

Summary of Consolidated Financial Results for the Three Months Ended June 30, 2022 (J-GAAP)

July 29, 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: August 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 Three Months Ended June 30, 2022

(from April 1, 2022 to June 30, 2022)

(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	%
Three months ended June 30, 2022	1,963	-25.6	619	-56.7	618	-56.8	417	-57.9
Three months ended June 30, 2021	2,640	11.0	1,431	6.4	1,431	6.4	991	8.6

Note: Comprehensive income Three months ended June 30, 2022: 417 million yen (-58.0%)
 Three months ended June 30, 2021: 991 million yen (8.6%)

	Profit per share—basic	Profit per share—diluted
	Yen	Yen
Three months ended June 30, 2022	23.48	—
Three months ended June 30, 2021	55.83	—

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

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of June 30, 2022	8,223	6,624	80.6
As of March 31, 2022	9,027	7,415	82.1

Reference: Shareholders' equity As of June 30, 2022: 6,624 million yen
 As of March 31, 2022: 7,415 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 fiscal year ended March 31, 2022.

2. Dividends

	Full-year dividend				
	First quarter-end	Second quarter-end	Third quarter-end	Year-end	Total
Fiscal year ended March 31, 2022	Yen —	Yen 45.00	Yen —	Yen 68.00	Yen 113.00
Fiscal year ending March 31, 2023	—				
Fiscal year ending March 31, 2023 (Forecast)		45.00	—	68.00	113.00

Note: Revision of dividends forecast since last announcement: None

3. Consolidated Results Forecast for the Fiscal Year Ending March 31, 2023

(from April 1, 2022 to March 31, 2023)

The Company has not announced its consolidated results forecast for the fiscal year ending March 31, 2023 since it is difficult to reasonably calculate its results forecast at this time. We will promptly disclose the consolidated results forecast as soon as it becomes possible to calculate it.

Notes:

(1) Changes in significant subsidiaries during the period
(changes in specified subsidiaries resulting in changes in the scope of consolidation): None
Newly included: — Excluded: —

(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 11.

(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 11.

(4) Number of shares issued (common stock)
1) Number of shares issued at the end of the period (including treasury shares)
As of June 30, 2022 17,839,710 shares
As of March 31, 2022 17,839,710 shares
2) Number of treasury shares at the end of the period
As of June 30, 2022 76,283 shares
As of March 31, 2022 76,283 shares
3) Average number of shares during the period
April – June 2022 17,763,427 shares
April – June 2021 17,762,227 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 Three Months Ended June 30, 2022 (3) Forward-looking Statements Including Consolidated Results Forecast” on page 7.

Contents of the Attachment

1. Qualitative Information on Financial Results for the Three Months Ended June 30, 2022	4
(1) Operating Results	4
(2) Financial Position.....	6
(3) Forward-looking Statements Including Consolidated Results Forecast	7
2. Consolidated Financial Statements and Primary Notes	8
(1) Consolidated Balance Sheets.....	8
(2) Consolidated Statements of Income and Comprehensive Income.....	9
(3) Notes Relating to the Consolidated Financial Statements	11
Notes Relating to the Going Concern Assumption.....	11
Notes Regarding Significant Changes in the Amount of Shareholders' Equity	11
Application of Special Accounting Treatments in Preparing Consolidated Financial Statements	11
Changes in Accounting Policies	11
Additional Information.....	11
Segment Information and Others.....	11

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: Friday, July 29, 2022

1. Qualitative Information on Financial Results for the Three Months Ended June 30, 2022

(1) Operating Results

1) General overview

(Millions of yen)

	Three months ended June 30, 2022 (April to June 2022)			Three months ended June 30, 2021 (April to June 2021)	
	Amount	Change	Percentage change (YoY)	Amount	Percentage change (YoY)
Net sales	1,963	-676	-25.6	2,640	11.0
Operating profit	619	-812	-56.7	1,431	6.4
Ordinary profit	618	-813	-56.8	1,431	6.4
Profit attributable to owners of parent	417	-574	-57.9	991	8.6
(Reference) EBITDA	692	-799	-53.6	1,491	6.5

Note: EBITDA = Ordinary profit + Interest expenses + Depreciation

We sincerely apologize for the significant inconvenience caused by the commencement of the investigation of a former executive of the Company by the Securities and Exchange Surveillance Commission on June 1, 2022. The Group takes this situation very seriously, and is offering its full cooperation to the investigation by the Securities and Exchange Surveillance Commission, while at the same time, it established its own Investigation Committee made up entirely of neutral and impartial outside experts who are independent from the Company, on June 6, 2022. Currently, the Investigation Committee is conducting investigations and verification of the system and actual situation of information management in the Company and the results of the investigation are scheduled to be disclosed around August 2022.

During the three months ended June 30, 2022 (from April 1, 2022 to June 30, 2022), both sales and profits declined significantly, as net sales decreased 25.6% year on year, to ¥1,963 million, operating profit decreased 56.7% year on year, to ¥619 million, ordinary profit decreased 56.8% year on year, to ¥618 million and profit attributable to owners of parent decreased 57.9% year on year, to ¥417 million. EBITDA decreased 53.6% year on year, to ¥692 million.

During the three months ended June 30, 2022, ownership battles and the stable securing of voting rights in listed companies became the focus of attention, due to the increasing number of activists targeting listed companies entering the market and a record number of shareholder proposals being submitted by activists. While the number of shareholder proposals increased, many of the proposals were submitted at small-cap companies with relatively high loyal shareholder ratio, resulting in a significant decrease in contracts for large-scale projects amounting to ¥50 million or more compared to the same period of the previous fiscal year. With respect to normal projects amounting to less than ¥50 million, the Group made groupwide efforts to provide unparalleled equity consulting services backed by strong track record and results, and was able to lower the approval rate of shareholder proposals or have the shareholder proposal rescinded, resulting in maintaining and building greater trust in the Company's services by its clients.

As for the effects of the investigations by the Securities and Exchange Surveillance Commission and other matters on business, at this time, only a few of the existing clients have canceled their contracts, but there has been an impact such as the postponement of the contract timing by a new client currently under negotiation as well as the postponement of the launch of large-scale projects such as PA services*¹ and FA services*². Additionally, operating profit, ordinary profit and profit attributable to owners of parent declined significantly compared to those of the same period of the previous fiscal year, due to a decrease in net sales and an increase in selling, general and administrative expenses resulting from expenses incurred in dealing with general meetings of shareholders, among others.

On the other hand, there have been many clients seeking the unparalleled services of the Group, which is considered to be ideally suited to responding to future dramatic changes in Japan's capital markets. The Company expects that it will continue to perform solidly, as it is capturing new projects for FA and consulting services including PA/FA offense and defense projects for ownership battles involving corporate and business restructuring and advisory services to enhance corporate value.

Furthermore, in an effort to reinforce its unique database related to the most advanced market intelligence, ESG information, and contingency planning for TOBs and proxy fights, the Group launched a Market Intelligence Department to raise the efficiency of traditional research and enhance its added value. In addition, IRJ Business Consulting Staff, Inc. (IRJBCS) began operation in July 2022, to transfer the back-office business of IR Japan, Inc., the Company's subsidiary, by means of a company split, with the aim of strengthening relationships with listed company clients in IR/SR services and expanding the

investment banking business. By clearly demarcating the division of duties between the “offense” services of the Equity Consulting Department of IR Japan and the “defense” services of IRJBCS and building an efficient and strategic customer support system through the combined efforts of the two, the Group will offer even more high value-added equity consulting services.

*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	Three months ended June 30, 2022 (April to June 2022)			Three months ended June 30, 2021 (April to June 2021)	
	Net sales	Percentage of net sales	Percentage change (YoY)	Net sales	Percentage change (YoY)
IR/SR Consulting	1,854	94.4	-26.1	2,509	10.8
Disclosure Consulting	71	3.6	-18.9	88	19.2
Databases and Other	38	2.0	-9.8	42	5.5
Total	1,963	100.0	-25.6	2,640	11.0

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 decreased 26.1% year on year, to ¥1,854 million.

Breakdown of large-scale projects (amounting to ¥50 million or more) and normal projects (amounting to less than ¥50 million) during the three months ended June 30, 2022

(Millions of yen)

	Large-scale projects (¥50 million or more)	Normal projects (less than ¥50 million)
Three months ended June 30, 2022	121	1,842
Three months ended June 30, 2021	890	1,750
Change	-769	92

The number of contracts of large-scale projects (amounting to ¥50 million or more) for the period under review declined 86.4% year on year, to ¥121 million. This was because, despite the increase in the number of shareholder proposals from activists and other parties at the annual general meeting of shareholders in June 2022 for companies with March-reporting periods, many of the proposals were submitted at small-cap companies with relatively high loyal shareholder ratio, resulting in receiving fewer contracts for large-scale projects amounting to ¥50 million or more.

Meanwhile, the number of contracts of normal projects (amounting to less than ¥50 million) for the period under review increased 5.3% year on year, to ¥1,842 million. In addition to our traditional shareholder identification surveys and SR advisory services which aim to secure stable voting rights, contracts progressed solidly for 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 simulation, and strategic review.

In the stock transfer agency business, as of June 30, 2022, entrustments with 72 companies have been

completed, and the number of shareholders under administration reached 411,846 (compared with entrustments concluded with 73 companies and 393,206 shareholders under administration in 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 the expansion of the number of entrustments, 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 18.9% from the same period of the previous fiscal year, to ¥71 million.

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 decreased 9.8% from the same period of the previous fiscal year, to ¥38 million.

(2) Financial Position

1) Assets

Total assets of the Group as of June 30, 2022 decreased ¥804 million from the end of the previous fiscal year, to ¥8,223 million, due primarily to decreases in cash and deposits of ¥559 million and notes and accounts receivable—trade, and contract assets of ¥227 million.

2) Liabilities

Total liabilities of the Group as of June 30, 2022 decreased ¥13 million from the end of the previous fiscal year, to ¥1,598 million, due primarily to a decrease in income taxes payable of ¥431 million and increases in contract liabilities of ¥98 million and other (current liabilities) of ¥315 million.

3) Net assets

Net assets of the Group as of June 30, 2022 decreased ¥790 million from the end of the previous fiscal year, to ¥6,624 million, due primarily to an increase in retained earnings of ¥417 million from profit attributable to owners of parent and a decrease in retained earnings of ¥1,207 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, 2023

Regarding the consolidated results forecast for the fiscal year ending March 31, 2023, as the percentage of large-scale projects in our consolidated net sales has increased, the difficulty and complexity of these projects have also increased. There have been many cases where projects had to be postponed or cancelled or schemes had to be changed due to changes in circumstances that were not initially anticipated or due to customer situations. We have therefore determined that it is still difficult to estimate the consolidated results forecast for the full year at this stage, and decided not to disclose a forecast.

2) Basic policy concerning the distribution of profits and dividend distributions for the fiscal year ending March 31, 2023

The Company makes it a basic policy to distribute profits to its shareholders in line with its business results, while maintaining its financial strength by securing sufficient internal reserves to carry out sound business operations. The Company's Articles of Incorporation stipulate that a decision on the distribution of surplus and other matters as specified in each item of Paragraph 1, Article 459, of the Companies Act can be made by a resolution of the Board of Directors, unless otherwise specified by laws and regulations, while a decision on year-end dividends is to be made at the General Meeting of Shareholders. The Company's Articles of Incorporation also stipulate that an interim dividend can be provided with the date of record being September 30 of each year.

For the fiscal year ending March 31, 2023, the Company is scheduled to pay ¥45 per share as an interim dividend and ¥68 per share as a year-end dividend, amounting to an annual dividend of ¥113 per share.

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

	Fiscal year ended March 31, 2022	Fiscal year ending March 31, 2023 (Forecast)
Dividend per share	113 yen	113 yen
Interim dividend	45 yen	45 yen
Year-end dividend	68 yen	68 yen
Dividend payout ratio	82.4%	—

2. Consolidated Financial Statements and Primary Notes

(1) Consolidated Balance Sheets

(Thousands of yen)

	As of March 31, 2022	As of June 30, 2022
Assets		
Current assets		
Cash and deposits	5,802,794	5,243,523
Notes and accounts receivable—trade, and contract assets	1,089,474	861,957
Work in process	6,835	7,967
Other	303,981	265,367
Total current assets	7,203,085	6,378,815
Non-current assets		
Property, plant and equipment	388,452	374,098
Intangible assets		
Software	697,949	667,886
Other	9,607	74,271
Total intangible assets	707,557	742,158
Investments and other assets		
Other	799,434	799,285
Allowance for doubtful accounts	(71,280)	(71,280)
Total investments and other assets	728,154	728,005
Total non-current assets	1,824,163	1,844,262
Total assets	9,027,248	8,223,078
Liabilities		
Current liabilities		
Accounts payable—trade	89,405	44,253
Short-term borrowings	200,000	200,000
Accounts payable—other	189,231	294,506
Income taxes payable	653,478	221,676
Contract liabilities	64,137	162,138
Provision for bonuses	158,784	101,838
Other	194,563	509,659
Total current liabilities	1,549,601	1,534,072
Non-current liabilities		
Long-term accounts payable—other	50,710	50,710
Retirement benefit liability	11,902	14,089
Total non-current liabilities	62,613	64,799
Total liabilities	1,612,214	1,598,872
Net assets		
Shareholders' equity		
Share capital	865,298	865,298
Capital surplus	553,406	553,406
Retained earnings	6,403,741	5,612,887
Treasury shares	(410,004)	(410,004)
Total shareholders' equity	7,412,441	6,621,587
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,592	2,618
Total accumulated other comprehensive income	2,592	2,618
Total net assets	7,415,033	6,624,206
Total liabilities and net assets	9,027,248	8,223,078

(2) Consolidated Statements of Income and Comprehensive Income
Consolidated Statement of Income
For the Three Months Ended June 30, 2022

	(Thousands of yen)	
	Three Months of FY2021 (from April 1, 2021 to June 30, 2021)	Three Months of FY2022 (from April 1, 2022 to June 30, 2022)
Net sales	2,640,325	1,963,998
Cost of sales	299,577	261,835
Gross profit	2,340,748	1,702,162
Selling, general and administrative expenses	909,252	1,083,011
Operating profit	1,431,495	619,150
Non-operating income		
Interest income	0	0
Dividend income	210	282
Gain on forfeiture of unclaimed dividends	38	—
Other	604	385
Total non-operating income	853	668
Non-operating expenses		
Interest expenses	304	266
Loss on sale of notes receivable—trade	151	184
Foreign exchange losses	124	1,241
Total non-operating expenses	579	1,691
Ordinary profit	1,431,769	618,127
Profit before income taxes	1,431,769	618,127
Total income taxes	440,140	201,068
Profit	991,629	417,059
Profit attributable to non-controlling interests	—	—
Profit attributable to owners of parent	991,629	417,059

Consolidated Statement of Comprehensive Income
For the Three Months Ended June 30, 2022

	(Thousands of yen)	
	Three Months of FY2021 (from April 1, 2021 to June 30, 2021)	Three Months of FY2022 (from April 1, 2022 to June 30, 2022)
Profit	991,629	417,059
Other comprehensive income		
Valuation difference on available-for-sale securities	311	25
Total other comprehensive income	311	25
Comprehensive income	991,941	417,085
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	991,941	417,085
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

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 first quarter of the fiscal year ending March 31, 2023 is included, and calculates tax expenses by multiplying quarterly profit before income taxes by the estimated effective tax rate.

Changes in Accounting Policies

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

The Company has applied the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021) effective from the beginning of the first quarter of the fiscal year ending March 31, 2023, and in accordance with the transitional treatment provided for in paragraph 27-2 of the guidance, the Company will apply the new accounting policy prescribed by the guidance into the future. This has no impact on the consolidated financial statements.

Additional Information

(Application of the Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System)

The Company and its domestic consolidated subsidiaries transitioned from the consolidated taxation system to the group tax sharing system from the first quarter of the fiscal year ending March 31, 2023. Accordingly, the Company and its domestic consolidated subsidiaries comply with the treatment prescribed in the "Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System" (PITF No. 42, August 12, 2021) regarding the accounting treatment and disclosure of corporate and local income taxes and tax effect accounting. In addition, the changes in accounting policies in conjunction with the application of the PITF No. 42, in accordance with paragraph 32-1 of the PITF No. 42, are deemed to have no effect.

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.