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May 14, 2024

TEMONA. Inc.
Earnings Report for the Second 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: May 14, 2024
 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, 2024
(October 1, 2023 to March 31, 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	%
Six Months Ended								
Mar. 31, 2024	959	23.0	(31)	-	(32)	-	(26)	-
Mar. 31, 2023	1,245	30.7	(34)	-	(29)	-	(27)	-

Note: Comprehensive income Six months ended Mar. 31, 2024: ¥(26) million [-%]
 Six months ended Mar. 31, 2023: ¥(27) million [-%]

	Basic earnings per share	Diluted earnings per share
Six Months Ended	¥	¥
Mar. 31, 2024	(2.46)	-
Mar. 31, 2023	(2.57)	-

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 Mar. 31, 2024	2,058	1,067	50.1
As of Sep. 30, 2023	2,254	1,091	46.8

Reference: Total shareholders' equity: Mar. 31, 2024: ¥1,030 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)

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

2. For the full-year consolidated earnings forecast for the fiscal year ending September 30, 2024, please see "Notice Concerning Differences between Earnings Forecast and Results and Revision of Earnings Forecast" released on May 14, 2024.

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 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):

March 31, 2024: 11,425,592 shares

September 30, 2023: 11,425,592 shares

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

March 31, 2024: 744,317 shares

September 30, 2023: 745,317 shares

3) Average number of shares outstanding during the period:

March 31, 2024: 10,681,040 shares

March 31, 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, March 31, 2024: 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 May 14, 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 second quarter of the fiscal year ending September 30, 2024.

In the six months ended March 31, 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 six months ended March 31, 2024, totaled 959,332 thousand yen, down 23.0% 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 20.9% year on year to 460,044 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 24.0% year on year to 530,430 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 six months ended March 31, 2024, the Group posted an operating loss of 31,142 thousand yen (operating loss of 34,343 thousand yen in the same period of the previous fiscal year). Ordinary loss was 32,068 thousand yen (ordinary loss of 29,466 thousand yen in the same period of the previous fiscal year). Loss attributable to owners of the parent came to 26,228 thousand yen (loss attributable to owners of the parent of 27,407 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	Six months ended March 31, 2023 (October 1, 2022 to March 31, 2023)		Six months ended March 31, 2024 (October 1, 2023 to March 31, 2024)		Change	Change (%)	
		Amount	Weighting (%)	Amount	Weighting (%)			
a	Subsc-Store	Recurring revenue	193,575	19.3	169,404	21.7	(24,171)	(12.5)
		Contract development revenue	162,550	16.2	13,339	1.7	(149,211)	(91.8)
		Other revenue	47,793	4.8	49,821	6.4	2,027	4.2
	Tamago Repeat	Recurring revenue	205,970	20.5	170,243	21.8	(35,726)	(17.3)
		Contract development revenue	—	—	—	—	—	—
		Other revenue	28,322	2.8	16,965	2.2	(11,356)	(40.1)
Subtotal		638,212	63.6	419,774	53.7	(218,438)	(34.2)	
b	Payment fees	GMV-linked revenue	239,225	23.8	219,833	28.1	(19,391)	(8.1)
c	Others	Recurring revenue	37,218	3.7	47,082	6.0	9,864	26.5
		Contract development revenue	57,414	5.7	74,972	9.6	17,557	30.6
		Other revenue	31,748	3.2	20,664	2.6	(11,084)	(34.9)
	Subtotal		126,381	12.6	142,719	18.2	16,337	12.9
Total (a+b+c)		1,003,819	100.0	782,327	100.0	(221,492)	(22.1)	

- a. Subsc-Store service user accounts totaled 440, down 6.2% year on year, and Tamago Repeat service user accounts totaled 433, down 14.1% year on year. Total service user accounts stood at 873, down 10.3% year on year.
Revenue totaled 419,774 thousand yen, down 34.2% 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 63.2 billion yen, down 2.0% year on year, mainly reflecting decreases in the Subsc-Store and Tamago Repeat service user accounts. GMV-linked revenue (*4) totaled 219,833 thousand yen, down 8.1% year on year.
- c. Accounts (corporate contracts) for the Subsc-@ service targeted at physical stores increased to 204, up 21.4% year on year, and Subsc-Store B2B accounts targeted at B2B service providers grew to 25, up 31.6% year on year. As a result, recurring revenue increased, rising 26.5% year on year to 47,082 thousand yen. Contract development revenue also grew 30.6% year on year to 74,972 thousand yen owing to increased web page production services related to Subsc-@. As a result, revenue from other services totaled 142,719 thousand yen, up 12.9% year on year.

As a result of the above factors, revenue from the E-Commerce Support Business came to 782,327 thousand yen, down 22.1% year on year, and segment loss was 18,262 thousand yen (segment loss of 46,720 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 212,566 thousand yen, down 36.2% year on 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. Segment loss amounted to 7,270 thousand yen (segment profit of 16,369 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**1. Analysis of Assets, Liabilities, and Net Assets****(Assets)**

Consolidated assets as of March 31, 2024, totaled 2,058,432 thousand yen, a 196,107 thousand yen decrease from September 30, 2023, the end of the previous consolidated fiscal year. This was mainly due to a decrease of 194,758 thousand yen in cash and deposits, such as from the repayment of loans payable.

(Liabilities)

Consolidated liabilities as of March 31, 2024, totaled 990,915 thousand yen, a 172,241 thousand yen decrease from September 30, 2023. The decrease mainly reflects a 101,032 thousand yen decrease in long-term loans payable (including the current portion of long-term loans payable).

(Net assets)

Consolidated net assets as of March 31, 2024, totaled 1,067,516 thousand yen, a 23,866 thousand yen decrease from September 30, 2023. This decrease mainly reflects a 26,228 thousand yen decrease in retained earnings.

2. Cash Flows

The balance of cash and cash equivalents ("cash") as of March 31, 2024, totaled 1,005,787 thousand yen. Cash flows from operating, investing, and financing activities during the six months to March 31, 2024, were as follows.

Cash flows from operating activities

Operating activities used net cash of 21,595 thousand yen. This was mainly because, while inflows were secured by certain positive factors such as depreciation expenses of 72,573 thousand yen, they were offset by negative factors such as quarterly net losses before taxes of 27,840 thousand yen, a 36,825 thousand yen decrease in accounts payable, and income taxes paid of 18,096 thousand yen.

Cash flows from investing activities

Investing activities used net cash of 75,730 thousand yen. Cash used in investing activities included 75,384 thousand yen to purchase intangible assets.

Cash flows from financing activities

Financing activities used net cash of 97,432 thousand yen. Cash used in financing activities consisted of 101,032 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, 2024, please see "Notice Concerning Differences between Earnings Forecast and Results and Revision of Earnings Forecast" released 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 March 31, 2024
Assets		
Current assets		
Cash and deposits	1,200,545	1,005,787
Accounts receivable - trade	216,392	225,294
Other	79,456	76,997
Allowance for doubtful accounts	(2,365)	(1,995)
Total current assets	1,494,029	1,306,084
Non-current assets		
Property, plant and equipment	46,791	36,360
Intangible assets		
Software	255,473	269,061
Goodwill	231,726	216,402
Total Intangible assets	487,199	485,464
Investments and other assets		
Investment securities	17,250	17,250
Deferred tax assets	131,753	135,996
Other	81,184	77,955
Allowance for doubtful accounts	(3,667)	(677)
Total investments and other assets	226,519	230,523
Total non-current assets	760,510	752,348
Total assets	2,254,539	2,058,432
Liabilities		
Current liabilities		
Accounts payable-trade	72,542	59,334
Short-term loans payable	200,000	200,000
Current portion of long-term loans payable	205,512	182,282
Income taxes payable	24,112	9,808
Other	224,317	184,750
Total current liabilities	726,484	636,175
Non-current liabilities		
Long-term loans payable	424,923	347,121
Provision for share awards	11,750	7,619
Total non-current liabilities	436,673	354,740
Total liabilities	1,163,157	990,915

(Unit: thousands of yen)

	As of September 30, 2023	As of March 31, 2024
Net assets		
Shareholders' equity		
Capital stock	386,421	386,421
Capital surplus	376,421	378,374
Retained earnings	875,201	848,973
Treasury shares	(583,744)	(583,032)
Total shareholders' equity	1,054,300	1,030,736
Stock acquisition rights	37,082	35,132
Non-controlling interests	-	1,647
Total net assets	1,091,382	1,067,516
Total liabilities and net assets	2,254,539	2,058,432

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

(Unit: thousands of yen)

	Six months ended March 31, 2023	Six months ended March 31, 2024
Net sales	1,245,326	959,332
Cost of sales	581,333	460,044
Gross profit	663,992	499,288
Selling, general and administrative expenses	698,336	530,430
Operating loss	(34,343)	(31,142)
Non-operating income		
Dividend income	225	337
Commission income	80	5
Contract service fees	300	330
Subsidy income	8,410	-
Gain on sales of goods	-	195
Other	78	137
Total non-operating income	9,095	1,005
Non-operating expenses		
Interest expenses	955	1,931
Loss on sale of notes and accounts receivable-trade	3,262	-
Total non-operating expenses	4,218	1,931
Ordinary loss	(29,466)	(32,068)
Extraordinary income		
Gain on reversal of share acquisition rights	-	4,227
Total extraordinary income	-	4,227
Loss before income taxes	(29,466)	(27,840)
Income taxes	(2,059)	(1,611)
Loss for the period	(27,407)	(26,228)
Loss attributable to owners of the parent	(27,407)	(26,228)

Consolidated Statement of Comprehensive Income

(Unit: thousands of yen)

	Six months ended March 31, 2023	Six months ended March 31, 2024
Loss for the period	(27,407)	(26,228)
Comprehensive income	(27,407)	(26,228)
Comprehensive income attributable to: Comprehensive income attributable to owners of the parent	(27,407)	(26,228)

(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 second 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.

(Segment information, etc.)

Segment information

I. 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. 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. Six Months Ended March 31, 2024 (October 1, 2023 to March 31, 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	782,327	177,005	959,332	-	959,332
Intersegment sales or transfers	-	35,561	35,561	(35,561)	-
Total	782,327	212,566	994,893	(35,561)	959,332
Segment loss	(18,262)	(7,270)	(25,532)	(5,609)	(31,142)

Notes: 1. Adjustments for segment loss includes 5,609 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.

(Significant subsequent events)

Not applicable.