

**Consolidated Financial Results for the Fiscal Year Ended June 30, 2023 [IFRS]**

Company name:	Scala, Inc.	Listing:	Tokyo Stock Exchange
Stock code:	4845	URL:	<a href="https://scalagr.jp/">https://scalagr.jp/</a>
Representative:	Norikatsu Nagino, Director, Representative Executive Officer & President		
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Scheduled date of Annual General Meeting of Shareholders:	September 25, 2023		
Scheduled date of filing of Annual Securities Report:	September 25, 2023		
Scheduled date of payment of dividend:	September 26, 2023		
Preparation of supplementary materials for financial results:	Yes		
Holding of financial results meeting:	Yes (for institutional investors and analysts)		

(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, 2022–June 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)										
Fiscal year ended Jun. 30, 2023	12,644	32.1	259	–	233	–	(213)	–	(218)	–
Fiscal year ended Jun. 30, 2022	9,569	–	(191)	–	(210)	–	(526)	–	(523)	–
(Non-GAAP)										
Fiscal year ended Jun. 30, 2023	12,644	32.1	256	429.3	230	689.9	105	–	107	–
Fiscal year ended Jun. 30, 2022	9,569	–	48	–	29	–	(7)	–	(17)	–

	IFRS		Non-GAAP	
	Basic earnings per share	Diluted earnings per share	Basic earnings per share	Diluted earnings per share
	Yen	Yen	Yen	Yen
Fiscal year ended Jun. 30, 2023	(12.62)	(12.64)	6.18	6.16
Fiscal year ended Jun. 30, 2022	(29.66)	(29.66)	(0.98)	(0.98)

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

Fiscal year ended Jun. 30, 2023: (2) Fiscal year ended Jun. 30, 2022: (1)

Notes: 1. In the fourth quarter of the fiscal year ended June 30, 2022, Scala Works, Inc., a consolidated subsidiary, was classified as discontinued operations following the resolution on its dissolution and liquidation. The liquidation of the company was completed in the third quarter of the fiscal year ended June 2023.

In the fourth quarter of the fiscal year ended June 30, 2023, the transfer of all shares of Connect Agency, Inc., a consolidated subsidiary, held by Scala was completed. The transfer of all shares of J-Phoenix Research Inc., a consolidated subsidiary, held by Scala was also resolved, and a share transfer agreement was executed. As a result, both companies were classified as discontinued operations.

Accordingly, revenue, operating profit, and profit before tax for the fiscal year ended June 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 “3. Consolidated Financial Statements and Notes, (5) Notes to Consolidated Financial Statements (Discontinued Operations)” on page 20 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. Under non-GAAP measures, in addition to the above Note 2, expenses incurred on M&A and the relocation of the head office of Scala’s subsidiaries, an impairment loss on goodwill, etc. of 172 million yen were deducted from the line items below operating profit for the fiscal year ended June 30, 2022.

In addition to the above Note 2, impairment losses on fixed assets, etc. of 34 million yen were deducted from the line items below operating profit for the fiscal year ended June 30, 2023.

4. For details of the non-GAAP measures, please refer to “1. Overview of Results of Operations, (1) 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 Jun. 30, 2023	18,316	8,089	7,832	42.8	451.84
As of Jun. 30, 2022	20,816	9,006	8,687	41.7	497.29

### 3. Consolidated Cash Flows under IFRS

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Million yen	Million yen	Million yen	Million yen
Fiscal year ended Jun. 30, 2023	601	(214)	(2,250)	7,740
Fiscal year ended Jun. 30, 2022	2,048	(1,893)	(339)	9,625

### 4. Dividends

	Dividend per share					Total dividends	Dividend payout ratio (consolidated)
	1Q-end	2Q-end	3Q-end	Year-end	Total		
	Yen	Yen	Yen	Yen	Yen	Million yen	%
Fiscal year ended Jun. 30, 2022	–	18.00	–	18.00	36.00	632	–
Fiscal year ended Jun. 30, 2023	–	18.50	–	18.50	37.00	641	–
Fiscal year ending Jun. 30, 2024 (forecasts)	–	18.75	–	18.75	37.50	650	–

### 5. Consolidated Earnings Forecast for the Fiscal Year Ending June 30, 2024 under IFRS

Consolidated Earnings Forecast for the Fiscal Year Ending June 30, 2024 (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

### 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 Jun. 30, 2023: 17,734,259 shares As of Jun. 30, 2022: 17,698,259 shares

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

As of Jun. 30, 2023: 400,008 shares As of Jun. 30, 2022: 228,608 shares

3) Average number of shares outstanding during the period

Fiscal year ended Jun. 30, 2023: 17,323,523 shares Fiscal year ended Jun. 30, 2022: 17,636,193 shares

## Reference: Summary of Non-consolidated Financial Results

Non-consolidated Financial Results for the Fiscal Year Ended June 30, 2023 (July 1, 2022–June 30, 2023)

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

	Net sales		Operating profit		Ordinary profit		Profit	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended Jun. 30, 2023	1,084	25.2	(425)	–	(370)	–	(850)	–
Fiscal year ended Jun. 30, 2022	866	(28.0)	(604)	–	(599)	–	(1,264)	–

	Basic earnings per share		Diluted earnings per share	
	Yen		Yen	
Fiscal year ended Jun. 30, 2023	(49.07)		–	
Fiscal year ended Jun. 30, 2022	(71.67)		–	

Note: Diluted earnings per share is not presented despite the existence of potential shares because net loss per share was reported.

(2) Non-consolidated Financial Position

	Total assets		Net assets		Equity ratio		Net assets per share	
	Million yen		Million yen		%		Yen	
As of Jun. 30, 2023	12,187		5,720		46.9		329.91	
As of Jun. 30, 2022	14,650		7,244		49.4		414.62	

Reference: Equity (Shareholders' equity + Valuation and translation adjustments) (million yen)

As of Jun. 30, 2023: 5,718      As of Jun. 30, 2022: 7,243

### **Reason for difference from previous year's non-consolidated financial results**

For the non-consolidated financial results, there was an increase in revenue and profit due to the collection of corporate expenses of subsidiaries and associates.

In addition, there was a decrease in profit as a result of recording loss on valuation of shares of subsidiaries and associates, provision of allowance for doubtful accounts for subsidiaries and associates, etc. as extraordinary losses. These factors explain the difference between the financial results for the fiscal year ended June 30, 2022 and those for the fiscal year ended June 30, 2023.

- \* The current consolidated financial results are not subject to the audit by certified public accountants or auditing firms.
- \* Explanation of appropriate use of earnings forecasts, and other special items

#### *Cautionary statement with respect to forecasts*

Forecasts in these materials are based on assumptions judged to be valid and information available to Scala's management at the time these materials were prepared, but are not promises by Scala regarding future performance. Actual results may differ significantly from these forecasts for a number of reasons.

Please refer to "1. Overview of Results of Operations, (4) Outlook" on page 9 of Attachments for forecast assumptions and notes of caution for usage.

#### *How to view supplementary materials for financial results*

Supplementary materials for the financial results will be disclosed today (August 14, 2023) and available on the Company's website.

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## 1. Overview of Results of Operations

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.

During the fiscal year ended June 30, 2023 (the “current fiscal year”), significant changes in the business conducted by the Group (Scala and its subsidiaries and associates) from that described in the Annual Securities Report for the previous fiscal year are as follows.

As the Company resolved to dissolve and liquidate Scala Works, Inc., a consolidated subsidiary, in the fourth quarter of the fiscal year ended June 30, 2022, the company was classified as discontinued operations. The liquidation of the company was completed in the third quarter of the fiscal year ended June 30, 2023.

Furthermore, in the fourth quarter of the fiscal year ended June 30, 2023, the Company completed the transfer of all shares of Connect Agency, Inc., a consolidated subsidiary. The Company also resolved to transfer all shares of J-Phoenix Research Inc. and concluded the share transfer agreement. Accordingly, both companies were classified as discontinued operations.

As a result of the above transactions, revenue, operating profit, and profit before tax for the fiscal year ended June 30, 2022 were reclassified by deducting the amounts of those from the discontinued operations from the amounts of those from continuing operations.

### (1) Results of Operations

#### 1) Results of operations under IFRS

In the current fiscal year, the Japanese economy picked up toward normalization of socioeconomic 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, the Japanese economy has still remained unpredictable due to price hikes by surge of raw material prices and downside risks that may be caused by volatility in the financial and capital markets. Even under such circumstances, the use of cutting-edge technologies for digital transformation (DX) such as AI, IoT, and RPA is accelerated to streamline operations for cost reduction and create a new work style, with ChatGPT, powered by generative AI, gaining much attention.

In such business environment, the Group has worked to create and expand new services and enhance the existing businesses in the form of “co-creation” with the domestic private companies and local governments in order to develop into a “value co-creation company solving social problems with clients through business” as stated in the Mid-term Management Plan announced in August 2019. At the same time, the Group proactively explored M&A.

As a result, the Group reported revenue of 12,644 million yen (up 32.1% year on year) for the current fiscal year. This increase was attributable to an increase in revenue from the IT/AI/IoT/DX Business and the HR & Education Business as well as continued steady growth in the EC Business.

On the profitability front, the Group reported operating profit of 259 million yen (compared with operating loss of 191 million yen for the previous fiscal year). This result can be explained mainly by an increase in profit from the HR & Education Business and the EC Business with continuing strong demand for active recruitment. It can also be explained by an increase in profit from the Incubation & Investment Business due to an improvement in profitability and a reduction of costs amid the continued aggressive investments for the development of various new businesses, such as intensive business activities to support corporate value creation leading to major DX projects, creation of new services related to regional revitalization, and organizational enhancement to promote international businesses.

Profit before tax amounted to 233 million yen (compared with loss before tax of 210 million yen for the previous fiscal year) despite an increase in interest expenses. As a result of recording income tax expense of 100 million yen and loss from discontinued operations of 346 million yen, loss amounted to 213 million yen (compared with

loss of 526 million yen for the previous fiscal year), and loss attributable to owners of parent amounted to 218 million yen (compared with loss attributable to owners of parent of 523 million yen for the previous fiscal year).

## 2) Results of operations under non-GAAP measures

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

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

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

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

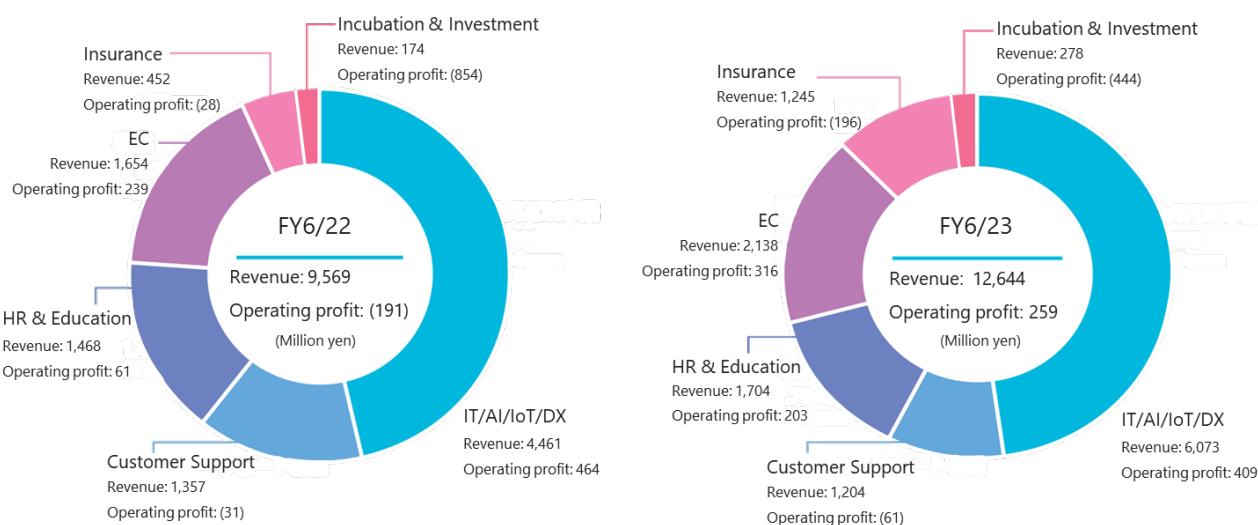
For adjustment, gains/losses on securities related to investment business were deducted from the operating profit and the items below it, and profit from discontinued operations was deducted from profit and items below it.

For the previous fiscal year, in addition to the deduction above, 172 million yen was deducted to derive the non-GAAP measures mainly for expenses resulting from M&A, expenses incurred on relocation of the head office of Scala's subsidiaries, and an impairment loss on goodwill.

For the current fiscal year, in addition to the deduction above, 34 million yen was deducted to derive the non-GAAP measures mainly for an impairment loss on non-current assets.

Business segment performance is 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 EGG CO., LTD., as main players, work for major companies, local governments, the central government, and government agencies by primarily 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, Scala Communications developed the Smart Healthcare Platform by collaborating with Otsuka Pharmaceutical Co., Ltd. and Sampo Japan Insurance Inc. Before a full-fledged launch of the services, the company plans to conduct a demonstration experiment for healthcare services with an aim to support health of employees and other workers in their workplaces, thereby improving their productivity. The company also developed and started providing a service branded U-Medical Support in collaboration with desamis Co., Ltd. and Mitsui Sumitomo Insurance Company, Limited. The service provides a comprehensive medical treatment support tool for cattle, for which the Ministry of Agriculture, Forestry and Fisheries has been promoting

utilization, with functions for remote treatment as well as the preparation of electronic medical records and instructions. In addition, the company is developing the Facility Reservation System that links to digital IDs with xID Co., Ltd., a company providing solution for My Number Card, a card used for social security and tax number systems, and is preparing for providing a full-fledged SaaS/ASP service to local governments across the country. Other existing SaaS/ASP services are also being introduced, including the FAQ management system “i-ask” for Bank of The Ryukyus, Limited, Asahi Group Foods, Ltd, SCSK Corporation, and NIPPON CORPORATION; the website search service “i-search” for Hadano City in Kanagawa Prefecture; and “i-livechat” for Consumers’ Co-op Tohto.

EGG CO., LTD. received a project order to promote the use of My Number Card from Yonago City and Sakaiminato City in Tottori Prefecture. In the project, the company contributed to achieving the target for adoption rate of the Card by developing a landing page that guides to the Card application page; planning and designing for public relations by using TV commercials, YouTube, and social media; setting up temporary application booths at commercial facilities; and planning and operation of mobile application booths using camper vans. For further utilization of the Card, the company is also promoting one-stop online application for hometown tax donation, various online processes, and identity verification in application processes. In Yonago City in Tottori Prefecture, the company plans to launch the provision of Frailty Prevention Program System. Furthermore, as the company develops and maintains Tottori Health Plus, a system that allows analysis of medicine and nursing care database, under contract with Tottori National Health Insurance Organization, sales are expected to increase by the ongoing development.

Connect Agency, Inc. is working on improvement of the softphone service lineup and retention activities for the existing customers. The company has received more new inquiries primarily for the call center solution with voice recognition that was added in the service lineup.

(Millions of yen)

		FY6/22	FY6/23	YoY Change Amount (%)
Revenue		4,461	6,073	1,611 (up 36.1%)
Segment profit (IFRS and non-GAAP measures)	Before allocation of corporate expenses	1,050	1,062	11 (up 1.1%)
	After allocation of corporate expenses	464	409	(55) (down 11.9%)

## (ii) Customer Support Business

In this business segment, Leoconnect, Inc. as a main player provides customer support consulting that serves as a one-stop source of solutions for a variety of issues associated with call center operations.

At Okinawa call center of Scala Service, Inc., insourcing of tasks previously outsourced is progressing smoothly. In addition, the center has worked on strengthening the organizational structure to receive new contracts proactively. While the company has been making upfront investments for strengthening the structure, improved earnings are expected from the beginning of the fiscal year ending June 30, 2024 by winning a contract of a large-scale call center. The Group continues to enhance competitiveness in this business sector by improving quality and cost structure and promotes proactive business activities to win contracts for support services and BPO operations by combining the Group’s various services for companies and local governments.

(Millions of yen)

		FY6/22	FY6/23	YoY Change Amount (%)
Revenue		1,357	1,204	(152) (down 11.2%)
Segment profit (IFRS and non-GAAP measures)	Before allocation of corporate expenses	(28)	(52)	(24) (–)
	After allocation of corporate expenses	(31)	(61)	(30) (–)

## (iii) HR &amp; Education Business

This business consists of the following services: recruitment support services for new graduates and mid-career hires, specialized for athletic students and female students, and for the planning and operation of related events such as joint company information sessions and career seminars, by Athlete Planning, Inc.; 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 by FourHands, Inc.; and 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 by Sports Stories, Inc.

In the recruitment support services, willingness to recruit new graduates for the spring of 2024 continues to rise, given the resumption of the economy after the pandemic and the labor shortage. In addition to the existing recruitment support service for athletic students and female students, MAKIcom, a new service targeting students who held a leadership position in their college life, was launched in February 2023. As such, we provide our client companies various matching opportunities with outstanding students.

In the childcare and educational services, preschools Universal Kids Shinagawa and Universal Kids Bangkok, which were pre-opened in September 2022, opened in April 2023. The preschools provide educational environment to learn languages, sports, and culture. In the after-school programs, Global Education Center, which focuses on learning English, opened in April 2023 and reached full capacity thanks to its positive reputation. To enroll more students, the Center plans to increase the number of classes in October 2023.

In the sports education services, the Company continued considering businesses with the government sports administration in cooperation with the national and local governments. THE SAITAMA BRONCOS, a professional basketball team, launched a new form of fan club using Membership NFT (Non-Fungible Token), and started member recruitment for the upcoming season.

		(Millions of yen)		
		FY6/22	FY6/23	YoY Change Amount (%)
Revenue		1,468	1,704	235 (up 16.1%)
Segment profit (IFRS)	Before allocation of corporate expenses	112	261	149 (up 133.1%)
	After allocation of corporate expenses	61	203	141 (up 229.2%)
Segment profit (Non-GAAP measures)	Before allocation of corporate expenses	227	295	68 (up 30.0%)
	After allocation of corporate expenses	176	237	60 (up 34.1%)

- Note: 1. For FY6/22, expenses including those incurred on relocation of the head office of Scala’s subsidiaries and an impairment loss on goodwill were deducted to derive the non-GAAP measures.
2. For FY6/23, expenses including those incurred on an impairment loss on non-current assets was deducted to derive the non-GAAP measures.

## (iv) 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 apps released in May 2023 are steadily gaining users. Going forward, we will actively consider introducing cutting-edge technologies to design and provide comfortable UI/UX.

		(Millions of yen)		
		FY6/22	FY6/23	YoY Change Amount (%)
Revenue		1,654	2,138	483 (up 29.2%)
Segment profit (IFRS and non-GAAP measures)	Before allocation of corporate expenses	281	379	98 (up 34.9%)
	After allocation of corporate expenses	239	316	77 (up 32.2%)



## (v) Insurance 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, establishing brand awareness, and expanding our sales channels by providing generous coverage without restrictions on daily treatment costs and claiming frequency. In addition, we also focus on development of new products that ensure more safe and secure environment for valued pets to meet needs of a broad range of customers. Through these measures, we are working to create a system that generates stable profits aiming significant increase in new insurance contracts.

(Millions of yen)

		FY6/22	FY6/23	YoY Change Amount (%)
Revenue		452	1,245	792 (up 175.2%)
Segment profit (IFRS and non-GAAP measures)	Before allocation of corporate expenses	(28)	(160)	(131) (–)
	After allocation of corporate expenses	(28)	(196)	(167) (–)

Note: The Insurance Business was added to the reportable segments in the fourth quarter of FY6/22 as a result of the Company making Nihon Pet Small-amount Short-term Insurance Company a subsidiary.

## (vi) Incubation &amp; Investment Business

The segment covers business investments by the Company; 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.; and businesses by J-Phoenix Research Inc., which engaged in 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 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. Gyaku Propo Lab@ARCH, established in 2022 within ARCH operated by Mori Building Co., Ltd., attracted 244 people from 90 local governments and 267 people from 125 companies in the 10 months to the end of July 2023. Through this networking platform, various interactions between public and private sectors took place. Gyaku Propo Concierge is a service to translate social issues faced by local governments into business issues faced by enterprises to support business creation. In this business, the company won a contract for Kyoto City Open Lab—Kyoto City’s public-private collaboration program to promote to address social problems—by recognition of track record of coordination with companies including Honda Trading Corporation. The company also won contracts for public-private business co-creation of Iwata City and Toyota City. In addition, Kosai City, Fujisawa City, Yoshino Town in Nara Prefecture, and Aisai City started using the service. E.design Insurance Co., Ltd., a user of Gyaku Propo for three consecutive years, included the scheme of Gyaku Propo in the automobile insurance products in November 2022. Following the study session hosted by the Kinki Kankyokan (a regional partnership office of the Ministry of Environment to promote environmental preservation) in October 2022, the company signed “the Agreement on Regional Circular Coexistence toward Decarbonizing” with Itami City, Innan Town, and Hannan City, aiming to create a model case for achieving carbon neutrality by 2050. The company started activities to create social credit by the first public-private co-creation initiative in Japan. 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, monetization is in progress in response to an increase in service subscription.

J-Phoenix Research Inc. has provided listed companies with IR support including the preparation of an integrated report and development of a medium-term business plan. SCSV-1 Investment Limited Partnership, a value co-creation engagement fund, has endeavored to increase the value for the invested companies by, for example, promoting digital transformation.

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. Some companies reevaluate their M&A strategy in alignment with their business plan, and some companies prioritize sourcing and need seamless support with sense of swift promotion. Under the circumstances, the Company provides services to ensure smooth progress of M&A from various perspectives.

(Millions of yen)

		FY6/22	FY6/23	YoY Change Amount (%)
Revenue		174	278	104 (up 59.5%)
Segment profit (IFRS)	Before allocation of corporate expenses	(478)	(202)	275 (-)
	After allocation of corporate expenses	(854)	(444)	410 (-)
Segment profit (Non-GAAP measures)	Before allocation of corporate expenses	(353)	(240)	113 (-)
	After allocation of corporate expenses	(729)	(481)	248 (-)

Notes: 1. For FY6/22, gains/losses on securities related to investment business, expenses associated with merger and acquisitions, and expenses incurred on relocation of the head office of Scala's subsidiaries were deducted to derive the non-GAAP measures.

2. For FY6/23, gains/losses on securities related to investment business was deducted to derive the non-GAAP measures.

## (2) Financial Position

### Assets

Total assets amounted to 18,316 million yen at the end of the current fiscal year, a decrease of 2,499 million yen over the end of the previous fiscal year. This was mainly attributable to decreases of 365 million yen in goodwill due to implement, 120 million yen in securities related to investment business primarily due to sale of them, and 1,884 million yen in cash and cash equivalents primarily due to purchase of treasury shares and payment of dividends.

### Liabilities

Liabilities totaled 10,227 million yen, a decrease of 1,583 million yen over the end of the previous fiscal year. This was mainly attributable to decreases of 134 million yen in trade and other payables, 409 million yen in lease liabilities, and 948 million yen in bonds and borrowings due to redemption of bonds and repayment of borrowings.

### Equity

Equity totaled 8,089 million yen, a decrease of 916 million yen over the end of the previous fiscal year. This was mainly due to a decrease of 125 million yen due to purchase of treasury shares and a decrease in retained earnings due to the recording of loss attributable to owners of parent of 218 million yen and the payment of dividends of 634 million yen.

**(3) Cash Flows**

Cash and cash equivalents as of the end of the current fiscal year amounted to 7,740 million yen, a net decrease of 1,884 million yen over the end of the previous fiscal year.

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

**Cash flows from operating activities**

Net cash provided by operating activities totaled 601 million yen (a 1,447 million yen decrease in net cash provided over the previous fiscal year). This was mainly due to the recording of profit before tax of 233 million yen, loss before tax from discontinued operations of 381 million yen (compared with loss before tax of 210 million yen and loss before tax from discontinued operations of 337 million yen in the previous fiscal year), impairment losses of 399 million yen (a 76 million yen decrease in net cash provided over the previous fiscal year), depreciation and amortization of 792 million yen (a 107 million yen increase in net cash provided over the previous fiscal year), and income taxes paid of 324 million yen (compared with income taxes refund of 1,229 million yen in the previous fiscal year).

**Cash flows from investing activities**

Net cash used by investing activities totaled 214 million yen (a 1,679 million yen decrease in net cash used over the previous fiscal year). This was mainly due to purchase of property, plant and equipment of 106 million yen resulting from the relocation of the head office of Scala's subsidiaries, etc. (a 32 million yen decrease in net cash used over the previous fiscal year), purchase of intangible assets of 102 million yen due to the development of software, etc. (a 41 million yen increase in net cash used over the previous fiscal year), purchase of investment securities of 92 million yen (a 299 million yen decrease in net cash used over the previous fiscal year), and purchase of investments accounted for using equity method of 42 million yen, which were partially offset by proceeds from sale of securities related to investment business of 157 million yen.

**Cash flows from financing activities**

Net cash used in financing activities totaled 2,250 million yen (a 1,911 million yen increase in net cash used over the previous fiscal year). This was mainly due to net cash used of 916 million yen resulting from repayments of borrowings, etc. (compared with net cash provided of 1,054 million yen due to procurement of funds for M&A in the previous fiscal year, which was the sum of net increase (decrease) in short-term borrowings, proceeds from long-term borrowing, and repayments of long-term borrowings), purchase of treasury shares of 125 million yen, and dividends paid of 647 million yen (a 14 million yen increase in net cash used over the previous fiscal year).

**Reference: Cash flow indicators**

	FY6/19	FY6/20	FY6/21	FY6/22	FY6/23
Ratio of equity attributable to owners of parent to total assets (%)	37.5	29.7	50.0	41.7	42.8
Market value ratio of equity attributable to owners of parent to total assets (%)	84.2	47.9	65.4	60.5	70.8
Interest-bearing debt to cash flow ratio (years)	3.1	10.2	11.9	4.5	13.1
Interest coverage ratio (times)	80.7	41.0	15.2	59.7	16.3

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

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

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

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

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

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

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

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

**(4) Outlook**

The Group has newly established the Medium Term Business Plan 2024–2026 to build “a platform for human growth focusing on providing growth opportunities” over the mid- to-long term and to help 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. Through these initiatives, we strive to realize our Vision: the world where valuable things come springing up, while providing services to companies, central and local governments in Japan and overseas and pursuing the achievement of objectives stated in the Plan.

Note that the Customer Support Business, which has been separately presented as a reportable segment until the current fiscal year, will be included in the IT/AI/IoT/DX Business in the next fiscal year and beyond.

For more information, please refer to “Notice of Revision to Mid-term Management Plan” announced on August 14, 2023.

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

Scala regards the distribution of profits to shareholders as an important management policy and makes it a basic policy to pay dividends in a stable manner.

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

For the current fiscal year, as a shareholder return from profits earned from investments for prior periods, Scala plans to pay an annual dividend of 37.0 yen per share, consisting of a year-end dividend of 18.5 yen per share, which will require approval at the Annual General Meeting of Shareholders scheduled on September 25, 2023, in addition to an interim dividend of 18.5 yen per share, which has already been paid.

For the fiscal year ending June 30, 2024, Scala plans to raise both the interim and year-end dividends to 18.75 yen each per share, resulting in an annual dividend of 37.5 yen per share, an increase for the fifteenth consecutive year, in accordance with the above basic policy and in view of future growth.

**2. Basic Approach to the Selection of Accounting Standards**

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

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

(Thousands of yen)

	FY6/22 (As of Jun. 30, 2022)	FY6/23 (As of Jun. 30, 2023)
<b>Assets</b>		
Current assets		
Cash and cash equivalents	9,625,387	7,740,400
Trade and other receivables	1,614,342	1,384,649
Inventories	288,297	322,902
Reinsurance assets	363,426	528,151
Income taxes refund receivable	10,647	135,447
Other current assets	128,197	101,370
Assets held for sale	–	67,827
Total current assets	12,030,298	10,280,749
Non-current assets		
Property, plant and equipment	638,519	541,743
Right-of-use assets	2,210,887	1,844,243
Goodwill	2,356,300	1,990,895
Intangible assets	1,219,123	1,164,502
Other financial assets	1,196,173	1,448,298
Securities related to investment business	466,924	346,864
Deferred tax assets	689,618	691,195
Other non-current assets	8,562	8,025
Total non-current assets	8,786,110	8,035,767
Total assets	20,816,408	18,316,517
<b>Liabilities and equity</b>		
Liabilities		
Current liabilities		
Trade and other payables	947,982	813,638
Bonds and borrowings	3,306,693	3,215,156
Lease liabilities	536,434	565,165
Income taxes payable	94,504	83,186
Insurance contract liabilities	644,380	592,749
Other current liabilities	406,208	420,680
Liabilities directly associated with assets held for sale	–	14,589
Total current liabilities	5,936,203	5,705,166
Non-current liabilities		
Bonds and borrowings	3,644,434	2,787,649
Lease liabilities	1,764,532	1,326,734
Deferred tax liabilities	317,718	255,533
Other non-current liabilities	147,268	151,973
Total non-current liabilities	5,873,952	4,521,891
Total liabilities	11,810,156	10,227,058
Equity		
Equity attributable to owners of parent		
Share capital	1,778,718	1,787,880
Capital surplus	965,568	986,384
Retained earnings	6,016,133	5,162,735
Treasury shares	(174,187)	(299,966)
Other components of equity	101,175	195,234
Total equity attributable to owners of parent	8,687,408	7,832,267
Non-controlling interests	318,844	257,191
Total equity	9,006,252	8,089,459
Total liabilities and equity	20,816,408	18,316,517

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

	(Thousands of yen, except per share amounts)	
	FY6/22 (Jul. 1, 2021–Jun. 30, 2022)	FY6/23 (Jul. 1, 2022–Jun. 30, 2023)
Continuing operations:		
Revenue	9,569,367	12,644,395
Cost of sales	(5,557,582)	(7,509,463)
Gross profit	4,011,785	5,134,932
Selling, general and administrative expenses	(4,052,842)	(4,903,962)
Other income	30,810	46,033
Other expenses	(113,387)	(54,887)
Operating profit (loss) before gains/losses on securities related to investment business	(123,634)	222,116
Gains/losses on securities related to investment business	(68,167)	37,439
Operating profit (loss)	(191,801)	259,555
Finance income	21,856	28,205
Finance costs	(40,973)	(53,868)
Profit (loss) before tax	(210,918)	233,892
Income tax expense	41,265	(100,698)
Profit (loss) from continuing operations	(169,652)	133,193
Discontinued operations:		
Profit (loss) from discontinued operations	(356,902)	(346,269)
Profit (loss)	(526,555)	(213,075)
Profit (loss) attributable to:		
Owners of parent	(523,037)	(218,577)
Non-controlling interests	(3,517)	5,501
Profit (loss)	(526,555)	(213,075)
Earnings (loss) per share:		
Basic earnings (loss) per share (Yen)		
Continuing operations	(9.01)	6.55
Discontinued operations	(20.65)	(19.17)
Total	(29.66)	(12.62)
Diluted earnings (loss) per share (Yen)		
Continuing operations	(9.01)	6.53
Discontinued operations	(20.65)	(19.17)
Total	(29.66)	(12.64)

**Consolidated Statement of Comprehensive Income**

	(Thousands of yen)	
	FY6/22 (Jul. 1, 2021–Jun. 30, 2022)	FY6/23 (Jul. 1, 2022–Jun. 30, 2023)
Profit (loss)	(526,555)	(213,075)
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	(200,770)	92,086
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	–	2,254
Other comprehensive income	(200,770)	94,341
Comprehensive income	(727,325)	(118,733)
Comprehensive income attributable to:		
Owners of parent	(723,808)	(124,235)
Non-controlling interests	(3,517)	5,501
Comprehensive income	(727,325)	(118,733)

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

FY6/22 (Jul. 1, 2021–Jun. 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, 2021	1,750,027	934,989	7,173,991	(9)	303,622	10,162,621
Profit (loss)	–	–	(523,037)	–	–	(523,037)
Other comprehensive income	–	–	–	–	(200,770)	(200,770)
Total comprehensive income	–	–	(523,037)	–	(200,770)	(723,808)
Increase (decrease) by business combination	–	–	–	–	–	–
Share-based payment transactions	10,164	10,961	–	–	–	21,125
Dividends	–	–	(634,897)	–	–	(634,897)
Purchase of treasury shares	–	–	–	(174,178)	–	(174,178)
Exercise of share acquisition rights	18,527	18,527	–	–	(508)	36,545
Forfeiture of share acquisition rights	–	1,090	–	–	(1,090)	–
Establishment of subsidiaries with non-controlling interests	–	–	–	–	–	–
Transfer from other components of equity to retained earnings	–	–	77	–	(77)	–
Total transactions with owners	28,691	30,579	(634,820)	(174,178)	(1,676)	(751,404)
Balance as of Jun. 30, 2022	1,778,718	965,568	6,016,133	(174,187)	101,175	8,687,408
	Non-controlling interests	Total equity				
Balance as of Jul. 1, 2021	308,355	10,470,977				
Profit (loss)	(3,517)	(526,555)				
Other comprehensive income	–	(200,770)				
Total comprehensive income	(3,517)	(727,325)				
Increase (decrease) by business combination	9,006	9,006				
Share-based payment transactions	–	21,125				
Dividends	–	(634,897)				
Purchase of treasury shares	–	(174,178)				
Exercise of share acquisition rights	–	36,545				
Forfeiture of share acquisition rights	–	–				
Establishment of subsidiaries with non-controlling interests	5,000	5,000				
Transfer from other components of equity to retained earnings	–	–				
Total transactions with owners	14,006	(737,398)				
Balance as of Jun. 30, 2022	318,844	9,006,252				



FY6/23 (Jul. 1, 2022 – Jun. 30, 2023)

(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)	–	–	(218,577)	–	–	(218,577)
Other comprehensive income	–	–	–	–	94,341	94,341
Total comprehensive income	–	–	(218,577)	–	94,341	(124,235)
Share-based payment transactions	–	6,776	–	–	–	6,776
Dividends	–	–	(634,821)	–	–	(634,821)
Dividends to non-controlling interests	–	–	–	–	–	–
Purchase of treasury shares	–	–	–	(125,779)	–	(125,779)
Exercise of share acquisition rights	9,161	9,161	–	–	(251)	18,072
Forfeiture of share acquisition rights	–	31	–	–	(31)	–
Change due to loss of control of subsidiaries	–	–	–	–	–	–
Changes in ownership interest in subsidiaries	–	4,847	–	–	–	4,847
Total transactions with owners	9,161	20,815	(634,821)	(125,779)	(282)	(730,905)
Balance as of Jun. 30, 2023	1,787,880	986,384	5,162,735	(299,966)	195,234	7,832,267
	Non-controlling interests	Total equity				
Balance as of Jul. 1, 2022	318,844	9,006,252				
Profit (loss)	5,501	(213,075)				
Other comprehensive income	–	94,341				
Total comprehensive income	5,501	(118,733)				
Share-based payment transactions	–	6,776				
Dividends	–	(634,821)				
Dividends to non-controlling interests	(16,164)	(16,164)				
Purchase of treasury shares	–	(125,779)				
Exercise of share acquisition rights	–	18,072				
Forfeiture of share acquisition rights	–	–				
Change due to loss of control of subsidiaries	(59,741)	(59,741)				
Changes in ownership interest in subsidiaries	8,750	13,598				
Total transactions with owners	(67,154)	(798,059)				
Balance as of Jun. 30, 2023	257,191	8,089,459				

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

	(Thousands of yen)	
	FY6/22	FY6/23
	(Jul. 1, 2021–Jun. 30, 2022)	(Jul. 1, 2022–Jun. 30, 2023)
Cash flows from operating activities		
Profit (loss) before tax	(210,918)	233,892
Profit (loss) before tax from discontinued operations	(337,072)	(381,180)
Depreciation and amortization	684,218	792,043
Impairment loss	476,140	399,602
Loss (gain) on disposal of non-current assets	10,706	21,671
Loss (gain) on securities related to investment business	68,167	(37,439)
Finance income	(22,708)	(27,275)
Finance costs	41,033	46,123
Decrease (increase) in trade and other receivables	470,095	86,294
Increase (decrease) in trade and other payables	(241,397)	(95,203)
Decrease (increase) in inventories	(88,445)	(31,787)
Decrease (increase) in reinsurance assets	7,591	(164,725)
Increase (decrease) in insurance contract liabilities	5,683	(51,630)
Other	(29,888)	145,205
Subtotal	833,206	935,592
Interest and dividends received	20,585	27,250
Interest paid	(34,320)	(36,816)
Income taxes refund (paid)	1,229,083	(324,669)
Net cash provided by (used in) operating activities	2,048,554	601,357
Cash flows from investing activities		
Purchase of property, plant and equipment	(138,507)	(106,413)
Purchase of intangible assets	(60,351)	(102,288)
Purchase of investment securities	(392,110)	(92,638)
Proceeds from sale of investment securities	20	157,500
Payments for loans receivable	(12,000)	–
Collection of loans receivable	152	–
Payments of leasehold and guarantee deposits	(14,841)	(13,566)
Proceeds from refund of leasehold and guarantee deposits	50,260	1,703
Purchase of shares of subsidiaries resulting in changes in scope of consolidation	(1,325,242)	–
Purchase of investments accounted for using equity method	–	(42,807)
Payments for sale of shares of subsidiaries resulting in change in scope of consolidation	–	(9,398)
Other	(920)	(6,956)
Net cash provided by (used in) investing activities	(1,893,541)	(214,867)

	(Thousands of yen)	
	FY6/22	FY6/23
	(Jul. 1, 2021–Jun. 30, 2022)	(Jul. 1, 2022–Jun. 30, 2023)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(308,220)	(200,000)
Proceeds from long-term borrowings	2,713,000	1,250,000
Repayments of long-term borrowings	(1,350,512)	(1,966,721)
Redemption of bonds	(140,000)	(40,000)
Repayments of lease liabilities	(481,743)	(551,929)
Proceeds from exercise of share acquisition rights	36,545	18,072
Payments for purchase of treasury shares	(174,178)	(125,779)
Dividends paid	(633,914)	(631,811)
Dividends paid to non-controlling interests	–	(16,164)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	–	(2,002)
Proceeds from sale of shares of subsidiaries not resulting in change in scope of consolidation	–	15,600
Net cash provided by (used in) financing activities	(339,022)	(2,250,735)
Effect of exchange rate changes on cash and cash equivalents	(162)	(5,389)
Net increase (decrease) in cash and cash equivalents	(184,171)	(1,869,634)
Cash and cash equivalents at beginning of period	9,809,559	9,625,387
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	9,625,387	7,740,400

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 Consolidated Financial Statements (Discontinued Operations).

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

### **Going Concern Assumption**

Not applicable.

### **Notes to Consolidated Financial Statements**

#### 1. Reporting Entity

Scala, Inc. is a corporation located in Japan.

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

Scala's consolidated financial statements for the twelve months ended June 30, 2023 encompass Scala and the Group's interests in Scala's subsidiaries.

The Group aims to become a "value co-creation company solving social problems with clients through business" and has worked on the operations of IT/AI/IoT/DX Business, Customer Support Business, HR & Education Business, EC Business, Insurance Business, and Incubation & Investment 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 consolidated financial statements have been prepared in accordance with IFRS pursuant to the provisions of Article 93 of the Ordinance on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements (Ordinance of the Ministry of Finance No. 28 of 1976) because the Group qualifies as a "specified company complying with designated international accounting standards" as stipulated in Article 1-2 of the said Ordinance.

##### (2) Basis of measurement

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

##### (3) Functional currency and presentation currency

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

#### 3. Significant Accounting Policies

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

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

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

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

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

- Measurement of property, plant and equipment, goodwill, and intangible assets
- Lease term of right-of-use assets

## Segment Information

### (1) Overview of reportable segments

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

The 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, IT/AI/IoT/DX Business, and Incubation & Investment Business, respectively, for the previous and current fiscal years.

- The IT/AI/IoT/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 also provides SaaS/ASP services using IT (Web, phone, fax, SMS related technologies)/AI/IoT technologies to meet customer needs flexibly and quickly.
- 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 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 Insurance 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 & Investment 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) Information related to revenue and profit or loss and other items for each reportable segment

FY6/22 (Jul. 1, 2021 – Jun. 30, 2022)

(Thousands of yen)

	Reportable segment							Adjustments (Note 1)	Amounts shown on consolidated statement of income (Note 2)
	IT/AI/ IoT/DX Business	Customer Support Business	HR & Education Business	EC Business	Insurance Business	Incubation & Investment Business	Subtotal		
Revenue									
Sales to external customers	4,461,730	1,357,543	1,468,256	1,654,561	452,463	174,811	9,569,367	–	9,569,367
Inter-segment sales and transfers	53,208	95,086	7,926	–	–	13,566	169,788	(169,788)	–
Total	4,514,939	1,452,629	1,476,183	1,654,561	452,463	188,377	9,739,155	(169,788)	9,569,367
Segment profit (loss)	464,630	(31,257)	61,709	239,203	(28,677)	(854,961)	(149,353)	(42,448)	(191,801)
Finance income	–	–	–	–	–	–	–	–	21,856
Finance costs	–	–	–	–	–	–	–	–	(40,973)
Profit (loss) before tax	–	–	–	–	–	–	–	–	(210,918)
Other items									
Impairment loss	–	–	105,058	–	–	–	105,058	–	105,058

- Notes: 1. The (42,448) thousand yen adjustment to segment profit indicates elimination for inter-segment transactions of (42,448) thousand yen.
2. Segment profit (loss) is adjusted to be consistent with operating loss presented in the 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.

FY6/23 (Jul. 1, 2022 – Jun. 30, 2023)

(Thousands of yen)

	Reportable segment							Adjustments (Note 1)	Amounts shown on consolidated statement of income (Note 2)
	IT/AI/ IoT/DX Business	Customer Support Business	HR & Education Business	EC Business	Insurance Business	Incubation & Investment Business	Subtotal		
Revenue									
Sales to external customers	6,073,254	1,204,996	1,704,072	2,138,189	1,245,036	278,846	12,644,395	–	12,644,395
Inter-segment sales and transfers	30,691	94,773	59,582	–	–	29,246	214,294	(214,294)	–
Total	6,103,946	1,299,769	1,763,655	2,138,189	1,245,036	308,093	12,858,690	(214,294)	12,644,395
Segment profit (loss)	409,432	(61,778)	203,149	316,232	(196,626)	(444,015)	226,394	33,161	259,555
Finance income	–	–	–	–	–	–	–	–	28,205
Finance costs	–	–	–	–	–	–	–	–	(53,868)
Profit (loss) before tax	–	–	–	–	–	–	–	–	233,892

- Notes: 1. The 33,161 thousand yen adjustment to segment profit indicates elimination for inter-segment transactions of 33,161 thousand yen.
2. Segment profit (loss) is adjusted to be consistent with operating profit presented in the 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

### (1) Overview of discontinued operations

As the Company resolved to dissolve and liquidate Scala Works, Inc., a consolidated subsidiary, in the fourth quarter of the fiscal year ended June 30, 2022, the company was classified as discontinued operations. The liquidation of the company was completed in the third quarter of the fiscal year ended June 30, 2023.

Furthermore, in the fourth quarter of the fiscal year ended June 30, 2023, the Company completed the transfer of all shares of Connect Agency, Inc., a consolidated subsidiary. The Company also resolved to transfer all shares of J-Phoenix Research Inc. and concluded the share transfer agreement. Accordingly, both companies were classified as discontinued operations.

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

### (2) Overview of share transfer

#### (i) Connect Agency, Inc.

Name of the segment in which the above company was included	IT/AI/IoT/DX Business
Number of shares held before transfer	510 shares (Percentage of voting rights held: 51.0%)
Number of shares transferred	510 shares
Number of shares held after transfer	0 shares (Percentage of voting rights held: 0%)

#### (ii) J-Phoenix Research Inc.

Name of the segment in which the above company was included	Incubation & Investment Business
Number of shares held before transfer	200 shares (Percentage of voting rights held: 100.0%)
Number of shares transferred	200 shares
Number of shares held after transfer	0 shares (Percentage of voting rights held: 0%)

Note: The transfer price of each company cannot be disclosed because of confidentiality obligations with each purchaser.

### (3) Discontinued operations performance

	(Thousands of yen)	
	FY6/22 (Jul. 1, 2021–Jun. 30, 2022)	FY6/23 (Jul. 1, 2022–Jun. 30, 2023)
Profit or loss from discontinued operations		
Revenue	447,023	260,039
Expenses	(784,095)	(641,220)
Loss before tax from discontinued operations	(337,072)	(381,180)
Income tax expense	(19,829)	34,911
Loss from discontinued operations	(356,902)	(346,269)

Notes: 1. Expenses in FY6/22 include an impairment loss on goodwill of 371,082 thousand yen.

2. Expenses in FY6/23 include an impairment loss on goodwill of 365,405 thousand yen.

### (4) Cash flows from discontinued operations

	(Thousands of yen)	
	FY6/22 (Jul. 1, 2021–Jun. 30, 2022)	FY6/23 (Jul. 1, 2022–Jun. 30, 2023)
Cash flows from discontinued operations:		
Cash flows from operating activities	45,800	26,977
Cash flows from investing activities	(11,967)	(8,697)
Cash flows from financing activities	–	–
Total	33,833	18,280

Note: Cash flows from investing activities in FY6/23 include payments for sale of shares of subsidiaries resulting in change in scope of consolidation of consolidation of (9,398) thousand yen.

**Per-share Information**

Basic earnings per share and diluted earnings per share are as follows.

	FY6/22 (Jul. 1, 2021–Jun. 30, 2022)	FY6/23 (Jul. 1, 2022–Jun. 30, 2023)
Profit (loss) attributable to owners of parent (thousands of yen)		
Continuing operations	(158,831)	113,504
Discontinued operations	(364,206)	(332,081)
Profit (loss) used to calculate diluted earnings per share (thousands of yen)		
Continuing operations	(158,831)	113,504
Discontinued operations	(364,206)	(332,081)
Average number of common shares outstanding during the period (shares)	17,636,193	17,323,523
Increase in the number of common shares		
Share acquisition rights (shares)	78,124	56,450
Average number of diluted common shares outstanding during the period (shares)	17,714,318	17,379,973
Basic earnings (loss) per share (yen)		
Continuing operations	(9.01)	6.55
Discontinued operations	(20.65)	(19.17)
Diluted earnings (loss) per share (yen)		
Continuing operations	(9.01)	6.53
Discontinued operations	(20.65)	(19.17)

Note: In FY6/22, there were no potential shares with dilutive effect because the exercise of share acquisition rights and other events decreased loss per share.

**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.*