

1. (Consolidated financial statements, etc.)

(1) (Consolidated financial statements)

1) (Consolidated balance sheet)

(Unit: thousands of yen)

	Previous consolidated fiscal year (December 31, 2022)	Current consolidated fiscal year (December 31, 2023)
Assets		
Current assets		
Cash and deposits	3,298,833	3,789,025
Accounts receivable – trade	1,297,961	1,627,407
Operational investment securities	1,970,271	939,562
Merchandise and finished goods	1,480	10,610
Raw materials and supplies	3,088	3,105
Advance payments to suppliers	1,372	2,664
Prepaid expenses	291,232	354,718
Current portion of long-term loans receivable	1,999	1,999
Deposits paid	548,682	1,026,918
Other	14,854	349,043
Allowance for doubtful accounts	-9,739	-13,931
Total current assets	7,420,037	8,091,124
Non-current assets		
Property, plant and equipment		
Buildings	1,708,252	2,292,612
Accumulated depreciation	-654,973	-931,064
Buildings, net	1,053,279	1,361,547
Vehicles	10,589	10,880
Accumulated depreciation	-5,055	-7,133
Vehicles, net	5,534	3,746
Tools, furniture and fixtures	668,320	592,398
Accumulated depreciation	-584,523	-509,522
Tools, furniture and fixtures, net	83,796	82,876
Land	497,219	1,538,479
Leased assets	40,149	37,494
Accumulated depreciation	-18,048	-23,718
Leased assets, net	22,100	13,775
Total property, plant and equipment	1,661,929	3,000,425
Intangible assets		
Goodwill	1,554,194	1,527,097
Software	348,416	1,070,148
Software in progress	1,260	10,201
Total intangible assets	1,903,870	2,607,446
Investments and other assets		
Investment securities	1,061,156	1,961,057
Long-term prepaid expenses	109,513	220,459
Long-term loans receivable	4,833	2,833
Deferred tax assets	270,060	708,791
Insurance funds	252,721	266,015
Guarantee deposits	1,131,697	1,256,874
Other	5,040	5,290
Total investments and other assets	2,835,021	4,421,320
Total non-current assets	6,400,822	10,029,193
Total assets	13,820,859	18,120,318

(Unit: thousands of yen)

	Previous consolidated fiscal year (December 31, 2022)	Current consolidated fiscal year (December 31, 2023)
Liabilities		
Current liabilities		
Accounts payable – trade	38,191	487,216
Short-term borrowings	(*1) 921,000	(*1) 3,216,817
Current portion of long-term borrowings	373,856	280,684
Account payable – other	678,697	859,885
Accrued expenses	688,461	707,960
Income taxes payable	339,710	594,328
Accrued consumption taxes	223,837	140,125
Advances received	553,447	583,167
Lease obligations	6,439	6,675
Provision for bonuses	1,661	—
Other	43,437	310,946
Total current liabilities	3,868,741	7,187,807
Non-current liabilities		
Long-term borrowings	1,337,394	2,220,592
Lease obligations	15,635	6,947
Asset retirement obligations	594,647	671,070
Other	40,435	10,028
Total non-current liabilities	1,988,112	2,908,637
Total liabilities	5,856,853	10,096,445
Net assets		
Shareholders' equity		
Share capital	699,585	699,585
Capital surplus	854,782	929,640
Retained earnings	6,593,394	7,981,454
Treasury shares	-901,709	-1,843,347
Total shareholders' equity	7,246,052	7,767,333
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	321,420	-320,172
Total accumulated other comprehensive income	321,420	-320,172
Share acquisition rights	634	100,693
Non-controlling interests	395,898	476,019
Total net assets	7,964,006	8,023,873
Total liabilities and net assets	13,820,859	18,120,318

2) Consolidated statements of income and comprehensive income

(Consolidated statement of income)

(Unit: thousands of yen)

	Previous consolidated fiscal year (from January 1, 2022 to December 31, 2022)	Current consolidated fiscal year (from January 1, 2023 to December 31, 2023)
Net sales	(*1) 14,716,649	(*1) 17,649,498
Cost of sales	538,418	2,552,911
Gross profit	14,178,231	15,096,587
Selling, general and administrative expenses	(*2) 12,185,002	(*2) 12,865,760
Operating profit	1,993,229	2,230,827
Non-operating income		
Interest income	211	190
Dividend income	17,283	16,811
Gain on valuation of securities	43,401	—
Subsidy income	—	17,004
Surrender value of insurance policies	—	16,000
Sales compensation income	—	22,000
Other	8,584	8,861
Total non-operating income	69,481	80,868
Non-operating expenses		
Interest expenses	4,622	11,998
Amortization	2,362	—
Loss on investments in investment partnerships	502	426
Commission expenses	—	3,281
Other	4,147	3,644
Total non-operating expenses	11,634	19,351
Ordinary profit	2,051,076	2,292,344
Extraordinary income		
Gain on sale of non-current assets	924	2,286
Gain on sale of investment securities	—	379,773
Gain on sale of shares of subsidiaries and associates	(*3) 6,434	—
Other	—	18,100
Total extraordinary income	7,358	400,160
Extraordinary losses		
Loss on retirement of non-current assets	(*4) 3,348	(*4) 32,714
Loss on valuation of investment securities	—	180,609
Impairment losses	(*5) 17,344	(*5) 102,334
Loss on store closings	10,477	918
Penalty payments	12,995	—
Other	320	14,044
Total extraordinary losses	44,486	330,622
Profit before income taxes	2,013,948	2,361,882
Income taxes – current	705,592	877,244
Income taxes – deferred	-155,819	-186,591
Total income taxes	549,772	690,653
Profit	1,464,176	1,671,228
Profit attributable to non-controlling interests	-29,394	41,765
Profit attributable to owners of parent	1,493,570	1,629,463

(Consolidated statement of income)

(Unit: thousands of yen)

	Previous consolidated fiscal year (from January 1, 2022 to December 31, 2022)	Current consolidated fiscal year (from January 1, 2023 to December 31, 2023)
Profit	1,464,176	1,671,228
Other comprehensive income		
Valuation difference on available-for-sale securities	127,869	-641,593
Total other comprehensive income	(*) 127,869	(*) -641,593
Comprehensive income	1,592,045	1,029,635
Comprehensive income attributable to:		
Owners of parent	1,621,439	987,870
Non-controlling interests	-29,394	41,765

3) (Consolidated statement of changes in net assets)

Previous consolidated fiscal year (from January 1, 2022 to December 31, 2022)

(Unit: thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Opening balance	699,585	802,475	5,474,661	-999,338	5,977,383
Changes during period					
Dividends of surplus			-240,269		-240,269
Profit attributable to owners of parent			1,493,570		1,493,570
Restricted stock remuneration		52,306		97,628	149,935
Sale of shares of consolidated subsidiaries			-134,567		-134,567
Net changes in items other than shareholders' equity					—
Total changes during period	—	52,306	1,118,733	97,628	1,268,668
Ending balance	699,585	854,782	6,593,394	-901,709	7,246,052

	Accumulated other comprehensive income		Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Total accumulated other comprehensive income			
Opening balance	193,551	193,551	634	451,875	6,623,445
Changes during period					
Dividends of surplus					-240,269
Profit attributable to owners of parent					1,493,570
Restricted stock remuneration					149,935
Sale of shares of consolidated subsidiaries				-81,550	-216,118
Net changes in items other than shareholders' equity	127,869	127,869		25,573	153,443
Total changes during period	127,869	127,869	—	-55,977	1,340,560
Ending balance	321,420	321,420	634	395,898	7,964,006

Current consolidated fiscal year (from January 1, 2023 to December 31, 2023)

(Unit: thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Opening balance	699,585	854,782	6,593,394	-901,709	7,246,052
Changes during period					
Dividends of surplus			-241,403		-241,403
Profit attributable to owners of parent			1,629,463		1,629,463
Change in ownership interest of parent due to transactions with non-controlling interests		11,660			11,660
Purchase of treasury shares				-1,093,966	-1,093,966
Restricted stock remuneration		63,197		152,329	215,526
Issuance of share acquisition rights					—
Net changes in items other than shareholders' equity					—
Total changes during period	—	74,857	1,388,059	-941,637	521,280
Ending balance	699,585	929,640	7,981,454	-1,843,347	7,767,333

	Accumulated other comprehensive income		Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Total accumulated other comprehensive income			
Opening balance	321,420	321,420	634	395,898	7,964,006
Changes during period					
Dividends of surplus					-241,403
Profit attributable to owners of parent					1,629,463
Change in ownership interest of parent due to transactions with non-controlling interests					11,660
Purchase of treasury shares					-1,093,966
Restricted stock remuneration					215,526
Issuance of share acquisition rights			100,058		100,058
Net changes in items other than shareholders' equity	-641,593	-641,593		80,120	-561,472
Total changes during period	-641,593	-641,593	100,058	80,120	59,866
Ending balance	-320,172	-320,172	100,693	476,019	8,023,873

4) (Consolidated cash flow statement)

(Unit: thousands of yen)

	Previous consolidated fiscal year (from January 1, 2022 to December 31, 2022)	Current consolidated fiscal year (from January 1, 2023 to December 31, 2023)
Cash flows from operating activities		
Profit before income taxes	2,013,948	2,361,882
Depreciation	358,976	419,169
Amortization of goodwill	250,011	267,121
Amortization of long-term prepaid expenses	2,254	1,768
Increase (decrease) in allowance for doubtful accounts	7,587	4,141
Increase (decrease) in provision for bonuses	-4,801	-1,661
Increase (decrease) in provision for point card certificates	-1,240	—
Interest and dividend income	-17,495	-17,002
Interest expenses	4,622	11,998
Loss on retirement of non-current assets	3,348	32,714
Loss (gain) on sale of investment securities	—	-379,773
Loss (gain) on sale of shares of subsidiaries and associates	-6,434	—
Loss (gain) on investments in investment partnerships	502	426
Loss (gain) on valuation of investment securities	-43,401	180,609
Impairment losses	17,344	102,334
Decrease (increase) in trade receivable	-168,763	32,663
Decrease (increase) in advance payments to suppliers	3,082	6,727
Decrease (increase) in deposits paid	-2,682	-3,547
Decrease (increase) in inventories	-81,321	851,626
Increase (decrease) in trade payables	6,066	243,549
Increase (decrease) in advances received	35,946	-6,754
Increase (decrease) in accounts payable – other, and accrued expenses	64,251	139,440
Increase (decrease) in accrued consumption taxes	110,459	-84,723
Other	20,910	13,834
Subtotal	2,573,172	4,176,547
Interest and dividends received	17,492	17,002
Interest paid	-3,498	-12,039
Income taxes paid	-446,788	-663,653
Net cash provided by (used in) operating activities	2,140,377	3,517,856

(Unit: thousands of yen)

	Previous consolidated fiscal year (from January 1, 2022 to December 31, 2022)	Current consolidated fiscal year (from January 1, 2023 to December 31, 2023)
Cash flows from investing activities		
Purchase of property, plant and equipment	-646,744	-1,621,300
Payments for asset retirement obligations	-24,137	—
Purchase of intangible assets	-130,943	-881,125
Proceeds from sale of investment securities	—	535,775
Purchase of investment securities	-486,740	-1,991,358
Payments for acquisition of businesses	(*4) -19,181	—
Payments for sale of shares of subsidiaries resulting in change in scope of consolidation	(*3) -510,233	—
Purchase of shares of subsidiaries resulting in change in scope of consolidation	—	(*2) -112,104
Loan advances	-64,211	-3,856
Proceeds from collection of loans receivable	1,999	5,855
Payments of leasehold and guarantee deposits	-121,024	-132,580
Proceeds from refund of leasehold and guarantee deposits	57,619	44,196
Other	7,817	-9,210
Net cash provided by (used in) investing activities	-1,935,780	-4,165,709
Cash flows from financing activities		
Proceeds from issuance of share acquisition rights	—	27,361
Proceeds from short-term borrowings	651,000	2,745,817
Repayments of short-term borrowings	-1,140,000	-450,000
Proceeds from long-term borrowings	400,000	1,093,290
Repayments of long-term borrowings	-393,500	-513,800
Proceeds from sale of shares of subsidiaries not resulting in change in scope of consolidation	—	50,016
Purchase of treasury shares	—	-1,093,966
Dividends paid	-240,076	-241,468
Other	-8,431	-8,452
Net cash provided by (used in) financing activities	-731,008	1,608,796
Effect of exchange rate change on cash and cash equivalents	4,803	3,896
Net increase (decrease) in cash and cash equivalents	-521,607	964,840
Opening balance of cash and cash equivalents	4,361,973	3,840,365
Ending balance of cash and cash equivalents	(*1) 3,840,365	(*1) 4,805,205

[Notes]

(Important items that are to become the basis for preparation of consolidated financial statements)

1. Items relating to the scope of consolidation

(1) Number of consolidated subsidiaries: 8 companies

Names of consolidated subsidiaries

Sunmarie Co., Ltd.

K Village Tokyo Inc.

IBJ Financial Advisory CO., LTD.

ZWEI CO., LTD.

Selfit Corporation

Salon Selfit Corporation

Gangnam Doll Co., Ltd.

i-motto inc.

Selfit Corporation, Salon Selfit Corporation, Gangnam Doll Co., Ltd., and i-motto inc. are included in the consolidated subsidiaries from the fiscal year under review as they became consolidated subsidiaries due to the acquisition of shares.

2. Items relating to the application of equity method

There are no applicable items.

3. Items related to fiscal year, etc., of consolidated subsidiaries

The end date of the fiscal year for consolidated subsidiaries is the same as the consolidated closing date.

4. Items related to accounting policies

(1) Valuation basis and valuation method of significant assets

1) Investment securities

a. Available-for-sale-securities

Items other than shares, etc., that do not have a market price

We use the fair value method based on the fair value, etc., at the end of the fiscal year under review (the difference in value is processed by reporting as a component of shareholders' equity, and the cost of sale is calculated with the moving average method).

Shares, etc., that do not have a market price

We use the cost method based on the moving average method

2) Inventories

a. Merchandise and finished goods

We primarily use the cost method based on the first-in, first-out method (the consolidated balance sheet value is calculated by degradation of book value method due to decline of profitability)

b. Raw materials and supplies

We primarily use the cost method based on the gross average method (the consolidated balance sheet value is calculated by degradation of book value method due to decline of profitability)

(2) Depreciation methods for significant depreciation of assets

1) Property, plant and equipment (excluding leased assets)

We use the declining-balance method.

However, we use the straight-line method for buildings (excluding accompanying facilities) acquired after April 1, 1998 and for accompanying facilities acquired after April 1, 2016.

Furthermore, service life is primarily as follows.

Buildings..... 3-25 years

Vehicles..... 2-6 years

Tools, furniture and fixtures 2-15 years

2) Intangible assets (excluding leased assets)

We use the straight-line method.

Furthermore, we use the straight-line method based on the in-house usable period (five years) regarding software used within the Company.

3) Long-term prepaid expenses

Long-term prepaid expenses are amortized in equal amounts. The amortization period is principally five years.

4) Leased assets

Leased assets concerned with finance lease transaction property rights not transferred

We apply the straight-line method that assumes their lease periods are usable years and residual values are zero.

(3) Accounting standards for significant provisions

Allowance for doubtful accounts

To prepare for bad debt loss receivables, regarding general receivables, we individually consider the possibility of recovery for specific receivables such as doubtful accounts receivable by loan loss ratio, and record the values anticipated to be impossible to recover.

(4) Method for accounting process for retirement benefit liability

Although the Company, concerning multi-employer plans, has enrolled in a comprehensively established employee's pension fund system, as the value of pension assets concerning the Company's contributions is unable to be reasonably calculated, the accounting process is to record necessary contribution amounts to the welfare pension fund as retirement benefit expenses.

(5) Significant revenue and expense recognition standards

The Group mainly engages in the Marriage-Hunting Business (Affiliate Business, Directly-Managed Lounge Business, and Matching Business) and the Life Design Business targeting domestic customers. It has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020, hereinunder "Revenue Recognition Standard"), etc., and based on the contracts with customers, recognizes revenue at the time the control of promised goods or services is transferred to the customer at the amount expected to be received upon exchange of said goods or services. The details of the main performance obligations in the Group's businesses related to revenue from contracts with customers and the timing at which the Company typically satisfies these performance obligations (when it typically recognizes revenue) are as follows:

1) Affiliate Business

Revenue from the Affiliate Business mainly consists of revenue from joining fees and monthly membership fees.

- a. Performance obligations of revenue from joining fees are to enable customers who join IBJ (formerly the Japan Marriage Consulting Federation) that the Company operates to use (log in) the IBJ's system required for starting a marriage consulting business after registering with it. Such performance obligations are satisfied at a point of issuance of the affiliated consultation office account and therefore, revenue is recognized when this requirement is fulfilled. We receive consideration related to revenue from joining fees in advance of satisfaction of the performance obligations.
- b. Performance obligations of revenue from monthly membership fees are to enable affiliated consultation offices to use the IBJ's system for operating a marriage consulting business on a continual basis. Such performance obligations are satisfied for a certain period of time according to the period of the service and therefore, revenue is recognized over such a period of time. We receive monthly membership fees within approximately one month from the point of satisfying all the performance obligations.

2) Directly-Managed Lounge Business

Revenue from the Directly-Managed Lounge Business mainly consists of revenue from enrollment fees, monthly membership fees, support fees, fees for marriage, etc., at marriage consulting agencies that the Group directly operates.

- a. Performance obligations of revenue from enrollment fees are to enable registering with and using (logging in) the system

of consulting agencies that the Group directly operates and such performance obligations are satisfied at a point when a membership contract is concluded and registration with the system is made. Therefore, revenue is recognized when this requirement is fulfilled. We receive consideration related to revenue from enrollment fees in advance of satisfaction of performance obligations.

- b. Performance obligations of revenue from monthly membership fees and support fees are to enable a member to carry out activities at a consulting agency that the Group directly operates. These performance obligations are satisfied for a certain period of time according to the period of the service and therefore, revenue is recognized over such a period of time. We receive consideration related to monthly membership fees within approximately one month from the point of satisfying all the performance obligations.
- c. Revenue from fees for marriage is success-based revenue to be received when a member gets married. The performance obligations are deemed to be satisfied at a point in time when a member gets married and revenue is recognized at such a point in time. We receive consideration related to fees for marriage within approximately one month after sending an invoice following successful marriage.

3) Matching Business

Revenue from the Matching Business mainly consists of revenue from marriage-hunting party participation fees and monthly membership fees from app members.

- a. Performance obligations of revenue from marriage-hunting party participation fees are participation by a customer in a marriage-hunting party hosted by the Company and such performance obligations are satisfied when a marriage-hunting party is held, in which the customer participates. Therefore, revenue is recognized when this requirement is fulfilled. We receive consideration related to revenue from marriage-hunting parties in advance of satisfaction of performance obligations.
- b. Performance obligations of revenue from monthly membership fees from app members is to enable using (logging in) the application services and such performance obligations are satisfied over a period of the contract with a customer. Therefore, revenue is recognized over such a period of time. We receive consideration related to revenue from monthly membership fees from app members in advance of satisfaction of performance obligations.

4) Life Design Business

Revenue from the Life Design Business mainly consists of revenue from tuition fees and insurance agency fees.

- a. Performance obligations of revenue from tuition fees are to give lessons to enrolled persons and such performance obligations are satisfied at a point when a lesson is given to enrolled persons. Therefore, revenue is recognized at such a point in time. We receive consideration related to revenue from tuition fees in advance of satisfaction of performance obligations.
- b. Performance obligations of revenue from insurance agency fees are to conclude an insurance contract between an insurance company and a customer and such performance obligations are satisfied by continuation of the insurance contract (request for termination of the contract is not made by a designated date or the insurance contract is not expired). Therefore, revenue is recognized at a point in time when this requirement is fulfilled. We receive consideration related to revenue from insurance agency fees within approximately one month from the point of satisfying the performance obligations.

(6) Amortization process and amortization period of goodwill

Goodwill is amortized in equal amounts over a reasonable period within fifteen years. However, goodwill of which amount is insignificant is fully amortized in the year in which it is incurred.

(7) Scope of assets of the consolidated cash flow statement

Cash on hand, deposits which can be withdrawn as necessary, and possible to be easily liquidated, moreover, regarding change in value, short term investments with an amortization period of within three months of acquisition which carry insignificant risk.

(8) Other important items that are to become the basis for preparation of consolidated financial statements

Accounting process of consumption taxes and other taxes not qualified for tax deductions

Consumption taxes and local consumption taxes not qualified for tax deductions are processed as expenses for the fiscal year under review.

(Estimates of important accounting)

1. Losses of non-current assets

(1) Amount recorded in the consolidated financial statements for the current consolidated fiscal year

(Unit: thousands of yen)

	Previous consolidated fiscal year	Current consolidated fiscal year
Property, plant and equipment	1,661,929	3,000,425
Intangible assets (excluding Goodwill)	349,676	1,080,349
Goodwill	1,554,194	1,527,097
Impairment losses	17,344	102,334

(2) Information related to the contents of estimates of important accounting concerned with identified items

The base unit of the Group to create cash flow is each branch facility, etc., as a minimum unit. Regarding goodwill and assets for business, application of impairment accounting is performed by grouping assets based on the section of managerial accounting. Regarding the profitability of asset groups which have fallen considerably, by decreasing the book value of non-current assets to the amount which can be recovered, said decreased amount is recorded as impairment losses.

In the event that indications of impairment are deemed to exist, the necessity of recognition of impairment loss is determined through comparison of the total amount of the future cash flow before discounting and the book value of the asset group including goodwill. For determining the existence of indications of impairment, consideration is made on whether it is due to continuous losses mainly from operating activities and significant deterioration of a business environment. Furthermore, even though losses from operating activities are not continuously generated, indications of impairment may be deemed to exist in such cases where a business has not grown as expected at the time of acquisition and a business environment assumed for the business plan at the time of acquisition has significantly deteriorated, resulting in the necessity to determine whether to recognize impairment loss. The business plan includes important assumptions such as a branch remodeling plan and estimates of new member enrollment.

Regarding the amount which can be recovered for non-current assets, it is calculated based on the assumptions of future cash flows, discount rate, net sale amounts, etc., based on the approved business plan by corporate managers. In the event earnings which were originally estimated cannot be obtained, or in the event where there are changes to assumptions of future cash flows, etc., there is a possibility that the consolidated financial statements for the next consolidated fiscal year will be impacted.

2. Possibility of recovery of deferred tax assets

(1) Amounts recorded on the consolidated financial statements for the current consolidated fiscal year

(Unit: thousands of yen)

	Previous consolidated fiscal year	Current consolidated fiscal year
Deferred tax assets	270,060	708,791

(2) Information related to the contents of estimates of important accounting concerned with identified items

Recognition of deferred tax assets are estimates based on when the taxable income occurs and the amount based on future business plans. Said estimates include the possibility of being impacted by changes, etc., to uncertain future economic conditions. In the event the estimates to when the taxable income occurs and the amount differs from what actually occurs, there is a possibility that there will be significant impacts to the deferred tax asset amounts of the consolidated financial statements for the next consolidated fiscal year.

(Changes in accounting policies)

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

The Company has applied the “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, June 17, 2021, hereinafter “Fair Value Measurement Standard Implementation Guidance”) from the beginning of the fiscal year under review and in line with the transitional measures provided for in Paragraph 27-2 of the “Fair Value Measurement Standard Implementation Guidance,” the Company has decided to proactively apply the new accounting policy set forth in Fair Value Measurement Standard Implementation Guidance. There is no impact on the consolidated financial statements.

(Unapplied accounting standards, etc.)

- “Accounting Standard for Current Income Taxes” (ASBJ Statement No. 27; October 28, 2022)
- “Accounting Standard for Presentation of Comprehensive Income” (ASBJ Statement No. 25; October 28, 2022)
- “Guidance on Accounting Standard for Tax Effect Accounting” (ASBJ Guidance No. 28; October 28, 2022)

(1) Overview

These accounting standards, etc. provide for the accounting classification of income taxes when taxes are imposed on other comprehensive income and the treatment of tax effects related to the sale of shares in subsidiaries when the group taxation regime is applied.

(2) Scheduled date of application

To be applied from the beginning of the fiscal year ending December 31, 2025.

(3) Effects of application of this accounting standard, etc.

Impact of the application of the “Accounting Standard for Current Income Taxes,” etc. on the consolidated financial statements is currently under evaluation.

(Change in method of disclosure)

There are no applicable items.

(Additional information)

(On-Site Inspection by the Japan Fair Trade Commission)

We had been under inspection by the Japan Fair Trade Commission since March 23, 2023 in relation to the content of services provided by IBJ (formerly the Japan Marriage Consulting Federation). As a commitment plan submitted by the Company was certified by the Japan Fair Trade Commission, the inspection was completed on January 22, 2024. Moreover, the commitment procedures do not identify the Company as having violated the Antimonopoly Act, nor do they impose any cease and desist or surcharge payment orders on the Company. The Company will ensure that a certified commitment plan is fully implemented, and will further improve compliance with laws and regulations, including the Antimonopoly Act.

(Related to the consolidated balance sheet)

*1 Regarding the Group, in order to provide efficient working capital, has entered into overdrafts contracts, etc., with six banks that we have dealings with. Based on these contracts, the balance of unexercised borrowings at the end of the fiscal year under review is as follows.

	Previous consolidated fiscal year (December 31, 2022)	Current consolidated fiscal year (December 31, 2023)
Sum total of maximum amount of overdrafts and loan commitments	2,290,000 thousand yen	6,910,000 thousand yen
Balance of exercised borrowings	921,000	2,866,817
Difference	1,369,000	4,043,182

*2 Guarantee obligations

Previous consolidated fiscal year (from January 1, 2022 to December 31, 2022)

The Company has cosigned for a part of rent based on a lease agreement of Diverse, Inc. The period of duration is one year and ten months from the end of the fiscal year under review.

Current consolidated fiscal year (from January 1, 2023 to December 31, 2023)

The Company has cosigned for a part of rent based on a lease agreement of Diverse, Inc. The period of duration is ten months from the end of the fiscal year under review.

(Related to the consolidated statement of income)

*1 Revenue from contracts with customers

Regarding net sales, revenue from contracts with customers and other revenues are not presented separately. The amount of revenue from contracts with customers is presented in “Notes (Segment information, etc).”

*2 Principal items of expenditure and amounts of selling, general and administrative expenses are as follows.

	Previous consolidated fiscal year (from January 1, 2022 to December 31, 2022)	Current consolidated fiscal year (from January 1, 2023 to December 31, 2023)
Payroll and allowances	3,449,548 thousand yen	3,756,174 thousand yen
Advertising expenses	2,323,353	2,448,845
Rent expenses on land and buildings	1,407,585	1,506,585
Amortization of goodwill	250,011	267,121
Retirement benefit expenses	18,655	24,373

*3 Gain on sale of shares of subsidiaries and associates

Previous consolidated fiscal year (from January 1, 2022 to December 31, 2022)

Due to transfer of a part of shares of Diverse, Inc. that was the Company’s consolidated subsidiary.

Current consolidated fiscal year (from January 1, 2023 to December 31, 2023)

There are no applicable items.

*4 The contents of the loss on retirement of non-current assets are as follows.

	Previous consolidated fiscal year (from January 1, 2022 to December 31, 2022)	Current consolidated fiscal year (from January 1, 2023 to December 31, 2023)
Buildings	2,986 thousand yen	30,513 thousand yen
Tools, furniture and fixtures	261	1,145
Software	99	1,056
Total	3,348	32,714

*5 Impairment losses

Previous consolidated fiscal year (from January 1, 2022 to December 31, 2022)

The Group has recorded impairment losses on the following asset groups in regard to the previous consolidated fiscal year.

Location	Purpose	Category	Amount (thousands of yen)
Nagoya-shi, Aichi	Branch	Buildings Tools, furniture and fixtures	8,109 667
Shinjuku-ku, Tokyo	Branch	Buildings Tools, furniture and fixtures	5,229 447
Chiba-shi, Chiba	Branch	Buildings Tools, furniture and fixtures	2,632 257
Total	—	—	17,344

With each branch facility, etc., as the base unit, the Group groups assets for goodwill and assets for business based on the section of managerial accounting.

Regarding asset groups of which profitability fallen considerably, we have reduced the book value of non-current assets to the recoverable amount, and have recorded said decrease in amount as impairment losses under extraordinary losses.

Furthermore, we have calculated the use value of the recoverable amount concerned with assets as zero.

Current consolidated fiscal year (from January 1, 2023 to December 31, 2023)

The Group has recorded impairment losses on the following asset groups in regard to the current consolidated fiscal year.

Location	Purpose	Category	Amount (thousands of yen)
Chiyoda-ku, Tokyo	Branch	Buildings Tools, furniture and fixtures	8,877 1,897
Shibuya-ku, Tokyo	Branch	Buildings Tools, furniture and fixtures	8,233 160
Adachi-ku, Tokyo	Branch	Buildings Tools, furniture and fixtures	2,394 54
Kawasaki-shi, Kanagawa	Branch	Buildings Tools, furniture and fixtures	1,382 109
Shinjuku-ku, Tokyo	Branch	Buildings Tools, furniture and fixtures Software	26,805 1,312 18,916
Gifu-shi, Gifu	Branch	Buildings Tools, furniture and fixtures	6,201 120
Kofu-shi, Yamanashi	Branch	Buildings Tools, furniture and fixtures	169 205
Matsuyama-shi, Ehime	Branch	Buildings Tools, furniture and fixtures	3,963 205
Morioka-shi, Iwate	Branch	Buildings Tools, furniture and fixtures	9,199 418
Nagano-shi, Nagano	Branch	Buildings Tools, furniture and fixtures	6,309 260
Wakayama-shi, Wakayama	Branch	Buildings Tools, furniture and fixtures	4,891 244
Total	—	—	102,334

With each branch facility, etc., as the base unit, the Group groups assets for goodwill and assets for business based on the section of managerial accounting.

Regarding asset groups of which profitability fallen considerably, we have reduced the book value of non-current assets to the recoverable amount, and have recorded said decrease in amount as impairment losses under extraordinary losses.

Furthermore, we have calculated the use value of the recoverable amount concerned with assets as zero.

(Related to the consolidated statement of comprehensive income)

* Other reclassification adjustment and tax effects concerning other comprehensive income

	Previous consolidated fiscal year (from January 1, 2022 to December 31, 2022)	Current consolidated fiscal year (from January 1, 2023 to December 31, 2023)
Valuation difference on available-for-sale securities:		
Amount generated in the current consolidated fiscal year	233,678 thousand yen	-385,215 thousand yen
Reclassification adjustment	-43,401	-547,130
Before adjustment of income tax	190,276	-932,345
Income tax	-62,407	290,751
Valuation difference on available-for-sale securities	127,869	-641,593
Other comprehensive income	127,869	-641,593

(Related to the consolidated statement of changes in net assets)

Previous consolidated fiscal year (from January 1, 2022 to December 31, 2022)

1. Items related to the class and total number of issued shares along with the class and total number of treasury shares

	Shares at the beginning of the current consolidated fiscal year (shares)	Increase in shares in the current consolidated fiscal year (shares)	Decrease in shares in the current consolidated fiscal year (shares)	Shares at the end of the current consolidated fiscal year (shares)
Issued shares				
Ordinary shares	42,000,000	—	—	42,000,000
Total	42,000,000	—	—	42,000,000
Treasury shares				
Ordinary shares	1,955,106	2,000	191,000	1,766,106
Total	1,955,106	2,000	191,000	1,766,106

(Outline of reasons for change)

Based on resolutions of the Board of Directors meeting held on March 28, 2022 regarding disposal of treasury shares based on the system for restricted stock remuneration: 191,000 shares

Increase due to acquisition of restricted stock without compensation: 2,000 shares

2. Items related to share acquisition rights and treasury share acquisition rights

Classification	Breakdown of share acquisition rights	Class of share acquisition rights	Number of share acquisition rights (shares)				Balance at the end of the current consolidated fiscal year (thousands of yen)
			Beginning of the current consolidated fiscal year	Increase in the current consolidated fiscal year	Decrease in the current consolidated fiscal year	End of the current consolidated fiscal year	
Consolidated subsidiary	Share acquisition rights by stock options (1st series)	—	—	—	—	—	634
	Total	—	—	—	—	—	634

3. Items related to dividends

(1) Dividends to be paid

(Resolution)	Class of shares	Total dividends (thousands of yen)	Dividends per share (yen)	Record date	Effective date
Annual General Meeting of Shareholders held on March 28, 2022	Ordinary shares	240,269	6	December 31, 2021	March 29, 2022

(2) Dividends whose record date is in the current consolidated fiscal year but whose effective date is in the following consolidated fiscal year

(Resolution)	Class of shares	Total dividends (thousands of yen)	Dividend capital	Dividends per share (yen)	Record date	Effective date
Annual General Meeting of Shareholders held on March 24, 2023	Ordinary shares	241,403	Retained earnings	6	December 31, 2022	March 27, 2023

Current consolidated fiscal year (from January 1, 2023 to December 31, 2023)

1. Items related to the class and total number of issued shares along with the class and total number of treasury shares

	Shares at the beginning of the current consolidated fiscal year (shares)	Increase in shares in the current consolidated fiscal year (shares)	Decrease in shares in the current consolidated fiscal year (shares)	Shares at the end of the current consolidated fiscal year (shares)
Issued shares				
Ordinary shares	42,000,000	—	—	42,000,000
Total	42,000,000	—	—	42,000,000
Treasury shares				
Ordinary shares (Notes) 1, 2	1,766,106	1,749,500	298,100	3,217,506
Total	1,766,106	1,749,500	298,100	3,217,506

- (Notes)
- The number of treasury shares of ordinary shares increased by 1,749,500 shares due to acquisition of 1,748,500 of treasury shares through resolution by the Board of Directors meeting and acquisition of 1,000 shares of restricted stock without compensation.
 - The number of treasury shares of ordinary shares decreased by 298,100 shares due to disposal of treasury shares for restricted stock remuneration.

2. Items related to share acquisition rights and treasury share acquisition rights

Classification	Breakdown of share acquisition rights	Class of share acquisition rights	Number of share acquisition rights (shares)				Balance at the end of the current consolidated fiscal year (thousands of yen)
			Beginning of the current consolidated fiscal year	Increase in the current consolidated fiscal year	Decrease in the current consolidated fiscal year	End of the current consolidated fiscal year	
Consolidated subsidiary	Share acquisition rights by stock options (1st series)	—	—	—	—	—	634
Consolidated subsidiary	Share acquisition rights by stock options (2nd series)	—	—	—	—	—	—
Reporting company	Share acquisition rights by stock options (5th series)	—	—	—	—	—	82,210
Reporting company	Share acquisition rights by stock options (6th series)	—	—	—	—	—	17,848
Total		—	—	—	—	—	100,693

(Note) The periods to exercise stock options as share acquisition rights of consolidated subsidiaries (2nd series) and stock options as share acquisition rights of the submitting company (5th and 6th series) have not yet begun.

3. Items related to dividends

(1) Dividends to be paid

(Resolution)	Class of shares	Total dividends (thousands of yen)	Dividends per share (yen)	Record date	Effective date
Annual General Meeting of Shareholders held on March 24, 2023	Ordinary shares	241,403	6	December 31, 2022	March 27, 2023

(2) Dividends whose record date is in the current consolidated fiscal year but whose effective date is in the following consolidated fiscal year

(Resolution)	Class of shares	Total dividends (thousands of yen)	Dividend capital	Dividends per share (yen)	Record date	Effective date
Annual General Meeting of Shareholders held on March 25, 2024	Ordinary shares	232,694	Retained earnings	6	December 31, 2023	March 26, 2024

(Related to the consolidated cash flow statement)

*1. Related to amounts of items in the consolidated balance sheet and end of fiscal year balance of cash and cash equivalents

	Previous consolidated fiscal year (from January 1, 2022 to December 31, 2022)	Current consolidated fiscal year (from January 1, 2023 to December 31, 2023)
Calculation of cash and deposits	3,298,833 thousand yen	3,789,025 thousand yen
Deposits paid	541,532	1,016,180
Cash and cash equivalents	3,840,365	4,805,205

*2. Breakdown of principal assets and liabilities of companies that became consolidated subsidiaries due to acquisition of shares

Previous consolidated fiscal year (from January 1, 2022 to December 31, 2022)

There are no applicable items.

Current consolidated fiscal year (from January 1, 2023 to December 31, 2023)

Breakdown of assets and liabilities at the beginning of consolidation of Selfit Corporation, Salon Selfit Corporation, Gangnam Doll Co., Ltd. (indirectly held through K Village Tokyo Inc.), and i-motto inc. (indirectly held through K Village Tokyo Inc.) which were newly consolidated through acquisition of shares, along with the relationship of the acquisition amount of shares and the expenditure (net amount) to acquire shares is as follows.

(1) Selfit Corporation and Salon Selfit Corporation

Current assets	604,398 thousand yen
Non-current assets	82,930
Goodwill	119,146
Current liabilities	-135,717
Non-current liabilities	-170,757
Acquisition amount of shares	500,000
Cash and cash equivalents	-421,973
Difference: Expenditure for acquisition	78,026

(2) Gangnam Doll Co., Ltd

Current assets	33,622	thousand yen
Non-current assets	1,807	
Goodwill	63,622	
Current liabilities	-23,069	
Non-current liabilities	-61,243	
Acquisition amount of shares	14,740	
Cash and cash equivalents	-8,664	
Difference: Expenditure for acquisition	6,075	

(3) i-motto inc.

Current assets	361,283	thousand yen
Non-current assets	1,749	
Goodwill	46,650	
Current liabilities	-255,457	
Non-current liabilities	-19,226	
Acquisition amount of shares	135,000	
Cash and cash equivalents	-106,994	
Difference: Expenditure for acquisition	28,005	

*3. Breakdown of principal assets and liabilities of companies that are no longer consolidated subsidiaries due to sale of shares

Previous consolidated fiscal year (from January 1, 2022 to December 31, 2022)

Breakdown of assets and liabilities at the time of sale along with sale price of shares and payments due to sale of Diverse, Inc. and HOP, Inc. (indirectly held through Diverse, Inc.) which are no longer consolidated subsidiaries or an entity accounted for using equity method due to sale of shares is as follows.

Diverse, Inc. and HOP, Inc.

Current assets	798,431	thousand yen
Non-current assets	291,984	
Current liabilities	-583,684	
Non-current liabilities	-422,370	
Non-controlling interests	-26,583	
Gain on sale of shares	6,434	
Amount of shares sold	64,211	
Cash and cash equivalents	-574,444	
Difference: Purchase from sale	-510,233	

Current consolidated fiscal year (from January 1, 2023 to December 31, 2023)

There are no applicable items.

*4. Breakdown of acquired principal assets and liabilities due to acquisition of business

Previous consolidated fiscal year (from January 1, 2022 to December 31, 2022)

Breakdown of acquired assets and liabilities due to acquisition of business by the Group along with the relationship between business acquisition amount and business acquisition payments (net amount) is as follows.

Current assets	—	thousand yen
Non-current assets	11,661	
Goodwill	7,520	
Business acquisition amount	19,181	
Cash and cash equivalents	—	
Difference: Payments due to business acquisition	19,181	

Current consolidated fiscal year (from January 1, 2023 to December 31, 2023)

There are no applicable items.

(Related to lease transactions)

(Borrower side)

1. Finance lease transactions

Finance lease transaction property rights not transferred

(1) Contents of leased assets

Property, plant and equipment

Printers, etc., associated with the Back-Office Division.

(2) Methods of depreciating leased assets

The significant items that are the basis of preparing the consolidated financial statements are in “4. Items related to accounting policies (2) Depreciation methods for significant depreciation of assets.”

2. Operating lease transactions

Entry is omitted as the importance is insignificant.

(Related to financial instruments)

1. Items related to the condition of financial instruments

(1) Policy related to dealing with financial instruments

The Group will raise necessary capital referred to in the capital investment plan, etc., mainly with its own capital and bank loans including long-term borrowings. Temporary surplus funds are primarily used for short-term deposits and term deposits which have a high degree of security.

In the investment business conducted by a consolidated subsidiary, the capital will be raised mainly with its own capital and indirect loans through bank loans, adjusting market conditions, a balance between long and short term, etc. The capital raised as such is invested in exchange-traded funds, investment partnerships, etc.

Furthermore, short-term working capital will be raised with bank loans. The policy is to not utilize derivative transactions and speculative transactions.

(2) Contents and risks of financial instruments

Accounts receivable for trade is primarily for individual customers and is exposed to credit risk. Operational investment securities and investment securities are primarily investments in listed company shares and investment business associations and are exposed to market value fluctuation risk and credit risk of issuing entities. Deposits paid, long-term loans receivable, and guarantee deposits are primarily leasehold and guarantee deposits for leasing the Headquarters and branches and are exposed to credit risk of the entities receiving the deposits. Accounts payable for trade and others all have a payment date within one year. Borrowings are primarily aimed at raising capital for business transactions, capital investment, and M&A, part of which is exposed to interest risk related to capital raising and liquidity risk.

(3) Risk management system related to financial instruments

1) Management of credit risk (risks related to breach of contract with trade partners)

The Group in accordance with the credit management system related to trade, regularly monitors the conditions of principal trade partners of each division, and each trade partner’s closing date and balance are managed along with planning to reduce and catch at an early-stage doubtful recoveries due to deteriorating conditions of financial affairs, etc. Regarding long-term loans receivable, monitoring of the conditions of financial affairs of entities that have received loans are implemented. Regarding guarantee deposits, the conditions of principal trade partners of each division are regularly monitored, and each trade partner’s closing date and balance are managed.

2) Management of liquidity risk (risk of not paying on the date of payment) related to raising capital

The Group manages liquidity risk by maintaining liquidity on hand, etc. along with the Management Division preparing and renewing plans to raise capital timely, based on reports from each department.

3) Management of market risk (risk of currency, interest rate, etc., fluctuation)

Regarding investment securities, by consistently knowing fair value and issuing entities' (trade partner corporations) conditions of financial affairs, etc., we continuously reevaluate conditions of possession by taking into consideration changes in market conditions.

4) Management of price fluctuation risk

Regarding operational investment securities, the management committee or the Board of Directors makes investment decisions based on the related operational regulations. Regarding new investment projects, we make investment plans including the maximum investment amount and price fluctuation risk, on which the management committee or the Board of Directors makes decisions. Furthermore, we mitigate price fluctuation risk by collecting and analyzing management information about investee companies and monitoring risk status continuously.

(4) Supplementary explanation regarding items regarding fair value, etc., of financial instruments

Because the primary cause of fluctuation is incorporated into the calculation of fair value of financial instruments, differing assumptions, etc., are adopted, and said amounts may change.

(5) Concentration of credit risk

68.4% of trade (70.4% at the end of the previous fiscal year) at the present closing date of the fiscal year under review is in relation to a specific trade partner (a company that is an agent to collect credit card settlements and bank account transfers, etc.).

2. Items related to fair value, etc. of financial instruments

The fair value and difference concerning amounts recorded on the consolidated balance sheet is as follows.

Previous consolidated fiscal year (December 31, 2022)

	Amounts recorded on the consolidated balance sheet (thousands of yen)	Fair value (thousands of yen)	Difference (thousands of yen)
(1) Operational investment securities and investment securities			
Available-for-sale securities			
Shares	988,458	988,458	—
Investment trust	173,017	173,017	—
(2) Long-term loans receivable (*2)	6,833	6,793	-40
(3) Guarantee deposits	1,131,697	1,033,005	-98,691
Total assets	2,300,006	2,201,274	-98,731
(1) Long-term borrowings (*3)	1,711,250	1,694,030	-17,219
(2) Lease obligations (*4)	22,074	21,595	-479
Total liabilities	1,733,324	1,715,626	-17,698

(*1) "Cash and deposits," "Accounts receivable – trade," "Accounts payable – trade," "Short-term borrowings," "Account payable – other," "Accrued expenses," "Income taxes payable," and "Accrued consumption taxes" are omitted because these are cash and the fair value approximates book value as they are settled in a short period of time.

(*2) Current portion of long-term loans receivable is included in long-term loans receivable.

(*3) Current portion of long-term borrowings is included in long-term borrowings.

(*4) The total amount of lease obligations in current liabilities and non-current liabilities is presented.

(*5) Notes on investments in partnerships and other similar entities for which equity interests are recorded on a net basis on the consolidated balance sheet are omitted. The amount of these investments recorded on the consolidated balance sheet is 1,792,683 thousand yen.

(*6) Shares, etc., that do not have a market price are not included in “(1) Operational investment securities and investment securities.” The amount of these financial instruments is recorded as follows on the consolidated balance sheet.

Classification	Previous consolidated fiscal year (thousands of yen)
Unlisted shares	77,268

Current consolidated fiscal year (December 31, 2023)

	Amounts recorded on the consolidated balance sheet (thousands of yen)	Fair value (thousands of yen)	Difference (thousands of yen)
(1) Operational investment securities and investment securities			
Available-for-sale securities			
Shares	865,639	865,639	—
Investment trust	165,750	165,750	—
(2) Long-term loans receivable (*2)	4,833	4,814	-18
(3) Guarantee deposits	1,256,874	1,172,764	-84,109
Total assets	2,293,096	2,208,968	-84,128
(1) Long-term borrowings (*3)	2,501,276	2,467,521	-33,754
(2) Lease obligations (*4)	13,622	13,460	-161
Total liabilities	2,514,898	2,480,982	-33,915

(*1) “Cash and deposits,” “Accounts receivable – trade,” “Deposits paid,” “Accounts payable – trade,” “Short-term borrowings,” “Account payable – other,” “Accrued expenses,” “Income taxes payable,” and “Accrued consumption taxes” are omitted because “Cash and deposits” are cash and the fair value of the remainder approximates book value as they are settled in a short period of time.

(*2) Current portion of long-term loans receivable is included in long-term loans receivable.

(*3) Current portion of long-term borrowings is included in long-term borrowings.

(*4) The total amount of lease obligations in current liabilities and non-current liabilities is presented.

(*5) Notes on investments in partnerships and other similar entities for which equity interests are recorded on a net basis on the consolidated balance sheet are omitted. The amount of these investments recorded on the consolidated balance sheet is 750,587 thousand yen.

(*6) Shares, etc., that do not have a market price are not included in “(1) Operational investment securities and investment securities.” The amount of these financial instruments is recorded as follows on the consolidated balance sheet.

Classification	Current consolidated fiscal year (thousands of yen)
Unlisted shares	1,118,644

(Note) 1. Monetary claims of planned amortization amount after the consolidated closing date

Previous consolidated fiscal year (December 31, 2022)

	Within one year (thousands of yen)	Over one year, within five years (thousands of yen)	Over five years, within ten years (thousands of yen)	Over ten years (thousands of yen)
Cash and deposits	3,298,833	—	—	—
Accounts receivable – trade	1,297,961	—	—	—
Long-term loans receivable	1,999	4,833	—	—
Total	4,598,795	4,833	—	—

(Note) Regarding guarantee deposits, they are not listed as the expected date of amortization is undecided.

Current consolidated fiscal year (December 31, 2023)

	Within one year (thousands of yen)	Over one year, within five years (thousands of yen)	Over five years, within ten years (thousands of yen)	Over ten years (thousands of yen)
Cash and deposits	3,789,025	—	—	—
Accounts receivable – trade	1,627,407	—	—	—
Deposits paid	1,026,918	—	—	—
Long-term loans receivable	1,999	1,999	833	—
Total	6,445,351	1,999	833	—

(Note) Regarding guarantee deposits, they are not listed as the expected date of amortization is undecided.

(Note) 2. Planned repayment amount of long-term borrowings and lease obligations after the consolidated closing date

Previous consolidated fiscal year (December 31, 2022)

	Within one year (thousands of yen)	Over one year, within two years (thousands of yen)	Over two years, within three years (thousands of yen)	Over three years, within four years (thousands of yen)	Over four years, within five years (thousands of yen)	Over five years (thousands of yen)
Long-term borrowings	373,856	208,376	183,174	903,924	11,424	30,496
Lease obligations	6,439	6,675	5,660	3,272	27	—
Total	380,295	215,051	188,834	907,196	11,451	30,496

Current consolidated fiscal year (December 31, 2023)

	Within one year (thousands of yen)	Over one year, within two years (thousands of yen)	Over two years, within three years (thousands of yen)	Over three years, within four years (thousands of yen)	Over four years, within five years (thousands of yen)	Over five years (thousands of yen)
Long-term borrowings	280,684	256,434	973,684	78,684	56,037	855,753
Lease obligations	6,675	5,660	1,259	27	—	—
Total	287,359	262,094	974,943	78,711	56,037	855,753

3. Fair value information by level within the fair value hierarchy

The fair value of financial instruments is classified into the following three levels according to the observability and materiality of inputs used to measure fair value.

Level 1 fair value: Fair value measured using observable inputs, i.e., quoted prices in active markets for assets or liabilities that are the subject of the measurement.

Level 2 fair value: Fair value measured using observable inputs other than Level 1 inputs.

Level 3 fair value: Fair value measured using unobservable inputs.

If multiple inputs are used that are significant to the fair value measurement, the fair value measurement is categorized in its entirety in the level of the lowest level input that is significant to the entire measurement.

(1) Financial instruments measured at fair value

Previous consolidated fiscal year (December 31, 2022)

(Unit: thousands of yen)

Classification	Fair value			
	Level 1	Level 2	Level 3	Total
Operational investment securities and investment securities				
Available-for-sale securities				
Shares	988,458	—	—	988,458
Investment trust	173,017	—	—	173,017
Total assets	1,161,476	—	—	1,161,476

Current consolidated fiscal year (December 31, 2023)

(Unit: thousands of yen)

Classification	Fair value			
	Level 1	Level 2	Level 3	Total
Operational investment securities and investment securities				
Available-for-sale securities				
Shares	865,639	—	—	865,639
Investment trust	165,750	—	—	165,750
Total assets	1,031,389	—	—	1,031,389

(2) Financial instruments other than those measured at fair value

Previous consolidated fiscal year (December 31, 2022)

(Unit: thousands of yen)

Classification	fair value			
	Level 1	Level 2	Level 3	Total
Long-term loans receivable	—	6,793	—	6,793
Guarantee deposits	—	1,033,005	—	1,033,005
Total assets	—	1,039,798	—	1,039,798
Long-term borrowings	—	1,694,030	—	1,694,030
Lease obligations	—	21,595	—	21,595
Total liabilities	—	1,715,626	—	1,715,626

Current consolidated fiscal year (December 31, 2023)

(Unit: thousands of yen)

Classification	fair value			
	Level 1	Level 2	Level 3	Total
Long-term loans receivable	—	4,814	—	4,814
Guarantee deposits	—	1,172,764	—	1,172,764
Total assets	—	1,177,579	—	1,177,579
Long-term borrowings	—	2,467,521	—	2,467,521
Lease obligations	—	13,460	—	13,460
Total liabilities	—	2,480,982	—	2,480,982

(Note) A description of the valuation technique(s) and inputs used in the fair value measurements

Operational investment securities and investment securities

Fair values of listed shares are valued using quoted prices. As listed shares are traded in active markets, their fair value is classified as Level 1.

Long-term loans receivable

The fair value of long-term loans receivable is measured by discounting the total of the principal and interest at the interest rate assumed if a similar loan is newly made and is classified as Level 2.

Guarantee deposits

Guarantee deposits are lease deposits for branches and offices, etc., and the fair value is measured and classified as Level 2 based on the present value from which relevant indicators such as interest of government bonds are discounted from future cash flow.

Long-term borrowings and lease obligations

These fair values are measured by discounting the total of the principal and interest at the interest rate assumed if a similar loan is newly made and are classified as Level 2.

(Related to securities)

1. Securities for the purposes to buying and selling

There are no applicable items.

2. Bonds held for the purpose of maturity

There are no applicable items.

3. Available-for-sale securities

Previous consolidated fiscal year (December 31, 2022)

	Category	Amounts recorded on the consolidated balance sheet (thousands of yen)	Cost of acquisition (thousands of yen)	Difference (thousands of yen)
Amounts recorded on the consolidated balance sheet which exceed cost of acquisition	(1) Shares	848,458	515,721	332,736
	(2) Other	1,819,223	1,677,711	141,512
	Subtotal	2,667,682	2,193,433	474,249
Amounts recorded on the consolidated balance sheet which do not exceed cost of acquisition	(1) Shares	190,728	195,728	-5,000
	(2) Other	173,017	173,017	—
	Subtotal	363,745	368,745	-5,000
Total		3,031,427	2,562,178	469,249

Current consolidated fiscal year (December 31, 2023)

	Category	Amounts recorded on the consolidated balance sheet (thousands of yen)	Cost of acquisition (thousands of yen)	Difference (thousands of yen)
Amounts recorded on the consolidated balance sheet which exceed cost of acquisition	(1) Shares	15,474	15,440	33
	(2) Other	32,747	29,578	3,169
	Subtotal	48,222	45,018	3,203
Amounts recorded on the consolidated balance sheet which do not exceed cost of acquisition	(1) Shares	850,164	1,459,133	-608,969
	(2) Other	2,002,233	2,040,183	-37,949
	Subtotal	2,852,398	3,499,317	-646,918
Total		2,900,620	3,544,335	-643,715

4. Other securities sold during the consolidated fiscal year

Previous consolidated fiscal year (December 31, 2022)

There are no applicable items.

Current consolidated fiscal year (December 31, 2023)

Category	Amount sold (thousands of yen)	Total amount of profit on sale (thousands of yen)	Total amount of loss on sale (thousands of yen)
Shares	535,775	379,773	—
Other	1,751,013	132,336	—
Total	2,286,788	512,109	—

5. Sold bonds held for the purpose of maturity

There are no applicable items.

6. Securities for which the purpose of possession changed

There are no applicable items.

7. Securities for which impairment was recorded

For the previous consolidated fiscal year, regarding operational investment securities, 25,519 thousand yen (shares of available-for-sale securities: 25,519 thousand yen) was recorded as impairment.

For the current consolidated fiscal year, regarding investment securities, 180,609 thousand yen (shares of available-for-sale securities: 180,609 thousand yen) was recorded as impairment.

Furthermore, concerning recording impairment, in the event that the fair value at the end of the fiscal year declines over 50% compared to the cost of acquisition, they are recorded as impairment as unrecoverable. For shares, etc., that do not have a market price, taking into consideration the financial condition of the issuing company of said shares and determining the possibility of recovery, for those that are determined to be unrecoverable, they will be recorded as impairment in the actual amount.

(Related to derivative transactions)

There are no applicable items.

(Related to retirement benefit liability)

1. Outline of adopted retirement benefit liability system

The Company, in order to assign retirement benefit liability for employees, is enrolled in the “Japanese IT Software Corporation

Company Pension Fund,” a welfare pension fund concerned with multi-employer plans. As the value of pension assets concerning the Company’s contributions is unable to be reasonably calculated, the accounting process is to record them the same as defined-contribution pension.

2. Multi-employer plans

Japanese IT Software Corporation Company Pension Fund

The necessary contribution amounts to the welfare pension fund for multi-employer plans where the accounting process is to record them the same as defined-contribution pension for the previous consolidated fiscal year was 18,655 thousand yen, and for the current consolidated fiscal year, 24,373 thousand yen.

(1) Items relating to the conditions of reserves of the multi-employer plans as a whole

	Previous consolidated fiscal year (March 31, 2022)	Current consolidated fiscal year (March 31, 2023)
Amount of pension assets	56,574,025 thousand yen	55,007,211 thousand yen
Total amount of amount of mathematical obligations calculated by pension financing and amount of minimum reserve for liability	50,957,491 thousand yen	52,959,200 thousand yen
Difference	5,616,534 thousand yen	2,048,011 thousand yen

(Note) For items related to reserves, the Group bases pension financing calculations on latest available settlements.

The values listed are as of March 31, 2023.

(2) Percentage of enrolled Company personnel accounting for the plan as a whole

Previous consolidated fiscal year	1.36%	(as of March 31, 2022)
Current consolidated fiscal year	1.53%	(as of March 31, 2023)

(3) Supplementary explanation

The primary factor for the difference in the above (1) is separate funds (1,721,716 thousand yen) and the accumulated actual surplus/deficit for the year (3,894,818 thousand yen) for the previous consolidated fiscal year and separate funds (1,721,716 thousand yen) and the accumulated actual surplus/deficit for the year (326,295 thousand yen) for the current consolidated fiscal year.

Furthermore, the percentage of the above (2) does not match the Company’s actual percentage of responsibility.

(Related to stock options, etc.)

1. Sum of costs and names of items concerned with stock options

	Previous consolidated fiscal year	Current consolidated fiscal year
Share-based payment expenses of selling, general and administrative expenses	—	72,697 thousand yen

2. Details, scope, and changes to the conditions of stock options

(1) Details of stock options

Company name	K Village Tokyo Inc.
Name of share acquisition rights	1st series of share acquisition rights (Note) 1
Classification and number of eligible persons for grant	Mr. Ryu Segawa (Note) 4
Number of stock options by type of share (Note) 2	Ordinary shares 2,450 shares
Grant date (Note) 3	September 19, 2019
Vesting conditions	<p>(1) The share acquisition rights holder, upon acquisition of share acquisition rights, in the event that the share acquisition rights holder is an officer such as Director or employee of the Company or subsidiary, must continue to be in a position of an officer such as Director or employee of the Company or subsidiary from the time of acquisition of share acquisition rights until exercising the rights. However, this does not apply if the majority of the Company Directors approve due cause.</p> <p>(2) In the event that the share acquisition rights holder passes away during the period to exercise rights, an inheritor may not exercise the share acquisition rights.</p> <p>(3) The share acquisition rights holder may not exercise the share acquisition rights in the event that any of the following items become applicable. However, this does not apply if the majority of the Company Directors approve special treatment.</p> <ul style="list-style-type: none"> · In the event of a sentence beyond imprisonment. · In the event that directly or indirectly a company is founded that operates a business that competes with the Company, or installs an officer such as Director or employee of the Company, or competes with the Company regardless of pretext (excluded however, are cases where approval is obtained before by documents from the Company). · In the event that the Company's reputation is harmed through violations of laws and regulations or other wrongdoings. · In the event seizure, provisional seizure, provisional disposition, compulsory execution, or petition of auction is received, or disposition for failure to pay taxes and public dues is received. · In the event of stopped payment or insolvency, or a dishonored bill or check that is drawn or accepted. · In the event of petition to start bankruptcy proceedings, start Civil Rehabilitation Act proceedings, or any other petitions to start similar proceedings, or in the event of personally starting a petition. · In the event of receiving disciplinary measures due to violations of work regulations. · In the event of violations of fiduciary duties, etc., that need to be fulfilled as an officer. <p>(4) Some share acquisition rights cannot be exercised.</p>
Service period	It is not set.
Period to exercise rights	Between September 20, 2019 to September 19, 2029 (However, if September 19, 2029 is not a bank working day, it will be the working day prior) within four days after the day of publication of each quarterly financial statement.

- (Notes)
1. Compensation grant is fair value.
 2. Listed are number of shares that have been converted.
 3. The listed grant date is the allotment date.
 4. The share acquisition rights have been allocated to a trust with Mr. Ryu Segawa as beneficiary, at the end of the trust period, they will be granted to Directors, employees, etc., of the Company or subsidiaries.

Company name	K Village Tokyo Inc.
Name of share acquisition rights	2nd series of share acquisition rights (Note) 1
Classification and number of eligible persons for grant	5 Directors of K Village Tokyo Inc.
Number of stock options by type of share (Note) 2	Ordinary shares 800 shares
Grant date (Note) 3	December 21, 2023
Vesting conditions	<p>(1) The share acquisition rights can be exercised only when the Company's ordinary shares to be issued upon exercise of share acquisition rights have been listed on a financial instruments exchange in Japan.</p> <p>(2) The share acquisition rights holder, upon acquisition of share acquisition rights, in the event that the share acquisition rights holder is an officer such as Director or employee of the Company or the Company's subsidiary, must continue to be in a position of an officer such as Director or employee of the Company or the Company's subsidiary from the time of acquisition of share acquisition rights until exercising the rights or an external partner who entered into an advisory agreement or service agreement with the Company or the Company's subsidiary.</p> <p>(3) In the event that the share acquisition rights holder passes away during the period to exercise rights, an inheritor may not exercise the share acquisition rights.</p> <p>(4) The share acquisition rights cannot be exercised in the event of any breach of other conditions provided for in the stock acquisition right allotment agreement which is entered into between the Company and the share acquisition rights holder.</p> <p>(5) Other conditions are based on the stock acquisition right allotment agreement to be entered into with the Company.</p>
Service period	It is not set.
Period to exercise rights	From December 22, 2025 to December 21, 2035

- (Notes)
1. Grant without compensation based on fair value
 2. Listed are number of shares that have been converted.
 3. The listed grant date is the allotment date.

Company name	Reporting company	Reporting company
Name of share acquisition rights	5th series of share acquisition rights	6th series of share acquisition rights
Classification and number of eligible persons for grant	2 Directors of the Company 3 Directors of the Company's subsidiaries 31 employees of the Company	449 employees of the Company
Number of stock options by type of share (Note) 1	Ordinary shares 1,793,000 shares	Ordinary shares 257,000 shares
Grant date (Note) 2	May 8, 2023	May 8, 2023
Vesting conditions	As stated in "Part 4. Status of the Reporting Company, 1. Status of the shares, etc., (2) Status of the share acquisition rights" (Japanese only)	As stated in "Part 4. Status of the Reporting Company, 1. Status of the shares, etc., (2) Status of the share acquisition rights" (Japanese only)
Service period	From May 1, 2023 to April 1, 2026	From May 1, 2023 to April 1, 2026
Period to exercise rights	From April 1, 2026 to March 31, 2035	From April 1, 2026 to April 18, 2033

- (Notes)
1. Listed are number of shares that have been converted.
 2. The listed grant date is the allotment date.

(2) Scope and changes to the conditions of stock options

For existing stock options included in the current consolidated fiscal year (ended December 31, 2023), in regard to the number of stock options, listed are the number of shares that have been converted.

1) Number of stock options

Company name	K Village Tokyo Inc.	K Village Tokyo Inc.	Reporting company	Reporting company
Name of share acquisition rights	1st series of share acquisition rights	2nd series of share acquisition rights	5th series of share acquisition rights	6th series of share acquisition rights
Prior to vesting (shares)				
End of previous consolidated fiscal year	2,450	—	—	—
Granted	—	800	1,793,000	278,900
Expired	—	—	—	21,900
Vested	—	—	—	—
Balance of unvested	2,450	800	1,793,000	257,000
After vesting (shares)				
End of previous consolidated fiscal year	—	—	—	—
Vested	—	—	—	—
Exercised	—	—	—	—
Expired	—	—	—	—
Balance of unexercised	—	—	—	—

2) Information on unit price

Company name	K Village Tokyo Inc.	K Village Tokyo Inc.	Reporting company	Reporting company
Name of share acquisition rights	1st series of share acquisition rights	2nd series of share acquisition rights	5th series of share acquisition rights	6th series of share acquisition rights
Exercised amount (yen)	40,910	44,898	669	669
Average share price at the time of exercising (yen)	—	—	—	—
Estimated fair unit price on grant date (yen)	—	—	321	303

3. Estimation methods of fair valuation unit price of stock options granted in the fiscal year under review

The fair valuation unit price of 5th series of share acquisition rights and 6th series of share acquisition rights which were granted in the fiscal year under review is estimated as mentioned below.

1) Valuation technique used: Black and Scholes Model

2) Major basic figures and estimation methods

Company name	Reporting company	Reporting company
Name of share acquisition rights	5th series of share acquisition rights	6th series of share acquisition rights
Stock price volatility (Note) 1	52.36%	52.20%
Expected remaining period (Note) 2	7.39 years	6.42 years
Dividend yield (Note) 3	0.9%	0.9%
Risk-free interest rate (Note) 4	0.337%	0.255%

- (Notes)
1. Calculated based on stock price performance in the past during the period corresponding to the expected remaining period.
 2. Period from the allotment date to the expiration date of the period to exercise rights
 3. Based on actual payment of dividends for the fiscal year ended December 31, 2022.
 4. Government bond yields corresponding to the expected remaining period

In relation to 2nd series of share acquisition rights, as K Village Tokyo Inc. is a private company, the fair valuation unit price of stock options is estimated based on the estimation of the intrinsic value per unit. In addition, the valuation method for the company's stock, which is the basis for calculating the intrinsic value per unit, uses the price calculated by using the discounted cash flow (DCF) method.

4. Estimation methods of number of options that will vest

Basically, as reasonably estimating the number of future expirations is difficult, applied is the method where only numbers of actual expirations are reflected. For the 5th series of share acquisition rights, the Company estimated the number of forfeitures of non-vested stock options by considering vesting conditions.

5. Total intrinsic value at the end of the fiscal year under review when calculated based on the intrinsic value per unit of stock options and total intrinsic value of stock options exercised in the fiscal year under review on the exercise date

- | | |
|---|--------------------|
| (1) Total intrinsic value at the end of the fiscal year under review | 4,076 thousand yen |
| (2) Total intrinsic value of stock options exercised in the fiscal year under review on the exercise date | — thousand yen |

(Restricted stock remuneration)

1. Sum of costs and names of items concerned with restricted stock remuneration

	Previous consolidated fiscal year (from January 1, 2022 to December 31, 2022)	Current consolidated fiscal year (from January 1, 2023 to December 31, 2023)
Selling, general and administrative expenses	23,179 thousand yen	63,623 thousand yen

2. Details of restricted stock remuneration

	1st series restricted stock remuneration	2nd series restricted stock remuneration
Classification and number of grantees	5 Directors of the Company, 21 employees of the Company	2 Directors of the Company, 24 employees of the Company
Number of granted stock	Ordinary shares of the Company 16,500 shares	Ordinary shares of the Company 191,000 shares
Grant date	April 20, 2021	April 21, 2022
Transfer restriction period	From April 20, 2021 to April 19, 2026	From April 21, 2022 to April 20, 2027
Condition subsequent	<p>The Company will lift restrictions on all granted stock held by a grantee at the time of the expiration of the period on the condition that the grantee continues to hold either the position of Director or employee of the Company or a subsidiary of the Company from the time the transfer restriction period starts to the day the first Annual General Meeting of Shareholders of the Company is held.</p> <p>However, in the event that a grantee due to reasons that are deemed valid by the Board of the Directors of the Company resigns or retires from either the position of Director or employee of the Company or a subsidiary of the Company will have the number of months including the day of resignation or retirement from either the position of Director or employee of the Company or a subsidiary of the Company from April 2021 divided by 12 (However, if the calculation is over 1, it will be deemed as 1.) and this will be multiplied by the number of granted stock held by the grantee at said time (However, if the calculation leads to a fraction of less than one stock, it will be rounded down.) and for the granted stock, at the time immediately following said resignation or retirement, the restrictions will be lifted.</p>	<p>The Company will lift restrictions on all granted stock held by a grantee at the time of the expiration of the period on the condition that the grantee continues to hold either the position of Director or employee of the Company or a subsidiary of the Company from the time the transfer restriction period starts to the day the first Annual General Meeting of Shareholders of the Company is held.</p> <p>However, in the event that a grantee due to reasons that are deemed valid by the Board of the Directors of the Company resigns or retires from either the position of Director or employee of the Company or a subsidiary of the Company will have the number of months including the day of resignation or retirement from either the position of Director or employee of the Company or a subsidiary of the Company from April 2022 divided by 12 (However, if the calculation is over 1, it will be deemed as 1.) and this will be multiplied by the number of granted stock held by the grantee at said time (However, if the calculation leads to a fraction of less than one stock, it will be rounded down.) and for the granted stock, at the time immediately following said resignation or retirement, the restrictions will be lifted.</p>
Fair value unit price at time of grant date	966 yen	785 yen

	3rd series restricted stock remuneration
Classification and number of grantees	1 Director of the Company, 68 employees of the Company
Number of granted stock	Ordinary shares of the Company 298,100 shares
Grant date	April 18, 2023
Transfer restriction period	From April 18, 2023 to April 17, 2028
Condition subsequent	<p>The Company will lift restrictions on all granted stock held by a grantee at the time of the expiration of the period on the condition that the grantee continues to hold either the position of Director or employee of the Company or a subsidiary of the Company from the time the transfer restriction period starts to the day the first Annual General Meeting of Shareholders of the Company is held.</p> <p>However, in the event that a grantee due to reasons that are deemed valid by the Board of the Directors of the Company resigns or retires from either the position of Director or employee of the Company or a subsidiary of the Company will have the number of months including the day of resignation or retirement from either the position of Director or employee of the Company or a subsidiary of the Company from April 2023 divided by 12 (However, if the calculation is over 1, it will be deemed as 1.) and this will be multiplied by the number of granted stock held by the grantee at said time (However, if the calculation leads to a fraction of less than one stock, it will be rounded down.) and for the granted stock, at the time immediately following said resignation or retirement, the restrictions will be lifted.</p>
Fair value unit price at time of grant date	723 yen

3. Number of restricted stock remuneration

	1st series restricted stock remuneration	2nd series restricted stock remuneration	3rd series restricted stock remuneration
End of the previous consolidated fiscal year	15,500	190,000	—
Granted stock	—	—	298,100
Acquired without compensation	500	500	—
Unrestricted stock	—	—	—
Balance of restricted stock	15,000	185,000	298,100

(Related to accounting for income taxes)

1. Breakdown of primary separate causes of occurrence of deferred tax assets and deferred tax liabilities

	Previous consolidated fiscal year (December 31, 2022)	Current consolidated fiscal year (December 31, 2023)
Deferred tax assets		
Accrued expenses	14,143 thousand yen	14,247 thousand yen
Accrued business taxes	38,904	39,426
Accrued bonuses	64,791	76,801
Provision for bonuses	14,961	—
Accrued business office tax	3,868	3,712
Allowance for doubtful accounts	2,841	4,299
Allowance for loss on store closings	200	—
Excess amount of depreciation	32,000	61,505
Asset retirement obligations	179,425	194,118
Impairment losses on shares of subsidiaries and associates	45,011	—
Asset adjustment account	4,185	34,061
Loss carried forward for taxes (Note) 2	448,052	400,033
Loss on valuation of investment securities	—	85,922
Share-based payment expenses	—	43,339
Valuation difference on available-for-sale securities	—	143,893
Other	39,913	53,590
Subtotal deferred tax assets	888,301	1,154,952
Valuation allowance concerning loss carried forward for taxes (Note) 2	-319,414	-265,124
Valuation allowance concerning total of deductible temporary difference	-96,942	-88,797
Subtotal valuation allowance (Note) 1	-416,357	-353,922
Total deferred tax assets	471,944	801,029
Deferred tax liabilities		
Removal costs related to asset retirement obligations	-69,988	-70,118
Valuation difference on available-for-sale securities	-149,359	-970
Other	-21,148	-21,148
Total deferred tax liabilities	-240,496	-92,237
Net amount deferred tax assets	231,448	708,791

Net amount of deferred tax assets is included in the following items of the consolidated balance sheet.

	Previous consolidated fiscal year (December 31, 2022)	Current consolidated fiscal year (December 31, 2023)
Non-current assets - Deferred tax assets	270,060	708,791
Non-current liabilities – Other (deferred tax liabilities)	38,612	—

(Notes) 1. Main reasons resulting in important changes to valuation allowance

This is due to the reconsideration of the possibility of recover of deferred tax assets because of improvement of some consolidated subsidiaries' achievements.

2. Amounts of separate time periods of balances carried forward for loss carried forward for taxes and deferred tax assets
Previous consolidated fiscal year (December 31, 2022)

	Within one year (thousands of yen)	Over one year, within two years (thousands of yen)	Over two years, within three years (thousands of yen)	Over three years, within four years (thousands of yen)	Over four years, within five years (thousands of yen)	Over five years (thousands of yen)	Total
Loss carried forward for taxes*	—	—	—	—	214,187	233,865	448,052
Valuation allowance	—	—	—	—	134,181	185,233	319,414
Deferred tax assets	—	—	—	—	80,006	48,631	128,638

*Loss carried forward for taxes is the amount multiplied by the normal effective statutory tax rate.

Current consolidated fiscal year (December 31, 2023)

	Within one year (thousands of yen)	Over one year, within two years (thousands of yen)	Over two years, within three years (thousands of yen)	Over three years, within four years (thousands of yen)	Over four years, within five years (thousands of yen)	Over five years (thousands of yen)	Total
Loss carried forward for taxes*	—	—	—	191,552	35,624	172,856	400,033
Valuation allowance	—	—	—	147,755	9,032	108,337	265,124
Deferred tax assets	—	—	—	43,797	26,591	64,519	134,908

*Loss carried forward for taxes is the amount multiplied by the normal effective statutory tax rate.

2. Breakdown of principal separated items responsible for difference when there is a significant difference between statutory tax rate and effective tax rate after application of tax effect accounting

	Previous consolidated fiscal year (December 31, 2022)	Current consolidated fiscal year (December 31, 2023)
Statutory tax rate	30.6 %	Entry is omitted as difference between the statutory tax rate and the effective tax rate after application of tax effect accounting is five one-hundredths or less of the statutory tax rate.
(Adjustment)		
Permanent difference	0.5	
Inhabitant tax on a per capita basis	1.7	
Increase or decrease of valuation allowance	-7.9	
Amortization, etc. of goodwill	3.8	
Other	-1.4	
Effective tax rate after application of tax effect accounting	27.3	

(Related to business combinations, etc.)

(Absorption-type merger of consolidated subsidiary)

At the Board of Directors meeting held on November 10, 2022, the Company has resolved to carry out an absorption-type merger of its wholly-owned subsidiary IBJ life design support Corporation and merged on January 6, 2023.

(1) Details of transaction

1) Name of the acquiree and business contents

Name of the acquiree

IBJ life design support Corporation

Business contents

Business related to life insurance solicitation, non-life insurance agency business, and sales administration related to marriage counseling business

2) Date of business combination

January 6, 2023

3) Legal form of business combination

Absorption-type merger, with the Company as the surviving company and IBJ life design support Corporation as the absorbed company

4) Allocation of shares related to the merger

Since this is a merger with a wholly-owned subsidiary of the Company, there will be no issuance of new shares, increase in share capital, merger subsidy, or any other consideration as a result of this absorption-type merger.

5) Name after the business combination

IBJ, Inc.

6) Other matters related to outline of transaction

The purpose of the merger is to unify decision making process and promote swifter management by merging the insurance business and agency opening support business conducted by IBJ life design support Corporation, the Company's wholly-owned subsidiary, into the Company.

(2) Overview of the accounting treatment applied

In accordance with the "Revised Accounting Standard for Business Combinations" and the "Revised Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures," the transaction will be treated as a transaction under common control.

(Business combinations by acquisition)

(Selfit Corporation and Salon Selfit Corporation)

(1) Details of business combinations

1) Name of the acquiree and business contents

Name of the acquiree Selfit Corporation

Salon Selfit Corporation

Business contents Operation of photo studios, kimono rental salons, and hair and makeup salons

2) Main reason for the business combination

The Company considered that it will realize a further increase in corporate value by seeking synergy effects with the Group's marriage matching lounges through the acquisition of shares of Selfit Corporation and Salon Selfit Corporation.

3) Date of business combination

January 1, 2023

4) Legal form of business combination

Acquisition of shares with cash as consideration

5) Name after the business combination

Selfit Corporation and Salon Selfit Corporation

* Selfit Corporation has conducted an absorption-type merger of Salon Selfit Corporation on January 1, 2024.

6) Percentage of voting rights acquired

Percentage of voting rights held immediately before the business combination —%

Percentage of voting rights additionally acquired on the date of business combination 100.0%

Percentage of voting rights after the acquisition 100.0%

7) Main grounds for determining the acquiree

The Company acquired all shares in Selfit Corporation and Salon Selfit Corporation with cash as consideration.

(2) The period of financial result of the acquiree included in the consolidated financial statements

From January 1, 2023 through December 31, 2023

(3) Acquisition cost of the acquiree and breakdown of consideration by type

Consideration for acquisition	Cash	500,000 thousand yen
Acquisition cost		500,000 thousand yen

(4) Details and amount of main acquisition-related costs

There are no applicable items.

(5) Amount of goodwill generated, reason for generation, amortization method and amortization period

1) Amount of goodwill generated

119,146 thousand yen

2) Reason for generation

Mainly due to excess earnings power expected in the future due to future business development

3) Amortization method and amortization period

Amortized in equal amounts over five years

(6) Amount and main breakdown of assets acquired and liabilities assumed on the date of business combination

Current assets 604,398 thousand yen

Non-current assets 82,930 thousand yen

Total assets 687,328 thousand yen

Current liabilities 135,717 thousand yen

Non-current liabilities 170,757 thousand yen

Total liabilities 306,475 thousand yen

(7) Estimated amount and calculation method of impact on the consolidated statements of income for the fiscal year under review on the assumption that the business combination has completed on the beginning date of the fiscal year under review

There are no items to be stated as the business combination was conducted in the beginning of the fiscal year.

(Gangnam Doll Co., Ltd.)

(1) Details of business combinations

1) Name of the acquiree and business contents

Name of the acquiree Gangnam Doll Co., Ltd.
Business contents Sale of Korean cosmetics on EC sites, etc.

2) Main reason for the business combination

Synergy effects are mutually expected by adding it to the Group as its products and target base are compatible with those of the Company's business.

3) Date of business combination

Deemed acquisition date March 31, 2023

4) Legal form of business combination

Acquisition of shares with cash as consideration

5) Name after the business combination

Gangnam Doll Co., Ltd.

6) Percentage of voting rights acquired

Percentage of voting rights held immediately before the business combination	—%
Percentage of voting rights additionally acquired on the date of business combination	100.0%
Percentage of voting rights after the acquisition	100.0%

7) Main grounds for determining the acquiree

The Company acquired all shares in Gangnam Doll Co., Ltd. with cash as consideration.

(2) The period of financial result of the acquiree included in the consolidated financial statements

From April 1, 2023 through December 31, 2023

(3) Acquisition cost of the acquiree and breakdown of consideration by type

Consideration for acquisition	Cash	14,740 thousand yen
Acquisition cost		14,740 thousand yen

(4) Details and amount of main acquisition-related costs

There are no applicable items.

(5) Amount of goodwill generated, reason for generation, amortization method and amortization period

1) Amount of goodwill generated

63,622 thousand yen

2) Reason for generation

Mainly due to excess earnings power expected in the future due to future business development

3) Amortization method and amortization period

Amortized in equal amounts over five years

(6) Amount and main breakdown of assets acquired and liabilities assumed on the date of business combination

Current assets	33,622 thousand yen
Non-current assets	1,807 thousand yen
Total assets	35,430 thousand yen
Current liabilities	23,069 thousand yen
Non-current liabilities	61,243 thousand yen
Total liabilities	84,312 thousand yen

(7) Estimated amount and calculation method of impact on the consolidated statements of income for the fiscal year under review on the assumption that the business combination has completed on the beginning date of the fiscal year under review

Not stated as the estimated amount is difficult to calculate.

(i-motto inc.)

(1) Details of business combinations

1) Name of the acquiree and business contents

Name of the acquiree i-motto inc.

Business contents Planning and production of concerts, events, etc. or production partnership business

2) Main reason for the business combination

To enter an industry difficult to newly enter by incorporating the knowhow accumulated over many years in the live entertainment industry into the Group

3) Date of business combination

Deemed acquisition date June 30, 2023

4) Legal form of business combination

Acquisition of shares with cash as consideration

5) Name after the business combination

i-motto inc.

6) Percentage of voting rights acquired

Percentage of voting rights held immediately before the business combination —%

Percentage of voting rights additionally acquired on the date of business combination 100.0%

Percentage of voting rights after the acquisition 100.0%

7) Main grounds for determining the acquiree

The Company acquired all shares in i-motto inc. with cash as consideration.

(2) The period of financial result of the acquiree included in the consolidated financial statements

From July 1, 2023 through December 31, 2023

(3) Acquisition cost of the acquiree and breakdown of consideration by type

Consideration for acquisition	Cash	135,000 thousand yen
Acquisition cost		135,000 thousand yen

(4) Details and amount of main acquisition-related costs

There are no applicable items.

(5) Amount of goodwill generated, reason for generation, amortization method and amortization period

1) Amount of goodwill generated

46,650 thousand yen

2) Reason for generation

Mainly due to excess earnings power expected in the future due to future business development

3) Amortization method and amortization period

Amortized in equal amounts over five years

(6) Amount and main breakdown of assets acquired and liabilities assumed on the date of business combination

Current assets	361,283 thousand yen
Non-current assets	1,749 thousand yen
Total assets	363,032 thousand yen
Current liabilities	255,457 thousand yen
Non-current liabilities	19,226 thousand yen
Total liabilities	274,683 thousand yen

(7) Estimated amount and calculation method of impact on the consolidated statements of income for the fiscal year under review on the assumption that the business combination has completed on the beginning date of the fiscal year under review

Not stated as the estimated amount is difficult to calculate.

(Related to asset retirement obligations)

Items of asset retirement obligations recorded on the consolidated balance sheet

1) Outline of said asset retirement obligations

Obligations to restore the original state in the leases of the Headquarters and branches are present.

2) Calculation method of amount of said asset retirement obligations

The estimated utilization period is estimated at five to fifteen years from acquisition, and asset retirement obligations amounts are calculated using a discount rate of 0.00 to 1.03%.

3) Increase or decrease of the sum total of said asset retirement obligations

The changes in balances of asset retirement obligations are as follows.

	Previous consolidated fiscal year (from January 1, 2022 to December 31, 2022)	Current consolidated fiscal year (from January 1, 2023 to December 31, 2023)
Balance at the beginning of fiscal year	592,094 thousand yen	594,647 thousand yen
Increase resulting from acquisition of new consolidated subsidiaries	—	42,165
Increase resulting from acquisition of property, plant and equipment	54,320	82,455
Adjustment resulting from passage of time	1,424	1,554
Decrease resulting from fulfilment of asset retirement obligations	-30,945	-49,753
Decreases resulting from exclusion of subsidiaries	-22,246	—
Balance at the end of the fiscal year	594,647	671,070

(Related to leases, etc., and real estate)

IBJ Financial Advisory CO., LTD. that is the Company's consolidated subsidiary holds apartments for rent (including land) in Tokyo and other areas. Rental income related to these leases, etc., and real estate in the fiscal year under review was 21,265 thousand yen (rental revenue was recorded in net sales and rental expenses were recorded in cost of sales).

In addition, the amount of these leases, etc., and real estate recorded on the consolidated balance sheet, changes during the period, and the fair value are as follows.

Leases, etc., and real estate are stated from the fiscal year under review, as its importance has increased in the fiscal year under review.

(Unit: thousands of yen)

	Current consolidated fiscal year (from January 1, 2023 to December 31, 2023)
Amounts recorded on the consolidated balance sheet	
Balance at the beginning of the period	522,724
Changes during the period	1,356,583
Balance at the end of the period	1,879,307
Fair value at the end of the period	1,859,520

- (Notes)
1. Amounts recorded on the consolidated balance sheet were value of acquisition costs less accumulated depreciation.
 2. Changes during the period are mainly an increase due to the acquisition of real estate (1,374,550 thousand yen).
 3. Fair value at the end of the period was calculated and appraised mainly at the Company based on the Japan Real Estate Appraisal Standards. However, if there have been no significant changes in certain appraised value or indicators considered to appropriately reflect market value since the last appraisal, the amount adjusted by such appraisal value or indicators is used.

(Revenue recognition)

(1) Breakdown information for revenue

Breakdown information for revenue from contracts with the Group's customers are as shown in "Notes (Segment information, etc.), 3. Disclosure of sales, profit (loss), asset, liability, other items, and breakdown of revenue for each reportable segment."

(2) Useful information in understanding revenue

Useful information in understanding revenue from contracts with the Group's customers are as shown in "Notes (Important items that are to become the basis for preparation of consolidated financial statements), 4. Items related to accounting policies, (5) Significant revenue and expense recognition standards.

(3) Information in understanding the amount of revenue for the fiscal year under review and the following fiscal years

Previous consolidated fiscal year (from January 1, 2022 to December 31, 2022)

1) Receivables and contract liabilities from contracts with customers

(Unit: thousands of yen)

	Beginning balance	Ending balance
Receivables from contracts with customers (accounts receivable – trade)	1,320,392	1,297,961
Contract liabilities (advances received)	885,469	553,447

Contract liabilities are advances received from customers in advance of satisfying the performance obligations and reversed as revenue is recognized.

The amount of revenue recognized in the fiscal year under review that was included in the beginning balance of contract liabilities was 885,469 thousand yen. In addition, the contract liabilities have decreased 332,022 thousand yen in the fiscal year under review, mainly due to exclusion of a consolidated subsidiary Diverse, Inc. from the scope of consolidation through sales of a part of its shares in the six months ended June 30, 2022.

2) Transaction price allocated to the remaining performance obligations

The Group has applied the practical expedient and omits disclosure of information about transaction prices allocated to the remaining performance obligations, because there are no significant contracts with an original expected duration exceeding one year.

Current consolidated fiscal year (from January 1, 2023 to December 31, 2023)

1) Receivables and contract liabilities from contracts with customers

(Unit: thousands of yen)

	Beginning balance	Ending balance
Receivables from contracts with customers (accounts receivable – trade)	1,297,961	1,597,012
Contract liabilities (advances received)	553,447	583,167

Contract liabilities are advances received from customers in advance of satisfying the performance obligations and reversed as revenue is recognized.

The amount of revenue recognized in the fiscal year under review that was included in the beginning balance of contract liabilities was 553,447 thousand yen.

2) Transaction price allocated to the remaining performance obligations

The Group has applied the practical expedient and omits disclosure of information about transaction prices allocated to the remaining performance obligations, because there are no significant contracts with an original expected duration exceeding one year.

(Segment information, etc.)

(Segment information)

1. Description of reportable segments

(1) Methods to determine reportable segments

The Company's reportable segments are constituent units of the Company for which separate financial information is available and which are subject to periodic review by the Board of Directors for the purpose of determining the allocation of management resources and evaluating business performance. The Company's business, including that of its group companies, is conducted by formulating comprehensive strategies for the domestic market by service. Therefore, the Company is composed of segments by service, and the four reportable segments are the Affiliate Business, Directly-Managed Lounge Business, Matching Business, and Life Design Business.

(2) Types of merchandise and services belonging to each reportable segment

(Affiliate Business)

Affiliate Business consists of the Agency Opening Support Business and the Affiliate Business.

- In the Agency Opening Support Business, the Company mainly provides support for the opening of marriage consulting businesses for corporations and individuals, and attracts customers for marriage consulting businesses that use the IBJ Arranged-Marriage Meeting System, one of the Japan's largest marriage consulting agency network provided by the Company.
- In the Affiliate Business, the Company provides a core system of the arranged-marriage meeting for member management and arrangements of arranged-marriage meetings, to affiliated consultation offices and their arranged marriage meeting members, and operates IBJ (formerly the Japan Marriage Consulting Federation), of which marriage consulting agencies are members.

(Directly-Managed Lounge Business)

- In the Directly-Managed Lounge Business, the Company operates three directly-operated marriage consulting agency brands including IBJ Members which specialize in major cities and terminal locations, Sunmarie which features the dedicated services of professional matchmakers, and ZWEI which operates 51 branches throughout Japan, and provides face-to-face marriage partner introduction services to the arranged marriage meeting members thereof, including marriage consulting, arranged-marriage meeting arrangements, and relationship management.

(Matching Business)

Matching Business consists of the Party Business and the App Business.

- In the Party Business, the Company plans and holds various events held at its own venues and at external venues, in addition to planning marriage-hunting party events and operating and holding the PARTY website for recruiting participants for those events.
- In the App Business, in addition to Bridal Net, a marriage-hunting application in which dedicated counselors provide support up to the point of meeting, the Company provides multiple matching services for users including Youbride.

(Life Design Business)

The Life Design Business consists of the Hobby and Community Business, the Real Estate Business, the Insurance Business, and the Wedding Business.

- In the Hobby and Community Business, K Village Tokyo Inc. operates Korean language schools, provides support for studying abroad, operates the voice training school "NAYUTAS," and develops the entertainment business for planning and holding K-POP idol events and the beauty community business, with the aim to create the largest Japanese and Korean community.
- IBJ Financial Advisory CO., LTD.'s real estate business consists of introducing properties, leasing real estate, and providing housing loans for couples married through the IBJ Group.
- The Insurance Business offers insurance proposals to support life planning, risk hedging, and wealth building needs.

2. Explanation of measurements of sales, profit (loss), asset, liability, and other items for each reportable segment

The accounting method for the reported business segments is generally the same as the method used in the preparation of the consolidated financial statements.

Inter-segment internal revenues and transfers are based on prevailing market prices.

3. Disclosure of sales, profit (loss), asset, liability, other items, and breakdown of revenue for each reportable segment

Previous consolidated fiscal year (from January 1, 2022 to December 31, 2022)

(Unit: thousands of yen)

	Reportable segment					Adjustments	Per consolidated financial statements
	Affiliate Business	Directly-Managed Lounge Business	Matching Business	Life Design Business	Total		
Sales							
Services at transferred at a point in time	1,745,667	2,524,805	1,814,356	121,148	6,205,978	—	6,205,978
Services transferred over time	1,020,598	5,422,387	796,052	1,184,389	8,423,428	—	8,423,428
Revenue from contracts with customers	2,766,266	7,947,192	2,610,409	1,305,537	14,629,406	—	14,629,406
Other revenues	—	—	—	87,243	87,243	—	87,243
Revenues from external customers	2,766,266	7,947,192	2,610,409	1,392,781	14,716,649	—	14,716,649
Transactions with other segments	132,984	61,241	23,638	104	217,968	-217,968	—
Total	2,899,251	8,008,434	2,634,047	1,392,885	14,934,618	-217,968	14,716,649
Segment profit (loss)	1,649,202	1,562,502	131,364	86,868	3,429,937	-1,436,708	1,993,229
Other items							
Depreciation	29,319	166,403	108,745	31,877	336,345	22,630	358,976
Amortization of long-term prepaid expenses	—	367	403	1,483	2,254	—	2,254
Impairment losses	—	3,004	14,340	—	17,344	—	17,344
Increase in property, plant and equipment and intangible assets	32,074	126,894	100,716	546,687	806,372	118,287	924,659

- (Notes)
- Adjustments to segment profit (loss) of -1,436,708 thousand yen include elimination of inter-segment transactions of 1,553 thousand yen and corporate expenses of -1,438,262 thousand yen that are not allocated to each reportable segment. Corporate expenses mainly consist of general and administrative expenses that do not belong to any reportable segment.
 - Segment profit (loss) is adjusted with the operating profit in the consolidated financial statements.
 - Segment assets and liabilities are not shown because assets are not allocated to business segments, and this information is not used in decision-making by the highest management decision-making body.
 - “Other revenues” are transactions related to financial instruments based on the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019) and real estate rental income, etc. based on the “Accounting Standard for Lease Transactions” (ASBJ Statement No. 13, March 30, 2007).

Current consolidated fiscal year (from January 1, 2023 to December 31, 2023)

(Unit: thousands of yen)

	Reportable segment					Adjustments	Per consolidated financial statements
	Affiliate Business	Directly-Managed Lounge Business	Matching Business	Life Design Business	Total		
Sales							
Services at transferred at a point in time	1,832,965	2,727,858	1,134,192	983,352	6,678,368	—	6,678,368
Services transferred over time	1,140,764	5,651,912	704,230	1,551,806	9,048,714	—	9,048,714
Revenue from contracts with customers	2,973,730	8,379,771	1,838,423	2,535,159	15,727,083	—	15,727,083
Other revenues	—	—	—	1,922,415	1,922,415	—	1,922,415
Revenues from external customers	2,973,730	8,379,771	1,838,423	4,457,574	17,649,498	—	17,649,498
Transactions with other segments	122,659	38,146	39,264	—	200,070	-200,070	—
Total	3,096,389	8,417,917	1,877,687	4,457,574	17,849,569	-200,070	17,649,498
Segment profit (loss)	1,792,675	1,455,334	250,369	371,624	3,870,004	-1,639,176	2,230,827
Other items							
Depreciation	34,407	189,167	84,053	76,756	384,385	34,784	419,169
Amortization of long-term prepaid expenses	—	61	67	1,639	1,768	—	1,768
Impairment losses	—	25,867	14,716	61,750	102,334	—	102,334
Increase in property, plant and equipment and intangible assets	82,560	211,867	113,137	1,754,033	2,161,599	663,676	2,825,275

- (Notes)
- Adjustments to segment profit (loss) of -1,639,176 thousand yen include elimination of inter-segment transactions of 799 thousand yen and corporate expenses of -1,639,976 thousand yen that are not allocated to each reportable segment. Corporate expenses mainly consist of general and administrative expenses that do not belong to any reportable segment.
 - Segment profit (loss) is adjusted with the operating profit in the consolidated financial statements.
 - Segment assets and liabilities are not shown because assets are not allocated to business segments, and this information is not used in decision-making by the highest management decision-making body.
 - "Other revenues" are transactions related to financial instruments based on the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019) and real estate rental income, etc. based on the "Accounting Standard for Lease Transactions" (ASBJ Statement No. 13, March 30, 2007).

(Related information)

Previous consolidated fiscal year (from January 1, 2022 to December 31, 2022)

1. Information of respective merchandise and services

Entry is omitted as the same information is disclosed in segment information.

2. Information of respective regions

(1) Sales

Entry is omitted as net sales to external customers in Japan exceeds 90% of net sales in the consolidated statement of income.

(2) Property, plant and equipment

Entry is omitted as the amount of property, plant and equipment in Japan exceeds 90% of the amount listed under property, plant

and equipment in the consolidated balance sheet.

3. Information of respective principal customers

Entry is omitted as for overall sales to external customers, there are no parties who comprise 10% or more of net sales in the consolidated statement of income.

Current consolidated fiscal year (from January 1, 2023 to December 31, 2023)

1. Information of respective merchandise and services

Entry is omitted as the same information is disclosed in segment information.

2. Information of respective regions

(1) Sales

Entry is omitted as net sales to external customers in Japan exceeds 90% of net sales in the consolidated statement of income.

(2) Property, plant and equipment

Entry is omitted as the amount of property, plant and equipment in Japan exceeds 90% of the amount listed under property, plant and equipment in the consolidated balance sheet.

3. Information of respective principal customers

Entry is omitted as for overall sales to external customers, there are no parties who comprise 10% or more of net sales in the consolidated statement of income.

(Information related to impairment losses of non-current assets of respective reportable segments)

Previous consolidated fiscal year (from January 1, 2022 to December 31, 2022)

(Unit: thousands of yen)

	Affiliate Business	Directly-Managed Lounge Business	Matching Business	Life Design Business	Total	Whole company / elimination	Per consolidated financial statements
Impairment losses	—	3,004	14,340	—	17,344	—	17,344

Current consolidated fiscal year (from January 1, 2023 to December 31, 2023)

(Unit: thousands of yen)

	Affiliate Business	Directly-Managed Lounge Business	Matching Business	Life Design Business	Total	Whole company / elimination	Per consolidated financial statements
Impairment losses	—	25,867	14,716	61,750	102,334	—	102,334

(Information related to amortization of goodwill and unamortized balance of respective reportable segments)

Previous consolidated fiscal year (from January 1, 2022 to December 31, 2022)

(Unit: thousands of yen)

	Affiliate Business	Directly-Managed Lounge Business	Matching Business	Life Design Business	Total	Whole company / elimination	Per consolidated financial statements
Amortization for the current fiscal year	—	204,839	23,349	21,822	250,011	—	250,011
Closing balance of the current fiscal year	—	1,530,426	143	23,624	1,554,194	—	1,554,194

Current consolidated fiscal year (from January 1, 2023 to December 31, 2023)

(Unit: thousands of yen)

	Affiliate Business	Directly-Managed Lounge Business	Matching Business	Life Design Business	Total	Whole company / elimination	Per consolidated financial statements
Amortization for the current fiscal year	—	206,329	931	59,860	267,121	—	267,121
Closing balance of the current fiscal year	—	1,333,913	—	193,183	1,527,097	—	1,527,097

(Information related to gain on negative goodwill of respective reportable segments)

Previous consolidated fiscal year (from January 1, 2022 to December 31, 2022)

There are no applicable items.

Current consolidated fiscal year (from January 1, 2023 to December 31, 2023)

There are no applicable items.

(Information on related parties)

1. Transactions with related parties

(1) Transactions between consolidated financial statements reporting company and related parties

1) Parent company and principal shareholders, etc. (includes only companies, etc.) of consolidated financial statements reporting company

Previous consolidated fiscal year (from January 1, 2022 to December 31, 2022)

There are no applicable items.

Current consolidated fiscal year (from January 1, 2023 to December 31, 2023)

There are no applicable items.

2) Unconsolidated subsidiaries and associates, etc. of consolidated financial statements reporting company

Previous consolidated fiscal year (from January 1, 2022 to December 31, 2022)

There are no applicable items.

Current consolidated fiscal year (from January 1, 2023 to December 31, 2023)

There are no applicable items.

3) Officers and principal shareholders, etc. (includes only individuals) of consolidated financial statements reporting company

Previous consolidated fiscal year (from January 1, 2022 to December 31, 2022)

Category	Name of company or individual	Location	Share capital or capital (thousands of yen)	Business activities or occupation	Percentage of voting shares owned	Relationship between related party	Details of transaction	Transaction amount (thousands of yen)	Item	Balance at the end of the current fiscal year (thousands of yen)
Officer of important subsidiary (Note) 3	Hiroshi Tsumoto	—	—	CEO of subsidiary	—	—	Transfer of shares of subsidiaries and associates (Note) 1	64,211	—	—
Officer	Shigeru Ishizaka	—	—	CEO	Directly held 28.7	—	Treasury share disposal related to in-kind contribution of monetary compensation claims (Note) 2	137,767	—	—

- (Notes)
1. Transaction amounts are determined by discussion with the party concerned within a range of amounts calculated by the DCF method in comprehensive consideration of various components such as business results.
 2. Due to in-kind contribution of monetary compensation claims related to the restricted stock remuneration system
 3. No longer the related party due to transfer of a part of shares in April 2022. The above-stated details of transaction and transaction amount indicate those at the time on which he ceased to be a related party.

Current consolidated fiscal year (from January 1, 2023 to December 31, 2023)

Category	Name of company or individual	Location	Share capital or capital (thousands of yen)	Business activities or occupation	Percentage of voting shares owned	Relationship between related party	Details of transaction	Transaction amount (thousands of yen)	Item	Balance at the end of the current fiscal year (thousands of yen)
Officer	Shigeru Ishizaka	—	—	CEO	Directly held 30.74	—	Treasury share disposal related to in-kind contribution of monetary compensation claims (Note)	199,620	—	—

- (Note) Due to in-kind contribution of monetary compensation claims related to the restricted stock remuneration system

- (2) Transactions between related parties and consolidated subsidiaries of consolidated financial statements reporting company
- 1) Parent company and principal shareholders, etc. (includes only companies, etc.) of consolidated financial statements reporting company

Previous consolidated fiscal year (from January 1, 2022 to December 31, 2022)

There are no applicable items.

Current consolidated fiscal year (from January 1, 2023 to December 31, 2023)

There are no applicable items.

- 2) Unconsolidated subsidiaries and associates, etc. of consolidated financial statements reporting company

Previous consolidated fiscal year (from January 1, 2022 to December 31, 2022)

There are no applicable items.

Current consolidated fiscal year (from January 1, 2023 to December 31, 2023)

There are no applicable items.

- 3) Officers and principal shareholders, etc. (includes only individuals) of consolidated financial statements reporting company

Previous consolidated fiscal year (from January 1, 2022 to December 31, 2022)

There are no applicable items.

Current consolidated fiscal year (from January 1, 2023 to December 31, 2023)

There are no applicable items.

(Per share information)

	Previous consolidated fiscal year (from January 1, 2022 to December 31, 2022)	Current consolidated fiscal year (from January 1, 2023 to December 31, 2023)
Net assets per share	188.09 yen	192.02 yen
Basic earnings per share	37.17 yen	40.84 yen

- Notes: 1. Diluted earnings per share is not shown because there are no dilutive potential shares.
2. The basis for calculating basic earnings per share is as follows.

	Previous consolidated fiscal year (from January 1, 2022 to December 31, 2022)	Current consolidated fiscal year (from January 1, 2023 to December 31, 2023)
Basic earnings per share		
Profit attributable to owners of parent (thousands of yen)	1,493,570	1,629,463
Amount not attributable to ordinary shareholders (thousands of yen)	—	—
Profit attributable to owners of parent regarding ordinary shares (thousands of yen)	1,493,570	1,629,463
Average number of shares of ordinary shares during the period	40,177,080	39,902,867
An outline of potential shares not included in the calculation of diluted earnings per share because they do not have dilutive effects	(Consolidated subsidiary) K Village Tokyo Inc. 1st series of share acquisition rights (1) Number of share acquisition rights 2,450 units (2) Type of shares to be issued upon exercise of share acquisition rights Ordinary shares (3) Number of shares to be issued upon exercise of share acquisition rights 2,450 shares	(Consolidated subsidiary) K Village Tokyo Inc. 1st series of share acquisition rights Number of share acquisition rights 2,450 units (Ordinary shares: 2,450 shares) 2nd series of share acquisition rights Number of share acquisition rights 800 units (Ordinary shares: 800 shares) (Reporting company) 5th series of share acquisition rights Number of share acquisition rights 17,930 units (Ordinary shares: 1,793,000 shares) 6th series of share acquisition rights Number of share acquisition rights 2,570 units (Ordinary shares: 257,000 shares)

(Significant events after reporting period)

(Purchase of treasury shares)

At a Board of Directors meeting held on February 9, 2024 and a Board of Directors meeting (resolution in writing) held on February 22, 2024, the Company passed a resolution for the acquisition of treasury shares pursuant to the provisions of Article 156 of the Companies Act, applied according to Article 165, Paragraph 3 of the same Act.

1. Reasons for acquisition of treasury shares

To implement agile capital policy for improvement of capital efficiency and in response to changes in the management environment and work toward further shareholder returns.

2. Content of matters related to acquisition

(1) Resolution at a Board of Directors meeting held on February 9, 2024

- 1) Class of shares for purchase: Ordinary shares
- 2) Number of shares for purchase: 500,000 shares (maximum)
(Percentage to the total number of issued shares (excluding treasury shares): 1.29%)
- 3) Total price of shares to be purchased: 300,000,000 yen (maximum)
- 4) Purchase period: From February 13, 2024 through August 12, 2024
- 5) Purchase method: Purchase at the Tokyo Stock Exchange (through discretionary investment by a securities company)

(2) Resolution at a Board of Directors meeting held on February 22, 2024 (resolution in writing)

- 1) Class of shares for purchase: Ordinary shares
- 2) Number of shares for purchase: 500,000 shares (maximum)
(Percentage to the total number of issued shares (excluding treasury shares): 1.31%)
- 3) Total price of shares to be purchased: 300,000,000 yen (maximum)
- 4) Purchase period: From February 26, 2024 through August 25, 2024
- 5) Purchase method: Purchase at the Tokyo Stock Exchange (through discretionary investment by a securities company)

3. Results and status of acquisition

(1) Resolution at a Board of Directors meeting held on February 9, 2024

- 1) Class of shares for purchase: Ordinary shares
- 2) Number of shares for purchase: 492,800 shares
(Percentage to the total number of issued shares (excluding treasury shares): 1.29%)
- 3) Total price of shares to be purchased: 299,982,700 yen
- 4) Purchase period: From February 13, 2024 through February 22, 2024 (based on contract date)
- 5) Purchase method: Purchase at the Tokyo Stock Exchange (through discretionary investment by a securities company)

(Note) Purchase of treasury shares based on this resolution completed on February 22, 2024.

(2) Resolution at a Board of Directors meeting held on February 22, 2024 (resolution in writing)

- 1) Class of shares for purchase: Ordinary shares
- 2) Number of shares for purchase: 176,700 shares
(Percentage to the total number of issued shares (excluding treasury shares): 1.31%)
- 3) Total price of shares to be purchased: 107,218,800 yen
- 4) Purchase period: From February 26, 2024 through February 29, 2024 (based on contract date)
- 5) Purchase method: Purchase at the Tokyo Stock Exchange (through discretionary investment by a securities company)

(Expiration of 5th series of share acquisition rights)

Regarding the 5th series of share acquisition rights based on resolutions of the Board of Directors meeting on April 19, 2023, the conditions for exercising the rights that “if the closing price of regular transactions of the Company's ordinary shares at the financial instruments exchange falls below 585 yen on or after the allotment date of the share acquisition rights (provided that it shall be appropriately adjusted as with the Exercise Price), none of the share acquisition rights may be exercised thereafter” have been added.

However, as the closing price of regular transactions of the Company's ordinary shares at the financial instruments exchange fell below 585 yen on February 21, 2024, the said share acquisition rights expired. For this reason, gain on reversal of share acquisition rights of 82,210 thousand yen will be recorded as extraordinary income for the next fiscal year.

5) (Consolidated Supplementary Schedules)

(Schedule of corporate bonds)

There are no applicable items.

(Schedules of borrowings, etc.)

Classification	Opening balance of the current fiscal year (thousands of yen)	Closing balance of the current fiscal year (thousands of yen)	Average interest rate (%)	Repayment term
Short-term borrowings	921,000	3,216,817	0.33	—
Current portion of long-term borrowings	373,856	280,684	0.43	—
Long-term borrowings (excluding current portion of long-term borrowings)	1,337,394	2,220,592	0.41	2025 to 2036
Lease obligations (current portion)	6,439	6,675	0.37	—
Lease obligations (excluding current portion of lease obligations)	15,635	6,947	0.27	2025 to 2027
Total	2,654,324	5,731,716	—	—

- (Notes)
- Regarding the average interest rate, the weighted average interest rate of the ending balance of borrowings, etc. is listed.
 - The planned repayment amounts for the five years after the consolidated closing date for long-term borrowings and lease obligations (excluding current portion of long-term borrowings and lease obligations) is as follows.

	Over one year, within two years (thousands of yen)	Over two years, within three years (thousands of yen)	Over three years, within four years (thousands of yen)	Over four years, within five years (thousands of yen)
Long-term borrowings	256,434	973,684	78,684	56,037
Lease obligations	5,660	1,259	27	—

(Schedules of asset retirement obligations)

Items that should be listed on these schedules are omitted from the schedules of asset retirement obligations as they are listed in item notes pursuant to Article 15-23 of the Ordinance on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements.

(2) (Other)

Quarterly information for the current consolidated fiscal year

(Cumulative period)	First quarter	Second quarter	Third quarter	End of the current consolidated fiscal year
Net sales (thousands of yen)	3,864,358	7,725,423	13,555,706	17,649,498
Profit before income taxes (thousands of yen)	615,810	1,289,279	2,172,417	2,361,882
Profit attributable to owners of parent (thousands of yen)	365,562	805,835	1,377,338	1,629,463
Earnings per share (yen)	9.09	19.97	34.21	40.84

(Accounting period)	First quarter	Second quarter	Third quarter	Fourth quarter
Earnings per share (yen)	9.09	10.88	14.26	6.49