

Consolidated Quarterly Financial Statements for the 3rd Quarter of the Fiscal Year Ending December 31, 2017

(1) Results of operations

In the first nine months of the fiscal year under review, the Japanese economy showed a modest recovery trend thanks to stable domestic and overseas demand. In the meantime, uncertainty about global economic trends persisted, and 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 late marriages is a major factor behind Japan's falling birth rate. In addition, the government's "Basic Policy for Overcoming Population Decline and Vitalizing Local Economy 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 late 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 the 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 "an interpersonal encounter is arranged only by human," the Group is seeking 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" services 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 successful marriages of the members, the Group believes that its services are making a contribution as a measure for addressing the issues of the tendency for people not marrying, late marriages, and the falling birth rate in Japan.

During the first nine months of the fiscal year under review, IBJ renewed the "PARTY PARTY" and marriage-hunting websites and also established a joint insurance business with Sony Life Insurance Co., Ltd. to extend services to members who have married through the Group's services as well as marriage-hunting members. 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 like these, 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 net sales for the first nine months of the fiscal year under review came to 6,977,999 thousand yen (up 83.9% year on year), consolidated operating income was 1,114,223 thousand yen (up 35.3% year on year), consolidated ordinary income amounted to 1,115,468 thousand yen (up 36.1% year on year), and profit attributable to owners of parent was 740,878 thousand yen (up 35.3% year on year). IBJ's non-consolidated results for the first nine months of the fiscal year under review grew year on year. Net sales came to 4,359,934 thousand yen (up 17.4% year on year), operating income was 1,159,589 thousand yen (up 39.3% year on year), ordinary income amounted to 1,156,163 thousand yen (up 39.6% year on year), and profit was 778,600 thousand yen (up 40.8% year on year).

The business results for each segment are outlined below. Sales figures include intersegment sales and transfers. Effective from the first quarter ended March 31, 2017, the classification of reportable segments has been changed.

(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 nine months of the fiscal year under review, we focused on 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 functionality of the 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 through the renewal of the marriage-hunting website to focus even more on marriage-hunting.

(v) Event Business

In addition to the renewal of the “PARTY PARTY,” we increased the number of events held in our own halls and improved profitability by increasing the number of people attending through the planned events held outside venues in addition to the events held in our own halls.

(vi) Marriage Consulting Agencies Business

We increased the numbers of new members and successful marriages of the members 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 4,359,934 thousand yen (up 17.4% year on year) and segment operating income was 1,967,108 thousand yen (up 22.7% year on year).

<Life Design Business>

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

In the first nine months of the fiscal year under review, we focused on the following activities.

(i) Wedding Business

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

(ii) Travel Business

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 2,618,064 thousand yen and segment operating loss was 45,366 thousand yen. Moreover, the scope of consolidation included Kamome Corporation and Kamome & Ars Dream Inc. from the end of the previous fiscal year and therefore the consolidated sales in the first nine months of the fiscal year under review for the Life Design Business does not include a year-on-year ratio because the performance of both companies is not included in the first nine months of the previous fiscal year.

(2) Analysis of financial position

(Assets)

Current assets as of September 30, 2017 amounted to 3,448,305 thousand yen, up 165,049 thousand yen from the end of the previous fiscal year. This was mainly attributable to increases of 135,623 thousand yen in cash and deposits, and 29,815 thousand yen in advance payments - trade. Non-current assets were 1,830,122 thousand yen, up 222,841 thousand yen from the end of the previous fiscal year. This was mainly attributable to increases of 64,066 thousand yen in investment securities, 105,000 thousand yen in shares of subsidiaries and associates, and 64,811 thousand yen in guarantee deposits. Consequently, total assets came to 5,278,427 thousand yen, up 387,891 thousand yen from the end of the previous fiscal year.

(Liabilities)

Current liabilities as of September 30, 2017 amounted to 1,761,765 thousand yen, down 33,429 thousand yen from the end of the previous fiscal year. This was mainly attributable to decreases of 38,153 thousand yen in accounts payable - trade, 23,750 thousand yen in accounts payable - other, and 67,901 thousand yen in income taxes payable, despite an increase of 70,000 thousand yen in current portion of long-term loans payable. Non-current liabilities were 1,025,816 thousand yen, down 62,629 thousand yen from the end of the previous fiscal year. This was mainly attributable to a decrease in long-term loans payable of 71,270 thousand yen, despite an increase of 6,600 thousand yen in lease obligations. Consequently, total liabilities came to 2,787,582 thousand yen, down 96,058 thousand yen from the end of the previous fiscal year.

(Net assets)

Net assets as of September 30, 2017 stood at 2,490,845 thousand yen, up 483,950 thousand yen from the end of the previous fiscal year. This was mainly attributable to increases of 740,878 thousand yen in profit attributable to owners of parent and increase of 218,365 thousand yen in retained earnings, 124,780 thousand yen in treasury shares. As a result, the equity-to-asset ratio was 47.0% (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 nine months of the fiscal year ending December 31, 2017 were solid in terms of the progress made toward attaining the full-year sales forecasts for the fiscal year ending December 31, 2017 stated in the financial statement for the fiscal year ended December 31, 2016 announced on February 14, 2017, surpassing the initial nine-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 forecast was based was higher than initially forecast.

Regarding the revisions to the consolidated earnings forecast and the dividend forecast, please refer to the "Notice of Revisions to Earnings Forecast and Dividend Forecast for Full-year of Fiscal Year Ending December 31, 2017" announced today (November 9, 2017). Furthermore, the progress after revision is as shown below.

(Reference) Consolidated basis

| (Before revision) [Progress against consolidated earnings forecast] | Net sales | Operating income | Ordinary income | Profit attributable to owners of parent |
|--|-----------|------------------|-----------------|---|
| Full-year | 75.4% | 86.9% | 87.4% | 85.9% |

| (After Revision) [Progress against consolidated earnings forecast] | Net sales | Operating income | Ordinary income | Profit attributable to owners of parent |
|---|-----------|------------------|-----------------|---|
| Full-year | 74.1% | 77.3% | 77.0% | 75.2% |