



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

May 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: June 13, 2018

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, 2018 (Nov. 1, 2017 - Apr. 30, 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	%
2Q of FY ending Oct. 31, 2018	9,160	7.3	512	(27.2)	526	(25.1)	345	(42.9)
2Q of FY ended Oct. 31, 2017	8,541	3.9	703	(12.5)	702	(11.8)	605	39.3

Note: Comprehensive income: 2Q of FY ending Oct. 31, 2018: 334 million yen (down 44.5%); 2Q of FY ended Oct. 31, 2017: 603 million yen (39.2%)

	Net Income per Share		Diluted Net Income per Share	
	Yen		Yen	
2Q of FY ending Oct. 31, 2018	11.74		-	
2Q of FY ended Oct. 31, 2017	20.61		20.60	

Note: Diluted net income per share for the 2Q 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		%	
2Q of FY ending Oct. 31, 2018	19,563		10,733		54.7	
FY ended Oct. 31, 2017	19,808		10,708		54.1	

Reference: Equity capital: 2Q of FY ending Oct. 31, 2018: 10,697 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				
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; (4) Notes to Quarterly Consolidated Financial Statements (Significant Changes to Subsidiaries during the Period)” (attachments, page 8).

(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 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)

2Q of FY ending Oct. 31, 2018	29,956,800 shares	FY ended Oct. 31, 2017	29,956,800 shares
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2) Number of treasury shares at the end of period

2Q of FY ending Oct. 31, 2018	448,944 shares	FY ended Oct. 31, 2017	542,444 shares
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3) Average number of shares outstanding during the period (quarterly cumulative)

2Q of FY ending Oct. 31, 2018	29,461,004 shares	2Q of FY ended Oct. 31, 2017	29,381,885 shares
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Note: Figures for treasury shares include 447,200 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 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 half of the current consolidated fiscal year (November 1, 2017 to April 30, 2018), consumer spending recovered gradually on the back of favorable employment and income conditions. Moreover, corporate earnings and capital expenditures started to increase as monetary easing continued in Japan.

Although overseas economies including the United States and China, and emerging economies in Asia are experiencing a moderate recovery, the outlook remains uncertain. Geopolitical risks in some regions, the effects of the U. S. China trade friction and certain other factors are all responsible for this uncertainty.

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 second 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.

Net sales in the first half of the current fiscal year increased 7.3% from one year earlier to 9,160 million yen, operating profit decreased 27.2% to 512 million yen, ordinary profit decreased 25.1% to 526 million yen, and profit attributable to owners of parent decreased 42.9% to 345 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 8,774 million yen, up 7.4% from one year earlier and operating profit decreased 28.0% to 487 million yen due to expenses for opening Castle Garden OSAKA (Osaka Branch) and higher personnel expenses.

b) Funeral Operations

Sales increased 0.5% from one year earlier to 143 million yen and operating profit decreased 47.7% to 2 million yen.

c) Nursing-care Operations

Sales increased 7.8% from one year earlier to 246 million yen and operating profit increased 6.5% to 20 million yen.

(2) Explanation of Financial Position

Total assets were 19,563 million yen at the end of the second quarter of the current fiscal year, 244 million yen less than at the end of the previous fiscal year. The main causes was a 233 million yen decrease in property, plant and equipment.

Liabilities decreased 270 million yen to 8,830 million yen. The main causes were a 520 million yen decrease in long-term loans payable, a 97 million yen increase in income taxes payable and a 159 million yen increase in asset retirement obligations.

Net assets increased 25 million yen to 10,733 million yen. The main causes were an increase due to profit attributable to owners of parent of 345 million yen, a 35 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 0.6 percentage points to 54.7%.

(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, 2Q (Apr. 30, 2018)
(Thousands of yen)		
Assets		
Current assets		
Cash and deposits	3,731,207	3,769,209
Accounts receivable-trade	457,965	469,075
Merchandise	140,698	167,128
Raw materials and supplies	66,410	84,557
Other	371,331	429,869
Allowance for doubtful accounts	(4,652)	(6,621)
Total current assets	4,762,961	4,913,218
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	9,964,374	9,732,744
Land	1,973,734	1,973,734
Other, net	528,436	526,863
Total property, plant and equipment	12,466,544	12,233,342
Intangible assets	81,638	76,612
Investments and other assets	2,497,413	2,340,746
Total non-current assets	15,045,596	14,650,702
Total assets	19,808,558	19,563,921
Liabilities		
Current liabilities		
Accounts payable-trade	879,045	751,084
Current portion of long-term loans payable	1,033,656	1,036,161
Income taxes payable	154,876	252,469
Provision for bonuses	246,344	251,594
Other	1,671,599	1,779,967
Total current liabilities	3,985,521	4,071,277
Non-current liabilities		
Long-term loans payable	3,771,008	3,248,290
Net defined benefit liability	47,656	46,309
Provision for directors' retirement benefits	307,555	319,115
Provision for point card certificates	85,553	88,558
Asset retirement obligations	635,325	794,632
Other	267,899	262,334
Total non-current liabilities	5,114,996	4,759,239
Total liabilities	9,100,518	8,830,517

(Thousands of yen)

	Previous Consolidated FY (Oct. 31, 2017)	Current Consolidated FY, 2Q (Apr. 30, 2018)
Net assets		
Shareholders' equity		
Capital stock	351,655	351,655
Capital surplus	355,311	355,311
Retained earnings	10,336,473	10,279,850
Treasury shares	(368,963)	(305,196)
Total shareholders' equity	10,674,477	10,681,621
Accumulated other comprehensive income		
Remeasurements of defined benefit plans	33,562	31,522
Foreign currency translation adjustment	-	(15,160)
Total accumulated other comprehensive income	33,562	16,362
Non-controlling interests	-	35,419
Total net assets	10,708,039	10,733,403
Total liabilities and net assets	19,808,558	19,563,921

(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, 2016 - Apr. 30, 2017)	2Q of Current Consolidated Period (Nov. 1, 2017 - Apr. 30, 2018)
Net sales	8,541,173	9,160,543
Cost of sales	3,949,649	4,197,705
Gross profit	4,591,524	4,962,838
Selling, general and administrative expenses	3,888,261	4,450,522
Operating profit	703,263	512,315
Non-operating income		
Interest income	968	7,648
Guarantee commission received	5,064	7,050
Other	8,891	11,790
Total non-operating income	14,923	26,489
Non-operating expenses		
Interest expenses	10,910	11,458
Other	4,986	1,107
Total non-operating expenses	15,896	12,565
Ordinary profit	702,290	526,240
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	19,022	10,384
Impairment loss	-	127,342
Total extraordinary losses	19,022	137,726
Profit before income taxes	696,588	524,013
Income taxes-current	78,723	220,460
Income taxes-deferred	12,380	(42,043)
Total income taxes	91,104	178,416
Profit	605,484	345,597
Loss attributable to non-controlling interests	-	(395)
Profit attributable to owners of parent	605,484	345,992

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

(Thousands of yen)

	2Q of Previous Consolidated Period (Nov. 1, 2016 - Apr. 30, 2017)	2Q of Current Consolidated Period (Nov. 1, 2017 - Apr. 30, 2018)
Profit	605,484	345,597
Other comprehensive income		
Remeasurements of defined benefit plans, net of tax	(2,018)	(2,044)
Foreign currency translation adjustment	-	(8,844)
Total other comprehensive income	(2,018)	(10,889)
Comprehensive income	603,465	334,707
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	603,465	335,993
Comprehensive income attributable to non-controlling interests	-	(1,285)

(3) Quarterly Consolidated Statement of Cash Flows

(Thousands of yen)

	2Q of Previous Consolidated Period (Nov. 1, 2016 - Apr. 30, 2017)	2Q of Current Consolidated Period (Nov. 1, 2017 - Apr. 30, 2018)
Cash flows from operating activities		
Profit before income taxes	696,588	524,013
Depreciation	485,259	565,232
Impairment loss	-	127,342
Increase (decrease) in allowance for doubtful accounts	4,872	4,285
Increase (decrease) in provision for bonuses	(6,636)	5,230
Increase (decrease) in net defined benefit liability	(5,489)	(4,262)
Increase (decrease) in provision for directors' retirement benefits	(11,846)	11,560
Increase (decrease) in provision for point card certificates	2,780	3,005
Subsidy income	-	(135,500)
Reversal of asset retirement obligations	(13,320)	-
Loss on retirement of non-current assets	19,022	10,384
Interest income	(968)	(7,648)
Interest expenses	10,910	11,458
Commission for syndicate loan	499	-
Decrease (increase) in notes and accounts receivable-trade	56,877	(13,771)
Decrease (increase) in inventories	(16,653)	(44,397)
Increase (decrease) in notes and accounts payable-trade	(232,654)	(134,976)
Increase (decrease) in accounts payable-other	426,914	41,983
Other, net	(600,952)	277,471
Subtotal	815,203	1,241,410
Interest income received	23	5,031
Interest expenses paid	(10,620)	(10,595)
Proceeds from subsidy income	-	135,500
Income taxes refund	10,828	25,377
Income taxes paid	(349,554)	(147,633)
Net cash provided by (used in) operating activities	465,881	1,249,090
Cash flows from investing activities		
Payments into time deposits	-	(797)
Purchase of property, plant and equipment	(774,322)	(535,504)
Purchase of intangible assets	(4,482)	(16,320)
Purchase of shares of subsidiaries	(380,700)	-
Other, net	(302,820)	(210,606)
Net cash provided by (used in) investing activities	(1,462,325)	(763,230)
Cash flows from financing activities		
Proceeds from long-term loans payable	460,000	-
Repayments of long-term loans payable	(525,673)	(520,213)
Purchase of treasury shares	(459,327)	-
Proceeds from sales of treasury shares	318,580	74,594
Cash dividends paid	(358,781)	(358,912)
Other, net	(421)	(436)
Net cash provided by (used in) financing activities	(565,623)	(804,968)
Effect of exchange rate change on cash and cash equivalents	-	(7,997)
Net increase (decrease) in cash and cash equivalents	(1,562,067)	(327,106)
Cash and cash equivalents at beginning of period	5,372,713	3,731,207
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	-	331,910
Cash and cash equivalents at end of period	3,810,646	3,736,011

(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.

(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)

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