



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
Signs of sprouting from sown seeds in some fields

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

February 14, 2023

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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.

Currently, the progress is remarkable, especially in the area of public-private co-creation. (Reference: <https://socialx.inc/>)

We are also making steady progress in a wide range of fields, including a collaboration with a major pharmaceutical company and a major non-life insurance company in the field of healthcare. (Reference: <https://scalagr.jp/news/2022/10-smarthealthcare/>)

Our entire group will strive to achieve COMMIT5000 by consistently making these efforts bear fruit, which will lead to future financial impact.

▼ Toward a world where the value springs up

Redefining society and life = sustainable true DX



Functioning as a value co-creation platform

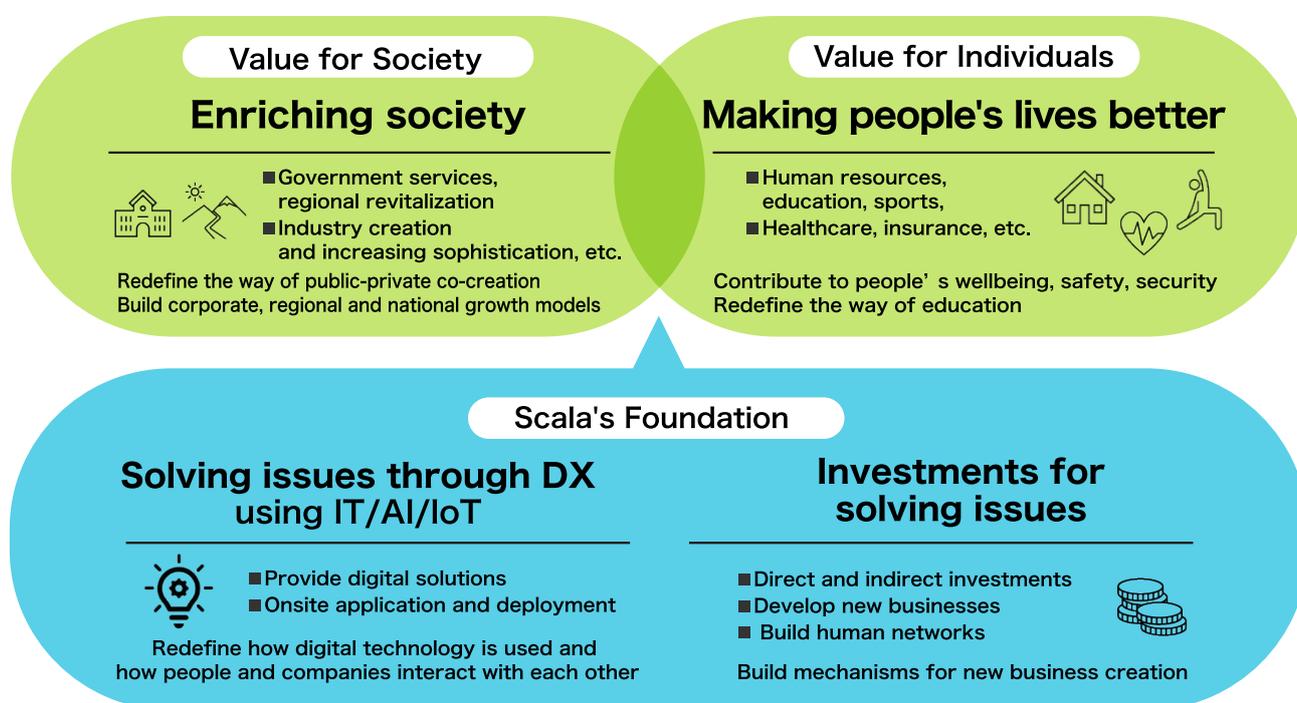


Supporting the realization of an enriched society and better lives

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

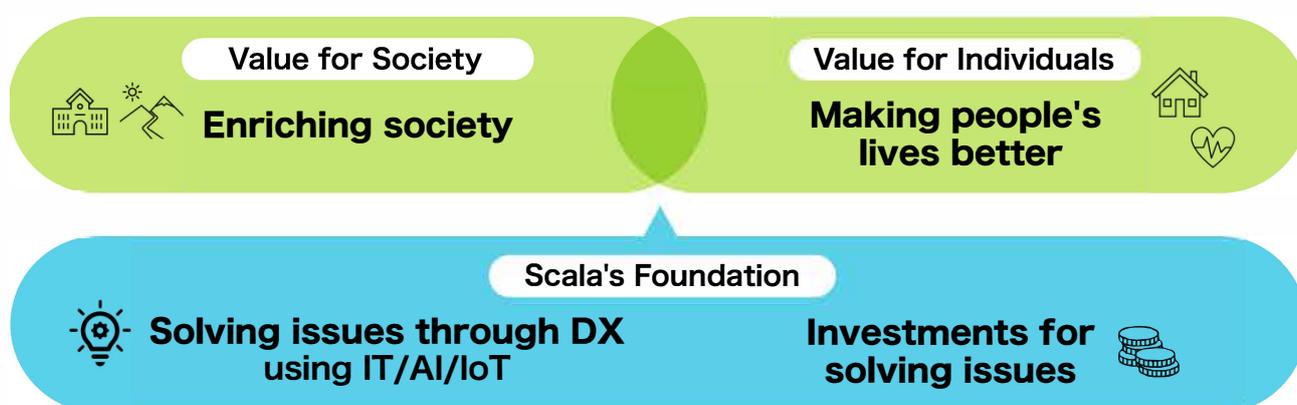
Three Capabilities		Targets and Activities		Achievements to date and future direction	
C1	The capability to determine the true issues	Targets	Domestic and international private companies, local governments, local communities	Achievements to date	Some of the seeds that we have sown through business development and investment have sprouted to become the core business of our group in the future.
		Activities	Co-creation support Sales support, Management consulting		
C2	The capability to discover the hidden value of resources	Targets	Internal and external resources	Future direction	Continuing business development and investment as sowing the seeds for future growth, while focusing on growing the buds that have sprouted by utilizing our capabilities.
		Activities	Design, implementation and operational support, education and training, investment and M&A advisory		
C3	The capability to maximize value by proposing and executing the optimal combination of issues and resources	Targets	Domestic and international private companies, local governments, NPOs		
		Activities	Matching support IR support, corporate value enhancement support		

Path to achieving our goals

The following chart shows the path to achieving COMMIT5000, the medium-term management plan.

It is difficult to directly estimate the size of the market for the social issues we are addressing since in many cases we are the pioneer and there is no precedent for our work. Therefore, we have presented not only directly related markets, but also indirectly related areas for reference to show the path to achieving COMMIT5000. Based on our group's major values (three capabilities), we have been highly evaluated for our experience in solving new and challenging social issues by collaborating with partner companies and human resources. We are engaged in an increasing number of projects from the ideation stage. Although the processes will take time, the path toward a more enriched society and a better life is becoming clearer. We will disclose our progress in due course and endeavor to deepen investors' understanding of our value-creating capabilities.

In the field of public-private co-creation, we are highly trusted by both the public and private sectors, and are involved in many projects as disclosed in our IR. We believe that this increase in trust will lead to a lower cost of capital (higher PER) from the perspective of financial stability and contribution to society, and thus contribute to shareholder value.



Scale of areas in which we are involved from the ideation stage

Local government budget balance	90.6 trillion yen ^{※1}	Livestock shipment value	3.4 trillion yen ^{※2}
Real estate tech market	1.2 trillion yen ^{※3}	Sports industry	9.1 trillion yen ^{※4}
Pet business	1.7 trillion yen ^{※5}	Digital health	1.0 trillion yen ^{※6}

※1 : Ministry of Internal Affairs and Communications: The total amount of revenue and expenditure in the FY2022 local government finance plan is 90.6 trillion yen for ordinary revenues and expenditures.
<https://www.soumu.go.jp/iken/zaisei.html>

※2 : Ministry of Agriculture, Forestry and Fisheries: Livestock shipments in 2021 were 3.4 trillion yen.
https://www.maff.go.jp/j/chikusan/kikaku/lin/l_hosin/attach/pdf/index-138.pdf

※3 : Yano Research Institute Ltd.: Real estate tech market estimate is 1.2 trillion yen in FY2025.
https://www.yano.co.jp/press-release/show/press_id/2770

※4 : Japan Sports Agency: Sports production value for 2019 is 9.1 trillion yen.
<https://www.dbj.jp/upload/investigate/docs/1a6720c2520b97bca3f432880906ae0e.pdf>

※5 : Yano Research Institute Ltd.: Estimated value for 2021 is 1.7 trillion yen based on related research.
https://www.yano.co.jp/press-release/show/press_id/3053

※6 : Nikkei Business Publications, Inc.: Estimated value is 1.0 trillion yen in "Digital Health Future Strategy"
<https://info.nikkeibp.co.jp/nxt/campaign/b/284240>

II. Business development

Examples of major initiatives

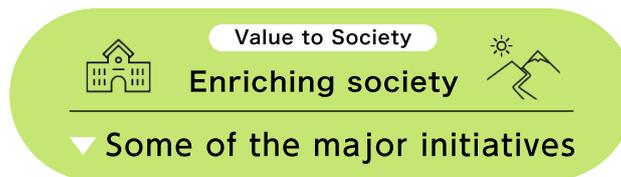
The following table shows recent examples of major initiatives in each area.

▼ 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"> ● Opened "Gyaku Propo Lab@ARCH", public-private co-creation incubation center at "ARCH" in Toranomon Hills ● Launched "eG Plus", a system to utilize test result data of dairy cattle genome ● Business alliance between EGG CO., LTD (hereinafter "EGG") and Shift-Seven Consulting Inc. in hometown tax system business ● EGG, Nexway Co., Ltd., and TACT INC. conducted a demonstration experiment using AI calls
<p>Value to Individuals</p> <p>Making people's lives better</p> 	<ul style="list-style-type: none"> ● Started collaboration with Otsuka Pharmaceutical Co., Ltd. and Sompo Japan Insurance Inc. for realization of "Smart Healthcare Platform" ● EGG was entrusted with a project to promote the use of My Number Cards in Yonago City, Tottori Prefecture
<p>Scala's Foundation</p> <p>DX and Investment</p> 	<ul style="list-style-type: none"> ● Selected for JETRO's "Asia DX Promotion Project in ASEAN-Japan" ● Started new NFT business in the Web3 domain and invested in UPBOND CORPORATION ● 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 ● Entered into a strategic partnership with Mirai Works Inc.

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.



C1: The capability to determine the true issues

C2: The capability to discover the hidden value of resources

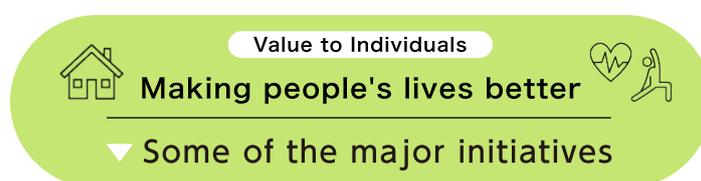
C3: The capability to maximize value by proposing and executing the optimal combination of issues and resources

Initiatives	Overview	Applicable 3C		
		C1	C2	C3
Opened "Gyaku Propo Lab@ARCH", public-private co-creation incubation center at "ARCH" in Toranomon Hills	Public-private co-creation projects will play a major role in solving future social issues. Our group is becoming a leader in this area. The size of local government finances was 90.6 trillion yen in FY2022. Based on such a budget, we aim to become Japan's leading private company in public-private co-creation. By thinking digitally and designing concepts from the beginning, the Group will take a leadership role in the implementation of DX solutions and contribute to the achievement of COMMIT5000. In addition, the increase in reliability will lead to a lower cost of capital, which will contribute to higher shareholder value.	○	○	○
Business alliance between EGG and Shift-Seven Consulting Inc. in hometown tax system business	We will build strong relationships with local governments through the introduction of tax payment systems, understand the challenges they face, and work together to solve them. The goal is to generate sales of about single-digit percent of the size of the local government budget, and to contribute to the achievement of COMMIT5000.	—	○	○
EGG, Nexway Co., Ltd., and TACT INC. conducted a demonstration experiment using AI calls		○	○	○
Launched "eG Plus", a system to utilize test result data of dairy cattle genome	Agriculture is lagging behind in DX. We will become a leader in agricultural DX with our know-how to start from the conceptual stage and then link it to DX implementation. We aim to generate sales in the single digit % of the market size in the agricultural area and contribute to COMMIT5000.	—	○	○

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.



C1: The capability to determine the true issues

C2: The capability to discover the hidden value of resources

C3: The capability to maximize value by proposing and executing the optimal combination of issues and resources

Initiatives	Overview	Applicable 3C		
		C1	C2	C3
Started collaboration with Otsuka Pharmaceutical Co., Ltd. and Sompo Japan Insurance Inc. for realization of "Smart Health-care Platform"	It is a health support service that helps provide and sustain health maintenance and promotion programs that companies and organizations can use to support the health of their employees. When a company supports the health of its employees, it brings about an increase in employee health awareness and health literacy. Helping employees to work in good mental and physical health will energize the entire workplace, improve work efficiency, and promote productivity.	○	◎	◎
EKG was entrusted with a project to promote the use of My Number Cards in Yonago City, Tottori Prefecture	We are focusing on the My Number Card as an important tool for building easier access to administrative services for citizens than ever before, in order to realize DX of administrative services with the aim of improving citizen satisfaction. To promote its widespread use, we are developing the My Number Card promotion project.	○	◎	◎

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.



C1: The capability to determine the true issues

C2: The capability to discover the hidden value of resources

C3: The capability to maximize value by proposing and executing the optimal combination of issues and resources

Initiatives	Overview	Applicable 3C		
		C1	C2	C3
Selected for JETRO's "Asia DX Promotion Project in ASEAN-Japan"	<p>We are promoting the "Digital Agricultural Cooperative Platform Development Project Centered on Credit Scoring for Farmers". This project was selected for the "Asian DX Promotion Project in ASEAN-Japan" by AMEICC (Secretariat: JETRO) as the first agricultural DX project in Indonesia under the FY2021 supplementary budget of the Ministry of Economy, Trade and Industry.</p> <p>A consortium is formed with a co-proposing company to create a new credit scoring system for farmers by integrating a system for building a production history database, a post-payment system, and a farm management guidance service. The consortium also aims to establish a digital agricultural cooperative that provides farmers with farm management guidance, provision of materials, financial services, and sales as a single platform.</p>	○	○	○
Started new NFT business in the Web3 domain and invested in UPBOND CORPORATION	<p>In the sports industry, NFT-related services utilizing blockchain technology on the Web3 are expanding rapidly. Especially in Europe and the United States, NFT services utilizing sports IP have formed a huge market and are thriving together with the sports betting business. On the other hand, in some local governments, research and development and implementation of metaverse and NFT services related to Web3 for the digital citizenship and smart city projects are progressing. We believe that Web3 technology is creating value in many of the business areas we have been working on, and we will further promote the development of Web3 business.</p>	—	○	○
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	<p>The " Specially Appointed Task Force for M&A," an M&A promotion service that provides practical support, systematizes the experiences that we have accumulated in executing numerous M&A transactions. This service provides hands-on practical support as an in-house team of partner companies at each stage of the M&A process, covering M&A strategy planning, sourcing, negotiations with prospective acquisition targets and due diligence after the deal is underway, and PMI after the deal closes.</p>	○	○	○
Entered into a strategic partnership with Mirai Works Inc.		○	○	○

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.

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