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Consolidated Financial Results for the Nine Months Ended December 31, 2019 [JGAAP]

February 14, 2020

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 Stock Code: 6181
 URL: <https://www.p-a.co.jp/>
 Stock Exchange Listing: Tokyo
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 Scheduled date to submit the Quarterly Securities Report: February 14, 2020
 Scheduled date to commence dividend payments: –
 Availability of supplementary briefing material on quarterly results: Available (Japanese only)
 Scheduled date of Quarterly Results Briefing Session: No

(Figures are rounded down to the nearest million)

1. Consolidated Financial Results for the Nine Months Ended December 31, 2019 (April 1, 2019 to December 31, 2019)

(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	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Nine months ended:								
December 31, 2019	6,295	101.1	146	(2.4)	130	(5.2)	88	10.9
December 31, 2018	3,131	3.6	149	39.5	137	1.1	79	(8.9)

(Note) Comprehensive income: Nine months ended December 31, 2019: ¥90 million [25.2%]
 Nine months ended December 31, 2018: ¥72 million [(17.3%)]

	Net income per share	Diluted net income per share
Nine months ended:	Yen	Yen
December 31, 2019	8.58	8.29
December 31, 2018	7.99	7.54

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
As of:	Millions of yen	Millions of yen	%
December 31, 2019	4,953	1,105	22.3
March 31, 2019	3,382	978	28.9

(Reference) Shareholders' equity: As of December 31, 2019: ¥1,105 million

As of March 31, 2019: ¥978 million

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2019	-	0.00	-	0.00	0.00
Fiscal year ending March 31, 2020	-	0.00			
Fiscal year ending March 31, 2020 (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, 2020

(April 1, 2019 to March 31, 2020)

(% indicates changes from the previous corresponding period.)

Fiscal year	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
	9,100	119.2	230	6.3	170	(18.4)	130	44.3	12.80

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

* Notes:

(1) Changes in significant subsidiaries during the nine months ended December 31, 2019

(changes in specified subsidiaries resulting in changes in scope of consolidation): Not applicable

Acquired: —, Disposed: —

(2) Specific accounting policies used in preparing quarterly consolidated financial statements: Yes

Please refer to "Note regarding specific accounting policies used in preparing quarterly consolidated financial statements" on P. 9 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):

December 31, 2019: 10,698,000 shares

March 31, 2019: 10,432,800 shares

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

December 31, 2019: 241,529 shares

March 31, 2019: 279,429 shares

3) Average number of shares outstanding during the period:

Nine months ended December 31, 2019: 10,316,466 shares

Nine months ended December 31, 2018: 9,991,680 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 241,400 and 279,300 as of December 31, 2019 and March 31, 2019, respectively. In addition, 260,277 shares and 311,098 shares as of December 31, 2019 and December 31, 2018, respectively, held in the trustee accounts were deducted in calculating the average number of outstanding shares during the period presented above.

***Quarterly 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 quarterly financial results

(1) Analysis of consolidated operating results for the third quarter

- The net sales increased to ¥6,295 million (+101.1% year-on-year (“YoY”)), and the operating income decreased to ¥146 million (-2.4% YoY).
- The company focuses on EBITDA levels, and it increased to ¥486 million (+73.2% YoY).
- The results have generally been steady as compared to the forecast.
- Selling, general and administrative expenses increased due to the acquisition of Mation Inc., however, the total actual levels were less than the forecasted levels.

[Overview by business segment]

i.) Matching Business

- The net sales decreased to ¥2,719 million (-6.1% YoY). The operating income increased to ¥623 million (+0.2% YoY).
- The marriage support agency business saw a temporary decrease in the number of new members in October due to the increase of the consumption tax rate, however, the business overall has been performing steadily.
- For the matching parties service, due to the strategic review on the number of parties to be produced, even though the recorded sales have been declined, the profit levels continue to improve significantly.
- Accelerated depreciation expenses were recorded due to integration and closure of 5 store locations.
- Due to the above reasons, the third quarter results had decreased sales and increased profit.

< Major indicator of Matching Business >

	Q1-Q3 FY March 2019	Q1-Q3 FY March 2020	YoY
Number of new members enrolled during the period	5,741	6,251	+8.9%
Number of existing members at the end of the period	11,508	11,464	(0.4%)
Number of members unsubscribed after engagement during the period	2,393	2,414	+0.9%
Engagement rate	27.3%	27.6%	+0.3pt
Number of party participants	241,623	179,100	(25.9%)
Number of parties held	22,570	16,214	(28.2%)

ii.) Casual Wedding Business

- The net sales increased to ¥3,435 million (+4,724.5% YoY), and the operating income increased to ¥116 million (+1,102.2% YoY).
- Sales and profit surged due to the acquisition of Mation Inc., the new style wedding producer.
- The number of both orders accepted and parties produced have increased compared to the same period of the previous fiscal year.
- Amortization of goodwill and intangible assets resulting from the acquisition of Mation Inc., was recognized for ¥155 million.

<Major indicator of Casual Wedding Business>

	(Reference) Q1-Q3 FY March 2019	Q1-Q3 FY March 2020	(Reference) YoY
(Number of orders accepted)			
Suma-Kon series	833	1,128	+35.4%
Nijikai-Kun	2,302	2,869	+24.6%
(Number of parties produced)			
Suma-Kon series	852	1,117	+31.1%
Nijikai-Kun	2,566	2,864	+11.6%

iii.) Other Business

- The net sales decreased to ¥154 million (-10.3% YoY), and the operating income decreased to ¥21 million (-2.3% YoY).
- Both sales and profit decreased due to the disposal of the child daycare business and the prior year temporary profit associated with a sale of marriage making support system.
- Implementation work of our proprietary marriage making support system called “parms” for Akita prefecture have been ongoing, along with increased promotion activities.
- The company continues on in-house production of videos for wedding parties in collaboration with the Casual Wedding Business.
- Various initiatives have been taken for “evemon”, the event produce service for corporate customers, including promotion measures to gain increased awareness in the marketplace, and enhanced sales force.

(2) Analysis of financial position

(Assets)

Total assets increased ¥1,570 million from the end of the previous fiscal year to ¥4,953 million.

Current assets decreased ¥224 million from the end of the previous fiscal year to ¥1,834 million. This was mainly due to ¥338 million decrease in cash and deposit and ¥36 million increase in prepaid expenses included “others”.

Non-current assets increased ¥1,796 million from the end of the previous fiscal year to ¥3,118 million. This was mainly due to ¥645 million yen in goodwill and ¥548 million increase in long-term loans receivable.

(Liabilities)

Total liabilities increased ¥1,443 million from the end of the previous fiscal year to ¥3,847 million.

Current liabilities increased ¥1,477 million from the end of the previous fiscal year to ¥2,609 million. This was mainly due to ¥1,220 million increase in short-term borrowings and ¥129 million increase in accounts payable.

Non-current liabilities decreased ¥33 million from the end of the previous fiscal year to ¥1,237 million. This was mainly due to ¥51 million decrease in long-term bonds and ¥31 million increase in asset retirement obligations.

(Net assets)

Total net assets increased ¥127 million from the end of the previous fiscal year to ¥ 1,105 million. This was mainly due to accounting ¥88 million profit attributable to owners of parent and ¥21 million decrease in treasury shares.

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

- The results have been performing steadily up to the third quarter, and no change has been made to the forecasted financial results announced on May 14, 2019.
- Consolidation of the corporate functions of the group companies is expected to have more benefits on the company going forward through the streamlined operations. .
- ¥57 million and ¥150 million of the amortization of goodwill and intangible assets resulting from the acquisition of Mation Inc., respectively, ¥207 million of amortization in total, for this fiscal year are expected. The operating income will only include goodwill amortization during the next fiscal year ending March 31, 2021. The operating income for the subsequent fiscal years will significantly increase accordingly.
- The new management team of the company from July 2019 has been working to develop a mid-term management plan and expect to release it in May 2020.

2. Quarterly consolidated financial statements and important notes

(1) Quarterly consolidated balance sheets

(Unit: Thousands of yen)

	As of March 31, 2019	As of December 31, 2019
Assets		
Current assets		
Cash and deposits	1,207,846	869,323
Accounts receivable - trade	723,928	704,882
Other	154,957	318,139
Allowance for doubtful accounts	(27,044)	(57,617)
Total current assets	2,059,687	1,834,727
Non-current assets		
Property, plant and equipment		
Buildings	251,677	312,530
Tools, furniture and fixtures	70,320	86,910
Other	6,750	32,145
Total property, plant and equipment	328,747	431,585
Goodwill and other intangibles		
Software	258,711	295,997
Software in progress	76,483	113,223
Goodwill	-	645,739
Other	-	37,500
Total intangible assets	335,195	1,092,459
Investments and other assets		
Investment securities	253,063	364,958
Leasehold deposits	356,628	475,485
Long-term loans receivable	-	548,000
Other	48,469	205,671
Total investments and other assets	658,161	1,594,115
Total non-current assets	1,322,104	3,118,161
Deferred assets	969	755
Total assets	3,382,761	4,953,645

(Unit: Thousands of yen)

	As of March 31, 2019	As of December 31, 2019
Liabilities		
Current liabilities		
Accounts payable - trade	8,025	85,988
Short-term borrowings	380,000	1,600,000
Current portion of bonds payable	40,000	40,000
Current portion of long-term bonds	351,503	402,100
Accounts payable - other	126,941	256,197
Income taxes payable	70,949	22,063
Other provisions	4,824	20,934
Other	150,412	182,659
Total current liabilities	1,132,657	2,609,942
Non-current liabilities		
Long-term bonds	150,000	130,000
Long-term borrowings	985,412	934,157
Asset retirement obligations	130,669	162,276
Other	5,346	11,318
Total non-current liabilities	1,271,427	1,237,752
Total liabilities	2,404,084	3,847,694
Net assets		
Shareholders' equity		
Share capital	255,933	263,288
Capital surplus	220,345	227,700
Retained earnings	666,478	754,968
Treasury shares	(161,587)	(139,668)
Total shareholders' equity	981,170	1,106,287
Accumulated other comprehensive income		
Unrealized holding gains (losses) on available-for-sale securities	(2,493)	(337)
Total accumulated other comprehensive income	(2,493)	(337)
Total net assets	978,676	1,105,950
Total liabilities and net assets	3,382,761	4,953,645

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

Quarterly consolidated statements of income

Nine months ended December 31, 2019

(Unit: Thousands of yen)

	Nine months ended December 31, 2018 (April 1, 2018- December 31, 2018)	Nine months ended December 31, 2019 (April 1, 2019- December 31, 2019)
Net sales	3,131,039	6,295,267
Cost of sales	1,354,920	3,113,993
Gross profit	1,776,118	3,181,273
Selling, general and administrative expenses	1,626,149	3,034,832
Operating income	149,968	146,441
Non-operating income		
Guarantee commission received	10,656	10,656
Subsidy income	330	15,402
Insurance claim income	-	10,000
Other	1,112	10,130
Total non-operating income	12,099	46,189
Non-operating expenses		
Interest expenses	7,538	22,612
Amortization of leasehold deposits	12,287	-
Share of loss of entities accounted for using equity method	-	24,975
Other	4,578	14,484
Total non-operating expenses	24,405	62,071
Ordinary income	137,663	130,559
Extraordinary income		
Gain on sales of non-current assets	1,991	-
Gain on sale of businesses	-	44,716
Compensation received	-	16,000
Total extraordinary income	1,991	60,716
Extraordinary loss		
Loss on sales and retirement of non-current assets	4,043	291
Impairment loss	-	18,213
Loss on special investigation	-	13,753
Other	-	18,797
Total extraordinary losses	4,043	51,054
Net income before income taxes	135,612	140,220
Income taxes	59,811	51,730
Net income	75,800	88,490
Loss attributable to non-controlling interests	(4,000)	-
Net income attributable to owners of parent	79,800	88,490

Quarterly consolidated statements of comprehensive income
 Nine months ended December 31, 2019

(Unit: Thousands of yen)

	Nine months ended December 31,2018 (April 1, 2018- December 31, 2018)	Nine months ended December 31,2019 (April 1, 2019- December 31, 2019)
Net income	75,800	88,490
Other comprehensive income		
Valuation difference on available-for-sale securities	(3,383)	2,155
Total other comprehensive income	(3,383)	2,155
Comprehensive income	72,417	90,646
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	76,417	90,646
Comprehensive income attributable to non-controlling interests	(4,000)	-

(3) 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 nine months ended December 31, 2019)
During the first quarter of the current fiscal year Rising Inc., the wholly owned subsidiary of the company, acquired the entire outstanding shares of ex-Mation Inc. In addition, during the second quarter of the current fiscal year, the ex-Mation Inc., merged into Rising Inc., (new Mation Inc.) where ex-Mation Inc., became the disappearing entity.

(Note regarding specific accounting policies used in preparing 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 the current second quarter.

(Segment information)

1) For the nine months cumulative ended December 31, 2018

(From April 1, 2018 to December 31, 2018)

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

(Thousands of yen)

	Reporting segments				Adjustment (Note 1)	Amount in the quarterly consolidated statements of income (Note 2)
	Matching Business	Casual Wedding Business	Other Business	Total		
Net sales						
Net sales to external customers	2,894,997	71,216	164,824	3,131,039	-	3,131,039
Intersegment net sales and transfer	1,086	-	6,935	8,021	(8,021)	-
Total	2,896,084	71,216	171,759	3,139,061	(8,021)	3,131,039
Segment income (loss)	622,676	9,650	21,624	653,951	(503,982)	149,968

(Notes) 1. (¥503,982 thousand) for adjustment includes corporate expenses not allocated to each reporting segment. Corporate expenses consist mainly of general and administrative expenses not attributable to each reporting segment.

2. 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

No relevant items

2) For the nine months cumulative ended December 31, 2019

(From April 1, 2019 to December 31, 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	2,718,640	3,434,665	141,960	6,295,267	-	6,295,267
Intersegment net sales and transfer	1,050	1,165	12,120	14,336	(14,336)	-
Total	2,719,691	3,435,830	154,081	6,309,603	(14,336)	6,295,267
Segment income (loss)	623,734	116,018	21,118	760,870	(614,428)	146,441

- (Notes) 1. Segment income of Casual Wedding Business includes ¥43,049 thousand for amortization of goodwill.
2. (¥614,428 thousand) for adjustment includes corporate expenses not allocated to each reporting segment. Corporate expenses consist mainly of 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 concerning changes in reporting segments

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

“Wedding Business” has changed to “Casual Wedding Business” from the second quarter of fiscal year ending March 31, 2020.

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

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

In Matching Business, an impairment loss of software has been recorded. The amount of such impairment loss was ¥2,197 thousand for the nine months ended December 31, 2019.