

## Translation

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## Summary of Consolidated Financial Results for the Three Months Ended January 31, 2023 (Based on Japanese GAAP)

March 14, 2023

Company name: SHANON Inc.

Stock exchange listing: Tokyo

Stock code: 3976 URL <https://shanon.co.jp/>

Representative: President Kenichiro Nakamura

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Scheduled date to file Securities Report: March 15, 2023

Scheduled date to commence dividend payments: -

Preparation of supplementary material on financial results: Yes

Holding of financial results meeting: No (Video presentation of financial results will be available on the Company's website)

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the three months ended anuary 31, 2023 (from November 1, 2022 to January 31, 2023)

## (1) Consolidated operating results

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended								
January 31, 2023	628	17.8	(150)	-	(151)	-	(151)	-
January 31, 2022	533	△10.4	(77)	-	(75)	-	(76)	-

	Earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended		
January 31, 2023	(51.76)	-
January 31, 2022	(25.99)	-

## (2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
Three months ended			
January 31, 2023	1,733	191	10.9
January 31, 2022	1,840	285	15.5

## 2. Cash dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended January 31, 2022	-	0.00	-	0.00	0.00
Fiscal year ending January 31, 2023	-				
Fiscal year ending January 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

	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)	-
Full year	3,500	42.5	70	-	72	-	53	-	18.06

Note: Revisions to the forecast of cash dividends most recently announced:

No

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) Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements: No
- (3) 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: No
  - Changes in accounting policies due to other reasons: No
  - Changes in accounting estimates: No
  - Restatement of prior period financial statements: No

(4) Number of issued shares (common shares)

Total number of issued shares at the end of the period (including treasury shares)			
As of January 31, 2023	2,994,400 shares	As of January 31, 2022	2,934,400 shares
Number of treasury shares at the end of the period			
As of January 31, 2023	254 shares	As of January 31, 2022	254 shares
Average number of shares during the period			
Three months As of January 31, 2023	2,934,798 shares	Three months As of January 31, 2022	2,931,846 shares

(Thousands of yen)

	As of October 31, 2022	As of January 31, 2023
<b>Assets [abstract]</b>		
Current assets [abstract]		
Cash and deposits	264,179	197,232
Notes and accounts receivable - trade, and contract assets	357,420	290,562
Work in process	29,511	35,576
Other-CA	119,875	118,533
Current assets	770,986	641,904
Non-current assets [abstract]		
Property, plant and equipment	51,938	49,286
Intangible assets [abstract]		
Software	358,560	453,830
Software in progress	146,288	74,438
Goodwill	230,522	223,759
Other-IA	6,069	5,948
Intangible assets	741,441	757,976
Investments and other assets [abstract]		
Other-IOA	271,542	276,350
Investments and other assets	271,542	276,350
Non-current assets	1,064,921	1,083,613
Deferred assets	4,915	7,654
Assets	1,840,823	1,733,172
<b>Liabilities [abstract]</b>		
Current liabilities [abstract]		
Notes and accounts payable-trade	128,965	86,561
Short-term borrowings	50,000	224,332
Current portion of long-term borrowings	120,368	130,146
Current portion of bonds payable	55,000	40,000
Income taxes payable	5,678	5,097
Advances received	416,975	331,884
Provision for bonuses	68,174	50,764
Provision for loss on orders received - CL	-	1,443
Other-CL	191,042	213,192
Current liabilities	1,036,204	1,083,422
Non-current liabilities [abstract]		
Bonds payable	120,000	100,000
Long-term borrowings	399,210	358,703
Non-current liabilities	519,210	458,703
Liabilities	1,555,414	1,542,125
<b>Net assets [abstract]</b>		
Shareholders' equity [abstract]		
Share capital	449,046	479,976
Capital surplus	94,120	125,050
Retained earnings	△265,689	△417,581
Treasury shares	△485	△485
Shareholders' equity	276,991	186,959
Valuation and translation adjustments [abstract]		
Valuation difference on available-for- sale securities	157	240
Foreign currency translation adjustment	7,960	946
Valuation and translation adjustments	8,117	1,187
Share acquisition rights	300	2,900
Non-controlling interests	-	-
Net assets	285,409	191,046
Liabilities and net assets	1,840,823	1,733,172



(Thousands of yen)

	Three months ended January 31, 2022	Three months ended January 31, 2023
Net sales	533,504	628,311
Cost of sales	172,491	249,948
Gross profit (loss)	361,012	378,363
Selling, general and administrative expenses	438,757	528,744
Operating profit (loss)	△77,744	△150,381
Non-operating income [abstract]		
Interest income-NOI	28	49
Commission income - NOI	36	36
Foreign exchange gains-NOI	—	258
Subsidy income-2-NOI	4,151	424
Other-NOI	428	322
Non-operating income	4,645	1,092
Non-operating expenses [abstract]		
Interest expenses-NOE	746	1,301
Interest on bonds-NOE	272	191
Amortization of bond issuance costs - NOE	329	763
Foreign exchange losses-NOE	1,178	—
Other-NOE	199	—
Non-operating expenses	2,726	2,256
Ordinary profit (loss)	△75,826	△151,545
Profit (loss) before income taxes	△75,826	△151,545
Income taxes-current	386	346
Income taxes	386	346
Profit (loss) (after amendment dated 2014-03-28)	△76,213	△151,892
Profit (loss) attributable to non-controlling interests	—	—
Profit (loss) attributable to owners of parent	△76,213	△151,892

(Thousands of yen)

	Three months ended January 31, 2022	Three months ended January 31, 2023
Profit (loss) (after amendment dated 2014-03-28)	△76,213	△151,892
Other comprehensive income [abstract]		
Valuation difference on available-for-sale securities, net of tax-OCI	11	83
Foreign currency translation adjustment, net of tax-OCI	719	△7,013
Other comprehensive income	731	△6,930
Comprehensive income	△75,482	△158,822
Comprehensive income attributable to [abstract]		
Comprehensive income attributable to owners of parent	△75,482	△158,822
Comprehensive income attributable to non-controlling interests	—	—