

Turning social challenges into a business opportunity

Recommendation rating (Sep. 3)

# Scala, Inc. (4845: TSE Prime)

**Overweight**

| Stock Price            | Unit of Investment | Market Cap                     | 52-Week High            | 52-Week Low            | P/E Ratio (Est.)         |
|------------------------|--------------------|--------------------------------|-------------------------|------------------------|--------------------------|
| ¥415<br>(Sep. 3, 2025) | 100 shares         | ¥7.37billion<br>(Sep. 3, 2025) | ¥442<br>(Aug. 14, 2025) | ¥341<br>(Apr. 7, 2025) | 17.6 x<br>(Sep. 3, 2025) |

## Entering a new revenue growth phase

### ■ Operating income for the fiscal year ending June 2026 expected to remain effectively flat

Scala, Inc. reported its consolidated business results (IFRS) for the fiscal year ended June 2025 (July 2024 to June 2025, FY06/25). Sales revenue stood at ¥8.18 billion (down 0.2% year-on-year), with an operating income of ¥750 million (a loss of ¥1.45 billion in the previous fiscal year). By segment, the core DX Business saw a significant improvement, with sales revenue of ¥4.62 billion (up 1.2% year-on-year) and an operating income of ¥780 million (a loss of ¥1.17 billion in the previous fiscal year). While revenue from the core operating companies, Scala Communications, Inc. ("Scala Communications") and EGG CO., LTD. ("EGG"), continued to grow, the business structural reform initiated in the previous fiscal year also had a positive effect. In addition, monthly recurring revenue increased at Scala Communications, a SaaS/ASP service provider, and the new engineer human resources business has begun contributing to overall revenue. For EGG's "hometown tax donation" (furusato nozei) Business, orders for system development and BPO projects grew steadily alongside the increase in donation amounts. Profits from the EC Business handling trading cards also expanded (renamed to "TCG Business" from the fiscal year ending June 2026). The HR Business, on the other hand, underperformed against plan due to resource shortages in the recruitment business. The Incubation Business posted smaller losses due to cost reductions. Additionally, the company sold its subsidiaries Retool, Inc. and Nihon Pet Small-amount Short-term Insurance Company.

In the consolidated earnings forecast for the full fiscal year ending June 2026, sales revenue is projected to be ¥8.8 billion (up 7.6% year-on-year), with an operating income of ¥630 million (down 16.2% year-on-year) and annual dividend of ¥17.0 (¥16.5 in the previous fiscal year). On a Non-GAAP basis excluding one-time factors such as gains on subsidiary disposals and tax effects in the fiscal year ended June 2025, the company projects 12.2% growth in operating income for the fiscal year ending June 2026. The sales revenue/profit forecasts by segment are: DX Business ¥4.95 billion/¥410 million, HR Business ¥1.15 billion/¥190 million, and TCG Business ¥2.47 billion/¥350 million.

### ■ A new Mid-Term Management Plan announced to expand recurring sales

The company completed its business structural reform, undertaken following deteriorating performance, by the end of fiscal year ended in June 2025. In addition

#### Financial Results (as of Sep. 3, 2025)

|        |              | Sales Revenue<br>(Yen Mil) | YoY<br>(%) | Operating<br>income<br>(Yen Mil) | YoY<br>(%)        | Net income<br>before tax<br>(Yen Mil) | YoY<br>(%)        | Net income<br>(Yen Mil) | YoY<br>(%)        | EPS<br>(Yen) |
|--------|--------------|----------------------------|------------|----------------------------------|-------------------|---------------------------------------|-------------------|-------------------------|-------------------|--------------|
| 2024-6 | Past Results | 8,193                      | —          | -1,448                           | —                 | -1,466                                | —                 | -2,887                  | —                 | -166.5       |
| 2025-6 | Past Results | 8,179                      | -0.2       | 751                              | Loss to<br>profit | 724                                   | Loss to<br>profit | 982                     | Loss to<br>profit | 56.6         |
| 2026-6 | Company est. | 8,800                      | 7.6        | 630                              | -16.2             | 590                                   | -18.5             | 410                     | -58.2             | 23.6         |
|        | WA est.      | 8,800                      | 7.6        | 640                              | -14.8             | 550                                   | -24.0             | 410                     | -58.2             | 23.6         |

※ Reclassified to the amount of continuing operations excluding discontinued operations



to streamlining operations, by canceling office leases, downsizing office space, reducing the number of directors and advisors, and cutting personnel, the company reorganized its subsidiaries and business divisions, achieving profitability in operations. In order to return to a growth track from the fiscal year ending June 2026, the company is focusing on expanding recurring sales of the DX Business. **The company estimates the annual recurring revenue (ARR) from subscriptions at about ¥2.4 billion for the fiscal year ended June 2025 (up about 13% year-on-year). Going forward, it expects to continue increasing this to ¥3 billion by the fiscal year ending June 2028 through service level enhancements and other measures, raising the recurring sales ratio to 70% (currently about 60%).** The newly announced Mid-Term Management Plan sets the fiscal year ending March 2028 as its final year, with the aim of achieving an operating income of ¥1.1 billion. The sales revenue/income targets by segment are: DX Business ¥6.34 billion/¥620 million, HR Business ¥1.93 billion/¥280 million, and TCG Business ¥3.26 billion/¥500 million. Regarding shareholder returns, the total amount will target approximately 50% of earnings before income taxes, excluding special factors such as gains on subsidiary share disposals.

The stock price adjusted slightly after the announcement of the financial results on the 14th. The

decline in IFRS operating income in the plan for the year ending June 2026 is believed to have disappointed some investors. However, Non-GAAP operating income, which more closely reflects actual performance by excluding one-time gains and losses, grew 12.2%. In addition, due to room for upward revisions to the new Mid-Term Management Plan, the stock is expected to see gradual revaluation. **From a long-term perspective, the company appears to be making a smooth transition from the business structure reform phase to the revenue re-growth phase. Going forward, continued earnings growth is expected as recurring sales expand.** Although Wealth Advisor (WA) has revised the company's operating income forecast for the fiscal year ending June 2026 to align with the plan, it expects a profit growth trend to begin from the fiscal year ending June 2027 onwards for the above reasons. Also considering the expanding risk-on sentiment in the overall market, we maintain our "Overweight" rating with an estimated share price range of ¥690 to ¥790.

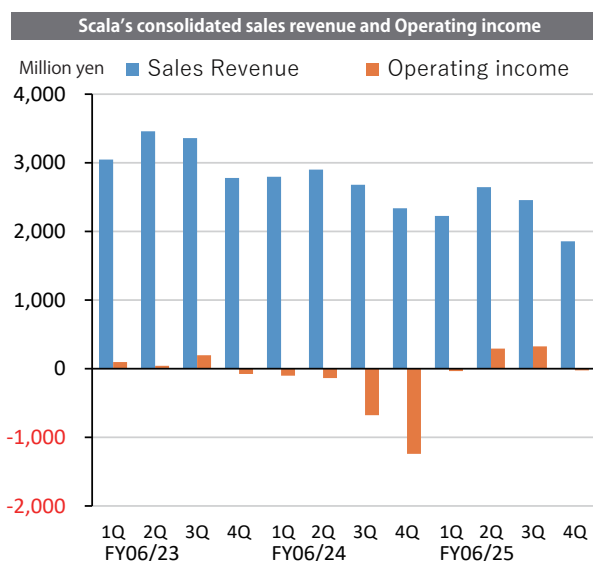
(Souta Suzuki)

## ■ Company Overview

Scala, Inc. initiated its business by providing the SaaS/ASP services. The company sees business opportunities in solving problems to enrich society and improve individual lives through DX utilizing IT, AI, and IoT. It excels at co-creating businesses with other companies and actively makes direct and indirect investments in addition to providing services. Scala pursues the DX Business, which offers DX-related services, including i-search, an internal site search engine, and Interactive Voice Response (IVR, a telephone answering system), to major companies, local and national governments, and public offices. The company also conducts the HR Business such as providing specialized support for hiring; the TCG Business, which operates an e-commerce site for reusable trading cards; and the Incubation Business, which carries out M&As and other investment activities and creates new businesses through public-private co-creation to solve social issues. The company's core subsidiaries are Scala Communications, which provides IT system support to companies; EGG, which provides the Furusato Nozei system and other solutions to local governments; ASPLA, inc., which provides recruitment support to athlete and high-achieving students; and Scala PLAYce, Inc. which operates an online TCG marketplace.

## ■ Business Environment and Outlook

With the declining birthrate and aging population, the Japanese government aims to ease the population



Source: Created by Wealth Advisor based on company materials

concentration in Tokyo by boosting the population and revitalizing local areas through regional development. As local governments increasingly focus on improving the livability of their residents through their unique measures, DX initiatives are critical to achieving their goals. Against this backdrop, Scala sees solving social issues as a business opportunity and builds up co-creation projects with local governments through various services developed in-house.

### Risk Factors

Scala's potential risks include major customers curbing IT investments due to the economic downturn, delays in development progress and additional costs due to larger and more complex projects, problems with SaaS/ASP services due to server failures, and the risk of loss in the Incubation Business.

## Shareholder Return (as of Sep. 3, 2025)

### ■ Dividends

|         |              | Dividend Per Share |             |        |
|---------|--------------|--------------------|-------------|--------|
|         |              | First half         | Second half | Annual |
| FY06/24 | Past Results | ¥18.75             | ¥18.75      | ¥37.50 |
| FY06/25 | Past Results | ¥8.00              | ¥8.50       | ¥16.50 |
| FY06/26 | Company est. | ¥8.50              | ¥8.50       | ¥17.00 |

### ■ Shareholder Special Benefits

None

**Competitor Comparison** (Bold red figures indicate superiority to competitors) (as of Sep. 3, 2025)

|                       |                                    | Scala, Inc.<br>(4845: TSE Prime) | TECHMATRIX CORPORATION<br>(3762: TSE Prime) | Cybozu, Inc.<br>(4776: TSE Prime) |
|-----------------------|------------------------------------|----------------------------------|---|-----------------------------------|
| Basic Point           | Stock Price                        | ¥415                             | ¥1,958                                      | ¥3,595                            |
|                       | Unit of Investment                 | 100 shares                       | 100 shares                                  | 100 shares                        |
|                       | Minimum Investment Amount          | ¥41,500                          | ¥195,800                                    | ¥359,500                          |
|                       | Fiscal Year End                    | June                             | March                                       | December                          |
| Share Price Indicator | P/E Ratio (est.)                   | 17.6 x                           | <b>16.1 x</b>                               | 26.5 x                            |
|                       | PBR                                | <b>1.5 x</b>                     | 3.2 x                                       | 9.51 x                            |
|                       | Dividend Yield (E)                 | <b>4.1%</b>                      | 1.8%  | 1.1%                              |
| Growth                | Revenue Growth Rate (E)            | 7.6%                             | 12.5%                                       | <b>25.4%</b>                      |
|                       | Operating Income Growth Rate (E)   | -16.2%                           | 14.0%                                       | <b>85.0%</b>                      |
|                       | EPS Growth Rate (E)                | -58.3%                           | 20.1%                                       | <b>81.1%</b>                      |
| Profitability         | Operating Margin (E)               | 7.2%                             | 10.4%                                       | <b>24.3%</b>                      |
|                       | ROE                                | 21.5%                            | 17.7%                                       | <b>31.1%</b>                      |
|                       | ROA (Ordinary income/Total assets) | —                                | —   | <b>26.5%</b>                      |
| Financial Stability   | Equity Ratio                       | 47.0%                            | 23.0%                                       | <b>55.2%</b>                      |
|                       | Debt-to-Equity (D/E) Ratio         | 63.3%                            | 9.3%  | <b>0.0%</b>                       |
|                       | Current Ratio                      | <b>173.7%</b>                    | 126.7%                                      | 128.5%                            |

We have chosen TechMatrix (3762) and Cybozu (4776) as comparable entities.

### ■ Growth

Scala embarked on a large-scale structural reform mainly in the DX Business, and reduced the number of group companies. Although operating profit saw a loss of ¥1.45 billion in FY06/24, it recovered to a profit of ¥750 million in FY06/25. As companies are seeking labor-saving solutions through DX, and Japanese local governments have strong IT needs, the company is expanding its customer base through its unique services.

### ■ Profitability

Following performance deterioration, Scala implemented large-scale business structure reforms in FY06/24 and FY06/25. It pursued streamlining and business optimization through office lease cancellations, office space downsizing, personnel reductions. The company sold its subsidiaries Nihon Pet Small-amount Short-term Insurance Company and Retool, Inc.

### ■ Financial Stability

Scala's equity ratio improved to 47.0% in FY06/25 from 34.2% at the end of FY06/24. Interest-bearing debt in FY06/25 was ¥3.04 billion (¥5.79 billion as of the end of FY06/24). Annual dividend forecast for FY06/26 is ¥17 (¥16.5 in FY06/25).

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# How to Read Wealth Advisor Equity Research Report

## Our Uniqueness

### (1) Emphasize Its Position as an Independent Evaluation Organization

Wealth Advisor emphasizes its position as an independent evaluation organization and is committed to providing objective comparison and assessment in the Wealth Advisor Equity Research Report. For all stocks covered by us, we determine investment decisions, estimated share price range and earnings forecasts based on expertise of an individual analyst as well as the stock assessment committee consisting of several analysts.

### (2) Universe of Covered Stocks

The stock assessment committee selects covered stocks based on the following criteria.

#### [Stock Selection Criteria]

- Domestic emerging companies that are rarely covered by analysts
- Stocks that are popular among retail investors (refer to data from online security brokers)
- Size of market capitalization (over about 5 billion yen)
- Exclude stocks which are liquidated or trade control, or stocks with going concern and excessive debt

### (3) Investment Decisions Classified into Three Groups

We determine investment decisions for covered stocks after consultation with the stock assessment committee based on research, interview and analysis by each Wealth Advisor analyst.

Each stock is classified into either of three groups according to the following criteria.

#### Overweight

: Forecasted to go beyond the current stock price level by 15% or more in the next 6 months.

#### Neutral

: Forecasted to fall into the range of -15% ~+15% of the current stock price level in the next 6 months.

#### Underweight

: Forecasted to go below the current stock price level by 15% or more in the next 6 months.

We flexibly respond to any changes of observations regarding earnings forecasts, financial situations and stock price trends, and change investment decisions accordingly. "Under Review" status may be applied if any new information comes out and extra time is needed to determine investment decisions. Also we don't change investment decisions during trading hours. "Suspension" status may be applied when an analyst leaves our company.

### (4) Estimated Share Price Range in the Medium Term

It shows the price range for a stock price in the next 6 months. We determine upper and lower range of stock price based on fair value estimates from share price indicator, technical factors such as chart points, most recent high and low prices, trend line and moving average, trading volume in each price range and such.

## Analysis Points

### ■ Analyst Comment

Each analyst reports and evaluates the most recent earnings trend and business environment. It shows the most important information for stock investment such as evidence for investment decisions, perspectives on earnings forecasts and business prospects. Also to make sure it is easy to comprehend, we write in 2-4 paragraphs and use bold to emphasize important texts.

### ■ Revenue and Earnings Trend

It reports earnings in past two fiscal years, company forecasts and our forecasts for the current and next fiscal year. We predict earnings based on research as well as past quarterly earnings trend and analysis by segments.

### ■ Company Overview

It explains in detail what businesses the company is engaged in and how revenue sources are defined. Also on the basis of our research, it discusses what businesses the company will focus on in years to come and how it carries out mid-term business plan.

### ■ Business Environment and Outlook

It discusses current circumstances and growth potential of the industry to which the company belongs. A comprehensive report on the industry from different perspectives is provided through research interviews to competitors. Specific figures of the industry data are also introduced.

### ■ Risk factors

It shows the company's risk factors and describes various aspects of risks such as business, earnings and financials. Typical stock market risks are also taken into consideration.