

November 15, 2021

Consolidated Financial Results for the First Quarter of the Fiscal Year Ending June 30, 2022 (Three Months Ended September 30, 2021) [IFRS]

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 Scheduled date of payment of dividend: -
 Preparation of supplementary materials for quarterly financial results: Yes
 Holding of quarterly financial results meeting: None

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

1. Management Performance Measures under IFRS

Consolidated Results of Operations (July 1, 2021 – September 30, 2021)

(Percentages represent year-on-year changes.)

	Revenue		Operating profit		Profit before tax		Profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Three months ended Sep. 30, 2021	2,108	(4.5)	12	(90.4)	9	(92.6)	(4)	-	(8)	-
Three months ended Sep. 30, 2020	2,209	-	130	-	123	-	103	(49.1)	70	(49.2)

	Basic earnings per share		Diluted earnings per share	
	Yen		Yen	
Three months ended Sep. 30, 2021	(0.47)		(0.47)	
Three months ended Sep. 30, 2020	4.02		3.99	

Note: In the second quarter of the fiscal year ended June 30, 2021, the businesses that Scala's consolidated subsidiary SOFTBRAIN Co., Ltd. and its subsidiaries operate are classified as a discontinued operation.

The transfer of all shares of SOFTBRAIN held by Scala was complete in the third quarter.

Accordingly, revenue, operating profit, and profit before tax in the three months ended September 30, 2020 present the amounts of those from continuing operations, and therefore 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 17 of Attachments.

2. Management Performance Measures under Non-GAAP Measures

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

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

For details of the non-GAAP measures, please refer to "(1) Explanation of Results of Operations" on page 2 of Attachments.

Consolidated Results of Operations (July 1, 2021 – September 30, 2021)

(Percentages represent year-on-year changes.)

	Revenue		Operating profit*		Profit before tax		Profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Three months ended Sep. 30, 2021	2,108	(4.5)	39	(72.0)	35	(73.1)	22	(73.2)	18	(63.7)
Three months ended Sep. 30, 2020	2,209	-	140	-	132	-	83	-	50	-

* Expenses incurred on the transfer of common shares of SOFTBRAIN Co., Ltd., Scala's consolidated subsidiary (consisting of financial advisory fees and legal fees) of 9 million yen and profit resulting from discontinued operation were deducted from the line items below operating profit for the three months ended September 30, 2020.

* Expenses incurred on the relocation of the head office of Scala's subsidiary of 26 million yen were deducted from the line items below operating profit for the three months ended September 30, 2021.

	Basic earnings per share		Diluted earnings per share	
	Yen		Yen	
Three months ended Sep. 30, 2021	1.05		1.04	
Three months ended Sep. 30, 2020	2.90		2.88	

3. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Jun. 30, 2021	-	16.00	-	18.00	34.00
Fiscal year ending Jun. 30, 2022	-				
Fiscal year ending Jun. 30, 2022 (forecasts)		18.00	-	18.00	36.00

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

4. Consolidated Earnings Forecast for the Fiscal Year Ending June 30, 2022 under IFRS (July 1, 2021 – June 30, 2022)

(Percentages represent year-on-year changes.)

	Revenue		Operating profit		Profit before tax		Profit		Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	12,000	37.4	450	104.2	400	112.1	300	(90.7)	300	(90.2)	17.05
	to	to	to	to	to	to	to	to	to	to	to
	20,000	129.0	1,200	444.6	1,150	509.8	800	(75.2)	800	(73.9)	45.46

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

5. Consolidated Financial Position under IFRS

	Total assets	Total equity	Equity attributable to owners of parent	Ratio of equity attributable to owners of parent to total assets	Equity per share attributable to owners of parent
	Million yen	Million yen	Million yen	%	Yen
As of Sep. 30, 2021	19,982	10,155	9,843	49.3	558.24
As of Jun. 30, 2021	20,330	10,470	10,162	50.0	577.51

* Notes

(1) Changes in consolidated subsidiaries during the period (changes in specified subsidiaries resulting in changes in the scope of consolidation): None

Newly added: - Excluded: -

(2) Changes in accounting policies and accounting estimates

- 1) Changes in accounting policies required by IFRS: None
- 2) Changes in accounting policies other than 1) above: None
- 3) Changes in accounting estimates: None

(3) Number of shares outstanding (common shares)

1) Number of outstanding shares as of the end of the period (including treasury shares)

As of Sep. 30, 2021: 17,633,059 shares As of Jun. 30, 2021: 17,597,459 shares

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

As of Sep. 30, 2021: 8 shares As of Jun. 30, 2021: 8 shares

3) Average number of outstanding shares during the period

Three months ended Sep. 30, 2021: 17,600,159 shares Three months ended Sep. 30, 2020: 17,510,640 shares

* The current consolidated financial results are not subject to quarterly review by certified public accountants or auditing firms.

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

Cautionary statement with respect to forecasts

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

How to view supplementary materials for quarterly financial results

Supplementary materials for the quarterly financial results will be disclosed today (November 15, 2021) and available on the Scala's website.

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1. Qualitative Information on Quarterly Consolidated Financial Performance

Scala, Inc. (“Scala” or “the Company”) and its group companies (collectively “the Group”) have adopted International Financial Reporting Standards (IFRS).

In addition to IFRS, the Group has adopted financial measures that can express its operating performance more accurately (“the non-GAAP measures”), and accordingly has disclosed its consolidated results of operations by applying both IFRS and the non-GAAP measures.

As the Company excluded SOFTBRAIN Co., Ltd., a consolidated subsidiary, from the scope of consolidation due to the Company transferring all of its shares in the previous fiscal year, it has reclassified the businesses of SOFTBRAIN Co., Ltd. and its subsidiaries as discontinued operations.

Accordingly, revenue, operating profit, and profit before tax for the first quarter of the previous fiscal year are reclassified into the amounts of those from continuing operations.

(1) Explanation of Results of Operations

The first quarter of the fiscal year ending June 30, 2022 (“the period under review”) saw the continued spread of COVID-19 infections from the previous fiscal year. Although an increase in the percentage of those vaccinated has caused a significant decreasing trend in the number of those infected, it still remains unforeseeable when the pandemic will end. As such, the outlook for the business environment surrounding the Group remains uncertain.

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

As a result, the Group reported revenue of 2,108 million yen (down 4.5% year on year) for the first quarter. Sales decreased in the Customer Support Business and IT/AI/IoT/DX Business, despite higher sales in the EC Business and Incubation & Investment Business.

Operating profit amounted to 12 million yen (down 90.4%). Profits decreased in the IT/AI/IoT/DX Business and losses increased in the Incubation & Investment Business due to the following reasons: aggressive investment toward the development of various new businesses such as intensive business activities to support corporate value creation leading to major digital transformation (DX) projects, creation of new services related to regional revitalization as well as organizational enhancement to promote international businesses.

Profit before tax amounted to 9 million yen (down 92.6%). This was mainly due to a decrease in interest expenses and other financial expenses resulting from a decrease in the balance of borrowings.

Loss amounted to 4 million yen (compared with profit of 103 million yen for the first quarter of the previous fiscal year) and loss attributable to owners of parent amounted to 8 million yen (compared with profit of 70 million yen for the first quarter of the previous fiscal year) due to income taxes paid of 13 million yen.

(Reporting on a non-GAAP basis)

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

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

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

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

For the first quarter of the previous fiscal year, adjustments were made to calculate the non-GAAP measures for 9

million yen of expenses incurred on the transfer of common shares of a Scala's consolidated subsidiary SOFTBRAIN Co., Ltd. (consisting of financial advisory fees and legal fees) and for profit resulting from discontinued operation.

During the first quarter of the current fiscal year, adjustments were made to calculate the non-GAAP measures for 26 million yen of expenses incurred on relocation of the head office of Scala's subsidiary.

Business segment performance is as follows.

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

(i) IT/AI/IoT/DX Business

In this business segment, Scala Communications, Inc. and Scala Next, Inc. are consistently working on proposal, introduction support and provision of existing SaaS/ASP services as well as planning and development of new services to support major private companies and local governments to promote DX initiatives.

Regarding the status of major projects, we have started providing IVR (Interactive Voice Response) service associated with a vaccination reservation system for Hino Town, Shiga Prefecture. This service has contributed to reducing workloads that local government employees take on to answer the phone to help make reservations. We have also introduced a web-based system to Mitsui Sumitomo Primary Life Insurance Company, Limited that allows customers to apply for insurance claims on living benefits using an online identity verification system called eKYC (electronic Know Your Customer) instead of a previous paper-based procedure.

Furthermore, we have the flexibility to work closely with our customers on development projects, which is one of the strengths of the Group. Specifically, we have introduced the "i-ask," a FAQ management system and the "AI i-assist," a chatbot system with AI function to the internal QA sites for SUMITOMO LIFE INSURANCE COMPANY. As the result, these systems enabled the company to manage internal Q&A that has been scattered all over the company as one database and help employees to solve problems on their own by searching and viewing internal FAQs on their smartphones easily. Moreover, there is the "i-catalog," product management service used on the product information page of Kirin Holdings Company, Limited. This service allows customers to easily understand the amount of alcohol they consume by displaying the amount of pure alcohol (g). In addition to the simple operability, functionality and cost performance of this system, flexible responses including displaying amount of pure alcohol (g) additionally and others were evaluated.

We have also introduced the "i-ask" to NTTDATA CUSTOMER SERVICE Corporation, which enabled the company to consolidate knowledges for maintenance service engineers in Japan into one database. In addition to that, we have successfully introduced various mainstay products on the following: "i-ask," for DENTSU TEC INC.; "i-assist" for JTRIP Co., Ltd.; "i-search," a website internal search service for SBI Neotrade Securities Co., Ltd.; "News Distribution Service," a tool for checking business information for General Incorporated Association Oncology Academic Research Forum.

In addition to call center solutions with voice recognition, Connect Agency, Inc. has newly added IP-PBX with various call center functions including high-performance dialer and multi-channel support to its lineup since September. They have been pursuing to increase sales by proposing replacements for companies that are primarily engaged in outbound operations.

Retool, Inc. has started to provide a service for visualizing activities of R&D engineers on a trial basis. This service can visualize and evaluate the impacts of factors that hinder the development activities—the primary task for R&D engineers—by automatically detecting the use of the various tools that engineers use on a daily basis and automatically counting and visualizing the time spent on them. On top of that, this service enables R&D organization to improve development activities efficiency.

On the other hand, due to an impact of the postponement of deliveries of some large development projects from the first quarter to the second quarter of the current fiscal year, the segment revenue was 877 million yen (down 8.4% year on year). On the profitability front, segment profit was 202 million yen (up 0.6%) before allocation of corporate expenses, and 53 million yen (down 64.8%) after allocation of corporate expenses, due to active up-front investment for new businesses in the future: recruiting human resources for new businesses; promoting the recruitment of young talent with high entrepreneurship as well as promoting communication with ventures

with young entrepreneurs.

(ii) Customer Support Business

In this Customer Support Business, there was no sign of a recovery in call center needs at client companies amid the continued spread of the novel coronavirus infection, and the situation remains unfavorable.

Under the situations, we have built a new business base that specializes in customer support services to respond flexibly to not only the diversified customer needs in the “with corona” era but also the customer support service that is expected to expand from customer services accompanying businesses co-created and developed with customers, which the Group promotes. The base has already started its operation since the first quarter of the current fiscal year, and has already been entrusted with two call center projects. We will provide solutions in leveraging our know-how accumulated through customer support consulting operations and BPO (business process outsourcing) operations within the Group in order to expand customer support business within and outside the Group by proactive sales promotion activity.

As a result, the business recorded segment revenue of 359 million yen (down 34.3% year on year), segment profit before allocation of corporate expenses of 4 million yen (down 70.2%), and segment profit after allocation of corporate expenses of 3 million yen (down 39.4%).

(iii) HR & Education Business

This business mainly consists of the following services: (1) recruitment support for new graduates, specialized for athletic students and female students, as well as services for the planning and operation of related events such as joint information sessions and career seminars; (2) childcare and educational services such as *Minna no Hoikuen* (which literally means a nursery school for everyone), international preschool Universal Kids, UK Academy for school children to foster international awareness, and after-school day service Largo KIDS; (3) sports school for children, the planning and management of sports events, and online sports education services; and (4) support services for the recruitment of foreign talent.

While the spread of COVID-19 infections continues, the growth opportunities for the recruitment support service for new graduates is stable since the job openings-to-applicants ratio for university graduates in 2022 was 1.50 times which was almost unchanged from the previous year even with the coronavirus and the willingness to hire is recovering, especially among large companies (38th Works University graduate job openings-to-applicants ratio survey). Given these circumstances, we have focused on strengthening our support system and providing services for newly graduated students.

In the childcare and educational services, the Group focused on securing children for the UK Academy for School Children, which began operation in the previous fiscal year, and promoted measures including holding summer events and others to ensure that parents and young children can also enjoy at nursery schools and others even amid the COVID-19 pandemic.

As a result, the business recorded segment revenue of 399 million yen (up 3.7% year on year), segment profit before allocation of corporate expenses of 109 million yen (down 13.7% year on year), and segment profit after allocation of corporate expenses of 96 million yen (down 6.4% year on year).

Under the non-GAAP measures adjusted for subsidiary relocation expenses, segment profit before allocation of corporate expenses was 115 million yen (down 9.0% year on year), and segment profit after allocation of corporate expenses was 102 million yen (down 0.6% year on year).

(iv) EC Business

The EC business operates a reuse e-commerce site for buying and selling trading cards games (TCG), which also contains game walkthrough pages.

The expansion of online trading needs has been a tailwind amid the spread of the COVID-19 infection. In addition, the Summer Sale held in July and August has been well-received. The iOS app released to increase engagement with users in the previous fiscal year has steadily acquired users. The Group is also working on the digital marketing including SEO consistently and intensively.

As a result, the EC business recorded revenue of 396 million yen (up 28.5% year on year), segment profit before allocation of corporate expenses of 70 million yen (up 30.7%), and segment profit after allocation of corporate expenses of 59 million yen (up 29.2%) for the first quarter.

(v) Incubation & Investment Business

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

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

As a municipal DX-related service, we have released *Gyaku Propo* (which literally means reverse solicitation proposal), a public-private co-creation platform service co-created with Public dots & Company Co., in the previous fiscal year. In addition to promoting *Gyaku Propo* service as a public-private co-creation platform to solve social issues, we have an increasing number of projects derived from it. As a project derived from the *Gyaku Propo* service, we have also started Japan's first demonstration experiment on a vaccination reservation system using My Number Card for Hino Town, Shiga Prefecture based on a COVID-19 vaccination reservation system provided by the Group. The above-mentioned initiatives are based on co-creative relationships with local governments, and are beginning to attract attention from officials of the national government and many other local governments.

We are aiming to develop the *Gyaku Propo* service and monetize it not only as a service for the municipal DX but also as a service specifically designed as a risk sharing scheme in developing a new business with a large enterprise.

Scala Partners, Inc. is actively building co-creative relationships with partner companies and local governments through the operation of KomfortaWorkation, a workation facility introduction website. For example, it is proposing "a new working style that is not constrained by where to work" suitable for the post COVID-19 era, as well as developing a service called "You can learn anywhere," which enables elementary and junior high school students to learn at any place by utilizing online classes. In addition, it is developing experience services aimed at creating a "concerned population" (people who are diversely involved with the region) by allowing people to experience the appeal of the community and increasing the number of fans of the region.

Amid the COVID-19 pandemic under the state of emergency, private-sector firms make a moderate effort to promote the workation that requires their employees to travel. Meanwhile, with the aim of creating opportunities for children to experience society, we have launched a website titled *Shigoto no Tobira* (which literally means the door to work), which offers online social studies excursions through video. This website is a product of a joint project undertaken by Gakken Kids Net (operated by ONE PUBLISHING Co., Ltd.), a content portal site for elementary and junior high school students, and KIDS Challenge EXPO (operated by General Incorporated Foundation Jinsen Shidokai and Scala Partners, Inc.), the goal of which is to achieve regional revitalization through education and industry. Going forward, we will aim at further growing by rolling out the services that will orient people toward "a new lifestyle," "a new work style" and "a new learning style."

SCSV-1 Investment Limited Partnership, a value co-creation engagement fund, has subscribed shares of Cookbiz Co., Ltd. through a third-party allotment as its third investment project and has been endeavoring to boost the value through the efforts of providing IR support, promoting digital transformation and others.

As a result, the segment revenue was 75 million yen (up 635.2% year on year) with segment loss before allocation of corporate expenses of 101 million yen (compared with loss of 49 million yen a year earlier) and segment loss

after allocation of corporate expenses of 200 million yen (compared with loss of 124 million yen a year earlier), due primarily to increased upfront investment costs, such as development costs, personnel expenses and other expenses for the sake of future growth.

In terms of the non-GAAP measures adjusted for subsidiary relocation expenses, segment loss before allocation of corporate expenses was 80 million yen (compared with loss of 40 million yen a year earlier) and segment loss after allocation of corporate expenses was 179 million yen (compared with loss of 115 million yen a year earlier).

(2) Explanation of Financial Position

Assets

Total assets amounted to 19,982 million yen at the end of the period under review, a decrease of 347 million yen over the end of the previous fiscal year. This was mainly due to the postponement of deliveries of some large development projects to the second quarter of the current fiscal year, resulting in a decrease of 155 million yen in trade and other receivables and an increase of 80 million yen in inventories. Furthermore, cash and cash equivalents decreased by 382 million yen due primarily to year-end dividends despite an increase of 41 million yen in securities related to investment business due to increases in the number of investment projects and their fair values.

Liabilities

Liabilities totaled 9,827 million yen, a decrease of 31 million yen over the end of the previous fiscal year. This was mainly due to a decrease of 61 million yen in bonds and borrowings resulting from scheduled repayment of borrowings and others, that consists of an increase of 215 million yen in bonds and borrowings under current liabilities, and a decrease of 277 million yen in bonds and borrowings under non-current liabilities.

Equity

Equity totaled 10,155 million yen, a decrease of 315 million yen over the end of the previous fiscal year. This was mainly due to an increase of 9 million yen in share capital resulting from the exercise of share acquisition rights, an increase of 17 million yen in capital surplus, loss attributable to owners of parent of 8 million yen, and a decrease of 316 million yen in retained earnings due to dividend payments.

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

The Group maintains its consolidated forecast for the fiscal year ending June 30, 2022 that was announced in the “Consolidated Financial Results for the Fiscal Year Ended June 30, 2021” on August 16, 2021.

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

(Thousands of yen)

	FY6/21 (As of Jun. 30, 2021)	First quarter of FY6/22 (As of Sep. 30, 2021)
Assets		
Current assets		
Cash and cash equivalents	9,809,559	9,427,413
Trade and other receivables	1,412,951	1,257,725
Inventories	198,479	279,029
Other current assets	1,570,200	1,603,566
Total current assets	12,991,192	12,567,735
Non-current assets		
Property, plant and equipment	623,252	621,035
Right-of-use assets	2,525,349	2,416,503
Goodwill	1,949,745	2,033,881
Intangible assets	175,906	179,186
Other financial assets	1,378,871	1,424,367
Securities related to investment business	202,981	244,518
Deferred tax assets	478,312	487,896
Other non-current assets	4,397	7,787
Total non-current assets	7,338,818	7,415,177
Total assets	20,330,010	19,982,913
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	697,097	723,441
Bonds and borrowings	3,355,217	3,570,697
Lease liabilities	481,420	503,128
Income taxes payable	44,164	8,360
Other current liabilities	333,951	433,950
Total current liabilities	4,911,850	5,239,578
Non-current liabilities		
Bonds and borrowings	2,618,594	2,341,166
Lease liabilities	2,121,004	2,029,182
Deferred tax liabilities	75,201	78,081
Other non-current liabilities	132,382	139,129
Total non-current liabilities	4,947,182	4,587,559
Total liabilities	9,859,032	9,827,137
Equity		
Equity attributable to owners of parent		
Share capital	1,750,027	1,759,087
Capital surplus	934,989	951,991
Retained earnings	7,173,991	6,849,015
Treasury shares	(9)	(9)
Other components of equity	303,622	283,334
Total equity attributable to owners of parent	10,162,621	9,843,420
Non-controlling interests	308,355	312,355
Total equity	10,470,977	10,155,775
Total liabilities and equity	20,330,010	19,982,913

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

(Thousands of yen)

	First three months of FY6/21 (Jul. 1, 2020 – Sep. 30, 2020)	First three months of FY6/22 (Jul. 1, 2021 – Sep. 30, 2021)
Continuing operations		
Revenue	2,209,105	2,108,735
Cost of sales	(1,265,236)	(1,164,154)
Gross profit	943,869	944,581
Selling, general and administrative expenses	(895,490)	(942,023)
Other income	82,823	1,449
Other expenses	(250)	(858)
Operating profit before gains/losses on securities related to investment business	130,951	3,148
Gains/losses on securities related to investment business	-	9,407
Operating profit	130,951	12,556
Finance income	5,503	6,826
Finance costs	(12,733)	(10,254)
Profit before tax	123,722	9,128
Income tax expense	(46,306)	(13,351)
Profit (loss) from continuing operations	77,415	(4,222)
Discontinued operations		
Profit from discontinued operations	26,431	-
Profit (loss)	103,846	(4,222)
Profit attributable to		
Owners of parent	70,354	(8,222)
Non-controlling interests	33,492	3,999
Profit (loss)	103,846	(4,222)
Earnings per share		
Basic earnings (loss) per share (Yen)		
Continuing operations	4.05	(0.47)
Discontinued operations	(0.03)	-
Total	4.02	(0.47)
Diluted earnings (loss) per share (Yen)		
Continuing operations	4.02	(0.47)
Discontinued operations	(0.03)	-
Total	3.99	(0.47)

Condensed Quarterly Consolidated Statement of Comprehensive Income

(Thousands of yen)

	First three months of FY6/21 (Jul. 1, 2020 – Sep. 30, 2020)	First three months of FY6/22 (Jul. 1, 2021 – Sep. 30, 2021)
Profit (loss)	103,846	(4,222)
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	56,695	(19,669)
Total other comprehensive income, net of tax	56,695	(19,669)
Comprehensive income	160,542	(23,892)
Comprehensive income attributable to		
Owners of parent	127,093	(27,892)
Non-controlling interests	33,448	3,999
Comprehensive income	160,542	(23,892)

(3) Condensed Quarterly Consolidated Statement of Changes in Equity

First three months of FY6/21 (Jul. 1, 2020 – Sep. 30, 2020)

(Thousands of yen)

	Equity attributable to owners of parent					
	Share capital	Capital surplus	Retained earnings	Treasury shares	Other components of equity	Total equity attributable to owners of parent
Balance as of Jul. 1, 2020	1,721,239	902,874	4,634,951	(9)	143,932	7,402,989
Profit	-	-	70,354	-	-	70,354
Total other comprehensive income	-	-	-	-	56,738	56,738
Comprehensive income	-	-	70,354	-	56,738	127,093
Increase (decrease) by business combination	-	-	-	-	-	-
Share-based remuneration transactions of subsidiaries	-	-	-	-	-	-
Dividends	-	-	(245,137)	-	-	(245,137)
Issuance of new shares	3,079	3,079	-	-	-	6,158
Exercise of share acquisition rights	-	-	-	-	(84)	(84)
Share-based remuneration transactions	-	8,499	-	-	-	8,499
Acquisition and disposal of non-controlling interests	-	2,045	-	-	-	2,045
Total transactions with owners	3,079	13,625	(245,137)	-	(84)	(228,518)
Balance as of Sep. 30, 2020	1,724,318	916,499	4,460,168	(9)	200,586	7,301,564

	Non-controlling interests	Total equity
Balance as of Jul. 1, 2020	2,940,181	10,343,170
Profit	33,492	103,846
Total other comprehensive income	(43)	56,695
Comprehensive income	33,448	160,542
Increase (decrease) by business combination	(7,071)	(7,071)
Share-based remuneration transactions of subsidiaries	(1,803)	(1,803)
Dividends	-	(245,137)
Issuance of new shares	-	6,158
Exercise of share acquisition rights	-	(84)
Share-based remuneration transactions	-	8,499
Acquisition and disposal of non-controlling interests	-	2,045
Total transactions with owners	(8,875)	(237,393)
Balance as of Sep. 30, 2020	2,964,755	10,266,319

First three months of FY6/22 (Jul. 1, 2021 – Sep. 30, 2021)

(Thousands of yen)

	Equity attributable to owners of parent					
	Share capital	Capital surplus	Retained earnings	Treasury shares	Other components of equity	Total equity attributable to owners of parent
Balance as of Jul. 1, 2021	1,750,027	934,989	7,173,991	(9)	303,622	10,162,621
Profit (loss)	-	-	(8,222)	-	-	(8,222)
Total other comprehensive income	-	-	-	-	(19,669)	(19,669)
Comprehensive income	-	-	(8,222)	-	(19,669)	(27,892)
Dividends	-	-	(316,754)	-	-	(316,754)
Exercise of share acquisition rights	9,060	9,060	-	-	(248)	17,871
Share-based remuneration transactions	-	7,573	-	-	-	7,573
Forfeiture of share acquisition rights	-	369	-	-	(369)	-
Total transactions with owners	9,060	17,002	(316,754)	-	(617)	(291,309)
Balance as of Sep. 30, 2021	1,759,087	951,991	6,849,015	(9)	283,334	9,843,420

	Non-controlling interests	Total equity
Balance as of Jul. 1, 2021	308,355	10,470,977
Profit (loss)	3,999	(4,222)
Total other comprehensive income	-	(19,669)
Comprehensive income	3,999	(23,892)
Dividends	-	(316,754)
Exercise of share acquisition rights	-	17,871
Share-based remuneration transactions	-	7,573
Forfeiture of share acquisition rights	-	-
Total transactions with owners	-	(291,309)
Balance as of Sep. 30, 2021	312,355	10,155,775

(4) Condensed Quarterly Consolidated Statement of Cash Flows

(Thousands of yen)

	First three months of FY6/21 (Jul. 1, 2020 – Sep. 30, 2020)	First three months of FY6/22 (Jul. 1, 2021 – Sep. 30, 2021)
Cash flows from operating activities		
Profit before tax	123,722	9,128
Profit before tax from discontinued operations	25,985	-
Depreciation and amortization	288,167	162,639
Loss (gain) on sale of non-current assets	(36)	-
Loss (gain) on securities related to investment business	-	(9,407)
Finance income	(5,657)	(6,826)
Finance costs	13,779	9,669
Decrease (increase) in trade and other receivables	178,747	170,026
Increase (decrease) in trade and other payables	(132,989)	54,392
Decrease (increase) in inventories	(23,774)	(80,980)
Other	(12,694)	28,225
Subtotal	455,249	336,867
Interest and dividends received	438	1,532
Interest paid	(8,276)	(7,428)
Income taxes refund (paid)	(189,406)	(43,638)
Net cash provided by (used in) operating activities	258,005	287,332
Cash flows from investing activities		
Purchase of property, plant and equipment	(39,831)	(53,564)
Purchase of intangible assets	(184,006)	(15,149)
Purchase of investment securities	(10,116)	(92,130)
Proceeds from sale of investment securities	9,004	-
Payments for loans receivable	-	(6,000)
Payments of leasehold and guarantee deposits	(32,978)	(13,528)
Proceeds from refund of leasehold and guarantee deposits	9,562	780
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(43,837)	(69,797)
Purchase of investments accounted for using equity method	(18,915)	-
Other	3,811	(149)
Net cash provided by (used in) investing activities	(307,306)	(249,539)

	(Thousands of yen)	
	First three months of FY6/21 (Jul. 1, 2020 – Sep. 30, 2020)	First three months of FY6/22 (Jul. 1, 2021 – Sep. 30, 2021)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	102,142	225,112
Proceeds from long-term borrowings	213,666	-
Repayments of long-term borrowings	(428,479)	(282,583)
Proceeds from issuance of bonds	200,000	-
Redemption of bonds	-	(20,000)
Repayments of lease liabilities	(110,868)	(86,790)
Proceeds from exercise of share acquisition rights	6,074	17,871
Dividends paid	(213,230)	(272,935)
Dividends paid to non-controlling interests	(373)	-
Other	(4,860)	-
Net cash provided by (used in) financing activities	(235,929)	(419,325)
Effect of exchange rate changes on cash and cash equivalents	(572)	(612)
Net increase (decrease) in cash and cash equivalents	(285,803)	(382,145)
Cash and cash equivalents at beginning of period	7,822,725	9,809,559
Cash and cash equivalents at end of period	7,536,922	9,427,413

Note: Cash flows from continuing operations and cash flows from discontinued operations are included in the above table.

Cash flows from discontinued operations are described in Note (Discontinued Operations).

(5) Notes to Condensed Quarterly Consolidated Financial Statements

Going Concern Assumption

Not applicable.

Notes to Condensed Quarterly Consolidated Financial Statements

1. Reporting Entity

Scala, Inc. is a corporation located in Japan.

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

Scala's consolidated financial statements for the three months ended September 30, 2021 encompass Scala and the Group's interests in Scala's subsidiaries.

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

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

2. Basis of Preparation

(1) Compliance with IFRS

The Group's condensed quarterly consolidated financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting pursuant to the provisions of Article 93 of Regulation on the Terminology, Forms, and Preparation Methods of Quarterly Consolidated Financial Statements (Cabinet Office Order No. 64 of 2007) because the Group qualifies as a "specified company complying with designated international accounting standards" as stipulated in Article 1-2 of the said Order. As the condensed quarterly consolidated financial statements for the period under review do not include all the information required in the consolidated financial statements for the fiscal year, they should be used in conjunction with the consolidated financial statements for the previous fiscal year.

The condensed quarterly consolidated financial statement was approved by Scala's Board of Directors on November 15, 2021.

(2) Basis of measurement

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

(3) Functional currency and presentation currency

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

(4) Reclassifications

Profit or loss from businesses reclassified as a discontinued operation is presented on the condensed quarterly consolidated statement of income as the amount, net of income tax expense, below "Profit from continuing operations." For businesses reclassified as a discontinued operation, partial reclassifications were made on the condensed quarterly consolidated statement of income for the first three months of the previous fiscal year, the condensed quarterly consolidated statement of cash flows for the first three months of the previous fiscal year, and relevant notes to condensed quarterly consolidated financial statements. Cash flows from operating activities, cash flows from investing activities, and cash flows from financing activities for the condensed quarterly consolidated statement of cash flows are presented as the totals of cash flows arising from both continuing operations and discontinued operations.

3. Significant Accounting Policies

The significant accounting policies applied for the condensed quarterly consolidated financial statements for the period under review remain the same as those applied for the consolidated financial statements for the previous

fiscal year except for the following items.

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

4. Significant Accounting Estimates and Judgments Involving Estimates

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

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

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

Segment Information

(1) Overview of reportable segments

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

As the Company excluded SOFTBRAIN Co., Ltd., a consolidated subsidiary, from the scope of consolidation due to the Company transferring all of its shares in the previous fiscal year, it has reclassified the businesses of SOFTBRAIN Co., Ltd. and its subsidiaries as discontinued operations. Accordingly, the segment information for the first quarter of the previous fiscal year is presented with the amounts of those from continuing operations. For more information about discontinued operations, refer to "Discontinued Operations" in the Notes to Condensed Quarterly Consolidated Financial Statements.

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

- The IT/AI/IoT/DX Business promotes digital transformation (DX) through AI, IT, and IoT and proactively facilitates cooperation with different industries and partners who have expertise in relevant technology, with the primary objective of establishing new businesses and services, and redefining existing businesses, and speeding up regrowth to promote DX inside and outside Japan. The Group also provides SaaS/ASP services that leverage IT (web, phone, fax, SMS related technologies)/AI/IoT technologies to respond to customer needs in flexible and speedy manner.
- The Customer Support Business provides customer support consulting that serves as a one-stop source of solutions for a variety of issues associated with call center operations.
- The HR & Education Business offers recruiting support for new graduates and mid-career employees focusing on physical education students and professional athletes, infant education and sports education to support children to foster personality, and recruiting and hiring support for overseas human resources.
- The EC Business operates a reuse e-commerce site called as "Yuyu-Tei" for buying and selling trading cards games (TCG) for battle-type games, which also contains game walkthrough pages.
- The Incubation & Investment Business engages in M&A and alliance with other companies. It also provides support for new business development working with private-sector firms in coordination with governments and municipalities, and offers regional revitalization services through projects such as those for promoting relocations to rural areas. Furthermore, it makes business investments on its own or through investment partnerships and makes effort to enhance their value through engagement activities.

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

First three months of FY6/21 (Jul. 1, 2020 – Sep. 30, 2020)								(Thousands of yen)	
	Reportable segment						Adjustments (Note 1)	Amounts shown on condensed quarterly consolidated financial statements (Note 4)	
	IT/AI/IoT/ DX Business	Customer Support Business	HR & Education Business	EC Business	Incubation & Investment Business	Subtotal			
Revenue									
Sales to external customers	957,950	546,811	385,460	308,573	10,310	2,209,105	-	2,209,105	
Inter-segment sales and transfers	300	13,605	2,500	-	-	16,405	(16,405)	-	
Total	958,250	560,416	387,960	308,573	10,310	2,225,510	(16,405)	2,209,105	
Segment profit (loss)	151,067	6,059	103,153	46,219	(124,212)	182,287	(51,336)	130,951	
Finance income								5,503	
Finance costs								(12,733)	
Profit before tax								123,722	

- Notes: 1. The (51,336) thousand yen adjustment to segment profit includes elimination for inter-segment transactions of 1,163 thousand yen and corporate expenses allocated to discontinued operations of (52,500) thousand yen, categorized as a discontinued operation.
2. From the current fiscal year, the Group has changed the method for allocating corporate expenses to assess each segment performance more appropriately and allocate them to each segment based on a rational basis. The figures of the previous fiscal year are presented as the amount that reflects this change.
3. In connection with the classification of the SFA Business and the Field Marketing Business as discontinued operations, the amounts in the segment information by business category is presented as the amounts reclassified to reflect continuing operations, which excludes the amounts from discontinued operations. For more information about discontinued operations, please refer to “Discontinued Operations” in Notes to Condensed Quarterly Consolidated Financial Statements.
4. Segment profit (loss) is adjusted to be consistent with profit before tax recorded in the condensed quarterly consolidated statement of income.
5. Transfer prices between operating segments are on an arm’s length basis in a manner similar to transactions with third parties.

First three months of FY6/22 (Jul. 1, 2021 – Sep. 30, 2021)								(Thousands of yen)	
	Reportable segment						Adjustments	Amounts shown on condensed quarterly consolidated financial statements (Note 2)	
	IT/AI/IoT/ DX Business	Customer Support Business	HR & Education Business	EC Business	Incubation & Investment Business	Subtotal			
Revenue									
Sales to external customers	877,438	359,290	399,563	396,640	75,802	2,108,735	-	2,108,735	
Inter-segment sales and transfers	25,765	11,989	2,865	-	2,740	43,360	(43,360)	-	
Total	903,203	371,280	402,429	396,640	78,543	2,152,096	(43,360)	2,108,735	
Segment profit (loss)	53,216	3,673	96,588	59,712	(200,635)	12,556	-	12,556	
Finance income								6,826	
Finance costs								(10,254)	
Profit before tax								9,128	

- Notes: 1. Corporate expenses are allocated to each reportable segment based on a rational basis.
2. Segment profit (loss) is adjusted to be consistent with profit before tax recorded in the condensed quarterly consolidated statement of income.
3. Transfer prices between operating segments are on an arm’s length basis in a manner similar to transactions with third parties.

Discontinued Operations

Effective on August 14, 2020, the Company concluded an agreement with C5-8 Holdings Co., Ltd. on transferring all shares of SOFTBRAIN Co., Ltd., the Company's consolidated subsidiary. Subsequently on March 22, 2021, the Company completed the transfer of the shares in accordance with the said share transfer agreement.

As SOFTBRAIN Co., Ltd. was excluded from the scope of consolidation in the previous fiscal year, the businesses operated by SOFTBRAIN Co., Ltd. and its subsidiaries have been reclassified and separately presented as discontinued operations.

(1) Discontinued operations performance

	(Thousands of yen)	
	First three months of FY6/21 (Jul. 1, 2020 – Sep. 30, 2020)	First three months of FY6/22 (Jul. 1, 2021 – Sep. 30, 2021)
Profit or loss from discontinued operations		
Revenue	2,182,604	-
Expense	(2,156,618)	-
Profit before tax from discontinued operations	25,985	-
Income tax expense	445	-
Profit from discontinued operations	26,431	-

(2) Cash flows from discontinued operations

	(Thousands of yen)	
	First three months of FY6/21 (Jul. 1, 2020 – Sep. 30, 2020)	First three months of FY6/22 (Jul. 1, 2021 – Sep. 30, 2021)
Cash flows from discontinued operations		
Cash flows from operating activities	1,740	-
Cash flows from investing activities	(158,281)	-
Cash flows from financing activities	30,234	-
Effect of exchange rate changes on cash and cash equivalents	(551)	-
Total	(126,857)	-

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.