



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

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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

IT/AI/IoT/DX



Customer Support



HR & Education



EC



Incubation & Investment



1. Financial Summary **Business Segments**

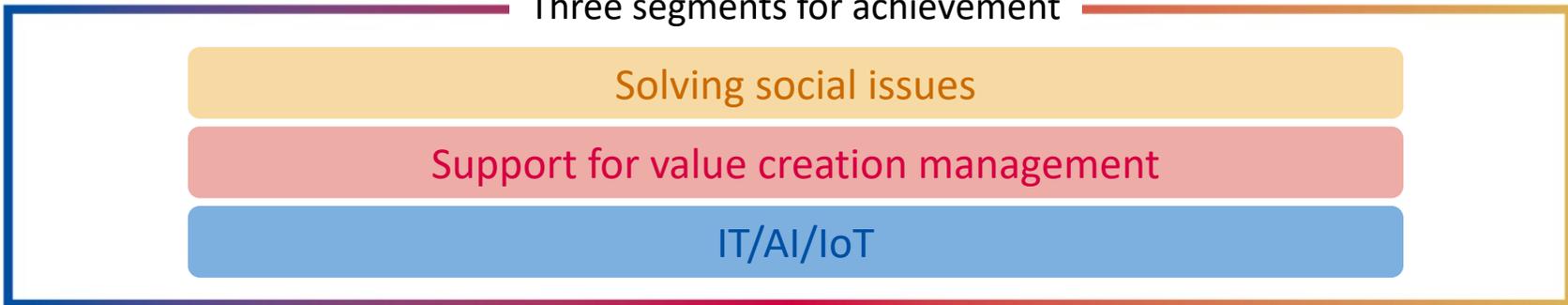
Segments	Group Companies	Business Description
IT/AI/IoT/DX Business	<ul style="list-style-type: none"> Scala Communications, Inc. Scala Service, Inc. 	Provision of SaaS/ASP services
	<ul style="list-style-type: none"> Scala Next, Inc. 	Development of SaaS/ASP services, offshore development activities
	<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

Outline of the Mid-term Management Plan“COMMIT5000”

■ FY6/25 and FY6/30 targets

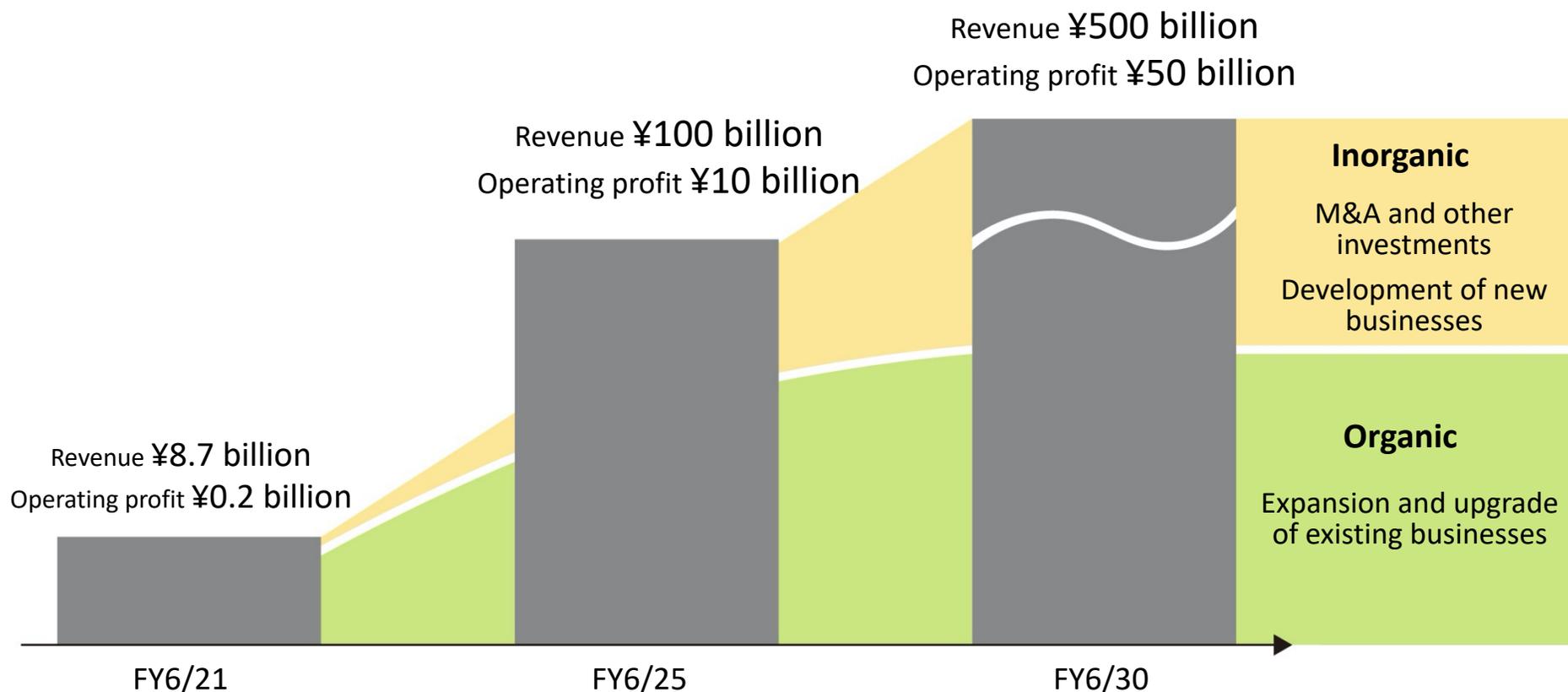
	Revenue	Operating profit
FY6/25	¥100 billion	¥10 billion
FY6/30	¥500 billion	¥50 billion

Three segments for achievement



Outline of the Mid-term Management Plan“COMMIT5000”

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



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.

1. Financial Summary **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.**

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)



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	

Consolidated Financial Results (IFRS)

Revenue and Operating Profit by Segment

1. Financial Summary

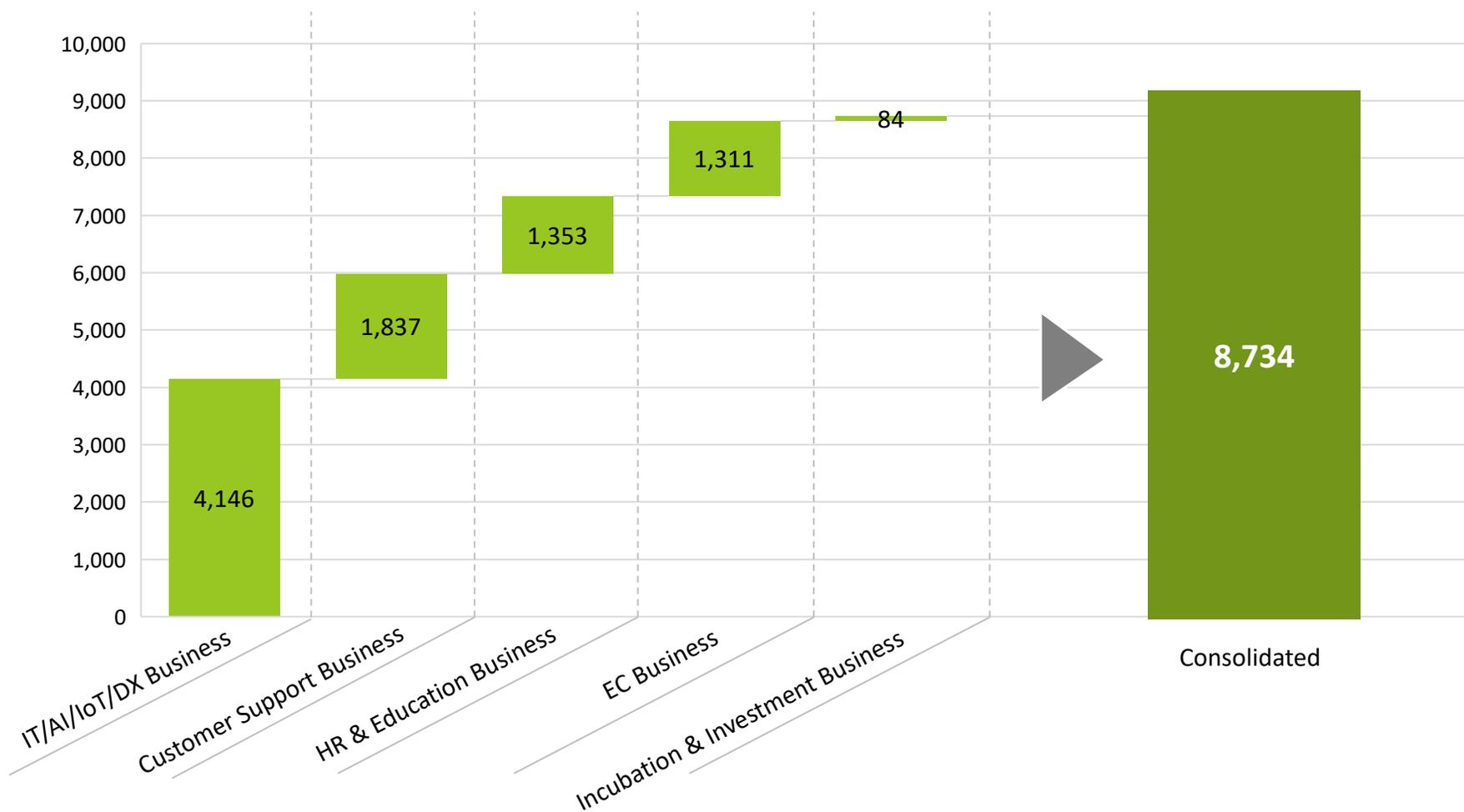
(Millions of yen)

	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.

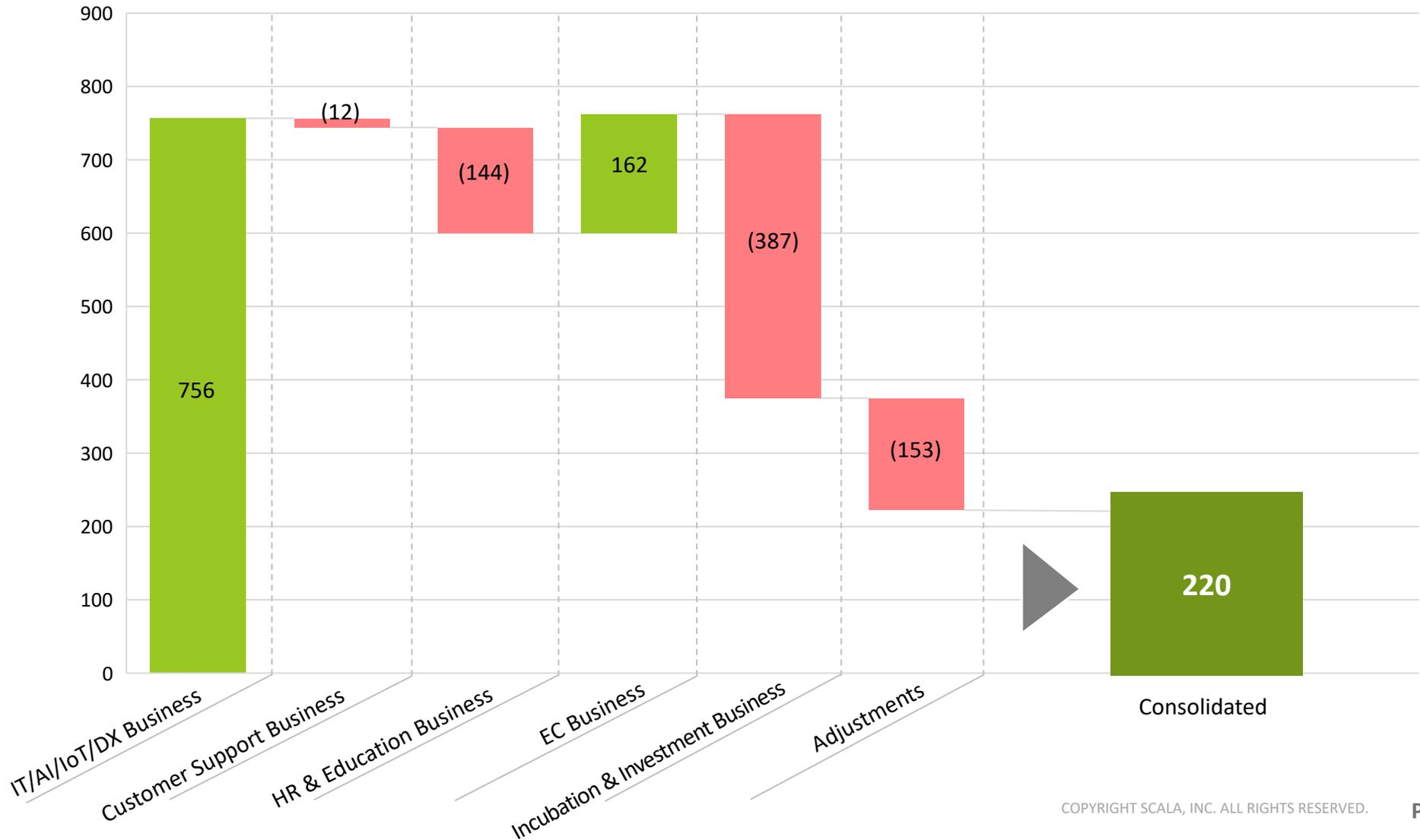
1. Financial Summary Revenue by Segment (IFRS)

Revenue (Millions of yen)



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

Operating profit (Millions of yen)



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)%

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2. Summary by Business Segment

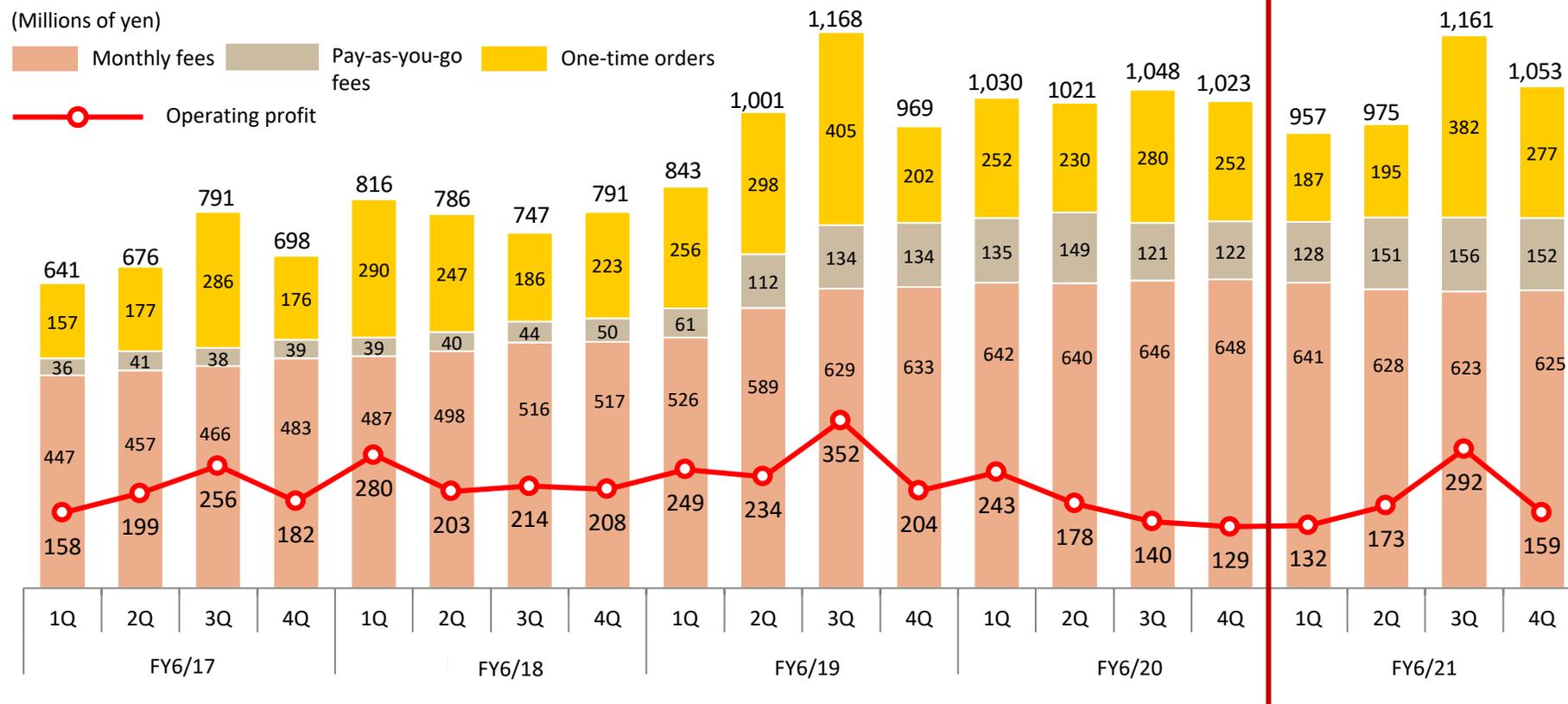
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3. Topics (since April 2021)

2. Summary by Business Segment

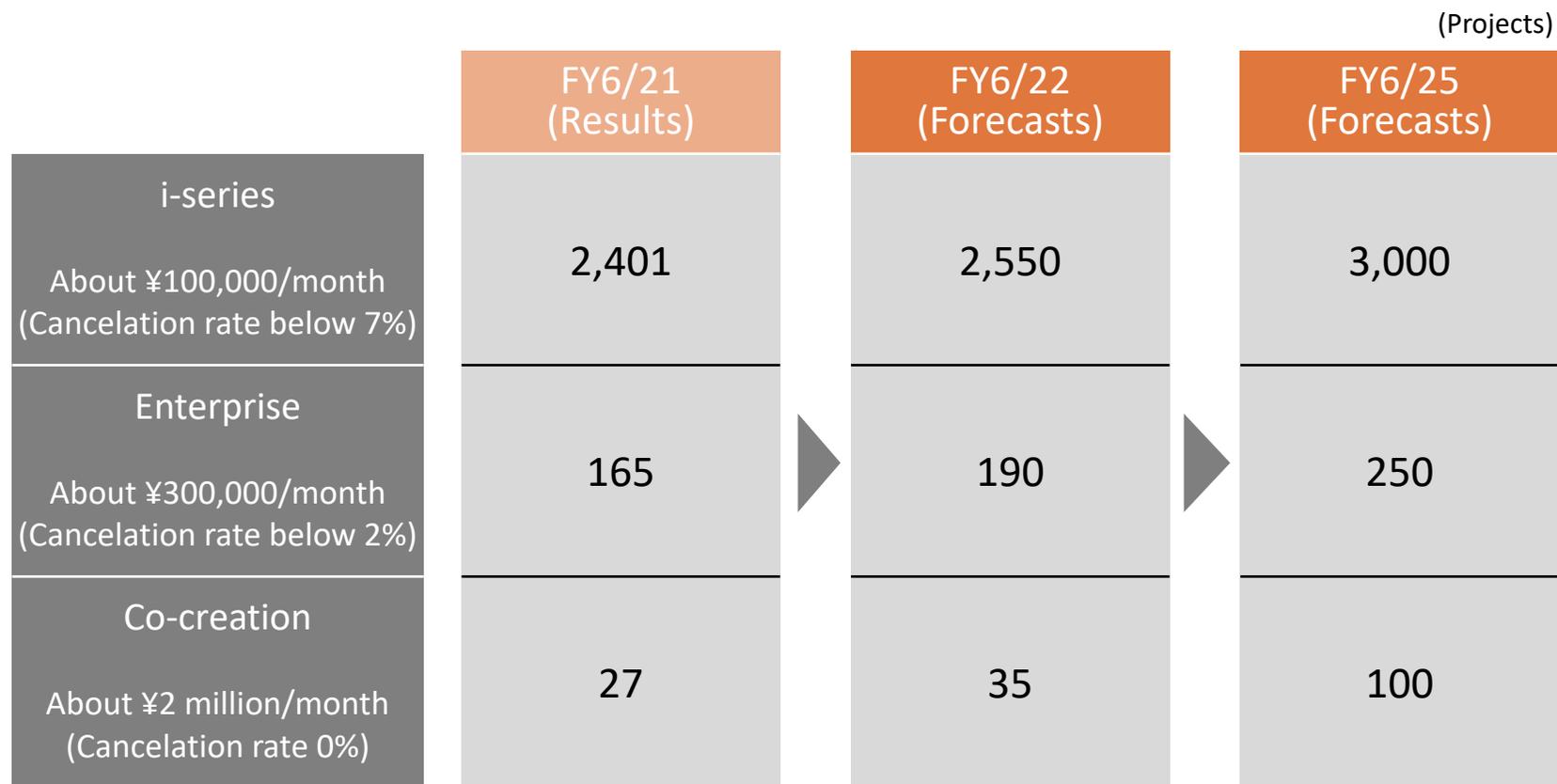
IT/AI/IoT/DX Business (Revenue and Operating Profit)

- 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.



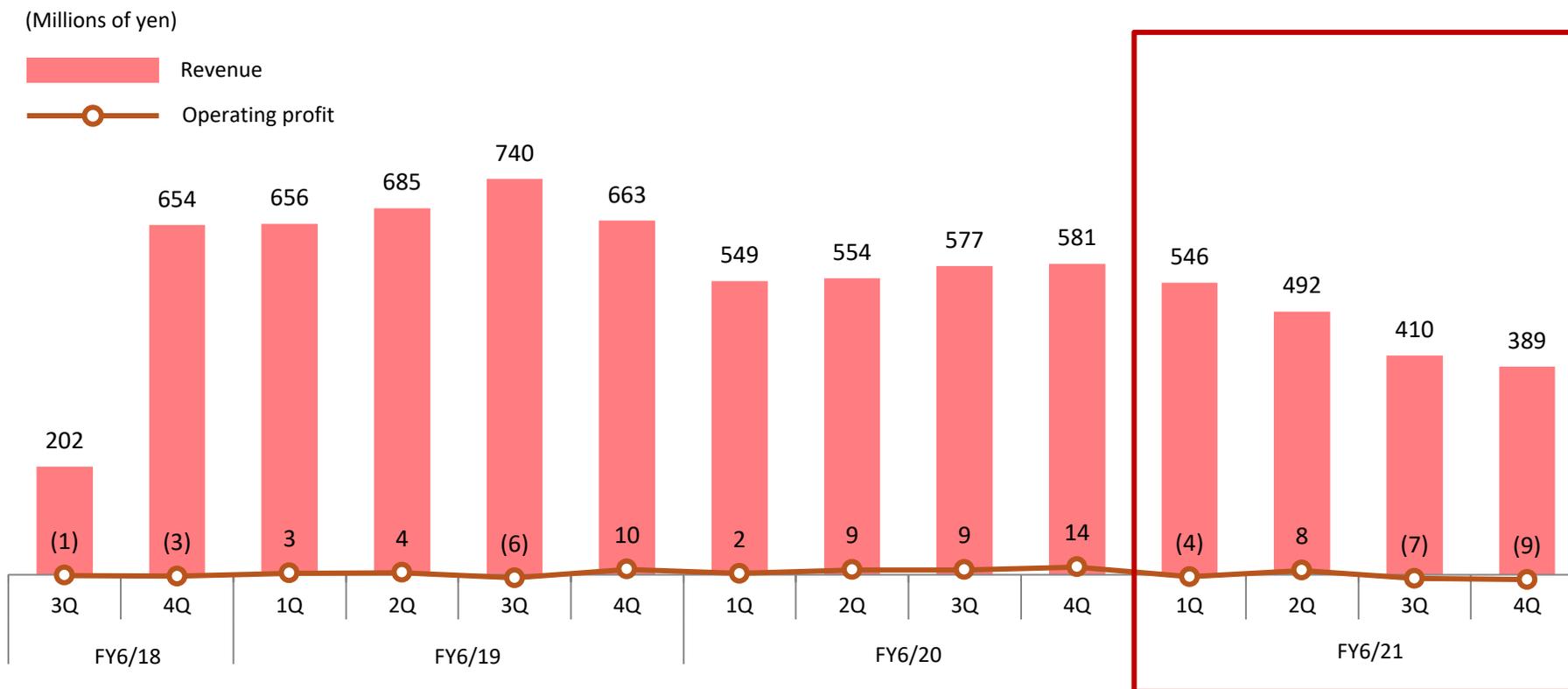
IT/AI/IoT/DX Business (Upcoming Activities)

- 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.



Customer Support Business (Revenue and Operating Profit)

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



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

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.



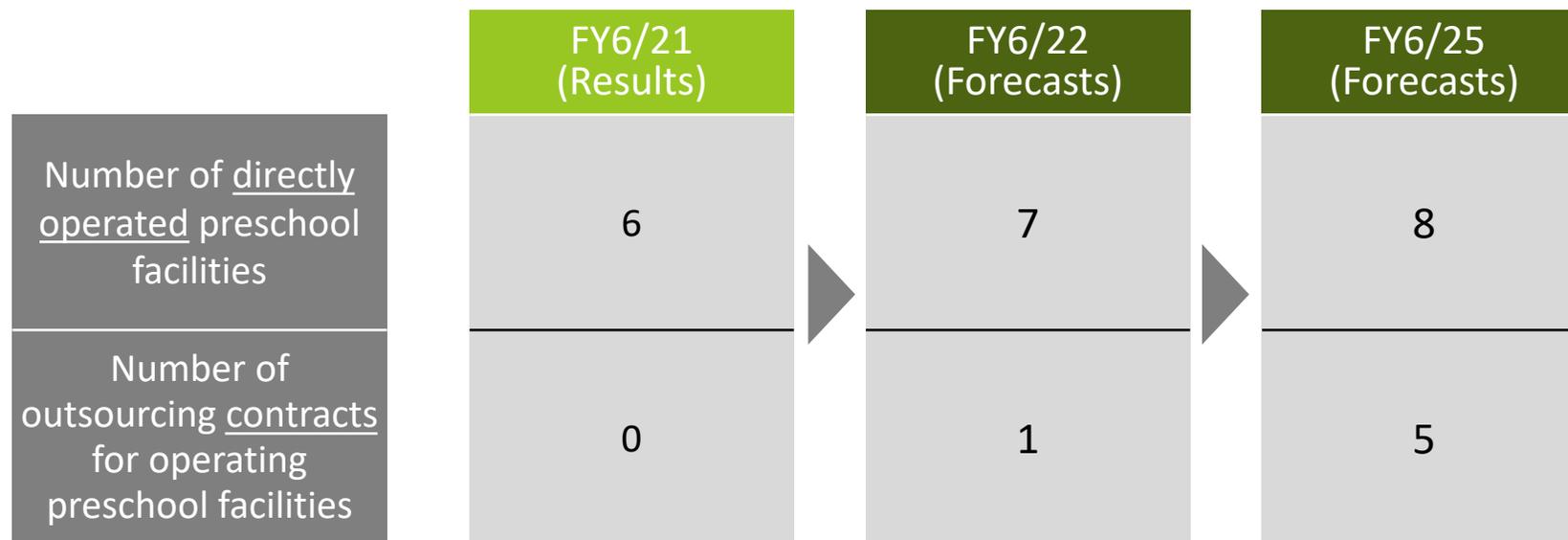
HR & Education Business (Upcoming Activities 1)

- 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

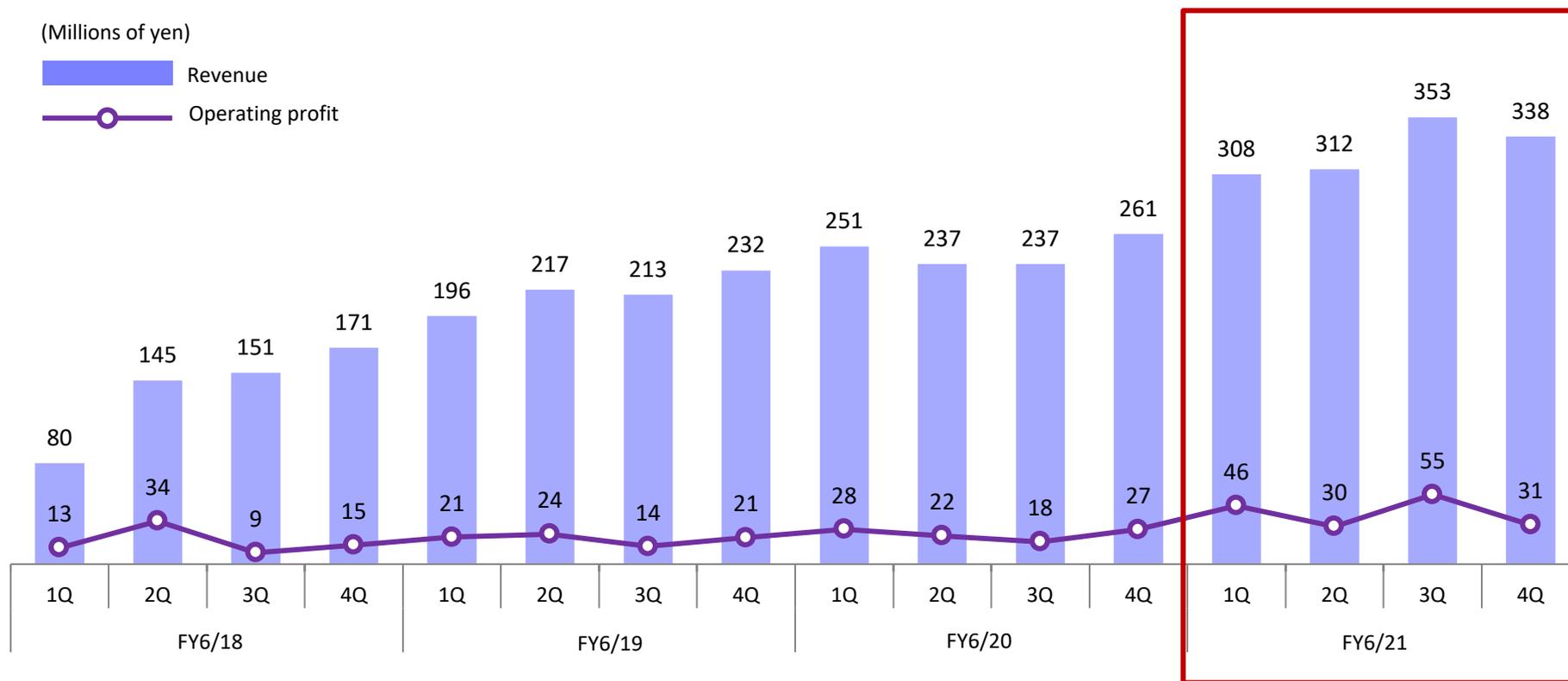
HR & Education Business (Upcoming Activities 2)

- 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.



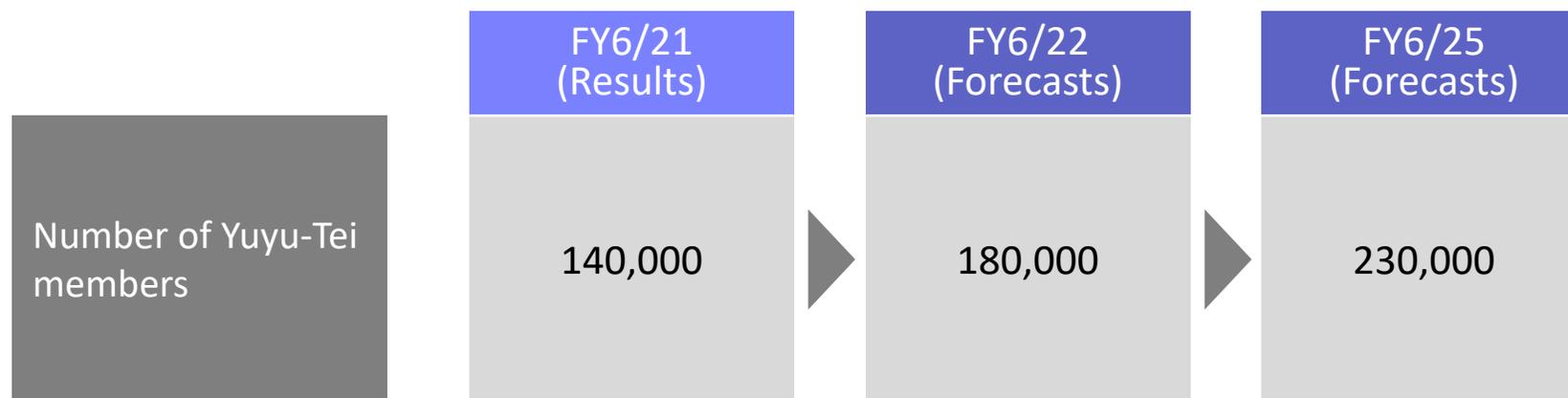
EC Business (Revenue and Operating Profit)

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



EC Business (Upcoming Activities)

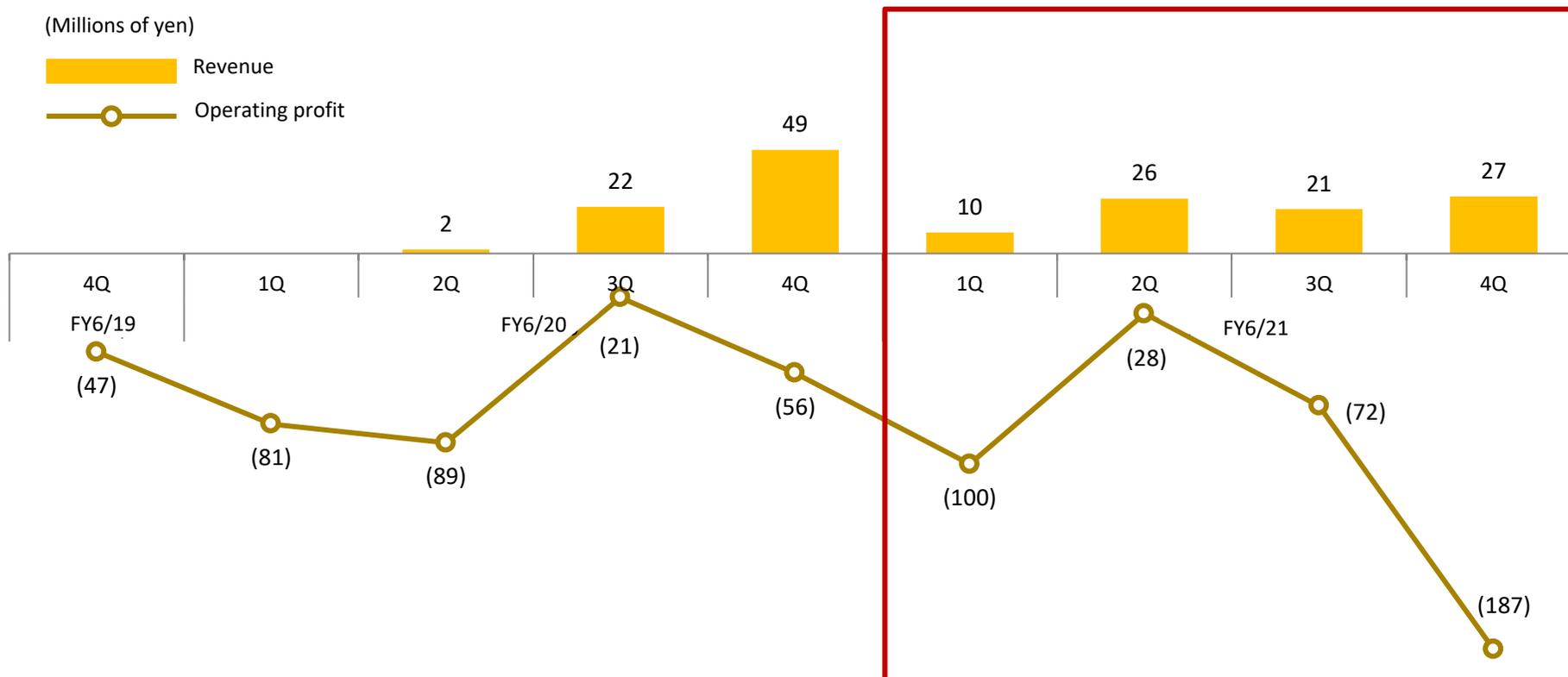
- Continue upgrading and improving systems and strengthen digital marketing to increase the number of members.



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

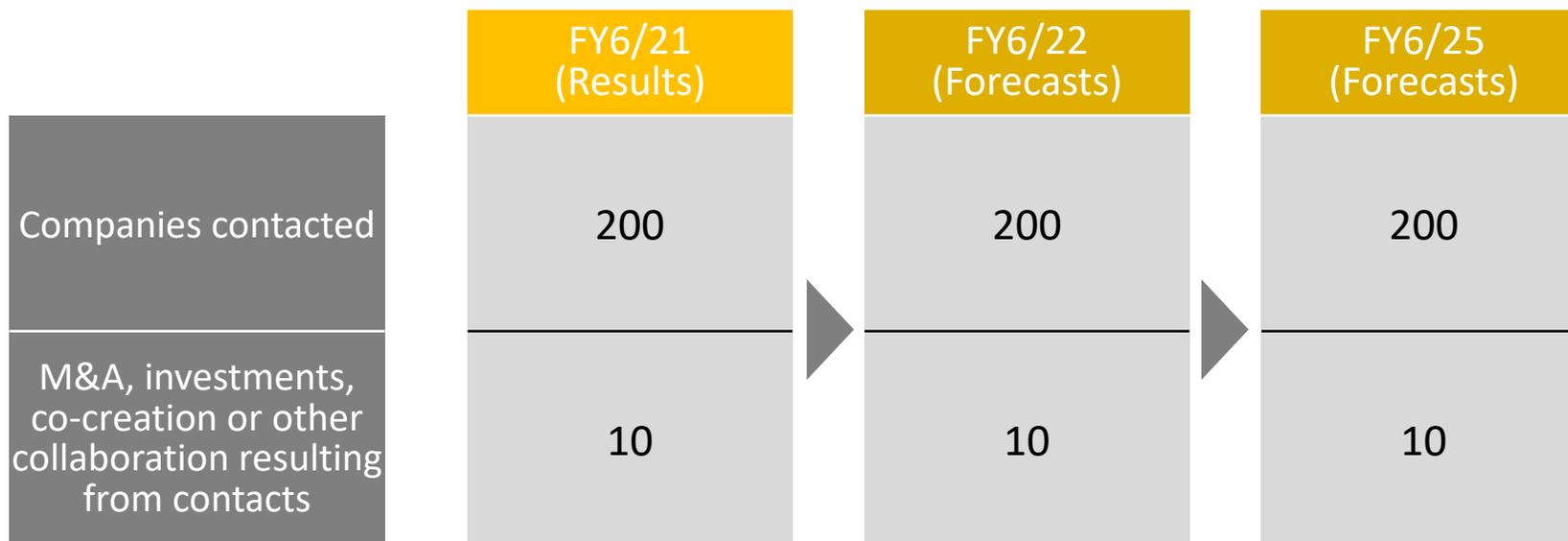
Incubation & Investment Business (Revenue and Operating Profit)

- 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 (Upcoming Activities 1)

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



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.

	FY6/21 (Results)	FY6/22 (Forecasts)	FY6/25 (Forecasts)
Successful matches	2	15	30
Matches of local government entities (same entity may have more than one match)	4	15	100
Outsourcing contracts received due to matching	1	3	30

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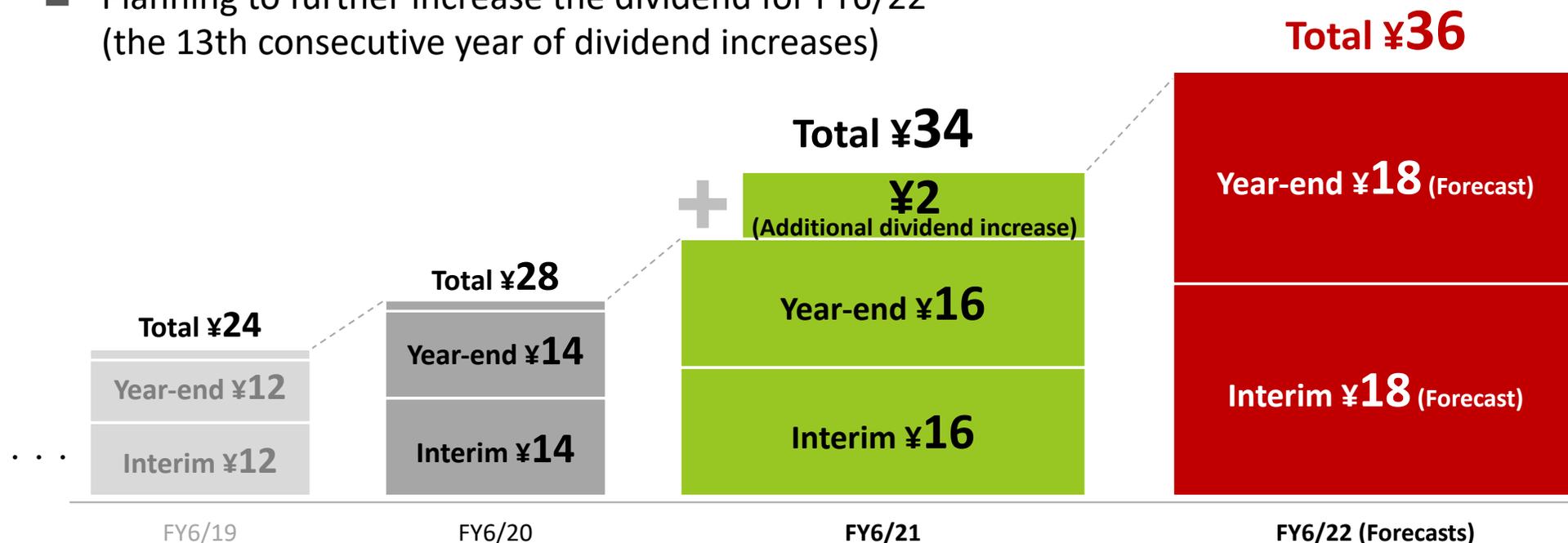
3. Topics (since April 2021)

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

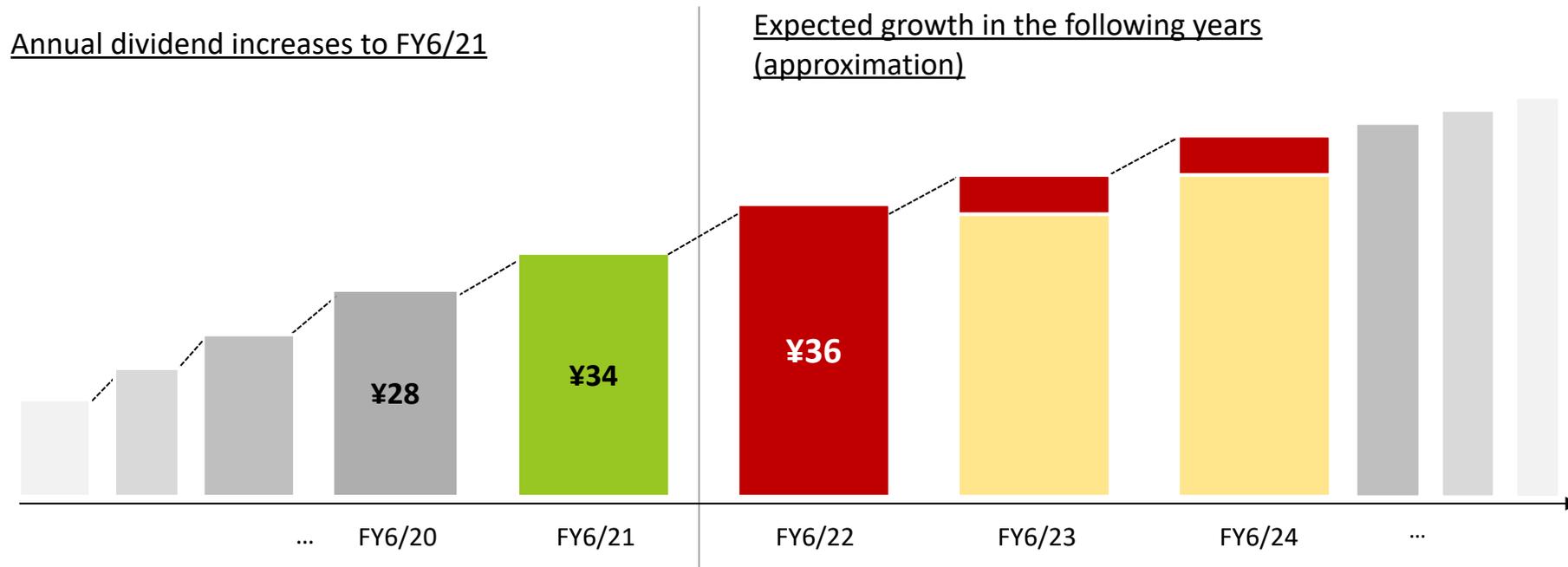
Reference: "Notice Regarding Revisions to Dividend Forecast (Dividend Increase)" released on May 17, 2021 (Japanese only)

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



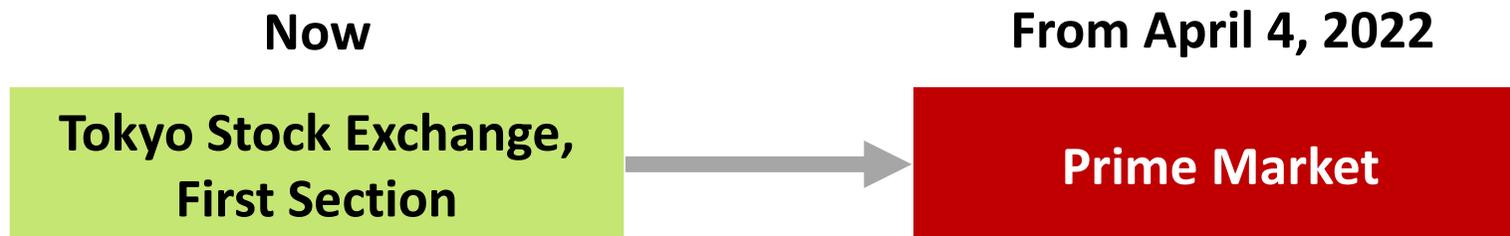
3. Topics Shareholder Returns: Dividend Policies

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



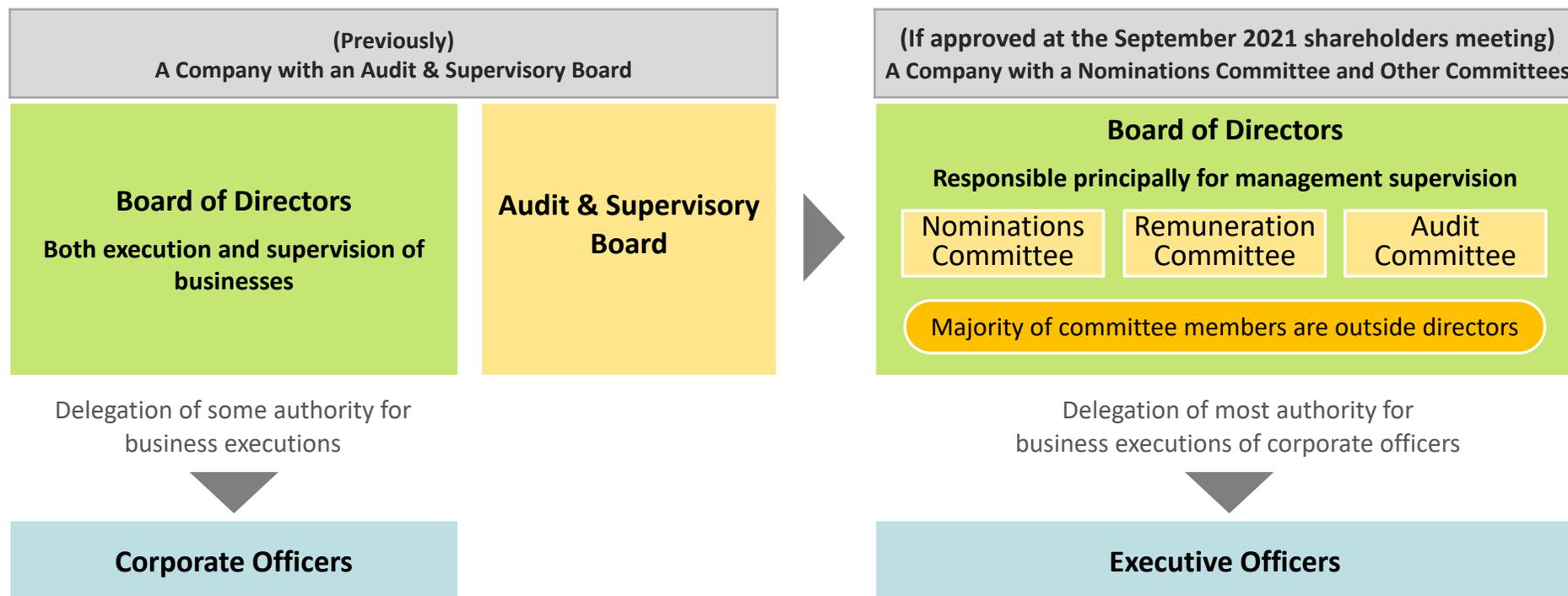
3. Topics **Selection of the Prime Market for the New Listing**

- 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.



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.



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.

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

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.



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.



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.



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.