



## Consolidated Financial Results for the First Quarter of the Fiscal Year Ending October 31, 2020 (Japanese GAAP)

February 28, 2020

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: March 13, 2020

Scheduled date of starting 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, 2020 (Nov. 1, 2019 - Jan. 31, 2020)

#### (1) Consolidated operating results (cumulative)

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

	Net Sales		Operating Profit		Ordinary Profit		Profit Attributable to Owners of Parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
1Q of FY ending Oct. 31, 2020	4,246	2.2	7	(88.4)	14	(80.5)	(1)	-
1Q of FY ended Oct. 31, 2019	4,156	0.4	66	18.3	71	14.5	47	50.9

Note: Comprehensive income: 1Q of FY ending Oct. 31, 2020: 1 million yen (down 96.9%); 1Q of FY ended Oct. 31, 2019: 35 million yen (up 3.8%)

	Net Income per Share		Diluted Net Income per Share	
	Yen		Yen	
1Q of FY ending Oct. 31, 2020	(0.04)		-	
1Q of FY ended Oct. 31, 2019	1.60		-	

#### (2) Consolidated financial position

	Total Assets	Net Assets	Equity Ratio
	Millions of yen	Millions of yen	%
1Q of FY ending Oct. 31, 2020	19,958	12,529	62.6
FY ended Oct. 31, 2019	21,539	12,916	59.8

Reference: Equity capital: 1Q of FY ending Oct. 31, 2020: 12,488 million yen; FY ended Oct. 31, 2019: 12,879 million yen

### 2. Dividends

	Dividends per share				
	1Q End	2Q End	3Q End	FY End	Annual
	Yen	Yen	Yen	Yen	Yen
FY ended Oct. 31, 2019	-	0.00	-	12.00	12.00
FY ending Oct. 31, 2020	-				
FY ending Oct. 31, 2020 (forecast)		0.00	-	12.00	12.00

Note: Revisions to the latest projected dividends: No

### 3. Consolidated financial forecast for the FY ending October 31, 2020 (Nov. 1, 2019 - Oct. 31, 2020)

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

	Net Sales		Operating Profit		Ordinary Profit		Profit Attributable to Owners of Parent		Net Income per Share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
First half	9,260	2.5	260	(37.8)	270	(37.1)	180	(36.0)	6.03
Full year	21,680	7.4	2,200	13.9	2,220	13.5	1,430	5.9	48.20

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)

2) Number of treasury shares at the end of period

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

1Q of FY ending Oct. 31, 2020	29,956,800 shares	FY ended Oct. 31, 2019	29,956,800 shares
1Q of FY ending Oct. 31, 2020	212,144 shares	FY ended Oct. 31, 2019	172,044 shares
1Q of FY ending Oct. 31, 2020	29,762,140 shares	1Q of FY ended Oct. 31, 2019	29,618,266 shares

Note: Figures for treasury shares include 120,400 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.

\* The current quarterly financial report is not subject to audit by certified public accountants or auditing firms.

\* 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 are not a guarantee of results by IKK. Actual results may vary substantially due to a variety of reasons. For notes and other cautionary statements related to assumptions behind and use of forecasts, please see "1. Qualitative Information on Quarterly Financial Results; (3) Explanation of Consolidated Forecast and Other Forward-looking Statements" (attachments, page 2).

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 .....	2
2. Quarterly Consolidated Financial Statements and Notes .....	3
(1) Quarterly Consolidated Balance Sheet .....	3
(2) Quarterly Consolidated Statements of Income and Comprehensive Income .....	5
Quarterly Consolidated Statement of Income	
For the Three-month Period .....	5
Quarterly Consolidated Statement of Comprehensive Income	
For the Three-month Period .....	6
(3) Notes to Quarterly Consolidated Financial Statements .....	7
Notes on Premise of Going Concern .....	7
Notes on Significant Fluctuation in Amounts of Shareholders' Equity .....	7

## 1. Qualitative Information on Quarterly Financial Results

### (1) Explanation of Results of Operations

In the first quarter of the current fiscal year (November 1, 2019 to January 31, 2020), Japan's economy was supported by slow increases in jobs and personal income and there were signs of an upturn in consumer sentiment. However, there were changes in demand associated with the October 2019 consumption tax hike. Despite these generally positive trends, the risk of a downturn in the Japanese economy is increasing. The main reason is uncertainty about how the overseas economies will be affected by U.S.-China trade friction, Brexit, events in the Middle East and the global spread of COVID-19.

In the wedding industry, the number of weddings in Japan in 2019 was 580,000 (Ministry of Health, Labour and Welfare, 2019 Annual Estimate of Vital Statistics), down 3,000 from 2018. 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.

During the first quarter, as perceptions of the value of weddings continue to diversify in Japan, 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 many initiatives at wedding facilities to attract more customers. One major initiative is strengthening our information collection and analysis skills that use our own sales support system as well as digital marketing, which is a way to identify customer needs that are not readily visible.

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 for receiving new customer referrals from current customers. All these actions are aimed at sales and earnings growth.

First quarter net sales increased 2.2% from one year earlier to 4,246 million yen, operating profit decreased 88.4% to 7 million yen, ordinary profit decreased 80.5% to 14 million yen, and loss attributable to owners of parent was 1 million yen compared with a 47 million yen profit one year earlier.

Results by business segment are as follows:

#### a) Wedding Operations

The performance of this segment benefited from contribution from start of operations at La La Chance KOBE (Kobe Branch), which opened in July 2019. However, the number of weddings at existing locations decreased. As a result, sales increased 4.1% from one year earlier to 4,116 million yen. Operating loss was 1 million yen compared with a 55 million yen profit one year earlier mainly due to higher personnel expenses and expenses for opening La La Chance Garden TOKYO BAY (Tokyo Branch).

#### b) Nursing-care Operations

Sales increased 2.9% from one year earlier to 130 million yen and operating profit increased 25.0% to 8 million yen.

### (2) Explanation of Financial Position

Total assets were 19,958 million yen at the end of the first quarter of the current fiscal year, 1,581 million yen less than at the end of the previous fiscal year. The main causes were decreases in cash and deposits of 1,377 million yen and accounts receivable-trade of 96 million yen.

Liabilities decreased 1,193 million yen to 7,428 million yen. The main causes were decreases in accounts payable-trade of 445 million yen, long-term borrowings of 255 million yen and income taxes payable of 311 million yen.

Net assets decreased 387 million yen to 12,529 million yen. The main cause was a decrease due to dividends from surplus of 359 million yen. As a result, compared with the end of the previous fiscal year, the equity ratio rose by 2.8 percentage points to 62.6%.

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

The first half and fiscal year consolidated forecasts announced on December 13, 2019 remain unchanged.

## 2. Quarterly Consolidated Financial Statements and Notes

### (1) Quarterly Consolidated Balance Sheet

(Thousands of yen)

	Previous Consolidated FY (Oct. 31, 2019)	Current Consolidated FY, 1Q (Jan. 31, 2020)
<b>Assets</b>		
Current assets		
Cash and deposits	5,145,870	3,768,039
Accounts receivable-trade	303,837	206,853
Merchandise	168,047	181,432
Raw materials and supplies	120,551	98,432
Other	279,154	290,814
Allowance for doubtful accounts	(2,899)	(3,125)
<b>Total current assets</b>	<b>6,014,563</b>	<b>4,542,446</b>
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	9,690,714	9,554,270
Land	1,973,734	1,973,734
Other, net	430,011	480,077
<b>Total property, plant and equipment</b>	<b>12,094,460</b>	<b>12,008,082</b>
Intangible assets	157,602	153,005
Investments and other assets	3,273,083	3,254,512
<b>Total non-current assets</b>	<b>15,525,146</b>	<b>15,415,601</b>
<b>Total assets</b>	<b>21,539,709</b>	<b>19,958,048</b>
<b>Liabilities</b>		
Current liabilities		
Accounts payable-trade	936,604	491,341
Current portion of long-term borrowings	1,072,671	1,047,539
Income taxes payable	332,252	20,537
Provision for bonuses	275,990	136,932
Other	1,777,068	1,764,112
<b>Total current liabilities</b>	<b>4,394,587</b>	<b>3,460,463</b>
Non-current liabilities		
Long-term borrowings	2,703,109	2,472,453
Retirement benefit liability	39,224	39,192
Provision for point card certificates	16,118	16,309
Asset retirement obligations	924,789	927,486
Other	544,930	513,046
<b>Total non-current liabilities</b>	<b>4,228,171</b>	<b>3,968,487</b>
<b>Total liabilities</b>	<b>8,622,759</b>	<b>7,428,950</b>

(Thousands of yen)

	Previous Consolidated FY (Oct. 31, 2019)	Current Consolidated FY, 1Q (Jan. 31, 2020)
<b>Net assets</b>		
Shareholders' equity		
Share capital	351,655	351,655
Capital surplus	355,311	355,311
Retained earnings	12,289,849	11,929,330
Treasury shares	(116,350)	(145,858)
Total shareholders' equity	12,880,466	12,490,439
Accumulated other comprehensive income		
Remeasurements of defined benefit plans	26,011	24,896
Foreign currency translation adjustment	(27,329)	(27,329)
Total accumulated other comprehensive income	(1,317)	(2,432)
Non-controlling interests	37,800	41,091
Total net assets	12,916,950	12,529,097
Total liabilities and net assets	21,539,709	19,958,048

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

(Thousands of yen)

	IQ of Previous Consolidated Period (Nov. 1, 2018 - Jan. 31, 2019)	IQ of Current Consolidated Period (Nov. 1, 2019 - Jan. 31, 2020)
Net sales	4,156,586	4,246,515
Cost of sales	1,927,678	1,947,415
Gross profit	2,228,907	2,299,100
Selling, general and administrative expenses	2,162,859	2,291,462
Operating profit	66,047	7,638
Non-operating income		
Interest income	4,830	5,814
Guarantee commission received	3,583	3,583
Other	3,988	3,434
Total non-operating income	12,403	12,832
Non-operating expenses		
Interest expenses	4,830	4,549
Other	1,791	1,908
Total non-operating expenses	6,622	6,458
Ordinary profit	71,828	14,013
Extraordinary losses		
Loss on retirement of non-current assets	2,822	10,054
Total extraordinary losses	2,822	10,054
Profit before income taxes	69,005	3,958
Income taxes-current	2,965	9,085
Income taxes-deferred	16,927	(7,363)
Total income taxes	19,893	1,721
Profit	49,111	2,236
Profit attributable to non-controlling interests	1,790	3,294
Profit (loss) attributable to owners of parent	47,320	(1,058)

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

(Thousands of yen)

	1Q of Previous Consolidated Period (Nov. 1, 2018 - Jan. 31, 2019)	1Q of Current Consolidated Period (Nov. 1, 2019 - Jan. 31, 2020)
Profit	49,111	2,236
Other comprehensive income		
Remeasurements of defined benefit plans, net of tax	(989)	(1,120)
Foreign currency translation adjustment	(12,504)	(0)
Total other comprehensive income	(13,494)	(1,120)
Comprehensive income	35,617	1,116
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	35,072	(2,173)
Comprehensive income attributable to non-controlling interests	544	3,290



(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.