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February 10, 2022

**TEMONA. Inc.**  
**Earnings Report for the First Quarter of the Fiscal Year Ending September 30, 2023**  
**[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: February 10, 2023  
Dividend payout: -  
Supplementary materials to financial results available: Yes  
Quarterly earnings presentation held: No

(Amounts rounded down to the nearest million yen)

**1. Consolidated Financial Results for the Three Months Ended December 31, 2022**  
**(October 1, 2022 to December 31, 2022)**

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of the parent	
	¥ million	%	¥ million	%	¥ million	%	¥ million	%
Three Months Ended								
Dec. 31, 2022	640	-	(54)	-	(53)	-	(40)	-
Dec. 31, 2021	-	-	-	-	-	-	-	-

Note: Comprehensive income Three months ended Dec. 31, 2022: ¥(40) million [-%]  
Three months ended Dec. 31, 2021: ¥ - million [-%]

	Basic earnings per share	Diluted earnings per share
Three Months Ended	¥	¥
Dec. 31, 2022	(3.82)	-
Dec. 31, 2021	-	-

- Notes: 1. The Company started preparing quarterly consolidated financial statements from the second quarter of the fiscal year ended September 30, 2022. For this reason, operating results for the three months ended December 31, 2021, and year-on-year changes are not presented.
2. Although there are residual securities outstanding, diluted earnings per share for the three months ended December 31, 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 Dec. 31, 2022	2,224	1,164	51.3
As of Sep. 30, 2022	2,306	1,201	51.2

Reference: Total shareholders' equity: Dec. 31, 2022: ¥1,140 million Sep. 30, 2022: ¥1,180 million

## 2. Dividends

	Annual dividends per share				
	End-first quarter	End-second quarter	End-third quarter	Fiscal year-end	Annual total
	¥	¥	¥	¥	¥
FY Ended Sep. 30, 2022	-	0.00	-	0.00	0.00
FY Ending Sep. 30, 2023	-				
FY Ending Sep. 30, 2023 (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, 2023 (October 1, 2022 to September 30, 2023)

(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	%	¥
Six Months Ending Mar. 31, 2023	1,254	31.6	(148)	-	(146)	-	(155)	-	(14.56)
Full year	2,643	17.3	(150)	-	(147)	-	(164)	-	(15.44)

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

### 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 consolidated 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 Consolidated Financial Statements” on page 9 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
 Note: For details, please see “(Changes in accounting policy)” under “(3) Notes on the Consolidated Financial Statements” on page 9 in section “2. Consolidated Financial Statements and Main Notes” in the Accompanying Materials.
- (4) Number of shares issued (common stock)
  - 1) Number of shares issued at end of period (treasury shares included):
 

December 31, 2022:	11,405,592 shares
September 30, 2022:	11,405,592 shares
  - 2) Number of shares held in treasury at end of period:
 

December 31, 2022:	745,317 shares
September 30, 2022:	745,317 shares
  - 3) Average number of shares outstanding during the period:
 

December 31, 2022:	10,660,275 shares
December 31, 2021:	10,644,275 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 4 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, 2023.

## 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 December 31, 2022, the last day of the first quarter of the fiscal year ending September 30, 2023.

The Temona Group has been preparing quarterly consolidated financial statements since the second quarter of the fiscal year ended September 30, 2022. Comparisons with the same period of the previous year are comparisons of the cumulative results of the first quarter of the previous fiscal year.

In the three months ended December 31, 2022, the Japanese economy was impacted by destabilization of the global geopolitical situation caused by the Ukraine crisis, the slowdown in the global economy, and prolonged depreciation of the yen caused by monetary tightening in the United States and Europe. These factors continue to cast clouds of uncertainty over the domestic economic outlook.

According to a Ministry of Economy, Trade and Industry survey, "FY2021 Digital Transaction Environment Improvement Project (Market Research on Electronic Commerce)," on the domestic e-commerce market, a market connected with the Temona Group's business, business-to-consumer e-commerce ("B2C-EC") market transactions in 2021 increased 7.35% year on year to 20.7 trillion yen, while business-to-business e-commerce ("B2B-EC") market transactions increased by 11.3% year on year to 372.7 trillion yen.

On the other hand, the e-commerce ratio<sup>\*1</sup>, which is an indicator of the market penetration of e-commerce, continued to increase, rising to 8.78% for B2C-EC and 35.6% 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 Temona Group believes that the key to its growth is providing comprehensive support for subscription businesses (which can facilitate the securing of steady revenue even amid worsening economic conditions) and thereby contributing to the growth of its client companies. The Group has been establishing the systems needed to achieve this goal. In the fiscal year ending in September 2023, the second year of the Group's current medium-term management plan, the Group plans to strengthen the business foundations that will be the launching pad for further growth. This effort will include developing functions needed to expand the Group's target areas and expanding the areas of support that contribute to the growth of clients' businesses.

Consolidated net sales in the first quarter of the fiscal year ending September 30, 2023, totaled 640,152 thousand yen, up 37.5% year on year. This result reflects the growth of services such as contract system development and increased sales revenue from the Engineering Business, which combined to offset decreases in Subsc-Store and Tamago Repeat service user accounts and gross transaction volumes.

Cost of sales increased 136.6% year on year to 314,600 thousand yen, largely owing to an increase in outsourcing expenses in line with an increase in contract development revenue and the addition of Engineering Business costs.

Selling, general and administrative expenses totaled 380,508 thousand yen, up 29.5% year on year. The increase mainly reflects higher personnel expenses and goodwill amortization related to the increase in the Group's consolidated subsidiaries.

As a result, consolidated results for the first quarter of the fiscal year ending September 30, 2023, included an operating loss of 54,956 thousand yen (compared with an operating profit of 38,686 thousand yen a year earlier). Ordinary profit also was a negative 53,569 thousand yen (compared with a profit of 37,564 thousand yen a year earlier), and the loss attributable to owners of the parent came to 40,703 thousand yen (compared with a profit of 15,987 thousand yen a year earlier).

Operating results by business segment are as follows.

**(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 attracting customers, client services, 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.

(Unit: Thousands of yen)

Service	Revenue category	Three Months ended December 31, 2021		Three Months ended December 31, 2022		
		Amount	Weighting (%)	Amount	Weighting (%)	
a	Subsc-Store	Recurring revenue	99,716	21.4	99,892	20.1
		Contract development revenue	12,144	2.6	68,552	13.8
		Other revenue	18,611	4.0	20,811	4.2
	Tamago Repeat	Recurring revenue	122,752	26.4	105,577	21.3
		Contract development revenue	-	-	-	-
		Other revenue	17,812	3.8	14,686	3.0
Subtotal		271,037	58.2	309,520	62.4	
b	Payment fees	GMV-linked revenue	145,219	31.2	122,349	24.7
c	Others	Recurring revenue	8,893	1.9	19,175	3.9
		Contract development revenue	36,988	7.9	25,718	5.2
		Other revenue	3,304	0.7	19,437	3.9
	Subtotal		49,187	10.6	64,331	13.0
Total (a+b+c)		465,443	100.0	496,201	100.0	

- a. Subsc-Store and Tamago Repeat service user accounts totaled 1,002, 10.1% fewer than a year earlier, with Subsc-Store accounts down 3.7% to 471 and Tamago Repeat accounts down 15.2% to 531.
- b. Combined recurring revenue\*2 from the two services decreased owing to the decline in Tamago Repeat accounts, but an increase in Subsc-Store contract development revenue\*3, including customized development, pushed up total sales revenue from these two services to 309,520 thousand yen, a 14.2% year on year increase.
- c. The gross transaction volume of services provided by the Temona Group totaled 32.8 billion yen, down 11.0% year on year, owing to decreases in Subsc-Store and Tamago Repeat service user accounts. GMV-linked revenue\*4 totaled 122,349 thousand yen, down 15.7% year on year.
- d. Accounts (corporate contracts) for the Subsc-@ service targeted at physical stores increased to 158, up 13.7% from a year earlier, and accounts for Subsc-Store B2B customization services targeted at B2B service providers increased to 18, a 63.6% increase from the previous year. As a result, recurring revenue from these two services expanded 115.6% year on year to 19,175 thousand yen, helping boost revenue from "Others" 30.8% year on year to 64,331 thousand yen.

As a result of the above factors, E-Commerce Business net sales in the first quarter of the fiscal year ending September 30, 2023, came to 496,201 thousand yen, up 6.6% year on year, and the segment posted an operating loss of 61,642 thousand yen.

**(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.

Engineering Business net sales totaled 194,679 thousand yen and segment profit came to 8,863 thousand yen.

- \*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**

### Assets

Consolidated assets on December 31, 2022, totaled 2,224,425 thousand yen, a decrease of 81,722 thousand yen from September 30, 2022, the end of the previous fiscal year. The main change is a 108,445 thousand yen decrease in other current assets, due mainly to a decline in income taxes receivable.

### Liabilities

Consolidated liabilities on December 31, 2022, totaled 1,060,417 thousand yen, a decrease of 44,696 thousand yen from September 30, 2022. The decrease mainly reflects a 35,505 thousand yen reduction in long-term loans payable (including the current portion of long-term loans payable).

### Net Assets

Consolidated net assets on December 31, 2022, totaled 1,164,008 thousand yen, a decrease of 37,025 thousand yen from September 30, 2022. This decrease mainly reflects a 40,703 thousand yen decrease in retained earnings.

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

The Company's consolidated earnings forecast for the fiscal year ending September 30, 2023, is unchanged from the forecast included in the Earnings Report for the Fiscal Year Ended September 30, 2022, released on November 11, 2022.

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

(Unit: thousands of yen)

	As of September 30, 2022	As of December 31, 2022
<b>Assets</b>		
Current assets		
Cash and deposits	994,963	1,006,272
Accounts receivable - trade	284,393	265,856
Other	207,928	99,483
Allowance for doubtful accounts	(1,314)	(1,339)
<b>Total current assets</b>	<b>1,485,971</b>	<b>1,370,272</b>
Non-current assets		
Property, plant and equipment	69,494	65,156
Intangible assets		
Software	231,523	245,857
Goodwill	275,874	267,462
<b>Total Intangible assets</b>	<b>507,397</b>	<b>513,320</b>
Investments and other assets		
Investment securities	52,250	67,250
Deferred tax assets	111,287	129,093
Other	81,896	81,075
Allowance for doubtful accounts	(2,150)	(1,743)
<b>Total investments and other assets</b>	<b>243,283</b>	<b>275,675</b>
<b>Total non-current assets</b>	<b>820,176</b>	<b>854,152</b>
<b>Total assets</b>	<b>2,306,147</b>	<b>2,224,425</b>
<b>Liabilities</b>		
Current liabilities		
Accounts payable-trade	136,099	131,588
Short-term loans payable	300,000	300,000
Current portion of long-term loans payable	161,966	156,445
Income taxes payable	7,899	9,418
Other	240,010	234,975
<b>Total current liabilities</b>	<b>845,975</b>	<b>832,427</b>
Non-current liabilities		
Long-term loans payable	247,933	217,949
Provision for share awards	10,325	10,040
Contract liabilities	879	-
<b>Total non-current liabilities</b>	<b>259,137</b>	<b>227,989</b>
<b>Total liabilities</b>	<b>1,105,113</b>	<b>1,060,417</b>



(Unit: thousands of yen)

	As of September 30, 2022	As of December 31, 2022
Net assets		
Shareholders' equity		
Capital stock	385,671	385,671
Capital surplus	375,671	375,671
Retained earnings	1,003,158	962,454
Treasury shares	(583,744)	(583,744)
Total shareholders' equity	1,180,756	1,140,052
Stock acquisition rights	20,277	23,955
Total net assets	1,201,034	1,164,008
Total liabilities and net assets	2,306,147	2,224,425

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

(Unit: thousands of yen)

	Three Months ended December 31, 2022
Net sales	640,152
Cost of sales	314,600
Gross profit	325,551
Selling, general and administrative expenses	380,508
Operating loss	(54,956)
Non-operating income	
Dividend income	225
Commission income	46
Subsidy income	4,254
Other	151
Total non-operating income	4,677
Non-operating expenses	
Interest expenses	508
Loss on sale of notes and accounts receivable-trade	2,781
Total non-operating expenses	3,289
Ordinary loss	(53,569)
Loss before income taxes	(53,569)
Income taxes	(12,866)
Loss for the period	(40,703)
Loss attributable to owners of the parent	(40,703)

**Consolidated Statement of Comprehensive Income**

(Unit: thousands of yen)

	Three Months ended December 31, 2022
Loss for the period	(40,703)
Comprehensive income	(40,703)
Comprehensive income attributable to:	
Comprehensive income attributable to owners of the parent	(40,703)

### **(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 profit before income taxes for the fiscal year (including the first quarter of the fiscal year ending September 30, 2023), and multiplying profit before income taxes by this estimated effective tax rate.

(Changes in accounting policy)

(Application of Implementation Guidance on Accounting Standard for Fair Value Measurement)

“Implementation Guidance on Accounting Standard for Fair Value Measurement” (revised ASBJ Guidance No. 31, June 17, 2021) has been applied effective from the beginning of the first quarter of the fiscal year ending September 30, 2023. In accordance with the transitional treatment set forth in Paragraph 27-2 of the Implementation Guidance on Accounting Standard for Fair Value Measurement, the Company has opted to apply the new accounting policies set forth in the Implementation Guidance on Accounting Standard for Fair Value Measurement prospectively. Note that this has no impact on the Company's quarterly consolidated financial statements.

(Additional information)

(Accounting estimates of the impact of COVID-19)

There have been no significant changes in the assumptions regarding the impact of COVID-19 on the accounting estimates described in (Accounting estimates of the impact of COVID-19) in section (Additional Information) in the statutory year-end financial report for the previous fiscal year

(Segment information, etc.)

Segment information

I. Three Months ended December 31, 2022 (October 1, 2022 to December 31, 2022)

1. Net sales and income/loss by reportable segment

(Unit: 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	496,201	143,951	640,152	-	640,152
Intersegment sales or transfers	-	50,727	50,727	(50,727)	-
Total	496,201	194,679	690,880	(50,727)	640,152
Segment income (loss)	(61,642)	8,863	(52,779)	(2,177)	(54,956)

Notes: 1. Adjustments for segment income (loss) includes 2,177 thousand yen of intersegment transactions elimination.

2. Segment income (loss) is 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 ended 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. Impairment losses or goodwill on non-current assets by reportable segment

Not applicable.

(Significant subsequent events)

Not applicable.