Overview of Operating Results and Others

(1) Overview of Operating Results for the Fiscal Year

In the fiscal year under review, the Japanese economy showed a modest recovery trend, along with the steady increase of corporate profitability, thanks to personal consumption recovery driven by better employment and income environment. In the meantime, uncertainty about global economic trends persisted such as China-United States trade war, 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 as well as prior investment to strengthen the foundation.” In addition, the Group has expanded and enhanced 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, net sales in the fiscal year under review came to 11,818,972 thousand yen (up 24.9% year on year), operating profit was 1,475,128 thousand yen (down 1.3% year on year), ordinary profit amounted to 1,467,243 thousand yen (down 1.7% year on year), and profit attributable to owners of parent was 1,048,798 thousand yen (up 1.2% year on year). In terms of IBJ’s non-consolidated results in the fiscal year under review, net sales came to 6,115,614 thousand yen (up 4.5% year on year), operating profit was 1,348,990 thousand yen (down 11.5% year on year), ordinary profit amounted to 1,356,983 thousand yen (down 10.6% year on year), and profit was 894,358 thousand yen (down 15.7% year on year).

The business results for each segment are outlined below.

Sales figures include intersegment sales and transfers. Effective from the fiscal year under review, the classification of the reportable segments has been changed. The year on year comparison below compares the revised figures for the classification of the reportable segments after the change to figures from the previous fiscal year.

<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 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, 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, and increased the number of franchisees in the Franchise 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 1,637,730 thousand yen (up 24.4% year on year) and segment profit was 932,354 thousand yen (up 18.5% year on year).

<Community Business>

This segment consists of the Community Business.

In 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, improving a matching success rate through the matchmaking function, and increasing the number of members with the consolidation of Diverse, Inc. as a subsidiary. On the other hand, expenses resulting from quality improvements of the services offered by the Company increased.

As a result, segment net sales amounted to 2,174,416 thousand yen (up 130.3% year on year) and segment profit was 384,748 thousand yen (down 33.1% year on year).

<Marriage Consulting Agencies Business>

This segment consists of the Event Business and the Marriage Consulting Agencies Business.

In the fiscal year under review, we have strived to increase profitability by promoting to increase the number of app downloads in the Event Business, 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. 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 3,656,439 thousand yen (up 6.3% year on year) and segment profit was 1,304,230 thousand yen (down 8.7% year on year).

<Life Design Business>

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

In 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 the Wedding Business, and by planning package tours to Latin America, North America, Northern Europe, the Philippines, Papua New Guinea and other locations, providing tours to major travel agencies and arranging made-to-order tours in the Travel Business, and we also sought to cut expenses.

As a result, segment net sales amounted to 4,355,490 thousand yen (up 15.6% year on year) and segment profit was 112,077 thousand yen (up 2,849.1% year on year).

(2) Overview of the Financial Position for the Fiscal Year

(Assets)

Current assets for the fiscal year under review amounted to 5,174,163 thousand yen, up 689,472 thousand yen from the end of the previous fiscal year. This was mainly attributed to increases of 225,410 thousand yen of cash and deposits, 330,858 thousand yen of accounts receivable - trade and 78,605 thousand yen in deferred tax assets. Non-current assets were 2,389,585 thousand yen, up 653,883 thousand yen from the end of the previous fiscal year. This was mainly attributed to increases of 293,969 thousand yen in goodwill, 111,712 thousand yen in software, 106,418 thousand yen in investment securities, and 118,418 thousand yen in guarantee deposits.

Consequently, total assets came to 7,563,749 thousand yen, up 1,343,356 thousand yen from the end of the previous fiscal year.

(Liabilities)

Current liabilities for the fiscal year under review amounted to 2,776,282 thousand yen, up 744,242 thousand yen from the end of the previous fiscal year. This was mainly due to increases of 107,707 thousand yen in accounts payable, 119,632 thousand yen in accrued expenses, 515,234 thousand yen in advances received and 100,000 thousand yen in short-term loans payable, despite a decrease of 146,835 thousand yen in income taxes payable. Non-current liabilities were 1,233,184 thousand yen, up 216,058 thousand yen from the end of the previous fiscal year. This was mainly due to an increase of 209,640 thousand yen in long-term loans payable.

Consequently, total liabilities came to 4,009,466 thousand yen, up 960,301 thousand yen from the end of the previous fiscal year.

(Net assets)

Net assets for the fiscal year under review amounted to 3,554,282 thousand yen, up 383,055 thousand yen from the end of the previous fiscal year. This was mainly attributed to increases of 45,625 thousand yen in share capital, 45,625 thousand yen in capital surplus, 1,048,798 thousand yen in profit attributable to owners of parent, 355,127 thousand yen in cash dividends paid, and 499,986 thousand yen in treasury shares.

(3) Overview of Cash Flow for the Fiscal Year

Cash and cash equivalents ("Cash") at the end of the fiscal year under review totaled 3,832,908 thousand yen, up 225,410 thousand yen or 6.2%, compared to the previous fiscal year.

The following is a summary of cash flows and contributing factors in the fiscal year under review.

(Cash flows from operating activities)

Net cash provided by operating activities amounted to 1,214,800 thousand yen (down 3.8% year on year). This was mainly attributed to profit before income taxes of 1,432,680 thousand yen, depreciation of 209,025 thousand yen, increase or decrease in advances received of 110,998 thousand yen and income taxes paid or refund of 623,477 thousand yen.

(Cash flows from investing activities)

Net cash used in investment activities amounted to 900,653 thousand yen (down ● % year on year). This was mainly attributed to the purchase of shares of subsidiaries resulting in change in scope of consolidation of 421,366 thousand yen, purchase of property, plant and equipment of 184,461 thousand yen, purchase of intangible fixed assets of 146,750 thousand yen, and payments for lease and guarantee deposits of 127,645 thousand yen.

(Cash flows from financing activities)

Net cash used in financing activities amounted to 460,103 thousand yen (down ● % year on year). This was mainly attributed to increase in short-term bank loans of 100,000 thousand yen, proceeds from long-term loans payable of 570,000 thousand yen) and proceeds from issuance of shares resulting from exercise of share acquisition rights of 91,251 thousand yen, and repayments of long-term loans payable of 363,360 thousand yen, purchase of treasury shares of 499,986 thousand yen and cash dividends paid of 355,744 thousand yen.

(4) Future Outlook

In the coming fiscal year, we will further bolster our credit standing through our listing on the First Section in the Tokyo Stock Exchange and drive the marriage-hunting industry via a composite business model that integrates IT and services to strengthen our business as a comprehensive life design company.

Amid growing familiarity with the term "marriage-hunting" and existence of a significant proportion of singles with a desire to get married, marriage-hunting styles are diversified and, demand is on an upward trend.

In addition to the acquisition of Diverse, Inc., with strong IT services, targeting relatively light users (marriage-hunting potential customers), we have newly acquired Hapiraizu Co., Ltd. as a consolidated subsidiary with the brand power of Sunmarie, a marriage agency with 37 years of history since the start of its operation targeting serious marriage-hunting users, and thereby in the fiscal year ending December 31, 2019, we will make every effort to increase opportunities for people to meet and expand our member base by flexibly handling the diversification of marriage-hunting styles.

In addition, in the fiscal year ending December 31, 2019, by acquiring K Village Tokyo Co., Ltd. as a consolidated subsidiary, which operates Korean language schools, we will provide international exchange opportunities so as to build an international marriage business, and will accelerate its synergy with the marriage-hunting business by providing one-stop support to peripheral areas expanding from marriage-hunting activities including travel, insurance and mortgage as well as employment support for foreign nationals. For the fiscal year ending December 31, 2019, we forecast net sales of 15,055,160 thousand yen (up 27.4% year on year), operating profit of 1,800,007 thousand yen (up 22.0% year on year), ordinary profit of 1,848,689 thousand yen (up 26.0% year on year), and profit attributable to owners of parent of 1,255,500 thousand yen (up 19.7% year on year).

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

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

We recognize the return of profits to all of our shareholders as an important management task. With regard to the earnings distribution, our basic policy is to actively pay 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.

Under this policy, after making a judgment on the financial results forecast for the fiscal year under review and internal reserves for future growth investment in a comprehensive manner, we plan to pay an ordinary year-end dividend of 9.00 yen per share for the fiscal year ended December 31, 2018. The annual dividend per share for the fiscal year under review is therefore predicted to be 9.00 yen, resulting in a dividend payout ratio of 34.2%.

The dividend for the next fiscal year has yet to be determined.