

1. Analysis of Financial Condition, Results of Operations, and Cash Flows

The forward-looking statements below are judgments of the Company at the end of the first nine months of the fiscal year under review.

(1) Results of Operations

In the first nine months of the fiscal year under review, the Japanese economy continued to see improvement in the employment and income situations. Given the impact of a number of policies, the economy is expected to stage a modest recovery. However, risks remain that may potentially cause the Japanese economy to slow, such as weakness in overseas economies, a downturn in economies in China and other emerging countries in Asia and in resource-rich countries, increasing uncertainty in overseas economies caused partly by the UK leaving the EU, and concern over the effects of changes in financial and capital markets.

According to the Cabinet Office's 2016 Declining Birthrate White Paper, in the early 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 subsequently trended downward. 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 early 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. 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 indeed anywhere else in the world, providing integrated online and offline marriage-hunting services, in line with its management philosophy "Bringing happiness to all 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 together with lower psychological barriers to the use of marriage-hunting services, it 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, a number of 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 steps to support marriage-hunting by lobbying national government and local governments in the first nine months 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 520,000 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 began 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 the declining birth rate. At the same time, the Company also sought to steadily strengthen its business base by increasing operations with partner companies operating on the consumption side in the life design sector and actively focusing on other business areas outside the marriage-hunting sector. In addition to opening a hall in Hakata as a directly managed event venue, the Company opened Wedding-Navi in Shinjuku, which provides wedding consultation, a new service, in collaboration with Wind and Sun, Inc., which publishes wedding magazines and provides wedding consultation service.

As a result, consolidated sales in the first nine months of the fiscal year under review came to 3,794,092 thousand yen, consolidated operating income was 823,562 thousand yen, consolidated ordinary income amounted to 819,778 thousand yen, and profit attributable to owners of parent was 547,715 thousand yen. IBJ’s non-consolidated results in the first nine months of the fiscal year under review grew year on year, with sales increasing 23.3% year on year, to 3,713,801 thousand yen, operating income climbing 36.4% year on year, to 832,178 thousand yen, ordinary income rising 37.1% year on year, to 828,295 thousand yen, and net income up 46.1% year on year, to 552,940 thousand yen.

The Company began preparing quarterly consolidated financial statements starting from the first-half of the current fiscal year. 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 Division consists of Marriage Consulting Federation Business, franchise business, community business, event business and wedding business. In the first nine months 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 earnings strength 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) Franchise Business

We improved profitability by increasing the number of franchisees. We strengthened our marriage-hunting infrastructure in areas where we do not have directly-managed facilities by gaining franchisees.

(iii) 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.

(iv) Event Business

We increased the number of events held at our own halls, including opening halls in Kyoto, Ikebukuro, and Hakata 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).

(v) Wedding Business

We improved profitability by opening Wedding-Navi in Shinjuku and increasing the number of customers sent to wedding halls steadily.

Consequently, segment sales amounted to 2,771,133 thousand yen and segment operating income was 1,156,754 thousand yen.

Service Division

Service Division consists solely of the marriage consulting agencies business.

In the first nine months 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 1,094,748 thousand yen and segment operating income was 438,271 thousand yen.

(2) Analysis of Financial Position

(Assets)

Current assets at the end of the first nine months of the fiscal year under review amounted to 2,559,149 thousand yen, non-current assets were 1,209,107 thousand yen, total assets came to 3,768,257 thousand yen.

(Liabilities)

Current liabilities at the end of the first nine months of the fiscal year under review amounted to 1,170,841 thousand yen, non-current liabilities were 774,169 thousand yen, total liabilities came to 1,945,011 thousand yen.

(Net assets)

Net assets at the end of the first nine months of the fiscal year under review stood at 1,823,246 thousand yen, and the equity ratio was 48.2%.

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

As shown below, IBJ's consolidated financial results for the end of the first nine months of the fiscal year ending December 31, 2016 were solid, in terms of the progress made towards attainment of full-year sales forecasts for the fiscal year ending December 31, 2016 on August 9, 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, IBJ drew up a full-year consolidated earnings forecast as shown below. For further details, please refer to Notice of Consolidated Earnings Forecast revised today (November 9, 2016).

(Reference) Consolidated

basis

(Before revised) [Progress against earnings forecast]	Net sales	Operating income	Ordinary income	Profit attributable to owners of parent
Full-year	75.2%	81.7%	82.0%	81.9%

(Revised) [Progress against earnings forecast]	Net sales	Operating income	Ordinary income	Profit attributable to owners of parent
Full-year	72.7%	73.8%	73.7%	71.7%