



To be an ideal company that the world needs

Scala Group

Results of Operations for the Fiscal Year Ended June 30, 2021

Scala, Inc. August 16, 2021

Scala, Inc.

Results of Operations for the Fiscal Year Ended June
30, 2021

August 16, 2021

Thank you for your interest in Scala and our results of
operations in the fiscal year that ended in June 2021.

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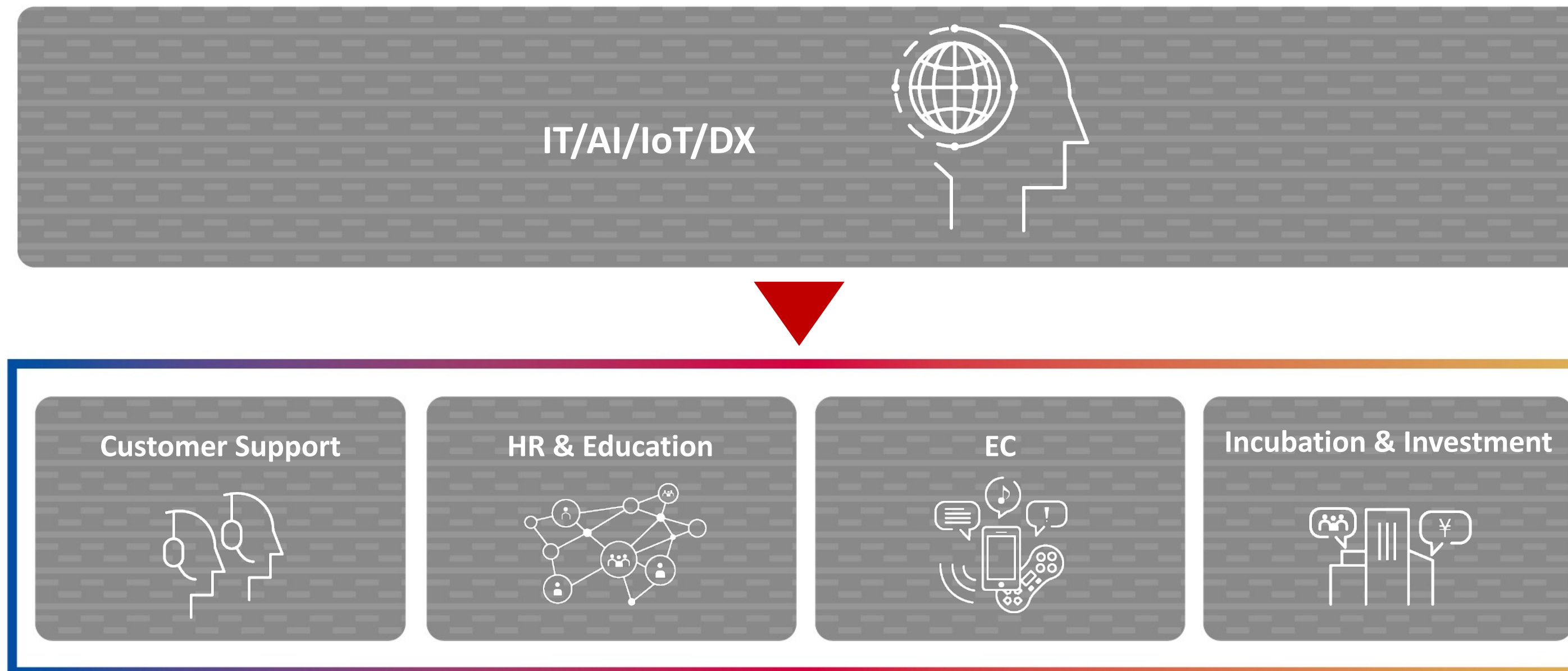
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3. Topics (since April 2021)

■ 1. Financial Summary

Our Portfolio

- Create value through solving social issues with our portfolio centered on IT/AI/IoT/DX



■ Our Portfolio

The business portfolio of Scala is centered on the IT/AI/IoT/DX Business. Our goals are to create value and play a role in solving social issues.

Our other business segments are Customer Support, HR & Education, EC and Incubation & Investment.

1. Financial Summary **Business Segments**

Segments	Group Companies	Business Description
IT/AI/IoT/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. 	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
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.
EC Business	<ul style="list-style-type: none"> Scala PLAYce, Inc. 	Operation off e-commerce site for buying and selling trading cards for competition games
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 funds
	<ul style="list-style-type: none"> SCSV-1 Investment Limited Partnership 	Investment fund

■ Business Segments

We changed to these five business segments in the second quarter of the fiscal year that ended in June 2021.

●IT/AI/IoT/DX Business

The IT/AI/IoT/DX Business meets customers' needs with speed and flexibility by providing SaaS/ASP services that use IT (web, telephone, fax and SMS technologies), AI and IoT technologies. In addition, we utilize our technological resources to develop and sell innovative DX services with client companies that are leaders in their respective industries.

●Customer Support Business

This business provides customer support consulting and IT services.

●HR & Education Business

This business assists fresh graduates and mid-career professionals, mainly individuals with a sports background, find jobs; operates an education and physical education program for preschool children to provide critical assistance for the development of children at this stage; and provides support for recruiting people from countries other than Japan.

●EC Business

This business operates the Yuyu-Tei e-commerce website that provides a platform for buying and selling trading cards used in competition games

●Incubation & Investment Business

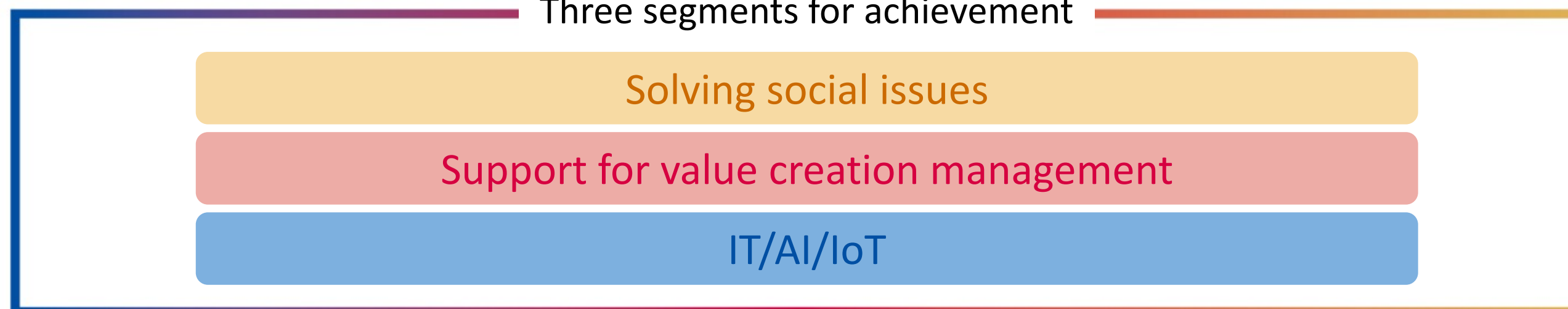
Activities of this business include management of the Scala Group, M&A activities, the development of new businesses, investments for the growth of new businesses, IR support, overseas business operations and the operation of engagement funds.

Outline of the Mid-term Management Plan“COMMIT5000”

■ FY6/25 and FY6/30 targets

	Revenue	Operating profit
FY6/25	¥100 billion	¥10 billion
FY6/30	¥500 billion	¥50 billion

Three segments for achievement



■ Outline of the Mid-term Management Plan “COMMIT5000”

● Revenue and operating profit targets for FY6/25 and FY6/30

We started our COMMIT5000 Mid-term Management Plan in the fiscal year that ended in June 2020.

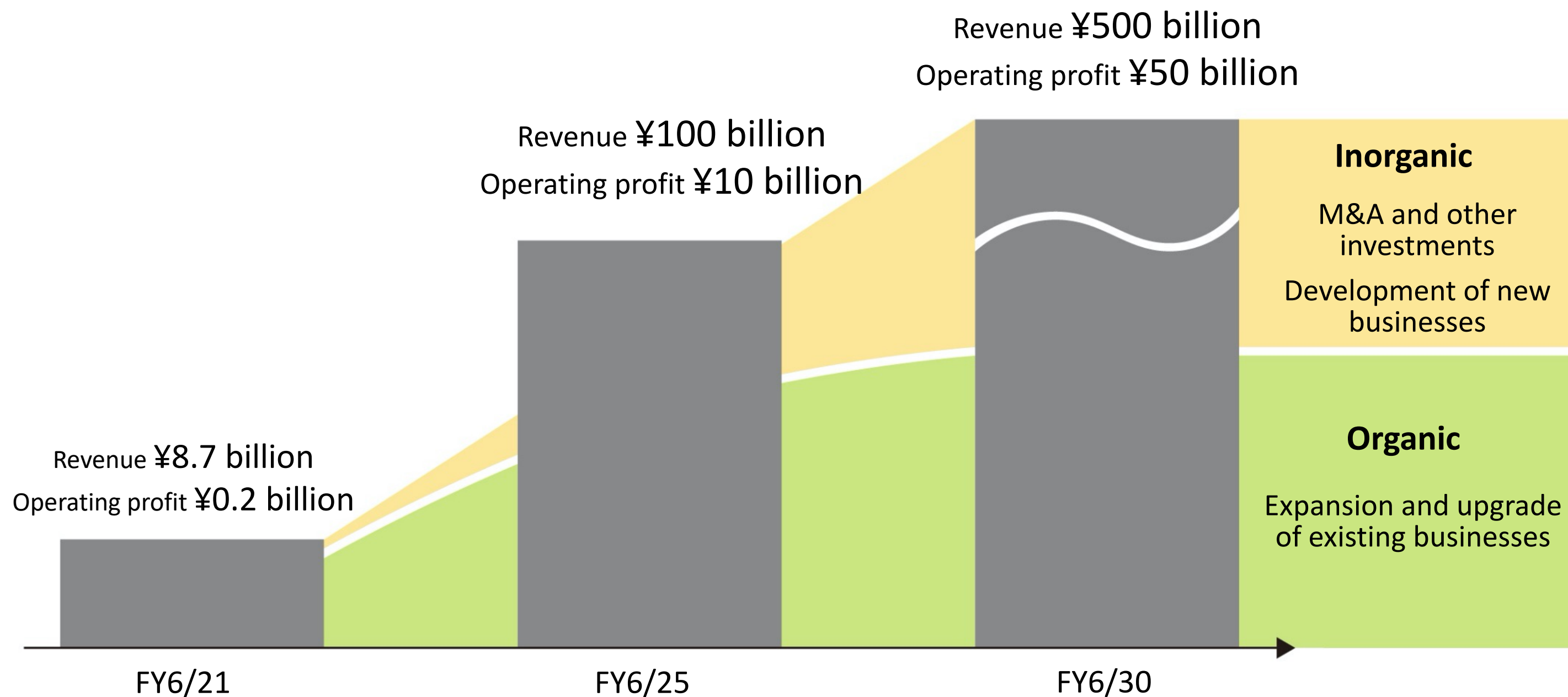
This plan has extremely ambitious targets for revenue and operating profit in the fiscal years ending in June 2025 and 2030. The IT/AI/IoT sector is a priority of this plan. In addition, we are focusing on helping solve social issues and providing support for business operations that create value. By aiming for growth in these three categories, we plan to accomplish the goals of our management plan.

We are firmly dedicated to business development activities using the co-creation process, which encompasses all our stakeholders. For co-creation, our employees, partner companies, client companies and related parties embrace the goals, philosophy and thinking of the Scala Group.

Our targets go far beyond what a single company can accomplish. This is why we must not be restricted by current thinking. We will conduct business operations with the flexible thinking needed to adapt to any type of change in our markets.

Outline of the Mid-term Management Plan“COMMIT5000”

- Aim to achieve the Mid-term Management Plan by organic and inorganic growth



■ Outline of the Mid-term Management Plan “COMMIT5000”

- Organic and inorganic growth

We plan to use organic and inorganic growth in order to accomplish the goals of COMMIT5000.

For organic growth, we plan to expand and deepen the activities of existing businesses. This will allow us to build a base for stable earnings over the next several years.

However, due to the remarkable pace of change in our markets, the long-term reliance solely on existing businesses is risky. This is why we must create many new sources of earnings by taking actions from an extremely long-term perspective. Taking these actions will require flexible thinking and speed for responding to changes in the business climate as we use M&A and make other investments as well as develop new businesses.

This is our basic stance for using organic and inorganic growth for accomplishing the goals of our Mid-term Management Plan “COMMIT5000.”

1. Financial Summary **COMMIT5000 Mid-term Management Plan Progress**

■ Accomplishments (up to the end of FY6/20)

- Activities since the start of operations 30 years ago have established a sound foundation while adapting with flexibility to dramatic changes in the IT business environment
- During the past decade, our revenue has increased by about 10 times

■ Present (FY6/21)

- Revenue and profits decreased because SOFTBRAIN was classified as a discontinued operation due to the sale of its shares.
- Obtained a large capital gain by the sales of SOFTBRAIN's shares.
- Focused on big business operations, developing new businesses, and investments and M&A.

■ Next

- Lead past activities for new sources of growth as well as upcoming activities to outcomes.
- Continue steady progress with business initiatives to create a chain reaction of these successes.

■ COMMIT5000 Mid-term Management Plan Progress

● Accomplishments (up to the end of FY6/20)

During the past decade, our revenue has increased by about 10 times.

We used capital that was not necessarily large with efficiency for the steady growth of the core IT/AI/IoT/DX Business. In addition, we used highly effective and carefully selected investments and M&A deals. The result was consistent growth.

● Present(FY6/21)

Revenue and profits decreased because SOFTBRAIN became a discontinued business following its sale. However, this sale generated a gain as well as funds that we will use along with external sources of funds for M&A and many other investments for growth. Currently, the entire Scala Group is seeking opportunities for significant new business initiatives and starting new businesses as well as for investments and M&A.

● Next

Accomplishing the ambitious mid-term management plan will require the success of past activities and upcoming activities for creating new sources of growth.

To generate a succession of these successes, we will use an integrated approach across our entire group for steady progress with the growth of our businesses.

Mid-term Management Plan Follow-up Information

We are redefining the current structure of all industries where the DX is taking place in order to conduct businesses capable of achieving significant improvements and reforms.

**More information is in the Mid-term Management Plan COMMIT5000
Follow-up Report dated August 19, 2021.**

■ Mid-term Management Plan Follow-up Information

We are redefining the current structure of all industries where the DX is taking place in order to conduct businesses capable of achieving significant improvements and reforms.

Please visit our website to see our Mid-term Management Plan COMMIT5000.

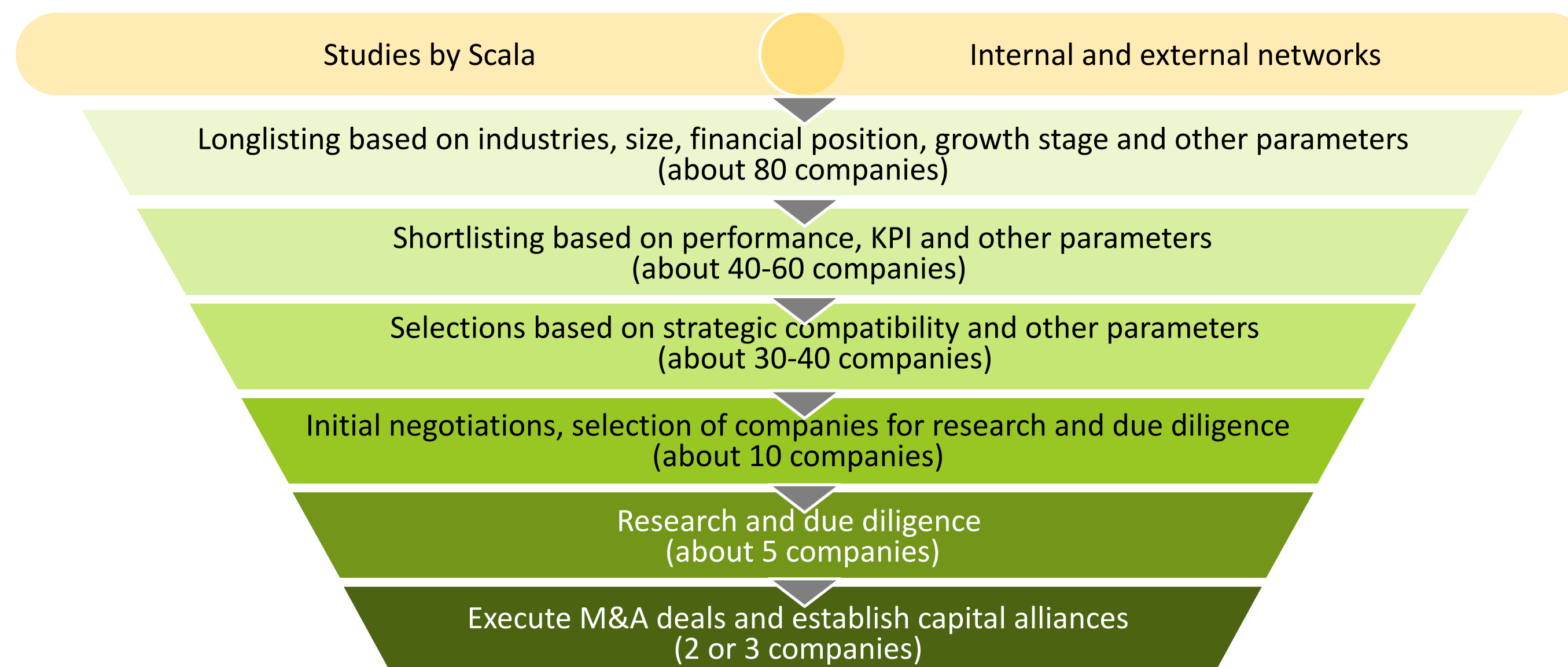
Follow-up Report at the following URL for more information about these business activities. (Japanese only)

https://scalagr.jp/pdf/ir/release/commit5000_followup_20210819.pdf

1. Financial Summary **M&A and Other Activities for Inorganic Growth**

- Continuing sourcing and due diligence to capture potential investment opportunities
- Investments will be officially announced when decisions are finalized

Investment Decision Process Flowchart (Approximation)



■ M&A and Other Activities for Inorganic Growth

● A stronger framework for M&A

As we have stated in prior years, M&A will be a key component of our activities for achieving consistent growth in order to reach the medium-term plan's targets.

In FY6/21, we created an even more powerful framework for M&A activity. We are now aggressively seeking M&A opportunities and performing search, research and due diligence concerning potential deals.

● The investment approval process

The identification of attractive M&A and alliance opportunities is the first step for achieving inorganic growth.

To locate these opportunities, we use our own research methodology, which finds by using a direct approach using our unique listing method. We also use networks of relationships within our group and with other companies and organizations. We use relationships to contact potential partners or acquisitions. M&A intermediaries and other companies are used too. Furthermore, our IR assistance service is also a means of contacting potential partners or acquisitions.

We use basic information like industry category, size, financial condition, growth state and other characteristics to evaluate an initial group of about 200 companies. This results in a long list of about 80 companies that may be suitable for an investment. Next, we use results of operations, KPI and other quantitative standards to create a short list of about 40 to 60 companies.

Next, we study these companies with respect to their compatibility with our strategies and mid-term management plan. We also look for potential synergies. This process reduces the list to about 30 to 40 companies.









This step is followed by initial negotiations, research and due diligence for about 10 companies. We then narrow this down to about five companies for full-scale research and due diligence.

All of these steps enable us to evaluate and reach a decision about the appeal of a potential M&A deal or other investment or about the likely benefits of a capital alliance.

The final step is narrowing down the number of candidates for an acquisition, investment or alliance to only two or three companies.

1. Financial Summary Investment Portfolio

Investments in listed and start-up companies in Japan and other countries

Portfolio companies	Activities	Reason for investment
 Branding Technology Inc.	Branding support, digital marketing and relevant activities	Utilize branding at local companies for regional revitalization activities
 ARCHITECTS STUDIO JAPAN INC.	Networking of registered architects and member construction companies	Co-create for the development of new businesses
 Cookbiz Co.,Ltd.	Paid human resource services specializing in the food industry, operation of an online recruitment site, HR training and relevant activities.	Co-create for the development of new businesses
 xID Inc.	Digital ID solutions using personal ID number cards and relevant activities	Co-create businesses for the digitalization of governments ("Govtech")
 VALT JAPAN CO., LTD.	Operates business sites to support the continued employment of developmentally handicapped people	Co-create businesses that help solve social issues involving developmentally handicapped people
 AGBIOTECH Co., Ltd.	Natural agriculture, IT system development and relevant activities	Co-create businesses that help solve social issues involving agriculture
 TRUVA Group Holdings, Inc.	Asset appraisals (except real estate) and relevant services for asset-based loans, M&A, business succession support, agriculture and other activities	Co-create regional revitalization activities by utilizing regional banks and other regional financial institutions
 MyanCare Co., Ltd.	Remote healthcare service and other activities in Southeast Asia	Operate a business in Southeast Asia for solving social issues concerning healthcare

Investment Portfolio

In the past, we have made investments in both listed companies and start-up companies in Japan and other countries.

Now, our policy is to make investments primarily in companies that are suitable as co-creation or other collaboration partners and companies that can play a role in helping us solve social issues.

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

1. Financial Summary

(Millions of yen)

	FY6/20			FY6/21			YoY	
	Revenue	Operating profit	Ratio of operating profit to revenue	Revenue	Operating profit	Ratio of operating profit to revenue	Revenue	Operating profit
Consolidated	7,624	227	3.0%	8,734	220	2.5%	14.6%	(3.0)%
IT/AI/IoT/DX Business	4,123	832	20.2%	4,146	756	18.2%	0.6%	(9.1)%
Customer Support Business	2,261	29	1.3%	1,837	(12)	(0.7)%	(18.8)%	(142.1)%
HR & Education Business ^{Note}	216	(139)	(64.6)%	1,353	(144)	(10.7)%	-	-
EC Business	986	95	9.6%	1,311	162	12.4%	33.0%	71.3%
Incubation & Investment Business	37	(383)	(1029.5)%	84	(387)	(457.4)%	127.6%	(1.1)%

Note: FY6/20 revenue and profits for the HR & Education Business are for only April-June 2020.

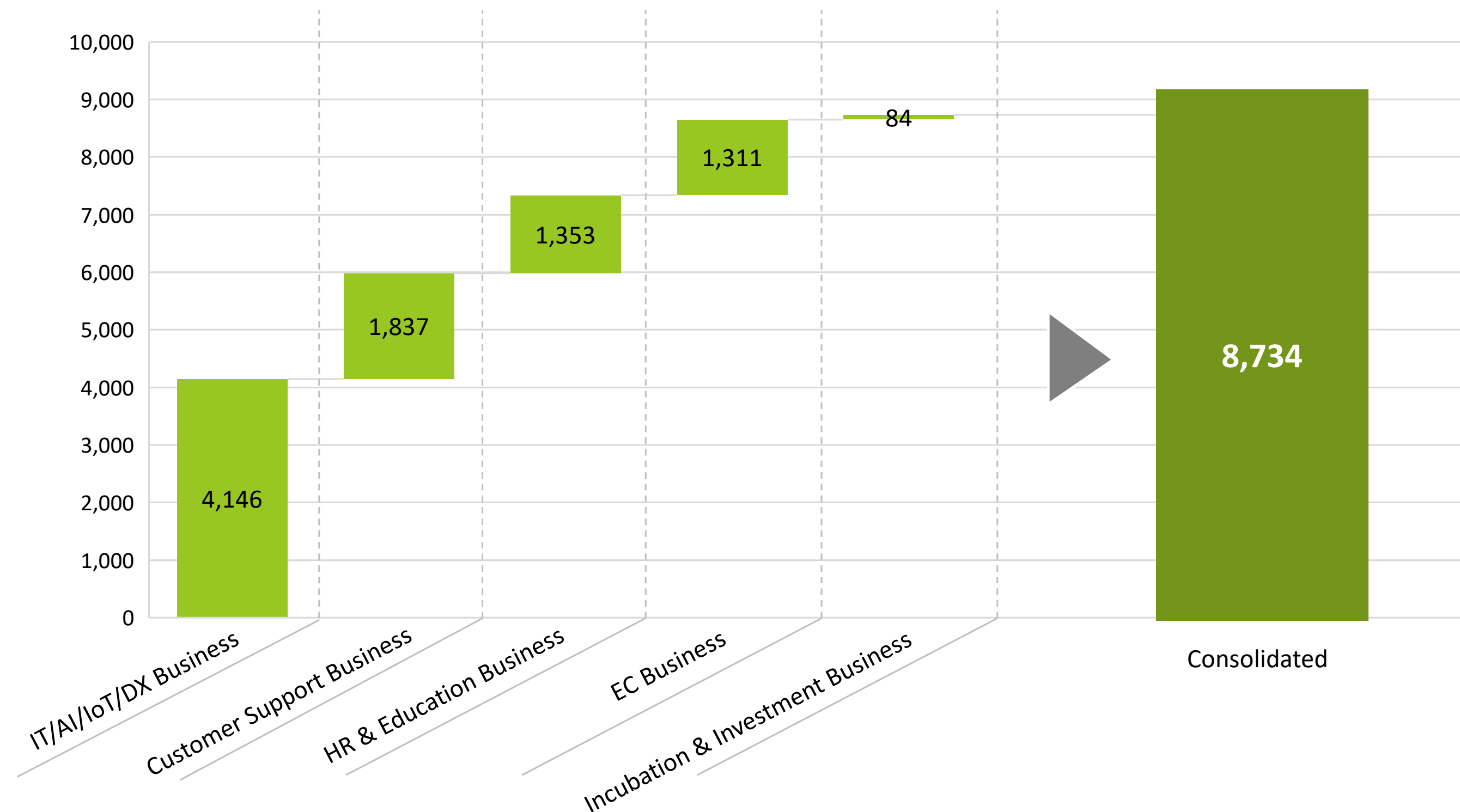
Consolidated Financial Results (IFRS) Revenue and Operating Profit by Segment

This slide shows the consolidated financial results in the fiscal year that ended in June 2021.

- Revenue: ¥8,734 million (+14.6% YoY)
 - Revenue increased because of the temporary recovery of IT/AI/IoT/DX revenue and the strong performance of the EC Business.
 - Although revenue of the HR & Education Business benefited from the first full-year contribution of a company acquired in April 2020, revenue growth was below the initial plan because of the pandemic.
- Operating profit: ¥220 million (-3.0% YoY)
 - Operating profit decreased because of expenses for new business development and expenditures for recruiting and training activities.

1. Financial Summary Revenue by Segment (IFRS)

Revenue (Millions of yen)



■ Consolidated Financial Results (IFRS) Revenue by Segment

This slide shows the revenue of our business segments in the fiscal year that ended in June 2021.

● Revenue

Consolidated: ¥8,734 million

IT/AI/IoT/DX Business: ¥4,146 million

Customer Support Business: ¥1,837 million

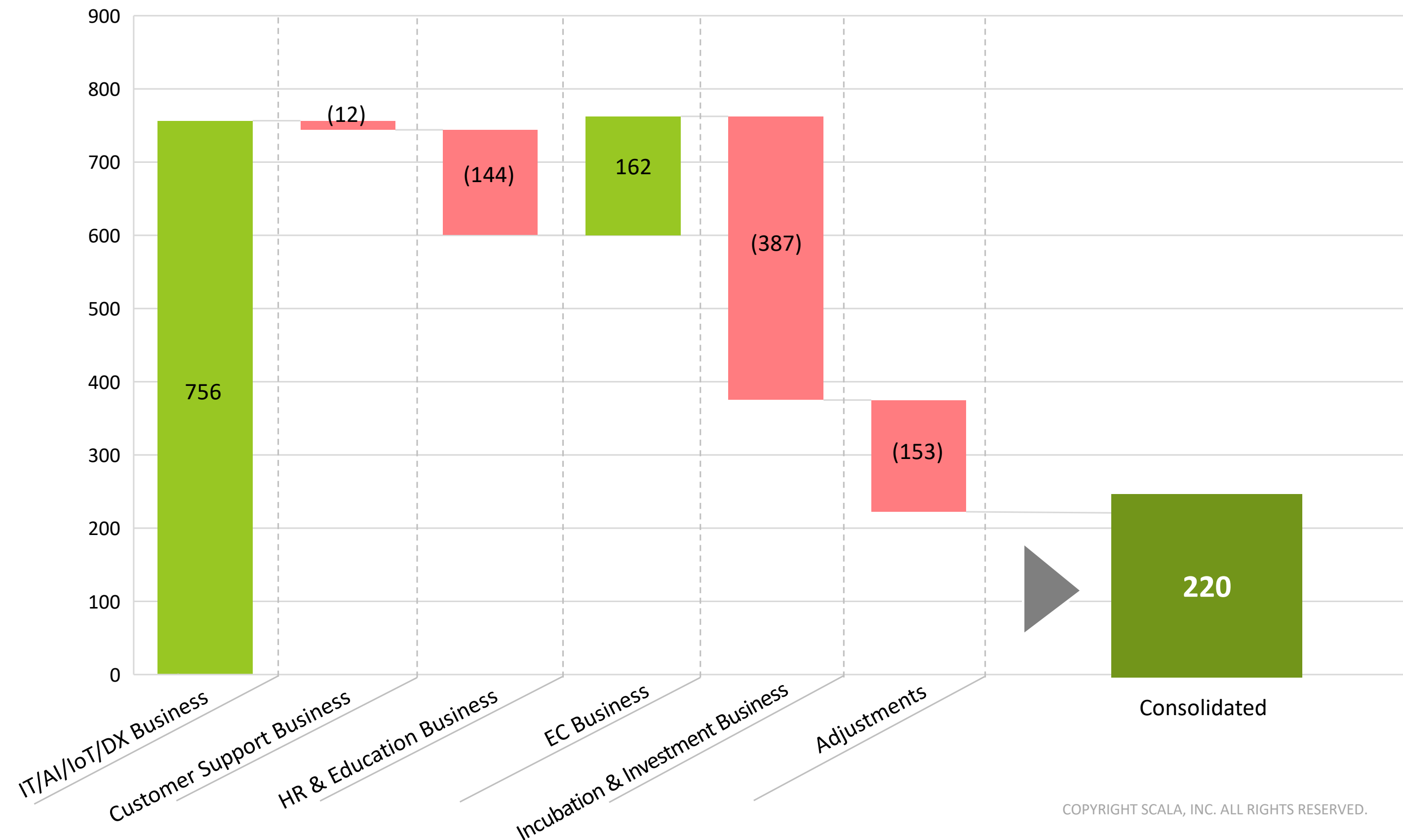
HR & Education Business: ¥1,353 million

EC Business: ¥1,311 million

Incubation & Investment Business: ¥84 million

1. Financial Summary **Operating Profit by Segment (IFRS)**

Operating profit (Millions of yen)



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■ Consolidated Financial Results (IFRS) Operating Profit by Segment

This slide shows the operating profit of our business segments in the fiscal year that ended in June 2021.

● Operating profit

Consolidated: ¥220 million

IT/AI/IoT/DX Business: ¥756 million

Customer Support Business: ¥(12) million

HR & Education Business: ¥(144) million

EC Business: ¥162 million

Incubation & Investment Business: ¥(387) million

(Adjustments: Elimination of intersegment transactions and corporate expenses allocated to a discontinued business)

1. Financial Summary

Consolidated Earnings Forecast

(Millions of yen)

	FY6/21 (Results)	FY6/22 (Forecasts)	YoY changes
Revenue	8,734	12,000 - 20,000	37.4% - 129.0%
Operating profit	220	450 - 1,200	104.2% - 444.6%
Ratio of operating profit to revenue	2.5%	3.8% - 6.0%	-
Profit before tax	188	400 - 1,150	112.1% - 509.8%
Ratio of profit before tax	2.2%	3.3% - 5.8%	-
Profit	3,225	300 - 800	(90.7)% - (75.2)%

■ Consolidated Earnings Forecast

This slide shows the consolidated earnings forecast for the fiscal year ending in June 2022.

- Revenue
¥12,000 million to ¥20,000 million (YoY change: +37.4 % to 129.0 %)
- Operating profit
¥450 million to ¥1,200 million (YoY change: +104.2 % to 444.6 %)
- Profit before tax
¥400 million to ¥1,150 million (YoY change: +112.1 % to 509.8 %)
- Profit
¥300 million to ¥800 million (YoY change: -90.7 % to -75.2 %)

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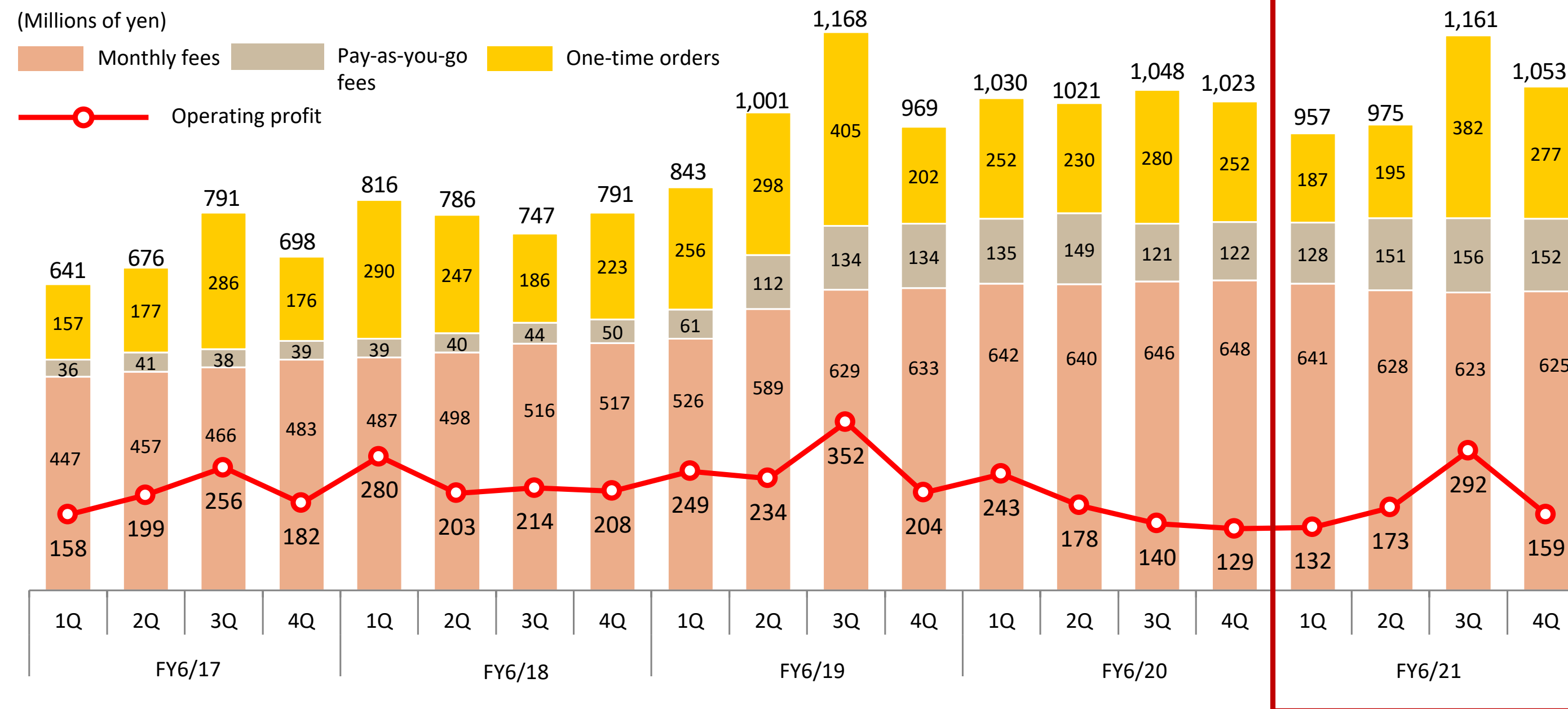
3. Topics (since April 2021)

■ 2. Summary by Business Segment

2. Summary by Business Segment

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

- Monthly fees and the pay-as-you-go fees, which generate recurring revenue, remained level even during the pandemic.
- Received one-time orders for development projects too; next aiming to receive orders for large projects.



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

This slide shows revenue and operating profit in the IT/AI/IoT/DX Business.

- Revenue and operating profit
Revenue and operating profit were about the same as in the previous fiscal year despite the pandemic.

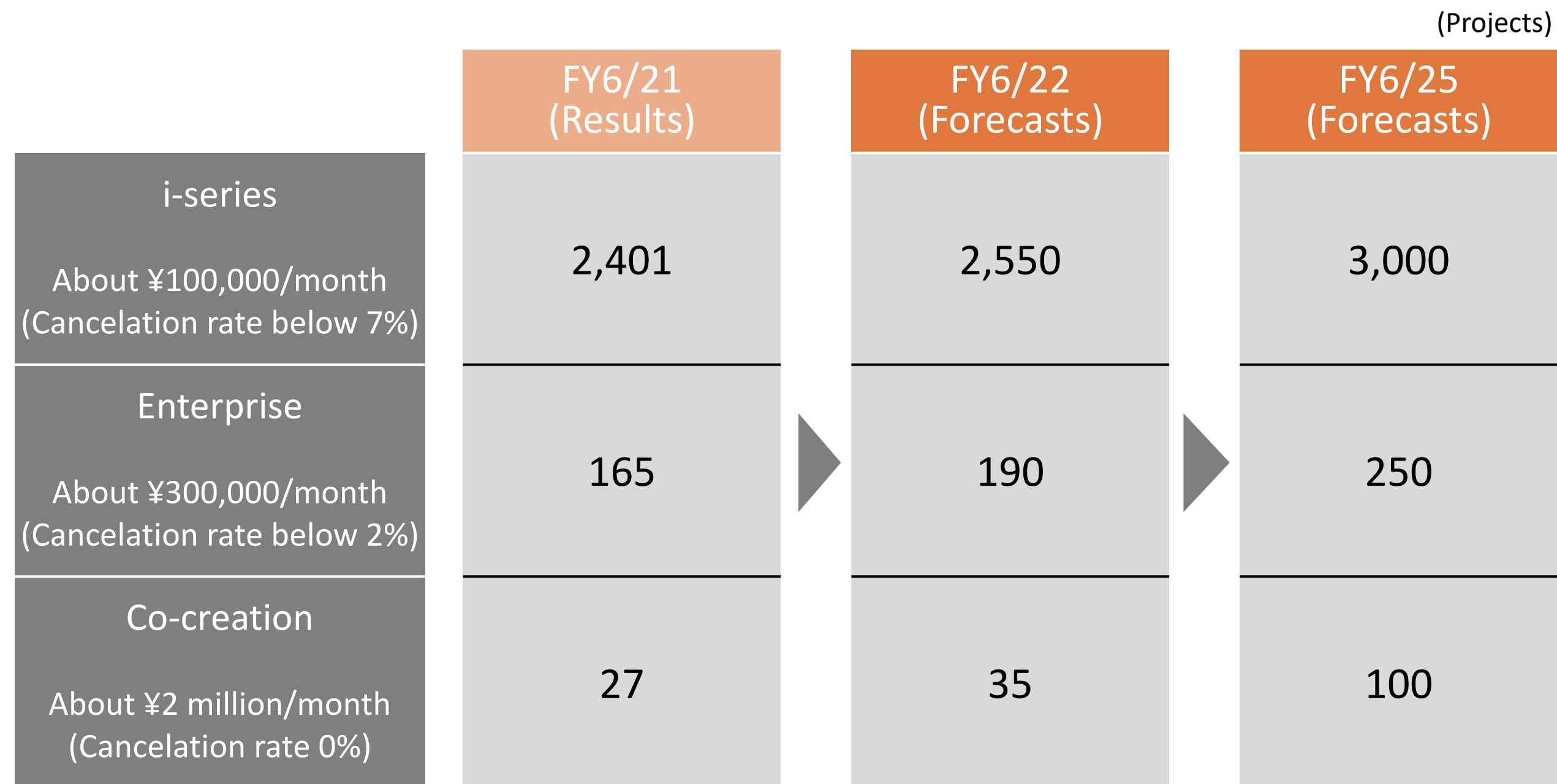
Recurring revenue due to monthly and pay-as-you-go fees remained firm. As in prior years, the growth of the volume of users generating these fees was a major and highly stable source of earnings.

In addition, we received one-time orders for development projects. This was another significant source of earnings along with the volume of fee-generating users.

2. Summary by Business Segment

IT/AI/IoT/DX Business (Upcoming Activities)

- Increase recurring revenue by utilizing new services as a hook for new contracts.
- Capture opportunities that can lead to large-scale development orders and the creation of new businesses.



■ IT/AI/IoT/DX Business (Upcoming Activities)

We are placing emphasis on increasing the volume of business that generates consistent revenue in order to improve our profitability and stability.

To accomplish this goal, we will add new services and utilize the services of our other businesses as an entry point for receiving new contracts.

Receiving orders for individual development projects is another goal.

Our activities will be focused mainly on projects that can lead to creating new businesses or that can become a key element of a new business.

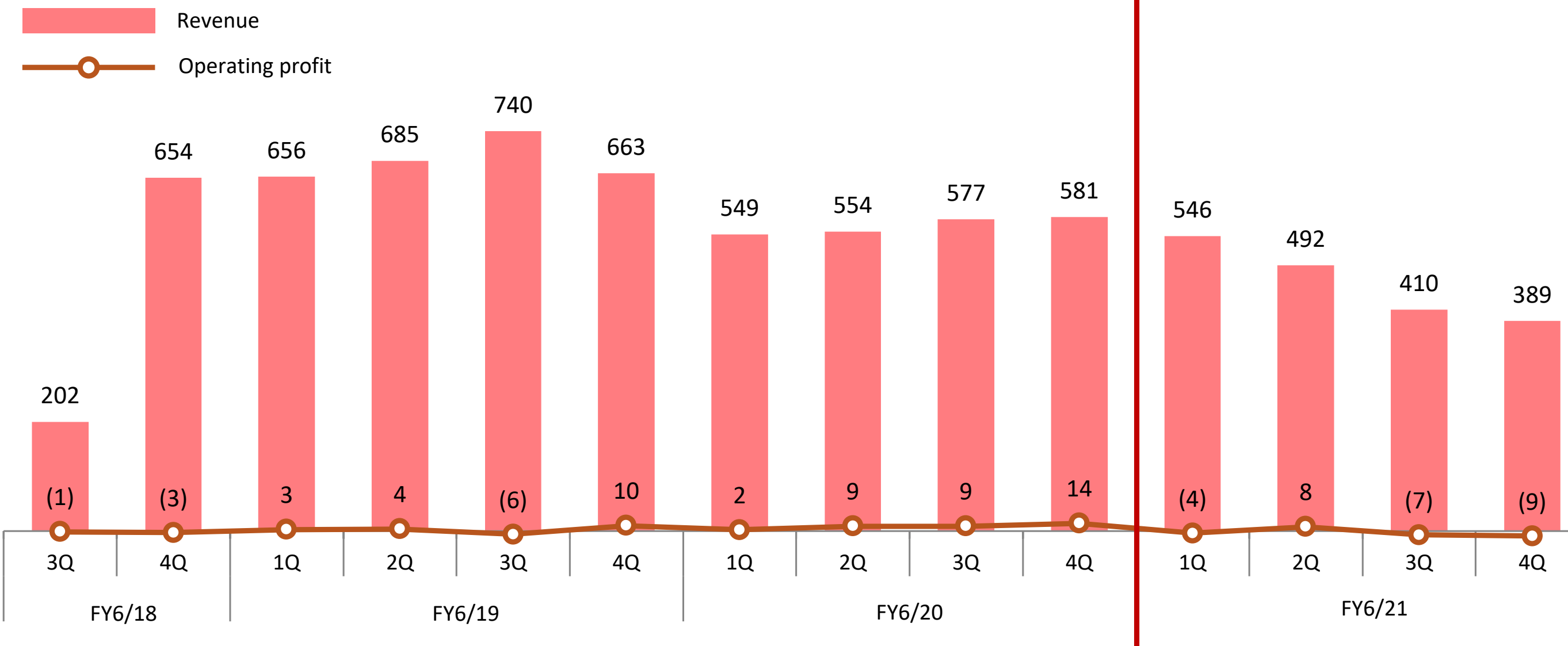
Furthermore, we will step up our activities for capturing opportunities for large-scale development projects in order to generate earnings.

2. Summary by Business Segment

Customer Support Business (Revenue and Operating Profit)

- The performance was impacted by the shrinking scale of conventional call center operations due to the pandemic.

(Millions of yen)



■ Customer Support Business (Revenue and Operating Profit)

This slide shows the revenue and operating profit in the Customer Support Business.

- Revenue and operating profit
The Customer Support Business was impacted by declarations of states of emergency in Japan as well as many extensions because of the pandemic.

Most significant was the smaller size of our customers' call center operations due to the pandemic.

As a result, revenue decreased and there was an operating loss in the past fiscal year.

2. Summary by Business Segment

Customer Support Business (Upcoming Activities)

- Provide value-added services in the customer support domain.
- Pursue to establish highly profitable call centers and combining Scala Group products with services to supply customer support with usability and productivity.

	FY6/21 (Results)	FY6/22 (Forecasts)	FY6/25 (Forecasts)
Call center seats for consulting support	300	200	100
Seats at in-house call centers	0	50	500
New customer support contracts	250	300	500

■ Customer Support Business (Upcoming Activities)

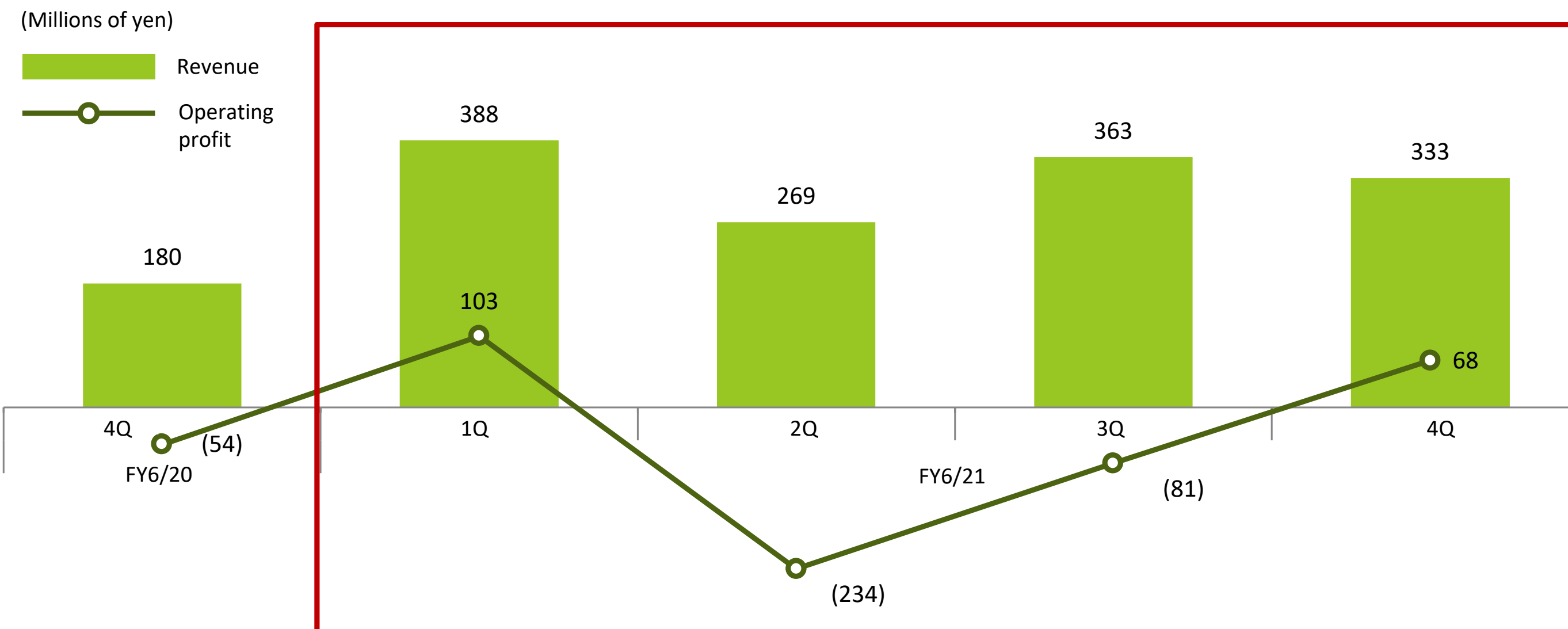
In prior years, this business specialized in support directly linked with call center operations. Now we plan to broaden the scope of this business by establishing highly profitable call centers in order to be a source of support that delivers even better performance in terms of convenience, productivity and functions from the standpoint of our clients.

Our overall objective is to give our clients support that incorporates many types of Scala Group products and services, including our IT tools.

2. Summary by Business Segment

HR & Education Business (Revenue and Operating Profit)

- The performance of the recruiting support and education sectors was impacted by the pandemic.
- The decline was mitigated by the reinforcement of sales activities, strengthening permanent placement services and other measures.



■ HR & Education Business (Revenue and Operating Profit)

This slide shows revenue and operating profit in the HR & Education Business.

● Revenue and operating profit
Declarations and extensions of states of emergency also had a negative impact on the HR & Education Business.

In the human resources business, it was no longer possible to hold recruiting events as in the past because companies altered their recruiting activities. In the education business, although the impact was less than in the human resources business, the cost of operating facilities increased despite numerous measures to overcome challenges created by the pandemic.

As a result, revenue in this segment decreased and there was an operating loss in the past fiscal year.

Assistance for recruiting activities is the main source of revenue in the HR & Education Business. We rapidly took numerous major actions during the fiscal year to generate revenue and profits. For example, we strengthened sales activities, made extensive use of online tools for recruiting, and focused resources on permanent placement services. The benefits of these measures returned this business to profitability in the fourth quarter by greatly mitigating the negative effects of the pandemic.

2. Summary by Business Segment

HR & Education Business (Upcoming Activities 1)

- Increase the number of registered job seekers for both fresh graduate and mid-career recruiting services.
- Planning to organize more recruiting events.

	FY6/21 (Results)	FY6/22 (Forecasts)	FY6/25 (Forecasts)
Registered job seekers (athlete-student fresh graduates)	17,000	18,000	21,000
Registered job seekers (fresh female graduates)	13,000	14,000	22,000
Registered job seekers (mid-career)	7,000	8,000	14,000
Number of recruiting events	72	80	110

■ HR & Education Business (Upcoming Activities 1)

In the human resources business, our recruiting support and mid-career recruiting services will focus mainly on newly graduated student athletes and female students.

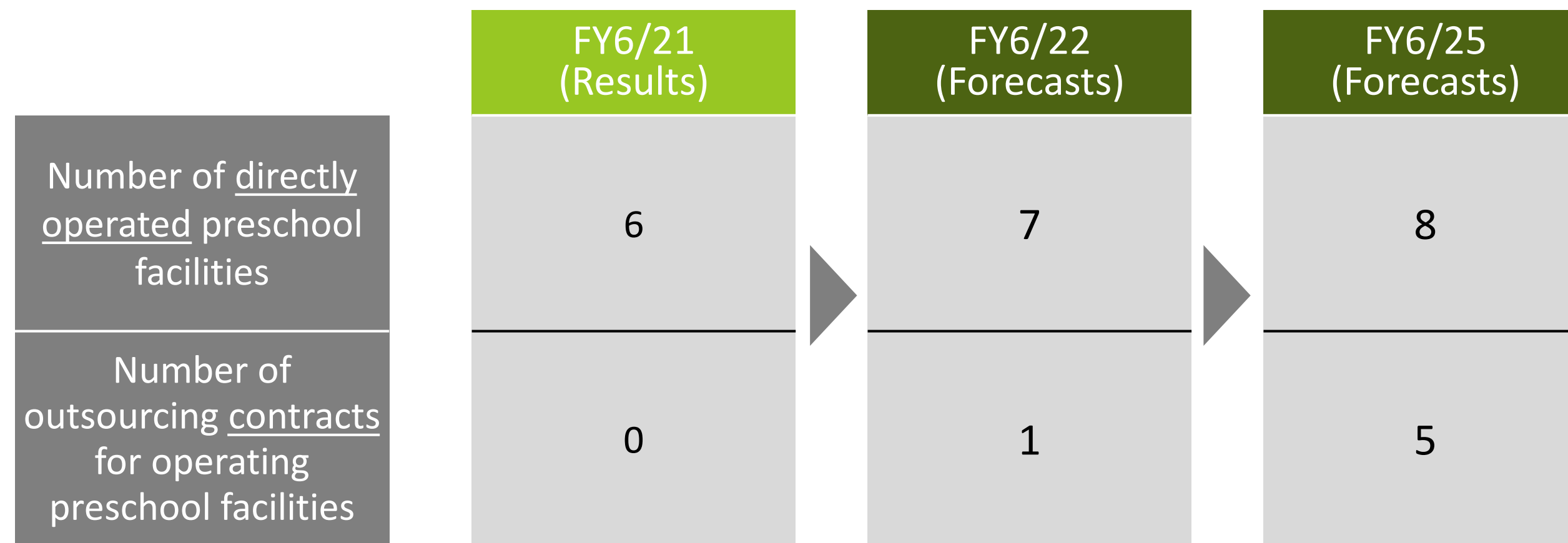
Fees received when an individual is hired are the main source of revenue in the HR & Education Business. The number of registered job seekers is a key indicator of the number of people we assist who will be hired. This is why we will continue to place emphasis on constantly increasing the number of people registered in this business, both fresh graduates and people seeking to switch to a different job.

Recruiting events, which are one part of our recruiting support activities, are another source of revenue. During the past fiscal year, the number of these events decreased because of the pandemic. As the severity of the pandemic declines, we plan to start increasing the number of these events using both conventional and online formats.

2. Summary by Business Segment

HR & Education Business (Upcoming Activities 2)

- Continue our existing educational programs and leverage this expertise for consultancy.
- Aim to grow the scale of operations without being restricted by the size of our own facilities.
- Developing education contents.



■ HR & Education Business (Upcoming Activities 2)

In the education business, we provide education and physical education programs that are critical for the sound development of children in the preschool years.

The pandemic did not have a significant negative effect on the education business.

This business basically involves the operation of education facilities. We will continue to respond in a timely and appropriate manner to states of emergency and other events involving the pandemic.

In the past, the operation of our own preschool facilities was the main component of this business. By using the know-how acquired from operating these facilities, we plan to start receiving contracts for operating care facilities for preschool children on an outsourcing basis.

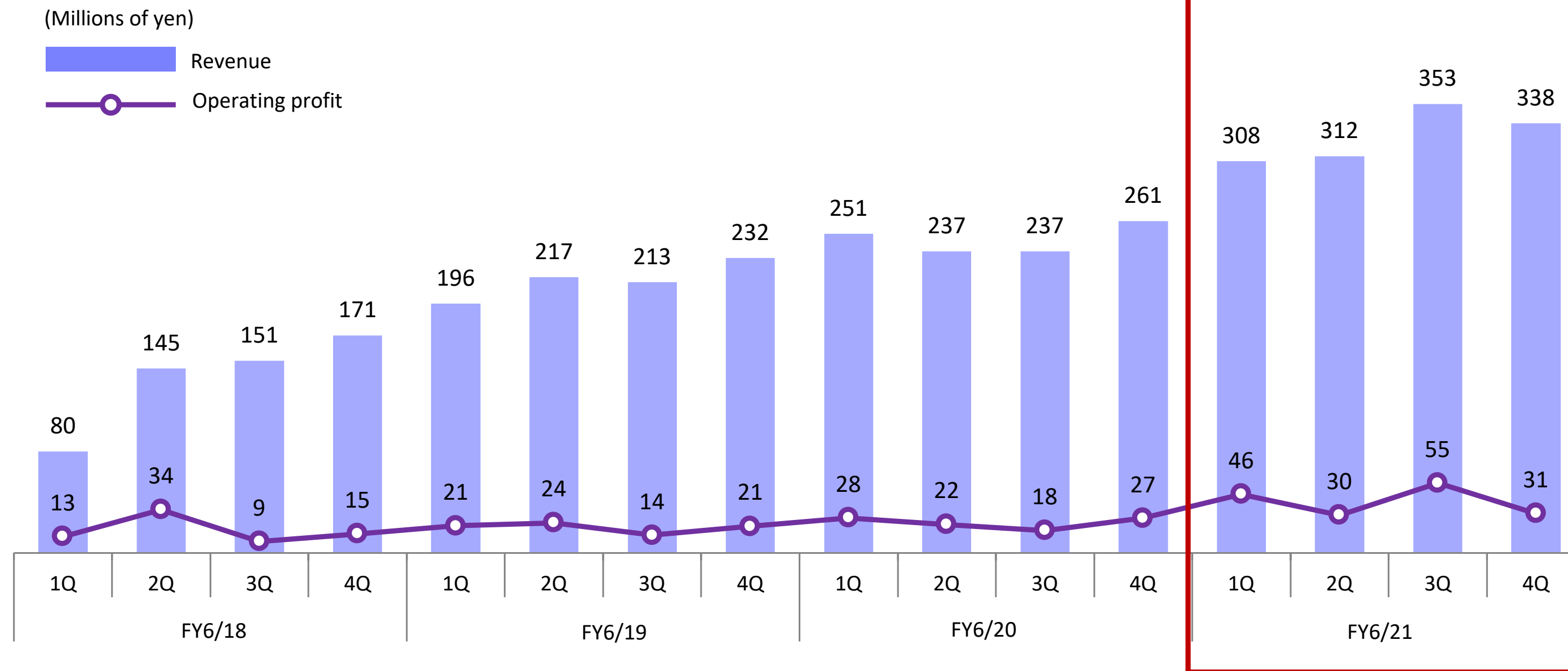
Making this change will give us more ways to increase sources of revenue by no longer being limited to our own facilities.

To add another business to this segment, we plan to start developing, selling, licensing and other services concerning educational content.

2. Summary by Business Segment

EC Business (Revenue and Operating Profit)

- Captured internet shopping demand of stay-home during the pandemic.
- Attracted more members by optimizing the system for mobile devices.



■ EC Business (Revenue and Operating Profit)

This slide shows the revenue and operating profit in the EC Business.

● Revenue and operating profit

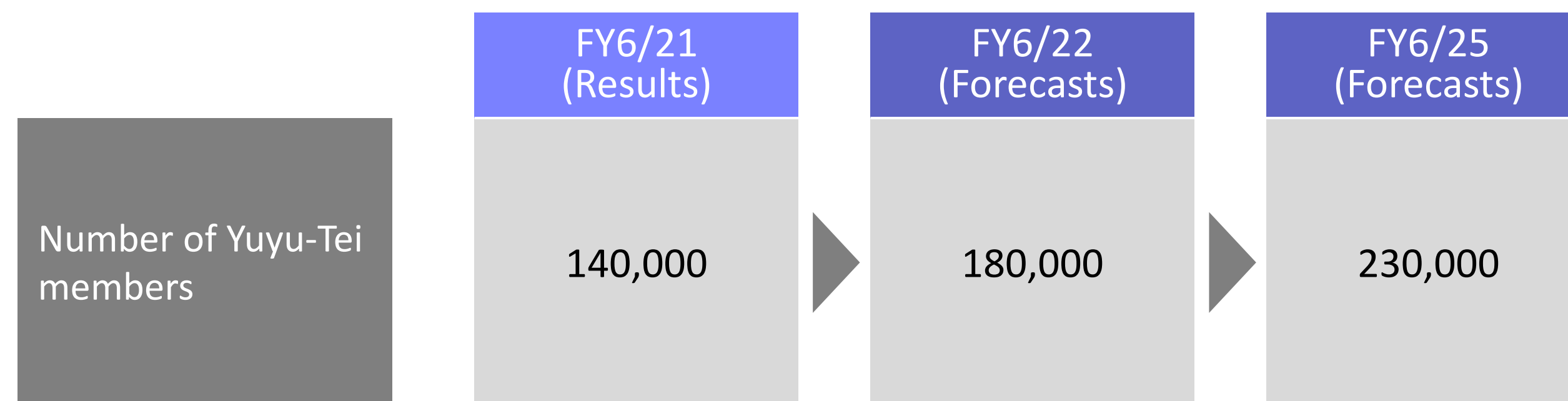
Revenue and operating profit increased to all-time highs in the EC Business even during the pandemic. We succeeded in attracting new users and there was an increase in the number of transactions.

This business is one of Japan's largest internet shops in the trading card game sector. We used this prominent market position to continuously upgrade our services, which resulted in this record-setting performance.

Activities to improve services included system optimization for mobile devices, improving and updating our internally produced IT system, and strengthening digital marketing, such as search engine optimization.

EC Business (Upcoming Activities)

- Continue upgrading and improving systems and strengthen digital marketing to increase the number of members.



- Continue improving fulfillment operations and increase the use of systems.
- Develop new services and challenge for better user experience.

■ EC Business (Upcoming Activities)

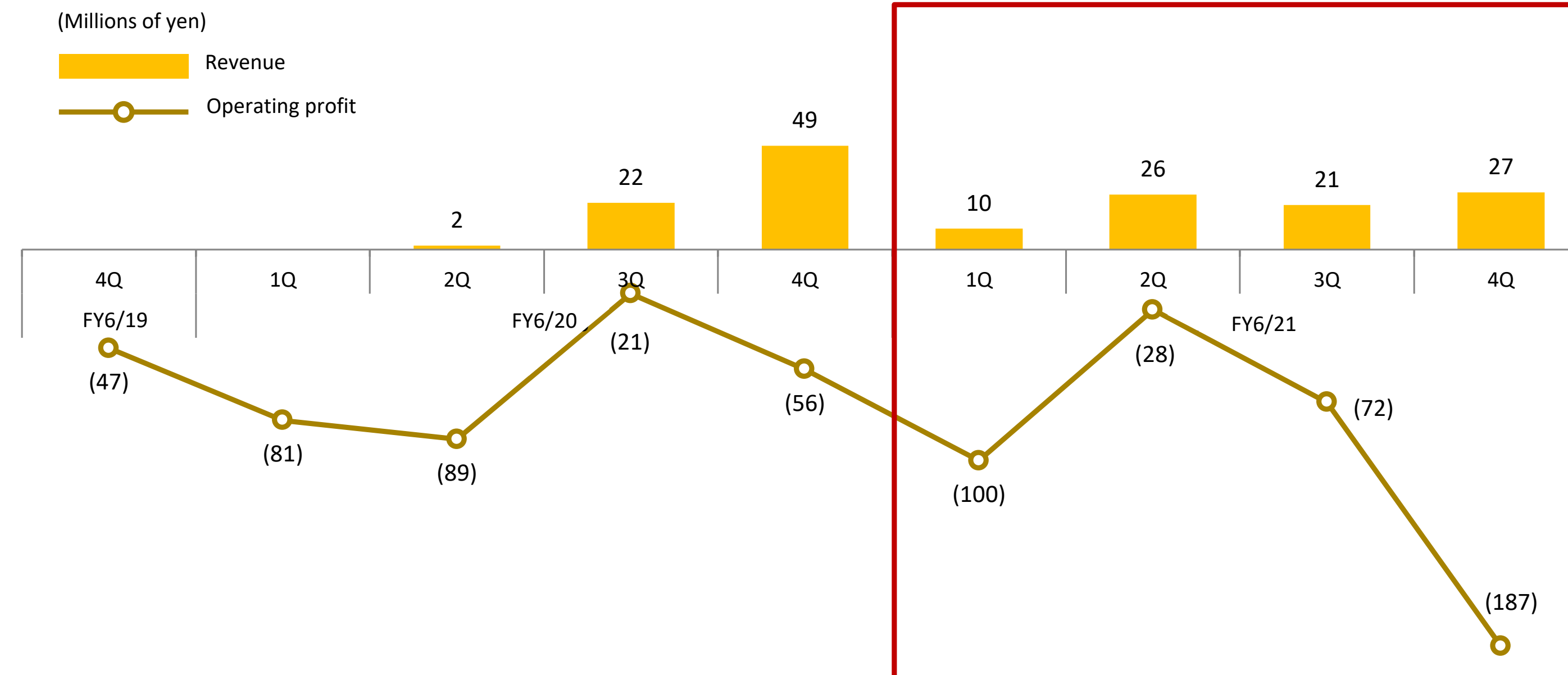
We plan to use many activities for more growth of the EC Business.

As in prior years, there will be activities for improving and upgrading our IT system and digital marketing. Increasing the number of members and the number of trading cards sold are other goals for more growth.

2. Summary by Business Segment

Incubation & Investment Business (Revenue and Operating Profit)

- In addition to current operations, including the operation of the value co-creation engagement fund, new businesses were developed and launched, such as the *Gyaku Propo* (reverse solicitation proposal) service.
- Activities are underway to create the next generation of profit centers.



■ Incubation & Investment Business (Revenue and Operating Profit)

This slide shows the revenue and operating profit in the Incubation & Investment Business.

- Revenue and operating profit
Revenue in this business increased but there was an operating loss.
This business is not profitable at this time because, due to the characteristics of most investments, a long time will be needed to start producing returns.

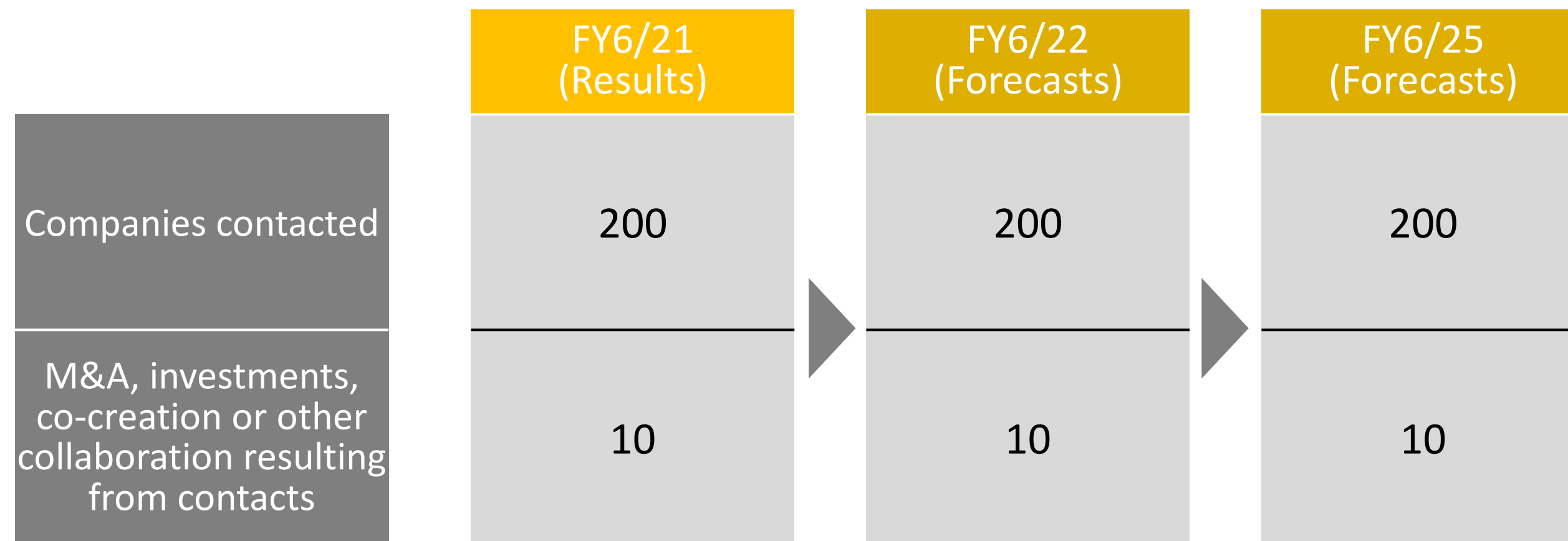
During the past fiscal year, this business operated a value co-creation engagement funds and provided value creation consulting services. In addition, new businesses were developed and launched, including the *Gyaku Propo* (reverse solicitation proposal) service.

Activities in this business also include the creation of regional revitalization businesses and other businesses that can become the next generation of profit centers.

2. Summary by Business Segment

Incubation & Investment Business (Upcoming Activities 1)

- Tapping 200 companies.
- Leverage M&A and other investments to capture co-creation and collaboration opportunities.



■ Incubation & Investment Business (Upcoming Activities 1)

This business conducts investment operations using M&A and other types of investments. These operations include the management of engagement funds.

In this business, we are aggressively seeking M&A deals and investments that can contribute to the growth of the Scala Group's value.

M&A and other investments are not our only strengths. Our incubation and investment activities also lead to co-creation and collaboration. When our assessment of an investment indicates that there is potential for synergies, we use co-creation and collaboration through our business operations.

We contact about 200 companies every year, ranging from listed to start-up companies that are in various stages of growth.

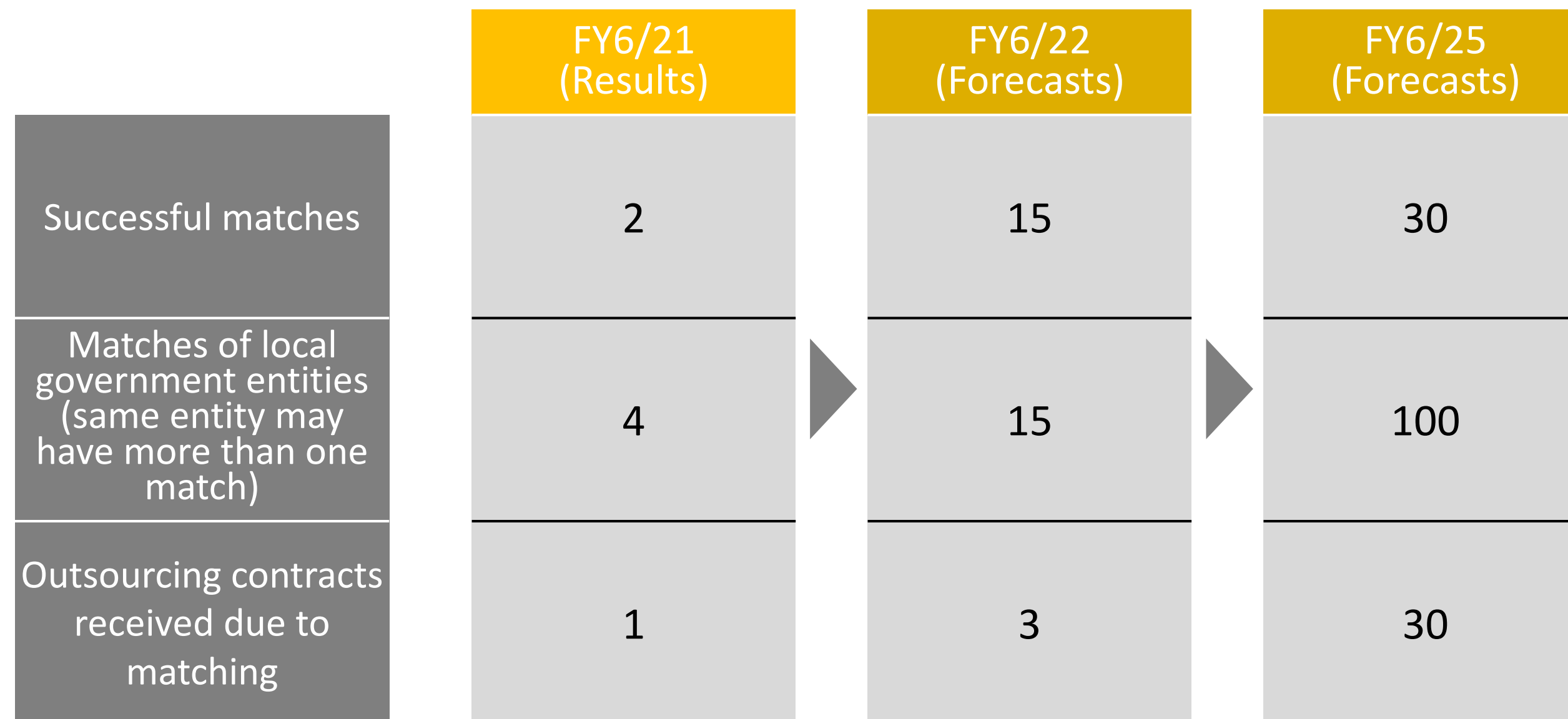
Eventually, we acquire or make some other investment in some of these companies or use measures that lead to co-creation and collaboration.

We will continue this process of seeking suitable companies for M&A, investments, co-creation and collaboration on the same scale as in previous years.

2. Summary by Business Segment

Incubation & Investment Business (Upcoming Activities 2)

- Accelerate and achieve profitability of the *Gyaku Propo* service which was launched in 2021.
- Promote business matching with more local governments.
- Leverage the *Gyaku Propo* service to capture further business opportunities including system development.



■ Incubation & Investment Business (Upcoming Activities 2)

● The *Gyaku Propo* service, a public-private co-creation platform service

We have developed and launched a service where companies submit social issues that they want to help resolve and these companies are then matched with local governments that submit ideas for dealing with the same issue.

This revolutionary service reverses the parties that normally submit and select ideas with regard to conventional public-sector undertakings. Several projects have already started.

(*See slide 33 for summaries of current activities.)

Our plan is to continue the growth of the *Gyaku Propo* service and make this business profitable.

With this service, we deepen relationships with companies that are involved with social issues and use the public solicitation format to match companies with suitable local governments.

We believe that the *Gyaku Propo* service will result in an even broader range of activities and accomplishments at the Scala Group concerning local governments.

Going one more step, we plan to use matches produced by this new service to capture orders from companies and local governments for outsourced development projects.

One match has already resulted in the receipt of a development project order and we are working on receiving more of these orders.

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3. Topics (since April 2021)

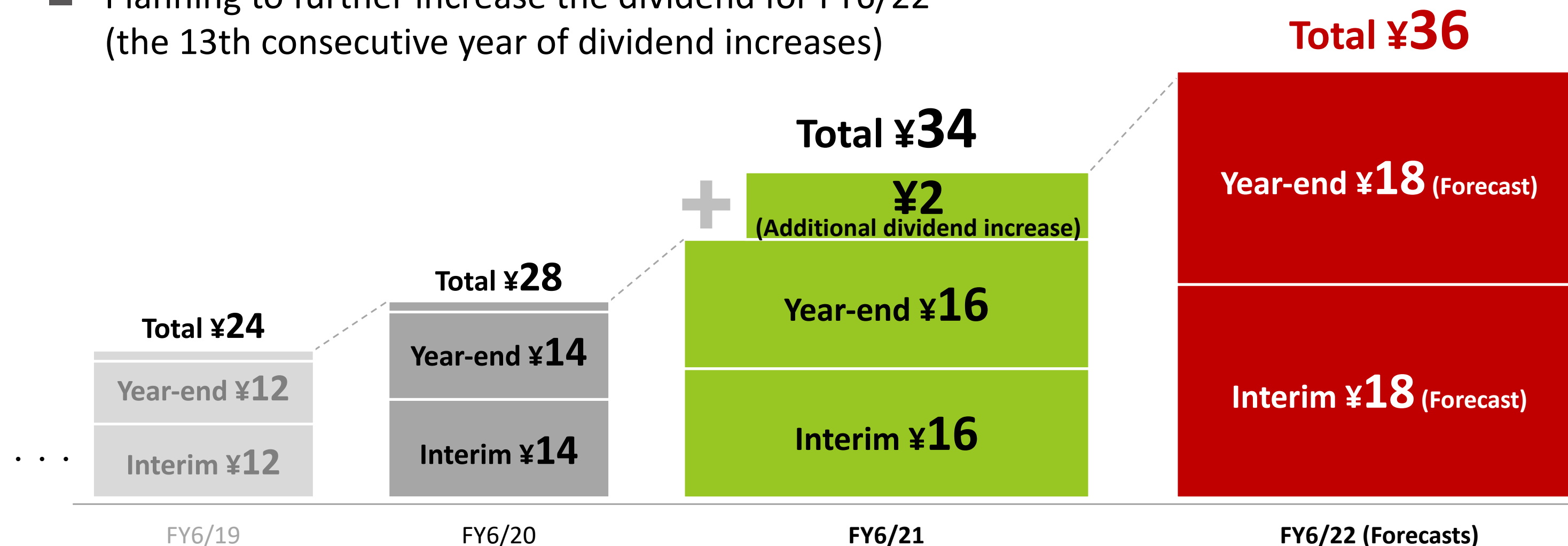
■ 3. Topics (since April 2021)

3. Topics Shareholder Returns: Dividend Increase

- Additionally increased the FY6/21 year-end dividend (the increase vs. the previous forecast has already been announced)
 - To commemorate the 30th anniversary of the Company's foundation
 - To return a portion of profits earned from investments

Reference: "Notice Regarding Revisions to Dividend Forecast (Dividend Increase)" released on May 17, 2021 (Japanese only)

- Planning to further increase the dividend for FY6/22 (the 13th consecutive year of dividend increases)



■ Shareholder Returns: Dividend Increase

● FY6/21: Dividend increase

The fiscal year that ended in June 2021 was the 30th anniversary of our founding in December 1991. Furthermore, we recorded a gain on the sale of SOFTBRAIN that we completed in the third quarter. To mark this anniversary and return part of the gain on this sale to shareholders, we decided to make an additional increase in the dividend.

The Board of Directors approved a resolution to raise the year-end dividend to 18 yen per share compared with the original forecast of an increase to 16 yen.

This will result in a fiscal year dividend of 34 yen, which is 6 yen higher than the dividend for the fiscal year that ended in June 2020.

This higher dividend will be paid if approved by shareholders.

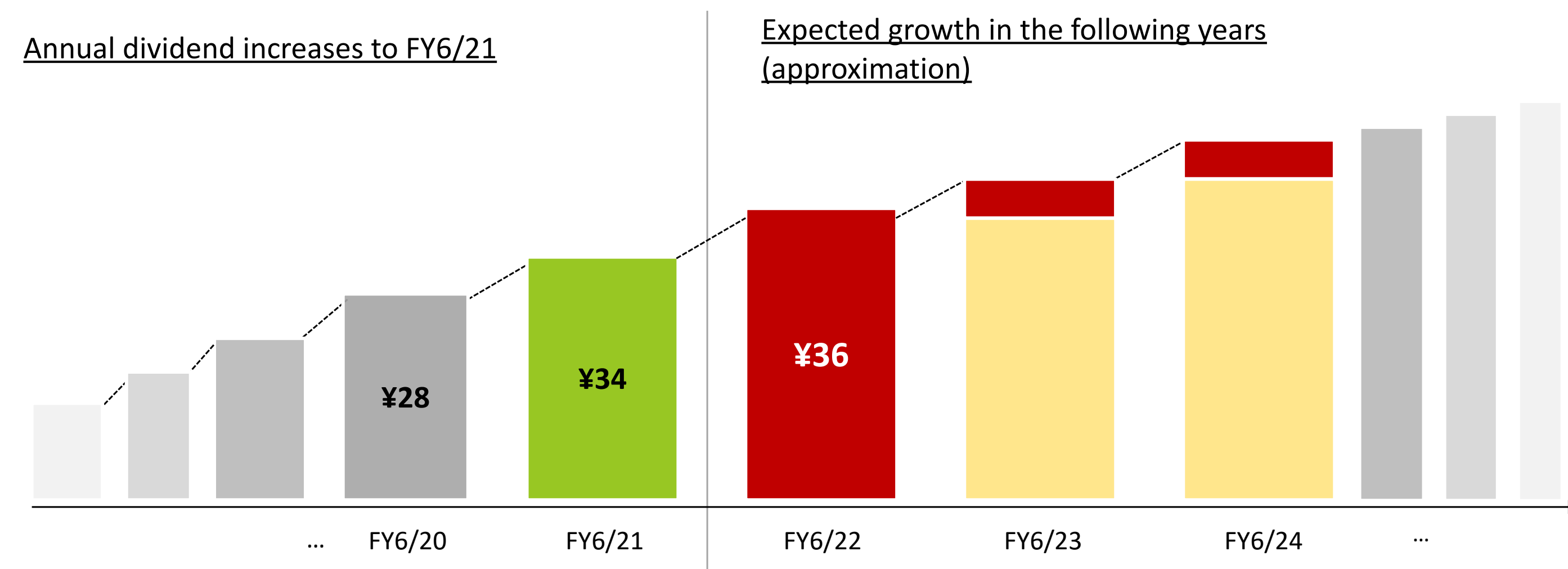
● FY6/22: Another dividend increase

We plan to raise the dividend again in the fiscal year ending in June 2022.

Our plan is to pay first half and year-end dividends of 18 yen each. This will result in a fiscal year dividend of 36 yen, which is an increase of 2 yen.

3. Topics **Shareholder Returns: Dividend Policies**

- Prioritize shareholder return and aim to keep increasing it.
- Aim to continue dividend increase aligned with earning growth.



■ Shareholder Returns: Dividend Policies

Distributing earnings to shareholders is one of our highest priorities. Our basic policy is to aim for a higher dividend every fiscal year, and this is what we have accomplished.

In the fiscal year ending in June 2022, our goal is to continue following this policy by increasing the dividend in line with the growth of our earnings.

3. Topics **Selection of the Prime Market for the New Listing**

- Selected the Prime Market for its stock listing to commit to the mid-term management plan goals.
- Confirmed that we meet the Prime Market listing requirements.
- The new market effective from April 2022.



■ Selection of the Prime Market for the New Listing

We have decided on the following plan concerning the reorganization of the Tokyo Stock Exchange.

● Selection for the new listing

As you know, the exchange will change to three categories starting in April 2022, the Prime Market, Standard Market and Growth Market.

We have been notified by the Tokyo Stock Exchange that we comply with the standards for a Prime Market listing. Therefore, when the application period begins, we plan to select a Prime Market listing.

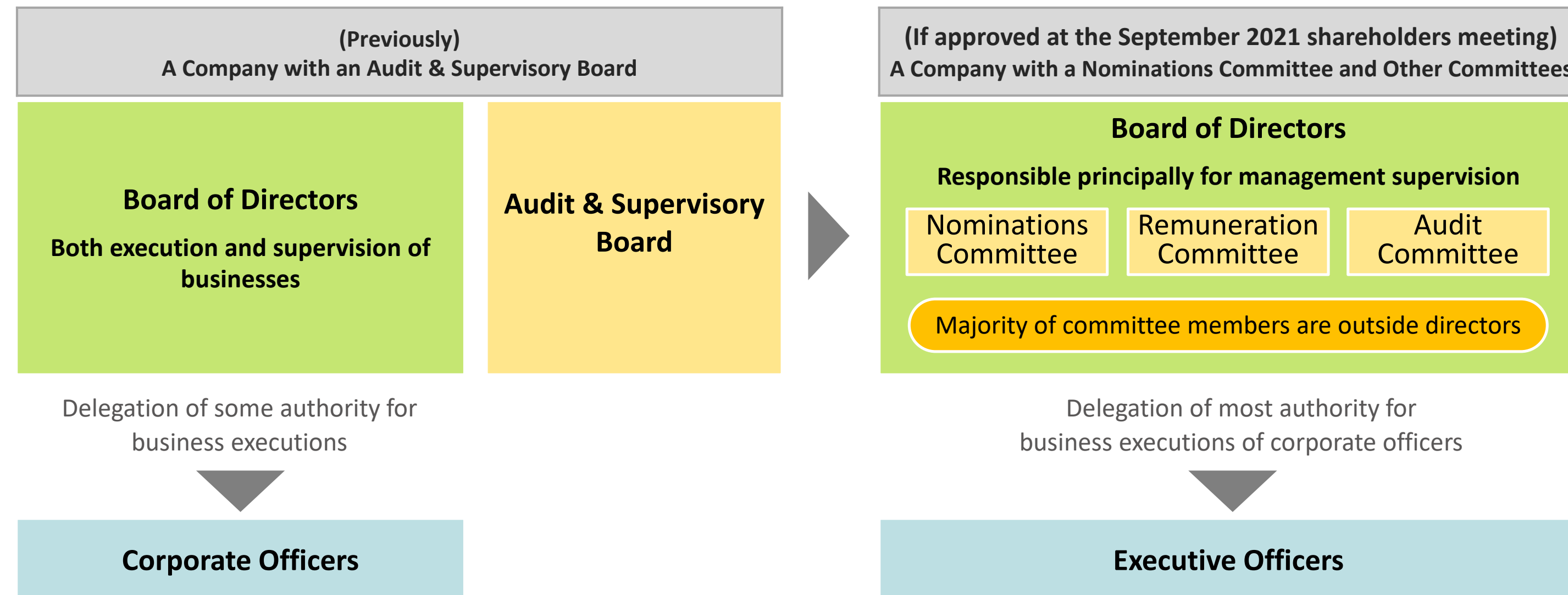
● Selection of the Prime Market

We expect to be notified along with other listed companies by the Tokyo Stock Exchange in January 2022 of our listing category.

The new market categories will begin in April 2022.

3. Topics **Governance Structure**

- Shifting to the governance structure with a Nominations Committee and Other Committees.
- Realize bold and efficient management decisions and executions to achieve the Mid-term Management Plan and maximize corporate value.



■ Governance Structure

In the past, we have used the Company with an Audit & Supervisory Board governance structure. To create an even stronger framework for corporate governance, we plan to switch to the Company with Nominations and Other Committees structure.

● Bold and efficient management

Establishing an even more powerful framework for conducting business operations will be vital to our ability to accomplish the goals of the COMMIT5000 mid-term management plan.

By delegating more authority to executives who conduct these operations, the new governance structure will result in more forceful and energetic management in order to maximize corporate value.

● Highly effective and advanced governance

The Company with Nominations and Other Committees structure strengthens the oversight and monitoring functions of the Board of Directors.

This will give us a more effective framework for highly effective governance that reflects the interests of investors.

3. Topics **Alliance**

Capital and business alliance with TRUVA Group Holdings and establishment of a jointly owned company

Support for regional revitalization and the sustained advancement of regional industries

This alliance will facilitate business activities that combine TRUVA Group Holdings' considerable knowledge and experience concerning asset-based lending, which is secured by receivables and physical assets other than real estate, and strong relationships with 147 financial institutions in all areas of Japan with the digital technology, local government relationships and expertise for the use of people of the Scala Group.

■ Joint establishment of Scala Truva Inc.

This new company will use co-creation for devising multi-faceted solutions that utilize the strengths of the TRUVA Group and Scala Group. The goals are to conduct a variety of regional revitalization activities, mainly involving agriculture, and providing support for the sustained progress of regional industries.

■ Alliance

● Capital and business alliance with TRUVA Group Holdings

*Asset-based lending are loans that use as collateral a company's inventories, machinery or receivables. This form of lending gives companies more ways to procure funds and makes the procurement process easier.

Using inventories and other business assets as collateral allows financial institutions providing these loans to gain a better understanding of the viability of a company's operations. For financial institutions, this understanding results in more thorough advice to companies and stronger relationships.

● Joint establishment of Scala Truva Inc.

Business: Investments, planning and development of IT systems, consulting, and other activities

Capital: ¥30 million

Shareholders: Scala, Inc. 70%

TRUVA Group Holdings, Inc. 30%

More information is on the internet at the following address.

<https://scalagrp.jp/news/2021/05-truva/>

The start of public-private sector co-creation projects using *Gyaku Propo*, a public-private sector co-creation matching platform



The *Gyaku Propo* service provided with Public dots & Company is a new public-private sector co-creation service in which companies identify social issues and supply funding and local governments create innovative ideas.

■ Examples of matching

- The first match: E.design Insurance Co., Ltd. and two municipalities (City of Kobe, Hyogo, and Town of Hino, Shiga)
Solicitation theme: Greater safety for the transportation environment and society
- The second match: WirelessGate Inc. and two municipalities (City of Hirakata, Osaka, and City of Ikoma, Nara)
Solicitation theme: The gap between the ideal and the reality for public services

■ Examples of current solicitations

- The third activity: DoctorMate Inc. for the theme of creating a suitable nighttime medical emergency transportation model
- The fourth activity: FamiOne, Inc. for the theme of using the encouragement of having children and community creation for communities that are good for living and working
- The fifth activity: Information Services International-Dentsu, Ltd. for the theme of regional revitalization using social scores (score concerning kind and thoughtful actions) and evaluating business feasibility concerning residents

■ Co-creation

- *Gyaku Propo* a public-private sector co-creation matching platform

We did a preliminary launch in November 2020 and officially released this matching platform in April 2021. Since then, we have received a much larger volume of inquiries from both companies and governments than we had expected.

This is not simply a matching service that brings together public and private-sector partners.

Gyaku Propo targets social issues that may not be readily visible and aims for growth by using as value the resulting co-creation projects and data. In a sense, this is a plan for the future.

More information is on the internet at the following addresses.

Official *Gyaku Propo* website

<https://gyaku-propo.com/project-topicks>

First match

<https://scalagr.jp/news/2021/03-pdc/>

Second match

<https://scalagr.jp/news/2021/06-gyakupropo/>

Third activity

<https://scalagr.jp/news/2021/08-gyakupropo-doctormate/>

Fourth activity

<https://scalagr.jp/news/2021/08-famione/>

Fifth activity

<https://scalagr.jp/news/2021/08-gyakupropo-isid/>

3. Topics **Alliance**

Business alliance with Cookbiz

Co-creation of the DX for a sustainable restaurant business in response to the dramatic changes in the restaurant business climate

Cookbiz Co., Ltd. is involved with business development in the food domain, primarily involving human resource services for the food industry. The purposes of this alliance are to provide IR support from the standpoint of value co-creation management and to use co-creation for building sustainable restaurant business models.

Cookbiz increased its equity by using a third-party allotment to sell stock to SCSV-1 Investment Limited Partnership.



■ Alliance

● Business alliance with Cookbiz

The pandemic has dramatically altered the business climate for the restaurant sector. Two issues are at the center of the challenges that restaurant operators face. First is low labor productivity. Second is the reliance on sales at restaurants and new customers. To help restaurants make improvements, we provide assistance for the use of the digital transformation to restructure their operations.

More information is on the internet at the following address.

<https://scalagr.jp/news/2021/0716-cookbiz/>

3. Topics **System Development**

A COVID-19 vaccine reservation program using xID for a local government

Scala and alliance partners Public dots & Company and xID Inc. have developed a system that allows people to make a vaccination reservation by using a smartphone app linked to their My Number Cards.

In addition, a demonstration trial has started in which an xID is used to manage reservations, eliminating the need for paper vaccination cards.

■ Upcoming activities

This reservation system is the starting point for work under way for developing many systems for many types of applications at local governments. Using My Number Cards for the digital confirmation of identities is expected to enable reliable, same-day payments of benefits involving a disaster or other reason following the receipt of applications.



■ System Development

● A COVID-19 vaccine reservation program using xID
We have used our IT, AI and IoT technology expertise acquired over many years to create a reservation framework that any individual can use with confidence. This framework has an internet reservation system and can be used for responses to inbound calls using an automated system or real people.

These capabilities enable call centers to provide convenience and personal information security. A demonstration trial has started for the reservation system of the town of Hino in Shiga prefecture.

More information is on the internet at the following address.

<https://scalagr.jp/news/2021/07-xid/>

3. Topics **Acquisition**

Acquired readytowork to strengthen offshore IT development capabilities

Scala has made readytowork Co., Ltd. a wholly owned subsidiary. This company develops new businesses and provides DX services, mainly for web systems, for customers in Japan. Operations include a development center in Kathmandu, Nepal.

Acquiring this company gives Scala a base in Nepal and expands Scala's IT development infrastructure to three countries: Japan, Myanmar and Nepal. Scala will use this infrastructure to build a base for moving faster and accumulating knowledge concerning numerous DX development programs currently under way.



■ Acquisition

● Acquired readytowork

In December 2018, we established a development center in Mandalay, the second-largest city in Myanmar. This location currently has a team of about 30 engineers.

To meet the steadily increasing digital transformation demand in Japan, we plan to strengthen our offshore development network. Furthermore, we have decided to start operations in Kathmandu in order to provide IT services in Nepal.

More information is on the internet at the following address.

<https://scalagr.jp/news/2021/08-readytowork/>

Company Overview

Name	Scala, Inc. (Tokyo Stock Exchange, First Section, Securities code 4845)	
Headquarters	17F 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 and Incubation & Investment Business	
Employees	478 (As of June 30, 2021, consolidated)	
Average age	33.4	
Capital	¥1,750 million	
Fiscal year end	June 30	
Subsidiaries	Scala Communications, Inc. Scala Partners, Inc. Scala PLAYce, Inc. J-Phoenix Research Inc. FourHands, Inc. 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. Retool, Inc. (Voting rights ratio: 66%) Social Studio Inc. (Voting rights ratio: 51%)



To be an ideal company that the world needs

- The information, forecasts, etc. available in this report represent 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.

■ Closing

Since we announced our mid-term management plan, the outlook has become even more uncertain because of dramatic changes in our business climate caused by the pandemic and other events.

Our performance in some business categories appear to be weak at first glance. However, today's challenging market conditions are also creating an excellent opportunity to significantly alter how we do business. We are establishing clear visions for the Scala Group from short, medium and long-term perspectives. Everyone at our group has a firm commitment to the rapid and long-term growth of our corporate value and to accomplishing the goals of the mid-term management plan.