



Consolidated Financial Results for the Third Quarter of the Fiscal Year Ending October 31, 2015 (Japanese GAAP)

August 28, 2015

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 11, 2015

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, 2015 (Nov. 1, 2014-Jul. 31, 2015)

(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, 2015	11,812	6.2	1,053	(27.1)	1,046	(26.8)	504	(37.0)
3Q of FY ended Oct. 31, 2014	11,121	6.7	1,445	1.5	1,430	2.4	801	(19.0)

Note: Comprehensive income: 3Q of FY ending Oct. 31, 2015: 573 million yen (down 28.4%); 3Q of FY ended Oct. 31, 2014: 801 million yen (down 19.0%)

	Net Income per Share	Diluted Net Income per Share
	Yen	Yen
3Q of FY ending Oct. 31, 2015	17.33	17.31
3Q of FY ended Oct. 31, 2014	27.78	27.73

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, 2015	16,861	8,367	49.6
FY ended Oct. 31, 2014	15,862	8,078	50.9

Reference: Equity capital: 3Q of FY ending Oct. 31, 2015: 8,367 million yen; FY ended Oct. 31, 2014: 8,078 million yen

2. Dividends

	Yearly Dividends				
	1Q End	2Q End	3Q End	FY End	Annual
	Yen	Yen	Yen	Yen	Yen
FY ended Oct. 31, 2014	-	0.00	-	20.00	20.00
FY ending Oct. 31, 2015	-	0.00	-		
FY ending Oct. 31, 2015 (forecast)				10.00	10.00

Note: Revisions to the latest projected dividends: No

The Company conducted a common stock split according to a ratio of 1:2 effective on May 1, 2015. FY-end dividend forecast for FY ending Oct. 31, 2015 is calculated based on the effects of this stock split. Prior to this adjustment, the forecast was a FY-end dividend of 20.00 yen per share.

3. Consolidated financial forecast for the FY ending October 31, 2015 (Nov. 1, 2014-Oct. 31, 2015)

(Percentage figures show changes from the same period in 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	16,720	9.0	2,080	3.8	2,040	2.9	1,275	7.7	43.69

Note: Revisions to the latest projected financial results: No

Consolidated financial forecast of net income per share for the FY ending October 31, 2015 has been adjusted to reflect the common stock split according to a ratio of 1:2 effective on May 1, 2015.

*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, 2015	29,939,200 shares	FY ended Oct. 31, 2014	29,919,200 shares
2) Number of treasury shares at the end of period	689,244 shares	FY ended Oct. 31, 2014	876,744 shares
3) Average number of shares outstanding during the period (quarterly cumulative)	29,138,967 shares	3Q of FY ended Oct. 31, 2014	28,832,614 shares

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 687,500 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).

Attachments (Table of Contents)

1. Qualitative Information on Quarterly Financial Results	2
(1) Explanation of Results of Operations	2
(2) Explanation of Financial Position	2
(3) Explanation of Consolidated Forecast and Other Forward-looking Statements.....	3
2. Summary (Notes) Information.....	3
(1) Significant Changes to Subsidiaries during the Period	3
(2) Application of Specific Accounting for Preparation of Quarterly Consolidated Financial Statements	3
(3) Changes in Accounting Policies, Accounting Estimates and Restatement.....	3
(4)Additional information.....	3
3. Quarterly Consolidated Financial Statements	5
(1) Quarterly Consolidated Balance Sheet.....	5
(2) Quarterly Consolidated Statements of Income and Comprehensive Income	7
Quarterly Consolidated Statement of Income	
For the Nine-month Period	7
Quarterly Consolidated Statement of Comprehensive Income	
For the Nine-month Period	8
(3) Notes to Quarterly Consolidated Financial Statements	9
Notes on Premise of Going Concern	9
Notes on Significant Fluctuation in Amounts of Shareholders' Equity.....	9
Segment Information, etc.....	9

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, 2014 to July 31, 2015,) as the yen weakened and stock markets rose, economic recovery lifted corporate sentiment, improving capital investment and the employment situation. As a result, the economy continued to recover gradually in Japan. While the weaker yen raised expectations for improvement in earnings at export oriented companies, rising raw material prices and concerns about China-centered overseas economic downturns were among the factors contributing to ongoing uncertainties about the period ahead.

In the wedding industry, the number of weddings in 2014 declined 12,000 from the previous year at 649,000 (Ministry of Health, Labor and Welfare, 2014 Annual Estimate of Vital Statistics), but demand for guesthouse-style wedding services was stable. On the other hand, competition within the industry remains fierce because of wedding hall and hotel renovations, more intense price competition, the diversification of customer needs, and other reasons.

To provide memorable weddings in line with the IKK Group's management philosophy "to touch our customers' hearts," the Group is taking a number of actions. These measures include internal and external training programs to upgrade customer services, the analysis of operating data, and various initiatives to increase the number of customers. By taking these actions in order to meet the increasingly diverse needs of customers, the Group is aiming to increase sales and earnings.

Net sales in this period under review increased 6.2% from one year earlier to 11,812 million yen, operating income decreased 27.1% to 1,053 million yen, ordinary income decreased 26.8% to 1,046 million yen, and net income decreased 37.0% to 504 million yen.

Results by business segment are as follows:

a) Wedding Operations

The operation of La La Chance Hakata no Mori (the Fukuoka Branch), which expanded floors in September 2014, was started in the period under review, and La La Chance Hiroshima Geihinkan (the Hiroshima Branch) opened in March 2015. As a result, sales were 11,319 million yen, up 5.0% from one year earlier, but operating income decreased 28.6% to 1,074 million yen due to opening expenses and other factors.

b) Funeral Operations

Sales increased 3.6% from one year earlier to 273 million yen and operating income increased 25.0% to 43 million yen.

c) Nursing-care Operations

The Saga Branch opened in June 2014. Sales were 224 million yen compared with 74 million yen one year earlier, but there was an operating loss of 65 million yen compared with a 93 million yen loss one year earlier due to opening expenses for the Karatsu Branch, which opened in March 2015.

(2) Explanation of Financial Position

Total assets were 16,861 million yen at the end of the third quarter of the current fiscal year, 999 million yen more than at the end of the previous fiscal year. The main causes were a 934 million yen increase in property, plant and equipment due to the opening of La La Chance Hiroshima Geihinkan (the Hiroshima Branch) in March 2015.

Liabilities increased 709 million yen to 8,493 million yen. The main causes were a 238 million yen decrease in accounts payable-trade, a 410 million yen decrease in income taxes payable, and a 1,309 million yen increase in long-term loans payable.

Net assets increased 289 million yen to 8,367 million yen mainly because of an increase due to net income of 504 million yen, a 67 million yen increase in remeasurements of defined benefit plans following the change in retirement benefit plans, 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 fell by 1.3 points to 49.6%.

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

The fiscal year consolidated forecasts announced on December 12, 2014 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 Retirement Benefits)

The Company has applied the “Accounting Standard for Retirement Benefits (Accounting Standards Board of Japan (ASBJ) Statement No. 26, May 17, 2012)” and the “Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, March 26, 2015)” from the first quarter of the fiscal year, for provisions set forth in the main clauses of Paragraph 35 of the Accounting Standard for Retirement Benefits and Paragraph 67 of the Guidance on Accounting Standard for Retirement Benefits. Accordingly, the Company reviewed the methods for calculating retirement benefit obligations and service costs, and revised the method of determining the discount rate.

For the application of these accounting standards, etc. in accordance with the transitional accounting treatments set forth in Paragraph 37 of the Accounting Standard for Retirement Benefits, the adjustments associated with the change in calculation methods of retirement benefit obligations and service costs are recorded in retained earnings at the beginning of the first nine months of the current fiscal year.

The result was an increase of 12,917 thousand yen in net defined benefit liability, and a decrease of 8,347 thousand yen in retained earnings at the beginning of the first nine months of the current fiscal year. The effect of this change on operating income, ordinary income and income before income taxes and minority interests in the first nine months of the current fiscal year is insignificant.

(Application of Practical Solution on Transactions of Delivering the Company’s Own Stock to Employees, etc. through Trusts)

The Company has applied the “Practical Solution on Transactions of Delivering the Company’s Own Stock to Employees, etc. through Trusts (ASBJ Practical Issue Task Force (PITF) No. 30, March 26, 2015)” from the first quarter of the fiscal year. Accordingly, the Company records as liabilities the net amount of gain or loss on the sale of stock sold by the trust to the employee stock ownership plan and dividends paid by the Company for stock held by the trust and other expenses involving the trust. The change in this accounting standard has been applied retrospectively and the consolidated financial statements for the previous third quarter and the previous fiscal year are restated.

The change in this accounting standard caused “other” in non-current liabilities at the end of the previous fiscal year to increase 138,157 thousand yen, the capital surplus to decrease 144,487 thousand yen and retained earnings to increase 6,330 thousand yen.

(4) Additional information

(Change in the Retirement Benefit Plan)

On April 1, 2015 (date of implementation), the Company changed its retirement benefit plan which includes the switch of future obligations on defined benefit pension plan to a defined contribution pension plan, and applied the accounting treatment based on the “Guidance on Accounting Standard for Transfers between Retirement Benefit Plans” (ASBJ Guidance No. 1).

The effect of this change was to decrease net defined benefit liability by 102,312 thousand yen and increase accumulated other comprehensive income by 69,511 thousand yen in the first nine months of the current fiscal year.

(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, 2015 of the “Act for Partial Revision of the Income Tax Act, etc.” (Act No. 9 of 2015) and “Act for Partial Revision of the Local Tax Act, etc.” (Act No. 2 of 2015), corporate tax rate, etc. have been lowered for the fiscal years beginning on or after April 1, 2015. Consequently, the statutory effective tax rate for the calculation of deferred tax assets and deferred tax liabilities will be lowered from 35.38% to 32.82% for temporary differences expected to be covered for the fiscal year beginning from November 1, 2015 and to 32.06% for temporary differences expected to be covered for the fiscal year beginning from November 1, 2016.

Due to this change, there were a decrease of 65,696 thousand yen in deferred tax assets (after deducting deferred tax liabilities) and an increase of 64,990 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, 2014)	Current Consolidated FY, 3Q (Jul. 31, 2015)
Assets		
Current assets		
Cash and deposits	2,788,419	2,989,065
Accounts receivable-trade	220,639	178,701
Merchandise	132,191	147,598
Raw materials and supplies	110,635	80,671
Other	241,697	226,380
Allowance for doubtful accounts	(5,263)	(3,414)
Total current assets	3,488,319	3,619,001
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	7,742,699	9,551,717
Land	1,864,602	1,864,602
Other, net	1,466,531	592,202
Total property, plant and equipment	11,073,833	12,008,523
Intangible assets	114,570	106,581
Investments and other assets	1,185,891	1,127,558
Total non-current assets	12,374,294	13,242,662
Total assets	15,862,613	16,861,664
Liabilities		
Current liabilities		
Accounts payable-trade	826,610	587,901
Current portion of long-term loans payable	937,683	1,192,774
Income taxes payable	428,568	18,336
Provision for bonuses	214,483	118,815
Other	1,285,980	1,179,759
Total current liabilities	3,693,326	3,097,585
Non-current liabilities		
Long-term loans payable	2,908,763	3,963,079
Net defined benefit liability	120,464	36,583
Provision for directors' retirement benefits	267,393	277,631
Provision for point card certificates	65,227	69,951
Asset retirement obligations	362,521	588,269
Other	366,496	460,797
Total non-current liabilities	4,090,865	5,396,311
Total liabilities	7,784,191	8,493,897

	(Thousands of yen)	
	Previous Consolidated FY (Oct. 31, 2014)	Current Consolidated FY, 3Q (Jul. 31, 2015)
Net assets		
Shareholders' equity		
Capital stock	349,748	350,643
Capital surplus	353,404	354,299
Retained earnings	7,494,820	7,692,157
Treasury shares	(104,428)	(82,095)
Total shareholders' equity	8,093,544	8,315,005
Accumulated other comprehensive income		
Remeasurements of defined benefit plans	(15,122)	52,761
Total accumulated other comprehensive income	(15,122)	52,761
Total net assets	8,078,422	8,367,767
Total liabilities and net assets	15,862,613	16,861,664

(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, 2013- Jul. 31, 2014)	3Q of Current Consolidated Period (Nov. 1, 2014- Jul. 31, 2015)
Net sales	11,121,447	11,812,945
Cost of sales	4,978,249	5,398,543
Gross profit	6,143,197	6,414,401
Selling, general and administrative expenses	4,698,134	5,360,784
Operating income	1,445,062	1,053,617
Non-operating income		
Interest income	1,933	1,840
Commission fee	5,533	5,298
Insurance income	680	11,195
Other	3,444	1,649
Total non-operating income	11,591	19,983
Non-operating expenses		
Interest expenses	20,054	25,243
Other	5,621	1,365
Total non-operating expenses	25,675	26,609
Ordinary income	1,430,978	1,046,992
Extraordinary income		
Compensation income	73,856	-
Total extraordinary income	73,856	-
Extraordinary losses		
Loss on retirement of non-current assets	4,346	22,969
Total extraordinary losses	4,346	22,969
Income before income taxes and minority interests	1,500,489	1,024,022
Income taxes-current	624,415	429,844
Income taxes-deferred	75,041	89,319
Total income taxes	699,456	519,163
Income before minority interests	801,032	504,858
Net income	801,032	504,858

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

(Thousands of yen)

	3Q of Previous Consolidated Period (Nov. 1, 2013- Jul. 31, 2014)	3Q of Current Consolidated Period (Nov. 1, 2014- Jul. 31, 2015)
Income before minority interests	801,032	504,858
Other comprehensive income		
Remeasurements of defined benefit plans, net of tax	-	68,660
Total other comprehensive income	-	68,660
Comprehensive income	801,032	573,519
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	801,032	573,519
Comprehensive income attributable to minority 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, 2013- Jul. 31, 2014) and 3Q of Current Consolidated Period (Nov. 1, 2014- Jul. 31, 2015)

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.