

**I.K Co., Ltd.
Financial Results – 3Q FY 2021
Supplementary material**

(TSE 1st, NSE 1st: 2722)

株式会社 アイケー

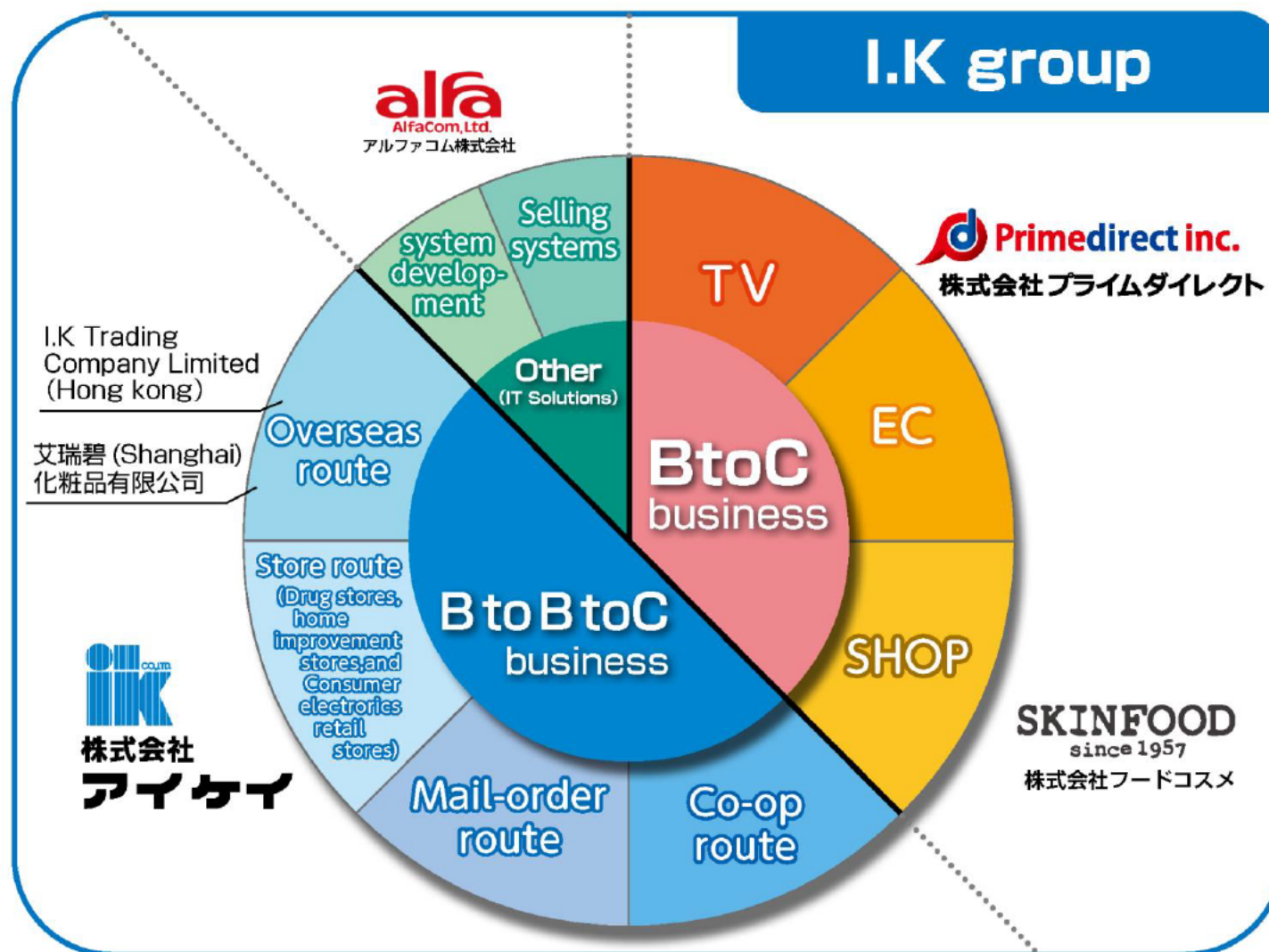


1 . 3Q FY 2021 Financial Results

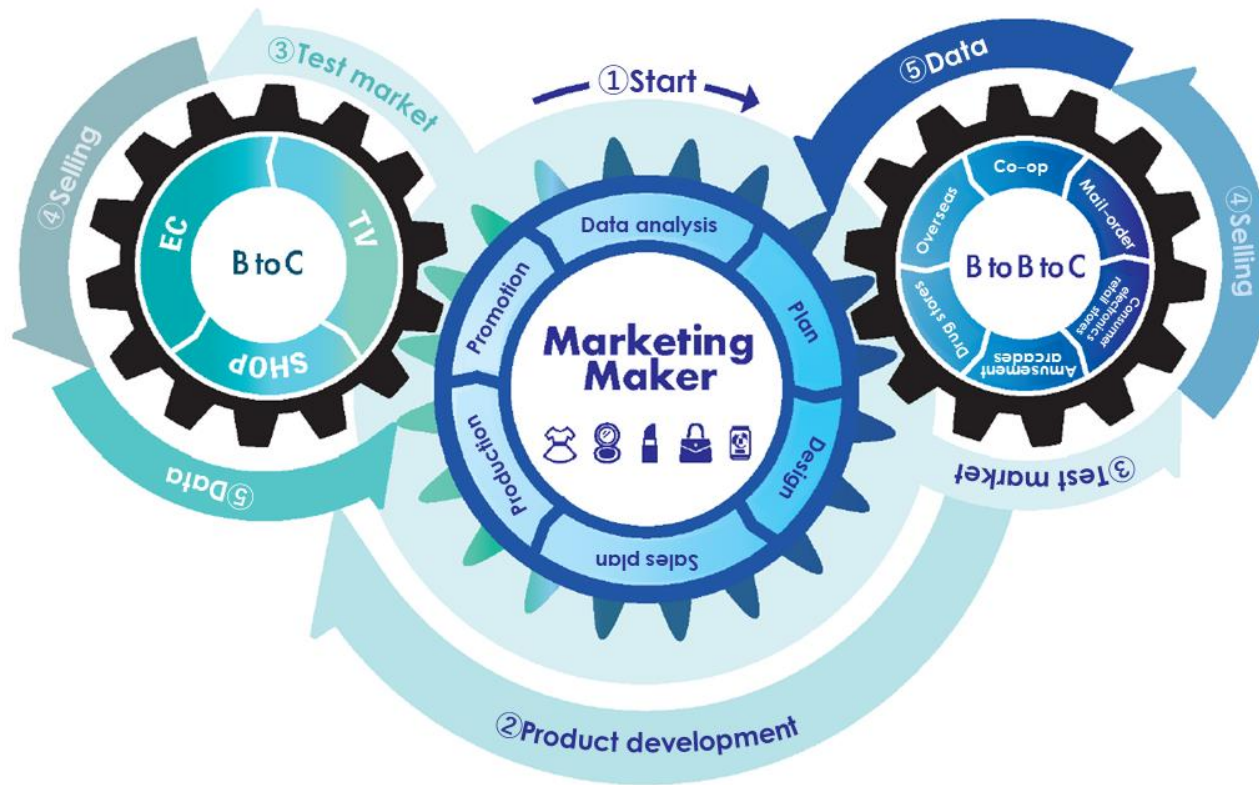
2 . Full-Year Forecast for FY 2021

3 . Reference

Businesses Comprising IK Group



Business model = Marketing Manufacturer



I.K Co., Ltd is a “Marketing Manufacturer” that conducts integrated business activities including **product planning, manufacturing, sales and distribution** through its original promotion strategy

Overview of 3Q FY'21 Financial Results

(Unit: Million Yen,%)

	FY'20 3Q	FY'21 3Q	YoY	Main factors
Sales	13,864	16,415	118.4	From the previous 3Q, BtoC sales increased by 1,933 million yen, BtoBtoC sales increased by 511 million yen, and other sales increased by 105 million yen. As a result, the total sales were 16,415 million yen, an increase of 2,550 million yen overall.
Operating Income	393	822	209.2	The SG&A ratio was 47.1%, which was 1.7% higher than the previous 3Q, due to the increased ratio of packing freight and advertising expenses. However, the gross profit margin was 52.1%, 3.9% higher than the previous 3Q. As a result, the operating income was 822 million yen, an increase of 429 million yen.
Ordinary Income	394	824	209.1	Like operating income, ordinary income has increased by 430 million yen, resulting in 824 million yen.
Income attributable to owners of parent	244	422	173.1	The income attributable to owners of parent was 422 million yen due to extraordinary losses of provision for surcharge of 47 million yen and provision for customer compensation expenses of 70 million yen

Sales trend of each Segment

(Unit: Million Yen, %)

	FY'20 3Q	FY'21 3Q	Ratio to Sales	YoY	Main factors
B to C Business	5,167	7,100	43.3	137.4	The increase in sales of TV shopping hit products, such as Speed Heat, STEP 8, and AIR YAWN covered the decrease in sales of SKINFOOD stores, resulting in an overall increase of 1,933 million yen.
B to B to C Business	8,504	9,015	54.9	106.0	While wholesale of cosmetics to drug stores decreased, sales of food products increased by 33.3% through the co-op route and 33.8% through the mail-order route. The overall sales of BtoBtoC business was 9,015 million yen, an increase of 511 million yen.
Other	192	298	1.8	154.9	Sales increased by 105 million yen due to the acquisition of new customers for M-Talk (chat system).
Total	13,864	16,415	100.0	118.4	

Operating Income trend of each Segment

(Unit: Million Yen)

	FY'20 3Q	FY'21 3Q	Operating income margin	YoY	Main factors
B to C Business	285	531	7.5	186.3	Compared to the previous 3Q, MR (sales / media costs) of TV shopping increased by 0.5% and sales efficiency was improved. As a result, the operating income of the overall BtoC business was 531 million yen.
B to B to C Business	79	229	2.5	288.6	Compared to the previous 3Q, sales have increased by 6.0% and the SG&A expenses to sales ratio decreased by 1.0%, resulting in an increase of 149 million yen in operating income.
Other	△10	38	12.8	—	Operating income was increased by 48 million yen due to strong sales of M-Talk and a 12.9% decrease in the SG&A ratio.
Total	393	822	5.0	209.2	

*The Segment income or loss adjustment amount for FY'21 is 23 Million Yen, compared to 39 Million Yen of FY'20.

MR trend of TV Shopping

※ MR (Media Relation=Sales/Media costs)

FY'20	1Q	2Q	2Q End	3Q	4Q	Total
MR	2.3	2.9	2.6	2.3	2.7	2.6
Main Products	BUTTERFLY ABS DT STEP 8 ryuhyo mat AIR YAWN	Speed Heat Vest STEP 8 AIR YAWN Ashitsuranaito		Speed Heat Vest STEP 8 AIR YAWN Aged black garlic	STEP 8 AIR YAWN Aged black garlic Resara Black Soybeans Hair Foundation	
FY'20	1Q	2Q	2Q End	3Q	4 Q(target)	Total (target)
MR	2.4	3.1	2.8	2.8	2.0	2.6
Main Products	STEP 8 AIR YAWN ryuhyo mat White Up Pants	STEP 8 AIR YAWN Speed Heat Vest Multi sleeping bag Dannel Black Fine Pants Speed Heat Bucket		Speed Heat Vest STEP 8 AIR YAWN Aged black garlic Happy Nappers	STEP 8 AIR YAWN Aged black garlic motilax SHAPOLINE STEP 8 Gold	

Key Management Indicators

	FY'20 3Q	FY'21 3Q
Gross profit margin (%)	48.2	52.1
Operating profit margin (%)	2.8	5.0
Ordinary profit margin (%)	2.8	5.0

Selling, general and administrative expenses

(Unit: Million Yen,%)

	3Q FY 2020		3Q FY 2021	
	Amount	Ratio to Sales	Amount	Ratio to Sales
Labor cost	1,114	8.0	1,149	7.0
Advertising cost	2,707	19.5	3,424	20.9
Packing and freight expenses	988	7.1	1,334	8.1
Total SGA	6,293	45.4	7,727	47.1

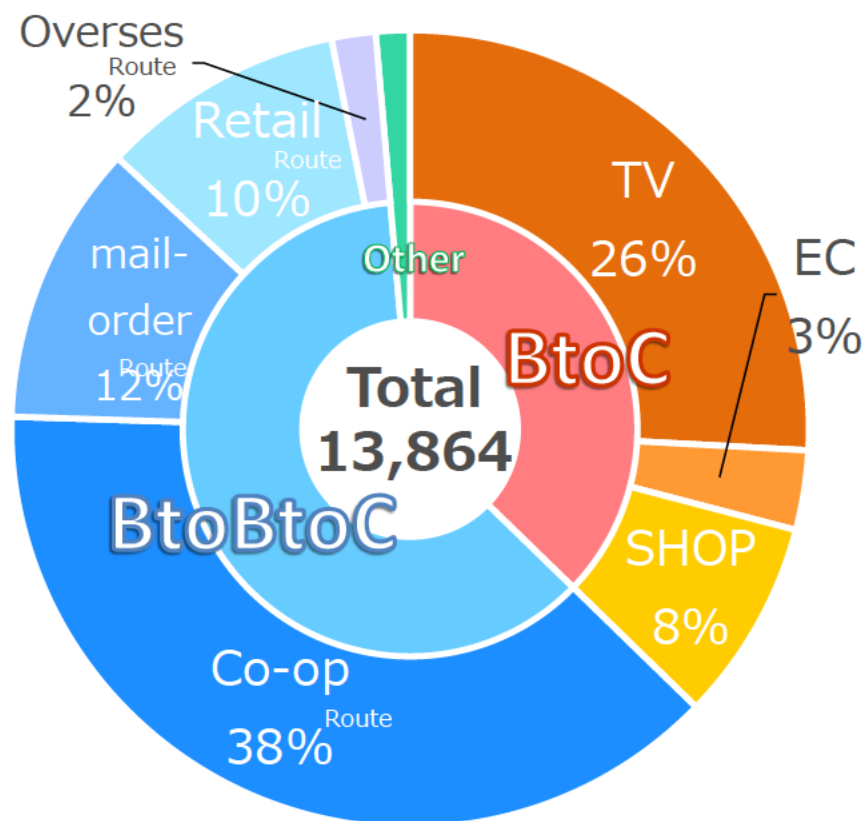
The ratio of advertising expenses increased by 1.4% compared to the previous 3Q due to the expansion of broadcasting slots for TV shopping, etc. In addition, the ratio of packing freight costs increased by 1.0% compared to the previous 3Q due to the increase in the receipt of goods at distribution centers and the rise in shipping labor fees. However, due to the 1.0% decrease in labor cost ratio, the overall SG&A ratio compared to the previous 3Q was minimalized to an increase of 1.7%.

Financial Overview

	FY'20 3Q	FY'21 3Q
Total assets (Million Yen)	6,955	7,940
Total Equity (Million Yen)	2,662	3,657
Capital adequacy ratio (%)	38.2	45.9
Equity per share (Yen)	366.15	464.67
Quarterly net income per share (Yen)	33.03	56.79

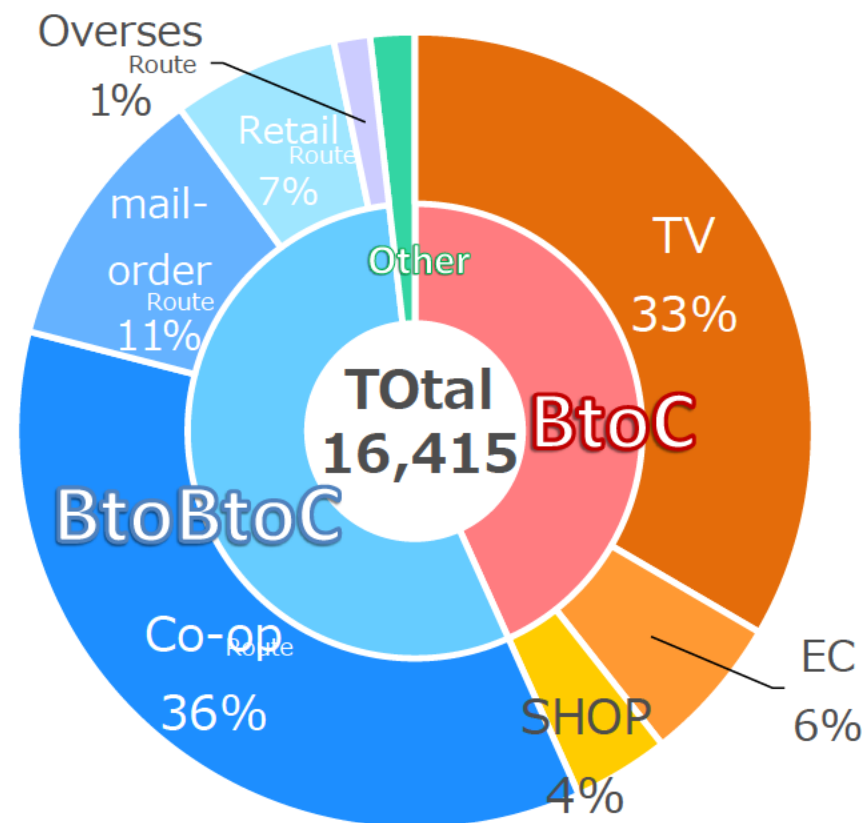
Sales by Channels

FY'20 3Q



FY'21 3Q

(Unit: Million Yen)



- 1 . 3Q FY 2021 Financial Results
- 2 . Full-Year Forecast for FY 2021**
- 3 . Reference

Full-year Forecast

(Unit: Million Yen, %)

	FY 2020			FY 2021 Est		
	Amount	Ratio to Sales	YoY	Amount	Ratio to Sales	YoY
Sales	18,483	100.0	104.9	20,700	100.0	112.0
Operating income	590	3.2	136.9	822	4.0	139.3
Ordinary income	623	3.4	142.5	824	4.0	132.3
Income attributable to owners of parent	384	2.1	161.3	422	2.0	109.9
Dividend per share	12			12		

Dividend Policy

While strengthening the corporate structure through retained earnings in preparation for future business development, the policy is to aim for a dividend payout ratio of 20%. There are possibilities of an adjustment being made on this profit distribution in further consideration of the future business environment. We intend to utilize the retained earnings to further strengthen our corporate structure and enhance and expand our business activities in the future.

- 1 . 3Q FY 2021 Financial Results
- 2 . Full-Year Forecast for FY 2021
- 3 . Reference**

I.K Co., Ltd.

Headquarters : 5th floor of KDX Nagoya Station Building, 3-26-8
Meieki, Nakamura-ku, Nagoya-shi, Aichi-ken

Corporate Officers : Hiroshi Iida, Chairman & CEO
Shogo Nagano, President & COO

Established : May 1, 1982

Capital : 620.93 million yen

Sales : 18,483 million yen (Consolidated sales for May 2020)

Ordinary income : 623 million yen (Consolidated sales for May 2020)

Total assets : 7,369million yen (Consolidated sales for May 2020)

Total equity : 2,809million yen (Consolidated sales for May 2020)

Employees : 282 (Consolidated for May 2020)

Stock Exchange Listings : Tokyo and Nagoya (First section) code 2722

History



- 1982 May I.K Trading LLC founded
- 1983 Apr. Started business with Aichi CO-OP Union
- 1991 Apr. Changed company name to I.K Co., ltd.
- 2001 Dec. I.K Co.,Ltd. listed on the JASDAQ market
- 2005 Dec. Launched private brand 「Lowcalo Life」
- 2009 Jun. Founded Food Cosmetic Co., Ltd.
- 2010 Dec. Made AlfaCom, Ltd. a subsidiary
- 2013 Feb. Launched make-up brand 「LB」
- 2014 Sep. Made Primedirect Inc. a subsidiary
- 2017 Aug. Founded I.K Trading Company Limited. a subsidiary
 - Oct. Founded LB(SHANGHAI)COSMETICS Co.,Ltd. (indirect ownership 60%)
- 2018 Feb. Listed on the Second Section of Tokyo and Nagoya Stock Exchange market
- 2019 Sep. Merged Graceas Co.,Ltd.
- 2020 Dec. Listed on the First Section of Tokyo and Nagoya Stock Exchange market

Main Products Developed by the Company (Cosmetics)



< LB >



< CAWAIDEA >



< COCOEGG >



< SKINFOOD >

Main Products Developed by the Company (Sundries)



< Speed Heat Vest >



< AIR YAWN >



< Core Lounge Ultra >



< STEP 8 >

Main Products Developed by the Company (Food Products)



< Aged black garlic >



< Tear grass extract >



< Low calo Life >



< Mother's Market >

Main Products Developed by the Company (Others)



Soup with many side dishes



La seeks Deep color treatment



Soft sliced Lemons



Medicated Stain Care Peeling Essence



Manuka Honey in Ginger Syrup



LUXER medicinal DEEP LINE WHITE SERUM



LOCOW Active Walker



BEFREE+



Atelier Okada