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August 10, 2022

TEMONA. Inc.
Earnings Report for the Third Quarter of the Fiscal Year Ending September 30, 2022
[Japanese GAAP] (Consolidated)

Stock listings: Tokyo Stock Exchange (Prime Market)
Securities code: 3985
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Scheduled dates
Filing of statutory quarterly financial report: August 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 Nine Months Ended June 30, 2022
(October 1, 2021 to June 30, 2022)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of the parent	
	¥ million	%	¥ million	%	¥ million	%	¥ million	%
Nine Months Ended Jun. 30, 2022	1,585	-	(96)	-	(102)	-	(102)	-
Jun. 30, 2021	-	-	-	-	-	-	-	-

Note: Comprehensive income Nine months ended Jun. 30, 2022: ¥-102 million [-%]
Nine months ended Jun. 30, 2021: ¥ - million [-%]

	Basic earnings per share	Diluted earnings per share
Nine Months Ended Jun. 30, 2022	(9.66)	-
Jun. 30, 2021	-	-

- Notes: 1. "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 nine months ended June 30, 2022, have been calculated with application of said accounting standard, etc.
2. The Company started preparing quarterly consolidated financial statements from the second quarter of the fiscal year ending September 30, 2022. For this reason, operating results for the nine months ended June 30, 2021, and year-on-year changes are not presented.
3. Although there are residual securities outstanding, diluted earnings per share for the nine months ended June 30, 2022 is omitted here, as the Company recorded net loss per share for the period.

(2) Financial Position

	Total assets	Net assets	Equity ratio
	¥ million	¥ million	%
As of Jun. 30, 2022	2,249	1,267	55.7
As of Sep. 30, 2021	-	-	-

Reference: Total shareholders' equity: Jun. 30, 2022: ¥1,253 million Sep. 30, 2021: ¥ - million

- Notes: 1. "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 nine months ended June 30, 2022, have been calculated with application of said accounting standard, etc.

2. The Company started preparing quarterly consolidated financial statements from the second quarter of the fiscal year ending September 30, 2022. For this reason, financial position as of September 30, 2021 is not presented.

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	—	0.00	—		
FY Ending Sep. 30, 2022 (Forecast)				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	2,301	-	(169)	-	(184)	-	(150)	-	(14.14)

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

2. For more details of the revision of consolidated earnings forecasts, please refer to the "Notice Concerning Revisions of Earnings Forecasts" released on July 15, 2022 (Japanese version only).

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) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None
- (2) 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 quarterly consolidated financial statements)" under "(3) Notes on the Financial Statements" on page 10 in section "2. Consolidated Financial Statements and Main Notes" in the Accompanying Materials.
- (3) 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
- (4) Number of shares issued (common stock)
 1) Number of shares issued at end of period (treasury shares included):
 June 30, 2022: 11,389,592 shares
 September 30, 2021: 11,389,592 shares
 2) Number of shares held in treasury at end of period:
 June 30, 2022: 745,317 shares
 September 30, 2021: 745,317 shares
 3) Average number of shares outstanding during the period:
 June 30, 2022: 10,648,846 shares
 June 30, 2021: 10,592,110 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, June 30, 2022: 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 August 10, 2022.

Accompanying Materials

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1. Explanation of Operating Results and Financial Position

(1) Operating Results

Forward-looking statements in this document are based on information available to the Company as of the last day of the third quarter of the fiscal year ending September 30, 2022.

The Company completed the acquisition of 100% of the shares of AIS Inc. on March 1, 2022. Accordingly, the Company has begun preparing quarterly consolidated financial statements starting from the second quarter of the fiscal year ending September 30, 2022. Comparisons with the same period of the previous year are comparisons of the cumulative results of the first three quarters of the fiscal year.

1. Analysis of Operating Results

In the nine months ended June 30, 2022, the Japanese economy remained hampered by the prolonged impact of the COVID-19 pandemic. Meanwhile, the destabilization of the global geopolitical situation and rising resource prices caused by the Ukraine crisis have added to the uncertainty clouding the economic outlook. 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 the Temona Group's business results. 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 nine months of the fiscal year have been calculated with application of this accounting standard. To provide comparative data, the results of the first nine months of the previous fiscal year (non-audited) have been recalculated on the basis of the same accounting standard.

Consolidated net sales during the nine months ended June 30, 2022, totaled 1,585,617 thousand yen, up 6.0% year on year. This result reflects the addition of two new consolidated subsidiaries following the acquisition of 100% of the shares of AIS Inc. on March 1, 2022, and 100% of the shares of Sackle Inc. on April 25, 2022, as well as a decrease in Subsc-Store and Tamago Repeat service user accounts. Cost of sales increased 58.7% to 605,148 thousand yen, largely owing to increased outsourcing expenses.

Selling, general and administrative expenses totaled 1,077,120 thousand yen, 44.5% more than a year earlier, owing to an increase in personnel expenses related to increased investment in human resources aimed at strengthening the Company's business foundation and to expenses related to share acquisitions.

As a result, in the nine months ended June 30, 2022, the Group posted an operating loss of 96,651 thousand yen (compared with an operating profit of 369,361 thousand yen in the same period of the previous fiscal year). Ordinary profit also was a negative 102,572 thousand yen (compared with an ordinary profit of 369,295 thousand a year earlier) and the loss attributable to owners of the parent came to 102,880 thousand yen (compared with a profit of 229,229 a year earlier).

The addition of Sackle Inc. as a consolidated subsidiary has expanded the Group's business domains. Accordingly, from the third quarter under review in this quarterly earnings report, the Group will report results for two reportable business segments, as shown below.

(a) E-Commerce Support Business

The E-Commerce Support Business provides systems to operate e-commerce sites specializing in subscription businesses, as well as a range of services related to customer acquisition, customer support, logistics, etc., that support the operation of subscription businesses.

The following is a breakdown of revenue generated by each of the services provided by the E-Commerce Support Business. As noted earlier, 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. As the application of this new accounting standard significantly affects the Company’s sales recorded in the first nine months 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	Nine Months ended June 30, 2021		Nine Months ended June 30, 2022		
		Amount	Weighting (%)	Amount	Weighting (%)	
a	Subsc-Store	Recurring revenue	267,901	14.8	300,463	21.2
		Contract development revenue	126,915	7.0	74,192	5.2
		Other revenue	122,414	6.8	54,944	3.9
	Tamago Repeat	Recurring revenue	421,882	23.3	353,621	24.9
		Contract development revenue	199	0.0	-	-
		Other revenue	164,658	9.1	44,639	3.1
Subtotal		1,103,972	61.0	827,862	58.4	
b	Payment fees	GMV-linked revenue	598,670	33.1	409,835	28.9
c	Others	Recurring revenue	19,603	1.1	28,684	2.0
		Contract development revenue	72,113	4.0	133,920	9.4
		Other revenue	15,085	0.8	17,279	1.2
	Subtotal		106,801	5.9	179,884	12.7
Total (a+b+c)		1,809,444	100.0	1,417,582	100.0	

The following explanation of business results for the nine months ended June 30, 2022, compares the results under the new accounting standard with the results for the same nine months of the previous year (non-audited) recalculated based on the new accounting standard for comparative purposes only.

(Unit: ¥ thousand)

Service	Revenue category	Nine Months ended June 30, 2021		Nine Months ended June 30, 2022		Change	Change (%)	
		Amount	Weighting (%)	Amount	Weighting (%)			
a	Subsc-Store	Recurring revenue	241,223	16.1	300,463	21.2	59,239	24.6
		Contract development revenue	126,915	8.5	74,192	5.2	(52,722)	(41.5)
		Other revenue	73,145	4.9	54,944	3.9	(18,200)	(24.9)
	Tamago Repeat	Recurring revenue	408,565	27.3	353,621	24.9	(54,943)	(13.4)
		Contract development revenue	199	0.0	-	-	(199)	(100.0)
		Other revenue	84,075	5.6	44,639	3.1	(39,436)	(46.9)
Subtotal		934,125	62.4	827,862	58.4	(106,263)	(11.4)	
b	Payment fees	GMV-linked revenue	456,215	30.5	409,835	28.9	(46,379)	(10.2)
c	Others	Recurring revenue	18,817	1.3	28,684	2.0	9,867	52.4
		Contract development revenue	72,113	4.8	133,920	9.4	61,807	85.7
		Other revenue	14,700	1.0	17,279	1.2	2,578	17.5
	Subtotal		105,631	7.1	179,884	12.7	74,253	70.3
Total (a+b+c)		1,495,972	100.0	1,417,582	100.0	(78,390)	(5.2)	

- a. Subsc-Store and Tamago Repeat service user accounts totaled 1,047, down 6.4% year on year, and generated revenue totaling 827,862 thousand yen during the period, 11.4% less than in the same period of the previous fiscal year.

Subsc-Store service user accounts totaled 473, an 11.6% increase from a year earlier, generating recurring revenue^{*2} of 300,463 thousand yen, a year-on-year increase of 24.6%. Contract development revenue^{*3}, however, declined 41.5% year on year to 74,192 thousand yen owing to the longer time required for the startup of operations.

Tamago Repeat service user accounts totaled 574, down 17.4% 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 353,621 thousand yen, down 13.4% year on year. Sales of the optional service Chatbot also fell, resulting in other revenue totaling 44,639 thousand yen, down 46.9% year on year.

- b. The gross transaction volume of services provided by the Temona Group totaled 109.6 billion yen, down 5.7% 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 409,835 thousand yen, down 10.2% year on year, owing to customers' increased use of payment methods with low commission rates.

- c. Revenue from "Others" increased 70.3% year on year to 179,884 thousand yen.

Accounts (corporate contracts) for the Subsc-@ service targeted at physical stores increased to 139, up 80.5% from a year earlier. The service's recurring revenue also increased, rising 52.4% year on year to 28,684 thousand yen, supported by the contribution from the newly started Temologi merchandise delivery service. In addition, webpage production services related to Subsc-@ are expanding steadily, generating contract development revenue of 133,920 thousand yen, up 85.7% year on year.

As a result of the above factors, E-Commerce Business net sales in the nine months ended June 30, 2022, came to 1,417,582 thousand yen, down 5.2% year on year, and the segment posted an operating loss of 18,407 thousand.

(b) Engineering Business

The Engineering Business operated by Sackle Inc. provides system development services and system engineering services that provide customers with software engineer skills.

The Engineering Business recorded sales of 168,035 thousand but posted a segment loss of 10,340 thousand.

- *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 that charge a fixed monthly fee.
- *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

1. Analysis of Assets, Liabilities, and Net Assets

Assets

Consolidated net assets at June 30, 2022, totaled 2,249,917 thousand yen, a 60,949 thousand yen increase from September 30, 2021, the end of the previous fiscal year. The main changes are a 530,121 thousand yen reduction in cash and deposits and the posting of 284,286 thousand yen in goodwill, both related to the acquisition of AIS Inc. and Sackle Inc.

Liabilities

Consolidated liabilities at June 30, 2022, totaled 982,884 thousand yen, a 155,248 thousand yen increase from September 30, 2021. The increase mainly reflects increases of 82,878 thousand yen in accounts payable-trade and 115,978 thousand yen in long-term loans payable (including long-term loans payable within one year) related to the consolidation of Sackle Inc.

Net Assets

Consolidated net assets at June 30, 2022, totaled 1,267,032 thousand yen, a 94,298 thousand yen decrease from September 30, 2021. This decrease mainly reflects 102,880 thousand yen decrease in retained earnings.

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

For the Company's earnings forecast for the full year ending September 20, 2022, please refer to the news release "Notice Concerning Revision of Earnings Forecast" released by the Company on July 15, 2022 (Japanese version only).

2. Consolidated Financial Statements and Main Notes**(1) Consolidated Balance Sheet**

(Thousands of yen)

	As of June 30, 2022
Assets	
Current assets	
Cash and deposits	917,297
Accounts receivable - trade	376,391
Other	177,394
Allowance for doubtful accounts	(749)
Total current assets	1,470,333
Non-current assets	
Property, plant and equipment	63,397
Intangible assets	
Goodwill	284,286
Other	213,889
Total Intangible assets	498,175
Investments and other assets	
Other	220,244
Allowance for doubtful accounts	(2,234)
Total investments and other assets	218,010
Total non-current assets	779,583
Total assets	2,249,917
Liabilities	
Current liabilities	
Accounts payable-trade	141,904
Short-term loans payable	100,000
Current portion of long-term loans payable	168,063
Income taxes payable	13,500
Other	263,920
Total current liabilities	687,387
Non-current liabilities	
Long-term loans payable	284,565
Provision for share awards	10,040
Contract liabilities	891
Total non-current liabilities	295,496
Total liabilities	982,884

(Thousands of yen)

	As of June 30, 2022
Net assets	
Shareholders' equity	
Capital stock	385,671
Capital surplus	375,671
Retained earnings	1,075,993
Treasury shares	(583,744)
Total shareholders' equity	1,253,591
Stock acquisition rights	13,440
Total net assets	1,267,032
Total liabilities and net assets	2,249,917

(2) Consolidated Statement of Income and Consolidated Statement of Comprehensive Income
Consolidated Statement of Income

(Thousands of yen)

	Nine Months ended June 30, 2022
Net sales	1,585,617
Cost of sales	605,148
Gross profit	980,469
Selling, general and administrative expenses	1,077,120
Operating loss	(96,651)
Non-operating income	
Dividend income	113
Commission income	286
Miscellaneous income	6,442
Total non-operating income	6,842
Non-operating expenses	
Interest expenses	1,079
Loss on sale of notes and accounts receivable-trade	11,685
Total non-operating expenses	12,764
Ordinary loss	(102,572)
Loss before income taxes	(102,572)
Income taxes	307
Loss for the period	(102,880)
Loss attributable to owners of the parent	(102,880)

Consolidated Statement of Comprehensive Income

(Thousands of yen)

	Nine Months ended June 30, 2022
Loss for the period	(102,880)
Comprehensive income	(102,880)
Comprehensive income attributable to:	
Comprehensive income attributable to owners of the parent	(102,880)

(3) Notes on the Consolidated 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 quarterly consolidated 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, 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 198,021 thousand yen and cost of sales declined by 198,021 thousand yen in the nine months ended June 30, 2022, 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.

(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, etc.)

Segment information

I. Nine Months ended June 30, 2022 (October 1, 2021 to June 30, 2022)

1. Net sales and profit/loss by reportable segment

(Thousands of yen)

	Reportable segment			Adjustments (note 1)	Reported in consolidated statement of income (note 2)
	E-Commerce Support Business	Engineering Business	Total		
Net sales					
Sales to external customers	1,417,582	168,035	1,585,617	-	1,585,617
Intersegment sales or transfers	-	6,987	6,987	(6,987)	-
Total	1,417,582	175,022	1,592,605	(6,987)	1,585,617
Segment loss	(18,407)	(10,340)	(28,748)	(67,902)	(96,651)

Notes: 1. Adjustments for segment loss includes 59,183 thousand yen in acquisition cost of shares in AIS Inc. and Sackle Inc. and 8,412 thousand yen of amortization of goodwill.

2. Segment losses are adjusted based on operating loss reported in the consolidated statement of income for the corresponding period.

2. Changes in reportable segments

The Group's business was previously comprised of a single reportable segment, the E-Commerce Support Business; however, effective from the third quarter of the fiscal year ending September 30, 2022, the Engineering Business has been added as a reportable segment following the inclusion of Sackle Inc., which became the Company's consolidated subsidiary.

3. Disclosure of impairment losses or goodwill on non-current assets for each reportable segment

(Material change in the amount of goodwill)

The amount of goodwill increased in the Engineering Business segment due to the acquisition of all shares of Sackle Inc. on April 25, 2022, to make it a subsidiary. The amount of goodwill incurred as a result of the acquisition was 248,898 thousand yen.

(Business combination and related matters)

Business combination through acquisition

1. Overview of business combination

(1) Name of the acquired company and its business

Name: Sackle Inc.

Business: Creative business (contracted system development), SES business, programming

learning business

(2) Main reasons for the business combination

As part of the medium-term management plan announced in a news release on November 12, 2021, Temona is endeavoring to develop new clients by pursuing growth strategies that include expansion in three target areas: (1) client segments, (2) enterprise areas, and (3) early-stage startup clients.

The expansion of enterprise areas includes expanding the subscription business and responding to increasing demand for Subsc-Store customization. To respond to the increasing demand, Temona needs to further strengthen its product manager and engineer corps.

The newly consolidated Sackle Inc. specializes in web system development, enabled by its strengths in centralized and comprehensive support services provided by specialists in system development, design, and marketing.

The acquisition of Sackle Inc. and its integration into the Temona Group will promote the expansion of target areas, as Sackle will contribute to the strengthening of the Group's development capabilities and enable the realization of the development and provision of diverse solutions that support the Group's subscription business.

(3) Date of business combination

April 25, 2022

(4) Legal form of business combination

Acquisition of shares in exchange for cash

(5) Name of acquired company after business combination

Name will not change.

(6) Percentage of acquired voting rights

100%

(7) Main grounds for determining the acquiring company

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

2. Period for which operating results of acquired company are included in the consolidated statement of income for the nine months ended June 30, 2022

From April 1, 2022 to June 30, 2022

3. Acquisition cost and breakdown of consideration by type

Acquisition consideration	Cash	300,000 thousand yen
<hr/>		
Acquisition cost		300,000 thousand yen

4. Major acquisition-related expenses

Advisory fees, etc.: 45,833 thousand yen

5. Amount and cause of goodwill, and goodwill amortization method and period

(1) Amount of goodwill

248,898 thousand yen

The amount of goodwill incurred is tentatively calculated because the allocation of the acquisition price had not been completed as of the end of the third quarter of the fiscal year ending September 30, 2022.

(2) Cause of goodwill

The acquisition cost exceeded the net asset value at the time of the business combination.

(3) Amortization method and period

Goodwill is amortized in equal amounts over ten years.

(Significant subsequent events)

Not applicable.