

Consolidated Quarterly Financial Statements for the 3rd Quarter of the Fiscal Year Ending December 31, 2020

(1) Results of operations

In the first nine months of the fiscal year under review, the Japanese economy deteriorated rapidly due to the outbreak of novel coronavirus infection. Although domestic economic activities started to show signs of recovery in some sectors after the lifting of the state of emergency declaration, the overall condition remained sluggish and the future outlook remains uncertain.

Under these conditions, in the nine-month period ended September 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.

Coupled with the above-mentioned business scale expansion, as self-restraint in going out based on the state of emergency declaration was relaxed, we saw some signs of recovery.

As a result, consolidated net sales in the first nine months of the fiscal year under review came to 9,523,675 thousand yen (down 16.9% year on year), operating profit was 1,124,910 thousand yen (down 35.9% year on year), ordinary profit was 1,052,470 thousand yen (down 40.9% year on year), and profit attributable to owners of parent was 346,384 thousand yen (down 70.1% year on year). However, the rates of progress towards achieving earnings forecast remained firm, as net sales came to 72.6%, operating profit to 77.5%, ordinary profit to 75.9%, and profit attributable to owners of parent to 108.6%.

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 third quarter ended September 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 nine months of the fiscal year under review, we focused on the following activities.

- In the Agency Opening Support Business, despite a decline in the number of sales interviews and other impacts under the state of emergency declaration following the spread of novel coronavirus, the result recovered to the year-earlier level in August, partly due to the increasing need for subscription-type marriage consultation office business and the implementation of online sales interviews. As a result, we increased the number of affiliated consultation offices and posted record-high sales of affiliate opening.
- 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 addition, as a result of promoting online arranged marriage meetings, the number of arranged marriage meetings topped 40,000, the highest on record.
- 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 recovered as it exceeded expectations.

As a result, segment net sales amounted to 7,978,535 thousand yen (up 1.4% year on year) and segment profit was 1,894,844 thousand yen (down 23.8% 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 nine 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 overseas travel continues to be restricted, we are currently forced to practically suspend our operation. Meanwhile, we strove to curb cash outflow by using subsidies, among others.

As a result, segment net sales amounted to 1,545,139 thousand yen (down 57.0% year on year) and segment loss was 64,629 thousand yen (compared to segment profit of 57,796 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 September 30, 2020 amounted to 6,906,475 thousand yen, up 1,143,518 thousand yen from the end of the previous fiscal year. This was mainly due to increases of 767,155 thousand yen in ordinary deposits, 254,799 thousand yen in accounts receivable - trade and 139,095 thousand yen in other current assets.

Non-current assets were 6,957,766 thousand yen, up 1,431,811 thousand yen from the end of the previous fiscal year. This was mainly due to increases of 1,383,520 thousand yen in goodwill, 292,188 thousand yen in guarantee deposits and 99,980 thousand yen in investment securities, despite a decrease of 184,098 thousand yen in shares of subsidiaries and associates.

Consequently, total assets came to 13,864,241 thousand yen, up 2,575,330 thousand yen from the end of the previous fiscal year.

(Liabilities)

Current liabilities as of September 30, 2020 amounted to 6,599,626 thousand yen, up 2,633,428 thousand yen from the end of the previous fiscal year. This was mainly due to an increase of 3,385,000 thousand yen in short-term loans payable, despite decreases of 560,717 thousand yen in income taxes payable and 210,950 thousand yen in accrued expenses. Non-current liabilities were 1,871,314 thousand yen, down 87,628 thousand yen from the end of the previous fiscal year. This was mainly due to a decrease of 249,270 thousand yen in long-term loans payable, despite increases of 71,779 thousand yen in liabilities related to retirement benefits and 92,182 thousand yen in asset retirement obligations.

Consequently, total liabilities came to 8,470,940 thousand yen, up 2,545,800 thousand yen from the end of the previous fiscal year.

(Net assets)

Net assets as of September 30, 2020 stood at 5,393,300 thousand yen, up 29,529 thousand yen from the end of the previous fiscal year. This was mainly due to 346,384 thousand yen recorded in profit attributable to owners of parent, an increase of 42,037 thousand yen in non-controlling interests, an increase of 64,153 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 35.7% (compared to 43.7% at the end of the previous fiscal year).

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

The Company had left undecided the full-year earnings forecast for the fiscal year ending December 31, 2020 (from January 1, 2020 to December 31, 2020). However, based on recent trends in business results, mainly affected by the spread of infection of the novel coronavirus, the Company revised earnings forecast as follows in “Notice on revisions of the earnings forecasts” announced on August 12, 2020.

The forecasts mentioned below 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)
Revised Forecast on August 12, 2020	13,117	1,452	1,385	318	7.97
(Ref.) Results for the Fiscal Year Ended December 31, 2019	15,282	2,339	2,346	1,523	38.49

The rates of progress towards achieving consolidated earnings forecast as mentioned above remain firm.

[Rates of progress towards achieving earnings forecast]	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent
Full-year	72.6%	77.5%	75.9%	108.6%

Factors behind the progress are as follows. In the Marriage-Hunting Business, the provision of offline services, such as parties, began to recover since June at a pace faster than anticipated, and the number of affiliated consultation offices has been increasing steadily as the need for opening subscription-type affiliated consultation offices has increased.

Other factors include the addition of ZWEI CO., LTD. as a Group company, an increase in the number of members due to the renewal of membership system, and the posting of a record-high number of arranged marriage meetings.

In the Travel Business under the Life Design Business, we are currently forced to practically suspend our operation due to continued restrictions on overseas travel. Therefore, we expect the impact to continue from the fourth quarter onward. Impacts from the spread of the novel coronavirus infection are expected to remain on each business. If any revisions become necessary, we will promptly announce the revisions.