ENECHANGE

CHANGING ENERGY FOR A BETTER WORLD

# FY2020 Financial Results

ENECHANGE Ltd.
February 12, 2021
Tokyo Stock Exchange Mothers
Securities Code: 4169

# Handling of these materials

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# Company Highlights

# The world is moving towards decarbonization through clean energy technology

The world is rapidly moving towards decarbonization. In Japan, the Green Growth Strategy was announced following the formation of the Suga administration, and the United States is moving to rejoin the Paris Agreement under the Biden administration.
The United Kingdom and the nations of Europe are also in agreement with creating a carbon-free society by 2050, thus the energy industry around the world is faced with major changes.

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# An "energy-tech" company empowering a carbon-free society

A carbon-free society cannot be achieved by just building renewable energy plants. For unstable renewable energy to be accepted, we must have technology innovations along the entire energy value chain.
ENECHANGE is an "energy-tech" company that promotes innovation in the energy industry as a neutral technology provider.



| | Generation | TSO/DSO | Retail (Energy sales) |
|---|---|---|---|
| "Big 10" *1 | Major electricity companies (TSO/DSO are legally split due to unbundling in 2020) | | |
| Major entrants *2 | J-POWER | | Gas/Oil companies (Tokyo Gas, Eneos etc.) |
| Emerging entrants | Renova, Inc. | | Gremz, Inc. |
| Energy technology companies | Do not generate energy | Do not supply energy ENECHANGE | Do not sell energy |

Competition

Collaboration

*1. Original regional electricity utilities prior to liberalization in 2016.
*2. Selected companies with the highest market capitalization from among companies newly listed on the Tokyo Stock Exchange in the 2010s.

# SaaS businesses specialized in the "4 Ds of Energy" innovation

Japan's energy industry has been innovating in four fields, the "4 Ds of Energy", in order to achieve a carbon-free society by 2050. ENECHANGE was established in 2015 to meet the business opportunity of "Deregulation" in Japan, and offers vertical SaaS businesses specialized in the energy industry.

| 4 Ds of Energy | Energy industry in 2010 | Energy industry as of 2021 | Energy industry in 2030 | Our main businesses |
|---|---|---|---|---|
| **Deregulation** | Regulations / Non-competitive markets | Great East Japan Earthquake | Deregulation / competitive markets | Electricity/gas switching platform (ENECHANGE) |
| **Digitalization** | Lack of cost awareness | | Increased efficiency through DX*1 | Cloud-based service for electricity/gas companies (EMAP/SMAP) |
| **Decarbonization** | Energy generation from fossil fuels | | Implementing more renewable energy sources | Cloud-based service for renewable energy power plants (JEF) |
| **Decentralization** | Centralized grid | | VPP*2 using storage batteries, flexible load, etc. | Cloud-based service for VPP (ENECHANGE DR) |

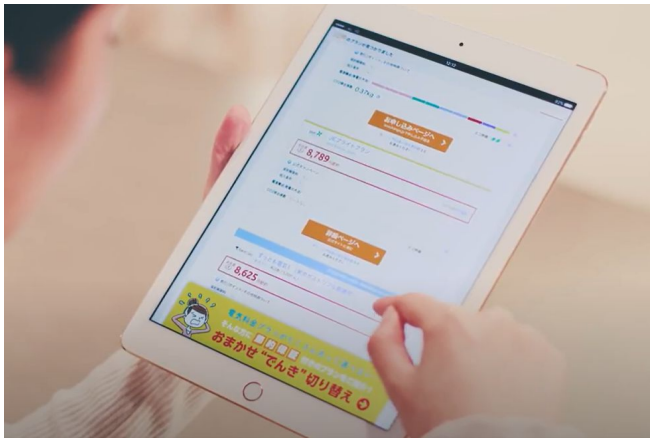
*1. DX = Digital Transformation
*2. VPP = Virtual Power Plant; the owner or a third party of a power generation or storage facility directly connected to the electricity grid controls its energy resources to provide the same functionality as a power plant.

# Our Business Segments: we provide businesses for (1) consumers and (2) electricity and gas companies

We provide electricity/gas switching services for consumers (Energy Platform business, called "Platform business") and cloud-based DX services for electricity/gas companies (Energy Data business, called "Data business").
Both businesses use B2B2C SaaS as their business models.

## Platform business
58% of sales*1

We run ENECHANGE and ENECHANGE BIZ, the leading online electricity/gas switching service for consumers.




## Data business
42% of sales*1

We offer a cloud-based DX service for energy companies. At present, we offer three services: EMAP, SMAP, and JEF.

*1. Comparison based on financial results in FY2020.

# 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 KPIs.

| | |
|---|---|
| Long-term Policy | Maximize free cash flow in the long term |
| Medium-term Policy | Continue strong sales growth<br>(Maximize sources of free cash flow) |

Key KPIs

| | No. of customers | | ARPU |
|---|---|---|---|
| Platform business | Number of users eligible for recurring revenue | × | Annual sales per users |
| Data business | Number of customers | × | Annual sales per customer |

*ARPU: Average Revenue Per User

# Executive Summary

# Executive Summary

| | |
|---|---|
| Consolidated Financial Results (FY2020) | Maintaining a high sales growth rate, we recorded sales of 1,713 million yen (+41% YoY*1).<br>Our operating profit was 53 million yen, which exceeded our forecast. |
| Macro Trends | The Suga administration's Green Growth Strategy supports our business growth.<br>We will focus on demand-side technology services that utilize our relationship with consumers. |
| Platform Business | For FY2020, our sales growth rate was +58%, and the number of users eligible for recurring revenue was approx. 240,000 (+48% YoY).<br>We have solid competitive advantages, and we will maintain our high growth rate through continuous active investment. |
| Data Business | For FY2020, the sales growth rate was +24% YoY. The number of customers increased steadily (+28% YoY).<br>Key energy policy reforms related to the data business are expected for 2021 to 2024, therefore we will prioritize product developments for the medium term. |
| Growth Strategies and Forecast for FY2021 | As a target for continued high sales growth rates, we aim to add at least 30% to our sales annually, reaching 10 billion yen in sales by 2026-27.<br>We expect sales for FY2021 to be 2.3 billion yen (+34% YoY) with positive operating profit. |

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

# Consolidated Financial Results for FY2020

# Consolidated Financial Results Summary for FY2020

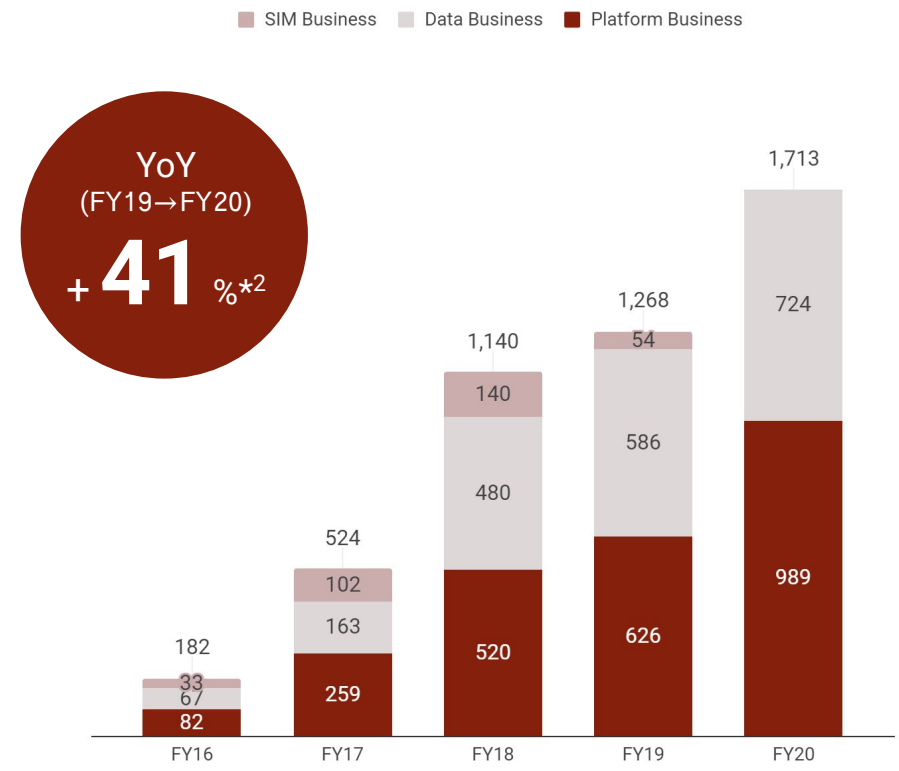
| (Unit: JPY MM) | FY2019 | FY2020 | | | |
|---|---|---|---|---|---|
| | | Actual | YoY | Forecast (Announced on Jan. 22, 2021) | Change from forecast |
| **Sales** | 1,268 | 1,713 | +35.1% | 1,713 | - |
| **Gross profit** | 878 | 1,323 | +50.7% | Not disclosed | - |
| *Gross profit margin* | *69.3%* | *77.3%* | *+8.0pt* | - | - |
| SG&A expenses | 1,201 | 1,270 | +5.8% | Not disclosed | - |
| **Operating profit** | (322) | 53 | - | 53 | - |
| *Operating profit margin* | - | *3.1%* | - | - | - |
| **Ordinary profit** | (304) | 6 | - | 6 | - |
| **Net profit attributable to owners of parent** | (238) | (16) | - | (16) | - |

# Sales have maintained a high growth rate

Annual sales growth was +41%*2, and Q4 quarterly sales growth was +64%.

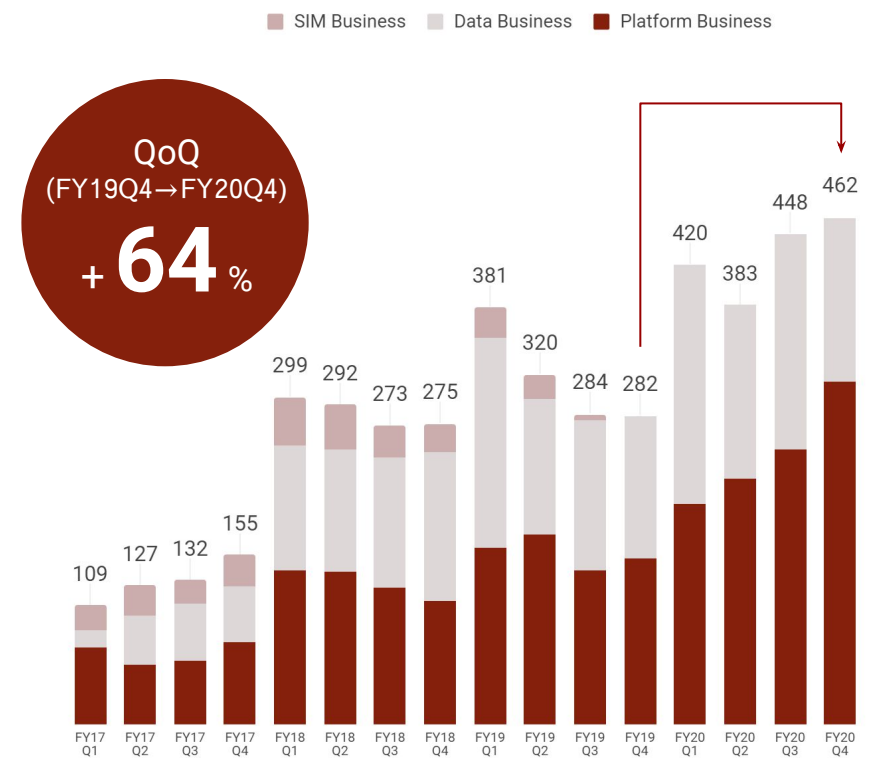
## Annual sales*1

Unit: JPY MM




## Quarterly sales*1

Unit: JPY MM

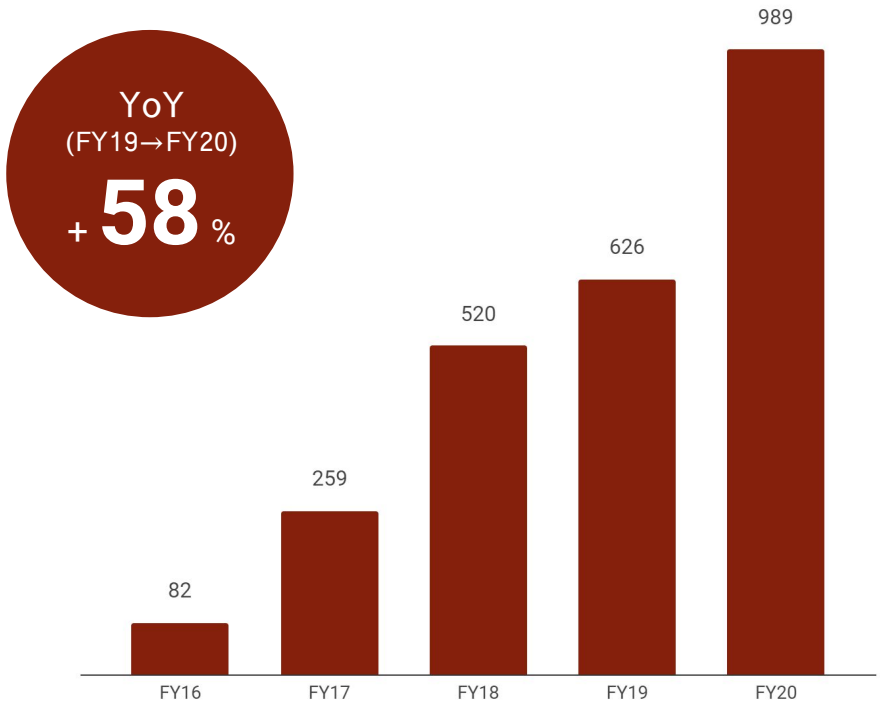



*1. Our SIM business (SIM Change, our cheap SIM/smartphone comparison diagnosis service for home use) was transferred on July 31, 2019.
*2. Sales growth rate, excluding SIM business

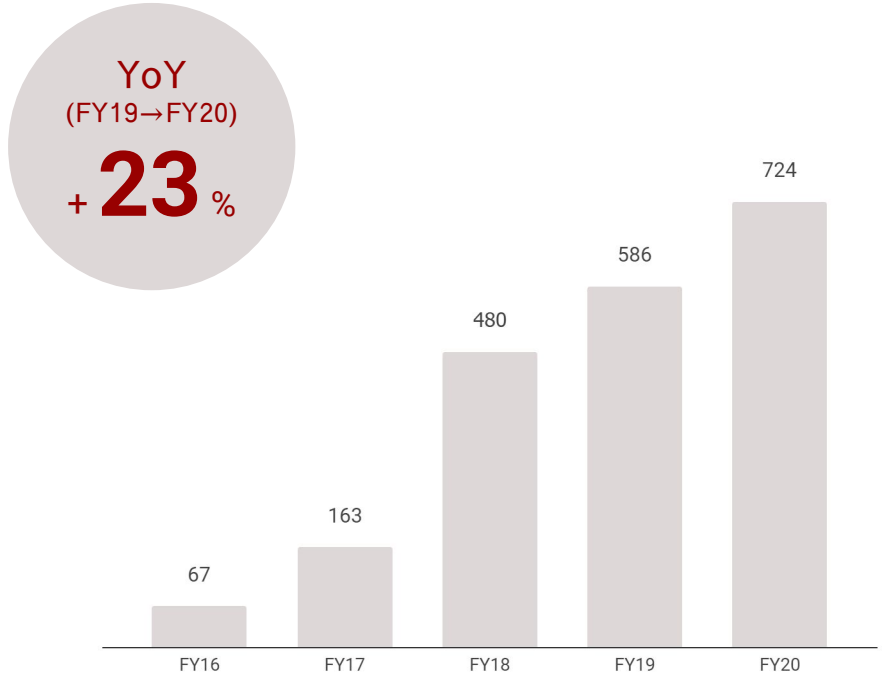
# The Platform business is the driver of sales growth in sales by segment

The Platform business has seen +58% growth YoY, due to the increase in demand for switching and the raise of ARPU.
The Data business achieved growth of 23% YoY, as a result of the introduction of our main products to new entrants.

Platform business sales*1 Unit: JPY MM




Data business sales Unit: JPY MM

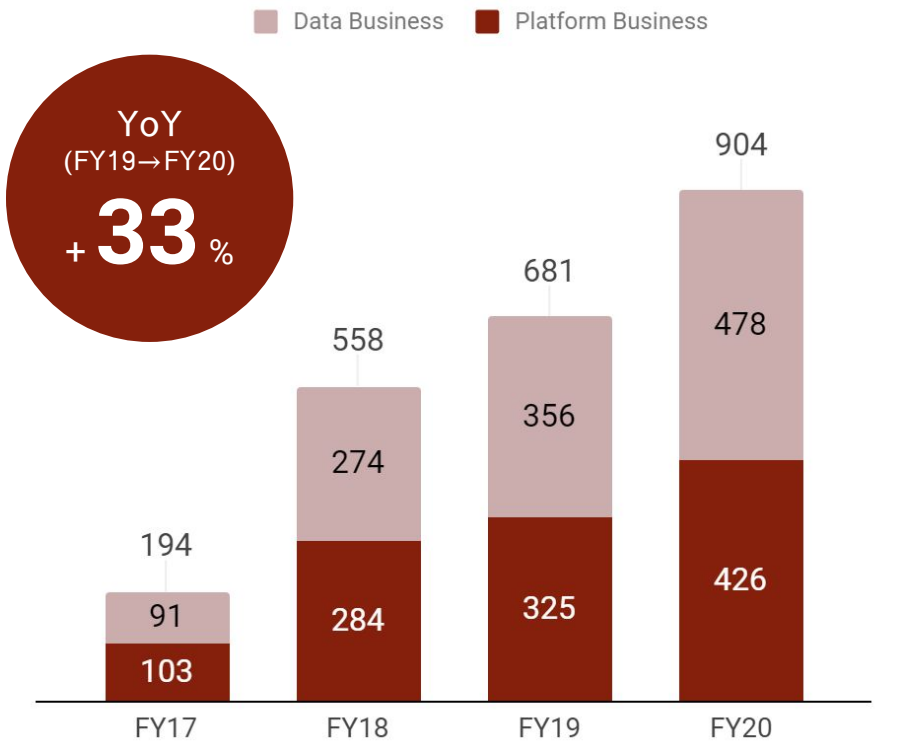



*1. The SIM business that we transferred on July 31, 2019, was included in the Energy Platform business, but has been excluded from this graph.

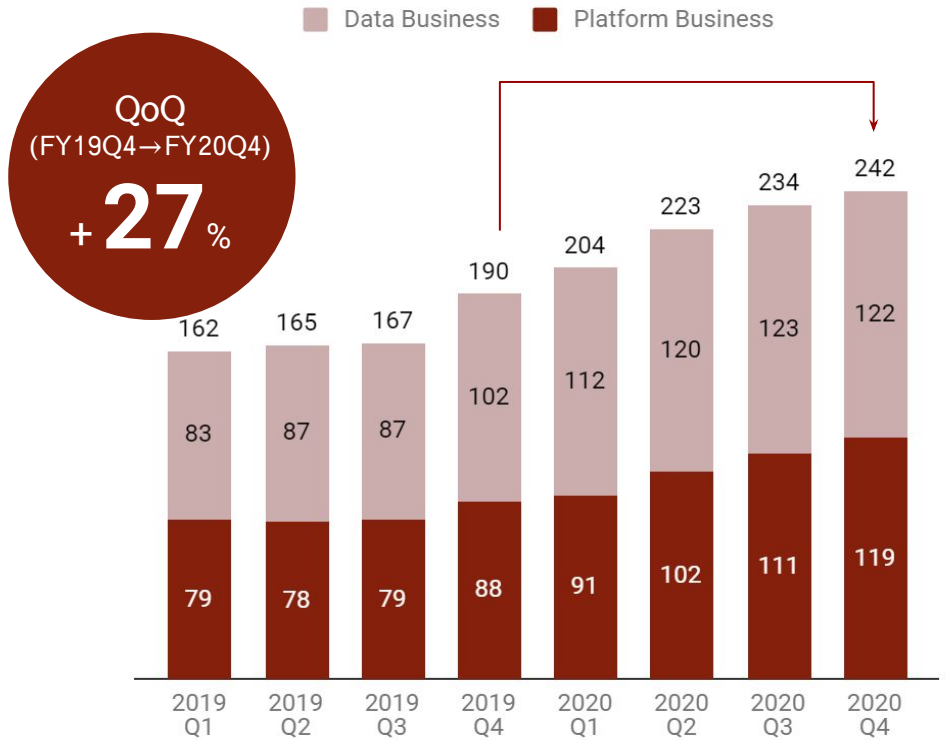
# Enhanced profitability through increased recurring revenue

Recurring Revenue[*1] increased +33% YoY and +27% QoQ (Q4).
Profitability is improving due to the accumulation of recurring revenue, which is the source of medium- to long-term profits.

Recurring Revenue (yearly) Unit: JPY MM




Recurring Revenue (quarterly) Unit: JPY MM



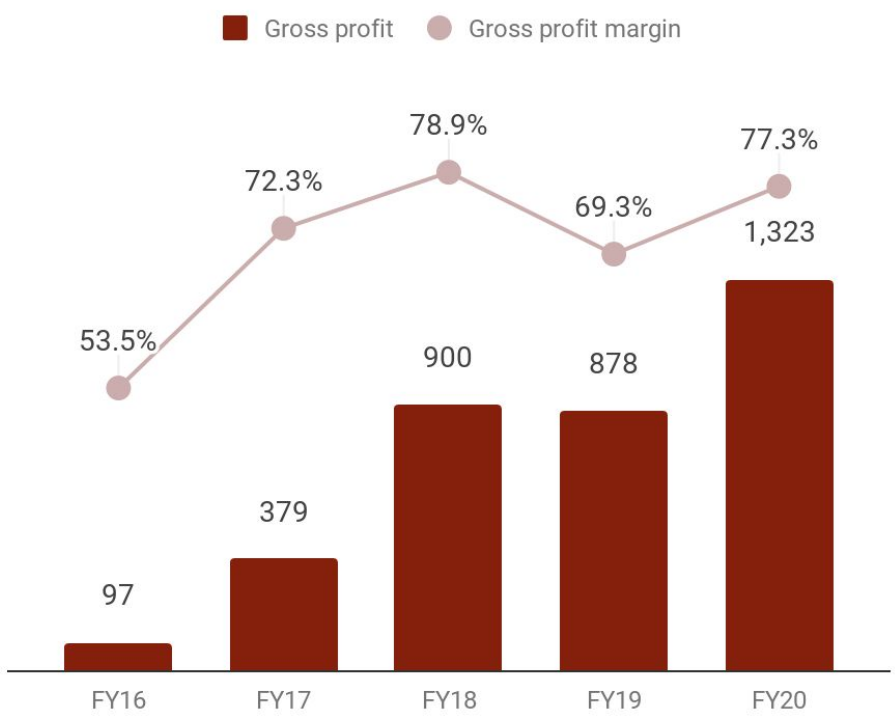

*1. Recurring Revenue is the total of ongoing and recurring remuneration and software license fees, etc. each quarter through the company's business activities. Along with changing the name from ARR to Recurring Revenue as of these materials, some of the one-off payment-style Revenue that was included in FY19 have been excluded.

# Maintained high gross profit margin, with a positive cash flow

Gross profit margin remains high at 77.3%, and cash flow from operating activities is positive.

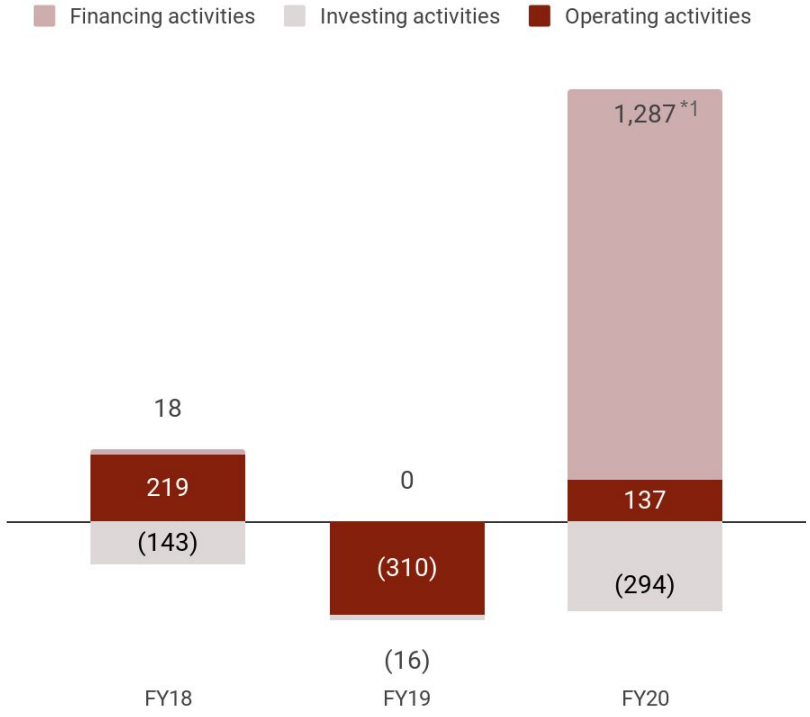
## Gross profit

Unit: JPY MM




## Cash Flow

Unit: JPY MM



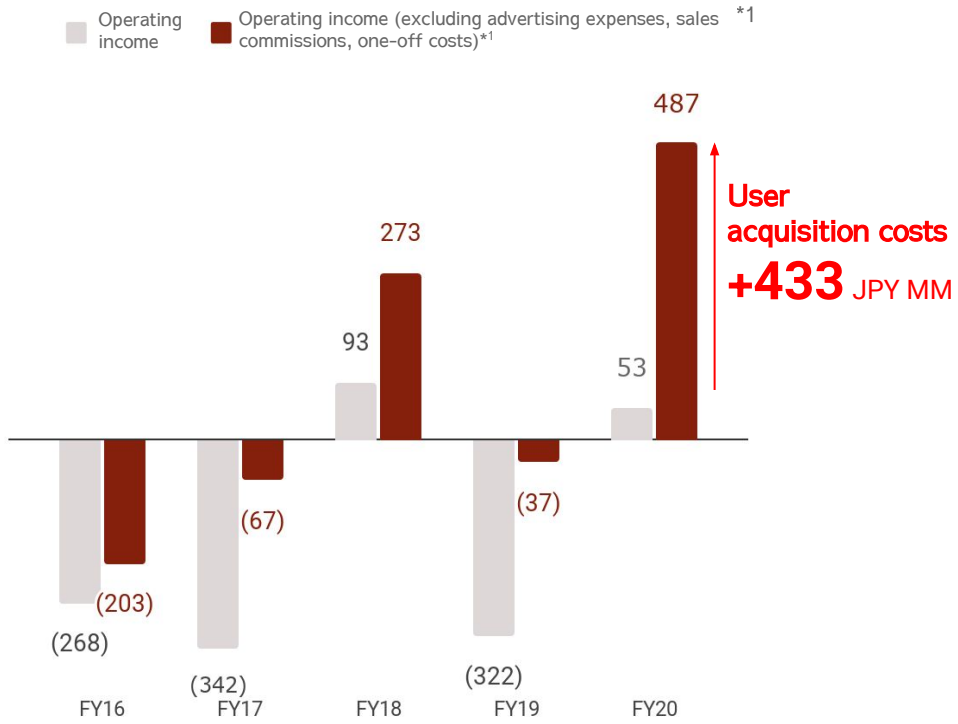

*1. The major contents are 750 JPY MM revenue through long-term loans and 495 JPY MM through withdrawal of restricted-use deposits (those arising from the restrictions on the use of proceeds on convertible bonds with stock acquisition rights issued in 2019, which were converted into ordinary shares in 2020 and the restriction on the use of proceeds removed).

# Positive operating income

FY2020 recorded positive operating income due to steady sales growth, while we actively invested in user acquisition (such as advertising and sales commissions) for the Platform business.

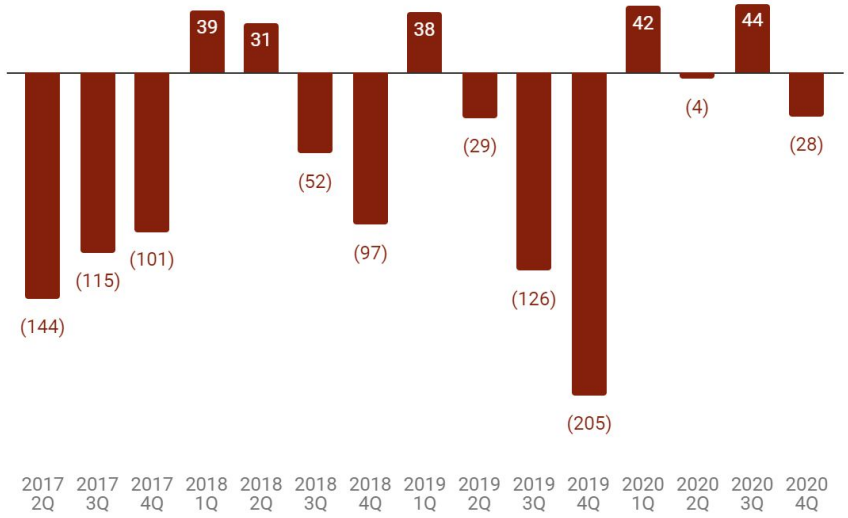
## Annual operating income

Unit: JPY MM




## Quarterly operating income

Unit: JPY MM




4Q 2020 includes the addition of 62 JPY MM in provision for sales promotion expenses due to increases in transactions related to providing gift tokens to new users.

*1. Advertising expenses are expenses associated with activities not directly linked to acquiring customers, such as listing ads; sales commissions are the costs directly incurred by the user or partner when switching (including provision of reserves for giving gift tokens); one-off costs are costs for extra expenses related to employee recruitment and specialist expenses such as for the lawyers needed when starting a new business.

# Cost Structure by Segment*1

| (Unit: JPY MM) | FY2019 | | | | FY2020 | | | |
|---|---|---|---|---|---|---|---|---|
| | Company-wide | Platform Business | Data Business | Company-wide costs | Company-wide | Platform Business | Data Business | Company--wide costs |
| **Sales** | **1,268** | **681** | **587** | **-** | **1,713** | **989** | **724** | **-** |
| **Cost of sales** | **389** | **52** | **338** | **-** | **389** | **46** | **343** | **-** |
| **Gross profit** | **878** | **629** | **249** | **-** | **1,323** | **943** | **381** | **-** |
| *Gross Profit Margin* | *69.3%* | *92.3%* | *42.4%* | - | *77.3%* | *95.3%* | *52.6%* | - |
| **Sales costs & general administration costs** | **1,201** | **598** | **229** | **373** | **1,270** | **752** | **167** | **351** |
| Advertising expenses | 144 | 136 | 8 | 0 | 49 | 48 | 1 | 0 |
| Sales commissions, sales promotion expenses | 112 | 112 | 0 | 0 | 384 | 384 | 0 | 0 |
| Personnel expenses | 455 | 202 | 107 | 145 | 492 | 193 | 119 | 180 |
| Outsourcing expenses | 224 | 106 | 43 | 75 | 176 | 96 | 28 | 52 |
| Other | 266 | 42 | 72 | 152 | 169 | 30 | 20 | 119 |
| **Operating profit*2** | **(322)** | **32** | **19** | **(373)** | **53** | **190** | **214** | **(351)** |
| *Operating Profit Margin* | - | *4.7%* | *3.3%* | - | *3.1%* | *19.5%* | *26.3%* | - |

*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.

# Change in the disclosure method of KPI (number of users and ARPU) in the Platform business

We changed to disclosing the number of users eligible for recurring revenue, instead of the cumulative total users as it did not incorporate cancellations and non-recurring contracts.
Note that as we have been using recurring revenue in principle for all switching as of 2018, therefore at present all new contracts are eligible for recurring revenue.

| | Previous disclosure (FY2020) | Current disclosure (FY2020) |
|---|---|---|
| No. of users | Cumulative total of users*1 **347,110** | Number of users eligible for recurring revenue*1 **243,215** |
| | ✖ | ✖ |
| ARPU*2 | Annual sales per user JPY **2,850** | Annual sales per user JPY **4,067** |
| | = | = |
| Platform business segment sales | **989** JPY MM | |

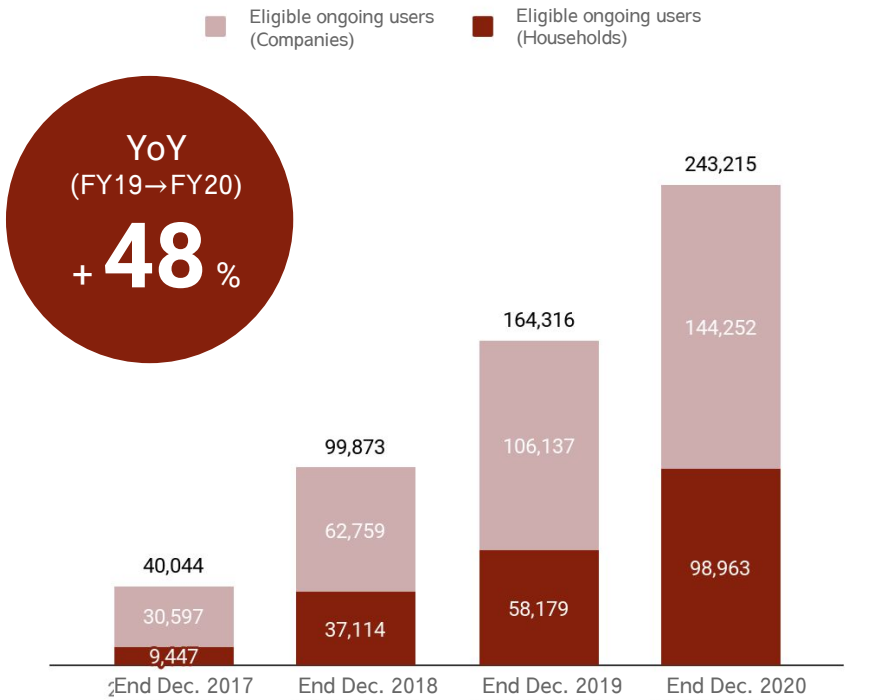
*1. Calculation for general households by corporations is based on the rebates from the total obtained capacity using the capacity of a general household as 4 kW.
*2. Average Revenue Per User: Dividing the annual segment sales by the number of customers for the fiscal year.

# Platform business: Changes in key KPIs

The number of users eligible for recurring revenue is over 250,000 (monthly churn rate of 1.1%*1), a growth of +47% YoY, and we expect to expand through strengthening marketing investment and partner channels in the future.
ARPU is expected to continue to grow as well, due to the increased one-time payments, etc.

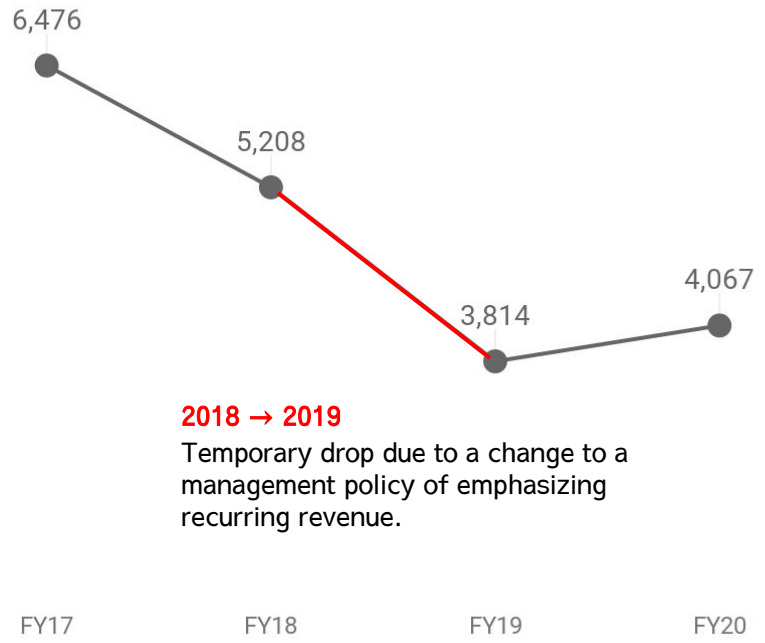
Number of users eligible for recurring revenue (converted on a household basis)*2

Unit: switching




ARPU*3

Unit: JPY




**2018 → 2019**
Temporary drop due to a change to a management policy of emphasizing recurring revenue.

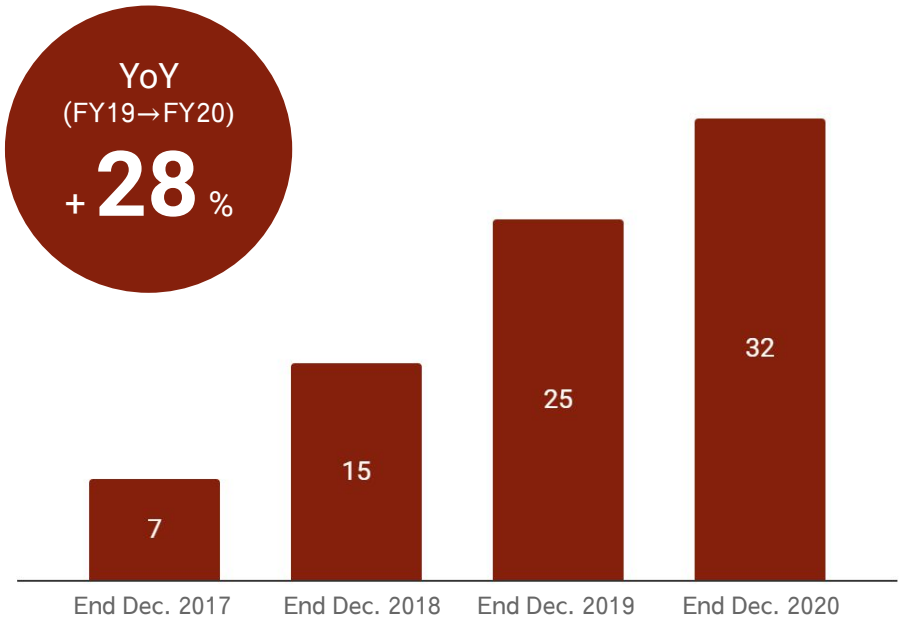
*1. The churn number is calculated by the formula (the number of contracts for the previous month + the number of supply starts for this month - the number of contracts for this month) for household and corporate users. The churn rate is calculated by the ratio of the number of churns to the number of contracts which incur a renewal fee for home/corporate users (monthly average of last 12 months).
*2. To accurately compare the impact of company and household switches, switches are calculated for companies using an equivalent rate and converted based on the rebates from the total obtained capacity using the capacity of a general household as 4 kW.
*3. Average Revenue Per User: dividing the annual segment sales by the number of eligible ongoing users for the fiscal year.

# Data business: Changes in key KPIs

Our number of customers is steadily growing (monthly churn rate of 1.0%[*1]), driven by our main products sales.
For ARPU, while increasing for existing customers, we expect to remain at the same level due to introducing several new low-priced products. We expect an increase in APRU driven by new demands because of the policy changes after 2024 (VPP market and open access of smart meter data, etc.).

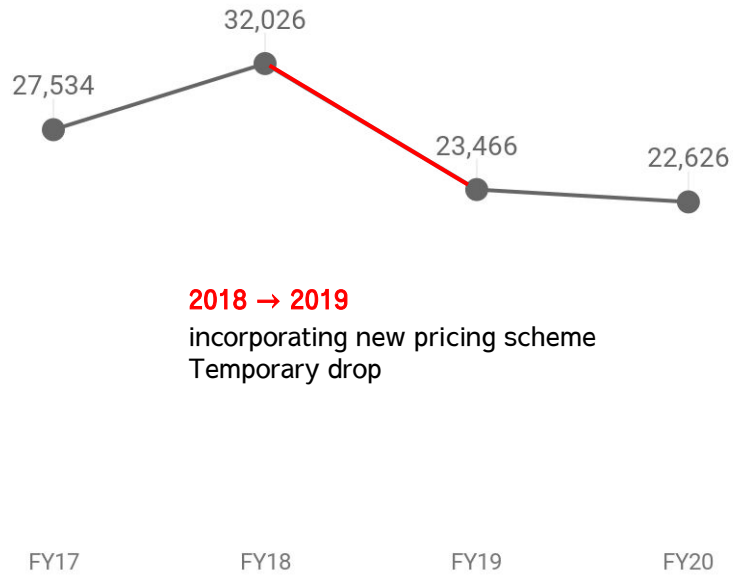
## Number of customers[*2]

Unit: No. of companies




## ARPU[*3]

Unit: 1,000 JPY




*1. Churn rate = number of churns in the fiscal year (including churns during the period) / Number of continuous products at the end of the previous fiscal year + Number of new products in the fiscal year (including churns during the period)
*2. Counting number of customers as of the end of the period
*3. Average Revenue Per User: dividing the annual segment sales by the number of customers for the fiscal year.

# Macro Trends

# Government Trends Towards Achieving a Carbon-free Society

Since the Suga administration was established, the Japanese government has been accelerating its move towards achieving a carbon-free society. The announcement of the Green Growth Strategy on December 25, 2020, made clear the path to that goal. ENECHANGE is using these macro environments as support to expand our businesses.

**September 16, 2020**

**Suga Cabinet formed**

**October 26, 2020**

**Prime Minister Suga announces in his general policy speech that Japan will aim to achieve a carbon-free society and be carbon-neutral by 2050**

**December 25, 2020**

**Formulation and announcement of the "Green Growth Strategy towards 2050 Carbon Neutrality"**

- Ambitious goals have been set for each of the 14 key fields, with current issues and future initiatives laid out.
- Reference figures for 2050 use an energy mix to achieve carbon neutrality assuming an increase in energy demands of 30-50% over current levels.

**January 18, 2021**

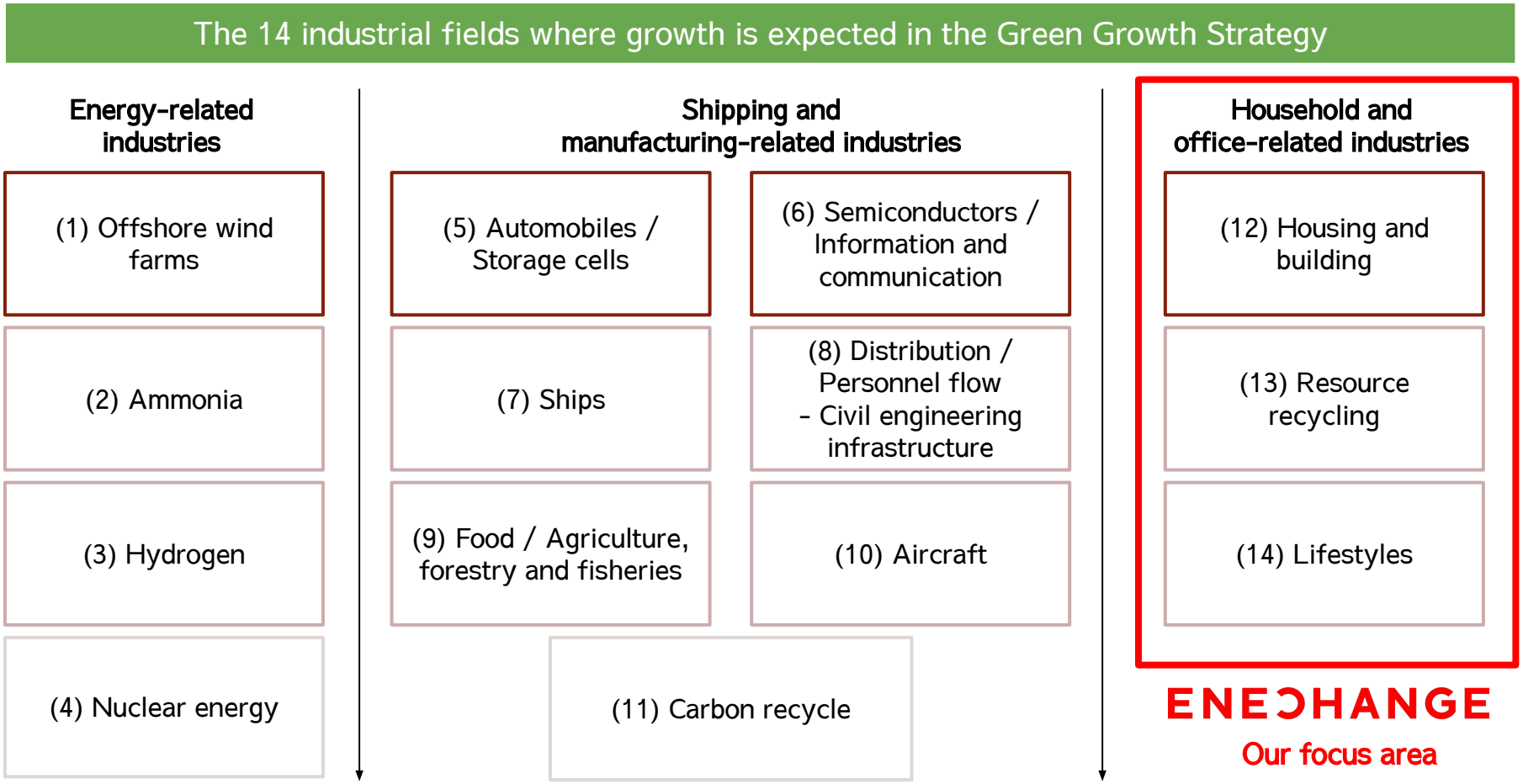
**Prime Minister Suga discusses the Green Growth Strategy in his policy statement at the 204th Ordinary Session of the Diet**

- He states that by 2050, Japan can expect to see economic effects of 190 trillion yen annually and considerable employment created through achieving the Green Growth Strategy.

**The core of the Green Growth Strategy is the electricity industry.**
**Major policy reforms, the promotion of investments, and increased competition are expected in the future.**

# ENECHANGE's Focus Towards the 14 Growth Fields in the Green Growth Strategy

Achieving a carbon-free society will require not just technological innovation in the field of energy generation such as offshore wind farms, but innovations throughout the entire energy value chain.
ENECHANGE will contribute to achieving a carbon-free society by focusing on demand-side technology services that utilize our relationship with consumers.



# Effects of the Green Growth Strategy on ENECHANGE

The Green Growth Strategy is likely to have numerous positive effects on ENECHANGE, including expanding electrification, promoting competition, the growth of renewable energy demand, and acceleration of energy DX.

| | Green Growth Strategy | Effects on ENECHANGE |
|---|---|---|
| Electrification | Electricity demands will increase 30-50% due to the electrification of the industry, transportation, and household sectors. | Base market increases (electricity market: 14 trillion yen*1) |
| Promoting competitive markets | The industrial policy for creating a virtuous cycle for the economy and the environment (the Green Growth Strategy) is expected to achieve economic effects of 90 trillion yen annually by 2030 and 190 trillion yen annually by 2050. | A competitive environment will be promoted in the energy market. |
| Increases in demand to switch to green electricity | Promoting private-sector investment (creating financial market rules such as information disclosure and assessment) | Increased needs for switching to green electricity, especially among companies |
| Acceleration of energy DX | Clarified importance of "energy tech"<br>The Green Growth Strategy will be supported by strong digital infrastructure | Increased DX needs in energy businesses |

*1. Electricity sales amount calculated for 2019 based on Electricity and Gas Market Surveillance Commission, "Electricity Trading Report Results"

# ENECHANGE's Initiatives in the Green Growth Strategy

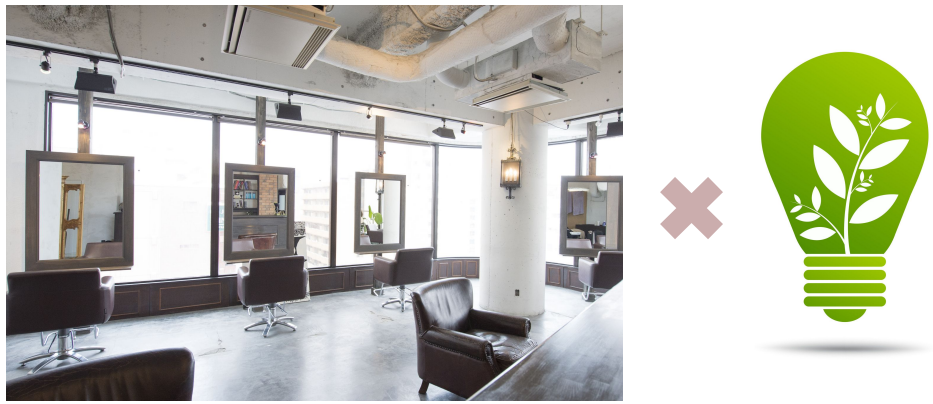
We are actively working on "12. Housing" and "14. Lifestyles" in the Green Growth Strategy.
We shall continue to actively work on related initiatives such as demand response (DR) services for consumers and support for switching to green electricity.

## "12. Housing": Control & Energy Management Systems = Demand response (DR) platform

Working with Looop, Inc., we have started an emergency demand response program for 22,370 households nationwide for when energy demands spike (announced on January 20, 2021).
We intend to expand our demand response services to incorporate technology for controlling batteries, HVAC, EVs, and more.


## "14. Lifestyles": Behavior Changes = Support for switching to green electricity

Through a partnership with Right Staff Co., Ltd. (the company which operates the Mod's Hair salon chain), we have started a business to support selecting green electricity at 370,000 barbers and beauty salons around the country. (Announced on January 18, 2021)
We intend to further support businesses and individuals who want to go carbon-free.



# Business Explanation

# Energy Platform

"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 electric electricity/gas companies*, we can handle everything from electricity/gas price comparisons to switch processing all at once. The service was launched in response to the liberalization of electricity in 2016 and gas in 2017, and continues to grow due to the maturing of the liberalized market and the promotion of telework in the pandemic.

エネチェンジ
電気とガスのかんたん比較


For Households
Electricity/Gas switching platform

Deregulation × Decarbonization

エネチェンジBiz
法人向け 電気代見直しサイトNo.1

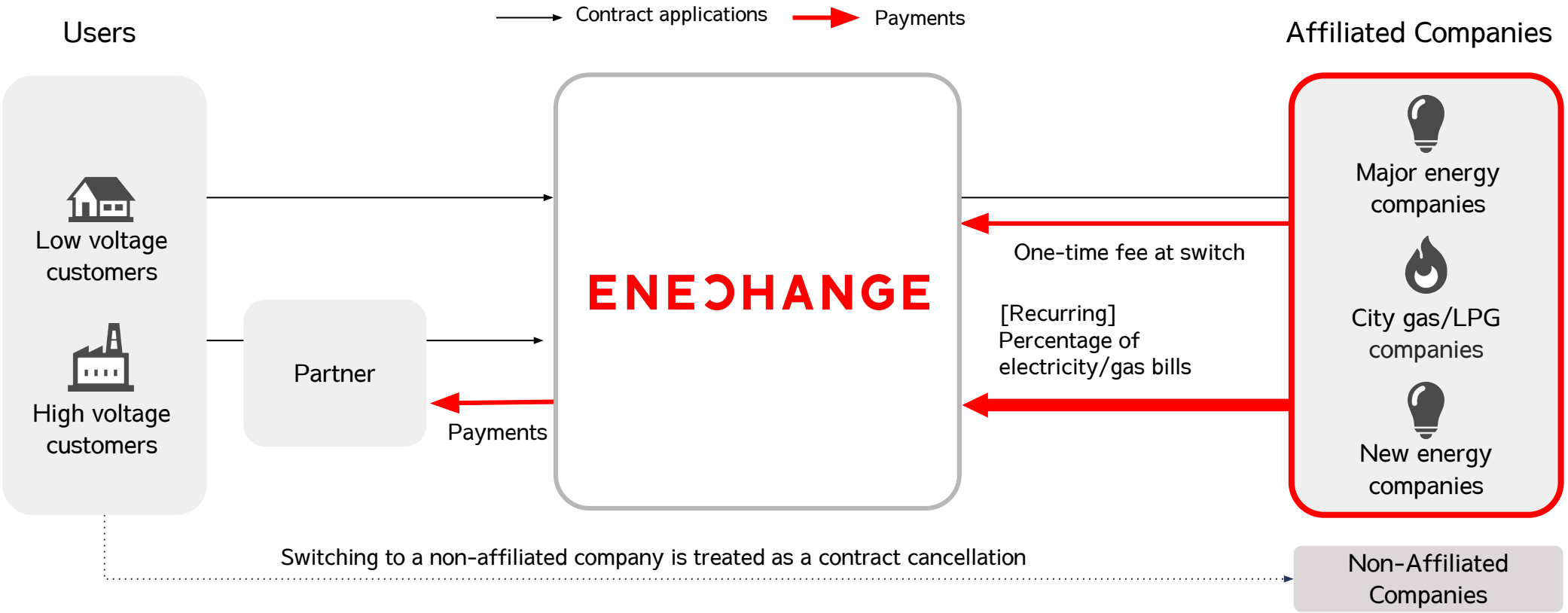

For Companies
Electricity/Gas switching platform

Deregulation × Decarbonization

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

# Recurring Revenue for electricity/gas usage charges

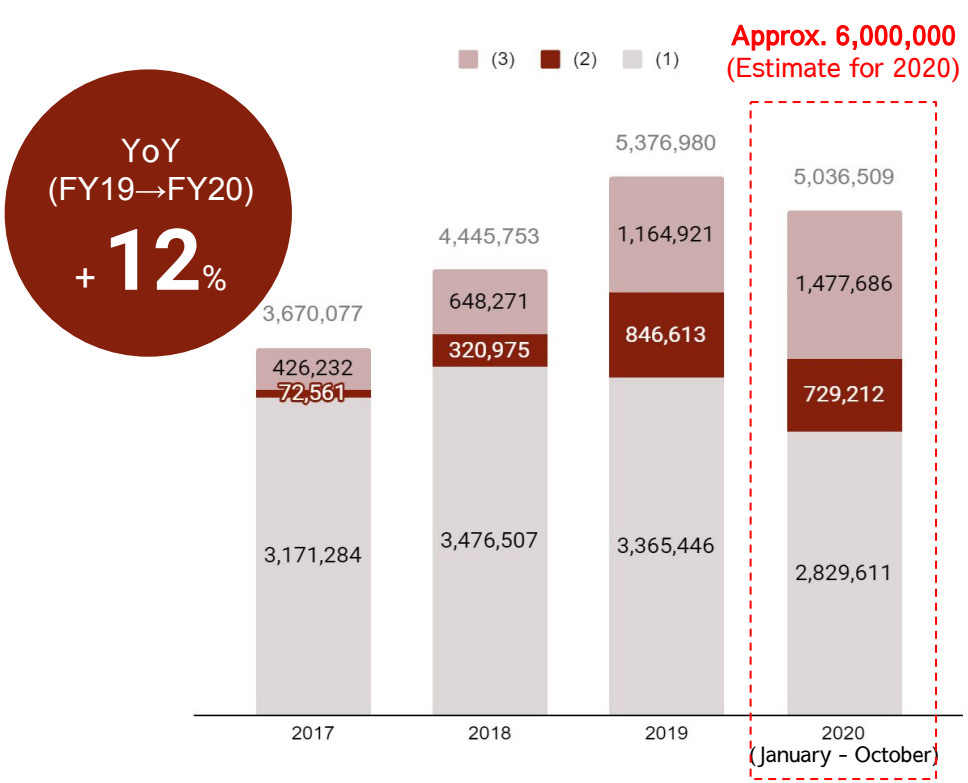
After switching an electricity or gas contract, we receive a one-time fee from the affiliated company as well as recurring revenue linked to electricity/gas bills (recurring revenue ratio: 43%). From the viewpoint of the affiliated company, our service is considered as a customer acquisition SaaS.



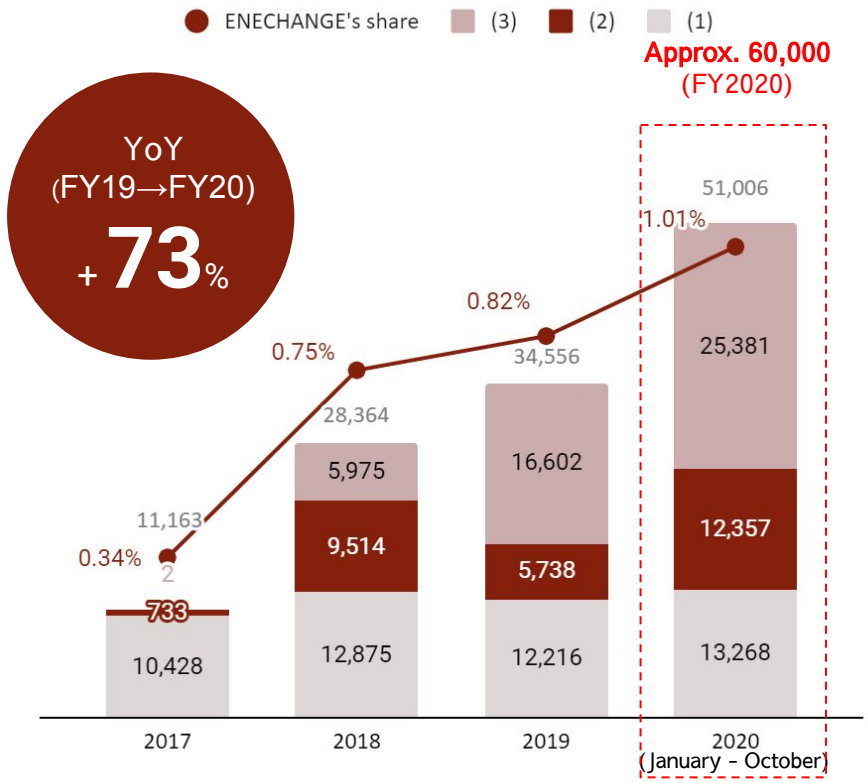
# Numbers of switches and our switching share (Households)

The number of switches is approx. 6 million in 2020 with 12% YoY growth.
Switches include switching (1) from “big 10” energy suppliers, (2) from a new entrant supplier, and (3) new contracts to new entrants due to relocation, etc. Our shares of each segment are estimated at (1) 0.5% (2) 1.7% (3) 1.7% respectively, and 1.0% overall.

## Number of switches to new entrants*1




## Number of switches at ENECHANGE*2

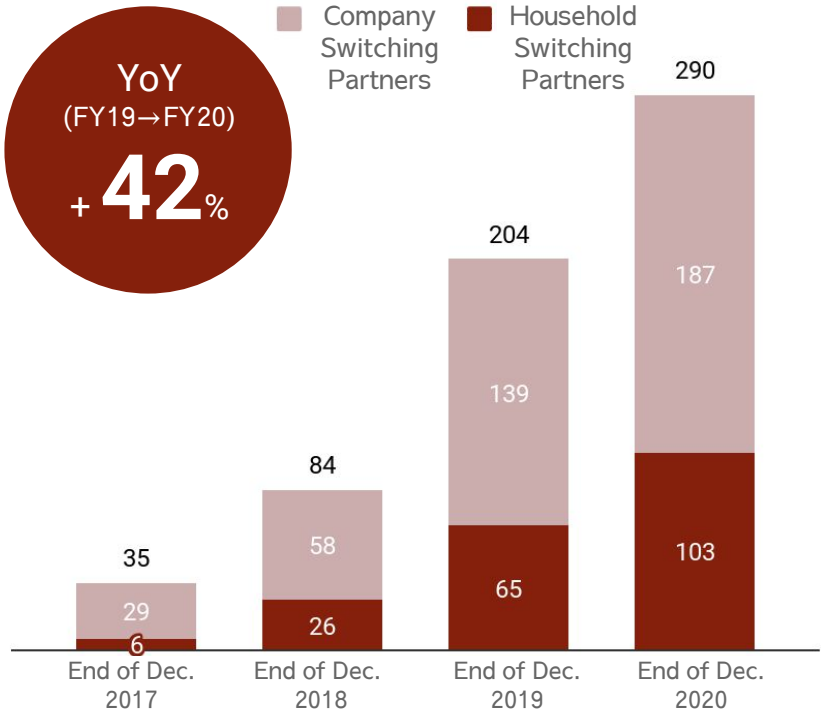



*1. Based on Electricity and Gas Market Surveillance Commission, "Results of Electric Power Transactions".Total for the 10 months from January to October 2020
*2. Total for the 10 months from January to October 2020.

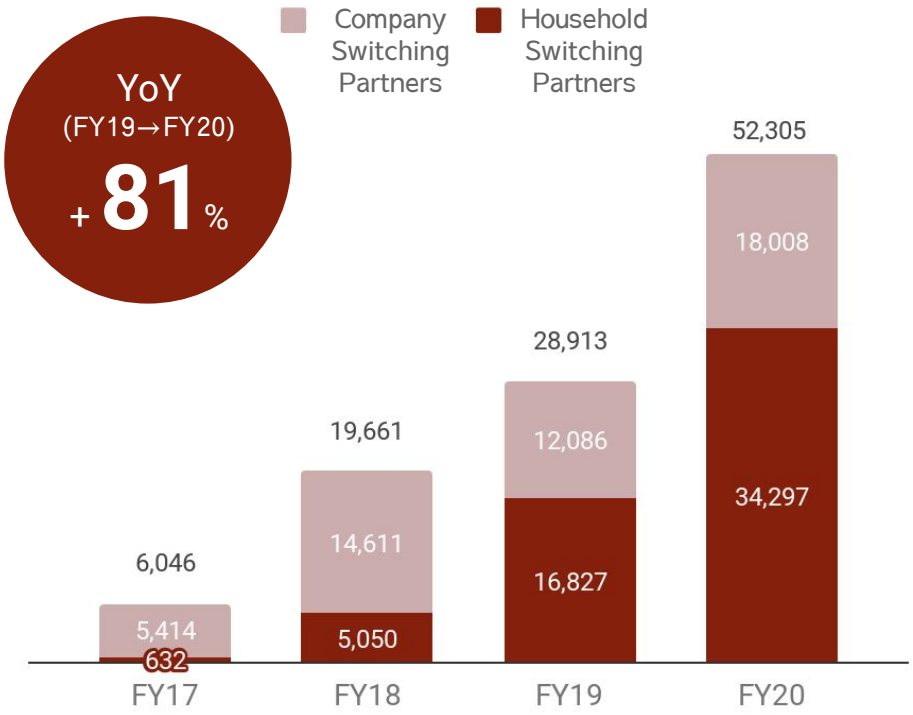
# Numbers of partners and switches via partners (Household and Companies)

We also emphasize our partner strategy that provides the electricity/gas switching platform system we have developed through our own channels to strategic partners.
The number of partners increased to 290, up 42% YoY, and the number of switches through partners increased 81% YoY.

Number of partners




No. of users eligible for recurring revenue via partner (converted on a household basis)*1

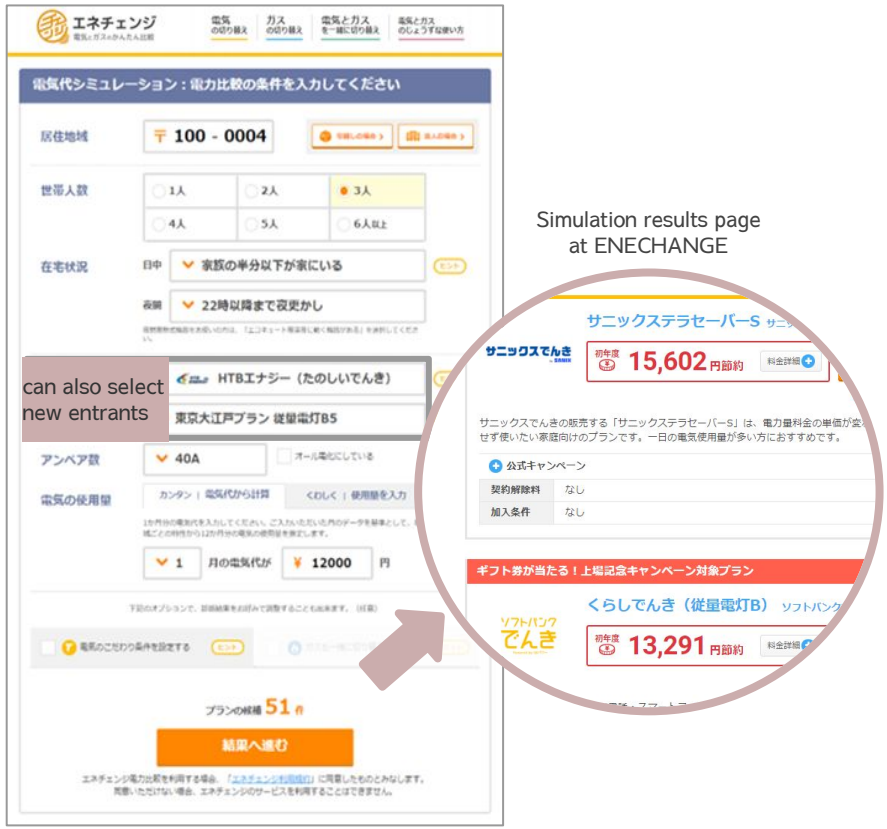



*1. To accurately compare the impact of company and household switches, switches are calculated for companies using an equivalent rate and converted based on the rebates from the total obtained capacity using the capacity of a general household as 4 kW.

# Achievement: Initiatives for increasing share of switches from new entrants

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

## ENECHANGE simulator




## Our unique strengths

New energy company | New energy company | New energy company | New energy company

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

ENECHANGE

Can simulate and switch from new entrants without hassle

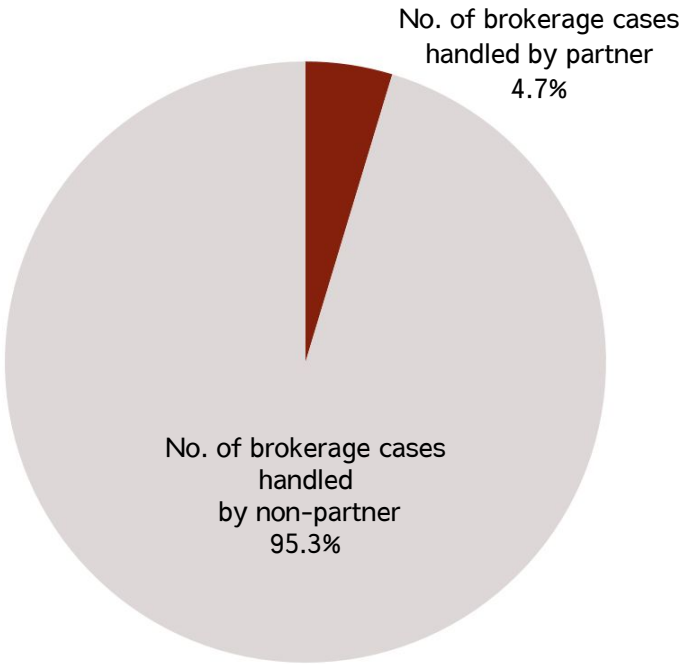
Users

# Achievement: Initiatives for increasing share of new entrants during relocation

Since liberalization, electricity is not provided unless you sign an electricity contract at the timing of relocation, and this often causes problems when moving in. In partnership with property agents, we offer "ENECHANGE for Relocation" to ensure smooth access to electricity when moving in.
Out of the property agents in Japan, approx. 4.7% cases are handled by our partner, and we expect even greater expansion.

Brochures of “ENECHANGE for Relocation”


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



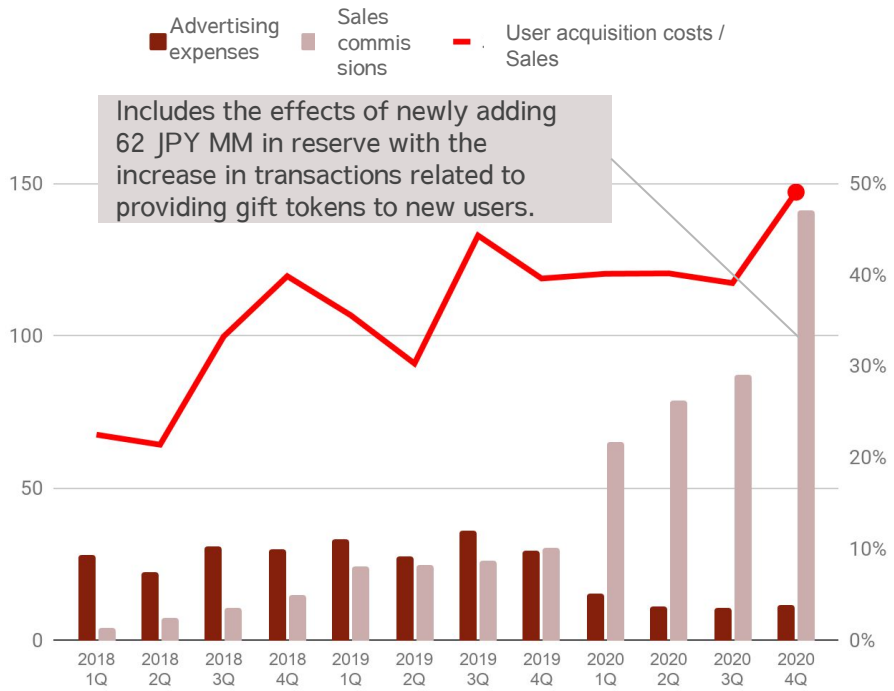

*1. No. of brokered cases: Forecast for 2020 from Yano Research Institute Ltd., Calculated using the number of brokers we handle, based on the number of brokers projected for 2020.

# User acquisition costs and LTV/CAC

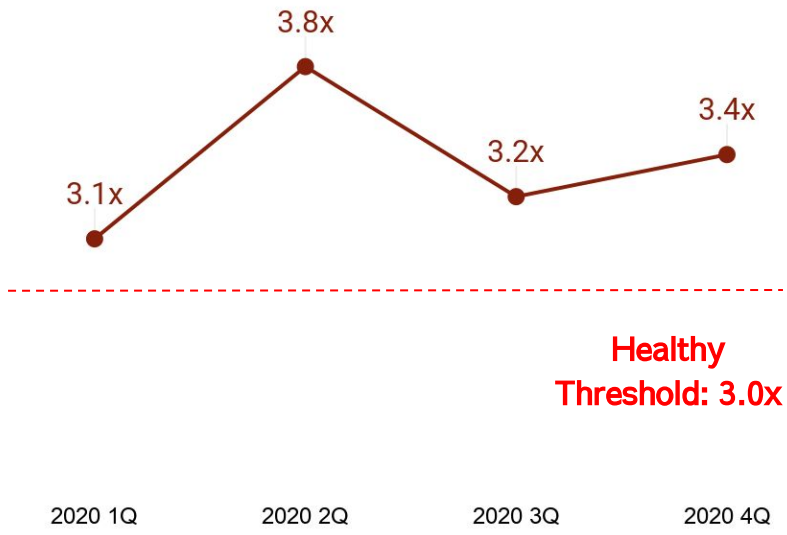
User acquisition costs account for less than 50% of segment sales. We prioritize sales commissions (cashback incentives in our own channels, partner payments) as their cost-effectiveness is easily seen.
In other metrics, LTV/CAC is kept at a healthy level of 3.4x.

Platform Business: User acquisition cost*1

Unit: JPY MM

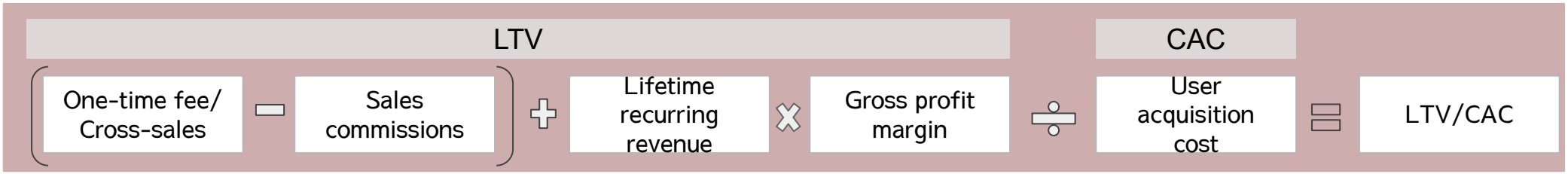



LTV/CAC*2




*1 Advertising expenses are expenses associated with activities not directly linked to acquiring customers, such as listing ads; sales commissions are the costs directly incurred by the user or partner when switching (including provision of reserves for giving gift tokens).
*2. Ratio of LTV (Lifetime Value; customer lifetime value) and CAC (Customer Acquisition Cost; unit price for acquiring customers) See the following page for details.

# LTV/CAC definitions and future policies



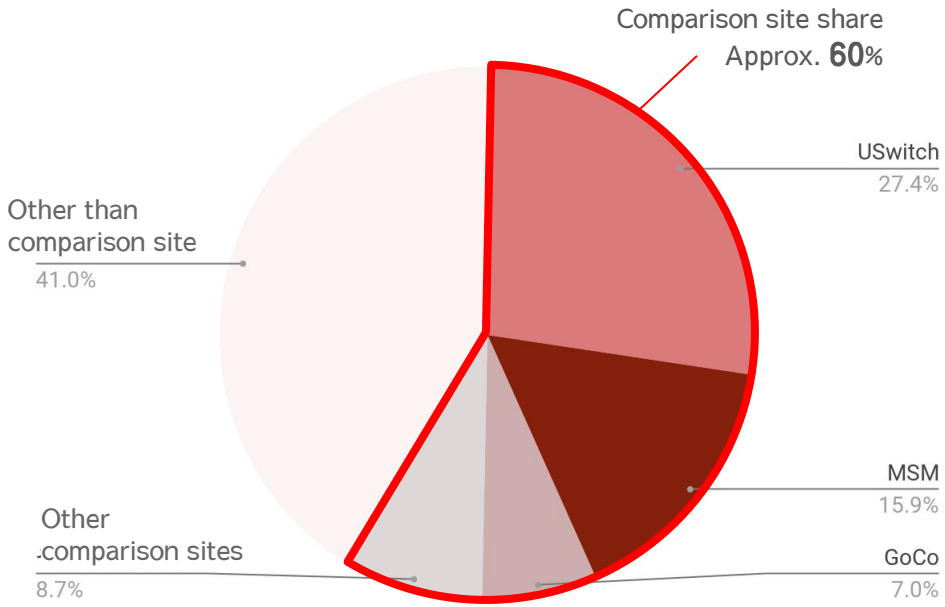

| | Explanation of Terms | Action Plan (Highlighted areas are our focus areas) | |
|---|---|---|---|
| | | Households | Companies |
| One-time fee/ Cross-sales | - One-time fee are payments received from partner companies when switching electricity/gas.<br>- Cross-sales are sales obtained by selling products other than electricity/gas switching to users. | Expectation of increase in one-time fee | Energy-saving product cross-sales |
| Sales commissions | - Incentive fees from introducing customers from online/offline partners and fees related to issuing gift certificates given to ENECHANGE users.<br>- The policy for both is to pay them within the scope of one-time fee. | — | — |
| Lifetime recurring revenue | - Total amount per user of recurring revenue received from partner companies who have received an electricity/gas switchover.<br>- 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). | Development of user-maintenance measures to improve churn rate | Maintain churn rate at low level |
| Gross profit rate | - Gross profit rate for Platform business | 95% (FY2020) | |
| User acquisition cost | - Total of expenses shared across segments such as advertising expenses, personnel expenses, and call center and server expenses (totaled in the same way when we pay sales commissions that are one-time payments or more).<br>- 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).

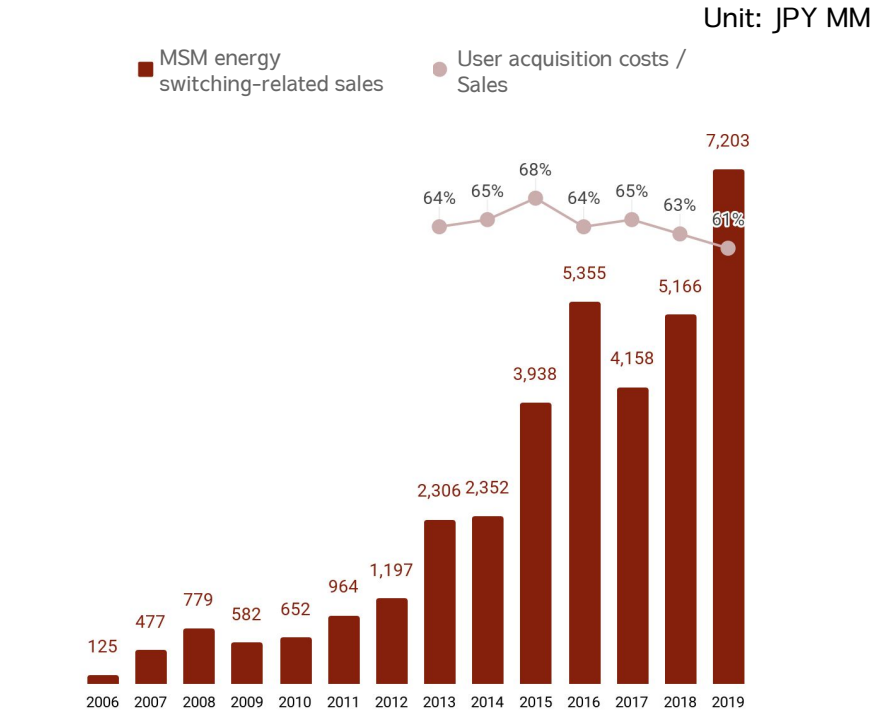
# Online businesses increase CAGR 37% with penetration of electricity liberalization (UK figures)

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), a major British online price comparison site with the second-largest switching share, has business growth with a CAGR of approx. 37%*2 (2006-2019), by expanding the use of online channels, aggressive investment in advertising (approximately 60% of sales), partner expansion, and M&A. Its energy switching-related sales were 7.2 billion yen in 2019 (estimated total operating profit rate of 30%), and an estimated switching share of 15.9%.*3

## Channel Share in UK Energy Switches




## MSM Sales and Share of Energy Switches




*Energy-related sales (Unit: JPY MM, converted at a rate of 140 JPY:1 GBP)

*1. Calculated from Ofgem, "State of the Energy Market 2019".
*2. Sales based on sales for the energy segment in the financial information of each company (public bulletins if not publicly listed) and converted at a rate of 140 JPY:1 GBP.
*3. Share is the share of sales of the different companies calculated from GOV.UK, "Quarterly domestic energy switching statistics"

# Energy Data

"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 JEF) and developing multiple new services such as VPP-related service.

TEPCO 東京電力エナジーパートナー


Electricity/gas price comparison

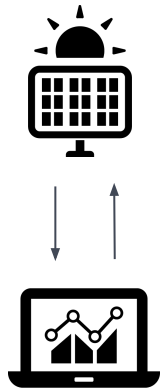
エネルギー・フロンティア TOKYO GAS


Electricity/gas switching application

Looopでんき


Smart meter-based demand response

北陸電力



Renewable energy efficiency optimization

**EMAP**
Energy marketing SaaS

Digitalization × Deregulation

**SMAP**
Smart meter usage SaaS

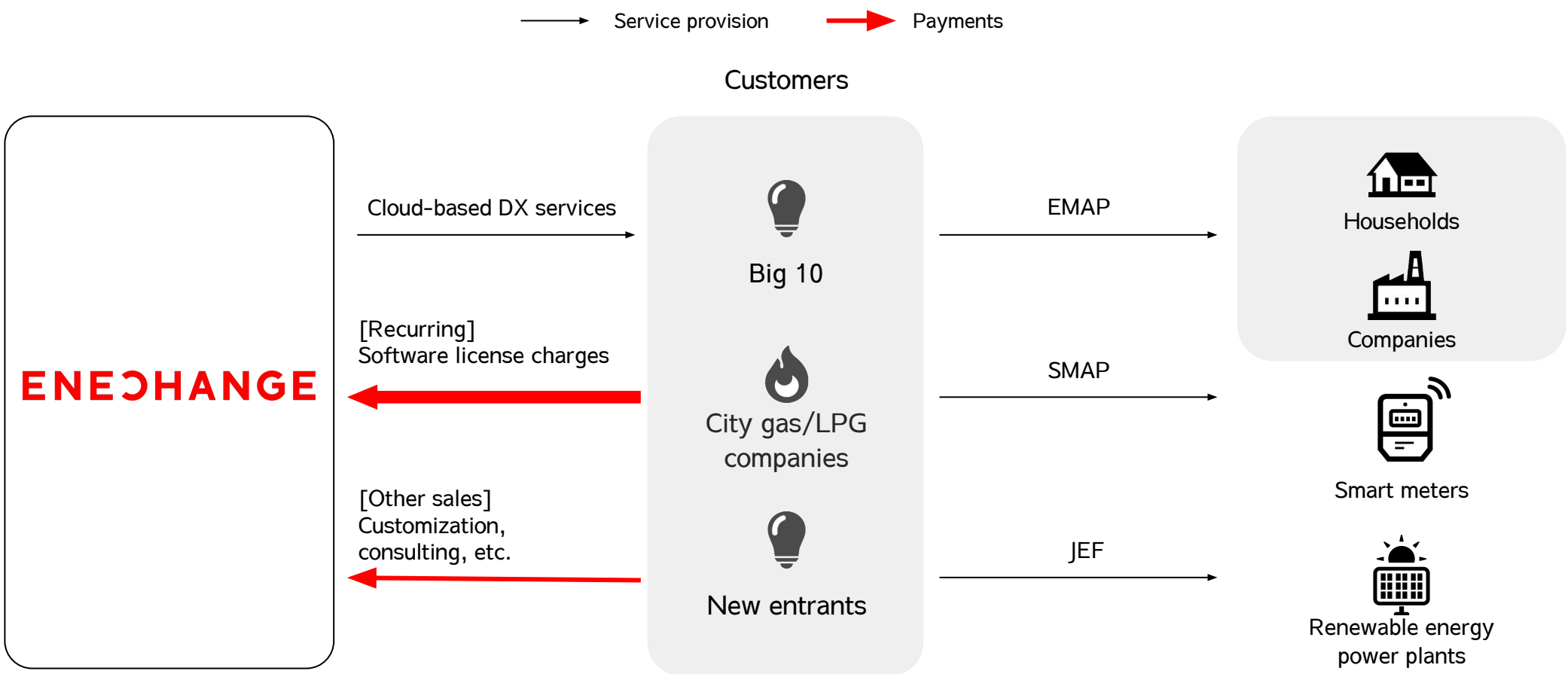
Digitalization × Decentralization

**JEF**
Renewable energy power plant SaaS

Digitalization × Decarbonization

# 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 comes from customization, etc.

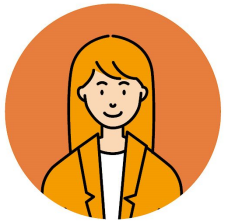


# Case Study (EMAP): Launch with Hokuriku Electric Power Company, increasing customer satisfaction and reducing costs

Hokuriku Electric Power started using EMAP for relocation and customer support management.
EMAP leverages the accumulated experience at ENECHANGE, and we have improved user satisfaction and reduced costs.
Five years have passed since the start of electricity liberalization in 2016, and we anticipate future demand for EMAP.

## EMAP for Hokuriku Electric Power


## User Voices (Hokuriku Electric Power Company)

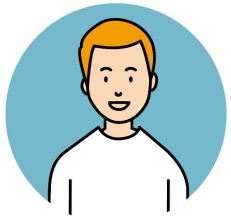


Customer support

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

Living sales department

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



Systems department supervisor

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

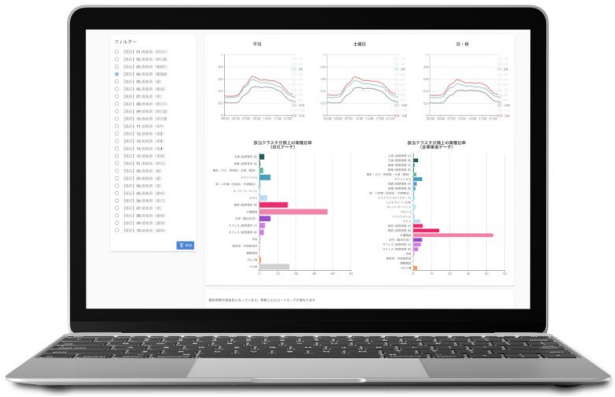
# Case Study (SMAP): Expanding to new entrants through enhanced functionality

The spread of smart meters is increasing the need for data utilization by new entrants.
New SMAP-enhanced functions use machine learning (AI) technology to analyze load curve and formulate sales policies, help reduce costs, and so on.

## Key enhancements in 2020

1. Customer load curve analysis
   Providing a sales strategy support service by utilizing technologies such as load curve analysis and clustering.

2. Automation of grid tariff optimization
   Energy retailers can reduce cost by optimising grid tariff per customer. SMAP automates this optimization process by incorporating and analysing smart meter data.



## User Voices (New energy companies)

Sales

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

Sales

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

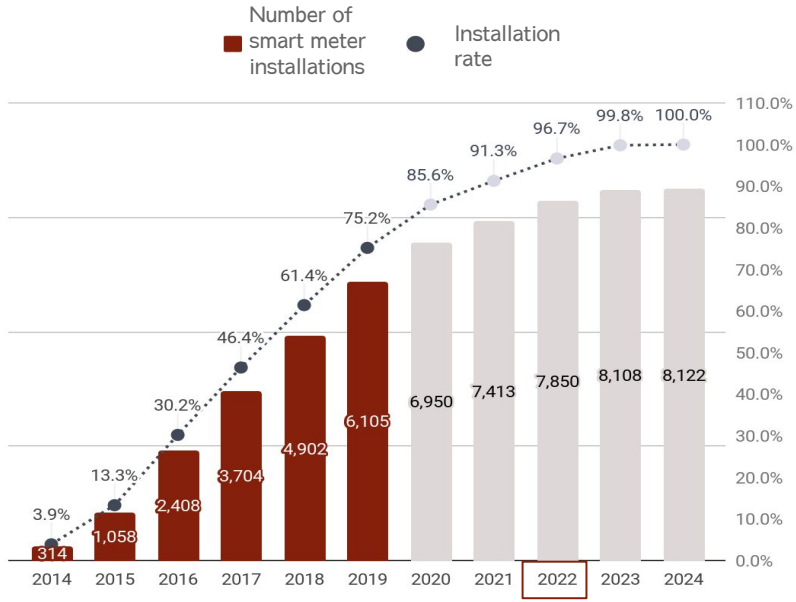
Manager

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

# Open access to smart meter data in 2022

Smart meter data*1 is expected to be available through open access in April 2022, which will allow companies other than electricity/gas companies access to data obtained from more than 78 million smart meters.
The utilization of smart meter data is expected to expand. In addition to our own use (e.g. household energy management), we expect to expand our customers outside the energy industry.

## Number of installed smart meters*2




April 2022: Open Access of Smart Meter

## The future of smart meter data

Smart meter

Electricity consumption data sent

Electricity charge billing

Contracted electricity company

Smart meter data ×

**New needs for smart meter analysis*3**

| | |
|---|---|
| **ENECHANGE → Household energy management** | Business Transportation → Delivery optimization |
| Home appliance manufacturers → Appliance control/support for saving energy | Banking industry → Detecting fraud |
| Restaurant industry → New branches, optimizing management | Medical/nursing care → Watching over patients |

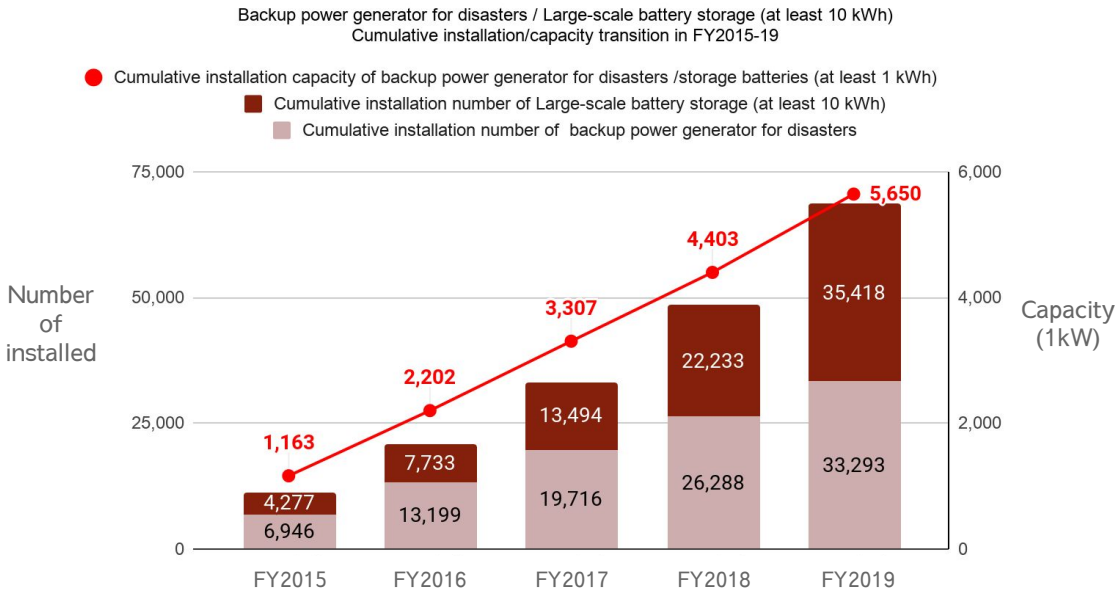
*1. The "Revision of the Electricity Business Act and the Act on Special Measures Concerning Procurement of Electricity from Renewable Energy Sources by electricity Utilities" to promote the utilization of smart meter data to expand the use of data obtained from smart meters was passed by the 201st Ordinary Session of the Diet and is scheduled to come into effect in 2022. Once the law comes into effect, smart meter data will become available for use by businesses other than electricity retailers, and the use of smart meter data by various businesses is expected to stimulate the market.
*2. Graph created based on the plans to introduce smart meters in the low-voltage section in the Agency for Natural Resources and Energy 27th Electricity and Gas Basic Policy Subcommittee Document 3, "Progress of full liberalization of electricity/gas retailing" (July 28, 2020).
*3. Taken from examples in the materials in the Agency for Natural Resources and Energy, "The Effective Utilization of Power Data" (March 19, 2020)

# Entering to 100 Billion yen VPP (virtual power plant) market

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

## VPP Market Scale in Japan

The amount of flexible resources such as batteries and backup power generation is 5.6GW,*2 and the market scale in Japan is expected to be 100 billion yen.
Overseas market size: UK: JPY 79 BN, Germany: JPY 85 BN*3




## Launch of ENECHANGE DR Service

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


*1. Tertiary adjustment capacity refers to the adjustment capacity aimed at balancing supply and demand. Response time for (1) is 15 minutes and for (2) is 45 minutes. Continual use is 3 hours.
*2. Cumulative total of the number of new installations of backup power generators for disasters and large storage cells (at least 10 kWh) in FY2015-19. Sources: Backup power generators for disasters: Nippon Engine Generator Association / Large storage cells: Japan Electrical Manufacturers' Association independent statistics
*3. Created by ENECHANGE based on the final report (July 2018) of the "Survey of Supply and Demand Adjustment Markets in Western Nations" (converted at 1 EUR = 125 JPY / 1GBP = 140 JPY)

# Growth Strategies and Forecast for FY2021

# Different growth phases for the two businesses to match policy reforms

Japan's energy system reforms are in a nine-year transitional period between the start of electricity liberalization in 2016 to the start of the capacity market in 2024. Platform business-related system reforms has completed in the first half (up to 2020), so the Platform business is now in the sales expansion phase. However, Data business-related system reforms will take until 2024, so for the time being, we are prioritizing product developments.

| | FY16 | FY17 | FY18 | FY19 | FY20 | FY21 | FY22 | FY23 | FY24 |
|---|---|---|---|---|---|---|---|---|---|
| Energy Policies | ●2016 Electricity retail fully liberalized | ●2017 Gas retail fully liberalized | | | ●2020: Generation and transmission unbundling<br>●2020: Partial revision of the Electricity Business Act | ●2021: Balancing market start | **●2022 on: Open access of smart meter data**<br>**●2022: Balancing market = Opening of VPP market** | ●2023: Smart meter installation completed | ●2024: Capacity market<br>●2024: Start of full-scale spread of electric vehicles/PHV |

**Management Policy**

Platform business-related system reform has largely been completed as of FY2020, so we believe that a competitive environment has been established.
We aim to maximize sales growth by strengthening advertising expenses while keeping LTV/CAC at healthy levels.

Data business-related system reform is scheduled to take place from 2021 to 2024. As we are getting near April 2022, when the key system reforms will be implemented, in 2021 we want to prioritize product development.
We expect to see a staggered start of business from 2022 on, and then full-scale growth from 2024.

**Sales Growth Targets**

**Platform business**
30% or more

**Data business**
2021-2023: 10% to 20%
2024-: 30% or more

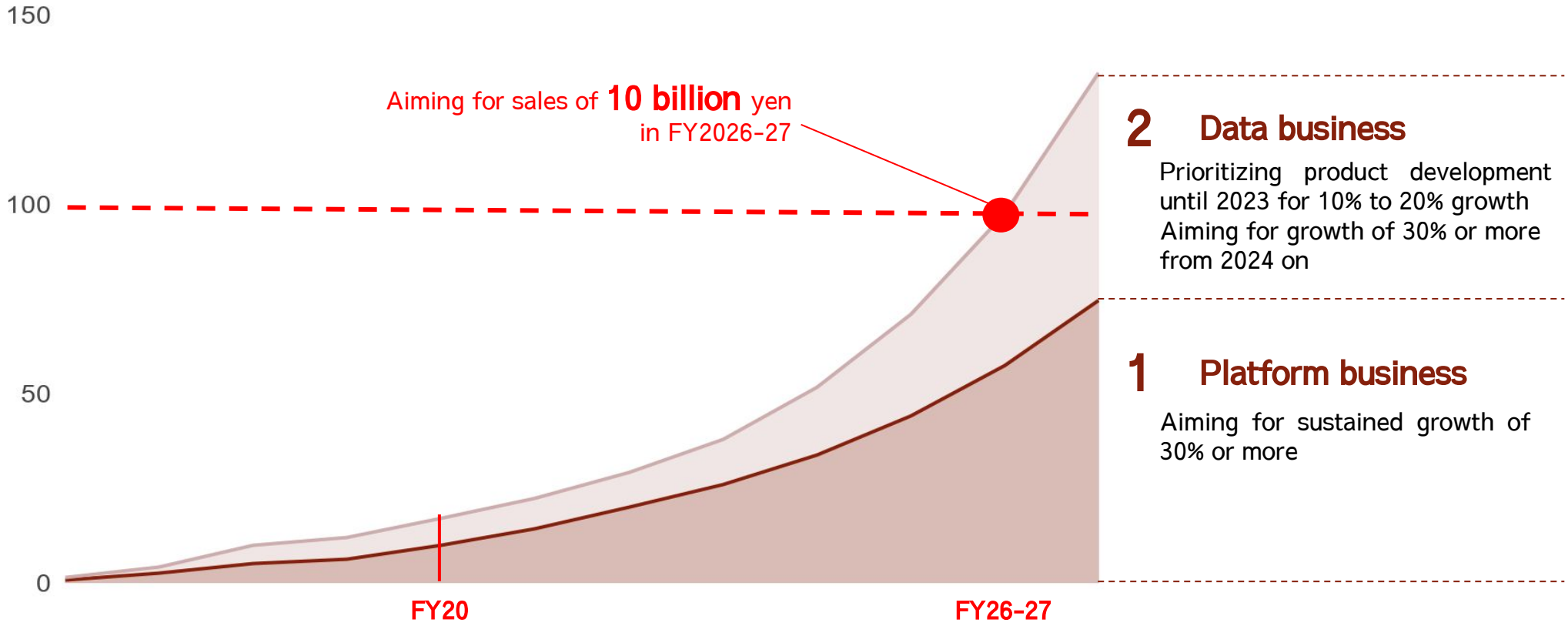
**Company-wide**
30% or more

# Ideas for mid- to long-term growth

We aim to maintain annual sales growth by at least 30% and reach sales of 10 billion yen by 2026-27. Our goal is to be listed on the Prime Market (1st division) when we can expect 10 billion yen in sales in order to gain greater trust from all our stakeholders.

Illustration of growth to reach 10 billion yen in sales

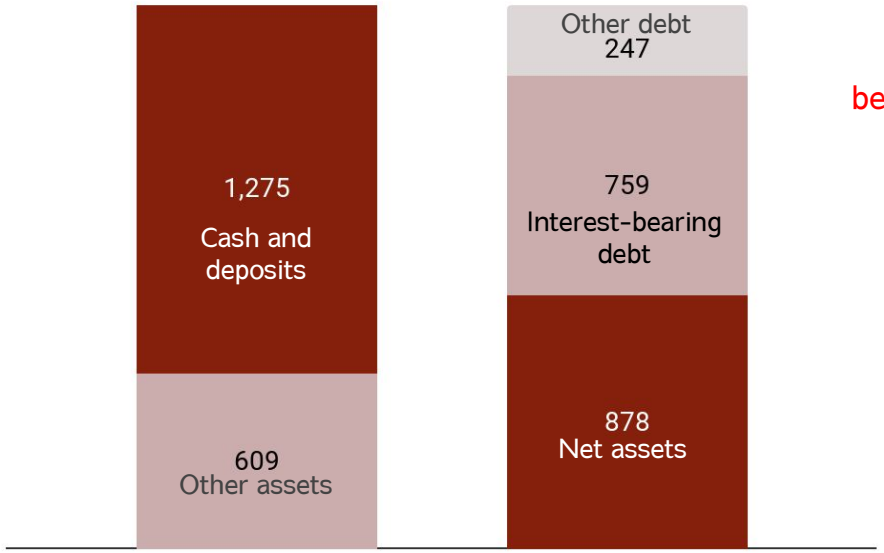
Unit: 100 JPY MM



# Financial base to support mid- to long-term growth

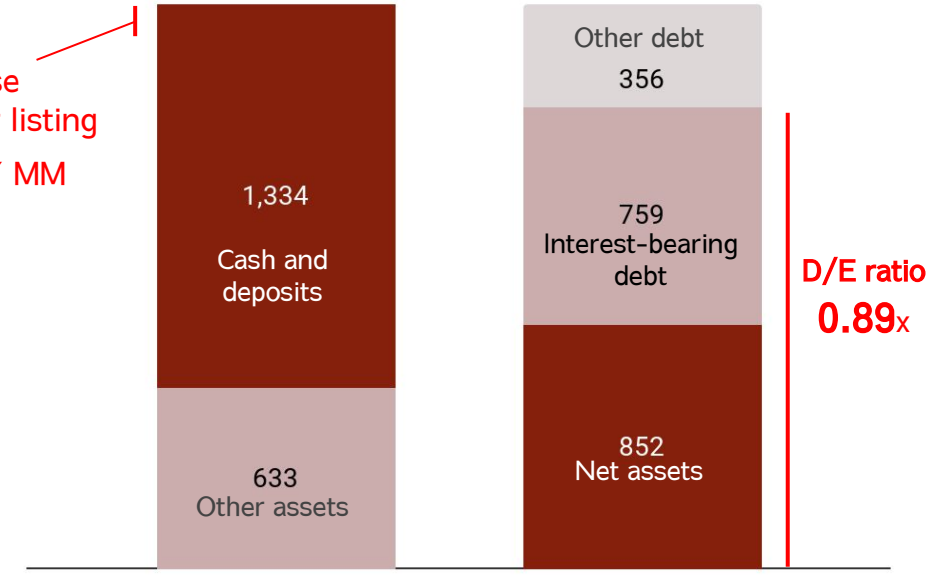
As our cash flow from operating activities is positive, we intend to actively invest in the business within the scope where our operating profit can remain positive, as well as utilize our interest-bearing debt with an awareness of capital costs (D/E ratio = 0.89x).
We shall consider financing through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

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




Increase before/after listing
**+ 60** JPY MM

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



# Assumptions for Consolidated Financial Results Forecast for period ending December 2021

| | |
|---|---|
| Platform | ● Assumed based on aiming for growth of 40% or more.<br>● No. of users: assumes the number of users gained at equal or greater ratio to previous year.<br>● ARPU: increase driven by one-time payments.<br>● Segment expenses: increased user acquisition cost while maintaining LTV/CAC discipline. Other costs shared among segments are assumed to mainly increase in terms of personnel expenses. |
| Data | ● Assumed based on aiming for sales growth of 10% to 20%.<br>● No. of customers: assumes the number of customers gained at equal or greater ratio to previous year.<br>● ARPU: while increasing from existing customers, we expect similar levels due to the sales of low-cost products.<br>● Segment expenses: assuming an increase mainly in terms of personnel expenses for medium-term product development |
| Company-wide Common Expenses | ● Assuming increased company-wide common expenses due to increased employment, etc. |
| Operating Profit | ● A policy of maintaining profitability while investing in user acquisition for the Platform business in particular to ensure sales growth.<br>● We expect operating loss for the first and second quarters due to our the boost of user acquisition cost. |
| Other | ● Includes conservative considerations for the effects of the COVID-19 and the Declaration of a State of Emergency, etc.<br>● No loss/gain provision for uncertain events such as unconfirmed new businesses, M&A, etc. |

# Consolidated Financial Results Forecast for FY2021

We expect an increase of +34% in annual sales growth, maintaining positive profit, and maximising investment into user acquisition in Platform business and product development in Data business.

| (Unit: JPY MM) | FY2020 results | FY2021 forecast | YoY | Change rate |
|---|---|---|---|---|
| **Sales** | 1,713 | 2,300 | +587 | +34% |
| **Operating profit** | 53 | Positive | — | — |
| **Ordinary profit** | 6 | Positive | — | — |
| **Net profit attributable to owners of parent** | (16) | Positive | — | — |

# Appointment (planned) of director Kenichi Fujita (former CEO and Chairman of Siemens Japan)

Kenichi Fujita is scheduled to be appointed as an independent outside director from March 30, 2021.
Mr. Fujita has long been in charge of the energy sector at the Siemens Group (German headquarters and Japanese subsidiary), and the secretary of the Japan Association of Corporate Executives. We look forward to his contribution to our Data business, using his international knowledge in the area of energy digitalization. The other directors are scheduled to be reappointed.

## Kenichi Fujita Introduction

- As head of the International Consulting Division at a German company, the UFJ Research Institute, and others, he has been involved in global management strategy, overseas investment strategy, 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, CEO, and Chairman of the Energy Division at Siemens Japan.

## Siemens' Initiatives in the Energy Sector

**Energy Sector Overview**

- Orders received: 33.7 billion euros (approx. 4.3 trillion yen)
- Sales: 28.8 billion euros (approx. 3.7 trillion yen)
- Number of employees: 91,000

The above figures include Siemens Gamesa Renewable Energy, which is to be consolidated.

**Energy Sector Business Domain**

- Large-scale thermal and hydroelectric facilities, oil and gas, renewable energy, storage systems (battery and thermal storage)
- Energy transmission and distribution facilities, energy distribution equipment (energy transmission and distribution equipment, building technology)
- Long-term maintenance and remote monitoring services for the above businesses
- New energy (hydrogen water electrolyzers, methanolization, etc.)

**Digital domain in the energy business**

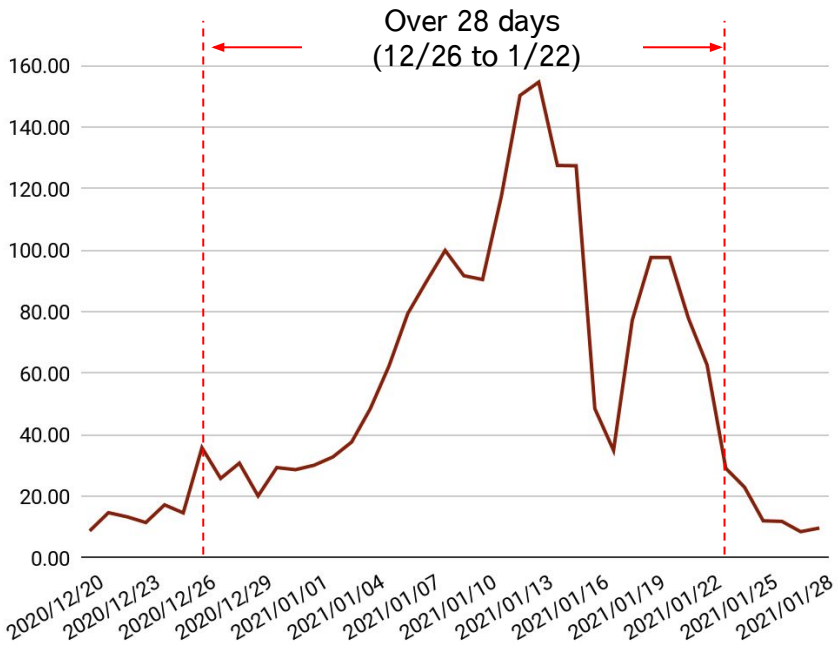
- Digital control of VPP, DEMS, etc., digital communication between base stations
- Distributed control systems (DCS) and remote controls related to energy generation
- Grid load simulation, smart meter DB
- Industrial OS and various applications

Overall business excluding energy distribution and digital domain spun off in September 2020

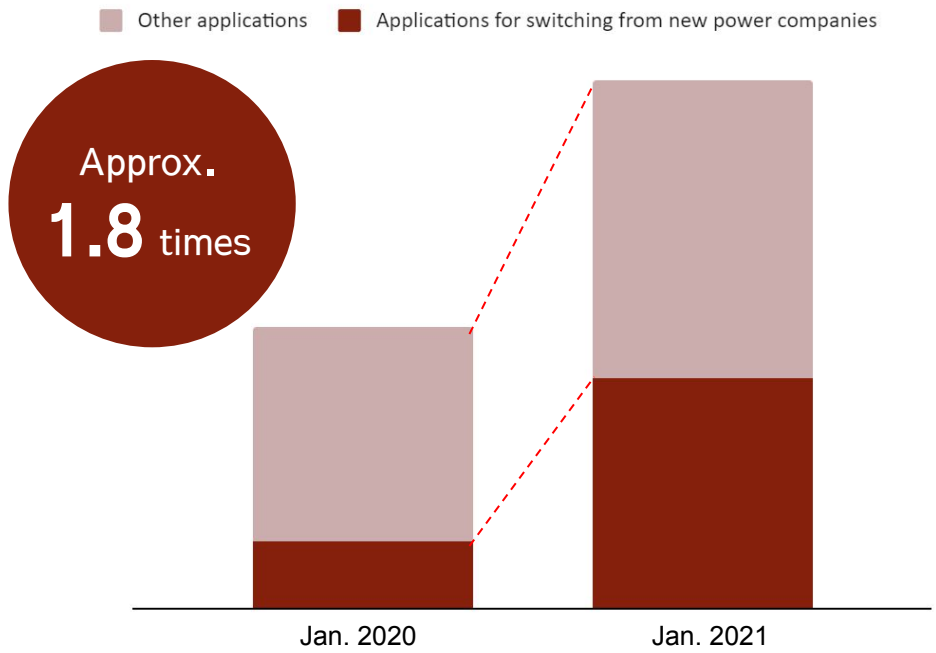
# About the impact of JEPX price increases

The electricity wholesale prices (JEPX prices) of Japan Electric Power Exchange ("JEPX") have been soaring since late December 2020, but they have calmed down as of today. Government-led investigation are underway and remedies for suppliers are being implemented. Furthermore, the importance of VPP has been widely recognized.
There have been no serious effects on our affiliated companies nor our users, and the number of switches has increased by approximately 1.8 times compared to the same month of the previous year (3.4x switches from new entrants).

## JEPX price movement *1




## Number of switches (Household)



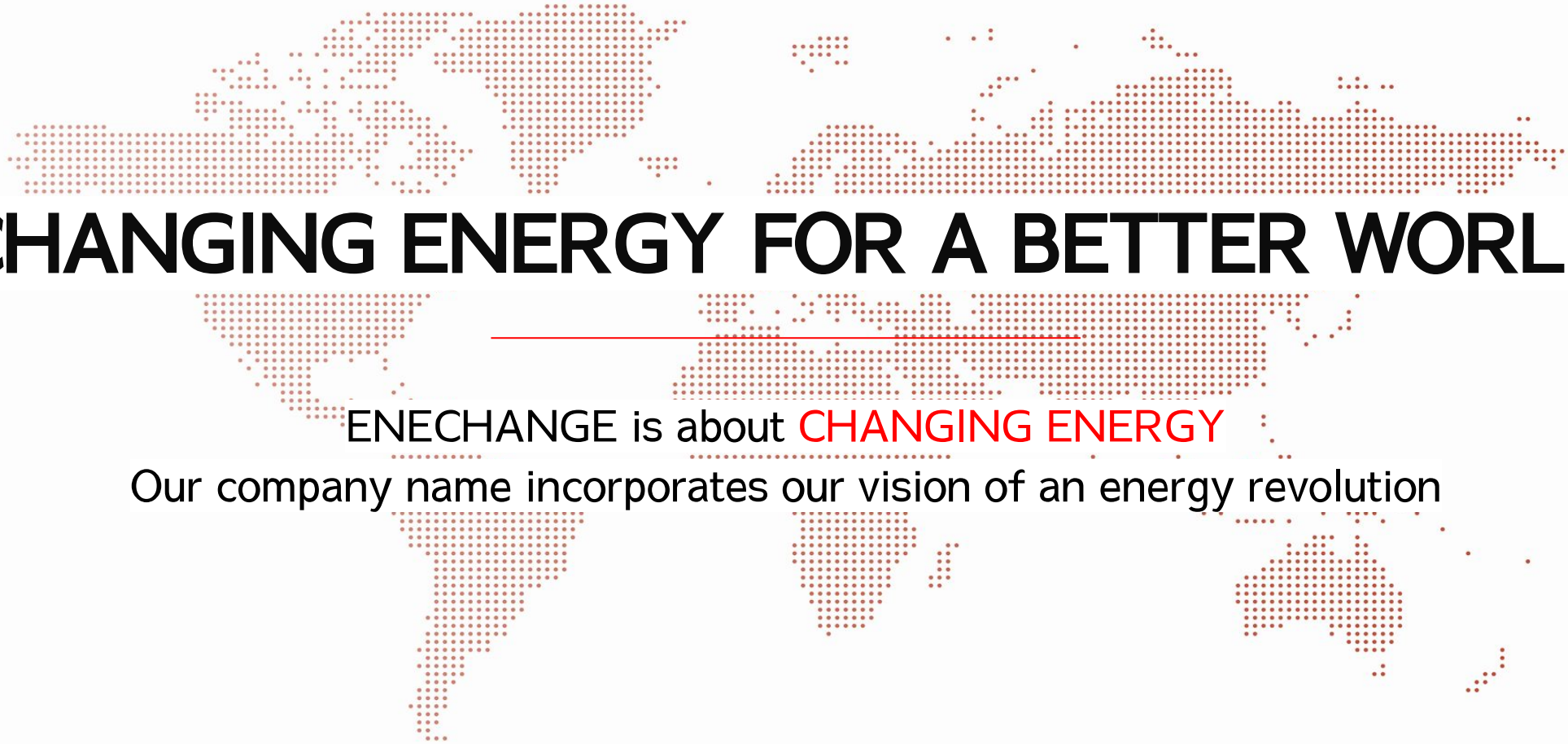

*1 Daily average system price calculated based on JEPX transaction data

# Effects of COVID-19 lockdown

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

| | Societal changes due to COVID-19 | Effects on ENECHANGE |
|---|---|---|
| Increased interest in energy bills | Increased interest in home energy bills as remote work becomes more common | Increased number of switches in the Platform business |
| Increase in demand for DX | Offline activities are restricted, increasing demand for online services | Increase in business opportunities for our Data business |
| Creation of employment opportunities | Reduced hiring environment caused by uncertainty over economic future | Increased recruitment opportunities for skilled talent |
| Temporary decline in energy demand | Stagnation of social activities due to the Declaration of a State of Emergency and refraining from going out | Decline in recurring revenue in the Platform business caused by a decline in energy demand from corporate |

# APPENDIX



# CHANGING ENERGY FOR A BETTER WORLD

ENECHANGE is about CHANGING ENERGY

Our company name incorporates our vision of an energy revolution

# Initiatives towards the SDGs

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

## Our focus areas regarding SDGs


## Disclosure of our commitment on the website

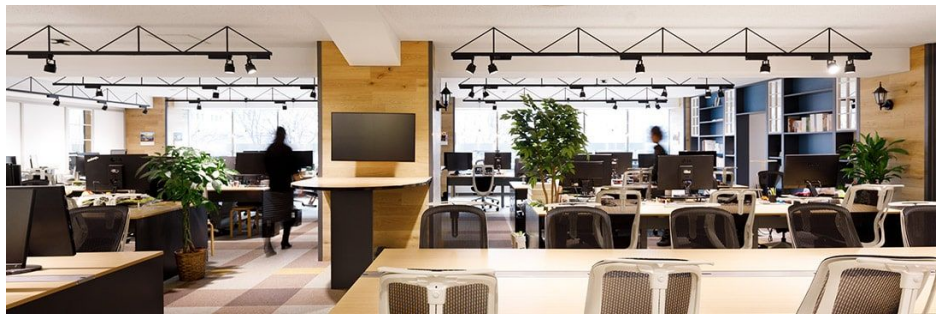
The 4 Ds of energy and initiatives towards the SDGs in our businesses

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

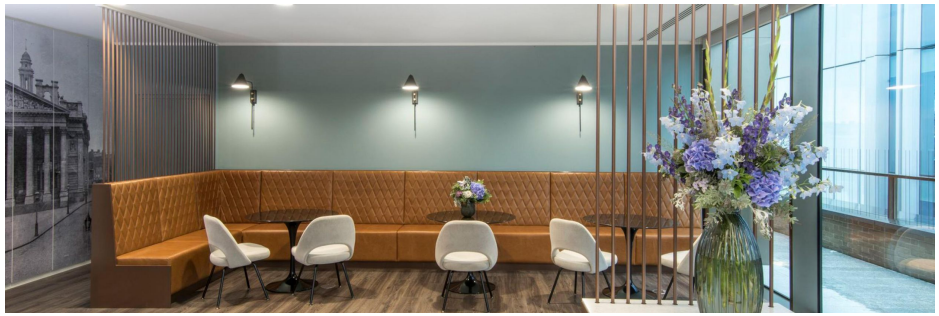
## Company Outline

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

Head Office: Tokyo

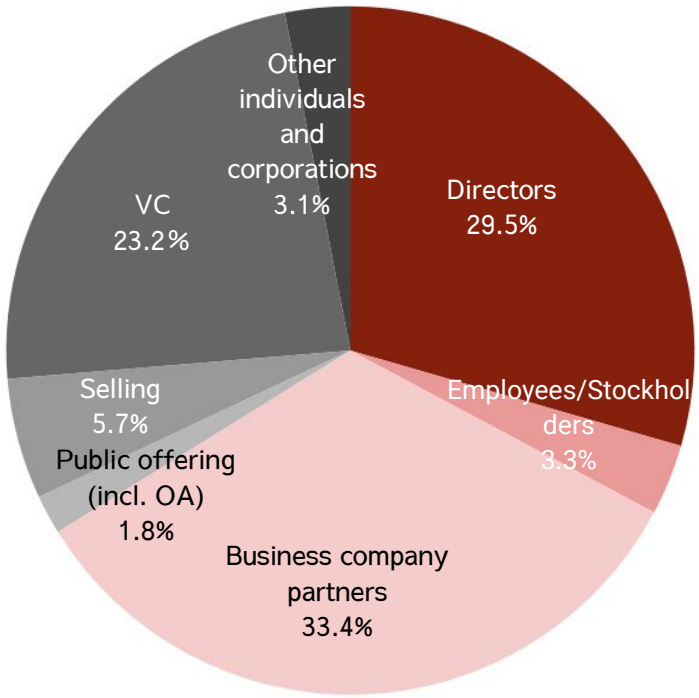


Group business: London



# Stockholder Status: Appendix

## Before listing*1

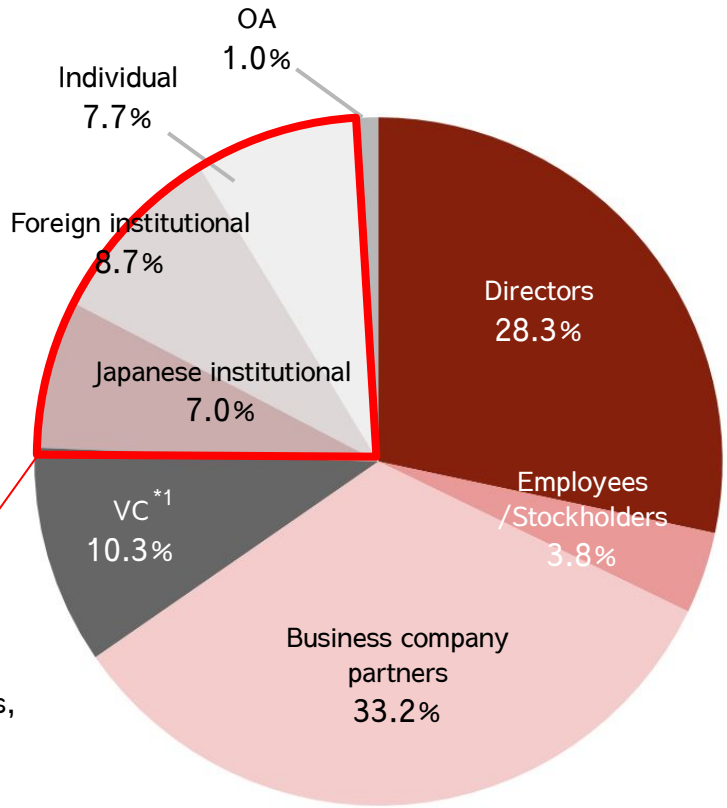



Total shares issued: 5,807,000
(including public offerings and OA)

December 23, 2020 Listing

Distributed about equally between domestic, overseas, and individual.

## As of December 31, 2020 (incl. OA)




Total shares issued: 5,838,476
(including OA)

*1. The shareholding ratio has been reduced to 4.5% following the submission of a change report during January 2021.

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

Spurred by the Great East Japan Earthquake, Yohei developed a deeper interest in energy problems and decided to study overseas at Cambridge University in the UK, a nation at the forefront of energy and electric power system innovation. He started a masters and doctoral program in engineering and energy data AI analysis, which overlaps with his own specialist fields of statistics and data analysis (*currently on leave to focus on business affairs).
During his time at Cambridge, he founded Cambridge Energy Data Lab, an industry-academia partnership research organisation focussing on electricity data. Building on his research results, he went on to found our company and SMAP Energy Limited (a UK subsidiary). He was the first Japanese person selected for the Forbes 30 Under 30 Europe list, and with a proud track record of receiving awards and giving lectures overseas, his strength is his expertise in advanced global trends in the energy field.
As CEO of our company and SMAP Energy Limited, he is responsible for the entire groups business strategies and overseas partnerships.

## Ippei Arita COO / Co-Founder

After conducting research on AI & machine learning for natural language processing and completing a masters program at Waseda University, Ippei has played a key role in developing interest rate market analysis systems and risk management systems at JPMorgan Securities Japan. He has also worked to develop online gaming services at GREE, Inc.
He joined Cambridge Energy Data Lab as chief engineer in 2013, where he played a leading role in facilitating the practical use of research results.
Ippei was a co-founder of ENECHANGE in 2015. His major strength is his technical background and management ability, and he leads ENECHANGE's domestic business operations.

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

☆: Independent director

## Board Members

### Minoru Takeda ☆
Board Member

- 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.
- In Royal Dutch Shell, was GM for Asia Pacific LNG Business and President of Shell Japan.
- During 2015-2018, served as Chairman of Showa Shell Sekiyu.

### Aki Mori ☆
Board Member

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

### Shinichiro Yoshihara, CPA
Board Member

- 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, then in 2019, become listed on the First Section of the TSE.

## Key Executives / Subsidiary Officers

### Takuya Sugimoto, CPA
CFO (Chief Financial Officer)

He 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)

He 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

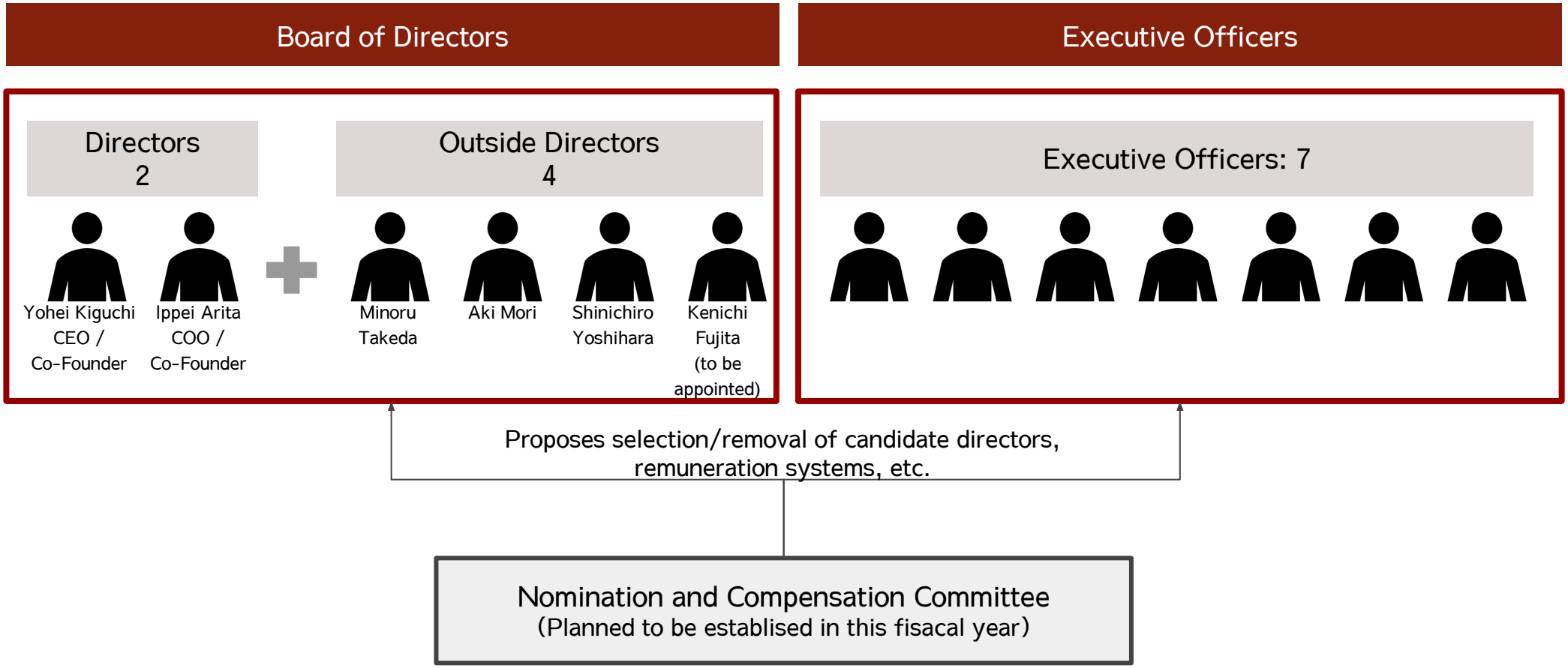
Has a master's degree from the University of Cambridge. After working at NASA and in a US-based consulting company, he helped found SMAP Energy. He is responsible for rolling out the energy data business in Europe.

### Kazumasa Ariga
SMAP Energy Limited (UK subsidiary) Japan Representative

He was 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.

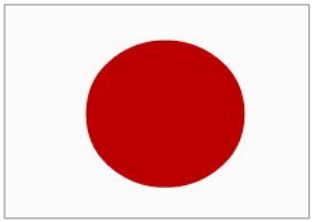
# Governance structure: Appendix

The Board of Directors is composed of a majority of outside directors, and we are promoting the separation of management supervision and execution by introducing Executive Officer system.
Aiming for further improving governance, we plan to establish a Nomination and Compensation Committee in this fiscal year.



# Energy Platform in Asia, Energy Data into Europe

As liberalization of energy is expected in Asian nations such as South Korea, we are working to build partnerships with major local companies with a view to deploy our platform business. As the use of smart meter data has already started to an extent in Europe, we are working on demonstration projects with major British companies with the goal of starting services during 2021.

| Target nations | Energy demand*1 (Compared to Japan) | Energy retail liberalization | Smart meter installation rate | Current initiatives |
|---|---|---|---|---|
|  | 1.0 | Fully liberalized 2016 | 75% | |
| Asian countries (except China) India, South Korea, Thailand, Indonesia, Taiwan The Philippines, Vietnam, etc. | 3.4 | Currently studying | - % | **Platform business:** Studying with local companies in step with energy liberalization in countries like Korea |
| European countries UK, EU | 3.9 | Fully liberalized 1998 - 2007*2 | 72%*3 | **Data business:** Currently demonstrating smart meter data analysis with major British companies |

*1. Obtained by multiplying the size of the Japanese market with the values calculated by extracting the relevant countries from the per-country power consumption data in "The World Factbook" issued by the CIA.
*2. Fully liberalized, Source: The Federation of Electric Power Companies of Japan, "Information Related to Overseas Electrical Power"
*3. Source: IoT Analytics, "Smart Meter Market 2019"

# 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 plan from the various 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 annual electricity charge savings per household: 9,652 yen*1

We chose environmentally-friendly electricity and saved 6,070 yen a year for a two-person household.

I chose a plan with a 0 yen basic charge and save 9,652 yen a year for a three-person household.

I don't use much electricity, but I still wanted it cheaper, and saved 3,916 yen a year.

## 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.

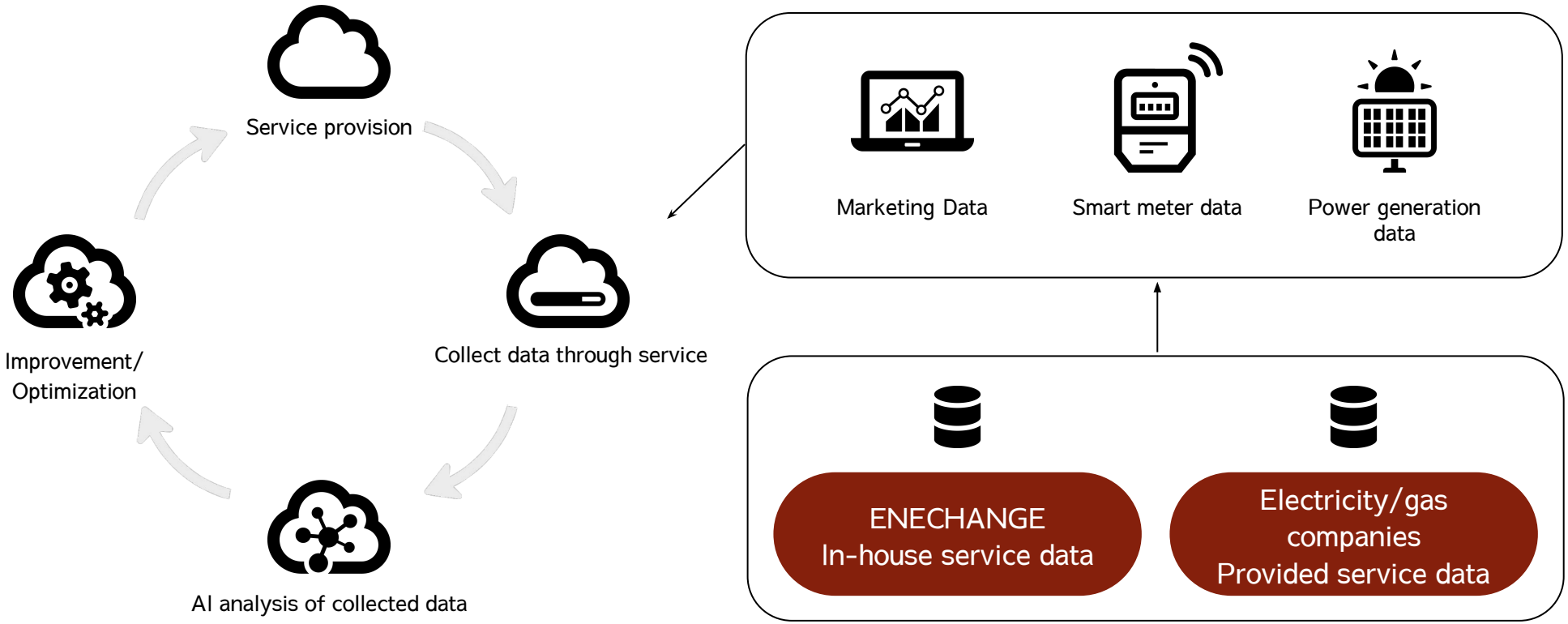
Our Shizuoka distillery switched to low-environmental impact electricity in accordance with our Corporate Mission, saving us 17.8%.

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, 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 switching.

# 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.



# Impact of JEPX price hikes: Impact on energy companies, our response, and the impact on us

Although soaring JEPX prices affect a lot of energy companies with which we do business, our major customers are in positions where they are less likely to be affected, so there have been no significantly adverse effects or concerns for us.

| Impact of JEPX Prices on energy companies (retail) | | | | ENECHANGE's response | Impact on ENECHANGE |
|---|---|---|---|---|---|
| New entrants | Companies with a high JEPX procurement ratio in their electricity purchasing<br>→ Large impact | Companies that offer market-linked tariff<br>→ Soaring electricity bills for their customers | Small share of supply | Set up a HelpLine for consumers regarding "market-linked tariff" | Cancellations from market-linked tariff customers (this accounts for only 3% of our total users) |
| | | Companies that do not offer market-linked tariff<br>→ Profit reduction | Large share of supply | Set up a Helpline for new entrants to introduce bilateral procurement. | - Increase in the number of switches from "market-linked tariffs" in the platform business<br>- Increase in revenue from BG *1, bilateral procurement matching<br>- Increase in demand for demand response/VPP services |
| | Companies with a low JEPX procurement ratio in their electricity purchasing<br>→ Small impact | | | Usual response regarding customer acquisition | |
| Big 10 | Although having their own power generation facilities, they may be affected depending on the amount of electricity they procure from the JEPX | | | Usual response regarding customer acquisition | |

*1. Balancing group (BG) refers to the function of the representative contractor (BG representative company) to provide the companies participating in the BG with the efficiency of procurement and supply and demand management operations of the retail electricity business by accommodating imbalances and procuring power sources. ENECHANGE is engaged in the BG intermediary business for retail electric utilities.

# Impact of JEPX price hike: Potential items of interest

The following are explanations of items expected to be of high interest.

| Potential Items of Interest | Answer |
|---|---|
| Will fluctuations in JEPX prices lead to reduced desire among users to switch? | • We estimate that the number of customers who subscribe to the "market-linked tariff" is limited*1.<br>• As described on page 54, the number of switchings is increasing on our platform. The government leads further investigation to protect competition in the retail market, we assume that the demand for switching will continue to grow.<br>• In regard to the response of companies offering "market-linked tariff", the confusion seems to have calmed down, as they have generally made announcements for household customers about how they will respond. However in regard to corporate customers, there are some companies that have still been silent. We will continue to actively provide pertinent information in order to prevent negative impressions of electricity switching. |
| Won't the profitability of the new entrants deteriorate? | • As described on page 67, the companies that will be most affected by JEPX prices are those that procure a high percentage of their electricity from the JEPX. Many of our business partner has diversified their electricity procurement using in-house electricity generation and bilateral transactions outside of the JEPX. In addition, JEPX prices have already calmed down, so we do not expect any significant impact. |
| Will there be any impact on one-time fee or recurring revenue received by ENECHANGE? | • One-time fee: Some entrants see this as a good opportunity to acquire customers, so we do not see this having an impact on our company at this time.<br>• Recurring Revenue: Although there was a certain amount of churn among "market-linked tariff" customers, they account for only 3% of the total customers contributing to our recurring revenue*2, so there is no significant impact. |
| Some companies are withdrawing from the electricity retailing business or suspending applications from new customers. How might this affect ENECHANGE? | • ENECHANGE has 52 affiliated companies throughout Japan. Even in the event of deterioration of the business or financial conditions of some of these companies, our wide range of partnerships will enable us to meet the diverse needs of users. |

*1. Retailers that offer market-linked tariffs have a supply volume share of 1.86% (Agency of Natural Resources and Energy "Electricity Demand Performance" (Sept. 2020) estimate of the companies offering market-linked tariffs that our company is aware of, based on the supply volume of low-voltage electric lighting), and the estimated maximum number of contracts is approximately 800,000 (calculated from the same data based on the assumption of 280kWh per month of electricity consumption for an average household).
*2. The proportion of users eligible for recurring remuneration from households and corporations (on a general household equivalent basis)

# Known Risks (1/2)*

| Item | Affected Business Segment | Main Risk | Potential of Manifestation/Timing | Impact | Risk Countermeasure |
|---|---|---|---|---|---|
| Business environment: Electricity retail market | Energy Platform<br>Energy Data | - 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/Mid- to long-term | High | - 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 | Energy Platform<br>Energy 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/Mid- to long-term | High | - Respond by monitoring system reform by setting up a government policy supervisor, submitting public comments, and participating in governance committees. |
| Business environment: Related markets | Energy Platform<br>Energy Data | - The possibility that business growth could be hampered by sudden changes due to new regulations regarding the internet, cloud, etc. or other unexpected factors, or restrictions on usage environments. | Low/Mid- to long-term | High | - Respond by developing multifaceted related services that respond to these changes in the internet, cloud, big data, and other related markets. |
| Business content/Provided services: Dependence on electricity/gas companies | Energy Platform<br>Energy Data | - The possibility that unexpected events such as natural disasters and sudden phenomena could worsen the management conditions of the electricity/gas companies that are our business partners, leading to revisions of existing contract conditions, cancellations, suspension of new orders, and so on. | Low/Mid- to long-term | 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 | Energy Platform<br>Energy Data | - The possibility that the entry of competitors could cause greater competition in the Group's business fields, resulting in user cancellation, drops in unit prices contracted with electricity/gas companies, or a slowdown in taking up our services. | Low/Mid- to long-term | Medium | - Respond by developing better services and products through healthy competition. |

* 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.

# Known Risks (2/2)*

| Item | Affected Business Segment | Main Risk | Potential of Manifestation/Timing | Impact | Risk Countermeasure |
|---|---|---|---|---|---|
| Business content/Provided services: Search engines | Energy Platform | - The possibility that customer acquisition could be affected if changes to algorithm logic in internet searches affect the display rankings of search results or a new search engine becomes mainstream. | Medium/Unknown | Medium | - Adjust SEO strategy.<br>- Respond by attracting customers through channels that do not rely on the internet. |
| Business content/Provided services: Technological innovation, etc. | Energy Data | - The possibility that we will be unable to respond quickly enough to changes in customer needs or technological innovations, or that it will require considerable funds such as system investment or personnel expenses to respond to these changes. | Low/Mid- to Long-term | 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. | Energy Platform<br>Energy Data | - The possibility that natural or man-made disasters, terrorism, war, etc. could cause a system failure and hamper the provision of our services. | Low/Unknown | 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. |
| Other: Novel coronavirus infections | Energy Platform<br>Energy 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/Unknown | 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.

# Consolidated balance sheet

| (Unit: JPY MM) | End of December 2019 | End of September 2020 | End of December 2020 | | |
|---|---|---|---|---|---|
| | | | Actual | YoY | QoQ |
| **Current assets** | 939 | 1,544 | 1,626 | +687 | +82 |
| Cash and deposits | 700 | 1,275 | 1,334 | +634 | +59 |
| **Fixed Assets** | 134 | 339 | 340 | +206 | +0 |
| **Total Assets** | 1,073 | 1,884 | 1,967 | +3,054 | +83 |
| **Current Liabilities** | 235 | 255 | 364 | +128 | +109 |
| Interest-bearing debts | - | 9 | 9 | +9 | - |
| **Fixed Debts** | 495 | 750 | 750 | +255 | +0 |
| Interest-bearing debts | -*1 | 750 | 750 | +750 | 0 |
| **Net Assets** | 342 | 878 | 852 | +509 | (26) |

*1. Convertible bond-type bonds with stock acquisition rights of 495 M yen do not include interest-bearing debts (converted to ordinary shares in September 2020)