

December 13, 2024

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

SCAT Inc. (the “Company”) announces that at the Board of Directors meeting held today, the Company evaluated and analyzed the current situation for the fiscal year ending October 2024, regarding the policy to realize management that is conscious of capital costs and stock prices, which was resolved at the Board of Directors meeting held on December 14, 2023. We would like to inform you about the progress of our efforts towards each measure as follows.

1. Current situation recognition and evaluation

Based on our medium-term management plan from the fiscal year ending October 2024 to the fiscal year ending October 2026, our group will implement structural reforms of existing businesses with a growth strategy centered on core businesses, and develop new services and businesses.

As the fiscal year ending October 2024 is the first year of our medium-term management plan, we have implemented various investments that will form the basis of growth, while also implementing measures with an eye toward increasing shareholder returns and stock prices. Our stock price has slumped in the wake of the stock price crash that occurred in August 2024. Furthermore, the Company's stock price did not recover due to business slumps in its main businesses and changes (downward revisions) to business forecasts due to large-scale cancellations.

(1) Return on capital.

Our cost of equity, calculated using the CAPM method, is approximately 4% to 5%. The company's ROE has remained at a level exceeding the cost of shareholders' equity. However, in the fiscal year ending October 2024, due to a decline in business performance, the cost of equity fell to the same level as the cost of shareholders' equity. The Company will implement measures to improve business performance toward the fiscal year ending October 2025, aiming to recover ROE to 7%.

(2) Market evaluation.

Our PBR remains at a level below 1x. Even during times of strong performance, the stock price remains undervalued, and this is due to the small market capitalization and low liquidity of the stock, as well as the fact that the company's growth potential has not been sufficiently evaluated by investors.

(Reference)

	FY 2022	FY2023	FY2024
Net sales (Million yen)	2,587	2,742	2,594
Ordinary profit (Million yen)	223	230	156
Profit attributable to owners of parent	100	157	100
Net assets (Million yen)	2,177	1,844	1,946
Net assets per share (Yen)	555.60	668.18	686.19
Net income per share (Yen)	24.30	52.79	35.87
Capital adequacy ratio (%)	62.7%	62.0%	66.2%
ROE (Return on equity), (%)	4.5%	7.9%	5.3%
Stock price (end of period) (Yen)	431	469	388
PBR (Price Book-value Ratio)	0.78	0.70	0.57

2. Improvement policy, and initiatives

(1) Improvement policy.

Based on the three-year medium-term plan announced on December 14, 2023, the Company will work to improve return on capital and market evaluation, and aim to increase corporate value.

(2) Initiatives for improvement.

① Recovery of business performance.

System sales measures

- a) Acquisition of orders that were postponed for one year.
- b) Replacement of products due to end of support for Windows 10.

② Growth strategy

Execution of growth driving measures.

- a) Strengthen profitability by expanding sales resources and promoting efficiency using DX.
- b) Optimization by improving business processes and promoting ICT due to core system renewal

③ Growth investment

- a) Improving financial efficiency. Promoting efficiency and effective utilization of assets, including the sale of non-business assets
- b) Consideration of capital policy from a comprehensive perspective.

④ Human capital

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

⑤ IR enhancement

- a) Eliminate the gap between investors' expectations by expanding information disclosure.
- b) Share investors' opinions with management.
- c) Enhancement of English disclosure.

⑥ ESG management

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

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