

Consolidated Financial Results for the First Quarter Ended June 30, 2016 [J-GAAP]
Watabe Wedding Corporation

July 29, 2016

Stock code: 4696
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Scheduled date of the filing of the quarterly report: August 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 three months ended June 30, 2015 and 2016

(Amounts less than one million yen are omitted.)

1. Consolidated Operating Results

	Three months ended June 30, 2015	Three months ended June 30, 2016	Year on year (percentage change)
	(millions of yen)		
(1) Consolidated financial results			
Net sales	11,346	11,086	-2.3
Operating income (loss)	9	289	—
Ordinary income (loss)	140	23	-83.6
Profit (loss) attributable to owners of parent	(28)	12	—
Profit (loss), basic per share (yen)	(2.83)	1.23	
Profit (loss), diluted per share (yen)	—	—	

(Note) Comprehensive income: Three months ended June 30, 2016: ¥(414) million (—%)
 Three months ended June 30, 2015: ¥(21) million (—%)

	As of March 31, 2016	As of June 30, 2016
	(millions of yen)	
(2) Consolidated financial position		
Total assets	20,811	18,956
Net assets	10,342	9,892
Shareholders' equity ratio (%)	49.5	51.9

(Reference) Shareholders' equity: As of June 30, 2016: ¥9,829 million
 As of March 31, 2016: ¥10,293 million

2. Dividends

	Annual dividends per share				Total
	1Q-end	2Q-end	3Q-end	Year-end	
	(yen)				
FY2015	—	0.00	—	5.00	5.00
FY2016	—	—	—	—	—
FY2016 (Forecast)	—	—	—	—	—

(Note) The Company has not yet determined forecasts for the 2Q-end and year-end dividends for fiscal 2016.

3. Consolidated Results Forecast for the Fiscal Year Ending March 31, 2017

	FY2016	
	First half	Full year
	<i>(millions of yen)</i>	
Net sales	—	44,500
Operating income	—	300
Ordinary income	—	300
Profit attributable to owners of parent	—	100
Profit, basic per share (<i>yen</i>)	—	10.09

(Note) Revision of the most recently disclosed consolidated results 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 consolidated results forecast for the first half of the consolidated fiscal year.

* Notes

(1) Changes in significant subsidiaries during the three months ended June 30, 2016 (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 June 30, 2016

9,909,400 shares as of March 31, 2016

(ii) Number of shares of treasury stock

326 shares as of June 30, 2016

326 shares as of March 31, 2016

(iii) Average number of shares during the period

9,909,074 shares for the three months ended June 30, 2016

9,909,074 shares for the three months ended June 30, 2015

* 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, 2016, in the resort wedding business segment, we announced the new “alohina moe” wedding dress, designed by Hinano Yoshikawa, as part of our product strategy, and worked to enhance our promotion of Hawaiian wedding events planned by Chihiro Kondo, etc., in order to cater to individualizing and diversifying customer needs. However, as the competitive environment has grown more challenging, price competition has intensified, leading to a year-on-year decline in the number of wedding contracts. Accordingly, the resort wedding business segment has seen a decrease in sales, but an increase in profits.

Regarding the hotel and domestic wedding segment, at Meguro Gajoen, in addition to strengthening our mainstay wedding business, we worked to increase customer numbers for banquets, etc., by offering 88th anniversary special promotions. Furthermore, with regard to Mielparque, although the number of wedding contracts decreased year on year due to factors such as the effect of the Kumamoto earthquake, sales of banquets and accommodations were favorable, leading us to record a decrease in sales but an increase in profits.

As a result of the above, consolidated results were as follows: Net sales settled at ¥11,086 million, down 2.3 % year on year; operating income amounted to ¥289 million (compared with an operating income of ¥9 million for the same period of the previous fiscal year); ordinary income amounted to ¥23 million, down 83.6 % year on year; and profit attributable to owners of parent totaled ¥12 million (compared with a loss attributable to owners of parent of ¥28 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

Net sales fell 1.6% year on year, to ¥4,567 million, as the number of wedding contracts decreased. Segment loss amounted to ¥39 million (compared with a segment loss of ¥117 million for the same period of the previous fiscal year), as a result of a continued reduction in wedding operation costs and selling and administrative expenses.

2) Hotels and domestic weddings

Although the number of wedding contracts decreased, the banquet and accommodation businesses etc. were favorable, resulting in a 2.7% year-on-year decrease in net sales to ¥6,518 million, and a 110.2% year-on-year increase in segment income to ¥265 million.

(2) Explanations on Financial Position

Current assets of the Group at the end of the first quarter of fiscal 2016 stood at ¥8,158 million, ¥1,171 million less than at the end of the previous fiscal year. This was attributable mainly to a decrease in cash and deposits resulting from repayment of short-term loans payable. Non-current assets amounted to ¥10,798 million, ¥683 million less than at the end of the previous fiscal year. This was primarily because of a decrease in buildings and structures. As a result, total assets were down ¥1,854 million from the end of the previous fiscal year, to ¥18,956 million.

Current liabilities at the end of the first quarter of fiscal 2016 stood at ¥6,840 million, ¥1,535 million less than at the end of the previous fiscal year. This was attributable mainly to a decrease in short-term loans payable. Non-current liabilities were ¥2,222 million, ¥130 million more than at the end of the previous fiscal year. As a result,

total liabilities decreased by ¥1,404 million from the end of the previous fiscal year, to ¥9,063 million.

The balance of net assets settled at ¥9,892 million, down ¥449 million from the end of the previous fiscal year. This was attributable to decreases in foreign currency translation adjustment and deferred gains or losses on hedges.

(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 May 11, 2016.

2. Summary Information (Notes)

(1) Changes in Significant Subsidiaries during the Three Months Ended June 30, 2016

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, 2016, and then multiplying income before taxes by the estimated effective tax rate.

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

(Application of Practical Solution on a Change in Depreciation Method due to Tax Reform 2016)

In accordance with the revision of the Corporation Tax Act, the “Practical Solution on a Change in Depreciation Method due to Tax Reform 2016” (PITF No. 32, June 17, 2016) has been adopted from the beginning of the first quarter ended June 30, 2016. Accordingly, the Company changed the depreciation method for facilities attached to buildings and structures acquired on or after April 1, 2016 from the declining-balance method to the straight-line method.

The impact of this on operating income, ordinary income, and income before income taxes for the three months ended June 30, 2016 is negligible.

(4) Additional Information

(Application of Implementation Guidance on Recoverability of Deferred Tax Assets)

The “Implementation Guidance on Recoverability of Deferred Tax Assets” (ASBJ Guidance No. 26, March 28, 2016) has been applied from the three months ended June 30, 2016.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheet

(Millions of yen)

	FY2015 (As of March 31, 2016)	1Q of FY2016 (As of June 30, 2016)
ASSETS		
Current assets		
Cash and deposits	5,311	3,993
Accounts receivable-trade	1,636	1,719
Merchandise and finished goods	244	244
Work in process	15	14
Raw materials and supplies	463	417
Other	1,691	1,801
Allowance for doubtful accounts	(33)	(32)
Total current assets	9,329	8,158
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	3,990	3,648
Land	2,023	1,918
Other, net	1,196	1,142
Total property, plant and equipment	7,210	6,709
Intangible assets	573	580
Investments and other assets		
Guarantee deposits	2,669	2,655
Other	1,031	856
Allowance for doubtful accounts	(3)	(3)
Total investments and other assets	3,697	3,508
Total non-current assets	11,481	10,798
Total assets	20,811	18,956

(Millions of yen)

	FY2015 (As of March 31, 2016)	1Q of FY2016 (As of June 30, 2016)
LIABILITIES		
Current liabilities		
Accounts payable-trade	1,433	1,347
Short-term loans payable	933	225
Advances received	2,208	2,290
Provision for bonuses	508	261
Other	3,292	2,716
Total current liabilities	8,376	6,840
Non-current liabilities		
Long-term loans payable	125	125
Net defined benefit liability	1,011	1,034
Asset retirement obligations	586	564
Other	368	498
Total non-current liabilities	2,091	2,222
Total liabilities	10,468	9,063
NET ASSETS		
Shareholders' equity		
Capital stock	4,176	4,176
Capital surplus	4,038	4,038
Retained earnings	2,504	2,467
Treasury shares	(0)	(0)
Total shareholders' equity	10,718	10,681
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	68	55
Deferred gains or losses on hedges	(260)	(433)
Revaluation reserve for land	(903)	(903)
Foreign currency translation adjustment	655	415
Remeasurements of defined benefit plans	14	14
Total accumulated other comprehensive income	(425)	(852)
Non-controlling interests	49	63
Total net assets	10,342	9,892
Total liabilities and net assets	20,811	18,956

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statement of Income for the Three Months Ended June 30, 2016

(Millions of yen)

	Three Months of FY2015 (From April 1, 2015 to June 30, 2015)	Three Months of FY2016 (From April 1, 2016 to June 30, 2016)
Net sales	11,346	11,086
Cost of sales	4,031	3,685
Gross profit	7,314	7,400
Selling, general and administrative expenses	7,305	7,111
Operating income	9	289
Non-operating income		
Foreign exchange gains	106	—
Other	34	25
Total non-operating income	140	25
Non-operating expenses		
Foreign exchange losses	—	282
Other	9	8
Total non-operating expenses	9	291
Ordinary income	140	23
Extraordinary income		
Gain on sales of non-current assets	—	41
Gain on sales of shares of subsidiaries and associates	—	60
Total extraordinary income	—	102
Extraordinary losses		
Loss on sales and retirement of non-current assets	—	34
Loss on liquidation of facilities and stores	—	35
Other	—	2
Total extraordinary losses	—	72
Income before income taxes	140	53
Income taxes	165	37
Profit (loss)	(24)	16
Profit attributable to non-controlling interests	3	3
Profit (loss) attributable to owners of parent	(28)	12

Consolidated Statement of Comprehensive Income for the Three Months Ended June 30, 2016

(Millions of yen)

	Three Months of FY2015 (From April 1, 2015 to June 30, 2015)	Three Months of FY2016 (From April 1, 2016 to June 30, 2016)
Profit (loss)	(24)	16
Other comprehensive income		
Valuation difference on available-for-sale securities	5	(13)
Deferred gains or losses on hedges	(40)	(173)
Foreign currency translation adjustment	41	(240)
Remeasurements of defined benefit plans	(4)	(0)
Share of other comprehensive income of entities accounted for using equity method	0	(3)
Total other comprehensive income	2	(430)
Comprehensive income	(21)	(414)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(26)	(414)
Comprehensive income attributable to non-controlling interests	4	(0)

(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 2015 (From April 1, 2015 to June 30, 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 Statements of Income (Note 2)
	Resort weddings	Hotels and domestic weddings			
Net sales					
Sales to customers	4,643	6,702	11,346	—	11,346
Intersegment sales and transfers	1,636	39	1,676	(1,676)	—
Total	6,280	6,742	13,022	(1,676)	11,346
Segment income (loss)	(117)	126	8	0	9

(Notes) 1. The ¥0 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

II Three Months of Fiscal 2016 (From April 1, 2016 to June 30, 2016)

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 Statements of Income (Note 2)
	Resort weddings	Hotels and domestic weddings			
Net sales					
Sales to customers	4,567	6,518	11,086	—	11,086
Intersegment sales and transfers	1,524	40	1,565	(1,565)	—
Total	6,092	6,559	12,652	(1,565)	11,086
Segment income (loss)	(39)	265	225	63	289

(Notes) 1. The ¥63 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