



## Consolidated Financial Results for the Fiscal Year Ended October 31, 2016 (Japanese GAAP)

December 12, 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 Annual General Meeting of Stockholders: January 30, 2017

Scheduled date of starting dividends distribution: January 31, 2017

Scheduled date of filing securities report: January 30, 2017

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

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 FY ended October 31, 2016 (Nov. 1, 2015 - Oct. 31, 2016)

#### (1) Consolidated operating results

(Percentage figures for sales and incomes show changes from 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	%
FY ended Oct. 31, 2016	17,911	5.5	2,176	3.3	2,166	3.4	1,341	16.9
FY ended Oct. 31, 2015	16,978	10.6	2,106	5.2	2,094	5.6	1,147	(3.1)

Note: Comprehensive income: FY ended Oct. 31, 2016: 1,331 million yen (up 10.2%); FY ended Oct. 31, 2015: 1,208 million yen (up 2.1%)

	Net Income per Share	Diluted Net Income per Share	ROE	Ordinary Income to Total Assets	Operating Income to Net Sales
	Yen	Yen	%	%	%
FY ended Oct. 31, 2016	45.58	45.56	14.1	11.7	12.2
FY ended Oct. 31, 2015	39.33	39.30	13.4	12.3	12.4

Reference: Equity in earnings of affiliated companies: FY ended Oct. 31, 2016: - million yen; FY ended Oct. 31, 2015: - million yen

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	Net Assets per Share
	Millions of yen	Millions of yen	%	Yen
FY ended Oct. 31, 2016	18,582	10,070	54.2	340.92
FY ended Oct. 31, 2015	18,322	9,009	49.2	307.51

Reference: Equity capital: FY ended Oct. 31, 2016: 10,070 million yen; FY ended Oct. 31, 2015: 9,009 million yen

Note: The Company conducted a common stock split according to a ratio of 1:2 effective on May 1, 2015. Net assets per share is calculated as if this stock split had taken place at the beginning of the previous fiscal year.

#### (3) Consolidated cash flows

	Cash Flows from Operating Activities	Cash Flows from Investing Activities	Cash Flows from Financing Activities	Cash and Cash Equivalents at the End of the Year
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
FY ended Oct. 31, 2016	2,599	(323)	(1,347)	5,372
FY ended Oct. 31, 2015	2,523	(1,714)	847	4,444

### 2. Dividends

	Yearly Dividends					Total Amount of Cash Dividends	Dividends Payout Ratio (Consolidated)	Dividends on Net Assets (Consolidated)
	1Q End	2Q End	3Q End	FY End	Annual			
FY ended Oct. 31, 2015	-	0.00	-	10.00	10.00	299	25.4	3.4
FY ended Oct. 31, 2016	-	0.00	-	12.00	12.00	359	26.3	3.7
FY ending Oct. 31, 2017 (forecast)	-	0.00	-	12.00	12.00		25.2	

Notes: 1. The Company conducted a common stock split according to a ratio of 1:2 effective on May 1, 2015.

2. 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

\*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) 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, please see “4. Consolidated Financial Statements; (5) Notes to Consolidated Financial Statements, “Changes in Accounting Policies” (attachments, page 17).

(3) Number of shares issued (common stock)

1) Number of shares issued at the end of period (including treasury shares)

FY ended Oct. 31, 2016	29,949,600 shares	FY ended Oct. 31, 2015	29,939,200 shares
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2) Number of treasury shares at the end of period

FY ended Oct. 31, 2016	409,144 shares	FY ended Oct. 31, 2015	639,744 shares
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3) Average number of shares outstanding during the period

FY ended Oct. 31, 2016	29,423,213 shares	FY ended Oct. 31, 2015	29,172,702 shares
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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 407,400 shares of the IKK stock held by the IKK Employee Stock Ownership Association Exclusive Trust at the current fiscal year.

\* Presentation of implementation status for audit procedures

The audit procedure based on the Financial Instruments and Exchange Act does not apply to this report. At the time of disclosure of this report, audit procedures for consolidated financial statements pursuant to the Financial Instruments and Exchange Act have not been completed.

\* 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. Analysis of Operating Results and Financial Position, (1) Analysis of Operating Results” (attachments, page 2).

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## 1. Analysis of Operating Results and Financial Position

### (1) Analysis of Operating Results

#### 1) Operating Results for the Fiscal Year Ended October 31, 2016 (FY2016)

In the consolidated fiscal year under review (November 1, 2015 to October 31, 2016), employment and personal income remained at high levels in Japan. But economic growth slowed in China and other emerging Asian countries as well as in resource-producing countries and the price of crude oil fell due in part to the inability of oil-producing countries to lower output. Britain's departure from the EU is another source of concern. As uncertainty about events affecting external demand rose, the yen appreciated. There were also worries about sluggish consumer spending and weaker corporate earnings. In response, the Bank of Japan cut interest rates into negative territory and the Japanese government pushed back the next consumption tax hike. Overall, the operating environment remained unclear during the fiscal year.

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, 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 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 5.5% from one year earlier to 17,911 million yen, operating income increased 3.3% to 2,176 million yen, ordinary income increased 3.4% to 2,166 million yen, and profit attributable to owners of parent increased 16.9% to 1,341 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 17,212 million yen, up 5.6% from one year earlier and operating income increased 1.7% to 2,182 million yen.

#### b) Funeral Operations

Sales decreased 23.4% from one year earlier to 277 million yen and there was an operating loss of 10 million yen compared with a 45 million yen income one year earlier.

#### c) Nursing-care Operations

Sales increased 34.7% from one year earlier to 433 million yen and there was an operating income of 1 million yen compared with an 86 million yen loss one year earlier. The occupancy rate was more than 90% at all three nursing-care facilities, including the Karatsu Branch that started operating in March 2015.

#### 2) Forecast for the Fiscal Year Ending October 31, 2017

In the fiscal year ending on October 31, 2017, expenses are planned for opening the Okazaki Branch, studies for the possible start of overseas operations, renovating existing locations and for other activities. As a result, we forecast sales of 17,940 million yen (an increase of 0.2% year on year), operating income of 1,900 million yen (a decrease of 12.7%), ordinary income of 1,885 million yen (a decrease of 13.0%) and profit attributable to owners of parent of 1,390 million yen (an increase of 3.6%).

These forecasts are based on currently available information and actual results may differ substantially due to various factors.

## (2) Analysis of Financial Position

## 1) Assets, Liabilities and Net Assets

## a) Assets

Current assets were 6,304 million yen at the end of the current fiscal year, 1,012 million yen more than at the end of the previous fiscal year. This was mainly attributable to a 928 million yen increase in cash and deposits.

Non-current assets decreased 751 million yen to 12,278 million yen. The main causes were a 757 million yen decrease in property, plant and equipment due to booking of a depreciation.

## b) Liabilities

Current liabilities increased 2 million yen to 4,166 million yen.

Non-current liabilities decreased 803 million yen to 4,345 million yen. This was mainly attributable to a 968 million yen decrease in long-term loans payable.

## c) Net assets

Net assets increased 1,061 million yen to 10,070 million yen. The main causes were an increase due to profit attributable to owners of parent of 1,341 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 5.0 points to 54.2%.

## 2) Cash Flows

Cash and cash equivalents (hereinafter, "cash") at the end of the current fiscal year were 5,372 million yen, an increase of 928 million yen (20.9%) from the end of the previous fiscal year.

The following are cash flow conditions and factors for the fiscal year under review.

## a) Cash flows from operating activities

Cash generated from operating activities was 2,599 million yen (an increase of 3.0% year on year). Main cash inflows include profit before income taxes of 2,118 million yen and depreciation of 1,118 million yen, and outflows include income taxes paid of 946 million yen.

## b) Cash flows from investing activities

Cash used by investing activities was 323 million yen (a decrease of 81.2% year on year), mainly attributable to the outlays of 339 million yen for the purchase of property, plant and equipment associated with renovations of existing branches and other measures.

## c) Cash flows from financing activities

Cash used by financing activities was 1,347 million yen (compared with 847 million yen provided in the previous fiscal year), mainly attributable to the outlays of 1,187 million yen for repayments of long-term loans payable.

Reference: Cash flow indicator trends

	FY2012	FY2013	FY2014	FY2015	FY2016
Equity ratio (%)	45.3	50.2	50.9	49.2	54.2
Equity ratio at market value (%)	39.9	77.9	82.2	87.8	95.7
Ratio of interest-bearing debt to cash flows (year)	1.5	1.1	1.9	1.9	1.4
Interest coverage ratio (times)	57.3	81.5	66.9	73.3	92.0

Equity ratio: (Net assets – Minority interests) / Total assets

Equity ratio at market value: Market capitalization / Total assets

Ratio of interest-bearing debt to cash flows: Interest-bearing debt / Cash flows

Interest coverage ratio: Cash flows / Interest expense

Notes: 1. The consolidated financial figures constitute the basis for calculating these indicators.

2. Market capitalization is calculated based on the number of shares outstanding after the deduction of treasury shares.

3. Cash flows are based on cash flows from operating activities in the consolidated statement of cash flows.

4. Interest-bearing debt includes all debts recorded on the consolidated balance sheet on which interest is paid.

5. The basis for interest expense is the amount of interest paid recorded in the consolidated statement of cash flows.

(3) Basic Policy Regarding Distributions of Surplus and Dividends for the Current and Next Fiscal Periods

Distributing earnings to shareholders is one of our highest priorities. Consequently, our policy is to pay dividends that reflect operating results while retaining earnings needed for expanding and strengthening our operations.

We plan to pay a dividend of 12 yen per share (ordinary dividend of 10 yen and commemorative dividend of 2 yen) for the current fiscal year ended on October 31, 2016 and 12 yen per share (ordinary dividend of 12 yen) for the next fiscal year ending on October 31, 2017.

(4) Risks Associated with Business, etc.

This section presents risk factors and other potential sources of changes that may affect results of operations, the financial condition and other items concerning the IKK Group. We are aware of these risks and will continue to do everything possible to minimize the effects if any of these events occur.

1) The Business of the Company

a) Our market

The market in Japan for wedding ceremonies and receptions may become smaller. One reason is that Japan's population in the prime marriage age segment will continue to decline, according to statistics published by the National Institute of Population and Social Security Research. Furthermore, there are changes in customer preferences, such as couples choosing not to hold a ceremony or reception, and an increasing tendency to marry later in life. We are striving to further enhance our ability to serve customers and propose plans as well as provide memorable ceremonies and receptions. However, if the market contracts faster than estimated and the number of orders do not reach our targets, our results of operations may be negatively affected.

b) Our competition

In the wedding industry, which is the core business of the IKK Group, growth in demand for guesthouse-style weddings is leading the transformation of ceremonial halls into guesthouse formats. In addition, there are hotel refurbishments and intensifying price competition, among other events that are making the operating environment more challenging every year. This trend will likely continue and, if major competitors open multiple locations in areas where we have a presence, competition will further intensify and negatively affect orders, possibility having a detrimental effect on results of operations.

c) Wedding styles

In response to the changing preferences in Japan's wedding market, we started the guesthouse-style wedding business in Tosu City, Saga Prefecture in September 2000. Since then, we have steadily increased the number of locations. We will continue to monitor social trends and shifts in the needs of people holding weddings. We expect changes in preferences and tastes with regard to wedding styles in age groups centered on people in their 20s and 30s that will result in a new wedding style replacing guesthouse-style weddings as the mainstream format. Any delay in our response to such changes in wedding styles may negatively affect results of operations.

d) Recruiting and training human resources

We are aware that recruiting and training talented human resources is an important factor to differentiate ourselves from other companies. We therefore have extensive training programs as well as new graduate and mid-career hiring activities. We are placing particular emphasis on upgrading employee development by giving employees systematic training based on our management philosophy. Our goal is to use these activities to hire talented human resources and strengthen programs to develop their skills. If our recruiting and training activities do not progress as planned, we may become less competitive and our ability to grow may be restricted, which may have a negative effect on our business and results of operations.

## e) New branch openings

We open new locations only after performing a comprehensive study of the characteristics of candidate locations and the markets they serve, competitors, regional characteristics, profitability, capital investments, and other factors. However, if we fail to find properties that are suitable for new wedding facilities, we may be unable to open new facilities as planned, leading to possible negative effects on results of operations. Moreover, up-front expenses are incurred when opening new locations.

Consequently, in the event that multiple branches are developed at the same time, there may be a short-term impact on results of operations. Furthermore, if there is a significant decline in profitability at a new location and impairment losses are recognized, there may be a negative effect on the financial position, results of operations and other aspects of operations.

## f) Nursing-care operations

We began the nursing-care operations with the establishment of a subsidiary as part of our growth strategy. However, this sector is subject to the Act on Social Welfare for the Elderly, the Long-Term Care Insurance Act and other regulations. Any revisions in these laws and regulations may result in changes in systems or basic nursing-care compensation rates. Depending on the nature of these revisions in a system or fee structure, there may be a negative effect on results of operations. Moreover, because the nursing-care operations target the elderly, any deterioration in brand image resulting from accidents, a contagious disease or other problem at our facilities that lead to a decrease in users may negatively affect results of operations.

## 2) Legal Restrictions

## a) Hygiene management

Our operations are subject to restrictions in the Food Sanitation Act because we serve food and beverages at wedding ceremonies and receptions. We have a systematic hygiene management program that covers all our operations. Activities include monitoring the health of employees, managing food preparation processes, conducting periodic intestinal bacteria and norovirus inspections for all employees, including temporary employees, and using external companies to perform periodic disinfections and inspections. Our Fukuoka Branch acquired the international food safety management system standard ISO22000 accreditation in August 2009 and we have implemented the company-wide, cross-sectional establishment of this hygiene management system. Meals are also served in the nursing-care business, so the same hygiene management system is in place to prevent food accidents.

We regard safe and secure food preparation as one of our highest priorities and have many measures aimed at preventing food problems. However, if food poisoning or any other food-related problem occurs, we may lose our business license or be ordered to suspend operations, suffer a deterioration in our credibility or be subject to claims for the payment of damages. Any of these events may negatively impact results of operations.

## b) Personal information management

We handle the personal information of grooms, brides, their family members and guests, mourners at funerals and their family members as well as residents of nursing-care facilities and their family members. With the aim of protecting this confidential information, we established our Personal Information Management Rules to ensure that all precautions are made when storing and handling personal information. If there is a leak of personal information, not only will our reputation suffer but, depending on the nature of the leak, we may be subject to a citation, order or penalty from the authorities. If this happens, there may be a negative effect on results of operations due to a deterioration in our credibility, claims for the payment of damages, or other outcomes.

## 3) Others

## a) Infectious diseases

In addition to seasonal influenza outbreaks, there is a possibility of an outbreak of new types of influenza viruses and other infectious diseases in Japan. Because a large numbers of people visit our

facilities, we urge employees to use mouthwash, wash their hands, receive inoculations and stay home if they are ill. At nursing-care facilities, employees are required to adhere strictly to the work manual because they serve older people. In addition, we urge customers who visit us to exercise care, such as by using the alcohol disinfectant and germicidal dispensers at our facilities. Overall, we have many activities aimed at preventing the spread of infectious diseases. However, our performance may be negatively affected if our operations are suspended due to a major outbreak of a serious infectious disease in Japan or at a nursing-care facility.

b) Natural disasters

Our business activities are located in 16 cities and their environs in Japan. A natural disaster such as an earthquake, storm or flood in any area where we operate would not only affect our facilities but also force us to suspend operations. This may have a negative effect on our financial position and results of operations. Moreover, although we are insured against damages from natural disasters, if the amount of damages exceeds the insurance benefits, our financial position and results of operations may be negatively affected.



## 2. Management Policy

### (1) Basic Management Policy

Based on our mission statement of “Contributing to Society by Touching Our Customers’ Hearts,” we are guided by the following management philosophy including the credo and four points.

Credo: To touch our customers’ hearts

-Sincerity, Trust, Reliance

-To touch our customers’ hearts, we will create personalized weddings that warm people’s hearts

-To touch our customers’ hearts, we will do our best immediately in a sincere spirit of collaboration

-We will be the talented personnel regardless of its nationality, religion, gender, age or experience and will challenge to create the wonderful future

To touch the hearts of our customers, we place sincerity, trust and reliance at the core of our corporate philosophy. We are dedicated to managing operations with the aims of creating cherished memories for customers and developing the skills of our employees. To become “a company that creates emotion,” we are guided by the basic policy of contributing to society by touching our customers’ hearts as we manage operations in accordance with our corporate philosophy.

By adhering to this basic policy, we are determined to achieve the continuous development and enhancement of the corporate value of each group company. We aim to further improve employee training programs and meet the diversifying needs of customers to meet the high expectations of our customers, shareholders and all other stakeholders.

### (2) Target Performance Indicators

Our goal is continuous growth. To achieve this, it is essential to improve profit margins by effectively allocating resources and to build a solid financial foundation. Consequentially, the primary performance indicators are the return on assets, as a measure of profitability and investment efficiency, and the capital adequacy ratio, as a measure of financial balance. We will strive to improve these indicators.

### (3) Medium to Long Term Management Strategy

We provide wedding ceremonies and receptions according to the preferences of each customer while responding to changes in the wedding industry and analyzing the diversifying needs of customers. Going forward, we will strive to attract more customers by formulating and executing a strategy based on our corporate philosophy. Over the medium to long term, we plan to move into fields either in Japan or overseas where we can leverage our strengths as a group centered on the wedding operations.

Regarding administrative activities, we will further broaden and strengthen the corporate governance framework and internal control system. We want to preserve our reputation in financial markets as a sound company with a high level of transparency.

### (4) Important Issues

#### 1) Current Market Conditions

In the Japanese wedding industry, the number of ceremonies and receptions is expected to continue to decline slowly mainly because the population of the prime marriage age segment is decreasing and people are marrying later in life. However, thanks to growing interest in original ceremonies and receptions that move away from tradition and formalities, the guesthouse-style wedding market has steadily expanded. Many wedding ceremony halls are switching to the guesthouse-style wedding format and hotels are remodeling wedding facilities and are offering very competitive prices. Competition has become intense as a result. In the nursing-care industry, there is demand for services that meet the lifestyles and needs of the aged and many new players are entering the market from various sectors.

Our objective is to contribute to society by touching our customers’ hearts. We will accomplish this by being

a source of sincere services that create lasting memories. Our operations will fully reflect shifts in customers' preferences as well as changes in our industry and the actions of competitors. As a result, there are seven important issues: a) recruiting and training talented human resources; b) strengthening information collection and analysis capabilities; c) strengthening customer safety measures; d) maintaining and upgrading the quality of existing branches; e) further improving customer service and the ability to offer new ideas; f) prudent network expansion; and g) strengthening corporate governance.

## 2) Initiatives

### a) Recruiting and training talented human resources

The entire Group, based on the concept that people are valuable assets, employs the term "human resources" rather than the common term "personnel."

Aware that recruiting and training talented human resources is an important factor to differentiate ourselves from other companies, we have been diligently focused on these activities. For recruiting, we have been conducting new graduate hiring activities throughout Japan as well as mid-career hiring activities where our branches are located. We utilize human resources with the potential and aptitudes that we require. Our training activities are based on a composite program consisting of lessons to instill our corporate philosophy, task-specific practical training aimed at increasing customer satisfaction, stratified training to enhance task knowledge and management skills, and other forms of training for achieving growth. We will continue to concentrate on recruiting and training talented human resources by expanding and fortifying our hiring activities and performing training activities internally and externally based on our corporate philosophy.

### b) Strengthening information collection and analysis capabilities

Strengthening information collection and analysis capabilities is an important issue because responding to changes in our operating environment is vital to our survival. This is why we emphasize the sharing of information within the parent organization as well as among group companies in parallel with efforts to expand information collection channels.

We are determined to increase our corporate value by fortifying information collection and analysis capabilities and making swift business decisions in order to ensure that we properly respond to the changing needs of our customers.

### c) Strengthening customer safety measures

To strengthen safety measures for customers in our wedding operations, our Fukuoka Branch received ISO22000 accreditation in August 2009, which is an international food safety management system standard. We use this same hygiene management system throughout our group. Furthermore, we reinforced our hygiene management activities by starting to use hypochlorous acid ultrasonic mist equipment in October 2014 for the purpose of preventing food accidents caused by the norovirus. In the nursing-care operations, we further strengthened safety measures because this business serves older people. Employees receive extensive training based on job manuals.

We will revise regulations and manuals, strengthen internal control systems and reinforce safety measures through partnerships with external specialists and government regulators in order to meet the expectations of our customers.

### d) Maintaining and upgrading the quality of existing branches

Maintaining and upgrading the quality of existing locations is vital to achieving our objective of long-term and stable operations. For this reason, we maintained and upgraded quality both tangibly, with maintenance and renovation efforts, and intangibly, through alliances with famous chefs and pastry chefs as well as internal and external training, among other measures. We will continue to maintain and upgrade the quality of our facilities through constant maintenance and renovations that reflect customer needs. In addition, we will use customer comments, feedback from our wedding and nursing-care facilities, and results of internal and external training to improve the quality of our wedding ceremonies and receptions, nursing-care services, and other activities.

e) Further improving customer service and the ability to offer new ideas

We have a strong commitment to assisting customers to create lasting memories. We have consistently worked on maintaining and improving the overall quality of our operations by using internal and external training based on our management philosophy to make our workforce more powerful, using outstanding front line operations to enhance hospitality, and sharing information.

We will continue to enhance our ability to serve customers and offer new ideas in order to increase customer satisfaction as “a company that creates emotion” and build a leading brand that enjoys the most support from customers in every area where we have a presence.

f) Prudent network expansion

Over the years, we have enlarged our network in a prudent manner by opening branches mainly in regional urban areas based on the recognition of the importance of long-term and stable branch operations with deep roots in each area served. We plan to add more locations, with some possibly in the Tokyo area. Our basic policy is to continue opening branches at the same pace as in prior years while maintaining the proper balance with employee training activities. From a medium to long term perspective, we plan to enter new business fields in Japan and other countries where we can leverage our strengths as an organization centered on the wedding operations.

g) Strengthening corporate governance

We have earned the trust of stakeholders by establishing as our basic governance policy the enhancement of our corporate value through the strengthening of management oversight and internal control functions and the implementation of rigorous compliance programs. Based on this policy, we will focus on heightening the effectiveness and transparency of our management, maximizing our corporate value and achieving consistent growth and development.

### **3. Basic Approach to the Selection of Accounting Standards**

The IKK Group will continue to prepare consolidated financial statements in accordance with generally accepted accounting principles in Japan for the time being to permit comparisons with prior years and with the financial data of other companies.

We will take suitable actions with regard to the application of International Financial Reporting Standards (IFRS) by taking into account associated factors in Japan and other countries.

## 4. Consolidated Financial Statements

### (1) Consolidated Balance Sheet

(Thousands of yen)

	Previous Consolidated FY (Oct. 31, 2015)	Current Consolidated FY (Oct. 31, 2016)
<b>Assets</b>		
Current assets		
Cash and deposits	4,444,489	5,372,713
Accounts receivable-trade	368,855	441,885
Merchandise	124,292	133,182
Raw materials and supplies	87,511	79,910
Deferred tax assets	112,907	103,943
Other	164,141	181,571
Allowance for doubtful accounts	(10,088)	(8,862)
Total current assets	5,292,109	6,304,344
Non-current assets		
Property, plant and equipment		
Buildings and structures	15,719,766	15,782,588
Accumulated depreciation and impairment loss	(6,355,857)	(7,085,984)
Buildings and structures, net	9,363,908	8,696,604
Machinery, equipment and vehicles	553,458	543,966
Accumulated depreciation	(342,708)	(403,025)
Machinery, equipment and vehicles, net	210,749	140,940
Land	1,864,602	1,852,702
Construction in progress	1,342	6,398
Other	1,928,332	2,025,451
Accumulated depreciation	(1,618,166)	(1,729,092)
Other, net	310,165	296,359
Total property, plant and equipment	11,750,769	10,993,005
Intangible assets	102,161	96,305
Investments and other assets		
Deferred tax assets	600,112	632,064
Other	586,456	565,025
Allowance for doubtful accounts	(9,218)	(7,785)
Total investments and other assets	1,177,350	1,189,304
Total non-current assets	13,030,281	12,278,615
Total assets	18,322,391	18,582,960

(Thousands of yen)

	Previous Consolidated FY (Oct. 31, 2015)	Current Consolidated FY (Oct. 31, 2016)
<b>Liabilities</b>		
Current liabilities		
Accounts payable-trade	860,475	897,678
Current portion of long-term loans payable	1,187,211	968,656
Income taxes payable	511,552	374,246
Provision for bonuses	226,314	241,881
Other	1,378,921	1,684,469
Total current liabilities	4,164,475	4,166,931
Non-current liabilities		
Long-term loans payable	3,671,760	2,703,104
Deferred tax liabilities	7,022	6,684
Net defined benefit liability	44,207	51,655
Provision for directors' retirement benefits	283,042	309,347
Provision for point card certificates	74,005	80,980
Asset retirement obligations	590,596	600,056
Other	477,510	593,301
Total non-current liabilities	5,148,144	4,345,128
Total liabilities	9,312,619	8,512,059
Net assets		
Shareholders' equity		
Capital stock	350,643	351,241
Capital surplus	354,299	354,897
Retained earnings	8,334,694	9,376,473
Treasury shares	(76,199)	(48,732)
Total shareholders' equity	8,963,439	10,033,880
Accumulated other comprehensive income		
Remeasurements of defined benefit plans	46,333	37,020
Total accumulated other comprehensive income	46,333	37,020
Total net assets	9,009,772	10,070,900
Total liabilities and net assets	18,322,391	18,582,960

(2) Consolidated Statements of Income and Comprehensive Income  
Consolidated Statement of Income

(Thousands of yen)

	Previous Consolidated FY (Nov. 1, 2014 - Oct. 31, 2015)	Current Consolidated FY (Nov. 1, 2015 - Oct. 31, 2016)
Net sales	16,978,658	17,911,261
Cost of sales	7,678,119	8,119,966
Gross profit	9,300,539	9,791,295
Selling, general and administrative expenses	7,193,824	7,614,934
Operating income	2,106,715	2,176,360
Non-operating income		
Interest income	2,659	2,410
Commission fee	5,790	8,495
Subsidy income	803	2,640
Other	14,276	7,909
Total non-operating income	23,530	21,455
Non-operating expenses		
Interest expenses	33,768	28,092
Other	2,153	3,323
Total non-operating expenses	35,922	31,415
Ordinary income	2,094,323	2,166,400
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	27,778	43,379
Total extraordinary losses	27,778	48,279
Profit before income taxes	2,066,544	2,118,558
Income taxes-current	913,274	795,074
Income taxes-deferred	5,873	(17,669)
Total income taxes	919,148	777,404
Profit	1,147,396	1,341,153
Profit attributable to owners of parent	1,147,396	1,341,153

## Consolidated Statement of Comprehensive Income

(Thousands of yen)

	Previous Consolidated FY (Nov. 1, 2014 - Oct. 31, 2015)	Current Consolidated FY (Nov. 1, 2015 - Oct. 31, 2016)
Profit	1,147,396	1,341,153
Other comprehensive income		
Remeasurements of defined benefit plans, net of tax	61,455	(9,312)
Total other comprehensive income	61,455	(9,312)
Comprehensive income	1,208,851	1,331,840
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	1,208,851	1,331,840
Comprehensive income attributable to non-controlling interests	-	-

(3) Consolidated Statement of Changes in Equity  
Previous Consolidated FY (Nov. 1, 2014 - Oct. 31, 2015)

(Thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	349,748	353,404	7,494,820	(104,428)	8,093,544
Cumulative effects of changes in accounting policies			(8,347)		(8,347)
Restated balance	349,748	353,404	7,486,472	(104,428)	8,085,196
Changes of items during period					
Issuance of new shares	895	895			1,791
Dividends of surplus			(299,174)		(299,174)
Profit attributable to owners of parent			1,147,396		1,147,396
Disposal of treasury shares				28,229	28,229
Net changes of items other than shareholders' equity					
Total changes of items during period	895	895	848,221	28,229	878,242
Balance at end of current period	350,643	354,299	8,334,694	(76,199)	8,963,439

	Accumulated other comprehensive income		Total net assets
	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	
Balance at beginning of current period	(15,122)	(15,122)	8,078,422
Cumulative effects of changes in accounting policies			(8,347)
Restated balance	(15,122)	(15,122)	8,070,074
Changes of items during period			
Issuance of new shares			1,791
Dividends of surplus			(299,174)
Profit attributable to owners of parent			1,147,396
Disposal of treasury shares			28,229
Net changes of items other than shareholders' equity	61,455	61,455	61,455
Total changes of items during period	61,455	61,455	939,697
Balance at end of current period	46,333	46,333	9,009,772



## Current Consolidated FY (Nov. 1, 2015 - Oct. 31, 2016)

(Thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	350,643	354,299	8,334,694	(76,199)	8,963,439
Cumulative effects of changes in accounting policies					-
Restated balance	350,643	354,299	8,334,694	(76,199)	8,963,439
Changes of items during period					
Issuance of new shares	598	598			1,196
Dividends of surplus			(299,374)		(299,374)
Profit attributable to owners of parent			1,341,153		1,341,153
Disposal of treasury shares				27,466	27,466
Net changes of items other than shareholders' equity					
Total changes of items during period	598	598	1,041,778	27,466	1,070,441
Balance at end of current period	351,241	354,897	9,376,473	(48,732)	10,033,880

	Accumulated other comprehensive income		Total net assets
	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	
Balance at beginning of current period	46,333	46,333	9,009,772
Cumulative effects of changes in accounting policies			-
Restated balance	46,333	46,333	9,009,772
Changes of items during period			
Issuance of new shares			1,196
Dividends of surplus			(299,374)
Profit attributable to owners of parent			1,341,153
Disposal of treasury shares			27,466
Net changes of items other than shareholders' equity	(9,312)	(9,312)	(9,312)
Total changes of items during period	(9,312)	(9,312)	1,061,128
Balance at end of current period	37,020	37,020	10,070,900

## (4) Consolidated Statement of Cash Flows

(Thousands of yen)

	Previous Consolidated FY (Nov. 1, 2014 - Oct. 31, 2015)	Current Consolidated FY (Nov. 1, 2015 - Oct. 31, 2016)
<b>Cash flows from operating activities</b>		
Profit before income taxes	2,066,544	2,118,558
Depreciation	1,179,541	1,118,546
Increase (decrease) in allowance for doubtful accounts	3,020	(2,659)
Increase (decrease) in provision for bonuses	11,831	15,567
Increase (decrease) in net defined benefit liability	2,423	(7,520)
Increase (decrease) in provision for directors' retirement benefits	15,649	26,305
Increase (decrease) in provision for point card certificates	8,778	6,975
Gain on sales of non-current assets	-	(437)
Loss on sales of non-current assets	-	4,900
Loss on retirement of non-current assets	27,778	43,379
Interest and dividend income	(2,663)	(2,414)
Interest expenses	33,768	28,092
Commission for syndicate loan	1,000	1,000
Decrease (increase) in notes and accounts receivable-trade	(145,884)	(73,960)
Decrease (increase) in inventories	31,022	(1,288)
Increase (decrease) in notes and accounts payable-trade	33,864	37,202
Increase (decrease) in accounts payable-other	8,866	262,471
Other, net	111,654	(545)
Subtotal	3,387,195	3,574,170
Interest and dividend income received	602	451
Interest expenses paid	(34,430)	(28,241)
Commission for syndicate loan paid	(1,000)	(1,000)
Income taxes refund	2	50
Income taxes paid	(828,751)	(946,285)
Net cash provided by (used in) operating activities	2,523,617	2,599,145
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(1,660,646)	(339,084)
Proceeds from sales of property, plant and equipment	-	8,200
Purchase of intangible assets	(12,747)	(5,113)
Other, net	(41,292)	12,928
Net cash provided by (used in) investing activities	(1,714,686)	(323,069)
<b>Cash flows from financing activities</b>		
Proceeds from long-term loans payable	2,100,000	-
Repayments of long-term loans payable	(1,087,475)	(1,187,211)
Proceeds from issuance of common shares	1,791	1,196
Proceeds from sales of treasury shares	132,457	138,727
Cash dividends paid	(298,840)	(299,543)
Other, net	(793)	(822)
Net cash provided by (used in) financing activities	847,138	(1,347,653)
Effect of exchange rate change on cash and cash equivalents	-	(198)
Net increase (decrease) in cash and cash equivalents	1,656,069	928,224
Cash and cash equivalents at beginning of period	2,788,419	4,444,489
Cash and cash equivalents at end of period	4,444,489	5,372,713

(5) Notes to Consolidated Financial Statements

Notes on Premise of Going Concern

No related information.

Changes in Accounting Policies

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

Effective from 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 consolidated financial statements for 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 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 current fiscal year is insignificant.

Additional Information

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

Following the establishment 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) at the Diet on March 29, 2016, corporate tax rate, etc. have 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 36,931 thousand yen in deferred tax assets (after deducting deferred tax liabilities) and an increase of 38,029 thousand yen in income taxes-deferred. The effect on remeasurements of defined benefit plans is insignificant.

Segment Information, etc.

#### Segment Information

Previous Consolidated FY (Nov. 1, 2014 - Oct. 31, 2015) and Current Consolidated FY (Nov. 1, 2015 - Oct. 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.

#### Per Share Information

Previous Consolidated FY (Nov. 1, 2014 - Oct. 31, 2015)		Current Consolidated FY (Nov. 1, 2015 - Oct. 31, 2016)	
Net assets per share	307.51 yen	Net assets per share	340.92 yen
Net income per share	39.33 yen	Net income per share	45.58 yen
Diluted net income per share	39.30 yen	Diluted net income per share	45.56 yen

#### Notes

- The Company conducted a common stock split according to a ratio of 1:2 effective on May 1, 2015. Net assets per share, 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.
- Basis for the calculation of net income per share and diluted net income per share is as follows.

		Previous Consolidated FY (Nov. 1, 2014 - Oct. 31, 2015)	Current Consolidated FY (Nov. 1, 2015 - Oct. 31, 2016)
Net income per share			
Profit attributable to owners of parent	(Thousands of yen)	1,147,396	1,341,153
Amount not attributable to common shareholders	(Thousands of yen)	-	-
Profit attributable to common shareholders of parent	(Thousands of yen)	1,147,396	1,341,153
Average number of common shares outstanding during the period	(Shares)	29,172,702	29,423,213
Diluted net income per share			
Adjustment to profit attributable to owners of parent	(Thousands of yen)	-	-
Number of additional common shares	(Shares)	25,935	11,749
[of which subscription rights to shares]	(Shares)	[25,935]	[11,749]
Summary of latent shares not included in the calculation of the diluted net income per share since there was no dilutive effect		-	-

- IKK stock held by the IKK Employee Stock Ownership Association Exclusive Trust is included in treasury shares and is thus deducted from the number of shares issued at the end of each fiscal year that was used to calculate net assets per share (deductions of 638,000 shares and 407,400 shares in the fiscal years ended on October 31, 2015 and 2016, respectively).  
In addition, this trust stock is included in treasury shares that was deducted from the average number of shares outstanding during the period that was used to calculate net income per share and diluted net income per share (deductions of 750,672 shares and 517,369 shares in the fiscal years ended on October 31, 2015 and 2016, respectively).

#### Material Subsequent Events

No related information.

## 5. Others

Change in Officers

(1) Change in Representatives

None

(2) Change in Other Officers

Retiring director

Managing Director: Akira Toda

(Note) As of the conclusion of the Annual General Meeting of Stockholders scheduled on January 30, 2017, the term of office will expire.