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July 4, 2025

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Frequently Asked Questions and Answers (June 2025)

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 to reinforce 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.

Q1. Regarding the paid stock options mentioned in the mid-term management plan, is the adjusted EBITDA figure of 2 billion JPY set as an effort target including M&A, or is it an internal must-achieve goal?

In the mid-term management plan, we have set an adjusted EBITDA target of 1.25 billion JPY as a must-achieve target. As stated on page 21 of the "Business Plan and Growth Potential" dated 23 June 2025, this figure assumes only part of the new solutions, such as Energy switching support/SaaS & System Development, Core system development for new entrant electricity retailers, Power supply support, and Decentralized resource provision and control. It does not include the upside from new solutions or growth from M&A, and it reflects growth expected from our existing businesses with high certainty. Moreover, the mid-term management plan-linked incentive plan announced this time is designed so that a vesting ratio of 40% will vest if the adjusted EBITDA of 1.25 billion JPY is achieved. To make 100% exercisable, it is necessary to achieve an adjusted EBITDA of 2 billion JPY. In this case, there is a portion that depends on the possibility of business expansion through M&A, but we will strive to achieve this target as well.

Q2. Why is adjusted EBITDA set as a target?

Our company emphasizes profit growth within "ENECHANGE2.0" and focuses on the growth of operating cash flow. In the mid-term management plan, we consider adjusted EBITDA to be an appropriate indicator of operating cash flow from the perspective of clarity for investors and have set it as a target. As stated in Question 1, in addition to achieving steady growth in our existing businesses, we aim to realize further growth in operating cash flow and enhance our enterprise value by executing swift growth investments and actively engaging in M&A. As of the end of June 2025, the amortization of goodwill is limited, resulting in only a small difference between adjusted EBITDA and operating income.

Q3. Regarding the medium-term management plan, it was noted that fixed costs will remain flat or slightly increase. Does this mean the current staff of approximately 180 will not be increased, or are you considering strengthening personnel while reducing costs by relocating offices?

From this medium-term management plan, we have unified our business segments into a single segment to offer higher value-added solutions to both consumers and businesses, extending the reach of these solutions across the entire value chain. Under the "ONE ENECHANGE" concept, we aim to improve organizational efficiency and organizational unity. Moreover, we intend to actively leverage digital technologies such as AI across the entire company to manage fixed costs, including labor expenses, through enhanced productivity. Based on our corporate strategy, which includes promoting new solution areas, we plan to flexibly adjust personnel as needed but do not anticipate a significant increase in staff at this time. Moving forward, we will continue to leverage existing resources and manage costs effectively, including headquarters expenses, for efficient organizational management.

Q4. The energy switching market seems increasingly competitive. Can profits still be achieved? Regarding the medium-term management plan's target for approximately 20% annual growth in recurring revenue for energy switching support, is it based solely on energy switching, or are other new products included?

Regarding energy switching support, we believe that we can maintain and develop high competitiveness by expanding services in various ways, such as energy switching services when moving, expanding corporate bulk quotation services, and strengthening customer attraction by improving reach rates through adapting to changes in the environment of search-linked advertising such as SEO and AI-enabled price comparison services for individual customers. Additionally, we aim for sustainable growth in the number of switches by providing services like DR (demand response) and energy usage visualization, expanding online moving switching services, and developing community-based affiliated agent channels. Furthermore, it is crucial to significantly expand the energy switching market itself. As part of this, we intend to contribute to the revitalization of both power suppliers and the energy switching market by focusing on new solution areas outlined in our mid-term management plan, such as (1) Power supply support and (2) Core system development for new entrant electricity retailers.

Q5. Could you explain the reasons behind the forecasted increase in profit to more than 9 times over the next three years?

The main drivers of our profit growth are: (1) controlling fixed costs and steadily building up recurring revenue; and (2) expected contributions from new solution areas. For (1), as stated above in Question 3, we do not foresee a significant rise in our current fixed costs, while a steady increase in recurring revenue is anticipated. This is expected to lead to a steady rise in profits and an improvement in our business profit margins. For (2), we are focusing on expanding sales in areas such as Core system development for new entrant electricity retailers, Power supply support, and Decentralized resource provision and control, with expected contributions to our profits by FY27.