



Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending October 31, 2017 (Japanese GAAP)

May 29, 2017

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, 2017

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, 2017 (Nov. 1, 2016 - Apr. 30, 2017)

(1) Consolidated operating results (cumulative)

(Percentage figures show changes from the same period in the previous year.)

	Net Sales		Operating Income		Ordinary Income		Profit Attributable to Owners of Parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
2Q of FY ending Oct. 31, 2017	8,541	3.9	703	(12.5)	702	(11.8)	605	39.3
2Q of FY ended Oct. 31, 2016	8,219	12.3	803	98.0	796	96.5	434	206.7

Note: Comprehensive income: 2Q of FY ending Oct. 31, 2017: 603 million yen (up 39.2%); 2Q of FY ended Oct. 31, 2016: 433 million yen (up 104.8%)

	Net Income per Share	Diluted Net Income per Share
	Yen	Yen
2Q of FY ending Oct. 31, 2017	20.61	20.60
2Q of FY ended Oct. 31, 2016	14.80	14.79

(2) Consolidated financial position

	Total Assets	Net Assets	Equity Ratio
	Millions of yen	Millions of yen	%
2Q of FY ending Oct. 31, 2017	17,940	9,943	55.4
FY ended Oct. 31, 2016	18,582	10,070	54.2

Reference: Equity capital: 2Q of FY ending Oct. 31, 2017: 9,943 million yen; FY ended Oct. 31, 2016: 10,070 million yen

2. Dividends

	Yearly Dividends				
	1Q End	2Q End	3Q End	FY End	Annual
	Yen	Yen	Yen	Yen	Yen
FY ended Oct. 31, 2016	-	0.00	-	12.00	12.00
FY ending Oct. 31, 2017	-	0.00			
FY ending Oct. 31, 2017 (forecast)			-	12.00	12.00

Note: Revisions to the latest projected dividends: No

Breakdown of the FY ended October 31, 2016 dividend: Ordinary dividend: 10.00 yen; Commemorative dividend: 2.00 yen

3. Consolidated financial forecast for the FY ending October 31, 2017 (Nov. 1, 2016 - Oct. 31, 2017)

(Percentage figures show changes from the same period in 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
Full year	17,940	0.2	1,900	(12.7)	1,885	(13.0)	1,390	3.6	47.58

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, 2017	29,949,600 shares	FY ended Oct. 31, 2016	29,949,600 shares
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2) Number of treasury shares at the end of period

2Q of FY ending Oct. 31, 2017	617,744 shares	FY ended Oct. 31, 2016	409,144 shares
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3) Average number of shares outstanding during the period (quarterly cumulative)

2Q of FY ending Oct. 31, 2017	29,381,885 shares	2Q of FY ended Oct. 31, 2016	29,363,455 shares
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Note: The Board of Directors of the Company approved a resolution on December 22, 2016 to reintroduce the Trust-Type Employee Stock Ownership Incentive Plan. Figures for treasury shares include 616,000 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.

* Quarterly review procedures 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 half of the current consolidated fiscal year (November 1, 2016 to April 30, 2017), the improvement in corporate earnings, employment and personal income continued in Japan with the backing of numerous government measures. For example, in March 2017, the Bank of Japan's Monetary Policy Meeting decided to make no change in current monetary policy. However, the outlook for external demand has become even more uncertain because of concerns about U.S. government policies, the outcome of elections in Europe and other reasons.

In the wedding industry, the number of weddings in Japan in 2016 was 621,000 (Ministry of Health, Labour and Welfare, 2016 Annual Estimate of Vital Statistics), down 14,000 from 2015. 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 wedding styles and services is becoming increasingly difficult. During 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.

As a result, net sales in the first half of the current fiscal year increased 3.9% from one year earlier to 8,541 million yen, operating income decreased 12.5% to 703 million yen, ordinary income decreased 11.8% to 702 million yen, and profit attributable to owners of parent increased 39.3% to 605 million yen.

Results by business segment are as follows:

a) Wedding Operations

Although the number of weddings at existing locations increased, earnings were affected by higher personnel expenses and other expenses. As a result, sales were 8,172 million yen, up 3.5% from one year earlier and operating income decreased 16.3% to 677 million yen.

b) Funeral Operations

Sales increased 24.0% from one year earlier to 142 million yen and there was an operating income of 5 million yen compared with a 12 million yen loss one year earlier.

c) Nursing-care Operations

Sales increased 7.9% from one year earlier to 228 million yen and operating income increased 307.4% to 19 million yen. The occupancy rate was more than 90% at all three nursing-care facilities.

(2) Explanation of Financial Position

Total assets were 17,940 million yen at the end of the second quarter of the current fiscal year, 642 million yen less than at the end of the previous fiscal year. The main causes were a 1,562 million yen decrease in cash and deposits and a 728 million yen increase in investments and other assets.

Liabilities decreased 515 million yen to 7,996 million yen. The main causes were a 230 million yen decrease in accounts payable-trade and a 274 million yen decrease in income taxes payable.

Net assets decreased 127 million yen to 9,943 million yen mainly because of an increase due to profit attributable to owners of parent of 605 million yen, a decrease due to dividends from surplus of 359 million yen and a net increase in treasury shares of 371 million yen as the reintroduced Trust-Type Employee Stock Ownership Incentive Plan conducted purchase and disposal of treasury shares. As a result, compared with the end of the previous fiscal year, the equity ratio rose by 1.2 percentage points to 55.4%.

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

The fiscal year consolidated forecasts announced on December 12, 2016 remain unchanged.

2. Quarterly Consolidated Financial Statements and Notes**(1) Quarterly Consolidated Balance Sheet**

(Thousands of yen)

	Previous Consolidated FY (Oct. 31, 2016)	Current Consolidated FY, 2Q (Apr. 30, 2017)
Assets		
Current assets		
Cash and deposits	5,372,713	3,810,646
Accounts receivable-trade	441,885	383,811
Merchandise	133,182	142,226
Raw materials and supplies	79,910	87,520
Other	285,514	296,114
Allowance for doubtful accounts	(8,862)	(9,648)
Total current assets	6,304,344	4,710,669
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	8,696,604	8,481,189
Land	1,852,702	1,973,734
Other, net	443,698	768,541
Total property, plant and equipment	10,993,005	11,223,465
Intangible assets	96,305	88,045
Investments and other assets	1,189,304	1,918,141
Total non-current assets	12,278,615	13,229,652
Total assets	18,582,960	17,940,321
Liabilities		
Current liabilities		
Accounts payable-trade	897,678	666,697
Current portion of long-term loans payable	968,656	824,656
Income taxes payable	374,246	99,880
Provision for bonuses	241,881	235,245
Other	1,684,469	2,101,736
Total current liabilities	4,166,931	3,928,215
Non-current liabilities		
Long-term loans payable	2,703,104	2,781,431
Net defined benefit liability	51,655	49,068
Provision for directors' retirement benefits	309,347	297,501
Provision for point card certificates	80,980	83,760
Asset retirement obligations	600,056	583,673
Other	599,985	273,266
Total non-current liabilities	4,345,128	4,068,699
Total liabilities	8,512,059	7,996,915

(Thousands of yen)

	Previous Consolidated FY (Oct. 31, 2016)	Current Consolidated FY, 2Q (Apr. 30, 2017)
Net assets		
Shareholders' equity		
Capital stock	351,241	351,241
Capital surplus	354,897	354,897
Retained earnings	9,376,473	9,622,583
Treasury shares	(48,732)	(420,317)
Total shareholders' equity	10,033,880	9,908,404
Accumulated other comprehensive income		
Remeasurements of defined benefit plans	37,020	35,001
Total accumulated other comprehensive income	37,020	35,001
Total net assets	10,070,900	9,943,406
Total liabilities and net assets	18,582,960	17,940,321

(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, 2015 - Apr. 30, 2016)	2Q of Current Consolidated Period (Nov. 1, 2016 - Apr. 30, 2017)
Net sales	8,219,357	8,541,173
Cost of sales	3,755,723	3,949,649
Gross profit	4,463,634	4,591,524
Selling, general and administrative expenses	3,660,321	3,888,261
Operating income	803,312	703,263
Non-operating income		
Interest income	1,394	968
Commission fee	3,479	3,201
Insurance income	977	3,379
Guarantee commission received	-	5,064
Other	3,616	2,309
Total non-operating income	9,468	14,923
Non-operating expenses		
Interest expenses	15,171	10,910
Foreign exchange losses	151	3,630
Other	1,425	1,355
Total non-operating expenses	16,748	15,896
Ordinary income	796,031	702,290
Extraordinary income		
Gain on sales of non-current assets	437	-
Reversal of asset retirement obligations	-	13,320
Total extraordinary income	437	13,320
Extraordinary losses		
Loss on sales of non-current assets	4,900	-
Loss on retirement of non-current assets	9,654	19,022
Total extraordinary losses	14,555	19,022
Profit before income taxes	781,913	696,588
Income taxes-current	336,144	78,723
Income taxes-deferred	11,141	12,380
Total income taxes	347,285	91,104
Profit	434,628	605,484
Profit attributable to owners of parent	434,628	605,484

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

(Thousands of yen)

	2Q of Previous Consolidated Period (Nov. 1, 2015 - Apr. 30, 2016)	2Q of Current Consolidated Period (Nov. 1, 2016 - Apr. 30, 2017)
Profit	434,628	605,484
Other comprehensive income		
Remeasurements of defined benefit plans, net of tax	(1,210)	(2,018)
Total other comprehensive income	(1,210)	(2,018)
Comprehensive income	433,417	603,465
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	433,417	603,465
Comprehensive income attributable to non-controlling interests	-	-

(3) Quarterly Consolidated Statement of Cash Flows

(Thousands of yen)

	2Q of Previous Consolidated Period (Nov. 1, 2015 - Apr. 30, 2016)	2Q of Current Consolidated Period (Nov. 1, 2016 - Apr. 30, 2017)
Cash flows from operating activities		
Profit before income taxes	781,913	696,588
Depreciation	539,490	485,259
Increase (decrease) in allowance for doubtful accounts	(3,781)	4,872
Increase (decrease) in provision for bonuses	11,529	(6,636)
Increase (decrease) in net defined benefit liability	(3,914)	(5,489)
Increase (decrease) in provision for directors' retirement benefits	15,145	(11,846)
Increase (decrease) in provision for point card certificates	3,500	2,780
Gain on sales of non-current assets	(437)	-
Reversal of asset retirement obligations	-	(13,320)
Loss on sales of non-current assets	4,900	-
Loss on retirement of non-current assets	9,654	19,022
Interest income	(1,394)	(968)
Interest expenses	15,171	10,910
Commission for syndicate loan	499	499
Decrease (increase) in notes and accounts receivable-trade	(26,939)	56,877
Decrease (increase) in inventories	(37,832)	(16,653)
Increase (decrease) in notes and accounts payable-trade	(201,045)	(232,654)
Increase (decrease) in accounts payable-other	30,600	426,914
Other, net	40,216	(600,952)
Subtotal	1,177,276	815,203
Interest income received	400	23
Interest expenses paid	(15,177)	(10,620)
Income taxes refund	50	10,828
Income taxes paid	(500,818)	(349,554)
Net cash provided by (used in) operating activities	661,730	465,881
Cash flows from investing activities		
Purchase of property, plant and equipment	(190,531)	(774,322)
Proceeds from sales of property, plant and equipment	8,200	-
Purchase of intangible assets	(2,697)	(4,482)
Purchase of shares of subsidiaries	-	(380,700)
Other, net	2,437	(302,820)
Net cash provided by (used in) investing activities	(182,591)	(1,462,325)
Cash flows from financing activities		
Proceeds from long-term loans payable	-	460,000
Repayments of long-term loans payable	(601,428)	(525,673)
Purchase of treasury shares	-	(459,327)
Proceeds from sales of treasury shares	74,397	318,580
Cash dividends paid	(299,304)	(358,781)
Other, net	(407)	(421)
Net cash provided by (used in) financing activities	(826,741)	(565,623)
Effect of exchange rate change on cash and cash equivalents	(151)	-
Net increase (decrease) in cash and cash equivalents	(347,754)	(1,562,067)
Cash and cash equivalents at beginning of period	4,444,489	5,372,713
Cash and cash equivalents at end of period	4,096,735	3,810,646

(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 "Implementation Guidance on Recoverability of Deferred Tax Assets")

The Company has adopted the "Implementation Guidance on Recoverability of Deferred Tax Assets" (Accounting Standards Board of Japan (ASBJ) Guidance No. 26, March 28, 2016) from the first quarter of the current fiscal year.

(Segment Information, etc.)

(Segment Information)

2Q of Previous Consolidated Period (Nov. 1, 2015 - Apr. 30, 2016) and 2Q of Current Consolidated Period (Nov. 1, 2016 - Apr. 30, 2017)

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.