

Consolidated Quarterly Financial Statements for the 2nd Quarter of the Fiscal Year Ending December 31, 2019

(1) Results of operations

In the first six months of the fiscal year under review, the Japanese economy continued to show a modest recovery trend overall thanks to stable domestic demand such as recovery of personal consumption and public investment amid firm conditions for employment and income. In the meantime, the uncertainty regarding the global economic outlook increased, and still entails the risk of exerting downward pressure on the Japanese economy.

Under these conditions, the Group, by introducing an ambassador to further raise awareness of the Marriage-Hunting Business and newly acquiring Sunmarie Co., Ltd. as a consolidated subsidiary with the brand power of Sunmarie, a marriage agency with 38 years of history since the start of its operation targeting serious marriage-hunting users, strives to expand our member base and 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, by acquiring K Village Tokyo Co., Ltd. as a consolidated subsidiary, which operates Korean language schools and personnel placement business, the Group provides international exchange opportunities so as to build an international marriage business, and expands and enhances the Life Design 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. IBJ Financial Advisory Co., Ltd., which was a non-consolidated subsidiary in the past, has begun a healthcare business targeting the seniors market, and the Group made it a consolidated subsidiary with the aim of acquiring sales in the new field.

As a result, consolidated net sales in the first six months of the fiscal year under review came to 7,473,964 thousand yen (up 55.7% year on year), operating profit was 1,082,513 thousand yen (up 63.9% year on year), ordinary profit amounted to 1,106,399 thousand yen (up 68.6% year on year), and profit attributable to owners of parent increased year on year to 722,032 thousand yen (up 69.6% year on year).

The business results for each segment are outlined below.

Effective from the first quarter ended March 31, 2019, the classification of the reportable segments has been changed not only because Sunmarie Co., Ltd. and K Village Tokyo Co., Ltd. became new consolidated subsidiaries, and IBJ Financial Advisory Co., Ltd. became a consolidated subsidiary from a non-consolidated subsidiary, but also as a way to improve clarity in the Group's business performance.

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.

(Overview by segment)

<Marriage-Hunting Business>

This segment 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.

- In the Corporate Sales to Startup New Marriage Consulting Agencies Business, we rose the awareness of the business by introducing an ambassador, and increased the number of affiliated consultation offices by strengthening support for new development for the marriage consulting business operators and other operators.
- In the Marriage Consulting Federation Business, we increased the variation in the services on offer. by adding and strengthening features in the IBJ system (Arranged Marriage Meeting Management System) such as introducing AI-enhanced matching. Also, we endeavored to increase additional use of fee-charging plans by renewing tools to attract customers for franchisees.
- In the Event Business, we promoted app downloads, which increased the number of applications, improved the quality of our party services, which raised the attendance to capacity ratio, and saw increased number of participants due to the longer Golden Week holiday.
- In the Marriage Consulting Agencies Business, we worked on boosting the quality of our members-only lounges by increasing the percentage of male members, among other measures, and continually worked on increasing the number of arranged marriage meetings and the number of marriages.
- Diverse, Inc. and Sunmarie Co., Ltd. were newly added to the Marriage-Hunting Business.

As a result, segment net sales amounted to 5,170,526 thousand yen (up 78.9% year on year) and segment profit was 1,618,996 thousand yen (up 30.4% year on year).

<Life Design Business>

The Life Design Business consists of the Wedding Business, Travel Business, Language School Business, and Seniors Division. In the first six months of the fiscal year under review, we focused on the following activities.

- In the Wedding Business, the number of pamphlet-making orders increased and, by redesigning our magazines, we increased the number of new advertisements, which increased the number of customers sent to wedding halls.
- In the Travel Business, the number of customers traveling overseas increased due to the longer Golden Week holiday.
- K Village Tokyo Co., Ltd. and IBJ Financial Advisory Co., Ltd. were newly added to the Life Design Business.

As a result, segment net sales amounted to 2,303,437 thousand yen (up 20.6% year on year) and segment profit was 72,319 thousand yen (up 195.1% year on year).

(2) Analysis of financial position

The “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28, February 16, 2018) and relevant Guidances have been applied from the beginning of the first quarter ended March 31, 2019. Accordingly, the figures presented for the financial position for the fiscal year ended December 31, 2018 have been retrospectively adjusted in order to conduct comparison and analysis against the previous fiscal year using figures that reflect the application of the aforementioned standard, etc.

1) Assets, liabilities and net assets

(Assets)

Current assets as of June 30, 2019 amounted to 5,816,780 thousand yen, up 788,369 thousand yen from the end of the previous fiscal year. This was mainly due to increases of 442,788 thousand yen in cash and deposits and 219,689 thousand yen in accounts receivable - trade. Non-current assets were 4,528,271 thousand yen, up 1,997,630 thousand yen from the end of the previous fiscal year. This was mainly due to increases of 526,564 thousand yen in goodwill, 202,445 thousand yen in investment securities, and 1,109,217 thousand yen in long-term loans receivable.

Consequently, total assets came to 10,345,051 thousand yen, up 2,785,999 thousand yen from the end of the previous fiscal year.

(Liabilities)

Current liabilities as of June 30, 2019 amounted to 3,707,436 thousand yen, up 935,936 thousand yen from the end of the previous fiscal year. This was mainly due to increases of 155,000 thousand yen in short-term loans payable, 172,307 thousand yen in income taxes payable, and 237,000 thousand yen in current portion of long-term loans payable. Non-current liabilities were 2,231,615 thousand yen, up 1,000,395 thousand yen from the end of the previous fiscal year. This was mainly due to an increase of 933,820 thousand yen in long-term loans payable.

Consequently, total liabilities came to 5,939,051 thousand yen, up 1,936,295 thousand yen from the end of the previous fiscal year.

(Net assets)

Net assets as of June 30, 2019 amounted to 4,406,000 thousand yen, up 849,703 thousand yen from the end of the previous fiscal year. This was mainly contributed by 354,292 thousand yen in cash dividends paid, 722,032 thousand yen recorded in profit attributable to owners of parent, and 333,345 thousand yen in non-controlling interests.

Consequently, the equity-to-asset ratio was 39.1% (compared to 46.6% at the end of the previous fiscal year).

2) Status of cash flow

Cash and cash equivalents (“cash”) as of June 30, 2019 were 4,302,223 thousand yen, an increase of 442,788 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 997,446 thousand yen (389,428 thousand yen provided in the same period of the previous fiscal year). This was mainly due to profit before income taxes of 1,106,749 thousand yen, depreciation of 112,320 thousand yen, an increase in notes and accounts receivable - trade of 166,945 thousand yen and payments of income taxes paid or refund of 240,355 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 1,511,563 thousand yen (240,798 thousand yen used in the same period of the previous fiscal year). This was mainly due to payments of long-term loans receivable of 1,105,900 thousand yen and purchase of shares of subsidiaries resulting in change in scope of consolidation of 382,908 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 944,665 thousand yen (139,961 thousand yen provided in the same period of the previous fiscal year). This was mainly due to proceeds from long-term loans payable of 1,400,000 thousand yen and cash dividends paid of 352,500 thousand yen.

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

For information about the differences between the consolidated earnings forecast for the first six months of the fiscal year ending December 31, 2019, announced on February 14, 2019, and the actual results for the first six months of the fiscal year, please refer to the “Notice of Differences between the Earnings Forecast and Actual Results” announced today.

For the full-year earnings forecast for the fiscal year ending December 31, 2019, we are currently reviewing the forecast carefully and, if any revisions are necessary, we will promptly announce the revisions.