Consolidated Quarterly Financial Statements for the 1st Quarter of the Fiscal Year Ending December 31, 2020

(1) Results of operations

In the first three 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, the Group, by further enhancing synergistic effects of the entire Group, 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 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 three 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 three months of the fiscal year under review came to 3,458,523 thousand yen (down 5.7% year on year), operating profit was 530,838 thousand yen (up 26.0% year on year), ordinary profit was 517,583 thousand yen (up 15.2% year on year), and profit attributable to owners of parent was 324,629 thousand yen (up 34.1% year on year).

The business results for each segment are outlined below.

<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 three 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 by strengthening support for new development in non-urban areas for the marriage consulting business operators.
- 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, we continued to increase the number of married couples in existing members through lively activities. On the other hand, the number of new members decreased due to restraint on activities partly because of requests to refrain from going out.
- In the Party Business and the FC Business, we decreased the number of events participants in consideration of safety of our users and employees amid the outbreak of coronavirus infection.

As a result, segment net sales amounted to 2,519,693 thousand yen (up 0.5% year on year) and segment profit was 796,604 thousand yen (up18.1% 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 three 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 coronavirus infection.

As a result, segment net sales amounted to 938,829 thousand yen (down 19.0% year on year) and segment loss was 903 thousand yen (compared to segment profit of 16,870 thousand yen for the same period in the previous fiscal year).

(2) Analysis of financial position

(Assets)

Current assets as of March 31, 2020 amounted to 4,884,956 thousand yen, down 877,999 thousand yen from the end of the previous fiscal year. This was mainly due to decreases of 738,581 thousand yen in ordinary deposits and 113,180 thousand yen in accounts receivable - trade.

Non-current assets were 5,192,683 thousand yen, down 333,271 thousand yen from the end of the previous fiscal year. This was mainly due to decreases of 54,687 thousand yen in goodwill, 118,505 thousand yen in shares of subsidiaries and associates, 55,200 thousand yen in long-term loans receivable, and 61,058 thousand yen in deferred tax assets.

Consequently, total assets came to 1,077,640 thousand yen, down 1,211,270 thousand yen from the end of the previous fiscal year.

(Liabilities)

Current liabilities as of March 31, 2020 amounted to 2,955,400 thousand yen, down 1,010,797 thousand yen from the end of the previous fiscal year. This was mainly due to decreases of 306,289 thousand yen in accrued expenses, 484,896 thousand yen in income taxes payable, and 133,854 thousand yen in advances received. Non-current liabilities were 1,907,097 thousand yen, down 51,845 thousand yen from the end of the previous fiscal year. This was mainly due to a decrease of 52,590 thousand yen in long-term loans payable.

Consequently, total liabilities came to 4,862,497 thousand yen, down 1,062,642 thousand yen from the end of the previous fiscal year.

(Net assets)

Net assets as of March 31, 2020 stood at 5,215,142 thousand yen, down 148,628 thousand yen from the end of the previous fiscal year. This was mainly due to360,256 thousand yen in cash dividends paid,324,629 thousand yen recorded in profit attributable to owners of parent, a decrease of 34,307 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 48.0% (compared to 43.7% at the end of the previous fiscal year).

(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 first-half and full-year earnings forecasts for the fiscal year ending December 31, 2020 (from January 1, 2020 to December 31, 2020), which were announced on February 14, 2020.

Consumer confidence declined and various activities were restrained due to requests to refrain from going out pursuant to the declaration of a state of emergency following the spread of novel coronavirus infection. Under these circumstances, in the Travel Business of Group companies, 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. It is expected that these cancellations would result in a decrease of about 1,200,000 thousand yen in sales. In addition, our services have also been considerably affected as we voluntarily refrain from holding parties in consideration of safety of our users and employees. As a result, a decrease of about 700,000 thousand yen in sales is expected.

In the meantime, while the addition of ZWEI CO., LTD. to the Group in May will boost consolidated net sales, ZWEI is also affected by the spread of coronavirus infection in the same way as the Company.

While we cannot foresee the time when the coronavirus infection will subside, we are striving to maintain sales of existing businesses by offering online services to meet continued needs of users with the highest priority on safety of users and employees, and improving operations of ZWEI to turn it profitable at an early stage. However, sales and profits for the first six months of the fiscal year under review are projected to be below the initial forecasts.

Accordingly, we revised downward the earnings forecast for the first six months of the fiscal year under review, as described above, on the assumption that the declaration of a state of emergency will be cancelled at the end of May.

In addition, it is difficult to rationally judge the full-year earnings forecast for the fiscal year ending December 31, 2020 at this point when we cannot foresee the time when the novel coronavirus will be contained, since there are many uncertainties about the impact on the business results in and after the second quarter ending June 30, 2020. Therefore, we have decided not to disclose the full-year earnings forecast and will promptly disclose it as soon as calculation becomes possible.

For more information, please refer to the “Notice on revisions of the first-half and full-year earnings forecasts for the fiscal year ending December 31, 2020,” issued on May 12, 2020.

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.

	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent
First-half (cumulative)	5,887	121	101	46
Full-year	Undecided	Undecided	Undecided	Undecided