
Financial Results for the Fiscal Year Ending March 2023 & Mid-term Business Plan Partial Revision

CHANGE Holdings, Inc.
Security Code: 3962

**CHANGE
HOLDINGS**

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Our Group's Business Domains

||| Transitioned to a holding company structure from April 1.



NEW-IT Transformation

Publitech

Private-sector DX

Human resources

Regional creation

Public-sector DX

DFA Robotics



beacapp



CHANGE



People×Technology

Public-sector DX

Human resource development



株式会社 かわる

Digital Growth Academia



Logosware



Trust Bank



Hometown tax

Energy

Publitech

Orb



LoGoチャット

LoGoフォーム

Governance Technologies



GovernanceTechnologies

Travel Zip

Travel Zip

Govmates



Group Mission

||| **We will continue to pursue our group mission after the shift to a holding structure.**

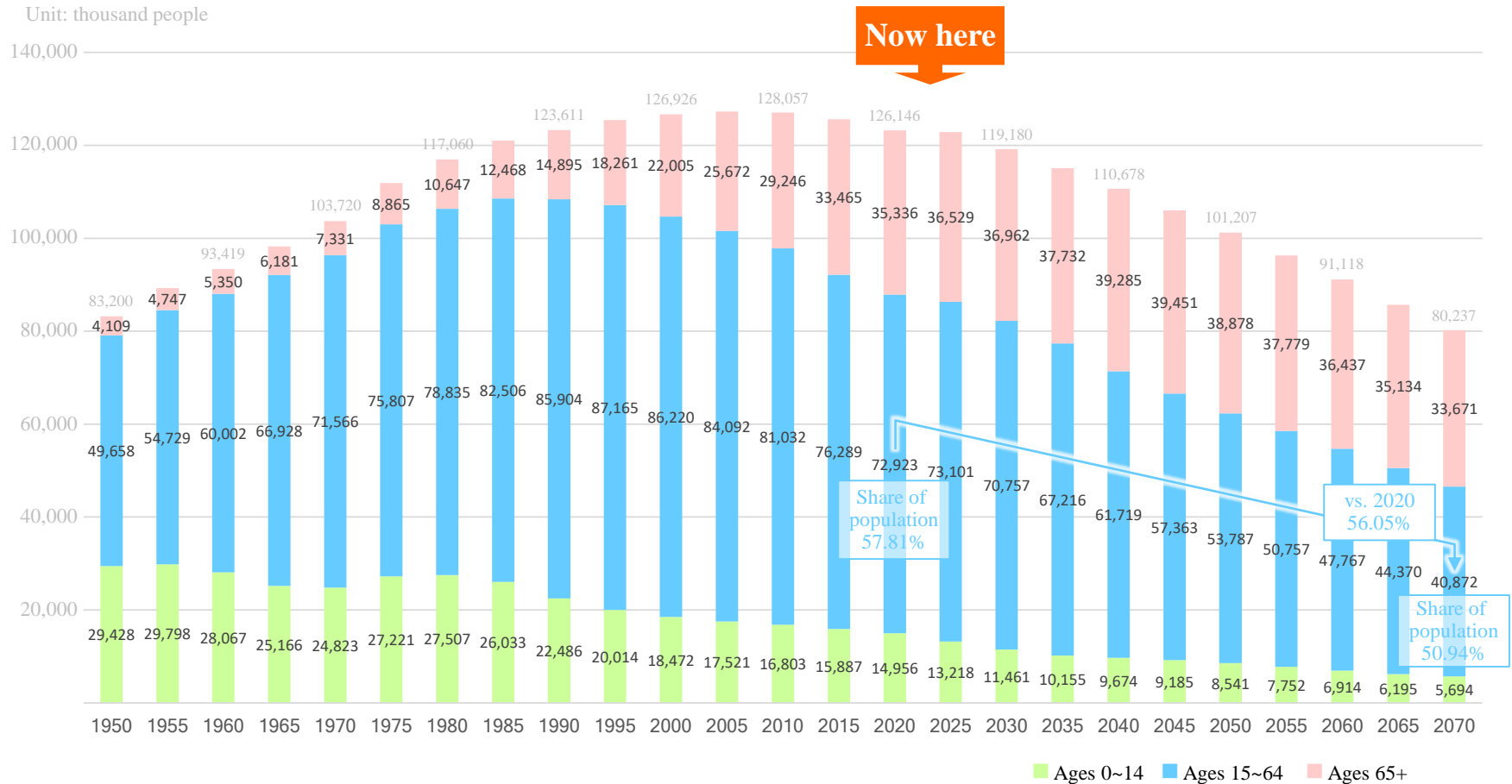


CHANGE
H O L D I N G S

**Change People,
Change Business,
Change Japan.**

From Challenge to Crisis

||| **Japan's working-age population will roughly halve in the next 50 years and fall to less than half of the total population.**



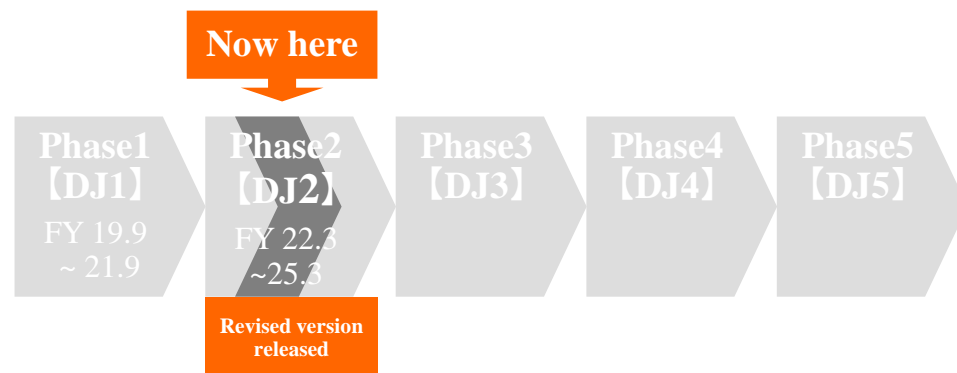
Source: National Institute of Population and Social Security Research "Population Projections for Japan (2023)" (https://www.ipss.go.jp/pp-zenkoku/j/zenkoku2023/pp2023_gaiyou.pdf)
 【From 2025】 Figure 1-3: "Total population by age group (0-14, 15-64, 65+) and age structure coefficient: low fertility (medium mortality) projection"
 【To 2020】 Compiled by CHANGE based on Table 1 "Total population by age group (0-14, 15-64, 65+) and age structure coefficient: 1950-2020"

Our Path Drawn

||| **Currently in Chapter 2 of establishing a digital era in Japan.**



**Digitize
&
Digitalize Japan**

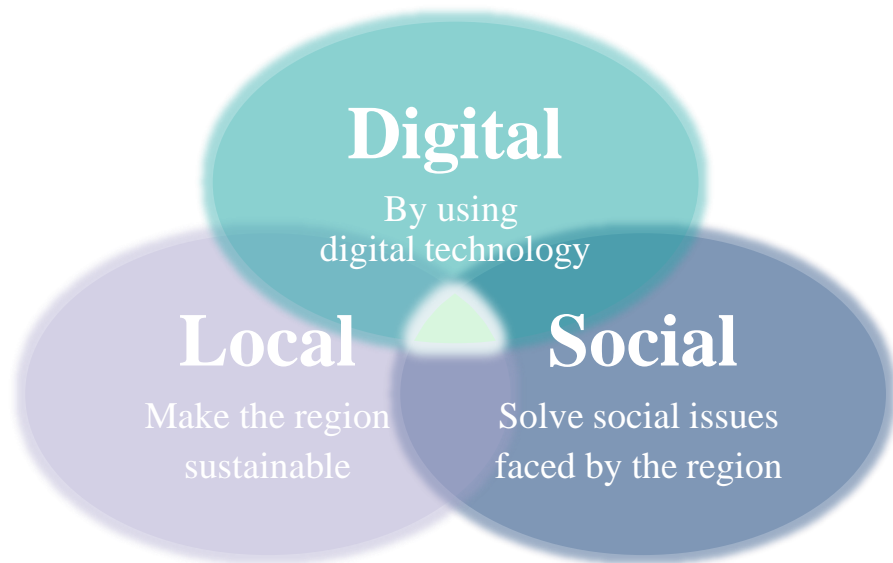


- ||| We will improve Japan’s productivity through the digitalization/digitization of business models and business processes and the development of digital human resources.
- ||| For achieving “Digitize & Digitalize Japan”, we will continue to work until Phase 5, confront the social challenge of declining population, and will be a leader in overcoming the present national difficulty in spite.
- ||| Due to the change in fiscal year end, we have released a revised version of the Mid-term Business Plan’s current Phase 2, DJ2.

※The revised Mid-term Business Plan [DJ2] can be found here
<https://ssl4.eir-parts.net/doc/3962/tdnet/2123311/00.pdf>

Focus Domain for “DJ2”

- ||| We are shifting to “Local” as preparation for [DJ2].
- ||| “DX × Regional Creation” is our sweet spot for Change Japan.



- ||| We will focus on “non-Tokyo area” which accounts for about 70% of GDP.
- ||| We will decide that the most important thing is to spread the benefits of digitalization to “Local”.
- ||| We will take on the challenge of solving critical and urgent regional issues that threaten sustainability.
- ||| We will remove the “human resource shortage” bottleneck in expanding DX in local areas.

FY2023 overview

Mid-term Business Plan partial revision
& FY24 direction

Overview (Consolidated)

- ||| Reached approx. 81.9% of the operating profit target (approx. 109.2% YoY)
- ||| In addition to ongoing aggressive investment to prioritize DJ2 progress, some earnings deferred to next fiscal year due to changes in accounting procedures.

(Unit : million yen)	H1 (Apr~Sep)	H2 (Oct~Mar)	Full period targets		Full period results	
	amount	amount	amount	%	amount	%
Revenue	6,411	14,588	21,000	100.0%	20,021	100.0%
Cost of sales	3,054	4,319	7,373	35.1%	7,498	37.5%
Gross profit	3,357	10,268	13,626	64.9%	12,522	62.5%
SG&A Expenses	2,724	3,902	6,626	31.6%	6,792	33.9%
Operating profit	633	6,366	7,000	33.3%	5,730	28.6%
Financial income	0	0	0	0.0%	0	0.0%
Financial expenses	16	16	32	0.2%	77	0.4%
Profit before taxes	617	6,350	6,967	33.2%	5,653	28.2%
Income tax expense	178	1,983	2,161	10.3%	1,743	8.7%
Net profit	439	4,367	4,806	22.9%	3,910	19.5%
Profit attributable to owner of parent	532	4,136	4,669		3,856	
Profit attributable to non-controlling interests	△93	230	137		53	
(ref) EBITDA	968	6,752	7,720	36.8%	6,702	33.5%

Breakdown by business segment

(Ref.)
Q1-3 cumulative

(Unit : million yen)

	NEW-IT Transformation	Investment	Publitech	Adjusted
Revenue	3,655	△150	12,038	△23
└ External revenue	3,633	△150	12,036	—
└ Inter-segment revenue	22	—	1	△23
Segment profit	1,023	△174	6,466	△2,084

Full year cumulative

(Unit : million yen)

	NEW-IT Transformation	Investment	Publitech	Adjusted
Revenue	4,956	162	14,943	△40
└ External revenue	4,918	162	14,941	—
└ Inter-segment revenue	38	—	2	△40
Segment profit	1,195	130	7,378	△2,973

※ Due to the rounding, the sum value may not match
 ※ Adjustments to segment profit are mainly general and administrative expenses corresponding to corporate expenses
 ※ From FY24.3, the investment business will be discontinued and excluded from the reporting segments.

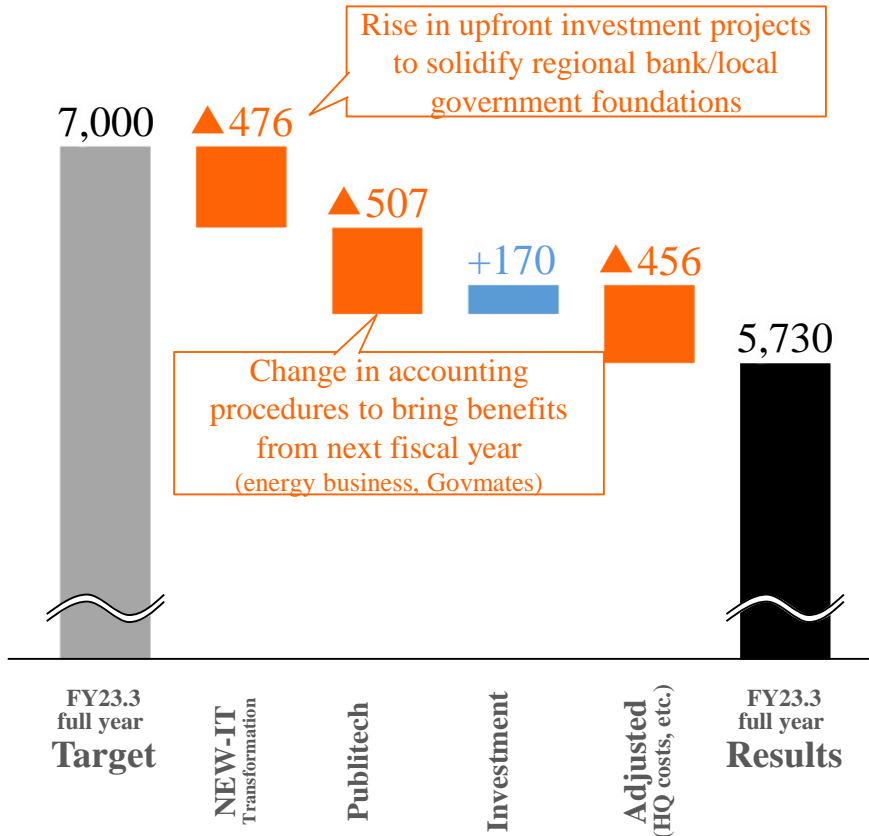
※ Start of contribution by various group companies
 Logosware: August, DFA Robotics: October
 Governance Technologies: November, Hope: January, Travel Zip: February
 ※ With Governance Technologies becoming a subsidiary, full consolidation from FY24.3

Overview – Supplementary

- While all businesses continue to perform well, expenses have grown as we prioritize returns in the coming fiscal year and beyond.
- Head office costs temporarily rose further from the Q3 cumulative total, partly due to preparation for the shift to a holding company structure.

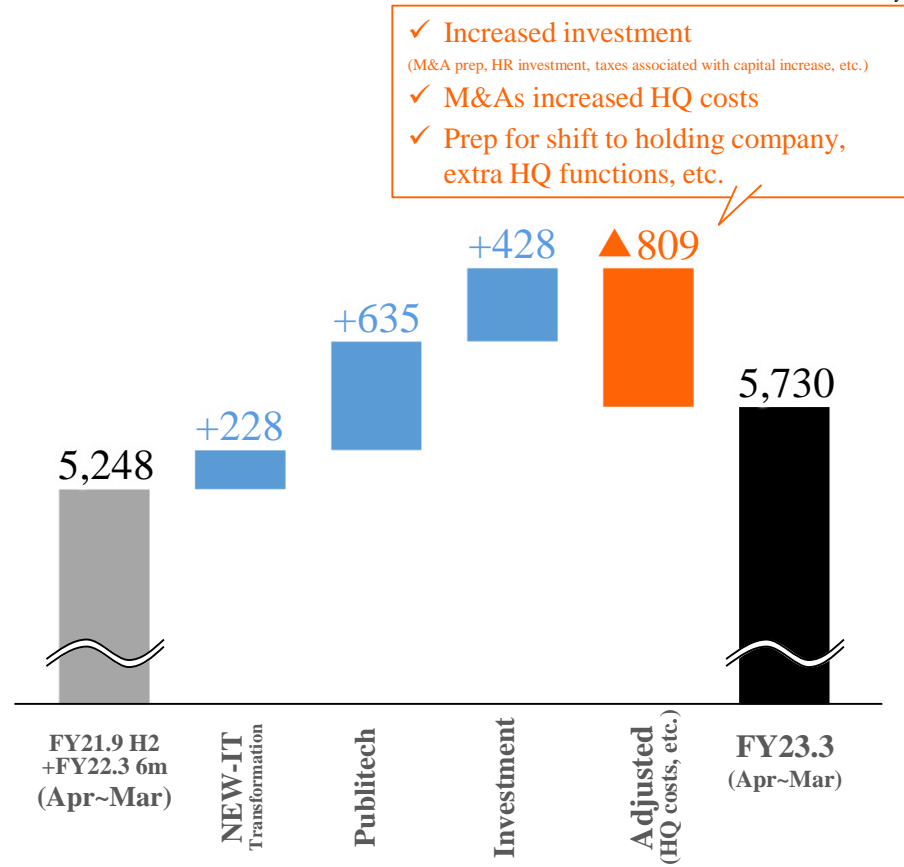
Vs. target – Shortfall factors

※Operating profit
※Unit: million yen



Year on year – Increase factors

※Operating profit
※Unit: million yen

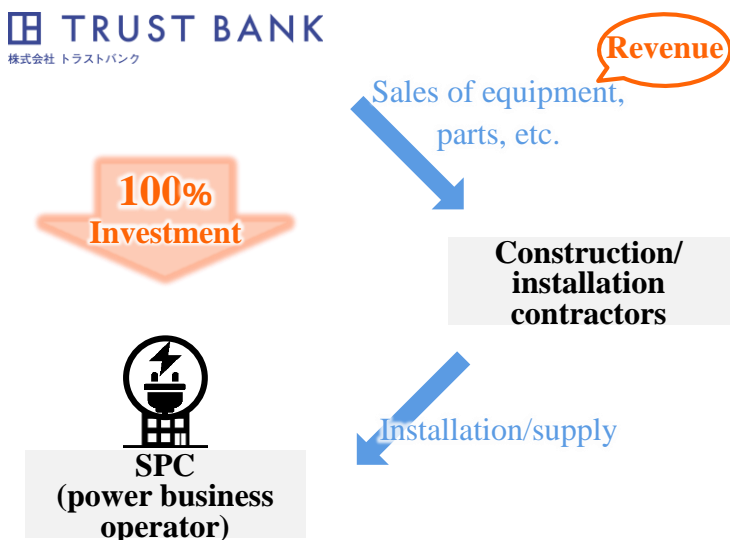


* Due to a change in the fiscal year end, FY22.3 is an irregular six-month period. As such, comparisons are based on a composite figure.

Overview – Supplementary ~Energy business~

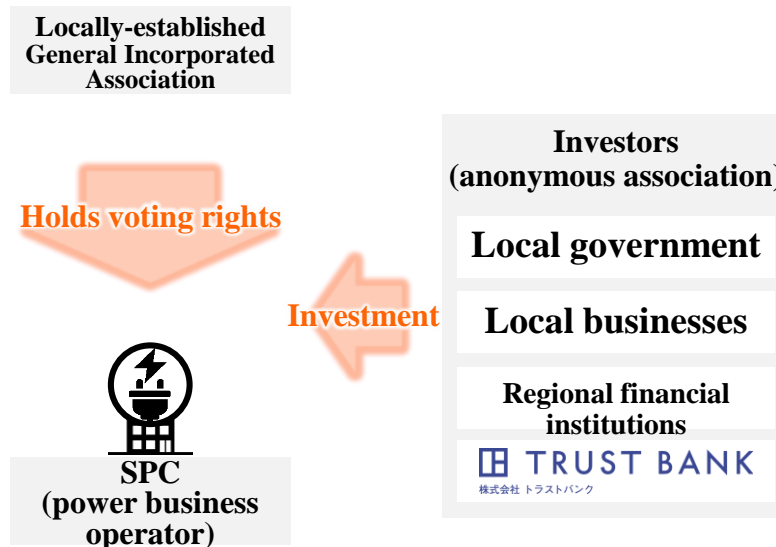
- ||| Due to accounting procedures, revenue accompanying equipment installation is deferred to next fiscal year.
- ||| As order transactions are complete, revenue will be recognized in subsequent fiscal years as projects progress. (vs. target: equal to approx. 560 million yen)

Establishment ~ setup period



- TB itself would recognize revenue upon sale
- However, due to consolidation, transactions appear on the balance sheet as “unrealized elimination of fixed assets” (not booked as revenue)

Business launch

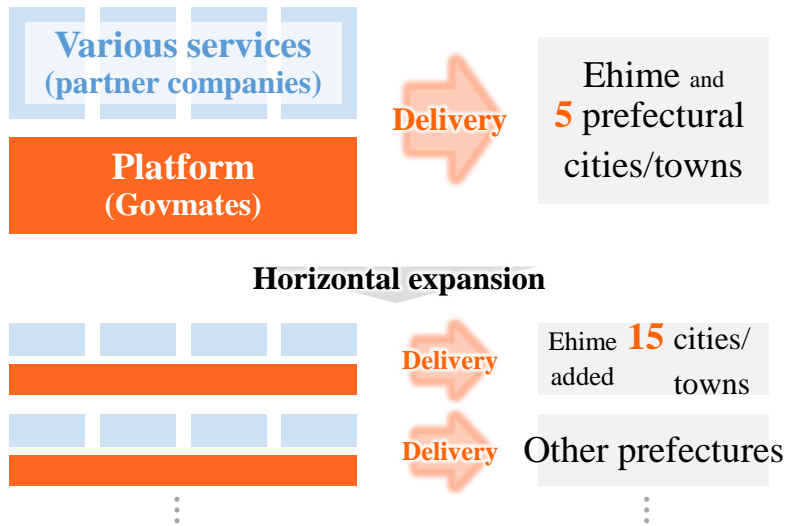


- Business transfer to regional capital at start of operation
- Revenue recognized when SPC detaches from the CHANGE Group consolidation

Overview – Supplementary ~Govmates~

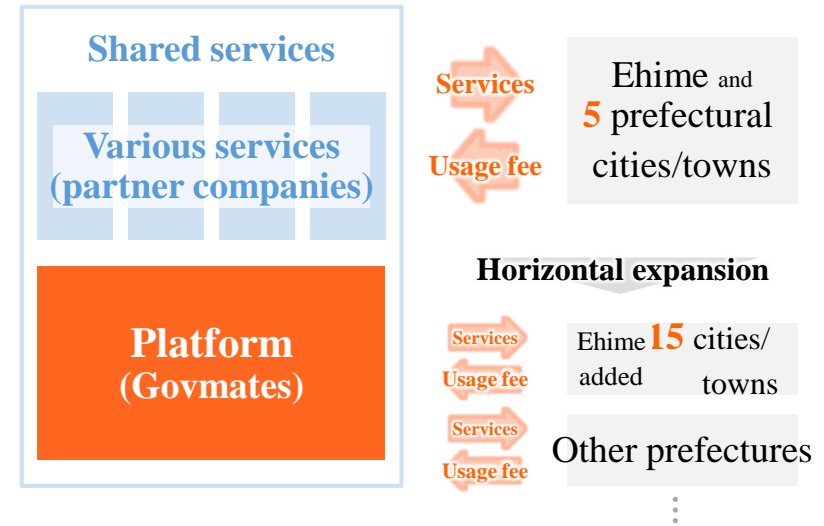
- Switched to partial in-house development of Ehime model, which was intended for horizontal expansion under commission.
- In light of strong market needs, we are adopting an arrangement that will be more profitable in coming years. (vs. target: equal to approx. 420 million yen)

Initial plan



- At outset of Ehime project, system development component was planned for delivery purely as SI
- Intellectual property belongs to Ehime Prefecture and other customers
- Revenues generally booked as lump sum at project completion or delivery

After revision



- Given strong interest in horizontal expansion, switched to treating some system development as in-house asset
- Shift to recurring usage fee model, reserving IP-related rights

Overview – Supplementary ~HQ costs, etc.~

- ||| **On top of the growing burden of already-aggressive business investment, head office costs and related expenses increased significantly due to the pursuit of M&As, shift to holding structure, and enhancement of head office functions.**

(Y.o.Y: approx. 800 million yen / vs. target: equal to approx. 450 million yen)

M&A-related expenses etc.	Y.o.Y Approx. 210 million yen increase	External advisory services, due diligence outsourcing, etc.
Newly consolidated companies HQ costs etc.	Y.o.Y Approx. 350 million yen increase	Head office expenses for newly consolidated companies, etc. (Govmates, Logosware, DFA)
Enhanced HQ functions business development, etc.	Y.o.Y Approx. 240 million yen increase	Group company business development Technology/service development, personnel recruitment/training External advisory services to prepare for shift to holding company structure, etc.

Overview – Supplementary ~Segment details~

||| Details for each segment are as follows.

		FY23.3			FY21.9 H2 +FY22.3 (Apr-Mar)	Change	Summary
		Target	Actual	Diff.			
(Unit: million yen)							
Consolidated	Revenue	21,000	20,021	△978	15,530	4,490	Focused resources on business investment/ development, M&As, shift to holding structure
	Operating profit	7,000	5,730	△1,269	5,248	482	Prioritizing mid-term plan progress over single fiscal year
NEW-IT Transformation	Revenue	4,781	4,956	175	3,073	1,884	Temporarily hold back on secure projects to focus on PMI and regional banks
	Segment profit	1,671	1,195	△476	966	228	Business model evolution in HR domain
Investment	Revenue	0	162	162	△277	439	Held stocks performed weakly until a turnaround in the second half led to valuation gains.
	Segment profit	△40	130	170	△297	428	
Publitech	Revenue	16,218	14,943	△1,275	12,740	2,203	Choice recovering, esp. after Q3
	Segment profit	7,885	7,378	△507	6,744	635	Energy revenue recognition to next fiscal year Govmates commission→recurring
Adjusted (HQ costs, etc.)	Revenue	0	△40	△40	△5	△36	Greater business investment burden, including M&A
	Segment profit	△2,516	△2,973	△456	△2,164	△809	Holding company prep and enhanced HQ functions

* Due to a change in the fiscal year end, FY23.3 is an irregular six-month period.

As such, comparisons are based on a composite figure.

Summary of FY2023

- ||| **Going full-throttle as first year of [DJ2_{rev.}] plan.**
- ||| **While everything could not be wrapped up within FY2023.3, we are on track to achieve subsequent targets.**

Groundwork laid with upfront investment

- ||| **Prior investments take shape, solid footing for FY24.3 and beyond**
 - Local government DX foundations and “Collaboration” firmly in place
 - Choice recovery leads solid turnaround in existing businesses
- ||| **H2-weighted plan→unable to recover fully to achieve target within fiscal year**
 - Upfront investments coincided with stock market slump, resulting in particularly difficult first half
 - A slide in some of the year’s expected returns contributed to widely missed targets

Structural improvements for further growth

- ||| **Transition to holding company structure**
 - Boost M&A utilization and group management capabilities
 - Drive further “Confederation” as set out in DJ2
- ||| **Change in reporting segments (abolish investment business)**
 - Market conditions caused investment segment results to fluctuate wildly during the year
 - Will focus on investment aimed at business synergy, and ending pure investment business

- ||| **Accomplished shift from “Tokyo area × large enterprise” to “local” focus.**
- ||| **Also crossed the boundary between private and public demand, pursuing regional DX with local financial institutions.**

Logosware & DFA Robotics join group

- ||| The addition of Logosware instantly speeds up the progress of our HR domain business model (platform creation)
- ||| The addition of DFA broadens our offerings from software to hardware, expanding possibilities in DJ3 and beyond.

Series of regional finance initiatives

- ||| Models bringing together local governments, regional finance, and local businesses
- ||| Creating templates for driving local economies through digital means
- ||| Growing into initiatives that expand our publitech domain connections with regions/local governments to encompass private sector demand

- ||| **The foundations have been laid for digitization to make regions truly sustainable.**
- ||| **We will use our nationwide network of regional communities to deliver the fruits of pioneering projects.**

Local government DX foundations complete

- ||| Within one year of launch, Govmates established a DX model for local governments
- ||| Centered on the LoGo series, our suite of solutions continues to grow
- ||| Digitalization with real results and high ROI

Furusato Choice regains trajectory

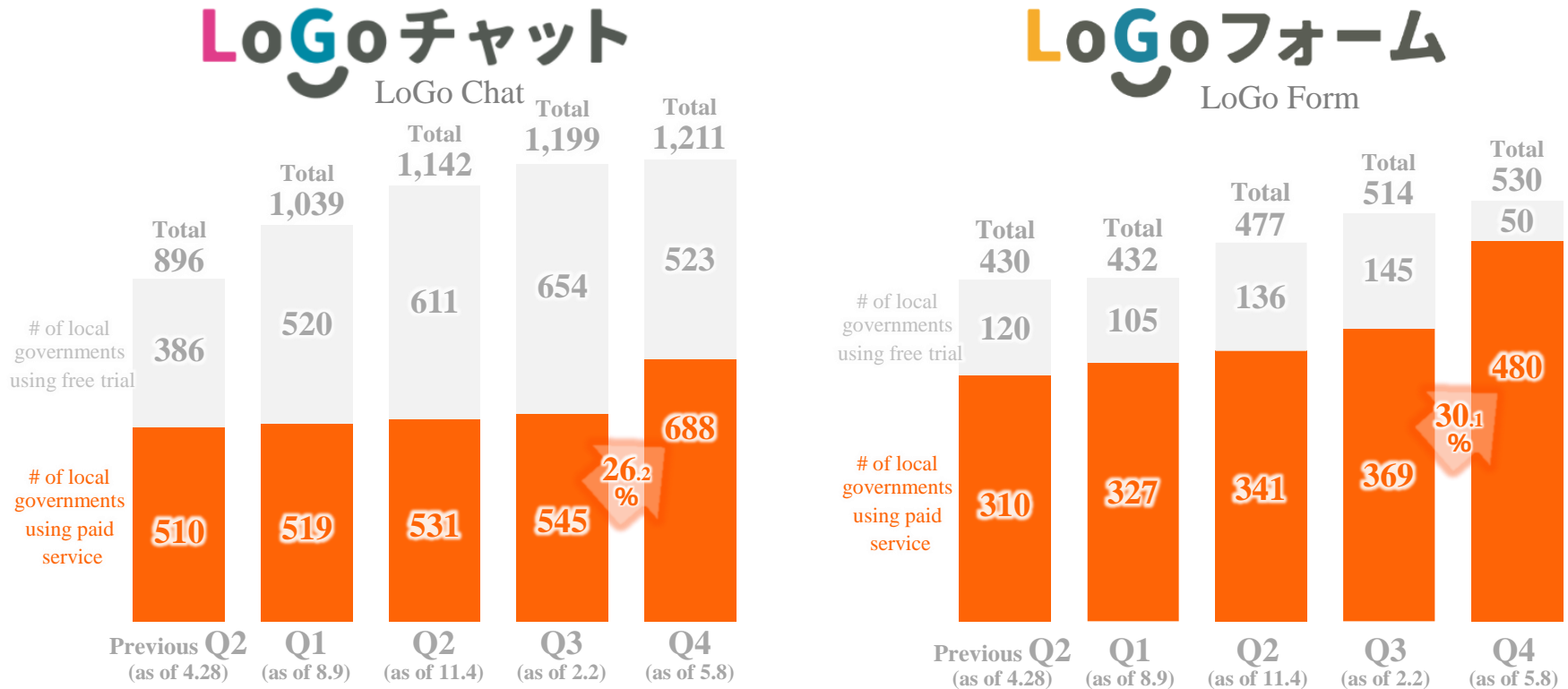
- ||| Various successful measures, including OEM and payments partnering
- ||| Boosting added value and real take rate
- ||| Ready to go on the counterattack in FY24.3

Energy business expands, entering returns phase

- ||| Continuing horizontal expansion of Akune model
- ||| Revenue to be recognized in subsequent fiscal years, but continuing to build with current projects

[Reference] LoGo series shift to paid service

- ||| Shift to paid services progressing steadily through local government budgetary measures support.
- ||| Establishing a de facto position as the core of a growing suite of local government DX solutions.



- ※ Including some related organizations
- ※ Due to a change in the fiscal year end, the previous fiscal year was an irregular six-month period ending after Q2
- ※ For the previous Q2, the number of paid service local governments included those expected to conclude contract procedures by the end of May.
- ※ For current Q4, the number of paid service local governments includes those expected to conclude contract procedures by the end of May.

[Reference] Status of the IPO Acceleration Program

||| Q4 (3-month) valuation gains/losses of listed stocks held at end of fiscal year.

Investment Portfolio	Time	Unit cost* (yen)	Shares held* (shares)	Acquisition cost (thousand yen)	Prev. Q value (thousand yen)	Q4 end value (thousand yen)	3-month change (thousand yen)
Head Waters	2018.4	1,875	16,400	30,750	57,482	165,148	+107,666
AI CROSS (formerly AOS Mobile)	2018.7	900	22,250	20,025	20,626	28,680	+8,055
Writeup	2020.12	1,502	116,120	174,455	109,153	108,456	▲697
Port	2021.7	743	269,100	199,941	286,592	484,918	+198,327
Total				425,172	473,852	787,203	+313,350

*: Adjusted values for splits, etc.

[Reference] Status of the IPO Acceleration Program

||| Total valuation gains/losses over the 12-month period (start to end of fiscal year).

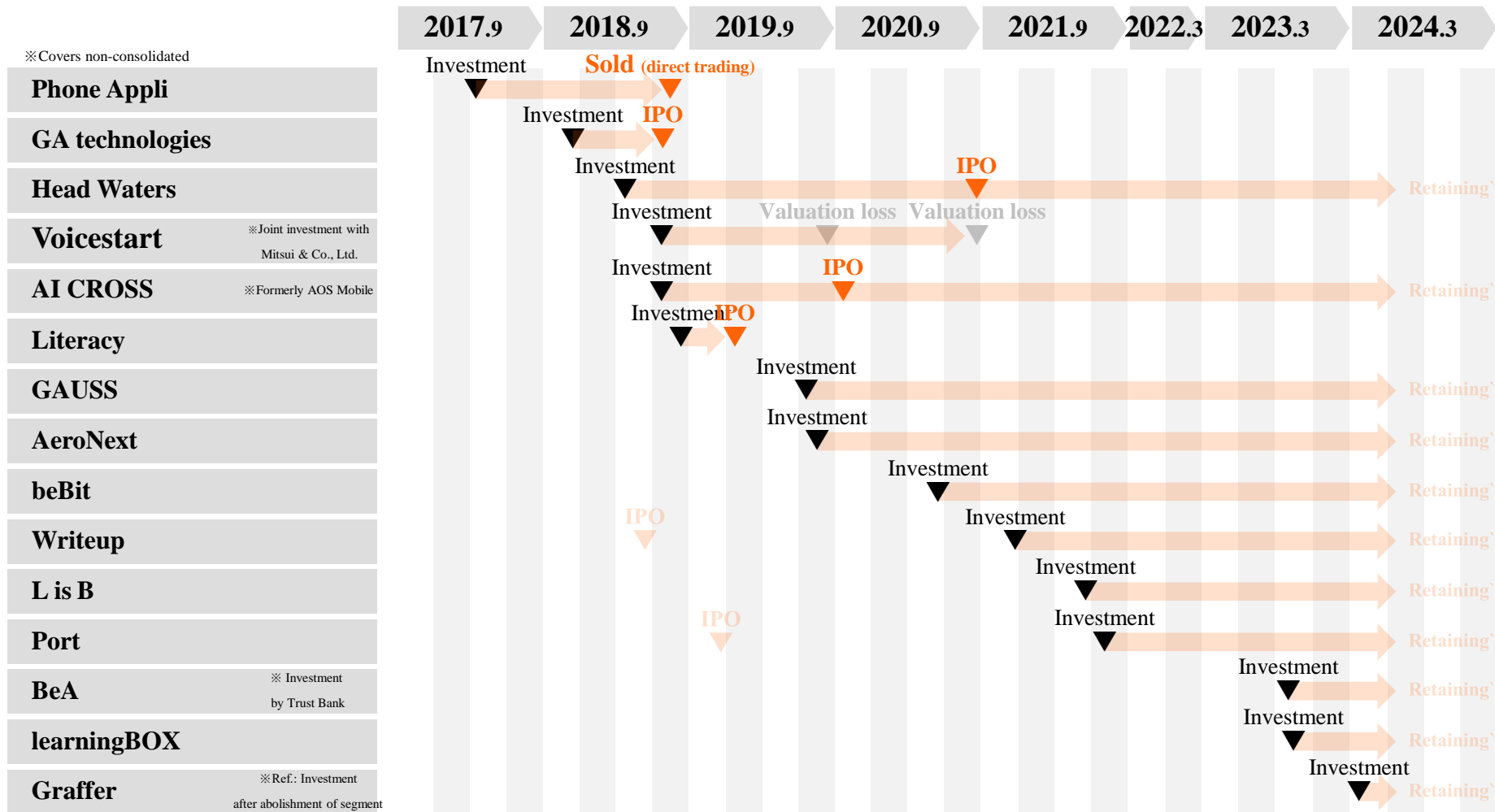
Investment Portfolio	Time	Unit cost* ¹ (yen)	Shares held* ¹ (shares)	Acquisition cost (thousand yen)	FY22.3 value (thousand yen)	FY23.3 value (thousand yen)	12-month change (thousand yen)
Head Waters	2018.4	1,875	16,400	30,750	59,532	165,148	+105,616
AI CROSS (formerly AOS Mobile)	2018.7	900	22,250	20,025	22,473	28,680	+6,208
GAUSS*²	2019.7	142,000	211	29,962	29,962	2,649	▲27,312
Writeup	2020.12	1,502	116,120	174,455	312,131	108,456	▲203,674
Port	2021.7	743	269,100	199,941	203,709	484,918	+281,210
Total				455,091	627,806	789,852	+162,046

*1: Adjusted values for splits, etc.

*2: While GAUSS is unlisted, since more than two years have passed since the most recent financing, in September we wrote down a valuation loss based on fair value

[Reference] Investment business progress and outlook

- ||| Going forward, valuation gains/losses will appear in financial income/expenses or comprehensive income rather than operating profit.
- ||| Will continue investing in operating companies, with greater focus on projects emphasizing business synergy.

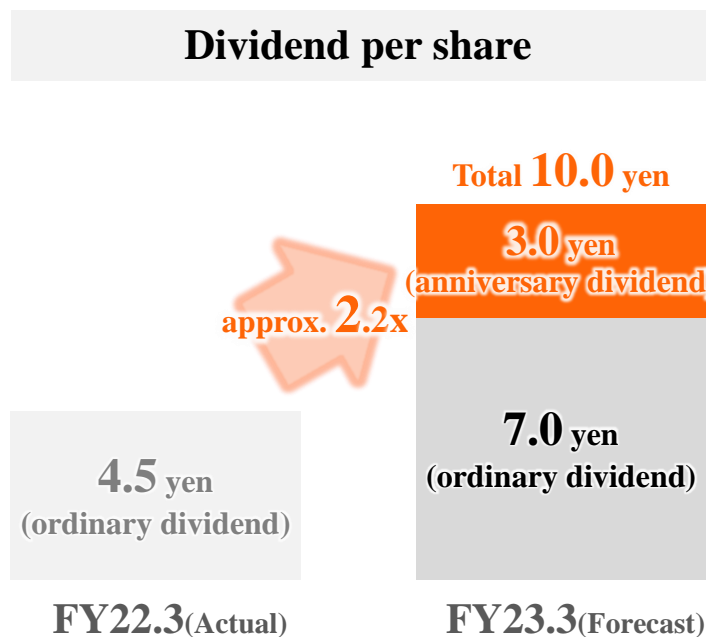


Dividends for FY ending March 2023

~20th anniversary dividends~

||| **Board voted to issue special dividends to commemorate the company's 20th anniversary** (May 15).

||| ※Record date March 31, 2023. To be determined at annual general meeting in June



||| Maintain initial ordinary dividend forecast of 7.0 yen per share

||| With anniversary dividend of 3.0 yen, forecast is revised to 10.0 yen in total

FY2023 overview

**Mid-term Business Plan partial revision
& FY24 direction**

Consolidated Targets for FY ending March 2024

(Mid-term Business Plan Partial Revision)

||| **【DJ2_{rev.}】** Revenue revised upward based on M&A progress since initial release.

||| **Operating profit left unchanged given temporary PMI expense increases, etc.**

(Unit : million yen)	FY2023.3 (Actual)		FY2024.3 Rev. target		H1 (Apr-Sep)		H2 (Oct-Mar)		FY2024.3 Rev. target		FY2025.3 (Target)	
	amount	%	amount	%	amount	amount	amount	%	amount	%	amount	%
Revenue	20,021	100.0%	30,000	100.0%	11,139	22,860	34,000	100.0%	78,000	100.0%		
Cost of sales	7,498	37.5%	9,667	32.2%	4,838	6,514	11,352	33.4%	39,665	50.9%		
Gross profit	12,522	62.5%	20,332	67.8%	6,300	16,346	22,647	66.6%	38,334	49.1%		
SG&A Expenses	6,792	33.9%	9,332	31.1%	5,808	5,868	11,677	34.3%	18,334	23.5%		
Operating profit	5,730	28.6%	11,000	36.7%	500	10,500	11,000	32.4%	20,000	25.6%		
Financial income	0	0.0%	0	0.0%	0	0	0	0.0%	1	0.0%		
Financial expenses	77	0.4%	30	0.1%	15	13	29	0.1%	109	0.1%		
Profit before taxes	5,653	28.2%	10,970	36.6%	484	10,486	10,970	32.3%	19,891	25.5%		
Income tax expense	1,743	8.7%	3,407	11.4%	153	3,300	3,454	10.2%	6,207	8.0%		
Net profit	3,910	19.5%	7,562	25.2%	331	7,185	7,516	22.1%	13,684	17.5%		
Profit attributable to owner of parent	3,856		7,195		406	6,805	7,211		12,825			
Loss attributable to non-controlling interests	53		367		△75	380	304		859			
(ref) EBITDA	6,702	33.5%	11,914	39.7%	907	10,995	11,903	35.0%	21,088	27.0%		

Consolidated Targets for FY ending March 2024 - Supplementary

- ||| **Given our focus on the public sector, targets will remain weighted toward the second half of the fiscal year.**
- ||| **Gradually smoothing out with business model evolution and portfolio improvement.**

	FY23.3 (Actual)		FY24.3 (Target)	
※ Operating profit ※ Unit: million yen				
H1 (Apr-Sep)	135	2.4%	500	4.6%
H2 (Oct-Mar)	5,595	97.6%	10,500	95.4%
Full-year total	5,730	100.0%	11,000	100.0%

DJ2 progress and emphasis for FY24.3

||| **Building on the first year of investment-driven [DJ2_{rev.}], this year will be about returns and rapid growth.**

FY2023.3

FY2024.3

NEW-IT Transformation

Private-sector DX

- ||| Series of projects bringing together regional banks, local governments, and local businesses
- ||| DFA joins →hardware/robotics domain

Human resources

- ||| Logosware joins→develop “Minna de”
- ||| Expansion of KaWaL e-learning series
- ||| Business model evolves to target ”local”

Publitech

Regional creation

- ||| Furusato Choice recovery (OEM, etc.)
- ||| Continued horizontal expansion for Akune energy model

Public-sector DX

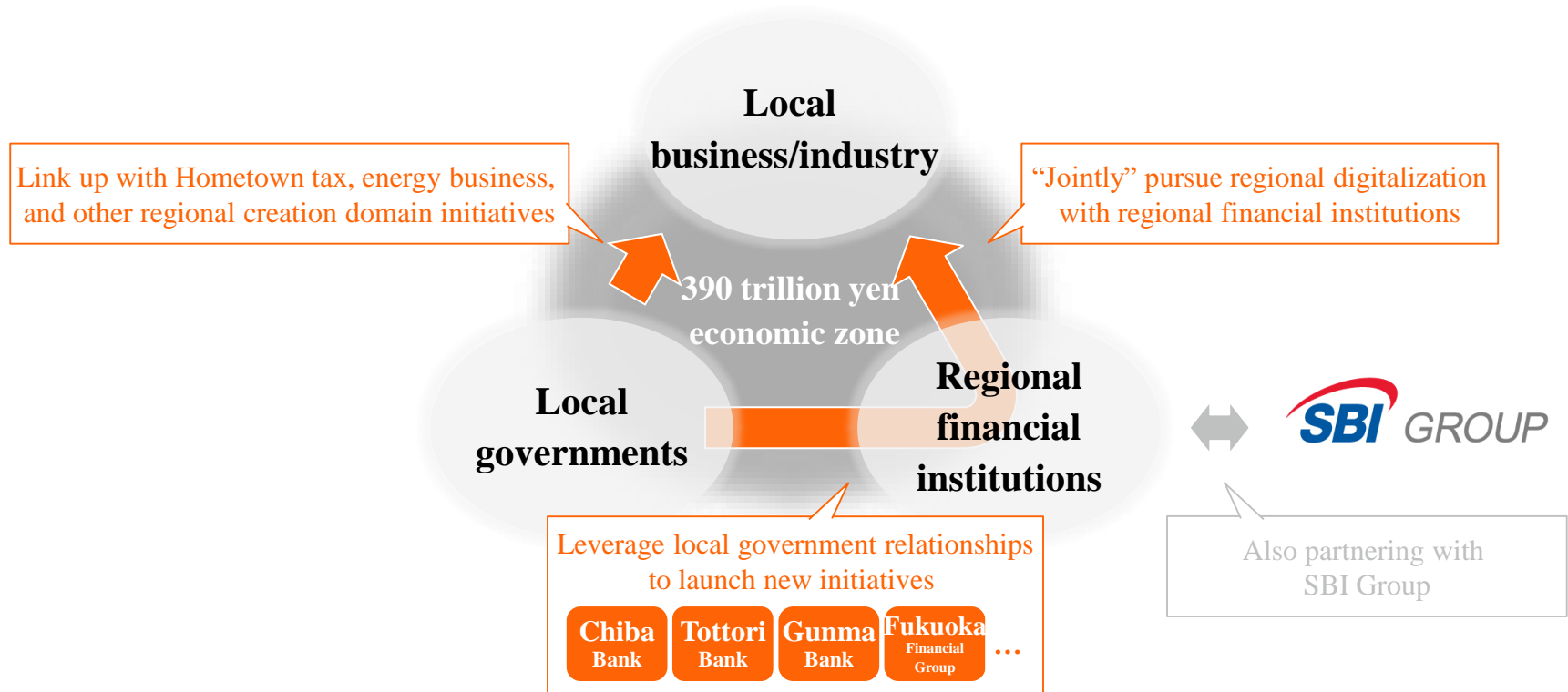
- ||| LoGo series has effectively become the de facto standard
- ||| Govmates launch→Ehime model established
- ||| Continuing to expand Collaboration in both solutions and marketing/sales

- ||| Beginning with regional banks and local governments, develop initiatives that eliminate barriers between private and public demand
- ||| Use Ascentech collaboration to strengthen development in the security domain
- ||| Continue expanding Local strategy offerings
- ||| Enhance approach to increasingly widespread DX personnel development at regional financial institutions

- ||| Increased Choice take rate reflected
- ||| Counteroffensive to recover GMV
- ||| Begin reaping returns in energy business
- ||| Expand as a platform that offers everything needed for local government DX
- ||| Look to boost overall productivity for local government operations

Private DX Domain ~Going local with regional financial institutions~

- ||| **Deliver digital benefits to local communities through co-creation initiatives with regional financial institutions.**
- ||| **Leverage our publitech local government network to target both private and public demand in a unified way.**



Private DX Domain ~Pursue “homegrown” security domain~

- ||| Partnering with Ascentech, provider of 100% domestically-produced SaaS security platforms.
- ||| We will strengthen the pieces vital for driving digitalization in more public domains.



エンドポイントセキュリティ



アイデンティティ管理



SaaS管理

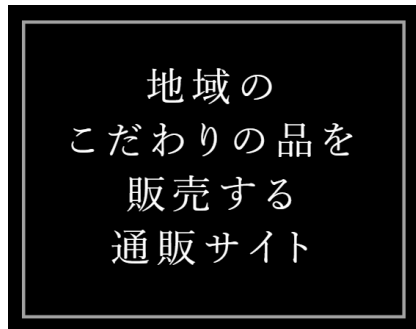
- As digitalization progresses, SaaS is becoming the dominant way of using work applications
- Urgent need to strengthen security for SaaS access by companies and public bodies
- Offer new SaaS access environment for domestic clients with Breakout, a fully homegrown high-security solution
- Enable remote work and other flexible work styles even for tasks that involve handling sensitive information (e.g., call centers)

Regional Creation Domain ~Furusato Choice begins fightback~

- ||| Thanks to the success of various measures, combined take rate has improved largely as planned.
- ||| From FY24.3, we will launch a counteroffensive to recover GMV growth trajectory.



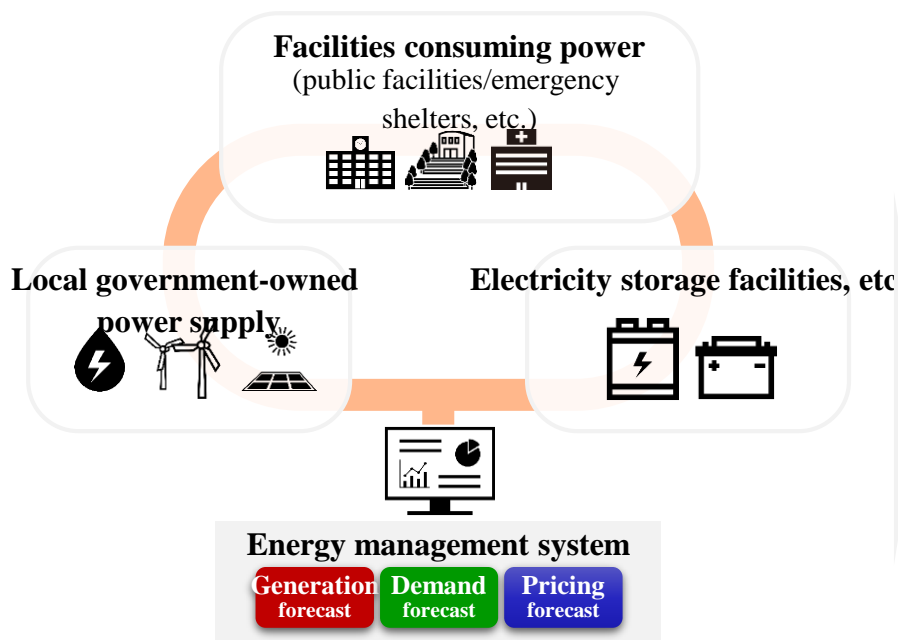
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Regional Creation Domain ~Energy business shift to full-scale phase~

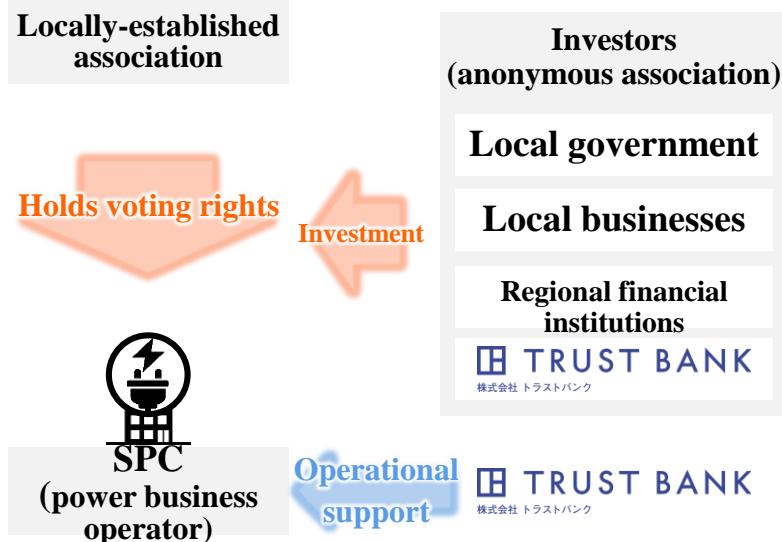
- ||| With the initial model complete, moving to full-scale rollout via our local government network.
- ||| Maintain speed of business development by slimming assets while retaining social capital in the region.

Model for local electricity production/consumption



- Established initial model, centered on Akune project, etc.
- At the same time, infrastructure business tends to be asset-heavy

Slim down for faster horizontal expansion



- Transfer assets to regional business entities and transition to an arrangement where TB earns revenue as a minority investor and compensation for operational support
- Establish arrangements that account for the importance of retaining regional social capital

Public DX Domain ~LoGo series becoming de facto standard~

- ||| Adopted by a growing number of local governments, LoGo series steadily becoming de facto standard.
- ||| Solidifying position as the foundation for boosting productivity across all types of local government operations.

Shift to paid services and further expansion

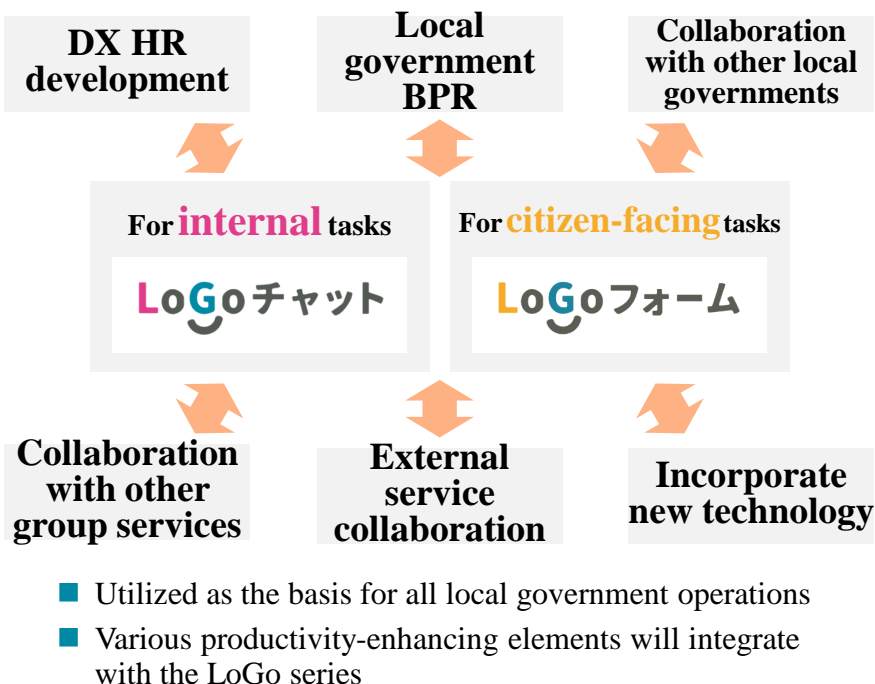
Joint procurement aids budgeting

- Multiple local governments shifting to joint procurement under prefectural leadership
 - Osaka, Saitama, Ishikawa, Akita, Kanagawa and others
- Effectively supporting budgetary measures

Growing network effects

- Greater convenience through inter-municipal coordination, template sharing, etc.
- Latecomer municipalities can enjoy greater convenience from the outset

Foundation for overall productivity improvement



- ||| **Developing packaged services in response to robust interest in adopting the “Ehime model”.**
- ||| **Joint-use model offers operations reform at lower costs along with the benefits of standardization.**

“Shared CIO”

- Packaged services for comparatively small municipalities
- Bundle provision of workload assessment, BPR, HR development, etc.
- Precision transformation services that work, based on real local government workload data and BPR track record

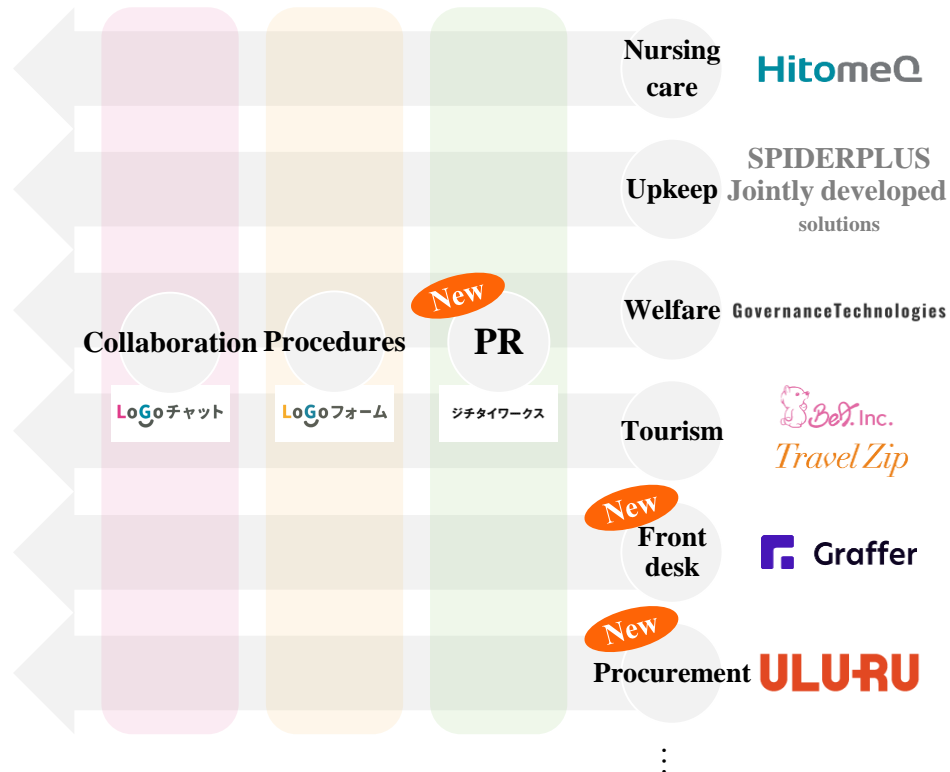
Shared service model

- Having partially switched to in-house development with the “Ehime model,” we are developing system services as a joint-use offering
- Building a series of systems similar to obtaining resident cards at convenience stores, enabling safe and convenient processing of a broad range of administrative procedures
- Local governments can reduce initial costs, while Govmates moves to a recurring revenue model in which earnings accumulate according to usage

Public DX Domain ~DX platform continues to grow~

- ||| Delivering optimal solutions for every aspect of extensive local government duties nationwide.
- ||| Essential solutions will be fully covered through Collaboration with like-minded partners.

Wide-ranging local government duties



Dividend forecast for fiscal year to March 2024

- ||| **As before, our basic policy is to continue issuing dividends while prioritizing investment in business expansion.**

Increase to
10.0 yen → 12.0 yen
(incl. anniversary dividend)
per share

- ||| Annual dividend forecast at 12.0 yen per share based on performance targets
- ||| Dividend payout ratio to 12%

Disclaimer

- ||| All future forecasts, estimates, etc. appearing in this document were determined by us based on information available at the time of preparing these materials, and may contain a degree of uncertainty.
- ||| Actual future performance depends on various factors, and may differ significantly from any forecasts, etc. herein.



CHANGE
HOLDINGS
