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Consolidated Financial Results for the Three Months Ended January 31, 2024 [Japanese GAAP]

March 14, 2024

Company name: SCAT Inc.

Stock exchange listing: Tokyo

Code number: 3974

URL: <https://www.scat.inc/>

Representative: Nagashima Hideo

President and CEO

Contact: Nishio Shinobu

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Scheduled date of filing quarterly securities report: March 14, 2024

Scheduled date of commencing dividend payments: -

Availability of supplementary briefing material on quarterly financial results: Yes

Schedule of quarterly financial results briefing session: No

(Amounts of less than one million yen are rounded down.)

1. Consolidated Financial Results for the Three Months Ended January 31, 2024 (November 1, 2023 to January 31, 2024)

(1) Consolidated Operating Results

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended January 31, 2024	674	3.9	44	7.2	47	10.4	29	(9.8)
January 31, 2023	649	3.0	41	(26.4)	42	(23.0)	32	1.7

(Note) Comprehensive income: Three months ended January 31, 2024: ¥ 30 million [(8.5)%]
Three months ended January 31, 2023: ¥ 33 million [20.7%]

	Basic earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
January 31, 2024	10.73	-
January 31, 2023	8.92	-

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio
As of	Millions of yen	Millions of yen	%
January 31, 2024	2,842	1,858	65.4
October 31, 2023	2,976	1,844	62.0

(Reference) Equity: As of January 31, 2024: ¥ 1,858 million
As of October 31, 2023: ¥ 1,844 million

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended October 31, 2023	-	4.50	-	6.00	10.50
Fiscal year ending October 31, 2024	-				
Fiscal year ending October 31, 2024 (Forecast)		6.00	-	6.00	12.00

(Note) Breakdown of the 1st quarter dividend for the fiscal year ending October 31, 2024 :

Commemorative dividend	5.00 yen
Special dividend	1.00 yen

3. Consolidated Financial Results Forecast for the Fiscal Year Ending October 31, 2024(November 1, 2023 to October 31, 2024)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	2,804	2.3	243	6.8	243	5.4	160	1.6	58.10

(Note) Revision to the financial results forecast announced most recently: No

* Notes:

(1) Changes in significant subsidiaries during the three months ended January 31, 2024

(changes in specified subsidiaries resulting in changes in scope of consolidation): No

New - (Company name:)

Exclusion: - (Company name:)

(2) Accounting policies adopted specially for the preparation of quarterly consolidated financial statements: No

(3) Changes in accounting policies, changes in accounting estimates and retrospective restatement

1) Changes in accounting policies due to the revision of accounting standards: No

2) Changes in accounting policies other than 1) above: No

3) Changes in accounting estimates: No

4) Retrospective restatement: No

(4) Total number of issued shares (common shares)

1) Total number of issued shares at the end of the period (including treasury shares):

January 31, 2024: 5,240,000 shares

October 31, 2023: 5,240,000 shares

2) Number of treasury shares at the end of the period:

January 31, 2024: 2,478,176 shares

October 31, 2023: 2,479,476 shares

3) Average number of shares outstanding during the period:

Three months ended January 31, 2024: 2,761,315 shares

Three months ended January 31, 2023: 3,679,753 shares

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1 . Qualitative Information on Financial Results for the Period under Review

(1) Explanation of Business Results

During the first quarter of the FY2023 (November 1, 2023 to January 31, 2024), the Japanese economy is on a recovery trend as the impact of the new coronavirus infection diminishes, the future remains uncertain due to the depreciation of the yen in the foreign exchange market and soaring prices due to rising utility costs and raw material prices.

In the information and communications industry, our core business, DX (digital transformation), which is being promoted as a national policy, is accelerating during the coronavirus pandemic. Users place importance on attracting customers online, digitizing office work, and data security, and it is expected that IT investments will continue to increase in order to enhance corporate competitiveness and improve operational efficiency.

In this environment, our company has announced a three-year medium-term plan starting from the fiscal year ending October 2024, and is working on measures to improve shareholder value and corporate value, as well as mechanisms for growth strategies.

In the beauty ICT business, we have been certified by METI as a DX certified business and an IT implementation support business. The products and content services we provide are eligible for IT introduction subsidies, and we are responding to the demand for DX in user salons. Furthermore, the market environment continues to be favorable, with demand expected to increase in response to legal revisions such as ERRL (Electronic Record Retention Law) and the invoice system. Against this background, we will expand the scope of our beauty ICT services, expand the functionality of our own application software to enhance our DX system, and make key investments in hiring career human resources, in order to establish a foundation for sustainable growth.

In the business service business, we have been recognized by METI for our specialized knowledge and practical experience in supporting SMEs, and have been certified as a " Support agencies for business innovation." As a result, the number of cases of consulting services such as management consultation and business plan formulation and implementation support for clients is gradually increasing.

In the nursing care services business, profits and losses have been significantly affected by an increase in vacancies at nursing homes for the elderly due to hospitalizations due to deterioration of chronic illnesses and deaths, as well as the soaring costs of food, water, and utilities.

As a result, consolidated results for the first quarter of the FY2024, we achieved net sales of ¥674,370 thousand (up 3.9% year-on-year), operating income of ¥44,188 thousand (up 7.2% year-on-year), ordinary income of ¥47,314 thousand (up 10.4% year-on-year), and profit attributable to owners of parent of ¥29,615 thousand (down 9.8% year-on-year).

Operating results by business segment are as follows. Segment income is based on operating income. Additionally, from the first quarter consolidated accounting period, the segment names have been

changed from "ICT business for beauty salons" to "Beauty ICT business" and "Business services business for SMEs" to "Business services business." This change is a change in segment name and has no effect on segment information.

a) Beauty ICT business.

In the beauty ICT business, we are working to further improve the stock revenue of maintenance, content, and new fee-based services, in addition to system sales, which are our main source of revenue.

In system sales (POS), there are two core systems: the on-premise type "Sacla PREMIUM" that supports customization of beauty salons, and the SaaS type "BEAUTY WORKS".

In 2024, we will continue to be selected as an IT implementation support provider and have received orders for "Sacla PREMIUM" using IT implementation subsidies.

The Company entered into a sales partner agreement with "RAKUS Co., Ltd. (TSE Prime: 3923)".

As a result, the sales management system "i-SCAP/EX" for beauty dealers will be compatible with the "Invoice System" and "ERRL (Electronic Records Retention Law)" by linking with the cloud-based electronic billing system "RAKU RAKU MEISAI". As a result, along with improving the back-office operations and productivity of beauty dealers, they became our distributors and promoted the acquisition of new users, leading to an increase in sales.

In charge-based stock business, In addition to the smartphone app (Salon Appli), "Reserve with Google", and Rakuten Super Points linkage, which have been driving the construction of the paid stock business, we are also increasing the linkage with the "LINE Mini App" and are accumulating web content revenue.

In order to develop our business in the future and provide new services in the hairdressing industry, we will collaborate with "M H Group LTD. (TSE Standard: 9439), which operates and manages the hair salon "Mods Hair." Through the mutual cooperation of our partner companies, we will advance the alliance by leveraging the know-how of each company, such as promoting DX in the hairdressing industry and developing environmentally friendly menus as support for sustainable environmental management (SDGs).

As a result of the above, in the current first quarter consolidated cumulative period, sales were ¥410,711 thousand (up 7.8% year-on-year), and segment profit was ¥31,708 thousand (up 6.4% year-on-year).

b) Business service business.

In the business service business, we provide various services centered on accounting and accounting office work that support the management of SMEs. The company have been certified by METI as a "Support agencies for business innovation" and provide consulting services such as formulating plans to improve management capabilities and supporting business restructuring to improve customers' management issues.

Our core business accounting services are centered on financial reports such as monthly settlements, providing cash flow support, bookkeeping and payroll calculation outsourcing (BPO) services, and IT system operation of related accounting, payroll, and sales management software, and we provide

support and risk management (life and non-life insurance agency business).

By providing these services, we have strengthened our relationships with existing customers, and our alliances with referral partner companies, local financial institutions and professionals have led to stable acquisition of new customers.

In addition to providing support to each client regarding the invoice system that will be implemented from October 2023 and the revision of ERRL (Electronic Record Retention Law) from January 2024, we will also expand various services such as business succession and consulting services as a certified support organization.

As a result of the above, in the current first quarter consolidated cumulative period, sales were ¥79,057 thousand (up 4.9% year-on-year), and segment loss was ¥4,715 thousand (loss of ¥1,792 thousand in the same quarter of the previous year).

c) Nursing care service business.

In the nursing care service business, we operate three paid nursing homes with nursing care (Sano City, Tochigi Prefecture, Tatebayashi City, Gunma Prefecture, and Komoro City, Nagano Prefecture), and also operate a home support business in Komoro City, Nagano Prefecture.

At paid nursing homes with nursing care, since the previous fiscal year, occupancy rates had declined due to an increase in vacancies due to residents passing away due to worsening chronic illnesses or leaving due to long-term hospitalization treatment.

The COVID-19 has been classified as a Type 5 infectious disease, the same as seasonal influenza, and the number of care plans from care managers in nearby areas has increased, and the number of people waiting to move in is progressing smoothly, and the state is on a recovery trend. In addition, in home support businesses such as day services and short-stay services, and health promotion businesses, although usage is returning to pre-coronavirus levels, revenues were partially affected by customers refraining from using the service or self-restraint.

Although the local infection situation is recovering, we will continue to update our business continuity program in a timely manner in response to infectious diseases and natural disasters, which is one of the characteristics of our facility, and continue to monitor the physical condition of residents and employees and carry out sanitization and disinfection. We are working hard to prevent mass infections and maintain mental and physical health by alleviating stress and anxiety, including implementing online visitation services for families using ICT.

On the other hand, there was a significant impact on profit and loss due to a significant increase in utility costs due to the recent rise in crude oil prices, and an increase in expenses due to the rise in prices of food and other items.

As a result of the above, in the current first quarter consolidated cumulative period, net sales were ¥179,776 thousand (down 4.3% year-on-year), and segment profit was ¥4,859 thousand (down 55.2% year-on-year).

Quarterly Consolidated Financial Statements
Quarterly Consolidated Balance Sheets

(Thousands of yen)

	As of October 31, 2023	As of January 31, 2024
Assets		
Current assets		
Cash and deposits	1,209,125	1,041,466
Accounts receivable - trade	246,601	279,429
Merchandise	39,719	52,462
Work in process	1,904	1,902
Other	23,261	65,230
Allowance for doubtful accounts	(211)	(239)
Total current assets	1,520,400	1,440,252
Non-current assets		
Property, plant and equipment		
Buildings and structures	1,056,248	1,060,751
Accumulated depreciation	(435,701)	(441,272)
Buildings and structures, net	620,547	619,479
Land	245,830	245,830
Other	140,267	141,204
Accumulated depreciation	(121,527)	(122,846)
Other, net	18,739	18,357
Total property, plant and equipment	885,117	883,667
Intangible assets		
Software	208,191	183,203
Software in progress	42,608	58,789
Goodwill	37,049	33,344
Other	3,507	3,237
Total intangible assets	291,357	278,575
Investments and other assets		
Investment securities	30,400	32,160
Deferred tax assets	159,838	142,820
Other	104,747	81,141
Allowance for doubtful accounts	(15,808)	(15,750)
Total investments and other assets	279,178	240,372
Total non-current assets	1,455,652	1,402,614
Total assets	2,976,052	2,842,866

(Thousands of yen)

	As of October 31, 2023	As of January 31, 2024
Liabilities		
Current liabilities		
Accounts payable - trade	45,958	55,756
Current portion of long-term borrowings	61,680	61,680
Accrued expenses	114,605	106,033
Income taxes payable	71,663	3,726
Provision for bonuses	77,934	32,877
Other	151,553	131,446
Total current liabilities	523,396	391,520
Non-current liabilities		
Long-term borrowings	178,520	163,100
Provision for retirement benefits for directors (and other officers)	16,685	16,685
Provision for share awards	30,296	32,314
Retirement benefit liability	326,535	324,987
Asset retirement obligations	40,446	40,537
Other	15,650	15,550
Total non-current liabilities	608,133	593,174
Total liabilities	1,131,530	984,694
Net assets		
Shareholders' equity		
Share capital	200,000	200,000
Capital surplus	338,339	338,339
Retained earnings	2,174,072	2,185,823
Treasury shares	(865,331)	(864,656)
Total shareholders' equity	1,847,081	1,859,507
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(2,559)	(1,335)
Total accumulated other comprehensive income	(2,559)	(1,335)
Total net assets	1,844,522	1,858,172
Total liabilities and net assets	2,976,052	2,842,866

Quarterly Consolidated Statements of Income and Comprehensive Income
Quarterly Consolidated Statements of Income (For the three months)

(Thousands of yen)

	For the three months ended January 31, 2023	For the three months ended January 31, 2024
Net sales	649,084	674,370
Cost of sales	393,678	406,218
Gross profit	255,405	268,152
Selling, general and administrative expenses	214,173	223,966
Operating profit	41,231	44,186
Non-operating income		
Interest income	0	0
Insurance claim income	-	1,482
Facility rental fee	368	398
Subsidy income	2,162	1,243
Other	92	350
Total non-operating income	2,623	3,474
Non-operating expenses		
Interest expenses	680	346
Other	299	-
Total non-operating expenses	980	346
Ordinary profit	42,875	47,314
Extraordinary income		
Gain on exemption from rent	8,739	-
Total extraordinary income	8,739	-
Extraordinary losses		
Loss on retirement of non-current assets	-	0
Total extraordinary losses	-	0
Profit before income taxes	51,614	47,314
Income taxes - current	3,432	1,215
Income taxes - deferred	15,362	16,483
Total income taxes	18,794	17,699
Profit	32,819	29,615
Profit attributable to owners of parent	32,819	29,615

Quarterly Consolidated Statements of Comprehensive Income (For the three months)

(Thousands of yen)

	For the three months ended January 31, 2023	For the three months ended January 31, 2024
Profit	32,819	29,615
Other comprehensive income		
Valuation difference on available-for-sale securities	890	1,223
Total other comprehensive income	890	1,223
Comprehensive income	33,709	30,839
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	33,709	30,839