

Explanatory Materials Related to Business Plan and Growth Potential

ENECHANGE Ltd.
October 28, 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 available 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.

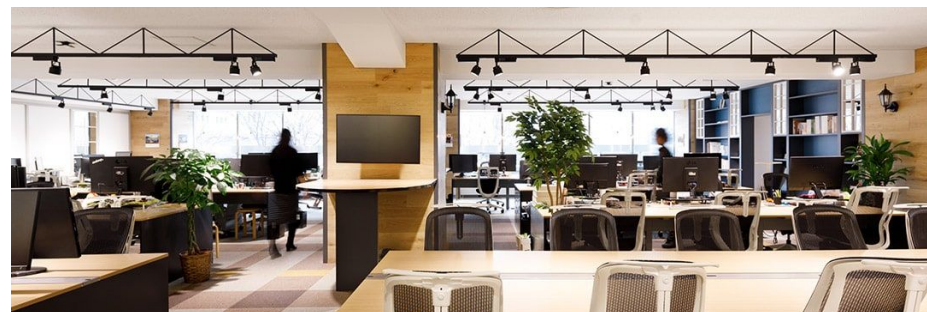
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Company Highlights

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



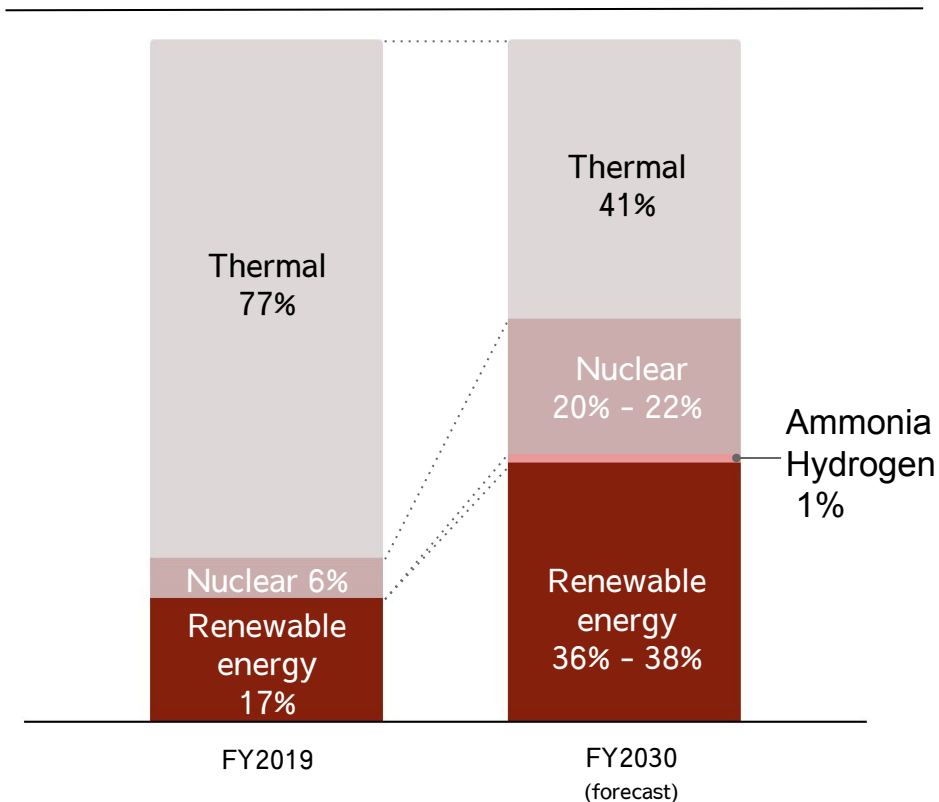
Group business: London



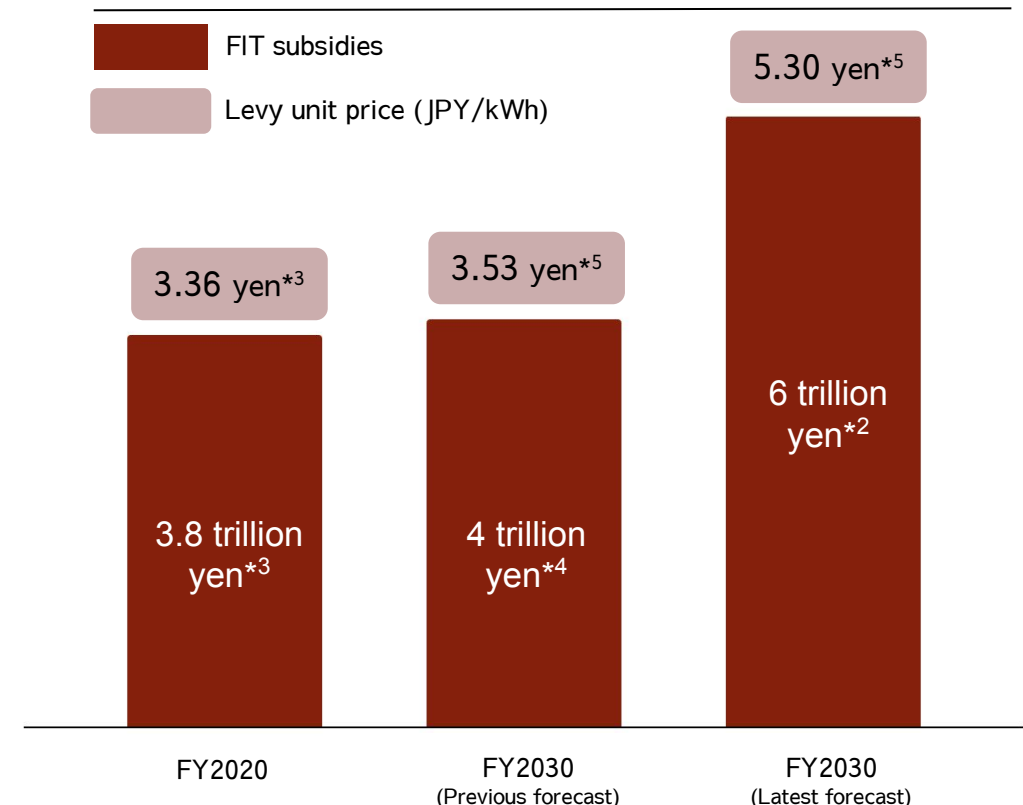
Promoting decarbonization has given our business a boost

International agreements to reach net zero by 2050 mean the energy industry, which accounts for 93%^{*1} of Japan's total CO₂ emissions, is in need of major reforms. The government's ambitious renewable energy targets require subsidies (e.g. FIT) to grow to 6 trillion yen from the current 3.8 trillion yen, fuelled by a rise in renewable energy levies on energy bills. Thus, there will be more demand for switching electricity contracts, energy-saving and VPP services.

Changes in energy mix^{*2}



Changes in renewable energy levies



^{*1}. Prepared by ENECHANGE based on National Institute for Environmental Studies, "Greenhouse Gas Inventory" and "Greenhouse Gas Emissions Data for Japan".

^{*2}. Prepared by ENECHANGE based on Agency for Natural Resources and Energy, "Outline of Basic Energy Policy (Draft)" (July 21, 2021).

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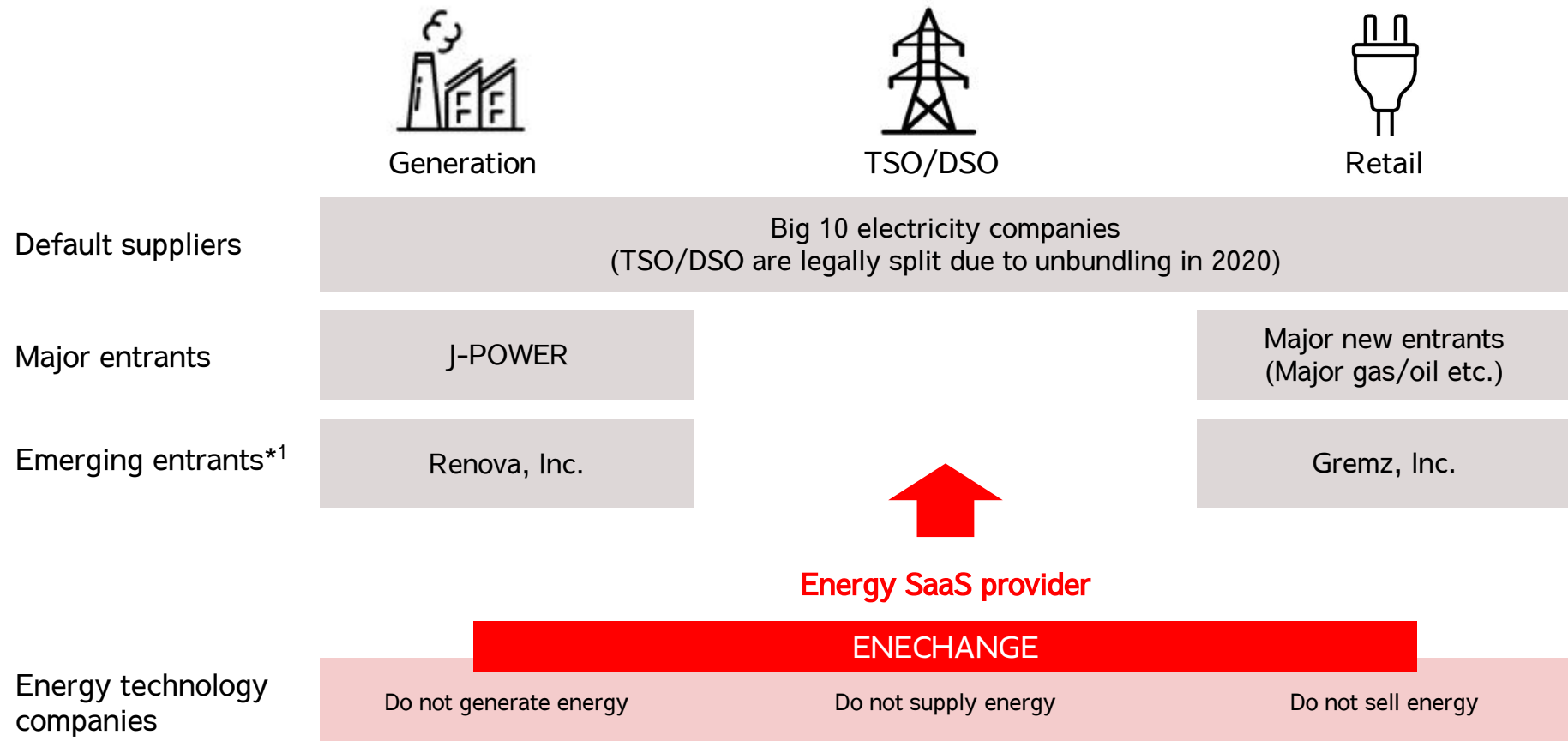
^{*3}. METI website, "Determination of Purchase Price and Levy Unit, etc. for FY2021 Under FIT System" (March 24, 2021).

^{*4}. Agency for Natural Resources and Energy website, "Considering Renewable Energy Costs" (September 14, 2017).

^{*5}. Calculated by multiplying the FY2020 levy unit price by the rate of increase in FIT purchase expenses.

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 by providing the latest technology services to energy companies.

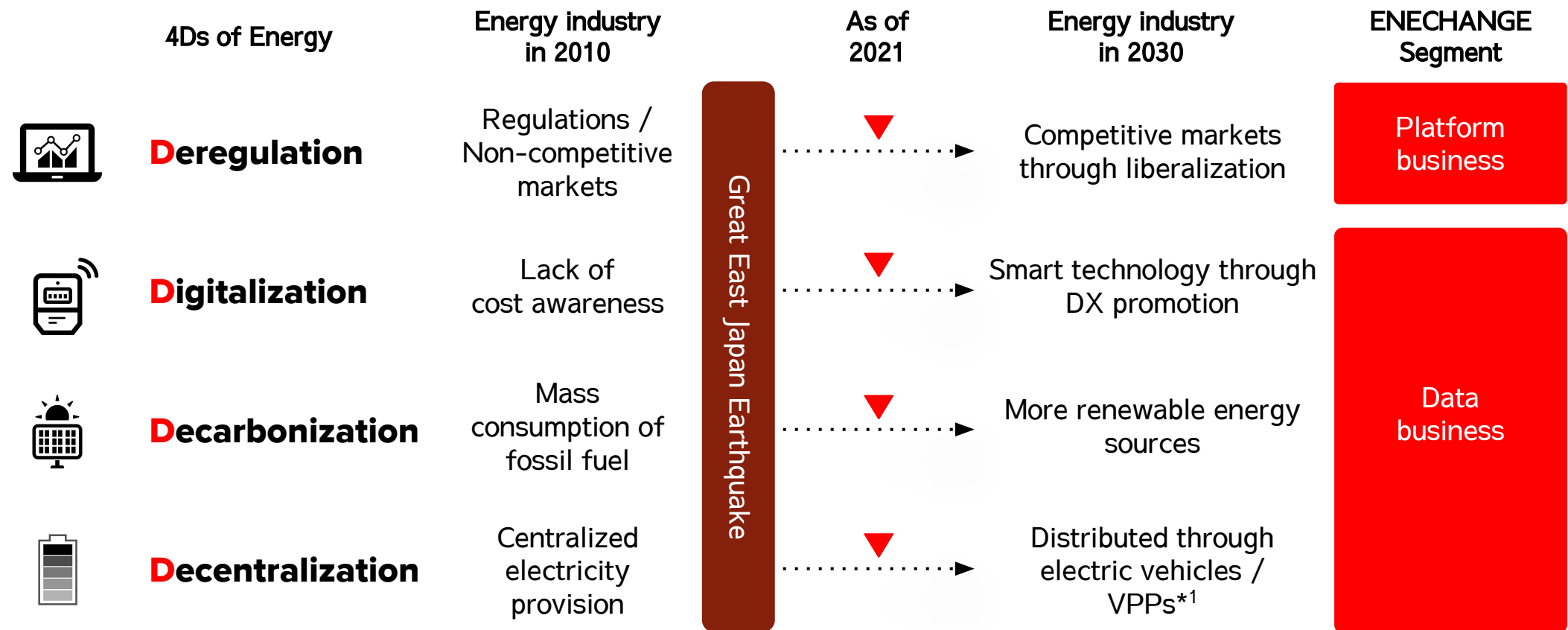


*1. Selected companies with the highest market capitalization amongst companies newly listed on the Tokyo Stock Exchange in the 2010s.

Energy SaaS specialized in the 4Ds 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 Ds.

Deregulation falls under our Platform business, while the other three 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.

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, 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 4Ds reform the energy industry. ENECHANGE uses the technological capacity, overseas knowledge, and networks we fostered at Cambridge to encourage reform in Japan's energy industry.

- Yohei Kiguchi, CEO



Business Explanation

Platform business

The leading online energy switching platform in Japan

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

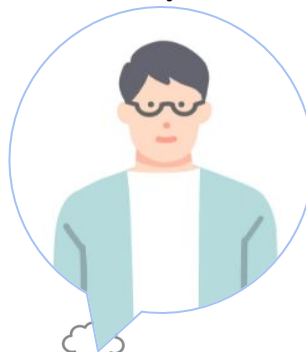
We chose environmentally-friendly electricity and saved 13,729 yen in the first year for a two-person household.*³



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.



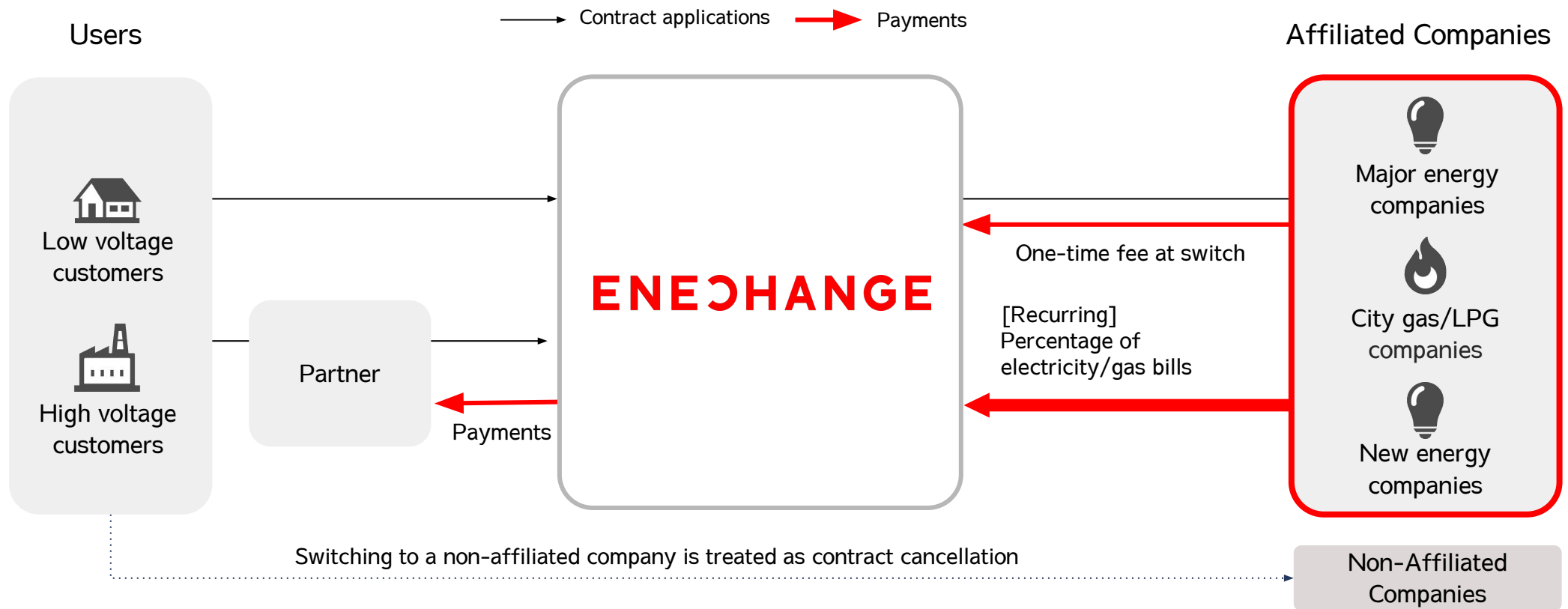
*1. According to the Ministry of Health, Labour and Welfare's "Comprehensive Survey of Living Conditions" (published July 2020) the average number per household was 2.39 persons in FY2019. Hence, the annual average amount of electricity saved is based on the results of a simulation that shows two- or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

Recurring revenue for electricity/gas usage bills

After switching an electricity or gas contract, we receive 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 a customer acquisition SaaS.

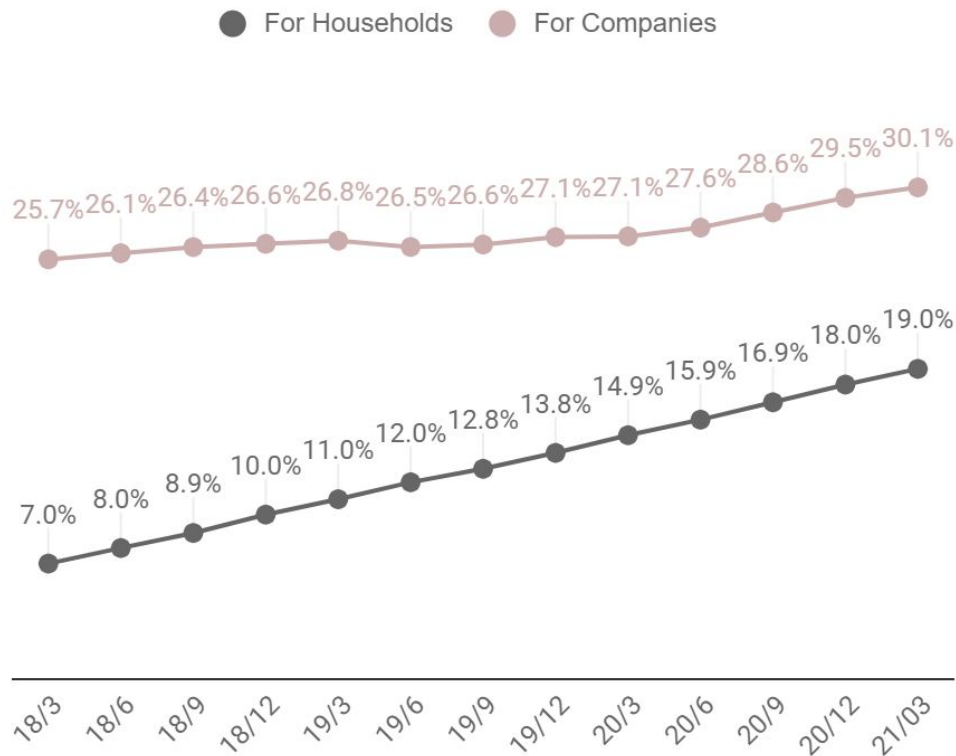


Our market share hits record high

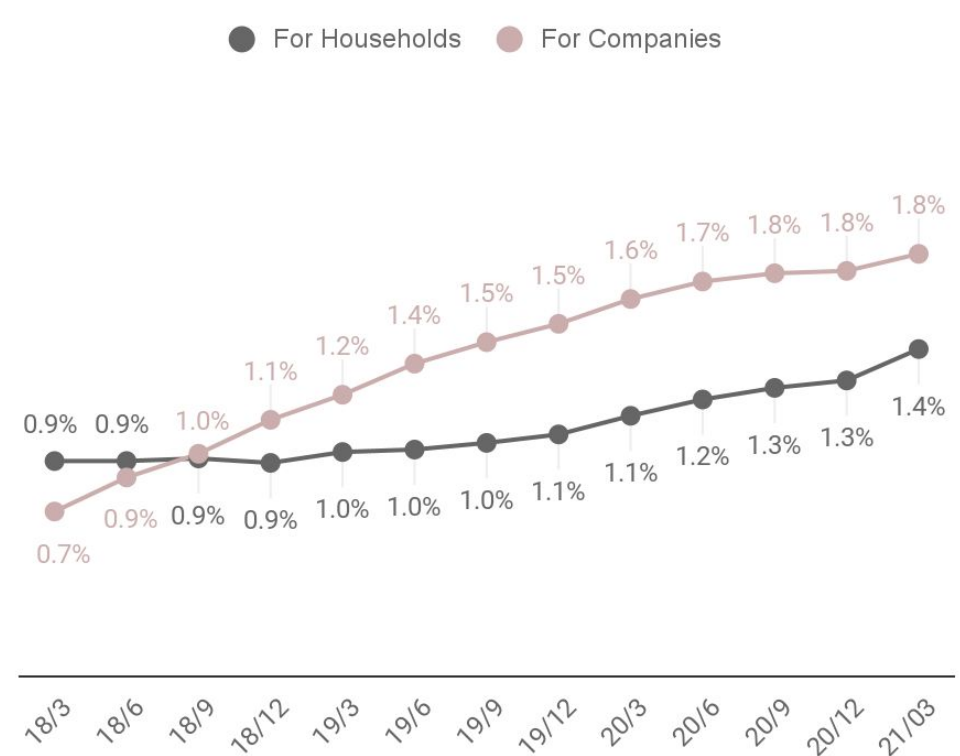
The liberalization of the electricity retail market happened in 2005 for companies and in 2016 for households. The share of new entrants (based on the number of contracts) is 30.1% for companies and 19.0% for households.

Our market share of customers using a new entrant supplier*¹ (on a contract number basis) is 1.8% for companies and 1.4% 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).

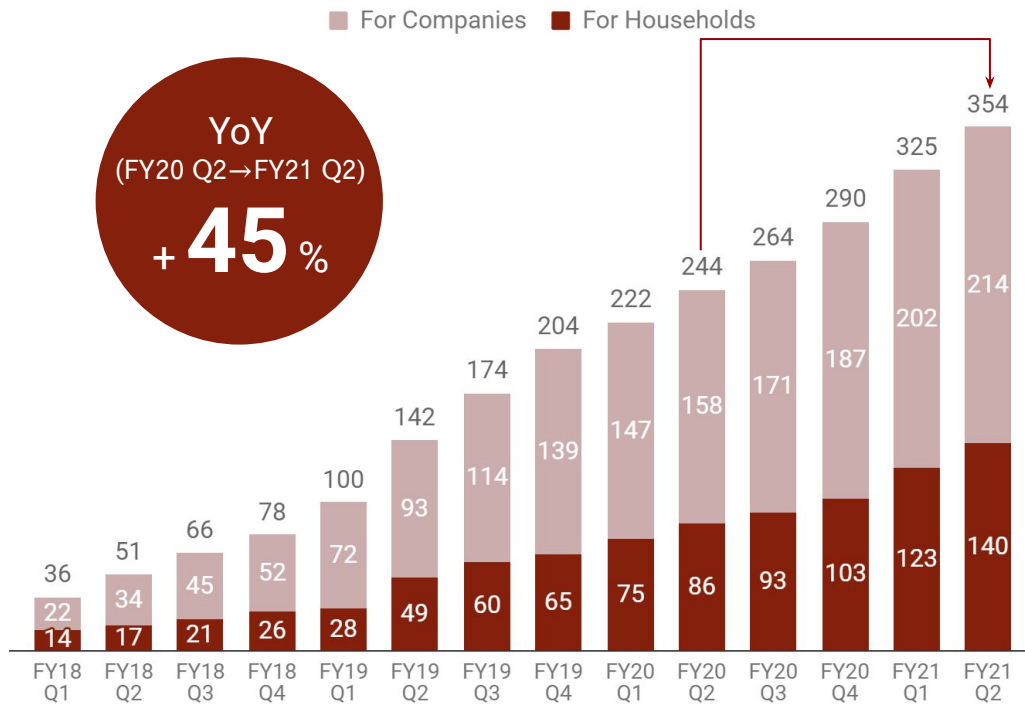
The number of partners and acquisitions via partner channels hit record high

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

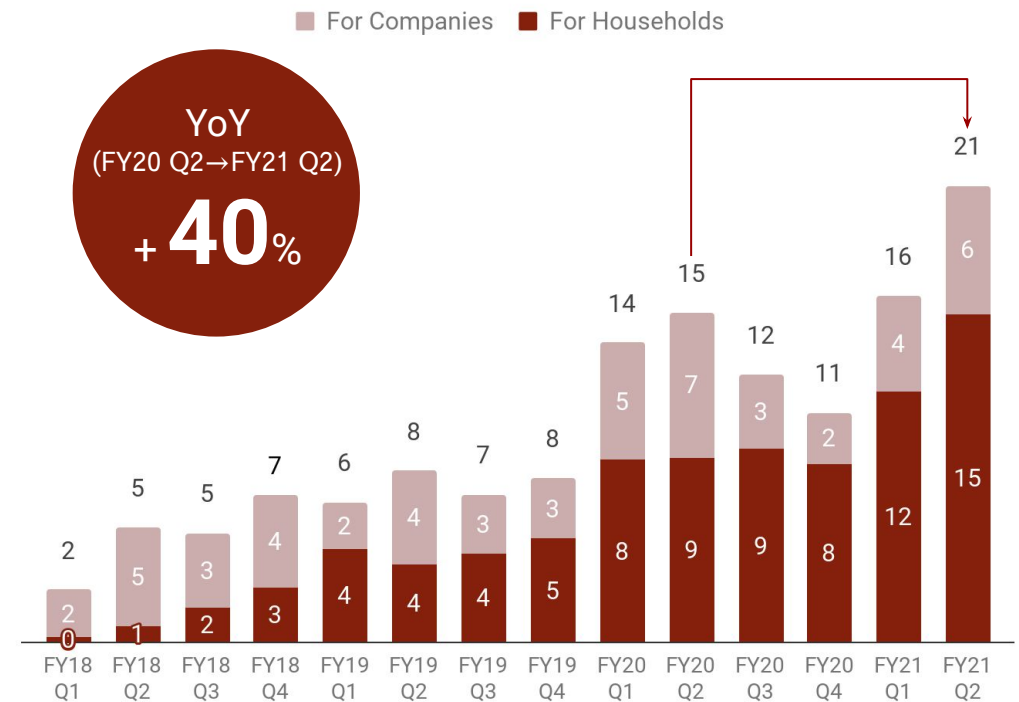
We have 354 partner companies (+45% YoY), and the number of customers via partners increased +40% YoY.

Number of partners

Unit: No. of companies


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

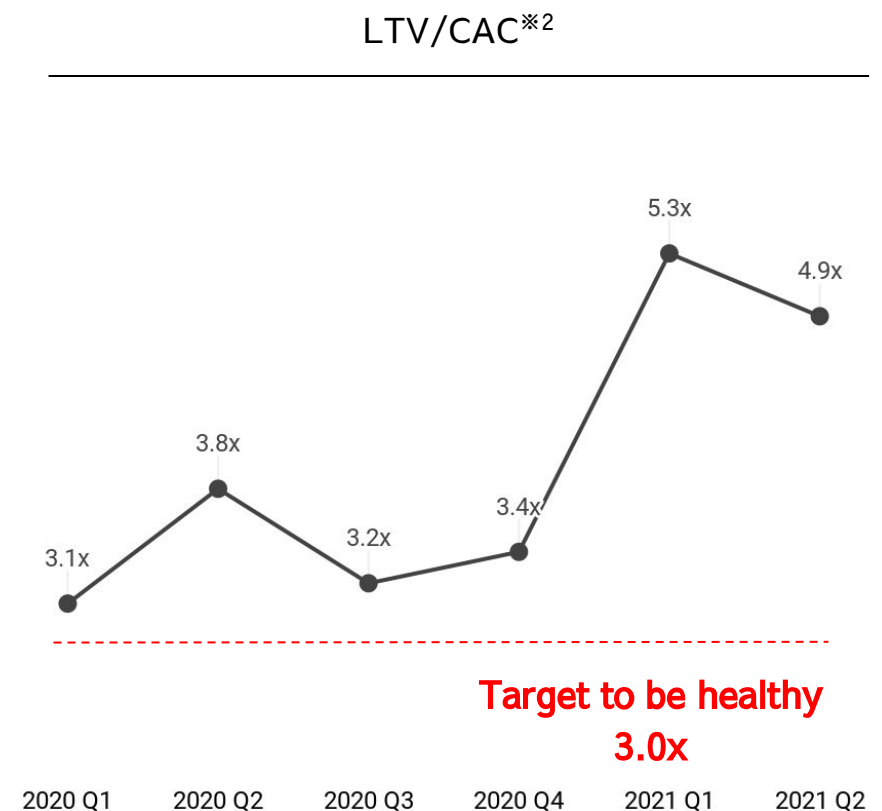
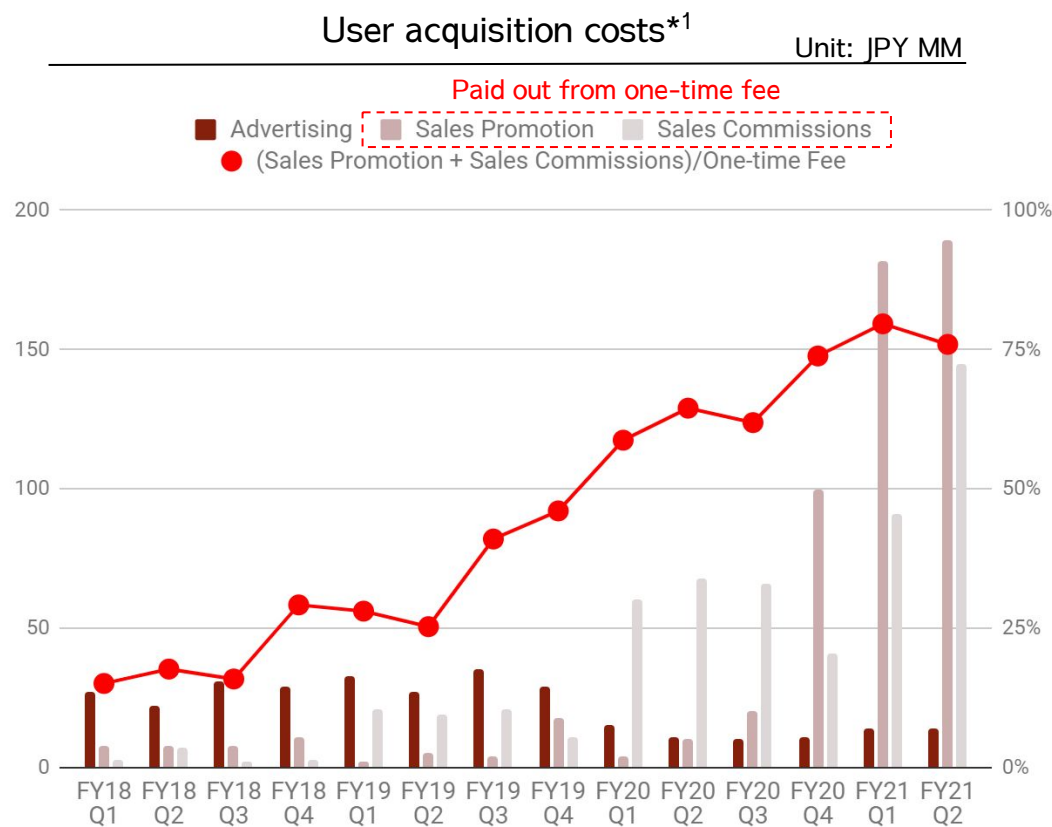
Unit: 1,000 customers



* 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 is maintained at healthy levels of 4.9x

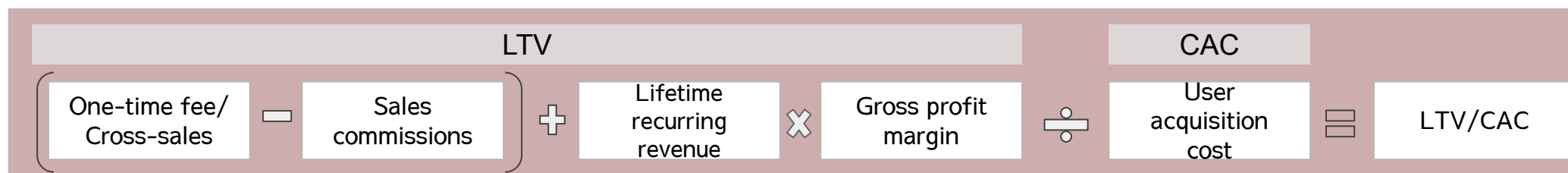
We are actively investing in user acquisition expenses through sales promotion (in-house channel) and sales commissions (partner channels) which are covered by a percentage of one-time fees from affiliated companies. While user acquisition is increasing, LTV/CAC is maintained at a healthy level of 4.9x. Given the LTV/CAC level, there is still room for investment, so we are considering advertising aggressively.



*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.

LTV/CAC definitions and future policies



Explanation of Terms

One-time fee/ Cross-sales	<ul style="list-style-type: none"> - One-time fees 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	<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 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	<ul style="list-style-type: none"> - Gross profit rate for Platform business
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.

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

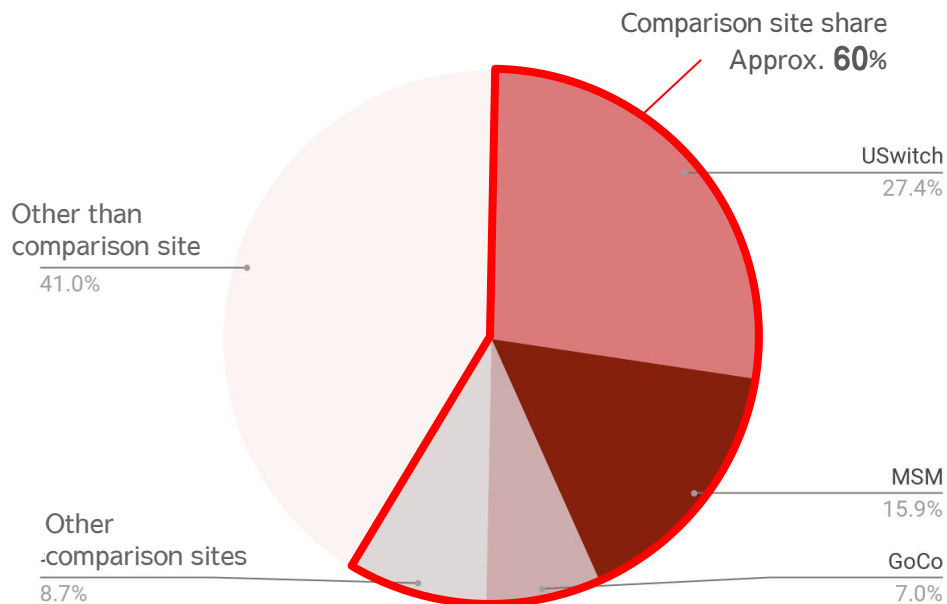
Policy for investing focused on advertising
expenses while maintaining LTV/CAC
at a healthy level

*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).

UK: Estimated market size 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 36%^{*2} (2006-2020), achieved by aggressive advertising (approximately 60% of sales), partner expansion, and M&A. Its energy switching-related sales were 7.7 billion yen in 2020 (estimated total operating profit rate of 30%), with an estimated switching share of 15.9%.^{*3}

Channel Share in UK Energy Switches



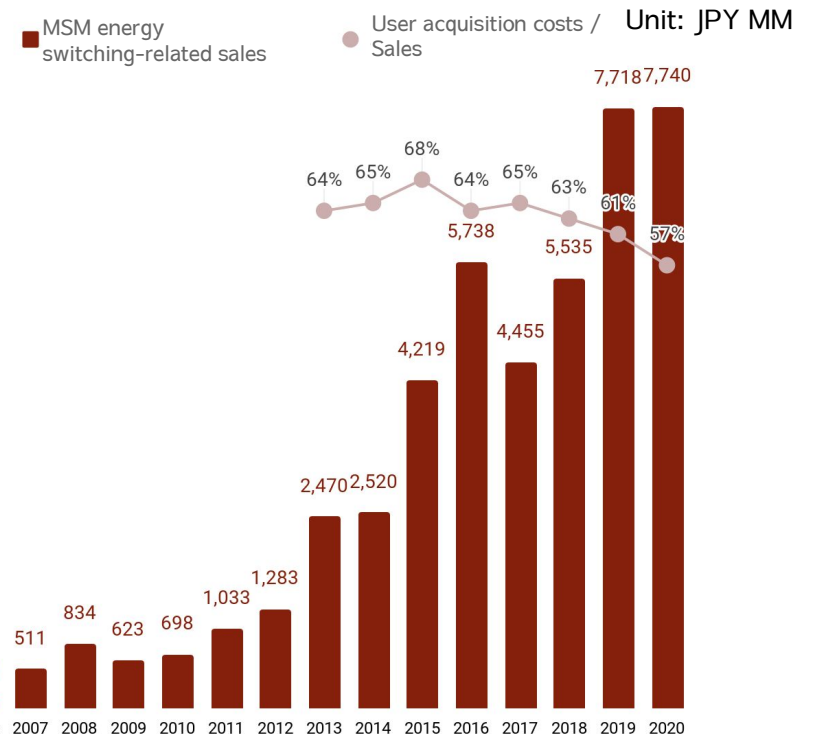
*1. Calculated from Ofgem, "State of the Energy Market 2019".

*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"

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MSM Sales and Share of Energy Switches



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

Data business

Greater efficiency through digitalization

Cloud-based digital transformation service for electricity/gas companies

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

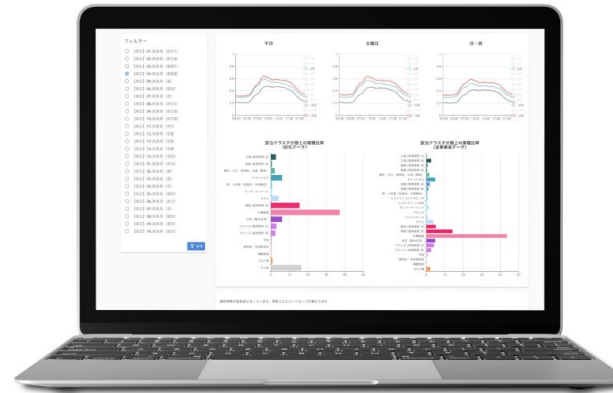
We are currently rolling out three services (EMAP, SMAP) and are developing multiple new services.



Electricity/gas
price comparison



Electricity/gas
switching application



Smart meter-based
customer analysis



Smart meter-based
demand response

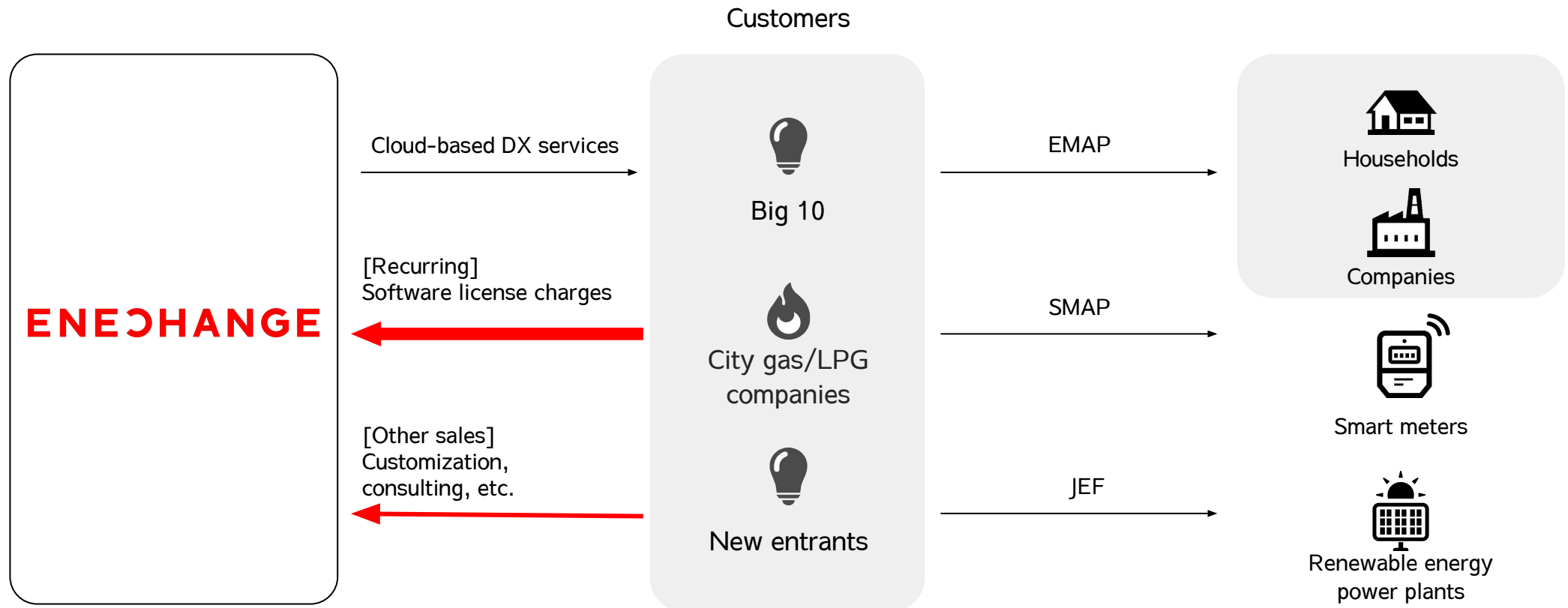
EMAP
Energy marketing SaaS

SMAP
Smart meter usage SaaS

Recurring revenue from monthly license charges

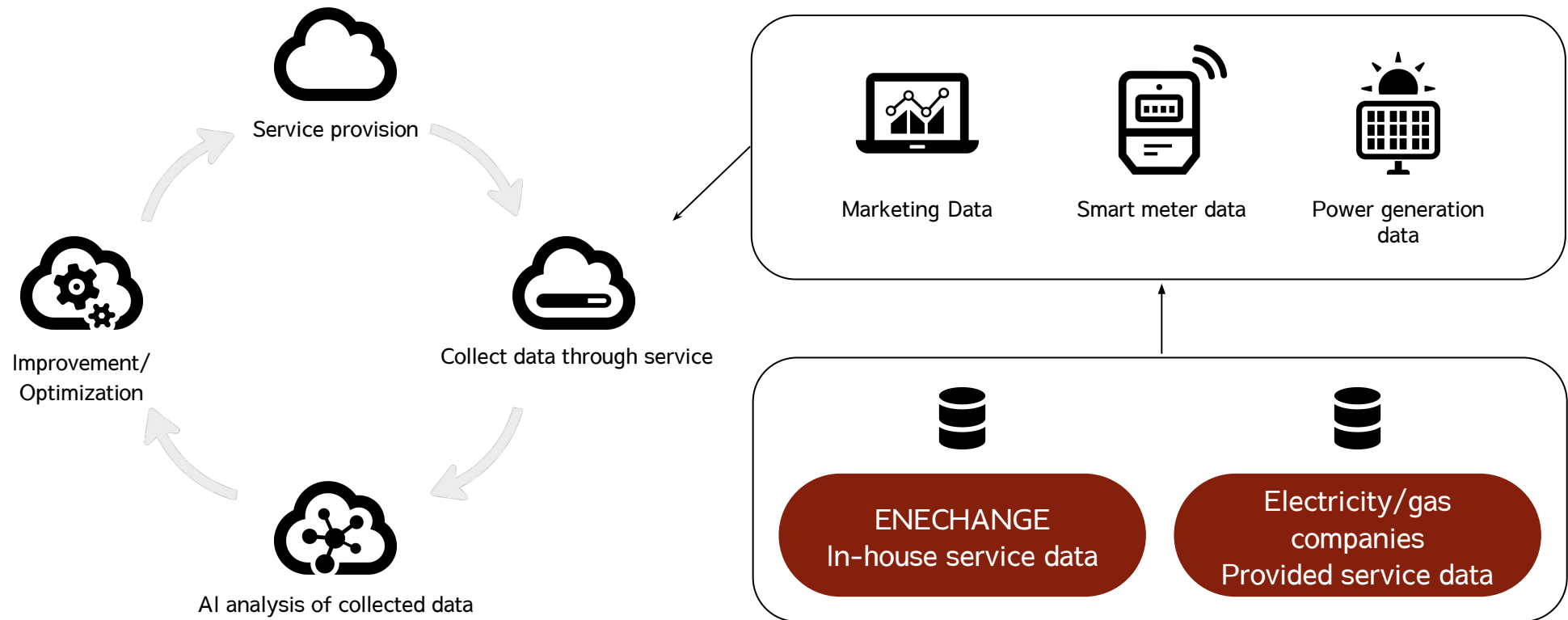
We provide our proprietary products as SaaS (B2B2C) to electricity/gas companies, and our revenue is based on recurring software licenses (recurring revenue ratio: 66%) through usage charges linked to the number of households, companies, smart meters, etc. Other sales come from customization, etc.

→ Service provision → Payments










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.



Lessons from overseas markets where the 4Ds are advanced

The 4Ds 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 digitalization, decarbonization, and decentralization, each country has different conditions, so a more nuanced analysis is needed.

		Advanced Cases		
4Ds 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: 57%* ² Data liberalized	Smart meter penetration rate: 86%* ³ Data liberalized (2022)
	Decarbonization	Renewable energy ratio: 34%* 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)

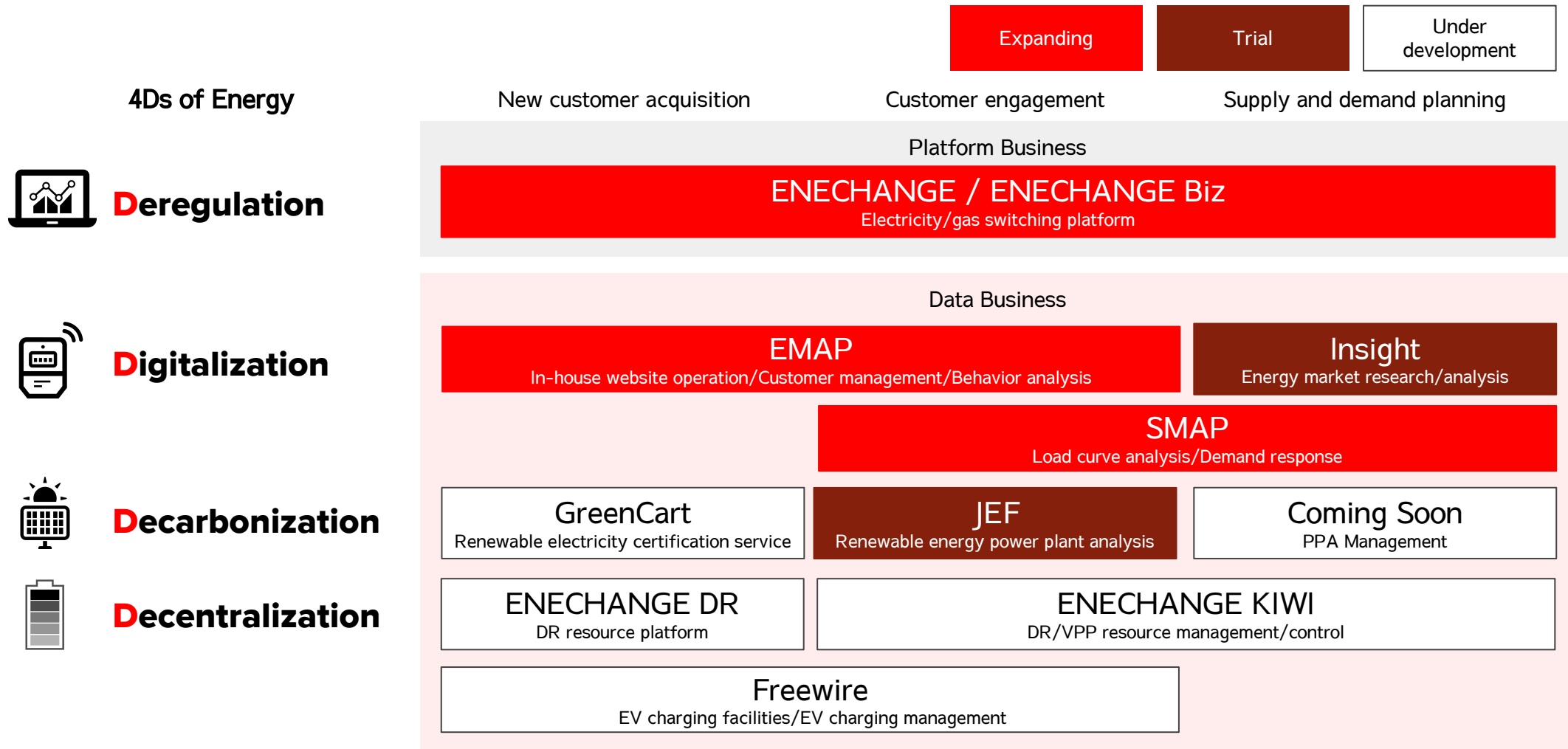
*6. Calculated from adoption of distributed flexible resources, in McKinsey & Company, “Less carbon means more flexibility: Recognizing the rise of the new resources in the electricity mix” (October 1, 2018)

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

SaaS products for 3Ds are under development

The Data business is responsible for 3 of the 4Ds, 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 core products - EMAP and SMAP - some new products are under trial/development.



Overseas cases: Energy tech companies emerging overseas

The market capitalization of energy tech companies is rising in overseas stock markets, and energy tech companies are attracting more attention worldwide.

Company name	Ticker Symbol	Business	IPO date	Market cap*1	Stock Exchange	Main market
 Tesla	TSLA	EV, EV Charging Demand Response	Jun. 2010	\$1,023B	NASDAQ	Global
 Generac Holdings	GNRC	Emergency power generation Storage battery	Feb. 2010	\$29.8B	NYSE	Global
 Sunrun	RUN	Photovoltaic system for households	Aug. 2015	\$10.8B	NASDAQ	USA
 ChargePoint	CHPT	EV Charging	Mar. 2021	\$7.4B	NYSE	USA Europe
 Sunnova	NOVA	Photovoltaic system for households	Jul. 2019	\$4.4B	NYSE	USA
 SunPower	SPWR	Photovoltaic system for households	Nov. 2005	\$5.1B	NASDAQ	USA
 Stem	STEM	Demand Response	Apr. 2021	\$3.3B	NYSE	USA
 EVgo	EVGO	EV Charging	Jun. 2021	\$2.2B	NASDAQ	USA
 Volta	VLTA	EV Charging	Aug. 2021	\$1.1B	NYSE	USA
 Blink	BLNK	EV Charging	Feb. 2018	\$1.2B	NASDAQ	USA

*1. Yahoo Finance Market Cap (26/10/2021)

SMAP: Full-scale start of DR service for households

SMAP DR (demand response^{*1}) is a service to encourage peak shifting of household electricity consumption by making use of smart meter data. We have started providing Tokyo Gas and Summit Energy with behavioral change DR, which encourages voluntary energy-saving, and smart device DR, which uses remote control of home appliances through a pre-connected smart device. This will allow us to become Japan's largest DR platform.

Behavioral change DR



Users adopt their own methods for using air conditioners, washing machines, etc.

Smart device DR



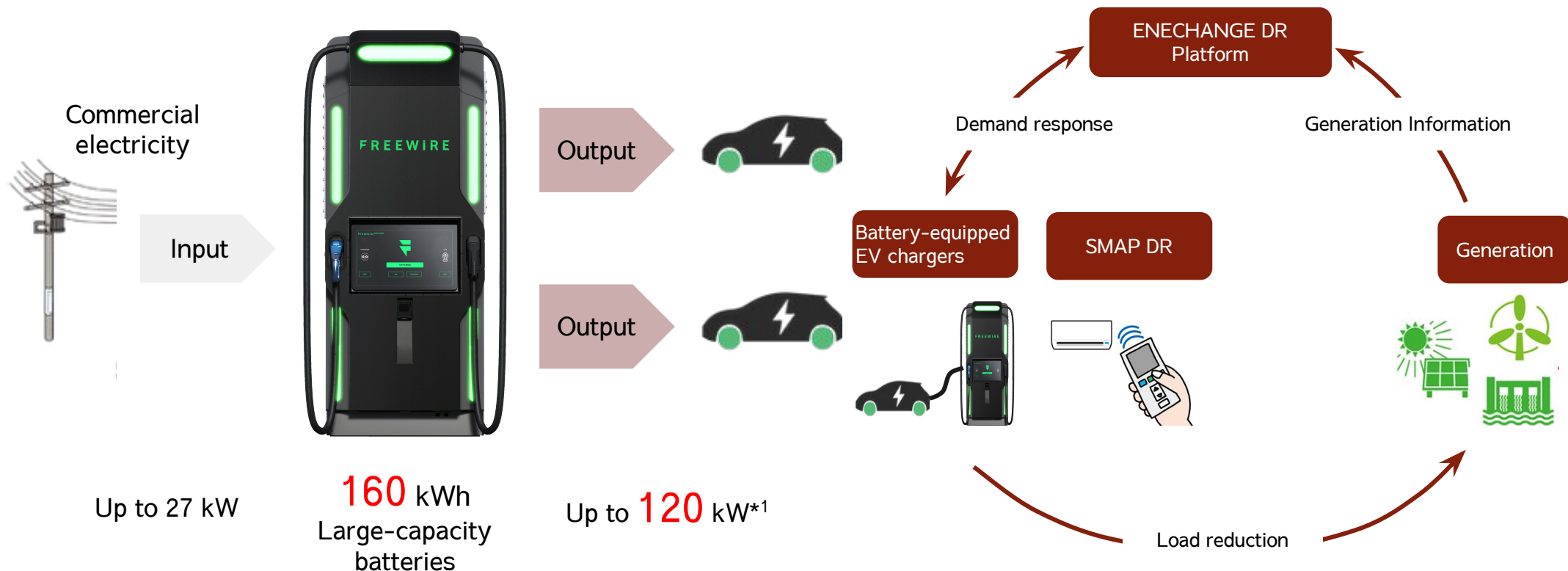
Remote control of home appliances through connected devices and smart plugs

^{*1}. This refers to changing energy demand patterns through the control of demanded energy resources by their owner or a third party.

Entered the EV charging market in partnership with an American company

We have started sales of the Boost Charger™ (rapid charger with internal battery) for electric vehicles (EV) and its related software services (payment, charging management etc) in partnership with FreeWire Technologies (USA). Entering the growing EV charging infrastructure market will strengthen our DR service offerings.

Rapid charging up to 120 kW



*1. Total output when two vehicles are charged simultaneously (max. 60 kW/vehicle). Maximum output for one vehicle is 100 kW.

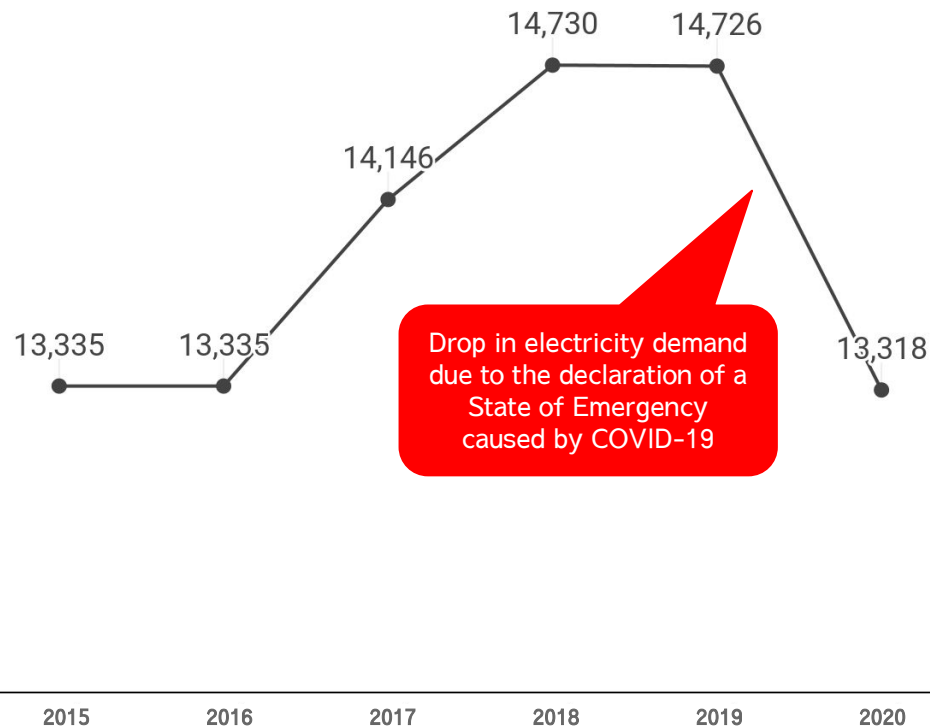
Market Environment

Electrification expands electricity market to 18 trillion yen

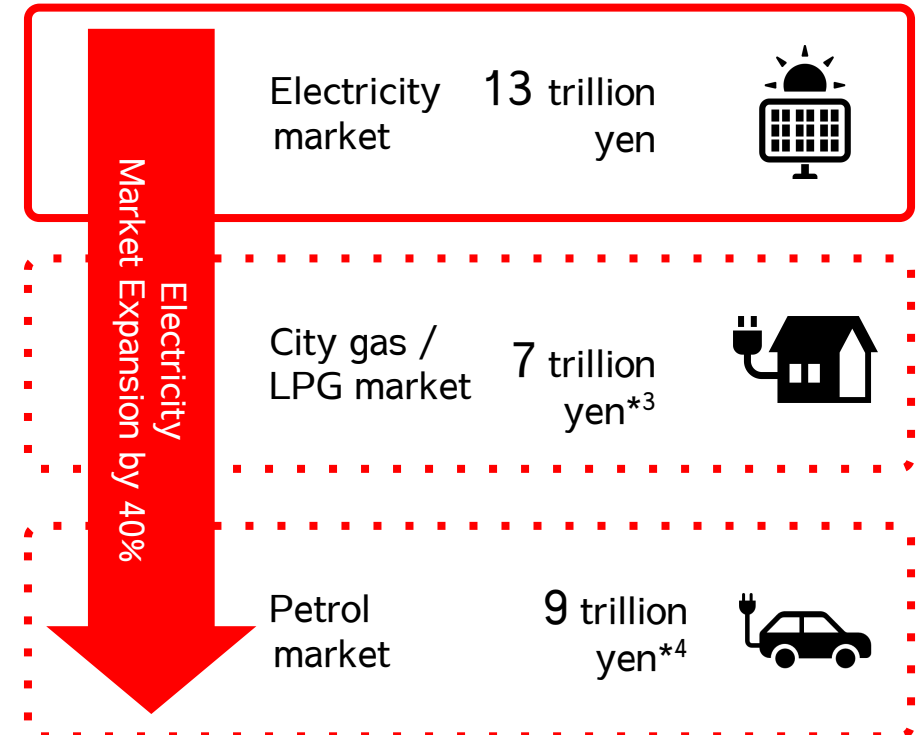
The trend towards decarbonization is encouraging the spread of fully electrified homes and electric vehicles. The electricity market is expected to grow from its current level of 13 trillion yen to 18 trillion yen (+40%*¹) by 2050.

Electricity Market (Base Market)*²

Unit: JPY BN



18 trillion yen market through electrification



*1. Source: METI, "Green Growth Strategy towards 2050 Carbon Neutrality". Figures from the previous materials have been amended.

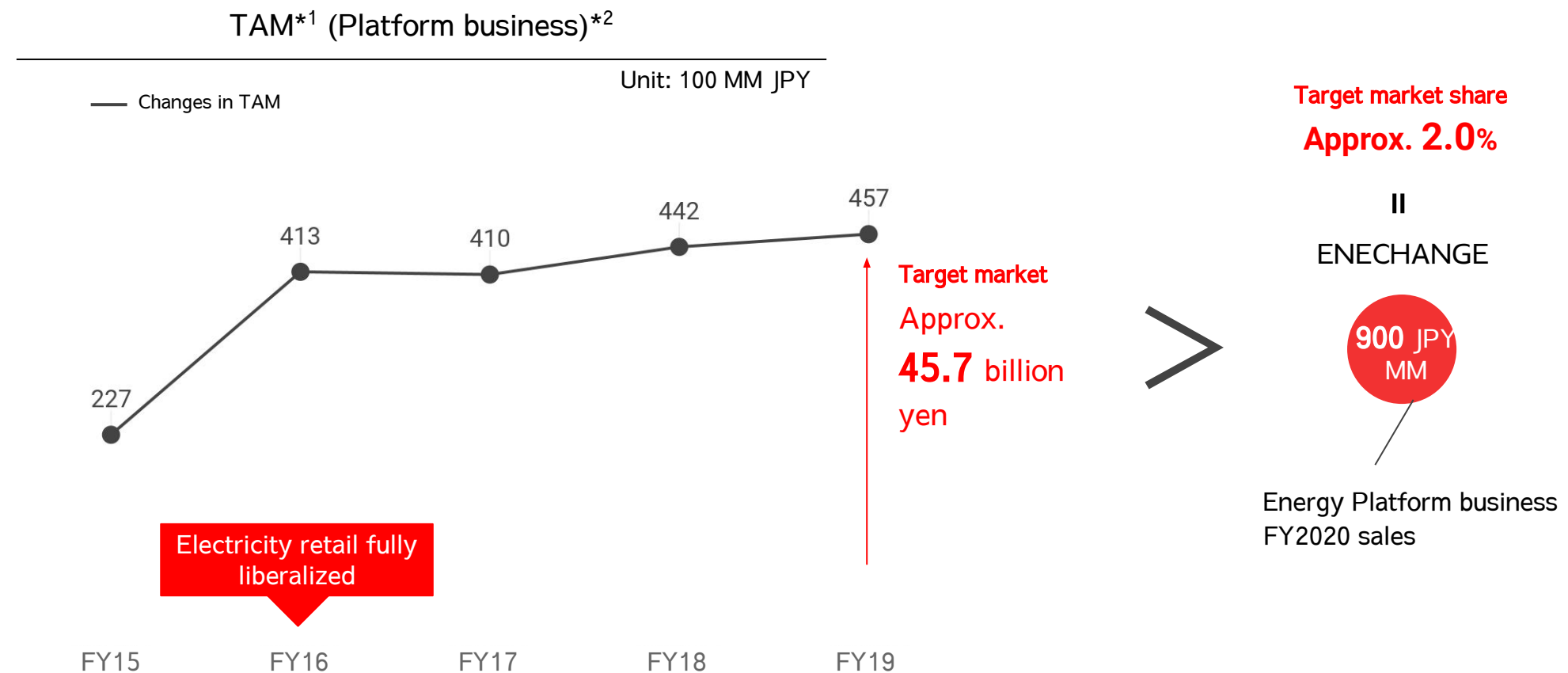
*2. Based on the electricity sales amount in Electricity and Gas Market Surveillance Commission, "Electricity Trading Report Results" Figures for 2015 are not listed so are assumed to be the same as for 2016.

*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)

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%.

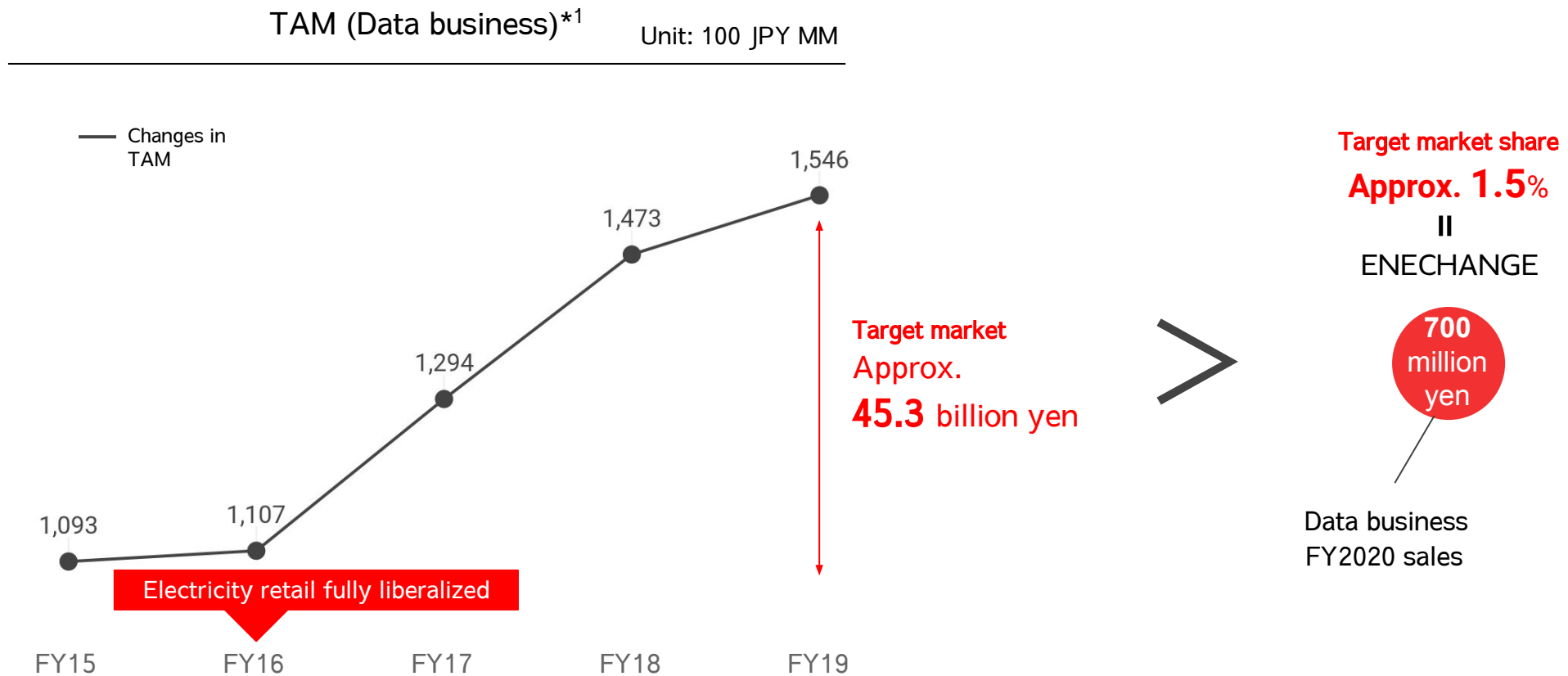


*1. TAM stands for Total Addressable Market. This term refers to the largest market size that the Group currently envisions. It is not calculated to show the objective market size of the businesses we are running as of the date of submission of this document, but includes estimated values as well.

*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".

Target market (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 on-site 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.

Partner strategy in online channels

Electricity and gas switching is categorized into four main areas (households/companies, switching from major/new energy companies). We are the only company that provides services in all of these areas. We are pursuing a strategy of partnering with potential competitors, and have formed online partnerships with 37 companies including Kakaku.com. That said, Japan's online market is still in its infancy compared to the UK, meaning that there is still room for growth.

Energy and gas switching options currently offered by companies in Japan (direct or through partnerships)

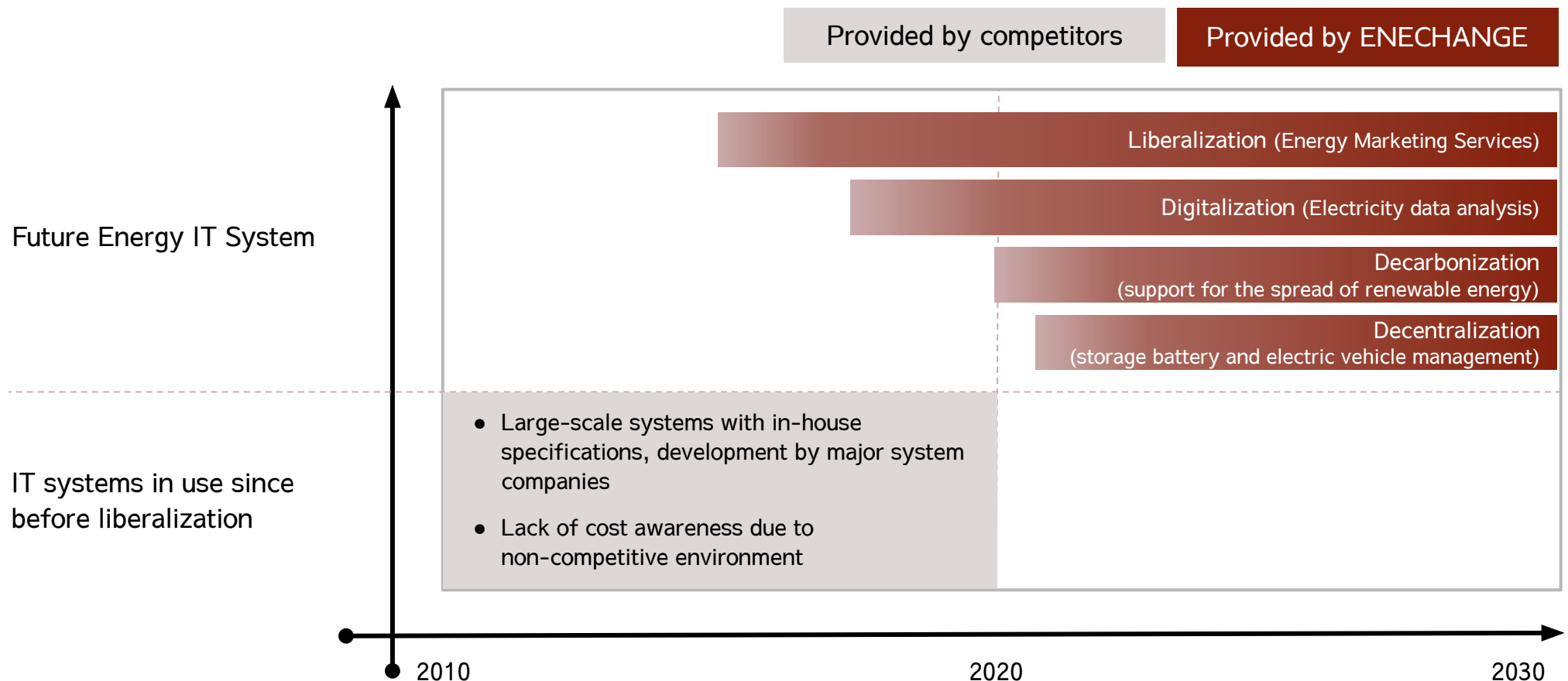
Provided by competitors

Provided by ENECHANGE

	For households		For companies	
	From major companies	From new entrants	From major companies	From new entrants
ENECHANGE	Being offered	Being offered	Being offered	Being offered
A Company	Being offered	Partnerships	Partnerships	Partnerships
B Company	Partnerships	Partnerships	Being offered	Being offered
C Company	Partnerships	Partnerships	Partnerships	Partnerships

Positioning to focus on the 4Ds of Energy

Prior to liberalization, there was little pressure for Japan's energy industry to invest in IT system upgrades due to lack of competitive pressure. However, there has been a growing demand for flexible and efficient system investments since liberalization. We are differentiating ourselves from our competitors by specializing in new IT system capabilities related to the 4Ds of Energy and offering them as cloud-based services at a competitive cost.



Competitive Advantage

Our electricity cost simulation is enabled by our strong industry knowledge

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

ENECHANGE simulator



can also select new entrants

Simulation results page at ENECHANGE

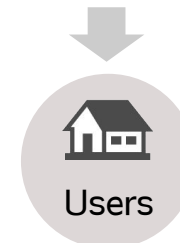
Our unique strengths



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

ENECHANGE

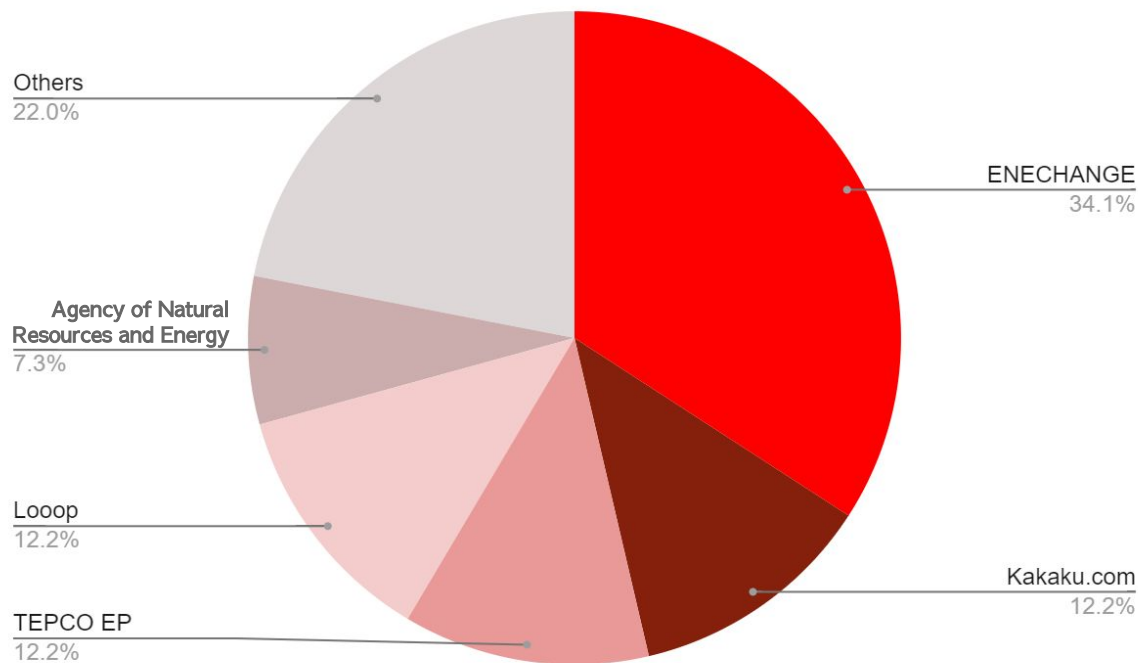
Can simulate and switch from new entrants without hassle













Maintained top share of search results through SEO measures

While there was a major change in Google's algorithm in June 2021, our SEO measures enabled us to maintain our top share of 34.1% of search results for the 41 most important key words*¹.

Percentage of top positions for the most important keywords*² (as of Jul. 14, 2021)



Examples of 41 most important key words*¹

Electricity Bill 	Electricity Charges 
Energy Comparison 	Electricity Charges Comparison 
Energy Company Comparison 	Electricity Bill Comparison 
Energy Company 	Electricity Recommendation 
Electricity Relocation 	Electricity Charges Savings 

*1. Selected key words set independently by ENECHANGE from application rates, etc.

*2. Displaying survey results by ENECHANGE based on Google searches. Calculated by adding up the number of first-place results for the set 41 key words in Japanese.

Strategic collaborations utilizing our overseas network

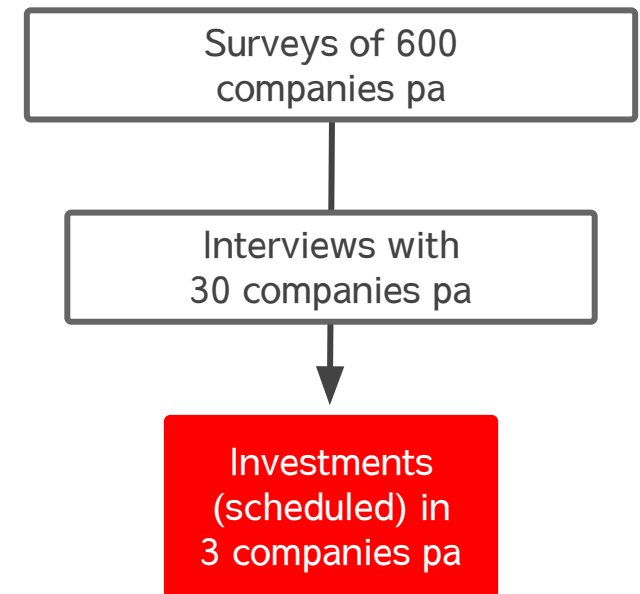
Through ENECHANGE Insight Ventures, we provide surveys, partnerships, and investment negotiations for Japanese companies for some 600 cutting-edge global energy companies each year. In addition, we will also create strategic capital and business alliances with promising ventures utilizing our investment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

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.
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Growth Strategies

We aim to maximize our free cash flow in the long term

Our management policy is to maximize free cash flow over the long term, with an emphasis on sales growth in the medium term. To achieve this, we have defined two KPIs (number of users/customers and ARPU*), and will continually make strategic investments with the aim of maximizing these metrics.

Long-term
Policy

Maximize free cash flow in the long term

Medium-term
Policy

Continue strong sales growth
(Maximize sources of free cash flow)

No. of customers

ARPU

Platform business

Number of users
eligible for recurring revenue

×

Annual sales
per users

Key KPIs

Data business

Number of customers

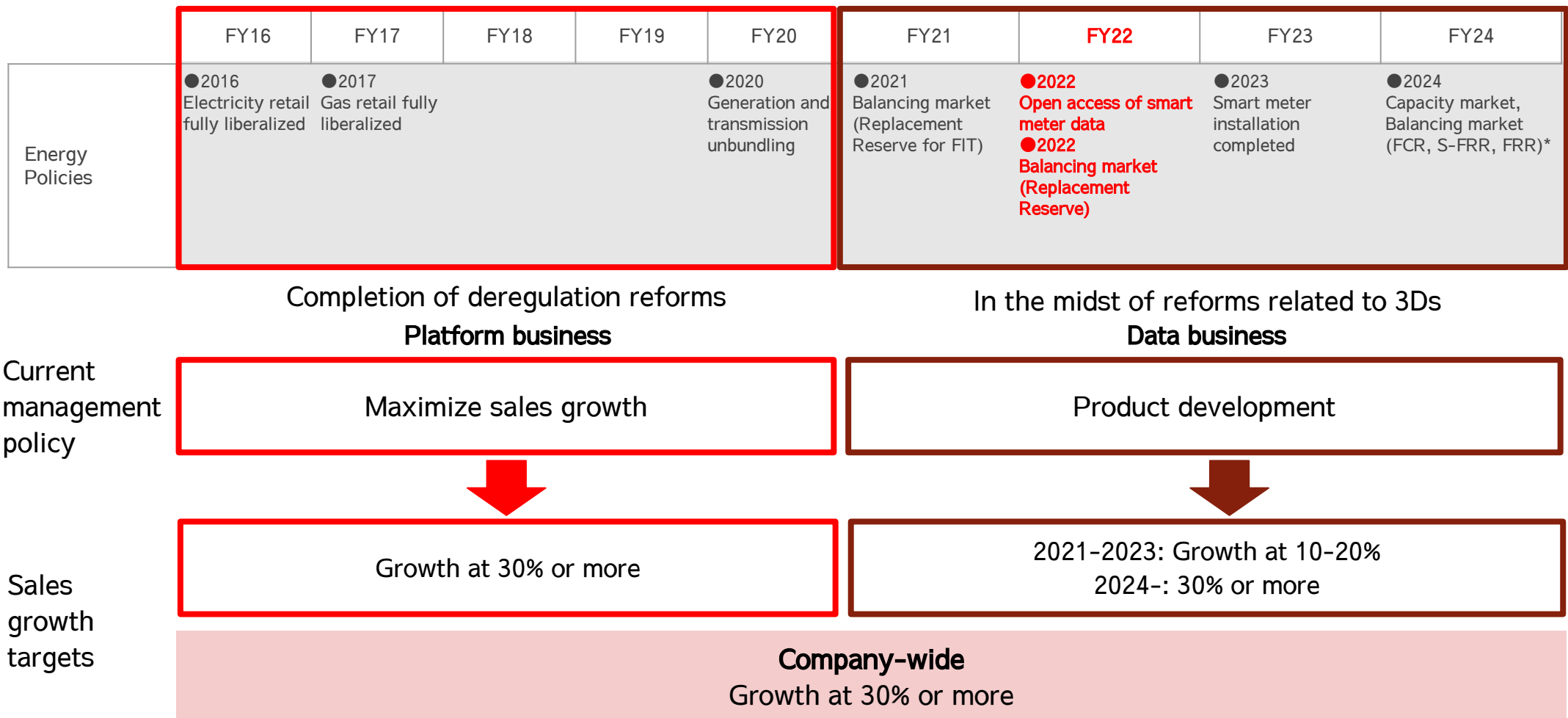
×

Annual sales
per customer

*ARPU: Average Revenue Per User

2 stages of growth in line with energy policy reforms

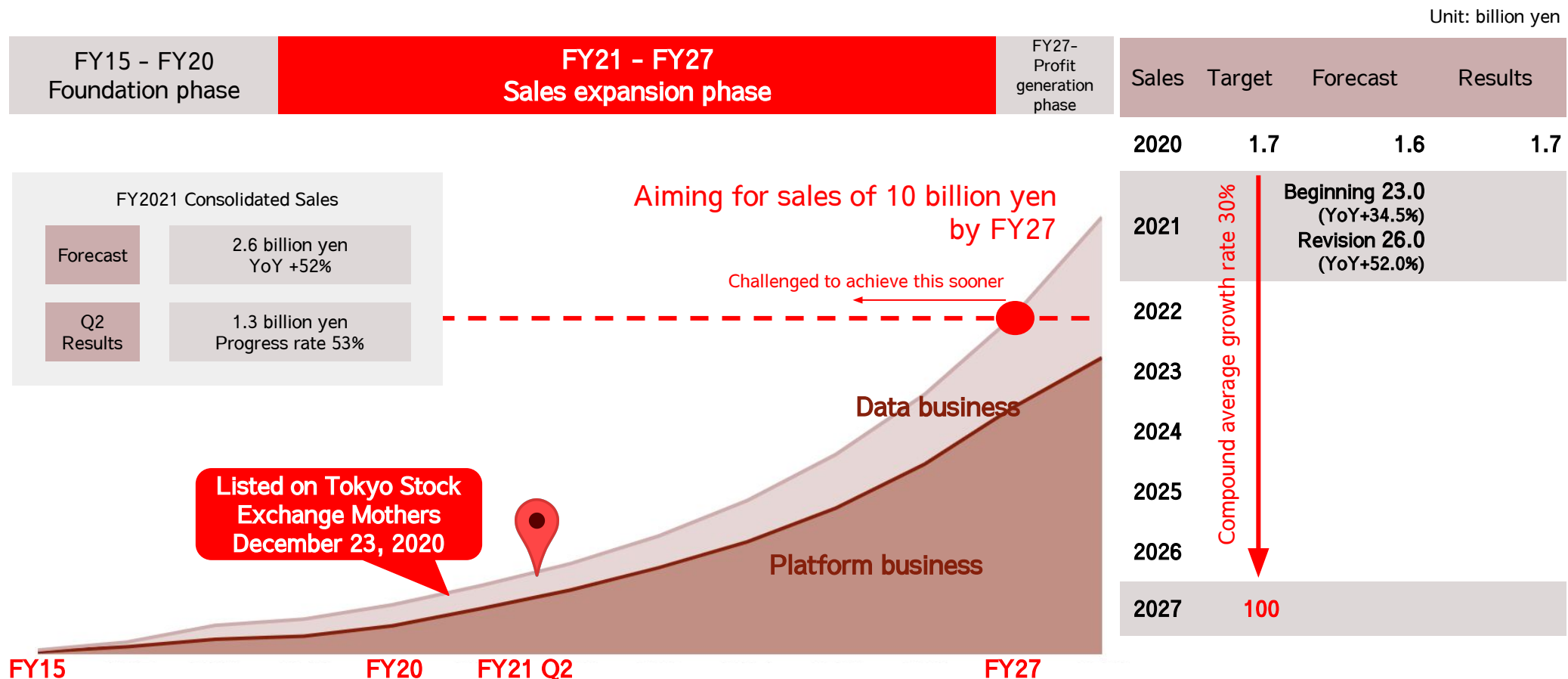
Japan's energy policy reform is in a nine-year transitional period set between 2016 and 2024. The Platform business, where policy reforms have been completed, is in the sale expansion phase. However, as policy reforms related to the Data business will not be completed until 2024, product development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



Prioritizing sales growth to achieve 10 billion yen sales by FY2027

We are targeting an annual sales growth of at least 30%, 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.

For the Platform business, we will target 30%+ growth in the number of users eligible for recurring revenue, while maintaining consistent ARPU, resulting in a compound average growth rate of 30% in sales. For the Data business, we will aim for 70 customers with ARPU growing 10-20% until 2023 and 30% or more thereafter. As a result, we are targeting 10-20% growth in sales until 2023 and 30% growth from 2024.



Policy to invest aggressively to achieve sales of 10 billion yen as quickly as possible

In order to acquire new users in the Platform business, we plan to implement aggressive advertising strategy while maintaining LTV/CAC discipline. We will consider both online and offline advertising channels as a means to accomplish our goals.

Details of investment in platform business

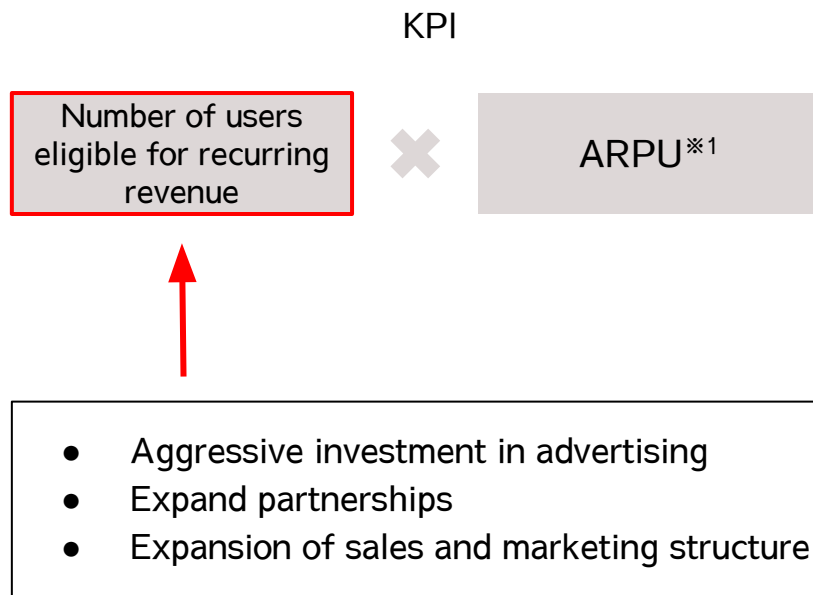
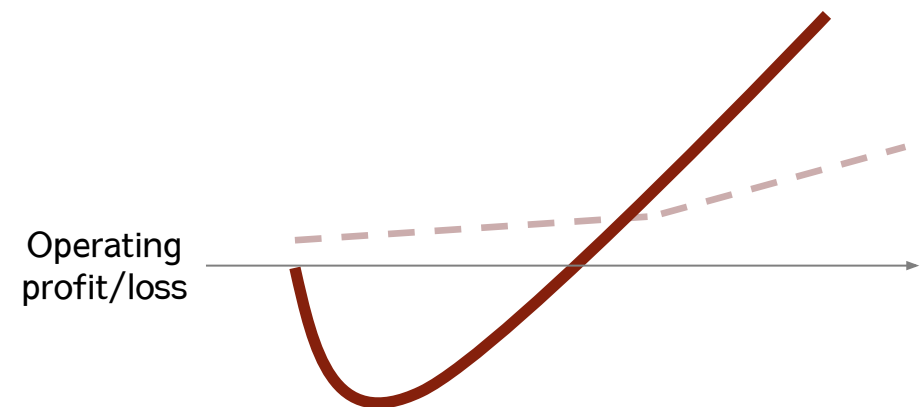


Image of cost investment and contribution to earnings

- Image of the case when additional investment is executed
- - - Image of the case where no additional investment is made



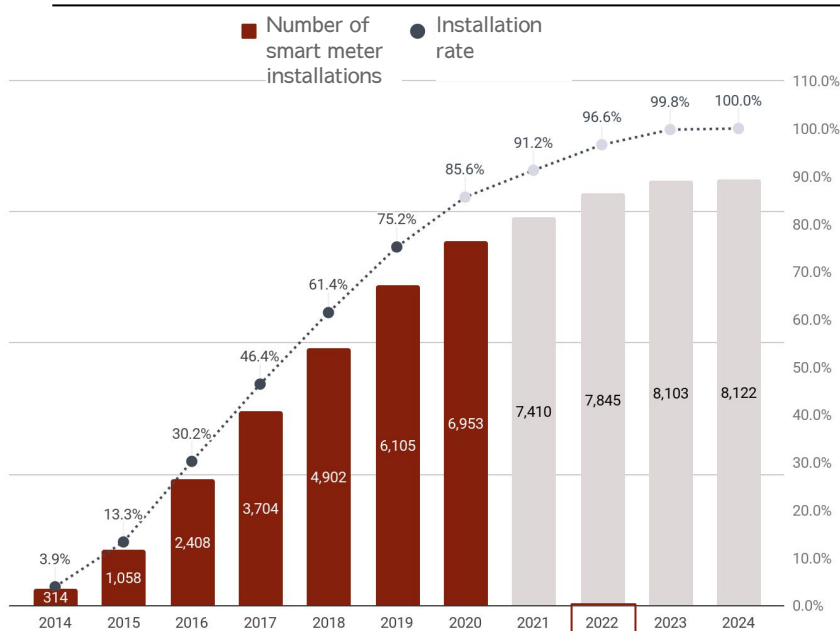
*1. Average Revenue Per User: Calculated after dividing the quarterly segment sales by the number of users eligible for recurring revenue at the end of the quarter.

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 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.

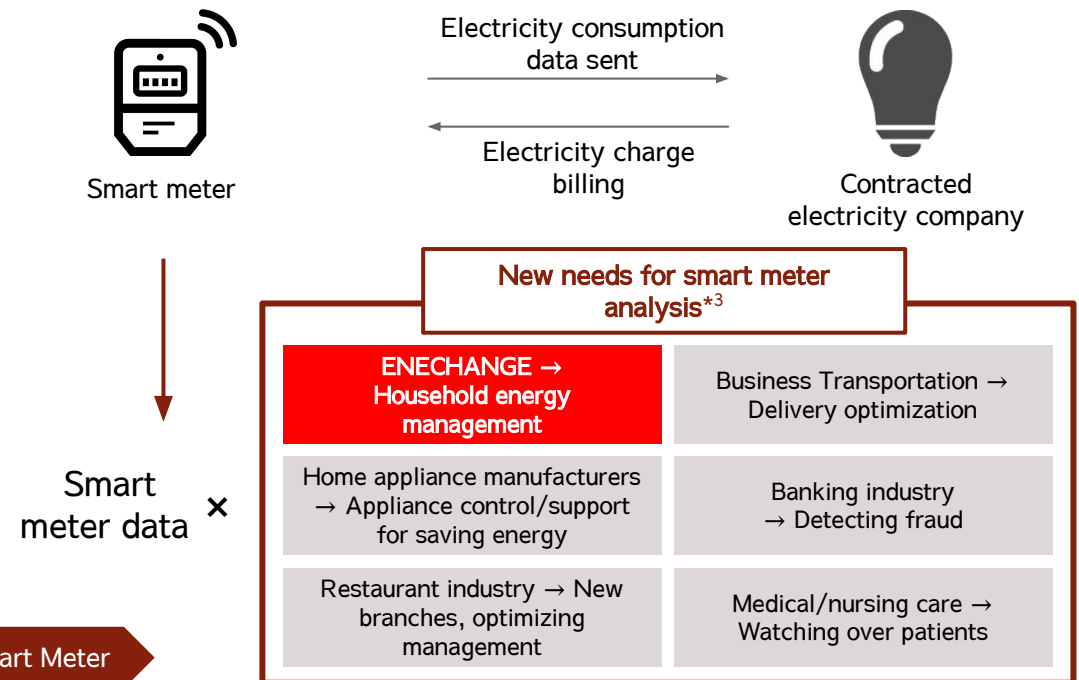
Number of installed smart meters*²



2020年3月末までは実績。それ以降は計画値。

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.

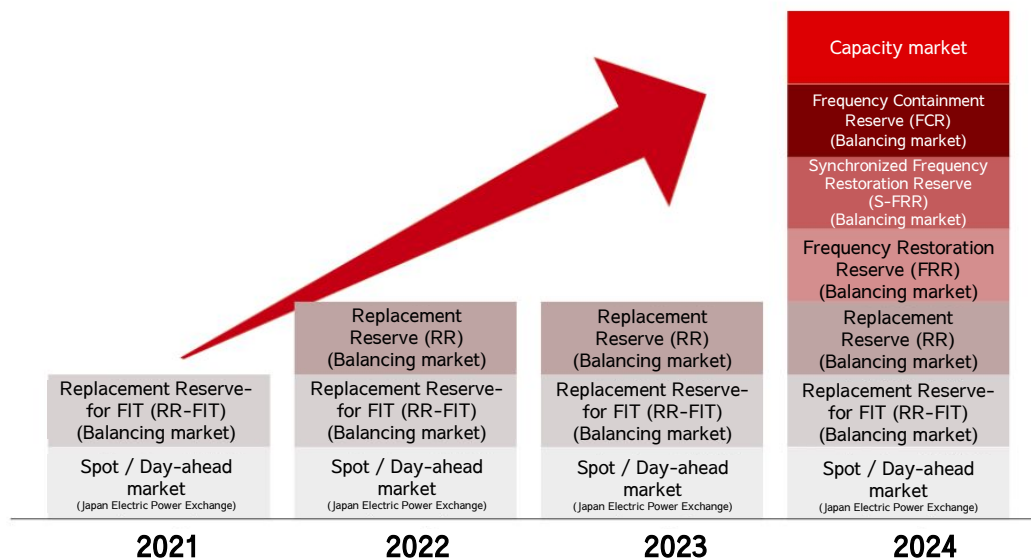
*2. Graph created based on the plans to introduce smart meters in the low-voltage section in Agency for Natural Resources and Energy, "Progress of full liberalization of electricity/gas retailing" (July 21, 2021).

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

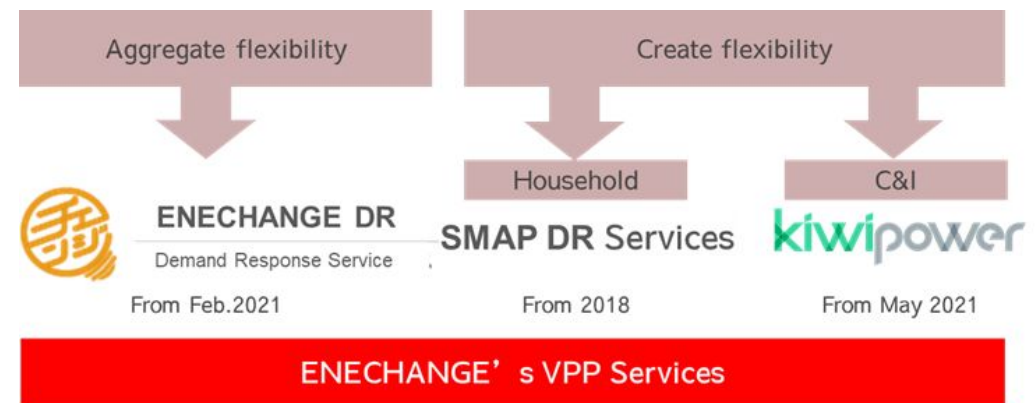
Entering a 100 Billion yen VPP (virtual power plant) market

The VPP market in Japan (estimated market size 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 size: 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

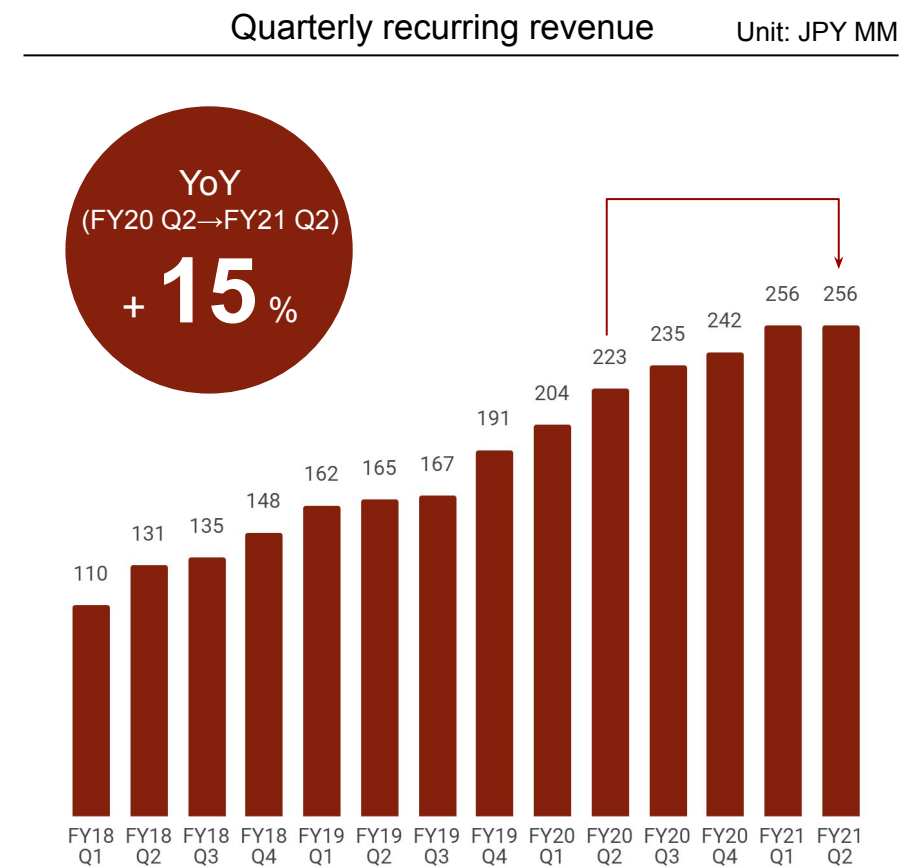
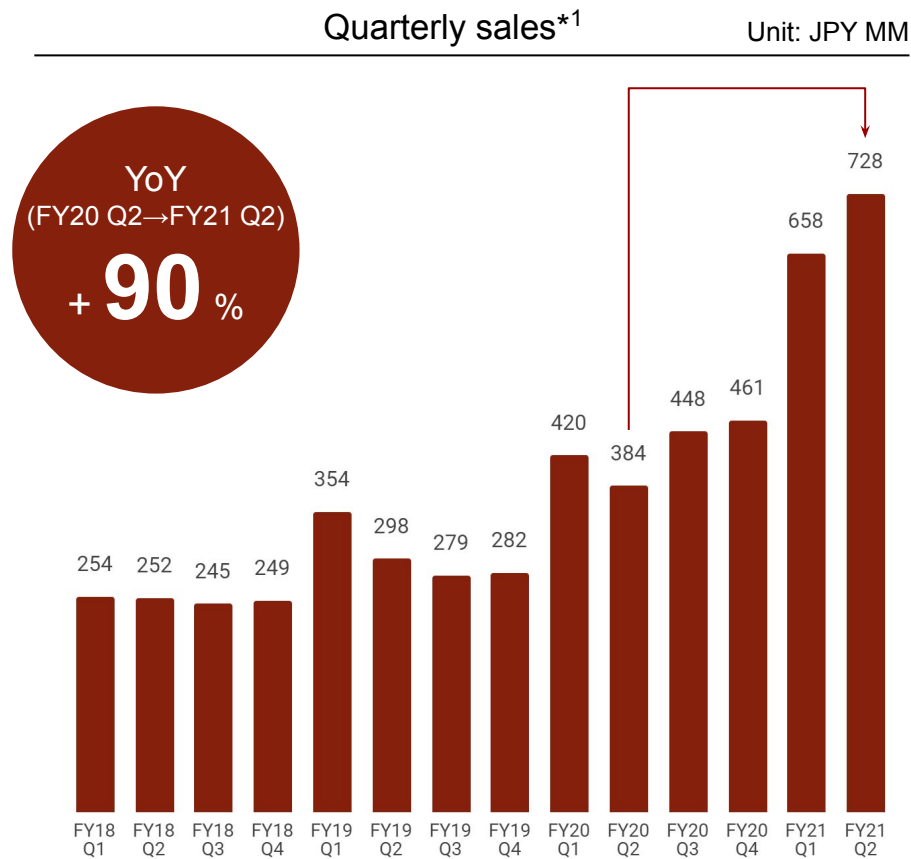
^{*2} Calculated by ENECHANGE based on the final report of the "Survey on the Balancing Market in Europe and the United States" (July 2018) by OCCTO (calculations based on €1 = 125 yen and £1 = 140 yen)

Financial Information

Record historical high sales

Quarterly sales reached a record high of + 90% YoY while recurring revenue is up +15%.

Recurring revenue growth has temporarily slowed down due to the impact of the decline in electricity demand as a result of the COVID-19 pandemic (see page 20 for details).



*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

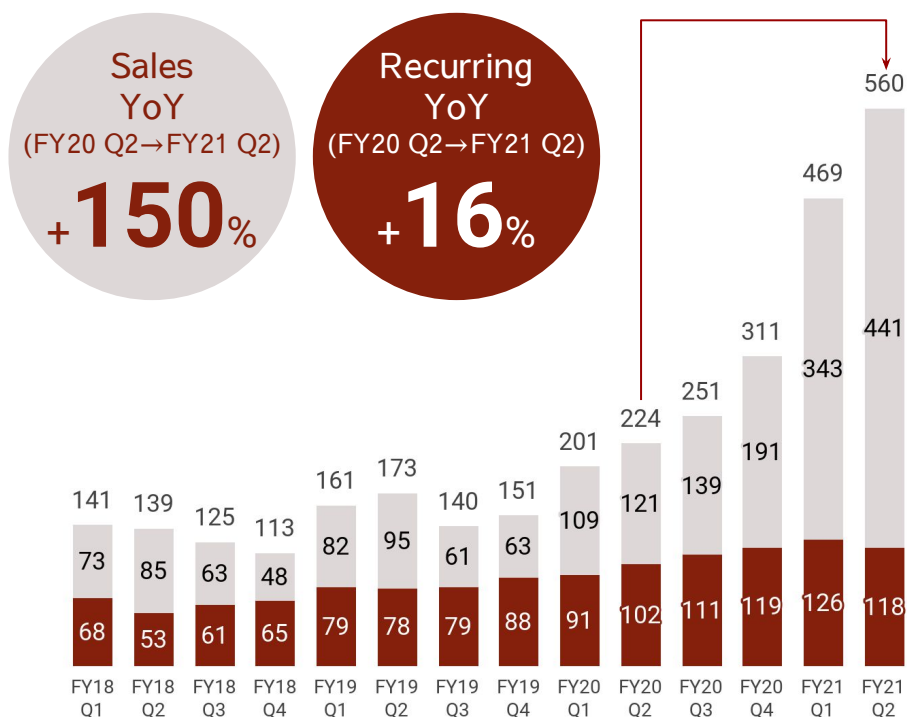
Alongside an increase in our one-time fee and demand for electricity switching, our Platform business has achieved record high sales YoY of +150%. Recurring revenue has increased +16% YoY (*more details on next page).

Our recurring revenue from the Data business grew by +14% YoY (record high). The planned reduction of non-recurring revenue has been covered by an increase in recurring revenue, so sales were up +5% YoY.

Platform business
quarterly sales*1

Unit: JPY MM

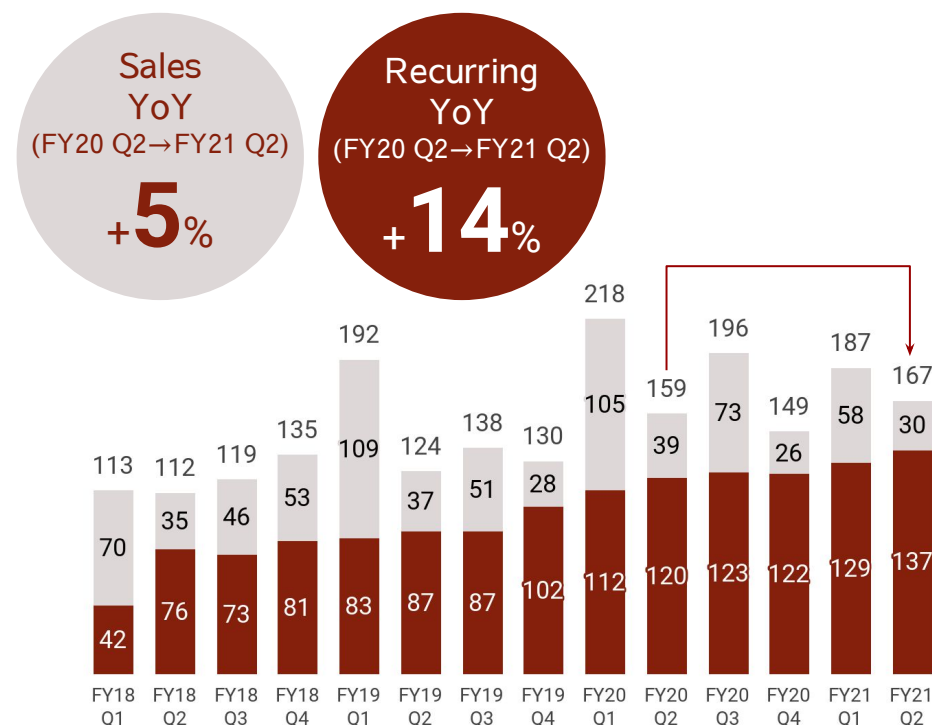
■ Non-recurring revenue ■ Recurring revenue



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.

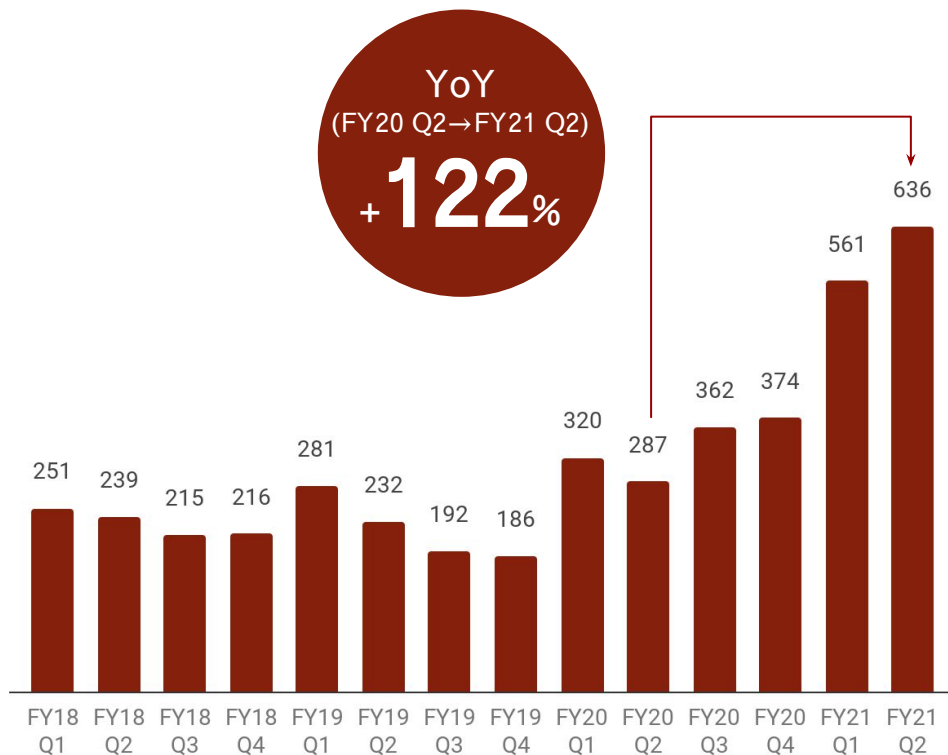
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Record high gross profit and gross profit margin

With the increase in sales of the Platform business, with its high gross profit margin, second quarter gross profit was 636 million yen (122% increase YoY) with a gross profit margin of 87% (12 pt increase YoY). Both are our highest ever.

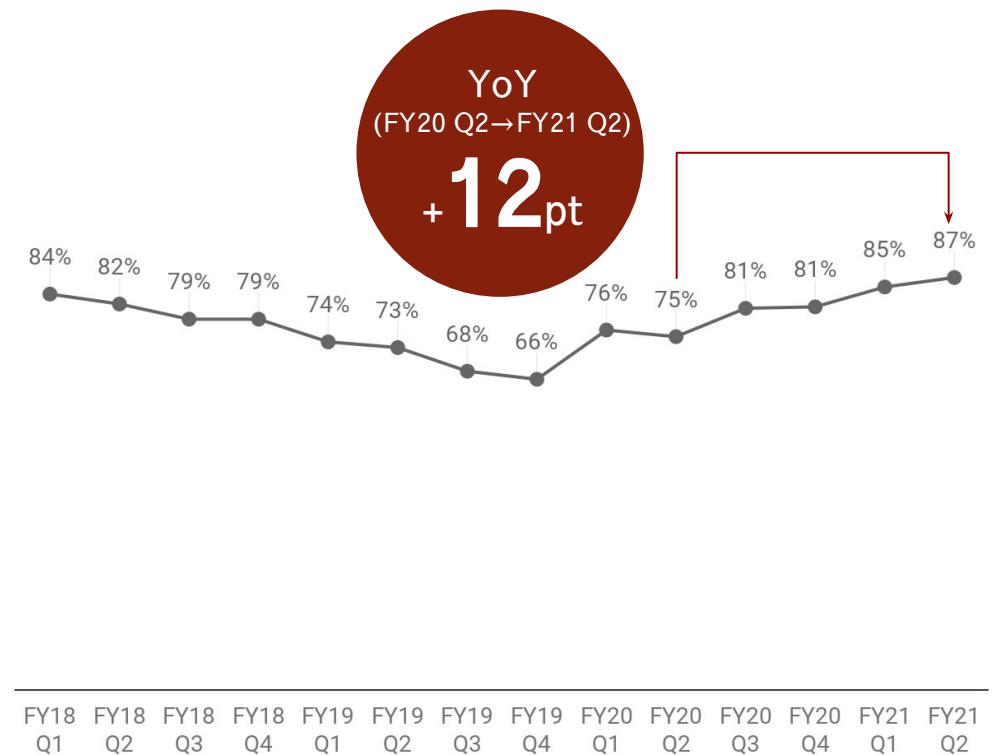
Gross profit

Unit: JPY MM



Gross profit margin

Unit: %

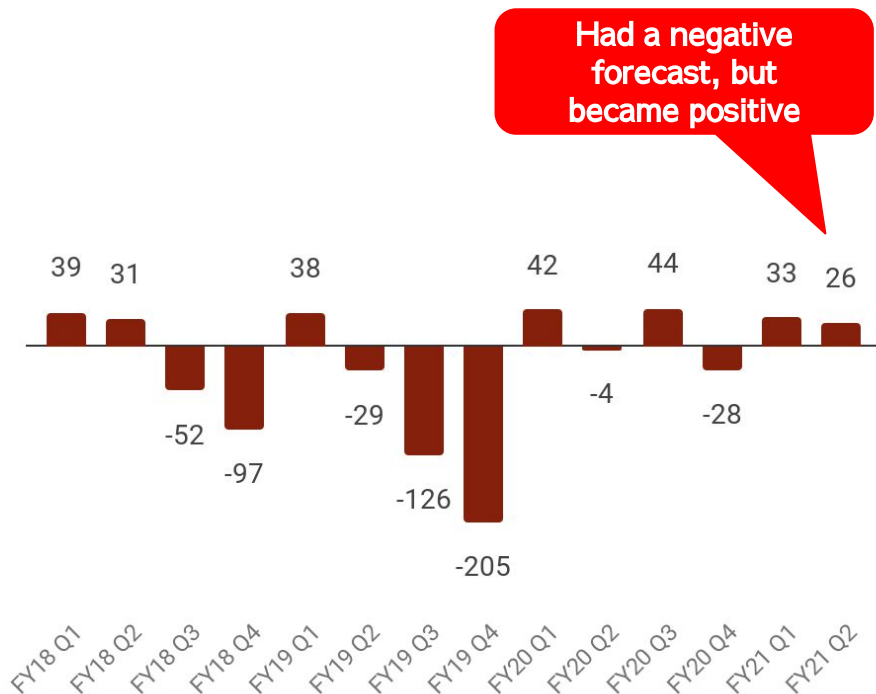


Adjusted operating profit is the highest ever

Despite a forecast of negative operating income for Q1 and Q2, we recorded positive operating income due to sales growth. We are continuing to actively invest in sales promotion (in-house channels) and sales commissions (partner channels). Adjusted operating profit*¹ reached 376 million yen (+338% YoY) to hit record high levels.

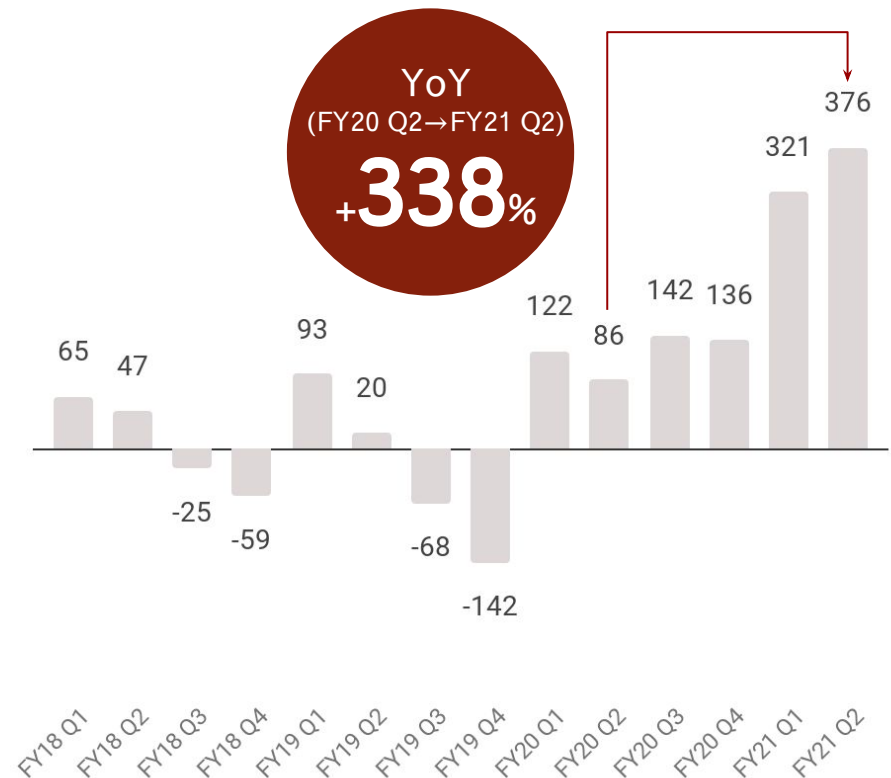
Operating profit (quarterly)

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).

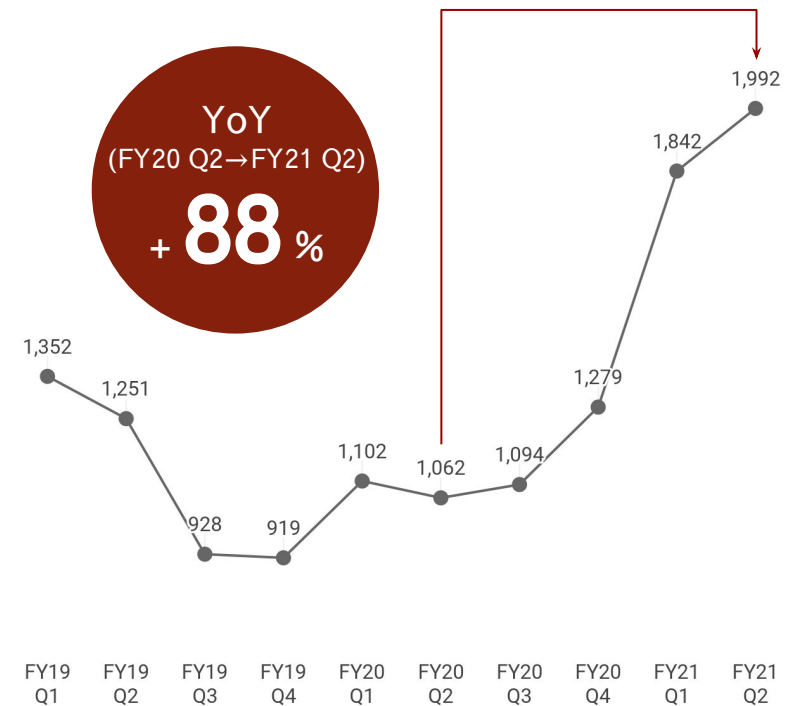
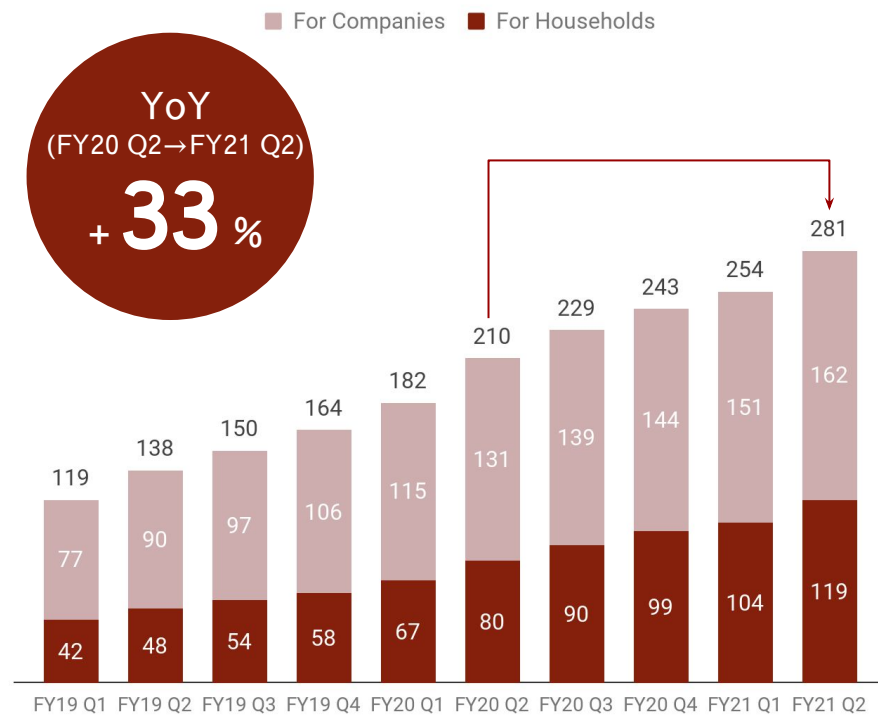
The number of users (+33%) and ARPU (+88%) hit record high

Due to an increase in online switching demand and the expansion of our partner channels, there was +33% growth in user acquisition. ARPU has also increased +88% 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)*1 Unit: 1,000 people

ARPU*2

Unit: JPY

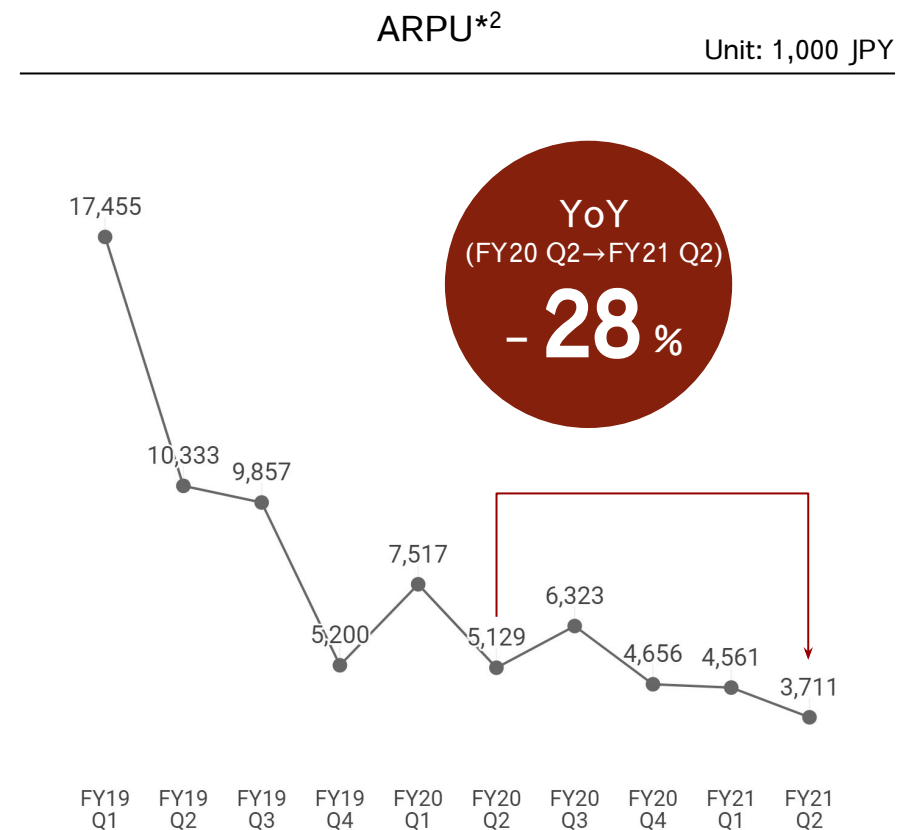
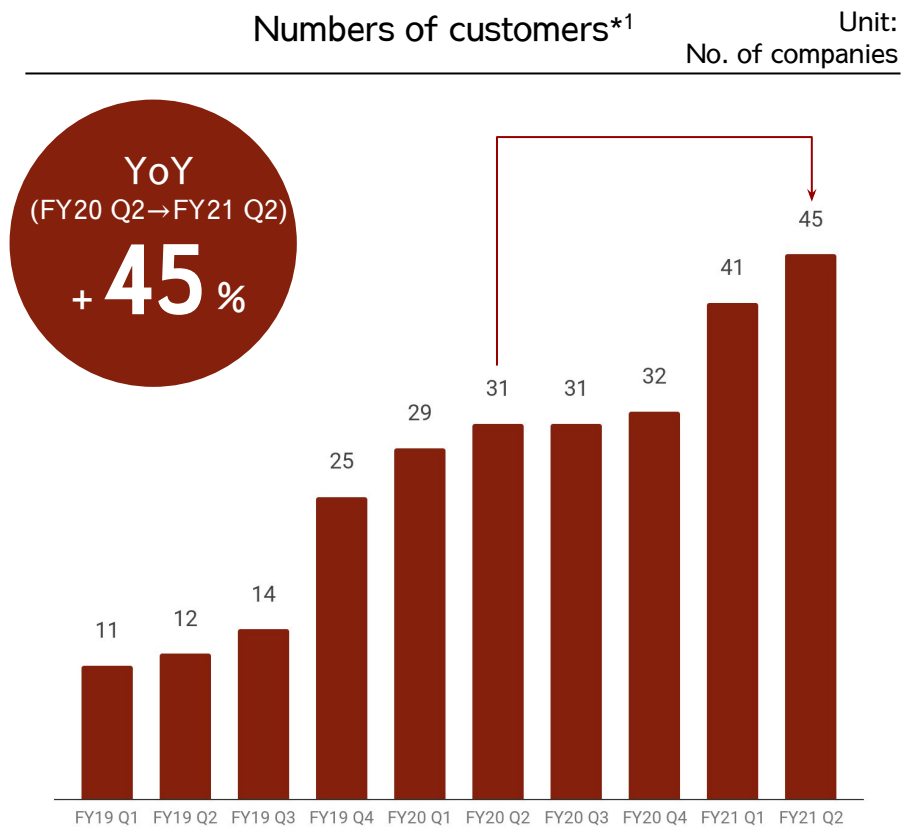


*1. To accurately compare the impact of company and household switches, switches are calculated for companies using an equivalent rate and converted based on the rebates from the total obtained capacity using the capacity of a general household as 4 kW.

*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.

The number of customers hits record high(+45%) while ARPU remains steady

Due to the sales of our core products (EMAP and SMAP), the number of customers grew +45% YoY (a new record high). ARPU decreased -28% YoY due to the planned decrease in non-recurring revenue and due to the introduction of lower priced products, but we expect ARPU to remain steady due to cross-selling and up-selling to customers over the medium term.



*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

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Achieving negative churn as an energy SaaS

Due to cross-selling multiple services to our clients (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%.

NRR

FY2019

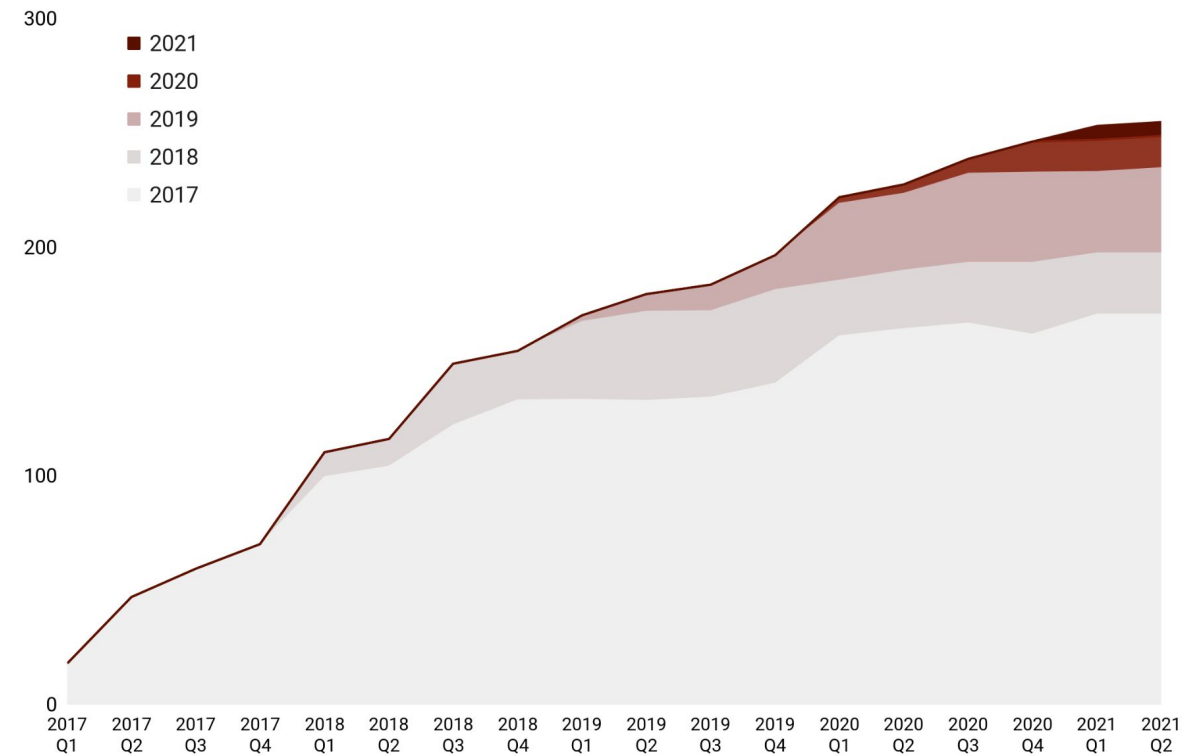
128%


FY2020

129%

Changes in recurring revenue by start of service

JPY MM

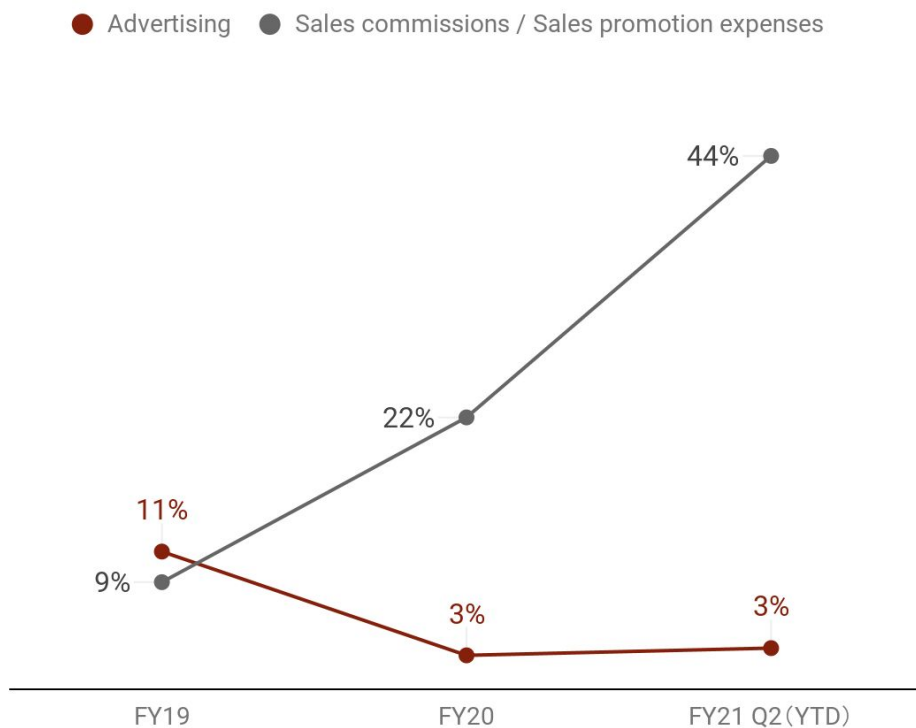


*1 The net revenue retention is calculated by dividing recurring revenue at the end of fiscal period N from customers at the end of fiscal period N-1 by the recurring revenue at the end of fiscal period N-1.

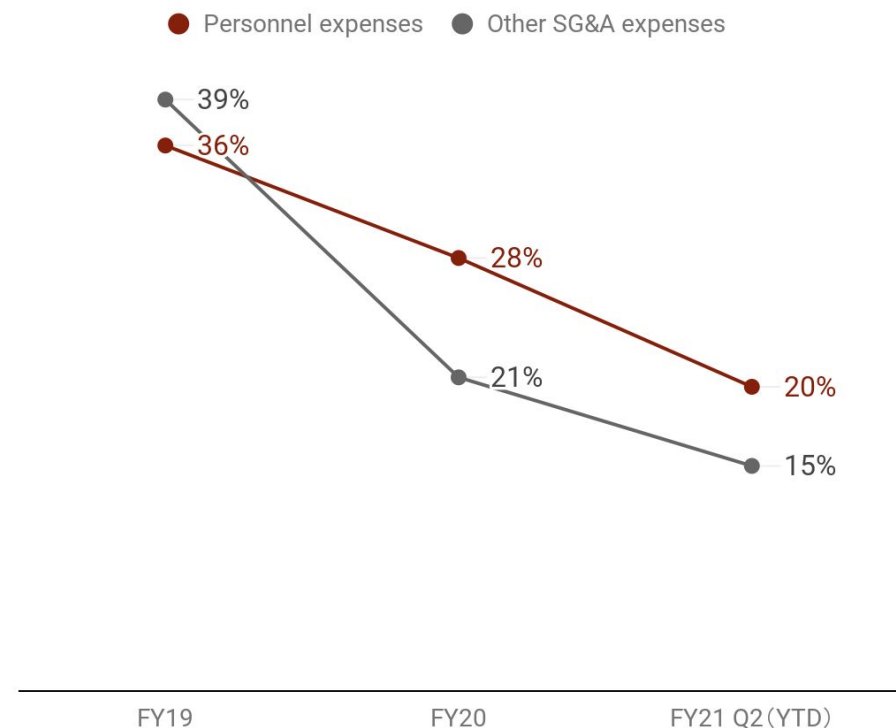
The ratio of SG&A expenses to net sales continued to decline

The percentage of sales commissions increased in line with the focus on customer acquisition via partner channels. The percentage of personnel expenses and other expenses continues 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.

Risk Information

Item	Affected Business Segment	Main Risk	Manifestation Potential	Manifestation Potential Time Frame	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	Always	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	Always	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	Always	High	- Diversify business offerings to mitigate adverse effects of coronavirus pandemic.

* The major risks influencing achieving growth and executing business plans have been excerpted from the contents listed in "Associated Business Risks" of the securities registration statement. Refer to "Associated Business Risks" of the securities registration statement for the other risks.

Item	Affected Business Segment	Main Risk	Manifestation Potential	Manifestation Potential Time Frame	Impact	Risk Countermeasure
Business content/Provided services: Dependence on electricity/gas companies	<div>Platform</div> <div>Data</div>	- 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	Always	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 electricity/gas companies, or a slowdown in taking up our services.	Low	Always	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	Always	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	Always	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	Always	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.

* The major risks influencing achieving growth and executing business plans have been excerpted from the contents listed in "Associated Business Risks" of the securities registration statement. Refer to "Associated Business Risks" of the securities registration statement for the other risks.