Translation

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Summary of Consolidated Financial Results for the Year Ended October 31, 2024 (Based on Japanese GAAP)

December 13,2024

Company name: SHANON Inc.
Stock exchange listing: Tokyo
Stock code: 3976 URL https://shanon.co.jp/
Representative: Representative director Hiroshi Takea
Inquiries: Chief Financial Officer Gaku Tomokiyo TEL (03)6743-1551

Scheduled date of ordinary general meeting of shareholders: January 30,2025
Scheduled date to file Securities Report: January 31,2025
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 31,2024 (from November 1, 2023 to October 31,2024)

(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	%
Year ended October 31, 2024	3,206	9.3	(51)	—	(53)	—	(101)	—
Year ended October 31, 2023	2,934	19.5	(262)	—	(273)	—	(445)	—

	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, 2024	(31.97)	—	—	(2.50)	(1.60)
Year ended October 31, 2023	(145.68)	—	(290.60)	(14.10)	(8.90)

(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, 2024	2,169	(52)	(2.70)	(18.31)
Year ended October 31, 2023	2,024	39	1.9	12.15

(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, 2024	226	(160)	295	763
Year ended October 31, 2023	(148)	(260)	545	400

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			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Year ended October 31, 2023	-	0.00	-	0.00	0.00	-	-	-
Year ended October 31, 2024	-	0.00	-	0.00	0.00	-	-	-
Year ended October 31, 2024 (Forecast)	-	0.00	-	0.00	0.00		-	

3. Notes

(1) Changes in significant subsidiaries during the year ended October 31, 2024 (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 31,2024	3,180,700 shares	As of Octorber 31,2023	3,173,900 shares

Number of treasury shares at the end of the period

As of October 31,2024	254 shares	As of Octorber 31,2023	254 shares

Average number of shares during the period

As of October 31,2024	3,178,755 shares	As of Octorber 31,2023	3,059,139 shares

	As of October 31, 2023	As of October 31, 2024
Assets [abstract]		
Current assets [abstract]		
Cash and deposits	400,862	763,133
Notes and accounts receivable - trade, and contract assets	491,197	443,823
Work in process	50,902	26,876
Prepaid expenses	111,339	141,783
Other-CA	53,841	539
Current assets	1,108,143	1,376,156
Non-current assets [abstract]		
Property, plant and equipment [abstract]		
Buildings	76,939	72,076
Accumulated depreciation-buildings	△43,593	△51,415
Buildings, net	33,345	20,661
Tools, furniture and fixtures	29,717	24,786
Accumulated depreciation-tools, furniture and fixtures	△20,090	△17,953
Tools, furniture and fixtures,	9,626	6,832
Property, plant and equipment	42,971	27,494
Intangible assets [abstract]		
Software	361,997	266,937
Software in progress	30,476	50,175
Goodwill	209,566	79,114
Other-IA	7,336	4,668
Intangible assets	609,377	400,896
Investments and other assets [abstract]		
Leasehold deposits - IOA	67,012	140,350
Insurance funds	158,868	188,896
Deferred tax assets	25,000	25,000
Other-IOA	3,371	1,090
Investments and other assets	254,252	355,337
Non-current assets	906,602	783,727
Deferred assets [abstract]		
Bond issuance costs - DA	9,545	9,597
Deferred assets	9,545	9,597
Assets	2,024,290	2,169,482

	As of October 31, 2023	As of October 31, 2024
Liabilities [abstract]		
Current liabilities [abstract]		
Notes and accounts payable-trade	119,047	60,749
Current portion of long-term borrowings	157,158	113,260
Current portion of bonds payable	40,000	40,000
Accounts payable-other	111,688	94,342
Advances received	452,164	511,271
Income taxes payable	14,534	10,982
Provision for bonuses	56,070	59,804
Other-CL	97,581	96,417

Current liabilities	1,048,244	986,827
Non-current liabilities [abstract]		
Bonds payable	694,460	1,174,046
Long-term borrowings	242,052	61,151
Non-current liabilities	936,512	1,235,197
Liabilities	1,984,756	2,222,025
Net assets [abstract]		
Shareholders' equity [abstract]		
Share capital	548,276	550,010
Capital surplus	193,349	195,083
Retained earnings	△711,357	△812,970
Treasury shares	△485	△485
Shareholders' equity	29,783	△68,361
Valuation and translation adjustments [abstract]		
Valuation difference on available-for-sale securities	390	―
Foreign currency translation adjustment	8,388	10,141
Valuation and translation adjustments	8,778	10,141
Share acquisition rights	971	5,677
Non-controlling interests	―	―
Net assets	39,534	△52,542
Liabilities and net assets	2,024,290	2,169,482

	Fiscal year ended 31-Oct-23	Fiscal year ended 31-Oct-24
Net sales	2,934,302	3,206,743
Cost of sales	1,108,532	1,274,858
Gross profit (loss)	1,825,770	1,931,884
Selling, general and administrative expenses	2,088,162	1,983,508
Operating profit (loss)	△262,392	△51,624
Non-operating income [abstract]		
Interest and dividend income-NOI	32	542
Subsidy income-2-NOI	7,612	7,679
Commission income - NOI	142	133
Other-NOI	3,733	1,735
Non-operating income	11,520	10,091
Non-operating expenses [abstract]		
Interest expenses-NOE	4,541	3,403
Interest expenses on bonds - NOE	389	353
Foreign exchange losses-NOE	1,572	2,525
Amortization of bond issuance costs - NOE	8,246	5,512
Loss on cancellation of insurance policies - NOE	7,531	—
Other-NOE	194	—
Non-operating expenses	22,476	11,795
Ordinary profit (loss)	△273,348	△53,328
Extraordinary income [abstract]		
Gain on sale of shares of subsidiaries and associates - EI	—	36,611
Extraordinary income	—	36,611
Extraordinary losses [abstract]		
Impairment losses - EL	141,155	78,546
Extraordinary losses	141,155	78,546
Profit (loss) before income taxes	△414,503	△95,264
Income taxes-current	7,420	6,349
Income taxes-deferred	23,743	—
Income taxes	31,164	6,349
Profit (loss) (after amendment dated 2014-03-28)	△445,667	△101,613
Profit (loss) attributable to non-controlling interests	—	—
Profit (loss) attributable to owners of parent	△445,667	△101,613

	Fiscal year ended 31-Oct-23	Fiscal year ended 31-Oct-24
Profit (loss) (after amendment dated 2014-03-28)	△445,667	△101,613
Other comprehensive income [abstract]		
Valuation difference on available-for-sale securities, net of tax-OCI	233	△390
Foreign currency translation adjustment, net of tax-OCI	427	1,752
Other comprehensive income	661	1,362
Comprehensive income	△445,006	△100,250
Comprehensive income attributable to [abstract]		
Comprehensive income attributable to owners of parent	△445,006	△100,250
Comprehensive income attributable to non-controlling interests	—	—

	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	Foreign currency translation	Valuation and translation			
Net assets	449,046	94,120	△265,689	△485	276,991	157	7,960	8,117	300	—	285,409
Changes during period											
Issuance of new shares	99,229	99,229			198,459						198,459
Profit (loss) attributable to owners of			△445,667		△445,667						△445,667
Net changes in items other than						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

	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	Foreign currency translation	Valuation and translation			
Net assets	548,276	193,349	△711,357	△485	29,783	390	8,388	8,778	971	—	39,534
Changes during period											
Issuance of new shares	1,734	1,734			3,468						3,468
Profit (loss) attributable to owners of			△101,613		△101,613						△101,613
Net changes in items other than						△390	1,752	1,362	4,705	—	6,068
Total changes during period	1,734	1,734	△101,613	—	△98,145	△390	1,752	1,362	4,705	—	△92,076
Net assets	550,010	195,083	△812,970	△485	△68,361	—	10,141	10,141	5,677	—	△52,542

	Fiscal year ended 31-Oct-23	Fiscal year ended 31-Oct-24
Cash flows from operating activities [abstract]		
Profit (loss) before income taxes	△414,503	△95,264
Depreciation-OpeCF	169,404	149,732
Amortization of goodwill-OpeCF	50,956	59,130
Impairment losses - OpeCF	141,155	78,546
Increase (decrease) in provision for bonuses-OpeCF	△12,205	7,360
Loss (gain) on sale of shares of subsidiaries and associates - OpeCF	—	△36,611
Interest and dividend income-OpeCF	△32	△542
Subsidy income-2-OpeCF	△7,612	△7,679
Interest expenses-OpeCF	4,541	3,403
Interest expenses on bonds - OpeCF	389	353
Foreign exchange losses (gains)-OpeCF	1,614	2,300
Decrease (increase) in trade receivables - 2 - OpeCF	△134,157	31,247
Decrease (increase) in inventories-OpeCF	△21,390	24,025
Increase (decrease) in trade payables - 2 - OpeCF	△9,917	△7,939
Other, net-OpeCF	87,240	20,898
Subtotal-OpeCF	△144,517	228,962
Interest and dividends received - OpeCF/InvCF	33	542
Interest paid - OpeCF/FinCF	△5,003	△3,862
Income taxes refund (paid) - OpeCF	△6,889	△6,700
Subsidies received - 2 - OpeCF	7,612	7,679
Net cash provided by (used in) operating activities	△148,765	226,621
Cash flows from investing activities [abstract]		
Purchase of property, plant and equipment-InvCF	△2,280	△1,162
Proceeds from sale of property, plant and equipment - InvCF	—	62
Purchase of intangible assets-InvCF	△203,885	△144,344
Purchase of insurance funds-InvCF	△20,148	△30,027
Payments of leasehold deposits - InvCF	—	△63,136
Purchase of investment securities-InvCF	△120	△60
Loan advances - InvCF	△57,517	△135
Proceeds from sale of investment securities - InvCF	—	955
Proceeds from sale of shares of subsidiaries resulting in change in scope of consolidation - InvCF	—	28,778
Proceeds from collection of loans receivable - InvCF	9,120	48,532
Proceeds from refund of leasehold deposits - InvCF	14,252	—
Net cash provided by (used in) investing activities	△260,579	△160,536
Cash flows from financing activities [abstract]		
Proceeds from short-term borrowings - FinCF	374,403	—

Repayments of short-term borrowings - FinCF	△424,403	—
Proceeds from issuance of convertible bond-type bonds with subscription rights to shares- FinCF	601,583	514,021
Repayments of long-term borrowings - FinCF	△120,368	△157,158
Proceeds from issuance of shares - FinCF	197,620	3,468
Redemption of bonds-FinCF	△55,000	△40,000
Payments for retirement by purchase of subscription rights to shares-FinCF	△2,600	—
Proceeds from issuance of share acquisition rights - FinCF	4,111	4,705
Purchase of shares of subsidiaries not resulting in change in scope of consolidation - FinCF	△30,000	△30,000
Net cash provided by (used in) financing activities	545,346	295,037
Effect of exchange rate change on cash and cash equivalents	680	1,149
Net increase (decrease) in cash and cash equivalents	136,682	362,271
Cash and cash equivalents	264,179	400,862
Cash and cash equivalents	400,862	763,133