

Translation

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Summary of Consolidated Financial Results for the Six Months Ended April 30,2023 (Based on Japanese GAAP)

June 12,2023

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 to file Securities Report: June 13,2023
 Scheduled date to commence dividend payments: -
 Preparation of supplementary material on financial results: Yes
 Holding of financial results meeting: Yes (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 six months ended April 30,2023 (from November 1, 2022 to April 30,2023)

(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	%
Six months ended April 30,2023	1,450	28.2	(134)	-	(137)	-	(137)	-
April 30,2022	1,130	△0.6	(148)	-	(144)	-	(145)	-

	Earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended April 30,2023	(46.35)	-
April 30,2022	(49.68)	-

(2) Consolidated financial position

	Total assets		Net assets		Equity ratio	
	Millions of yen		Millions of yen		%	
As of April 30,2023	2,177		252		11.6	
As of October 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	Yen
Fiscal year ended October 31,2022	-	0.00	-	0.00	0.00	
Fiscal year ending October 31,2023	-					
Fiscal 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)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Profit per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	3,500	42.5	70	-	72	-	53	-	18.06

Note:Revisions to the forecast of cash dividends most recently announced: No

Percentages indicate year-on-year changes

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 April 30, 2023	3,051,700 shares	As of October 31, 2022	2,934,400 shares
Number of treasury shares at the end of the period			
As of April 30, 2023	254 shares	As of October 31, 2022	254 shares
Average number of shares during the period			
Six months As of April 30, 2023	2,971,043 shares	Six months As of April 30, 2022	2,931,846 shares

(Thousands of yen)

	As of October 31, 2022	As of April 30, 2023
Assets [abstract]		
Current assets [abstract]		
Cash and deposits	264,179	621,080
Notes and accounts receivable - trade, and contract assets	357,420	345,883
Work in process	29,511	15,734
Other-CA	119,875	98,568
Current assets	<u>770,986</u>	<u>1,081,266</u>
Non-current assets [abstract]		
Property, plant and equipment	51,938	48,141
Intangible assets [abstract]		
Software	358,560	447,733
Software in progress	146,288	96,755
Goodwill	230,522	216,910
Other-IA	6,069	7,717
Intangible assets	<u>741,441</u>	<u>769,116</u>
Investments and other assets [abstract]		
Other-IOA	271,542	267,482
Investments and other assets	<u>271,542</u>	<u>267,482</u>
Non-current assets	<u>1,064,921</u>	<u>1,084,741</u>
Deferred assets	4,915	11,528
Assets	<u>1,840,823</u>	<u>2,177,536</u>
Liabilities [abstract]		
Current liabilities [abstract]		
Notes and accounts payable-trade	128,965	95,017
Short-term borrowings	50,000	—
Current portion of long-term borrowings	120,368	145,021
Current portion of bonds payable	55,000	40,000
Income taxes payable	5,678	10,443
Advances received	416,975	284,748
Provision for bonuses	68,174	71,649
Other-CL	191,042	244,918
Current liabilities	<u>1,036,204</u>	<u>891,798</u>
Non-current liabilities [abstract]		
Bonds payable	120,000	714,460
Long-term borrowings	399,210	318,566
Non-current liabilities	<u>519,210</u>	<u>1,033,026</u>
Liabilities	<u>1,555,414</u>	<u>1,924,824</u>
Net assets [abstract]		
Shareholders' equity [abstract]		
Share capital	449,046	501,778
Capital surplus	94,120	146,852
Retained earnings	△265,689	△403,406
Treasury shares	△485	△485
Shareholders' equity	<u>276,991</u>	<u>244,739</u>
Valuation and translation adjustments [abstract]		
Valuation difference on available-for- sale securities	157	291
Foreign currency translation adjustment	7,960	6,587
Valuation and translation adjustments	<u>8,117</u>	<u>6,878</u>
Share acquisition rights	300	1,093
Non-controlling interests	—	—
Net assets	<u>285,409</u>	<u>252,711</u>
Liabilities and net assets	<u>1,840,823</u>	<u>2,177,536</u>

(Thousands of yen)

	Six months ended April 30, 2022	Six months ended April 30, 2023
Net sales	1,130,796	1,450,057
Cost of sales	384,404	529,254
Gross profit (loss)	746,392	920,802
Selling, general and administrative expenses	894,440	1,055,280
Operating profit (loss)	△148,047	△134,477
Non-operating income [abstract]		
Interest income-NOI	54	15
Commission income - NOI	73	73
Subsidy income-2-NOI	6,275	5,012
Foreign exchange gains-NOI	—	778
Other-NOI	844	1,155
Non-operating income	7,247	7,034
Non-operating expenses [abstract]		
Interest expenses-NOE	1,481	3,032
Interest on bonds-NOE	412	286
Foreign exchange losses-NOE	1,401	—
Amortization of bond issuance costs - NOE	659	6,263
Other-NOE	199	—
Non-operating expenses	4,154	9,581
Ordinary profit (loss)	△144,955	△137,024
Profit (loss) before income taxes	△144,955	△137,024
Income taxes-current	698	693
Income taxes	698	693
Profit (loss) (after amendment dated 2014-03-28)	△145,653	△137,717
Profit (loss) attributable to non-controlling interests	—	—
Profit (loss) attributable to owners of parent	△145,653	△137,717

(Thousands of yen)

	Six months ended April 30, 2022	Six months ended April 30, 2023
Profit (loss) (after amendment dated 2014-03-28)	△145,653	△137,717
Other comprehensive income [abstract]		
Valuation difference on available-for-sale securities, net of tax-OCI	32	134
Foreign currency translation adjustment, net of tax-OCI	2,246	△1,373
Other comprehensive income	2,278	△1,239
Comprehensive income	△143,374	△138,956
Comprehensive income attributable to [abstract]		
Comprehensive income attributable to owners of parent	△143,374	△138,956
Comprehensive income attributable to non-controlling interests	—	—

(Thousands of yen)

	Six months ended April 30, 2022	Six months ended April 30, 2023
Cash flows from operating activities [abstract]		
Profit (loss) before income taxes	△144,955	△137,024
Depreciation-OpeCF	84,853	84,881
Amortization of goodwill-OpeCF	8,102	13,612
Increase (decrease) in allowance for doubtful accounts-OpeCF	△5,495	—
Increase (decrease) in provision for bonuses-OpeCF	△551	3,820
Increase (decrease) in provision for loss on orders received - OpeCF	△1,066	—
Interest and dividend income-OpeCF	△202	△15
Subsidy income-2-OpeCF	△6,275	△5,012
Interest expenses-OpeCF	1,422	3,032
Interest expenses on bonds - OpeCF	412	286
Foreign exchange losses (gains)-OpeCF	481	△817
Decrease (increase) in trade receivables - 2 - OpeCF	114,595	9,518
Decrease (increase) in inventories-OpeCF	13,236	13,777
Increase (decrease) in trade payables - 2 - OpeCF	△1,711	△33,947
Other, net-OpeCF	△12,255	△54,649
Subtotal-OpeCF	50,588	△102,538
Interest and dividends received - OpeCF/InvCF	201	—
Interest paid - OpeCF/FinCF	△1,648	△3,268
Income taxes refund (paid) - OpeCF	△12,315	1,319
Subsidies received - 2 - OpeCF	6,275	5,012
Net cash provided by (used in) operating activities	43,101	△99,474
Cash flows from investing activities [abstract]		
Purchase of property, plant and equipment-InvCF	△20,679	△1,620
Proceeds from sale of property, plant and equipment - InvCF	8,436	—
Purchase of intangible assets-InvCF	△122,310	△122,207
Purchase of investment securities-InvCF	△60	△60
Loan advances - InvCF	—	△120
Purchase of insurance funds-InvCF	△13,024	△13,125
Payments of leasehold deposits - InvCF	△49	—
Proceeds from refund of leasehold deposits - InvCF	4	14,252
Purchase of shares of subsidiaries resulting in change in scope of consolidation-InvCF	△75,854	—
Net cash provided by (used in) investing activities	△223,536	△122,880
Cash flows from financing activities [abstract]		
Proceeds from short-term borrowings - FinCF	170,000	374,403
Repayments of short-term borrowings - FinCF	△72,272	△424,403
Proceeds from long-term borrowings - FinCF	20,000	—
Repayments of long-term borrowings - FinCF	△68,036	△55,991
Redemption of bonds-FinCF	△35,000	△35,000
Proceeds from issuance of convertible bond-type bonds with subscription rights to shares- FinCF	—	614,460
Proceeds from issuance of share acquisition	—	4,111

rights - FinCF		
Payments for retirement by purchase of subscription rights to shares-FinCF	—	△2,600
Proceeds from issuance of shares - FinCF	—	104,748
Net cash provided by (used in) financing activities	14,692	579,728
Effect of exchange rate change on cash and cash equivalents	1,810	△471
Net increase (decrease) in cash and cash equivalents	△163,932	356,901
Cash and cash equivalents	491,143	264,179
Cash and cash equivalents	327,211	621,080