



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

September 6, 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/>

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Scheduled date of filing quarterly financial report: September 13, 2021

Scheduled date of starting dividends distribution: -

Supplementary quarterly materials prepared: Yes

Quarterly results information meeting held: No

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

1. Consolidated financial results for the third quarter of the FY ending October 31, 2021 (Nov. 1, 2020 - Jul. 31, 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	%
3Q of FY ending Oct. 31, 2021	7,800	1.8	(1,681)	-	(836)	-	(858)	-
3Q of FY ended Oct. 31, 2020	7,659	(45.9)	(2,527)	-	(2,510)	-	(1,793)	-

Note: Comprehensive income: 3Q of FY ending Oct. 31, 2021: (847) million yen (-%); 3Q of FY ended Oct. 31, 2020: (1,830) million yen (-%)

	Net Income per Share		Diluted Net Income per Share	
	Yen		Yen	
3Q of FY ending Oct. 31, 2021	(29.32)		-	
3Q of FY ended Oct. 31, 2020	(60.38)		-	

(2) Consolidated financial position

	Total Assets	Net Assets	Equity Ratio
	Millions of yen	Millions of yen	%
3Q of FY ending Oct. 31, 2021	17,063	7,140	41.7
FY ended Oct. 31, 2020	17,898	7,923	44.1

Reference: Equity capital: 3Q of FY ending Oct. 31, 2021: 7,114 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	11,191	28.0	(1,964)	-	(957)	-	(987)	-	(33.67)

Note: Revisions to the latest projected financial results: Yes

For more information, please refer to "Notice of Revisions to Consolidated Forecast" (Japanese version only) that was announced today (September 6, 2021).

* 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 polices 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)

3Q of FY ending Oct. 31, 2021	29,956,800 shares	FY ended Oct. 31, 2020	29,956,800 shares
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2) Number of treasury shares at the end of period

3Q of FY ending Oct. 31, 2021	607,073 shares	FY ended Oct. 31, 2020	735,864 shares
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3) Average number of shares outstanding during the period (quarterly cumulative)

3Q of FY ending Oct. 31, 2021	29,281,749 shares	3Q of FY ended Oct. 31, 2020	29,697,926 shares
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Note: Figures for treasury shares include 540,800 shares of the IKK stock held by the IKK Employee Stock Ownership Association Exclusive Trust at the end of the third 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).

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1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Results of Operations

In the first nine months of the current fiscal year (November 1, 2020 to July 31, 2021), the Japanese economy was stagnant due to continuation of severe restrictions on social and economic activities while repeated state of emergency and other preventive measures were enacted in order to stop the spread of COVID-19.

While vaccinations are progressing overseas, and economic activities are resuming, there is a sense of caution and obstruction in Japan due to vaccine delays and the spread of new variants of the COVID-19 virus. As a result, the outlook remains uncertain.

The business climate for the wedding industry remained extremely challenging. As consumer awareness of safety first spread, people avoided close contact settings, refrained from going out as much as possible and took other actions. Consequently, 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.

Net sales in the first nine months of the current fiscal year increased 1.8% from one year earlier to 7,800 million yen. The operating loss was 1,681 million yen compared with a 2,527 million yen loss one year earlier, the ordinary loss was 836 million yen compared with a 2,510 million yen loss one year earlier, and the loss attributable to owners of parent was 858 million yen compared with a 1,793 million yen loss one year earlier.

Results by business segment are as follows:

a) Wedding Operations

The IKK Group continued to hold weddings and receptions while taking numerous actions to prevent the spread of infections during repeated declarations of a state of emergency and the enactment of other preventive measures in response to combat the spread of COVID-19 infections.

As a result, sales increased 1.2% from one year earlier to 7,352 million yen. Operating loss was 1,724 million yen compared with a 2,570 million yen loss one year earlier as the number of weddings was higher than one year earlier.

b) Nursing-care Operations

Sales increased 3.5% from one year earlier to 411 million yen and operating profit decreased 15.6% to 35 million yen.

c) Food Business

A subsidiary was established in October 2020 to operate food business. Sales were 90 million yen and operating profit was 6 million yen.

(2) Explanation of Financial Position

Total assets were 17,063 million yen at the end of the third quarter of the current fiscal year, 834 million yen less than at the end of the previous fiscal year. The main causes were an increase of 1,059 million yen in cash and deposits, and decreases of 873 million yen in income taxes receivable, 275 million yen in other current assets and 725 million yen in property, plant and equipment.

Liabilities decreased 52 million yen to 9,922 million yen. The main causes were increases of 287 million yen in accounts payable-trade, 100 million yen in short-term borrowings, 52 million yen in provision for bonuses and 236 million yen in other current liabilities, while there was a decrease of 748 million yen in long-term borrowings.

Net assets decreased 782 million yen to 7,140 million yen. The main cause was a decrease due to loss attributable to owners of parent of 858 million yen. As a result, compared with the end of the previous fiscal year, the equity ratio fell by 2.4 percentage points to 41.7%.

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

The consolidated forecast for the fiscal year ending October 31, 2021 was undecided because of the inability to determine a reliable outlook for the impact of COVID-19. We are now announcing a forecast that is calculated based on the information and projections currently available. For more information, please refer to “Notice of Revisions to Consolidated Forecast” (Japanese version only) that was announced today (September 6, 2021).

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheet

(Thousands of yen)

	Previous Consolidated FY (Oct. 31, 2020)	Current Consolidated FY, 3Q (Jul. 31, 2021)
Assets		
Current assets		
Cash and deposits	1,873,191	2,932,751
Accounts receivable-trade	144,519	255,236
Merchandise	339,695	341,444
Raw materials and supplies	67,174	60,447
Income taxes receivable	873,897	-
Other	521,440	245,600
Allowance for doubtful accounts	(2,701)	(3,858)
Total current assets	3,817,216	3,831,620
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	9,081,468	8,526,482
Land	1,850,919	1,850,919
Other, net	585,837	414,993
Total property, plant and equipment	11,518,225	10,792,394
Intangible assets	138,298	155,553
Investments and other assets		
Guarantee deposits	1,746,822	1,634,711
Other	677,794	649,305
Total investments and other assets	2,424,616	2,284,016
Total non-current assets	14,081,140	13,231,964
Total assets	17,898,356	17,063,585
Liabilities		
Current liabilities		
Accounts payable-trade	221,248	509,146
Short-term borrowings	2,000,000	2,100,000
Current portion of long-term borrowings	1,029,552	836,704
Income taxes payable	952	33,177
Provision for bonuses	100,468	152,595
Other	1,786,665	2,023,426
Total current liabilities	5,138,888	5,655,049
Non-current liabilities		
Long-term borrowings	3,198,097	2,642,505
Retirement benefit liability	38,382	37,786
Provision for point card certificates	16,600	17,073
Asset retirement obligations	1,027,852	1,036,063
Other	555,191	534,400
Total non-current liabilities	4,836,123	4,267,828
Total liabilities	9,975,011	9,922,877

(Thousands of yen)

	Previous Consolidated FY (Oct. 31, 2020)	Current Consolidated FY, 3Q (Jul. 31, 2021)
Net assets		
Shareholders' equity		
Share capital	351,655	351,655
Capital surplus	355,794	351,731
Retained earnings	7,641,563	6,783,100
Treasury shares	(433,629)	(357,575)
Total shareholders' equity	7,915,385	7,128,912
Accumulated other comprehensive income		
Remeasurements of defined benefit plans	21,479	18,134
Foreign currency translation adjustment	(49,397)	(32,549)
Total accumulated other comprehensive income	(27,917)	(14,414)
Non-controlling interests	35,877	26,209
Total net assets	7,923,345	7,140,707
Total liabilities and net assets	17,898,356	17,063,585

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

(Thousands of yen)

	3Q of Previous Consolidated Period (Nov. 1, 2019 - Jul. 31, 2020)	3Q of Current Consolidated Period (Nov. 1, 2020 - Jul. 31, 2021)
Net sales	7,659,251	7,800,568
Cost of sales	3,857,025	3,488,997
Gross profit	3,802,226	4,311,570
Selling, general and administrative expenses	6,330,062	5,993,382
Operating loss	(2,527,836)	(1,681,811)
Non-operating income		
Interest income	14,283	10,673
Subsidies for employment adjustment	-	798,611
Other	21,093	59,260
Total non-operating income	35,377	868,546
Non-operating expenses		
Interest expenses	13,495	17,743
Other	4,085	5,263
Total non-operating expenses	17,580	23,006
Ordinary loss	(2,510,040)	(836,272)
Extraordinary income		
Subsidy income	6,028	-
Total extraordinary income	6,028	-
Extraordinary losses		
Loss on retirement of non-current assets	26,571	3,410
Total extraordinary losses	26,571	3,410
Loss before income taxes	(2,530,583)	(839,682)
Income taxes-current	21,319	11,189
Income taxes-deferred	(763,760)	11,892
Total income taxes	(742,441)	23,081
Loss	(1,788,142)	(862,764)
Profit (loss) attributable to non-controlling interests	5,031	(4,301)
Loss attributable to owners of parent	(1,793,173)	(858,463)

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

(Thousands of yen)

	3Q of Previous Consolidated Period (Nov. 1, 2019 - Jul. 31, 2020)	3Q of Current Consolidated Period (Nov. 1, 2020 - Jul. 31, 2021)
Loss	(1,788,142)	(862,764)
Other comprehensive income		
Remeasurements of defined benefit plans, net of tax	(3,200)	(3,358)
Foreign currency translation adjustment	(38,767)	18,601
Total other comprehensive income	(41,967)	15,243
Comprehensive income	(1,830,109)	(847,521)
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	(1,831,265)	(844,960)
Comprehensive income attributable to non-controlling interests	1,156	(2,560)

(3) 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 repeated declarations of a state of emergency and the enactment of other preventive measures in response to combat 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 due to the spread of mutant strains of the COVID-19 virus. 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 this year toward the next 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