



## Consolidated Financial Results for the Third Quarter of the Fiscal Year Ending October 31, 2016 (Japanese GAAP)

August 30, 2016

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 13, 2016

Scheduled date of start dividends distribution: -

Supplementary quarterly materials prepared: Yes (available only in Japanese language)

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, 2016 (Nov. 1, 2015 - Jul. 31, 2016)

(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	%
3Q of FY ending Oct. 31, 2016	12,830	8.6	1,514	43.8	1,505	43.8	855	69.4
3Q of FY ended Oct. 31, 2015	11,812	6.2	1,053	(27.1)	1,046	(26.8)	504	(37.0)

Note: Comprehensive income: 3Q of FY ending Oct. 31, 2016: 852 million yen (up 48.7%); 3Q of FY ended Oct. 31, 2015: 573 million yen (down 28.4%)

	Net Income per Share	Diluted Net Income per Share
	Yen	Yen
3Q of FY ending Oct. 31, 2016	29.09	29.08
3Q of FY ended Oct. 31, 2015	17.33	17.31

Note: The Company conducted a common stock split according to a ratio of 1:2 effective on May 1, 2015. Net income per share and diluted net income per share are calculated as if this stock split had taken place 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, 2016	17,408	9,586	55.1
FY ended Oct. 31, 2015	18,322	9,009	49.2

Reference: Equity capital: 3Q of FY ending Oct. 31, 2016: 9,586 million yen; FY ended Oct. 31, 2015: 9,009 million yen

### 2. Dividends

	Yearly Dividends				
	1Q End	2Q End	3Q End	FY End	Annual
	Yen	Yen	Yen	Yen	Yen
FY ended Oct. 31, 2015	-	0.00	-	10.00	10.00
FY ending Oct. 31, 2016	-	0.00	-		
FY ending Oct. 31, 2016 (forecast)				12.00	12.00

Note: Revisions to the latest projected dividends: No

Breakdown of the FY ending October 31, 2016 dividend (forecast): Ordinary dividend: 10.00 yen; Commemorative dividend: 2.00 yen

### 3. Consolidated financial forecast for the FY ending October 31, 2016 (Nov. 1, 2015 - Oct. 31, 2016)

(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	17,550	3.4	2,130	1.1	2,105	0.5	1,290	12.4	43.86

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.: Yes

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

3) Changes in accounting estimates: No

4) Restatement: No

Note: 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 at the end of period (including treasury shares)

3Q of FY ending Oct. 31, 2016	29,949,600 shares	FY ended Oct. 31, 2015	29,939,200 shares
2) Number of treasury shares at the end of period	453,044 shares	FY ended Oct. 31, 2015	639,744 shares
3) Average number of shares outstanding during the period (quarterly cumulative)	29,391,260 shares	3Q of FY ended Oct. 31, 2015	29,138,967 shares

2) Number of treasury shares at the end of period

3) Average number of shares outstanding during the period (quarterly cumulative)

Note: The Company conducted a common stock split according to a ratio of 1:2 effective on May 1, 2015. Number of shares issued (common stock) is calculated as if this stock split had taken place at the beginning of the previous fiscal year. Figures for treasury shares include 451,300 shares held in employee stock holdings trust at the end of the third quarter of the current fiscal year.

\* 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 procedures of the quarterly consolidated financial statements have not been 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) 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, 2015 to July 31, 2016,) employment and personal incomes continued to recover in Japan. However, the Kumamoto earthquake in April affected the overall economic sentiment, and the June referendum in which the British voted to leave the EU destabilized financial markets. Moreover, growth slowed in China and other resource-rich countries. As a result, there is increasing uncertainty about the outlook due to concerns about deterioration of corporate earnings, sluggish consumer spending and other reasons.

In the wedding industry, the number of weddings in Japan in 2015 was 635,000 (Ministry of Health, Labour and Welfare, 2015 Annual Estimate of Vital Statistics), down 9,000 from 2014. 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's first nine months, 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 establishing an introduction system for maintaining a cycle in we receive new customer referrals from current customers. All these actions are aimed at sales and earnings growth.

As a result, net sales in this period under review increased 8.6% from one year earlier to 12,830 million yen, operating income increased 43.8% to 1,514 million yen, ordinary income increased 43.8% to 1,505 million yen, and profit attributable to owners of parent increased 69.4% to 855 million yen.

Results by business segment are as follows:

#### a) Wedding Operations

La La Chance Hiroshima Geihinkan (the Hiroshima Branch) opened in March 2015. As a result, sales were 12,330 million yen, up 8.9% from one year earlier and operating income increased 42.1% to 1,527 million yen.

#### b) Funeral Operations

Sales decreased 33.5% from one year earlier to 181 million yen and there was an operating loss of 18 million yen compared with a 43 million yen income one year earlier.

#### c) Nursing-care Operations

Sales increased 43.5% from one year earlier to 322 million yen and there was an operating income of 4 million yen compared with a 65 million yen loss one year earlier. Opening of the Karatsu Branch in March 2015 and the higher than 90% occupancy rate achieved by all the three nursing care facilities also contributed to boosting sales.

### (2) Explanation of Financial Position

Total assets were 17,408 million yen at the end of the third quarter of the current fiscal year, 913 million yen less than at the end of the previous fiscal year. The main causes were a 269 million yen decrease in cash and deposits and a 541 million yen decrease in property, plant and equipment.

Liabilities decreased 1,490 million yen to 7,822 million yen. The main causes were a 365 million yen decrease in income taxes payable and an 895 million yen decrease in long-term loans payable.

Net assets increased 576 million yen to 9,586 million yen mainly because of an increase due to profit attributable to owners of parent of 855 million yen and a decrease due to dividends from surplus of 299 million yen. As a result, compared with the end of the previous fiscal year, the equity ratio rose by 5.9 points to 55.1%.

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

The fiscal year consolidated forecasts announced on December 14, 2015 remain unchanged.

## 2. Summary (Notes) Information

(1) Significant Changes to Subsidiaries during the Period

No related information.

(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

(Application of the Accounting Standard for Business Combinations, etc.)

Effective from the first quarter of the current fiscal year, the Company has adopted the “Accounting Standard for Business Combinations” (Accounting Standards Board of Japan (ASBJ) Statement No. 21, September 13, 2013), “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22, September 13, 2013), “Accounting Standard for Business Divestitures” (ASBJ Statement No. 7, September 13, 2013) and other standards. In association with these changes, the presentation of net income and other items has been revised. For consistency with these changes, the quarterly consolidated financial statements for the first nine months of the previous fiscal year have been revised.

(Application of Practical Solution on a Change in Depreciation Method due to Tax Reform 2016)

Following the revised Corporation Tax Act, the Company has applied the “Practical Solution on a Change in Depreciation Method due to Tax Reform 2016” (ASBJ Practical Issues Task Force (PITF) No. 32, June 17, 2016) from the third quarter of the current fiscal year, and changed the depreciation method for facilities attached to buildings and structures acquired on or after April 1, 2016, from the declining-balance method to the straight-line method.

The effect of this change on the consolidated financial statements for the first nine months of the current fiscal year is insignificant.

(4) Additional information

(Revised Amount of Deferred Tax Assets and Deferred Tax Liabilities Following the Change in the Corporate Tax Rate, etc.)

Following the promulgation on March 31, 2016 of the “Act for Partial Revision of the Income Tax Act, etc.” (Act No. 15 of 2016) and “Act for Partial Revision of the Local Tax Act, etc.” (Act No. 13 of 2016), corporate tax rate, etc. have been lowered for the fiscal years beginning on or after April 1, 2016. Consequently, the statutory effective tax rate for the calculation of deferred tax assets and deferred tax liabilities will be lowered from 32.06% to 30.69% for temporary differences expected to be covered for the fiscal year beginning from November 1, 2016 and November 1, 2017 and to 30.45% for temporary differences expected to be covered for the fiscal year beginning from November 1, 2018 and thereafter.

Due to this change, there were a decrease of 33,521 thousand yen in deferred tax assets (after deducting deferred tax liabilities) and an increase of 34,619 thousand yen in income taxes-deferred. The effect on remeasurements of defined benefit plans is insignificant.

### 3. Quarterly Consolidated Financial Statements

#### (1) Quarterly Consolidated Balance Sheet

(Thousands of yen)

	Previous Consolidated FY (Oct. 31, 2015)	Current Consolidated FY, 3Q (Jul. 31, 2016)
<b>Assets</b>		
Current assets		
Cash and deposits	4,444,489	4,174,493
Accounts receivable-trade	368,855	330,156
Merchandise	124,292	148,076
Raw materials and supplies	87,511	60,019
Other	277,048	223,050
Allowance for doubtful accounts	(10,088)	(6,924)
<b>Total current assets</b>	<b>5,292,109</b>	<b>4,928,872</b>
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	9,363,908	8,892,415
Land	1,864,602	1,852,702
Other, net	522,258	463,894
<b>Total property, plant and equipment</b>	<b>11,750,769</b>	<b>11,209,012</b>
Intangible assets	102,161	93,504
Investments and other assets	1,177,350	1,177,348
<b>Total non-current assets</b>	<b>13,030,281</b>	<b>12,479,864</b>
<b>Total assets</b>	<b>18,322,391</b>	<b>17,408,737</b>
<b>Liabilities</b>		
Current liabilities		
Accounts payable-trade	860,475	636,988
Current portion of long-term loans payable	1,187,211	1,029,811
Income taxes payable	511,552	146,368
Provision for bonuses	226,314	115,946
Other	1,378,921	1,352,721
<b>Total current liabilities</b>	<b>4,164,475</b>	<b>3,281,835</b>
Non-current liabilities		
Long-term loans payable	3,671,760	2,933,268
Net defined benefit liability	44,207	43,467
Provision for directors' retirement benefits	283,042	303,766
Provision for point card certificates	74,005	79,314
Asset retirement obligations	590,596	597,691
Other	484,533	582,793
<b>Total non-current liabilities</b>	<b>5,148,144</b>	<b>4,540,300</b>
<b>Total liabilities</b>	<b>9,312,619</b>	<b>7,822,135</b>

(Thousands of yen)

	Previous Consolidated FY (Oct. 31, 2015)	Current Consolidated FY, 3Q (Jul. 31, 2016)
<b>Net assets</b>		
Shareholders' equity		
Capital stock	350,643	351,241
Capital surplus	354,299	354,897
Retained earnings	8,334,694	8,890,455
Treasury shares	(76,199)	(53,961)
Total shareholders' equity	8,963,439	9,542,633
Accumulated other comprehensive income		
Remeasurements of defined benefit plans	46,333	43,968
Total accumulated other comprehensive income	46,333	43,968
Total net assets	9,009,772	9,586,602
Total liabilities and net assets	18,322,391	17,408,737

(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, 2014 - Jul. 31, 2015)	3Q of Current Consolidated Period (Nov. 1, 2015 - Jul. 31, 2016)
Net sales	11,812,945	12,830,110
Cost of sales	5,398,543	5,817,855
Gross profit	6,414,401	7,012,255
Selling, general and administrative expenses	5,360,784	5,497,373
Operating income	1,053,617	1,514,881
Non-operating income		
Interest income	1,840	1,882
Commission fee	5,298	6,179
Other	12,844	6,959
Total non-operating income	19,983	15,021
Non-operating expenses		
Interest expenses	25,243	21,892
Other	1,365	2,455
Total non-operating expenses	26,609	24,348
Ordinary income	1,046,992	1,505,553
Extraordinary income		
Gain on sales of non-current assets	-	437
Total extraordinary income	-	437
Extraordinary losses		
Loss on sales of non-current assets	-	4,900
Loss on retirement of non-current assets	22,969	13,227
Total extraordinary losses	22,969	18,128
Profit before income taxes	1,024,022	1,487,862
Income taxes-current	429,844	576,041
Income taxes-deferred	89,319	56,685
Total income taxes	519,163	632,727
Profit	504,858	855,135
Profit attributable to owners of parent	504,858	855,135



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

(Thousands of yen)

	3Q of Previous Consolidated Period (Nov. 1, 2014 - Jul. 31, 2015)	3Q of Current Consolidated Period (Nov. 1, 2015 - Jul. 31, 2016)
Profit	504,858	855,135
Other comprehensive income		
Remeasurements of defined benefit plans, net of tax	68,660	(2,364)
Total other comprehensive income	68,660	(2,364)
Comprehensive income	573,519	852,770
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	573,519	852,770
Comprehensive income attributable to non-controlling interests	-	-

(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.

(Segment Information, etc.)

(Segment Information)

3Q of Previous Consolidated Period (Nov. 1, 2014 - Jul. 31, 2015) and 3Q of Current Consolidated Period (Nov. 1, 2015 - Jul. 31, 2016)

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.