August 10, 2022

Consolidated Quarterly Financial Results for the First Six Months Ended June 30, 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: August 10, 2022
Scheduled date of commencing dividend payments: -
Preparation of supplementary material on financial results: Yes
Holding of financial results briefing: Yes

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

1. Consolidated quarterly financial results for the first six months of the fiscal year ending December 31, 2022 (from January 1, 2022 to June 30, 2022)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Six months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
June 30, 2022	7,366	9.0	931	36.1	978	58.0	743	102.2
June 30, 2021	6,755	10.2	684	-10.5	619	-13.6	367	73.0

Note: Comprehensive income
For the six months ended June 30, 2022: ¥766 million [77.4%]
For the six months ended June 30, 2021: ¥432 million [68.8%]

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
June 30, 2022	18.52	–
June 30, 2021	9.18	–

(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
June 30, 2022	13,245	7,138	51.0	167.98
December 31, 2021	13,314	6,623	46.3	154.10

Reference: Equity
As of June 30, 2022: ¥6,758 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	–	0.00			
Fiscal year ending December 31, 2022 (Forecast)			–	–	–

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

The dividend forecasts as of the end of the fiscal year have not yet been determined.

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
Full year	14,694	4.4	1,920	26.7	1,950	36.7	1,658	57.3	41.34

Note: Revision to the financial results forecast announced most recently: Yes

* 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 June 30, 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 June 30, 2022	1,764,106 shares
As of December 31, 2021	1,955,106 shares

(iii) Average number of shares during the period

Six months ended June 30, 2022	40,118,761 shares
Six months ended June 30, 2021	40,034,984 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 2nd quarter of the fiscal year ending December 31, 2022, (3) Overview of consolidated financial results forecast and other forward-looking information” on page 8 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.

○ Table of contents of the attached materials

1. Qualitative information for the 2nd quarter of the fiscal year ending December 31, 2022

(1) Operating results

In the first six months of the fiscal year under review, the outlook for the Japanese economy remained stagnant as the number of infected persons with COVID-19 continued to rise and fall, although there were signs of a decline in the number of cases. Furthermore, soaring prices of crude oil and other raw materials and the worsening situation in Ukraine have also arisen, and the future impact on the domestic economy and corporate earnings remains uncertain.

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."

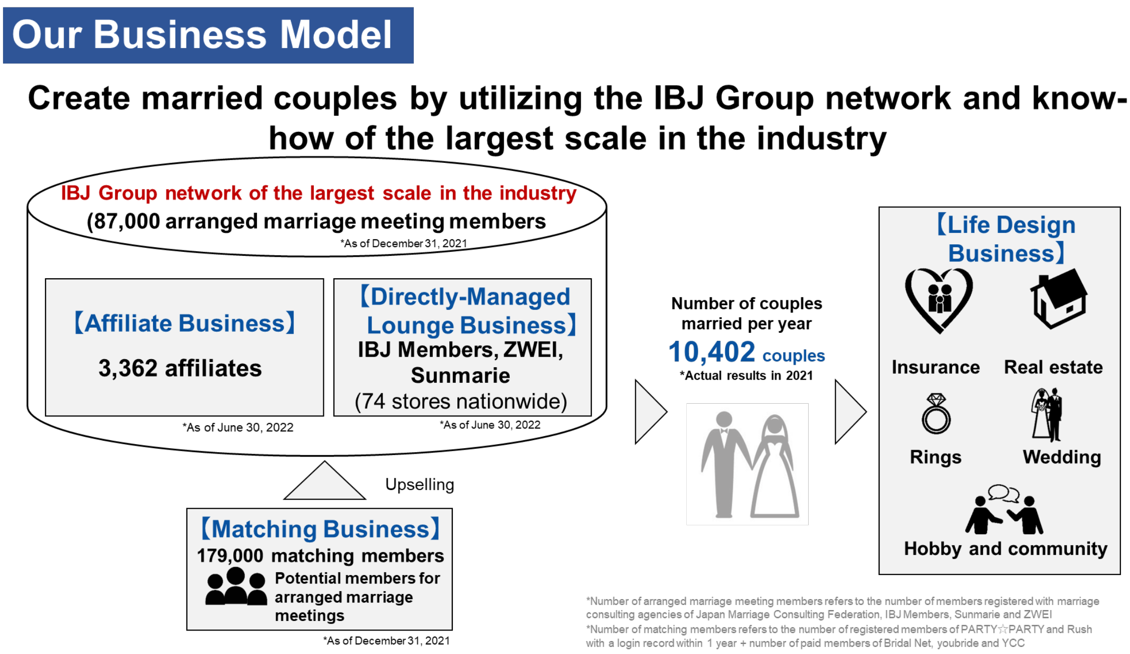
In the first six months of the fiscal year under review, a turnout increased as the number of newly infected cases of COVID-19 settled down, the number of affiliates grew due to strengthened sales marketing and organizational structure, and the number of members via marriage-hunting parties rose due to the strengthening of training for sales force in charge of attracting new members. As a result, consolidated net sales in the first six months of the fiscal year under review came to 7,366,813 thousand yen (up 9.0% year on year), operating profit was 931,475 thousand yen (up 36.1% year on year), ordinary profit was 978,832 thousand yen (up 58.0% year on year), and profit attributable to owners of parent was 743,047 thousand yen (up 102.2% 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, (4) Notes to quarterly consolidated financial statements (Segment information), 3. Disclosure of changes, etc., in reportable segments."



<Affiliate Business>

In the first six months of the fiscal year under review, segment net sales amounted to 1,280,540 thousand yen (up 23.2% 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 776,873 thousand yen (up 14.1% 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 first six months of the fiscal year under review, we strengthened our marketing efforts, including transit advertising and PR (media coverage). As a result, the number of interviews for opening affiliated consultation offices increased by 874 year on year, and this increase supported a rise in the number of new openings of affiliated consultation offices in the first six months of the fiscal year under review to 537 (up 57.9% year on year). In addition, we will strive to further increase the number of affiliates by strengthening our organizational structure, including the establishment of a new corporate sales force specializing in corporate sales in order to bolster our approach to IBJ's untapped corporate customers. Consequently, the number of affiliates steadily grew to 3,362 as of the end of June 2022, and the number of registered members of the Japan Marriage Consulting Federation exceeded 80,000 as of the end of July 2022.

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 80,000 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, matchmakers, who are 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 six months of the fiscal year under review, segment net sales amounted to 3,902,747 thousand yen (up 19.7% 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 881,235 thousand yen (up 40.3% year on year).

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).

Due in part to a steady increase in the number of affiliates, the number of arranged marriage meetings for the month also exceeded 50,000 in June 2022, the highest number ever recorded. Additionally, IBJ's unique method of attracting new members has become widespread among sales force in charge of attracting new members, and the number of members newly joined the directly-managed lounges (IBJ Members) via marriage-hunting parties is on the rise.

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.

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 19.7% in net sales. In addition, divisional profit increased 40.3% 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 six months of the fiscal year under review, segment net sales amounted to 1,540,694 thousand yen (down 18.0% 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 131,718 thousand yen (down 4.7% year on year) due to the exclusion of Diverse, Inc., which had been included in the Matching Business segment, from the scope of consolidation.

In the Party Business of the Matching Business, the number of participants increased in the first six months of the fiscal year under review due to a rise in a turnout associated with the settling down of newly infected cases of COVID-19 during Golden Week (consecutive national holidays in April and May) and the acquisition of new customers through highly entertaining events such as tie-ups with movies and collaboration projects with YouTubers, etc. The number of participants reached 221,000 in the first six months of the fiscal year under review (up 9.5% compared with the same period of the previous year). In addition, we are striving to gain further revenue by sending the acquired new customers to directly-managed lounges with high profitability.

In the App Business of the Matching Business, we divide our target users, for example, Bridal Net targets experienced users of apps in their late 20s to late 40s with its strength in extensive support offered by dedicated counselors (professional marriage-hunting counselors), while youbride targets inexperienced users of apps and remarriage seekers in their late 30s to late 50s with its strength in simple and easy-to-use design for beginners, aiming to become more serious marriage-hunting applications and to increase the number of members.

<Life Design Business>

In the first six months of the fiscal year under review, segment net sales amounted to 642,831 thousand yen (up 11.4% 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 73,531 thousand yen (up 522.7% 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 and developing new wedding halls to introduce in the Wedding Navigation Business operated by the Company, 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 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.

In addition, under the Mid-Term Management Plan (January 2021 to December 2027),

(1) As a measure to increase the number of marriages in order to achieve 5% of successful couples (25,000 marriages) by 2027, we will:
- Expand a membership base of our directly-managed lounges and improve our marriage method
- Strengthen support for member stores and pass on know-how

(2) As a measure to increase the number of affiliates in order to achieve the goal of 10,000 affiliated marriage consulting offices, we will:
- Expand tie-ups with local banks
- Collaborate with businesses and organizations that have a high affinity with marriage hunting

(3) As a measure to achieve net sales of 30 billion yen and operating income of 5 billion yen, we have formulated the following four strategies:
- Develop new channels to attract customers
- Increase life time value (LTV) by expanding revenue points and enhancing added value
- Expand support for member stores
- Strengthen corporate branding

(2) Overview of financial position

(i) Assets, Liabilities, and Net Assets

(Assets)

Current assets as of June 30, 2022 amounted to 7,315,388 thousand yen, down 125,250 thousand yen from the end of the previous fiscal year. This was mainly due to increases of 440,918 thousand yen in operational investment securities and 33,644 thousand yen in prepaid expenses, despite decreases of 534,864 thousand yen in cash and deposits and 30,222 thousand yen in trade.

Non-current assets were 5,930,597 thousand yen, up 56,641 thousand yen from the end of the previous fiscal year. This was mainly due to increases of 111,193 thousand yen in land, 102,010 thousand yen in investment securities, and 112,524 thousand yen in long-term prepaid expenses, despite decreases of 216,666 thousand yen in goodwill and 54,088 thousand yen in deferred tax assets.

Consequently, total assets came to 13,245,986 thousand yen, down 68,608 thousand yen from the end of the previous fiscal year.

(Liabilities)

Current liabilities as of June 30, 2022 amounted to 3,927,085 thousand yen, down 436,385 thousand yen from the end of the previous fiscal year. This was mainly due to increases of 59,236 thousand yen in accrued expenses and 63,900 thousand yen in income taxes payable, despite decreases of 195,061 thousand yen in account payable – other, 69,000 thousand yen in short-term borrowings, and 322,077 thousand yen in advances received. Non-current liabilities were 2,180,498 thousand yen, down 147,179 thousand yen from the end of the previous fiscal year. This was mainly due to an increase of 39,528 thousand yen in deferred tax liabilities, despite a decrease of 188,000 thousand yen in long-term borrowings.

Consequently, total liabilities came to 6,107,584 thousand yen, down 583,565 thousand yen from the end of the previous fiscal year.

(Net assets)

Net assets as of June 30, 2022 stood at 7,138,402 thousand yen, up 514,956 thousand yen from the end of the previous fiscal year. This was mainly due to increases of 368,210 thousand yen in retained earnings and 69,764 thousand yen in valuation difference on securities, despite decreases of 97,628 thousand yen in treasury shares and 72,953 thousand yen in non-controlling interests.

Consequently, the equity-to-asset ratio was 51.0% (compared to 46.3% at the end of the previous fiscal year).

(ii) Cash Flows

Cash and cash equivalents (hereinafter referred to as “Funds”) in the first six months of the fiscal year under review amounted to 3,829,005 thousand yen, down 532,967 thousand yen from the end of the previous fiscal year. The status of each cash flow and their main factors in the consolidated six months ended June 30, 2022 are as follows.

(Cash flows from operating activities)

Funds provided by operating activities in the first six months of the fiscal year under review amounted to 828,309 thousand yen (Funds provided in the same period of the previous year amounted to 210,425 thousand yen). The main factors of the increase were 975,075 thousand yen in profit before income taxes, 172,998 thousand yen in depreciation, 135,240 thousand yen in amortization of goodwill, 47,766 thousand yen of increase in advances received, and such. The main factors of the decrease were 145,481 thousand yen of decrease in accounts payable – other, and accrued expenses, 323,075 thousand yen in income taxes paid, and such.

(Cash flows from investing activities)

Funds used in investing activities in the first six months of the fiscal year under review amounted to 1,250,019 thousand yen (Funds used in the same period of the previous year amounted to 231,943 thousand yen). The main factors of the increase were 177,507 thousand yen in purchase of property, plant and equipment, 48,421 thousand yen in purchase of intangible assets, 357,765 thousand yen in purchase of investment securities, 64,211 thousand yen in loan advances, 91,651 thousand yen in payments of leasehold and guarantee deposits, 510,233 thousand yen in payments for sale of shares of subsidiaries resulting in change in scope of consolidation, and such.

(Cash flows from financing activities)

Funds used in financing activities in the first six months of the fiscal year under review amounted to 111,257 thousand yen (Funds used in the same period of the previous year amounted to 1,718,913 thousand yen). The main factors were 400,000 thousand yen in proceeds from long-term borrowings, 198,000 thousand yen in repayments of long-term borrowings, 240,048 thousand yen in dividends paid, and such.

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

The consolidated financial results forecast for the fiscal year ending December 31, 2022 was revised as shown below from the one announced on April 27, 2022 based on the information currently available.

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)	14,550	1,655	1,635	1,405	35.04
Revised forecast (B)	14,694	1,920	1,950	1,658	41.34
Difference (B-A)	+144	+264	+315	+253	-
Difference rate (%)	+1.0	+16.0	+19.3	+18.0	-
Reference: FY2021 results	14,081	1,516	1,426	1,054	26.33

In line with the “Notice of Differences of Financial Results Forecast” announced on August 10, 2022, we have revised the consolidated financial results forecast for FY2022, as shown above, taking into consideration the quarterly financial results for the first six months of the fiscal year ending December 31, 2022 and the recent record-breaking spread of COVID-19. The revisions were made by adding the figures for the second half (July 1, 2022 to December 31, 2022) of the initial forecast* to the consolidated financial results for the 2nd quarter of the fiscal year under review.

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

*Figures for financial results forecast in the “Notice of Revisions to Financial Results Forecast- for the Second Three Months of FY2022 and Financial Results Forecast for the Fiscal Year Ending December 31, 2022” disclosed on April 27, 2022.

2. Quarterly consolidated financial statements and major notes

(1) Quarterly consolidated balance sheet

(Unit: thousands of yen)

	Previous consolidated fiscal year (December 31, 2021)	2Q FY2022 (June 30, 2022)
Assets		
Current assets		
Cash and deposits	4,361,298	3,826,434
Accounts receivable – trade	1,320,392	1,290,169
Operational investment securities	1,462,663	1,903,582
Merchandise and finished goods	2,908	2,227
Raw materials and supplies	4,157	2,509
Advance payments to suppliers	7,952	19
Prepaid expenses	239,023	272,667
Income taxes receivable	6	-
Current portion of long-term loans receivable	1,999	1,999
Other	42,388	18,279
Allowance for doubtful accounts	-2,152	-2,501
Total current assets	7,440,638	7,315,388
Non-current assets		
Property, plant and equipment		
Buildings	1,534,807	1,588,277
Accumulated depreciation	-534,328	-569,088
Buildings, net	1,000,478	1,019,188
Vehicles	25,562	9,983
Accumulated depreciation	-13,557	-3,509
Vehicles, net	12,005	6,473
Tools, furniture and fixtures	706,811	652,659
Accumulated depreciation	-638,477	-573,285
Tools, furniture and fixtures, net	68,333	79,374
Land	83,629	194,823
Leased assets	39,903	39,903
Accumulated depreciation	-11,217	-14,620
Leased assets, net	28,685	25,282
Total property, plant and equipment	1,193,133	1,325,142
Intangible assets		
Goodwill	1,878,899	1,662,232
Software	326,980	323,481
Software in progress	960	3,240
Total intangible assets	2,206,840	1,988,954
Investments and other assets		
Investment securities	761,428	863,439
Shares of subsidiaries and associates	2,687	-
Long-term loans receivable	26,092	5,833
Deferred tax assets	290,780	236,691
Long-term prepaid expenses	13,394	125,919
Insurance funds	239,427	239,427
Guarantee deposits	1,140,170	1,140,149
Other	-	5,040
Total investments and other assets	2,473,981	2,616,499
Total non-current assets	5,873,955	5,930,597
Total assets	13,314,594	13,245,986

(Unit: thousands of yen)

	Previous consolidated fiscal year (December 31, 2021)	2Q FY2022 (June 30, 2022)
Liabilities		
Current liabilities		
Accounts payable – trade	38,319	35,176
Short-term borrowings	1,410,000	1,341,000
Current portion of long-term borrowings	393,500	383,500
Account payable – other	769,559	574,497
Accrued expenses	523,692	582,928
Income taxes payable	136,086	199,986
Accrued consumption taxes	131,872	141,175
Advances received	885,469	563,391
Deposits received	27,121	43,899
Lease obligations	6,420	6,392
Provision for bonuses	13,737	16,441
Provision for point card certificates	15,759	-
Other	11,931	38,694
Total current liabilities	4,363,471	3,927,085
Non-current liabilities		
Long-term borrowings	1,711,250	1,523,250
Lease obligations	23,815	19,635
Deferred tax liabilities	-	39,528
Asset retirement obligations	592,094	597,567
Other	518	518
Total non-current liabilities	2,327,678	2,180,498
Total liabilities	6,691,149	6,107,584
Net assets		
Shareholders' equity		
Share capital	699,585	699,585
Capital surplus	802,475	854,782
Retained earnings	5,474,661	5,842,872
Treasury shares	-999,338	-901,709
Total shareholders' equity	5,977,383	6,495,529
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	193,551	263,315
Total accumulated other comprehensive income	193,551	263,315
Share acquisition rights	634	634
Non-controlling interests	451,875	378,922
Total net assets	6,623,445	7,138,402
Total liabilities and net assets	13,314,594	13,245,986

(2) Quarterly consolidated statements of income and comprehensive income

Quarterly consolidated statement of income

First consolidated six months (cumulative)

(Unit: thousands of yen)

	2Q FY2021 (from January 1, 2021 to June 30, 2021)	2Q FY2022 (from January 1, 2022 to June 30, 2022)
Net sales	6,755,516	7,366,813
Cost of sales	208,556	243,582
Gross profit	6,546,959	7,123,230
Provision for sales returns	5,376	-
Gross profit – net	6,541,583	7,123,230
Selling, general and administrative expenses	5,857,267	6,191,755
Operating profit	684,315	931,475
Non-operating income		
Interest income	130	113
Dividend income	3,835	2,272
Foreign exchange gains	1,079	5,327
Gain on investments in investment partnerships	9,374	-
Gain on valuation of securities	-	43,401
Other	1,633	840
Total non-operating income	16,054	51,955
Non-operating expenses		
Interest expenses	6,461	3,564
Share of loss of entities accounted for using equity method	74,314	-
Loss on investments in investment partnerships	-	502
Other	170	531
Total non-operating expenses	80,946	4,599
Ordinary profit	619,422	978,832
Extraordinary income		
Gain on sale of non-current assets	1,390	924
Gain on sale of investment securities	43,909	-
Gain on sale of shares of subsidiaries and associates	-	6,434
Compensation income	49,780	-
Other	13,263	-
Total extraordinary income	108,344	7,358
Extraordinary losses		
Loss on retirement of non-current assets	9,565	2,962
Impairment losses	21,089	-
Loss on store closings	3,636	7,486
Loss on COVID-19	48,126	-
Other	-	667
Total extraordinary losses	82,418	11,116
Profit before income taxes	645,349	975,075
Income taxes – current	290,882	378,396
Income taxes – deferred	-56,199	-99,998
Total income taxes	234,682	278,398
Profit	410,667	696,676
Profit attributable to non-controlling interests or Loss attributable to non-controlling interests	43,265	-46,370
Profit attributable to owners of parent	367,401	743,047

Quarterly consolidated statement of comprehensive income

First consolidated six months (cumulative)

(Unit: thousands of yen)

	2Q FY2021 (from January 1, 2021 to June 30, 2021)	2Q FY2022 (from January 1, 2022 to June 30, 2022)
Profit	410,667	696,676
Other comprehensive income		
Valuation difference on available-for-sale securities	21,406	69,764
Total other comprehensive income	21,406	69,764
Comprehensive income	432,073	766,441
Comprehensive income attributable to:		
Owners of parent	388,808	812,812
Non-controlling interests	43,265	-46,370

(3) Quarterly consolidated cash flow statement

(Unit: thousands of yen)

	2Q FY2021 (from January 1, 2021 to June 30, 2021)	2Q FY2022 (from January 1, 2022 to June 30, 2022)
Cash flows from operating activities		
Profit before income taxes	645,349	975,075
Depreciation	151,822	172,998
Impairment losses	21,089	-
Amortization of goodwill	146,512	135,240
Amortization of long-term prepaid expenses	1,375	1,171
Increase (decrease) in allowance for doubtful accounts	-409	349
Increase (decrease) in provision for bonuses	5,159	9,977
Increase (decrease) in provision for sales returns	-5,725	-
Increase (decrease) in provision for point card certificates	-1,484	-1,240
Interest and dividend income	-3,965	-2,386
Interest expenses	6,461	3,564
Share of loss (profit) of entities accounted for using equity method	74,314	-
Loss (gain) on sale of investment securities	-43,909	-
Loss (gain) on valuation of investment securities	-	-43,401
Loss on retirement of non-current assets	9,565	2,962
Loss (gain) on investments in investment partnerships	-9,374	502
Loss (gain) on sale of shares of subsidiaries and associates	-	-6,434
Decrease (increase) in trade receivable	-15,841	-47,815
Decrease (increase) in advance payments to suppliers	-297	4,435
Decrease (increase) in deposits paid	-4,720	-96
Decrease (increase) in inventories	-406,607	3,849
Increase (decrease) in trade payables	-10,446	3,050
Increase (decrease) in advances received	15,652	47,766
Increase (decrease) in accounts payable – other, and accrued expenses	-147,514	-145,481
Other	-45,842	38,257
Subtotal	381,163	1,152,345
Interest and dividends received	4,758	2,382
Interest paid	-5,553	-3,342
Income taxes paid	-169,943	-323,075
Net cash provided by (used in) operating activities	210,425	828,309

(Unit: thousands of yen)

	2Q FY2021 (from January 1, 2021 to June 30, 2021)	2Q FY2022 (from January 1, 2022 to June 30, 2022)
Cash flows from investing activities		
Purchase of property, plant and equipment	-218,964	-177,507
Purchase of intangible assets	-69,189	-48,421
Payments for asset retirement obligations	-	-8,645
Purchase of investment securities	-15,000	-357,765
Proceeds from sale of investment securities	61,984	-
Payments for sales of investment securities	-	-6,076
Loan advances	-	-64,211
Proceeds from collection of loans receivable	52,665	999
Payments of leasehold and guarantee deposits	-63,722	-91,651
Proceeds from refund of leasehold and guarantee deposits	35,458	3,740
Payments for sale of shares of subsidiaries resulting in change in scope of consolidation	-	-510,233
Proceeds from cancellation of insurance funds	2,181	-
Other	-17,356	9,752
Net cash provided by (used in) investing activities	-231,943	-1,250,019
Cash flows from financing activities		
Increase (decrease) in short-term borrowings	-2,600,000	-69,000
Proceeds from long-term borrowings	1,700,000	400,000
Repayments of long-term borrowings	-511,180	-198,000
Dividends paid	-240,178	-240,048
Dividends paid to non-controlling interests	-64,463	-
Other	-3,092	-4,208
Net cash provided by (used in) financing activities	-1,718,913	-111,257
Net increase (decrease) in cash and cash equivalents	-1,740,432	-532,967
Opening balance of cash and cash equivalents	5,953,658	4,361,973
Ending balance of cash and cash equivalents	4,213,226	3,829,005

(4) 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)

The Company transferred most of shares of Diverse, Inc., which had been its consolidated subsidiary, on April 28, 2022 and thus excluded it from the scope of consolidation. As a result, retained earnings decreased by 134,567 thousand yen in the first six months of the fiscal year under review.

(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 six months ended June 30, 2022 or beginning retained earnings for this fiscal year.

Furthermore, the information on disaggregation of revenue from contracts with customers during the first six 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)

(Accounting estimates related to the impact of the spread of COVID-19)

1. There are no significant changes to the assumptions and estimates provided in the Annual Securities Report for the previous consolidated fiscal year regarding factors including the timing, etc., of the return to normal operations after COVID-19.

2. During the second quarter ended June 30, 2022, a portion of the investment securities held by IBJ Co., Ltd. were transferred to IBJ Financial Advisory Co., Ltd. As a result, "333,322 thousand yen" of investments in investment business limited liability partnerships, etc., recorded in "investment securities" in non-current assets during the previous fiscal year have been transferred to "operational investment securities" in current assets.

(Segment information)

Segment Information

I First consolidated six months ended June 30, 2021 (from January 1, 2021 to June 30, 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	1,039,040	3,259,703	1,879,754	577,017	6,755,516	-	6,755,516
Transactions with other segments	32,695	12,725	1,280	40	46,741	-46,741	-
Total	1,071,736	3,272,428	1,881,034	577,058	6,802,258	-46,741	6,755,516
Segment profit (loss)	667,215	478,077	35,278	-11,716	1,168,855	-484,540	684,315

Notes: 1. Adjustments to segment profit (loss) of -484,540 thousand yen include elimination of inter-segment transactions of 1,097 thousand yen and corporate expenses of -485,638 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 (loss) 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 six months ended June 30, 2022 (from January 1, 2022 to June 30, 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							
Services at transferred at a point in time	789,166	1,222,514	1,128,793	60,103	3,200,578	-	3,200,578
Services transferred over time	491,373	2,680,232	411,901	553,144	4,136,652	-	4,136,652
Revenue from contracts with customers	1,280,540	3,902,747	1,540,694	613,248	7,337,230	-	7,337,230
Other revenues	-	-	-	29,582	29,582	-	29,582
Revenues from external customers	1,280,540	3,902,747	1,540,694	642,831	7,366,813	-	7,366,813
Transactions with other segments	66,953	27,905	13,009	77	107,945	-107,945	-
Total	1,347,494	3,930,653	1,553,703	642,908	7,474,758	-107,945	7,366,813
Segment profit (loss)	762,851	700,924	59,443	48,105	1,571,324	-639,848	931,475

Notes:
1. Adjustments to segment profit (loss) of -639,848 thousand yen include elimination of inter-segment transactions of 1,701 thousand yen and corporate expenses of -641,550 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 (loss) 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)

In the Matching Business, the amount of goodwill decreased by 81,425 thousand yen in the first six months of the fiscal year under review due to the exclusion of Diverse, Inc. from the Company's scope of consolidation as a result of the transfer of shares.

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 six months ended June 30, 2021 were prepared according to 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.

(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 transferred shares of its consolidated subsidiary Diverse, Inc. (“Diverse”) on April 28, 2022. As a result, Diverse will be excluded from the scope of consolidation, including the equity method.

(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 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%

(Revenue recognition)

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