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### **Notice Regarding Significant Deficiencies in Internal Controls Related to Financial Reporting to be Disclosed**

ENECHANGE (hereinafter referred to as “the Company”) hereby announces that in the internal control report for FY23, submitted today to the Kanto Local Finance Bureau in accordance with Article 24-4-4, Paragraph 1 of the Financial Instruments and Exchange Act, we have stated that there are significant deficiencies to be disclosed and our internal controls related to financial reporting are not effective, as detailed below.

#### 1. Details of the Significant Deficiencies to be Disclosed

We have been in discussions with our accounting auditor, KPMG AZSA LLC (hereinafter referred to as “AZSA”), regarding whether the SPC (hereinafter referred to as “the SPC”) in the SPC scheme adopted by our group (hereinafter referred to as “the Scheme”) should be included in our consolidation scope in relation to the new EV charging business, which was fully launched in the fiscal year ended December 31, 2023. Additionally, we have been discussing whether provisions should be made in preparation for the future exercise of put options held by investors in the SPC (the right to request the Company or a third party designated by the Company to purchase their equity interests).

During these continuous discussions, AZSA informed us that the information initially provided by the Company was not sufficient for assessing the necessity of including the SPC in our consolidation scope, and that, upon receiving additional disclosed information, AZSA concluded that the SPC should be included in our consolidation scope. As a result, after considering this feedback, we have accepted AZSA’s conclusion and made the necessary adjustments to include the SPC in our consolidation scope.

Furthermore, during the above discussions, AZSA pointed out potential internal control issues, such as the necessary information for assessing the inclusion of the SPC in our consolidation scope not being timely and sufficiently reported or shared with our Board of Directors and other relevant parties during the execution and accounting processes of the Scheme. Taking this into consideration, the Company recognized the necessity to clarify the underlying facts through an impartial investigation, as well as to verify the process of evaluating the previous accounting treatment which excluded the SPC from our consolidation scope (hereinafter referred to as “the Previous Accounting Treatment”), assess the existence of cases similar to the Previous Accounting Treatment, investigate and evaluate the relevant facts, and evaluate any internal control challenges. Consequently, we established an Independent Investigation Committee on March 27, 2024, to conduct this investigation. We received the investigation report from the committee on June 21, 2024.

In addition, due to the occurrence of new transactions and the increase in transaction volume associated with the new EV charging business, we were unable to secure sufficient resources to consider accounting issues. This resulted in several accounting errors, including some cost allocations between the Company and one of our consolidated subsidiaries, ENECHANGE EV Labs Ltd. (hereinafter referred to as “EV Labs”), that are inappropriate in light of their respective roles.

As described below, our group’s internal controls to achieve reliable financial reporting have not functioned effectively.

#### 1. Matters Related to the Decision on Whether to Include the SPC in Our Consolidation Scope

##### (1) Attitude of the Representative Director and Certain Executive Officers Who Neglected Compliance

The Company’s compensation system for officers (including full-time and part-time directors as well as executive officers) is highly linked to the stock price. Against this backdrop, aiming for a future listing on the Prime Market, there was a strong incentive to implement the Scheme without including the SPC in our consolidated scope to ensure revenue. Our Representative Director and certain executive officers exhibited a strong inclination toward increasing our stock price while showing a disregard for compliance. This attitude exacerbated the tendency to prioritize the implementation of the Scheme over compliance considerations.

##### (2) Lack of Effective Internal Control and Governance, Resulting in Inadequate Checks and Oversight of the

## Representative Director

The Company's shortage of internal personnel capable of exerting checks on the Representative Director led to a situation where the executive side's personnel and departments responsible for this role could not function effectively.

Furthermore, important risk elements such as monetary loan agreements and option exercise conditions were either not reported or insufficiently explained, resulting in the Board of Directors and the Board of Auditors lacking the opportunity to exercise adequate oversight of the Representative Director.

While it was desirable to involve the internal legal compliance division, which should have examined the Scheme from the standpoint of checking the Representative Director and certain executive officers who were keen to promote the Scheme, our internal legal compliance framework was weak, preventing such involvement.

### (3) Insufficient Preparedness to Address the Business Risks of the EV Charging Business

The EV charging business inherently faces challenges due to its dependency on the sales trends of electric vehicles (EVs), which, in turn, are influenced by the development of related infrastructure such as charging equipment. This interdependence creates uncertainty in business projections and complicates financing efforts. Consequently, this business required unconventional approaches, such as formulating a highly innovative scheme like the Scheme and taking risk mitigation measures for investors. In undertaking such atypical initiatives, it was necessary for the Company to proceed with thorough preliminary evaluations from the perspectives of accounting and legal compliance to ensure there were no violations of laws, regulations, and accounting standards. However, the Company lacked an adequately prepared internal framework to conduct these evaluations thoroughly. This insufficiency contributed to the Representative Director and certain executive officers having an inadequate awareness of accounting risks associated with the Scheme.

### (4) Inadequate Accounting Risk Awareness and Internal Information Sharing by the Representative Director and Executive Officers Involved in Accounting

When adopting the Scheme, which is highly innovative, it is naturally expected that there will be a high degree of uncertainty in accounting judgments. However, the Representative Director and the executive officers involved in accounting lacked sufficient awareness of accounting risks associated with the Scheme. As a result, careful internal pre-consultation, information sharing, and mutual follow-up were insufficient regarding various accounting issues. This led to gaps in understanding among the involved parties.

## 2. Other Matters

Although each of the aforementioned multiple accounting errors has different direct causes, a more detailed analysis of these causes has identified the following common root causes:

(1) When considering accounting treatments for the new business and unconventional transactions, the executive officers involved in accounting should have collaborated with the business units to ensure a common understanding of accounting issues, engaged in careful discussions, consulted experts as needed, and thoroughly documented the Company's decisions and their rationale in a position paper. However, this process was not adequately followed.

(2) As the new business was launched and existing businesses expanded, the complexity of accounting issues and workload increased. Meanwhile, the CFO Office lacked sufficient human resources to thoroughly consider accounting treatments and to perform double-checks and monitoring.

(3) As mentioned above, the attitude of the Representative Director and certain executive officers, who showed a disregard for compliance, led to inadequate review of accounting treatments by the then-CFO and others.

We recognize that these facts indicate deficiencies in our group's control environment, risk assessment and response, control activities, information and communication, and monitoring systems, leading to a failure of company-wide internal control. Additionally, we acknowledge deficiencies in our internal controls related to the financial accounting and reporting process, which is evaluated from a company-wide perspective. These internal control deficiencies significantly impacted our financial reporting and were determined to be significant deficiencies that should be disclosed.

These significant deficiencies to be disclosed were identified after the end of the fiscal year under review and, therefore, could not be rectified by the end of the fiscal year. However, the necessary corrections resulting from these significant deficiencies have been properly reflected in the non-consolidated financial statements and consolidated financial statements.

## 3. Policy for Correcting Significant Deficiencies to be Disclosed

The Company fully recognizes the importance of internal controls related to financial reporting. To correct the significant deficiencies to be disclosed, we will formulate and implement recurrence prevention measures, including those recommended by the Independent Investigation Committee, as outlined below. We aim to establish and operate proper internal controls.

(1) Enhancing Compliance Awareness from Top Management

Top management will revise their understanding of compliance. To instill the compliance awareness required of a listed company among all officers and employees, and to foster a corporate culture that promotes correct behavior, we will review our corporate philosophy and code of conduct, clearly document the basic principles and guidelines of compliance that all officers and employees must follow, and establish a framework for continuing efforts to ensure these are thoroughly embedded in the Company.

Specifically, the Risk and Compliance Committee will lead the planning and promotion of an effective compliance program, and will continuously monitor its implementation. To drive a substantial change in the awareness of officers and employees, we will plan and conduct systematic training programs, and regularly conduct awareness surveys to gauge and foster compliance consciousness within the Company. Additionally, we will review the personnel evaluation system for officers and employees, and implement measures to enhance the effectiveness of the whistleblowing system.

(2) Strengthening the Supervisory Function of the Board of Directors and the Board of Auditors over Top Management

To elevate the discussion on risk management by the Board of Directors, we will ensure thorough discussions between the executive side (internal directors and executive officers), including top management, and the supervisory side (external directors and auditors) on various risks, such as operation risks and those arising from business strategies. By doing so, we will share risk awareness across the entire Company, encompassing both the executive and supervisory sides, and facilitate an integrated approach to addressing risks and management challenges. This will further enhance the supervisory function of the Board of Directors and the Board of Auditors over top management.

To achieve this, the executive side will proactively share with the supervisory side detailed information, consideration processes, and response statuses regarding significant risk factors, including legal and accounting risks.

(3) Strengthening the Check-and-Balance Function on Top Management through Decentralization of Authority

We will revise our organizational framework to ensure that appropriate checks and restraints can be applied to top management. This will create a structure that adequately checks or restrains the exercise of authority by top management.

Specifically, we will appoint multiple executive directors to ensure the effectiveness of the check-and-balance system. Additionally, we will appropriately distribute the authority currently concentrated in the hands of top management and strengthen the collaboration between the executive side and external officers.

(4) Strengthening Internal Information Coordination Regarding Legal Compliance and Accounting

To enhance the legal compliance function, we will involve the Legal Office in important internal projects from an early stage and establish a framework that respects the independence of its operations. Specifically, we will consider hiring personnel with specialized knowledge and appropriate experience in legal compliance to join the Legal Office.

To strengthen the accounting function, we will increase accounting resources needed to examine and monitor accounting treatments, and conduct continuous education and training, including existing accounting resources.

Additionally, the CFO Office, Legal Office, and business divisions will regularly check if there are any transactions with significant financial importance or those with modified contract terms. When establishing group companies or determining transaction conditions with them, the CFO Office, Legal Office, and business divisions will organize accounting treatments and contractual relationships, create a position paper based on common understanding, and, depending on the importance, have it checked by external experts. The executive side, including the CFO and the head of legal affairs, as well as the supervisory side, will review this position paper to verify the appropriateness of the accounting treatments.

By establishing these frameworks and implementing other recurrence prevention measures, we will build a strong trust relationship with our accounting auditor and enhance communication.

4. Impact on Consolidated Financial Statements and Non-consolidated Financial Statements

The necessary corrections resulting from the above significant deficiencies to be disclosed have been properly reflected in the consolidated financial statements and non-consolidated financial statements.

5. Audit Opinion in the Audit Report on Consolidated Financial Statements and Non-consolidated Financial Statements

The audit opinion is an unqualified opinion.