Consolidated Quarterly Financial Statements for the 3rd Quarter of the Fiscal Year Ending December 31, 2018

(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 demand amid continuous improvement of the employment and income environment. In the meantime, uncertainty about global economic trends persisted, and still entails the risk of exerting downward pressure on the Japanese economy.
Under these conditions, the Group made Diverse, Inc. into a new consolidated subsidiary with three business pillars (matchmaking business for finding friends/lovers, marriage support business and love media business) targeting relatively light users (marriage-hunting potential customers) and 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, consolidated net sales in the first nine months of the fiscal year under review came to 8,261,058 thousand yen (up 18.4% year on year), operating profit was 1,045,832 thousand yen (down 6.1% year on year), ordinary profit was 1,039,748 thousand yen (down 6.8% year on year), and profit attributable to owners of parent was 694,605 thousand yen (down 6.2% year on year).

The business results for each segment are outlined below. Effective from the third quarter ended September 30, 2018, the classification of reportable segments has been changed.

(Overview by segment)
<Corporate Sales to Startup New Marriage Consulting Agencies Business>
This segment consists of the Corporate Sales to Startup New Marriage Consulting Agencies Business, the Marriage Consulting Federation Business, and the Franchise Business.
In the first nine months of the fiscal year under review, we improved profitability by steadily increasing the number of marriage servicers in the federation and our registered members. This is because we strengthened the support for the launch of matching services in the Corporate Sales to Startup New Marriage Consulting Agencies Business, and increased 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 in the Marriage Consulting Federation Business. Also, we improved profitability by increasing the number of franchisees by gaining in the Franchise Business.
As a result, segment net sales amounted to 1,177,570 thousand yen (up 21.7% year on year) and segment profit was 671,486 thousand yen (up 15.1% year on year).

<Community Business>
This segment consists of the Community Business.
In the first nine months of the fiscal year under review, in the Community Business, we sought to increase profitability by gaining more new members by enhancing the functions through the renewal of the marriage-hunting website to focus even more on marriage-hunting, as well as by increasing the number of members with the consolidation of Diverse, Inc. as a subsidiary. On the other hand, expenses from quality improvements of the services offered by the Company and amortization of goodwill from newly consolidated subsidiary increased.
As a result, segment net sales amounted to 1,275,609 thousand yen (up 73.9% year on year) and segment profit was 259,702 thousand yen (down 43.0% year on year).

<Marriage Consulting Agencies Business>
This segment consists of the Event Business and the Marriage Consulting Agencies Business.
In the first nine months of the fiscal year under review, we have strived to increase 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 in the Event Business. Also, in the Marriage Consulting Agencies Business, we have made continuous efforts to increase 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). In the meantime, cost for

openings of new offices and increasing the number of staff increased.
As a result, segment net sales amounted to 2,702,309 thousand yen (up 6.4% year on year) and segment profit was 942,841 thousand yen (down 13.1% year on year).

<Life Design Business>
This segment consists of the Wedding Business and the Travel Business.
In the first nine months of the fiscal year under review, we sought to improve profitability by increasing the number of contracted wedding halls and strengthening customer referrals to wedding halls in Wedding Business, and by planning 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 in the Travel Business.
As a result, segment net sales amounted to 3,105,569 thousand yen (up 13.5% year on year) and segment profit was 30,921 thousand yen (segment loss of 62,278 thousand yen in the same period of the previous fiscal year).

(2) Analysis of financial condition

(Assets)

Current assets as of September 30, 2018 amounted to 4,678,953 thousand yen, up 194,262 thousand yen from the end of the previous fiscal year. This was mainly due to increases of 377,346 thousand yen in accounts receivable - trade and 216,991 thousand yen in deposits paid, despite a decrease of 429,962 thousand yen in cash and deposits. Non-current assets were 2,366,157 thousand yen, up 630,454 thousand yen from the end of the previous fiscal year. This was mainly due to increases of 40,020 thousand yen in buildings, 45,642 thousand yen in tools, furniture and fixtures, 320,957 thousand yen in goodwill, 93,628 thousand yen in investment securities, and 122,018 thousand yen in guarantee deposits.
Consequently, total assets came to 7,045,110 thousand yen, up 824,717 thousand yen from the end of the previous fiscal year.

(Liabilities)

Current liabilities as of September 30, 2018 amounted to 2,347,079 thousand yen, up 315,038 thousand yen from the end of the previous fiscal year. This was mainly due to increases of 101,057 thousand yen in accounts payable - other, 510,123 thousand yen in advances received, and 97,774 thousand yen in provision for bonuses, despite decreases of 340,947 thousand yen in income taxes payable and 30,935 thousand yen in accrued consumption taxes. Non-current liabilities were 1,326,357 thousand yen, up 309,231 thousand yen from the end of the previous fiscal year. This was mainly due to increases of 292,730 thousand yen in long-term loans payable and 12,467 thousand yen in asset retirement obligations.
Consequently, total liabilities came to 3,673,436 thousand yen, up 624,270 thousand yen from the end of the previous fiscal year.

(Net assets)

Net assets as of September 30, 2018 stood at 3,371,674 thousand yen, up 200,446 thousand yen from the end of the previous fiscal year. This was mainly due to exercise of subscription rights to shares of 83,701 thousand yen, cash dividends paid of 355,127 thousand yen, profit attributable to owners of parent of 694,605 thousand yen, purchase of treasury shares of 311,871 thousand yen, valuation difference on available-for-sale securities of 60,413 thousand yen, and issuance of subscription rights to shares of 29,765 thousand yen.
Consequently, the equity-to-asset ratio was 47.4% (compared to 50.9% at the end of the previous fiscal year).

(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 on August 10, 2018. Furthermore, the progress after revision is as shown below.

(Reference) Consolidated basis

(After Revision) [Progress against consolidated earnings forecast]	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent
Full-year	71.4%	75.3%	75.2%	74.9%