



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

May 30, 2016

Listed on: First Section of the Tokyo Stock Exchange

Name of Listed Company: IKK Inc.

Securities code: 2198

URL: <http://www.ikk-grp.jp/>

Representative: Katsushi Kaneko, President and Representative Director

Contact: Akira Toda, Managing Director

TEL: +81-92-937-7030

Scheduled date of filing quarterly financial report: June 13, 2016

Scheduled date of start dividends distribution: -

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

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, 2016 (Nov. 1, 2015 - Apr. 30, 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	%
2Q of FY ending Oct. 31, 2016	8,219	12.3	803	98.0	796	96.5	434	206.7
2Q of FY ended Oct. 31, 2015	7,322	(0.6)	405	(59.4)	405	(59.0)	141	(74.5)

Note: Comprehensive income: 2Q of FY ending Oct. 31, 2016: 433 million yen (up 104.8%); 2Q of FY ended Oct. 31, 2015: 211 million yen (down 62.0%)

	Net Income per Share	Diluted Net Income per Share
	Yen	Yen
2Q of FY ending Oct. 31, 2016	14.80	14.79
2Q of FY ended Oct. 31, 2015	4.87	4.86

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	%
2Q of FY ending Oct. 31, 2016	17,689	9,158	51.8
FY ended Oct. 31, 2015	18,322	9,009	49.2

Reference: Equity capital: 2Q of FY ending Oct. 31, 2016: 9,158 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)

2Q of FY ending Oct. 31, 2016	29,939,200 shares	FY ended Oct. 31, 2015	29,939,200 shares
2) Number of treasury shares at the end of period	518,544 shares	FY ended Oct. 31, 2015	639,744 shares
3) Average number of shares outstanding during the period (quarterly cumulative)	29,363,455 shares	2Q of FY ended Oct. 31, 2015	29,097,475 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 516,800 shares held in employee stock holdings trust at the end of the second 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 .....	4
(1) Quarterly Consolidated Balance Sheet .....	4
(2) Quarterly Consolidated Statements of Income and Comprehensive Income .....	6
Quarterly Consolidated Statement of Income	
For the Six-month Period .....	6
Quarterly Consolidated Statement of Comprehensive Income	
For the Six-month Period .....	7
(3) Quarterly Consolidated Statement of Cash Flows .....	8
(4) 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 half of the current consolidated fiscal year (November 1, 2015 to April 30, 2016,) the Japanese economy continued to recover because of growth in jobs and personal income. However, economic growth is slowing in China and other emerging countries, the yen has appreciated rapidly since the beginning of 2016 and stock prices in Japan have declined. As a result, there is increasing uncertainty about the outlook due to sluggish corporate earnings and 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 half, 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 12.3% from one year earlier to 8,219 million yen, operating income increased 98.0% to 803 million yen, ordinary income increased 96.5% to 796 million yen, and profit attributable to owners of parent increased 206.7% to 434 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 7,895 million yen, up 12.8% from one year earlier and operating income increased 96.0% to 809 million yen.

#### b) Funeral Operations

Sales decreased 38.4% from one year earlier to 114 million yen and there was an operating loss of 12 million yen compared with a 33 million yen income one year earlier.

#### c) Nursing-care Operations

Sales increased 53.5% from one year earlier to 211 million yen and there was an operating income of 4 million yen compared with a 41 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 17,689 million yen at the end of the second quarter of the current fiscal year, 632 million yen less than at the end of the previous fiscal year. The main causes were a 347 million yen decrease in cash and deposits and a 345 million yen decrease in property, plant and equipment.

Liabilities decreased 781 million yen to 8,531 million yen. The main causes were a 201 million yen decrease in accounts payable-trade and a 601 million yen decrease in long-term loans payable.

Net assets increased 148 million yen to 9,158 million yen mainly because of an increase due to profit attributable to owners of parent of 434 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 2.6 points to 51.8%.

(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 half of the previous fiscal year have been revised.

(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 30,615 thousand yen in deferred tax assets (after deducting deferred tax liabilities) and an increase of 31,713 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, 2Q (Apr. 30, 2016)
<b>Assets</b>		
Current assets		
Cash and deposits	4,444,489	4,096,735
Accounts receivable-trade	368,855	399,298
Merchandise	124,292	144,450
Raw materials and supplies	87,511	105,186
Other	277,048	285,485
Allowance for doubtful accounts	(10,088)	(9,819)
<b>Total current assets</b>	<b>5,292,109</b>	<b>5,021,336</b>
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	9,363,908	9,051,617
Land	1,864,602	1,852,702
Other, net	522,258	500,464
<b>Total property, plant and equipment</b>	<b>11,750,769</b>	<b>11,404,785</b>
Intangible assets	102,161	95,702
Investments and other assets	1,177,350	1,167,958
<b>Total non-current assets</b>	<b>13,030,281</b>	<b>12,668,445</b>
<b>Total assets</b>	<b>18,322,391</b>	<b>17,689,782</b>
<b>Liabilities</b>		
Current liabilities		
Accounts payable-trade	860,475	659,430
Current portion of long-term loans payable	1,187,211	1,070,106
Income taxes payable	511,552	354,398
Provision for bonuses	226,314	237,843
Other	1,378,921	1,455,813
<b>Total current liabilities</b>	<b>4,164,475</b>	<b>3,777,590</b>
Non-current liabilities		
Long-term loans payable	3,671,760	3,187,437
Net defined benefit liability	44,207	43,611
Provision for directors' retirement benefits	283,042	298,187
Provision for point card certificates	74,005	77,505
Asset retirement obligations	590,596	595,326
Other	484,533	551,873
<b>Total non-current liabilities</b>	<b>5,148,144</b>	<b>4,753,940</b>
<b>Total liabilities</b>	<b>9,312,619</b>	<b>8,531,531</b>

	(Thousands of yen)	
	Previous Consolidated FY (Oct. 31, 2015)	Current Consolidated FY, 2Q (Apr. 30, 2016)
<b>Net assets</b>		
Shareholders' equity		
Capital stock	350,643	350,643
Capital surplus	354,299	354,299
Retained earnings	8,334,694	8,469,948
Treasury shares	(76,199)	(61,763)
<b>Total shareholders' equity</b>	<b>8,963,439</b>	<b>9,113,128</b>
Accumulated other comprehensive income		
Remeasurements of defined benefit plans	46,333	45,122
<b>Total accumulated other comprehensive income</b>	<b>46,333</b>	<b>45,122</b>
<b>Total net assets</b>	<b>9,009,772</b>	<b>9,158,251</b>
<b>Total liabilities and net assets</b>	<b>18,322,391</b>	<b>17,689,782</b>

(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, 2014 - Apr. 30, 2015)	2Q of Current Consolidated Period (Nov. 1, 2015 - Apr. 30, 2016)
Net sales	7,322,276	8,219,357
Cost of sales	3,367,915	3,755,723
Gross profit	3,954,360	4,463,634
Selling, general and administrative expenses	3,548,657	3,660,321
Operating income	405,703	803,312
Non-operating income		
Interest income	1,328	1,394
Commission fee	3,454	3,479
Other	11,748	4,594
Total non-operating income	16,531	9,468
Non-operating expenses		
Interest expenses	16,132	15,171
Other	1,083	1,577
Total non-operating expenses	17,215	16,748
Ordinary income	405,019	796,031
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	21,710	9,654
Total extraordinary losses	21,710	14,555
Profit before income taxes	383,308	781,913
Income taxes-current	190,121	336,144
Income taxes-deferred	51,483	11,141
Total income taxes	241,604	347,285
Profit	141,704	434,628
Profit attributable to owners of parent	141,704	434,628



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

(Thousands of yen)

	2Q of Previous Consolidated Period (Nov. 1, 2014 - Apr. 30, 2015)	2Q of Current Consolidated Period (Nov. 1, 2015 - Apr. 30, 2016)
Profit	141,704	434,628
Other comprehensive income		
Remeasurements of defined benefit plans, net of tax	69,899	(1,210)
Total other comprehensive income	69,899	(1,210)
Comprehensive income	211,603	433,417
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	211,603	433,417
Comprehensive income attributable to non-controlling interests	-	-

## (3) Quarterly Consolidated Statement of Cash Flows

	(Thousands of yen)	
	2Q of Previous Consolidated Period (Nov. 1, 2014 - Apr. 30, 2015)	2Q of Current Consolidated Period (Nov. 1, 2015 - Apr. 30, 2016)
<b>Cash flows from operating activities</b>		
Profit before income taxes	383,308	781,913
Depreciation	533,436	539,490
Increase (decrease) in allowance for doubtful accounts	1,332	(3,781)
Increase (decrease) in provision for bonuses	3,888	11,529
Increase (decrease) in net defined benefit liability	6,110	(3,914)
Increase (decrease) in provision for directors' retirement benefits	4,827	15,145
Increase (decrease) in provision for point card certificates	3,123	3,500
Gain on sales of non-current assets	-	(437)
Loss on sales of non-current assets	-	4,900
Loss on retirement of non-current assets	21,710	9,654
Interest income	(1,328)	(1,394)
Interest expenses	16,132	15,171
Commission for syndicate loan	499	499
Decrease (increase) in notes and accounts receivable-trade	(63,531)	(26,939)
Decrease (increase) in inventories	(14,649)	(37,832)
Increase (decrease) in notes and accounts payable-trade	(163,615)	(201,045)
Other, net	(37,573)	70,817
<b>Subtotal</b>	<b>693,672</b>	<b>1,177,276</b>
Interest income received	285	400
Interest expenses paid	(17,173)	(15,177)
Income taxes refund	2	50
Income taxes paid	(416,241)	(500,818)
<b>Net cash provided by (used in) operating activities</b>	<b>260,544</b>	<b>661,730</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(1,498,907)	(190,531)
Proceeds from sales of property, plant and equipment	-	8,200
Purchase of intangible assets	(5,306)	(2,697)
Other, net	(4,298)	2,437
<b>Net cash provided by (used in) investing activities</b>	<b>(1,508,512)</b>	<b>(182,591)</b>
<b>Cash flows from financing activities</b>		
Proceeds from long-term loans payable	2,100,000	-
Repayments of long-term loans payable	(478,807)	(601,428)
Proceeds from sales of treasury shares	66,739	74,397
Cash dividends paid	(298,344)	(299,304)
Other, net	(393)	(407)
<b>Net cash provided by (used in) financing activities</b>	<b>1,389,194</b>	<b>(826,741)</b>
Effect of exchange rate change on cash and cash equivalents	-	(151)
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>141,226</b>	<b>(347,754)</b>
Cash and cash equivalents at beginning of period	2,788,419	4,444,489
<b>Cash and cash equivalents at end of period</b>	<b>2,929,645</b>	<b>4,096,735</b>

(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.

(Segment Information, etc.)

(Segment Information)

2Q of Previous Consolidated Period (Nov. 1, 2014 - Apr. 30, 2015) and 2Q of Current Consolidated Period (Nov. 1, 2015 - Apr. 30, 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.