

Company Report

August 26, 2025

Strategy Advisors Inc.
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No Change Like a CHANGE Holdings Change

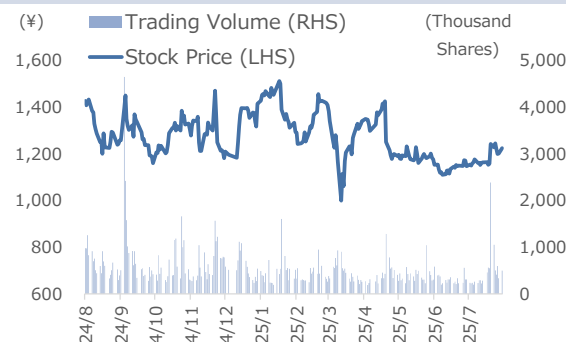
CHANGE Holdings is an IT services company that supports the digitalization of private companies and local governments with the vision of "CHANGE Productivity." All the founding members are former employees of Andersen Consulting (now Accenture). The company's original business was IT project consulting and training for IT personnel. Following the acquisition of TRUSTBANK, which operates the hometown tax donation portal site "Furusato Choice" (November 2018), services for local governments have become a driving force behind the company's performance. The company's business segments are broadly divided into NEW-IT Transformation and Publitech, with Publitech being THE source of revenue.

PER has fallen to around 10x due to the risk of a worsening competitive environment following stricter regulations on hometown tax donation businesses (such as the tightening of regulations on return gifts in 2019) and the rise of major EC sites such as Rakuten. However, the company has already acquired new pillars of growth (M&A brokerage and Security) and whether the company can demonstrate growth in these businesses in its new medium-term management plan will be a key factor in whether the stock price will rise.

The company's equity story is "evolving into a corporate group that can comprehensively solve the issues facing regional areas as a hub for Regional Creation". In order to take on the ambitious theme of Regional Creation, it is essential to establish a system that allows "people", "things" and "money" to flow back to regional areas, while involving local governments, regional financial institutions, leading local companies, media, educational institutions, etc., and it is expected that the company will take the leap to become a hub that can support regional issues.

In FY3/25, total revenue was ¥46.38 billion (+25.3% YoY) and operating profit was ¥13.51 billion (+83.1% YoY), marking a new record high. Growth was driven by NEW-IT Transformation, primarily due to the consolidation effects of acquisitions. In FY3/26, the company plans to continue growing its business with NEW-IT Transformation at the core. While the hometown tax donation business is expected to be impacted by the ban on point awards from October this year, the company's plans are conservative and take these risks into account and the company expects business expansion in line with its medium-term management plan.

Stock Price and Trading Volumes (Past Year)



Source: Strategy Advisors

Key Indicators

Stock Price (8/25/25)	1,224
52-Week High (2/12/25)	1,512
52-Week Low (4/7/25)	999
Historical High (9/25/20)	6,185
Historical Low (9/28/16)	192.5
Number of Shares Issued (mn)	69.6
Market Capitalization (¥bn)	85.2
EV (¥bn)	98.7
Equity Ratio (FY3/25 Actual, %)	39.4
ROE (FY3/25 Actual, %)	18.6
PER (FY3/26 CoE, Times)	10.8
PBR (FY3/25 Actual, Times)	2.1
Yield (FY3/26 CoE, %)	1.9

Source: Strategy Advisors

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IFRS-Consolidated	Sales	YoY Change	Operating Profit	YoY Change	Profit Before Tax	YoY Change	Profit Attributable to Owners of Parent	YoY Change	EPS	DPS
Fiscal Year-End	(¥ mn)	(%)	(¥mn)	(%)	(¥ mn)	(%)	(¥ mn)	(%)	(¥)	(¥)
3/2025 Q1	8,139	59.0	2,345	227.1	2,177	91.6	1,386	62.1	19.4	—
3/2026 Q2	9,908	21.7	678	-71.1	889	-59.1	469	-66.2	6.7	—
3/2023	20,021	—	5,730	—	5,653	—	3,856	—	53.3	10.0
3/2024	37,015	84.9	7,383	28.8	7,250	28.3	4,262	10.5	58.9	18.7
3/2025	46,387	25.3	13,515	83.1	12,745	75.8	7,532	76.7	107.5	20.9
3/2026 CoE	55,000	18.6	14,000	3.6	13,223	3.8	7,904	4.9	113.6	23.0

Note: Due to a change in the fiscal year end, FY3/22 is now a six-month period, so there is no YoY change for FY3/23

Source: Company Data. Compiled by Strategy Advisors.

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Executive Summary

CHANGE Holdings is an IT services company that supports the digitalization of private companies and local governments. All 5 founding members, including Yoshihisa Jimbo (Chairman and Founder), Hiroshi Fukudome (Director and CEO), Akira Ito (Director, Executive Vice President) and two others, are former employees of Andersen Consulting (now Accenture). The company's original business was digital transformation (DX) consulting and training for IT professionals.

CEO Fukudome is 49 years old and originally from Kagoshima Prefecture. His childhood dream was to become a lawyer, so he went on to study at Chuo University's Faculty of Law, studying day and night to achieve that dream. The turning point came during his university days when he interned at a law firm, where he realized that a job as a lawyer, where you work among mountains of paperwork, was not for him and he began to aspire to a career in the business world.

After graduating from university, he joined Accenture and worked in IT consulting. His first boss was Jimbo, who would later become a co-founder of the company and it can be said that meeting him at Accenture led to the founding of the company.

Following the company's acquisition of TRUSTBANK, which operates the hometown tax donation portal site "Furusato Choice" in November 2018, services for local governments have become a driving force behind its performance. Since then, the company has been diversifying its business in order to realize Regional Creation and has established a system that can meet a wide range of customer needs, from providing funding through the hometown tax donation portal site to DX, including resolving labor shortages in rural areas and cybersecurity.

The company's distinctive feature is that it pursues federal management while involving various companies. In the Roman Empire, power was centralized and the emperor had absolute authority, but in regions with different cultures and religions, local governance and religions were preserved. Similarly, CEO Fukudome himself does not intend for the business methods and treatment of employees of the group companies to be uniform, but instead strives to manage the company while making the most of their individuality.

The company's difficulty with imitation is that it has established a system that allows it to continuously produce core personnel who support business diversification by hiring and training consulting personnel. There are 3 main initiatives that strengthen this difficulty: 1) As it provides training programs to major companies, it utilizes its training know-how in internal human resource development, 2) Led by CEO Fukudome, it places personnel in the right positions, grants appropriate authority, and actively encourages them to take on challenges that lead to growth.

And finally, 3) In addition to providing DX consulting, it actively seconds in-house consultants to acquired companies to give them practical experience in PMI and other areas, thereby establishing an environment in which core personnel who support business diversification can be developed within the company.

The company's stock price has been sluggish since hitting a record high (adjusted stock price of ¥6,185) after factoring in its financial results for the fiscal year ending September 2020, for which it announced two upward revisions (sales of ¥11.69 billion and operating profit of ¥3.62 billion). One of the reasons for the slump in stock price is likely the tightening of regulations on the hometown tax donation business, which has driven the company's growth since its listing (tightening of regulations on return gifts in 2019, etc.), and the risk of a worsening competitive environment due to the rise of major EC competitors such as Rakuten.

On the other hand, given that the current valuation (PER of just over 10x) has already factored in a certain amount of adverse factors due to changes in the external environment. The company has already acquired the pillars of growth (M&A brokerage and Security) that will be second only to the hometown tax donation business, if it is confirmed that the company has entered a new growth phase centered on NEW-IT Transformation, which provides DX consulting, M&A brokerage and Cybersecurity, after which the stock price is expected to move back to an upward trajectory.

The company's equity story is "evolving into a corporate group that can comprehensively solve regional challenges as a hub for Regional Creation". To take on the ambitious theme of Regional Creation, it is essential to establish a system for the return of people, goods and capital to regional areas by involving local governments, regional financial institutions, leading local companies, media and educational institutions. We expect the company to leap forward as a hub, supporting regional challenges.

Furthermore, Strategy Advisors believes that the key to achieving Regional Creation is whether the company can make a leap in its M&A brokerage business (a growth driver for NEW-IT Transformation), which addresses the business succession needs of small and medium-sized enterprises (SME's) lacking successors. While the company has many businesses in addition to its hometown tax donation business, from the perspective of profitability and scalability, it is its fundbook M&A brokerage business that has the potential to become a new revenue source, second only to the hometown tax donation business.

1. Company Overview

■ An IT Services Company That Supports the Digitalization of Local Governments by Providing Infrastructure Technology and Developing Digital Talent

The Company's Vision is to "Change Productivity"

The company's mission is to "Change People, Change Business, Change Japan" and it is an IT services company that supports the digitalization of private companies and local governments under the vision of "changing productivity." All 5 founding members, including Yoshihisa Jimbo (Chairman and Founder), Hiroshi Fukudome (Representative Director and CEO), Akira Ito (Director, Executive Vice President) and two others, are former employees of Andersen Consulting (now Accenture). Their original business was DX consulting and training for IT professionals.

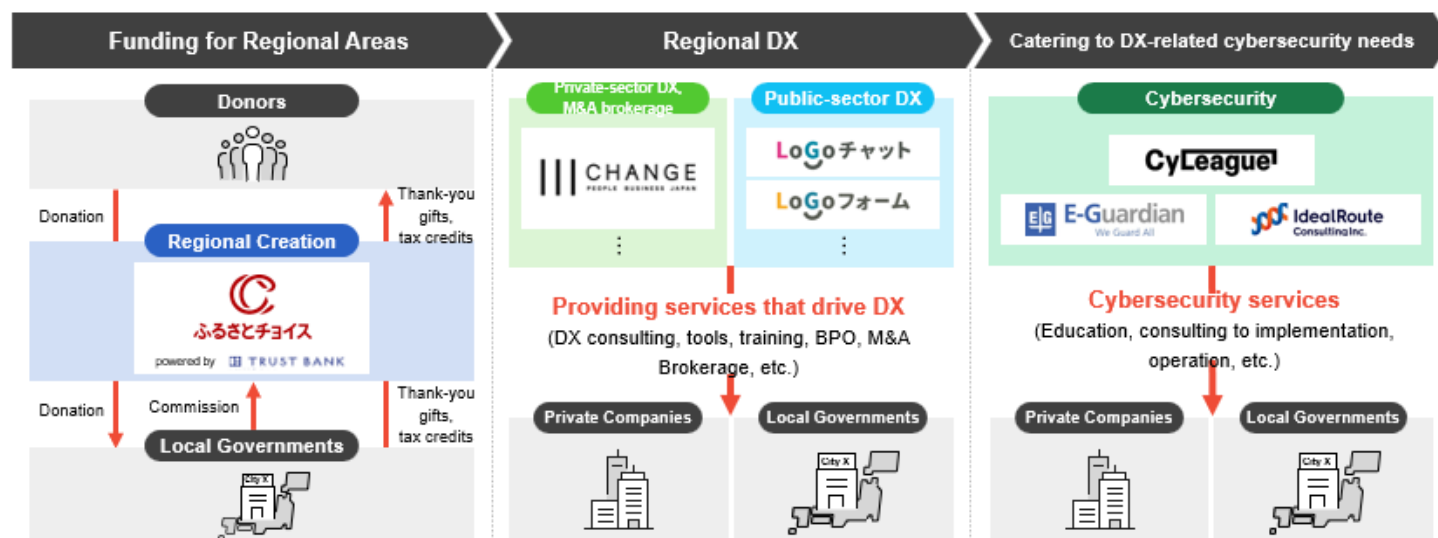
Diversifying the Business to Meet a Wide Range of Customer Needs

When the company was first founded, it mainly provided consulting and training services to private companies, but after acquiring TRUSTBANK, which operates the hometown tax donation portal site "Furusato Choice" (November 2018), its performance began to be driven by services for local governments. Since then, in order to realize Regional Creation, the company has been diversifying its business; and in addition to providing funding through the hometown tax donation portal site, it has established a system that can meet a wide range of customer needs, from regional DX, including resolving labor shortages to cybersecurity.

The Company's Main Source of Income is its Hometown Tax Donation Business. The Company is Using the Cash Flow from This Business to Diversify its Overall Business

TRUSTBANK is the company's main earner, accounting for approximately 70% of the company's total operating profit in FY3/25. TRUSTBANK, which primarily generates fee income, is highly profitable and is using the cash flow from this business to actively diversify its business through M&A. Good examples include the acquisition of E-Guardian (6050, TSE Prime), an IT security service provider, in October 2023, and the acquisition of fundbook (unlisted), an M&A brokerage firm, in December 2024. To advance Regional Creation, it is necessary to comprehensively resolve issues related to people, things and money, and then resolve the on-site challenges faced by local governments. In addition to TRUSTBANK's network of local governments and the regional bank network of its capital and business partner, SBI Holdings (8473, TSE Prime, hereafter referred to as SBI HD), the company has established a system that allows it to comprehensively provide services such as solutions to alleviate labor shortages, BPO (Business Process Outsourcing), M&A brokerage and Security. With regions accounting for approximately 65% of Japan's GDP, Regional Creation is a pressing issue facing the country. The company can be said to be taking on the national policy of Regional Creation head-on.

Figure 1. Value Provided by CHANGE Holdings



Source: Company Materials.

History of CHANGE Holdings

The Company's Original Business Was Training-Consulting & DX Tools

The company's business growth to date can be divided into 3-phases. The first phase was from the company's founding until it was listed on the First Section of the Tokyo Stock Exchange (April 2003 to September 2018), during which it achieved organic growth centered on its original businesses of training/consulting and DX tools. Despite being a newly established venture company, the training business achieved stable growth by gaining the trust of the human resources departments of enterprise companies, primarily major system integrators.

The Company Has Succeeded in Expanding its Business with the Expansion of the Market as a Backdrop

The second phase, from November 2018 to March 2022, covered the acquisition of TRUSTBANK as a subsidiary and the formation of a capital and business alliance with SBI HD. Driven by the expansion of the hometown tax donation market, total revenue increased approximately sixfold (from ¥2.6 billion in FY2018 to ¥15.65 billion in FY2021). Furthermore, market capitalization, reflecting expectations for TRUSTBANK, temporarily rose to nearly ¥400 billion (September 2020). Significant changes during this period included: 1) the acquisition of TRUSTBANK led to a shift in focus to business expansion focused on Regional Creation and 2) the capital participation of SBI HD reduced the equity interests of major shareholders, primarily the founding members. To achieve Regional Creation, the company accepted capital participation from major financial institutions, even though this resulted in a reduction in the equity interests of the founding members.

Capital and Business Alliance with SBI Holdings and Intention to Establish a Holding Company System,

The third phase, which began with the capital and business alliance with SBI HD and continues to this day, has seen the company further expand the range of services it provides through business diversification in order to take on the challenge of Regional Creation. The transition to a holding company structure has seen the company enter the security field in earnest with the acquisition

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**the Company is Further
Diversifying its Business**

**With The Acquisition of
TRUSTBANK, They Have
Acquired Businesses
Essential to Regional
Creation**

of E-Guardian and IdealRoute Consulting and enter the M&A brokerage business with the acquisition of fundbook.

When the company was first established, it provided IT consulting and training services to private companies, but the acquisition of TRUSTBANK and the resulting network of local governments meant that the direction it wanted to take was determined. In the third phase, the company is acquiring businesses essential to Regional Creation and establishing a system that will enable it to provide comprehensive services.

Figure 2. History of CHANGE Holdings

Year	Events
4/2003	Established CHANGE Inc. in Kita-ku, Osaka-shi, Osaka
9/2016	Listed on the Mothers Section of the Tokyo Stock Exchange
9/2018	Listed on the First Section of the Tokyo Stock Exchange
11/2018	TRUSTBANK, Inc., which operates the Furusato Choice, tax donation portal site, became a subsidiary, and launched the Publitech Business
2/2020	Orb, Inc., which possesses advanced expertise in Fintech field, became a subsidiary
10/2020	TRUSTBANK, Inc. became a wholly owned subsidiary through a share exchange
2/2021	Digital Growth Academia, Inc., a joint venture with KDDI Corporation, was established to strengthen digital human resource development
3/2021	beacapp Inc., which has strengths in IoT visualization of workplaces, became a subsidiary
3/2022	Established Govmates, Inc. to strengthen local government DX
3/2022	Entered into a partnership agreement with SBI Holdings, Inc.
4/2022	Transitioned from the First Section of the Tokyo Stock Exchange to the Prime Market due to a review of the market classification of the Tokyo Stock Exchange
10/2022	DFA Robotics, Inc., which possesses extensive knowledge and sales track-record in service robotics, became a subsidiary
1/2023	Made HOPE, INC. our affiliate to which the equity-method is applied, which has strengths in sales and marketing to nationwide local governments
1/2023	Travel Zip Co., Ltd., which has strengths in the tourism field for local governments, became a subsidiary
4/2023	Transitioned to a holding company structure and changed its name to CHANGE Holdings, Inc.
4/2023	Governance Technologies, inc. became a subsidiary to strengthen the fields of SaaS solution-type and platform-type business models to the public sector
10/2023	Acquired E-Guardian Inc., a comprehensive internet security company as a subsidiary to expand into the cyber security field
11/2023	Established UPclose, Inc. to provide solutions for various local government issues in fields such as DX and information security
12/2023	Established Cyleague Holdings, Inc. which will act as an intermediate holding company to promote M&A of cyber security companies and conduct reorganization of the cyber security industry
3/2024	Made IdealRoute Consulting Inc. to accelerate entry into the cyber security industry, which covers both DX and security measures, and support the development and implementation of IT strategies
9/2024	Toko Computer Service Co., Ltd., which is engaged in the development of business systems adopted by forest unions nationwide and focuses on new business development in the carbon credit field, became a wholly owned subsidiary.
12/2024	Acquired fundbook, inc. as a wholly owned subsidiary in order to revitalize regional companies by supporting their business succession-type M&A or supporting their growth strategies
2/2025	Established SMBC Cyberfront Inc. with Sumitomo Mitsui Financial Group, Inc. and Mitsui Sumitomo Insurance Co., Ltd. to support corporate cybersecurity measures
4/2025	Spun off SCM business from TRUSTBANK Ltd. and established Grivity Inc to strengthen the logistics related business, a new area of hometown tax donation
6/2025	Shifted to a company with an audit and supervisory committee with the aim of strengthening the group management system and strengthening the management foundation to achieve further growth in the future from the viewpoint of governance

Source: Company Data. Compiled by Strategy Advisors.

■ The CEO's Background and Management Philosophy

CEO Fukudome is 49 Years Old and Originally from Kagoshima Prefecture

CEO Fukudome is 49 years old and originally from Kagoshima Prefecture. As a child, he was an energetic child, spending every day actively running around the fields and exploring. In the countryside of Kagoshima, he would go with his friends to catch rhinoceros beetles and play in the river and from an early age he would combine his individual strengths to work towards achieving results.

He Inherited His Mother's Spirit of Challenge

His parents taught him 1) that relationships are built on trust and that it is important to keep promises and 2) to have a positive mindset when trying new things and taking on risks. In particular, his mother always praised him no matter what he did and this is still a major driving force behind his continued efforts to take on various challenges.

Originally Aspired to Be a Lawyer but Changed Course and Entered the Business World

His childhood dream was to become a lawyer. After his best friend's father committed a crime, ran away in the middle of the night, and disappeared from town, he began to think about becoming a lawyer and being able to help people in need. In fact, he went on to study at Chuo University's Faculty of Law and studied day and night in pursuit of his dream of becoming a lawyer. The turning point came when he interned at a law firm during his university days, where he realized that the job of a lawyer, working among mountains of paperwork, was not for him, and he began to aspire to the business world.

He Joined Accenture, Where He Met His Co-founder, Mr. Jimbo, Which Led to the Founding of CHANGE Holdings

After graduating from university, he joined Accenture and worked in IT-related consulting. His first boss was Jimbo, who later became the company's co-founder and so it can be said that meeting him at Accenture led to the founding of the company. In the early days of the company, he worked closely with Jimbo to run the business. As both of them were consultants, they were not particularly adept at creating businesses or running sales and it seemed they struggled to find new clients.

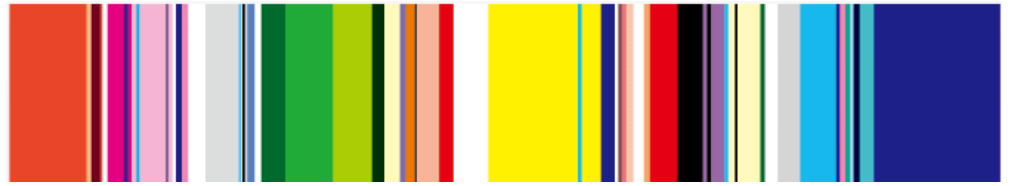
He Makes Use of His Individuality

One of the company's defining features is that it has developed through federal management, involving various other companies. Just as the Roman Empire was centralized, with the emperor wielding absolute authority, but in regions with different cultures and religions, it preserved local governance and religion. CEO Fukudome himself does not intend for there to be a uniformity in business methods or the treatment of employees but instead strives to run the company while making the most of individuality.

The Hidden Meaning Behind the Design of Management Nouns

The company's symbol mark embodies these ideas. The various colors show individuality and the varying widths of each color represent a management style that is not homogenized.

Figure 3. CHANGE Holdings Symbol Mark



Source: Company Website.

CEO Fukudome Personally Provides Management Guidance to the CEO's of Subsidiaries

CEO Fukudome also provides one-on-one management guidance to the CEO's of each subsidiary, providing direct guidance on decisions that are not in the customer's interest and decisions to withdraw from a business. Japanese managers are often unable to make painful management decisions such as withdrawal or personnel reassignment and he believes that stepping out of their comfort zone and making tough management decisions will also lead to the CEO's of each subsidiary's growth as managers.

He Focuses on Creating a System That Enables Regional Areas to Grow Sustainably

CEO Fukudome himself makes it a point to ask himself 3 questions: 1) Have I thought things through? 2) Have I made a firm decision? and 3) Have I followed through? He says he is always conscious of whether he is making decisions and carrying them out thoroughly.

Promoting "Standardization" in order to "Change" the Regions That Account for Approximately 60% of GDP

Currently, CEO Fukudome is focusing on creating a system that will enable regional areas to grow sustainably and he wants to create various formats to demonstrate the "model" of Regional Creation. The areas he is particularly focusing on are medical care, nursing care, local media and education; where he aims to create a business that can fundamentally support a system that will allow greater flow of money and people towards Regional Creation.

An Important Perspective in Regional Creation is "Smart Shrinking"

On the other hand, the company believes that an important perspective in terms of Regional Creation is smart shrinking and that it is important to create more densely populated regions. Japan's regions are dispersed and the cost of maintaining society is extremely high. Furthermore, the more a country values human rights, the less it is likely to make decisions that are inconvenient for a select few. The company is expected to create a "model" for Regional Creation by involving businesses, local governments and various other stakeholders in order to "change" Japan's regions, which account for approximately 60% of its GDP.

The Company's DNA is a Combination of Venture Spirit and Proactive Organization

Based on these, the company's DNA can be said to be that of a proactive organization rooted in a venture spirit that continues to challenge itself towards the cause of Regional Creation and in federal management. Armed with a spirit of challenge and under the leadership of the management team led by CEO Fukudome, the company has taken on various business challenges with a full venture spirit and has continued to grow by providing an environment where colleagues who agree with this challenge can make the most of their individuality.

■ Difficulty of Imitation and Business Strategy

Difficulty of Imitation: Toyota's Kanban System

Difficulty of imitation is a source of competitive advantage that other companies cannot easily imitate. For example, Toyota Motor Corporation's (7203, TSE Prime) Just-in-Time system was established as a result of cultivating a culture of thoroughly eliminating waste and continuing to improve over many years amidst the resource shortages of the postwar period. This system is difficult for later companies to imitate, even if they try.

Difficulty of Imitation is the System for Developing Core Human Resources That Support Business Diversification

The difficulty for the company is that all of the founding members are from consulting firms and the company's original business is training/consulting and DX tools. Therefore, by recruiting and training consulting personnel, the company has built a system that can continuously produce core personnel who can support business diversification.

Core Human Resources Are Developed Through Know- how Cultivated in Training Businesses, Personnel Management and Experience Gained Through Secondments to Acquired Companies

In general, the hiring environment for SMEs is tough, making it difficult for them to secure talented personnel like in large companies. Similarly, it is not easy for the company to secure new graduates who can secure job offers from major consulting firms. However, the company has established an environment in which core personnel who can support business diversification can be nurtured within the company through the following measures: 1) As the company provides training programs to major companies, it utilizes its training know-how in in-house human resource development; 2) Led by CEO Fukudome, it places employees in the right positions, grants them appropriate authority and encourages them to actively take on challenges that lead to growth and finally, 3) In addition to providing DX consulting, the company actively seconds people in-house consultants to acquired companies to give them practical experience in PMI and other areas.

There Are Also Cases Where Executive Officers Are Appointed as Outside Directors of Invested Companies

As an example of 2) Shinya Sakurai, Executive Officer and Head of the CFO Office in charge of finance and investor relations, was appointed as an outside director of Hope (6195, TSE Growth) in June 2025. This is a good example of the company's commitment to placing the right people in the right positions and constantly providing opportunities for growth, regardless of whether they are new graduates or mid-career hires.

As a Result of Progress in Human Resource Development, it Has Become Possible to Seize Larger Business Opportunities Than Before

As a result of these efforts to develop human resources, the company has seen results such as alliances with large companies (capital and business alliance with SBI HD, joint ventures with KDDI and SMBC Group), winning large projects from central government ministries and agencies and an increase in M&A and other projects brought to it. Going forward, the company is expected to continue to grow by engaging more stakeholders through proactive M&A.

Michael Porter's Competitive Strategy

In addition, American management scholar Michael Porter, in his book *Competitive Strategy* (Diamond Inc., 1995), reveals that 5 competitive forces are at work in any industry.

Positioning is Important

The 5 competitive forces are: 1) the threat of new entrants, 2) the bargaining power of suppliers, 3) the bargaining power of buyers, 4) the threat of substitute products (substitute services) and 5) competition between existing companies. If the impact of the 5 competitive forces is strong, profitability will decline and conversely, if the impact is weak, it will be an opportunity to increase profits. Essentially, the idea is that "positioning yourself in a less competitive situation will increase profits".

In the Case of CHANGE Holdings, they Specialize in Regional Creation Through a Focus Strategy

Porter argues that strategies for gaining a competitive advantage over rivals can be summarized as one of three: 1) cost leadership strategy, 2) focus strategy or 3) differentiation strategy. In the case of CHANGE, the company is adopting a focus strategy, that is, a strategy that targets destinations that lead to Regional Creation.

By Suppressing the Take Rate of "Furusato Choice", They Have Established a Strong Network of Local Governments

Furthermore, in order to solidify its focus strategy, the company had limited its take rate for "Furusato Choice" to around 5% until FY3/23 (competitors' take rate was around 10%). The company has set aside short-term profits and prioritized expanding business with more local governments and now does business with 95% of local governments through its hometown tax donation business.

In Order to Achieve Regional Creation, it is Important to Involve Stakeholders

In order to solve the huge social issue of Regional Creation, it is necessary to expand the business while involving various stakeholders. In this context, the company's human resource development know-how, which originated in the training business and its culture of encouraging growth by providing various opportunities, are difficult to imitate overnight.

Companies That Have Been Successful in Business Diversification Have a Reputation for Human Resource Development

Companies that have succeeded in business diversification, such as Sony Group (6758, TSE Prime) and Recruit Holdings (6098, TSE Prime), have often been successful in recruiting, developing and optimally allocating personnel. Similarly, the Company has a human resources base that can support further business diversification, which can be said to be an extremely important factor in any future leaps forward.

2. Business Overview and Equity Story

■ Business Overview

The Business Segments Are NEW-IT Transformation and Publitech

The reportable segments are broadly divided into NEW-IT Transformation and Publitech. The NEW-IT Transformation segment consists of Private-sector DX, M&A brokerage and Cybersecurity, while the Private-sector DX and M&A brokerage segments consist of TRAINING/CONSULTING and DX TOOLS provided by Change alone, BPO provided by E-Guardian, fundbook for the M&A brokerage business and DFA Robotics, which provides catering and cleaning robots.

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Cybersecurity is Under the Control of Cyleague, An Intermediate Holding Company

Cybersecurity is comprised of IdealRoute Consulting, which is under Cyleague, an intermediate holding company for M&A in this field and the security business of E-Guardian. E-Guardian's total revenue is recorded in this field for security-related business and BPO is recorded in Private-sector DX and M&A brokerage.

Publitech is Comprised of Regional Creation and Public-Sector DX

The Publitech segment is broadly divided into Regional Creation and Public-Sector DX. Regional Creation consists of the hometown tax donation business operated by TRUSTBANK (which operates Furusato Choice), Grivity, which operates logistics-related businesses related to hometown tax donations, etc., the production of tourism media for local governments provided by Travel Zip, and the inbound marketing business provided by Onwords.

The Core Subsidiaries of Public-Sector DX are Govmates and TRUSTBANK

Public-Sector DX is comprised of DX consulting for local governments provided by Govmates (headquarters: Matsuyama City, Ehime Prefecture), a joint venture between TRUSTBANK and Konica Minolta Publitech that was established and became a wholly owned subsidiary of the company in March 2024 and sales of ICT devices for local governments provided by TCS. Going forward, DX projects for central government ministries and agencies commissioned by CHANGE Holdings are also expected to be included in this area.

TRUSTBANK's Hometown Tax Donation Business is a Source of Revenue

The company's revenue source is Publitech's Regional Creation. The hometown tax donation business operates on a fee income model of GMV (Gross Merchandise Value) x take rate (just under 10%), with an extremely high marginal profit margin, accounting for approximately 70% of total operating profit as of FY3/25. Furthermore, following the acquisition of fundbook, the proportion of private-sector DX and M&A brokerage in total revenue has risen to around 40%, indicating that the growth driver is shifting away from Regional Creation.












fundbook Has High Growth Potential

Strategy Advisors is keeping a close eye on fundbook's performance trends for the following reasons: 1) of the many businesses the company operates, fundbook is the second most profitable after the hometown tax donation business, and has the potential to drive the company's profit growth; 2) it is expected to create synergies with the company's network of local governments; and 3) there is strong demand for business succession, where the potential market is large.

Attention Be Focused on Whether fundbook Will Take Off as a New Pillar of Growth

Of course, other businesses are expected to grow steadily as well, but considering the size of the company's operating profit, it is difficult to expect them to contribute as much to performance as the fundbook. Strategy Advisors believes that as the company moves toward achieving the operating profit target (¥18 billion to ¥23 billion by FY3/28) set out in its medium-term management plan. Whether fundbook will leap forward as a new pillar of growth and evolve into a major source of income for the company alongside the hometown tax donation business will be an extremely important factor in predicting the company's future stock price.

Figure 4. Segment Overview

	NEW-IT Transformation segment		Publitech segment	
Main services	Private-sector DX, M&A brokerage	Cybersecurity	Regional creation	Public-sector DX
	<ul style="list-style-type: none"> • DX consulting • M&A Brokerage • Training • BPO • DX tool provision, etc. 	<ul style="list-style-type: none"> • Comprehensive cybersecurity services (education, consulting, solutions, implementation/operation support, etc.) 	<ul style="list-style-type: none"> • Hometown tax • Tourism • Carbon-neutral projects, etc. 	<ul style="list-style-type: none"> • Consulting for local governments • DX tool implementation • Training, etc.
Main brands/ companies	  	  	 	  
Revenue	5.7 billion yen	5.7 billion yen	22.4 billion yen	3 billion yen
Operating profit/ operating margin	2.2 billion yen ^{※1} / 19.5%		12.6 billion yen ^{※2} / 49.5%	

Source: Company Materials.

■ CHANGE Holdings' Equity Story

Stock Prices Fall Amid Tightening Regulations on Hometown Tax Donations

The company's stock price has been sluggish since hitting a record high (adjusted stock price of ¥6,185) after factoring in its financial results for FY9/20 (sales of ¥11.69 billion and operating profit of ¥3.62 billion), for which it announced two upward revisions. One of the reasons for the continued slump in stock prices is likely the tightening of regulations on the hometown tax donation business, which has driven the company's growth since its listing (tightening of regulations on return gifts in 2019, etc.) and also, the risk of a worsening competitive environment due to the rise of competitors such as major EC sites like Rakuten.

Rival i-Mobile Has Also Been Sluggish Since 2021

In fact, the share price of i-Mobile (6535, TSE Prime), a competitor of the Hometown Tax Donation business, has also been weak since 2021, suggesting that the capital markets are taking a critical look at the Hometown Tax Donation business itself. There have been a series of strengthening measures, such as the return gift restrictions (2019), the 50% rule (2023), tighter restrictions on return gift advertising (2024), the clarification of local product standards, and the mandatory transparency of collection fees (2025), and it is difficult to say that there is no possibility that the take rate will be reduced in the medium term.

The External Environment is Uncertain This Fiscal Year, Partly Due to the Impact of the Ban on Point Awards

In addition, the ban the awarding of points for hometown tax donation is scheduled for this fiscal year and the company's PER has fallen to the low 10x range, taking into account changes in the external environment.

Negative Factors Already Factored into the Valuation. Growth is Expected to be Centered on M&A Brokerage and Security

Definition of Equity Story

"Evolve Into a Corporate Group That Can Comprehensively Solve the Issues Facing Local Areas as a Hub for Regional Creation"

Strategy Advisors believes that the negative impact on the company's hometown tax donation business will be minor compared to EC media, which have been actively awarding points, but considering these changes in the external environment, it is undeniable that the situation remains difficult for investment.

On the other hand, given that the current valuation has already factored in some negative factors due to changes in the external environment and that the company has already acquired the pillars of growth (M&A brokerage and Security) that will follow the hometown tax donation business; if it is confirmed that the company has entered a new growth phase centered on NEW-IT Transformation, there is a possibility that the company's stock price will rise again.

At Strategy Advisors, we believe that the components of an equity story are 1) a feasible and detailed business strategy and 2) an exciting dream, and that it is important to make the most of the difficulty of imitation cultivated based on the company's DNA.

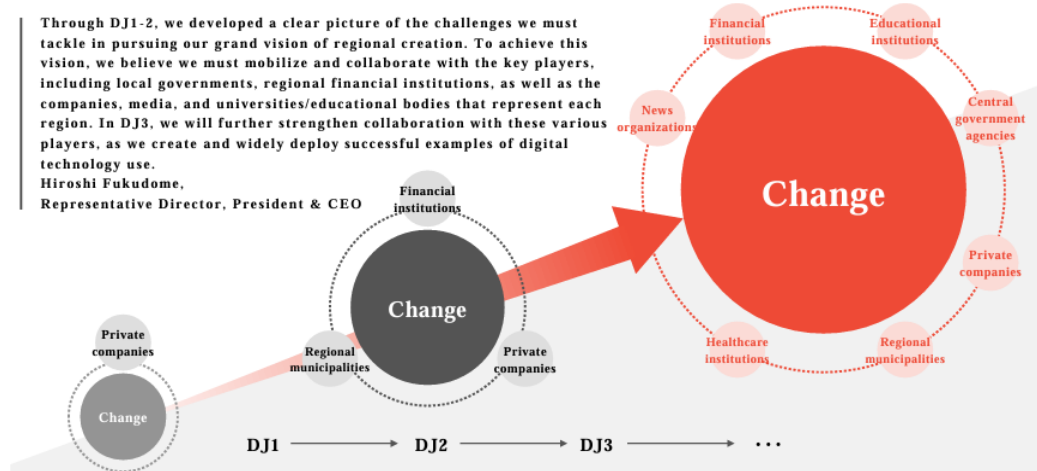
Taking these factors into consideration, the company's exciting dream is to "evolve into a corporate group that can comprehensively solve the issues facing regional areas as a hub for Regional Creation". In order to take on the ambitious theme of Regional Creation, it is essential to establish a system that allows "people", "things" and "money" to flow back to regional areas, while involving local governments, regional financial institutions, leading local companies, media, educational institutions, etc., and it is expected that the company will take the leap to become a presence that acts as that hub and is able to support regional issues.

Figure 5. Long-Term Vision Disclosed in the New Medium-Term Management Plan

Becoming hub for key players, underpinning the national push for regional creation

Through DJ1-2, we developed a clear picture of the challenges we must tackle in pursuing our grand vision of regional creation. To achieve this vision, we believe we must mobilize and collaborate with the key players, including local governments, regional financial institutions, as well as the companies, media, and universities/educational bodies that represent each region. In DJ3, we will further strengthen collaboration with these various players, as we create and widely deploy successful examples of digital technology use.

Hiroshi Fukudome,
Representative Director, President & CEO



Source: Company Materials.

Promoting the "Standardization" of Regional Creation

To achieve Regional Creation, the company is working on a meticulous management strategy to "pattern" Regional Creation by combining numerous business assets. As a hub for Regional Creation, the company will provide a variety of solutions to the challenges facing local areas and generate numerous success stories that are reproducible and can be applied horizontally. In doing so, the company expects its recruitment and training system to become a challenge, enabling it to achieve growth that competitors cannot match. Furthermore, the company plans to further strengthen collaboration with key regional players, such as local governments, regional financial institutions, leading local companies, media and educational institutions. By collaborating with a greater number of players, the company is expected to create "patterns" that only it can create.

Focus on the M&A Brokerage Business

Strategy Advisors believes that whether the company can make a leap in its M&A brokerage business, a "style" that only the company can pull off, will be extremely important in predicting future stock prices. Although the company has many other businesses in addition to the hometown tax donation business, from the perspective of profitability and scalability, it is the fundbook's M&A brokerage business that has the potential to become a new pillar of revenue next to the hometown tax donation business.

Recruiting and Training Consulting Agents and Acquiring Quality Leads Are Key

The M&A Brokerage business is calculated by multiplying the number of consultants by the number of successful deals and the key to this business is the recruitment and training of consultants, as well as the acquisition of quality leads to increase the number of successful deals. In addition to increasing the number of consultants by applying the company's expertise in recruiting and training personnel, which is a difficulty of imitation, the company believes that there is ample potential for growth that exceeds that of its competitors by securing routes to acquire quality leads through alliances with financial institutions and local governments.

With the Increase in the Number of Deals Closed, Growth is Expected to Exceed That of Competitors

In fact, the number of deals closed per person at major M&A brokerages has converged to 1.0 to 1.2 per year, and sales are expanding in line with the increase in the number of consultants. In the case of fundbook, the number of deals closed lags behind the major companies, so if it can raise this KPI to the same level as its competitors by securing quality leads, it will be able to achieve high growth by increasing the number of deals closed per person in addition to increasing the number of consultants.

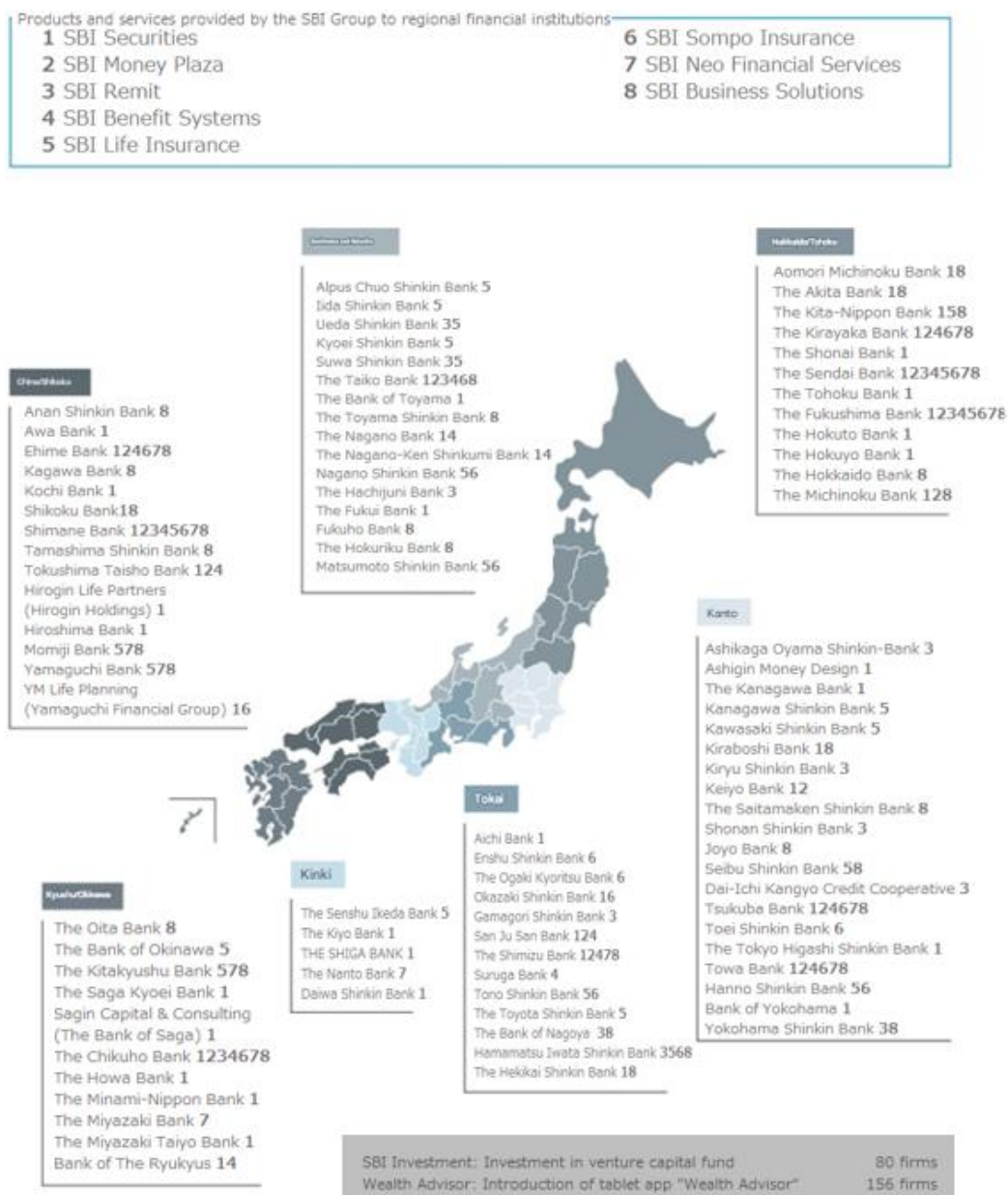
Focus On SBI HD's Network of Regional Financial Institutions

Additionally, Strategy Advisors is focusing on the fact that SBI HD, its capital and business partner, has a strong network with regional financial institutions. SBI HD is promoting a "triangle strategy" that works together with the SBI Shinsei Bank Group and regional financial institutions to maximize the functions of each party. Specifically, this strategy involves identifying business needs by leveraging the brand power of regional financial institutions, providing the cutting-edge technology, know-how, and business networks of the SBI Group and its investees, as well as utilizing the banking and non-banking functions of the SBI Shinsei Bank Group.

SBI HD Has Already Begun Collaboration with a Number of Regional Financial Institutions

SBI HD has already begun collaborating with a number of regional financial institutions, so if it can utilize this network to provide quality leads to fundbook, it can be said that although it is a latecomer, it has great potential to make a leap in the M&A brokerage business.

Figure 6. SBI HD's Partnerships with Regional Financial Institutions



Source: SBI Holdings Website.

3. Potential Markets

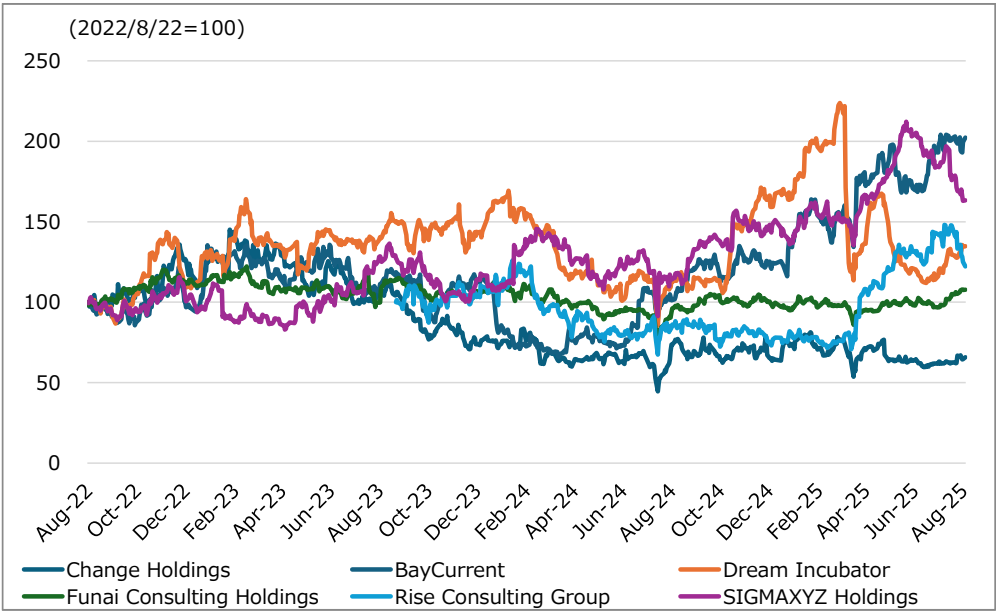
5 Main Targets

The company has diversified its business and has a wide range of target markets. Among these, the following 5 key markets are expected to continue to grow significantly: 1) the domestic DX market, 2) M&A brokerage, 3) Cybersecurity, 4) hometown tax donation and 5) inbound tourism.

Expanding DX-Related Investments

A private research firm predicts that domestic DX-related investments are expected to expand to ¥9.2 trillion by 2030. In the case of the company, it is likely to benefit from its original business of DX consulting, as well as software such as Public-Sector DX and the LoGo series. In particular, listed companies that provide DX consulting (such as Baycurrent [6532, TSE Prime] and SIGMAXYZ Holdings [6088, TSE Prime, hereafter referred to as SIGMAXYZ HD]) have seen both strong performance and share prices, suggesting that this is still an expanding market.

Figure 7. Relative Stock Price Charts for Consulting Companies



Note: Rise Consulting Group's index is based on the listing date of September 12, 2023, which is set at 100.

Source: SPEEDA. Compiled by Strategy Advisors.

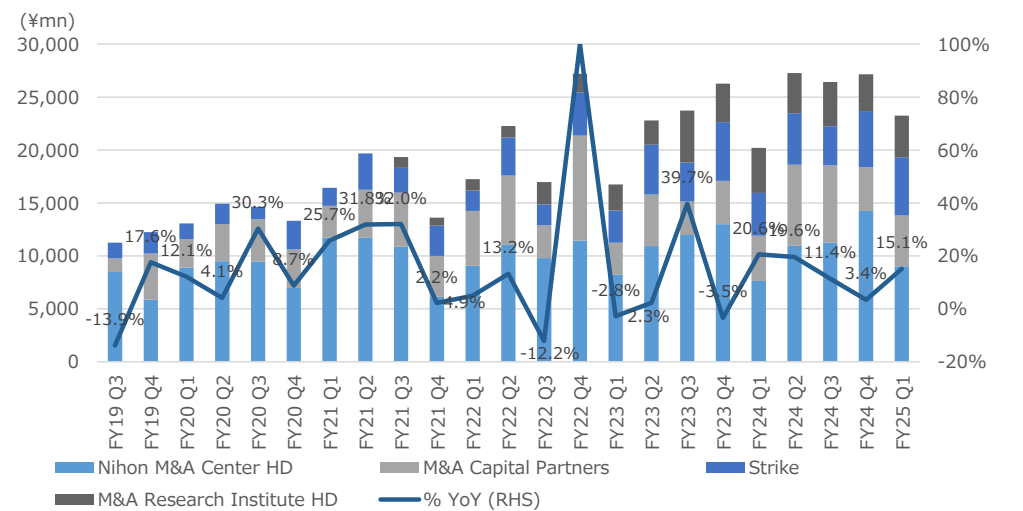
Despite the Tough Competitive Environment, Strong Business Succession Needs

M&A brokerage is expected to face a tough competitive environment, with several major rival companies. On the other hand, there is a strong need for business succession due to a shortage of successors and we hope to see growth through project sourcing utilizing the company's strength, its local government network. According to the Small and Medium Enterprise Agency, by 2025, there will be approximately 1.27 million SMEs and micro-businesses run by owners over the age of 70 who have yet to decide on a successor and of these, approximately 600,000 are in a critical situation where they may go out of business even if they are profitable.

Sales of the Four Major M&A Brokerage Companies Are Trending Steadily

Sales of the 4 major M&A brokerage companies are expected to continue growing by 10-20% from 2024 onwards, remaining steady in line with market expansion. The Ministry of Economy, Trade and Industry's revision of the "Small and Medium-sized M&A Guidelines" (Effective August 2024) and the strengthening of self-regulation by industry associations have led to stronger regulations to prevent M&A-related fraud and conflicts of interest; creating an environment in which M&A can be carried out with greater peace of mind, which can also be seen as a tailwind.

Figure 8. Total Sales of the Four Major M&A Brokerage Companies & YoY Changes



Source: SPEEDA. Compiled by Strategy Advisors.

Cybersecurity Investment is Also Expected to Continue to Expand

According to a private research company, investment in security software in Japan is expected to exceed ¥1.0 trillion by 2029 with the market is expected to continue expanding. Furthermore, Trend Micro (4704, TSE Prime), Japan's largest security company, announced at its IR Day in November 2024 that it aims for a sales growth rate of 8-10% by 2027, indicating a solid market outlook even from a micro perspective.

Figure 9. Trend Micro's Mid-Term Growth Rate

	2022	2023 ⁽¹⁾	2024E ⁽²⁾	YTD 2024 Progress	2027E ⁽²⁾
Net Sales Growth %	18%	11%	9%	10%	8-10%
COGS % of Revenue ⁽⁴⁾	19%	22%	19%	20%	18-20%
S&M % of Revenue ⁽⁴⁾	37%	37%	34%	33%	28-30%
R&D % of Revenue ⁽⁴⁾	17%	17%	17%	17%	13-15%
G&A % of Revenue ⁽⁴⁾	8%	8%	7%	7%	5-7%
Operating Margin %	14%	13%	20%	20% ⁽³⁾	29-31%
Operating Income			¥53B		

Source: Trend Micro's "IR Day" materials for Institutional Investors

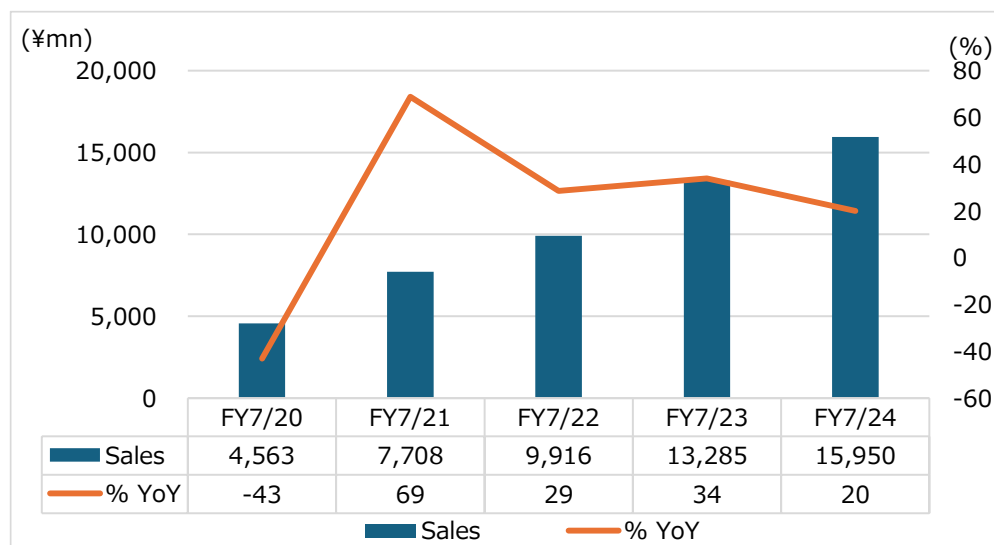
The Hometown Tax Donation Market as a Whole Has Room to Expand by About Two Times

The Hometown tax donation market as a whole has room to expand by about two times. i-Mobile, which provides a hometown tax donation portal site, defined the potential donation deduction scale as 20% of individual inhabitant tax revenue in its financial results briefing materials and calculated it to be ¥2.7 trillion (FY2022). The fact that hometown tax donation amounts are increasing by more than 15% each year also indicates that this is still a growing market.

A Reduction in the Take Rate Would Be a Risk

One risk with the hometown tax donation program is the possibility that system changes could result in a reduction in media take rates. Cost contracts, such as the "50% rule", are already in place, but take rates account for a large proportion of these, putting cost pressure on local governments. However, one of the reasons why hometown tax donations have become so popular is that attractive take rates were offered through free competition among private companies. Strategy Advisors believes that the possibility of a take rate reduction for hometown tax donations, which are still in the adoption phase, is likely to be limited.

Figure 10. i-Mobile (Consumer Business) Performance Trends



Source: Company Data. Compiled by Strategy Advisors.

Inbound Tourism is Expected to See Dramatic Market Expansion

Inbound tourism is a field that is expected to grow dramatically in the future, and represents a major business opportunity for the company, which is promoting Regional Creation. The Japan Tourism Agency and the government have set clear policy goals of increasing the number of foreign tourists visiting Japan to 60 million and inbound consumption to ¥15 trillion by 2030, but given the current situation, there is a possibility that Japan will far exceed the Japan Tourism Agency's goals.

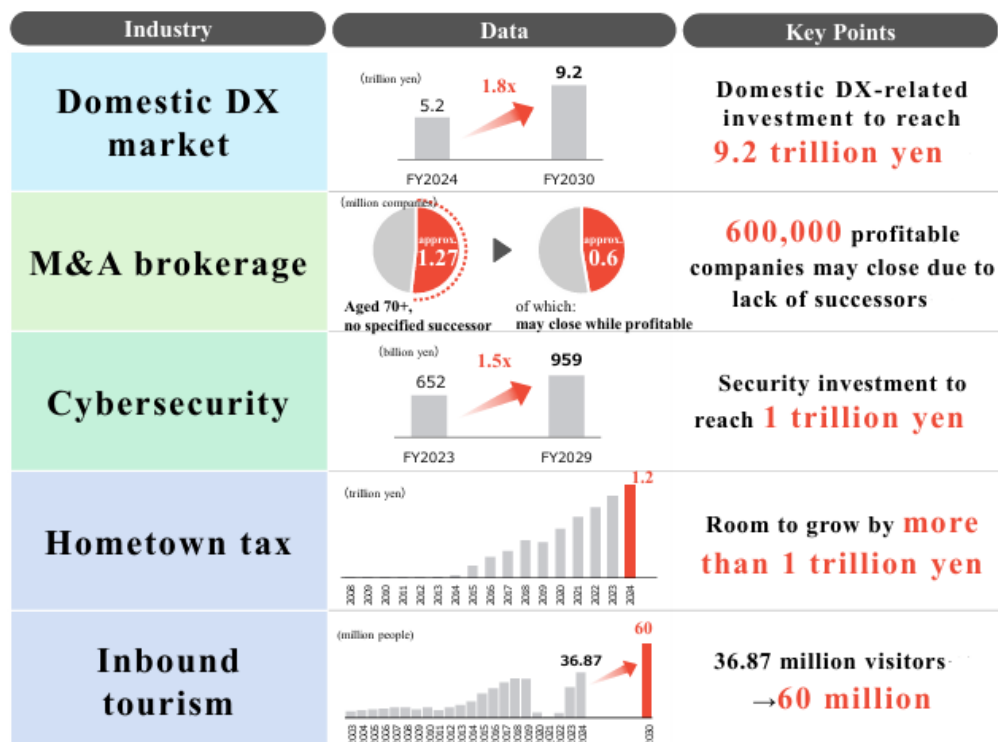
Current Inbound Tourism is Showing Greater Growth Than Expected

The number of foreign tourists visiting Japan was approximately 36.87 million in 2024, but the cumulative total for the first half of 2025 (January-June) is expected to reach 21.51 million (a 21.0% increase from the same period last year). If the 20% growth rate continues, this will exceed 60 million by 2027, and with the tailwind of the weak yen, the inbound market may expand more than expected.

Although There Are Issues with Overtourism, There is No Need for Excessive Concern Compared to Other Companies

Although there is a possibility that issues such as overtourism will become apparent as the scale of tourism expands, there is no need for excessive concern, as France, the world's leading tourist country, welcomes more than 100 million tourists a year despite having a smaller land area than Japan. In Japan, where the population is expected to shrink, attracting inbound tourists is an essential economic measure, and there are hopes that the country will leap forward into becoming a tourism powerhouse.

Figure 10. Market Outlook



Source: Company Materials.

4. Financial Strategy, Including Capital Policy

Clear Financial Discipline is Clearly Stated

The company has established clear financial discipline due to its active M&A activities. Its main financial KPIs are (1) net interest-bearing debt/EBITDA, (2) net interest-bearing debt/shareholders' equity and (3) risk assets (total intangible assets)/shareholders' equity, with (1) set to be within 2x, (2) to be within 50% and (3) to be within 100%.

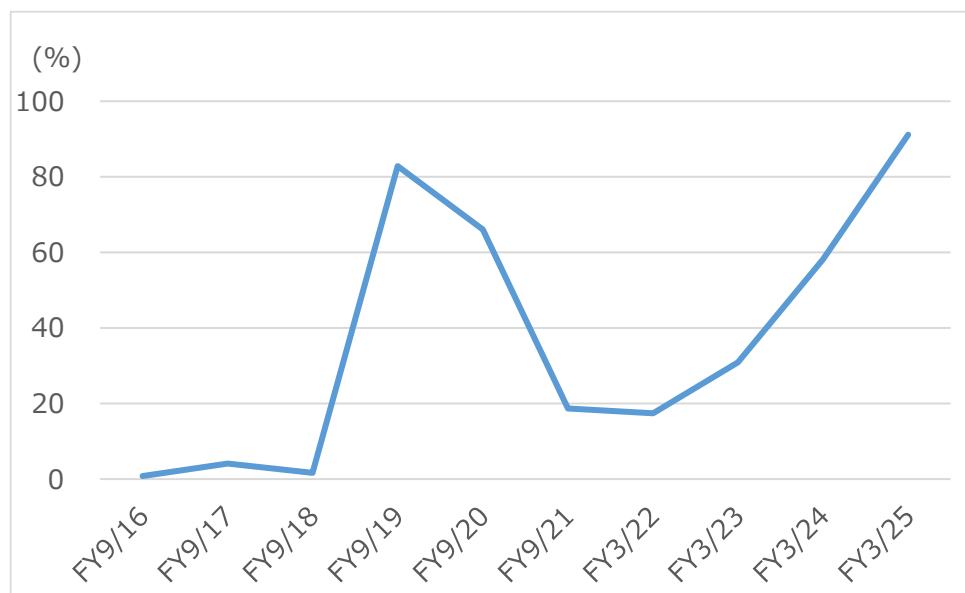
By Increasing Retained Earnings, M&A is Carried Out Within the Scope of Financial Discipline

As of the end of FY3/25, the KPIs were ① 0.26 times, ② 10% and ③ 91%, ensuring financial soundness. Regarding ③, goodwill increased to ¥28.8 billion following the takeover bids by fundbook and E-Guardian and the upper limit of financial discipline is approaching somewhat. However, since the company expects to increase retained earnings by approximately ¥23 billion by March 28, the final year of its medium-term management plan, it is expected that investment capacity will gradually increase along with the increase in net profit.

Under IFRS, Impairment Checks Are Carried Out Every Fiscal Year

As the company applies IFRS as its accounting standard, it does not amortize goodwill and conducts impairment checks every fiscal year. If goodwill exceeds shareholders' equity, there is a risk of the company becoming insolvent if a large-scale impairment occurs, so it is important for the company to maintain financial discipline (3).

Figure 11. Trends in Intangible Assets/shareholders' Equity Ratio



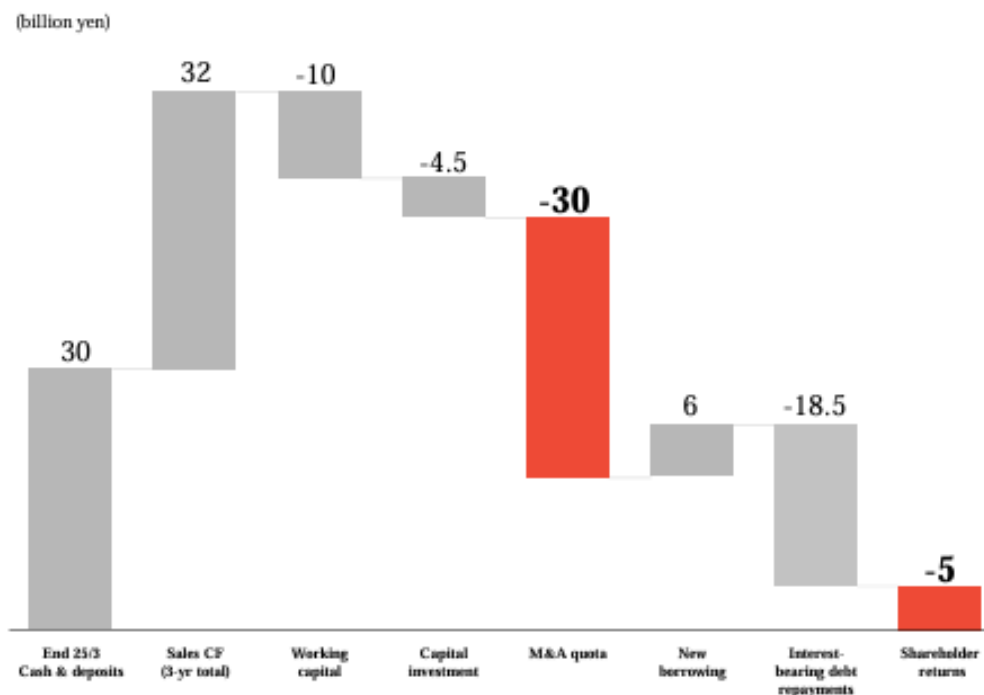
Note: Due to a change in the fiscal year end, FY3/22 has six fiscal months.

Source: Company Data. Compiled by Strategy Advisors.

Demonstrating Clear Financial Discipline

The company disclosed its capital allocation policy in its medium-term management plan. The company plans to allocate ¥30 billion to M&A, ¥18.5 billion to repay interest-bearing debt and ¥5 billion to shareholder returns, out of a total of ¥62 billion, which is comprised of approximately ¥30 billion in cash and deposits at the end of FY3/25 and ¥32 billion in operating cash flow over the 3-year period (FY3/26-FY3/28).

Figure 12. Capital Allocation Policy



Source: Company Materials.

A Policy of Implement M&A To Acquire "People" or "Products"

Regarding M&A, the company's policy is to acquire either "people" or "products." NEW-IT Transformation will acquire consultants and engineers for AI development and data analysis, as well as DX tools and security solutions that can be cross-sold. Publitech will make acquisitions aimed at expanding business in the inbound field, acquiring personnel to strengthen delivery of large projects for central government ministries and agencies and expanding service sign-ups for Public-Sector DX.

The Company Has Set a Shareholder Return Policy of 3.6% DOE

The company's shareholder return policy is a DOE (dividend on equity) of 3.6%. As its financial discipline clearly stipulates a policy of keeping the risk assets/shareholders' equity ratio at or below 100%, shareholder returns are also calculated as a ratio to shareholders' equity, striking a balance between investment and returns. The dividend payout ratio calculated from this policy is 20.2%, which means that the company is actively investing in growth while paying a certain level of attractive dividends.

Even If There is a Temporary Downturn in Business Performance, Stable Dividends Will Be Paid

DOE is calculated by multiplying ROE by dividend payout ratio. Even if ROE temporarily declines due to the recording of extraordinary losses associated with impairment losses, etc., the company's policy is to pay stable dividends based on shareholders' equity, and it is expected that stable dividends will be maintained by increasing the dividend payout ratio.

Shareholder Benefits Will Also Be Implemented

The company also announced shareholder benefits at the same time as the announcement of its FY3/26Q1 financial results. With the end of June and the end of December as the record dates, shareholders who hold 300 shares or more will be given digital gifts (with the option of choosing Amazon gift cards, etc.). Depending on the length of continuous holding (less than one year, one to two years or two years plus), shareholders will receive digital gifts worth ¥7,500, ¥8,500, or ¥10,000 each six months, making this a measure to increase the investment appeal, particularly among individual investors.

Figure 13. Relationship Between Stock Price, Benefits and Dividend Yield (If Held for More Than 2 Years)

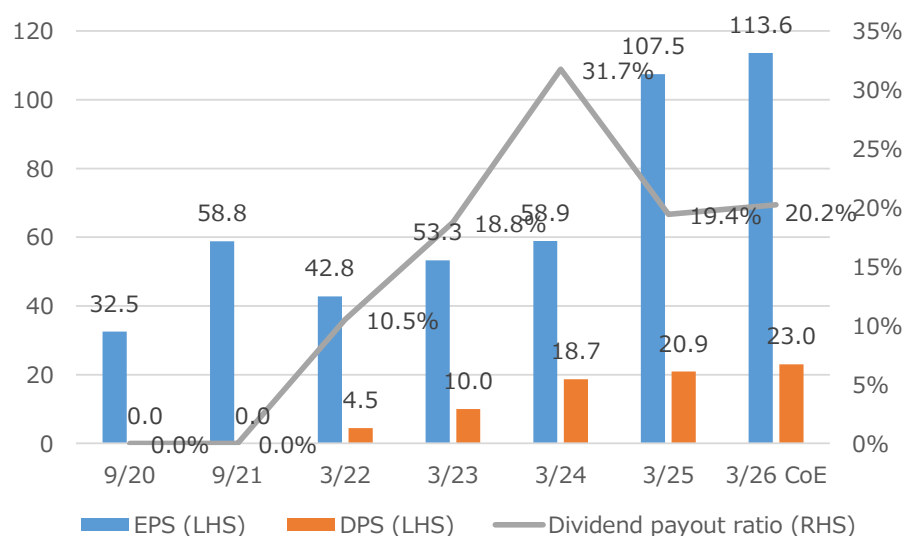
Share price	Max. benefit yield	Dividend yield	Total yield
1,000	6.7%	2.3%	9.0%
1,163	5.7%	2.0%	7.7%
1,200	5.6%	1.9%	7.5%
1,300	5.1%	1.8%	6.9%
1,400	4.8%	1.6%	6.4%
1,500	4.4%	1.5%	6.0%
1,600	4.2%	1.4%	5.6%
1,700	3.9%	1.4%	5.3%
1,800	3.7%	1.3%	5.0%
1,900	3.5%	1.2%	4.7%
2,000	3.3%	1.2%	4.5%

Source: Company Materials.

If M&A Investments Cannot Be Implemented, the Company Will Consider Acquiring Treasury Stock

Furthermore, if the company is unable to carry out the ¥30 billion M&A investment or if it has more surplus funds than expected, it plans to consider purchasing its own shares as appropriate; and it can be said that it is practicing management that is conscious of capital efficiency.

Figure 14. Trends in EPS, DPS & Dividend Payout Ratio



Source: Company Data. Compiled by Strategy Advisors.

5. Medium-Term Management Plan & Performance Trends

■ Medium-Term Management Plan (DJ3)

The company announced its new medium-term management plan (DJ3) on May 15, 2025. During the previous medium-term management plan, the company carried out 9 M&A transactions, expanded solutions to resolve regional issues, and increased the take rate of its hometown tax donation business, which is a source of revenue, solidifying its stable revenue base. In particular, the acquisition of fundbook, an M&A brokerage company, in addition to the acquisition of E-Guardian and IR Route Consulting in the security field, can be considered significant business progress.

DJ3's performance targets are to achieve a lower limit of total revenue of ¥67 billion (3-Year CAGR of 13%) and an operating profit of ¥18 billion (3-Year CAGR of 10%), focusing on existing businesses excluding M&A and then to challenge the upper limit including M&A (total revenue of ¥86 billion and operating profit of ¥23 billion).

By business segment, NEW-IT Transformation is expected to drive performance, and the proportion of total revenue accounted for by NEW-IT Transformation is expected to increase significantly from a company focused on Publitech, primarily the hometown tax donation business.

Announced New Mid-Term Management Plan DJ3

Aiming for Operating Profit of ¥23 Billion, Including M&A

NEW-IT Transformation Drives Business Performance

Figure 15. New Medium-Term Management Plan Performance Targets

FY	(¥ mn)	3/25 Actual	3/28 CoE Low	3/28 CoE High
Sales		46,387	67,000	86,000
NEW-IT Transformation		20,797	36,668	-
Publitech		26,160	30,665	-
Operating profit		13,515	18,000	23,000
NEW-IT Transformation		6,080	9,358	-
margin		29.2%	25.5%	-
Publitech		13,045	15,272	-
margin		49.9%	49.8%	-
EPS (¥)		107	160	200
ROE		18.7%	18.0%	22.0%
DPS (¥)		20.9	31	33

Source: Company Data. Compiled by Strategy Advisors.

■ Prerequisites for NEW-IT Transformation

NEW-IT Transformation is planning to increase sales by approximately ¥16 billion overall, with half of that, or ¥8 billion, expected to come from M&A brokerage. As fundbook was consolidated from Q4 FY3/25, in addition to contributing for the full year, the company aims to achieve annual growth of 23.6% over the plan period. With competitors also growing at 10-20%, this is a goal that is quite achievable.

fundbook is that the number of deals closed per consultant is low compared to competitors. While competitors have a per consultant average of 1.0 to 1.2 deals, fundbook is slightly behind, and improving this KPI to match competitors is a current management issue. Although the company has stepped up recruitment, training has not kept up and many contracts fall through at the buyer-finding stage.

To address this issue, the company is working to 1) strengthen its human resource development system by utilizing Change's training know-how (preparing management training by CEO Fukudome and manuals for mid-career hires, etc.) and 2) establish a system for sending high-quality leads by utilizing the network of local governments and regional financial institutions. The recruitment environment for consultants remains tough, but it is important to utilize the company's training know-how to create an environment where a wide range of human resources can thrive.

**M&A Brokerage is
Driving Performance**

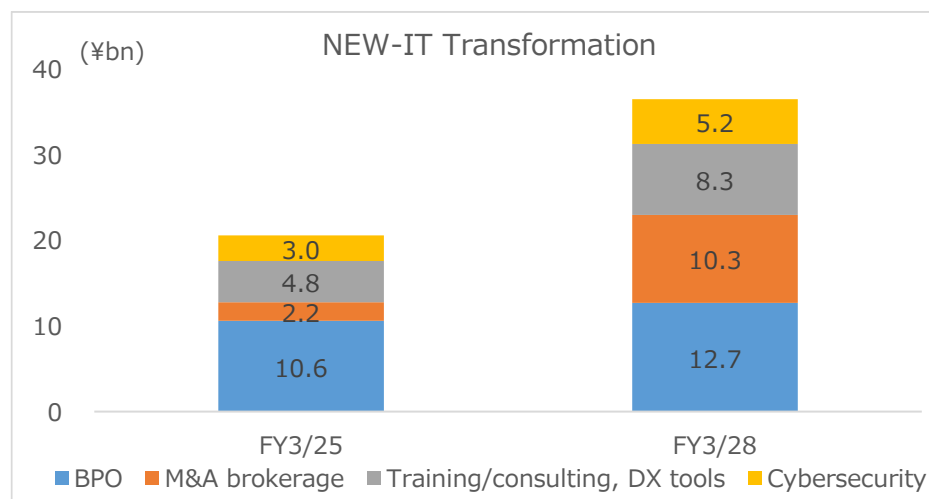
**fundbook's Challenge is
the Low Number of Deals
Per Person**

**The Key is Whether Group
Synergy Can Be Used to
Increase the Number of
Deals Per Person to the
Same Level as Competitors**

Other Businesses Are Expected to Grow Roughly in Line with the Previous Fiscal Year

Furthermore, training, consulting, DX tools and BPO are expected to see stable growth roughly in line with the previous fiscal year with cybersecurity expected to see accelerated growth. The company plans to diversify its sales channels by allowing high-touch sales leveraging its customer base, acquiring projects via SMBC CYBERFRONT, a joint venture with the SMBC Group, and strengthening collaboration with Pronexus. With demand for security services remaining strong, it will be interesting to see whether the company can achieve even higher growth.

Figure 16. Breakdown of NEW-IT Transformation



Source: Company Data. Compiled by Strategy Advisors.

■ Publitech Premise

Publitech is Expected to Grow at a CAGR of 5.4%, Mainly Due to the Assumption That the Hometown Tax Donation Business Will Remain Flat

Publitech's revenue increase of approximately ¥4.4 billion (5.4% CAGR) is somewhat disappointing, as the hometown tax donation business is expected to remain flat. Although the overall market for hometown tax donation is growing by just over 10%, taking into account changes in the competitive environment such as the ban on point awards implemented this fiscal year and the rise of major EC sites such as Rakuten, the company expects revenue from its own media to decrease slightly, but it plans to maintain revenue by expanding OEM.

The Impact of the Ban on Point Awards May Have a Positive Effect

Although it is difficult to predict the impact of the ban on point awarding, there is a possibility that users who have been using EC media will switch to Furusato Choice, which has the largest number of products listed, or if the company is able to acquire more customers through marketing measures that do not rely on points, it could well have a positive effect on the company.

Other Businesses Are in the Preparation Stage. Profit Contributions Will Likely be Limited

Additionally, the company plans to secure an increase in revenue of approximately ¥1.2 billion through the expansion of the inbound promotion business, which is being implemented in a joint venture with Travel Zip and WAmazing, and the carbon credit business of Toko Computer Service (TCS). As the business is still in the launch phase, this plan period is a preparation stage and it is hoped that the scale will increase in the next medium-term management plan period.

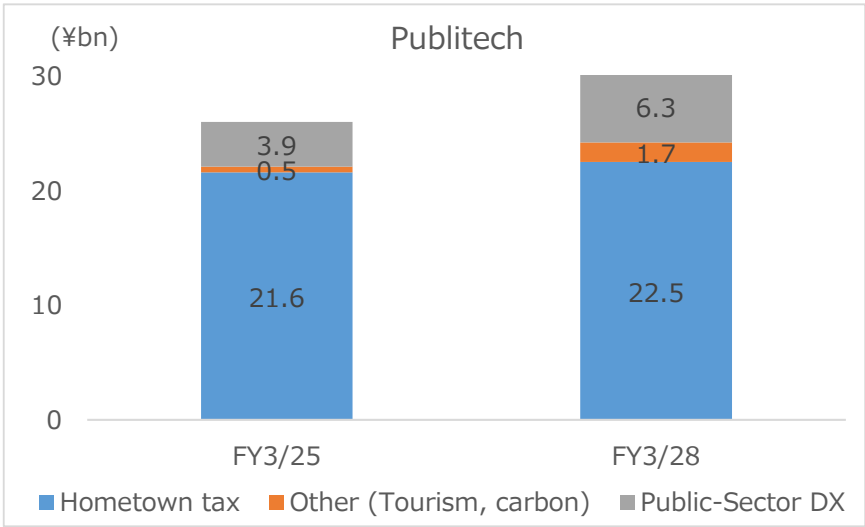
Public-Sector DX Plans to Expand Projects with Central Government Ministries and Agencies

Public-Sector DX is expected to secure a revenue increase of ¥2.4 billion and is expected to be the driving force behind Publitech. In addition to the full-year contribution from TCS, the company is expected to win large projects from central government ministries. As of the end of FY3/25, the company has already received 3-orders from central government ministries (totaling ¥1.3 billion) and is currently shifting some internal human resources and strengthening recruitment to strengthen its delivery system.

The LoGo Series Will Continue to See Stable Growth, Centered on Chat

Regarding the LoGo series, the company plans to expand sales not only to existing local governments, but also to areas such as fire departments and educational institutions and aims to further grow the service centered on LoGo Chat.

Figure 17. Publitech Breakdown



Source: Company Data. Compiled by Strategy Advisors.

FY3/25 Performance Trends

FY3/25 Results Show a Significant Increase in Profits Due to the Recognition of Equity Method Valuation Gains From DGA

FY3/25 results saw total revenue of ¥46.38 billion (+25.3% YoY) and operating profit of ¥13.51 billion (+83.0% YoY), a new record high. In addition to restructuring costs in FY3/24 (¥3.54 billion), the company recorded a gain on revaluation of DGA on the equity method of ¥1.56 billion, resulting in a significant increase in profits.

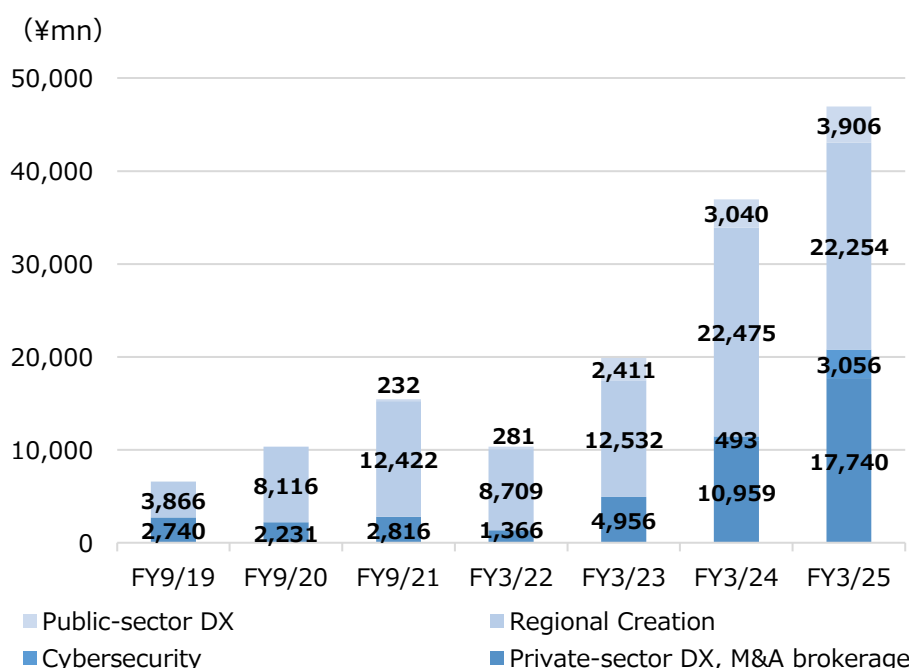
NEW-IT Transformation is Driving Growth

On the sales side, NEW-IT Transformation drove growth. The increase in sales was mostly due to the impact of acquisitions (E-Guardian approx. ¥5.7 billion, fundbook about ¥2.2 billion, IdealRoute about ¥2.1 billion, TCS approx. ¥1 billion) and was the result of steady progress in preparations for DJ3. Similarly, on the profit side, the consolidation of E-Guardian and fundbook contributed to growth by approximately ¥2.2 billion.

TRUSTBANK is Plateauing

For FY3/2025, the Publitech business—primarily driven by TRUSTBANK—reached a plateau in growth following the initial round of take-rate increases. While the overall hometown tax donation market is expected to continue expanding, the influx of new entrants from various sectors indicates a shift from a high-growth phase to a stable growth phase.

Figure 18. Sales Trends by Segment



Source: Company Data. Compiled by Strategy Advisors.

FY3/26 is Expected to See a 17.2% Increase in Sales

On the other hand, as mentioned above, the company has acquired new growth drivers such as fundbook and E-Guardian, and it can be said that growth different from what has been seen so far can be expected from FY3/26 onwards. The company's FY3/26 plan is for total revenue of ¥55 billion (+18.6% YoY) and operating profit of ¥14 billion (+3.6% YoY). Whilst profits are below expectations due to the impact of the equity method revaluation gain on DGA, the organic profit growth rate excluding this impact is expected to be 17.2%; and it is expected that the company will enter a phase of profit growth of around 15% in line with the medium-term management plan.

In Addition to the Consolidation Effect, Some Large Projects for Central Government Ministries and Agencies Are Expected to be Recorded

Operating Profit is Expected to Increase by ¥2 Billion, Excluding Temporary Factors

The Hometown Tax Donation Business is Somewhat Difficult to Predict, but is Expected to Prioritize Securing Profits

Accelerated Growth of Existing Businesses is Expected

Total revenue is expected to increase by ¥8.7 billion, broken down as follows: a ¥6.2 billion increase in revenue due to full-year contributions from acquired companies (fundbook and TCS) (fundbook: ¥5.3 billion, TCS: ¥900 million), in addition to consulting projects for existing subsidiaries and central government ministries and agencies. A major change this fiscal year is that a certain number of large-scale projects for central government ministries and agencies are expected to be recorded. As of the end of March, the company has already secured 3 orders totaling ¥1.3 billion and further growth is expected.

Operating profit is expected to increase by approximately ¥2 billion when compared based on actual figures excluding equity method revaluation gains. This figure includes the impact of the consolidation of fundbook (¥1.5 billion), the rebound from the impairment impact of Public-Sector DX (¥700 million), as well as small growth at existing companies and the impact of large projects for central government ministries and agencies.

The hometown tax donation business is a major variable for FY3/26. Points are expected to be banned from October onwards and competitors are likely to launch advertising campaigns offering large points back at the last minute. The company is taking these effects into consideration and is making conservative assumptions regarding direct channels, with Publitech's Regional Creation projected to remain flat. Furthermore, the company has a certain cost buffer and therefore expects to be able to absorb any slower-than-expected total revenue by controlling costs.

Strategy Advisors believes that the FY3/26 performance plan takes into account a certain degree of risk and is highly likely to be achieved. However, we believe that what is essentially important is how the company can advance business progress to accelerate the growth of existing businesses to achieve the performance targets of the medium-term management plan from FY3/27 onwards.

Figure 19. Performance Trends

FY	21/9	22/3	23/3	24/3	25/3	26/3CoE
Revenue	15,653	10,140	20,021	37,015	46,387	55,000
(YoY)	48.5%	-35.2%	97.4%	84.9%	25.3%	18.6%
New IT transformation business	2,816	1,366	4,956	11,453	20,797	28,283
Investment business	187	-216	162	127	-	-
Publitech business	12,654	8,990	14,943	25,516	26,160	27,315
Reconciling items	-5	-	-40	-82	-570	-598
Gross profit	11,588	7,974	12,522	23,041	25,888	-
Gross profit margin	74.0%	78.6%	62.5%	62.2%	55.8%	
Selling, general and administrative expenses	5,543	3,327	7,168	12,256	13,265	-
Operating profit	5,985	4,582	5,730	7,383	13,515	14,000
(YoY)	42.4%	-23.4%	25.1%	28.8%	83.1%	3.6%
Operating profit margin	38.2%	45.2%	28.6%	19.9%	29.1%	25.5%
New IT transformation business	927	392	1,195	92	6,080	6,317
Investment business	166	-226	130	126	-	-
Publitech business	6,666	5,471	7,378	11,036	13,045	13,960
Reconciling items	-1,776	-1,055	-2,973	-3,871	-5,611	-6,277

Source: Company Data. Compiled by Strategy Advisors.

FY3/26 Q1 Financial Results Summary

■ Summary of FY3/26Q1 Financial Results

The FY3/26Q1 (April-June) financial results, disclosed on August 14th, showed a significant decrease in profits, with total revenue of ¥990.8 billion (+21.7% YoY) and operating profit of ¥67.8 billion (-71.1% YoY). However, since equity method revaluation gains of ¥1.56 billion were recorded last year, excluding this one-off factor, the actual decrease in profits was only slight, and progress was generally in line with the full-year plan.

NEW-IT Transformation: BPO Was Slightly Weaker

NEW-IT Transformation saw a consolidated effect of fundbook (¥1.32 billion) and Cybersecurity also performed strongly, increasing 10.7% YoY. However, BPO weakened slightly due to a decline in sales at major clients and a delayed start to large projects following the transfer of BPO centers.

fundbook: PMI Implemented Using Group Assets

fundbook is working to strengthen its proposal capabilities in order to acquire high-quality leads and close deals. In addition to implementing DX such as establishing an in-house training system and automatically generating proposals, the company is also promoting the creation of alliances with financial institutions and local governments.

Publitech: Strong Progress Exceeding Plan

Publitech performed slightly better than budget, thanks to the consolidated effect of TCS (¥310 million) and a strong 13.8% increase in GMV from the hometown tax donation business compared to the same period last year. The impact of factors such as rising rice prices appears to be a tailwind for the hometown tax donation business. Furthermore, the hometown tax donation program is expected to see a surge in donations before the points system is banned, and total revenue, which is usually concentrated in Q3, is likely to be recorded across Q2 and Q3. In that case, the business's Q2 figures may look better than the same period last year.

Large-scale Projects for Central Government Ministries and Agencies to Be Recorded as Sales

Public-Sector DX recorded sales of ¥80 million from large projects for central government ministries and agencies and the number of paid accounts for the LoGo series also increased steadily, up 10.3% from the same period last year. ICT for education provided by TCS also showed steady growth, with demand for device upgrades under the GIGA School Initiative becoming apparent.

Figure 20: Quarterly Segment Income Statement (¥mn)

	24/3				25/3				25/3
(¥mn)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Total revenue	5,118	9,538	14,141	8,216	8,139	8,372	18,425	11,449	9,908
(YoY)	85.3%	200.4%	47.6%	82.5%	59.0%	-12.2%	30.3%	39.4%	21.7%
NEW-IT Transformation	1,750	1,216	4,243	4,242	4,692	4,391	4,555	7,157	6,087
Private-sector DX, M&A brokerage	1,750	1,216	4,024	3,967	3,998	3,685	3,765	6,290	5,319
Cybersecurity	-	-	219	274	694	705	790	867	768
Investment Business	127	-	-	-	-	-	-	-	-
Publitech	3,243	8,328	9,906	4,037	3,537	4,175	13,991	4,456	3,955
Regional Creation	2,864	7,886	9,349	2,375	2,814	3,572	13,033	2,833	2,968
Public-sector DX	379	442	557	1,661	723	602	958	1,622	987
Adjustment	-3	-6	-9	-63	-90	-193	-121	-164	-134
Operating profit	717	3,612	5,870	-2,816	2,345	1,467	9,255	446	678
(YoY)	-	2555.9%	15.8%	-	227.1%	-59.4%	57.7%	-	-71.1%
NEW-IT Transformation	494	217	696	-1,315	2,478	698	867	2,036	905
Investment Business	126	-	-	-	-	-	-	-	-
Publitech	895	4,296	6,244	-400	1,053	2,086	9,819	86	1,180
Adjustment	-799	-901	-1,071	-1,099	-1,185	-1,317	-1,431	-1,676	-1,407
Segment profit margin	14.0%	37.9%	41.5%	-34.3%	28.8%	17.5%	50.2%	3.9%	6.8%
NEW-IT Transformation	28.2%	17.9%	16.4%	-31.0%	52.8%	15.9%	19.0%	28.5%	14.9%
Investment Business	99.0%	-	-	-	-	-	-	-	-
Publitech	27.6%	51.6%	63.0%	-9.9%	29.8%	50.0%	70.2%	1.9%	29.8%

Note 1: Sub-segment breakdown is unaudited.

Note 2: Investment Business has been discontinued in April 2023.

Source: Company Data. Compiled by Strategy Advisors.

6. Stock Price Trends and Valuation

The Stock Price is on a Downward Trend Since September, 2020

The company's stock price has been on a downward trend since September 2020, and its market capitalization, which had risen to ¥400 billion at one point, is currently hovering around ¥80 billion. This is likely due to the fact that profit progress fell significantly below the initial plan for two consecutive fiscal years, FY3/23 and FY3/24, due to changes in accounting procedures, strengthening of headquarters functions such as becoming a holding company; and impairment losses associated with structural reforms, in addition to growing concerns about a slowdown in growth due to stricter regulations on the hometown tax donation business and a worsening external environment.

FY3/25 Saw Record-high Profits, but PER is Sluggish

On the other hand, in FY3/25, the final year of DJ2, the company recorded a record operating profit of ¥13.51 billion, re-entering a profit-generating phase, but its stock price remains sluggish. This is likely due to the fact that although ROE is high at just under 20%, PER remains low at just over 10x.

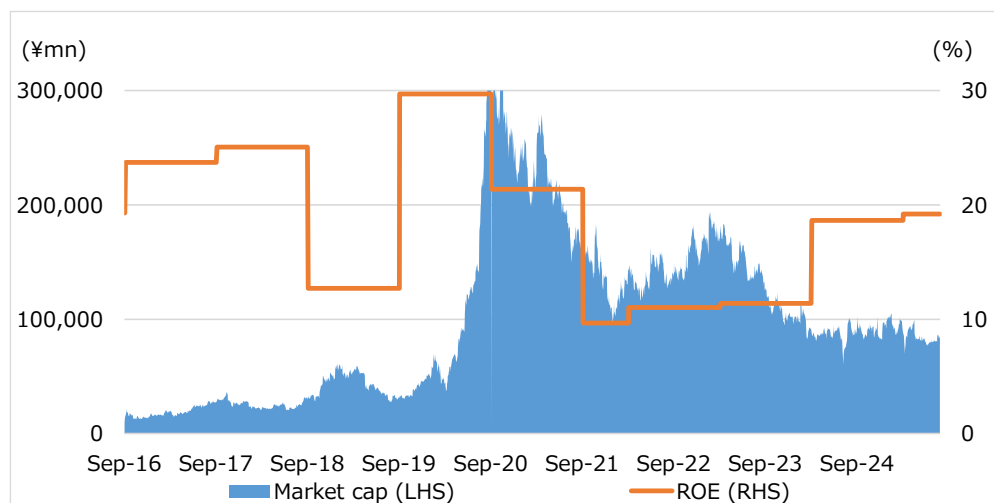
The Slowdown in Growth of the Hometown Tax Donation Business Has Already Been Factored into the Stock Price

Strategy Advisors believes that the slowdown in growth of the hometown tax donation business has been factored into the stock price to a certain extent, and that if the company can demonstrate new growth potential centered on the M&A brokerage and Security businesses acquired through DJ2, the stock price may once again enter a full-fledged upward trend.

Attention Will Be Focused on Whether the M&A Brokerage Business Can Grow

In particular, the M&A brokerage business is an area where it is easy to create synergies with the company's business assets, such as its network with local governments and regional banks, and the human resource development know-how it has cultivated through its training business. Furthermore, as competitors are also continuing to grow at 10-20%, it can be said that this business has the potential to become a pillar of the company's growth.

Figure 21. Trends in Market Capitalization and ROE

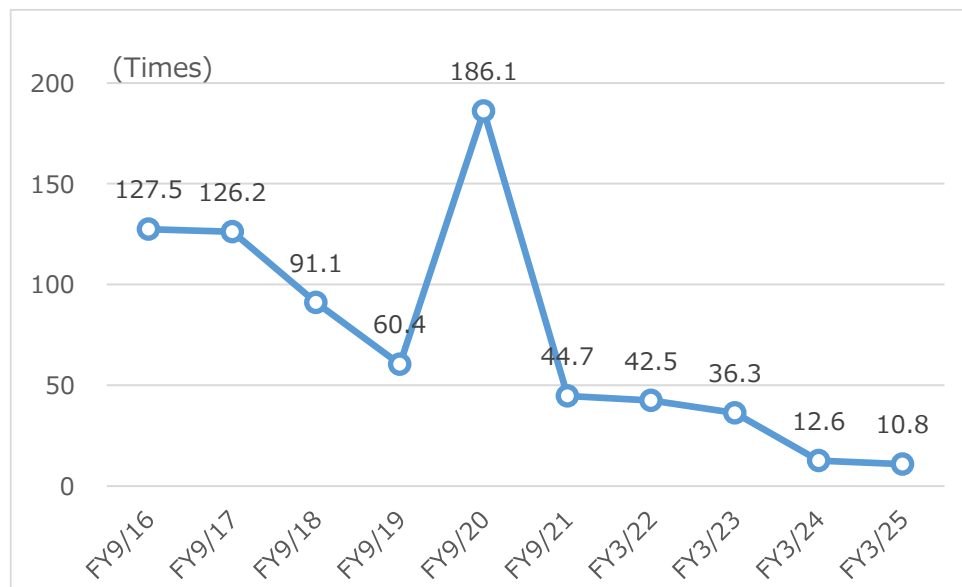


Note 1: Accounting standards were changed from Japan to IFRS in FY9/20.

Note 2: Due to the change in the fiscal year end, the fiscal year ending for FY3/22 is a six-month period.

Source: Company Data. Compiled by Strategy Advisors.

Figure 23. PER Trend (Times)



Source: Company Data. Compiled by Strategy Advisors.

CHANGE Holdings | 3962 (TSE Prime)

There Are Many Similar Companies

As the company's business is diversified, there are many similar companies. Among them, the main comparable companies that provide M&A brokerage, hometown tax donation portal, consulting, training, security and BPO are as follows.

The PER of Each M&A Brokerage Company is Around 13-20x

PER of comparable companies in the M&A brokerage business, which will be a pillar of future growth, is around 13x to 20x. In addition to a business model with a high marginal profit rate centered on fees, it does not require fixed assets and has a high ROE. M&A Research Institute HD (9552, TSE Prime) was founded in 2018 but has grown rapidly, with its market capitalization already rising to ¥80 billion. Going forward, the company will likely increase the growth potential of its M&A brokerage business to the same level as its competitors, and as the business's share of profits increases, its PER may also rise.

Security Companies Also Have High Multiples

Additionally, PER of security companies are also relatively high, at around 15x to 35x. In particular, Global Security Experts (4417, TSE Growth) is a company that provides security-related training and consulting to SMEs and has a similar customer base to the Company. Its PER is high at 36x and by capturing the security needs of SMEs, it should be possible to raise their multiple.

The Stock Prices of Baycurrent and SIGMAXYZ Holdings Are Rising Steadily

In addition, consulting companies also have high PERs of around 20x to 30x. Baycurrent and SIGMAXYZ HD have consistently seen their stock prices rise, and as DX needs expand, they have achieved high growth by ensuring profitability through aggressive hiring and price increases.

The PER of The Hometown Tax Donation Business is Low

i-Mobile, a competitor in the hometown tax donation business, has a PER of 12.5x. One reason for the company's sluggish PER of around 10x is that the hometown tax donation business still accounts for a large proportion of profits and the company is given a multiple as a provider of the hometown tax donation business.

A Change in the Profit Breakdown Could Lead to an Increase in PER

Strategy Advisors believes that if the new businesses acquired in DJ2 (M&A brokerage and Security) are put on a growth trajectory and the hometown tax donation business's share of profits declines, there is a good chance that the company's PER will rise to around 20x. Profit growth of 10.0-19.4% is expected to continue going forward toward the operating profit target (¥18-¥23 billion) set in DJ3 and attention will be focused on whether the company's overall PER will rise as the breakdown of profits changes along with profit growth.

CHANGE Holdings | 3962 (TSE Prime)

Figure 22. Valuation List

Company name	Ticker	Fiscal year	Stock price 25-Aug (Y)	Market cap (Y mn)	PER CoE (Times)	PBR Actual (Times)	ROE CoE (%)	Dividend yield CoE (%)	1-Yr return 26-Aug (%)	3-Yr return 25-Aug (%)
CHANGE Holdings	3962	Mar	1,224	90,395	10.77	2.06	19.16	1.88	-12.88	-32.75
M&A Brokerage										
Nihon M&A Center Holdings	2127	Mar	758	255,262	21.85	5.09	23.31	3.83	9.10	-57.63
M&A Capital Partners	6080	Sep	3,115	98,929	18.03	2.48	13.74	1.66	39.81	-10.74
Strike	6196	Sep	4,310	82,765	14.70	4.48	30.49	4.18	3.86	3.48
M&A Research Institute HD	9552	Sep	1,373	81,436	19.47	8.89	45.67	0.00	-58.39	-6.39
Average of 5 M&A brokerage companies					16.96	4.60	26.48	2.31	-3.70	-20.81
Hometown tax donation portal site										
i-Mobile	6535	Jul	645	37,505	12.60	2.40	19.04	4.03	43.02	38.51
Average of two hometown tax donation portal sites					11.69	2.23	19.10	2.96	15.07	2.88
Consulting										
Accenture	ACN	Aug	259	161,456	20.13	-	-	-	-23.03	-16.32
Dream Incubator	4310	Mar	2,708	25,819	-	1.83	-	3.91	18.51	33.33
Sigmaxis Holdings	6088	Mar	1,015	90,335	17.42	5.95	34.17	2.56	41.86	59.22
BayCurrent	6532	Feb	8,678	1,348,660	35.32	13.98	39.57	1.15	98.72	102.28
Rise Consulting Group	9168	Feb	1,050	25,936	15.38	4.04	26.28	1.33	42.47	-
Tanabe Consulting Group	9644	Mar	704	23,936	21.49	2.16	10.05	3.69	13.27	116.28
Funai Soken Holdings	9757	Feb	2,583	129,150	18.14	4.93	27.19	3.29	11.19	6.38
Training Companies										
Link and Motivation	2170	Dec	585	64,898	16.06	5.52	34.37	2.74	-1.02	-8.31
TAC	4319	Mar	348	6,439	13.43	1.01	7.56	0.00	96.61	65.71
Insource	6200	Sep	1,023	87,204	21.20	8.64	40.75	2.30	1.99	-28.71
Alue	7043	Dec	902	2,304	47.40	1.94	4.08	0.78	13.89	3.68
Shikigaku	7049	Feb	915	8,362	11.20	3.13	27.94	0.00	46.87	25.69
Average of 13 consulting and training companies					20.66	4.60	24.65	1.97	26.80	27.21
Security										
Eltes	3967	Feb	730	4,505	25.90	2.38	9.21	0.00	7.04	-24.12
Amaya	4258	Dec	3,910	33,795	60.55	7.59	12.54	0.00	133.43	502.47
Global Security Expert	4417	Mar	3,270	50,047	34.66	15.94	46.00	1.00	8.28	115.13
Cybersecurity Cloud	4493	Dec	1,959	20,355	25.97	10.80	41.58	0.26	-7.86	-2.00
Trend Micro	4704	Dec	8,075	1,137,780	35.11	9.06	25.82	0.00	-5.68	-8.45
E-Guardian	6050	Sep	2,021	24,118	19.16	2.04	10.67	1.73	4.61	-33.08
BPO										
GigWorks	2375	Oct	309	6,831	152.97	2.50	1.64	0.65	-32.97	-26.95
Pole to Win HD	3657	Jan	378	14,423	43.05	1.07	2.50	4.23	-9.35	-63.51
Digital Hearts	3676	Mar	998	23,843	13.40	2.48	18.54	2.30	20.82	-45.32
Ururu	3979	Mar	1,621	11,226	89.71	3.70	4.13	0.17	26.94	23.74
Adish	7093	Dec	592	1,186	16.60	3.00	18.06	0.00	-13.95	-50.63
Average of 12 security and BPO-related companies					43.99	5.22	17.49	1.02	9.87	29.55

Note: For Accenture, share price and market capitalization are in US dollars. PER and ROE are based on consensus rather than company forecasts.

Source: SPEEDA Data Compiled by Strategy Advisors.

7. Details Of Each Business

■ NEW-IT Transformation

DX Consulting is Comprised of Private-Sector DX, M&A Brokerage & Cybersecurity

NEW-IT Transformation is broadly divided into Private-sector DX, M&A brokerage and Cybersecurity. Private-sector DX and M&A brokerage consist of 1) Training/Consulting and DX Tools provided by Change alone, 2) BPO provided by E-Guardian, 3) Location information service business provided by beacapp and food delivery and cleaning robot business by DFA Robotics and 4) M&A brokerage by fundbook. Cybersecurity consists of 1) Security business by E-Guardian and 2) Security business by IdealRoute Consulting.

■ Private-Sector DX, M&A Brokerage

1) TRAINING/CONSULTING, DX TOOLS

Its Distinctive Feature is its "On-Site Approach"

DX consulting is the company's founding business and it has a track record of various IT projects. For example, it has launched a crowdfunding site for a regional financial institution, demonstrated a metaverse space and developed a tunnel inspection app for a railway company. Its distinctive feature is that it places importance on a "hands-on" approach, providing user-friendly consulting and system development tailored to the work site and usage scenario.

Japanese Consulting Firms Are Actively Expanding Their Business

Led by Baycurrent, Japanese consulting firms are aggressively expanding their businesses, resulting in relatively low growth. While utilization rates appear to remain high, profitability is reportedly somewhat lower compared to major DX consulting firms with gross profit margins of around 40-50%, likely due to their reliance on outsourcing.

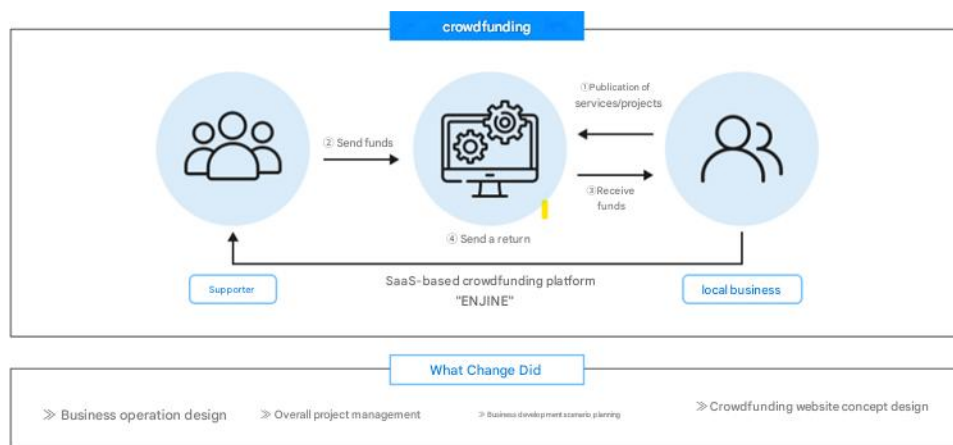
Considering Group Synergies, DX Consulting's Business Value is High

On the other hand, in the case of the company, DX consulting is just one business and the business value is significant when group synergy is considered. By providing DX consulting to private companies, the company can accumulate knowledge of use cases that utilize technology and this knowledge can be utilized in DX projects related to Regional Creation.

The Industry Trend is to Incorporate Everything from Upstream to Downstream

In the long term, it is also entirely possible to increase profitability by acquiring development companies and taking over the entire process from upstream to downstream. In fact, the Japanese subsidiary of Accenture (ACN, NASDAQ) is actively acquiring development companies. Securing profits solely through consulting has reached its limit; and the industry trend is to expand profits through consulting and IT implementation support, making this a necessary business for achieving this.

Figure 23. DX Consulting Project Example: Launching a Crowdfunding Site



Source: Company Website.

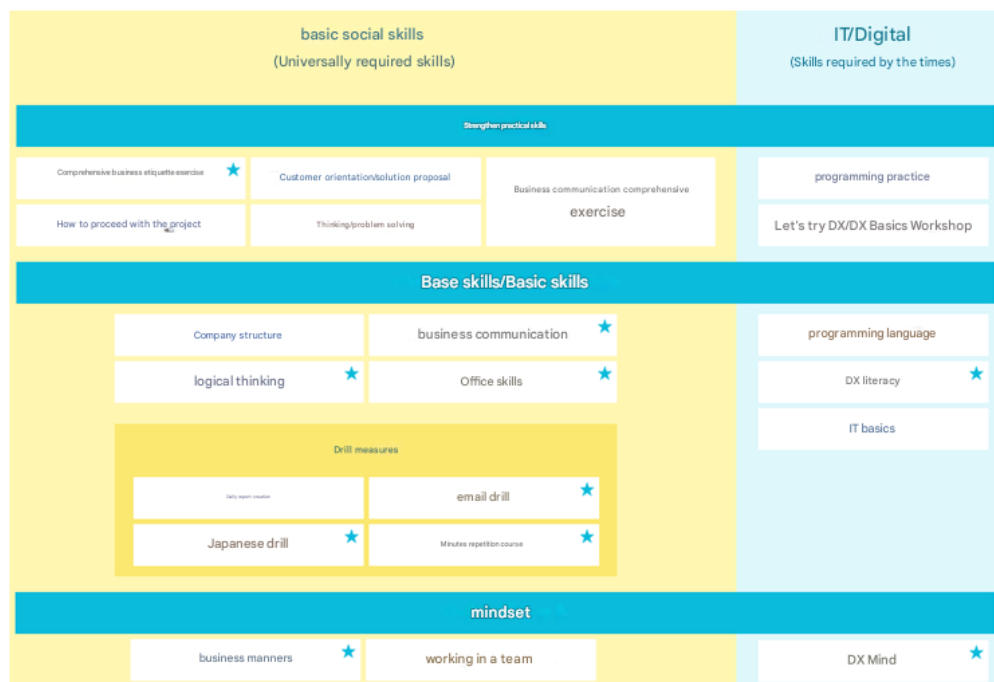
The Training Business Has Just Under 200 Clients

Like DX consulting, the training business is one of the company's original businesses. It offers a variety of content, including leadership development, new employee training, and reskilling training. It offers both group and online training, with the majority of its revenue coming from group training. It has approximately 200 existing clients, primarily major system integrators, with an average unit price for group training at around ¥600,000 to ¥700,000 per class.

Provides Continuous Services with New Employee Training as a Hook

A distinctive feature of this business is that it is primarily focused on group training with a high degree of continuity. The most popular content is new employee training and by providing content that new employee trainees can continue to take, such as second and third-year training, the company has secured a stable increase in revenue of around 15%. Furthermore, the majority of new customer acquisition is through word of mouth and referrals from acquaintances, allowing the company to achieve stable growth without incurring sales costs.

Figure 24. List of New Employee Training Courses



Source: Company Website.

2) BPO Provided by E-Guardian

In October 2023, the company conducted a tender offer for E-Guardian and underwrote a third-party allotment of new shares, making it a consolidated subsidiary. E-Guardian's predecessor, Hotpot (established in Osaka in 1997), was a website production and multimedia content provider that operated a free rental bulletin board business and a rental server business. In addition to planning blogs, SNS, and bulletin boards and monitoring real-time posts, the company also provided customer support for online games and advertising review services.

The company's business areas are broadly divided into 1) social support, 2) game support and 3) ad processing. 1) social support provides monitoring of posts on social web services, damage to reputations, customer support and eKYC services (identity verification services). 2) game support provides help desk services such as technical support via email and telephone to social game companies and handling inquiries about joining and canceling membership, as well as localization (translation, etc.) for overseas games entering the Japanese market. 3) ad processing provides BPO services for advertising agencies such as managing ad space, managing submissions, and writing ads, as well as a service to check whether text and image information posted on websites violates laws and regulations such as the Act against Unjustifiable Premiums and Misleading Representations and the Specified Commercial Transactions Act.

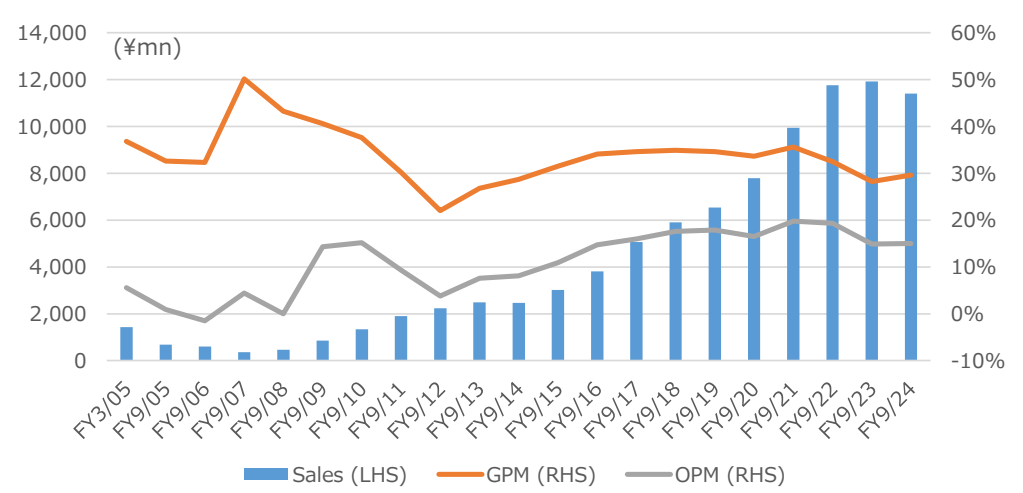
With E-Guardian's TOB as an Opportunity, the Company Has Entered the BPO Business

Various BPO Services in Each Field

E-Guardian is Planning to Further Advance the Sophistication of its BPO Menu by Utilizing Generative AI & Other Technologies

E-Guardian's gross profit margin exceeds 30%, making it highly profitable. This is likely due to the fact that it has been providing BPO services for many years, which has allowed it to optimize its operations. BPO is an area where leveraging technology can be effective and the use of generative AI will also be attracting attention in the future. E-Guardian has already begun working with its subsidiary Governance Technologies to enhance its BPO menu and it plans to roll this out to its clients.

Figure 25. E-Guardian's Total Revenue and Margin Trends



Note: FY9/05 was an irregular six-month period due to a change in the fiscal year end. Source: Company Data. Compiled by Strategy Advisors.

3) Location Information Service Business and the Catering & Cleaning Robot Business

CHANGE Also Provides Services and Tools That Contribute to Improving Productivity

With a vision of "changing productivity", the company is unique in that it not only provides DX consulting but also provides its own tools that can be used in actual workplaces. Specifically, it provides location information services provided by beacapp, which it acquired in March 2021, and food delivery in addition to cleaning robots provided by DFA Robotics.

beacapp Provides a Service That Visualizes Employee Location Information

beacapp offers "beacapp Here", an indoor location information service. The service visualizes employee location information by linking small Bluetooth wireless transmitters called beacons with smartphones. By utilizing this, it is possible to reduce the time spent searching for employees, improve productivity by intentionally encouraging interaction between employees and also streamline labor management by recording actual working conditions.

Revenue Can Be Broadly Divided into Flow and Stock Revenue

The business model involves recording flow revenues as initial setup fees and terminal installation costs, as well as accumulating stock revenues as monthly usage fees. The company also undertakes individual contract development and supports the development of applications for smartphones and tablets that connect to various IoT devices.

Figure 28. beacapp Here Pricing Plans

Plan Name	Number of Users	Initial Implementation Cost	Device Installation Cost	Device Installation Locations	Monthly Fee
Lite	Up to 100 people	¥110,000	¥110,000	30 locations	1 to 50 people: ¥33,000 51 to 100 people: ¥55,000
Standard	Up to 150 people	¥220,000	¥330,000	50 locations	¥110,000
Enterprise	151 or more people	Individual Consultation			

Source: Company Data. Compiled by Strategy Advisors.

DFA Robotics Provides Wiring Robots and Cleaning Robots

DFA Robotics joined the group through an M&A in August 2022, a robotics solutions company that implements cutting-edge robotics in society with the vision of "creating next-generation social infrastructure". It provides consulting and support related to infrastructure construction using food delivery robots from Pudu Robotics (China) and cleaning robots from KEENON Robotics (China).

Consulting and Post-Support Are Important for Infrastructure Construction

When building infrastructure that utilizes robots, simply installing the hardware will have limited impact, and consulting based on the situation of each store and follow-up support are extremely important. By providing optimal consulting for each store, it is possible to improve customer satisfaction and repeat business, as well as improve the utilization rate and retention rate of customer service staff.

Synergy Examples That Utilize Group Assets Are Also Noteworthy

beacapp and DFA Robotics is their work with Kashiwa Hospital, affiliated with the Jikei University School of Medicine. By combining beacapp information with a transport robot and analyzing information on medical staff's movements within the hospital, the robot was able to transport samples and medications on their behalf, successfully reducing the number of transports and travel time required by nursing assistant staff by half. Going forward, the company plans to continue actively pursuing such initiatives that only it can undertake by utilizing multiple group assets. CHANGE is looking positively in the future to seeing business developments that contribute to improving productivity in regions suffering from labor shortages.

4) fundbook's M&A Brokerage Business

fundbook Was Founded by Mr. Hatano of Buysell Technologies

fundbook is an M&A brokerage company established in August 2017 by Mr. Hatano, who is also the founder of Buysell Technologies (7685, Tokyo Stock Exchange Growth). The impetus for its establishment came when Mr. Hatano felt the growth potential of the M&A brokerage business when considering selling his own company.

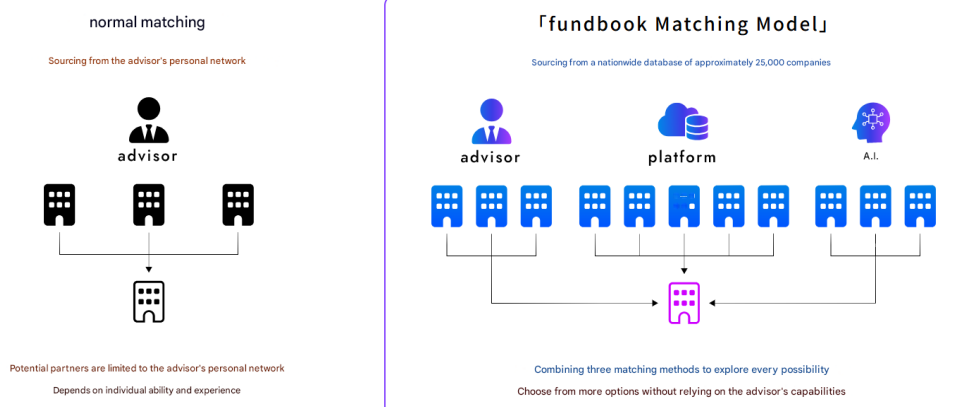
Characterized by "People"
x "Technology"

The Advisor Will Direct
the Entire Process While
Utilizing the Matching
Platform "fundbook Cloud"

M&A brokerage can be broadly divided into "advisory type" and "platform type". The former tends to be relatively large-scale deals, as advisors provide consistent support until the deal is concluded. The latter tends to be relatively small-scale deals, as they only provide online matching between companies. fundbook provides hybrid intermediary services that fall somewhere between the two and is characterized by its combination of "people" and "technology."

Specifically, advisors direct the entire process, while at the same time utilizing "fundbook cloud," a matching platform that lists data on approximately 25,000 companies that have passed a unique screening process, it is possible to select the most suitable candidate regardless of the advisor's experience or capabilities. In addition, in order to grasp potential needs, the company also provides consulting services and also provides business support and outsourcing support for the M&A process.

Figure 26. fundbook Features



Source: Company Website.

Has a Strong Track Record
in the Healthcare Field

fundbook has handled numerous projects in the healthcare sector, primarily focusing on hospitals with over 200 successful deals in this field alone. Business succession issues for medical institutions are also significant, making this a sector that can be expected to continue growing.

Securing Consultants and
Acquiring High-quality
Projects Are Key

Total revenue for the M&A brokerage business is composed of number of consultants × number of deals closed per consultant × deal value per consultant. The number of deals closed per consultant is determined by the closing rate and the number of advisory contracts per consultant. Revenue is solely based on success fees, making this a business where the key lies in acquiring high-quality deals while increasing the number of consultants.

Success Fee is Based on
the Lehman System

The success fee (commission) is based on the Lehman system, and the commission varies depending on the size of the assets to be transferred: ¥25 million for the portion of the assets to be transferred that is ¥500 million or less, 4% for the portion of the assets to be transferred that is between ¥500 million and ¥1 billion and 3% for the portion of the assets to be transferred that is between ¥1 billion and ¥5 billion.

Figure 27. M&A Brokerage Business Process (In Case of Transfers)

Phase	Process	Payment method
Consideration Phase	Individual Consultation	Free
	Signing of Non-Disclosure Agreement	
	Simple Financial Diagnosis	
	Signing of Advisory Agreement	
	Preparation of Non-Disclosure Agreement and Company Profile	
	Preparation and Explanation of Valuation Sheet	
Negotiation Phase	Matching	
	Disclosure of Company Profile	
	Top-level Meeting	
	Signing of Basic Agreement	
Contract Phase	Due Diligence	
	Final Agreement	
	Final Contract Signing	
	M&A Completion	Success Fee

Source: Company Data. Compiled by Strategy Advisors.

■ Cybersecurity

1) E-Guardian's Security Business

Acquired HASH Consulting and Entered the Security Business

As mentioned above, E-Guardian started out by monitoring bulletin board posts, but as its business expanded, the number of inquiries it received from customers regarding cyber-attacks and vulnerabilities increased, leading to the acquisition of HASH Consulting (now EG Secure Solutions) in 2015 and the entry into the security business.

Providing a Variety of Security Services

The services provided are diverse, including security consulting, vulnerability diagnosis for web and smartphone applications and platforms, WAF (Web Application Firewall), SOC (Security Operation Center) services, security education and AWS certified audit services.

Restructuring in the Security Industry

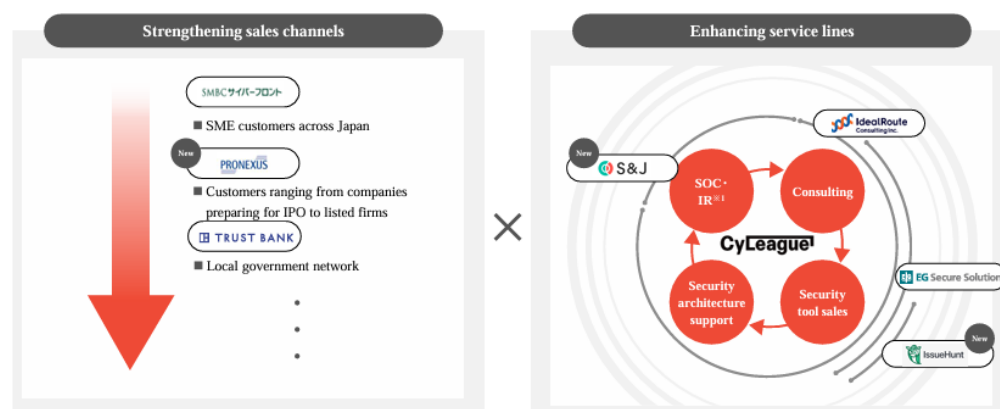
The reason behind E-Guardian's decision to become a subsidiary of the company is the expansion of its security business through M&A. The company has achieved steady growth, primarily through BPO and has made acquisitions in the security field using its abundant capital, but by becoming a subsidiary of the company, it can be said that further business expansion is now possible.

In addition, there are many companies that continue to use security-related software made overseas, and from the perspective of national defense, there are high expectations for the spread of domestically produced software. It is also noteworthy that the company's leadership could potentially be a game-changer in the security industry.

Strengthening Sales Channels

Already announced the establishment of SMBC CYBERFRONT, a joint venture with the SMBC Group, a partnership with Pronexus (7893, TSE Prime) and a collaboration with S&J (5599, TSE Growth), which provides a SOC (Security Operation Center). It is expected that the company will strengthen its sales channels and service lineup and also establish a system that can provide comprehensive services.

Figure 28. Growth Strategy in the Cybersecurity Field



Source: Company Website.

2) IdealRoute Consulting's Security Business

Acquired from Digital Arts

IdealRoute Consulting is a consulting company that started as a new business venture of Digital Arts (2326, TSE Prime), a provider of web filtering software. The company was acquired it in March 2024 and its name was changed to IdealRoute Consulting.

Provided CIO & CISO Services

Specific services are broadly divided into CIO services and CISO services. The former is an IT consulting service that covers everything from strategy planning to policy formulation and implementation support. The latter is a security consulting service that comprehensively supports the strategic decision-making of the CISO, who is the chief information security officer.

High Affinity with CHANGE Holdings

Like E-Guardian, there is a strong affinity between the two companies, which originally started out as consulting businesses. By combining Change's DX consulting with IdealRoute Consulting's upstream security consulting, the scope of services offered may be broadened.

Strong Demand for Security Services

Furthermore, there is strong demand for security services from SMEs in regional areas and TRUSTBANK is likely to attract new customers by utilizing its network of local governments. In fact, Global Security Expert has been experiencing high growth of around 30% per year by providing security-related services to SMEs. Going forward, attention will be focused on the group synergies that will be generated by utilizing the company's customer assets.

■ Publitech

Overview of the Structure of Regional Creation is One of the Publitech Projects

Publitech is broadly divided into Regional Creation and Public-Sector DX. Regional Creation consists of the hometown tax donation business provided by TRUSTBANK, which was acquired in November 2018. The logistics-related business is provided by Grivity and the inbound-related business provided in a joint venture with TravelZip and WAmazing.

Another Public-Sector DX Configuration

Public-Sector DX consists of DX consulting for local governments provided by Govmates, Publitech centered on the "LoGo Series" provided by TRUSTBANK, Govmates' local government DX business and the ICT terminal sales and business system business of Toko Computer Service, which was acquired in September 2024 (provision of business systems for Akita Prefecture's forestry association and business systems for education).

■ Regional Creation

1) TRUSTBANK's Hometown Tax Donation Project

TRUSTBANK is a Core Subsidiary That Operates "Furusato Choice"

TRUSTBANK is a core subsidiary of the company that operates "Furusato Choice", a comprehensive hometown tax donation portal site. Along with "Rakuten Hometown Tax Donation", "Satofuru" and "Furunavi", it is one of the largest media firms in the industry. Portal sites can be categorized into major EC sites provided by companies such as the Rakuten Group (4755, TSE Prime) and LY Corporation (4689, TSE Prime), specialized sites specializing in hometown tax donation such as "Furusato Choice", "Furunavi" and "Satofuru", also sites provided by travel agencies, department stores, card companies, etc., OEM sites provided by portal site operators and lastly, local payment sites linked to experiences, etc.

There are a Wide Variety of Return Gifts. The Number of Products Posted Exceeds That of Competitors

A distinctive feature of "Furusato Choice" is the wide variety of return gifts it offers. It already does business with 95% of local governments (1,733 local governments) and appears to have listed 760,000 items (as of the end of October 2024), exceeding its competitors. In the case of the company, it operates the media as one of its businesses aimed at realizing Regional Creation and maintained a lower take rate than its competitors until FY3/24. As a result, it has secured more contracted local governments than its competitors and has succeeded in becoming a leading media outlet in the industry, even without offering point rewards like major EC sites.

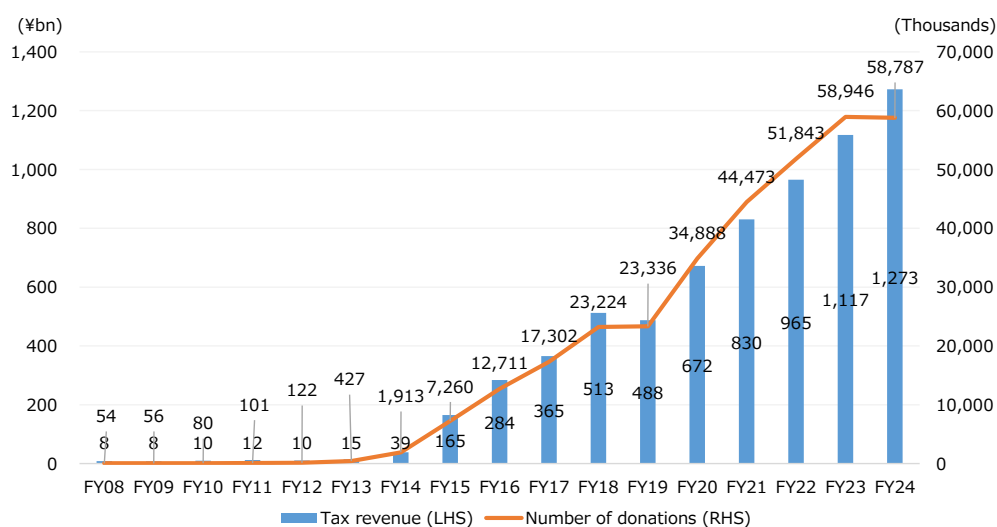
The Ban on Point Awards May Lead to Increased Use of Media with a Large Number of Products Posted

In order to prevent overheated competition in the awarding of points according to donation amounts, the Ministry of Internal Affairs and Communications announced a system reform that will ban the awarding of points from October 1, 2025. This fiscal year, there is a possibility of last-minute demand and a sales offensive just before the point ban comes into effect. But in the medium to long term, there is a possibility that media that feature a large number of products will gain an advantage and that the difficulty of new entrants will increase, leading to an oligopoly among major media players.

The Hometown Tax Donation Business is Calculated as
Sales = GMV x Take-Up Rate

Sales for the hometown tax donation business follow a simple business model: GMV (gross merchandise volume) x Take-Up Rate. The Take-Up Rate for in-house media is 10%, but in the company's case, because it also operates other companies' media as an OEM, the average take rate remains slightly below 10%. TRUSTBANK's sales for FY3/25 were ¥23.51 billion, with an estimated GMV of around ¥220 billion. The company's share of the total hometown tax donation amount received (¥1.1 trillion) is just over 20%.

Figure 29. Trends in Hometown Tax Donation Amounts & Numbers



Source: Ministry of Internal Affairs and Communications Data.
 Compiled by Strategy Advisors.

2) Grivity's Logistics-Related Business

The Logistics-Related Business is a Service to Improve the Efficiency of Delivery Operations for Local Governments and is a Service to Provide Locally Produced School Lunches

The logistics-related business consists of a delivery efficiency improvement service for local governments and a locally produced school lunch service provided by Grivity, a new subsidiary of the company. Local governments that implement hometown tax donations must comply with a system (the 50% rule) that stipulates that expenses such as return gifts and shipping fees must be kept below 50% of the hometown tax donation amount, but rising delivery costs due to labor shortages are increasingly forcing them into difficult operations. The company's delivery efficiency improvement service is expected to contribute to cost reduction by automating and streamlining all back-office operations related to return gifts, such as document data management, shipping instructions, delivery, billing confirmation and payment processing.

Launched the "Tsunagu School Lunch" Service

Services That Utilize Supply Chain Optimization Know-How

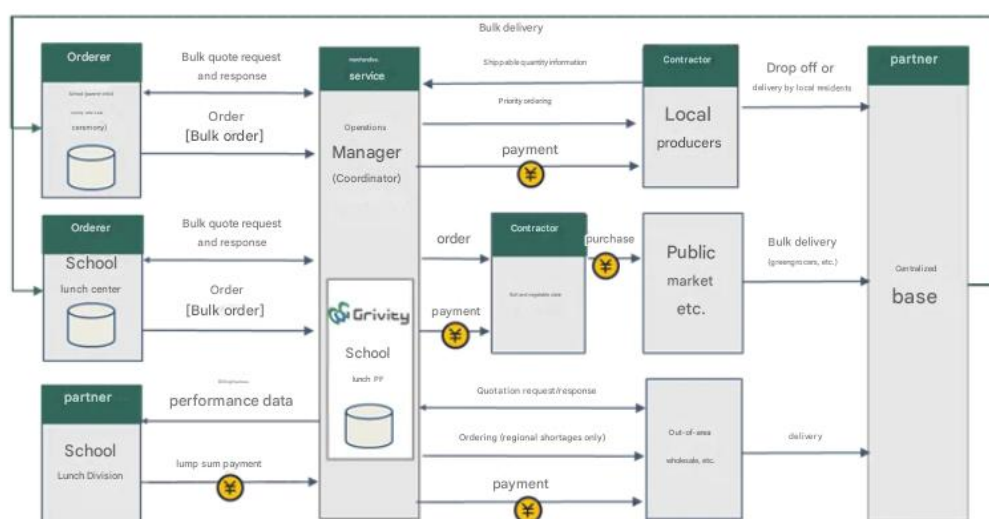
Can Reduce Distribution Expenses and Transaction Costs

Additionally, as a local circulation business, the company will link local governments, producers, schools and local logistics businesses to provide the "Tsunagu School Lunch" service (a locally produced and consumed school lunch service), a local school lunch collaboration platform, which began on June 24, 2025. A comprehensive partnership agreement has already been signed with Kisarazu City, Chiba Prefecture, making this a notable new business.

In the field of school lunches, information on the supply side (how much producers can ship) and the demand side (how much food the school needs) is managed separately, requiring individual adjustments via phone or email each time, resulting in inefficient operations. By leveraging the supply chain optimization know-how, the company has cultivated through the delivery of Hometown Tax Donation return gifts; it is possible to seamlessly manage the 3-layers of ordering, logistics, and payment, from shipping to school inspection, thereby reducing unnecessary distribution costs. In the medium to long term, it is expected that the company will utilize its local government network to expand into areas such as hospitals, welfare facilities, and local retailers.

The source of revenue (gross profit) is the portion of the total amount delivered to schools, excluding payments to farmers and distribution costs. By introducing this service, the company has been able to significantly reduce distribution costs and market transaction costs, increasing payments to farmers while also ensuring profits for the company, making it a win-win-win service.

Figure 30. Schematic diagram of "Tsunagu School Lunch"



Source: Company Release.

3) Inbound-Related Business Provided Through a Joint Venture with Travel Zip and WAmazing

The Inbound-related Business is Made up of Services Provided Through Travel Zip and a Joint Venture with WAmazing

The company's inbound-related business consists of tourism website production provided by Travel Zip, regional tourism DX business (for government and local governments) through Onwords, a joint venture with WAmazing, and a marketing partner business for visiting Japan (for companies).

Travel Zip Provides Website Production

Travel Zip provides services ranging from planning strategies to creating homepages to increase tourism spending for environmental associations, tourism federations and Japan's version of DMOs (Distance Tourism Organizations). They provide services to 41 of Japan's 47 prefectures and are a company with a top-class track record in creating homepages specifically for tourism.

Comprehensive Services Necessary for Tourism Websites Established

"TravelCube" is a dedicated CMS that covers all the functions necessary for a tourism homepage, the company also provides consistent support, from editing to conveying the attractions of tourist destinations, to implementing cost-effective promotions. Through thorough visual optimization, the service maximizes the appeal of destinations, increasing the number of visitors to the destinations and the length of stay, thereby contributing to maximizing tourism spending.

A Joint Venture with WAmazing Full-scale Entry Into the Inbound Business

On August 1, 2025, the company established Onwords (in which the company holds a 90% stake), a joint venture with WAmazing, and launched the Regional Tourism DX business and the Japan Inbound Marketing Partner business. Sales from the Regional Tourism DX business were ¥580 million (FY7/25) with sales from the Japan Inbound Marketing Partner business at ¥260 million (FY7/25). Although the impact on business performance was minor, the company has made a full-scale entry into the inbound business in order to realize Regional Creation.

Comprehensive Provision of Inbound-related Services to Local Governments and Companies

The regional tourism DX business (for government and local governments) provides research, strategy formulation and product development to attract inbound tourists, as well as tourist destination promotion using social media. Whilst the Japan Visitor Marketing Partner business (for companies) provides article production through owned media, social media management and advertising, plus duty-free EC sales promotion using purchasing and behavioral data of tourists visiting Japan.

Attention is Focused on Creating Synergies by Utilizing Group Assets

Strategy Advisors is focusing on whether profitability can be increased through radical improvements in productivity that utilize the BPO and consulting know-how provided by E-Guardian and the standalone Change, in addition to the ease of creating synergies with TRUSTBANK and Travel Zip. Considering that attracting inbound tourists has become a major theme in revitalizing regional economies, it can be said that this has the potential to become a core business for the company in the future.

■ Public Sector DX

1) Publitech Business, centered on the "LoGo Series" Provided by TRUSTBANK

LoGo Chat is the Main Service

As publitech business, the company offers the "LoGo Series", a service it developed in-house. Its flagship service is "LoGo Chat", a cloud-based business chat service specifically designed for the LGWAN (Local Government Wide Area Network) environment unique to local governments. As of the end of FY3/25, it was being used by 1,486 local governments (926 of which paid for the service).

Available in LGWAN Environment

While typical business chat services can only be used in an internet environment, this service can be used in both LGWAN and internet environments, allowing local government employees to communicate with field staff, external agencies, companies, etc., and its strength lies in its ability to collaborate with other local governments.

Figure 31. LoGo Chat Screen Overview



Source: Company Website.

LoGo Form is Also Provided

LoGo Form, a comprehensive digitalization platform service. Like chat, this service can be used in the LGWAN environment and it brings cumbersome paper-based tasks and application procedures, such as application reservations and resident surveys, online. It is already being used by 747 local governments and has also been introduced in Tokyo. Going forward, cross-selling to those who have adopted LoGo Chat is expected.

LoGo AI Assistant Also Launched

LoGoAI Assistant has been launched, a generative AI service exclusively for local governments. It has already been introduced in 152 local governments. In addition to being available in LGWAN environments, it is also possible to obtain answers based on the government's own internal data, making it uniquely designed for ease of use by local governments.

Govmates Launched as a Joint Venture with Konica Minolta Publitech

Ehime Prefecture Has an Environment That Makes it Easy to Create Successful Examples of Local Government DX

Providing Business Support Tools

TCS Based in Akita Provides ICT Terminals, Support & Business Systems

Provides Business Systems for Forestry Associations and Elementary and Junior High Schools

2) Govmates' Local Government DX Business

Govmates is a subsidiary of the company established as a joint venture between the company and Konica Minolta Publitech in March 2022 and is headquartered in Matsuyama City, Ehime Prefecture. In March 2024, it became a wholly owned subsidiary of the company through the transfer of Konica Minolta Publitech's shares.

Due to the large-scale mergers that took place during the Heisei era, the number of local governments in Ehime Prefecture has been reduced to 20, creating an environment conducive to creating successful examples of local government DX. In June 2022, Govmates received an order from Ehime Prefecture for ¥500 million to carry out the "City and Town Business Standardization Model Construction Project" and launched a project to promote the visualization and standardization of internal administrative procedures for moving procedures online using My Number cards, thereby reducing the workload and costs of administrative staff.

Govmates' DX support for local governments is a service that comprehensively supports each process, from visualizing operations to analyzing, optimizing and verifying effectiveness. In particular, they offer Govmates Pit, a cloud tool developed in-house and compatible with LGWAN (¥20,000-30,000 per one license per year), a business transformation support tool that simplifies the centralized management of local government business processes, business issues and applicable solutions. The tool is designed to allow user organizations to share information and by utilizing stored data on local government operations nationwide; Govmates is working with various partner companies to support not only individual local governments, but also wide-area collaborations involving multiple local governments. This accelerates efforts to improve administrative services across the entire region.

3) Toko Computer Service's ICT Terminal Sales and Business System Business

Toko Computer Service (TCS) is an Akita-based company providing ICT terminal sales and business systems. CHANGE HD made TCS, which had been an investment target of the SBI Group's business succession fund, a wholly owned subsidiary in September 2024. The SBI Group is both a capital and business partner and a major shareholder of CHANGE HD.

In addition to selling and supporting ICT devices for local governments and elementary and junior high schools, the company offers its own software, such as "Jukai", a business system used by approximately 40% of forestry associations nationwide and the "Shokunin Series", a business system used by approximately 90% of elementary and junior high schools in Akita Prefecture. Both systems have a high market share and are notable for their deep roots in Akita Prefecture. The company is also using this acquisition as an opportunity to develop new businesses in the field of carbon credits.

Also Begins Offering a Carbon Credit Business

Carbon credits are a system in which greenhouse gas reductions achieved through corporate efforts such as forest protection, reforestation and the introduction of energy-saving equipment are issued as credits and these credits can be traded between companies.

TCS has approximately 40% of forestry cooperatives as its clients in Japan, and this acquisition gives the company access to these cooperatives. TCS will support forestry cooperatives in registering carbon credit projects for the forests they manage and handle applications, so it can be said that it has acquired an essential piece in advancing new businesses in the carbon credit field. The company has also announced a business partnership with CarbonEX, which provides a carbon credit trading platform. Future business developments in this field will be worth watching.

8. ESG/Sustainability

■ CHANGE Holdings' Corporate Governance System

The company transitioned to a holding company structure in April 2023 and is a corporate entity with 29 consolidated subsidiaries and 6 equity method affiliates. As a listed subsidiary, it holds 50.4% of the voting rights of E-Guardian, which operates an internet security business, and made it a consolidated subsidiary through a tender offer and third-party allotment of new shares in 2023. The company's largest shareholder is SBI HD, a capital and business partner (shareholding ratio: 37.1% as of the end of March 2025).

Figure 32List of Major Shareholders

	As of the end of Mar 2024		As of the end of Mar 2025	
	% of total outstanding shares	% of total outstanding shares (ex treasury shares)	% of total outstanding shares	% of total outstanding shares (ex treasury shares)
Status of the Shareholders	47.3%	46.9%	45.6%	42.3%
Individuals and others	6.2%	6.3%	6.1%	6.5%
Foreign corporations, etc	11.2%	11.3%	10.8%	11.5%
Financial Institutions	33.5%	33.8%	35.7%	37.9%
Other corporations	32.0%	32.3%	35.0%	37.1%
SBI Holdings	0.0%	0.0%	0.0%	0.0%
Government and municipalities	1.7%	1.7%	1.8%	1.9%
Board of directors	0.0%	0.0%	0.0%	0.0%
Hiroshi Fukudome	2.9%	3.0%	3.0%	3.2%
Akira Ito	1.6%	1.6%	1.7%	1.8%
Yutaka Yamada	0.8%	0.8%	0.9%	1.0%
Other directors	0.0%	0.0%	0.0%	0.0%

Source: Company Data. Compiled by Strategy Advisors.

The Largest Shareholder is SBI Holdings

The Company is Also Strengthening its Governance

After appointing its first outside director in 2017, this increased by two in 2019, accounting for one-third of all directors. At the same time, the company appointed its first female director. In 2021, it established a Nomination Advisory Committee and introduced a performance-linked remuneration system. In June 2025, the company transitioned from a company with auditors to a company with an audit and supervisory committee, with the aim of strengthening the supervisory function of the board of directors and improving the efficiency of group management.

Outside Directors Make Up the Majority of the Company

As shown in Figure 36, 5 of the 8 directors on the board of directors are independent outside directors. All 3 directors who are audit and supervisory committee members are independent outside directors (outside director ratio 62.5%). There is one female director (female director ratio 12.5%) and no target for female executives has been set at this time.

In-Line with Corporate Governance Code Recommendations

According to the Corporate Governance Code (Principle 4-8) jointly published by the Financial Services Agency and the Tokyo Stock Exchange, companies listed on the Prime Market should appoint at least one-third of their directors as independent outside directors, and it is recommended that they be appointed in the majority. 5 of the 8 directors at the company, so it meets the criteria for independent outside directors.

Figure 33 CHANGE Holdings Director Skills Matrix

Name	Position	Gender	Skills					
			Business Management/ Corporate Strategy	IT/DX	Investment/ M&A	Accounting/ Finance	HR Development/ Diversity	Legal Compliance/ Risk Management
Hiroshi Fukudome	Representative Director, CEO	Male	○	○	○			○
Akira Ito	Director, Executive Vice President	Male	○	○	○		○	
Yutaka Yamada	Director and CFO	Male			○	○	○	○
Takeshi Matsumoto	Outside Director	Male	○	○	○	○		
Kayo Takigawa	Outside Director	Female		○	○			○
Takehiko Kubo	Outside Director, Audit and Supervisory committee Director	Male	○			○	○	○
Hiroyuki Yaji	Outside Director, Audit and Supervisory committee Director	Male			○	○		○
Ryuzo Koide	Outside Director, Audit and Supervisory committee Director	Male	○		○		○	○




Source: Company Data. Compiled by Strategy Advisors.

■ CHANGE Holdings' Sustainability System

The Company Has Established a Basic Sustainability Policy

The company established its Sustainability Policy in 2021. The Board of Directors has oversight authority over risks and opportunities related to sustainability in general. The company advocates "ESG in both defense and offense" and is working to transform itself to optimize its business structure in line with the concept of ESG. In its medium-term management plan announced in May 2025, the company stated that it believes an ESG perspective is essential in aiming to create a sustainable Japan by "improving productivity" and will promote various initiatives.

Figure 34 CHANGE Holdings' ESG Strategy (Medium-Term Management Plan)

Area	Example initiatives
 Environment	<ul style="list-style-type: none"> ■ Launch of carbon credit business leveraging TCS's customer base, which includes approx. 40% of Japan's forestry enterprise associations ■ Donation-based crowdfunding to tackle local social issues ■ Furusato Choice Disaster Relief, a system for collecting donations to aid the recovery and reconstruction of disaster-affected municipalities
 Social	<ul style="list-style-type: none"> ■ In FY24, conducted 10+ hours of reskilling training for approx. 250 employees at 7 Group companies, on areas such as use of generative AI. Plan to continue such training in the future ■ Aiming to boost participation in our employee stock ownership program from 18.2% to 30% by expanding 3 aspects (incentive 5%→30%, contribution limit ¥30,000→¥50,000, participating companies 3→6) ■ By adding professional dance team Septeni Raptures to the Group, we plan to use the Group's assets to invigorate regional areas through dance^{*1}
 Governance	<ul style="list-style-type: none"> ■ Accelerating decision-making and strengthening supervisory functions by transitioning to a Company with Audit and Supervisory Committee Structure ■ Improving stakeholder engagement by formulating and enacting policies for disclosure, human rights, etc.

Note: All shares of PERF, which operates the professional dance team "SEPTENI RAPTURES," has been acquired from Septeni Holdings (4293, Tokyo Stock Exchange - Standard) on July 1, 2025.

Source: Company Materials.

The Company Aims to Reduce Greenhouse Gas Emissions in Order to Achieve the Goals of the Paris Agreement

Regarding the environment, in order to achieve the goals of the Paris Agreement (2015), which established an international framework for reducing CO₂/GHG (greenhouse gas) emissions, the company aims to reduce CO₂/GHG emissions per sales from business activities (Scope 1 + Scope 2) by 40% by 2030, with fiscal 2021 as the base year and to achieve virtually zero by 2050. To achieve this, the company is considering and implementing a variety of measures, including promoting teleworking, using renewable energy in offices and promoting data centers with low environmental impacts.

It is Expected That the Company Will Also Enhance its Disclosure Based on the TCFD Framework

Additionally, the Corporate Governance Code (3-1③) requires Prime Market listed companies to disclose information based on the TCFD or an equivalent framework. The company has disclosed "Business Risks and Opportunities Associated with Climate Change" on its sustainability website and plans to further enhance its disclosure by evaluating and improving its systems and mechanisms based on the TCFD framework.

The Company is Monitoring the Ratio of People with Disabilities

Of further promoting diversity in its workforce. As of the end of 2024, the ratio of disabled employees is 2.5% and the ratio of female employees is 47.6%. As future M&A transactions may significantly change the workforce composition, no specific targets have been set at this time.

The Ratio of Female Managers is 16.2%

The ratio of female managers is 16.2% (2024) on a consolidated basis. While the company itself is not required to disclose the rate at which males take childcare leave or the gender wage gap, this information is disclosed for its listed subsidiary, E-Guardian. E-Guardian's female managerial ratio is 15.4%, and the company has set a goal of raising this to 30% or more by March 2026. The rate at which males take childcare leave is 75.0% and the gender wage gap is 82.2% for all employees, 86.1% for full-time employees and 86.8% for part-time and fixed-term employees.

It is Expected that the Ratio of Female Managers Will Continue to Increase

The Japanese government has set a goal of increasing the proportion of women in leadership positions (section chief equivalent or above, managerial positions) to at least 30% by 2030 and the company says it will work toward achieving this goal. The Tokyo Stock Exchange also aims to have a female executive ratio (including directors, auditors, executive officers, executive officers, or equivalent positions) of 30% or more by 2030 for companies listed on its Prime Market.

9. Risk Factors

Risk of Reduced Profitability Due to Changes in the Hometown Tax Donation System

The hometown tax donation system is based on laws such as the donation deductions stipulated in the Income Tax Act and the Local Tax Act. However, due to future changes in public regulations, TRUSTBANK may be forced to lower its take-up rate, which could result in a decline in its profitability.

Risk of Deterioration in Business Performance and Reduction in Dividends Due to Impairment Losses

The company has recorded goodwill through aggressive M&A, but if it records impairment losses due to poor performance of acquired subsidiaries or an increase in the discount rate due to changes in the external environment, this could have a negative impact on its performance. Furthermore, if the company falls into the red as a result of impairment losses and shareholders' equity decreases, it may also have to cut its dividend, as its dividend policy is based on DOE.

Risks Associated with Securing Human Resources

There is a significant shortage of IT personnel capable of handling DX consulting, etc. The company is actively working to secure talented personnel by improving its employee benefits and training system, but if the recruitment environment becomes even more competitive, it could have a negative impact on the company's performance.

Risk of Dependence on Specific Individuals

As the company's CEO, Mr. Fukudome plays an extremely important role in the group's management decisions, and if an unforeseen event were to occur in the future that would make it difficult for him to carry out his duties, this could have a negative impact on the company's performance.

Figure 35 Income Statement (¥mn)

	FY9/20	FY9/21	FY3/22	FY3/23	FY3/24	FY3/25	FY3/26CoE
Total revenue	10,542	15,653	10,140	20,021	37,015	46,387	55,000
(YoY)	49.4%	48.5%	-35.2%	97.4%	84.9%	25.3%	18.6%
NEW-IT Transformation	2,231	2,816	1,366	4,956	11,453	20,797	28,283
Investment Business	198	187	-216	162	127	-	-
Publitech	8,116	12,654	8,990	14,943	25,516	26,160	27,315
Adjustment	-4	-5	-	-40	-82	-570	-598
Gross profit	7,950	11,588	7,974	12,522	23,041	25,888	-
Gross profit margin	75.4%	74.0%	78.6%	62.5%	62.2%	55.8%	-
Selling, general and administrative expenses	3,757	5,543	3,327	7,168	12,256	13,265	-
Operating profit	4,203	5,985	4,582	5,730	7,383	13,515	14,000
(YoY)	288.5%	42.4%	-23.4%	25.1%	28.8%	83.1%	3.6%
Operating profit margin	39.9%	38.2%	45.2%	28.6%	19.9%	29.1%	25.5%
NEW-IT Transformation	608	927	392	1,195	92	6,080	6,317
Investment Business	177	166	-226	130	126	-	-
Publitech	4,555	6,666	5,471	7,378	11,036	13,045	13,960
Adjustment	-1,138	-1,776	-1,055	-2,973	-3,871	-5,611	-6,277
Finance income	0	0	2	0	55	20	-
Finance expense	42	73	19	77	188	789	-
Profit before tax	4,160	5,911	4,564	5,653	7,250	12,745	13,223
(YoY)	343.0%	42.1%	-22.8%	23.9%	28.3%	75.8%	3.8%
Profit before tax margin	39.5%	37.8%	45.0%	28.2%	19.6%	27.5%	24.0%
Income tax expense	1,389	1,798	1,408	1,743	2,874	4,734	-
Effective tax rate	33.4%	30.4%	30.9%	30.8%	39.6%	37.1%	-
Profit	2,771	4,113	3,156	3,910	4,375	8,011	8,359
Non-controlling interests	722	8	63	53	113	480	455
Profit attributable to owners of parent	2,049	4,104	3,093	3,856	4,262	7,532	7,904
(YoY)	442.1%	100.3%	-24.6%	24.7%	10.5%	76.7%	4.9%

Source: Company Data. Compiled by Strategy Advisors.

CHANGE Holdings | 3962 (TSE Prime)

Figure 36Key Financial Indicators

		FY9/20	FY9/21	FY3/22	FY3/23	FY3/24	FY3/25	FY3/26CoE
EPS	(Y)	32.5	58.8	42.8	53.3	58.9	107.5	113.6
BPS	(Y)	126.1	419.0	0.0	499.9	541.9	558.6	
DPS	(Y)	0.0	0.0	4.5	10.0	18.7	20.9	23.0
Dividend Payout Ratio	(%)	0.0	0.0	10.5	18.8	31.7	19.4	20.2
Last Price	(Y)	4,190	2,336	1,987	2,345	1,253	1,252	
PER	(Times)	128.8	39.7	46.4	44.0	21.3	11.6	
PBR	(Times)	33.2	5.6	-	4.7	2.3	2.2	
Shares Outstanding at Fiscal Year-End	(Thousand Shares)	31,553	72,680	72,960	72,968	72,979	73,852	
Treasury Shares	(Thousand Shares)	0	623	623	623	623	4,273	
Shares Outstanding ex Treasury Shares	(Thousand Shares)	31,553	72,056	72,336	72,344	72,355	69,579	
Market Capitalization (Adjusted for Treasury Shares)	(Ymn)	264,411	168,324	143,732	169,647	90,661	87,113	
Equity Ratio	(%)	46.6	77.3	78.4	68.9	44.3	39.4	
Interest-Bearing Debt	(Ymn)	2,712	1,777	1,680	3,413	24,018	34,468	
D/E Ratio	(Times)	0.34	0.06	0.05	0.09	0.61	0.84	
Enterprise Value (EV)	(Ymn)	260,398	142,749	115,645	151,227	84,358	99,815	
EBITDA	(Ymn)	4,776	6,728	4,862	6,702	11,435	15,131	16,554
EV/EBITDA Multiple	(Times)	54.5	21.2	23.8	22.6	7.4	6.6	
ROE	(%)	0.0	21.4	9.7	11.0	11.2	18.7	17.8
ROIC - Invested Capital Basis	(%)	0.0	18.1	8.9	10.0	8.1	11.3	
ROIC - Operating Assets Basis	(%)	0.0	47.0	33.0	26.8	17.1	21.8	
Number of Employees	(People)	220	305	328	475	1,069	1,448	

Note: A 2-for-1 stock split was implemented on September 1, 2020, and an additional 2-for-1 stock split was implemented on January 1, 2021

Source: Company Data. Compiled by Strategy Advisors.

Figure 37 Balance Sheet (¥mn)

FY	19/9	20/9	21/9	22/3	23/3	24/3	25/3
Cash and cash equivalents	3,814	7,599	27,690	30,407	22,968	38,403	30,185
Trade and other receivables	1,527	2,921	3,226	3,430	10,331	13,699	17,760
Inventories	8	11	46	95	480	402	437
Other current assets	426	775	1,994	1,729	2,920	3,587	1,441
Current assets	5,775	11,306	32,956	35,661	36,699	56,091	49,823
Tangible fixed assets	212	274	403	669	2,548	2,150	2,799
Land	0	0	0	5	7	152	156
Construction in progress	0	0	101	112	1,497	101	0
Intangible fixed assets	4,594	5,259	5,697	5,841	11,261	27,569	37,592
Goodwill	3,319	3,759	4,409	4,409	9,042	17,834	28,881
Investments and other assets	296	254	327	554	2,433	8,014	14,572
Other financial assets	5	1	0	0	604	5,229	7,460
Deferred tax assets	52	35	167	344	757	2,019	2,102
Total non-current assets	5,101	5,787	6,430	7,067	16,244	37,737	54,967
Total assets	10,898	17,094	39,386	42,728	52,943	93,828	104,790
Trade and other payables	243	2,494	2,942	2,976	5,511	7,929	12,140
Accounts payable/accrued expenses	0	1,110	1,217	1,196	2,562	5,303	0
Short-term borrowings	394	423	405	403	1,503	4,305	6,720
Other current liabilities	938	1,128	981	1,298	75	3,361	4,551
Current liabilities	1,575	5,155	5,545	5,873	9,651	20,898	23,411
Long-term borrowings	2,616	2,289	1,372	1,277	1,910	19,733	27,748
Provisions	0	53	23	22	76	260	415
Other non-current liabilities	440	191	51	50	1,974	3,013	3,542
Non-current liabilities	3,056	2,533	1,446	1,349	3,960	23,006	31,705
Total liabilities	4,630	7,687	6,992	7,222	13,611	43,905	55,116
Share capital	2,374	2,397	1,000	1,002	1,004	1,006	1,042
Capital surplus	1,773	1,892	23,086	23,016	22,480	22,048	22,081
Retained earnings	1,395	3,670	7,774	10,867	14,398	17,937	24,117
Treasury shares	0	0	-1,405	-1,405	-1,405	-1,405	-5,882
Total equity attributable to owners of parent	5,542	7,959	30,455	33,480	36,477	39,483	41,254
Stock acquisition rights	3	0	0	0	0	0	0
Non-controlling interests	722	1,447	1,939	2,026	2,854	10,439	8,419
Total equity	6,268	9,406	32,394	35,506	39,331	49,923	49,673
Total liabilities and equity	10,898	17,094	39,386	42,728	52,943	93,828	104,790

Source: Company Data. Compiled by Strategy Advisors.

Figure 38 Cash Flow Statement (¥mn)

FY	19/9	20/9	21/9	22/3	23/3	24/3	25/3
Profit before tax	939	4,161	5,911	4,564	5,653	7,250	12,745
Depreciation and amortization	222	572	743	280	972	1,823	2,387
Impairment of goodwill	302	0	0	0	0	0	0
Decrease (increase) in trade and other receivables	-1,049	-1,387	-209	-130	-3,608	-2,246	-4,016
Decrease (increase) in trade and other receivables	0	-3	-70	-103	-375	511	40
Decrease (increase) in inventories	38	-3	-35	-49	-385	87	54
Decrease (increase) in advanced payments	5	-108	-38	65	8	-1	74
Increase (decrease) in trade and other payables	153	-122	53	-22	420	2,087	3,587
Increase (decrease) in advanced received	-73	1,110	107	-21	1,366	2,741	-5,303
Other	-547	413	-2,658	-842	-5,194	-361	-1,732
Cash flows from operating activities	-10	4,634	3,804	3,742	-1,143	12,070	7,836
Purchase of investment securities	0	0	0	0	0	-2,496	-988
Proceeds from sale of investment securities	0	0	0	0	0	280	0
Purchase of property, plant and equipment	-46	-26	-142	-236	-2,244	-1,096	-184
Purchase of intangible assets	-186	-254	-443	-487	-943	-1,127	-827
Purchase of shares of subsidiaries resulting in change in scope of consolidation	0	-36	-660	0	-3,194	-9,337	-12,661
Other	-2,817	47	56	-61	-1,501	31	579
Cash flows from investing activities	-3,049	-269	-1,189	-784	-7,882	-13,745	-14,081
Net increase (decrease) in short-term borrowings	-400	0	0	0	50	-50	-150
Net increase (decrease) in long-term borrowings	2,740	-593	-1,345	-196	1,489	19,370	7,303
Proceeds from issuance of shares	4,257	45	20,238	4	203	5	70
Purchase of treasury shares	0	0	-1,415	-48	0	0	-4,485
Dividends paid	0	0	0	0	-324	-986	-1,533
Other	-810	-1	-2	-1	190	-512	119
Cash flows from financing activities	5,787	-549	17,476	-241	1,608	17,827	1,324
Effect of exchange rate changes on cash and cash equivalents	0	0	0	0	-21	55	-2
Net increase (decrease) in cash and cash equivalents	2,729	3,815	20,090	2,717	-7,437	16,152	-4,919
Cash and cash equivalents at beginning of period	1,056	3,784	7,599	27,690	30,407	22,968	38,403
Cash and cash equivalents at end of period	3,784	7,600	27,690	30,407	22,968	38,403	30,185
	-3,059	4,364	2,615	2,958	-9,025	-1,675	-6,245

Source: Company Data. Compiled by Strategy Advisors.

Figure 39 Quarterly Performance Trends (¥mn)

FY	24/3				25/3				25/3
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Total revenue	5,118	9,538	14,141	8,216	8,139	8,372	18,425	11,449	9,908
(YoY)	85.3%	200.4%	47.6%	82.5%	59.0%	-12.2%	30.3%	39.4%	21.7%
NEW-IT Transformation	1,750	1,216	4,243	4,242	4,692	4,391	4,555	7,157	6,087
(YoY)	69.6%	33.0%	148.4%	226.1%	168.1%	261.1%	7.4%	68.7%	29.7%
Publitech	3,243	8,328	9,906	4,037	3,537	4,175	13,991	4,456	3,955
(YoY)	-72.6%	-259.6%	-26.3%	39.0%	9.1%	-49.9%	41.2%	10.4%	11.8%
Gross profit	2,715	7,237	9,720	3,368	3,251	3,917	13,521	5,197	4,526
Gross profit margin	53.0%	75.9%	68.7%	41.0%	39.9%	46.8%	73.4%	45.4%	45.7%
Selling, general and administrative expenses	2,067	3,651	3,867	2,670	2,497	2,560	4,345	3,861	3,941
Gain on loss of control of subsidiary	-	-	-	-	1,569	-	-	-	-
Other income	59	20	19	16	21	89	26	66	125
Other expenses	0	0	6	8	4	16	13	1,038	12
Share of profit of investments accounted for using equity method	9	6	3	22	4	37	66	82	-19
Operating profit	717	3,612	5,870	-2,816	2,345	1,467	9,255	446	678
(YoY)	-	2555.9%	15.8%	-	227.1%	-59.4%	57.7%	-	-71.1%
Operating profit margin	14.0%	37.9%	41.5%	-34.3%	28.8%	17.5%	50.2%	3.9%	6.8%
NEW-IT Transformation	494	217	696	-1,315	2,478	698	867	2,036	905
(YoY)	41.1%	-8.8%	78.0%	-	401.6%	221.7%	24.6%	-	-63.5%
Publitech	895	4,296	6,244	-400	1,053	2,086	9,819	86	1,180
(YoY)	-103.9%	-614.8%	-15.1%	-	17.7%	-51.4%	57.3%	-	12.1%
Finance income/expense	419	48	-6	-133	-169	-190	-174	-237	212
Profit before tax	1,136	3,241	5,816	-2,943	2,177	1,275	9,082	209	889
Income tax expense	374	1,013	1,878	-391	723	485	2,826	698	426
Profit	762	2,227	3,937	-2,551	1,454	790	6,255	-488	463
Non-controlling interests	-93	-49	117	137	68	101	108	203	-6
Profit attributable to owners of parent	855	2,276	3,820	-2,688	1,386	689	6,147	-691	469

Source: Company Data. Compiled by Strategy Advisors.

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