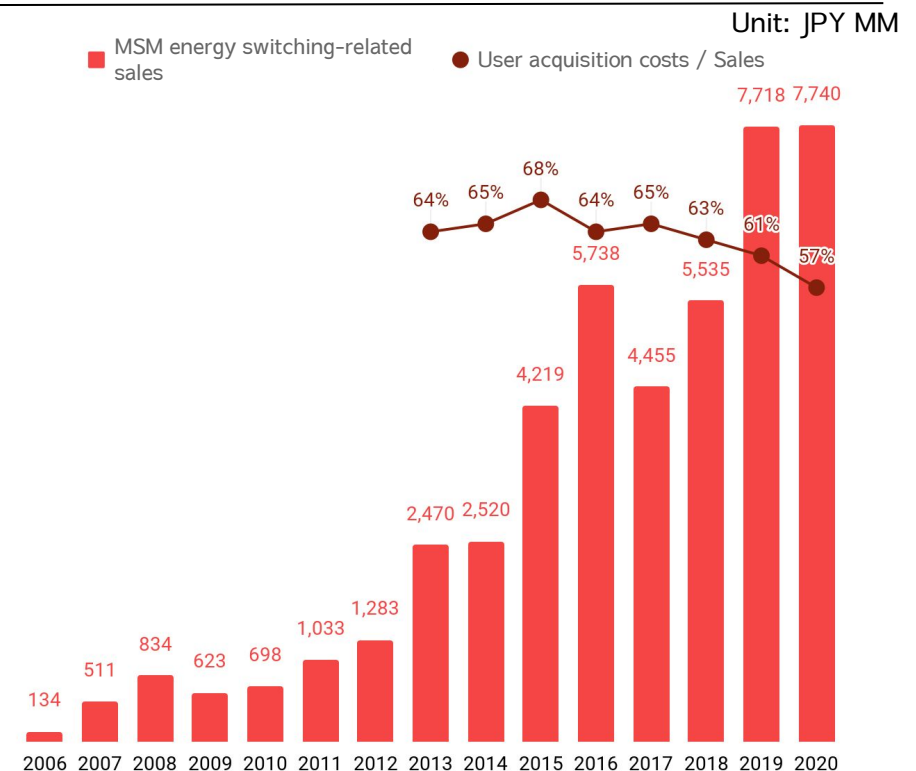
*1. Calculated from Ofgem, "Household Consumer Perceptions of the energy market Q3 2020".

*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 150 JPY:1 GBP.

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

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MSM Sales^{*4} and Share of Energy Switches













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

Data business

Greater efficiency through digitalization

Energy tech companies emerging overseas (Demand management related)

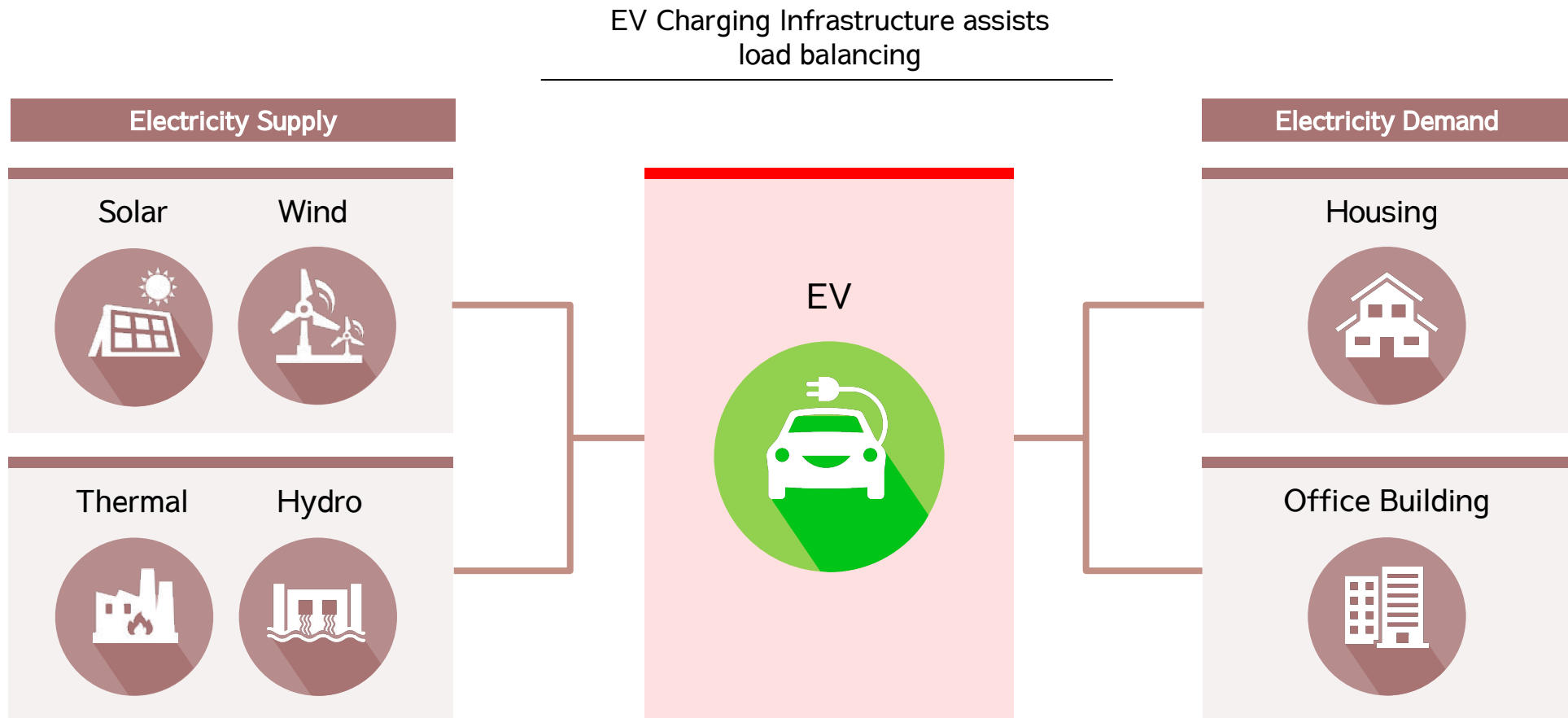
The market capitalization of energy tech companies has been rising in overseas stock markets, with energy tech companies attracting more attention worldwide. We will use these companies as case studies to develop our business in the Japanese market.

Company name	Ticker Symbol	Business	IPO Date	Market cap ^{*1}	2021 Revenue estimate ^{*1}	PSR ^{*2}	Stock Exchange	Main market
 Tesla	TSLA	EV, EV Charging, Battery VPP ^{*3} , PV system for households	Jun. 2010	\$1,119B	\$51.1B	21.9x	NASDAQ	Global
 Generac Holdings	GNRC	Private power generation VPP	Feb. 2010	\$31.5B	\$3.7B	8.4x	NYSE	Global
 Sunrun	RUN	PV system for households	Aug. 2015	\$11.9B	\$1.5B	7.6x	NASDAQ	USA
 ChargePoint	CHPT	EV Charging	Mar. 2021	\$8.0B	\$231M	34.5x	NYSE	USA, Europe
 SunPower	SPWR	PV system for households	Nov. 2005	\$5.8B	\$1.4B	4.1x	NASDAQ	USA
 Sunnova	NOVA	PV system for households	Jul. 2019	\$5.0B	\$240M	20.7x	NYSE	USA
 Stem	STEM	Battery VPP	Apr. 2021	\$3.1B	\$146M	21.2x	NYSE	USA
 EVgo	EVGO	EV Charging	Jun. 2021	\$2.5B	\$20M	121.4x	NASDAQ	USA
 Volta	VLTA	EV Charging	Aug. 2021	\$1.3B	\$34M	38.3x	NYSE	USA
 Blink	BLNK	EV Charging	Feb. 2018	\$1.3B	\$16M	82.5x	NASDAQ	USA

^{*1}. From Yahoo Finance, Market cap, Average revenue estimate (as of October 29, 2021) ^{*2}. Price to Sales Ratio ^{*3}. VPP - Virtual Power Plant

EV charging infrastructure will play a leading role in demand side management

EV charging infrastructure is not only necessary for widespread EV usage, but is also expected to play a key role in VPP development. By using both variable charging demand and the onboard batteries of EVs, the integration of EVs into the broader grid infrastructure is one of the most important factors in realizing a decarbonized society.



Data business: 4 core SaaS products for 3Ds of Energy

The Data business, which addresses fields related to the 3Ds, will focus on 4 major SaaS products: EMAP (DX^{*2} services for energy companies), SMAP (DR for households), KIWI (DR^{*1} for companies), and ENECHANGE EV Charging Service.

Data business

DIGITALIZATION

DECARBONIZATION

DECENTRALIZATION



EMAP
DX services for energy companies



SMAP
DR for households



ENECHANGE KIWI
DR for companies







EV Charging Service
EV Charging Infrastructure

*1. DR - Demand Response *2. DX - Digital Transformation

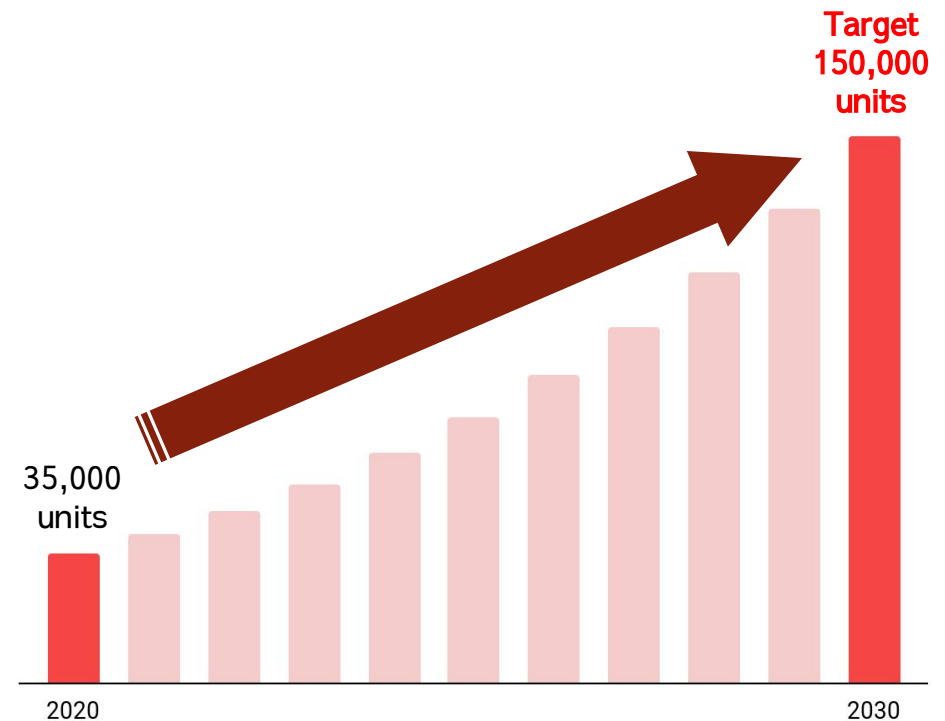
Key news: EV adoption accelerates as countries aim to ban gasoline vehicle sales

Reinforced by messages at COP26^{*1}, major countries have made it clear that they are looking to promote EV usage. The latest plan of the Japanese government (Sixth Strategic Energy Plan, approved by the Cabinet on October 22, 2021) sets a goal for 2035 to have 100% of new passenger cars sold to be powered by electricity. The number of EV charging stations is set to increase to 150,000 by 2030, about 4.3 times the current number.

Policy to ban sales of gasoline vehicles
in various countries

Japan 	2035 100% of new passenger car sold to be powered by electricity (HV ^{*2} are allowed)
USA 	2030: Washington State 2035: California, etc. Ban on sales of gasoline vehicles, including HV
UK 	2030 HV will also be banned in 2035 unless they meet emission regulations.
EU 	2035 Ban on sales of gasoline vehicles, including HV

Targets for EV charging stations installations in Japan^{*3}



^{*1} See: Gov.uk, "Joint statement of the Zero Emission Vehicle Transition Council" (27 November 2020); COP26 Policy Paper, "COP26 declaration on accelerating the transition to 100% zero emission cars and vans" (10 November 2021)

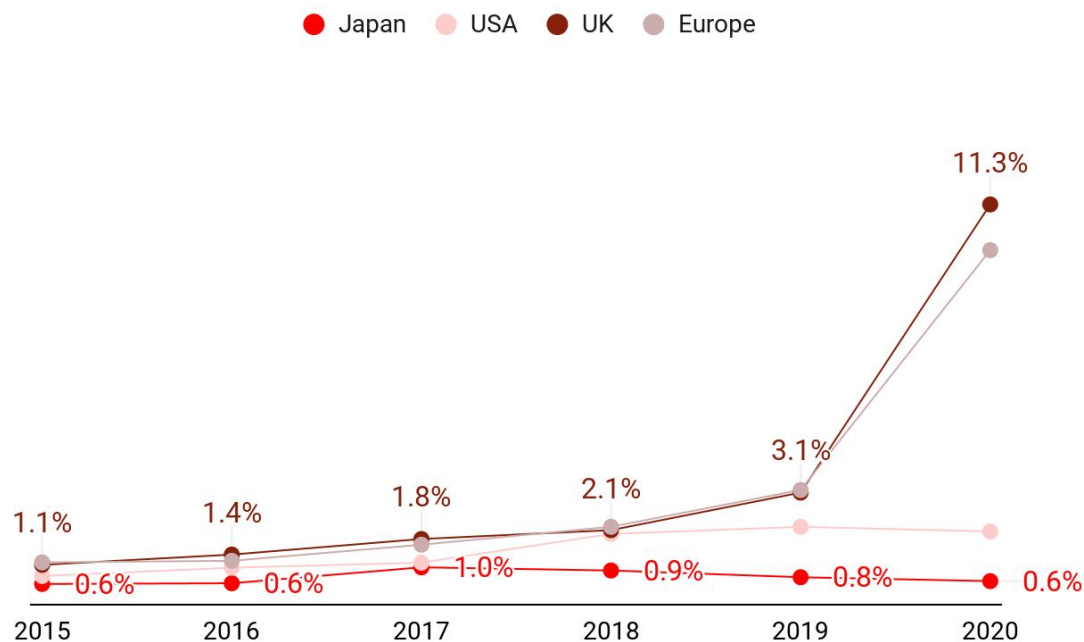
^{*2} HV: Hybrid Vehicle

^{*3} 2020: Fuji Keizai, Inc., "Survey on the diffusion trend of charging infrastructure for EVs and PHVs" (29 June, 2021); Target for 2030: Ministry of Economy, Trade and Industry, "The Sixth Strategic Energy Plan" (22 October, 2021)

Highlights (1): Started ENECHANGE EV Charging Service

Japan's shift to EV is about five years behind the EU and USA, but demand for EV and EV charging infrastructure is expected to grow in Japan as well. We launched the ENECHANGE EV Charging Service, an EV charging infrastructure as a service that starts at 9,800 yen per month. For owners of office buildings, hotels, hospitals, and other buildings that require public charging, we will install Level 2 EV chargers at no upfront cost and only with a monthly fee. We aim to become No.1 in the EV charging infrastructure market in Japan.

Percentage of new EV and PHV*¹ sales in each country/region*²



*1. PHV: Plug-in Hybrid Vehicle

*2. IEA "Global EV Outlook 2021" (April 2021). The number indicates the percentage of new EV sales to new vehicle sales each year.

Europe includes the EU, Norway, Iceland, Switzerland and United Kingdom.

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ENECHANGE EV Charging Service



初期費用0円
月額9,800円で設置可能
エネチェンジのEV充電サービス

ev-charging.enechange.jp

Upfront cost: 0 yen
Monthly fee at 9,800 yen

Highlights (2): The Decarbonized Tech Fund (2 L.P.) launched

In our 1 L.P. fund, we invested in Ambri, which develops next-generation batteries, and in Sense, which has next-generation smart meter analysis technology. The Decarbonized Tech Fund (2 L.P.) was established jointly with Nihon Unisys, Ltd. and Toshiba Energy Systems & Solutions Corporation to invest specifically in ventures with superior decarbonization technologies and to strengthen overseas collaboration.

Investment through 1 L.P.



Ambri



Sense

Establishment of 2 L.P. (Decarbonized Tech Fund)

Fund Name	Japan Energy Capital 2 L.P. (Decarbonized Tech Fund)
Investment Targets	Overseas energy venture companies in the decarbonization field
Fund Size	\$50 million
Limited Liability Partners*1	<div>ENECHANGE</div> <div>UNISYS</div> <div>TOSHIBA</div> <div>東芝エネルギーシステムズ株式会社</div>

*1. The logo of Toshiba Energy Systems Corporation is taken from our press release.

Forecast for FY2021

Consolidated Financial Results Forecast for FY2021

The full-year forecast was revised upwards on May 24, 2021 (sales revised from 2.3BN JPY to 2.6BN JPY), and the sales progress rate for the third quarter was a strong 84.1%. We will consider revisions if needed based on a careful inspection of the effects of the acquisition of Oberlous and other actions.

(Unit: JPY MM)	FY2020 results	FY2021 forecast	Change rate	FY2021 Q3 results	YTD Progress
Sales	1,713	2,600	+51.8%	2,186	84.1%
Operating Profit	53	Positive	—	137	—
Ordinary profit	6	Positive	—	139	—
Net profit attributable to owners of parent	(16)	Positive	—	61	—

1:2 Stock Split

We plan to implement a stock split at 1:2 to accommodate a greater range of investors, and increase stock liquidity by reducing the investment unit.

Trends in ENECHANGE stock price



Outline of stock split

	Stock price ^{*1}	Investment unit
Before	JPY5,330	JPY533,000
After	JPY2,665	JPY266,500

November 12, 2021	Resolution of the Board of Directors
December 15, 2021 - December 31, 2021	Public notice period
December 31, 2021 ^{*2}	Reference Date
January 1, 2022	Stock split applied

^{*1} As example based on closing price on October 29, 2021

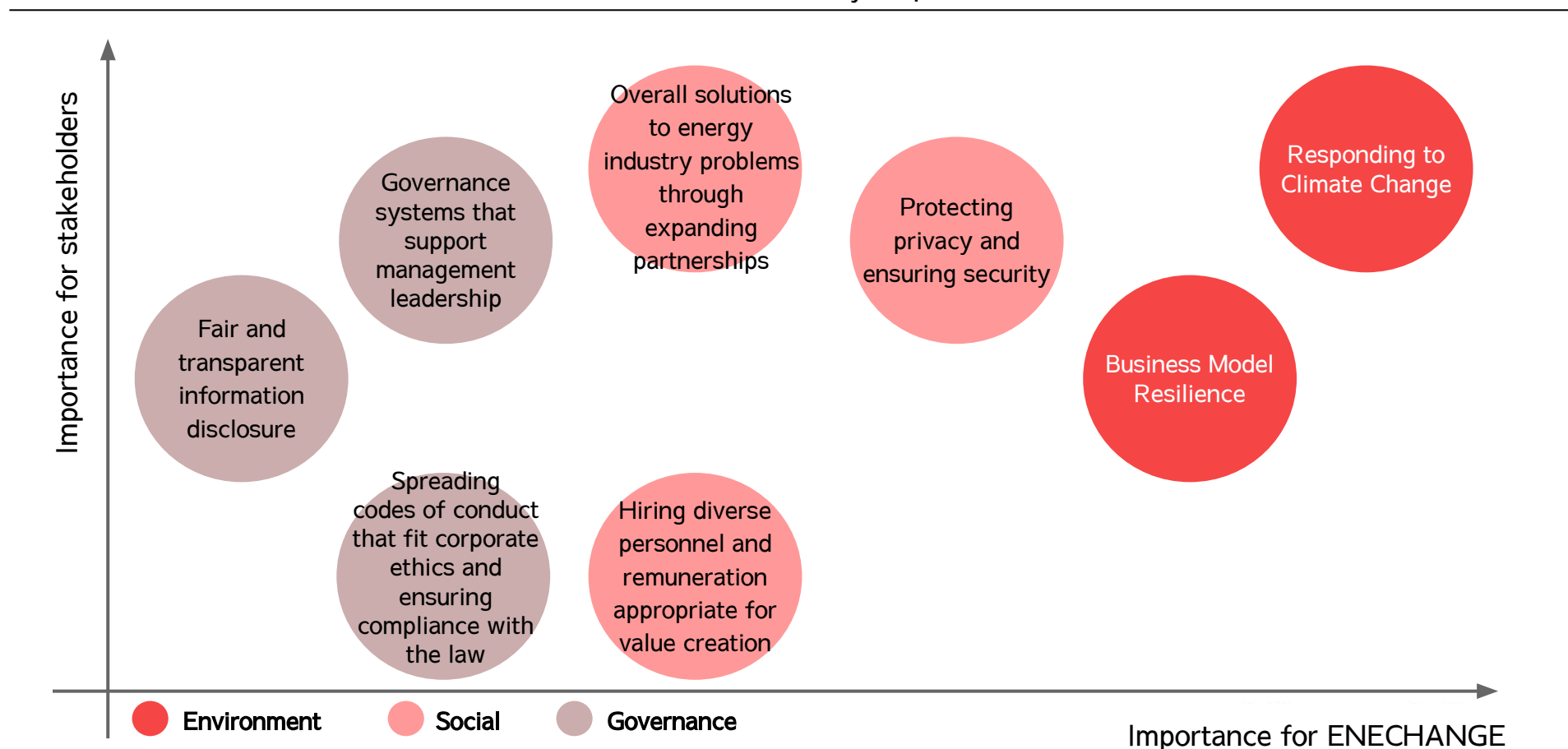
^{*2} As that day is a holiday for the administrator of the shareholders' register, the actual date is December 30, 2021.

Disclosure of ESG materialities

We launched our Sustainability website (<https://enechange.co.jp/en/sustainability/>).

As an energy tech company, our goal is to transform the energy industry, which is in need of rapid reforms to achieve net zero targets, by providing cutting-edge technology services. With regards to ESG, our core business activities are in the environment (E) area, as this is important for both our stakeholders and our company. In anticipation of promotion to the Prime Market of TSE in the future, we will strengthen our ESG initiatives.

ESG materiality map



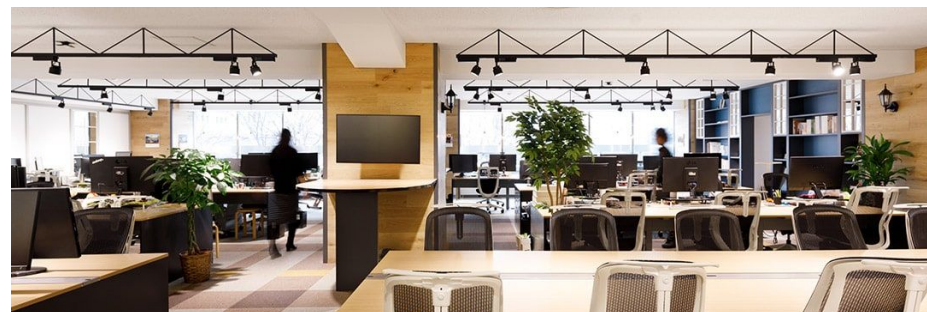
APPENDIX

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
Subsidiaries	SMAP Energy Limited (UK) Oberlous Japan Ltd. (Japan)

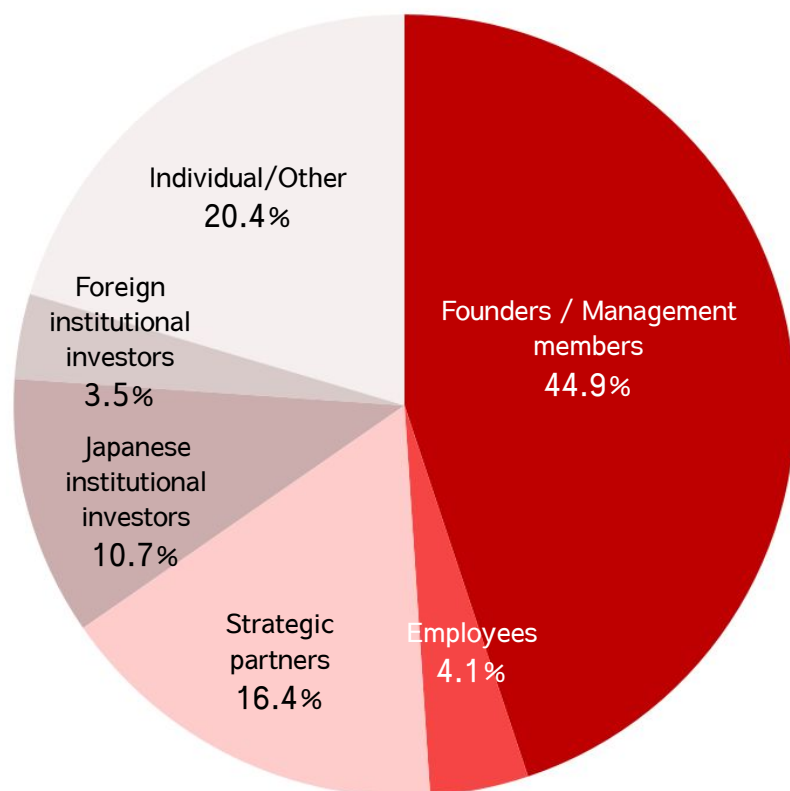
Head Office: Tokyo



Group business: London

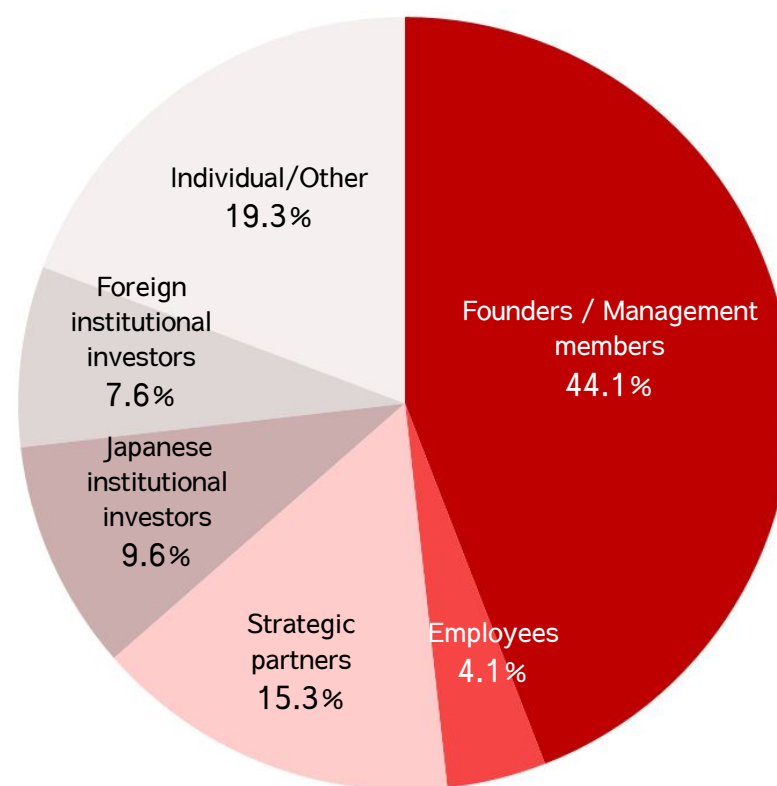


As of June 30, 2021



Total shares issued: 13,492,984

As of September 30, 2021



Total shares issued: 13,730,596

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 a software engineer. He has also worked to develop online gaming services at GREE, Inc.

He joined Yohei 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.

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

Our board and executive management members have expertise in a range of fields, including the energy industry, engineering, and finance. The majority of our board are independent outside directors who have management experience in listed companies in the energy industry. The Nomination and Remuneration Committee was also established in May 2021.

	Name Post at ENECHANGE	Major Past Posts	Nomination and Remuneration Committee	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	○ Committee Chair	✓		✓	✓		
	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.

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.



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.



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



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



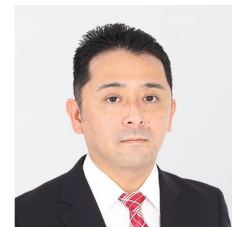
Takuya Sugimoto, CPA
CFO (Chief Financial Officer)
Joined in July 2019 as CFO.
After graduating from the School of Business Administration, Kobe University, he worked at Deloitte, J.P. Morgan, and Rakuten in financing and M&A.



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.

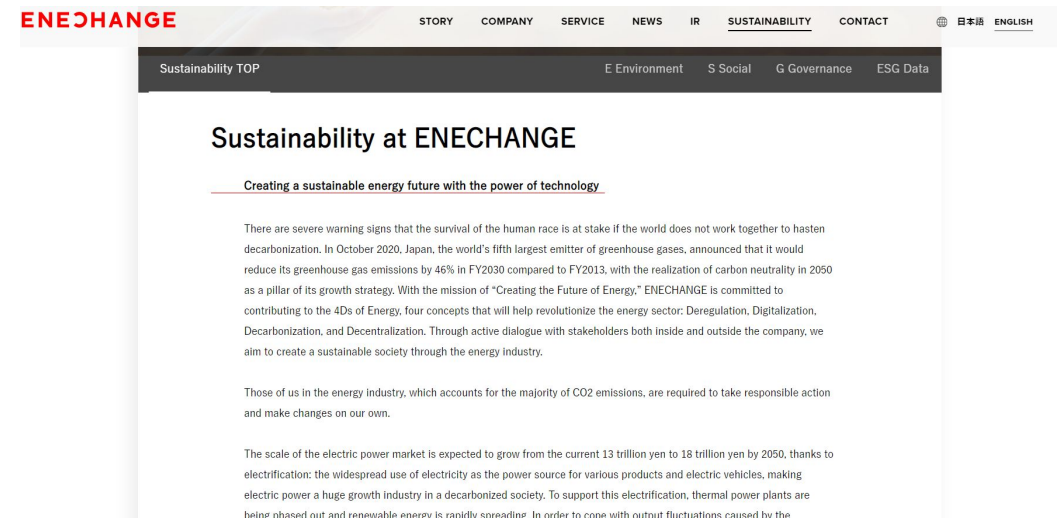
SDG Initiatives

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

Our focus areas regarding SDGs



Disclosure of our commitment on the website



Consolidated balance sheet

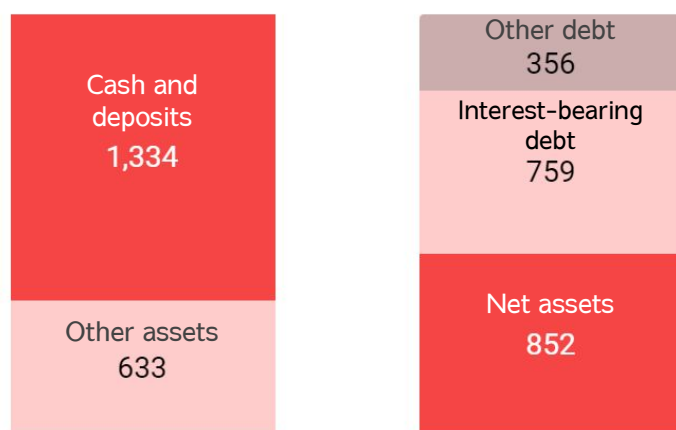
(Unit: JPY MM)	End of June 2021	End of September 2021	
		Actual	QoQ
Current assets	2,016	2,121	+495
Cash and deposits	1,675	1,716	+381
Fixed Assets	546	563	+222
Total Assets	2,562	2,684	+717
Current Liabilities	808	889	+524
Interest-bearing debts	9	9	—
Fixed Debts	750	750	+0
Interest-bearing debts	750	750	—
Net Assets	1,004	1,045	+192

Financial Base

The aim is to utilize our interest-bearing debt with an awareness of capital costs (D/E ratio = 0.72x).
We will consider financing through interest-bearing debt and equity in order to accelerate growth.

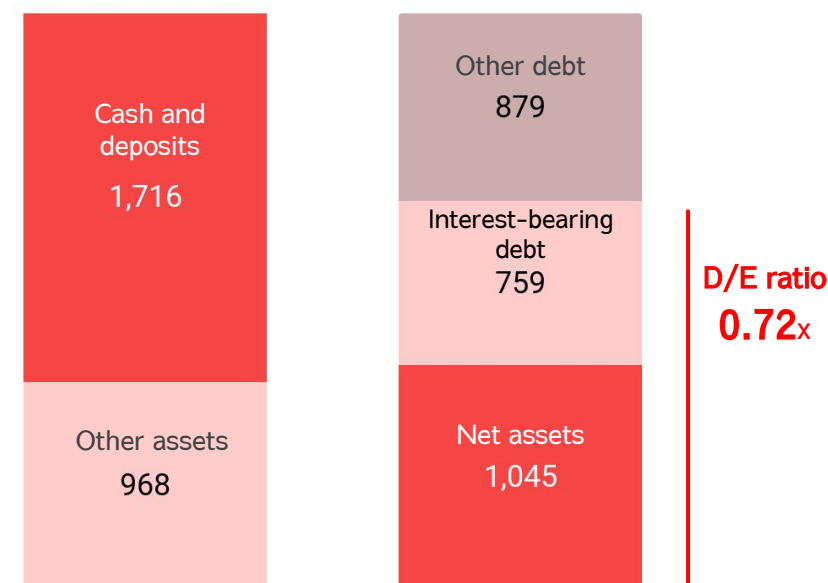
Consolidated Balance Sheet
As of end Dec. 2020

Unit: JPY MM



Consolidated Balance Sheet
As of end Sep. 2021

Unit: JPY MM



Cost Structure by Segment*¹

(Unit: JPY MM)	FY2020 Q3				FY2021 Q3			
	Company-wide	Platform Business	Data Business	Company-wide costs	Company-wide	Platform Business	Data Business	Company-wide costs
Sales	1,252	677	575	0	2,186	1,593	592	0
Cost of sales	295	35	260	0	311	48	263	0
Gross profit	957	642	315	0	1,874	1,545	329	0
<i>Gross Profit Margin</i>	<i>76.4%</i>	<i>94.8%</i>	<i>54.8%</i>	<i>-</i>	<i>85.7%</i>	<i>97.0%</i>	<i>55.6%</i>	<i>-</i>
Sales costs & general administration costs	874	509	113	252	1,736	1,249	170	317
Advertising expenses	38	38	0	0	53	49	0	3
Sales commissions, sales promotion expenses	231	231	0	0	906	906	0	0
Personnel expenses	356	147	83	125	427	162	121	143
Outsourcing expenses	124	71	17	37	178	94	10	73
Other	123	22	13	89	171	36	37	96
Operating profit*²	82	134	202	(252)	137	295	158	(317)
<i>Operating Profit Margin</i>	<i>6.5%</i>	<i>19.8%</i>	<i>35.1%</i>	<i>-</i>	<i>6.3%</i>	<i>18.5%</i>	<i>26.7%</i>	<i>-</i>

*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.

Assumptions for Consolidated Financial Results Forecast for FY2021

Assumptions when our financial results forecast was published (May 24, 2021)

Updates from when our financial results forecast was published

Platform business	<ul style="list-style-type: none"> • Premise: aiming for growth of 70% 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 cost increases are generally due to personnel expenses. 	<p>↑ Customer acquisition on upswing from revision thanks to increased applications.</p> <p>→ For ARPU, the rise in one-time fees contributed positively, and, as expected, the higher prices remained steady post-revision.</p> <p>↓ Segment expenses increased in line with the increase in one-time fees (sales). Personnel expenses increased due to increased recruitment. LTV/CAC discipline maintained.</p>
Data business	<ul style="list-style-type: none"> • Premise: 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 	<p>↑ Gained new orders sooner than expected.</p> <p>↓ ARPU dropped slightly due to the introduction of low-priced products for new customers.</p> <p>→ Segment expenses increased in line with initial expectations due to recruitment.</p>
Company-wide Common Expenses	<ul style="list-style-type: none"> • Assuming increased company-wide common expenses due to increased recruitment, etc. 	<p>→ Personnel expenses increased due to increased recruitment, as expected.</p>
Operating Profit	<ul style="list-style-type: none"> • A policy of maintaining profitability while investing in user acquisition for the Platform business in particular to ensure sales growth • Recorded operating profit for the first quarter, and expect operating loss for the second quarter due to the boost of user acquisition cost 	<p>↑ Initial forecasts were for negative operating profit, but strong gains in Platform business users meant our one-time fees increased more than expected, leaving us with a positive result.</p> <p>↓ Business was profitable during the Q1-Q3, so we intend to continue advertising, etc. within the scope where we can maintain this profitability throughout the full year.</p>
Other	<ul style="list-style-type: none"> • 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. 	<p>→ The effects of the acquisition of Oberlous were not included as it is still under inspection</p>

Platform business

Japan's largest energy switching platform

Through operation of our platform that has 2.2 million unique monthly visitors and 52 affiliated energy 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
Energy switching platform

Deregulation

×

Decarbonization



For Companies
Energy switching platform

Deregulation

×

Decarbonization

* Total number of partner energy 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 cheapest 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.



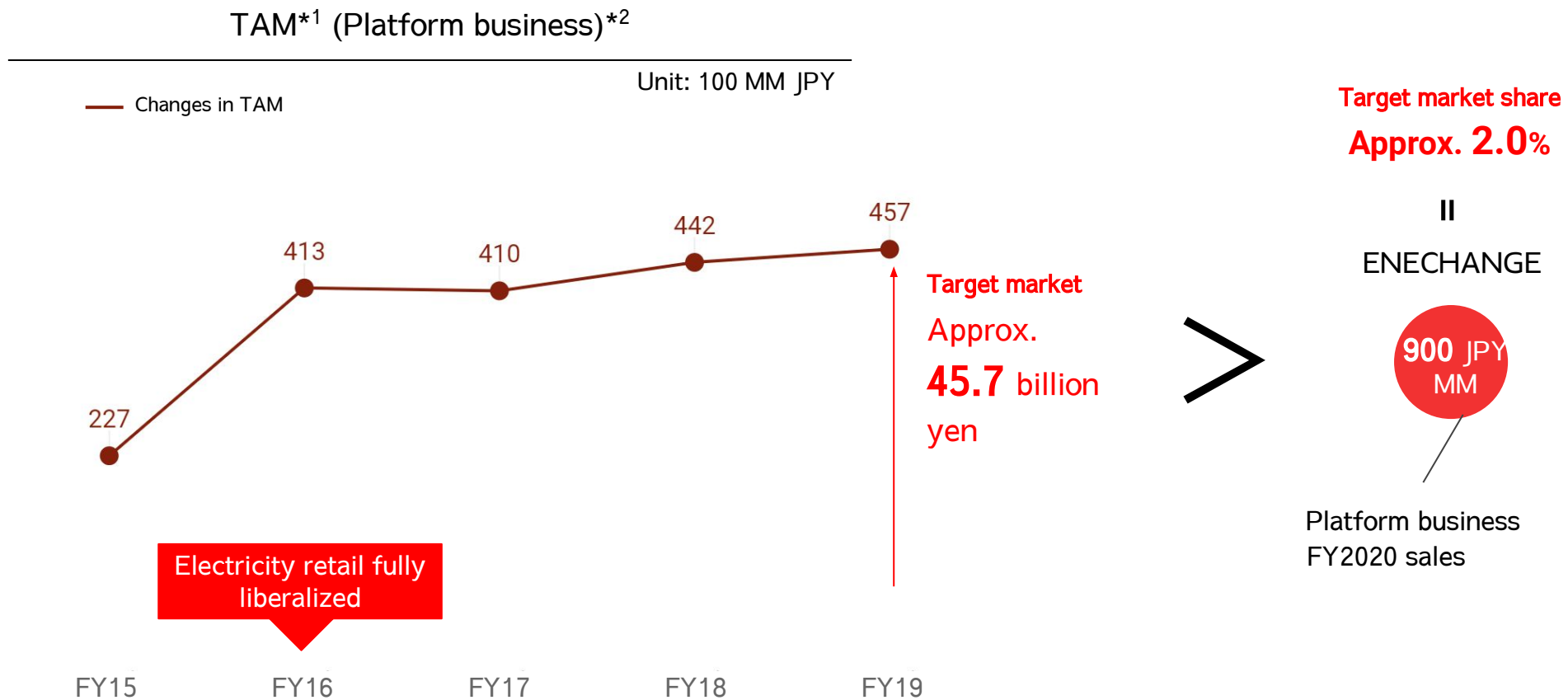
*1. According to the Ministry of Health, Labour and Welfare's "Comprehensive Survey of Living Conditions" (published July 2020) the average number per household was 2.39 persons in FY2019. Hence, the annual average amount of electricity saved is based on the results of a simulation that shows two- or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

Target market is 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 Platform business, is 45.7 billion yen, of which ENECHANGE's share is about 2.0%.

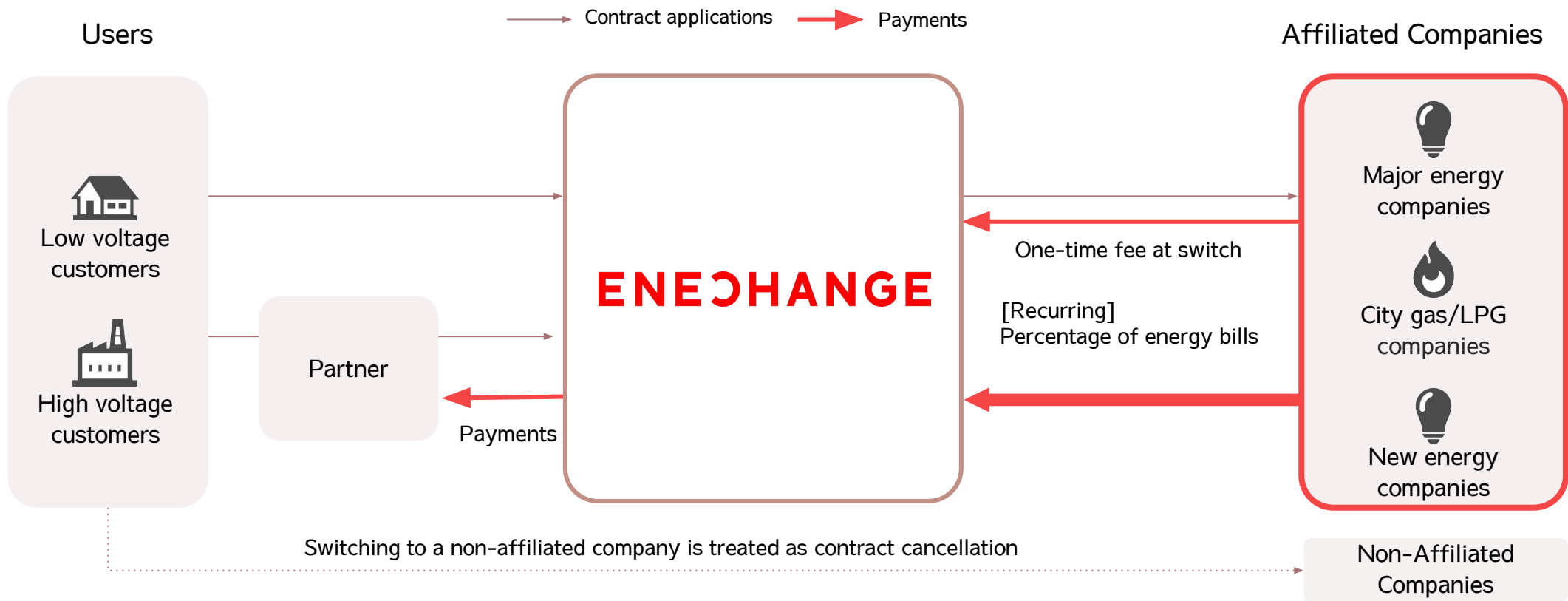


*1. TAM stands for Total Addressable Market. This term refers to the largest market size that the Group currently envisions. It is not calculated to show the objective market size of the businesses we are running as of the date of submission of this document, but includes estimated values as well.

*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 energy 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 energy 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 a customer acquisition SaaS.



New entrants with strong offline channels dominate the top ranks

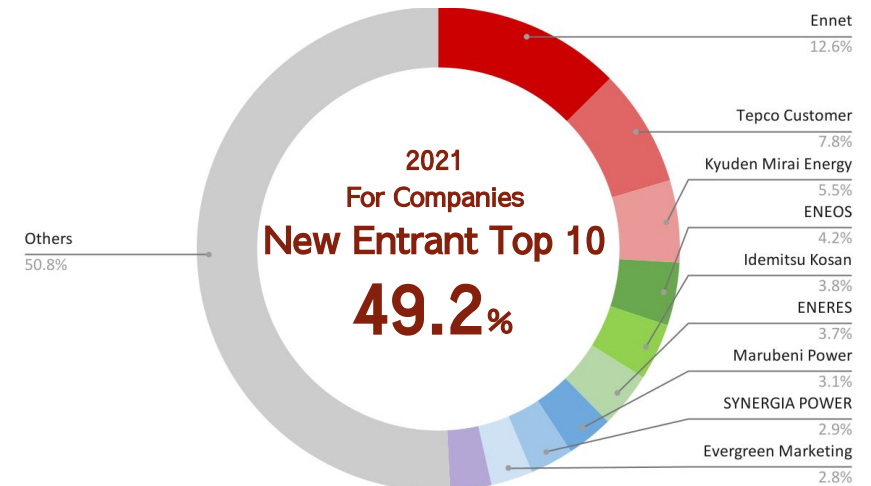
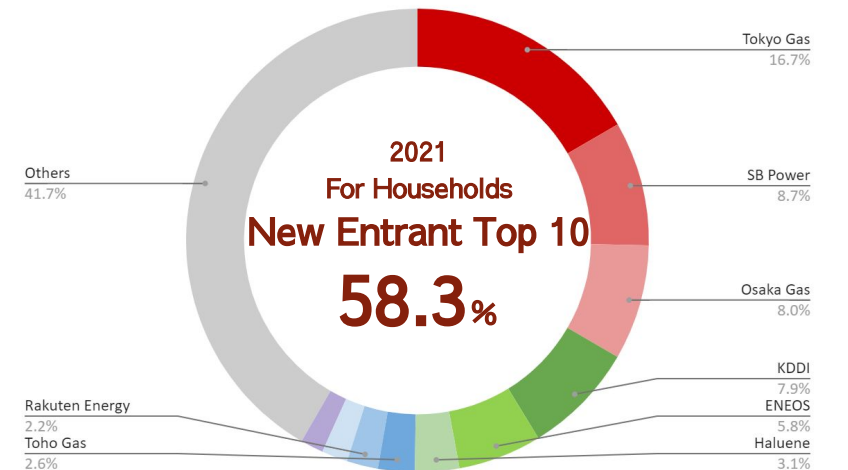
The top new entrant supplier rankings are occupied by major energy, oil, communication, and trading companies. We have contracts with most of them. However, the strong offline channels of each company (sales visits, stores, etc.) are the main source of customer acquisition currently.

For Households (as of June 2021)

1	Tokyo Gas	Major gas company	16.7%
2	SB Power	Major communications company (Softbank subsidiary)	8.7%
3	Osaka Gas	Major gas company	8.0%
4	KDDI	Major communications company	7.9%
5	ENEOS	Major oil company	5.8%
6	Haluene	Major communications company (Hikari Tsushin affiliate)	3.1%
8	Toho Gas	Major gas company	2.6%
7	Rakuten Energy	Major communications company (Rakuten subsidiary)	2.2%
9	Loop	Independent energy company	1.8%
12	Daiwa House	Major housing manufacturer	1.6%

For Companies (as of June 2021)

1	Ennet	Joint venture of NTT Group, Tokyo Gas, Osaka Gas	12.6%
2	Tepco Customer Service	TEPCO subsidiary	7.8%
3	Kyuden Mirai Energy	Kyushu Electric Power subsidiary	5.5%
4	ENEOS	Major oil company	4.2%
5	Idemitsu Kosan	Major oil company	3.8%
6	ENERES	Major communications company (KDDI) subsidiary	3.7%
7	Marubeni Power Retail	Major trading company subsidiary	3.1%
8	SYNERGIA POWER	Joint venture of Tohoku Electric Power, Tokyo Gas	2.9%
9	Evergreen Marketing	TEPCO affiliated company	2.8%
10	HOPE	Independent energy company	2.8%



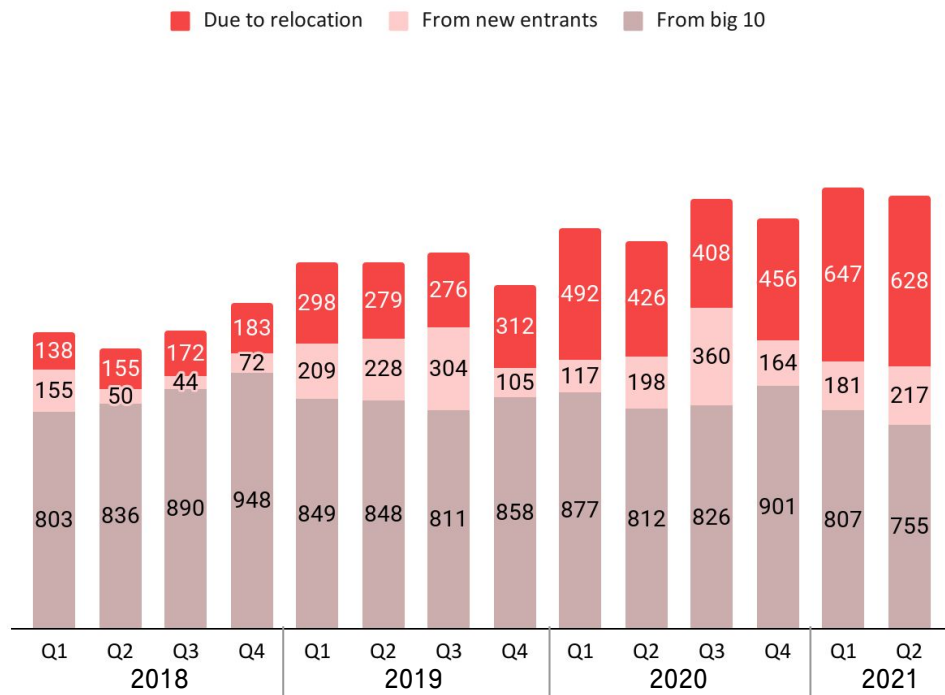
*Created based on the sales volume (kWh) in Agency for Natural Resources and Energy "Electricity Demand Performance" (Mar. 2021).

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 FY2021 Q2 shares of each segment are estimated at (1) 1.1%, (2) 4.0%, and (3) 1.6% respectively, and 1.7% overall.

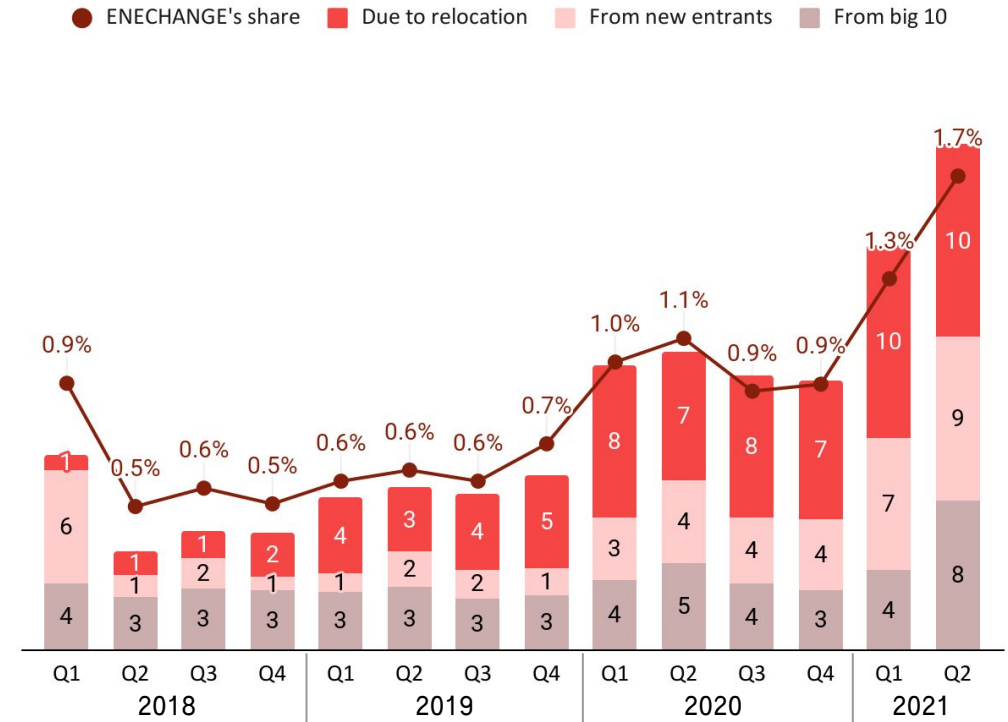
Number of switches to new entrants
in Japan (quarterly)*¹

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.

LTV/CAC definitions and future policies

$$\begin{array}{c}
 \text{LTV} \\
 \left(\begin{array}{c} \text{One-time fee/} \\ \text{Cross-sales} \end{array} - \begin{array}{c} \text{Sales} \\ \text{commissions} \end{array} \right) + \begin{array}{c} \text{Lifetime} \\ \text{recurring} \\ \text{revenue} \end{array} \times \begin{array}{c} \text{Gross profit} \\ \text{margin} \end{array} \div \begin{array}{c} \text{CAC} \\ \text{User} \\ \text{acquisition cost} \end{array} = \text{LTV/CAC}
 \end{array}$$

Explanation of Terms

Action Plan (Highlighted areas are our focus areas)

		Households	Companies
One-time fee/ Cross-sales	<ul style="list-style-type: none"> - One-time fees are payments received from partner companies when switching energy. - Cross-sales are sales obtained by selling products other than energy switching to users. 	Expectation of increase in one-time fee	Energy-saving product cross-sales
Sales commissions	<ul style="list-style-type: none"> - Incentive fees from introducing customers from online/offline partners and fees related to issuing gift certificates to ENECHANGE users. - The policy for both is to pay them within the scope of one-time fee. 	—	—
Lifetime recurring revenue	<ul style="list-style-type: none"> - Total amount per user of recurring revenue received from partner companies who have received an energy switchover. - Calculated by multiplying the reciprocal of the churn rate (avg. 1.10% per month for total Platform 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). 	Development of user-maintenance measures to improve churn rate	Maintain churn rate at low level
Gross profit rate	<ul style="list-style-type: none"> - Gross profit rate for Platform business 	95% (FY2020)	
User acquisition cost	<ul style="list-style-type: none"> - Total of expenses shared across segments such as advertising expenses, personnel expenses, and call center and server expenses (tallied up 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. 	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).

Oberlous Japan Inc. Acquisition Deal Summary

Transaction Overview

Acquired 100% of issued shares of Oberlous Japan Inc. from two shareholders

- Date of execution of share transfer agreement: October 15, 2021
- Effective date of share transfer: November 1, 2021
- Acquisition amount: 350 million yen
- Funding method for acquisition: Cash and bank loans
- Impact on current fiscal year performance: Under examination (however, impact on current fiscal year performance expected to be minor)

Purpose

Strengthening customer base for ENECHANGE Platform business

- Oberlous provides energy switching using recurring revenue contracts; we will continue to strengthen our profit base through this acquisition.
- Oberlous' user base is mainly in the real estate industry, thereby strengthening our presence in this area.

Realized Benefits

Real estate is a focus area for ENECHANGE

- With the ESG perspective gaining importance in investment worldwide, especially in the real estate management industry, efforts to reduce CO₂ emissions are one of the key factors for investment decisions.*¹
- We aim to further improve our platform value by providing services that match the needs of real estate industry customers, such as providing plans that emphasize renewable energy.

*1. Environmental certifications such as GRESB, which evaluates the environmental friendliness of real estate companies and funds, and CASBEE (Comprehensive Assessment System for Built Environment Efficiency), which evaluates the environmental performance of buildings, are used.

Data business

Cloud-based digital transformation service for energy 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.

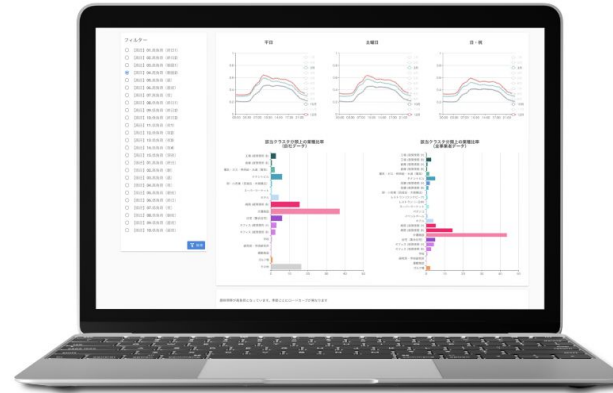


Energy
price comparison

EMAP
Energy marketing SaaS



Energy
switching application



Smart meter-based
customer analysis

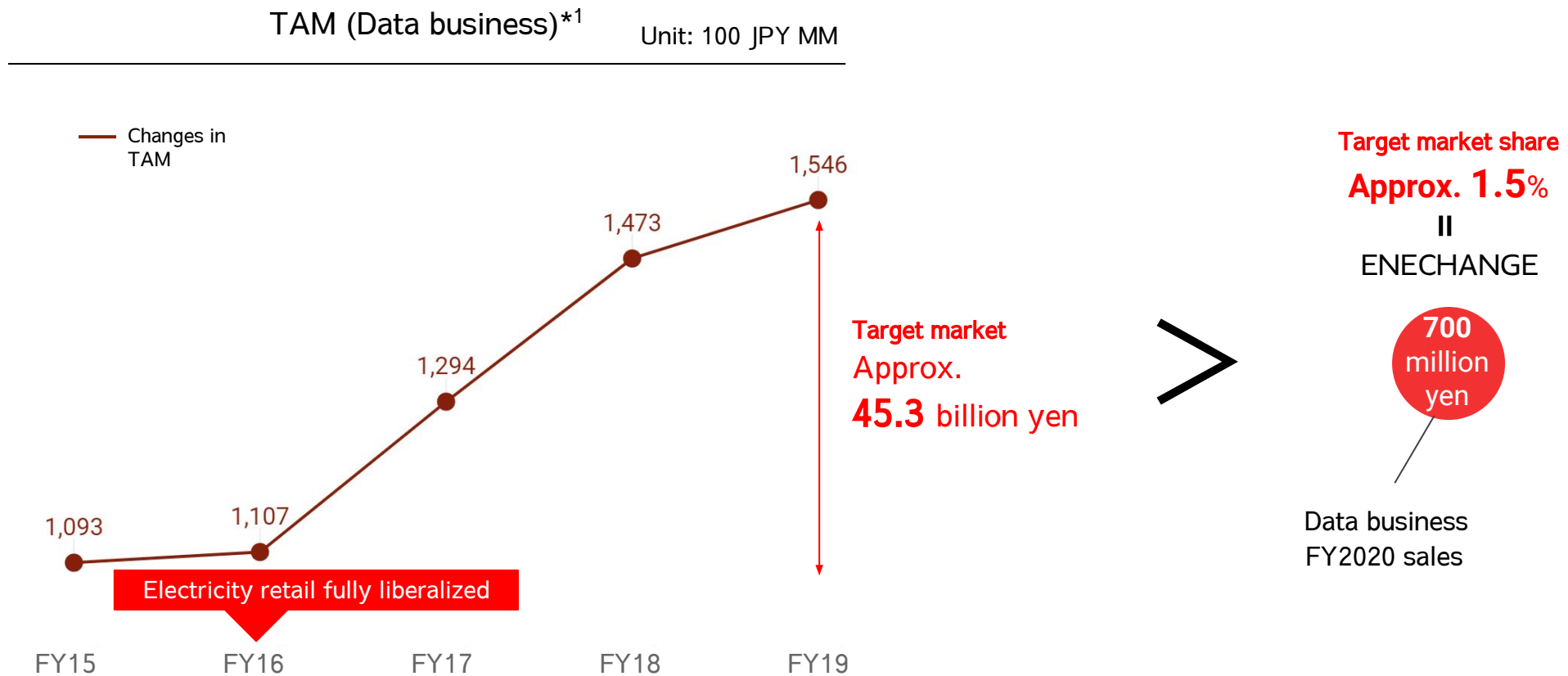
SMAP
Smart meter usage SaaS



Smart meter-based
demand response

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

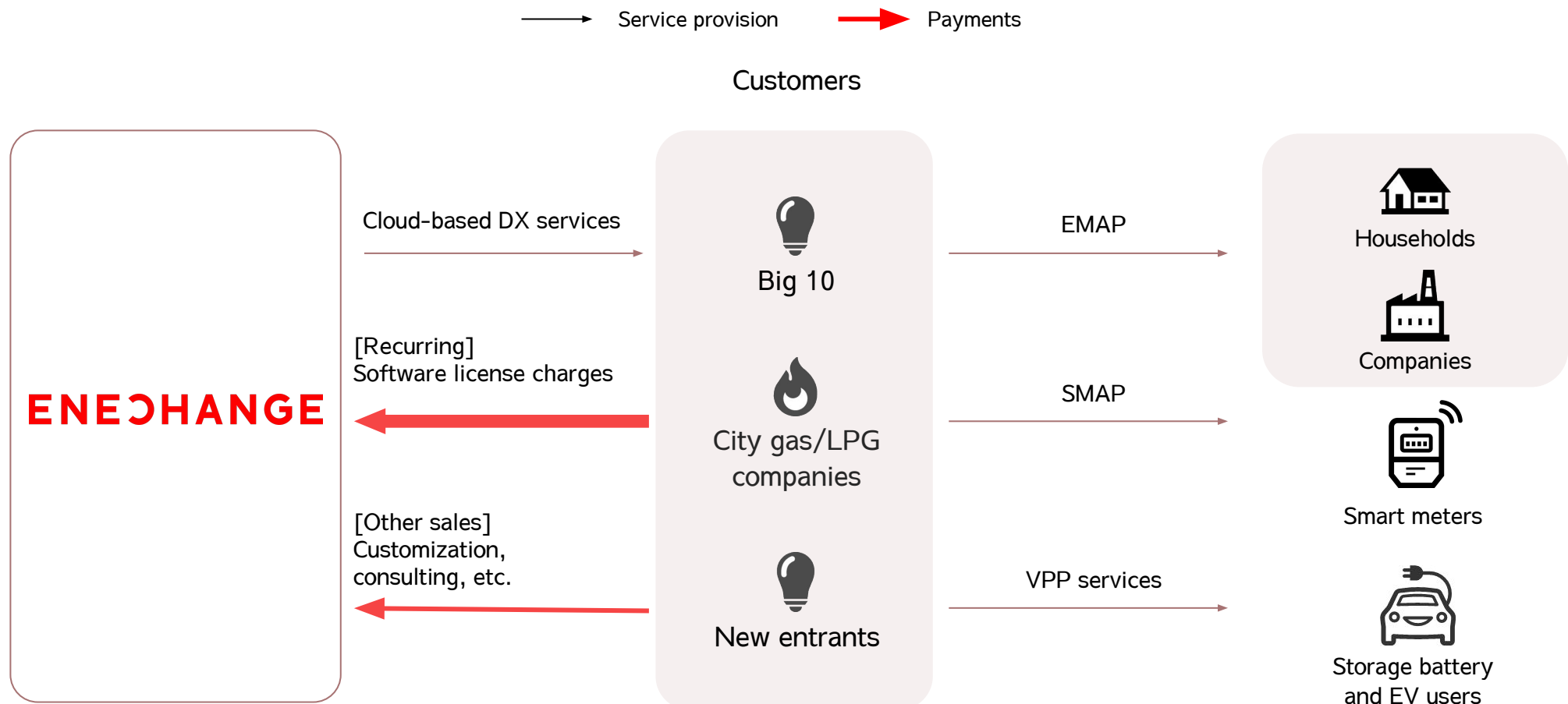
With the demand for investment in new systems related to the 4Ds of energy, the sales IT budget ratio of the electricity industry has increased. The increase from 2015, before energy liberalization, has been 45.3 billion yen. ENECHANGE considers this our target market, and our share is estimated at 1.5%. In addition, our main competitors are As the main competition in this area is from consultancies and in-house software development, our specialized SaaS applications can gain market share by presenting a cost advantage.



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

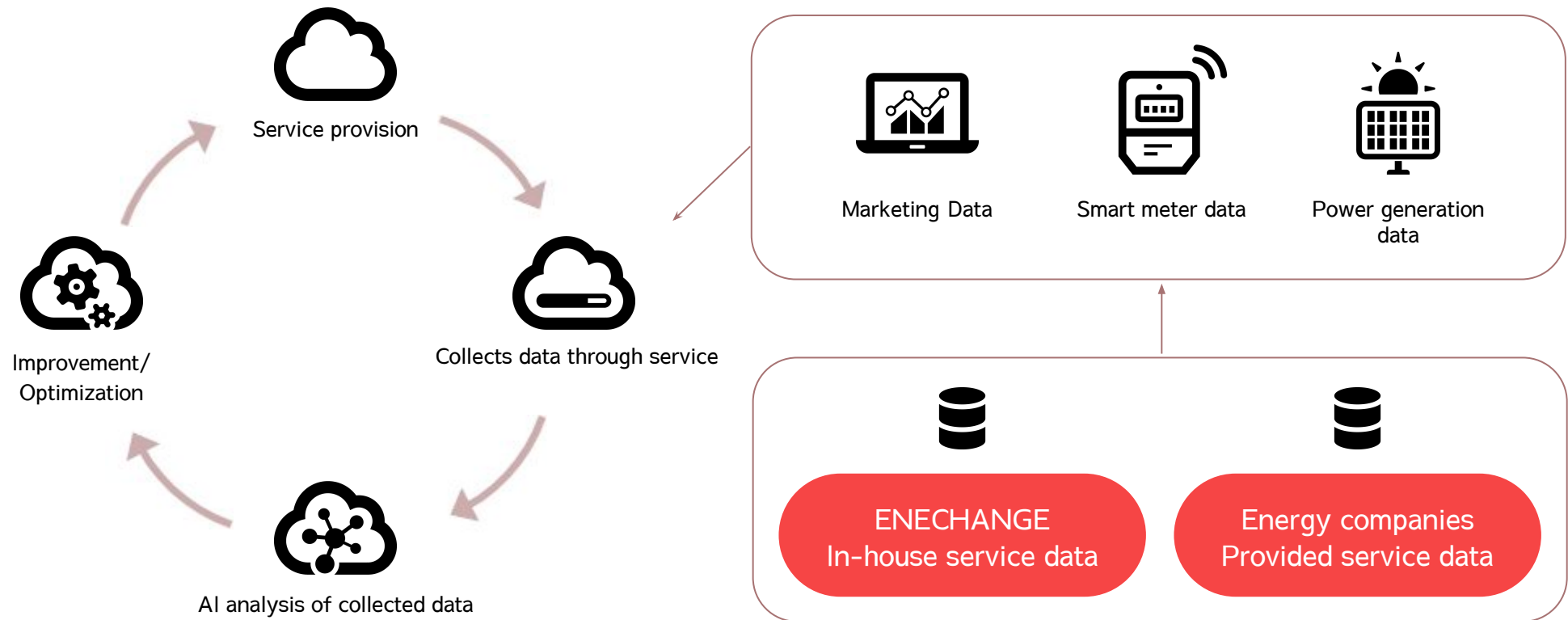
Recurring revenue from monthly license charges

We provide our proprietary products as SaaS (B2B2C) to energy 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.

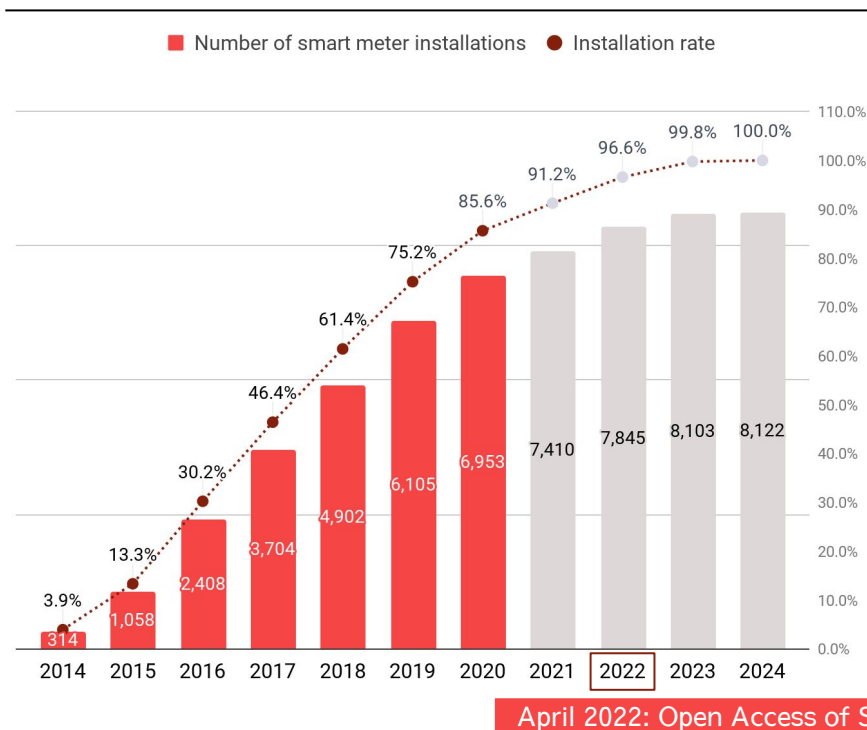


Open access to smart meter data in 2022

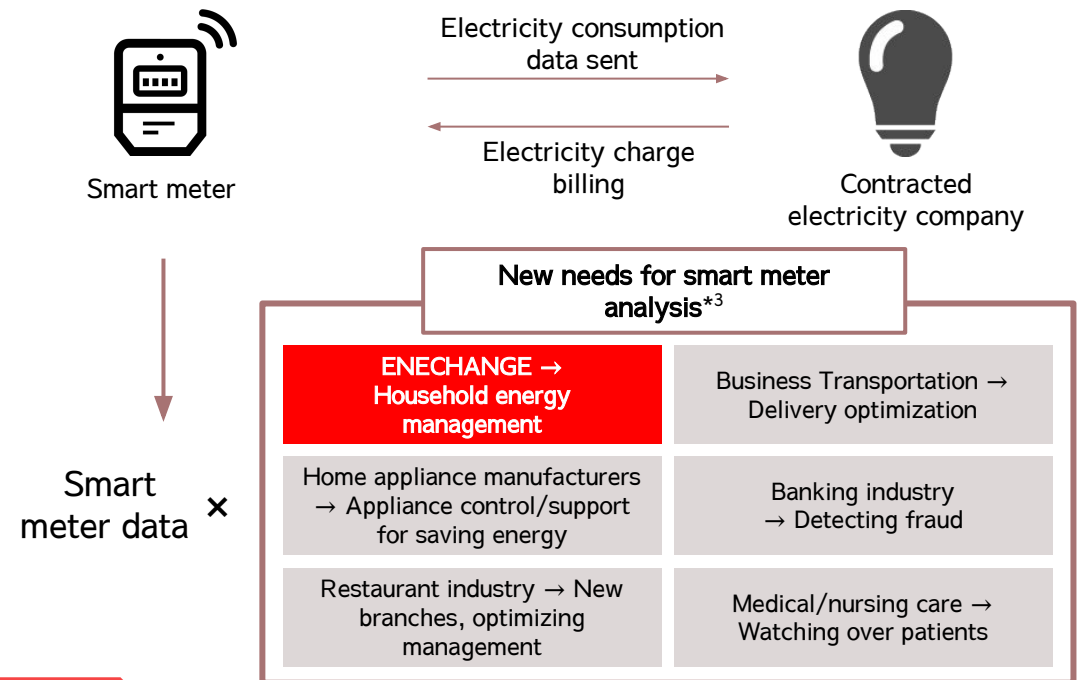
Smart meter data*¹ is expected to be available through open API access in April 2022, which will allow companies other than energy companies access to data obtained from over 80 million smart meters.

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



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 Agency for Natural Resources and Energy, "Progress of full liberalization of energy retailing" (July 21, 2021).

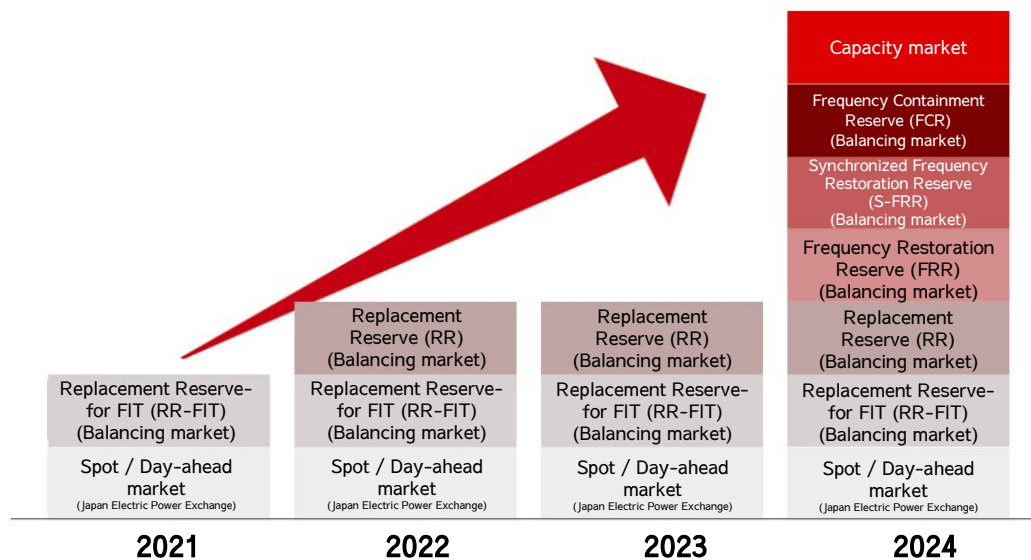
*3. Taken from examples in the materials in the Agency for Natural Resources and Energy, "The Effective Utilization of Power Data" (March 19, 2020)

Entering a 100 billion yen VPP market

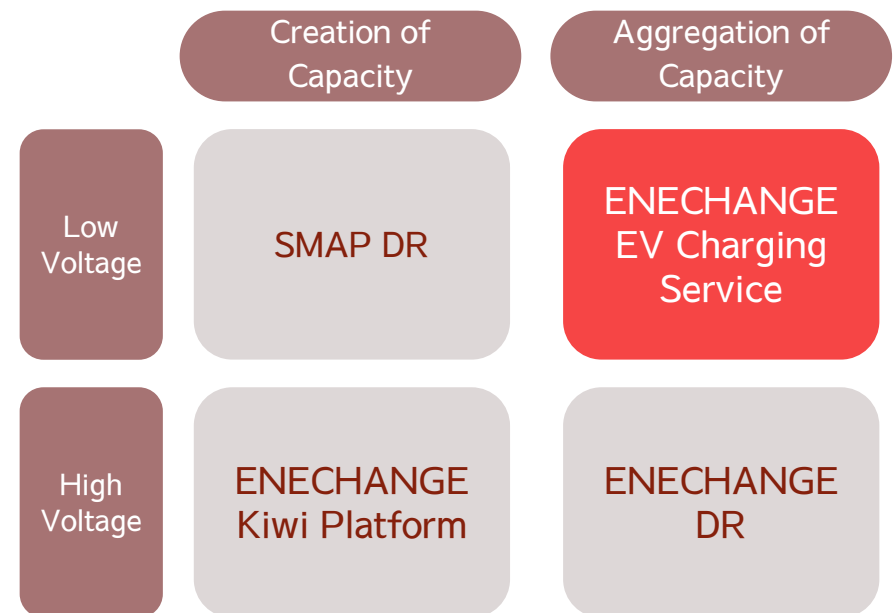
The VPP market in Japan, which has an estimated market size of 100 billion yen, is expected to be driven by the balancing market, consisting of the Replacement Reserve-for FIT (RR-FIT) from 2021 and Replacement Reserve (RR) from 2022^{*1}, as well as the capacity market from 2024. For comparison, overseas market sizes are: 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 Size 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)

Strategic collaborations utilizing our overseas network

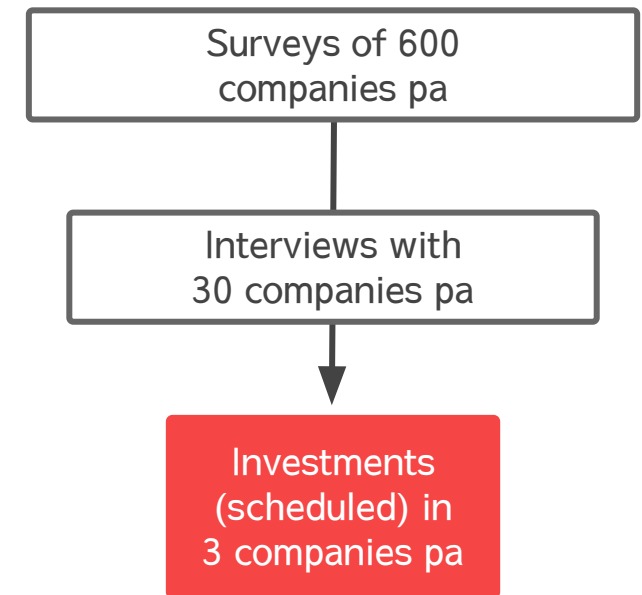
Through ENECHANGE Insight Ventures, we provide surveys, partnerships, and investment negotiations for Japanese companies in some 600 cutting-edge global energy companies each year. In addition, we will also create strategic capital and business alliances with promising ventures utilizing our investment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



Research through
ENECHANGE Insight Ventures



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



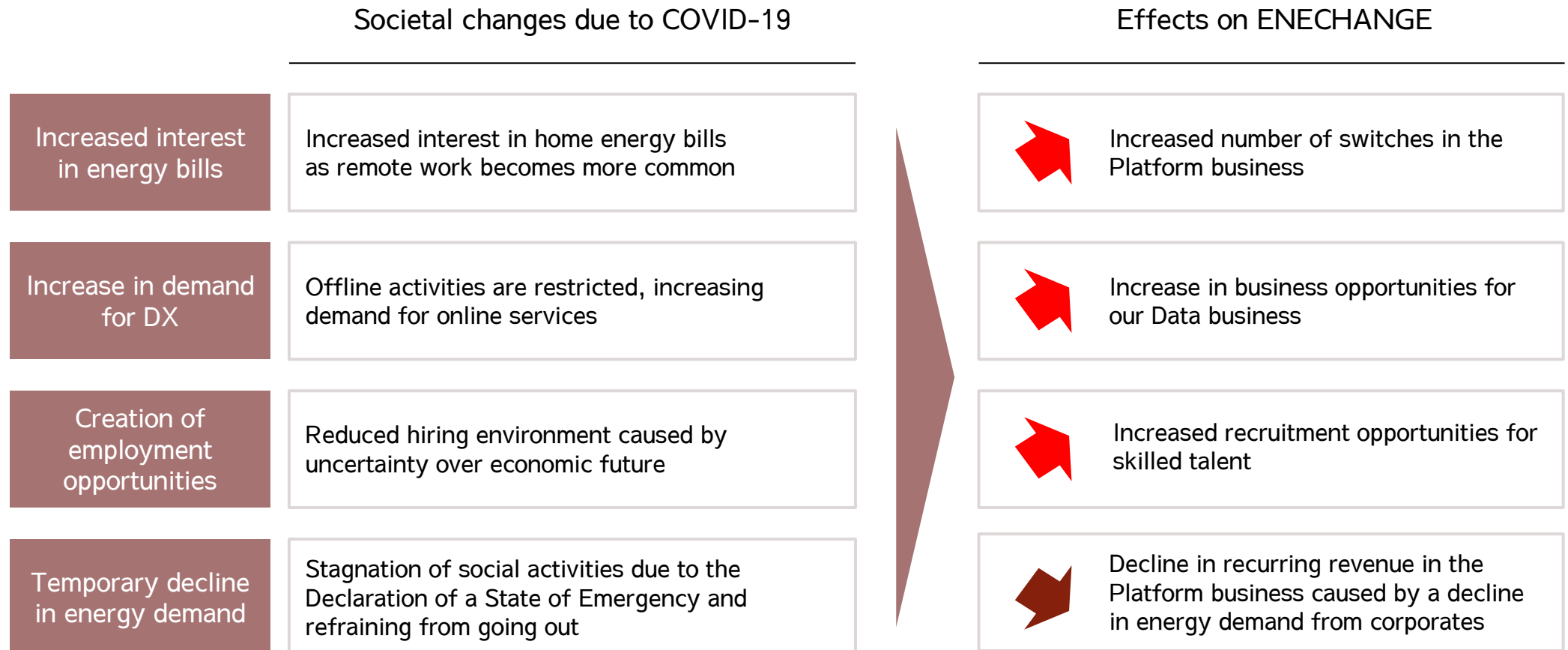
*¹ The Japan Energy Fund, an overseas-specialized decarbonization energy fund, is run by ENECHANGE and a Loop affiliate with the goal of reaching a grand total of about 100 billion yen in investment size.

*² The No. 1 Fund aims for AUM of 100 million USD (11 billion yen). Its investors are Daiwa Energy & Infrastructure Co. Ltd. and the Hokuriku Electric Power Group.

Risk Information

About the COVID-19 lockdown

With the spread of COVID-19 and the Declaration of a State of Emergency by the government, we considered this to be an opportunity for expanded usage of online channels and increased demand for DX services. In addition, we aimed to accelerate the recruitment of talent by encouraging remote working practices. At the same time, the lockdown 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.	Medium	High	<ul style="list-style-type: none"> - 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.	Medium	High	<ul style="list-style-type: none"> - 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	<ul style="list-style-type: none"> - 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 energy companies	<div>Platform</div> <div>Data</div>	- The possibility that unexpected events such as surge in oil/LNG price or the price of electricity traded on the Japan Exchange for Wholesale Electricity ("JEPX"), natural disasters and sudden phenomena could worsen the management conditions of the energy 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	<div>Platform</div> <div>Data</div>	- 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 energy 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	<div>Platform</div>	- 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.	<div>Data</div>	- 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.	<div>Platform</div> <div>Data</div>	- 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.

IR information desk

IR Website: <https://enechange.co.jp/en/ir/>

Our IR website contains the latest financial information, including financial summaries and presentation materials, as well as stock information and materials related to the General Meeting of Shareholders. We also have a page for individual investors.

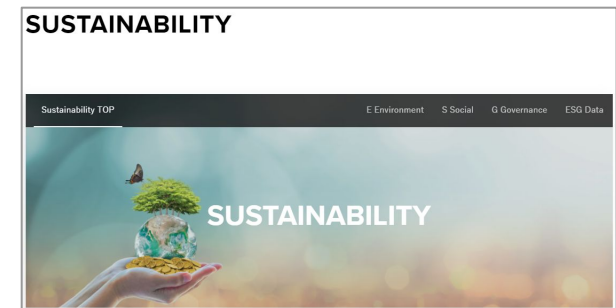
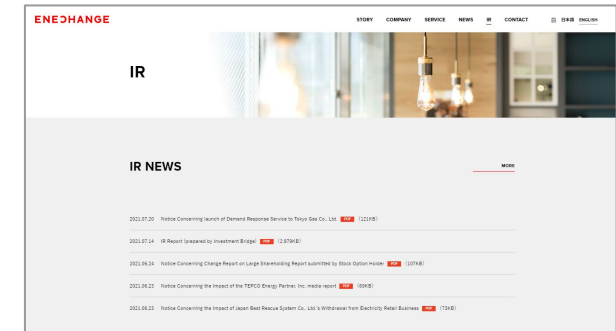
Sustainability: <https://enechange.co.jp/en/sustainability/>

This page introduces our ESG materiality map and our environmental, social and governance initiatives.

IR E-mail Distribution: Register [here](#)

Timely disclosure information and other information will be delivered to your registered e-mail address.

Contact: ENECHANGE Ltd. ir@enechange.co.jp



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