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February 15th, 2021

Summary of Consolidated Financial Results (IFRS) for the First Quarter of the Fiscal Year Ending September 30, 2021

Listed company name: CHANGE Inc. Listed stock exchange: Tokyo Stock Exchange Securities Code: 3962
URL: https://www.change-jp.com/
Representative: Hiroshi Fukudome, President
For Inquiry: Yutaka Yamada, CFO TEL: 03-6435-7347
Scheduled filing date of quarterly report: February 15, 2021
Scheduled commencement date of dividend payments: -
Preparation of explanatory materials for financial results: Yes
Holding of a briefing on financial results: Yes
(For institutional investors and analysts)

(Amounts less than one million are rounded down.)

1. Consolidated Financial Results for the Cumulative First Quarter of the Fiscal Year Ending September 30, 2021 (October 1, 2020 to December 31, 2020)

(1) Consolidated Operating Results

(The percentages indicate changes from the same quarter of the previous fiscal year.)

	Revenue		Operating profit		Profit before taxes		Profit		Profit attributable to owners of the parent		Comprehensive income	
	¥Mil	%	¥Mil	%	¥Mil	%	¥Mil	%	¥Mil	%	¥Mil	%
1st Quarter of FY 2021	7,799	79.0	4,618	73.6	4,582	72.9	2,995	74.7	3,015	149.4	2,995	74.7
1st Quarter of FY 2020	4,357	-	2,659	-	2,650	-	1,714	-	1,209	-	1,714	-

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
1st Quarter of FY2021	45.13	43.95
1st Quarter of FY2020	19.25	18.78

(Note) We conducted a 2-for-1 stock split on September 1, 2020 and a 2-for-1 stock split on January 1, 2021. Basic earnings per share and diluted earnings aper share are calculated as if these stock splits had taken place at the beginning of the previous fiscal year.

(2) Consolidated Financial Position

	Total assets	Total equity	Equity attributable to owners of the parent	Ratio of the parent company Percentage of attributable interests
	Millions of yen	Millions of yen	Millions of yen	%
First Quarter of the Fiscal Year Ending September 2021	26,119	12,402	12,417	47.5
Fiscal year ended September 2020	17,093	9,406	7,959	46.6

2. Dividend Status

	Annual dividends per share				
	End of First Quarter	End of second quarter	End of the third quarter	Term end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended September 2020	-	0.00	-	0.00	0.00
Fiscal year ended September 2021	-				
FY2021/9 (Forecast)		0.00	-	0.00	0.00

(Note) Revisions to the most recently announced dividend forecasts: None

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3. Forecasts for the Fiscal Year Ending September 30.2021 (October 1, 2020 to September 30, 2021)

(Percentages indicate year-on-year changes for the full year or quarterly changes from the same quarter of the previous fiscal year.)

	Revenue		Operating profit		Profit before taxes		Profit		Profit attributable to owners of the parent		Basic earnings per share
	¥Mil	%	¥Mil	%	¥Mil	%	¥Mil	%	¥Mil	%	Yen
Full year	15,781 ～ 16,281	49.7 ～ 54.4	5,071 ～ 5,571	20.7 ～ 32.6	5,008 ～ 5,508	20.4 ～ 32.4	3,272 ～ 3,599	18.1 ～ 29.9	3,296 ～ 3,623	60.9 ～ 76.8	49.20 ～ 54.08

(Note) 1. Revisions to the most recently announced forecasts: None

2. Forecasts for the fiscal year ended September 30.2021 are disclosed in the form of ranges.

3. We conducted a 2-for-1 stock split on January 1, 2021. Basic earnings per share is calculated as if this stock split had taken place at the beginning of the current fiscal year.

※ Notes

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

New company (company name) None. Excluded company (company name) None

(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 those: No

(iii) Changes in accounting estimates: No

(3) Number of shares outstanding (common shares)

(i) Number of shares outstanding at the end of the period (including treasury stock)	FY2021 1Q	67,127,862 shares	FY2020 1Q	63,105,600 shares
(i) Number of shares outstanding at the end of the period (including treasury stock)	FY2021 1Q	394 shares	FY2020 1Q	392 shares
(ii) Number of treasury shares at the end of the period	FY2021 1Q	66,815,757 shares	FY2020 1Q	62,821,836 shares

(Note) We conducted a 2-for-1 stock split on September 1, 2020 and a 2-for-1 stock split on January 1, 2021. The number of shares outstanding (common stock) is calculated as if this stock split had taken place at the beginning of the previous fiscal year.

※ Quarterly results are not subject to quarterly review by certified accountants or audit corporations.

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

The earnings forecasts and other forward-looking statements contained in this report are prepared based on information currently available to the Company and on certain assumptions deemed to be reasonable, but they are not promised by the Company regarding future performance. Actual results may differ significantly from these forecasts due to various factors. For future forecasts and assumptions, please refer to ""1. Overview of Operating Results, etc. (iii) Forecasts for the next fiscal year" on page 3 of the attached materials.

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Accompanying Materials – Contents

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1. Qualitative information on financial results for the first quarter of the fiscal year ending September 30, 2021

(1) Explanation of Operating Results

In the future, Japan is expected to become an unparalleled super-aging society in the world, with one in every 2.5 people to be aged 65 or older in 2060. Under these circumstances, our Group (or simply “we) has been developing businesses to make Japan a sustainable society amid a declining population, based on our mission of "Change People, Change Business, Change Japan" and our vision of "Change Productivity."

Specifically, our Group businesses can be divided into the following three categories. First, the NEW-IT transformation business promotes digital transformation through providing services and training for digital human resources by utilizing libraries and platform-technologies consisting of a variety of algorithms including AI/voice Internet, mobility, IoT, big data, cloud, and security, etc. Next, our Group invests in IT companies that have already entered the IPO preparation stage and aim to increase corporate value through business collaboration with us. Finally, in order to strengthen services for public sectors through the NEW-IT transformation business, our Group is engaged in the “Publitech Business” under the mission of "Enhancing the Vitality of Local Communities and Seniors through ICT.", through Trust Bank, Inc. which owns the Japan's largest hometown tax payment platform called “Furusato Choice” and works for reginal creation.

Operating results for the first quarter of the current fiscal year are as follows:

With the spread of new corona viruses, it has become clear that the digitization of Japan is behind the world, and digitization in accordance with the new business environment is becoming an urgent task in all industries. In the NEW-IT Transformation Business, we pushed ahead with digitization projects for large corporations and government agencies, while also making steady progress, mainly in projects related to digital human resource development. We are accelerating our digital transformation in Japan by deciding to establish a joint venture with KDDI Corporation to jointly implement digital human resource development.

In the Publitech business, initiatives to utilize hometown tax payments in response to the Corona were brisk, and revenue increased significantly along with an increase in the commission rate in the hometown tax payment platform business from April 2020. In addition, LoGo series, which is a SaaS business for local governments, has been expanding smoothly, including LoGo chatting, through the launch of a corona-proof package service on LoGo forms.

As a result, for the first quarter of the current fiscal year, revenue was 7,799 million yen (up 79.0% year-on-year), operating profit was 4,618 million yen (up 73.6% year-on-year), profit before taxes was 4,582 million yen (up 72.9% year-on-year),and profit attributable to owners of the parent was 3,015 million yen (up 149.4% year-on-year).

Segment operating results are as follows:

(I) NEW-IT Transformation Business

In the NEW-IT Transformation Business, we pushed ahead with digitization projects for large corporations and government agencies, while also making steady progress, mainly in projects related to digital human resource development. We are accelerating our digital transformation in Japan by deciding to establish a joint venture with KDDI Corporation to jointly implement digital human resource development.

Consequently, the NEW-IT Transformation Business recorded revenue of 473 million yen (down 4.5% year on year) and the segment profit of 136 million yen (up 49.1% year on year) for the first quarter of the current fiscal year.

(II) Investment Business

In the Investment Business, the Company made an investment in Writeup Co., Ltd. in the first quarter of the current fiscal year and the stock prices of the listed companies in which we invested have been firm.

As a result, the Investment Business recorded revenue of 72 million yen (up 176.5% year on year) and the segment profit of 67 million yen (up 223.1% year on year) for the first quarter of the current fiscal year.

(III) Publitech Business

In the Publitech Business, users have been actively utilizing the hometown tax payment system as countermeasures against the Corona, and revenues increased significantly along with an increase in the commission rate in the hometown tax payment platform from April 2020. In addition, LoGo series which is a SaaS business for local governments has been expanding smoothly, including “LoGo Chat”. Further, a package service against Corona using LoGo forms has been launched.

As a result, in the first quarter of the current fiscal year, the revenue of the Publitech Business was 7,253 million yen (up 89.1% year-on-year), and the segment profit was 4,771 million yen (up 68.9%year-on-year).

(2) Financial Position

(Assets)

Current assets at the end of the first quarter of the current fiscal year were 20,106 million yen, an increase of 8,799 million yen from the end of the previous fiscal year. This was mainly due to an increase of 7,177 million yen in trade and other receivables. Non-current assets were 6,013 million yen, an increase of 226 million yen from the end of the previous fiscal year. This was mainly due to an increase of 207 million yen in right of use assets.

As a result of the above, total assets were 26,119 million yen, an increase of 9,025 million yen from the end of the previous fiscal year.

(Liabilities)

Current liabilities at the end of the first quarter of the current fiscal year were 12,209 million yen, an increase of 7,054 million yen from the end of the previous fiscal year. This was mainly due to an increase of 6,710 million yen in trade and other payables. Non-current liabilities decreased by 1,025 million yen from the end of the previous fiscal year to 1,507 million yen. This was mainly due to a decrease of 1,147 million yen in bonds and borrowings.

As a result, total liabilities were 13,717 million yen, an increase of 6,029 million yen from the end of the previous fiscal year.

(Equity)

Equity at the end of the first quarter of the current fiscal year was 12,402 million yen, an increase of 2,995 million yen from the end of the previous fiscal year. This was mainly due to an increase of 3,015 million yen in retained earnings resulting from the recording of quarterly profit attributable to owners of the parent.

Capital surplus increased by 1.433 billion yen and non-controlling interests decreased by 1.442 billion yen due to the share exchange transaction with Trust Bank, Inc.

(Cash Flows)

Cash and cash equivalents at the end of the first quarter of the current fiscal year increased by 950 million yen from the end of the previous fiscal year, and the balance of them at the end of the current fiscal year wase 8,550 million yen.

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

・Cash flows from operating activities:

Net cash provided by operating activities was 2,548 million yen (compared with 1,886 million yen in the same period of the previous fiscal year). Main factors were quarterly profit before taxes of 4.582 million yen, changes (decrease) in trade and other receivables of △7,177 million yen, and changes (increase) in trade and other payables of 6,710 million yen.

・Cash flows from investing activities:

Net cash used in investing activities was 222 million yen (compared with 68 million yen used in the same period of the previous fiscal year). This was mainly due to the purchase of intangible assets of 114 million yen.

・Cash flows from financing activities:

Net cash used in financing activities was 1,375 million yen (compared with 256 million yen increased in the same period of the previous fiscal year). This was mainly due to the repayment of long-term borrowings of 1,325 million yen.

(3) Consolidated Earnings Forecasts and Other Forward-Looking Information

Regarding earnings forecasts, there are no changes to the full-year financial forecast that was announced in the "Announcement of full year consolidated earnings forecasts for the fiscal year ending September 2021 based on the voluntary application of IFRS on December 25, 2020.

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2. Summary Quarterly Consolidated Financial Statements and Major Notes

(1) Summary Quarterly Consolidated Statement of Financial Position

(Millions of yen)

	Previous consolidated fiscal year (As of September 30, 2020)	End of 1st quarter of the current consolidated fiscal year (As of December 31, 2020)
Assets		
Current assets		
Cash and cash equivalents	7,599	8,550
Trade and other receivables	2,921	10,098
Inventories	10	31
Operational investment securities	541	788
Other financial assets	30	30
Other current assets	202	606
Total current assets	11,306	20,106
Non-current assets		
Tangible fixed assets	189	137
Right of use assets	85	292
Goodwill	3,759	3,759
Intangible assets	1,499	1,463
Other financial assets	218	318
Deferred tax assets	35	42
Total	5,787	6,013
Total assets	17,093	26,119

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(Millions of yen)

	Previous consolidated fiscal year (As of September 30, 2020)	End of 1st quarter of the current consolidated fiscal year (As of December 31, 2020)
Liabilities and Equity		
Liabilities		
Current liabilities		
Trade and other payables	2,494	9,204
Short-term borrowings	356	211
Lease liabilities	66	119
Other financial liabilities	24	39
Accrued income taxes	1,424	1,592
Provisions	70	59
Other current liabilities	718	983
Total current liabilities	5,154	12,209
Non-current liabilities		
Borrowings	2,286	1,138
Lease liabilities	3	156
Provisions	53	53
Deferred tax liabilities	46	61
Other non-current liabilities	143	97
Total non-current liabilities	2,532	1,507
Total liabilities	7,687	13,717
Equity		
Paid-in capital	2,397	2,401
Capital surplus	1,892	3,330
Retained earnings	3,669	6,685
Treasury stocks	△0	△0
Equity attributable to parent owners (total)	7,959	12,417
Non-controlling interests	1,447	△14
Total equity	9,406	12,402
Total liabilities and equity	17,093	26,119

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(2) Summary Quarterly Consolidated Statements of Income and Summary Quarterly Consolidated Statements of Comprehensive Income

[Summary Quarterly Consolidated Statements of Income]

(Millions of yen)

	Cumulative first quarter of the previous consolidated fiscal year (From October 1, 2019 to December 31, 2019)	Cumulative first quarter of the current consolidated fiscal year (From October 1, 2020 To December 31, 2020)
Revenue from contracts with customers	4,331	7,727
Revenue from operational investment securities	26	72
Total revenue	4,357	7,799
Cost of sales	540	930
Gross profit	3,817	6,869
Selling, general and administrative expenses	1,158	2,251
Other income	0	0
Operating profit	2,659	4,618
Financial income	0	0
Financial costs	9	35
Profit before taxes	2,650	4,582
Income tax expense	935	1,587
Profit	1,714	2,995
Profit attributable to:		
Owners of the parent	1,209	3,015
Non-controlling interests	505	△19
Profit	1,714	2,995
Earnings per share		
Basic earnings per share (yen)	19.25	45.13
Diluted earnings per share (yen)	18.78	43.95

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[Summary Quarterly Consolidated Statements of Comprehensive Income]

(Millions of yen)

	Cumulative first quarter of the previous consolidated fiscal year (From October 1, 2019 to December 31, 2019)	Cumulative first quarter of the current consolidated fiscal year (From October 1, 2020 To December 31, 2020)
Profit	1,714	2,995
Other comprehensive income		
Items that will not be reclassified subsequently to profit or loss		
Financial assets measured at fair value through other comprehensive income	-	-
Total items that will not be reclassified to profit or loss	-	-
Other comprehensive income (loss) after taxes	-	-
Total comprehensive income	1,714	2,995
Comprehensive income attributable to:		
owners of the parent	1,209	3,015
Non-controlling interests	505	△19
Comprehensive income	1,714	2,995

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(3) Summary Quarterly Consolidated Statements of Changes in Equity

Previous Cumulative First Quarter (From October 1, 2019 to December 31, 2019)

(Millions of yen)

	Note	Equity attributable to owners of the parent			
		Paid-in Capital	Capital surplus	Retained earnings	Treasury stock
Balance on October 1, 2019		2,374	1,859	1,620	△0
Profit				1,209	
Other comprehensive income					
Total comprehensive income		-	-	1,209	-
Issue of new shares		2	2		
Purchase of treasury stock					△0
Increase (decrease) in stock-based remuneration transactions			10		
Total transactions with owners		2	12	-	△0
Balance on December 31, 2019		2,376	1,871	2,830	△0

	Note	Equity attributable to owners of the parent			Non-controlling interests	Total
		Other components of equity		Total		
		Financial assets measured at fair value through other comprehensive income	Total			
Balance on October 1, 2019				5,854	720	6,575
Profit				1,209	505	1,714
Other comprehensive income				-		-
Total comprehensive income				1,209	505	1,714
Issue of new shares				4		4
Purchase of treasury stock				△0		△0
Increase (decrease) in stock-based remuneration transactions				10		10
Total transactions with owners				14	-	14
Balance on December 31, 2019				7,078	1,226	8,304

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Cumulative first quarter of the current fiscal year (from October 1, 2020 to December 31, 2020)

(Millions of yen)

	Equity attributable to owners of the parent			
	Paid-in Capital	Capital surplus	Retained earnings	Treasury stock
Balance on October 1, 2020	2,397	1,892	3,669	△0
Profit			3,015	
Other comprehensive income				
Total comprehensive income	-	-	3,015	-
Issue of new shares	4	4		
Purchase of treasury stock				△0
Changes in ownership interest in subsidiaries		1,433		
Total transactions with owners	4	1,437	-	△0
Balance on December 31, 2020	2,401	3,330	6,685	△0

	Equity attributable to owners of the parent				
	Other components of equity				
	Financial assets measured at fair value through other comprehensive income	Total	Total	Non-controlling interests	Total
Balance on October 1, 2020			7,959	1,447	9,406
Profit			3,015	△19	2,995
Other comprehensive income			-		-
Total comprehensive income			3,015	△19	2,995
Issue of new shares			9		9
Purchase of treasury stock			△0		△0
Changes in ownership interest in subsidiaries			1,433	△1,442	△8
Total transactions with owners			1,442	△1,442	0
Balance on December 31, 2020			12,417	△14	12,402

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(4) Summary Quarterly Consolidated Statements of Cash Flows

(Millions of yen)

	Cumulative first quarter of the previous consolidated fiscal year (From October 1, 2019 to December 31, 2019)	Cumulative first quarter of the current consolidated fiscal year (From October 1, 2020 To December 31, 2020)
Cash flow from operating activities		
Profit before taxes	2,650	4,582
Depreciation and amortization	117	203
Charges for stock compensation	10	-
Finance income and finance costs	9	35
Increase (decrease) in inventory (increase in △)	△0	△20
Increase (decrease) in trade and other receivables (increase in △)	△3,208	△7,177
Increase (decrease) in investment securities (increase in △)	△26	△247
Increase (decrease) in trade and other payables (decrease in △)	2,127	6,710
Other	329	△117
Subtotal	2,009	3,968
Interest and dividends received	0	0
Interest paid	△2	△2
Income taxes paid	△120	△1,417
Net cash provided by (used in) operating activities	1,886	2,548
Cash flow from investing activities		
Purchases of property, plant and equipment	△7	△9
Purchase of intangible assets	△59	△114
Other	△1	△99
Net cash provided by (used in) investing activities	△68	△222
Cash flow from financing activities		
Net change in short-term borrowings (decrease in △)	400	-
Repayments of long-term borrowings	△97	△1,325
Repayments of lease liabilities	△49	△50
Proceeds from issuance of common stock	4	9
Payments for acquisition of interests in subsidiaries from non-controlling interests	-	△8
Purchase of treasury stock	△0	△0
Net cash provided by (used in) financing activities	256	△1,375
Increase (decrease) in cash and cash equivalents	2,074	950
Cash and cash equivalents at beginning of year	3,784	7,599
Effect of exchange rate changes on cash and cash equivalents	△0	△0
Cash and cash equivalents at end of the term	5,859	8,550

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(5) Notes to Summary Quarterly Consolidated Financial Statements

(Notes on the Going Concern Assumption)

Not applicable.

(Segment Information)

(1) The outline of a reporting segment

The reporting segments of our Group are the constituent units of the Company for which separate financial information is available and based on the business segments which are regularly reviewed by the Board of Directors to determine the allocation of management resources and evaluate business performance. Business segments are not consolidated when determining reporting segments.

The Company has three reportable segments: NEW-IT Transformation Business, the Investment Business, and the Publitech Business, which are segmented according to the nature of the services.

NEW-IT Transformation Business provides services that improve productivity and added value by transforming the business operations and business models of Japanese companies through the development of new technologies and digital human resources. The Investment Business invests primarily in so-called late-stage companies and other entities that are in the preparatory period for an IPO. Publitech Business is engaged in the provision of a platform business for hometown tax payment and technology services for government agencies.

(2) Information on reporting segments

Our Group's profit and operating results by reporting segment are as follows.
Profits of reportable segments are figures based on operating income.
Inter-segment sales revenue is based on prevailing market prices.

Previous Cumulative First Quarter (From October 1, 2019 to December 31, 2019)

(Millions of yen)

	Reporting segments				Adjusted amount (Note) 1	Consolidation
	NEW-IT Transformation Business	Investment Business	Publitech Business	Total		
Revenue						
External revenue	496	26	3,835	4,357	-	4,357
Inter-segment revenue	-	-	-	-	-	-
Total	496	26	3,835	4,357	-	4,357
Segment profit (Note 2)	91	20	2,824	2,936	△276	2,659
Financial income	-	-	-	-	-	0
Financing cost	-	-	-	-	-	9
Profit before tax	-	-	-	-	-	2,650

(Note)

1. The adjusted △276 million yen for segment profit is the corporate expenses that are not allocated to each reportable segment, and mainly consists of general and administrative expenses that are not attributable to the reportable segments.
2. Segment profit is adjusted with operating profit in the summary quarter consolidated statements of income.

[Notes of caution]

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Cumulative First Quarter of Current Fiscal Year (from October 1, 2020 to December 31, 2020)

(Millions of yen)

	Reporting segments				Adjusted amount (Note) 1	Consolidation
	NEW-IT Transformation Business	Investment Business	Publitech Business	Total		
Revenue						
External revenue	473	72	7,253	7,799	-	7,799
Inter-segment revenue	-	-	-	-	-	-
Total	473	72	7,253	7,799	-	7,799
Segment profit (Note 2)	136	67	4,771	4,975	△357	4,618
Financial income	-	-	-	-	-	0
Financing cost	-	-	-	-	-	35
Profit before tax	-	-	-	-	-	4,582

(Note)

1. The adjusted △357 million yen for segment profit is the corporate expenses that are not allocated to each reportable segment, and mainly consists of general and administrative expenses that are not attributable to the reportable segments.
2. Segment profit or loss is adjusted with operating income in the summary quarter consolidated statements of income.

(Subsequent Events)

(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").

Based on this review, we resolved at the Board of Directors' meeting held on January 27, 2021 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. This is a simple absorption-type company split in which a wholly owned subsidiary will succeed to the business division.

In addition, at the Board of Directors held on the same day, 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 of the two companies (hereinafter referred to as the "Alliance").

(1) 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 from 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.

[Notes of caution]

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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.

(2) Establishment of NewCo and the Spin-off

(i) Summary

a. 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: Not determined (Note)
Resolution at the Board of Directors for the approval of the Spin-off (NewCo side): Not determined (Note)
Resolution of the Shareholders Meeting therefor (NewCo side): Not determined (Note)
Execution of the absorption-type spin-off agreement: Not determined (Note)
Execution of the Spin-off (effective date): April 1, 2021 (scheduled)

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.

(Note) In the timely disclosure of January 27, 2021, the date of establishment of the NewCo was scheduled on February 10, 2021, the date of approval by the Board of Directors for the Spin-off (NewCo side), the date of resolution of the General Meeting of Shareholders for approval of the Spin-off (NewCo side), and the date of execution of the absorption-type spin-off agreement were scheduled on February 15, 2021. The schedule for these dates has been changed as described above. Please note, however, that there is no change to the execution date (effective date) of the Spin-off on April 1, 2021 (scheduled).

b. 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.

c. 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. The allocation of shares is calculated based on the valuation of the Business of 3,837 million yen which was calculated by the DCF method on basis of our stand−alone project plan after discussion between us and KDDI.

d. Capital to be reduced by the Spin-off

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

e. Treatment of stock options and bonds with stock options

Although we already issued stock options and bonds with stock options, there is no change to their treatment due to the Spin-off.

f. 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.

g. 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.

(ii) Overview of the Parties of the Spin-off

(1) Trade Name	CHANGE Inc. (Absorption-type spinning off company)	Trade name undecided (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

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(3) Date of Incorporation	April 10, 2003		Not determined
(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
(6) Paid-in Capital	2,401 million yen (as of January 27, 2021)		0.5 million yen
(7) Number of issued shares	67,127,862 shares (as of January 27, 2021)		1 share
(8) Total equity or net assets	9,406million yen (total consolidated equity) (as of September 30,2020)		1 million yen (non-consolidated net assets)
(9) Total assets	17,093million 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).

(ⅲ) Overview of the Business to be Spun-off

a. Business to be spun-off

Digital human resources development business

b. 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)

c. 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)

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(iv) 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.

(v) 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.

(3) Execution of the joint venture agreements between us and KDDI

(ⅰ)Joint Venture Agreement, etc.

a. 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.

b. 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: Not determined Transition to the joint venture structure April 1, 2021 (planned)
(6) Paid-in Capital	5 million yen (at the initial establishment) 1,919 million yen (after third-party allotment)
(7) Fiscal year end	September. 30
(8) Net assets	1 million yen (at the initial establishment) 3,840 million yen (after the third-party allotment)
(9) Total assets	1 million yen (at the initial establishment) 3,840 million 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 million 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 million yen to be invested) will be issued and 6 shares (6 million 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.

c. Overview of the third-party allotment of new shares of NewCo

Assignment destination	KDDI
The classes and the number of shares for subscription;	3,831 common shares 6 Class B shares
Payments for the offered stocks	1 million yen per share
Payment date	April 1, 2021
Increase in common share and additional paid-in capital	Increase in capital by 1,918 million yen Increase in additional paid-in capital by 1,918 million yen

(ii) Schedule

Resolution of the Board of Directors: January 27, 2021
Signed Joint Venture Agreement: January 27, 2021
Date of establishment of the joint venture: Not determined (original establishment) (Note)
Transition to joint venture: April 1, 2021 (planned)

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(Note) In the timely disclosure dated January 27, 2021, the date of the establishment of the joint venture was scheduled on February 10, 2021, but it has been changed as described above.

End