

[Notes of caution]

**This document is an English translation of the Japanese original. In the event of any differences or inconsistencies between the Japanese and English versions, the Japanese language version shall take precedence.**



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For Immediate Release

Company CHANGE Inc.  
CEO Hiroshi Fukudome  
(Code: 3962,  
First Section of the Tokyo Stock Exchange)  
Contact Yutaka Yamada CFO  
(TEL.03-6435-7347)

**Announcement of full-year consolidated earnings forecast for the fiscal year ending September 2021 based on the voluntary application of IFRS**

As announced on October 14, 2020, CHANGE Inc (hereinafter, the “Company” or simply “we”) has voluntarily begun to apply the International Financial Reporting Standards (hereinafter referred to as "IFRS ") instead of the Generally Accepted Accounting Principle in Japan (hereinafter referred to as "Japanese GAAP") beginning with the consolidated financial statements for the fiscal year ended September 2020 with the purpose of improving the international comparability of financial information in the capital market and the communications with stakeholders..

We hereby announce that, in accordance with the voluntary application of IFRS, we have reclassified the full-year consolidated earnings forecast for the fiscal year ending September 2021 which we already announced on November 13, 2020 as follows:

On the other hand, we have not changed the assumptions thereof.

Details

1. Full-year consolidated earnings forecast for the fiscal year ending September 2021 (October 1, 2020 to September 30, 2021) based on the voluntary adoption of IFRS

	Revenue	Operating income	Profit attributable to owners of the parent	Basic earnings per share
	Millions of yen	Millions of yen	Millions of yen	Yen
Full year	15,781	5,071	3,296	98.41
	~	~	~	~
	16,281	5,571	3,623	108.17

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(Reference: earnings forecast already announced on November 13, 2020 (Japanese GAAP))

	Net sales	Operating income	Net income attributable to owners of parent	Net income per share
	Millions of yen	Millions of yen	Millions of yen	Yen
Full year	15,781	4,700	2,928	87.43
	~	~	~	~
	16,281	5,200	3,255	97.19

2. Major Changes and the amounts affected by the voluntary adoption of IFRS

The following table summarizes the changes in major accounting policies and the amounts affected by the voluntary adoption of IFRS:

(i) Amortization of goodwill

(Changes in accounting treatment)

Amortization of goodwill is carried out on a straight-line basis during the amortization period based on Japanese GAAP. According to IFRS, however, the goodwill is not amortized, but is required to be tested for impairment annually.

(Amount of impact)

According to Japanese GAAP, amortization of goodwill of 386 million yen was recognized and included in selling, general and administrative expenses in the full-year consolidated earnings forecast for the fiscal year ending September 2021. However, it is not recognized for the same period under IFRS.

(ii) Loan handling costs

(Changes in accounting treatment)

With respect to loan handling costs, according to Japanese GAAP, all such fees associated with borrowings from financial institutions were expensed at the time of loan disbursement. On the other hand, they are calculated and carried over the loan period using the effective interest method under IFRS.

(Amount of impact)

Based on Japanese GAAP, all loan handling costs of 125 million yen were recorded as non-operating expenses in the first quarter of the fiscal year ended September 30, 2019 when the loan was disbursed. Accordingly, no loan handling costs were recorded in the full-year consolidated earnings forecast for the fiscal year ending September 30, 2021. On the other hand, such fees are calculated and carried over the term of the loan under IFRS using the effective interest method. As a result, financial expenses of 50 million yen and income tax of  $\triangle 15$  million yen (as added back expenses) were recorded in the same period under IFRS.

(iii) Revenues from operational investment securities

(Changes in accounting treatment)

Regarding operational investment securities with a market value, unrealized gains or losses were recorded in other comprehensive income based on the market value evaluation under Japanese GAAP. On the other hand, according to IFRS, financial assets are classified as financial assets measured at fair value, and any subsequent changes in fair value are recorded as net gains in revenues from operational investment securities.

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(Amount of impact)

Since it is difficult to estimate the amount of the fair value at the end of the current fiscal year, any difference in the evaluation in full-year consolidated earnings forecast for the year ending September 2021 was not recorded under Japanese GAAP, therefore, any related gains or losses are not included in the forecast for the same period under IFRS.

(iv) Revenue from contracts with customers (revenue)

(Changes in accounting treatment)

With respect to net sales (excluding operational investment securities), the Company has already adopted the accounting standard for revenue recognition (ASBJ Statement No. 29) from the beginning of the fiscal year ending September 2021. Therefore, there is no difference between Japanese GAAP and IFRS in accounting treatment for revenue arising from contracts with customers.

(Amount of impact)

There is no difference between Japanese GAAP and IFRS regarding the amount of revenue arising from contracts with customers in the full-year consolidated earnings forecast for the fiscal year ending September 2021.

\* Above figures are based on the information currently available to us and certain assumptions that we consider reasonable, provided however, actual results may differ from the above forecast due to various factors.

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