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August 10, 2021

TEMONA. Inc.
Earnings Report for the Third Quarter of the Fiscal Year Ending September 30, 2021
[Japanese GAAP] (Non-Consolidated)

Stock listings: Tokyo Stock Exchange (First Section)
 Securities code: 3985
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Scheduled dates
 Filing of statutory quarterly financial report: August 10, 2021
 Dividend payout: -
 Supplementary materials to financial results available: No
 Quarterly earnings presentation held: No

(Amounts rounded down to the nearest million yen)

1. Financial Results for the Nine Months Ended June 30, 2021 (October 1, 2020 to June 30, 2021)

(1) Operating Results (Percentage figures represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit for the period	
	¥ million	%	¥ million	%	¥ million	%	¥ million	%
Nine Months Ended Jun. 30, 2021	1,809	15.7	369	279.8	369	274.0	229	312.0
Jun. 30, 2020	1,563	41.8	97	(42.0)	98	(33.4)	55	(39.2)

	Basic earnings per share	Diluted earnings per share
Nine Months Ended	¥	¥
Jun. 30, 2021	21.64	21.42
Jun. 30, 2020	5.14	5.03

Note: The Company disclosed the financial results for the nine months ended June 30, 2020, on a consolidated basis, while the financial results for the nine months ended June 30, 2021, are presented on a non-consolidated basis. To facilitate year-on-year comparisons, the financial results for the nine months ended June 30, 2020, are presented on a non-consolidated basis in this earnings report.

(2) Financial Position

	Total assets	Net assets	Equity ratio
	¥ million	¥ million	%
As of Jun. 30, 2021	2,156	1,299	60.0
As of Sep. 30, 2020	2,034	1,061	51.8

Reference: Total shareholders' equity: June 30, 2021: ¥1,293 million September 30, 2020: ¥1,054 million

2. Dividends

	Annual dividends				
	End-first quarter	End-second quarter	End-third quarter	Fiscal year-end	Annual total
	¥	¥	¥	¥	¥
FY ended Sep. 30, 2020	-	0.00	-	0.00	0.00
FY ending Sep. 30, 2021	-	0.00	-		
FY ending Sep. 30, 2021 (Forecast)				0.00	0.00

Note: No changes were made to the latest release of dividend forecasts.

3. Earnings Forecast for the Fiscal Year Ending September 30, 2021 (October 1, 2020 to September 30, 2021)

(Percentage figures represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit for the period		Basic earnings per share
	¥ million	%	¥ million	%	¥ million	%	¥ million	%	¥
Full year	2,814	22.3	412	148.0	407	147.2	248	158.1	23.66

Note: No changes were made to the latest release of earnings forecasts.

Notes

(1) Use of accounting methods specific to preparation of the quarterly financial statements: Yes

Note: For details, please see “(Use of accounting methods specific to preparation of the financial statements)” under “(3) Notes on the Financial Statements” on page 8 in section “2. Financial Statements and Main Notes” in the Accompanying Materials.

(2) Changes in accounting policy, changes in accounting estimates, and retrospective restatement:

- 1) Changes in accordance with amendments to accounting standards: None
- 2) Changes other than the above 1): None
- 3) Changes in accounting estimates: None
- 4) Retrospective restatement: None

(3) Number of shares issued (common stock)

1) Number of shares issued at end of period (treasury shares included):

June 30, 2021: 11,373,592 shares
September 30, 2020: 11,256,048 shares

2) Number of shares held in treasury at end of period:

June 30, 2021: 745,317 shares
September 30, 2020: 745,292 shares

3) Average number of shares outstanding during the period:

June 30, 2021: 10,592,110 shares
June 30, 2020: 10,814,219 shares

Note. The Company has introduced a “Board Benefit Trust” and an “Employees Benefit Trust”. The Company's shares held by these trusts (September 30, 2020: 744,500 shares, June 30, 2021: 744,500 shares) are included in the number of treasury shares.

* Quarterly earnings reports are exempt from quarterly reviews by certified public accountants and the accounting auditor.

*Appropriate Use of Earnings Forecasts and Other Important Information

The above forecasts, which constitute forward-looking statements, are based on information available to the Company as of the date of the release of this document. These forward-looking statements are not guarantees of future performance, and actual results may differ materially from those expressed or implied herein due to a range of factors. For the assumptions underlying the forecasts herein and other notice on the use of earnings forecasts, please refer to “(3) Earnings Forecast and Other Forward-Looking Statements” on page 4 in section “1. Explanation of Operating Results and Financial Position” in the Accompanying Materials.

Accompanying Materials

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1. Explanation of Operating Results and Financial Position

(1) Operating Results

The Company disclosed the financial results for the nine months ended June 30, 2020, on a consolidated basis, while the financial results for the nine months ended June 30, 2021, are presented on a non-consolidated basis. To facilitate year-on-year comparisons, the financial results for the nine months ended June 30, 2020, are presented on a non-consolidated basis in this earnings report.

Non-consolidated financial results are as follows.

(Unit: 1,000 yen)

	Nine months ended June 30, 2020		Nine months ended June 30, 2021		Change	Change (%)
	Amount	Weighting (%)	Amount	Weighting (%)		
Revenue	1,563,911	100.0	1,809,444	100.0	245,533	15.7
Cost of sales	540,517	34.6	694,808	38.4	154,291	28.5
Gross profit	1,023,394	65.4	1,114,636	61.6	91,242	8.9
SG&A expenses	926,131	59.2	745,274	41.2	(180,857)	(19.5)
Operating profit	97,262	6.2	369,361	20.4	272,099	279.8
Ordinary profit	98,738	6.3	369,295	20.4	270,556	274.0
Profit for the period	55,642	3.6	229,229	12.7	173,587	312.0

In the nine months ended June 30, 2021, the prolonged impact of COVID-19 weighed on Japan's economy. Although progress with vaccinations offers some hope for a recovery in certain sectors, the economic outlook remains uncertain.

According to a Ministry of Economy, Trade and Industry survey on the domestic e-commerce market, a market connected with the Company's business, business-to-consumer e-commerce ("B2C-EC") market transactions in 2020 decreased 0.43% year on year to 19.3 trillion yen while business-to-business e-commerce ("B2B-EC") market transactions fell 5.1% to 334.9 trillion yen. Meanwhile, the e-commerce ratio*1, which is an indicator of the market penetration of e-commerce, continued to increase, rising to 8.08% for B2C-EC and 33.5% for B2B-EC, and the digitalization of commercial transactions is expected to continue to advance. In recent years, the continued rise in customer acquisition costs owing to population decline and other factors has boosted demand for subscription businesses, such as cloud-based businesses.

In this business environment, the Company has been working in line with its management philosophy, "Make business and everyday life easier"*2, to popularize recurring revenue business models. The Company is doing this through focusing efforts on functional enhancement of Subsc-Store, an online shopping cart system for B2C businesses that specialize in subscription-based business. In addition, to provide even greater value to Subsc-Store and Tamago Repeat customers, the Company has expanded services and options relating to ancillary businesses, such as the Chatbot, Subsc-Atobarai, and Temonavi businesses.

To promote greater service lineup selection and concentration, the Company incorporated the "members-only e-commerce" functions of Subsc-Beauty into Subsc-@ and shifted the sales structure targeting brick-and-mortar stores to Subsc-@. These initiatives are contributing to further monetization of these services while also expanding their target markets.

The following is a breakdown of revenue generated by each of the services provided by the E-Commerce Support Business, the Company's only reportable segment.

(Unit: 1,000 yen)

Service	Nine months ended June 30, 2020		Nine months ended June 30, 2021		Change	Change (%)	
	Amount	Weighting (%)	Amount	Weighting (%)			
a	Subsc-Store	262,562	16.8	517,232	28.6	254,670	97.0
	Tamago Repeat	787,675	50.4	586,740	32.4	(200,934)	(25.5)
	Subtotal	1,050,237	67.2	1,103,972	61.0	53,735	5.1
b	Payment fees (excluding Subsc- Atobarai)	404,392	25.9	450,469	24.9	46,076	11.4
	Subsc-Atobarai	930	0.1	148,201	8.2	147,270	15,829.6
	Subtotal	405,323	25.9	598,670	33.1	193,347	47.7
c	Others	108,350	6.9	106,801	5.9	(1,549)	(1.4)
Total (a+b+c)		1,563,911	100.0	1,809,444	100.0	245,533	15.7

- a. Tamago Repeat and Subsc-Store service user accounts totaled 1,119 as of June 30, 2021, up 8.9% year on year, generating revenue totaling 1,103,972 thousand yen during the period, 5.1% more than in the same period of the previous year.

Subsc-Store service user accounts totaled 424, a 71.0% increase from a year earlier, generating revenue of 517,232 thousand yen, a year-on-year increase of 97.0%, with the growth being driven by users' increased use of service options, such as Temonavi and Chatbot.

The Tamago Repeat service has halted new sales in order to focus on sales of successor service, Subsc-Store. As a result its service user accounts decreased to 695, down 10.9% year on year, and revenue fell to 586,740 thousand yen, down 25.5% year on year.

- b. In the first nine months of the fiscal year, the gross transaction volume of services provided by the Company grew at a somewhat sluggish pace, increasing just 4.9% year on year to 116.2 billion yen. However, revenue from settlement service fees expanded 47.7% year on year to 598,670 thousand yen owing to an increase in transactions for Subsc-Atobarai, the Company's own payment/settlement service.
- c. Revenue from "Others", which includes Subsc-@ and Subsc-Store B2B, fell 1.4% year on year to 106,801 thousand yen, as the dropping off of sales from consulting services supporting customers adopting Subsc-Beauty offset an increase in webpage production orders related to Subsc-@.

As a result of the above factors, total revenue for the nine months ended June 30, 2021, came to 1,809,444 thousand yen, a year-on-year gain of 15.7%.

Cost of sales rose 28.5% to 694,808 thousand yen, owing to a large increase in costs related to increasing revenue from Subsc-Atobarai, the Company's own payment/settlement service.

Selling, general and administrative expenses totaled 745,274 thousand yen, 19.5% less than a year earlier, when selling, general and administrative expenses increased with the recording of expenses relating to research and development outsourced to a subsidiary, consulting fees related to the establishment of a stock compensation system, and commission fees relating to a business acquisition, all of which were recorded in the first half of the previous fiscal year.

As a result, operating profit for the nine months ended June 30, 2021, came to 369,361 thousand yen, up 279.8% year on year, ordinary profit totaled 369,295 thousand yen, up 274.0%, and profit for the

period reached 229,229 thousand yen, up 312.0%.

*1. E-commerce ratio is the ratio of B2C/B2B e-commerce transaction value to total B2C/B2B market transaction value.

*2. The name of the Company, "Temona", is based on the Japanese expression "*temonaku*" meaning easily, effortlessly, or without difficulty. This expression is also reflected in the Company's philosophy: "Make business and everyday life easier".

(2) Financial Position

1) Assets, liabilities, and net assets

Assets

Non-consolidated assets at June 30, 2021, totaled 2,156,796 thousand yen, a 122,734 thousand yen increase from September 30, 2020, the end of the previous fiscal year. This increase was mainly the result of a 134,889 thousand yen expansion in cash and deposits due to increased revenue.

Liabilities

Non-consolidated liabilities at June 30, 2021, totaled 857,679 thousand yen, a 114,733 thousand yen decrease from September 30, 2020. This decrease was mainly the result of a 109,967 thousand yen decrease in long-term loans payable (including current portion of long-term loans payable) due to repayments of loans payable.

Net Assets

Non-consolidated net assets at June 30, 2021, totaled 1,299,116 thousand yen, an increase of 237,468 thousand from September 30, 2020. This increase was mainly the result of a 229,229 yen increase in retained earnings.

(3) Earnings Forecast and Other Forward-Looking Statements

The Company's full-year earnings forecast is unchanged from the forecast included in the news release "Notice Concerning Transition to Non-Consolidated Financial Results, and the Earnings Forecast for the Fiscal Year Ending September 30, 2021" released by the Company on February 12, 2021.

Temolab Inc., a subsidiary of the Company that had previously been excluded from the scope of consolidation due to its declining significance, was dissolved on March 30, 2021, and the Company is currently in the midst of liquidation proceedings. The impact of this liquidation on the Company's earnings forecasts is expected to be minor.

2. Financial Statements and Main Notes

(1) Balance Sheet

(Thousands of yen)

	As of September 30, 2020	As of June 30, 2021
Assets		
Current assets		
Cash and deposits	1,241,983	1,376,873
Accounts receivable - trade	278,349	235,293
Other	94,341	90,245
Allowance for doubtful accounts	(498)	(421)
Total current assets	1,614,177	1,701,991
Non-current assets		
Property, plant and equipment	50,594	46,223
Intangible assets	158,832	202,984
Investments and other assets	210,457	205,596
Total non-current assets	419,884	454,804
Total assets	2,034,061	2,156,796
Liabilities		
Current liabilities		
Accounts payable-trade	118,274	62,379
Short-term loans payable	100,000	100,000
Current portion of long-term loans payable	139,968	120,004
Accounts payable-other	88,345	84,171
Income taxes payable	34,312	102,871
Advances received	129,562	112,032
Other	23,087	25,398
Total current liabilities	633,550	606,857
Non-current liabilities		
Long-term loans payable	336,650	246,647
Provision for share awards	1,281	3,275
Provision for points	931	900
Total non-current liabilities	338,862	250,822
Total liabilities	972,413	857,679

(Thousands of yen)

	As of September 30, 2020	As of June 30, 2021
Net assets		
Shareholders' equity		
Capital stock	379,790	384,471
Capital surplus	369,790	374,471
Retained earnings	888,574	1,117,804
Treasury shares	(583,704)	(583,744)
Total shareholders' equity	1,054,449	1,293,002
Stock acquisition rights	7,198	6,114
Total net assets	1,061,648	1,299,116
Total liabilities and net assets	2,034,061	2,156,796

(2) Statement of Income

(Thousands of yen)

	Nine months ended June 30, 2021
Net sales	1,809,444
Cost of sales	694,808
Gross profit	1,114,636
Selling, general and administrative expenses	745,274
Operating profit	369,361
Non-operating income	
Interest income	6
Commission income	2,495
Total non-operating income	2,502
Non-operating expenses	
Interest expenses	1,181
Loss on sale of notes and accounts receivable-trade	1,386
Total non-operating expenses	2,567
Ordinary profit	369,295
Extraordinary losses	
Loss on valuation of investment securities	2,715
Loss on valuation of shares of subsidiaries and associates	4,451
Total extraordinary losses	7,166
Profit before income taxes	362,129
Income taxes	132,899
Profit for the period	229,229

(3) Notes on the Financial Statements

(Notes on the going-concern assumption)

Not applicable.

(Notes on significant changes in the amount of shareholders' equity)

Not applicable.

(Use of accounting methods specific to preparation of the financial statements)

(Calculation of tax expenses)

Tax expenses are calculated by reasonably estimating the effective tax rate after application of tax effect accounting to income before income taxes for the fiscal year (including the third quarter of the fiscal year ending September 30, 2021), and multiplying quarterly income before income taxes by this estimated effective tax rate.

(Additional information)

(Accounting estimates of the impact of COVID-19)

There have been no significant changes to the Company's assumptions relating to accounting estimates of the impact of COVID-19 as outlined in (Accounting estimates of the impact of COVID-19) under (Additional information) in the securities report for the fiscal year ended September 30, 2020.

(Segment information)

This information is omitted because the Company's business is comprised of a single reportable segment: the E-Commerce Support Business.

(Significant subsequent events)

Not applicable.