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Items Stipulated for Internet Disclosure in Compliance with Laws and Regulations and the Articles of Incorporation

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shareholders' equity
Notes to non-consolidated financial statements

18th term (from October 1, 2019 to September 30, 2020)

CHANGE Inc.

The above items are offered to our shareholders on the Company's website pursuant to the legal requirements and the provisions of Article 14 of the Company's Articles of Incorporation.

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■ Business Report

Principal place of business (as of September 30, 2020)

(1) The Company

Head office	Minato-ku, Tokyo

(2) Subsidiaries

TRUSTBANK, Inc.	Head office (Meguro-ku Tokyo)
Orb Inc.	Head office (Minato-ku, Tokyo)

Status of employees (as of September 30, 2020)

(1) Status of employees of the corporate group

Number of employees	Change from the end of the previous consolidated accounting year
220 people (88 people)	Increase of 80 people (increase of 29 people)

(Note) The number of employees refers to the number of people in employment (excluding people seconded from the Group to outside the Group and including people seconded to the Group from outside the Group). It does not include part-time employees and contract employees, who are separately indicated in numbers in parentheses as the annual average number.

(2) Status of employees of the Company

Number of employees	Change from the end of the previous fiscal year	Average age	Average years of service
102 people (29 people)	Increase of 12 people (No change)	36.5 years old	4.4 years

(Note) The number of employees refers to the number of people in employment (excluding people seconded from the Company to outside the Company and including people seconded to the Company from outside the Company). It does not include part-time employees and contract employees, who are separately indicated in numbers in parentheses as the annual average number.

Status of major lenders (as of September 30, 2020)

Lender	Amount of borrowings
Mizuho Bank, Ltd.	2,611,659(1,000 yen)

Status of stock acquisition rights, etc.

(1) The status of stock acquisition rights delivered as consideration for the execution of duties and held by officers of the Company as at the final day of the current fiscal year

		Second stock acquisition right offering
Date of resolution for issuance		October 14, 2015
Those eligible for allocation of stock acquisition rights		Directors, auditors and employees
Number of stock acquisition rights		144 units
Class and number of shares for the purpose of stock acquisition rights		Common stock 345,600 shares (Per stock acquisition right 2,400 shares)
Amount to be paid upon exercise of stock acquisition rights		No payment is needed in exchange for stock acquisition rights.
Value of property to be incorporated upon exercise of stock acquisition rights		Per stock acquisition right 76,800 yen (Per share 32 yen)
Period for exercising stock acquisition rights		From October 16, 2017 to October 10, 2025
Conditions for exercising stock acquisition rights		(Note) 1
Status of officers holding stock acquisition rights	Directors (Excluding external directors)	Number of stock acquisition rights 64 units Number of shares for this purpose 153,600 shares Number of holders 4 people
	Auditors	Number of stock acquisition rights 20 units Number of shares for this purpose 48,000 shares Number of holders 2 people

(Note) 1. Details of conditions for exercising stock acquisition rights shall be set forth in the "Stock acquisition right allotment agreement" to be concluded between the Company and those eligible for allocation of stock acquisition rights.

2. The Company conducted a three hundred-for-1 stock split effective as of July 29, 2016, a two-for-one stock split effective as of July 1, 2018, a two-for-one stock split effective as of January 1, 2019, and a two-for-one stock split effective as of September 1, 2020. The "Class and number of shares for the purpose of stock acquisition rights" and the "Value of property to be incorporated upon exercise of stock acquisition rights" have been adjusted accordingly.

(2) The status of stock acquisition rights delivered to employees, etc. as consideration for execution of duties during the current fiscal year

Not applicable

(3) Other important matters pertaining to stock acquisition rights, etc.

At the Board of Directors Meeting held on August 14, 2017, the Company resolved to issue stock acquisition rights with charge to the Company's employees and directors in order to further enhance motivation and morale and boost its unity as the Company aims to expand its medium-to long-term business and corporate value. The relevant stock acquisition rights are exercisable only when the Company achieves its performance targets. Details are as below.

	Third stock acquisition right offering
Date of resolution for issuance	August 14, 2017
Those eligible to allocation for stock acquisition rights	Directors and employees of the Company
Number of stock acquisition rights	426 units
Class and number of shares for the purpose of stock acquisition rights	Common stock 340,800 shares (Per stock acquisition right 800 shares)
Amount to be paid upon exercise of stock acquisition rights	Per stock acquisition right 7,200 yen
Value of property to be incorporated upon exercise of stock acquisition rights	Per stock acquisition right 726,400 yen (Per share 908 yen)
Period for exercising stock acquisition rights	From January 1, 2019 to August 30, 2024
Conditions for exercising stock acquisition rights	(Note) 1

(Note) 1. Conditions for exercising stock acquisition rights

(1) Holders of stock acquisition rights may exercise those options up to the limit of the exercisable ratio of stock acquisition rights allotted to the holders, as stipulated in the relevant item in this note, (hereinafter referred to as the "Exercisable Ratio") from the first day of the month after the date of submitting the securities report for the term for which the relevant accumulated operating profits have been achieved, should the Company exceed the amount stipulated in the relevant item below in accumulated operating profits during the period between the fiscal terms ending September 2018 and ending September 2020. If there are any fractions less than one unit in the number of exercisable stock acquisition rights, the number shall be rounded down.

(a) When accumulated operating profits exceed 1,000 million yen: An exercisable ratio of 50%

(b) When accumulated operating profits exceed 3,000 million yen: An exercisable ratio of 100%

Determination of the above operating profits shall be referred to the operating profit in the income statement (non-consolidated basis) described in the Company's securities report. In the event that there is a material change in the nature of items to be referred to, such as changes due to the adoption of international financial reporting standards, the Board of Directors shall separately determine the indicators to be referred to.

(2) Any holder of stock acquisition rights is required to be any of a director, auditor or employee of the Company or an affiliated company of the Company (hereinafter referred to as "Directors, etc. of the Company") or an heir of Directors, etc. of the Company when exercising the stock acquisition rights. However, this shall not apply to cases when the Board of Directors finds a justifiable reason, such as retirement from office due to expiry of tenure and retirement at the mandatory age limit.

(3) If exercising the stock acquisition rights would cause the total number of issued shares of the Company to exceed the total number of authorized shares at that point, the stock acquisition rights may not be executed.

(4) A stock acquisition right constituting less than one unit may not be exercised.

2. The Company conducted a two-for-one stock split effective as of July 1, 2018, a two-for-one stock split effective as of January 1, 2019 and a two-for-one stock split effective as of September 1, 2020. The "Class and number of shares for the purpose of stock acquisition rights" and the "Value of property to be incorporated upon exercise of stock acquisition rights" have been adjusted accordingly.

Status of accounting auditors

(1) Name Ernst & Young ShinNihon LLC

(2) Fees and other amounts

	Fees and other amounts (1,000 yen)
Fees and other amounts for the auditing auditors relating to the current fiscal year	52,162
Sum of the monetary and other property gains that the Company and its subsidiaries owe to the accounting auditors	68,742

(Note) 1. Because, in the audit agreement concluded between the Company and the accounting auditors, there is no clear classification of the fees, etc. for audits under the Companies Act and the fees, etc. for audits under the Financial Instruments and Exchange Act, and since it is impractical to distinguish between these two types of fees, the sum of these amounts is recorded in the fees and other amounts for the auditing auditors relating to the current fiscal year.

2. The Board of Auditors performed necessary verification of the contents of the accounting auditors' audit plans, the status of execution of duties in accounting audits and appropriateness of the grounds for calculating the fees and others, then decided to consent to the fees and other amounts payable to the accounting auditors.

(3) Contents of non-auditing work

The Company pays Ernst & Young ShinNihon LLC for guidance and advice on IFRS, which is business other than those set out in Article 2, Paragraph 1 of the Certified Public Accountant Act.

(4) Policy regarding determination of dismissal and non-reappointment of accounting auditors

The Board of Auditors shall determine the contents of proposals concerning dismissal or non-reappointment of accounting auditors to be submitted to a general meeting of shareholders in the event that execution of duties by accounting auditors is disrupted or the Board of Auditors considers that there is such a need.

Where accounting auditors meet any of the items of Article 340, Paragraph 1 of the Companies Act, the Board of Auditors shall dismiss the accounting auditors after obtaining the consent of all auditors. In such event, an auditor elected by the Board of Auditors shall report on the fact of dismissing the accounting auditors and the reason for the dismissal at the first general meeting of shareholders to be convened after the dismissal.

■ Overview of the system to ensure the appropriateness of business operations and the status of its operation

(1) Overview of decision content concerning the system to ensure the appropriateness of business operations

The following is an overview of the decision content concerning the system to ensure that directors execute their duties in compliance with laws and regulations and the Articles of Incorporation, and the system to ensure the appropriateness of the Company's other business operations.

(i) System to ensure that directors and employees execute their duties in compliance with laws and regulations and the Articles of Incorporation.

A) The Company has a code of conduct in place that ensures that directors and employees behave in compliance with laws and regulation, the Article of Incorporation and social norms as well as internal rules, and conducts continual education and dissemination activities on the basics of compliance and information management, etc. necessary for business operations.

B) The Compliance Committee investigates whether there is a problem with the compliance system and compliance, and gives instructions to make improvement if there are any problems.

C) The Company has a reporting system in place against suspected compliance violations and takes strict measures through the established "Regulations on internal reporting" to protect the anonymity of whistleblowers and prevent whistleblowers from being subject to disadvantageous treatment.

D) Should a compliance violation occur, the Compliance Committee will investigate the cause, attempt to prevent its recurrence, and take strict disciplinary actions after clarifying who is responsible.

(ii) System to store and manage information related to the execution of duties by directors

The Company appropriately stores and manages information related to the execution of duties by directors in the form of documents or electromagnetic records in accordance with internal rules, including the "Regulations on document storage and management."

(iii) Regulations and other systems for managing loss risk

A) Regarding loss risk, the Company strives to prevent the occurrence of such risk and the expansion of a crisis through responses based on the "Regulations on risk management."

B) The status of activities concerning risk management by departments and divisions is reported to Board of Directors meetings as necessary, and the internal audit unit audits the effectiveness of the risk management system.

C) The Company holds regular meetings that all employees attend as a forum for communicating and reporting on the execution of duties as well as to collect and share information and build consensus.

(iv) System to ensure the effective execution of duties by directors

A) To ensure that directors execute their duties effectively, the Board of Directors holds monthly meetings, as well as extraordinary ones when required.

B) Board of Directors meetings set out company-wide goals to be shared by directors and employees, and directors strive to disseminate them through the organization.

C) Each director makes necessary decisions on matters delegated to him/her to execute in accordance with the "Regulations on division of duties."

(v) System to ensure the appropriateness of business operations in the corporate group, comprising the Company and its subsidiaries

A) The chief administrator of affiliate companies supervises and manages the execution by directors of subsidiaries in accordance with internal regulations, including the "Regulations for administration of affiliate companies."

B) The chief administrator of affiliate companies reports significant decisions on the corporate management of subsidiaries to the Company's Board of Directors and implements them after obtaining approval.

C) The Company holds regular meetings with subsidiaries to share information, promote communicate among Group businesses, and unify Group management policy.

D) The Company's internal audit unit periodically audits the business operations, internal controls, etc. of subsidiaries and reports on the outcomes to the Representative Director, Chief Executive Officer, and Chairman as well as full-time auditors.

(vi) System related to employees and matters related to the independence of employees from auditors where auditors request the assignment of employees to assist them in their duties

A) If an auditor requests the assignment of employees to assist with their duties in order to enhance the effectiveness of audits by auditors and exercise their auditing function smoothly, assisting employees may be assigned. The Board of Directors consults with auditors and selects suitable employees from among those with appropriate knowledge and capacity necessary for auditing.

B) These employees are not prevented from holding concurrent positions, but if the Company is requested by auditors to dedicate such employees to assisting the auditors, the Company complies with the request.

C) The transfer, performance assessment and disciplinary action of such employees are decided after obtaining consent from the auditors.

(vii) System for directors and employees to report to auditors, and other systems related to reporting to auditors

A) Auditors may attend corporate management meetings in addition to Board of Directors meetings in order to grasp the status of significant decision-making processes and the execution of duties.

B) Auditors may access circular letters for approval (*ringi-sho*) and other important documents, and the Company promptly submits related documents, materials, etc. to auditors upon their request.

C) Directors promptly report to auditors if it is feared that considerable damage may be caused to the Group in the course of executing their own duties.

D) Auditors may directly ask directors and employees to report to them on significant matters that may affect operations and company performance.

(viii) System to ensure that an individual who has filed a report to auditors is not treated disadvantageously for having done so

The Group prohibits disadvantageous treatment of an individual who has filed a report to auditors on account of the person having done so, and strictly ensures that the person is not subjected to any detrimental treatment such as disciplinary action.

(ix) Matters concerning policies on processing expenses or obligations to be incurred by auditors due to execution of their duties, such as procedures for advance payment or reimbursement of expenses to be thus incurred

If auditors request an advance payment or reimbursement of expenses to be incurred due to execution of their duties, the Group will promptly process such expenses or obligations with the exception of cases where the expenses are reasonably deemed to be not required for executing such duties.

(x) Other systems to ensure that audits by auditors are conducted effectively

A) If the auditors deem it necessary, they may request the internal audit unit, which conducts internal audits, to examine specific matters in consultation with the Representative Director, Chief Executive Officer, and Chairman. The auditors may request the internal audit unit to cooperate with the audit as required at any time.

B) Auditors periodically exchange information with the internal audit unit and accounting auditors, and collaborate closely with them by exchanging information and opinions with regard to internal control system conditions identified by each of them, risk assessments and priority audit items, thereby conducting efficient audits.

(xi) System for excluding "Anti-social Forces"

A) The Group has no relationship with what are commonly referred to as "Anti-social Forces," namely organized-crime groups that threaten public order and safety of citizens, and has organizational systems in place so as not to enter business transactions with them or respond to unreasonable demands from them.

B) Accordingly, the Group has established the "Regulations on measures against anti-social forces" with the Control & Management Unit specified as the unit in charge of dealing with anti-social forces, and works to gather information from relevant government agencies. The Group has built an organizational system that enables it to deal with any problem that might occur by closely communicating with relevant government agencies and legal advisors.

C) When intending to enter business with a new customer, before doing so the Group thoroughly examines the entity under the "Regulations on credit control," and also investigates it independently through online searches of relevant newspaper and magazine articles as well as using credit information agencies.

(2) Overview of the operational status of the system to ensure appropriate business activities

(i) Status of significant meetings

As the decision-making body for its management and business execution, the Group's Board of Directors holds an meeting once a month as well as an extraordinary Board of Directors meetings as required to make decisions on significant management matters, such as those related to the provisions of laws and regulations and the Articles of Incorporation as well as its business policy and budget formulation. The Board analyzes and assesses business results stated in monthly reports and holds deliberations from the aspect of conformity to laws and regulations and internal rules and on business adequacy. Furthermore, an executive committee meeting attended by executive directors, executive officers and full-time auditors is held twice a month as a rule to discuss significant matters.

(ii) Compliance system

The Group periodically organizes compliance education and training for its directors and employees to ensure its compliance with laws.

The internal audit unit, which is responsible for internal audits, conducts internal audits of individual units of the Group under an internal audit plan before reporting the results to the Representative Director, Chief Executive Officer, and Chairman.

There is a whistleblowing system office (hotline) in place and rules for using the system are publicized, including on how to use the hotline and prohibition of disadvantageous treatment of whistleblowers.

(iii) Risk management

Individual departments at the Group manage risks under the "Regulations on risk management," continuously work to lower and avoid risks, and periodically report the state of their progress to the Board of Directors.

(iv) Audit system for auditors

In addition to periodically exchanging opinions with the Representative Director, Chief Executive Officer, and Chairman, auditors collaborate with accounting auditors and internal audit officers and ensure the effectiveness of audits by attending Board of Directors meetings, with full-time auditors attending important meetings and conducting hearings with directors and employees.

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Consolidated Statements of Changes in Shareholders' Equity

(From October 1, 2019 to September 30, 2020)

(Unit: 1,000 yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Opening balance	2,374,409	1,772,812	1,394,965	△174	5,542,012
Change during period					
New share issuance	22,805	22,805			45,610
Net profit attributable to owners of parent			1,547,930		1,547,930
Treasury share acquisition				△61	△61
Change during current period, excluding shareholder equity (net amount)					
Total change during period	22,805	22,805	1,547,930	△61	1,593,479
Closing balance	2,397,214	1,795,618	2,942,895	△236	7,135,492

	Other cumulative comprehensive profit		Stock acquisition rights	Non-controlling interests	Total net assets
	Valuation difference in available-for-sale securities	Total other cumulative comprehensive profit			
Opening balance	-	-	3,463	722,253	6,267,729
Change during period					
New share issuance					45,610
Profit attributable to owners of parent					1,547,930
Treasury share acquisition					△61
Change during current period, excluding shareholder equity (net amount)	140,536	140,536	△396	732,324	872,465
Total change during period	140,536	140,536	△396	732,324	2,465,945
Closing balance	140,536	140,536	3,067	1,454,578	8,733,674

Note: Any number less than 1,000 yen was truncated for presentation.

■ Notes on consolidated financial statements

Notes on significant information that forms the basis for preparing the consolidated financial statements

1. Scope of consolidation
   (i) Consolidated subsidiaries
   Number of consolidated subsidiaries: 2
   Names of major consolidated subsidiaries: TRUSTBANK, Inc. and Orb Inc.
   (ii) Non-consolidated subsidiaries
   Not applicable
   (iii) Companies not converted into subsidiaries although a majority of voting rights in them were held by the Group
   Not applicable
2. Application of the equity method
   (i) Non-consolidated subsidiaries and affiliates to which the equity method was applied
   Not applicable
   (ii) Non-consolidated subsidiaries and affiliates to which the equity method was not applied
   Not applicable
   (iii) Companies not converted into affiliates even though the Group held at least 20 percent and not more than 50 percent of voting rights in them
   Not applicable
   (iv) Note on the procedure for applying the equity method
   Not applicable
3. Notes on the change in the scope of consolidation and application of the equity method
   (i) Change in the scope of consolidation
   Starting from the fiscal year under review, Orb Inc. was included in consolidated accounts, which was done because the Group acquired shares in the company.
   (ii) Change in the scope of applying the equity method
   Not applicable
4. Information on the fiscal years of consolidated subsidiaries
   All consolidated subsidiaries are identical in terms of the balance sheet date and consolidated balance sheet date.
5. Information on accounting policy
   (1) Valuation standard and valuation method for significant assets
   (i) Valuation standard and valuation method for securities
   Available-for-sale securities (including operational investment securities)
   Those with market value
   Stated at cost using market prices on each balance sheet date (valuation differences are directly recorded in net assets, and costs of securities sold are calculated using the moving-average method)

Those without market value

Stated at cost using the moving-average method

(ii) Valuation standard and valuation method for derivatives

Stated at market value

(iii) Valuation standard and valuation method for inventories

Work in process

Stated at cost using the specific identification method (the value on the consolidated balance sheet is calculated using the method to write down book value due to a decline in profitability)

(2) Method of depreciation for significant depreciable assets and method of amortization for significant amortizable assets

(i) Property, plant and equipment

The declining-balance method is used. However, the straight-line method is used for buildings (excluding attached equipment) and for attached equipment and structures that were acquired on or after April 1, 2016.

Main useful lives are as follows.

Buildings: 3 to 18 years

Tools, furniture and fixtures: 2 to 15 years

Vehicles: 2 to 6 years

(ii) Intangible non-current assets

The straight-line method is used.

Trademark rights are amortized over ten years and software for internal use is amortized over an assumes in-house usable period (three to five years).

(3) Standards for recording significant allowances and provisions

(i) Allowance for shareholder incentives

To provide for expenses related to the shareholder incentive program, amounts predicted to be incurred for the next fiscal year onwards are recorded as allowances for shareholder incentives.

(ii) Provision for bonuses

To provide for bonuses for employees, the amount required for the consolidated fiscal year under review was recorded as bonuses estimated to be paid.

(iii) Allowance for loss on received contracts

In order to provide for potential losses related to secured contracts, an allowance for the estimated unrecoverable income for the subsequent consolidated fiscal year for contracts secured as of the end of the current consolidated fiscal year that is anticipated to result in future loss and which losses may be logically estimated are reported.

(4) Standards for converting significant foreign currency-denominated assets and liabilities into Japanese yen

All assets and liabilities denominated in foreign currencies are converted at the spot exchange rate prevailing at the respective balance sheet date, and resulting gains or losses are credited or charged to income.

(5) Standard for recording significant revenues and expenses

Sales and cost of sales

Proceeds from sales of operational investment securities are recorded under sales, and the book value of such sales is recorded under cost of sales.

(6) Important notes on the hedge accounting method

(i) Method for hedge accounting

Deferred hedge accounting is used. In addition, when foreign-exchange fluctuation risk hedging meets requirements for appropriation treatment, that method is used.

(ii) Instruments and targets of hedging

Foreign exchange forward contracts are used as instruments of hedging, and foreign currency-denominated trade receivables and trade payables are targets of hedging.

(iii) Hedging policy

Foreign exchange fluctuation risk is hedged in conformity with internal management rules.

(iv) Method for evaluating hedge effectiveness

Evaluation of hedge effectiveness is based on the ratio of the fluctuation amount by comparing the market fluctuation of the hedged item or cumulative total of fluctuation of cash flows and market fluctuation of the hedge method or the cumulative total of fluctuation of cash flows, respectively.

(7) Method and period of goodwill amortization

Goodwill is amortized over a period of seven to ten years using the straight-line method.

(8) Other significant information for preparing consolidated financial statements

(i) Accounting treatment of consumption taxes

The tax exclusion method is used.

(ii) Amortization method for deferred assets

Stock issuance expenses

Stock issuance expenses are amortized over the amortization period for stock issuance expenses (three years) using the straight-line method.

Additional information

(Effects of the spreading novel coronavirus pandemic)

There are concerns that the slump in economic activity caused by the spreading novel coronavirus pandemic is affecting global and Japanese economies. Although the future is uncertain and economic and corporate activities are widely affected by the pandemic, the Group is currently affected only to a limited extent.

The Group has made accounting estimates for investment valuation on the premise that these effects will continue over a certain period of time.

Notes on the consolidated balance sheet

1. Cumulative depreciation of property, plant and equipment 207,520 (1,000 yen)

Notes on the consolidated statements of changes in shareholders' equity

1. Classes and total outstanding number of shares as of the last day of the fiscal year under review

   Common stock 31,552,800 shares

2. Classes and the total outstanding number of treasury shares as of the last day of the fiscal year under review

   Common stock 196 shares

3 Dividend of surplus

   Not applicable

4. Classes and the total outstanding number of shares for which stock acquisition rights are intended (excluding those yet to reach the first day of the exercise period), as of the last day of the fiscal year under review

   Common stock 765,200 shares

Notes on financial instruments

1. Information on the status of financial instruments

(1) Operational policy for financial instruments

The Company procures necessary funds by obtaining loans from financial institutions in light of its business plan. Temporary surplus funds are invested solely in high-safety financial instruments. The Company uses derivatives to avoid foreign exchange fluctuation risks in relation to its foreign currency-denominated trade receivables and payables, and its policy is to avoid speculative transactions.

(2) Description of financial instruments and their risks

Accounts receivable, which constitute trade receivables, are exposed to customer credit risk (a risk of contract non-fulfillment by customers), and foreign currency-denominated trade receivables are exposed to foreign exchange fluctuation risks.

Operational investment securities are corporate investment-related shares aimed at achieving investment returns through growth in the enterprise value of investee companies. Investment securities mainly comprise shares and/or investments in corporations that have business relationships with the Company. Of these, those with market value are exposed to market price fluctuation risk, and their market value is identified quarterly. Those without market value are exposed to impairment risk according to each company's business performance.

Accounts payable-trade, which constitute trade payables, involve a short-term due date.

The purpose of debt is mainly to procure working capital and funds to acquire shares in subsidiaries, and each redemption date is up to five years after the settlement date.

Trade payables and debt are exposed to liquidity risk (the risk of being unable to pay them on the due date). Foreign currency-denominated trade payables are exposed to foreign exchange fluctuation risk.

Derivatives transactions are foreign-exchange forward contracts intended for hedging foreign exchange fluctuation risks for foreign currency-denominated trade receivables and payables. For hedging instruments, hedge targets, hedge policy and hedge effectiveness assessment policy that are each related to hedge accounting, please see the section titled "(6) Important notes on the hedge accounting method" under "5. Information on accounting policy" of the above-mentioned part titled "Notes on significant information that forms the basis for preparing the consolidated financial statements."

(3) Risk management system for financial instruments

(i) Management of credit risk

Regarding trade receivables, the Company's Control & Management Unit regularly monitors its balance of receivables and manages due dates and balances for individual transaction partners, and is quick to identify and mitigate recovery concerns caused by a deterioration in their financial positions.

(ii) Management of market risk (foreign-exchange fluctuation risk)

In accordance with internal rules, the Company hedges its foreign-exchange fluctuation risk for foreign currency-denominated trade receivables and payables as identified on a currency-by-currency basis and month-by-month basis by entering into foreign exchange forward contracts as necessary.

Regarding investment securities and operational investment securities, the Company periodically identifies the market values and financial positions of their issuers.

(iii) Management of liquidity risk related to fund procurement

The Company's Control & Management Unit manages liquidity risk by periodically making and updating cash flow management plans that are based on reporting by individual departments.

(4) Supplementary statement on matters concerning market values of financial instruments

A financial instrument's market value is a market value based on a market price or a value reasonably computed for a financial instrument that has no market price. As the computation incorporates in variable factors, the value could potentially vary if different preconditions are applied.

2. Information on market values of financial instruments
The table below shows consolidated balance sheet values and market values as at September 30, 2020, as well as differences between them. It does not include any items for which the market value is deemed to be extremely difficult to identify. (See Note 2)

	Consolidated balance sheet value (1,000 yen)	Market value (1,000 yen)	Difference (1,000 yen)
(1) Cash equivalent	7,629,687	7,629,687	-
(2) Accounts receivable	2,920,847	2,920,847	-
(3) Operational investment securities	253,336	253,336	-
Total assets	10,803,871	10,803,871	-
(1) Accounts payable - trade	120,966	120,966	-
(2) Accounts payable - other	924,706	924,706	-
(3) Deposits received	1,472,970	1,472,970	-
(4) Income taxes payable	1,424,499	1,424,499	-
(5) Long-term borrowings (including current portion of long-term borrowings)	2,611,659	2,610,911	△747
(6) Bonds payable	150,000	94,745	△55,254
Total liabilities	6,704,801	6,648,799	△56,002
Derivatives	-	-	-

Note 1. Method of calculating the market value of financial instruments and matters related to securities

Assets

(1) Cash equivalent and (2) Accounts receivable
Stated at book value, as their market values are more or less equal to their book values due to being settled in a short period of time

(3) Operational investment securities
Stated at prices on exchanges

Liabilities

(1) Accounts payable – trade, (2) accounts payable – other, (3) deposits received, and (4) income taxes payable
Stated at book value, as their market values are more or less equal to their book values due to being settled in a short period of time

(5) Long-term borrowings (including the current portion of long-term borrowings) and (6) bonds payable
The market values of long-term borrowings (including the current portion of long-term borrowings) and bonds payable are calculated using present value as determined by discounting the total principal at a rate estimated to apply if comparable new borrowings were made.

Derivatives transactions

For derivatives transactions, prices quoted by a transaction partner financial institution are deemed to be market value. However, the market value of a derivatives transaction for which appropriation treatment is used in a foreign exchange forward contract is included in the market values of the accounts receivable and accounts payable – trade, since the transaction is processed in conjunction with accounts receivable and accounts payable – trade that are hedge targets.

2. Financial instruments for which the market values are deemed extremely difficult to identify

Category	Fiscal year under review (ended September 30, 2020)
Unlisted shares	291,411(1,000 yen)

Unlisted shares are not included in the table above because no market prices are available for them, their future cash flows cannot be estimated, and their market values are deemed extremely difficult to identify.

Note on per-share information

1. Net assets per share 230.60 yen
2. Net profit per share 49.14 yen

Note: A two-for-one stock split of common shares was conducted on September 1, 2020. Net profit per share was calculated as if the stock split had been done on the first day of the fiscal year under review.

Notes on business combination

Business combination through acquisition

1. Overview of business combination

(1) Name and principal business activities of acquired company

Name of acquired company: Orb Inc.

Principal business activities: Research and development for its unique distributed ledger technology, "Orb DLT," and provision of Fintech solutions related to it

(2) Main reason for undertaking business combination

The Group undertook the business combination to expand into business domains likely to generate synergistic effects, such as regional economic circulation and inbound tourism that leverage a settlement platform based on Orb's unique distributed ledger technology, "Orb DLT."

(3) Date of business combination

February 14, 2020: Date of share acquisition

March 31, 2020: Deemed date of acquisition

(4) Legal form of business combination

Acquisition of shares

(5) Names of combined companies

Unchanged

(6) Ratio of voting rights acquired

71.76%

(7) Main basis for acquiring target company

The Company subscribed to a third-party allotment capital increase by the target company and acquired shares in it.

2. Period in which the acquired company's financial results are included in the consolidated financial statements for the fiscal year under review

From April 1, 2020 to September 30, 2020

3. Cost of target company acquisition and price breakdown by category

Acquisition price	Cash	150,000(1,000 yen)
Acquisition cost		150,000(1,000 yen)

4. Breakdown of main acquisition-related expenses and their values
   Not applicable

5. Value of goodwill generated, cause of occurrence, amortization method and amortization period
   (1) Value of goodwill generated
       173,308(1,000 yen)
   (2) Cause of occurrence
       Mainly excess earnings capability expected from Orb Inc. future business development.
   (3) Amortization method and amortization period
       Amortization over seven years using the straight-line method

6. Values of assets received and liabilities undertaken on the date of business combination and their main breakdown

	(1,000 yen)
Current assets	121,905
Non-current assets	8,992
Total assets	130,898
Current liabilities	4,206
Non-current liabilities	150,000
Total liabilities	154,206

7. Estimated values of effects on the consolidated income statement for the fiscal year under review, assuming the business combination was completed on the first day of the consolidated fiscal year, and calculation method

Sales	11,030(1,000 yen)
Operating profits	△78,457 (1,000 yen)

(Method for calculating approximate values)
The estimated value of effects is an amount calculated based on the value of amortization of non-current intangible assets, such as goodwill, that was recognized at the time of the business combination, assuming that business combination had taken place and been completed on the first day of the consolidated fiscal year under review. The estimated value is based on sales and profit (loss) in the consolidated income statement from the target company's first day of the consolidated fiscal year until the date of business combination.
No audit certification has yet been obtained for this note.

Notes on significant subsequent events

(Complete subsidiary acquisition of TRUSTBANK, Inc. through stock exchange)

At the Board of Directors meeting held on August 12, 2020, the Company resolved to completely acquire TRUSTBANK, Inc. (hereinafter, referred to as "TRUSTBANK"), a consolidated subsidiary of the Company up to then, through a stock exchange (hereinafter, referred to as "the stock exchange"), positioning the Company as a complete parent company through stock exchange and TRUSTBANK as a complete subsidiary through stock exchange, and an agreement to exchange shares was concluded between the two parties on the same day. The stock exchange was executed and took effect on October 8, 2020, upon receiving approval of the stock exchange agreement obtained through resolution of the Extraordinary General Meeting of Shareholders held on October 5, 2020 by both the Company and TRUSTBANK.

1. Purpose of the share exchange

   Under the mission to "Change People, Change Business, Change Japan," the Company engages in business with the aim of raising Japan's productivity through developing new IT technologies and talent. In Japan, predicted to suffer a marked labor population decline in the future, the Company pursues these business activities under the belief that utilizing digital technologies and fostering the talent who promote their use will make society sustainable. For Japan to transform itself, individual regions must change, so regional vitalization is a domain that constitutes the foundation of the Company's business.

   Meanwhile, TRUSTBANK was founded in 2012 under a mission to apply ICT to rejuvenate local communities and senior citizens. Its principal business line is "Furusato Choice," a portal site for the Hometown Tax Payment Program. TRUSTBANK has entered into agreements with over 1,500 municipalities, helping to spread the program. On November 30, 2018, the Company acquired shares in TRUSTBANK equivalent to 60.11% of voting rights held in it, and converted it into a subsidiary with the aim of providing ICT services to local governments. The Company made an additional share acquisition on August 30, 2019, so it currently holds 70.23% of voting rights in TRUSTBANK.

   Currently, both companies are smoothly expanding operations through business collaboration between them, moving swiftly to roll out new services designed to raise the sustainability of local communities. As such, the conversion of TRUSTBANK into a wholly-owned subsidiary this time will likely further enhance the agility and flexibility of the group management system. Moreover, the Group is confident that it will be able to achieve sustainable business growth and leverage management resources to lift its corporate value.

   In addition, by converting TRUSTBANK into a wholly-owned subsidiary, deductions will no longer be made to non-controlling shareholders in the Company's consolidated financial results. Therefore, the Company believes that the share exchange will help improve consolidated profit for the next fiscal year onward.

2. Overview of the share exchange

(1) Schedule for the share exchange

Record date for an extraordinary general shareholders' meeting (the Company)	August 31, 2020
Date of resolution by the Board of Directors (the Company)	August 12, 2020
Date of resolution by the Board of Directors (TRUSTBANK)	August 12, 2020
Date of entering into the share exchange agreement (both companies)	August 12, 2020
Date of holding an extraordinary general shareholders' meeting (the Company)	October 5, 2020
Date of holding an extraordinary general shareholders' meeting (TRUSTBANK)	October 5, 2020
Date of the share exchange coming into effect	October 8, 2020

(2) Format of the share exchange

A share exchange in which the Company became a wholly-owning parent and TRUSTBANK became a wholly-owned subsidiary.

The share exchange was conducted with October 8, 2020 as the effective date after the share exchange agreement was approved by resolutions of extraordinary general shareholders' meetings held by each of the Company and TRUSTBANK.

(3) Allotment for the share exchange

	The Company (Share exchange by wholly-owning parent)	TRUSTBANK (Share exchange by wholly-owned subsidiary)
Allotment for the share exchange	1	12,722.64
Number of shares to be delivered through the share exchange	Common stock: 1,984,731 shares	

Note 1. Allotment ratio for the share exchange ("share exchange ratio")

For one share of TRUSTBANK common stock, 12,722.64 shares of the Company's common stock were delivered on allotment. However, 368 shares of TRUSTBANK common stock held by the Company were not allotted in the share exchange.

The share exchange ratio may be altered through consultations and agreement between both companies in the event of a significant change in conditions forming the basis of the calculation.

Note 2: Number of new shares in the Company issued through the share exchange

Common stock of the Company: 1,984,731 shares

(Newly issued through the share exchange were 1,984,731 shares of common stock.)

(4) Handling of stock acquisition rights and bonds with stock acquisition rights associated with the share exchange
Not applicable, because TRUSTBANK issued neither stock acquisition rights nor bonds with stock acquisition rights.

3. Basis for calculating the share allotment related to the Stock Exchange
Regarding the allotment ratio indicated in the details on the allotment associated with the stock exchange described in 2.(3) above, it was determined that calculation of the exchange ratio would be consigned to a third-party institution independent of both the Company and TRUSTBANK Inc. The Company consigned the calculation of the exchange ratio to SBI Securities Co., Ltd., a third-party institution. The Company and TRUSTBANK Inc. determined the exchange ratio through deliberation, referencing the resulting exchange ratio obtained from the subject third-party institution.

4. Overview of accounting treatment
The Company will treat the acquisition as a transaction under common control based on "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, January 16, 2019) and "Guidance on Accounting Standard for Business Combinations and Accounting Standards for Business Divestitures" (ASBJ Guidance No. 10, January 16, 2019).

(Stock split and partial amendment of the Articles of Incorporation associated with the stock split)
The Company resolved to implement a stock split and partially amend the Articles of Incorporation associated with the stock split at the Board of Directors meeting held on November 13, 2020.

(1) Purpose of the stock split
The purpose of the stock split is to increase share liquidity, prepare an environment that makes it more accessible for investors, and expand the investor base by reducing the price of share-trading units.

(2) Overview of the stock split
(i) Method of the stock split
Each share of common stock owned by shareholders listed or recorded in the closing register of shareholders on the record date of Thursday, December 31, 2020 will be split into two shares.
(ii) Increase in the number of shares by the stock split

Total number of issued shares prior to the stock split	33,554,331 shares
Increase in the number of shares by the stock split	33,554,331 shares
Total number of issued shares after the stock split	67,108,662 shares
Total number of authorized shares after the stock split	184,320,000 shares

(Note) The total number of issued shares prior to the stock split, increase in the number of shares by the stock split and total number of issued shares after the stock split may change depending on the number of shares issued in accordance with subsequently exercised stock acquisition rights.

(iii) Schedule of the stock split

Public announcement of record date	Tuesday, December 15, 2020 (scheduled)
Record date	Thursday, December 31, 2020 (scheduled)
Effective date	Friday, January 1, 2021 (scheduled)

(3) Partial amendment to the Articles of Incorporation associated with the stock split

(i) Reason for the amendment

Associated with this stock split, the Company will amend Article 5 of its Articles of Incorporation to change the total number of authorized shares, effective January 1, 2021, in accordance with the provisions of Article 184, Paragraph 2 of the Companies Act.

(ii) Details of the amendment

Details of the amendment are as follows.

(Amended points are underlined)

Current Articles of Incorporation	Following the Amendment
(Total number of authorized shares) Article 5 The total number of authorized shares shall be <u>ninety two million, one hundred sixty thousand (92,160,000)</u> shares.	(Total number of authorized shares) Article 5 The total number of authorized shares shall be <u>one hundred eighty-four million, three hundred twenty thousand (184,320,000)</u> shares.

(iii) Schedule of the amendment

Effective date	Friday, January 1, 2021 (scheduled)

(iv) Impact on per-share information

Should the stock split have taken place on the first day of the preceding consolidated fiscal year, per share information for the fiscal year under review would be as follows.

	Preceding Consolidated Fiscal Year (From October 1, 2018 to September 30, 2019)	Current Consolidated Fiscal Year (From October 1, 2019 to September 30, 2020)
Net assets per share	88.45 yen	115.30 yen
Net profit per share	6.54 yen	24.57 yen
After adjustment for diluted shares Net profit per share	6.27 yen	23.90 yen

(4) Others

(i) Change in amount of stated capital

There will be no change in the amount of stated capital as result of this stock split.

(ii) Adjustment to exercise price of stock acquisition rights

In association with this stock split, the exercise price of stock acquisition rights executed on or after January 1, 2021 will be adjusted as follows.

Title	Date of Resolution at Shareholders' Meeting or Board of Directors Meeting	Unadjusted Exercise Price	Adjusted Exercise Price
Round 1 stock acquisition rights	September 23, 2014	9 yen	5 yen
Round 2 stock acquisition rights	October 14, 2015	32 yen	16 yen
Round 3 stock acquisition rights	August 14, 2017	908 yen	454 yen

Financial Statements of Changes in Shareholders' Equity

(From October 1, 2019 to September 30, 2020)

(Unit: 1,000 yen)

	Shareholders' Equity							
	Capital	Capital Surplus			Retained Earnings		Treasury Shares	Shareholders' Equity Total
		Capital Reserves	Other Capital Surplus	Capital Surplus Total	Other Retained Earnings: Retained Earnings Carried Forward	Retained Earnings Total		
Opening balance	2,374,409	2,325,909	9,000	2,334,909	1,427,953	1,427,953	△174	6,137,097
Change during current period								
New shares issuance	22,805	22,805		22,805				45,610
Net profit for the period					234,896	234,896		234,896
Treasury share acquisition							△61	△61
Change during current period, excluding shareholder equity (net amount)								
Change during current period - Total	22,805	22,805	-	22,805	234,896	234,896	△61	280,445
Closing balance	2,397,214	2,348,714	9,000	2,357,714	1,662,849	1,662,849	△236	6,417,543

	Valuation/Translation Differences, etc.		Stock Acquisition Rights	Net Assets Total
	Other Securities Valuation Differences	Valuation/ Translation Difference, etc. Total		
Opening balance	-	-	3,463	6,140,560
Change during current period				
New shares issuance				45,610
Net profit for the period				234,896
Treasury share acquisition				△61
Change during current period excluding shareholder equity (net amount)	140,536	140,536	△396	140,140
Change during current period - Total	140,536	140,536	△396	420,586
Closing balance	140,536	140,536	3,067	6,561,147

(Note) Indicated figures are rounded down for any fraction of less than one thousand yen.

■ List of Individual Notes

Notes on items related to significant accounting policies

1. Valuation standards and methods for securities

   Other securities (including operating investment securities)

For which market value is available:	The present market value is recorded based on the market prices on the last day of the period. (Valuation differences are incorporated into net assets in full, and selling prices were computed based on the moving-average method.)
For which market value is not available:	Stated at cost, mainly using the moving-average method.

2. Valuation standards and methods for derivatives

   State using the market-value method

3. Valuation standards and methods for inventories

Works in process	Stated using the cost-accounting method based on the specific identification method (value on the Balance Sheet is computed based on method in which book values are lowered based on declines in profitability)

4. Depreciation and amortization methods for depreciable assets

(1) Property, plant and equipment

The Company depreciates property, plant and equipment using the declining-balance method. Certain buildings and structures (excluding attached equipment) and equipment attached to buildings and structures acquired after April 1, 2016 are depreciated using the straight-line method.

The range of useful lives of main property, plant and equipment are as follows:

Buildings	8 – 15 years
Tools, machinery and auxiliary equipment	2 – 15 years

(2) Intangible assets

The Company amortizes intangible assets using the straight-line method. Software used in-house is amortized by the straight-line method over its useful life assuming in-house use of three to five years.

5. Accounting standards for provisions and allowances

(1) Allowance for shareholder incentives

In order to provide for expenses related to shareholder incentives, the amount deemed to accrue during the subsequent periods is recorded.

(2) Allowance for loss on received contracts

In order to provide for potential losses related to secured contracts, an allowance for the estimated unrecoverable income for the subsequent period for contracts secured as of the end of the current period that is anticipated to result in future loss and which losses may be logically estimated are reported.

6. Standards for converting assets and liabilities in foreign currencies into Japanese yen

All assets and liabilities denominated in foreign currencies are translated at the spot exchange rate prevailing at the respective balance sheet date, and resulting gains or losses are credited or charged to income.

7. Hedge accounting method

(1) Hedge accounting method

Deferral hedge accounting is used. In addition, appropriation treatment is applied to interest rate swap contracts that meet the requirement for appropriation treatment.

(2) Hedged instruments and hedged items

Accounts receivables and accounts payable trades denominated in foreign currency are hedged by means of forward exchange contracts.

(3) Hedging policy

The Company is hedging its exchange fluctuation risks carried out in accordance with its Internal Management Rules.

(4) Method for evaluating hedge effectiveness

Evaluation of hedge effectiveness is based on the ratio of the fluctuation amount by comparing the market fluctuation of the hedged item or cumulative total of fluctuation of cash flows and market fluctuation of the hedge method or the cumulative total of fluctuation of cash flows, respectively.

8. Basis for recording significant revenues and expenses

Net sales and cost of sales

Sales of operational investment securities are recorded in net sales, and the carrying value of operational investment securities is recorded in cost of sales.

9. Other significant matters that are fundamental for the preparation of financial statements

(1) Accounting for consumption tax

In terms of accounting for consumption tax and local consumption tax, amounts are shown exclusive of such taxes.

(2) Method for amortizing deferred assets

Stock delivery costs

Equalized amortization over the amortization period (three years) of stock delivery costs.

Additional information

(Effects of the spreading novel coronavirus pandemic)

There are concerns that the slump in economic activity caused by the spreading novel coronavirus pandemic is affecting global and Japanese economies. Although the future is uncertain and economic and corporate activities are widely affected by the pandemic, the Company is currently affected only to a limited extent.

The Company has made accounting estimates for investment valuation on the premise that these effects will continue over a certain period of time.

Notes to the balance sheet

1. Assets pledged as collateral and obligations related to collateral

(1) Assets pledged as collateral

Subsidiary stocks	4,809,834(1,000 yen)

(2) Obligations related to collateral

Borrowings from financial institutions	2,550,000(1,000 yen)

2. Accumulated depreciation of property, plant and equipment	79,271(1,000 yen)

3. To efficiently procure working capital, the Company has concluded an overdraft agreement with a certain trading bank. The remaining balance of the overdraft agreement as of the end of the current fiscal year based on this agreement is as follows.

Overdraft limit total	100,000(1,000 yen)
Borrowing balance	-
Difference	100,000(1,000 yen)

4. Guarantee obligation

The Company has taken on a guarantee of liability for the following office lease contract.

TRUSTBANK, Inc. (monthly lease)	420 000(1,000 yen)

There are five months remaining in this office lease contract.

5. Monetary claims and obligations to subsidiaries and affiliates

Short-term monetary claims	38,487(1,000 yen)

Notes to the statement of income

Amount of transactions with subsidiaries and affiliates

Amount of business transactions

Sales	268,686(1,000 yen)

Notes to the financial statements of changes in shareholders' equity

Type and total number of treasury shares at end of the fiscal year under review

Common shares	196 shares

Notes on tax effect accounting

Breakdown of major components of deferred tax assets and deferred tax liabilities(1,000 yen)

Deferred tax assets	
Loss on valuation of investment securities	8,233
Allowance for shareholder incentives	6,605
Asset retirement obligation	8,055
Loss on valuation of works in process	12,223
Other	6,593
Deferred tax assets - Total	41,710
Deferred tax liabilities	
Valuation difference on other available-for-sale securities	62,024
Reserve for costs required to fulfill asset retirement obligations	4,339
Deferred tax liabilities - Total	66,363
Deferred tax liabilities - Net	24,652

Notes on transactions with related parties

Type	Company name	Percentage of voting rights held	Relationship with related party	Transaction amount (1,000 yen)	Account	Closing balance (1,000 yen)
Subsidiary	TRUSTBANK, Inc.	Direct 70% Indirect 2%	Receipt of business guidance fee (Note 1), license sales and advisory	268,686	Accounts receivable	38,487
			Guarantee for borrowings (Note 2)	2,550,000	-	-

(Note) 1. In terms of the business guidance fee, the amount is rationally determined with consideration to expenses incurred for services rendered.

2. The Company is in receipt of a guarantee obligation against its borrowings from financial institutions. The transaction amount indicates the balance of borrowings remaining as of end of the fiscal year that is subject to the guarantee obligation. There is no payment of a warranty fee.

Notes on per-share information

1. Net assets per share 207.85 yen
2. Current profit per share 7.46 yen

(Note) The Company executed a two-for-one stock split of common shares effective as of September 1, 2020. The net assets per share and current profit per share are calculated based on the assumption that the stock split was executed on the first day of the fiscal year under review.

Notes on significant subsequent events

(Complete subsidiary acquisition of TRUSTBANK, Inc. through stock exchange)

At the Board of Directors meeting held on August 12, 2020, the Company resolved to completely acquire TRUSTBANK, Inc. (hereinafter, referred to as "TRUSTBANK"), a consolidated subsidiary of the Company up to then, through a stock exchange (hereinafter, referred to as "the stock exchange"), positioning the Company as a complete parent company through stock exchange and TRUSTBANK as a complete subsidiary through stock exchange, and an agreement to exchange shares was concluded between the two parties on the same day. The stock exchange was executed and took effect on October 8, 2020, upon receiving approval of the stock exchange agreement obtained through resolution of the Extraordinary General Meeting of Shareholders held on October 5, 2020 by both the Company and TRUSTBANK. Details are as described in the "Significant Subsequent Events" contained in the consolidated financial statement.

(Stock split and partial amendment of the Articles of Incorporation associated with the stock split)

The company resolved to implement a stock split and partially amend the Articles of Incorporation associated with the stock split at the Board of Directors meeting held on November 13, 2020.

Details are as described in the "Significant Subsequent Events" contained in the consolidated financial statement, so the below states only the impact on per-share information.

Impact on per-share information

Should the stock split have taken place on the first day of the preceding non-consolidated fiscal year, per-share information for the fiscal year under review would be as follows.

	Preceding Non-consolidated Fiscal Year (From October 1, 2018 to September 30, 2019)	Current Non-consolidated Fiscal Year (From October 1, 2019 to September 30, 2020)
Net assets per share	97.95 yen	103.92 yen
Net profit per share	7.11 yen	3.73 yen
After adjustment for diluted shares Net profit per share	6.82 yen	3.63 yen