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Company Name: ENECHANGE Ltd.
Representative: Tomoya Maruoka, Representative Director and CEO
(TSE Growth Code No. 4169)
Inquiries: Yuichiro Shinohara, Senior Executive Officer / CFO
TEL: +81-3-6635-1021

Frequently Asked Questions and Answers (November 2024)

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. It is said that impairment losses will no longer need to be recorded starting from FY24 Q3. How will items previously subjected to impairment be handled?

The execution of borrowing has become feasible due to the signing of a bridge loan agreement related to the EV charging business, enhancing the probability of achieving the business plan targets. Consequently, we have decided that continuing impairment processing is unnecessary. Under Japanese accounting standards, once an impairment is recorded for assets before FY24 Q2, reversal is not permitted even if recovery or value appreciation occurs. Thus, losses recognized before FY24 Q2 due to impairment processing will not be reversed.

Q2. There is a concern about the total Net Assets as of FY24 Q3. What options are available for strengthening the financial base to support mid- to long-term growth? Which of these options are the most promising?

Regarding the decrease in total Net Assets, particularly in the EV charging business, costs for installing charging ports are incurred before receiving subsidies due to the business cycle. As a result, in FY24 Q3, costs have been incurred ahead of schedule, leading to a decrease in total Net Assets. However, we plan to record subsidy income in FY24 Q5, and we expect the total Net Assets to be positive by the end of March 2025. We are diligently considering all possibilities and options for strengthening our financial base to support mid- to long-term growth, and we will promptly disclose any matters that require disclosure.

Q3. It seems that the cumulative number of destination charging ports installed will exceed 7,000 by January 2025. How certain is this figure?

In the FY24 Q3 financial results explanation material, we reported that the cumulative number of destination charging ports installed by the end of January 2025 is expected to exceed 7,000. This number includes the public EV charging ports (destination charging) planned for installation, which are part of the subsidy applications for the first phase of FY R6, and the second phase, which is under review, with some approvals already granted. While there is a possibility of some issues preventing construction, the subsidy review is progressing well, and we are confident in achieving this high-probability figure.

Q4. Information about roaming with TOYOTA Wallet has been revealed. Could you explain any advantages or economic effects on your company?

With this collaboration, we anticipate that accommodating more payment methods for ENECHANGE EV Charge will enhance the convenience of charging ports for EV users and lead to wider use of our EV charging ports. Furthermore, with approximately 3,000 ENECHANGE EV Charge ports now available in addition to the roughly 1,000 EV charging ports accessible via the "EV Charging Service" within the TOYOTA Wallet app nationwide, we foresee this as an opportunity to learn about the convenience improvements brought by EV charging roaming.

(Note) Target charging ports: 3,071 Level 2 charging ports nationwide (including 29 charging ports under 6kW) under the "ENECHANGE EV Charge" service (as of the end of Oct 2024).

Q5. It is the midpoint of the "Change" period in our 100-day plan. Could you please provide information on the employee turnover status since March, when there was an issue related to accounting treatment?

Since the establishment of an Independent Investigation Committee up to now, only a few employees have resigned directly because of this issue. As a fast-paced venture company, there have always been a certain number of resignations, and there is no fact that the number of resignations has increased due to issues related to the current accounting process or changes in the management system.

Q6. As Mr. Trump is set to become the next U.S. President, it seems that headwinds against EVs might intensify. Could you share the possible impacts on your company, even though this is an overseas development?

Trump has consistently promoted the revival of the manufacturing industry in the US in his manifesto, asserting that a uniform tariff of 10-20% will be imposed on friendly nations. If realized, the automotive industry will face difficulties exporting to the US. Furthermore, with the current rising trend in demand for hybrid vehicles in the US, the spread of EVs in the US is expected to decelerate. Meanwhile, in Japan, although the subsidy budget for FY25 has not been announced, it is anticipated that the subsidy budget will remain secure as the government's target for the number of units to be installed by 2030 has not been achieved. The government is also expected to continue investing in infrastructure development. Additionally, Japan's government has set a target for a 100% ratio of EV, PHEV, and HV in new car sales by 2035. With the slowdown in EV adoption in the US market, this presents a good opportunity for domestic manufacturers to shift EV sales to the domestic market. Given that the short-term growth drivers in Japan's EV market are kei BEVs and PHEVs, the relative importance of the Level 2 charging ports, which our company focuses on, has been increasing.