

## Consolidated Financial Results for the First Quarter of the Fiscal Year Ending June 30, 2021 (Three Months Ended September 30, 2020) [IFRS]

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 Scheduled date of filing of Quarterly Report: November 16, 2020  
 Scheduled date of payment of dividend: -  
 Preparation of supplementary materials for quarterly financial results: None  
 Holding of quarterly financial results meeting: None  
 (All amounts are rounded down to the nearest million yen.)

### 1. Management Performance Measures under IFRS

Consolidated Results of Operations (July 1, 2020 – September 30, 2020)

(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                             | %      |
| Three months ended Sep. 30, 2020 | 4,388       | 6.7 | 157              | (48.7) | 149               | (50.6) | 103         | (49.1) | 70                                      | (49.2) |
| Three months ended Sep. 30, 2019 | 4,111       | 3.8 | 306              | (35.6) | 303               | (36.1) | 203         | (38.0) | 138                                     | (32.2) |

  

|                                  | Basic earnings per share |  | Diluted earnings per share |  |
|----------------------------------|--------------------------|--|----------------------------|--|
|                                  | Yen                      |  | Yen                        |  |
| Three months ended Sep. 30, 2020 | 4.02                     |  | 3.99                       |  |
| Three months ended Sep. 30, 2019 | 8.10                     |  | 7.97                       |  |

### 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) Explanation of Results of Operations” on page 2 of Attachments.

Consolidated Results of Operations (July 1, 2020 – September 30, 2020)

(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                             | %      |
| Three months ended Sep. 30, 2020 | 4,388       | 6.7 | 166              | (50.2) | 158               | (51.9) | 110         | (52.3) | 76                                      | (53.7) |
| Three months ended Sep. 30, 2019 | 4,111       | 3.8 | 333              | (29.9) | 330               | (30.4) | 231         | (29.8) | 165                                     | (19.0) |

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 and those on rebranding implemented on the occasion of the relocation) of 27 million yen were deducted from the line items below operating profit in the three months ended September 30, 2019.

Note: Expenses incurred on the transfer of common shares of a Scala's consolidated subsidiary SOFTBRAIN Co., Ltd. (consisting of financial advisory fees and legal fees) of 9 million yen were deducted from the line items below operating profit in the three months ended September 30, 2020.

|                                  | Basic earnings per share |  | Diluted earnings per share |  |
|----------------------------------|--------------------------|--|----------------------------|--|
|                                  | Yen                      |  | Yen                        |  |
| Three months ended Sep. 30, 2020 | 4.38                     |  | 4.35                       |  |
| Three months ended Sep. 30, 2019 | 9.68                     |  | 9.52                       |  |

### 3. Dividends

|  | Dividend per share |              |          |              |              |
|--|--------------------|--------------|----------|--------------|--------------|
|  | 1Q-end             | 2Q-end       | 3Q-end   | Year-end     | Total        |
| Fiscal year ended Jun. 30, 2020              | Yen<br>-           | Yen<br>14.00 | Yen<br>- | Yen<br>14.00 | Yen<br>28.00 |
| Fiscal year ending Jun. 30, 2021             | -                  |              |          |              |              |
| Fiscal year ending Jun. 30, 2021 (forecasts) |                    | 16.00        | -        | 16.00        | 32.00        |

Note: Revisions to the most recently announced dividend forecast: None

#### 4. Consolidated Earnings Forecast for the Fiscal Year Ending June 30, 2021 under IFRS (July 1, 2020 – June 30, 2021)

(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 | 9,000        |   | 100              |   | 100               |   | 2,700       |   | 2,700                                   |   | 154.19                   |
|           | to<br>12,000 | - | to<br>500        | - | to<br>500         | - | to<br>3,100 | - | to<br>3,100                             | - | to<br>177.04             |

Note: Revisions to the most recently announced consolidated forecast: Yes

For more information, please refer to “Notice Concerning Revisions to Consolidated Earnings Forecast (Japanese version only)” released today (November 16, 2020).

From the second quarter of the fiscal year ending June 30, 2021, businesses operated by a Scala’s consolidated subsidiary SOFTBRAIN Co., Ltd. and its subsidiaries will be categorized as a discontinued operation.

Accordingly, revenue, operating profit, and profit before tax in the earnings forecast for the fiscal year ending June 30, 2021 present the amounts of those from continuing operations, while profit and profit attributable to owners of parent present the aggregate amounts of those from continuing and discontinued operations. Please note that year-on-year changes are not presented in the table above.

#### 5. 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 Sep. 30, 2020 | 24,800       | 10,266       | 7,301                                   | 29.4   | 416.71  |
| As of Jun. 30, 2020 | 24,912       | 10,343       | 7,402                                   | 29.7   | 422.79  |

#### \* Notes

(1) Changes in consolidated subsidiaries during the period (changes in specified subsidiaries resulting in changes in the scope of consolidation): None

Newly added: - Excluded: -

(2) Changes in accounting policies and accounting estimates

- 1) Changes in accounting policies required by IFRS: None
- 2) Changes in accounting policies other than 1) above: None
- 3) Changes in accounting estimates: None

(3) Number of shares outstanding (common shares)

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

As of Sep. 30, 2020: 17,521,959 shares As of Jun. 30, 2020: 17,509,859 shares

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

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

3) Average number of outstanding shares during the period

Three months ended Sep. 30, 2020: 17,510,640 shares Three months ended Sep. 30, 2019: 17,105,078 shares

\* The current consolidated financial results are not subject to quarterly review by certified public accountants or auditing firms.

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

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.

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## 1. Qualitative Information on Quarterly Consolidated Financial Performance

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) Explanation of Results of Operations

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, for the first quarter of the fiscal year ending June 30, 2021 (“the period under review”), the Group reported revenue of 4,388 million yen (up 6.7% year on year), operating profit of 157 million yen (down 48.7%), profit before tax of 149 million yen (down 50.6%), profit of 103 million yen (down 49.1%) and profit attributable to owners of parent of 70 million yen (down 49.2%).

(Reporting on a non-GAAP basis)

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 first quarter of the previous 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) of 27 million yen.

During the period under review, adjustments were made for expenses incurred on the transfer of common shares of a Scala’s consolidated subsidiary SOFTBRAIN Co., Ltd. (consisting of financial advisory fees and legal fees) of 9 million yen.

Business segment performance was as follows.

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

#### (i) SaaS/ASP Business

During the period under review, the Group started a joint development of a co-creation DX platform “CO-DO” with Public dots & Company Co., Ltd., the Japan’s first company that offers businesses to facilitate co-creation between the public and private sectors. Co-creation between the public and private sectors is an inevitable factor for promoting digital transformation (DX) in local governments in Japan. This platform implements a variety of features, including AI matching to help find excellent solutions provided by the private sectors best suited for challenges faced by the public sector, search engine, chat bot, and communication features used in processes up to the formation of a new project. Together with Public dots & Company, which has strong relations with local governments and consulting capabilities, Scala, which offers the “xID” service linked to My Number Card, will accelerate service offerings to local governments across the country with its flexible technology development

capabilities.

Moreover, the Group made active sales efforts for DX solutions for improving digital security and reducing operating costs for identity authentication through a system to authenticate users for access to major companies' websites using a digital ID application "xID" as well as an electronic signature system for sending material information via an online form.

As for existing services, 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 "i-ask" and "i-assist," which support communications in the midst of COVID-19 pandemic, and other online services, as well as orders for the enhanced version of introduced services.

One of the major order wins is the adoption of "i-assist," a chatbot system to automatically answer questions from users on a website, in the official online shop of "Lancôme," a luxury cosmetic brand owned by NIHON L'ORÉAL K.K. This service is offered in collaboration with PLAID Inc., which offers a customer experience (CX) platform "KARTE." "KARTE" accumulates data, including counselling record, of customers who use the chat service, and together with "i-assist," which enables "digital counselling" of as good quality as the over-the-counter counselling service, has generated strong synergies. The service can be centrally controlled with "i-ask," a FAQ management system which had already been adopted, to help users solve their problems on their own by providing more accurate answers in tandem with the AI engine.

Our subsidiary, Connect Agency, Inc., which offers IP telephone services, has striven to further sophisticate its products by strengthening the coordination with a CRM system "C7." From the third quarter of this fiscal year onwards, our services are expected to be adopted by several companies through a full-scale cross-selling of such services with our call center-related IT services.

Meanwhile, segment revenue was 957 million yen (down 7.0% year on year) with segment loss of 5 million yen (compared with the segment profit of 115 million yen for the first quarter of the previous fiscal year) as a result of increases in one-time charges, including recruitment costs for specialists with an eye to future business expansion, M&A related expenses, research expenses for new businesses, expenses incurred on the establishment of a joint venture in the Republic of the Union of Myanmar, expenses on the relocation of subsidiaries to the head office and expenses on the transfer of common shares of a Scala's consolidated subsidiary SOFTBRAIN Co., Ltd.

Segment profit under the non-GAAP measures was 3 million yen (down 97.4% year on year) after adjustment of expenses incurred on the transfer of common shares of a Scala's consolidated subsidiary SOFTBRAIN Co., Ltd. (consisting of financial advisory fees and legal fees).

#### (ii) SFA Business

Although activities for work style reforms and other initiatives continue to drive the investment demand high for CRM/SFA software aiming at increasing productivity and streamlining operating activities of businesses, we witnessed investors' cautious attitude toward making investment decisions with the uncertainty in business climate. Despite the gradual recovery in the number of business inquiries along with the resumption of economic activities, the recovery in the sales of the CRM/SFA software "e-Sales Manager," one of the Group's mainstay products, remained at a certain level. The education and consulting service business also suffered from the effects of postponement or cancellation of scheduled events, such as group trainings and seminars.

As a result, during the period under review, the segment revenue was 1,026 million yen (down 7.1% year on year) and segment loss was 107 million yen (compared with segment profit of 90 million yen for the first quarter of the previous fiscal year).

#### (iii) Field Marketing Business

In this business segment, the sales of the Group's mainstay services, such as the regular field business and the human resources dispatching business showed slight improvement after the lifting of the state of emergency as customers gradually resumed their operations.

As a result, the segment revenue was 1,022 million yen (down 0.2% year on year) and segment profit was 152 million yen (up 108.3% year on year).

## (iv) Customer Support Business

Leoconnect, Inc. operates a customer support consulting business and serves as a one-stop source of solutions for a variety of issues associated with call center operations. Specifically, it continued to perform inbound call center tasks for the Hikari Tsushin group companies and be involved in a contract customer support service for users of services provided by Scala Communications, Inc. In addition, as an initiative to leverage synergy with the Group companies, we are working to expand sales of the call system that links “Connect Agency,” a per-second phone charge billing system, with a mission critical system “C7.” The number of in-use IDs has remained steady for companies which have adopted the system in the period under review. We expect an increase in the volume of customer support services as many other outbound companies are expected to adopt the system.

However, during the period under review, the Group has continued shifting its emphasis on providing higher-margin products. As a result, the segment revenue and segment profit were 546 million yen (down 0.4% year on year) and 14 million yen (up 36.9%), respectively.

## (v) Other Businesses

In the EC business, Scala PLAYce Inc. operates a reuse e-commerce site for buying and selling trading cards games (TCG), which also contains game walkthrough pages. This business performed strongly and recorded revenue of 308 million yen (up 22.8% year on year) and segment profit of 41 million yen (up 80.6% year on year) for the period under review.

The system development business increased sales 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. As a result, this business recorded revenue of 114 million yen (up 9.4% year on year) and segment profit of 7 million yen (up 230.0% year on year).

The publishing business sales were sluggish due to customers’ voluntary self-restraint under the state of emergency. Nevertheless, we made efforts to improve profitability by thorough cost management. This business recorded revenue of 11 million yen (down 73.5% year on year) and segment loss of 22 million yen (compared with segment profit of 0.5 million yen for the first quarter of the previous fiscal year).

The human resources business is operated by Grit Group Holdings Co., Ltd. and its subsidiaries whose shares were acquired by Scala in April 2020. Specifically, the business offers recruitment support specialized for athletic students, support for childcare facilities, sports education for children, foreign personnel placement in the nursing care field and other businesses, such as the regional revitalization business which operates a website to introduce workation site facilities. As a result, the segment revenue and segment profit were 388 million yen and 114 million yen, respectively.

In the social problem-solving business, the Group established a joint venture Social Studio Co., Ltd. with Branding Technology Inc. With the mission “driving digital shift among small and medium-sized enterprises and local businesses mainly by branding,” Branding Technology offers “branding” and “digital marketing” solutions to approximately 3,200 companies in Japan. Utilizing Scala’s network with various business companies and strong development capabilities, we will promote the digitalization of and marketing support for governmental agencies, local governments and business companies. Specific roles to be played by Social Studio include 1) digitalization of all kinds of administrative procedures, 2) promoting the widespread use of state-of-the-art technologies and services in local areas and 3) facilitating the utilization of branding and digital marketing by governmental agencies, local governments and businesses.

In this business, the Group also established a joint venture SCALA ACE Co., Ltd. with ACE Data Systems Ltd., one of Myanmar’s largest system development companies. ACE Data Systems operates the diversified IT solutions business for customers including banks, hotels, retailers and insurance companies and owns 21 group companies. Through the joint venture, Scala is working to support digital transformation (DX) at the level of national strategy and address its challenges by incubating new business creation and utilizing HealthTech, EdTech and AgriTech.

Overall, segment profit of the other businesses segment as a whole was 107 million yen (up 533.4% year on year), reflecting upfront investment cost for other new businesses.

## **(2) Explanation of Financial Position**

### Assets

Total assets amounted to 24,800 million yen at the end of the period under review, a decrease of 111 million yen over the end of the previous fiscal year. This was mainly due to decreases of 285 million yen in cash and cash equivalents and 161 million yen in trade and other receivables.

### Liabilities

Liabilities totaled 14,534 million yen, a decrease of 35 million yen over the end of the previous fiscal year. This was mainly due to an increase of 295 million yen in bonds and borrowings under current liabilities, and decreases of 185 million yen in bonds and borrowings under non-current liabilities and 318 million yen in lease liabilities under non-current liabilities.

### Equity

Equity totaled 10,266 million yen, a decrease of 76 million yen over the end of the previous fiscal year. This was mainly due to profit attributable to owners of parent of 70 million yen, profit attributable to non-controlling interests of 33 million yen and a decrease of 245 million yen in retained earnings due to dividend payments.

## **(3) Explanation of Consolidated Earnings Forecast and Other Forward-looking Statements**

For more information, please refer to “Notice Concerning Revisions to Consolidated Earnings Forecast (Japanese version only)” released today.

**2. Condensed Quarterly Consolidated Financial Statements and Notes****(1) Condensed Quarterly Consolidated Statement of Financial Position**

(Thousands of yen)

|   | FY6/20<br>(As of Jun. 30, 2020) | First quarter of FY6/21<br>(As of Sep. 30, 2020) |
|---|---------------------------------|--|
| <b>Assets</b>                                 |                                 |  |
| Current assets                                |                                 |  |
| Cash and cash equivalents                     | 7,822,725                       | 7,536,922  |
| Trade and other receivables                   | 3,456,765                       | 3,295,323  |
| Inventories                                   | 200,857                         | 222,594  |
| Other current assets                          | 300,469                         | 424,500  |
| Total current assets                          | 11,780,818                      | 11,479,341                                       |
| Non-current assets                            |                                 |  |
| Property, plant and equipment                 | 706,048                         | 679,896  |
| Right-of-use assets                           | 2,774,055                       | 2,677,130  |
| Goodwill                                      | 7,086,427                       | 7,157,048  |
| Intangible assets                             | 1,242,517                       | 1,372,884  |
| Other financial assets                        | 1,149,298                       | 1,277,591  |
| Deferred tax assets                           | 162,314                         | 146,162  |
| Other non-current assets                      | 11,442                          | 10,932   |
| Total non-current assets                      | 13,132,103                      | 13,321,647                                       |
| Total assets                                  | 24,912,921                      | 24,800,988                                       |
| <b>Liabilities and equity</b>                 |                                 |  |
| Liabilities                                   |                                 |  |
| Current liabilities                           |                                 |  |
| Trade and other payables                      | 2,319,295                       | 2,213,782  |
| Bonds and borrowings                          | 4,798,660                       | 5,094,254  |
| Lease liabilities                             | 526,892                         | 757,539  |
| Income taxes payable                          | 101,543                         | 77,014   |
| Other current liabilities                     | 421,882                         | 500,620  |
| Total current liabilities                     | 8,168,274                       | 8,643,210  |
| Non-current liabilities                       |                                 |  |
| Bonds and borrowings                          | 3,833,691                       | 3,647,998  |
| Lease liabilities                             | 2,372,223                       | 2,053,501  |
| Deferred tax liabilities                      | 60,926                          | 45,652   |
| Other non-current liabilities                 | 134,635                         | 144,307  |
| Total non-current liabilities                 | 6,401,476                       | 5,891,458  |
| Total liabilities                             | 14,569,751                      | 14,534,669                                       |
| Equity  |                                 |  |
| Equity attributable to owners of parent       |                                 |  |
| Share capital                                 | 1,721,239                       | 1,724,318  |
| Capital surplus                               | 902,874                         | 916,499  |
| Retained earnings                             | 4,634,951                       | 4,460,168  |
| Treasury shares                               | (9)                             | (9)  |
| Other components of equity                    | 143,932                         | 200,586  |
| Total equity attributable to owners of parent | 7,402,989                       | 7,301,564  |
| Non-controlling interests                     | 2,940,181                       | 2,964,755  |
| Total equity                                  | 10,343,170                      | 10,266,319                                       |
| Total liabilities and equity                  | 24,912,921                      | 24,800,988                                       |



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

(Thousands of yen)

|  | First three months of FY6/20<br>(Jul. 1, 2019 – Sep. 30, 2019) | First three months of FY6/21<br>(Jul. 1, 2020 – Sep. 30, 2020) |
|--|--|--|
| Revenue                                      | 4,111,193  | 4,388,207  |
| Cost of sales                                | (2,677,143)  | (2,789,430)  |
| Gross profit                                 | 1,434,049  | 1,598,776  |
| Selling, general and administrative expenses | (1,127,287)  | (1,524,847)  |
| Other income                                 | 1,733  | 85,677   |
| Other expenses                               | (1,680)  | (2,265)  |
| Operating profit                             | 306,814  | 157,340  |
| Finance income                               | 4,706  | 6,146  |
| Finance costs                                | (8,450)  | (13,779)   |
| Profit before tax                            | 303,070  | 149,707  |
| Income tax expense                           | (99,103)   | (45,861)   |
| Profit                                       | 203,966  | 103,846  |
| Profit attributable to                       |  |  |
| Owners of parent                             | 138,523  | 70,354   |
| Non-controlling interests                    | 65,443   | 33,492   |
| Profit                                       | 203,966  | 103,846  |
| Earnings per share                           |  |  |
| Basic earnings per share (Yen)               | 8.10   | 4.02   |
| Diluted earnings per share (Yen)             | 7.97   | 3.99   |

**Condensed Quarterly Consolidated Statement of Comprehensive Income**

(Thousands of yen)

|  | First three months of FY6/20<br>(Jul. 1, 2019 – Sep. 30, 2019) | First three months of FY6/21<br>(Jul. 1, 2020 – Sep. 30, 2020) |
|--|--|--|
| Profit   | 203,966  | 103,846  |
| Other comprehensive income   |  |  |
| Items that will not be reclassified to profit or loss                      |  |  |
| Financial assets measured at fair value through other comprehensive income | 19,535   | 56,695   |
| Other comprehensive income, net of tax                                     | 19,535   | 56,695   |
| Comprehensive income   | 223,502  | 160,542  |
| Comprehensive income attributable to                                       |  |  |
| Owners of parent   | 158,244  | 127,093  |
| Non-controlling interests  | 65,257   | 33,448   |
| Comprehensive income   | 223,502  | 160,542  |

**(3) Condensed Quarterly Consolidated Statement of Changes in Equity**

First three months of FY6/20 (Jul. 1, 2019 – Sep. 30, 2019)

(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  | -                                       | -               | 138,523           | -               | -                          | 138,523                                       |
| Total other comprehensive income                      | -                                       | -               | -                 | -               | 19,721                     | 19,721  |
| Comprehensive income                                  | -                                       | -               | 138,523           | -               | 19,721                     | 158,244                                       |
| Share-based remuneration transactions of subsidiaries | -                                       | -               | -                 | -               | -                          | -   |
| Dividends   | -                                       | -               | (203,659)         | -               | -                          | (203,659)                                     |
| Issuance of new shares                                | -                                       | 239,365         | -                 | -               | -                          | 239,365                                       |
| Exercise of share acquisition rights                  | 91,415                                  | 91,415          | -                 | -               | (1,870)                    | 180,960                                       |
| Issuance of share acquisition rights                  | -                                       | -               | -                 | -               | 629                        | 629   |
| Acquisition and disposal of non-controlling interests | -                                       | 1,296           | -                 | -               | -                          | 1,296   |
| Total transactions with owners                        | 91,415                                  | 332,076         | (203,659)         | -               | (1,241)                    | 218,591                                       |
| Balance as of Sep. 30, 2019                           | 1,699,403                               | 888,353         | 4,697,403         | (9)             | 102,277                    | 7,387,429                                     |

|   | Non-controlling interests | Total equity |
|---|---------------------------|--------------|
| Balance as of Jul. 1, 2019                            | 2,597,677                 | 9,608,270    |
| Profit  | 65,443                    | 203,966      |
| Total other comprehensive income                      | (185)                     | 19,535       |
| Comprehensive income                                  | 65,257                    | 223,502      |
| Share-based remuneration transactions of subsidiaries | (4,758)                   | (4,758)      |
| Dividends   | -                         | (203,659)    |
| Issuance of new shares                                | -                         | 239,365      |
| Exercise of share acquisition rights                  | -                         | 180,960      |
| Issuance of share acquisition rights                  | -                         | 629          |
| Acquisition and disposal of non-controlling interests | 3,462                     | 4,758        |
| Total transactions with owners                        | (1,296)                   | 217,295      |
| Balance as of Sep. 30, 2019                           | 2,661,638                 | 10,049,068   |

First three months of FY6/21 (Jul. 1, 2020 – Sep. 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, 2020                            | 1,721,239                               | 902,874         | 4,634,951         | (9)             | 143,932                    | 7,402,989                                     |
| Profit  | -                                       | -               | 70,354            | -               | -                          | 70,354  |
| Total other comprehensive income                      | -                                       | -               | -                 | -               | 56,738                     | 56,738  |
| Comprehensive income                                  | -                                       | -               | 70,354            | -               | 56,738                     | 127,093                                       |
| Increase (decrease) by business combination           | -                                       | -               | -                 | -               | -                          | -   |
| Share-based remuneration transactions of subsidiaries | -                                       | -               | -                 | -               | -                          | -   |
| Dividends   | -                                       | -               | (245,137)         | -               | -                          | (245,137)                                     |
| Issuance of new shares                                | 3,079                                   | 3,079           | -                 | -               | -                          | 6,158   |
| Exercise of share acquisition rights                  | -                                       | -               | -                 | -               | (84)                       | (84)  |
| Share-based remuneration transactions                 | -                                       | 8,499           | -                 | -               | -                          | 8,499   |
| Acquisition and disposal of non-controlling interests | -                                       | 2,045           | -                 | -               | -                          | 2,045   |
| Total transactions with owners                        | 3,079                                   | 13,625          | (245,137)         | -               | (84)                       | (228,518)                                     |
| Balance as of Sep. 30, 2020                           | 1,724,318                               | 916,499         | 4,460,168         | (9)             | 200,586                    | 7,301,564                                     |

|   | Non-controlling interests | Total equity |
|---|---------------------------|--------------|
| Balance as of Jul. 1, 2020                            | 2,940,181                 | 10,343,170   |
| Profit  | 33,492                    | 103,846      |
| Total other comprehensive income                      | (43)                      | 56,695       |
| Comprehensive income                                  | 33,448                    | 160,542      |
| Increase (decrease) by business combination           | (7,071)                   | (7,071)      |
| Share-based remuneration transactions of subsidiaries | (1,803)                   | (1,803)      |
| Dividends   | -                         | (245,137)    |
| Issuance of new shares                                | -                         | 6,158        |
| Exercise of share acquisition rights                  | -                         | (84)         |
| Share-based remuneration transactions                 | -                         | 8,499        |
| Acquisition and disposal of non-controlling interests | -                         | 2,045        |
| Total transactions with owners                        | (8,875)                   | (237,393)    |
| Balance as of Sep. 30, 2020                           | 2,964,755                 | 10,266,319   |

**(4) Condensed Quarterly Consolidated Statement of Cash Flows**

(Thousands of yen)

|  | First three months of FY6/20<br>(Jul. 1, 2019 – Sep. 30, 2019) | First three months of FY6/21<br>(Jul. 1, 2020 – Sep. 30, 2020) |
|--|--|--|
| <b>Cash flows from operating activities</b>                  |  |  |
| Profit before tax  | 303,070  | 149,707  |
| Depreciation and amortization                                | 175,566  | 288,167  |
| Loss (gain) on sale of non-current assets                    | -  | (36)   |
| Finance income   | (4,706)  | (5,657)  |
| Finance costs  | 8,255  | 13,779   |
| Decrease (increase) in trade and other receivables           | 333,252  | 178,747  |
| Increase (decrease) in trade and other payables              | (214,497)  | (132,989)  |
| Decrease (increase) in inventories                           | (19,026)   | (23,774)   |
| Other  | 17,143   | (12,694)   |
| Subtotal   | 599,057  | 455,249  |
| Interest and dividends received                              | 146  | 438  |
| Interest paid  | (5,976)  | (8,276)  |
| Income taxes refund (paid)                                   | (398,192)  | (189,406)  |
| Net cash provided by (used in) operating activities          | 195,034  | 258,005  |
| <b>Cash flows from investing activities</b>                  |  |  |
| Purchase of property, plant and equipment                    | (27,024)   | (39,831)   |
| Purchase of intangible assets                                | (127,155)  | (184,006)  |
| Purchase of investment securities                            | -  | (10,116)   |
| Proceeds from sale of investment securities                  | -  | 9,004  |
| Payments for loans receivable                                | (500,000)  | -  |
| Payments of leasehold and guarantee deposits                 | (135,221)  | (32,978)   |
| Payments for acquisition of subsidiaries                     | -  | (43,837)   |
| Proceeds from refund of leasehold and guarantee deposits     | 101  | 9,562  |
| Purchase of investments accounted for using equity method    | -  | (18,915)   |
| Other  | 286  | 3,811  |
| Net cash provided by (used in) investing activities          | (789,014)  | (307,306)  |
| <b>Cash flows from financing activities</b>                  |  |  |
| Net increase (decrease) in short-term borrowings             | 1,333,332  | 102,142  |
| Proceeds from long-term borrowings                           | 762,000  | 213,666  |
| Repayments of long-term borrowings                           | (341,341)  | (428,479)  |
| Proceeds from issuance of bonds                              | -  | 200,000  |
| Repayments of lease liabilities                              | (36,203)   | (110,868)  |
| Proceeds from exercise of share acquisition rights           | 180,960  | 6,074  |
| Dividends paid   | (196,962)  | (213,230)  |
| Dividends paid to non-controlling interests                  | -  | (373)  |
| Other  | (430)  | (4,860)  |
| Net cash provided by (used in) financing activities          | 1,701,355  | (235,929)  |
| Effect of exchange rate changes on cash and cash equivalents | (420)  | (572)  |
| Net increase (decrease) in cash and cash equivalents         | 1,106,955  | (285,803)  |
| Cash and cash equivalents at beginning of period             | 6,393,530  | 7,822,725  |
| Increase in cash and cash equivalents by share exchanges     | 11,677   | -  |
| Cash and cash equivalents at end of period                   | 7,512,163  | 7,536,922  |

## **(5) Notes to Condensed Quarterly Consolidated Financial Statements**

### **Going Concern Assumption**

Not applicable.

### **Notes to Condensed Quarterly 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 three months ended September 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 condensed quarterly consolidated financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting pursuant to the provisions of Article 93 of Regulation on the Terminology, Forms, and Preparation Methods of Quarterly Consolidated Financial Statements (Cabinet Office Order No. 64 of 2007) because the Group qualifies as a "specified company complying with designated international accounting standards" as stipulated in Article 1-2 of the said Order. As the condensed quarterly consolidated financial statements for the period under review do not include all the information required in the consolidated financial statements for the fiscal year, they should be used in conjunction with the consolidated financial statements for the previous fiscal year.

The condensed quarterly consolidated financial statement was approved by Scala's Board of Directors on November 16, 2020.

##### (2) Basis of measurement

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

#### 3. Significant Accounting Policies

The significant accounting policies applied for the condensed quarterly consolidated financial statements for the period under review remain the same as those applied for the consolidated financial statements for the previous fiscal year.

#### 4. Significant Accounting Estimates and Judgments Involving Estimates

The preparation of the condensed quarterly consolidated financial statements 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 that have a material impact on the amounts reported in the condensed quarterly consolidated financial statements for the period under review in the same way as it did in the consolidated financial statements for the previous fiscal year.

## 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 and other items for each reportable segment

First three months of FY6/20 (Jul. 1, 2019 – Sep. 30, 2019)

(Thousands of yen)

|                                   | Reportable segment   |                 |                                |                                 |           |         | Other<br>(Note 1) | Adjustments<br>(Note 2) | Amounts<br>shown on<br>condensed<br>quarterly<br>consolidated<br>financial<br>statements<br>(Note 3) |
|-----------------------------------|----------------------|-----------------|--------------------------------|---------------------------------|-----------|---------|-------------------|-------------------------|--|
|                                   | SaaS/ASP<br>Business | SFA<br>Business | Field<br>Marketing<br>Business | Customer<br>Support<br>Business | Subtotal  |         |                   |                         |  |
| Revenue                           |                      |                 |                                |                                 |           |         |                   |                         |  |
| Sales to external customers       | 1,030,323            | 1,105,264       | 1,025,103                      | 549,080                         | 3,709,772 | 401,421 | -                 | 4,111,193               |  |
| Inter-segment sales and transfers | 13,344               | 9,317           | 485                            | 5,413                           | 28,560    | 9,029   | (37,589)          | -                       |  |
| Total                             | 1,043,668            | 1,114,581       | 1,025,588                      | 554,493                         | 3,738,332 | 410,451 | (37,589)          | 4,111,193               |  |
| Segment profit (loss)             | 115,402              | 90,878          | 72,988                         | 10,439                          | 289,709   | 16,985  | 119               | 306,814                 |  |
| Finance income                    |                      |                 |                                |                                 |           |         |                   | 4,706                   |  |
| Finance costs                     |                      |                 |                                |                                 |           |         |                   | (8,450)                 |  |
| Profit before tax                 |                      |                 |                                |                                 |           |         |                   | 303,070                 |  |

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 119 thousand yen adjustment to segment profit includes adjustment of non-current assets of 99 thousand yen and inventory adjustments of 20 thousand yen.

3. Segment profit (loss) is adjusted to be consistent with profit before tax recorded in the condensed quarterly 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.

| First three months of FY6/21 (Jul. 1, 2020 – Sep. 30, 2020) |                      |                 |                                |                                 |           |                   | (Thousands of yen)      |  |
|---|----------------------|-----------------|--------------------------------|---------------------------------|-----------|-------------------|-------------------------|--|
|   | Reportable segment   |                 |                                |                                 |           | Other<br>(Note 1) | Adjustments<br>(Note 2) | Amounts<br>shown on<br>condensed<br>quarterly<br>consolidated<br>financial<br>statements<br>(Note 3) |
|   | SaaS/ASP<br>Business | SFA<br>Business | Field<br>Marketing<br>Business | Customer<br>Support<br>Business | Subtotal  |                   |                         |  |
| Revenue   |                      |                 |                                |                                 |           |                   |                         |  |
| Sales to external customers                                 | 957,950              | 1,026,973       | 1,022,970                      | 546,811                         | 3,554,704 | 833,502           |                         | 4,388,207  |
| Inter-segment sales and transfers                           | 16,817               | 5,042           | 18                             | 13,605                          | 35,483    | 6,000             | (41,483)                | -  |
| Total   | 974,767              | 1,032,015       | 1,022,988                      | 560,416                         | 3,590,188 | 839,502           | (41,483)                | 4,388,207  |
| Segment profit (loss)                                       | (5,407)              | (107,712)       | 152,025                        | 14,294                          | 53,200    | 107,589           | (3,449)                 | 157,340  |
| Finance income  |                      |                 |                                |                                 |           |                   |                         | 6,146  |
| Finance costs   |                      |                 |                                |                                 |           |                   |                         | (13,779)   |
| Profit before tax   |                      |                 |                                |                                 |           |                   |                         | 149,707  |

- 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 consulting business, the human resources business, the system development business and the publishing business.
2. The (3,449) thousand yen adjustment to segment profit includes eliminations for inter-segment transactions and adjustment of intangible assets.
3. Segment profit (loss) is adjusted to be consistent with profit before tax recorded in the condensed quarterly 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.

## Material Subsequent Events

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 the 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.

Subsequently, the proposal on the share transfer was approved by a special resolution at the Annual General Meeting of Shareholders held on September 28, 2020, and C5-8 HD completed the tender offer on November 10, 2020.

### (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<br>(as of September 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 and equity ratio 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%)           |

### (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                     |
| Tender offer period                            | From September 29 to November 10, 2020 |
| Effective date of share consolidation          | February 2021 (plan)                   |
| Effective date of share transfer               | March 2021 (plan)                      |

*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.*