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# Financial Results of the 1st Quarter of Fiscal Year Ending September 2021

**CHANGE Inc.**  
**Security Code: 3962**

[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.

CHANGE  
PEOPLE, BUSINESS, JAPAN

# Our Mission

**||| Change People, Change Business, Change Japan.**



# Our Issue

## ||| Change People, Change Business, Change Japan.



Source : "Table 1-1-1-1 Japan's population transition" White Paper Information and Communication in 2016 MIC <http://www.soumu.go.jp/johotsusintokei/whitepaper/ja/h28/html/nc111110.html>

※based on data from the "Census" (MIC) until 2015 and the "forecasted population in Japan" (National Social Security and Population Problem Research Institute (2013 forecast)(median estimate for birth and death)

## Changing Productivity

**Human**      **x**      **Tech**  
(Education & Training)      (NEW-IT)

# 1st Quarter Overview

## Future Prospects

# The 1st Quarter Results (Consolidated)

||| Operating profit has progressed 91.0% even compared with the lowest limit regarding the full-year target (having a certain range).

※ Target was already revised based on IFRS on December 25, 2020

| (unit : million yen)                           | 12.25 IFRS version correction<br>Full-year targets (consolidated) |        |   |        |        | 1Q result<br>(consolidated) |        |
|--|---|--------|---|--------|--------|-----------------------------|--------|
|  | amount  | %      |   | amount | %      | amount                      | %      |
| Revenue  | 15,781  | 100.0% | ~ | 16,281 | 100.0% | 7,799                       | 100.0% |
| Cost of sales                                  | 4,344   | 27.5%  | ~ | 4,344  | 26.7%  | 930                         | 11.9%  |
| Gross margin                                   | 11,436  | 72.5%  | ~ | 11,936 | 73.3%  | 6,869                       | 88.1%  |
| SG&A Expenses                                  | 6,364   | 40.3%  | ~ | 6,364  | 39.1%  | 2,251                       | 28.9%  |
| Operating profit                               | 5,071   | 32.1%  | ~ | 5,571  | 34.2%  | 4,618                       | 59.2%  |
| Financial income                               | 0   | 0.0%   | ~ | 0      | 0.0%   | 0                           | 0.0%   |
| Financial expenses                             | 63  | 0.4%   | ~ | 63     | 0.4%   | 35                          | 0.5%   |
| Profit before taxes                            | 5,008   | 31.7%  | ~ | 5,508  | 33.8%  | 4,582                       | 58.8%  |
| Income tax expense                             | 1,736   | 11.0%  | ~ | 1,909  | 11.7%  | 1,587                       | 20.4%  |
| Profit   | 3,272   | 20.7%  | ~ | 3,599  | 22.1%  | 2,995                       | 38.4%  |
| Profit attributable to owners of parent        | 3,296   |        | ~ | 3,623  |        | 3,015                       |        |
| Loss attributable to non-controlling interests | △24   |        | ~ | △24    |        | △19                         |        |
| (reference) EBITDA                             | 5,617   | 35.6%  | ~ | 6,117  | 37.6%  | 4,821                       | 61.8%  |

## Breakdown by business segment

| 1st quarter<br>(unit : million yen) |               |            |            |          |
|-------------------------------------|---------------|------------|------------|----------|
|                                     | NEW-IT trans. | Investment | Publi-tech | Adjusted |
| Revenue                             | 473           | 72         | 7,253      | —        |
| └ External revenue                  | 473           | 72         | 7,253      | —        |
| └ Inter-segment revenue             | —             | —          | —          | —        |
| Segment profit                      | 136           | 67         | 4,771      | △357     |

※ Sums may differ due to rounding fractions.  
※ “Adjusted” is mainly related to whole group’s selling, general, administrative expenses.

- ||| Steady progress in the NEW-IT Business by focusing on digital human resources development.
- ||| Investments reflect fair value due to adoption of IFRS, although there were no new sales transactions.
- ||| In Publitech, utilizing hometown tax payments for corona countermeasures are booming.

# Major Topics in the 1st Quarter

~ Establishment of JV with KDDI ~

||| **We are moving to further accelerate the fast-growing digital human resource development field.**









- ||| Agreed to establish a joint venture company for jointly conducting our digital human resources development business.
- ||| Jointly develop solutions to “human resources shortage”, which is a bottleneck, especially relating the promotion of DX in local areas.
- ||| By multiplying two companies’ knowledge and accumulated experiences, the joint venture aims to make a rapid growth that could not be achieved on a stand-alone basis.
- ||| Joint venture to be established on April 1, 2021 (scheduled).

※ For more details, please refer to our immediate release document.  
<https://ssl4.eir-parts.net/doc/3962/tdnet/1921973/00.pdf>

# Major Topics in the 1st Quarter

~ Corona countermeasure package using “LoGo Form” ~

- ||| We started offering “Corona Countermeasure Package” to prevent residents, entities, and local government employees from “Three Cs” using a LoGo Form, which has been already used by over 190 local governments\*. \*as of Feb.1

|                            | Systems and responses to be solved  | Current status  | Overview   |
|----------------------------|---|---|--|
| Resident (user)            | Reservation for receiving My Number Card  | Long waiting time at the counter and dense situation.   | The maximum number of reservations can be managed by date and time, and users can make reservations in advance to receive their My Number cards.   |
|                            | Reservation for tax consultation  | Want to spend a certain period on personal consultation while avoiding crowded situation in a small area.  | The maximum number of appointments by date and time can be managed and making appointments for consultation applications is available. The form can also be reused for consultation on daily life, childcare, tax returns, and immigration and settlement. |
|                            | Application for subsidies related to corona virus inspection  | Want to apply for a grant without going to the counter.    | Enter the notification number and other necessary information in the notice sent to the target household, and also complete the transmission of the attached documents online. One-stop service from application to payment.                               |
|                            | Research about closure of school due to corona virus  | Having anxiety and troubles by the spread of infectious diseases.   | A questionnaire survey can be conducted on the actual conditions and problems in households when schools are closed, making it possible to prepare for further epidemics in the future.  |
| Business entity            | Filing of entities which actively take actions for preventing corona virus infections (case of Hamamatsu City, Shizuoka prefecture) | Good infection prevention measures are taken.    | Register, announce and certify entities that have complied the standard corona infection prevention measures. Entities can complete the registration without coming to the office by filling out a form and confirming on-site through a web conference.   |
|                            | Application for business continuity subsidiaries  | Decreasing sales and business difficulties.    | Pre-determination of whether the application conditions are met. Qualified entities can apply for the subsidy online.  |
| Local government employees | Application for telework approval   | Promote work style reform and promote telework.    | Enter the necessary information into the form and apply for a telework permit. The status of the application can be checked by the applicant through status management.  |
|                            | Mental health check sheet   | Want to create a safe working environment.   | A form with self-check items for mental health. If necessary, consult with the section in charge or a specialized organization   |



# Major Topics in the 1st Quarter

## ~ The “Enecho” Wins the Director's Award at the New Energy Award ~

- ||| “Enecho”, a service that allows users to donate surplus electricity after “Feed-in tariffs”(FIT) scheme, received the Director-Generals Award from the Agency for Natural Resources and Energy at the New Energy Awards.



### Reason for the Award

- ||| It is a service that contributes to the local community through donations, by providing a new option of donation other than selling electricity, after the end of “FIT” scheme.
- ||| By establishing a donation platform after FIT scheme is expired, electricity generated at home is provided free of charge to new electric power companies funded by local governments, and the donors are rewarded with local specialties and points, and at the same time, they contribute to the local community.
- ||| The project was highly evaluated as a unique effort to add value to post FIT power by contributing to the local community.
- ||| Hoping the project will continue and grow in the future.

※ The above are quoted from the New Energy Foundation website  
[https://www.nef.or.jp/award/kako/r02/s\\_02.html](https://www.nef.or.jp/award/kako/r02/s_02.html)

※ Please see the TrustBank News Release for more details.  
<https://www.trustbank.co.jp/newsroom/newsrelease/press408/>

# Other Topics in the 1st Quarter ~ CHANGE ~

## ||| We are promoting a number of initiatives related to digital human resource development and strengthening management infrastructure.

### October to Dec. 2020 (1Q)

- ||| 10.01 Started providing DX human resource aptitude assessment tools
- ||| 10.02 TrustBank's "LoGo Form," a tool for digitizing administrative procedures, has been introduced to more than 100 municipalities.
- ||| 10.05 TrustBank allied with Toyota Finance for digital government initiatives aimed at regional revitalization.
- ||| 10.05 Share exchange agreement with TrustBank approved at the extraordinary shareholders' meeting
- ||| 10.06 Developed and provided a digital transformation platform for Tokio Marine & Nichido Risk Consulting Co., Ltd. in collaboration with Headwaters Co., Ltd.
- ||| 10.14 Announced the voluntary application of International Financial Reporting Standards (IFRS).
- ||| 10.14 Announced the introduction of a stock-benefit trust (J-ESOP)
- ||| 12.07 Started collaboration with GAUSS Co., Ltd., an existing investee, for DX solutions for construction sites
- ||| 12.14 Started to offer “Remote Work Style ~human resources development services to achieve higher performances even in online environments~”
- ||| 12.15 TrustBank launched the “Countermeasure Package against Corona Virus”, through “LoGo Platform”, the administrative procedures digitization platform.
- ||| 12.15 Allied with and invested in Writeup Co., Ltd.
- ||| 12.31 Stock split (1:2)

### From January 2021

- ||| 01.06 Started providing e-learning to effectively promote remote work and telework under a state of emergency
- ||| 01.19 Launch of Business Standardization AI for Local Government DX - Collaborative Solution by Konica Minolta and Change
- ||| 01.29 Reduction of capital reserve and transfer to other capital surplus

# Other Topics in the 1st Quarter ~ TRUSTBANK ~

## ||| In the Corona disaster, we are promoting a number of initiatives to support local industry, government, and daily life through donations and other mechanisms.

### October to Dec. 2020 (1Q)

- ||| 10.02 More than 100 local governments have introduced LoGo Form, a digitization tool for administrative procedures.
- ||| 10.05 TrustBank allied with Toyota Finance for digital government initiatives aimed at regional revitalization.
- ||| 10.05 “Furusato Choice Award 2020”, one of the largest furusato tax awards in the country, was given.
- ||| 10.08 The “6th Furusato Choice Great Thanksgiving”, one of Japan's largest hometown tax payment events was decided to be held online for the first time.
- ||| 10.12 Established the “TB Base”, an owned media service for broadcasting people working on co-creation of local communities and their related activities.
- ||| 10.15 Bizen City, Okayama Prefecture, began to provide Bizen Pottery as gift for hometown tax through Furusato Choice, which were made by the holder of Living National Treasure and Okayama Prefecture Important Intangible Cultural Property.
- ||| 10.19 Shirakawa Village, Gifu Prefecture, began to provide a local sweet “Yu-no-wa” developed by junior high school students in the village over a year, as a gift for hometown tax through Furusato Choice.
- ||| 11.02 Natural Lawson and Furusato Choice started the 5th phase of “Traveling Cheer (Ale) Project” to support producers affected by coronavirus.
- ||| 11.02 Goshogawara City, Aomori Prefecture, began to provide, as a gift for hometown tax through Furusato Choice, the picture of “Let’s learn from Emperor Jinmu about getting a gold kite (learning from ancient wisdom about how to succeed)” painted on a festival float which was scheduled to appear in the Tachi Neputa Festival, one of the three biggest Neputa festivals in Aomori prefecture, however, it was suspended due to corona virus.
- ||| 11.09 Kirishima City, Kagoshima prefecture, began to provide, as a gift for hometown tax through Furusato Choice, the limited commemorative item of Satsuma tinware created by the artist winning the “Modern Mastership Award”.
- ||| 11.17 Tamano City, Okayama prefecture, started to raise 1.1 million yen (crowd-funding) though Furusato Choice for the homestay project in Gloucester, UK for junior high school and high school students.
- ||| 11.24 Announced the research about how many people already decided to visit hometowns for the new year vacation.
- ||| 11.26 Furusato Choice announced the 2020 summary data on the “Government crowd-funding (GCF)”.
- ||| 11.30 Furusato Choice agreed to support the Ashinaga Scholarship Foundation's activities to support orphans and their families who are suffering from the Corona disaster.

# Other Topics in the 1st Quarter ~ TRUSTBANK ~

## III (continued)

### October to Dec. 2020 (1Q)

- III 11.30 Furusato Choice implemented the project of “gifts bags (fukubukuro) for supporting local producers” in 47 provinces nationwide, delivering to total 10,000 people who paid home taxes.
- III 12.01 Otofuke City in Hokkaido started to raise 20 million yen (crowd-funding) through Furusato Choice for the construction of a facility that enables experience of the world of the TV drama "Natsuzora" at the road station.
- III 12.08 Junior and senior high school students who want to deliver the local charm all over the country have created a series of hometown tax incentive products.
- III 12.08 Hometown Choice launched the "project for supporting students with difficulty in returning home," which delivers relief supplies to students suffering from self-restraint from returning to their homes due to the coronavirus pandemic.
- III 12.08 Started Furusato Choice and Fujimaki Department Store's “Japanese Gem 2020”, the second collaboration event of introducing thank-you gifts for hometown tax payment.
- III 12.11 Contributions to “Corona Benefit Contribution Project”, the new corona virus infection countermeasure, reached 300 million yen.
- III 12.15 Launched the “Countermeasure Package against Corona Virus”, through “LoGo Platform”, the administrative procedures digitization platform.
- III 12.18 Kamakura city, Kanagawa prefecture, started to raise 7.5 million yen (crowd-funding) through Furusato Choice for the Kamakura School Collaboration Fund.
- III 12.22 Started accepting donations for the 2020 heavy snow disaster through the Furusato Choice disaster support platform.
- III 12.25 Furusato Choice donated 10 million yen to Ashinaga Scholarship Society for “New Year's Eve Emergency Relief Fund”, in order to ensure that orphans, who are in need due to the pandemic, can welcome the New Year with no worry.

### From January 2021

- III 01.18 Corona Benefit Donation Project selected individuals, companies and organizations for donation grants
- III 01.22 Allied with EX Research Institute Ltd. and Orbital Net Inc. to provide visualization service of solar power generation facilities in the region using AI analysis
- III 01.26 “Enecho”, a service that allows users to donate surplus electricity after “Feed-in tariffs”(FIT) scheme received the Director-General's Award from the Agency for Natural Resources and Energy at the New Energy Awards.
- III 02.05 Announced the results of the “Attitudes Survey on Disaster Support for Hometown Tax Payment”  
~ “Known” by 60%, of which one in five has donated ~

# [Reference] Status of the IPO Acceleration Program

## ||| We continue to hold the following companies as of Feb.15

| Investment portfolio                      | Time           | Main Businesses and Services   | Main purpose  | Trend after investment                              |
|---|----------------|--|---|---|
| <b>Headwaters</b>                         | <b>2018.4</b>  | Providing applications for humanoids, building AI platforms for communication robots, and providing solutions coordinated with smartphones and IoT devices   | Providing new services (integrating this and our knowhows) and doing joint marketing activities   | We continue to hold.                                |
| <b>AI CROSS<br/>(formerly AOS Mobile)</b> | <b>2018.7</b>  | Providing B2B mobile communication services, such as “In Circle” or AI based business chat and “AOSSMS” or two-way SMS for entities  | Providing and developing services and businesses based on AI and supporting a public sector’s efficient operations  | 2019.10 Listed on TSE Mothers (We continue to hold) |
| <b>GAUSS</b>                              | <b>2019.7</b>  | Providing general purpose AI engines based on its own algorithms and developing comprehensive platforms necessary for continuous integration of AI   | Developing use cases of various fields, including forecasting, image recognition, natural language processing, and analyzing voices                       | We continue to hold.                                |
| <b>Aeronext</b>                           | <b>2019.8</b>  | Promoting advanced research on drone Architecture and developing license business of its unique gravity-center control technology globally   | Promoting full-fledged social implementation of industrial drone through their DaaS* development and drone ecosystem construction<br>* Drone as a service | We continue to hold.                                |
| <b>beBit</b>                              | <b>2020.6</b>  | Its motto is “the essence of the digital age is the UX,” and supports DX/UX of large corporations. Providing UX-Team Cloud product, “USERGRAM”, in addition to domestic and overseas consulting services | Providing new services (integrating this and our knowhows) and doing joint marketing activities   | We continue to hold.                                |
| <b>New<br/>WriteUp</b>                    | <b>2020.12</b> | With the vision of “Bringing All Small and Medium-Sized Enterprises profitable”, provide a variety of DX services, including support for utilizing subsidies and grants                                  | Realize regional revitalization based on DX and DX platforms in the areas of government subsidies for local SMEs  | We continue to hold.                                |

## 1st Quarter Overview

## Future Prospects

# Future prospects

||| **We refer to the Midterm Business Plan in the separate document.**

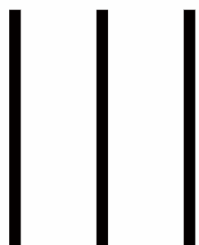
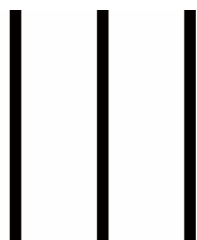
**Midterm  
Business Plan  
【DJ2】**

||| **Midterm Business Plan for  
FY2022.9~2024.9 was prepared and  
announced (in separate document)**

# Disclaimer

- ||| *Any forecasts, estimates, etc. in the future appearing on this material were decided by us based on available information when we prepared this material, so they may be uncertain.*
- ||| *Actual performances in the future may depend on various factors, so they may largely differ from any forecasts, etc. herein.*





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