

[Notes of caution]

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January 27, 2021

For Immediate Release

Company CHANGE Inc.
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 (Code: 3962,
 First Section of the Tokyo Stock Exchange)
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Notice of the Establishment of the Consolidated Subsidiary,
Transfer of our Digital Human Resources Development thereto (Spin-off)
and the Execution of the Joint Venture Agreement with KDDI

CHANGE Inc. (or simply “we”) have been discussing with KDDI Corporation (Mr. Makoto Takahashi, President and Representative Director, hereinafter referred to as “KDDI”) about the establishment of a joint venture aimed at conducting our digital human resource development business (hereinafter referred to as the “Business”).

In response to this discussion, we held the Board of Directors’ meeting today and resolved to establish a subsidiary (Mr. Norimitsu Takahashi, President and Chief Executive Officer, hereinafter referred to as “NewCo”) on February 10, 2021 (to be our wholly owned subsidiary at the time of the incorporation) and to transfer the Business thereto through a simple absorption-type corporate split scheme (hereinafter, the “Spin-off”) with an effective date of April 1, 2021. Since the Spin-off is a simple absorption-type split structure that causes the wholly owned subsidiary to succeed the Business, some of the disclosures will be omitted.

In addition, at the Board of Directors held today, we decided to offer a third-party allocation of new shares of NewCo to KDDI and to enter into a joint venture agreement therewith on April 1, 2021 (to be scheduled) to operate NewCo as a joint venture between of the two companies (hereinafter referred to as the “Alliance”).

In this regard, we will inform you the following details:

Details

I. Background and Aim of the Spin-off and the Foundation of the Joint Venture (our Subsidiary)

Digital Transformation (DX) is rapidly progressing in all aspects of economy and society in Japan recently, and the number of companies having a sense of crisis toward the present rapid progress of the digital transformation is increasing. Furthermore, since it is becoming clear that Japan's digitization in economy and society has lagged significantly behind the world in the situation of the global outbreak of the new corona virus after the beginning of 2020, business transformation in response to this new business environment has become an urgent task in all industries. However, only a small number of companies have initiated these business transformation efforts ahead of time. In reality, most companies, including local regions, have not even launched DX, and this is mainly due to a lack of human resources.

We are a leading company that supports digitization for large enterprises and government agencies and has a vast knowledge in digital human resources development and organization development.

NewCo, after shifting to a joint venture with KDDI, will utilize the know-how we have accumulated in the development of digital human resources, develop human resources capable of promoting DX for companies and local governments nationwide that need to respond to the rapidly changing business environment and digital trends, and support the realization of their productivity improvement and business transformation.

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II. Establishment of NewCo and the Spin-off

1. Summary of the establishment of NewCo and the Spin-off

(1) Schedule for the Spin-off

Resolution at the Board of Directors for the establishment of NewCo (our side):	January 27, 2021
Resolution at the Board of Directors for the approval of the Spin off (our side):	January 27, 2021
Establishment of NewCo:	February 10, 2021 (planned)
Decision of director for the approval of the Spin-off (NewCo side):	February 15, 2021 (planned)
Resolution of the Shareholders Meeting therefor (NewCo side):	February 15, 2021 (planned)
Execution of the absorption-type spin-off agreement:	February 15, 2021 (planned)
Execution of the Spin-off (effective date):	April 1, 2021 (planned)

In accordance with the provisions of Paragraph 2 of Article 784 (Simplified Absorption-type Corporate Spin-off) of the Companies Act, we will carry out the Spin-off without obtaining the approval of our general meeting of shareholders.

(2) Method of the Spin-off

This is an absorption type spin-off in which we are a splitting company and NewCo is an absorptive (succeeding) company regarding the Business.

(3) Details of the allotment of new shares pertaining to the Spin-off

At the time of the Spin-off, NewCo will issue to us 3,835 common shares and 3 Class A shares in exchange for the rights and obligations of the Business which NewCo will succeed. There is no voting right attached to Class A shares. However, after the Spin-off, NewCo will allocate additional shares to KDDI as described in III.1. (3), below. The allocation of shares is calculated based on the valuation of the Business of 3,837,000 thousand yen which was calculated by the DCF method on basis of our standalone project plan after discussion between us and KDDI.

(4) Capital to be reduced by the Spin-off

There is no reduction in our capital due to the Spin-off.

(5) Stock options

Although we already issued stock options, there are no change to their treatment due to the Spin-off.

(6) Rights and obligations to be succeeded by NewCo

Unless otherwise stipulated in the absorption-type spin-off agreement to be executed with us, NewCo shall succeed the assets and liabilities, the rights and obligations, and the status relating to the Business as of the effective date.

(7) Prospects of repayment of debts

After examining the amount of assets and liabilities that we will allocate to NewCo at the time of the Spin-off and the profit forecasts of NewCo thereafter, we and NewCo do not anticipate any problem that would interfere with the repayment of the liabilities, and we and NewCo believe that NewCo will fulfill all the repayments after the Spin-off.

2. Overview of the Parties of the Spin-off

(1) Trade Name	CHANGE Inc. (Absorption-type spinning off company)	Not decided yet (Absorption-type succeeding company)
(2) Businesses	New-IT transformation business, investment business, and Publitech business	DX human resource education for businesses, including training and e-learning, and support for DX solutions for local businesses
(3) Date of Incorporation	April 10, 2003	February 10, 2021 (planned)
(4) Head office	6F TOKYU REIT Toranomon Building, Toranomon 3-17-1, Minato-ku, Tokyo	6F, TOKYU REIT Toranomon Building, Toranomon 3-17-1, Minato-ku, Tokyo
(5) Job Title/Name of Representative	Hiroshi Fukudome, President and Chief Executive Officer	Norimitsu Takahashi, Representative Director

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(6) Paid-in Capital	2,401,885 thousand yen (as of January 27, 2021)	500 thousand yen
(7) Number of issued shares	67,127,862 shares (as of January 27, 2021)	1 share
(8) Total equity or net assets	9,406,311 thousand yen (total consolidated equity) (as of September 30, 2020)	1 million yen (non-consolidated net assets)
(9) Total assets	17,093,652, thousand yen (consolidated) (as of September 30, 2020)	1 million yen (non-consolidated)
(10) Fiscal year end	September. 30	September. 30
(11) Major shareholders and percentage of shares	Yoshihisa Jimbo 16.05% Hiroshi Fukudome 8.42% Akira Ito 7.45% Kenji Kaneda 7.07% Tetsuya Ishihara 6.67% Norimitsu Takahashi 5.32% (as of September 30, 2020)	CHANGE 100.00%
(12) Relationship between the parties	Capital relationship	NewCo will be our wholly owned subsidiary at the time of its establishment. However, after the Alliance, we will own 50.03% of NewCo shares (49.97% will be owned by KDDI as a result of the third-party allotment of shares of NewCo to KDDI).
	Human relationships	At the time of NewCo's establishment, Mr. Norimitsu Takahashi, our executive officer, will be the President of NewCo. In addition, after the Alliance, we plan to appoint Mr. Hiroshi Fukudome, our Representative Director, concurrently serve as a director of NewCo, and also appoint another officer of the Company as an auditor of NewCo.
	Business relationship	There is no inter-transaction as of today, but we plan to outsource operations related to the development of digital human resources to NewCo after the Alliance.

(Note)

(8) As for the total equity or net assets, the total equity is described here for CHANGE (the splitting company) since it has voluntarily adopted IFRS, and net assets are described for NewCo (the succeeding company).

3. Business results and financial position

(IFRS)

	CHANE Inc. (consolidated)		
Fiscal year end	FY 09/2018 (Note)	Fiscal year ended September 2019	Fiscal year ended September 2020
Revenue (thousand yen)	-	5,992,609	10,542,135
Operating income (thousand yen)	-	1,027,293	4,203,095
Net income (thousand yen)	-	659,504	2,771,348
Profit attributable to owners of the parent (thousand yen)	-	476,552	2,049,381
Basic earnings per share (yen)	-	16.49	65.06
Equity attributable to owners of the parent per share (yen)	-	186.88	252.25
Total shareholders' equity (thousand yen)		6,575,561	9,406,311
Total assets (thousand yen)		11,444,229	17,093,652

(Note) Since the consolidated financial statements were prepared after the fiscal year ended September 31, 2019, there is no data for the fiscal year ended September 2018.

(Note) NewCo is a company scheduled to be established on February 10, 2021, and has no fiscal year ended yet.

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4. Overview of the Business to be Spun-off

(1) Business to be spun-off

Digital human resources development business

(2) Operating results of the Business to be spun-off

	Digital human resources development (a)	Financial result for the fiscal year ended September 2020 (b)	Ratio (a/b)
Net sales	262	3,248	8.1%

(Millions of yen)

(3) Items and amounts of assets and liabilities to be spun off (as of September 30, 2020)

Assets		Liabilities	
Item	Carrying Amount	Item	Carrying Amount
Current assets	0	Current liabilities	0
Fixed assets	2		
Total	2	Total	0

(Millions of yen)

5. Post Spin-off Status (as of April 1, 2021 (planned))

There will be no change in our name, business content, location of the head office, representative, stock, or account closing period as a result of the Spin-off.

6. Outline of the Accounting Treatment

Since NewCo is our wholly owned subsidiary as of the effective date and is a common control transaction, our assets and liabilities will be fairly recorded at book value on NewCo.

III. Execution of the joint venture agreements between us and KDDI

1. Joint Venture Agreement, etc.

(1) Overview of the joint venture agreement

We and KDDI agreed to enter into the joint venture agreement dated January 27, 2021, and the two companies will operate NewCo as a joint venture.

(2) Outline of the Joint Venture (as of April 1, 2021 (planned))

(1) Name	Not decided yet
(2) Address	6F TOKYU REIT Toranomon Building, Toranomon 3-17-1, Minato-ku, Tokyo
(3) Job Title/Name of Representative	Norimitsu Takahashi, President and Representative Director
(4) Businesses	DX human resource education for businesses, including training and e-learning, and support for DX solutions for local businesses
(5) Date of Incorporation	Incorporation: February 10, 2021 (planned) Transition to the joint venture structure: March 30, 2021 (planned)
(6) Paid-in Capital	500 thousand yen (at the initial establishment) 1,919,000 thousand yen (after third-party allotment)
(7) Fiscal year end	September. 30
(8) Net assets	1,000 thousand yen (at the initial establishment) 3,840,320 thousand yen (after the third-party allotment)
(9) Total assets	1,000 thousand yen (at the initial establishment) 3,840,320 thousand yen (after the third-party allotment)
(10) Investment ratio (After the transition to a joint venture form after the Spin-off and capital increase)	We will hold 50.03% (percentage of voting rights after the Spin-off and the capital increase) and KDDI will hold 49.97% (percentage of voting rights after the Spin-off and the capital increase) At the time of the establishment, we will purchase one common share of NewCo (1,000 thousand yen in one stock) and make it as our wholly owned subsidiary. After the Spin-off described in II. Above, NewCo will allocate new shares to KDDI as the new investor and move to the joint venture structure. In the third-party allocation of new shares, 3,831 common shares (3,831,000 thousand yen to be invested) will be

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	issued and 6 shares (6,000 thousand yen to be invested) will be issued as Class B shares. This Class B Preferred Shares that KDDI will subscribe to will not be entitled to vote but will be entitled to be converted into common shares under certain conditions. At the time of the transition to a joint venture structure through the third allotment of shares described above, there is no change to the fact that NewCo is a subsidiary of the Company.
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(3) Overview of the third-party allotment of new shares of NewCo

(1) Assignment destination	KDDI
(2) The classes and the number of shares for subscription;	3,831 common shares 6 Class B shares
(3) Amount of payments for the offered stocks	1,000 thousand yen per share
(4) Payment date	March 30, 2021
(5) Increase in common share and additional paid-in capital	Increase in capital by 1,918,500 thousand yen Increase in additional paid-in capital by 1,918,500 thousand yen

2. Schedule

Resolution of the Board of Directors: January 27, 2021
Signed Joint Venture Agreement: January 27, 2021
Date of establishment of the joint venture: February 10, 2021 (planned) (original establishment)
April 1, 2021 (planned) (transition to joint venture)

3. Forecasts

The impact of the Spin-off and the Alliance on our consolidated financial results is expected to be minor, but we will disclose any issues that need to be disclosed in the future.

(Reference)

Consolidated earnings forecasts for the current fiscal year (announced on December 25, 2020) and results for the previous fiscal year:

	Revenue	Operating income	Profit attributable to owners of the parent	Basic earnings per share
Forecast for the year ending September 2021	Millions of yen 15,781 ~ 16,281	Millions of yen 5,071 ~ 5,571	Millions of yen 3,296 ~ 3,623	Yen 98.41 ~ 108.17
Results for the previous fiscal year (ended September 2020)	Millions of yen 10,542	Millions of yen 4,203	Millions of yen 2,049	Yen 65.06

End