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February 9, 2024

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

Stock listings: Tokyo Stock Exchange
 Securities code: 3985
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Scheduled dates
 Filing of statutory quarterly financial report: February 9, 2024
 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, 2023
(October 1, 2023 to December 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	%
Three Months Ended								
Dec. 31, 2023	505	(21.0)	(9)	-	(9)	-	(6)	-
Dec. 31, 2022	640	-	(54)	-	(53)	-	(40)	-

Note: Comprehensive income Three months ended Dec. 31, 2023: ¥(6) million [-%]
 Three months ended Dec. 31, 2022: ¥(40) million [-%]

	Basic earnings per share	Diluted earnings per share
Three Months Ended	¥	¥
Dec. 31, 2023	(0.61)	-
Dec. 31, 2022	(3.82)	-

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 Dec. 31, 2023	2,145	1,081	48.9
As of Sep. 30, 2023	2,254	1,091	46.8

Reference: Total shareholders' equity: Dec. 31, 2023: ¥1,048 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	-				
FY Ending Sep. 30, 2024 (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, 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	%	¥
Six Months Ending Mar. 31, 2024	1,103	(11.4)	40	-	39	-	19	-	1.87
Full year	2,436	4.1	202	-	200	-	123	-	11.58

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: 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):
 - December 31, 2023: 11,425,592 shares
 - September 30, 2023: 11,425,592 shares
 - 2) Number of shares held in treasury at end of period:
 - December 31, 2023: 744,317 shares
 - September 30, 2023: 745,317 shares
 - 3) Average number of shares outstanding during the period:
 - December 31, 2023: 10,680,808 shares
 - December 31, 2022: 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, December 30, 2023: 743,500 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 February 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 as of the end of the first quarter of the consolidated fiscal year ending September 30, 2024.

In the three months ended December 31, 2023, 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. By pursuing the business strategies—(1) expansion of target areas and (2) expansion of the subscription value chain—the Group will seek to contribute to the growth of customers’ businesses while advancing its businesses with them.

Consolidated net sales in the three months ended December 31, 2023, totaled 505,565 thousand yen, down 21.0% 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-Store B2B and Subsc-@ service user accounts.

Cost of sales decreased 24.3% year on year to 238,008 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 27.1% year on year to 277,272 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 three months ended December 31, 2023, the Group posted an operating loss of 9,716 thousand yen (operating loss of 54,956 thousand yen in the same period of the previous fiscal year). Ordinary loss was 9,765 thousand yen (ordinary loss of 53,569 thousand yen in the same period of the previous fiscal year). Loss attributable to owners of the parent came to 6,553 thousand yen (loss attributable to owners of the parent of 40,703 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	Three months ended December 31, 2022 (October 1, 2022 to December 31, 2022)		Three months ended December 31, 2023 (October 1, 2023 to December 31, 2023)		Change	Change (%)	
		Amount	Weighting (%)	Amount	Weighting (%)			
a	Subsc-Store	Recurring revenue	99,892	20.1	87,252	20.8	(12,639)	(12.7)
		Contract development revenue	68,552	13.8	6,875	1.6	(61,677)	(90.0)
		Other revenue	20,811	4.2	27,022	6.4	6,210	29.8
	Tamago Repeat	Recurring revenue	105,577	21.3	86,499	20.6	(19,077)	(18.1)
		Contract development revenue	—	—	—	—	—	—
		Other revenue	14,686	3.0	8,543	2.0	(6,142)	(41.8)
Subtotal		309,520	62.4	216,194	51.6	(93,326)	(30.2)	
b	Payment fees	GMV-linked revenue	122,349	24.7	118,431	28.2	(3,918)	(3.2)
c	Others	Recurring revenue	19,175	3.9	23,502	5.6	4,326	22.6
		Contract development revenue	25,718	5.2	51,304	12.2	25,586	99.5
		Other revenue	19,437	3.9	9,811	2.3	(9,625)	(49.5)
	Subtotal		64,331	13.0	84,618	20.2	20,286	31.5
Total (a+b+c)		496,201	100.0	419,243	100.0	(76,957)	(15.5)	

- a. Subsc-Store service user accounts totaled 454, down 3.6% year on year, and Tamago Repeat service user accounts totaled 458, down 13.7% year on year. Total service user accounts stood at 912, down 9.0% year on year. Revenue totaled 216,194 thousand yen, down 30.2% year on year, as recurring revenue (*2) declined due to the decrease in Tamago Repeat and Subsc-Store 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 32.1 billion yen, down 2.1% year on year, mainly reflecting decreases in the Subsc-Store and Tamago Repeat service user accounts. GMV-linked revenue (*4) totaled 118,431 thousand yen, down 3.2% year on year.
- c. Accounts (corporate contracts) for the Subsc-@ service targeted at physical stores increased to 192, up 21.5% year on year, and Subsc-Store B2B accounts targeted at B2B service providers grew to 25, up 38.9% year on year. As a result, recurring revenue increased, rising 22.6% year on year to 23,502 thousand yen. Contract development revenue also grew 99.5% year on year to 51,304 thousand yen owing to increased web page production services related to Subsc-@. As a result, revenue from other services totaled 84,618 thousand yen, up 31.5% year on year.

As a result of the above factors, revenue from the E-Commerce Support Business came to 419,243 thousand yen, down 15.5% year on year, and segment profit was 572 thousand yen (segment loss of 61,642 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 86,321 thousand yen, down 40.0% year on year due to the decrease in customers to which system engineering services are provided, although contract services for system development continued to be firm year on year. Segment loss amounted to 6,225 thousand yen (segment profit of 8,863 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 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 December 31, 2023, totaled 2,145,827 thousand yen, a 108,711 thousand yen decrease from September 30, 2023, the end of the previous consolidated fiscal year. This was mainly due to a decrease of 120,994 thousand yen in cash and deposits, such as from the repayment of loans payable.

(Liabilities)

Consolidated liabilities as of December 31, 2023, totaled 1,064,241 thousand yen, a 98,915 thousand yen decrease from September 30, 2023. The decrease mainly reflects a 50,003 thousand yen decrease in long-term loans payable (including the current portion of long-term loans payable) and a 24,811 thousand yen decrease in accounts payable - other.

(Net assets)

Consolidated net assets as of December 31, 2023, totaled 1,081,586 thousand yen, a 9,796 thousand yen decrease from September 30, 2023. This decrease mainly reflects a 6,553 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, 2024, is unchanged from the forecast included in the Earnings Report for the Fiscal Year Ended September 30, 2023, released on November 13, 2023.

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

(Unit: thousands of yen)

	As of September 30, 2023	As of December 31, 2023
Assets		
Current assets		
Cash and deposits	1,200,545	1,079,551
Accounts receivable - trade and contract assets	216,392	221,847
Other	79,456	88,466
Allowance for doubtful accounts	(2,365)	(2,301)
Total current assets	1,494,029	1,387,563
Non-current assets		
Property, plant and equipment	46,791	41,754
Intangible assets		
Software	255,473	265,335
Goodwill	231,726	224,064
Total Intangible assets	487,199	489,400
Investments and other assets		
Investment securities	17,250	17,250
Deferred tax assets	131,753	132,463
Other	81,184	80,547
Allowance for doubtful accounts	(3,667)	(3,150)
Total investments and other assets	226,519	227,110
Total non-current assets	760,510	758,264
Total assets	2,254,539	2,145,827
Liabilities		
Current liabilities		
Accounts payable-trade	72,542	65,755
Short-term loans payable	200,000	200,000
Current portion of long-term loans payable	205,512	194,580
Income taxes payable	24,112	5,204
Other	224,317	204,303
Total current liabilities	726,484	669,844
Non-current liabilities		
Long-term loans payable	424,923	385,852
Provision for share awards	11,750	8,545
Total non-current liabilities	436,673	394,397
Total liabilities	1,163,157	1,064,241

(Unit: thousands of yen)

	(Thousands of yen) September 30, 2023	As of December 31, 2023
Net assets		
Shareholders' equity		
Capital stock	386,421	386,421
Capital surplus	376,421	376,421
Retained earnings	875,201	868,648
Treasury shares	(583,744)	(583,032)
Total shareholders' equity	1,054,300	1,048,458
Stock acquisition rights	37,082	33,127
Total net assets	1,091,382	1,081,586
Total liabilities and net assets	2,254,539	2,145,827

(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	Three Months ended December 31, 2023
Net sales	640,152	505,565
Cost of sales	314,600	238,008
Gross profit	325,551	267,556
Selling, general and administrative expenses	380,508	277,272
Operating loss	(54,956)	(9,716)
Non-operating income		
Dividend income	225	337
Commission income	46	5
Subsidy income	4,254	—
Gain on sales of goods	—	186
Other	151	282
Total non-operating income	4,677	810
Non-operating expenses		
Interest expenses	508	860
Loss on sale of notes and accounts receivable-trade	2,781	—
Total non-operating expenses	3,289	860
Ordinary loss	(53,569)	(9,765)
Extraordinary income		
Gain on reversal of share acquisition rights	—	4,128
Total Extraordinary income	—	4,128
Loss before income taxes	(53,569)	(5,637)
Income taxes	(12,866)	916
Loss for the period	(40,703)	(6,553)
Loss attributable to owners of the parent	(40,703)	(6,533)

Consolidated Statement of Comprehensive Income

(Unit: thousands of yen)

	Three Months ended December 31, 2022	Three Months ended December 31, 2023
Loss for the period	(40,703)	(6,553)
Comprehensive income	(40,703)	(6,553)
Comprehensive income attributable to: Comprehensive income attributable to owners of the parent	(40,703)	(6,553)

(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.

(Additional Information)

(Stock-based Compensation Plan)

1. Board Benefit Trust

Based on the resolution of the 11th Annual General Meeting of Shareholders held on December 20, 2019, the Company introduced the Board Benefit Trust System (hereinafter referred to as the "System") using the Company's shares for the Company's directors who meet the beneficiary requirements. (Trust contract date: February 19, 2020)

The System is accounted for in accordance with "Practical Solution on Transactions of Delivering the Company's Own Stock to Employees etc. through Trusts" (ASBJ PITF No. 30, March 26, 2015).

(1) Overview of the transaction

The System is a stock compensation plan in which a trust established by the Company through its monetary contribution (hereinafter referred to as the "Trust") acquires the Company's shares, and the Company's shares in a number equivalent to the number of points for each director are delivered through the Trust in accordance with the regulations concerning the delivery of the Company's shares of the Company.

In principle, the directors receive the Company's shares when they retire from office.

(2) Remaining balance of the Company's shares in the Trust

The remaining balance of the Company's shares in the Trust are recorded as treasury shares in the section of net assets at the book value in the Trust. The book value and number of those treasury shares were ¥357,205 thousand and 427,400 shares as of the end of the previous fiscal year and ¥357,205 thousand and 427,400 shares as of the end of the first quarter of the fiscal year under review, respectively.

2. Employee Stock Ownership Plan Trust

Based on the resolution of the Board of Directors meeting held on November 13, 2019, the Company introduced the Employee Stock Ownership Plan Trust System (hereinafter referred to as the "System") using the Company's shares for the Company's employees who meet the beneficiary requirements. (Trust contract date: February 19, 2020)

The System is accounted for by applying "Practical Solution on Transactions of Delivering the Company's Own Stock to Employees etc. through Trusts" (ASBJ PITF No. 30, March 26, 2015).

(1) Overview of the transaction

The System is a stock compensation plan in which a trust established by the Company through its monetary contribution (hereinafter referred to as the "Trust") acquires the Company's shares, and the Company's shares in a number equivalent to the number of points for each employee are delivered through the Trust in accordance with the regulations concerning the delivery of the Company's shares of the Company.

In principle, the employees receive the Company's shares while in service.

(2) Remaining balance of the Company's shares in the Trust

The remaining balance of the Company's shares in the Trust are recorded as treasury shares in the section of net assets at the book value in the Trust. The book value and number of those treasury shares were ¥225,815 thousand and 317,100 shares as of the end of the previous fiscal year and ¥225,103 thousand and 316,100 shares as of the end of the first quarter of the fiscal year under review, respectively.

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

Not applicable.

II. Three Months ended December 31, 2023 (October 1, 2023 to December 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	419,243	86,321	505,565	-	505,565
Intersegment sales or transfers	-	17,387	17,387	(17,387)	-
Total	419,243	103,709	522,952	(17,387)	505,565
Segment income (loss)	572	(6,225)	(5,653)	(4,063)	(9,716)

Notes: 1. Adjustments for segment income (loss) includes 4,063 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

Not applicable.

(Significant subsequent events)

Not applicable.