May 10, 2022

Consolidated Quarterly Financial Results for the First Three Months Ended March 31, 2022 (Under Japanese GAAP)

Company name: IBJ, Inc.
Listing: Tokyo Stock Exchange
Securities code: 6071
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Scheduled date of filing quarterly report: May 12, 2022
Scheduled date of commencing dividend payments: -
Preparation of supplementary material on financial results: Yes
Holding of financial results briefing: None (Recorded video will be distributed)

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Consolidated quarterly financial results for the first three months of the fiscal year ending December 31, 2022 (from January 1, 2022 to March 31, 2022)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Three months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
March 31, 2022	3,648	10.7	424	18.6	424	28.7	361	43.0
March 31, 2021	3,294	-4.8	357	-32.6	330	-36.2	252	-22.2

Note: Comprehensive income For the three months ended March 31, 2022: ¥356 million [31.2%]
For the three months ended March 31, 2021: ¥271 million [-13.1%]

	Basic earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
March 31, 2022	9.02	–
March 31, 2021	6.31	–

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
March 31, 2022	13,545	6,739	46.8	158.20
December 31, 2021	13,314	6,623	46.3	154.10

Reference: Equity
As of March 31, 2022: ¥6,335 million
As of December 31, 2021: ¥6,170 million

2. Dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended December 31, 2021	–	0.00	–	6.00	6.00
Fiscal year ending December 31, 2022	–				
Fiscal year ending December 31, 2022 (Forecast)		–	–	–	–

Note: Revision to the forecast for dividends announced most recently: None

The Company's Articles of Incorporation stipulate the last day of the second quarter and the end of the fiscal year as the record date for dividends, but the dividend forecasts for these record dates have not been determined at this time.

3. Consolidated financial results forecast for the fiscal year ending December 31, 2022 (January 1, 2022 to December 31, 2022)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
2Q (cumulative)	7,222	6.9	666	-2.6	663	7.1	490	33.4	12.21
Full year	14,550	3.3	1,655	9.2	1,635	14.6	1,405	33.3	35.04

Note: Revision to the financial results forecast announced most recently: None

*** Notes**

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None

Newly included: – companies (–)
Excluded: – companies (–)

(2) Accounting methods adopted particularly for the preparation of quarterly consolidated financial statements: None

(3) Changes in accounting policies, changes in accounting estimates, and restatement

(i) Changes in accounting policies due to revisions to accounting standards and other regulations: Yes

(ii) Changes in accounting policies due to other reasons: None

(iii) Changes in accounting estimates: None

(iv) Restatement: None

(4) Number of issued shares (ordinary shares)

(i) Total number of issued shares at the end of the period (including treasury shares)

As of March 31, 2022	42,000,000 shares
As of December 31, 2021	42,000,000 shares

(ii) Number of treasury shares at the end of the period

As of March 31, 2022	1,955,106 shares
As of December 31, 2021	1,955,106 shares

(iii) Average number of shares during the period

Three months ended March 31, 2022	40,044,894 shares
Three months ended March 31, 2021	40,028,430 shares

* These quarterly financial results reports are exempt from review by certified public accountants or an audit corporation.

* Proper use of earnings forecasts, and other special matters

Financial results forecasts and other forward-looking statements provided in these materials are based on information available to the Company and certain other assumptions deemed reasonable as of the date of publication of this document, and do not represent any guarantee that the Company will achieve these results. Actual financial results and other aspects of business performance may differ significantly from these forecasts owing to various factors.

Please refer to “1. Qualitative information for the 1st quarter of the fiscal year ending December 31, 2022, (3) Overview of consolidated financial results forecast and other forward-looking information” on pages 6 of this financial results report (attached materials) for conditions forming the basis for financial results forecasts, notes regarding the use of financial results forecasts, and other information.

(How to obtain the supplementary material on financial results)

The supplementary material on financial results is disclosed on TDnet simultaneously.

〇 Table of contents of the attached materials

1. Qualitative information for the 1st quarter of the fiscal year ending December 31, 2022

(1) Operating results

In the first three months of the fiscal year under review, the outlook for the Japanese economy remained more uncertain than ever, affected by the Russian invasion of Ukraine and the economic sanctions against Russia imposed by the governments of the various nations of the world, amid the prolonged impact of COVID-19.

Despite the impact of COVID-19, the Group continues to strive to expand our business in order to realize the aims of the Mid-Term Management Plan (January 2021 to December 2027): “25,000 marriages,” “10,000 affiliated consultation offices,” “200,000 members for arranged marriage meetings,” and “250,000 matching members.”

In the first three months of the fiscal year under review, the number of affiliates in different industries, including large corporations, has increased while our support methods designed to lead to marriage have spread among the affiliates. In addition, we have implemented business transformation in the Life Design Business. As a result, consolidated net sales in the first three months of the fiscal year under review came to 3,648,067 thousand yen (up 10.7% year on year), operating profit was 424,073 thousand yen (up 18.6% year on year), ordinary profit was 424,622 thousand yen (up 28.7% year on year), and profit attributable to owners of parent was 361,199 thousand yen (up 43.0% year on year).

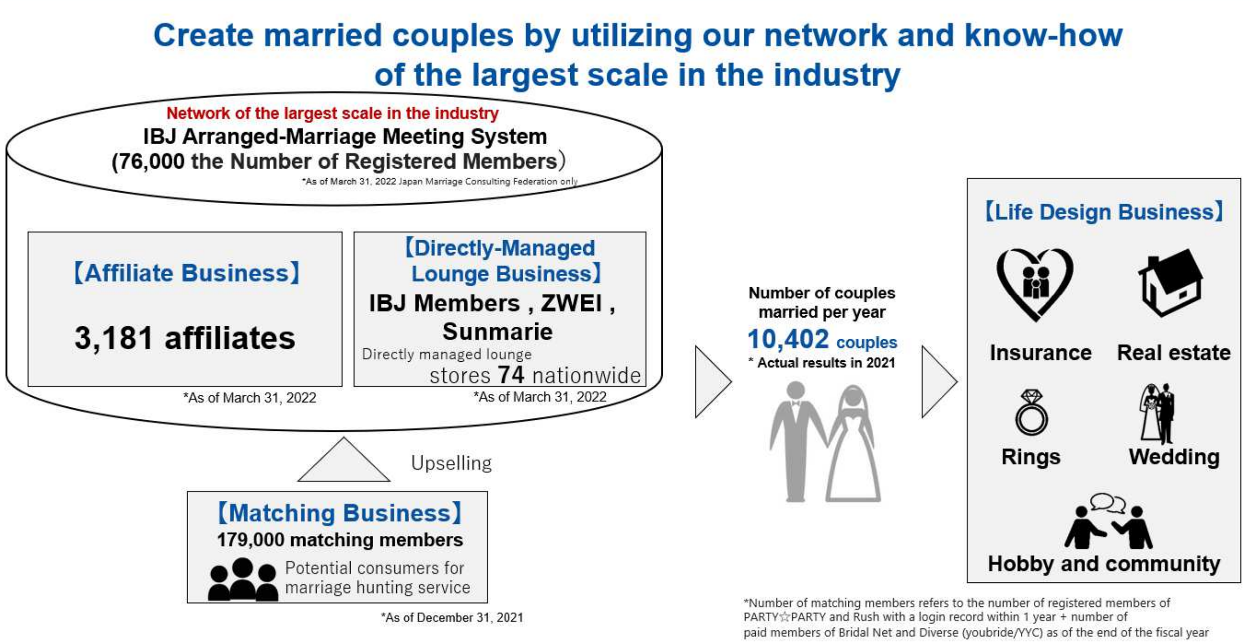
The operating results for each segment are outlined below.

The Group’s reportable segments that were previously divided into Marriage-Hunting Business and Life Design Business were changed to Affiliate Business, Directly-Managed Lounge Business, Matching Business, and Life Design Business in the first quarter ended March 31, 2022. This change was made after we concluded that the Group can further strengthen business administration and maximize earnings by reviewing the composition of our business segments based on their common features, mainly subdividing the existing Marriage-Hunting Business into smaller segments.

The year-on-year comparisons in the following pages are based on the figures for the 1st quarter of the previous fiscal year which were incorporated into the new segments.

For details, please refer to 2. Quarterly consolidated quarterly financial statements and major notes, (3) Notes to quarterly consolidated financial statements (Segment information, etc.)

Connection between Segments



<Affiliate Business>

In the first three months of the fiscal year under review, segment net sales amounted to 560,863 thousand yen (up 6.8% year on year) and divisional profit (divisional profit is defined as operating income + depreciation + amortization of goodwill + amortization of long-term prepaid expenses (after adjusting internal transactions)) was 323,425 thousand yen (down 7.6% year on year).

There is a growing need to open a business as a side job for individuals or as a new business for corporations due to the recent impact of COVID-19 and other factors. In the Affiliate Business, the number of new business openings has steadily increased due to our three advantages: 1) network of the largest scale in the industry (76,000 the Number of Registered Members *as of March 31, 2022), 2) know-how leading to marriage (10,402 marriages in a year *FY2021), and 3) support system for affiliates (3,181 affiliates *as of March 31, 2022). As a result of our efforts to increase the number of sales personnel and to spread our sales method, the number of affiliated consultation offices increased by 449 compared with the same period of the previous year and net sales increased 6.8% year on year. This increase in the number of affiliated consultation offices led to a steadily growing number of registered members, which resulted in the number of arranged marriage meetings to exceed 50,000 in March. On the other hand, divisional profit decreased 7.6% year on year due to the impact of prior investments in sales personnel, advertising and publicity, etc.

The earnings structure of the Affiliate Business consists of one-time-fee revenue and recurring revenue.

One-time-fee revenue is calculated by multiplying the joining fees by the number of new business openings that is estimated to be 100 per month on average in 2022. Recurring revenue is calculated by multiplying the fee for use of the system by the number of affiliates, but we believe that there is room for increasing the number of affiliates as well as raising the unit price per affiliate by improving the service quality to increase the utility value of the system.

To differentiate the quality of our service from other services, our network of the largest scale in the industry, that is the pride of the Company, is equipped with a platform that drives digital transformation (DX) of the marriage-hunting industry, including: 1) integrated management of members' marriage-hunting activities that allows matchmakers to manage the entire process from marriage partner introduction to relationship management in a single system, 2) a database accumulating big data of 76,000 the Number of Registered Members, including sensitive member profiles and requirements for their marriage partner, and 3) a system to increase the number of introductions by identifying candidates they might potentially like through highly accurate matching based on analysis using AI. In addition, through the network, we provide support for marriage by using analog human-wave tactics.

Specifically, 5,286 matchmakers as supporters for marriage hunting provide three types of support that lead to marriage, from planning for marriage hunting, supporting an arranged marriage meeting, to supporting a relationship, which results in more than 10,000 couples married in a year.

At the same time, we have enhanced our training programs for affiliates and support for start-ups by holding a method school, ambassador clubs (study groups/clubs where affiliates share best practices, etc., with each other), an IBJ regular meeting, and a networking event, resulting in further strengthening the affiliate network.

In addition, we have implemented expanded measures to increase the number of affiliates to 10,000 companies, including 1) expanding tie-ups with local banks (tie-ups with 15 banks) and 2) collaborating with businesses and organizations that have a high affinity with marriage hunting such as Hotel New Otani (high-class people who have passed a strict screening by a major hotel become the members), Tsukiji Hongwanji (providing support exclusively to members of the Tsukiji Hongwanji Club for their marriage-hunting activities at a traditional temple), and TAKE and GIVE NEEDS (providing full support for marriage hunting by utilizing abundant knowledge of weddings). As a result, the number of affiliates in different industries, including large corporations, has increased.

<Directly-Managed Lounge Business>

In the first three months of the fiscal year under review, segment net sales amounted to 1,907,657 thousand yen (up 22.5% year on year) and divisional profit (divisional profit is defined as operating income + depreciation + amortization of goodwill + amortization of long-term prepaid expenses (after adjusting internal transactions)) was 463,027 thousand yen (up 66.4% year on year).

The earnings structure of the Directly-Managed Lounge Business consists of one-time-fee revenue and recurring revenue.

One-time-fee revenue is calculated by adding the initial costs (registration fee, activity support fee) multiplied by the number of newly joined members and the fee for marriage multiplied by the number of married couples. Recurring revenue is calculated by the multiplying annual membership fee by the number of members.

The Directly-Managed Lounge Business consists of three brands: 1) IBJ Members (characterized by its overwhelmingly-high marriage rate (54.5% *actual results of major courses in 6 months from January to June 2021) , and high-cost and high-quality services), 2) Sunmarie (a wide range of members from 20s to 50s, and support from experienced matchmakers), and 3) ZWEI (characterized by its 50 branches nationwide).

In the Directly-Managed Lounge Business, these three brands steadily increased their net sales due to the synergistic effect produced by sending customers to and connecting systems with each other within the Group, which resulted in a year-on-year increase of 22.5% in net sales. In addition, divisional profit increased 66.4% year on year, driven by a drastic increase in profitability due to the completion of our business reform after ZWEI joined the IBJ Group.

<Matching Business>

In the first three months of the fiscal year under review, segment net sales amounted to 861,793 thousand yen (down 6.4% year on year) and divisional profit (divisional profit is defined as operating income + depreciation + amortization of goodwill + amortization of long-term prepaid expenses (after adjusting internal transactions)) was 49,447 thousand yen (down 45.0% year on year).

The Matching Business saw a year-on-year decline in both net sales and divisional profit due to the prolonged impact of COVID-19, curtailed advertising expenses, a standstill in structural reform of Diverse, Inc., etc. However, we are working on measures such as developing the business targeting users who are highly conscious of marriage hunting and upselling from a matching app to marriage consulting agency services.

<Life Design Business>

In the first three months of the fiscal year under review, segment net sales amounted to 317,753 thousand yen (up 9.2% year on year) and divisional profit (divisional profit is defined as operating income + depreciation + amortization of goodwill + amortization of long-term prepaid expenses (after adjusting internal transactions)) was 47,514 thousand yen (up 122.9% year on year).

In the Life Design Business, we worked on a business pivot based on the members' characteristics and business environment, such as introducing a wedding hall to couples at a referral counter without being limited to magazines in the Wedding Navigation Business operated by IBJ, increasing the number of our partner insurance companies to 16 to expand insurance products and services in the Insurance Business, and developing the Housing Referral Business which introduces a house newly married couples need for their life from the Housing Loan Business in the Real Estate Business.

In addition to the increase in revenue due to K Village Tokyo Inc.'s acquisition of the NAYUTAS business, we achieved a significant cost reduction by excluding Kamome Co., Ltd. operating the Travel Business which has been significantly affected by the spread of COVID-19 as well as IBJ Wedding Co., Ltd, operating the Wedding Business mainly focusing on sending couples to wedding halls and advertising in magazines from the scope of consolidation after transferring these companies in the previous consolidated fiscal year, which led to an increase in profit.

We revised the target numbers of matching members, a secondary key performance indicator (KPI) of the Mid-Term Management Plan (January 2021 to December 2027), from 352,000 to 195,000 for the period of 2021-2024 and from 500,000 to 250,000 for the period of 2025-2027 respectively due to the prolonged impact of COVID-19 and the exclusion of Diverse, Inc. from the scope of consolidation.

On the other hand, as strategies to achieve net sales of 30 billion yen and operating income of 5 billion yen in 2027 under the Mid-Term Management Plan (January 2021 to December 2027), we have formulated four strategies: 1) develop new channels to attract customers, 2) increase life time value (LTV) by expanding revenue points and enhancing added value, 3) expansion of support for member stores, and 4) strengthen corporate branding.

(2) Overview of financial position

(Assets)

Current assets as of March 31, 2022 amounted to 7,598,684 thousand yen, up 158,045 thousand yen from the end of the previous fiscal year. This was mainly due to increases of 81,353 thousand yen in cash and deposits and 61,122 thousand yen in trade.

Non-current assets were 5,947,209 thousand yen, up 73,253 thousand yen from the end of the previous fiscal year. This was mainly due to increases of 111,193 thousand yen in land and 57,389 thousand yen in investment securities, despite a decrease of 73,436 thousand yen in goodwill.

Consequently, total assets came to 13,545,893 thousand yen, up 231,299 thousand yen from the end of the previous fiscal year.

(Liabilities)

Current liabilities as of March 31, 2022 amounted to 4,181,140 thousand yen, down 182,330 thousand yen from the end of the previous fiscal year. This was mainly due to increases of 219,932 thousand yen in deposits received and 93,877 thousand yen in provision for bonuses, despite decreases of 216,020 thousand yen in account payable – other, 176,014 thousand yen in accrued expenses, and 109,000 thousand yen in short-term borrowings. Non-current liabilities were 2,625,517 thousand yen, up 297,839 thousand yen from the end of the previous fiscal year. This was mainly due to an increase of 308,750 thousand yen in long-term borrowings, despite a decrease of 8,805 thousand yen in asset retirement obligations.

Consequently, total liabilities came to 6,806,657 thousand yen, up 115,508 thousand yen from the end of the previous fiscal year.

(Net assets)

Net assets as of March 31, 2022 stood at 6,739,236 thousand yen, up 115,790 thousand yen from the end of the previous fiscal year. This was mainly due to increases of 120,930 thousand yen in retained earnings and 43,255 thousand yen in valuation difference on securities, despite a decrease of 48,395 thousand yen in non-controlling interests.

Consequently, the equity-to-asset ratio was 46.8% (compared to 46.3% at the end of the previous fiscal year).

(3) Overview of consolidated financial results forecast and other forward-looking information

With the "Notice of Share Transfer of Subsidiaries Involving Changes in Subsidiaries" announced on April 27, 2022, the consolidated financial results forecast for the fiscal year ending December 31, 2022 was revised as shown below from the one announced on February 9, 2022 based on the information currently available.

Revision of the consolidated financial results forecast for the second three months of FY2022 (from January 1, 2022 to June 30, 2022)

(Unit: millions of yen)	Sales	Operating income	Ordinary profit	Profit attributable to owners of parent	Basic earnings per share (Yen)
Previously announced (A)	7,622	679	676	417	10.42
Revised forecast (B)	7,222	666	663	490	12.21
Difference (B-A)	-399	-12	-12	+72	-
Difference rate (%)	-5.2	-1.9	-1.9	+17.5	-
Reference: 2Q FY2021 results	6,755	684	619	367	9.18

Revision of the consolidated financial results forecast for FY2022 (from January 1, 2022 to December 31, 2022)

(Unit: millions of yen)	Sales	Operating income	Ordinary profit	Profit attributable to owners of parent	Basic earnings per share (Yen)
Previously announced (A)	16,004	1,701	1,680	1,334	33.33
Revised forecast (B)	14,550	1,655	1,635	1,405	35.04
Difference (B-A)	-1,453	-45	-45	+70	-
Difference rate (%)	-9.1	-2.7	-2.7	+5.3	-
Reference: FY2021 results	14,081	1,516	1,426	1,054	26.33

These revisions reflect impacts with the exclusion of Diverse, Inc., from the consolidation, and there are no revisions to the financial results forecasts for the Company or the Group.

Despite the marriage-hunting event business, etc., showing a lower result than the original expectation due to the infection spread and the unexpectedly protracted state of emergency by COVID-19, starting with marriage consulting agency services, there are divisions showing rising member acquisitions and positive results. The Company leaves the original forecast unchanged except for the exclusion of Diverse, Inc. from the consolidation.

These financial results forecasts were prepared based on the information available at disclosure of this report, and actual results may differ from these estimates due to various factors including COVID-19.

2. Quarterly consolidated financial statements and major notes

(1) Quarterly consolidated balance sheet

(Unit: thousands of yen)

	Previous consolidated fiscal year (December 31, 2021)	1Q FY2022 (March 31, 2022)
Assets		
Current assets		
Cash and deposits	4,361,298	4,442,651
Accounts receivable – trade	1,320,392	1,381,514
Operational investment securities	1,462,663	1,454,466
Merchandise and finished goods	2,908	2,748
Raw materials and supplies	4,157	3,403
Advance payments to suppliers	7,952	6,888
Prepaid expenses	239,023	263,808
Income taxes receivable	6	-
Current portion of long-term loans receivable	1,999	1,999
Other	42,388	43,921
Allowance for doubtful accounts	-2,152	-2,719
Total current assets	7,440,638	7,598,684
Non-current assets		
Property, plant and equipment		
Buildings	1,534,807	1,571,733
Accumulated depreciation	-534,328	-580,228
Buildings, net	1,000,478	991,504
Vehicles	25,562	25,562
Accumulated depreciation	-13,557	-14,557
Vehicles, net	12,005	11,004
Tools, furniture and fixtures	706,811	708,762
Accumulated depreciation	-638,477	-644,644
Tools, furniture and fixtures, net	68,333	64,117
Land	83,629	194,823
Leased assets	39,903	39,903
Accumulated depreciation	-11,217	-12,919
Leased assets, net	28,685	26,984
Total property, plant and equipment	1,193,133	1,288,435
Intangible assets		
Goodwill	1,878,899	1,805,462
Software	326,980	326,676
Software in progress	960	16,231
Total intangible assets	2,206,840	2,148,371
Investments and other assets		
Investment securities	761,428	818,818
Shares of subsidiaries and associates	2,687	21,947
Long-term loans receivable	26,092	6,333
Deferred tax assets	290,780	268,499
Insurance funds	239,427	239,427
Guarantee deposits	1,140,170	1,143,360
Other	13,394	12,016
Total investments and other assets	2,473,981	2,510,402
Total non-current assets	5,873,955	5,947,209
Total assets	13,314,594	13,545,893

(Unit: thousands of yen)

	Previous consolidated fiscal year (December 31, 2021)	1Q FY2022 (March 31, 2022)
Liabilities		
Current liabilities		
Accounts payable – trade	38,319	37,512
Short-term borrowings	1,410,000	1,301,000
Current portion of long-term borrowings	393,500	385,750
Account payable – other	769,559	553,538
Accrued expenses	523,692	347,677
Income taxes payable	136,086	75,080
Accrued consumption taxes	131,872	182,731
Advances received	885,469	894,756
Deposits received	27,121	247,053
Lease obligations	6,420	6,422
Provision for bonuses	13,737	107,614
Provision for point card certificates	15,759	14,863
Other	11,931	27,139
Total current liabilities	4,363,471	4,181,140
Non-current liabilities		
Long-term borrowings	1,711,250	2,020,000
Lease obligations	23,815	21,710
Asset retirement obligations	592,094	583,289
Other	518	518
Total non-current liabilities	2,327,678	2,625,517
Total liabilities	6,691,149	6,806,657
Net assets		
Shareholders’ equity		
Share capital	699,585	699,585
Capital surplus	802,475	802,475
Retained earnings	5,474,661	5,595,591
Treasury shares	-999,338	-999,338
Total shareholders’ equity	5,977,383	6,098,314
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	193,551	236,807
Total accumulated other comprehensive income	193,551	236,807
Share acquisition rights	634	634
Non-controlling interests	451,875	403,480
Total net assets	6,623,445	6,739,236
Total liabilities and net assets	13,314,594	13,545,893

(2) Quarterly consolidated statements of income and comprehensive income

Quarterly consolidated statement of income

First consolidated three months (cumulative)

(Unit: thousands of yen)

	1Q FY2021 (from January 1, 2021 to March 31, 2021)	1Q FY2022 (from January 1, 2022 to March 31, 2022)
Net sales	3,294,119	3,648,067
Cost of sales	104,301	119,909
Gross profit	3,189,817	3,528,158
Provision for sales returns	842	-
Gross profit – net	3,188,975	3,528,158
Selling, general and administrative expenses	2,831,393	3,104,085
Operating profit	357,581	424,073
Non-operating income		
Interest income	106	66
Dividend income	2,058	1,385
Foreign exchange gains	1,143	1,772
Gain on investments in investment partnerships	5,436	-
Miscellaneous income	409	105
Other	-	500
Total non-operating income	9,154	3,829
Non-operating expenses		
Interest expenses	3,625	2,265
Share of loss of entities accounted for using equity method	33,021	-
Loss on investments in investment partnerships	-	502
Miscellaneous losses	72	513
Total non-operating expenses	36,719	3,281
Ordinary profit	330,017	424,622
Extraordinary income		
Gain on sale of investment securities	33,900	-
Compensation income	28,092	-
Gain on liquidation of subsidiaries and affiliates	9,443	-
Total extraordinary income	71,435	-
Extraordinary losses		
Loss on retirement of non-current assets	2,875	1,004
Impairment losses	21,089	-
Loss on store closings	2,197	2,611
Loss on COVID-19	20,928	-
Total extraordinary losses	47,090	3,615
Profit before income taxes	354,361	421,006
Income taxes – current	118,602	105,012
Income taxes – deferred	-19,144	3,190
Total income taxes	99,457	108,202
Profit	254,904	312,804
Profit attributable to non-controlling interests or Loss attributable to non-controlling interests	2,245	-48,395
Profit attributable to owners of parent	252,659	361,199

Quarterly consolidated statement of comprehensive income

First consolidated three months (cumulative)

(Unit: thousands of yen)

	1Q FY2021 (from January 1, 2021 to March 31, 2021)	1Q FY2022 (from January 1, 2022 to March 31, 2022)
Profit	254,904	312,807
Other comprehensive income		
Valuation difference on available-for-sale securities	16,437	43,255
Total other comprehensive income	16,437	43,255
Comprehensive income	271,341	356,060
Comprehensive income attributable to:		
Owners of parent	269,096	404,455
Non-controlling interests	2,245	-48,395

(3) Notes to quarterly consolidated financial statements

(Note on entity's ability to continue as going concern)

Not applicable

(Notes in the event of substantial changes in shareholders' equity)

Not applicable

(Changes in accounting policies)

(Application of Accounting Standard for Revenue Recognition, etc.)

The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020, hereinunder "Revenue Recognition Standard"), etc., from the beginning of the first quarter of the fiscal year ending December 31, 2022, and it has recognized revenue at the time the control of promised goods or services is transferred to the customer at the amount expected to be received upon exchange of said goods or services.

Although the Company has applied the Revenue Recognition Standard, etc., in accordance with the transitional treatment provided for in Paragraph 84 of Revenue Recognition Standard, this change has no impacts on profit and loss of the consolidated three months ended March 31, 2022 or beginning retained earnings for this fiscal year.

Furthermore, the information on disaggregation of revenue from contracts with customers during the first three months of the previous fiscal year has not been disclosed as allowed by the transitional treatment provided for in Paragraph 28-15 of the "Accounting Standard for Quarterly Financial Reporting" (ASBJ Statement No. 12, March 31, 2020).

(Application of Accounting Standard for Fair Value Measurement, etc.)

Application of the new accounting set forth in Accounting Standard for Fair Value Measurement, etc., is in line with the transitional measures provided for in Paragraph 19 of the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019, hereinunder "Fair Value Measurement Standard"), etc. and Paragraph 44-2 of the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019). The Company has applied the said standards proactively as of the beginning of the first quarter of the fiscal year ending December 31, 2022. There are no impacts on the quarterly consolidated financial statements.

(Additional information)

There are no significant changes to the assumptions provided in (Additional information) (Accounting estimates in line with the spread of COVID-19) of the Annual Securities Report for the previous fiscal year regarding issues such as the future spread of COVID-19 and when it will be contained.

(Segment information, etc.)

Segment Information

I First consolidated three months ended March 31, 2021 (from January 1, 2021 to March 31, 2021)

1. Disclosure of sales, profit (loss), and breakdown of revenue for each reportable segment

(Unit: thousands of yen)

	Reportable segment					Adjustments	Per consolidated financial statements
	Franchise Business	Directly-Managed Lounge Business	Matching Business	Life Design Business	Total		
Sales							
Revenues from external customers	525,152	1,557,517	920,459	290,990	3,294,119	-	3,294,119
Transactions with other segments	15,223	5,383	1,130	-	21,736	-21,736	-
Total	540,375	1,562,900	921,589	290,990	3,315,856	-21,736	3,294,119
Segment profit (loss)	343,729	205,982	38,947	10,036	598,696	-241,114	357,581

Notes: 1. Adjustments to segment profit (loss) of -241,114 thousand yen include elimination of inter-segment transactions of -4,726 thousand yen and corporate expenses of -245,841 thousand yen that are not allocated to each reportable segment. Corporate expenses mainly consist of general and administrative expenses that do not belong to any reportable segment.

2. Segment profit is adjusted with the operating profit in the consolidated financial statements.

2. Disclosure of impairment losses of non-current assets and goodwill, etc., for each reportable segment

(Significant impairment losses regards to non-current assets)

The Life Design Business has reported 21,089 thousand yen of impairment losses.

(Significant changes in the amount of goodwill)

Not applicable

II First consolidated three months ended March 31, 2022 (from January 1, 2022 to March 31, 2022)

1. Disclosure of sales, profit (loss), and breakdown of revenue for each reportable segment

(Unit: thousands of yen)

	Reportable segment					Adjustments	Per consolidated financial statements
	Franchise Business	Directly-Managed Lounge Business	Matching Business	Life Design Business	Total		
Sales							
Transactions arising from contracts with customers	560,863	1,907,657	861,793	289,827	3,620,142	-	3,620,142
Other revenues	-	-	-	27,925	27,925	-	27,925
Revenues from external customers	560,863	1,907,657	861,793	317,753	3,648,067	-	3,648,067
Transactions with other segments	31,424	14,613	6,674	-	52,712	-52,712	-
Total	592,288	1,922,271	868,467	317,753	3,700,780	-52,712	3,648,067
Segment profit (loss)	316,425	373,234	2,560	35,537	727,757	-303,684	424,073

Notes: 1. Adjustments to segment profit (loss) of -303,684 thousand yen include elimination of inter-segment transactions of -913 thousand yen and corporate expenses of -302,770 thousand yen that are not allocated to each reportable segment. Corporate expenses mainly consist of general and administrative expenses that do not belong to any reportable segment.

2. Segment profit is adjusted with the operating profit in the consolidated financial statements.

3. “Other revenues” are transactions related to financial instruments based on the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019).

2. Disclosure of impairment losses of non-current assets and goodwill, etc., for each reportable segment

(Significant impairment losses regards to non-current assets)

Not applicable

(Significant changes in the amount of goodwill)

Not applicable

3. Disclosure of changes, etc., in reportable segments

Although the Group had divided its reportable segments to “Marriage-Hunting Business” and “Life Design Business” until recently, they are now changed to “Franchise Business,” “Directly-Managed Lounge Business,” “Matching Business,” and “Life Design Business” from the first three months of the fiscal year ending December 31, 2022. The change was made because the Group has decided that restructuring of business segments based on their commonality, mainly subdividing the “Marriage-Hunting Business” would enhance business management and maximize revenue.

The shown segment information for the three months ended March 31, 2021 were prepared according the segments after the change.

Furthermore, as shown in changes in accounting policies, the Company has applied the Revenue Recognition Standard from the first three months under review and due to changing its accounting policies in regard to revenue recognition, the revenue calculation for the business segments has been also changed.

This change has no impact to sales or segment revenue.

(Revenue recognition)

Breakdown information for transactions from contracts with customers are as shown in “Notes (Segment information, etc.).”

(Significant events after reporting period)

(Related to business combinations, etc.)

(Transfer of shares of a subsidiary resulting in a change in the scope of consolidation)

Based on the resolution of the Board of Directors meeting held on April 27, 2022, the Company determined to transfer shares of its consolidated subsidiary Diverse, Inc. (“Diverse”). As a result, Diverse will be excluded from the scope of consolidation.

(1) Reasons for transfer of shares

The Group is developing its business, mainly the Marriage-Hunting Business, based on its management philosophy “bring happiness to all the people who share a connection,” and has set management goals of realizing “25,000 marriages” and “10,000 affiliated consultation offices” in 2027 as the most significant KPIs in the Mid-Term Management Plan (2021 to 2027).

Diverse has been developing its business with a focus on matching apps targeting relatively casual users in the marriage-hunting market such as those looking for a friend or boyfriend/girlfriend. However, while this field is facing not only changes in the environment surrounding the users and their lifestyles as well as innovations in marketing channels and IT technologies but also intensifying competition in which companies enter or withdraw from the market one after another, delays in development plans in the existing businesses and other factors caused a decrease in divisional profit. One of the most important business issues in the process of reforming our earnings structure was the formulation of agile strategies and a decision-making process to acquire a new membership base and promote activities of existing users.

After thorough discussions on our future direction from the viewpoint of increasing the corporate value of the entire Group, we reached the conclusion that the best way to achieve further growth of the Group is to concentrate our management resources on more marriage-oriented businesses in the Marriage-Hunting Business.

In the process, the business of “youbride,” an app targeting “marriage-conscious users” in the Matching App Business operated by Diverse was transferred to the Company as of April 1, 2022.

In addition, since Mr. Hiroshi Tsumoto, CEO of Diverse, desired to implement a management buyout (MBO), we concluded in light of shareholders’ interest that it would be best to transfer the shares held by the Company to him to allow Diverse to secede from the Group.

(2) Name of transferee

Hiroshi Tsumoto

(3) Date of transfer of shares

April 28, 2022

(4) Name and business contents of said subsidiary

1) Name: Diverse, Inc.
2) Name and title of representative: Hiroshi Tsumoto, CEO
3) Business contents: Matching Service Business

(5) Number of shares to be sold, sale price of shares and percentage of voting rights after sale

1) Number of shares to be sold: 801 shares
2) Sale price: The Company will refrain from disclosing the sale price of the shares in accordance with the wishes of the transferee. However, the company sold the shares to the transferee after conducting appropriate due diligence using the Discounted Cash Flow Method.
3) Percentage of voting rights after sale: 19.95%

(6) Impact on business performance

Please refer to the “Notice of Revision of Financial Results Forecast” disclosed on April 27, 2022 for the impact of transfer of shares of said subsidiary.

(Disposals of Treasury Shares as restricted stock remuneration)

The Company disposed of treasury shares (the “Disposal of Treasury Shares” or the “Disposal”) on April 21, 2022 after determining the resolution of the Board of Directors meeting held on March 28, 2022 to dispose of treasury shares as restricted stock remuneration.

1. Purpose and reasons for the Disposal

At the 15th Annual General Meeting of Shareholders, for the purpose of promoting sharing of benefits and risks of fluctuations in the Company’s stock price between Directors of the Company (excluding Outside Directors) and the shareholders and further motivating the Directors to not only improve the Company’s corporate value but also contribute to a rise in the Company’s stock price, it was approved that the Company introduce a restricted stock remuneration plan (the “Plan”) to provide restricted shares to Directors of the Company (excluding Outside Directors), that the total amount of monetary compensation claims to be provided to Directors (excluding Outside Directors) as restricted stock-based compensation, etc., based on the Plan shall not exceed 150 million yen per year, that the total number of restricted shares to be allotted to Directors (excluding Outside Directors) shall not exceed 200,000 shares in each fiscal year, and that the restricted period on restricted stock transfer shall be decided by its Board of Directors from five (5) years to twenty (20) years.

Based on the resolution at the Board of Directors meeting held on March 28, 2022 and the decision by the Company’s CEO, the Company has decided to grant a total amount of 149,935,000 yen in monetary compensation claims and allot 191,000 shares of the common stock of the Company as specified restricted stock to two (2) Directors (excluding Outside Directors) and twenty-four (24) employees of the Company (collectively the “Allottees”) to whom the stock is scheduled to be allotted for the period from the Company’s 16th Annual General Meeting of the Shareholders to the 17th Annual General Meeting of the Shareholders to be held in March 2023. For the Disposal of treasury shares, the Allotees shall make in-kind contribution of all monetary compensations claims to the Company, and shall receive disposed shares of common stock of the Company. The amount of the monetary compensation claims against each Allotee is determined after comprehensively considering various facts, including the degree of each Allotee’s contribution to the Company. The monetary compensation claims shall be provided on the condition that each employee concludes an agreement on allotment of restricted stocks (the “Allotment Agreement”) with the Company that includes the following details.

In order to realize the purpose of introducing the Plan which is designed to promote sharing of benefits and risks of fluctuations in the Company’s stock price between each Allotee and the shareholders and to further motivate each Allotee to not only improve the Company’s corporate value but also contribute to a rise in the Company’s stock price, the transfer restriction period shall be five (5) years.

2. Overview of the Disposal

(1) Disposal date	April 21, 2022
(2) Class and number of shares for Disposal	191,000 ordinary shares of the Company
(3) Disposal price	¥785 per share
(4) Total value of Disposal	¥149,935,000
(5) Persons eligible for allotment of shares and number thereof, and number of shares for allotment	Directors of the Company (*), 2 persons, 177,500 shares Employees of the Company, 24 persons, 13,500 shares *Excluding Outside Directors
(6) Others	The Company has submitted the securities registration statement regarding the Disposal in accordance with the Financial Instruments and Exchange Act.