

## 1. Qualitative Information Regarding Financial Performance

### (1) Results of operations

In the first three months of the consolidated fiscal year under review, the Japanese economy showed a modest recovery trend thanks to the effects of the government's fiscal and monetary policies, among other factors. In the meantime, a sense of uncertainty regarding the global economic environment and exchange rate fluctuations persisted, and this situation still has the risk of exerting downward pressure on the Japanese economy.

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) hovered above 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), exceeding 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 (2016)," although the total fertility rate is climbing, the overall trend is not showing any signs of a reduction in the rate of population decline in Japan.

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 of "Bringing happiness to all people who share a connection." The Company has developed a comprehensive marriage-hunting business model by combining the marriage-hunting business, which provides matching services, and life design services (insurance and travel, etc.) to couples married through the Company's services. By striking a balance between quality, customer-oriented services, which reflects the originality and brand statement that "people connect people," the Company will continuously seek to become a comprehensive life design support company using its membership base, which is among the largest in Japan.

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, 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 with marriage-hunting services and the number of marriages, the Company believes that its services are making a contribution as a measure for addressing the issues of the tendency for people not to marry, late marriages, and the falling birth rate in Japan.

Looking to expand the business domains for life design services, the Company established a joint venture with Sony Life Insurance Co., Ltd. for the purpose of entering into the insurance business in earnest in the first three months of the consolidated fiscal year under review. The Company will achieve its proposal for new problem-solving insurance products that differ from those of existing agents for those of its members registered with marriage-hunting services. It will also increase the number of repeat customers as Group customers and expand the lifetime value (LTV) of customers by providing a broad range of life design services.

As a result, consolidated sales in the first three months of the fiscal year under review came to 2,343,122 thousand yen, consolidated operating income was 341,702 thousand yen, consolidated ordinary income amounted to 345,473 thousand yen, and profit attributable to owners of parent was 224,237 thousand yen. IBJ's non-consolidated results in the first three months of the fiscal year under review grew year on year, with sales increasing 16.6% year on year, to 1,334,195 thousand yen, operating income climbing 30.9% year on year, to 332,318 thousand yen, ordinary income rising 30.6% year on year, to 330,508 thousand yen, and net income up 31.8% year on year, to 218,275 thousand yen.

The Company began preparing its consolidated financial statements in the first half of the previous fiscal year. Accordingly, comparisons with the same period of the previous fiscal year are omitted.

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

(Overview by segment)

< Marriage-Hunting Business >

The Marriage-Hunting Business consists of the Corporate Sales to Startup Marriage Consulting Agencies Business, the Marriage Consulting Federation Business, the Franchise Business, the Community Business, the Event Business, and the Marriage Consulting Agencies Business.

In the first three months of the consolidated fiscal year under review, we targeted the following activities.

(i) Corporate Sales to Startup Marriage Consulting Agencies Business

We gained new earnings power by establishing a customer referral scheme as a life design support area, in addition to supporting the launch of matching services and expanding sales of the “marriage-hunting ad network” that consists of our members.

(ii) Marriage Consulting Federation Business

We improved profitability by increasing the number of marriage services participating in the federation and our registered members, including adding the “IBJ Matching” function to the IBJ System (marriage meeting coordination system) and strengthening the administrative functions of the head office.

(iii) 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.

(iv) Community Business

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

(v) Event Business

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

(vi) Marriage Consulting Agencies Business

We increased the numbers of new members and marriages by strengthening “soft” aspects, including increasing the number of 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 1,333,408 thousand yen and segment operating income was 597,327 thousand yen.

< Life Design Business >

The Life Design Business consists of the Wedding Business and Travel Business.

In the first three months of the consolidated fiscal year under review, we targeted the following activities.

(i) Wedding Business

We improved profitability by opening a wedding salon in Umeda (Osaka) and Yurakucho, in addition to WeddingNavi in Shinjuku, and by steadily increasing the number of customers sent to wedding halls.

(ii) Travel Business

We planned packaged tours to Latin America, North America, North Europe, the Philippines, Papua New Guinea and other locations to provide them to major travel agencies, and arranged made-to-order tours.

Consequently, segment sales amounted to 1,009,713 thousand yen and segment operating income was 10,199 thousand yen.

(2) Analysis of financial position

(Assets)

Current assets at the end of the first quarter of the fiscal year under review amounted to 3,057,804 thousand yen, down 225,451 thousand yen from the end of the previous fiscal year. This was mainly attributable to a decrease of 258,433 thousand yen in cash and deposits. Non-current assets were 1,705,875 thousand yen, up 94,594 thousand yen from the end of the previous fiscal year. This was mainly due to an increase of 94,594 thousand yen in property, plant and equipment and a rise of 109,030 thousand yen in intangible assets.

Consequently, total assets came to 4,759,679 thousand yen, down 130,857 thousand yen from the end of the previous fiscal year.

(Liabilities)

Current liabilities at the end of the first quarter of the fiscal year under review amounted to 1,615,329 thousand yen, down 179,865 thousand yen from the end of the previous fiscal year. This was mainly attributable to a 138,337 thousand yen decrease in accrued expenses and a 163,636 thousand yen decline in income taxes payable, despite an increase of 90,000 thousand yen in provision for long-term loans payable. Non-current liabilities were 1,131,476 thousand yen, up 43,030 thousand yen from the end of the previous fiscal year. This was mainly due to an increase of 42,910 thousand yen in long-term loans payable. Consequently, total liabilities came to 2,746,805 thousand yen, down 136,835 thousand yen from the end of the previous fiscal year.

(Net assets)

Net assets at the end of the first quarter of the fiscal year under review stood at 2,012,873 thousand yen, up 5,978 thousand yen from the end of the previous fiscal year. This was mainly attributable to a decrease of 218,365 thousand yen in retained earnings as a result of the payment of dividends from surplus, despite an increase of 224,237 thousand yen for net income. Consequently, the equity ratio was 42.1% (compared to 40.9% at the end of the previous fiscal year).

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

As shown below, IBJ's consolidated financial results for the first three months of the fiscal year ending December 31, 2017 were solid in terms of the progress made toward attaining the first-half and full-year sales forecasts for the fiscal year ending December 31, 2017 stated in the earnings summary for the fiscal year ended December 31, 2016 announced on February 14, 2017, surpassing the initial three-month forecast. IBJ recognizes that this is mainly attributable to the fact that the number of members of marriage-hunting services, etc. on which the consolidated performance forecast was based was higher than initially forecast. IBJ continues to give careful consideration to whether it is necessary to revise IBJ's consolidated earnings forecast, and no change has been made to the first-half and full-year consolidated earnings forecasts announced on February 14, 2017. However, IBJ will promptly announce any revision to the earnings forecasts that is determined to be necessary.

[Progress against earnings forecast]	Net sales	Operating income	Ordinary income	Profit attributable to owners of parent
First half (cumulative)	53.7%	60.4%	61.4%	59.1%
Full year	25.3%	26.7%	27.1%	26.0%