



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

August 30, 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: September 13, 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 third quarter of the FY ending October 31, 2018 (Nov. 1, 2017 - Jul. 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	%
3Q of FY ending Oct. 31, 2018	14,183	8.6	1,024	(11.8)	1,042	(10.4)	694	(22.8)
3Q of FY ended Oct. 31, 2017	13,062	1.8	1,162	(23.3)	1,163	(22.7)	899	5.2

Note: Comprehensive income: 3Q of FY ending Oct. 31, 2018: 672 million yen (down 25.0%); 3Q of FY ended Oct. 31, 2017: 896 million yen (up 5.1%)

	Net Income per Share		Diluted Net Income per Share	
	Yen		Yen	
3Q of FY ending Oct. 31, 2018	23.56		-	
3Q of FY ended Oct. 31, 2017	30.62		30.61	

Note: Diluted net income per share for the 3Q 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		%	
3Q of FY ending Oct. 31, 2018	19,207		11,105		57.6	
FY ended Oct. 31, 2017	19,808		10,708		54.1	

Reference: Equity capital: 3Q of FY ending Oct. 31, 2018: 11,072 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	Yen	Yen	Yen	Yen
FY ended Oct. 31, 2017	-	0.00	-	12.00	12.00
FY ending Oct. 31, 2018	-	0.00	-		
FY ending Oct. 31, 2018 (forecast)				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
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

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|--|----|
| 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)
- 2) Number of treasury shares at the end of period
- 3) Average number of shares outstanding during the period (quarterly cumulative)

3Q of FY ending Oct. 31, 2018	29,956,800 shares	FY ended Oct. 31, 2017	29,956,800 shares
3Q of FY ending Oct. 31, 2018	398,244 shares	FY ended Oct. 31, 2017	542,444 shares
3Q of FY ending Oct. 31, 2018	29,483,009 shares	3Q of FY ended Oct. 31, 2017	29,371,607 shares

Note: Figures for treasury shares include 396,500 shares of the IKK stock held by the IKK Employee Stock Ownership Association Exclusive Trust at the end of the third quarter of the current fiscal year.

* Quarterly review by certified public accountants or auditing firms 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 nine months of the current consolidated fiscal year (November 1, 2017 to July 31, 2018), business sentiment in Japan improved as earnings increased with the support of solid internal demand and healthy overseas economies. Capital expenditures are continuing to increase, primarily for projects to streamline operations and use less labor because of Japan's labor shortage. However, the outlook remains unclear. In particular, an increase in the effects of the US-China trade friction may have an impact on the upcoming environment for internal demand.

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 nine months 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.

Net sales in the nine months of the current fiscal year increased 8.6% from one year earlier to 14,183 million yen, operating profit decreased 11.8% to 1,024 million yen, ordinary profit decreased 10.4% to 1,042 million yen, and profit attributable to owners of parent decreased 22.8% to 694 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 13,602 million yen, up 9.0% from one year earlier and operating profit decreased 10.7% to 999 million yen due to expenses for opening Castle Garden OSAKA (Osaka Branch) and higher personnel expenses.

b) Funeral Operations

Sales decreased 8.6% from one year earlier to 214 million yen and there was an operating loss of 3 million yen compared with a 10 million yen profit one year earlier.

c) Nursing-care Operations

Sales increased 6.7% from one year earlier to 371 million yen and operating profit decreased 12.1% to 27 million yen.

(2) Explanation of Financial Position

Total assets were 19,207 million yen at the end of the third quarter of the current fiscal year, 601 million yen less than at the end of the previous fiscal year. The main causes were a 199 million yen decrease in accounts receivable-trade and a 422 million yen decrease in property, plant and equipment.

Liabilities decreased 998 million yen to 8,101 million yen. The main causes were a 211 million yen decrease in accounts payable-trade and a 771 million yen decrease in long-term loans payable.

Net assets increased 397 million yen to 11,105 million yen. The main causes were an increase due to profit attributable to owners of parent of 694 million yen, a 33 million yen increase in non-controlling interests resulting from inclusion of PT INTERNATIONAL KANSHA KANDOU INDONESIA in the scope of consolidation, 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 3.5 percentage points to 57.6%.

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

The 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, 3Q (Jul. 31, 2018)
(Thousands of yen)		
Assets		
Current assets		
Cash and deposits	3,731,207	3,907,930
Accounts receivable-trade	457,965	258,090
Merchandise	140,698	174,027
Raw materials and supplies	66,410	66,018
Other	371,331	353,345
Allowance for doubtful accounts	(4,652)	(5,613)
Total current assets	4,762,961	4,753,798
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	9,964,374	9,542,840
Land	1,973,734	1,973,734
Other, net	528,436	527,692
Total property, plant and equipment	12,466,544	12,044,267
Intangible assets	81,638	75,475
Investments and other assets	2,497,413	2,333,578
Total non-current assets	15,045,596	14,453,320
Total assets	19,808,558	19,207,119
Liabilities		
Current liabilities		
Accounts payable-trade	879,045	667,477
Current portion of long-term loans payable	1,033,656	1,006,656
Income taxes payable	154,876	130,104
Provision for bonuses	246,344	138,325
Other	1,671,599	1,614,218
Total current liabilities	3,985,521	3,556,782
Non-current liabilities		
Long-term loans payable	3,771,008	3,026,876
Net defined benefit liability	47,656	46,085
Provision for directors' retirement benefits	307,555	324,244
Provision for point card certificates	85,553	90,105
Asset retirement obligations	635,325	797,241
Other	267,899	260,198
Total non-current liabilities	5,114,996	4,544,750
Total liabilities	9,100,518	8,101,533

(Thousands of yen)

	Previous Consolidated FY (Oct. 31, 2017)	Current Consolidated FY, 3Q (Jul. 31, 2018)
Net assets		
Shareholders' equity		
Capital stock	351,655	351,655
Capital surplus	355,311	355,311
Retained earnings	10,336,473	10,628,405
Treasury shares	(368,963)	(270,618)
Total shareholders' equity	10,674,477	11,064,754
Accumulated other comprehensive income		
Remeasurements of defined benefit plans	33,562	30,550
Foreign currency translation adjustment	-	(23,120)
Total accumulated other comprehensive income	33,562	7,430
Non-controlling interests	-	33,401
Total net assets	10,708,039	11,105,586
Total liabilities and net assets	19,808,558	19,207,119

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

(Thousands of yen)

	3Q of Previous Consolidated Period (Nov. 1, 2016 - Jul. 31, 2017)	3Q of Current Consolidated Period (Nov. 1, 2017 - Jul. 31, 2018)
Net sales	13,062,267	14,183,623
Cost of sales	6,038,599	6,463,410
Gross profit	7,023,668	7,720,212
Selling, general and administrative expenses	5,861,509	6,695,559
Operating profit	1,162,158	1,024,653
Non-operating income		
Interest income	1,431	11,302
Guarantee commission received	8,647	10,634
Other	12,879	14,819
Total non-operating income	22,958	36,756
Non-operating expenses		
Interest expenses	15,863	16,768
Other	6,159	2,530
Total non-operating expenses	22,022	19,299
Ordinary profit	1,163,094	1,042,110
Extraordinary income		
Subsidy income	-	135,500
Reversal of asset retirement obligations	13,320	-
Total extraordinary income	13,320	135,500
Extraordinary losses		
Loss on retirement of non-current assets	20,711	13,135
Impairment loss	-	127,342
Total extraordinary losses	20,711	140,478
Profit before income taxes	1,155,702	1,037,131
Income taxes-current	206,891	361,400
Income taxes-deferred	49,520	(17,285)
Total income taxes	256,411	344,114
Profit	899,291	693,017
Loss attributable to non-controlling interests	-	(1,531)
Profit attributable to owners of parent	899,291	694,548

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

(Thousands of yen)

	3Q of Previous Consolidated Period (Nov. 1, 2016 - Jul. 31, 2017)	3Q of Current Consolidated Period (Nov. 1, 2017 - Jul. 31, 2018)
Profit	899,291	693,017
Other comprehensive income		
Remeasurements of defined benefit plans, net of tax	(3,027)	(3,015)
Foreign currency translation adjustment	-	(17,689)
Total other comprehensive income	(3,027)	(20,704)
Comprehensive income	896,263	672,312
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	896,263	675,616
Comprehensive income attributable to non-controlling interests	-	(3,303)

(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)

3Q of Previous Consolidated Period (Nov. 1, 2016 - Jul. 31, 2017) and 3Q of Current Consolidated Period (Nov. 1, 2017 - Jul. 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.