December 14, 2023

Company name: SCAT Inc.
（Tokyo Stock Exchange Standard Market , Code 3974）
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Notice Regarding Measures to Realize Management with Awareness of Capital Cost and Stock Price

SCAT Inc. (the “Company”) announces that at the Board of Directors meeting held today, the Company conducted an analysis of the current situation regarding cost of capital and profitability in response to the Tokyo Stock Exchange's request for “Measures to Realize Management with Awareness of Cost of Capital and Stock Price.”, and resolved on the policies and goals for further enhancement of the Company’s corporate value.

1. Analysis of current conditions.

The company's target management indicators are growth in sales and ordinary income, and return on equity (ROE). Our ROE has steadily improved and increased to 7.9% in the FY2023.

Price Book-value Ratio (PBR), the increase in stock prices was weak despite the increase in net assets per share due to the acquisition of treasury stock from major shareholders during FY2023, and the PBR remained below 1x. In fiscal 2023, the average three-month stock price at the end of the period remained at 0.77 times.

Our cost of stockholders' equity is approximately 4% to 6% calculated by CAPM, and is shared with the Board of Directors.

The Company recognizes the following three main reasons for the slump in stock prices.

① The Company's business and growth strategies aimed at sustainable growth are not fully understood by investors.

② Low liquidity of stocks.

③ The market capitalization is small, making it difficult for institutional investors to invest in it.

Based on the above, our current analysis is that the stock price remains at an undervalued level despite ensuring stable profitability.

Therefore, we will aim to improve profitability and PBR, keeping in mind the link with the management strategy of the medium-term management plan (FY2024 to FY2026) announced today.

	FY 2020	FY 2021	FY 2022	FV2023
Net sales (Million yen)	2,462	2,483	2,587	2,742
Ordinary profit (Million yen)	131	180	223	230
Profit attributable to owners of parent (M)	71	120	100	157
Net assets (Million yen)	2,193	2,316	2,177	1,844
Net assets per share (Yen)	506.15	524.51	555.60	668.18
Net income per share (Yen)	16.54	27.56	24.30	52.79
Capital adequacy ratio (%)	60.0%	62.4%	62.7%	62.0%
ROE (Return on equity), (%)	3.3%	5.4%	4.5%	7.9%
Stock price (3-month average) (Yen)	470.54	516.44	457.08	517.13
PBR (Price Book-value Ratio)	0.93	0.98	0.82	0.77
PER (Price Earnings Ratio)	28.4	18.7	18.8	9.8
Stock price (end of period) (Yen)	446.67	491	431	469
PBR (Price Book-value Ratio)	0.88	0.94	0.78	0.70
PER (Price Earnings Ratio)	27.0	17.8	17.7	8.9

2. Initiative policies and details

The company has formulated a medium-term management plan that extends to FY2026, with FY2023 as the base period. We have changed our company name, positioned the current medium-term management plan as the "starting line for a new stage," and have established a basic policy of "Plus 1 - Initiatives for Growth and Deepening."

In order to adapt to changes in an uncertain economic environment, we must quickly realize a growth strategy (growth and deepening) centered on our core businesses, and implement "structural reforms (growth and deepening) of existing businesses" and "new By practicing "Creation of Services and Businesses", we will strive to grow our business and secure stable profits.

At the same time, we will carry out measures based on medium-term plans, keeping in mind the cost of shareholders' equity and stock price.

Specifically, we aim to improve ROE by improving profitability, increasing shareholder returns (continuing stable dividends), and improving financial efficiency, aiming to achieve ROE of 9% in FY2026.

Furthermore, we hope to quickly achieve a PBR of over 1x by strengthening efforts to improve PER (Price Earnings Ratio), such as enhancing information disclosure and strengthening IR activities.

As measures to improve shareholder value and corporate value, we will implement the following "three pillars" and "five approaches" to improve our return on capital.

《Target value》

(1) Improving ROE: Realizing growth strategies to achieve the medium-term management plan, improving profitability and efficiency.
(2) Shareholder returns: Continue stable dividends by improving profitability.
(3) Sustainable: Responsibility to continue a better SCAT to the next generation.

《Specific initiatives》

(1) Growth strategy

Execution of growth driving measures (growth and deepening), maximization of profits.

a) Business portfolio optimization.

b) Strengthen profitability by expanding sales resources and promoting efficiency using DX.

c) Optimization by improving business processes and promoting ICT due to core system renewal

(2) Growth investment

Execution of management resource allocation plan (M&A, development investment, DX promotion investment, human capital).

a) Improving financial efficiency.

b) Promoting efficiency and effective utilization of assets, including the sale of non-business assets

c) Consideration of capital policy from a comprehensive perspective.

(3) Human capital

Promotion of health management, improvement of employee engagement, employee return.

a) Strengthening human capital investment, including the utilization of human resources.

(4) IR enhancement

Enhancement of IR/information disclosure, investor dialogue (increase in number of shares in circulation, improvement of PBR).

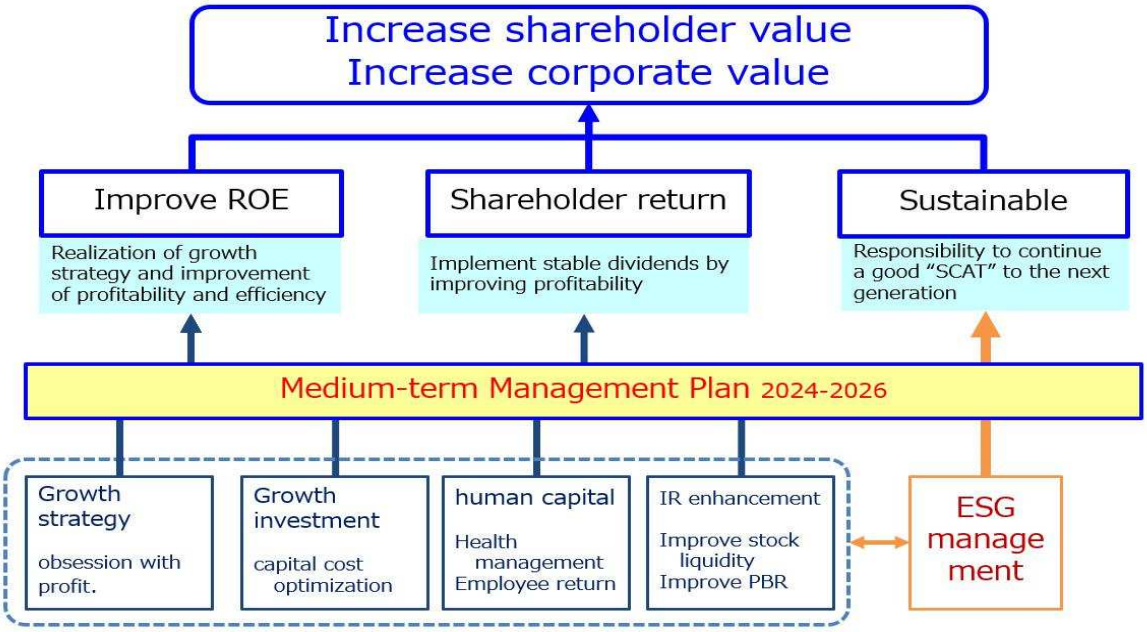
a) Eliminate the gap between investors' expectations by expanding information disclosure.

b) Share investors' opinions with management.

c) Enhancement of English disclosure (quarterly reports, supplementary materials for financial results, other disclosure materials).

(5) ESG management

Contributing to the environment and society, maintaining an appropriate governance system.



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