



July 29, 2024

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Notice Regarding Formulation of Measures to Prevent Recurrence, Etc.

ENECHANGE (hereinafter referred to as “the Company”), as announced in the “Notice Concerning the Release of the Investigation Report by the Independent Investigation Committee” dated June 27, 2024, regarding the non-consolidated SPC accounting treatment used previously within our EV charging business (EV JUDEN INFRA ICHIGO LLC) (hereinafter referred to as “this accounting treatment”), authorized an autonomous external review panel of specialists to undertake this inquiry, who have been advancing our investigation into these matters since March 2024, and received the investigation report from the Independent Investigation Committee on June 21, 2024. The Company takes seriously the findings of the Independent Investigation Committee ((1) issues in internal control, (2) inappropriate behavior by management responsible for preparing consolidated financial statements of a listed company, and (3) communication issues with the accounting auditor, etc., which led to the accounting auditor making factual errors, etc. regarding this accounting treatment) and recommendations of measures to prevent recurrence. Furthermore, although the Company respects the results of investigation by the Independent Investigation Committee, regarding important facts that may affect the determination of the scope of consolidation ((1) the impact of Mr. Kiguchi’s personal loan on the scope of consolidation, and (2) the impact of the explanation given to investors regarding the conditions for exercising put options on the scope of consolidation), the Company takes seriously the fact that KPMG AZSA LLC (hereinafter referred to as “AZSA”) has expressed the opinion that there are still irregularities that may be the cause of material misstatement, even in light of the contents of the investigation report, and we inform you that there has been a formulation of measures to prevent recurrence, which was resolved at the Board of Directors meeting held today, as follows.

For the Company’s deliberation process of this accounting treatment, there were issues such as the failure to properly communicate information within the Company and the sharing of information with the Board of Directors, etc., which caused the accounting auditor to misunderstand the facts regarding this accounting treatment, and we deeply regret that this was caused by insufficient effectiveness of internal controls and governance. In the future, we will work to strengthen internal controls to prevent similar incidents, promptly implement measures to prevent recurrence, and strive to regain your trust.

1. Clarifying Responsibility

- (1) As stated in the “Notice of Change (Retirement) of Representative Director and CEO” dated July 29, 2024, the Company, based on the above findings of the Independent Investigation Committee and the opinion of AZSA, has determined it necessary to clarify the responsibilities of Mr. Yohei Kiguchi, Representative Director and CEO of the Company (hereinafter referred to as “Mr. Kiguchi”), as Representative Director and CEO of the Company regarding the series of issues arising from this accounting treatment. Mr. Kiguchi was elected as a Director by resolution of the 9th Annual General Meeting of Shareholders of the Company (hereinafter referred to as the “Annual General Meeting of Shareholders”) held on March 28, 2024, and was expected to be appointed (reelected) as a Director at the conclusion of the Meeting Adjourning the Annual General Meeting of Shareholders (scheduled to be held on July 30, 2024) as stated in the election proposal, but based on the above, the Company received a request to decline the appointment as a Director of the Company from Mr. Kiguchi, and the Company accepted the request at the Board of Directors meeting held on said date.

(2) Regarding the successor to the Representative Director, Mr. Masayoshi Hirata will be appointed as Representative Director and Chairman from July 30, 2024 (the date the Meeting Adjourning the Annual General Meeting of Shareholders is scheduled to be held) through September 3, 2024 (the date the Extraordinary General Meeting of Shareholders is scheduled to be held). Furthermore, Mr. Hirata, as Director and Chairman, will be involved in securing the implementation of the Company's measures to prevent recurrence from September 3, 2024 onwards.

2. Strengthening the Check-and-Balance Function on Top Management through Decentralization of Authority

We will revise our organizational structure 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.

- (1) Appoint multiple Representative Directors to ensure the effectiveness of the check-and-balance function between Representative Directors.
- (2) The Nomination and Remuneration Committee will appoint and make personnel evaluations of the CFO, a senior executive officer.

3. Strengthening the Supervisory Function of the Board of Directors and the Board of Auditors over Top Management

Regarding the Company's issues identified by the Independent Investigation Committee, it was found that one of the reasons was that important risk factors such as monetary loan agreements and conditions for exercising options were not reported to the Board of Directors under the executive structure led by Mr. Kiguchi at that time. In order to rectify this, we will respond to future risks as stated in "2. Strengthening the Check-and Balance Function on Top Management through Decentralization of Authority" through appointing multiple Representative Directors in addition to establishing a structure that allows thorough reporting and discussion of risk matters to the Board of Directors through multiple channels, assuming proper operation of the existing governance structure.

- (1) Discussion items and granularity at the Managing Executive Committee and Compliance and Risk Committee were reviewed, and we will ensure thorough discussions between the executive side (full-time directors and executive officers) and the supervisory side (external directors and auditors) on various risks, such as current 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 structure to address risks and management challenges. This will further enhance the supervisory function of the Board of Directors and the Board of Auditors.
- (2) Assuming decentralization of authority, with multiple reporting lines to the Board of Directors, which was limited in the past, detailed information, consideration processes, and response statuses regarding significant risk factors, including legal and accounting risks, will be proactively shared.

4. Enhancing Compliance Awareness

Starting with top management, all officers and employees of the Company will revise their understanding of compliance, and to ensure compliance awareness required of a listed company, the following measures will be implemented.

- (1) 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 continue efforts to ensure these are thoroughly embedded in the Company.
- (2) The Compliance and Risk Committee will lead the planning and promotion of an effective compliance program, and will continuously evaluate and improve through monitoring.
- (3) Training will be conducted on internal controls, reporting, disclosure, etc. for the purpose of fostering accounting literacy among the whole executive team.
- (4) To drive a substantial change in the awareness of officers and employees, we will plan and conduct systematic training programs.
- (5) We will improve the personnel evaluation system, such as incorporating multifaceted evaluations into personnel evaluations of officers and employees.
- (6) We will implement measures to enhance the effectiveness of the whistleblowing system.
- (7) We will regularly conduct awareness surveys to gauge the degree to which compliance consciousness

has been established and the status of fostering within the Company.

5. Strengthening Accounting Function, Legal Function, and Internal Audit Function

In order to strengthen accounting, legal, and internal audit functions, we will increase accounting resources, expand the involvement of the Legal Office, and strengthen the independence of internal audits.

(1) Strengthening 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 the position paper to verify the appropriateness of the accounting treatments.

(2) Enhancing 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.

(3) Strengthening internal audit function

We will appoint a dedicated Internal Audit Office Manager in order to ensure the independence and effectiveness of internal audits. In addition, if signs of fraud are detected during the internal audit process, it will be mandatory to report it to the Board of Auditors. Furthermore, the personnel evaluation of the Internal Auditor Office Manager will be decided with the consent of the Board of Auditors.

6. Building a Strong Relationship with our Accounting Auditor

We will strengthen collaboration with our accounting auditor and regularly share information on three-way audits to establish appropriate accounting treatment and three-way audit systems.

(1) Strengthening collaboration with our accounting auditor

When formulating the Company's policies for accounting treatment, we will hold discussions with our accounting auditor after consulting with experts as necessary, clarifying accounting issues, and preparing a position paper regarding the Company's judgements and rationales. In addition, when discussing policies for accounting treatment with the Company's accounting auditor, we will make sure to present and explain the overall picture of the matter. Furthermore, we will make sure that matters related to policies for accounting treatment that have been confirmed and agreed upon between the Company and the accounting auditor are organized and documented to prevent discrepancies in accounting after the fact.

(2) Strengthening three-way audits

Meetings between auditors, Internal Audit Division, and accounting auditor will be conducted at least quarterly to share information and exchange opinions in a timely and appropriate manner.