



# IBJ

TSE 1<sup>st</sup> Section      6071      Industry: Consumer services

## Matchmaker with great quality and quantity; initiating coverage with a Buy rating

### Initiating coverage with a TP of 1,450 yen and a Buy rating

We initiate coverage of IBJ, Inc. (6071, IBJ, the company) with a target price of 1,450 yen and a Buy rating.

IBJ operates marriage agencies both directly and through its franchisees, and is also involved in a variety of businesses related to marriage and matchmaking, including apps, parties, and travel. The Japan Marriage Consulting Federation, managed by IBJ, is one of the largest networks of marriage agencies in Japan with over 70,000 members. Also, the company's directly-owned marriage agency (IBJ Members) has an extremely high marriage rate of over 50%, indicating that its counselors have outstanding marriage know-how. In addition to the solid organic growth, the company has achieved growth and synergies through numerous M&As in the matchmaking business and related fields. The company recently acquired Sunmarie and ZWEI, and has successfully turned them into profitability.

In Japan, the percentage of unmarried people in the marriageable age group has remained high, and many of these unmarried people do not have a partner. We believe that there is a huge potential market for the matchmaking business, and that the opportunities for matchmaking service providers will continue to expand. Economies of scale are important in the matchmaking business, and IBJ's competitive advantage will remain unchallenged because of its ability to provide superior services in terms of both quality and quantity, in our view. We believe that the company is in a position to achieve both high profitability and high growth after the COVID-19 pandemic is resolved.

The catalysts we envision for an upturn in the stock price include steady growth in the number of new openings and the number of franchisees, recovery in the number of party participants due to a decline in the number of coronavirus cases, increased prospects for recovery in the travel business, and additional M&A.

### Mita Securities' earnings forecast

We forecast OP of 1.7bn yen for FY12/21 (+3.5% YoY), 2.5bn yen for FY12/22, and 3.5bn yen for FY12/23. We expect steady growth in the marriage agency-related businesses to continue and assume the number of franchisees to increase from 3,106 at the end of FY12/21 to 4,006 at the end of FY12/23. As for the businesses that have been strongly affected by the COVID-19, we assume the party business to start recovering in FY12/22 and the life design business (travel business, etc.) to recover in FY12/23.

### Valuations and risk factors

In calculating our target price, we used a residual income model (RIM) with a cost of equity of 7.0% and a terminal growth rate of 3.0%, based on our earnings forecasts for FY12/21-FY12/25. Our target price is equivalent to 36.1x our FY12/22 EPS forecast of 40.16 yen.

Risk factors to our view include: 1) unexpected decrease in the number of new openings, number of franchisees, number of married couples, number of party participants, and number of paid app members; 2) occurrence of events related to reliability such as leakage of member information; and 3) failure of M&A.

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## Initiation of coverage

Rating

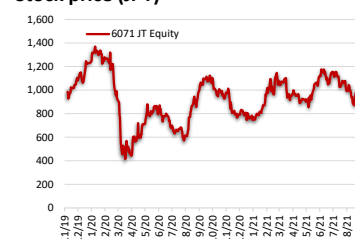
**Buy**

Target price (JPY)	1,450
Stock price (JPY) (Sep 16)	1,041
Market cap (JPYbn)	43.7

### Key changes

Rating	New
Target price	New
Earnings forecast	New

### Stock price (JPY)



Source: Bloomberg Finance LP

### Earnings

		12/19	12/20	12/21E	12/22E	12/23E
Sales	JPYbn	15.3	13.1	14.1	16.3	21.0
OP	JPYbn	2.3	1.6	1.7	2.5	3.5
RP	JPYbn	2.3	1.5	1.6	2.4	3.4
NP	JPYbn	1.5	0.7	1.0	1.6	2.3
EPS	JPY	38.0	17.1	24.9	40.2	57.9
BPS	JPY	123.1	131.4	150.3	182.4	228.3
DPS	JPY	9.0	6.0	8.0	12.0	14.0
PER	x	32.7	45.7	41.8	25.9	18.0
PBR	x	10.1	6.0	6.9	5.7	4.6
Div. yield	%	0.7	0.8	0.8	1.2	1.3
ROA	%	16.2	5.5	7.2	11.1	13.7
ROE	%	36.0	13.5	17.7	24.1	28.2

Source: Company data, Mita Securities

### Company profile

IBJ operates its marriage agency business both directly and through its franchisees. The Japan Marriage Consulting Federation, which the company manages, has over 70,000 members, making it one of the largest in Japan. As of the end of June 2021, the company had 2,832 franchisees. The company's strength lies in its counseling services that focus on marriage, and it is also active in M&As.

# Investment thesis

## Outlook

### Solid position in a promising growth market

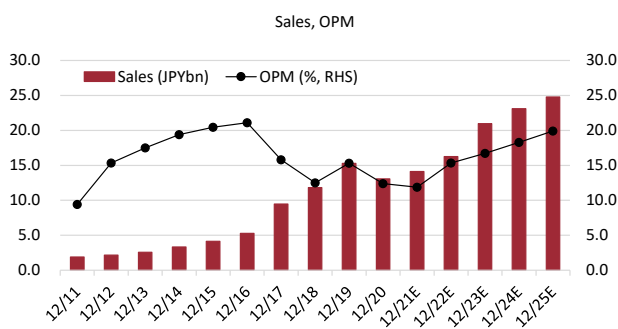
We initiate coverage of IBJ, Inc. (6071, IBJ, the company) with a target price of 1,450 yen and a Buy rating.

IBJ operates marriage agencies both directly and through a franchise system under the Japan Marriage Consulting Federation (JMCF), one of the largest networks of marriage agencies in Japan, and is also involved in various other businesses related to marriage and matchmaking. In Japan, the rate of unmarried people in the marriageable age group has remained high due to structural changes in society, creating a great business opportunity for matchmaking service providers. The company provides excellent matchmaking services, as evidenced by 1) the 70,000+ member database of JMCF and 2) the 50%+ marriage rate of its directly-owned stores (IBJ Members). Furthermore, in addition to solid organic growth, the company has achieved growth and synergies through numerous M&As in the matchmaking business and related fields. Regional banks and local governments are increasingly collaborating with the company, as they see the matchmaking business as making a significant contribution to society. We believe that the company will be able to maintain its competitive advantage and high profitability over the medium to long term, as the matchmaking business can easily benefit from economies of scale.

*Initiating coverage with a TP of 1,450 yen and a Buy rating*

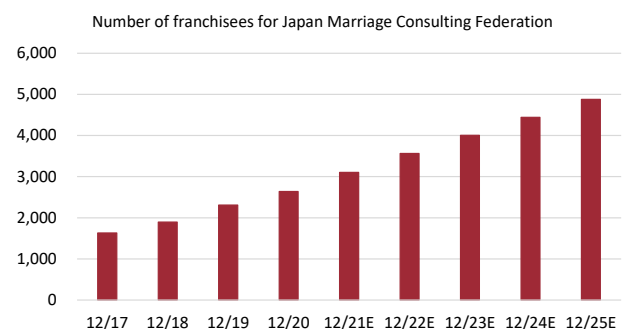
*One of the largest matchmaking membership organizations in Japan, exceptionally high marriage rates at directly-owned stores, and an aggressive M&A strategy support the company's competitive advantage*

Figure: Sales, OPM



Source: Company data, Mita Securities Note: Forecasts are by Mita Securities

Figure: Number of franchisees



Source: Companies data, Mita Securities Note: Forecasts are by Mita Securities

### Our earnings forecast

Our FY12/21 OP forecast is 1.7bn yen (+3.5% YoY), below the company's guidance of 2.074 bn yen. While the mainstay marriage agency-related businesses should support overall profits, the recovery in businesses that have been affected by the COVID-19 (party business and life design business) is expected to be slow.

We forecast OP of 2.5bn yen for FY12/22, higher than pre-COVID-19 level, as we expect the party business to start recovering. Also, we forecast OP of 3.5bn yen for FY12/23, as we expect the party business to regain its pre-COVID-19 scale and customer traffic from parties to directly-owned stores to increase. By this time, sales in the life design business, which includes the travel business, should also recover to pre-COVID-19 levels. Although we have not factored in the possibility of additional M&A in our earnings forecast, IBJ has made a number of M&A deals in the past and we believe the company is likely to continue to look for growth opportunities through M&A in the future.

*We expect steady growth in the core marriage agency-related businesses, as well as a recovery in some businesses that have been severely impacted by the COVID-19. The company is also proactive in M&A*

## Catalysts

The catalysts we envision for an upturn in the stock price include steady growth in the number of new openings and the number of franchisees, recovery in the number of party participants due to a decline in the number of coronavirus cases, increased prospects for recovery in the travel business, and additional M&A.

**Figure: Summary of Mita Securities' earnings forecast (consolidated)**

JPYm	12/18	12/19	12/20	12/21	12/22	12/23	12/24	12/25	12/21	12/21	12/22	12/23
	A	A	A	Mita E	Mita E	Mita E	Mita E	Mita E	CoE	Consensus	Consensus	Consensus
<b>Earnings</b>												
Sales	11,819	15,282	13,072	14,118	16,255	20,963	23,105	24,779	15,248	14,935	16,720	19,700
(YoY, %)	24.9	29.3	-14.5	8.0	15.1	29.0	10.2	7.2				
Operating profit	1,477	2,339	1,620	1,677	2,495	3,505	4,227	4,934	2,074	1,865	2,450	3,350
(YoY, %)	-1.1	58.4	-30.7	3.5	48.8	40.5	20.6	16.7				
OPM (%)	12.5	15.3	12.4	11.9	15.3	16.7	18.3	19.9				
Recurring profit	1,469	2,346	1,518	1,572	2,402	3,432	4,174	4,901	1,966	1,800	2,385	3,335
(YoY, %)	-1.6	59.7	-35.3	3.6	52.8	42.9	21.6	17.4				
Net profit	1,051	1,523	686	997	1,608	2,319	2,829	3,333	1,134	1,100	1,500	2,075
(YoY, %)	1.3	44.9	-54.9	45.2	61.3	44.2	22.0	17.8				
Depreciation & amortization	274	445	541	644	692	729	757	779				
Capital expenditure	331	124	347	350	350	350	350	350				
Free CF	712	-422	-269	1,240	1,916	2,651	3,204	3,733				
<b>Segment earnings</b>												
<b>Matchmaking business</b>												
Sales	7,525	10,415	11,145	12,917	14,125	15,783	16,895	17,939				
(YoY, %)	28.6	38.4	7.0	15.9	9.3	11.7	7.0	6.2				
Franchise opening support business	686	997	1,073	1,148	1,248	1,296	1,360	1,440				
Franchise store business	620	758	878	1,069	1,241	1,408	1,571	1,734				
Directly-owned store business	1,966	3,347	4,865	6,759	7,184	7,808	8,121	8,433				
Party business	2,287	2,312	1,367	1,140	1,620	2,320	2,790	3,200				
App business	1,962	2,999	2,959	2,801	2,832	2,950	3,053	3,132				
Operating profit	2,575	3,290	2,639	2,676	3,426	4,315	4,987	5,657				
OPM (%)	34.2	31.6	23.7	20.7	24.3	27.3	29.5	31.5				
<b>Life design business</b>												
Sales	4,294	4,867	1,927	1,201	2,130	5,180	6,210	6,840				
(YoY, %)	18.9	13.3	-60.4	-37.7	77.4	143.2	19.9	10.1				
Operating profit	50	42	-69	-45	28	154	209	251				
OPM (%)	1.2	0.9	-3.6	-3.8	1.3	3.0	3.4	3.7				
<b>Per share indicators</b>												
EPS (JPY)	26.69	38.00	17.15	24.89	40.16	57.91	70.64	83.24	28.34	27.47	37.46	51.82
BPS (JPY)	89.54	123.14	131.43	150.27	182.42	228.34	284.98	352.22				
DPS (JPY)	9.00	9.00	6.00	8.00	12.00	14.00	16.00	20.00	NA			
<b>Valuation, profitability, etc.</b>												
PER (x)	25.9	32.7	45.7	41.8	25.9	18.0	14.7	12.5				
PBR (x)	7.7	10.1	6.0	6.9	5.7	4.6	3.7	3.0				
Dividend payout ratio (%)	33.7	23.6	35.0	32.1	29.9	24.2	22.7	24.0				
Dividend yield (%)	1.3	0.7	0.8	0.8	1.2	1.3	1.5	1.9				
ROA (%)	15.3	16.2	5.5	7.2	11.1	13.7	14.2	14.6				
ROE (%)	31.4	36.0	13.5	17.7	24.1	28.2	27.5	26.1				
<b>Financial soundness indicators</b>												
Shareholders' equity ratio (%)	46.6	43.7	37.9	44.2	47.3	49.6	53.6	57.7				
Debt/Equity (x)	0.5	0.6	1.0	0.6	0.5	0.4	0.3	0.3				

Source: Company data, QUICK data, Mita Securities

Note: Consensus forecasts are by QUICK consensus

## Valuations

### Stock valuation based on residual income model (RIM)

In calculating our target price of 1,450 yen, we used a residual income model (RIM) with a cost of equity of 7.0% and a terminal growth rate of 3.0%, based on our earnings forecasts for FY12/21-FY12/25. Our target price is equivalent to 36.1x our FY12/22 EPS forecast of 40.16 yen.

*TP of 1,450 yen based on RIM*

Figure: Residual Income Model (RIM)

	Y0	Y1	Y2	Y3	Y4	Y5	Y6~
	A	Mita E	Mita E	Mita E	Mita E	Mita E	Mita E
JPYbn	12/20	12/21	12/22	12/23	12/24	12/25	12/26
Shareholders' equity (EOP)	5.3	6.0	7.3	9.1	11.4	14.1	
Net profit		1.0	1.6	2.3	2.8	3.3	
Cost of equity		0.4	0.4	0.5	0.6	0.8	
Residual income		0.6	1.2	1.8	2.2	2.5	
PV of residual income		0.6	1.0	1.5	1.7	1.8	
PV of terminal value							46.5

Beta	1.30	Estimated equity value (JPYbn)	58.4
Risk free rate (%)	0.50	Number of shares O/S (m)	40.0
Risk premium (%)	5.00	Target price (JPY)	1,450
Cost of equity (%)	7.00		
Terminal growth rate (%)	3.00		

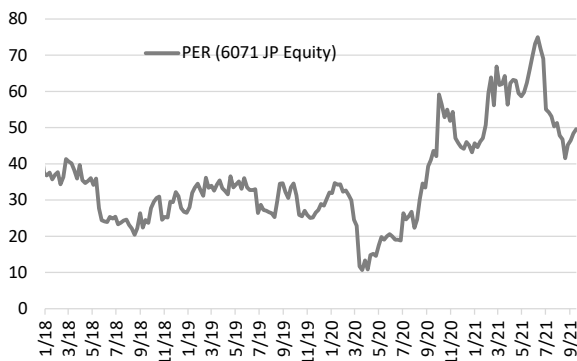
Source: Company data, Mita Securities

Figure: Sensitivity of target price to terminal growth rate

Terminal growth rate (%)	1.8	2.0	2.2	2.4	2.6	2.8	3.0	3.2	3.4	3.6	3.8	4.0	4.2
Target price	1,200	1,200	1,250	1,300	1,350	1,400	1,450	1,500	1,600	1,650	1,750	1,850	1,950

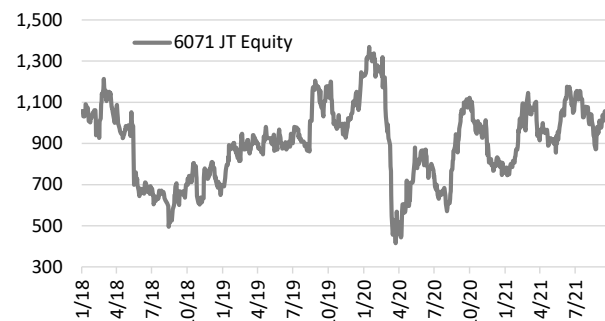
Source: Mita Securities

Figure: IBJ's PER (reference)



Source: Bloomberg Finance LP data, Mita Securities

Figure: IBJ's stock price



Source: Bloomberg Finance LP data, Mita Securities

Comparison of valuations with peers (reference)

Figure: Comparison of valuations for franchise business operators

Company name	Ticker	PX 9/16	Mkt cap JPYbn	Net D/E Last	Sales YoY LTM	EBITDA Mgn LTM	ROE LTM	ROE Cur E	ROE Nxt E	PER LTM	PER Cur E	PER Nxt E	PBR Last	EV/EBITDA Cur E	EV/Sales Cur E	Div yield Cur E	1M Chg	3M Chg	1YR Chg
KOBE BUSSAN CO LTD	3038	4,080	1,116.3	-0.3	3.0	8.6	28.5	31.3	29.0	48.3	43.4	39.1	12.2	32.5	3.0	0.5	1.0	30.8	49.9
KOMEDA HOLDINGS CO LTD (TP 3,000 Buy)	3543	2,134	98.5	1.5	4.7	23.0	12.7	13.8	14.1	22.8	19.6	18.2	2.8	16.3	4.4	2.5	5.4	3.3	12.2
IBJ INC (TP 1,450 Buy)	6071	1,041	43.7	-0.2	-1.8	17.5	16.5	19.0	21.9	49.6	37.9	27.8	7.7	NA	2.8	0.7	11.3	-9.9	-4.8
CURVES HOLDINGS CO LTD	7085	891	83.6	1.2	-10.5	11.3	9.6	14.0	24.5	102.1	70.6	36.2	10.3	NA	3.8	0.4	15.4	-1.5	26.6
FAST FITNESS JAPAN INC (TP 5,150 Buy)	7092	4,340	67.7	-0.2	-1.5	26.8	16.1	NA	NA	61.4	61.5	48.3	8.3	NA	5.1	0.2	11.1	-15.1	NA
WORKMAN CO LTD	7564	6,580	538.6	-0.4	12.6	24.1	21.0	NA	NA	30.7	28.6	25.9	6.0	NA	NA	1.1	-11.0	-11.4	-26.2
Average				0.3	1.1	18.5	17.4	19.5	22.4	52.5	43.6	32.6	7.9	24.4	3.8	0.9	5.6	-0.6	11.5
Median				-0.2	0.8	20.2	16.3	16.5	23.2	48.9	40.7	32.0	8.0	24.4	3.8	0.6	8.3	-5.7	12.2

Source: Bloomberg Finance LP data, Mita Securities Note: Forecasts are based on Bloomberg consensus. Shading indicates stocks covered by Mita Securities

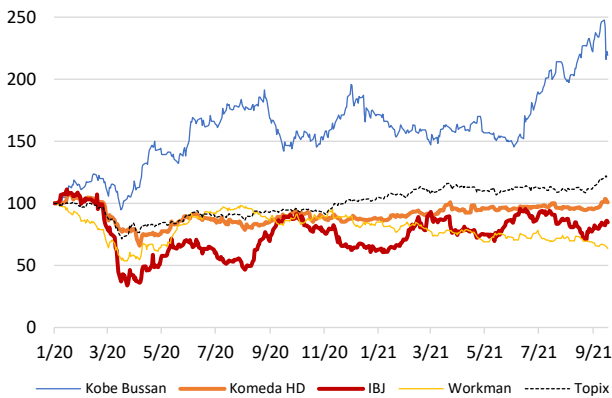
Figure: Comparison of valuations for matchmaking-related companies

Company name	Ticker	PX 9/16	Mkt cap JPYbn	Net D/E Last	Sales YoY LTM	EBITDA Mgn LTM	ROE LTM	ROE Cur E	ROE Nxt E	PER LTM	PER Cur E	PER Nxt E	PBR Last	EV/EBITDA Cur E	EV/Sales Cur E	Div yield Cur E	1M Chg	3M Chg	1YR Chg
BENEFIT ONE INC	2412	5,520	883.0	-0.9	3.4	29.6	46.6	41.0	40.7	119.9	102.8	90.0	51.1	64.3	22.3	0.7	49.4	57.5	115.8
LINKBAL INC	6046	317	6.2	-0.9	-61.0	-45.8	-16.7	NA	NA	NA	NA	NA	3.3	NA	NA	NA	6.4	-7.0	-5.9
IBJ INC (TP 1,450 Buy)	6071	1,041	43.7	-0.2	-1.8	17.5	16.5	19.0	21.9	49.6	37.9	27.8	7.7	NA	2.8	0.7	11.3	-9.9	-4.8
RECRUIT HOLDINGS CO LTD	6098	6,953	11,792.0	-0.1	7.8	14.2	17.3	18.9	18.5	61.1	48.5	43.6	9.8	29.1	4.4	0.4	15.9	25.5	64.3
NET MARKETING CO LTD	6175	473	7.1	-1.1	-2.5	4.4	11.7	NA	NA	20.8	NA	NA	2.3	NA	NA	NA	21.6	12.4	-26.8
TAMENY INC	6181	113	2.4	-9.6	-24.7	-25.4	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	-2.6	-18.7	-54.3
Average				-2.1	-13.1	-0.9	15.1	26.3	27.0	62.8	63.1	53.8	14.8	46.7	9.8	0.6	17.0	9.9	14.7
Median				-0.9	-2.1	9.3	16.5	19.0	21.9	55.3	48.5	43.6	7.7	46.7	4.4	0.7	13.6	2.7	-5.4

Source: Bloomberg Finance LP data, Mita Securities Note: Forecasts are based on Bloomberg consensus. Shading indicates stocks covered by Mita Securities

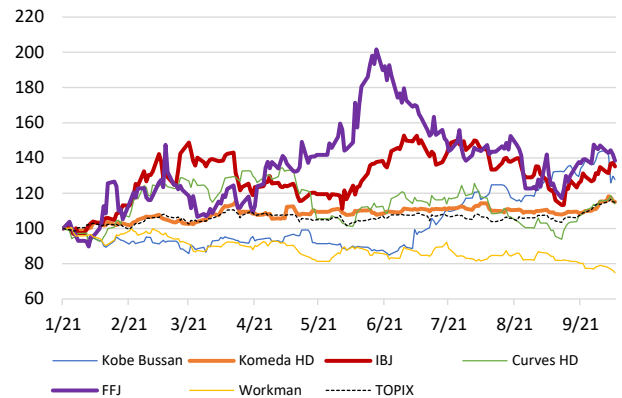
Comparison of stock price trends (reference)

Figure: Stock price trends for franchise business operators



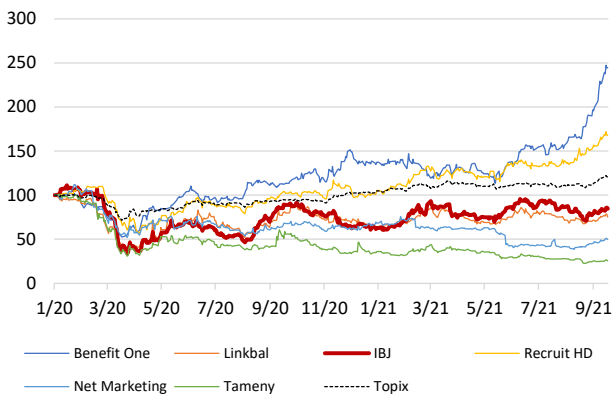
Source: Bloomberg Finance LP data, Mita Securities Note: Indexed 100 at the end of 2019

Figure: Stock price trends for franchise business operators



Source: Bloomberg Finance LP data, Mita Securities Note: Indexed 100 at the end of 2020

**Figure: Stock price trends for matchmaking-related companies**



Source: Bloomberg Finance LP data, Mita Securities Note: Indexed 100 at the end of 2019

**Risk factors**

Risk factors to our view include: 1) unexpected decrease in the number of new openings, number of franchisees, number of married couples, number of party participants, and number of paid app members; 2) occurrence of events related to reliability such as leakage of member information; and 3) failure of M&A.

# Marriage in Japan

## Social mission and growth potential of matchmaking business

### Summary

We believe that the matchmaking business is a socially important and promising growth area.

- The direct cause of the low birthrate is the decline in the number of marriages (the percentage of unmarried people remains high). The matchmaking business can play an important role in building a sustainable society.
- The percentage of unmarried people of marriageable age, mainly in their 30s, has remained high, and many of these unmarried people do not have a partner. The existence of these unmarried people suggests that there is a huge potential market for the matchmaking business.

### Number of marriages and births

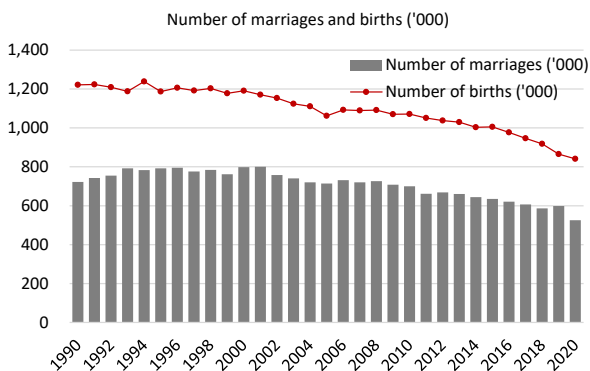
The number of marriages in 2019, before the COVID-19 impact, was 599,000, a decrease of 109,000 from 708,000 a decade earlier (2009). The decline in the number of marriages indicates that the number of people of marriageable age is decreasing, and at the same time, the percentage of those who get married is remaining at a low level. In addition, the number of marriages in 2020 was 525,000, a decrease of 74,000 from the previous year; we speculate that this is due to the impact of COVID-19, which led to calls for restraint in the flow of people, the widespread refraining from or postponement of wedding receptions, and the decrease in dating activities as a prelude to marriage.

*The number of marriages has been on a long-term downward trend. In order to alleviate the declining birthrate, it is necessary to halt the drastic decline in the number of marriages*

As with the number of marriages, the number of births has also been on a downward trend. The relationship between the number of marriages and the number of births has been stable for a long time, and the decline in the number of marriages has directly led to the decline in the number of births. This shows that in order to alleviate the declining birthrate, we must first stop the drastic decline in the number of marriages. The growth of the matchmaking business should be an important factor in building a sustainable society.

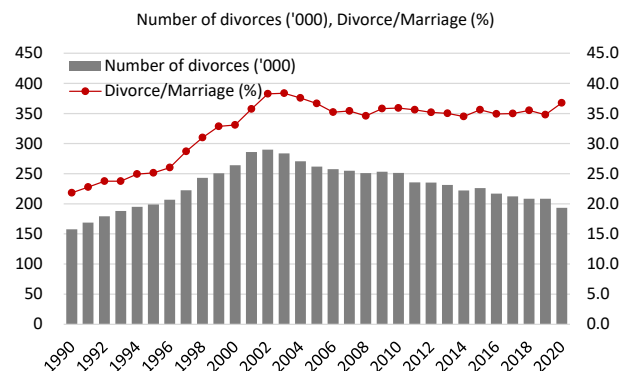
For reference, the ratio of divorces to marriages has generally remained around 35% for the past 20 years, with about 200,000 divorces occurring annually in recent years.

Figure: Number of marriages and births



Source: MHLW data, Mita Securities

Figure: Number of divorces, Divorce/Marriage



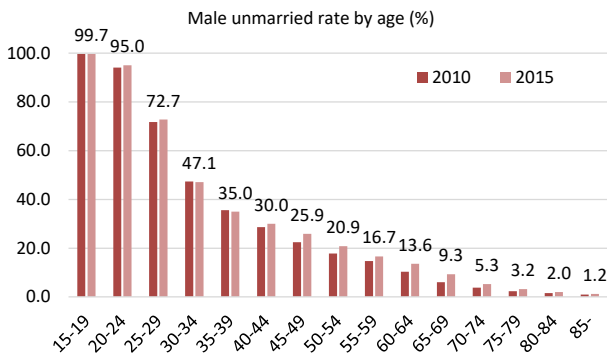
Source: MHLW data, Mita Securities

**Unmarried rate among marriageable age group remains high**

The unmarried rate data from the National Institute of Population and Social Security (IPSS) Research shows in which age group marriage (first marriage) proceeds. For both men and women, the 15-year period from their late 20s to late 30s is the volume zone for first marriages, with men's first marriages being most common in their early 30s and women's in their late 20s. Nevertheless, the percentage of unmarried people in their late 30s remains high, at 35.0% for men and 23.9% for women (2015 data). Furthermore, from the 40s onward, the decline in the unmarried rate for both men and women as the years progress is gradual, indicating that marriage is not progressing very well. The unmarried rate in the early 50s is 20.9% for men and 12.0% for women.

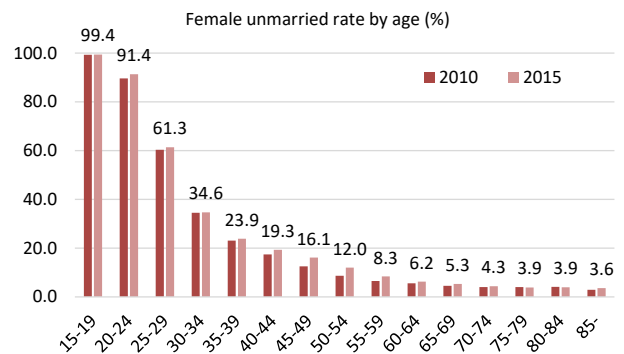
*Marriage progresses from the late 20s to the late 30s. However, even in their late 30s, 1/3 of men and 1/4 of women are unmarried*

**Figure: Male unmarried rate by age**



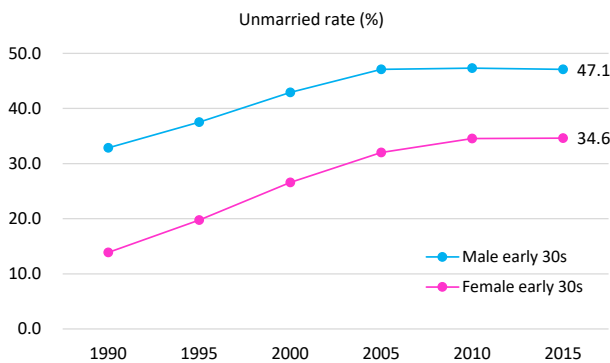
Source: IPSS data, Mita Securities

**Figure: Female unmarried rate by age**



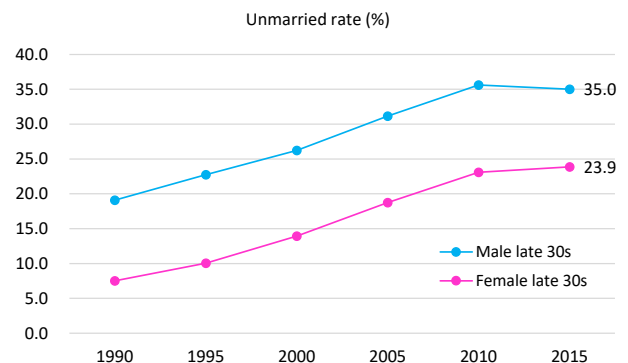
Source: IPSS data, Mita Securities

**Figure: Unmarried rate (early 30s)**



Source: IPSS data, Mita Securities

**Figure: Unmarried rate (late 30s)**



Source: IPSS data, Mita Securities



**Percentage of unmarried people without a partner has increased**

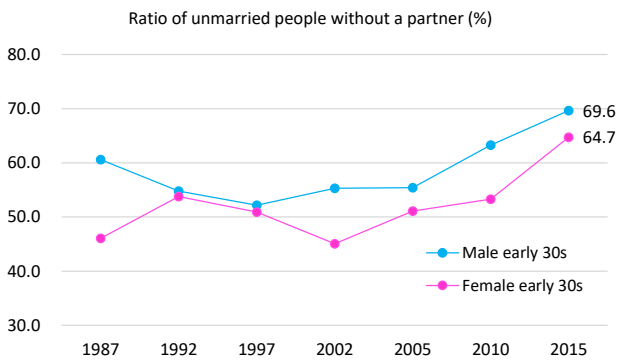
The survey on singles in the IPSS Basic Survey on Fertility Trends includes a research on the percentage of unmarried people who do not have a partner. The 2015 data shows that 1) 69.6% of men in their early 30s and 76.9% in their late 30s did not have a partner, and 2) 64.7% of women in their early 30s and 71.1% in their late 30s did not have a partner.

*Among unmarried people in their late 30s, 77% of men and 71% of women do not have a partner*

Furthermore, as the chart below shows, the percentage of unmarried people who do not have a partner has been increasing remarkably in recent years. It should be noted that "partner" includes not only "fiancé" and "boyfriend/girlfriend," but also "friend."

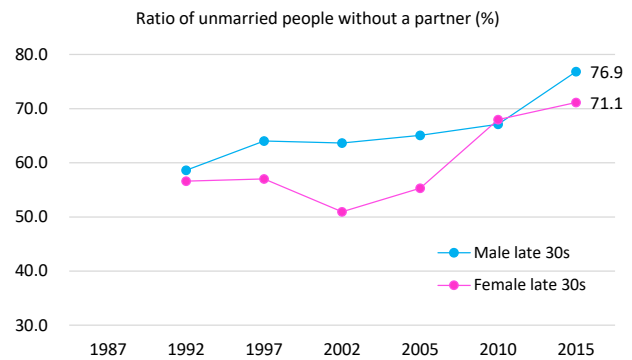
The existence of such unmarried people without a partner suggests that there is a huge potential market for the matchmaking business, in our view.

**Figure: Ratio of unmarried people without a partner (early 30s)**



Source: IPSS data, Mita Securities

**Figure: Ratio of unmarried people without a partner (late 30s)**



Source: IPSS data, Mita Securities

# Company overview

## Company overview

### Overview of IBJ

IBJ operates its marriage agency business through its directly-owned stores and franchisees. The company also provides services for marriage seekers, such as matchmaking parties and apps, as well as services for prospective couples, such as wedding magazines, travel agencies, real estate and mortgage agencies, and insurance agencies.

As of the end of December 2020, the number of franchisees of the Japan Marriage Consulting Federation (JMCF) operated by the company was 2,641. The number of directly-owned stores under the three brands of IBJ Members, Sunmarie, and ZWEI was 74. The number of matchmaking members was 84,000 (sum of registered members of JMCF, IBJ Members, Sunmarie, and ZWEI). The number of married couples in 2020 was 9,732, which is equivalent to 1.6% of the total number of marriages in Japan. In addition, the number of active users of the apps was 244,000.

The company's medium-term management plan sets ambitious targets for 2027: 5.0% of marriages (25,000 couples), 10,000 franchisees, 200,000 matchmaking members, and 500,000 active app users.

### Business segments

The company's business segments consist of the following: 1) matchmaking business segment and 2) life design business segment. The matchmaking business segment comprises the franchise opening support business, franchise store business, directly-owned store business, party business, and app business.

*IBJ operates one of the largest marriage agency organizations in Japan through its directly-owned stores and franchisees. It sets ambitious growth targets*

Figure: Business profile

Business	Service name	Overview
Matchmaking business segment		
Franchise opening support business	Japan Marriage Consulting Federation	Supports the opening of marriage agencies
Franchise store business	Japan Marriage Consulting Federation	Provides the "IBJ Matchmaking System" (online marriage agency network) to franchisees and members
Directly-owned store business	IBJ Members	Marriage agency
	Sunmarie	Marriage agency. Formerly a subsidiary of Zenken Corporation
	ZWEI	Marriage agency. 50 stores nationwide. Formerly a subsidiary of Aeon
Party business	Party Party	Planning of matchmaking parties. Operates "Party☆Party," a matchmaking party app
	Rush	Operates "Rush," a service for setting up blind dates and private dining
App business	Bridal Net	Matchmaking app for Bridal Net members
	Diverse	Operates "youbride," a matchmaking app, and "YYC," a casual dating app. Formerly a subsidiary of Mixi
Life design business segment		
	Wedding business	Wedding information magazines such as "Wedding Book", "Hotel Wedding", and "Wedding in Japan." Referrals to affiliated wedding halls. Operated by IBJ Wedding
	Travel business	Travel service. Operated by Kamome
	Foreign language school business	Korean language school operated by K Village Tokyo. 10 stores nationwide
	Real estate & mortgage business	Property recommendation and mortgage loan services (a franchisee of Aruhi), operated by IBJ Financial Advisory
	Insurance agency business	Life insurance agency operated by IBJ Life Design Support

Source: Company data, Mita Securities

### Corporate group structure

The company's group consists of IBJ and the consolidated subsidiaries and equity-method affiliates shown in the chart below. Most of the consolidated subsidiaries were acquired by the company through M&As.

On a parent basis, IBJ operates the Japan Marriage Consulting Federation, the directly-owned marriage agency business under the "IBJ Members" brand, the app business under the "Bridal Net" brand, and the party business under the "Party☆Party" and "Rush" brands. These are included in the matchmaking business segment.

Of the subsidiaries included in the matchmaking business segment, Sunmarie and ZWEI operate directly-owned marriage agencies under their respective brands, while Diverse operates the matchmaking app "youbride" and the casual dating app "YYC" on its own, as well as the casual dating app "HOP" through a joint venture with LINE.

In the life design business segment, subsidiaries such as IBJ Wedding, Kamome, K Village Tokyo, IBJ Financial Advisory, and IBJ Life Design Support are operating their businesses.

*IBJ and its group companies cover a variety of business fields related to matchmaking*

**Figure: Group companies**

Group company name	Voting right (%)	Location	Overview
Consolidated subsidiary			
IBJ Wedding	100.0	Tokyo	Production and sales of books and publications related to weddings
Kamome	100.0	Tokyo	Travel agency
Kamome & Ars Dream	100.0	Tokyo	Travel agency
Diverse	60.0	Tokyo	Matchmaking business
Sunmarie	100.0	Tokyo	Matchmaking business
K Village Tokyo	55.1	Tokyo	Foreign language school business
IBJ Financial Advisory	100.0	Tokyo	Real estate and mortgage related business
IBJ Life Design Support	70.0	Tokyo	Insurance business
ZWEI	100.0	Tokyo	Matchmaking business
Equity method affiliate			
HOP	40.0	Tokyo	Matchmaking business

Source: Company data, Mita Securities

### Company history

IBJ was substantially founded in 2000, when Bridal Net YK was reorganized into a KK in order to operate a matchmaking SNS. Bridal Net became a wholly owned subsidiary of Yahoo Japan Corporation in 2003, but became an independent company through an MBO in 2006.

Meanwhile, IBJ, Inc. was established in 2006. In the same year, the company launched the predecessor organization to the Japan Marriage Consulting Federation and began offering the IBJ Matchmaking System, a network of marriage agencies. The organization was expanded by promoting the use of IT in the marriage agency industry. Also, in 2009, IBJ merged with Bridal Net.

In 2012, the company listed its shares on the Osaka Securities Exchange's JASDAQ (Standard) market; in 2014, it changed its listing market to the Tokyo Stock Exchange's Second Section; and in 2015, it was listed on the Tokyo Stock Exchange's First Section.

Since then, in addition to organic growth, the company has expanded its business through a number of mergers and acquisitions in the marriage related fields.

*Combined its matchmaking SNS and matchmaker IT networking business. Numerous M&As in peripheral fields*

**Figure: History**

Date	Events
May-00	Bridal Net YK reorganized as Bridal Net KK to operate the matchmaking SNS "Bridal Net" and establish a business base
Jul-01	Bridal Net started operation of matchmaking party "PARTY☆PARTY"
Oct-03	Bridal Net became a wholly owned subsidiary of Yahoo Japan Corporation
Feb-06	IBJ, Inc. was established
Aug-06	Bridal Net management team conducted MBO and became independent from Yahoo Japan Corporation
Sep-06	IBJ launched the Japan Marriage Consulting Federation and began operating a service offering the IBJ Matchmaking System, a network of marriage agencies
Jan-09	IBJ merged with Bridal Net
Dec-12	Listed on JASDAQ (Standard) of Osaka Securities Exchange
Dec-14	Changed listing to the Second Section of the Tokyo Stock Exchange
Jul-15	Listed on the First Section of the Tokyo Stock Exchange
Jun-16	Wind & Sun became a wholly owned subsidiary (currently IBJ Wedding)
Dec-16	Kamome and its subsidiaries became wholly owned subsidiaries
Mar-17	IBJ Life Design Support, a joint venture with Sony Life Insurance, was established and became a subsidiary
Jul-18	Diverse became a wholly owned subsidiary (currently 60% stake)
Jan-19	Sunmarie became a wholly owned subsidiary. K Village Tokyo became a subsidiary (55.1% stake)
Apr-20	ZWEI became a subsidiary

Source: Company data, Mita Securities

**Major shareholders/management team**

Mr. Shigeru Ishizaka, President and Representative Director, was appointed President and Representative Director of Bridal Net in January 2001 (Bridal Net was merged by IBJ later). He also established IBJ in February 2006 and assumed the position of President and Representative Director (current position). Mr. Ishizaka is the largest shareholder of IBJ, holding 13.74% of the company's shares, although his actual shareholding is believed to be higher than this. The company name IBJ is said to have been taken from the English name of the Industrial Bank of Japan (now Mizuho Bank), where Mr. Ishizaka worked before turning to the matchmaking business.

***Mr. Ishizaka, President and Representative Director, is the largest shareholder***

**Figure: Major shareholders (end-FY12/20)**

Major shareholders	Shares held (%)	Note
Custody Bank of Japan (trust account)	21.81	
Shigeru Ishizaka	13.74	Representative Director & President
Tetsuhiro Nakamoto	9.08	Representative Director & Vice President
TNnetwork	8.09	Asset management company for Mr Nakamoto
Kenjiro Tsuchiya	5.60	Managing Director

Source: Company data, Mita Securities

## Details of business

### Breakdown of businesses

#### Breakdown of sales

FY12/20 sales of 13.1bn yen consists of 1.1bn yen in the franchise opening support business (8.2% of total sales), 0.9bn yen in the franchise store business (6.7%), 4.9bn yen in the directly-owned store business (37.2%), 1.4bn yen in the party business (10.5%), 3.0bn yen in the app business (22.6%), and 1.9bn yen in the life design business (14.7%). Since the profit structure of each business is very different, the sales composition ratio has no significance. There are some businesses where sales have fluctuated significantly, the background of which is as follows.

- Sales in directly-owned store business increased significantly due to the consolidation of ZWEI.
- Sales in the party business decreased significantly due to a decrease in the number of matchmaking parties caused by the COVID-19 pandemic.
- Sales in the life design business decreased significantly due to the disappearance of demand for wedding receptions and honeymoon trips as a result of the COVID-19 pandemic.

*Significant changes in sales composition due to M&A and COVID-19 effects*

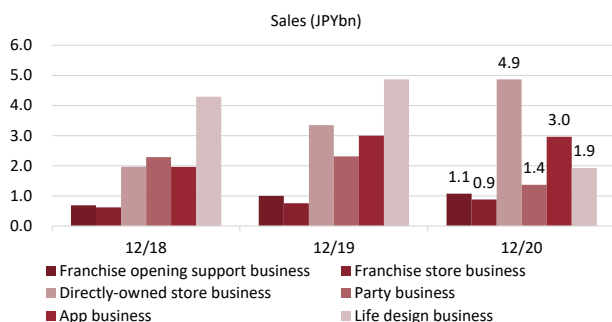
#### Breakdown of EBITDA

FY12/20 EBITDA of 2.2bn yen (EBITDA margin of 17%) consists of 0.7bn yen from the franchise opening support business (69%), 0.6bn yen from the franchise store business (66%), 1.0bn yen from the directly-owned store business (21%), 0.2bn yen from the party business (17%), 0.5bn yen from the app business (18%), 0.0bn yen from the life design business (1%), and -0.9bn yen from other businesses and adjustments. EBITDA in the company's core marriage agency-related businesses (franchise opening support, franchise store, and directly-owned store businesses) has been stable overall despite the COVID-19 pandemic. The following is a summary of the businesses that experienced declines in EBITDA.

*EBITDA of the core marriage agency-related businesses is stable even under the COVID-19*

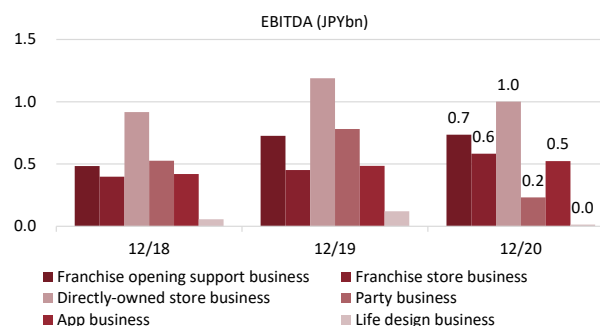
- Profits in the directly-owned store business decreased in FY12/20 due to the loss of ZWEI, a newly consolidated subsidiary. However, in FY12/21, ZWEI has turned to profitability.
- Profits in the party business and the life design business fell sharply due to a large decline in sales as mentioned above.

Figure: Sales by business (JPYbn)



Source: Company data, Mita Securities

Figure: EBITDA by business (JPYbn)



Source: Company data, Mita Securities

## Franchise opening support & franchise store businesses

### Japan Marriage Consulting Federation

The Japan Marriage Consulting Federation (JMCF) is the organization that operates the IBJ Matchmaking System, one of the largest online marriage agency networks in Japan. As of the end of FY12/20, JMCF had 2,641 franchisees nationwide. By using this system, franchisees can arrange marriage meetings with other franchisees across the country.

*One of the largest online marriage agency networks in Japan*

Both the franchise opening support business and the franchise store business are related to JMCF. The franchise opening support business is related to the opening of new franchisees, and the franchise store business is related to the ongoing support for the franchisees that have opened.

**Figure: Comparison of major marriage agency organizations**

Organization	Japan Marriage Consulting Federation (IBJ)	Japan Bridal Association (IBA)	Bridal Information Union (BIU)	Ryoenkai	TMS	Rnet
Members	72,918	52,000	50,303	49,461	43,014	40,000
Franchisees	2,867	1,600	1,609	1,609	1,540	NA

Source: Companies data, Mita Securities Note: Data from each company's website. May include data from affiliated companies

### Business model for franchise opening support business

The sales of the franchise opening support business mainly consist of sign-up fees paid to IBJ by newly opened franchisees. The sign-up fee is 1.6m yen (excluding tax) for individuals and 3.2m yen for corporations.

*Promoting the acquisition of new franchisees. Sales are linked to the number of new openings*

The majority of franchisees are individuals, according to the company. IBJ's marriage agencies are a popular choice for individuals who want to start their own businesses, as the initial cost is low, there is no need to purchase products, and the agencies can operate from home.

Sales of the franchise opening support business are generally linked to the number of new openings. In FY12/20, the number of new stores opened was 718 (+17.3% YoY), or 31.1% of the total number of franchisees at the end of the previous fiscal year.

### Business model for franchise store business

Sales in the franchise store business mainly consist of subscription fees for the IBJ Matchmaking System. The monthly fee structure is based on a basic system usage fee plus a pay as you go fee linked to the number of members. The monthly subscription fee per franchisee, estimated backwards from sales, is approximately 30,000 yen. By using this system, franchisees can set up marriage meetings with members owned by other franchisees throughout Japan.

*Subscription model based on system usage fees. Sales are linked to the number of franchisees*

Sales in the franchise store business are generally linked to the number of franchisees. At the end of FY12/20, the number of franchisees was 2,641 (+14.3% YoY).

### Expansion of franchisees in regional areas

Going forward, the company intends to enhance the development of franchisees in regional areas where there is a high demand for matchmaking services. With the acquisition of ZWEI, the company now has directly-owned stores nationwide and will use these stores as the core to expand the number of franchisees. In addition, the company's alliances with a number of regional banks have enabled it to receive introductions to potential franchisees, which is likely to give momentum to the development of franchisees in regional areas.

*Actively supporting new openings in regional areas*

**Figure: Directly-owned stores and franchisees by region, affiliated regional banks (end-FY12/20)**

	IBJ Members stores	Sunmarie stores	ZWEI stores	Franchisees other than IBJ group	Total stores	Affiliated regional banks
Hokkaido	0	0	1	35	36	
Tohoku	0	1	4	59	64	Kirayaka Bank, Sendai Bank
Kanto	6	6	14	1,261	1,287	
Hokuriku & Koshinetsu	0	0	6	61	67	Hokuriku Bank, Bank of Toyama, Nagano Bank
Tokai	1	1	6	334	342	Bank of Nagoya, San ju San Bank
Kansai	4	1	8	553	566	Senshu Ikeda Bank
Chugoku & Shikoku	0	2	4	108	114	Ehime Bank
Kyushu	1	1	6	145	153	Bank of Saga
Okinawa	0	0	1	8	9	
Overseas	0	0	0	3	3	
<b>Total</b>	<b>12</b>	<b>12</b>	<b>50</b>	<b>2,567</b>	<b>2,641</b>	

Source: Company data, Mita Securities

## Directly-owned store business

### Directly-owned marriage agencies operating under three brands

The company operates directly-owned marriage agencies under three brands: IBJ Members, Sunmarie, and ZWEI. Sunmarie was formerly a consolidated subsidiary of Zenken Corporation and was acquired by IBJ in January 2019 (100% subsidiary). ZWEI was formerly a listed company and a consolidated subsidiary of Aeon, but became a consolidated subsidiary of IBJ in April 2020 through a tender offer (now a wholly owned subsidiary). By joining the IBJ group, both Sunmarie and ZWEI are now able to match with the over 70,000 members registered with the Japan Marriage Consulting Federation.

**IBJ Members boasts a 50%+ marriage rate. Sunmarie and ZWEI have joined the group through M&A**

IBJ Members specializes in major cities and terminal locations, and has achieved an extremely high marriage rate (over 50%) with its high-end services. The initial cost borne by members is relatively high, which attracts members with a high motivation to get married and relatively high income. IBJ Members mainly obtains customers through the party business. Sunmarie is a long-established marriage agency that started in 1981, and its main strength is the support provided by a dedicated professional matchmaker. ZWEI, founded in 1984, is a major marriage agency with a network of 50 stores nationwide, and is very well known through TV ads.

**Figure: Directly-owned marriage agencies**

	IBJ Members	Sunmarie	ZWEI
Number of stores	12 stores	12 stores 49 satellite offices	50 stores 6 satellite offices
Features	Marriage rate 50.4% High value-added services	Dedicated professional matchmaker in charge	Data matching Brand recognition through TV ads
Initial cost	165,000-409,500 yen	94,000-250,000 yen	105,000 yen
Monthly membership fee	15,500 yen	15,000-16,000 yen	14,000-16,000 yen
Marriage fee	200,000 yen	200,000 yen	0-200,000 yen
Member profile	Female 20-30s Male 30s	Female 30s Male late 30s-early 40s	Female 20-30s Male 20-40s

Source: Company data, Mita Securities

### Business model for directly-owned store business

Sales of the directly-owned store business consist of membership fees received from members of marriage agencies. The membership fee structure is generally as follows.

- Initial fee: received at the time of enrollment in the name of admission fee, registration fee, activity support fee, initial activity fee, etc. IBJ Members charges 165,000 yen to 409,500 yen, Sunmarie charges 94,000 yen to 250,000 yen, and ZWEI charges 105,000 yen (excluding tax, same as follows).
- Monthly membership fee: IBJ Members charges 15,500 yen for all courses, Sunmarie charges 15,000 to 16,000 yen depending on the course, ZWEI charges 14,000 to 16,000 yen depending on the course.
- Additional fee: matchmaking fees not included in the course, etc. For example, Sunmarie's course with an initial fee of 94,000 yen requires a matchmaking fee of 10,000 yen per arranged meeting.
- Marriage fee: IBJ Members and Sunmarie charge a flat fee of 200,000 yen as a success fee, while ZWEI charges a 200,000 yen fee only for marrying a member of the Japan Marriage Consulting Federation.
- Discounts: discounts for members in their 20s, discounts for switching from other marriage agencies, etc.

Sales composition of the directly-owned store business is 48% for ZWEI, 32% for IBJ Members, and 20% for Sunmarie (as of 1H FY12/21). The majority of the profits are generated by IBJ Members. Sunmarie and ZWEI have successfully turned to profitability on an EBITDA basis after joining the IBJ Group, and are expected to further improve profitability going forward.

*Fee structure: initial fee + monthly membership fee + marriage fee*

*IBJ Members is highly profitable. Profitability of Sunmarie and ZWEI is improving*

## Party business

### Overview of the party business and business model

The main components of the party business are: 1) planning and operation of matchmaking parties; 2) operation of the party recruitment websites/apps "PARTY☆PARTY" and "Rush"; and 3) attracting business operators who run parties as franchisees and providing supports to them.

Sales in the party business mainly consist of participation fees received from party participants. The average fee per participant is estimated to be about 3,200 yen, and party fee revenue is generally linked to the number of party participants. The purpose of holding parties is not only to generate participation fee income, but also to send a portion of the participants to the directly-owned stores of IBJ Members.

The party business has been strongly affected by the COVID-19, and the number of party participants in FY12/20 declined 34.7% YoY to 488,000.

*Sales are generally linked to the number of party participants. It attracts customers to directly-owned stores. The business has been strongly affected by the COVID-19 since last year*



### Outline of matchmaking parties

An outline of the company's matchmaking parties is as follows.

- Party information is posted on the "PARTY☆PARTY" website. Each party has its own theme and participant qualifications. Some examples of themes are "Matchmaking beginners," "Tall men with over 8 million yen income," "Men who understand geek ladies," and "Ladies mainly in their 20s." Examples of qualifications for participants include age, height, income, occupation, and smoking status. Most of the parties have age requirements for both men and women, but most of the other requirements seem to be for men.
- Participation fees are set for each party. The fees are received from both men and women, but men pay more (e.g., 5,000 yen for men and 1,500 yen for women).
- The venue is a party hall attached to an IBJ Members store, or a store dedicated to parties. The number of participants is basically 8 men and 8 women. The time required is about 60 to 90 minutes.
- Flow of the party (example): Start of registration (confirmation of participants' profiles) → Explanation of party procedures → Self-introduction time (one-on-one self-introduction in a private room with a partition) → Appeal time (men and women are seated separately and appeal using special tablets or their own smartphones) → Matching vote (results are announced individually). If matched, the couple meet again at the seat, exchange contact information, and go on a date.
- Soft drinks are served, but no alcohol is served.

*One-on-one self-introductions in individual booths. Small group setting*

### App business

#### Overview of the app business and business model

The app business consists of 1) "Bridal Net," a matchmaking app for serious marriage seekers operated by IBJ, and 2) matchmaking apps for casual users provided by subsidiary Diverse.

- Bridal Net features 1) a support function with dedicated counselors, 2) the same fee for both men and women, and 3) for people who are seriously seeking to get married.
- Diverse was formerly a subsidiary of Mixi, and was acquired by IBJ in July 2018. Among Diverse's apps, the largest contributor to sales is "YYC," a casual dating app; YYC has free membership registration, no monthly basic fee, and charges only men based on points.

Sales in the app business mainly consist of membership fees received from paying members, and as such are generally linked to the number of paying members.

The market for matchmaking apps has significant room for growth, but it is also an extremely competitive field. Competitors include Match Group's "pairs," "tinder," and "match," CyberAgent subsidiary "tapple," Net Marketing's "Omiai," Ignis' "with," and Recruit's "Zexy Enmusubi." Since members switch in a short period of time, aggressive promotion is always necessary.

*App business faces fierce competition from a number of competitors*

## Life design business

### Overview of life design business and impact of COVID-19

The life design business consists of the wedding business, travel business, foreign language school business, real estate/mortgage business, and insurance agency business. Many of these can provide additional services to the married couples of the matchmaking business.

*The mainstay travel business has been strongly affected by the COVID-19*

However, as demand for wedding receptions and honeymoon trips has declined significantly since 2Q FY12/20 due to the COVID-19, the wedding and travel businesses appear to have posted little sales. The travel business is thought to have accounted for a large portion of the life design business's sales prior to the COVID-19. The real estate/mortgage business and insurance agency business seem to have been less affected by the COVID-19, but they are not in a position to offset the negative impact of the travel business, etc.

Figure: Life design business

Business	Operating subsidiary	Overview
Wedding business	IBJ Wedding	Wedding information magazines such as "Wedding Book", "Hotel Wedding", and "Wedding in Japan." Referrals to affiliated wedding halls
Travel business	Kamome	Travel service
Foreign language school business	K Village Tokyo	Korean language school. 10 stores nationwide
Real estate & mortgage business	IBJ Financial Advisory	Property recommendation and mortgage loan services (a franchisee of Aruhi)
Insurance agency business	IBJ Life Design Support	Life insurance agency

Source: Company data, Mita Securities

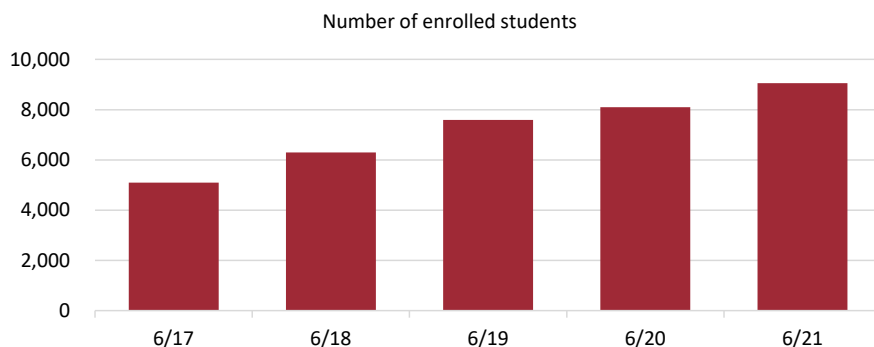
### Success of Korean language school K Village Tokyo

At present, the foreign language school business is the main driver of sales and profits in the life design business segment. K Village Tokyo, a subsidiary of the company, is based in the Shin-Okubo area of Shinjuku-ku, Tokyo, and has 10 Korean language schools. The number of students enrolled at the end of June 2021 was 9,055 (+11.8% YoY), making it apparently the largest Korean language school in Japan. The number of female students of various ages has been increasing due to the popularity of K-POP and Korean dramas.

*Supported by the popularity of K-POP and Korean dramas. Expanding the scope of business*

Moreover, K Village Tokyo is expanding the scope of its Korea-related business. It took over the Korean information media "kasioda" in February 2021, and released the "MODULY" app in July, which is an information media for Korean lovers. Also in July, it took over "NAYUTAS," a voice training school.

Figure: Number of enrolled students for K Village Korean Language School



Source: Company data, Mita Securities

# Mita Securities' earnings forecast

## Earnings forecast for FY12/21

### Earnings forecast for FY12/21

Our FY12/21 earnings forecast is for sales of 14.1bn yen (+8.0% YoY), OP of 1.7bn yen (+3.5% YoY), and NP of 1.0bn yen (+45.2% YoY). We expect full-year results to fall short of the company's guidance (sales of 15.248bn yen, OP of 2.074bn yen, and NP of 1.134bn yen) due to the slow recovery in the businesses with the greatest impact from COVID-19.

In the matchmaking business segment, we forecast sales of 12.9bn yen (+15.9% YoY) and OP of 2.7bn yen (+1.4% YoY). In the marriage agency-related businesses (directly-owned store business, franchise opening support business, and franchise store business), we expect both IBJ and its subsidiaries to perform generally well. We assume the number of newly opened franchisees to be 730, and the number of franchisees at the end of the fiscal year to be 3,106 (+465 YoY). The main reason for the large increase in sales is the consolidation effect of ZWEI (consolidated from 2Q FY12/20), and we expect ZWEI to improve its profitability and become profitable even after goodwill amortization. On the other hand, we expect the party business, which has been strongly affected by the COVID-19, to post a negative EBITDA. In addition, we forecast a decrease in EBITDA for the app business, which has been facing a severe competition.

In the life design business, we forecast sales of 1.2bn yen (-37.7% YoY) and OP of -45m yen (vs. -69m yen loss in the previous year). Although we forecast increased sales and profits for K Village Tokyo, the travel and wedding businesses, which have been heavily impacted by the COVID-19, should not be able to escape the difficult situation.

### 1H FY12/21 results

1H FY12/21 results were sales of 6.8bn yen (+10.2% YoY), OP of 0.7bn yen (-10.4% YoY). The company achieved 99% of its 1H OP guidance and made 33% progress toward its full-year OP guidance. The party business and travel business were strongly affected by the COVID-19, but the marriage agency-related businesses were generally strong.

In the matchmaking business segment, sales were 6.2bn yen (+25.5% YoY), and OP was 1.2bn yen (-6.8% YoY). The large increase in sales was due to the consolidation effect of ZWEI. Existing marriage agency-related businesses (existing directly-owned store business, franchise opening support business, and franchise store business) were generally strong; the number of franchisees at the end of 2Q was 2,832 (+191 from the end of FY12/20). The decrease in profit in the matchmaking business was mainly due to decreased sales and reduced profit margin in the app business and party business.

In the life design business segment, sales were 0.6bn yen (-52.2% YoY), and OP was -12m yen (vs. -41m yen loss in the same period last year). The travel and wedding businesses struggled due to the impact of the COVID-19. K Village Tokyo performed well and it was apparently in the black even after goodwill amortization.

*We expect the marriage agency-related businesses to be solid, and ZWEI to contribute to profits. We do not expect a recovery in the travel and party businesses, which are heavily impacted by the COVID-19, and expect earnings to fall short of the company's guidance*

*Existing marriage agency-related businesses generally steady. Party and travel businesses affected by the COVID-19*

## **Earnings forecast for FY12/22**

For FY12/22, we forecast sales of 16.3bn yen (+15.1% YoY), OP of 2.5bn yen (+48.8% YoY), and NP of 1.6bn yen (+61.3% YoY). We expect OP to surpass the record high of 2.3bn yen in FY12/19.

In the matchmaking business segment, we forecast sales of 14.1bn yen (+9.3% YoY) and OP of 3.4bn yen (+28.0% YoY). We expect the existing marriage agency-related businesses to continue to grow steadily, and ZWEI to grow and improve its profitability. We assume the number of newly opened franchisees to be 780 and the number of franchisees at the end of the fiscal year to be 3,566 (+460 YoY). In addition, we believe that the party business will start to recover, and more customers will be sent to directly-owned stores, which should drive the increase in segment OP. However, we expect the app business to remain largely flat in terms of sales and EBITDA due to intense competition.

In the life design business segment, we forecast a turn to profitability with sales of 2.1bn yen (+77.4% YoY) and OP of 28m yen. In addition to the steady growth of K Village Tokyo, we assume that the travel and wedding businesses, which were significantly affected by COVID-19, will gradually begin to recover in the second half of the fiscal year

## **Our view on FY12/23 and beyond**

Our subsequent OP forecasts are 3.5bn yen for FY 12/23, 4.2bn yen for FY 12/24, and 4.9bn yen for FY 12/25. We expect the number of new franchise openings to be 810 in FY12/23, 850 in FY12/24, and 900 in FY12/25, and the number of franchisees to be 4,006 in FY12/23, 4,441 in FY12/24, and 4,881 in FY12/25. In FY12/23, we expect the party business to return to a full-fledged growth trajectory and the life design business to regain the sales it had before the COVID-19.

We assume a five-year CAGR of 24.9% for OP through FY12/25.

***Start of recovery in the party business, increase in franchisees, and return to profitability in the life design business should lead to a record-high profit***

***To overcome the negative impact of COVID-19 in FY12/23. Forecasting a 5-year CAGR of 25% in OP through FY12/25.***

Figure: Mita Securities' earnings forecast (consolidated, various indicators)

Various indicators	A	A	A	Mita E	Mita E	Mita E	Mita E	Mita E	5y ave growth (CAGR, %)
	12/18	12/19	12/20	12/21	12/22	12/23	12/24	12/25	
Sales growth (%)	24.9	29.3	-14.5	8.0	15.1	29.0	10.2	7.2	
EBITDA growth (%)	2.0	59.1	-22.4	7.4	37.3	32.8	17.7	14.6	
OP growth (%)	-1.1	58.4	-30.7	3.5	48.8	40.5	20.6	16.7	
RP growth (%)	-1.6	59.7	-35.3	3.6	52.8	42.9	21.6	17.4	
NP growth (%)	1.3	44.9	-54.9	45.2	61.3	44.2	22.0	17.8	
GPM (%)	64.6	73.5	91.2	97.2	92.9	81.5	79.5	78.8	
EBITDA margin (%)	14.8	18.2	16.5	16.4	19.6	20.2	21.6	23.1	
OPM (%)	12.5	15.3	12.4	11.9	15.3	16.7	18.3	19.9	
ROA (%)	15.3	16.2	5.5	7.2	11.1	13.7	14.2	14.6	
ROE (%)	31.4	36.0	13.5	17.7	24.1	28.2	27.5	26.1	

Source: Company data, Mita Securities

Figure: Mita Securities' earnings forecast (consolidated, PL, JPYm)

PL Consolidated, JPYm	A	A	A	Mita E	Mita E	Mita E	Mita E	Mita E	5y ave growth (CAGR, %)
	12/18	12/19	12/20	12/21	12/22	12/23	12/24	12/25	
Sales	11,819	15,282	13,072	14,118	16,255	20,963	23,105	24,779	13.6
COGS	4,184	4,043	1,156	392	1,157	3,870	4,740	5,244	
Gross profit	7,635	11,239	11,916	13,726	15,098	17,092	18,365	19,535	
SGA	6,135	8,872	10,278	12,029	12,583	13,568	14,118	14,581	
Operating profit	1,477	2,339	1,620	1,677	2,495	3,505	4,227	4,934	24.9
Non-operating income	3	35	22	28	28	28	28	28	
Non-operating expense	11	28	125	133	121	101	81	61	
Recurring profit	1,469	2,346	1,518	1,572	2,402	3,432	4,174	4,901	26.4
Extraordinary income	0	5	273	150	0	0	0	0	
Extraordinary losses	35	9	475	120	0	0	0	0	
Pretax profit	1,434	2,342	1,317	1,602	2,402	3,432	4,174	4,901	30.1
Corporate taxes	383	724	587	529	721	1,030	1,252	1,470	
Minorities	0	95	43	77	74	83	93	98	
Net profit	1,051	1,523	686	997	1,608	2,319	2,829	3,333	37.2
EBITDA	1,750	2,784	2,162	2,321	3,187	4,233	4,983	5,713	21.5
Shares outstanding ( m )	39.366	40.082	40.028	40.045	40.045	40.045	40.045	40.045	
EPS	26.69	38.00	17.15	24.89	40.16	57.91	70.64	83.24	
BPS	89.54	123.14	131.43	150.27	182.42	228.34	284.98	352.22	
DPS	9.00	9.00	6.00	8.00	12.00	14.00	16.00	20.00	
Payout ratio (%)	33.7	23.6	35.0	32.1	29.9	24.2	22.7	24.0	

Source: Company data, Mita Securities

Figure: Mita Securities' earnings forecast (segment earnings, JPYm)

Segment earnings	A	A	A	Mita E	Mita E	Mita E	Mita E	Mita E	Sy ave growth
Consolidated, JPYm	12/18	12/19	12/20	12/21	12/22	12/23	12/24	12/25	(CAGR, %)
<b>Matchmaking business</b>									
Sales	7,525	10,415	11,145	12,917	14,125	15,783	16,895	17,939	10.0
(YoY, %)	28.6	38.4	7.0	15.9	9.3	11.7	7.0	6.2	
EBITDA	2,745	3,632	3,076	3,209	3,999	4,918	5,610	6,295	15.4
EBITDA margin (%)	36.5	34.9	27.6	24.8	28.3	31.2	33.2	35.1	
Operating profit	2,575	3,290	2,639	2,676	3,426	4,315	4,987	5,657	16.5
OPM (%)	34.2	31.6	23.7	20.7	24.3	27.3	29.5	31.5	
<b>Franchise opening support business</b>									
Sales	686	997	1,073	1,148	1,248	1,296	1,360	1,440	6.1
(YoY, %)	NA	45.3	7.6	7.0	8.7	3.8	4.9	5.9	
EBITDA	483	726	736	751	861	933	993	1,051	7.4
EBITDA margin (%)	70.4	72.8	68.6	65.4	69.0	72.0	73.0	73.0	
Number of new openings	461	612	718	730	780	810	850	900	4.6
<b>Franchise store business</b>									
Sales	620	758	878	1,069	1,241	1,408	1,571	1,734	14.6
(YoY, %)	NA	22.3	15.8	21.7	16.1	13.5	11.6	10.4	
EBITDA	399	451	583	750	894	1,018	1,139	1,261	16.7
EBITDA margin (%)	64.4	59.5	66.4	70.2	72.0	72.3	72.5	72.7	
Number of franchisees	1,898	2,310	2,641	3,106	3,566	4,006	4,441	4,881	13.1
Net increase	269	412	331	465	460	440	435	440	
<b>Directly-owned store business</b>									
Sales	1,966	3,347	4,865	6,759	7,184	7,808	8,121	8,433	11.6
(YoY, %)	NA	70.2	45.4	38.9	6.3	8.7	4.0	3.8	
EBITDA	917	1,189	1,001	1,430	1,571	1,811	1,990	2,170	16.7
EBITDA margin (%)	46.6	35.5	20.6	21.2	21.9	23.2	24.5	25.7	
Number of marriages (IBJ Members)	1,591	1,838	1,809	1,911	2,032	2,208	2,297	2,385	5.7
<b>Party business</b>									
Sales	2,287	2,312	1,367	1,140	1,620	2,320	2,790	3,200	18.5
(YoY, %)	NA	1.1	-40.9	-16.6	42.1	43.2	20.3	14.7	
EBITDA	527	781	232	-57	356	812	1,116	1,440	44.1
EBITDA margin (%)	23.0	33.8	17.0	-5.0	22.0	35.0	40.0	45.0	
Number of party participants ('000)	670	747	488	435	600	800	900	1,000	15.4
<b>App business</b>									
Sales	1,962	2,999	2,959	2,801	2,832	2,950	3,053	3,132	1.1
(YoY, %)	NA	52.9	-1.3	-5.3	1.1	4.2	3.5	2.6	
EBITDA	419	485	524	335	317	344	372	374	-6.5
EBITDA margin (%)	21.4	16.2	17.7	11.9	11.2	11.7	12.2	11.9	
Number of paying members ('000)	58.0	48.1	41.1	40.8	42.0	43.5	45.0	45.0	1.8
<b>Life design business</b>									
Sales	4,294	4,867	1,927	1,201	2,130	5,180	6,210	6,840	28.8
(YoY, %)	18.9	13.3	-60.4	-37.7	77.4	143.2	19.9	10.1	
EBITDA	57	120	14	40	116	244	302	346	89.9
EBITDA margin (%)	1.3	2.5	0.7	3.3	5.4	4.7	4.9	5.1	
Operating profit	50	42	-69	-45	28	154	209	251	NA
OPM (%)	1.2	0.9	-3.6	-3.8	1.3	3.0	3.4	3.7	

Source: Company data, Mita Securities

Figure: Mita Securities' earnings forecast (consolidated, BS, JPYm)

BS	A	A	A	Mita E	Mita E	Mita E	Mita E	Mita E	5y ave growth
Consolidated, JPYm	12/18	12/19	12/20	12/21	12/22	12/23	12/24	12/25	(CAGR, %)
<b>Assets</b>									
Total current assets	5,028	5,763	7,589	8,435	10,492	13,685	16,811	20,229	21.7
Cash and deposits	3,833	4,359	5,937	5,554	7,150	9,320	11,964	15,056	
Accounts receivable	939	1,080	1,267	1,369	1,576	2,032	2,240	2,402	
Inventories	4	11	19	20	20	20	20	20	
Other	253	313	366	1,492	1,747	2,313	2,587	2,751	
Total fixed assets	2,531	5,526	6,299	5,175	4,957	4,752	4,469	4,214	-7.7
Tangible assets	496	523	722	850	880	873	838	781	
Intangible assets	677	1,086	2,478	2,225	1,977	1,729	1,481	1,233	
Investment and other	1,358	3,918	3,099	2,100	2,100	2,150	2,150	2,200	
Total assets	7,559	11,289	13,888	13,611	15,449	18,437	21,279	24,443	12.0
<b>Liabilities</b>									
Total current liabilities	2,772	3,966	6,864	4,002	4,447	5,455	5,904	6,249	-1.9
Accounts payable	148	146	53	33	59	143	171	189	
Short-term debt	555	960	4,247	1,200	1,200	1,200	1,200	1,200	
Advances received	983	1,069	903	975	1,123	1,448	1,596	1,712	
Other	1,085	1,790	1,661	1,794	2,065	2,663	2,936	3,148	
Total long-term liabilities	1,231	1,959	1,359	3,110	3,142	3,201	3,233	3,260	19.1
Long-term debt	1,102	1,780	753	2,400	2,400	2,400	2,400	2,400	
Other	129	179	606	710	742	801	833	860	
Total liabilities	4,003	5,925	8,223	7,112	7,590	8,655	9,137	9,510	2.9
<b>Net assets</b>									
Shareholders' equity	3,525	4,936	5,261	6,017	7,305	9,144	11,412	14,104	21.8
Warrants	32	30	1	1	1	1	1	1	
Minorities	0	398	403	480	553	637	730	828	
Total net assets	3,556	5,364	5,665	6,498	7,860	9,782	12,143	14,933	21.4
Debt	1,658	2,740	4,999	3,600	3,600	3,600	3,600	3,600	
D/E (x)	0.5	0.6	1.0	0.6	0.5	0.4	0.3	0.3	
Shareholders' equity ratio (%)	46.6	43.7	37.9	44.2	47.3	49.6	53.6	57.7	

Source: Company data, Mita Securities

Figure: Mita Securities' earnings forecast (consolidated, CF, JPYm)

CF	A	A	A	Mita E	Mita E	Mita E	Mita E	Mita E	5y ave growth
Consolidated, JPYm	12/18	12/19	12/20	12/21	12/22	12/23	12/24	12/25	(CAGR, %)
<b>Cashflow from operations</b>									
Net profit	1,051	1,523	686	997	1,608	2,319	2,829	3,333	
Depreciation and amortization	274	445	541	644	692	729	757	779	
Other	-84	493	-185	-50	-34	-47	-31	-29	
<b>Cashflow from investing</b>									
Capital expenditure	-331	-124	-347	-350	-350	-350	-350	-350	
Disposal of fixed assets	0	0	0	0	0	0	0	0	
Other	-198	-2,758	-964	0	0	0	0	0	
<b>Cashflow from financing</b>									
Debt issuance /repayment	307	1,020	2,258	-1,399	0	0	0	0	
Share issuance /buyback	-380	166	0	0	0	0	0	0	
Dividend paid	-356	-353	-361	-240	-320	-481	-561	-641	
Other	-31	104	-168	0	0	0	0	0	
Cash and cash equivalents	3,859	4,385	5,954	5,554	7,150	9,320	11,964	15,056	
Free cashflow	712	-422	-269	1,240	1,916	2,651	3,204	3,733	

Source: Company data, Mita Securities

## APPENDIX

### [Analyst Certification]

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