

# Consolidated Financial Results for the Second Quarter Ended September 30, 2013 [J-GAAP]

## Watabe Wedding Corporation

October 31, 2013

Stock code: 4696  
 URL: <http://www.watabe-wedding.co.jp>  
 Shares listed: Tokyo Stock Exchange  
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Scheduled date of the filing of the quarterly report: November 1, 2013  
 Scheduled date of start of dividend payment: December 2, 2013  
 Preparation of any additional explanatory document for quarterly financial results: Yes  
 Holding of any briefing session for quarterly financial results: Yes

(for institutional investors and securities analysts)

## Financial Highlights

As of and for the six months ended September 30, 2012 and 2013

(Amounts less than one million yen are omitted.)

### 1. Consolidated Operating Results

	Six months ended September 30, 2012	Six months ended September 30, 2013	2013 / 2012 <i>(percentage change)</i>
	<i>(millions of yen)</i>		
<b>(1) Consolidated financial results</b>			
Net sales	23,276	22,575	(3.0)
Operating income	(314)	(1,463)	—
Ordinary income	(225)	(1,548)	—
Net income	(184)	(1,168)	—
Net income, basic per share (yen)	(18.66)	(117.95)	
Net income per share (diluted) (yen)	—	—	
Comprehensive income (loss)	Six months ended September 30, 2013: -¥769 million (—%)		
	Six months ended September 30, 2012: -¥274 million (—%)		

	March 31, 2013	September 30, 2013
	<i>(millions of yen)</i>	
<b>(2) Consolidated financial position</b>		
Total assets	26,348	25,437
Net assets	15,344	14,426
Shareholders' equity ratio	58.0%	56.4%
(Reference) Shareholders' equity:	As of September 30, 2013: ¥14,352 million	
	As of March 31, 2013: ¥15,268 million	

### 2. Dividends

	Annual dividends per share				
	1Q end	2Q end	3Q end	Year end	Total
	<i>(yen)</i>				
2012	—	15.00	—	15.00	30.00
2013	—	15.00	—	—	—
2013 (Forecast)	—	—	—	15.00	30.00

(Note) Revision of dividend forecast that has been disclosed lastly: None

### 3. Consolidated Results Forecast for Year Ending March 31, 2014

	<u>Full year</u> <i>(millions of yen)</i>
Net sales	47,600
Operating income	(1,300)
Ordinary income	(1,500)
Net income	(1,900)
Net income, basic per share <i>(yen)</i>	(191.74)

(Note) Revision of consolidated results forecast that has been disclosed lastly: Yes

Please refer to “Notice Regarding Revision of Financial Results Forecast,” released today (October 31, 2013) for revision of consolidated results forecast.

#### \* Notes

(1) Changes in significant subsidiaries during the period under review (changes in specific subsidiaries involving a change in the scope of consolidation): None

(2) Application of specific accounting procedures for preparation of the quarterly consolidated financial statements: Yes

(Note) Refer to “2. Summary Information (Notes) (2) Application of Special Accounting Treatment Peculiar to Quarterly Consolidated Financial Statement Preparation” on page 6 of the attached material for further details.

(3) Changes in accounting policies or estimates and retrospective restatements

(i) Any change arising from revision of accounting standards: None

(ii) Any change arising from factors other than (i) above: None

(iii) Changes in accounting estimates: None

(iv) Retrospective restatements: None

(4) Number of shares issued (common stock)

(i) Number of issued shares at end of period (including treasury stock)

9,909,400 shares as of September 30, 2013

9,909,400 shares as of March 31, 2013

(ii) Number of shares of treasury stock at end of period

326 shares as of September 30, 2013

326 shares as of March 31, 2013

(iii) Average number of shares during the period

9,909,074 shares for the six months ended September 30, 2013

9,909,077 shares for the six months ended September 30, 2012

#### \* Presentation regarding status of quarterly review procedures

Although the consolidated financial results presented herein are not subject to the quarterly review procedure specified by the Financial Instruments and Exchange Act, the review procedure for quarterly consolidated financial statements specified by the Financial Instruments and Exchange Act has been completed at the time of the release of this document.

#### \* Explanations regarding appropriate use of the operating results forecast and other noteworthy points (Note concerning forward-looking statements)

The forecasts given in this document are based on data available at the time of the release of this document and assumptions that are deemed reasonable; they are not meant to be a commitment by the Company. Actual results may differ substantially due to a number of factors. For conditions assumed for operating results forecasts and precautions when using operating results forecasts, and the like, please refer to “1. Qualitative Information on Quarterly Financial Results (3) Explanations on Future Forecast Information Including Consolidated Results Forecast, etc.” on page 5 of the attached material.

(Where to find additional explanatory documents for quarterly financial results)

Additional explanatory documents for quarterly financial results will be posted on the Company’s website on November 7, 2013.

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## 1. Qualitative Information on Quarterly Financial Results

Forward-looking items given in this document are judgments of the Watabe Wedding Group (the “Group”, the Company and its consolidated subsidiaries) as of the last day of the quarter under review.

### (1) Explanations on Operating Results

Looking at the operating results during the six months ended September 30, 2013, in the resort wedding business segment, we reinforced promotional activities to further familiarize the intrinsic appeal of a resort wedding, including new wedding-style proposals and the co-producing of wedding plans with Hinano Yoshikawa, who is a fashion model and the Hawaii goodwill ambassador. We also restructured our wedding salon network mainly in the greater Tokyo area, including opening a new salon in Minami-aoyama and renewal of Shinjuku and Fukuoka Salons in August 2013. In the Asian market, one of the target markets for our growth strategies, while the number of resort wedding contracts decreased on a year-on-year basis, the number of local wedding contracts and the amount spent per wedding increased. However, the resort wedding business segment as a whole was significantly affected by a decline in the number of wedding contracts due to intensifying market competition and foreign exchange fluctuations due to the depreciation of the yen.

Regarding hotel and domestic weddings, we made efforts to further expand the customer base through sales of the 85<sup>th</sup> anniversary plan at Meguro Gajoen as well as the release of new wedding dresses in collaboration with women’s blogger community “AmebaGG.” As for Mielparque, we made efforts to promote hotels rooted in local communities by reinforcing sales promotions for accommodation and parties and offering original products from the local communities. Consequently, the number of wedding contracts increased on a year-on-year basis.

As a result of the above, the consolidated results are as follows: Net sales decreased by 3.0% year on year to ¥22,575 million, with an overall decline in the number of wedding contracts; operating loss amounted to ¥1,463 million, reflecting increases in cost of sales and selling, general and administrative expenses due to the depreciation of the yen (compared with an operating loss of ¥314 million for the same period of the previous fiscal year); ordinary loss amounted to ¥1,548 million (compared with an ordinary loss of ¥225 million for the same period of the previous fiscal year); and net loss amounted to ¥1,168 million (compared with a net loss of ¥184 million for the same period of the previous fiscal year).

Segment performance after elimination of intersegment transactions is as follows.

#### 1) Resort weddings

Net sales decreased by 5.4% year on year to ¥9,142 million, reflecting a decline in the number of wedding contracts. Segment loss amounted to ¥1,130 million (compared with segment income of ¥332 million for the same period of the previous fiscal year), owing to an increase in advertising expenses and the impact of the yen’s depreciation.

#### 2) Hotels and domestic weddings

While the number of wedding contracts increased, the amount spent per wedding decreased, resulting in net sales of ¥13,433 million, which is a 1.3% decrease year on year. Segment loss was ¥326 million as a result of our efforts to reduce fixed costs (compared with a segment loss of ¥651 million for the same period of the previous fiscal year).

## (2) Explanations on Financial Position

Current assets of the Group at the end of the quarter under review stood at ¥10,699 million, ¥465 million less than at the end of the previous fiscal year. This was mainly due to a decrease in cash and deposits. Noncurrent assets amounted to ¥14,738 million, ¥445 million less than at the end of the previous fiscal year, largely because of decreases in guarantee deposits. As a result, total assets were down ¥910 million from the end of the previous fiscal year, to ¥25,437 million.

Current liabilities at the end of the quarter under review stood at ¥8,033 million, ¥591 million less than at the end of the previous fiscal year. This was primarily due to decreases in accounts payable-trade and income taxes payable. Noncurrent liabilities were ¥2,978 million, ¥599 million more than at the end of the previous fiscal year. This was attributable mainly to an increase in long-term loans payable. As a result, total liabilities increased by ¥7 million from the end of the previous fiscal year, to ¥11,011 million.

The balance of net assets settled at ¥14,426 million, down ¥918 million from the end of the previous fiscal year. This was attributable to a net loss of ¥1,168 million and a ¥1,317 million decrease in retained earnings resulting from payment of cash dividends amounting to ¥148 million, among other factors.

## (3) Explanations on Future Forecast Information Including Consolidated Results Forecast, etc.

The Company revised its consolidated results forecast for the fiscal year ending March 31, 2014 to reflect factors that have significant negative influence when compared with the initial forecast, including a decline in the number of wedding contracts due to intensifying market competition, increases in cost of sales and selling, general and administrative expenses due to foreign exchange fluctuations, and a one-time loss resulting from restructuring of the wedding salon network.

For more details, please refer to “Notice Regarding Revision of Financial Results Forecast,” released today (October 31, 2013).

## **2. Summary Information (Notes)**

### (1) Changes in Significant Subsidiaries during the Six Months Ended September 30, 2013

Not applicable

### (2) Application of Special Accounting Treatment Peculiar to Quarterly Consolidated Financial Statement Preparation

We calculate tax expenses by making a reasonable estimate of the effective tax rate after the application of tax-effect accounting to income before income taxes for the fiscal year that includes this second quarter ended September 30, 2013, and then multiplying net income before taxes by the estimated effective tax rate.

### (3) Changes in Accounting Policies or Estimates and Retrospective Restatements

Not applicable

## **3. Significant Matters Related to the Going Concern Assumption**

Not applicable

#### 4. Consolidated Financial Statements

##### (1) Consolidated Balance Sheets

(Millions of yen)

	FY2012 (As of March 31, 2013)	2 <sup>nd</sup> Quarter of FY2013 (As of September 30, 2013)
<b>ASSETS</b>		
Current assets		
Cash and deposits	6,407	5,298
Accounts receivable-trade	1,941	1,799
Merchandise and finished goods	197	253
Work in process	38	26
Raw materials and supplies	541	620
Other	2,068	2,728
Allowance for doubtful accounts	(30)	(26)
Total current assets	11,164	10,699
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	5,178	5,140
Land	2,607	2,537
Other, net	1,563	1,535
Total property, plant and equipment	9,348	9,213
Intangible assets	781	831
Investments and other assets		
Guarantee deposits	3,275	2,977
Other	1,807	1,745
Allowance for doubtful accounts	(29)	(29)
Total investments and other assets	5,053	4,693
Total noncurrent assets	15,183	14,738
Total assets	26,348	25,437

(Millions of yen)

	FY2012 (As of March 31, 2013)	2 <sup>nd</sup> Quarter of FY2013 (As of September 30, 2013)
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable-trade	2,009	1,709
Short-term loans payable	900	1,350
Income taxes payable	202	—
Advances received	2,012	2,546
Provision for bonuses	446	351
Other	3,053	2,075
<b>Total current liabilities</b>	<b>8,625</b>	<b>8,033</b>
Noncurrent liabilities		
Long-term loans payable	700	1,200
Provision for retirement benefits	595	674
Asset retirement obligations	573	605
Other	509	498
<b>Total noncurrent liabilities</b>	<b>2,378</b>	<b>2,978</b>
<b>Total liabilities</b>	<b>11,004</b>	<b>11,011</b>
<b>NET ASSETS</b>		
Shareholders' equity		
Capital stock	4,176	4,176
Capital surplus	4,038	4,038
Retained earnings	8,147	6,830
Treasury stock	(0)	(0)
<b>Total shareholders' equity</b>	<b>16,361</b>	<b>15,044</b>
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	38	35
Deferred gains or losses on hedges	(1)	2
Revaluation reserve for land	(903)	(903)
Foreign currency translation adjustment	(227)	172
<b>Total valuation and translation adjustments</b>	<b>(1,092)</b>	<b>(691)</b>
Minority interests	75	73
<b>Total net assets</b>	<b>15,344</b>	<b>14,426</b>
<b>Total liabilities and net assets</b>	<b>26,348</b>	<b>25,437</b>



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

(Consolidated Statements of Income for the Six Months Ended September 30, 2013)

(Millions of yen)

	Six Months of FY2012 (From April 1, 2012 to September 30, 2012)	Six Months of FY2013 (From April 1, 2013 to September 30, 2013)
Net sales	23,276	22,575
Cost of sales	7,611	7,892
Gross profit	15,664	14,683
Selling, general and administrative expenses		
Salaries, allowances and bonuses	5,412	5,215
Provision for bonuses	265	279
Retirement benefit expenses	124	99
Rent expenses	3,312	3,164
Other	6,864	7,388
Total selling, general and administrative expenses	15,978	16,146
Operating loss	(314)	(1,463)
Non-operating income		
Rent income	28	29
Compensation income	32	—
Commission fee	40	—
Other	52	39
Total non-operating income	154	69
Non-operating expenses		
Interest expenses	9	7
Business commencement expenses	—	90
Commission fee	20	20
Other	35	36
Total non-operating expenses	66	154
Ordinary loss	(225)	(1,548)
Extraordinary loss		
Loss on sales and retirement of noncurrent assets	—	39
Loss on liquidation of facilities and stores	59	46
Total extraordinary losses	59	85
Loss before income taxes	(285)	(1,633)
Income taxes	(90)	(456)
Loss before minority interests	(194)	(1,177)
Minority interests in loss	(9)	(8)
Net loss	(184)	(1,168)

(Consolidated Statements of Comprehensive Income for the Six Months Ended September 30, 2013)

(Millions of yen)

	Six Months of FY2012 (From April 1, 2012 to September 30, 2012)	Six Months of FY2013 (From April 1, 2013 to September 30, 2013)
Loss before minority interests	(194)	(1,177)
Other comprehensive income		
Valuation difference on available-for-sale securities	(5)	(3)
Deferred gains or losses on hedges	(37)	3
Foreign currency translation adjustment	(34)	405
Share of other comprehensive income of associates accounted for using equity method	(1)	1
Total other comprehensive income	(79)	407
Comprehensive income	(274)	(769)
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	(263)	(767)
Comprehensive income attributable to minority interests	(10)	(1)

## (3) Consolidated Statements of Cash Flows

(Millions of yen)

	Six Months of FY2012 (From April 1, 2012 to September 30, 2012)	Six Months of FY2013 (From April 1, 2013 to September 30, 2013)
<b>Net cash provided by (used in) operating activities</b>		
Loss before income taxes	(285)	(1,633)
Depreciation and amortization	902	875
Loss on liquidation of facilities and stores	59	46
Increase (decrease) in provision for bonuses	(91)	(98)
Interest and dividends income	(11)	(11)
Interest expenses	9	7
Foreign exchange losses (gains)	1	11
Decrease (increase) in notes and accounts receivable-trade	59	157
Decrease (increase) in inventories	(48)	(67)
Increase (decrease) in notes and accounts payable-trade	(324)	(309)
Increase (decrease) in accounts payable-other	(167)	(957)
Increase (decrease) in advances received	546	527
Other, net	(363)	(135)
<b>Subtotal</b>	<b>286</b>	<b>(1,588)</b>
Interest and dividends income received	11	14
Interest expenses paid	(9)	(7)
Income taxes paid	(269)	(200)
Income taxes refund	—	157
<b>Net cash provided by (used in) operating activities</b>	<b>19</b>	<b>(1,625)</b>
<b>Net cash provided by (used in) investing activities</b>		
Purchase of property, plant and equipment	(412)	(688)
Proceeds from sales of property, plant and equipment	8	97
Purchase of intangible assets	(57)	(200)
Payments for guarantee deposits	(18)	(43)
Proceeds from collection of guarantee deposits	27	349
Other, net	34	15
<b>Net cash provided by (used in) investing activities</b>	<b>(417)</b>	<b>(470)</b>
<b>Net cash provided by (used in) financing activities</b>		
Net increase (decrease) in short-term loans payable	—	700
Proceeds from long-term loans payable	—	500
Repayment of long-term loans payable	(250)	(250)
Proceeds from stock issuance to minority shareholders	30	—
Cash dividends paid	(148)	(148)
Other, net	(25)	(30)
<b>Net cash provided by (used in) financing activities</b>	<b>(393)</b>	<b>770</b>
Effect of exchange rate change on cash and cash equivalents	(24)	215
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(816)</b>	<b>(1,109)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>6,332</b>	<b>6,403</b>
<b>Cash and cash equivalents at end of period</b>	<b>5,516</b>	<b>5,294</b>

(4) Notes on Consolidated Financial Statements

(Notes on the Going Concern Assumption)

Not applicable

(Notes in the Case of a Dramatic Fluctuation in the Amount of Shareholders' Equity)

Not applicable

(Segment Information)

I. Six Months Ended September 30, 2012 (April 1, 2012 to September 30, 2012)

1. Information about Net Sales and Amount of Income or Loss in Each Reporting Segment

(Millions of yen)

	Reporting segments		Total	Adjustments (Note 1)	Amount recorded in the Quarterly Consolidated Statements of Income (Note 2)
	Resort weddings	Hotels and domestic weddings			
Net sales					
Sales to customers	9,663	13,612	23,276	—	23,276
Intersegment sales and transfers	2,891	95	2,987	(2,987)	—
Total	12,555	13,707	26,263	(2,987)	23,276
Segment income (loss)	332	(651)	(318)	4	(314)

(Notes) 1. Adjustments of segment income (loss) totaling ¥4 million include elimination of intersegment transactions amounting to ¥13 million, and adjustments of inventories and others amounting to -¥8 million.

2. Segment income (loss) is adjusted with the operating loss in the Consolidated Statements of Income.

2. Information about Impairment Loss for Noncurrent Assets or Goodwill, etc. in Each Reporting Segment

Not applicable

II. Six Months Ended September 30, 2013 (April 1, 2013 to September 30, 2013)

1. Information about Net Sales and Amount of Income or Loss in Each Reporting Segment

(Millions of yen)

	Reporting segments		Total	Adjustments (Note 1)	Amount recorded in the Quarterly Consolidated Statements of Income (Note 2)
	Resort weddings	Hotels and domestic weddings			
Net sales					
Sales to customers	9,142	13,433	22,575	—	22,575
Intersegment sales and transfers	2,880	72	2,953	(2,953)	—
Total	12,023	13,505	25,529	(2,953)	22,575
Segment loss	(1,130)	(326)	(1,457)	(5)	(1,463)

(Notes) 1. Adjustments of segment loss totaling -¥5 million include elimination of intersegment transactions amounting to ¥17 million, and adjustments of inventories and others amounting to -¥23 million.

2. Segment loss is adjusted with the operating loss in the Consolidated Statements of Income.

2. Information about the Impairment Loss for Noncurrent Assets or Goodwill, etc. in Each Reporting Segment

Not applicable