

**Translation**

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**Summary of Consolidated Financial Results  
for the Year Ended October 31, 2022  
(Based on Japanese GAAP)**

December 12, 2022

Company name: SHANON Inc.  
 Stock exchange listing: Tokyo  
 Stock code: 3976 URL <https://shanon.co.jp/>  
 Representative: President Kenichiro Nakamura  
 Inquiries: Chief Financial Officer Gaku Tomokiyo TEL (03)6743-1551  
 Scheduled date of ordinary general meeting of shareholders: January 27, 2023  
 Scheduled date to file Securities Report: January 30, 2023  
 Scheduled date to commence dividend payments: –  
 Preparation of supplementary material on financial results: Yes  
 Holding of financial results meeting: Yes

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the year ended October 31, 2022 (from November 1, 2021 to October 31, 2022)

(1) Consolidated operating results

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended October 31, 2022	2,456	11.8	(327)	–	(325)	–	(365)	–
Year ended October 31, 2021	2,196	23.0	11	(71.6)	52	43.9	107	91.6

	Earnings per share	Diluted earnings per share	Profit attributable to owners of parent/equity	Ordinary profit/total assets	Operating profit/net sales
	Yen	Yen	%	%	%
Year ended October 31, 2022	(124.76)	–	(79.6)	(18.4)	(13.3)
Year ended October 31, 2021	36.83	36.29	18.3	3.5	0.5

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of October 31, 2022	1,840	285	15.5	97.17
As of October 31, 2021	1,689	645	38.2	220.20

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Year ended October 31, 2022	(3)	(283)	57	264
Year ended October 31, 2021	183	(246)	112	491

2. Cash dividends

	Annual dividends per share					Total cash dividends (Total)	Dividend payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Year ended October 31, 2021	–	0.00	–	0.00	0.00	–	–	–
Year ended October 31, 2022	–	0.00	–	0.00	0.00	–	–	–
Year ending October 31, 2023 (Forecast)	–	0.00	–	0.00	0.00	–	–	–

3. Forecast of consolidated financial results for the year ending October 31, 2023 (from November 1, 2022 to October 31, 2023)

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six months ending April 30, 2023	1,580	39.7	(70)	–	(65)	–	(81)	–	(27.60)
Full year	3,500	42.5	70	–	72	–	53	–	18.06

4. Notes

(1) Changes in significant subsidiaries during the year ended October 31, 2022

(changes in specified subsidiaries resulting in the change in scope of consolidation):

No

(2) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements

Changes in accounting policies due to revisions to accounting standards and other regulations:

Yes

Changes in accounting policies due to other reasons:

No

Changes in accounting estimates:

No

Restatement of prior period financial statements:

No

(3) Number of issued shares (common shares)

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

As of October 31, 2022	2,934,400 shares	As of October 31, 2021	2,932,100 shares
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Number of treasury shares at the end of the period

As of October 31, 2022	254 shares	As of October 31, 2021	254 shares
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Average number of shares during the period

Year ended October 31, 2022	2,932,432 shares	Year ended October 31, 2021	2,929,121 shares
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**Consolidated financial statements**  
**Consolidated balance sheets**

(Thousands of yen)

	As of October 31, 2021	As of October 31, 2022
<b>Assets</b>		
Current assets		
Cash and deposits	491,143	264,179
Notes and accounts receivable - trade	339,554	–
Notes and accounts receivable - trade, and contract assets	–	357,420
Work in process	30,621	29,511
Prepaid expenses	82,048	102,863
Other	4,930	17,011
Allowance for doubtful accounts	(5,495)	–
Total current assets	942,803	770,986
Non-current assets		
Property, plant and equipment		
Buildings	53,794	76,718
Accumulated depreciation	(27,064)	(35,796)
Buildings, net	26,730	40,922
Tools, furniture and fixtures	18,212	28,150
Accumulated depreciation	(8,525)	(17,134)
Tools, furniture and fixtures, net	9,687	11,016
Other	134	–
Total property, plant and equipment	36,551	51,938
Intangible assets		
Software	271,698	358,560
Software in progress	116,749	146,288
Goodwill	22,243	230,522
Other	4,258	6,069
Total intangible assets	414,950	741,441
Investments and other assets		
Leasehold deposits	80,006	80,760
Insurance funds	120,933	138,720
Deferred tax assets	87,699	48,743
Other	4,320	3,318
Allowance for doubtful accounts	(2,672)	–
Total investments and other assets	290,287	271,542
Total non-current assets	741,788	1,064,921
Deferred assets		
Bond issuance costs	4,534	4,915
Total deferred assets	4,534	4,915
Total assets	1,689,126	1,840,823

(Thousands of yen)

	As of October 31, 2021	As of October 31, 2022
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable - trade	54,035	128,965
Short-term borrowings	–	50,000
Current portion of long-term borrowings	92,558	120,368
Current portion of bonds payable	70,000	55,000
Accounts payable - other	113,473	116,613
Advances received	135,594	416,975
Income taxes payable	19,743	5,678
Provision for bonuses	64,396	68,174
Provision for loss on orders received	1,680	–
Other	89,877	74,428
<b>Total current liabilities</b>	<b>641,359</b>	<b>1,036,204</b>
<b>Non-current liabilities</b>		
Bonds payable	175,000	120,000
Long-term borrowings	226,866	399,210
<b>Total non-current liabilities</b>	<b>401,866</b>	<b>519,210</b>
<b>Total liabilities</b>	<b>1,043,225</b>	<b>1,555,414</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Share capital	448,609	449,046
Capital surplus	93,683	94,120
Retained earnings	100,175	(265,689)
Treasury shares	(485)	(485)
<b>Total shareholders' equity</b>	<b>641,982</b>	<b>276,991</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	82	157
Foreign currency translation adjustment	3,535	7,960
<b>Total accumulated other comprehensive income</b>	<b>3,618</b>	<b>8,117</b>
Share acquisition rights	300	300
Non-controlling interests	–	–
<b>Total net assets</b>	<b>645,901</b>	<b>285,409</b>
<b>Total liabilities and net assets</b>	<b>1,689,126</b>	<b>1,840,823</b>

**Consolidated statements of income and consolidated statements of comprehensive income**  
**Consolidated statements of income**

(Thousands of yen)

	Fiscal year ended October 31, 2021	Fiscal year ended October 31, 2022
Net sales	2,196,093	2,456,133
Cost of sales	828,859	864,164
Gross profit	1,367,234	1,591,968
Selling, general and administrative expenses	1,355,865	1,919,840
Operating profit (loss)	11,368	(327,871)
Non-operating income		
Interest income	220	89
Subsidy income	15,033	6,642
Commission income	146	146
Gain on reversal of share acquisition rights	267	–
Administrative service fee income	37,245	–
Surrender value of insurance policies	–	3,067
Other	957	1,780
Total non-operating income	53,869	11,726
Non-operating expenses		
Interest expenses	2,748	3,309
Interest on bonds	381	762
Foreign exchange losses	4,525	3,384
Amortization of bond issuance costs	758	1,319
Other	4,565	429
Total non-operating expenses	12,979	9,206
Ordinary profit (loss)	52,258	(325,351)
Profit (loss) before income taxes	52,258	(325,351)
Income taxes - current	12,241	1,556
Income taxes - deferred	(66,368)	38,956
Total income taxes	(54,127)	40,513
Profit (loss)	106,385	(365,864)
Loss attributable to non-controlling interests	(1,500)	–
Profit (loss) attributable to owners of parent	107,885	(365,864)

## Consolidated statements of comprehensive income

(Thousands of yen)

	Fiscal year ended October 31, 2021	Fiscal year ended October 31, 2022
Profit (loss)	106,385	(365,864)
Other comprehensive income		
Valuation difference on available-for-sale securities	81	74
Foreign currency translation adjustment	3,914	4,424
Total other comprehensive income	3,996	4,499
Comprehensive income	110,381	(361,365)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	111,881	(361,365)
Comprehensive income attributable to non-controlling interests	(1,500)	–

## Consolidated statements of changes in equity

Fiscal year ended October 31, 2021

(Thousands of yen)

	Shareholders' equity					Accumulated other comprehensive income			Share acquisition rights	Non-controlling interests	Total net assets
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Balance at beginning of period	447,849	368,561	(283,349)	(377)	532,684	1	(378)	(377)	1,031	–	533,337
Cumulative effects of changes in accounting policies			–		–						–
Restated balance	447,849	368,561	(283,349)	(377)	532,684	1	(378)	(377)	1,031	–	533,337
Changes during period											
Issuance of new shares	760	760			1,520						1,520
Purchase of treasury shares				(107)	(107)						(107)
Reversal of legal capital surplus		(275,638)	275,638		–						–
Profit attributable to owners of parent			107,885		107,885						107,885
Net changes in items other than shareholders' equity						81	3,914	3,996	(731)	–	3,265
Total changes during period	760	(274,878)	383,524	(107)	109,297	81	3,914	3,996	(731)	–	112,563
Balance at end of period	448,609	93,683	100,175	(485)	641,982	82	3,535	3,618	300	–	645,901

Fiscal year ended October 31, 2022

(Thousands of yen)

	Shareholders' equity					Accumulated other comprehensive income			Share acquisition rights	Non-controlling interests	Total net assets
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Balance at beginning of period	448,609	93,683	100,175	(485)	641,982	82	3,535	3,618	300	–	645,901
Cumulative effects of changes in accounting policies			–		–						–
Restated balance	448,609	93,683	100,175	(485)	641,982	82	3,535	3,618	300	–	645,901
Changes during period											
Issuance of new shares	437	437			874						874
Purchase of treasury shares											
Reversal of legal capital surplus											
Profit attributable to owners of parent			(365,864)		(365,864)						(365,864)
Net changes in items other than shareholders' equity						74	4,424	4,499			4,499
Total changes during period	437	437	(365,864)	–	(364,990)	74	4,424	4,499	–	–	(360,491)
Balance at end of period	449,046	94,120	(265,689)	(485)	276,991	157	7,960	8,117	300	–	285,409



## Consolidated statements of cash flows

(Thousands of yen)

	Fiscal year ended October 31, 2021	Fiscal year ended October 31, 2022
Cash flows from operating activities		
Profit before income taxes	52,258	(325,351)
Depreciation	135,323	154,328
Amortization of goodwill	2,471	19,443
Increase (decrease) in allowance for doubtful accounts	5,261	(5,495)
Increase (decrease) in provision for bonuses	8,704	3,077
Increase (decrease) in provision for loss on orders received	(5,928)	(1,680)
Interest and dividend income	(220)	(89)
Subsidy income	(15,033)	(6,642)
Interest expenses	2,748	3,309
Interest expenses on bonds	381	762
Gain on reversal of share acquisition rights	(267)	–
Foreign exchange losses (gains)	2,660	2,434
Decrease (increase) in trade receivables	(139,070)	14,861
Decrease (increase) in inventories	(974)	3,703
Increase (decrease) in trade payables	16,468	15,879
Other, net	107,957	125,716
Subtotal	172,741	4,257
Interest and dividends received	135	89
Interest paid	(2,943)	(4,306)
Income taxes refund (paid)	(1,246)	(10,601)
Subsidies received	15,033	6,642
Net cash provided by (used in) operating activities	183,719	(3,919)
Cash flows from investing activities		
Purchase of property, plant and equipment	(6,041)	(21,513)
Proceeds from sale of property, plant and equipment	–	8,436
Purchase of intangible assets	(189,570)	(224,595)
Purchase of insurance funds	(13,153)	(26,543)
Proceeds from cancellation of insurance funds	–	8,757
Payments of leasehold deposits	(10,487)	(49)
Payments for acquisition of businesses	(24,915)	–
Purchase of shares of subsidiaries resulting in change in scope of consolidation	–	(27,955)
Purchase of investment securities	(120)	(120)
Other, net	(2,594)	4
Net cash provided by (used in) investing activities	(246,883)	(283,580)

(Thousands of yen)

	Fiscal year ended October 31, 2021	Fiscal year ended October 31, 2022
Cash flows from financing activities		
Proceeds from short-term borrowings	–	220,000
Repayments of short-term borrowings	–	(172,272)
Proceeds from long-term borrowings	50,000	200,000
Repayments of long-term borrowings	(110,320)	(121,089)
Proceeds from issuance of shares	–	874
Proceeds from issuance of bonds	200,000	–
Redemption of bonds	(30,000)	(70,000)
Payments for retirement by purchase of subscription rights to shares	(464)	–
Purchase of treasury shares	(107)	–
Proceeds from share issuance to non-controlling shareholders	1,500	–
Proceeds from exercise of employee share options	1,520	–
Net cash provided by (used in) financing activities	112,128	57,513
Effect of exchange rate change on cash and cash equivalents	3,463	3,022
Net increase (decrease) in cash and cash equivalents	52,428	(226,964)
Cash and cash equivalents at beginning of period	438,715	491,143
Cash and cash equivalents at end of period	491,143	264,179