# Financial Results for the 1st Quarter of Fiscal Year Ending March 2025

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

**August 14, 2024**

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# Group Mission

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**Change People,**

**Change Business,**

**Change Japan.**



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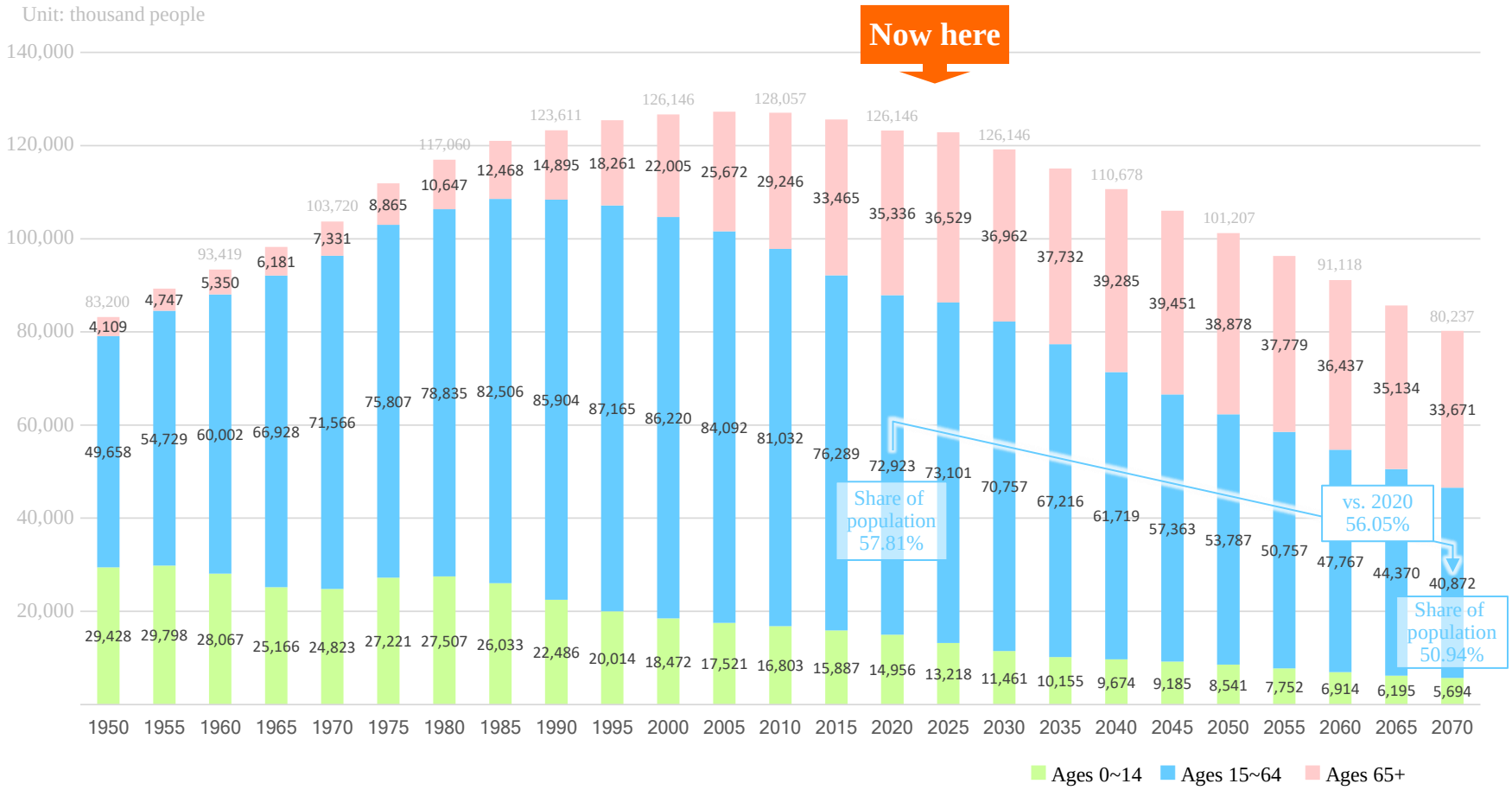
# From Challenge to Crisis

## Japan's working-age population will roughly halve in the next 50 years and fall to less than half of the total population.




Source: National Institute of Population and Social Security Research "Population Projections for Japan (2023)" (https://www.ipss.go.jp/pp-zenkoku/j/zenkoku2023/pp2023_gaiyou.pdf)
【From 2025】Figure 1-3: "Total population by age group (0-14, 15-64, 65+) and age structure coefficient: low fertility (medium mortality) projection"
【To 2020】Compiled by CHANGE based on Table 1 "Total population by age group (0-14, 15-64, 65+) and age structure coefficient: 1950-2020"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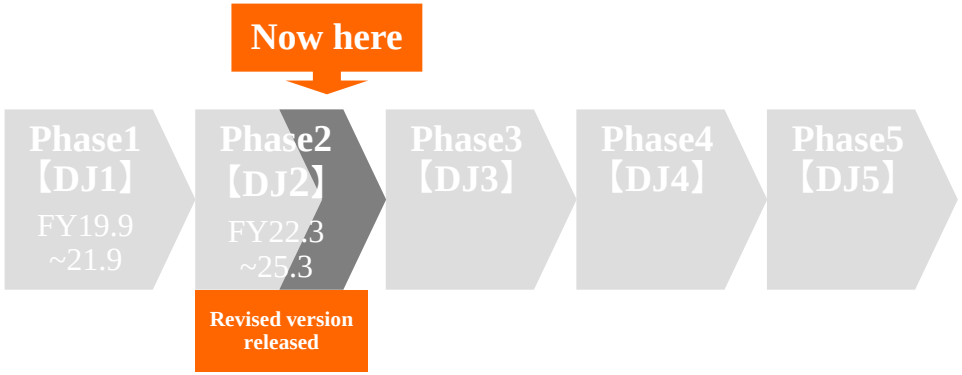
# Our Path Drawn

## Currently in final year of Chapter 2, establishing a digital era in Japan.




- 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 Phase 5, confront the social challenge of declining population, and will be a leader in overcoming the present national difficulty in spite.
- We have released a revised version of the Mid-term Business Plan's current Phase 2, DJ2, for which this is the final year.

※The revised Mid-term Business Plan [DJ2] can be found here
https://ssl4.eir-parts.net/doc/3962/tdnet/2123311/00.pdf
※Some targets were revised at end of FY23.3. For details, please refer to the financial results materials
https://ssl4.eir-parts.net/doc/3962/ir_material_for_fiscal_ym/155926/00.pdf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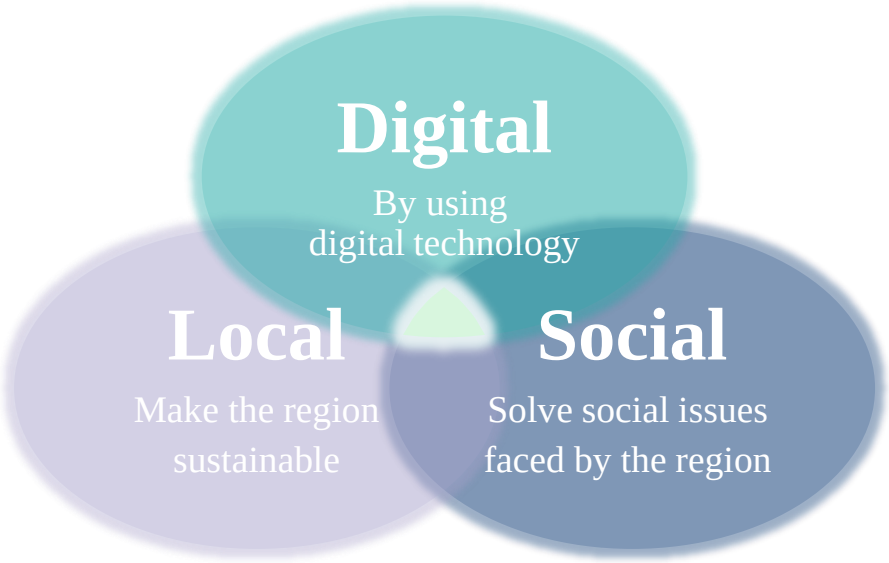
# Focus Domain for “DJ2”

- **We are shifting to “Local” as preparation for [DJ2].**
- **“DX × Regional Creation” is our 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.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# Our Group's Business Domains

## The Group companies (consolidated subsidiaries) primarily involved in each business domain.

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### NEW-IT Transformation

#### Labor Shortage Alleviation (tentative)

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People×Technology

- Private-sector DX
- Human resource development

KaiWaL eLearning / KaiWaL 診断

**DFA Robotics**

DFA Robotics

**beacapp**

beacapp / beacapp HERE / beacapp HERE Hospital

#### Cybersecurity

**CyLeague Holdings**

CyLeague

**E-Guardian**

E-Guardian We Guard All

**IdealRoute Consulting**

IdealRoute Consulting Inc.

### Publitech

#### Regional Creation

**Trust Bank**

TRUST BANK

- Hometown tax
- Publitech
- Tourism
- Carbon credits

**Orb**

orb

ふるさとチョイス / LoGoチャット / LoGoフォーム

**Travel Zip**

Travel Zip

#### Public-sector DX

**Governance Technologies**

GovernanceTechnologies

**Govmates**

Govmates

**Up Close**

アップクロース



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# FY25.3 Q1 Financial Results Summary

- **Revenue, operating profit, and profit before taxes all hit record highs for the April-June period.**
- **Finishing up the final DJ2 year while laying the foundations for DJ3.**

**Highest-ever profits by significant margin**

- **EG contribution added to good performance in existing businesses** (Y.o.Y: revenue approx. +59%, operating profit approx. 3.4x)
- **Already surpassed H1 operating profit target**
  (Reached 122.7%, incl. revaluation gains from DGA becoming equity method affiliate)

**Finish DJ2 + DJ3 prep**

- **Began final DJ2 year with businesses reorganized into four major domains**
- **Finishing DJ2 by solidified business foundations in each domain, laying the groundwork for DJ3**


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# Q1 Overview

Future Prospects


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# Q1 Overview (Consolidated)

- **Strong start to final DJ2 year, with record profits for April-June quarter.**
- **Despite plans being weighted toward the year's second half, we have already surpassed the H1 operating profit target.**

| (Unit : million yen) | H1 (Apr~Sep) amount | H2 (Oct~Mar) amount | Full period targets amount | Full period targets % | Q1 results amount | Q1 results % |
|---|---|---|---|---|---|---|
| **Revenue** | **16,500** | **28,500** | **45,000** | 100.0% | **8,139** | 100.0% |
| Cost of sales | **9,567** | **10,369** | **19,937** | 44.3% | **4,887** | 60.0% |
| **Gross profit** | **6,932** | **18,130** | **25,062** | 55.7% | **3,251** | 40.0% |
| SG&A Expenses | **4,932** | **7,130** | **12,062** | 26.8% | **798** | 9.8% |
| **Operating profit** | **2,000** | **11,000** | **13,000** | 28.9% | **2,453** | 30.1% |
| Financial income | **0** | **0** | **0** | 0.0% | **11** | 0.1% |
| Financial expenses | **94** | **89** | **184** | 0.4% | **180** | 2.2% |
| **Profit before taxes** | **1,905** | **10,910** | **12,815** | 28.5% | **2,285** | 28.1% |
| Income tax expense | **636** | **3,386** | **4,022** | 8.9% | **757** | 9.3% |
| **Net profit** | **1,268** | **7,523** | **8,792** | 19.5% | **1,528** | 18.8% |
| Profit attributable to owner of parent | **963** | **7,106** | **8,069** | | **1,432** | |
| Profit attributable to non-controlling interests | **305** | **417** | **723** | | **96** | |
| (ref) EBITDA | **2,950** | **12,011** | **14,961** | 33.2% | **2,907** | 35.7% |

## Breakdown by business segment

Q1

| (Unit : million yen) | NEW-IT Transformation | Publitech | Adjusted |
|---|---|---|---|
| Revenue | 4,692 | 3,537 | △90 |
| └External revenue | 4,602 | 3,537 | — |
| └Inter-segment revenue | 90 | — | △90 |
| Segment profit | 2,560 | 1,053 | △1,185 |

※ Due to the rounding, the sum value may not match
※ Adjustments to segment profit are mainly general and administrative expenses corresponding to corporate expenses

- Solid performance in all domains
  - Revenue Y.o.Y approx. **59.0% increase**
  - Operating profit Y.o.Y approx. **3.4x**
- Already surpassed H1 target, partly due to revaluation gains at DGA, which became an equity method affiliate

※ Consolidation of IdealRoute Consulting Inc. began in Q1


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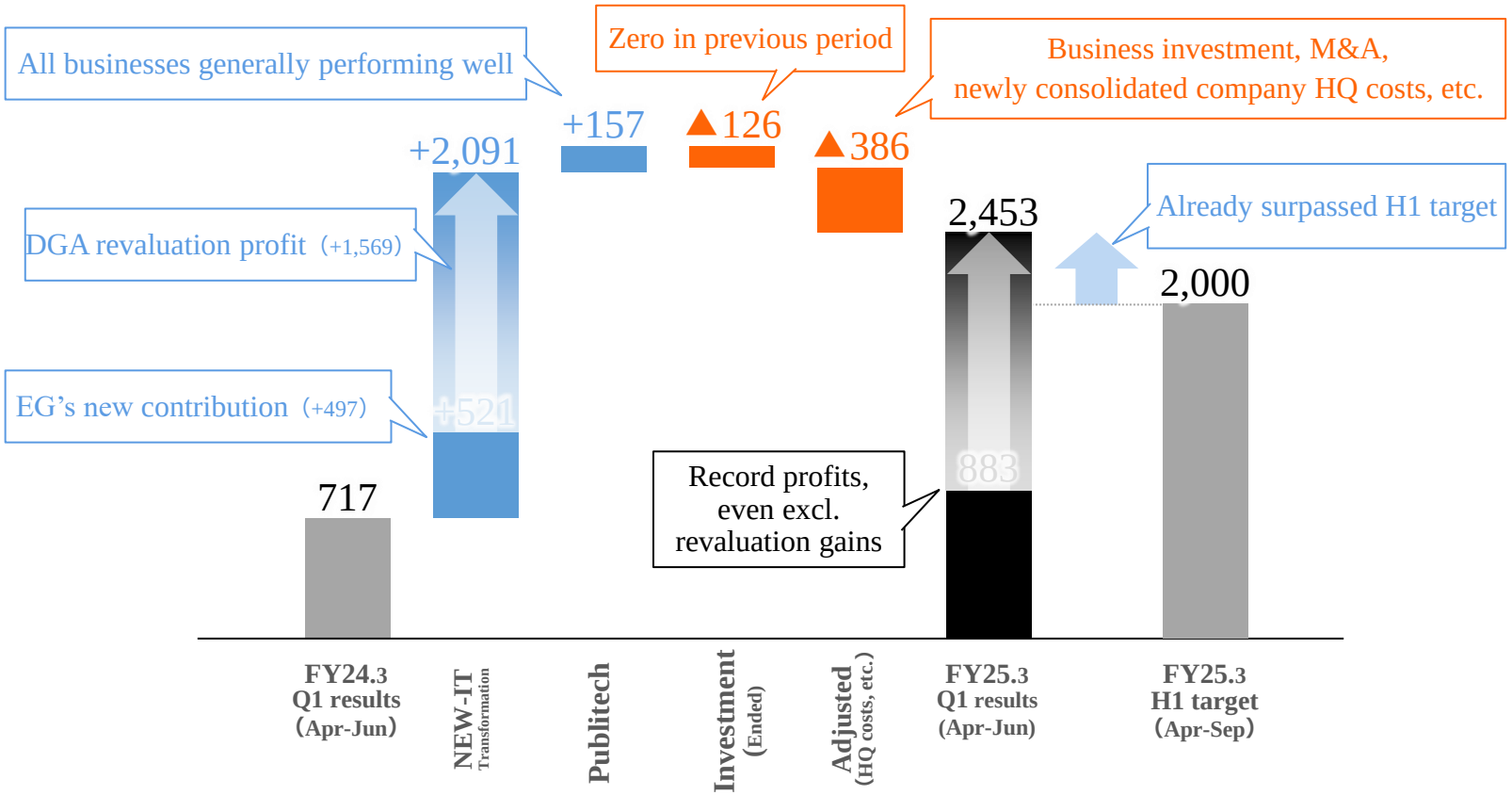
# Overview – Supplementary

- **EG contribution added to existing businesses, which started generally as planned.**
- **DGA recorded revaluation profit upon becoming an equity method affiliate.**

## Year on year – Increase factors

※Operating profit
※Unit: million yen





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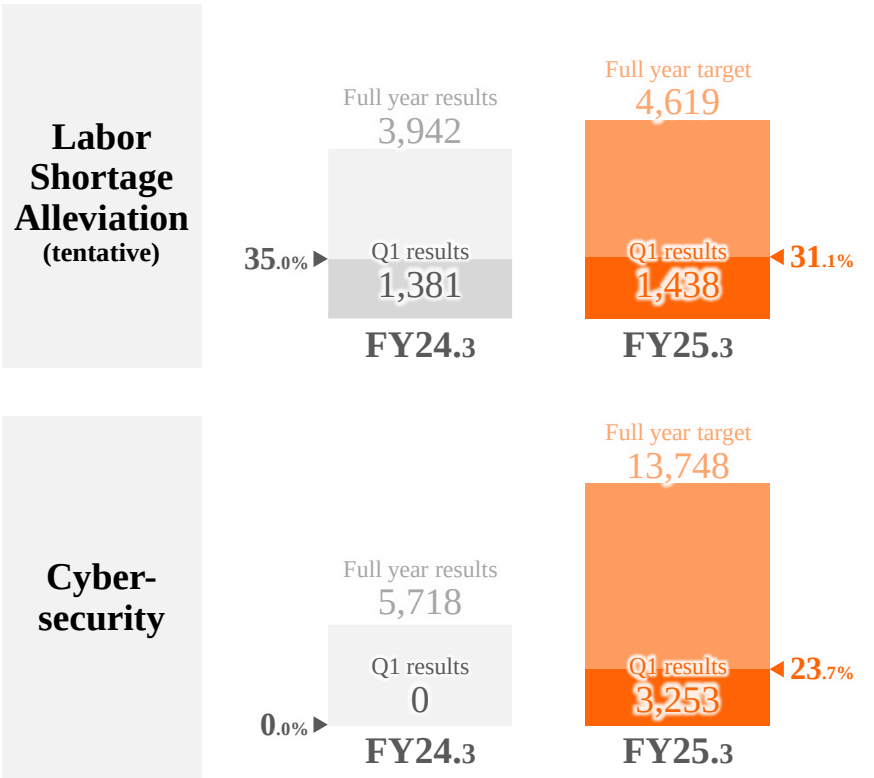
# Overview – Supplementary ~Overview of 4 New Domains~

- An overview of revenue in each of the new four domains.
- The two Publitech domains in particular are strongly weighted toward H2.

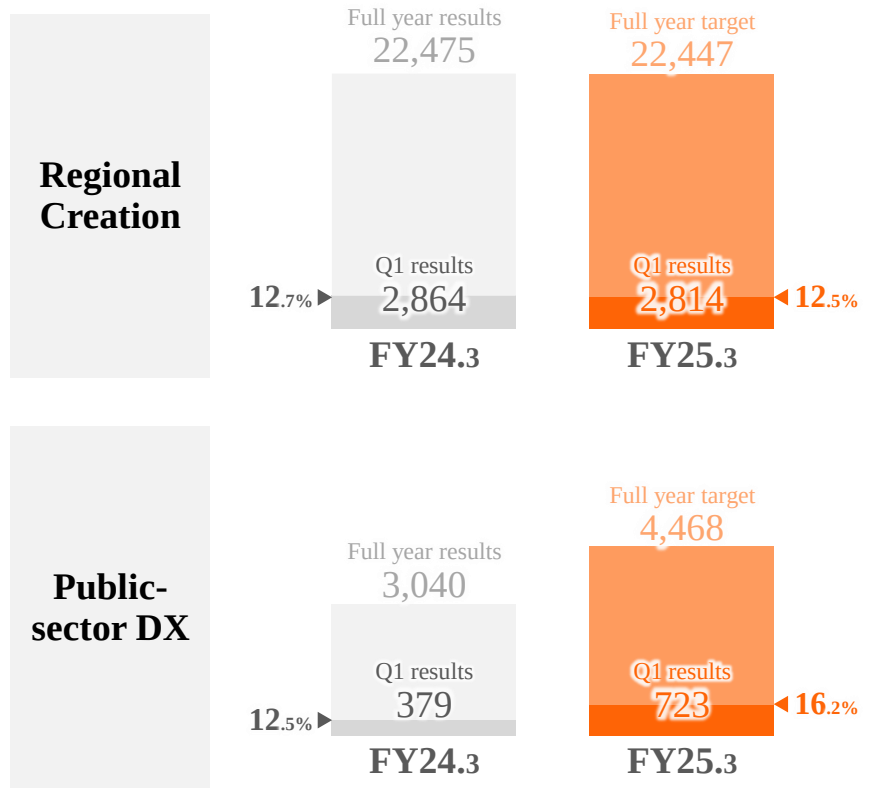
## NEW-IT Transformation

※Revenue
※Unit: million yen




## Publitech

※Revenue
※Unit: million yen




※Figures for FY24.3 were calculated by retroactively compiling results into the four new domains
※Labor Shortage Alleviation (tentative) domain figures for FY24.3 were calculated for comparison with DGA results subtracted
※Cybersecurity domain figures for FY24.3 include only H2; as EG was consolidated from Q3, no results exist for Q1 & Q2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# Q1 Key Topics ~Fostering Security Personnel on DX Support Side~

- **To tackle the widespread security personnel shortage, start by urgently building up skills among those driving/supporting the digital transformation.**
- **Aim to expand early adoption centered on the ICT/SI companies, which are core customers of personnel services.**

**Developing security personnel**

**Security for DX program**

E-Guardian
We Guard All

×

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PEOPLE BUSINESS JAPAN

**Essential coverage**

- Existing training program content lies as both extremes:
  - ① Basic education for general public
  - ② Training in the underlying technologies for engineers
- Cover all elements essential for pursuing DX
- Besides engineers, also target new graduates in humanities, sales positions, etc. at ICT/SI companies

**3-course structure**

**Fundamentals course**

- For all engineers, salespeople
- Learn risk-based security measures from examples and cases

**Practical course**

- For PM, SE, PG
- Learn secure design/coding through simulated attack experiences

**DX business course**

- For system administrators, business operators
- Use scenarios to learn about business phase-specific measures (security management, establishing DevSecOps, etc.)


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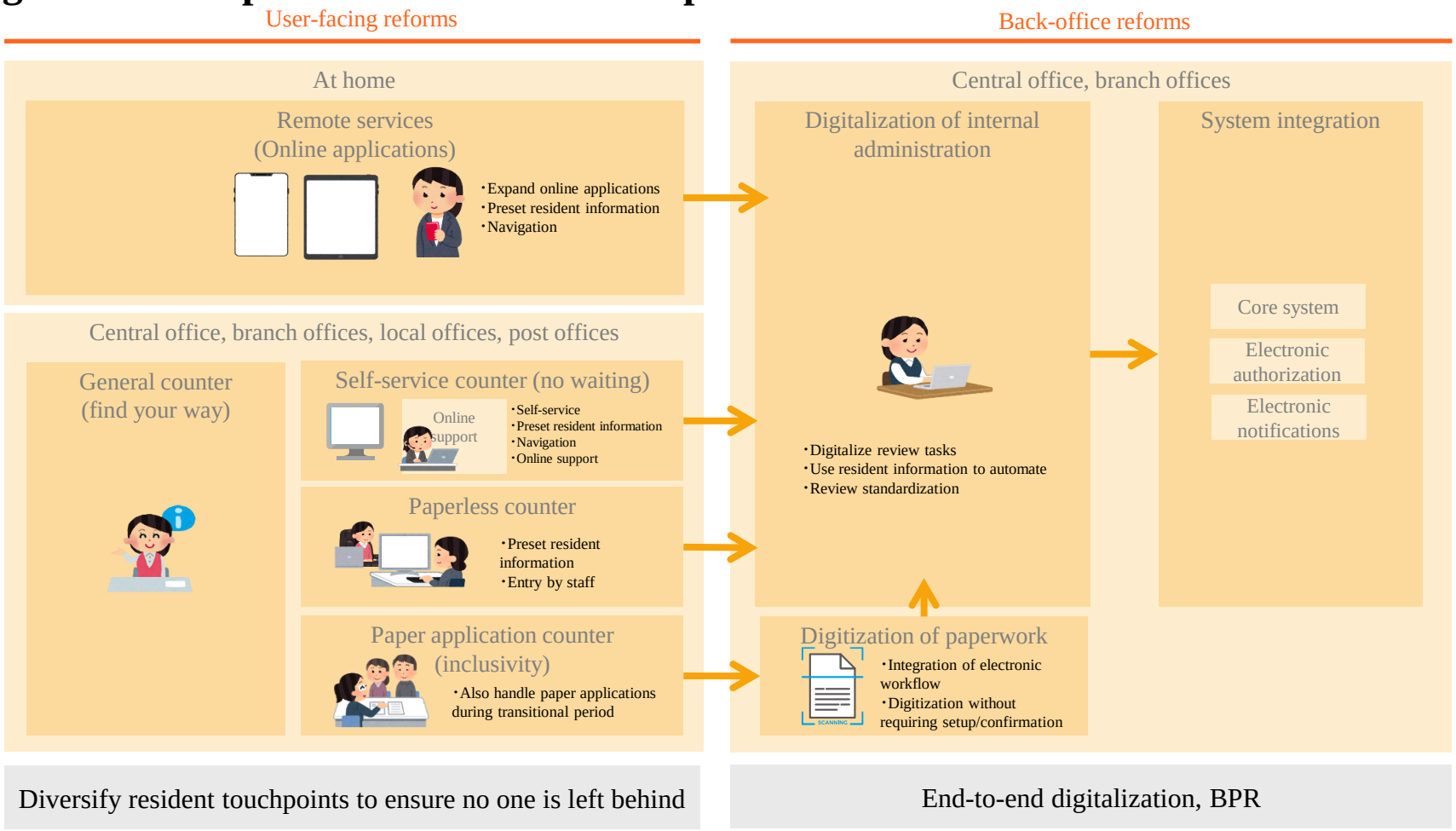
# Q1 Key Topics ~Assisting an MIC Model Project~

- **Govmates has been commissioned to support two municipalities selected for the Ministry of Internal Affairs and Communications "Reform Model Project."**
- **Expand models from Imabari, Fukuroi, Akune, etc., adopting digitalized local government operations in other municipalities.**





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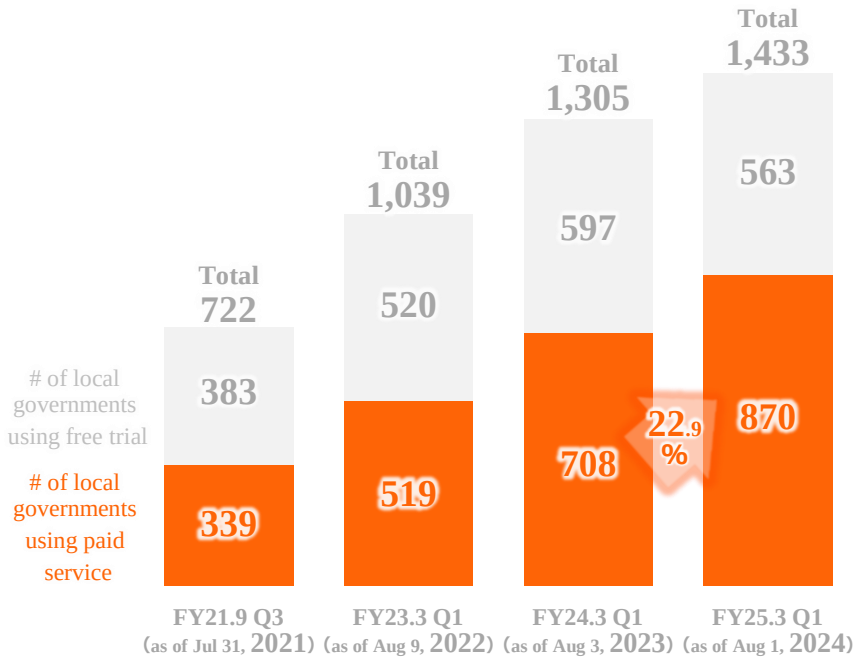
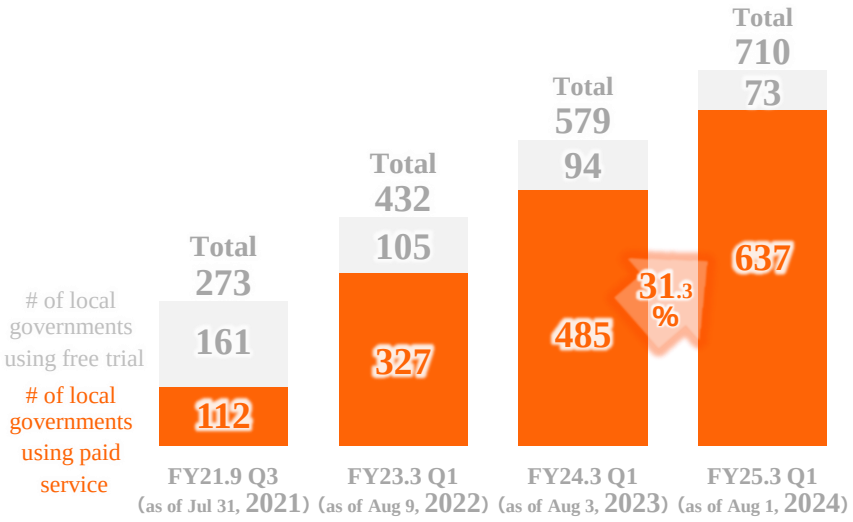
# Q1 Key Topics ~LoGo Series' Continued Strong Performance~

- **Continuing to spread as core services for digitalizing local government operations.**
- **Benefits are also growing through network effects, including municipal partnerships led by prefectural governments.**

## LoGoチャット LoGo Chat




## LoGoフォーム LoGo Form




※ Including some related organizations
※ Due to a change in the fiscal year end, FY22.3 was an irregular six-month period ending after Q2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# Q1 Key Topics ~New Hometown Tax Experiences~

- **Following the revamp of KifuTabi, which showcases experience-based thank-you gifts, we started Choice Gourmet, which introduces local dining experiences, helping to boost the number of regional visitors.**

チョイストラベル

ふるさと納税で極上の旅と体験を

4.23~




チョイスグルメ

ふるさと納税でちょっと特別な一皿を

6.19~





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# Q1 Key Topics ~Partnership with Carbon EX~

- **Began collaborating with Carbon EX, which provides access to domestic and international emissions trading markets.**
- **Urgently working to launch a carbon credit business that will circulate funds to regional areas.**

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・Customer introductions
・New business development in carbon credit business

CarbonEX



・Emission trading
・Voluntary carbon credit
・J-Credit
・Non-fossil certificate
・Advisory services




・Renewable energy company
・Forest management companies
・Forest Owners
・Local government etc.


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# Q1 Key Topics ~Acquisition of Treasury Shares Completed~

## As reported on July 19, we completed the purchase of the planned number of treasury shares.

### Plan（as approved by the board on 5.15）

**Objective**

- Expansion of shareholder returns
- Utilization in future M&As, alliances, etc.

**Acquisition limit**

- 3,650,000 shares（5.04%*）
  * Percentage of total issued shares (excl. treasury stock)
- Up to 4.745 billion yen

**Acquisition period**

- 2024.5.16 ~ 2024.12.31

**Acquisition method**

- Market purchase on the Tokyo Stock Exchange under discretionary trading agreements

### Results

| | |
|---|---|
| **May**（5.16~5.31） | 1,795,700 shares<br>2,182,331,600 yen |
| **June**（6.1~6.30） | 981,400 shares<br>1,203,792,000 yen |
| **July**（7.1~7.18） | 872,900 shares<br>1,090,416,200 yen |
| **Total** | 3,650,000 shares<br>4,476,539,800 yen |


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Q1 Overview

# Future Prospects


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# Cybersecurity Domain ~Promoting a Community-Run Approach~

- Expand the scope of networking as the basis for consolidating domestic influence.
- Use internal and external communication to help bring together like-minded peers across various fields with a shared understanding of the challenges.

## Launch of cybersecurity working group

FINOLAB
THE FINTECH CENTER of TOKYO

Launch

WG

X電通総研 CAULIS
CyLeague

- Established a working group with member companies from FINOLAB, a community aiming to create a FinTech ecosystem
- Promotes co-creation efforts with a wide range of industries and related organizations
- Aiming to stimulate the security market and increase the value of human resources

## Joined JDX ~Proposals to Security Subcommittee~

Japan Digital Transformation Promotion Association
JDX

Advisor

CyLeague

- Joined the Japan Digital Transformation Promotion Association, engaged in making proposals to the Security Subcommittee
- Proposed establishing a Security Personnel Study Group to increase opportunities for sharing information


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# Labor Shortage Alleviation Domain (tentative)

## ~ Metamorphosis in progress~

- Efforts are underway to adopt Group company services within the Group.
- While reaping short-term benefits, we can also push services to evolve by becoming their most demanding users.

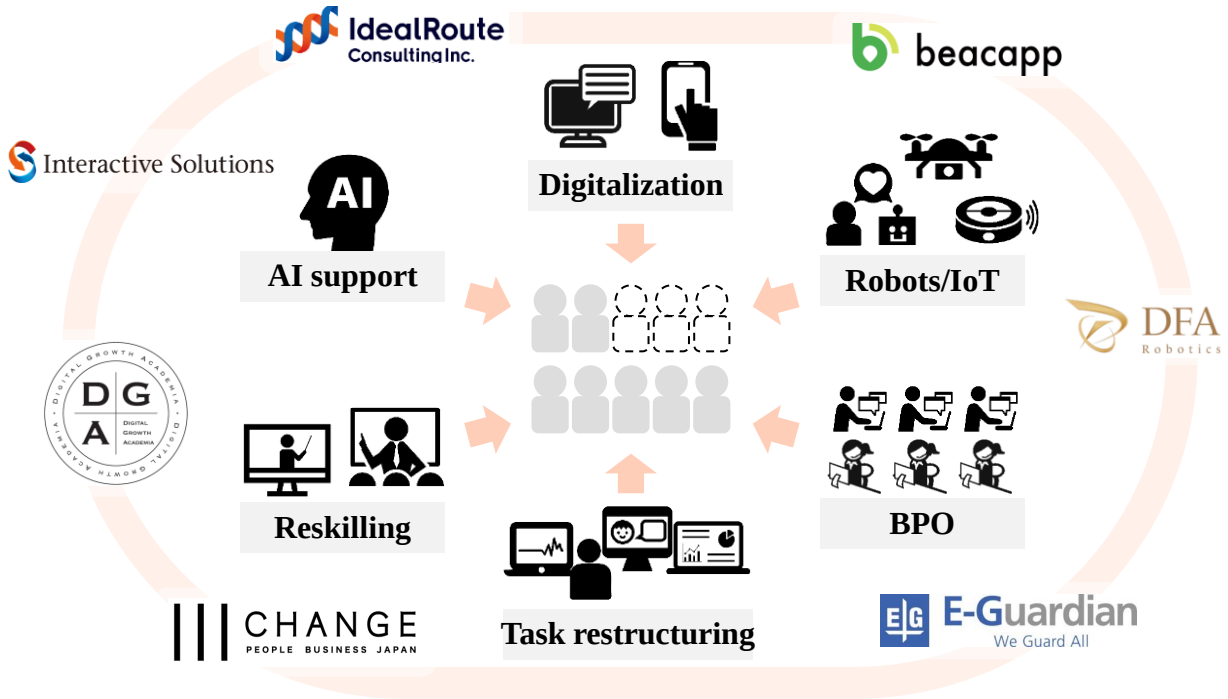
**Mutual adoption within the Group**

① Curb cash outflows from the Group

② Foster implementation consulting

③ Service reconfiguration/ evolution

**Creating "non-recruitment" solutions to hiring issues**



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# Regional Creation Domain

## ~Hometown Tax System Notification Revision~

- **The Ministry of Internal Affairs and Communications announced new changes regarding the Hometown tax. (6.25)**
- **Having always aligned our operations with the system's intended purpose, the impact on our Group is relatively small.**

| Main Points of Revision | | Group Response | |
|---|---|---|---|
| **Donor recruiting standards** | ・Soliciting of donations by offering points is prohibited<br>・Advertising that emphasizes thank-you gifts is also prohibited<br>・Stricter origin labeling for food gifts | **Adhere to the system's purpose** | ・Already do not engage in advertising measures based around offering points<br>・While continuing to assist the development of thank-you gifts, refrain from excessive promotion and encourage donations as originally intended |
| **Local product standards** | ・Must prove that more than half the value of thank-you gifts originates in the area<br>・Services with a weak connection to the region are not eligible | **Strengthen unique strategies** | ・Strengthen unique strategies that are already yielding results<br>➔ Alliances, physical channels, increasing visiting populations, etc.<br>・Develop measures harnessing our accumulated expertise<br>➔ Attract interest in regions beyond points |

※ Offering points will be prohibited in October 2025.
For details, see Ministry of Internal Affairs and Communications press materials, etc.
https://www.soumu.go.jp/menu_news/s-news/01zeimu04_02000126.html


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# Regional Creation Domain

## ~Growing Numbers Involved in Experience-based Thank-you Gifts~

- **Popularity of experience-based thank-you gifts that involve regional visits has continued to rise since the pandemic.**
- **Alongside making Hometown tax recipient areas a preferred travel destination*, the aim is to increase the number of people visiting or engaging with the region.**





















### Toyohashi, Aichi

- Summer vacation for elementary schoolers
- Limited to 2 groups
- An unforgettable day on the trams
- Facility tour, driving experience




### Fujieda, Shizuoka

- Suisha Mura half-day country life experience
- “Receive nature”
- Hands-on meal preparation, starting with wood-chopping and fire-making

*: From Trust Bank survey on travel and the Hometown tax
Around 40% of past donors say they have taken domestic trips as a result of Hometown tax payments
https://www.trustbank.co.jp/newsroom/newsrelease/press767/


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# Regional Creation Domain ~Promoting how donations are used~

## Refocus on the system's intended purpose, further strengthening the promotion of how donations have been used since its establishment.

ふるさとチョイスGCF®

2013.9~




**Furusato Choice AWARD 2023**
**Creating Future Communities category**

- Initiative by Akaigawa, Hokkaido
- Sought funds to purchase vehicles via GCF & corporate Hometown tax
- Local taxi and resort operators team up

ふるさとチョイス災害支援

2014.9~




**Thank-you gifts that support children**

- Support through ordinary donations
- When making a donation, determine how it will be used by select projects that address problems
- Select from various fields (education, welfare, poverty, medical care, etc.)


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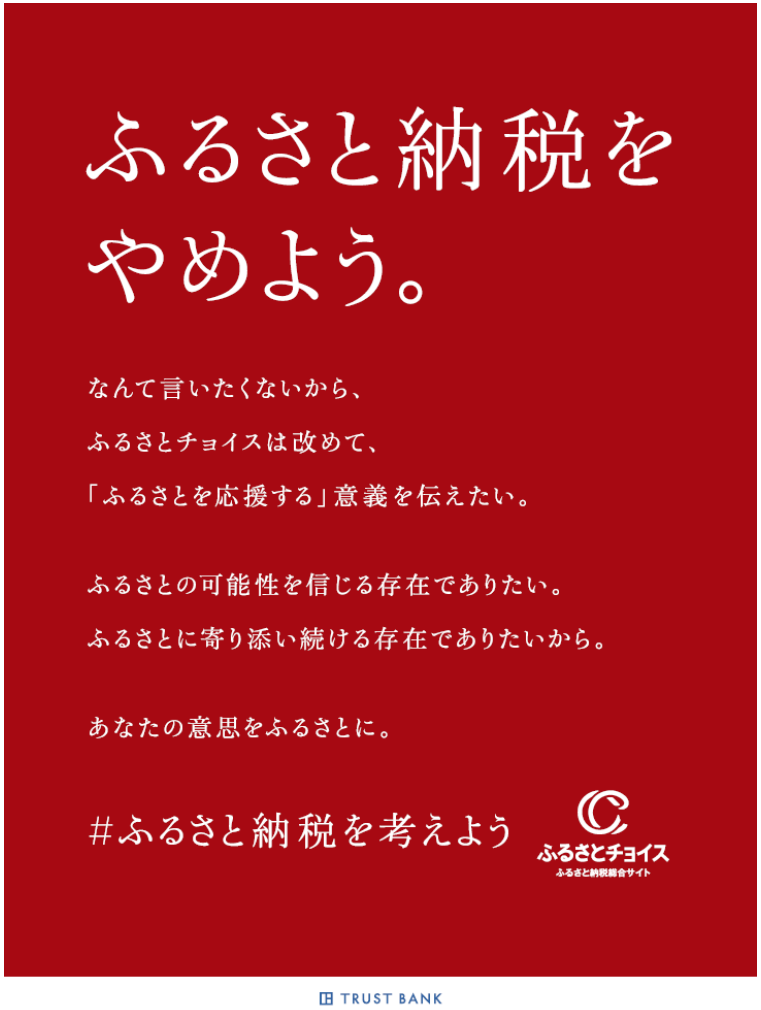
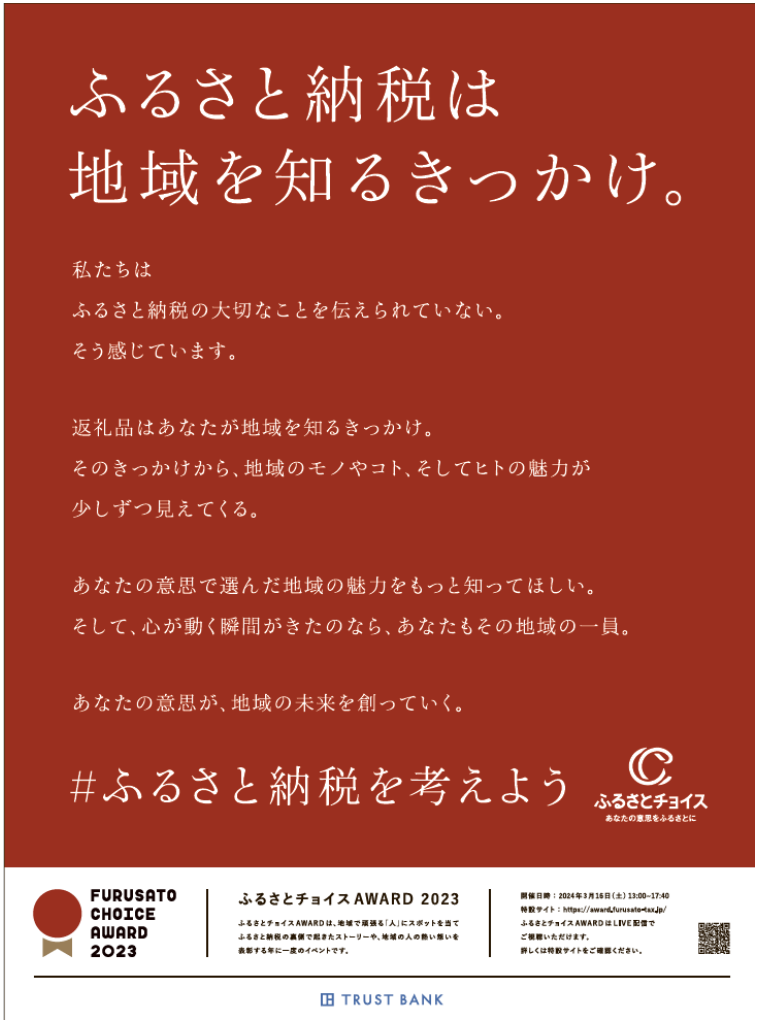
# Regional Creation Domain

## ~Dedicated to the Meaning of Supporting Communities~

### Embody the overlap between the DJ2's "Local" focus and the system's original purpose.



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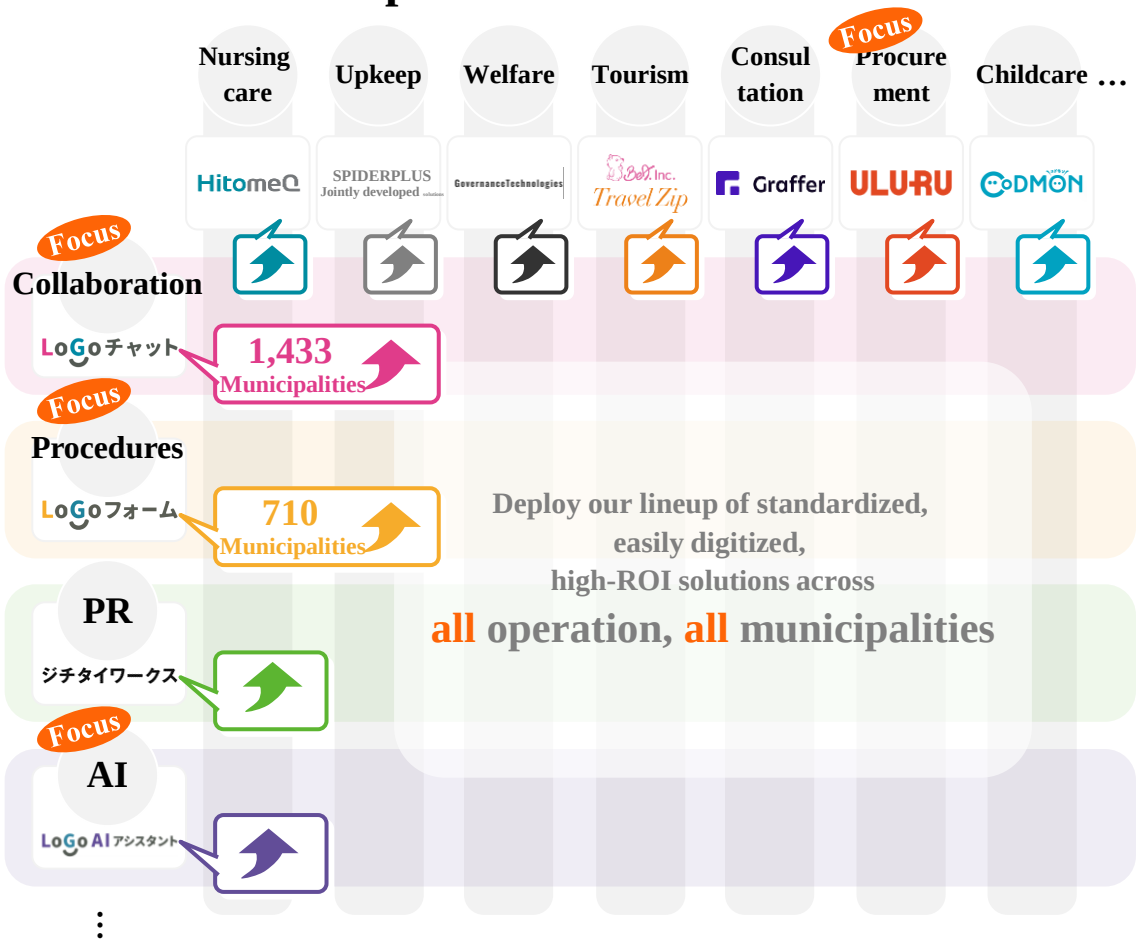
# Public DX Domain ~Most Recent Focus Areas~

- While aiming for coverage of all operations and all municipalities, we have defined recent focus areas.
- Accelerating implementation in areas with strong ripple effects on other operations, with a view to expansion in DJ3.




**Improved sales efficiency**

- Ease of making proposals to same/adjacent departments within local governments

**Greater ripple effects**

- Tangible effects on information infrastructure, budget/procurement systems, etc.
- Seek spillover into other areas of operation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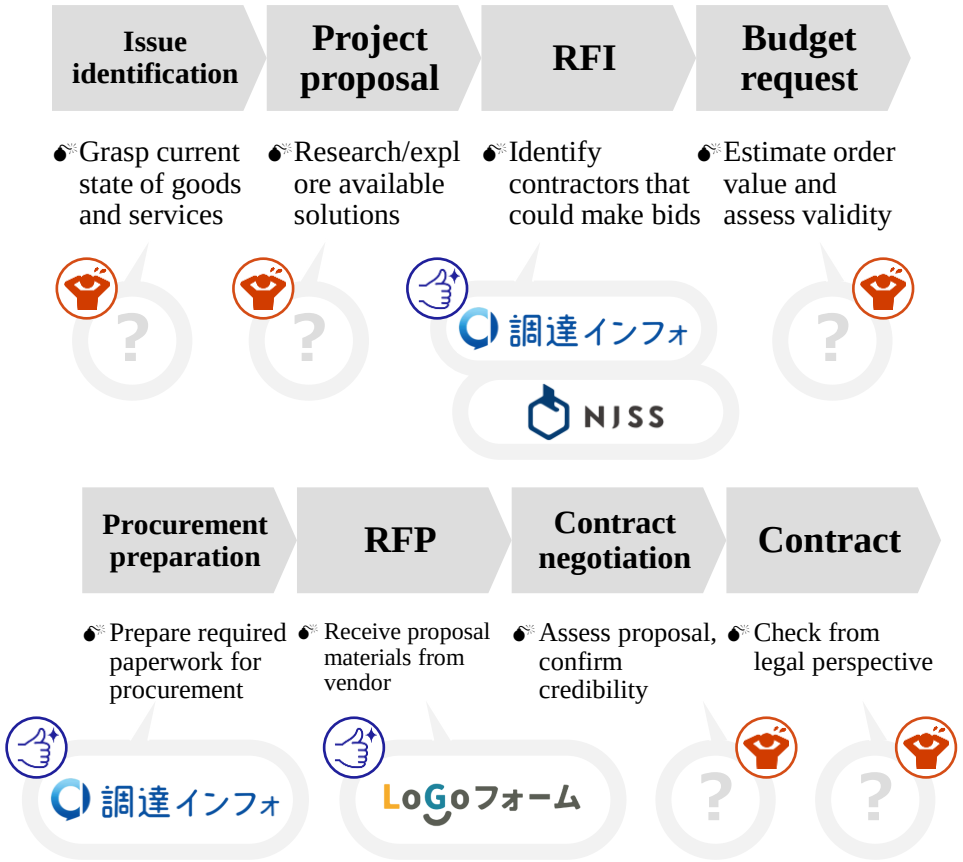
# Public DX Domain ~Solving Budget/Procurement-related Issues~

- **Although the general framework of local government procurement tasks is broadly similar, effective assistance is currently fragmented.**
- **Boost customer convenience by prioritizing improvement of offerings adjacent to usage scenarios.**




**Enhance adjacent domains**

- Easy to clearly grasp user issues in areas adjacent to services already being used
- Leverage accumulated trust in services, increasing sales efficiency and improving ARPU

**Service integration**

- Identify areas with a strong need for integration across the comprehensive range of services
- Shift to higher-level solutions, providing greater convenience and improving productivity in larger blocks of work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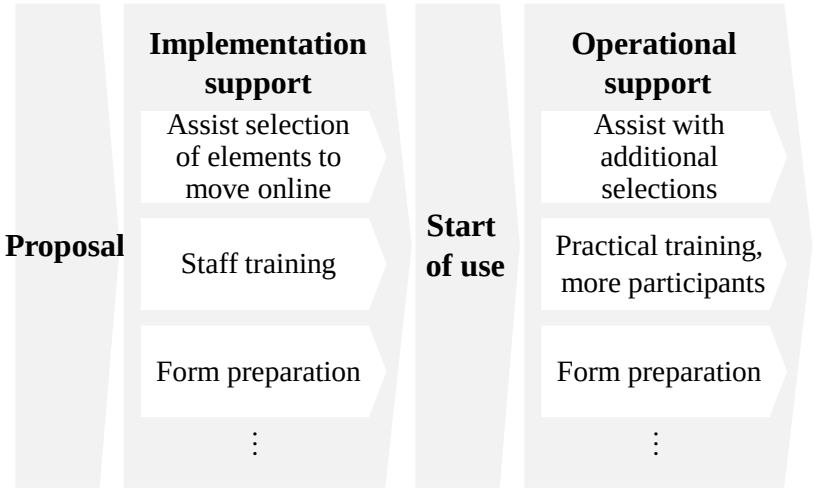
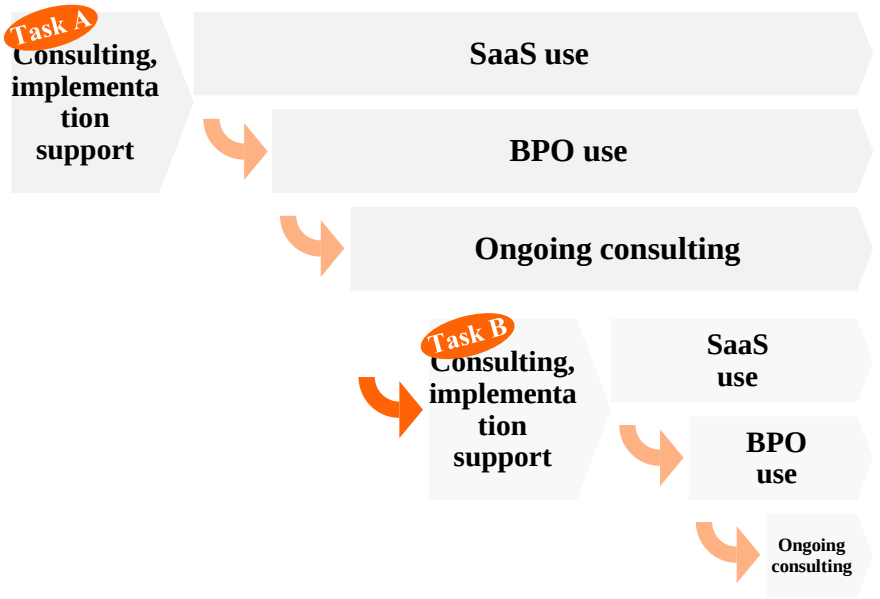
# Public DX Domain ~Comprehensive Support Beyond Offering SaaS~

## Committed to user change/growth, achieving a true transformation.

### Example of LoGo Form support




### Comprehensive expansion via continuous touchpoints




- TB & Govmates collaborate to expand and strengthen support
- Customer success sutories can be readily adapted elsewhere, also boosting network effects
- Even if individual projects become more involved, the overall result is worth the effort

- Provide ongoing, comprehensive support beyond typical SaaS customer success approach
- Gradually transfer consulting, BPO, etc. to local partners, contributing to regional job creation and a self-sustaining economic cycle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- All future forecasts, estimates, etc. appearing in this document were determined by us based on information available at the time of preparing these materials, and may contain a degree of uncertainty.
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