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# Consolidated Financial Results for the Nine Months Ended July 31, 2024 [Japanese GAAP]

September 12, 2024

Company name: SCAT Inc.
Listing: Tokyo
Securities code: 3974
URL: https://www.scat.inc/
Representative: Nagashima Hideo President and CEO
Inquiries: Nishio Shinobu Director,General Manager of Accounting and Finance Division
Telephone: +81-3(6275)1130
Scheduled date to commence dividend payments: -
Preparation of supplementary material on financial results: Yes
Holding of financial results briefing: None

(Yen amounts are rounded down to millions, unless otherwise noted.)

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

(1) Consolidated Operating Results (Percentages indicate year-on-year changes.)

| | Net sales | | Operating profit | | Ordinary profit | | Profit attributable to owners of parent | |
|---|---|---|---|---|---|---|---|---|
| Nine months ended | Millions of yen | % | Millions of yen | % | Millions of yen | % | Millions of yen | % |
| July 31, 2024 | 1,961 | (4.1) | 120 | (33.7) | 127 | (30.4) | 83 | (39.6) |
| July 31, 2023 | 2,044 | 4.1 | 182 | (9.8) | 183 | (8.8) | 138 | 69.2 |

(Note) Comprehensive income: Nine months ended July 31, 2024: ¥ 84 million [ (41.3) %]
Nine months ended July 31, 2023: ¥ 143 million [ 77.4%]

| | Basic earnings per share | Diluted earnings per share |
|---|---|---|
| Nine months ended | Yen | Yen |
| July 31, 2024 | 30.01 | - |
| July 31, 2023 | 44.98 | - |

(2) Consolidated Financial Position

| | Total assets | Net assets | Capital adequacy ratio |
|---|---|---|---|
| As of | Millions of yen | Millions of yen | % |
| July 31, 2024 | 2,870 | 1,928 | 67.2 |
| October 31, 2023 | 2,976 | 1,844 | 62.0 |

(Reference) Equity: As of July 31, 2024: ¥ 1,928 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 | - | 6.00 | - | | |
| Fiscal year ending October 31, 2024 (Forecast) | | | | 7.00 | 13.00 |

(Note) Revision to the forecast for dividends announced most recently: Yes

For details on the revision of the dividend forecast, please see the "Notice regarding revision of year-end dividend forecast (dividend increase)" announced today.

(Note) Breakdown of the 3rd quarter dividend for the fiscal year ending October 31, 2024 :

Ordinary dividend 5.00 yen

Commemorative dividend 1.00 yen

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

(Percentages indicate year-on-year changes.)

| | 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 | 2,580 | (5.9) | 135 | (40.8) | 142 | (38.5) | 90 | (43.0) | 32.21 |

(Note) Revision to the financial results forecast announced most recently: Yes

For details on the revisions to the consolidated performance forecasts, please see the "Notice Regarding Revisions to Full-Year Performance Forecasts and Reductions in Executive Remuneration" announced today.

* Notes:

(1) Significant changes in the scope of consolidation during the period: None

Newly included: - (Company name: )

Excluded: - (Company name: )

(2) Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements: None

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

1) Changes in accounting policies due to revisions to accounting standards and other regulations: None

2) Changes in accounting policies due to other reasons: None

3) Changes in accounting estimates: None

4) Restatement: None

(4) Number of issued shares (common shares)

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

July 31, 2024: 5,240,000 shares

October 31, 2023: 5,240,000 shares

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

July 31, 2024: 2,404,011 shares

October 31, 2023: 2,479,476 shares

3) Average number of shares outstanding during the period:

Nine months ended July 31, 2024: 2,779,743 shares

Nine months ended July 31, 2023: 3,069,820 shares

* Review of the Japanese-language originals of the attached consolidated quarterly financial statements by certified public accountants or an audit firm: None

* Proper use of earnings forecasts, and other special matters

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

## (1) Overview of business results for the current quarter.

During the third quarter of the FY2024 (November 1, 2023 to July 31, 2024), the Japanese economy was on a recovery trend due to the classification shift of the COVID-19 infection diminishes, but the geopolitical situation in Ukraine and Israel the future remains uncertain due to soaring crude oil and raw material prices due to economic risks, as well as the weak yen in the foreign exchange market.

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 from November 2023 to October 2026, 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. 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.

In the third quarter, we have seen an increase in the number of cases in which system sales orders have been postponed or delivery dates have been postponed at user salons. The factors include the consolidation of existing stores due to a shortage of hairdressers, the postponement of new store opening plans, soaring prices, and the increased burden of repayments on loans provided during the coronavirus pandemic. In addition, due to last-minute cancellation of delivery due to customer circumstances of a large-scale user, the time and costs required for non-transferable product licenses, customization work in progress, data migration and installation processing, and holding operation briefing sessions were all wasted, resulting in a loss.

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 addition, we have increased the number of new business partners through customer introductions from existing customers and partnerships with regional financial institutions and specialized businesses, resulting in an increase in business sales on a monthly basis and an increase in business profits.

In the nursing care services business, since the second half of the previous fiscal year, profits and losses at Private nursing care home had been significantly affected by the inpatient treatment and death of residents due to deterioration of their chronic illnesses. However, the number of people moving in has gradually exceeded the number of people moving out, and the situation is recovering.

As a result, consolidated results for the third quarter of the FY2024, we achieved net sales of ¥1,961,278 thousand (down 4.1% year-on-year), operating income of ¥120,984 thousand (down 33.7% year-on-year), ordinary income of ¥127,590 thousand (down 30.4% year-on-year), and profit attributable to owners of parent of ¥83,415 thousand (down 39.6% year-on-year).

The reason for the decrease in quarterly net income attributable to owners of the parent company is the gain on rent exemption (extraordinary income) associated with the eviction of the former Tokyo headquarters office in the same quarter of the previous year. Large-scale cancellation cases are settled through lawyers, and while the settlement money (settlement money) associated with cancellation is recorded as extraordinary income, the related expenses are recorded as an extraordinary loss as a loss on disposal of inventory assets.

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 for beauty salons, we offer two core systems: the on-premises POS system "Sacla PREMIUM" and the SaaS type "Salon tablet" that respond to users' customization requests.

Sales of "Salon tablet" have been promoted through the web, and we are seeing positive signs of receiving orders thanks to the effects of exhibiting at "beauty world JAPAN TOKYO".

Many of the replacement purchases for Sacla PREMIUM, which were scheduled for the second half of the fiscal year, are now expected to be postponed to the second half of next fiscal year. This is due to the effects of refraining from capital investment due to the start of repayments of coronavirus-related loans, a shortage of human resources in the beauty industry, increased labor costs, and soaring prices. Additionally, there was a cancellation just before the system was delivered to a large user, which significantly reduced the originally planned profits. The factors include customization work in progress, delivery of the headquarters server, conversion, and dozens of meetings.

Regarding stock-type revenue, we started selling the ``Smartphone Terminal," an option for the sales management system ``i-SCAP/EX." Content linked to the POS system (``LINE Mini App", ``Rakuten Points Linkage", ``Reserve with Google", and smartphone app ``Salon Appli") is steadily accumulating.

On the other hand, in the beauty industry, mailing paper invoices is still the mainstream, and DXing billing and payment operations is an issue for the industry as a whole. In order to solve this problem, we are collaborating with Right Staff Co., Ltd., (M.H. Group LTD. Subsidiary) which provides electronic billing services and BtoB credit payment services specializing in the hairdressing industry, and our POS system for beauty salons and sales management system for beauty dealers.

In order to reduce the impact of delayed orders due to system sales, such as this one, we will

accelerate the accumulation of stock revenue from content and maintenance, stabilize our revenue base, and continue to grow.

The company as part of the promotion of DX in the hairdressing industry and the sustainable environmental management support (SDGs) environment-friendly menu, we are promoting the "HP Carbon Neutral Computing Service" and "PC Reuse Program (safe and sustainable)" provided by HP Japan Inc., Ltd. we have been able to visualize our environmental efforts through carbon neutrality.

As a result of the above, in the current third quarter consolidated cumulative period, sales were ¥1,157,024 thousand (down 6.8% year-on-year), and segment profit was ¥61,856 thousand (down 52.6% 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 the third quarter, core businesses such as monthly accounting and settlement agency services showed stable growth due to measures such as acquiring new corporate customers that we have been promoting since last year. We will continue to strive to expand various services for corporate backyard operations, such as improving efficiency using digital technology for clients, business succession, and providing consulting services as a certified support organization.

As a result of the above, in the current third quarter consolidated cumulative period, sales were ¥246,547 thousand (up 2.8% year-on-year), and segment profit was ¥29,399 thousand (up 150.7% year-on-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.

Since around the second half of the FY2023, Private nursing care home, the number of vacancies has increased due to a combination of customers passing away due to deterioration of their chronic illnesses or leaving due to long-term inpatient treatment, and the pace of moving in has slowed. In addition, increases in the prices of various items, including ingredients, as well as increases in expenses such as personnel costs associated with the recruitment of nursing care staff, had an impact

on profit and loss.

In the third quarter, in-facility events and facility tours, which had been suspended due to the coronavirus pandemic, resumed, which encouraged more people to move in. Long-term hospitalizations and deaths have stabilized, and the facility's occupancy rate has improved.

The occupancy rate of day services, has fully recovered and is maintaining the high occupancy rate before the coronavirus outbreak.

Furthermore, due to the nature of the nursing care industry, there were limits to the ability to reduce and save costs due to rising prices. However, through the use of subsidies from the local government and discussions with residents and their families, we have been able to agree to a partial increase in actual costs.

As a result of the above, in the current third quarter consolidated cumulative period, net sales were ¥543,256 thousand (down 0.9% year-on-year), and segment profit was ¥21,553 thousand (down 34.4% year-on-year).

(2) Explanation regarding future forecast information such as consolidated business forecasts

The company have revised the consolidated performance forecast announced on December 14, 2023, taking into consideration the trends in business performance during the current third quarter consolidated cumulative period. For details, please refer to the "Notice regarding revisions to full-year performance forecasts and reductions in executive compensation" announced today, September 12, 2024.

(3) Basic policy regarding profit distribution and dividends for the current period.

The company recognizes that returning profits to our shareholders is one of our most important management issues, and our basic policy is to provide "continuous shareholder returns based on stable dividends." Furthermore, we pay dividends twice a year (interim dividend and year-end dividend) in order to enhance opportunities to return profits to shareholders.

On the other hand, from the perspective of the principle of shareholder equality, we will abolish the shareholder benefit system from the fiscal year ending October 2024 and strive to directly return profits to all shareholders through dividends.

Regarding the dividend for the fiscal year ending October 2024, was expected to be 12 yen per share (interim dividend 6 yen, year-end dividend 6 yen), as per the "Notice regarding revision of dividend forecast" announced on March 14, 2024. However, based on the above policy, we have revised our forecast and increased the year-end dividend by 1 yen per share, resulting in an annual dividend of 13 yen per share (interim dividend of 6yen, year-end dividend of 7 yen).

uarterly Consolidated Financial Statements

Quarterly Consolidated Balance Sheets

(Thousands of yen)

| | As of October 31, 2023 | As of July 31, 2024 |
|---|---|---|
| Assets | | |
| Current assets | | |
| Cash and deposits | 1,209,125 | 1,165,081 |
| Accounts receivable - trade | 246,601 | 238,499 |
| Merchandise | 39,719 | 24,185 |
| Work in process | 1,904 | 561 |
| Other | 23,261 | 74,239 |
| Allowance for doubtful accounts | (211) | (226) |
| Total current assets | 1,520,400 | 1,502,341 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures | 1,056,248 | 1,036,268 |
| Accumulated depreciation | (435,701) | (426,934) |
| Buildings and structures, net | 620,547 | 609,333 |
| Land | 245,830 | 210,813 |
| Other | 140,267 | 138,242 |
| Accumulated depreciation | (121,527) | (121,827) |
| Other, net | 18,739 | 16,415 |
| Total property, plant and equipment | 885,117 | 836,562 |
| Intangible assets | | |
| Software | 208,191 | 162,653 |
| Software in progress | 42,608 | 66,183 |
| Goodwill | 37,049 | 25,934 |
| Other | 3,507 | 2,697 |
| Total intangible assets | 291,357 | 257,468 |
| Investments and other assets | | |
| Investment securities | 30,400 | 62,620 |
| Deferred tax assets | 159,838 | 146,164 |
| Other | 104,747 | 80,925 |
| Allowance for doubtful accounts | (15,808) | (15,662) |
| Total investments and other assets | 279,178 | 274,047 |
| Total non-current assets | 1,455,652 | 1,368,079 |
| Total assets | 2,976,052 | 2,870,420 |

(Thousands of yen)

| | As of October 31, 2023 | As of July 31, 2024 |
|---|---|---|
| Liabilities | | |
| Current liabilities | | |
| Accounts payable - trade | 45,958 | 41,101 |
| Current portion of long-term borrowings | 61,680 | 61,680 |
| Accrued expenses | 114,605 | 110,736 |
| Income taxes payable | 71,663 | 4,992 |
| Provision for bonuses | 77,934 | 37,811 |
| Other | 151,553 | 107,924 |
| Total current liabilities | 523,396 | 364,246 |
| Non-current liabilities | | |
| Long-term borrowings | 178,520 | 132,260 |
| Provision for retirement benefits for directors (and other officers) | 16,685 | 16,685 |
| Provision for share awards | 30,296 | 35,350 |
| Retirement benefit liability | 326,535 | 336,576 |
| Asset retirement obligations | 40,446 | 40,719 |
| Other | 15,650 | 15,642 |
| Total non-current liabilities | 608,133 | 577,233 |
| Total liabilities | 1,131,530 | 941,480 |
| Net assets | | |
| Shareholders' equity | | |
| Share capital | 200,000 | 200,000 |
| Capital surplus | 338,339 | 348,199 |
| Retained earnings | 2,174,072 | 2,221,730 |
| Treasury shares | (865,331) | (839,139) |
| Total shareholders' equity | 1,847,081 | 1,930,790 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | (2,559) | (1,849) |
| Total accumulated other comprehensive income | (2,559) | (1,849) |
| Total net assets | 1,844,522 | 1,928,940 |
| Total liabilities and net assets | 2,976,052 | 2,870,420 |

## Quarterly Consolidated Statements of Income and Comprehensive Income

### Quarterly Consolidated Statements of Income (For the nine months)

(Thousands of yen)

| | For the nine months ended July 31, 2023 | For the nine months ended July 31, 2024 |
|---|---|---|
| Net sales | 2,044,177 | 1,961,278 |
| Cost of sales | 1,221,694 | 1,198,863 |
| Gross profit | 822,482 | 762,415 |
| Selling, general and administrative expenses | 640,121 | 641,430 |
| Operating profit | 182,360 | 120,984 |
| Non-operating income | | |
| Interest income | 7 | 5 |
| Dividend income | 6 | 6 |
| Insurance claim income | - | 2,023 |
| Facility rental fee | 1,085 | 1,182 |
| Subsidy income | 3,278 | 3,395 |
| Other | 1,085 | 972 |
| Total non-operating income | 5,463 | 7,585 |
| Non-operating expenses | | |
| Interest expenses | 1,863 | 966 |
| Other | 2,552 | 13 |
| Total non-operating expenses | 4,415 | 979 |
| Ordinary profit | 183,408 | 127,590 |
| Extraordinary income | | |
| Gain on sale of non-current assets | - | 982 |
| Gain on exemption from rent | 26,217 | - |
| Settlement income | - | 4,000 |
| Total extraordinary income | 26,217 | 4,982 |
| Extraordinary losses | | |
| Loss on retirement of non-current assets | 0 | 33 |
| Loss on abandonment of inventories | - | 2,484 |
| Total extraordinary losses | 0 | 2,517 |
| Profit before income taxes | 209,625 | 130,055 |
| Income taxes - current | 62,851 | 33,276 |
| Income taxes - deferred | 8,693 | 13,364 |
| Total income taxes | 71,545 | 46,640 |
| Profit | 138,080 | 83,415 |
| Profit attributable to owners of parent | 138,080 | 83,415 |

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

(Thousands of yen)

| | For the nine months ended July 31, 2023 | For the nine months ended July 31, 2024 |
|---|---|---|
| Profit | 138,080 | 83,415 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | 5,118 | 709 |
| Total other comprehensive income | 5,118 | 709 |
| Comprehensive income | 143,198 | 84,124 |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of parent | 143,198 | 84,124 |