



To be an ideal company that the world needs

SCALA GROUP

# Results of Operations

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

Scala, Inc. February 14, 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.
- NEW** EGG, Nexway, and TACT conducted a demonstration experiment using AI calls.
- NEW** Launched "eG Plus," a system to utilize test result data of dairy cattle genome.

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.
- NEW** Entered into a strategic partnership with Mirai Works.
- NEW** Started new NFT business in the Web3 domain and invested in UPBOND.

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## Entered into a strategic partnership with Mirai Works

“Specially Appointed Task Force for M&A,” an M&A promotion service focusing on practical support and Mirai Works Inc. which supports various work styles of professionals, have entered into a strategic partnership for the purpose of M&A promotion by human resource support.

<Overview of each service>

- Specially Appointed Task Force for M&A  
An M&A promotion service focusing on practical support.  
Provide hands-on support as part of the clients’ in-house team at each stage of the M&A process.
- FreeConsultant.jp  
A matching service for independent professionals.  
Match professionals with companies and provide hands-on support in resolving management issues.



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

## Invested in UPBOND and started new NFT business in the Web3 domain

For social implementation of Web3, Scala Partners Inc. have invested in UPBOND CORPORATION which owns blockchain technology-based wallet, and provides NFT service as a new business in the Web3 domain.

<Purpose of this investment and future prospect>

Carry out projects centered on sports domain with UPBOND's Web3-compatible wallet technology as the core.

- NFT service that allows participation in the management of sports teams with the concept of “support and earn”
- Development and operation of fantasy sports utilizing NFT

Starting with the sports domain, promote businesses that solve social issues using the Web3.



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

## EGG, Nexway, and TACT conducted a demonstration experiment using AI calls

EGG CO., LTD., jointly with Nexway Co., Ltd. and TACT INC. conducted a demonstration experiment from December 22, 2022 to January 10, 2023 in cooperation with Sanjo City, Niigata Prefecture, Kusatsu Town and Showa Village, Gunma Prefecture to improve communication between donors and local governments when applying for the "one-stop special procedure system" for hometown tax payments.

<Contents of this demonstration experiment>

Verified whether the combination of "Hometown Tax Payment System" by EGG with "NEXLINK On-demand Mail Service", a one-stop postal DM service and "SMSLINK", an SMS delivery service by Nexway and "AI Concierge® for LGWAN", an automatic voice response service for local governments by TACT would increase response time of local governments and reduce their workloads.

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



## Launched "eG Plus," a system to utilize the data of dairy cattle genome test results

Scala Communications Inc. and Elite Genomics Inc. have developed "eG Plus," a system for using the data of dairy cattle genome test results, and started providing the service on January 6, 2023.

<Features of this service>

- Automatically update fluctuating genomic data to the latest and comparing genetic information with national results.
- Display the average of herd genetic traits and herd improvement progress in simple graphs.
- Display results of individual genome tests as well as results of tested mothers, etc.
- Link to mating program to check the crossbreeding of target cows for insemination.



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)

	Second Quarter of FY/22			Second 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	4,259	(78)	-	6,504	140	2.2%	52.7%	-
IT/AI/IoT/DX Business	1,945	201	10.4%	3,318	228	6.9%	70.6%	12.9%
Customer Support Business	700	(15)	-	591	(30)	-	(15.6)%	-
HR & Education Business	697	94	13.6%	811	105	13.0%	16.3%	11.4%
EC Business	815	120	14.7%	1,035	136	13.2%	26.9%	13.8%
Insurance Business	-	-	-	632	(83)	-	-	-
Incubation & Investment Business	99	(474)	-	114	(216)	-	15.2%	-

3. Summary by Business Segment

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

(Millions of yen)

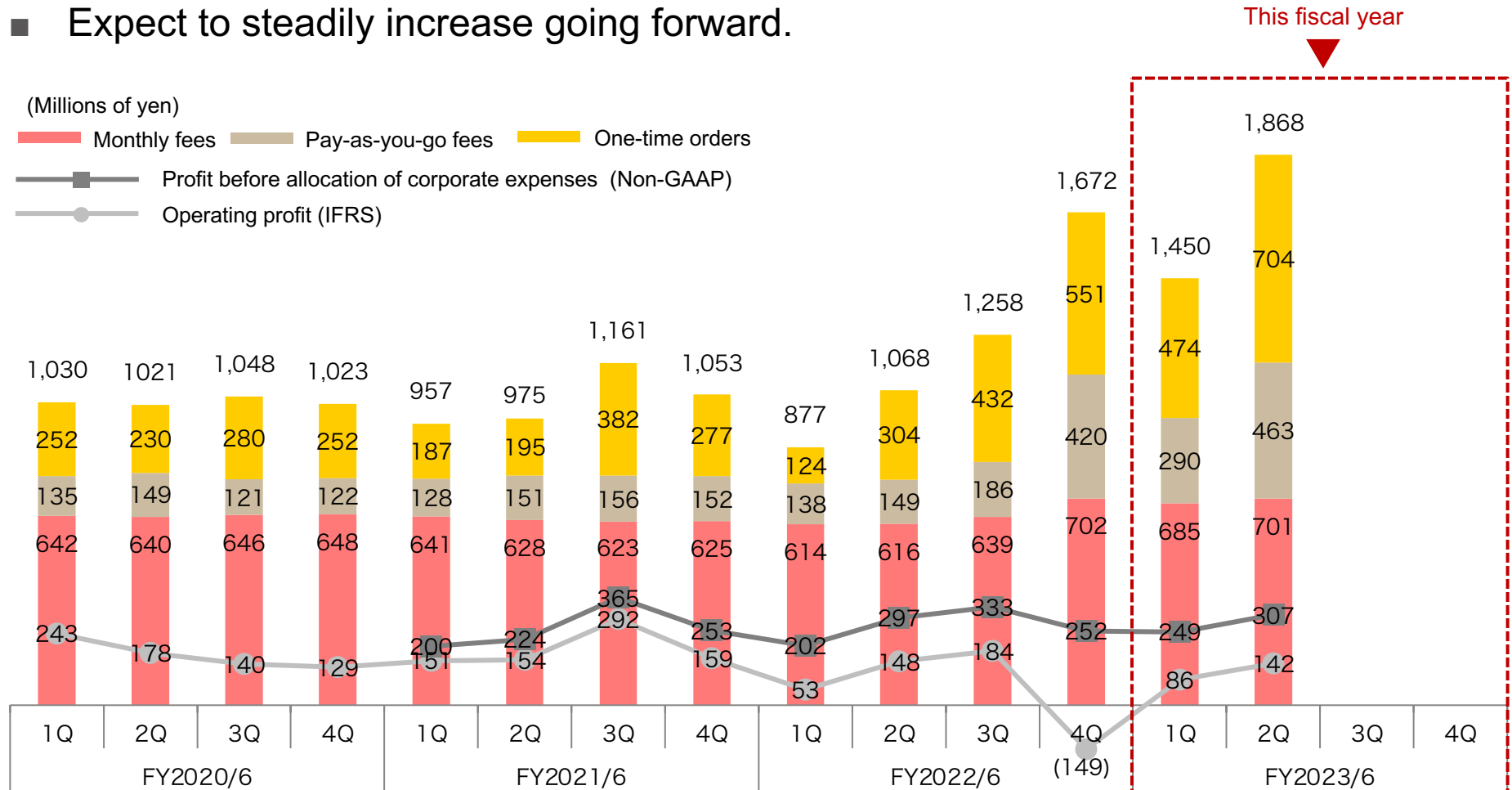
	Second Quarter of FY/22			Second Quarter of FY/23			YoY	
	Revenue	Profit before allocation of corporate expenses	Ratio of operating profit to revenue	Revenue	Profit before allocation of corporate expenses	Ratio of operating profit to revenue	Revenue	Profit before allocation of corporate expenses
<b>Consolidated</b>	<b>4,259</b>	<b>64</b>	<b>1.5%</b>	<b>6,504</b>	<b>140</b>	<b>2.2%</b>	<b>52.7%</b>	<b>116.5%</b>
(Corporate expenses)	-	(527)	-	-	(538)	-	-	-
IT/AI/IoT/DX Business	1,945	499	25.7%	3,318	556	16.8%	70.6%	11.3%
Customer Support Business	700	(13)	-	591	(26)	-	(15.6)%	-
HR & Education Business	697	130	18.7%	811	134	16.6%	16.3%	3.5%
EC Business	815	141	17.3%	1,035	168	16.2%	26.9%	19.2%
Insurance Business	-	-	-	632	(65)	-	-	-
Incubation & Investment Business	99	(164)	-	114	(89)	-	15.2%	-

\*Consolidated figures are based on Non-GAAP.

3. Summary by Business Segment

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

- Revenue in 2Q is up 75% QoQ and 71% 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.

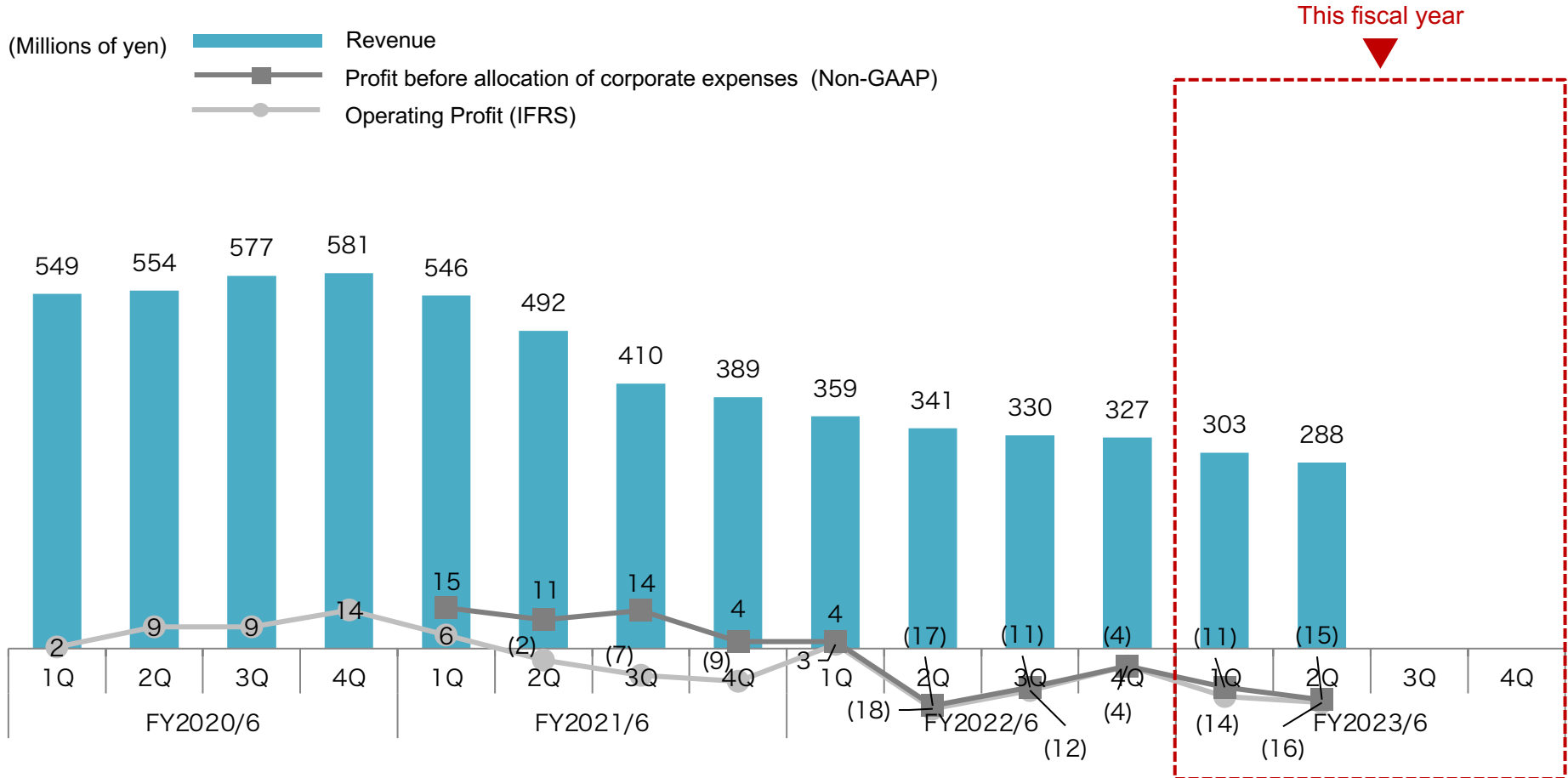
- Conducted demonstration experiments for several companies to establish a “Smart Healthcare Platform” as a co-creation project with Otsuka Pharmaceutical and Sompo Japan Insurance and promoting development for the provision of the service. Continue to discuss and consider development of services on other important health maintenance themes.
- Conducted a demonstration experiment on an automated and unmanned system for hometown tax payment operations in collaboration with Nexway, a TIS INTEC Group company, and TACT, a USEN-NEXT Group company.

3. Summary by Business Segment

# Customer Support Business

(Revenue and Operating Profit)

- Revenue decreased due to lower-than-expected acquisition of new projects.
- Strengthen the development of new projects by revamping the sales structure.



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

# Customer Support Business

(Overview and Initiatives)

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Promoting operational efficiency and revitalizing sections to increase orders.

- Promoting cost reduction measures following the transfer of operations to the in-house Okinawa call center.
- Received new orders for BPO projects and continue to prepare for starting operations in 3Q.

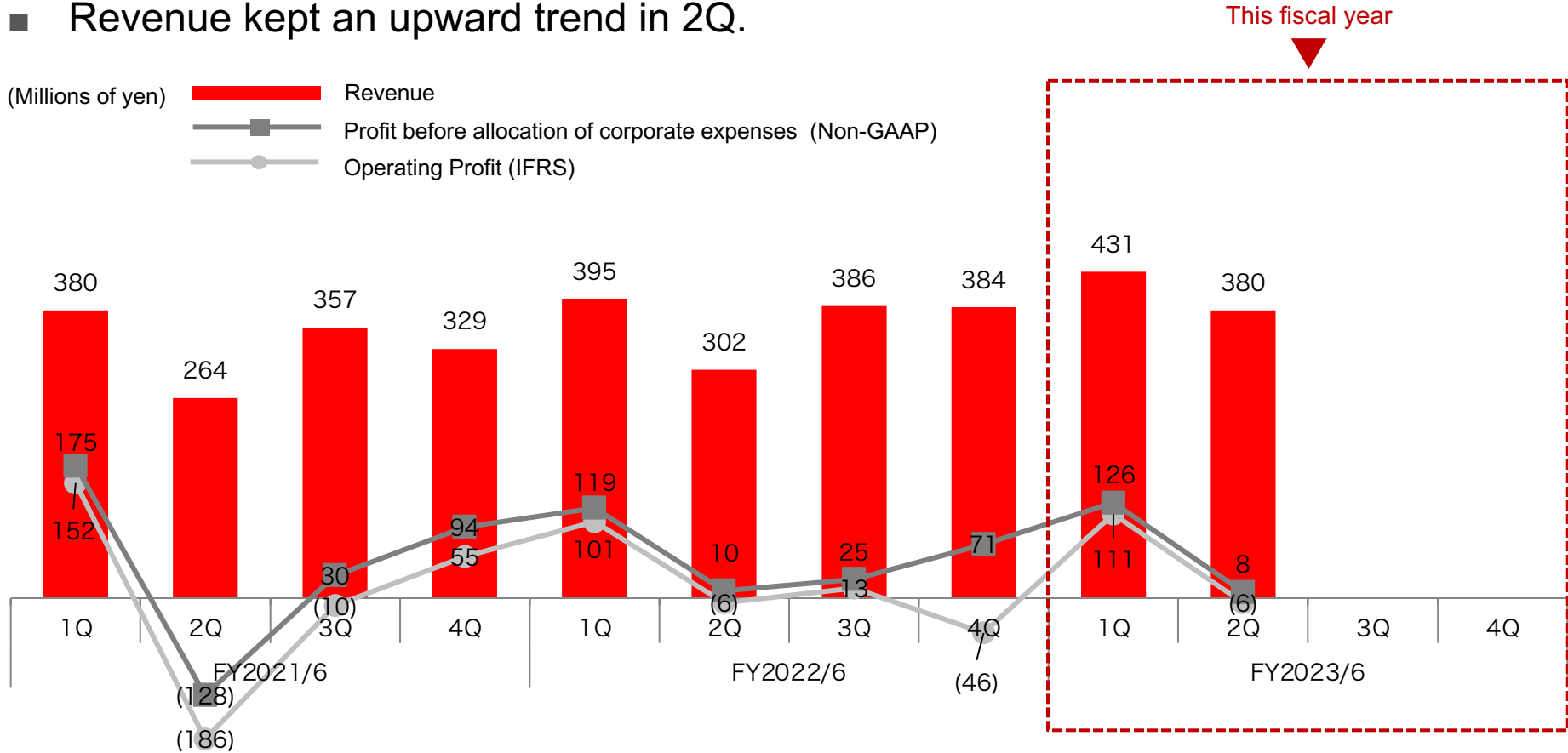


3. Summary by Business Segment

# HR & Education Business

(Revenue and Operating Profit)

- Economic resumption and increasing recruitment activities offset seasonal factors in 2Q.
- Revenue kept an upward trend in 2Q.



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

# HR & Education Business

(Overview and Initiatives)

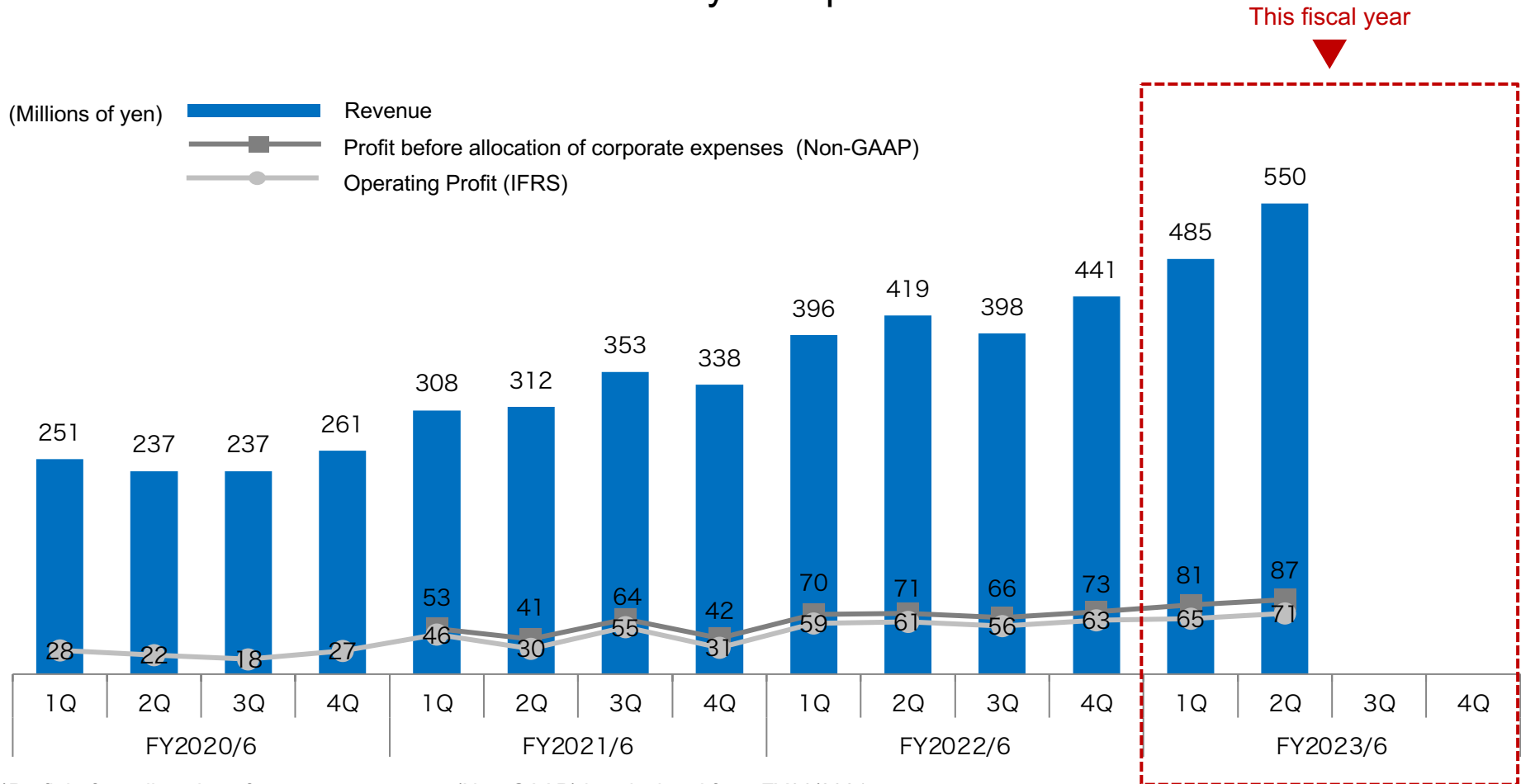
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- The number of companies participating in the joint corporate information sessions for new employees who will start to work in the spring of 2024 remained at a high level.
- Preschools "Universal Kids Shinagawa" and "Universal Kids Bangkok", which pre-opened last September, will open in April.
- The Saitama Broncos keeps high score aiming for play-offs.
- Broncos Basketball Academy operates youth teams and schools, and aims to become an indispensable presence in Saitama Prefecture.

3. Summary by Business Segment

# EC Business (Revenue and Operating Profit)

- Continuing from the 1Q, both revenue and profit reached a record high.
- Overseas demand increased due to yen depreciation.



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

- Digital marketing such as SEO has been successful, and the number of Yuyu-Tei members increased from 188,000 at the end of the last fiscal year to 215,000 at the end of this quarter.  
\*250,000 as of the end of the current fiscal year (planned)
- Developing a password-less login solution equipped with robust security features.
- iOS application is performing well, and Android application will be released in this fiscal year.

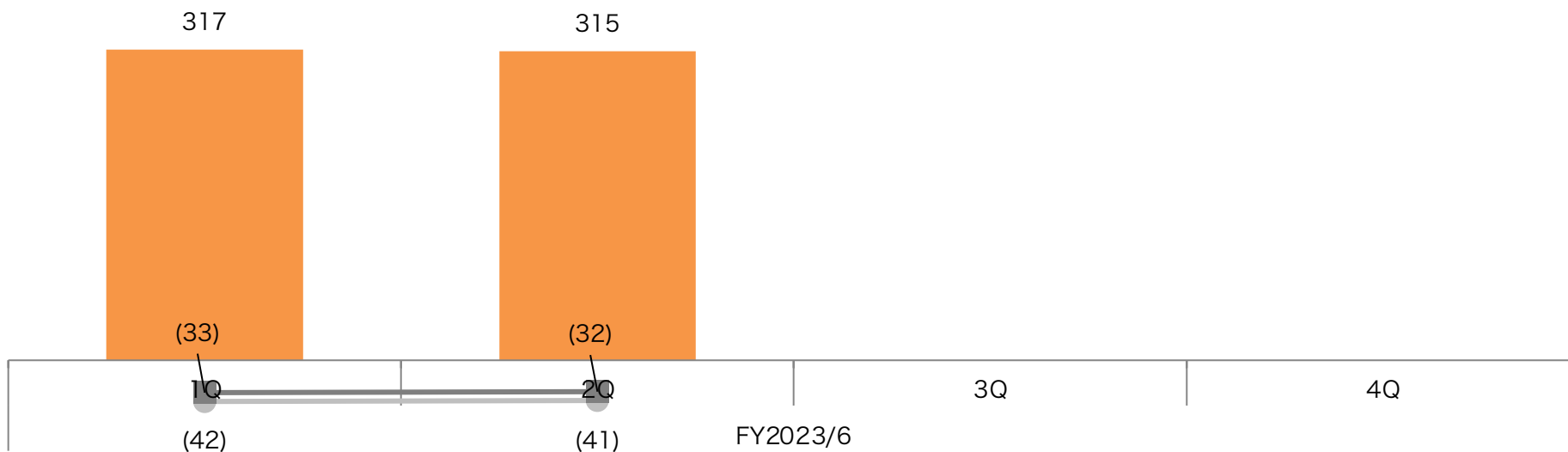
3. Summary by Business Segment

# Insurance Business (Revenue and Operating Profit)

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

(Millions of yen)

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



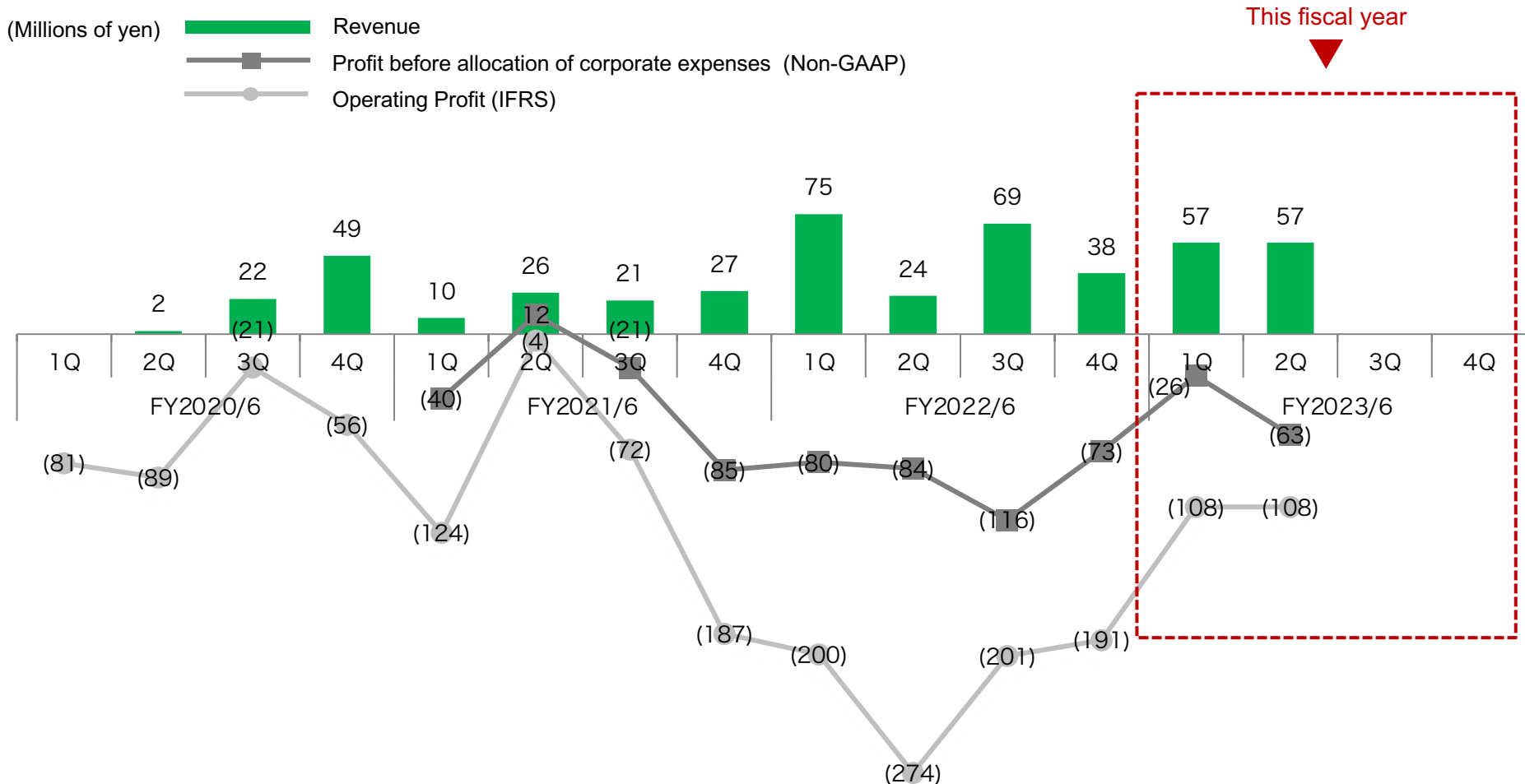
- To acquire new contracts, working to strengthen SEO measures and advertisement delivery and find new sales channels.
- Focusing on improving cost structure and reducing loss ratio by reviewing business partners and streamlining business operations.

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)

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- Concluded the “Agreement on public-private co-creation for DX/CX promotion” with Toyota City in Aichi Prefecture.
- Through Gyaku Propo services, the project by QUICK Corp. matched to eight local governments (Yamagata City, Yokohama City, Kosai City, Toyota City, Kaga City, Koryo Town, Ikoma City, Hirakata City) and the project by OITA TRINITA (Oita FC) matched to Koryo Town in Nara.



# Path to Achievement of Mid-term Management Plan COMMIT5000

## Realizing an enriched society and better lives Signs of sprouting from sown seeds in some fields



Value for Society

Enriching society

Value for Individuals

Making people's lives better



SOCIALX, INC.

"The best experience  
in public-private co-creation."

X 志ノカタ

関係にイノベーションを。  
逆転の発想から生まれた新しい官民共創のカタチ



プロジェクトは「探す」から「実る」へ。  
アイデアは「採集される」から「出し合う」へ。



Collaboration with Otsuka Pharmaceutical and  
Sompo Japan Insurance to create a  
"Smart Healthcare Platform"

SCALA COMMUNICATIONS

Otsuka 大塚製薬

SOMPO 損保ジャパン

スカラコミュニケーションズ・大塚製薬・損保ジャパン

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## 4. Company Overview

# Company Overview

<b>Name</b>	Scala, Inc. (Tokyo Stock Exchange, Prime Market, Securities code : 4845)	
<b>Headquarters</b>	32F Shibuya Hikarie, 2-21-1, Shibuya, Shibuya-ku, Tokyo	
<b>Established</b>	December 11, 1991	
<b>Business</b>	IT/AI/IoT/DX Business, Customer Support Business, HR & Education Business, EC Business, Insurance Business and Incubation & Investment Business	
<b>Employees</b>	610 (As of December 31, 2022, consolidated)	
<b>Average age</b>	35.3	
<b>Capital</b>	1,783million	
<b>Fiscal year end</b>	June 30	
<b>Subsidiaries</b>	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
<b>IT/AI/IoT/DX Business</b>	<ul style="list-style-type: none"> <li>• Scala Communications, Inc.</li> <li>• Scala Service, Inc.</li> </ul>	Provision of SaaS/ASP services
	<ul style="list-style-type: none"> <li>• Scala Next, Inc.</li> <li>• readytowork Co., Ltd.</li> </ul>	Development of SaaS/ASP services, offshore development activities
	<ul style="list-style-type: none"> <li>• Connect Agency, Inc.</li> </ul>	Cloud PBX services
	<ul style="list-style-type: none"> <li>• Retool, Inc.</li> </ul>	Planning, development and sale of administrative tools using the cloud
	<ul style="list-style-type: none"> <li>• Social Studio Inc.</li> </ul>	DX for the national and local governments and activities involving the SDGs
	<ul style="list-style-type: none"> <li>• EGG CO., LTD.</li> </ul>	System development, system maintenance and network establishment
<b>Customer Support Business</b>	<ul style="list-style-type: none"> <li>• Leoconnect, Inc.</li> </ul>	Customer support (call center operation and other support) consulting
<b>HR &amp; Education Business</b>	<ul style="list-style-type: none"> <li>• Athlete Planning, Inc.</li> </ul>	Support for recruiting activities (fresh graduate, mid-career), etc.
	<ul style="list-style-type: none"> <li>• FourHands, Inc.</li> </ul>	Preschool child care/education, community development assistance, etc.
	<ul style="list-style-type: none"> <li>• Sports Stories, Inc</li> </ul>	Physical education, sports lessons, etc.
	<ul style="list-style-type: none"> <li>• Broncos20 Co., Ltd.</li> </ul>	Management of basketball club team
<b>EC Business</b>	<ul style="list-style-type: none"> <li>• Scala PLAYce, Inc.</li> </ul>	Operation of e-commerce site for buying and selling trading cards for competition games
<b>Insurance Business</b>	<ul style="list-style-type: none"> <li>• Nihon Pet Small-amount Short-term Insurance Company</li> </ul>	Provision of low-premium, short-term insurance plans
<b>Incubation &amp; Investment Business</b>	<ul style="list-style-type: none"> <li>• Scala, Inc.</li> </ul>	Operation of e-commerce site for buying and selling trading cards for competition games
	<ul style="list-style-type: none"> <li>• Scala Partners, Inc.</li> </ul>	Headquarters for the Scala Group, holding company functions, investment business
	<ul style="list-style-type: none"> <li>• J-Phoenix Research Inc.</li> </ul>	Innovation, incubation, investments
	<ul style="list-style-type: none"> <li>• SCL Capital LLC</li> </ul>	Support for value creation management (analyst reports, preparation of integrated reports, support for the operation of funds)
	<ul style="list-style-type: none"> <li>• SCSV-1 Investment Limited Partnership</li> </ul>	Management of investment funds
	<ul style="list-style-type: none"> <li>• SOCIALX, Inc.</li> </ul>	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.