

The page features several vertical black bars of varying heights and positions. Three bars are in the top left, three in the middle left, and three in the bottom left. The main title is positioned to the right of the middle-left bars.

Midterm Business Plan

~ Digitize & Digitalize Japan (Phase2)~

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

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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)

Positioning of the Current Midterm Business Plan

- ||| **We have entered the Phase 2 of our Midterm Business Plan in which we will create the digital age in Japan within 15 years.**



- ||| We will improve Japan's productivity through the digitalization/digitization of business models and business processes and the development of digital human resources.
- ||| For achieving “Digitize & Digitalize Japan”, we will continue to work until the Phase 5, confront the social challenge of declining population, and will be a leader of overcoming the present national difficulty in spite.
- ||| We are in the Phase 2 of the Current Midterm Plan.

0. Introduction

1. Review on the Previous Midterm Business Plan [DJ1]

2. Concept of the Current Midterm Business Plan [DJ2]

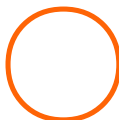
3. Midterm Targets

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Review on the Previous Midterm Business Plan [DJ1]

||| The results of [DJ1] as of 2021.2, which is in the final year, are as follows:

Quantitative



- Once the plan had been revised downward, but we eventually attained.
- We have resulted in 54% excessive operating profit in FY2020 over the initial target.
- We can focus on building a foundation for [DJ2] in the final fiscal year.

Completed the business model



- We mostly completed the DX promotion in a winning pattern.
- We clearly focus on where to input resources, including M&A.
- We identified the development path which will lead to DJ 3, 4, and 5 stages.

Strengthening the management base



- We enhanced mobility and flexibility by making TrustBank our wholly-owned subsidiary.
- We improved mobility for M&A by shifting to IFRS and expanded IR with English.
- We have prepared for providing full remote services.

Speed of the business development



- Some activities are rapidly expanding (digital human resources development, LoGo series, etc.)
- We are still making many efforts to complete a uniform “business model” because we have to deal with projects case by case.
- Increasing resources speedily may be a restraint to our growth.
→ We need to strengthen focus on “common issues” and secure resources both internally and externally.

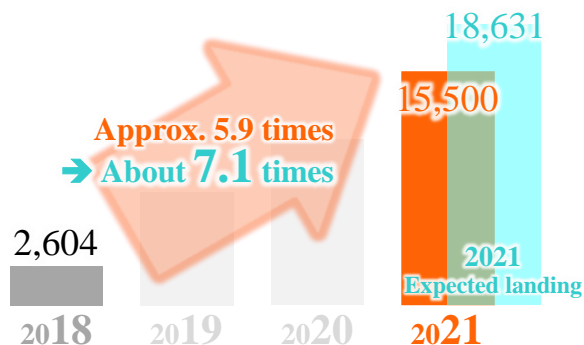
“DJ1” related Growth for Three Years

||| It is certain that we will achieve the ambitious growth goal set in [DJ1].

※ All figures below are based on the former Japanese GAAP at the time of target setting, calculated assuming that we will achieve the lowest target in the range of targets as of FY2021.

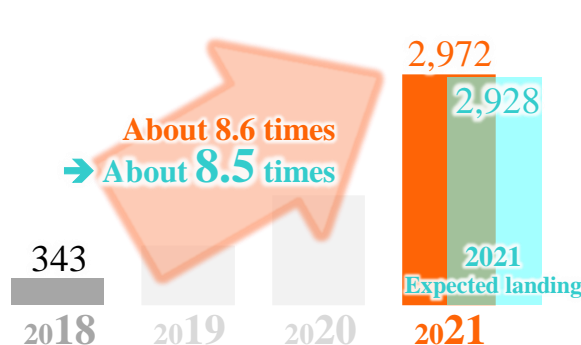
Net sales

Unit: million yen



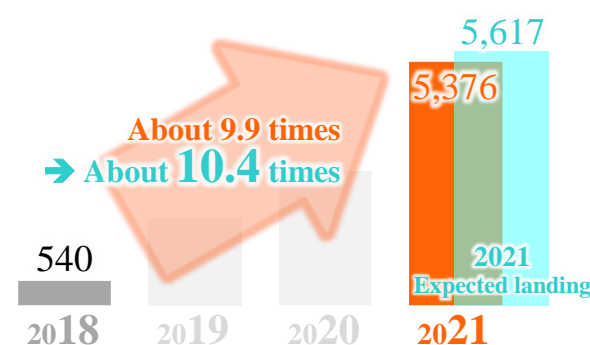
Net income

Unit: million yen



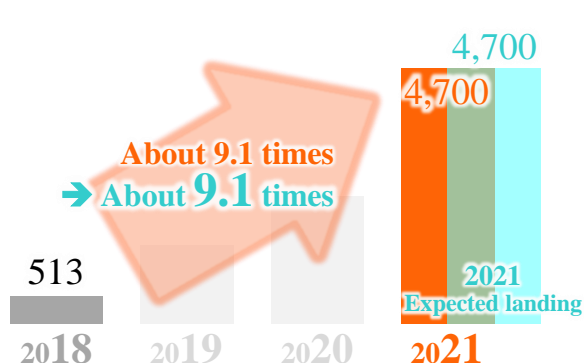
EBITDA

Unit: million yen



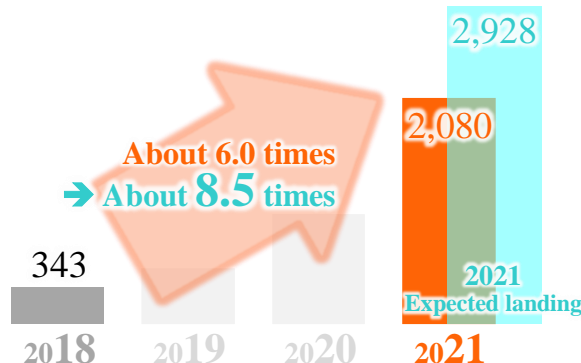
Operating income

Unit: million yen



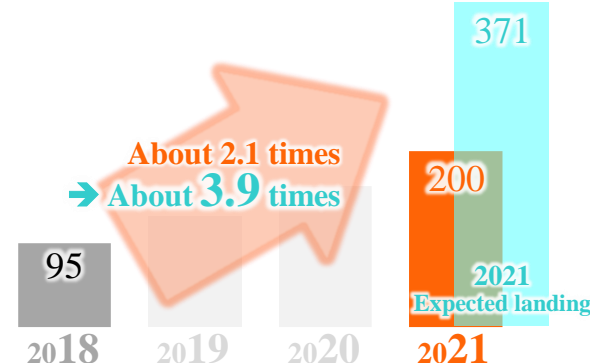
Profit attributable to owners of parent

Unit: million yen



Number of employees

Unit: Person



※1: Figures are based on the former Japanese GAAP ※2: 2018.9. Figures are based on non-consolidated. ※3: 2019.9 TrustBank contributions are only for 10 months from 2018.12 to 2019.9 after the consolidation.

※4: 2018 profit attributable to owners of the parent is compared with the non-consolidated net income of CHANGE ※5: The number of employees is calculated based on the number of full-time employees at the end of the fiscal year + the number of temporary employees converted to full-time.

Continuous Evolution of the Business Model

- ||| The successful verification of the DX-Promotional Equation is the biggest performance of [DJ1].
- ||| We always create new seeds and create dynamics that drive continuous evolution.



	Consulting type	SaaS type	Platform type
Customer	<ul style="list-style-type: none"> Individual customers 	<ul style="list-style-type: none"> Specific industry Group of customers with specific business process 	<ul style="list-style-type: none"> Both “users” and “providers” of services related to specific business process
Issues to be solved	<ul style="list-style-type: none"> Deepening the issues and needs of one company Creating and resolving issues that do not exist in the world yet 	<ul style="list-style-type: none"> Issues to be common to specific industries and business process Solutions to revamp traditional methods 	<ul style="list-style-type: none"> Matching with the best “Partner” Providing a wide range of options and means to find the best solution for slightly different issues
Object of change	<ul style="list-style-type: none"> For specific departments and operations of our specific clients 	<ul style="list-style-type: none"> “Standards” for specific business process 	<ul style="list-style-type: none"> Particular market as a whole
Keys to Continuous Evolution	<ul style="list-style-type: none"> Quality and volume of consultants Human resource development + technology/product development through high-level projects (engine for creating the "next") 	<ul style="list-style-type: none"> Concentrated investment of resources for start-up and dissemination 	<ul style="list-style-type: none"> Involvement of many participants
Productivity to be used as the basis (Gross Profit per Person)	<ul style="list-style-type: none"> JPY 20-30 million 	<ul style="list-style-type: none"> JPY 40 to 60 million 	<ul style="list-style-type: none"> JPY 70 to 90 million

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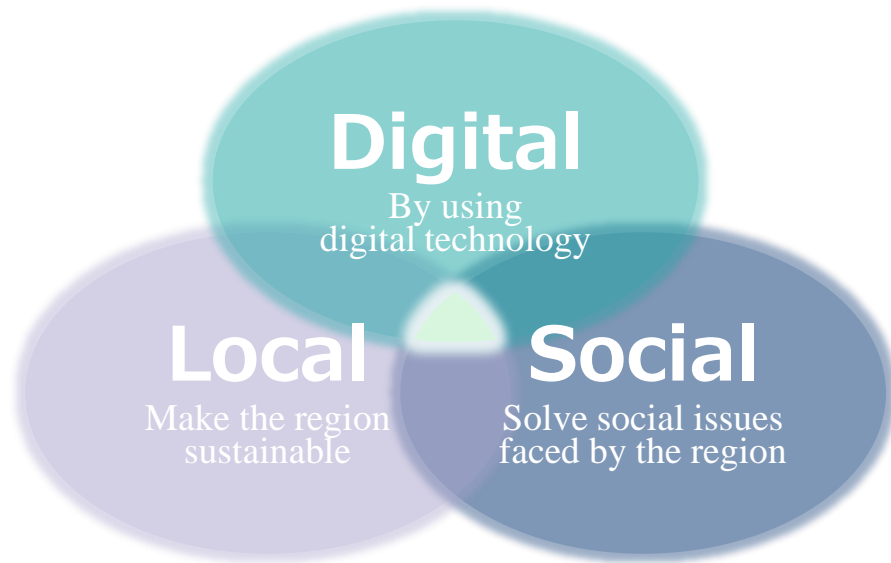
2. Concept of the Current Midterm Business Plan [DJ2]

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Business Domain in [DJ2]

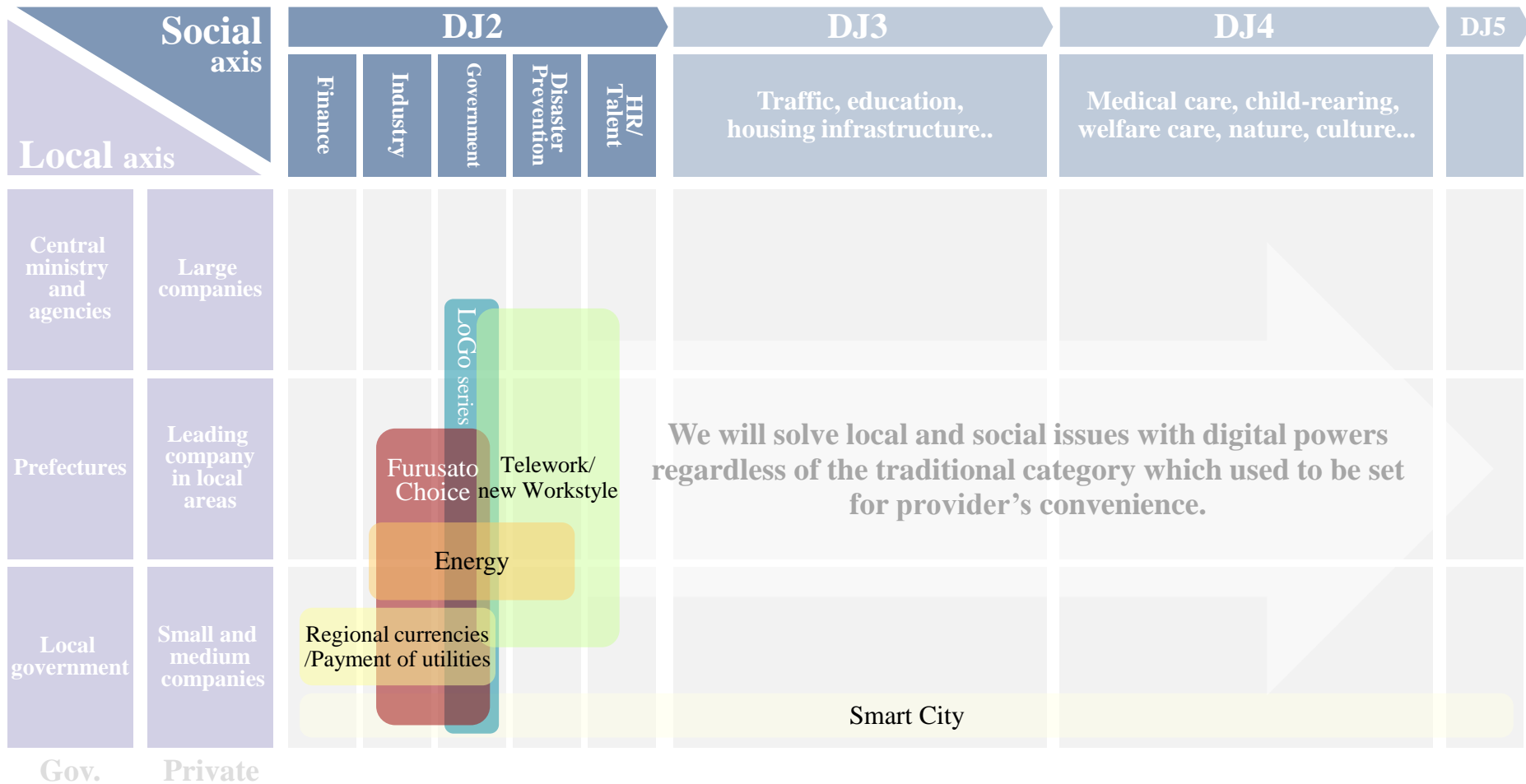
||| Setting the sweet spot for “Change Japan”.



- ||| We will focus on “non-Tokyo area” which accounts for about 70% of GDP.
- ||| We will decide that the most important thing is to spread the benefits of digitalization to “Local”.
- ||| We will take on the challenge of solving critical and urgent regional issues that threaten sustainability.
- ||| We will remove the “human resource shortage” bottleneck in expanding DX in local areas.

Strategy Map

||| We will also extend the benefits of DX to the approximately 390 trillion-yen economical area outside the Tokyo Metropolitan Area.



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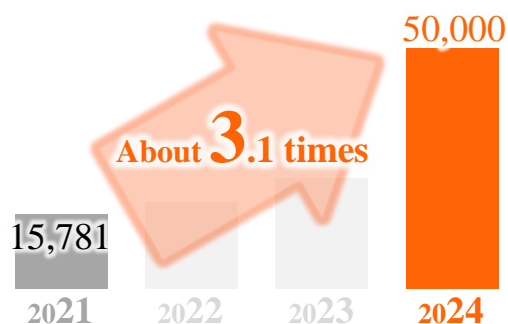
4. Strategy for Achieving the Plan

Three-Year Growth Targets

||| The growth goal of Phase2 in three years is as follows:

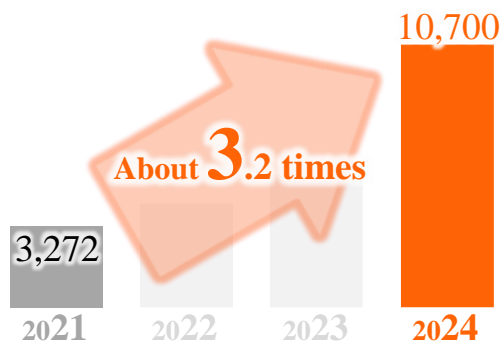
Revenue

Unit: million yen



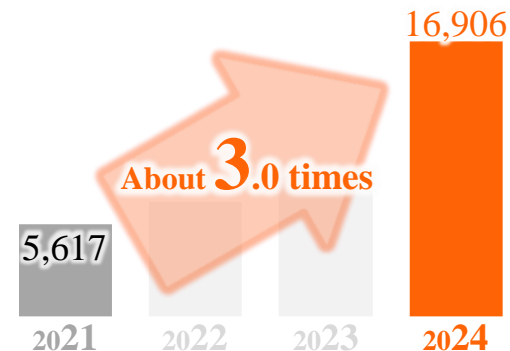
Profit

Unit: million yen



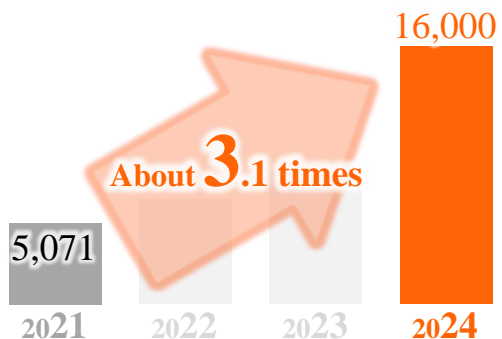
EBITDA

Unit: million yen



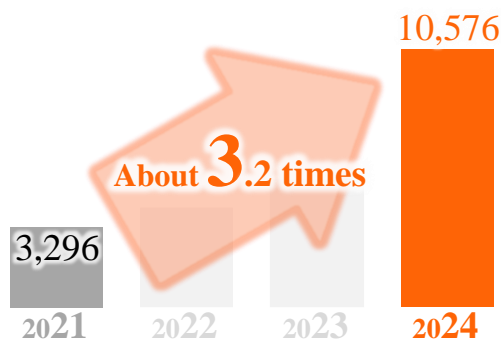
Operating profit

Unit: million yen



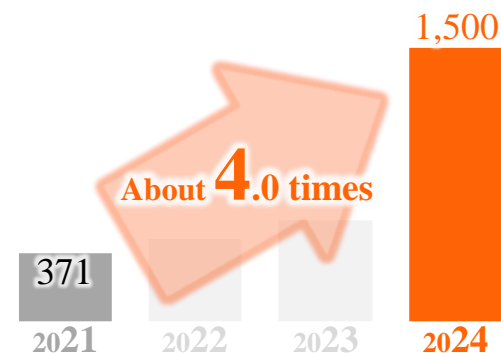
Profit attributable to owners of parent

Unit: million yen



Number of employees

Unit: Person



※1 : Figures are based on IFRS

※2 : The number of employees is calculated based on the number of full-time employees at the end of the fiscal year + the number of temporary employees converted to full-time.

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Three-Year Growth Targets ~ Profit and loss ~

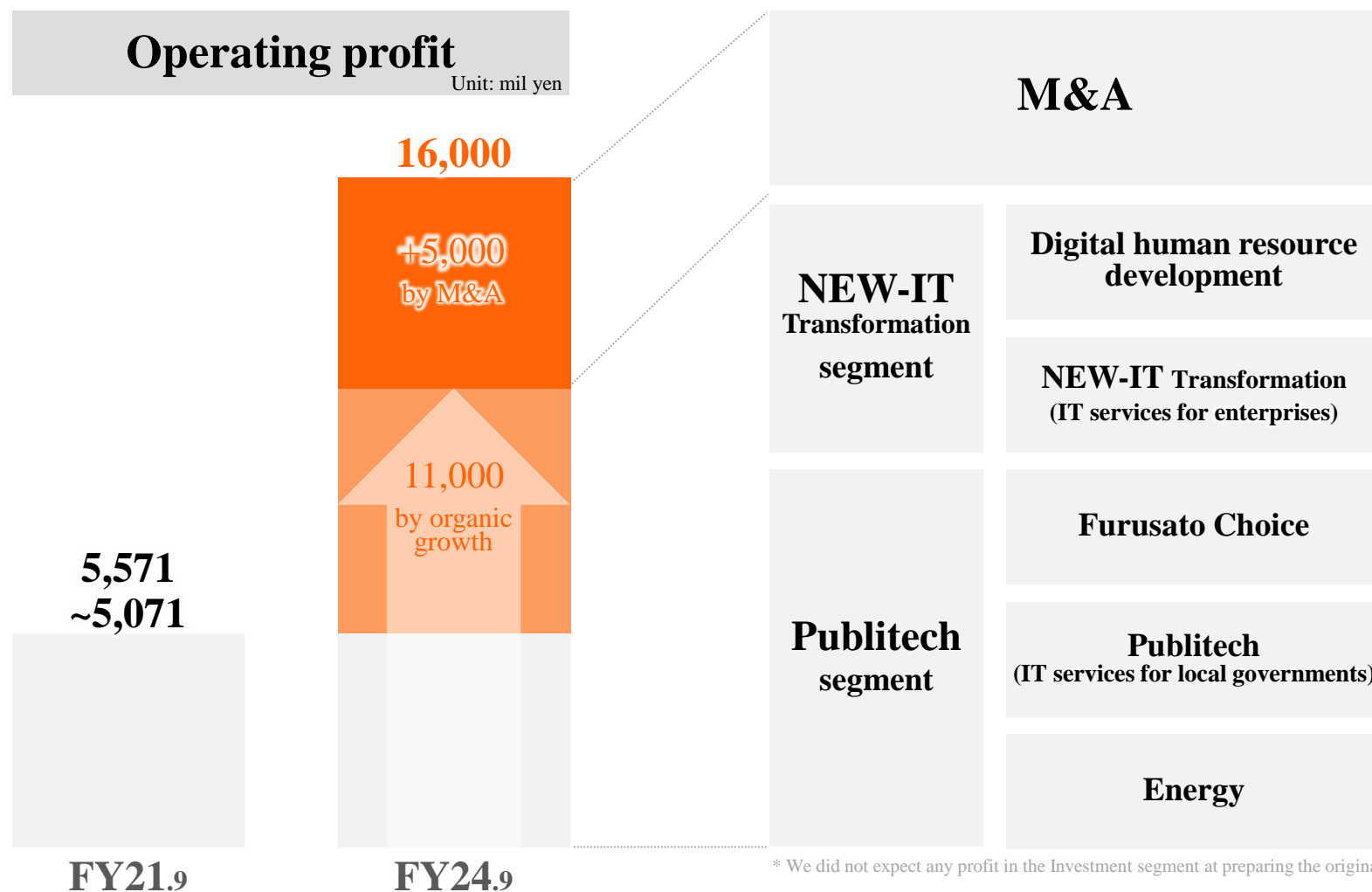
||| We assume that we will recognize M&A related profit in FY24.9 (the final year) since it is difficult to assume that contribution of M&A related profit will be realized in an early stage.

*Figures are based on IFRS

(unit : million yen)	2022.9(consol.)		2023.9(consol.)		2024.9(consol.)		(ref) 24.9 exclud. M&A	
	amount	%	amount	%	amount	%	amount	%
Revenue	18,200	100.0%	23,000	100.0%	50,000	100.0%	30,000	100.0%
Cost of sales	5,345	29.4%	7,078	30.8%	15,447	30.9%	9,247	30.8%
Gross margin	12,854	70.6%	15,921	69.2%	34,552	69.1%	20,752	69.2%
SG&A Expenses	6,354	34.9%	7,621	33.1%	18,766	37.5%	9,966	33.2%
Operating profit	6,500	35.7%	8,300	36.1%	16,000	32.0%	11,000	36.7%
Financial income	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Financial expenses	62	0.3%	60	0.3%	55	0.1%	55	0.2%
Profit before taxes	6,437	35.4%	8,239	35.8%	15,944	31.9%	10,944	36.5%
Income tax expense	2,242	12.3%	2,860	12.4%	5,244	10.5%	3,713	12.4%
Profit	4,195	23.0%	5,378	23.4%	10,700	21.4%	7,231	24.1%
Profit attributable to owners of parent	4,096		5,238		10,576		7,107	
Profit attributable to non-controlling interests	99		140		123		123	
(reference) EBITDA	7,052	38.7%	8,961	39.0%	16,906	33.8%	11,906	39.7%

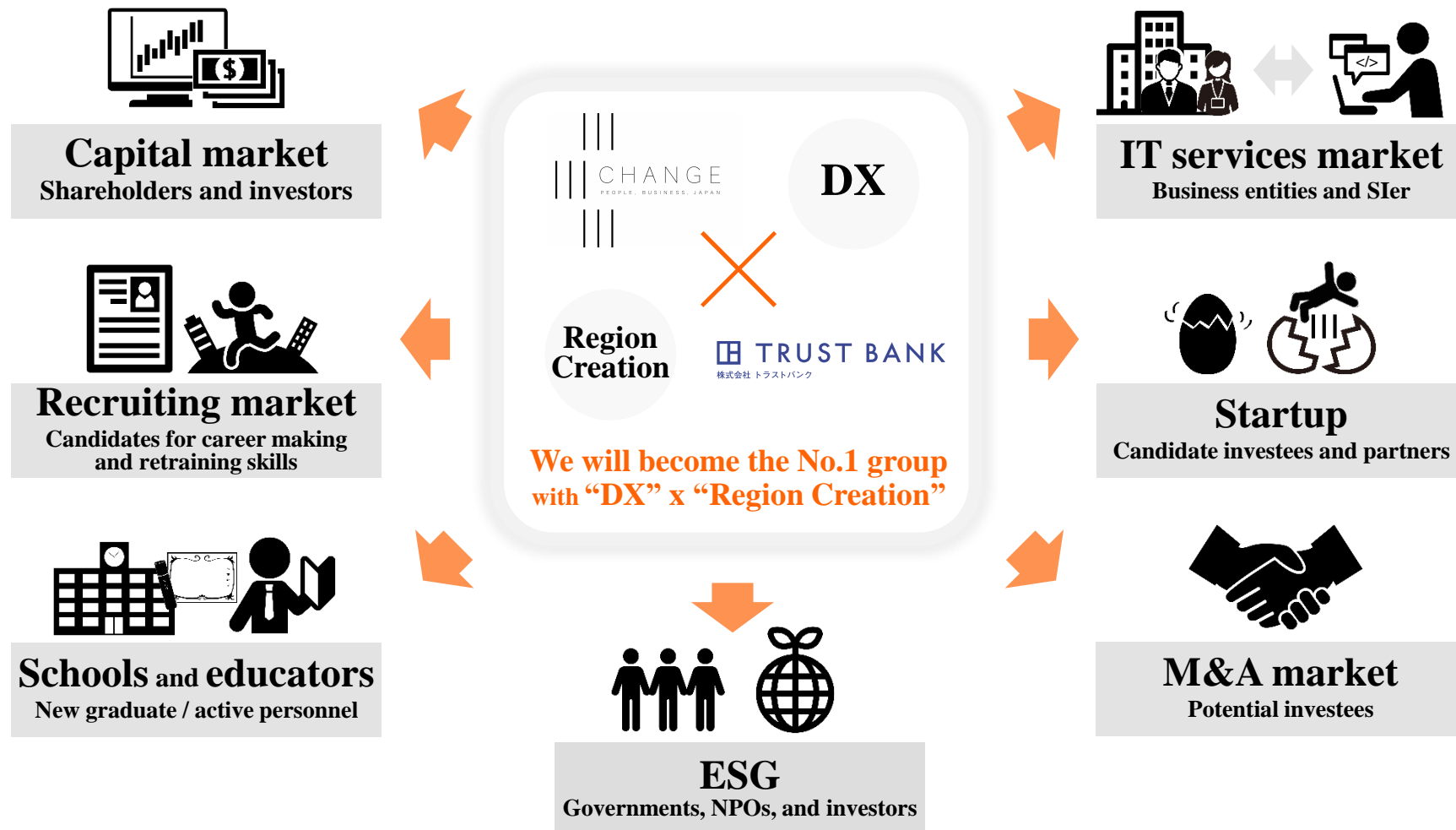
Profit Composition Image for FY2024.9

||| We will leap forward by M&A while monetizing experiences and foundations accumulated in [DJ1].



Qualitative Objectives

- ||| We will aim to establish brands in various areas for further growth in the next [DJ3].
- ||| Higher awareness in the market will attract people and partners who will aim for the great challenge together with us.



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Strategy for Achieving the Plan

~ Overall Policy ~

||| Our group policies across businesses are as follows:

Continuous Evolution of the Business Model

- ||| We aim to evolve into a business model that can deliver the benefits of digital to a wider range of customers.
(Consulting type → SaaS type → Platform type)
- ||| We will change ourselves quickly to meet customers' needs.

Concentration

(Focus on common issues)

- ||| We will focus on identifying and narrowing down common issues.
- ||| We will more focus on getting insights into specific industries/business processes, and developing human resources, technologies and products through works with our clients.

Collaboration

(Gathering partners)

- ||| We will gather partners who aspire “regional revitalization” and “resolving social issues” and make cocreation.
- ||| We will solve the bottleneck of resources in an evolving manner through close collaboration with other companies.

Confederation

(Federal-style management)

- ||| We will not stick to past successful experiences regarding large companies in the Tokyo Metropolitan area.
- ||| We aim to conduct businesses that leverage “centrifugal force” (expanding to local area) through alliances and M&A.

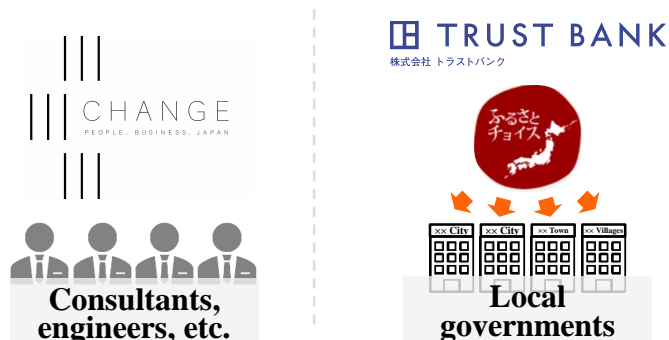
Strategy for Achieving the Plan

~ M&A ~

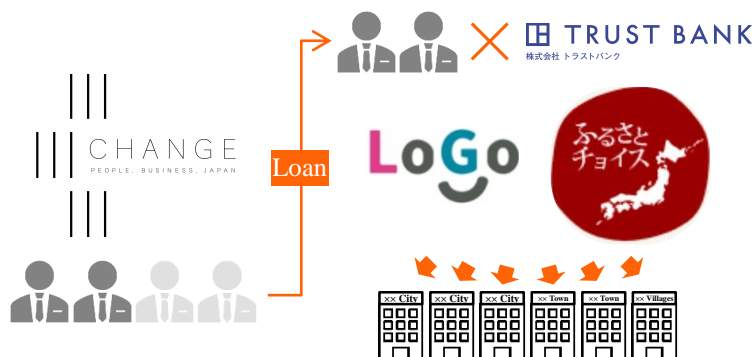
||| We will expand the TrustBank's success model horizontally to a next case.

TrustBank's Model (Customer-base acquisition type)

Before M&A



After M&A



M&A Targets in [DJ2]

Customer base Acquisition type

- ||| We will target candidates having customer-base similar to local governments in the TrustBank model
- ||| We will focus on areas having common issues to be solved by digitization where we can create a “standard”.

Product Acquisition type

- ||| We will target candidates having products and services which can change “standards” in a specific industry or business.
- ||| We will focus on candidates having products and services that we can expand to our customer base we have already acquired or expect to acquire in the near future.

Resources Acquisition type

- ||| We aim to acquire candidates having consultants and engineers of a certain high quality and quantity which will be essential for the continuous horizontal deployment of the business model.

Strategy for Achieving the Plan

~ Digital Human Resources Development ~

- ||| We have already identified the “pattern” of human resources to be developed who are truly necessary for DX promotion.
- ||| We will acquire “phases” at once and eliminate the bottleneck for the diffusion of DX throughout the country.

Major customers

- ||| Large enterprises, small and medium-sized enterprises, and local governments

Product/service

- ||| Training service
- ||| Consulting for introduction

Form of service

- ||| Large enterprises:
Individual consultation
+ training service for individual companies
- ||| SMEs and local governments:
Subscribing/recurring services

Value to be provided

- ||| “Really effective” training originated from the front-line DX site
- ||| Training is constantly updated to the latest

Competitive advantage

- ||| Education-service companies do not have DX onsite
- ||| Companies having DX onsite do not provide education

KPI

- ||| Number of introducing companies
 - Reaching local entities through alliances (KDDI, TB/local government, regional banks, Writeup, etc.)
 - Targeting KDDI itself, its group companies, and its business partners
 - Exploring large enterprises in alliance with KDDI(as flagship)
- ||| Sales per company
 - Additional sales by continually introducing new services

Strategy for Achieving the Plan

~ NEW-IT transformation (IT Service for Enterprises) ~



||| This is an area that continually generates “next seeds”, and we will aim for growth in both profitability and volume.

Major customers

- ||| Large enterprises, central government agencies and local governments

Product/service

- ||| Consulting service

Form of service

- ||| DX consulting
- ||| Contracted development for IT services
- ||| IT product sales
- ||| Human resources development service (for individual companies)

Value to be provided

- ||| Technology × Human resources development
- ||| Proposal not only to introduce solutions, but also to develop use cases, transform operations, and develop human resources

Competitive advantage

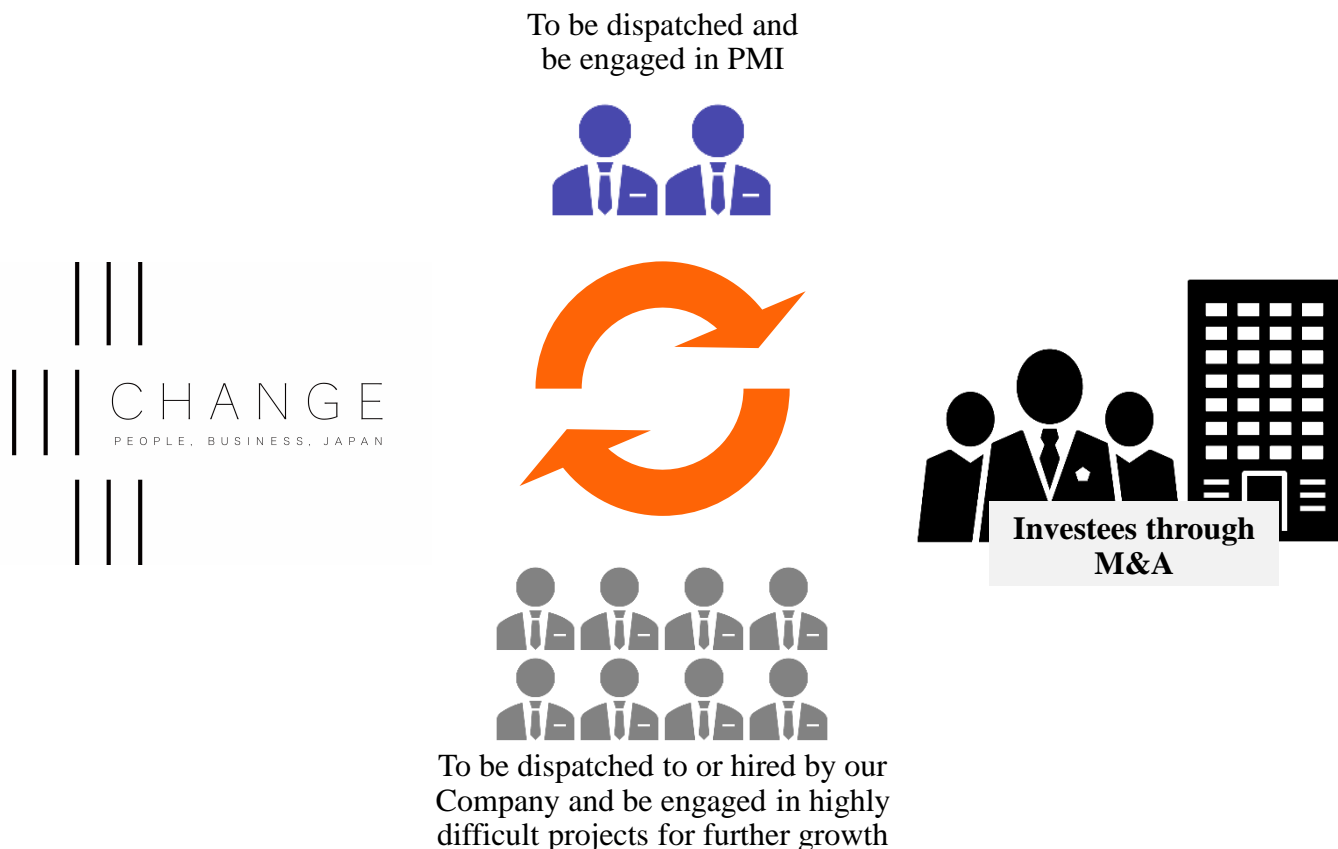
- ||| Direct proposal to LOBs based on the capability for use case development

KPI

- ||| Number of employees
 - Acceptance of human resources from clients, M&A partners, etc.
- ||| Sales per employee
 - Increase of large-sized and widely-ranged projects through alliances

Supplementary to NEW-IT Transformation

- ||| We will enhance productivity per person of investees which we will acquire through M&A and hire them in our Group.
- ||| Human resources engaged and grown in highly difficult projects can be in charge of PMI (Post Merger Integration).



Strategy for Achieving the Plan

~ Furusato Choice ~

||| **We will avoid cost-ineffective attrition, instead create a new donation style while improving profitability.**

Major customers

- ||| Local government (+ donors)

Product/service

- ||| Hometown tax payment platform

Form of service

- ||| Marketplace platform
- ||| Crowd funding platform

Value to be provided

- ||| Provision of contact points with donator candidates nationwide
- ||| With standardized system and operation, the system can be started immediately
- ||| The system can be available with a reasonable fee in proportion to the amount of donation

Competitive advantage

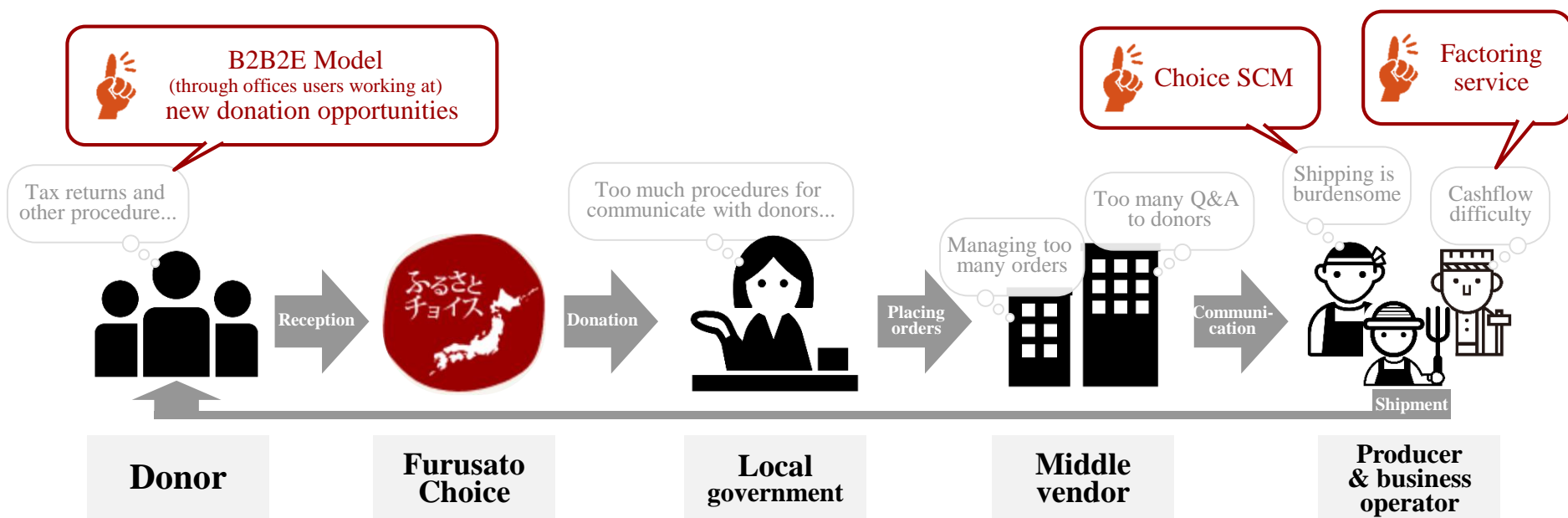
- ||| Trusted as the oldest and ranked as No.1 by local governments
- ||| Low base commission rate
- ||| High level of involvement in regional and municipal issues

KPI

- ||| GMV
 - Targeting corporate customers by introducing B2B2E model (synergy with CHANGE's corporate customer network)
 - ||| Take rate
 - Monetization by developing peripheral services
 - Provision of such services to and synergy with other companies in the same industry
- ※ Please see the supplementary explanation on the next page

Supplementary to Furusato Choice

- ||| We will promote monetization regarding various “labor”, “inconvenience”, and “cost” related to hometown tax payment.
- ||| By solving the “common issues”, we will move toward coexistence and co-creation with other hometown payment services.



Strategy for Achieving the Plan

~ Publitech (IT Service for Local Government) ~

- ||| In addition to gradually changing the existing free LoGo series to be paid, we will launch new services one after another.
- ||| We will collaborate with the central ministry and agencies together with CHANGE in order to promote diffusion of our systems in a way to really change their on-site (office, etc.).

Major customers

- ||| Local government

Product/service

- ||| Digitization SaaS for local governments' operations

Form of service

- ||| SaaS type

Value to be provided

- ||| SaaS type for quick use from a small amount
- ||| Matched exclusive field work of local governments
- ||| LGWAN available through Internet, compatible with security and convenience

Competitive advantage

- ||| Overwhelming network with local governments
- ||| Can gain insights for service development though LoGo chat service which was introduced in advance

KPI

- ||| Number of paying local governments
 - Deepen customer success during free period
 - Budgetization support for local governments
- ||| Sales per local government
 - Monetization by developing peripheral services
 - Sequential launch of new services

Strategy for Achieving the Plan

~ Energy ~

||| **We will promote local consumption of electricity, which used to be the main cash outflow of regional economy.**

||| **We will accelerate initiatives for on-site PPA ahead of time, regarding monetization.**

※Details are explained on the next page.

Major customers

- ||| Local governments and leading companies in regions

Product/service

- ||| Voluntary power supply services for large-scale facility owners
- ||| Regional power network services

Form of service

- ||| On-site PPA (solar + storage battery installation)
- ||| Regional microgrid (power supply + power grid installation)

※Supplementary explanation on the next page

Value to be provided

- ||| Access to power that is strong against disasters, green, and has a high degree of return inside the same region (less outflow to other areas)
- ||| Can be introduced with less initial burden

Competitive advantage

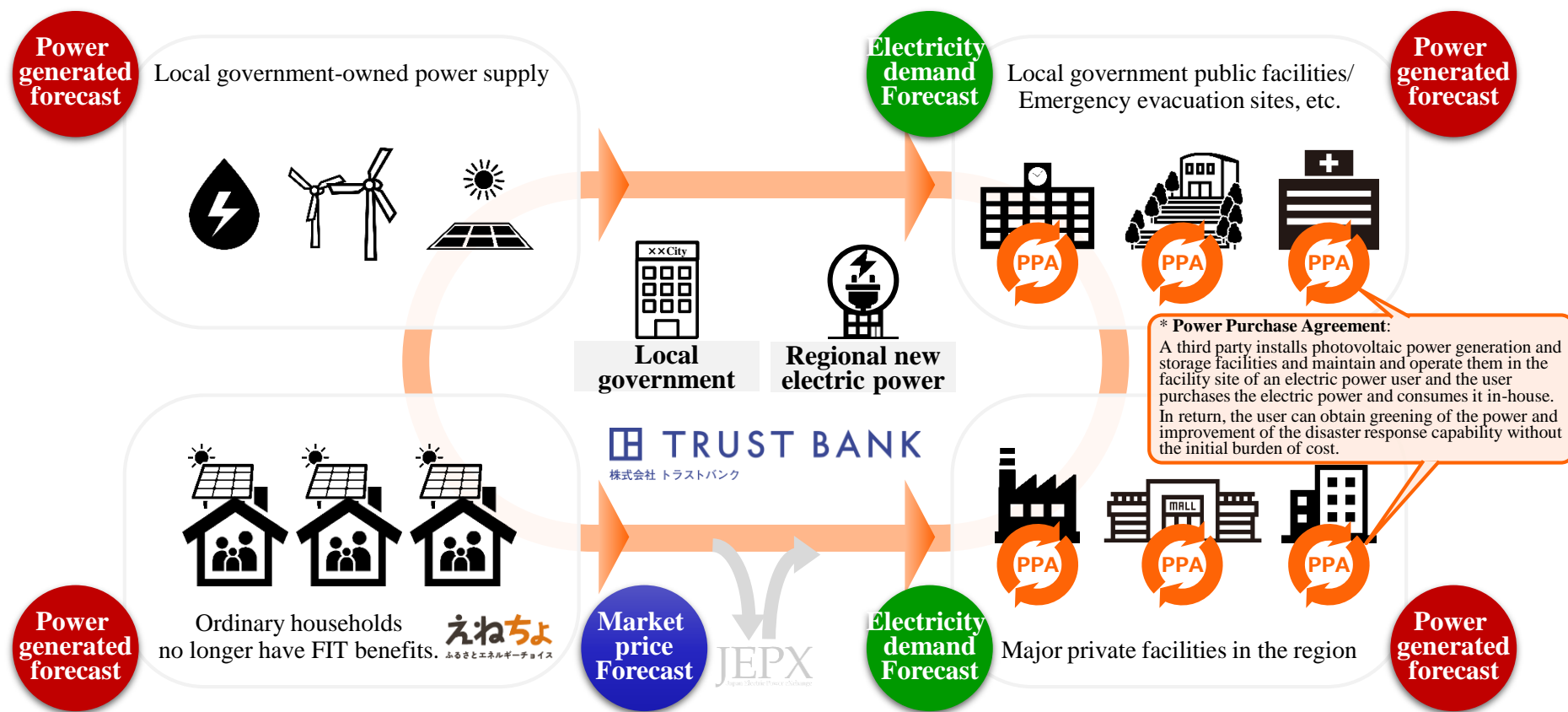
- ||| Overwhelming network with local governments
- ||| Ability to build advanced digital controls

KPI

- ||| Number of projects
 - Utilizing relationships with local governments for new strategy discovery
 - Acquisition of projects by announcing successful examples through local government networks
- ||| Expected return per PJ
 - Firstly, working on PPA first, which is expected to generate definite income from electricity sales

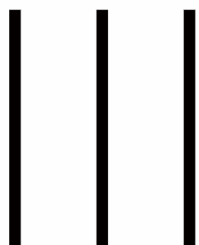
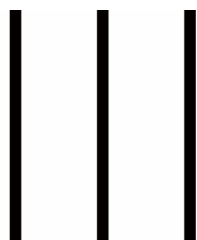
- ||| **Advanced digital-utilization capabilities are essential to control the performance of natural-derived electricity and storage batteries and to obtain fruits, such as reduced CO2, disaster-preventive functions, and reduced electricity costs through peak-cut.**

※ TrustBank acquired the Registered Specified Power Transmission and Distribution Business License for Microgrid Operation in 2018.



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.*



CHANGE

PEOPLE, BUSINESS, JAPAN

