

TSE Urgent Notice



Aug. 23, 2024
Listing Department
Tokyo Stock Exchange, Inc.

Request for Improvement Report and Public Announcement Measure

TSE has requested an Improvement Report and taken the Public Announcement Measure as follows.

* This decision is based on the results of the examination by Japan Exchange Regulation.

1. Company Name ENECHANGE Ltd.
(Code: 4169, Market Segment: Growth Market)
2. Improvement Report Submission Deadline Sep. 24, 2024 (Tue.)

Reason (Related Clause) Due to disclosed information containing false statements and improvements being deemed highly necessary
(Securities Listing Regulations, Rule 504, Paragraph 1, Item (1))
3. Date of Public Announcement Measure Aug. 23, 2024 (Fri.)

Reason (Related Clause) Due to disclosed information containing false statements and public announcement being deemed necessary
(Securities Listing Regulations, Rule 508, Paragraph 1, Item (1))
4. Details of Reason ENECHANGE Ltd. (hereinafter “the Company”) disclosed an investigation report of an external investigation committee concerning inappropriate accounting processing on Jun. 27, 2024 and disclosed corrections to a past earnings report on Jul. 9, 2024.

These disclosures revealed that a special purpose company established for the Company's EV charging business, which should have been included in the scope of consolidation of the Company, was excluded from the scope because, among other things, despite the existence of a material fact that could impact the determination of said scope, the former Representative Director and CEO and several responsible executive officers did not sufficiently confirm or consider the said impact, and sufficient information was not provided to the board of directors and accounting auditor.

As a result, the Company was found to have made false disclosures in violation of the listing rules in its earnings report for the fiscal year ended Dec. 2023, and as a result of consequent corrections to said past earnings report, it became clear that the Company overstated its sales for the fiscal year ended Dec. 2023 by posting JPY 6,625 million instead of the actual JPY 4,379 million, that it understated its net loss attributable to owners of the parent company by posting JPY 1,247 million instead of the actual JPY 4,985 million, and that it had fallen under excess liabilities in the fiscal year ended Dec. 31, 2023.

As background to these disclosures, TSE primarily recognized the following points:

- There were compliance awareness issues among the former Representative Director and CEO and several responsible executive officers in that, for example, they considered their actions with the attitude that it would be sufficient to have the appearance of satisfying the rules, including putting the special purpose company, which should have been included in the scope of consolidation, outside the scope in order to put priority on recording sales, etc. of the Company, and that they deleted some communication data related to this material fact when the external investigative committee investigated this case.
- The Company failed to establish effective internal control and governance systems as instanced by such facts as that the business execution side was not in a position to perform checks and balances on the former Representative Director and CEO due to the concentration of authority in his hands, and that there was not an adequate system to consolidate information into the board of directors on the oversight side.
- The Company failed to establish an adequate system for examining accounting and legal risks commensurate with the degree of difficulty of the business, resulting in insufficient recognition and sharing of accounting risks, and failure to communicate appropriately with the accounting auditor.

As described above, this case involves disclosures that were deemed false and could have a substantial impact on investors' investment decisions due to compliance awareness issues and ineffective internal control and governance by the former Representative Director and CEO and several responsible executive officers, and TSE deems that improvements to the Company's timely disclosure system are highly necessary.

While the Company has already responded to the results of the external investigation committee and its suggestions in a disclosure dated Jul. 29, 2024 regarding the measures that the Company will take to prevent recurrence of such incidents, and while the former Representative Director and those involved in this case have resigned, TSE has decided to require the Company to submit a report that includes the circumstances behind the incident and the Company's measures for improvement in order to encourage the Company to thoroughly implement such measures.

In addition, as this case is deemed to require public announcement, TSE has decided to implement the Public Announcement Measure.

* After submission of the Improvement Report by the Company, it will be made available on the JPX website (<https://www.jpx.co.jp/listing/measures/improvement-reports/index.html>) and through the TDnet database service (both available only in Japanese).

DISCLAIMER: This translation may be used for reference purposes only. This English version is not an official translation of the original Japanese document. In cases where any differences occur between the English version and the original Japanese version, the Japanese version shall prevail. This translation is subject to change without notice. Tokyo Stock Exchange, Inc. and/or Japan Exchange Regulation shall individually or jointly accept no responsibility or liability for damage or loss caused by any error, inaccuracy,

misunderstanding, or changes with regard to this translation.