

1. Analysis of Results of Operations and Financial Condition

(1) Analysis of Results of Operations

In the first-half of the fiscal year under review, the Japanese economy continued to see improvement in the employment and income situations. Given the impact of lower crude oil prices and the effects of a number of policies, the economy is expected to stage a modest recovery. However, there remain risks that may potentially cause the Japanese economy to slow down, such as natural disasters and a downturn in the overseas economies.

According to the Cabinet Office's 2016 White Paper on Measures against Declining Birth Rate, in the late 1970s, the annual number of marriages in Japan exceeded one million couples and the marriage rate (number of marriages per 1,000 of the total population) also hovered over 10.0. However, the number of marriages and the marriage rate both trended downward thereafter. In 2014, the number of marriages dropped to a new record low of 643,749 couples (down 16,864 couples from the previous year), beating the previous record low set in 2013, and the marriage rate also slumped to an all-time low of 5.1, half the level of the late 1970s. It can be inferred that the trend of people not marrying and remaining single is a major factor behind Japan's falling birth rate problem. As the government stated in the "Town, people and job creation basic policy (2015)," if the present situation continues, Japan will be unable to avert a crisis in which every five-year delay in improving the birth rate will decrease the static population by 3 million.

Under these conditions, the Company offers original services that represent the first of their kind in Japan or anywhere else in the world, providing integrated online and offline marriage-hunting services, in line with its management philosophy "Bringing happiness to all the people who share a connection." The Company has developed a complex marriage-hunting business model by combining its Media Division, which provides online services over the Internet, and its Service Division, which provides offline real services mainly through matching servicers. By striking a balance between high-quality customer-oriented services, which reflect the originality and brand statement that "people connect people," and the exploitation of information technology, the Company aims to achieve sustainable growth through expansion of the marriage-hunting market and the development of related businesses.

The word "Kon-Katsu (marriage-hunting)" has become a fully recognized and well-established phrase in Japanese society, and, moreover, this, together with lower psychological barriers to the use of marriage-hunting services, is increasing consumer motivation to participate in "Kon-Katsu." Amid rising expectations for further vitalization and the improved visibility of the marriage-hunting market as major companies enter the marriage-hunting market, various initiatives to increase the credibility and soundness of the industry have also been implemented. Considering the expanding growth potential of the "Kon-Katsu" market and the ever-rising percentage of unmarried people, the Company understands that the social demand for its services is growing significantly. Moreover, taking into account the fact that the Company has been recording steady increases in the number of its members registered in marriage-hunting services and the number of marriages, the Company believes that its services are contributing as a measure to addressing issues of the tendency for people not to marry, late marriages, and the falling birth rate in Japan.

Looking to realize its medium-term management plan in which "IBJ will generate 1% of the total number of marriages in Japan," the Company took initiatives to support marriage-hunting by lobbying national government and local governments in the first half of the fiscal year under review. The Company also established Kon-Katsu Labo Co., Ltd. for the purpose of scientifically analyzing the behavioral data of the 490,000 members of its marriage-hunting services, providing marriage-hunting data and marriage-hunting support. Moreover, with the receipt of technological cooperation from the University of Tokyo, it started developing an algorithm that enhances the accuracy of matching through artificial intelligence (AI) and image recognition. While actively working to make its unique social contribution, the Company has made proposals and recommendations with these initiatives concerning possible solutions to the social problems facing Japan, such as the tendency for people not to marry and falling birth rates. At the same time, the Company also sought to steadily strengthen its business base by acquiring shares of Wind and Sun, Inc., which publishes *Wedding Book*, opening halls in Kyoto and Ikebukuro as directly-managed event venues, increasing partner companies operating on the consumption side in the life design sector, and actively focusing on other business areas outside the marriage-hunting sector.

As a result, consolidated sales in the first six months of the fiscal year under review came to 2,407,538 thousand yen, consolidated operating income was 536,733 thousand yen, consolidated ordinary income amounted to 534,528 thousand yen, and profit attributable to owners of parent was 354,620 thousand yen.

IBJ's non-consolidated results in the first-half of the fiscal year under review grew year on year, with sales increasing 23.5% year on year, to 2,407,538 thousand yen, operating income climbing 36.0% year on year, to 536,733 thousand yen, ordinary income rising 37.1% year on year, to 534,528 thousand yen, and net income up 44.2% year on year, to 354,620 thousand yen.

The Company began preparing quarterly consolidated financial statements starting from the first-half under review. Accordingly, comparisons with the same quarter of the previous year are omitted.

Business results for each segment are outlined below. Sales figures include intersegment sales and transfers.

(Segment Information)

Media Division

The Media Business Division consists of Marriage Consulting Federation Business, community business and event business. In the first-half of the fiscal year under review, we targeted the following activities.

(i) Marriage Consulting Federation Business

We improved profitability by increasing the number of marriage servicers participating in the federation and our registered members, including supporting the launch of matching servicers, adding the "IBJ Matching" function to the IBJ System (marriage meeting coordination system), and strengthening the administrative functions of head office. We also gained further earning power by expanding sales of "the marriage hunting ad network" that consists of our members and establishing a customer referral scheme as a life design support area.

(ii) Community Business

We sought to increase profitability by gaining more new members and increasing the number of registered members through enhancement of the functions of the marriage-hunting site.

iii) Event Business

We increased the number of events held at our own halls, including opening halls in Kyoto and Ikebukuro and expanding halls in Tokyo and focused on planned events held at outside venues to increase the number of people attending, and we worked to increase the hosting rate by enhancing the matching systems of matchmaking parties and developed appealing new venues (restaurants and bars).

Consequently, segment sales amounted to 1,744,016 thousand yen and segment operating income was 757,275 thousand million yen.

Service Division

Service Division is comprised solely of the marriage consulting agencies business.

In the first-half of the fiscal year under review, we focused on the following activities.

Marriage Consulting Agencies Business

We increased numbers of new members and marriages by strengthening "soft" aspects, including increasing advisors and counselors and systematically providing training to improve their skills (in nurturing marriages), and we also expanded the service line-up of the occupation-specific marriage-hunting site.

Consequently, segment sales amounted to 707,816 thousand yen and segment operating income was 289,700 thousand million yen.

(2) Analysis of Financial Position

(Assets)

Current assets at the end of the first six months of the fiscal year under review amounted to 2,511,570 thousand yen, non-current assets were 1,138,026 thousand yen, and total assets came to 3,649,597 thousand yen.

(Liabilities)

Current liabilities at the end of the first-half of the fiscal year under review amounted to 1,213,308 thousand yen, non-current liabilities were 807,166 thousand yen, and total liabilities came to 2,020,475 thousand yen.

(Net assets)

Net assets at the end of the first-half of the fiscal year under review amounted to 1,629,121 thousand yen, and the equity ratio was 44.4%.

(3) Note about Consolidated Earnings Forecast and other Forward-looking Statements

As shown below, IBJ's non-consolidated financial results for the first half of the fiscal year ending December 31, 2016 were solid, in terms of the progress made towards attainment of the first-half and full-year sales forecasts for the fiscal year ending December 31, 2016 that were made at the time of financial results announcement for the fiscal year ended December 31, 2015 on February 12, 2016, surpassing the initial first-half forecast. IBJ recognizes that this is mainly attributable to the fact that the number of members of marriage-hunting services, etc. on which the forecast was based was higher than initially forecast.

Regarding the consolidated earnings forecast, in light of the earnings forecast of Wind and Sun, Inc. (for the period from July 1, 2016 to December 31, 2016), which was included in the scope of consolidation with the start of consolidated accounting, IBJ drew up a full-year consolidated earnings forecast as shown below. For further details, please refer to Notice of Consolidated Earnings Forecast with the Start of Consolidated Accounting released today (August 9, 2016).

IBJ continues to consider carefully whether it is necessary to revise IBJ's non-consolidated earnings forecast and no change has been made to the full-year nonconsolidated earnings forecast announced on February 12, 2016.

However, IBJ will promptly announce any revision to the earnings forecast that is judged necessary.

(Reference)IBJ

Non-consolidated

basis

[Progress against earnings forecast]	Net sales	Operating income	Ordinary income	Net income
First-half	108.1%	129.3%	129.9%	128.3%
Full-year	49.3%	53.7%	53.9%	53.2%

(Reference)

Consolidated basis

[Consolidated earnings forecast]	Net sales	Operating income	Ordinary income	Profit attributable to owners of parent
Full-year	Million yen 5,047	Million yen 1,007	Million yen 999	Million yen 668