

Translation

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Summary of Consolidated Financial Results for the Nine Months Ended July 31, 2024 (Based on Japanese GAAP)

September 12, 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

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Scheduled date to file Securities Report: September 13, 2024

Scheduled date to commence dividend payments: -

Preparation of supplementary material on financial results: Yes

Holding of financial results meeting: Yes

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the nine months ended July 31, 2024 (from November 1, 2023 to July 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 | % |
| Nine months ended | | | | | | | | |
| July 31, 2024 | 2,275 | 11.7 | (134) | - | (134) | - | (136) | - |
| July 31, 2023 | 2,037 | 18.8 | (303) | - | (313) | - | (460) | - |

| | Earnings per share | Diluted earnings per share |
|-------------------|--------------------|----------------------------|
| | Yen | Yen |
| Nine months ended | | |
| July 31, 2024 | (42.83) | - |
| July 31, 2023 | (152.33) | - |

(2) Consolidated financial position

| | Total assets | Net assets | Equity ratio |
|------------------------|-----------------|-----------------|--------------|
| | Millions of yen | Millions of yen | % |
| As of July 31, 2024 | 2,435 | (86) | (3.8) |
| As of October 31, 2023 | 2,024 | 39 | 1.9 |

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 ending July 31, 2024 | - | 0.00 | - | 0.00 | - |
| Fiscal year ended July 31, 2023 | - | 0.00 | - | - | 0.00 |
| Fiscal year ending July 31, 2024 (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 July 31, 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 July 31, 2024 | 254 shares | As of October 31, 2023 | 254 shares |
| Average number of shares during the period | | | |
| Nine months As of July 31, 2024 | 3,178,188 shares | Nine months As of July 31, 2023 | 3,020,550 shares |

*Review of the Japanese-language originals of the attached consolidated quarterly financial statements by certified public accountants or an audit firm: None

(Thousands of yen)

| | As of October 31, 2023 | As of July 31, 2024 |
|---|------------------------|---------------------|
| Assets [abstract] | | |
| Current assets [abstract] | | |
| Cash and deposits | 400,862 | 843,055 |
| Notes and accounts receivable - trade, and contract assets | 491,197 | 393,982 |
| Work in process | 50,902 | 48,943 |
| Other-CA | 165,181 | 175,498 |
| Current assets | 1,108,143 | 1,461,480 |
| Non-current assets [abstract] | | |
| Property, plant and equipment | 42,971 | 33,631 |
| Intangible assets [abstract] | | |
| Software | 361,997 | 349,722 |
| Software in progress | 30,476 | 38,053 |
| Goodwill | 209,566 | 175,718 |
| Other-IA | 7,336 | 8,489 |
| Intangible assets | 609,377 | 571,984 |
| Investments and other assets | 254,252 | 357,803 |
| Non-current assets | 906,602 | 963,419 |
| Deferred assets | 9,545 | 11,053 |
| Assets | 2,024,290 | 2,435,953 |
| Liabilities [abstract] | | |
| Current liabilities [abstract] | | |
| Notes and accounts payable-trade | 119,047 | 95,583 |
| Current portion of long-term borrowings | 157,158 | 138,695 |
| Current portion of bonds payable | 40,000 | 40,000 |
| Income taxes payable | 14,534 | 13,424 |
| Advances received | 452,164 | 624,387 |
| Provision for bonuses | 56,070 | 46,524 |
| Provision for loss on orders received - CL | — | 121 |
| Other-CL | 209,269 | 248,597 |
| Current liabilities | 1,048,244 | 1,207,333 |
| Non-current liabilities [abstract] | | |
| Bonds payable | 694,460 | 1,174,046 |
| Long-term borrowings | 242,052 | 140,974 |
| Non-current liabilities | 936,512 | 1,315,020 |
| Liabilities | 1,984,756 | 2,522,353 |
| Net assets [abstract] | | |
| Shareholders' equity [abstract] | | |
| Share capital | 548,276 | 550,010 |
| Capital surplus | 193,349 | 195,083 |
| Retained earnings | △711,357 | △847,489 |
| Treasury shares | △485 | △485 |
| Shareholders' equity | 29,783 | △102,881 |
| Valuation and translation adjustments [abstract] | | |
| Valuation difference on available-for- sale securities | 390 | — |
| Foreign currency translation adjustment | 8,388 | 10,803 |
| Valuation and translation adjustments | 8,778 | 10,803 |
| Share acquisition rights | 971 | 5,677 |
| Non-controlling interests | — | — |
| Net assets | 39,534 | △86,400 |
| Liabilities and net assets | 2,024,290 | 2,435,953 |

(Thousands of yen)

| | Nine months ended July 31, 2023 | Nine months ended July 31, 2024 |
|---|------------------------------------|------------------------------------|
| Net sales | 2,037,904 | 2,275,610 |
| Cost of sales | 755,004 | 920,387 |
| Gross profit (loss) | 1,282,899 | 1,355,223 |
| Selling, general and administrative expenses | 1,586,313 | 1,489,283 |
| Operating profit (loss) | △303,413 | △134,060 |
| Non-operating income [abstract] | | |
| Interest income-NOI | 24 | 588 |
| Commission income - NOI | 119 | 99 |
| Subsidy income-2-NOI | 7,612 | 7,353 |
| Other-NOI | 1,684 | 1,333 |
| Non-operating income | 9,440 | 9,375 |
| Non-operating expenses [abstract] | | |
| Interest expenses-NOE | 3,692 | 2,903 |
| Interest expenses on bonds - NOE | 438 | 300 |
| Foreign exchange losses-NOE | 664 | 2,969 |
| Amortization of bond issuance costs - NOE | 7,254 | 4,057 |
| Loss on cancellation of insurance policies - NOE | 7,531 | — |
| Other-NOE | 194 | — |
| Non-operating expenses | 19,776 | 10,230 |
| Ordinary profit (loss) | △313,750 | △134,915 |
| Extraordinary losses [abstract] | | |
| Impairment losses - EL | 144,291 | — |
| Extraordinary losses | 144,291 | — |
| Profit (loss) before income taxes | △458,041 | △134,915 |
| Income taxes-current | 2,072 | 1,217 |
| Income taxes | 2,072 | 1,217 |
| Profit (loss) (after amendment dated 2014-03-28) | △460,114 | △136,132 |
| Profit (loss) attributable to non-controlling interests | — | — |
| Profit (loss) attributable to owners of parent | △460,114 | △136,132 |

(Thousands of yen)

| | Nine months ended July 31, 2023 | Nine months ended July 31, 2024 |
|---|------------------------------------|------------------------------------|
| Profit (loss) (after amendment dated 2014-03-28) | △460,114 | △136,132 |
| Other comprehensive income [abstract] | | |
| Valuation difference on available-for-sale securities, net of tax-OCI | 242 | △390 |
| Foreign currency translation adjustment, net of tax-OCI | △656 | 2,414 |
| Other comprehensive income | △414 | 2,024 |
| Comprehensive income | △460,528 | △134,108 |
| Comprehensive income attributable to [abstract] | | |
| Comprehensive income attributable to owners of parent | △460,528 | △134,108 |
| Comprehensive income attributable to non-controlling interests | — | — |