



February 14, 2024

## Summary of Consolidated Financial Results (IFRS) for the 3Q 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

For Inquiry: Yutaka Yamada, Director, Executive Officer and CFO TEL: 03-6435-7347

Scheduled filing date of quarterly report: February 14, 2024

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 Third Quarter of the Fiscal Year Ending March 31, 2024

(April 1, 2023 to December 31, 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	%
3Q of FY 2024	28,798	85.6	10,289	98.3	10,283	100.6	6,989	99.0	6,982	93.4	6,928	97.3
3Q of FY 2023	15,519	-	5,188	-	5,126	-	3,511	-	3,609	-	3,511	-

	Basic quarterly basic earnings per share	Diluted quarterly earnings per share
3Q of FY 2024	Yen 96.51	Yen 94.90
3Q of FY 2023	49.90	49.06

(Note) As of the end of the previous consolidated fiscal year, the provisional accounting treatment for business combinations was finalized, and for the third 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 3Q of FY 2024	93,787	50,642	42,676	45.5
End of FY 2023	52,943	39,331	36,477	68.9

#### 2. Dividend Status

	Annual dividends				
	End of First quarter	End of Second quarter	End of third 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

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 third quarter (changes in specified subsidiaries resulting in changes in scope of consolidation): yes

New company (company name) - E-Guardian Inc.

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)	3Q 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	3Q 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)	3Q of FY ending March 2024	72,354,775 shares	3Q of FY ended March 2023	72,336,308 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 4 hereof.

## Accompanying Materials

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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 third quarter of the current fiscal year.

The accounting treatment for the business combination with Logosware Corporation., which was conducted on August 1, 2022, was a provisional one in the third 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, 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 third 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. Going forward, we will expand our business into the cybersecurity field, which is essential for promoting DX. On August 2, 2023, we concluded a capital and business alliance with E-Guardian Inc. and completed a tender offer for its shares and undertook a third-party allocation of its new shares in order to further reorganize the cybersecurity industry. On October 11, 2023, we completed the consolidation of E-Guardian Inc into our subsidiary. On December 25, 2023, we established Cyleague Holdings, Inc., an intermediate holding company that will play a central role in the reorganization of the security industry. On February 14, 2024, we announced that we will acquire and consolidate Digital Arts Consulting Inc. on March 29, 2024. In the field of digital human resource development, we are accelerating the evolution of our business model into a platform-based one and are developing products and services that will incorporate the newest DX, such as the launch of generative AI (ChatGPT) training. In the Private Sector's DX field, we are developing new DX solutions for industries where labor shortages are serious.

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, the amount of donations we dealt with in the second quarter of the current fiscal year increased significantly as donors accelerated their hometown tax donation in anticipation for 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. In the third quarter of the current fiscal year, the amount of donations we dealt with was affected to a certain degree. However, revenues increased significantly 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 services for local governments, continue to

receive a strong reputation among them, and the total number of local governments using LoGo chat services (both paid and free) exceeded 1,300. In addition, in order to accelerate local government DX, we made up-front investment such as Govmates, Inc. On November 10, 2023, we established UPcloth, Inc. and welcomed the top expert of local autonomy policies.

As a result, in the consolidated cumulative third quarter of the fiscal year ending March 31, 2024, revenue was 28,798 million yen (85.6% increase from the same period of the previous fiscal year), operating profit was 10,289 million yen (98.3% increase from the same period of the previous fiscal year), quarterly profit before taxes was 10,283 million yen (100.6% increase from the same period of the previous fiscal year), and quarterly profit attributable to owners of parent was 6,982 million yen (93.4% increase from 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. Going forward, we will expand our business into the cybersecurity field, which is essential for promoting DX. On August 2, 2023, we concluded a capital and business alliance with E-Guardian Inc. and completed a tender offer for its shares and undertook a third-party allocation of its new shares in order to further reorganize the cybersecurity industry. On October 11, 2023, we completed the consolidation of E-Guardian Inc into our subsidiary. On December 25, 2023, we established Cyleague Holdings, Inc., an intermediate holding company that will play a central role in the reorganization of the security industry. On February 14, 2024, we announced that we will acquire and consolidate Digital Arts Consulting Inc. on March 29, 2024. In the field of digital human resource development, we are accelerating the evolution of our business model into a platform-based one and are developing products and services that will incorporate the newest DX, such as the launch of generative AI (ChatGPT) training. In the Private Sector's DX field, we are developing new DX solutions for industries where labor shortages are serious.

As a result, in the consolidated cumulative third quarter of the fiscal year ending March 31, 2024, revenue in the New IT Transformation Business was 7,211 million yen (97.3% increase from the same period of the previous fiscal year), and segment profit was 1,497 million yen (52.8% 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, the amount of donations we dealt with in the second quarter of the current fiscal year increased significantly as donors accelerated their hometown tax donation in anticipation for 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. In the third quarter of the current fiscal year, the amount of donations we dealt with was affected to a certain degree. However, revenues increased significantly 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 services for local governments, continue to receive a strong reputation among them, and the total number of local governments using LoGo chat services (both paid and free) exceeded 1,300. In addition, in order to accelerate local government DX, we made up-front investment such as Govmates, Inc. On November 10, 2023, we established UPclose, Inc. and welcomed the top expert of local autonomy policies.

As a result, in the consolidated cumulative third quarter of the fiscal year ending March 31, 2024, revenue in the Publitech Business was 21,479 million yen (78.4% increase from the same period of the previous fiscal year), and segment profit was 11,437 million yen (76.9% 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 third quarter of the fiscal year ending March 31, 2024, were 59,105 million yen, an increase of 22,405 million yen from the end of the previous fiscal year. This was mainly due to an increase of 12,155 million yen in cash and bank deposit. Non-current assets were 34,682 million yen, an increase of 18,437 million yen from the end of the previous fiscal year. This was mainly due to an increase of 11,515 million yen in goodwill due to the consolidation of E-Guardian Inc.

As a result, total assets were 93,787 million yen, an increase of 40,843 million yen compared to the end of the previous fiscal year.

#### **(Liabilities)**

Current liabilities at the end of the consolidated cumulative third quarter of the fiscal year ending March 31, 2024, were 23,500 million yen, an increase of 13,849 million yen from the end of the previous fiscal year. This was mainly due to an increase of 6,106 million yen in trade payables and other account payables. Non-current liabilities were 19,644 million yen, an increase of 15,684 million yen from the end of the previous fiscal year. This was mainly due to an increase of 16,368 million yen in bonds and borrowings.

As a result, total liabilities were 43,145 million yen, an increase of 29,533 million yen from the end of the previous fiscal year.

#### **(Equity)**

Equity at the end of the consolidated cumulative third quarter of the fiscal year ending March 31, 2024, was 50,642 million yen, an increase of 11,310 million yen from the end of the previous fiscal year. This was mainly due to an increase of 6,982 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 third quarter of the fiscal year ending March 31, 2024, were 35,124 million yen, an increase of 12,155 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 third quarter of the fiscal year ending March 31, 2024, was 5,749 million yen (a decrease of 3,749 million yen for the same period of the previous fiscal year). This was mainly due to the quarterly profit of 10,283 million yen.

(Cash flows from investing activities)

The decrease in cash from investing activities in the consolidated cumulative third quarter of the fiscal year ending March 31, 2024, was 10,729 million yen (a decrease of 6,204 million yen for the same period of the previous fiscal year). This was mainly due to the acquisition of subsidiaries of 7,198 million yen.

(Cash flows from financing activities)

The decrease in cash from financing activities in the consolidated cumulative third quarter of the fiscal year ending March 31, 2024, was 17,089 million yen (an increase of 4,230 million yen for the same period of the previous fiscal year). This was mainly due to the proceeds from long-term borrowing of 20,167 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 3Q of the current consolidated fiscal year (As of December 31, 2023)
Assets		
Current assets		
Cash and cash equivalents	22,968	35,124
Trade and other receivables	10,331	22,431
Inventories	480	428
Investment securities held as part of operations	1,689	-
Other financial assets	447	130
Other current assets	779	990
Total current assets	36,699	59,105
Non-current assets		
Property, plant, and equipment	2,170	3,662
Right-of-use assets	378	983
Goodwill	9,042	20,557
Intangible assets	2,219	2,488
Investment under the equity method	775	639
Other financial assets	785	4,898
Deferred tax assets	757	1,230
Other non-current assets	116	220
Total non-current assets	16,244	34,682
Total assets	52,943	93,787

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(Millions of yen)

	End of the previous consolidated fiscal year (As of March 31, 2023)	End of 3Q of the current consolidated fiscal year (As of December 31, 2023)
Liabilities and Equity		
Liabilities		
Current liabilities		
Trade and other payables	5,511	11,617
Short-term borrowings	1,261	3,329
Lease liabilities	242	515
Other financial liabilities	170	312
Accrued income taxes	702	2,662
Provisions	26	687
Other current liabilities	1,736	4,375
Total current liabilities	9,651	23,500
Non-current liabilities		
Bonds and borrowings	1,786	18,154
Lease liabilities	124	460
Provisions	76	292
Deferred tax liabilities	65	127
Other non-current liabilities	1,907	608
Total non-current liabilities	3,960	19,644
Total liabilities	13,611	43,145
Equity		
Share capital	1,004	1,006
Capital surplus	22,480	22,482
Retained earnings	14,398	20,657
Treasury shares	△1,405	△1,405
Other components of equity	-	△65
Total equity attributable to owners of parent (total)	36,477	42,676
Non-controlling interests	2,854	7,966
Total equity	39,331	50,642
Total liabilities and equity	52,943	93,787



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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 3Q of the previous consolidated fiscal year (From April 1, 2022 to December 31, 2022)	Cumulative 3Q of the current consolidated fiscal year (From April 1, 2023 to December 31, 2023)
Revenue from contracts with customers	15,669	28,671
Revenue from investment securities held as part of operations (△ means loss)	△150	127
Total revenue	15,519	28,798
Cost of sales	5,211	9,126
Gross profit	10,307	19,672
Selling, general and administrative expenses	5,296	9,496
Other income	184	99
Other costs	3	6
Share of profit (loss) of investments accounted for using equity method	△3	20
Operating profit (△ means loss)	5,188	10,289
Financial income	0	74
Financial cost	61	80
Profit before taxes (△ means loss)	5,126	10,283
Income tax expense	1,615	3,293
Current quarterly net profit (△ means loss)	<u>3,511</u>	<u>6,989</u>
Current quarterly profit attributable to:		
Owners of the parent	3,609	6,982
Non-controlling interests	△98	6
Current quarterly net profit (△ means loss)	<u>3,511</u>	<u>6,989</u>
Current quarterly earnings per share		
Current quarterly basic earnings per share (yen)	49.90	96.51
Current quarterly diluted earnings per share (yen)	49.06	94.90

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[Condensed Quarterly Consolidated Statements of Comprehensive Income]

	(Millions of yen)	
	Cumulative 3Q of the previous consolidated fiscal year (From April 1, 2022 to December 31, 2022)	Cumulative 3Q of the current consolidated fiscal year (From April 1, 2023 to December 31, 2023)
Current quarterly net profit	3,511	6,989
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income		△70
Other comprehensive income under the equity method	-	△0
Items that may be reclassified subsequently to profit or loss	-	
Exchange differences on translation of foreign operations	-	9
Total other comprehensive income, net of tax	-	△60
Current quarterly comprehensive income	<u>3,511</u>	<u>6,928</u>
Current quarterly comprehensive income attributable to		
Owner of the parent company	3,609	6,917
Non-controlling interests	△98	11
Current quarterly comprehensive income	<u>3,511</u>	<u>6,928</u>

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

Condensed cumulative third quarter of the previous fiscal year (From April 1, 2022, to December 31, 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			3,609		3,609
Cumulative comprehensive income	-	-	3,609		3,609
Dividend			△325		△325
Issuance of shares				△0	△0
Changes in interests in subsidiaries					-
Total transactions with owners	-	-	△325	△0	△325
Balance on December 31, 2022	1,002	23,016	14,151	△1,405	36,764

(Millions of yen)

	Non-controlling interests	Total
Balance on April 1, 2022,	2,026	35,506
Current quarterly net profit	△98	3,511
Cumulative comprehensive income	△98	3,511
Dividend	△9	△335
Issuance of shares		△0
Changes in interests in subsidiaries	459	459
Total transactions with owners	449	124
Balance on December 31, 2022	2,377	39,142

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Consolidated cumulative third quarter of the current fiscal year (from April 1, 2023, to December 31, 2023)

(Millions of yen)

	Equity attributable to owners of the parent company					Other components of equity Financial assets measured at fair value through other comprehensive income
	Share capital	Capital surplus	Retained earnings	Treasury share		
Balance on April 1, 2023	1,004	22,480	14,398	△1,405	-	-
Quarterly profit			6,982			
Other comprehensive income						△70
Total quarterly comprehensive income	-	-	6,982	-		△70
Issuance of new shares	2	2				
Dividends			△723			
Non-controlling interests related to acquisition of subsidiaries						
Total transactions with owners	2	2	△723	-		-
Balance on December 31, 2023	1,006	22,482	20,657	△1,405		△70

(Millions of yen)

	Equity attributable to owners of the parent company					Non-controlling interests	Total
	Other components of equity		Total	Total	Total		
	Exchange differences on translation of foreign operations	Total					
Balance on April 1, 2023	-	-	36,477	2,854	39,331		
Quarterly net profit		-	6,982	6	6,989		
Other comprehensive income	4	△65	△65	4	△60		
Total quarterly comprehensive income	4	△65	6,917	11	6,928		
Issuance of shares		-	5		5		
Dividend		-	△723	△264	△988		
Non-controlling interests related to acquisition of subsidiaries		-	-	5,364	5,364		
Total transactions with owners	-	-	△718	5,099	4,381		
Balance on December 31, 2023	4	△65	42,676	7,966	50,642		

(4) Condensed Quarterly Consolidated Statements of Cash Flows

(Millions of yen)

	Cumulative 3Q of the previous consolidated fiscal year (From April 1, 2022 to December 31, 2022)	Cumulative 3Q of the current consolidated fiscal year (From April 1, 2023 to December 31, 2023)
Cash flow from operating activities		
Current quarterly profit before income taxes	5,126	10,283
Depreciation and amortization	696	1,119
Investment profit/ loss due to equity method ( $\Delta$ means profit)	3	$\Delta$ 20
Finance income and finance costs	61	5
Increase (decrease) in inventory ( $\Delta$ is increase)	6	61
Increase (decrease) in trade and other receivables ( $\Delta$ is increase)	$\Delta$ 11,095	$\Delta$ 10,669
Increase (decrease) in investment securities held as part of operations ( $\Delta$ is increase)	$\Delta$ 19	$\Delta$ 127
Increase (decrease) in trade and other payables ( $\Delta$ is decrease)	4,935	5,307
Other	$\Delta$ 263	1,546
Subtotal	$\Delta$ 548	7,507
Interest and dividends received	0	3
Interest paid	$\Delta$ 26	$\Delta$ 51
Income taxes paid	$\Delta$ 3,174	$\Delta$ 1,710
Net cash provided by (used in) operating activities	$\Delta$ 3,749	5,749
Cash flow from investing activities		
Purchases of property, plant, and equipment	$\Delta$ 2,157	$\Delta$ 1,212
Purchase of intangible assets	$\Delta$ 679	$\Delta$ 612
Acquisition of subsidiaries	$\Delta$ 2,682	$\Delta$ 7,198
Acquisition of investment securities	$\Delta$ 531	$\Delta$ 2,049
Sale of investment securities	-	277
Other	$\Delta$ 152	66
Net cash provided by (used in) investing activities	$\Delta$ 6,204	$\Delta$ 10,729
Cash flow from financing activities		
Net increase (decrease) in short-term borrowings ( $\Delta$ is decrease)	3,000	$\Delta$ 50
Proceeds of long-term borrowings	2,000	20,167
Repayments of long-term borrowings	$\Delta$ 280	$\Delta$ 1,717
Repayments of lease liabilities	$\Delta$ 154	$\Delta$ 328
Proceeds from issuance of shares	-	5
Dividends paid to non-controlling interests	-	$\Delta$ 264
Dividend payment	$\Delta$ 324	$\Delta$ 714
Other	$\Delta$ 9	$\Delta$ 7
Net cash provided by (used in) financing activities	4,230	17,089
Net increase in cash and cash equivalents ( $\Delta$ is decrease)	$\Delta$ 5,723	12,109
Cash and cash equivalents at beginning of period	30,407	22,968
Effect of exchange rate changes on cash and cash equivalents	$\Delta$ 26	46
Cash and cash equivalents at end of period	24,657	35,124

**[Notes of caution]**

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

Not applicable

[Notes of caution]

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**(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

Revenue and business results by reportable segments of the Group are as follows:

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

Intersegment revenue is based on prevailing market prices.

Consolidated cumulative third quarter of the previous fiscal year (From April 1, 2022, to December 31, 2022)

(Millions of yen)

	Reportable segments				Adjustment (Note) 1	Consolidated
	NEW-IT Transformation Business	Investment Business	Publitech Business	Total		
Revenue						
Revenue from external customers ( $\Delta$ means loss)	3,633	$\Delta$ 150	12,036	15,519	-	15,519
Intersegment revenue	22	-	1	23	$\Delta$ 23	-
Total	3,655	$\Delta$ 150	12,038	15,543	$\Delta$ 23	15,519
Segment profit ( $\Delta$ means loss) (Note 2)	980	$\Delta$ 174	6,466	7,272	$\Delta$ 2,084	5,188
Finance income	-	-	-	-	-	0
Financing cost	-	-	-	-	-	61

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Profit before tax	-	-	-	-	-	5,126
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(Note) 1. The adjustment amount in segment profit ( $\Delta$  means loss) of  $\Delta 2,084$  million yen comprises company-wide expenses not allocable to any reportable segment and mostly consists of general and administrative expenses of  $\Delta 2,084$  million yen that are not attributable to the reportable segments.

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

Consolidated cumulative third quarter of the current fiscal year (From April 1, 2023, to December 31, 2023)

(Millions of yen)

	Reportable segments				Adjustment (Note) 1	Consolidated
	NEW-IT Transformation Business	Investment Business	Publitech Business	Total		
Revenue						
Revenue from external customers	7,192	127	21,479	28,798	-	28,798
Intersegment revenue	19	-	-	19	$\Delta 19$	-
Total	7,211	127	21,479	28,817	$\Delta 19$	28,798
Segment profit ( $\Delta$ means loss) (Note 2)	1,497	126	11,437	13,061	$\Delta 2,772$	10,289
Finance income	-	-	-	-	-	74
Financing cost	-	-	-	-	-	80
Profit before tax	-	-	-	-	-	10,283

(Note) 1. The adjusted  $\Delta 2,772$  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  $\Delta 2,772$  million yen that are not attributable to the reportable segment.

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



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(Significant Subsequent Events)

(Consolidation of Digital Arts Consulting Inc. into our subsidiary following the acquisition of its shares)

At the meeting of the Board of Directors held on February 14, 2024, we resolved to acquire shares of Digital Arts Consulting Inc. (hereinafter, “Digital Arts Consulting”) and consolidate it into our subsidiary, and we entered into a share transfer agreement on the same date.

1. Purpose for the acquisition

Recently, it has been said that cyber security human resources are chronically insufficient in Japan. Under these circumstances, we already concluded a capital and business alliance with E-Guardian Inc. (hereinafter, “E-Guardian”) and made it our consolidated subsidiary. After that, we began to enter into the cybersecurity industry. The acquisition of shares of Digital Arts Consulting and the consolidation of it into our subsidiary this time will further accelerate our participation in the cybersecurity industry.

With the consolidation of Digital Arts Consulting into our Group, we will be able to provide services which can support both DX and security-related business strategies as well as IT strategy development and its implementation for our customers. Furthermore, Digital Arts Consulting, which has a proven track-record, including the introduction and operation of advanced cybersecurity products, will, as a new member of our Group, provide advanced and practical solutions for cybersecurity which will become increasingly important in the future.

Digital Arts Consulting has many experienced cyber security talents, and they have deep expertise and track-record in cyber security. As a result, our Group can leverage their capabilities to expand our influence on the market belonging to the cybersecurity domain. Although E-Guardian's subsidiaries already operate the cyber security business, the scope of their business does not overlap that of Digital Arts Consulting for the most part. Therefore, Digital Arts Consulting will be able to broaden the scope of our Group's business development in the cyber security field. In other words, Digital Arts Consulting will strengthen the diversity and coverage of our Group's human resources in the cyber security field, which will enable our Group to satisfy more broader range of customers' needs.

Digital Arts Consulting also provides IT consulting services that are not limited to the cyber security, and our Group provides similar consulting services as well. So, we believe that our Group will be able to acquire new projects not only by leveraging mutual strengths of our Group and Digital Arts Consulting but also by linking our IT consulting services with businesses of E-Guardian other than the cybersecurity.

The name of Digital Arts Consulting will be renewed after the share transfer date.

2. Name, business content, and size of the other company to acquire the stock

(1) Name	Digital Arts Consulting Inc.		
(2) Address	5-1 Otemachi 1-chome, Chiyoda-ku, Tokyo		
(3) Title/name of representative	Mr. Tadao Matsumoto, Representative Director and President		
(4) Description of Businesses	IT strategic consulting, information security consulting, etc.		
(5) Common stock	73 million yen		
(6) Date of Establishment	April, 2016		
(7) Major shareholders and percentage of shares	Digital Arts Inc.: 91.86% Mr. Tadao Matsumoto: 6.56%		
(8) The relationship with us	Capital relationship	Not applicable.	
	Personal relationship	Not applicable.	
	Business relationship	Not applicable.	
(9) Consolidated results of operations and financial position of the company for the past three years			
Fiscal year end	FY2021/3	FY2022/3	FY2023/3
Net assets	153 million yen	227 million yen	254 million yen
Total assets	280 million yen	365 million yen	534 million yen
Net assets per share	20,255.00 yen	29,892.49 yen	33,391.74 yen
Net sales	839 million yen	1,106 million yen	1,663 million yen
Operating income	46 million yen	106 million yen	25 million yen
Ordinary income	47 million yen	108 million yen	33 million yen
Net income	29 million yen	73 million yen	26 million yen
Net income per share	3,834.34 yen	9,637.50 yen	3,449.37 yen
Dividend per share	-	-	-

3. Number of shares to be acquired, acquisition cost, and shares held before and after the acquisition

(1) Shares owned prior to the transaction	0 share (Number of voting rights: 0) (Percentage of voting rights: 0.00%)
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(2)	Total share acquired	7,000 shares (7,000 shares of ordinary share) (Number of voting rights: 7,000)
(3)	Acquisition cost	Acquisition of ordinary shares in exchange for cash: 2,296 million yen Acquisition-related expenses (approximate amount): 38 million yen Total (approximate amount): 2,334 million yen
(4)	Shares owned after the transaction	7,000 shares (Number of voting rights: 7,000) (91.86% of voting rights)

4. Timing of stock acquisition, etc.

(1)	Date of resolution of the Board of Directors	February 14, 2024
(2)	Execution date of the Agreement	February 14, 2024
(3)	Execution date of share transfer	March 29, 2024 (planned)

5. Future Outlook

Following the acquisition of the shares, Digital Arts Consulting will become our consolidated subsidiary on the acquisition date of March 29, 2024. The impact of the acquisition of shares on our consolidated results for the year ending March 31, 2024 is currently under scrutiny, and we will promptly inform you of any issues that should be disclosed.

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

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