

March 27, 2024

Company Name: ENECHANGE Ltd.

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Notice Regarding the Establishment of an Independent Investigation Committee and Consideration of Extending the Filing Deadline for the FY23 Securities Report

ENECHANGE (hereinafter referred to as “the Company”) announces that its Board of Directors, at a meeting held on March 27, 2024, has resolved to establish an Independent Investigation Committee. Furthermore, the Company is considering requesting an extension for the submission deadline of the Securities Report for FY23. We deeply regret that such a situation has occurred and sincerely apologize for the inconvenience and concern this may cause to our shareholders and all the parties involved.

1. Background

Following the March 6 disclosure, “Notice Regarding the "Continuation Meeting" for the 9th Regular General Meeting of Shareholders”, the Company has engaged in ongoing discussions with the Company’s financial auditor, KPMG AZSA LLC (hereinafter referred to as “AZSA”), concerning the accounting approaches and treatments within its new EV charging business under the SPC scheme since FY23. Specifically, the Company has been discussing whether (1) the SPC under this scheme (hereinafter referred to as “the SPC”) should be included in its consolidated scope, and (2) whether provisions should be recognized in anticipation of the future exercise of put options held by investors in the SPC against the Company, or a third party designated by the Company, for the repurchase of shares.

In the course of ongoing discussions, AZSA informed us that initially, the necessary information for assessing the inclusion of the SPC in the Company’s consolidated scope was not fully disclosed. Upon reviewing additional disclosed information, AZSA concluded that the SPC should be included in the Company’s consolidated scope. Consequently, to promptly finalize its consolidated financial statements, the Company has decided to accept AZSA’s advice to include the SPC within its consolidated scope. Additionally, AZSA has raised concerns about potential issues in our internal controls related to the execution and accounting of this scheme. Based on this concern, the Company has recognized the necessity of conducting a fair investigation to clarify the factual basis underlying the previous accounting treatment of the SPC as non-consolidated (hereinafter referred to as "the Accounting Treatment"). This includes verifying the process of deliberation over the Accounting Treatment, investigating the existence of cases similar to the Accounting Treatment, researching and evaluating the factual circumstances, and assessing issues related to internal controls. Consequently, the Board of Directors resolved to establish an independent external investigation committee composed of experts and to entrust this committee with the investigation.

In addition, the Company will continue to consider whether it is necessary to recognize a provision in the individual financial statements in preparation for the potential future exercise of the put option held by the investors of the SPC against the company.

(Note) About the SPC Scheme:

The SPC Scheme involves a Special Purpose Company (SPC) established as a General Incorporated Association (GK) for the ownership of EV charging facilities, which solicits anonymous partnership (TK) investments from business partners etc under commercial law, known as the GK-TK scheme. In this case corporate bonds are converted into TK investment shares after a certain period.

The Company operates a Charge Point Operator business, providing comprehensive operations for asset owners and considers the SPC as a customer for our services. This scheme began with the establishment of the SPC in February 2023, and it commenced full-scale operations from the third quarter of FY23.

2. Details of Independent Investigation Committee

The company has established an Independent Investigation Committee composed of the following members.

[Composition]

- Chairman: Yusuke Nakajima (Certified Public Accountant, Deloitte Tohmatsu Financial Advisory LLC)
- Member: Makoto Shirai (Attorney, KOHWA SOHGOH LAW OFFICES)
- Member: Yuu Yada (Attorney and Certified Fraud Examiner, HIFUMI Law)
- Member: Kazutaka Okubo (Certified Public Accountant, Okubo Associates, Inc.)

[Purpose]

- 1) Investigation of the factual basis and related facts underpinning the Accounting Treatment.
- 2) Verification of the deliberation process for the Accounting Treatment.
- 3) Investigation and evaluation of the existence and facts of cases similar to the Accounting Treatment.
- 4) Verification of issues in the company's internal controls.
- 5) Development of improvement plans.
- 6) Other matters deemed necessary by the Independent Investigation Committee.

3. Impact on the FY23 Securities Report

The investigation by the Independent Investigation Committee, as well as the accounting work by the Company necessary to include the SPC within our consolidated scope, and the auditing procedures by AZSA, are expected to require a significant amount of time. Furthermore, based on the results of the investigation, additional auditing procedures by AZSA may also be necessary. Consequently, the company is considering applying for an extension of the filing deadline for the securities report for FY23. The Company will promptly disclose our policy decision on this matter as soon as it is determined.

4. Impact on FY23 Performance

While we have disclosed the "Consolidated Financial Results for the Fiscal Year Ended December 31, 2023 (Under Japanese GAAP)" on February 9, 2024, inclusion of the SPC within our group's consolidated scope may result in approximately 2.2 billion JPY decrease in sales, approximately 0.8 billion JPY increase in operating loss, and approximately 0.9 billion JPY increase in ordinary loss for the FY23.. These changes are due to the consolidation of the SPC's individual financial statements into our consolidated financial statements and the effects of consolidation adjustments such as the elimination of intra-group transactions. However, these impact amounts are provisional estimates, with the specific impact on the financial position and performance to be confirmed through discussions and audits with AZSA during the preparation of the securities report.

5. Impact on FY22 Performance

Though the Company expected no impact on the securities reports of FY22, when the Company disclosed in the "Notice Regarding the "Continuation Meeting" for the 9th Regular General Meeting of Shareholders" on March 6, 2024, the investigation by the Independent Investigation Committee could potentially affect the securities report for FY22.

6. Future Outlook

Due to changes in the assumptions underlying the forecast, it is currently difficult to provide an outlook for the consolidated performance forecast for the fiscal year ending December 2024 (January 1, 2024 - December 31, 2024), disclosed in the "Consolidated Financial Results for the Fiscal Year Ended December 31, 2023 (Under

Japanese GAAP)" on February 9; hence, it is deemed undetermined. Please refer to today's announcement titled "Notice Regarding the Revision of Earnings Forecast (Undetermined)" for further details. The disclosure of "Business Plans and Growth Potential" will be followed by the submission date of the securities report.

7. Future Measures

The Company will fully cooperate with the Independent Investigation Committee and expedite the investigation. Should there be any matters to disclose during the investigation, the Company will immediately announce them, and upon receiving the investigation report from the Independent Investigation Committee, the Company plans to promptly disclose.