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Consolidated Financial Results for the Three Months Ended January 31, 2023 [Japanese GAAP]

March 14, 2023

Company name: TBCSCAT Inc.

Stock exchange listing: Tokyo

Code number: 3974

URL: <http://www.tbccat.jp/>

Representative: Nagashima Hideo

Contact: Nishio Shinobu

Phone: 03(5623)9670

President and CEO

Director, General Manager of Accounting and Finance Division

Scheduled date of filing quarterly securities report: March 14, 2023

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, 2023 (November 01, 2022 to January 31, 2023)

(1) Consolidated Operating Results

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Three months ended January 31, 2023	649	3.0	41	(26.4)	42	(23.0)	32	1.7
January 31, 2022	630	2.0	56	15.1	55	14.0	32	(9.2)

(Note) Comprehensive income: Three months ended January 31, 2023: ¥ 33 million [20.7%]
Three months ended January 31, 2022: ¥ 27 million [(21.4) %]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended January 31, 2023	8.92	-
January 31, 2022	7.31	-

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio
	Million yen	Million yen	%
As of January 31, 2023	2,924	1,729	59.2
October 31, 2022	3,470	2,177	62.7

(Reference) Equity: As of January 31, 2023: ¥ 1,729 million
As of October 31, 2022: ¥ 2,177 million

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
Fiscal year ended October 31, 2022	Yen -	Yen 4.00	Yen -	Yen 4.50	Yen 8.50
Fiscal year ending October 31, 2023	-				
Fiscal year ending October 31, 2023 (Forecast)		4.50	-	4.50	9.00

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

(Note) Breakdown of the 1st quarter dividend for the fiscal year ending October 31, 2023 :

Commemorative dividend - yen
Special dividend - yen

3. Consolidated Financial Results Forecast for the Fiscal Year Ending October 31, 2023(November 01, 2022 to October 31, 2023)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	2,656	2.7	238	6.2	237	6.2	170	69.3	45.24

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

* Notes:

(1) Changes in significant subsidiaries during the three months ended January 31, 2023

(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, 2023: 5,240,000 shares

October 31, 2022: 5,240,000 shares

2) Total number of treasury shares at the end of the period:

January 31, 2023: 2,480,201 shares

October 31, 2022: 1,320,876 shares

3) Average number of shares during the period:

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

Three months ended January 31, 2022: 4,417,125 shares

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, 2022 to January 31, 2023), the Japanese economy is expected to see gradual normalization of economic activity following the easing of restrictions on movement to prevent the spread of COVID-19. However, the outlook for the future remains uncertain due to factors such as soaring resource prices caused by the protracted situation in Russia and Ukraine, rising concerns about inflation against the backdrop of the weaker yen, and the prolonged global shortage of semiconductors.

In the information and communications industry, to which our core business belongs, DX (Digital Transformation), which is being promoted as a national policy, has accelerated due to the corona crisis. IT investment is expected to increase over the medium to long term to enhance corporate competitiveness and improve operational efficiency.

In this kind of environment, our company is providing "Plus 1" added value with the purpose of "contributing to society by supporting SMEs through the provision of ICT". The company has been selected by METI as a "DX certified business operator" and "IT introduction support business operator", and has been certified as a "management innovation support organization" that supports the strengthening of management of SMEs, and is creating new businesses.

In the ICT business for beauty salons, the products and content services eligible for IT introduction subsidies are responding to the demand for DX at user salons. In addition, the market environment continues to provide a tailwind, such as the expected increase in demand for sales management systems compatible with the invoice system that will be introduced from October 2023. Based on these, we will promote various measures such as expanding ICT services for beauty salons and expanding business areas, enhancing the functions of our own application software by enhancing the DX system, and hiring career personnel. We are striving to build a foundation for sustainable growth.

In the business service business for SMEs, we have been recognized by the government for our specialized knowledge and practical experience in supporting SMEs, and have been certified as a "support organization for management innovation." As a result, we are striving to expand our consulting services, including support for the formulation and implementation of customer business plans and management improvement plans, as well as financial matters.

In the nursing care service business, while ensuring a stable high facility occupancy rate, we continue to thoroughly implement high-level infection prevention measures and strive to ensure the safety of residents and staff. Despite the impact of soaring food and utility costs, we are striving to contribute to the community through nursing care.

As a result, consolidated results for the first quarter of the FY2023, we achieved net sales of ¥649,084 thousand (up 3.0% year-on-year), operating income of ¥41,231 thousand (down 26.4% year-on-year), ordinary income of ¥42,875 thousand (down 23.0% year-on-year), and profit attributable to owners of parent of ¥32,819 thousand (up 1.7% year-on-year).

Operating results by business segment are as follows. Segment income is based on operating income.

a) ICT business for beauty salons

In the ICT business for beauty salons, the number of orders greatly exceeded the initial forecast and achieved a large backlog of orders due to the effects of "DX promotion," "adoption of IT introduction subsidies," and "invoice system support."

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 order to improve the profitability of beauty salons, we develop and provide products and content services that can meet all the needs of salon operations.

In addition, we are promoting sales expansion of the sales management system "i-SCAPEX" for beauty product dealers by responding to the "invoice system" and the "revised electronic record retention law." At the same time, we will make the newly introduced beauty dealers our sales outlets and increase user acquisition and sales. In addition, we will expand sales of the smartphone apps "Salon Appli," "Reserve with Google," and "Rakuten Points," which have been the main sources of charge-type stock revenue, and will start joint sales of the new "LINE Mini App" from January 2023, accelerate the expansion of revenue from fee-based stock business. "LINE Mini App" is a web application that provides customers' reservations within the LINE app. This app has been well received as it allows LINE users to easily connect with beauty salons. We will continue to create new value and play a part in promoting DX.

As a result, segment sales were led by system sales, which exceeded the results for the same period of the previous fiscal year and initial forecasts, and sales of charge-type stock such as content and maintenance also grew steadily.

On the other hand, segment profit decreased year-on-year due to the cancellation of COVID-19-related subsidies. However, in addition to steady orders, 81 companies among the IT introduction subsidy are scheduled to deliver in the future, and the delivery of large users, which was postponed due to product shortages due to semiconductor shortages, will be completed after the second quarter. Therefore, the segment profit forecast for this term is solid.

As a result of the above, in the current first quarter consolidated cumulative period, sales were ¥381,028 thousand (up 4.8% year-on-year), and segment profit was ¥29,809 thousand (down 34.2% year-on-year).

b) Business service business for SMEs

In the business service business for SMEs, we provide various services centered on accounting and accounting office work that support the management of SMEs. We have been certified by METI as a "Certified Support Organization for Management 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 of accounting services is mainly financial reporting such as monthly closing, cash flow support, bookkeeping and payroll accounting services, as well as IT system operation support for related accounting, payroll, and sales management software. We are engaged in risk management (insurance agency business). By providing these services, we have strengthened our relationships with existing customers, introduced customers through partner agreements, and increased the number of new customer acquisition projects through alliances with local financial institutions and professionals, resulting in strong base monthly sales.

On the other hand, the support business for organizations that accept foreign technical intern trainees has been severely impacted by immigration restrictions due to the corona crisis, and has started to withdraw from business, leaving some impact on profit and loss. We plan to completely withdraw from the business by April 2023.

As a result of the above, in the current first quarter consolidated cumulative period, sales were ¥75,345 thousand (down 0.1% year-on-year), and segment loss was ¥1,792 thousand (loss of ¥4,833 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.

Due to the resurgence of COVID-19, the pace of people waiting to move into nursing care homes has slowed down. The occupancy rate decreased slightly due to an increase in vacancies. Furthermore, in the home support business, earnings were affected by the temporary suspension of services to prevent infection and customers refraining from using the services themselves. The “Suketto” (Helper) service, which started in April 2022, will continue to take thorough measures against infectious diseases during the corona crisis, gradually gaining recognition in the region and expanding its business.

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

As a result of the above, in the current first quarter consolidated cumulative period, net sales were ¥187,883 thousand (up 0.8% year-on-year), and segment profit was ¥10,836 thousand (down 12.2% year-on-year).

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Quarterly Consolidated Financial Statements
Quarterly Consolidated Balance Sheets

(Thousand yen)

	As of October 31,2022	As of January 31,2023
Assets		
Current assets		
Cash and deposits	1,765,709	1,180,232
Accounts receivable - trade	221,369	232,531
Merchandise	32,734	49,316
Work in process	5,139	6,110
Other	23,093	25,966
Allowance for doubtful accounts	(103)	(114)
Total current assets	2,047,941	1,494,041
Non-current assets		
Property, plant and equipment		
Buildings and structures	1,010,678	1,011,168
Accumulated depreciation	(423,729)	(429,330)
Buildings and structures, net	586,949	581,838
Land	247,101	247,101
Other	165,515	166,206
Accumulated depreciation	(146,583)	(148,447)
Other, net	18,932	17,759
Total property, plant and equipment	852,982	846,699
Intangible assets		
Software	218,341	205,226
Software in progress	68,090	73,119
Goodwill	51,869	48,164
Other	4,659	4,389
Total intangible assets	342,961	330,900
Investments and other assets		
Deferred tax assets	153,262	137,510
Other	89,221	131,165
Allowance for doubtful accounts	(16,061)	(16,001)
Total investments and other assets	226,423	252,675
Total non-current assets	1,422,368	1,430,275
Total assets	3,470,310	2,924,316

(Thousand yen)

	As of October 31,2022	As of January 31,2023
Liabilities		
Current liabilities		
Accounts payable - trade	54,794	45,830
Short-term borrowings	200,000	200,000
Current portion of long-term borrowings	63,680	61,680
Accrued expenses	113,038	104,363
Income taxes payable	27,522	4,950
Provision for bonuses	80,337	32,951
Other	116,379	113,372
Total current liabilities	655,752	563,147
Non-current liabilities		
Long-term borrowings	240,200	224,780
Provision for retirement benefits for directors (and other officers)	18,365	18,365
Provision for share awards	21,343	24,088
Retirement benefit liability	326,180	333,559
Other	31,020	30,398
Total non-current liabilities	637,110	631,191
Total liabilities	1,292,863	1,194,339
Net assets		
Shareholders' equity		
Share capital	200,000	200,000
Capital surplus	338,339	338,339
Retained earnings	2,048,152	2,062,355
Treasury shares	(403,149)	(865,710)
Total shareholders' equity	2,183,343	1,734,984
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(5,896)	(5,006)
Total accumulated other comprehensive income	(5,896)	(5,006)
Total net assets	2,177,446	1,729,977
Total liabilities and net assets	3,470,310	2,924,316

Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income (For the three months)

	(Thousand yen)	
	For the three months ended January 31,2022	For the three months ended January 31,2023
Net sales	630,469	649,084
Cost of sales	353,374	393,678
Gross profit	277,094	255,405
Selling, general and administrative expenses	221,093	214,173
Operating profit	56,001	41,231
Non-operating income		
Interest income	0	0
Facility rental fee	428	368
Subsidy income	-	2,162
Other	86	92
Total non-operating income	515	2,623
Non-operating expenses		
Interest expenses	811	680
Other	-	299
Total non-operating expenses	811	980
Ordinary profit	55,706	42,875
Extraordinary income		
Subsidies income	6,054	-
Gain on exemption from rent	-	8,739
Total extraordinary income	6,054	8,739
Extraordinary losses		
Loss on COVID19	10,656	-
Total extraordinary losses	10,656	-
Profit before income taxes	51,104	51,614
Income taxes - current	1,171	3,432
Income taxes - deferred	17,665	15,362
Total income taxes	18,837	18,794
Profit	32,267	32,819
Profit attributable to owners of parent	32,267	32,819

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

(Thousand yen)

	For the three months ended January 31,2022	For the three months ended January 31,2023
Profit	32,267	32,819
Other comprehensive income		
Valuation difference on available-for-sale securities	(4,339)	890
Total other comprehensive income	(4,339)	890
Comprehensive income	27,928	33,709
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	27,928	33,709