November 14, 2024

Consolidated Financial Results for the First Quarter of the Fiscal Year Ending June 30, 2025 (Three Months Ended September 30, 2024) [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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Tel: +81-(0)3-6418-3960
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–September 30, 2024)

(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	%
Three months ended Sep. 30, 2024	2,226	(4.3)	(35)	–	(46)	–	(48)	–	(43)	–
Three months ended Sep. 30, 2023	2,326	–	(62)	–	(74)	–	(114)	–	(104)	–
(Non-GAAP)										
Three months ended Sep. 30, 2024	2,226	(4.3)	(14)	–	(25)	–	(33)	–	(32)	–
Three months ended Sep. 30, 2023	2,326	–	(57)	–	(69)	–	(69)	–	(55)	–

	IFRS		Non-GAAP	
	Basic earnings per share	Diluted earnings per share	Basic earnings per share	Diluted earnings per share
	Yen	Yen	Yen	Yen
Three months ended Sep. 30, 2024	(2.48)	(2.48)	(1.86)	(1.86)
Three months ended Sep. 30, 2023	(6.04)	(6.04)	(3.18)	(3.18)

Notes: 1. Revenue, operating profit, and profit before tax for the three months ended September 30, 2023 were reclassified by deducting the amounts of those from discontinued operations from the amounts of those from continuing operations. Because of this, these year-on-year changes are not presented.
For details of the discontinued operations, please refer to "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, for adjustment, gains/losses on securities related to investment business were deducted from the line items below operating profit, and profit from discontinued operations was deducted from the line items below profit.
3. For details of the non-GAAP measures, please refer to "1. 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 Sep. 30, 2024	11,821	4,139	3,957	33.5	227.98
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	–				
Fiscal year ending Jun. 30, 2025 (forecasts)		8.00	–	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: None

Newly added: – Excluded: –

(2) Changes in accounting policies and accounting estimates

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

(3) Number of shares issued (common shares)

1) Number of shares issued as of the end of the period (including treasury shares)
As of Sep. 30, 2024: 17,759,159 shares As of Jun. 30, 2024: 17,753,459 shares
2) Number of treasury shares as of the end of the period
As of Sep. 30, 2024: 400,008 shares As of Jun. 30, 2024: 400,008 shares
3) Average number of shares outstanding during the period
Three months ended Sep. 30, 2024: 17,353,822 shares Three months ended Sep. 30, 2023: 17,334,847 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 (November 14, 2024) 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 International Financial Reporting Standards (IFRS).

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

The Company classified J-Phoenix Research, Inc. in the fiscal year ended June 30, 2023, FourHands, Inc. in the third quarter of the fiscal year ended June 30, 2024, and readytowork Co., Ltd., Sports Stories, Inc., and Broncos 20 Co., Ltd. in the fourth quarter of the fiscal year ended June 30, 2024 as discontinued operations, and completed the transfer of all shares of these companies, which were consolidated subsidiaries, in the fiscal year ended June 30, 2024.

In addition, the Company passed a resolution to dissolve and liquidate its consolidated subsidiary Leoconnect, Inc. in the first quarter of the fiscal year ending June 30, 2025, and has classified it as a discontinued operation.

Accordingly, revenue, operating profit, and profit before tax for the first three 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 three months of the fiscal year ending June 30, 2025, the Japanese economy continued to show a gradual recovery as social and economic activities returned toward normal and employment conditions improved. However, the economic outlook remains uncertain due to soaring resource prices caused by geopolitical risks, price hikes driven by the depreciation of the yen, and other factors.

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

In such business environment, 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 2,226 million yen (down 4.3% year on year) for the first three months of the fiscal year ending June 30, 2025. This was mainly due to the impact of a decrease in revenue from new graduate recruiting support service in the HR business, despite the strong performance of the incubation business.

On the profitability front, the Group reported operating loss of 35 million yen (compared with operating loss of 62 million yen a year earlier). This is mainly due to the continued upfront investment including advertising costs, etc. in the financial business, the increase in upfront expenses such as development and personnel costs for the growth of the incubation business, and the recording of loss on valuation of securities related to investment business.

Loss before tax amounted to 46 million yen (compared with loss before tax of 74 million yen a year earlier). As a result of recording 1 million yen of corporate income tax expense, etc., loss amounted to 48 million yen (compared with loss of 114 million yen a year earlier), and loss attributable to owners of parent amounted to 43 million yen (compared with loss attributable to owners of parent of 104 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.

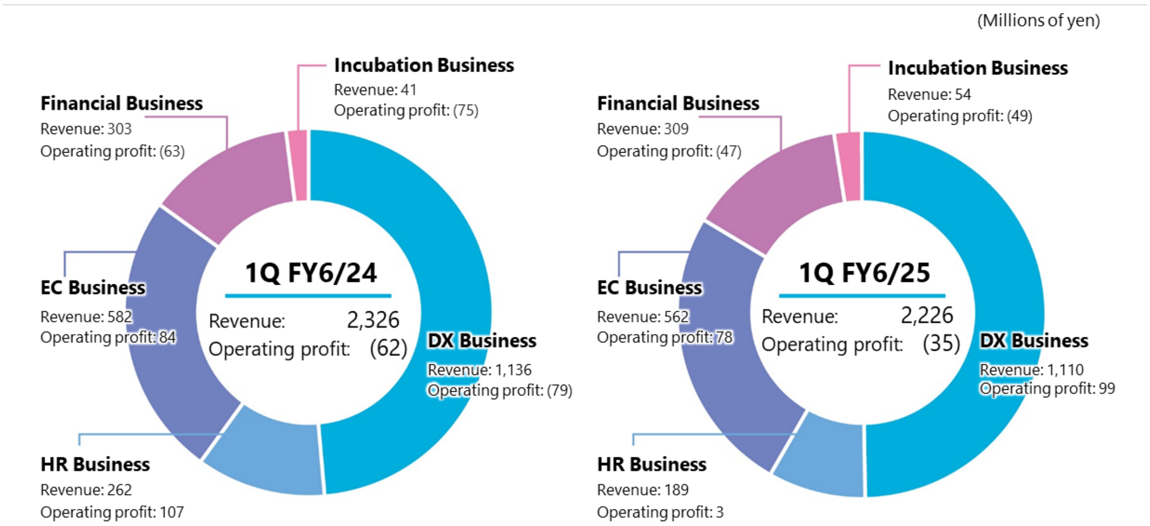
Non-recurring items refer to one-off profits or losses that we believe should be excluded based on certain criteria for the purpose of preparing the earnings forecast.

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

The operating segment performance is as follows.

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



(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 acquiring new projects in the temporary staffing business and benefit payment systems, which were a new service, and developing large-scale web service projects.

EGG CO., LTD. added new functions to the frailty prevention app that was selected for the Digital Garden City National Concept Grant and released it. In order to help promote the nationwide frailty prevention measures, the Group will continue to focus on acquiring frailty prevention projects, including online services for frailty prevention using the official LINE accounts of local governments, and on acquiring similar projects from other municipalities.

Although overall revenue was decreased slightly in comparison to the same period of the previous fiscal year, both the launch of new services and the expansion of current services proceeded almost as anticipated. On the other hand, the Group sought to make effective use of resources, improve productivity, and reduce costs through business structural reforms including the merger of Scala Communications, Inc. and Scala Partners, Inc. Consequently, profit increased compared to the same period of the previous fiscal year.

(Millions of yen, unless otherwise stated)

		First three months of FY6/24	First three months of FY6/25	Year-on-year change	
				Amount	%
Revenue		1,136	1,110	(25)	Down 2.3%
Segment profit (IFRS and non-GAAP measures)	Before allocation of corporate expenses	80	147	66	Up 82.6%
	After allocation of corporate expenses	(79)	99	179	–

(ii) HR Business

The HR business saw a high demand for its recruiting support service specializing in sports club students and female students based on their competitive advantage, due to the ongoing high level of recruitment motivation among companies. Nevertheless, the contract rate for human resources placement experienced a decline in the first three months of the fiscal year ending June 30, 2025, as a result of the earlier commencement of the job-hunting season and a temporary shortage of career advisors. In addition, the Group had not yet achieved profitability in its new businesses, which included a career education business for students and a mid-career recruitment support business. As such, the Group will endeavor to achieve profitability in these new businesses as soon as possible.

Consequently, both revenue and profits decreased year on year.

(Millions of yen, unless otherwise stated)

<table>
<tr><th colspan="2" rowspan="2"></th><th rowspan="2">First three months of FY6/24</th><th rowspan="2">First three 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>262</td><td>189</td><td>(72)</td><td>Down 27.8%</td></tr>
<tr><td rowspan="2">Segment profit (IFRS and non-GAAP measures)</td><td>Before allocation of corporate expenses</td><td>116</td><td>23</td><td>(93)</td><td>Down 80.2%</td></tr>
<tr><td>After allocation of corporate expenses</td><td>107</td><td>3</td><td>(104)</td><td>Down 97.1%</td></tr>
</table>

(iii) EC Business

In the EC business, the Group maintained a high level of customer attraction by operating a website with a high level of UI/UX that features a trading card game (TCG) buying, selling, and strategy information site, and steadily increased the number of members, as well as purchases and sales. Furthermore, the AI image recognition solution that the Group had been researching and developing for many years was integrated into some shipping operations at logistics bases, and operations began with the goal of improving delivery work efficiency and lowering costs.

As a result of the impact of calming down of the temporary boom of some titles that performed briskly and grew rapidly due to the favorable external environment during the fiscal year ended June 30, 2024 and the continuous active promotion of system renovation and improvement as well as the introduction of the latest technology, both revenue and profits decreased year on year.

(Millions of yen, unless otherwise stated)

<table>
<tr><th colspan="2" rowspan="2"></th><th rowspan="2">First three months of FY6/24</th><th rowspan="2">First three 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>582</td><td>562</td><td>(20)</td><td>Down 3.5%</td></tr>
<tr><td rowspan="2">Segment profit (IFRS and non-GAAP measures)</td><td>Before allocation of corporate expenses</td><td>100</td><td>91</td><td>(8)</td><td>Down 8.7%</td></tr>
<tr><td>After allocation of corporate expenses</td><td>84</td><td>78</td><td>(6)</td><td>Down 7.1%</td></tr>
</table>

(iv) Financial Business

In the financial business, marketing measures such as increasing sales promotion activities for the new products “Inu to Neko no Hoken (Insurance for Dogs and Cats) Next / Light / Mini”, which went on sale in February 2024, as well as redesigning the website and landing page, were highly effective. As a result, the number of active insurance policies grew steadily, as did the ratio of new product contracts, resulting in an increase in revenue and profits year on year.

(Millions of yen, unless otherwise stated)

<table>
<tr><th colspan="2" rowspan="2"></th><th rowspan="2">First three months of FY6/24</th><th rowspan="2">First three 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>303</td><td>309</td><td>6</td><td>Up 2.3%</td></tr>
<tr><td rowspan="2">Segment profit (IFRS and non-GAAP measures)</td><td>Before allocation of corporate expenses</td><td>(54)</td><td>(38)</td><td>16</td><td>–</td></tr>
<tr><td>After allocation of corporate expenses</td><td>(63)</td><td>(47)</td><td>16</td><td>–</td></tr>
</table>

(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. As an entity selected to corporate with the Tokyo Metropolitan Government for its Startup Support and Development Project by Diverse Entities (TOKYO SUTEAM), SOCIALX, INC. has been operating the Public-Private Co-creation Acceleration Program (SOCIALX Acceleration) to create and support startups that resolve social issues with both financial return and social impact. In SOCIALX Acceleration, the companies selected for the second stage implemented Gyaku Propo services. Furthermore, the Group was chosen to support the finalists as part of a program run by the Okinawa General Bureau, Cabinet Office. Another program focusing on the theme of decarbonization that was implemented as part of the Gunma Prefectural Government project drew attention for the government pitch offered by the local government to communicate its issues, which was held at the Station Atrium of Toranomon Hills. The venue was rented out with the cooperation of Mori Building Co., Ltd., and the pitch was covered in a variety of media. The Group is currently conducting an assessment of the companies that have entered.

In the Gyaku-Propo Concierge business, a new initiative with Shinagawa Ward began, and the Group was commissioned to provide support for the operation of the Shinagawa SDGs Co-Creation Promotion Platform and started operating Shinagawa City Lab. The Group provided directors and others as mentors to support entrepreneurs in TOKYO Co-cial IMPACT, a program that was developed by the Tokyo Metropolitan Government. Also, the public-private co-creation human resources development program developed last August was implemented at 55 companies, 109 local governments, and three ministries, with plans to expand it to various fields in the future. A staff member seconded from Toyota City of Aichi Prefecture to the Group for one year drew attention and was covered by media, and 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.

The Company provided collaborative M&A service to listed companies mainly in the information and communication industries by combining the experience in business development and M&A and the Group’s DX expertise accumulated so far. The Group focused on the expansion of services that emphasizes DX following the clients' M&A, but it was still in the investment phase, including labor costs, with the goal of becoming profitable in the future.

Overall, in the incubation business, there was an increase in upfront expenses such as development and personnel expenses for the growth of the business, as well as a loss on valuation of securities related to investment business, but as a result of the gradual expansion of the scale of earnings through proactive efforts in new businesses, both revenues and profits increased year on year.

(Millions of yen, unless otherwise stated)

		First three months of FY6/24	First three months of FY6/25	Year-on-year change	
				Amount	%
Revenue		41	54	12	Up 30.9%
Segment profit (IFRS)	Before allocation of corporate expenses	(73)	(49)	23	–
	After allocation of corporate expenses	(75)	(49)	25	–
Segment profit (non-GAAP measures)	Before allocation of corporate expenses	(68)	(28)	39	–
	After allocation of corporate expenses	(69)	(28)	40	–

(2) Financial Position

Assets

Total assets amounted to 11,821 million yen at the end of the period under review, a decrease of 878 million yen over the end of the previous fiscal year. This was mainly attributable to decreases of 1,257 million yen in cash and cash equivalents, 214 million yen in operating and other receivables, and 116 million yen in securities related to investment business, which was partially offset by an increase of 643 million yen in time deposits.

Liabilities

Liabilities totaled 7,682 million yen, a decrease of 447 million yen over the end of the previous fiscal year. This was mainly attributable to decreases of 394 million yen in bonds and borrowings and 86 million yen in income taxes payable.

Equity

Equity totaled 4,139 million yen, a decrease of 430 million yen over the end of the previous fiscal year. This was mainly due to the recording of loss attributable to owners of parent of 43 million yen and a decrease in the capital surplus due to the payment of dividends of 325 million yen.

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

The Group maintains its consolidated 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)	First quarter of FY6/25 (As of Sep. 30, 2024)
Assets		
Current assets		
Cash and cash equivalents	6,817,385	5,560,262
Time deposits	–	643,000
Trade and other receivables	1,323,993	1,109,759
Inventories	366,600	401,382
Reinsurance assets	521,946	564,204
Income taxes receivable	6,699	6,699
Other current assets	69,477	82,436
Total current assets	9,106,102	8,367,744
Non-current assets		
Property, plant and equipment	301,522	287,070
Right-of-use assets	387,914	378,998
Goodwill	978,216	978,216
Intangible assets	115,050	114,113
Other financial assets	1,171,979	1,159,174
Securities related to investment business	269,291	153,216
Deferred tax assets	365,458	377,431
Other non-current assets	4,429	5,855
Total non-current assets	3,593,863	3,454,078
Total assets	12,699,966	11,821,822
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	784,511	729,333
Bonds and borrowings	3,344,922	3,281,850
Lease liabilities	292,242	267,377
Income taxes payable	98,173	11,976
Insurance contract liabilities	628,803	650,253
Other current liabilities	363,788	438,281
Total current liabilities	5,512,441	5,379,072
Non-current liabilities		
Bonds and borrowings	2,445,350	2,113,900
Lease liabilities	103,601	119,432
Other non-current liabilities	69,068	70,204
Total non-current liabilities	2,618,021	2,303,537
Total liabilities	8,130,462	7,682,610
Equity		
Equity attributable to owners of parent		
Share capital	1,792,766	1,794,217
Capital surplus	991,270	669,873
Retained earnings	1,628,971	1,585,873
Treasury shares	(299,966)	(299,966)
Other components of equity	225,454	207,626
Total equity attributable to owners of parent	4,338,496	3,957,623
Non-controlling interests	231,007	181,588
Total equity	4,569,504	4,139,211
Total liabilities and equity	12,699,966	11,821,822

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

Condensed Quarterly Consolidated Statement of Income

(Thousands of yen)

	First three months of FY6/24 (Jul. 1, 2023–Sep. 30, 2023)	First three months of FY6/25 (Jul. 1, 2024–Sep. 30, 2024)
Continuing operations:		
Revenue	2,326,502	2,226,572
Cost of sales	(1,228,462)	(1,223,693)
Gross profit	1,098,040	1,002,879
Selling, general and administrative expenses	(1,156,720)	(1,023,207)
Other income	1,603	8,114
Other expenses	(151)	(2,392)
Operating profit (loss) before gains/losses on securities related to investment business	(57,227)	(14,606)
Gains/losses on securities related to investment business	(5,309)	(20,733)
Operating profit (loss)	(62,537)	(35,339)
Finance income	49	770
Finance costs	(11,847)	(11,920)
Profit (loss) before tax	(74,335)	(46,489)
Income tax expense	971	(1,032)
Profit (loss) from continuing operations	(73,363)	(47,522)
Discontinued operations:		
Profit (loss) from discontinued operations	(41,352)	(536)
Profit (loss)	(114,716)	(48,058)
Profit (loss) attributable to:		
Owners of parent	(104,782)	(43,098)
Non-controlling interests	(9,933)	(4,959)
Profit (loss)	(114,716)	(48,058)
Earnings per share attributable to owners of the parent company		
Basic earnings (loss) per share (Yen)		
Continuing operations	(3.99)	(2.45)
Discontinued operations	(2.06)	(0.03)
Total	(6.04)	(2.48)
Diluted earnings (loss) per share (Yen)		
Continuing operations	(3.99)	(2.45)
Discontinued operations	(2.06)	(0.03)
Total	(6.04)	(2.48)

Condensed Quarterly Consolidated Statement of Comprehensive Income

(Thousands of yen)

	First three months of FY6/24 (Jul. 1, 2023–Sep. 30, 2023)	First three months of FY6/25 (Jul. 1, 2024–Sep. 30, 2024)
Profit (loss)	(114,716)	(48,058)
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	(61,511)	(12,575)
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	1,803	(5,187)
Other comprehensive income	(59,707)	(17,763)
Comprehensive income	(174,423)	(65,821)
Comprehensive income attributable to:		
Owners of parent	(164,490)	(60,861)
Non-controlling interests	(9,933)	(4,959)
Comprehensive income	(174,423)	(65,821)

(3) Condensed Quarterly Consolidated Statement of Changes in Equity

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

(Thousands of yen)

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

	Non-controlling interests	Total equity
Balance as of Jul. 1, 2023	257,191	8,089,459
Profit (loss)	(9,933)	(114,716)
Total other comprehensive income	–	(59,707)
Comprehensive income	(9,933)	(174,423)
Dividends	–	(320,683)
Exercise of share acquisition rights	–	3,062
Total transactions with owners	–	(317,621)
Balance as of Sep. 30, 2023	247,258	7,597,413

First three months of FY6/25 (Jul. 1, 2024–Sep. 30, 2024)

(Thousands of yen)

	Equity attributable to owners of parent					
	Share capital	Capital surplus	Retained earnings	Treasury shares	Other components of equity	Total equity attributable to owners of parent
Balance as of Jul. 1, 2024	1,792,766	991,270	1,628,971	(299,966)	225,454	4,338,496
Profit (loss)	–	–	(43,098)	–	–	(43,098)
Total other comprehensive income	–	–	–	–	(17,763)	(17,763)
Comprehensive income	–	–	(43,098)	–	(17,763)	(60,861)
Dividends	–	(325,377)	–	–	–	(325,377)
Exercise of share acquisition rights	1,450	1,450	–	–	(39)	2,861
Forfeiture of share acquisition rights	–	24	–	–	(24)	–
Changes in ownership interest in subsidiaries	–	2,504	–	–	–	2,504
Total transactions with owners	1,450	(321,397)	–	–	(64)	(320,011)
Balance as of Sep. 30, 2024	1,794,217	669,873	1,585,873	(299,966)	207,626	3,957,623

	Non-controlling interests	Total equity
Balance as of Jul. 1, 2024	231,007	4,569,504
Profit (loss)	(4,959)	(48,058)
Total other comprehensive income	–	(17,763)
Comprehensive income	(4,959)	(65,821)
Dividends	–	(325,377)
Exercise of share acquisition rights	–	2,861
Forfeiture of share acquisition rights	–	–
Changes in ownership interest in subsidiaries	(44,458)	(41,954)
Total transactions with owners	(44,458)	(364,470)
Balance as of Sep. 30, 2024	181,588	4,139,211

(4) Condensed Quarterly Consolidated Statement of Cash Flows

(Thousands of yen)

	First three months of FY6/24 (Jul. 1, 2023–Sep. 30, 2023)	First three months of FY6/25 (Jul. 1, 2024–Sep. 30, 2024)
Cash flows from operating activities		
Profit (loss) before tax	(74,335)	(46,489)
Profit (loss) before tax from discontinued operations	(41,153)	(479)
Depreciation and amortization	200,477	76,386
Loss (gain) on sale and retirement of non-current assets	–	(5,000)
Loss (gain) on securities related to investment business	5,309	20,733
Loss (gain) on sale of investment securities	(3,531)	–
Finance income	(106)	(770)
Finance costs	11,064	11,599
Decrease (increase) in trade and other receivables	196,022	(12,215)
Increase (decrease) in trade and other payables	25,494	(52,409)
Decrease (increase) in inventories	(96,399)	(41,765)
Decrease (increase) in reinsurance assets	28,408	(42,258)
Increase (decrease) in insurance contract liabilities	15,447	21,450
Other	19,822	78,469
Subtotal	286,520	7,250
Interest and dividends received	1,166	1,671
Interest paid	(8,825)	(11,449)
Income taxes refund (paid)	(80,080)	(93,951)
Net cash provided by (used in) operating activities	198,780	(96,478)
Cash flows from investing activities		
Payments into time deposits	–	(643,000)
Purchase of property, plant and equipment	(19,756)	(3,442)
Purchase of intangible assets	(27,710)	(6,193)
Proceeds from sale of intangible assets	–	5,000
Proceeds from sale of investment securities	9,414	98,424
Collection of loans receivable	24,925	900
Payments of leasehold and guarantee deposits	(7,358)	(15,120)
Proceeds from collection of leasehold deposits and guarantee deposits	–	186,964
Payments for sale of shares of subsidiaries resulting in change in scope of consolidation	(1,724)	–
Other	(690)	–
Net cash provided by (used in) investing activities	(22,900)	(376,465)

(Thousands of yen)

	First three months of FY6/24 (Jul. 1, 2023–Sep. 30, 2023)	First three months of FY6/25 (Jul. 1, 2024–Sep. 30, 2024)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	233,332	–
Proceeds from long-term borrowings	1,000,000	–
Repayments of long-term borrowings	(405,035)	(375,236)
Redemption of bonds	(20,000)	(20,000)
Repayments of lease liabilities	(142,442)	(46,115)
Proceeds from exercise of share acquisition rights	3,062	2,861
Purchase of treasury shares of subsidiaries	–	(40,536)
Dividends paid	(295,018)	(292,370)
Dividends paid to non-controlling interests	–	(12,560)
Net cash provided by (used in) financing activities	373,898	(783,956)
Effect of exchange rate changes on cash and cash equivalents	(1,455)	(221)
Net increase (decrease) in cash and cash equivalents	548,323	(1,257,123)
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	8,304,077	5,560,262

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. and Leoconnect, Inc. (DX business), J-Phoenix Research, Inc. (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 three months of the fiscal year ended June 30, 2024 and the first three months of the fiscal year ending June 30, 2025, respectively.

- The DX Business promotes digital transformation (DX) through IT, AI, and IoT and proactively facilitates cooperation with different industries and partners who have expertise in relevant technology, with the primary objective of establishing new businesses and services, redefining existing businesses, and speeding up regrowth to promote DX inside and outside Japan. This business also provides SaaS/ASP services using IT (Web, phone, fax, SMS related technologies)/AI/IoT technologies to meet customer needs flexibly and quickly.
- The HR Business offers recruiting support for new graduates and mid-career employees focusing on physical education students 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 on its own or through investment partnerships, 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 three months of FY6/24 (Jul. 1, 2023–Sep. 30, 2023)

(Thousands of yen)

	Reportable segment						Adjustments (Note 1)	Amounts shown on condensed quarterly consolidated financial statements (Note 2)
	DX Business	HR Business	EC Business	Financial Business	Incubation Business	Subtotal		
Revenue								
Sales to external customers	1,136,529	262,189	582,687	303,051	41,417	2,325,875	627	2,326,502
Inter-segment sales and transfers	1,292	–	–	–	11,090	12,383	(12,383)	–
Total	1,137,822	262,189	582,687	303,051	52,507	2,338,258	(11,756)	2,326,502
Segment profit (loss)	(79,734)	107,360	84,849	(63,985)	(75,016)	(26,527)	(36,010)	(62,537)
Finance income	–	–	–	–	–	–	–	49
Finance costs	–	–	–	–	–	–	–	(11,847)
Profit (loss) before tax	–	–	–	–	–	–	–	(74,335)

Notes: 1. The (36,010) thousand yen adjustment to segment profit includes the elimination of inter-segment transactions and the corporate expenses that are not allocated to each reportable segment.
2. Segment profit (loss) is adjusted to be consistent with operating profit presented in the condensed quarterly consolidated statement of income.
3. Corporate expenses are allocated to each reportable segment based on a rational basis.
4. Transfer prices between operating segments are on an arm’s length basis in a manner similar to transactions with third parties.

First three months of FY6/25 (Jul. 1, 2024–Sep. 30, 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	1,110,696	189,342	562,335	309,974	54,224	2,226,572	–	2,226,572
Inter-segment sales and transfers	13,121	–	–	–	–	13,121	(13,121)	–
Total	1,123,818	189,342	562,335	309,974	54,224	2,239,694	(13,121)	2,226,572
Segment profit (loss)	99,640	3,155	78,834	(47,955)	(49,712)	83,962	(119,302)	(35,339)
Finance income	–	–	–	–	–	–	–	770
Finance costs	–	–	–	–	–	–	–	(11,920)
Profit (loss) before tax	–	–	–	–	–	–	–	(46,489)

Notes: 1. The (119,302) 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 J-Phoenix Research, Inc. in the fiscal year ended June 30, 2023, FourHands, Inc. in the third quarter of the fiscal year ended June 30, 2024, and readytowork Co., Ltd., Sports Stories, Inc., and Broncos 20 Co., Ltd. in the fourth quarter of the fiscal year ended June 30, 2024 as discontinued operations, and completed the transfer of all shares of these companies, which were consolidated subsidiaries, in the fiscal year ended June 30, 2024.

In addition, the Company passed a resolution to dissolve and liquidate its consolidated subsidiary Leoconnect, Inc. in the first quarter of the fiscal year ending June 30, 2025, and has classified it as a discontinued operation and presented it separately.

(1) Operating results of discontinued operations

(Thousands of yen)

	First three months of FY6/24 (July 1, 2023 to September 30, 2023)	First three months of FY6/25 (July 1, 2024 to September 30, 2024)
Profit or loss from discontinued operations		
Revenue	475,065	214,855
Expenses	(516,219)	(215,334)
Profit (loss) before tax from discontinued operations	(41,153)	(479)
Income tax expense	(199)	(56)
Profit (loss) from discontinued operations	(41,352)	(536)

(2) Cash flows from discontinued operations

(Thousands of yen)

	First three months of FY6/24 (July 1, 2023 to September 30, 2023)	First three months of FY6/25 (July 1, 2024 to September 30, 2024)
Cash flows from discontinued operations		
Cash flows from operating activities	(10,459)	17,881
Cash flows from investing activities	5,193	–
Cash flows from financing activities	(16,929)	(40,536)
Total	(22,195)	(22,654)

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.