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# Consolidated Financial Results for the Six Months Ended September 30, 2020 [JGAAP]

November 13, 2020
Listed on: TSE Mothers


Company Name: Tameny Inc.
Stock Code: 6181
URL: https://tameny.jp/en/
Representative: Shigeru Sato President and CEO
Contact: Daisuke Ito Manager, Investor Relations and Public Relations
Phone: +81-3-5759-2700


Scheduled date to submit the Quarterly Securities Report: November 13, 2020
Scheduled date to commence dividend payments: –
Availability of supplementary briefing material on yearly results: Available
Scheduled date of Quarterly Results Briefing Session: to be arranged for institutional investors and analysts (Japanese only)

(Figures are rounded down to the nearest million)

## 1. Consolidated Financial Results for the Six Months Ended September 30, 2020 (April 1, 2020 to September 30, 2020)

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

| | Net sales | | Operating income | | Ordinary income | | Net income attributable to owners of parent | |
|---|---|---|---|---|---|---|---|---|
| Six months ended: | Millions of yen | % | Millions of yen | % | Millions of yen | % | Millions of yen | % |
| September 30, 2020 | 1,701 | (58.5) | (1,439) | - | (1,376) | - | (1,376) | - |
| September 30, 2019 | 4,099 | 90.8 | 97 | (30.4) | 86 | (31.7) | 61 | (19.3) |

(Note) Comprehensive income: Six months ended September 30, 2020: ¥(1,373) million [ - % ]
Six months ended September 30, 2019: ¥ 60 million [ (16.4) % ]

| | Net income per share | Diluted net income per share |
|---|---|---|
| Six months ended: | Yen | Yen |
| September 30, 2020 | (130.88) | - |
| September 30, 2019 | 5.97 | 5.75 |

(2) Consolidated Financial Position

| | Total assets | Net assets | Equity ratio |
|---|---|---|---|
| As of: | Millions of yen | Millions of yen | % |
| September 30, 2020 | 5,456 | (325) | (6.0) |
| March 31, 2020 | 5,478 | 1,025 | 18.7 |

(Reference) Shareholders' equity: As of September 30, 2020: ¥ (325) million
As of March 31, 2020: ¥ 1,025 million

**2. Dividends**

| | Annual dividends | | | | |
|---|---|---|---|---|---|
| | Q1-end | Q2-end | Q3-end | Q4-end | Total |
| | Yen | Yen | Yen | Yen | Yen |
| Fiscal year ended March 31, 2020 | - | 0.00 | - | 0.00 | 0.00 |
| Fiscal year ending March 31, 2021 | - | 0.00 | | | |
| Fiscal year ending March 31, 2021 (Forecast) | | | - | 0.00 | 0.00 |

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

**3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2021 (April 1, 2020 to March 31, 2021)**

(% indicates changes from the previous corresponding period.)

| | Net sales | | Operating income | | Ordinary income | | Net income attribute to owners of parent | | Net income per share |
|---|---|---|---|---|---|---|---|---|---|
| | Millions of yen | % | Millions of yen | % | Millions of yen | % | Millions of yen | % | Yen |
| Fiscal year | 4,760 | (41.9) | (2,000) | - | (2,000) | - | (2,000) | - | (190.22) |

(Note) Revision to the most recently announced forecasted financial results: Yes

* Notes:

(1) Changes in significant subsidiaries during the six months ended September 30, 2020 (changes in specified subsidiaries resulting in changes in scope of consolidation): Not applicable

(2) Specific accounting policies used in preparing quarterly consolidated financial statements: Yes
Please refer to "Application of the accounting method specific to quarterly consolidated financial statements" on P. 14 for detail.

(3) Changes in accounting policies, changes in accounting estimates and retrospective restatement:
1) Changes in accounting policies due to revision of accounting standards: Not applicable
2) Changes in accounting policies other than 1) above: Not applicable
3) Changes in accounting estimates: Not applicable
4) Retrospective restatement: Not applicable

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

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

| | |
|---|---|
| September 30, 2020: | 10,730,400 shares |
| March 31, 2020: | 10,714,800 shares |

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

| | |
|---|---|
| September 30, 2020: | 190,629 shares |
| March 31, 2020: | 227,229 shares |

3) Average number of shares outstanding during the period:

| | |
|---|---|
| Six months ended September 30, 2020: | 10,514,183 shares |
| Six months ended September 30, 2019: | 10,259,663 shares |

(Note) The number of treasury shares presented above includes the number of the Company's shares held by the trustee account under the "Share Benefit Trust (shares to be transferred to employee share ownership plan)", and the number of such treasury shares were 190,500 and 227,100 as of September 30, 2020 and March 31, 2020, respectively. In addition, 210,819 shares and 266,612 shares as of September 30, 2020 and September 30, 2019, respectively, held in the trustee accounts were deducted in calculating the average number of outstanding shares during the period presented above.

***Financial results announcement is not subject to quarterly review of the independent auditor.**

***Explanation for appropriate use of financial forecasts and other special notes**

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

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1. Summary of qualitative information on the financial results

(1) Analysis of consolidated operating results for the six months ended September 30, 2020

- The net sales decreased to ¥1,701 million (-58.5% year-on-year ("YoY")), and the operating loss was ¥1,439 million (the operating income in Q1-Q2 FY 3/2020 was ¥97 million).
- The Company focuses on EBITDA levels, and it was ¥-1,244 million (¥326 million in Q1-Q2 FY 3/2020).
- Significant decrease in sales and profit due to the novel coronavirus disease (COVID-19).
- Earnings improved compared to Q1 (April-June).
- Selling, general and administrative expenses decreased by ¥200 million, excluding the increase due to the acquisition of two companies.

[Overview by business]

Ⅰ. Matching Business

The net sales decreased to ¥1,286 million (-27.0% YoY).

ⅰ. Matching support agency (Partner Agent)

- Various measures leveraging the strength of the No.1 ranked engagement rate*
- The number of inquiries increased due to improved in marketing and the use of female idol groups in advertisements.
- Fashion coordinate service started for members of matching support agency, there have been 339 sales since June.
- Partner Agent in Sendai opened, the number of new members since July was 153.
- The number of new members of Q2 (July to September) exceeded 1,900 for the first time since Q2 FY 3/2020.

* According to research by BTC Corporation, April 2020

ⅱ. Matching party (OTOCON, Partner Agent Party)

- Implemented measures to improve the profit margin of conventional matching parties. Commenced initiatives on store consolidation, etc.
- Launched a new, higher-ranked matching party service that requires single status certificates to participate, to be launched in full-scale in Q3.
- Due to voluntary restraint, the number of parties held and the number of participants dropped significantly.
- The number of referrals to our matching support agency decreased by 49.9% YoY to 178 due to a decrease in the number of parties held and party participants.

＜Major indicator of Matching Business＞

| | Q1-Q2 FY 3/2020 | FY 3/2021 | | |
|---|---|---|---|---|
| | | Q1 | Q2 | Q1-Q2 |
| Number of new members enrolled during the period | 4,528 | 927 | 1,978 | 2,905 |
| Number of existing members at the end of the period | 1,626 | 435 | 630 | 1,065 |
| Number of members unsubscribed after engagement during the period | 28.0% | 16.2% | 23.5% | 19.9 |
| Engagement rate | 11,896 | 10,606 | 10,949 | 10,949 |
| Number of party participants | 11,428 | 442 | 1,601 | 2,043 |
| Number of parties held | 125,890 | 5,506 | 19,779 | 25,285 |

Ⅱ. Casual Wedding Business

The net sales decreased to ¥302 million (-86.1% YoY).

ⅰ. Casual wedding receptions and after-parties of weddings (Sma-Kon series, Nijikai-Kun)

・Creating new wedding styles and a strategic review on the profit structure.
・Established a stable supply base of high-quality venues.
・Launched MICRO WEDDING (small scale and high quality weddings).
・Consolidation of showrooms (2 showrooms merged with the ones of the matching business, and other two locations merged into one).
・Optimal personnel allocation (reallocation of personnel to the matching and the photo wedding businesses)
・Due to the spread of COVID-19, wedding parties will be concentrated in Q4 and thereafter.

ⅱ. Photo weddings (LUMINOUS)

・Expanding our product lineup and service area.
・Launched a location photo service at wedding venues in partnerships with guesthouses.
・Opened photo wedding studios in Higashi-Ginza and Nagoya.
・Both the number of orders and the number of services provided increased. The number of orders increased by 161.7% YoY, and the number of services provided by 85.1% YoY.

＜Major indicator of Casual Wedding Business＞

| | Q1-Q2 FY 3/2020 | FY 3/2021 | | |
|---|---|---|---|---|
| | | Q1 | Q2 | Q1-Q2 |
| （Number of orders） | | | | |
| Sma-Kon series | 759 | 138 | 163 | 301 |
| Nijikai-Kun | 1,976 | 198 | 216 | 414 |
| LUMINOUS (photo wedding) | 209 | 100 | 447 | 547 |
| （Number of produce） | | | | |
| Sma-Kon series | 720 | 21 | 91 | 112 |
| Nijikai-Kun | 1,802 | 1 | 65 | 66 |
| LUMINOUS (photo wedding) | 215 | 64 | 334 | 398 |

Ⅲ. Tech Business

The net sales decreased to ¥88 million (-3.3% YoY).

ⅰ. Member mutual introduction platform (CONNECT-ship)

・Promoting acquisition of new member companies, users, as well as assistance for increased initial meetings.

・"S-marriage" (operated by SE Mobile and Online Co.,Ltd.) joined the member of CONNECT-ship.

・Introduced a proprietary online initial-meeting system that frees up users from location restrictions.

・The number of members exceeds 30,000, the largest number ever.

ⅱ. Matching apps (Sma-Kon date, etc.)

・Put focuses on creating new place to meet a potential partner.

・Launched a completely free matching app.

・An online-first date feature has been added.

＜Major indicator of Tech Business＞

| | Q1-Q2 FY 3/2020 | FY 3/2021 | | |
|---|---|---|---|---|
| | | Q1 | Q2 | Q1-Q2 |
| Users of CONNECT-ship (at the end of the period) | 29,490 | 28,146 | 30,093 | 30,093 |
| Initial meetings via CONNECT-ship | 158,412 | 54,928 | 77,582 | 132,510 |
| Member companies | 9 | 10 | 11 | 11 |

Ⅳ. Lifestyle Business

The net sales increased to ¥17 million (+38.4% YoY).

ⅰ. Sales of insurance, finance, real estate, etc.

・Focus on establishing a business platform to expand service products (including insurance in

general, finance and real estate) and sales to external customers.

・Invited a member with knowledge and established the Lifestyle Business Division.

・Promote various measures for collaboration with leading companies in the insurance and wedding areas.

・Holding regular seminars on asset accumulation for a fee.

Ⅴ. Corporate Enterprises Business

The net sales decreased to ¥9 million (-81.4% YoY).

ⅰ. Corporate event produce (Evemon)

・Responding to the needs of new style corporate events

・Online party service for corporate customers was launched. We have received multiple orders from major corporations and government agencies.

・Expect an increase in the number of Evemon produce to be executed from Q3 onwards (e.g., pre-hiring ceremonies and year-end and New Year's events).

ⅱ. Sales of the matching support system (Parms) to local governments, etc.

・Strengthening proposal activities to local governments.

・The system has been accepted by Fukui Prefecture and will start operating from November 2020. This will bring the number of local governments users the system to five.

＜Major indicator of Corporate Business＞

| | Q1-Q2 FY 3/2020 | FY 3/2021 | | |
|---|---|---|---|---|
| | | Q1 | Q2 | Q1-Q2 |
| Number of evemon orders | 60 | 5 | 67 | 72 |
| Number of evemon produce | 44 | 2 | 4 | 6 |

(2) Analysis of financial position

(Assets)

Total assets decreased by ¥21 million from the end of the previous fiscal year to ¥5,456 million.

Current assets decreased by ¥251 million from the end of the previous fiscal year to ¥1,748 million. This was mainly due to ¥256 million decrease in cash and deposits.

Non-current assets increased by ¥230 million from the end of the previous fiscal year to ¥3,707 million. This was mainly due to ¥599 million increase in goodwill.

(Liabilities)

Total liabilities increased by ¥1,329 million from the end of the previous fiscal year to ¥5,781 million.

Current liabilities increased by ¥355 million from the end of the previous fiscal year to ¥2,228 million. This was mainly due to ¥150 million increase in short-term borrowings and ¥76 million increase in current portion of long-term borrowings.

Non-current liabilities increased by ¥974 million from the end of the previous fiscal year to ¥3,553 million. This was mainly due to ¥973 million increase in long-term borrowings.

(Net assets)

Total net assets decreased by ¥1,351 million from the end of the previous fiscal year to ¥-325 million. This was mainly due to the net loss attributable to shareholders of ¥1,376 million.

(3) Analysis of cash flows

Cash and cash equivalents (hereinafter referred to as “cash”) amounted to ¥784 million at the end of the six months ended September 30, 2020.

(Cash flows from operating activities)

Net cash used in operating activities amounted to ¥1,151 million. This was mainly due to net loss before income taxes of ¥1,376, the depreciation of ¥118 million and ¥86 million decrease in trade receivables.

(Cash flows from investing activities)

Net cash used in investing activities amounted to ¥283 million. This was mainly due to purchase of property, plant and equipment of ¥195 million and purchase of intangible assets of ¥98 million.

(Cash flows from financing activities)

Net cash provided by financing activities amounted to ¥1,178 million. This was mainly due to proceeds from long-term borrowings of ¥1,380 million, increase in short-term borrowings of ¥150 million and repayments of long-term borrowings of ¥330 million.

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

＜Consolidated Financial Results Forecast for FY 3/2021＞

| | FY 3/2020 | FY 3/2021 | | | |
|---|---|---|---|---|---|
| | | H1 Results | H2 forecast | Full-year forecast | YoY |
| Net sales | ¥8,187 million | ¥1,701 million | ¥3,058 million | ¥4,760 million | △41.9% |
| Operating income | ¥78 million | ¥(1,439) million | ¥(560) million | ¥(2,000) million | – |
| Ordinary income | ¥41 million | ¥(1,376) million | ¥(623) million | ¥(2,000) million | – |
| Net income attribute to owners of parent | ¥2 million | ¥(1,376) million | ¥(623) million | ¥(2,000) million | – |

・Profitability is expected to recover in the second half of FY 3/2021 and return to monthly positive profit toward the end of Q4.

＜Management＞

・A strategic review on our product portfolio to the “new lifestyle”.
・Concentrating management resources on areas where demand is expected to grow in the future.
・Planning to consolidate branch locations, optimize personnel allocation and improve operational efficiency through implementing IT systems
・New share warrant issuance through third party allotment to fund working capital, systems and growth investment as well as improvement of the financial position.

＜Business＞

・Matching Business
－There has been a noticeable recovery in matching support agency.
－Strong sales of option services such as coordination services for members.
－Single month sales in October exceeded that of the corresponding month of the last year.
－We expect to record stable revenues in the second half of FY 3/2021.
・Casual Wedding Business
－The number of people holding wedding receptions and after-parties of weddings is slowly increasing.
－We expect a certain steady amount of revenue in Q4.
－We have been receiving overwhelming amount orders for photo weddings, and we plan to further expand our service areas.

・Announced a three-year medium-term management plan starting from FY 3/2022.

－We regard the next three year period as a period to achieve a short-term recovery and to build a foundation for medium- to long-term growth. We will take various measures to rebuild our business base and improve profitability.

<The three-year medium-term management plan (performance target)>

| | FY 3/2022 | FY 3/2023 | FY 3/2024 |
|---|---|---|---|
| Net sales | ¥8.8 billion | ¥12.2 billion | ¥14.7 billion |
| Operation income | ¥0.5 billion | ¥1.5 billion | ¥2.7 billion |
| Operation income ratio | 5.6% | 13.0% | 18.6% |

2. Quarterly consolidated financial statements and important notes

(1) Quarterly consolidated balance sheets

(Unit: Thousands of yen)

| | As of March 31, 2020 | As of September 30, 2020 |
|---|---|---|
| Assets | | |
| Current assets | | |
| Cash and deposits | 1,040,866 | 784,473 |
| Accounts receivable - trade | 682,585 | 601,663 |
| Other | 315,727 | 392,974 |
| Allowance for doubtful accounts | (39,223) | (31,064) |
| Total current assets | 1,999,955 | 1,748,046 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings | 446,031 | 560,469 |
| Tools, furniture and fixtures | 96,776 | 144,979 |
| Other | 42,511 | 56,451 |
| Total property, plant and equipment | 585,319 | 761,900 |
| Goodwill and other intangibles | | |
| Software | 278,411 | 255,427 |
| Software in progress | 128,017 | 170,435 |
| Goodwill | 1,005,949 | 1,605,219 |
| Total goodwill and other intangibles | 1,412,378 | 2,031,082 |
| Investments and other assets | | |
| Investment securities | 133,850 | 136,244 |
| Leasehold deposits | 550,530 | 543,328 |
| Allowance for doubtful accounts | - | (105,128) |
| Other | 795,531 | 340,378 |
| Total investments and other assets | 1,479,912 | 914,821 |
| Total non-current assets | 3,477,610 | 3,707,804 |
| Deferred assets | 685 | 543 |
| Total assets | 5,478,251 | 5,456,394 |

(Unit: Thousands of yen)

| | As of March 31, 2020 | As of September 30, 2020 |
|---|---|---|
| Liabilities | | |
| Current liabilities | | |
| Short-term borrowings | 705,000 | 855,000 |
| Current portion of bonds payable | 40,000 | 40,000 |
| Current portion of long-term borrowings | 623,520 | 700,233 |
| Accounts payable - other | 205,852 | 262,682 |
| Income taxes payable | 36,466 | 30,649 |
| Other provisions | 8,107 | 4,475 |
| Other | 254,442 | 335,460 |
| Total current liabilities | 1,873,388 | 2,228,501 |
| Non-current liabilities | | |
| Long-term bonds | 60,000 | 40,000 |
| Long-term borrowings | 2,266,960 | 3,240,207 |
| Asset retirement obligations | 212,857 | 216,572 |
| Other | 39,293 | 56,683 |
| Total non-current liabilities | 2,579,111 | 3,553,464 |
| Total liabilities | 4,452,499 | 5,781,965 |
| Net assets | | |
| Shareholders' equity | | |
| Share capital | 263,770 | 264,373 |
| Capital surplus | 226,182 | 226,785 |
| Retained earnings | 669,118 | (706,970) |
| Treasury shares | (131,398) | (110,231) |
| Total shareholders' equity | 1,027,672 | (326,043) |
| Accumulated other comprehensive income | | |
| Unrealized holding gains (losses) on available-for-sale securities | (1,920) | 473 |
| Total accumulated other comprehensive income | (1,920) | 473 |
| Total net assets | 1,025,751 | (325,570) |
| Total liabilities and net assets | 5,478,251 | 5,456,394 |

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

Quarterly consolidated statements of income

(Unit: Thousands of yen)

| | Six months ended September 30, 2019 (April 1, 2019 – September 30, 2019) | Six months ended September 30, 2020 (April 1, 2020 – September 30, 2020) |
|---|---|---|
| Net sales | 4,099,361 | 1,701,315 |
| Cost of sales | 2,003,416 | 980,598 |
| Gross profit | 2,095,945 | 720,716 |
| Selling, general and administrative expenses | 1,998,725 | 2,160,133 |
| Operating income (loss) | 97,219 | (1,439,416) |
| Non-operating income | | |
| Guarantee commission received | 7,104 | 7,104 |
| Subsidy income | 15,223 | 79,756 |
| Other | 5,241 | 16,217 |
| Total non-operating income | 27,569 | 103,078 |
| Non-operating expenses | | |
| Interest expenses | 15,687 | 19,983 |
| Share of loss of entities accounted for using equity method | 16,650 | 18,505 |
| Other | 6,435 | 1,522 |
| Total non-operating expenses | 38,772 | 40,012 |
| Ordinary income (loss) | 86,016 | (1,376,350) |
| Extraordinary income | | |
| Gain on sales of businesses | 44,716 | - |
| Compensation received | 16,000 | - |
| Total extraordinary income | 60,716 | - |
| Extraordinary loss | | |
| Impairment loss | 16,015 | - |
| Loss on special investigation | 13,753 | - |
| Other | 5,387 | - |
| Total extraordinary losses | 35,155 | - |
| Net income (loss) before income taxes | 111,576 | (1,376,350) |
| Income taxes | 50,336 | (260) |
| Net income (loss) | 61,240 | (1,376,089) |
| Loss attributable to non-controlling interests | - | - |
| Net income (loss) attributable to owners of parent | 61,240 | (1,376,089) |

Quarterly consolidated statements of comprehensive income

(Unit: Thousands of yen)

| | Six months ended September 30, 2019 (April 1, 2019 – September 30, 2019) | Six months ended September 30, 2020 (April 1, 2020 – September 30, 2020) |
|---|---|---|
| Net income (loss) | 61,240 | (1,376,089) |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | (1,161) | 2,394 |
| Total other comprehensive income | (1,161) | 2,394 |
| Comprehensive income | 60,079 | (1,373,695) |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of parent | 60,079 | (1,373,695) |
| Comprehensive income attributable to non-controlling interests | - | - |

(3) Consolidated statements of cash flows

(Unit: Thousands of yen)

| | Six months ended September 30, 2020 (April 1, 2019-September 30, 2019) | Six months ended September 30, 2020 (April 1, 2020-September 30, 2020) |
|---|---|---|
| Cash flows from operating activities | | |
| Net income (loss) before income taxes | 111,576 | (1,376,350) |
| Depreciation | 125,494 | 118,472 |
| Amortization of goodwill | 28,699 | 76,439 |
| Amortization of intangible assets | 75,000 | - |
| Increase (decrease) in allowance for doubtful accounts | (1,921) | (8,159) |
| Increase (decrease) in other provisions | 46 | (3,631) |
| Interest income | (3,272) | (803) |
| Interest expenses | 15,687 | 20,131 |
| Subsidy income | (15,223) | (79,756) |
| Share of loss (profit) of entities accounted for using equity method | 16,650 | 18,505 |
| Loss (gain) on sale of businesses | (44,716) | - |
| Compensation received | (16,000) | - |
| Impairment loss | 16,015 | - |
| Loss on special investigation | 13,753 | - |
| Decrease (increase) in trade receivables | 64,095 | 86,318 |
| Decrease (increase) in inventories | (5,690) | (12,183) |
| Decrease (increase) in prepaid expenses | (25,861) | (45,479) |
| Increase (decrease) in trade payables | 26,410 | (49,230) |
| Increase (decrease) in accounts payable - other | (105,135) | 20,139 |
| Increase (decrease) in accrued expenses | (10,600) | 3,621 |
| Increase (decrease) in deposits received | (18,105) | (26,311) |
| Increase (decrease) in income taxes payable - factor based tax | (30,981) | (34,903) |
| Increase (decrease) in accrued consumption taxes | 11,742 | 9,811 |
| Increase (decrease) in advances received | 15,104 | 34,056 |
| Other, net | 3,718 | 9,532 |
| Subtotal | 246,486 | (1,239,782) |
| Interest received | 151 | 38 |
| Interest paid | (15,589) | (20,553) |
| Proceeds from subsidy income | - | 79,756 |
| Income taxes (paid) refund | (72,712) | 28,938 |
| Net cash provided by (used in) operating activities | 158,335 | (1,151,602) |

| | | |
|---|---|---|
| Cash flows from investing activities | | |
| Purchase of property, plant and equipment | (52,294) | (195,090) |
| Purchase of intangible assets | (43,652) | (98,276) |
| Purchase of shares of subsidiaries resulting in change in scope of consolidation | (778,268) | - |
| Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation | - | 7,591 |
| Purchase of shares of subsidiaries and associates | (166,500) | - |
| Purchase of investment securities | (371,000) | - |
| Payments of leasehold deposits | (26,176) | (10,002) |
| Proceeds from refund of leasehold deposits | - | 16,742 |
| Proceeds from sale of businesses | 50,000 | - |
| Other, net | 23,810 | (4,167) |
| Net cash provided by (used in) investing activities | (1,364,081) | (283,202) |
| Cash flows from financing activities | | |
| Net increase (decrease) in short-term borrowings | 1,270,000 | 150,000 |
| Proceeds from long-term borrowings | - | 1,380,000 |
| Repayments of long-term borrowings | (261,013) | (330,039) |
| Redemption of bonds | (20,000) | (20,000) |
| Repayments of lease obligations | (6,949) | (10,245) |
| Proceeds from sales of treasury shares | 8,727 | 7,490 |
| Proceeds from issuance of shares resulting from exercise of share acquisition rights | 12,698 | 1,206 |
| Net cash provided by (used in) financing activities | 1,003,461 | 1,178,411 |
| Net increase (decrease) in cash and cash equivalents | (202,284) | (256,393) |
| Cash and cash equivalents at beginning of period | 1,207,846 | 1,040,866 |
| Cash and cash equivalents at end of period | 1,005,562 | 784,473 |

(4) Note regarding the quarterly consolidated financial statements

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

No relevant items

(Note regarding occurrence of significant change in amount of shareholders' equity)

No relevant items

(Note regarding changes in significant subsidiaries during the six months ended September 30, 2020)

No relevant items

(Application of the accounting method specific to quarterly consolidated financial statements)

(Calculation of taxes)

Tax expenses are calculated by multiplying the profit before income taxes for the quarter by the effective tax rates reasonably estimated to be applicable to the profit before income taxes for the fiscal year which includes Q2 FY 3/2021.

However, in the event that calculating tax expenses using the estimated effective tax rate would result in significantly unreasonable results, the amount of income or loss before income taxes multiplied by the effective statutory tax rate is adjusted for collectability of deferred tax assets.

(Additional information)

(Impact of COVID-19)

Given the spread of COVID-19, the Japanese government has declared a state of emergency and local governments have requested people to refrain from going out home, which has resulted in a temporary decline in the number of new members for the matching business and the postponement and cancellation of weddings receptions and after-parties of weddings for the casual wedding business, resulting in a significant decline in sales in Q1 and Q2 of FY 3/2021.

On the other hand, there has been a noticeable recovery in the matching business, and we expect to record stable revenues in the second half of FY 3/2021. In the casual wedding business, the number of people holding wedding receptions and after-parties of weddings is slowly recovering, and we expect to generate a certain stable amount of revenue in Q4. In addition, we have been receiving overwhelming amount orders for photo weddings, and we plan to further expand our service areas. Based on these assumptions, we have estimated impairment losses on fixed assets and other items for accounting purposes.

(Segment information)

1) For the six months cumulative ended September 30, 2019 (April 1, 2019 – September 30, 2019)

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

(Thousands of yen)

| | Reporting segments | | | | Adjustment (Note 2) | Amount in the quarterly consolidated statements of income (Note 3) |
|---|---|---|---|---|---|---|
| | Matching Business | Casual Wedding Business (Note 1) | Other Business | Total | | |
| Net sales | | | | | | |
| Net sales to external customers | 1,836,729 | 2,187,493 | 75,138 | 4,099,361 | - | 4,099,361 |
| Intersegment net sales and transfer | 859 | 1,165 | 7,999 | 10,023 | (10,023) | - |
| Total | 1,837,589 | 2,188,658 | 83,138 | 4,109,385 | (10,023) | 4,099,361 |
| Segment income (loss) | 398,572 | 25,681 | 15,229 | 439,483 | (342,263) | 97,219 |

(Notes) 1. Casual Wedding Business includes ¥28,699 thousand of amortization of goodwill.

2. ¥ (342,263) thousand for adjustments of segment income (loss) include corporate expenses not allocated to each reporting segment. Corporate expenses are mainly general and administrative expenses not attributable to each reporting segment.

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

2) For the six months cumulative ended September 30, 2020 (April 1, 2020 – September 30, 2020)

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

(Thousands of yen)

| | Reporting segments | | | | Adjustment (Note 2) | Amount in the quarterly consolidated statements of income (Note 3) |
|---|---|---|---|---|---|---|
| | Matching Business | Casual Wedding Business (Note 1) | Other Business | Total | | |
| Net sales | | | | | | |
| Net sales to external customers | 1,372,126 | 282,867 | 45,814 | 1,700,809 | 505 | 1,701,315 |
| Intersegment net sales and transfer | 2,054 | 198 | 1,504 | 3,757 | (3,757) | - |
| Total | 1,374,181 | 283,065 | 47,319 | 1,704,566 | (3,251) | 1,701,315 |
| Segment income (loss) | 32,712 | (963,856) | (48,517) | (979,661) | (459,755) | (1,439,416) |

(Notes) 1. Casual Wedding Business includes ¥76,439 thousand of amortization of goodwill.

2. ¥ (459,755) thousand for adjustments of segment income (loss) include corporate expenses not allocated to each reporting segment. Corporate expenses are mainly general and administrative expenses not attributable to each reporting segment.

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

ii.) Information on impairment loss on fixed assets, goodwill, etc. by reporting segment

As a result of the acquisition of pma Inc. on April 1, 2020 and making it a new consolidated subsidiary, goodwill in the casual wedding business increased ¥675,709 thousand.

(Significant subsequent events)

(Issuance of new shares through third-party allotment)

The Company resolved to raise funds through the issuance of stock warrants through third party allotment.

3. Others

Significant conditions that lead to substantial doubt about a going concern

Given the spread of COVID-19, the Japanese government has declared a state of emergency and local governments have requested to refrain from going out home, which has resulted in a temporary decline in the number of new members for the matching business and the postponement or cancellation of wedding receptions and after-parties of weddings for the casual wedding business and the net sales decreased significantly from Q1 to Q2 of FY 3/2021. As a result, the net sales decreased ¥1,701 million (-58.5% YoY), the operating loss was ¥1,439 million (the operating income in Q2 FY 3/2020 was ¥97 million), the ordinary loss was ¥1,376 million (the ordinary income in Q2 FY 3/2020 was ¥86 million), the net loss attributable to shareholders was ¥1,376 million (the net income attributable to shareholders in Q2 FY 3/2020 was ¥61 million), and consolidated net assets as of September 30, 2020 were negative ¥325 million. These situations pose a substantial doubt about the Company's ability to continue as a going concern.

Nevertheless, a strategic review on product portfolio to fit to the new lifestyle have been being conducted and we will concentrate management resources on areas where demand is expected to grow in the future, and work to reduce fixed costs in other areas. Specifically, we plan to consolidate branch locations, optimize personnel allocation and improve operational efficiency through implementing IT systems. In addition, as announced in the "Notice of Issuance of the 8th and the 9th Stock Warrants (with an Exercise Price Adjustment Clause) and Execution of a Purchase Agreement for Stock Warrants (Commit Issue)" dated November 13, 2020, the Company will raise funds through the issuance of stock warrants through third party allotment to fund working capital, systems and growth investment as well as improvement of the financial position.

In our overall business, there has been a noticeable recovery in the matching business, and we expect to record stable revenues in the second half of FY 3/2021. In the casual wedding business, the number of people holding wedding receptions and after-parties of weddings is slowly increasing, and we expect to generate a certain stable amount of revenue in Q4. In addition, we have been receiving overwhelming amount orders for photo weddings, and we plan to further expand our service areas. As a result, we expect earnings to improve further in the second half of FY3/2021, and to return to monthly positive profit toward the end of Q4.

Taking all these factors into account, since we are in the situation that the current working capital funding requirements can be sufficiently secured, we believe that there are no uncertainties around the company’s ability to continue as a going concern.