

Summary of Consolidated Financial Results for the Nine Months Ended December 31, 2021 (J-GAAP)

February 10, 2022

Listed Company Name: IR Japan Holdings, Ltd.
 Securities Code: 6035
 Listing: Tokyo Stock Exchange URL: <https://www.irjapan.jp/>
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 Scheduled Date to Submit Quarterly Securities Report: February 10, 2022
 Scheduled Date to Start Dividend Payment: —
 Preparation of Results Briefing Materials: Yes
 Holding of Financial Results Briefing: Yes (for institutional investors and analysts)

(Amounts of less than one million yen have been truncated)

1. Consolidated Financial Results for the Nine Months Ended December 31, 2021 (from April 1, 2021 to December 31, 2021)

(1) Consolidated Operating Results

(Percentages indicate year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Nine months ended December 31, 2021	6,116	1.8	2,464	-13.9	2,459	-13.9	1,710	-10.8
Nine months ended December 31, 2020	6,008	17.9	2,861	23.4	2,855	23.3	1,916	20.3

Note: Comprehensive income Nine months ended December 31, 2021: 1,711 million yen (-10.7%)
 Nine months ended December 31, 2020: 1,917 million yen (20.3%)

	Profit per share—basic	Profit per share—diluted
	Yen	Yen
Nine months ended December 31, 2021	96.28	—
Nine months ended December 31, 2020	107.90	—

Note: The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020), etc., from the beginning of the first quarter of the fiscal year ending March 31, 2022.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of December 31, 2021	8,063	6,689	83.0
As of March 31, 2021	8,410	6,647	79.0

Reference: Shareholders' equity As of December 31, 2021: 6,689 million yen
 As of March 31, 2021: 6,647 million yen

Note: The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020), etc., from the beginning of the first quarter of the fiscal year ending March 31, 2022.

2. Dividends

	Full-year dividend				
	First quarter-end	Second quarter-end	Third quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2021	—	35.00	—	50.00	85.00
Fiscal year ending March 31, 2022	—	45.00	—		
Fiscal year ending March 31, 2022 (Forecast)				68.00	113.00

Note: Revision of dividends forecast since last announcement: None

3. Consolidated Results Forecast for the Fiscal Year Ending March 31, 2022 (from April 1, 2021 to March 31, 2022)

(Percentages indicate year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Profit per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	12,000	44.8	6,000	47.0	5,990	47.1	4,050	44.5	228.00

Note: Revision of consolidated results forecast since last announcement: None

Notes:

(1) Changes in significant subsidiaries during the period: None

(2) Application of special accounting treatments in preparing quarterly consolidated financial statements: Yes

Note: For details, please refer to “2. Consolidated Financial Statements and Primary Notes (3) Notes Relating to the Consolidated Financial Statements” on page 13.

(3) Change in accounting policies, accounting estimates, and retrospective restatements

1) Change in accounting policies in accordance with revision of accounting standards: Yes

2) Change in accounting policies other than item 1) above: None

3) Change in accounting estimates: None

4) Retrospective restatements: None

Note: For details, please refer to “2. Consolidated Financial Statements and Primary Notes (3) Notes Relating to the Consolidated Financial Statements” on page 13.

(4) Number of shares issued (common stock)

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

As of December 31, 2021 17,839,710 shares

As of March 31, 2021 17,838,310 shares

2) Number of treasury shares at the end of the period

As of December 31, 2021 76,283 shares

As of March 31, 2021 76,083 shares

3) Average number of shares during the period

April – December 2021 17,763,066 shares

April – December 2020 17,760,542 shares

The quarterly review procedure by a certified public accountant or an auditing firm does not apply to this Summary of Consolidated Financial Results.

Explanation regarding appropriate use of results forecast and additional notes

Forward-looking statements, including the results forecast, contained in this document are based on information available to the Company and on certain assumptions deemed to be reasonable as of the date of release of this document. Actual business results may differ substantially due to a number of factors. For conditions prerequisite to the results forecast, and the points to be noted in the use thereof, please refer to “1. Qualitative Information on Financial Results for the Nine Months Ended December 31, 2021 (3) Forward-looking Statements Including Consolidated Results Forecast” on page 8.

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Note: The Company held a briefing for investors (online meeting), as indicated below. Materials distributed at this briefing are set to be posted on the Company's website immediately after the briefing.

Financial results briefing for institutional investors and analysts: Thursday, February 10, 2022

1. Qualitative Information on Financial Results for the Nine Months Ended December 31, 2021

(1) Operating Results

1) General overview

(Millions of yen)

	Nine months ended December 31, 2021 (April to December 2021)			Nine months ended December 31, 2020 (April to December 2020)	
	Amount	Amount change (YoY)	Percentage change (YoY)	Amount	Percentage change (YoY)
Net sales	6,116	107	1.8	6,008	17.9
Operating profit	2,464	-397	-13.9	2,861	23.4
Ordinary profit	2,459	-396	-13.9	2,855	23.3
Profit attributable to owners of parent	1,710	-206	-10.8	1,916	20.3
(Reference) EBITDA	2,646	-382	-12.6	3,029	21.9

Note: EBITDA= Ordinary profit + Interest expenses + Depreciation

During the nine months ended December 31, 2021 (from April 1, 2021 to December 31, 2021), net sales increased 1.8% year on year, to ¥6,116 million, achieving record high. Operating profit decreased 13.9% year on year, to ¥2,464 million, ordinary profit decreased 13.9% year on year, to ¥2,459 million and profit attributable to owners of parent decreased 10.8% year on year, to ¥1,710 million. EBITDA decreased 12.6% year on year, to ¥2,646 million.

In terms of net sales, we steadily increased the number of entrustments of normal projects (amounting to less than ¥50 million) in equity consulting services. However, in addition to delays in the completion of some large-scale projects (amounting to ¥50 million or more) such as PA services*¹ and FA services*² including ownership battles until the fourth quarter, large-scale projects involving activist responses remained on levels comparable to the previous year, amidst the relaxed atmosphere under the new coronavirus outbreak. As a result, despite achieving record-high net sales, our sales growth remained low. In addition, profits ended up decreasing year on year, due to an increase in selling, general and administrative expenses as a result of reinforcements in the human resources system of Japan Originated Investment Bank, Inc., the Group's consolidated subsidiary, and system investments in the stock transfer agency business, among others.

In the third quarter, a symbolic event in which a strategic buyer (business company) waged an ownership battle on a listed company broke out in Japan, which was concluded successfully. The Group's track record as an unparalleled PA/FA, which was instrumental in the victorious outcome in this incident garnered wide attention, imparting additional momentum to entrustments of large-scale projects from both the offensive and defensive sides. However, due to our meticulous process in the progression and completion of these large-scale projects, the completion of some large-scale projects that should have been completed by the third quarter has been delayed.

With regard to institutional reforms, including the reorganization of TSE's listing classifications and revisions to the Corporate Governance Code, the number of entrustments increased steadily for advisory services to support companies in the selection procedures of the new listing classifications and the submission of plans for satisfying the listing criteria by December 31, 2021. Although some companies decided to work on their own without external support, there has been a resurgence in inquiries by some of these companies, after realizing that they had not met the listing criteria, indicating a continuing rise in demand for advisory services to enhance corporate value.

*1 PA services: Proxy Advisory services (Proxy fight services, in which the Company boasts an overwhelmingly successful track record)

*2 FA services: Financial Advisory services (Responses to activists, hostile TOBs, advanced MBOs, and M&As, to which Japan's largest and most cutting-edge group of experts is deployed)

2) Net sales by type of service

The Group is engaged in the consulting business specializing in IR/SR activities, which constitutes a single business segment. An overview of net sales by service type is as follows.

(Millions of yen)

Service	Nine months ended December 31, 2021 (April to December 2021)			Nine months ended December 31, 2020 (April to December 2020)	
	Net sales	Percentage of net sales	Percentage change (YoY)	Net sales	Percentage change (YoY)
IR/SR Consulting	5,662	92.6	2.1	5,543	22.8
Disclosure Consulting	314	5.1	-7.7	341	-23.0
Databases and Other	138	2.3	12.1	123	-11.1
Total	6,116	100.0	1.8	6,008	17.9

IR/SR Consulting

IR/SR Consulting is the Group's core lineup of services. These include SR advisory (shareholder identification surveys, proxy voting simulation, corporate governance improvement, evaluation of the effectiveness of boards of directors, capital policies including shareholder returns, etc.), proxy advisory (PA: comprehensive strategy planning and execution of proxy fights, convocation of and responses to extraordinary general meeting of shareholders, collection and tabulation of proxies, etc.), financial advisory (FA: responses to hostile TOBs, treasury shares TOBs, acceptance simulation of TOBs, placement agents (in capital increases through third-party allotment), comprehensive strategy planning and execution of M&As and MBO, etc.), and the stock transfer agency business. During the period under review, net sales from IR/SR Consulting increased 2.1% year on year, to ¥5,662 million.

- (a) Breakdown of large-scale projects (amounting to ¥50 million or more) and normal projects (amounting to less than ¥50 million) during the nine months ended December 31, 2021

(Millions of yen)

	Large-scale projects (¥50 million or more)	Normal projects (less than ¥50 million)
Nine months ended December 31, 2021	2,652	3,463
Nine months ended December 31, 2020	2,876	3,131
Change	-224	331

- (b) Number and sales amount (forecast) of large-scale projects already contracted (amounting to ¥50 million or more)

(Millions of yen)

	First half		Second half		Full year	
	Number of Projects	Amount	Number of Projects	Amount	Number of Projects	Amount
Fiscal year ending March 31, 2022 (As of February 10, 2022)	13	1,692	14	1,681	27	3,373
Fiscal year ended March 31, 2021 (Actual)	13	1,694	12	1,751	25	3,446
Change	—	-2	2	-69	2	-72

The total number of entrustments of normal projects (amounting to less than ¥50 million) for the period under review increased 10.6% year on year, to ¥3,463 million. In addition to our traditional shareholder identification surveys and SR advisory services which aim to secure stable voting rights, we expanded entrustments of the Group's unique and high-level equity consulting services, including advisory services to enhance corporate value, which respond to TSE's revised listing classifications, B/S management, and Strategic Review.

The total number of entrustments of large-scale projects (amounting to ¥50 million or more) declined 7.8% year on year, to ¥2,652 million. As for large-scale projects completed in the period under review, we have continued to maintain our entrustments, mainly of PA/FA services for ownership battles associated with hostile TOBs, and comprehensive PA/FA services for corporate and business restructuring. However, due to the year-on-year decline in PA/FA services for activist responses, the number of entrustments of large-scale projects fell short of the same period of the previous fiscal year.

- (c) Sales amount (forecast) of large-scale projects already contracted (amounting to ¥50 million or more) by type

(Millions of yen)

Types of project	Fiscal year ending March 31, 2022	Fiscal year ended March 31, 2021	Change
	Full year (As of February 10, 2022)	Full year (Actual)	
PA/FA for ownership battles	1,493	1,302	191
PA/FA for activist responses	970	1,543	-573
Company-side FA (MBOs, etc.)	705	485	220
Large-scale SR/PA	203	114	89
Total	3,373	3,446	-72

(Reference)

- (d) Number and sales amount (forecast) of large-scale projects expected to be contracted (amounting to ¥50 million or more)

(Millions of yen)

	Second half (As of February 10, 2022)	
	Number of Projects	Amount
Fiscal year ending March 31, 2022 (As of February 10, 2022)	8	1,240

- (e) Sales amount (forecast) of large-scale projects expected to be contracted (amounting to ¥50 million or more) by type

(Millions of yen)

Types of project	Second half (As of February 10, 2022)
PA/FA for ownership battles	300
PA/FA for activist responses	250
Company-side FA (MBOs, etc.)	640
Large-scale SR/PA	50
Total	1,240

Sales from already contracted large-scale projects that are currently expected to be completed by the fiscal year-end have fallen slightly short of the same period of the previous fiscal year, due to a decrease in the number of entrustments of activist response services. When adding large-scale projects that are expected to be contracted, expected sales for the full year will exceed the amount of entrustments completed by the previous fiscal year-end.

In the stock transfer agency business, as of December 31, 2021, entrustments with 72 companies have been completed, and the number of shareholders under administration reached 401,518 (compared with entrustments concluded with 72 companies and 376,168 shareholders under administration in the same period of the previous fiscal year). On August 20, 2021, the Group concluded a business alliance agreement relating to the stock transfer agency business with SMBC Trust Bank Ltd. Upon obtaining the approval of the relevant authorities, SMBC Trust Bank Ltd. entered the stock transfer agency business in December 2021, and the Group will engage in administrative services relating to the stock transfer agency business entrusted to SMBC Trust Bank Ltd. Through this business alliance, we will proactively promote high value-

added stock transfer agency services that meet the needs of our clients, mainly for companies making initial public offerings.

Disclosure Consulting

Disclosure Consulting consists of IR tool consulting services (support for the planning and creation of various disclosure documents required for IR activities, including annual reports, integrated reports and shareholder newsletters) and legal documentation services (the creation of a variety of disclosure documents in English and the translation of such documents from Japanese to English in connection with business reorganization and M&As).

Sales from Disclosure Consulting for the period under review decreased 7.7% from the same period of the previous fiscal year, to ¥314 million. The decrease was due to the Company prioritizing the entrustment of projects as part of SR consulting over single projects, in support for integrated reports, etc., despite an increase in entrustments for consulting services relating to ESG disclosures, in response to the rising interest in ESG by the fund providers and institutional investors.

Databases and Other

Databases and Other provides web-based IR support services via Stock Watch, which provides information on shareholdings revealed through reports on the possession of large volume and publicly offered domestic and overseas investment trusts, IR-Pro, which is a comprehensive support system for corporate IR activities, and the Analyst Network, which allows listed companies to accept reservations for IR explanatory meetings and manage attendee information in a single step. IR Japan also operates the *Kabunushi-Hiroba*, a survey system for individual investors.

Sales from Databases and Other for the period under review increased 12.1% from the same period of the previous fiscal year, to ¥138 million.

(2) Financial Position

1) Assets

Total assets of the Group as of December 31, 2021 decreased ¥346 million from the end of the previous fiscal year, to ¥8,063 million, due primarily to decreases in cash and deposits of ¥483 million and notes and accounts receivable—trade, and contract assets of ¥278 million, and increases in property, plant and equipment of ¥93 million and software of ¥254 million.

2) Liabilities

Total liabilities of the Group as of December 31, 2021 decreased ¥389 million from the end of the previous fiscal year, to ¥1,373 million, due primarily to a decrease in income taxes payable of ¥469 million.

3) Net assets

Net assets of the Group as of December 31, 2021 increased ¥42 million from the end of the previous fiscal year, to ¥6,689 million, due primarily to an increase in retained earnings of ¥1,710 million from profit attributable to owners of parent and a decrease in retained earnings of ¥1,687 million as a result of payment of dividends.

(3) Forward-looking Statements Including Consolidated Results Forecast

1) Forecast for consolidated operating results for the fiscal year ending March 31, 2022
(as of February 10, 2022)

(Millions of yen)

	Forecast Fiscal year ending March 31, 2022			Actual Fiscal year ended March 31, 2021	
	Amount	Amount change (YoY)	Percentage change (YoY)	Amount	Percentage change (YoY)
Net sales	12,000	3,715	44.8	8,284	7.8
Operating profit	6,000	1,919	47.0	4,080	12.5
Ordinary profit	5,990	1,919	47.1	4,070	12.7
Profit attributable to owners of parent	4,050	1,247	44.5	2,802	14.6

Developments have already commenced in activist activities, including a massive campaign that erupted suddenly as we entered the fourth quarter. In addition, a new type of activist activity focusing on climate change and ESG, which is already becoming a force among the companies of Europe and the United States, is also starting to become a threat to the listed companies in Japan, and we expect an increase in entrustments of services in response to such activities. Equipped with Japan Originated Investment Bank, Inc., an investment banking subsidiary, the Group, with its claim to the “Power of Equity^{®*3} (the power of shareholder voting rights),” will further reinforce its unparalleled equity consulting structure, expand the breadth of normal projects, and increase the number of entrustments of large-scale projects, while responding to the increasingly diverse and complex risks and needs of our clients. As an innovator in corporate restructuring in Japan, we will continue to devote all of our energy to cultivating new demand.

*3 Power of Equity[®]: “Power of Equity” is a registered trademark of our consolidated subsidiary, IR Japan, Inc. (No. 6196294).

2) Basic policy concerning the distribution of profits and dividend distributions for the fiscal year ending March 31, 2022

For the fiscal year ending March 31, 2022, given that the establishment of the business structure and investments for the future are steadily progressing as planned, the Company is scheduled to pay ¥68 per share as a year-end dividend, an increase of ¥18 year on year. Accordingly, the full-year dividend including the interim dividend is scheduled to be ¥113 per share (an increase of ¥28), which represents the seventh consecutive year of dividend increases.

In addition, the Company plans to acquire its treasury shares in a timely, appropriate, and flexible manner.

	Fiscal year ended March 31, 2021	Fiscal year ending March 31, 2022 (Forecast)
Dividend per share	85 yen	113 yen
Interim dividend	35 yen	45 yen
Year-end dividend	50 yen	68 yen
Dividend payout ratio	53.9%	49.6%

2. Consolidated Financial Statements and Primary Notes

(1) Consolidated Balance Sheets

	(Thousands of yen)	
	As of March 31, 2021	As of December 31, 2021
Assets		
Current assets		
Cash and deposits	5,423,053	4,939,536
Notes and accounts receivable—trade	1,207,215	—
Notes and accounts receivable—trade, and contract assets	—	928,485
Work in process	44,479	25,614
Other	150,024	298,343
Total current assets	6,824,773	6,191,980
Non-current assets		
Property, plant and equipment	299,276	392,518
Intangible assets		
Software	430,465	685,403
Other	128,476	16,891
Total intangible assets	558,942	702,294
Investments and other assets		
Other	798,423	847,822
Allowance for doubtful accounts	(71,280)	(71,280)
Total investments and other assets	727,143	776,542
Total non-current assets	1,585,362	1,871,355
Total assets	8,410,136	8,063,335
Liabilities		
Current liabilities		
Accounts payable—trade	72,979	21,290
Short-term borrowings	200,000	200,000
Accounts payable—other	145,058	150,280
Income taxes payable	838,732	369,366
Advances received	105,128	—
Contract liabilities	—	97,561
Provision for bonuses	106,503	137,310
Other	235,057	336,324
Total current liabilities	1,703,460	1,312,132
Non-current liabilities		
Long-term accounts payable—other	50,710	50,710
Retirement benefit liability	8,952	10,504
Total non-current liabilities	59,663	61,214
Total liabilities	1,763,123	1,373,347

	(Thousands of yen)	
	As of March 31, 2021	As of December 31, 2021
Net assets		
Shareholders' equity		
Share capital	855,673	865,298
Capital surplus	543,781	553,406
Retained earnings	5,656,377	5,679,104
Treasury shares	(410,004)	(410,004)
Total shareholders' equity	6,645,828	6,687,805
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,184	2,183
Total accumulated other comprehensive income	1,184	2,183
Total net assets	6,647,012	6,689,988
Total liabilities and net assets	8,410,136	8,063,335

(2) Consolidated Statements of Income and Comprehensive Income
 Consolidated Statement of Income
 For the Nine Months Ended December 31, 2021

	(Thousands of yen)	
	Nine Months of FY2020 (from April 1, 2020 to December 31, 2020)	Nine Months of FY2021 (from April 1, 2021 to December 31, 2021)
Net sales	6,008,372	6,116,242
Cost of sales	906,790	914,432
Gross profit	5,101,582	5,201,809
Selling, general and administrative expenses	2,240,495	2,737,797
Operating profit	2,861,086	2,464,011
Non-operating income		
Interest income	9	9
Dividend income	210	210
Gain on forfeiture of unclaimed dividends	161	112
Other	527	604
Total non-operating income	908	937
Non-operating expenses		
Interest expenses	932	932
Loss on sale of notes receivable—trade	97	166
Foreign exchange losses	485	630
Loss on investments in investment partnerships	4,670	1,435
Loss on extinguishment of share-based remuneration expenses	—	2,750
Total non-operating expenses	6,185	5,914
Ordinary profit	2,855,810	2,459,034
Profit before income taxes	2,855,810	2,459,034
Total income taxes	939,362	748,842
Profit	1,916,447	1,710,192
Profit attributable to non-controlling interests	—	—
Profit attributable to owners of parent	1,916,447	1,710,192

Consolidated Statement of Comprehensive Income
For the Nine Months Ended December 31, 2021

	(Thousands of yen)	
	Nine Months of FY2020 (from April 1, 2020 to December 31, 2020)	Nine Months of FY2021 (from April 1, 2021 to December 31, 2021)
Profit	1,916,447	1,710,192
Other comprehensive income		
Valuation difference on available-for-sale securities	605	999
Total other comprehensive income	605	999
Comprehensive income	1,917,052	1,711,191
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,917,052	1,711,191
Comprehensive income attributable to non-controlling interests	—	—

(3) Notes Relating to the Consolidated Financial Statements

Notes Relating to the Going Concern Assumption

None applicable

Notes Regarding Significant Changes in the Amount of Shareholders' Equity

None applicable

Changes in Accounting Policies

(Application of the Accounting Standard for Revenue Recognition, etc.)

The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) etc., effective from the beginning of the first quarter of the fiscal year ending March 31, 2022, and recognizes revenue in the amount expected to be received in exchange for promised goods or services at the time when control of these goods or services is transferred to the customer.

The application of the Accounting Standard for Revenue Recognition, etc. is subject to the transitional treatment provided for in the proviso to paragraph 84 of the Accounting Standard for Revenue Recognition. However, this has no effect on the balance of retained earnings at the beginning of the period. Furthermore, it also does not affect the profit or loss for the nine months ended December 31, 2021.

Due to the application of the Accounting Standard for Revenue Recognition, etc., “notes and accounts receivable—trade,” which was presented under “current assets” in the consolidated balance sheets for the previous fiscal year, is included in “notes and accounts receivable—trade, and contract assets” from the first quarter of the fiscal year ending March 31, 2022. Furthermore, “advances received,” which was presented under “current liabilities” in the consolidated balance sheets for the previous fiscal year, is stated as “contract liabilities” from the first quarter of the fiscal year ending March 31, 2022.

(Application of the Accounting Standard for Fair Value Measurement, etc.)

The Company has applied the “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019) etc., effective from the beginning of the first quarter of the fiscal year ending March 31, 2022, and in accordance with the transitional treatment provided for in paragraph 19 of the Accounting Standard for Fair Value Measurement and paragraph 44-2 of the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019), the Company will apply the new accounting policy prescribed by the Accounting Standard for Fair Value Measurement, etc., into the future. This has no impact on the consolidated financial statements.

Application of Special Accounting Treatments in Preparing Consolidated Financial Statements

The Company reasonably estimates an effective tax rate after applying tax effect accounting to profit before income taxes for the fiscal year in which the third quarter of the fiscal year ending March 31, 2022 is included, and calculates tax expenses by multiplying quarterly profit before income taxes by the estimated effective tax rate.

Segment Information and Others

This is not applicable as the Group engages in consulting business specializing in IR/SR activities, which constitutes a single business segment.