IKK

Consolidated Financial Results for the Fiscal Year Ended October 31, 2015
(Japanese GAAP)

December 14, 2015
Listed on: First Section of the Tokyo Stock Exchange

Name of Listed Company: IKK Inc.
Securities code: 2198 URL: http://www.ikk-grp.jp/
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Scheduled date of Annual General Meeting of Stockholders: January 28, 2016
Scheduled date of starting dividends distribution: January 29, 2016
Scheduled date of filing securities report: January 28, 2016
Supplementary materials prepared: Yes (available only in Japanese language)
Results information meeting held: Yes (for securities analysts and institutional investors)

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

1. Consolidated financial results for the FY ended October 31, 2015 (Nov. 1, 2014 - Oct. 31, 2015)

(1) Consolidated operating results

(Percentage figures for sales and incomes show changes from the previous year.)

	Net Sales		Operating Income		Ordinary Income		Net Income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
FY ended Oct. 31, 2015	16,978	10.6	2,106	5.2	2,094	5.6	1,147	(3.1)
FY ended Oct. 31, 2014	15,346	5.8	2,003	2.8	1,983	3.5	1,184	(14.7)

Note: Comprehensive income: FY ended Oct. 31, 2015: 1,208 million yen (up 2.1%); FY ended Oct. 31, 2014: 1,184 million yen (down 14.7%)

	Net Income per Share	Diluted Net Income per Share	ROE	Ordinary Income to Total Assets	Operating Income to Net Sales
	Yen	Yen	%	%	%
FY ended Oct. 31, 2015	39.33	39.30	13.4	12.3	12.4
FY ended Oct. 31, 2014	41.00	40.93	15.5	13.1	13.1

Reference: Equity in earnings of affiliated companies: FY ended Oct. 31, 2015: - million yen; FY ended Oct. 31, 2014: - million yen

Note: The Company conducted a common stock split according to a ratio of 1:2 effective on May 1, 2015. Net income per share and diluted net income per share are calculated as if this stock split had taken place at the beginning of the previous fiscal year.

(2) Consolidated financial position

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share
	Millions of yen	Millions of yen	%	Yen
FY ended Oct. 31, 2015	18,322	9,009	49.2	307.51
FY ended Oct. 31, 2014	15,862	8,078	50.9	278.16

Reference: Equity capital: FY ended Oct. 31, 2015: 9,009 million yen; FY ended Oct. 31, 2014: 8,078 million yen

Note: The Company conducted a common stock split according to a ratio of 1:2 effective on May 1, 2015. Net assets per share is calculated as if this stock split had taken place at the beginning of the previous fiscal year.

(3) Consolidated cash flows

	Cash Flows from Operating Activities	Cash Flows from Investing Activities	Cash Flows from Financing Activities	Cash and Cash Equivalents at the End of the Year
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
FY ended Oct. 31, 2015	2,523	(1,714)	847	4,444
FY ended Oct. 31, 2014	1,982	(3,089)	868	2,788

2. Dividends

	Yearly Dividends					Total Amount of Cash Dividends	Dividends Payout Ratio (Consolidated)	Dividends on Net Assets (Consolidated)
	1Q End	2Q End	3Q End	FY End	Annual			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
FY ended Oct. 31, 2014	-	0.00	-	20.00	20.00	299	24.4	3.8
FY ended Oct. 31, 2015	-	0.00	-	10.00	10.00	299	25.4	3.4
FY ending Oct. 31, 2016 (forecast)	-	0.00	-	12.00	12.00		27.4	

Notes: 1. Breakdown of the FY ending October 31, 2016 dividend (forecast): Ordinary dividend: 10.00 yen; Commemorative dividend: 2.00 yen

2. The Company conducted a common stock split according to a ratio of 1:2 effective on May 1, 2015. The dividend for FY ended Oct. 31, 2015 is calculated based on the effects of this stock split. Prior to this adjustment, the dividend for FY ended Oct. 31, 2015 was 20.00 yen per share.

3. Consolidated financial forecast for the FY ending October 31, 2016 (Nov. 1, 2015 - Oct. 31, 2016)

(Percentage figures show changes from the previous year.)

	Net Sales		Operating Income		Ordinary Income		Profit Attributable to Owners of Parent		Net Income per Share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
2Q (cumulative)	8,140	11.2	675	66.4	660	63.0	410	189.3	13.97
Full year	17,550	3.4	2,130	1.1	2,105	0.5	1,290	12.4	43.86

*Notes

(1) Significant changes to subsidiaries during the period (transfer of specific subsidiaries accompanying changes in scope of consolidation): No

Newly added: - Company name: - Excluded: - Company name: -

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

1) Changes in accounting policies due to revision of accounting standards, etc.: Yes
2) Changes in accounting polices other than 1): No
3) Changes in accounting estimates: No
4) Restatement: No

Note: For details, please see "4. Consolidated Financial Statements; (5) Notes to Consolidated Financial Statements, "Changes in Accounting Policies" (attachments, page 17).

(3) Number of shares issued (common stock)

1) Number of shares issued at the end of period (including treasury shares)	FY ended Oct. 31, 2015	29,939,200 shares	FY ended Oct. 31, 2014	29,919,200 shares
2) Number of treasury shares at the end of period	FY ended Oct. 31, 2015	639,744 shares	FY ended Oct. 31, 2014	876,744 shares
3) Average number of shares outstanding during the period	FY ended Oct. 31, 2015	29,172,702 shares	FY ended Oct. 31, 2014	28,878,142 shares

Note: The Company conducted a common stock split according to a ratio of 1:2 effective on May 1, 2015. Number of shares issued (common stock) is calculated as if this stock split had taken place at the beginning of the previous fiscal year. Figures for treasury shares include 638,000 shares held in employee stock holdings trust at the end of the current fiscal year.

* Presentation of implementation status for audit procedures

The audit procedure based on the Financial Instruments and Exchange Act does not apply to this report. At the time of disclosure of this report, audit procedures for consolidated financial statements pursuant to the Financial Instruments and Exchange Act have not been completed.

* 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. Analysis of Operating Results and Financial Position, (1) Analysis of Operating Results" (attachments, page 2).

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1. Analysis of Operating Results and Financial Position

(1) Analysis of Operating Results

1) Operating Results for the Fiscal Year Ended October 31, 2015 (FY2015)

In the consolidated fiscal year under review (November 1, 2014 to October 31, 2015), the Japanese economy recovered gradually backed by a series of government economic stimulus measures and monetary easing by the Bank of Japan. The economic recovery improved corporate sentiment, capital investments and employment. However, slowing economic growth in China and accompanying deflationary forces due to falling resource prices and other reasons created uncertainty for the global economy.

In the wedding industry, the number of weddings in 2014 declined 16,000 from the previous year at 643,000 (Ministry of Health, Labor and Welfare, 2014 Annual Estimate of Vital Statistics), but demand for guesthouse-style wedding services was stable. On the other hand, competition within the industry remains fierce because of wedding hall and hotel renovations, more intense price competition, the diversification of customer needs, and other reasons.

To provide memorable weddings in line with the IKK Group's management philosophy "to touch our customers' hearts," the Group is taking a number of actions. These measures include internal and external training programs to upgrade customer services, the analysis of operating data, and various initiatives to increase the number of customers. By taking these actions in order to meet the increasingly diverse needs of customers, the Group is aiming to increase sales and earnings.

As a result, sales increased 10.6% from one year earlier to 16,978 million yen, operating income increased 5.2% to 2,106 million yen, ordinary income increased 5.6% to 2,094 million yen, and net income decreased 3.1% to 1,147 million yen.

Results by business segment are as follows:

a) Wedding Operations

La La Chance Hakata no Mori (the Fukuoka Branch) made its first full-year contribution following the expansion of its floor area in September 2014 and La La Chance Hiroshima Geihinkan (the Hiroshima Branch) opened in March 2015. As a result, sales were 16,300 million yen, up 9.6% from one year earlier and operating income increased 2.8% to 2,145 million yen.

b) Funeral Operations

Sales increased 3.2% from one year earlier to 361 million yen and operating income increased 14.0% to 45 million yen.

c) Nursing-care Operations

The Saga Branch opened in June 2014. Sales increased 151.9% from one year earlier to 321 million yen, but there was an operating loss of 86 million yen compared with a 126 million yen loss one year earlier due to opening expenses for the Karatsu Branch, which opened in March 2015.

2) Forecast for the Fiscal Year Ending October 31, 2016

In the fiscal year ending on October 31, 2016, sales are expected to increase due to the full-year contribution of the Hiroshima Branch, which opened in March 2015. Expenses are planned for studies for the possible start of overseas operations, renovating existing locations and for other activities. As a result, we forecast sales of 17,550 million yen (an increase of 3.4% year on year), operating income of 2,130 million yen (an increase of 1.1%), ordinary income of 2,105 million yen (an increase of 0.5%) and profit attributable to owners of parent of 1,290 million yen (an increase of 12.4%).

Note that these forecasts are based on currently available information and actual results may differ substantially due to various factors.

(2) Analysis of Financial Position

1) Assets, Liabilities and Net Assets

a) Assets

Current assets were 5,292 million yen at the end of the current fiscal year, 1,803 million yen more than at the end of the previous fiscal year. This was mainly attributable to a 1,656 million yen increase in cash and deposits.

Non-current assets increased 655 million yen to 13,030 million yen. The main causes were a 676 million yen increase in property, plant and equipment due to the opening of La Chance Hiroshima Geihinkan (the Hiroshima Branch) in March 2015.

b) Liabilities

Current liabilities increased 471 million yen to 4,164 million yen. This was mainly attributable to increases of 249 million yen in current portion of long-term loans payable and 82 million yen in income taxes payable.

Non-current liabilities increased 1,057 million yen to 5,148 million yen. This was mainly attributable to a 762 million yen increase in long-term loans payable.

c) Net assets

Net assets increased 931 million yen to 9,009 million yen. The main causes were an increase due to net income of 1,147 million yen and a decrease due to dividends of surplus of 299 million yen. As a result, compared with the end of the previous fiscal year, the equity ratio fell by 1.7 points to 49.2%.

2) Cash Flows

Cash and cash equivalents (hereinafter, “cash”) at the end of the current fiscal year were 4,444 million yen, an increase of 1,656 million yen (59.4%) from the end of the previous fiscal year.

The following are cash flow conditions and factors for the fiscal year under review.

a) Cash flows from operating activities

Cash generated from operating activities was 2,523 million yen (an increase of 27.3% year on year). Main cash inflows include income before income taxes and minority interests of 2,066 million yen and depreciation of 1,179 million yen, and outflows include income taxes paid of 828 million yen.

b) Cash flows from investing activities

Cash used by investing activities was 1,714 million yen (a decrease of 44.5% year on year), mainly attributable to the outlays of 1,660 million yen for the purchase of property, plant and equipment associated with the opening of the Hiroshima Branch.

c) Cash flows from financing activities

Cash generated from financing activities was 847 million yen (a decrease of 2.5% year on year). Main cash inflows include 2,100 million yen in proceeds from long-term loans payable for the opening of the Hiroshima Branch and other branches, and outlays include 1,087 million yen in repayments of long-term loans payable and 298 million yen in cash dividends paid.

Reference: Cash flow indicator trends

	FY2011	FY2012	FY2013	FY2014	FY2015
Equity ratio (%)	42.3	45.3	50.2	50.9	49.2
Equity ratio at market value (%)	24.1	39.9	77.9	82.2	87.8
Ratio of interest-bearing debt to cash flows (year)	4.9	1.5	1.1	1.9	1.9
Interest coverage ratio (times)	14.7	57.3	81.5	66.9	73.3

Equity ratio: (Net assets – Minority interests) / Total assets
Equity ratio at market value: Market capitalization / Total assets
Ratio of interest-bearing debt to cash flows: Interest-bearing debt / Cash flows
Interest coverage ratio: Cash flows / Interest expense

Notes:
1. The consolidated financial figures constitute the basis for calculating these indicators.
2. Market capitalization is calculated based on the number of shares outstanding after the deduction of treasury shares.
3. Cash flows are based on cash flows from operating activities in the consolidated statement of cash flows.
4. Interest-bearing debt includes all debts recorded on the consolidated balance sheet on which interest is paid.
5. The basis for interest expense is the amount of interest paid recorded in the consolidated statement of cash flows.

(3) Basic Policy Regarding Distributions of Surplus and Dividends for the Current and Next Fiscal Periods

Distributing earnings to shareholders is one of our highest priorities. Consequently, our policy is to pay dividends that reflect operating results while retaining earnings needed for expanding and strengthening our operations.

We plan to pay a dividend of 10 yen per share (ordinary dividend of 10 yen) for the current fiscal year ended on October 31, 2015 and 12 yen per share (ordinary dividend of 10 yen and commemorative dividend of 2 yen) for the next fiscal year ending on October 31, 2016.

(4) Risks Associated with Business, etc.

This section presents risk factors and other potential sources of changes that may affect results of operations, the financial condition and other items concerning the IKK Group. We are aware of these risks and will continue to do everything possible to minimize the effects if any of these events occur.

1) The Business of the Company

a) Our market

The market in Japan for wedding ceremonies and receptions may become smaller. One reason is that Japan’s population in the prime marriage age segment will continue to decline, according to statistics published by the National Institute of Population and Social Security Research. Furthermore, there are changes in customer preferences, such as couples choosing not to hold a ceremony or reception, and an increasing tendency to marry later in life. We are striving to further enhance our ability to serve customers and propose plans as well as provide memorable ceremonies and receptions. However, if the market contracts faster than estimated and the number of orders do not reach our targets, our results of operations may be negatively affected.

b) Our competition

In the wedding industry, which is the core business of the IKK Group, growth in demand for guesthouse-style weddings is leading the transformation of ceremonial halls into guesthouse formats. In addition, there are hotel refurbishments and intensifying price competition, among other events that are making the operating environment more challenging every year. This trend will likely continue and, if major competitors open multiple locations in areas where we have a presence, competition will further intensify and negatively affect orders, possibility having a detrimental effect on results of operations.

c) Wedding styles

In response to the changing preferences in Japan's wedding market, we started the guesthouse-style wedding business in Tosu City, Saga Prefecture in September 2000. Since then, we have steadily increased the number of locations. We will continue to monitor social trends and shifts in the needs of people holding weddings. We expect changes in preferences and tastes with regard to wedding styles in age groups centered on people in their 20s and 30s that will result in a new wedding style replacing guesthouse-style weddings as the mainstream format. Any delay in our response to such changes in wedding styles may negatively affect results of operations.

d) Recruiting and training human resources

We are aware that recruiting and training talented human resources is an important factor to differentiate ourselves from other companies. We therefore have extensive training programs as well as new graduate and mid-career hiring activities. We are placing particular emphasis on upgrading employee development by giving employees systematic training based on our management philosophy. Our goal is to use these activities to hire talented human resources and strengthen programs to develop their skills. If our recruiting and training activities do not progress as planned, we may become less competitive and our ability to grow may be restricted, which may have a negative effect on our business and results of operations.

e) New branch openings

We open new locations only after performing a comprehensive study of the characteristics of candidate locations and the markets they serve, competitors, regional characteristics, profitability, capital investments, and other factors. However, if we fail to find properties that are suitable for new wedding facilities, we may be unable to open new facilities as planned, leading to possible negative effects on results of operations. Moreover, up-front expenses are incurred when opening new locations. Consequently, in the event that multiple branches are developed at the same time, there may be a short-term impact on results of operations. Furthermore, if there is a significant decline in profitability at a new location and impairment losses are recognized, there may be a negative effect on the financial position, results of operations and other aspects of operations.

f) Nursing-care business

We began the nursing-care business with the establishment of a subsidiary as part of our growth strategy. However, this sector is subject to the Act on Social Welfare for the Elderly, the Long-Term Care Insurance Act and other regulations. Any revisions in these laws and regulations may result in changes in systems or basic nursing-care compensation rates. Depending on the nature of these revisions in a system or fee structure, there may be a negative effect on results of operations. Moreover, because the nursing-care business targets the elderly, any deterioration in brand image resulting from accidents, a contagious disease or other problem at our facilities that lead to a decrease in users may negatively affect results of operations.

2) Legal Restrictions

a) Hygiene management

Our operations are subject to restrictions in the Food Sanitation Act because we serve food and beverages at wedding ceremonies and receptions. We have a systematic hygiene management program that covers all our operations. Activities include monitoring the health of employees, managing food preparation processes, conducting periodic intestinal bacteria and norovirus inspections for all employees, including temporary employees, and using external companies to perform periodic disinfections and inspections. Our Fukuoka Branch acquired the international food safety management system standard ISO22000 accreditation in August 2009 and we have implemented the company-wide, cross-sectional establishment of this hygiene management system. Meals are also served in the nursing-care business, so the same hygiene management system is in place to prevent food accidents.

We regard safe and secure food preparation as one of our highest priorities and have many measures aimed at preventing food problems. However, if food poisoning or any other food-related problem occurs, we may lose our business license or be ordered to suspend operations, suffer a deterioration in our credibility or be subject to claims for the payment of damages. Any of these events may negatively impact results of operations.

b) Personal information management

We handle the personal information of grooms, brides, their family members and guests, mourners at funerals and their family members as well as residents of nursing-care facilities and their family members. With the aim of protecting this confidential information, we established our Personal Information Management Rules to ensure that all precautions are made when storing and handling personal information. If there is a leak of personal information, not only will our reputation suffer but, depending on the nature of the leak, we may be subject to a citation, order or penalty from the authorities. If this happens, there may be a negative effect on results of operations due to a deterioration in our credibility, claims for the payment of damages, or other outcomes.

3) Others

a) Infectious diseases

In addition to seasonal influenza outbreaks, there is a possibility of an outbreak of new types of influenza viruses and other infectious diseases in Japan. Because a large numbers of people visit our facilities, we urge employees to use mouthwash, wash their hands, receive inoculations and stay home if they are ill. At nursing-care facilities, employees are required to adhere strictly to the work manual because they serve older people. In addition, we urge customers who visit us to exercise care, such as by using the alcohol disinfectant and germicidal dispensers at our facilities. Overall, we have many activities aimed at preventing the spread of infectious diseases. However, our performance may be negatively affected if our operations are suspended due to a major outbreak of a serious infectious disease in Japan or at a nursing-care facility.

b) Natural disasters

Our business activities are located in 16 cities and their environs in Japan. A natural disaster such as an earthquake, storm or flood in any area where we operate would not only affect our facilities but also force us to suspend operations. This may have a negative effect on our financial position and results of operations. Moreover, although we are insured against damages from natural disasters, if the amount of damages exceeds the insurance benefits, our financial position and results of operations may be negatively affected.

2. Management Policy

(1) Basic Management Policy

Based on our mission statement of "Contributing to Society by Touching Our Customers' Hearts," we are guided by the following management philosophy including the credo and four points.

Credo: To touch our customers' hearts
- Sincerity, Trust, Reliance
- To touch our customers' hearts, we will create personalized weddings that warm people's hearts
- To touch our customers' hearts, we will do our best immediately in a sincere spirit of collaboration
- We will be the talented personnel regardless of its nationality, religion, gender, age or experience and will challenge to create the wonderful future

To touch the hearts of our customers, we place sincerity, trust and reliance at the core of our corporate philosophy. We are dedicated to managing operations with the aims of creating cherished memories for customers and developing the skills of our employees. To become "a company that creates emotion," we are guided by the basic policy of contributing to society by touching our customers' hearts as we manage operations in accordance with our corporate philosophy.

By adhering to this basic policy, we are determined to achieve the continuous development and enhancement of the corporate value of each group company. We aim to further improve employee training programs and meet the diversifying needs of customers to meet the high expectations of our customers, shareholders and all other stakeholders.

(2) Targeted Performance Indicators

Our goal is continuous growth. To achieve this, it is essential to improve profit margins by effectively allocating resources and to build a solid financial foundation. Consequentially, the primary performance indicators are the return on assets, as a measure of profitability and investment efficiency, and the capital adequacy ratio, as a measure of financial balance. We will strive to improve these indicators.

(3) Medium to Long Term Management Strategy

We provide wedding ceremonies and receptions according to the preferences of each customer while responding to changes in the wedding industry and analyzing the diversifying needs of customers. Going forward, we will strive to attract more customers by formulating and executing a strategy based on our corporate philosophy. Over the medium to long term, we plan to move into fields either in Japan or overseas where we can leverage our strengths as a group centered on the wedding business.

Regarding administrative activities, we will further broaden and strengthen the corporate governance framework and internal control system. We want to preserve our reputation in financial markets as a sound company with a high level of transparency.

(4) Important Issues

1) Current Market Conditions

In the Japanese wedding industry, the number of ceremonies and receptions is expected to continue to decline slowly mainly because the population of the prime marriage age segment is decreasing and people are marrying later in life. However, thanks to growing interest in original ceremonies and receptions that move away from tradition and formalities, the guesthouse-style wedding market has steadily expanded. Many wedding ceremony halls are switching to the guesthouse-style wedding format and hotels are remodeling wedding facilities and are offering very competitive prices. Competition has become intense as a result. In the nursing-care industry, there is demand for services that meet the lifestyles and needs of the aged and many new players are entering the market from various sectors.

Our objective is to contribute to society by touching our customers' hearts. We will accomplish this by being a source of sincere services that create lasting memories. Our operations will fully reflect shifts in customers' preferences as well as changes in our industry and the actions of competitors. As a result, there are seven important issues: a) recruiting and training talented human resources; b) strengthening information collection and analysis capabilities; c) strengthening customer safety measures; d) maintaining and upgrading the quality of existing branches; e) further improving customer service and the ability to offer new ideas; f) prudent network expansion; and g) strengthening corporate governance.

2) Initiatives

a) Recruiting and training talented human resources

The entire Group, based on the concept that people are valuable assets, employs the term “human resources” rather than the common term “personnel.”

Aware that recruiting and training talented human resources is an important factor to differentiate ourselves from other companies, we have been diligently focused on these activities. For recruiting, we have been conducting new graduate hiring activities throughout Japan as well as mid-career hiring activities where our branches are located. We utilize human resources with the potential and aptitudes that we require. Our training activities are based on a composite program consisting of lessons to instill our corporate philosophy, task-specific practical training aimed at increasing customer satisfaction, stratified training to enhance task knowledge and management skills, and other forms of training for achieving growth. We will continue to concentrate on recruiting and training talented human resources by expanding and fortifying our hiring activities and performing training activities internally and externally based on our corporate philosophy.

b) Strengthening information collection and analysis capabilities

Strengthening information collection and analysis capabilities is an important issue because responding to changes in our operating environment is vital to our survival. This is why we emphasize the sharing of information within the parent organization as well as among group companies in parallel with efforts to expand information collection channels.

We are determined to increase our corporate value by fortifying information collection and analysis capabilities and making swift business decisions in order to ensure that we properly respond to the changing needs of our customers.

c) Strengthening customer safety measures

To strengthen safety measures for customers in our wedding ceremony business, our Fukuoka Branch received ISO22000 accreditation in August 2009, which is an international food safety management system standard. We use this same hygiene management system throughout our group. Furthermore, we reinforced our hygiene management activities by starting to use hypochlorous acid ultrasonic mist equipment in October 2014 for the purpose of preventing food accidents caused by the norovirus. In the nursing-care business, we strengthened our compliance program because this business serves older people. Employees receive extensive training based on job manuals.

We will revise regulations and manuals, strengthen internal control systems and reinforce safety measures through partnerships with external specialists and government regulators in order to meet the expectations of our customers.

d) Maintaining and upgrading the quality of existing branches

Maintaining and upgrading the quality of existing locations is vital to achieving our objective of long-term and stable operations. For this reason, we maintained and upgraded quality both tangibly, with maintenance and renovation efforts, and intangibly, through alliances with famous chefs and pastry chefs as well as internal and external training, among other measures. We will continue to maintain and upgrade the quality of our facilities through constant maintenance and renovations that reflect customer needs.

In addition, we will use customer comments, feedback from our wedding and nursing-care facilities, and results of internal and external training to improve the quality of our wedding ceremonies and receptions, nursing-case services, and other activities.

e) Further improving customer service and the ability to offer new ideas

We have a strong commitment to assisting customers to create lasting memories. We have consistently worked on maintaining and improving the overall quality of our operations by using internal and external training based on our management philosophy to make our workforce more powerful, using outstanding front line operations to enhance hospitality, and sharing information.

We will continue to enhance our ability to serve customers and offer new ideas in order to increase customer satisfaction as “a company that creates emotion” and build a leading brand that enjoys the most support from customers in every area where we have a presence.

f) Prudent network expansion

Over the years, we have enlarged our network in a prudent manner by opening branches mainly in regional urban areas based on the recognition of the importance of long-term and stable branch operations with deep roots in each area served. We plan to add more locations, with some possibly in the Tokyo area. Our basic policy is to continue opening branches at the same pace as in prior years while maintaining the proper balance with employee training activities. From a medium to long term perspective, we plan to enter new business fields in Japan and other countries where we can leverage our strengths as an organization centered on the wedding ceremony business.

g) Strengthening corporate governance

We have earned the trust of stakeholders by establishing as our basic governance policy the enhancement of our corporate value through the strengthening of management oversight and internal control functions and the implementation of rigorous compliance programs. Based on this policy, we will focus on heightening the effectiveness and transparency of our management, maximizing our corporate value and achieving consistent growth and development.

3. Basic Approach to the Selection of Accounting Standards

The IKK Group will continue to prepare consolidated financial statements in accordance with generally accepted accounting principles in Japan for the time being to permit comparisons with prior years and with the financial data of other companies.

We will take suitable actions with regard to the application of International Financial Reporting Standards (IFRS) by taking into account associated factors in Japan and other countries.

4. Consolidated Financial Statements

(1) Consolidated Balance Sheet

(Thousands of yen)

	Previous Consolidated FY (Oct. 31, 2014)	Current Consolidated FY (Oct. 31, 2015)
Assets		
Current assets		
Cash and deposits	2,788,419	4,444,489
Accounts receivable-trade	220,639	368,855
Merchandise	132,191	124,292
Raw materials and supplies	110,635	87,511
Deferred tax assets	107,672	112,907
Other	134,025	164,141
Allowance for doubtful accounts	(5,263)	(10,088)
Total current assets	3,488,319	5,292,109
Non-current assets		
Property, plant and equipment		
Buildings and structures	13,325,801	15,719,766
Accumulated depreciation and impairment loss	(5,583,101)	(6,355,857)
Buildings and structures, net	7,742,699	9,363,908
Machinery, equipment and vehicles	453,024	553,458
Accumulated depreciation	(258,883)	(342,708)
Machinery, equipment and vehicles, net	194,140	210,749
Land	1,864,602	1,864,602
Construction in progress	959,665	1,342
Other	1,787,528	1,928,332
Accumulated depreciation	(1,474,803)	(1,618,166)
Other, net	312,724	310,165
Total property, plant and equipment	11,073,833	11,750,769
Intangible assets	114,570	102,161
Investments and other assets		
Deferred tax assets	633,892	600,112
Other	563,315	586,456
Allowance for doubtful accounts	(11,316)	(9,218)
Total investments and other assets	1,185,891	1,177,350
Total non-current assets	12,374,294	13,030,281
Total assets	15,862,613	18,322,391

(Thousands of yen)

	Previous Consolidated FY (Oct. 31, 2014)	Current Consolidated FY (Oct. 31, 2015)
Liabilities		
Current liabilities		
Accounts payable-trade	826,610	860,475
Current portion of long-term loans payable	937,683	1,187,211
Income taxes payable	428,568	511,552
Provision for bonuses	214,483	226,314
Other	1,285,980	1,378,921
Total current liabilities	3,693,326	4,164,475
Non-current liabilities		
Long-term loans payable	2,908,763	3,671,760
Deferred tax liabilities	4,120	7,022
Net defined benefit liability	120,464	44,207
Provision for directors' retirement benefits	267,393	283,042
Provision for point card certificates	65,227	74,005
Asset retirement obligations	362,521	590,596
Other	362,376	477,510
Total non-current liabilities	4,090,865	5,148,144
Total liabilities	7,784,191	9,312,619
Net assets		
Shareholders' equity		
Capital stock	349,748	350,643
Capital surplus	353,404	354,299
Retained earnings	7,494,820	8,334,694
Treasury shares	(104,428)	(76,199)
Total shareholders' equity	8,093,544	8,963,439
Accumulated other comprehensive income		
Remeasurements of defined benefit plans	(15,122)	46,333
Total accumulated other comprehensive income	(15,122)	46,333
Total net assets	8,078,422	9,009,772
Total liabilities and net assets	15,862,613	18,322,391

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statement of Income

(Thousands of yen)

	Previous Consolidated FY (Nov. 1, 2013 - Oct. 31, 2014)	Current Consolidated FY (Nov. 1, 2014 - Oct. 31, 2015)
Net sales	15,346,410	16,978,658
Cost of sales	6,876,175	7,678,119
Gross profit	8,470,234	9,300,539
Selling, general and administrative expenses	6,467,142	7,193,824
Operating income	2,003,092	2,106,715
Non-operating income		
Interest income	2,727	2,659
Commission fee	5,958	5,790
Insurance income	2,941	12,507
Other	3,909	2,572
Total non-operating income	15,536	23,530
Non-operating expenses		
Interest expenses	27,846	33,768
Other	7,467	2,153
Total non-operating expenses	35,313	35,922
Ordinary income	1,983,315	2,094,323
Extraordinary income		
Compensation income	134,729	-
Total extraordinary income	134,729	-
Extraordinary losses		
Loss on retirement of non-current assets	10,235	27,778
Total extraordinary losses	10,235	27,778
Income before income taxes and minority interests	2,107,809	2,066,544
Income taxes-current	925,932	913,274
Income taxes-deferred	(2,156)	5,873
Total income taxes	923,775	919,148
Income before minority interests	1,184,033	1,147,396
Net income	1,184,033	1,147,396

Consolidated Statement of Comprehensive Income

(Thousands of yen)

	Previous Consolidated FY (Nov. 1, 2013 - Oct. 31, 2014)	Current Consolidated FY (Nov. 1, 2014 - Oct. 31, 2015)
Income before minority interests	1,184,033	1,147,396
Other comprehensive income		
Remeasurements of defined benefit plans, net of tax	-	61,455
Total other comprehensive income	-	61,455
Comprehensive income	1,184,033	1,208,851
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	1,184,033	1,208,851
Comprehensive income attributable to minority interests	-	-

(3) Consolidated Statement of Changes in Equity
Previous Consolidated FY (Nov. 1, 2013 - Oct. 31, 2014)

(Thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	347,635	412,786	6,591,644	(138,112)	7,213,953
Cumulative effects of changes in accounting policies		(61,494)	6,330		(55,164)
Restated balance	347,635	351,291	6,597,974	(138,112)	7,158,789
Changes of items during period					
Issuance of new shares	2,112	2,112			4,225
Dividends of surplus			(287,188)		(287,188)
Net income			1,184,033		1,184,033
Disposal of treasury shares				33,684	33,684
Net changes of items other than shareholders' equity					
Total changes of items during period	2,112	2,112	896,845	33,684	934,755
Balance at end of current period	349,748	353,404	7,494,820	(104,428)	8,093,544

	Accumulated other comprehensive income		Total net assets
	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	
Balance at beginning of current period	-	-	7,213,953
Cumulative effects of changes in accounting policies			(55,164)
Restated balance	-	-	7,158,789
Changes of items during period			
Issuance of new shares			4,225
Dividends of surplus			(287,188)
Net income			1,184,033
Disposal of treasury shares			33,684
Net changes of items other than shareholders' equity	(15,122)	(15,122)	(15,122)
Total changes of items during period	(15,122)	(15,122)	919,632
Balance at end of current period	(15,122)	(15,122)	8,078,422

Current Consolidated FY (Nov. 1, 2014 - Oct. 31, 2015)

(Thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	349,748	353,404	7,494,820	(104,428)	8,093,544
Cumulative effects of changes in accounting policies			(8,347)		(8,347)
Restated balance	349,748	353,404	7,486,472	(104,428)	8,085,196
Changes of items during period					
Issuance of new shares	895	895			1,791
Dividends of surplus			(299,174)		(299,174)
Net income			1,147,396		1,147,396
Disposal of treasury shares				28,229	28,229
Net changes of items other than shareholders' equity					
Total changes of items during period	895	895	848,221	28,229	878,242
Balance at end of current period	350,643	354,299	8,334,694	(76,199)	8,963,439

	Accumulated other comprehensive income		Total net assets
	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	
Balance at beginning of current period	(15,122)	(15,122)	8,078,422
Cumulative effects of changes in accounting policies			(8,347)
Restated balance	(15,122)	(15,122)	8,070,074
Changes of items during period			
Issuance of new shares			1,791
Dividends of surplus			(299,174)
Net income			1,147,396
Disposal of treasury shares			28,229
Net changes of items other than shareholders' equity	61,455	61,455	61,455
Total changes of items during period	61,455	61,455	939,697
Balance at end of current period	46,333	46,333	9,009,772

(4) Consolidated Statement of Cash Flows

(Thousands of yen)

	Previous Consolidated FY (Nov. 1, 2013 - Oct. 31, 2014)	Current Consolidated FY (Nov. 1, 2014 - Oct. 31, 2015)
Cash flows from operating activities		
Income before income taxes and minority interests	2,107,809	2,066,544
Depreciation	939,535	1,179,541
Increase (decrease) in allowance for doubtful accounts	6,913	3,020
Increase (decrease) in provision for bonuses	7,378	11,831
Increase (decrease) in provision for retirement benefits	(85,989)	-
Increase (decrease) in net defined benefit liability	97,062	2,423
Increase (decrease) in provision for directors' retirement benefits	2,903	15,649
Increase (decrease) in provision for point card certificates	7,967	8,778
Compensation income	(134,729)	-
Loss on retirement of non-current assets	10,235	27,778
Interest and dividend income	(2,732)	(2,663)
Interest expenses	27,846	33,768
Commission for syndicate loan	1,000	1,000
Decrease (increase) in notes and accounts receivable-trade	9,855	(145,884)
Decrease (increase) in inventories	(27,449)	31,022
Increase (decrease) in notes and accounts payable-trade	105,508	33,864
Increase (decrease) in accounts payable-other	(177,261)	8,866
Other, net	128,968	111,654
Subtotal	3,024,821	3,387,195
Interest and dividend income received	572	602
Interest expenses paid	(29,629)	(34,430)
Commission for syndicate loan paid	(1,080)	(1,000)
Proceeds from compensation	134,729	-
Income taxes refund	46	2
Income taxes paid	(1,147,371)	(828,751)
Net cash provided by (used in) operating activities	1,982,090	2,523,617
Cash flows from investing activities		
Purchase of property, plant and equipment	(2,893,702)	(1,660,646)
Purchase of intangible assets	(47,553)	(12,747)
Other, net	(147,897)	(41,292)
Net cash provided by (used in) investing activities	(3,089,153)	(1,714,686)
Cash flows from financing activities		
Proceeds from long-term loans payable	1,950,000	2,100,000
Repayments of long-term loans payable	(914,892)	(1,087,475)
Proceeds from issuance of common shares	4,225	1,791
Proceeds from sales of treasury shares	116,676	132,457
Cash dividends paid	(286,749)	(298,840)
Other, net	(322)	(793)
Net cash provided by (used in) financing activities	868,938	847,138
Net increase (decrease) in cash and cash equivalents	(238,124)	1,656,069
Cash and cash equivalents at beginning of period	3,026,544	2,788,419
Cash and cash equivalents at end of period	2,788,419	4,444,489

(5) Notes to Consolidated Financial Statements

Notes on Premise of Going Concern

No related information.

Changes in Accounting Policies

Application of the Accounting Standard for Retirement Benefits

The Company has applied the “Accounting Standard for Retirement Benefits (Accounting Standards Board of Japan (ASBJ) Statement No. 26, May 17, 2012)” and the “Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, March 26, 2015)” from the current fiscal year, for provisions set forth in the main clauses of Paragraph 35 of the Accounting Standard for Retirement Benefits and Paragraph 67 of the Guidance on Accounting Standard for Retirement Benefits. Accordingly, the Company reviewed the methods for calculating retirement benefit obligations and service costs, and revised the method of determining the discount rate.

For the application of these accounting standards, etc. in accordance with the transitional accounting treatments set forth in Paragraph 37 of the Accounting Standard for Retirement Benefits, the adjustments associated with the change in calculation methods of retirement benefit obligations and service costs are recorded in retained earnings at the beginning of the current fiscal year.

The result was an increase of 12,917 thousand yen in net defined benefit liability, and a decrease of 8,347 thousand yen in retained earnings at the beginning of the current fiscal year. The effect of this change on operating income, ordinary income and income before income taxes and minority interests in the current fiscal year is insignificant.

Net assets per share for the current fiscal year decreased 0.28 yen. The effect of this change on net income per share is insignificant.

Application of Practical Solution on Transactions of Delivering the Company’s Own Stock to Employees, etc. through Trusts

The Company has applied the “Practical Solution on Transactions of Delivering the Company’s Own Stock to Employees, etc. through Trusts (ASBJ Practical Issue Task Force (PITF) No. 30, March 26, 2015)” from the current fiscal year. Accordingly, the Company records as liabilities the net amount of gain or loss on the sale of stock sold by the trust to the employee stock ownership plan and dividends paid by the Company for stock held by the trust and other expenses involving the trust. The change in this accounting standard has been applied retrospectively and the consolidated financial statements for the previous fiscal year are restated.

The change in this accounting standard caused “other” in non-current liabilities at the end of the previous fiscal year to increase 138,157 thousand yen, the capital surplus to decrease 144,487 thousand yen and retained earnings to increase 6,330 thousand yen.

Due to the inclusion of cumulative effects of the accounting standard change in net assets at the beginning of the previous fiscal year, after retrospective adjustments, the capital surplus decreased 61,494 thousand yen and retained earnings increased 6,330 thousand yen at the beginning of the previous fiscal year in the consolidated statement of changes in equity.

Net assets per share for the current fiscal year decreased 4.71 yen because of this accounting standard change.

Additional Information

Change in the Retirement Benefit Plan

On April 1, 2015 (date of implementation), the Company changed its retirement benefit plan which includes the switch of future obligations on defined benefit pension plan to a defined contribution pension plan, and applied the accounting treatment based on the “Guidance on Accounting Standard for Transfers between Retirement Benefit Plans” (ASBJ Guidance No. 1).

The effect of this change was to decrease net defined benefit liability by 102,312 thousand yen and increase accumulated other comprehensive income by 69,511 thousand yen in the current fiscal year.

Revised Amount of Deferred Tax Assets and Deferred Tax Liabilities Following the Change in the Corporate Tax Rate, etc.

Following the promulgation on March 31, 2015 of the “Act for Partial Revision of the Income Tax Act, etc.” (Act No. 9 of 2015) and “Act for Partial Revision of the Local Tax Act, etc.” (Act No. 2 of 2015), corporate tax rate, etc. have been lowered for the fiscal years beginning on or after April 1, 2015. Consequently, the statutory effective tax rate for the calculation of deferred tax assets and deferred tax liabilities will be lowered from 35.38% to 32.82% for temporary differences expected to be covered for the fiscal year beginning from November 1, 2015 and to 32.06% for temporary differences expected to be covered for the fiscal year beginning from November 1, 2016 and thereafter.

Due to this change, there were a decrease of 72,799 thousand yen in deferred tax assets (after deducting deferred tax liabilities) and an increase of 72,116 thousand yen in income taxes-deferred. The effect on remeasurements of defined benefit plans is insignificant.

Segment Information, etc.

Segment Information

Previous Consolidated FY (Nov. 1, 2013-Oct. 31, 2014) and Current Consolidated FY (Nov. 1, 2014-Oct. 31, 2015)

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.

Per Share Information

Previous Consolidated FY (Nov. 1, 2013 - Oct. 31, 2014)		Current Consolidated FY (Nov. 1, 2014 - Oct. 31, 2015)	
Net assets per share	278.16 yen	Net assets per share	307.51 yen
Net income per share	41.00 yen	Net income per share	39.33 yen
Diluted net income per share	40.93 yen	Diluted net income per share	39.30 yen

Notes

1. The Company conducted a common stock split according to a ratio of 1:2 effective on May 1, 2015. Net assets per share, net income per share and diluted net income per share are calculated as if this stock split had taken place at the beginning of the previous fiscal year.
2. Basis for the calculation of net income per share and diluted net income per share is as follows.

		Previous Consolidated FY (Nov. 1, 2013 - Oct. 31, 2014)	Current Consolidated FY (Nov. 1, 2014 - Oct. 31, 2015)
Net income per share			
Net income	(Thousands of yen)	1,184,033	1,147,396
Net income associated with common shares	(Thousands of yen)	1,184,033	1,147,396
Amount not attributable to common shareholders	(Thousands of yen)	-	-
Average number of common shares outstanding during the period	(Shares)	28,878,142	29,172,702
Diluted net income per share			
Adjustments to net income	(Thousands of yen)	-	-
Number of additional common shares	(Shares)	49,995	25,935
[of which subscription rights to shares]	(Shares)	[49,995]	[25,935]
Summary of latent shares not included in the calculation of the diluted net income per share since there was no dilutive effect		-	-

3. IKK stock held by the IKK Employee Stock Ownership Association Exclusive Trust is included in treasury shares and is thus deducted from the number of shares issued at the end of each fiscal year that was used to calculate net assets per share (deductions of 875,000 shares and 638,000 shares in the fiscal years ended on October 31, 2014 and 2015, respectively).
4. In addition, this trust stock is included in treasury shares that was deducted from the average number of shares outstanding during the period that was used to calculate net income per share and diluted net income per share (deductions of 1,010,475 shares and 750,672 shares in the fiscal years ended on October 31, 2014 and 2015, respectively).

Material Subsequent Events

No related information.

5. Others

Change in Officers

(1) Change in Representatives

None

(2) Change in Other Officers

Candidate for director

Part-time director: Osamu Tanaka

(Note) Mr. Osamu Tanaka is a candidate for an outside director in accordance with Article 2, Item 15 of the Companies Act.

(3) Effective Date

January 28, 2016

(4) Profile of Newly Appointed Director

Name: Osamu Tanaka

Date of birth: September 7, 1952

Brief career history:

June 2004:	Manager of Takeo Branch, THE BANK OF SAGA LTD.
June 2006:	Executive Officer, Manager of Takeo Branch
June 2007:	Executive Officer, Area Manager of Tosu, Manager of Tosu Branch and Tosu Kita Branch
June 2009:	Personnel Planning Division, Seconded to Tokiwa Shoji Co.,Ltd.
June 2010:	Transferred to Tokiwa Shoji Co.,Ltd., General Director