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February 10, 2022

TEMONA. Inc.
Earnings Report for the First Quarter of the Fiscal Year Ending September 30, 2022
[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: February 10, 2022

Dividend payout: -

Supplementary materials to financial results available: Yes

Quarterly earnings presentation held: No

(Amounts rounded down to the nearest million yen)

1. Financial Results for the Three Months Ended December 31, 2021
(October 1, 2021 to December 31, 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	%
Three Months Ended								
Dec. 31, 2021	465	-	38	-	37	-	15	-
Dec. 31, 2020	592	24.8	99	381.7	98	348.2	59	316.8

	Basic earnings per share	Diluted earnings per share
Three Months Ended	¥	¥
Dec. 31, 2021	1.50	1.49
Dec. 31, 2020	5.62	5.52

Note: "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020), etc. have been applied effective from the beginning of the first quarter of the fiscal year ending September 30, 2022, and the figures for the three months ended December 31, 2021, have been calculated with application of said accounting standard, etc. For this reason, year-on-year changes for the three months ended December 31, 2021, are not provided herein.

(2) Financial Position

	Total assets	Net assets	Equity ratio
	¥ million	¥ million	%
As of Dec. 31, 2021	2,107	1,377	65.1
As of Sep. 30, 2021	2,188	1,361	61.9

Reference: Total shareholders' equity: Dec. 31, 2021: ¥1,371 million Sep. 30, 2021: ¥1,355 million

Note: "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020), etc. have been applied effective from the beginning of the first quarter of the fiscal year ending September 30, 2022, and the figures for the three months ended December 31, 2021 have been calculated with application of said accounting standard, etc.

2. Dividends

	Annual dividends per share				
	End-first quarter	End-second quarter	End-third quarter	Fiscal year-end	Annual total
FY Ended Sep. 30, 2021	¥ —	¥ 0.00	¥ —	¥ 0.00	¥ 0.00
FY Ending Sep. 30, 2022	—				
FY Ending Sep. 30, 2022 (Forecast)		0.00	—	0.00	0.00

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

3. Consolidated Earnings Forecast for the Fiscal Year Ending September 30, 2022 (October 1, 2021 to September 30, 2022)

(Percentage figures represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of the parent		Basic earnings per share
	¥ million	%	¥ million	%	¥ million	%	¥ million	%	¥
Full year	2,394	-	204	-	204	-	133	-	12.49

Notes: 1. Changes were made to the latest release of consolidated earnings forecasts.

2. For more details about the changes, please refer to the "Notice Concerning Consolidated Earnings Forecast in Connection with Commencement of Consolidated Accounting" released today, February 10, 2022.

3. The Company did not prepare consolidated financial statements for the fiscal year ended September 30, 2021. For this reason, year-on-year changes are not provided herein.

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 9 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: Yes
- 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):

December 31, 2021: 11,389,592 shares

September 30, 2021: 11,389,592 shares

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

December 31, 2021: 745,317 shares

September 30, 2021: 745,317 shares

3) Average number of shares outstanding during the period:

December 31, 2021: 10,644,275 shares

December 31, 2020: 10,520,956 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, 2021: 744,500 shares, December 31, 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) Consolidated Earnings Forecast and Other Forward-Looking Statements” on page 5 in section “1. Explanation of Operating Results and Financial Position” in the Accompanying Materials.

(Supplementary materials to quarterly financial results)

Supplementary materials to the quarterly financial results (Fact Sheets) will be posted on the Company's website on February 10, 2022.

Accompanying Materials

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1. Explanation of Operating Results and Financial Position

(1) Operating Results

In the three months ended December 31, 2021, the prolonged impact of COVID-19 weighed on Japan's economy. Although progress with vaccinations offers some hope for recovery in demand, 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 the current business environment, the Company believes that it can contribute to society through the provision of comprehensive support for subscription businesses (which can facilitate the securing of steady revenue even in the midst of worsening economic conditions) and through helping companies to operate such businesses successfully. It is with this in mind that the Company has formulated a new medium-term management plan. The fiscal year ending September 30, 2022, is the first year covered by the medium-term management plan. During this initial fiscal year, the Company will work to reinforce its business foundations for further growth. This will involve investing in engineer personnel to expand the Company's target areas, and investing in the recruitment of human resources to expand the areas of support that the Company provides.

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. The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020), etc. from the beginning of the first quarter of the fiscal year ending September 30, 2022, and all figures for the first quarter of the fiscal year have been calculated with application of this accounting standard. As the application of this new accounting standard significantly affects the Company's sales recorded in the first quarter of the current fiscal year, the year-on-year comparisons in the table below do not include absolute or percentage year-on-year changes.

(Unit: ¥ thousand)

Service	Revenue category	Three months ended December 31, 2020		Three months ended December 31, 2021		
		Amount	Weighting (%)	Amount	Weighting (%)	
a	Subsc-Store	Recurring revenue	78,820	13.3	99,716	21.4
		Contract development revenue	30,931	5.2	12,144	2.6
		Other revenue	51,411	8.7	18,611	4.0
a	Tamago Repeat	Recurring revenue	146,174	24.7	122,752	26.4
		Contract development revenue	90	0.0	-	-
		Other revenue	53,358	9.0	17,812	3.8
Subtotal		360,785	60.9	271,037	58.2	

b	Payment fees	GMV-linked revenue	202,802	34.2	145,219	31.2
c	Others	Recurring revenue	5,566	0.9	8,893	1.9
		Contract development revenue	17,145	2.9	36,988	7.9
		Other revenue	6,360	1.1	3,304	0.7
	Subtotal		29,072	4.9	49,187	10.6
Total (a+b+c)			592,660	100.0	465,443	100.0

The following explanation of first-quarter business results compares the results under the new accounting standard with the previous year's first-quarter results (non-audited) recalculated based on the new accounting standard for comparative purposes only.

(Unit: ¥ thousand)

Service	Revenue category	Three months ended December 31, 2020		Three months ended December 31, 2021		Change	Change (%)	
		Amount	Weighting (%)	Amount	Weighting (%)			
a	Subsc-Store	Recurring revenue	70,239	14.5	99,716	21.4	29,476	42.0
		Contract development revenue	30,431	6.3	12,144	2.6	(18,286)	(60.1)
		Other revenue	27,954	5.8	18,611	4.0	(9,342)	(33.4)
	Tamago Repeat	Recurring revenue	141,969	29.3	122,752	26.4	(19,216)	(13.5)
		Contract development revenue	90	0.0	0	0.0	(90)	(100.0)
		Other revenue	29,008	6.0	17,812	3.8	(11,196)	(38.6)
Subtotal		299,693	61.9	271,037	58.2	(28,656)	(9.6)	
b	Payment fees	GMV-linked revenue	155,678	32.2	145,219	31.2	(10,459)	(6.7)
c	Others	Recurring revenue	5,293	1.1	8,893	1.9	3,600	68.0
		Contract development revenue	17,145	3.5	36,988	7.9	19,843	115.7
		Other revenue	6,236	1.3	3,304	0.7	(2,932)	(47.0)
	Subtotal		28,675	5.9	49,187	10.6	20,511	71.5
Total (a+b+c)			484,047	100.0	465,443	100.0	(18,603)	(3.8)

- a. Subsc-Store and Tamago Repeat service user accounts totaled 1,115, up 0.5% year on year, and generated revenue totaling 271,037 thousand yen during the period, 9.6% less than in the same period of the previous fiscal year.

Subsc-Store service user accounts totaled 489, a 31.1% increase from a year earlier, generating recurring revenue*² of 99,716 thousand yen, a year-on-year increase of 42.0%. Contract development revenue*³, however, declined 60.1% year on year to 12,144 thousand yen owing to delays in the receipt of orders and related operations.

Tamago Repeat service user accounts totaled 626, down 15.1% year on year, reflecting the halt in new sales of this service as the Company is focusing on sales of the successor service, Subsc-Store. Recurring revenue totaled 122,752 thousand yen, down 13.5% year on year. Sales of the optional services Chatbot and LTV-Linked Affiliate also fell, resulting in other revenue totaling 17,812 thousand yen, down 38.6% year on year.

- b. The gross transaction volume of services provided by the Company totaled 36.9 billion yen, down 5.5% year on year, reflecting the continued decrease in transaction volume of cosmetic products owing to fewer opportunities for people to go out during the COVID-19 pandemic. GMV-linked revenue*⁴ totaled 145,219 thousand yen, down 6.7% year on year.
- c. Revenue from “Others” increased 71.5% year on year to 49,187 thousand yen. The Company’s Subsc-@ service targeted at physical stores continued its efforts to develop new clients. As a result, its total number of accounts (corporate contracts) increased to 139, a 717.6% expansion from a year earlier. The service’s recurring revenue also increased, rising 68.0% year on year to 8,893 thousand yen. In addition, webpage production services related to Subsc-@ are expanding steadily, generating contract development revenue of 36,988 thousand yen, up 115.7% year on year.

As a result of the above factors, total net sales for the three months ended December 31, 2021, came to 465,443 thousand yen, down 3.8% year on year.

Cost of sales increased 2.5% to 132,945 thousand yen, largely owing to increased outsourcing expenses. Selling, general and administrative expenses totaled 293,811 thousand yen, 15.1% more than a year earlier, owing to an increase in personnel related to an increased investment in human resources targeted at strengthening the Company’s business foundation.

As a result, operating profit for the three months ended December 31, 2021, came to 38,686 thousand yen, down 61.0% year on year, ordinary profit totaled 37,564 thousand yen, down 61.8%, and profit for the period was 15,987 thousand yen, down 73.0%.

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

*2. Recurring revenue: Revenue from services with fixed monthly rates charged for the number of months used.

*3. Contract development revenue: Revenue from contract development, such as customization of the Company’s system.

*4. GMV-linked revenue: Revenue from services with variable fees linked to client GMV.

(2) Financial Position

Assets

Non-consolidated assets at December 31, 2021, totaled 2,107,643 thousand yen, an 81,323 thousand yen decrease from September 30, 2021, the end of the previous fiscal year. The decrease mainly reflects a 78,363 thousand yen reduction in cash and deposits related to the payment of accounts payable-other and income taxes.

Liabilities

Non-consolidated liabilities at December 31, 2021, totaled 730,279 thousand yen, a 97,356 thousand yen decrease from September 30, 2021. The decrease mainly reflects a 38,628 thousand yen reduction in accounts payable-other following the payment of employee bonuses and a 56,147 thousand yen decrease in income taxes payable following the payment of income taxes.

Net Assets

Non-consolidated net assets at December 31, 2021, totaled 1,377,363 thousand yen, a 16,032 thousand yen increase from September 30, 2021. This increase mainly reflects a 15,987 thousand yen increase in retained earnings.

(3) Consolidated Earnings Forecast and Other Forward-looking Statements

For details regarding the Company's consolidated earnings forecast for the fiscal year ending September 30, 2022, please refer to the "Notice Concerning Consolidated Earnings Forecast in Connection with Commencement of Consolidated Accounting" released today, February 10, 2022.

2. Financial Statements and Main Notes

(1) Balance Sheet

(Thousands of yen)

	As of September 30, 2021	As of December 31, 2021
Assets		
Current assets		
Cash and deposits	1,447,418	1,369,055
Accounts receivable - trade	247,771	235,881
Other	92,948	99,975
Allowance for doubtful accounts	(688)	(771)
Total current assets	1,787,450	1,704,140
Non-current assets		
Property, plant and equipment	51,656	50,622
Intangible assets	179,160	189,345
Investments and other assets	170,699	163,535
Total non-current assets	401,517	403,503
Total assets	2,188,967	2,107,643
Liabilities		
Current liabilities		
Accounts payable-trade	59,026	55,889
Short-term loans payable	100,000	100,000
Current portion of long-term loans payable	120,004	120,004
Accounts payable-other	100,082	61,454
Income taxes payable	73,011	16,864
Advances received	108,280	121,907
Other	43,494	55,741
Total current liabilities	603,900	531,861
Non-current liabilities		
Long-term loans payable	216,646	189,979
Provision for share awards	6,195	7,548
Provision for points	894	-
Contract liabilities	-	891
Total non-current liabilities	223,735	198,418
Total liabilities	827,636	730,279

(Thousands of yen)

	As of September 30, 2021	As of December 31, 2021
Net assets		
Shareholders' equity		
Capital stock	385,071	385,071
Capital surplus	375,071	375,071
Retained earnings	1,178,873	1,194,860
Treasury shares	(583,744)	(583,744)
Total shareholders' equity	1,355,271	1,371,258
Stock acquisition rights	6,059	6,105
Total net assets	1,361,331	1,377,363
Total liabilities and net assets	2,188,967	2,107,643

(2) Statement of Income

(Thousands of yen)

	Three months ended December 31, 2020	Three months ended December 31, 2021
Net sales	592,660	465,443
Cost of sales	238,333	132,945
Gross profit	354,326	332,498
Selling, general and administrative expenses	255,246	293,811
Operating profit	99,079	38,686
Non-operating income		
Dividend income	-	112
Commission income	100	110
Miscellaneous income	-	63
Total non-operating income	100	286
Non-operating expenses		
Interest expenses	432	314
Loss on sale of notes and accounts receivable-trade	385	1,093
Total non-operating expenses	817	1,408
Ordinary profit	98,362	37,564
Extraordinary losses		
Loss on valuation of investment securities	2,715	-
Total extraordinary losses	2,715	-
Profit before income taxes	95,646	37,564
Income taxes	36,505	21,577
Profit for the period	59,141	15,987

(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 first quarter of the fiscal year ending September 30, 2022), and multiplying quarterly income before income taxes by this estimated effective tax rate.

(Changes in accounting policy)

(Application of Accounting Standard for Revenue Recognition, etc.)

"Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020), etc. have been applied effective from the beginning of the first quarter. Consequently, revenue is recognized when control of promised goods or services has been transferred to the customer at the amount expected to be received in exchange for those goods or services.

The main changes made by applying the ASBJ Statement No. 29, etc. are as follows.

(Revenue recognition for agent transactions)

For some of the Company's services, in which other company's services are provided as options, the Company previously recognized revenue at the total amount of consideration received from the customer. Following the application of ASBJ Statement No. 29, etc., however, for those transactions in which the Company's role in providing goods and services to the customer is that of an agent, the Company now recognizes revenue on a net basis, which is the amount received from customers less the amount paid to the service provider.

The Company's application of the Accounting Standard for Revenue Recognition, etc. is in accordance with the transitional treatment set forth in the proviso of Paragraph 84 of the Accounting Standard for Revenue Recognition. The cumulative effects of retrospectively applying the new accounting policy prior to the beginning of the first quarter have been reflected in the balance of retained earnings at the beginning of the first quarter, and the new accounting policy has thereby been applied to the balance of retained earnings at the beginning of the first quarter. Note, however, that the new accounting policy was not applied retrospectively to contracts in which almost all of the revenue amounts were recognized in accordance with the previous procedures before the beginning of the first quarter, pursuant to the provision of Paragraph 86 of the Accounting Standard for Revenue Recognition. As a result, net sales decreased by 73,815 thousand yen and cost of sales declined by 73,815 thousand yen, but there was no impact on operating profit, ordinary profit, and profit before income taxes. In addition, there was no impact on the balance of retained earnings at the beginning of the first quarter.

As a result of applying the Accounting Standard for Revenue Recognition, etc., provision for points, which was presented under non-current liabilities in the balance sheet in the previous fiscal year, is, effective from the first quarter, now presented under contract liabilities.

It should be noted that, in accordance with the transitional treatment set forth in Paragraph 89-2 of the Accounting Standard for Revenue Recognition, the previous fiscal year's statements have not been reclassified to conform to the new presentation method.

Furthermore, in accordance with the transitional treatment stipulated in Paragraph 28-15 of the “Accounting Standard for Quarterly Financial Reporting” (ASBJ Statement No. 12, March 31, 2020), information on the breakdown of revenue generated from contracts with customers for the three months ended December 31, 2020 is not presented.

(Additional information)

(Accounting estimates of the impact of COVID-19)

There have been no significant changes to the assumptions regarding the impact of COVID-19 outlined under (Accounting estimates of the impact of COVID-19) in the (Additional information) section of the statutory financial report for the fiscal year ended September 30, 2021.

(Application of Accounting Standard for Fair Value Measurement, etc.)

“Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019), etc. have been applied effective from the beginning of the first quarter. In accordance with the transitional treatment set forth in Paragraph 19 of the Accounting Standard for Fair Value Measurement and Paragraph 44-2 of the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019), the Company has opted to apply the new accounting policies set forth in the Accounting Standard for Fair Value Measurement, etc. prospectively. Note that this has no impact on the Company’s quarterly financial statements as the Company does not hold financial instruments carried at fair value in the quarterly balance sheets.

(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)

At a meeting of the Board of Directors held on January 19, 2022, the Company resolved to acquire 100% of AIS Inc.’s shares to make it a subsidiary and concluded a share transfer agreement on the same day. The Company plans to acquire the shares on March 1, 2022.

(1) Overview of business combination

a) Name of the acquired company and its business

Name: AIS Inc.

Business: Online advertising business, contract landing page/website production business

b) Main reasons for the business combination

The Company set expansion/enhancement of the subscription business value chain as one of the growth strategy measures of its medium-term management plan released on November 12, 2021, with the aim of expanding support in areas such as advertising, call centers, logistics, operation agency, etc.

AIS Inc., which will join the Group, is a company that specializes in the domain of recurring e-commerce, to which many of the Group’s clients belong, and conducts marketing, contract landing page/website production business, etc. Inclusion of AIS Inc. in the Group will make it possible to provide clients with new services including landing page/website production services and attracting new customers. It is for this reason that the Company decided to acquire shares in AIS Inc. as part of efforts to expand/enhance the subscription business value chain.

c) Date of business combination

March 1, 2022 (deemed acquisition date: March 31, 2022)

d) Legal form of business combination

Acquisition of shares in exchange for cash

e) Name of acquired company after business combination

Name will not change.

f) Percentage of acquired voting rights

100%

g) Main grounds for determining the acquiring company

Acquisition by the Company of all the shares in exchange for cash.

(2) Acquisition cost and breakdown of consideration by type

This information will not be disclosed due to confidentiality obligations with the counterparty to the share acquisition. Taking into account advice on due diligence from specialists, however, the Company will acquire AIS Inc. for an amount that is less than 15% of the value of the Company's net assets as of the end of the previous fiscal year.

(3) Major acquisition expenses

Advisory fees, etc.: 13,000 thousand yen (estimated)

(4) Amount and cause of goodwill, and goodwill amortization method and period

Yet to be finalized.

(5) Amounts of assets and liabilities accepted on the date of the business combination and rough breakdown

Yet to be finalized.