

1. Analysis of Results of Operations and Financial Condition

(1) Analysis of Results of Operations

In the fiscal year under review, the Japanese economy appeared to stage a modest recovery, given gently rising consumer prices, amidst continuing improvement in the employment and income situations, which was partly attributable to the effects of various policy measures implemented by the government after the slump that followed the consumption tax hike. While monetary policy in the United States heads for normalization, the downside risks to the Japanese economy from the slowdown in China and other Asian economies gave cause for concern and, hopefully, a society in which people enjoy a high level of employment and income security and can confidently get married and have children will be realized.

According to the Cabinet Office's 2015 Declining Birth Rate White Paper, the annual number of marriages in Japan, which exceeded one million couples in the early 1970s, is trending downward year by year and has been below 700,000 couples since 2011. The percentage of unmarried men and women also continues to rise, and, compared with the percentage of lifetime singles (the percentage of people who remain unmarried at age 50, which is the average of the percentages single at ages 45–49 and 50–54) 30 years ago, the percentage of men who had never married soared from 2.60% in 1980 to 20.1% in 2010, and the percentage of women who had never married jumped from 4.5% in 1980 to 10.6% in 2010. At the same time, the average age for a first marriage in Japan has also increased by 3.1 years for men and 4.1 years for women over the period of about 30 years from 1980. It can be inferred that the decline in the birth rate stemming from the trend for people not to marry and remain single and the slow improvement in the birth rate attributable to late marriage and late childbirth are major factors behind Japan's falling birth rate problem. As the government advocated in "town, people and job creation basic policy (2015)", Japan is facing a crisis whereby every five-year delay in improving the birth rate will decrease the static population by 3 million.

Meanwhile, the word "Kon-Katsu (marriage-hunting)" has become a fully recognized and well-established phrase in Japanese society, and this, together with lower psychological barriers to the use of marriage-hunting services, is increasing consumer motivation to participate in "kon-katsu". With major companies entering the marriage-hunting market and further raising recognition, the industrial organization "Japan Marriage Introduction Council (JMIC)" was established in July 2015, and various initiatives to increase the credibility and soundness of the industry are also being implemented. The expanding growth potential of the "kon-katsu" market and the ever-rising percentage of unmarried people has led to a surge in social demand for our services.

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". We have developed a complex marriage-hunting business model combining our Media Division, which provides online services over the Internet, and our Service Division, which provides offline real services mainly through matching servicers. By striking a balance between high-quality customer-oriented services, which reflect our originality and our belief that "people connect people," and the exploitation of information technology, we aim to achieve sustainable growth through expansion of the marriage-hunting market and the development of related businesses.

In the fiscal year under review, we actively sought to contribute to society in our own particular way. Through our involvement in the Kon-Katsu (Marriage-Hunting) Support Consortium, a private business consortium, we held our first marriage-hunting symposium, attended by public figures such as Mr. Shinjiro Koizumi, Member of the House of Representatives, and conducted joint research with participating companies. We also implemented initiatives to support marriage-hunting by lobbying national government and local governments. In January 2016, we established Kon-Katsu Labo Co., Ltd. for the purpose of scientifically analyzing the behavioral data (Big Data) of the 420,000 members of our marriage-hunting services, providing marriage-hunting data and marriage-hunting support, and thereby we make proposals and recommendations concerning possible solutions to the social problems facing Japan, such as falling birth rates and the tendency for people not to marry. At the same time, we also sought to steadily strengthen our business base, opening our first directly-managed event venue in the Tohoku region, 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, the sales of the Company in the fiscal year under review came to 4,123 million yen, up 24.3% year on year; operating income was 843 million yen, a rise of 31.1% year on year; ordinary income amounted to 836 million yen, an increase of 32.8% from the year-ago level; and net income was 567 million yen, climbing 40.3% from the previous year.

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

Media Division

The Media Business Division consists of affiliate and media service business, community business and event business.

In the fiscal year under review, we targeted the following activities.

(i) Marriage Consulting Federation Business

We strengthened support for the launch of matching services of “Institution Bridal of Japan (Marriage Consulting Federation)”, and enhanced the administrative functions of head office. We sought to improve profitability by increasing the number of marriage services participating in the federation and our registered members. We also strove to expand sales mainly through the establishment of the advertising network “the marriage hunting ad network” that consists of our members, and listing ads.

(ii) Community Business

We sought to increase profitability, increasing the number of registered members by gaining more new members through the marriage-hunting website “Bridal Net” and by enhancing functions to promote utilization.

(iii) Event Business

We increased the number of events held at our own halls, including achieving stable operation of Sendai hall, which was the first hall to be opened in the Tohoku area in January 2015. We also focused on planned events held at outside venues and worked to increase the hosting rate by enhancing the matching systems of matchmaking parties and developing appealing new venues (restaurants and bars). As a result, sales grew steadily.

Consequently, segment sales amounted to 2,920 million yen, up 28.2% year on year, and segment operating income was 1,199 million yen, increasing 41.1% from a year earlier.

Service Division

Service Division comprised solely of the agency business. In the fiscal year under review, we focused on the following activities.

Marriage Consulting Agencies Business

We concentrated on increasing numbers of new members and marriages by strengthening “hard” aspects, including expansion of our Kobe and Osaka halls, and also by strengthening “soft” aspects, including increasing advisors and counselors and systematically providing training to improve their skills (in nurturing marriages), and we also focused on customer referrals for engagement and wedding rings and wedding ceremony halls.

Consequently, segment sales came to 1,298 million yen, rising 15.7% year on year, and segment operating income was 497 million yen, up by 4.1% from a year ago.

In the coming fiscal year, we will further bolster our credit standing through our listing on the First Section of the Tokyo Stock Exchange and also strengthen our brand power to fulfill our responsibility as the leading company in the marriage-hunting industry. Given that marriage-hunting styles are becoming increasingly diverse and demand for marriage-hunting services is growing; that increasing competition is having an invigorating effect on the market; that, encouraged by central government funding and local government initiatives, the private sector is taking the initiative and strengthening cooperation with national and local governments; and that a high percentage of single people would like to get married, demand for marriage-hunting services is expected to remain strong and the market is predicted to expand further. Based on this outlook, we intend to continue expanding our existing marriage-hunting business, while at the same time leveraging our strength, which lies in having the one of the largest memberships for marriage-hunting services in Japan, to achieve a high marriage rate through our customer cycle and high profitability. We also plan to actively cooperate with businesses in related areas and pursue M&A with life design companies to branch out into other business areas. Overseas, we will continue aggressively investing in both hard and soft aspects in Taiwan and further enhance synergies by continuing to deliver integrated services, which is our strength. For the fiscal year ending December 31, 2016, we forecast sales of 4,883 million yen, up 18.4% year on year, operating income of 1,000 million yen, up 18.6%, ordinary income of 992 million yen, up 18.6%, and net income of 664 million yen, up 17.0%.

(2) Analysis of Financial Position

Forward-looking statements contained in this report are based upon judgments made by the Company as of the end of the fiscal year under review.

(i) Status of assets, liabilities and net assets in the fiscal year under review

(Assets)

Current assets at the end of the fiscal year under review amounted to 1,950 million yen, an increase of 46 million yen from the end of the previous fiscal year. This was due mainly to increases of 59 million yen in accounts receivable-trade and 14 million yen in prepaid expenses, which were only partially offset by a decrease of 29 million yen in cash and deposits.

Non-current assets increased 151 million yen from the end of the previous fiscal year to 983 million yen. This primarily reflected increases of 30 million yen in property, plant and equipment and 37 million yen in guarantee deposits, which were only partially offset by a decrease of 9 million yen in intangible fixed assets.

As a result, total assets rose 198 million yen from the end of the previous fiscal year to 2,933 million yen.

(Liabilities)

Current liabilities at the end of the fiscal year under review amounted to 1,057 million yen, an increase of 27 million yen from the end of the previous fiscal year. This was largely owing to increases of 33 million yen in accrued expenses and 13 million yen in accounts payable-other, which were only partially offset by a decrease of 21 million yen in income taxes payable.

Non-current liabilities decreased by 50 million yen from the end of the previous fiscal year to 202 million yen. This was chiefly due to a decrease of 50 million yen in long-term loans payable, despite an increase of 10 million yen in asset retirement obligations. As a result, total liabilities decreased 22 million yen from the end of the previous fiscal year to 1,259 million yen.

(Net assets)

Net assets increased 220 million yen from the end of the previous fiscal year to 1,674 million yen. This mainly reflected 195 million yen for the acquisition of treasury stock, a 155 million yen decrease in retained earnings due to the distribution of dividends, and the posting of net income of 567 million yen.

As a result, the equity ratio was 56.8% (compared with 53.0% at the end of the previous fiscal year).

(ii) Cash flows in the fiscal year under review

Cash and cash equivalents (“Cash”) at the end of the fiscal year under review totaled 1,428 million yen, an increase of 70 million yen from 1,358 million yen at the end of the previous fiscal year, reflecting net cash provided by operating activities of 630 million yen, net cash used in investing activities of 162 million yen, and net cash used in financing activities of 396 million yen. The following is a summary of cash flows in the fiscal year under review.

(Cash flows from operating activities)

Net cash provided by operating activities during the fiscal year review was 630 million yen. Major factors included income before income taxes (828 million yen), an increase in accounts receivable-trade (59 million yen), and an increase in accounts payable-other and accrued expenses (46 million yen).

(Cash flows from investing activities)

Net cash used in investing activities during the fiscal year under review was 162 million yen. Major factors included proceeds from withdrawal of time deposits (100 million yen), purchases of property, plant and equipment (96 million yen), purchases of intangible fixed assets (54 million yen), and payments for lease and guarantee deposits (44 million yen).

(Cash flows from financing activities)

Net cash used in financing activities during the fiscal year under review amounted to 396 million yen. Major factors included the purchase of treasury stock (195 million yen), payment of dividends (154 million yen), and repayments of long-term loans (50 million yen).

Changes in the Company’s cash flow indicators are as follows.

	Fiscal year ended Dec. 2014	Fiscal year ended Dec. 2015
Equity ratio (%)	53.0	56.8
Equity ratio on market value basis (%)	343.1	672.9
Interest-bearing debt/cash flow ratio (years)	0.6	0.5
Interest coverage ratio (times)	181.1	202.2

Equity ratio: equity/total assets

Equity ratio on market value basis: market capitalization/total assets

Interest-bearing debt/cash flow ratio: interest-bearing debt/cash flows

Interest coverage ratio: cash flows/paid interest

(Notes)

(i) All figures are calculated based on the financial data for the fiscal year ended December 2014 and the fiscal year ended December 2015, respectively.

(ii) Market capitalization is calculated as closing share price at the end of period x number of shares outstanding at the end of the period (excluding treasury stock).

(iii) Cash flows are cash flows from operating activities according to the statements of cash flows for the fiscal year ended December 2014 and the fiscal year ended December 2015, respectively.

Interest-bearing debt is the sum of all liabilities, including loans payable, on the balance sheet on which the Company is obligated to pay interest.

(iv) Paid interest is the amount of interest paid according to the statements of cash flow.

(3) Basic Policy on Profit Distribution & Dividends for the Fiscal Year under Review and the Next Fiscal Year

We recognize the return of profits to shareholders as an important management task. Our basic policy is to pay appropriate dividends from surplus according to our business performance, while also considering the need for internal reserves to strengthen our financial position and achieve further business expansion. In accordance with this basic policy, we plan to pay a year-end dividend for the fiscal year ended December 2015 of 17.00 yen per share of common stock. The annual dividend per share for the fiscal year under review is, therefore, predicted to be 17.00 yen, resulting in a dividend payout ratio of 37.2%. The dividend for the next fiscal year has yet to be determined.

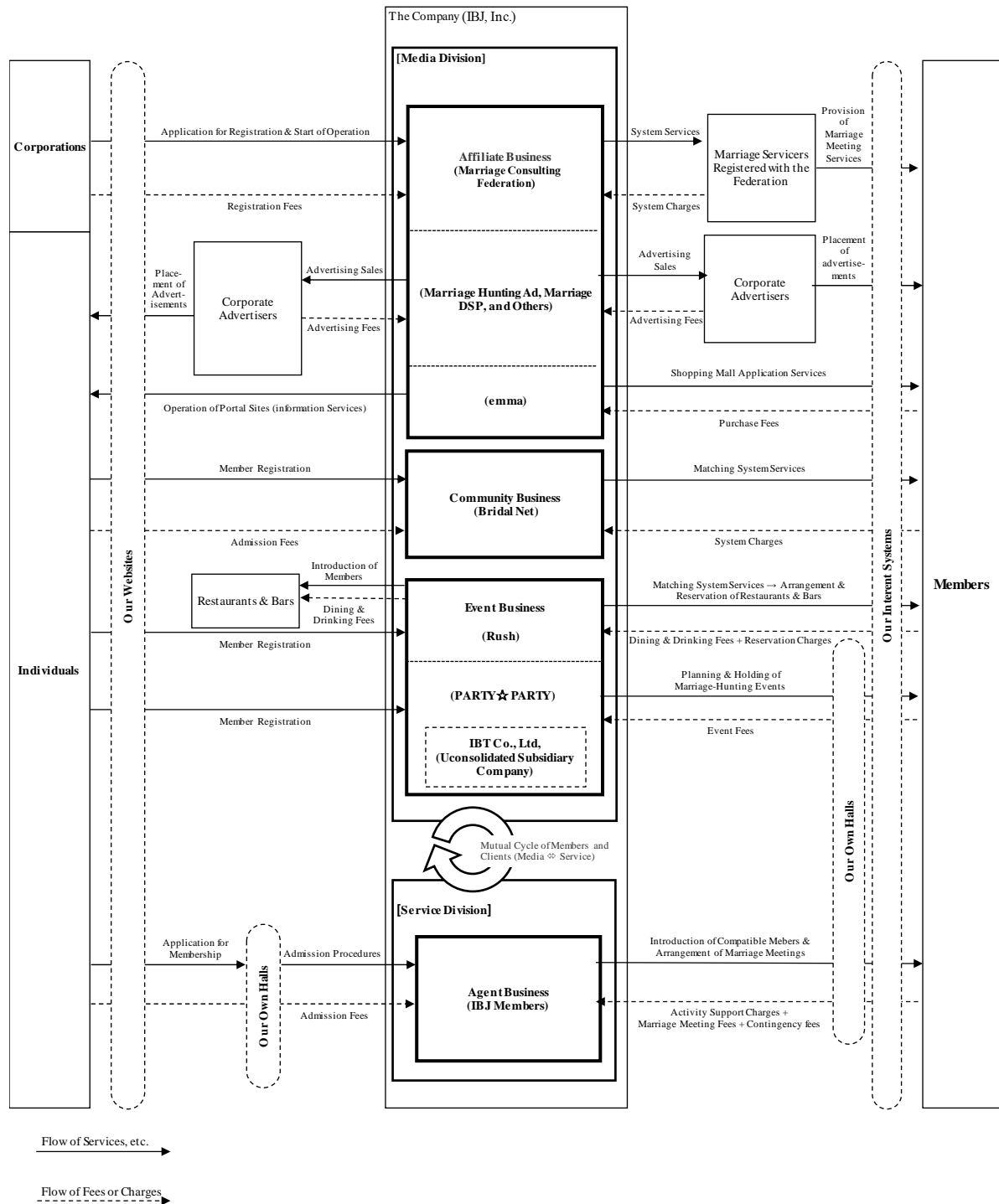
(4) Business Risks

Disclosure is omitted as there have been no important changes from the most recently submitted Securities Report (submitted on March 26, 2015).

2. Corporate Group

The Group consists of the Company (IBJ, Inc.) and one non-consolidated subsidiary company, and it is engaged in the media business (Media Division) and the service business (Service Division). A flow chart of the business operations of the Group is as follows.

[Flow chart of business operations]



3. Management Policy

(1) Basic Management Policy

We all work together to implement our management philosophy of “Bringing happiness to all the people who share a connection.”

We believe it is important for our continued growth that each of our employees constantly demonstrates respect for our members’ viewpoints when coordinating services, showing the initiative to offer personalized solutions, so as to contribute to the happiness of “people who share a connection”, in other words, “all our stakeholders,” under our unique business model, which integrates online and offline marriage-hunting services. Human resource development is, therefore, positioned as a key issue that will help us contribute to society and is a permanent focus of our efforts. At the same time, we are also committed to strengthening our profit structure through the active investment of equity capital in our businesses. Our aim is to become widely recognized as a “life-design support company focused on marriage-hunting” that contributes to society by helping its members achieve enrichment and self-actualization.

The source of our competitiveness is our original business model and our ability to coordinate services to offer personalized solutions. We leverage our superior “IT capability” and “service skills” to provide marriage-hunting services that are among the most successful in Japan in terms of the number of couples, and success rates in matchmaking and marriage. We also use our marriage-hunting services membership base, which is the largest of its kind in Japan, to provide marketing services and conduct promotions.

(2) Target Management Indicators

We measure business growth based on sales and operating income, and income and expenditure based on cash flows, and we also manage the status of investments to generate sales and profits in the future. We monitor how our profit is reinvested to further enhance our profitability, and believe that promoting investment is essential for our business growth.

The equity ratio at the end of the fiscal year under review was 56.8% (compared to 53.0% at the end of the previous fiscal year), exceeding 50%. We believe that paying performance-linked dividends to shareholders, while at the same time effectively investing internal reserves in order to generate profit that exceeds capital costs will help increase our corporate value.

Accordingly, we have also adopted ROE as a management indicator, in addition to net sales, operating income and cash flows, and will strive to increase management efficiency to continually increase our corporate value.

In the fiscal year under review, we achieved ROE of 36.5% (compared to 31.2% in the previous fiscal year). Although there was no major fluctuation in total asset turnover or the equity ratio, the ratio of net income to net sales reached 13.8% (compared to 12.2% in the previous fiscal year).

We recognize that improvement in the ratio of operating income to net sales is important for maintaining a high ROE, and will continue working to strengthen our profit structure moving forward.

In the coming fiscal years, we will strive to strengthen our profit structure and utilize our net assets efficiently, maintaining a ROE of around 30% and paying attention to the ratio of dividends to net assets (ROE times dividend payout ratio).

(3) Medium-to-long-term Management Strategies

We aim to implement the medium-term management strategies of “stepping up the hiring and development of human resources”, “strengthening brand power”, “creating new profit platforms” and “making our own unique contribution to society” in line with our goal of “maintaining 20% annual growth.”

Given the Company’s favorable external business environment, we believe that internal factors, in other words, increasing our organizational strength and stepping up the training of human resources, hold the key to our continued sound business growth. Taking empathy with our management philosophy as the basis for hiring human resources, we will endeavor to revise our personnel systems and enhance our training programs.

To tap into the favorable external conditions, we need to gain recognition for our brand, which is still insufficient, making our brand more widely known. Moving forward, we will use our existing modes of advertising such as online and transit advertising to push our brand’s message that “marriage-hunting equals IBJ” and we will also promote the use of TV and video commercials.

Furthermore, for our continued growth, it is essential to utilize our membership base to create new profit platforms. We aim to accelerate the development of business areas where needs related to marriage-hunting services are emerging such as “advisory services designed to enhance marriage-hunting

capabilities,” “wedding-related services” and “family solutions after marriage such as insurance and real estate services.”

In conclusion, we will continue striving for “improvement in the number and rate of marriages” by developing outstanding human resources, and will conduct the kind of highly socially significant business activities with high customer satisfaction of which only we are capable, including cooperating directly and indirectly with national and local governments, in line with our management philosophy and with the objective of “generating 1% of the total number of marriages in Japan” in the near future.

(4) Issues Facing the Company

The Company is engaged in a variety of marriage & life design support businesses mainly in the information and communication sector, in line with its management philosophy of “Bringing happiness to all the people who share a connection.”

In addition to online services, the Company provides face-to-face services, and our business operations integrating the Internet and real life is one of our strengths that sets us apart from our competitors in the marriage-hunting sector. By maximizing this strength and nurturing ingenuity and creativity and a spirit of innovation and challenge on a company-wide basis to constantly provide services with high customer satisfaction, we aim to make a significant contribution to society and generate high profit margins through our business activities.

To this end, we plan to focus on the following issues moving forward.

(i) Further expansion of our network of marriage servicers

The Japan Consulting Federation (Affiliate Business), which is our core business, is currently based mainly in the Kanto, Tokai and Kansai areas. Our own halls for matchmaking services are also located in Tokyo, Kanagawa, Saitama, Aichi, Osaka and Hyogo. We recognize that, in order for our marriage services to be recognized as the social infrastructure for marriage-hunting and become much more widely used, we must roll them out on a national scale. To do this, we must:

- (a) increase marriage servicers registered with the federation in areas other than those mentioned above, and focus on support for new launches and promote more widespread use of the “IBJ System” among marriage servicers and their members in our Affiliate business;
- (b) open our own halls and cultivate franchised halls and affiliated bars and restaurants in principal towns where we currently have no presence in the Event business.

In order to expand our business on a national scale and to increase the number of marriages as much as possible, we will expand out Affiliate business throughout Japan and promote the development of marriage-hunting event venues.

(ii) Improvement of life time value (LTV) through promotion of a cycle of services among members and clients, and enhancement of lifetime value through combined marriage services

The Company will make use of the fact that it provides multiple marriage services to construct an “integrated database” for centrally managing customer information for each service, and members and clients who use more than one of the Company’s services will have the same ID and password for all services for greater convenience.

Moving forward, in addition to making improvements to functions in general, the Company plans to link its services to a points program, to further promote the cycle of services among members and clients. We will also strengthen marriage-hunting support to improve marriage-hunting skills, fully supporting members in finding a partner through our services, and strive to increase LTV.

(iii) Expansion into marriage-hunting-related services using membership base

The Company boasts Japan’s largest marriage-hunting membership base and also holds marriage-hunting customer information. Our membership base, in particular, represents a group of customers who pay to use our services and we believe that we can provide the value of using our membership base to marriage-related business areas. We, therefore, plan to harness the ability of counselors who belong to our own halls and our marriage servicer network (marriage servicers registered with the federation) to sell our customer information and membership base to corporate clients engaged in marriage-related business areas and to leverage our “real-life reachable membership base” in marriage-hunting related services such as proposal related to insurance sales to newly married couples in the context of buying a new home or life design in order to create new value, thus developing our business model into a model whereby the Company continues to take care of members after providing marriage-hunting services.

(iv) Recruitment and development of highly skilled human resources

For expansion in our corporate scale and continued growth, it is necessary to recruit highly skilled human resources and instill in all our employees a deep understanding of our management philosophy so that this pervades every aspect of our services. It is also important that our employees develop so that, in the course of their duties, they are able to demonstrate outstanding leadership and provide personalized solutions. To address this issue, we will recruit competent mid-career professionals as and when required as well as developing new graduates that join our company and actively promoting the subsequent recruitment of new graduates. By periodically and systematically providing diverse and beneficial training to our existing employees, we will work to develop human resources with leadership qualities who are equipped with “sales skills,” “marketing skills,” and “management skills”. At the same time, we will instill the idea that human resources we have developed will be able to work at the Company for many years and effectively abolish mandatory retirement, and through this and other initiatives, we will continue to hire and develop human resources who demonstrate outstanding leadership.

4. Basic Approach to Selection of Accounting Standards

The Company does not prepare consolidated financial statements and, in view of the fact that its financial statements are also used to calculate distributable surpluses under the Companies Act of Japan and taxable income under the Corporate Tax Act of Japan and taking the comparability of the financial statements between terms and between companies into consideration, the Company’s policy is to prepare its financial statements based on Japan Generally Accepted Accounting Principles (J-GAAP).

The Company intends to continue examining application of the International Financial Reporting Standards (IFRS) in the future, taking the cost of system development to prepare financial statements in accordance with IFRS into account and also based on consideration of other factors such as changes in the ratio of overseas shareholders and moves to apply IFRS by competitors in the Japanese marriage-hunting industry.