



Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending October 31, 2023 (Japanese GAAP)

June 12, 2023
Listed on: Tokyo Stock Exchange

Name of listed company: IKK Holdings Inc.
 Securities code: 2198 URL: <https://www.ikk-grp.jp/>
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 Scheduled date of filing quarterly financial report: June 13, 2023
 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, 2023 (Nov. 1, 2022 - Apr. 30, 2023)

(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, 2023	9,937	30.5	277	-	304	80.9	112	(7.8)
2Q of FY ended Oct. 31, 2022	7,614	77.3	(44)	-	168	-	122	-

Note: Comprehensive income: 2Q of FY ending Oct. 31, 2023: 111 million yen (down 20.6%); 2Q of FY ended Oct. 31, 2022: 140 million yen (-%)

	Net Income per Share		Diluted Net Income per Share	
	Yen		Yen	
2Q of FY ending Oct. 31, 2023	3.87		-	
2Q of FY ended Oct. 31, 2022	4.15		-	

(2) Consolidated financial position

	Total Assets		Net Assets		Equity Ratio	
	Millions of yen		Millions of yen		%	
2Q of FY ending Oct. 31, 2023	19,042		8,637		45.2	
FY ended Oct. 31, 2022	20,251		9,170		45.1	

Reference: Equity capital: 2Q of FY ending Oct. 31, 2023: 8,603 million yen; FY ended Oct. 31, 2022: 9,139 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, 2022	-	0.00	-	10.00	10.00
FY ending Oct. 31, 2023	-	0.00			
FY ending Oct. 31, 2023 (forecast)			-	12.00	12.00

Note: Revisions to the latest projected dividends: No

3. Consolidated financial forecast for the FY ending October 31, 2023 (Nov. 1, 2022 - Oct. 31, 2023)

(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	21,780	14.3	2,200	21.6	2,230	6.4	1,500	7.2	51.09	

Note: Revisions to the latest projected financial results: No

* 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, 2023	29,956,800 shares	FY ended Oct. 31, 2022	29,956,800 shares
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2) Number of treasury shares at the end of period

2Q of FY ending Oct. 31, 2023	950,482 shares	FY ended Oct. 31, 2022	427,349 shares
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3) Average number of shares outstanding during the period (quarterly cumulative)

2Q of FY ending Oct. 31, 2023	29,142,484 shares	2Q of FY ended Oct. 31, 2022	29,418,478 shares
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Note: Figures for treasury shares include 304,900 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, 2022 to April 30, 2023), social and economic activity in Japan began to return to normal and the economy is slowly recovering as restrictions involving the pandemic have been eased. The outlook for the economy remains uncertain because of increasing geopolitical risk, including the Ukraine crisis, and economic risk such as rapidly rising raw material prices caused by the yen's decline and global inflation.

In the wedding industry, the number of weddings and receptions is gradually increasing due to the resumption of various events attended by many people as social and economic activity returns to normal.

IKK Holdings Inc. ("IKK") and its group companies (the "IKK Group") continued to hold weddings and receptions while making the safety of guests and employees the highest priority. All activities include every possible measure for protection against infections.

First half sales increased 30.5% from one year earlier to 9,937 million yen. Operating profit was 277 million yen compared with a 44 million yen loss one year earlier, ordinary profit increased 80.9% to 304 million yen, and profit attributable to owners of parent decreased 7.8% to 112 million yen.

Business segment performance was as follows:

a) Wedding Operations

As numerous restrictions for safety during the pandemic ended, the IKK Group continued to hold weddings and receptions accompanied by many pandemic safety measures. The GEIHINKAN KAIRAKUEN BETTEI (Mito Branch) was opened in April 2023.

As a result, sales increased 30.0% from one year earlier to 9,511 million yen and operating profit was 365 million yen compared with a 34 million yen loss one year earlier.

b) Nursing-care Operations

Sales increased 1.5% from one year earlier to 276 million yen mainly due to the opening of I Care Life Imari (Imari Second Branch) in March 2023, but there was an operating loss of 10 million yen compared with a 2 million yen profit one year earlier mainly due to opening expenses.

c) Food Business

Sales increased 66.7% from one year earlier to 120 million yen and operating profit increased 76.2% to 23 million yen.

d) Photography Business

A subsidiary was established in November 2021 to operate photography business, and studio clori. NAGOYA (Nagoya Branch) was opened in March 2023.

There were sales of 107 million yen and an operating loss of 65 million yen compared with a 11 million yen loss one year earlier mainly due to opening expenses.

e) Matrimonial Matchmaking Business

A subsidiary was established in November 2021 to operate matrimonial matchmaking business. There were sales of 4 million yen compared with sales of 0 million yen one year earlier and an operating loss of 32 million yen compared with a 10 million yen loss one year earlier.

(2) Explanation of Financial Position

Total assets were 19,042 million yen at the end of the second quarter of the current fiscal year, 1,209 million yen less than at the end of the previous fiscal year. The main cause was a decrease of 2,494 million yen in cash and deposits and there was an increase of 1,262 million yen in property, plant and equipment.

Liabilities decreased 676 million yen to 10,404 million yen. The main causes were decreases of 2,050 million yen in short-term borrowings, 709 million yen in income taxes payable, and 361 million yen in other current liabilities. There were increases of 2,344 million yen in long-term borrowings and 128 million yen in asset retirement obligations.

Net assets decreased 532 million yen to 8,637 million yen. The main causes include an increase due to profit attributable to owners of parent of 112 million yen, a decrease due to dividends from surplus of 299 million yen, and a decrease of 345 million yen in treasury shares due to purchase and sales of

treasury shares. As a result, compared with the end of the previous fiscal year, the equity ratio rose by 0.1 percentage point to 45.2%.

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

The fiscal year consolidated forecasts announced on December 12, 2022 remain unchanged.

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheet

	(Thousands of yen)	
	Previous Consolidated FY (Oct. 31, 2022)	Current Consolidated FY, 2Q (Apr. 30, 2023)
Assets		
Current assets		
Cash and deposits	5,891,686	3,396,787
Accounts receivable-trade	459,639	406,603
Merchandise	240,238	235,971
Raw materials and supplies	82,897	124,387
Other	537,053	739,675
Allowance for doubtful accounts	(7,974)	(6,476)
Total current assets	7,203,541	4,896,949
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	7,794,750	9,313,396
Land	1,850,919	1,850,919
Other, net	637,344	381,357
Total property, plant and equipment	10,283,014	11,545,673
Intangible assets	160,306	177,200
Investments and other assets		
Guarantee deposits	1,447,559	1,372,592
Other	1,157,087	1,049,623
Total investments and other assets	2,604,647	2,422,216
Total non-current assets	13,047,967	14,145,089
Total assets	20,251,509	19,042,038
Liabilities		
Current liabilities		
Accounts payable-trade	853,784	775,378
Short-term borrowings	2,150,000	100,000
Current portion of long-term borrowings	774,796	1,306,183
Income taxes payable	785,757	76,052
Provision for bonuses	296,569	339,677
Other	2,743,857	2,382,685
Total current liabilities	7,604,765	4,979,976
Non-current liabilities		
Long-term borrowings	1,877,328	3,690,455
Retirement benefit liability	34,284	31,492
Provision for point card certificates	14,663	14,906
Asset retirement obligations	1,064,951	1,193,149
Other	485,450	494,769
Total non-current liabilities	3,476,677	5,424,772
Total liabilities	11,081,442	10,404,749

	(Thousands of yen)	
	Previous Consolidated FY (Oct. 31, 2022)	Current Consolidated FY, 2Q (Apr. 30, 2023)
Net assets		
Shareholders' equity		
Share capital	351,655	351,655
Capital surplus	347,861	348,488
Retained earnings	8,629,766	8,443,408
Treasury shares	(252,415)	(598,164)
Total shareholders' equity	9,076,868	8,545,387
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	14,797	29,594
Remeasurements of defined benefit plans	14,183	12,661
Foreign currency translation adjustment	33,214	15,699
Total accumulated other comprehensive income	62,194	57,955
Non-controlling interests	31,004	33,946
Total net assets	9,170,067	8,637,289
Total liabilities and net assets	20,251,509	19,042,038

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

	(Thousands of yen)	
	2Q of Previous Consolidated Period (Nov. 1, 2021 - Apr. 30, 2022)	2Q of Current Consolidated Period (Nov. 1, 2022 - Apr. 30, 2023)
Net sales	7,614,349	9,937,211
Cost of sales	3,194,683	4,227,681
Gross profit	4,419,665	5,709,530
Selling, general and administrative expenses	4,463,766	5,432,201
Operating profit (loss)	(44,100)	277,329
Non-operating income		
Interest income	4,704	5,519
Guarantee commission received	11,962	12,028
Subsidies for employment adjustment	199,492	-
Other	13,159	23,909
Total non-operating income	229,318	41,458
Non-operating expenses		
Interest expenses	8,210	9,062
Loss on cancellation of leases	5,256	-
Other	3,726	5,719
Total non-operating expenses	17,192	14,782
Ordinary profit	168,026	304,005
Extraordinary income		
Subsidy income	-	67,806
Total extraordinary income	-	67,806
Extraordinary losses		
Loss on retirement of non-current assets	7,600	20,671
Total extraordinary losses	7,600	20,671
Profit before income taxes	160,426	351,139
Income taxes-current	53,661	121,224
Income taxes-deferred	(13,588)	113,143
Total income taxes	40,072	234,368
Profit	120,353	116,771
Profit (loss) attributable to non-controlling interests	(1,874)	4,087
Profit attributable to owners of parent	122,227	112,684

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

	(Thousands of yen)	
	2Q of Previous Consolidated Period (Nov. 1, 2021 - Apr. 30, 2022)	2Q of Current Consolidated Period (Nov. 1, 2022 - Apr. 30, 2023)
Profit	120,353	116,771
Other comprehensive income		
Valuation difference on available-for-sale securities	2,219	14,797
Remeasurements of defined benefit plans, net of tax	(1,958)	(1,449)
Foreign currency translation adjustment	19,711	(18,731)
Total other comprehensive income	19,972	(5,384)
Comprehensive income	140,326	111,387
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	139,522	108,445
Comprehensive income attributable to non-controlling interests	803	2,941

(3) Quarterly Consolidated Statement of Cash Flows

(Thousands of yen)

	2Q of Previous Consolidated Period (Nov. 1, 2021 - Apr. 30, 2022)	2Q of Current Consolidated Period (Nov. 1, 2022 - Apr. 30, 2023)
Cash flows from operating activities		
Profit before income taxes	160,426	351,139
Depreciation	504,606	496,246
Increase (decrease) in allowance for doubtful accounts	1,991	(4,414)
Increase (decrease) in provision for bonuses	11,614	43,136
Increase (decrease) in retirement benefit liability	(4,212)	(7,888)
Increase (decrease) in provision for point card certificates	359	243
Subsidy income	-	(67,806)
Subsidies for employment adjustment	(199,492)	-
Loss on retirement of non-current assets	7,600	20,671
Interest income	(4,704)	(5,519)
Interest expenses	8,210	9,062
Loss on cancellation of leases	5,256	-
Decrease (increase) in trade receivables	(122,685)	58,564
Decrease (increase) in inventories	(66,622)	(37,227)
Increase (decrease) in trade payables	130,718	(81,034)
Increase (decrease) in accounts payable-other	144,636	(70,700)
Increase (decrease) in advances received	296,104	302,454
Increase (decrease) in accrued consumption taxes	(158,449)	(672,303)
Other, net	(116,361)	130,142
Subtotal	598,994	464,765
Interest income	2,828	1,590
Interest paid	(8,205)	(8,906)
Subsidies received	-	34,206
Proceeds from subsidy income	199,492	-
Income taxes refund	-	2,296
Income taxes paid	(25,946)	(992,640)
Net cash provided by (used in) operating activities	767,163	(498,688)
Cash flows from investing activities		
Proceeds from withdrawal of time deposits	81,000	-
Purchase of investment securities	(99,997)	-
Purchase of property, plant and equipment	(398,914)	(1,665,785)
Purchase of intangible assets	(30,059)	(34,843)
Other, net	70,839	82,272
Net cash provided by (used in) investing activities	(377,131)	(1,618,356)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	-	(2,050,000)
Proceeds from long-term borrowings	89,550	2,670,000
Repayments of long-term borrowings	(467,286)	(325,486)
Purchase of treasury shares	-	(399,998)
Proceeds from sale of treasury shares	43,013	44,780
Dividends paid	(573)	(298,410)
Other, net	4,408	-
Net cash provided by (used in) financing activities	(330,887)	(359,115)
Effect of exchange rate change on cash and cash equivalents	11,947	(14,739)
Net increase (decrease) in cash and cash equivalents	71,091	(2,490,899)
Cash and cash equivalents at beginning of period	3,433,473	5,800,686
Cash and cash equivalents at end of period	3,504,565	3,309,787

(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 the Implementation Guidance on Accounting Standards for Measurement of Fair Value

IKK has applied the Implementation Guidance on Accounting Standard for Measurement of Fair Value (Accounting Standards Board of Japan (ASBJ) Guidance No. 31, June 17, 2021) from the beginning of the first quarter of the current fiscal year, and has applied the new accounting policies set forth by the Implementation Guidance on Accounting Standard for Measurement of Fair Value, etc. prospectively in accordance with the transitional treatment in the Paragraph 27-2 of the Implementation Guidance on Accounting Standard for Measurement of Fair Value. There is no effect of the application of these standards on the quarterly consolidated financial statements.