



Japan Opportunity & Market Services Overview

Peter Weigand, Chairman & CEO

John Landry, Principal

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Why Japan?

1. The U.S. retail energy market has matured, those who want to grow must look at new markets.
2. Japan is easily the best opportunity in the world for retail energy.
3. The market is huge
 - A. All 84 million electric meters are available to marketers since April 2016
 - So far only 3 million have switched
 - B. 25 million gas customers available starting in April 2017
 - C. Electricity margins are healthy
 - D. Utility tariff (price to beat) goes away in April 2020
 - E. A real time wholesale market (ala PJM style) opens in 2020
 - F. Wholesale power prices are projected to decline by a lot in the next 3-4 years
 - Nuclear slated to return to 15% of total supply in the next couple years
 - Overbuilt generation fleet, and still growing
 - Very high Japan LNG prices should decline with competition

Comparing Japan to ERCOT

Criteria	ERCOT	Japan
Full Competition	January 2002	April 2016
Retail Supplier Name	REP	PPS
Market Size Available Meters	7 Million	84 Million
Must Choose Supplier	Yes	Yes - 2018
Utilities	5 – Not All Utilities	9 – All Utilities
Billing Method	Consolidated Supplier	Consolidated Supplier
Data Exchange Method	EDI	XML
ISO	ERCOT	OCCTO in 2020
Enrollment/Switching	ERCOT	OCCTO
Exchanges	Several	JEPX
Smart Meters	Yes	By 2020
Generating Units	550	1,800
GWh	347,000	822,299

Retail Competition

- **The ability to choose electric suppliers is new for Japan consumers**
 - There has been little to no consumer education by the government
 - Japan consumers are detail oriented, they need to understand before making a decision

- **Most PPS's are either offering a simple monthly savings plan or a bundle**
 - Basic % off tariff with month to month pricing
 - Bundled with PPS core business products/services
 - Gas, Cable, Mobile, etc.
 - Not seeing yet bundled pricing, typically save something on core product

- **Of all the customer acquisition models, during this early stage, face to face selling works best**
 - Fits consumers need for education
 - Likely to change as consumers become more aware
 - Japan is a very technology savvy market, this will play a role in the future

- **There are other forms of customer acquisition being used**
 - Telemarketing, web, TV, Radio, Billboards, Print Advertising, etc.
 - Already 4 electricity shopping web sites (none dominating yet)

Japan Retailers aren't as experienced or as sophisticated as U.S. retailers.

Entering the Japan Market

Steps & Timeline

Having working in Japan for nearly 3 years and assisting several U.S. retailers launch in Japan – the business pace is much slower in Japan!

Build Steps & Timeline



Buy Steps & Timeline



Buy or Build Strategy Can Be Pursued in Parallel

Getting Started

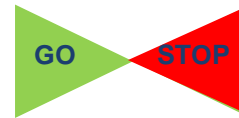
- Understand the Japanese Energy Marketplace
 - Study and research required
- Take a Step by Step Approach
 1. Study the Market
 2. Determine Internal Interest Level
 3. Develop a Preliminary Business Case
 4. Assess Investment & Risks
 5. Make a Go-No Go Decision
 6. Create an Implementation Plan
 7. Determine Internal and External Resource Requirements
 8. Visit Japan (several trips)
 9. Implement the Plan
 10. Launch



The Business Case

Business Case Elements

- Go to Market Strategy
- Launch Costs
- Gross Margin Analysis
- Supply Strategy & Costs
- Systems Costs
- Organizational Design & Costs
- Customer Acquisition Timing & Costs
- Proforma
- Investment & ROI Scenarios



YES

- There is positive headroom in Japan
- Supply is available
- Four U.S. retailers have made a Go decision
 - All are in various stages of implementation

The Project Plan

- There are 2 versions – buy or build – that have some overlap
- **Key Elements**

Develop a market entry strategy and preparation including;

- **Go to Market Strategy**
- **Market Presence**
 - Initial office space, website .jp, presentations, business cards, etc.
 - Basics so that Japanese vendors, etc. see you as “real”
- **Incorporating**
 - GK, KK, Banking, etc.
- **Market Rules Documentation**
- **Licensing & Agreements**
 - METI retail license
 - OCCTO membership
 - Utility agreements
- **Recruiting**
- **Vendor Selection & Contracting**
 - Systems, Payment Processing, Print, Outsourced vendors
- **Supply**
- **Implementation**
 - Training, systems integration, soft launch, etc.



A Full Service Approach

➤ Skipping Stone's Services can take you from Start to Full Launch

Planning	Legal	Implementation			
		Presence	Vendors	Supply	Resources
<ul style="list-style-type: none"> ➤ Market Assessment ➤ Strategy ➤ Business Case ➤ Proforma ➤ Project Plan 	<ul style="list-style-type: none"> ➤ Incorporation ➤ Banking ➤ METI Licensing ➤ OCCTO Membership ➤ Compliance Laws ➤ Utility Agreements ➤ JEPX Membership 	<ul style="list-style-type: none"> ➤ Office Space ➤ Web Site ➤ Presentations ➤ Meeting Set Up ➤ Interpreter Service ➤ Logistics ➤ Translation ➤ Introductions 	<ul style="list-style-type: none"> ➤ Systems ➤ Integrators ➤ Print/Mail ➤ Telesales ➤ Call Center ➤ Marketing ➤ Realtors ➤ Office Set Up ➤ HR Services ➤ Legal Services 	<ul style="list-style-type: none"> ➤ Supply Sources ➤ Renewables ➤ Scheduling ➤ Balancing ➤ JEPX 	<ul style="list-style-type: none"> ➤ Recruiting ➤ Training ➤ Interim

TRANSLATION SERVICES		
- Headroom Analysis	- Market Rules	- Agreements
- Licensing Documentation	- Applications	- Presentations
- Correspondence	- Proposals	- Analysis
- Market Information	- Bill Data	- Much More

Outsourcing Options

- We have identified a wide variety of companies in Japan that enable outsourcing strategies.
 - Customer Service – Call Centers
 - Telemarketing
 - Door to Door Sales
 - Suppliers
 - Print & Mail Vendors
 - Scheduling & Balancing Coordinators (like TX QSE)
 - Payroll, Accounting, Tax Services (in English)
 - Transaction Systems - Billing & XML (Japan uses XML, not EDI)
 - Systems Implementation & Integration (with English Project Managers)
 - Marketing & Web Services
 - Payment Processing Companies
 - Japan doesn't pay with checks, must be processed
 - Banking (with English online account management capabilities)

Tools, Templates & Reports

Our Suite of Translated Reports – Templates - Analytics

Japan Market Education

- a. Japan Electric Market Landscape Report

Strategy & Business Case Development

- a. Incorporation in Japan Guide
- b. Japan Tax Guide
- c. Japan PPS Options Report
- d. Retail Electric Market Rules
- e. Residential Load Profile
- f. Margin Analysis Report (Headroom)
- g. Business Case & Proforma

Market Entry

- a. Market Entry Project Plan
- b. PPS Licensing and Application Guide
- c. Utility Wheeling Agreement
- d. Utility Fulltime Backup Supply Report
- e. Japan Business Etiquette Guide
- f. Consumer Laws & Legal Documents
- g. Japan Visit Methodologies & Templates
- h. Monthly Japan Market Report

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Our Japan Team

U.S. Team

- Peter Weigand, CEO
- John Landry, Principal
- Chris Therriault, SVP Operations
- Dan Shulman, Project Manager
 - Bilingual
- Atsuyo Miller, Project Coordinator
 - Bilingual
- Mei Shibata, Marketing
 - Bilingual
- Translation Coordinators (3)

Japan Team

- Sam Matsumoto, MD
 - Bilingual
- Katsuya Goto, Director Operations
- Nori Yamamoto, Project Coordinator
 - Bilingual
- Steve Thomas, Sr. Consultant
 - Bilingual
- Junk Otake, Sr. Consultant
 - Bilingual
- Takafumi Nishida, Consultant
- Tetsuji Sato, Systems Manager
 - Bilingual
- Len Anderson, Recruiting Director
 - Bilingual

Sumitaka (Sam) Matsumoto
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Sam leads Japan operations and has been coordinating the demand response pilots with METI. He has years of experience bringing international companies into the Japanese marketplace.

Next Steps

- We would like to work with you to explore and possibly enter the Japan Energy Market.
- Next Steps Include:
 - Proposal
 - Our typical approach is a flex retainer with stage gates (ability to cancel if you decide to stop)
 - ❖ Flex: Fixed monthly budget covering all aspects of services
 - Each month, hours can go over or under and be applied to the following month
 - Each quarter, we “true up”
 - We provide monthly details on hours, resources, budget, etc.
 - Consulting Agreement
 - Standard terms, conditions, confidentiality, etc.

John Landry, Principal

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