

Summary of Consolidated Financial Results for the Nine Months Ended December 31, 2018 (J-GAAP)

January 31, 2019

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 14, 2019
 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, 2018 (from April 1, 2018 to December 31, 2018)

(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, 2018	3,720	15.9	1,138	14.0	1,154	15.6	786	16.8
Nine months ended December 31, 2017	3,211	9.7	998	23.7	998	23.9	673	36.7

Note: Comprehensive income Nine months ended December 31, 2018: 786 million yen (14.3%)
 Nine months ended December 31, 2017: 687 million yen (39.0%)

	Profit per share—basic	Profit per share—diluted
	Yen	Yen
Nine months ended December 31, 2018	44.16	—
Nine months ended December 31, 2017	37.87	—

Note: The Company conducted a 2-for-1 stock split of its common stock effective September 1, 2018.

Profit per share figures have been calculated on the assumption that the stock split was carried out at the beginning of the previous fiscal year.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of December 31, 2018	4,823	3,818	79.2
As of March 31, 2018	4,589	3,586	78.1

Reference: Shareholders' equity As of December 31, 2018: 3,818 million yen
 As of March 31, 2018: 3,586 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, 2018	—	25.00	—	35.00	60.00
Fiscal year ending March 31, 2019	—	15.00	—		
Fiscal year ending March 31, 2019 (Forecast)				20.00	35.00

Note: Revision of dividends forecast since last announcement: yes

Note:

- (1) The Company conducted a 2-for-1 stock split of its common stock effective September 1, 2018. The second quarter-end dividends and the forecast for year-end dividends for the fiscal year ending March 31, 2019 are amounts after conducting the said 2-for-1 stock split.
- (2) For details, please refer to “1. Qualitative Information on Financial Results for the Nine Months Ended December 31, 2018 (3) Forward-looking Statements Including Consolidated Results Forecast” on page 8 of the attachment.

3. Consolidated Results Forecast for the Fiscal Year Ending March 31, 2019 (from April 1, 2018 to March 31, 2019)

(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	4,600	11.3	1,300	12.4	1,300	12.3	888	8.1	49.83

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

Note: The Company conducted a 2-for-1 stock split of its common stock effective September 1, 2018.

Profit per share in the consolidated results forecast for the fiscal year ending March 31, 2019 is the amount after conducting the said 2-for-1 stock split.

Notes:

- (1) Changes in significant subsidiaries during the period
(changes in specified subsidiaries resulting in changes in the scope of consolidation): 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 of the attachment.
- (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 December 31, 2018	17,825,310 shares
As of March 31, 2018	18,583,910 shares
 - 2) Number of treasury shares at the end of the period

As of December 31, 2018	790 shares
As of March 31, 2018	772,564 shares
 - 3) Average number of shares during the period

April – December 2018	17,818,258 shares
April – December 2017	17,798,763 shares

Note: The Company conducted a 2-for-1 stock split of its common stock effective September 1, 2018. The number of shares issued at the end of the period, the number of treasury shares at the end of the period and the average number of shares during the period have been calculated on the assumption that the stock split was carried out at the beginning of the previous fiscal year.

The quarterly review procedure by a certified public accountant or an auditing firm does not apply to these 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 Group 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, 2018 (3) Forward-looking Statements Including Consolidated Results Forecast” on page 8 of the attachment.

Contents of the Attachment

1. Qualitative Information on Financial Results for the Nine Months Ended December 31, 2018	5
(1) Operating Results	5
(2) Financial Position	7
(3) Forward-looking Statements Including Consolidated Results Forecast	8
2. Consolidated Financial Statements and Primary Notes	9
(1) Consolidated Balance Sheets.....	9
(2) Consolidated Statements of Income and Comprehensive Income.....	11
(3) Notes Relating to the Consolidated Financial Statements	13
Notes Relating to the Going Concern Assumption.....	13
Notes Regarding Significant Changes in the Amount of Shareholders' Equity	13
Application of Special Accounting Treatments in Preparing Consolidated Financial Statements	13
Segment Information and Others.....	13
Additional Information.....	13
Significant Subsequent Events	13

Note: The Company held a briefing for investors, 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, January 31, 2019

1. Qualitative Information on Financial Results for the Nine Months Ended December 31, 2018

(1) Operating Results

1) General overview

During the nine months ended December 31, 2018 (from April 1, 2018 to December 31, 2018), extreme volatility continued to shake stock markets due to growing uncertainty in the global economic situation. In these circumstances, activists quickly extended their influence as investors (major shareholders). In addition, driven by the increasing momentum of ESG investments, governance activism which rigorously exercised shareholder voting rights became widespread around the world. This movement has reached Japan, and a sense of alarm toward capital risk has surged among the listed companies that are the Group's clients. Backed by the Group's unparalleled track record in dealing with activists, the IR/SR Consulting Department has increased the number of its entrustments of existing services, while at the same time expanding its entrustments of newly developed capital-consulting services using AI and corporate governance-related services. Additionally, the recently expanded and fortified Investment Banking Department increased the number of entrustments of projects that leveraged its strengths as an independent Financial Advisor in the field of ownership battles and M&As.

During the third quarter of the fiscal year ending March 31, 2019, net sales and every profit item increased significantly over the same period of the previous fiscal year and achieved record highs. Net sales during the nine months ended December 31, 2018 increased 15.9% year on year, operating profit increased 14.0% year on year, ordinary profit increased 15.6% year on year and profit attributable to owners of parent increased 16.8% year on year. The results included record highs in both sales and profits. EBITDA increased 13.8% year on year to ¥1,333 million.

(Millions of yen)

	Nine months ended December 31, 2018 (April to December 2018)			Nine months ended December 31, 2017 (April to December 2017)	
	Amount	Change	Percentage change (YoY)	Amount	Percentage change (YoY)
Net sales	3,720	509	15.9	3,211	9.7
Operating profit	1,138	139	14.0	998	23.7
Ordinary profit	1,154	155	15.6	998	23.9
Profit attributable to owners of parent	786	112	16.8	673	36.7
(Reference) EBITDA	1,333	161	13.8	1,171	22.1

(Note) EBITDA: Ordinary Profit + Interest Expenses + Depreciation

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, 2018 (April to December 2018)			Nine months ended December 31, 2017 (April to December 2017)	
	Amount	Percentage of net sales	Percentage change (YoY)	Amount	Percentage change (YoY)
IR/SR Consulting	3,069	82.5	17.2	2,619	15.4
Disclosure Consulting sales	505	13.6	16.5	434	-10.4
Databases and Other sales	145	3.9	-7.6	157	-9.3
Total net sales	3,720	100.0	15.9	3,211	9.7

IR/SR Consulting

IR/SR Consulting is the Group's core lineup of services, including shareholder identification surveys, proxy voting simulation, proxy advisory (comprehensive strategy planning for shareholder meetings), the investment banking business, and the stock transfer agency business.

During the period under review, net sales from IR/SR Consulting increased 17.2% year on year.

Activists, in the role of investors, have rapidly expanded their presence while the stock markets in major countries of the world have undergone substantial volatility. In the backdrop, the focus has been on ESG

(Environment, Social and Governance) by the world's most influential pension funds (which provide operating funds). Especially in terms of the "G," collective engagement (collaboration in the exercise of voting rights among listed companies' institutional shareholders to speak out) is quickly becoming widespread as an effective method to be utilized. The trend is guided by the Stewardship Code, which has been adopted by the institutional investors of the US and the major European countries. Recently, listed companies in this regions have seen a rise in the number of rejections of proposals for the election of executives or corporate integration such as M&As. This movement is also becoming evident in Japan. Activists and certain traditional institutional investors, through meticulous planning, are fueling this movement, exposing the "G" problems and minority-shareholder protection in Japanese companies, and confronting companies with well-drafted proposals.

Meanwhile, the listed companies that are the Group's clients have reached a limit for securing stable shareholders through conventional methods, due to the enforcement of the revised Corporate Governance Code. The companies have been forced to seek new ways of ensuring the stability of capital. Consequently, it has become crucial to constantly and carefully monitor the trends of beneficial shareholders of each listed company. Accordingly, the rate of adoption of measures to monitor such movements at listed companies has been rising. This has resulted in a considerable increase in the share of entrustments of the Group's shareholder identification surveys, which have been recognized for their accuracy, speed and overwhelming track record, and its SR Consulting services, which ensure the stable exercise of voting rights. In addition to these existing services, the Group has proceeded to introduce to large-cap companies to "Activist Analytics," a cutting-edge product developed to analyze activist risk using AI. Sales of the unique consulting services for responding to individual shareholders developed by the Group are also growing steadily.

In Corporate Governance Code consulting, there has been a steady increase in the number of evaluations of boards of directors and training using third-party organizations. Accordingly, the number of entrustments increased for the Group's services for evaluations of boards of directors, which utilize the latest know-how from the US and Europe, on the strengths of its impressive track record of adoption by large-cap companies. The Group's services for the referral of outside director candidates also steadily increased the number of its entrustments.

In the Investment Banking Department, in addition to our cutting-edge PA (Proxy Advisor) consulting system with its unique track record, we reinforced our FA (Financial Advisor) consulting system by increasing the number of legal, accounting and finance experts. The focus was placed on steadily increasing the number of projects requiring the strengths of the Group as an independent FA in proxy fights and M&A activism, as well as in projects such as the acquisition of unlisted companies and the disposal of subsidiaries. These projects flexibly respond to the various M&A demands of listed company clients with whom the Group has built deep relationships over the years. During the period under review, we continued to steadily increase the number of entrustments of FA and PA services, namely highly difficult projects requiring the Group's unique knowledge and experience, including serving as a buyer FA in the acquisition of an unlisted company by a listed company, serving as an FA for the defense side in a hostile takeover of a company, serving as an FA on the Company side against M&A activism, and large proxy advisory projects to secure the control of a company. In terms of our FA and PA services, we continue to maintain a vast pipeline, and we have been focusing our efforts on the closing. The J-Adviser services provide support for companies seeking to list on the TOKYO PRO Market (TPM). We realized our first project of listing a design development company involved in semiconductor manufacturing equipment on November 28, 2018, as well as the company's financing at the time of its TPM listing for the first time in six and a half years. The financing used a completely new scheme based on the book-building method, in which the issuer directly allotted shares to specific investors without securities companies acting as underwriters. The project was extremely revolutionary, in the sense that it cleared a path for a new type of financing for companies listing on the TPM.

In the stock transfer agency business, as of January 31, 2019, entrustments with 77 companies have been completed, and the number of shareholders under administration reached 348,318 (compared with entrustments concluded with 52 companies and 262,291 shareholders under administration in the same period of the previous fiscal year). The advanced solutions offered by the Group's stock transfer agency services are attracting much attention from the standpoint of corporate defense, resulting in an increase in the number of large listed companies that are quick to recognize such strengths and switch entrustments and new entrustments by early-stage companies. This movement is expected to further accelerate going forward.

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 increased 16.5% from the same period of the previous fiscal year. The growth was a result of steadily capturing the consulting needs relating to ESG disclosures that leverages the Group's strength of maintaining an institutional investor's perspective, 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 IR-Pro, a comprehensive support system for corporate IR activities that provides information on shareholdings revealed through reports on the possession of large volume and publicly offered domestic and overseas investment trusts, 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 7.6% from the same period of the previous fiscal year due to a decrease in orders for surveys for individual investors.

3) Seasonal fluctuations

The Group's quarterly net sales tend to be concentrated in the first and second quarters because of the nature of the core business, IR/SR Consulting services. These services are usually in great demand around June, when Japanese companies organize shareholder meetings. Recently, however, opportunities for recording net sales have grown also in the third and fourth quarters, and the customary seasonal fluctuations are tending toward flattening out, thanks to large-scale service demand distributed evenly throughout the year, as well as to the investment banking business and the stock transfer agency business, both of which are non-seasonal operations.

(2) Financial Position

1) Assets

Total assets of the Group as of December 31, 2018 increased ¥233 million from the end of the previous fiscal year, to ¥4,823 million, due primarily to an increase in cash and deposits of ¥360 million, a decrease in notes and accounts receivable—trade of ¥253 million and an increase in investment securities included under other of investments and other assets of ¥169 million.

2) Liabilities

Total liabilities of the Group as of December 31, 2018 increased ¥1 million from the end of the previous fiscal year, to ¥1,005 million, due primarily to an increase in income taxes payable of ¥42 million and a decrease in deposits received included under other of current liabilities of ¥72 million.

3) Net assets

Net assets of the Group as of December 31, 2018 increased ¥231 million from the end of the previous fiscal year, to ¥3,818 million, due primarily to an increase in retained earnings of ¥786 million from profit attributable to owners of parent and a decrease in retained earnings of ¥579 million as a result of payment of dividends.

(3) Forward-looking Statements Including Consolidated Results Forecast

1) Forecast for the fiscal year ending March 31, 2019

Forecast for consolidated operating results for the fiscal year ending March 31, 2019
(as of May 14, 2018)

(Millions of yen)

	Forecast Year ending March 31, 2019			Actual Year ended March 31, 2018	
	Amount	Amount change (YoY)	Percentage change (YoY)	Amount	Percentage change (YoY)
Net sales	4,600	466	11.3	4,133	7.7
Operating profit	1,300	143	12.4	1,156	14.5
Ordinary profit	1,300	142	12.3	1,157	14.7
Profit attributable to owners of parent	888	66	8.1	821	18.2

The forecast for the fiscal year ending March 31, 2019 is based on reasonable grounds for calculation as of May 14, 2018.

2) Basic Policy Concerning the Distribution of Profits and Dividend Distributions for the Fiscal Year Ending March 31, 2019

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, 2019, the Company has increased the year-end dividend by ¥2.5 from the previous forecast owing to higher revenues and profits during the nine months ended December 31, 2018. The Company is scheduled to pay ¥20.0 per share. As a result, the full-year dividend including the interim dividend will be ¥35.0 per share, an increase of ¥5.0 compared with the previous fiscal year.

In terms of shareholder returns, the Company intends to remain flexible going forward, including future dividend increases and the purchase of treasury shares, in light of performance trends and other factors.

Moreover, the Company would like to appropriate the internal reserves for strategic investments for the reinforcement of existing businesses and for future growth business areas to increase its corporate value.

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018	(Prior to taking into account the stock split) Fiscal year ending March 31, 2019 (Forecast)	(After taking into account the stock split) Fiscal year ending March 31, 2019 (Forecast)
Dividend per share	40 yen	60 yen	70 yen	35 yen
Interim dividend	15 yen	25 yen	30 yen	15 yen
Year-end dividend	25 yen	35 yen	40 yen	20 yen
Dividend payout ratio	51.5%	65.0%	70.2%	70.2%

2. Consolidated Financial Statements and Primary Notes

(1) Consolidated Balance Sheets

	(Thousands of yen)	
	As of March 31, 2018	As of December 31, 2018
Assets		
Current assets		
Cash and deposits	2,328,254	2,689,173
Notes and accounts receivable—trade	746,829	493,736
Work in process	14,501	33,345
Other	118,140	123,210
Allowance for doubtful accounts	(2,251)	(1,500)
Total current assets	3,205,474	3,337,965
Non-current assets		
Property, plant and equipment	387,746	358,617
Intangible assets		
Software	446,926	399,795
Other	21,480	38,722
Total intangible assets	468,406	438,518
Investments and other assets		
Other	599,924	761,137
Allowance for doubtful accounts	(73,799)	(73,799)
Total investments and other assets	526,124	687,337
Total non-current assets	1,382,278	1,484,474
Deferred assets		
Deferred organization expenses	2,155	1,273
Total deferred assets	2,155	1,273
Total assets	4,589,908	4,823,713

(Thousands of yen)

	As of March 31, 2018	As of December 31, 2018
Liabilities		
Current liabilities		
Accounts payable—trade	37,907	27,029
Short-term loans payable	200,000	200,000
Accounts payable—other	71,949	89,117
Income taxes payable	201,674	243,873
Provision for bonuses	89,730	47,050
Provision for directors' bonuses	9,600	—
Other	334,925	339,884
Total current liabilities	945,785	946,955
Non-current liabilities		
Long-term accounts payable—other	51,294	50,710
Net defined benefit liability	6,057	7,385
Total non-current liabilities	57,351	58,096
Total liabilities	1,003,137	1,005,052
Net assets		
Shareholders' equity		
Capital stock	805,797	818,292
Capital surplus	794,599	506,400
Retained earnings	2,286,071	2,493,875
Treasury shares	(300,975)	(657)
Total shareholders' equity	3,585,491	3,817,911
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,279	750
Total accumulated other comprehensive income	1,279	750
Total net assets	3,586,771	3,818,661
Total liabilities and net assets	4,589,908	4,823,713

(2) Consolidated Statements of Income and Comprehensive Income
Consolidated Statements of Income
For the Nine Months Ended December 31, 2018

	(Thousands of yen)	
	Nine Months of FY2017 (from April 1, 2017 to December 31, 2017)	Nine Months of FY2018 (from April 1, 2018 to December 31, 2018)
Net sales	3,211,201	3,720,849
Cost of sales	803,152	858,625
Gross profit	2,408,049	2,862,223
Selling, general and administrative expenses	1,409,672	1,724,003
Operating profit	998,376	1,138,219
Non-operating income		
Interest income	6	6
Commission fee	1,325	—
Late penalties received	—	17,927
Miscellaneous income	1,165	—
Other	193	901
Total non-operating income	2,690	18,836
Non-operating expenses		
Interest expenses	624	818
Loss on sales of notes receivable—trade	186	22
Foreign exchange losses	777	1,077
Amortization of deferred organization expenses	881	881
Total non-operating expenses	2,470	2,799
Ordinary profit	998,596	1,154,255
Profit before income taxes	998,596	1,154,255
Income taxes	324,639	367,384
Profit	673,957	786,870
Profit attributable to non-controlling interests	—	—
Profit attributable to owners of parent	673,957	786,870

Consolidated Statements of Comprehensive Income
For the Nine Months Ended December 31, 2018

	(Thousands of yen)	
	Nine Months of FY2017 (from April 1, 2017 to December 31, 2017)	Nine Months of FY2018 (from April 1, 2018 to December 31, 2018)
Profit	673,957	786,870
Other comprehensive income		
Valuation difference on available-for-sale securities	14,017	(529)
Total other comprehensive income	14,017	(529)
Comprehensive income	687,974	786,340
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	687,974	786,340
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

Based on a resolution of the Board of Directors meeting held on November 2, 2018, the Company cancelled 772,000 of its treasury shares effective November 30, 2018. As a result, both capital surplus and treasury shares decreased by ¥300,694 thousand.

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, 2019 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.

Additional Information

(Application of "Partial Amendments to Accounting Standard for Tax Effect Accounting," etc.)

Effective from the beginning of the first quarter of the fiscal year ending March 31, 2019, the Company has adopted the "Partial Amendments to Accounting Standard for Tax Effect Accounting (ASBJ Statement No. 28, February 16, 2018)," etc. Accordingly, deferred tax assets are stated separately under investments and other assets.

Significant Subsequent Events

None applicable