



August 14th, 2023

Summary of Consolidated Financial Results (IFRS) for the 1Q of Fiscal Year Ending March 31, 2024

Listed company name: CHANGE Holdings, Inc.

Listed share exchange: Tokyo Stock Exchange

Securities Code: 3962

URL: <https://www.change-jp.com/>

Representative: Hiroshi Fukudome, Representative Director and President

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Scheduled filing date of quarterly report: August 14, 2023

Scheduled commencement date of dividend payments: None

Preparation of explanatory materials for quarterly financial results: Yes

Holding of a briefing on financial results: Yes (For institutional investors, personal investors and analysts)

(Amounts less than one million are rounded down.)

1. Consolidated Financial Results for the First Quarter of the Fiscal Year Ending March 31, 2024

(April 1, 2023 to June 30, 2023)

(1) Consolidated Operating Results (Cumulative Period)

(Percentages indicate year-on-year changes.)

	Revenue		Operating profit		Profit before taxes		Net profit		Quarterly profit attributable to owners of the parent		Total quarterly comprehensive income	
	¥Mil	%	¥Mil	%	¥Mil	%	¥Mil	%	¥Mil	%	¥Mil	%
1Q of FY 2024	5,118	85.3	717	-	1,136	-	762	-	855	-	762	-
1Q of FY 2023	2,762	-	△18	-	△23	-	△18	-	51	-	△18	-

	Basic quarterly basic earnings per share	Diluted quarterly earnings per share
1Q of FY 2024	Yen 11.82	Yen 11.62
1Q of FY 2023	0.71	0.70

(2) Consolidated Financial Position

	Total assets	Total shareholders' equity	Profit attributable to owners of parent	Percentage of interests attributable to owners of parent
	Millions of yen	Millions of yen	Millions of yen	%
End of 1Q of FY 2024	51,715	39,411	36,613	70.8
End of FY 2023	52,943	39,331	36,477	68.9

2. Dividend Status

	Annual dividends				
	End of first quarter	End of third quarter	End of first quarter	End of the fiscal year	Total
FY2023	Yen -	Yen 0.00	Yen -	Yen 10.00	Yen 10.00
FY 2024	-	-	-	-	-
FY 2024 (forecast)	-	0.00	-	12.00	12.00

(Note) Any change since the most recently made forecast: No

3. Forecasts for the Fiscal Year Ending March 31, 2024 (April 1, 2023 to March 31, 2024)

(Percentages indicate year-on-year changes for the full year and year-on-year changes for the quarter.)

	Revenue		Operating profit		Profit before taxes		Net profit		Profit attributable to owners of parent		Basic profit per share
	¥Mil	%	¥Mil	%	¥Mil	%	¥Mil	%	¥Mil	%	Yen
Full year	34,000	69.8	11,000	92.0	10,970	94.0	7,516	92.2	7,211	87.0	99.69

(Note) 1. Revisions from the most recently published performance forecast: No

[Notes of caution] This document is an English translation of the Japanese original. In the event of any differences or inconsistencies between the Japanese and English versions, the Japanese language version shall take precedence.

※ Notes

(1) Changes in significant subsidiaries during the first quarter (changes in specified subsidiaries resulting in changes in scope of consolidation): No

New company (company name) - Excluded company (company name) -

(2) Changes in accounting policies and changes in accounting estimates

(i) Changes in accounting policies required by IFRS: No

(ii) Changes in accounting policies other than (i): No

(iii) Changes in accounting estimates: No

(3) Number of shares outstanding (ordinary shares)

(i) Number of shares outstanding at the end of the period (including treasury share)	1Q of FY2024	72,978,762 shares	FY2023	72,967,562 shares
(ii) Number of treasury shares at the end of the period	1Q of FY 2024	623,335 shares	FY2023	623,335 shares
(iii) Average number of shares during the period (cumulative quarterly period)	1Q of FY 2024	72,353,458 shares	1Q of FY2023	72,336,327 shares

※ Financial results hereof are not subject to review by certified accountants or audit corporations.

※ Explanations and other special notes concerning the appropriate use of business performance forecast

The earnings forecasts and other forward-looking statements contained in this report are prepared based on information currently available to the Company and on certain assumptions deemed to be reasonable, but they are not promised by the Company regarding future performance. Actual results may differ significantly from these forecasts due to various factors. For future forecasts and assumptions, please refer to "1. Information on financial results for the current fiscal year (iii) Forecasts for the next fiscal year" on page 4 hereof.

Accompanying Materials

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1. Qualitative Information on this quarterly financial results for the current fiscal year

The forward-looking statements in the text are based on the judgment of the Group as of the last day of the consolidated first quarter of the current fiscal year.

(1) Overview of operating results

In the future, it is predicted that about 1 out of 2.6 citizens will be older than 65 in 2065, resulting in a world of super-aged society. In recent years, as a result of the spread of new corona viruses, it was found that Japanese digital transformation (hereinafter, "DX") is becoming increasingly behind the world. Therefore, in the stock market, there is a clear bipolarization between companies adaptive and evolving to DX and other companies. As a result, it is urgently necessary for surviving companies to respond to, transform, and invest in DX. In addition, it is also inevitable for local governments who are facing with the challenge of severe financial conditions and population decline and whose workloads are increasing despite the declining number of employees to improve operational efficiency through DX.

Under such circumstances, the Group (or simply, "we") has been developing businesses such as digitization of business models and business processes and support for the development of digital human resources in order to dramatically improve Japanese productivity with "People multiplied by Technology" and to make Japan a sustainable society with a decreasing population under the vision of "Change Productivity" under the mission of "Change People, Change Business, Change Japan". Since its inception, we have provided solutions to the digitization needs of many customers.

Specifically, we are developing and expanding our business in three areas: NEW-IT Transformation Business, which supports the development of digital human resources, innovations in business processes, and digitization; Investment Business, which is investing in businesses that are synergistic with NEW-IT Transformation Business, to be responsible for creating new businesses and building business models; and the Publitech Business, which is committed to promoting DX-based regional creation.

Regarding the Investment Business, as announced on April 14, 2023, the Investment Business and the related Investment Segment were abolished on the judgment that if we would focus on business investments that would contribute to the development of the NEW-IT Transformation Business and the Publitech Business, such synergies with investee companies would more contribute to further enhancement of the corporate value of the Group. We made this decision on the same date. Although we discontinue the Investment Business and the related Investment Segments, there will be no change in our policy of actively utilizing M&A and capital and business alliances as a useful means of growing our business.

On May 13, 2022, we announced the revised "Digitize & Digitalize Japan (Phase2)", our Mid-term Business Plan. In March 2022, we entered into a capital and business alliance with SBI Holdings, Inc. to accelerate initiatives for regional creation in order to identify priority areas for "Local" × "Social" × "Digital" and lead the Japanese DX and achieve the revised Mid-term Business Plan. At the same time, we are accelerating recruitment and development of human resources, expansion of DX's growth areas through the establishment of joint ventures with major companies, and growth-oriented investments including, M&A.

On April 1, 2023, the Company completed the transition to a holding company structure and changed its name to CHANGE Holdings, Inc. By shifting to a holding company structure, we will further strengthen group governance and optimize the allocation of management resources as well as promote the development of next-generation management talents. Our goal is to secure a flexible and robust management structure that can respond quickly to any changes in the management environment.

Operating results for the consolidated first quarter of the fiscal year ending March 31, 2024 are as follows.

In the NEW-IT Transformation Business, the Group continues to invest in growth-oriented businesses, centered on M&A and capital and business alliances. In the field of digital human resource development, we are accelerating the evolution into a platform-based business model and are developing training programs that incorporate the newest DX, such as the launch of generative AI (Chat GPT). In the private sector DX field, we are collaborating with regional financial institutions in non-financial businesses and developing new DX solutions and robotics services for industries where labor shortages are serious. In addition, with the aim of reorganizing the cybersecurity industry, which is indispensable for the DX infrastructure, the Company is currently conducting a tender offer (TOB) along with the underwriting of a third-party allocation of shares of E Guardian Inc. and try to include it in our consolidated subsidiaries.

In the Investment Business, stock prices of listed companies, mainly growth stocks, recovered. As announced on April 14, 2023, the Investment Business and the related Investment Segment were abolished on the judgment that if we would focus on business investments that would contribute to the development of the NEW-IT Transformation Business and the Publitech Business, such synergies with investee companies would more contribute to further enhancement of the corporate value of the Group. We made this decision on the same date. Although we discontinue the Investment Business and the related Investment Segments, there will be no change in our policy of actively utilizing M&A and capital and business alliances as a useful means of growing our business.

In the Publitech Business, revenue grew substantially due to the increase in commission rates on the hometown tax donation platform, the provision of OEM, and the diversification of payment methods. LoGo chat and LoGo form, which are SaaS businesses for local governments, continue to receive a strong reputation among them, and the number of local governments using LoGo chat services (including paid and free) exceeded 1,300. In order to accelerate DX of local governments, the Group continues to make upfront investments, mainly through Govmates, Inc.

As a result, in the consolidated cumulative first quarter of the fiscal year ending March 31, 2024, revenue was 5,118 million yen (85.3% increase from the same period of the previous fiscal year), operating profit was 717 million yen (△18 million yen in the same period of the previous fiscal year), quarterly profit before taxes was 1,136 million yen (△23 million yen in the same period of the previous fiscal year), and quarterly profit attributable to owners of parent was 855 million yen (51 million yen in the same period of the previous fiscal year).

Segment operating results are as follows:

(a) NEW-IT Transformation Business

In the NEW-IT Transformation Business, the Group continues to invest in growth-oriented businesses, centered on M&A and capital and business alliances. In the field of digital human resource development, we are accelerating the evolution into a platform-based business model and are developing training programs that incorporate the newest DX, such as the launch of generative AI (Chat GPT). In the private sector DX field, we are collaborating with regional financial institutions in non-financial businesses and developing new DX solutions and robotics services for industries where labor shortages are serious. In addition, with the aim of reorganizing the cybersecurity industry, which is indispensable for the DX infrastructure, the Company is currently conducting a tender offer (TOB) along with

the underwriting of a third-party allocation of shares of E Guardian Inc. and try to include it in our consolidated subsidiaries.

As a result, in the consolidated cumulative first quarter of the fiscal year ending March 31, 2024, revenue in the New IT Transformation Business was 1,750 million yen (69.5% increase from the same period of the previous fiscal year), and segment profit was 494 million yen (40.9% increase from the same period of the previous fiscal year).

(b) Investment Business

In the Investment Business, stock prices of listed companies, mainly growth stocks, recovered. As announced on April 14, 2023, the Investment Business and the related Investment Segment were abolished on the judgment that if we would focus on business investments that would contribute to the development of the NEW-IT Transformation Business and the Publitech Business, such synergies with investee companies would more contribute to further enhancement of the corporate value of the Group. We made this decision on the same date. Although we discontinue the Investment Business and the related Investment Segments, there will be no change in our policy of actively utilizing M&A and capital and business alliances as a useful means of growing our business.

As a result, in the consolidated cumulative first quarter of the fiscal year ending March 31, 2024, revenue in the Investment Business was 127 million yen (△147 million yen in the same period of the previous fiscal year) and segment profit was 126 million yen (△158 million yen in the same period of the previous fiscal year).

(c) Publitech Business

In the Publitech Business, revenue grew substantially due to the increase in commission rates on the hometown tax donation platform, the provision of OEM, and the diversification of payment methods. LoGo chat and LoGo form, which are SaaS businesses for local governments, continue to receive a strong reputation among them, and the number of local governments using LoGo chat services (including paid and free) exceeded 1,300. In order to accelerate DX of local governments, the Group continues to make upfront investments, mainly through Govmates, Inc.

As a result, in the consolidated cumulative first quarter of the fiscal year ending March 31, 2024, revenue in the Publitech Business was 3,243 million yen (72.6% increase from the same period of the previous fiscal year), and segment profit was 895 million yen (103.8% increase from the same period of the previous fiscal year).

(2) Financial Position

(i) Assets, Liabilities, and Shareholder Equity

(Assets)

Current assets at the end of the consolidated cumulative first quarter of the fiscal year ending March 31, 2024 were 30,855 million yen, a decrease of 5,843 million yen from the end of the previous fiscal year. This was mainly due to a decrease of 3,438 million yen in trade and other receivables. Non-current assets were 20,859 million yen, an increase of 4,615 million yen from the end of the previous fiscal year. This was mainly due to new acquisition of investment securities and an increase in investment securities included in other financial assets transferred from investment securities held as part of operations, which had been recorded as current assets, following the discontinuation of the Investment Business.

As a result, total assets were 51,715 million yen, a decrease of 1,228 million yen compared to the end of the previous fiscal year.

(Liabilities)

Current liabilities at the end of the consolidated cumulative first quarter of the fiscal year ending March 31, 2024 were 8,281 million yen, a decrease of 1,369 million yen from the end of the previous fiscal year. This was mainly due to a decrease of 1,648 million yen in trade and other payables. Non-current liabilities were 4,021 million yen, an increase of 61 million yen from the end of the previous fiscal year. This was mainly due to an increase of 160 million yen in deferred tax liabilities.

As a result, total liabilities were 12,303 million yen, a decrease of 1,308 million yen from the end of the previous fiscal year.

(Equity)

Equity at the end of the consolidated cumulative first quarter of the fiscal year ending March 31, 2024 was 39,411 million yen, an increase of 79 million yen from the end of the previous fiscal year. This was mainly due to an increase of 855 million yen in retained earnings coming from the current net profit attributable to the owners of the parent and a decrease of 723 million yen due to dividends of surplus.

(ii) Cash Flows

Cash and cash equivalents at the end of the consolidated cumulative first quarter of the fiscal year ending March 31, 2024 were 22,221 million yen, a decrease of 746 million yen from the end of the previous fiscal year.

The status of each cash flow and main factors are as follows.

(Cash flows from operating activities)

The increase in cash from operating activities during the consolidated cumulative first quarter of the fiscal year ending March 31, 2024 was 2,345 million yen (a decrease of 2,221 million yen for the same period of the previous fiscal year). This was mainly due to a net increase/decrease in trading and other receivables of 3,438 million yen.

(Cash flows from investing activities)

The decrease in cash from investing activities in the consolidated cumulative first quarter of the fiscal year ending March 31, 2024 was 2,130 million yen (a decrease of 669 million yen for the same period of the previous fiscal year). This was mainly due to the acquisition of investment securities of 1,749 million yen.

(Cash flows from financing activities)

The decrease in cash from financing activities in the consolidated cumulative first quarter of the fiscal year ending March 31, 2024 was 996 million yen (a decrease of 424 million yen for the same period of the previous fiscal year). This was mainly due to the payment of dividends of 692 million yen.

(3) Explanation for the consolidated earnings forecasts

Regarding earnings forecasts, there are no changes from the consolidated financial forecast announced on May 15, 2023.

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2. Condensed Quarterly Consolidated Financial Statements and Major Notes

(1) Condensed Quarterly Consolidated Statement of Financial Position

	(Millions of yen)	
	End of the previous consolidated fiscal year (As of March 31, 2023)	End of 1Q of the current consolidated fiscal year (As of June 30, 2023)
Assets		
Current assets		
Cash and cash equivalents	22,968	22,221
Trade and other receivables	10,331	6,893
Inventories	480	428
Investment securities held as part of operations	1,689	-
Other financial assets	447	431
Other current assets	779	879
Total current assets	36,699	30,855
Non-current assets		
Property, plant, and equipment	2,170	2,208
Right-of-use assets	378	621
Goodwill	9,042	9,268
Intangible assets	2,219	2,295
Investment under the equity method	775	629
Other financial assets	785	4,857
Deferred tax assets	757	956
Other non-current assets	116	21
Total non-current assets	16,244	20,859
Total assets	52,943	51,715

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(Millions of yen)

	End of the previous consolidated fiscal year (As of March 31, 2023)	End of 1Q of the current consolidated fiscal year (As of June 30, 2023)
Liabilities and Equity		
Liabilities		
Current liabilities		
Trade and other payables	5,511	3,863
Short-term borrowings	1,261	1,157
Lease liabilities	242	489
Other financial liabilities	170	271
Accrued income taxes	702	515
Provisions	26	117
Other current liabilities	1,736	1,867
Total current liabilities	9,651	8,281
Non-current liabilities		
Bonds and borrowings	1,786	1,670
Lease liabilities	124	121
Provisions	76	95
Deferred tax liabilities	65	225
Other non-current liabilities	1,907	1,909
Total non-current liabilities	3,960	4,021
Total liabilities	13,611	12,303
Equity		
Share capital	1,004	1,006
Capital surplus	22,480	22,482
Retained earnings	14,398	14,530
Treasury shares	△1,405	△1,405
Total equity attributable to owners of parent (total)	36,477	36,613
Non-controlling interests	2,854	2,798
Total equity	39,331	39,411
Total liabilities and equity	52,943	51,715

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(2) Condensed Quarterly Consolidated Statements of Income and Summary Consolidated Statements of Comprehensive Income
 [Condensed Quarterly Consolidated Statements of Income]

	(Millions of yen)	
	Cumulative 1Q of the previous consolidated fiscal year (From April 1, 2022 to June 30, 2022)	Cumulative 1Q of the current consolidated fiscal year (From April 1, 2023 to June 30, 2023)
Revenue from contracts with customers	2,910	4,991
Revenue from investment securities held as part of operations (△ means loss)	△147	127
Total revenue	2,762	5,118
Cost of sales	1,415	2,403
Gross profit	1,346	2,715
Selling, general and administrative expenses	1,369	2,067
Other income	4	59
Other costs	0	0
Investment loss due to equity method	-	9
Operating profit (△ means loss)	△18	717
Financial income	3	435
Financial cost	9	16
Profit before taxes	△23	1,136
Income tax expense	△4	374
Current quarterly net profit (△ means loss)	△18	762
Current quarterly profit attributable to:		
Owners of the parent	51	855
Non-controlling interests	△70	△92
Current quarterly net profit (△ means loss)	△18	762
Current quarterly earnings per share		
Current quarterly basic earnings per share (yen)	0.71	11.82
Current quarterly diluted earnings per share (yen)	0.70	11.62

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[Condensed Quarterly Consolidated Statements of Comprehensive Income]

	(Millions of yen)	
	Cumulative 1Q of the previous consolidated fiscal year (From April 1, 2022 to June 30, 2022)	Cumulative 1Q of the current consolidated fiscal year (From April 1, 2023 to June 30, 2023)
Current quarterly net profit (Δ means loss)	△18	762
Current quarterly comprehensive income	<u>△18</u>	<u>762</u>
Current quarterly comprehensive income attributable to		
Owner of the parent company	51	855
Non-controlling interests	<u>△70</u>	<u>△92</u>
Current quarterly comprehensive income	<u>△18</u>	<u>762</u>

(3) Condensed Quarterly Consolidated Statements of Changes in Equity

Condensed cumulative first quarter of the previous fiscal year (From April 1, 2022 to June 30, 2022)

(Millions of yen)

	Equity attributable to owners of parent				
	Share Capital	Capital surplus	Retained earnings	Treasury share	Total
Balance on April 1, 2022	1,002	23,016	10,867	△1,405	33,480
Current quarterly net profit			51		51
Quarterly comprehensive income	-	-	51	-	51
Issuance of shares			△325		△325
Changes in interests in subsidiaries					-
Total transactions with owners	-	-	△325	-	△325
Balance on June 30, 2022	1,002	23,016	10,593	△1,405	33,206

	Non-controlling interests	Total
Balance on April 1, 2022	2,026	35,506
Current quarterly net profit (△ means loss)	△70	△18
Quarterly comprehensive income	△70	△18
Issuance of shares		△325
Changes in interests in subsidiaries	193	193
Total transactions with owners	193	△132
Balance on June 30, 2022	2,148	35,355

Consolidated cumulative first quarter of the current fiscal year (from April 1, 2023 to June 30, 2023)

(Millions of yen)

	Equity attributable to owners of parent				
	Share Capital	Capital surplus	Retained earnings	Treasury share	Total
Balance on April 1, 2023	1,004	22,480	14,398	△1,405	36,477
Quarterly net profit			855		855
Quarterly comprehensive income	-	-	855	-	855
Dividends	2	2			5
Purchase of treasury share			△723		△723
Changes in interests in subsidiaries related to acquisition					-
Total transactions with owners	2	2	△723	-	△718
Balance on June 30, 2023	1,006	22,482	14,530	△1,405	36,613

	Non-controlling interests	Total
Balance on April 1, 2023	2,854	39,331
Quarterly net profit (△ means loss)	△92	762
Quarterly comprehensive income	△92	762
Dividends		5
Purchase of treasury share		△723
Changes in interests in subsidiaries related to acquisition	35	35
Total transactions with owners	35	△682
Balance on June 30, 2023	2,798	39,411

(4) Condensed Quarterly Consolidated Statements of Cash Flows

	(Millions of yen)	
	Cumulative 1Q of the previous consolidated fiscal year (From April 1, 2022 to June 30, 2022)	Cumulative 1Q of the current consolidated fiscal year (From April 1, 2023 to June 30, 2023)
Cash flow from operating activities		
Current quarterly profit before income taxes (Δ means loss)	$\Delta 23$	1,136
Depreciation and amortization	185	290
Investment profit/ loss due to equity method (Δ means profit)	-	$\Delta 9$
Finance income and finance costs	5	$\Delta 419$
Increase (decrease) in inventory (Δ is increase)	68	52
Increase (decrease) in trade and other receivables (Δ is increase)	536	3,438
Increase (decrease) in investment securities held as part of operations (Δ is increase)	144	$\Delta 127$
Increase (decrease) in trade and other payables (Δ is decrease)	$\Delta 905$	$\Delta 1,648$
Other	$\Delta 641$	213
Subtotal	$\Delta 629$	2,927
Interest and dividends received	-	0
Interest paid	$\Delta 5$	$\Delta 10$
Income taxes paid	$\Delta 1,586$	$\Delta 571$
Net cash provided by (used in) operating activities	$\Delta 2,221$	2,345
Cash flow from investing activities		
Purchases of property, plant, and equipment	$\Delta 510$	$\Delta 126$
Purchase of intangible assets	$\Delta 221$	$\Delta 217$
Acquisition of investment securities	$\Delta 3$	$\Delta 1,749$
Other	65	$\Delta 36$
Net cash provided by (used in) investing activities	$\Delta 669$	$\Delta 2,130$
Cash flow from financing activities		
Net increase (decrease) in short-term borrowings (Δ is decrease)	-	$\Delta 50$
Repayments of long-term borrowings	$\Delta 71$	$\Delta 192$
Repayments of lease liabilities	$\Delta 42$	$\Delta 67$
Proceeds from issuance of shares	-	5
Dividend payment	$\Delta 310$	$\Delta 692$
Net cash provided by (used in) financing activities	$\Delta 424$	$\Delta 996$
Net increase in cash and cash equivalents (Δ is decrease)	$\Delta 3,315$	$\Delta 782$
Cash and cash equivalents at beginning of period	30,407	22,968
Effect of exchange rate changes on cash and cash equivalents	0	35
Cash and cash equivalents at end of period	<u>27,091</u>	<u>22,221</u>

[Notes of caution]

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**(5) Notes to Condensed Quarterly Consolidated Financial Statements
(Notes on the Going Concern Assumption)**

Not applicable

(Segment Information)

(1) Description of reportable segments

The Group's reportable segments are the components of the Group for which discrete financial information is available and whose operating results are regularly reviewed by the Company's Board of Directors to make decisions about the allocation of management resources to the segments and assess their performance. No operating segments have been aggregated in determining the reportable segments.

The Group consists of segments categorized by the nature of services. We have three reportable segments: the NEW-IT Transformation Business, the Investment Business, and the Publitech Business.

The NEW-IT Transformation Business provides Japanese companies with solutions that improve productivity and added value by transforming their business operations and business models through the development of new technologies and digital human resources.

The Investment Business invests primarily in so-called late-stage IPO preparing companies and publicly traded companies that are expected to continue to grow at a high rate.

The Publitech Business provides a platform services for hometown tax donation and solutions for government agencies.

(Matter related to changes in reportable segments)

With regard to the Investment Business, in light of the fact that we are expanding DX growth investments through M&A and capital and business alliances, we have determined that focusing on business investments that contribute to the development of the NEW-IT Transformation Business and the Publitech Business through synergies with investment companies will contribute to further enhancing the corporate value of the Group. Accordingly, at our Board of Directors meeting held on April 14, 2023, we resolved to abolish the Investment Business and change the reportable segments. We will discontinue the investment business, but there is no change in our policy of actively utilizing M&A and capital and business alliances as useful means of business growth.

Revenue and segment profit until April 13, 2023 are presented as the Investment Businesses, and subsequent gains and losses on investment securities are presented in finance income and finance costs.

(2) Information regarding reportable segments

The accounting policies of the reportable segments are the same as those of the Group.

Segment profit in the reportable segments is based on operating profit.

Intersegment revenue is based on prevailing market prices.

Consolidated cumulative first quarter of the previous fiscal year (From April 1, 2022 to June 30, 2022)

(Millions of yen)

	Reportable segments				Adjustment (Note) 1	Consolidated
	NEW-IT Transformation Business	Investment Business	Publitech Business	Total		
Revenue						
Revenue from external customers (Δ means loss)	1,031	Δ 147	1,879	2,762	-	2,762
Intersegment revenue	1	-	0	1	Δ 1	-
Total	1,032	Δ 147	1,879	2,764	Δ 1	2,762
Segment profit (Δ means loss)	351	Δ 158	437	631	Δ 649	Δ 18

[Notes of caution]

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(Note 2)						
Finance income	-	-	-	-	-	3
Financing cost	-	-	-	-	-	9
Profit before tax (Δ means loss)	-	-	-	-	-	Δ 23

(Note) 1. The adjustment amount in segment profit (Δ means loss) of Δ 649 million yen comprises company-wide expenses not allocable to any reportable segment and mostly consists of general and administrative expenses of Δ 649 million yen that are not attributable to the reportable segments.

2. This segment income (Δ means loss) is adjusted with operating income in the condensed quarterly consolidated statements of income.

Consolidated cumulative first quarter of the current fiscal year (From April 1, 2023 to June 30, 2023)

(Millions of yen)

	Reportable segments				Adjustment (Note) 1	Consolidated
	NEW-IT Transformation Business	Investment Business	Publitech Business	Total		
Revenue						
Revenue from external customers	1,747	127	3,243	5,118	-	5,118
Intersegment revenue	3	-	-	3	Δ 3	-
Total	1,750	127	3,243	5,121	Δ 3	5,118
Segment profit (Δ means loss) (Note 2)	494	126	895	1,516	Δ 799	717
Finance income	-	-	-	-	-	435
Financing cost	-	-	-	-	-	16
Profit before tax	-	-	-	-	-	1,136

(Note) 1. The adjusted Δ 799 million yen for the segment income (Δ means loss) is corporate expenses that are not allocated to each reportable segment, and mainly consists of general and administrative expenses of Δ 799 million yen that are not attributable to the reportable segment.

2. This segment income (Δ means loss) is adjusted with operating income in the condensed quarterly consolidated statements of income.

[Notes of caution]

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(Significant Subsequent Events)

(Implementation of a tender offer and subscription for a third-party allocation of shares)

On August 2, 2023, the Board of Directors of the Company decided to acquire ordinary shares of E Guardian Inc. (hereinafter referred to as the "Target Company") through a takeover offer under the Financial Instruments and Exchange Act (hereinafter referred to as the "Tender Offer"), to subscribe for the allocation of additional shares to a third party and to enter into a capital and business alliance agreement.

(1) Purpose of the Tender Offer

Our purpose is to include the Target Company in our consolidated subsidiaries by subscribing for its third-party allocation of new shares subject to the completion of the Tender Offer.

Aggressively conducting M&A in growing areas is our key strategy. We are actively acquiring digital human resources, expanding new business domains using leading-edge technologies, and developing, deploying and expanding IT platform services for local governments and SaaS services and products for local governments.

From the viewpoint of expanding the business domain to the cyber-security business that prevents threats from cyber-attacks against IT platform services and SaaS services, we have decided to accelerate our growth through increasing the corporate value of the Group, by including the Target Company, or an internet security provider, of which business comprises of social support, game support, ad-process, cyber security, and other business categories, in our consolidated subsidiaries, and by expanding the customer networks, human resources, knowledge of the cyber security industry, and human resources development held by both groups.

(2) Summary of the Target Company

(i) Name	E Guardian Inc.
(ii) Address	2-8, Toranomon 1-chome, Minato-ku, Tokyo
(iii) Job Title/Name of Representative	Yasuhisa Takaya, President and Representative Director
(iv) Description of Businesses	(1) Blogging, SNS and bulletin board planning consulting (2) Real-time post monitoring (3) User support services (4) Online game customer support services (5) Compliance measures, reputation, and trend investigation (6) Community site planning, Site management, and Advertisement inspection services (7) Temporary staffing services.
(v) Share capital	364 million yen (as of March 31, 2023)

(3) Outline of the Tender Offer

(i) Period of the Tender Offer

From August 3, 2023 (Thursday) to October 2, 2023 (Monday) (41 business days)

(ii) Purchase price

3,000 yen for one ordinary share

(iii) Number of share certificates to be purchased

Planned number of purchases	Lower limit of the expected number of purchases	Upper limit of the planned number of purchases
4,316,816 (shares)	3,742,904 (shares)	4,316,816 (shares)

(iv) Settlement start date

Tuesday, October 10, 2023

(v) Whether or not the target company remains listed after the Tender Offer

After the Tender Offer is consummated, the Target Company will maintain the listing on the Tokyo Stock Exchange.

(4) Subscription for the Third-Party Allocation

Subject to the completion of the Tender Offer, we will subscribe for a third-party allocation of new shares to be issued by the Target Company (the "Third-party Allocation"). The number of shares to be subscribed for the Third-party Allocation is expected to be 1,527,716 shares (15.00% ownership before dilution and 13.04% ownership after dilution). The total amount to be paid by us for the Third-party Allocation will be 3,206 million yen based on the setting the subscription price per share the same as the closing price of 2,099 yen of the Target Company on the Tokyo Stock Exchange Prime Market on August 1, 2023, which is one business day prior to the publication date for

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the Tender Offer.

※This refers to a reduction in per-share revenue and the diminishing number of voting rights.

The ratio of the number of voting rights (15,277) related to the target shares issued through this third-party allocation to the total number of voting rights (102,127) as of March 31, 2023 is 14.96%, resulting in a reduction of 14.96% in the number of voting rights held by existing holders.