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Company Name: ENECHANGE Ltd.

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(TSE Growth Code No. 4169)

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Notice Concerning "Capital & Career Committed Mega Venture Incentive"

ENECHANGE (hereinafter referred to as the "Company") announces that its Board of Directors, at a meeting held on January 5, 2024, has resolved the contents of an incentive package named "Capital & Career Committed Mega Venture Incentive". For details on a part of its contents, specifically regarding the paid stock options (hereinafter referred to as "SOs") for our CEO, subsidiary directors, executive officers, and employees, please refer to the announcement we made today ("Notice Concerning the Issuance of Paid Stock Options with Exercisable Conditions").

1. Background

In Tokyo Stock Exchange's (hereinafter referred to as "TSE") Growth Market, many companies have suffered stagnation in stock price post-IPO. One cause of such stock price stagnation is the underdeveloped nature of stock compensation incentives post-IPO. As a result, growth companies face challenges to invest in human capital compared to large corporations and unlisted startups. Against this backdrop, the Company has decided to introduce a stock-based compensation incentive package equivalent to those of U.S. companies. Through this initiative, the Company aims to encourage executive management to fully commit in terms of financials and career to create "Mega-Venture" (with a market capitalization of over 100 billion yen).

2. Purpose

This package is designed to align with shareholder interests and aims for performance expansion and enhancement of shareholder value. To achieve this, the participants are required to demonstrate a long-term commitment in the form of a financial lock-up and a full-time employment commitment until the conditions are met.

The shares will be transferred from co-founder and CTO, Ippei Arita, to prevent dilution and clarify the transition of management roles. Additionally, CEO Yohei Kiguchi, invests an amount equal to the sum of other participants (350,000 shares).

This package is designed to yield a tenfold return upon reaching a market capitalization of 100 billion JPY, comparable to the return from pre-IPO to IPO. The stock price target is set to surpass dilution and align with shareholder interests.

3. Overview

(1) Share transfer

As a commitment to the Company's growth, the participants plan to invest in 700,000 shares held by our co-founder and CTO, Ippei Arita, through an OTC transaction. This purchase will be executed as individual transactions between Ippei Arita and each participant. For this purchase, the participants (excluding CEO) plan to borrow a portion of the funds from the Company. Additionally, the Company plans to enter into a loan agreement with individual participants, with appropriate security measures. To ensure long-term commitment, the Company also plans to sign agreements with each participant, including transfer restriction clauses for the held shares.

As of December 31, 2023, the shareholding of the transferee, Yohei Kiguchi, and the transferor, Ippei Arita, including their potential shares, are 6,948,900 shares (22.46% of issued shares, including those held through asset management companies, same hereinafter) and 1,922,204 shares (6.21% of issued shares), respectively. After the completion of this transaction, their holdings are expected to change to 7,298,900 shares (23.59% of

issued shares) and 1,222,204 shares (3.95% of issued shares), respectively. Furthermore, if all the SOs mentioned in (2) are exercised, Kiguchi's shareholding in the Company is expected to be 8,523,900 shares.

(2) SOs

As an incentive for the Company's growth, the participants are expected to receive an allocation equivalent to 2,450,000 shares of SOs issued by the Company. These SOs are designed with the following exercisable conditions, enabling a phased exercise of 50% each year after the conditions are met, aiming to serve as an incentive plan for long-term performance expansion and increase in shareholder value. Additionally, the participants will separately enter into allocation agreements with the Company, including the above-mentioned restriction clauses.

To note, if all these stock options are exercised, the dilution rate will be 7.92% (*1).

<Exercisable Conditions>

During the period from FY2025 to FY2032, achieve the following A, and either B or C:

A. 13 billion JPY in sales plus 1 billion JPY in ordinary profit (*2)

B. Market capitalization of 100 billion JPY (achieved on five consecutive working days) (*3)

C. Listed on the Tokyo Stock Exchange Prime Market

(*1) Calculated using the number of issued shares as of the end of December 2023, which is 30,935,684 shares.

(*2) Excluding share-based compensation expenses.

(*3) On an outstanding shares basis.

Please refer to the announcement the Company made today, titled "Notice Concerning the Issuance of Paid Stock Options with Exercisable Conditions" for more details.

Regarding the "Capital & Career Committed Mega Venture Incentive" package, the co-founders Yohei Kiguchi and Ippei Arita have commented as follows.

Comment from Yohei Kiguchi:

I believe this "Capital & Career Committed Mega Venture Incentive" package is a crucial stepping stone for creating mega-ventures in Japan. Growth Market companies face challenges and stagnation due to insufficient investment in human capital compared to U.S. companies and unlisted ventures. This is a major concern for us as well. We have set a goal to triple our stock price, and to achieve this, I, along with 47 next-generation executive members, are fully committed both financially and in our careers, to enhance shareholder value.

Comment from Ippei Arita:

Following my transition from the board and focus on supporting new technology developments, I will transfer about half of the shares I have received as my stock-based incentives to new talents who will support the next phase of growth. The stock-based incentives have been a strong motivation for me to keep going. I am confident that passing on this baton will invigorate the entrepreneurial spirit of the next management team, leading to an increase in shareholder value.

For an overview of the "Capital & Career Committed Mega Venture Incentive" package, please refer to the supplemental explanation material titled "Notice Concerning "Capital & Career Committed Mega Venture Incentive (Supplementary explanatory material)" disclosed today (excerpted below).

— Overview of the "Capital & Career Mega-Venture Incentive" package

Objective	We aim to realize a Mega-Venture (with a market capitalization of over 100 billion JPY) through a package that integrates commitment and incentives for the next generation of management candidates - our most important human capital.	
Scheme	Overview	3.5 shares of paid stock options (with exercisable conditions) per purchase of one transferred share
	Volume	Transferred shares (transaction with Ippei Arita): 700,000 shares (dilution rate 0%, with lock-up) Paid Stock Options (hereinafter referred to as SO): Equivalent to 2,450,000 shares (dilution rate of 7.92% ^{*1} , with exercisable conditions)
	Exercisable conditions	<ul style="list-style-type: none"> · Achieving A during the period from FY25 to FY32, and also achieving either B or C. <ul style="list-style-type: none"> A. 13 billion JPY in sales plus 1 billion JPY in ordinary profit.^{*2} B. Market capitalization of 100 billion JPY (achieved on five consecutive working days).^{*3} C. Listed on the Tokyo Stock Exchange Prime Market. · At the time of the achieving the above conditions, being in full-time employment and maintaining continued ownership of the transferred shares. · From the time of the achieving the above conditions, the right to exercise 50% annually.
	Exercise price	1,055 JPY per share (Issuance price: 10 JPY per share) ^{*4}
	Additional terms	Some of the funds for stock purchase will be provided as a loan from the company (excluding the CEO).
	Profit and loss impact	A stock-based compensation expense of 1,790 million JPY ^{*5} will be progressively recognized from the FY25, considering the likelihood of achieving the conditions.
Participants	<p>48 Individuals who have demonstrated voluntary interests from the pool of next-generation management candidates, participated in this package.</p> <p>■ CEO: 1 ■ Executive officers: 12 / Subsidiary director: 1 / Employees: 34 (including 11 engineers)</p>	

^{*1} : Calculated based on the total issued shares as of the end of December 2023, which is 30,935,684 shares. ^{*2} : Excluding stock-based compensation expenses.
^{*3} : Based on the number of outstanding shares. ^{*4} : Calculated based on the closing price of the day before the resolution date by Plutus Consulting.
^{*5} : Estimated value as of the current date (scheduled to be determined on the allocation date of January 22, 2024).