

1. Qualitative Information Regarding Financial Performance

(1) Results of operations

In the first six months of the consolidated fiscal year under review, the Japanese economy showed a modest recovery trend, largely thanks to the effects of an accommodative monetary policy and government fiscal policies. In the meantime, uncertainty about global economic trends persisted, and this situation still entails the risk of exerting downward pressure on the Japanese economy.

According to the Cabinet Office's 2017 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 2015, the number of marriages dropped to a new record low of 635,156 couples (down 8,593 couples from the previous year), exceeding the previous record low set in 2014, 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. In addition, the government's "town, people, and job creation basic policy 2017" states that birthrates and related indicators vary significantly among regions, and an increase in late marriages and late childbirth contributing to the birthrate decline, as well as work styles, income, and community and family support likely to be affecting the late marriages and childbirth also vary among regions. In short, the current conditions are not slowing the population decline in Japan.

Under these conditions, IBJ and its group companies (the "Group") are offering 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 the Group's management philosophy of "bringing happiness to all people who share a connection." The Group has developed a comprehensive life design business model based on marriage-hunting by combining the marriage-hunting business, which provides matching services, and the life design services (insurance, travel, etc.) provided to couples married through the Group's services and marriage-hunting members. Based on the business originality and the Group's brand statement that "people connect people," the Group will continuously seek to become a comprehensive life design support company using its membership base, which is among the largest in Japan, while increasing the quality of its customer-oriented solutions. The term "Kon-Katsu (marriage-hunting)" has become a fully recognized and well-established term in Japanese society, and together with lower psychological barriers to the use of marriage-hunting services, consumer motivation to participate in "Kon-Katsu" has been increasing. 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 Group understands that the social demand for its services is growing significantly. Moreover, taking into account the fact that the Group has been achieving steady increases in the number of its members registered with marriage-hunting services and the number of marriages, the Group 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.

During the first six months of the fiscal year under review, IBJ renewed the Party Party website and established a joint insurance business with Sony Life Insurance Co., Ltd. (TSE:8729 Sony Financial Holdings Inc. Subsidiary) to extend services to, in addition to marriage-hunting members, members who have married through the Company's services. The Group held the "Kon-Katsu" Symposium for the third time as an event made possible only by the Group and launched "Meet+," a service for people who are less aggressive about marriage-hunting, with the aim of increasing the number of registered members. By continuing to provide wide-ranging life design services, the Group will improve its life design business that increases contact points with its members based on marriage-hunting and help increase customers' life time value (LTV). As a result, consolidated sales in the first six months of the fiscal year under review came to 4,420,604 thousand yen (up 83.6% year on year), consolidated operating income was 666,856 thousand yen (up 24.2% year on year), consolidated ordinary income amounted to 671,168 thousand yen (up 25.6% year on year), and profit attributable to owners of parent was 434,393 thousand yen (up 22.5% year on year). IBJ's non-consolidated results in the first six months of the fiscal year under review grew year on year, with sales increasing 15.8% year on year, to 2,787,725 thousand yen, operating income climbing 34.3% year on year, to 721,096 thousand yen, ordinary income rising 34.2% year on year, to 717,485 thousand yen, and net income up 34.6% year on year, to 477,363 thousand yen.

The business results for each segment are outlined below. Sales figures include intersegment sales and transfers. Effective from the first quarter of the fiscal year under review, the classification of reportable segments has been changed. For details, see "1. Notes to Consolidated Financial Statements: Segment Information, etc." under "4. Status of Accounting."

(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 six months of the consolidated fiscal year under review, the segment 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 the number of our registered members through the enhanced IBJ System (marriage meeting coordination system) and 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 to focus even more on marriage-hunting.

(v) Event Business

In addition to the renewal of the Party Party website, 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 and the profitability of the segment.

(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 as part of our efforts to improve the quality of the membership consulting.

As a result of our continuous efforts in the above activities, segment sales amounted to 2,786,413 thousand yen (up 15.7% year on year) and segment operating income was 1,239,633 thousand yen (up 22.3% year on year).

< Life Design Business >

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

In the first six months of the consolidated fiscal year under review, the segment targeted the following activities.

(i) Wedding Business

We sought to improve profitability by increasing the number of contracted wedding halls and customers sent to wedding halls. Advertising revenue decreased due to months without magazine publication.

(ii) We planned package 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. Despite our aggressive marketing activities, the number of travelers decreased, primarily due to concerns regarding the safety of overseas travel.

Consequently, segment sales amounted to 1,634,191 thousand yen and segment operating loss was 52,927 thousand yen.

Since the Company began preparing consolidated financial statements since the end of the second quarter consolidated accounting period, there is no record of the Life Design Business for the second quarter consolidated cumulative period, so it is not stated as compared with the same period of the previous fiscal year.

(2) Analysis of financial position

(Assets)

Current assets at the end of the second quarter of the fiscal year under review amounted to 3,285,378 thousand yen, up 2,123 thousand yen from the end of the previous fiscal year. This was mainly attributable to an increase of 34,164 thousand yen in prepaid expenses and an increase of 16,561 thousand in advance payments, while accounts receivable decreased by 37,049 thousand yen. Non-current assets were 1,702,219 thousand yen, up 94,939 thousand yen from the end of the previous fiscal year. This was mainly due to an increase of 105,000 thousand yen in shares of affiliated companies.

Consequently, total assets came to 4,987,598 thousand yen, up 97,062 thousand yen from the end of the previous fiscal year.

(Liabilities)

Current liabilities at the end of the second quarter of the fiscal year under review amounted to 1,782,729 thousand yen, down 12,465 thousand yen from the end of the previous fiscal year. This was mainly attributable to an 80,000 thousand yen increase in the current portion of long-term loans payable and a 53,196 thousand yen increase in advances received, while accounts payable fell 53,531 thousand yen, accrued expenses dropped 46,670 thousand yen, income taxes payable declined 24,485 thousand yen, and accrued consumption taxes fell 29,040 thousand yen. Non-current liabilities were 1,082,785 thousand yen, down 5,660 thousand yen from the end of the previous fiscal year. This was, in particular, a result of an increase of 6,600 thousand yen in lease liabilities despite a decrease in long-term loans payable of 14,180 thousand yen. Consequently, total liabilities came to 2,865,514 thousand yen, down 18,126 thousand yen from the end of the previous fiscal year.

(Net assets)

Net assets at the end of the second quarter of the fiscal year under review stood at 2,122,083 thousand yen, up 115,188 thousand yen from the end of the previous fiscal year. The key factor that contributed to this was an increase of 218,365 thousand yen in retained earnings. As a result, the equity ratio was 42.4% (compared to 40.9% at the end of the previous fiscal year).

(3) Status of cash flow

Cash and cash equivalents (“Cash”) at the end of the first half of the fiscal year under review totaled 2,478,167 thousand yen, reflecting net cash provided by operating activities of 470,264 thousand yen, net cash used in investing activities of 199,467 thousand yen, and net cash used in financing activities of 255,145 thousand yen.

The following is a summary of cash flows in the first half of the fiscal year under review.

(Cash flow from operating activities)

Net cash provided by operating activities during the first half of the fiscal year under review was 470,264 thousand yen. Major factors included income before income taxes (653,921 thousand yen), depreciation expenses (76,449 thousand yen), and income tax payment (227,666 thousand yen).

(Cash flow from investing activities)

Net cash used in investing activities during the first half of the fiscal year under review was 199,467 thousand yen.

Major factors included acquisition of subsidiary shares (105,000 thousand yen), purchases of property, plant, and equipment (26,178 thousand yen), and purchases of intangible fixed assets (73,433 thousand yen).

(Cash flow from financing activities)

Net cash used by financing activities during the first half of the fiscal year under review amounted to 255,145 thousand yen.

Major factors included payment of dividends (218,338 thousand yen), proceeds from long-term loans (200,000 thousand yen), repayment of long-term loans payable (134,180 thousand yen), and purchase of treasury shares (124,888 thousand yen).

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

As shown below, IBJ's consolidated financial results for the first six 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 six-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)	101.4%	117.9%	119.2%	114.6%
Full Year	47.7%	52.0%	52.6%	50.4%