



## Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending October 31, 2019 (Japanese GAAP)

May 30, 2019

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: June 13, 2019

Scheduled date of start dividends distribution: -

Supplementary quarterly materials prepared: Yes

Quarterly 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 second quarter of the FY ending October 31, 2019 (Nov. 1, 2018 - Apr. 30, 2019)

#### (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	%
2Q of FY ending Oct. 31, 2019	9,031	(1.4)	418	(18.4)	429	(18.4)	281	(18.7)
2Q of FY ended Oct. 31, 2018	9,160	7.3	512	(27.2)	526	(25.1)	345	(42.9)

Note: Comprehensive income: 2Q of FY ending Oct. 31, 2019: 283 million yen (down 15.4%); 2Q of FY ended Oct. 31, 2018: 334 million yen (down 44.5%)

	Net Income per Share		Diluted Net Income per Share	
	Yen		Yen	
2Q of FY ending Oct. 31, 2019	9.49		-	
2Q of FY ended Oct. 31, 2018	11.74		-	

#### (2) Consolidated financial position

	Total Assets		Net Assets		Equity Ratio	
	Millions of yen		Millions of yen		%	
2Q of FY ending Oct. 31, 2019	20,291		11,783		57.9	
FY ended Oct. 31, 2018	20,604		11,790		57.1	

Reference: Equity capital: 2Q of FY ending Oct. 31, 2019: 11,747 million yen; FY ended Oct. 31, 2018: 11,757 million yen

### 2. Dividends

	Dividends per share				
	1Q End	2Q End	3Q End	FY End	Annual
	Yen				
FY ended Oct. 31, 2018	-	0.00	-	12.00	12.00
FY ending Oct. 31, 2019	-	0.00	-	-	-
FY ending Oct. 31, 2019 (forecast)	-	-	-	12.00	12.00

Note: Revisions to the latest projected dividends: No

### 3. Consolidated financial forecast for the FY ending October 31, 2019 (Nov. 1, 2018 - Oct. 31, 2019)

(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	20,010	0.0	1,910	(7.6)	1,920	(8.4)	1,250	(8.5)	42.11

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): No

Newly added: - Company name: -

Excluded: - Company name: -

(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 policies 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)

2Q of FY ending Oct. 31, 2019	29,956,800 shares	FY ended Oct. 31, 2018	29,956,800 shares
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2) Number of treasury shares at the end of period

2Q of FY ending Oct. 31, 2019	261,744 shares	FY ended Oct. 31, 2018	363,444 shares
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3) Average number of shares outstanding during the period (quarterly cumulative)

2Q of FY ending Oct. 31, 2019	29,645,487 shares	2Q of FY ended Oct. 31, 2018	29,461,004 shares
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Note: Figures for treasury shares include 260,000 shares of the IKK stock held by the IKK Employee Stock Ownership Association Exclusive Trust at the end of the second quarter of the current fiscal year.

\* The current quarterly financial report is not subject to audit by certified public accountants or auditing firms.

\* 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 3).

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## 1. Qualitative Information on Quarterly Financial Results

### (1) Explanation of Results of Operations

In the first half of the current consolidated fiscal year (November 1, 2018 to April 30, 2019), there was a decline in corporate sentiment in Japan amid weakening corporate earnings as exports to China and other Asian countries decreased. Regarding external demand, the deepening U.S.-China trade friction and other trade issues are having a big effect on the global economy. As a result, the economic outlook remains unclear.

In the wedding industry, the number of weddings in Japan in 2018 was 590,000 (Ministry of Health, Labour and Welfare, 2018 Annual Estimate of Vital Statistics), down 17,000 from 2017. 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 is becoming increasingly difficult. During the first half 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 half net sales decreased 1.4% from one year earlier to 9,031 million yen, operating profit decreased 18.4% to 418 million yen, ordinary profit decreased 18.4% to 429 million yen, and profit attributable to owners of parent decreased 18.7% to 281 million yen.

Results by business segment are as follows:

#### a) Wedding Operations

The performance of this segment benefited from contributions from Castle Garden OSAKA (Osaka Branch), which opened in December 2017, and the higher number of weddings at PT INTERNATIONAL KANSHA KANDOU INDONESIA, which was included in the scope of consolidation starting in November 2017.

However, the number of weddings at existing locations decreased. As a result, sales decreased 1.5% from one year earlier to 8,640 million yen. Operating profit decreased 18.1% to 399 million yen mainly due to higher personnel expenses and expenses for opening La La Chance KOBE (Kobe Branch).

#### b) Funeral Operations

Sales decreased 1.8% from one year earlier to 140 million yen and there was an operating loss of 2 million yen compared with a 2 million yen profit one year earlier.

#### c) Nursing-care Operations

Sales increased 3.3% from one year earlier to 254 million yen and operating profit decreased 4.8% to 19 million yen.

### (2) Explanation of Financial Position

Total assets were 20,291 million yen at the end of the second quarter of the current fiscal year, 312 million yen less than at the end of the previous fiscal year. The main causes were a 582 million yen decrease in cash and deposits and a 160 million yen increase in accounts receivable-trade.

Liabilities decreased 305 million yen to 8,508 million yen. The main causes were decreases in accounts payable-trade of 120 million yen, income taxes payable of 408 million yen and an increase in other current liabilities of 260 million yen.

Net assets decreased 6 million yen to 11,783 million yen. The main causes were increases due to profit attributable to owners of parent of 281 million yen, proceeds from sales of treasury shares of 69 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 0.8 percentage points to 57.9%.

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

The fiscal year consolidated forecasts announced on December 14, 2018 remain unchanged.

## 2. Quarterly Consolidated Financial Statements and Notes

### (1) Quarterly Consolidated Balance Sheet

(Thousands of yen)

	Previous Consolidated FY (Oct. 31, 2018)	Current Consolidated FY, 2Q (Apr. 30, 2019)
<b>Assets</b>		
Current assets		
Cash and deposits	5,277,196	4,694,647
Accounts receivable-trade	314,374	474,803
Merchandise	145,360	183,872
Raw materials and supplies	72,883	127,226
Other	276,182	323,776
Allowance for doubtful accounts	(2,583)	(4,426)
<b>Total current assets</b>	<b>6,083,413</b>	<b>5,799,902</b>
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	9,363,285	9,033,143
Land	1,973,734	1,973,734
Other, net	682,628	1,009,009
<b>Total property, plant and equipment</b>	<b>12,019,649</b>	<b>12,015,886</b>
Intangible assets	79,723	93,905
Investments and other assets	2,421,345	2,381,756
<b>Total non-current assets</b>	<b>14,520,719</b>	<b>14,491,548</b>
<b>Total assets</b>	<b>20,604,132</b>	<b>20,291,450</b>
<b>Liabilities</b>		
Current liabilities		
Accounts payable-trade	911,098	790,531
Current portion of long-term loans payable	1,025,656	1,101,161
Income taxes payable	570,913	162,449
Provision for bonuses	267,790	261,740
Other	1,803,591	2,063,900
<b>Total current liabilities</b>	<b>4,579,048</b>	<b>4,379,781</b>
Non-current liabilities		
Long-term loans payable	2,718,812	2,635,397
Net defined benefit liability	45,626	43,113
Provision for directors' retirement benefits	329,374	306,505
Provision for point card certificates	89,707	91,999
Asset retirement obligations	799,851	805,153
Other	251,700	246,334
<b>Total non-current liabilities</b>	<b>4,235,072</b>	<b>4,128,502</b>
<b>Total liabilities</b>	<b>8,814,121</b>	<b>8,508,284</b>

(Thousands of yen)

	Previous Consolidated FY (Oct. 31, 2018)	Current Consolidated FY, 2Q (Apr. 30, 2019)
<b>Net assets</b>		
Shareholders' equity		
Capital stock	351,655	351,655
Capital surplus	355,311	355,311
Retained earnings	11,299,303	11,221,126
Treasury shares	(246,885)	(177,525)
Total shareholders' equity	11,759,385	11,750,567
Accumulated other comprehensive income		
Remeasurements of defined benefit plans	29,610	27,578
Foreign currency translation adjustment	(31,080)	(31,080)
Total accumulated other comprehensive income	(1,469)	(3,501)
Non-controlling interests	32,095	36,100
Total net assets	11,790,011	11,783,165
Total liabilities and net assets	20,604,132	20,291,450

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

	(Thousands of yen)	
	2Q of Previous Consolidated Period (Nov. 1, 2017 - Apr. 30, 2018)	2Q of Current Consolidated Period (Nov. 1, 2018 - Apr. 30, 2019)
Net sales	9,160,543	9,031,912
Cost of sales	4,197,705	4,097,261
Gross profit	4,962,838	4,934,650
Selling, general and administrative expenses	4,450,522	4,516,428
Operating profit	512,315	418,221
Non-operating income		
Interest income	7,648	9,720
Guarantee commission received	7,050	7,050
Other	11,790	6,728
Total non-operating income	26,489	23,499
Non-operating expenses		
Interest expenses	11,458	9,388
Other	1,107	2,766
Total non-operating expenses	12,565	12,155
Ordinary profit	526,240	429,564
Extraordinary income		
Subsidy income	135,500	-
Total extraordinary income	135,500	-
Extraordinary losses		
Loss on retirement of non-current assets	10,384	7,016
Impairment loss	127,342	-
Total extraordinary losses	137,726	7,016
Profit before income taxes	524,013	422,548
Income taxes-current	220,460	133,120
Income taxes-deferred	(42,043)	4,142
Total income taxes	178,416	137,263
Profit	345,597	285,284
Profit (loss) attributable to non-controlling interests	(395)	4,001
Profit attributable to owners of parent	345,992	281,283



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

(Thousands of yen)

	2Q of Previous Consolidated Period (Nov. 1, 2017 - Apr. 30, 2018)	2Q of Current Consolidated Period (Nov. 1, 2018 - Apr. 30, 2019)
Profit	345,597	285,284
Other comprehensive income		
Remeasurements of defined benefit plans, net of tax	(2,044)	(2,029)
Foreign currency translation adjustment	(8,844)	-
Total other comprehensive income	(10,889)	(2,029)
Comprehensive income	334,707	283,255
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	335,993	279,250
Comprehensive income attributable to non-controlling interests	(1,285)	4,004

## (3) Quarterly Consolidated Statement of Cash Flows

(Thousands of yen)

	2Q of Previous Consolidated Period (Nov. 1, 2017 - Apr. 30, 2018)	2Q of Current Consolidated Period (Nov. 1, 2018 - Apr. 30, 2019)
<b>Cash flows from operating activities</b>		
Profit before income taxes	524,013	422,548
Depreciation	565,232	519,695
Impairment loss	127,342	-
Increase (decrease) in allowance for doubtful accounts	4,285	5,081
Increase (decrease) in provision for bonuses	5,230	(6,049)
Increase (decrease) in net defined benefit liability	(4,262)	(5,441)
Increase (decrease) in provision for directors' retirement benefits	11,560	(22,869)
Increase (decrease) in provision for point card certificates	3,005	2,292
Subsidy income	(135,500)	-
Loss on retirement of non-current assets	10,384	7,016
Interest income	(7,648)	(9,720)
Interest expenses	11,458	9,388
Decrease (increase) in notes and accounts receivable-trade	(13,771)	(164,424)
Decrease (increase) in inventories	(44,397)	(92,856)
Increase (decrease) in notes and accounts payable-trade	(134,976)	(124,122)
Increase (decrease) in accounts payable-other	41,983	112,379
Other, net	277,471	66,693
<b>Subtotal</b>	<b>1,241,410</b>	<b>719,612</b>
Interest income received	5,031	4,497
Interest expenses paid	(10,595)	(8,768)
Proceeds from subsidy income	135,500	-
Income taxes refund	25,377	48
Income taxes paid	(147,633)	(520,565)
<b>Net cash provided by (used in) operating activities</b>	<b>1,249,090</b>	<b>194,823</b>
<b>Cash flows from investing activities</b>		
Payments into time deposits	(797)	-
Purchase of property, plant and equipment	(535,504)	(505,991)
Purchase of intangible assets	(16,320)	(12,306)
Other, net	(210,606)	33,243
<b>Net cash provided by (used in) investing activities</b>	<b>(763,230)</b>	<b>(485,054)</b>
<b>Cash flows from financing activities</b>		
Proceeds from long-term loans payable	-	500,000
Repayments of long-term loans payable	(520,213)	(507,910)
Proceeds from sales of treasury shares	74,594	74,972
Cash dividends paid	(358,912)	(358,929)
Other, net	(436)	(452)
<b>Net cash provided by (used in) financing activities</b>	<b>(804,968)</b>	<b>(292,318)</b>
Effect of exchange rate change on cash and cash equivalents	(7,997)	-
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(327,106)</b>	<b>(582,549)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>3,731,207</b>	<b>5,200,196</b>
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	331,910	-
<b>Cash and cash equivalents at end of period</b>	<b>3,736,011</b>	<b>4,617,647</b>

(4) 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.

(Additional Information)

(Application of the "Partial Amendments to Accounting Standard for Tax Effect Accounting," etc.)

Effective from the beginning of the first quarter of the current fiscal year, the Company has adopted the "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ) Statement No. 28, February 16, 2018) and other related pronouncements. Accordingly, deferred tax assets and deferred tax liabilities have been presented in the investments and other assets section and the non-current liabilities section of the balance sheet, respectively.