

Translation

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Summary of Consolidated Financial Results for the Six Months Ended April 30,2024 (Based on Japanese GAAP)

June 13,2024

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 14,2024
 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 six months ended April 30,2024 (from November 1, 2023 to April 30,2024)

(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 30,2024	1,481	2.2	(93)	-	(93)	-	(94)	-
April 30,2023	1,450	28.2	(134)	-	(137)	-	(137)	-

	Earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended April 30,2024	(29.64)	-
April 30,2023	(46.35)	-

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of April 30,2024	2,263	(44)	(2.2)
As of October 31,2023	2,024	39	1.9

2. Cash dividends

	Annual dividends per share					Total
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end		
	Yen	Yen	Yen	Yen	Yen	Yen
Fiscal year ending October 31,2024	-	0.00	-	0.00	0.00	0.00
Fiscal year ended October 31,2023	-	0.00	-	-	-	-
Fiscal year ended October 31,2023 (Forecast)				0.00		0.00

3. Forecast of consolidated financial results for the year ending October 31, 2024 (from November 1, 2023 to October 31, 2024)

Percentages indicate year-on-year changes

	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	3,275	11.6	32	-	30	0.0	10	0.0	3.15

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

4. Notes

(1) Changes in significant subsidiaries during the period

(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, 2024	3,180,700 shares	As of October 31, 2023	3,173,900 shares
Number of treasury shares at the end of the period			
As of April 30, 2024	254 shares	As of October 31, 2023	254 shares
Average number of shares during the period			
Six months As of April 30, 2024	3,177,046 shares	Six months As of April 30, 2023	2,971,043 shares

	As of October 31, 2023	As of April 30, 2024
Assets [abstract]		
Current assets [abstract]		
Cash and deposits	400,862	823,234
Notes and accounts receivable - trade, and contract assets	491,197	329,595
Work in process	50,902	49,878
Other-CA	165,181	133,870
Current assets	<u>1,108,143</u>	<u>1,336,578</u>
Non-current assets [abstract]		
Property, plant and equipment	42,971	36,816
Intangible assets [abstract]		
Software	361,997	337,547
Software in progress	30,476	56,917
Goodwill	209,566	187,001
Other-IA	7,336	8,367
Intangible assets	<u>609,377</u>	<u>589,833</u>
Investments and other assets	<u>254,252</u>	<u>288,015</u>
Non-current assets	<u>906,602</u>	<u>914,665</u>
Deferred assets	<u>9,545</u>	<u>12,508</u>
Assets	<u>2,024,290</u>	<u>2,263,752</u>
Liabilities [abstract]		
Current liabilities [abstract]		
Notes and accounts payable-trade	119,047	88,384
Current portion of long-term borrowings	157,158	148,264
Current portion of bonds payable	40,000	40,000
Income taxes payable	14,534	11,090
Advances received	452,164	331,747
Provision for bonuses	56,070	85,774
Other-CL	209,269	238,706
Current liabilities	<u>1,048,244</u>	<u>943,968</u>
Non-current liabilities [abstract]		
Bonds payable	694,460	1,194,046
Long-term borrowings	242,052	170,302
Non-current liabilities	<u>936,512</u>	<u>1,364,348</u>
Liabilities	<u>1,984,756</u>	<u>2,308,316</u>
Net assets [abstract]		
Shareholders' equity [abstract]		
Share capital	548,276	550,010
Capital surplus	193,349	195,083
Retained earnings	△711,357	△805,539
Treasury shares	△485	△485
Shareholders' equity	<u>29,783</u>	<u>△60,930</u>
Valuation and translation adjustments [abstract]		
Valuation difference on available-for-sale securities	390	300
Foreign currency translation adjustment	8,388	10,388
Valuation and translation adjustments	<u>8,778</u>	<u>10,689</u>
Share acquisition rights	971	5,677
Non-controlling interests	—	—
Net assets	<u>39,534</u>	<u>△44,563</u>
Liabilities and net assets	<u>2,024,290</u>	<u>2,263,752</u>

	Six months ended	Six months ended
	30-Apr-23	30-Apr-24
Net sales	1,450,057	1,481,382
Cost of sales	529,254	587,629
Gross profit (loss)	920,802	893,752
Selling, general and administrative expenses	1,055,280	987,309
Operating profit (loss)	△134,477	△93,557
Non-operating income [abstract]		
Interest income-NOI	15	379
Commission income - NOI	73	66
Subsidy income-2-NOI	5,012	6,153
Foreign exchange gains-NOI	778	—
Other-NOI	1,155	403
Non-operating income	7,034	7,003
Non-operating expenses [abstract]		
Interest expenses-NOE	3,032	2,043
Interest expenses on bonds - NOE	286	195
Foreign exchange losses-NOE	—	1,919
Amortization of bond issuance costs - NOE	6,263	2,601
Non-operating expenses	9,581	6,760
Ordinary profit (loss)	△137,024	△93,313
Profit (loss) before income taxes	△137,024	△93,313
Income taxes-current	693	868
Income taxes	693	868
Profit (loss) (after amendment dated 2014-03-28)	△137,717	△94,182
Profit (loss) attributable to non-controlling interests	—	—
Profit (loss) attributable to owners of parent	△137,717	△94,182

	Six months ended	Six months ended
	30-Apr-23	30-Apr-24
Profit (loss) (after amendment dated 2014-03-28)	△137,717	△94,182
Other comprehensive income [abstract]		
Valuation difference on available-for-sale securities, net of tax-OCI	134	△89
Foreign currency translation adjustment, net of tax-OCI	△1,373	2,000
Other comprehensive income	△1,239	1,910
Comprehensive income	△138,956	△92,271
Comprehensive income attributable to [abstract]		
Comprehensive income attributable to owners of parent	△138,956	△92,271
Comprehensive income attributable to non-controlling interests	—	—

	Six months ended 30-Apr-23	Six months ended 30-Apr-24
Cash flows from operating activities [abstract]		
Profit (loss) before income taxes	△137,024	△93,313
Depreciation-OpeCF	84,881	75,062
Amortization of goodwill-OpeCF	13,612	22,565
Increase (decrease) in provision for bonuses-OpeCF	3,820	29,356
Interest and dividend income-OpeCF	△15	△379
Subsidy income-2-OpeCF	△5,012	△6,153
Interest expenses-OpeCF	3,032	2,043
Interest expenses on bonds - OpeCF	286	195
Foreign exchange losses (gains)-OpeCF	△817	1,846
Decrease (increase) in trade receivables - 2 - OpeCF	9,518	163,085
Decrease (increase) in inventories-OpeCF	13,777	1,023
Increase (decrease) in trade payables - 2 - OpeCF	△33,947	△30,663
Other, net-OpeCF	△54,649	△92,699
Subtotal-OpeCF	△102,538	71,968
Interest and dividends received - OpeCF/InvCF	—	45
Interest paid - OpeCF/FinCF	△3,268	△2,339
Income taxes refund (paid) - OpeCF	1,319	△3,522
Subsidies received - 2 - OpeCF	5,012	6,153
Net cash provided by (used in) operating activities	△99,474	72,306
Cash flows from investing activities [abstract]		
Purchase of property, plant and equipment-InvCF	△1,620	△172
Purchase of intangible assets-InvCF	△122,207	△74,992
Purchase of investment securities-InvCF	△60	△60
Loan advances - InvCF	△120	△135
Proceeds from collection of loans receivable - InvCF	—	17,457
Purchase of insurance funds-InvCF	△13,125	△14,977
Proceeds from refund of leasehold deposits - InvCF	14,252	—
Net cash provided by (used in) investing activities	△122,880	△72,879
Cash flows from financing activities [abstract]		
Proceeds from short-term borrowings - FinCF	374,403	—
Repayments of short-term borrowings - FinCF	△424,403	—
Repayments of long-term borrowings - FinCF	△55,991	△80,644
Redemption of bonds-FinCF	△35,000	△20,000
Proceeds from issuance of convertible bond-type bonds with subscription rights to shares- FinCF	614,460	514,021
Proceeds from issuance of share acquisition rights - FinCF	4,111	4,705
Payments for retirement by purchase of subscription rights to shares-FinCF	△2,600	—
Proceeds from issuance of shares - FinCF	104,748	3,468
Net cash provided by (used in) financing activities	579,728	421,551
Effect of exchange rate change on cash and cash equivalents	△471	1,394
Net increase (decrease) in cash and cash equivalents	356,901	422,372
Cash and cash equivalents	264,179	400,862
Cash and cash equivalents	621,080	823,234