

February 14, 2025

## Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending June 30, 2025 (Six Months Ended December 31, 2024) [IFRS]

Company name: Scala, Inc.	Listing: Tokyo Stock Exchange
Stock code: 4845	URL: <a href="https://scalagr.jp/en/">https://scalagr.jp/en/</a>
Representative: Hideaki Nitta, Director, Representative Executive Officer & President	
Contact: Daisuke Jodai, General Manager of Accounting Department	
Tel: +81-(0)3-6418-3960	
Scheduled date of filing of Semi-annual Report:	February 14, 2025
Scheduled date of payment of dividend:	February 18, 2025
Preparation of supplementary materials for financial results:	Yes
Holding of financial results meeting:	Yes (for institutional investors and analysts)

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

### 1. Management Performance under IFRS and Non-GAAP Measures

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

(Percentages represent year-on-year changes.)

	Revenue		Operating profit		Profit before tax		Profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%
(IFRS)										
Six months ended Dec. 31, 2024	4,803	3.9	264	–	253	–	345	–	353	–
Six months ended Dec. 31, 2023	4,622	–	(162)	–	(176)	–	(254)	–	(246)	–
(Non-GAAP)										
Six months ended Dec. 31, 2024	4,803	3.9	301	–	290	–	197	–	200	–
Six months ended Dec. 31, 2023	4,622	–	(163)	–	(177)	–	(176)	–	(157)	–

	IFRS				Non-GAAP	
	Basic earnings per share		Diluted earnings per share		Basic earnings per share	Diluted earnings per share
	Yen		Yen		Yen	Yen
Six months ended Dec. 31, 2024	20.37		20.37		11.57	11.57
Six months ended Dec. 31, 2023	(14.20)		(14.20)		(9.10)	(9.10)

Notes: 1. Revenue, operating profit, and profit before tax for the six months ended December 31, 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 Semi-annual Consolidated Financial Statements and Notes, (5) Notes to Condensed Semi-annual 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 Dec. 31, 2024	11,900	4,540	4,368	36.7	251.64
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: 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 Dec. 31, 2024: 17,760,059 shares As of Jun. 30, 2024: 17,753,459 shares

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

As of Dec. 31, 2024: 400,008 shares As of Jun. 30, 2024: 400,008 shares

3) Average number of shares outstanding during the period

Six months ended Dec. 31, 2024: 17,356,521 shares Six months ended Dec. 31, 2023: 17,337,724 shares

- Semi-annual financial results reports are exempt from review conducted by certified public accountants or an audit firm.

- 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 (February 14, 2025) and available on the Scala's website.

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## 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 has 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 has completed the transfer of all shares of its consolidated subsidiary Retool, Inc. and passed a resolution to dissolve and liquidate its consolidated subsidiary Leoconnect, Inc. in the first six months of the fiscal year ending June 30, 2025, and has classified them as discontinued operations.

Accordingly, revenue, operating profit, and profit before tax for the first six 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 six months of the fiscal year ending June 30, 2025, 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 situation in the Middle East and the outlook of the Chinese economy.

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 4,803 million yen (up 3.9% year on year) for the first six months of the fiscal year ending June 30, 2025. 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 264 million yen (compared with operating loss of 162 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 253 million yen (compared with loss before tax of 176 million yen a year earlier). As a result of recording income tax expense of 81 million yen and profit from discontinued operations of 173 million yen, profit amounted to 345 million yen (compared with loss of 254 million yen a year earlier), and profit attributable to owners of parent amounted to 353 million yen (compared with loss attributable to owners of parent of 246 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 cross-sectional and time-series comparisons and can also provide useful information that helps them to understand the Group's underlying operating performance and its outlook.

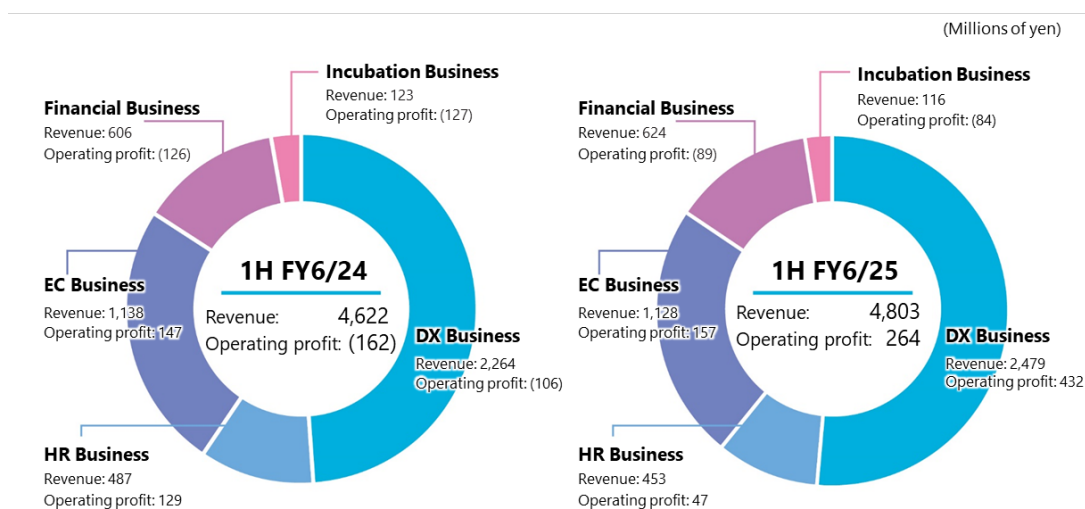
Non-recurring items refer to one-off profits or losses that we believe should be excluded based on certain criteria for the purpose of preparing the earnings forecast.

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

For adjustment, gains/losses on securities related to investment business were deducted from the 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 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 through its high performance.

EKG 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. 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 six months of FY6/24	First six months of FY6/25	Year-on-year change	
				Amount	%
Revenue		2,264	2,479	215	Up 9.5%
Segment profit (IFRS and non- GAAP measures)	Before allocation of corporate expenses	214	528	313	Up 146.1%
	After allocation of corporate expenses	(106)	432	538	—

## (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. In addition, the Group has started providing business support for on-site sports training at Nippon Sport Science University to strengthen its relationships with educational institutions. On the other hand, however, as a result of a temporary shortage of career advisors, both of the number of newly acquired members and the contract rate for human resources placement declined in the first six months of the fiscal year ending June 30, 2025. Consequently, both revenue and profits decreased year on year.

(Millions of yen, unless otherwise stated)

		First six months of FY6/24	First six months of FY6/25	Year-on-year change	
				Amount	%
Revenue		487	453	(33)	Down 6.8%
Segment profit (IFRS and non- GAAP measures)	Before allocation of corporate expenses	148	87	(60)	Down 41.0%
	After allocation of corporate expenses	129	47	(81)	Down 63.4%

## (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. The Group has also launched a direct overseas shipping service to significantly enhance convenience for overseas users. While the sales of core titles remained strong, the temporary boom of some titles, which had performed briskly and grown rapidly due to a favorable external environment during the fiscal year ended June 30, 2024, has now subsided. Meanwhile, the Group has begun the practical use of its self-developed AI-based image recognition solution, resulting in the enhancement of productivity by improving delivery efficiency and reducing operational costs. As a result, revenue decreased and profits increased year on year.

(Millions of yen, unless otherwise stated)

		First six months of FY6/24	First six months of FY6/25	Year-on-year change	
				Amount	%
Revenue		1,138	1,128	(9)	Down 0.9%
Segment profit (IFRS and non- GAAP measures)	Before allocation of corporate expenses	179	183	4	Up 2.4%
	After allocation of corporate expenses	147	157	9	Up 6.5%

## (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. In addition, the cancellation rate significantly decreased due to the sales of new products. As a result, both revenue and profits increased year on year.

(Millions of yen, unless otherwise stated)

		First six months of FY6/24	First six months of FY6/25	Year-on-year change	
				Amount	%
Revenue		606	624	17	Up 2.9%
Segment profit (IFRS and non- GAAP measures)	Before allocation of corporate expenses	(108)	(71)	36	–
	After allocation of corporate expenses	(126)	(89)	36	–

## (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 will operate the fund as a "SOCIALX Impact Fund." 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 Group is currently conducting an assessment of applicant companies. In SOCIALX Acceleration, a program operated by SOCIALX, INC. as an entity selected to cooperate 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, the program run by the Okinawa General Bureau, Cabinet Office, has begun accepting applications for Gyaku Propo services. Another program focusing on the theme of decarbonization that was implemented as part of the Gunma Prefectural Government project is currently providing mentoring for the final assessment process. In the Gyaku-Propo Concierge business, the Group supports platform operations in Shinagawa Ward and Kyoto City, and provides public-private co-creation supports for other municipalities. 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 66 companies, 113 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.

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. In the first six months of the fiscal year ending June 30, 2025, the Company has successfully monetized these services by acquiring success-based fees for completed deals. 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. As a result, in the incubation business as a whole, revenue decreased and profits increased year on year.

(Millions of yen, unless otherwise stated)

		First six months of FY6/24	First six months of FY6/25	Year-on-year change	
				Amount	%
Revenue		123	116	(7)	Down 6.0%
Segment profit (IFRS)	Before allocation of corporate expenses	(124)	(84)	39	–
	After allocation of corporate expenses	(127)	(84)	42	–
Segment profit (non-GAAP measures)	Before allocation of corporate expenses	(125)	(47)	77	–
	After allocation of corporate expenses	(128)	(47)	80	–

## **(2) Financial Position**

### Assets

Total assets amounted to 11,900 million yen at the end of the period under review, a decrease of 799 million yen over the end of the previous fiscal year. This was mainly attributable to decreases of 1,792 million yen in cash and cash equivalents and 199 million yen in securities related to investment business, which were partially offset by increases of 607 million yen in time deposits, 487 million yen in right-of-use assets, and 102 million yen in trade and other receivables.

### Liabilities

Liabilities totaled 7,359 million yen, a decrease of 770 million yen over the end of the previous fiscal year. This was mainly attributable to a decrease of 1,306 million yen in bonds and borrowings, which was partially offset by an increase of 500 million yen in lease liabilities (non-current).

### Equity

Equity totaled 4,540 million yen, a decrease of 28 million yen over the end of the previous fiscal year. This was mainly attributable to decreases of 470 million yen in the capital surplus and 58 million yen in non-controlling interests, which were partially offset by an increase of 503 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 Semi-annual Consolidated Financial Statements and Notes****(1) Condensed Semi-annual Consolidated Statement of Financial Position**

	(Thousands of yen)	
	FY6/24 (As of Jun. 30, 2024)	Second quarter of FY6/25 (As of Dec. 31, 2024)
<b>Assets</b>		
Current assets		
Cash and cash equivalents	6,817,385	5,024,803
Time deposits	–	607,300
Trade and other receivables	1,323,993	1,426,607
Inventories	366,600	418,492
Reinsurance assets	521,946	534,040
Income taxes receivable	6,699	87
Other current assets	69,477	66,643
Total current assets	9,106,102	8,077,976
Non-current assets		
Property, plant and equipment	301,522	271,606
Right-of-use assets	387,914	875,043
Goodwill	978,216	978,216
Intangible assets	115,050	83,844
Other financial assets	1,171,979	1,171,019
Securities related to investment business	269,291	69,725
Deferred tax assets	365,458	366,477
Other non-current assets	4,429	6,260
Total non-current assets	3,593,863	3,822,193
Total assets	12,699,966	11,900,169
<b>Liabilities and equity</b>		
Liabilities		
Current liabilities		
Trade and other payables	784,511	811,441
Bonds and borrowings	3,344,922	2,505,637
Lease liabilities	292,242	279,228
Income taxes payable	98,173	178,273
Insurance contract liabilities	628,803	630,943
Other current liabilities	363,788	301,046
Total current liabilities	5,512,441	4,706,571
Non-current liabilities		
Bonds and borrowings	2,445,350	1,977,690
Lease liabilities	103,601	603,971
Other non-current liabilities	69,068	71,397
Total non-current liabilities	2,618,021	2,653,059
Total liabilities	8,130,462	7,359,630
Equity		
Equity attributable to owners of parent		
Share capital	1,792,766	1,794,446
Capital surplus	991,270	520,955
Retained earnings	1,628,971	2,132,205
Treasury shares	(299,966)	(299,966)
Other components of equity	225,454	220,771
Total equity attributable to owners of parent	4,338,496	4,368,412
Non-controlling interests	231,007	172,126
Total equity	4,569,504	4,540,538
Total liabilities and equity	12,699,966	11,900,169

**(2) Condensed Semi-annual Consolidated Statements of Income and Comprehensive Income****Condensed Semi-annual Consolidated Statement of Income**

(Thousands of yen)

	First six months of FY6/24 (Jul. 1, 2023–Dec. 31, 2023)	First six months of FY6/25 (Jul. 1, 2024–Dec. 31, 2024)
Continuing operations:		
Revenue	4,622,034	4,803,468
Cost of sales	(2,554,587)	(2,684,657)
Gross profit	2,067,446	2,118,810
Selling, general and administrative expenses	(2,225,966)	(1,828,121)
Other income	5,405	15,294
Other expenses	(10,175)	(3,996)
Operating profit (loss) before gains/losses on securities related to investment business	(163,289)	301,986
Gains/losses on securities related to investment business	835	(37,079)
Operating profit (loss)	(162,454)	264,907
Finance income	9,850	11,925
Finance costs	(24,104)	(23,179)
Profit (loss) before tax	(176,708)	253,653
Income tax expense	896	(81,619)
Profit (loss) from continuing operations	(175,812)	172,034
Discontinued operations:		
Profit (loss) from discontinued operations	(78,683)	173,921
Profit (loss)	(254,495)	345,956
Profit (loss) attributable to:		
Owners of parent	(246,114)	353,492
Non-controlling interests	(8,380)	(7,536)
Profit (loss)	(254,495)	345,956
Earnings per share attributable to owners of parent		
Basic earnings (loss) per share (Yen)		
Continuing operations	(10.23)	10.18
Discontinued operations	(3.96)	10.19
Total	(14.20)	20.37
Diluted earnings (loss) per share (Yen)		
Continuing operations	(10.23)	10.18
Discontinued operations	(3.96)	10.19
Total	(14.20)	20.37

**Condensed Semi-annual Consolidated Statement of Comprehensive Income**

(Thousands of yen)

	First six months of FY6/24 (Jul. 1, 2023–Dec. 31, 2023)	First six months of FY6/25 (Jul. 1, 2024–Dec. 31, 2024)
Profit (loss)	(254,495)	345,956
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	(63,428)	(2,414)
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	97	(1,602)
Total other comprehensive income, net of tax	(63,330)	(4,016)
Comprehensive income	(317,826)	341,939
Comprehensive income attributable to:		
Owners of parent	(309,445)	349,475
Non-controlling interests	(8,380)	(7,536)
Comprehensive income	(317,826)	341,939

**(3) Condensed Semi-annual Consolidated Statement of Changes in Equity**

First six months of FY6/24 (Jul. 1, 2023–Dec. 31, 2023)

(Thousands of yen)

	Equity attributable to owners of parent					Total equity attributable to owners of parent
	Share capital	Capital surplus	Retained earnings	Treasury shares	Other components of equity	
Balance as of Jul. 1, 2023	1,787,880	986,384	5,162,735	(299,966)	195,234	7,832,267
Profit (loss)	–	–	(246,114)	–	–	(246,114)
Total other comprehensive income	–	–	–	–	(63,330)	(63,330)
Comprehensive income	–	–	(246,114)	–	(63,330)	(309,445)
Dividends	–	–	(320,683)	–	–	(320,683)
Exercise of share acquisition rights	2,392	2,392	–	–	(65)	4,718
Total transactions with owners	2,392	2,392	(320,683)	–	(65)	(315,964)
Balance as of Dec. 31, 2023	1,790,272	988,776	4,595,936	(299,966)	131,837	7,206,856
		Non-controlling interests	Total equity			
Balance as of Jul. 1, 2023		257,191	8,089,459			
Profit (loss)		(8,380)	(254,495)			
Total other comprehensive income		–	(63,330)			
Comprehensive income		(8,380)	(317,826)			
Dividends		–	(320,683)			
Exercise of share acquisition rights		–	4,718			
Total transactions with owners		–	(315,964)			
Balance as of Dec. 31, 2023		248,810	7,455,667			

First six months of FY6/25 (Jul. 1, 2024–Dec. 31, 2024)

(Thousands of yen)

	Equity attributable to owners of parent					Total equity attributable to owners of parent
	Share capital	Capital surplus	Retained earnings	Treasury shares	Other components of equity	
Balance as of Jul. 1, 2024	1,792,766	991,270	1,628,971	(299,966)	225,454	4,338,496
Profit (loss)	–	–	353,492	–	–	353,492
Total other comprehensive income	–	–	–	–	(4,016)	(4,016)
Comprehensive income	–	–	353,492	–	(4,016)	349,475
Dividends	–	(325,377)	–	–	–	(325,377)
Exercise of share acquisition rights	1,679	1,679	–	–	(46)	3,313
Forfeiture of share acquisition rights	–	619	–	–	(619)	–
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	1,679	(470,314)	149,741	–	(665)	(319,559)
Balance as of Dec. 31, 2024	1,794,446	520,955	2,132,205	(299,966)	220,771	4,368,412

	Non-controlling interests	Total equity
Balance as of Jul. 1, 2024	231,007	4,569,504
Profit (loss)	(7,536)	345,956
Total other comprehensive income	–	(4,016)
Comprehensive income	(7,536)	341,939
Dividends	–	(325,377)
Exercise of share acquisition rights	–	3,313
Forfeiture of share acquisition rights	–	–
Changes in ownership interest in subsidiaries	(53,602)	(51,098)
Transfer from capital surplus to retained earnings	–	–
Loss of control of subsidiaries	2,258	2,258
Total transactions with owners	(51,344)	(370,904)
Balance as of Dec. 31, 2024	172,126	4,540,538

**(4) Condensed Semi-annual Consolidated Statement of Cash Flows**

(Thousands of yen)

	First six months of FY6/24 (Jul. 1, 2023–Dec. 31, 2023)	First six months of FY6/25 (Jul. 1, 2024–Dec. 31, 2024)
<b>Cash flows from operating activities</b>		
Profit (loss) before tax	(176,708)	253,653
Profit (loss) before tax from discontinued operations	(76,610)	261,235
Depreciation and amortization	400,475	155,764
Loss (gain) on sale and retirement of non-current assets	948	(3,331)
Gain on sale of shares of subsidiaries	–	(284,771)
Loss (gain) on securities related to investment business	(835)	37,079
Loss (gain) on sale of investment securities	5,702	–
Finance income	(9,930)	(11,750)
Finance costs	21,824	23,668
Decrease (increase) in trade and other receivables	30,132	(252,323)
Increase (decrease) in trade and other payables	106,812	48,515
Decrease (increase) in inventories	(112,774)	(55,605)
Decrease (increase) in reinsurance assets	36,326	(12,094)
Increase (decrease) in insurance contract liabilities	24,908	2,140
Other	(103,301)	28,825
Subtotal	146,970	191,004
Interest and dividends received	9,896	11,593
Interest paid	(17,480)	(23,629)
Income taxes refund (paid)	52,582	(84,619)
Net cash provided by (used in) operating activities	191,969	94,348
<b>Cash flows from investing activities</b>		
Payments into time deposits	–	(643,000)
Proceeds from withdrawal of time deposits	–	35,700
Purchase of property, plant and equipment	(25,555)	(9,436)
Proceeds from sale of property, plant and equipment	–	1,400
Purchase of intangible assets	(25,391)	(11,641)
Proceeds from sale of intangible assets	–	5,000
Purchase of investment securities	(9,700)	–
Proceeds from sale of investment securities	42,459	162,719
Collection of loans receivable	25,825	1,800
Payments of leasehold and guarantee deposits	(10,549)	(15,120)
Proceeds from refund of leasehold and guarantee deposits	464	186,964
Payments for sale of shares of subsidiaries resulting in change in scope of consolidation	(1,724)	–
Proceeds from sale of shares of subsidiaries resulting in change in scope of consolidation	–	96,592
Other	(3,287)	6,225
Net cash provided by (used in) investing activities	(7,459)	(182,795)

(Thousands of yen)

	First six months of FY6/24 (Jul. 1, 2023–Dec. 31, 2023)	First six months of FY6/25 (Jul. 1, 2024–Dec. 31, 2024)
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term borrowings	(16,668)	(800,000)
Proceeds from long-term borrowings	1,345,000	360,000
Repayments of long-term borrowings	(828,360)	(725,354)
Redemption of bonds	(170,000)	(20,000)
Repayments of lease liabilities	(283,222)	(134,372)
Proceeds from issuance of shares resulting from exercise of share acquisition rights	4,718	3,313
Purchase of treasury shares of subsidiaries	–	(40,536)
Dividends paid	(323,391)	(325,472)
Dividends paid to non-controlling interests	–	(21,704)
Net cash provided by (used in) financing activities	(271,922)	(1,704,126)
<b>Effect of exchange rate changes on cash and cash equivalents</b>		
Effect of exchange rate changes on cash and cash equivalents	(3,646)	(8)
Net increase (decrease) in cash and cash equivalents	(91,059)	(1,792,581)
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	7,664,693	5,024,803

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 Semi-annual Consolidated Financial Statements, Discontinued Operations.

## **(5) Notes to Condensed Semi-annual Consolidated Financial Statements**

### **Going Concern Assumption**

Not applicable.

### **Notes to Condensed Semi-annual Consolidated Financial Statements**

#### **1. Material Accounting Policy Information**

The material accounting policies applied for the condensed semi-annual 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 semi-annual 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 semi-annual 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. (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 six months of the fiscal year ended June 30, 2024, and the first six 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 six months of FY6/24 (Jul. 1, 2023–Dec. 31, 2023)

(Thousands of yen)

	Reportable segment						Adjustments (Note 1)	Amounts shown on condensed semi-annual consolidated statement of income (Note 2)
	DX Business	HR Business	EC Business	Financial Business	Incubation Business	Subtotal		
Revenue								
Sales to external customers	2,264,147	487,036	1,138,717	606,684	123,949	4,620,534	1,499	4,622,034
Inter-segment sales and transfers	4,514	–	–	–	32,729	37,244	(37,244)	–
Total	2,268,661	487,036	1,138,717	606,684	156,678	4,657,779	(35,745)	4,622,034
Segment profit (loss)	(106,506)	129,321	147,902	(126,183)	(127,663)	(83,129)	(79,324)	(162,454)
Finance income	–	–	–	–	–	–	–	9,850
Finance costs	–	–	–	–	–	–	–	(24,104)
Profit (loss) before tax	–	–	–	–	–	–	–	(176,708)

- Notes: 1. The (79,324) 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 semi-annual 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 six months of FY6/25 (Jul. 1, 2024–Dec. 31, 2024)

(Thousands of yen)

	Reportable segment						Adjustments (Note 1)	Amounts shown on condensed semi-annual consolidated statement of income (Note 2)
	DX Business	HR Business	EC Business	Financial Business	Incubation Business	Subtotal		
Revenue								
Sales to external customers	2,479,757	453,880	1,128,934	624,391	116,503	4,803,468	–	4,803,468
Inter-segment sales and transfers	27,337	–	–	–	20,000	47,337	(47,337)	–
Total	2,507,095	453,880	1,128,934	624,391	136,503	4,850,805	(47,337)	4,803,468
Segment profit (loss)	432,354	47,368	157,495	(89,382)	(84,763)	463,073	(198,165)	264,907
Finance income	–	–	–	–	–	–	–	11,925
Finance costs	–	–	–	–	–	–	–	(23,179)
Profit (loss) before tax	–	–	–	–	–	–	–	253,653

- Notes: 1. The (198,165) 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 semi-annual 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 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 same fiscal year as discontinued operations, and completed the transfer of all shares of these companies in the fiscal year ended June 30, 2024.

In addition, the Company completed the transfer of all shares of its consolidated subsidiary Retool, Inc. and passed a resolution to dissolve and liquidate its consolidated subsidiary Leoconnect, Inc. in the first six months of the fiscal year ending June 30, 2025, and classified them as discontinued operations and presented them separately. 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	3,333,000 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 six months of FY6/24 (Jul. 1, 2023–Dec. 31, 2023)	First six months of FY6/25 (Jul. 1, 2024–Dec. 31, 2024)
Profit or loss from discontinued operations		
Income	1,077,435	634,747
Expenses	(1,154,046)	(373,512)
Profit (loss) before tax from discontinued operations	(76,610)	261,235
Income tax expense	(2,072)	(87,313)
Profit (loss) from discontinued operations	<u>(78,683)</u>	<u>173,921</u>

### (3) Cash flows from discontinued operations

	(Thousands of yen)	
	First six months of FY6/24 (Jul. 1, 2023–Dec. 31, 2023)	First six months of FY6/25 (Jul. 1, 2024–Dec. 31, 2024)
Cash flows from discontinued operations		
Cash flows from operating activities	54,824	160,485
Cash flows from investing activities	(3,148)	95,831
Cash flows from financing activities	(5,185)	(227)
Total	<u>46,491</u>	<u>256,089</u>

## 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.*