

Consolidated Financial Results for the Fiscal Year Ended June 30, 2020 [IFRS]

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Scheduled date of Annual General Meeting of Shareholders: September 28, 2020
 Scheduled date of filing of Annual Securities Report: September 28, 2020
 Scheduled date of payment of dividend: September 29, 2020
 Preparation of supplementary materials for financial results: None
 Holding of financial results meeting: Yes (for institutional investors and analysts)
 (All amounts are rounded down to the nearest million yen.)

1. Management Performance Measures under IFRS**(1) Consolidated Results of Operations**

(Percentages represent year-on-year changes.)

	Revenue		Operating profit		Profit before tax		Profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended Jun. 30, 2020	17,025	(0.5)	934	(56.6)	907	(57.5)	610	(58.2)	321	(66.1)
Fiscal year ended Jun. 30, 2019	17,112	33.4	2,153	39.2	2,137	39.1	1,457	37.3	946	33.8

	Basic earnings per share	Diluted earnings per share	Ratio of equity attributable to owners of parent to profit	Ratio of profit before tax to total assets	Ratio of operating profit to revenue
	Yen	Yen	%	%	%
Fiscal year ended Jun. 30, 2020	18.46	18.28	4.5	4.2	5.5
Fiscal year ended Jun. 30, 2019	55.87	54.94	14.1	12.2	12.6

Reference: Share of profit (loss) of investments accounted for using equity method (million yen)

Fiscal year ended Jun. 30, 2020: -

Fiscal year ended Jun. 30, 2019: -

2. Management Performance Measures under Non-GAAP Measures

The non-GAAP measures are calculated by deducting non-recurring items and other adjustments, which are prescribed by the Group, from IFRS-based financial figures.

We believe that disclosure of the non-GAAP measures makes it easier for stakeholders to make both cross-sectional and time-series comparisons, and can also provide useful information that helps stakeholders to understand the Group's underlying operating performance and its outlook.

For details of the non-GAAP measures, please refer to "(1) Results of Operations" on page 2 of Attachments.

(1) Consolidated Results of Operations

(Percentages represent year-on-year changes.)

	Revenue		Operating profit		Profit before tax		Profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended Jun. 30, 2020	17,025	(0.5)	1,045	(51.5)	1,018	(52.3)	720	(50.6)	431	(54.4)
Fiscal year ended Jun. 30, 2019	17,112	33.4	2,153	39.2	2,137	39.1	1,457	37.3	946	33.8

Note: Expenses incurred on the relocation of the head office (consisting of a change in the depreciation period of facilities attached to buildings, expenses on replacement of PCs, expenses on procurement of equipment and supplies and those on rebranding implemented on the occasion of the relocation) of 110 million yen were deducted from the line items below operating profit in the fiscal year ended June 30, 2020.

	Basic earnings per share	Diluted earnings per share	Ratio of operating profit to revenue
	Yen	Yen	%
Fiscal year ended Jun. 30, 2020	24.81	24.57	6.1
Fiscal year ended Jun. 30, 2019	55.87	54.94	12.6

(2) Dividends

	Dividend per share					Total dividends	Dividend payout ratio (consolidated)
	1Q-end	2Q-end	3Q-end	Year-end	Total		
	Yen	Yen	Yen	Yen	Yen	Million yen	%
Fiscal year ended Jun. 30, 2019	-	12.00	-	12.00	24.00	406	43.0
Fiscal year ended Jun. 30, 2020	-	14.00	-	14.00	28.00	490	152.6
Fiscal year ending Jun. 30, 2021 (forecasts)	-	16.00	-	16.00	32.00	560	-

3. Consolidated Earnings Forecast for the Fiscal Year Ending June 30, 2021 under IFRS

(Percentages represent year-on-year changes.)

	Revenue		Operating profit		Profit before tax		Profit		Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	10,000	(41.3)	3,100	231.8	3,100	241.5	3,000	391.7	2,900	803.0	165.62
	to	to	to	to	to	to	to	to	to	to	to
	13,000	(23.6)	3,500	274.6	3,500	285.5	3,400	457.3	3,300	927.5	188.47

Note: As disclosed today in “Notice Concerning a Change in Consolidated Subsidiary (Sale of Subsidiary Shares) and Recognition of Other Revenues Under IFRS,” the Group will sell the entire common shares of SOFTBRAIN Co., Ltd. owned by the Group. Therefore, the forecast includes gain on sale of the shares that will be recorded in the third quarter of the fiscal year ending June 30, 2021.

4. Consolidated Financial Position under IFRS

	Total assets	Total equity	Equity attributable to owners of parent	Ratio of equity attributable to owners of parent to total assets	Equity per share attributable to owners of parent
	Million yen	Million yen	Million yen	%	Yen
As of Jun. 30, 2020	24,912	10,343	7,402	29.7	422.79
As of Jun. 30, 2019	18,694	9,608	7,010	37.5	413.08

5. Consolidated Cash Flows under IFRS

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Million yen	Million yen	Million yen	Million yen
Fiscal year ended Jun. 30, 2020	1,131	(1,428)	1,715	7,822
Fiscal year ended Jun. 30, 2019	1,922	(893)	414	6,393

*** Notes**

(1) Changes in consolidated subsidiaries during the period (changes in specified subsidiaries resulting in changes in the scope of consolidation): Yes

Newly added: 1 (SCSV No. 1 Investment Limited Partnership)

Excluded: -

(2) Changes in accounting policies and accounting estimates

1) Changes in accounting policies required by IFRS: Yes

2) Changes in accounting policies other than 1) above: None

3) Changes in accounting estimates: None

Note: For more information, please refer to “Notes to Consolidated Financial Statements, 3. Significant Accounting Policies” on page 14 of Attachments.

(3) Number of shares outstanding (common shares)

1) Number of outstanding shares as of the end of the period (including treasury shares)

As of Jun. 30, 2020: 17,509,859 shares As of Jun. 30, 2019: 16,971,659 shares

2) Number of treasury shares as of the end of the period

As of Jun. 30, 2020: 8 shares As of Jun. 30, 2019: 8 shares

3) Average number of outstanding shares during the period

Fiscal year ended Jun. 30, 2020: 17,400,867 shares Fiscal year ended Jun. 30, 2019: 16,936,563 shares

Reference: Summary of Non-consolidated Financial Results

Non-consolidated Financial Results for the Fiscal Year Ended June 30, 2020 (July 1, 2019 to June 30, 2020)

(1) Non-consolidated Results of Operations (Percentages represent year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended Jun. 30, 2020	1,114	5.2	249	(37.6)	378	(27.3)	286	(27.6)
Fiscal year ended Jun. 30, 2019	1,059	9.0	400	(1.5)	520	2.7	396	4.2

	Basic earnings per share		Diluted earnings per share	
	Yen		Yen	
Fiscal year ended Jun. 30, 2020	16.49		16.33	
Fiscal year ended Jun. 30, 2019	23.40		23.01	

(2) Non-consolidated Financial Position

	Total assets		Net assets		Equity ratio		Net assets per share	
	Million yen		Million yen		%		Yen	
As of Jun. 30, 2020	12,600		3,942		31.2		224.86	
As of Jun. 30, 2019	9,817		3,570		36.3		209.91	

Reference: Shareholders' equity (million yen) As of Jun. 30, 2020: 3,937 As of Jun. 30, 2019: 3,562

* The current consolidated financial results are not subject to the audit by certified public accountants or auditing firms.

* Explanation of appropriate use of earnings forecasts, and other special items

Cautionary statement with respect to forecasts

Forecasts of future performance in these materials are based on assumptions judged to be valid and information available to Scala's management at the time these materials were prepared, but are not promises by Scala regarding future performance.

Actual results may differ significantly from these forecasts for a number of reasons.

Please refer to “(4) Outlook” on page 6 of Attachments for forecast assumptions and notes of caution for usage.

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1. Overview of Results of Operations

Scala, Inc. and its group companies (“the Group”) have adopted International Financial Reporting Standards (IFRS).

In addition to IFRS, the Group has adopted financial measures that can express its operating performance more accurately (“the non-GAAP measures”), and accordingly has disclosed its consolidated results of operations by applying both IFRS and the non-GAAP measures.

(1) Results of Operations

1) Results of operations under IFRS

The Group has sought to enhance its corporate value mainly by devoting more human resources to growth areas, expanding business through M&A as well as making more efficient use of corporate resources.

Meanwhile, though it has been difficult to make a sales approach to potential clients since the economic environment became even more uncertain due to the effect of COVID-19 pandemic, the Group has made such efforts as actively hiring new employees and improving service infrastructure for future business development.

As a result, during the fiscal year ended June 30, 2020, the Group reported revenue of 17,025 million yen (down 0.5% year on year), operating profit of 934 million yen (down 56.6%), profit before tax of 907 million yen (down 57.5%), profit of 610 million yen (down 58.2%) and profit attributable to owners of parent of 321 million yen (down 66.1%).

2) Results of operations under non-GAAP measures

The non-GAAP measures are calculated by deducting non-recurring items and other adjustments, which are prescribed by the Group, from IFRS-based financial figures.

We believe that disclosure of the non-GAAP measures makes it easier for our stakeholders to make both cross-sectional and time-series comparisons, and can also provide useful information that helps them to understand the Group’s underlying operating performance and its outlook.

Non-recurring items refer to one-off profits or losses that we believe should be excluded based on certain criteria for the purpose of preparing the earnings forecast.

While the Group discloses the non-GAAP measures in reference to the rules set out by the U.S. Securities and Exchange Commission, this does not mean the Group fully complies with these rules.

For the previous fiscal year, no adjustments were made to calculate the non-GAAP measures.

For the current fiscal year, adjustments were made to calculate the non-GAAP measures for expenses incurred on the relocation of the head office (consisting of a change in the depreciation period of facilities attached to buildings, expenses on replacement of PCs and those on rebranding implemented on the occasion of the relocation).

Business segment performance was as follows.

Segment revenue and segment profit are presented in accordance with IFRS.

(i) SaaS/ASP Business

During the fiscal year ended June 30, 2020, the Group took actions for meeting customer needs with flexibility, and as a result, recurring monthly revenue continued to increase cumulatively. We focused on taking new orders for our mainstay product “i-ask” and other online services, as well as orders for the enhanced version of introduced services. As disclosed in the Medium-term Business Plan, we also focused on businesses related to regional revitalization, and steadily increased the number of municipalities which adopted our services.

Specifically, we developed the out-of-the-box “one-click car insurance quote system” for E.design Insurance Co., Ltd. under the Tokio Marine Group. The system was developed in response to the voice of customers who want to know approximate quote first, instead of conventional systems that used to require about 30 clicks to accurately calculate car insurance premiums. The system won the Good Design Award at the “Good Design Award 2019” as the first internet car insurance company to win the said award. We also added a function to use the service in a

web page of Amazon and jump from the quotation page to “i-gift,” our digital gift service.

“i-ask” is a highly scalable package and can flexibly accommodate to customer needs through the feature to consolidate multiple knowledge databases in a company into one platform and disclose them as Q&A data in official site, intranet site, and smartphone app. Specifically, we provided “i-ask” to JAPAN POST BANK Co. Ltd. with distinct UI and specially prepared environment to cope with the high number of accesses; MORINAGA & CO., LTD. with user-friendly UI using many illustrations and visual images; and Joshin Denki Co., Ltd. with the feature of unified management of Q&A sites among different sites such as intranet site, their own EC site, and their shop in Rakuten. “I-ask” was also adopted by Community Network Co., Ltd.; The Kiyō Bank, Ltd.; the official website of Kandu developed and operated by AEONMALL KIDS DREAM, LLC; Kansai Transmission and Distribution, Inc.; and GiG Works AddValue Inc.

Regarding other core services, Sompo Japan Insurance Inc. has started to use the service to link “IVR (interactive voice response system)” for various requests through a phone with LINE app, and SOMPO Systems Inc. has started to use the service to handle customers’ request to cancel their insurance policy which was conventionally responded by call operators.

“i-assist,” a chatbot system to automatically answer questions from users on a website, has been adopted by the official website of Vitality operated by Sumitomo Life Insurance Company. “i-livechat,” a system that enables real time online chat, has been adopted by Chubu Electric Power Company and HASEKO Corporation. A campaign system featuring “i-gift,” a digital gift service, has been adopted by Dyson Limited and has contributed to increase applications to their campaigns. “i-linkcheck”, a system that crawls web sites and automatically detects broken links has been adopted by The Tama Shinkin Bank. It has contributed to improve work efficiency when updating and renewing websites, which used to take a long time in checking details due to the large number of websites under management. As an initiative to focus on regional revitalization, “i-ask” and “i-assist” have been adopted by Kobe City and Kitakyūshū City at the same time. Using these two systems in tandem is expected to produce synergetic effect, leading to improve convenience for citizens and municipal employees.

Furthermore, as functional extension of introduced services, a cloud computing project has been released for some functions of “SMILING ROAD” of SOMPO Japan Insurance Inc. For PIM (Product Information Management) system for Sanyo Denki Co., Ltd., an order for major functional extension has been received and the next phase project is also going on.

As an initiative to leverage synergy with the Group companies, the number of usage IDs has constantly been increasing for NUWORKS Inc. which has adopted the call system to link “Connect Agency,” a per-second phone charge billing system, with a mission critical system “C7.” Since the system holds useful functionalities for call center operations such as click-to-call function which enables to make outbound calls directly from the web system, many other outbound call companies are expected to adopt the system.

As a result, while the segment revenue was 4,123 million yen (up 3.6% year on year), the segment profit was 224 million yen (down 68.1%) due to an increase in up-front expenses including those for development for further growth and for active recruitment as well as a temporary decrease in revenue due to restrictions on business activities associated with the novel coronavirus infections.

Segment profit under the non-GAAP measures was 335 million yen (down 52.3% year on year) after adjustment of one-time charges for the relocation of the head office (consisting of a change in the depreciation period of facilities attached to buildings, expenses on replacement of PCs and those on rebranding implemented on the occasion of the relocation).

(ii) SFA Business

In this business segment, initiatives such as work style reforms continue to drive the investment demand high for CRM/SFA software aiming at increasing productivity and streamlining operating activities of businesses. However, the sale of the CRM/SFA software “e-Sales Manager,” one of the Group’s mainstay products, was sluggish, especially after the declaration of the state of emergency, due to the effect of careful consideration on making investment decisions with the uncertainty in business expectation. As for the education and consulting service business, the segment revenue was 4,814 million yen (down 0.6% year on year) with the segment profit of 473 million yen (down 48.7%), suffering the effects of postponement or cancellation of scheduled events, such as

group trainings and seminars.

(iii) Field Marketing Business

In this business segment, customers' voluntary self-restraint caused stagnation in sales of the Group's mainstay services, such as the regular field business and the human resources dispatching business, during the state of emergency. After the lifting of the state of emergency, customers gradually resumed their operations and the segment sales showed slight improvement; however, the segment revenue ended up with a year-on-year decrease (down 0.5% year on year) to 3,936 million yen with the segment profit of 207 million yen (down 35.0%).

(iv) Customer Support Business

This business segment, by continuously leveraging know-how acquired from performing inbound contact center tasks for the Hikari Tsushin group companies and other activities, received orders for customer consulting operations from major companies, and involved in a contract customer support service for users of services provided by Scala Communications, Inc., in addition to the order from an electric power retailer to provide comprehensive consulting services including contact center operations, recruitment, and cost saving. As the customers introduced the Group's SaaS/ASP products as recommended and encouraged their users to solve problems by themselves, the number of calls to the contact center decreased and the operation cost was reduced. At the same time, the Group improved work efficiency by scaling down less profitable projects and putting more emphasis on providing higher-margin services. As a result, the segment revenue and segment profit recorded 2,261 million yen (down 17.6% year on year) and 86 million yen (up 27.2%), respectively.

(v) Other Businesses

In the EC business, Scala PLAYce Inc., (renamed from plube Inc. as of January 27, 2020) operates an e-commerce site for buying and selling battle game trading cards (TCG). This business performed better than expected and continued to grow sales, thanks to the "nesting" demand caused by COVID-19 in the latter of this fiscal year, having recorded revenue of 986 million yen (up 14.9% year on year).

The system development business increased sales with revenue of 459 million yen (up 7.2% year on year) despite being forced to engage in development activities remotely under the state of emergency. We also made efforts to improve profitability by rigorous project management.

The publishing business was sluggish with revenue of 191 million yen (down 36.3% year on year) due to customers' voluntary self-restraint under the state of emergency. Nevertheless, we made efforts to improve profitability by thorough cost management.

The segment revenue also increased by 216 million yen because the Company made Grit Group Holdings Co., Ltd. a subsidiary on April 1, 2020.

Overall, the other businesses segment as a whole reported the segment loss of 59 million yen (compared with segment profit of 138 million for the previous fiscal year).

(2) Financial Position

Assets

Total assets amounted to 24,912 million yen at the end of the current fiscal year, an increase of 6,217 million yen over the end of the previous fiscal year. This was mainly due to increases of 1,429 million yen in cash and cash equivalents, 204 million yen in trade and other receivables, 894 million yen in goodwill and 2,774 million yen in right-of-use assets arising from the adoption of IFRS 16.

Liabilities

Liabilities totaled 14,569 million yen, an increase of 5,483 million yen over the end of the previous fiscal year. This was mainly due to increases of 2,752 million yen in bonds and borrowings under current liabilities, 526 million yen in lease liabilities arising from the adoption of IFRS 16 under current liabilities and 2,359 million yen in lease liabilities arising from the adoption of IFRS 16 under non-current liabilities.

Equity

Equity totaled 10,343 million yen, an increase of 734 million yen over the end of the previous fiscal year. This was mainly due to the booking of profit attributable to owners of parent of 321 million yen, which was partially offset by the booking of profit attributable to non-controlling interests of 288 million yen and a decrease of 448 million yen in retained earnings due to dividend payments.

(3) Cash Flows

Cash and cash equivalents as of the end of the current fiscal year amounted to 7,822 million yen, a net increase of 1,429 million yen over the end of the previous fiscal year.

Cash flows and the main reasons for changes are as described below.

Cash flows from operating activities

Net cash provided by operating activities totaled 1,131 million yen (compared with net cash provided of 1,922 million yen in the previous fiscal year). This was mainly due to profit before tax of 907 million yen, income taxes paid of 673 million yen, and depreciation and amortization of 936 million yen.

Cash flows from investing activities

Net cash used in investing activities totaled 1,428 million yen (compared with net cash used of 893 million yen in the previous fiscal year). This was mainly due to payments of 560 million yen for purchase of intangible assets and 287 million yen for acquisition of a subsidiary.

Cash flows from financing activities

Net cash provided by financing activities totaled 1,715 million yen (compared with net cash provided of 414 million yen in the previous fiscal year). This was mainly due to net increase in short-term borrowings of 2,787 million yen, proceeds from long-term borrowings of 1,412 million yen, repayments of long-term borrowings of 1,580 million yen, redemption of bonds of 420 million yen, and dividends paid of 448 million yen.

Reference: Cash flow indicators

	FY6/16	FY6/17	FY6/18	FY6/19	FY6/20
Ratio of equity attributable to owners of parent to total assets (%)	40.6	40.1	39.7	37.5	29.7
Market value ratio of equity attributable to owners of parent to total assets (%)	88.0	94.7	114.3	84.2	47.9
Interest-bearing debt to cash flow ratio (years)	8.0	6.3	3.4	3.1	10.2
Interest coverage ratio (times)	117.1	37.0	83.7	80.7	41.0

Ratio of equity attributable to owners of parent to total assets: $\text{Equity attributable to owners of parent} / \text{Total assets}$

Market value ratio of equity attributable to owners of parent to total assets: $\text{Market capitalization} / \text{Total assets}$

Interest-bearing debt to cash flow ratio: $\text{Interest-bearing debt} / \text{Cash flows}$

Interest coverage ratio: $\text{Cash flows} / \text{Interest payments}$

Notes: 1. All indices are calculated based on consolidated figures.

2. Market capitalization is calculated based on the number of outstanding shares excluding treasury shares.

3. Cash flows are based on "Net cash provided by (used in) operating activities."

4. Interest-bearing debt includes all debt on the consolidated statement of financial position that incur interest.

(4) Outlook

Consolidated earnings forecast under non-GAAP measures

As disclosed today in “Notice Concerning a Change in Consolidated Subsidiary (Sale of Subsidiary Shares) and Recognition of Other Revenues Under IFRS,” the Group will sell the entire common shares of SOFTBRAIN Co., Ltd. owned by the Group, and proactively use the cash asset obtained in exchange for the stock in M&A, new business development, engagement and CVC fund associated with our businesses toward the achievement of the Medium-term Business Plan, “COMMIT5000.” In addition, the Group will focus on establishing a value co-creation platform with our clients and partners.

In the SaaS/ASP business segment, we will focus on providing services related to AI/IoT, and the digital transformation (DX) as disclosed in the Medium-term Business Plan, and also on planning and developing the IT services, looking ahead to the post-coronavirus era.

Specifically, at the contact centers of corporations, we will support demonstration experiments and full-scale introduction of AI-based automatic telephone answering services in which AI takes calls instead of operators. We will also support introducing AI-based voice recognition solutions in which AI recognizes and summarizes a voice in real time. Through linking these services with “i-ask,” an FAQ system, and “i-livechat,” a web chat system, we will further improve customers’ convenience.

We will also plan, develop and support introducing the service to link paper-based receipt and management work such as hand-written documents and forms with highly accurate AI OCR service and IVR service, thereby materializing DX of the labor-intensive operation.

Furthermore, we are planning and developing solution service to complete identification confirmation with the shortest and fastest way through combining information in the IC chip of My Number Card (the Individual Number Card) with “xID,” a digital identification app manageable by a smartphone, and Web API, thereby linking with web-based application forms of financial institutions and municipalities which require identification confirmation of applicants.

Among existing services, revenue from fixed monthly fees will continue to increase for our core services such as “i-ask,” a FAQ system; “i-livechat,” a web chat system; “i-assist,” a web chatbot system; and “i-gift,” a digital gift service. “Web service,” a system for building web systems tailored to the needs of customers, will also contribute to sales due to high reputation from customers for speed and flexibility, and multiple new projects are under way in the area.

As explained in the Medium-term Business Plan, “COMMIT5000,” we will propose to the management of our clients the digital transformation (DX) of entire corporation that will lead to increase corporate value, in coordination with J-Phoenix Research Inc., a consolidated subsidiary which promotes value co-creation management support business. We will provide packaged solutions linked with the services of our partners such as “xID” in addition to SaaS/ASP services which can be flexibly customized.

The customer support business continues from the fiscal year ended June 30, 2020 to perform inbound contact center operations for Hikari Tsushin group companies. In addition, the Group is making efforts to increase the number of companies using the SaaS/ASP service for Scala Communications’ contact center, as well as to capture orders for outsourced customer consulting services for supporting contact center operations. Furthermore, the Group is enjoying increasing orders, which will contribute to the next period’s performance, from customers who seek our support for installing a new cloud-based call system branded “C7.”

The Group will accelerate its efforts to develop AI/IoT- and DX-related services on top of a variety of SaaS/ASP services to customers primarily through B-to-B channels. By facing diversified social challenges at home and abroad, the Group is determined to place more focus on the development and delivery of new AI, IoT and IT solution services that help customers streamline operations quickly.

For “yuyu-tei,” an EC website operated by Scala PLAYce, Inc., the Group has been steadily upgrading and improving its system and services such as by developing a smartphone app. The objective is to deliver compelling trading experiences to users as the leading TCG (Trading Card Game) online shop, by leveraging the competitive

advantage that it holds due to the use of internal operations for logistics, systems, sales and purchases, and marketing. The Group will also add new game titles and keep providing information on game tips with deep insights in a timely manner in order to make “yuyu-tei” the most attractive website for TCG users and ultimately achieve sustainable growth.

Furthermore, Scala has started working with Grit Group Holdings Co., Ltd., a consolidated subsidiary, to reinforce recruitment activities, develop businesses in Myanmar, and support hiring of foreign talent. Especially with Scala Partners, Inc., we maintain in the field of regional revitalization such as promoting relocations to rural areas and regional industry revitalization.

Also, as mentioned above, the SFA and field marketing businesses will become a discontinued operation effective from the second quarter of the fiscal year ending June 30, 2021 as a result of the transfer of all the common shares of Softbrain Co. held by the Company. Therefore, the segment revenue will decrease but gain of sale of the shares will be included for the third quarter of the fiscal year ending June 30, 2021.

As for the continuing operations (i.e. the operations excluding those of Softbrain Group) from the second quarter of the fiscal year ending June 30, 2021, the five companies, namely, Scala Communications Inc., Scala Service Inc., Leo Connect Inc., Connect Agency Inc., and Scala PLAYce Inc., engage in the existing, non-investment businesses that have been operational since the fiscal year ended June 30, 2020, namely SaaS/ASP, customer support, and EC businesses. Having showed strong performance for the current fiscal year despite the spread of COVID-19 infections, they collectively achieved total revenue of 7,402 million yen (down 2.7% year on year) with operating profit of 1,532 million yen (up 0.9%) and profit before tax of 1,532 million yen (up 1.1%) under the non-GAAP measure. As for the next fiscal year, the performance is expected to improve with the large-scale projects requiring time until placing the order and the efficiency of service delivery increased by the investment effect.

As a result of the above, for the fiscal year ending June 30, 2021, the Group expects to report revenue of 10,000 to 13,000 million yen with operating profit of 3,100 to 3,500 million yen, profit before tax of 3,100 to 3,500 million yen, profit of 3,000 to 3,400 million yen, and profit attributable to owners of parent of 2,900 to 3,300 million yen.

(5) Basic Policy for Profit Distribution and Dividend Plans for the Current and Next Fiscal Years

Scala regards the distribution of profits to shareholders as one of its priorities. The basic policy is to make stable dividend payments while maintaining sufficient retained earnings to strengthen financial soundness and expand business operations in the future.

The Group has consistently paid interim and year-end dividends. The decision-making bodies for distributions of retained earnings are the general meeting of shareholders for year-end dividends and the Board of Directors for interim dividends.

For the current fiscal year, the Group plans to pay an annual dividend of 28 yen, consisting of a year-end dividend of 14 yen, which will require approval at the general meeting of shareholders scheduled for September 28, 2020, in addition to an interim dividend of 14 yen, which has already been paid.

For the fiscal year ending June 30, 2021, the Group plans to raise both the interim and year end dividends to 16 yen, resulting in an annual dividend of 32 yen. This is on the ground that the Group expects to increase operating profit, profit before tax, and profit for the next fiscal year; to achieve a continued cumulative increase in revenue based on the recurring income business model centered on the SaaS/ASP business; and to seek sustainable growth through effective investment.

2. Basic Approach to the Selection of Accounting Standards

The Group has adopted IFRS since the fiscal year ended June 30, 2016 for the purpose of enhancing international comparability and the usefulness of financial information in capital markets.

3. Consolidated Financial Statements and Notes**(1) Consolidated Statement of Financial Position**

(Thousands of yen)

	FY6/19 (As of Jun. 30, 2019)	FY6/20 (As of Jun. 30, 2020)
Assets		
Current assets		
Cash and cash equivalents	6,393,530	7,822,725
Trade and other receivables	3,251,866	3,456,765
Inventories	175,097	200,857
Other current assets	345,443	300,469
Total current assets	10,165,937	11,780,818
Non-current assets		
Property, plant and equipment	471,845	706,048
Right-of-use assets	-	2,774,055
Goodwill	6,192,006	7,086,427
Intangible assets	1,034,527	1,242,517
Other financial assets	774,930	1,149,298
Deferred tax assets	45,953	162,314
Other non-current assets	9,741	11,442
Total non-current assets	8,529,005	13,132,103
Total assets	18,694,943	24,912,921
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	2,119,119	2,319,295
Bonds and borrowings	1,974,211	4,726,937
Lease liabilities	478	526,892
Income taxes payable	377,295	101,543
Other current liabilities	513,640	421,882
Total current liabilities	4,984,745	8,096,551
Non-current liabilities		
Bonds and borrowings	4,004,387	3,905,414
Lease liabilities	12,283	2,372,223
Deferred tax liabilities	54,779	60,926
Other non-current liabilities	30,476	134,635
Total non-current liabilities	4,101,927	6,473,199
Total liabilities	9,086,672	14,569,751
Equity		
Equity attributable to owners of parent		
Share capital	1,607,988	1,721,239
Capital surplus	556,277	902,874
Retained earnings	4,762,540	4,634,951
Treasury shares	(9)	(9)
Other components of equity	83,796	143,932
Total equity attributable to owners of parent	7,010,593	7,402,989
Non-controlling interests	2,597,677	2,940,181
Total equity	9,608,270	10,343,170
Total liabilities and equity	18,694,943	24,912,921

(2) Consolidated Statements of Income and Comprehensive Income**Consolidated Statement of Income**

(Thousands of yen)

	FY6/19 (Jul. 1, 2018 – Jun. 30, 2019)	FY6/20 (Jul. 1, 2019 – Jun. 30, 2020)
Revenue	17,112,193	17,025,958
Cost of sales	(10,913,383)	(11,045,048)
Gross profit	6,198,809	5,980,910
Selling, general and administrative expenses	(4,082,023)	(4,998,743)
Other income	50,019	43,679
Other expenses	(13,335)	(91,420)
Operating profit	2,153,470	934,424
Finance income	13,968	14,486
Finance costs	(30,362)	(41,065)
Profit before tax	2,137,075	907,844
Income tax expense	(679,088)	(297,762)
Profit	1,457,986	610,082
Profit attributable to		
Owners of parent	946,164	321,168
Non-controlling interests	511,822	288,913
Profit	1,457,986	610,082
Earnings per share		
Basic earnings per share (Yen)	55.87	18.46
Diluted earnings per share (Yen)	54.94	18.28

Consolidated Statement of Comprehensive Income

	(Thousands of yen)	
	FY6/19	FY6/20
	(Jul. 1, 2018 – Jun. 30, 2019)	(Jul. 1, 2019 – Jun. 30, 2020)
Profit	1,457,986	610,082
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	(16,264)	62,278
Other comprehensive income, net of tax	(16,264)	62,278
Comprehensive income	1,441,722	672,360
Comprehensive income attributable to		
Owners of parent	929,730	383,561
Non-controlling interests	511,992	288,799
Comprehensive income	1,441,722	672,360

(3) Consolidated Statement of Changes in Equity

FY6/19 (Jul. 1, 2018 – Jun. 30, 2019)

(Thousands of yen)

	Equity attributable to owners of parent					Total equity attributable to owners of parent
	Share capital	Capital surplus	Retained earnings	Treasury shares	Other components of equity	
Balance as of July 1, 2018	1,594,118	573,917	4,182,249	-	98,628	6,448,913
Cumulative effect of accounting change	-	-	6,600	-	-	6,600
Restated balance	1,594,118	573,917	4,188,849	-	98,628	6,455,513
Profit	-	-	946,164	-	-	946,164
Other comprehensive income	-	-	-	-	(16,433)	(16,433)
Total comprehensive income	-	-	946,164	-	(16,433)	929,730
Increase (decrease) by business combination	-	-	-	-	-	-
Share-based payment transactions of subsidiaries	-	-	-	-	-	-
Dividends	-	-	(372,473)	-	-	(372,473)
Purchase of treasury shares	-	-	-	(9)	-	(9)
Dividends to non-controlling interests	-	-	-	-	-	-
Exercise of share acquisition rights	13,869	13,869	-	-	(380)	27,359
Issuance of new shares	-	-	-	-	-	-
Issuance of share acquisition rights	-	-	-	-	1,983	1,983
Forfeiture of share acquisition rights	-	-	-	-	-	-
Share-based remuneration transactions	-	-	-	-	-	-
Acquisition and disposal of non-controlling interests	-	(31,510)	-	-	-	(31,510)
Total transactions with owners	13,869	(17,640)	(372,473)	(9)	1,602	(374,650)
Balance as of June 30, 2019	1,607,988	556,277	4,762,540	(9)	83,796	7,010,593

	Non-controlling interests	Total equity
Balance as of July 1, 2018	2,196,533	8,645,446
Cumulative effect of accounting change	-	6,600
Restated balance	2,196,533	8,652,046
Profit	511,822	1,457,986
Other comprehensive income	169	(16,264)
Total comprehensive income	511,992	1,441,722
Increase (decrease) by business combination	27,909	27,909
Share-based payment transactions of subsidiaries	(2,022)	(2,022)
Dividends	-	(372,473)
Purchase of treasury shares	-	(9)
Dividends to non-controlling interests	(117,078)	(117,078)
Exercise of share acquisition rights	-	27,359
Issuance of new shares	-	-
Issuance of share acquisition rights	-	1,983
Forfeiture of share acquisition rights	-	-
Share-based remuneration transactions	-	-
Acquisition and disposal of non-controlling interests	(19,657)	(51,167)
Total transactions with owners	(110,848)	(485,499)
Balance as of June 30, 2019	2,597,677	9,608,270

FY6/20 (Jul. 1, 2019 – Jun. 30, 2020)

(Thousands of yen)

	Equity attributable to owners of parent					
	Share capital	Capital surplus	Retained earnings	Treasury shares	Other components of equity	Total equity attributable to owners of parent
Balance as of Jul. 1, 2019	1,607,988	556,277	4,762,540	(9)	83,796	7,010,593
Profit	-	-	321,168	-	-	321,168
Other comprehensive income	-	-	-	-	62,392	62,392
Total comprehensive income	-	-	321,168	-	62,392	383,561
Increase (decrease) by business combination	-	-	-	-	-	-
Share-based remuneration transactions of subsidiaries	-	-	-	-	-	-
Dividends	-	-	(448,757)	-	-	(448,757)
Dividends to non-controlling interests	-	-	-	-	-	-
Exercise of share acquisition rights	96,251	96,251	-	-	(2,003)	190,498
Issuance of new shares	17,000	230,864	-	-	-	247,864
Issuance of share acquisition rights	-	-	-	-	629	629
Forfeiture of share acquisition rights	-	882	-	-	(882)	-
Share-based remuneration transactions	-	17,000	-	-	-	17,000
Acquisition and disposal of non-controlling interests	-	1,598	-	-	-	1,598
Total transactions with owners	113,251	346,597	(448,757)	-	(2,256)	8,834
Balance as of Jun. 30, 2020	1,721,239	902,874	4,634,951	(9)	143,932	7,402,989

	Non-controlling interests	Total equity
Balance as of Jul. 1, 2019	2,597,677	9,608,270
Profit	288,913	610,082
Other comprehensive income	(113)	62,278
Total comprehensive income	288,799	672,360
Increase (decrease) by business combination	197,669	197,669
Share-based remuneration transactions of subsidiaries	(23,102)	(23,102)
Dividends	-	(448,757)
Dividends to non-controlling interests	(124,593)	(124,593)
Exercise of share acquisition rights	-	190,498
Issuance of new shares	-	247,864
Issuance of share acquisition rights	-	629
Forfeiture of share acquisition rights	-	-
Share-based remuneration transactions	-	17,000
Acquisition and disposal of non-controlling interests	3,731	5,330
Total transactions with owners	53,705	62,540
Balance as of Jun. 30, 2020	2,940,181	10,343,170

(4) Consolidated Statement of Cash Flows

	(Thousands of yen)	
	FY6/19	FY6/20
	(Jul. 1, 2018 – Jun. 30, 2019)	(Jul. 1, 2019 – Jun. 30, 2020)
Cash flows from operating activities		
Profit before tax	2,137,075	907,844
Depreciation and amortization	445,450	936,471
Loss on retirement of non-current assets	11,188	35,577
Loss(gain) on valuation of investment securities	(34,428)	38,838
Finance income	(13,968)	(14,486)
Finance costs	30,358	40,362
Decrease (increase) in trade and other receivables	(235,641)	2,092
Decrease (increase) in inventories	(42,552)	(21,473)
Increase (decrease) in trade and other payables	78,919	(39,626)
Other	83,126	(68,050)
Subtotal	2,459,528	1,817,548
Interest and dividends received	13,198	14,202
Interest paid	(23,825)	(27,568)
Income taxes refund	8,634	-
Income taxes paid	(535,226)	(673,014)
Net cash provided by (used in) operating activities	1,922,308	1,131,167
Cash flows from investing activities		
Purchase of property, plant and equipment	(134,731)	(311,728)
Purchase of intangible assets	(285,722)	(560,258)
Purchase of investment securities	-	(100,717)
Payments for acquisition of subsidiaries	(342,959)	(287,214)
Payments for loans receivable	(2,136)	(504,404)
Collection of loans receivable	2,048	510,727
Payments of leasehold and guarantee deposits	(151,686)	(251,330)
Proceeds from refund of leasehold and guarantee deposits	21,397	79,432
Other	-	(2,930)
Net cash provided by (used in) investing activities	(893,790)	(1,428,424)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	-	2,787,261
Proceeds from long-term borrowings	2,633,500	1,412,000
Repayments of long-term borrowings	(1,362,323)	(1,580,537)
Proceeds from issuance of bonds	100,000	150,000
Redemption of bonds	(432,000)	(420,000)
Repayments of lease liabilities	(5,198)	(231,954)
Proceeds from exercise of share acquisition rights	27,359	190,498
Proceeds from issuance of share acquisition rights	1,983	629
Payments for acquisition of interests in subsidiaries from non-controlling interests	(43,530)	-
Purchase of treasury shares	(9)	-
Dividends paid	(375,998)	(448,416)
Dividends paid to non-controlling interests	(121,647)	(133,785)
Other	(7,477)	(10,011)
Net cash provided by (used in) financing activities	414,656	1,715,684
Effect of exchange rate changes on cash and cash equivalents	(152)	(909)
Net increase (decrease) in cash and cash equivalents	1,443,020	1,417,517
Cash and cash equivalents at beginning of period	4,950,509	6,393,530
Increase in cash and cash equivalents by share exchanges	-	11,677
Cash and cash equivalents at end of period	6,393,530	7,822,725

(5) Notes to Consolidated Financial Statements**Going Concern Assumption**

Not applicable.

Notes to Consolidated Financial Statements**1. Reporting Entity**

Scala, Inc. is a corporation located in Japan.

The registered address of its head office is disclosed on its corporate website (<https://scalagr.jp/>).

Scala's consolidated financial statements for the 12 months ended June 30, 2020 encompass Scala and the Group's interests in Scala's subsidiaries.

The Group provides SaaS/ASP services supporting communications between corporations and individuals mainly by using the "i-search" and "i-ask" brands; the sales support system branded "e-Sales Manager" and marketing support services including field activities at retail stores; and customer support consulting that serves as a one-stop source of solutions for a variety of issues associated with call center operations.

2. Basis of Preparation**(1) Compliance with IFRS**

The Group's consolidated financial statements have been prepared in accordance with IFRS pursuant to the provisions of Article 93 of the Ordinance on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements (Ordinance of the Ministry of Finance No. 28 of 1976) because the Group qualifies as a "specified company complying with designated international accounting standards" as stipulated in Article 1-2 of the said Ordinance.

(2) Basis of measurement

The Group's consolidated financial statements are prepared on a cost basis, except specific financial instruments and other items that are measured at fair value.

(3) Functional currency and presentation currency

The Group's consolidated financial statements are presented in Japanese yen, which is Scala's functional currency, and figures are rounded down to the nearest thousand yen.

(4) Reclassifications**(Consolidated statement of financial position)**

From the current fiscal year, "Lease liabilities" included in "Other current liabilities" (current) and "Lease liabilities" included in "Other non-current liabilities" (non-current) in the previous fiscal year has been presented as separate line items due to an increase in their monetary materiality. To reflect this change in the presentation method, the consolidated financial statements for the previous fiscal year have been reclassified.

Consequently, in the consolidated statement of financial position for the previous fiscal year, "Other current liabilities" (current) of 514,119 thousand yen has been reclassified into "Lease liabilities" (current) of 478 thousand yen and "Other current liabilities" (current) of 513,640 thousand yen; and "Other non-current liabilities" (non-current) of 42,760 thousand yen into "Lease liabilities" (non-current) of 12,283 thousand yen and "Other non-current liabilities" (non-current) of 30,476 thousand yen.

3. Significant Accounting Policies

The significant accounting policies applied for the consolidated financial statements for the current fiscal year remain the same as those applied for the consolidated financial statements for the previous fiscal year except the following changes in accounting policies.

The Group has adopted the following standard starting from the current fiscal year.

IFRS	Description of new and amended standards
IFRS 16 <i>Leases</i> (issued in January 2016)	Amendments to accounting treatment for leases

The Group has adopted IFRS 16 *Leases* (issued in January 2016) ("IFRS 16") starting with the current fiscal year.

The Group has applied IFRS 16 by using the modified retrospective approach, under which the comparative information is not restated and the cumulative effect of initially applying IFRS 16 is recognized at the date of initial application (July 1, 2019). In transitioning to IFRS 16, the Group has elected to apply the practical

expedient provided in IFRS 16 paragraph C3 and maintained its assessment of whether a contract contains a lease under IAS 17 *Leases* (“IAS 17”) and IFRIC 4 *Determining whether an Arrangement Contains a Lease*.

The Group recognized lease liabilities at the date of initial application of IFRS 16 for leases that it previously classified as operating leases under IAS 17. The lease liabilities are measured at the present value of outstanding lease payments discounted using the lessee’s incremental borrowing rate at the date of initial application. The weighted average of the lessee’s incremental borrowing rates applied to the lease liabilities recognized on the consolidated statement of financial position at the date of initial application is 0.3%.

The following table shows reconciliation of the liabilities for operating lease contracts under IAS 17 at the end of the previous fiscal year and the lease liabilities recognized on the consolidated statement of financial position at the date of initial application.

(Thousands of yen)

	Amount
Operating lease contracts disclosed as of June 30, 2019	48,941
Operating lease contracts disclosed as of June 30, 2019 (discounted at the incremental borrowing rate)	48,911
Finance lease liabilities (as of June 30, 2019)	12,762
Amount accounted for as short-term leases	(44,511)
Cancellable operating lease contracts	516,871
Lease liabilities as of July 1, 2019	534,034

There is no impact of applying IFRS 16 on the beginning balance of retained earnings.

In applying IFRS 16, the Group used the following practical expedients:

- A lessee may apply a single discount rate to a portfolio of leases with reasonably similar characteristics,
- A lessee may rely on its assessment of whether leases are onerous applying IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* immediately before the date of initial application as an alternative to performing an impairment review,
- A lessee may account for leases for which the lease term ends within 12 months of the date of initial application in the same way as short-term leases,
- A lessee may exclude initial direct costs from the measurement of right-of-use assets at the date of initial application, and
- A lessee may use hindsight, such as in determining the lease term if the contract contains options to extend or terminate the lease.

4. Significant Accounting Estimates and Judgments Involving Estimates

The preparation of consolidated financial statements in accordance with IFRS requires the management to make certain judgments, estimates and assumptions that affect the application of accounting policies and the amounts of assets, liabilities, revenues and expenses. Actual results, however, could differ from these estimates.

These estimates and underlying assumptions are consistently reviewed. The effect of changes in accounting estimates is recognized in the reporting period in which the changes are made and in any future reporting periods affected.

The management has made estimates and judgments concerning the following matters that have a material impact on the amounts reported in the consolidated financial statements:

- Useful lives and residual values of property, plant and equipment and intangible assets
- Impairment of property, plant and equipment, goodwill and intangible assets
- Accounting for provisions and their measurement
- Recoverability of deferred tax assets

Segment Information

(1) Overview of reportable segments

The Group's reportable segments are components of the Group for which discrete financial information is available and that the Board of Directors regularly reviews to make decisions about allocations of corporate resources and assess their performance.

The SaaS/ASP business provides SaaS/ASP services supporting communications between corporations and individuals mainly by using the "i-search" and "i-ask" brands.

The SFA business sells licenses for sales support systems and provides cloud services, customized development, sales consulting, sales skill training, business process consulting utilizing iPads and other devices, and education services.

The field marketing business provides marketing support services including field activities and market research.

The customer support business provides customer support consulting that serves as a one-stop source of solutions for a variety of issues associated with call center operations.

(2) Information related to revenue and profit or loss for each reportable segment

FY6/19 (Jul. 1, 2018 – Jun. 30, 2019)	Reportable segment					Other (Note 1)	Adjustments (Note 2)	(Thousands of yen) Amounts shown on consolidated statement of income (Note 3)
	SaaS/ASP Business	SFA Business	Field Marketing Business	Customer Support Business	Subtotal			
Revenue								
Sales to external customers	3,980,254	4,844,362	3,955,540	2,744,617	15,524,774	1,587,418	-	17,112,193
Inter-segment sales and transfers	44,532	35,806	2,889	12,597	95,824	38,293	(134,117)	-
Total	4,024,786	4,880,168	3,958,430	2,757,214	15,620,599	1,625,711	(134,117)	17,112,193
Segment profit	703,397	922,992	319,924	68,214	2,014,529	138,697	242	2,153,470
Finance income								13,968
Finance costs								(30,362)
Profit before tax								2,137,075

- Notes: 1. The "Other" segment consists of activities that are not included in any of the reportable segments, and includes the EC business, the system development business and the publishing business.
2. The 242 thousand yen adjustment to segment profit includes adjustment of non-current assets of 102 thousand yen and inventory adjustments of 140 thousand yen.
3. Segment profit is adjusted to be consistent with operating profit presented in the consolidated statement of income.
4. Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

FY6/20 (Jul. 1, 2019 – Jun. 30, 2020)	Reportable segment					Other (Note 1)	Adjustments (Note 2)	(Thousands of yen) Amounts shown on consolidated statement of income (Note 3)
	SaaS/ASP Business	SFA Business	Field Marketing Business	Customer Support Business	Subtotal			
Revenue								
Sales to external customers	4,123,286	4,814,043	3,936,407	2,261,894	15,135,631	1,890,326	-	17,025,958
Inter-segment sales and transfers	56,647	29,938	1,459	37,798	125,842	13,119	(138,962)	-
Total	4,179,933	4,843,982	3,937,866	2,299,692	15,261,474	1,903,446	(138,962)	17,025,958
Segment profit (loss)	224,726	473,874	207,942	86,753	993,296	(59,081)	208	934,424
Finance income								14,486
Finance costs								(41,065)
Profit before tax								907,844

Notes: 1. The “Other” segment consists of activities that are not included in any of the reportable segments, and includes the EC business, the investment business, the corporate value consulting business, the system development business and the publishing business.

2. The 208 thousand yen adjustment to segment profit includes elimination of unrealized profits of 78 thousand yen, adjustment of non-current assets of 96 thousand yen and inventory adjustments of 34 thousand yen.

3. Segment profit is adjusted to be consistent with operating profit recorded in the consolidated statement of income.

4. Transfer prices between operating segments are on an arm’s length basis in a manner similar to transactions with third parties.

Per-share Information

	FY6/19 (Jul. 1, 2018 – Jun. 30, 2019)	FY6/20 (Jul. 1, 2019 – Jun. 30, 2020)
Profit attributable to owners of parent (thousands of yen)	946,164	321,168
Profit used to calculate diluted earnings per share (thousands of yen)	946,164	321,168
Average number of common shares outstanding during the period (shares)	16,936,563	17,400,867
Increase in the number of common shares		
Share acquisition rights (shares)	284,441	168,934
Average number of diluted common shares outstanding during the period (shares)	17,221,004	17,569,802
Basic earnings per share (yen)	55.87	18.46
Diluted earnings per share (yen)	54.94	18.28

Material Subsequent Events

1. Conclusion of a contract on transfer of subsidiary shares

At the Board of Directors' meeting held on August 14, 2020, Scala resolved and, on the same day, concluded a contract with C5-8 Holdings Co., Ltd. (hereinafter "C5-8 HD") to transfer 50.23% shares (ownership ratio of voting rights) of its consolidated subsidiary SOFTBRAIN Co., Ltd. (hereinafter "Softbrain") to C5-8 HD, in order to accelerate growth in the medium- to long-term by concentrating their management resources as well as the further enhancement of corporate and shareholders' value. Through the transaction, treasury shares of Softbrain are scheduled to be acquired following a tender offer made by C5-8 HD.

(1) Outline of subsidiary subject to change

Company name	SOFTBRAIN Co., Ltd.
Address	1-13-1 Nihonbashi, Chuo-ku, Tokyo
Name and title of representative	Hirofumi Toyoda, President & CEO
Business description	Sells licenses for sales support systems and provides cloud services, customized development, sales consulting, sales skill training, business process consulting utilizing iPads and other devices, and education services, as well as marketing support services including field activities and market research. Also operates the system development business and the publishing business.
Share capital (as of June 30, 2020)	826 million yen
Date of foundation	June 1992
Segments	SFA Business, Field Marketing Business, etc.

(2) Number of shares to be transferred, transfer price, gain or loss on transfer and number of shares held before and after transfer

Number of shares held before transfer	14,770,000 shares (Ownership of voting rights: 50.23%)
Number of shares to be transferred	14,770,000 shares
Transfer price	10,545,780,000 yen
Number of shares held after transfer	0 shares (Ownership of voting rights: 0.00%)
Gain or loss on transfer	Gain on sale of shares of subsidiaries of approximately 2,600 million yen is expected to be recorded in "other revenue."

(3) Schedule

Date of resolution of the Board of Directors	August 14, 2020
Date of conclusion of final contract	August 14, 2020
Date of Annual General Meeting of Shareholders	September 28, 2020 (plan)
Tender offer period	From September 29 to November 10, 2020 (plan)
Effective date of share consolidation	From mid-January to early February 2021 (plan)
Effective date of share transfer	From mid to late March 2021 (plan)

In addition, the transfer of shares of the said subsidiary is subject to a special resolution at the Annual General Meeting of Shareholders to be held on September 28, 2020.

This financial report is solely a translation of "Kessan Tanshin" (in Japanese, including attachments), which has been prepared in accordance with International Financial Reporting Standards (IFRS), for the convenience of readers who prefer an English translation.