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Consolidated Financial Results for the Year Ended March 31, 2020 [JGAAP]

May 15, 2020
Listed on: TSE Mothers

Company Name: Partner Agent Inc.
 Stock Code: 6181
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 Scheduled date for Annual General Meeting of Shareholders: June 23, 2020
 Scheduled date to submit the Financial Statements Report: June 30, 2020
 Scheduled date to commence dividend payments: –
 Availability of supplementary briefing material on yearly results: Available
 Scheduled date of Yearly Results Briefing Session: to be arranged for institutional investors and analysts
 (Japanese only)

(Figures are rounded down to the nearest million)

1. Consolidated Financial Results for the Year Ended March 31, 2020

(April 1, 2019 to March 31, 2020)

(1) Consolidated Results of Operations (cumulative) (% indicates changes from the previous corresponding period.)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent	
Year ended:	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
March 31, 2020	8,187	97.2	78	(63.8)	41	(80.1)	2	(97.1)
March 31, 2019	4,151	1.2	216	10.9	208	(36.0)	90	(23.2)

(Note) Comprehensive income: Year ended March 31, 2020: ¥ 3 million [(96.2%)]

Year ended March 31, 2019: ¥83 million [(28.8%)]

	Net income per share	Diluted net income per share	Return on equity	Return on assets	Operating profit margin
Year ended:	Yen	Yen	%	%	%
March 31, 2020	0.25	0.25	0.3	0.9	1.0
March 31, 2019	8.99	8.50	9.8	6.7	5.2

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
As of:	Millions of yen	Millions of yen	%	Yen
March 31, 2020	5,484	1,025	18.7	97.81
March 31, 2019	3,382	978	28.9	96.39

(Reference) Shareholders' equity: As of March 31, 2020: ¥1,025 million

As of March 31, 2019: ¥ 978 million

(3) Consolidated Cash flows

	Cash flow from operating activities	Cash flow from investing activities	Cash flow from financing activities	Cash and cash equivalents at end of period
Year ended:	Millions of yen	Millions of yen	Millions of yen	Millions of yen
March 31, 2020	231	(1,861)	1,462	1,039
March 31, 2019	374	(180)	464	1,207

2. Dividends

	Annual dividends					Total dividend (annually)	Payout ratio (consolidated)	Dividend on equity ratio (consolidated)
	Q1-end	Q2-end	Q3-end	Q4-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal year ended March 31, 2019	-	0.00	-	0.00	0.00	-	-	-
Fiscal year ended March 31, 2020	-	0.00	-	0.00	0.00	-	-	-
Fiscal year ending March 31, 2021 (Forecast)	-	0.00	-	0.00	0.00		-	

(Note) Revision to the most recently announced forecasted dividends: Not applicable

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2021

(April 1, 2020 to March 31, 2021)

The consolidated earnings forecast for the fiscal year ending March 2021 is currently undecided because it is difficult to reasonably estimate the earnings forecast because it cannot be predicted when the spread of COVID-19 converges.

The consolidated earnings forecast will be announced when it becomes possible to disclose it.

* Notes:

(1) Changes in significant subsidiaries during the year ended March 31, 2020

(changes in specified subsidiaries resulting in changes in scope of consolidation):

Acquired: (Company name) M Creative Works, Disposed: —

Please refer to “Changes in significant subsidiaries during the year ended March 31, 2020” on P. 14 for detail.

(2) Changes in accounting policies, changes in accounting estimates and retrospective restatement:

1) Changes in accounting policies due to revision of accounting standards: Not applicable

2) Changes in accounting policies other than 1) above: Not applicable

3) Changes in accounting estimates: Not applicable

4) Retrospective restatement: Not applicable

(3) Total number of shares issued (common shares)

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

March 31, 2020: 10,714,800 shares

March 31, 2019: 10,432,800 shares

2) Total number of treasury shares at the end of the period:

March 31, 2020: 227,229 shares

March 31, 2019: 279,429 shares

3) Average number of shares outstanding during the period:

Year ended March 31, 2020: 10,355,029 shares

Year ended March 31, 2019: 10,023,011 shares

(Note) The number of treasury shares presented above includes the number of the Company's shares held by the trustee account under the “Share Benefit Trust (shares to be transferred to employee share ownership plan)”, and the number of such treasury shares were 227,100 and 279,300 as of March 31, 2020 and March 31, 2019, respectively. In addition, 254,557 shares and 304,904 shares as of March 31, 2020 and March 31, 2019, respectively, held in the trustee accounts were deducted in calculating the average number of outstanding shares during the period presented above.

(Reference) Overview of non-consolidated financial results

Non-consolidated Financial Results for the Year Ended March 31, 2020

(April 1, 2019 to March 31, 2020)

(1) Non-consolidated Results of Operations (cumulative)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating income		Ordinary income		Net income	
Year ended:	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
March 31, 2020	3,724	(9.8)	34	(87.3)	43	(84.0)	(70)	-
March 31, 2019	4,129	0.6	272	41.2	269	(16.7)	148	50.4

	Net income per share	Diluted net income per share
Year ended:	Yen	Yen
March 31, 2020	(6.70)	-
March 31, 2019	14.77	13.97

(2) Non-consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
As of:	Millions of yen	Millions of yen	%	Yen
March 31, 2020	4,870	1,007	20.7	96.11
March 31, 2019	3,371	1,031	30.6	101.61

(Reference) Shareholders' equity: As of March 31, 2020: ¥1,007 million

As of March 31, 2019: ¥1,031 million

(Note) Certain differences have arisen between individual operating results and the results for the previous fiscal year. The reasons for these are given in (1) Analysis of consolidated operating results for the year ended March 31, 2020, 1. Summary of qualitative information on the financial results.

Financial results announcement is not subject to quarterly review of the independent auditor.**Explanation for appropriate use of financial forecasts and other special notes**

The forecasts given in this document are based on the current available information in the Company and certain reasonable assumptions to the Company. And we don't commit to achieve these forecasting numbers. Actual results may differ from these forecasts by a variety of reasons.

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1. Summary of qualitative information on the financial results

(1) Analysis of consolidated operating results for the year ended March 31, 2020

- The net sales increased to ¥8,187 million (+97.2% year-on-year (“YoY”)), and the operating income decreased to ¥78 million (-63.8% YoY).
- The Group focuses on EBITDA levels, and it increased to ¥509 million (+30.9% YoY).
- Despite the impacts of the consumption tax increase, bad weather and the novel coronavirus disease (COVID-19) in the second half of the year, sales increased significantly due to the acquisition of Mation Inc.
- Selling, general and administrative expenses increased due to the acquisition of Mation Inc., and the amortization of goodwill and intangible assets resulting from the acquisition. However, the total actual levels were less than the forecasted levels due to the consolidation of the corporate functions of the group companies and improved advertising efficiency.
- Although each business contributed to earnings, operating income decreased due to the prior year temporary profit associated with a sale of marriage making support system.

[Overview by business segment]

i.) Matching Business

- The net sales decreased to ¥3,563 million (-6.4% YoY). The operating income increased to ¥817 million (+1.6% YoY).
- The number of new members of the marriage support agency increased, despite the impact of the increase of the consumption tax rate and COVID-19.
- For the matching parties service, even though the recorded sales have been declined due to the strategic review on the number of parties and postponement of parties with COVID-19, the profit levels improved significantly due to streamlining and in-house operation.
- Accelerated depreciation expenses were recorded due to integration and closure of 5 store locations.
- Due to the above reasons, both sales and profit decreased.
- For the next term, initiatives utilizing online have been taken for both the marriage support agency and the matching parties service.

< Major indicator of Matching Business >

	FY 3/2019	FY 3/2020	YoY
Number of new members enrolled during the period	7,841	7,968	+ 1.6%
Number of existing members at the end of the period	11,485	11,073	(3.6%)
Number of members unsubscribed after engagement during the period	3,156	3,136	(0.6%)
Engagement rate	27.1%	27.0%	(0.1pt)
Number of party participants	310,397	219,396	(29.3%)
Number of parties held	28,768	19,990	(30.5%)

ii.) Casual Wedding Business

- The net sales increased to ¥4,425 million (+4,445.2% YoY), and the operating income increased to ¥81 million (+617.7% YoY).
- Acquired Mation Inc., the new style wedding (casual wedding) producer.
- The system that can meet the needs of all customers has been established by promoting the quality of casual weddings and expanding the product lineup.
- In the after-party service, the strengthening of collaboration with leading companies has been progressing.
- Some parties were postponed or canceled due to COVID-19, but the number of both orders accepted and parties produced have increased from the previous year..
- Due to the above reasons, both sales and profit increased although amortization of goodwill and intangible assets resulting from the acquisition of Mation Inc., was recognized for ¥207 million.
- For the next term, initiatives utilizing online have been taken also for casual wedding services.

< Major indicator of Casual Wedding Business >

	(Reference) FY 3/2019	FY 3/2020	(Reference) YoY
(Number of orders accepted)			
Suma-Kon series	1,219	1,562	+ 28.1 %
Nijikai-Kun	3,326	3,786	+ 13.8 %
(Number of parties produced)			
Suma-Kon series	1,110	1,454	+ 31.0 %
Nijikai-Kun	3,274	3,604	+ 10.1 %

iii.) Other Business

- The net sales decreased to ¥218 million (-15.7% YoY), and the operating income decreased to ¥15 million (-81.9% YoY).
- Our proprietary marriage making support system called “parms” has been implemented for Akita prefecture.
- In-house production of videos for wedding parties started.
- In the event produce service for corporate customers, supporting online corporate events started.
- Both sales and profit decreased due to the disposal of the child daycare business and the prior year temporary profit associated with the sale of some marriage making support systems.

(2) Analysis of financial position

(Assets)

Total assets increased ¥2,102 million from the end of the previous fiscal year to ¥5,484 million.

Current assets decreased ¥53 million from the end of the previous fiscal year to ¥2,006 million. This was mainly due to ¥168 million decrease in cash and deposit and ¥54 million increase in income taxes receivable included “others”.

Non-current assets increased ¥2,155 million from the end of the previous fiscal year to ¥3,477 million. This was mainly due to ¥1,005 million increase in goodwill, ¥578 million increase in long-term loans receivable and ¥193 million increase in leasehold deposits.

(Liabilities)

Total liabilities increased ¥2,055 million from the end of the previous fiscal year to ¥4,459 million.

Current liabilities increased ¥552 million from the end of the previous fiscal year to ¥1,685 million. This was mainly due to ¥325 million increase in short-term borrowings.

Non-current liabilities increased ¥1,502 million from the end of the previous fiscal year to ¥2,773 million. This was mainly due to ¥1,475 million increase in long-term borrowings.

(Net assets)

Total net assets increased ¥47 million from the end of the previous fiscal year to ¥1,025 million. This was mainly due to ¥30 million decrease in treasury shares and ¥2 million increase in retained earnings.

(3) Analysis of cash flows

During the fiscal year under review, cash and cash equivalents (hereinafter referred to as “cash”) amounting to ¥1,039 million (-13.9% YoY) at the end of the year ended March 31, 2020.

(Cash flows from operating activities)

Net cash provided in operating activities amounted to ¥231 million (-38.3% YoY). This was mainly due to change in working capital.

(Cash flows from investing activities)

Net cash used in investing activities amounted to ¥1,861 million (+932.1% YoY). This was mainly due to purchase of shares of subsidiaries resulting in change in scope of consolidation of ¥973 million.

(Cash flows from financing activities)

Net cash provided by financing activities amounted to ¥1,462 million (+215.0% YoY). This was mainly due to proceeds from long-term borrowings of ¥1,700 million and repayments of long-term borrowings of ¥487 million.

(Reference) Trends of cash flow indicators

	FY 3/2016	FY 3/2017	FY 3/2018	FY 3/2019	FY 3/2020
Shareholders' equity ratio (%)	40.37	29.1	30.3	28.9	18.8
Shareholders' equity ratio at market value (%)	267.7	210.9	141.1	108.4	30.2
Interest-bearing debt/cash flow ratio (years)	1.9	-	7.1	5.1	16.0
Interest coverage ratio (times)	36.5	-	24.4	48.8	7.4

Shareholders' equity ratio: Shareholders' equity/Total assets

Shareholders' equity ratio at market value: Aggregate market value (based on the closing stock price at the end of the year)/Total assets

Interest-bearing debt/cash flow ratio: Interest-bearing debt/Operating cash flow

Interest coverage ratio: Operating cash flow/Interest expense

(Note) 1. All of the above indicators are calculated for their respective values on a consolidated basis.

2. Aggregate market value is calculated based on the number of shares issued excluding treasury share.

3. Cash flow uses cash flows from operating activities in the consolidated statements of cash flows.

4. Interest-bearing debt indicates all the liabilities for which interest is paid posted in the consolidated balance sheets.

5. Interest payment uses the amount of interest paid in the consolidated statements of cash flows.

6. Interest-bearing debt/cash flow ratio and interest coverage ratio are not stated in the case of negative operating cash flows.

(4) Forecasted consolidated financial results and other forward-looking information

- Due to the impact of COVID-19, enrolling in the marriage support agency, holding the matching parties, holding weddings and after-parties have been postponed.
- It is difficult to reasonably estimate the earnings forecast because it cannot be predicted when the spread of COVID-19 converges. That's why the consolidated earnings forecast for the fiscal year ending March 2021 is currently undecided.
- The consolidated earnings forecast will be announced when it becomes possible to disclose it. In addition, the release schedule of a mid-term management plan has been changed from May 2020 to November 2020.

(Information about risks related to COVID-19)

The Group holds ¥1,039 million yen of cash and deposits as of the end of the fiscal year ended March 31, 2020, but if the impact of the spread of COVID-19 exceeds, a continuous outflow of cash is expected. As a result, the financial condition of the Group may deteriorate significantly.

In addition, if the impact of the spread of infection is prolonged, the market environment and the financial condition of customers may deteriorate, existing businesses may shrink. As a result, sales and profits of the Group may decrease.

For this reason, the Group is trying to secure short-term liquidity by financing by new borrowing, etc., and is taking various measures including online, looking to future changes in the market environment.

2. Basic Approach to Selecting Accounting Standards

The Group applies Japanese accounting standards to ensure comparability with other companies in the same industry in Japan.

3. Consolidated financial statements and important notes

(1) Consolidated balance sheets

(Unit: Thousands of yen)

	As of March 31, 2019	As of March 31, 2020
Assets		
Current assets		
Cash and deposits	1,207,846	1,039,832
Accounts receivable - trade	723,928	674,335
Merchandise	1,681	1,185
Supplies	5,055	24,530
Prepaid expenses	85,560	127,559
Other	62,660	178,329
Allowance for doubtful accounts	(27,044)	(39,223)
Total current assets	2,059,687	2,006,548
Non-current assets		
Property, plant and equipment		
Buildings	251,677	446,031
Tools, furniture and fixtures	70,320	96,776
Other	6,750	42,511
Total property, plant and equipment	328,747	585,319
Goodwill and other intangibles		
Software	258,711	278,411
Software in progress	76,483	128,017
Goodwill	—	1,005,949
Total goodwill and other intangibles	335,195	1,412,378
Investments and other assets		
Investment securities	253,063	133,850
Leasehold deposits	356,628	550,530
Long-term loans receivable	—	578,000
Other	48,469	217,531
Total investments and other assets	658,161	1,479,912
Total non-current assets	1,322,104	3,477,610
Deferred assets		
Bond issuance costs	969	685
Total Deferred assets	969	685
Total assets	3,382,761	5,484,844

(Unit: Thousands of yen)

	As of March 31, 2019	As of March 31, 2020
Liabilities		
Current liabilities		
Accounts payable - trade	8,025	80,881
Short-term borrowings	380,000	705,000
Current portion of bonds payable	40,000	40,000
Current portion of long-term bonds	351,503	429,120
Accounts payable - other	126,941	203,911
Accrued consumption taxes	69,943	59,036
Income taxes payable	70,949	36,466
Other provisions	4,824	8,107
Other	80,469	123,057
Total current liabilities	1,132,657	1,685,581
Non-current liabilities		
Long-term bonds	150,000	60,000
Long-term borrowings	985,412	2,461,360
Asset retirement obligations	130,669	212,857
Other	5,346	39,293
Total non-current liabilities	1,271,427	2,773,511
Total liabilities	2,404,084	4,459,092
Net assets		
Shareholders' equity		
Share capital	255,933	263,770
Capital surplus	220,345	226,182
Retained earnings	666,478	669,118
Treasury shares	(161,587)	△131,398
Total shareholders' equity	981,170	1,027,672
Accumulated other comprehensive income		
Unrealized holding gains (losses) on available-for-sale securities	(2,493)	△1,920
Total accumulated other comprehensive income	(2,493)	△1,920
Total net assets	978,676	1,025,751
Total liabilities and net assets	3,382,761	5,484,844

(2) Consolidated statements of income and consolidated statements of comprehensive income
Consolidated statements of income

(Unit: Thousands of yen)

	Year ended March 31, 2019 (April 1, 2018-March 31, 2019)	Year ended March 31, 2020 (April 1, 2019-March 31, 2020)
Net sales	4,151,787	8,187,214
Cost of sales	1,778,909	4,062,137
Gross profit	2,372,878	4,125,076
Selling, general and administrative expenses	2,156,513	4,046,850
Operating income	216,364	78,226
Non-operating income		
Interest income	225	9,906
Subsidy income	1,974	16,082
Guarantee commission received	14,209	14,209
Other	2,262	6,721
Total non-operating income	18,671	46,919
Non-operating expenses		
Interest expenses	9,563	30,879
Amortization of leasehold deposits	12,287	—
Share of loss of entities accounted for using equity method	—	33,300
Commission expenses	—	17,913
Other	4,894	1,515
Total non-operating expenses	26,746	83,608
Ordinary income	208,289	41,537
Extraordinary income		
Gain on sales of non-current assets	1,991	—
Gain on sales of businesses	—	44,716
Compensation received	—	16,000
Gain on step acquisitions	—	34,459
Total extraordinary income	—	10,000
Extraordinary loss	1,991	105,175
Loss on sales and retirement of non-current assets		
Provision of allowance for doubtful accounts	4,043	3,567
Loss on valuation of investment securities	20,358	—
Impairment loss	—	47,386
Loss on special investigation	20,001	18,212
Other	—	13,753
Total extraordinary losses	—	20,806
Net income before income taxes	44,403	103,726
Income taxes	165,878	42,987
Income taxes - current	96,678	43,282
Income taxes - deferred	△16,903	(2,935)
Total income taxes	79,775	40,347
Net income	86,102	2,640
Loss attributable to non-controlling interests	△4,000	—
Net income attributable to owners of parent	90,102	2,640

Consolidated statements of comprehensive income

(Unit: Thousands of yen)

	Year ended March 31, 2019 (April 1, 2018-March 31, 2019)	Year ended March 31, 2020 (April 1, 2019-March 31, 2020)
Net income	86,102	2,640
Other comprehensive income		
Valuation difference on available-for-sale securities	(2,493)	572
Total other comprehensive income	(2,493)	572
Comprehensive income	83,609	3,212
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	87,609	3,212
Comprehensive income attributable to non-controlling interests	(4,000)	—

(3) Consolidated statement of change in equity

Fiscal year ended March 31, 2019 (April 1, 2018–March 31, 2019)

(Unit: Thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of the period	249,620	216,197	576,375	(191,313)	850,879
Changes of items during period					
Net income (loss) attributable to owners of parent			90,102		90,102
Issuance of new shares (Exercise of share acquisition rights)	6,313	6,148			12,462
Change in ownership interest of parent due to transactions with non-controlling interests		(2,000)			(2,000)
Disposal of treasury shares				29,726	29,726
Net changes of items other than shareholders' equity					
Total changes of items during period	6,313	4,148	90,102	29,726	130,290
Balance at end of current period	255,933	220,345	666,478	(161,587)	981,170

	Accumulated other comprehensive income		Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Total accumulated other comprehensive income		
Balance at beginning of the period	—	—	1,152	852,031
Changes of items during period				
Net income (loss) attributable to owners of parent				90,102
Issuance of new shares (Exercise of share acquisition rights)				12,462
Change in ownership interest of parent due to transactions with non-controlling interests				(2,000)
Disposal of treasury shares				29,726
Net changes of items other than shareholders' equity	(2,493)	(2,493)	(1,152)	(3,645)
Total changes of items during period	(2,493)	(2,493)	(1,152)	126,645
Balance at end of current period	(2,493)	(2,493)	-	978,676

Fiscal year ended March 31, 2020 (April 1, 2019–March 31, 2020)

(Unit: Thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of the period	255,933	220,345	666,478	(161,587)	981,170
Changes of items during period					
Net income (loss) attributable to owners of parent			2,640		2,640
Issuance of new shares (Exercise of share acquisition rights)	7,836	7,836			15,673
Change in ownership interest of parent due to transactions with non-controlling interests		(2,000)			(2,000)
Disposal of treasury shares				30,188	30,188
Net changes of items other than shareholders' equity					
Total changes of items during period	7,836	5,836	2,640	30,188	46,502
Balance at end of current period	263,770	226,182	669,118	(131,398)	1,027,672

	Accumulated other comprehensive income		Total net assets
	Valuation difference on available-for-sale securities	Total accumulated other comprehensive income	
Balance at beginning of the period	(2,493)	(2,493)	978,676
Changes of items during period			
Net income (loss) attributable to owners of parent			2,640
Issuance of new shares (Exercise of share acquisition rights)			15,673
Change in ownership interest of parent due to transactions with non-controlling interests			(2,000)
Disposal of treasury shares			30,188
Net changes of items other than shareholders' equity	572	572	572
Total changes of items during period	572	572	47,074
Balance at end of current period	(1,920)	(1,920)	1,025,751

(4) Consolidated statements of cash flows

(Unit: Thousands of yen)

	Year ended March 31, 2019 (April 1, 2018-March 31, 2019)	Year ended March 31, 2020 (April 1, 2019-March 31, 2020)
Cash flows from operating activities		
Profit (loss) before income taxes	165,878	42,987
Depreciation	172,631	223,667
Amortization of goodwill	—	57,399
Amortization of intangible assets	—	150,000
Increase (decrease) in allowance for doubtful accounts	22,450	1,783
Increase (decrease) in other provisions	(3,734)	3,282
Interest income	(225)	(9,906)
Interest expenses	9,563	30,879
Subsidy income	—	(16,082)
Share of loss (profit) of entities accounted for using	—	33,300
Loss (gain) on step acquisitions	—	(34,459)
Loss (gain) on sales and retirement of non-current assets	2,051	(3,567)
Loss (gain) on valuation of investment securities	—	47,386
Loss (gain) on sale of businesses	—	(44,716)
Compensation received	—	(16,000)
Impairment loss	20,001	18,212
Loss on special investigation	—	13,753
Decrease (increase) in trade receivables	59,297	105,901
Decrease (increase) in inventories	(1,616)	7,995
Decrease (increase) in prepaid expenses	28,044	(11,376)
Increase (decrease) in trade payables	6,206	(2,264)
Increase (decrease) in accounts payable - other	(10,664)	(162,682)
Increase (decrease) in accrued expenses	(2,353)	(6,935)
Increase (decrease) in deposits received	(1,235)	(20,525)
Increase (decrease) in income taxes payable - factor based tax	10,293	979
Increase (decrease) in accrued consumption taxes	49,667	(14,481)
Other, net	(33,892)	36
Subtotal	492,364	394,568
Interest received	(622)	1,920
Interest paid	(7,682)	(31,276)
Income taxes (paid) refund	(109,335)	(133,916)
Net cash provided by (used in) operating activities	374,724	231,294

Cash flows from investing activities		
Purchase of property, plant and equipment	(51,188)	(140,730)
Purchase of intangible assets	(114,799)	(160,025)
Proceeds from sales of intangible assets	–	54,000
Purchase of shares of subsidiaries resulting in change in scope of consolidation	–	(973,288)
Purchase of shares of subsidiaries and associates	–	(166,500)
Purchase of investment securities	(111,017)	(371,000)
Proceeds from sales of investment securities	–	103,500
Loan advances	–	(237,000)
Collection of loans receivable	–	63,810
Payments of leasehold deposits	(51,518)	(103,943)
Proceeds from refund of leasehold deposits	4,570	42,999
Proceeds from contribution received for construction	46,750	–
Proceeds from sale of businesses	96,844	50,000
Other, net	–	(23,235)
Net cash provided by (used in) investing activities	(180,359)	(1,861,415)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(70,000)	325,000
Proceeds from long-term borrowings	848,824	1,700,000
Repayments of long-term borrowings	(356,225)	(487,605)
Proceeds from issuance of bonds	50,000	–
Redemption of bonds	(40,000)	(90,000)
Repayments of lease obligations	(1,800)	(15,819)
Proceeds from sales of treasury shares	18,854	16,858
Proceeds from issuance of shares resulting from exercise of share acquisition rights	12,462	15,673
Proceeds from share issuance to non-controlling shareholders	4,000	–
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(2,000)	(2,000)
Net cash provided by (used in) financing activities	464,114	1,462,107
Net increase (decrease) in cash and cash equivalents	658,479	(168,013)
Cash and cash equivalents at beginning of period	549,366	1,207,846
Cash and cash equivalents at end of period	1,207,846	1,039,832

(5) Note regarding the consolidated financial statements

(Note regarding the operation of the company as a going concern)

No relevant items

(Note regarding changes in significant subsidiaries during the year ended March 31, 2020)

During the first quarter of the current fiscal year Rising Inc., the wholly owned subsidiary of the Company, acquired the entire outstanding shares of ex-Mation Inc. In addition, during the second quarter of the current fiscal year, ex-Mation Inc., merged into Rising Inc., (new Mation Inc.) where ex-Mation Inc., became the disappearing entity.

The Company acquired the entire outstanding shares of M Creative Works Inc., together with 14.9% that Mation Inc., the wholly owned subsidiary of the Company, had, because the Company acquired 85.1% on March 31, 2020.

(Changes in presentation)

(Consolidated statements of income)

“Interest income,” and “Subsidy income,” which were included in “Other” under “Non-operating income” in the consolidated statements of income of the previous fiscal year, are separately presented from the current fiscal year because their monetary significance has increased. The consolidated statements of income of the previous fiscal year have been reclassified to reflect this change in presentation.

As a result, ¥4,462 thousand that was included in “Other” under “Non-operating income” in the consolidated statements of income of the previous fiscal year has been reclassified as ¥225 thousand of “Interest income,” ¥1,974 thousand of “Subsidy income” and ¥2,262 thousand of “Other” under “Non-operating income.”

(Consolidated statements of cash flows)

“Subsidy income,” which was included in “Other” under “Cash flows from operating activities” in the consolidated statements of cash flows of the previous fiscal year, is separately presented from the current fiscal year because its monetary significance has increased. The consolidated statements of cash flows of the previous fiscal year have been reclassified to reflect this change in presentation.

As a result, (¥33,892 thousand) that was included in “Other” under “Cash flows from operating activities” in the consolidated statements of cash flows of the previous fiscal year has been reclassified as ¥1,974 thousand of “Subsidy income” and (¥35,867 thousand) of “Other” under “Cash flows from operating activities.”

(Additional information)

(Transactions in which the Company's shares are transferred to employees through a trust)

The Company conducts transactions to transfer its own shares through a trust to the Employee Stock Ownership Plan for the purpose of increasing employee welfare and giving incentives for improving the corporate value of the Company.

(Merger between consolidated subsidiaries and change of trade name of merging company)

ichie Inc., and ex-M Creative Works Inc., the wholly owned subsidiaries of the Company merged into IROGAMI Inc., the wholly owned subsidiary of the Company, on April 1, 2020.

The merging company, IROGAMI Inc., changed its trade name to M Creative Works Inc., on the same date.

(Acquisition)

The Company acquired the entire outstanding shares of pma Inc., on April 1, 2020.

(Segment information, etc.)

[Segment information]

1) Overview of reporting segments

i.) Determination method of reporting segment

Reporting segments of the Group are the units of the Group for which separate financial information is available and which the Board of Directors regularly examines to determine allocation of management resources and evaluate performance.

The Group classifies the business into “Matching Business,” “Casual Wedding Business” and “Other Business” according to the main business content, and regards the business as reporting segments.

ii.) Services belonging to each reporting segment

Major services belonging to each reporting segment are as follows.

Reporting segments	Major services
Matching Business	Operation of high-value added matching support agency Entry services (entry-type matching agency, matching parties, matching apps) Solution service (the member mutual introduction platform)
Casual Wedding Business	Producing casual weddings (weddings for prices that suit customer needs, weddings with entrance fees, photo wedding, only solemnization) Producing and operating after-parties of weddings Services after engagement (insurance, bridal jewelry, etc.)
Other Business	Services around matching (supporting local governments for marriage support, etc.) Services around casual wedding (production of videos for wedding parties, operation of photo studios, etc.) New business development

2) Calculation method of reporting segment

The accounting policies of the segments are based on those adopted for the preparation of Consolidated Financial Statements.

Segment income of reporting segments is based on operating income.

3) Information on net sales, income or loss, and assets, etc. by reportable segment

Fiscal year ended March 31, 2019 (April 1, 2018–March 31, 2019)

i.) Information regarding net sales and operating income or loss by the reporting segments

(Thousands of yen)

	Reporting segments				Adjustment (Note 1-3)	Amount in the quarterly consolidated statements of income (Note 4)
	Matching Business	Casual Wedding Business	Other Business	Total		
Net sales						
Net sales to external customers	3,804,254	97,364	250,168	4,151,787	-	4,151,787
Intersegment net sales and transfer	1,493	-	8,489	9,982	(9,982)	-
Total	3,805,748	97,364	258,657	4,161,770	(9,982)	4,151,787
Segment income (loss)	804,922	11,397	84,383	900,704	(684,340)	216,364
Segment assets	1,383,241	1,681	126,805	1,511,728	1,871,033	3,382,761
Others						
Depreciation	120,537	1,084	16,797	138,420	34,211	172,631
Increase in tangible fixed assets and intangible assets	14,768	-	52,297	67,065	81,580	148,646

- (Notes) 1. (¥684,340 thousand) for adjustments of segment income (loss) include corporate expenses not allocated to each reporting segment. Corporate expenses are mainly general and administrative expenses not attributable to each reporting segment.
2. ¥1,871,033 thousand for adjustments of segment assets include corporate assets not allocated to each reporting segment. Corporate assets are mainly cash and deposits, investment securities and assets concerned with the administrative divisions that are not allocated to a reportable segment.
3. ¥115,792 thousand for adjustments of Others include increase in corporate assets and depreciation not allocated to each reporting segment. Increase in corporate assets are mainly corporate assets that are not allocated to a reportable segment.
4. Segment income (loss) is adjusted to operating income on the quarterly consolidated statement of income.

Fiscal year ended March 31, 2020 (April 1, 2019–March 31, 2020)

i.) Information regarding net sales and operating income or loss by the reporting segments

(Thousands of yen)

	Reporting segments				Adjustment (Note 1-3)	Amount in the quarterly consolidated statements of income (Note 4)
	Matching Business	Casual Wedding Business	Other Business	Total		
Net sales						
Net sales to external customers	3,561,990	4,424,277	200,946	8,187,214	-	8,187,214
Intersegment net sales and transfer	1,371	1,165	17,171	19,707	(19,707)	-
Total	3,563,361	4,425,442	218,118	8,206,921	(19,707)	8,187,214
Segment income (loss)	817,880	81,801	15,233	914,914	(836,688)	78,226
Segment assets	1,385,211	1,495,962	116,479	2,997,653	2,487,191	5,484,844
Others						
Depreciation	139,100	20,813	13,759	173,673	49,993	223,667
Amortization of goodwill	-	57,399	-	57,399	-	57,399
Increase in tangible fixed assets and intangible assets	57,875	185,225	3,277	246,378	81,427	327,805

(Notes) 1. (¥836,688 thousand) for adjustments of segment income (loss) include corporate

expenses not allocated to each reporting segment. Corporate expenses are mainly general and administrative expenses not attributable to each reporting segment.

2. ¥2,487,191 thousand for adjustments of segment assets include corporate assets not allocated to each reporting segment. Corporate assets are mainly cash and deposits, investment securities and assets concerned with the administrative divisions that are not allocated to a reportable segment.

3. ¥ 131,420 thousand for adjustments of Others include increase in corporate assets and depreciation not allocated to each reporting segment. Increase in corporate assets are mainly corporate assets that are not allocated to a reportable segment.

4. Segment income (loss) is adjusted to operating income on the quarterly consolidated statement of income.

4) Information concerning changes in reporting segments

The reporting segments has changed from “Partner Agent Business,” “Fast matching service Business,” “Solution Business” and “QOL Business” to “Matching Business,” “Casual Wedding Business” and “Other Business” from the fiscal year ending March 31, 2020.

Segment information listed for the previous fiscal year has been adjusted to reflect this change in classification.

[Related information]

Fiscal year ended March 31, 2019 (April 1, 2018–March 31, 2019)

1) Information on each product and service

Information on each product and service has been omitted because net sales to external customers in a single product or service category accounted for more than 90% of net sales in the consolidated statement of income.

2) Information on each region

i.) Net sales

Not applicable because there are no sales to external customers outside Japan.

ii.) Property, plant and equipment

Not applicable because there are no amount of property, plant and equipment outside Japan.

Fiscal year ended March 31, 2020 (April 1, 2019–March 31, 2020)

1) Information on each product and service

Information on each product and service has been omitted because net sales to external customers in a single product or service category accounted for more than 90% of net sales in the consolidated statement of income.

2) Information on each region

i.) Net sales

Not applicable because there are no sales to external customers outside Japan.

ii.) Property, plant and equipment

Not applicable because there are no amount of property, plant and equipment outside Japan.

[Information on tangible fixed assets impairment losses by reporting segment]

Fiscal year ended March 31, 2019 (April 1, 2018–March 31, 2019)

(Thousands of yen)

	Reporting segments				Adjustment	Amount in the quarterly consolidated statements of income
	Matching Business	Casual Wedding Business	Other Business	Total		
Impairment loss	10,757	9,244	-	20,001	-	20,001

Fiscal year ended March 31, 2020 (April 1, 2019–March 31, 2020)

(Thousands of yen)

	Reporting segments				Adjustment	Amount in the quarterly consolidated statements of income
	Matching Business	Casual Wedding Business	Other Business	Total		
Impairment loss	14,568	3,644	-	18,212	-	18,212

[Information on goodwill amortization and unamortized balance by reporting segment]

Fiscal year ended March 31, 2019 (April 1, 2018–March 31, 2019)

Not applicable.

Fiscal year ended March 31, 2020 (April 1, 2019–March 31, 2020)

(Thousands of yen)

	Reporting segments				Adjustment	Amount in the quarterly consolidated statements of income
	Matching Business	Casual Wedding Business	Other Business	Total		
Goodwill amortization	-	57,399	-	57,399	-	57,399
Unamortized balance at end of period	-	1,005,949	-	1,005,949	-	1,005,949

[Information on gain on negative goodwill by reporting segment]

Not applicable.

(Per-share data)

(Unit: Yen)

	Year ended March 31, 2019 (April 1, 2018-March 31, 2019)	Year ended March 31, 2020 (April 1, 2019-March 31, 2020)
Net assets per share	96.39	97.81
Net income per share	8.99	0.25
Diluted net income per share	8.50	0.25

(Note) 1. The number of treasury shares includes the number of the Company's shares held by the trustee account under the "Share Benefit Trust (shares to be transferred to employee share ownership plan)", and the number of such treasury shares were 254,557 and 305,033 as of March 31, 2020 and March 31, 2019, respectively. In addition, 227,229 shares and 279,429 shares as of March 31, 2020 and March 31, 2019, respectively, held in the trustee accounts were deducted in calculating the average number of outstanding shares during the period.

2. The basis for calculation of the amount of net assets per share is as follows:

	Year ended March 31, 2019 (April 1, 2018-March 31, 2019)	Year ended March 31, 2020 (April 1, 2019-March 31, 2020)
Total net assets (thousands of yen)	978,676	1,025,751
Amount deducted from the total net assets (thousands of yen)	-	-
Share acquisition rights (thousands of yen)	-	-
Net assets at the end of period related to common shares (thousands of yen)	978,676	1,025,751
Common shares at the end of the period used to calculate net assets per share (shares)	10,153,371	10,487,571

3. The basis for calculation of the amount of net income per share and the amount of diluted net income per share is as follows:

	Year ended March 31, 2019 (April 1, 2018-March 31, 2019)	Year ended March 31, 2020 (April 1, 2019-March 31, 2020)
1. Net income per share		
Net income attributable to owners of parent (thousands of yen)	90,102	2,640
Amount not allocable to common stockholders (thousands of yen)	-	-
Net income attributable to owners of parent related to common shares (thousands of yen)	90,102	2,640
Average number of shares of common stock outstanding (shares)	10,023,011	10,355,029
2. Diluted net income per share		
Net income adjustment attributable to owners of parent (thousands of yen)	-	-
Increase in common stock (shares)	571,661	323,994
Share acquisition rights (shares)	571,661	323,994
Outline of latent shares not reflected in the calculation of diluted net income per share since they have no dilutive effect	-	-

(Significant subsequent events)
No relevant events