



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

August 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: September 12, 2019

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, 2019 (Nov. 1, 2018 - Jul. 31, 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 | % |
| 3Q of FY ending Oct. 31, 2019 | 14,158 | (0.2) | 912 | (10.9) | 928 | (10.9) | 630 | (9.3) |
| 3Q of FY ended Oct. 31, 2018 | 14,183 | 8.6 | 1,024 | (11.8) | 1,042 | (10.4) | 694 | (22.8) |

Note: Comprehensive income: 3Q of FY ending Oct. 31, 2019: 640 million yen (down 4.7%); 3Q of FY ended Oct. 31, 2018: 672 million yen (down 25.0%)

| | Net Income per Share | | Diluted Net Income per Share | |
|-------------------------------|----------------------|--|------------------------------|--|
| | Yen | | Yen | |
| 3Q of FY ending Oct. 31, 2019 | 21.24 | | - | |
| 3Q of FY ended Oct. 31, 2018 | 23.56 | | - | |

(2) Consolidated financial position

| | Total Assets | | Net Assets | | Equity Ratio | |
|-------------------------------|-----------------|--|-----------------|--|--------------|--|
| | Millions of yen | | Millions of yen | | % | |
| 3Q of FY ending Oct. 31, 2019 | 19,692 | | 12,176 | | 61.6 | |
| FY ended Oct. 31, 2018 | 20,604 | | 11,790 | | 57.1 | |

Reference: Equity capital: 3Q of FY ending Oct. 31, 2019: 12,138 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)

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, 2019 | 29,956,800 shares | FY ended Oct. 31, 2018 | 29,956,800 shares |
| 3Q of FY ending Oct. 31, 2019 | 208,744 shares | FY ended Oct. 31, 2018 | 363,444 shares |
| 3Q of FY ending Oct. 31, 2019 | 29,668,823 shares | 3Q of FY ended Oct. 31, 2018 | 29,483,009 shares |

Note: Figures for treasury shares include 207,000 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.

* 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 nine months of the current consolidated fiscal year (November 1, 2018 to July 31, 2019), although the U.S.-China trade friction has affected the Japanese economy, corporate earnings remained steady at high levels and personal consumption increased gradually backed by improvements in employment and income environment.

Nevertheless, the impact of the trade issues involving various countries, the way BREXIT negotiations play out, geopolitical risks and other factors are causing uncertainties about the global economy. As a result, outlook for the Japanese economy remained 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 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 first nine months of the current fiscal year decreased 0.2% from one year earlier to 14,158 million yen, operating profit decreased 10.9% to 912 million yen, ordinary profit decreased 10.9% to 928 million yen, and profit attributable to owners of parent decreased 9.3% to 630 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 0.1% from one year earlier to 13,587 million yen. Operating profit decreased 9.7% to 902 million yen mainly due to higher personnel expenses and expenses for opening La La Chance KOBE (Kobe Branch).

b) Funeral Operations

Sales decreased 11.3% from one year earlier to 190 million yen and there was an operating loss of 20 million yen compared with a 3 million yen loss one year earlier.

c) Nursing-care Operations

Sales increased 4.0% from one year earlier to 385 million yen and operating profit increased 5.4% to 28 million yen.

(2) Explanation of Financial Position

Total assets were 19,692 million yen at the end of the third quarter of the current fiscal year, 911 million yen less than at the end of the previous fiscal year. The main causes were a 1,640 million yen decrease in cash and deposits and a 717 million yen increase in buildings and structures.

Liabilities decreased 1,298 million yen to 7,515 million yen. The main causes were decreases in accounts payable-trade of 216 million yen, income taxes payable of 570 million yen and long-term loans payable of 263 million yen.

Net assets increased 386 million yen to 12,176 million yen. The main causes were increases due to profit attributable to owners of parent of 630 million yen, proceeds from sales of treasury shares of 105 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 4.5 percentage points to 61.6%.

(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, 3Q (Jul. 31, 2019) |
|--|---|--|
| Assets | | |
| Current assets | | |
| Cash and deposits | 5,277,196 | 3,636,539 |
| Accounts receivable-trade | 314,374 | 274,145 |
| Merchandise | 145,360 | 177,709 |
| Raw materials and supplies | 72,883 | 78,520 |
| Other | 276,182 | 481,345 |
| Allowance for doubtful accounts | (2,583) | (2,130) |
| Total current assets | 6,083,413 | 4,646,129 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures, net | 9,363,285 | 10,080,492 |
| Land | 1,973,734 | 1,973,734 |
| Other, net | 682,628 | 491,869 |
| Total property, plant and equipment | 12,019,649 | 12,546,096 |
| Intangible assets | 79,723 | 160,533 |
| Investments and other assets | 2,421,345 | 2,339,586 |
| Total non-current assets | 14,520,719 | 15,046,216 |
| Total assets | 20,604,132 | 19,692,346 |
| Liabilities | | |
| Current liabilities | | |
| Accounts payable-trade | 911,098 | 694,492 |
| Current portion of long-term loans payable | 1,025,656 | 1,081,614 |
| Income taxes payable | 570,913 | 486 |
| Provision for bonuses | 267,790 | 144,120 |
| Other | 1,803,591 | 1,557,149 |
| Total current liabilities | 4,579,048 | 3,477,862 |
| Non-current liabilities | | |
| Long-term loans payable | 2,718,812 | 2,399,356 |
| Net defined benefit liability | 45,626 | 41,874 |
| Provision for directors' retirement benefits | 329,374 | 312,223 |
| Provision for point card certificates | 89,707 | 93,327 |
| Asset retirement obligations | 799,851 | 945,614 |
| Other | 251,700 | 245,370 |
| Total non-current liabilities | 4,235,072 | 4,037,765 |
| Total liabilities | 8,814,121 | 7,515,627 |

(Thousands of yen)

| | Previous Consolidated FY (Oct. 31, 2018) | Current Consolidated FY, 3Q (Jul. 31, 2019) |
|--|---|--|
| Net assets | | |
| Shareholders' equity | | |
| Capital stock | 351,655 | 351,655 |
| Capital surplus | 355,311 | 355,311 |
| Retained earnings | 11,299,303 | 11,570,017 |
| Treasury shares | (246,885) | (141,379) |
| Total shareholders' equity | 11,759,385 | 12,135,605 |
| Accumulated other comprehensive income | | |
| Remeasurements of defined benefit plans | 29,610 | 26,529 |
| Foreign currency translation adjustment | (31,080) | (23,577) |
| Total accumulated other comprehensive income | (1,469) | 2,951 |
| Non-controlling interests | 32,095 | 38,161 |
| Total net assets | 11,790,011 | 12,176,718 |
| Total liabilities and net assets | 20,604,132 | 19,692,346 |

(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, 2017 - Jul. 31, 2018) | 3Q of Current Consolidated Period (Nov. 1, 2018 - Jul. 31, 2019) |
| Net sales | 14,183,623 | 14,158,829 |
| Cost of sales | 6,463,410 | 6,379,339 |
| Gross profit | 7,720,212 | 7,779,489 |
| Selling, general and administrative expenses | 6,695,559 | 6,866,997 |
| Operating profit | 1,024,653 | 912,492 |
| Non-operating income | | |
| Interest income | 11,302 | 14,736 |
| Guarantee commission received | 10,634 | 10,634 |
| Other | 14,819 | 9,415 |
| Total non-operating income | 36,756 | 34,786 |
| Non-operating expenses | | |
| Interest expenses | 16,768 | 14,052 |
| Other | 2,530 | 4,884 |
| Total non-operating expenses | 19,299 | 18,936 |
| Ordinary profit | 1,042,110 | 928,342 |
| Extraordinary income | | |
| Subsidy income | 135,500 | - |
| Total extraordinary income | 135,500 | - |
| Extraordinary losses | | |
| Loss on retirement of non-current assets | 13,135 | 8,376 |
| Impairment loss | 127,342 | - |
| Total extraordinary losses | 140,478 | 8,376 |
| Profit before income taxes | 1,037,131 | 919,965 |
| Income taxes-current | 361,400 | 250,526 |
| Income taxes-deferred | (17,285) | 34,031 |
| Total income taxes | 344,114 | 284,558 |
| Profit | 693,017 | 635,406 |
| Profit (loss) attributable to non-controlling interests | (1,531) | 5,232 |
| Profit attributable to owners of parent | 694,548 | 630,174 |

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

(Thousands of yen)

| | 3Q of Previous Consolidated Period (Nov. 1, 2017 - Jul. 31, 2018) | 3Q of Current Consolidated Period (Nov. 1, 2018 - Jul. 31, 2019) |
|--|---|--|
| Profit | 693,017 | 635,406 |
| Other comprehensive income | | |
| Remeasurements of defined benefit plans, net of tax | (3,015) | (3,081) |
| Foreign currency translation adjustment | (17,689) | 8,336 |
| Total other comprehensive income | (20,704) | 5,254 |
| Comprehensive income | 672,312 | 640,661 |
| (Comprehensive income attributable to) | | |
| Comprehensive income attributable to owners of parent | 675,616 | 634,595 |
| Comprehensive income attributable to non-controlling interests | (3,303) | 6,065 |

(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.

(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.