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August 9, 2024

TEMONA. Inc.
Earnings Report for the Third Quarter of the Fiscal Year Ending September 30, 2024
[Japanese GAAP] (Consolidated)

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 Securities code: 3985
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Scheduled dates

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, 2024
(October 1, 2023 to June 30, 2024)

(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, 2024	1,370	(25.0)	(62)	—	(62)	—	(49)	-
Jun. 30, 2023	1,825	15.1	(40)	—	(32)	—	(34)	-

Note: Comprehensive income
 Nine months ended Jun. 30, 2024: ¥(49) million [-%]
 Nine months ended Jun. 30, 2023: ¥(34) million [-%]

	Basic earnings per share	Diluted earnings per share
Nine Months Ended	¥	¥
Jun. 30, 2024	(4.62)	-
Jun. 30, 2023	(3.20)	-

Note: 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, 2024	1,970	1,046	51.2
As of Sep. 30, 2023	2,254	1,091	46.8

Reference: Total shareholders' equity: Jun. 30, 2024: ¥1,008 million Sep. 30, 2023: ¥1,054 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, 2023	¥ -	¥ 0.00	¥ -	¥ 0.00	¥ 0.00
FY Ending Sep. 30, 2024	-	0.00			
FY Ending Sep. 30, 2024 (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, 2024 (October 1, 2023 to September 30, 2024)

(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	1,932	(17.4)	13	-	11	-	(5)	-	(0.51)

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

Notes

(1) Changes in significant subsidiaries during the period: 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: None
- 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, 2024: 11,425,592 shares

September 30, 2023: 11,425,592 shares

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

June 30, 2024: 742,917 shares

September 30, 2023: 745,317 shares

3) Average number of shares outstanding during the period:

June 30, 2024: 10,681,210 shares

June 30, 2023: 10,660,275 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, 2023: 744,500 shares, June 30, 2024: 742,100 shares) are included in the number of treasury shares.

* Reviews of the accompanying quarterly consolidated financial statements :N/A
by certified public accountants or 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 9, 2024.

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, 2024.

In the nine months ended June 30, 2024, the outlook for the Japanese economy remained uncertain primarily due to the price hikes in energy and raw materials resulting from the unstable international situation, depreciation of the yen, and inflation, despite the expectation of a moderate recovery resulting from various policy measures under the improved employment and income situation.

According to the “FY2022 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 9.91% year on year to 22.7 trillion yen, and the B2B-EC market size rose 12.8% year on year to 420.2 trillion yen in 2022. On the other hand, the e-commerce ratio (*1), which is an indicator of the market penetration of e-commerce, continued to increase, rising to 9.13% for B2C-EC and 37.5% for B2B-EC, and the digitalization of commercial transactions is expected to continue to advance.

In the current business environment, the Group believes that the key to growth is to continuously contribute to customers’ business growth by comprehensively supporting the subscription businesses, which can secure steady revenue even in the midst of worsening economic conditions. Thus, the Group is pursuing the following business strategies: (1) expansion of target areas and (2) expansion of the subscription value chain. Through these strategies, the Group will seek to advance its businesses with customers.

Consolidated net sales in the nine months ended June 30, 2024, totaled 1,370,080 thousand yen, down 25.0% year on year. This result mainly reflects the decrease in the total number of Subsc-Store and Tamago Repeat service user accounts and GMV, sluggish growth of revenue from contract system development, and the decrease in customers for which system engineering services are provided, despite revenue growth factors such as the increase in the total number of Subsc-@ and Subsc-Store B2B service user accounts.

Cost of sales decreased 22.4% year on year to 663,455 thousand yen, mainly owing to reduced outsourcing expenses associated with the decrease in contract development revenue and the decrease in customers for which system engineering services are provided.

Selling, general and administrative expenses fell 23.9% year on year to 768,724 thousand yen, mainly due to a decrease in personnel and hiring expenses resulting from improved business efficiency and appropriate reallocation of staff.

As a result, in the nine months ended June 30, 2024, the Group posted an operating loss of 62,099 thousand yen (operating loss of 40,126 thousand yen in the same period of the previous fiscal year). Ordinary loss was 62,772 thousand yen (ordinary loss of 32,217 thousand yen in the same period of the previous fiscal year). Loss attributable to owners of the parent came to 49,321 thousand yen (loss attributable to owners of the parent of 34,066 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, 2023 (October 1, 2022 to June 30, 2023)		Nine months ended June 30, 2024 (October 1, 2023 to June 30, 2024)		Change	Change (%)	
		Amount	Weighting (%)	Amount	Weighting (%)			
a	Subsc-Store	Recurring revenue	284,497	19.4	247,442	22.1	(37,055)	(13.0)
		Contract development revenue	218,783	14.9	19,372	1.7	(199,411)	(91.1)
		Other revenue	74,827	5.1	73,010	6.5	(1,816)	(2.4)
	Tamago Repeat	Recurring revenue	302,584	20.6	248,458	22.2	(54,125)	(17.9)
		Contract development revenue	—	—	—	—	—	—
		Other revenue	38,748	2.6	25,959	2.3	(12,789)	(33.0)
Subtotal		919,441	62.6	614,242	54.8	(305,199)	(33.2)	
b	Payment fees	GMV-linked revenue	360,179	24.5	321,011	28.6	(39,168)	(10.9)
c	Others	Recurring revenue	57,958	3.9	71,666	6.4	13,707	23.6
		Contract development revenue	92,254	6.3	88,736	7.9	(3,518)	(3.8)
		Other revenue	40,040	2.7	25,603	2.3	(14,436)	(36.1)
	Subtotal		190,254	12.9	186,006	16.6	(4,247)	(2.2)
Total (a+b+c)		1,469,875	100.0	1,121,260	100.0	(348,615)	(23.7)	

a. Subsc-Store service user accounts totaled 421, down 9.1% year on year, and Tamago Repeat service user accounts totaled 420, down 14.1% year on year. Total service user accounts stood at 841, down 11.7% year on year.

Revenue totaled 614,242 thousand yen, down 33.2% year on year, as recurring revenue (*2) declined due to the decrease in Subsc-Store and Tamago Repeat accounts and the sluggish growth in contract development revenue (*3), including Subsc-Store customization services.

b. The gross transaction volume of services provided by the Group totaled 93.1 billion yen, down 4.0% year on year, mainly reflecting decreases in the Subsc-Store and Tamago Repeat service user accounts. GMV-linked revenue (*4) totaled 321,011 thousand yen, down 10.9% year on year.

c. Accounts (corporate contracts) for the Subsc-@ service targeted at physical stores increased to 208, up 20.2% year on year, and Subsc-Store B2B accounts targeted at B2B service providers grew to 23, up 15.0% year on year. As a result, recurring revenue increased, rising 23.6% year on year to 71,666 thousand yen. However, contract development revenue decreased 3.8% year on year to 88,736 thousand yen owing to a decline in web page production services related to Subsc-@. As a result, revenue from other services totaled 186,006 thousand yen, down 2.2% year on year.

As a result of the above factors, revenue from the E-Commerce Support Business came to 1,121,260 thousand yen, down 23.7% year on year, and segment loss was 35,295 thousand yen (segment loss of 74,620 thousand yen in the same period of the previous fiscal year).

(b) Engineering Business

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

Revenue from the Engineering Business totaled 307,514 thousand yen, down 35.8% year on year, and segment loss amounted to 21,040 thousand yen (segment profit of 38,141 thousand yen in the same period of the previous fiscal year), due to the sluggish growth of revenue from contract services for system development and the decrease in customers to which system engineering services are provided.

- *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 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 as of June 30, 2024, totaled 1,970,910 thousand yen, a 283,629 thousand yen decrease from September 30, 2023, the end of the previous consolidated fiscal year. This was mainly due to a decrease of 228,715 thousand yen in cash and deposits, such as from the repayment of loans payable.

(Liabilities)

Consolidated liabilities as of June 30, 2024, totaled 924,526 thousand yen, a 238,630 thousand yen decrease from September 30, 2023. The decrease mainly reflects a 152,604 thousand yen decrease in long-term loans payable (including the current portion of long-term loans payable).

(Net assets)

Consolidated net assets as of June 30, 2024, totaled 1,046,383 thousand yen, a 44,998 thousand yen decrease from September 30, 2023. This decrease mainly reflects a 49,321 thousand yen decrease 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, 2024, from the "Notice Concerning Difference between Earnings Forecasts and Results, and Revision of Earnings Forecasts" announced on May 14, 2024.

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

(Unit: thousands of yen)

	As of September 30, 2023	As of June 30, 2024
Assets		
Current assets		
Cash and deposits	1,200,545	971,830
Accounts receivable - trade and contract assets	216,392	173,944
Other	79,456	89,878
Allowance for doubtful accounts	(2,365)	(1,850)
Total current assets	1,494,029	1,233,802
Non-current assets		
Property, plant and equipment	46,791	30,966
Intangible assets		
Software	255,473	261,546
Goodwill	231,726	208,740
Total Intangible assets	487,199	470,287
Investments and other assets		
Investment securities	17,250	17,250
Deferred tax assets	131,753	141,446
Other	81,184	77,397
Allowance for doubtful accounts	(3,667)	(239)
Total investments and other assets	226,519	235,854
Total non-current assets	760,510	737,107
Total assets	2,254,539	1,970,910
Liabilities		
Current liabilities		
Accounts payable-trade	72,542	45,641
Short-term loans payable	200,000	200,000
Current portion of long-term loans payable	205,512	156,781
Income taxes payable	24,112	11,578
Other	224,317	182,994
Total current liabilities	726,484	596,996
Non-current liabilities		
Long-term loans payable	424,923	321,050
Provision for share awards	11,750	6,480
Total non-current liabilities	436,673	327,530
Total liabilities	1,163,157	924,526

(Unit: thousands of yen)

	As of September 30, 2023	As of June 30, 2024
Net assets Shareholders' equity		
Capital stock	386,421	386,421
Capital surplus	376,421	378,374
Retained earnings	875,201	825,880
Treasury shares	(583,744)	(582,035)
Total shareholders' equity	1,054,300	1,008,640
Stock acquisition rights	37,082	35,983
Non-controlling interests	-	1,759
Total net assets	1,091,382	1,046,383
Total liabilities and net assets	2,254,539	1,970,910

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

(Unit: thousands of yen)

	Nine months ended June 30, 2023	Nine months ended June 30, 2024
Net sales	1,825,711	1,370,080
Cost of sales	855,258	663,455
Gross profit	970,453	706,624
Selling, general and administrative expenses	1,010,579	768,724
Operating loss	(40,126)	(62,099)
Non-operating income		
Dividend income	225	338
Commission income	101	5
Subsidy income	10,787	1,051
Other	1,572	1,050
Total non-operating income	12,688	2,444
Non-operating expenses		
Interest expenses	1,516	3,117
Loss on sale of notes and accounts receivable-trade	3,262	-
Total non-operating expenses	4,779	3,117
Ordinary loss	(32,217)	(62,772)
Extraordinary income		
Gain on reversal of share acquisition rights	-	5,220
Total extraordinary income	-	5,220
Loss before income taxes	(32,217)	(57,552)
Income taxes	1,848	(8,343)
Loss for the period	(34,066)	(49,208)
Profit attributable to non-controlling interests	-	112
Loss attributable to owners of the parent	(34,066)	(49,321)

Consolidated Statement of Comprehensive Income

(Unit: thousands of yen)

	Nine months ended June 30, 2023	Nine months ended June 30, 2024
Loss for the period	(34,066)	(49,208)
Comprehensive income	(34,066)	(49,208)
Comprehensive income attributable to:		
Comprehensive income attributable to owners of the parent	(34,066)	(49,321)
Comprehensive income attributable to non- controlling interests	-	112

(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, 2024), 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.

(Segment information, etc.)

Segment information

I. 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)	Reported in 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., 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.

II. Nine Months Ended June 30, 2024 (October 1, 2023 to June 30, 2024)

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	1,121,260	248,820	1,370,080	-	1,370,080
Intersegment sales or transfers	-	58,694	58,694	(58,694)	-
Total	1,121,260	307,514	1,428,775	(58,694)	1,370,080
Segment loss	(35,295)	(21,040)	(56,335)	(5,763)	(62,099)

Notes: 1. Adjustments for segment income (loss) includes 5,763 thousand yen of intersegment transactions elimination.

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

Not applicable.

(Notes to Statements of Cash Flows)

Quarterly consolidated statements of cash flows for the nine months ended June 30, 2024, have not been prepared. Depreciation (including amortization related to intangible assets excluding goodwill) and amortization of goodwill for the nine months ended June 30, 2024, are as shown below.

	Nine months ended June 30, 2023 (October 1, 2022 to June 30, 2023)	Nine months ended June 30, 2024 (October 1, 2023 to June 30, 2024)
Depreciation and amortization	108,469 thousand yen	109,155 thousand yen
Amortization of goodwill	21,486 thousand yen	22,986 thousand yen

(Significant subsequent events)

Not applicable.