September 15, 2026

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Questions and Answers from the Earnings Briefing (Full Year Ended July 31, 2026)

Thank you for your continued interest in the business activities of DIGITAL GRID (the "Company"). We hereby disclose the questions received at the "Earnings Briefing for the Full Year Ended July 31, 2026" held on Thursday, September 10, 2026, and the Company's responses hereto. This initiative is intended to further strengthen the provision of information to investors and to achieve fair disclosure.

Please note that the responses are based on the Company's judgment and views as of the date of disclosure and may be revised in light of future changes in the business environment or newly obtained information. When making investment decisions, please be sure to refer to the latest available information.

* A recording of the briefing is available on the Company's official YouTube channel (Japanese only): https://www.youtube.com/watch?v=3RB_pvrCK6s
* Briefing materials are available here: Financial Results for the Fiscal Year Ended July 2026
* Frequently Asked Questions & Answers are also available on Notion: https://digitalgrid.notion.site/Frequently-Asked-Questions-Answers-25ff874de2b283bea738817d592b3f6f

Q1. What is driving the growth of the Renewable Energy Platform business?

Under the feed-in tariff (FIT) scheme, power generators were not required to secure purchasers for the electricity they generated. Since April 2022, however, the market has gradually shifted to a framework under which generators themselves secure purchasers and manage supply-demand balancing. DIGITAL GRID identified this need early on and launched RE Bridge, a renewable energy matching platform, ahead of the market. Increased transaction activity on RE Bridge has been a key driver of growth in FYE July 2026. On top of that, Econohashi, the proxy procurement service for non-fossil certificates, recorded more than 60% year-on-year growth in both membership and transaction volume. Registered capacity on RE Bridge reached 2 GW, while total renewable energy capacity reached a record high of 393 MW.

Q2. What is the objective of expanding the AS business into low-voltage grid-scale batteries?

High-voltage and extra-high-voltage grid-scale batteries require considerable lead time before the start of commercial operation, making it difficult to fully meet the needs of investors seeking early entry into the battery market. To address this demand, we have launched aggregation services for low-voltage grid-scale batteries that can begin operation relatively quickly. Since low-voltage batteries cannot participate independently in the balancing market due to the minimum bid size requirement of 1 MW, DIGITAL GRID has implemented a system that aggregates multiple batteries for market participation.

Q3. Why was the KPI in the Medium-Term Management Plan changed from total electricity transaction volume (kWh) to total contracted capacity (kW)?

Electricity and renewable energy businesses can be evaluated based on electricity transaction volume (kWh). However, as grid-scale batteries remain on standby and charge or discharge only when needed, kWh does not accurately reflect the scale of the battery business. The key KPI was therefore changed to total contracted capacity (kW), which combines contracted capacity from consumers, renewable energy generators, and batteries. Our total contracted capacity reached a record high of 1.4 GW in FYE July 2026, up 38.3% year on year.

Q4. Why was the operating profit margin target in the Medium-Term Management Plan revised from over 40% to over 30%?

The target was revised to reflect higher depreciation resulting from investment in grid-scale batteries. At the same time, the Group continues to target a high adjusted EBITDA margin of 40%, after adding back depreciation and certain share-based compensation expenses. This does not represent a lowering of the Group's profitability expectations. All FYE July 2026 targets under the previous Medium-Term Management Plan—ROE above 20%, operating profit margin, total contracted capacity, and grid-scale battery investment—were achieved or achieved ahead of schedule.

Q5. Why were nearly all investment decisions for the JPY 10 billion, the Group's grid-scale battery investment plan originally set for three years, completed in the first year? What are the Group's competitive strengths in this business segment?

The largest factor was an experienced development team with nearly 10 years of expertise in site sourcing, grid connection studies, and project development through commercial operation. Synergies from referrals through the existing platform business also contributed, enabling us to complete investment decisions significantly ahead of the three-year plan. In FYE July 2026, investment decisions were made for 32.2 MW, of which 4.2 MW has already commenced operation. Most approved projects are expected to begin operation within the next six months to one year.

Q6. The Company did not disclose the segment breakdown of operating profit for the FYE July 2027 forecast. Can you provide any color around the direction and level compared with the previous year, particularly given the expected profit growth in the AS business?

As noted in our disclosure, AS business net sales are expected to expand to more than JPY 2.0 billion, approximately four times the previous year, and will contribute positively to profit. The main offsetting factor is a conservative assumption for revenue from sources other than contracts with customers within the Power Platform segment. Higher depreciation associated with the commencement of operations at grid-scale battery facilities will also weigh on operating profit. On an adjusted EBITDA basis, however, both net sales and profit are expected to increase, with an EBITDA margin of 40%.

Q7. Why does the Company expect non-operating income and expenses to deteriorate year on year in the FYE July 2027 forecast?

The main factor is an increase in borrowing-related costs. In addition, the forecast does not assume the capacity contribution refund recognized in the current fiscal year.

Q8. How is the situation in the Middle East affecting each of the Group's businesses?

Power market volatility has increased amid tensions in the Middle East. In the Power Platform business, higher market procurement costs are a negative factor, while increased use of fixed-price procurement and hedging is a tailwind. Overall, the Group views these effects as broadly offsetting. The RE Platform business is expected to benefit, as higher electricity prices increase the incentive to procure renewable energy. The direct near-term impact on battery businesses is limited because the balancing market is currently the primary revenue source. However, as operations in kWh markets expand, we expect greater market volatility to increase revenue opportunities for batteries.

Q9. The Power Platform Business is forecast to generate net sales of JPY 4.8 billion in FYE July 2027. Is the expected decline due to concerns over lower DGP fees, or does it reflect conservative assumptions for settlements with TSOs?

The breakdown of underlying assumptions, including electricity transaction volume, is not disclosed. The expected decline does not reflect a significant decrease in DGP fees, but rather conservative assumptions for settlements with TSOs.

Q10. What are the main factors behind lower net sales in the current forecast for FYE July 2027, compared with the Medium-Term Management Plan announced one year ago?

Battery businesses are growing steadily and are trending above the previous plan. For the Power Platform Business, the main differences from the previous Medium-Term Management Plan are more conservative assumptions for settlements with TSOs and a prudent outlook reflecting the possibility of continued competition, although the decline in fee unit prices has slowed down.

Q11. Will AS business net sales and profit in FYE July 2027 be affected by price adjustments in the balancing market? If so, what price assumptions are embedded in the plan?

From September 2026, price caps for products in the balancing market, including primary balancing capacity, were reduced from JPY 15 to JPY 10. This impact was incorporated into the business plan from the outset. The plan sufficiently reflects lower unit prices, while any fundamental future changes to the market framework remain an uncertainty.

Q12. What accounts for the difference between the AS business's operating capacity of 165 MW and the 100 MW of capacity eligible to participate in the balancing market?

After commercial operation begins, certain procedures are required for participation in the balancing market, including charge/discharge testing, collection of data, and submission to and review by TSOs. These generally create a lag of approximately three to five months from the start of operations until market participation is ready. The 165 MW represents capacity that has commenced operation, including recently commissioned assets, while the 100 MW represents capacity that has completed these procedures and is ready to enter the balancing market.

Q13. In the Power Platform Business, churned capacity during the March–May contract renewal period in FYE July 2026 fell to less than half of the previous year's level, resulting in significant growth in contracted capacity. Do you believe the pace of new customer acquisition and the monthly churn rate of 1.64% are sustainable? What factors support this view?

The Group believes that both of these trends are sustainable. The FYE July 2026 new customer acquisition results do not yet include the impact of outbound sales at the newly established call center. Following several months of pilot testing, its full-scale operations began recently, and together with marketing initiatives, we expect incremental support for new customer acquisition from the next fiscal year onward. The improvement in churn reflects the strengthening of customer follow-up, which had previously been handled by a limited number of personnel, and a company-wide effort to proactively engage customers. Our systems and business processes can be improved further, hence we believe that the monthly churn rate of 1.64% can decline further.

Q14. The AS business is expected to generate net sales of over JPY 2.0 billion in FYE July 2027, approximately four times the FYE July 2026 level. Will this growth be fueled mostly by the Group's own investments via DGAM or rather by external power sources?

The majority of the contribution will come from external power sources. DGAM's investments include approximately 30 MW scheduled to commence operation in FYE July 2027. At the same time, 165 MW of externally owned batteries are already in operation, and these will account for the majority of the revenue growth.

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