

Summary of Consolidated Financial Results for the Three Months Ended June 30, 2020 (J-GAAP)

July 31, 2020

Listed Company Name: IR Japan Holdings, Ltd.
 Securities Code: 6035
 Listing: Tokyo Stock Exchange URL: <https://www.irjapan.jp/>
 Representative: Shirou Terashita, President and Chief Executive Officer
 Contact: Atsuko Furuta, General Manager, Corporate Planning Department Tel.: +81-3-3519-6750
 Scheduled Date to Submit Quarterly Securities Report: August 7, 2020
 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, 2020 (from April 1, 2020 to June 30, 2020)

(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, 2020	2,379	9.7	1,345	8.3	1,345	8.3	913	7.8
Three months ended June 30, 2019	2,169	56.3	1,242	121.8	1,241	114.9	847	115.5

Note: Comprehensive income Three months ended June 30, 2020: 913 million yen (7.7 %)
 Three months ended June 30, 2019: 847 million yen (115.5 %)

	Profit per share—basic	Profit per share—diluted
	Yen	Yen
Three months ended June 30, 2020	51.44	—
Three months ended June 30, 2019	47.56	—

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of June 30, 2020	6,856	5,326	77.7
As of March 31, 2020	7,712	5,212	67.6

Reference: Shareholders' equity As of June 30, 2020: 5,326 million yen
 As of March 31, 2020: 5,212 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, 2020	—	25.00	—	45.00	70.00
Fiscal year ending March 31, 2021	—				
Fiscal year ending March 31, 2021 (Forecast)		25.00	—	45.00	70.00

Note: Revision of dividends forecast since last announcement: None

3. Consolidated Results Forecast for the Fiscal Year Ending March 31, 2021
(from April 1, 2020 to March 31, 2021)

(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
First half	4,350	28.0	2,218	50.5	2,218	50.7	1,505	49.1
Full year	9,000 to	17.2 to	—	—	—	—	—	—
	9,500	23.7						

Note: Revision of consolidated results forecast since last announcement: Yes

Note: The consolidated results forecast for the first half of the fiscal year ending March 31, 2021 has been calculated based on information available to the Company at this time. The Company will announce the full-year consolidated results forecast for the fiscal year ending March 31, 2021 except for net sales as soon as estimates can reasonably be made.

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 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 June 30, 2020	17,833,810 shares
As of March 31, 2020	17,833,810 shares
 - 2) Number of treasury shares at the end of the period

As of June 30, 2020	76,083 shares
As of March 31, 2020	76,083 shares
 - 3) Average number of shares during the period

April – June 2020	17,757,727 shares
April – June 2019	17,824,487 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, 2020 (3) Forward-looking Statements Including Consolidated Results Forecast” on page 7 of the attachment.

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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: Friday, August 21, 2020

1. Qualitative Information on Financial Results for the Three Months Ended June 30, 2020

(1) Operating Results

1) General overview

(Millions of yen)

	Three months ended June 30, 2020 (April to June 2020)			Three months ended June 30, 2019 (April to June 2019)	
	Amount	Change	Percentage change (YoY)	Amount	Percentage change (YoY)
Net sales	2,379	210	9.7	2,169	56.3
Operating profit	1,345	103	8.3	1,242	121.8
Ordinary profit	1,345	103	8.3	1,241	114.9
Profit attributable to owners of parent	913	65	7.8	847	115.5
(Reference) EBITDA	1,401	97	7.4	1,304	104.8

Note: EBITDA: Ordinary Profit + Interest Expenses + Depreciation

During the three months ended June 30, 2020 (from April 1, 2020 to June 30, 2020), there were active ownership battles with activists and strategic buyers (business companies) exercising shareholders rights to make proposals since the previous year. As an unparalleled PA^{*1}/FA^{*2} service provider, the Group has steadily received orders for such deals and built up a solid track record. As a result, we have achieved record high sales and profits. Meanwhile, in SR advisory services, the risk of voting rights of listed companies that are our clients did not increase significantly as a result of a temporary relaxation of criteria for exercising voting rights by foreign and domestic institutional shareholders who viewed the slump in corporate earnings due to the coronavirus outbreak as a special factor. Moreover, we shifted the front offices of the SR department, which is the point of contact with listed company clients, to enable remote work from home since early April when a declaration of a state of emergency was issued by the government. As a result of the above factors, net sales growth in the three months ended June 30, 2020 remained low due to a loss in opportunities to make agile proposals to customers. In terms of profit, we continued to invest aggressively in human resources during this period, which led to increased selling, general, and administrative expenses and lower profit margin growth. In order to remedy these front office issues as soon as possible, we have reduced the scope of remote working from home to middle and back office staff since the lifting of the state of emergency in June. At the same time, we have switched front office staff in SR and investment banking departments to working remotely from offices with thorough infection prevention measures. These measures have greatly reversed the loss of opportunities to gain entrustments at this point, and sales and profit growth in the consolidated results forecast for the six months ending September 30, 2020 are recovering. We are gearing up to exceed our consolidated results forecast for the fiscal year ending March 31, 2021.

During the three months ended June 30, 2020, net sales increased 9.7% year on year, to ¥2,379 million, operating profit increased 8.3% year on year, to ¥1,345 million, ordinary profit increased 8.3% year on year, to ¥1,345 million and profit attributable to owners of parent increased 7.8% year on year, to ¥913 million, and EBITDA increased 7.4% year on year, to ¥1,401 million, all figures achieving record highs. At this point, we are forecasting a 28.0% increase in net sales to ¥4,350 million and a 50.5% increase in operating profit to ¥2,218 million for the six months ending September 30, 2020. This is mainly due to the success of efforts to strengthen the front office structure that have been implemented since June, ownership battles by strategic buyers that will be completed by the end of the six months ending September 30, 2020, and a significant increase in the number of large-scale projects including PA and FA for responding to activists compared to the previous year.

^{*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)

- (a) Number of contracts of large-scale projects (amounting to ¥50 million or more) and sales amount (forecast)

(Millions of yen)

	First half	
	Number of Projects	Amount
Fiscal year ending March 31, 2021	12	1,482
Fiscal year ended March 31, 2020	7	702
Change	5	780

- (b) Types, sales amount of large-scale projects (amounting to ¥50 million or more) (forecast)

(Millions of yen)

Types of project	Six months ending September 30, 2020 (April to September 2020)	Six months ended September 30, 2019 (April to September 2019)
PA/FA for ownership battles	764	300
PA/FA for activist responses	610	302
Company-side FA (MBOs, etc.)	50	50
Large-scale SR/PA	58	50
Total	1,482	702

Moves to promote growth strategies centered on business restructuring are rapidly spreading among the listed companies that are our clients, due in part to the decrease in profits caused by the coronavirus outbreak. Against this backdrop, ownership battles by strategic buyers (domestic and overseas business companies) and major shareholders are finally becoming all-out events, and the PA/FA services that we are engaged in as an unparalleled equity consulting firm are rapidly expanding large-scale project entrustments as advisory services for settling TOBs and proxy fights. Furthermore, the number of entering overseas activists targeting Japanese listed companies and shareholder proposals by specific activists, including those under the radar, has reached a record high. We are expanding the number of our entrustments by providing some of the world's most sophisticated solutions for responding to activists using unrivaled AI data analysis and know-how, as well as intelligence covering the most advanced voting right and TOB information on institutional shareholders around the world. In addition, the number of entrustments with large-scale projects has increased due to the recognition of our fairness in FA services for MBO deals, based on the pillars of improving the common interests of shareholders while absolutely protecting minority shareholders, and avoiding the risk of conflicts of interests as an independent company.

The SR consulting unit, our main front line unit, had initially shifted to working remotely, which resulted in a loss of opportunities to make appropriate proposals to our clients. However, we are finally returning to the smooth communication we had before the coronavirus outbreak, and we are gaining momentum in our proposals for responding to expanding control and capital risks. While many domestic listed companies still consider the preparation for the risk of ownership battles are not of their concerns, there are significant opportunities and markets for activists and strategic buyers who want to go on the offensive in M&As. Meanwhile, the Ministry of Economy, Trade and Industry will soon be releasing the Practical Guidelines for Business Restructuring and the Practical Guidelines for Outside Directors to the directors and outside directors of listed companies, which is built around the pillar of regular business-portfolio reviews, which should be performed at least once a year, etc. Both guidelines indicate that business-portfolio reviews are essential, as well as the issues and methodology of responses to dialogue with investors and information disclosure and the responsibilities of outside directors. Activists and strategic buyers are likely to become more active as they make skillful use of such various guidelines. The SR consulting unit will expand its unparalleled equity consulting base on both the defensive and offensive sides through the Power of Equity® (the power of shareholder voting rights) by fully utilizing the research unit's database strengthened by the augmentation of the AI team, and working with the investment bank PA/FA units, a sophisticated and cutting-edge group of professionals, while maintaining a stance of thoroughly standing by the side of our clients.

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, 2020 (April to June 2020)			Three months ended June 30, 2019 (April to June 2019)	
	Net sales	Percentage of net sales	Percentage change (YoY)	Net sales	Percentage change (YoY)
IR/SR Consulting	2,265	95.2	10.7	2,046	65.3
Disclosure Consulting	73	3.1	-1.7	75	-23.5
Databases and Other	40	1.7	-15.6	47	-7.2
Total	2,379	100.0	9.7	2,169	56.3

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 10.7% year on year, to ¥2,265 million.

In terms of our SR advisory services to secure stable voting rights (which include shareholder identification surveys, voting rights surveys, cross-border institutional shareholder engagement, evaluating the effectiveness of boards of directors, shareholder returns, corporate governance improvement, ESG disclosure improvement and operation of the Shareholders' Club), the number of entrustments we received has increased steadily, due to the high regard for the outstanding accuracy and speed of the Group's unique information on the voting rights of institutional shareholders around the world. However, net sales growth remained low in the three months ended June 30, 2020 due to factors including the temporary relaxation of criteria for exercising voting rights for both foreign and domestic institutional shareholders in response to a slump in corporate earnings resulting from the coronavirus outbreak being considered as a special factor, and the loss of opportunities for appropriate proposals due to the shift to remote working as a result of the declaration of a state of emergency.

In the investment banking department, which operates PA/FA services, we strengthened our human resources, who have a proven track record in advanced financial schemes, and further increased our presence as a completely new FA (financial advisor) in the capital markets. Meanwhile, we further refined our unique strengths, such as avoiding the risk of conflicts of interests, and thoroughly stood by the side of our clients as an independent company. As a result, we steadily expanded the number of large-scale projects for activists and strategic buyers aimed at acquiring control.

In the stock transfer agency business, as of June 30, 2020, entrustments with 75 companies have been completed, and the number of shareholders under administration reached 359,309 (compared with entrustments concluded with 80 companies and 354,784 shareholders under administration in the same period of the previous fiscal year). Unlike conventional stock transfer agency organizations, the Company continuously deploys strategic sales activities from the standpoint of corporate defense against activists and hostile TOBs.

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, which depends mainly on single projects, decreased 1.7% from the same period of the previous fiscal year, to ¥73 million for the period under review. The decrease was due to the Company prioritizing the entrustment of projects as part of SR Consulting over single projects in planning and production projects including integrated reports, despite the 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 decreased 15.6% from the same period of the previous fiscal year, to ¥40 million.

3) Seasonal fluctuations

The Group's quarterly net sales tend to be concentrated in the first quarter 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 are also tending to increase 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 June 30, 2020 decreased ¥856 million from the end of the previous fiscal year, to ¥6,856 million, due primarily to decreases in cash and deposits of ¥601 million and notes and accounts receivable-trade of ¥442 million.

2) Liabilities

Total liabilities of the Group as of June 30, 2020 decreased ¥970 million from the end of the previous fiscal year, to ¥1,529 million, due primarily to decreases in income taxes payable of ¥726 million and advances received of ¥137 million.

3) Net assets

Net assets of the Group as of June 30, 2020 increased ¥114 million from the end of the previous fiscal year, to ¥5,326 million, due primarily to an increase in retained earnings of ¥913 million from profit attributable to owners of parent and a decrease in retained earnings of ¥799 million as a result of payment of dividends.

(3) Forward-looking Statements Including Consolidated Results Forecast

1) Forecast for consolidated operating results for the six months ending September 30, 2020 (as of July 31, 2020)

(Millions of yen)

	Forecast Six months ending September 30, 2020 (April to September 2020)			Actual Six months ended September 30, 2019 (April to September 2019)	
	Amount	Change	Percentage change (YoY)	Amount	Percentage change (YoY)
Net sales	4,350	951	28.0	3,398	32.7
Operating profit	2,218	743	50.5	1,474	70.8
Ordinary profit	2,218	746	50.7	1,471	67.2
Profit attributable to owners of parent	1,505	495	49.1	1,009	68.4

For the consolidated results forecast for the six months ending September 30, 2020, the Company currently forecasts a 28.0% increase in net sales to ¥4,350 million and a 50.5% increase in operating profit to ¥2,218 million year on year. This is mainly due to the success of efforts to strengthen the front office structure that have been implemented since June, ownership battles by strategic buyers that will be completed during the six months ending September 30, 2020, and a significant increase in the number of large-scale projects including PA and FA for responding to activists compared to the previous year.

2) Forecast for consolidated operating results for the fiscal year ending March 31, 2021
(as of July 31, 2020)

(Millions of yen)

	Forecast Year ending March 31, 2021			Actual Year ended March 31, 2020	
	Amount	Amount change (YoY)	Percentage change (YoY)	Amount	Percentage change (YoY)
Net sales	9,000 to 9,500	1,317 to 1,817	17.2 to 23.7	7,682	59.1

As of July 31, 2020, the Company has disclosed only its net sales forecast in ranges for the fiscal year ending March 31, 2021, due to the difficulty in reasonably estimating the extent of the future impact of the new coronavirus infection and forecasting the end of the pandemic at this time. Regarding the full-year results forecast, the Company has revised the net sales forecast for the fiscal year ending March 31, 2021 upward from ¥8,500 million to ¥9,000 million that was announced on May 15, 2020, to ¥9,000 million to ¥9,500 million, in anticipation of steady growth in the SR services and an increase in large-scale projects entrustments in PA/FA investment banking business.

3) Basic policy concerning the distribution of profits and dividend distributions for the fiscal year ending March 31, 2021

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.

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.

For the fiscal year ending March 31, 2021, the Company is currently scheduled to pay ¥25 per share as an interim dividend and ¥45 per share as a year-end dividend for a full-year dividend of ¥70 per share.

In addition, the Company plans to acquire its treasury shares in a timely, appropriate, and flexible manner in accordance with stock price levels.

	Fiscal year ended March 31, 2020	Fiscal year ending March 31, 2021 (Forecast)
Dividend per share	70 yen	70 yen
Interim dividend	25 yen	25 yen
Year-end dividend	45 yen	45 yen
Dividend payout ratio	51.0%	—

2. Consolidated Financial Statements and Primary Notes

(1) Consolidated Balance Sheets

(Thousands of yen)

	As of March 31, 2020	As of June 30, 2020
Assets		
Current assets		
Cash and deposits	4,812,059	4,210,076
Notes and accounts receivable—trade	1,222,038	779,482
Work in process	59,171	68,151
Other	110,389	287,179
Allowance for doubtful accounts	(2,086)	(1,595)
Total current assets	6,201,573	5,343,294
Non-current assets		
Property, plant and equipment	318,269	307,144
Intangible assets		
Software	423,542	404,116
Other	11,760	37,290
Total intangible assets	435,302	441,407
Investments and other assets		
Other	828,614	835,712
Allowance for doubtful accounts	(71,280)	(71,522)
Total investments and other assets	757,334	764,190
Total non-current assets	1,510,906	1,512,741
Total assets	7,712,480	6,856,036
Liabilities		
Current liabilities		
Accounts payable—trade	64,962	64,981
Short-term borrowings	200,000	200,000
Accounts payable—other	107,559	142,395
Income taxes payable	1,179,839	453,240
Advances received	261,274	123,496
Provision for bonuses	100,548	64,548
Other	526,852	422,183
Total current liabilities	2,441,036	1,470,845
Non-current liabilities		
Long-term accounts payable—other	50,710	50,710
Retirement benefit liability	8,526	7,944
Total non-current liabilities	59,237	58,655
Total liabilities	2,500,274	1,529,501

(Thousands of yen)		
	As of March 31, 2020	As of June 30, 2020
Net assets		
Shareholders' equity		
Share capital	830,001	830,001
Capital surplus	518,109	518,109
Retained earnings	4,274,346	4,388,705
Treasury shares	(410,004)	(410,004)
Total shareholders' equity	5,212,452	5,326,811
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(246)	(275)
Total accumulated other comprehensive income	(246)	(275)
Total net assets	5,212,205	5,326,535
Total liabilities and net assets	7,712,480	6,856,036

(2) Consolidated Statements of Income and Comprehensive Income
Consolidated Statement of Income
For the Three Months Ended June 30, 2020

	(Thousands of yen)	
	Three Months of FY2019 (from April 1, 2019 to June 30, 2019)	Three Months of FY2020 (from April 1, 2020 to June 30, 2020)
Net sales	2,169,082	2,379,451
Cost of sales	316,747	308,273
Gross profit	1,852,335	2,071,177
Selling, general and administrative expenses	610,303	725,570
Operating profit	1,242,031	1,345,607
Non-operating income		
Interest income	0	0
Dividend income	197	210
Gain on forfeiture of unclaimed dividends	151	96
Other	76	68
Total non-operating income	426	377
Non-operating expenses		
Interest expenses	314	304
Loss on sales of notes receivable - trade	32	87
Foreign exchange losses	140	246
Amortization of organization expenses	293	—
Total non-operating expenses	781	638
Ordinary profit	1,241,676	1,345,346
Profit before income taxes	1,241,676	1,345,346
Income taxes	394,002	431,889
Profit	847,673	913,456
Profit attributable to non-controlling interests	—	—
Profit attributable to owners of parent	847,673	913,456

Consolidated Statement of Comprehensive Income
For the Three Months Ended June 30, 2020

	(Thousands of yen)	
	Three Months of FY2019 (from April 1, 2019 to June 30, 2019)	Three Months of FY2020 (from April 1, 2020 to June 30, 2020)
Profit	847,673	913,456
Other comprehensive income		
Valuation difference on available-for-sale securities	205	(29)
Total other comprehensive income	205	(29)
Comprehensive income	847,879	913,427
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	847,879	913,427
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, 2021 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.