

Consolidated Financial Results for the First Quarter Ended June 30, 2014 [J-GAAP]
Watabe Wedding Corporation

July 31, 2014

Stock code: 4696
 URL: <http://www.watabe-wedding.co.jp>
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 Scheduled date of start of dividend payment: —
 Preparation of any additional explanatory document for quarterly financial results: None
 Holding of any briefing session for quarterly financial results: None

Financial Highlights

As of and for the three months ended June 30, 2013 and 2014

(Amounts less than one million yen are omitted.)

1. Consolidated Operating Results

	Three months ended June 30, 2013	Three months ended June 30, 2014	2014 / 2013 <i>(percentage change)</i>
	<i>(millions of yen)</i>		
(1) Consolidated financial results			
Net sales	12,297	11,127	-9.5
Operating income	(193)	(210)	—
Ordinary income	(254)	(185)	—
Net income	(210)	(65)	—
Net income, basic per share <i>(yen)</i>	(21.23)	(6.57)	
Net income, diluted per share <i>(yen)</i>	—	—	

Comprehensive income (loss): Three months ended June 30, 2014: ¥(173) million (—%)
 Three months ended June 30, 2013: ¥79 million (-74.4%)

	Fiscal year ended March 31, 2014	Three months ended June 30, 2014
	<i>(millions of yen)</i>	
(2) Consolidated financial position		
Total assets	23,739	23,009
Net assets	11,989	11,750
Shareholders' equity ratio	50.3%	50.9%

(Reference) Shareholders' equity: As of June 30, 2014: ¥11,710 million
 As of March 31, 2014: ¥11,951 million

2. Dividends

	Annual dividends per share				Total
	1Q-end	2Q-end	3Q-end	Year-end	
	<i>(yen)</i>				
FY2013	—	15.00	—	0.00	15.00
FY2014	—	—	—	—	—
FY2014 (Forecast)	—	0.00	—	—	—

(Note) The Company has not yet determined a forecast for the year-end dividend for fiscal 2014.

3. Consolidated Results Forecast for the Fiscal Year Ending March 31, 2015

	FY2014	
	1 st half	Full year
	<i>(millions of yen)</i>	
Net sales	—	48,800
Operating income	—	500
Ordinary income	—	500
Net income	—	200
Net income, basic per share <i>(yen)</i>	—	20.18

(Note) Revision of the most recently disclosed dividend forecast: None

The wedding industry is characterized by seasonal fluctuations in the number of weddings that occur, with certain times of the year more popular than others for holding ceremonies. The Company tracks business results on an annual basis and therefore does not disclose performance expectations for the first half of the consolidated fiscal year.

*Notes

(1) Changes in significant subsidiaries during the three months ended June 30, 2014 (Changes in specified subsidiaries resulting in change in scope of consolidation): None

(2) Application of special accounting treatment peculiar to preparation of quarterly financial statements: Yes

(Note) Refer to “2. Summary Information (Notes) (2) Application of Special Accounting Treatment Peculiar to Preparation of Quarterly Consolidated Financial Statements” 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: Yes

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

(iii) Changes in accounting estimates: None

(iv) Retrospective restatements: None

(Note) Refer to “2. Summary Information (Notes), (3) Changes in Accounting Policies or Estimates and Retrospective Restatements” on page 5 of the attached material for further details.

(4) Number of shares issued (common shares)

(i) Number of shares issued (including treasury shares)

9,909,400 shares as of June 30, 2014

9,909,400 shares as of March 31, 2014

(ii) Number of treasury shares

326 shares as of June 30, 2014

326 shares as of March 31, 2014

(iii) Average number of shares during the period

9,909,074 shares for the three months ended June 30, 2014

9,909,074 shares for the three months ended June 30, 2013

*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 as of the time of the release of this document.

*Explanations about the appropriate use of the consolidated results forecast and other noteworthy points:

(Note concerning forward-looking statements)

The forward-looking statements given above are based on data available at the time of the release of this document and assumptions that are deemed reasonable; they are not intended to be understood as commitments made by the Company. Actual results may differ from forward-looking statements due to various uncertain 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.

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1. Qualitative Information on Quarterly Financial Results

(1) Explanations on Operating Results

During the three months ended June 30, 2014, in the resort wedding business segment, we worked on market expansion and reinforcing our power to attract customers through the opening of new wedding salons—Tachikawa in May, as well as Kumamoto and Takasaki in June—and the renewal of Osaka Grand Plaza. In the Asian market, one of the targeted markets for our growth strategies, resort wedding proposals succeeded to meet the needs of customers and resulted in good performance. However, in terms of the resort wedding business segment as a whole, the number of wedding contracts decreased year on year, due to increased competition which resulted in cancellation of some of the weddings that had been booked prior to and scheduled during the period.

Regarding the hotels and domestic weddings segment, we established Crescendo Produce Co., Ltd. to exclusively engage in house wedding business and endeavored to boost its operations. However, several competitors also opened new wedding facilities in the Tokyo metropolitan area, and the number of our wedding contracts in this segment decreased year on year.

As a result of the above, consolidated results were as follows: net sales settled at ¥11,127 million, down 9.5% year-on-year; operating loss amounted to ¥210 million (compared with an operating loss of ¥193 million for the three months ended June 30, 2013); ordinary loss amounted to ¥185 million (compared with an ordinary loss of ¥254 million for the three months ended June 30, 2013); and net loss totaled ¥65 million (compared with a net loss of ¥210 million for the three months ended June 30, 2013).

Segment performances, after elimination of intersegment transactions, are summarized below.

1) Resort weddings

Net sales fell 5.3% year-on-year to ¥4,619 million as the number of wedding contracts decreased. On the other hand, as a result of efforts to improve personnel efficiency, segment loss was ¥47 million (compared with a segment loss of ¥440 million for the three months ended June 30, 2013).

2) Hotels and domestic weddings

While the number of stays increased in line with the economic recovery, fiercer competition resulted in a decrease in the number of wedding contracts. Segment sales fell 12.3% year-on-year to ¥6,507 million and segment loss amounted to ¥174 million (compared with a segment income of ¥241 million for the three months ended June 30, 2013).

(2) Explanations on Financial Position

Current assets of the Group at the end of the first quarter of fiscal 2014 stood at ¥9,659 million, ¥846 million less than at the end of the fiscal 2013, mainly due to a decrease in cash and deposits. Non-current assets increased by ¥117 million from the end of fiscal 2013 to ¥13,350 million. This is primarily because of an increase in guarantee deposits. As a result, total assets decreased by ¥729 million, from the end of fiscal 2013, to ¥23,009 million.

Current liabilities at the end of the first quarter of fiscal 2014 stood at ¥8,388 million, ¥420 million less than the end of fiscal 2013, mainly due to decreases in the provision for bonuses, accounts payable trade and income taxes payable. Non-current liabilities amounted to ¥2,870 million, down ¥70 million from the end of fiscal 2013. This is chiefly because of a decrease in long-term loans payable. As a result, total liabilities decreased by ¥491 million from the end of fiscal 2013, to ¥11,258 million.

Total net assets amounted to ¥11,750 million, down ¥238 million from the end of fiscal 2013. This was attributable to a ¥105 million decrease in foreign currency translation adjustment and a net loss of ¥65 million.

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

At the current time, we are making no changes to the consolidated results forecast that was announced on May 13, 2014.

2. Summary Information (Notes)

(1) Changes in Significant Subsidiaries during the Three Months Ended June 30, 2014

Not applicable

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

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 first quarter ended June 30, 2014, and then multiplying net income before taxes by the estimated effective tax rate.

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

Changes in Accounting Policies

(Application of Accounting Standard for Retirement Benefits, etc.)

With respect to the “Accounting Standard for Retirement Benefits” (ASBJ Statement No. 26, May 17, 2012; hereinafter, the “Standard”) and the “Guidance on Accounting Standard for Retirement Benefits” (ASBJ Guidance No. 25, May 17, 2012; hereinafter, the “Guidance”), the provisions of Section 35 of the Standard and Section 67 of the Guidance have been applied since April 1, 2014. Accordingly, the calculation method of retirement benefit obligations and current service costs was revised and the method for attributing the expected retirement benefits to periods of service was changed from the straight-line basis to the benefit formula basis. Also, the method for determining discount rates was changed from the one based on employees’ approximate average remaining service year to the one using a single weighted average discount rate, which reflects expected payment periods and amounts of retirement benefits for each period.

In respect of the application of the Standard, etc., in accordance with transitional treatment stipulated in Section 37 of the Standard, the amount of financial impact associated with the change in the calculation method of retirement benefit obligations and current service costs was added to and/or removed from the beginning balance of retained earnings for the three months ended June 30, 2014.

As a result, the beginning balance of retirement benefit obligations increased by ¥64 million and retained earnings decreased by ¥64 million for the three months ended June 30, 2014. The impact on the operating loss, ordinary loss and loss before income taxes for the period under review is immaterial.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheet

(Millions of yen)

	FY2013 (As of March 31, 2014)	1 st Quarter of FY2014 (As of June 30, 2014)
ASSETS		
Current assets		
Cash and deposits	6,267	5,495
Accounts receivable-trade	1,785	1,861
Merchandise and finished goods	230	224
Work in process	20	19
Raw materials and supplies	608	545
Other	1,636	1,552
Allowance for doubtful accounts	(42)	(40)
Total current assets	10,505	9,659
Non-current assets		
Property, plant and equipment		
Buildings and structures (net)	4,335	4,245
Land	2,271	2,272
Other (net)	1,384	1,439
Total property, plant and equipment	7,992	7,957
Intangible assets	854	800
Investments and other assets		
Guarantee deposits	2,980	3,093
Other	1,436	1,529
Allowance for doubtful accounts	(30)	(30)
Total investments and other assets	4,386	4,593
Total non-current assets	13,233	13,350
Total assets	23,739	23,009
LIABILITIES		
Current liabilities		
Accounts payable – trade	1,813	1,606
Short-term loans payable	1,325	1,625
Advances received	2,322	2,378
Provision for bonuses	487	199
Asset retirement obligations	437	232
Other	2,422	2,345
Total current liabilities	8,809	8,388
Non-current liabilities		
Long-term loans payable	1,075	875
Net defined benefit liability	913	1,006
Asset retirement obligations	442	494
Other	510	494
Total non-current liabilities	2,940	2,870
Total liabilities	11,750	11,258

(Millions of yen)

	FY2013 (As of March 31, 2014)	1 st Quarter of FY2014 (As of June 30, 2014)
NET ASSETS		
Shareholders' equity		
Capital stock	4,176	4,176
Capital surplus	4,038	4,038
Retained earnings	4,344	4,214
Treasury shares	(0)	(0)
Total shareholders' equity	12,558	12,428
Other comprehensive income		
Valuation difference on available-for-sale securities	35	43
Deferred gains or losses on hedges	9	(7)
Revaluation reserve for land	(921)	(921)
Foreign currency translation adjustment	416	311
Remeasurements of defined benefit plans	(147)	(143)
Total other comprehensive income	(606)	(717)
Minority interests	37	40
Total net assets	11,989	11,750
Total liabilities and net assets	23,739	23,009

(2) Consolidated Statements of Income and Comprehensive Income

(Consolidated Statement of Income for the Three Months Ended June 30, 2014)

(Millions of yen)

	Three Months of FY2013 (From April 1, 2013 to June 30, 2013)	Three Months of FY2014 (From April 1, 2014 to June 30, 2014)
Net sales	12,297	11,127
Cost of sales	4,301	4,004
Gross profit	7,995	7,122
Selling, general and administrative expenses	8,188	7,333
Operating loss	(193)	(210)
Non-operating income		
Rent income	14	15
Other	21	27
Total non-operating income	35	42
Non-operating expenses		
Interest expenses	4	2
Rent expenses	4	3
Foreign exchange losses	19	—
Business commencement expenses	42	—
Other	25	11
Total non-operating expenses	96	18
Ordinary loss	(254)	(185)
Extraordinary losses		
Loss on sale and retirement of non-current assets	3	2
Impairment loss	28	—
Loss on liquidation of facilities and stores	22	—
Total extraordinary losses	54	2
Loss before income taxes	(308)	(188)
Income taxes	(95)	(125)
Loss before minority interests	(213)	(62)
Minority interests (loss)	(3)	2
Net loss	(210)	(65)

(Consolidated Statement of Comprehensive Income for the Three Months Ended June 30, 2014)

(Millions of yen)

	Three Months of FY2013 (From April 1, 2013 to June 30, 2013)	Three Months of FY2014 (From April 1, 2014 to June 30, 2014)
Loss before minority interests	(213)	(62)
Other comprehensive income		
Valuation difference on available-for-sale securities	(5)	7
Deferred gains or losses on hedges	24	(17)
Foreign currency translation adjustment	271	(103)
Remeasurements of defined benefit plans	—	4
Share of other comprehensive income of entities accounted for using equity method	2	(1)
Total other comprehensive income	292	(110)
Comprehensive income	79	(173)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	77	(176)
Comprehensive income attributable to minority interests	1	2

(3) 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, etc.)

[Segment Information]

I. Three Months of Fiscal 2013 (From April 1, 2013 to June 30, 2013)

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

(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	4,880	7,416	12,297	—	12,297
Intersegment sales and transfers	1,667	42	1,709	[1,709]	—
Total	6,548	7,458	14,007	[1,709]	12,297
Segment income (loss)	(440)	241	(199)	5	(193)

(Notes) 1. The ¥5 million adjustment of segment income (loss) includes elimination of intersegment transactions amounting to ¥9 million and adjustments of inventories and others amounting to ¥(3) million.

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

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

Not applicable

II. Three Months of Fiscal 2014 (From April 1, 2014 to June 30, 2014)

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

(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	4,619	6,507	11,127	—	11,127
Intersegment sales and transfers	1,562	32	1,594	[1,594]	—
Total	6,182	6,540	12,722	[1,594]	11,127
Segment loss	(47)	(174)	(222)	11	(210)

(Notes) 1. The ¥11 million adjustment of segment loss includes elimination of intersegment transactions amounting to ¥9 million and adjustments of inventories and others amounting to ¥1 million.

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

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

Not applicable