



The medium-term management plan **COMMIT5000** follow-up report

Making a leap forward to the value co-creation platform
with three capabilities

“Toward a world where the value springs up”

Realizing an enriched society and better lives

Grow the buds of new businesses
that sprout up from the seed sowing stage

Contributing to

- ✓ The realization of a world where no one is left behind
- ✓ The happiness and prosperity of all mankind
- ✓ The creation of corporate value that captures the soul of all stakeholders

Revenue of ¥100 billion in the fiscal year ending June 2025

Revenue of ¥500 billion in the fiscal year ending June 2030

Scala, Inc.

Prime Market of the Tokyo Stock Exchange: 4845

August 15, 2022

Contents

I. Summary	2
II. Business development	5
III. Major initiatives in the area of "enriching society"	6
IV. Major initiatives in the area of "making people's lives better"	7
V. Major initiatives in the area of "DX & Investment"	8
VI. Achieving Our Goals	9
Disclaimer	10

I . Summary

Medium-term management plan progress update

In August 2019, we announced in "Medium-Term Management Plan COMMIT5000" that we aim to be a "value co-creation company solving social issues with clients through business". In the plan, we set high growth targets of 100 billion yen in Revenue and 10 billion yen in operating profit for the year ending June 2025; and 500 billion yen in Revenue and 50 billion yen in operating profit for the year ending June 2030.

Based on these growth targets, we believe that the value of our group is to enrich society and to make people's lives better as a value co-creation platform that co-creates solutions to social issues with stakeholders such as partner companies, government agencies, and local community, and to provide various resource bases, including technological elements to promote and support the realization of such society and lives while redefining society and lifestyles through digital transformation (DX).

Since the announcement of the medium-term management plan, our entire group has been vigorously working to create businesses to solve various social issues. Currently, we are at the stage where some of the seeds we have sown are beginning to sprout into businesses that could become the core businesses of our group in the future. We will focus on growing these buds while continuing to develop businesses and make investments as sowing new seeds.

▼ Toward a world where the value springs up

Redefining society and life = true DX



Functioning as a value co-creation platform

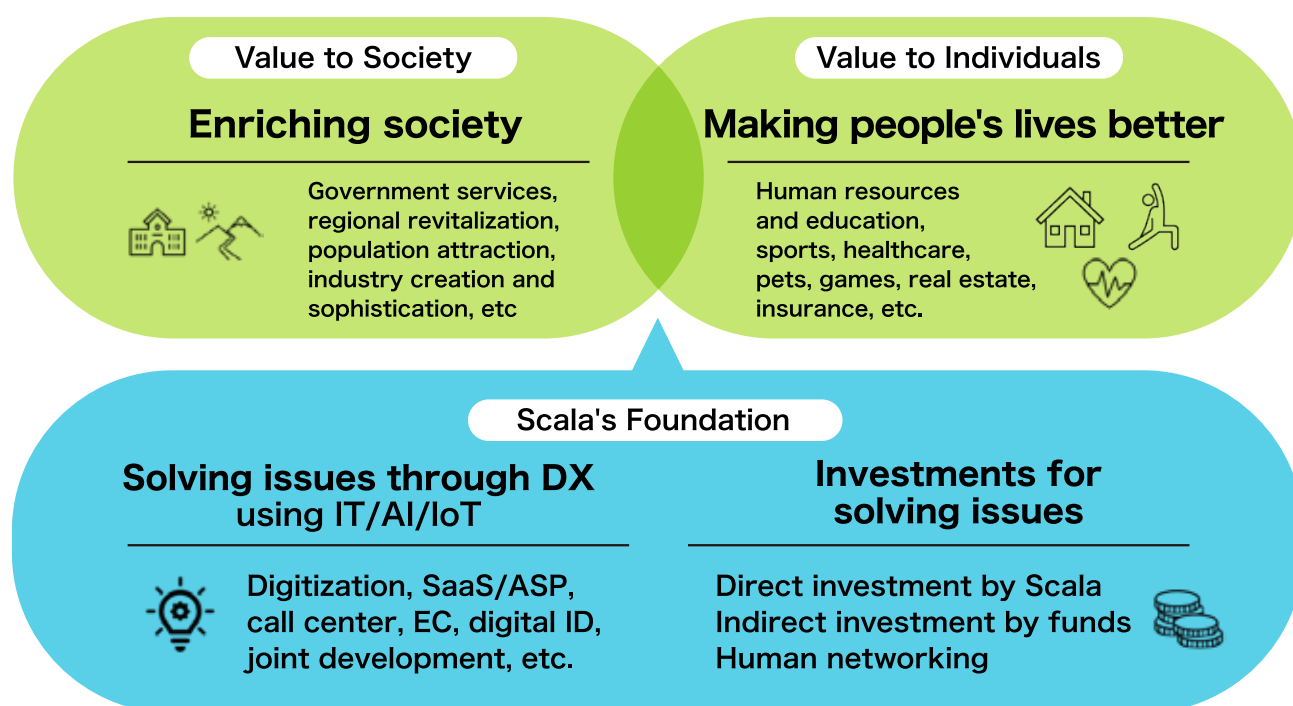


**Supporting the realization of
an enriched society and better lives**

Providing value based on DX and investment

In order to realize an enriched society and better lives, we are committed to solving issues in society and in the lives of individuals through DX and investment. We create and support businesses that help solve issues by flexibly combining our strengths in DX, such as our experience with IT/AI/IoT solutions, with direct and indirect investments including human resource collaborations, depending on the actual situation. By co-creating with companies, government agencies, and other stakeholders who share our philosophy and approach, we will provide greater value to society and individuals than we could ever achieve on our own.

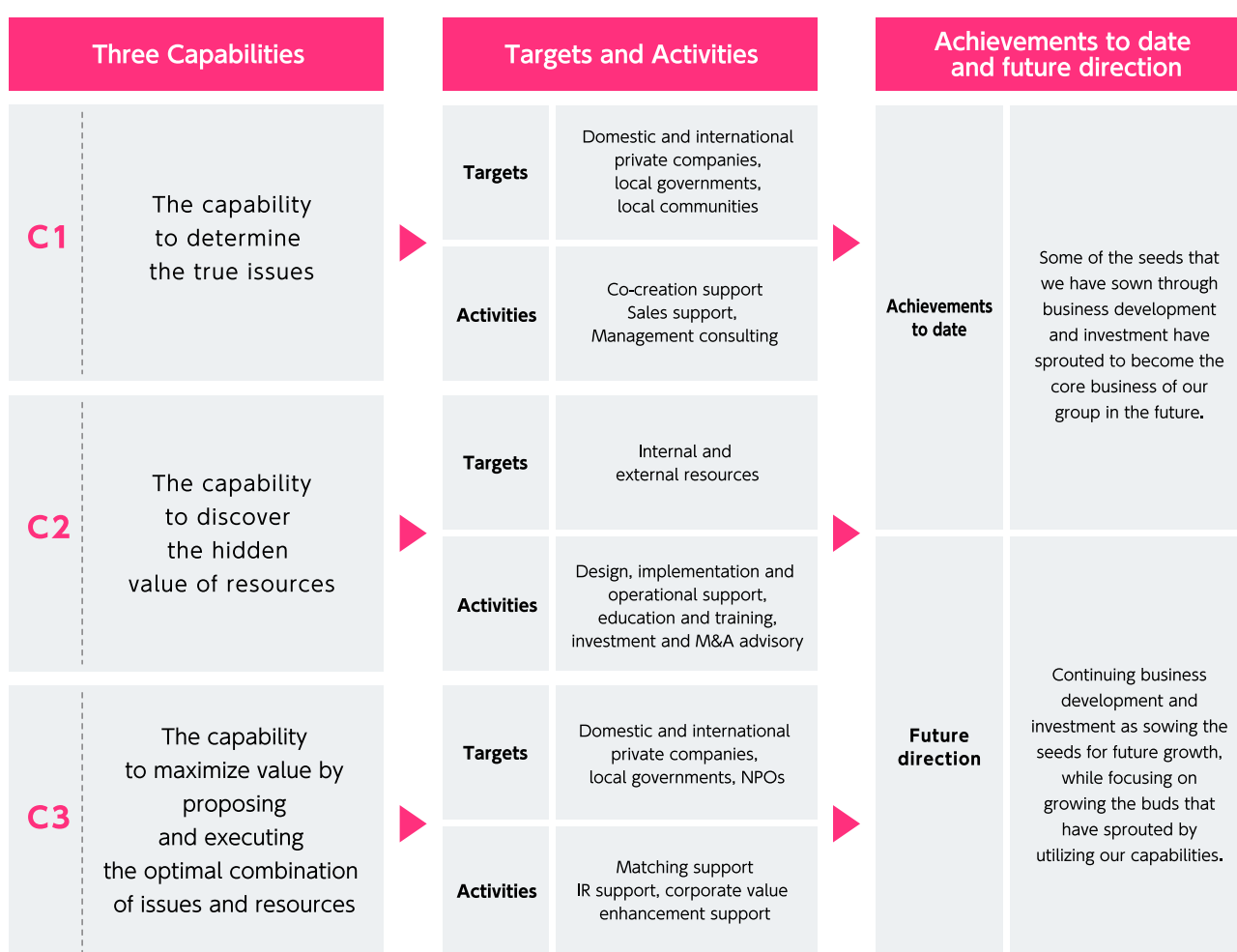
▼ Providing value to society and individual lives



Keys to achieving goals (Three Capabilities: 3C)

The three capabilities that we have developed are the key to achieving our goals. These are 1. the capability to determine the true issues (C1), 2. the capability to discover the hidden value of resources (C2), and 3. the capability to maximize value by proposing and executing the optimal combination of issues and resources (C3). Based on these capabilities, we aim to achieve our goals by providing services to private companies, local governments, public agencies, and local communities in Japan and overseas.

▼ Three Capabilities: 3C



II. Business development

Examples of major initiatives

The following table shows recent examples of major initiatives in each area.

▼ Situation of major initiatives by area

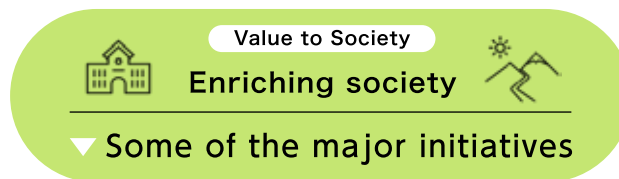
Area	Some of the major initiatives
<p>Value to Society</p> <p>Enriching society</p> 	<ul style="list-style-type: none"> ● Established SOCIALX, Inc. for public-private co-creation businesses <ul style="list-style-type: none"> ↳ Expanding development of Gyaku Propo for solving issues through public-private partnership, and launched a new service, "Gyaku Propo Concierge" ↳ Launched a new service, " Gyaku Propo Learning," a training program to learn how to develop new businesses that solve social issues. ↳ Launched "Gyaku Propo Tour," a new service for companies to explore social issues ● Started working to promote dairy cattle genome testing and to improve dairy farm management <ul style="list-style-type: none"> ↳ Started development of "EG-Genome (tentative name)," an application for utilizing data from dairy cattle genome test results to strengthen dairy farm management. ● Development of workcation business connecting large companies and rural areas, etc.
<p>Value to Individuals</p> <p>Making people's lives better</p> 	<ul style="list-style-type: none"> ● Jointly developed an electronic contract platform with the Shinoken Group Co., Ltd., which sells real estate for investment <ul style="list-style-type: none"> ↳ Released "Real Estate Trust DX Platform" for REaaS Technologies Co., Ltd. ● Management of professional basketball team, development of sports business DX, and expansion into educational administration ● Expansion into pet insurance business ● Development and expansion of frailty prevention business ● Development of a vaccination reservation web system co-created with a local government, and its application and development in other areas ● Demonstration of a face authentication/cashless system co-created with a local government to support an aging society
<p>Scala's Foundation</p> <p>DX and Investment</p> 	<ul style="list-style-type: none"> ● Acquired readytowork Co.,Ltd., which has a development base in Nepal, as a subsidiary to establish a sustainable development infrastructure ● Acquired Broncos20 Co., Ltd., which operates a professional basketball team, as a group company. ● Acquired Nihon Pet Small-amount Short-term Insurance Company, which sells pet insurance, as a subsidiary. ● Acquired EGG CO., LTD., a pioneer in regional revitalization with a strong network of local governments throughout Japan, as a subsidiary ● Established Strategic Investment Division <ul style="list-style-type: none"> ↳ Started " Co-creation-oriented M&A Advisory," a new service based on the concept of co-creation. ↳ Started " Specially Appointed Task Force for M&A" a new service that provides hands-on support for the promotion of M&A operations

III. Major initiatives in the area of "enriching society"

The social environment, hard and soft infrastructures are steadily becoming more sophisticated with the progress of urbanization and technological development. On the other hand, the issues our society is facing, such as the gap between urban and rural areas, declining birthrate, aging population, and depopulation, are becoming more complex and serious.

We are working to resolve these issues that cast a shadow over society and achieve a prosperous society, through DX, investments and co-creation with companies, government agencies, and other stakeholders.

Some of the major initiatives focused on society are listed below.



○:Capability that especially contributes

○:Capability that is relevant

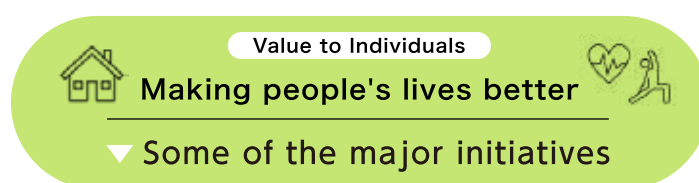
—:Capability with little relevance

Initiatives	Overview	Related Capabilities		
		C1	C2	C3
Established of SOCIALX. Inc, for public-private co-creation businesses	Established SOCIALX.Inc. which provides "the best experience for public-private co-creation", including "Gyaku Propo", a new form of public-private co-creation, to achieve a reconciliation between business and public nature. Promoting the creation of new businesses that contribute to the resolution of true social issues as a mediator for both the private companies and local governments.	○	○	○
Expanding development of Gyaku Propo for solving issues through public-private partnership, and launched a new service, "Gyaku Propo Concierge"	Supporting collaboration with companies that are proactive in solving issues by the concierge picking up issues that local governments have regarding public-private partnerships. Also supporting the verbalization of what the real issues are and what needs to be done next by interviewing local communities and agencies	○	○	○
Launched a new service, "Gyaku Propo Learning," a training program to learn how to develop new businesses that solve social issues.	Providing training programs for human resource development, including management-level personnel, to learn tips and know-how on developing new businesses that solve social issues through public-private co-creation.	○	○	○
Launched "Gyaku Propo Tour," a new service for companies to explore social issues	Discussing with local governments that are experienced in social issues to see how the company's strengths can be combined with social issues, and enhancing the understanding of these issues through observation of actual sites.	○	○	○
Started working to promote dairy cattle genome testing and to improve dairy farm management	The importance and necessity of dairy cattle genome testing has been widely recognized overseas and is expected to spread rapidly in Japan. Aiming to lower the bar for introducing genome testing, and to contribute to the spread of dairy cattle genome testing and improvement of dairy farm management.	○	○	○
Started development of "EG-Genome (tentative name)," an application for utilizing data from dairy cattle genome test results to strengthen dairy farm management.	At the request of Elite Genomics Co., Ltd., and in cooperation with desamis Co., Ltd., started development of "EG-Genome (tentative name)," an application for utilizing data from dairy cattle genome test results to enhance dairy farm management.	—	○	○
Development of workcation business connecting large companies and rural areas	Developing solutions to issues that companies face with the COVID-19 pandemic, including the operation of "KomfortaWorkation," a website that introduces workation facilities, and the development of human resources for change through the resolution of local issues. Also, proposing "a new working style that is not constrained by where to work," etc.	○	—	○

IV. Major initiatives in the area of "making people's lives better"

The evolution of technology and the spread of smartphones and social networking services have dramatically made individual lives more convenient. On the other hand, when you look at the lives of individuals, new types of challenges are increasing influenced by changes in lifestyles, such as the decrease in opportunities for real contact between individuals, the widening and fixation of the gap between the haves and have-nots, and the division between individuals due to these factors. Considering these as opportunities, we are working to resolve issues in individual lives and make people's lives better through DX and investment as well as by providing value to society, and through co-creation with companies, government agencies, and other stakeholders.

Some of the major initiatives focused on people's lives are listed below.



Initiatives	Overview	Related Capabilities		
		C1	C2	C3
Jointly developed an electronic contract platform with Shinoken Group Co., Ltd., which sells real estate for investment Released "Real Estate Trust DX Platform" for REaaS Technologies Co., Ltd. <small>**"Trust DX" is a registered trademark of Shinoken Group</small>	Aiming to realize a real estate trust service through joint development with Shinoken Group Co., Ltd., which promotes REaaS (Real Estate as a Service). Released a hybrid platform for electronic contracts for real estate transactions that enables users to select the method of signing a contract either by the contract parties or by the service provider on a single system, which fully complies with the guidelines of the Ministry of Land, Infrastructure, Transport and Tourism.	○	◎	○
Management of professional basketball team, development of sports business DX, and expansion into educational administration	Applying DX to professional sports team development, player acquisition through data, and the formulation of strategies and tactics through data analysis. Also, trying to offer new fan community services using NFT and other technologies. In addition, working on education administration, including fostering a sports culture through collaboration with school boards and elementary schools, reforming junior high school club activities, and the Giga School concept project.	○	◎	◎
Expansion into pet insurance business	Working to build a community of pet owners by creating connections among pet insurance subscribers beyond the conventional insurance business for pets. Aiming to provide not only financial compensation covered by existing insurance, but also services that lead to safety, security, and health through the community that we will create in near future.	◎	○	◎
Development and expansion of frailty prevention business	Creating opportunities for elderly people to increase their interest and engage in frailty prevention by learning about their own frailty status. For local governments, supporting to make a plan for future frailty and care prevention projects by understanding the percentage of frailty in the community.	○	◎	◎
Development of a vaccination reservation web system co-created with a local government, and its application and development in other area (Hino Town, Shiga)	Developed a web-based vaccination reservation system for the COVID-19 together with the local government. Furthermore, based on a suggestion by the town's staff, converted this system to a reservation system for tax return consultation. In the future, considering applying this system to various goods and service delivery systems, such as benefits and gifts, etc.	○	◎	◎
Demonstration of a face authentication/cashless system co-created with a local government to support an aging society (Ikata Town, Ehime)	Planned, developed, and demonstrated a face-authentication/cashless shopping service with the local government. Applying the results from this town to other areas with aging population.	◎	◎	◎

V. Major initiatives in the area of "DX & Investment"

DX through IT/AI/IoT solutions, which has been one of our strengths, and investments, including direct and indirect investments and human resource collaboration, are the two major components of our foundation. We believe that our distinctive value and foundation is to provide value to society and people's lives through the flexible combination of the two components, and co-creation with stakeholders such as companies and government agencies.

The following are the main initiatives focused on strengthening DX and investment as our foundation.

DX and Investment

▼ Some of the major initiatives

Initiatives	Overview	Related Capabilities		
		C1	C2	C3
Acquired readytowork Co.,Ltd., which has a development base in Nepal, as a subsidiary to establish a sustainable development infrastructure	Acquired readytowork Co.,Ltd., which has a development base in Nepal and offers new business development and DX promotion mainly through web systems to customers in Japan, as a subsidiary. Aiming to strengthen the offshore development infrastructure and expand IT services overseas at the same time.	—	○	◎
Acquired Broncos20 Co., Ltd., which operates a professional basketball team, as a group company	Acquired Broncos20 Co., Ltd. which owns the Saitama Broncos, a member of the B-League basketball league, as a group company. Aiming for synergy with existing sports business and development of new business such as sports DX.	○	◎	◎
Acquired Nihon Pet Small-amount Short-term Insurance Company, which sells pet insurance, as a subsidiary	Acquired Nippon Pet Small-amount Short-term Insurance Company, which has been providing distinctive pet insurance, as a subsidiary. Using it as a stepping-stone to expand into other areas of insurance business, and even into the financial business.	◎	○	◎
Acquired EGG CO., LTD., a pioneer in regional revitalization with a strong network of local governments throughout Japan, as a subsidiary	Acquired EGG CO., LTD., which has experience in developing and providing systems for local governments for the Hometown Taxation System and has a network with local governments throughout Japan, as a subsidiary.n.	—	◎	◎
Established Strategic Investment Division	Established Strategic Investment Business Division as a structure to develop investment-related businesses, as well as to strengthen and expand our investment function.	○	◎	◎
Started "co-creation-oriented M&A advisory," a new service based on the concept of co-creation	Based on the concept of co-creation, supporting M&A not as an intermediary but as an advisor, sometimes in the perspective of a co-creation partner company. Providing support to maximize M&A effects through the power of AI, DX, and co-creation, by leveraging our experience in AI/DX business, as well as M&A and investment experience we have accumulated.	○	◎	◎
Started "Specially Appointed Task Force for M&A," a new service that provides hands-on support for the promotion of M&A operations	From M&A strategy planning to closing and PMI, working as an "in-house team" for partner companies, and providing hands-on support for both internal and external M&A-related tasks. Offering solutions for companies that find it difficult to execute M&A as expected for a variety of reasons, including lack of know-how and human resources.	○	◎	◎

VI. Achieving Our Goals

Continuing to grow through repeated "business domain expansion" and "selection and concentration"

We have grown steadily with our unique stock business model, mainly as a provider of SaaS/ASP services. However, there are few companies in Japan that have overwhelmingly grown solely in the SaaS/ASP service business to the point where they can compete on a global scale. Under such circumstances, we believe that in order to achieve our major medium- to long-term goals, we need not only to provide IT technology as a means, but also to expand the scope of its application and usage, maximize its practical effects, and create a cycle in which the value of IT technology is enhanced by such facts and results, and thus we have announced our medium-term management plan, "COMMIT5000".

We have been growing steadily in the IT technology area, but in order to actively challenge new areas to maximize the effect of our growth, we cannot utilize our past experience and know-how because the strategies and tactics required should be completely different. Therefore, we have been proactively working with partner companies and human resources based on our group's major values (three capacities).

Many of the initiatives that we have sown so far have actually begun to sprout as new businesses with social significance. Going forward, we will nurture these buds and aim to achieve our major goals by providing the necessary elements for all businesses related to people, products, money, and information, in addition to the IT technology we have developed over the years, and by optimally combining them to maximize their effectiveness.

Depending on the process and timing, the degree of concentration on each business target area may change as needed, and some businesses may need to be reorganized.

We will review our business priorities constantly, being conscious of whether they will lead to dramatic growth over the mid-to-long term, and actively promote continuous growth by expanding into new business areas and repeatedly selecting and concentrating on them.

Disclaimer

This material includes forward-looking matters such as forecasts, prospects, targets, and plans related to Scala Inc. (hereinafter referred to as "Scala"). These are based on the predictions made at the time based on information obtained by Scala at the time of preparation of this document. Certain preconditions and assumptions are adopted in this document, including subjective projections and those which are not judgments of Scala's executives.

Also, various risks and uncertainties may prove to be inaccurate in the future or may not be realized in the future. Therefore, the actual results, business results, financial condition, etc. of the Scala Group may differ from its forecasts, outlooks, targets and plans. For this reason, the Scala Group has no obligation or policy to update such information to the latest information from time to time regarding the forecasts, prospects, targets, plans, etc. posted in this document.

The information contained in this document is for informational purposes only and is not intended for application, investment solicitation, or sales recommendation in any securities, financial products, or transactions. At the same time, the accuracy, completeness, fairness, and certainty of the content are not guaranteed. Therefore, Scala is not responsible for any damage caused as a result of using this document.

The copyright of this document and all other rights related to this document belong to Scala.



32F, Shibuya Hikarie, 2-21-1, Shibuya, Shibuya-ku, TOKYO 1508510 JAPAN
TEL : +81-3-6418-3960
<https://scalagr.jp>

Published Aug, 2022
Copyright Scala, Inc. All rights reserved.