

August 14, 2024

Consolidated Financial Results for the Fiscal Year Ended June 30, 2024 [IFRS]

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Scheduled date of Annual General Meeting of Shareholders: September 24, 2024
 Scheduled date of filing of Annual Securities Report: September 24, 2024
 Scheduled date of payment of dividend: September 25, 2024
 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, 2023–June 30, 2024)

(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, 2024	10,714	(9.5)	(2,155)	–	(2,166)	–	(2,887)	–	(2,887)	–
Fiscal year ended Jun. 30, 2023	11,838	–	397	–	374	–	(213)	–	(218)	–
(Non-GAAP)										
Fiscal year ended Jun. 30, 2024	10,714	(9.5)	(203)	–	(214)	–	(274)	–	(274)	–
Fiscal year ended Jun. 30, 2023	11,838	–	359	–	337	–	205	–	194	–

	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, 2024	(166.53)	(166.53)	(15.80)	(15.80)
Fiscal year ended Jun. 30, 2023	(12.62)	(12.66)	11.23	11.19

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

Fiscal year ended Jun. 30, 2024: (14) Fiscal year ended Jun. 30, 2023: (2)

Notes: 1. Revenue, operating profit, and profit before tax for the fiscal year ended June 30, 2023 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 19 of Attachments.

2. In 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. In non-GAAP measures, in addition to the above Note 2, expenses related to impairment losses on goodwill and other items, cancellation penalty, and business structure improvement expenses of 2,069 million yen were deducted from the line items below operating profit for the fiscal year ended June 30, 2024, and reversal of deferred tax assets of 98 million yen were deducted from profit for the fiscal year ended June 30, 2024.

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, 2024	12,699	4,569	4,338	34.2	250.01
As of Jun. 30, 2023	18,316	8,089	7,832	42.8	451.84

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, 2024	251	161	(1,348)	6,817
Fiscal year ended Jun. 30, 2023	601	(214)	(2,250)	7,740

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, 2023	–	18.50	–	18.50	37.00	641	–
Fiscal year ended Jun. 30, 2024	–	18.75	–	18.75	37.50	650	–
Fiscal year ending Jun. 30, 2025 (forecasts)	–	8.00	–	8.00	16.00	277	–

Note: The source of funds for the dividend at the end of the fiscal year ended June 30, 2024 includes capital surplus. For details, please refer to "Breakdown of dividends with capital surplus as the source of funds for the dividend" below.

5. Consolidated Earnings Forecast for the Fiscal Year Ending June 30, 2025 under IFRS (July 1, 2024–June 30, 2025)

(Percentages represent year-on-year changes.)

	Revenue		Operating profit		Profit before tax		Profit		Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	10,100	(5.7)	550	–	540	–	380	–	340	–	19.61

* Notes

(1) Significant changes in the scope of consolidation during the period: 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, 2024: 17,753,459 shares As of Jun. 30, 2023: 17,734,259 shares

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

As of Jun. 30, 2024: 400,008 shares As of Jun. 30, 2023: 400,008 shares

3) Average number of shares outstanding during the period

Fiscal year ended Jun. 30, 2024: 17,341,863 shares Fiscal year ended Jun. 30, 2023: 17,323,523 shares

Reference: Summary of Non-consolidated Financial Results

Non-consolidated Financial Results for the Fiscal Year Ended June 30, 2024 (July 1, 2023–June 30, 2024)

(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, 2024	1,622	49.6	56	–	83	–	(2,180)	–
Fiscal year ended Jun. 30, 2023	1,084	25.2	(425)	–	(370)	–	(850)	–

	Basic earnings per share		Diluted earnings per share	
	Yen		Yen	
Fiscal year ended Jun. 30, 2024	(125.75)		–	
Fiscal year ended Jun. 30, 2023	(49.07)		–	

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, 2024	9,043		2,926		32.3		168.56	
As of Jun. 30, 2023	12,187		5,720		46.9		329.91	

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

As of Jun. 30, 2024: 2,925

As of Jun. 30, 2023: 5,718

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 receipt of dividends and 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, cancellation penalty, business structure improvement expenses, etc. as extraordinary losses and a reversal of deferred tax assets. These factors explain the difference between the financial results for the fiscal year ended June 30, 2023 and those for the fiscal year ended June 30, 2024.

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

Cautionary statement with respect to forecasts

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

Please refer to "1. Overview of Results of Operations, (4) Outlook" on page 7 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, 2024) and available on the Scala's website.

Breakdown of dividends with capital surplus as the source of funds for the dividend

The following is a breakdown of dividends for the fiscal year ended June 30, 2024, with capital surplus as the source of funds for the dividend.

Record date	Year-end	Total
Dividend per share	18.75 yen	18.75 yen
Total amount of dividends	325 million yen	325 million yen

Note: Net asset decrease ratio 0.094

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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.

The Company classified Connect Agency, Inc. and J-Phoenix Research Inc. as discontinued operations in the fourth quarter of the fiscal year ended June 30, 2023, and has completed the transfer of all shares of these companies.

The Company also classified FourHands, Inc. in the third quarter of the fiscal year ended June 30, 2024 (the “current fiscal year”) and readytowork Co., Ltd., Sports Stories, Inc., and Broncos 20 Co., Ltd. in the fourth quarter of the current fiscal year as discontinued operations, and has completed the transfer of all shares of these companies, which were consolidated subsidiaries, in the current fiscal year.

Accordingly, revenue, operating profit, and profit before tax for the fiscal year ended June 30, 2023 were reclassified by deducting the amounts of those from discontinued operations from the amounts of those from continuing operations.

In relation to segments, the Company changed the reportable segment name of the HR & Education Business to the HR Business due to the transition of the education business to discontinued operations in the fourth quarter of the fiscal year ended June 2024. It also changed the reportable segment name of the Financial Related Business to the Financial Business although there has been no change in the business activities of this segment.

(1) Results of Operations

1) Results of operations under IFRS

In the current fiscal year, the Japanese economy continued to show a gradual recovery as economic activities returned toward normal and employment conditions improved. However, the economic outlook remains uncertain due to soaring resource prices caused by geopolitical risks, price hikes driven by the depreciation of the yen, and other factors.

Under these circumstances, we focus on the growth not only of the Group, but also of our co-creation partners, local communities, and countries by utilizing cutting-edge digital transformation (DX) technologies to reduce costs and streamline operations to create new work styles. Along with that, we acknowledge that initiatives to promote personal growth of people who are involved in resolving social problems are attracting a lot of attention.

In such business environment, with the aim of creating the world where valuable things come springing up, which is the Vision laid out in our Medium Term Business Plan 2024–2026 announced in August 2023, the Group has been working to achieve the objectives stated in the Plan. In addition, the Group has been undertaking business restructuring through the selection and concentration of business along with cost reduction toward the fiscal year ending June 30, 2025 and beyond in order to significantly improve its profitability, especially in the DX business, which is our critical foundation.

As a result, the Group reported revenue of 10,714 million yen (down 9.5% year on year) for the current fiscal year. This decrease was due mainly to a temporary decrease in development projects and impacts caused by the end of the Go To Travel Campaign and the government’s nationwide travel discount program in the DX Business, although the EC Business continued steady growth.

On the profitability front, the Group reported operating loss of 2,155 million yen (compared with operating profit of 397 million yen for the previous fiscal year). This result can be explained mainly by a decrease in revenue in the DX Business, as well as cancellation fees for office downsizing in connection with business restructuring and impairment losses on property, plant and equipment, intangible assets, and goodwill.

Loss before tax amounted to 2,166 million yen (compared with profit before tax of 374 million yen for the previous fiscal year). As a result of recording income tax expense of 194 million yen and loss from discontinued operations of 516 million yen, loss amounted to 2,877 million yen (compared with loss of 213 million yen for the previous

fiscal year), and loss attributable to owners of parent amounted to 2,887 million yen (compared with loss attributable to owners of parent of 218 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.

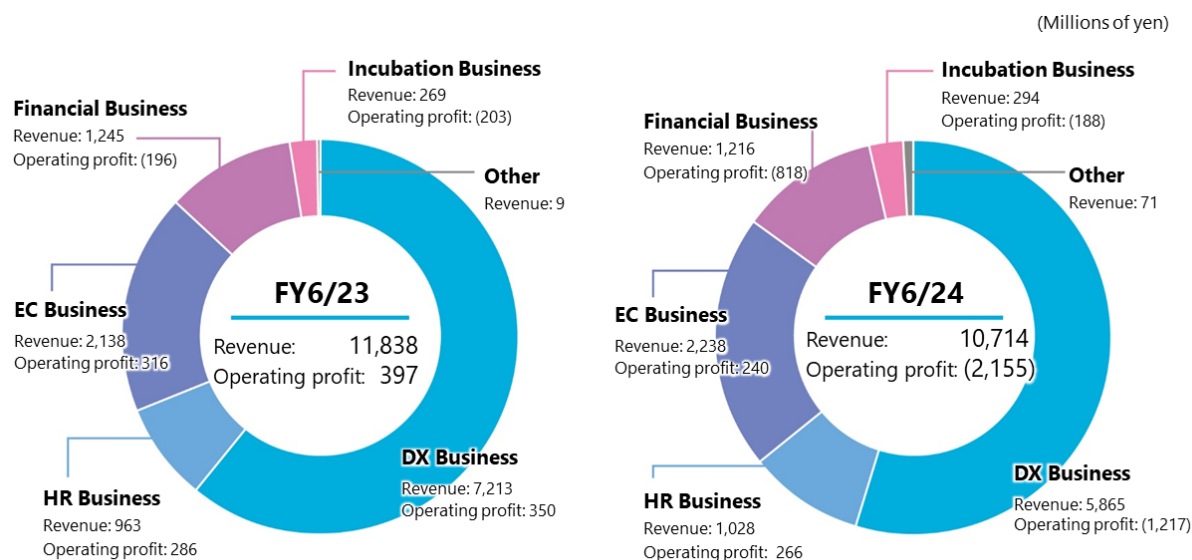
While the Group discloses the non-GAAP measures in reference to the rules set out by the U.S. Securities and Exchange Commission, this does not mean the Group fully complies with these rules.

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 current fiscal year, in addition to the deduction above, 2,069 million yen mainly for impairment losses on goodwill and other items, cancellation penalty fees, and business restructuring expenses and 98 million yen for the posting of reversal of deferred tax assets were deducted to derive the non-GAAP measures.

The operating segment performance is as follows.

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



(i) DX Business

In this Business, Scala Communications, Inc. experienced a decrease in revenue and profit from the previous fiscal year. This was attributable to changes in the situation in some industries with large transaction amounts and to a reduction in the scale of projects for certain customers.

EGG CO., LTD. saw sales and profits decrease year on year mainly due to the termination of the Go To Travel Campaign and the government's nationwide travel discount program and to delay in progress from the initial plan. However, deliveries of projects supported by the Digital Garden City National Fund have so far been on track, and new projects have been won at a stable pace. We will keep focusing on horizontal business expansion into other municipal projects, such as the launch of an online service for health and long-term care prevention using a municipality's official LINE.

As a result of the above, although the DX Business as a whole has been expediting promotion of existing services and introduction of new services, some of the companies posted revenue in this business, resulting in declines in

both revenue and profit.

149 million yen was posted for business restructuring expenses to enhance productivity by streamlining operation. Furthermore, 945 million yen for impairment losses on goodwill and fixed assets was posted as temporary loss due to the impact of delay in progress of profitability enhancement from the initial plan.

(Millions of yen, unless otherwise stated)

		FY6/23	FY6/24	Year-on-year change	
				Amount	%
Revenue		7,213	5,865	(1,347)	Down 18.7%
Segment profit (IFRS)	Before allocation of corporate expenses	1,007	(564)	(1,572)	–
	After allocation of corporate expenses	350	(1,217)	(1,567)	–
Segment profit (non-GAAP measures)	Before allocation of corporate expenses	1,007	529	(477)	Down 47.4%
	After allocation of corporate expenses	350	(122)	(472)	–

Note: For the current fiscal year, impairment losses on goodwill and fixed assets, and business restructuring expenses were deducted to derive the non-GAAP measures.

(ii) HR Business

In the recruitment support services business, willingness to recruit new graduates continues to be high for the spring of 2025. The need for services to provide opportunities to match companies with outstanding students, particularly, recruiting support services specializing in student athletes and female students, remains high.

Meanwhile, we have launched new businesses in the domain of mid-career job change support and career education business for students. We are aiming to expand these businesses as early as possible by leveraging our assets built through existing businesses.

While revenue increased from the previous fiscal year because both worker placement and recruitment events continued to grow, profits decreased due to the impact of the upfront investment in building the organization for launching new businesses.

(Millions of yen, unless otherwise stated)

		FY6/23	FY6/24	Year-on-year change	
				Amount	%
Revenue		963	1,028	65	Up 6.8%
Segment profit (IFRS and non-GAAP measures)	Before allocation of corporate expenses	324	304	(19)	Down 6.1%
	After allocation of corporate expenses	286	266	(19)	Down 6.9%

(iii) EC Business

In the EC Business, we continue to pursue comfortable UI/UX through SEO, data feed advertising and other digital marketing. This effort brought an increase in revenue from the previous fiscal year. Additionally, in part of the shipping operations at logistics bases, we have begun to introduce an AI-based image recognition solution, on which we have continued research and development for a long time. Going forward, we will pursue further productivity enhancement as we are planning to apply this solution to appraisal of items to purchase.

Profit decreased from the previous fiscal year due to the following: the impact of calming down of the growth of some titles that performed briskly and grew rapidly; continuous renovation and improvement of systems; and active attitude toward possible introduction of new technologies.

(Millions of yen, unless otherwise stated)

		FY6/23	FY6/24	Year-on-year change	
				Amount	%
Revenue		2,138	2,238	100	Up 4.7%
Segment profit (IFRS and non-GAAP measures)	Before allocation of corporate expenses	379	303	(76)	Down 20.1%
	After allocation of corporate expenses	316	240	(76)	Down 24.1%

(iv) Financial Business

In the Financial Business, the number of contracts held reached the highest one as a result of sale promotion activities focused on highly profitable new products. However, revenue and profit were down from the previous fiscal year due to upfront investments for developing new products and to an increase in expenses for strengthening marketing efforts, including website and landing page redesigns.

613 million yen for impairment losses on goodwill and fixed assets was posted as temporary loss due to the impact of delay in progress of profitability enhancement from the initial plan.

(Millions of yen, unless otherwise stated)

		FY6/23	FY6/24	Year-on-year change	
				Amount	%
Revenue		1,245	1,216	(28)	Down 2.3%
Segment profit (IFRS)	Before allocation of corporate expenses	(160)	(782)	(621)	–
	After allocation of corporate expenses	(196)	(818)	(621)	–
Segment profit (non-GAAP measures)	Before allocation of corporate expenses	(160)	(169)	(8)	–
	After allocation of corporate expenses	(196)	(205)	(8)	–

Note: For the current fiscal year, impairment losses on goodwill and fixed assets were deducted to derive the non-GAAP measures.

(v) Incubation Business

SOCIALX, INC. supports the creation of new businesses for addressing social problems in public-private co-creation through a variety of Gyaku Propo services. As an entity selected to cooperate with the Tokyo Metropolitan Government for its Startup Support and Development Project by Diverse Entities (TOKYO SUTEAM), SOCIALX, INC. has been operating the Public-Private Co-creation Acceleration Program (SOCIALX Acceleration) to create and support startups that resolve social issues with both financial return and social impact. In SOCIALX Acceleration, companies selected for the first stage moved on to demonstration experiments with municipalities, and finalists to challenge the second stage have been determined. In addition, the Okinawa General Bureau and Cabinet Office and the Gunma Prefectural Government have started similar programs, which are attracting interest from financial institutions and other organizations. In this context, the company has been moving forward with similar initiatives. For example, it started study on impact fund creation with the QR Investment, Ltd., a subsidiary of Hokkoku Financial Holdings, Inc. for investment business, and concluded the “Agreement on Cooperation for Regional Revitalization” with YMFG ZONE PLANNING CO., LTD., a fully-owned subsidiary of Yamaguchi Financial Group, Inc.

Gyaku Propo has been used by a wide range of companies from startups to large companies, including Hakuodo Inc., Mellow Inc., BABYJOB Inc., ENELL. INC, and Concur Japan, Ltd., and was featured by the media, such as a TV program. Furthermore, the public-private co-creation human resources development program developed in August 2023 has since been expanded to cover 400 people in 40 companies, 85 municipalities, and 3 national government agencies, and was incorporated into the Tokyo Metropolitan Government’s Open Innovation Platform, a project to promote collaboration. Still other organizations have determined to introduce this program. We are continuing new challenges to establish co-creation economy attracting the Government and other organizations. Such challenges include accepting staff seconded from Toyota City of Aichi Prefecture and dispatching a director

as a corporate collaboration promotion advisor to Minato Ward of Tokyo.

In addition, the Company also provides M&A execution support service as collaborative M&A advisory to listed companies mainly in the information and communication industries by combining the experience in business development and M&A and the Group's DX expertise that have been accumulated so far. We have 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, profit decreased due to the incurrence of upfront expenses for developing M&A-related services.

61 million yen for an impairment loss on fixed assets was posted as temporary loss as a result of revision to future profitability in some of the businesses.

		(Millions of yen, unless otherwise stated)			
		FY6/23	FY6/24	Year-on-year change	
				Amount	%
Revenue		269	294	25	Up 9.4%
Segment profit (IFRS)	Before allocation of corporate expenses	(197)	(182)	15	–
	After allocation of corporate expenses	(203)	(188)	15	–
Segment profit (non-GAAP measures)	Before allocation of corporate expenses	(235)	(190)	44	–
	After allocation of corporate expenses	(241)	(196)	44	–

Note: For the current fiscal year, impairment losses on goodwill and fixed assets, and business restructuring expenses were deducted to derive the non-GAAP measures.

(2) Financial Position

Assets

Total assets amounted to 12,699 million yen at the end of the current fiscal year, a decrease of 5,616 million yen over the end of the previous fiscal year. This was mainly attributable to decreases of 923 million yen in cash and cash equivalents, 1,456 million yen in right-of-use assets, 1,012 million yen in goodwill, 1,049 million yen in intangible assets, and 325 million yen in deferred tax assets.

Liabilities

Liabilities totaled 8,130 million yen, a decrease of 2,096 million yen over the end of the previous fiscal year. This was mainly attributable to decreases of 342 million yen in bonds and borrowings (non-current), 255 million yen in deferred tax liabilities, 272 million yen in lease liabilities, and 1,223 million yen in lease liabilities (non-current).

Equity

Equity totaled 4,569 million yen, a decrease of 3,519 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 2,887 million yen and a decrease of 645 million yen in retained earnings due to the payment of dividends.

(3) Cash Flows

Cash and cash equivalents as of the end of the current fiscal year amounted to 6,817 million yen, a net decrease of 923 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 251 million yen (a 349 million yen decrease in net cash provided over the previous fiscal year). This was mainly due to the recording of loss before tax of 2,166 million yen, loss before tax from discontinued operations of 489 million yen (compared with profit before tax of 374 million yen and loss before tax from discontinued operations of 522 million yen in the previous fiscal year), impairment losses

of 1,961 million yen (a 1,561 million yen increase in net cash provided over the previous fiscal year), depreciation and amortization of 711 million yen (a 80 million yen decrease in net cash provided over the previous fiscal year), and income taxes refund of 31 million yen (compared with income taxes paid of 324 million yen in the previous fiscal year).

Cash flows from investing activities

Net cash provided by investing activities totaled 161 million yen (a 214 million yen in net cash used over the previous fiscal year). This was mainly due to proceeds from sale of securities related to investment business of 255 million yen (a 97 million yen increase in net cash provided over the previous fiscal year), proceeds from refund of leasehold and guarantee deposits of 48 million yen (a 47 million yen increase in net cash provided over the previous fiscal year), purchase of intangible assets of 70 million yen (a 32 million yen decrease in net cash used over the previous fiscal year), and purchase of investment securities of 33 million yen (a 59 million yen decrease in net cash used over the previous fiscal year).

Cash flows from financing activities

Net cash used in financing activities totaled 1,348 million yen (a 902 million yen decrease in net cash used over the previous fiscal year). This was mainly due to net cash used of 28 million yen resulting from repayments of borrowings, etc. (a 888 million yen decrease in net cash used over 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), repayments of lease liabilities of 493 million yen (a 58 million yen decrease in net cash used over the previous fiscal year), and dividends paid of 647 million yen (a 15 million yen increase in net cash used over the previous fiscal year).

Reference: Cash flow indicators

	FY6/20	FY6/21	FY6/22	FY6/23	FY6/24
Ratio of equity attributable to owners of parent to total assets (%)	29.7	50.0	41.7	42.8	34.2
Market value ratio of equity attributable to owners of parent to total assets (%)	47.9	65.4	60.5	70.8	94.4
Interest-bearing debt to cash flow ratio (years)	10.2	11.9	4.5	13.1	24.6
Interest coverage ratio (times)	41.0	15.2	59.7	16.3	6.8

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

In light of the change of the Representative Executive Officer and recent performance trends, the Group has decided to review and withdraw the Medium Term Business Plan. We will promote selection and concentration based on the premise of contributing to customers and the realization of a sustainable society by thoroughly implementing a customer-centric approach and providing ESG management services, leveraging our business portfolio, which is centered on IT and human resources, the Group's mainstay businesses.

For more information, please refer to "Notice of Withdrawal of Mid-term Management Plan" (Japanese version only) and "Result of Operations for Fiscal Year Ended June 30, 2024," announced on August 14, 2024.

(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, Scala plans to pay an annual dividend of 37.5 yen per share, consisting of a year-end dividend of 18.75 yen per share, which will require approval at the Annual General Meeting of Shareholders scheduled on September 24, 2024, in addition to an interim dividend of 18.75 yen per share, which has already been paid.

For the next fiscal year, in consideration of the appropriate level of internal reserves for sustainable growth, we plan to set the amount of total return to 50% of profit before tax, excluding extraordinary factors such as gains on sales of subsidiaries and other securities, for the interim and year-end dividends for the fiscal year ending June 30, 2025 at 8 yen each, or 16 yen per year.

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)

	FY6/23 (As of Jun. 30, 2023)	FY6/24 (As of Jun. 30, 2024)
Assets		
Current assets		
Cash and cash equivalents	7,740,400	6,817,385
Trade and other receivables	1,384,649	1,323,993
Inventories	322,902	366,600
Reinsurance assets	528,151	521,946
Income taxes receivable	135,447	6,699
Other current assets	101,370	69,477
Assets held for sale	67,827	–
Total current assets	10,280,749	9,106,102
Non-current assets		
Property, plant and equipment	541,743	301,522
Right-of-use assets	1,844,243	387,914
Goodwill	1,990,895	978,216
Intangible assets	1,164,502	115,050
Other financial assets	1,448,298	1,171,979
Securities related to investment business	346,864	269,291
Deferred tax assets	691,195	365,458
Other non-current assets	8,025	4,429
Total non-current assets	8,035,767	3,593,863
Total assets	18,316,517	12,699,966
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	813,638	784,511
Bonds and borrowings	3,215,156	3,344,922
Lease liabilities	565,165	292,242
Income taxes payable	83,186	98,173
Insurance contract liabilities	592,749	628,803
Other current liabilities	420,680	363,788
Liabilities directly associated with assets held for sale	14,589	–
Total current liabilities	5,705,166	5,512,441
Non-current liabilities		
Bonds and borrowings	2,787,649	2,445,350
Lease liabilities	1,326,734	103,601
Deferred tax liabilities	255,533	–
Other non-current liabilities	151,973	69,068
Total non-current liabilities	4,521,891	2,618,021
Total liabilities	10,227,058	8,130,462
Equity		
Equity attributable to owners of parent		
Share capital	1,787,880	1,792,766
Capital surplus	986,384	991,270
Retained earnings	5,162,735	1,628,971
Treasury shares	(299,966)	(299,966)
Other components of equity	195,234	225,454
Total equity attributable to owners of parent	7,832,267	4,338,496
Non-controlling interests	257,191	231,007
Total equity	8,089,459	4,569,504
Total liabilities and equity	18,316,517	12,699,966

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

(Thousands of yen)

	FY6/23 (Jul. 1, 2022–Jun. 30, 2023)	FY6/24 (Jul. 1, 2023–Jun. 30, 2024)
Continuing operations:		
Revenue	11,838,343	10,714,549
Cost of sales	(6,910,682)	(6,154,729)
Gross profit	4,927,660	4,559,819
Selling, general and administrative expenses	(4,586,905)	(4,742,790)
Other income	39,370	13,094
Other expenses	(20,345)	(2,102,326)
Operating profit (loss) before gains/losses on securities related to investment business	359,780	(2,272,202)
Gains/losses on securities related to investment business	37,439	117,181
Operating profit (loss)	397,219	(2,155,020)
Finance income	28,114	28,380
Finance costs	(50,493)	(40,030)
Profit (loss) before tax	374,840	(2,166,670)
Income tax expense	(106,963)	(194,132)
Profit (loss) from continuing operations	267,876	(2,360,803)
Discontinued operations:		
Profit (loss) from discontinued operations	(480,952)	(516,311)
Profit (loss)	(213,075)	(2,877,114)
Profit (loss) attributable to:		
Owners of parent	(218,577)	(2,887,886)
Non-controlling interests	5,501	10,771
Profit (loss)	(213,075)	(2,877,114)
Earnings per share attributable to owners of the parent company		
Basic earnings (loss) per share (Yen)		
Continuing operations	14.40	(137.46)
Discontinued operations	(27.02)	(29.06)
Total	(12.62)	(166.53)
Diluted earnings (loss) per share (Yen)		
Continuing operations	14.35	(137.46)
Discontinued operations	(27.02)	(29.06)
Total	(12.66)	(166.53)

Consolidated Statement of Comprehensive Income

(Thousands of yen)

	FY6/23 (Jul. 1, 2022–Jun. 30, 2023)	FY6/24 (Jul. 1, 2023–Jun. 30, 2024)
Profit (loss)	(213,075)	(2,877,114)
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	92,086	21,997
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	2,254	8,356
Other comprehensive income	94,341	30,354
Comprehensive income	(118,733)	(2,846,760)
Comprehensive income attributable to:		
Owners of parent	(124,235)	(2,857,532)
Non-controlling interests	5,501	10,771
Comprehensive income	(118,733)	(2,846,760)

(3) Consolidated Statement of Changes in Equity

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)	–
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		–	–			
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			

FY6/24 (Jul. 1, 2023 – Jun. 30, 2024)

(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, 2023	1,787,880	986,384	5,162,735	(299,966)	195,234	7,832,267
Profit (loss)	–	–	(2,887,886)	–	–	(2,887,886)
Other comprehensive income	–	–	–	–	30,354	30,354
Total comprehensive income	–	–	(2,887,886)	–	30,354	(2,857,532)
Dividends	–	–	(645,877)	–	–	(645,877)
Exercise of share acquisition rights	4,886	4,886	–	–	(134)	9,638
Establishment of subsidiaries with non-controlling interests	–	–	–	–	–	–
Loss of control of subsidiaries	–	–	–	–	–	–
Balance as of Jun. 30, 2024	1,792,766	991,270	1,628,971	(299,966)	225,454	4,338,496

	Non-controlling interests	Total equity
	Balance as of Jul. 1, 2023	257,191
Profit (loss)	10,771	(2,877,114)
Other comprehensive income	–	30,354
Total comprehensive income	10,771	(2,846,760)
Dividends	–	(645,877)
Exercise of share acquisition rights	–	9,638
Establishment of subsidiaries with non-controlling interests	1,500	1,500
Loss of control of subsidiaries	(38,455)	(38,455)
Balance as of Jun. 30, 2024	231,007	4,569,504

(4) Consolidated Statement of Cash Flows

(Thousands of yen)

	FY6/23 (Jul. 1, 2022–Jun. 30, 2023)	FY6/24 (Jul. 1, 2023–Jun. 30, 2024)
Cash flows from operating activities		
Profit (loss) before tax	374,840	(2,166,670)
Profit (loss) before tax from discontinued operations	(522,128)	(489,254)
Depreciation and amortization	792,043	711,131
Impairment losses	399,602	1,961,516
Loss (gain) on sale and retirement of non-current assets	21,671	5,644
Loss (gain) on securities related to investment business	(37,439)	(107,947)
Finance income	(27,275)	(28,300)
Finance costs	46,123	41,615
Decrease (increase) in trade and other receivables	86,294	228,623
Increase (decrease) in trade and other payables	(95,203)	132,245
Decrease (increase) in inventories	(31,787)	(41,062)
Decrease (increase) in reinsurance assets	(164,725)	6,205
Increase (decrease) in insurance contract liabilities	(51,630)	36,053
Other	145,205	(60,704)
Subtotal	935,592	229,094
Interest and dividends received	27,250	27,742
Interest paid	(36,816)	(36,839)
Income taxes refund (paid)	(324,669)	31,772
Net cash provided by (used in) operating activities	601,357	251,769
Cash flows from investing activities		
Purchase of property, plant and equipment	(106,413)	(29,373)
Purchase of intangible assets	(102,288)	(70,057)
Purchase of investment securities	(92,638)	(33,321)
Proceeds from sale of investment securities	157,500	255,085
Payments of leasehold and guarantee deposits	(13,566)	(13,383)
Proceeds from refund of leasehold and guarantee deposits	1,703	48,779
Payments for sale of shares of subsidiaries resulting in change in scope of consolidation	(9,398)	–
Proceeds from sale of shares of subsidiaries resulting in change in scope of consolidation	–	3,388
Purchase of investments accounted for using equity method	(42,807)	–
Other	(6,956)	866
Net cash provided by (used in) investing activities	(214,867)	161,983

	(Thousands of yen)	
	FY6/23	FY6/24
	(Jul. 1, 2022–Jun. 30, 2023)	(Jul. 1, 2023–Jun. 30, 2024)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(200,000)	143,332
Proceeds from long-term borrowings	1,250,000	1,645,000
Repayments of long-term borrowings	(1,966,721)	(1,816,680)
Redemption of bonds	(40,000)	(190,000)
Repayments of lease liabilities	(551,929)	(493,212)
Proceeds from exercise of share acquisition rights	18,072	11,138
Purchase of treasury shares	(125,779)	–
Dividends paid	(631,811)	(647,638)
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	–
Other	–	(114)
Net cash provided by (used in) financing activities	(2,250,735)	(1,348,174)
Effect of exchange rate changes on cash and cash equivalents	(5,389)	(3,946)
Net increase (decrease) in cash and cash equivalents	(1,869,634)	(938,367)
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)	15,352
Cash and cash equivalents at end of period	7,740,400	6,817,385

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/en/>). Scala's consolidated financial statements for the twelve months ended June 30, 2024 encompass Scala and the Group's 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 Business, EC Business, Financial 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 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. Material Accounting Policy Information

The material accounting policies applied for the consolidated financial statements for the current fiscal year remain the same as significant accounting policies applied for the consolidated financial statements for the previous fiscal year. The adoption of this standard has no material impact on the consolidated financial statements.

Standard	Title	Summary of the new establishment or revisions of the Standard
IAS 12	Income Taxes	Clarification of accounting for deferred taxes on assets and liabilities arising from a single transaction

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:

- Valuation of property, plant and equipment, goodwill, and intangible assets
- Lease term of right-of-use assets, and
- Recoverability of deferred tax assets.

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 Connect Agency, Inc., readytowork Co., Ltd. (DX business), Scala Works, Inc., FourHands, Inc., Sports Stories, Inc., Broncos 20 Co., Ltd. (former Human Resources and Education business), and J-Phoenix Research Inc. (Incubation business) have been classified as discontinued operations and excluded from the segment information of the DX business, HR business and Incubation business for the previous and current fiscal years, 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 also provides SaaS/ASP services using IT (Web, phone, fax, SMS related technologies)/AI/IoT technologies to meet customer needs flexibly and quickly.
- The HR Business offers recruiting support for new graduates and mid-career employees focusing on physical education students.
- 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 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.

In the fourth quarter of the current fiscal year, the name of the reporting segment was changed from the HR & Education Business to the HR Business due to the transition of the education business to discontinued operations. The Financial Related Business has also been renamed the Financial Business, though there is no change in the business activities.

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

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

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)
	DX Business	HR Business	EC Business	Financial Business	Incubation Business	Subtotal		
Revenue								
Sales to external customers	7,213,208	963,062	2,138,189	1,245,036	269,098	11,828,595	9,747	11,838,343
Inter-segment sales and transfers	54,751	900	–	–	21,141	76,793	(76,793)	–
Total	7,267,960	963,962	2,138,189	1,245,036	290,240	11,905,388	(67,045)	11,838,343
Segment profit (loss)	350,032	286,672	316,232	(196,626)	(203,642)	552,669	(155,449)	397,219
Finance income	–	–	–	–	–	–	–	28,114
Finance costs	–	–	–	–	–	–	–	(50,493)
Profit (loss) before tax	–	–	–	–	–	–	–	374,840

- Notes: 1. The (155,449) 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 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.

FY6/24 (Jul. 1, 2023–Jun. 30, 2024)

(Thousands of yen)

	Reportable segment						Adjustments (Note 1)	Amounts shown on consolidated statement of income (Note 2)
	DX Business	HR Business	EC Business	Financial Business	Incubation Business	Subtotal		
Revenue								
Sales to external customers	5,865,868	1,028,301	2,238,629	1,216,357	294,351	10,643,509	71,040	10,714,549
Inter-segment sales and transfers	25,464	–	–	–	42,951	68,416	(68,416)	–
Total	5,891,333	1,028,301	2,238,629	1,216,357	337,303	10,711,925	2,623	10,714,549
Segment profit (loss)	(1,217,194)	266,812	240,123	(818,615)	(188,273)	(1,717,148)	(437,872)	(2,155,020)
Finance income	–	–	–	–	–	–	–	28,380
Finance costs	–	–	–	–	–	–	–	(40,030)
Profit (loss) before tax	–	–	–	–	–	–	–	(2,166,670)
Other items								
Impairment losses	945,109	–	–	613,235	61,353	1,619,697	57,180	1,676,878

- Notes: 1. The (437,872) 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 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

The Company classified Connect Agency, Inc. and J-Phoenix Research Inc. as discontinued operations in the fourth quarter of the fiscal year ended June 30, 2023, and has completed the transfer of all shares of those companies.

The Company also classified FourHands, Inc. in the third quarter of the current fiscal year and readytowork Co., Ltd., Sports Stories, Inc., and Broncos 20 Co., Ltd. in the fourth quarter of the current fiscal year as discontinued operations, and has completed the transfer of all shares of these companies, which were consolidated subsidiaries, in the current fiscal year.

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

(2) Overview of share transfer

1. FourHands, Inc.

Name of the segment in which the above company was included	HR Business
Number of shares held before transfer	100 shares (Percentage of voting rights held: 100.0%)
Number of shares transferred	100 shares
Number of shares held after transfer	0 shares (Percentage of voting rights held: 0%)

2. readytowork Co., Ltd.

Name of the segment in which the above company was included	DX Business
Number of shares held before transfer	12,500 shares (Percentage of voting rights held: 100.0%)
Number of shares transferred	12,500 shares
Number of shares held after transfer	0 shares (Percentage of voting rights held: 0%)

3. Sports Stories, Inc.

Name of the segment in which the above company was included	HR Business
Number of shares held before transfer	400 shares (Percentage of voting rights held: 80.0%)
Number of shares transferred	400 shares
Number of shares held after transfer	0 shares (Percentage of voting rights held: 0%)

4. Broncos 20 Co., Ltd.

Name of the segment in which the above company was included	HR Business
Number of shares held before transfer	1,140,750 shares (Percentage of voting rights held: 87.75%)
Number of shares transferred	1,001,000 shares
Number of shares held after transfer	0 shares (Percentage of voting rights held: 0%)

Note: The number and percentage of shares of Broncos 20, Co. Ltd. that Sports Stories, Inc. held prior to the transfer are shown; however, the number of shares is zero following the transfer as a result of the sale of Sports Stories, Inc.

(3) Discontinued operations performance

	(Thousands of yen)	
	FY6/23 (Jul. 1, 2022–Jun. 30, 2023)	FY6/24 (Jul. 1, 2023–Jun. 30, 2024)
Profit or loss from discontinued operations		
Revenue	1,072,847	620,438
Expenses	(1,594,975)	(1,109,693)
Profit (loss) before tax from discontinued operations	(522,128)	(489,254)
Income tax expense	41,175	(27,057)
Profit (loss) from discontinued operations	(480,952)	(516,311)

Notes: 1. Expenses in FY6/23 include an impairment loss on goodwill and property, plant and equipment of 399,602 thousand yen.

2. Expenses in FY6/24 include an impairment loss on goodwill and intangible assets of 284,637 thousand yen.

(4) Cash flows from discontinued operations

	(Thousands of yen)	
	FY6/23 (Jul. 1, 2022–Jun. 30, 2023)	FY6/24 (Jul. 1, 2023–Jun. 30, 2024)
Cash flows from discontinued operations		
Cash flows from operating activities	(53,444)	(102,993)
Cash flows from investing activities	(34,575)	40,717
Cash flows from financing activities	–	(579)
Total	<u>(88,019)</u>	<u>(62,885)</u>

Note: Cash flows from investing activities in FY6/24 include proceeds from sale of shares of subsidiaries resulting in change in scope of consolidation of 3,388 thousand yen.

Per-share Information

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

	FY6/23 (Jul. 1, 2022–Jun. 30, 2023)	FY6/24 (Jul. 1, 2023–Jun. 30, 2024)
Profit (loss) attributable to owners of parent (thousands of yen)		
Continuing operations	249,427	(2,383,894)
Discontinued operations	(468,005)	(503,991)
Profit (loss) used to calculate diluted earnings per share (thousands of yen)		
Continuing operations	249,427	(2,383,894)
Discontinued operations	(468,005)	(503,991)
Average number of common shares outstanding during the period (shares)	17,323,523	17,341,863
Increase in the number of common shares		
Share acquisition rights (shares)	56,450	47,831
Average number of diluted common shares outstanding during the period (shares)	<u>17,379,973</u>	<u>17,389,694</u>
Basic earnings (loss) per share (yen)		
Continuing operations	14.40	(137.46)
Discontinued operations	(27.02)	(29.06)
Diluted earnings (loss) per share (yen)		
Continuing operations	14.35	(137.46)
Discontinued operations	(27.02)	(29.06)

Note: In FY6/24, 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.