

November 25, 2022

Company Name: ENECHANGE Ltd.
Representative: Yohei Kiguchi, Representative Director and CEO
Ipppei Arita, Representative Director and COO
(TSE Growth Code No. 4169)
Inquiries: Takuya Sugimoto, Executive Officer / CFO
TEL: +81-3-6635-1021

Frequently Asked Questions and Answers (November 2022)

Thank you for your continued interest in our company. The main questions from investors this month and the answers to those questions are disclosed below. This disclosure is made around the end of each month for the purpose of reinforcing transparency and fair disclosure. Although there may be some discrepancies in the answers from time to time, please be advised that at the time of writing this is the most current version of our policy.

Q1. It was explained that the impact of the decline in non-recurring revenue in the Platform business will bottom out this Q3; have you already confirmed that it has bottomed out on a monthly basis?

As previously explained, non-recurring revenue in the Platform business declined sharply in FY22 Q3, but on a monthly basis, the bottom was reached in July and August and has been gradually recovering.

For companies, final guaranteed supply contracts had been increasing, but these contracts are now increasing in price, meaning they are starting to become the less favorable option again. As a result, our user acquisition by means of market-linked tariff options has increased.

For households, some energy companies have introduced their own fuel cost adjustment costs, which are less favorable for consumers. This has resulted in our new acquisitions by switching or moving due to price increases (removal of caps on fuel cost adjustment costs and changes in rate structures).

Against this backdrop, we expect non-recurring revenue to recover slightly in Q4.

Q2. For households, the regulated rates of the major energy companies are relatively low at present, but are you able to acquire users with tariffs that include independent fuel cost adjustment by the new entrants? Is there any trouble in terms of sales, even though you can't guarantee that it will be cheaper?

The increase in the number of household users in FY22 Q3 was not due to switching from regulated rates, but was mainly due to acquisitions from switching from new entrants and from moving house. Switching from new entrants was driven by increased demand due to price increases from their existing energy company, and acquisition from users in the process of moving house is mainly done through offline channels such as property agents. Energy companies prefer for customers to not switch to regulated rates and the process to do so is more complex, which we warn our users about. We focus on switching to tariffs that may be lower in price than regulated rates, but do have fuel cost adjustments. Although these tariffs are not always lower than the regulated rates, our users are actively choosing these plans.

We believe that the situation of low regulated rates is temporary, as the major electricity companies are considering raising those rates and the METI has begun specific discussions on the ideal form of regulatory rates. In addition, we believe that our comparison services will become increasingly important as new entrants offer complex and proprietary tariffs, and we are working to reinforce our service development and sales capabilities.

Q3. It seems that other companies can handle 6kW charging ports. Will you be able to maintain your superiority in the EV Charging business?

At present, we are the only charge point operator that offers a 6kW output charging port that is subsidized, which is a key advantage. However, it is possible that other companies also handle 6kW output charging ports, but we have three advantages in the EV Charging business.

The first point is price. Our Charge 2 is made in partnership with an overseas manufacturer that supplies charging ports globally and already has an established production line. At this time, we are the only company that handles this product for the Japanese market. We believe that we can maintain our competitive advantage in terms of price since the product is mass-produced.

The second point is to act early to build a large base of installations throughout Japan in destination charging. Our strategy is to install one charging port across as many locations as possible and using this as a base to add more charging ports over time. We are currently deploying sales personnel throughout Japan to focus on obtaining these orders.

Even if a company offers 6kW charging ports that are eligible for subsidies in the future, we believe it will not pose a threat because we will be the first to install charging ports nationwide.

The third point is the network effect that can be achieved by being the leader in terms of the number of units installed. In the case of ChargePoint in the United States, when a site host installs the company's charging ports, these ports are connected to ChargePoint's network, making it easier for users on the app to discover and use them. Having access to convenient charging promotes usage by EV drivers, and for the site host, the benefit of being in the network is that they can receive more customers. . With the acquisition of the EVsmart business, it has become easier for us to realize this network effect, and we are now able to offer advantages in terms of utilization of the charging ports after installation.

From these perspectives, we believe that we will be able to build on our competitive advantage even if a competitor dealing with subsidy-compliant 6kW charging ports emerges.

Q4. In the EV Charging business, sales revenue is recorded at the time of installation; why was sales revenue low in FY22 Q3?

Although we are unable to disclose details about the business model, there are two plans for accounting for the EV Charging business:

1. A plan under which hardware sales are recorded at the time of installation; and
2. A plan under which no hardware sales are recorded.

During the FY22 Q3 (January-September 2022), we have utilized the second plan and therefore no hardware sales revenue has been recorded.

We will proceed with orders and installations, focusing on plans with hardware sales, and expect the impact on our business performance to be after FY23.

Q5. The Condo Zero plan is supposed to be completely free, but how will you recoup your costs?

The Condo Zero plan is a model in which the owner pays no upfront costs, monthly fees, and electricity costs, and we earn revenue from a portion of those charging fees.

This plan is designed to encourage condominiums to adopt this service by eliminating the issue of reaching a consensus on the cost burden, which has been a concern for condominium management associations, by making the electricity cost free.

Although less profitable than the plans proposed for destination charging in locations such as hotels, we believe that using our application and charging ports at condominiums will encourage usage at places outside of the home and raise recognition of our services.

Therefore, although the profitability is low, we propose this plan because we believe that it will contribute to the improvement of the utilization rate of our services as a whole.

Q6. The EV Charging business is expected to require a large amount of funds for TV advertising, but is it necessary to raise funds by issuing new shares?

We are not currently considering raising funds through the issuance of new shares. We have already raised approximately 3.9 billion JPY in December 2021. Although the EV Charging business has not yet recorded any sales in the current period, we expect that sales will gradually be recorded from the next fiscal year onward and that the deficit in the EV Charging business will begin to narrow. Therefore, at this time, we do not expect to raise funds for investment in the EV Charging business.

Q7. What is the schedule for airing TV advertising for the EV Charging business?

The broadcasting period and areas in 2023 will be determined based on the status of customer inquiries and areas with high EV penetration. The currently determined broadcast schedule is as follows.

Broadcasting period: December 1, 2022 – December 25, 2022

Broadcasting area: Kanto (TV TOKYO), Nagoya metropolitan area (Chukyo TV, CBC, Tokai TV, TV Aichi), Shizuoka (Daiichi TV, SBS, Shizuoka TV)

As for the schedule, we plan to broadcast mainly morning and evening programs.

Q8. The number of customers in the Data business declined from the previous quarter, will the trend continue?

The Data business had 52 customers in FY22 Q3, a net decrease of one customer from the previous quarter. This was due to the decision of some energy companies to withdraw from the energy retail business. Simultaneously, we acquired new customers, including new installations of peak shaving services, though the net result was a decrease.

Although the number of customers may decline in the future for similar reasons, we believe that this is a temporary phenomenon, as energy companies are expected to improve their profitability due to forthcoming increases in electricity tariffs, and there continues to be a strong willingness to install peak shaving services.