
 President Shigeru Sato	Partner Agent, Inc. (6181)
	 PARTNER AGENT

Company Information

Market	TSE Mothers
Industry	Service industry
President	Shigeru Sato
HQ Address	IMAS Osaki Building, 1-20-3 Osaki, Shinagawa-ku, Tokyo
Year-end	End of March
HOME PAGE	https://www.p-a.co.jp/

Stock Information

Share Price	Shares Outstanding		Market Cap.	ROE (actual)	Trading Unit
¥447	10,668,000 shares		¥4,768 million	9.8%	100 shares
DPS (Est)	Dividend Yield (Est)	EPS (Est)	PER (Est)	BPS (Act)	PBR (Act)
¥0.00	-	¥12.80	34.9 x	¥96.39	4.6 x

*The share price is the closing price on December 13.

*The number of shares issued, DPS, and EPS were taken from the second quarter of Fiscal Year March 2020. ROE, and BPS were taken from the brief financial report in March 2019.

Earnings Trends

Fiscal Year	Sales	Operating Income	Ordinary Income	Net Income	EPS	DPS
March 2016 Act.	3,644	445	434	285	30.95	-
March 2017 Act.	3,812	204	231	107	11.37	0.00
March 2018 Act.	4,102	195	325	117	12.15	0.00
March 2019 Act.	4,151	216	208	90	8.99	0.00
March 2020 Est.	9,100	230	170	130	12.80	0.00

*Unit: million yen., yen. The estimated values were provided by the company. On January 1, 2017, the company conducted a 3-for-1 stock split. EPS was adjusted retroactively.

*From the term ended March 2016, net income is profit attributable to owners of the parent. Hereinafter the same shall apply.

We would like to report an overview of earnings results for the first half of Fiscal Year March 2020 of Partner Agent, Inc.

Table of Contents

[Key Points](#)

[1. Company Overview](#)

[2. The first half of Fiscal Year March 2020 Earnings Results](#)

[3. Fiscal Year March 2020 Earnings Estimates](#)

[4. Conclusions](#)

[<Reference: Regarding Corporate Governance>](#)

Key Points

- The sales in the second quarter of FY March 2020 were 4,099 million yen, up 90.8% year on year. The inclusion of Mation, Inc. in the Group contributed to the sales growth. Operating income was 97 million yen, down 30.4% year on year, and ordinary income also decreased 31.7% year on year to 86 million yen. Operating income decreased due to the recording of temporary earnings such as those from the transfer of the childcare business in the same period last year in addition to amortization of intangible fixed assets and goodwill, but EBITDA rose 46.7% year on year to 326 million yen.
- There is no change in the earnings forecast. Sales for FY March 2020 are forecasted to increase 119.2% year on year to 9,100 million yen, and operating income is expected to increase 6.3% year on year to 230 million yen. With the inclusion of Mation, Inc. in the Group, sales are expected to increase significantly. The company expects a total of 207 million yen associated with the acquisition of Mation, Inc., including 57 million yen for goodwill and 150 million yen for amortization of intangible assets. Therefore, operating income will only increase by one digit, but real profitability will be approximately 400 million yen. Ordinary income is expected to decrease as non-operating expenses are anticipated from the upfront investment (loss on equity method investments) by en-konkatsu agent Inc.
- The matching support business's KPI is surely improving. After bottoming out in the first quarter, the number of new members and engagement rate are both growing. While engagement rate has just recovered to the order of 28%, the number of new members has recovered to the same level as in FY March 2017. The progress rate toward this term's goal (8,933 members) is 50.7%.
- We would like to pay attention to the level of KPI in the third quarter from a short-term perspective, and what kind of vision and goals the company will set forth in the medium-term management plan, which is being made at the moment, from a medium/long-term perspective.

1. Company Overview

Based on the corporate philosophy of "Bringing more smiles and happiness to the world," the company has three businesses including the mainstay "Matching Business" that supports marriage activities of registered members by operating "Partner Agent," a marriage support agency and "CONNECT-ship," a platform that enables the matchmaking between its members and those of other marriage support companies, the "Casual wedding Business" that produces casual weddings, such as wedding receptions with reasonable prices, weddings with entrance fees and photo weddings in response to growing needs in recent years, and "Other business" in which services related to marriage support and weddings are provided. The company's major feature is its high marriage rate which is achieved by marriage supports through detailed follow-ups by dedicated concierges and unique systems.

【1-1 Corporate history】

In June 2004, the company was established to start a marriage support business as a 100% subsidiary of Take and Give Needs, Co. Ltd. (4331, Tokyo Stock Exchange 1st Section, hereinafter "T&G"), which is specialized in wedding planning and wedding hall operation. At the time of the company establishment, Mr. Shigeru Sato was appointed to be the President for his abundant experiences and achievements at a major marriage support company.

Later, when T&G became difficult to invest continuously, President Sato, the executive staff and the employees collaboratively purchased the shares of Partner Agent, Inc., and the company became independent from the T&G Group in May 2008. The company’s business has been growing steadily because the customers highly regard the company’s high marriage rate, which is the result of “pursuing customers’ goals”. It was listed on the TSE Mothers in October 2015.

【1-2 Corporate ethos】

“Pursuing the customers’ goals” has been the philosophy of President Sato since the establishment of the company. Based on this philosophy, the company holds the following mission and visions.

Our mission	Bringing more smiles and happiness to the world.
Our visions	<ol style="list-style-type: none"> 1. We will keep on creating “values” as an innovator of the matchmaking industry and offering more opportunities for the customers to meet their marriage partners. 2. As life-long supporters to walk with people, we aim at helping our customers to have happy lives by making their “thoughts” a “reality.”
Our action guideline	<ul style="list-style-type: none"> • Judgment criteria are the customers. • Professional mind • Passion supremacist • Walk on the right path • Grow with its own initiative • Team Partner Agent • Pursue one’s own happiness

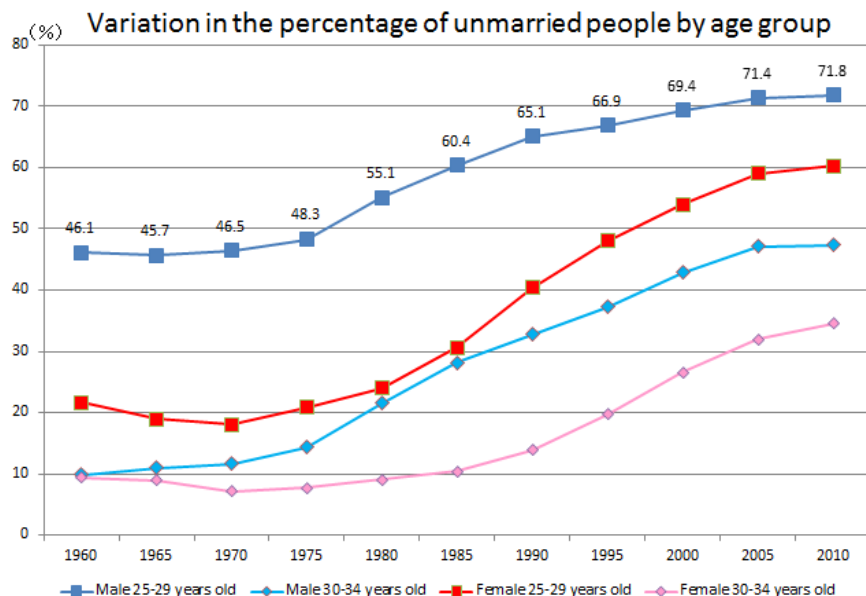
President Sato believes that these philosophies will penetrate into the employees only by remembering the philosophies and thinking based on it whenever they encounter specific issues or troubles.

【1-3 Market environment】

<Situations of unmarried people>

*** Growing percentage of unmarried people**

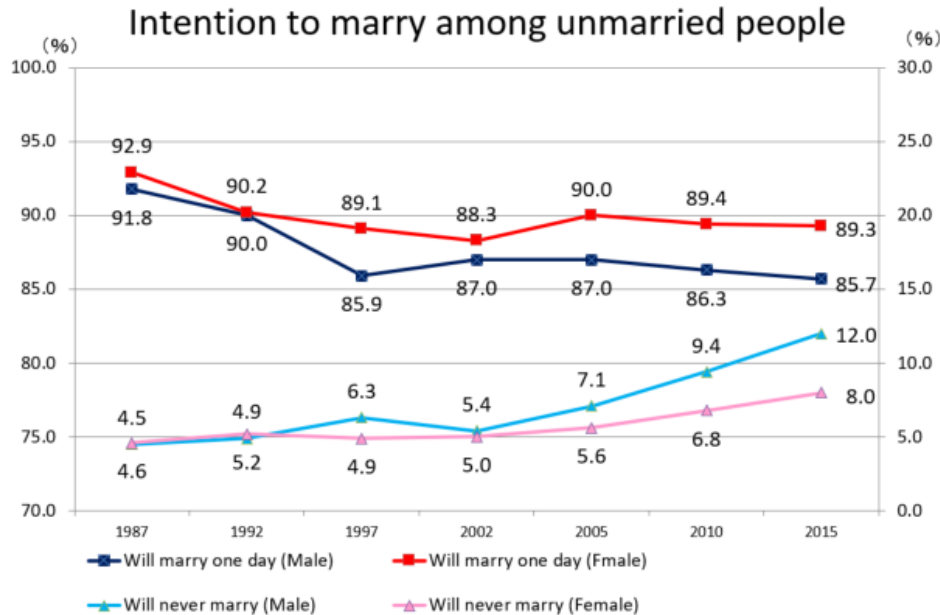
According to the national census conducted by the Ministry of Internal Affairs and Communications, the percentage of unmarried people between ages 25 and 34 has been increasing for both men and women in Japan.



Produced by Investment Bridge based on the National Census Report published by the Statistics Department of Ministry of Internal Affairs and Communications

*** Intention to marry among unmarried people: “Intention to marry” remains at a high level.**

According to the “2016 National Institute of Population and Social Security Research <National Survey on Marriage and Childbirth>, the 15th Basic Survey on Childbirth Trend,” the percentage of unmarried people between ages 18 and 34 who want to marry were: male 85.7%, female 89.3%. These data indicate that there are still many unmarried people who “want to marry.”



Produced by Investment Bridge Co., Ltd. based on “2015 National Institute of Population and Social Security Research <National Survey on Marriage and Childbirth>, the 15th Basic Survey on Childbirth Trend”.

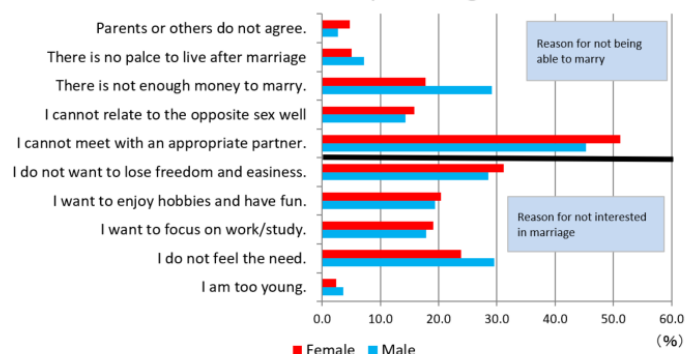
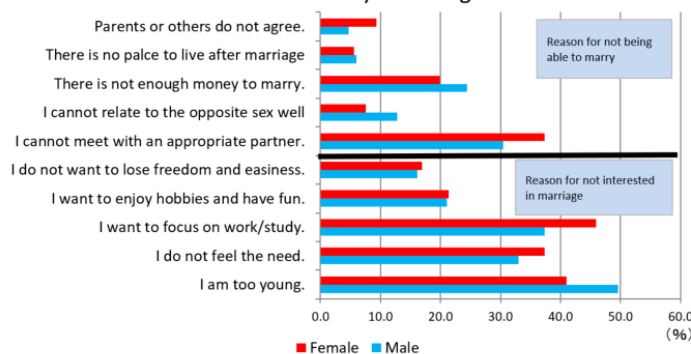
Although the percentages of unmarried men and women who responded “Never intend to marry” have been rising, among them, 44.1% of men and 49.8% of women responded that they might eventually change their intention to “Intend to marry.” This indicates that about half of the people who currently do not intend to marry may change their mind and start to look for their marriage partners in the future.

*** Reasons for being single: Unable to find the appropriate person for marriage after 25 years of age**

The reasons for the unmarried people between ages 18 and 24 to stay single were “I am still too young” and “I do not feel the need,” indicating that their motivation for marriage is not so high. On the other hand, a higher percentage of unmarried people between ages 25 and 34 responded that “I have not met an appropriate person yet,” indicating that the needs for the opportunities to meet potential partners are high in this age group.

From 18 to 24 years of age

From 25 to 34 years of age



*Developed by Investment Bridge Co., Ltd. based on “2015 National Institute of Population and Social Security Research <National Survey on Marriage and Childbirth>, the 15th Basic Survey on Childbirth Trend”

<Other companies in the industry>

About 3,000 marriage agencies etc. are engaged in marriage support activities across Japan. However, 90% of them are operated by individual business owners. There are only a few agencies including the company that run such businesses across Japan. Following are the companies listed on the stock exchange in the matchmaking industry, including Partner Agent.

Code	Company name	Sales	Sales growth rate	Operating income	Profit growth rate	Operating income margin	Aggregate market value	PER	PBR
2417	ZWEI	3,700	+4.8	110	-	3.0%	2,889	120.3	0.9
6071	IBJ	15,055	+27.4	1,800	+21.9	12.0%	47,614	36.2	10.1
6181	Partner Agent	9,100	+119.2	230	+6.3	2.5%	5,003	36.6	4.9

*Sales and profit are the estimates by the company for this fiscal year. Units are million yen, % and times.

*The aggregate market value is “the term end number of shares issued as stated in the most recent financial statement” x “closing price on December 10, 2019.”

[1-4 Business contents]

From this fiscal year, the reporting segments are divided into three businesses: Matching Service Business, Casual wedding Business, and Other business.

(1) Matching Business

There are three main business domains: The Marriage support service domain, the Entry service domain, and the Solution service domain.

① Marriage support service domain

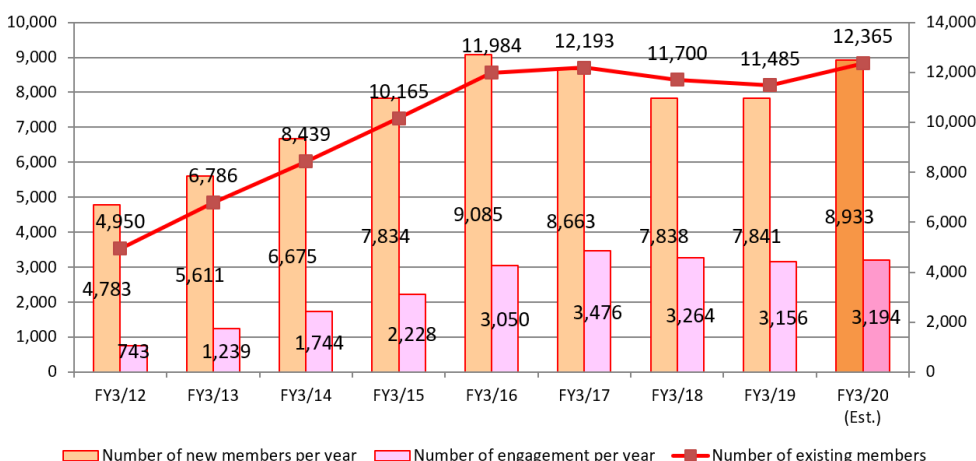
The company operates one of its greatest features, a high-value-added marriage support agency.

The Marriage support service provides information, introduces potential partners and provides opportunities of the encounter to the registered members.

An exclusive concierge is assigned to each member. The concierge develops plans for actions and supports the member professionally. Also, in order to provide opportunities of the encounter, the company plans and hosts matchmaking events for the members.

There are more female members, with the member composition ratio of male to female being between 4:6 and 3:7.

Main indicators of Marriage support service



(Characteristics of services)

A concierge with high coaching skills works with a “customer who wants to find a marriage partner within 1 year.” The concierge designs the activities based on the PDCA cycle to meet the needs of the customer who desires cost-effective services without wasting time and effort.

The concierges are mostly women who are done raising children, willing to help others through marriage support and share joys. There are about 130 concierges. The company has the motto of “pursuing customers’ goals” so the concierges are evaluated based on the “customer satisfaction” including the engagement rate and the early withdrawal rate.

<Image of support>

①Before sign-up: Clarifying service contents and fee structures

A customer who is considering being a member and comes to the store is greeted by an account executive whose role is to encourage him/her to become a member. The account executive explains the service contents and fee structures in details so that the customer can accurately understand them. If it seems difficult to continue introducing partners to the customer based on certain criteria, the customer may be declined to be a member. This is to avoid the situations where the customers are not satisfied with the services in cases where they cannot reach a contact (marriage meeting) or go steady with a partner, even though they pay monthly membership fees.

②After sign-up: Support by an exclusive concierge who is assigned to a member

Once a customer signs up for the membership, an interview will be conducted by a concierge in charge of the customer to understand the customer's sense of value and expectations.

At this time, using the coaching skills, the concierge tries to identify the customer's expectations and ideal model of marriage as clearly as possible. This way, instead of helping the customers find their partners abstractly, the concierges can help them find someone based on specific criteria.

In addition to the conventional matching mechanism through data, the company offers concierge services. This has differentiated the company's service from the others. With this system, the company can offer cost-effective services without wasting time and efforts of the customers.

During the activities, the exclusive concierges help the members modify the path as needed using a PDCA cycle. This way, the members can proactively work on the activities, even if they fail in the process.

Furthermore, the concierges ask for comments and impression from the members after each contact (marriage meeting), providing consultation to the members during dating period in addition to follow-ups after engagement (*) to walk with the members until they reach engagement.

The follow-up period after the engagement is 1 year. This way, they can support the members for a long time until marriage.

(*) Engagement (Withdrawal from the membership)

This means that members withdraw from the membership after both members expressed their intention to continue dating with the intent to marry the partners they are dating.

③Setting up contact (marriage meeting): Support by the staff other than the exclusive concierges

As the process advances, the members have contacts (marriage meetings) with the matched members. The specialized team supports them to coordinate the date, time and place of these contacts so that they can have their contacts set up effortlessly and efficiently.

The support team helps the members to carry out the activities smoothly. For example, even if the members are lost on the way to the contact venue or cannot find the person that they are supposed to meet, the company's staff provides support via phone or e-mail so that the members do not miss the chance to meet. Furthermore, when the customers seek second opinions, the company provides third-party advice through a service desk.

<Service fee structure>

Registration fee	Cost related to new member registration
Initial fee	Cost related to activities including interviews done by a designated concierge, planning activity and writing recommendation.
Monthly fee	Cost for matchmaking and activity support
Engagement fee	Incentive fee for leaving the membership at the time of the engagement.
Others	Cost related to participation in events and seminars, purchase of option services and other activities.

The company introduces about 2 to 6 members per customer per month, depending on the course chosen by customers. However, this figure is an obligation under the service contract and not the upper limit. Therefore, the company may introduce more members at its direction.

The following services are also provided as ancillary services.

◎Events for the members

In addition to the introduction by a concierge, the company develops and hosts various events such as matchmaking parties.

Having spaces for holding events within the company's stores makes it possible to flexibly hold parties without requiring expenses of renting a hall for events.

◎Option services

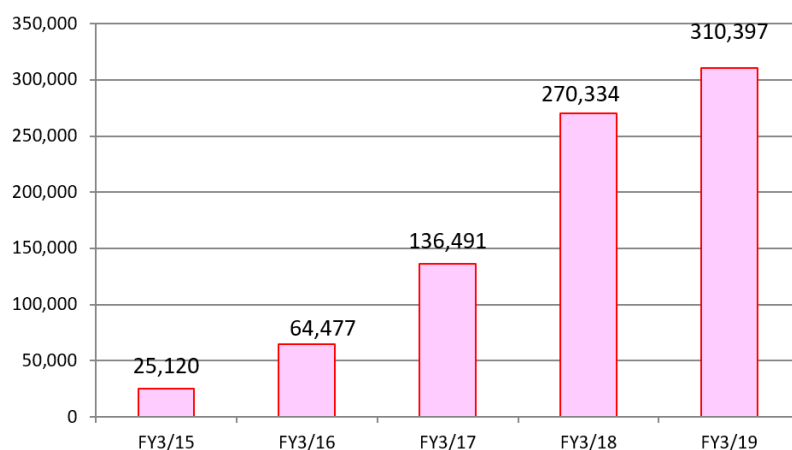
☆The company offers a photo shoot (fee-based) for the members with extra charges. Since the first impression is crucial for matchmaking, in collaboration with professional photographers and make-up artists, the company offers photo shoots in their studios or within the company's premises. Because the photography is specifically for matchmaking, the company can offer advice concerning appropriate clothing and facial expressions based on their experiences.

☆To provide the preliminary knowledge and information about matchmaking to the members, the company offers seminars (fee-based) on color coordination, fashion advisor, communication and others for the members.

② Entry service domain

Based on the concept of "affordable matchmaking services which people can start using without hesitation," the company plans, develops and operates entry-type marriage support agencies, matchmaking parties, and matching apps.

Number of party participants



◎ "OTOCON" matchmaking parties

It plans and operates matchmaking parties called "OTOCON" for the general public.

Although these parties are targeting the public, some non-members show interest in the company through these events and become members of the marriage support agency. Thus, OTOCON is also functioning as a venue to increase new members.

Furthermore, similar to the event services for the members of the marriage support agency, there are staff members who are dedicated to event planning, and the events take place in the spaces within the company's premises. The events promote efficient utilization of the company facilities and also work as a channel to solicit new members it also creates synergies with other services.

◎ Management of the website providing information about matchmaking parties

The company started working with "General Marriage and Marriage Activity Support Project.", which endeavors to realize the society where support service for matchmaking can be used more freely, and released information website, "Parties" in July 2018. (URL: <https://parties.jp/>)

This website provides information of matchmaking parties which are run soundly without being against Japanese laws and regulations. This service is provided by the newly established consolidated subsidiary of Partner Agent Inc., Ichie Inc., founded by Partner Agent Inc. and VECTOR Inc., which manages the operation of "General Marriage and Marriage Activity Support Project."

③Solution service domain

The main service in this domain is the “CONNECT-ship,” a platform that enables mutual introduction of members.

The “CONNECT-ship” is an open platform that enables mutual introduction of members between marriage support agencies. It launched in June 2017.

(Overview)

Marriage support companies and target service that use “CONNECT-ship” and their services are following 9 companies and 13 services as of September 2019.

Name of the companies	Management service name
en-konkatsu agent Inc.	•en-konkatsu agent
Senior Life, Inc.	•MARRIX
Japan Bridal Association	•JBA (Japan Bridal Association)
Nihon Nakodo Renmei	•NNR (Nihon Nakodo Renmei)
Recruit Marketing Partners Co., Ltd.	•Zexy Enmusubi Agent
Kekkonjoho center, Inc.	•NOZZE
Partner Agent, Inc.	•Partner Agent •OTOCON Matching Concierge (former Yahoo! Matching Concierge Plan) •Excite. Bridal Agency powered by Partner Agent •Ichie •OTOCON Matching Concierge Global Kids
Zenkoku Nakodo Rengokai Co., Ltd.	•Zenkoku Nakodo Rengokai
Kankocho Marriage, inc.	•Kankocho Marriage

The “CONNECT-ship” has more than 50,000 members (total members of all participating agencies). It is the first attempt in the marriage support industry to enhance marriage rate through the mutual introduction of a large number of members between businesses with a certain scale to find their partners and enhance the results and customer satisfaction.

The platform (system) to achieve mutual introduction among members was developed by the company. The other agencies will use the “CONNECT-ship” service, which is being operated and maintained by the company. The company is also in charge of operating the executive office of the “CONNECT-ship.”

It will increase its scale by including other companies that have the same vision (i.e. to maximize the marriage opportunities), which is the ultimate goal of the customers.

Each participating agency can offer its unique services and operations ca being interfered by other participating agencies including the executive office (the company).

The revenue source of the company, which provides and operates the system, is the remuneration for realizing the contact (marriage meeting) between members, which is received from enterprises using this system.

(Purposes)

The purposes of the “CONNECT-ship” for the company are to develop the industry by facilitating sales competition among the participating companies and by learning from each other in an effort to promote marriage among the members to raise customer satisfaction, within a new framework. At the same time, the company is aiming to bring about changes in the industry so that healthy competition on service quality will be created.

As of the end of September 2019, the number of members increased by 24.4% year on year to 29,490. The cumulative number of contacts (marriage meetings) realized by the end of the second quarter of FY March 2020 was 158,412, down 1.5% year on year.

(2) Casual wedding business

There are three main business domains: the Casual wedding domain, the After-party domain, and the Quality of life (QOL) service domain.

① Casual wedding domain

In response to the increasing needs in recent years, the company produces casual weddings such as wedding receptions at reasonable prices, weddings with entrance fees, and photo weddings.

“Suma-Kon,” the main product to support weddings in Japan, is a service operated by Mation, Inc., which joined the Group in April 2019. It provides reasonable wedding receptions with the concept that couples do not need to give up on having wedding ceremonies due to prices.

In addition to being able to have a party at high-end venues with a reasonable fee, the venue and plan can be selected flexibly, and convenience such as no carry-in fees and the option of payment after party are being valued by the customers.

A similar concept, “Suma-Kon Resort” is also available, which provides overseas weddings at reasonable prices.

Mation, Inc. also offers the “1.5th wedding party,” a wedding style that is not as formal as a reception and is not as casual as an after-party.

A 1.5th wedding party planner proposes a party plan that suits the couple’s needs, such as plans and costs. In addition to a wide range of choices, such as gift money style or entrance-fee style and course meal or buffet meal, there are no carry-in fees and payment after the party is also possible just like “Suma-Kon.”

The service is used for various purposes, such as a party after an overseas wedding ceremony, a formal party with a wedding ceremony, and a casual party with entrance fee.

② After-party domain

Just like “Suma-Kon,” “Nijikai-Kun” provided by Mation, Inc. upholds the theme of “Making the wedding after-party the best party in your life” and offers services including venue search, party planning, management on the day, and follow-up after the party.

Mation, Inc. is consistently achieving top-class results in terms of the number of after-party agency services.

③ QOL service domain

They are services that contribute to the improvement in the quality of life after engagement, such as bridal jewelry, insurance sales, and housing information services.

To the customers who became members through the marriage support agency, the company offers various services at their major life events by maintaining relationship with the members even after they withdraw from the membership for their engagement. This is to enhance customer satisfaction and increase revenue opportunities.

The members of the “Anniversary Club” are the ones who withdrew from the membership after their engagement. To those members, the following services are provided.

Introduction of wedding halls
Sales of items related to wedding
Sales of engagement rings/ marriage rings
Review of insurance contracts associated with changes in life stages
Provision of various discount services that can be used for matchmaking activities and others (through business collaboration with other companies).

As for the introduction of the wedding venues, the company’s service had been limited to introduction of wedding venues and referral to “Zexy Consultation Counter” operated by Recruit Zexy Navi, Co., Ltd. However, as the company began to offer “Suma-Kon” and “Nijikai-Kun,” it has become possible to provide in-house services including organization of wedding ceremonies and after-parties.

As for housing, the company introduces “Suumo Counter” operated by Recruit Sumai Company Ltd. to engaged couples who are considering purchasing custom-built homes. It has also entered into a business alliance agreement on customer collaboration with Dualtap Co., Ltd., which has a track record of condominium development in Tokyo to provide high-quality housing information services.

(3) Other business

The main business domains are the services surrounding matching and the services surrounding casual wedding. The company is also developing new businesses.

① Service around matching

The company offers the original marriage supporting system called “parms” as ASP to local governments planning to offer marriage support activities to residents.

“parms” is a system that combines several functions, such as supporting its user activities and streamlining tasks of operating staff in addition to basic functions such as member registration, membership management and partner matching, which are all necessary in the marriage support business. The system operators can customize the system depending on the needs.

“parms” has been installed in Fukushima, Kyoto and Saitama Prefectures so far, and Akita Prefecture is planning to install it in January 2020.

The major achievements with the local governments are as follows.

Local government	Contents
Mie Prefecture	Operation of the “Support to Strengthen Bond between Married/Unmarried Couples” project in the “Marriage Positive Campaign” (a project to create a positive trend for marriage)”
Kyoto Prefecture	Provision of a marriage support system to the companies that received business from “Kyoto Matching Support Center”
Fukushima Prefecture	Comprehensive operation of a marriage support business on behalf of “Fukushima Marriage/Child-Raising Support Center”

In addition to the above, the company has been offering seminars and solutions such as training to support the operation of matchmaking events organized by local governments in 10 prefectures since 2017.

② Service area around casual wedding

In this domain, the company operates venues for 1.5th parties, etc.

In October 2018, the company opened IROGAMI in Ginza that is a venue exclusively for private party and can be used for 1.5th parties, etc.

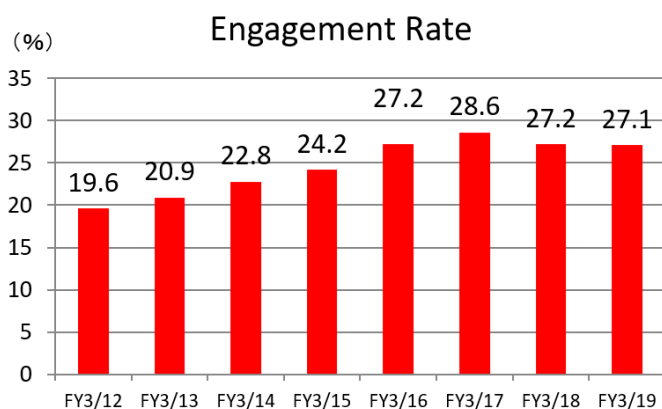
In addition, the company is also working on in-house production of videos used during “Suma-Kon” and “Nijikai-Kun” to pursue synergies with the casual wedding business.

【1-5 Characteristics and strengths】

High engagement rate as a result of “pursuing customers’ goal”

One of the key features of the company is its “high engagement rate.”

The engagement rate for FY March 2019 was 27.1%.



Although other companies in the industry are not announcing exact figures, the average engagement rate is suspected to be about 10%. In comparison, the company’s engagement rate is exceptionally high.

The “engagement rate” shows a rate of members who withdrew from the membership after their engagement during a specific period. Because the rate may also raise a question about the need for matchmaking companies, many companies in the matchmaking industry

prefer not to use the engagement rate as an indicator.

However, President Sato has been focusing on the idea of “pursuing customers’ goals” as a corporate strategy and philosophy from the foundation of the company.

He believes the goal that the customers want to reach through the company’s services is the “marriage.” Thus, making efforts to reach the highest rate of “getting married” is the social value of the company.

In order to achieve this purpose, the company carries out all activities including employment, education, development, training, knowledge sharing, management, and evaluation system based on the philosophy of “pursuing customers’ goals.” This stance leads to the outstanding “engagement rate” in this field.

2. The first half of Fiscal Year March 2020 Earnings Results

(1) Consolidated earnings

	1H FY 3/19	Ratio to sales	1H FY 3/20	Ratio to sales	YoY
Sales	2,148	100.0%	4,099	100.0%	+90.8%
Gross profit	1,247	58.1%	2,095	51.1%	+68.0%
SG&A	1,108	51.6%	1,998	48.8%	+80.4%
Operating Income	139	6.5%	97	2.4%	-30.4%
Ordinary Income	125	5.9%	86	2.1%	-31.7%
Net Income	75	3.5%	61	1.5%	-19.3%
EBITDA	222	10.4%	326	8.0%	+46.7%

*Unit: million yen

Sales increased substantially with the acquisition of Mation, Inc., but amortization of goodwill, etc. caused profit to drop. EBITDA rose significantly.

The sales in the second quarter of FY March 2020 were 4,099 million yen, up 90.8% year on year. The inclusion of Mation, Inc. in the Group contributed to the sales growth. Operating income was 97 million yen, down 30.4% year on year, and ordinary income also decreased 31.7% year on year to 86 million yen. Profit declined due to the recording of temporary earnings such as those from the transfer of the childcare business in the same period last year in addition to amortization of intangible fixed assets and goodwill, but EBITDA rose 46.7% year on year to 326 million yen. Net income decreased 19.3% year on year to 61 million yen. Along with the transfer of some business due to the review of the business portfolio, the company recorded a business transfer profit of 44 million yen as an extraordinary income.

(2) Trend in each segment

	1H FY 3/19	Composition rate	1H FY 3/20	Composition rate	YoY
Sales					
Matching Business	1,948	90.7%	1,836	44.8%	-5.7%
Casual wedding Business	55	2.6%	2,187	53.4%	+3,833.6%
Other Business	144	6.7%	75	1.8%	-47.8%
Total	2,148	100.0%	4,099	100.0%	+90.8%
Profit in each segment					
Matching Business	439	22.6%	398	21.7%	-9.3%
Casual wedding Business	10	19.4%	25	1.2%	+137.9%
Other Business	29	20.8%	15	20.3%	-49.2%
Adjustment	-340	-	-342	-	-
Total	139	6.5%	97	2.4%	-30.4%

*Unit: million yen. The composition rate of the profit in each segment means return on sales.

Matching Business

Both sales and profit decreased.

Sales decreased due to the strategic decrease of the number of parties held mainly in the entry service domain

The marriage support service domain performed well, and profit improved so much for the entry service domain, but overall profit decreased due to the early recording of depreciation cost resulting from consolidation of stores, etc.

◎Marriage Support Service Domain

The company implemented various measures to establish the brand. In particular, the company shifted to efficient and effective advertising measures with an emphasis on customers' results, and, as for services, it changed the system to strengthen and enhance quality. In addition, the company made efforts to acquire a new customer base by offering high-end courses, such as the "ultimate course" targeting people with an annual income of 30 million yen or more as an admission condition, and the "executive course" that offers appearance support.

They proved effective, as the number of new members grew 12.3% to 4,528, and the number of members who withdrew from the membership after engagement rose 5.9% to 1,626. As of the end of September 2019, the number of members is 11,896, up 1.0% year on year, and engagement rate is 28.0%, up 1.6 points year on year.

◎Entry Service Domain

The number of events was reduced with the aim of optimizing the operation of the matchmaking parties and improving service quality. The number of participants decreased 23.9% year on year to 125,890, due to the cancellation of parties as a result of bad weather, etc., but the number of participants per event increased.

The number of members who are enrolled in the marriage support agency via matchmaking parties, which the company has been focusing on since the previous term, also increased to 355 people, up 7.6% year on year.

◎Solution Service Domain

In order to contribute to the improvement of the results of the "CONNECT-ship" users, the company is implementing various measures to increase the number of members.

As of the end of September 2019, the number of members was 29,490, up 24.4% year on year and the number of marriage meetings realized by the end of the second quarter of FY March 2020 was 158,412, down 1.5% year on year.

* Major Indicators

	1H FY 3/19	1H FY 3/20	YOY
Number of new members	4,031	4,528	+12.3%
Number of existing members at the end of September	11,784	11,896	+1.0%
Number of members subscribed after engagement	1,536	1,626	+5.9%
Engagement Rate (%)	26.4	28.0	+1.6p
Number of party participants	165,373	125,890	-23.9%
Number of parties held	15,606	11,428	-26.8%
Number of the "CONNECT-ship" users (end of September)	23,715	29,490	+24.4%
Number of marriage meetings via "CONNECT-ship"	160,828	158,412	-1.5%

(Casual wedding Business)

Both sales and profit increased.

The inclusion of Mation, Inc. in the Group contributed. Profit increased even after recording the amortization of goodwill and intangible fixed assets (103 million yen).

◎Casual Wedding Domain

The company focused on expanding the product lineup with "Suma-Kon" as the core product. For example, the company proceeded with preparations for launching the "Suma-Kon wedding ceremony" to meet the needs of the customers who are focused on wedding ceremony. In addition, the company started collaboration between the Wedding business and the Matching business and introduced "Suma-Kon" to the members who are engaged through the marriage support services and also started collaboration between the Wedding

business and the Matching business.

As a result, the total number of contracts for the entire “Suma-Kon” series was up 34.8% to 759 (563 in the same period of the previous year), and the number of implemented cases was up 32.6% to 720 (543 in the same period of the previous year).

◎After-party Domain

In order to further expand the business of “Nijikai-Kun,” which boasts the industry’s highest level of implementation, various measures are being taken to strengthen collaboration with leading companies in the wedding after-party industry. Additionally, the company refortified the business foundation to cope with the increase of orders during busy months (October and November).

the company concluded a comprehensive business alliance with Authemotion Products Co., Ltd, which has the industry’s largest production results, and started reciprocal customer transfers with them in June 2019.

In addition, similar to the casual wedding domain, collaboration with the marriage support service began.

As a result, the number of contracts for “Nijikai-Kun” was up 23.1% to 1,976 (1,605 in the same period of the previous year), and the number of implemented cases was 1,802 (1,579 in the same period of the previous year).

◎QOL Service Domain

The company worked to expand sales of bridal jewelry and insurance to the members who are engaged through marriage support service and the customers of “Suma-Kon” and “Nijikai-Kun.” In particular, with regard to insurance sales, the company opened the second “Partner Agent x Insurance Clinic” in April 2019 in order to expand the operation of the high-quality insurance business. It is also preparing to open the third one.

Furthermore, in order to provide new high-quality housing information services, etc., the company concluded a business alliance agreement on customer cooperation with Dualtap Co., Ltd., which has developed many condominiums in the Tokyo metropolitan area.

* Major Indicators

	1H FY 3/19	1H FY 3/20	YoY
(Number of contracts)			
Suma-Kon series	563	759	+34.8%
Nijikai-Kun	1,605	1,976	+23.1%
(Number of enforcement)			
Suma-Kon series	543	720	+32.6%
Nijikai-Kun	1,579	1,802	+14.1%

* Mation, Inc. has joined the Group in April 2019. The number of implemented cases for Suma-Kon series and Nijikai-Kun in the second quarter of FY March, 2019 is not included in the results for the second quarter of FY March, 2019.

(Other Business)

Both sales and profit decreased.

Both sales and profit declined due to the transfer of the childcare business and the recording of temporary earnings related to the sale of a matching support system for nursery teachers in the same period of the previous year.

◎Service around marriage support

The company is focusing on expanding management support for local governments that carry out marriage support activities. The company provided support in the event organized by Saitama Prefecture, and is also planning to introduce the marriage support system “parms” to Akita Prefecture.

◎ Service around casual wedding

The company started in-house production of opening movies and videos introducing the groom and bride, and used for “Suma-Kon” and “Nijikai-Kun” in collaboration with the Casual wedding business.

(3) Financial condition and cash flow**◎Main BS**

	End of March 2019	End of September 2019		End of March 2019	End of September 2019
Current Assets	2,059	2,015	Current liabilities	1,132	2,710
Cash	1,207	1,005	ST Interest-Bearing Liabilities	771	2,110
Receivables	723	770	Noncurrent liabilities	1,271	1,303
Noncurrent Assets	1,322	3,064	LT Interest-Bearing Liabilities	1,135	1,126
Tangible Fixed Assets	328	384	Total Liabilities	2,404	4,014
Intangible Fixed Assets	335	1,125	Net Assets	978	1,067
Investment, Others	658	1,555	Retained earnings	981	1,070
Total assets	3,382	5,081	Total Liabilities and Net Assets	3,382	5,081

*Unit: million yen

Noncurrent assets rose 1,742 million yen from the end of the previous term due to the increase in goodwill, and total assets grew 1,698 million yen from the end of the previous term to 5,081 million yen.

Total liabilities went up 1,610 million yen from the end of the previous term to 4,014 million yen due to the increased short-term debt, etc. Net assets rose 88 million yen from the end of the previous term to 1,067 million yen due to the increase in retained earnings. As a result, equity ratio decreased 7.9 points from the end of the previous term to 21.0%.

◎Cash Flows

	1H FY 3/19	1H FY 3/20	Increase/Decrease
Operating Cash Flow	178	158	-20
Investing Cash Flow	-48	-1,364	-1,315
Free Cash Flow	129	-1,205	-1,335
Financing Cash Flow	76	1,003	+927
Cash and Equivalents at Term End	755	1,005	+249

*Unit: million yen

The deficit of investing CF increased due to the acquisition of shares of Mation, Inc., and free CF turned negative.

The surplus of financing CF grew with the increase in short-term debt. The cash position improved.

(4) Topics**◎Matching Business: Opened a luxurious space, “PA Premium Lounge.”**

The company opened “PA Premium Lounge” for members of the marriage support service in Marunouchi, Tokyo in November 2019. “PA Premium Lounge” is the place where members of the “ultimate course” and the “executive course,” which are high-end courses that the company started offering in August 2019, and some members of regular courses meet for the first time. Each room has three different concepts, i.e., “Harmony with nature (Room 21st), “Unchanging value (Room 19th), and “Curiosity for wisdom (Room 20th), and provides a space facilitating smooth communication by utilizing the knowledge and know-how that the company, as a major marriage support company, cultivated so far, to the fullest.



(Taken from the reference material of the company)

◎Wedding Business: Reduced the burden of the bride and groom and increased revenue per wedding party through the in-house production of dresses.

The company is promoting the in-house production of dresses.

The company used to receive requests (applications) from couples for items to be used in the wedding hall or ceremony, place orders with partner halls and manufacturers of such items, and produced them. On the other hand, couples had to apply directly to the partner company introduced by the company to rent dresses. The company received commissions from the partner companies for introducing customers.

Against such a situation, the company launched a new service called “Suma-Kon Dress Outlet,” providing dresses. It has enabled the company to produce wedding halls, items and dresses completely from now on.

The company can offer dresses at appropriate prices as it stocks them on its own, and in-house production will also decrease the total cost borne by couples and make their application easier. The company believes that this will lead to improvement in customer satisfaction and revenue per wedding party.

◎Other Business: Installation of “parms,” the marriage support system for local governments, in Akita Prefecture

The company has been offering seminars and solutions, such as training to support the operation of matchmaking events organized by local governments in 10 prefectures since 2017.

“parms,” which is the marriage support system targeting local governments, has been installed in Fukushima, Kyoto and Saitama Prefectures so far, and Akita Prefecture is planning to install it in January 2020.

3.Fiscal Year March 2020 Earnings Estimates

(1) Consolidated earnings Estimates

	FY 3/19	Ratio to sales	FY 3/20 Est.	Ratio to sales	YoY	Progress rate
Sales	4,151	100.0%	9,100	100.0%	+119.2%	45.0%
Operating Income	216	5.2%	230	2.5%	+6.3%	42.3%
Ordinary Income	208	5.0%	170	1.9%	-18.4%	50.6%
Net Income	90	2.2%	130	1.4%	+44.3%	47.1%

*Unit: million yen. The estimated values were provided by the company.

No change in the business forecasts. Increase in Sales and Operating Income

The sales for FY March 2020 are estimated to increase by 119.2% year on year to 9.1 billion yen. The sales will grow significantly along with the inclusion of Mation Inc. in the corporate group.

Operating income is estimated to be 230 million yen, up 6.3% year on year. The increase in operating income is expected to remain single-digit as it is estimated to be a total of 207 million yen including the goodwill concerning the company's stock acquisition of 57 million and the amortization of intangible assets of 150 million yen. Further, the goodwill expenditure coming from the inclusion of Mation, Inc. will be only posted as 57 million yen from the next term.

As for non-operating expenses, the upfront investment by en-konkatsu agent Inc. (investment loss by equity method) is expected, leading to an expected decline in ordinary income.

(2) Business Policies for the Present Term

They are taking the following initiatives regarding the matching business and wedding business respectively.

① Matching Business

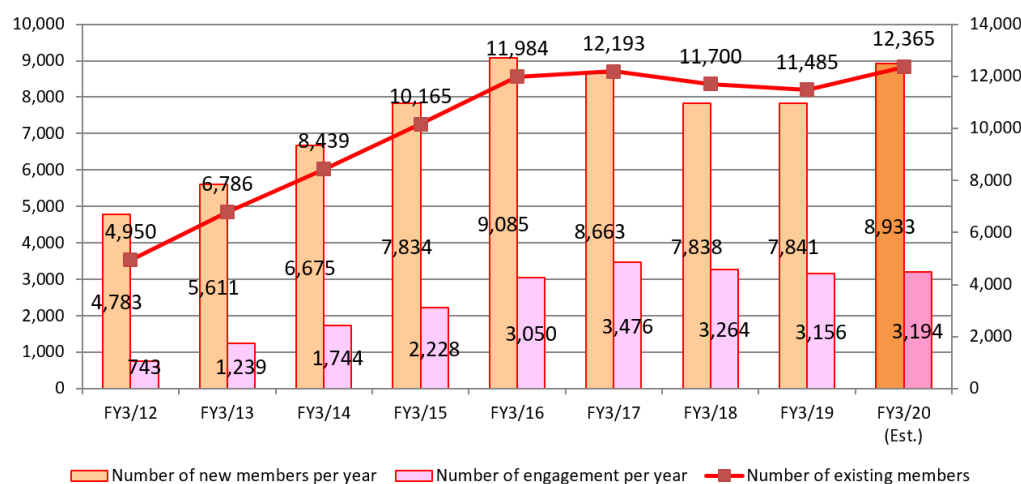
Marriage support services will be revitalized in every direction.

In particular, they shall promote the improvement in quality regarding the Partner Agent Brand in the marriage support agency field that has high added value to endeavor further "improvement of engagement rate = customer satisfaction."

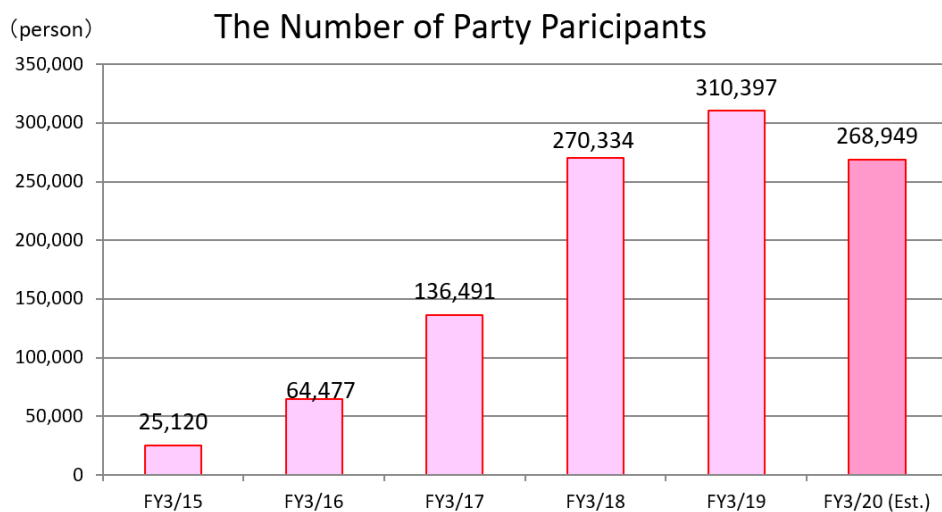
As for the entry service domain such as the marriage support domain, matchmaking parties, and dating apps, they shall unfold a streamlined marketing policy, newly positioned as entry services. They are progressing well, even on the Internet.

Other than that, regarding services contributing to the operation of "CONNECT-ship" and improvement in quality of life after marriage, they shall enhance the operation system and plan to increase the number of users. As for "CONNECT-ship," they are putting efforts in making it the foundation of growth.

Main indicators of Marriage support service



The marriage support service domain is expected to exceed its previous term in every index and head for a recovery.



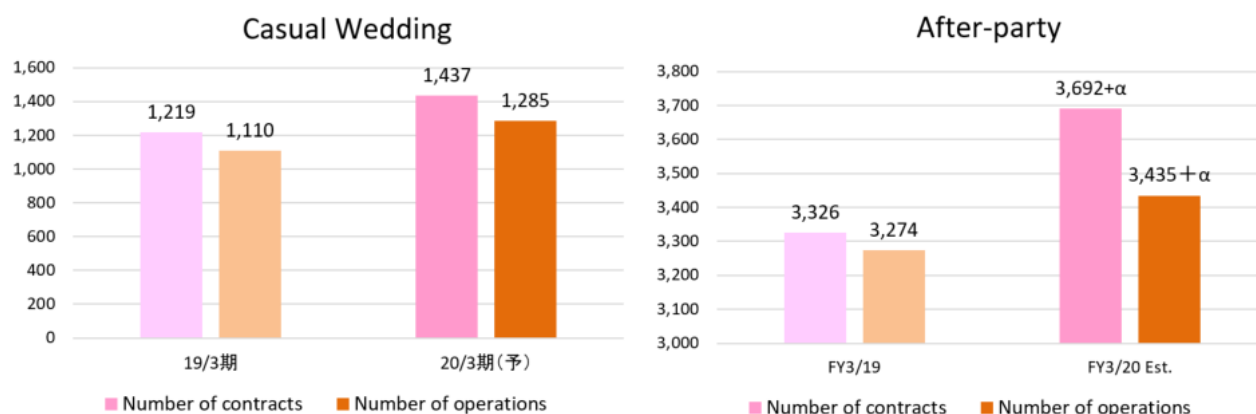
As the number of parties held is planned to decrease to optimize the operation of matchmaking parties continuously from the previous term, the number of participants is expected to decline.

On the other hand, a high-quality party is being planned in collaboration with the partner company.

② Casual wedding Business

In response to the lately growing category, casual wedding (holding a reception party at a reasonable price, wedding parties with entrance fees, photo weddings etc.), they shall expand their product lineup centered around “Suma-Kon” and “2jikai-kun” to respond to various customer needs.

Further, they shall enhance ties with Authemotion Products Co., Ltd., an influential company in the wedding industry, through reciprocal customer transfers and strive to increase the sales orders as well as demonstrating synergy with the marriage support service domain.



③ Management

They are reinforcing the management system and optimizing group resources including reorganization.

In July 2019, they reformed the organization, modified the management of company directors, and nominated company executives to further optimize the organizational system and realize further business growth.

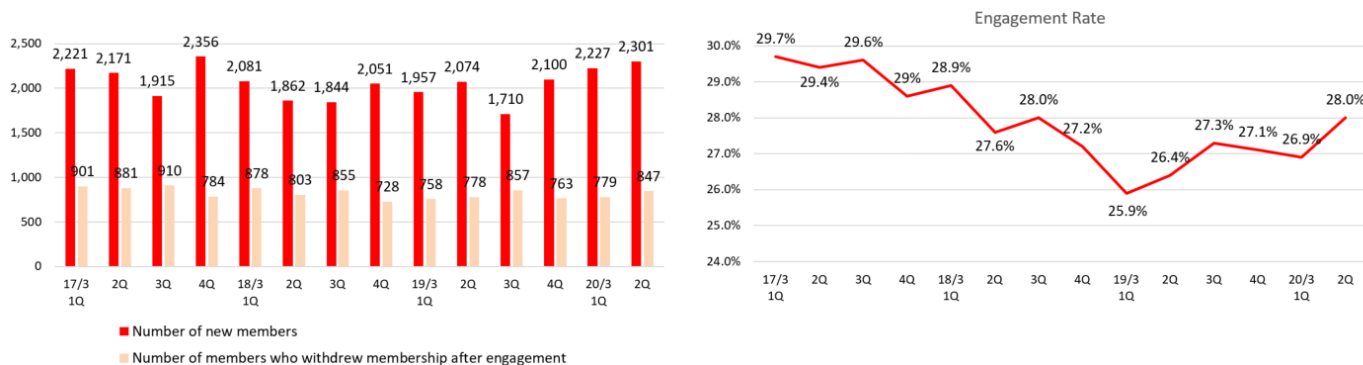
President Sato, who was President, CEO and General Manager of the Matching Business, became President, CEO and General Manager of the Wedding Business. He shall display greater leadership than ever in pursuit of growth.

The formulation of the medium-term management plan is underway.

4. Conclusions

The matching business’s KPI is surely improving. After bottoming out in the first quarter, the number of new members and engagement rate are both growing. While engagement rate has just recovered to the order of 28%, the number of new members has recovered to the same level as in FY March 2017. The progress rate toward this term’s goal (8,933 members) is 50.7%.

We would like to pay attention to the level of KPI in the third quarter from a short-term perspective, and what kind of vision and goals the company will set forth in the medium-term management plan, which is being made at the moment, from a medium/long-term perspective.



<Reference: Regarding Corporate Governance>

◎ Organization type, and the composition of directors and auditors

Organization type	Company with an audit and supervisory board
Directors	8 directors, including 2 external ones
Auditors	3 auditors, including 2 external ones

Corporate Governance Report

The latest update: July 5,2019

<Basic policy>

Based on the principles of the Corporate Governance Code, the Group has established basic policies regarding corporate governance. In order to maximize corporate value, the basic policies of the corporate governance initiatives are to strengthen relationships with each stakeholder and enhance management governance and internal control functions, and they are positioned as the most important management actions. The Company is striving to secure transparency and fairness and disclose right information to each stakeholder in a timely manner by speeding up and revitalizing decision making, strengthening the supervisory function for business execution, strengthening the management oversight function for directors, and establishing an internal control system.

The Company operates a marriage information service business and believes that the corporate value is based on the trust of society. The Company recognizes that corporate governance is indispensable for the Group to maintain such trust from society.

The Company believes that “separation of execution and supervision” in management is the most effective way to meet the expectations of each stakeholder and continuously increase corporate value. Therefore, in addition to having the Board of Directors and the Board of Auditors as the supervisory bodies of the Group’s management team, the Management Council is established. The purposes of the Management Council include to determine important matters regarding business execution, deliberate important management matters, facilitate communication and common understanding of information, and review risks. Furthermore, in order to take systematic and right countermeasures against risks, the Company established the Risk Compliance Committee that facilitates risk management and compliance in an integrated manner to not only improve the organizational structure but also strengthen corporate governance.

<Reasons for Non-compliance with the Principles of the Corporate Governance Code (Excerpts)>

The company states that it will carry out all basic principles of corporate governance code as a company listed on the TSE Mothers.

BRIDGE REPORT



This report is intended solely for information purposes, and is not intended as a solicitation for investment. The information and opinions contained within this report are made by our company based on data made publicly available, and the information within this report comes from sources that we judge to be reliable. However, we cannot wholly guarantee the accuracy or completeness of the data. This report is not a guarantee of the accuracy, completeness or validity of said information and opinions, nor do we bear any responsibility for the same. All rights pertaining to this report belong to Investment Bridge Co., Ltd., which may change the contents thereof at any time without prior notice. All investment decisions are the responsibility of the individual and should be made only after proper consideration.

Copyright (C) 2019 Investment Bridge Co., Ltd. All Rights Reserved.

The back number of Bridge Reports (Partner Agent, Inc.:6181) and contents of Bridge Salon (IR seminars) can be seen at <https://www.bridge-salon.jp/>