



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

March 1, 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: March 14, 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 first quarter of the FY ending October 31, 2019 (Nov. 1, 2018 - Jan. 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	%
1Q of FY ending Oct. 31, 2019	4,156	0.4	66	18.3	71	14.5	47	50.9
1Q of FY ended Oct. 31, 2018	4,139	(1.7)	55	(85.3)	62	(83.5)	31	(87.6)

Note: Comprehensive income: 1Q of FY ending Oct. 31, 2019: 35 million yen (up 3.8%); 1Q of FY ended Oct. 31, 2018: 34 million yen (down 86.4%)

	Net Income per Share		Diluted Net Income per Share	
	Yen		Yen	
1Q of FY ending Oct. 31, 2019	1.60		-	
1Q of FY ended Oct. 31, 2018	1.07		-	

#### (2) Consolidated financial position

	Total Assets		Net Assets		Equity Ratio	
	Millions of yen		Millions of yen		%	
1Q of FY ending Oct. 31, 2019	18,701		11,502		61.3	
FY ended Oct. 31, 2018	20,604		11,790		57.1	

Reference: Equity capital: 1Q of FY ending Oct. 31, 2019: 11,469 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
FY ended Oct. 31, 2018	Yen -	Yen 0.00	Yen -	Yen 12.00	Yen 12.00
FY ending Oct. 31, 2019	-	-	-	-	-
FY ending Oct. 31, 2019 (forecast)	-	0.00	-	12.00	12.00

Note: Revisions to the latest projected dividends: No

### 3. Consolidated financial forecast for the FY ending October 31, 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
First half	8,900	(2.8)	350	(31.7)	360	(31.6)	240	(30.6)	8.10
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)

1Q 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

1Q of FY ending Oct. 31, 2019	310,844 shares	FY ended Oct. 31, 2018	363,444 shares
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3) Average number of shares outstanding during the period (quarterly cumulative)

1Q of FY ending Oct. 31, 2019	29,618,266 shares	1Q of FY ended Oct. 31, 2018	29,435,628 shares
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Note: Figures for treasury shares include 309,100 shares of the IKK stock held by the IKK Employee Stock Ownership Association Exclusive Trust at the end of the first quarter of the current fiscal year.

\* 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 2).

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## 1. Qualitative Information on Quarterly Financial Results

### (1) Explanation of Results of Operations

In the first quarter of the current consolidated fiscal year (November 1, 2018 to January 31, 2019), there was a recovery in consumer spending and capital expenditures as the labor market and personal income improved. However, there are numerous sources of risk regarding the global economy, such as risk involving U.S. policies due to different party control of the two U.S. houses of Congress, the effects of U.S.-China trade friction, and various risk factors involving the eurozone. Due to concerns about how these factors may influence internal demand in Japan, 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 quarter of the fiscal year, we took many actions in line with the IKK Group's philosophy of "touching our customers' hearts." There were internal and external employee training activities to give our people the personal strengths and customer interaction skills needed to provide personalized wedding services. In addition, we used our own sales support system to analyze operating data and used many initiatives at wedding facilities to attract more customers.

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

First quarter net sales increased 0.4% from one year earlier to 4,156 million yen, operating profit increased 18.3% to 66 million yen, ordinary profit increased 14.5% to 71 million yen, and profit attributable to owners of parent increased 50.9% to 47 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 increased 0.2% from one year earlier to 3,954 million yen and operating profit increased 21.9% to 55 million yen.

#### b) Funeral Operations

Sales increased 8.2% from one year earlier to 77 million yen and operating profit increased 37.1% to 3 million yen.

#### c) Nursing-care Operations

Sales increased 2.0% from one year earlier to 126 million yen and operating profit decreased 9.2% to 6 million yen.

### (2) Explanation of Financial Position

Total assets were 18,701 million yen at the end of the first quarter of the current fiscal year, 1,902 million yen less than at the end of the previous fiscal year. The main causes were a 1,577 million yen decrease in cash and deposits and a 151 million yen decrease in property, plant and equipment.

Liabilities decreased 1,614 million yen to 7,199 million yen. The main causes were a 502 million yen decrease in accounts payable-trade, a 221 million yen decrease in long-term loans payable and a 558 million yen decrease in income taxes payable.

Net assets decreased 287 million yen to 11,502 million yen. The main causes were an increase due to profit attributable to owners of parent of 47 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 4.2 percentage points to 61.3%.

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” (Accounting Standard Board of Japan (ASBJ) Statement No. 28, February 16, 2018) and other related pronouncements. Accordingly, prior-year figures have been adjusted retroactively in order to facilitate comparisons.

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

The first half and 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, 1Q (Jan. 31, 2019)
<b>Assets</b>		
Current assets		
Cash and deposits	5,277,196	3,699,394
Accounts receivable-trade	314,374	167,303
Merchandise	145,360	160,558
Raw materials and supplies	72,883	88,448
Other	276,182	253,230
Allowance for doubtful accounts	(2,583)	(4,973)
<b>Total current assets</b>	<b>6,083,413</b>	<b>4,363,961</b>
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	9,363,285	9,185,586
Land	1,973,734	1,973,734
Other, net	682,628	709,097
<b>Total property, plant and equipment</b>	<b>12,019,649</b>	<b>11,868,418</b>
Intangible assets	79,723	91,538
Investments and other assets	2,421,345	2,377,523
<b>Total non-current assets</b>	<b>14,520,719</b>	<b>14,337,479</b>
<b>Total assets</b>	<b>20,604,132</b>	<b>18,701,441</b>
<b>Liabilities</b>		
Current liabilities		
Accounts payable-trade	911,098	408,413
Current portion of long-term loans payable	1,025,656	1,025,656
Income taxes payable	570,913	12,780
Provision for bonuses	267,790	136,882
Other	1,803,591	1,630,798
<b>Total current liabilities</b>	<b>4,579,048</b>	<b>3,214,531</b>
Non-current liabilities		
Long-term loans payable	2,718,812	2,497,398
Net defined benefit liability	45,626	44,962
Provision for directors' retirement benefits	329,374	300,789
Provision for point card certificates	89,707	91,113
Asset retirement obligations	799,851	802,502
Other	251,700	248,103
<b>Total non-current liabilities</b>	<b>4,235,072</b>	<b>3,984,869</b>
<b>Total liabilities</b>	<b>8,814,121</b>	<b>7,199,400</b>

(Thousands of yen)

	Previous Consolidated FY (Oct. 31, 2018)	Current Consolidated FY, 1Q (Jan. 31, 2019)
<b>Net assets</b>		
Shareholders' equity		
Capital stock	351,655	351,655
Capital surplus	355,311	355,311
Retained earnings	11,299,303	10,987,163
Treasury shares	(246,885)	(211,012)
<b>Total shareholders' equity</b>	<b>11,759,385</b>	<b>11,483,119</b>
Accumulated other comprehensive income		
Remeasurements of defined benefit plans	29,610	28,617
Foreign currency translation adjustment	(31,080)	(42,334)
<b>Total accumulated other comprehensive income</b>	<b>(1,469)</b>	<b>(13,717)</b>
Non-controlling interests	32,095	32,639
<b>Total net assets</b>	<b>11,790,011</b>	<b>11,502,041</b>
<b>Total liabilities and net assets</b>	<b>20,604,132</b>	<b>18,701,441</b>

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

	(Thousands of yen)	
	1Q of Previous Consolidated Period (Nov. 1, 2017 - Jan. 31, 2018)	1Q of Current Consolidated Period (Nov. 1, 2018 - Jan. 31, 2019)
Net sales	4,139,184	4,156,586
Cost of sales	1,956,946	1,927,678
Gross profit	2,182,238	2,228,907
Selling, general and administrative expenses	2,126,390	2,162,859
Operating profit	55,847	66,047
Non-operating income		
Interest income	4,314	4,830
Guarantee commission received	3,583	3,583
Other	5,372	3,988
Total non-operating income	13,270	12,403
Non-operating expenses		
Interest expenses	5,991	4,830
Other	401	1,791
Total non-operating expenses	6,392	6,622
Ordinary profit	62,724	71,828
Extraordinary losses		
Loss on retirement of non-current assets	9,851	2,822
Total extraordinary losses	9,851	2,822
Profit before income taxes	52,873	69,005
Income taxes-current	2,132	2,965
Income taxes-deferred	19,808	16,927
Total income taxes	21,940	19,893
Profit	30,932	49,111
Profit (loss) attributable to non-controlling interests	(434)	1,790
Profit attributable to owners of parent	31,367	47,320



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

(Thousands of yen)

	1Q of Previous Consolidated Period (Nov. 1, 2017 - Jan. 31, 2018)	1Q of Current Consolidated Period (Nov. 1, 2018 - Jan. 31, 2019)
Profit	30,932	49,111
Other comprehensive income		
Remeasurements of defined benefit plans, net of tax	(1,037)	(989)
Foreign currency translation adjustment	4,422	(12,504)
Total other comprehensive income	3,384	(13,494)
Comprehensive income	34,317	35,617
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	34,314	35,072
Comprehensive income attributable to non-controlling interests	3	544

(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.