

Consolidated Financial Results for the Third Quarter Ended December 31, 2014 [J-GAAP]
Watabe Wedding Corporation

January 30, 2015

Stock code: 4696
 URL: <http://www.watabe-wedding.co.jp>
 Shares listed: Tokyo Stock Exchange
 Representative: Nobuaki Hanafusa, Executive President, Representative Director
 Contact: Chikaomi Hiraki, General Manager of Administration Division
 TEL: +81-75-352-4111

Scheduled date of the filing of the quarterly report: February 2, 2015
 Scheduled date of start of dividend payment: —
 Preparation of supplementary briefing materials for quarterly financial results: None
 Holding of any briefing session for quarterly financial results: None

Financial Highlights

As of and for the nine months ended December 31, 2013 and 2014

(Amounts less than one million yen are omitted.)

1. Consolidated Operating Results

	Nine months ended December 31, 2013	Nine months ended December 31, 2014	2014 / 2013 <i>(percentage change)</i>
	<i>(millions of yen)</i>		
(1) Consolidated financial results			
Net sales	36,299	34,064	-6.2
Operating income	(639)	(122)	—
Ordinary income	(709)	153	—
Net income	(656)	(486)	—
Net income, basic per share <i>(yen)</i>	(66.26)	(49.13)	
Net income, diluted per share <i>(yen)</i>	—	—	

Comprehensive income (loss): Nine months ended December 31, 2014: ¥63 million (—%)
 Nine months ended December 31, 2013: ¥(134) million (—%)

	Fiscal year ended March 31, 2014	Nine months ended December 31, 2014
	<i>(millions of yen)</i>	
(2) Consolidated financial position		
Total assets	23,739	22,613
Net assets	11,989	11,987
Shareholders' equity ratio	50.3%	52.8%

(Reference) Shareholders' equity: As of December 31, 2014: ¥11,936 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	—	0.00	—		
FY2014 (Forecast)				—	—

(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
	Full year
	(millions of yen)
Net sales	45,600
Operating income	100
Ordinary income	130
Net income	(100)
Net income, basic per share (yen)	(10.09)

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

*Notes

(1) Changes in significant subsidiaries during the nine months ended December 31, 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 5 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

(4) Number of shares issued (common shares)

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

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

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

(ii) Number of treasury shares

326 shares as of December 31, 2014

326 shares as of March 31, 2014

(iii) Average number of shares during the period

9,909,074 shares for the nine months ended December 31, 2014

9,909,074 shares for the nine months ended December 31, 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.

○ Contents of the Attached Material

1. Qualitative Information on Quarterly Financial Results.....	4
(1) Explanations on Operating Results	4
(2) Explanations on Financial Position	4
(3) Explanations on Future Forecast Information including Consolidated Results Forecast, etc.	5
2. Summary Information (Notes)	5
(1) Changes in Significant Subsidiaries during the Nine Months Ended December 31, 2014	5
(2) Application of Special Accounting Treatment Peculiar to Preparation of Quarterly Consolidated Financial Statements	5
(3) Changes in Accounting Policies or Estimates and Retrospective Restatements	5
3. Consolidated Financial Statements	6
(1) Consolidated Balance Sheet	6
(2) Consolidated Statements of Income and Comprehensive Income	8
Consolidated Statement of Income for the Nine Months Ended December 31, 2014.....	8
Consolidated Statement of Comprehensive Income for the Nine Months Ended December 31, 2014.....	9
(3) Notes on Consolidated Financial Statements	10
(Notes on the Going Concern Assumption)	10
(Notes in the Case of a Dramatic Fluctuation in the Amount of Shareholders' Equity)	10
(Segment Information, etc.)	10

1. Qualitative Information on Quarterly Financial Results

(1) Explanations on Operating Results

The operation results during the nine months ended December 31, 2014 are as follows. In the resort weddings business segment, we continued to focus on reorganizing our wedding salon network on a gradual basis from the beginning of this fiscal year, and respectively relocated, refurbished and opened Shinsaibashi Salon, Kobe Grand Plaza and Sapporo Grand Plaza in December. We reorganized a total of 16 wedding salons to improve their customer appeal and reduce fixed costs in this fiscal year. In addition, we started to sell, on an exclusive basis, wedding packages for “The Majestic Chapel,” an overseas wedding facility, which is located on the premises of the Ritz-Carlton, Bali, a new luxury resort facility in Bali, Indonesia. We plan to expand our high-end wedding business in Bali as one of the prominent resorts in Asia, in our efforts to increase market share. Although the resort weddings business segment as a whole was adversely affected by a decline in the number of wedding contracts due to intensifying market competition and a cost increase due to the sharp depreciation of the yen, operating income significantly increased due to measures such the reorganization of our salon network.

Regarding the hotels and domestic weddings segment, we have aggressively conducted sales promotion activities to increase the number of customer orders, including, for example, the special offer of a Hawaii tour to couples at Meguro Gajoen. However, both sales and income decreased from the previous year’s level due to various factors, including the opening of wedding facilities by competitors in the Tokyo metropolitan area.

As a result of the above, consolidated results are as follows. Net sales decreased by 6.2% year on year to ¥34,064 million; an operating loss amounted to ¥122 million (compared with an operating loss of ¥639 million for the same period of the previous fiscal year); ordinary income amounted to ¥153 million (compared with an ordinary loss of ¥709 million for the same period of the previous fiscal year); and a net loss after reporting impairment loss, etc., amounted to ¥486 million (compared with a net loss of 656 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 6.5% year on year to ¥13,995 million, reflecting a decline in the number of wedding contracts. Segment income amounted to ¥92 million (compared with a segment loss of ¥942 million for the same period of the previous fiscal year), owing to a reduction in selling, general and administrative expenses and other factors.

2) Hotels and domestic weddings

As the number of wedding contracts declined, net sales decreased by 5.9% year on year to ¥20,069 million, while segment loss amounted to ¥244 million (compared with segment income of ¥301 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 ¥9,663 million, ¥842 million less than at the end of the previous fiscal year. This was mainly due to a decrease in cash and deposits. Non-current assets amounted to ¥12,949 million, ¥283 million less than at the end of the previous fiscal year. As a result, total assets were down ¥1,125 million from the end of the previous fiscal year to ¥22,613 million.

Current liabilities at the end of the quarter under review stood at ¥7,854 million, ¥954 million less than at the end of the previous fiscal year. This was primarily due to a decrease in advances received and asset retirement obligations. Non-current liabilities were ¥2,771 million, ¥169 million less than at the end of the previous fiscal year. This was attributable mainly to a decrease in long-term loans payable. As a result, total liabilities decreased by ¥1,124 million from the end of the previous fiscal year to ¥10,625 million.

The balance of net assets settled at ¥11,987 million, down ¥1 million from the end of the previous fiscal year. This was attributable to a net loss of ¥486 million, an increase in foreign currency translation adjustment and deferred gains or losses on hedges, and other factors.

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

As of the date of reporting, there are no revisions to the consolidated results forecast announced on October 31, 2014.

2. Summary Information (Notes)

(1) Changes in Significant Subsidiaries during the Nine Months Ended December 31, 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 third quarter ended December 31, 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 nine months ended December 31, 2014.

As a result, the beginning balance of retirement benefit obligations increased by ¥64 million and retained earnings decreased by ¥64 million for the nine months ended December 31, 2014. The impact on the operating

loss, ordinary income and loss before income taxes and minority interests for the period under review is immaterial.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheet

(Millions of yen)

	FY2013 (As of March 31, 2014)	3 rd Quarter of FY2014 (As of December 31, 2014)
ASSETS		
Current assets		
Cash and deposits	6,267	5,206
Accounts receivable-trade	1,785	1,667
Merchandise and finished goods	230	251
Work in process	20	18
Raw materials and supplies	608	511
Other	1,636	2,050
Allowance for doubtful accounts	(42)	(42)
Total current assets	10,505	9,663
Non-current assets		
Property, plant and equipment		
Buildings and structures (net)	4,335	4,386
Land	2,271	2,272
Other (net)	1,384	1,481
Total property, plant and equipment	7,992	8,140
Intangible assets	854	684
Investments and other assets		
Guarantee deposits	2,980	2,938
Other	1,436	1,216
Allowance for doubtful accounts	(30)	(31)
Total investments and other assets	4,386	4,124
Total non-current assets	13,233	12,949
Total assets	23,739	22,613
LIABILITIES		
Current liabilities		
Accounts payable – trade	1,813	1,867
Short-term loans payable	1,325	1,125
Income taxes payable	184	—
Advances received	2,322	1,912
Provision for bonuses	487	240
Asset retirement obligations	437	43
Other	2,237	2,664
Total current liabilities	8,809	7,854
Non-current liabilities		
Long-term loans payable	1,075	812
Net defined benefit liability	913	1,056
Asset retirement obligations	442	575
Other	510	326
Total non-current liabilities	2,940	2,771
Total liabilities	11,750	10,625

(Millions of yen)

	FY2013 (As of March 31, 2014)	3 rd Quarter of FY2014 (As of December 31, 2014)
NET ASSETS		
Shareholders' equity		
Capital stock	4,176	4,176
Capital surplus	4,038	4,038
Retained earnings	4,344	3,792
Treasury shares	(0)	(0)
Total shareholders' equity	12,558	12,006
Other comprehensive income		
Valuation difference on available-for-sale securities	35	91
Deferred gains or losses on hedges	9	201
Revaluation reserve for land	(921)	(921)
Foreign currency translation adjustment	416	692
Remeasurements of defined benefit plans	(147)	(134)
Total other comprehensive income	(606)	(69)
Minority interests	37	51
Total net assets	11,989	11,987
Total liabilities and net assets	23,739	22,613

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statement of Income for the Nine Months Ended December 31, 2014

(Millions of yen)

	Nine Months of FY2013 (From April 1, 2013 to December 31, 2013)	Nine Months of FY2014 (From April 1, 2014 to December 31, 2014)
Net sales	36,299	34,064
Cost of sales	12,640	11,990
Gross profit	23,659	22,073
Selling, general and administrative expenses	24,298	22,196
Operating loss	(639)	(122)
Non-operating income		
Foreign exchange gains	—	201
Other	110	120
Total non-operating income	110	321
Non-operating expenses		
Interest expenses	10	8
Business commencement expenses	96	—
Other	72	37
Total non-operating expenses	179	45
Ordinary income (loss)	(709)	153
Extraordinary losses		
Loss on sales and retirement of non-current assets	55	24
Loss on liquidation of facilities and stores	56	91
Impairment loss	—	233
Total extraordinary losses	112	349
Loss before income taxes and minority interests	(822)	(196)
Income taxes	(157)	281
Loss before minority interests	(664)	(477)
Minority interests in income (loss)	(8)	9
Net loss	(656)	(486)

Consolidated Statement of Comprehensive Income for the Nine Months Ended December 31, 2014

(Millions of yen)

	Nine Months of FY2013 (From April 1, 2013 to December 31, 2013)	Nine Months of FY2014 (From April 1, 2014 to December 31, 2014)
Loss before minority interests	(664)	(477)
Other comprehensive income		
Valuation difference on available-for-sale securities	0	55
Deferred gains or losses on hedges	23	192
Foreign currency translation adjustment	501	273
Remeasurements of defined benefit plans	—	13
Share of other comprehensive income of entities accounted for using equity method	4	6
Total other comprehensive income	529	541
Comprehensive income	(134)	63
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(135)	50
Comprehensive income attributable to minority interests	0	13

(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. Nine Months of Fiscal 2013 (From April 1, 2013 to December 31, 2013)

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

(Millions of yen)

	Reporting segments		Total	Adjustments (Note 1)	Amount recorded in the Consolidated Statement of Income (Note 2)
	Resort weddings	Hotels and domestic weddings			
Net sales					
Sales to customers	14,975	21,324	36,299	—	36,299
Intersegment sales and transfers	4,703	94	4,797	(4,797)	—
Total	19,678	21,419	41,097	(4,797)	36,299
Segment income (loss)	(942)	301	(641)	1	(639)

(Notes) 1. The ¥1 million adjustment of segment income (loss) includes elimination of intersegment transactions amounting to ¥19 million and adjustments of inventories and others amounting to ¥(18) 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. Nine Months of Fiscal 2014 (From April 1, 2014 to December 31, 2014)

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

(Millions of yen)

	Reporting segments		Total	Adjustments (Note 1)	Amount recorded in the Consolidated Statement of Income (Note 2)
	Resort weddings	Hotels and domestic weddings			
Net sales					
Sales to customers	13,995	20,069	34,064	—	34,064
Intersegment sales and transfers	4,681	73	4,754	(4,754)	—
Total	18,676	20,142	38,819	(4,754)	34,064
Segment income (loss)	92	(244)	(151)	29	(122)

(Notes) 1. The ¥29 million adjustment of segment income (loss) includes elimination of intersegment transactions amounting to ¥25 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

(Significant impairment loss on non-current assets)

For the resort weddings business segment, we recorded an impairment loss of ¥233 million.