



## Consolidated Financial Results for the First Quarter of the Fiscal Year Ending October 31, 2017 (Japanese GAAP)

March 2, 2017

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: Masaki Matsumoto, Managing Director

TEL: +81-92-937-7030

Scheduled date of filing quarterly financial report: March 16, 2017

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 first quarter of the FY ending October 31, 2017 (Nov. 1, 2016 - Jan. 31, 2017)

(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	%
1Q of FY ending Oct. 31, 2017	4,211	4.7	380	(8.3)	380	(8.1)	253	(2.7)
1Q of FY ended Oct. 31, 2016	4,020	9.4	415	8.6	413	6.5	260	11.5

Note: Comprehensive income: 1Q of FY ending Oct. 31, 2017: 252 million yen (down 2.7%); 1Q of FY ended Oct. 31, 2016: 259 million yen (up 10.8%)

	Net Income per Share		Diluted Net Income per Share	
	Yen		Yen	
1Q of FY ending Oct. 31, 2017	8.60		8.60	
1Q of FY ended Oct. 31, 2016	8.88		8.87	

(2) Consolidated financial position

	Total Assets		Net Assets		Equity Ratio	
	Millions of yen		Millions of yen		%	
1Q of FY ending Oct. 31, 2017	17,193		9,560		55.6	
FY ended Oct. 31, 2016	18,582		10,070		54.2	

Reference: Equity capital: 1Q of FY ending Oct. 31, 2017: 9,560 million yen; FY ended Oct. 31, 2016: 10,070 million yen

### 2. Dividends

	Yearly Dividends				
	1Q End	2Q End	3Q End	FY End	Annual
	Yen	Yen	Yen	Yen	Yen
FY ended Oct. 31, 2016	-	0.00	-	12.00	12.00
FY ending Oct. 31, 2017	-				
FY ending Oct. 31, 2017 (forecast)		0.00	-	12.00	12.00

Note: Revisions to the latest projected dividends: No

Breakdown of the FY ended October 31, 2016 dividend: Ordinary dividend: 10.00 yen; Commemorative dividend: 2.00 yen

### 3. Consolidated financial forecast for the FY ending October 31, 2017 (Nov. 1, 2016 - Oct. 31, 2017)

(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
2Q (cumulative)	8,380	2.0	665	(17.2)	655	(17.7)	605	39.2	20.70
Full year	17,940	0.2	1,900	(12.7)	1,885	(13.0)	1,390	3.6	47.58

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.: No

2) Changes in accounting policies 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)

1Q of FY ending Oct. 31, 2017	29,949,600 shares	FY ended Oct. 31, 2016	29,949,600 shares
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2) Number of treasury shares at the end of period

1Q of FY ending Oct. 31, 2017	663,744 shares	FY ended Oct. 31, 2016	409,144 shares
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3) Average number of shares outstanding during the period (quarterly cumulative)

1Q of FY ending Oct. 31, 2017	29,448,731 shares	1Q of FY ended Oct. 31, 2016	29,331,159 shares
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Note: The Board of Directors of the Company approved a resolution on December 22, 2016 to reintroduce the Trust-Type Employee Stock Ownership Incentive Plan. Figures for treasury shares include 662,000 shares of the IKK stock held by the IKK Employee Stock Ownership Association Exclusive Trust at the end of the first quarter of the current fiscal year.

\* Quarterly review procedures 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 3).

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## 1. Qualitative Information on Quarterly Financial Results

### (1) Explanation of Results of Operations

In the first three months of the current consolidated fiscal year (November 1, 2016 to January 31, 2017), corporate earnings, employment and personal income remained robust as the yen weakened and stock prices rallied on expectations of fresh economic initiatives by the new U. S. administration and an interest rate hike in the U. S. at the end of 2016. However, outlook for the economy remained clouded because the direction the new U. S. administration is likely to take is difficult to ascertain and the uncertain economies policies of emerging Asian countries, including China.

In the wedding industry, the number of weddings in Japan in 2016 was 621,000 (Ministry of Health, Labour and Welfare, 2016 Annual Estimate of Vital Statistics), down 14,000 from 2015. 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, 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.

As a result, net sales in this period under review increased 4.7% from one year earlier to 4,211 million yen, operating income decreased 8.3% to 380 million yen, ordinary income decreased 8.1% to 380 million yen, and profit attributable to owners of parent decreased 2.7% to 253 million yen.

Results by business segment are as follows:

#### a) Wedding Operations

Although the number of weddings at existing locations increased, earnings were affected by higher personnel expenses and other expenses. As a result, sales were 4,031 million yen, up 4.6% from one year earlier and operating income decreased 11.2% to 370 million yen.

#### b) Funeral Operations

Sales increased 5.6% from one year earlier to 67 million yen and there was an operating income of 0.6 million yen compared with a 3 million yen loss one year earlier.

#### c) Nursing-care Operations

Sales increased 9.3% from one year earlier to 113 million yen and there was an operating income of 8 million yen compared with 0.4 million yen income one year earlier. The occupancy rate was more than 90% at all three nursing-care facilities.

### (2) Explanation of Financial Position

Total assets were 17,193 million yen at the end of the first quarter of the current fiscal year, 1,389 million yen less than at the end of the previous fiscal year. The main cause was a 1,717 million yen decrease in cash and deposits.

Liabilities decreased 879 million yen to 7,632 million yen. The main causes were a 472 million yen decrease in accounts payable-trade and a 291 million yen decrease in income taxes payable.

Net assets decreased 510 million yen to 9,560 million yen mainly because of an increase due to profit attributable to owners of parent of 253 million yen, a decrease due to dividends from surplus of 359 million yen and a net increase in treasury shares of 402 million yen as the reintroduced Trust-Type Employee Stock Ownership Incentive Plan conducted purchase and disposal of treasury shares. As a result, compared with the end of the previous fiscal year, the equity ratio rose by 1.4 point to 55.6%.

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

The first half and fiscal year consolidated forecasts announced on December 12, 2016 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

No related information.

(4) Additional Information

(Application of the “Implementation Guidance on Recoverability of Deferred Tax Assets”)

The Company has adopted the “Implementation Guidance on Recoverability of Deferred Tax Assets” (Accounting Standards Board of Japan (ASBJ) Guidance No. 26, March 28, 2016) from the first quarter of the current fiscal year.

### 3. Quarterly Consolidated Financial Statements

#### (1) Quarterly Consolidated Balance Sheet

(Thousands of yen)

	Previous Consolidated FY (Oct. 31, 2016)	Current Consolidated FY, 1Q (Jan. 31, 2017)
<b>Assets</b>		
Current assets		
Cash and deposits	5,372,713	3,655,481
Accounts receivable-trade	441,885	281,266
Merchandise	133,182	133,529
Raw materials and supplies	79,910	85,090
Other	285,514	279,290
Allowance for doubtful accounts	(8,862)	(5,273)
<b>Total current assets</b>	<b>6,304,344</b>	<b>4,429,385</b>
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	8,696,604	8,538,118
Land	1,852,702	1,973,734
Other, net	443,698	552,275
<b>Total property, plant and equipment</b>	<b>10,993,005</b>	<b>11,064,128</b>
Intangible assets	96,305	91,996
Investments and other assets	1,189,304	1,607,833
<b>Total non-current assets</b>	<b>12,278,615</b>	<b>12,763,958</b>
<b>Total assets</b>	<b>18,582,960</b>	<b>17,193,343</b>
<b>Liabilities</b>		
Current liabilities		
Accounts payable-trade	897,678	425,430
Current portion of long-term loans payable	968,656	896,656
Income taxes payable	374,246	82,986
Provision for bonuses	241,881	124,305
Other	1,684,469	1,240,713
<b>Total current liabilities</b>	<b>4,166,931</b>	<b>2,770,091</b>
Non-current liabilities		
Long-term loans payable	2,703,104	2,988,940
Net defined benefit liability	51,655	50,892
Provision for directors' retirement benefits	309,347	292,484
Provision for point card certificates	80,980	82,449
Asset retirement obligations	600,056	581,371
Other	599,985	866,242
<b>Total non-current liabilities</b>	<b>4,345,128</b>	<b>4,862,379</b>
<b>Total liabilities</b>	<b>8,512,059</b>	<b>7,632,470</b>

(Thousands of yen)

	Previous Consolidated FY (Oct. 31, 2016)	Current Consolidated FY, 1Q (Jan. 31, 2017)
<b>Net assets</b>		
Shareholders' equity		
Capital stock	351,241	351,241
Capital surplus	354,897	354,897
Retained earnings	9,376,473	9,270,411
Treasury shares	(48,732)	(451,689)
Total shareholders' equity	10,033,880	9,524,861
Accumulated other comprehensive income		
Remeasurements of defined benefit plans	37,020	36,010
Total accumulated other comprehensive income	37,020	36,010
Total net assets	10,070,900	9,560,872
Total liabilities and net assets	18,582,960	17,193,343

(2) Quarterly Consolidated Statements of Income and Comprehensive Income  
 (Quarterly Consolidated Statement of Income)  
 (For the Three-month Period)

	1Q of Previous Consolidated Period (Nov. 1, 2015 - Jan. 31, 2016)	1Q of Current Consolidated Period (Nov. 1, 2016 - Jan. 31, 2017)
Net sales	4,020,488	4,211,002
Cost of sales	1,854,739	1,954,797
Gross profit	2,165,748	2,256,205
Selling, general and administrative expenses	1,750,602	1,875,570
Operating income	415,146	380,634
Non-operating income		
Interest income	500	475
Commission fee	3,270	2,041
Insurance income	847	3,349
Other	2,653	3,212
Total non-operating income	7,271	9,078
Non-operating expenses		
Interest expenses	7,956	5,746
Foreign exchange losses	0	3,264
Other	843	591
Total non-operating expenses	8,801	9,601
Ordinary income	413,616	380,110
Extraordinary income		
Reversal of asset retirement obligations	-	13,320
Total extraordinary income	-	13,320
Extraordinary losses		
Loss on retirement of non-current assets	3,357	12,746
Total extraordinary losses	3,357	12,746
Profit before income taxes	410,258	380,684
Income taxes-current	100,672	70,490
Income taxes-deferred	49,244	56,881
Total income taxes	149,917	127,371
Profit	260,341	253,312
Profit attributable to owners of parent	260,341	253,312



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

(Thousands of yen)

	1Q of Previous Consolidated Period (Nov. 1, 2015 - Jan. 31, 2016)	1Q of Current Consolidated Period (Nov. 1, 2016 - Jan. 31, 2017)
Profit	260,341	253,312
Other comprehensive income		
Remeasurements of defined benefit plans, net of tax	(1,127)	(1,009)
Total other comprehensive income	(1,127)	(1,009)
Comprehensive income	259,213	252,303
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	259,213	252,303
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)

1Q of Previous Consolidated Period (Nov. 1, 2015 - Jan. 31, 2016) and 1Q of Current Consolidated Period (Nov. 1, 2016 - Jan. 31, 2017)

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.