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May 10, 2023

**TEMONA. Inc.**  
**Earnings Report for the Second 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: May 10, 2023  
Dividend payout: -  
Supplementary materials to financial results available: Yes  
Quarterly earnings presentation held: Yes (for institutional investors and analysts)

(Amounts rounded down to the nearest million yen)

**1. Consolidated Financial Results for the Six Months Ended March 31, 2023**  
**(October 1, 2022 to March 31, 2023)**

(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	%
Six Months Ended								
Mar. 31, 2023	1,245	30.7	(34)	-	(29)	-	(27)	-
Mar. 31, 2022	953	-	57	-	49	-	15	-

Note: Comprehensive income Six months ended Mar. 31, 2023: ¥(27) million [-%]  
Six months ended Mar. 31, 2022: ¥15 million [-%]

	Basic earnings per share	Diluted earnings per share
Six Months Ended	¥	¥
Mar. 31, 2023	(2.57)	-
Mar. 31, 2022	1.43	1.42

- 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, year-on-year changes are not presented for the six months ended March 31, 2022.
2. Although there are residual securities outstanding, diluted earnings per share for the six months ended March 31, 2023 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 Mar. 31, 2023	2,129	1,181	54.2
As of Sep. 30, 2022	2,306	1,201	51.2

Reference: Total shareholders' equity: Mar. 31, 2023: ¥1,153 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	-	0.00			
FY Ending Sep. 30, 2023 (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, 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	%	¥
Full year	2,328	3.3	(65)	-	(64)	-	(60)	-	(5.68)

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

2. For more details about the earnings forecast for the fiscal year ending September 30, 2023, please refer to the "Notice Concerning Differences between Earnings Forecasts and Results, and Revision of Earnings Forecasts" released today, May 10, 2023 (Japanese version only).

### 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 "(4) Notes on the Consolidated 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

Note: For details, please see "(Changes in accounting policy)" under "(4) Notes on the Consolidated Financial Statements" on page 10 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):

March 31, 2023: 11,405,592 shares

September 30, 2022: 11,405,592 shares

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

March 31, 2023: 745,317 shares

September 30, 2022: 745,317 shares

3) Average number of shares outstanding during the period:

March 31, 2023: 10,660,275 shares

March 31, 2022: 10,644,275 shares

Note. The Company has introduced a "Board Benefit Trust" and an "Employee Stock Ownership Plan Trust". The Company's shares held by these trusts (September 30, 2022: 744,500 shares, March 31, 2023: 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 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 May 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 the last day of the second quarter of the fiscal year ending September 30, 2023.

In the six months ended March 31, 2023, the outlook for the Japanese economy remained uncertain due to the destabilization of the international situation in the wake of the Ukraine crisis, the slowdown of the global economy caused by monetary tightening in the United States and Europe, and the prolonged depreciation of the yen.

According to the FY2021 E-Commerce Market Survey by the Ministry of Economy, Trade and Industry on the domestic e-commerce market, a market connected with the 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 rose 11.3% to 372.7 trillion yen.

Meanwhile, 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, customer acquisition costs have continued to rise owing to population decline and other factors, and demand for subscription businesses, such as cloud-based businesses, has increased.

In the current business environment, the Group believes that the key to growth is the provision of comprehensive support for subscription businesses (which can facilitate the securing of steady revenue even in the midst of worsening economic conditions) while continuing to contribute to growth of customers' businesses. It is with this in mind that the Group has been working to improve its systems. The fiscal year ending September 30, 2023, is the second year covered by the medium-term management plan. The Group has been working to reinforce its business foundations to serve as a turning point for further growth. This has involved strengthening development of functions to expand the Group's target areas and expanding the areas of support that the Group provides in order to contribute to the business growth of customers.

In the six months ended March 31, 2023, consolidated net sales totaled 1,245,326 thousand yen, up 30.7% year on year. This result reflects the growth of systems contract development revenue as well as the inclusion of revenue of the Engineering Business, which offset decreases in Subsc-Store and Tamago Repeat service user accounts and GMV.

Cost of sales increased 106.3% year on year to 581,333 thousand yen, owing to increased outsourcing expenses associated with the growth in contract development revenue, as well as the inclusion of costs from the Engineering Business.

Selling, general and administrative expenses totaled 698,336 thousand yen, up 13.7% year on year. This was mainly due to increases in personnel expenses and amortization of goodwill due to the increase in the number of consolidated subsidiaries.

As a result, in the six months ended March 31, 2023, the Group posted an operating loss of 34,343 thousand yen (compared with an operating profit of 57,074 thousand yen in the same period of the previous fiscal year). Ordinary loss was 29,466 thousand yen (compared with ordinary profit of 49,108 thousand yen in the same period of the previous fiscal year). Loss attributable to owners of the parent came to 27,407 thousand yen (compared with a profit of 15,276 thousand yen in the same period of the previous fiscal year).

Operating results by business segment are as follows.

#### (a) E-Commerce Support Business

The E-Commerce Support Business provides systems that make up 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	Six months ended March 31, 2022		Six months ended March 31, 2023		
		Amount	Weighting (%)	Amount	Weighting (%)	
a	Subsc-Store	Recurring revenue	200,255	21.0	193,575	19.3
		Contract development revenue	42,624	4.5	162,550	16.2
		Other revenue	39,726	4.2	47,793	4.8
	Tamago Repeat	Recurring revenue	239,689	25.1	205,970	20.5
		Contract development revenue	—	—	—	—
		Other revenue	29,974	3.1	28,322	2.8
Subtotal		552,270	57.9	638,212	63.6	
b	Payment fees	GMV-linked revenue	282,037	29.6	239,225	23.8
c	Others	Recurring revenue	17,261	1.8	37,218	3.7
		Contract development revenue	94,602	9.9	57,414	5.7
		Other revenue	6,971	0.7	31,748	3.2
	Subtotal		118,835	12.5	126,381	12.6
Total (a+b+c)		953,143	100.0	1,003,819	100.0	

a. Subsc-Store service user accounts totaled 469, down 5.1% year on year, and Tamago Repeat service user accounts totaled 504, down 14.9% year on year. Total service user accounts stood at 973, down 10.4% year on year.

Recurring revenue<sup>\*2</sup> declined due to the decrease in Tamago Repeat accounts. However, revenue totaled 638,212 thousand yen, up 15.6% year on year, due to growth in contract development revenue<sup>\*3</sup>, including Subsc-Store customization services.

b. The gross transaction volume of services provided by the Temona Group totaled 64.0 billion yen, down 14.4% year on year, mainly reflecting decreases in Subsc-Store and Tamago Repeat service user accounts. GMV-linked revenue<sup>\*4</sup> totaled 239,225 thousand yen, down 15.2% year on year.

c. Accounts (corporate contracts) for the Subsc-@ service targeted at physical stores increased to 168, up 5.0% year on year, and Subsc-Store B2B accounts targeted at B2B service providers increased to 19, up 26.7% year on year. As a result, recurring revenue increased, rising 115.6% year on year to 37,218 thousand yen. However, contract development revenue decreased 39.3% year on year to 57,414 thousand yen owing to a decline in web page production services related to Subsc-@. As a result, revenue from other services totaled 126,381 thousand yen, up 6.3% year on year.

As a result of the above factors, E-Commerce Business net sales in the six months ended March 31, 2023 came to 1,003,819 thousand yen, up 5.3% year on year, and the segment posted an operating loss of 46,720 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 332,986 thousand yen and segment profit was 16,369 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 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**

### **1. Analysis of Assets, Liabilities, and Net Assets**

#### **Assets**

Consolidated assets as of March 31, 2023, totaled 2,129,513 thousand yen, a 176,633 thousand yen decrease from September 30, 2022, the end of the previous fiscal year. The decrease mainly reflects a 122,534 thousand yen reduction in other current assets, largely owing to a decrease in income taxes receivable in other current assets.

#### **Liabilities**

Consolidated liabilities as of March 31, 2023, totaled 947,687 thousand yen, a 157,425 thousand yen decrease from September 30, 2022. The decrease mainly reflects an 84,014 thousand yen reduction in long-term loans payable (including the current portion of long-term loans payable).

#### **Net assets**

Consolidated net assets as of March 31, 2023, totaled 1,181,826 thousand yen, a 19,208 thousand yen decrease from September 30, 2022. This decrease mainly reflects a 27,407 thousand yen decrease in retained earnings.

### **2. Cash Flows**

The balance of cash and cash equivalents ("cash") as of March 31, 2023, totaled 952,517 thousand yen. Cash flows from operating, investing, and financing activities during the six months to March 31, 2023, were as follows.

#### **Cash flows from operating activities**

Net cash flow from operating activities was 128,122 thousand yen. The main inflows were 73,543 thousand yen in depreciation and 51,521 thousand yen in income taxes refund.

#### **Cash flows from investing activities**

Investing activities used net cash of 86,554 thousand yen. Cash used in investing activities included 85,574 thousand yen to purchase intangible assets.

#### **Cash flows from financing activities**

Financing activities used net cash of 84,014 thousand yen. Cash used in financing activities consisted of 84,014 thousand yen in repayments of long-term loans payable.

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

For the full-year consolidated earnings forecast for the fiscal year ending September 30, 2023, please see "Notice Concerning Differences between Earnings Forecasts and Results, and Revision of Earnings Forecasts" released on May 10, 2023.

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

(Unit: thousands of yen)

	As of September 30, 2022	As of March 31, 2023
<b>Assets</b>		
Current assets		
Cash and deposits	994,963	952,517
Accounts receivable - trade	284,393	261,715
Other	207,928	85,394
Allowance for doubtful accounts	(1,314)	(1,372)
<b>Total current assets</b>	<b>1,485,971</b>	<b>1,298,254</b>
Non-current assets		
Property, plant and equipment	69,494	58,934
Intangible assets		
Software	231,523	255,882
Goodwill	275,874	247,050
<b>Total Intangible assets</b>	<b>507,397</b>	<b>502,933</b>
Investments and other assets		
Investment securities	52,250	67,250
Deferred tax assets	111,287	123,777
Other	81,896	81,914
Allowance for doubtful accounts	(2,150)	(3,549)
<b>Total investments and other assets</b>	<b>243,283</b>	<b>269,392</b>
<b>Total non-current assets</b>	<b>820,176</b>	<b>831,259</b>
<b>Total assets</b>	<b>2,306,147</b>	<b>2,129,513</b>
<b>Liabilities</b>		
Current liabilities		
Accounts payable-trade	136,099	94,683
Short-term loans payable	300,000	300,000
Current portion of long-term loans payable	161,966	139,509
Income taxes payable	7,899	19,175
Other	240,010	196,905
<b>Total current liabilities</b>	<b>845,975</b>	<b>750,273</b>
Non-current liabilities		
Long-term loans payable	247,933	186,376
Provision for share awards	10,325	11,037
Contract liabilities	879	-
<b>Total non-current liabilities</b>	<b>259,137</b>	<b>197,413</b>
<b>Total liabilities</b>	<b>1,105,113</b>	<b>947,687</b>

(Unit: thousands of yen)

	As of September 30, 2022	As of March 31, 2023
Net assets		
Shareholders' equity		
Capital stock	385,671	385,671
Capital surplus	375,671	375,671
Retained earnings	1,003,158	975,750
Treasury shares	(583,744)	(583,744)
Total shareholders' equity	1,180,756	1,153,349
Stock acquisition rights	20,277	28,476
Total net assets	1,201,034	1,181,826
Total liabilities and net assets	2,306,147	2,129,513

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

(Unit: thousands of yen)

	Six months ended March 31, 2022	Six months ended March 31, 2023
Net sales	953,143	1,245,326
Cost of sales	281,738	581,333
Gross profit	671,404	663,992
Selling, general and administrative expenses	614,330	698,336
Operating profit (loss)	57,074	(34,343)
Non-operating income		
Dividend income	112	225
Commission income	206	80
Subsidy income	-	8,410
Miscellaneous income	120	378
Total non-operating income	439	9,095
Non-operating expenses		
Interest expenses	600	955
Loss on sale of notes and accounts receivable-trade	7,805	3,262
Total non-operating expenses	8,405	4,218
Ordinary profit (loss)	49,108	(29,466)
Profit (loss) before income taxes	49,108	(29,466)
Income taxes	33,832	(2,059)
Profit (loss) for the period	15,276	(27,407)
Profit (loss) attributable to owners of the parent	15,276	(27,407)

**Consolidated Statement of Comprehensive Income**

(Unit: thousands of yen)

	Six months ended March 31, 2022	Six months ended March 31, 2023
Profit (loss) for the period	15,276	(27,407)
Comprehensive income	15,276	(27,407)
Comprehensive income attributable to:		
Comprehensive income attributable to owners of the parent	15,276	(27,407)

**(3) Consolidated Statement of Cash Flows**

(Unit: thousands of yen)

	Six months ended March 31, 2022	Six months ended March 31, 2023
Cash flows from operating activities		
Profit (loss) before income taxes	49,108	(29,466)
Depreciation	58,067	73,543
Amortization of goodwill	-	13,824
Interest and dividend income	(119)	(229)
Interest expenses	600	955
Decrease (increase) in notes and accounts receivable - trade	4,596	22,678
Increase (decrease) in notes and accounts payable - trade	2,471	(41,416)
Increase (decrease) in accounts payable - other	(44,378)	(23,020)
Increase (decrease) in advances received	19,351	(11,052)
Other	(4,501)	71,495
Subtotal	85,197	77,312
Interest and dividend income received	119	229
Interest paid	(587)	(940)
Income taxes refund (paid)	(64,052)	51,521
Cash flow from operating activities	20,676	128,122
Cash flows from investing activities		
Purchase of property, plant and equipment	(6,822)	(1,767)
Purchase of intangible assets	(64,984)	(85,574)
Purchase of investment securities	(50,000)	(15,000)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(45,980)	-
Proceeds from settlement of contingent consideration	-	15,000
Proceeds from collection of leasehold and guarantee deposits	17,131	787
Cash flow from investing activities	(150,655)	(86,554)
Cash flows from financing activities		
Repayments of long-term loans payable	(60,002)	(84,014)
Cash flow from financing activities	(60,002)	(84,014)
Net increase (decrease) in cash and cash equivalents	(189,980)	(42,445)
Cash and cash equivalents at beginning of period	1,447,418	994,963
Cash and cash equivalents at end of period	1,257,438	952,517

#### **(4) 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 second 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 the (Additional Information) section of the statutory year-end financial report for the previous fiscal year.

(Segment information, etc.)

Segment information

I. Six Months Ended March 31, 2022 (October 1, 2021 to March 31, 2022)

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

II. Six Months Ended March 31, 2023 (October 1, 2022 to March 31, 2023)

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	1,003,819	241,506	1,245,326	-	1,245,326
Intersegment sales or transfers	-	91,480	91,480	(91,480)	-
Total	1,003,819	332,986	1,336,806	(91,480)	1,245,326
Segment income (loss)	(46,720)	16,369	(30,350)	(3,992)	(34,343)

Notes: 1. Adjustments for segment income (loss) includes 3,992 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

With regard to the acquisition of AIS Inc., a part of the consideration was returned following an after-the-fact revision to the acquisition price of its shares. Accordingly, the acquisition cost has been reduced by the amount of the returned consideration, and goodwill has been reduced. The reduced goodwill is calculated as if it had been reduced at the date of the business combination, and the amortization of goodwill for the period prior to the current fiscal year is accounted for as income/loss for the current fiscal year.

(Significant subsequent events)

Not applicable.