

Consolidated Quarterly Financial Statements for the 2nd Quarter of the Fiscal Year Ending December 31, 2020

(1) Results of operations

In the first six months of the fiscal year under review, the Japanese economy showed a modest recovery trend amid continuous improvement of the employment and income environment, although the risk persisted that the worsening of the global economy due to such factors as prolonged China-US trade friction will exert downward pressure on the Japanese economy. However, the economy significantly declined because of the global outbreak of novel coronavirus infection, and uncertainty over the future remained.

Under these conditions, from the second quarter ended June 30, 2020, the Group welcomed ZWEI CO., LTD. as a new group company, expanded its member base, and established bases in areas where we had no directly-managed stores. This has enabled us to strengthen the support system for affiliated consultation offices. As a result, it has become possible to further enhance synergistic effects of the entire Group, and we are striving to further expand the member base and increase the membership for marriage-hunting services. In addition, by making IBJ Life Design support Co., Ltd., a joint venture with Sony Life Insurance Co., Ltd., which had been a non-consolidated subsidiary, a consolidated subsidiary, the Group will expand and enhance the Life Design Business, with the aim of acquiring more sales.

In the meantime, consumer confidence declined, and various activities were restrained in the first six months of the fiscal year under review due to requests to refrain from going out pursuant to the declaration of a state of emergency following the spread of novel coronavirus infection, which affected the services of the Company as well.

As a result, consolidated net sales in the first six months of the fiscal year under review came to 6,132,573 thousand yen (down 17.9% year on year), operating profit was 764,144 thousand yen (down 29.4% year on year), ordinary profit was 716,747 thousand yen (down 35.2% year on year), and profit attributable to owners of parent was 212,275 thousand yen (down 70.6% year on year).

The business results for each segment are outlined below.

From the first quarter ended March 31, 2020, the Group has adopted a method of including “amortization of goodwill” in each business segment in order to more appropriately evaluate the performance of each business segment. Comparison and analysis for the second quarter ended June 30, 2020, are based on the new classification.

<Marriage-Hunting Business>

This segment consists of the Agency Opening Support Business, the Affiliate Business, the FC Business, the App Business, the Party Business, and the Directly-Managed Lounge Business.

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

- In the Agency Opening Support Business, we increased the number of affiliated consultation offices due to the increasing need for subscription-type marriage consultation office business.
- In the Affiliate Business, we continually increased the number of affiliated consultation offices that utilize the IBJ system as a result of the expansion of the network of affiliated consultation offices, and saw increased usage unit price due to effects made gradually by the renewal of services for members.
- In the Directly-Managed Lounge Business, due to restraint on activities partly because of requests to refrain from going out, the number of new members has decreased, and the activities of existing members have been curbed. On the other hand, we increased sales and the number of members by adding ZWEI CO., LTD. as a Group company.
- In the Party Business and the FC Business, based on the declaration of a state of emergency following the spread of novel coronavirus infection, we refrained from holding events from April to mid-May, but we strove to maintain sales by holding online events. On the other hand, after June, the number of events participants exceeded expectations.

As a result, segment net sales amounted to 4,924,853 thousand yen (down 4.8% year on year) and segment profit was 1,265,705 thousand yen (down 17.8% year on year).

<Life Design Business>

The Life Design Business consists of the Wedding Business, Travel Business, Language School Business, Seniors Division, and Insurance Business.

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

- The addition of IBJ Life Design support Co., Ltd. to the Life Design Business boosted sales of the Life Design Business.
- On the other hand, in the Travel Business, reservations, regardless of those made by individuals or those by corporations, were cancelled, since overseas travels became almost impossible due to the issuance of Travel Advice and Warning “Level 2: Avoid Non-essential travel” for the entire world, by the Ministry of Foreign Affairs in March, following the outbreak of

novel coronavirus infection.

As a result, segment net sales amounted to 1,207,719 thousand yen (down 47.6% year on year) and segment loss was 41,292 thousand yen (compared to segment profit of 40,472 thousand yen for the same period in the previous fiscal year).

(2) Analysis of financial position

1) Assets, liabilities, and net assets

(Assets)

Current assets as of June 30, 2020 amounted to 6,639,183 thousand yen, up 876,227 thousand yen from the end of the previous fiscal year. This was mainly due to increases of 624,146 thousand yen in ordinary deposits and 194,534 thousand yen in accounts receivable - trade.

Non-current assets were 7,119,066 thousand yen, up 1,593,111 thousand yen from the end of the previous fiscal year. This was mainly due to increases of 1,464,737 thousand yen in goodwill and 274,307 thousand yen in guarantee deposits, despite a decrease of 152,817 thousand yen in shares of subsidiaries and associates.

Consequently, total assets came to 13,758,250 thousand yen, up 2,469,339 thousand yen from the end of the previous fiscal year.

(Liabilities)

Current liabilities as of June 30, 2020 amounted to 6,669,313 thousand yen, up 2,703,115 thousand yen from the end of the previous fiscal year. This was mainly due to an increase of 3,104,000 thousand yen in short-term loans payable, despite a decrease of 383,685 thousand yen in income taxes payable. Non-current liabilities were 1,928,674 thousand yen, down 30,267 thousand yen from the end of the previous fiscal year. This was mainly due to a decrease of 185,680 thousand yen in long-term loans payable, despite increases of 72,241 thousand yen in retirement benefit liability and 82,604 thousand yen in asset retirement obligations.

Consequently, total liabilities came to 8,597,988 thousand yen, up 2,672,848 thousand yen from the end of the previous fiscal year.

(Net assets)

Net assets as of June 30, 2020 stood at 5,160,262 thousand yen, down 203,508 thousand yen from the end of the previous fiscal year. This was mainly due to 360,256 thousand yen in cash dividends paid, 212,275 thousand yen recorded in profit attributable to owners of parent, a decrease of 6,712 thousand yen in valuation difference on securities, and repurchase of share acquisition rights of 29,765 thousand yen.

Consequently, the equity-to-asset ratio was 34.5% (compared to 43.7% at the end of the previous fiscal year).

2) Status of cash flow

Cash and cash equivalents ("cash") as of June 30, 2020 were 5,009,547 thousand yen, an increase of 624,146 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 181,196 thousand yen (997,446 thousand yen provided in the same period of the previous fiscal year). This was mainly due to profit before income taxes of 446,019 thousand yen, depreciation of 112,541 thousand yen, amortization of goodwill of 127,061 thousand yen, a decrease in notes and accounts receivable - trade of 110,980 thousand yen, and payments of income taxes paid of 548,891 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 2,077,925 thousand yen (1,511,563 thousand yen used in the same period of the previous fiscal year). This was mainly due to purchase of shares of subsidiaries resulting in change in scope of consolidation of 1,943,090 thousand yen and purchase of investment securities of 102,590 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 2,412,340 thousand yen (944,665 thousand yen provided in the same period of the previous fiscal year). This was mainly due to an increase in short-term loans payable of 3,104,000 thousand yen, repayment of long-term loans payable of 274,930 thousand yen and cash dividends paid of 360,256 thousand yen.

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

Based on recent trends in business results, mainly affected by the spread of infection of the novel coronavirus, the Company revised, as follows, the full-year earnings forecast for the fiscal year ending December 31, 2020 (from January 1, 2020 to December 31, 2020), which was undecided when “Notice on revisions of the first-half and full-year earnings forecasts for the fiscal year ending December 31, 2020” was announced on May 12, 2020.

As it was difficult to rationally judge the full-year earnings forecast for the fiscal year ending December 31, 2020 and we could not foresee the time when the novel coronavirus would be contained, the full-year consolidated financial forecast had not been decided. However, since economic activities have resumed under the lifting of the state of emergency, we have calculated and will disclose the consolidated earnings forecast based on the information available at this time.

In the Marriage-Hunting Business, the provision of offline services has begun to recover, and the number of affiliated consultation offices is expected to increase as the need for opening subscription-type affiliated consultation offices increases. However, the result is expected to be lower than the previous period, since impacts from the spread of the novel coronavirus infection have been significant. In addition, in the Travel Business, which is part of the Life Design Business, there is no prospect of lifting restrictions on entry to Japan or on post-entry activities. Therefore, we expect the impact to continue from the second quarter onward.

The forecasts mentioned above are prepared based on information available at the time of the release of this material, and actual business results may differ from the projected figures due to various factors, including the coronavirus pandemic.

(Millions of yen)

	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent	Earnings per share (yen)
Previous Forecast (A)	Undecided	Undecided	Undecided	Undecided	Undecided
Current Revised Forecast (B)	13,216	1,491	1,425	386	9.66
Difference (B – A)	—	—	—	—	—
Rate of Change (%)	—	—	—	—	—
(Ref.) Results for the Fiscal Year Ended December 31, 2019	15,282	2,339	2,346	1,523	38.49