



November 14, 2023

## Summary of Consolidated Financial Results (IFRS) for the 2Q 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.changeholdings.co.jp/>

Representative: Hiroshi Fukudome, Representative Director and President

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Scheduled filing date of quarterly report: November 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 Second Quarter of the Fiscal Year Ending March 31, 2024

(April 1, 2023 to September 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	%
2Q of FY 2024	14,657	146.9	4,329	-	4,377	-	2,989	-	3,131	-	2,989	-
2Q of FY 2023	5,937	-	118	-	103	-	52	-	163	-	52	-

	Basic quarterly basic earnings per share	Diluted quarterly earnings per share
2Q of FY 2024	Yen 43.28	Yen 42.54
2Q of FY 2023	Yen 2.26	Yen 2.22

(Note) As of the end of the previous consolidated fiscal year, the provisional accounting treatment for business combinations was finalized, and for the second quarter of the fiscal year ended March 2023, the amount after the revision was reflected.

#### (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 2Q of FY 2024	59,516	41,639	38,889	65.3
End of FY 2023	52,943	39,331	36,477	68.9

#### 2. Dividend Status

	Annual dividends				
	End of second quarter	End of third quarter	End of second quarter	End of the fiscal year	Total
	Yen	Yen	Yen	Yen	Yen
FY2023	-	0.00	-	10.00	10.00
FY 2024	-	0.00	-	-	-
FY 2024 (forecast)	-	-	-	12.50	12.50

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

Regarding the revision of the dividend forecast, please refer to the "Announcement of the Revision of the Dividend Forecast (due to the Special Dividends) Accompanying the Abolishment of the Shareholder Benefit Program from the Fiscal Year Ending March 31, 2024" published today (November 14, 2023).

Breakdown of the year-end dividend for the year ended March 31, 2023

Ordinary dividend: 7.00 yen, Commemorative dividend: 3.00 yen

Breakdown of end of March 2024

Ordinary dividend: 12.00 yen, Special dividend: 0.50 yen

**[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.**

### 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

(1) Changes in significant subsidiaries during the second quarter (changes in specified subsidiaries resulting in changes in scope of consolidation): Noe

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)	2Q of FY ending March 2024	72,978,762 shares	FY ended March 2023	72,967,562 shares
(ii) Number of treasury shares at the end of the period	2Q of FY ending March 2024	623,335 shares	FY ended March 2023	623,335 shares
(iii) Average number of shares during the period (cumulative quarterly period)	2Q if FY ending March 2024	72,353,448 shares	2Q of FY ended March 2023	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 several 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 6 hereof.

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## Qualitative Information on the 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 second quarter of the current fiscal year.

The accounting treatment for the business combination with Logosware Co., Ltd., which was conducted on August 1, 2022, was a provisional one in the second quarter of the previous fiscal year. However, at the end of the previous fiscal year, such treatment was finally fixed and the revised amount due to this finalized accounting treatment is used in the following statements for comparison and analysis therewith.

### (1) Overview of operating results

In the future, it is predicted that about one 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 Segment, 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 (Phase 2)," 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 August 2, 2023, we entered into a capital and business alliance agreement with E Guardian Inc. to expand our business into the cyber-security field, which is indispensable for promoting DX, and then made it our consolidated subsidiary on October 11, 2023, after completing a tender offer for its shares and subscription of the third-party allocation of its new shares. In the future, this company will be a part of the NEW-IT Transformation Business.

Also, on April 1, 2023, the former CHANGE, Inc. completed the transition to a holding company structure and changed its name to CHANGE Holdings, Inc. (hereinafter, the "Company"). 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 second 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, on August 2, 2023, we concluded a capital and business alliance agreement with E Guardian Inc., made the tender offer for its shares and subscribed a third-party allotment of its new shares, and completed the consolidation as of October 11, 2023. Going forward, we will expand our business domain into the cybersecurity field, which is essential for promoting DX, and further reorganize the cybersecurity industry.

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, anticipating the impact of the "Revision of *Furusato Nozei* (the hometown tax donation) toward the Next Designated Period" issued by the Ministry of Internal Affairs and Communications in June 2023, tax donors significantly accelerated the payment of donations ahead of the next period. Our revenue grew substantially due to such increase of tax donations as well as 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 powerful 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 second quarter of the fiscal year ending March 31, 2024, revenue was 14,657 million yen (146.9% increase from the same period of the previous fiscal year), operating profit was 4,329 million yen (118 million yen in the

same period of the previous fiscal year), quarterly profit before taxes was 4,377 million yen (103 million yen in the same period of the previous fiscal year), and quarterly profit attributable to owners of parent was 3,131 million yen (163 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, on August 2, 2023, we concluded a capital and business alliance agreement with E Guardian Inc., made the tender offer for its shares and subscribed a third-party allotment of its new shares, and completed the consolidation as of October 11, 2023. Going forward, we will expand our business domain into the cybersecurity field, which is essential for promoting DX, and further reorganize the cybersecurity industry.

As a result, in the consolidated cumulative second quarter of the fiscal year ending March 31, 2024, revenue in the New IT Transformation Business was 2,967 million yen (52.4% increase from the same period of the previous fiscal year), and segment profit was 711 million yen (20.9% 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.

Revenue and segment profit until April 13, 2023, was included in the Investment Business, and subsequent gains and losses on investment securities were included in finance income and finance costs.

Until the date of the abolition of the Investment Business, revenue therefrom was 127 million yen and segment profit were 126 million yen.

**(c) Publitech Business**

In the Publitech Business, anticipating the impact of the "Revision of *Furusato Nozei* (the hometown tax donation) toward the Next Designated Period" issued by the Ministry of Internal Affairs and Communications in June 2023, tax donors significantly accelerated the payment of donations ahead of the next period. Our revenue grew substantially due to such increase of tax donations as well as 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 powerful 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 second quarter of the fiscal year ending March 31, 2024, revenue in the Publitech Business was 11,572 million yen (175.8% increase from the same period of the previous fiscal year), and segment profit was 5,192 million yen (398.9% 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 second quarter of the fiscal year ending March 31, 2024, were 38,487 million yen, an increase of 1,788 million yen from the end of the previous fiscal year. This was mainly due to an increase of 4,118 million yen in trade and other receivables. Non-current assets were 21,028 million yen, an increase of 4,784 million yen from the end of the previous fiscal year. This was mainly due to an increase in investment securities to be included in other financial assets, which were 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 59,516 million yen, an increase of 6,572 million yen compared to the end of the previous fiscal year.

**(Liabilities)**

Current liabilities at the end of the consolidated cumulative second quarter of the fiscal year ending March 31, 2024, were 15,185 million yen, an increase of 5,534 million yen from the end of the previous fiscal year. This was mainly due to the reclassification of long-term accounts payable-other included in other non-current liabilities to current liabilities, which resulted in an increase of 1,743 million yen in other current liabilities. Non-current liabilities were 2,691 million yen, a decrease of 1,269 million yen from the end of the previous fiscal year. This was mainly due to a decrease of 1,338 million yen following the reclassification of long-term accounts payable included in other non-current liabilities into other current liabilities.

As a result, total liabilities were 17,877 million yen, an increase of 4,265 million yen from the end of the previous fiscal year.

**(Equity)**

Equity at the end of the consolidated cumulative second quarter of the fiscal year ending March 31, 2024, was 41,639 million yen, an increase of 2,307 million yen from the end of the previous fiscal year. This was mainly due to an increase of 3,131 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 second quarter of the fiscal year ending March 31, 2024, were 22,751 million yen, a decrease of 217 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 second quarter of the fiscal year ending March 31, 2024, was 3,272 million yen (a decrease of 2,103 million yen for the same period of the previous fiscal year). This was mainly due to the quarterly profit of 4,377 million yen.

(Cash flows from investing activities)

The decrease in cash from investing activities in the consolidated cumulative second quarter of the fiscal year ending March 31, 2024, was 2,436 million yen (a decrease of 2,184 million yen for the same period of the previous fiscal year). This was mainly due to the purchase of investment securities of 2,049 million yen.

(Cash flows from financing activities)

The decrease in cash from financing activities in the consolidated cumulative second quarter of the fiscal year ending March 31, 2024, was 1,099 million yen (an increase of 1,443 million yen for the same period of the previous fiscal year). This was mainly due to the dividend payments of 721 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.

**[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.**

## 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 2Q of the current consolidated fiscal year (As of September 30, 2023)
Assets		
Current assets		
Cash and cash equivalents	22,968	22,751
Trade and other receivables	10,331	14,450
Inventories	480	416
Investment securities held as part of operations	1,689	-
Other financial assets	447	130
Other current assets	779	738
Total current assets	36,699	38,487
Non-current assets		
Property, plant, and equipment	2,170	2,513
Right-of-use assets	378	556
Goodwill	9,042	9,268
Intangible assets	2,219	2,411
Investment under the equity method	775	636
Other financial assets	785	4,510
Deferred tax assets	757	1,103
Other non-current assets	116	28
Total non-current assets	16,244	21,028
Total assets	52,943	59,516

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(Millions of yen)

	End of the previous consolidated fiscal year (As of March 31, 2023)	End of 2Q of the current consolidated fiscal year (As of September 30, 2023)
Liabilities and Equity		
Liabilities		
Current liabilities		
Trade and other payables	5,511	7,049
Short-term borrowings	1,261	1,186
Lease liabilities	242	266
Other financial liabilities	170	172
Accrued income taxes	702	1,902
Provisions	26	1,127
Other current liabilities	1,736	3,480
Total current liabilities	9,651	15,185
Non-current liabilities		
Bonds and borrowings	1,786	1,640
Lease liabilities	124	284
Provisions	76	128
Deferred tax liabilities	65	68
Other non-current liabilities	1,907	569
Total non-current liabilities	3,960	2,691
Total liabilities	13,611	17,877
Equity		
Share capital	1,004	1,006
Capital surplus	22,480	22,482
Retained earnings	14,398	16,806
Treasury shares	△1,405	△1,405
Total equity attributable to owners of parent (total)	36,477	38,889
Non-controlling interests	2,854	2,749
Total equity	39,331	41,639
Total liabilities and equity	52,943	59,516



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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 2Q of the previous consolidated fiscal year (From April 1, 2022 to September 30, 2022)	Cumulative 2Q of the current consolidated fiscal year (From April 1, 2023 to September 30, 2023)
Revenue from contracts with customers	6,130	14,529
Revenue from investment securities held as part of operations (△ means loss)	△192	127
Total revenue	5,937	14,657
Cost of sales	3,051	4,704
Gross profit	2,885	9,952
Selling, general and administrative expenses	2,852	5,718
Other income	85	80
Other costs	0	0
Investment loss due to equity method	-	16
Operating profit (△ means loss)	118	4,329
Financial income	6	76
Financial cost	21	28
Profit before taxes (△ means loss)	103	4,377
Income tax expense	51	1,388
Current quarterly net profit (△ means loss)	52	2,989
Current quarterly profit attributable to:		
Owners of the parent	163	3,131
Non-controlling interests	△110	△141
Current quarterly net profit (△ means loss)	52	2,989
Current quarterly earnings per share		
Current quarterly basic earnings per share (yen)	2.26	43.28
Current quarterly diluted earnings per share (yen)	2.22	42.55

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[Condensed Quarterly Consolidated Statements of Comprehensive Income]

	(Millions of yen)	
	Cumulative 2Q of the previous consolidated fiscal year (From April 1, 2022 to September 30, 2022)	Cumulative 2Q of the current consolidated fiscal year (From April 1, 2023 to September 30, 2023)
Current quarterly net profit	52	2,989
Current quarterly comprehensive income	<u>52</u>	<u>2,989</u>
Current quarterly comprehensive income attributable to		
Owner of the parent company	163	3,131
Non-controlling interests	$\Delta$ 110	$\Delta$ 141
Current quarterly comprehensive income	<u>52</u>	<u>2,989</u>

**(3) Condensed Quarterly Consolidated Statements of Changes in Equity**

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

(Millions of yen)

	Equity attributable to owners of parent				Total
	Share Capital	Capital surplus	Retained earnings	Treasury share	
Balance on April 1, 2022,	1,002	23,016	10,867	△1,405	33,480
Current quarterly net profit			163		163
Quarterly comprehensive income	-	-	163	-	163
Issuance of shares			△325		△325
Changes in interests in subsidiaries					-
Total transactions with owners	-	-	△325	-	△325
Balance on September 30, 2022	1,002	23,016	10,705	△1,405	33,318

	Non-controlling interests	Total
Balance on April 1, 2022,	2,026	35,506
Current quarterly net profit	△110	52
Quarterly comprehensive income	△110	52
Issuance of shares		△325
Changes in interests in subsidiaries	313	313
Total transactions with owners	313	△12
Balance on September 30, 2022	2,228	35,546

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

(Millions of yen)

	Equity attributable to owners of parent				Total
	Share Capital	Capital surplus	Retained earnings	Treasury share	
Balance on April 1, 2023	1,004	22,480	14,398	△1,405	36,477
Quarterly net profit			3,131		3,131
Quarterly comprehensive income	-	-	3,131	-	3,131
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 September 30, 2023	1,006	22,482	16,806	△1,405	38,889

	Non-controlling interests	Total
Balance on April 1, 2023,	2,854	39,331
Quarterly net profit	△141	2,989
Quarterly comprehensive income	△141	2,989
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 September 30, 2023	2,749	41,639

(4) Condensed Quarterly Consolidated Statements of Cash Flows

(Millions of yen)

	Cumulative 2Q of the previous consolidated fiscal year (From April 1, 2022 to September 30, 2022)	Cumulative 2Q of the current consolidated fiscal year (From April 1, 2023 to September 30, 2023)
Cash flow from operating activities		
Current quarterly profit before income taxes	103	4,377
Depreciation and amortization	414	598
Investment profit/ loss due to equity method ( $\Delta$ means profit)	-	$\Delta$ 16
Finance income and finance costs	14	$\Delta$ 48
Increase (decrease) in inventory ( $\Delta$ is increase)	16	63
Increase (decrease) in trade and other receivables ( $\Delta$ is increase)	$\Delta$ 217	$\Delta$ 4,118
Increase (decrease) in investment securities held as part of operations ( $\Delta$ is increase)	170	$\Delta$ 127
Increase (decrease) in trade and other payables ( $\Delta$ is decrease)	385	1,537
Other	$\Delta$ 1,385	1,548
Subtotal	$\Delta$ 497	3,815
Interest and dividends received	0	3
Interest paid	$\Delta$ 14	$\Delta$ 20
Income taxes paid	$\Delta$ 1,591	$\Delta$ 526
Net cash provided by (used in) operating activities	$\Delta$ 2,103	3,272
Cash flow from investing activities		
Purchases of property, plant, and equipment	$\Delta$ 909	$\Delta$ 453
Purchase of intangible assets	$\Delta$ 445	$\Delta$ 463
Acquisition of subsidiaries	$\Delta$ 493	-
Acquisition of investment securities	-	$\Delta$ 2,049
Sale of investment securities	-	277
Other	$\Delta$ 335	252
Net cash provided by (used in) investing activities	$\Delta$ 2,184	$\Delta$ 2,436
Cash flow from financing activities		
Net increase (decrease) in short-term borrowings ( $\Delta$ is decrease)	-	$\Delta$ 35
Proceeds of long-term borrowings	2,000	300
Repayments of long-term borrowings	$\Delta$ 143	$\Delta$ 510
Repayments of lease liabilities	$\Delta$ 88	$\Delta$ 137
Proceeds from issuance of shares	-	5
Dividend payment	$\Delta$ 324	$\Delta$ 721
Net cash provided by (used in) financing activities	1,443	$\Delta$ 1,099
Net increase in cash and cash equivalents ( $\Delta$ is decrease)	$\Delta$ 2,844	$\Delta$ 264
Cash and cash equivalents at beginning of period	30,407	22,968
Effect of exchange rate changes on cash and cash equivalents	4	47
Cash and cash equivalents at end of period	<u>27,567</u>	<u>22,751</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 innovative 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 service 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, were presented as the Investment Businesses, and subsequent gains and losses on investment securities were 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 second quarter of the previous fiscal year (From April 1, 2022, to September 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 (△ means loss)	1,935	△192	4,194	5,937	-	5,937
Intersegment revenue	11	-	1	12	△12	-
Total	1,947	△192	4,196	5,950	△12	5,937
Segment profit (△ means loss)	588	△208	1,040	1,420	△1,302	118

[Notes of caution]

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(Note 2)						
Finance income	-	-	-	-	-	6
Financing cost	-	-	-	-	-	21
Profit before tax	-	-	-	-	-	103

(Note) 1. The adjustment amount in segment profit ( $\Delta$  means loss) of  $\Delta 1,302$  million yen comprises company-wide expenses not allocable to any reportable segment and mostly consists of general and administrative expenses of  $\Delta 1,302$  million yen that are not attributable to the reportable segments.

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

Consolidated cumulative second quarter of the current fiscal year (From April 1, 2023, to September 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	2,957	127	11,572	14,657	-	14,657
Intersegment revenue	9	-	-	9	$\Delta 9$	-
Total	2,967	127	11,572	14,667	$\Delta 9$	14,657
Segment profit ( $\Delta$ means loss) (Note 2)	711	126	5,192	6,030	$\Delta 1,700$	4,329
Finance income	-	-	-	-	-	76
Financing cost	-	-	-	-	-	28
Profit before tax	-	-	-	-	-	4,377

(Note) 1. The adjusted  $\Delta 1,700$  million yen for the segment income ( $\Delta$  means loss) is corporate expenses that are not allocated to each reportable segment, and mainly consists of general and administrative expenses of  $\Delta 1,700$  million yen that are not attributable to the reportable segment.

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

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(Significant Subsequent Events)

(Consolidation of E Guardian Inc. into our subsidiary following the acquisition of its shares)

On August 2, 2023, our Board of Directors decided to acquire ordinary shares of E Guardian Inc. (hereinafter referred to as the "Subject Company") through a tender offer subject to the Financial Instruments and Exchange Act (hereinafter referred to as the "Tender Offer"), to subscribe for the third-party allocation of new shares (hereinafter, the "Third-party Allocation of Shares"), and to enter into a capital and business alliance agreement. As a result of the Tender Offer during August 3 to October 2, 2023 (hereinafter, the "Tender Offer Period"), the total number of shares applied for the Tender Offer was greater than the lower limit of the planned number on the end of the Tender Offer Period, therefore resulted in the successive completion of the Tender Offer.

In addition, since the Tender Offer was completed, we have implemented a subscription for the "Third-party Allocation of Shares."

As a result of the Tender Offer and the Third-Party Allocation of Shares, the Subject Company became our consolidated subsidiary.

1. The outline of the Business Combination

Name and business of the acquired company

(1) Name of the company to be acquired.

E-Guardian Inc.

(2) Description of the business

(i) Planning and consulting for blogging, SNS and bulletin board

(ii) Real-time post monitoring

(iii) User support services

(iv) Online game customer support services

(v) Consulting for compliance, reputation, and trend investigation

(vi) Community site planning, site management, and advertisement inspection services

(vii) Temporary staffing services.

Consolidated results of operations and consolidated financial position of the Subject Company for the last three years (Japanese GAAP)

Fiscal year end	Fiscal year ended September 2021	Fiscal year ended September 2022	Fiscal year ended September 2023
Consolidated net assets	4,910 million yen	6,482 million yen	7,386 million yen
Consolidated total assets	6,832 million yen	8,414 million yen	9,112 million yen
Consolidated net assets per share	489.38 yen	646.13 yen	739.14 yen
Consolidated net sales	9,933 million yen	11,752 million yen	11,909 million yen
Consolidated operating income	1,968 million yen	2,272 million yen	1,778 million yen
Consolidated ordinary income	2,040 million yen	2,314 million yen	1,806 million yen
Profit attributable to owners of parent	1,086 million yen	1,689 million yen	1,229 million yen
Consolidated net income per share	107.44 yen	168.38 yen	122.74 yen
Dividend per share	14.00 yen	24.00 yen	26.00 yen

(2) Main reasons for the business combination

One of our key strategies is to pursue M&A, and we have been actively acquiring digital human resources, expanding new business domains using leading-edge technologies, and developing and expanding IT platform services, SaaS services, and products for local governments. From the viewpoint of expanding the business domain into a cyber security domain that will contribute to preventing threats from cyber-attacks against IT platform services and SaaS services, we have decided to acquire an internet security provider, which comprises social support, game support, ad-



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process, cyber security, and other business categories, and make it our consolidated subsidiary. We believe that, by expanding the customer network, human resources, knowledge of the cyber security industry, and human resources development held by both groups, we will further increase the corporate value and accelerate the growth.

(3) Date of the acquisition

October 11, 2023 (payment date for third-party allotment of new shares)

(4) Legal form of business combination

Cash payment in consideration of the acquisition of existing shares and subscription for new shares of the Subject Company through a third-party allotment

(5) Name of the combined company

No change.

2. Number of shares acquired, acquisition cost, and status of shares held before and after the acquisition

(1)	Shares owned prior to the transaction	- shares (number of voting rights:-) (percentage of voting rights:-%)
(2)	Total share purchased	(i)acquisition by the Tender Offer 4,316,908 shares (number of voting rights: 43,169) (ii)acquisition by Third-party Allocation of Shares 1,527,716 Shares (number of voting rights: 15,277)
(3)	Acquisition cost	Cash (i)acquisition through the Tender Offer: 12,950 million yen (ii)acquisition by Third-party Allocation of Shares: 3,206 million yen Acquisition-related expenses It is not fixed at this time.
(4)	Shares owned after the transaction	5,844,624 shares (number of voting rights: 58,446) (49.90% of voting rights)

(Note 1) "Resolution Ownership Percentage" in "Percentage of voting rights in Shares owned after the transaction" (above (4)) is calculated by using the number of resolutions (117,124) as the denominator, which is related to the number of outstanding shares (11,712,488 holdings) which was calculated by adding the number of shares newly issued at the Third-party Allotment (1,527,716 holdings) to the total number of outstanding shares (10,405,800 holdings) as of June 30, 202 and by excluding the number of self-held shares (221,028 holdings) as of June 30, 2023, both appearing on the Third Quarterly Report.

(Note 2) "Percentage of voting rights" is rounded off to the nearest third decimal place.

3. Effect on the profit

The impact of this matter on the group's business results for the year ending March 31, 2024 has not been determined at this time.

4. Amount and cause of goodwill, amount of assets and indebtedness accepted on the date of business combination, and amount of non-controlling interest

Accounting for the business combination has not been completed and, therefore, has not been finalized at this time.

(Borrowing of funds)

At the meeting of the Board of Directors held on October 3, 2023, we decided to borrow funds for the acquisition of the shares of E-Guardian Inc. and make it a subsidiary.

1. Reasons for borrowing funds

To settle the Tender Offer and pay for the Third-party Allocation of Shares of E-Guardian Inc.

2. Description of the borrowing

Borrower	Mizuho Bank, Ltd.	Sumitomo Mitsui Banking Corporation
Amount borrowed	10 billion yen	5 billion yen
Borrowing rate	Base rate + spread	Base rate + spread
Borrowing execution date	October 6, 2023	October 6, 2023
Borrowing period	7 years	1 year

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Method of payment	Installment repayment	Lump-sum repayment on due date
Security/Guarantee	Joint and several guarantee by Trust Bank, Inc. and CHANGE, Inc.	Unsecured & unguaranteed

At a meeting of the Board of Directors held on October 13, 2023, we resolved to refinance loans from Sumitomo Mitsui Banking Corporation under the following terms and conditions and will repay the loan on the due date in a lump sum along with the following refinancing borrowing schedule.

Borrower	Sumitomo Mitsui Banking Corporation
Amount borrowed	5 billion yen
Borrowing rate	Base rate + spread
Borrowing execution date	During November, 2023
Borrowing period	7 years
Method of payment	Lump-sum repayment on due date
Security/Guarantee	Unsecured & unguaranteed

End