



Consolidated Financial Results for the First Quarter of the Fiscal Year Ending October 31, 2018 (Japanese GAAP)

March 2, 2018

Listed on: First Section of the Tokyo Stock Exchange

Name of Listed Company: IKK Inc.

Securities code: 2198

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Scheduled date of filing quarterly financial report: March 15, 2018

Scheduled date of start dividends distribution: -

Supplementary quarterly materials prepared: Yes

Quarterly results information meeting held: No

(Figures shown are rounded down to the nearest million yen.)

1. Consolidated financial results for the first quarter of the FY ending October 31, 2018 (Nov. 1, 2017 - Jan. 31, 2018)

(1) Consolidated operating results (cumulative)

(Percentage figures show changes from the same period in the previous year.)

| | Net Sales | | Operating Profit | | Ordinary Profit | | Profit Attributable to Owners of Parent | |
|-------------------------------|-----------------|-------|------------------|--------|-----------------|--------|---|--------|
| | Millions of yen | % | Millions of yen | % | Millions of yen | % | Millions of yen | % |
| 1Q of FY ending Oct. 31, 2018 | 4,139 | (1.7) | 55 | (85.3) | 62 | (83.5) | 31 | (87.6) |
| 1Q of FY ended Oct. 31, 2017 | 4,211 | 4.7 | 380 | (8.3) | 380 | (8.1) | 253 | (2.7) |

Note: Comprehensive income: 1Q of FY ending Oct. 31, 2018: 34 million yen (down 86.4%); 1Q of FY ended Oct. 31, 2017: 252 million yen (down 2.7%)

| | Net Income per Share | | Diluted Net Income per Share | |
|-------------------------------|----------------------|--|------------------------------|--|
| | Yen | | Yen | |
| 1Q of FY ending Oct. 31, 2018 | 1.07 | | - | |
| 1Q of FY ended Oct. 31, 2017 | 8.60 | | 8.60 | |

Note: Diluted net income per share for the 1Q of FY ending Oct. 31, 2018 is not stated because dilutive shares do not exist.

(2) Consolidated financial position

| | Total Assets | | Net Assets | | Equity Ratio | |
|-------------------------------|-----------------|--|-----------------|--|--------------|--|
| | Millions of yen | | Millions of yen | | % | |
| 1Q of FY ending Oct. 31, 2018 | 18,460 | | 10,400 | | 56.1 | |
| FY ended Oct. 31, 2017 | 19,808 | | 10,708 | | 54.1 | |

Reference: Equity capital: 1Q of FY ending Oct. 31, 2018: 10,363 million yen; FY ended Oct. 31, 2017: 10,708 million yen

2. Dividends

| | Yearly Dividends | | | | |
|------------------------------------|------------------|--------|--------|--------|--------|
| | 1Q End | 2Q End | 3Q End | FY End | Annual |
| | Yen | | | | |
| FY ended Oct. 31, 2017 | - | 0.00 | - | 12.00 | 12.00 |
| FY ending Oct. 31, 2018 | - | | | | |
| FY ending Oct. 31, 2018 (forecast) | | 0.00 | - | 12.00 | 12.00 |

Note: Revisions to the latest projected dividends: No

3. Consolidated financial forecast for the FY ending October 31, 2018 (Nov. 1, 2017 - Oct. 31, 2018)

(Percentage figures show changes from the same period in the previous year.)

| | Net Sales | | Operating Profit | | Ordinary Profit | | Profit Attributable to Owners of Parent | | Net Income per Share |
|------------|-----------------|------|------------------|--------|-----------------|--------|---|--------|----------------------|
| | Millions of yen | % | Millions of yen | % | Millions of yen | % | Millions of yen | % | Yen |
| First half | 9,180 | 7.5 | 525 | (25.3) | 525 | (25.2) | 340 | (43.8) | 11.54 |
| Full year | 20,005 | 10.1 | 2,005 | 10.1 | 2,010 | 10.1 | 1,290 | (2.2) | 43.72 |

Note: Revisions to the latest projected financial results: No

*Notes

(1) Significant changes to subsidiaries during the period (transfer of specific subsidiaries accompanying changes in scope of consolidation): Yes

Newly added: 1 Company name: PT INTERNATIONAL KANSHA KANDOU INDONESIA

Excluded: - Company name: -

Note: For details, see “2. Quarterly Consolidated Financial Statements and Notes; (3) Notes to Quarterly Consolidated Financial Statements (Significant Changes to Subsidiaries during the Period)” (attachments, page 7).

(2) Application of specific accounting policies for preparation of quarterly consolidated financial statements: No

(3) Changes in accounting policies, accounting estimates and restatement

1) Changes in accounting policies due to revision of accounting standards, etc.: No

2) Changes in accounting polices other than 1): No

3) Changes in accounting estimates: No

4) Restatement: No

(4) Number of shares issued (common stock)

1) Number of shares issued at the end of period (including treasury shares)

| | | | |
|--|-------------------|---------------------------------|-------------------|
| 1Q of FY ending Oct. 31, 2018 | 29,956,800 shares | FY ended Oct. 31, 2017 | 29,956,800 shares |
| 2) Number of treasury shares at the end of period | 496,444 shares | FY ended Oct. 31, 2017 | 542,444 shares |
| 3) Average number of shares outstanding during the period (quarterly cumulative) | 29,435,628 shares | 1Q of FY ended Oct. 31, 2017 | 29,448,731 shares |

2) Number of treasury shares at the end of period

3) Average number of shares outstanding during the period (quarterly cumulative)

Note: Figures for treasury shares include 494,700 shares of the IKK stock held by the IKK Employee Stock Ownership Association Exclusive Trust at the end of the first quarter of the current fiscal year.

* Quarterly review procedures do not apply to this quarterly statement.

* Explanation of appropriate use of financial forecasts, other special remarks

Forecasts and other forward-looking statements included in this document are based on currently available information and assumptions deemed rational, and do not serve as a guarantee of results on the part of the Company. Actual results may vary substantially due to a variety of reasons. For notes and other cautionary statements related to assumptions behind and use of forecasted results, please see “1. Qualitative Information on Quarterly Financial Results; (3) Explanation of Consolidated Forecast and Other Forward-looking Statements” (attachments, page 2).

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1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Results of Operations

In the first quarter of the current consolidated fiscal year (November 1, 2017 to January 31, 2018), corporate earnings and capital expenditures increased as monetary easing continued in Japan. There was also a slow recovery in consumer spending as Japan's labor market strengthened.

Overseas, there are uncertainties about the economy even though economic growth is continuing at a slow pace. Political events in the United States, geopolitical risk and the effects of movements in financial and capital markets are all responsible for this uncertainty. As a result, outlook for the Japanese economy remained unclear.

In the wedding industry, the number of weddings in Japan in 2017 was 607,000 (Ministry of Health, Labour and Welfare, 2017 Annual Estimate of Vital Statistics), down 14,000 from 2016. Although the number of weddings and receptions is decreasing slowly as the prime wedding age population declines, the guest house wedding market is still generally healthy.

Differentiating wedding services from those of competitors by using distinctive wedding styles and services is becoming increasingly difficult. During the first quarter of the fiscal year, we took many actions in line with the IKK Group's philosophy of "touching our customers' hearts." There were internal and external employee training activities to give our people the personal strengths and customer interaction skills needed to provide personalized wedding services. In addition, we used our own sales support system to analyze operating data and used many initiatives at wedding facilities to attract more customers.

To capture a larger share of Japan's wedding market, we are working on building an infrastructure capable of quickly meeting the increasingly diverse needs and expectations of customers and using an introduction system for maintaining a cycle in which we receive new customer referrals from current customers. All these actions are aimed at sales and earnings growth.

First quarter net sales decreased 1.7% from one year earlier to 4,139 million yen, operating profit decreased 85.3% to 55 million yen, ordinary profit decreased 83.5% to 62 million yen, and profit attributable to owners of parent decreased 87.6% to 31 million yen.

Results by business segment are as follows:

a) Wedding Operations

Although operations started in the first quarter at La La Chance Okazaki Geihinkan (Okazaki Branch), which opened in October 2017, and Castle Garden OSAKA (Osaka Branch), which opened in December 2017, the number of weddings at existing locations decreased. As a result, sales were 3,945 million yen, down 2.1% from one year earlier and operating profit decreased 87.7% to 45 million yen due to expenses for opening Castle Garden OSAKA (Osaka Branch) and higher personnel expenses.

b) Funeral Operations

Sales increased 6.3% from one year earlier to 71 million yen and there was operating profit of 2 million yen compared with a 0.6 million yen profit one year earlier.

c) Nursing-care Operations

Sales increased 9.4% from one year earlier to 124 million yen and operating profit decreased 12.8% to 7 million yen.

(2) Explanation of Financial Position

Total assets were 18,460 million yen at the end of the first quarter of the current fiscal year, 1,347 million yen less than at the end of the previous fiscal year. The main causes were a 1,036 million yen decrease in cash and deposits and a 257 million yen decrease in accounts receivable-trade.

Liabilities decreased 1,040 million yen to 8,060 million yen. The main causes were a 466 million yen decrease in accounts payable-trade, a 230 million yen decrease in long-term loans payable and a 143 million yen decrease in income taxes payable.

Net assets decreased 307 million yen to 10,400 million yen mainly because of an increase due to profit attributable to owners of parent of 31 million yen and a decrease due to dividends from surplus of 359 million yen. As a result, compared with the end of the previous fiscal year, the equity ratio rose by 2.0 percentage points to 56.1%.

(3) Explanation of Consolidated Forecast and Other Forward-looking Statements

The first half and fiscal year consolidated forecasts announced on December 11, 2017 remain unchanged.

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheet

| | Previous Consolidated FY (Oct. 31, 2017) | Current Consolidated FY, 1Q (Jan. 31, 2018) |
|--|---|---|
| (Thousands of yen) | | |
| Assets | | |
| Current assets | | |
| Cash and deposits | 3,731,207 | 2,694,924 |
| Accounts receivable-trade | 457,965 | 200,782 |
| Merchandise | 140,698 | 152,934 |
| Raw materials and supplies | 66,410 | 78,375 |
| Other | 371,331 | 312,650 |
| Allowance for doubtful accounts | (4,652) | (1,793) |
| Total current assets | 4,762,961 | 3,437,874 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures, net | 9,964,374 | 10,002,855 |
| Land | 1,973,734 | 1,973,734 |
| Other, net | 528,436 | 629,902 |
| Total property, plant and equipment | 12,466,544 | 12,606,492 |
| Intangible assets | 81,638 | 81,019 |
| Investments and other assets | 2,497,413 | 2,335,612 |
| Total non-current assets | 15,045,596 | 15,023,124 |
| Total assets | 19,808,558 | 18,460,998 |
| Liabilities | | |
| Current liabilities | | |
| Accounts payable-trade | 879,045 | 412,069 |
| Current portion of long-term loans payable | 1,033,656 | 1,024,656 |
| Income taxes payable | 154,876 | 11,008 |
| Provision for bonuses | 246,344 | 130,929 |
| Other | 1,671,599 | 1,426,645 |
| Total current liabilities | 3,985,521 | 3,005,309 |
| Non-current liabilities | | |
| Long-term loans payable | 3,771,008 | 3,549,594 |
| Net defined benefit liability | 47,656 | 47,006 |
| Provision for directors' retirement benefits | 307,555 | 313,987 |
| Provision for point card certificates | 85,553 | 86,985 |
| Asset retirement obligations | 635,325 | 792,022 |
| Other | 267,899 | 265,475 |
| Total non-current liabilities | 5,114,996 | 5,055,070 |
| Total liabilities | 9,100,518 | 8,060,380 |

(Thousands of yen)

| | Previous Consolidated FY (Oct. 31, 2017) | Current Consolidated FY, 1Q (Jan. 31, 2018) |
|---|---|---|
| Net assets | | |
| Shareholders' equity | | |
| Capital stock | 351,655 | 351,655 |
| Capital surplus | 355,311 | 355,311 |
| Retained earnings | 10,336,473 | 9,965,224 |
| Treasury shares | (368,963) | (337,591) |
| Total shareholders' equity | 10,674,477 | 10,334,601 |
| Accumulated other comprehensive income | | |
| Remeasurements of defined benefit plans | 33,562 | 32,529 |
| Foreign currency translation adjustment | - | (3,219) |
| Total accumulated other comprehensive income | 33,562 | 29,309 |
| Non-controlling interests | - | 36,708 |
| Total net assets | 10,708,039 | 10,400,618 |
| Total liabilities and net assets | 19,808,558 | 18,460,998 |

(2) Quarterly Consolidated Statements of Income and Comprehensive Income
 (Quarterly Consolidated Statement of Income)
 (For the Three-month Period)

| | (Thousands of yen) | |
|--|---|--|
| | 1Q of Previous Consolidated Period (Nov. 1, 2016 - Jan. 31, 2017) | 1Q of Current Consolidated Period (Nov. 1, 2017 - Jan. 31, 2018) |
| Net sales | 4,211,002 | 4,139,184 |
| Cost of sales | 1,954,797 | 1,956,946 |
| Gross profit | 2,256,205 | 2,182,238 |
| Selling, general and administrative expenses | 1,875,570 | 2,126,390 |
| Operating profit | 380,634 | 55,847 |
| Non-operating income | | |
| Interest income | 475 | 4,314 |
| Guarantee commission received | 1,597 | 3,583 |
| Other | 7,005 | 5,372 |
| Total non-operating income | 9,078 | 13,270 |
| Non-operating expenses | | |
| Interest expenses | 5,746 | 5,991 |
| Other | 3,855 | 401 |
| Total non-operating expenses | 9,601 | 6,392 |
| Ordinary profit | 380,110 | 62,724 |
| Extraordinary income | | |
| Reversal of asset retirement obligations | 13,320 | - |
| Total extraordinary income | 13,320 | - |
| Extraordinary losses | | |
| Loss on retirement of non-current assets | 12,746 | 9,851 |
| Total extraordinary losses | 12,746 | 9,851 |
| Profit before income taxes | 380,684 | 52,873 |
| Income taxes-current | 70,490 | 2,132 |
| Income taxes-deferred | 56,881 | 19,808 |
| Total income taxes | 127,371 | 21,940 |
| Profit | 253,312 | 30,932 |
| Loss attributable to non-controlling interests | - | (434) |
| Profit attributable to owners of parent | 253,312 | 31,367 |

(Quarterly Consolidated Statement of Comprehensive Income)
(For the Three-month Period)

(Thousands of yen)

| | 1Q of Previous Consolidated Period (Nov. 1, 2016 - Jan. 31, 2017) | 1Q of Current Consolidated Period (Nov. 1, 2017 - Jan. 31, 2018) |
|---|---|--|
| Profit | 253,312 | 30,932 |
| Other comprehensive income | | |
| Remeasurements of defined benefit plans, net of tax | (1,009) | (1,037) |
| Foreign currency translation adjustment | - | 4,422 |
| Total other comprehensive income | (1,009) | 3,384 |
| Comprehensive income | 252,303 | 34,317 |
| (Comprehensive income attributable to) | | |
| Comprehensive income attributable to owners of parent | 252,303 | 34,314 |
| Comprehensive income attributable to non-controlling interests | - | 3 |

(3) Notes to Quarterly Consolidated Financial Statements

(Notes on Premise of Going Concern)

No related information.

(Notes on Significant Fluctuation in Amounts of Shareholders' Equity)

No related information.

(Significant Changes to Subsidiaries during the Period)

Effective from the first quarter of the current fiscal year, PT INTERNATIONAL KANSHA KANDOU INDONESIA has been included in the consolidation because of its increased materiality of impact on consolidated financial statements. PT INTERNATIONAL KANSHA KANDOU INDONESIA is considered as a specific subsidiary of the Company.

(Segment Information, etc.)

(Segment Information)

1Q of Previous Consolidated Period (Nov. 1, 2016 - Jan. 31, 2017) and 1Q of Current Consolidated Period (Nov. 1, 2017 - Jan. 31, 2018)

The Group's reporting segments include Wedding, Funeral and Nursing-care Operations. However, Funeral and Nursing-care Operations constitute a very small proportion of total business segments and their importance in terms of disclosure is limited. Accordingly, listing of segment information is omitted.