

Translation

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Summary of Consolidated Financial Results for the Year Ended October 31, 2023 (Based on Japanese GAAP)

December 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 of ordinary general meeting of shareholders: December 12, 2023
 Scheduled date to file Securities Report: January 29, 2024
 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 year ended October 31, 2023 (from November 1, 2022 to October 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	%
Year ended October 31, 2023	2,934	19.5	(262)	—	(273)	—	(445)	—
Year ended October 31, 2022	2,456	11.8	(327)	—	(325)	—	(365)	—

	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, 2023	(145.68)	—	(290.60)	(14.10)	(8.90)
Year ended October 31, 2022	(124.76)	—	(79.60)	(18.40)	(13.30)

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
Year ended October 31, 2023	2,024	39	1.9	12.15
Year ended October 31, 2022	1,840	285	15.5	97.17

(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, 2023	(148)	(260)	545	400
Year ended October 31, 2022	(3)	(283)	57	264

2. Cash dividends

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

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, 2024	1,510	4.1	(132)	—	(132)	—	(139)	—
Full year	3,275	11.6	32	—	30	—	10	—	3.15

4. Notes

- (1) Changes in significant subsidiaries during the year ended October 31, 2023 (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: No
- 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, 2023	3,173,900 shares	As of October 31, 2022	2,934,400 shares
Number of treasury shares at the end of the period			
As of October 31, 2023	254 shares	As of October 31, 2022	254 shares
Average number of shares during the period			
As of October 31, 2023	3,059,139 shares	As of October 31, 2022	2,932,432 shares

(Thousands of yen)

	As of October 31, 2022	As of October 31, 2023
Assets [abstract]		
Current assets [abstract]		
Cash and deposits	264,179	400,862
Notes and accounts receivable - trade, and contract assets	357,420	491,197
Work in process	29,511	50,902
Prepaid expenses	102,863	111,339
Other-CA	17,011	53,841
Current assets	770,986	1,108,143
Non-current assets [abstract]		
Property, plant and equipment [abstract]		
Buildings	76,718	76,939
Accumulated depreciation-buildings	△35,796	△43,593
Buildings, net	40,922	33,345
Tools, furniture and fixtures	28,150	29,717
Accumulated depreciation-tools, furniture and fixtures	△17,134	△20,090
Tools, furniture and fixtures, net	11,015	9,626
Property, plant and equipment	51,938	42,971
Intangible assets [abstract]		
Software	358,560	361,997
Software in progress	146,288	30,476
Goodwill	230,522	209,566
Other-IA	6,069	7,336
Intangible assets	741,441	609,377
Investments and other assets [abstract]		
Leasehold deposits - IOA	80,760	67,012
Insurance funds	138,720	158,868
Deferred tax assets	48,743	25,000
Other-IOA	3,318	3,371
Investments and other assets	271,542	254,252
Non-current assets	1,064,921	906,602
Deferred assets [abstract]		
Bond issuance costs - DA	4,915	9,545
Deferred assets	4,915	9,545
Assets	1,840,823	2,024,290

(Thousands of yen)

	As of October 31, 2022	As of October 31, 2023
Liabilities [abstract]		
Current liabilities [abstract]		
Notes and accounts payable-trade	128,965	119,047
Short-term borrowings	50,000	—
Current portion of long-term borrowings	120,368	157,158
Current portion of bonds payable	55,000	40,000
Accounts payable-other	116,613	111,688
Advances received	416,975	452,164
Income taxes payable	5,678	14,534
Provision for bonuses	68,174	56,070
Other-CL	74,428	97,581
Current liabilities	1,036,204	1,048,244
Non-current liabilities [abstract]		
Bonds payable	120,000	694,460

Long-term borrowings	399,210	242,052
Non-current liabilities	519,210	936,512
Liabilities	1,555,414	1,984,756
Net assets [abstract]		
Shareholders' equity [abstract]		
Share capital	449,046	548,276
Capital surplus	94,120	193,349
Retained earnings	△265,689	△711,357
Treasury shares	△485	△485
Shareholders' equity	276,991	29,783
Valuation and translation adjustments [abstract]		
Valuation difference on available-for- sale securities	157	390
Foreign currency translation adjustment	7,960	8,388
Valuation and translation adjustments	8,117	8,778
Share acquisition rights	300	971
Non-controlling interests	—	—
Net assets	285,409	39,534
Liabilities and net assets	1,840,823	2,024,290

(Thousands of yen)

	Fiscal year ended October 31, 2022	Fiscal year ended October 31, 2023
Net sales	2,456,133	2,934,302
Cost of sales	864,164	1,108,532
Gross profit (loss)	1,591,968	1,825,770
Selling, general and administrative expenses	1,919,840	2,088,162
Operating profit (loss)	△327,871	△262,392
Non-operating income [abstract]		
Interest and dividend income-NOI	89	32
Subsidy income-2-NOI	6,642	7,612
Commission income - NOI	146	142
Surrender value of insurance policies - NOI	3,067	—
Other-NOI	1,780	3,733
Non-operating income	11,726	11,520
Non-operating expenses [abstract]		
Interest expenses-NOE	3,309	4,541
Interest expenses on bonds - NOE	762	389
Foreign exchange losses-NOE	3,384	1,572
Amortization of bond issuance costs - NOE	1,319	8,246
Loss on cancellation of insurance policies - NOE	—	7,531
Other-NOE	429	194
Non-operating expenses	9,206	22,476
Ordinary profit (loss)	△325,351	△273,348
Extraordinary losses [abstract]		
Impairment losses - EL	—	141,155
Extraordinary losses	—	141,155
Profit (loss) before income taxes	△325,351	△414,503
Income taxes-current	1,556	7,420
Income taxes-deferred	38,956	23,743
Income taxes	40,513	31,164
Profit (loss) (after amendment dated 2014-03-28)	△365,864	△445,667
Profit (loss) attributable to non-controlling interests	—	—
Profit (loss) attributable to owners of parent	△365,864	△445,667

(Thousands of yen)

	Fiscal year ended October 31, 2022	Fiscal year ended October 31, 2023
Profit (loss) (after amendment dated 2014-03-28)	△365,864	△445,667
Other comprehensive income [abstract]		
Valuation difference on available-for-sale securities, net of tax-OCI	74	233
Foreign currency translation adjustment, net of tax-OCI	4,424	427
Other comprehensive income	4,499	661
Comprehensive income	△361,365	△445,006
Comprehensive income attributable to [abstract]		
Comprehensive income attributable to owners of parent	△361,365	△445,006
Comprehensive income attributable to non-controlling interests	—	—

(Thousands of yen)

	Shareholders' equity [member]					Valuation and translation adjustments [member]			Share acquisition rights [member]	Non-controlling interests [member]	Net assets [member]
	Share capital [member]	Capital surplus [member]	Retained earnings [member]	Treasury shares [member]	Shareholders' equity [member]	Valuation difference on available-for-sale securities [member]	Foreign currency translation adjustment [member]	Valuation and translation adjustments [member]			
Net assets	448,609	93,683	100,175	△485	641,982	82	3,535	3,618	300	—	645,901
Changes during period [abstract]											
Issuance of new shares	437	437			874						874
Profit (loss) 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
Net assets	449,046	94,120	△265,689	△485	276,991	157	7,960	8,117	300	—	285,409

(Thousands of yen)

	Shareholders' equity [member]					Valuation and translation adjustments [member]			Share acquisition rights [member]	Non-controlling interests [member]	Net assets [member]
	Share capital [member]	Capital surplus [member]	Retained earnings [member]	Treasury shares [member]	Shareholders' equity [member]	Valuation difference on available-for-sale securities [member]	Foreign currency translation adjustment [member]	Valuation and translation adjustments [member]			
Net assets	449,046	94,120	△265,689	△485	276,991	157	7,960	8,117	300	—	285,409
Changes during period [abstract]											
Issuance of new shares	99,229	99,229			198,459						198,459
Profit (loss) attributable to owners of parent			△445,667		△445,667						△445,667
Net changes in items other than shareholders' equity						233	427	661	671	—	1,332
Total changes during period	99,229	99,229	△445,667	—	△247,208	233	427	661	671	—	△245,875
Net assets	548,276	193,349	△711,357	△485	29,783	390	8,388	8,778	971	—	39,534

(Thousands of yen)

	Fiscal year ended October 31, 2022	Fiscal year ended October 31, 2023
Cash flows from operating activities [abstract]		
Profit (loss) before income taxes	△325,351	△414,503
Depreciation-OpeCF	154,328	169,404
Amortization of goodwill-OpeCF	19,443	50,956
Increase (decrease) in allowance for doubtful accounts-OpeCF	△5,495	—
Impairment losses - OpeCF	—	141,155
Increase (decrease) in provision for bonuses-OpeCF	3,077	△12,205
Increase (decrease) in provision for loss on orders received - OpeCF	△1,680	—
Interest and dividend income-OpeCF	△89	△32
Subsidy income-2-OpeCF	△6,642	△7,612
Interest expenses-OpeCF	3,309	4,541
Interest expenses on bonds - OpeCF	762	389
Foreign exchange losses (gains)-OpeCF	2,434	1,614
Decrease (increase) in trade receivables - 2 - OpeCF	14,861	△134,157
Decrease (increase) in inventories-OpeCF	3,703	△21,390
Increase (decrease) in trade payables - 2 - OpeCF	15,879	△9,917
Other, net-OpeCF	125,716	87,240
Subtotal-OpeCF	4,257	△144,517
Interest and dividends received - OpeCF/InvCF	89	33
Interest paid - OpeCF/FinCF	△4,306	△5,003
Income taxes refund (paid) - OpeCF	△10,601	△6,889
Subsidies received - 2 - OpeCF	6,642	7,612
Net cash provided by (used in) operating activities	△3,919	△148,765
Cash flows from investing activities [abstract]		
Purchase of property, plant and equipment-InvCF	△21,513	△2,280
Proceeds from sale of property, plant and equipment - InvCF	8,436	—
Purchase of intangible assets-InvCF	△224,595	△203,885
Purchase of insurance funds-InvCF	△26,543	△20,148
Proceeds from cancellation of insurance funds-InvCF	8,757	—
Payments of leasehold deposits - InvCF	△49	—
Purchase of investment securities-InvCF	△120	△120
Loan advances - InvCF	—	△57,517
Proceeds from collection of loans receivable - InvCF	—	9,120
Purchase of shares of subsidiaries resulting in change in scope of consolidation-InvCF	△27,955	—
Proceeds from refund of leasehold deposits - InvCF	—	14,252
Other, net-InvCF	4	—
Net cash provided by (used in) investing activities	△283,580	△260,579
Cash flows from financing activities [abstract]		
Proceeds from short-term borrowings - FinCF	220,000	374,403
Repayments of short-term borrowings - FinCF	△172,272	△424,403
Proceeds from long-term borrowings - FinCF	200,000	—

Proceeds from issuance of convertible bond-type bonds with subscription rights to shares- FinCF	—	601,583
Repayments of long-term borrowings - FinCF	△121,089	△120,368
Proceeds from issuance of shares - FinCF	874	197,620
Redemption of bonds-FinCF	△70,000	△55,000
Payments for retirement by purchase of subscription rights to shares-FinCF	—	△2,600
Proceeds from issuance of share acquisition rights - FinCF	—	4,111
Purchase of shares of subsidiaries not resulting in change in scope of consolidation - FinCF	—	△30,000
Net cash provided by (used in) financing activities	57,513	545,346
Effect of exchange rate change on cash and cash equivalents	3,022	680
Net increase (decrease) in cash and cash equivalents	△226,964	136,682
Cash and cash equivalents	491,143	264,179
Cash and cash equivalents	264,179	400,862