

Company name: SCAT Inc.
(Tokyo Stock Exchange Standard Market , Code 3974)

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**Notice of strengthening capital and business alliance with M.H. Group LTD.,
and Regarding Disposal of Treasury Shares by Third-Party Allotment.**

SCAT Inc. (the “Company”) hereby announces that, it has decided, at a meeting of the Board of Directors held on May 13, 2024, to strengthening capital and business alliance with M.H. Group LTD., and regarding disposal of treasury shares by third-party allotment.

I Outline of Capital Business Alliance.

1. Reason for strengthening capital and business alliance.

Our company's corporate philosophy is to "contribute to society by supporting the management of small and medium-sized enterprises using ICT," and by selling POS cash register customer management systems for the hairdressing industry and providing various web content services such as beauty reservation systems, we are We support the management of salons.

M.H. Group LTD. (hereinafter referred to as "MHG") operates "Mod's Hair" salons in Japan and overseas, beauty salon management business responsible for operating directly managed salons and developing franchises; hair and makeup business, the origin of "Mod's Hair", and also provide beauty salon support services that leverage the economies of scale created through these business developments.

The company, MHG, and its wholly owned subsidiary, Right Staff Co., Ltd. (hereinafter referred to as "RS"), have entered into a business alliance, including a cooperative structure. This will involve collaboration in sales promotion utilizing the sales bases of both companies, joint marketing of solution services for the beauty industry, exchange of opinions on software development, personnel exchange, and support for sustainable environmental management in the beauty industry.

On the other hand, in the hairdressing industry, paper invoices sent by mail are still the norm, and DXing billing and payment operations is an issue for the industry as a whole. To solve this problem, we aim to promote sales of electronic billing services that are optimal for the hairdressing industry and popularize BtoB credit payments. The company will provide a sales management system for beauty dealers, and RS will provide payment services specialized for the hairdressing industry and will promote mutual cooperation in an alliance.

Our group aims to further expand our services for the beauty industry and beauty-related industries.

The Company will strengthen its business alliance with MHG and RS in projects that take advantage of their networks, and will strengthen their capital and business alliance by acquiring additional shares in MHG.

2. Details of capital and business alliance

(1) Details of business alliance (expansion)

- ① Considering business expansion by linking the services of both companies' groups.
- ② Consideration and development of new businesses that utilize various assets held by both companies' groups.
- ③ Expansion of BtoB payment business and system collaboration between beauty salons and beauty dealers.
- ④ Initiatives to support sustainable environmental management (SDGs) in the beauty industry

(2) Details of capital alliance

- ① The Company have agreed that MHG will acquire 65,000 shares of common stock held by the Company through the disposal of treasury stock.
(MHG's ownership percentage is expected to be 2.81%.)
- ② The company plans to acquire 150,000 new shares issued by MHG.
(The company's ownership percentage is expected to be 2.66%.)

3. Overview of capital and business alliance partner

(1) Overview of capital and business alliance partner

① Company Name	M・H・GROUP LTD.						
② Company Address	1-11-1 Sendagaya, Shibuyaku, Tokyo 151-0051 Japan						
③ President and Representative Director	Katsumi Hanzawa						
④ Business Activities	Management of mod's hair salons, management of hair & makeup artists and development of private brand products.						
⑤ Capital	200,000,000 yen						
⑥ Date founded	April 4, 1990						
⑦ Total number of issued shares	11,492,100shares						
⑧ Fiscal year end	Last day of June						
⑨ number of employees	242						
⑩ Main client	Beauty customers, Hair salon "Mod's Hair" member store.						
⑪ Main banks	SUMITOMO MITSUI BANKING CORPORATION, MUFG Bank, Ltd ,Resona Bank, Limited, Mizuho Bank, Ltd. Sumitomo Mitsui Trust Bank, Limited						
⑫ Major shareholders and shareholding ratio (As of December 31, 2023)	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">Junshu Co., Ltd.</td> <td style="text-align: right;">32.16%</td> </tr> <tr> <td>Kengo Group Co., Ltd.</td> <td style="text-align: right;">16.55%</td> </tr> <tr> <td>Yoichi Aoyama</td> <td style="text-align: right;">5.71%</td> </tr> </table>	Junshu Co., Ltd.	32.16%	Kengo Group Co., Ltd.	16.55%	Yoichi Aoyama	5.71%
Junshu Co., Ltd.	32.16%						
Kengo Group Co., Ltd.	16.55%						
Yoichi Aoyama	5.71%						

⑬ Relationship with the company	Capital ties	The Company holds 160,000 shares of MHG stock (voting rights ratio: 1.39%).
	Personal relationships	One director and chairman of MHG also serves as an outside director of the Company.
	Business relationship	MHG's directly managed stores and franchise stores use the POS system provided by our company, and our company cooperates with RS's payment system.
	Applicable status of related parties.	Not applicable.

(2) Consolidated financial position and consolidated performance for the past three years

Fiscal year end	June 2021	June 2022	June 2023
Net assets	496 million yen	487 million yen	516 million yen
Total assets	1,733 million yen	1,805 million yen	1,841 million yen
Net assets per share	43.03 yen	42.25 yen	44.74 yen
Net sales	1,814 million yen	1,848 million yen	1,902 million yen
Ordinary profit	△39 million yen	37 million yen	56 million yen
Profit attributable to owners of parent	△79 million yen	16 million yen	24 million yen
Net income per share	△6.95 yen	1.47 yen	2.09 yen
Dividend per share	0 yen	0 yen	0 yen

4. Number of acquired shares, acquisition price, and status of owned shares before and after acquisition.

(1) SCAT Inc.

① Owned stock brand	M.H. Group LTD.,9439)
② Number of shares before change	160,000 shares
③ Number of acquired shares.	150,000 shares
④ Acquisition price	31,200,000 yen
⑤ Number of shares held after change.	310,000 shares

(2) M.H. Group LTD.,

① Owned stock brand	SCAT Inc. (3974)
② Number of shares before change	82,500 shares
③ Number of acquired shares.	65,000 shares
④ Acquisition price	30,680,000 yen
⑤ Number of shares held after change.	147,500 shares

5. Schedule

① Board of Directors resolution date	May 13, 2024
② Basic agreement conclusion date	May 15, 2024 (planned)
③ Scheduled date of stock acquisition.	June 6, 2024 (planned)
④ Payment date for disposal of treasury stock	June 6, 2024 (planned)

6. Future outlook

We believe that strengthening this capital and business alliance will contribute to increasing corporate value in the medium to long term, as we will create added value through various alliances, including sales collaboration that leverages the business bases of both companies' groups. However, the impact on consolidated results for the fiscal year ending October 2024 is expected to be minor. If any matters that should be disclosed arise in the future, we will promptly disclose them.

II Disposal of treasury stock through third-party allotment.

1. Overview

① Execution date	June 6, 2024
② Number of shares to be disposed	65,000 shares
③ Disposal price	472 yen per share
④ Amount of funding	30,680,000 yen
⑤ Treasury stock disposal method	Third party allocation method.
⑥ Treasury stock disposal destination	M.H. Group LTD.

2. Reason

The company and MHG are already pursuing an alliance of mutual cooperation through a capital and business alliance. However, we have determined that it is necessary to strengthen our capital and business alliance in order to create added value through various alliances, including sales collaboration that leverages the business bases of both companies' groups. This disposal of treasury stock will be carried out as part of this alliance, and the Company will dispose of treasury stock through third-party allotment. MHG will acquire 65,000 shares of SCAT's common stock (1.24% of the total number of issued shares, totaling 30,680,000 yen).

At the same time, MHG will issue new shares through third-party allotment, and the Company will acquire 150,000 shares of MHG's common stock (1.28% of the total number of issued shares, totaling 31,200,000 yen).

3. Amount of funds to be procured, purpose of use, and expected timing of expenditure.

(1) Amount raised.

① Total payment amount.	30,680,000 yen
② Approximate amount of issuance costs.	100,000 yen
③ Amount raised.	30,580,000 yen

(2) Specific use of raised funds

For details, please refer to "I Outline of Capital Business Alliance." "1. Reason for strengthening capital and business alliance." The purpose of this is to increase the effectiveness of the business alliance with MHG and to build a long-term partnership. The proceeds will be used to cover underwriting costs for the third-party allotment of capital to be implemented by MHG. The funds will be managed in our company's deposit account until they are actually disbursed.

4. Thoughts on the rationality of the use of funds.

We believe that the use of the proceeds is reasonable because it will leverage the management resources and know-how of both companies' groups, expand the foundation for business growth, and contribute to improving corporate value over the medium to long term.

5. Reasonability of disposal conditions.

(1) Basis for calculating the disposal price and its specific details

The disposal price was set at 472yen, which is the closing price of the Company's common stock on the Tokyo Stock Exchange on the business day immediately preceding the resolution of the Board of Directors regarding the disposal of treasury stock (May 10, 2024).

The closing price of the business day immediately preceding the date of the Board of Directors' resolution regarding the disposal of treasury stock was used as the standard for the following reasons. According to the Japan Securities Dealers Association's "Guidelines for the Handling of Capital Increase through Third-Party Allotment," the amount when issuing shares through third-party allotment is, in principle, the price immediately before the issuance resolution date for the issuance of shares. In addition, the Company has determined that the market price closest to the time of calculation, the closing price on the business day immediately preceding the date of the Board of Directors' resolution, is reasonable as the current fair price of the Company's shares.

In addition, the disposal price is a 1.26% discount on the average closing price of 478yen for the month immediately before the date of the board of directors' resolution. Similarly, it is a 2.88% discount on the average closing price for the previous three months, which is 486 yen. Furthermore, it is a 4.65% discount from the average closing price of 495yen for the past 6 months.

Furthermore, all of the corporate auditors who attended the board of directors meeting expressed the opinion that this disposal price is legal and does not constitute a particularly advantageous payment amount. This disposal price is based on the market price, which is an objective indicator of the value of the Company's shares, and is based on the Japan Securities Dealers Association's "Guidelines for Handling Capital Increases through Third-Party Allotments" based on the Company's most recent financial condition and business results. The price is fair and reasonable, taking into account the market price and trading volume.

- (2) Basis for determining that the quantity to be disposed of and the scale of stock dilution are reasonable

The number of shares disposed of through this treasury stock disposal is 65,000 shares (650 voting rights). This is equivalent to 1.24% of the 5,240,000 outstanding shares of the Company as of October 31, 2023 (2.19% of the 29,745 voting rights), resulting in a certain degree of dilution.

However, the Company believes that this capital and business alliance will expand the Company's future growth base and contribute to improving its corporate value over the medium to long term, and will ultimately lead to improved profits for existing shareholders. Therefore, we judge that the quantity to be disposed of and the scale of stock dilution are at a reasonable level.

6. Reason for selection.

- (1) Summary of planned disposal destination.

Please refer to "3. Overview of capital and business alliance partner" in "1. Outline of Capital Business Alliance."

The Company directly confirmed that MHG, its officers, and major shareholders are not anti-social forces through interviews with its representatives and officers in charge. The Company has confirmed the "Basic Concept and Status of Development for Eliminating Anti-Social Forces" submitted by MHG to the Tokyo Stock Exchange. (Described in "Corporate Governance Report IV Matters Regarding Internal Control Systems, etc." dated January 23, 2024.) As a result of the investigation, we have not confirmed any information that indicates a relationship between MHG and anti-social forces, and therefore we have concluded that there is no connection whatsoever with anti-social forces.

- (2) Reasons for selecting the planned disposal site.

Please refer to "1. Reason for strengthening capital and business alliance" in "1. Outline of Capital Business Alliance."

- (3) Holding policy of planned disposal destination.

The Company has heard from the intended disposer that it intends to hold the shares acquired through this treasury stock disposal over the medium to long term.

Furthermore, if the intended recipient transfers the Company's common stock within two years from the payment date, the Company shall report the details to the Company in writing. The Company plans to report the contents of this report to the Tokyo Stock Exchange and receive a letter of consent for public inspection.

- (4) Contents confirmed regarding the existence of property required for payment by the intended disposal destination.

The Company has received a report from MHG that it has secured the funds necessary to pay for the shares to be acquired through the disposal of treasury stock. Furthermore, after reviewing MHG's most recent financial statements, we have confirmed that it holds sufficient cash and deposits necessary to pay for the disposal of treasury stock.

7. Major shareholders and voting rights ratio after disposal

Before transfer (as of October 31, 2023)		After transfer	
Koichi Kagawa	7.36%	Koichi Kagawa	7.21%
Custody Bank of Japan, Ltd.	7.29%	Custody Bank of Japan, Ltd.	7.14%
Fukoku Mutual Life Insurance Company	6.85%	Fukoku Mutual Life Insurance Company	6.71%
Shigeyuki Yasuda	4.20%	M.H. Group LTD.	4.85%
M.H. Group LTD.	2.77%	Shigeyuki Yasuda	4.11%
Tokio Marine & Nichido Fire Insurance Co., Ltd.	2.72%	Tokio Marine & Nichido Fire Insurance Co., Ltd.	2.66%
SCAT Employee Stock Ownership Association	2.62%	SCAT Employee Stock Ownership Association	2.57%
Hideyuki Tanaka	2.20%	Hideyuki Tanaka	2.15%
Tomohiro Yoshida	1.69%	Tomohiro Yoshida	1.65%
Kumio Ishizuka	1.33%	Kumio Ishizuka	1.30%

▪ Listed based on the shareholder register as of October 31, 2024.

▪ The above table does not include treasury stock held by the Company.

The number of treasury shares held by the Company (2,262,426 shares as of October 31, 2024) will become 2,202,426 shares after this treasury stock disposal.

▪ The voting rights ratio is the ratio of the number of voting rights held to the total number of voting rights (rounded to the second decimal place).

8. About the future

We believe that this transaction will contribute to the expansion of our business, but we assume that the impact will be over the medium to long term, and the specific amount of impact on our business results has not been determined at this time. In the future, if there is a need to revise earnings forecasts or there are any matters that should be announced, we will promptly notify you.

9. Matters related to procedures under the Corporate Code of Conduct

This disposal of treasury stock will result in a dilution rate of less than 25% and will not involve a change in the controlling shareholder. Therefore, the Tokyo Stock Exchange's "procedures for obtaining opinions from independent third parties and confirming shareholders' intentions as stipulated in Article 432 of the Securities Listing Regulations" are not necessary.

10. Performance and equity financing status over the past three years

(1) Results for the last three years

Fiscal year end	October 2021	October 2022	October 2023
Net assets	2,316million yen	2,177 million yen	1,844 million yen
Total assets	3,714million yen	3,470 million yen	1,841 million yen
Net assets per share	524.51yen	555.60 yen	668.18 yen
Net sales	2,483million yen	2,587 million yen	2,742 million yen
Ordinary profit	180million yen	223 million yen	230 million yen
Profit attributable to owners of parent	120million yen	100 million yen	157million yen
Net income per share	27.56 yen	24.30yen	52.79 yen
Dividend per share	7.00 yen	8.50 yen	10.50 yen

(2) Current number of issued shares

	Number of shares	
Number of issued shares	5,240,000	100 %

(3) Recent stock price situation

① Status of the last three years

	October 2021	October 2022	October 2023
Starting value	445 yen	491 yen	430 yen
high value	560 yen	550 yen	560 yen
low price	399 yen	292 yen	387 yen
Final value	491 yen	431 yen	469 yen

② Status of the last 6 months

	11	12	1	2	3	4
Starting value	469 yen	500 yen	495 yen	508 yen	510 yen	490 yen
high value	504 yen	534 yen	515 yen	510 yen	510 yen	496 Yen
low price	464 yen	471 yen	480 yen	470 yen	465 yen	468 Yen
Final value	500 yen	497 yen	508 yen	510 yen	492 yen	476 yen

③ Stock price on the day before the disposition decision date

	May 10, 2024
Starting value	475 Yen
high value	475 Yen
low price	472 Yen
Final value	472 yen

11. Requirements

① Execution date	June 6, 2024
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Note: This document has Been Translated from the Japanese original for reference purposes only.
 In the event of any discrepancy between this translated document and the Japanese original,
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