Consolidated Financial Results for the Third Quarter Ended December 31, 2015 [J-GAAP]
Watabe Wedding Corporation

February 2, 2016

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:	February 3, 2016
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, 2014 and 2015

(Amounts less than one million yen are omitted.)

1. Consolidated Operating Results

	Nine months ended December 31, 2014	Nine months ended December 31, 2015	Year on year
	(millions of yen)		*(percentage change)*
(1) Consolidated financial results			
Net sales	34,064	33,808	-0.8
Operating income (loss)	(122)	409	—
Ordinary income (loss)	153	570	272.8
Profit (loss) attributable to owners of parent	(486)	100	—
Profit (loss), basic per share *(yen)*	(49.13)	10.16	
Profit (loss), diluted per share *(yen)*	—	—	

(Note) Comprehensive income: Nine months ended December 31, 2015: ¥(94) million (—%)
Nine months ended December 31, 2014: ¥63 million (—%)

	As of March 31, 2015	As of December 31, 2015
	(millions of yen)	
(2) Consolidated financial position		
Total assets	20,732	19,917
Net assets	10,963	10,869
Shareholders' equity ratio (%)	52.6	54.3

(Reference) Shareholders' equity: As of December 31, 2015: ¥10,815 million
As of March 31, 2015: ¥10,910 million

2. Dividends

	Annual dividends per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
			(yen)		
FY2014	—	0.00	—	0.00	0.00
FY2015	—	0.00	—		
FY2015 (Forecast)				—	—

(Note) The Company has not yet determined a forecast for the year-end dividend for fiscal 2015.

3. Consolidated Results Forecast for the Fiscal Year Ending March 31, 2016

	FY2015
	Full year
	(millions of yen)
Net sales	44,000
Operating income	200
Ordinary income	260
Profit attributable to owners of parent	60
Profit, basic per share *(yen)*	6.06

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

** Notes*

(1) Changes in significant subsidiaries during the nine months ended December 31, 2015 (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

(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 stock)

(i) Number of shares issued (including treasury stock)
9,909,400 shares as of December 31, 2015
9,909,400 shares as of March 31, 2015
(ii) Number of shares of treasury stock
326 shares as of December 31, 2015
326 shares as of March 31, 2015
(iii) Average number of shares during the period
9,909,074 shares for the nine months ended December 31, 2015
9,909,074 shares for the nine months ended December 31, 2014

* 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

(1) Explanations on Operating Results

During the nine months ended December 31, 2015, in the resort wedding business segment, the Group opened salons in Utsunomiya in May 2015, Nagano in June 2015, and Kyoto Shijo Salon in August 2015. With these salons, we are specializing in consultations for domestic and overseas resort weddings to increase awareness and expand the market for resort weddings. Furthermore, we have worked to accommodate even more resort wedding guests by providing facilities that give guests, in addition to the bride and groom, a sense of hospitality, including “Aquagrace Chapel” in Okinawa, which we reopened in September 2015. Furthermore, we opened the new “Luz de Amor Chapel” in Guam in November 2015, which has three residence-style banquet facilities. We are leveraging the features of the Guam market, which has a relatively short travel time from Japan and that welcomes many visitors, in order to ensure that we secure more customers wishing to hold parties following the ceremony. Looking forward, we will work to secure classes of customers different from those we have catered to in the past by opening a chapel in Waikiki, a popular area of Hawaii. To this end, in February 2016, we plan to open “The AKALA Chapel” in the Hilton Hawaiian Village Waikiki Beach Resort which is located in Waikiki, and have been accepting orders since December 2015.

Regarding the hotels and domestic wedding segment, we have worked to strengthen the banquet and accommodation businesses other than wedding business, in addition to continuing to strengthen our wedding business. In our wedding business, we opened a refurbished banquet hall at Meguro Gajoen, which will offer new concepts, and we worked to raise unit prices through differentiation from our competition and product diversification. Furthermore, in our accommodation business, we took measures to raise unit prices per customer by maintaining the current high occupancy rates, and working to improve services and added value for both Meguro Gajoen and Mielparque.

As a result of the above, consolidated results for the nine months ended December 31, 2015 were as follows: Net sales settled at ¥33,808 million, down 0.8% year on year; operating income amounted to ¥409 million (compared with an operating loss of ¥122 million for the same period of the previous fiscal year); ordinary income amounted to ¥570 million, up 272.8% year on year; and profit attributable to owners of parent totaled ¥100 million (compared with a loss attributable to owners of parent of ¥486 million for the same period of the previous fiscal year).

Segment performances are summarized below. These results reflect amounts after elimination of intersegment transactions.

1) Resort weddings

Although we improved the unit price per couple, net sales fell 2.5% year on year, to ¥13,644 million due to a decline in the number of wedding contracts. From a profit and loss perspective, despite efforts to reduce fixed costs, etc., the effect of yen depreciation caused the segment to record a loss of ¥96 million (compared with a segment income of ¥92 million for the same period of the previous fiscal year).

2) Hotels and domestic weddings

Net sales increased 0.5% year on year, to ¥20,163 million, owing to strong sales of the banquet and accommodation businesses. From a profit and loss perspective, segment income amounted to ¥495 million (compared with a segment loss of ¥244 million for the same period of the previous fiscal year), as a result of efforts to reduce costs and fixed costs, etc.

(2) Explanations on Financial Position

Current assets of the Group at the end of the third quarter of fiscal 2015 stood at ¥8,520 million, ¥111 million less than at the end of the previous fiscal year. This was primarily due to an increase in cash and deposits and a decrease in accounts receivable-trade and other current assets. Non-current assets stood at ¥11,396 million, ¥704 million less than at the end of the previous fiscal year. As a result, total assets were down ¥815 million from the end of the previous fiscal year, to ¥19,917 million.

Current liabilities at the end of the third quarter of fiscal 2015 stood at ¥6,990 million, ¥227 million less than at the end of the previous fiscal year. This was primarily due to a decrease in advances received. Non-current liabilities stood at ¥2,057 million, ¥493 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 ¥720 million from the end of the previous fiscal year, to ¥9,048 million.

The balance of net assets settled at ¥10,869 million, down ¥94 million from the end of the previous fiscal year. This was primarily due to a decrease of ¥159 million of deferred gains or losses on hedges and a profit attributable to owners of parent amounting to ¥100 million.

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

During the nine months ended December 31, 2015, results were mostly according to plan, so there are no revisions to the consolidated results forecast announced on May 12, 2015.

2. Summary Information (Notes)

(1) Changes in Significant Subsidiaries during the Nine Months Ended December 31, 2015

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, 2015, and then multiplying income before income taxes by the estimated effective tax rate.

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

(Application of Accounting Standard for Business Combinations and related matters)

The “Accounting Standard for Business Combinations” (ASBJ Statement No. 21, September 13, 2013), the “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22, September 13, 2013), and the “Accounting Standard for Business Divestitures” (ASBJ Statement No. 7, September 13, 2013) have been adopted from the beginning of the first quarter ended June 30, 2015. Under these accounting standards, the method of recording the amount of the difference caused by changes in the Company’s equity shares in subsidiaries, which the Company continues to control, was changed to one in which it is recorded as capital surplus. The method of recording acquisition-related costs was also changed to one in which they are recognized as expenses in the fiscal year in which they are incurred. In addition, for business combinations carried out on or after the beginning of the first quarter ended June 30, 2015, the accounting method was changed to one in which the allocation of acquisition costs arising from the finalization of the provisional accounting treatment is reflected in the consolidated financial statements for the quarter in which the business combination took place. Furthermore, the Company has changed the presentation of net income and other related items, and the presentation of minority interests to non-controlling interests. To reflect the relevant changes, the consolidated financial statements for the nine months of the previous fiscal year and for the previous fiscal year were restated.

The Company adopted the Accounting Standards for Business Combinations and related matters from the beginning of the first quarter ended June 30, 2015, following transitional treatment as stipulated in Article 58-2 (4) of Accounting Standard for Business Combinations, Article 44-5 (4) of Accounting Standard for Consolidated Financial Statements, and Article 57-4 (4) of Accounting Standard for Business Divestitures.

The impact of the adoption of these accounting standards on the Company's profit or loss is immaterial.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheet

(Millions of yen)

	FY2014 (As of March 31, 2015)	3Q of FY2015 (As of December 31, 2015)
ASSETS		
Current assets		
Cash and deposits	4,502	5,212
Accounts receivable-trade	1,626	1,484
Merchandise and finished goods	256	225
Work in process	23	15
Raw materials and supplies	471	504
Other	1,797	1,116
Allowance for doubtful accounts	(46)	(38)
Total current assets	8,631	8,520
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	4,236	3,974
Land	2,220	2,033
Other, net	1,383	1,247
Total property, plant and equipment	7,840	7,255
Intangible assets	640	542
Investments and other assets		
Guarantee deposits	2,845	2,678
Other	806	950
Allowance for doubtful accounts	(31)	(30)
Total investments and other assets	3,619	3,598
Total non-current assets	12,100	11,396
Total assets	20,732	19,917
LIABILITIES		
Current liabilities		
Accounts payable-trade	1,532	1,649
Short-term loans payable	625	834
Advances received	2,363	1,822
Provision for bonuses	383	273
Other	2,314	2,410
Total current liabilities	7,217	6,990
Non-current liabilities		
Long-term loans payable	750	187
Net defined benefit liability	870	914
Asset retirement obligations	579	589
Other	351	366
Total non-current liabilities	2,551	2,057
Total liabilities	9,769	9,048

(Millions of yen)

	FY2014 (As of March 31, 2015)	3Q of FY2015 (As of December 31, 2015)
NET ASSETS		
Shareholders’ equity		
Capital stock	4,176	4,176
Capital surplus	4,038	4,038
Retained earnings	2,473	2,574
Treasury shares	(0)	(0)
Total shareholders’ equity	10,687	10,788
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	92	97
Deferred gains or losses on hedges	162	3
Revaluation reserve for land	(920)	(920)
Foreign currency translation adjustment	800	774
Remeasurements of defined benefit plans	87	72
Total accumulated other comprehensive income	223	27
Non-controlling interests	52	53
Total net assets	10,963	10,869
Total liabilities and net assets	20,732	19,917

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statement of Income for the Nine Months Ended December 31, 2015

(Millions of yen)

	Nine Months of FY2014 (From April 1, 2014 to December 31, 2014)	Nine Months of FY2015 (From April 1, 2015 to December 31, 2015)
Net sales	34,064	33,808
Cost of sales	11,990	11,822
Gross profit	22,073	21,985
Selling, general and administrative expenses	22,196	21,576
Operating income (loss)	(122)	409
Non-operating income		
Foreign exchange gains	201	100
Other	120	86
Total non-operating income	321	187
Non-operating expenses		
Interest expenses	8	5
Other	37	21
Total non-operating expenses	45	26
Ordinary income	153	570
Extraordinary income		
Gain on sales of non-current assets	—	34
Total extraordinary income	—	34
Extraordinary losses		
Loss on sales and retirement of non-current assets	24	15
Loss on liquidation of facilities and stores	91	10
Impairment loss	233	—
Total extraordinary losses	349	26
Income (loss) before income taxes	(196)	579
Income taxes	281	475
Profit (loss)	(477)	103
Profit attributable to non-controlling interests	9	2
Profit (loss) attributable to owners of parent	(486)	100

Consolidated Statement of Comprehensive Income for the Nine Months Ended December 31, 2015

(Millions of yen)

	Nine Months of FY2014 (From April 1, 2014 to December 31, 2014)	Nine Months of FY2015 (From April 1, 2015 to December 31, 2015)
Profit (loss)	(477)	103
Other comprehensive income		
Valuation difference on available-for-sale securities	55	4
Deferred gains or losses on hedges	192	(159)
Foreign currency translation adjustment	273	(28)
Remeasurements of defined benefit plans	13	(14)
Share of other comprehensive income of entities accounted for using equity method	6	0
Total other comprehensive income	541	(197)
Comprehensive income	63	(94)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	50	(95)
Comprehensive income attributable to non-controlling interests	13	1

(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 2014 (From April 1, 2014 to December 31, 2014)

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 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 and elimination of unrealized income.

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.

II. Nine Months of Fiscal 2015 (From April 1, 2015 to December 31, 2015)

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 Consolidated Statement of Income (Note 2)
	Resort weddings	Hotels and domestic weddings			
Net sales					
Sales to customers	13,644	20,163	33,808	—	33,808
Intersegment sales and transfers	5,198	71	5,269	(5,269)	—
Total	18,843	20,234	39,078	(5,269)	33,808
Segment income (loss)	(96)	495	399	10	409

(Notes) 1. The ¥10 million adjustment of segment income (loss) includes elimination of intersegment transactions and elimination of unrealized income.

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

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

Not applicable