



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

August 28, 2017

Listed on: First Section of the Tokyo Stock Exchange

Name of Listed Company: IKK Inc.

Securities code: 2198

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Scheduled date of filing quarterly financial report: September 13, 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 third quarter of the FY ending October 31, 2017 (Nov. 1, 2016 - Jul. 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	%
3Q of FY ending Oct. 31, 2017	13,062	1.8	1,162	(23.3)	1,163	(22.7)	899	5.2
3Q of FY ended Oct. 31, 2016	12,830	8.6	1,514	43.8	1,505	43.8	855	69.4

Note: Comprehensive income: 3Q of FY ending Oct. 31, 2017: 896 million yen (up 5.1%); 3Q of FY ended Oct. 31, 2016: 852 million yen (up 48.7%)

	Net Income per Share	Diluted Net Income per Share
	Yen	Yen
3Q of FY ending Oct. 31, 2017	30.62	30.61
3Q of FY ended Oct. 31, 2016	29.09	29.08

(2) Consolidated financial position

	Total Assets	Net Assets	Equity Ratio
	Millions of yen	Millions of yen	%
3Q of FY ending Oct. 31, 2017	18,576	10,267	55.3
FY ended Oct. 31, 2016	18,582	10,070	54.2

Reference: Equity capital: 3Q of FY ending Oct. 31, 2017: 10,267 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	-	0.00	-		
FY ending Oct. 31, 2017 (forecast)				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
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)

3Q of FY ending Oct. 31, 2017	29,956,800 shares	FY ended Oct. 31, 2016	29,949,600 shares
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2) Number of treasury shares at the end of period

3Q of FY ending Oct. 31, 2017	572,744 shares	FY ended Oct. 31, 2016	409,144 shares
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3) Average number of shares outstanding during the period (quarterly cumulative)

3Q of FY ending Oct. 31, 2017	29,371,607 shares	3Q of FY ended Oct. 31, 2016	29,391,260 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 571,000 shares of the IKK stock held by the IKK Employee Stock Ownership Association Exclusive Trust at the end of the third 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 2).

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1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Results of Operations

In the first nine months of the current consolidated fiscal year (November 1, 2016 to July 31, 2017), overseas economies continued to recover gradually. The Bank of Japan maintained its easy money policies which kept the yen relatively stable. Business sentiment also improved as production and corporate earnings increased amid rising exports. Although the Chinese and emerging country economies in Asia are recovering, the outlook for external demand remains uncertain because of rising geopolitical risks associated with North Korea and other regions.

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 distinctive wedding styles and services is becoming increasingly difficult. During the first nine months of 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 the first nine months of the current fiscal year increased 1.8% from one year earlier to 13,062 million yen, operating income decreased 23.3% to 1,162 million yen, ordinary income decreased 22.7% to 1,163 million yen, and profit attributable to owners of parent increased 5.2% to 899 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 expenses for opening new branches. As a result, sales were 12,483 million yen, up 1.2% from one year earlier and operating income decreased 26.7% to 1,119 million yen.

b) Funeral Operations

Sales increased 29.3% from one year earlier to 234 million yen and there was operating income of 10 million yen compared with an 18 million yen loss one year earlier.

c) Nursing-care Operations

Sales increased 8.0% from one year earlier to 347 million yen and operating income increased 639.3% to 30 million yen. The occupancy rate was more than 90% at all three nursing-care facilities.

(2) Explanation of Financial Position

Total assets were 18,576 million yen at the end of the third quarter of the current fiscal year, 6 million yen less than at the end of the previous fiscal year. The main causes were a 1,535 million yen decrease in cash and deposits, a 576 million yen increase in property, plant and equipment and a 981 million yen increase in investments and other assets.

Liabilities decreased 203 million yen to 8,308 million yen. The main causes were a 372 million yen decrease in income taxes payable, a 566 million yen decrease in other current liabilities, a 329 million yen decrease in other non-current liabilities and a 1,480 million yen increase in long-term loans payable.

Net assets increased 196 million yen to 10,267 million yen mainly because of an increase due to profit attributable to owners of parent of 899 million yen, a decrease due to dividends from surplus of 359 million yen and a net increase in treasury shares of 340 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 1.1 percentage points to 55.3%.

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

The fiscal year consolidated forecasts announced on December 12, 2016 remain unchanged.

2. Quarterly Consolidated Financial Statements and Notes**(1) Quarterly Consolidated Balance Sheet**

(Thousands of yen)

	Previous Consolidated FY (Oct. 31, 2016)	Current Consolidated FY, 3Q (Jul. 31, 2017)
Assets		
Current assets		
Cash and deposits	5,372,713	3,836,965
Accounts receivable-trade	441,885	332,772
Merchandise	133,182	143,213
Raw materials and supplies	79,910	65,131
Other	285,514	380,317
Allowance for doubtful accounts	(8,862)	(6,034)
Total current assets	6,304,344	4,752,367
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	8,696,604	8,321,200
Land	1,852,702	1,973,734
Other, net	443,698	1,274,808
Total property, plant and equipment	10,993,005	11,569,743
Intangible assets	96,305	83,756
Investments and other assets	1,189,304	2,170,374
Total non-current assets	12,278,615	13,823,875
Total assets	18,582,960	18,576,243
Liabilities		
Current liabilities		
Accounts payable-trade	897,678	620,646
Current portion of long-term loans payable	968,656	977,656
Income taxes payable	374,246	1,961
Provision for bonuses	241,881	123,609
Other	1,684,469	1,117,597
Total current liabilities	4,166,931	2,841,470
Non-current liabilities		
Long-term loans payable	2,703,104	4,174,262
Net defined benefit liability	51,655	49,005
Provision for directors' retirement benefits	309,347	302,521
Provision for point card certificates	80,980	85,158
Asset retirement obligations	600,056	585,975
Other	599,985	270,128
Total non-current liabilities	4,345,128	5,467,050
Total liabilities	8,512,059	8,308,520

(Thousands of yen)

	Previous Consolidated FY (Oct. 31, 2016)	Current Consolidated FY, 3Q (Jul. 31, 2017)
Net assets		
Shareholders' equity		
Capital stock	351,241	351,655
Capital surplus	354,897	355,311
Retained earnings	9,376,473	9,916,390
Treasury shares	(48,732)	(389,627)
Total shareholders' equity	10,033,880	10,233,729
Accumulated other comprehensive income		
Remeasurements of defined benefit plans	37,020	33,992
Total accumulated other comprehensive income	37,020	33,992
Total net assets	10,070,900	10,267,722
Total liabilities and net assets	18,582,960	18,576,243

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

(Thousands of yen)

	3Q of Previous Consolidated Period (Nov. 1, 2015 - Jul. 31, 2016)	3Q of Current Consolidated Period (Nov. 1, 2016 - Jul. 31, 2017)
Net sales	12,830,110	13,062,267
Cost of sales	5,817,855	6,038,599
Gross profit	7,012,255	7,023,668
Selling, general and administrative expenses	5,497,373	5,861,509
Operating income	1,514,881	1,162,158
Non-operating income		
Interest income	1,882	1,431
Insurance income	2,007	4,943
Guarantee commission received	-	8,647
Other	11,130	7,935
Total non-operating income	15,021	22,958
Non-operating expenses		
Interest expenses	21,892	15,863
Other	2,455	6,159
Total non-operating expenses	24,348	22,022
Ordinary income	1,505,553	1,163,094
Extraordinary income		
Gain on sales of non-current assets	437	-
Reversal of asset retirement obligations	-	13,320
Total extraordinary income	437	13,320
Extraordinary losses		
Loss on sales of non-current assets	4,900	-
Loss on retirement of non-current assets	13,227	20,711
Total extraordinary losses	18,128	20,711
Profit before income taxes	1,487,862	1,155,702
Income taxes-current	576,041	206,891
Income taxes-deferred	56,685	49,520
Total income taxes	632,727	256,411
Profit	855,135	899,291
Profit attributable to owners of parent	855,135	899,291

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

(Thousands of yen)

	3Q of Previous Consolidated Period (Nov. 1, 2015 - Jul. 31, 2016)	3Q of Current Consolidated Period (Nov. 1, 2016 - Jul. 31, 2017)
Profit	855,135	899,291
Other comprehensive income		
Remeasurements of defined benefit plans, net of tax	(2,364)	(3,027)
Total other comprehensive income	(2,364)	(3,027)
Comprehensive income	852,770	896,263
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	852,770	896,263
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)

3Q of Previous Consolidated Period (Nov. 1, 2015 - Jul. 31, 2016) and 3Q of Current Consolidated Period (Nov. 1, 2016 - Jul. 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.