



Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending October 31, 2022 (Japanese GAAP)

June 13, 2022
Listed on: Tokyo Stock Exchange

Name of listed company: IKK Holdings Inc.
 Securities code: 2198 URL: <https://www.ikk-grp.jp/>
 Representative: Katsushi Kaneko, Chairman and chief Executive Officer
 Contact: Kazuya Nagashima, Manager of Management Division TEL: +81-92-937-7030
 Scheduled date of filing quarterly financial report: June 13, 2022
 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, 2022 (Nov. 1, 2021 - Apr. 30, 2022)

(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, 2022	7,614	77.3	(44)	-	168	-	122	-
2Q of FY ended Oct. 31, 2021	4,293	(41.8)	(1,648)	-	(928)	-	(942)	-

Note: Comprehensive income: 2Q of FY ending Oct. 31, 2022: 140 million yen (-%); 2Q of FY ended Oct. 31, 2021: (935) million yen (-%)

	Net Income per Share		Diluted Net Income per Share	
	Yen		Yen	
2Q of FY ending Oct. 31, 2022	4.15		-	
2Q of FY ended Oct. 31, 2021	(32.22)		-	

(2) Consolidated financial position

	Total Assets	Net Assets	Equity Ratio
	Millions of yen	Millions of yen	%
2Q of FY ending Oct. 31, 2022	17,832	7,797	43.5
FY ended Oct. 31, 2021	17,603	7,604	43.0

Reference: Equity capital: 2Q of FY ending Oct. 31, 2022: 7,765 million yen; FY ended Oct. 31, 2021: 7,578 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, 2021	-	0.00	-	0.00	0.00
FY ending Oct. 31, 2022	-	0.00	-	-	-
FY ending Oct. 31, 2022 (forecast)	-	-	-	10.00	10.00

Note: Revisions to the latest projected dividends: Yes

Note: Regarding revisions to dividends please refer to "Notice of Differences between First Half Consolidated Forecast and Results of Operations and Revisions to Consolidated Forecast and Dividends (Resumption of Dividends)" (Japanese version only) that was announced today (June 13, 2022).

3. Consolidated financial forecast for the FY ending October 31, 2022 (Nov. 1, 2021 - Oct. 31, 2022)

(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	19,250	67.0	1,650	-	1,900	-	1,400	-	47.52

Note: Revisions to the latest projected financial results: Yes

Note: For details of consolidated forecast please refer to "Notice of Differences between First Half Consolidated Forecast and Results of Operations and Revisions to Consolidated Forecast and Dividends (Resumption of Dividends)" (Japanese version only) that was announced today (June 13, 2022).

* 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.: Yes

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

3) Changes in accounting estimates: No

4) Restatement: No

Note: For details, see “2. Quarterly Consolidated Financial Statements and Notes; (4) Notes to Quarterly Consolidated Financial Statements (Changes in Accounting Policies)” (attachments, page 9).

(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, 2022	29,956,800 shares	FY ended Oct. 31, 2021	29,956,800 shares
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2) Number of treasury shares at the end of period

2Q of FY ending Oct. 31, 2022	492,649 shares	FY ended Oct. 31, 2021	577,373 shares
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3) Average number of shares outstanding during the period (quarterly cumulative)

2Q of FY ending Oct. 31, 2022	29,418,478 shares	2Q of FY ended Oct. 31, 2021	29,260,101 shares
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Note: Figures for treasury shares include 440,100 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).

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1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Results of Operations

In the first half of the current fiscal year (November 1, 2021 to April 30, 2022), restrictions on socio-economic activities were gradually lifted in Japan although the decline in the number of COVID-19 infections has apparently stopped and may start increasing again due to the spread of mutant strains. At the same time, geopolitical and economic risks surrounding Ukraine and Russia are spreading globally. As concerns over possible effects of these factors are rising, the outlook for the Japanese economy remains uncertain.

In the wedding industry, the number of weddings and receptions is gradually increasing due to the resumption of events to attract customers as restrictions on socio-economic activity have been reduced.

IKK Holdings Inc. (“IKK”) and its group companies (the “IKK Group”) are 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.

First half sales increased 77.3% from one year earlier to 7,614 million yen. Operating loss was 44 million yen compared with a 1,648 million yen loss one year earlier, ordinary profit was 168 million yen compared with a 928 million yen loss one year earlier, and profit attributable to owners of parent was 122 million yen compared with a 942 million yen loss one year earlier.

Results by business segment are as follows:

a) Wedding Operations

Although various restrictions on socio-economic activities have been reduced, the IKK Group continued to take numerous actions to prevent the spread of infections for holding weddings and receptions.

As a result, sales increased 82.8% from one year earlier to 7,317 million yen. Operating loss was 34 million yen compared with a 1,667 million yen loss one year earlier.

b) Nursing-care Operations

Sales decreased 0.9% from one year earlier to 271 million yen and operating profit decreased 89.8% to 2 million yen.

c) Food Business

Sales increased 135.1% from one year earlier to 72 million yen and operating profit was 13 million yen compared with a 5 million yen loss one year earlier.

d) Photography Business

A subsidiary was established in November 2021 to operate photography business. There was an operating loss of 11 million yen.

e) Matrimonial Matchmaking Business

A subsidiary was established in November 2021 to operate matrimonial matchmaking business. With no sales, there was an operating loss of 10 million yen.

(2) Explanation of Financial Position

Total assets were 17,832 million yen at the end of the second quarter of the current fiscal year, 229 million yen more than at the end of the previous fiscal year. The main causes were increases of 123 million yen in accounts receivable-trade and 119 million yen in investments and other assets.

Liabilities increased 36 million yen to 10,035 million yen. The main causes were increases of 132 million yen in accounts payable-trade and 310 million yen in other current liabilities, while there were decreases of 377 million yen in long-term borrowings and 42 million yen in other non-current liabilities.

Net assets increased 192 million yen to 7,797 million yen. The main causes include an increase due to profit attributable to owners of parent of 122 million yen and proceeds from sales of treasury shares of 50 million yen. As a result, compared with the end of the previous fiscal year, the equity ratio rose by 0.5 percentage points to 43.5%.

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

For details of consolidated forecast, please refer to “Notice of Differences between First Half Consolidated Forecast and Results of Operations and Revisions to Consolidated Forecast and Dividends (Resumption of Dividends)” (Japanese version only) that was announced today (June 13, 2022).

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheet

(Thousands of yen)

	Previous Consolidated FY (Oct. 31, 2021)	Current Consolidated FY, 2Q (Apr. 30, 2022)
Assets		
Current assets		
Cash and deposits	3,509,473	3,504,565
Accounts receivable-trade	323,156	446,932
Merchandise	323,247	324,282
Raw materials and supplies	52,883	118,485
Other	238,926	343,750
Allowance for doubtful accounts	(6,260)	(8,785)
Total current assets	4,441,425	4,729,230
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	8,339,892	8,000,497
Land	1,850,919	1,850,919
Other, net	346,516	571,713
Total property, plant and equipment	10,537,328	10,423,130
Intangible assets	154,679	165,294
Investments and other assets		
Guarantee deposits	1,597,311	1,522,465
Other	872,527	992,353
Total investments and other assets	2,469,838	2,514,818
Total non-current assets	13,161,847	13,103,244
Total assets	17,603,273	17,832,475
Liabilities		
Current liabilities		
Accounts payable-trade	589,810	722,130
Short-term borrowings	2,100,000	2,100,000
Current portion of long-term borrowings	806,183	645,750
Income taxes payable	67,166	63,917
Provision for bonuses	299,384	311,036
Other	2,116,363	2,427,357
Total current liabilities	5,978,908	6,270,191
Non-current liabilities		
Long-term borrowings	2,408,644	2,191,341
Retirement benefit liability	36,956	35,886
Provision for point card certificates	16,815	17,174
Asset retirement obligations	1,038,800	1,044,194
Other	518,555	476,406
Total non-current liabilities	4,019,771	3,765,003
Total liabilities	9,998,679	10,035,194

(Thousands of yen)

	Previous Consolidated FY (Oct. 31, 2021)	Current Consolidated FY, 2Q (Apr. 30, 2022)
Net assets		
Shareholders' equity		
Share capital	351,655	351,655
Capital surplus	351,731	350,032
Retained earnings	7,230,337	7,352,565
Treasury shares	(340,466)	(290,031)
Total shareholders' equity	7,593,258	7,764,222
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	-	2,219
Remeasurements of defined benefit plans	17,472	14,710
Foreign currency translation adjustment	(32,549)	(15,495)
Total accumulated other comprehensive income	(15,076)	1,434
Non-controlling interests	26,411	31,623
Total net assets	7,604,593	7,797,280
Total liabilities and net assets	17,603,273	17,832,475

(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, 2020 - Apr. 30, 2021)	2Q of Current Consolidated Period (Nov. 1, 2021 - Apr. 30, 2022)
Net sales	4,293,567	7,614,349
Cost of sales	2,004,290	3,194,683
Gross profit	2,289,276	4,419,665
Selling, general and administrative expenses	3,937,991	4,463,766
Operating loss	(1,648,714)	(44,100)
Non-operating income		
Interest income	7,797	4,704
Subsidies for employment adjustment	687,302	199,492
Other	41,924	25,122
Total non-operating income	737,024	229,318
Non-operating expenses		
Interest expenses	12,624	8,210
Loss on cancellation of leases	-	5,256
Other	4,642	3,726
Total non-operating expenses	17,267	17,192
Ordinary profit (loss)	(928,957)	168,026
Extraordinary losses		
Loss on retirement of non-current assets	2,398	7,600
Total extraordinary losses	2,398	7,600
Profit (loss) before income taxes	(931,355)	160,426
Income taxes-current	7,094	53,661
Income taxes-deferred	8,643	(13,588)
Total income taxes	15,737	40,072
Profit (loss)	(947,093)	120,353
Loss attributable to non-controlling interests	(4,320)	(1,874)
Profit (loss) attributable to owners of parent	(942,772)	122,227

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

(Thousands of yen)

	2Q of Previous Consolidated Period (Nov. 1, 2020 - Apr. 30, 2021)	2Q of Current Consolidated Period (Nov. 1, 2021 - Apr. 30, 2022)
Profit (loss)	(947,093)	120,353
Other comprehensive income		
Valuation difference on available-for-sale securities	-	2,219
Remeasurements of defined benefit plans, net of tax	(2,248)	(1,958)
Foreign currency translation adjustment	13,951	19,711
Total other comprehensive income	11,702	19,972
Comprehensive income	(935,390)	140,326
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	(932,454)	139,522
Comprehensive income attributable to non-controlling interests	(2,935)	803

(3) Quarterly Consolidated Statement of Cash Flows

(Thousands of yen)

	2Q of Previous Consolidated Period (Nov. 1, 2020 - Apr. 30, 2021)	2Q of Current Consolidated Period (Nov. 1, 2021 - Apr. 30, 2022)
Cash flows from operating activities		
Profit (loss) before income taxes	(931,355)	160,426
Depreciation	552,701	504,606
Increase (decrease) in allowance for doubtful accounts	502	1,991
Increase (decrease) in provision for bonuses	190,745	11,614
Increase (decrease) in retirement benefit liability	(554)	(4,212)
Increase (decrease) in provision for point card certificates	336	359
Subsidy income	(687,302)	(199,492)
Loss on retirement of non-current assets	2,398	7,600
Interest income	(7,797)	(4,704)
Interest expenses	12,624	8,210
Loss on cancellation of leases	-	5,256
Decrease (increase) in trade receivables	(65,156)	(122,685)
Decrease (increase) in inventories	(88,389)	(66,622)
Increase (decrease) in trade payables	264,548	130,718
Increase (decrease) in accounts payable-other	(2,647)	144,636
Increase (decrease) in advances received	434,007	296,104
Other, net	327,510	(274,811)
Subtotal	2,171	598,994
Interest received	5,801	2,828
Interest paid	(12,726)	(8,205)
Proceeds from subsidy income	687,302	199,492
Income taxes refund	877,124	-
Income taxes paid	(4,192)	(25,946)
Net cash provided by (used in) operating activities	1,555,480	767,163
Cash flows from investing activities		
Payments into time deposits	(75,000)	-
Proceeds from withdrawal of time deposits	-	81,000
Purchase of investment securities	-	(99,997)
Purchase of property, plant and equipment	(157,397)	(398,914)
Purchase of intangible assets	(25,643)	(30,059)
Other, net	83,089	70,839
Net cash provided by (used in) investing activities	(174,951)	(377,131)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	100,000	-
Proceeds from long-term borrowings	-	89,550
Repayments of long-term borrowings	(516,381)	(467,286)
Proceeds from sale of treasury shares	45,900	43,013
Dividends paid	(524)	(573)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(9,729)	-
Other, net	(107,145)	4,408
Net cash provided by (used in) financing activities	(487,878)	(330,887)
Effect of exchange rate change on cash and cash equivalents	16,780	11,947
Net increase (decrease) in cash and cash equivalents	909,431	71,091
Cash and cash equivalents at beginning of period	1,873,191	3,433,473
Cash and cash equivalents at end of period	2,782,622	3,504,565

(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.

(Changes in Accounting Policies)

Application of Accounting Standards for Revenue Recognition

IKK has applied the Accounting Standard for Revenue Recognition (Accounting Standard Board of Japan (ASBJ) Statement No. 29, March 31, 2020) and other standards from the beginning of the first quarter of the current fiscal year. Based on these standards, revenue expected to be received in exchange for the provision of goods and services is recognized when the control of the goods and services is transferred to customers.

The application of the Accounting Standard for Revenue Recognition is pursuant to the transitional treatment set forth in the proviso of Paragraph 84 of this standard. There is no impact on the beginning balance of retained earnings or profit and loss resulting from the application of this standard.

Application of the Accounting Standards for Measurement of Fair Value

IKK has applied the Accounting Standard for Measurement of Fair Value (ASBJ Statement No. 30, July 4, 2019) and other standards from the beginning of the first quarter of the current fiscal year, and has applied the new accounting policies set forth by the Accounting Standard for Measurement of Fair Value, etc. prospectively in accordance with the transitional treatment in the Paragraph 19 of the Accounting Standard for Measurement of Fair Value and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019). There is no effect of the application of these standards on the quarterly consolidated financial statements.

(Additional Information)

Accounting estimates associated with the COVID-19 pandemic

In estimating the impairment of non-current assets and the amount of deferred tax assets that can be recovered there have been no significant changes to the assumptions made concerning the spread of the COVID-19 pandemic in the securities report for the previous fiscal year.