
	ESCRIT INC. (2196)
	
President and CEO Morihiro Shibutani	

Corporate Information

Exchange	TSE 1st Section
Industry	Service business
Representative Director and CEO	Morihiro Shibutani
Address	Kowa Nishi-shimbashi B Bldg., 2-14-1 Nishi-shimbashi, Minato-ku, Tokyo
Year-end	March
URL	https://www.escrit.jp/english/

Stock Information

Share price	Shares Outstanding		Total Market Cap	ROE (Actual)	Trading Unit
¥318	13,786,500 shares		¥4,384 million	6.2%	100 shares
DPS (Estimate)	Dividend Yield (Estimate)	EPS (Estimate)	PER (Estimate)	BPS (Actual)	PBR (Actual)
Undecided	-	Undecided	-	¥638.52	0.5 times

*Share price is as of closing on November 24th. The number of issued shares was taken from the brief financial report for the second quarter of fiscal year ending March 2021. ROE and BPS were the previous term result. The forecast for this term is still to be determined, due to the spread of COVID-19.

Earnings Trends

Fiscal Year	Sales	Operating Income	Ordinary Income	Net Income	EPS	DPS
March 2017 (Actual)	29,477	1,343	1,224	713	59.89	12.00
March 2018 (Actual)	31,700	1,950	1,830	665	55.72	12.00
March 2019 (Actual)	33,302	2,191	2,123	1,078	90.01	12.00
March 2020 (Actual)	31,430	1,546	1,499	455	38.79	16.00
March 2021 (Estimate)	-	-	-	-	-	-

*Unit: Million yen. The forecast for this term is still to be determined, due to the spread of COVID-19. Net income is profit attributable to owners of the parent. Hereinafter the same shall apply.

This report outlines ESCRIT INC. and includes financial results of the second quarter of fiscal year ending March 2021 and more.

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Key Points

- The sales for the second quarter of the term ending March 2021 were 3,447 million yen, down 79.0% year on year. Operating loss, ordinary loss, and quarterly net loss were 3,781 million yen, 3,888 million yen, and 3,244 million yen, respectively. In the wake of the spread of the novel coronavirus, the state of emergency was declared in April 2020, and operations in all facilities had to be suspended during this period, thus, many ceremonies and receptions ended up rescheduling. While there are trends of gradual recovery in the number of new orders received and the number of construction transactions after the state of emergency was lifted, there was a substantial reduction in sales following the rescheduling of many ceremonies and receptions initially planned to be held during this period.
- Because of the spread of the novel coronavirus, the company is expecting to face a deficit for the term ending March 2021. While there are trends of gradual recovery in the number of new orders received after the state of emergency was lifted, the earnings estimate and the dividend estimates remained undetermined due to the difficulty in logically estimating when the pandemic will subside since the number of infected patients rising again since July. The company plans to announce the earnings estimates and dividend estimates as soon as its calculation becomes possible.
- The current business environment is harsh, but there are no worries from a financial perspective as the company has managed to acquire adequate cash reserves through third-party allocation of shares. While the company recognizes that a certain amount of time will be necessary for recovery in performance, progress is being made in the development of new products and services during the coronavirus crisis, as well as equipment installation for preventing the infection. Thus, we are expecting to see a recovery starting from the next term. Further, the company has presently secured increases in backorders of 40.3% for the first half, and 30.0% for the second half for the term ending March 2022, but there have been cases of postponed orders being cancelled in the end, which is an issue that other companies are facing too, and such trends need to be steadily observed. Further, we have high expectations for the promotion of CRM policies and coordination in M&A from the capital business partnership with SBI Holdings, as well as for the results of the capital business partnership with TKP, created with the aim of development and optimization of new products and services during the coronavirus era.

1. Company Overview

ESCRIT is a company that provides various types of wedding services nationwide, such as wedding halls and guesthouses. The company has venues inside train station buildings and near train stations, which is one of its distinctive features. The company's main strength lies in its unique business strategy that emphasizes software and its sales and profits growth that exceed those of other companies in the same industry. The company also focuses on attracting clients through collaborative projects with anime and game characters. ESCRIT will keep strengthening the business foundation and pursue further growth under the leadership of President Shibutani.

【1-1 Corporate History】

Mr. Hiroshi Iwamoto (Chairman of the board and the founder of ESCRIT INC.), who played a key role in launching the bridal magazine "Zexy" at Recruit Co., Ltd. (now Recruit Holdings Co., Ltd.), had seen the bridal industry on a daily basis and figured out a differentiation factor that would set his business apart from other companies and achieve great growth. That is why, in June 2003, he decided to start up his own bridal business and founded this company. The differentiation factor was "focusing on intangibles, not tangibles." In other words, it was building a high-profit business model through having the strength of human resources as the company's core value and

allowing its diverse personnel to exhibit their abilities and expertise to the maximum.

At the time, the main trend was guest house weddings with luxurious facilities as its selling point. However, the company believed that convenience is more important to the guest, so they set up chapels and banquet halls in buildings near train stations. Even though the company did not have dazzling guest house weddings, they decided they could fully satisfy their clients using their intangible assets and without depending on tangible ones.

Their differentiation strategy was a great success. ESCRIT INC. was recognized as “the model for station building weddings” and started to expand its business rapidly. As other companies started to enter the market, the company found it necessary to raise capital to accelerate launching new venues in convenient locations mainly around the Tokyo metropolitan region. Therefore, in March 2010, ESCRIT listed its stocks in Mothers of Tokyo Stock Exchange and in November 2012, they changed to the first section of Tokyo Stock Exchange.

However, due to the rapid expansion in venues and M&A (the number of venues increased by 13 in one year), the company faced a shortage in personnel and a weakening in the sales force in the existing venues, etc. This led to the company issuing profit warnings in February 2016 for the first time since being listed (sales decreased by 12% and operating income decreased by 66%). Furthermore, the executives who should have focused their efforts on the restoration of the company resigned, taking with them their subordinates, which caused a grave turmoil within the company.

Faced with the most severe crisis since the company’s foundation, the Representative Director and CEO Morihiro Shibutani engaged in a revamping of the company as a leader. Under the strong leadership of Mr. Shibutani, the company is improving its predominance and making efforts to improve earnings.

【1-2 Company Philosophy and Vision】

The company name “ESCRIT” comes from the pronunciation of the initials of “**STAFF CREATE.**”

“Times change, but “the strength of human resources” does not. Trustworthy staff and a trustworthy team exceed the clients’ expectations.”
 “We aspire to become a company where its core value lies in the strength of its human resources, and its diverse personnel can exhibit their abilities and expertise to the maximum and benefit from one another. Our highly qualified staff provides high-quality services that guarantee client satisfaction. We are building a business where we reach success depending on “the strength of human resources,” and our talents play the leading role.”

(Cited from ESCRIT’s Website)

This philosophy is the reason behind the company focusing on creating an environment where the most important management resources, human resources, can be active and succeed at the utmost extent without depending on tangible assets.

【1-3 Market Environment】

(1) Market Environment Overview

According to a survey by a private research company, the market scale of wedding receptions, ceremonies and parties in Japan (including the ceremonies that were arranged in Japan and performed overseas) is declining at an annual rate of less than 1%.

The main two factors for this are as follows:

① The decreasing number of marriages due to the population decline

While the children of baby boomers, a generation that was a relatively large population, are reaching their mid-forties, the population of the generation that is within the average age for the first marriage, the generation that was born between the late 1980s and 1990s and now between 29 and early thirties, will continue to decline.

② The trend of curbing expenditures for wedding-related goods and services

In parallel with the spread of various values, there is a trend of curbing expenditures on wedding-related goods and services and of prioritizing the improvement of the everyday life instead, such as “no reception marriages” where the couple does not hold a wedding reception or has a small party inviting only their parents and close friends. Furthermore, in addition to the state of oversupply of wedding facilities that we are already in, the opening of new facilities has a constant appeal. Hence, time and labor cost to acquire visitors and orders are expected to continue increasing, which will result in the increase in the bridal businesses facing management troubles.

Nevertheless, even though it is highly unlikely for the market scale to stop shrinking, it remains to be around 1.36 trillion yen. Using its unique strategy, ESCRIT steadily squeezes out the demand in the market and it has the potential to achieve further growth.

◎ Competitors in the Bridal Industry

Code	Company Name	Sales	Sales Growth Rate	Operating Income	Operating Income Growth Rate	Operating Income Margin	Total Market Cap	PER	PBR	ROE
2196	ESCRIT INC.	-	-	-	-	-	4,384	-	0.9	6.2
2198	IKK Inc.	-	-	-	-	-	19,861	-	1.9	11.0
2418	TSUKADA GLOBAL HOLDINGS Inc.	-	-	-	-	-	13,317	-	0.5	7.0
2424	Brass Corporation	-	-	-	-	-	2,306	-	0.9	-
4331	TAKE AND GIVE. NEEDS Co., Ltd.	22,000	-65.5	-12,000	-	-	6,451	-	0.7	4.3
4696	WATABE WEDDING CORPORATION	18,500	-	-12,000	-	-	2,774	-	13.6	-

*Units: Million yen and times. Total market cap and PBR are based on the closing value on November 24, 2020. ROE is from the results of the previous term.

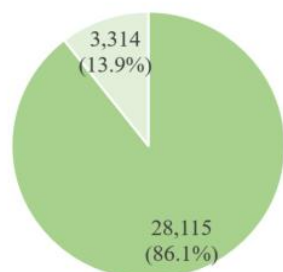
Excluding Take and Give. Needs Co., Ltd. and Watabe Wedding Corporation, the estimates for the current term are undetermined due to the impact of the spread of the novel coronavirus. The sales and operating income estimate for Take and Give. Needs Co., Ltd. are at the lower limit of the range. The sales growth rate for Watabe Wedding Corporation could not be calculated due to a change in the accounting period in the previous term.

【1-4 Business Description】

(1) Segment

The company consists of two segments: the general bridal services segment and the construction and real estate business segment.

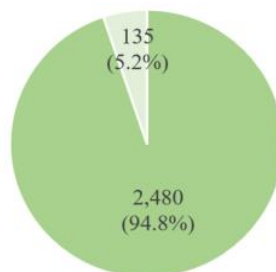
Sales Composition
(Fiscal Year ended March 2020)



■ General bridal services ■ Construction and real estate

*Unit: Million yen. Sales to external clients

Segment Income Composition
(Fiscal Year ended March 2020)



■ General bridal services ■ Construction and real estate business

*Unit: Million yen. Composition ratio of the total before tax

① General Bridal Services

In addition to directly managing 34 halls nationwide, ESCRIT provides bridal services such as planning and managing ceremonies and wedding receptions through cooperating with other facilities. They provide accommodation services through collaborating with hotels, restaurant services through collaborating with restaurants, and banquet services including planning and managing all sorts of parties.

In the directly managed wedding facilities, as “a city wedding coordinator that does not stick to the facilities’ styles,” the company manages diverse styles of ceremonies and wedding reception facilities to satisfy the needs of its various clients.

ESCRIT pays great attention to offering a sense of “privacy” to the facilities and “originality” to the wedding production for the bride, groom, and guests. The company provides clients with “custom made wedding services” to match their tastes in clothes, flowers, guest gifts, food, drinks and wedding production at the solemnizations and wedding receptions, offering them a comprehensive production of their event.

The company promotes in-house production rather than outsourcing to other companies, especially when it comes to clothes, flowers

and wedding production. The company employees themselves consult with the clients, accommodating their wishes to every little detail, aiming to further improve client satisfaction.

Furthermore, the company assigns an exclusive chapel or lobby space for each banquet hall in the multiple banquet halls (wedding reception halls) facilities managed by the company to provide a sense of “privacy” to the wedding production.

In the bridal industry, there are many mansion style guest house facilities that are used to give a sense of “privacy” and “originality” to the wedding production. However, with ESCRIT, people can have similar production in addition to having it in a venue with a perfect style that suits its location.

Also, the company undertakes the comprehensive management of bridal services for hotels and restaurants.



(From the company website)

② Construction and Real Estate Business

The group company, Shibutani & Co., conducts different businesses such as contracted work on internal and external construction mainly for restaurants and retail shops, design supervision, construction of independent houses and condominiums, container business, and consulting services.

【1-5 Characteristics and Strengths】

(1) Unique Strategy Focusing on Intangibles

ESCRIT believes that tangible assets have its booms and trends which would definitely change. Thus, it saw the “limitations of tangible assets when it comes to having a competitive advantage in increasing the client base,” as a hindrance to the longtime growth of the company, which led them to focus on the power of intangible assets instead.

With the “high operational skills” of its outstanding staff as its foundation, the company is expanding its “wedding party hall management business.”

Another huge characteristic of ESCRIT, which sets it apart from other companies, is developing the operational know-how of the business such as achieving company differentiation through building alliances with various companies. This leads to increasing the client base, even when having different tangible assets, and achieving a high level of customer satisfaction even without conducting any excessive investments.

The keys behind that are the three business strategies: “personnel strategy,” “venue strategy” and “one-stop service strategy.”

Using these three strategies, the company aims to drastically differentiate itself within the industry and achieve a stable business model that would not be affected by the new standards in the bridal business or the changes in the tangible assets and style.

① Personnel Strategy

ESCRIT believes in the importance of staff feeling satisfied in their jobs and their continuing on evolving and developing their abilities to the utmost degree as part of the organization. The company is also working on developing individuals’ capabilities and building an organization with a culture of openness and freedom.

The company builds a working environment where personnel are able to continue working. Moreover, as a company that promotes women’s participation in the workplace, ESCRIT is implementing various policies such as support for the work styles associated with different life stages, enhancing welfare and support for career development.

These efforts lead to the company’s biggest competitive advantage; fostering the power of its intangible assets.

② Venue Strategy

The currently mainstream guest house weddings' share is considered to be only around 20% in the bridal market, which is estimated to be worth around 1.36 trillion yen.

Through experience and evidence so far, the company, which believes that “tangible assets have limitations when it comes to having a competitive advantage in increasing the client base,” is pursuing the possibility of profit in all the domains and not focusing on the narrow market of a specific wedding style.

Therefore, ESCRIT is developing its business of various style facilities such as hotels, restaurants, guest houses and wedding halls, centering its business on meeting the needs of the changing market.

At the same time, the company is focusing on increasing the client base not only by launching new venues but also by improving the existing ones. This would lead to achieving stable and steady growth which in return leads to fulfilling the expectations of the stakeholders.

③ One-Stop Service Strategy

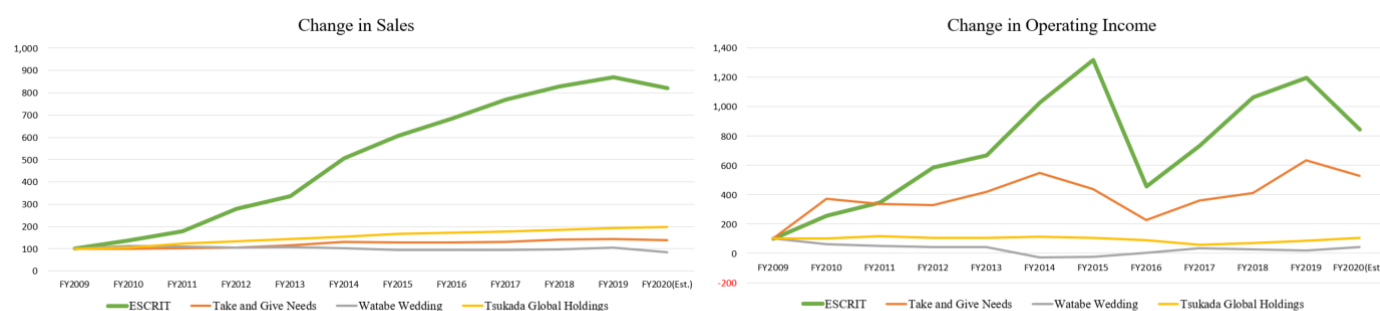
In the bridal business, things such as the dress, makeup, and flowers are generally outsourced to an external contractor, which causes the huge problem of not being able to fulfill the clients' requests fully.

That is why, as it was mentioned previously, the company promotes in-house production of clothes, flowers, and wedding production. By enhancing this one-stop service system, the company can achieve further improvement in client satisfaction.

(2) Growth of Sales and Profit that Exceeds Those of Competitors

The graph below represents a comparison of the variations in sales and operating income among the three companies with the bigger scale of sales than ESCRIT (Tsukada Global Holdings, Take and Give Needs and Watabe Wedding) according to the table “Competitors in the Bridal Industry” in page 4. If we look at the growth of ESCRIT's sales and profit, we will find that it is better than the rest of the companies.

The foundation of this growth is the “power of intangible assets,” the philosophy of the company since its founding and what President Shibutani has been strongly promoting.



【1-6 ROE Analysis】

	FY3/13	FY3/14	FY3/15	FY3/16	FY3/17	FY3/18	FY3/19	FY3/20
ROE (%)	32.3	34.4	32.6	6.9	12.7	10.7	15.6	6.2
Net profit to sales ratio (%)	5.72	5.69	6.20	1.37	2.42	2.10	3.24	1.45
Total asset turnover ratio	1.53	1.57	1.33	1.18	1.15	1.18	1.28	1.30
Leverage	3.69	3.86	3.95	4.27	4.55	4.32	3.79	3.27

【1-7 Initiatives in ESG】

As it is shown in the origin of the company's name, the strength of its human resources is the core value of ESCRIT. Therefore, the company actively promotes various policies especially related to the "Social" in ESG that aims to build a comfortable working environment.

(1) Promotion of health-oriented management

The following is "ESCRIT's Declaration of Health-oriented Management."

In ESCRIT, we believe that it is most important for each and every one of our employees to be healthy mentally and physically and work energetically to be able to deliver our clients' happiest moments.

With the idea that "the foundation of the company's activities is ensuring the safety and health care for the employees and the creation of a comfortable working environment," from now on, we declare that we will actively exert more efforts toward improving the work environment so that both ESCRIT employees and the company could work in good health for a long time.

Representative Director Morihiro Shibutani

① Main Measures

In order to provide "health care" for the entire company, ESCRIT is working on health management (analysis of the results of the periodic medical examinations and achieving a good work-life balance), disease prevention (prevention of infectious diseases and lifestyle diseases and control of women's diseases), management of mental health and promotion of continuous movement.

② Evaluation

* Certified as "Excellent Corporation in Health-oriented Management 2020"

In March 2020, ESCRIT was certified as "Excellent Corporation in Health-oriented Management 2020 (large corporation category)" by the Ministry of Economy, Trade and Industry and Nippon Kenko Kaigi as its efforts in promoting health-oriented management were highly evaluated.

"Excellent Corporation in Health-oriented Management Certificate" commends corporations, such as large corporations and small and medium-sized enterprises, that are conducting excellent health-oriented management based on their efforts to address local health issues and the health improvement initiatives promoted by Nippon Kenko Kaigi.

* Certified as "Tokyo Sports Promotion Company" and "Sports Yell Company"

ESCRIT was certified as "Tokyo Sports Promotion Company" and "Sports Yell Company".

"Tokyo Sports Promotion Company Certificate" is a certificate awarded to companies that encourage employees' sports activities and provide support to athletes, groups, and tournaments and so on within the sports segment.

To encourage employees' sports activities, ESCRIT holds several types of sports events, hosting "Kizuna" Ekiden relay race, creating club activities, as well as having policies such as recruiting top athletes to coach the employees' clubs.

Also, ESCRIT actively works on supporting athletes (employing Honami Suzuki, Japan's representative in women's fencing epee individual) and contributing to the sports culture (such as the execution of a partnership with the table tennis professional league "T.T Saitama"). These efforts led to receiving the "Tokyo Sports Promotion Company Certificate."

"Sports Yell Company" system is a system that aims to encourage "people in the generation in the prime of their lives" who lack exercise to practice sports and work on creating a social movement for sports. Japan Sports Agency certifies companies that actively work on implementing sports activities to improve their employees' health. Through this "Sports Yell Company" certificate, Japan Sports Agency aims to help improve the social evaluation of companies that are working on strategic measures to manage their employees' health.

(2) The Various Policies to Promote Women's Participation and Achievements

① Main Measures

ESCRIT has many occupations which women flourish, such as wedding planners, bridal stylists and floral designers, and female employees account for 70% of the total number of employees at the end of March 2020.

Since ESCRIT aspires to become a company where all its employees are evaluated fairly based on their capabilities and regardless of their gender and what life stage they are in, promotion of women's participation in the workplace was one of the policies of the company's mid-term management plan.

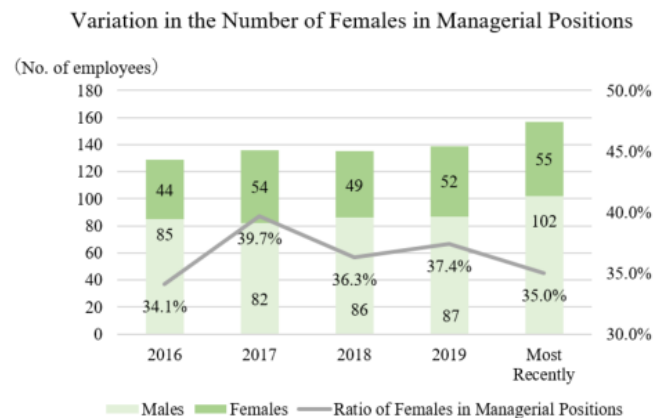
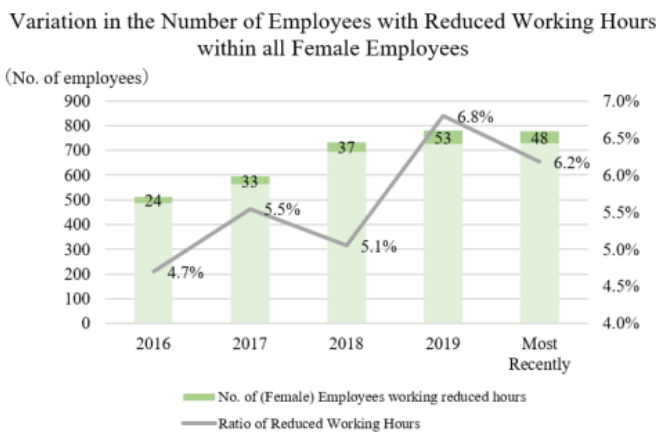
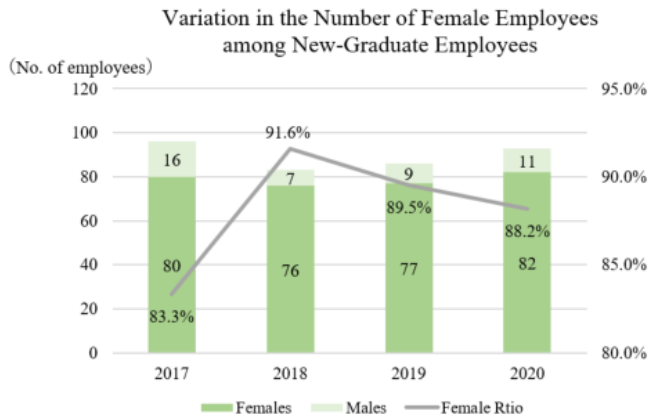
Based on this policy, the company implemented the following "measures to promote women's participation."

Measures	Outline
Providing a stress-free environment that facilitates access to health care for women during pregnancy	<p>*Implementing a "Start of the Pregnancy Consultations"</p> <p>Pregnant employees can talk with their bosses and the human resources officers about any concerns on physical health or work tasks to reassure them that they can go through their pregnancy with ease.</p> <p>*Providing time for hospital visits</p> <p>Providing time for hospital visits to have medical examinations during working hours in order to ensure access to health care. (Men accompanying pregnant women to hospital visits are also provided with time to do so)</p>
Promotion of extending the maternal leave and providing men with paternity leave	<p>*Extending the pre-childbirth maternal leave period</p> <p>Extending the period from the six weeks stipulated in the law to eight weeks.</p> <p>*Encouraging male employees to take a paternity leave</p> <p>Recommending that fathers take a maximum of eight days of paternity leave in the period of two months from the day their children are born. (it can also be used to attend the birth)</p>
Implementing consultations before employees' return to work and supporting their smooth return to the workplace	<p>*Implementation of "Comeback Consultations"</p> <p>Employees coming back to work can talk with their bosses and the human resources officer about any requests such as working hours, in order to be able to have a concrete idea about the working style after returning to work.</p>
Support for the balance of childrearing and work after returning to the workplace	<p>*Support of gradual entry at daycare</p> <p>Employees are exempted from going to work during the phase of their child's gradual entry to daycare.</p> <p>*Reduced working hours, extending the leave for caring for a sick child and overtime restrictions</p> <p>Extending the childrearing-friendly reduced working hours until the child enters elementary school.</p> <p>Extending the overtime restrictions until the child enters elementary school.</p> <p>Extending the period an employee can take a leave for caring for a sick child until the child graduates' junior high school.</p>

Additionally, because ESCRIT aims to provide a comfortable working environment not only for women but also for all its employees, it also focuses its efforts on "measures to optimize working hours," "establishing of a counseling service section for women," "training for employees in managerial positions," "training for all employees" and "career advancement training for women."

② Achievements

As a result of these measures, women’s participation increased in a noticeable pattern as shown in the graph below. Also, employee satisfaction is steadily increasing with employees giving testimonies such as “I am enjoying motherhood and work thanks to the implemented support system. In the future, I want to be a role model for working women.” (Cited from the company’s website)



ESCRIT aims to increase the ratio of females in managerial positions to 40% by the fiscal year 2022.

③ Evaluation

*** Receiving the “Eruboshi” (L Star) Certificate from the Minister of Health, Labor, and Welfare**

In July 2018, ESCRIT received the “Eruboshi (L Star)” certificate from the Minister of Health, Labor and Welfare for its excellent efforts in promoting women’s participation in the workplace to become the first company in the bridal industry to obtain this certificate based on the Act on Promotion of Women's Participation and Advancement in the Workplace.

“Eruboshi (L Star)” certificate is a system where the Minister of Health, Labor, and Welfare certifies excellent companies with conditions that promote women’s participation in the workplace according to the Act on Promotion of Women's Participation and Advancement in the Workplace. There are five assessment criteria for the “Eruboshi” (L Star) which are: “recruitment,” “continued employment,” “working styles, including working hours,” “ratio of managerial positions” and “various career courses.”

The “Eruboshi” certificate is hard to obtain. So far, around 20,000 companies applied for it, but only around 600 companies received it. ESCRIT’s measures that were mentioned above were acknowledged to exceed the standards, which is why the company received the certificate.

* Certified as “Semi-Nadeshiko”

In March 2020, ESCRIT was selected as one of the listed enterprises that are outstanding in terms of encouraging women’s success in the workplace by the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange and received the “Semi-Nadeshiko Brands” certification.

The Nadeshiko Brand is an initiative aiming to introduce certain TSE-listed enterprises that are outstanding in terms of encouraging women’s success in the workplace as attractive stocks to investors who place emphasis on improving corporate value in the mid-and long-term, thereby further growing investments in such outstanding enterprises and accelerating efforts by each enterprise to encourage women’s success in the workplace. Since 2012, the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange have been selecting the enterprises jointly.

ESCRIT was selected as a “Semi-Nadeshiko Brands,” which is equivalent to the Nadeshiko Brand (runner-up as enterprises), for its measures to promote women’s participation (mainly by incorporating them into management strategies, establishing an environment and rules, and raising awareness among managers) were highly evaluated.

(3) Converting all contract employees to permanent employees

After considering the long-term career development for the employees, in August 2018, ESCRIT decided to convert all its contract employees to permanent employees.

The company had several professions such as wedding planners, bridal stylists and floral designers where the majority of its employees were contract employees. However, the company abolished the contract employment system, converting it to a new relocation-less permanent employment system (geographically confined permanent employee).

Now, contract employees are playing an important role within the companies. In ESCRIT, employees can comfortably work on their long-term career development in light of the changes in the employment circumstances and women’s participation conditions.

2. The Second Quarter of Fiscal Year ending March 2021 Earnings Results

(1) Overview of consolidated financial results

	FY3/20 2Q	Ratio to sales	FY3/21 2Q	Ratio to sales	YoY
Sales	16,428	100.0%	3,447	100.0%	-79.0%
Gross profit	9,488	57.8%	1,234	35.8%	-87.0%
SG&A expenses	8,253	50.2%	5,016	145.5%	-39.2%
Operating income	1,234	7.5%	-3,781	-	-
Ordinary income	1,210	7.4%	-3,888	-	-
Quarterly net income	450	2.7%	-3,244	-	-

*Unit: Million yen

The sales substantially decreased and losses were posted due to the rescheduling of ceremonies and receptions.

The sales were 3,447 million yen, down 79.0% year on year. Operating loss, ordinary loss, and quarterly net loss were 3,781 million yen, 3,888 million yen, and 3,244 million yen, respectively.

In the wake of the spread of the novel coronavirus, the state of emergency was declared in April 2020, and operations in all facilities had to be suspended during this period, thus, many ceremonies and receptions ended up rescheduling.

While 900 million yen employment adjustment subsidy was posted in extraordinary income, 1,652 million yen personnel expenses, rent, and depreciation etc. was posted during the suspended period in extraordinary loss as losses due to the impact of the novel coronavirus.

(2) Results of each segment

	FY3/20 2Q	Ratio to sales	FY3/21 2Q	Ratio to sales	YoY
Sales					
General bridal services	14,807	90.1%	2,594	75.3%	-82.5%
Construction and real estate business	1,620	9.9%	853	24.7%	-47.4%
Total	16,428	100.0%	3,447	100.0%	-79.0%
Segment income					
General bridal services	1,742	11.8%	-3,362	-	-
Construction and real estate business	38	2.4%	-116	-	-
Adjusted amount	-546	-	-303	-	-
Total	1,234	7.5%	-3,781	-	-

*Unit: Million yen. The ratio to sales for segment income means operating income margin.

(General bridal services)

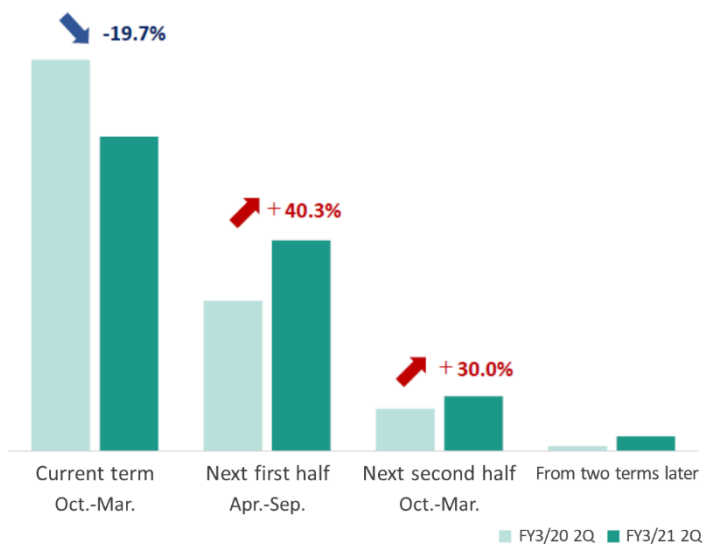
Sales dropped, and losses were posted.

Sales dropped significantly due to many rescheduling of ceremonies and receptions because of the suspension of operations during the state of emergency.

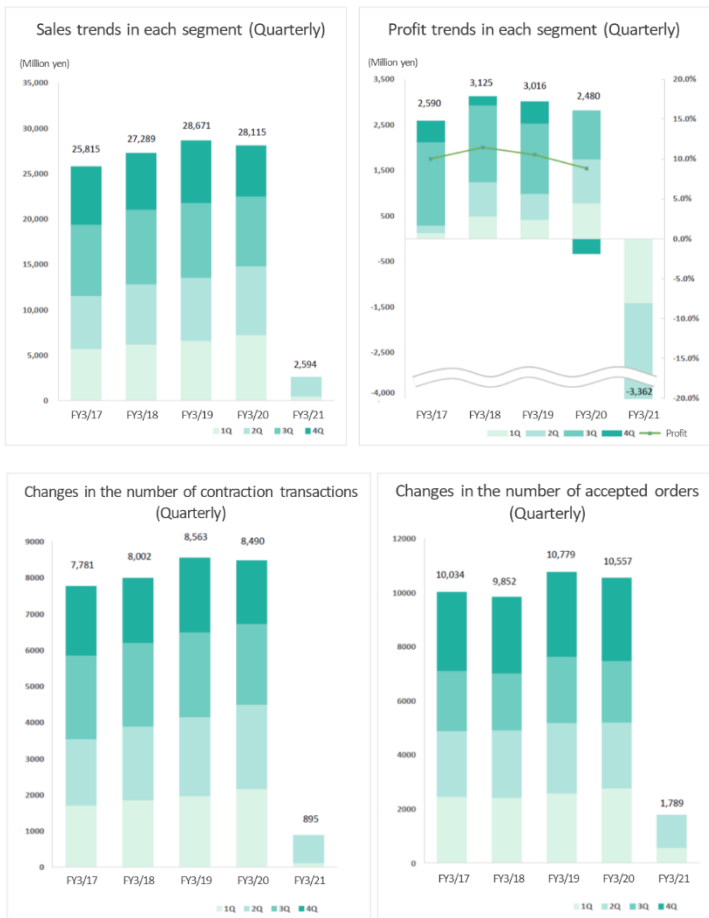
◎ Status of Orders Received

While there are trends of gradual recovery in the number of orders received after the state of emergency was lifted, the company sees that more time is needed for recovery.

The number of orders received decreased drastically due to the suspension of operations, but the backorders for the term ending March 2022 increased 40.3% year on year for the first half, and 30.0% year on year for the second half.



BRIDGE REPORT



(Construction and real estate business)

Sales dropped, and loss augmented.

Sales declined, because the sales from the completion of construction projects were smaller than the initial estimate.

(3) Financial conditions and cash flow

◎ Main balance sheet

	End of Mar.2020	End of Sep.2020		End of Mar.2020	End of Sep.2020
Current assets	6,499	9,767	Current liabilities	8,464	13,182
Cash and deposits	4,130	6,931	Notes and accounts payable	1,072	494
Notes and accounts receivable	263	128	Short-term loans payable	2,174	6,132
Real estate for sale	816	868	Non-current liabilities	7,284	9,377
Non-current assets	16,729	17,536	Long term interest-bearing liabilities	4,111	6,200
Property, plant and equipment	11,118	10,554	Total liabilities	15,749	22,560
Investments and other assets	5,564	6,923	Net assets	7,478	4,743
Total assets	23,228	27,303	Retained earnings	6,499	3,161
			Total liabilities and net assets	23,228	27,303
			Capital-to-asset ratio	32.2%	17.4%

*Unit: Million yen.

Total assets increased 4 billion yen from the end of the previous term to 27.3 billion yen, due to the rise in cash and deposits, etc.
Total liabilities grew 6.8 billion yen from the end of the previous term to 22.5 billion yen, due to the augmentation of loans payable, etc.
Net assets decreased 2.7 billion yen from the end of the previous term to 4.7 billion yen, from the total net loss, issuing of new shares, payment of dividends, etc.
Capital-to-asset ratio decreased 14.8% from the end of the previous term to 17.4%.

Further, considering the impact of the spread of the novel coronavirus, in addition to the 900 million yen balance of unrealized borrowing as of the end of the previous consolidated accounting fiscal year as a loan facility, the company formed a commitment line agreement for an additional 6 billion yen in the form of a syndicated loan, with the aim of increasing stability in operation through acquisition of adequate cash reserves. For the six-month period from April to September, the company borrowed a total of 7,528 million yen from private financial institutions, etc. due to which the overdraft agreement for the group and balance of unrealized borrowings for the commitment line totaled 4.7 billion yen. Further, the company acquired adequate cash reserves by procuring 600 million yen in August through third-party allocation of shares by SBI Financial Services Co., Ltd.

(4) Topics

① Business Partnership with ESCRIT Photo Wedding LUMINOUS

The company formed a business partnership agreement with the photo wedding brand LUMINOUS, which belongs to Tameny Art Works Inc. (hereinafter called “TAW”), which operates a wedding photo studio.

(Background of the alliance)

Considering the risk of infection with the novel coronavirus, many couples postponed or cancelled their wedding ceremonies. On the other hand, the number of newlywed couples considering a photo wedding as a substitute for a conventional wedding ceremony is increasing. Photo weddings are gaining popularity as the wedding ceremony style for the coronavirus-ridden era, as newlywed couples demanding a photo wedding at TAW’s Odaiba studio increased, with the number of inquiries in September increasing 221% year on year.

TAW introduced photo wedding LUMINOUS, with the concept of providing photo wedding that has the same satisfaction and upliftment of a conventional wedding ceremony, and preserving the special experience of a wedding ceremony in the form of photos. ESCRIT, which is operating its wedding halls all over the country, and TAW, which operates LUMINOUS, formed a business partnership as a result of a consultation on how to fulfill the desires of newlywed couples in the coronavirus-ridden era, who want to take photographs in commemoration of their marriage, to experience a wedding ceremony, and to take photographs just like a wedding ceremony.

(Details of the alliance)

◎ Business Partnership

ESCRIT’s chapels and halls are added to the shooting locations for LUMINOUS La Maison, which offers shooting services at full-scale chapels and magnificent wedding halls. The aim is to promote shooting all over Japan and preserve the memories of newlywed couples in an elegant, special place of high status without holding a wedding ceremony.

(Merits of the partnership)

For ESCRIT, the non-operative period of its facilities was an unresolved problem, but by this new partnership, this can be utilized effectively and the company expects to see improvements in sales and profit. Further, compared to conventional wedding ceremonies, the lead time for photo weddings—from the decision by the newlywed couple to the execution, is short, which the company sees will contribute to effective utilization of the most recent non-operative period. As a result, the company believes the partnership can lead to new earnings in the wedding market, which continues to shrink.

② Started Offering Le Crit Amore Plans for TKP-Operated Facility, Bayside Hotel Azur Takeshiba

The Bayside Hotel Azur Takeshiba, which is operated by TKP and located in Minato-ku, Tokyo, is added to the product lineup for the small-gathering-weddings service Le Crit Amore from October 31, 2020, and proactively marketed.

Using ESCRIT’s service Le Crit Amore as a point of contact at this facility, the company will proactively accept orders for weddings with smaller gatherings or with family members only, which demand is expected to grow further as the wedding choice during the coronavirus-ridden era.

③ Releasing CIRQ —Joint Brand of ESCRIT and TKP

The joint brand CIRQ was released on October 16, based on the capital business partnership with TKP Corporation (3749, Tokyo Stock Exchange Mothers).

While wedding facilities function at a high operating rate on weekends and holidays where the demands for wedding ceremonies and receptions are generally concentrated, the wedding industry is struggling with the weekdays' low operating rate due to a drop in demand. In order to raise the facilities' operating rate on weekdays, ESCRIT established Party Hunter, a department specializing in corporate banquets in 2012, and started proactively accepting orders for renting halls for company parties, events, and photography sessions, capitalizing on factors like location close to terminal stations, and interior spaces unique to a wedding hall. Through the recent initiatives with TKP, 24 facilities (51 banquets) of the company were added to the product lineup of TKP, with the aim of further improving the operating rate of facilities on weekdays by utilizing TKP's customer base of 30 thousand companies.

The concept of CIRQ

For the logo, grey is used as the base color to express the fine quality of the hall image, and the corporate colors of both ESCRIT and TKP are used as accent colors, expressing their desire to gorgeously produce various usage scenarios. CIRQ offers tender and fine quality spaces for business scenes. CIRQ's luxurious atmosphere with a sense of liberation will add grace to various business scenes, creating an environment which will further deepen bonds among many customers.

④ Started Selling SBI ALA promo Products at Anicrit Gift Store

The company formed capital business partnership with SBI Holdings, Inc. (8473, the first section of Tokyo Stock Exchange) in July 2020. As the first initiative, they have announced to start selling skin care products and health foods produced and sold by SBI ALA promo at the ESCRIT's EC site Anicrit Gift Store, from September 1.

(Background of the alliance)

ESCRIT, which handles approximately 8,000 wedding ceremonies annually, is working to launch a new business while working to stimulate the marketplace by responding to the needs and motivations of diversifying wedding ceremonies. The company is strengthening systems for promoting the operation of the corporate group, and engaging in maximization of consolidated performance. ALA* is a type of amino acid essential for supporting the health and beauty of the human body, which is gaining popularity as anti-aging care. It is a component made inside of mitochondria which is known as the energy factory for cells. It can be taken in from daily meals, however, even for those with well-balanced diet, intaking 5 mg of ALA per day is proved to be difficult. Intaking ALA through cosmetics and supplements can powerfully support the rhythm, activity, and beauty of an aging body, from the inside.

⑤ ESCRIT Launched Anicrit Live, a Service for Live Streaming Wedding Ceremonies

The company developed Anicrit Live, a live streaming service exclusively for wedding ceremonies, starting on December 1. ESCRIT upholds "ALL for Thank You" as its wedding concept, creating a wedding ceremony in which the newlywed couple's feeling of gratitude and the guests' congratulatory feelings can truly reach each other. Anicrit Live, a live streaming service exclusively for wedding ceremonies, was added to the in-house developed online wedding ceremony preparation system Anicrit, and will begin its service. This service was born to meet the desires of newlywed couples planning to hold a wedding ceremony, to invite guests they would have wanted to invite, such as guests living far away, older guests, and guests who cannot attend for any other reasons, to view the wedding ceremony as if they were attending it.

* What is Anicrit?

Anicrit is a wedding service offered by ESCRIT since September 2011, as a new service to reduce the burden on the newlywed couples through optimizing the wedding ceremony preparations, and to create their parties and wedding ceremonies with their guests. Anicrit can be used to prepare the newlywed couple's wedding ceremony. They can make guest lists, seating plans, and interact with the guests by receiving congratulatory messages and memorable photos by them.

⑥ Started Selling Christmas Gifts at ESCRIT's Anicrit Gift Store

The company started selling Christmas Flower Gifts produced by Lagunaprier at ESCRIT's EC site Anicrit Gift Store, from November 2. To provide an enjoyable Christmas experience, they are selling selected gift set consisting of flower gifts produced by Lagunaprier, and wines hand-picked by the ESCRIT's wine shop, WINELIST.

⑦ Offered a Halloween Exclusive Accommodation Plan for Families

The company offered a Halloween exclusive accommodation plan for families at one of their wedding halls with a hotel, LagunaSuite Hotel & Wedding Shinyokohama. This plan included; (1) a flower arrangement workshop for making Halloween decorations produced by ESCRIT's in-house florist Lagunaprier, and (2) a baking workshop for making Halloween themed sweets produced by patissiers working exclusively at LagunaSuite Shinyokohama, who make desserts at wedding ceremonies. For this year, faraway trips and going out for large events were difficult, so the company offered a plan to spend Halloween with families.

⑧ Received the Grand Prix at Good Wedding Award 2020

Hiromi Yabuta, their wedding planner working at Lagunaveil Atelier, received the Grand Prix at the wedding planners' national contest, Good Wedding Award 2020 which is organized by Recruit Bridal Souken.

Good Wedding Award is a contest where wedding planners all over Japan apply their produced wedding ceremonies within the year that they felt were the most memorable, and fulfilled the wishes and desires of couples in the most beautiful way, and the winner of the Grand Prix is selected among them. The award started in 2011 with the aim of encouraging wedding planners to understand the wishes of newlywed couples and their thoughts behind, and to use their creativity and composition to help them plan an unforgettable wedding ceremony for the newlywed couple and their guests.

3. Fiscal Year ending March 2021 Earnings Estimates

(1) Forecast of consolidated financial results and Dividend

Because of the spread of the novel coronavirus, the company is expecting to face a deficit for the term ending March 2021, and the earnings estimates and the dividend estimates remained undetermined. The company plans to announce the earnings estimates and dividend estimates as soon as its calculations becomes possible.

(2) Initiatives for Preventing the Spread of the Novel Coronavirus

In the wake of the declaration of a state of emergency and its extension, the company suspended operations in all its facilities during this period.

After restarting operations, the company formulated the ESCRIT New Standard (initiatives against the infection), and is thoroughly enforcing health management of employees, sanitation measures, safe seating arrangements, ventilation, etc. at each facility.

Further, the company is implementing remote meetings, work from home for employees and home training, and the installation of equipment for preventing infection, such as installation of partitions for social distancing, anti-bacterial air conditioning filters, thermal cameras.

4. Conclusions

The current business environment is harsh, but there are no worries from a financial perspective as the company has managed to acquire adequate cash reserves through third-party allocation of shares. While the company recognizes that a certain amount of time will be necessary for recovery in performance, progress is being made in the development of new products and services during the coronavirus crisis, as well as equipment installation for preventing the infection. Thus, we are expecting to see a recovery starting from the next term. Further, the company has presently secured increases in backorders of 40.3% for the first half, and 30.0% for the second half for the term ending March 2022, but there have been cases of postponed orders being cancelled in the end, which is an issue that other companies are facing too, and such trends need to be steadily observed. Further, we have high expectations for the promotion of CRM policies and coordination in M&A from the capital business partnership with SBI Holdings, as well as for the results of the capital business partnership with TKP, created with the aim of development and optimization of new products and services during the coronavirus era.

<Reference: Regarding Corporate Governance>

◎Organization type and the composition of directors

Organization type	Company with company auditors
Directors	5 directors, including 2 outside ones
Auditors	3 auditors, including 3 outside ones.

◎Corporate Governance Report

The latest update: November 13, 2020

<Basic Policy>

We think that gaining the trust of all stakeholders, namely customers, shareholders, clients, employees, and society will lead to the sustainable improvement of the corporate value. To achieve that, ensuring the management effectiveness and transparency and constructing a sound organization structure are indispensable, and we believe that the initiatives for corporate governance are extremely important. Therefore, we created the “Business Code of Conduct” and we are working on its dissemination among all the employees so that they can share our company’s values and ethics.

Furthermore, in order to ensure the management effectiveness, we reevaluate the organizational structure as needed simultaneously with the business expansion achieved thanks to corporate growth, and work on establishing effective management and accountability structures for each organizational department.

Besides, in order to ensure the transparency of management, we enhance the internal control functions so that the Audit and Supervisory Board will ensure the compliance with the Board of Directors' administration, laws, regulations, the Articles of Incorporation, and internal regulations. Moreover, we are taking measures to be able to disclose information in a swift and appropriate manner.

We also aim to enhance corporate governance by conducting sincere corporate activities that achieve synergy between corporate profit and corporate social responsibility while aiming to improve the corporate value and realizing the management that takes in the interests of all stakeholders including shareholders.

< Reasons for Non-compliance with the Principles of the Corporate Governance Code >

Principles	Reasons for not implementing the principles
【 Supplementary Principle 4-1-2 Mid-term management plan】	We have presently not disclosed our medium-term management plan. The earnings estimate as of the beginning of the fiscal year has been disclosed, but since it is impossible to predict when the novel coronavirus pandemic will subside this year, we have considered that any logical calculation will be difficult, which is why no disclosure has been made at present. We will disclose the plan as soon as the calculation of the earnings estimates is possible.

< Disclosure Based on the Principles of the Corporate Governance Code>

Principles	Reasons for not implementing the principles
【 Principle 1-4 So-called strategically held shares】	Our company’s standards pertaining to strategically held shares are as below. (1) In principle, we do not strategically hold shares for the purpose of strategic holding. (2) In case there is a proposal for strategic holding that contributes to the sustainable growth of the company, the decision of strategic holding is judged through voting in the Board of Directors meeting after discussing its risks, returns, etc. and clarifying the purpose of holding.
[Principle 1-7 Transactions Between Related Parties]	Our company has established the principles of the directors not engaging in conflict-of-interest transactions in our Executive Standards, and implements a written survey every year in order to confirm that the directors and auditors are not engaging in any related party transaction. If any transaction between related parties is discovered, the person with any

	<p>special interest will be expelled from any relevant resolution of the Board of Directors, and the results of the transaction will be disclosed in an appropriate way at an appropriate time based on related laws and ordinances.</p>
<p>Principle 3-1 Information Disclosure Enhancement</p>	<p>1. The Company's Vision (Management Philosophy, etc.), Management Strategy, and Management Plan Details regarding the company's vision and management strategy are available on our website.</p> <p>2. Basic Thoughts and Basic Policies on Corporate Governance Please refer to 1.1 Basic Thoughts of this report for details regarding the company's basic thoughts on corporate governance.</p> <p>3. Policies and Procedures for the Board of Directors' Decision on the Remuneration for Management Rank Staff and Directors Please refer to 2-1. Matters regarding Organizational Structure, Organizational Management, etc. (Matters on Remuneration for Directors), Disclosure Content for Policies on the Decision of the Remuneration Amount and its Calculation Method of this report.</p> <p>4. Policies and Procedures for the Nomination and Dismissal of Management Rank Staff and Selection of Candidates for Directors and Auditors by the Board of Directors Regarding candidates for directors and auditors, Selection and Remuneration Committee composed mainly of outside executives deliberates who to choose, by comprehensively evaluating their results, personality, and insight, after which the Board of Directors makes its decision. Further, the Representative Director recommends the candidate for a post in the Board of Directors based on recommendations from directors for newly appointed company executives, and evaluation of results till then for present company executives, after which the Board of Directors nominates the candidate. In case these management members have committed acts for which the objective appropriate response is their dismissal, such as violating laws or articles of incorporation, and being considered to have damaged the enterprise value of the company, a decision will be made in a Board of Directors' meeting attended by independent outside directors after adequate deliberation.</p> <p>5. Explanation Regarding Individual Nominations when the Board of Directors Conducts the Nomination of Management Rank Staff and Selection of Candidates for Directors and Auditors Based on the Above Section 4 Details regarding the reasons for nomination of candidates for independent outside directors and for outside auditors have been disclosed in Convocation Notice for a General Meeting of Shareholders on the company's website. https://www.escri.jp/ir/shareholders/</p>

This report is intended solely for information purposes, and is not intended as a solicitation to invest in the shares of this company. The information and opinions contained within this report are based on data made publicly available by the Company, and comes from sources that we judge to be reliable. However, we cannot guarantee the accuracy or completeness of the data. This report is not a guarantee of the accuracy, completeness or validity of said information and or opinions, nor do we bear any responsibility for the same. All rights pertaining to this report belong to Investment Bridge Co., Ltd., which may change the contents thereof at any time without prior notice. All investment decisions are the responsibility of the individual and should be made only after proper consideration.

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