

November 14, 2023

## Consolidated Financial Results for the First Quarter of the Fiscal Year Ending June 30, 2024 (Three Months Ended September 30, 2023) [IFRS]

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 Scheduled date of filing of Quarterly Report: November 14, 2023  
 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 under IFRS and Non-GAAP Measures

Consolidated Results of Operations (July 1, 2023–September 30, 2023)

(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	%
(IFRS)										
Three months ended Sep. 30, 2023	2,796	(5.0)	(102)	–	(115)	–	(114)	–	(104)	–
Three months ended Sep. 30, 2022	2,945	–	85	–	71	–	51	–	51	–
(Non-GAAP)										
Three months ended Sep. 30, 2023	2,796	(5.0)	(97)	–	(110)	–	(110)	–	(102)	–
Three months ended Sep. 30, 2022	2,945	–	86	–	71	–	42	–	44	–

	IFRS		Non-GAAP	
	Basic earnings per share	Diluted earnings per share	Basic earnings per share	Diluted earnings per share
	Yen	Yen	Yen	Yen
Three months ended Sep. 30, 2023	(6.04)	(6.04)	(5.89)	(5.89)
Three months ended Sep. 30, 2022	2.96	2.95	2.54	2.53

Notes: 1. In the fourth quarter of the fiscal year ended June 30, 2023, both Connect Agency, Inc., a consolidated subsidiary, and J-Phoenix Research Inc., a consolidated subsidiary, were classified as discontinued operations. In the fourth quarter of the fiscal year ended June 30, 2023, the transfer of all shares of Connect Agency, Inc., held by Scala, was completed. In the first quarter of the fiscal year ending June 30, 2024, the transfer of all shares of J-Phoenix Research Inc., held by Scala, was also completed.

Accordingly, revenue, operating profit, and profit before tax for the three months ended September 30, 2022 were reclassified by deducting the amounts of those from discontinued operations from the amounts of those from continuing operations. Because of this, these year-on-year changes are not presented.

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 18 of Attachments.

2. Under non-GAAP measures, for adjustment, gains/losses on securities related to investment business were deducted from the line items below operating profit, and profit from discontinued operations was deducted from the line items below profit.

3. For details of the non-GAAP measures, please refer to “1. Qualitative Information on Quarterly Consolidated Financial Performance (1) Explanation of Results of Operations” on page 2 of Attachments.

### 2. 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, 2023	18,481	7,597	7,350	39.8	423.88
As of Jun. 30, 2023	18,316	8,089	7,832	42.8	451.84

### 3. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Jun. 30, 2023	–	18.50	–	18.50	37.00
Fiscal year ending Jun. 30, 2024	–				
Fiscal year ending Jun. 30, 2024 (forecasts)		18.75	–	18.75	37.50

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

### 4. Consolidated Earnings Forecast for the Fiscal Year Ending June 30, 2024 under IFRS (July 1, 2023–June 30, 2024)

(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	12,800	1.2	650	150.4	620	165.1	430	–	420	–	24.24

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

#### \* 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 issued (common shares)

- 1) Number of shares issued as of the end of the period (including treasury shares)
  - As of Sep. 30, 2023: 17,740,359 shares As of Jun. 30, 2023: 17,734,259 shares
- 2) Number of treasury shares as of the end of the period
  - As of Sep. 30, 2023: 400,008 shares As of Jun. 30, 2023: 400,008 shares
- 3) Average number of shares outstanding during the period
  - Three months ended Sep. 30, 2023: 17,334,847 shares Three months ended Sep. 30, 2022: 17,340,568 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 (November 14, 2023) and available on the Scala's website.

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## 1. Qualitative Information on Quarterly Consolidated Financial Performance

Scala, Inc. (“Scala” or the “Company”) and its group companies (collectively 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.

In the fourth quarter of the fiscal year ended June 30, 2023, both Connect Agency, Inc. and J-Phoenix Research Inc. were classified as discontinued operations.

Accordingly, revenue, operating profit, and profit before tax for the three months ended September 30, 2022 were reclassified by deducting the amounts of those from the discontinued operations from the amounts of those from continuing operations.

### (1) Explanation of Results of Operations

During the first quarter of the fiscal year ending June 30, 2024, the Japanese economy showed a gradual recovery due to the normalization of economic activities, as movement restrictions were eased in line with the reclassification of COVID-19 to Class 5 (the same category as common infectious diseases such as seasonal influenza) by the government. However, we still have an uncertain outlook on the economy due to concern over the uncertain prospects for rising geopolitical risk in the Eastern Europe and Middle East, surge of crude oil and raw material prices, and the global monetary tightening.

Under such circumstances, the use of cutting-edge technologies for digital transformation (DX) is accelerated to reduce costs and to streamline operations for the creation of a new work style. Along with that, initiatives to promote personal growth of people who are involved in addressing social problems are attracting a lot of attention, emphasizing the growth of not only the Company, but also our co-creation partner companies, communities, and the country.

In such business environment, the Group will aim to become a “a platform for human growth focusing on providing growth opportunities” over the mid- to long- term in the Medium Term Business Plan 2024–2026 announced in August 2023. The Group has aimed to realize its Vision: the world where valuable things come springing up by helping create a cycle of empathy and co-creation among people by providing opportunities that allow everyone to grow and demonstrate their abilities even under an uncertain environment. In addition, we have worked to achieve the objectives stated in the Plan by providing services to companies, central and local governments in Japan and overseas.

As a result, the Group reported revenue of 2,796 million yen (down 5.0% year on year) for the period under review. This decrease was due to impacts caused by the end of the Go To Travel Campaign and the scale-down of the government’s nationwide travel discount program mainly in the DX Business though EC Business continued steady growth.

On the profitability front, the Group reported operating loss of 102 million yen (compared with operating profit of 85 million yen a year earlier). This result can be explained mainly by decrease in revenue in the DX Business and continued upfront investments including marketing costs for development of new products in the Financial Related Business. It can also be explained by upfront investment costs due to the continued aggressive activities such as intensive business activities leading to the Medium Term Business Plan, creation of new services related to regional revitalization, and organizational enhancement to promote international businesses.

Loss before tax amounted to 115 million yen (compared with profit before tax of 71 million yen a year earlier). As a result of recording loss from discontinued operations, etc. of 0 million yen, loss amounted to 114 million yen (compared with profit of 51 million yen a year earlier), and loss attributable to owners of parent amounted to 104 million yen (compared with profit attributable to owners of parent of 51 million yen a year earlier).

(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.

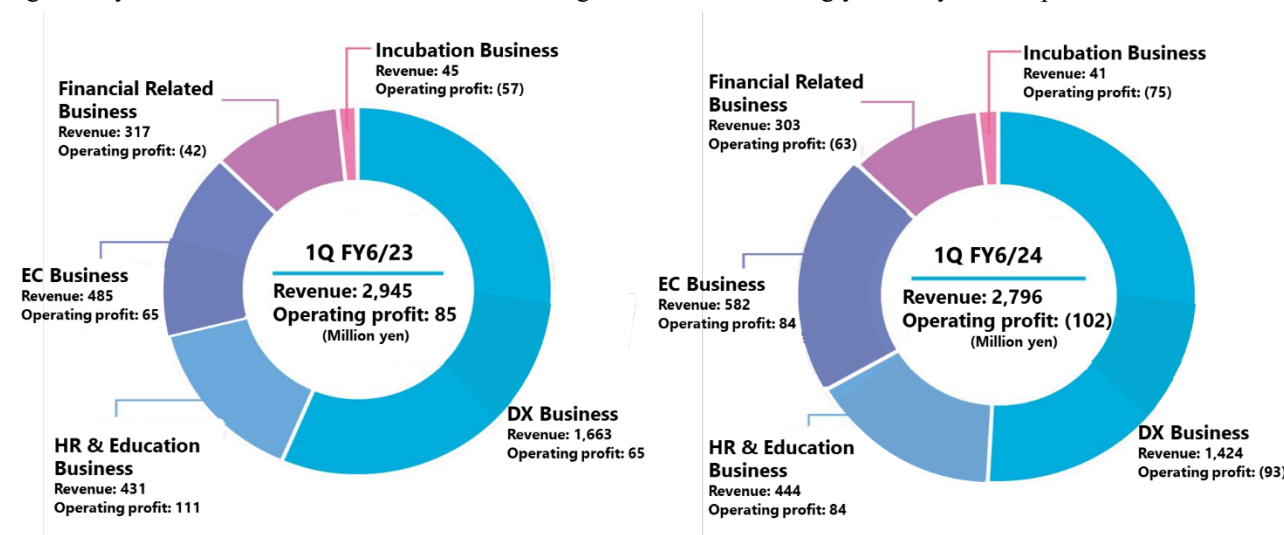
While the Group discloses the non-GAAP measures in reference to the rules set out by the U.S. Securities and Exchange Commission, this does not mean the Group fully complies with these rules.

For adjustment, profit or loss on securities related to investment business were deducted from operating profit and the line items below it, and profit from discontinued operations was deducted from profit and line items below it.

Business segment performance is as follows.

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

In the first quarter of the fiscal year ending June 30, 2024, reportable segments were reclassified. Accordingly, figures a year earlier were reclassified in a new segment in the following year-on-year comparison.



#### (i) DX Business

In this business segment, Scala Communications, Inc. and EGG CO., LTD. as main players continued working for major companies, local governments, the central government, and government agencies by providing planning and system development of new services for promoting DX as well as proposal, introduction support and provision of the existing SaaS/ASP services.

As one of the major projects, EGG CO., LTD. has released a frailty check application with a project management system as the frailty prevention project for Yonago City in Tottori Prefecture. This system allows the results of the frailty check conducted using the application to be shared between the local government and private operators. It is designed for nursing care project to enable the reservation for exercise and other classes for elderly citizens who are determined to be frail and the input of actual results, as well as the reimbursement of outsourcing expenses of services to private operators. Going forward, we aim to horizontally expand such project to other local governments through the initiatives. Furthermore, we have been commissioned to conduct a trial operation of watching over the elderly people living in prefectural housing and of an emergency call system. We examine the possibility of expanding the services across the city of Yonago. In the hometown tax donation program, BPO operations was the main contributor to sales, as last-minute applications increased due to changes in the rules of the program starting from October 1, 2023. We also handle "Local Government My Page," a service of one-stop online application for hometown tax donation provided by our business partner, Shift-Seven Consulting Inc. We have received applications for the service from multiple municipalities and expanded the corresponding operations.

Scala Communications, Inc. has started full-scale operation of driving safety support system for connected cars as

telematics service, which is provided to automobile manufacturers by Sampo Japan Insurance Inc. This business has contributed to an increase in fixed monthly sales. In addition, we have decided to develop additional online platform for real estate sales contracts, which will be co-created with Shinoken Group Co., Ltd. Going forward, we will sell the platform to external customers as a SaaS product.

Other existing services are also being introduced, including the FAQ management system “i-ask” for QQEnglish Co., Ltd., For needs Co., Ltd., and others, the website search service “i-search” for MICROWAVE Inc. and others, and the microservice platform “GEAR-S” for Sampo Japan Insurance Inc. We have also started to provide “i-ask with ChatGPT,” which equips “i-ask” with the linkage function with ChatGPT, to streamline FAQ management.

Scala Service, Inc. has successfully launched and been running the call center operation for an e-commerce site started in July at Okinawa call center. We are enhancing sales activities to win similar contracts by leveraging our track records of operations. We also have made progress in a proposal for the package of services combining BPO operations and the Group’s IT services for local governments and expect to win contracts in the second quarter.

As described above, revenue and profit declined due to the end of the Go To Travel Campaign and the scale-down of the government’s nationwide travel discount program although we have promoted the introduction of our services to local governments and the development of DX services for major companies.

(Millions of yen, unless otherwise stated)

		First three months of FY6/23	First three months of FY6/24	Year-on-year change	
				Amount	%
Revenue		1,663	1,424	(239)	Down 14.4%
Segment profit (IFRS and non- GAAP measures)	Before allocation of corporate expenses	230	70	(159)	Down 69.3%
	After allocation of corporate expenses	65	(93)	(158)	–

#### (ii) HR & Education Business

This business mainly consists of the following services: (1) recruitment support services for new graduates and mid-career hires, specialized for athletic students and female students, as well as for the planning and operation of related events such as joint company information sessions and career seminars; (2) childcare and educational services, which engage in opening and operations of facilities 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 Largo KIDS after-school day service focusing on athletic activities; and (3) sports education services, which engage in planning and operations of sports school for children including baseball, soccer, basketball, and Ballschule (which literally means “ball school”) and sports events.

In the recruitment support service, we are receiving more inquiries for the overall service than in previous average years due to companies’ continuous high willingness to recruit new employees due to the labor shortage and companies’ efforts to promote the advancement of female personnel and strengthen their training.

In the childcare and educational services, the number of children enrolled in Universal Kids Bangkok is increasing steadily.

In the sports education services, the Company will promote businesses with the government sports administration in cooperation with the national and local governments, with increasing members in our basketball schools against the background of the recent upsurge of sports.

As a result, profit declined due to strengthening of structure for ongoing growth of existing businesses and new business development although revenue increased year-on-year.

(Millions of yen, unless otherwise stated)

		First three months of FY6/23	First three months of FY6/24	Year-on-year change	
				Amount	%
Revenue		431	444	12	Up 2.9%
Segment profit (IFRS and non- GAAP measures)	Before allocation of corporate expenses	126	98	(27)	Down 21.8%
	After allocation of corporate expenses	111	84	(27)	Down 24.7%

## (iii) EC Business

The EC business operates a reuse e-commerce site for buying and selling trading cards games (TCG), which also contains game walkthrough pages. Both revenue and profit remained strong at a level significantly higher than the previous fiscal year, as the efforts for digital marketing including SEO and data feed advertising paid off. In addition, the Android app released at the beginning of 2023 are steadily gaining users. In September 2023, we completely redesigned our website to open a new site. Going forward, we will actively consider introducing cutting-edge technologies to design and provide comfortable UI/UX.

(Millions of yen, unless otherwise stated)

		First three months of FY6/23	First three months of FY6/24	Year-on-year change	
				Amount	%
Revenue		485	582	97	Up 20.1%
Segment profit (IFRS and non- GAAP measures)	Before allocation of corporate expenses	81	100	19	Up 23.6%
	After allocation of corporate expenses	65	84	19	Up 29.2%

## (iv) Financial Related Business

This business operates the pet insurance “Insurance for Dogs and Cats.” The pet insurance market in Japan shows a trend of increase, and the market is expected to continue growing significantly because of the policyholder ratio being low compared with Europe and the United States, which implies the market has room for further growth.

In this context, we are working on branding and establishing brand awareness as well as expanding our sales channels by providing generous coverage without restrictions on daily amount of compensation and annual claiming frequency.

In addition, we are developing new products so that pet owners who previously could not afford to purchase a pet insurance policy in terms of prices or other conditions can choose a plan that suits them, in order to ensure more safe and secure environment for valued pets to meet needs of a broad range of customers. Through these measures, we have worked to create a system that generates stable profits aiming significant increase in new insurance contracts.

As a result, we suffered a decrease in profit due to a temporary increase in provision of reserves in accordance with a change in share ceded in reinsurance in April 2023 for the future launch of new products although revenue remained the same level.

(Millions of yen, unless otherwise stated)

		First three months of FY6/23	First three months of FY6/24	Year-on-year change	
				Amount	%
Revenue		317	303	(14)	Down 4.6%
Segment profit (IFRS and non- GAAP measures)	Before allocation of corporate expenses	(33)	(54)	(21)	–
	After allocation of corporate expenses	(42)	(63)	(21)	–

## (v) Incubation Business

The segment covers business investments by the Company and development and promotion of services under a new form of public-private co-creation collaboration among the central government, local governments, and private companies, which is promoted by SOCIALX, INC. Furthermore, Scala Partners, Inc. implements new business development, and promotes the work-style reform of companies and regional revitalization through workcation. Investments together with the related activities, such as those for value increase of the investee companies, 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.

SOCIALX, INC. supports the creation of new businesses for addressing social problems in public-private co-creation through a variety of Gyaku Propo services. Continuing from the previous fiscal year, the company provides secretariat operations and accompanying supports for business development to solve social issues for the

Small and Medium Enterprise Agency’s program—Project for Business Introduction and Startup Promotion by Collaboration of Local Governments and Companies. In September, we were selected as an entity of the Tokyo Metropolitan Government’s “TOKYO SUTEAM” project to enhance the local startup ecosystem by a wide variety of entities. This project aims to achieve 10x10x10 (10 times the number of unicorns from Tokyo, 10 times the number of startups created in Tokyo, and 10 times the number of collaborative practices by the TMG in 5 years). We will support the creation and development of startups for solving social problems to balance financial benefits and social impacts by leveraging our “Public-Private Co-creation Acceleration Program (SOCIALX Acceleration)” we have developed for this project. We will deliver SOCIALX Acceleration to business companies and CVC entities in the future and have also received interest from prefectures about this program. Through Gyaku Propo services, TOKYU CORPORATION recruited local governments that would participate in a demonstration experiment to study a new system to provide mutual assistance in communities in the “Resident Collaboration DX” project and received entries from many local governments. As a step in our initiatives under “the Agreement on Regional Circular Coexistence toward Decarbonizing” with Itami City, Hannan City, and Iinan Town, we transacted social credits among the local governments to achieve the carbon neutrality of the new Itami City Hall. Hirotaka Ito, Representative Director of SOCIALX, INC. gave a speech at a seminar for local governments and companies hosted by Kyushu Bureau of Economy, Trade and Industry and Kyushu Open Innovation Center to aim for developing case examples through public-private co-creation collaboration in Kyushu. We will hold workshops for local governments and companies in Kyushu and a debrief meeting about initiatives in the future. We are continuing new challenges to establish co-creation economy attracting the Government and other organizations.

Scala Partners, Inc. has worked on, through the operation of workcation services for corporations, addressing companies’ challenges on the promotion of remote working, establishing a workshop and verifying the effect of workcation in collaboration with college institutions, and developing content for training and training camp programs targeting companies by leveraging the concept of workcation. We concluded a comprehensive partnership agreement with local governments and joined Japan Workcation Association to build relationship with experts and companies and to enhance relationship with local communities and companies. As such, services are being further strengthened. After the reclassification of COVID-19 to Class 5, monetization is in progress in response to increases in the number of companies that have introduced workcation systems as well as increasing contracts of projects for workcation monitoring tours hosted by local governments.

In addition, the Company also provides collaborative M&A advisory service and execution support service as Specially Appointed Task Force for M&A to listed companies in the information and communication industries by combining the experience in M&A and the Group’s DX expertise. In the period under review, we mainly provided support services on sourcing highly requested by clients and found potential sellers with a high response rate by using our experience to directly approach to seller candidates.

Consequently, revenue is gradually expanding by making active efforts for new businesses, however, revenue and profit decreased due to a delay in recording sales for a medium-sized project on business process reengineering (BPR) of local governments.

(Millions of yen, unless otherwise stated)

		First three months of FY6/23	First three months of FY6/24	Year-on-year change	
				Amount	%
Revenue		45	41	(4)	Down 9.7%
Segment profit (IFRS)	Before allocation of corporate expenses	(55)	(73)	(17)	–
	After allocation of corporate expenses	(57)	(75)	(17)	–
Segment profit (Non-GAAP measures)	Before allocation of corporate expenses	(55)	(68)	(12)	–
	After allocation of corporate expenses	(56)	(69)	(12)	–



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

### Assets

Total assets amounted to 18,481 million yen at the end of the period under review, an increase of 165 million yen over the end of the previous fiscal year. This was mainly attributable to an increase of 563 million yen in cash and cash equivalents due to borrowings, which was partially offset by decreases of 189 million yen in trade and other receivables and 130 million yen in right-of-use assets.

### Liabilities

Liabilities totaled 10,884 million yen, an increase of 657 million yen over the end of the previous fiscal year. This was mainly attributable to an increase of 810 million yen in bonds and borrowings, which was partially offset by a decrease of 141 million yen in lease liabilities.

### Equity

Equity totaled 7,597 million yen, a decrease of 492 million yen over the end of the previous fiscal year. This was mainly due to the recording of loss attributable to owners of parent of 104 million yen and a decrease in the retained earnings due to the payment of dividends of 320 million yen.

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

The Group maintains its consolidated forecast for the fiscal year ending June 30, 2024 that was announced in the “Consolidated Financial Results for the Fiscal Year Ended June 30, 2023” on August 14, 2023.

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

(Thousands of yen)

	FY6/23 (As of Jun. 30, 2023)	First quarter of FY6/24 (As of Sep. 30, 2023)
<b>Assets</b>		
Current assets		
Cash and cash equivalents	7,740,400	8,304,077
Trade and other receivables	1,384,649	1,195,501
Inventories	322,902	415,562
Reinsurance assets	528,151	499,742
Income taxes receivable	135,447	134,002
Other current assets	101,370	129,248
Assets held for sale	67,827	–
Total current assets	10,280,749	10,678,136
Non-current assets		
Property, plant and equipment	541,743	515,708
Right-of-use assets	1,844,243	1,713,872
Goodwill	1,990,895	1,990,895
Intangible assets	1,164,502	1,156,532
Other financial assets	1,448,298	1,372,093
Securities related to investment business	346,864	341,554
Deferred tax assets	691,195	705,531
Other non-current assets	8,025	7,315
Total non-current assets	8,035,767	7,803,504
Total assets	18,316,517	18,481,640
<b>Liabilities and equity</b>		
Liabilities		
Current liabilities		
Trade and other payables	813,638	821,813
Bonds and borrowings	3,215,156	3,611,027
Lease liabilities	565,165	559,344
Income taxes payable	83,186	923
Insurance contract liabilities	592,749	608,197
Other current liabilities	420,680	490,294
Liabilities directly associated with assets held for sale	14,589	–
Total current liabilities	5,705,166	6,091,600
Non-current liabilities		
Bonds and borrowings	2,787,649	3,201,893
Lease liabilities	1,326,734	1,190,754
Deferred tax liabilities	255,533	248,242
Other non-current liabilities	151,973	151,736
Total non-current liabilities	4,521,891	4,792,626
Total liabilities	10,227,058	10,884,226
Equity		
Equity attributable to owners of parent		
Share capital	1,787,880	1,789,432
Capital surplus	986,384	987,936
Retained earnings	5,162,735	4,737,269
Treasury shares	(299,966)	(299,966)
Other components of equity	195,234	135,484
Total equity attributable to owners of parent	7,832,267	7,350,155
Non-controlling interests	257,191	247,258
Total equity	8,089,459	7,597,413
Total liabilities and equity	18,316,517	18,481,640

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

(Thousands of yen)

	First three months of FY6/23 (Jul. 1, 2022–Sep. 30, 2022)	First three months of FY6/24 (Jul. 1, 2023–Sep. 30, 2023)
Continuing operations:		
Revenue	2,945,370	2,796,640
Cost of sales	(1,716,337)	(1,642,614)
Gross profit	1,229,032	1,154,025
Selling, general and administrative expenses	(1,158,072)	(1,253,063)
Other income	16,058	1,687
Other expenses	(420)	(165)
Operating profit (loss) before gains/losses on securities related to investment business	86,599	(97,515)
Gains/losses on securities related to investment business	(641)	(5,309)
Operating profit (loss)	85,957	(102,825)
Finance income	65	72
Finance costs	(14,986)	(12,623)
Profit (loss) before tax	71,036	(115,376)
Income tax expense	(29,403)	794
Profit (loss) from continuing operations	41,633	(114,582)
Discontinued operations:		
Profit (loss) from discontinued operations	9,470	(133)
Profit (loss)	51,103	(114,716)
Profit (loss) attributable to:		
Owners of parent	51,302	(104,782)
Non-controlling interests	(199)	(9,933)
Profit (loss)	51,103	(114,716)
Earnings (loss) per share:		
Basic earnings (loss) per share (Yen)		
Continuing operations	2.52	(6.04)
Discontinued operations	0.44	(0.01)
Total	2.96	(6.04)
Diluted earnings (loss) per share (Yen)		
Continuing operations	2.51	(6.04)
Discontinued operations	0.43	(0.01)
Total	2.95	(6.04)

**Condensed Quarterly Consolidated Statement of Comprehensive Income**

(Thousands of yen)

	First three months of FY6/23 (Jul. 1, 2022–Sep. 30, 2022)	First three months of FY6/24 (Jul. 1, 2023–Sep. 30, 2023)
Profit (loss)	51,103	(114,716)
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	6,406	(61,511)
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	–	1,803
Other comprehensive income	6,406	(59,707)
Comprehensive income	57,510	(174,423)
Comprehensive income attributable to:		
Owners of parent	57,709	(164,490)
Non-controlling interests	(199)	(9,933)
Comprehensive income	57,510	(174,423)

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

First three months of FY6/23 (Jul. 1, 2022–Sep. 30, 2022)

(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, 2022	1,778,718	965,568	6,016,133	(174,187)	101,175	8,687,408
Profit (loss)	–	–	51,302	–	–	51,302
Total other comprehensive income	–	–	–	–	6,406	6,406
Comprehensive income	–	–	51,302	–	6,406	57,709
Dividends	–	–	(314,453)	–	–	(314,453)
Exercise of share acquisition rights	2,544	2,544	–	–	(69)	5,020
Share-based payment transactions	–	5,082	–	–	–	5,082
Purchase of treasury shares	–	–	–	(125,779)	–	(125,779)
Changes in ownership interest in subsidiaries	–	588	–	–	–	588
Total transactions with owners	2,544	8,215	(314,453)	(125,779)	(69)	(429,542)
Balance as of Sep. 30, 2022	1,781,263	973,783	5,752,982	(299,966)	107,512	8,315,575

	Non-controlling interests	Total equity
Balance as of Jul. 1, 2022	318,844	9,006,252
Profit (loss)	(199)	51,103
Total other comprehensive income	–	6,406
Comprehensive income	(199)	57,510
Dividends	–	(314,453)
Exercise of share acquisition rights	–	5,020
Share-based payment transactions	–	5,082
Purchase of treasury shares	–	(125,779)
Changes in ownership interest in subsidiaries	(2,590)	(2,002)
Total transactions with owners	(2,590)	(432,132)
Balance as of Sep. 30, 2022	316,054	8,631,630

First three months of FY6/24 (Jul. 1, 2023–Sep. 30, 2023)

(Thousands of yen)

	Equity attributable to owners of parent					Total equity attributable to owners of parent
	Share capital	Capital surplus	Retained earnings	Treasury shares	Other components of equity	
Balance as of Jul. 1, 2023	1,787,880	986,384	5,162,735	(299,966)	195,234	7,832,267
Profit (loss)	–	–	(104,782)	–	–	(104,782)
Total other comprehensive income	–	–	–	–	(59,707)	(59,707)
Comprehensive income	–	–	(104,782)	–	(59,707)	(164,490)
Dividends	–	–	(320,683)	–	–	(320,683)
Exercise of share acquisition rights	1,552	1,552	–	–	(42)	3,062
Total transactions with owners	1,552	1,552	(320,683)	–	(42)	(317,621)
Balance as of Sep. 30, 2023	1,789,432	987,936	4,737,269	(299,966)	135,484	7,350,155

	Non-controlling interests	Total equity
	Balance as of Jul. 1, 2023	257,191
Profit (loss)	(9,933)	(114,716)
Total other comprehensive income	–	(59,707)
Comprehensive income	(9,933)	(174,423)
Dividends	–	(320,683)
Exercise of share acquisition rights	–	3,062
Total transactions with owners	–	(317,621)
Balance as of Sep. 30, 2023	247,258	7,597,413

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

(Thousands of yen)

	First three months of FY6/23 (Jul. 1, 2022–Sep. 30, 2022)	First three months of FY6/24 (Jul. 1, 2023–Sep. 30, 2023)
<b>Cash flows from operating activities</b>		
Profit (loss) before tax	71,036	(115,376)
Profit (loss) before tax from discontinued operations	11,222	(112)
Depreciation and amortization	198,271	200,477
Loss (gain) on securities related to investment business	641	5,309
Loss (gain) on sale of investment securities	–	(3,531)
Finance income	(172)	(106)
Finance costs	11,812	11,064
Decrease (increase) in trade and other receivables	(18,270)	196,022
Increase (decrease) in trade and other payables	(37,118)	25,494
Decrease (increase) in inventories	(123,647)	(96,399)
Decrease (increase) in reinsurance assets	(106,450)	28,408
Increase (decrease) in insurance contract liabilities	3,166	15,447
Other	56,259	19,822
Subtotal	66,750	286,520
Interest and dividends received	1,458	1,166
Interest paid	(9,647)	(8,825)
Income taxes refund (paid)	(91,753)	(80,080)
Net cash provided by (used in) operating activities	(33,192)	198,780
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(57,259)	(19,756)
Purchase of intangible assets	(6,783)	(27,710)
Proceeds from sale of investment securities	–	9,414
Collection of loans receivable	–	24,925
Payments of leasehold and guarantee deposits	(10,339)	(7,358)
Proceeds from refund of leasehold and guarantee deposits	308	–
Payments for sale of shares of subsidiaries resulting in change in scope of consolidation	–	(1,724)
Purchase of investments accounted for using equity method	(42,807)	–
Other	3	(690)
Net cash provided by (used in) investing activities	(116,878)	(22,900)

(Thousands of yen)

	First three months of FY6/23 (Jul. 1, 2022–Sep. 30, 2022)	First three months of FY6/24 (Jul. 1, 2023–Sep. 30, 2023)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	233,332	233,332
Proceeds from long-term borrowings	600,000	1,000,000
Repayments of long-term borrowings	(388,861)	(405,035)
Redemption of bonds	(20,000)	(20,000)
Repayments of lease liabilities	(136,171)	(142,442)
Proceeds from exercise of share acquisition rights	5,020	3,062
Purchase of treasury shares	(125,779)	–
Dividends paid	(275,055)	(295,018)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(2,002)	–
Net cash provided by (used in) financing activities	(109,517)	373,898
Effect of exchange rate changes on cash and cash equivalents	(3,126)	(1,455)
Net increase (decrease) in cash and cash equivalents	(262,715)	548,323
Cash and cash equivalents at beginning of period	9,625,387	7,740,400
Net increase (decrease) in cash and cash equivalents resulting from transfer to assets held for sale	–	15,352
Cash and cash equivalents at end of period	9,362,672	8,304,077

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 Notes to Condensed Quarterly Consolidated Financial Statements (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://scalagr.jp/>).

Scala's consolidated financial statements for the three months ended September 30, 2023 encompass Scala and its interests in Scala's subsidiaries.

The Group aims to develop a "platform for human growth focusing on providing growth opportunities" and works on the operations of DX Business, HR & Education Business, EC Business, Financial Related Business, and Incubation Business, mainly focusing on services supporting communication between companies and people.

For more information, please refer to "Segment Information, (1) Overview of reportable segments."

#### 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 14, 2023.

##### (2) 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. Material accounting policy information

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

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

#### 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 financial information disaggregated by similarity of nature of services is available and are regularly reviewed to make decisions about allocations of corporate resources and assess their performance.

The businesses operated by Scala Works, Inc., Connect Agency, Inc., and J-Phoenix Research Inc. have been classified as discontinued operations and excluded from the segment information of the HR & Education Business, DX Business, and Incubation Business, respectively.

- The DX Business promotes digital transformation (DX) through IT, AI, 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, redefining existing businesses, and speeding up regrowth to promote DX inside and outside Japan. This business provides SaaS/ASP services using IT (Web, phone, fax, SMS related technologies)/AI/IoT technologies to meet customer needs flexibly and quickly. It also 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 recruiting support for new graduates and mid-career employees focusing on physical education students and professional athletes, infant education and sports education to support children to foster personality, and operation of a professional basketball team.
- The EC Business operates Yuyu-Tei, a reuse EC site for buying and selling trading cards games (TCG) for battle-type games, which also contains game walkthrough pages.
- The Financial Related Business operates pet insurance "Insurance for Dogs and Cats" that covers medical expenses incurred on treatment of sick or injured pets, such as visit, stay, or surgery at an animal hospital. Medical expenses for pets are to be covered up to the amount limit or within a certain range.
- The Incubation Business engages in M&A and alliance with other companies. It also provides support for new business development working with private companies in coordination with governments and municipalities across the nation, and offers regional revitalization services through projects such as those for promoting relocations to rural areas. In addition, it makes business investments on its own or through investment partnerships, while continuing value increase and engagement activities on such investment.

### (2) Changes in reportable segments

With the announcement of the Medium-term Business Plan on August 14, 2023, the Company has included the former "Customer Support Business" in the "DX Business" segment effective from the first quarter of the current fiscal year, taking into account the similarity of nature of services. In addition, to reflect the operating performance of each reportable segment more appropriately, the method of presentation has been changed: revenue and expenses in the back-office section of the filing company, which were previously allocated to the Incubation & Investment Business, are presented as adjustments.

Accordingly, the reportable segments have been reorganized from the six segments of IT/AI/IoT/DX Business, Customer Support Business, HR & Education Business, EC Business, Insurance Business, and Incubation & Investment Business to the five segments of DX Business, HR & Education Business, EC Business, Financial Related Business, and Incubation Business to better represent the business activities.

Segment information for the first quarter of the previous fiscal year is presented based on the revised segmentation.

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

First three months of FY6/23 (Jul. 1, 2022–Sep. 30, 2022)

(Thousands of yen)

	Reportable segment						Adjustments (Note 1)	Amounts shown on condensed quarterly consolidated financial statements (Note 2)
	DX Business	HR & Education Business	EC Business	Financial Related Business	Incubation Business	Subtotal		
Revenue								
Sales to external customers	1,663,967	431,667	485,256	317,533	45,856	2,944,282	1,088	2,945,370
Inter-segment sales and transfers	8,025	4,363	–	–	4,751	17,140	(17,140)	–
Total	1,671,992	436,030	485,256	317,533	50,608	2,961,422	(16,051)	2,945,370
Segment profit (loss)	65,272	111,646	65,649	(42,764)	(57,412)	142,391	(56,434)	85,957
Finance income	–	–	–	–	–	–	–	65
Finance costs	–	–	–	–	–	–	–	(14,986)
Profit (loss) before tax	–	–	–	–	–	–	–	71,036

- Notes: 1. The (56,434) thousand yen adjustment to segment profit includes the elimination of inter-segment transactions and the corporate expenses that are not allocated to each reportable segment.
2. Segment profit (loss) is adjusted to be consistent with operating profit presented in the condensed quarterly consolidated statement of income.
3. Corporate expenses are allocated to each reportable segment based on a rational basis.
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 FY6/24 (Jul. 1, 2023–Sep. 30, 2023)

(Thousands of yen)

	Reportable segment						Adjustments (Note 1)	Amounts shown on condensed quarterly consolidated financial statements (Note 2)
	DX Business	HR & Education Business	EC Business	Financial Related Business	Incubation Business	Subtotal		
Revenue								
Sales to external customers	1,424,661	444,194	582,687	303,051	41,417	2,796,012	627	2,796,640
Inter-segment sales and transfers	1,292	9,309	–	–	11,090	21,692	(21,692)	–
Total	1,425,954	453,503	582,687	303,051	52,507	2,817,705	(21,065)	2,796,640
Segment profit (loss)	(93,432)	84,076	84,849	(63,985)	(75,016)	(63,509)	(39,316)	(102,825)
Finance income	–	–	–	–	–	–	–	72
Finance costs	–	–	–	–	–	–	–	(12,623)
Profit (loss) before tax	–	–	–	–	–	–	–	(115,376)

- Notes: 1. The (39,316) thousand yen adjustment to segment profit includes the elimination of inter-segment transactions and the corporate expenses that are not allocated to each reportable segment.
2. Segment profit (loss) is adjusted to be consistent with operating profit presented in the condensed quarterly consolidated statement of income.
3. Corporate expenses are allocated to each reportable segment based on a rational basis.
4. Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

## Discontinued Operations

The Company classified Scala Works, Inc., a consolidated subsidiary, as discontinued operations in the fiscal year ended June 30, 2022. The liquidation of the company was completed in the third quarter of the fiscal year ended June 30, 2023. The Company also classified Connect Agency, Inc. and J-Phoenix Research Inc., both consolidated subsidiaries, as discontinued operations in the fourth quarter of the fiscal year ended June 30, 2023. The transfer of all shares of Connect Agency, Inc. was completed in the fourth quarter of the fiscal year ended June 30, 2023 and J-Phoenix Research Inc. in the first quarter of the fiscal year ending June 30, 2024.

Capital gains/losses from the transfer of the shares were recorded in profit (loss) from discontinued operations.

### (1) Discontinued operations performance

	(Thousands of yen)	
	First three months of FY6/23 (Jul. 1, 2022–Sep. 30, 2022)	First three months of FY6/24 (Jul. 1, 2023–Sep. 30, 2023)
Profit or loss from discontinued operations		
Revenue	101,514	4,821
Expenses	(90,292)	(4,933)
Profit (loss) before tax from discontinued operations	11,222	(112)
Income tax expense	(1,752)	(21)
Profit (loss) from discontinued operations	9,470	(133)

### (2) Cash flows from discontinued operations

	(Thousands of yen)	
	First three months of FY6/23 (Jul. 1, 2022–Sep. 30, 2022)	First three months of FY6/24 (Jul. 1, 2023–Sep. 30, 2023)
Cash flows from discontinued operations		
Cash flows from operating activities	40,608	5,623
Cash flows from investing activities	(342)	9,414
Cash flows from financing activities	(2,112)	(579)
Total	38,153	14,458

## 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.*