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August 10, 2023

TEMONA. Inc.
Earnings Report for the Third 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: August 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 Nine Months Ended June 30, 2023
(October 1, 2022 to June 30, 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	%
Nine Months Ended								
Jun. 30, 2023	1,825	15.1	(40)	-	(32)	-	(34)	-
Jun. 30, 2022	1,585	-	(96)	-	(102)	-	(102)	-

Note: Comprehensive income Nine months ended Jun. 30, 2023: ¥(34) million [-%]
 Nine months ended Jun. 30, 2022: ¥(102) million [-%]

	Basic earnings per share	Diluted earnings per share
Nine Months Ended	¥	¥
Jun. 30, 2023	(3.20)	-
Jun. 30, 2022	(9.66)	-

Notes: Although there are residual securities outstanding, diluted earnings per share 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, 2023	2,382	1,179	48.1
As of Sep. 30, 2022	2,306	1,201	51.2

Reference: Total shareholders' equity: Jun. 30, 2023: ¥1,146 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)

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):

June 30, 2023: 11,405,592 shares

September 30, 2022: 11,405,592 shares

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

June 30, 2023: 745,317 shares

September 30, 2022: 745,317 shares

3) Average number of shares outstanding during the period:

June 30, 2023: 10,660,275 shares

June 30, 2022: 10,648,846 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, June 30, 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 August 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 third quarter of the fiscal year ending September 30, 2023.

In the nine months ended June 30, 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 Digital Transaction Environment Improvement Project (Market Research on Electronic Commerce),” for the domestic e-commerce market related to the Group’s business, the B2C-EC market size increased 7.35% year on year to 20.7 trillion yen, and the B2B-EC market size rose 11.3% year on year to 372.7 trillion yen in 2021.

Meanwhile, the e-commerce ratio(*1), 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 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 nine months ended June 30, 2023, consolidated net sales totaled 1,825,711 thousand yen, up 15.1% 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 41.3% year on year to 855,258 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 decreased 6.2% year on year to 1,010,579 thousand yen, due to a decrease in hiring expenses and expenses related to the acquisition of shares in AIS Inc. and Sackle Inc.

As a result, in the nine months ended June 30, 2023, the Group posted an operating loss of 40,126 thousand yen (operating loss of 96,651 thousand yen in the same period of the previous fiscal year). Ordinary loss was 32,217 thousand yen (ordinary loss of 102,572 thousand yen in the same period of the previous fiscal year). Loss attributable to owners of the parent came to 34,066 thousand yen (loss attributable to owners of the parent of 102,880 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 the revenue generated by each of the services provided by the E-Commerce Support Business.

(Unit: thousands of yen)

Service	Revenue category	Nine months ended June 30, 2022 (October 1, 2021 to June 30, 2022)		Nine months ended June 30, 2023 (October 1, 2022 to June 30, 2023)		
		Amount	Weighting (%)	Amount	Weighting (%)	
a	Subsc-Store	Recurring revenue	300,463	21.2	284,497	19.4
		Contract development revenue	74,192	5.2	218,783	14.9
		Other revenue	54,944	3.9	74,827	5.1
	Tamago Repeat	Recurring revenue	353,621	24.9	302,584	20.6
		Contract development revenue	-	-	-	-
		Other revenue	44,639	3.1	38,748	2.6
Subtotal		827,862	58.4	919,441	62.6	
b	Payment fees	GMV-linked revenue	409,835	28.9	360,179	24.5
c	Others	Recurring revenue	28,684	2.0	57,958	3.9
		Contract development revenue	133,920	9.4	92,254	6.3
		Other revenue	17,279	1.2	40,040	2.7
	Subtotal		179,884	12.7	190,254	12.9
Total (a+b+c)		1,417,582	100.0	1,469,875	100.0	

a. Subsc-Store service user accounts totaled 463, down 2.1% year on year, and Tamago Repeat service user accounts totaled 489, down 14.8% year on year. Total service user accounts stood at 952, down 9.1% year on year.

Recurring revenue (*2) declined due to the decrease in Tamago Repeat accounts. However, revenue totaled 919,441 thousand yen, up 11.1% year on year, due to growth in contract development revenue (*3), including Subsc-Store customization services.

b. The gross transaction volume of services provided by the Temona Group totaled 97.0 billion yen, down 11.4% year on year, mainly reflecting decreases in Subsc-Store and Tamago Repeat service user accounts. GMV-linked revenue(*4) totaled 360,179 thousand yen, down 12.1% year on year.

c. Accounts (corporate contracts) for the Subsc-@ service targeted at physical stores increased to 173, up 24.5% year on year, and Subsc-Store B2B accounts targeted at B2B service providers grew to 20, up 17.6% year on year. As a result, recurring revenue increased, rising 102.1% year on year to 57,958 thousand yen. However, contract development revenue decreased 31.1% year on year to 92,254 thousand yen owing to a decline in web page production services related to Subsc-@. As a result, revenue from other services totaled 190,254 thousand yen, up 5.8% year on year.

As a result of the above factors, revenue from the E-Commerce Support Business came to 1,469,875 thousand yen, up 3.7% year on year, and segment loss was 74,620 thousand yen (segment loss of 18,407 thousand yen in the same period of the previous fiscal year).

(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.

Revenue from the Engineering Business totaled 478,723 thousand yen, up 173.5% year on year and segment profit was 38,141 thousand yen (segment loss of 10,340 thousand yen in the same period of the previous fiscal year).

*1 E-commerce ratio: 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)

Consolidated assets as of June 30, 2023, totaled 2,382,530 thousand yen, a 76,382 thousand yen increase from the end of the previous fiscal year. This was mainly due to an increase of 228,369 thousand yen in cash and deposits, mainly due to an increase in long-term loans payable, and a decrease of 120,756 thousand yen in other current assets, mainly due to a decrease in income taxes receivable.

(Liabilities)

Consolidated liabilities as of June 30, 2023, totaled 1,203,051 thousand yen, a 97,937 thousand yen increase from the end of the previous fiscal year. The increase mainly reflects a 100,000 yen decrease in short-term loans payable and a 274,666 thousand yen increase in long-term loans payable (including the current portion of long-term loans payable).

(Net assets)

Consolidated net assets as of June 30, 2023, were 1,179,478 thousand yen, a 21,555 thousand yen decrease from the end of the previous fiscal year. This was mainly due to a decrease of 34,066 thousand yen in retained earnings.

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

There is no change in the earnings forecast for the fiscal year ending September 30, 2023, which is the same as "Notice Concerning Difference between Earnings Forecasts and Results, and Revision of Earnings Forecasts" announced 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 June 30, 2023
Assets		
Current assets		
Cash and deposits	994,963	1,223,333
Accounts receivable - trade	284,393	251,432
Other	207,928	87,172
Allowance for doubtful accounts	(1,314)	(1,152)
Total current assets	1,485,971	1,560,785
Non-current assets		
Property, plant and equipment	69,494	53,266
Intangible assets		
Software	231,523	254,334
Goodwill	275,874	239,388
Total Intangible assets	507,397	493,722
Investments and other assets		
Investment securities	52,250	67,250
Deferred tax assets	111,287	129,870
Other	81,896	80,721
Allowance for doubtful accounts	(2,150)	(3,085)
Total investments and other assets	243,283	274,755
Total non-current assets	820,176	821,744
Total assets	2,306,147	2,382,530
Liabilities		
Current liabilities		
Accounts payable-trade	136,099	76,604
Short-term loans payable	300,000	200,000
Current portion of long-term loans payable	161,966	209,758
Income taxes payable	7,899	29,213
Other	240,010	201,915
Total current liabilities	845,975	717,491
Non-current liabilities		
Long-term loans payable	247,933	474,807
Provision for share awards	10,325	10,753
Contract liabilities	879	-
Total non-current liabilities	259,137	485,560
Total liabilities	1,105,113	1,203,051

(Unit: thousands of yen)

	As of September 30, 2022	As of June 30, 2023
Net assets		
Shareholders' equity		
Capital stock	385,671	385,671
Capital surplus	375,671	375,671
Retained earnings	1,003,158	969,091
Treasury shares	(583,744)	(583,744)
Total shareholders' equity	1,180,756	1,146,689
Stock acquisition rights	20,277	32,789
Total net assets	1,201,034	1,179,478
Total liabilities and net assets	2,306,147	2,382,530

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

(Unit: thousands of yen)

	Nine months ended June 30, 2022	Nine months ended June 30, 2023
Net sales	1,585,617	1,825,711
Cost of sales	605,148	855,258
Gross profit	980,469	970,453
Selling, general and administrative expenses	1,077,120	1,010,579
Operating loss	(96,651)	(40,126)
Non-operating income		
Dividend income	113	225
Commission income	286	101
Subsidy income	-	10,787
Other	6,442	1,572
Total non-operating income	6,842	12,688
Non-operating expenses		
Interest expenses	1,079	1,516
Loss on sale of notes and accounts receivable-trade	11,685	3,262
Total non-operating expenses	12,764	4,779
Ordinary loss	(102,572)	(32,217)
Loss before income taxes	(102,572)	(32,217)
Income taxes	307	(1,848)
Loss for the period	(102,880)	(34,066)
Loss attributable to owners of the parent	(102,880)	(34,066)

Consolidated Statement of Comprehensive Income

(Unit: thousands of yen)

	Nine months ended June 30, 2022	Nine months ended June 30, 2023
Loss for the period	(102,880)	(34,066)
Comprehensive income	(102,880)	(34,066)
Comprehensive income attributable to:		
Comprehensive income attributable to owners of the parent	(102,880)	(34,066)

(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 Third quarter of the fiscal year ending September 30, 2023), and multiplying profit before income taxes by this estimated effective tax rate. In case the estimating the effective tax rate is significantly unreasonable, the Company calculates tax expenses using the statutory 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 Nine Months Ended June 30, 2022 (October 1, 2021 to June 30, 2022)

1. Net sales and income/loss by reportable segment

(Unit: thousands of yen)

	Reportable segment			Adjustments (Note 1)	Amount reported in the 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 include 59,183 thousand yen in acquisition cost of shares in AIS Inc. and Sackle Inc.

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

2. Impairment losses or goodwill on non-current assets by reportable segment

(Material changes 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.

II Nine Months Ended June 30, 2023 (October 1, 2022 to June 30, 2023)

1. Net sales and income/loss by reportable segment

(Unit: thousands of yen)

	Reportable segment			Adjustments (Note 1)	Amount reported in the consolidated statement of income (Note 2)
	E-Commerce Support Business	Engineering Business	Total		
Net sales					
Sales to external customers	1,469,875	355,836	1,825,711	-	1,825,711
Intersegment sales or transfers	-	122,886	122,886	(122,886)	-
Total	1,469,875	478,723	1,948,598	(122,886)	1,825,711
Segment income (loss)	(74,620)	38,141	(36,478)	(3,647)	(40,126)

Notes: 1. Adjustments for segment income (loss) includes 3,647 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. Impairment losses or goodwill on non-current assets by reportable segment

With regard to the acquisition of AIS Inc., 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.