

Summary of Consolidated Financial Results for the Three Months Ended June 30, 2023 (J-GAAP)

August 1, 2023

Listed Company Name: IR Japan Holdings, Ltd.
 Securities Code: 6035
 Listing: Tokyo Stock Exchange URL: <https://www.irjapan.jp/>
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 President and Chief Executive Officer
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 Scheduled Date to Submit Quarterly Securities Report: August 10, 2023
 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, 2023

(from April 1, 2023 to June 30, 2023)

(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, 2023	2,003	2.0	896	44.7	896	45.0	610	46.4
Three months ended June 30, 2022	1,963	-25.6	619	-56.7	618	-56.8	417	-57.9

Note: Comprehensive income Three months ended June 30, 2023: 611 million yen (46.6%)
 Three months ended June 30, 2022: 417 million yen (-58.0%)

	Profit per share—basic	Profit per share—diluted
	Yen	Yen
Three months ended June 30, 2023	34.37	—
Three months ended June 30, 2022	23.48	—

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of June 30, 2023	7,221	5,482	75.9
As of March 31, 2023	7,362	6,079	82.6

Reference: Shareholders' equity As of June 30, 2023: 5,482 million yen
 As of March 31, 2023: 6,079 million yen

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, 2023	—	45.00	—	68.00	113.00
Fiscal year ending March 31, 2024	—				
Fiscal year ending March 31, 2024 (Forecast)		—	—	—	—

Note: Revision of dividends forecast since last announcement: None

3. Consolidated Results Forecast for the Fiscal Year Ending March 31, 2024

(from April 1, 2023 to March 31, 2024)

The Company has not announced its consolidated results forecast for the fiscal year ending March 31, 2024 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 12.
- (3) Change in accounting policies, accounting estimates, and retrospective restatements
 - 1) Change in accounting policies in accordance with revision of accounting standards: None
 - 2) Change in accounting policies other than item 1) above: None
 - 3) Change in accounting estimates: None
 - 4) Retrospective restatements: None
- (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, 2023	17,839,710 shares
As of March 31, 2023	17,839,710 shares
 - 2) Number of treasury shares at the end of the period

As of June 30, 2023	76,283 shares
As of March 31, 2023	76,283 shares
 - 3) Average number of shares during the period

April – June 2023	17,763,427 shares
April – June 2022	17,763,427 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, 2023 (3) Forward-looking Statements Including Consolidated Results Forecast” on page 7.

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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: Tuesday, August 1, 2023

1. Qualitative Information on Financial Results for the Three Months Ended June 30, 2023

(1) Operating Results

1) General overview

(Millions of yen)

	Three months ended June 30, 2023 (April to June 2023)			Three months ended June 30, 2022 (April to June 2022)	
	Amount	Change	Percentage change (YoY)	Amount	Percentage change (YoY)
Net sales	2,003	39	2.0	1,963	-25.6
Operating profit	896	277	44.7	619	-56.7
Ordinary profit	896	278	45.0	618	-56.8
Profit attributable to owners of parent	610	193	46.4	417	-57.9
(Reference) EBITDA	974	281	40.7	692	-53.6

Note: EBITDA = Ordinary profit + Interest expenses + Depreciation

On May 18, 2023, the Tokyo District Public Prosecutors Office arrested a former executive of the Company on suspicion of violating the Financial Instruments and Exchange Act (insider trading regulations), and he was charged on June 7, 2023. We find the entire situation deeply regrettable, and we sincerely apologize to our shareholders, clients, and other stakeholders for any inconvenience and concerns it caused. We will continue to strive to further raise awareness of compliance among our officers and employees. At the same time, we will work together as one group to further strengthen corporate governance by improving the information management framework and enhancing the supervisory functions in the conflict of interest management framework and the risk management framework, which we have been promoting since last year.

During the three months ended June 30, 2023 (from April 1, 2023 to June 30, 2023), net sales increased 2.0% year on year, to ¥2,003 million. Profits increased significantly, as operating profit increased 44.7% year on year, to ¥896 million, ordinary profit increased 45.0% year on year, to ¥896 million and profit attributable to owners of parent increased 46.4% year on year, to ¥610 million due not only to an increase of large-scale projects but to a reduction in expenses for dealing with general meetings of shareholders, among others incurred for the same period of the previous fiscal year. EBITDA increased 40.7% year on year, to ¥974 million.

During the three months ended June 30, 2023, we continued to make efforts to regain our clients' trust in the Group, by placing a priority on providing explanations to our clients and other stakeholders regarding the series of measures to enhance the risk management and governance frameworks that we announced on March 30, 2023.

During the three months ended June 30, 2023, 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.

Regarding contingency response projects*1 related to responses to activists, ownership battles and responses to M&As, among others, the amount of entrustments of contingency response projects increased, as we are continuing to receive entrustments of projects that are centered on PA/FA projects for dealing with activists and the amount of money entrusted per project is increasing as contingency response projects are becoming more sophisticated and complex, despite factors such as the impact of our not being able to proactively offer and execute proposals that could lead a wide variety of business reorganizations and M&As in the PA services*2 and FA services*3 centering on ownership battles.

Regarding ordinary response projects*4 such as shareholder identification surveys, despite certain existing clients canceling their contracts, we are continuing to receive entrustments of comprehensive equity consulting services based on the strong relationship of trust that our clients have shown toward the Group's services. However, the number of new and additional project entrustments decreased due to factors such as the impact of our not being able to proactively offer proposals for equity consulting projects by the end of the previous fiscal year.

In Japan's capital markets, while global institutional funds are returning to Japanese equities in response to the notice issued by the Tokyo Stock Exchange requesting companies with PBR below 1 time to improve, activities by activist funds are increasingly intensified. With shareholder proposals being approved and takeover bids being implemented by operating companies without prior consent, Japan has finally entered an era of major restructuring, and there is an increasing pressure on the management control of listed companies.

As shown in the Group's key concept, the "Power of Equity^{®*5}," while capital risks are increasing that significantly affect the survival and control of listed companies in Japan, such as corporate restructuring and business reorganization under external pressure from "shareholders," we will maintain our position as the only independent equity consulting and financial advisory group that essentially offers proxy advisory services and does not take the activist side. We will collect information on global capital market trends through our offices in Tokyo and New York, and leverage both our consulting services related to shareholder voting rights and our M&A advisory services related to management control, while supporting the sustainable growth of listed companies in Japan.

*1 Contingency response projects: Deals to handle PA and FA services in contingency phases such as responses to activists, ownership battles, responses to M&As, etc.

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

*3 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)

*4 Ordinary response projects: Equity consulting services in normal times related to shareholder identification surveys, voting rights analysis, corporate defense, corporate value enhancement, etc.

*5 Power of Equity[®]: "Power of Equity" is a registered trademark of our subsidiary, IR Japan, Inc. (No. 6196294).

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.

Overview of net sales by service type

(Millions of yen)

Service	Three months ended June 30, 2023 (April to June 2023)			Three months ended June 30, 2022 (April to June 2022)	
	Net sales	Percentage of net sales	Percentage change (YoY)	Net sales	Percentage change (YoY)
IR/SR Consulting	1,912	95.5	3.1	1,854	-26.1
Disclosure Consulting	63	3.2	-10.9	71	-18.9
Databases and Other	27	1.3	-29.1	38	-9.8
Total	2,003	100.0	2.0	1,963	-25.6

Breakdown of large-scale projects (amounting to ¥50 million or more) and normal projects (amounting to less than ¥50 million)

(Millions of yen)

	Large-scale projects (¥50 million or more)	Normal projects (less than ¥50 million)
Three Months Ended June 30, 2023	671	1,331
Three Months Ended June 30, 2022	121	1,842
Change	550	-511

Net sales of entrustments of large-scale projects (amounting to ¥50 million or more) for the period under review increased 455.3% year on year, to ¥671 million. This was due to an increase of entrustments of projects that are centered on PA/FA projects for dealing with activists. Net sales of entrustments of normal projects (amounting to less than ¥50 million) declined 27.8% year on year, to ¥1,331 million. This was because projects for dealing with activists became larger and certain existing clients canceled their contracts.

Breakdown of contingency response projects and ordinary response projects

(Millions of yen)

	Contingency response projects	Ordinary response projects
Three Months Ended June 30, 2023	839	1,163
Three Months Ended June 30, 2022	497	1,466
Change	342	-303

Net sales of contingency response projects related to responses to activists, ownership battles and responses to M&As for the period under review increased 68.9% year on year, to ¥839 million. The amount of entrustment of contingency response projects increased, as we are continuing to receive entrustments of projects that are centered on PA/FA projects for dealing with activists and the amount of money entrusted per project is increasing as contingency response projects are becoming more sophisticated and complex, despite factors such as the impact of our not being able to proactively offer and execute proposals that could lead a wide variety of business reorganizations and M&As in the PA services and FA services centering on ownership battles.

Net sales of ordinary response projects such as shareholder identification surveys for the period under review decreased 20.7% year on year, to ¥1,163 million. Despite certain existing clients canceling their contracts, we are continuing to receive entrustments of comprehensive equity consulting services based on the strong relationship of trust that our clients have shown toward the Group's services. However, the number of new and additional project entrustments decreased due to factors such as the impact of our not being able to proactively offer proposals for equity consulting projects by the end of the previous fiscal year.

In the stock transfer agency business, as of June 30, 2023, entrustments with 64 companies have been completed, and the number of shareholders under administration reached 401,473 (compared with entrustments concluded with 72 companies and 411,846 shareholders under administration in the same period of the previous fiscal year). We will continue to provide stock transfer agency services that meet the needs of the times by strengthening cooperation with SMBC Trust Bank Ltd. regarding stock transfer agency business and developing innovative services that set us apart from conventional stock transfer agencies.

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, 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 3.1% year on year, to ¥1,912 million.

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 10.9% from the same period of the previous fiscal year, to ¥63 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 29.1% from the same period of the previous fiscal year, to ¥27 million.

(2) Financial Position

1) Assets

Total assets of the Group as of June 30, 2023 decreased ¥140 million from the end of the previous fiscal year, to ¥7,221 million, due primarily to an increase in cash and deposits of ¥252 million and a decrease in other (current assets) of ¥473 million.

2) Liabilities

Total liabilities of the Group as of June 30, 2023 increased ¥455 million from the end of the previous fiscal year, to ¥1,738 million, due primarily to increases in contract liabilities of ¥474 million and other (current liabilities) of ¥277 million, and a decrease in income taxes payable of ¥276 million.

3) Net assets

Net assets of the Group as of June 30, 2023 decreased ¥596 million from the end of the previous fiscal year, to ¥5,482 million, due primarily to an increase in retained earnings of ¥610 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, 2024

Regarding the consolidated results forecast for the fiscal year ending March 31, 2024, 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 completion of projects 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, 2024

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, 2024, the impact of a significant decrease in profit attributable to owners of parent for the fiscal year ended March 31, 2023 is anticipated, and due to difficulties in estimating the consolidated results forecast for the full year at this stage, both the year-end dividend and the interim dividend have not yet been determined. However, dividends for the fiscal year ending March 31, 2024 will be determined with a target consolidated dividend payout ratio of approximately 50%, while comprehensively taking into account the dividend sources of IR Japan Holdings, Ltd. as well as the necessity of maintaining the stable equity ratio of IR Japan, Inc. (hereinafter, "IRJ"), the Company's subsidiary, as IRJ is a Type I Financial Instruments Business Operator.

	Fiscal year ended March 31, 2023	Fiscal year ending March 31, 2024
Dividend per share	113 yen	NYD
Interim dividend	45 yen	NYD
Year-end dividend	68 yen	NYD
Dividend payout ratio	298.7%	NYD

2. Consolidated Financial Statements and Primary Notes

(1) Consolidated Balance Sheets

(Thousands of yen)

	As of March 31, 2023	As of June 30, 2023
Assets		
Current assets		
Cash and deposits	4,077,354	4,330,035
Notes and accounts receivable—trade, and contract assets	621,689	695,420
Work in process	7,133	10,071
Other	860,080	386,351
Total current assets	5,566,258	5,421,879
Non-current assets		
Property, plant and equipment	350,581	338,816
Intangible assets		
Software	723,310	688,921
Other	65,059	114,603
Total intangible assets	788,370	803,525
Investments and other assets		
Other	728,425	728,696
Allowance for doubtful accounts	(71,280)	(71,280)
Total investments and other assets	657,145	657,416
Total non-current assets	1,796,097	1,799,759
Total assets	7,362,355	7,221,638
Liabilities		
Current liabilities		
Accounts payable—trade	39,348	45,051
Short-term borrowings	200,000	200,000
Accounts payable—other	161,559	205,241
Income taxes payable	292,481	15,695
Contract liabilities	43,584	518,248
Provision for bonuses	130,606	59,400
Provision for customer measure costs	171,430	171,430
Other	182,780	460,061
Total current liabilities	1,221,791	1,675,129
Non-current liabilities		
Long-term accounts payable—other	45,863	45,863
Retirement benefit liability	15,140	17,733
Total non-current liabilities	61,004	63,597
Total liabilities	1,282,795	1,738,726
Net assets		
Shareholders' equity		
Share capital	865,298	865,298
Capital surplus	553,406	553,406
Retained earnings	5,068,418	4,471,055
Treasury shares	(410,004)	(410,004)
Total shareholders' equity	6,077,119	5,479,755
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,441	3,156
Total accumulated other comprehensive income	2,441	3,156
Total net assets	6,079,560	5,482,911
Total liabilities and net assets	7,362,355	7,221,638

(2) Consolidated Statements of Income and Comprehensive Income
Consolidated Statement of Income
For the Three Months Ended June 30, 2023

	(Thousands of yen)	
	Three Months of FY2022 (from April 1, 2022 to June 30, 2022)	Three Months of FY2023 (from April 1, 2023 to June 30, 2023)
Net sales	1,963,998	2,003,178
Cost of sales	261,835	276,526
Gross profit	1,702,162	1,726,651
Selling, general and administrative expenses	1,083,011	830,450
Operating profit	619,150	896,201
Non-operating income		
Interest income	0	0
Dividend income	282	292
Gain on forfeiture of unclaimed dividends	—	313
Other	385	797
Total non-operating income	668	1,403
Non-operating expenses		
Interest expenses	266	265
Loss on sale of notes receivable—trade	184	11
Foreign exchange losses	1,241	1,012
Total non-operating expenses	1,691	1,290
Ordinary profit	618,127	896,315
Profit before income taxes	618,127	896,315
Total income taxes	201,068	285,765
Profit	417,059	610,549
Profit attributable to non-controlling interests	—	—
Profit attributable to owners of parent	417,059	610,549

Consolidated Statement of Comprehensive Income
For the Three Months Ended June 30, 2023

	(Thousands of yen)	
	Three Months of FY2022 (from April 1, 2022 to June 30, 2022)	Three Months of FY2023 (from April 1, 2023 to June 30, 2023)
Profit	417,059	610,549
Other comprehensive income		
Valuation difference on available-for-sale securities	25	714
Total other comprehensive income	25	714
Comprehensive income	417,085	611,264
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	417,085	611,264
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

Regarding tax expenses, 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, 2024 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.