May 17, 2021

Consolidated Financial Results for the Third Quarter of the Fiscal Year Ending June 30, 2021 (Nine Months Ended March 31, 2021) [IFRS]

Company name:	Scala, Inc.	Listing: Tokyo Stock Exchange, First Section	
Stock code:	4845	URL: https://scalagrp.jp/	
Representative:	Norikatsu Nagino, Representative Director & President		
Contact:	Tomohiro Yamada, General Manager of Internal Control/Information Security Promotion Division Tel: +81-(0)3-6418-3960		

Scheduled date of filing of Quarterly Report: May 17, 2021
Scheduled date of payment of dividend: -
Preparation of supplementary materials for quarterly financial results: Yes
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 – March 31, 2021)

(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	%
Nine months ended Mar. 31, 2021	6,594	19.2	159	(46.9)	139	(51.5)	2,881	333.5	2,714	626.0
Nine months ended Mar. 31, 2020	5,530	-	300	-	288	-	664	(41.6)	373	(50.5)

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended Mar. 31, 2021	154.71	153.34
Nine months ended Mar. 31, 2020	21.53	21.29

Note: In the second quarter of the fiscal year ending June 30, 2021, the businesses that Scala's consolidated subsidiary SOFTBRAIN Co., Ltd. and its subsidiaries operate are classified as a discontinued operation.
The transfer of all shares of SOFTBRAIN held by Scala was complete in the third quarter. Accordingly, revenue, operating profit, and profit before tax in the above table present the amounts of those from continuing operations. Note that the year-on-year changes for the nine months ended March 31, 2020 are not presented since the figures for the period are also reclassified in the same manner. For details of the discontinued operations, please refer to "2. Condensed Quarterly Consolidated Financial Statements and Notes, (5) Notes to Condensed Quarterly Consolidated Financial Statements (Discontinued Operations)" on page 20 of Attachments.

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 3 of Attachments.

Consolidated Results of Operations (July 1, 2020 – March 31, 2021)

(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	%
Nine months ended Mar. 31, 2021	6,594	19.2	230	(43.9)	210	(47.1)	160	(79.3)	157	(67.4)
Nine months ended Mar. 31, 2020	5,530	-	411	-	398	-	775	(31.9)	484	(35.8)

Notes: 1. Revenue, operating profit, and profit before tax in the table above present the amounts of those from continuing operations. Note that the year-on-year changes for the nine months ended March 31, 2020 are not presented since the figures for the period are also reclassified in the same manner.
2. 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 110 million yen were deducted from the line items below operating profit in the nine months ended March 31, 2020.
3. Expenses incurred on the transfer of common shares of SOFTBRAIN Co., Ltd., Scala's consolidated subsidiary, expenses incurred on the relocation of the head office of Scala's subsidiary (consisting of retirement expenses for property, plant and equipment, etc.) of 71 million yen, and profit resulting from discontinued operation were deducted from the line items below operating profit for the nine months ended March 31, 2021.

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended Mar. 31, 2021	8.99	8.91
Nine months ended Mar. 31, 2020	27.90	27.59

3. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Jun. 30, 2020	-	14.00	-	14.00	28.00
Fiscal year ending Jun. 30, 2021	-	16.00	-		
Fiscal year ending Jun. 30, 2021 (forecasts)				18.00	34.00

Note: Revisions to the most recently announced dividend forecast: Yes
For more information, please refer to "Notice Regarding Revisions to Dividend Forecast (Dividend Increase)" on May 17, 2021 (Japanese version only).

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 to 12,000	-	100 to 500	-	100 to 500	-	2,700 to 3,100	-	2,700 to 3,100	-	154.19 to 177.04

Note: Revisions to the most recently announced consolidated forecast: None
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 Mar. 31, 2021	21,196	9,979	9,675	45.6	550.23
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): Yes

Excluded: 2 (SOFTBRAIN Co., Ltd., SOFTBRAIN FIELD Co., Ltd.)

(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 Mar. 31, 2021:	17,583,859 shares	As of Jun. 30, 2020:	17,509,859 shares

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

As of Mar. 31, 2021:	8 shares	As of Jun. 30, 2020:	8 shares

3) Average number of outstanding shares during the period

Nine months ended Mar. 31, 2021:	17,542,920 shares	Nine months ended Mar. 31, 2020:	17,365,700 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

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.

How to view supplementary materials for quarterly financial results

Supplementary materials for the quarterly financial results will be disclosed today (May 17, 2021) and available on the Company's website.

Contents of Attachments

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.

During the first nine months of the fiscal year ending June 30, 2021 (“the period under review”), significant changes in the business conducted by the Scala Group (Scala, Inc. and its affiliates) from that described in the securities report for the previous fiscal year are as follows.

Scala, Inc. (“the Company”) reclassified the businesses of SOFTBRAIN Co., Ltd., the Company’s consolidated subsidiary, and its subsidiaries, which were formerly included in SFA Business and Field Marketing Business, as a discontinued operation, in the second quarter of the current fiscal year. The transfer of all shares of SOFTBRAIN held by Scala was complete in the third quarter.

Accordingly, the Group has changed the reportable segment structure from the former four segments consisting of SaaS/ASP Business, SFA Business, Field Marketing Business, and Customer Support Business to the five segments consisting of IT/AI/IoT/DX Business, Customer Support Business, HR & Education Business, EC Business, and Incubation & Investment Business from the first half of the fiscal year ending June 30, 2021.

The segment structure before and after the change is as follows.

Comparison of Former and New Segment Structures

Former segments	Company name	New segments
SaaS/ASP Business	Scala Communications, Inc.	IT/AI/IoT/DX Business
	Scala Service, Inc.	
	Scala Next, Inc.	
	Connect Agency, Inc.	
	Scala, Inc.	Incubation & Investment Business
SFA Business	SOFTBRAIN Co., Ltd.	– (Discontinued Operation)
	SOFTBRAIN SERVICE Co. Ltd.	
	SOFTBRAIN INTEGRATION Co., Ltd.	
Field Marketing Business	SOFTBRAIN FIELD Co., Ltd.	
Customer Support Business	Leoconnect, Inc.	Customer Support Business
Other Businesses	SOFTBRAIN OFFSHORE Co., Ltd.	– (Discontinued Operation)
	Diamond Business Planning Inc.	
	Athlete Planning, Inc.	HR & Education Business
	FourHands, Inc.	
	Sports Stories, Inc.	
	Grit Group Holdings, Inc.	
	Retool, Inc.	IT/AI/IoT/DX Business
	Social Studio Inc.	
	Scala PLAYce, Inc.	EC Business
	Scala Partners, Inc.	Incubation & Investment Business
	J-Phoenix Research Inc.	
	SCL Capital LLC	
	SCSV-1 Investment Limited Partnership	

New Segments

New segments	Company name
IT/AI/IoT/DX Business	Scala Communications, Inc.
	Scala Service, Inc.
	Scala Next, Inc.
	Connect Agency, Inc.
	Retool, Inc.
	Social Studio Inc.
Customer Support Business	Leoconnect, Inc.
HR & Education Business	Athlete Planning, Inc.
	FourHands, Inc.
	Sports Stories, Inc.
	Grit Group Holdings, Inc.
EC Business	Scala PLAYce, Inc.
Incubation & Investment Business	Scala, Inc.
	Scala Partners, Inc.
	J-Phoenix Research Inc.
	SCL Capital LLC
	SCSV-1 Investment Limited Partnership

(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.

As a result, the Group reported revenue of 6,594 million yen (up 19.2% year on year) for the period under review.

Profits decreased due to the following reasons: aggressive investment toward the development of various new businesses such as intensive business activities to support corporate value creation leading to major digital transformation (DX) projects, creation of new services related to regional revitalization as well as organizational enhancement to promote international businesses; and the effects of the spread of the COVID-19 infection in HR & education business. As a result, the Group reported operating profit of 159 million yen (down 46.9%), profit before tax of 139 million yen (down 51.5%), and profit from continuing operations of 110 million yen (down 31.5%).

On the other hand, profit from discontinued operations was 2,770 million yen due to the booking of gain on sale of shares of subsidiaries as a result of selling SOFTBRAIN Co., Ltd., a consolidated subsidiary. Profit attributable to owners of parent therefore amounted to 2,714 million yen (up 626.0%).

In addition, in order to realize the medium-term business plan, the Group has been actively exploring and developing various new businesses, with a focus on the value co-creation management support business domain, the IT/AI/IoT-related business domain, and the social problem-solving business domain.

(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 nine months of the previous fiscal year, adjustments of 110 million yen 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).

During the period under review, adjustments were made for expenses incurred on the transfer of common shares of the Company’s consolidated subsidiary SOFTBRAIN Co., Ltd., expenses incurred on the relocation of the head office of the Company’s subsidiary (consisting of retirement expenses for property, plant and equipment, etc.) of 71 million yen and profit resulting from discontinued operation.

Business segment performance was as follows.

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

(i) IT/AI/IoT/DX Business

In this business segment, Scala Communications, Inc. and others have been introducing new mainstay services for communication support in remote work as large companies accelerate their adaptation to the “new normal,” and have also been making DX-related proposals to local governments.

Specifically, the site search engine “i-search” has been added to the official web pages of Chitose City in Hokkaido and Atsugi City in Kanagawa Prefecture, as well as to sites for tourism and sites aimed at attracting companies to the cities. In addition, a service that directs callers to the Web from an IVR system that answers the phone instead of an operator has been deployed by a major non-life insurance company and the Tohto Consumers’ Co-operative. Directing incoming calls to the Web via SMS improves UX and CX, and supports operator standardization. In addition, the digital gift service “i-gift” has been adopted by a welfare services company. In collaboration with QUO CARD Co., Ltd., we are implementing an effective digital marketing strategy by sending QUO Card Pay via bulk emails to customers’ smartphones and making their status visible.

Meanwhile, Connect Agency, Inc. has been pursuing collaboration with other CTI service vendors and has added call center solutions, including lines, softphones, and voice recognition, to its lineup and is now presenting proposals.

Social Studio Inc. is organizing and administering a body called “Workshop on the DX of local governments” to share knowledge and technologies with the aim of addressing issues faced by local governments through DX.

Also in this business segment, we have been tackling the corporate value creation of our client companies through combining the digital transformation (DX) support with the know-how owned by J-Phoenix Research Inc. on value co-creation management support including investor relations.

As a result, the segment revenue was 3,095 million yen (down 0.2% year on year). On the profitability front, segment profit was 789 million yen (down 12.2%) before allocation of corporate expenses, and 597 million yen (down 5.6%) after allocation of corporate expenses, due to active up-front investment for new businesses in the future: recruiting human resources for new businesses; promoting the recruitment of young talent with high entrepreneurship as well as promoting communication with ventures with young entrepreneurs.

(ii) Customer Support Business

In this business segment, Leoconnect, Inc., a service provider of customer support consulting operations, has been conducting sales activities while expanding the scope of its operations beyond just consulting focused on call centers to encompass consulting concerning all types of customer support, including directing customers to the Web. Although the impact of downsizing of call-center operations due to factors such as COVID-19 is continuing to be felt, the expansion in operational scope has led to an increase in inquiries from potential customers, and Leoconnect is now busy boosting its service delivery capacity ahead of the next term.

As a result, the business recorded segment revenue of 1,448 million yen (down 13.8% year on year), segment profit before allocation of corporate expenses of 27 million yen (down 53.7%), and segment loss after allocation of corporate expenses of 3 million yen (compared with segment profit of 19 million yen a year earlier).

Under the non-GAAP measures adjusted for Leoconnect, Inc.'s head office relocation expenses (including retirement expenses for property, plant and equipment), segment profit before allocation of corporate expenses was 40 million yen (down 33.0% year on year), and segment profit after allocation of corporate expenses was 8 million yen (down 55.1%).

(iii) HR & Education Business

In this business segment, Athlete Planning, Inc. provides recruitment support for new graduates and mid-career recruits, specialized for athletic students in high demand, as well as planning and operation of related events such as joint information sessions and career seminars. The company also offers a recruitment support service called *Joshi-kyari* (which literally means career for women) designed specifically for female students. With the ever-changing hiring practices, the company is endeavoring to develop recruiting services with higher added value for both job seekers and hiring companies.

FourHands, Inc. provides high-added-value, proprietary childcare and educational services such as *Minna no Hoikuen* (which literally means a nursery school for everyone), international preschool Universal Kids, UK Academy for school children to foster international awareness, and after-school day service Largo KIDS. FourHands is also collaborating and cooperating with other companies and industries that are involved in community development.

Sports Stories, Inc. is engaged in the sports school business for children, including a baseball school Fine'Z, a soccer school BEAUT, a basketball school DANKERZ, and a school teaching Ballschule, a German word with a meaning of ball school and is also involved in the planning and management of sports events. The company also provides online sports education.

Grit Group Holdings, Inc. assists with the recruitment of foreign talent. Although there are still restrictions on movement due to the impact of COVID-19, the need for foreign personnel to support the frontline of nursing care is expected to continue to expand. The company regards this need as business opportunity, and is therefore pursuing sales activities and reinforcing its capabilities.

COVID-19 has made it difficult to organize events at which people interact face to face, but we have kept the impact to a minimum with alternatives that utilize the Web and other means. And at the same time, we are engaged in sales activities and augmenting our capabilities in anticipation of a recovery in demand.

As a result, the business recorded segment revenue of 1,020 million yen, segment loss before allocation of corporate expenses of 120 million yen, and segment loss after allocation of corporate expenses of 212 million yen.

Under the non-GAAP measures adjusted for subsidiary head office relocation expenses (consisting of retirement expenses for property, plant and equipment, etc.), segment loss before allocation of corporate expenses was 89 million yen, and segment loss after allocation of corporate expenses was 180 million yen.

(iv) EC Business

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. As a leading online shop in the TCG industry, the company has been continuously refining its services. As part of the efforts, the company particularly focused on ongoing improvements to its in-house production systems (both front-end and back-end) and digital marketing, including SEO.

As a result, the EC business recorded revenue of 973 million yen (up 34.1% year on year), segment profit before allocation of corporate expenses of 158 million yen (up 67.8%), and segment profit after allocation of corporate expenses of 131 million yen (up 94.9%) for the period under review.

(v) Incubation & Investment Business

The segment covers business investments and businesses related to regional revitalization in collaboration with municipalities implemented by the Company, and businesses by J-Phoenix Research Inc., which engaged with activities including investment discovery, investments execution and engagement that will lead to creation of corporate value. Furthermore, Scala Partners, Inc., implements new business development, and businesses related to regional revitalization, such as immigration support service from the perspective of the residents. Investments together with the related activities, such as those for value increase of the investee companies and engagement activities are also implemented under an engagement fund named SCSV-1 Investment Limited Partnership, which is a value co-creation engagement fund managed by SCL Capital LLC.

Under this structure, we will aim at establishing an organization to provide one-stop and seamless services across the Group that cover activities from investment discovery to investment execution, management support for corporate value creation, support for DX promotion and investor relations activities in order to enhance shareholders value, and eventually acquiring a competitive edge that can hardly be imitated by rival firms.

Moreover, as a service business related to regional revitalization, we launched an SDGs-focused, Reverse Solicitation Proposal service, which is a business co-created and developed with Public dots & Company Co., Ltd. As its first project, a plan on the theme of “realization of a safer traffic environment and society” was announced in cooperation with E.design Insurance Co., Ltd., and entries were received from five local governments, of which we selected the proposals from two local governments, Kobe City and Hino Town, Shiga Prefecture. A second project was adopted by WirelessGate, Inc., and we have begun soliciting proposals from local governments across Japan for plans that will lead to the “realization of a society overflowing with creativity.” By connecting with motivated local governments and companies through Reverse Solicitation Proposal, we expect to provide project consulting, project management, and information technology. We are aiming to further develop Reverse Solicitation Proposal and monetize it as a specific scheme for sharing risk with a big enterprise in nurturing a new business.

Additionally, Scala Partners, Inc., is actively building co-creative relationships with partner companies through the operation of *KomfortaWorkation*, a facility introduction website intended to meet workation-related needs. For example, it is proposing “a new working style that is not constrained by where to work,” as well as developing a service called “You can learn anywhere,” which enables children under compulsory education to learn at any place by utilizing online classes. Furthermore, with the state of emergency continuing due to the COVID-19 pandemic, and with the aim of creating opportunities for children to experience society, we have launched a website titled *Shigoto no Tobira* (which literally means the door to work), which offers online social studies excursions through video. This website is a product of a joint project undertaken by Gakken Kids Net (operated by ONE PUBLISHING Co., Ltd.), a content portal site for elementary and junior high school students, and KIDS Challenge EXPO (operated by General Incorporated Foundation Jinsen Shidokai and Scala Partners, Inc.), the goal of which is to achieve regional revitalization through education and industry. Going forward, we will aim at further growing by rolling out the services that will orient people toward “a new lifestyle,” “a new work style” and “a new learning style.”

SCL Capital LLC has been endeavoring to boost the value of SCSV-1 Investment Limited Partnership, a value co-creation engagement fund, through its administration and membership of the Partnership by, for example, providing IR support and promoting digital transformation at ARCHITECTS STUDIO JAPAN INC., from which it had subscribed shares of the Partnership through a third-party allotment.

As mentioned above, we are aggressively operating and developing new businesses with a potential of generating substantial revenue in the future. However, revenue increase through these businesses is set as a medium-term goal. As a result, the segment revenue was 57 million yen (up 134.3% year on year) with segment loss before allocation of corporate expenses of 98 million yen (compared with segment loss of 106 million yen a year earlier) and segment loss after allocation of corporate expenses of 200 million yen (compared with segment loss of 264 million yen a year earlier), due primarily to increased upfront investment costs, such as development costs, personnel expenses and other expenses for the sake of future growth.

In terms of the non-GAAP measures adjusted for expenses incurred on the transfer of common shares of SOFTBRAIN Co., Ltd., the Company’s consolidated subsidiary, segment loss before allocation of corporate expenses was 71 million yen (compared with segment profit of 4 million yen a year earlier) and segment loss after allocation of corporate expenses was 173 million yen (compared with segment loss of 153 million yen a year earlier).

(2) Explanation of Financial Position

Assets

Total assets amounted to 21,196 million yen at the end of the period under review, a decrease of 3,716 million yen over the end of the previous fiscal year. This was mainly due to an increase of 4,405 million yen in cash and cash equivalents due to the transfer of shares of SOFTBRAIN, which was more than offset by a decrease of 2,035 million yen in trade and other receivables, and a decrease of 5,136 million yen in goodwill, all of which also arose from the exclusion of SOFTBRAIN from consolidation.

Liabilities

Liabilities totaled 11,216 million yen, a decrease of 3,353 million yen over the end of the previous fiscal year. This was mainly due to a decrease of 1,562 million yen in trade and other payables, a decrease of 529 million yen in bonds and borrowings under non-current liabilities, a decrease of 176 million yen in lease liabilities under current liabilities, and a decrease of 840 million yen in lease liabilities under non-current liabilities, all of which also arose from the exclusion of SOFTBRAIN from consolidation.

Equity

Equity totaled 9,979 million yen, a decrease of 363 million yen over the end of the previous fiscal year. This was mainly due to an increase of 25 million yen in share capital through the issuance of new shares for restricted stock compensation and the exercise of share acquisition rights, etc., an increase of 2,714 million yen in profit attributable to owners of parent, a decrease of 2,761 million yen in change in scope of consolidation of non-controlling interests, an increase of 167 million yen in profit attributable to non-controlling interests, and a decrease of 526 million yen in retained earnings due to dividend payments.

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

The Group maintains its consolidated forecast for the fiscal year ending June 30, 2021 that was announced on November 16, 2020.

2. Condensed Quarterly Consolidated Financial Statements and Notes

(1) Condensed Quarterly Consolidated Statement of Financial Position

(Thousands of yen)

	FY6/20 (As of Jun. 30, 2020)	Third quarter of FY6/21 (As of Mar. 31, 2021)
Assets		
Current assets		
Cash and cash equivalents	7,822,725	12,228,262
Trade and other receivables	3,456,765	1,421,407
Inventories	200,857	220,212
Other current assets	300,469	1,698,730
Total current assets	11,780,818	15,568,612
Non-current assets		
Property, plant and equipment	706,048	460,880
Right-of-use assets	2,774,055	1,810,416
Goodwill	7,086,427	1,949,745
Intangible assets	1,242,517	173,436
Securities related to investment business	-	76,422
Other financial assets	1,149,298	1,001,704
Deferred tax assets	162,314	150,152
Other non-current assets	11,442	4,730
Total non-current assets	13,132,103	5,627,488
Total assets	24,912,921	21,196,101

(Thousands of yen)

	FY6/20 (As of Jun. 30, 2020)	Third quarter of FY6/21 (As of Mar. 31, 2021)
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	2,319,295	756,343
Bonds and borrowings	4,798,660	4,801,890
Lease liabilities	526,892	350,646
Income taxes payable	101,543	22,000
Other current liabilities	421,882	338,096
Total current liabilities	8,168,274	6,268,977
Non-current liabilities		
Bonds and borrowings	3,833,691	3,304,012
Lease liabilities	2,372,223	1,532,095
Deferred tax liabilities	60,926	35,746
Other non-current liabilities	134,635	75,857
Total non-current liabilities	6,401,476	4,947,712
Total liabilities	14,569,751	11,216,689
Equity		
Equity attributable to owners of parent		
Share capital	1,721,239	1,746,565
Capital surplus	902,874	923,886
Retained earnings	4,634,951	6,822,773
Treasury shares	(9)	(9)
Other components of equity	143,932	181,860
Total equity attributable to owners of parent	7,402,989	9,675,077
Non-controlling interests	2,940,181	304,334
Total equity	10,343,170	9,979,411
Total liabilities and equity	24,912,921	21,196,101

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

Condensed Quarterly Consolidated Statement of Income

(Thousands of yen)

	First nine months of FY6/20 (Jul. 1, 2019 – Mar. 31, 2020)	First nine months of FY6/21 (Jul. 1, 2020 – Mar. 31, 2021)
Continuing operations		
Revenue	5,530,564	6,594,121
Cost of sales	(3,441,239)	(3,851,273)
Gross profit	2,089,324	2,742,848
Selling, general and administrative expenses	(1,782,071)	(2,635,967)
Other income	20,576	122,273
Other expenses	(27,137)	(46,978)
Operating profit (loss) before gains/losses on securities related to investment business	300,692	182,175
Gains/losses on securities related to investment business	-	(22,547)
Operating profit	300,692	159,628
Finance income	14,192	18,216
Finance costs	(26,512)	(38,093)
Profit before tax	288,373	139,750
Income tax expense	(126,568)	(28,882)
Profit from continuing operations	161,805	110,868
Discontinued operations		
Profit from discontinued operations	503,019	2,770,842
Profit	664,824	2,881,710
Profit attributable to		
Owners of parent	373,847	2,714,083
Non-controlling interests	290,977	167,626
Profit	664,824	2,881,710
Earnings per share		
Basic earnings per share (Yen)		
Continuing operations	8.10	6.18
Discontinued operations	13.43	148.53
Diluted earnings per share (Yen)		
Continuing operations	8.01	6.13
Discontinued operations	13.28	147.21

Condensed Quarterly Consolidated Statement of Comprehensive Income

(Thousands of yen)

	First nine months of FY6/20 (Jul. 1, 2019 – Mar. 31, 2020)	First nine months of FY6/21 (Jul. 1, 2020 – Mar. 31, 2021)
Profit	664,824	2,881,710
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	(8,316)	38,203
Total other comprehensive income, net of tax	(8,316)	38,203
Comprehensive income	656,507	2,919,914
Comprehensive income attributable to		
Owners of parent	365,618	2,754,273
Non-controlling interests	290,889	165,640
Comprehensive income	656,507	2,919,914

(3) Condensed Quarterly Consolidated Statement of Changes in Equity

First nine months of FY6/20 (Jul. 1, 2019 – Mar. 31, 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	-	-	373,847	-	-	373,847
Total other comprehensive income	-	-	-	-	(8,228)	(8,228)
Comprehensive income	-	-	373,847	-	(8,228)	365,618
Share-based remuneration transactions	-	17,000	-	-	-	17,000
Share-based remuneration transactions of subsidiaries	-	-	-	-	-	-
Dividends	-	-	(448,757)	-	-	(448,757)
Issuance of new shares	17,000	222,365	-	-	-	239,365
Issuance of share acquisition rights	-	-	-	-	629	629
Exercise of share acquisition rights	95,513	95,513	-	-	(1,983)	189,043
Acquisition and disposal of non-controlling interests	-	1,598	-	-	-	1,598
Total transactions with owners	112,513	336,476	(448,757)	-	(1,353)	(1,120)
Balance as of Mar. 31, 2020	1,720,501	892,753	4,687,630	(9)	74,214	7,375,090

	Non-controlling interests	Total equity
Balance as of Jul. 1, 2019	2,597,677	9,608,270
Profit	290,977	664,824
Total other comprehensive income	(88)	(8,316)
Comprehensive income	290,889	656,507
Share-based remuneration transactions	-	17,000
Share-based remuneration transactions of subsidiaries	(18,268)	(18,268)
Dividends	(124,593)	(573,350)
Issuance of new shares	-	239,365
Issuance of share acquisition rights	-	629
Exercise of share acquisition rights	-	189,043
Acquisition and disposal of non-controlling interests	4,940	6,539
Total transactions with owners	(137,921)	(139,042)
Balance as of Mar. 31, 2020	2,750,644	10,125,735

First nine months of FY6/21 (Jul. 1, 2020 – Mar. 31, 2021)

(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	-	-	2,714,083	-	-	2,714,083
Total other comprehensive income	-	-	-	-	40,190	40,190
Comprehensive income	-	-	2,714,083	-	40,190	2,754,273
Increase (decrease) by business combination	-	-	-	-	-	-
Change in scope of consolidation	-	-	-	-	-	-
Share-based remuneration transactions	15,147	8,499	-	-	-	23,646
Share-based remuneration transactions of subsidiaries	-	-	-	-	-	-
Dividends	-	-	(526,261)	-	-	(526,261)
Exercise of share acquisition rights	10,179	10,179	-	-	(279)	20,080
Forfeiture of share acquisition rights	-	1,983	-	-	(1,983)	-
Acquisition and disposal of non-controlling interests	-	348	-	-	-	348
Total transactions with owners	25,326	21,011	(526,261)	-	(2,262)	(482,185)
Balance as of Mar. 31, 2021	1,746,565	923,886	6,822,773	(9)	181,860	9,675,077

	Non-controlling interests	Total equity
Balance as of Jul. 1, 2020	2,940,181	10,343,170
Profit	167,626	2,881,710
Total other comprehensive income	(1,986)	38,203
Comprehensive income	165,640	2,919,914
Increase (decrease) by business combination	4,900	4,900
Change in scope of consolidation	(2,761,838)	(2,761,838)
Share-based remuneration transactions	-	23,646
Share-based remuneration transactions of subsidiaries	(46,011)	(46,011)
Dividends	-	(526,261)
Exercise of share acquisition rights	-	20,080
Forfeiture of share acquisition rights	-	-
Acquisition and disposal of non-controlling interests	1,462	1,811
Total transactions with owners	(2,801,487)	(3,283,673)
Balance as of Mar. 31, 2021	304,334	9,979,411

(4) Condensed Quarterly Consolidated Statement of Cash Flows

(Thousands of yen)

	First nine months of FY6/20 (Jul. 1, 2019 – Mar. 31, 2020)	First nine months of FY6/21 (Jul. 1, 2020 – Mar. 31, 2021)
Cash flows from operating activities		
Profit before tax	288,373	139,750
Profit (loss) before tax from discontinued operations	733,697	2,855,389
Depreciation and amortization	666,925	837,574
Loss on disposal of non-current assets	37,257	41,380
Gains (losses) on securities related to investment business	-	22,547
Loss (gain) on investments in securities	-	(4,797)
Gain on sale of shares of subsidiaries	-	(2,435,747)
Finance income	(14,331)	(18,633)
Finance costs	28,421	40,374
Decrease (increase) in trade and other receivables	(105,788)	452,032
Increase (decrease) in trade and other payables	(209,981)	489,773
Decrease (increase) in inventories	(32,882)	(59,477)
Other	(49,842)	(70,682)
Subtotal	1,341,848	2,289,486
Interest and dividends received	5,282	8,929
Interest paid	(23,584)	(36,599)
Income taxes refund (paid)	(685,486)	(1,752,777)
Net cash provided by (used in) operating activities	638,060	509,038
Cash flows from investing activities		
Purchase of property, plant and equipment	(263,280)	(76,660)
Purchase of intangible assets	(381,209)	(619,715)
Purchase of investment securities	(42,420)	(109,086)
Proceeds from sale of investment securities	-	49,253
Payments for loans receivable	(500,460)	(460)
Collection of loans receivable	-	4,251
Payments of leasehold and guarantee deposits	(251,371)	(34,709)
Proceeds from refund of leasehold and guarantee deposits	81,689	32,241
Payments for acquisition of subsidiaries	-	(70,000)
Purchase of investments accounted for using equity method	-	(18,915)
Proceeds from sale of shares of subsidiaries resulting in change in scope of consolidation	-	5,652,058
Other	(2,033)	(1,079)
Net cash provided by (used in) investing activities	(1,359,085)	4,807,178

(Thousands of yen)

	First nine months of FY6/20 (Jul. 1, 2019 – Mar. 31, 2020)	First nine months of FY6/21 (Jul. 1, 2020 – Mar. 31, 2021)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	1,489,999	419,038
Proceeds from long-term borrowings	1,212,000	740,492
Repayments of long-term borrowings	(1,132,081)	(1,292,994)
Redemption of bonds	(220,000)	(220,000)
Proceeds from issuance of bonds	150,000	350,000
Repayments of lease liabilities	(127,647)	(432,475)
Proceeds from exercise of share acquisition rights	189,043	55,274
Proceeds from issuance of share acquisition rights	629	-
Dividends paid	(445,921)	(521,407)
Dividends paid to non-controlling interests	(120,532)	(659)
Other	(9,164)	(5,938)
Net cash provided by (used in) financing activities	986,324	(908,671)
Effect of exchange rate changes on cash and cash equivalents	(165)	(2,008)
Net increase (decrease) in cash and cash equivalents	265,134	4,405,536
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	6,670,342	12,228,262

Note: Cash flows from continuing operations and cash flows from discontinued operations are included in the above table.
Cash flows from discontinued operations are described in Note (Discontinued Operations).

(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://scalagrp.jp/).

Scala's consolidated financial statements for the nine months ended March 31, 2021 encompass Scala and the Group's interests in Scala's subsidiaries.

The Group mainly provides SaaS/ASP services supporting communications between corporations and individuals through the operations of IT/AI/IoT/DX Business, Customer Support Business, HR & Education Business, EC Business, and Incubation & Investment Business.

For more information, please refer to "Segment Information, (1) Overview of reportable segments in Notes to Condensed Quarterly Consolidated Financial Statements. In the second quarter of the fiscal year ending June 30, 2021, the businesses that Scala's consolidated subsidiary SOFTBRAIN Co., Ltd. and its subsidiaries operate are classified as a discontinued operation. The transfer of all shares of SOFTBRAIN held by Scala was complete in the third quarter. For more information, please refer to "Discontinued Operations" and "Transfer of stock of subsidiary" in Notes to Condensed Quarterly Consolidated Financial Statements.

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 May 17, 2021.

(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.

(4) Reclassifications

Profit or loss from businesses reclassified as a discontinued operation is presented on the condensed quarterly consolidated statement of income as the amount, net of income tax expense, below "Profit from continuing operations." For businesses reclassified as a discontinued operation, partial reclassifications were made on the condensed quarterly consolidated statement of income for the first nine months and the third quarter of the previous fiscal year, the condensed quarterly consolidated statement of cash flows for the first nine months of the previous fiscal year, and relevant notes to condensed quarterly consolidated financial statements.

Cash flows from operating activities, cash flows from investing activities, and cash flows from financing activities for the condensed quarterly consolidated statement of cash flows are presented as the totals of cash flows arising from both continuing operations and discontinued operations.

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 except for the following items.

It is noted that income tax expense for the period under review is determined based on the estimated annual effective tax rate.

Discontinued Operations

The Group recognizes as a discontinued operation a component of an entity that either has been disposed of, or is classified as held for sale, and

- represents a separate major line of business or geographical area of operations,
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations or
- is a subsidiary acquired exclusively with a view to resale.

The post-tax gain or loss on the discontinued operation and that recognized on the disposal of the disposal groups constituting the discontinued operation is presented as “Profit (loss) from discontinued operations” separately from continuing operations in the condensed quarterly consolidated statement of income with the disclosures for the prior period being restated accordingly.

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.

During the second quarter, the businesses operated by Scala's consolidated subsidiary SOFTBRAIN Co., Ltd. and its subsidiaries, which were included in SFA Business and Field Marketing Business, have been reclassified as a discontinued operation and excluded from the segment information for the first nine months of the previous and current fiscal years.

The Group changed its reportable segment structure from the four segments consisting of SaaS/ASP Business, SFA Business, Field Marketing Business, and Customer Support Business to the five segments consisting of IT/AI/IoT/DX Business, Customer Support Business, HR & Education Business, EC Business, and Incubation & Investment Business.

- The IT/AI/IoT/DX Business promotes digital transformation (DX) through AI, IT, and IoT and proactively facilitates cooperation with different industries and partners who have expertise in relevant technology, with the primary objective of establishing new businesses and services, and redefining existing businesses, and speeding up regrowth to promote DX inside and outside Japan.
- 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.
- The HR & Education Business offers recruitment support specialized for athletic students, support for childcare facilities, sports education for children, and foreign personnel placement in the nursing care field.
- The EC Business operates a reuse e-commerce site for buying and selling trading cards games (TCG), which also contains game walkthrough pages.
- The Incubation & Investment Business provides support for new business development working with private companies in coordination with governments and municipalities, and offers regional revitalization services through projects such as ones promoting relocations to rural areas. In addition, the Incubation & Investment Business makes investment on businesses and investment through associations or other organizations, while continuing value increase and engagement activities on such investment.

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

First nine months of FY6/20 (Jul. 1, 2019 – Mar. 31, 2020) (Thousands of yen)

	Reportable segment					Adjustments (Note 1)	Amounts shown on condensed quarterly consolidated financial statements (Note 4)
	IT/AI/IoT/DX Business	Customer Support Business	EC Business	Incubation & Investment Business	Subtotal		
Revenue							
Sales to external customers	3,100,088	1,680,315	725,647	24,512	5,530,564	-	5,530,564
Inter-segment sales and transfers	2,818	25,548	-	-	28,366	(28,366)	-
Total	3,102,906	1,705,864	725,647	24,512	5,558,931	(28,366)	5,530,564
Segment profit (loss)	632,801	19,810	67,589	(264,344)	455,857	(155,164)	300,692
Finance income							14,192
Finance costs							(26,512)
Profit before tax							288,373

Notes: 1. The (155,164) thousand yen adjustment to segment profit includes elimination for inter-segment transactions of 2,335 thousand yen and corporate expenses allocated to discontinued operations of (157,500) thousand yen, categorized as a discontinued operation.

2. From the second quarter, the Group has changed the method for allocating corporate expenses to assess each segment performance more appropriately and allocate them to each segment based on a rational basis. The figures of the first nine months of the previous fiscal year are presented as the amount that reflects this change.

3. In connection with the classification of the SFA Business and the Field Marketing Business as discontinued

operations, the amounts in the segment information by business category is presented as the amounts reclassified to reflect continuing operations, which excludes the amounts from discontinued operations. For more information about discontinued operations, please refer to “Discontinued Operations” in Notes to Condensed Quarterly Consolidated Financial Statements.

4. Segment profit (loss) is adjusted to be consistent with profit before tax recorded in the condensed quarterly consolidated statement of income.
5. Transfer prices between operating segments are on an arm’s length basis in a manner similar to transactions with third parties.

First nine months of FY6/21 (Jul. 1, 2020 – Mar. 31, 2021) (Thousands of yen)

	Reportable segment						Adjustments (Note 1)	Amounts shown on condensed quarterly consolidated financial statements (Note 4)
	IT/AI/IoT/ DX Business	Customer Support Business	HR & Education Business	EC Business	Incubation & Investment Business	Subtotal		
Revenue								
Sales to external customers	3,095,014	1,448,311	1,020,210	973,156	57,429	6,594,121	-	6,594,121
Inter-segment sales and transfers	24,088	37,686	6,747	-	18	68,540	(68,540)	-
Total	3,119,103	1,485,997	1,026,957	973,156	57,447	6,662,662	(68,540)	6,594,121
Segment profit (loss)	597,672	(3,596)	(212,037)	131,738	(200,545)	313,230	(153,602)	159,628
Finance income								18,216
Finance costs								(38,093)
Profit before tax								139,750

Notes: 1. The (153,602) thousand yen adjustment to segment profit includes elimination for inter-segment transactions of 3,897 thousand yen and corporate expenses allocated to discontinued operations of (157,500) thousand yen, categorized as a discontinued operation.
2. Corporate expenses are allocated to each reportable segment based on a rational basis.
3. In connection with the classification of the SFA Business and the Field Marketing Business as discontinued operations, the amounts in the segment information by business category is presented as the amounts reclassified to reflect continuing operations, which excludes the amounts from discontinued operations. For more information about discontinued operations, please refer to “Discontinued Operations” in the Notes to Condensed Quarterly Consolidated Financial Statements.
4. Segment profit (loss) is adjusted to be consistent with profit before tax recorded in the condensed quarterly consolidated statement of income.
5. Transfer prices between operating segments are on an arm’s length basis in a manner similar to transactions with third parties.

Discontinued Operations

During the second quarter, the businesses operated by Scala's consolidated subsidiary SOFTBRAIN Co., Ltd. and its subsidiaries have been reclassified as a discontinued operation. Those figures for the first nine months of the previous fiscal year are re-presented as discontinued operations.

(1) Discontinued operations performance

(Thousands of yen)

	First nine months of FY6/20 (Jul. 1, 2019 – Mar. 31, 2020)	First nine months of FY6/21 (Jul. 1, 2020 – Mar. 31, 2021)
Profit or loss from discontinued operations		
Revenue	7,326,726	9,515,125
Expense	(6,593,029)	(6,659,735)
Profit before tax from discontinued operations	733,697	2,855,389
Income tax expense	(230,678)	84,547
Profit from discontinued operations	503,019	2,770,842

Note: Revenue in the first nine months of the FY6/21 includes gain on sale of shares of subsidiaries of 2,435,747 thousand yen resulting from transfer of all shares of SOFTBRAIN Co., Ltd.

(2) Cash flows from discontinued operations

(Thousands of yen)

	First nine months of FY6/20 (Jul. 1, 2019 – Mar. 31, 2020)	First nine months of FY6/21 (Jul. 1, 2020 – Mar. 31, 2021)
Cash flows from discontinued operations		
Cash flows from operating activities	489,180	(2,545,805)
Cash flows from investing activities	(453,792)	5,094,289
Cash flows from financing activities	(375,770)	260,507
Effect of exchange rate changes on cash and cash equivalents	515	(1,206)
Total	(339,867)	2,807,784

Transfer of Subsidiary's Shares

First nine months of FY6/21 (Jul. 1, 2020 – Mar. 31, 2021)

(1) Summary of business combinations

On March 22, 2021, the Company sold all of its shares in SOFTBRAIN Co., Ltd., which had been a consolidated subsidiary, and thus lost control over the company.

(2) Value received and assets and liabilities involving the loss of control

(Thousands of yen)

	First nine months of FY6/21
Value Received	10,545,954
Component of assets and liabilities when the control is lost	
Goodwill	5,207,192
Other non-current assets	2,688,339
Cash and cash equivalents	4,817,531
Other current assets	4,710,664
Non-current liabilities	(808,216)
Current liabilities	(5,819,830)
Non-controlling interests	(2,761,838)
Associated expenses on sale of subsidiary	(76,364)
Gain on sale of shares of subsidiaries	2,435,747

(3) Changes of cash and cash equivalents on the sale of shares of a subsidiary

(Thousands of yen)

	First nine months of FY6/21
Value received	10,545,954
Value received by cash	10,545,954
Associated expenses on the sale of shares of a subsidiary	(76,364)
Cash and cash equivalent held when the control is lost	(4,817,531)
Change in cash and cash equivalent on the sale of shares of a subsidiary	5,652,058

Material Subsequent Events

Not applicable.

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.