This translation of the original Japanese document is provided for informational purposes only.
If there are any discrepancies between this and the original, the original Japanese document prevails.

November 12, 2024

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

Stock listings:	Tokyo Stock Exchange
Securities code:	3985
URL:	https://temona.co.jp/
Representative:	Hayato Sagawa, president & representative director
Information contact:	Kanji Hatano, General Manager, Finance& Accounting Division
Telephone	+81-3-6635-6452

Scheduled dates	
Ordinary general meeting of shareholders:	December 24, 2024
Dividend payout:	-
Filing of statutory year-end financial report:	December 24, 2024
Supplementary materials to financial results available:	Yes
Fiscal year-end earnings presentation held:	Yes (for institutional investors and analysts)

(Amounts rounded down to the nearest million yen)

1. Financial Results for the Fiscal Year Ended September 30, 2024 (October 1, 2023 to September 30, 2024)

(1) Operating Results (Percentage figures represent year on year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of the parent	
FY Ended	¥ million	%	¥ million	%	¥ million	%	¥ million	%
Sept. 30, 2024	1,825	(22.0)	(56)	-	(58)	-	(393)	-
Sept. 30, 2023	2,341	3.9	(83)	-	(76)	-	(127)	-

Note: Comprehensive income Year ended Sept. 30, 2024: ¥(393) million [-%]
Year ended Sept. 30, 2023: ¥(127) million [-%]

	Basic earnings per share	Diluted earnings per share	Return on equity	Return on assets	Operating profit margin
FY Ended	¥	¥	%	%	%
Sept. 30, 2024	(36.84)	-	(59.3)	(3.8)	(3.1)
Sept. 30, 2023	(12.00)	-	(11.4)	(3.4)	(3.6)

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	Net assets per share
	¥ million	¥ million	%	¥
As of Sep. 30, 2024	1,541	700	43.1	62.16
As of Sep. 30, 2023	2,254	1,091	46.8	98.71

Reference: Total shareholders' equity: Sep. 30, 2024: ¥664 million Sep. 30, 2023: ¥1,054 million

(3) Cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
FY Ended	¥ million	¥ million	¥ million	¥ million
Sept. 30, 2024	29	(117)	(201)	910
Sept. 30, 2023	229	(146)	122	1,200

2. Dividends

	Annual dividends per share					Total cash dividends (Total)	Payout ratio (consolidated)	Ratio of dividends to net assets (consolidated)
	End-first quarter	End-second quarter	End-third quarter	Fiscal year-end	Annual total			
	¥	¥	¥	¥	¥	¥ million	%	%
FY Ended Sep. 30, 2023	—	0.00	—	0.00	0.00	—	—	—
FY Ended Sep. 30, 2024	—	0.00	—	0.00	0.00	—	—	—
FY Ending Sep. 30, 2025 (Forecast)	—	0.00	—	0.00	0.00		—	

3. Earnings Forecast for the Fiscal Year Ending September 30, 2025 (October 1, 2024 to September 30, 2025)

(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, 2025	917	(4.3)	3	-	1	-	(6)	-	0.58
Full year	1,918	5.1	66	-	63	-	32	-	3.02

Notes

(1) Significant changes in the scope of consolidation during the period: None

(2) 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

(3) Number of shares issued (common stock)

1) Number of shares issued at end of period (treasury shares included):
   September 30, 2024: 11,425,592 shares
   September 30, 2023: 11,425,592 shares
2) Number of shares held in treasury at end of period:
   September 30, 2024: 742,917 shares
   September 30, 2023: 745,317 shares
3) Average number of shares outstanding during the period:
   September 30, 2024: 10,681,697 shares
   September 30, 2023: 10,661,645 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, September 30, 2024: 742,100 shares) are included in the number of treasury shares.

***** This earnings report is exempt from auditing 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 “(4) Outlook for Fiscal Year Ending September 30, 2025” on page 5 in section “1. Operating Results and Financial Position” in the Accompanying Materials.

(Supplementary materials to quarterly financial results)
Supplementary materials to the financial results (Fact Sheets) will be posted on the Company's website on November 12, 2024.

Accompanying Materials

Contents

1. Operating Results and Financial Position 2
(1) Operating Results 2
(2) Financial Position 4
(3) Cash Flows 4
(4) Outlook for Fiscal Year Ending September 30, 2025 5
2. Basic Policy on the Selection of Accounting Standards 5
3. Consolidated Financial Statements and Main Notes 6
(1) Consolidated Balance Sheet 6
(2) Consolidated Statement of Income and Consolidated Statement of Comprehensive Income 8
(3) Consolidated Statements of Changes in Equity 10
(4) Consolidated Statement of Cash Flows 12
(5) Notes on the Consolidated Financial Statements 13
(Notes on the going-concern assumption) 13
(Segment information) 13
(Per share data) 17
(Significant subsequent events) 18

1. Operating Results and Financial Position

(1) Operating Results

In the fiscal year ended September 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 and prolonged depreciation of the yen, despite a continuous moderate recovery trend in the economic environment resulting from the recovery of personal consumption and the increase in inbound demand.

According to the “FY2023 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 9.23% year on year to 24.8 trillion yen, and the B2B-EC market size rose 10.7% year on year to 465.2 trillion yen in 2023. 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 9.38% for B2C-EC and 40.0% for B2B-EC, and the digitalization of commercial transactions is expected to continue to advance.

In the current economic 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 uncertain economic conditions. Thus, the Group has worked on the revision of the cost structure and the improvement of productivity while promoting functional enhancement and sales of existing services that support customers' business growth.

The following is a breakdown of the Group’s business results.

Consolidated net sales in the fiscal year ended September 30, 2024, totaled 1,825,900 thousand yen, down 22.0% year on year. This result mainly reflects the decrease in the total number of 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.

Cost of sales decreased 19.8% year on year to 888,696 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 24.5% year on year to 993,526 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 fiscal year ended September 30, 2024, the Group posted an operating loss of 56,322 thousand yen (operating loss of 83,730 thousand yen in the previous fiscal year). Ordinary loss was 58,094 thousand yen (ordinary loss of 76,529 thousand yen in the previous fiscal year). Loss attributable to owners of parent came to 393,545 thousand yen (loss attributable to owners of parent of 127,956 thousand yen in the previous fiscal year) due to impairment loss recorded for software in the E-Commerce Support Business and tax effect accounting.

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	Fiscal year ended September 30, 2023 (October 1, 2022 to September 30, 2023)		Fiscal year ended September 30, 2024 (October 1, 2023 to September 30, 2024)		Change	Change (%)
			Amount	Weighting (%)	Amount	Weighting (%)		
a	Subsc-Store	Recurring revenue	373,959	19.9	323,422	22.1	(50,536)	(13.5)
		Contract development revenue	223,422	11.9	31,377	2.1	(192,044)	(86.0)
		Other revenue	105,628	5.6	95,225	6.5	(10,403)	(9.8)
	Tamago Repeat	Recurring revenue	393,655	21.0	325,849	22.2	(67,806)	(17.2)
		Contract development revenue	-	-	-	-	-	-
		Other revenue	47,547	2.5	34,230	2.3	(13,316)	(28.0)
	Subtotal		1,144,213	60.9	810,105	55.3	(334,107)	(29.2)
b	Payment fees	GMV-linked revenue	479,135	25.5	426,456	29.1	(52,679)	(11.0)
c	Others	Recurring revenue	79,926	4.3	95,451	6.5	15,525	19.4
		Contract development revenue	125,496	6.7	104,955	7.2	(20,541)	(16.4)
		Other revenue	50,195	2.7	29,272	2.0	(20,923)	(41.7)
	Subtotal		255,618	13.6	229,679	15.7	(25,939)	(10.1)
Total (a+b+c)			1,878,967	100.0	1,466,240	100.0	(412,726)	(22.0)

a. Subsc-Store service user accounts totaled 400, down 16.1% year on year, and Tamago Repeat service user accounts totaled 408, down 15.4% year on year. Total service user accounts stood at 808, down 15.7% year on year. Revenue totaled 810,105 thousand yen, down 29.2% year on year, as recurring revenue (*2) declined due to the decrease in 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 124.1 billion yen, down 4.4% year on year, mainly reflecting decreases in service user accounts. GMV-linked revenue (*4) totaled 426,456 thousand yen, down 11.0% year on year.

c. Accounts (corporate contracts) for the Subsc-@ service targeted at physical stores decreased to 175, down 2.8% year on year, and Subsc-Store B2B accounts targeted at B2B service providers decreased to 21, down 4.5% year on year, which means a slight decrease in the number of accounts. However, recurring revenue increased, rising 19.4% year on year to 95,451 thousand yen, since the average number of accounts during the period increased from the previous fiscal year. On the other hand, contract development revenue decreased 16.4% year on year to 104,955 thousand yen owing to a decline in web page production services related to Subsc-@. As a result, revenue from other services totaled 229,679 thousand yen, down 10.1% year on year.

As a result of the above factors, revenue from the E-Commerce Support Business came to 1,466,240 thousand yen, down 22.0% year on year, and segment loss was 38,773 thousand yen (segment loss of 113,407 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 359,659 thousand yen, down 22.2% year on year, and segment loss amounted to 6,050 thousand yen (segment profit of 32,493 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 is 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 September 30, 2024, totaled 1,541,557 thousand yen, a 712,981 thousand yen decrease from September 30, 2023, the end of the previous fiscal year. This was mainly due to a decrease of 290,126 thousand yen in cash and deposits, such as from the repayment of loans payable, a decrease of 249,647 thousand yen mainly resulting from impairment loss of software for the E-Commerce Support Business, and a decrease of 80,984 thousand yen in deferred tax assets resulting from the revision of collectability.

(Liabilities)

Consolidated liabilities as of September 30, 2024, totaled 840,990 thousand yen, a 322,166 thousand yen decrease from September 30, 2023. The decrease mainly reflects a 205,512 thousand yen decrease in long-term loans payable (including the current portion of long-term loans payable).

(Net assets)

Consolidated net assets as of September 30, 2024, totaled 700,567 thousand yen, a 390,815 thousand yen decrease from September 30, 2023. This decrease mainly reflects a 393,545 thousand yen decrease in retained earnings.

(3) Cash Flows

Cash and cash equivalents ("cash") as of September 30, 2024, totaled 910,419 thousand yen. Cash flows from operating, investing, and financing activities were as follows.

(Cash flows from operating activities)

Operating activities provided net cash of 29,576 thousand yen. The main inflows were 145,758 thousand yen in depreciation and 241,089 thousand yen in impairment loss, despite 307,215 thousand yen in loss before income tax.

(Cash flows from investing activities)

Investing activities used net cash of 117,791 thousand yen. This was primarily 117,176 thousand yen to purchase intangible assets.

(Cash flows from financing activities)

Financing activities used net cash of 201,912 thousand yen. This was mostly 205,512 thousand yen in repayments of long-term loans payable.

(4) Outlook for Fiscal Year Ending September 30, 2025

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 uncertain economic conditions. Thus, the Group will seek business growth by continuing to promote functional enhancement and sales of existing services that support customers' business growth, and creating services that contribute to customers' business growth not only in the existing areas but also in new business areas. The Group will also improve profit by continuing to work on the revision of the cost structure and the improvement of productivity.

With this promotion, the consolidated earnings forecast for the fiscal year ending September 30, 2025, is net sales of 1,918 million yen (up 5.1% year on year), operating profit of 66 million yen, ordinary profit of 63 million yen, and profit attributable to owners of parent of 32 million yen, as shown below.

(Unit: million yen)

	Fiscal year ended September 30, 2024 (October 1, 2023 to September 30, 2024)	Fiscal year ending September 30, 2025 (October 1, 2024 to September 30, 2025)	Change	Change (%)
Net sales	1,825	1,918	92	5.1%
Operating profit (loss)	(56)	66	122	―
Ordinary profit (loss)	(58)	63	121	―
Profit (loss) attributable to owners of parent	(393)	32	425	―

The above forecast was prepared based on information available as of the day of the release of this earnings report. Actual performance may differ from the forecast figures due to a variety of factors.

2. Basic Policy on the Selection of Accounting Standards

The Company's policy, for the time being, is to prepare consolidated financial statements in accordance with Japanese GAAP, taking into consideration the comparability of consolidated financial statements between periods and between companies.

The Company's policy is to consider application of the International Financial Reporting Standards based on consideration of circumstances in Japan and overseas.

3. Consolidated Financial Statements and Main Notes

(1) Consolidated Balance Sheet

(Unit: thousands of yen)

	As of September 30, 2023	As of September 30, 2024
Assets		
Current assets		
Cash and deposits	1,200,545	910,419
Accounts receivable - trade	169,002	156,748
Contract assets	47,389	42,540
Other	79,456	69,492
Allowance for doubtful accounts	(2,365)	(1,986)
Total current assets	1,494,029	1,177,213
Non-current assets		
Property, plant and equipment		
Buildings, net	29,530	17,492
Other, net	17,260	9,890
Total property, plant and equipment	46,791	27,383
Intangible assets		
Software	255,473	5,825
Goodwill	231,726	201,078
Total intangible assets	487,199	206,904
Investments and other assets		
Investment securities	17,250	2,250
Deferred tax assets	131,753	50,768
Other	81,184	77,267
Allowance for doubtful accounts	(3,667)	(229)
Total investments and other assets	226,519	130,056
Total non-current assets	760,510	364,344
Total assets	2,254,539	1,541,557

(Unit: thousands of yen)

	As of September 30, 2023	As of September 30, 2024
Liabilities		
Current liabilities		
Accounts payable - trade	72,542	47,183
Short-term loans payable	200,000	200,000
Accounts payable - other	106,640	54,877
Current portion of long-term loans payable	205,512	129,904
Income taxes payable	24,112	5,946
Contract liabilities	68,632	76,030
Other	49,043	25,834
Total current liabilities	726,484	539,775
Non-current liabilities		
Long-term loans payable	424,923	295,019
Provision for share awards	11,750	6,195
Total non-current liabilities	436,673	301,214
Total liabilities	1,163,157	840,990
Net assets		
Shareholders' equity		
Capital stock	386,421	386,421
Capital surplus	376,421	377,973
Retained earnings	875,201	481,656
Treasury shares	(583,744)	(582,035)
Total shareholders' equity	1,054,300	664,016
Stock acquisition rights	37,082	34,438
Non-controlling interests	-	2,112
Total net assets	1,091,382	700,567
Total liabilities and net assets	2,254,539	1,541,557

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

Consolidated Statement of Income

(Unit: thousands of yen)

	Fiscal Year ended September 30, 2023	Fiscal Year ended September 30, 2024
Net sales	2,341,027	1,825,900
Cost of sales	1,108,696	888,696
Gross profit	1,232,331	937,204
Selling, general and administrative expenses	1,316,061	993,526
Operating loss	(83,730)	(56,322)
Non-operating income		
Interest income	9	94
Dividend income	226	338
Commission income	112	5
Contract service income	680	604
Subsidy income	10,787	1,051
Gain on sale of goods	259	366
Other	1,097	144
Total non-operating income	13,173	2,603
Non-operating expenses		
Interest expenses	2,710	4,375
Loss on sale of notes and accounts receivable - trade	3,262	-
Total non-operating expenses	5,972	4,375
Ordinary loss	(76,529)	(58,094)
Extraordinary income		
Gain on reversal of share acquisition rights	-	6,968
Total extraordinary income	-	6,968
Extraordinary losses		
Loss on valuation of investment securities	49,999	14,999
Impairment loss	-	241,089
Total extraordinary losses	49,999	256,089
Loss before income taxes	(126,529)	(307,215)
Income taxes	21,891	5,280
Current	(20,465)	80,984
Deferred	1,426	86,264
Total income taxes	(127,956)	(393,480)
Loss for the period	-	65
Net Income Attributable to Non-Controlling Interests	(127,956)	(393,545)
Loss attributable to owners of the parent	(175,715)	(127,956)

Consolidated Statement of Comprehensive Income

(Unit: thousands of yen)

	Fiscal Year ended September 30, 2023	Fiscal Year ended September 30, 2024
Loss for the period	(127,956)	(393,545)
Comprehensive income	(127,956)	(393,545)
Comprehensive income attributable to:		
Comprehensive income attributable to owners of the parent	(127,956)	(393,545)
Comprehensive income attributable to Non-Controlling Interests	-	65

(3) Consolidated Statements of Changes in Equity

Fiscal year ended September 30, 2023 (From October 1, 2022, to September 30, 2023)

(Unit: thousands of yen)

	Shareholders' Equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	385,671	375,671	1,003,158	(583,744)	1,180,756
Changes during period					
Issuance of new shares	750	750			1,500
Change in ownership interest of parent due to transactions with non-controlling interests					-
Loss attributable to owners of the parent			(127,956)		(127,956)
Disposal of treasury shares					-
Net changes of items other than shareholders' equity					
Total changes during period	750	750	(127,956)	-	(126,456)
Balance at end of period	386,421	376,421	875,201	(583,744)	1,054,300

	Stock acquisition rights	Non-controlling interests	Total net assets
Balance at beginning of period	20,277	-	1,201,034
Changes during period			
Issuance of new shares			1,500
Change in ownership interest of parent due to transactions with non-controlling interests			-
Loss attributable to owners of the parent			(127,956)
Disposal of treasury shares			-
Net changes of items other than shareholders' equity	16,804	-	16,804
Total changes during period	16,804	-	(109,651)
Balance at end of period	37,082	-	1,091,382

Fiscal year ended September 30, 2024 (From October 1, 2023, to September 30, 2024)

(Unit: thousands of yen)

	Shareholders' Equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	386,421	376,421	875,201	(583,744)	1,054,300
Changes during period					
Issuance of new shares					-
Change in ownership interest of parent due to transactions with non-controlling interests		1,552			1,552
Loss attributable to owners of the parent			(393,545)		(393,545)
Disposal of treasury shares				1,708	1,708
Net changes of items other than shareholders' equity					
Total changes during period	-	1,552	(393,545)	1,708	(390,284)
Balance at end of period	386,421	377,973	481,656	(582,035)	664,016

	Stock acquisition rights	Non-controlling interests	Total net assets
Balance at beginning of period	37,082	-	1,091,382
Changes during period			
Issuance of new shares			-
Change in ownership interest of parent due to transactions with non-controlling interests			1,552
Loss attributable to owners of the parent			(393,545)
Disposal of treasury shares			1,708
Net changes of items other than shareholders' equity	(2,643)	2,112	(530)
Total changes during period	(2,64)	2,112	(390,815)
Balance at end of period	34,438	2,112	700,567

(4) Consolidated Statement of Cash Flows

(Unit: thousands of yen)

	Fiscal year ended September 30, 2022	Fiscal year ended September 30, 2023
Cash flows from operating activities		
Loss before income taxes	(126,529)	(307,215)
Depreciation	147,309	145,758
Amortization of goodwill	29,148	30,648
Loss (gain) on valuation of investment securities	49,999	14,999
Gain on reversal of share acquisition rights	-	(6,968)
Impairment loss	-	241,089
Interest and dividend income	(235)	(432)
Interest expenses	2,710	4,375
Decrease (increase) in notes and accounts receivable – trade	115,390	12,254
Decrease (increase) in contract assets	(47,389)	4,848
Increase (decrease) in notes and accounts payable - trade	(63,556)	(25,358)
Increase (decrease) in accounts payable – other	(8,454)	(51,763)
Increase (decrease) in contract liabilities	(17,201)	7,397
Other	103,730	(7,221)
Subtotal	184,920	62,410
Interest and dividend income received	235	432
Interest paid	(2,796)	(4,739)
Income taxes refund (paid)	47,357	(28,527)
Cash flow from operating activities	229,716	29,576
Cash flows from investing activities		
Purchase of property, plant and equipment	(2,441)	(614)
Purchase of intangible assets	(146,113)	(117,176)
Purchase of investment securities	(15,000)	-
Proceeds from sale of investment securities	0	-
Proceeds from settlement of contingent consideration	15,000	-
Proceeds from refund of leasehold and guarantee deposits	2,385	-
Cash flow from investing activities	(146,170)	(117,791)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(100,000)	-
Proceeds from long-term loans payable	400,000	-
Repayments of long-term loans payable	(179,464)	(205,512)
Proceeds from issuance of shares resulting from exercise of share acquisition rights	1,500	-
Proceeds from sale of shares of subsidiaries not resulting in change in scope of consolidation	-	3,600
Cash flow from financing activities	122,036	(201,912)
Effect of exchange rate change on cash and cash equivalents	-	-
Net increase (decrease) in cash and cash equivalents	205,582	(290,126)
Cash and cash equivalents at beginning of period	994,963	1,200,545
Cash and cash equivalents at end of period	1,200,545	910,419

(5) Notes on the Consolidated Financial Statements

(Notes on the going-concern assumption)

Not applicable.

(Segment information, etc.)

Segment information

I. Overview of reportable segments

The Temona Group's reportable segments are constituent units of the Group for which separate financial information is available, and are subject to periodic review by the Board of Directors to determine the allocation of management resources and evaluate their business performance.

The Temona Group's operations can be categorized into two reportable segments: E-Commerce Support Business and Engineering Business. The E-Commerce Support Business provides systems to operate e-commerce sites specializing in subscription businesses, as well as a range of services related to customer acquisition, customer support, logistics, etc., that support the operation of subscription businesses. In the Engineering Business, Sackle Inc. provides contract system development services and system engineering services that provide customers with software engineer skills.

2. Calculation method for net sales, income/loss, assets, liabilities, and other amounts by reportable segment

The accounting method for the reported business segments is in accordance with the accounting policies adopted to prepare the consolidated financial statements.

3. Net sales, income/loss, assets, liabilities, and other amounts by reportable segment

Fiscal year ended September 30, 2023 (October 1, 2022, to September 30, 2023)

(Unit: Thousands of yen)

	Reportable segment			Adjustments (Note 1, 2)	Reported in consolidated statement of income (note 3)
	E-Commerce Support Business	Engineering Business	Total		
Net sales					
Sales to external customers	1,878,967	462,060	2,341,027	-	2,341,027
Intersegment sales or transfers	-	131,375	131,375	(131,375)	-
Total	1,878,967	593,436	2,472,403	(131,375)	2,341,027
Segment income (loss)	(113,407)	32,493	(80,913)	(2,816)	△83,730
Segment assets	1,721,662	542,779	2,264,442	(9,903)	2,254,539
Other items					
Depreciation	144,399	2,909	147,309	-	147,309
Amortization of goodwill	4,260	24,888	29,148	-	29,148
Increase in property, plant and equipment and Intangible assets	152,018	674	152,692	4,309	148,382

Notes: 1. Adjustments for segment income (loss) of 2,816 thousand yen include intersegment transactions elimination.
2. Adjustments for segment assets of 9,903 thousand yen include elimination of receivables and payables between segments.
3. Segment income (loss) is adjusted based on operating loss reported in the consolidated statement of income for the corresponding period.

Fiscal year ended September 30, 2024 (October 1, 2023, to September 30, 2024)

(Unit: Thousands of yen)

	Reportable segment			Adjustments (Note 1, 2)	Reported in consolidated statement of income (note 3)
	E-Commerce Support Business	Engineering Business	Total		
Net sales					
Sales to external customers	1,466,240	359,659	1,825,900	-	1,825,900
Intersegment sales or transfers	-	82,706	82,706	(82,706)	-
Total	1,466,240	442,365	1,908,606	(82,706)	1,825,900
Segment loss	(38,773)	(6,050)	(44,824)	(11,498)	(56,322)
Segment assets	1,086,179	464,194	1,550,373	(8,815)	1,541,557
Other items					
Depreciation	144,798	3,091	147,889	-	147,889
Amortization of goodwill	5,760	24,888	30,648	-	30,648
Increase in property, plant and equipment and Intangible assets	132,390	614	133,005	-	133,005

Notes: 1. Adjustments for segment loss of 11,498 thousand yen include intersegment transactions elimination.
2. Adjustments for segment assets of 8,815 thousand yen include elimination of receivables and payables between segments.
3. Segment loss is adjusted based on operating loss reported in the consolidated statement of income for the corresponding period.

[Information associated with reportable segments]

Fiscal year ended September 30, 2023 (October 1, 2022, to September 30, 2023)

1. Information for each product or service

(Unit: thousands of yen)

	Reportable segment					Total
	E-Commerce Support Business				Engineering Business	
	Subsc-Store	Tamago Repeat	Payment fees (*)	Others		
Revenue category						
Recurring revenue	373,959	393,655	-	79,926	-	847,541
Contract development revenue	223,422	-	-	125,496	462,060	810,978
GMV-linked revenue	-	-	479,135	-	-	479,135
Other revenue	105,628	47,547	-	50,195	-	203,371
Revenue from contracts with customers	703,010	441,203	479,135	255,618	462,060	2,341,027
Other revenues	-	-	-	-	-	-
Sales to external customers	703,010	441,203	479,135	255,618	462,060	2,341,027
Timing of revenue recognition						
Services to be transferred at one point in time	329,050	47,547	479,135	139,358	393,548	1,388,640
Services transferred over a period of time	373,959	393,655	-	116,260	68,511	952,387
Sales to external customers	703,010	441,203	479,135	255,618	462,060	2,341,027

* Payment fees are incurred in associated with services of "Subsc-Store," "Tamago Repeat," and "Others" segments, but are shown separately because it is difficult to classify them by service.

2. Information by geographic area

(1) Net sales

The information is omitted here because net sales to external customers in Japan account for more than 90% of the net sales on the consolidated statement of income.

(2) Property, plant and equipment

The information is omitted here because there is no property, plant and equipment located outside Japan.

3. Information by major customer

The information is omitted here because no customer accounts for more than 10% of the net sales on the consolidated statement of income.

Fiscal year ended September 30, 2024 (October 1, 2023, to September 30, 2024)

1. Information for each product or service

(Unit: thousands of yen)

	Reportable segment					Total
	E-Commerce Support Business				Engineering Business	
	Subsc-Store	Tamago Repeat	Payment fees (*)	Others		
Revenue category						
Recurring revenue	323,422	325,849	-	95,451	-	744,723
Contract development revenue	31,377	-	-	104,955	359,659	495,992
GMV-linked revenue	-	-	426,456	-	-	426,456
Other revenue	95,225	34,230	-	29,272	-	158,728
Revenue from contracts with customers	450,025	360,080	426,456	229,679	359,659	1,825,900
Other revenues	-	-	-	-	-	-
Sales to external customers	450,025	360,080	426,456	229,679	359,659	1,825,900
Timing of revenue recognition						
Services to be transferred at one point in time	126,602	34,230	426,456	121,896	289,273	998,459
Services transferred over a period of time	323,422	325,849	-	107,782	70,386	827,441
Sales to external customers	450,025	360,080	426,456	229,679	359,659	1,825,900

* Payment fees are incurred in associated with services of "Subsc-Store," "Tamago Repeat," and "Others" segments, but are shown separately because it is difficult to classify them by service.

2. Information by geographic area

(1) Net sales

The information is omitted here because net sales to external customers in Japan account for more than 90% of the net sales on the consolidated statement of income.

(2) Property, plant and equipment

The information is omitted here because there is no property, plant and equipment located outside Japan.

3. Information by major customer

The information is omitted here because no customer accounts for more than 10% of the net sales on the consolidated statement of income.

[Impairment loss on non-current assets by reportable segment]

Fiscal year ended September 30, 2023 (October 1, 2022, to September 30, 2023)

Not applicable.

Fiscal year ended September 30, 2024 (October 1, 2023, to September 30, 2024)

(Unit: thousands of yen)

	E-Commerce Support Business	Engineering Business	Total
Impairment loss	241,089	-	241,089

[Amortization for and unamortized balance of goodwill by reportable segment]

Fiscal year ended September 30, 2023 (October 1, 2022, to September 30, 2023)

(Unit: thousands of yen)

	E-Commerce Support Business	Engineering Business	Total
Balance as of Sept. 30, 2023	20,160	211,566	231,726

Notes:1 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.

2 The amount of amortization of goodwill is omitted here because the same information is presented in the “Segment Information, etc.” above.

Fiscal year ended September 30, 2024 (October 1, 2023, to September 30, 2024)

(Unit: thousands of yen)

	E-Commerce Support Business	Engineering Business	Total
Balance as of Sept. 30, 2024	14,400	186,678	201,078

Note: The amount of amortization of goodwill is omitted here because the same information is presented in the “Segment Information, etc.” above.

[Gain on negative goodwill by reportable segment]

Fiscal year ended September 30, 2023 (October 1, 2022, to September 30, 2023)

Not applicable.

Fiscal year ended September 30, 2024 (October 1, 2023, to September 30, 2024)

Not applicable.

(Per share data)

	Fiscal Year ended September 30, 2023	Fiscal Year ended September 30, 2024
Net assets per share (yen)	98.71	62.16
Basic loss per share (yen)	(12.00)	(36.84)
Diluted earnings per share (yen)	-	-

Notes:1. 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. In the calculation of “basic loss per share,” the Company's own shares held by the “Board Benefit Trust” and “Employees Benefit Trust” are included in treasury shares and are deducted from the calculation of the average number of shares outstanding during the period. In the calculation of “net assets per share”, these shares are included in treasury shares and are deducted from the calculation of the number of shares issued at end of period.
For reference, the average number of these own shares during the period was 743,078 shares, and the number of these own shares at end of period was 742,100 shares.

3. The basis for calculating basic loss per share is as follows.

	Fiscal Year ended September 30, 2023	Fiscal Year ended September 30, 2024
Basic loss per share		
Loss attributable to owners of the parent (thousands of yen)	(127,956)	(393,545)
Amounts not attributable to common shareholders (thousands of yen)	-	-
Loss attributable to common shareholders (thousands of yen)	(127,956)	(393,545)
Average number of shares outstanding during the period (shares)	10,661,645	10,681,697
Diluted earnings per share		
Adjustment on profit attributable to owners of the parent (thousands of yen)	-	-
Increase in number of common shares (shares)	-	-
[Stock acquisition rights] (shares)	-	-
Summary of dilutive stock not included in the calculation of diluted earnings per share due to not having dilutive effects	-	-

4. The basis for calculating net assets per share is as follows.

	September 30, 2023	September 30, 2024
Total net assets on the consolidated balance sheets (thousands of yen)	1,091,382	700,567
Amount deducted from total net assets (thousands of yen)	37,082	36,551
[Stock acquisition rights] (thousands of yen)	(37,082)	(34,438)
Net assets attributable to common shares at period-end (thousands of yen)	1,054,300	664,016
Number of common shares at period-end that are used for calculation of net assets per share (shares)	10,680,275	10,682,675

(Significant subsequent events)

(Establishment of a subsidiary)

At the Board of Directors meeting held on November 6, 2024, the Company resolved to establish a subsidiary as shown below. This subsidiary will become a specified subsidiary of the Company since its capital stock will be equal to or more than 10/100 of the capital stock of the Company.

1. Purpose of the establishment of the subsidiary

Today, repeated online shopping services have been considered to be included in subscription services and recognized as a common service. The service area of subscription services is continuously expanding, ranging from digital video distribution services to food, software, home appliances, and car rental services, and subscription services are now widespread as a common form of service. On the other hand, subscription service providers are facing various business challenges, such as lack of funds, insufficient know-how in the subscription business, and labor shortage.

Under the purpose "enrich the world with subscriptions," the Temona Group has provided various subscription service providers with services and business support through technology and know-how specialized in subscription services. However, because it is necessary to further strengthen and promote business support in order to realize the purpose, the Group resolved to establish a new subsidiary.

The subsidiary will continuously contribute to the business growth of subscription service providers by building stronger relationships with subscription service providers through the provision of funding services to subscription service providers and the cross-selling (provision of leads) of services owned by the Temona Group.

2. Overview of the subsidiary to be established

(1) Name	Subscription Solutions Co., Ltd
(2) Address	Totate International Building Main Building 9th Floor, 2-12-19 Shibuya, Shibuya-ku, Tokyo
(3) Title and name of the representative	Hayato Sagawa, Representative Director
(4) Business description	・Planning and sales of systems and platforms ・Financial services (factoring, money lending, corporate investment, fund formation, settlement) ・Sales, leasing, repair, and management of devices ・Fulfillment services (logistics, call centers, web page production, advertising)
(5) Capital stock and capital reserve	Capital stock 50 million yen, capital reserve 50 million yen
(6) Date of establishment	Early December 2024
(7) Fiscal year-end	September
(8) Investment ratio	TEMONA. Inc. 100.0%