



To be an ideal company that the world needs

SCALA GROUP

# Results of Operations

for the Fiscal Year  
Ended June 30, 2023

Scala, Inc. Aug 14, 2023

# CONTENTS

P 1 ▷ 3

## 1. Business Summary

---

P 4 ▷ 7

## 2. Topics (since April 2023)

P 8 ▷ 24

## 3. Summary by Business Segment

P 25 ▷ 27

## 4. Company Overview

# Provide value based on DX

## Provide value for "society" and "individual life"

### Value for society



### Enriching society

- Government services, regional revitalization
- Industry creation, increasing sophistication, etc.



Redefine the way of public-private co-creation  
Build corporate, regional and national growth models

### Value for individuals

### Making people's lives better

- Human resources, education, sports
- Healthcare, insurance etc.



Contribute to people's wellbeing, safety, security  
Redefine the way of education

### Scala's Foundation

### Solving issues through DX using IT/AI/IoT



- Provide digital solutions
- Onsite application and deployment

Redefine how digital technology is used and  
how people and companies interact with each other

### Investments for solving issues

- Direct and indirect investments
- Develop new businesses
- Build human networks



Build mechanisms for new business creation

# Progress of Business Development

## Value for Society

### Enriching society



- Business alliance between EGG and Shift-Seven Consulting in hometown tax system business.
- Opened "Gyaku Propo Lab@ARCH", public-private co-creation incubation center at "ARCH" in Toranomom Hills.
- EGG, Nexway, and TACT conducted a demonstration experiment using AI calls.
- Launched "eG Plus," a system to utilize test result data of dairy cattle genome.
- Launched "U-Medical Support," a comprehensive medical support tool for cattle.
- Conducted a demonstration experiment of awareness-raising version of "ASTER II" in Fudai Village, Iwate Prefecture.
- Launched "Fanique" utilizing membership NFT in Web 3 business.
- Selected as the secretariat of the Small and Medium Enterprise Agency's "Project for Business Adoption/Startup in Co-Existence with Local Communities" for two years in a row.
- NEW** ■ Signed a partnership agreement with seven public and private companies in Tsuyama City, Okayama Prefecture.

## Value for Individuals

### Making people's lives better



- EGG was entrusted with a project to promote the use of My Number Cards in Yonago City, Tottori Prefecture.
- Started collaboration with Otsuka Pharmaceutical and Sompo Japan Insurance for realization of "Smart Healthcare Platform".

## Scala's Foundation

### Solving issues through DX Investments for solving issues



- Selected for JETRO's "Asia DX Promotion Project in ASEAN-Japan".
- Business alliance between "Specially Appointed Task Force for M&A," an M&A promotion service focusing on practical support, and "BATONZ," a comprehensive M&A support platform.
- Entered into a strategic partnership with Mirai Works.
- Started new NFT business in the Web3 domain and invested in UPBOND.
- NEW** ■ Promoting data business for implementing solutions to local issues in society through co-creation with Allegro Smart Inc.

# CONTENTS

P 1 ▷ 3

1. Business Summary

P 4 ▷ 7

**2. Topics (since April 2023)**

---

P 8 ▷ 24

3. Summary by Business Segment

P 25 ▷ 27

4. Company Overview

## Signed a partnership agreement with seven public and private companies in Tsuyama City, Okayama Prefecture

Scala Partners, Inc. signed a partnership agreement with seven public and private companies in Tsuyama City, Okayama Prefecture, to promote Tsuyama City's workcation collaboration projects, aiming to revitalize industry and create a related population.



### < Planned Initiatives for FY2023 >

- Planning and operation of workcation tours
  - Scheduled to conduct two workcation tours for IT companies outside of the region by the end of March 2024.
- Developing local IT facilitated human resources
  - Training of human resources capable of leading local IT initiatives and promoting sustainable community development.
  - Planning and operation of matching events, etc. within and outside the region (workshops, digital experience events, and others).

For more information, please click [here](#).

## Transfer of subsidiaries' shares

On June 29, 2023, the Board of Directors resolved to transfer all shares of Connect Agency, Inc. and J-Phoenix Research Inc. held by Scala, Inc.

Connect Agency was transferred to Adjustone, Inc. with an execution date of June 30, 2023. J-Phoenix Research was transferred to Mr. Miyashita, President and Representative Director of J-Phoenix Research with an execution date of August 4, 2023.

For more information, please click [here](#).

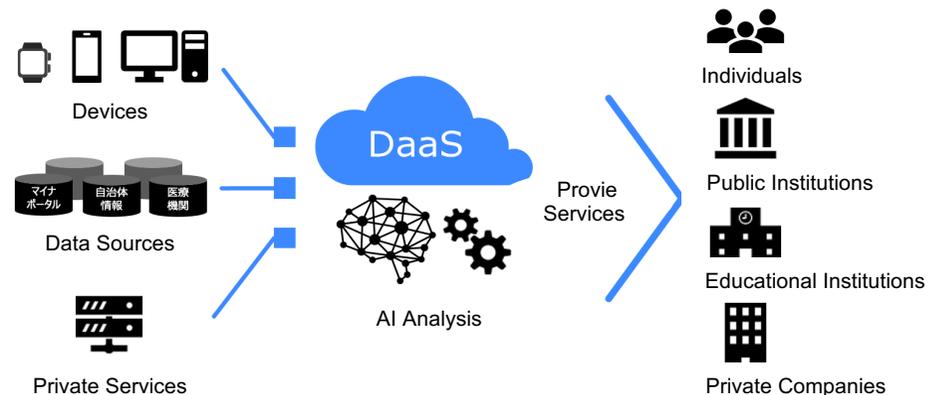
## Promoting data business for implementing solutions to local issues in society through co-creation with Allegro Smart Inc.

Started providing consulting and system construction services to build an environment that enables local government officials to formulate hypotheses, analyze data, and visualize them with no code, for social issues faced by local governments, utilizing "Newtroid" from Allegro Smart Inc.

### < Upcoming Initiatives >

Building predictive models by collecting and analyzing data from industry, government, and academia, and providing a highly scalable and flexible means of providing insights that lead to solutions to social issues faced by local governments.

Considering the use of know-how from the Frail Prevention Project to analyze PHR data based on hypotheses in order to reduce medical and nursing care costs by extending healthy life expectancy in the community.



For more information, please click [here](#).

# CONTENTS

P 1 ▷ 3	1 . <b>Business Summary</b>
P 4 ▷ 7	2 . <b>Topics (since April 2023)</b>
<b>P 8 ▷ 24</b>	<b>3 . <b>Summary by Business Segment</b></b>
<hr/>	
P 25 ▷ 27	4 . <b>Company Overview</b>

3. **Summary by  
Business Segment**

## Consolidated Financial Results (IFRS) Revenue and Operating Profit by Segment

(Millions of yen)

	FY/22			FY/23			YoY	
	Revenue	Operating profit	Ratio of operating profit to revenue	Revenue	Operating profit	Ratio of operating profit to revenue	Revenue	Operating profit
<b>Consolidated</b>	<b>9,569</b>	<b>(191)</b>	<b>-</b>	<b>12,644</b>	<b>259</b>	<b>2.1%</b>	<b>+3,075</b>	<b>+451</b>
IT/AI/IoT/DX Business	4,461	464	10.4%	6,073	409	6.7%	+1,611	-55
Customer Support Business	1,357	(31)	-	1,204	(61)	-	-152	-30
HR & Education Business	1,468	61	4.2%	1,704	203	11.9%	+235	+141
EC Business	1,654	239	14.5%	2,138	316	14.8%	+483	+77
Insurance Business	452	(28)	-	1,245	(196)	-	+792	-167
Incubation & Investment Business	174	(854)	-	278	(444)	-	+104	+410

\* Insurance Business is consolidated from 4Q of FY6/2022.

3. **Summary by  
Business Segment**

## Revenue and Profit before allocation of corporate expenses by Segment (Non-GAAP)

(Millions of yen)

	FY/22			FY/23			YoY	
	Revenue	Profit before allocation of corporate expenses	Ratio of operating profit to revenue	Revenue	Profit before allocation of corporate expenses	Ratio of operating profit to revenue	Revenue	Profit before allocation of corporate expenses
<b>Consolidated</b>	<b>9,569</b>	<b>48</b>	<b>0.5%</b>	<b>12,644</b>	<b>256</b>	<b>2.0%</b>	<b>+3,075</b>	<b>+207</b>
(Corporate expenses)	-	(1,100)	-	-	(1,027)	-	-	-
IT/AI/IoT/DX Business	4,461	1,050	23.6%	6,073	1,062	17.5%	+1,611	+11
Customer Support Business	1,357	(28)	-	1,204	(52)	-	-152	-24
HR & Education Business	1,468	227	15.5%	1,704	295	17.3%	+235	+68
EC Business	1,654	281	17.0%	2,138	379	17.7%	+483	+98
Insurance Business	452	(28)	-	1,245	(160)	-	+792	-131
Incubation & Investment Business	174	(353)	-	278	(240)	-	+104	+113

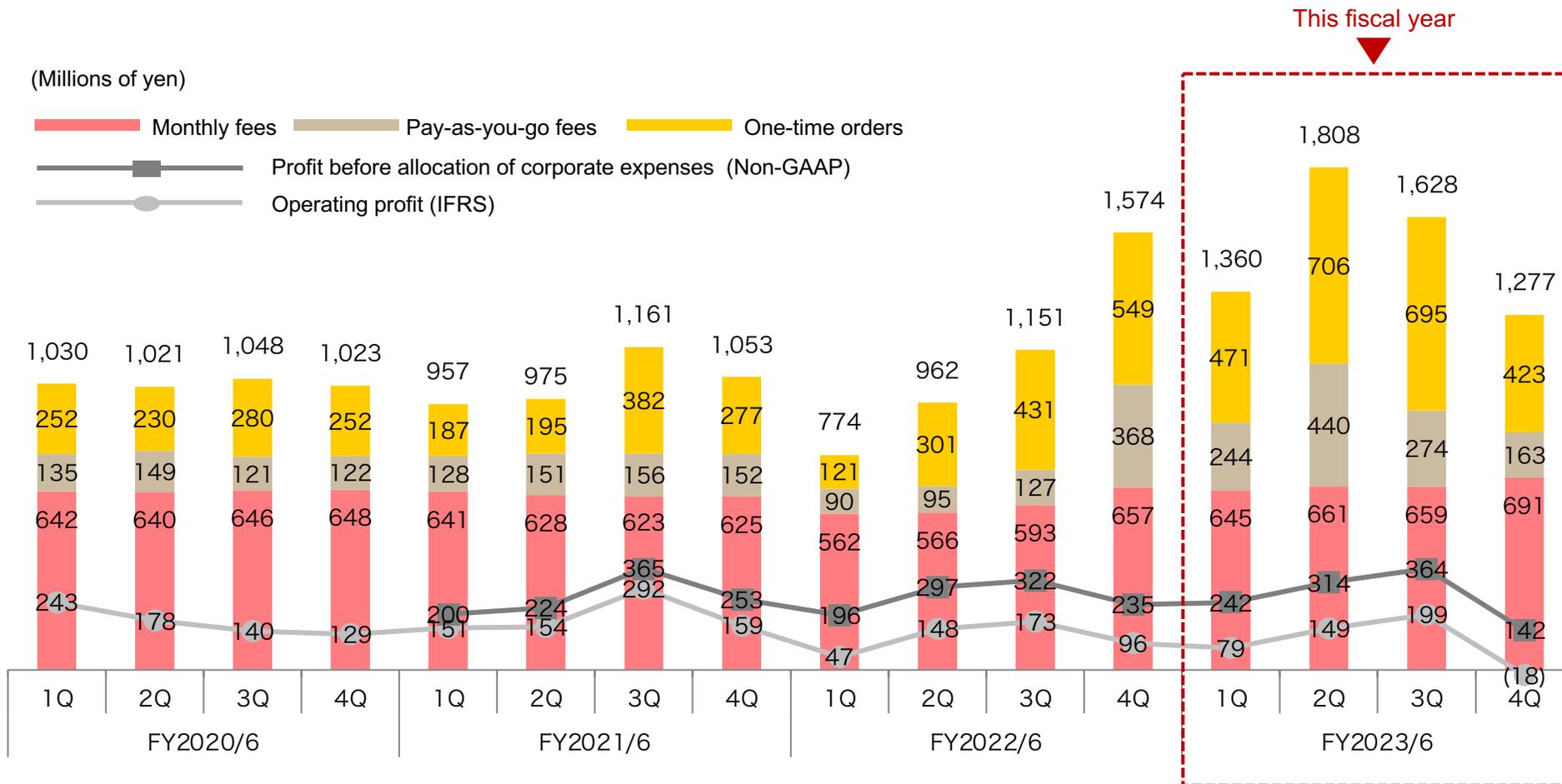
\*Consolidated figures are based on Non-GAAP.

\*Insurance Business is consolidated from 4Q of FY6/2022.

3. Summary by Business Segment

# IT/AI/IoT/DX Business (Revenue and Operating Profit)

■ Revenue is up 36% YoY (full year).



\*Profit before allocation of corporate expenses (Non-GAAP) is calculated from FY06/2021.

\*EGG CO., LTD. is consolidated from 4Q of FY6/2022.

The efforts that have been made are bearing fruit, and we will continue to embark on new initiatives moving forward.

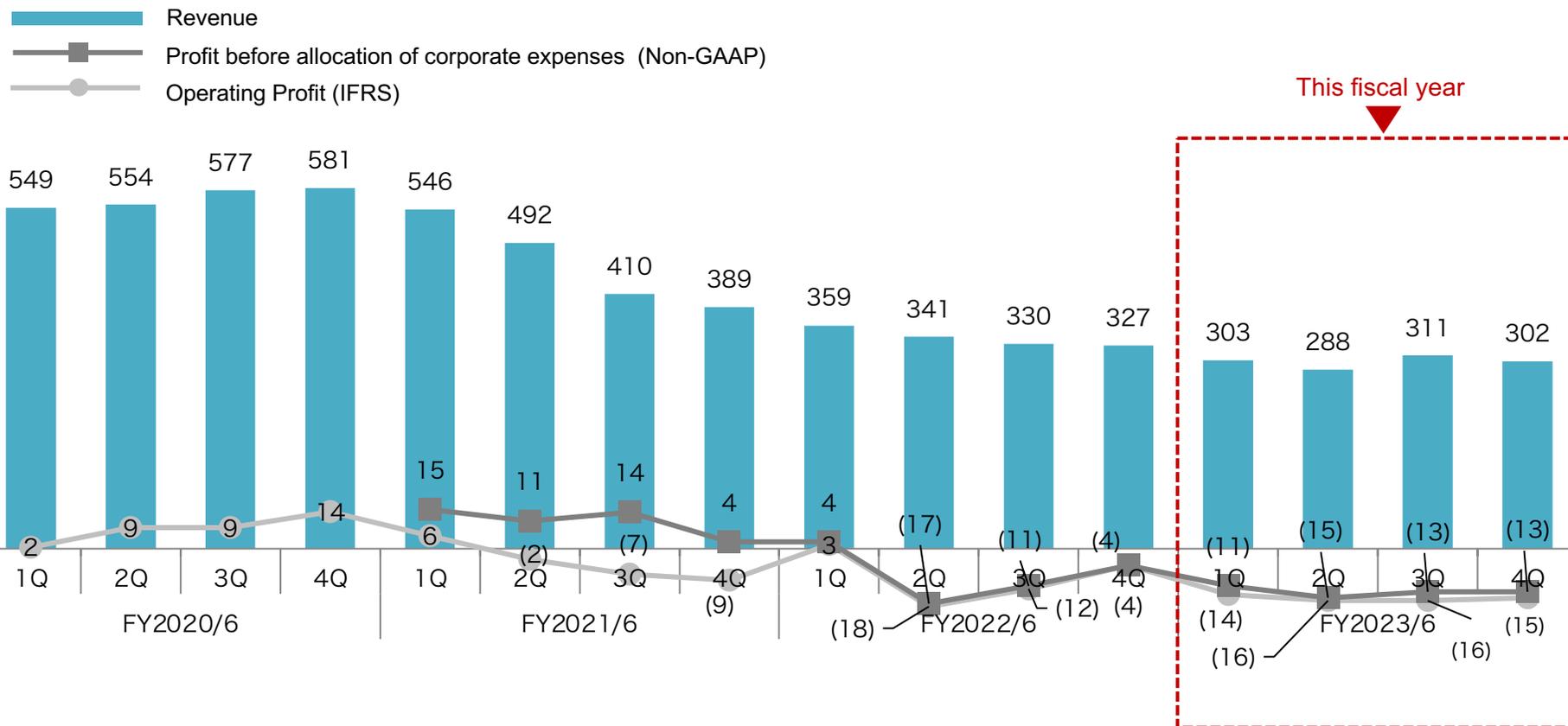
- Scala Communications, Inc. is developing the “Smart Healthcare Platform” in the healthcare area by collaborating with Otsuka Pharmaceutical Co., Ltd. and Sompo Japan Insurance Inc. The service will promote personalized health support based on basic information such as one's lifestyle (sleeping hours, exercise hours, etc.) and physical condition (weight, etc.) to maintain and improve one's health. The service has already been used in many cases, and we are considering launching a full-fledged service in 2024.
- As EGG CO., LTD. develops and maintains Tottori Health Plus, a system that allows analysis of medicine and nursing care database, under contract with Tottori National Health Insurance Organization, the development are expected to continue.

3. Summary by Business Segment

# Customer Support Business (Revenue and Operating Profit)

- Revenue shows signs of recovery due to the start of new projects and increased demand.

(Millions of yen)



\*Profit before allocation of corporate expenses (Non-GAAP) is calculated from FY06/2021.

# **Customer Support Business** (Overview and Initiatives)

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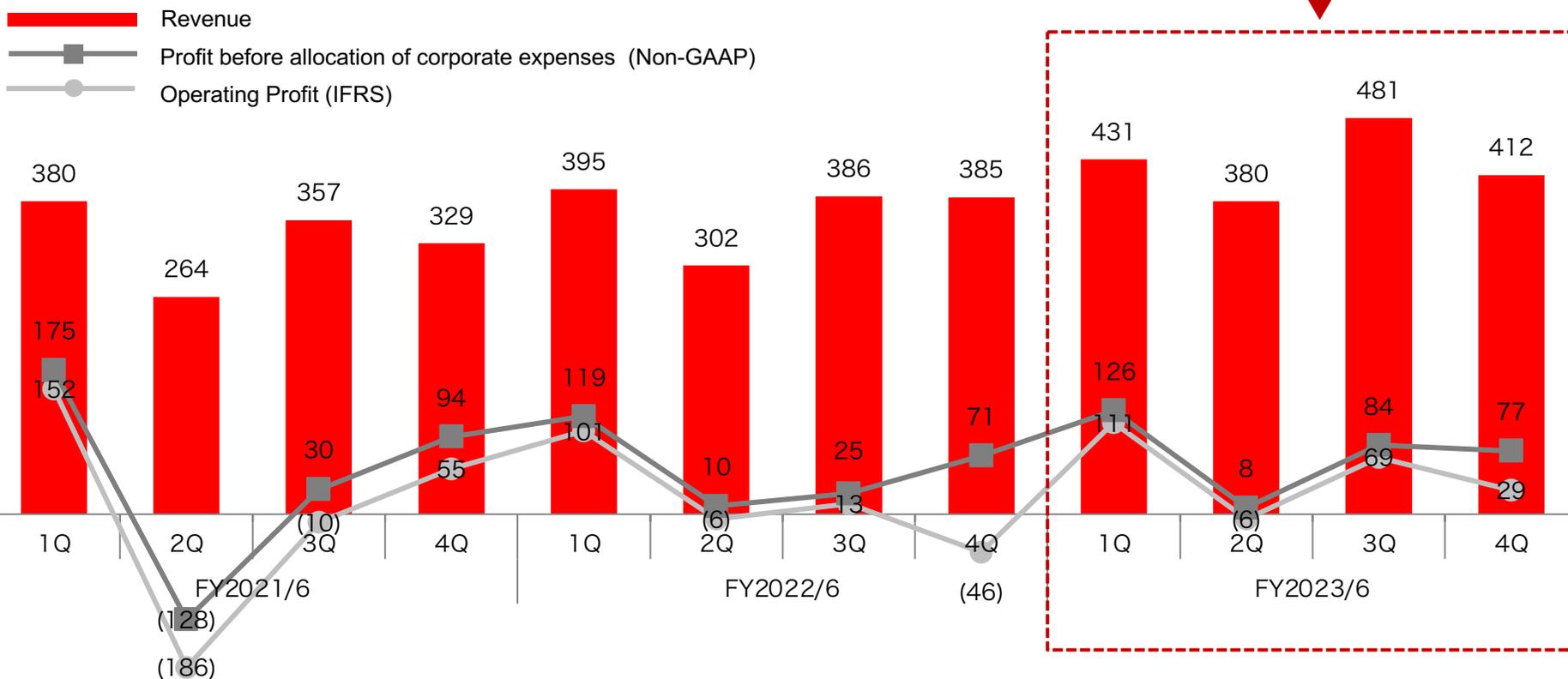
- Insourcing of tasks previously outsourced is progressing smoothly.
- While making upfront investments for strengthening the organizational structure to receive new contracts, improved earnings are expected from the beginning of the fiscal year ending June 30, 2024 by winning a contract of a large-scale call center.

3. Summary by Business Segment

# HR & Education Business (Revenue and Operating Profit)

- Revenue increased in each quarter compared to the same period of the previous year.
- Willingness to recruit new graduates for the spring of 2024 continues to rise.

(Millions of yen)

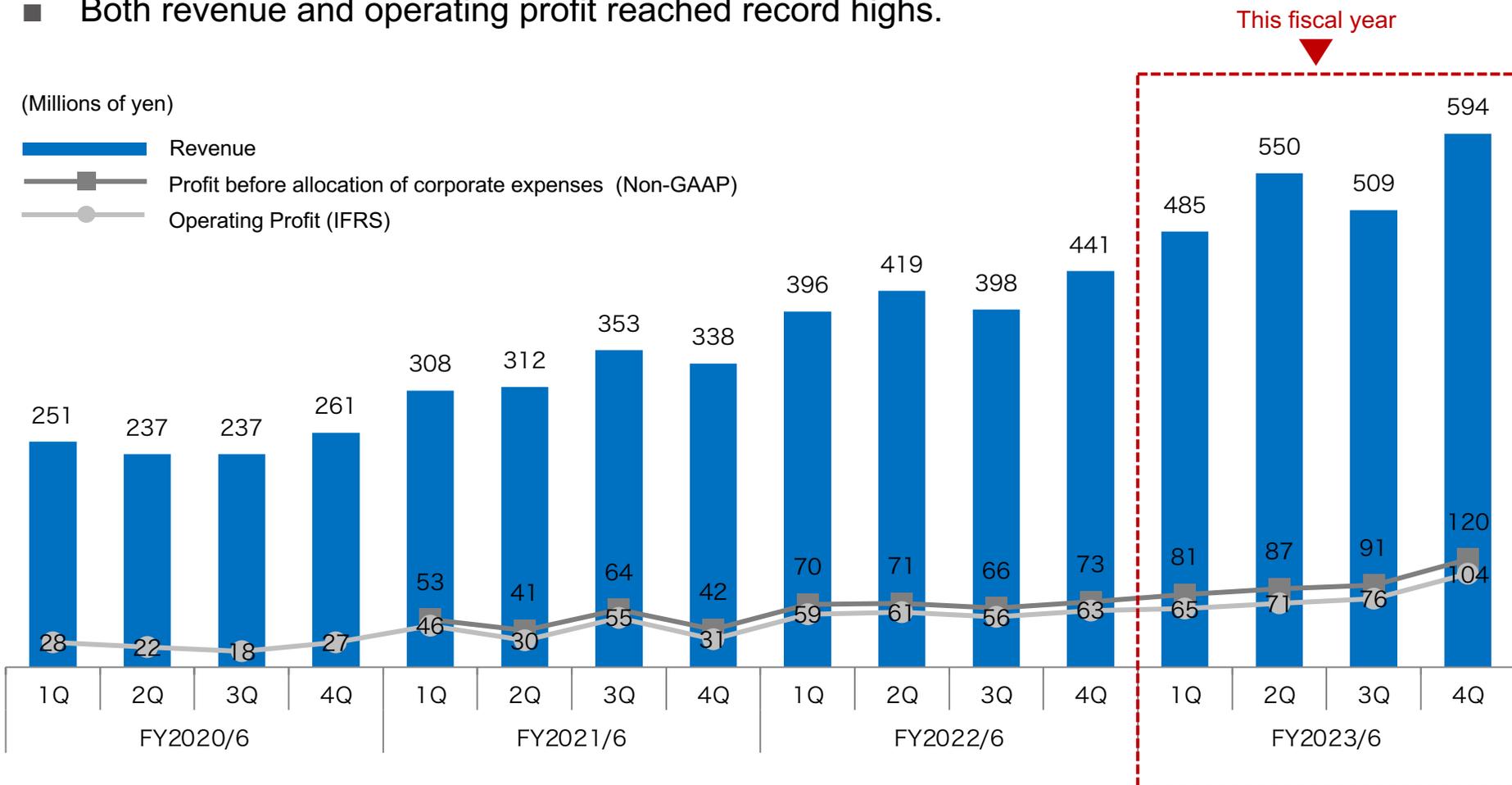


\*Profit before allocation of corporate expenses (Non-GAAP) is calculated from FY06/2021.

- In the after-school program “UK Academy Nakamachidai”, Global Education Center, which focuses on learning English, opened in April 2023 and reached full capacity thanks to its positive reputation. To enroll more students, the Center plans to increase the number of classes in October 2023.
- THE SAITAMA BRONCOS, a professional basketball team, launched a new form of fan club using Membership NFT (Non-Fungible Token), and started member recruitment for the upcoming season.

### 3. Summary by Business Segment **EC Business** (Revenue and Operating Profit)

- Revenue growth rate is 29% for this fiscal year. (Average of 25% for 4 quarters)
- Both revenue and operating profit reached record highs.



\*Profit before allocation of corporate expenses (Non-GAAP) is calculated from FY06/2021.

### 3. Summary by Business Segment **EC Business** (Overview and Initiatives)

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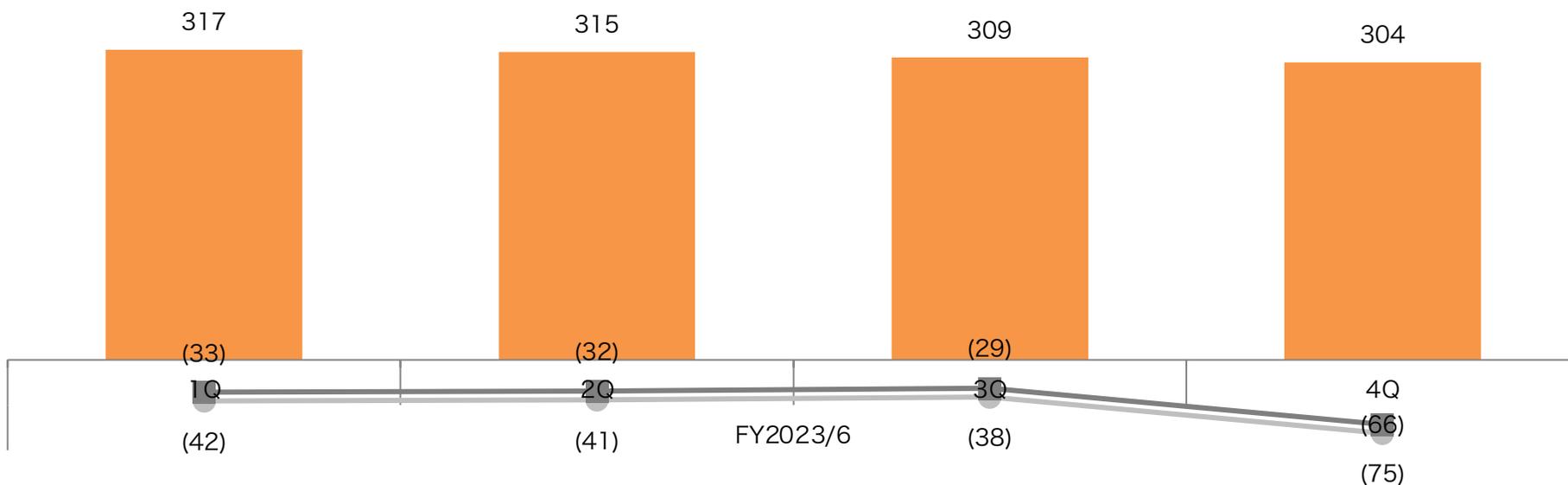
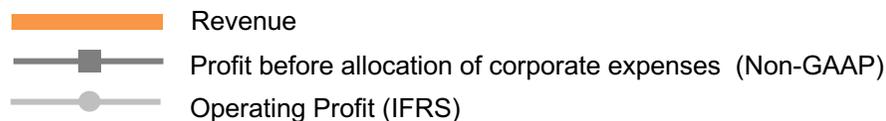
- Number of Yuyutei members:  
188,000 at the end of the last fiscal year → 241,000 at the end of this fiscal year.
- The Android app released in May 2023 is steadily gaining users.
- Continue to pursue comfortable UI/UX by actively promoting the introduction of the cutting-edge technology.

3. Summary by Business Segment

# Insurance Business (Revenue and Operating Profit)

- Revenue remained at the same level as in the previous quarters.
- Decrease in operating profit is due to temporary accumulation of policy reserves.

(Millions of yen)



3. **Summary by  
Business Segment**

# Insurance Business (Overview and Initiatives)

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- Working on branding, establishing brand awareness, and expanding sales channels by providing generous coverage without restrictions on daily treatment costs and claiming frequency.
- Focus on development of new products that ensure more safe and secure environment for valued pets to meet needs of a broad range of customers.

3. Summary by Business Segment

# Incubation & Investment Business

(Revenue and Operating Profit)

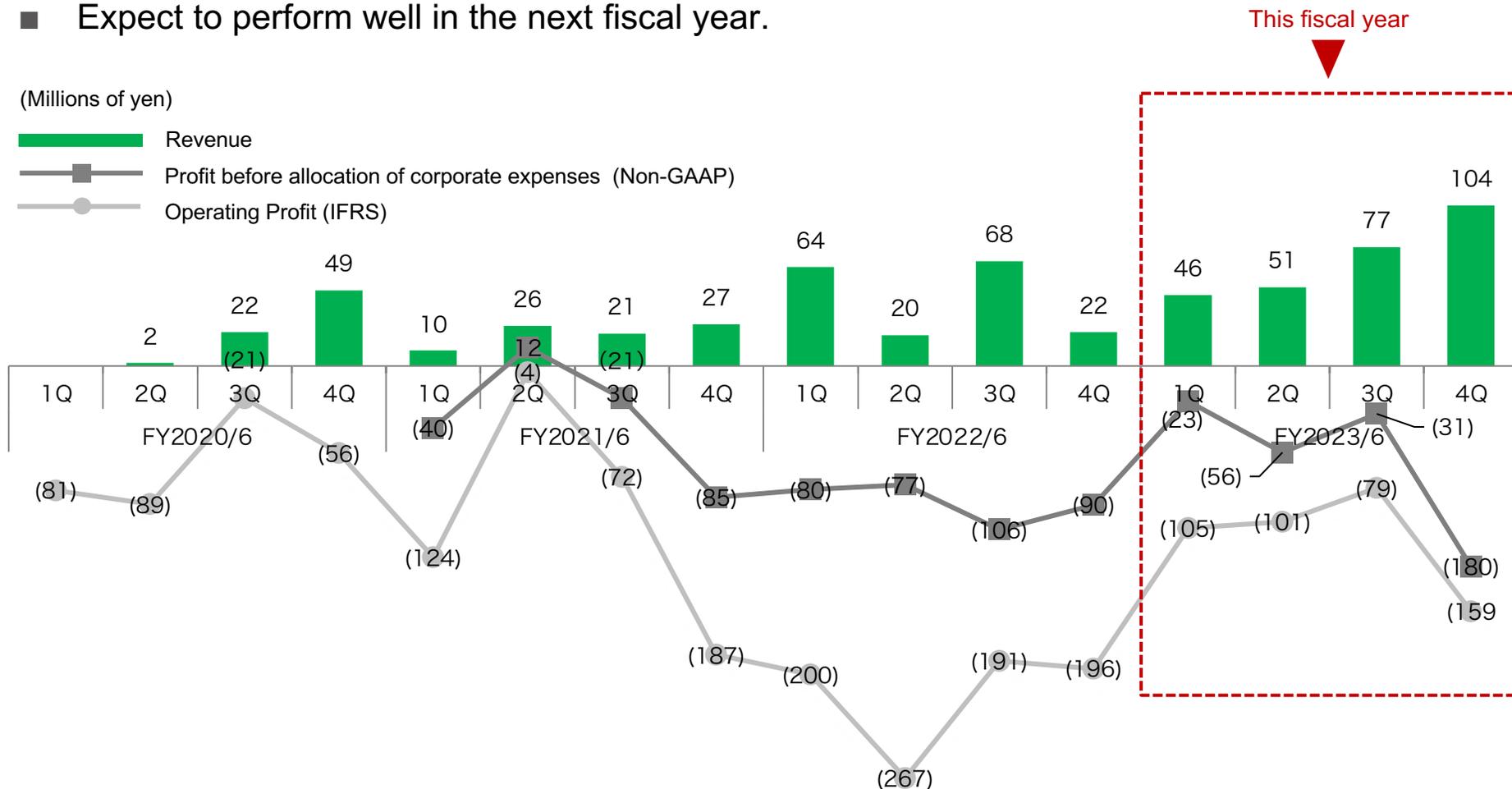
- Entered phase of revenue expansion.
- Expect to perform well in the next fiscal year.

(Millions of yen)

■ Revenue

■ Profit before allocation of corporate expenses (Non-GAAP)

● Operating Profit (IFRS)



\*Profit before allocation of corporate expenses (Non-GAAP) is calculated from FY06/2021.

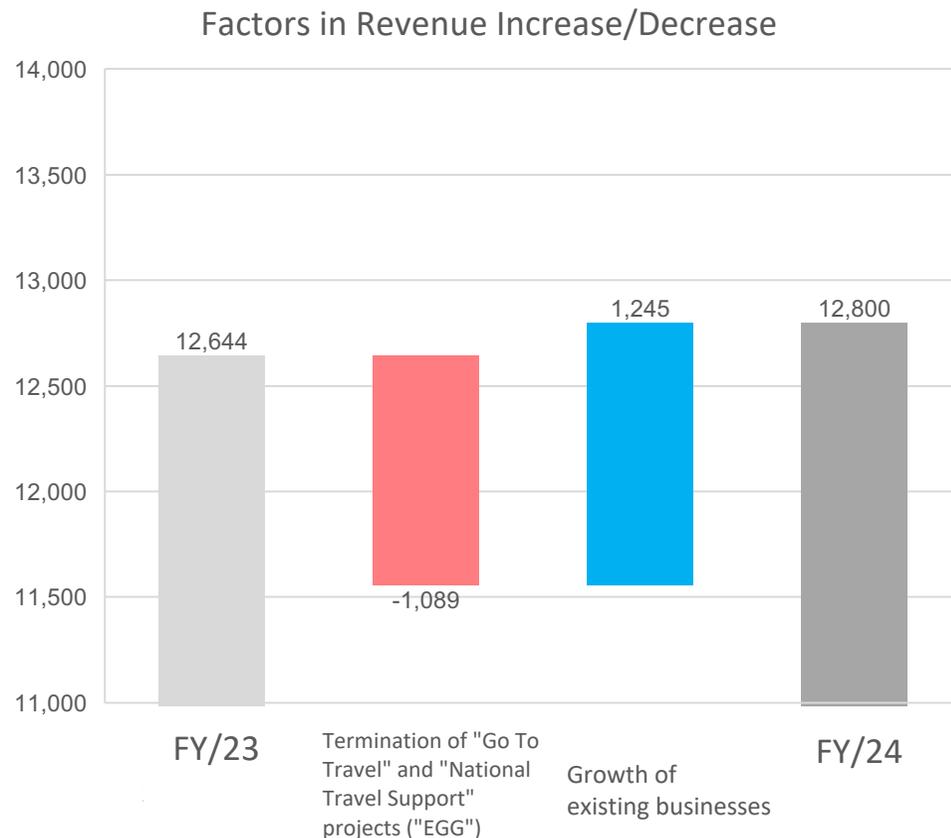
- Gyaku Propo Lab@ARCH, established in 2022 within ARCH operated by Mori Building Co., Ltd., attracted 244 people from 90 local governments and 267 people from 125 companies in the 10 months to the end of July 2023.
- In Gyaku Propo Concierge, a service to translate social issues faced by local governments into business issues faced by enterprises to support business creation, won a contract for Kyoto City Open Lab, Kyoto City's public-private collaboration program to promote to address social problems. Also won contracts for public-private business co-creation of Iwata City and Toyota City. In addition, Kosai City, Fujisawa City, Yoshino Town in Nara Prefecture, and Aisai City started using the service.
- Signed "the Agreement on Regional Circular Coexistence toward Decarbonizing" with Itami City, Iinan Town, and Hannan City, aiming to create a model case for achieving carbon neutrality by 2050 and started activities to create social credit by the first public-private co-creation initiative in Japan.

3. Summary by Business Segment

# Consolidated Financial Forecast (IFRS)

(Millions of yen)

	FY/23 (Results)	FY/24 (Forecasts)	YoY
<b>Revenue</b>	12,644	12,800	+155
<b>Operating profit</b>	259	650	+390
<b>Profit before tax</b>	233	620	+386
<b>Profit</b>	(213)	430	+643
<b>Profit attributable to owners of parent</b>	(218)	420	+638



# Revision of Medium Term Business Plan

## Executive Summary

### Medium- to Long-term Strategy

- Provide services with a focus on **"offering opportunities that lead to the growth of people"** as the core social value created by our group.
- Implement mechanisms and measures to **maximize the potential of human resources** within our group, taking into account human capital management.
- Become a **"platform for human growth,"** circulate management resources and knowledge, and achieve both social and corporate value.

### Medium Term Business Plan

- Focus on **"building a foundation for solid growth"** in FY2024~FY2026.
- Priority Strategies
  - Focused Business Domain: Focus on businesses related to human growth inside and outside our group
  - Business Alliance Structure: "Transform social issues into projects," "Co-create with individual businesses and partners within our group," Form a cyclical structure that "attracts human resources, partners, who agree with the value realized, and new social issues".
  - Strengthen Business Management Infrastructure: Strengthening Profitability, Promoting and Enhancing Shared Sectors, Systems that Energize a Diverse Workforce, and Deepening Monitoring
- Aim to achieve **revenue of 15.5 billion yen** and **operating profit of 2 billion yen** in the fiscal year ending June 30, 2026.

For more information, please see below.

[https://scalagr.jp/pdf/ir/release/midtermplan\\_20230814.pdf](https://scalagr.jp/pdf/ir/release/midtermplan_20230814.pdf)

# CONTENTS

P 1 ▷ 3	1. Business Summary
P 4 ▷ 7	2. Topics (since January 2023)
P 8 ▷ 24	3. Summary by Business Segment
<b>P 25 ▷ 27</b>	<b>4. Company Overview</b>

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## 4. Company Overview

# Company Overview

<b>Name</b>	Scala, Inc. (Tokyo Stock Exchange, Prime Market, Securities code : 4845)	
<b>Headquarters</b>	32F Shibuya Hikarie, 2-21-1, Shibuya, Shibuya-ku, Tokyo	
<b>Established</b>	December 11, 1991	
<b>Business</b>	IT/AI/IoT/DX Business, Customer Support Business, HR & Education Business, EC Business, Insurance Business and Incubation & Investment Business	
<b>Employees</b>	648 (As of June 30, 2023, consolidated)	
<b>Average age</b>	35.5	
<b>Capital</b>	1,787 million	
<b>Fiscal year end</b>	June 30	
<b>Subsidiaries</b>	Scala Communications, Inc. Scala Service, Inc. SCL Capital LLC FourHands, Inc. EGG CO., LTD. Leoconnect, Inc. (Voting rights ratio: 66%) Social Studio Inc. (Voting rights ratio: 51%) SOCIALX, Inc. (Voting rights ratio: 75%)	Scala Partners, Inc. Scala PLAYce, Inc. Athlete Planning, Inc. readytowork Co., Ltd. Nihon Pet Small-amount Short-term Insurance Company Retool, Inc. (Voting rights ratio: 66%) Sports Stories, Inc. (Voting rights ratio: 80%)

\*Subsidiaries are as of August 14, 2023.

## 4. Company Overview **Business segments**

Segments	Group Companies	Business Description
<b>IT/AI/IoT/DX Business</b>	<ul style="list-style-type: none"> <li>• Scala Communications, Inc.</li> <li>• Scala Service, Inc.</li> </ul>	Provision of SaaS/ASP services
	<ul style="list-style-type: none"> <li>• Scala Next, Inc. (*1)</li> <li>• readytowork Co., Ltd.</li> </ul>	Development of SaaS/ASP services, offshore development activities
	<ul style="list-style-type: none"> <li>• Connect Agency, Inc. (*2)</li> </ul>	Cloud PBX services
	<ul style="list-style-type: none"> <li>• Retool, Inc.</li> </ul>	Planning, development and sale of administrative tools using the cloud
	<ul style="list-style-type: none"> <li>• Social Studio Inc.</li> </ul>	DX for the national and local governments and activities involving the SDGs
	<ul style="list-style-type: none"> <li>• EGG CO., LTD.</li> </ul>	System development, system maintenance and network establishment
<b>Customer Support Business</b>	<ul style="list-style-type: none"> <li>• Leoconnect, Inc.</li> </ul>	Customer support (call center operation and other support) consulting
	<ul style="list-style-type: none"> <li>• Scala Service, Inc. (*3)</li> </ul>	Call Center Service
<b>HR &amp; Education Business</b>	<ul style="list-style-type: none"> <li>• Athlete Planning, Inc.</li> </ul>	Support for recruiting activities (fresh graduate, mid-career), etc.
	<ul style="list-style-type: none"> <li>• FourHands, Inc.</li> </ul>	Preschool child care/education, community development assistance, etc.
	<ul style="list-style-type: none"> <li>• Sports Stories, Inc</li> </ul>	Physical education, sports lessons, etc.
	<ul style="list-style-type: none"> <li>• Broncos20 Co., Ltd.</li> </ul>	Management of basketball club team
<b>EC Business</b>	<ul style="list-style-type: none"> <li>• Scala PLAYce, Inc.</li> </ul>	Operation of e-commerce site for buying and selling trading cards for competition games
<b>Insurance Business</b>	<ul style="list-style-type: none"> <li>• Nihon Pet Small-amount Short-term Insurance Company</li> </ul>	Provision of low-premium, short-term insurance plans
<b>Incubation &amp; Investment Business</b>	<ul style="list-style-type: none"> <li>• Scala, Inc.</li> </ul>	Headquarters for the Scala Group, holding company functions, investment business
	<ul style="list-style-type: none"> <li>• Scala Partners, Inc.</li> </ul>	Innovation, incubation, investments
	<ul style="list-style-type: none"> <li>• J-Phoenix Research Inc. (*4)</li> </ul>	Support for value creation management (analyst reports, preparation of integrated reports, support for the operation of funds)
	<ul style="list-style-type: none"> <li>• SCL Capital LLC</li> </ul>	Management of investment fund
	<ul style="list-style-type: none"> <li>• SCSV-1 Investment Limited Partnership</li> </ul>	Investment fund
	<ul style="list-style-type: none"> <li>• SOCIALX, Inc.</li> </ul>	Planning and operating a public-private co-creation platform 'Gyaku Propo'

\*1: We have conducted an absorption-type merger with Scala Communications, Inc. as the surviving company and Scala Next, Inc. as the dissolving company, effective April 1, 2023.

\*2: On June 30, 2023, all shares of Connect Agency, Inc. were sold to Adjustone, Inc. and it is no longer a subsidiary of us.

\*3: Call center service is included in Customer Support Business

\*4: On August 4, 2023, all shares of J-Phoenix Research Inc. were sold to Mr. Osamu Miyashita and it is no longer a subsidiary of us.



To be an ideal company that the world needs

- The information, forecasts, etc. available in this report Scala's judgment as of the preparation date thereof and do not guarantee the accuracy of these information. Please understand that actual results may differ from the forecasts due to changes in various factors.
- This report was prepared carefully to avoid errors or omissions, but we cannot wholly promise the accuracy or completeness of the information within this report.
- This report is not audited by an audit corporation.