



Consolidated Financial Results for the Third Quarter of the Fiscal Year Ending October 31, 2013 (Japanese GAAP)

Aug. 30, 2013

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: Sep 12, 2013

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, 2013 (Nov. 1, 2012-Jul. 31, 2013)

(1) Consolidated operating results (cumulative)

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

	Net Sales		Operating Income		Ordinary Income		Net Income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
3Q of FY ending Oct. 31, 2013	10,420	4.2	1,423	(4.1)	1,398	(1.6)	988	45.1
3Q of FY ended Oct. 31, 2012	10,001	15.7	1,484	95.4	1,421	99.5	681	—

Note: Comprehensive income: 3Q of FY ending Oct. 31, 2013: 988 million yen (45.1%); 3Q of FY ended Oct. 31, 2012: 681 million yen (—%)

	Net Income per Share		Diluted Net Income per Share	
	Yen		Yen	
3Q of FY ending Oct. 31, 2013	69.55		69.19	
3Q of FY ended Oct. 31, 2012	48.03		47.77	

Notes:

- On April 1, 2012, the Company's common stock was split 2-for-1. However, net income/diluted net income per share was calculated assuming stock division at the beginning of the previous fiscal year.
- On April 1, 2013, the Company's common stock was split 2-for-1. However, net income/diluted net income per share was calculated assuming stock division at the beginning of the previous fiscal year.

(2) Consolidated financial position

	Total Assets		Net Assets		Equity Ratio	
	Millions of yen		Millions of yen		%	
3Q of FY ending Oct. 31, 2013	12,711		6,793		53.4	
FY ended Oct. 31, 2012	12,905		5,840		45.3	

Reference: Equity capital: 3Q of FY ending Oct. 31, 2013: 6,793 million yen; FY ended Oct. 31, 2012: 5,840 million yen

2. Dividends

	Yearly Dividends				
	1Q End	2Q End	3Q End	FY End	Annual
	Yen				
FY ended Oct. 31, 2012	—	0.00	—	15.00	15.00
FY ending Oct. 31, 2013	—	0.00	—		
FY ending Oct. 31, 2013 (forecast)				20.00	20.00

Note: Revisions to the latest projected dividends: No

Breakdown of the FY ending October 31, 2013 dividends (forecast): Regular dividends: 10.00 yen; Commemorative dividends: 10.00 yen

On April 1, 2013, the Company's common stock was split 2-for-1. Figures for dividends for the FY ended October 31, 2012 are before the split is applied. For details on end of year dividends adjusted to reflect the split, please see "Retroactive Adjustment of Dividends According to Stock Split."

3. Consolidated financial forecast for the FY ending October 31, 2013 (Nov. 1, 2012-Oct. 31, 2013)

(Percentage figures show changes from the previous year.)

	Net Sales		Operating Income		Ordinary Income		Net Income		Net Income per Share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	13,765	1.3	1,925	0.2	1,880	1.9	1,220	31.2	85.74

Note: Revisions to the latest projected financial results: No

On April 1, 2013, the Company's common stock was split 2-for-1. Included figures for net income per share were calculated taking into account the effects of this split.

***Notes**

(1) Significant changes to subsidiaries during the consolidated quarter (transfer of specific subsidiaries accompanying changes in scope of consolidation): Yes

Newly added: 1 company, Company name: I Care, Inc.

Excluded: — Company name:

Note: For details, see “2. Summary (Notes) Information: (1) Significant Changes to Subsidiaries during the Period” (attachments, page 3).

(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.: Yes

2) Changes in accounting policies other than 1): No

3) Changes in accounting estimates: Yes

4) Restatement: No

Notes: Corresponds to article 10-5 of “Regulations Concerning Terminology, Forms and Preparation Methods of Consolidated Financial Statements.” For details, see “2. Summary (Notes) Information: (3) Changes in Accounting Policies, Accounting Estimates and Restatement” (attachments, page 3).

(4) Number of shares issued (common stock):

1) Number of shares issued as of end of term (including treasury stock)

2) Number of treasury stock as of end of term

3) Average number of shares over period (quarterly cumulative)

3Q of FY ending Oct. 31, 2013	14,939,200 shares	FY ended Oct. 31, 2012	14,874,000 shares
3Q of FY ending Oct. 31, 2013	608,772 shares	FY ended Oct. 31, 2012	699,672 shares
3Q of FY ending Oct. 31, 2013	14,219,786 shares	3Q of FY ended Oct. 31, 2012	14,193,641 shares

Note:

1. On April 1, 2012, the Company’s common stock was split 2-for-1. However, average number of shares over period for the 3Q of FY ended October 31, 2012 was calculated assuming stock division at the beginning of the previous consolidated fiscal year.
2. On April 1, 2013, the Company’s common stock was split 2-for-1. However, number of shares issued as of end of term, number of treasury stock as of end of term and average number of shares over period were calculated assuming stock division at the beginning of the previous consolidated fiscal year. Furthermore, figures for treasury stock include 607,900 shares held in employee stock holdings trust at the end of this quarterly consolidated period.

* Implementation status of quarterly review procedures:

Quarterly review procedures based on the Financial Instruments and Exchange Act do not apply to this quarterly statement, and quarterly review of consolidated financial statements was not completed at the time of disclosure.

* 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) Qualitative information on Consolidated Financial Forecasts” (attachments, page 2).

(Retroactive Adjustment of Dividends According to Stock Split)

On April 1, 2013, the Company's common stock was split 2-for-1. The dividends assuming split at the beginning of previous consolidated fiscal year are as follows:

	Yearly Dividends				
	1Q End	2Q End	3Q End	FY End	Annual
	Yen	Yen	Yen	Yen	Yen
FY ended Oct. 31, 2012	—	0.00	—	7.50	7.50
FY ending Oct. 31, 2013	—	0.00	—		
FY ending Oct. 31, 2013 (forecast)				20.00	20.00

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1. Qualitative Information on Quarterly Financial Results

(1) Qualitative Information on Consolidated Financial Results

The Japanese economy in the third quarter of the current consolidated fiscal year (November 1, 2012-July 31, 2013) entered onto a path of recovery. Against the backdrop of expectation for new economic policies implemented by the new government, a lowering yen and increased stock prices can be seen in exchange rates and the stock market. A trend towards autonomous recovery can also be seen, with a portion of corporate earnings and consumer spending recovering, especially in the manufacturing industry.

In the wedding industry, the number of weddings in 2012 slightly increased over the previous year at 669,000 (661,000 in 2011), and demand for guesthouse-style wedding services has stabilized. On the other hand, competition within the industry remains fierce, with ceremonial hall and hotel renovations, intensification of price competition, diversification of customer needs and so on.

In response to these conditions, the IKK Group (the Group) has adopted a management philosophy, “To touch our customers’ hearts!” In order to offer more touching wedding services we have been working to meet diversifying customer needs, expand sales and increase our earnings power through in-house and external staff training geared towards improving customer service, practical use of business databases, investments in renovation and so on.

As a result of these efforts, sales in the third quarter of the current consolidated period reached 10,420 million yen (a 4.2% increase over the same quarter of the previous year), operating income reached 1,423 million yen (a 4.1% decrease), ordinary income reached 1,398 million yen (a 1.6% decrease), and quarterly net income reached 988 million yen (a 45.1% increase).

Results by segment are as follows:

1) Wedding Operations

Together with full operation of “La La Chance Taiyo no Oka” (Kanazawa branch), which increased its number of venues in the previous consolidated fiscal year, conditions at existing branches turned favorable thanks to increased orders due to practical use of business databases, the effect of renovations and so on, leading to sales of 10,174 million yen (a 4.5% increase over the same quarter of the previous year). Also, reinforcements to the personnel structure for the purpose of opening new branches and improving the level of service of ceremonies and receptions led to an operating income of 1,425 million yen (a 2.4% decrease).

2) Funeral Operations

Sales were 245 million yen (a 5.6% decrease over the same quarter of the previous fiscal year), with an 18 million yen operating income (a 22.0% decrease).

3) Nursing-care Operations

As preparations for launch are still underway, sales have not been recorded yet. Operating loss was 21 million yen.

(2) Qualitative Information on Consolidated Financial Position

Compared to the end of the previous consolidated fiscal year, total assets decreased by 193 million yen, at 12,711 million yen. The main causes were a 148 million yen increase in land, a 235 million yen and an 89 million yen decrease in cash and deposits and in accounts receivable—trade, respectively.

Compared to the end of the previous consolidated fiscal year, liabilities decreased by 1,146 million yen, at 5,918 million yen. The main causes were a 267 million yen and an 816 million yen decrease in income taxes payable and long-term loans payable, respectively.

Compared to the end of the previous consolidated fiscal year, net assets increased by 952 million yen, reaching 6,793 million yen. The main causes were an increase due to net income of 988 million yen and a decrease due to dividends from surplus of 106 million yen. As a result, compared to the end of the previous fiscal year, equity ratio rose by 8.1 points, to 53.4%.

(3) Qualitative Information on Consolidated Financial Forecasts

The full-year consolidated forecasts published on March 28, 2013 remain unchanged.

2. Summary (Notes) Information

(1) Significant Changes to Subsidiaries during the Period

In the first quarter of the current consolidated period, newly established I Care, Inc. was added into the scope of consolidation.

(2) Application of Specific Accounting for Preparation of Quarterly Consolidated Financial Statements

No related information.

(3) Changes in Accounting Policies, Accounting Estimates and Restatement

(Changes in accounting policies which are difficult to distinguish from changes in accounting estimates)

As of the first quarter of the current consolidated period, our company and consolidated subsidiaries adopted the depreciation method pursuant to revisions to the Corporation Tax Law for property, plant and equipment acquired on or after November 1, 2012.

Effects on profit and loss due to this change were insignificant.

3. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(Thousands of yen)

	Previous Consolidated FY (Oct. 31, 2012)	Current Consolidated FY, 3Q (Jul. 31, 2013)
Assets		
Current assets		
Cash and deposits	2,630,545	2,395,303
Accounts receivable-trade	209,691	120,549
Merchandise	91,552	103,380
Raw materials and supplies	66,071	52,361
Other	221,579	356,649
Allowance for doubtful accounts	(2,140)	(2,036)
Total current assets	3,217,300	3,026,208
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	6,795,727	6,443,150
Land	1,643,983	1,792,965
Other, net	302,814	450,372
Total property, plant and equipment	8,742,525	8,686,489
Intangible assets	92,669	81,853
Investments and other assets	852,600	916,735
Total noncurrent assets	9,687,796	9,685,078
Total assets	12,905,097	12,711,286
Liabilities		
Current liabilities		
Accounts payable-trade	632,911	463,539
Current portion of bonds	80,000	45,000
Short-term loans payable	—	400,000
Current portion of long-term loans payable	1,026,125	798,442
Income taxes payable	608,149	340,334
Provision for bonuses	173,487	104,178
Other	1,093,104	861,534
Total current liabilities	3,613,777	3,013,028
Noncurrent liabilities		
Long-term loans payable	2,605,378	2,016,504
Provision for retirement benefits	78,015	83,810
Provision for directors' retirement benefits	233,695	258,816
Provision for point card certificates	51,480	56,413
Asset retirement obligations	276,117	280,175
Other	206,382	209,487
Total noncurrent liabilities	3,451,068	2,905,206
Total liabilities	7,064,846	5,918,235

(Thousands of yen)

	Previous Consolidated FY (Oct. 31, 2012)	Current Consolidated FY, 3Q (Jul. 31, 2013)
Net assets		
Shareholders' equity		
Capital stock	342,342	347,635
Capital surplus	354,909	398,096
Retained earnings	5,309,674	6,192,339
Treasury stock	(166,675)	(145,020)
Total shareholders' equity	5,840,250	6,793,051
Total net assets	5,840,250	6,793,051
Total liabilities and net assets	12,905,097	12,711,286

(2) Quarterly Consolidated Statements of Income and Comprehensive Income
 (Quarterly Consolidated Statements of Income)
 (Consolidated 3Q)

(Thousands of yen)

	3Q of Previous Consolidated Period (Nov. 1, 2011-Jul. 31, 2012)	3Q of Current Consolidated Period (Nov. 1, 2012- Jul. 31, 2013)
Net sales	10,001,199	10,420,417
Cost of sales	4,456,245	4,607,629
Gross profit	5,544,954	5,812,788
Selling, general and administrative expenses	4,060,431	4,389,498
Operating income	1,484,523	1,423,289
Non-operating income		
Interest income	199	264
Commission fee	2,897	3,237
Other	3,310	2,139
Total non-operating income	6,406	5,641
Non-operating expenses		
Interest expenses	34,396	24,159
Going public expenses	22,187	—
Other	13,188	6,701
Total non-operating expenses	69,772	30,860
Ordinary income	1,421,157	1,398,070
Extraordinary income		
Compensation income	—	394,614
Total extraordinary income	—	394,614
Extraordinary loss		
Loss on retirement of noncurrent assets	5,546	4,312
Total extraordinary losses	5,546	4,312
Income before income taxes	1,415,611	1,788,372
Income taxes-current	661,546	775,742
Income taxes-deferred	72,346	23,656
Total income taxes	733,892	799,399
Income before minority interests	681,718	988,972
Net income	681,718	988,972

(Quarterly Consolidated Statements of Comprehensive Income)
(Consolidated 3Q)

(Thousands of yen)

	3Q of Previous Consolidated Period (Nov. 1, 2011-Jul. 31, 2012)	3Q of Current Consolidated Period (Nov. 1, 2012- Jul. 31, 2013)
Income before minority interests	681,718	988,972
Other comprehensive income		
Total other comprehensive income	—	—
Comprehensive income	681,718	988,972
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of the parent	681,718	988,972
Comprehensive income attributable to minority interests	—	—

(3) Notes on Premise of Going Concern

No related information.

(4) Notes on Significant Fluctuation in Amounts of Shareholders' Equity

No related information.

(5) Segment Information, etc.

(Segment Information)

3Q of Previous Consolidated Period (Nov. 1, 2011-Jul. 31, 2012)

The Group's reporting segments included wedding and funeral operations. However, as funeral operations constitute a very small proportion of total business segments its importance in terms of disclosure is limited. Accordingly, listing of segment information is abridged.

3Q of Current Consolidated Period (Nov. 1, 2012-Jul. 31, 2013)

The Group's reporting segments include Wedding, Funeral and Nursing-care Operations. However, as Funeral and Nursing-care Operations constitute a very small proportion of total business segments their importance in terms of disclosure is limited. Accordingly, listing of segment information is abridged.

(6) Material Subsequent Events

(Absorption-type Merger of Consolidated Subsidiaries)

At the board of directors' meeting held August 30, 2013, it was decided that the wholly-owned subsidiary, Suite Villa Garden Inc. ("Suite Villa Garden"), would be absorbed by IKK Inc. ("IKK"). A merger agreement was finalized that same day.

1. Purpose of the Merger

Suite Villa Garden was established in April 2011 as reproduction stores to focus proprietary expertise. Since its founding, the company has shown favorable results.

The purpose of the merger is to capitalize on Suite Villa Garden's newly organized business model and IKK's business model, increasing the efficiency of IKK Group management and strengthening operational foundations. Businesses administered by Suite Villa Garden will be taken over and continued by IKK.

2. Target of Merger

Suite Villa Garden Inc.

3. Method of Merger

Absorption-type merger, with IKK as the surviving company and Suite Villa Garden dissolved.

4. Allotment of Shares Affecting Merger

The merger is of a wholly-owned subsidiary, and does not require the issue of new shares or money delivered.

5. Principles Businesses and Scale of Target of Merger (as of October 31, 2012)

Business: Wedding industry

Net sales: 281 million yen

Net income: 11 million yen

Total assets: 318 million yen

Net assets: 53 million yen

6. Time of Merger

November 1, 2013 (scheduled)

7. Overview of Planned Accounting Process

Based on "Accounting Standards for Business Combinations" (Corporate Accounting Standards No. 21, December 26, 2008) and "Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (Implementation Guidance on Corporate Accounting Standards No. 10, December 26, 2008), the merger will be accounted for as a transaction under common control.