



SCALA GROUP

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

Results of Operations

Scala, Inc. May 15, 2024

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3Q Results Summary

Results for the third quarter of FY6/24

- Revenue was **8,376 million yen** (-10.1% YoY) and operating profit was **-915 million yen**.
- Downsizing of projects due to changes in certain industry situations in the DX Business.
- Including cancellation fee for downsizing the office due to business restructuring and impairment loss of 582 million yen on assets and goodwill, etc.

DX Business

- Revenue was **4,551 million yen** (-20.1% YoY) and operating profit was **-436 million yen**.
- Impacted by changes in certain industry situations, downsizing of existing projects, and delays in some projects.
- Including impairment loss of 377 million yen on software and goodwill.

HR & Education Business

- Revenue was **1,029 million yen** (+7.3% YoY) and operating profit was **171 million yen** (-17.3% YoY).
- Continued high demand for hiring new graduates by companies and strong need to exhibit at recruiting events.
- Classified FourHands, Inc. as a discontinued operation and completed the transfer of all shares.

EC Business

- Revenue was **1,679 million yen** (+8.8% YoY) and operating profit was **203 million yen** (-4.0% YoY).
- Overall growth was steady despite changes in the external environment for some titles.

Financial Related Business

- Revenue was **912 million yen** (-3.1% YoY) and operating profit was **-162 million yen**.
- Achieved the highest number of policies in force for the year as a result of upfront investments in new product development and promotional activities.
- Ranked 5th in Kakaku.com for small-amount short-term pet insurance.

Incubation Business

- Revenue was **191 million yen** (+12.6% YoY) and operating profit was **-137 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 8,376 million yen (-10.1% YoY), and operating profit was - 915 million yen, down YoY due to the downsizing of projects owing to changes in certain industry situations in the DX Business.
- Including cancellation fee for downsizing the office due to business restructuring and impairment loss of 582 million yen on assets and goodwill, etc.

First nine months of FY6/24 (millions of yen)

Revenue
8,376
YoY -941 (-10.1%)

	Results		YoY change	
	First nine months of FY6/24	First nine months of FY6/23		
DX	4,551	5,699	- 1,147	- 20.1%
HR & Education	1,029	959	+ 70	+ 7.3%
EC	1,679	1,544	+ 135	+ 8.8%
Financial Related	912	941	- 29	- 3.1%
Incubation	191	170	+ 21	+ 12.6%

Operating Profit
- 915
YoY -1,285 (-)

	Results		YoY change	
	First nine months of FY6/24	First nine months of FY6/23		
DX	- 436	385	- 822	—
HR & Education	171	207	- 35	- 17.3%
EC	203	212	- 8	- 4.0%
Financial Related	- 162	- 121	- 40	—
Incubation	- 137	- 172	+ 35	—

*Revenue and operating profit figures are IFRS-based results for the nine months ended March 31, 2024.

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

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Results by Business Segment

DX Business

DX Business

- Revenue was 4,551 million yen (-20.1% YoY), and operating profit was -436 million yen, down YoY due to the impact of changes in certain industry situations, downsizing of existing projects, and delays in some projects.
- Operating profit includes an impairment loss of 377 million yen on software and goodwill.

First nine months of FY6/24 (millions of yen)

Revenue

4,551

YoY -1,147 (-20.1%)

	Results		YoY change	
	First nine months of FY6/24	First nine months of FY6/23		
Scala Communications	2,508	2,765	- 257	- 9.3%
EGG	986	1,801	- 815	- 45.3%
Others	1,056	1,131	- 74	- 6.6%

Operating Profit

- 436

YoY - 822 (-)

	Results		YoY change	
	First nine months of FY6/24	First nine months of FY6/23		
Scala Communications	- 121	183	- 304	—
EGG	79	209	- 130	- 62.2%
Others	- 394	- 8	- 386	—

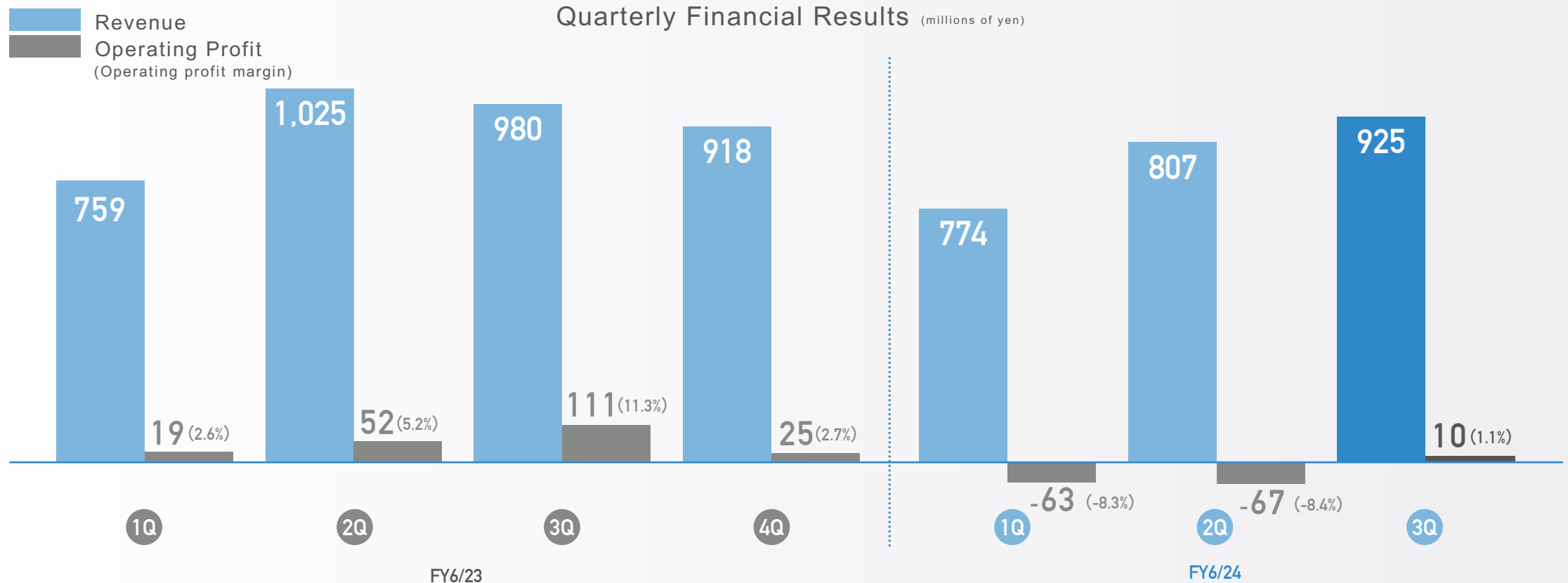
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*Revenues and operating profit for each segment are figures after allocation of corporate expenses.

*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.

- Although sales from new projects were only partially recognized in the quarter, orders are progressing, and offsetting the impact of project reductions in one industry.
- Operating profit decreased compared with the same period of the previous fiscal year due to upfront expenses for new business development.
- We aim for recovery in the next fiscal year by continuing to work on business restructuring.



- Launched a demonstration experiment of remote death diagnosis using U-Medical Support.

Overview of the demonstration experiment of remote death diagnosis at NOSAI Aichi

Members

Scala Communications, desamis, and the Aichi Agricultural Mutual Aid Association (NOSAI Aichi)

Issues facing veterinarians

Veterinarians are sometimes required to spend a day traveling to remote areas to diagnose cattle deaths on site, causing a lack of time for the medical services that they should be focusing on.

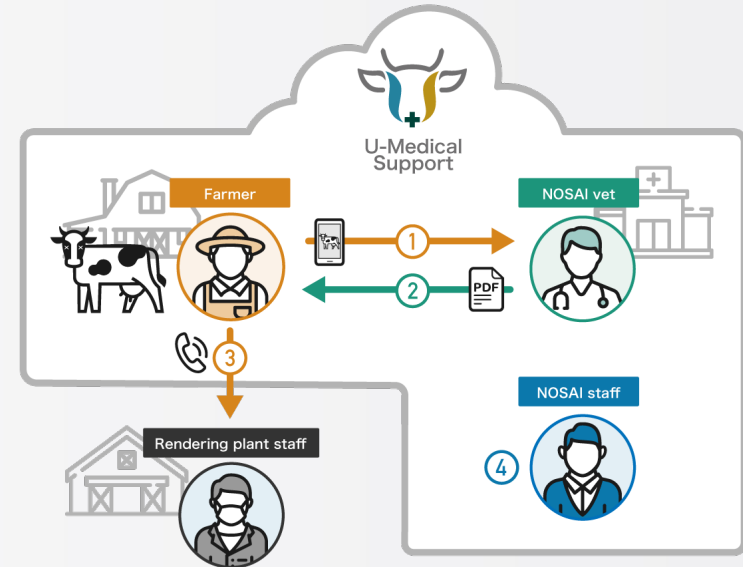
Despite attempts to use SNS tools such as LINE to diagnose deaths remotely using images, the location information of the image is deleted when the image is sent, making accurate remote diagnosis of deaths difficult.

Overview of the demonstration experiment

Aiming to digitalize new processes in the procedure of livestock death and disuse mutual aid insurance.

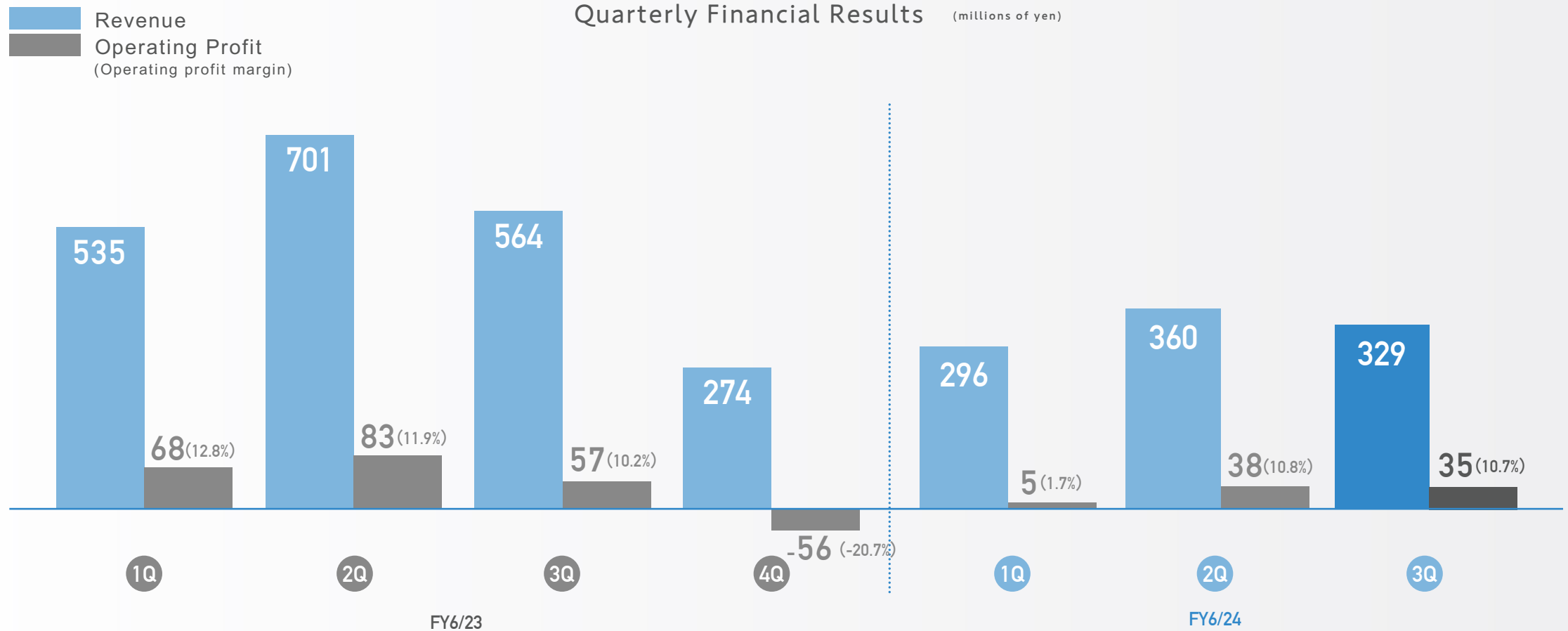
Conventional NOSAI staff (veterinarian and clerical staff) must be present on site for confirmation work related to the procedures for livestock death and disuse mutual aid insurance.

In the future Farmers complete this process online by submitting GPS tags or images of their cattle with specific markings.

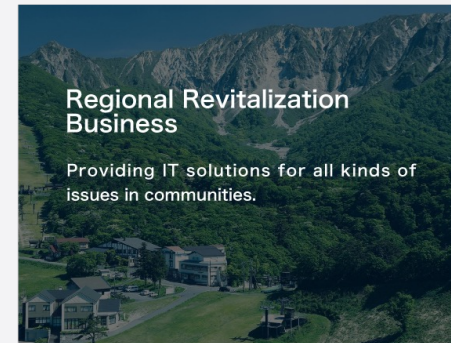
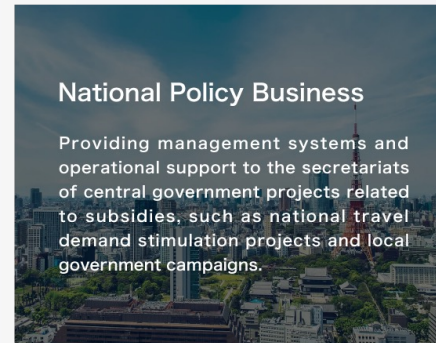


- 1 From farmer to vet: Registration of images of dead cattle and contact
- 2 From vet to farmer: Send a PDF of the Dead and Wasted Accident Diagnosis form by email.
- 3 From farmer to Rendering plant staff: Request for accepting dead cattle
- 4 Complete paperwork (extracting data from U Medical Support)

- Revenue declined due to the termination and reduction of the Tourism Agency's measures to stimulate tourism demand.
- Operating profit margin progressed as planned for the full year due to successful cost reduction measures.



- Website redesigned on February 29, 2024.
- Redefined four areas of future focus.



Healthcare Project

- Three projects adopted for the Digital Garden City National Fund started deliveries.
- Started horizontal development of "Tottori Health Plus," which received an order in FY6/2023.

Digital Garden City National Fund adopted projects



	End of FY6/23	3Q of FY6/24	End of FY6/24
Total number of clients	0	3	6 (estimated)
*Number of orders received			
Average unit price	0 yen	23.45 million yen	
*One-time sales + monthly sales in the current period / number of months sales in the current period			

Health promotion support application "Tottori Health Plus"



- Tottori Health Plus was jointly developed by the Tottori National Health Insurance Organization and Tottori Prefecture to support health promotion in Tottori Prefecture.
- EGG contracted to provide development and maintenance services in FY6/2023.
- Scheduled to be released from May 2024.
- Aiming for horizontal expansion of this service to other municipalities.

National Policy Project

- Received an order for a business management system for the "Hokuriku Support Discount Campaign" and started providing the system.

Overview of business management system for Hokuriku Support Discount Campaign

- Providing a common management system and platform used by travel agencies and administrative offices.
- Business registration, secretariat review, subsidy application through My Page, and subsidy transfer can all be registered in one place.
- Launched in March 2024 in association with the reconstruction assistance project.
- Achieved rapid start-up and advanced security measures.

Let's energize Hokuriku region through travel!



Results by Business Segment

HR & Education Business

HR & Education Business

- Revenue continued to grow to 1,029 million yen (+7.3% YoY) due to the strong demand from companies to exhibit at recruiting events in response to the continued high demand for hiring new graduates.
- Operating profit was 171 million yen (-17.3% YoY) due to upfront investments associated with the establishment of new businesses and cost increases in some businesses
- Classified FourHands, Inc. as a discontinued operation and completed the transfer of all shares.
- Established GeaREmake, Inc. as a mid-career recruitment support company.

First nine months of FY6/24 (millions of yen)

Revenue	1,029
YoY	+70 (+7.3%)

	Results		YoY change	
	First nine months of FY6/24	First nine months of FY6/23		
Athlete Planning	777	741	+ 36	+ 5.0%
Others	251	218	+ 33	+ 15.2%

Operating Profit	171
YoY	-35 (-17.3%)

	Results		YoY change	
	First nine months of FY6/24	First nine months of FY6/23		
Athlete Planning	225	233	- 7	- 3.3%
Others	- 54	- 25	- 28	—

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

- Demand for exhibiting at in-person events is high among both new and existing customers, and both sales volume and unit price are robust.
- Athletic student membership increased in Tokyo, Kansai, and Tokai regions, compared to the same period of the previous year.
- Female student membership declined year on year, but as planned for this fiscal year. Continue to focus on membership acquisition.

Event business KPIs

		Results	YoY change
Athletic Students	Number of events (times) <small>(Breakdown) In-person / Online</small>	74 (61 / 13)	+ 2 (+ 4 / - 2)
	Number of companies exhibiting at the event <small>(Breakdown) In-person / Online</small>	1266 (1130 / 136)	+ 37 (+ 51 / - 14)

		Results	YoY change
Female Students	Number of events (times) <small>(Breakdown) In-person / Online</small>	22 (19 / 3)	+ 6 (+ 3 / + 3)
	Number of companies exhibiting at the event <small>(Breakdown) In-person / Online</small>	158 (126 / 32)	+ 9 (+ 11 / - 2)

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

Recruiting business KPIs

		Results	YoY change
Athletic Students	Total number of members		
	Tokyo	9,000	± 0
	Kansai	3,950	+ 50
	Tokai	1,017	+ 37
	Total	13,967	+ 87

		Results	YoY change
Female Students	Total number of members	7,250	-4,550

Results by Business Segment

EC Business

EC Business

- Revenue was 1,679 million yen (+8.8%), up steadily from the same period of the previous fiscal year.
- Operating profit was 203 million yen (-4.0% YoY), down from the same period of the previous fiscal year due to changes in the external environment.

First nine months of FY6/24 (millions of yen)

Revenue

1,679

YoY + 135 (+8.8%)

	Results		YoY change	
	First nine months of FY6/24	First nine months of FY6/23		
Scala PLAYce	1,679	1,544	+ 135	+ 8.8%

Operating Profit

203

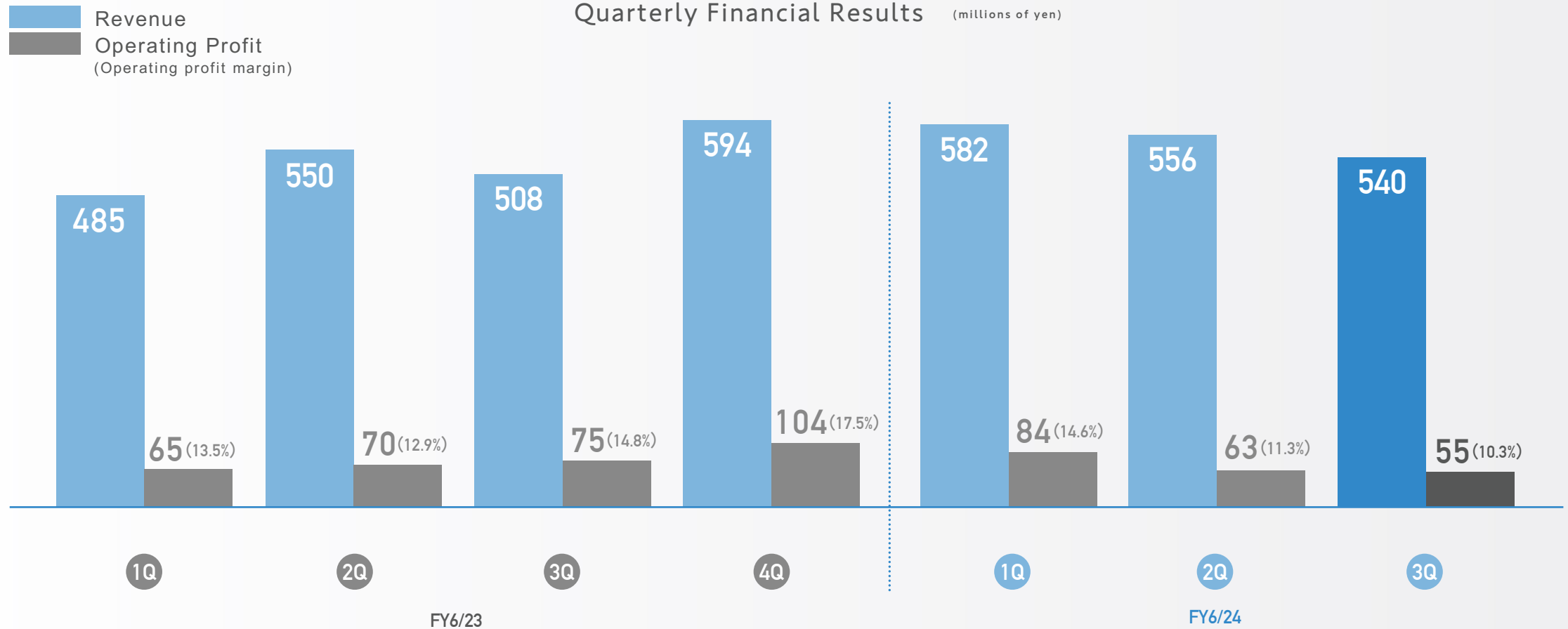
YoY - 8 (-4.0%)

	Results		YoY change	
	First nine months of FY6/24	First nine months of FY6/23		
Scala PLAYce	203	212	- 8	- 4.0%

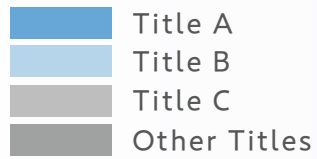
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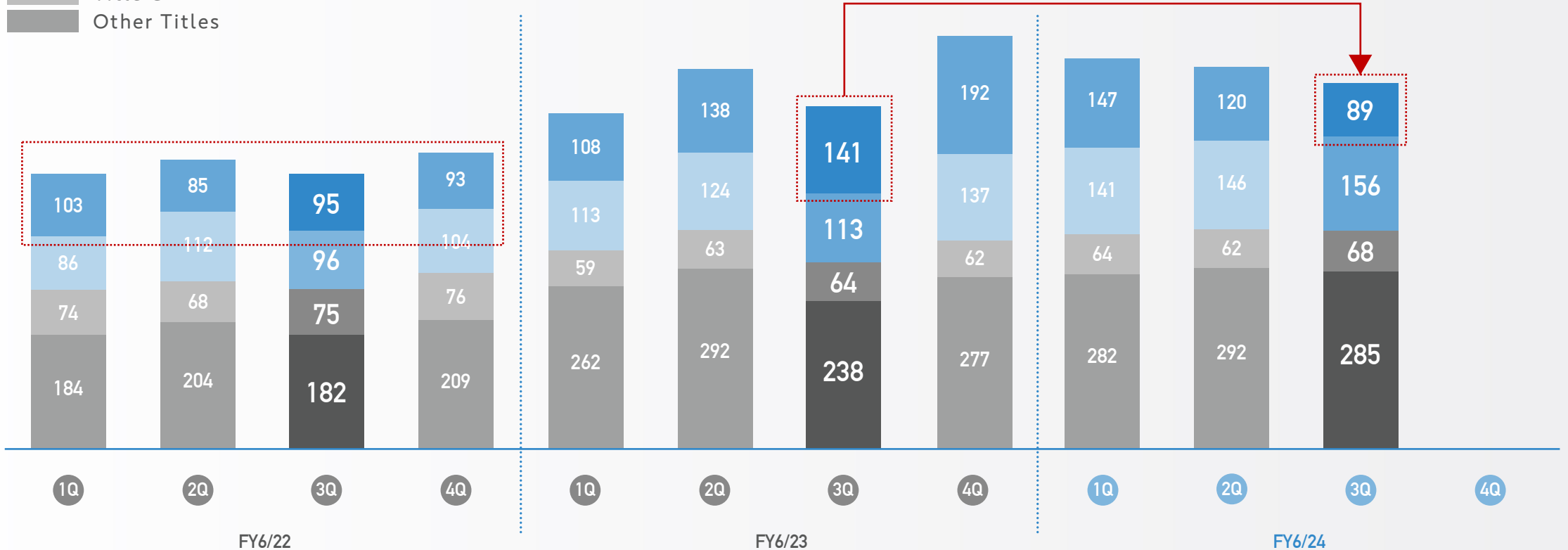
- Revenue increased YoY when compared to the same quarter of the previous year.
- Cost of sales increased due to a change in the revenue mix of key titles.
- SG&A expenses increased due to promotional activities related to the website redesign.



- The boom in Title A that started in the previous fiscal year slowed down, and revenue is returning to the scale of the previous fiscal year.
- Other titles performed well, and overall revenue increased YoY.



Sales of Key Titles (millions of yen)



- Business KPIs continue to progress.
- Continue 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	247,987	+ 18,017
	Inventory (Thousands of yen)	334,572	+ 62,426
	Number of page views in March (thousands)	10,095	+ 2,146
	Number of unique users in March (thousands)	643	+ 141

Topics

- Refine the 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

Financial Related Business

Financial Related Business

- Revenue was 912 million yen (-3.1% YoY) at the same level as the same period of the previous fiscal year.
- Operating profit was -162 million yen, down from the same period of the previous fiscal year, due to upfront investments in new product development and promotional activities.

First nine months of FY6/24 (millions of yen)

Revenue
912
YoY -29 (-3.1%)

	Results		YoY change	
	First nine months of FY6/24	First nine months of FY6/23		
Nihon Pet Small-amount Short-term Insurance	912	941	- 29	- 3.1%

Operating Profit
- 162
YoY - 40 (-)

	Results		YoY change	
	First nine months of FY6/24	First nine months of FY6/23		
Nihon Pet Small-amount Short-term Insurance	- 162	- 121	- 40	—

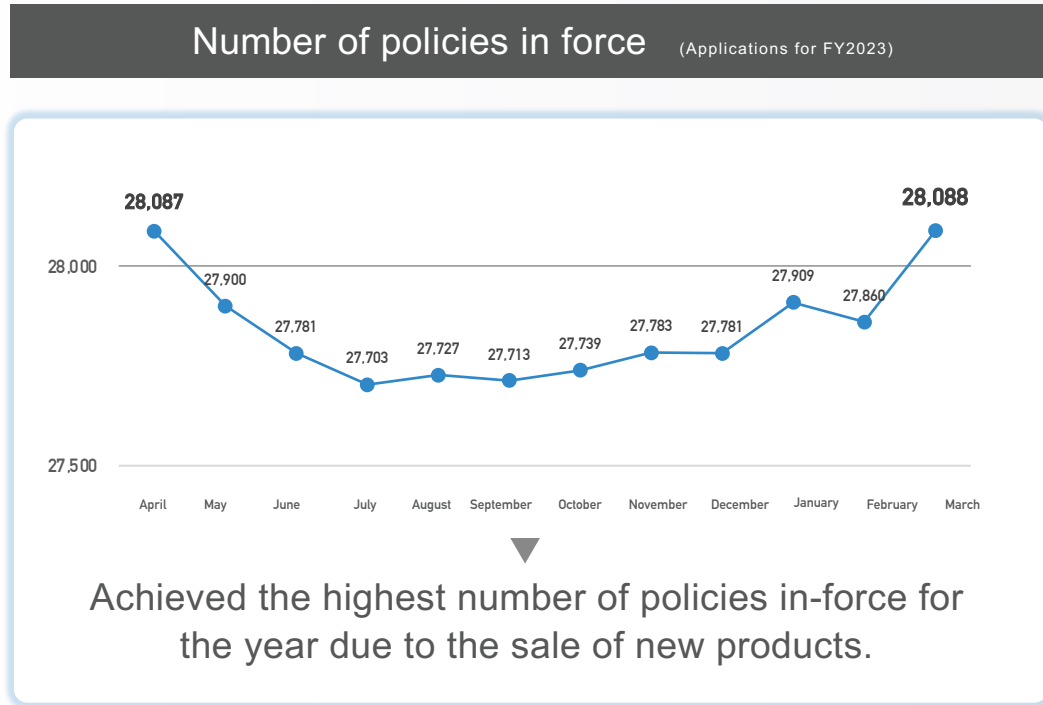
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*Revenue and operating profit for each segment are figures after allocation of corporate expenses.



Nihon Pet Small-amount Short-term Insurance

- Increased the number of policies in force due to the launch of new products, Insurance for Dogs and Cats.
- Ranked 5th in Kakaku.com for small-amount short-term pet insurance.



Listing situation on Kakaku.com

12 Nihon Pet Small-amount Short-term Insurance
Insurance for Dogs and Cats

Monthly premium	Compensation ratio
2,010 yen	70%

Conditions: Toy Poodle / 0 years old / Light Plan 70%.

Coverage

Hospital visit	Limit (per day) 10,000 yen ※1	
Hospitalization	Limit (per day) 20,000 yen ※1	
Surgery	Limit (per day) 100,000 yen ※1	

※1: If the annual coverage limit, the number of days limit, or the number of times limit is reached for any coverage, the policy will expire and will not be continued for the next and subsequent years.

Kakaku.com website https://hoken.kakaku.com/pet/?cid=ins_pt_ad_gl_s_823_777&gclid=CjwKCAjw_e2wBhAEEiwAyFFFo_z0KEKbieP5tEu-VWU7GpNYT5idlr7s8mt2Nla1XWDfhvfJdnkvuRoCFvkQAvD_BwE

*Ranked 14th in popularity of pet insurance, including non-life insurance (as of May 10, 2024).

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 the claims process, and attracting and acquiring a new customer base.
- Shifting to a profitable structure by expanding sales of new products with higher profit margins.



Application records				
Breed of dog	Applied plan	Compensation ratio	Deductible coverage rider	Pet liability rider
Chihuahua	Mini	70%	—	—
Toy Poodle	Mini	70%	—	—
Cat	Mini	70%	—	—
Mixed	Light	70%	○	○
Cat	Next	50%	○	—
Chihuahua	Light	70%	—	—
Cat	Next	50%	—	—
Cat	Light	50%	○	○
Toy Poodle	Next	90%	○	—
Toy Poodle	Light	70%	—	—

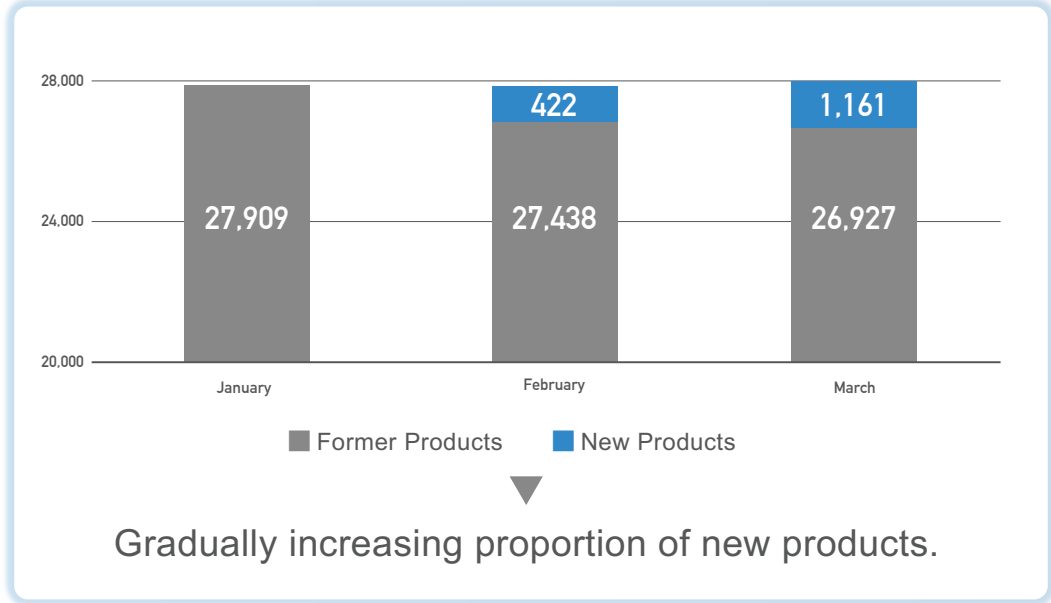
Some of the applications are listed.

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

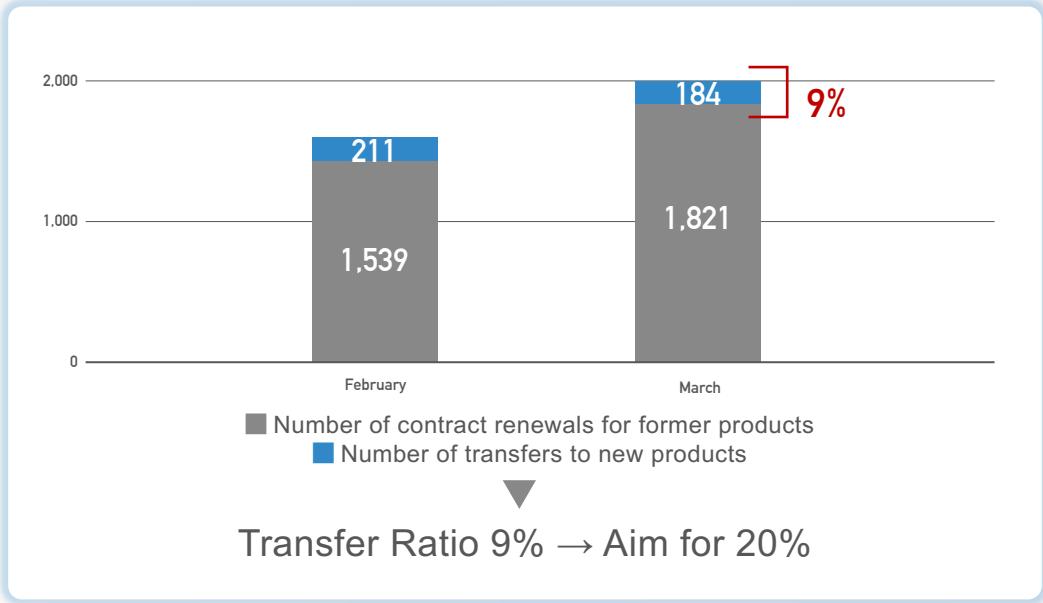
Nihon Pet Small-amount Short-term Insurance

- Since new products have lower loss ratios than former products, increasing the ratio of new products in the number of policies in force will lead to improved profit margins.
- The transfer ratio in March was 9%, and the target is to increase this ratio to 20%.

New products in the number of policies in force (Applications for Jan-Mar 2024)



Ratio of transfers to new products in Feb-Mar



Results by Business Segment

Incubation Business

Incubation Business

- Revenue increased to 191 million yen (+12.6% YoY) due to increased demand from local governments and corporate customers.
- Operating profit was -137 million yen, the same level as the previous year, due to upfront expenses for M&A-related and other service development.

First nine months of FY6/24 (millions of yen)

Revenue

191

YoY **+21 (+12.6%)**

	Results		YoY change	
	First nine months of FY6/24	First nine months of FY6/23		
SOCIALX	27	11	+ 15	+ 137.0%
Scala Partners	33	34	- 1	- 3.1%
Other 3 companies	131	124	+ 6	+ 5.5%

Operating Profit

- 137

YoY **+35 (-)**

	Results		YoY change	
	First nine months of FY6/24	First nine months of FY6/23		
SOCIALX	45	26	+ 19	+ 76.0%
Scala Partners	- 20	- 29	+ 9	- 32.5%
Other 3 companies	- 163	- 169	+ 5	- 3.4%

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SOCIALX SOCIALX

- 15 startups selected as finalists for the first phase of the Public-Private Co-Creation Acceleration Program in Tokyo.
- Calling for startups to participate in the second phase of the Public-Private Co-Creation Acceleration Program in Tokyo.

SOCIALX Acceleration Phase 1



- Selected 15 startups as finalists and started providing support.
- Providing support that makes the most of our knowledge of public-private co-creation and expertise in solving social issues, which we have developed in the past through Gyaku Propo, etc.

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

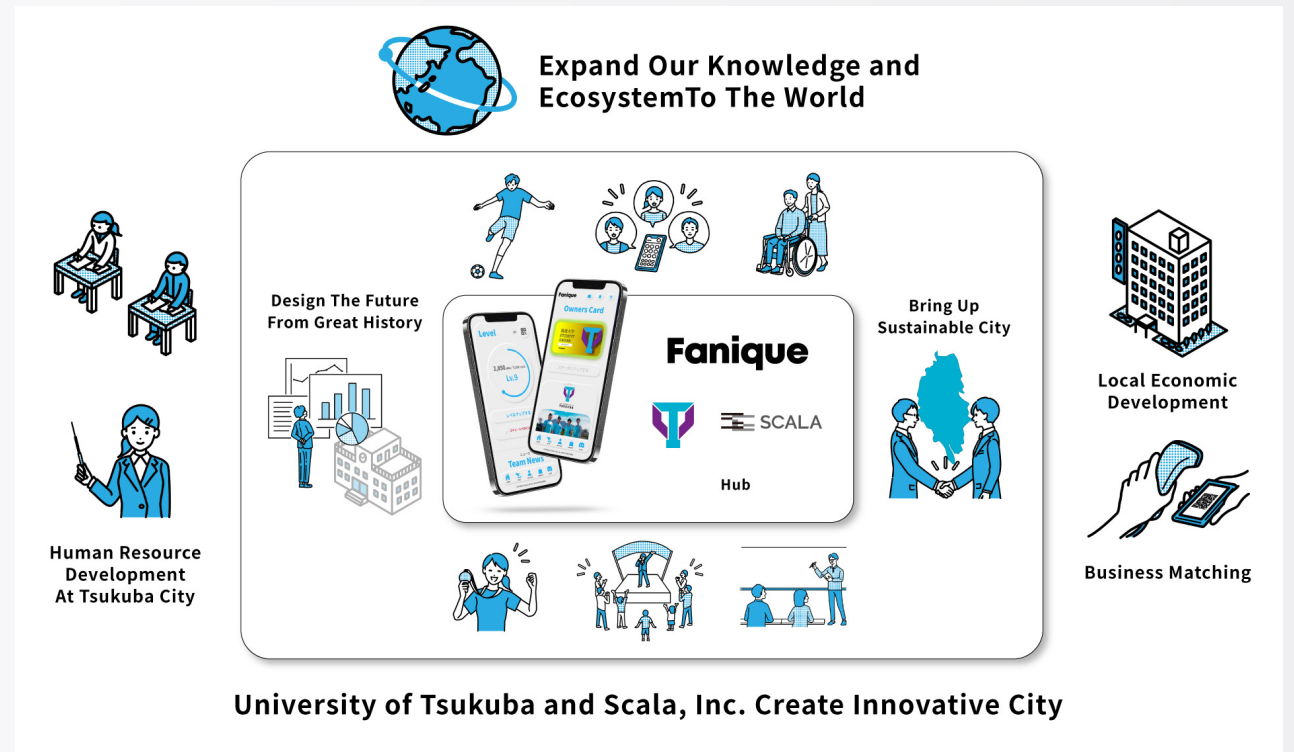
SOCIALX Acceleration Phase 2



- SOCIALX Acceleration will be expanded to business companies and corporate venture capital firms in the future. Several local governments have already shown a high level of interest.

Press release details <https://prtimes.jp/main/html/rd/p/000000056.000088249.html>

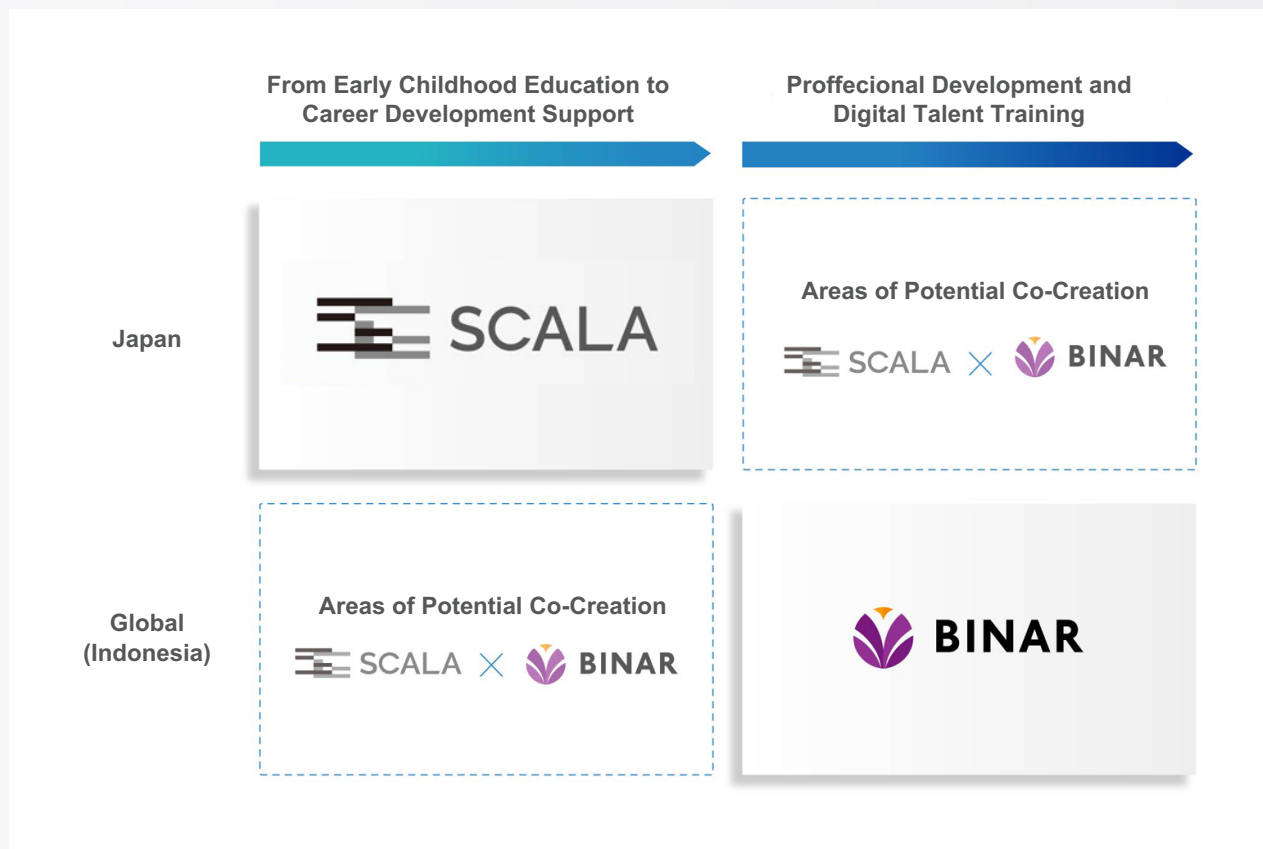
- Signed a collaboration agreement for the promotion of university sports with the Bureau of Physical Education and Sports of the University of Tsukuba.
- Signed a collaboration agreement on the creation, operation, and development of a long-term sustainable fan community involving all stakeholders, including domestic and international students, alumni, Tsukuba City, private companies, and local residents, for the purpose of human resource development and promotion of university sports.
- Strengthening the relationship with the University of Tsukuba and various stakeholders stronger and more sustainable by leveraging our knowledge of solving numerous social issues, such as our "Fanique" web3 fan club service, which utilizes our NFT membership.



Press release details <https://scalagr.jp/news/2024/03-fanique-tsukuba/>

SCALA Global Business

- Signed a capital and business alliance with BINAR Academy, an EdTech company in Indonesia.
- Planning to launch co-creation projects with BINAR following the introduction of TEJA VENTURES, which led BINAR's previous fundraising, and the first capital and business alliance in the education area.
- Through this alliance, we aim to develop talent globally with the skills and mindset needed to drive and enable digital transformation (DX).



Press release details <https://scalagr.jp/news/2024/03-binar/>

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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	578 (As of March 31, 2024, consolidated)
Average age	35.5
Capital	1,791 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
	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.
	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'



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