



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

March 8, 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

Contact: Yoshihiko Tanaka, Executive Officer, Manager of Management Division TEL: +81-92-937-7030

Scheduled date of filing quarterly financial report: March 15, 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 first quarter of the FY ending October 31, 2021 (Nov. 1, 2020 - Jan. 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 | % |
| 1Q of FY ending Oct. 31, 2021 | 1,900 | (55.2) | (909) | - | (448) | - | (455) | - |
| 1Q of FY ended Oct. 31, 2020 | 4,246 | 2.2 | 7 | (88.4) | 14 | (80.5) | (1) | - |

Note: Comprehensive income: 1Q of FY ending Oct. 31, 2021: (458) million yen (-%); 1Q of FY ended Oct. 31, 2020: 1 million yen (down 96.9%)

| | Net Income per Share | Diluted Net Income per Share |
|-------------------------------|----------------------|------------------------------|
| | Yen | Yen |
| 1Q of FY ending Oct. 31, 2021 | (15.57) | - |
| 1Q of FY ended Oct. 31, 2020 | (0.04) | - |

(2) Consolidated financial position

| | Total Assets | Net Assets | Equity Ratio |
|-------------------------------|-----------------|-----------------|--------------|
| | Millions of yen | Millions of yen | % |
| 1Q of FY ending Oct. 31, 2021 | 17,003 | 7,486 | 43.8 |
| FY ended Oct. 31, 2020 | 17,898 | 7,923 | 44.1 |

Reference: Equity capital: 1Q of FY ending Oct. 31, 2021: 7,453 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 | - | - | - | - | - |
| FY ending Oct. 31, 2021 (forecast) | - | 0.00 | - | - | - |

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 |
| First half | - | - | - | - | - | - | - | - | - |
| 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)

| | | | |
|-------------------------------|-------------------|------------------------|-------------------|
| 1Q 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

| | | | |
|-------------------------------|----------------|------------------------|----------------|
| 1Q of FY ending Oct. 31, 2021 | 697,764 shares | FY ended Oct. 31, 2020 | 735,864 shares |
|-------------------------------|----------------|------------------------|----------------|

3) Average number of shares outstanding during the period (quarterly cumulative)

| | | | |
|-------------------------------|-------------------|------------------------------|-------------------|
| 1Q of FY ending Oct. 31, 2021 | 29,238,669 shares | 1Q of FY ended Oct. 31, 2020 | 29,762,140 shares |
|-------------------------------|-------------------|------------------------------|-------------------|

Note: Figures for treasury shares include 615,800 shares of the IKK stock held by the IKK Employee Stock Ownership Association Exclusive Trust at the end of the first 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 2).

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 | 2 |
| 2. Quarterly Consolidated Financial Statements and Notes | 3 |
| (1) Quarterly Consolidated Balance Sheet | 3 |
| (2) Quarterly Consolidated Statements of Income and Comprehensive Income | 5 |
| Quarterly Consolidated Statement of Income | |
| For the Three-month Period | 5 |
| Quarterly Consolidated Statement of Comprehensive Income | |
| For the Three-month Period | 6 |
| (3) Notes to Quarterly Consolidated Financial Statements | 7 |
| Notes on Premise of Going Concern | 7 |
| Notes on Significant Fluctuation in Amounts of Shareholders' Equity | 7 |
| Additoinal Information | 7 |

1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Results of Operations

In the first quarter of the current fiscal year (November 1, 2020 to January 31, 2021), a state of emergency was declared again in some areas of Japan because of the increasing number of COVID-19 cases. There are also activities aimed at preventing the spread of infections while maintaining economic activities. The outlook in Japan remains uncertain because of worries about another wave of infections as the pandemic continues to grow worldwide.

The business climate for the wedding industry remained extremely challenging. In response to COVID-19, people avoided closed spaces, crowded places and 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 doing everything possible to protect people from infections based on the stance of making the safety of customers and employees the highest priority. However, first quarter sales and earnings were lower than one year earlier as the number of weddings and sales per wedding decreased.

First quarter sales decreased 55.2% from one year earlier to 1,900 million yen. The operating loss was 909 million yen compared with a 7 million yen profit one year earlier, the ordinary loss was 448 million yen compared with a 14 million yen profit one year earlier, and the loss attributable to owners of parent was 455 million yen compared with a 1 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 57.6% from one year earlier to 1,746 million yen. Operating loss was 919 million yen compared with a 1 million yen loss one year earlier.

b) Nursing-care Operations

Sales increased 6.0% from one year earlier to 138 million yen and operating profit increased 33.8% to 11 million yen.

c) Food Business

A subsidiary was established in October 2020 to operate food business. Sales were 18 million yen and the operating loss was 2 million yen.

(2) Explanation of Financial Position

Total assets were 17,003 million yen at the end of the first quarter of the current fiscal year, 894 million yen less than at the end of the previous fiscal year. The main causes were decreases of 360 million yen in cash and deposits, 240 million yen in other current assets and 232 million yen in property, plant and equipment.

Liabilities decreased 457 million yen to 9,517 million yen. The main causes were decreases of 230 million yen in long-term borrowings and 207 million yen in other current liabilities.

Net assets decreased 436 million yen to 7,486 million yen. The main cause was a decrease due to loss attributable to owners of parent of 455 million yen. As a result, compared with the end of the previous fiscal year, the equity ratio fell by 0.3 percentage point to 43.8%.

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

There is still no end in sight for the COVID-19 crisis in Japan. A second state of emergency has been declared in some areas because of the current upturn in the number of cases. 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 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, 1Q (Jan. 31, 2021) |
|---|---|--|
| Assets | | |
| Current assets | | |
| Cash and deposits | 1,873,191 | 1,512,695 |
| Accounts receivable-trade | 144,519 | 129,886 |
| Merchandise | 339,695 | 349,029 |
| Raw materials and supplies | 67,174 | 54,635 |
| Income taxes receivable | 873,897 | 872,394 |
| Other | 521,440 | 280,930 |
| Allowance for doubtful accounts | (2,701) | (1,038) |
| Total current assets | 3,817,216 | 3,198,533 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures, net | 9,081,468 | 8,905,946 |
| Land | 1,850,919 | 1,850,919 |
| Other, net | 585,837 | 529,283 |
| Total property, plant and equipment | 11,518,225 | 11,286,148 |
| Intangible assets | 138,298 | 147,774 |
| Investments and other assets | | |
| Guarantee deposits | 1,746,822 | 1,709,466 |
| Other | 677,794 | 661,494 |
| Total investments and other assets | 2,424,616 | 2,370,961 |
| Total non-current assets | 14,081,140 | 13,804,884 |
| Total assets | 17,898,356 | 17,003,418 |
| Liabilities | | |
| Current liabilities | | |
| Accounts payable-trade | 221,248 | 165,858 |
| Short-term borrowings | 2,000,000 | 2,000,000 |
| Current portion of long-term borrowings | 1,029,552 | 1,025,202 |
| Income taxes payable | 952 | 251 |
| Provision for bonuses | 100,468 | 141,721 |
| Other | 1,786,665 | 1,579,155 |
| Total current liabilities | 5,138,888 | 4,912,189 |
| Non-current liabilities | | |
| Long-term borrowings | 3,198,097 | 2,971,791 |
| Retirement benefit liability | 38,382 | 37,735 |
| Provision for point card certificates | 16,600 | 16,759 |
| Asset retirement obligations | 1,027,852 | 1,030,589 |
| Other | 555,191 | 547,950 |
| Total non-current liabilities | 4,836,123 | 4,604,825 |
| Total liabilities | 9,975,011 | 9,517,014 |

(Thousands of yen)

| | Previous Consolidated FY (Oct. 31, 2020) | Current Consolidated FY, 1Q (Jan. 31, 2021) |
|--|---|--|
| Net assets | | |
| Shareholders' equity | | |
| Share capital | 351,655 | 351,655 |
| Capital surplus | 355,794 | 355,794 |
| Retained earnings | 7,641,563 | 7,186,260 |
| Treasury shares | (433,629) | (411,681) |
| Total shareholders' equity | 7,915,385 | 7,482,029 |
| Accumulated other comprehensive income | | |
| Remeasurements of defined benefit plans | 21,479 | 20,437 |
| Foreign currency translation adjustment | (49,397) | (49,397) |
| Total accumulated other comprehensive income | (27,917) | (28,959) |
| Non-controlling interests | 35,877 | 33,333 |
| Total net assets | 7,923,345 | 7,486,403 |
| Total liabilities and net assets | 17,898,356 | 17,003,418 |

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

| | IQ of Previous Consolidated Period (Nov. 1, 2019 - Jan. 31, 2020) | IQ of Current Consolidated Period (Nov. 1, 2020 - Jan. 31, 2021) |
|---|---|--|
| Net sales | 4,246,515 | 1,900,668 |
| Cost of sales | 1,947,415 | 928,948 |
| Gross profit | 2,299,100 | 971,720 |
| Selling, general and administrative expenses | 2,291,462 | 1,881,468 |
| Operating profit (loss) | 7,638 | (909,748) |
| Non-operating income | | |
| Interest income | 5,814 | 4,286 |
| Subsidies for employment adjustment | - | 443,869 |
| Other | 7,018 | 23,543 |
| Total non-operating income | 12,832 | 471,699 |
| Non-operating expenses | | |
| Interest expenses | 4,549 | 7,310 |
| Other | 1,908 | 2,647 |
| Total non-operating expenses | 6,458 | 9,958 |
| Ordinary profit (loss) | 14,013 | (448,007) |
| Extraordinary losses | | |
| Loss on retirement of non-current assets | 10,054 | 632 |
| Total extraordinary losses | 10,054 | 632 |
| Profit (loss) before income taxes | 3,958 | (448,640) |
| Income taxes-current | 9,085 | 2,109 |
| Income taxes-deferred | (7,363) | 7,100 |
| Total income taxes | 1,721 | 9,210 |
| Profit (loss) | 2,236 | (457,850) |
| Profit (loss) attributable to non-controlling interests | 3,294 | (2,547) |
| Loss attributable to owners of parent | (1,058) | (455,302) |

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

(Thousands of yen)

| | 1Q of Previous Consolidated Period (Nov. 1, 2019 - Jan. 31, 2020) | 1Q of Current Consolidated Period (Nov. 1, 2020 - Jan. 31, 2021) |
|--|---|--|
| Profit (loss) | 2,236 | (457,850) |
| Other comprehensive income | | |
| Remeasurements of defined benefit plans, net of tax | (1,120) | (1,038) |
| Foreign currency translation adjustment | (0) | (0) |
| Total other comprehensive income | (1,120) | (1,038) |
| Comprehensive income | 1,116 | (458,889) |
| (Comprehensive income attributable to) | | |
| Comprehensive income attributable to owners of parent | (2,173) | (456,345) |
| Comprehensive income attributable to non-controlling interests | 3,290 | (2,543) |

(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 a second state of emergency 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 toward the end of the current fiscal year

There are no significant changes to the assumptions and accounting estimates for the previous 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.

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 |
| Effective date of the absorption-type divestiture: | May 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 Shintenchō, 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 Divestiture Preparatory Company Ltd. |
| Location: | 3-6-5 Katamine, Kasuyagun Shimemachi, Fukuoka 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 |