

Consolidated Quarterly Financial Statements for the 1st Quarter of the Fiscal Year Ending December 31, 2021

(1) Results of operations

In the first three months of the fiscal year under review, the Japanese economy continued to be affected by the spread of the novel coronavirus infection, and even after the state of emergency declaration was lifted in March 2021, the number of infected people increased again. Amid the situation where we cannot foresee the containment of the spread of the infection, with a state of emergency declaration issued for the third time in April, the future outlook remains uncertain.

Under these conditions, the Group strives to expand our business in order to realize the medium term management plan (January 2021 to December 2027) in which we aim for “25,000 marriages,” “10,000 affiliated consultation offices,” “200,000 members for arranged marriage meetings,” and “500,000 matching members.” In the first three months of the fiscal year under review, the number of new business openings increased due to measures to strengthen the sales system and improve sales skills, and the number of affiliated consultation offices exceeded 2,700. In addition, the welcoming of ZWEI CO., LTD., which has 50 branches nationwide, as a Group company in May 2020 has revitalized arranged marriage meetings in regional areas, and online arranged marriage meetings have become more widespread, resulting in an increase in the number of arranged marriage meetings to 43,000 per month in March 2021, a record number higher than the record before the spread of the novel coronavirus infection. On the other hand, the second state of emergency declaration following the spread of the novel coronavirus infection caused a decline in consumer sentiment, and our services mainly in the Party Business were also affected as we were forced to reduce the scale of parties.

As a result, consolidated net sales in the first three months of the fiscal year under review came to 3,294,119 thousand yen (down 4.8% year on year), operating profit was 357,581 thousand yen (down 32.6% year on year), ordinary profit was 330,017 thousand yen (down 36.2% year on year), and profit attributable to owners of parent was 252,659 thousand yen (down 22.2% year on year).

The business results for each segment are outlined below.

<Marriage-Hunting Business>

This segment consists of the Agency Opening Support Business, the Affiliate Business, the Directly-Managed Lounge Business, the Party Business, and the App Business.

In the first three months of the fiscal year under review, we focused on the following activities.

- In the Agency Opening Support Business, although sales in January and February decreased compared to the same months of the previous year due to the state of emergency declaration issued in January, sales in March increased from the same month of the previous year and exceeded 100,000 thousand yen due mainly to the reorganization of the sales system.
- In the Affiliate Business, the number of affiliated consultation offices exceeded 2,700, and the number of arranged marriage meetings marked a new high of 43,000 per month in March.
- In the Directly-Managed Lounge Business, the number of members increased to 3,746 (up 139.2% year on year) owing to strong performance in the face of restraint on activities partly because of requests to refrain from going out, as well as the contribution of the recovery in the business performance of ZWEI CO., LTD.
- In the Party Business, although we worked to maintain and recover the number of event participants, we were forced to reduce the scale of parties due to the second state of emergency declaration following the spread of the novel coronavirus infection. As a result, the number of event participants decreased to 91,000 (down 37.0% year on year) in the first three months of the fiscal year under review.
- In the App Business, while the number of paying subscribers continued to decline to 38,000 (down 14.8% year on year), Group company Diverse Inc. is working to expand its business through new developments, such as the live streaming business.

As a result, segment net sales amounted to 3,003,129 thousand yen (up 19.2% year on year) and segment profit was 592,186 thousand yen (down 25.7% year on year).

<Life Design Business>

The Life Design Business consists of the Wedding Business, Travel Business, Language School Business, Real Estate and Housing Loan Business, and Insurance Business.

In the first three months of the fiscal year under review, we focused on the following activities.

- The number of contracts concluded in the Life Design Business reached 972 (up 30.5% year on year), due in part to the gradual receiving of customers from ZWEI Co. Ltd.'s member base.
- In the Wedding Business, which is operated by IBJ Wedding Co., Ltd., in response to the strong cooling of the wedding market due to the spread of the novel coronavirus infection and a series of advertising cost reductions by clients, we worked

to control costs by initiatives including reducing the cost of producing wedding information magazines.

- In the Travel Business, which is operated by Kamome Co., Ltd., due to the significant impact of the spread of the novel coronavirus infection, overseas travel continues to be restricted and we are currently forced to practically suspend our operation. Meanwhile, we strove to curb cash outflow by reviewing and reducing costs, and using subsidies, among others. As a result, segment net sales amounted to 290,990 thousand yen (down 69.0% year on year) and segment profit was 10,036 thousand yen (compared to segment loss of 903 thousand yen for the same period in the previous fiscal year).

(2) Analysis of financial position

In the first quarter ended March 31, 2021, some investment securities held by consolidated subsidiaries for operating purposes, which were included in investment securities, were reclassified from investments and other assets to current assets due to their increased materiality. The financial position of the Company has been compared and analyzed with that of the previous fiscal year using figures after the retroactive application of this change.

(Assets)

Current assets as of March 31, 2021 amounted to 8,119,272 thousand yen, down 466,082 thousand yen from the end of the previous fiscal year. This was mainly due to a decrease of 854,387 thousand yen in ordinary deposits, despite an increase of 411,707 thousand yen in operational securities.

Non-current assets were 5,344,814 thousand yen, up 42,413 thousand yen from the end of the previous fiscal year. This was mainly due to an increase of 104,504 thousand yen in buildings, despite a decrease of 73,256 thousand yen in goodwill.

Consequently, total assets came to 13,464,086 thousand yen, down 423,669 thousand yen from the end of the previous fiscal year.

(Liabilities)

Current liabilities as of March 31, 2021 amounted to 6,710,172 thousand yen, down 153,905 thousand yen from the end of the previous fiscal year. This was mainly due to decreases of 176,990 thousand yen in accounts payable – other, 167,887 thousand yen in accrued expenses, and 120,090 thousand yen in current portion of long-term loans payable, despite increases of 200,000 thousand yen in short-term loans payable and 112,845 thousand yen in deposits received. Non-current liabilities were 1,122,579 thousand yen, down 236,446 thousand yen from the end of the previous fiscal year. This was mainly due to a decrease of 261,250 thousand yen in long-term loans payable, despite an increase of 17,754 thousand yen in asset retirement obligations.

Consequently, total liabilities came to 7,832,752 thousand yen, down 390,351 thousand yen from the end of the previous fiscal year.

(Net assets)

Net assets as of March 31, 2021 stood at 5,631,334 thousand yen, down 33,317 thousand yen from the end of the previous fiscal year. This was mainly due to increases of 12,488 thousand yen in retained earnings and 16,437 thousand yen in valuation difference on securities, despite a decrease of 62,217 thousand yen in non-controlling interests.

Consequently, the equity-to-asset ratio was 39.3% (compared to 37.9% at the end of the previous fiscal year).

(3) Note about consolidated earnings forecast and other forward-looking statements

There are no significant changes to the estimates and judgments regarding the impact of the spread of the novel coronavirus infection described in “(4) Future outlook in the Summary of Financial Results for the Fiscal Year Ended December 31, 2020.” There is also no change in the consolidated full-year earnings forecast for the fiscal year ending December 31, 2021. The Company will make an announcement as soon as there are any facts to be disclosed.

Forward-looking statements contained in this report are based on judgments made by the Company as of March 31, 2021. However, due to the uncertainties involved in estimating the spread of the novel coronavirus infection and when it will be contained, actual results may differ from these estimates.