



SCALA GROUP

The Second Quarter of  
the Fiscal Year Ending June 30, 2024

# Results of Operations

Scala, Inc. Feb 14, 2024

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## 2Q Results Summary

### Results for the second quarter of FY6/24

- Revenue was **5,694 million yen** (-10.1% YoY) and operating profit was **-237 million yen**.
- Termination and downsizing of large transactions and downsizing of projects due to changes in certain industry situations in the DX Business.

### DX Business

- Revenue was **2,949 million yen** (-21.6% YoY) and operating profit was **-128 million yen**.
- Termination and downsizing of the Go To Travel business and national travel support project, and downsizing of projects due to changes in the industry situations of certain customers.

### HR & Education Business

- Revenue was **874 million yen** (+7.8% YoY) and operating profit was **86 million yen** (-18.2% YoY).
- High demand from companies to exhibit at recruiting events, and strengthen our workforce for launching new business.

### EC Business

- Revenue was **1,138 million yen** (+10.0% YoY) and operating profit was **147 million yen** (+8.3% YoY).
- Continue to improve details of the service.

### Financial Related Business

- Revenue was **606 million yen** (-4.1% YoY) and operating profit was **-126 million yen**.
- Upfront investments related to marketing and other activities, and new products that are more competitive in terms of price and coverage launched on February 1, 2024.

### Incubation Business

- Revenue was **123 million yen** (+30.4% YoY) and operating profit was **-127 million yen**.
- Increased demand from local governments and companies, and upfront costs of developing M&A-related services.

Revenue and operating profit figures are IFRS-based results for the first half of the fiscal year.

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## Consolidated Financial Results

- Revenue was 5,694 million yen (-10.1% YoY), and operating profit was -237 million yen, down YoY due to the termination and downsizing of large transactions, and downsizing of projects due to changes in certain industry situations in the DX Business

1H of FY2024 (millions of yen)

Revenue
<b>5,694</b>
YoY - 642 (- 10.1%)

	Results		YoY change	
	1H of FY2024	1H of FY2023		
DX	2,949	3,759	- 810	- 21.6%
HR & Education	874	811	+ 63	+ 7.8%
EC	1,138	1,035	+ 103	+ 10.0%
Financial Related	606	632	- 26	- 4.1%
Incubation	123	95	+ 28	+ 30.4%

Operating Profit
<b>- 237</b>
YoY - 373 (-)

	Results		YoY change	
	1H of FY2024	1H of FY2023		
DX	- 128	200	- 329	—
HR & Education	86	105	- 19	- 18.2%
EC	147	136	+ 11	+ 8.3%
Financial Related	- 126	- 83	- 42	—
Incubation	- 127	- 122	- 5	—

\*Revenue and operating profit figures are IFRS-based results for the first half of the fiscal year.

\*Revenues and operating profit for each segment are figures after allocation of corporate expenses.

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## Results by Business Segment

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### DX Business

## DX Business

- Due to changes in certain industry situations, the downsizing of existing projects, and the delayed implementation of a few projects, revenue was 2,949 million yen (-21.6% YoY) and operating profit was -128 million yen, down YoY.

1H of FY2024 (millions of yen)

Revenue

**2,949**

YoY -810 (-21.6%)

	Results		YoY change	
	1H of FY2024	1H of FY2023		
Scala Communications	1,600	1,918	-317	-16.6%
EGG	658	1,239	-581	-46.9%
Others	689	601	+88	+14.7%

Operating Profit

**-128**

YoY -329 (-)

	Results		YoY change	
	1H of FY2024	1H of FY2023		
Scala Communications	-140	72	-213	—
EGG	65	176	-110	-62.8%
Others	-53	-48	-4	—

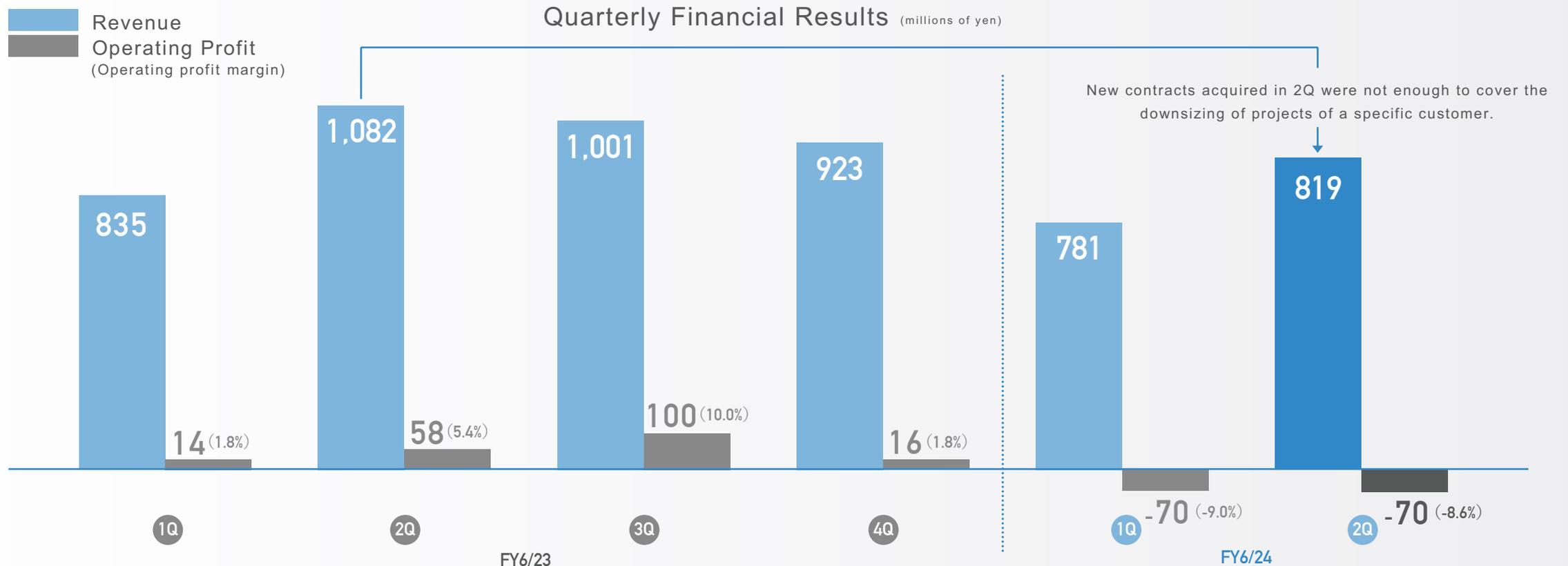
\*Revenue and operating profit figures are IFRS-based results for the first half of the fiscal year.

\*Revenues and operating profit for each segment are figures after allocation of corporate expenses.

\*Revenues and operating profit figures for each company are non-consolidated.

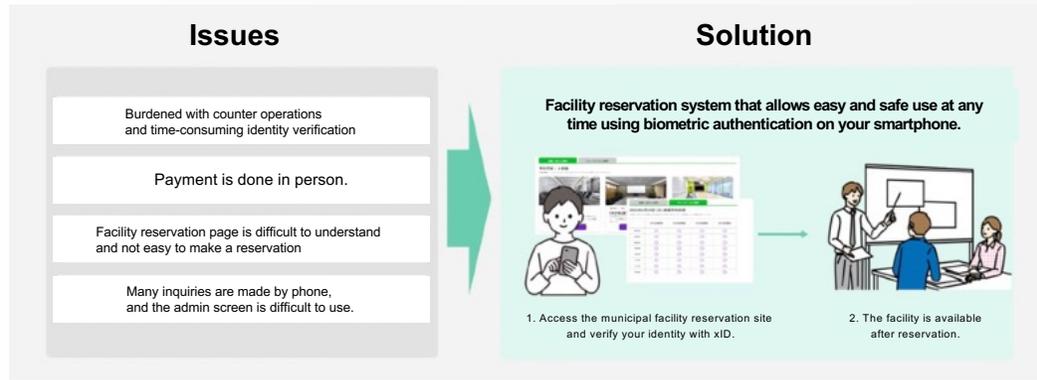
\*Figures for Others are the sum of the figures for companies other than the listed companies and consolidation adjustments.

- Temporary changes in the industry situation for a specific client with large transactions caused a downsizing of projects.
- Despite steady progress in acquiring new customers with the potential to grow at the same rate as the downsized projects, revenue and operating profit were lower than in the same period of the previous fiscal year as the downsized projects could not be offset as of the second quarter.



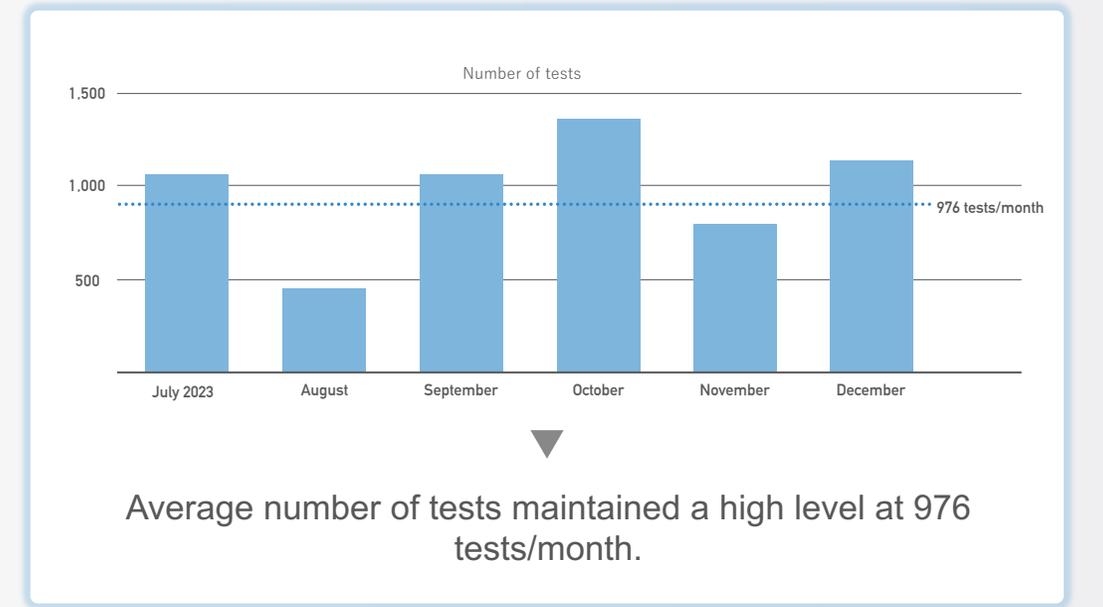
- Introduction of the following new services is steady.

### Facility reservation system linked to digital ID



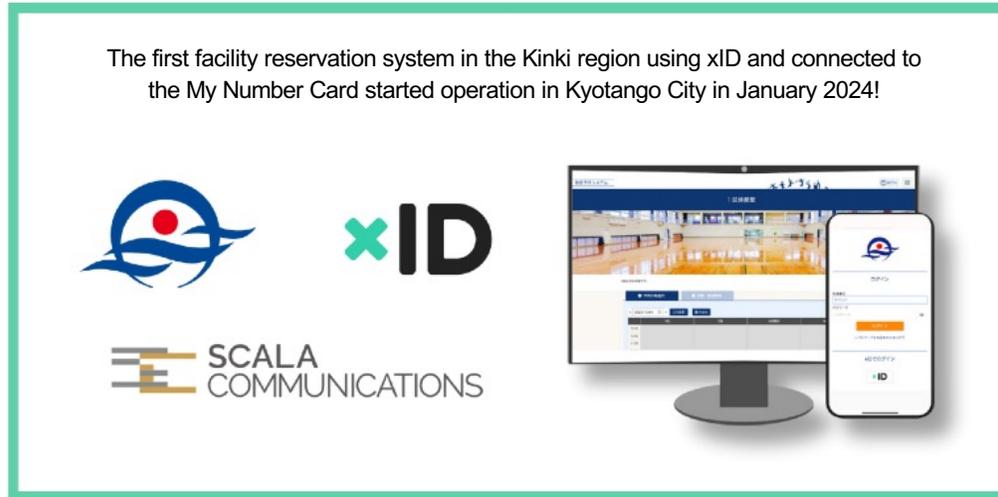
	2Q of FY6/24	End of FY6/24
<b>Total number of clients</b> <small>*Number of orders received</small>	3 municipalities	37 municipalities (estimated)
<b>Average unit price</b> <small>*One-time sales + monthly sales in the current period / number of months sales in the current period</small>	5.7 million yen	

### Data utilization system of dairy cattle genome test results



Press release details <https://scalagr.jp/news/2023/01-genomics-scom>

- Facility reservation system linked to the My Number Card is launched in Kyotango City.



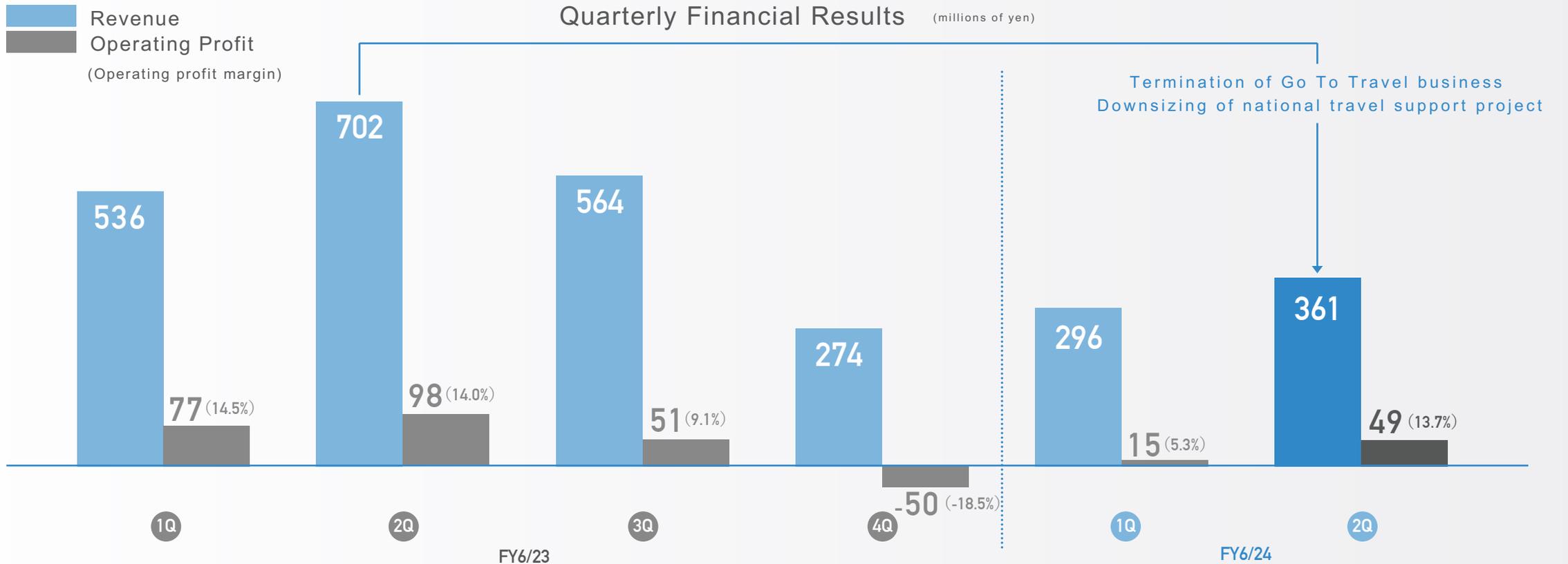
- Scala Communications Inc., a consolidated subsidiary, developed a facility reservation system linked to digital IDs together with xID Inc.
- Started providing the "PORTAL X" facility reservation system to Kyotango City, Kyoto Prefecture, in January 2024.

#### What you can do with it

1. Online user registration using the My Number Card
2. Online payment by credit card or ID payment
3. Smart lock

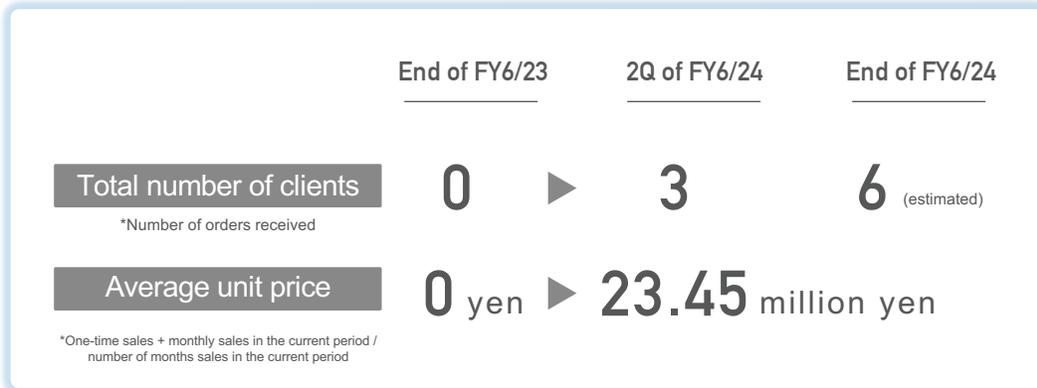
Press release details <https://scala-com.jp/news/2023/10-kinki-portalx>

- Revenue and operating profit declined YoY due to the termination of the Go To Travel business, the downsizing of the national travel support project, and upfront development costs for a municipal project scheduled for release in 3Q.



- Continued to focus on winning new development projects, including several Digital Garden City projects.

Some of the projects selected for the Digital Garden City National Fund adopted



1. ASTER II for LINE

Frailty level assessment system function and management system using the municipalities' official LINE as the entry point.  
A digital ID is used to authenticate individuals, and the results of each individual's frailty assessment are collected in a management system for municipal employees. Based on the results, staff members provide advice to help prevent frailty.

2. Frailty prevention project management system & application

Frailty level assessment function and management system via smartphone apps (Android & iOS).  
In addition to the frailty assessment function, this is an integrated solution that enables total operation management, including a function for proxy input of frailty results by affiliated private companies (e.g., nursing care providers) to support the checking of the frailty level of elderly people and a billing function for proxy input by business offices.

3. AI automatic detection and analysis system for high-risk frail people

A solution that automatically collects various types of data such as frailty assessment data, KDB (National Health Insurance database), and nursing care core systems, etc., performs predictive analysis and detects frailty high-risk people, and automatically notifies local government officials.

\*Scheduled for release in FY2024.

Details of some of the projects selected for the Digital Garden City National Fund adopted

<https://dx.columbusegg.co.jp>  
<https://egg.co.jp/news/20231124>

## Results by Business Segment

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### HR & Education Business

## HR & Education Business

- Revenue continued to grow to 874 million yen (+7.8% YoY) due to strong demand from companies to exhibit at events in response to the trend of job-hunting activities starting earlier.
- Operating profit was 86 million yen (-18.2% YoY) due to the impact of increased personnel following the launch of new businesses.

1H of FY2024 (millions of yen)



	Results		YoY change	
	1H of FY2024	1H of FY2023		
Athlete Planning	487	461	+ 25	+ 5.6%
Others	387	349	+ 37	+ 10.8%



	Results		YoY change	
	1H of FY2024	1H of FY2023		
Athlete Planning	126	142	- 15	- 11.1%
Others	- 39	- 36	- 3	—

\*Revenue and operating profit figures are IFRS-based results for the first half of the fiscal year.

\*Revenues and operating profit for each segment are figures after allocation of corporate expenses.

\*Revenues and operating profit figures for each company are non-consolidated.

\*Figures for Others are the sum of the figures for companies other than the listed companies and consolidation adjustments.

\*Events: Joint information sessions for new graduates and matching events with companies

- Business KPIs remained steady as needs for exhibiting at visitor-type events remained high for both new and existing companies.
- Launched new businesses in both the "Recruiting" and "Education" fields. Aiming for early expansion of business performance by effectively utilizing assets developed in existing businesses.

## Business KPIs

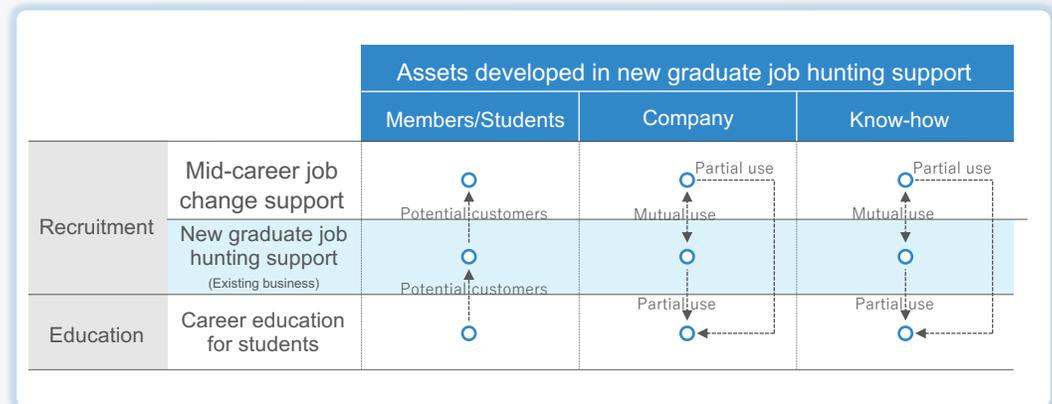
		Results	YoY change
Athletic Students	Number of events (times) <small>(Breakdown) In-person / Online</small>	32 (21 / 11)	± 0 (+ 2 / - 2)
	Number of companies exhibiting at the event <small>(Breakdown) In-person / Online</small>	630 (516 / 114)	+ 52 (+ 64 / - 12)

		Results	YoY change
Female Students	Number of events (times) <small>(Breakdown) In-person / Online</small>	7 (6 / 1)	+ 4 (+ 4 / ± 0)
	Number of companies exhibiting at the event <small>(Breakdown) In-person / Online</small>	29 (18 / 11)	+ 11 (+ 12 / - 1)

\*Events: Joint information sessions for new graduates and matching events with companies

## Topics

- Launched businesses of a mid-career job change support and a career education for students.
- Aiming to provide highly unique services by effectively utilizing assets developed in the existing new graduate job hunting support business.



## Results by Business Segment

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### EC Business

## EC Business

- Revenue was 1,138 million yen (+10.0% YoY), and operating profit was 147 million yen (+8.3% YoY).
- Both revenue and operating profit increased compared to the same period of the previous year and are steady.

1H of FY2024 (millions of yen)

Revenue

**1,138**

YoY **+103 (+10.0%)**

	Results		YoY change	
	1H of FY2024	1H of FY2023		
Scala PLAYce	1,138	1,035	+ 103	+ 10.0%

Operating Profit

**147**

YoY **+11 (+8.3%)**

	Results		YoY change	
	1H of FY2024	1H of FY2023		
Scala PLAYce	147	136	+ 11	+ 8.3%

\*Revenue and operating profit figures are IFRS-based results for the first half of the fiscal year.

\*Revenues and operating profit for each segment are figures after allocation of corporate expenses.

- Business KPIs are progressing well.
- Continued to refine the details of the service to further enhance the customer experience value.

## Business KPIs

		Results	YoY change
EC Site (Yuyu-Tei)	Number of members	265,617	+ 50,560
	Inventory (Thousands of yen)	323,639	+ 78,488
	Number of page views in December (thousands)	9,138	+ 1,648
	Number of unique users in December (thousands)	655	+ 184

## Topics

- Refining details of the service to improve the customer experience value.

Inflow	Continuous improvement of SEO to increase site inflows.
Membership	Continuous site redesign, including UI/UX improvements, to increase the number of loyal members.
Inventory	Strengthening purchases to ensure a solid inventory with high coverage.
Inventory Turnover	Introduction of image recognition AI to improve delivery efficiency and reduce costs (test operation has started).

## Results by Business Segment

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### Financial Related Business

## Financial Related Business

- Revenue was 606 million yen (-4.1% YoY) at the same level as the same period of the previous fiscal year.
- Operating profit was -126 million yen, down from the same period of the previous fiscal year, due to upfront investments to strengthen marketing and develop new products.

1H of FY2024 (millions of yen)

Revenue

**606**

YoY -26 (-4.1%)

	Results		YoY change	
	1H of FY2024	1H of FY2023		
Nihon Pet Small-amount Short-term Insurance	606	632	- 26	- 4.1%

Operating Profit

**- 126**

YoY -42 (-)

	Results		YoY change	
	1H of FY2024	1H of FY2023		
Nihon Pet Small-amount Short-term Insurance	- 126	- 83	- 42	—

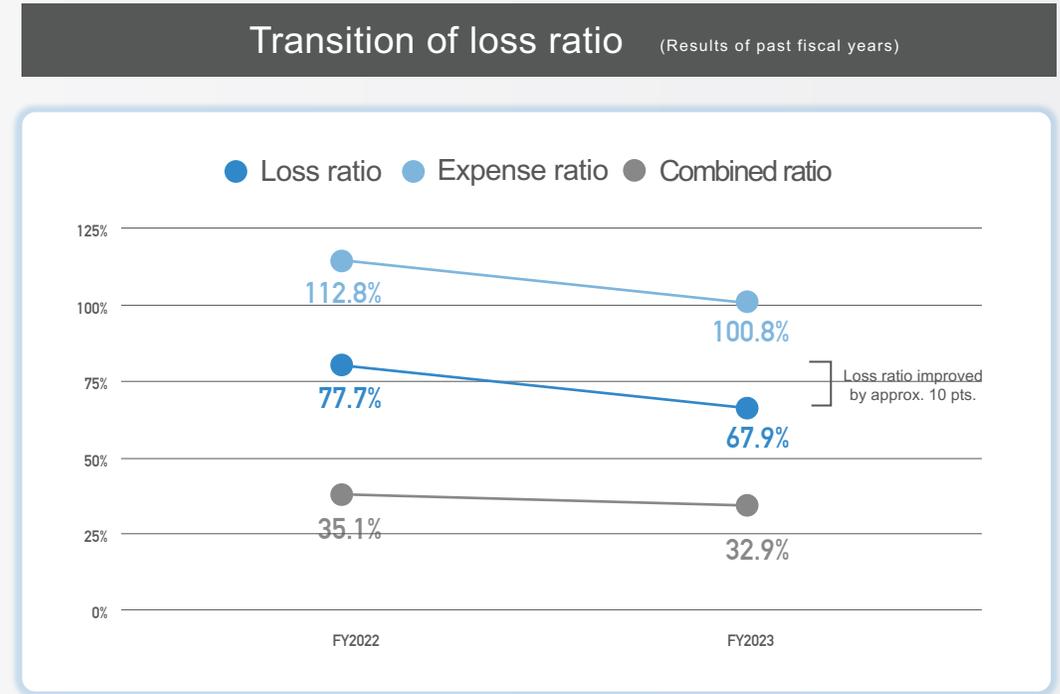
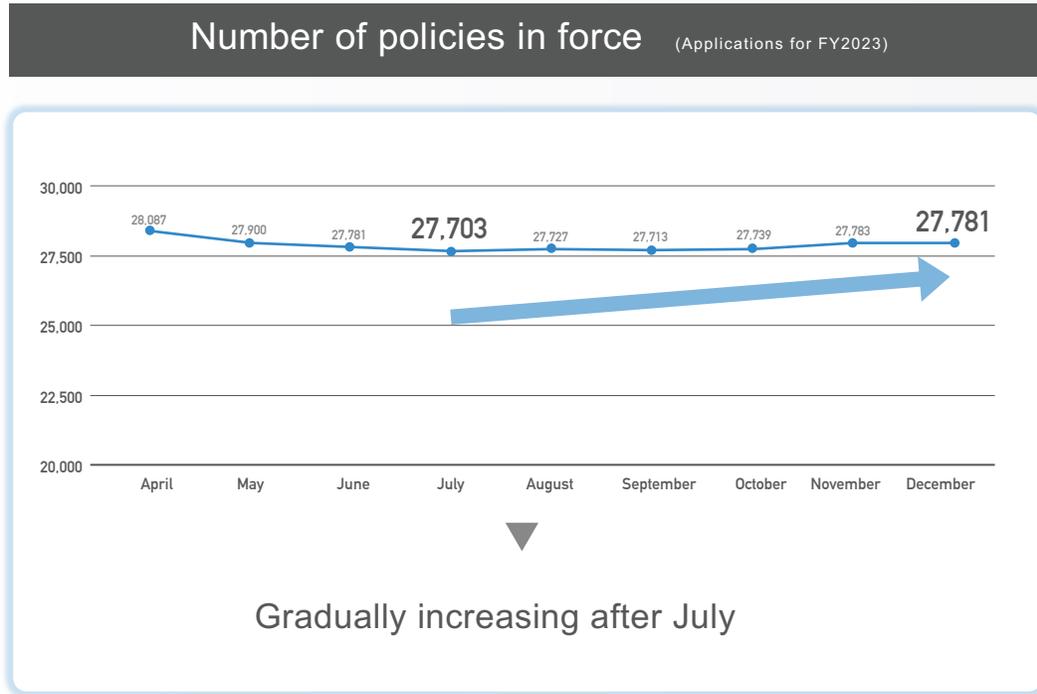
\*Revenue and operating profit figures are IFRS-based results for the first half of the fiscal year.

\*Revenues and operating profit for each segment are figures after allocation of corporate expenses.



# Nihon Pet Small-amount Short-term Insurance

- The ratio of long-term customers to the number of policies in force is increasing, and the number of policies in force is trending upward.
- The loss ratio improved by approximately 10 points due to a successful scrutiny of existing agents and stricter compensation standards.



\*Loss ratio: calculated by dividing claims paid during the period by premium income. (=Written Paid Basis)  
 \*Combined ratio: Ratio of claims paid and expenses to premium income, which is the sum of the loss ratio and the expense ratio.  
 \*Loss ratio: Ratio of claims paid to net premiums written.  
 \*Expense ratio: Ratio of insurance company's expenses on insurance business to net premiums written.

## Nihon Pet Small-amount Short-term Insurance

- New products "Insurance for Dogs and Cats Next/Light/Mini" started sales on February 1, 2024.
- Increasing the competitiveness of prices and coverage, simplifying insurance claims, and attracting and acquiring a new customer base.



**いぬとねこの保険**

Next **ネクスト**  
Light **ライト**  
Mini **ミニ**

保険料  
月々 **140**円※1  
から

One of the lowest premiums in the industry

Covering dental and patella

Deductible coverage rider can be added.

Abundant discount plans for lower prices

Veterinary consultation service anytime

Easy insurance claims with the app

**No.1** 2023  
JMR

**3** おかげさまで **冠獲得**

これからペットを飼う人に  
オススメしたい  
ペット保険 **No.1**

自分に合った  
プランが選べる  
と評判のペット保険 **No.1**

コストが良く  
充実した補償  
と評判のペット保険 **No.1**

※日本マーケティングリサーチ機構調べ 調査対象: 2023年8月期ブランドのイメージ調査

Press release details <https://www.nihonpet.co.jp>

## Results by Business Segment

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### Incubation Business

## Incubation Business

- Revenue increased to 123 million yen (+30.4% YoY) due to increased demand from local governments and corporate customers.
- Operating profit was -127 million yen, the same level as the previous year, due to upfront expenses for M&A-related and other service development.

1H of FY2024 (millions of yen)

Revenue
<b>123</b>
YoY + 28 (+ 30.4%)

	Results		YoY change	
	1H of FY2024	1H of FY2023		
SOCIALX	50	33	+ 16	+ 50.1%
Scala Partners	85	41	+ 44	+ 107.3%
Others	- 11	20	- 32	—

Operating Profit
<b>- 127</b>
YoY - 5(-)

	Results		YoY change	
	1H of FY2024	1H of FY2023		
SOCIALX	13	8	+ 4	+ 49.5%
Scala Partners	- 10	- 18	+ 7	—
Others	- 130	- 112	- 17	—

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# SOCIALX SOCIALX

- 70 excellent startups participated in the “Public-Private Co-Creation Acceleration Program”.
- In the Gyaku Propo, E.design Insurance launched its fourth open call and many local governments applied for the entry.



- The "Public-Private Co-Creation Acceleration Program (SOCIALX Acceleration)" started accepting applications. 70 excellent startups that are developing businesses that solve social issues applied for the program.
- SOCIALX Acceleration is planned to be expanded to business companies and corporate venture capitals in the future. Several local governments have already shown a high level of interest.

Press release details <https://gyaku-propo.com/news/01630c39-b883-4d57-9866-a2f7d9be0a7c>



The 4th use of "Gyaku Propo" by E.design Insurance!  
The "+Machi" initiative to support traffic safety in the city started accepting proposals from local governments for FY2023.

- E.design Insurance launched its fourth open call.
- Many local governments applied for the municipal traffic safety project.

Press release details <https://gyaku-propo.com/news/7bcb7403-bde6-46d7-a44c-cd8d06e0793f>

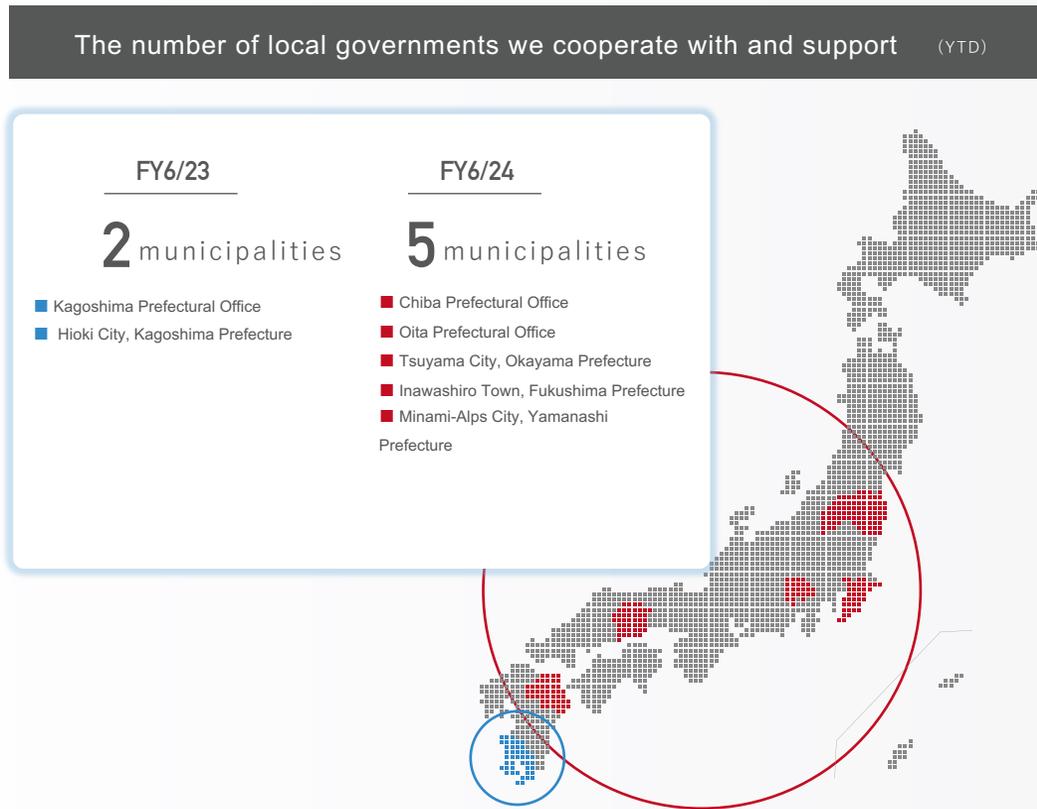
## SOCIALX \_\_\_\_\_ Topic of SOCIALX

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- Corporate version of hometown tax payment to Itami City, Hyogo Prefecture, which aims to be carbon neutral
- We have agreed to the "Partnership Agreement on Regional Circulation and Symbiosis for the Realization of a Decarbonized Society" by Itami City, an urban municipality, Inan Town, a forest municipality, and Hannan City, a maritime municipality.
- As part of our ESG initiatives, we support activities to contribute to solving environmental issues by making donations through the corporate version of the hometown tax payment ( a tax system to support regional development)

Press release details <https://scalagrp.jp/news/2023/11-itami>

- The number of local governments we cooperate with and support, as well as the number of companies using our corporate workcation service, continues to grow.
- Strengthen partnerships with communities and businesses to improve service quality.



**The power of place changes people**

**Deepen connections and increase organizational capabilities. Experience special work in carefully selected places.**

Dedicated concierges support detailed adjustments and hassles. We design the best experience for your team.

**Corporate plan persistence rate is 95%**

Work-friendly facilities, the best and flexible plan design to meet your needs. Leave it to **Komforta Workation** for "Workplace Reform".

Komforta Workation Website [https://komforta-workation.com/for\\_corporation](https://komforta-workation.com/for_corporation)

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# Revisions to Consolidated Earnings Forecast

- To revitalize the DX Business, we will concentrate management resources on our long-standing strengths of flexibility and high technical expertise.
- Reduce costs and restructure businesses to realize the growth of people through the DX Business as a source of value.
- Considering the temporary expenses to be incurred as a result, the consolidated earnings forecast for the full fiscal year ending June 30, 2024 has been revised to undetermined.

Former  
Our Group

Source of  
Value

Current  
Situation

Measures and  
Impact

## ■ Develop people, increase revenue, and expand business through the DX Business

- As a pioneer in B2C communication, led the dawn of IT in Japan. Established a stable management infrastructure and expanded businesses based on the subscription revenue from its mainstay SaaS business.

## ■ Flexibility and high technical expertise

- Listen carefully to the various needs of companies and government agencies, and provide perfect-fit cloud services that solve their needs with flexibility and high technical expertise to build up a track record, trust, and experience.
- In response to customers' needs to expand into new areas, grow together with customers by co-creating enterprise projects as a partner company.

## ■ Hard to say that the DX Business is the driving force of our group

- Flexibility and high technical expertise, long-standing strengths of our group, have become diluted in originality. The current DX Business is hardly the same as the DX Business that once drove our group's growth, with a very high operating profit margin.

## ■ Reduce costs and restructure businesses to realize the growth of people through the DX Business as a source of value.

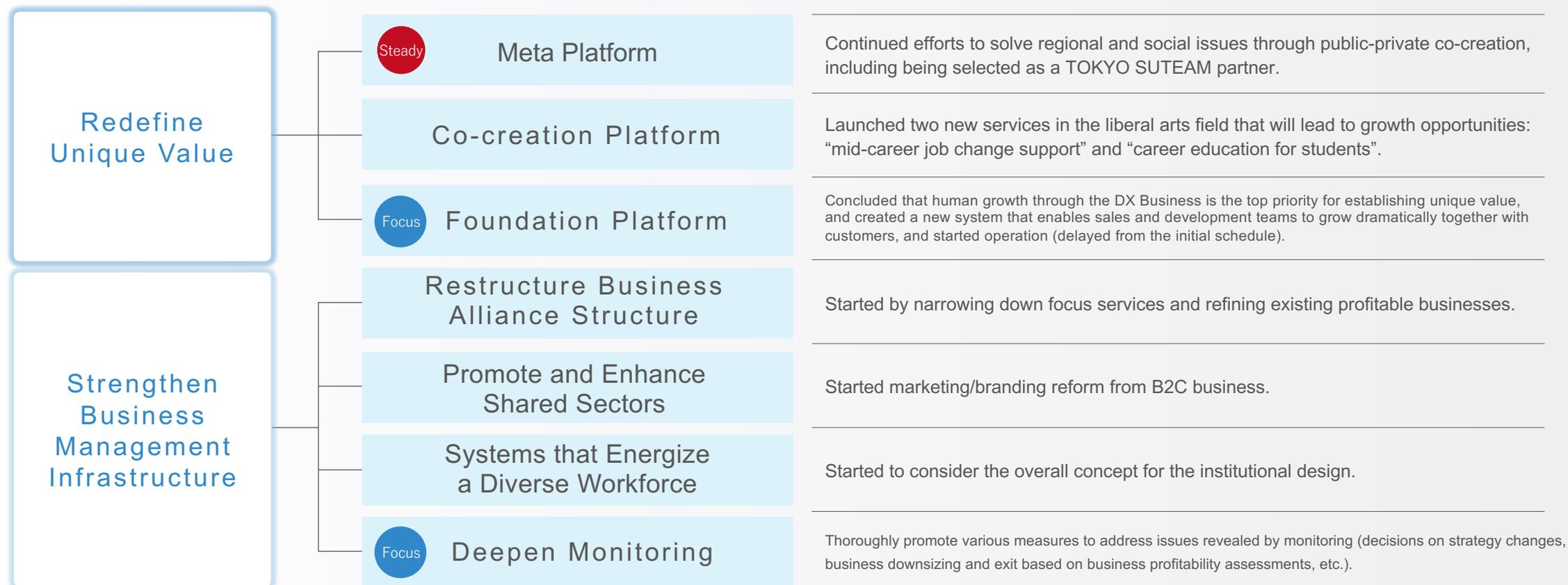
This fiscal year  
FY6/2024

Next fiscal year  
FY6/2025

- ① Reduce fixed costs such as office expenses, system usage fees, and professional fees
  - Increase costs by up to 1 to 1.5 billion yen in operating profit and profit before tax.
- ② Restructure unprofitable businesses and reduce fixed costs related to them
  - Up to 2 to 3 billion yen accounting loss in profit and profit attributable to owners of the parent company.
  - Plan to increase operating profit by approximately 200 million yen per year as a result of business restructuring and 600 million yen per year as a result of fixed cost reductions.

## Progress of Medium Term Business Plan

- Although there are some delays in the foundation platform, progress in priority strategies is generally on schedule.
- Continue to take measures to increase the probability of realizing “VISION 2030” based on monitoring results.



\* Medium Term Business Plan 2024-2026 [https://scalagr.jp/pdf/en/ir/library/a\\_report/midtermplan\\_20230814\\_en.pdf](https://scalagr.jp/pdf/en/ir/library/a_report/midtermplan_20230814_en.pdf)

※VISION2030 : Our group's vision for 2030 and after, beyond the Medium Term Business Plan 2024-2026, “Realize a society where people can always and forever live their lives as they are.”

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## Company Overview

Name	Scala, Inc. (Tokyo Stock Exchange, Prime Market, Securities code : 4845)
Headquarters	32F Shibuya Hikarie, 2-21-1, Shibuya, Shibuya-ku, Tokyo
Established	December 11, 1991
Business	DX Business, HR & Education Business, EC Business, Financial Related Business, Incubation Business
Employees	623 (As of December 31, 2023, consolidated)
Average age	35.7
Capital	1,790 million
Fiscal year end	June 30

# Business segments

DX Business	Scala Communications, Inc.	Provision of SaaS/ASP services, offshore development activities
	Scala Service, Inc.	Provision of SaaS/ASP services, call center service
	readytowork Co., Ltd.	Development of SaaS/ASP services, offshore development activities
	Retool, Inc.	Planning, development and sale of administrative tools using the cloud
	EGG CO., LTD.	System development, system maintenance and network establishment
	Leoconnect, Inc.	Customer support (call center operation and other support) consulting
HR & Education Business	Athlete Planning, Inc	Support for recruiting activities (fresh graduate, mid-career), etc.
	FourHands, Inc.	Preschool child care/education, community development assistance, etc.
	Sports Stories, Inc	Physical education, sports lessons, etc.
	Broncos20 Co., Ltd.	Management of basketball club team
EC Business	Scala PLAYce, Inc.	Operation of e-commerce site for buying and selling trading cards for competition games
Financial Related Business	Nihon Pet Small-amount Short-term Insurance Company	Provision of low-premium, short-term insurance plans
Incubation Business	Scala, Inc.	Investment business
	Scala Partners, Inc.	Innovation, incubation, investments
	SCL Capital LLC	Management of investment fund
	SCSV-1 Investment Limited Partnership	Investment fund
	SOCIALX, INC.	Planning and operating a public-private co-creation platform 'Gyaku Propo'



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.