August 13, 2024

Company Name: ENECHANGE Ltd.
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Notice Concerning the Delay in FY24 Q2 Financial Results and the Consideration of Applying for an Extension of the Semi-Annual Report Submission Deadline

ENECHANGE (hereinafter referred to as “the Company") announces the postponement of the FY24 Q2 financial results announcement. The Company also announces that it is considering applying for an extension of the submission deadline for the Semi-annual Report.

1. Background

In the EV charging business, our group received a request from our then accounting auditor, KPMG AZSA LLC (hereinafter referred to as "AZSA"), to establish an independent external investigation committee regarding the accounting policies adopted by our group and related accounting treatments. Recognizing the need to clarify the underlying facts through a fair investigation and to evaluate the process of examining accounting treatments and issues related to our internal controls, we established an investigation committee on March 27, 2024, and received the report from the committee on June 21. As disclosed in the "Notice Concerning Change of Certified Public Accountants" dated July 5, 2024, the company agreed to terminate the audit contract with AZSA effective from the date designated by AZSA in writing after the submission date of the quarterly review report for FY24 Q1 and to have AZSA resign as the accounting auditor.

Additionally, as disclosed in the "Notice Concerning the Appointment of Temporary Accounting Auditor" dated July 30, 2024, we received a notice from AZSA of their resignation as our accounting auditor, effective July 29. Subsequently, on July 30, 2024, the company appointed Avantia GP (hereinafter referred to as "Avantia") as our temporary accounting auditor and have been discussing the review procedures for H1 of FY24 with them.

We have since been continuously discussing and reviewing the submission of the semi-annual report by the statutory deadline. However, as disclosed in the "Notice Regarding Significant Deficiencies in Internal Controls Related to Financial Reporting to be Disclosed" dated July 9, 2024, there were significant deficiencies in internal controls related to financial reporting for FY23, which required more time than expected for audits by AZSA.

Consequently, the securities report for FY23 was submitted on July 9, 2024, after the deadline of June 28, 2024. As a result, there was a delay in the handover from AZSA to Avanta. AZSA, based on the contents of the investigation report by the external investigation committee, determined that there were still irregularities causing significant misstatements and accordingly conducted audit procedures in compliance with the "Standards for Responding to Fraud Risks in Audits." Consequently, Avanta also needed to conduct a sufficient audit following the same standards.

Due to the delay in the announcement of our recurrence prevention measures, the formal acceptance of the audit was also delayed. It is therefore not possible to submit the semi-annual report for FY2024 by the deadline of August 14, 2024, as stipulated in Article 24-5, Paragraph 1 of the Financial Instruments and Exchange Act. We will postpone the announcement of the financial results for Q2 FY24 and consider applying for an extension of the submission deadline for the semi-annual report.

2. Future Outlook

Although the statutory submission deadline for the semi-annual report is August 14, 2024, we will promptly notify you as soon as we have confirmed with all relevant parties and established a clear direction.

3. Disclosure Policy Regarding Explanatory Materials Related to Business Plan and Growth Potential

As disclosed in the "(Revision of Explanation and Numerical Data) Partial Revision of Consolidated Financial Results for the Fiscal Year Ended December 31, 2023 (Under Japanese GAAP)" dated July 9, 2024, we had planned to announce the "Explanatory Materials Related to Business Plan and Growth Potential" and the performance forecast for the fiscal year ending December 2024, which is yet to be decided, at the time of the FY24 Q2 earnings announcement. However, as disclosed in the "Notice of Change of Representative Director (Retirement)" dated July 29, 2024, we determined that it was necessary to clarify the responsibility of our Representative Director & CEO, Yohei Kiguchi (hereinafter referred to as the "Mr. Kiguchi"), for a series of issues arising from the past accounting treatment of our EV Charging Business, specifically the non-consolidation of the SPC (EV Charging Infrastructure No. 1 LLC).

Consequently, Mr. Kiguchi has offered to decline his appointment as a director, which has been accepted by the Board of Directors. Mr. Masayoshi Hirata has been selected as the Chairman of the Board of Directors (Representative Director), and we intend to nominate Mr. Tomoya Maruoka as the Representative Director & CEO candidate and Mr. Tatsuya Sogano as the Representative Director & COO candidate after the extraordinary general meeting of shareholders scheduled for September 3, 2024. We intend to reflect deeply on the fact that our internal controls and governance were insufficient, which led to misunderstandings by our accounting auditors regarding the accounting treatment. Under the new management structure, we aim to reinforce internal controls, thoroughly implement recurrence prevention measures, and develop a new growth strategy with ample consideration time to regain your trust.

Additionally, in the FY23 securities report we determined that the uncertainty regarding funding for the installation of EV charging equipment had increased, and based on this premise, we recorded the entire book value of fixed assets related to the EV Charging business as an impairment loss. We are currently communicating with multiple financial institutions to resolve this uncertainty. The new growth strategy will be formulated considering these circumstances. Accordingly, we plan to announce the "Explanatory Materials Related to Business Plan and Growth Potential" by the day before the extraordinary general meeting of shareholders scheduled for September 3, 2024, and explain it at the meeting. The performance forecast will be announced simultaneously with the FY24 Q2 earnings announcement.

We sincerely apologize to our shareholders, investors, and stakeholders for any concerns this may have caused. We kindly ask for your continued support moving forward.