



## Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending October 31, 2021 (Japanese GAAP)

June 7, 2021

Listed on: First Section of the Tokyo Stock Exchange

Name of listed company: IKK Inc.

Securities code: 2198

URL: <https://www.ikk-grp.jp/>

Representative: Hiroki Murata, President and Representative Director

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Scheduled date of filing quarterly financial report: June 11, 2021

Scheduled date of starting dividends distribution: -

Supplementary quarterly materials prepared: Yes

Quarterly results information meeting held: Yes (for securities analysts and institutional investors)

(Figures shown are rounded down to the nearest million yen.)

### 1. Consolidated financial results for the second quarter of the FY ending October 31, 2021 (Nov. 1, 2020 - Apr. 30, 2021)

#### (1) Consolidated operating results (cumulative)

(Percentage figures show changes from the same period in the previous fiscal year.)

	Net Sales		Operating Profit		Ordinary Profit		Profit Attributable to Owners of Parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
2Q of FY ending Oct. 31, 2021	4,293	(41.8)	(1,648)	-	(928)	-	(942)	-
2Q of FY ended Oct. 31, 2020	7,376	(18.3)	(589)	-	(575)	-	(436)	-

Note: Comprehensive income: 2Q of FY ending Oct. 31, 2021: (935) million yen (-%); 2Q of FY ended Oct. 31, 2020: (424) million yen (-%)

	Net Income per Share		Diluted Net Income per Share	
	Yen		Yen	
2Q of FY ending Oct. 31, 2021	(32.22)		-	
2Q of FY ended Oct. 31, 2020	(14.67)		-	

#### (2) Consolidated financial position

	Total Assets	Net Assets	Equity Ratio
	Millions of yen	Millions of yen	%
2Q of FY ending Oct. 31, 2021	17,344	7,028	40.4
FY ended Oct. 31, 2020	17,898	7,923	44.1

Reference: Equity capital: 2Q of FY ending Oct. 31, 2021: 7,002 million yen; FY ended Oct. 31, 2020: 7,887 million yen

### 2. Dividends

	Dividends per share				
	1Q End	2Q End	3Q End	FY End	Annual
	Yen	Yen	Yen	Yen	Yen
FY ended Oct. 31, 2020	-	0.00	-	0.00	0.00
FY ending Oct. 31, 2021	-	0.00			
FY ending Oct. 31, 2021 (forecast)			-	-	-

Note: Revisions to the latest projected dividends: No

The dividend forecast for the fiscal year ending October 31, 2021 has not been determined at this time.

### 3. Consolidated financial forecast for the FY ending October 31, 2021 (Nov. 1, 2020 - Oct. 31, 2021)

(Percentage figures show changes from the same period in the previous fiscal year.)

	Net Sales		Operating Profit		Ordinary Profit		Profit Attributable to Owners of Parent		Net Income per Share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	-	-	-	-	-	-	-	-	-

Note: Revisions to the latest projected financial results: No

The consolidated financial forecast for the fiscal year ending October 31, 2021 has not been determined at this time.

\* Notes

(1) Significant changes to subsidiaries during the period (transfer of specific subsidiaries accompanying changes in scope of consolidation): No

Newly added: - Company name: - Excluded: - Company name: -

(2) Application of specific accounting policies for preparation of quarterly consolidated financial statements: No

(3) Changes in accounting policies, accounting estimates and restatement

1) Changes in accounting policies due to revision of accounting standards, etc.: No

2) Changes in accounting policies other than 1): No

3) Changes in accounting estimates: No

4) Restatement: No

(4) Number of shares issued (common stock)

1) Number of shares issued at the end of period (including treasury shares)

2Q of FY ending Oct. 31, 2021	29,956,800 shares	FY ended Oct. 31, 2020	29,956,800 shares
2) Number of treasury shares at the end of period	648,973 shares	FY ended Oct. 31, 2020	735,864 shares
3) Average number of shares outstanding during the period (quarterly cumulative)	29,260,101 shares	2Q of FY ended Oct. 31, 2020	29,770,528 shares

Note: Figures for treasury shares include 582,700 shares of the IKK stock held by the IKK Employee Stock Ownership Association Exclusive Trust at the end of the second quarter of the current fiscal year.

\* The current quarterly financial report is not subject to audit by certified public accountants or auditing firms.

\* Explanation of appropriate use of financial forecasts, other special remarks

Forecasts and other forward-looking statements included in this document are based on currently available information and assumptions deemed rational, and are not a guarantee of results by IKK. Actual results may vary substantially due to a variety of reasons. For notes and other cautionary statements related to assumptions behind and use of forecasts, please see "1. Qualitative Information on Quarterly Financial Results; (3) Explanation of Consolidated Forecast and Other Forward-looking Statements" (attachments, page 3).

Attachments (Table of Contents)

1. Qualitative Information on Quarterly Financial Results .....	2
(1) Explanation of Results of Operations .....	2
(2) Explanation of Financial Position .....	2
(3) Explanation of Consolidated Forecast and Other Forward-looking Statements .....	3
2. Quarterly Consolidated Financial Statements and Notes .....	4
(1) Quarterly Consolidated Balance Sheet .....	4
(2) Quarterly Consolidated Statements of Income and Comprehensive Income .....	6
Quarterly Consolidated Statement of Income	
For the Six-month Period .....	6
Quarterly Consolidated Statement of Comprehensive Income	
For the Six-month Period .....	7
(3) Quarterly Consolidated Statement of Cash Flows .....	8
(4) Notes to Quarterly Consolidated Financial Statements .....	9
Notes on Premise of Going Concern .....	9
Notes on Significant Fluctuation in Amounts of Shareholders' Equity .....	9
Additoinal Information .....	9

## 1. Qualitative Information on Quarterly Financial Results

### (1) Explanation of Results of Operations

In the first half of the current fiscal year (November 1, 2020 to April 30, 2021), there was a need for measures to stop the spread of COVID-19 as well as to enable economic activity to continue during this crisis. However, the number of cases did not decrease in some areas of Japan and a state of emergency and other preventive measures were enacted in order to contain the movement of people. The result was the continuation of severe restrictions on social and economic activities in many industries and regions. New variants of COVID-19 have been appearing worldwide and the number of infections in Japan is increasing. Due to this situation, the outlook remains unclear.

The business climate for the wedding industry remained extremely challenging. In response to COVID-19, people avoided close-contact settings. As they also stayed home as much as possible and took other actions, there were postponements of weddings, receptions and other events attended by many people.

The IKK Group is holding weddings and receptions while making the safety of guests and employees the highest priority. All activities include every possible measure based on the Guidelines for Preventing the Spread of COVID-19 for protection against infections. In addition, there were cost-cutting measures in all of the group's operations to aim for a recovery in sales and earnings. Despite these activities, first half sales and earnings were lower than one year earlier as the number of weddings and sales per wedding decreased.

First half sales decreased 41.8% from one year earlier to 4,293 million yen. The operating loss was 1,648 million yen compared with a 589 million yen loss one year earlier, the ordinary loss was 928 million yen compared with a 575 million yen loss one year earlier, and the loss attributable to owners of parent was 942 million yen compared with a 436 million yen loss one year earlier.

Results by business segment are as follows:

#### a) Wedding Operations

The number of weddings decreased because of postponements of weddings and receptions due to COVID-19. As a result, sales decreased 43.7% from one year earlier to 4,002 million yen. Operating loss was 1,667 million yen compared with a 615 million yen loss one year earlier.

#### b) Nursing-care Operations

Sales increased 4.7% from one year earlier to 274 million yen and operating profit decreased 2.5% to 24 million yen.

#### c) Food Business

A subsidiary was established in October 2020 to operate food business. Sales were 30 million yen and the operating loss was 5 million yen.

### (2) Explanation of Financial Position

Total assets were 17,344 million yen at the end of the second quarter of the current fiscal year, 553 million yen less than at the end of the previous fiscal year. The main causes were an increase of 984 million yen in cash and deposits, and decreases of 873 million yen in income taxes receivable, 256 million yen in other current assets and 479 million yen in property, plant and equipment.

Liabilities increased 340 million yen to 10,315 million yen. The main causes were increases of 266 million yen in accounts payable-trade, 100 million yen in short-term borrowings, 190 million yen in provision for bonuses and 290 million yen in other current liabilities, while there was a decrease of 516 million yen in long-term borrowings.

Net assets decreased 894 million yen to 7,028 million yen. The main cause was a decrease due to loss attributable to owners of parent of 942 million yen. As a result, compared with the end of the previous fiscal year, the equity ratio fell by 3.7 percentage points to 40.4%.

(3) Explanation of Consolidated Forecast and Other Forward-looking Statements

There is still no end in sight for the COVID-19 crisis in Japan. Some areas of Japan have declared a state of emergency and enacted other preventive measures in response to another wave of cases that includes an increase in infections caused by new variants of the virus that causes COVID-19. If this crisis does not end in the near future, there will be more postponements and cancellations of weddings and receptions. As a result, we are unable to forecast the timing of a recovery in sales and earnings.

The consolidated forecast for the fiscal year ending October 31, 2021 has not been established because it is difficult to determine a reliable outlook for the impact of COVID-19 at this time. An announcement will be made promptly once it becomes possible to establish a forecast.

## 2. Quarterly Consolidated Financial Statements and Notes

### (1) Quarterly Consolidated Balance Sheet

(Thousands of yen)

	Previous Consolidated FY (Oct. 31, 2020)	Current Consolidated FY, 2Q (Apr. 30, 2021)
<b>Assets</b>		
Current assets		
Cash and deposits	1,873,191	2,857,622
Accounts receivable-trade	144,519	211,746
Merchandise	339,695	390,664
Raw materials and supplies	67,174	104,607
Income taxes receivable	873,897	-
Other	521,440	264,931
Allowance for doubtful accounts	(2,701)	(3,914)
Total current assets	3,817,216	3,825,657
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	9,081,468	8,722,420
Land	1,850,919	1,850,919
Other, net	585,837	465,393
Total property, plant and equipment	11,518,225	11,038,733
Intangible assets	138,298	151,688
Investments and other assets		
Guarantee deposits	1,746,822	1,672,096
Other	677,794	656,459
Total investments and other assets	2,424,616	2,328,556
Total non-current assets	14,081,140	13,518,977
Total assets	17,898,356	17,344,634
<b>Liabilities</b>		
Current liabilities		
Accounts payable-trade	221,248	487,350
Short-term borrowings	2,000,000	2,100,000
Current portion of long-term borrowings	1,029,552	933,137
Income taxes payable	952	19,874
Provision for bonuses	100,468	291,233
Other	1,786,665	2,077,248
Total current liabilities	5,138,888	5,908,844
Non-current liabilities		
Long-term borrowings	3,198,097	2,778,131
Retirement benefit liability	38,382	37,828
Provision for point card certificates	16,600	16,936
Asset retirement obligations	1,027,852	1,033,326
Other	555,191	540,867
Total non-current liabilities	4,836,123	4,407,088
Total liabilities	9,975,011	10,315,932

(Thousands of yen)

	Previous Consolidated FY (Oct. 31, 2020)	Current Consolidated FY, 2Q (Apr. 30, 2021)
<b>Net assets</b>		
Shareholders' equity		
Share capital	351,655	351,655
Capital surplus	355,794	351,731
Retained earnings	7,641,563	6,698,791
Treasury shares	(433,629)	(381,711)
Total shareholders' equity	7,915,385	7,020,467
Accumulated other comprehensive income		
Remeasurements of defined benefit plans	21,479	19,241
Foreign currency translation adjustment	(49,397)	(36,841)
Total accumulated other comprehensive income	(27,917)	(17,600)
Non-controlling interests	35,877	25,834
Total net assets	7,923,345	7,028,701
Total liabilities and net assets	17,898,356	17,344,634

(2) Quarterly Consolidated Statements of Income and Comprehensive Income  
 (Quarterly Consolidated Statement of Income)  
 (For the Six-month Period)

	2Q of Previous Consolidated Period (Nov. 1, 2019 - Apr. 30, 2020)	2Q of Current Consolidated Period (Nov. 1, 2020 - Apr. 30, 2021)
	(Thousands of yen)	
Net sales	7,376,012	4,293,567
Cost of sales	3,422,025	2,004,290
Gross profit	3,953,986	2,289,276
Selling, general and administrative expenses	4,543,080	3,937,991
Operating loss	(589,093)	(1,648,714)
Non-operating income		
Interest income	11,034	7,797
Subsidies for employment adjustment	-	687,302
Other	13,271	41,924
Total non-operating income	24,305	737,024
Non-operating expenses		
Interest expenses	8,637	12,624
Other	2,547	4,642
Total non-operating expenses	11,184	17,267
Ordinary loss	(575,972)	(928,957)
Extraordinary income		
Subsidy income	6,028	-
Total extraordinary income	6,028	-
Extraordinary losses		
Loss on retirement of non-current assets	15,424	2,398
Total extraordinary losses	15,424	2,398
Loss before income taxes	(585,368)	(931,355)
Income taxes-current	17,137	7,094
Income taxes-deferred	(170,913)	8,643
Total income taxes	(153,775)	15,737
Loss	(431,592)	(947,093)
Profit (loss) attributable to non-controlling interests	5,211	(4,320)
Loss attributable to owners of parent	(436,803)	(942,772)



(Quarterly Consolidated Statement of Comprehensive Income)  
(For the Six-month Period)

(Thousands of yen)

	2Q of Previous Consolidated Period (Nov. 1, 2019 - Apr. 30, 2020)	2Q of Current Consolidated Period (Nov. 1, 2020 - Apr. 30, 2021)
Loss	(431,592)	(947,093)
Other comprehensive income		
Remeasurements of defined benefit plans, net of tax	(2,123)	(2,248)
Foreign currency translation adjustment	9,691	13,951
Total other comprehensive income	7,568	11,702
Comprehensive income	(424,024)	(935,390)
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	(430,206)	(932,454)
Comprehensive income attributable to non-controlling interests	6,182	(2,935)

## (3) Quarterly Consolidated Statement of Cash Flows

(Thousands of yen)

	2Q of Previous Consolidated Period (Nov. 1, 2019 - Apr. 30, 2020)	2Q of Current Consolidated Period (Nov. 1, 2020 - Apr. 30, 2021)
<b>Cash flows from operating activities</b>		
Loss before income taxes	(585,368)	(931,355)
Depreciation	532,460	552,701
Increase (decrease) in allowance for doubtful accounts	2,345	502
Increase (decrease) in provision for bonuses	1,545	190,745
Increase (decrease) in retirement benefit liability	(4,010)	(554)
Increase (decrease) in provision for point card certificates	450	336
Subsidy income	-	(687,302)
Loss on retirement of non-current assets	15,424	2,398
Interest income	(11,034)	(7,797)
Interest expenses	8,637	12,624
Decrease (increase) in trade receivables	181,800	(65,156)
Decrease (increase) in inventories	(10,311)	(88,389)
Increase (decrease) in trade payables	(802,862)	264,548
Increase (decrease) in accounts payable-other	(38,396)	(2,647)
Increase (decrease) in advances received	(434,583)	434,007
Other, net	(168,436)	327,510
Subtotal	(1,312,340)	2,171
Interest received	7,242	5,801
Interest paid	(8,322)	(12,726)
Proceeds from subsidy income	-	687,302
Income taxes refund	40	877,124
Income taxes paid	(297,025)	(4,192)
Other, net	6,028	-
Net cash provided by (used in) operating activities	(1,604,376)	1,555,480
<b>Cash flows from investing activities</b>		
Payments into time deposits	-	(75,000)
Purchase of property, plant and equipment	(294,807)	(157,397)
Purchase of intangible assets	(406)	(25,643)
Other, net	(3,147)	83,089
Net cash provided by (used in) investing activities	(298,361)	(174,951)
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term borrowings	-	100,000
Repayments of long-term borrowings	(584,126)	(516,381)
Purchase of treasury shares	(63,575)	-
Proceeds from sales of treasury shares	71,430	45,900
Dividends paid	(358,919)	(524)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	-	(9,729)
Other, net	-	(107,145)
Net cash provided by (used in) financing activities	(935,190)	(487,878)
Effect of exchange rate change on cash and cash equivalents	10,160	16,780
Net increase (decrease) in cash and cash equivalents	(2,827,767)	909,431
Cash and cash equivalents at beginning of period	5,067,870	1,873,191
Cash and cash equivalents at end of period	2,240,103	2,782,622

(4) Notes to Quarterly Consolidated Financial Statements

(Notes on Premise of Going Concern)

No related information.

(Notes on Significant Fluctuation in Amounts of Shareholders' Equity)

No related information.

(Additional Information)

Accounting estimates associated with the COVID-19 pandemic

The IKK Group is continuing to hold weddings and receptions while taking numerous actions to prevent the spread of infections as some areas of Japan undergo a second state of emergency in January 2021 and a third state of emergency in April 2021 caused by the increasing number of COVID-19 cases. The safety of customers and employees is our highest priority.

It is impossible at this time to predict when the COVID-19 crisis will end. However, as the distribution of vaccinations has started in Japan, estimates used for the impairment of non-current assets, the amount of deferred tax assets that can be recovered and other items use the assumption that results of operations will recover slowly from the end of the current fiscal year toward the next fiscal year.

There are no significant changes to the assumptions used for accounting estimates at the end of the previous fiscal year. However, there are still many uncertainties about the impact of this crisis. If a future increase in the number of COVID-19 cases results in prolonged restrictions on social and economic activities, there may be a negative effect on the financial position and results of operations of the IKK Group in the current fiscal year.

Transition to a holding company structure and conclusion of absorption-type divestiture agreement

The IKK Board of Directors approved a resolution on December 14, 2020 to conclude an absorption-type divestiture agreement with IKK Divestiture Preparatory Company Ltd., which was newly established as a wholly owned subsidiary by IKK to conduct the absorption-type divestiture of IKK's wedding business. This agreement was concluded with the Divestiture Preparatory Company on the same day.

The proposal for the transition to a holding company structure was approved at the Annual General Meeting of Shareholders held on January 28, 2021.

Following the approval of shareholders, discussions were held to determine specific items concerning this absorption-type divestiture. These discussions led to a resolution on April 26, 2021 by the IKK Board of Directors to postpone this absorption-type divestiture and a revised agreement was signed on the same day.

1. Purpose of the transition to a holding company structure

IKK has decided to transition to a holding company structure to implement agile business strategies and to be able to recruit outstanding people and develop their skills in order to achieve Vision 2035: "Create a new global company where everyone takes on new challenges as leaders in many fields."

By starting new businesses and speeding up M&A activities, IKK will focus on recruiting and developing the skills of people with the potential to become president of IKK. In addition to giving many people the skills to become the next generation of senior executives, the holding company will oversee and supervise the management of operating companies from the standpoint of sound corporate governance.

## 2. Overview of transition to a holding company structure and the absorption-type divestiture agreement

### (1) Schedule of the absorption-type divestiture

Establishment of Divestiture Preparatory Company:	November 6, 2020
Meeting of the Board of Directors to approve the absorption-type divestiture agreement:	December 14, 2020
Conclusion of absorption-type divestiture agreement:	December 14, 2020
General Meeting of Shareholders to approve the absorption-type divestiture agreement:	January 28, 2021
Board of Directors to approve the change of effective date of the absorption-type divestiture	April 26, 2021
Signing of agreement with the revised effective date	April 26, 2021
Effective date of the absorption-type divestiture:	November 1, 2021 (tentative)

### (2) Method for absorption-type divestiture

IKK will conduct an absorption-type divestiture with IKK as the divesting company and the Divestiture Preparatory Company as the successor company that receives all rights and obligations involving the wedding business of IKK.

### (3) Divestiture terms in the absorption-type divestiture agreement

When this agreement is signed, the Divestiture Preparatory Company will issue 2,000 shares of common stock and allocate all of this stock to IKK.

### (4) Treatment of share acquisition rights and convertible bonds in association with the absorption-type divestiture agreement

No related information.

### (5) Change in share capital due to the absorption-type divestiture agreement

No change in IKK's share capital.

### (6) Rights and obligations transferred to the Divestiture Preparatory Company

In accordance with the absorption-type divestiture agreement, the Divestiture Preparatory Company will receive from IKK on the divestiture date all assets, liabilities and other rights and obligations (excluding items specified in the absorption-type divestiture agreement) associated with the wedding business of IKK.

Obligations received from IKK will be transferred by using the concomitant assumption method.

### (7) Outlook for the fulfillment of obligations

Following the absorption-type divestiture, the Divestiture Preparatory Company is expected to have assets that are more than its liabilities. In addition, no obstacles or other problems are currently anticipated regarding this company's ability to fulfill all of its obligations. Consequently, IKK believes that there are no problems concerning the outlook for the fulfillment of the obligations of the Divestiture Preparatory Company after the completion of the absorption-type divestiture.

## 3. Overview of divesting company and successor company

### (1) Divesting company

Company name:	IKK Inc.
Location:	722-5 Shintencho, Imari, Saga Prefecture
Representative:	Hiroki Murata, President and Representative Director
Business:	Wedding business
Fiscal year end:	October 31
Capital:	351,655 thousand yen

Net assets: 7,570,262 thousand yen  
Total assets: 17,249,076 thousand yen

(2) Successor company

Company name: IKK Divesture Preparatory Company Ltd.  
Location: 722-5 Shintencho, Imari, Saga Prefecture  
Representative: Hiroki Murata, President and Representative Director  
Business: Wedding business  
Fiscal year end: October 31  
Capital: 50,000 thousand yen  
Net assets: 99,413 thousand yen  
Total assets: 99,449 thousand yen