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For Immediate Release

Company	CHANGE Holdings, Inc.
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Announcement of Recording an Extraordinary Loss in the Non-consolidated Financial Statements

We hereby announce that we have recorded an extraordinary loss in the non-consolidated financial statements (Japanese GAAP) for the fiscal year ending March 2024 (April 1, 2023 to March 31, 2024).

[Details of the extraordinary loss]

E-Guardian Inc. (hereinafter, "E-Guardian"), our consolidated subsidiary, is the core company responsible for our Group's cyber security business. After it became our consolidated subsidiary, we have been pushing ahead with various measures in line with capital and business alliance agreements to realize synergies. Through the reorganization of the security industry, CHANGE Group and E-Guardian Group (hereinafter, "our Groups") aim to become a top-class security vendor in the cyber security field in Japan, and our Groups are working to increase the synergistic corporate value. However, E-Guardian's stock price has been sluggish due to supply and demand factor in the market, and we have decided to record an impairment loss on E-Guardian shares held by us of 8,272 million yen as an extraordinary loss on valuation of affiliates in our non-consolidated financial statements for the fiscal year ending March 31, 2024. Loss on devaluation of shares of affiliates will be set-off in the consolidated financial statements, and therefore there will be no impact on the consolidated financial results for the fiscal year ending March 31, 2024.

Please check the attached document for the background and reasons for the loss and the progress of cooperation with E-Guardian.

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[Appendix] Supplementary material on the extraordinary loss related to E-Guardian shares in individual financial results.

Today, for the E-Guardian stock that we own, we will record an extraordinary loss on our individual account closing. We will summarize the background and reasons for the impairment, the impact on our financial results, and the progress of our collaboration with E-Guardian in a Q&A format and explain it to investors.

<Background and reasons for impairment>

Q: At the financial results briefing in November 2023, it was stated that "there are no concerns about impairment at this time." What is the background to this time that the impairment was processed?

A: This extraordinary loss on E-Guardian shares is recorded on a non-consolidated basis, which is subject to J-GAAP (Japanese GAAP). We do not plan to record a loss because it will be eliminated in our consolidated financial statements, which are subject to IFRS. As the criteria for determining impairment in J-GAAP, the total acquisition price obtained by dividing the total acquisition cost, which is the amount of the shares of E-Guardian acquired through the tender offer for shares and the underwriting of the third-party allotment of shares, by the total number of shares to be acquired, such as financial advisory expenses, by the total number of shares to be acquired is 2,794.5 yen. If the share price falls 50% from this amount to 1,398 yen, then impairment loss must be recognized. As the closing price on March 29, 2024 was 1,379 yen, it was recognized as an impairment loss in our non-consolidated financial statements. As of November last year, the price was in the ¥1,500 range, and it was not at the stock price level that we were concerned about disposing of the impairment, so we responded as described above. In our consolidated financial statements, we recorded goodwill of 11,289 million yen related to E-Guardian. However, we do not plan to record an impairment loss on goodwill recorded in our consolidated financial statements because the value in use is assumed to exceed the amount of goodwill.

<Impact of impairment>

Q: What is the impact of this time's loss processing? In addition, stock prices fluctuate, and it is thought that stock prices may recover in the future. What is the impact?

A: The following table shows the impact of the write-down.

	Non-consolidated financial results (J-GAAP)	Consolidated financial results (IFRS)
Non-Consolidated Statements of Income / (Consolidated) Consolidated Statements of Income	Loss on valuation of shares of subsidiaries 8,272 Million yen	No effect
(Non-Consolidated) Balance Sheets / (Consolidated) Consolidated Statements of Financial Position	Change in the book value of E- Guardian shares (Reflects the above write-down)	No effect
Non-Consolidated Statements of Cash Flows / (Consolidated) Consolidated Statements of Cash Flows	No effect	No effect

In our non-consolidated financial results (J-GAAP), even if the share price of E-Guardian shares recovers, it will not be reflected in the non-consolidated financial statements (J-GAAP) and will remain devalued. In the consolidated settlement of accounts (IFRS), there is no impact because no impairment loss is recorded.

<Progress of cooperation with E-Guardian>

Q: Is the cooperation with E-Guardian going well? Is there any relationship between this impairment loss disposition and the progress of the business?

A: Business collaboration with E-Guardian is proceeding according to schedule, and collaboration is proceeding steadily in both existing and new businesses. This impairment was due to changes in stock prices, and this impairment did not have a particular impact on the progress of our group's business.

Since April 2024, our efforts with E-Guardian have been scheduled to contribute to E-Guardian's performance. Specific initiatives (typical examples) are as follows.

- Web security-related project for local governments (total support from vulnerability diagnosis to countermeasures to monitoring)
- Strengthen human resource development services in the security field and develop them into our group-wide customer base (provision of Security for DX program for security human resources development)
- Integration of digitization services and BPO services by industry/theme
 - Hometown tax-related operation and BPO servicing
 - Digital Utilization and Business Operation Package for New Business Development
- Consolidation of our regular operations and IT related operations (BPO and security-related operations)

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