



To be an ideal company that the world needs

SCALA GROUP

Results of Operations

For the Third Quarter of
the Fiscal Year Ended
June 30, 2023

Scala, Inc. May 15, 2023

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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 to 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 Toranomon 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.
- NEW Launched "U-Medical Support," a comprehensive medical support tool for cattle.
- NEW Conducted a demonstration experiment of awareness-raising version of "ASTER II" in Fudai Village, Iwate Prefecture.
- NEW Launched "Fanique" utilizing membership NFT in Web 3 business.
- NEW 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.

Value to 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.

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Launched "U-Medical Support," a comprehensive medical support tool for cattle

Scala Communications, Inc., desamis Co., Ltd., and Mitsui Sumitomo Insurance Company, Limited under MS&AD Insurance Group Holdings, Inc. developed "U-Medical Support" and started the service on January 31, 2023.

<Main functions of this service>

- Allows veterinarians to see patients via video call on the tool when they are unable to make prompt house calls in remote areas such as remote islands or mountainous regions.
- Input of medical notes while examining patients, communication with livestock farmers, medical instructions by drawing directly on the screen, display of U-motion® data, etc. are possible.
- Labor-saving input with voice input, duplication, fill in histories, pull-down selections, etc. for electronic medical records.
- Veterinary drug instructions are digitized and managed in the cloud.



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

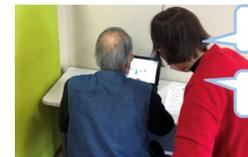
Conducted a demonstration experiment of awareness-raising version of "ASTER II" in Fudai Village, Iwate Prefecture

EGG CO., LTD collaborated with Fudai Village, Iwate Prefecture, to conduct a demonstration experiment of an awareness-raising version of the "ASTER II" early detection of frailty system on February 22, 2023.

<Contents of this demonstration experiment>

As part of "Everyone's Health Center Project," a frailty check for the elderly using "ASTER II" was conducted at the "ASTER II" booth set up at the rear of the venue in between regular programs such as silver rehabilitation exercises and music therapy.

Participant comments



Good to know my level of frailty.

I thought I would be proactive in preventing frailty.

Staff comments

Glad to see that the elderly themselves enjoyed the checkups.

Creation of results tables and data conversion of results is instantaneous and automatic, which is helpful.



Fudai Village official characters *Kombu Brothers* Sukkii & Enzou

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

Selected as the secretariat of "Project for Business Introduction and Startup Promotion by Collaboration of Local Governments and Companies" for two years in a row

SOCIALX, INC. was Selected as the secretariat of Project for Business Introduction and Startup Promotion by Collaboration of Local Governments and Companies" for two years in a row.

Last year, supported 19 projects as the secretariat, and plans to implement the same number of projects this year.

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

Launched "Fanique" utilizing membership NFT in Web 3 business

Scala Partners Inc. launched "Fanique," a new type of fan club service utilizing membership NFT as a new business in the Web3 domain.

Membership NFT is now available for the Saitama Broncos professional basketball team as the first user.

<Features of this service>

- Sports teams can create fan clubs using Membership NFT
- Participation in team decision-making
- Support & Earn Rewards Program, where you can turn your support for your team into value



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

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3. Summary by
Business Segment

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

(Millions of yen)

	Third Quarter of FY/22			Third Quarter of FY/23			YoY	
	Revenue	Operating profit	Ratio of operating profit to revenue	Revenue	Operating profit	Ratio of operating profit to revenue	Revenue	Operating profit
Consolidated	6,700	(37)	-	9,864	336	3.4%	47.2%	-
IT/AI/IoT/DX Business	3,203	385	12.0%	4,988	418	8.4%	55.7%	8.5%
Customer Support Business	1,030	(27)	-	902	(46)	-	(12.5)%	-
HR & Education Business	1,083	107	9.9%	1,292	174	13.5%	19.3%	61.9%
EC Business	1,213	176	14.5%	1,544	212	13.7%	27.2%	20.2%
Insurance Business	-	-	-	941	(121)	-	-	-
Incubation & Investment Business	168	(675)	-	195	(300)	-	16.4%	-

3. Summary by Business Segment

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

(Millions of yen)

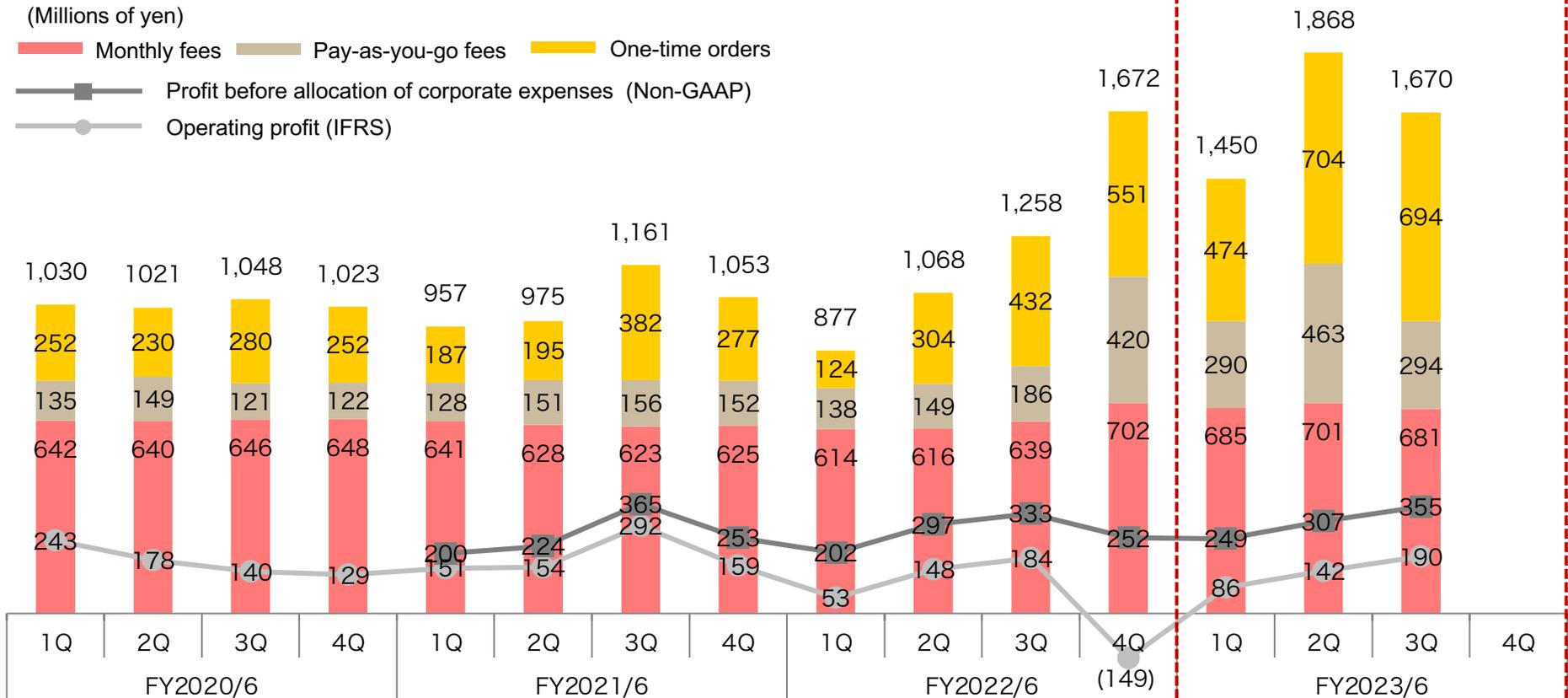
	Third Quarter of FY/22			Third Quarter of FY/23			YoY	
	Revenue	Profit before allocation of corporate expenses	Ratio of operating profit to revenue	Revenue	Profit before allocation of corporate expenses	Ratio of operating profit to revenue	Revenue	Profit before allocation of corporate expenses
Consolidated	6,700	96	1.4%	9,864	340	3.5%	47.2%	252.0%
(Corporate expenses)	-	(794)	-	-	(788)	-	-	-
IT/AI/IoT/DX Business	3,203	832	26.0%	4,988	911	18.3%	55.7%	9.4%
Customer Support Business	1,030	(24)	-	902	(39)	-	(12.5)%	-
HR & Education Business	1,083	155	14.4%	1,292	218	16.9%	19.3%	40.1%
EC Business	1,213	207	17.1%	1,544	259	16.8%	27.2%	24.7%
Insurance Business	-	-	-	941	(94)	-	-	-
Incubation & Investment Business	168	(280)	-	195	(125)	-	16.4%	-

*Consolidated figures are based on Non-GAAP.

3. Summary by Business Segment

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

- Revenue is up 56% YoY (YTD).
- Expect to steadily increase going forward.



*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.

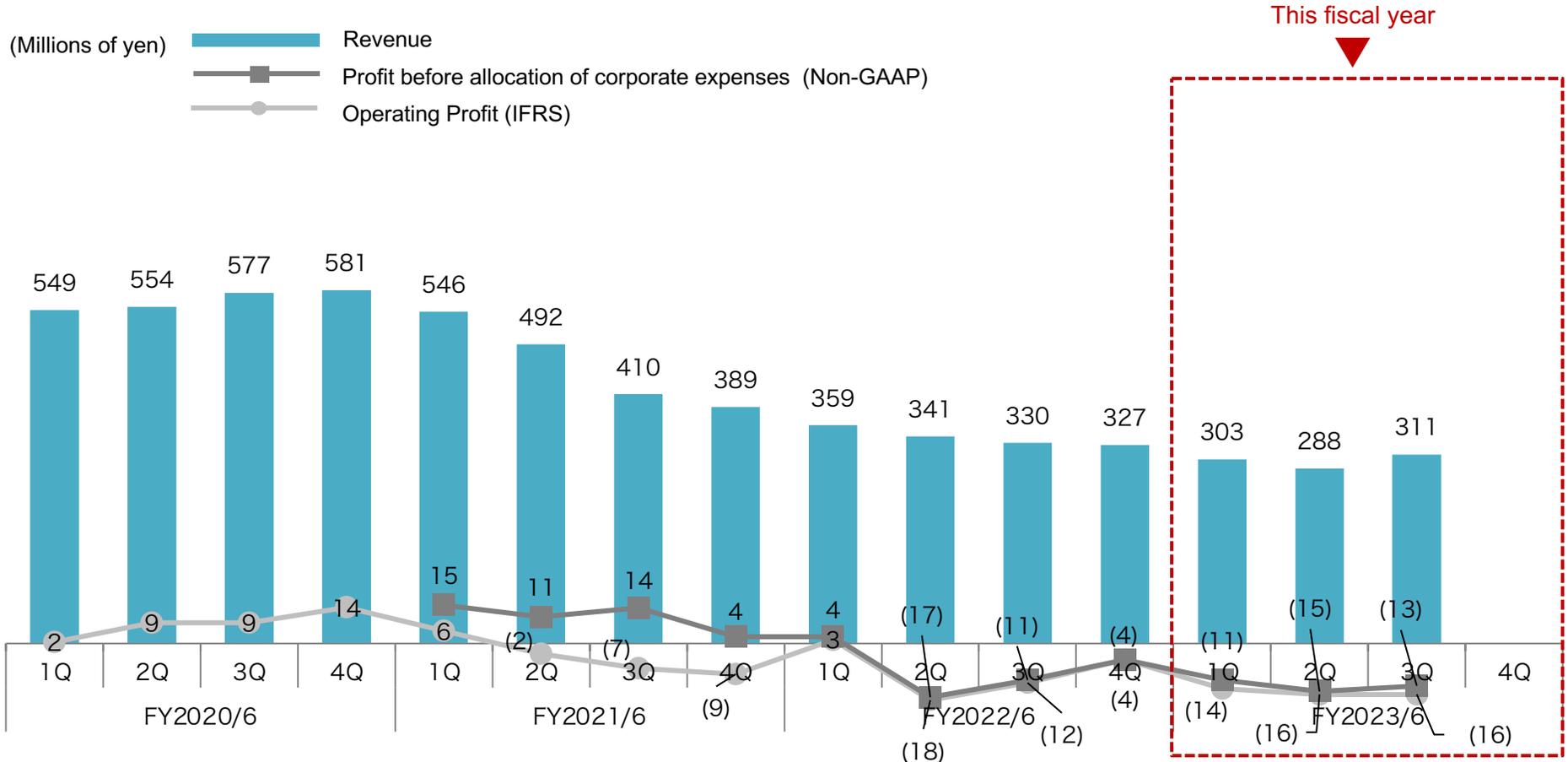
- Scala Communications, Inc., desamis Co., Ltd., and Mitsui Sumitomo Insurance Company, Limited under MS&AD Insurance Group Holdings, Inc. developed U-Medical Support and started the service on January 31, 2023. The service provides a comprehensive medical treatment support tool for cow, for which Ministry of Agriculture, Forestry and Fisheries has been promoting utilization, with functions for remote treatment, electronic medical records, instructions.
- EGG CO., LTD will start new development of a system for the frailty prevention project in response to the Digital Garden City Nation Fund granted to the Healthcare Platform Implementation Program promoted by Yonago City in Tottori Prefecture. The program is scheduled to start in the summer of 2023.

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.



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

Customer Support Business

(Overview and Initiatives)

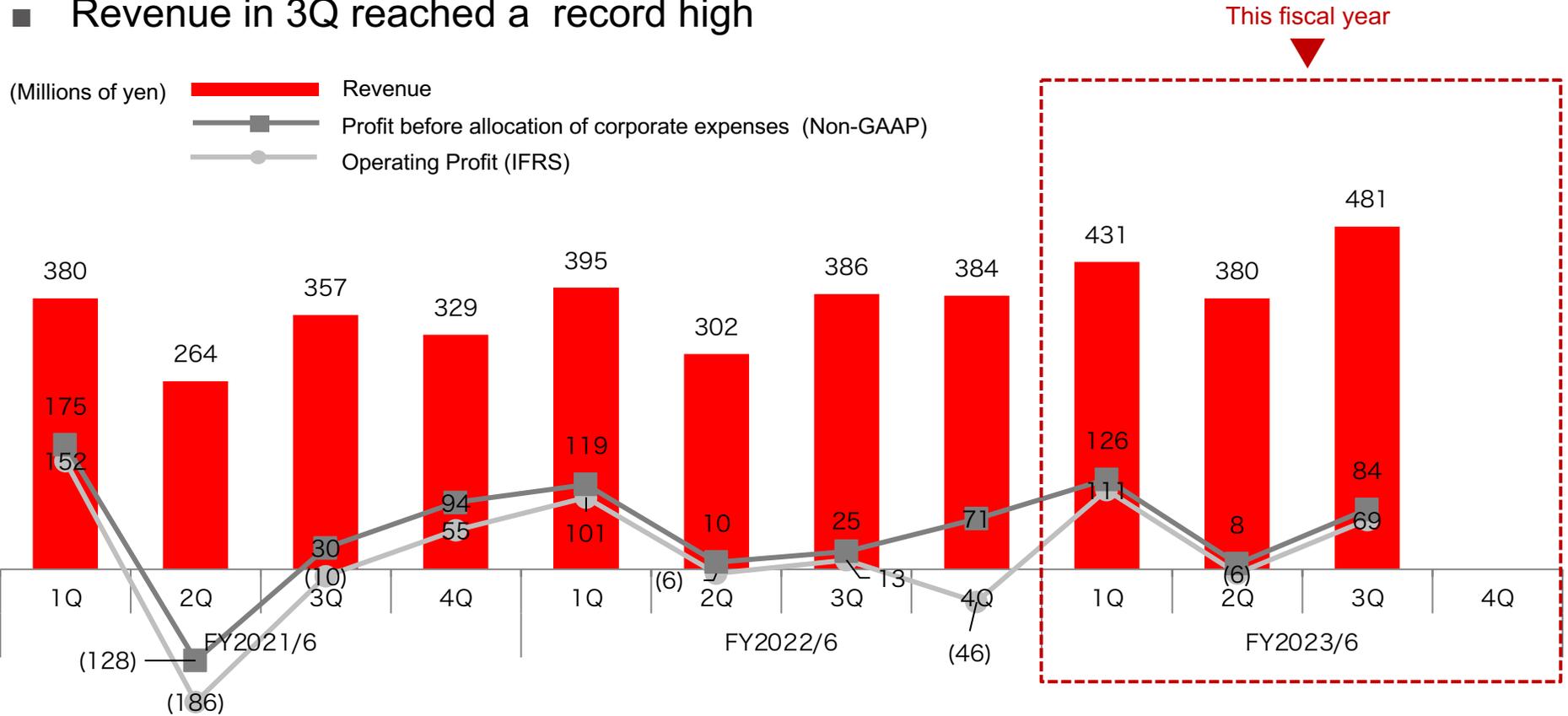
- New call center consulting operations expected to start in 4Q.
- Focus on strengthening sales activities to existing customers and acquiring new projects.

3. Summary by Business Segment

HR & Education Business

(Revenue and Operating Profit)

- The number of joint corporate information sessions held for next spring's new recruits steadily increased to 80.
- Revenue in 3Q reached a record high



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

HR & Education Business

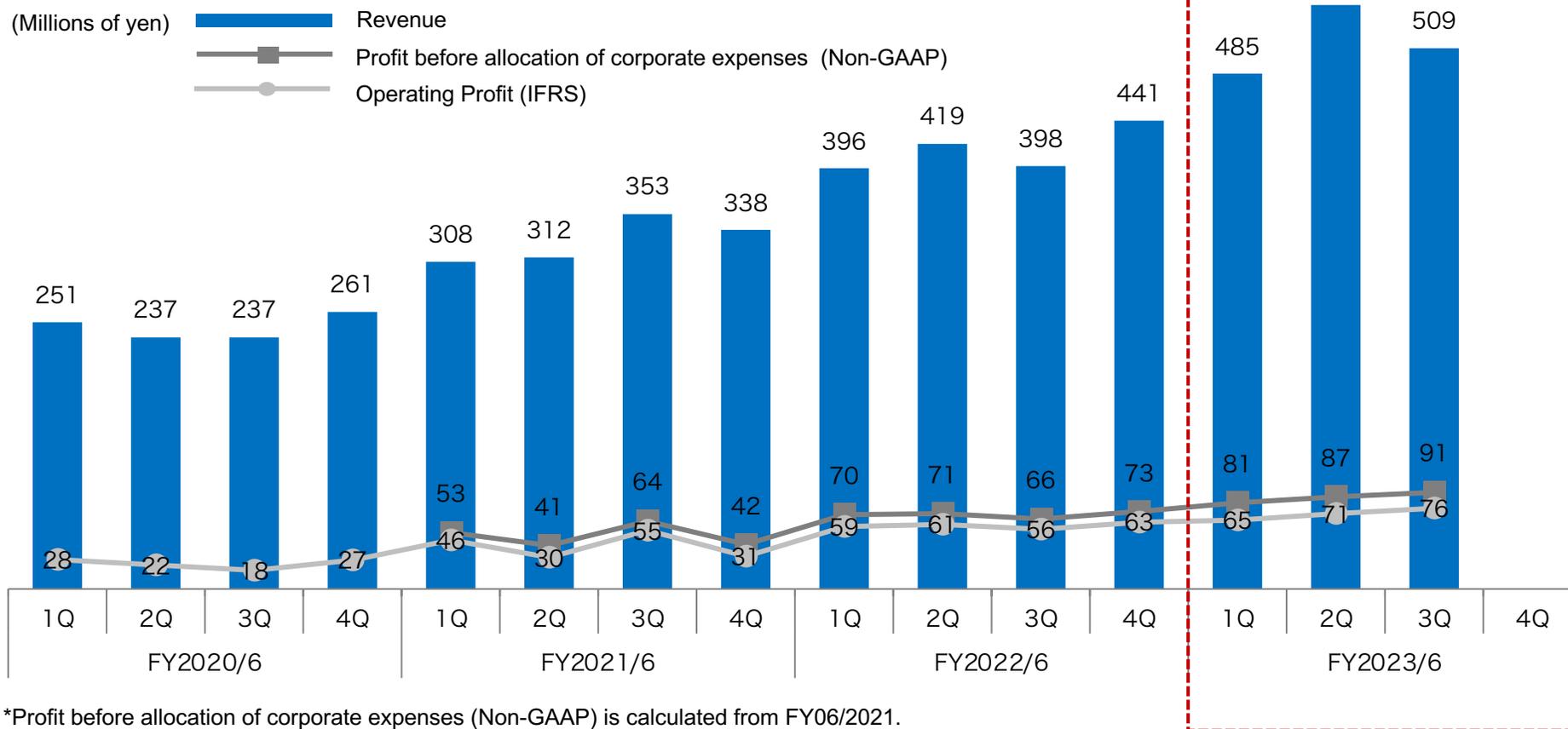
(Overview and Initiatives)

- Preschools "Universal Kids Shinagawa" and "Universal Kids Bangkok", which pre-opened last September, opened in April for the new school year.
- The Saitama Broncos finished the season (2022-2023) placing 2nd in the regular season and 4th in the playoffs.

3. Summary by Business Segment

EC Business (Revenue and Operating Profit)

- Revenue exceeded the same period of the previous year, and profit **This fiscal year** reached a record high.
- Overseas demand increased due to yen depreciation



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

- Number of Yuyutei members:
188,000 at the end of the last fiscal year → 229,000 at the end of this quarter.
*250,000 as of the end of the current fiscal year (planned)
- iOS application is performing well, and Android application will be released in this fiscal year.
- Continue to pursue comfortable UI/UX by actively promoting the introduction of the cutting-edge technology.

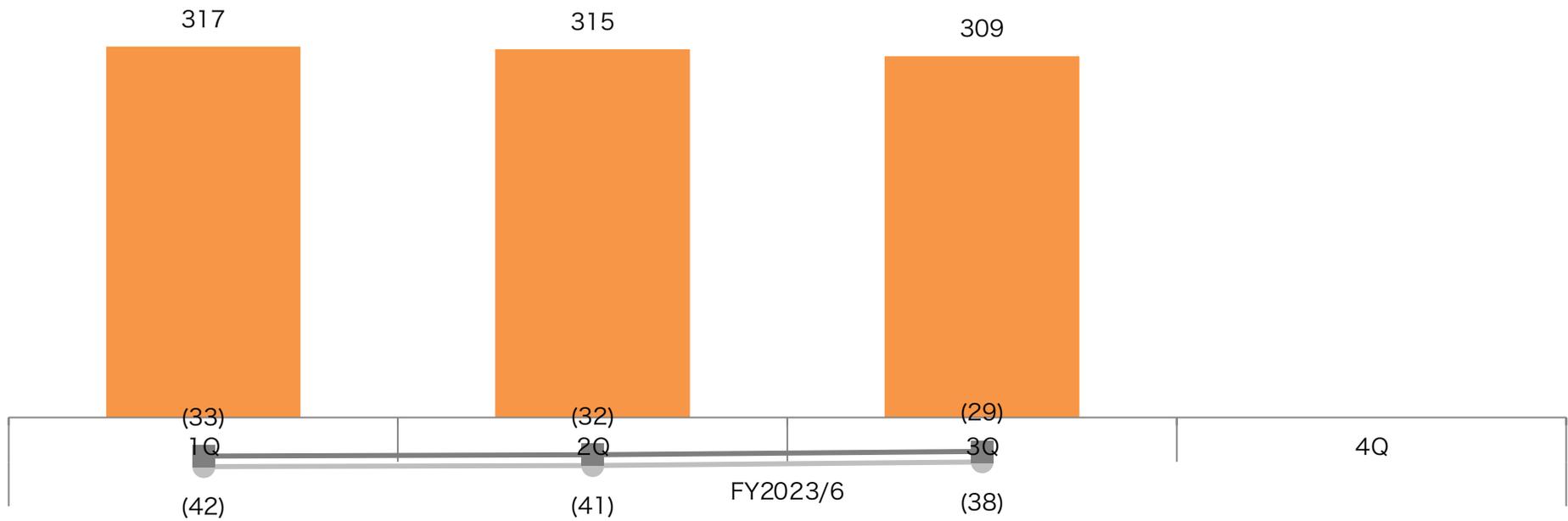
3. Summary by Business Segment

Insurance Business (Revenue and Operating Profit)

- Both revenue and profit stayed at the same level as 1Q and 2Q.

(Millions of yen)

- Revenue
- Profit before allocation of corporate expenses (Non-GAAP)
- Operating Profit (IFRS)



Insurance Business (Overview and Initiatives)

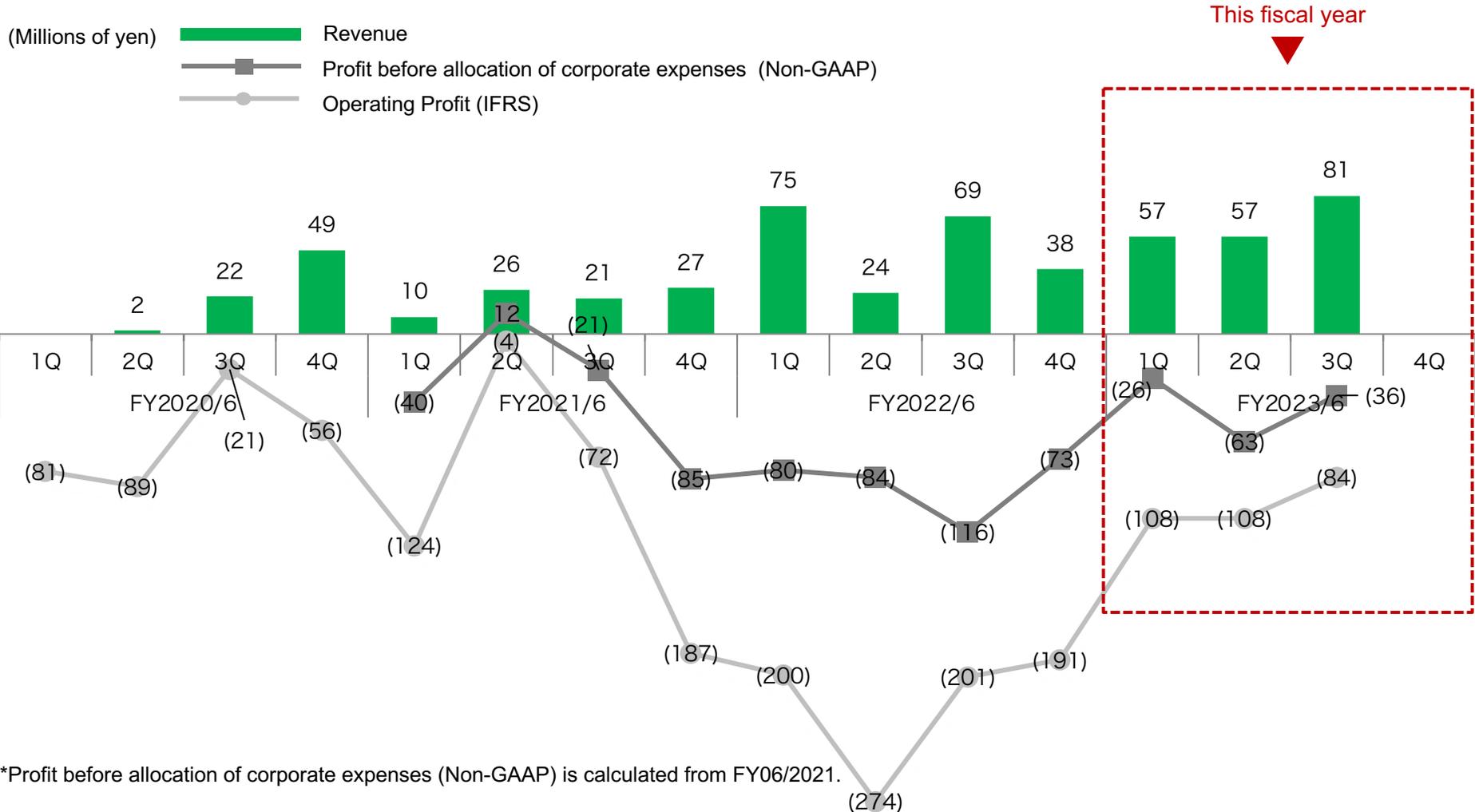
- To acquire new contracts, working to strengthen SEO measures and advertisement delivery and find new sales channels.
- Focus on developing new products that can meet a wide range of customer needs.

3. Summary by Business Segment

Incubation & Investment Business

(Revenue and Operating Profit)

- Profitability gradually improved as upfront investments ran their course.



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

Incubation & Investment Business

(Overview and Initiatives)

- 157 people from 53 local governments and 132 people from 79 companies in total visited Gyaku Propo Lab@ARCH as a place where public and private sectors meet and dialogue easily aiming business co-creation.
 - ⇒ Gyaku Propo Tour (a tour to view social issues of local governments) was conducted.
 - ⇒ Led to creation of currently ongoing DX projects including community currency.
- In workation services for corporations, increasing in service introductions due to comprehensive partnership agreement with Mitsui Sumitomo Insurance Company, Limited, for promoting reforms of working styles.

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4. Company Overview

Company Overview

Name	Scala, Inc. (Tokyo Stock Exchange, Prime Market, Securities code : 4845)	
Headquarters	32F Shibuya Hikarie, 2-21-1, Shibuya, Shibuya-ku, Tokyo	
Established	December 11, 1991	
Business	IT/AI/IoT/DX Business, Customer Support Business, HR & Education Business, EC Business, Insurance Business and Incubation & Investment Business	
Employees	620 (As of March 31, 2023, consolidated)	
Average age	35.5	
Capital	1,785 million	
Fiscal year end	June 30	
Subsidiaries	Scala Communications, Inc. Scala Partners, Inc. Scala PLAYce, Inc. J-Phoenix Research Inc. FourHands, Inc. EGG CO., LTD. Leoconnect, Inc. (Voting rights ratio: 66%) Connect Agency, Inc. (Voting rights ratio: 51%) Sports Stories, Inc. (Voting rights ratio: 80%)	Scala Next, Inc. Scala Service, Inc. SCL Capital LLC Athlete Planning, Inc. readytowork Co., Ltd. Nihon Pet Small-amount Short-term Insurance Company Retool, Inc. (Voting rights ratio: 66%) Social Studio Inc. (Voting rights ratio: 51%) SOCIALX, Inc. (Voting rights ratio: 75%)

4. Company Overview **Business segments**

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



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.