

Consolidated Quarterly Financial Statements for the 2nd Quarter of the Fiscal Year Ending December 31, 2018

(1) Results of operations

In the first six months of the fiscal year under review, the Japanese economy showed a modest recovery trend thanks to stable domestic and overseas demand amid continuous improvement of the income environment. In the meantime, a sense of uncertainty regarding the global economic environment persisted, and still entails the risk of exerting downward pressure on the Japanese economy.

Under these conditions, the Group has striven to increase the membership for marriage-hunting services to realize the medium-term management plan in which “IBJ will generate 3% of the total number of marriages in Japan.” In addition, the Group has strengthened the foundation of the Life Design Business, which provides peripheral services such as insurance and travel services to married couples and marriage-hunting service members.

As a result, IBJ’s consolidated net sales in the first six months of the fiscal year under review grew year on year, coming to 4,800,075 thousand yen (up 8.6% year on year). On the other hand, operating profit, ordinary profit, and profit attributable to owners of parent declined year on year to 660,510 thousand yen (down 1.0% year on year), 656,401 thousand yen (down 2.2% year on year), and 425,829 thousand yen (down 2.0% year on year), respectively.

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 six months of the fiscal year under review, we focused on the following activities.

(i) Corporate Sales to Startup New Marriage Consulting Agencies Business

(ii) Marriage Consulting Federation Business

We improved profitability by increasing the number of marriage servicers in the federation and our registered members, increasing the number of marriage meetings due to the enhancement of the capabilities of both the IBJ system (marriage meeting coordination system) app for members of the Japan Marriage Consulting Federation and head office administrative functions.

(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 website to focus even more on marriage-hunting.

(v) Event Business

We increased profitability by promoting to increase the number of app downloads, increasing the number of events held in our own halls, and increasing the number of attendees to events through efforts to improve quality that included planned events held at outside venues in addition to the events held in our own halls.

(vi) Marriage Consulting Agencies Business

We increased the number of new members and successful marriages of members by improving the quality of the membership consulting, including the opening of new stores in Ueno Marui and Dai Nagoya Building as well as an increase in the number of advisors and counselors and systematic training to improve their skills (in nurturing marriages).

As a result of our continuous efforts in the above activities, segment net sales amounted to 2,926,168 thousand yen (up 5.0% year on year). However, segment profit was 1,230,522 thousand yen (down 0.7% year on year) due to the increase of costs due to the opening of stores as well as the increase in number of staff.

<Life Design Business>

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

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

(i) Wedding Business

We improved profitability by increasing the number of contracted wedding halls and steadily increasing the number of customers sent to wedding halls.

(ii) Travel Business

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

As a result of our continuous efforts in the above activities, segment net sales amounted to 1,874,377 thousand yen (up 14.7% year on year) and segment profit was 25,399 thousand yen (segment loss of 52,927 thousand yen in the same period of the previous fiscal year).

(2) Analysis of financial position

1) Assets, liabilities and net assets

(Assets)

Current assets as of June 30, 2018 amounted to 4,778,092 thousand yen, up 293,401 thousand yen from the end of the previous fiscal year. This was mainly due to an increase of 288,592 thousand yen in cash and deposits. Non-current assets were 1,837,421 thousand yen, up 101,719 thousand yen from the end of the previous fiscal year. This was mainly due to increases of 39,219 thousand yen in buildings, 31,148 thousand yen in investment securities, and 32,028 thousand yen in lease and guarantee deposits.

Consequently, total assets came to 6,615,514 thousand yen, up 395,120 thousand yen from the end of the previous fiscal year.

(Liabilities)

Current liabilities as of June 30, 2018 amounted to 1,791,475 thousand yen, down 240,565 thousand yen from the end of the previous fiscal year. This was mainly due to decreases of 153,156 thousand yen in income taxes payable, 71,209 thousand yen in accounts payable - other, and 11,920 thousand yen in provision for sales returns. Non-current liabilities were 1,453,691 thousand yen, up 436,565 thousand yen from the end of the previous fiscal year. This was mainly due to an increase of 425,820 thousand yen in long-term loans payable.

Consequently, total liabilities came to 3,245,166 thousand yen, up 196,000 thousand yen from the end of the previous fiscal year.

(Net assets)

Net assets as of June 30, 2018 amounted to 3,370,347 thousand yen, up 199,119 thousand yen from the end of the previous fiscal year. This was mainly due to exercise of subscription rights to shares of 82,795 thousand yen, cash dividends paid of 355,127 thousand yen, profit attributable to owners of parent of 425,829 thousand yen, and issuance of subscription rights to shares of 28,735 thousand yen.

Consequently, the equity-to-asset ratio was 50.5% (compared to 50.9% at the end of the previous fiscal year).

2) Status of cash flow

Cash and cash equivalents ("cash") as of June 30, 2018 were 3,896,091 thousand yen, an increase of 288,592 thousand yen from the end of the previous fiscal year. The following is a summary of cash flows and contributing factors in the first six months of the fiscal year under review.

(Cash flows from operating activities)

Net cash provided by operating activities during the first six months of the fiscal year under review was 389,428 thousand yen (470,264 thousand yen provided in the same period of the previous fiscal year). This was mainly due to profit before income taxes of 638,093 thousand yen, depreciation of 96,103 thousand yen, and payments of income taxes paid or refund of 326,543 thousand yen.

(Cash flows from investing activities)

Net cash used in investing activities during the first six months of the fiscal year under review was 240,798 thousand yen (199,467 thousand yen used in the same period of the previous fiscal year). This was mainly due to proceeds from collection of lease and guarantee deposits of 16,150 thousand yen, purchase of property, plant and equipment of 86,156 thousand yen, purchase of intangible assets of 112,248 thousand yen, and payments for lease and guarantee deposits of 46,042 thousand yen.

(Cash flows from financing activities)

Net cash provided by financing activities during the first six months of the fiscal year under review was 139,961 thousand yen (255,145 thousand yen used in the same period of the previous fiscal year). This was mainly due to proceeds from issuance of shares resulting from exercise of subscription rights to shares of 81,765 thousand yen, proceeds from long-term loans payable of 570,000 thousand yen, repayments of long-term loans payable of 184,180 thousand yen, and cash dividends paid of 355,101 thousand yen.

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

The earnings forecast for the full-year of the fiscal year ending December 31, 2018 announced on February 14, 2018 is revised, due to the recent business performance trends and the anticipated influence to the business performance for the current fiscal year resulting from the completion of the acquisition of Diverse, Inc. Regarding the details, please refer to the “Notice of Revisions to Earnings Forecast for Full-year of Fiscal Year Ending December 31, 2018” announced today (August 10, 2018).