May 15, 2025

Consolidated Financial Results for the Third Quarter of the Fiscal Year Ending June 30, 2025 (Nine Months Ended March 31, 2025) [IFRS]

Company name: Scala, Inc. Listing: Tokyo Stock Exchange
Stock code: 4845 URL: https://scalagrp.jp/en/
Representative: Hideaki Nitta, Director, Representative Executive Officer & President
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Scheduled date of payment of dividend: –
Preparation of supplementary materials for financial results: Yes
Holding of financial results meeting: None

(All amounts are rounded down to the nearest million yen.)

1. Management Performance under IFRS and Non-GAAP Measures

Consolidated Results of Operations (July 1, 2024–March 31, 2025)

(Percentages represent year-on-year changes.)

	Revenue		Operating profit		Profit before tax		Profit		Profit attributable to owners of parent	
(IFRS)	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Nine months ended Mar. 31, 2025	7,261	2.0	629	–	603	–	527	–	534	–
Nine months ended Mar. 31, 2024	7,118	–	(747)	–	(772)	–	(1,629)	–	(1,627)	–
(Non-GAAP)										
Nine months ended Mar. 31, 2025	7,261	2.0	439	–	413	–	223	–	220	–
Nine months ended Mar. 31, 2024	7,118	–	(87)	–	(112)	–	(85)	–	(83)	–

	IFRS		Non-GAAP	
	Basic earnings per share	Diluted earnings per share	Basic earnings per share	Diluted earnings per share
	Yen	Yen	Yen	Yen
Nine months ended Mar. 31, 2025	30.81	30.81	12.70	12.70
Nine months ended Mar. 31, 2024	(93.85)	(93.85)	(4.79)	(4.79)

Notes: 1. Revenue, operating profit, and profit before tax for the nine months ended March 31, 2024 were reclassified by deducting the amounts of those from discontinued operations from the amounts of those from continuing operations. Because of this, these year-on-year changes are not presented.
For details of the discontinued operations, please refer to "2. Condensed Quarterly Consolidated Financial Statements and Notes, (5) Notes to Condensed Quarterly Consolidated Financial Statements, Discontinued Operations" on page 16 of Attachments.
2. Under non-GAAP measures, expenses related to office downsizing, impairment losses on goodwill and other items, and reversal of deferred tax assets of 1,276 million yen were deducted from operating profit and the line items below for the nine months ended March 31, 2024.
In addition, revenue from liquidation of business of 189 million yen was deducted from operating profit and the line items below for the nine months ended March 31, 2025.
3. Under non-GAAP measures, profit from discontinued operations was deducted from profit and the line items below.
4. For details of the non-GAAP measures, please refer to "1. Overview of Business Performance (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 Mar. 31, 2025	11,209	4,424	4,392	39.2	253.03
As of Jun. 30, 2024	12,699	4,569	4,338	34.2	250.01

3. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Jun. 30, 2024	–	18.75	–	18.75	37.50
Fiscal year ending Jun. 30, 2025	–	8.00	–		
Fiscal year ending Jun. 30, 2025 (forecasts)				8.00	16.00

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

4. 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

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

* Notes

(1) Significant changes in the scope of consolidation during the period: Yes

Newly added: – Excluded: 1 (SCSV-1 Investment Limited Partnership)

(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 Mar. 31, 2025: 17,760,959 shares As of Jun. 30, 2024: 17,753,459 shares
2) Number of treasury shares as of the end of the period
As of Mar. 31, 2025: 400,008 shares As of Jun. 30, 2024: 400,008 shares
3) Average number of shares outstanding during the period
Nine months ended Mar. 31, 2025: 17,357,703 shares Nine months ended Mar. 31, 2024: 17,339,790 shares

- Review of the Japanese-language originals of the attached quarterly consolidated financial statements by certified public accountants or an audit firm: None

- Explanation of appropriate use of earnings forecasts, and other special items

Cautionary statement with respect to forecasts

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

How to view supplementary materials for financial results

Supplementary materials for the financial results will be disclosed today (May 15, 2025) and available on the Scala's website

Contents of Attachments

1. Overview of Business Performance

Scala, Inc. ("Scala" or the "Company") and its group companies (collectively the "Group") have adopted IFRS Accounting Standards.

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 the following consolidated subsidiaries as discontinued operations: J-Phoenix Research, Inc. in the fiscal year ended June 30, 2023; and FourHands, Inc., readytowork Co., Ltd., Sports Stories, Inc., and Broncos 20 Co., Ltd. in the fiscal year ended June 30, 2024. Subsequently, the Company completed the transfer of all shares of these subsidiaries in the fiscal year ended June 30, 2024.

In addition, the Company transferred all shares of its consolidated subsidiary Retool, Inc. and liquidated its consolidated subsidiary Leoconnect, Inc. and SCSV-1 Investment Limited Partnership in the first nine months of the fiscal year ending June 30, 2025. Accordingly, the Company has classified all of them as discontinued operations.

Accordingly, revenue, operating profit, and profit before tax for the first nine months of the fiscal year ended June 30, 2024 were reclassified by deducting the amounts of those from discontinued operations from the amounts of those from continuing operations.

(1) Results of Operations

In the first nine months of the fiscal year ending June 30, 2025 (the "period under review"), the Japanese economy continued to show a gradual recovery as demand from inbound tourists increased and employment conditions improved. However, the economic outlook remains uncertain due to soaring resource prices and price hikes as well as concerns about the outlook of the Chinese economy and prospective policy trends in the United States.

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 streamline operations for new creation. 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 a business environment, the Group has been undertaking business restructuring through the selection and concentration of business along with cost reduction in order to significantly improve the Group's profitability, especially in the DX Business, which is our critical foundation, since the beginning of the fiscal year ended June 30, 2024.

As a result, the Group reported revenue of 7,261 million yen (up 2.0% year on year) for the period under review. This was mainly due to the recording of one-off sales from large projects in the DX Business, despite the impact of a decrease in revenue from new graduate recruiting support service in the HR Business.

On the profitability front, the Group reported operating profit of 629 million yen (compared with operating loss of 747 million yen a year earlier). This was mainly due to cost reduction implemented as part of our business restructuring efforts, along with the strong performance of the DX Business.

Profit before tax amounted to 603 million yen (compared with loss before tax of 772 million yen a year earlier). As a result of recording income tax expense of 190 million yen and profit from discontinued operations of 114 million yen, profit amounted to 527 million yen (compared with loss of 1,629 million yen a year earlier), and profit attributable to owners of parent amounted to 534 million yen (compared with loss attributable to owners of parent of 1,627 million yen a year earlier).

Reporting on a non-GAAP basis

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

We believe that disclosure of the non-GAAP measures makes it easier for our stakeholders to make both crosssectional 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.

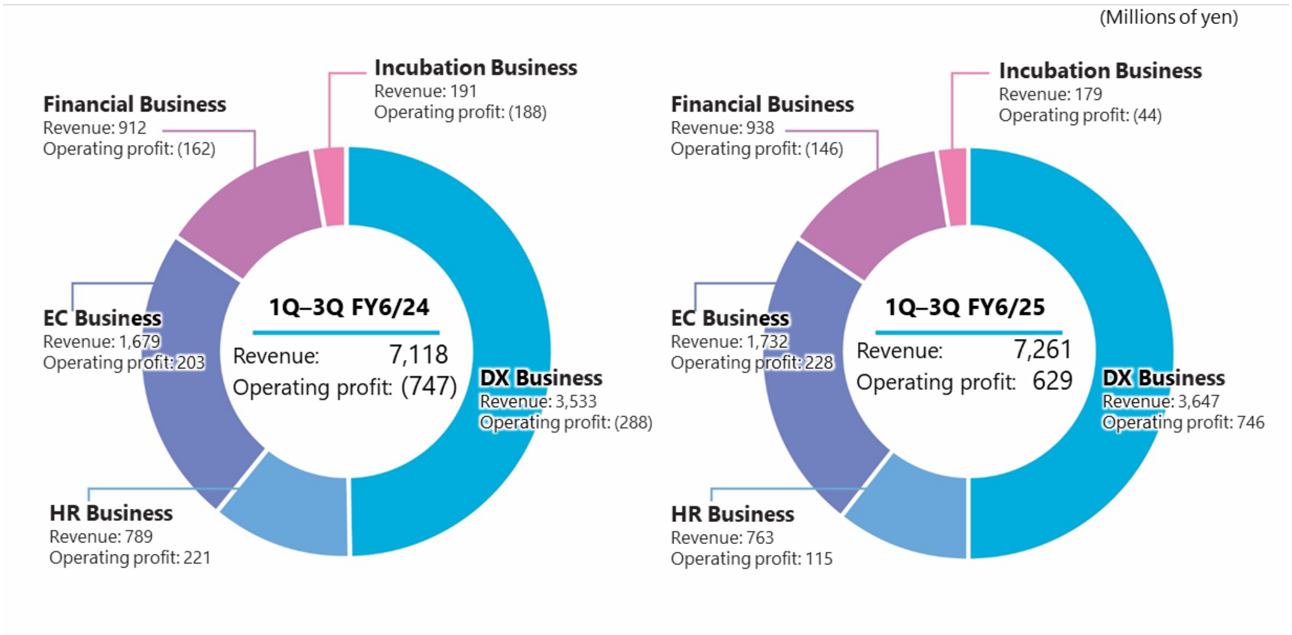
While the Group discloses the non-GAAP measures in reference to the rules set out by the U.S. Securities and Exchange Commission, this does not mean the Group fully complies with these rules.

For adjustment, expenses related to office downsizing, impairment losses on goodwill and other items, and reversal of deferred tax assets of 1,276 million yen were deducted from the line items below operating profit for the first nine months of the fiscal year ending June 30, 2024.

Revenue from liquidation of business of 189 million yen was deducted from the line items below operating profit for the period under review. In addition, profit from discontinued operations was deducted from the line items below profit.

The operating segment performance is as follows.

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



(i) DX Business

In the DX Business, existing SaaS/ASP-type services such as "i-ask" and "i-search" continued to be steady at Scala Communications, Inc., and the Group was successful in launching large-scale web services, developing new SaaS offerings, acquiring solution service-type enterprise projects, and advancing joint development initiatives, among other projects. In addition, the engineer human resources business handles both internal resource coordination and external staffing as part of its recruitment function, contributing to revenue and profits through its high performance. The growth in revenue and profits is also driven by the effects of ongoing business restructuring, including cost reductions continued from the previous fiscal year, as well as the automation of certain operations within the media service business.

EGG CO., LTD. was entrusted with and carried out BPO operations for the "Furusato Nozei" taxation system as planned. In the healthcare business, we are making progress in acquiring frailty prevention projects from local governments and expanding its presence, with a focus on the rollout of the frailty prevention app that was selected for the Digital Garden City National Concept Grant. We have also been entrusted with a number of government-led projects.

As a result, the DX Business as a whole grew steadily, and both revenue and profits increased year on year.

(Millions of yen, unless otherwise stated)

		First nine months of FY6/24	First nine months of FY6/25	Year-on-year change	
				Amount	%
Revenue		3,533	3,647	114	Up 3.2%
Segment profit (IFRS)	Before allocation of corporate expenses	193	890	697	Up 361.5%
	After allocation of corporate expenses	(288)	746	1,035	–
Segment profit (Non-GAAP measures)	Before allocation of corporate expenses	452	700	247	Up 54.7%
	After allocation of corporate expenses	(29)	556	585	–

(ii) HR Business

The HR Business saw the continued high need to exhibit at recruitment events for students graduating in 2026 among both existing and new companies in the recruitment support service business, as well as an increase in the unit sales prices. On the other hand, despite strong corporate demand for placement services, a temporary shortage of career advisors led to a decline in new member acquisitions and a lower placement rate during the period under review. Meanwhile, although the new mid-career recruitment support business has yet to become profitable, both client acquisition and candidate registrations have been steadily increasing. Consequently, both revenue and profits decreased year on year.

(Millions of yen, unless otherwise stated)

		First nine months of FY6/24	First nine months of FY6/25	Year-on-year change	
				Amount	%
Revenue		789	763	(26)	Down 3.3%
Segment profit (IFRS and non-GAAP measures)	Before allocation of corporate expenses	249	175	(74)	Down 29.7%
	After allocation of corporate expenses	221	115	(105)	Down 47.8%

(iii) EC Business

The EC Business operates Yuyu-Tei, an EC site for buying and selling trading card games (TCG), which also contains game walkthrough pages, and the Group continues to pursue pleasant UI/UX. Although we incurred temporary costs for warehouse relocation to accommodate the increase in inventory due to business expansion, our direct overseas shipping service, launched at the end of last year, has seen steady growth in usage, thanks to strong demand from customers abroad, and sales of core titles remained strong in both Japan and overseas markets. Productivity also improved thanks to the streamlined fulfilment operations. Furthermore, we have won an order for a system development project for the TCG distribution industry, securing a revenue from the new project that will be implemented in the current and next fiscal years. As a result, both revenue and profits increased year on year.

(Millions of yen, unless otherwise stated)

		First nine months of FY6/24	First nine months of FY6/25	Year-on-year change	
				Amount	%
Revenue		1,679	1,732	52	Up 3.1%
Segment profit (IFRS and non-GAAP measures)	Before allocation of corporate expenses	250	268	17	Up 6.9%
	After allocation of corporate expenses	203	228	25	Up 12.5%

(iv) Financial Business

In the Financial Business, the Group has continued to strengthen its sales promotion activities for the new products "Inu to Neko no Hoken (Insurance for Dogs and Cats) Next / Light / Mini" and take other marketing measures. While advertising costs incurred for marketing measures and insurance payouts due to the rising average age of pets covered by active policies increased, the numbers of new policies and active policies showed a steady upward trend compared to the same period last year. As a result, both revenue and profits increased year on year.

(Millions of yen, unless otherwise stated)

		First nine months of FY6/24	First nine months of FY6/25	Year-on-year change	
				Amount	%
Revenue		912	938	26	Up 2.9%
Segment profit (IFRS and non-GAAP measures)	Before allocation of corporate expenses	(135)	(119)	15	–
	After allocation of corporate expenses	(162)	(146)	15	–

(v) Incubation Business

In the 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. The Japan Network for Public Interest Activities (JANPIA) has selected the Group's joint application with QR Investment Co., Ltd., an investment subsidiary of Hokkoku Financial Holdings, Inc., as a fund distribution organization for an impact investment fund utilizing dormant deposits. Accordingly, the Group has been operating the fund as a "SOCIALX Impact Fund" since the second quarter of this fiscal year, and is in the process of sourcing and reviewing the startups to launch the first project. This endeavor was highlighted in the Medium-Term Business Strategy of Hokkoku Financial Holdings, Inc., and covered by several media including the Nihon Keizai Shimbun and Nikkin Online.

The Public-Private Co-Creation Acceleration Program (SOCIALX Acceleration) aims to create and support startups that resolve social issues while achieving both financial returns and social impact. This program has been provided to MUFG Bank, Ltd. and Mitsubishi UFJ Trust and Banking Corporation as an OEM program called "Oshigoto Crowdfunding", and the final assessments of the 15 startup companies selected from around 100 applicants took place. A total of 450 representatives from large enterprises and local governments have registered as potential co-creation partners. In SOCIALX Acceleration for OKINAWA, the five selected startup companies have begun conducting demonstration experiments with local governments.

In SOCIALX Acceleration, a program operated by SOCIALX, INC. as an entity selected to corporate with the Tokyo Metropolitan Government for its Startup Support and Development Project by Diverse Entities (TOKYO SUTEAM), the companies selected for the second stage are conducting demonstration experiments with local governments through Gyaku Propo services. Furthermore, we have initiated another program for the Okinawa General Bureau, Cabinet Office as we did in the Fiscal 2024. In the program focusing on the theme of decarbonization that was implemented as part of the Gunma Prefectural Government project, we have started coordinating demonstration experiments between the selected companies and local governments.

In the Gyaku-Propo Concierge business, the Group supports platform operations in Shinagawa Ward, and provides public-private co-creation supports for other municipalities. We also started a program to promote open innovation between companies and local governments through public-private co-creation human resources development across the 54 municipalities in Aichi Prefecture. With regard to the one-year secondment of staff members from Toyota City, Aichi Prefecture, to the Group for the purpose of human resources development, we welcomed another fresh staff member on loan in this fiscal year. We have also started accepting staff from major financial institutions. There is growing momentum in both the public and private sectors to develop human resources, and we are seeing a steady increase in inquiries about talent strategies. The Group also dispatched a director as a corporate collaboration promotion advisor to Minato Ward of Tokyo. Amidst the attention of the government and other organizations, the Group continued to take on new challenges in order to build a collaborative economy.

Scala, Inc. is providing co-creation M&A services mainly for growth-phase listed companies by leveraging its business development and M&A experience, combined with the Group's DX expertise. The Company has begun offering DX support in the value-up phase for companies acquired by its clients, and is actively promoting the provision of services that leverage the comprehensive capabilities of the entire Scala Group.

Additionally, fixed cost reductions under the business restructuring contributed to profits. As a result, in the Incubation Business as a whole, revenue decreased and profits increased year on year.

(Millions of yen, unless otherwise stated)

<table>
<tr><th colspan="2" rowspan="2"></th><th rowspan="2">First nine months of FY6/24</th><th rowspan="2">First nine months of FY6/25</th><th colspan="2">Year-on-year change</th></tr>
<tr><th>Amount</th><th>%</th></tr>
<tr><td colspan="2">Revenue</td><td>191</td><td>179</td><td>(12)</td><td>Down 6.6%</td></tr>
<tr><td rowspan="2">Segment profit (IFRS and non-GAAP measures)</td><td>Before allocation of corporate expenses</td><td>(183)</td><td>(44)</td><td>139</td><td>–</td></tr>
<tr><td>After allocation of corporate expenses</td><td>(188)</td><td>(44)</td><td>143</td><td>–</td></tr>
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(2) Financial Position

Assets

Total assets amounted to 11,209 million yen at the end of the period under review, a decrease of 1,490 million yen over the end of the previous fiscal year. This was mainly attributable to decreases of 2,002 million yen in cash and cash equivalents, 332 million yen in trade and other receivables, and 269 million yen in securities related to investment business, which were partially offset by increases of 607 million yen in time deposits and 409 million yen in right-of-use assets.

Liabilities

Liabilities totaled 6,784 million yen, a decrease of 1,345 million yen over the end of the previous fiscal year. This was mainly attributable to a decrease of 1,809 million yen in bonds and borrowings, which was partially offset by an increase of 438 million yen in lease liabilities (non-current).

Equity

Equity totaled 4,424 million yen, a decrease of 145 million yen over the end of the previous fiscal year. This was mainly attributable to decreases of 469 million yen in the capital surplus and 199 million yen in non-controlling interests, which were partially offset by an increase of 545 million yen in retained earnings.

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

The Group maintains its consolidated earnings forecast for the fiscal year ending June 30, 2025 that was announced in the "Consolidated Financial Results for the Fiscal Year Ended June 30, 2024" on August 14, 2024.

2. Condensed Quarterly Consolidated Financial Statements and Notes

(1) Condensed Quarterly Consolidated Statement of Financial Position

(Thousands of yen)

	FY6/24 (As of Jun. 30, 2024)	Third quarter of FY6/25 (As of Mar. 31, 2025)
Assets		
Current assets		
Cash and cash equivalents	6,817,385	4,814,626
Time deposits	–	607,300
Trade and other receivables	1,323,993	991,703
Inventories	366,600	421,686
Reinsurance assets	521,946	581,745
Income taxes receivable	6,699	22
Other current assets	69,477	71,520
Total current assets	9,106,102	7,488,604
Non-current assets		
Property, plant and equipment	301,522	316,811
Right-of-use assets	387,914	797,159
Goodwill	978,216	978,216
Intangible assets	115,050	83,132
Other financial assets	1,171,979	1,166,689
Securities related to investment business	269,291	–
Deferred tax assets	365,458	372,923
Other non-current assets	4,429	5,463
Total non-current assets	3,593,863	3,720,397
Total assets	12,699,966	11,209,001
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	784,511	620,517
Bonds and borrowings	3,344,922	2,292,166
Lease liabilities	292,242	258,547
Income taxes payable	98,173	272,793
Insurance contract liabilities	628,803	647,040
Other current liabilities	363,788	389,529
Total current liabilities	5,512,441	4,480,595
Non-current liabilities		
Bonds and borrowings	2,445,350	1,688,939
Lease liabilities	103,601	542,571
Other non-current liabilities	69,068	72,400
Total non-current liabilities	2,618,021	2,303,912
Total liabilities	8,130,462	6,784,507
Equity		
Equity attributable to owners of parent		
Share capital	1,792,766	1,794,675
Capital surplus	991,270	521,308
Retained earnings	1,628,971	2,174,631
Treasury shares	(299,966)	(299,966)
Other components of equity	225,454	202,277
Total equity attributable to owners of parent	4,338,496	4,392,925
Non-controlling interests	231,007	31,568
Total equity	4,569,504	4,424,494
Total liabilities and equity	12,699,966	11,209,001

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

Condensed Quarterly Consolidated Statement of Income

(Thousands of yen)

	First nine months of FY6/24 (Jul. 1, 2023–Mar. 31, 2024)	First nine months of FY6/25 (Jul. 1, 2024–Mar. 31, 2025)
Continuing operations:		
Revenue	7,118,560	7,261,156
Cost of sales	(3,864,580)	(4,081,577)
Gross profit	3,253,979	3,179,579
Selling, general and administrative expenses	(3,320,250)	(2,752,026)
Other income	10,363	205,713
Other expenses	(691,092)	(4,041)
Operating profit (loss)	(747,000)	629,225
Finance income	8,600	12,044
Finance costs	(33,769)	(37,867)
Profit (loss) before tax	(772,169)	603,401
Income tax expense	(589,483)	(190,253)
Profit (loss) from continuing operations	(1,361,652)	413,148
Discontinued operations:		
Profit (loss) from discontinued operations	(268,146)	114,828
Profit (loss)	(1,629,799)	527,976
Profit (loss) attributable to:		
Owners of parent	(1,627,305)	534,798
Non-controlling interests	(2,493)	(6,821)
Profit (loss)	(1,629,799)	527,976
Earnings per share attributable to owners of parent		
Basic earnings (loss) per share (Yen)		
Continuing operations	(79.01)	23.30
Discontinued operations	(14.83)	7.51
Total	(93.85)	30.81
Diluted earnings (loss) per share (Yen)		
Continuing operations	(79.01)	23.30
Discontinued operations	(14.83)	7.51
Total	(93.85)	30.81

Condensed Quarterly Consolidated Statement of Comprehensive Income

(Thousands of yen)

	First nine months of FY6/24 (Jul. 1, 2023–Mar. 31, 2024)	First nine months of FY6/25 (Jul. 1, 2024–Mar. 31, 2025)
Profit (loss)	(1,629,799)	527,976
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	(41,198)	(17,414)
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	3,693	(5,071)
Total other comprehensive income, net of tax	(37,505)	(22,486)
Comprehensive income	(1,667,304)	505,490
Comprehensive income attributable to:		
Owners of parent	(1,664,810)	512,312
Non-controlling interests	(2,493)	(6,821)
Comprehensive income	(1,667,304)	505,490

(3) Condensed Quarterly Consolidated Statement of Changes in Equity

First nine months of FY6/24 (Jul. 1, 2023–Mar. 31, 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)	–	–	(1,627,305)	–	–	(1,627,305)
Total other comprehensive income	–	–	–	–	(37,505)	(37,505)
Comprehensive income	–	–	(1,627,305)	–	(37,505)	(1,664,810)
Dividends	–	–	(645,877)	–	–	(645,877)
Exercise of share acquisition rights	3,435	3,435	–	–	(94)	6,777
Establishment of subsidiaries with non-controlling interests	–	–	–	–	–	–
Loss of control of subsidiaries	–	–	–	–	–	–
Total transactions with owners	3,435	3,435	(645,877)	–	(94)	(639,100)
Balance as of Mar. 31, 2024	1,791,315	989,819	2,889,552	(299,966)	157,635	5,528,356

	Non-controlling interests	Total equity
Balance as of Jul. 1, 2023	257,191	8,089,459
Profit (loss)	(2,493)	(1,629,799)
Total other comprehensive income	–	(37,505)
Comprehensive income	(2,493)	(1,667,304)
Dividends	–	(645,877)
Exercise of share acquisition rights	–	6,777
Establishment of subsidiaries with non-controlling interests	1,500	1,500
Loss of control of subsidiaries	(21,598)	(21,598)
Total transactions with owners	(20,098)	(659,198)
Balance as of Mar. 31, 2024	234,598	5,762,955

First nine months of FY6/25 (Jul. 1, 2024–Mar. 31, 2025)

(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, 2024	1,792,766	991,270	1,628,971	(299,966)	225,454	4,338,496
Profit (loss)	–	–	534,798	–	–	534,798
Total other comprehensive income	–	–	–	–	(22,486)	(22,486)
Comprehensive income	–	–	534,798	–	(22,486)	512,312
Dividends	–	(325,377)	(138,880)	–	–	(464,257)
Exercise of share acquisition rights	1,908	1,908	–	–	(52)	3,765
Issuance of share acquisition rights	–	–	–	–	105	105
Forfeiture of share acquisition rights	–	743	–	–	(743)	–
Changes in ownership interest in subsidiaries	–	2,504	–	–	–	2,504
Transfer from capital surplus to retained earnings	–	(149,741)	149,741	–	–	–
Loss of control of subsidiaries	–	–	–	–	–	–
Total transactions with owners	1,908	(469,961)	10,860	–	(691)	(457,883)
Balance as of Mar. 31, 2025	1,794,675	521,308	2,174,631	(299,966)	202,277	4,392,925

	Non-controlling interests	Total equity
Balance as of Jul. 1, 2024	231,007	4,569,504
Profit (loss)	(6,821)	527,976
Total other comprehensive income	–	(22,486)
Comprehensive income	(6,821)	505,490
Dividends	–	(464,257)
Exercise of share acquisition rights	–	3,765
Issuance of share acquisition rights	–	105
Forfeiture of share acquisition rights	–	–
Changes in ownership interest in subsidiaries	(211,735)	(209,231)
Transfer from capital surplus to retained earnings	–	–
Loss of control of subsidiaries	19,118	19,118
Total transactions with owners	(192,617)	(650,500)
Balance as of Mar. 31, 2025	31,568	4,424,494

(4) Condensed Quarterly Consolidated Statement of Cash Flows

(Thousands of yen)

	First nine months of FY6/24 (Jul. 1, 2023–Mar. 31, 2024)	First nine months of FY6/25 (Jul. 1, 2024–Mar. 31, 2025)
Cash flows from operating activities		
Profit (loss) before tax	(772,169)	603,401
Profit (loss) before tax from discontinued operations	(240,818)	194,178
Depreciation and amortization	543,485	211,439
Impairment losses	582,719	–
Loss (gain) on sale and retirement of non-current assets	5,891	1,668
Gain on liquidation of business	–	(189,849)
Gain on sale of shares of subsidiaries	–	(284,771)
Loss (gain) on securities related to investment business	(56,899)	40,681
Loss (gain) on sale of investment securities	5,702	–
Finance income	(14,022)	(13,888)
Finance costs	31,188	37,416
Decrease (increase) in trade and other receivables	(405,473)	89,250
Increase (decrease) in trade and other payables	287,576	(134,514)
Decrease (increase) in inventories	(141,494)	(53,098)
Decrease (increase) in reinsurance assets	50,188	(59,799)
Increase (decrease) in insurance contract liabilities	(4,290)	18,237
Other	82,271	136,813
Subtotal	(46,144)	597,165
Interest and dividends received	11,655	14,378
Interest paid	(27,413)	(36,906)
Income taxes refund (paid)	36,243	(97,651)
Net cash provided by (used in) operating activities	(25,658)	476,985
Cash flows from investing activities		
Payments into time deposits	–	(643,000)
Proceeds from withdrawal of time deposits	–	35,700
Purchase of property, plant and equipment	(26,601)	(71,420)
Proceeds from sale of property, plant and equipment	–	1,400
Purchase of intangible assets	(52,887)	(16,590)
Purchase of investment securities	(30,003)	–
Proceeds from sale of investment securities	55,669	228,867
Collection of loans receivable	2,700	102,700
Payments of leasehold and guarantee deposits	(13,227)	(15,834)
Proceeds from refund of leasehold and guarantee deposits	38,873	186,964
Proceeds from liquidation of business	–	190,950
Payments for sale of shares of subsidiaries resulting in change in scope of consolidation	(28,005)	–
Proceeds from sale of shares of subsidiaries resulting in change in scope of consolidation	–	96,592
Other	(2,733)	5,925
Net cash provided by (used in) investing activities	(56,215)	102,255

(Thousands of yen)

	First nine months of FY6/24 (Jul. 1, 2023–Mar. 31, 2024)	First nine months of FY6/25 (Jul. 1, 2024–Mar. 31, 2025)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	783,332	(800,000)
Proceeds from long-term borrowings	1,645,000	360,000
Repayments of long-term borrowings	(1,224,162)	(1,058,923)
Redemption of bonds	(190,000)	(190,000)
Repayments of lease liabilities	(367,221)	(211,508)
Proceeds from issuance of shares resulting from exercise of share acquisition rights	6,777	3,765
Purchase of treasury shares of subsidiaries	–	(40,536)
Dividends paid	(644,248)	(464,642)
Dividends paid to non-controlling interests	–	(179,886)
Other	(114)	–
Net cash provided by (used in) financing activities	9,362	(2,581,732)
Effect of exchange rate changes on cash and cash equivalents	(3,532)	(267)
Net increase (decrease) in cash and cash equivalents	(76,044)	(2,002,758)
Cash and cash equivalents at beginning of period	7,740,400	6,817,385
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	7,679,708	4,814,626

Note: Cash flows from continuing operations and cash flows from discontinued operations are included in the above table. Cash flows from discontinued operations are described in "Notes to Condensed Quarterly Consolidated Financial Statements, Discontinued Operations."

(5) Notes to Condensed Quarterly Consolidated Financial Statements

Going Concern Assumption

Not applicable.

Notes to Condensed Quarterly Consolidated Financial Statements

1. Material Accounting Policy Information

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

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

2. Significant Accounting Estimates and Judgments Involving Estimates

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

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

The management has made estimates and judgments that have a material impact on the amounts reported in the condensed quarterly consolidated financial statements for the period under review in the same way as it did in the consolidated financial statements for the previous fiscal year.

Segment Information

(1) Overview of reportable segments

The Group's reportable segments are components of the Group for which financial information disaggregated by similarity of nature of services is available and are regularly reviewed to make decisions about allocations of corporate resources and assess their performance.

The businesses operated by readytowork Co., Ltd., Leoconnect, Inc. and Retool, Inc. (DX Business); J-Phoenix Research, Inc. and SCSV-1 Investment Limited Partnership (Incubation Business); and FourHands, Inc., Sports Stories, Inc., and Broncos 20 Co., Ltd. (HR Business) have been classified as discontinued operations and excluded from the segment information for the first nine months of the fiscal year ended June 30, 2024 and the first nine months of the fiscal year ending June 30, 2025.

- 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 and professional athletes.
- 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. In addition, it makes business investments while continuing value increase and engagement activities on such investment.

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

First nine months of FY6/24 (Jul. 1, 2023–Mar. 31, 2024)

(Thousands of yen)

	Reportable segment						Adjustments (Note 1)	Amounts shown on condensed quarterly consolidated financial statements (Note 2)
	DX Business	HR Business	EC Business	Financial Business	Incubation Business	Subtotal		
Revenue								
Sales to external customers	3,533,227	789,474	1,679,418	912,125	191,836	7,106,082	12,478	7,118,560
Inter-segment sales and transfers	10,962	–	–	–	35,721	46,683	(46,683)	–
Total	3,544,190	789,474	1,679,418	912,125	227,558	7,152,765	(34,205)	7,118,560
Segment profit (loss)	(288,947)	221,322	203,489	(162,225)	(188,092)	(214,453)	(532,546)	(747,000)
Finance income	–	–	–	–	–	–	–	8,600
Finance costs	–	–	–	–	–	–	–	(33,769)
Profit (loss) before tax	–	–	–	–	–	–	–	(772,169)

Notes: 1. The (532,546) thousand yen adjustment to segment profit includes the elimination of inter-segment transactions and the corporate expenses that are not allocated to each reportable segment.
2. Segment profit (loss) is adjusted to be consistent with operating profit presented in the condensed quarterly consolidated statement of income.
3. Corporate expenses are allocated to each reportable segment based on a rational basis.
4. Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

First nine months of FY6/25 (Jul. 1, 2024–Mar. 31, 2025)

(Thousands of yen)

	Reportable segment						Adjustments (Note 1)	Amounts shown on condensed quarterly consolidated statement of income (Note 2)
	DX Business	HR Business	EC Business	Financial Business	Incubation Business	Subtotal		
Revenue								
Sales to external customers	3,647,713	763,288	1,732,030	938,131	179,182	7,260,346	810	7,261,156
Inter-segment sales and transfers	37,793	–	–	–	23,000	60,793	(60,793)	–
Total	3,685,507	763,288	1,732,030	938,131	202,182	7,321,140	(59,983)	7,261,156
Segment profit (loss)	746,279	115,464	228,955	(146,828)	(44,483)	899,388	(270,163)	629,225
Finance income	–	–	–	–	–	–	–	12,044
Finance costs	–	–	–	–	–	–	–	(37,867)
Profit (loss) before tax	–	–	–	–	–	–	–	603,401

Notes: 1. The (270,163) thousand yen adjustment to segment profit includes the elimination of inter-segment transactions and the corporate expenses that are not allocated to each reportable segment.
2. Segment profit (loss) is adjusted to be consistent with operating profit presented in the condensed quarterly consolidated statement of income.
3. Corporate expenses are allocated to each reportable segment based on a rational basis.
4. Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

Discontinued Operations

The Company classified the following consolidated subsidiaries as discontinued operations: J-Phoenix Research, Inc. in the fiscal year ended June 30, 2023; and FourHands, Inc., readytowork Co., Ltd., Sports Stories, Inc., and Broncos 20 Co., Ltd. in the fiscal year ended June 30, 2024. Subsequently, the Company completed the transfer of all shares of these subsidiaries in the fiscal year ended June 30, 2024.

In addition, the Company transferred all shares of its consolidated subsidiary Retool, Inc. and liquidated its consolidated subsidiary Leoconnect, Inc. and SCSV-1 Investment Limited Partnership in the first nine months of the fiscal year ending June 30, 2025. Accordingly, the Company has classified all of them as discontinued operations. According to IFRS 9, gains/losses on securities related to investment business were recorded under profit (loss) from discontinued operations, along with the classification of SCSV-1 Investment Limited Partnership as discontinued operations.

In addition, capital gains/losses from the transfer of the shares were recorded in profit (loss) from discontinued operations.

(1) Overview of share transfer

Retool, Inc.

Name of the segment in which the above company was included	DX Business
Number of shares held before transfer	3,330,000 shares (Percentage of voting rights held: 66.6%)
Number of shares transferred	3,330,000 shares
Number of shares held after transfer	0 shares (Percentage of voting rights held: 0%)

(2) Operating results of discontinued operations

(Thousands of yen)

	First nine months of FY6/24 (Jul. 1, 2023–Mar. 31, 2024)	First nine months of FY6/25 (Jul. 1, 2024–Mar. 31, 2025)
Profit or loss from discontinued operations		
Revenue	1,607,631	569,568
Expenses	(1,848,449)	(375,390)
Profit (loss) before tax from discontinued operations	(240,818)	194,178
Income tax expense	(27,328)	(79,349)
Profit (loss) from discontinued operations	(268,146)	114,828

(3) Cash flows from discontinued operations

(Thousands of yen)

	First nine months of FY6/24 (Jul. 1, 2023–Mar. 31, 2024)	First nine months of FY6/25 (Jul. 1, 2024–Mar. 31, 2025)
Cash flows from discontinued operations		
Cash flows from operating activities	(32,513)	159,800
Cash flows from investing activities	27,785	324,699
Cash flows from financing activities	15,372	(172,155)
Total	10,644	312,344

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.