

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

October 31, 2016

Stock code: 4696
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 Scheduled date of start of dividend payment: —
 Preparation of supplementary briefing materials 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, 2015 and 2016

(Amounts less than one million yen are omitted.)

1. Consolidated Operating Results

	<u>Six months ended September 30, 2015</u>	<u>Six months ended September 30, 2016</u>	<u>Year on year (percentage change)</u>
	<i>(millions of yen)</i>		
(1) Consolidated financial results			
Net sales	20,806	20,677	-0.6
Operating income (loss)	(982)	(247)	—
Ordinary income (loss)	(891)	(704)	—
Profit (loss) attributable to owners of parent	(1,104)	(611)	—
Profit (loss), basic per share (yen)	(111.47)	(61.73)	
Profit (loss), diluted per share (yen)	—	—	

(Note) Comprehensive income: Six months ended September 30, 2016: ¥(1,159) million (—%)
 Six months ended September 30, 2015: ¥(1,240) million (—%)

	<u>As of March 31, 2016</u>	<u>As of September 30, 2016</u>
	<i>(millions of yen)</i>	
(2) Consolidated financial position		
Total assets	20,811	18,812
Net assets	10,342	9,147
Shareholders' equity ratio (%)	49.5	48.3

(Reference) Shareholders' equity: As of September 30, 2016: ¥9,081 million
 As of March 31, 2016: ¥10,293 million

2. Dividends

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

(Note) The Company has not yet determined a forecast for the year-end dividend for fiscal 2016.

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

	FY2016
	Full year
	(millions of yen)
Net sales	44,500
Operating income	300
Ordinary income	300
Profit attributable to owners of parent	100
Profit, 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 six months ended September 30, 2016 (Changes in specified subsidiaries resulting in change in scope of consolidation): None

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

(Note) Refer to “2. Summary Information (Notes), (2) Application of Special Accounting Treatment in 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 6 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 September 30, 2016

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

(ii) Number of shares of treasury stock

326 shares as of September 30, 2016

326 shares as of March 31, 2016

(iii) Average number of shares during the period

9,909,074 shares for the six months ended September 30, 2016

9,909,074 shares for the six months ended September 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, (4) Explanations on Future Forecast Information including Consolidated Results Forecast, etc.” on page 5 of the attached material.

(Obtaining supplementary briefing materials)

Supplementary briefing materials were made available on the Company website on November 25, 2016.

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1. Qualitative Information on Quarterly Financial Results

(1) Explanations on Operating Results

During the six months ended September 30, 2016, in the resort wedding business segment, we continued to promote resort weddings and expand the market through such measures as designating August 1 as “Resort Wedding Day,” and opening the “Rizokon Café” for a limited time to mark this occasion.

We keep making efforts to gain more customer loyalty. In August 2016, we renovated Kyoto Shijo Salon to provide comprehensive services, from wedding ceremonies to garments. As a result, we are able to operate the store, which is more convenient. Moreover, Lani Le’a Chapel will become the only sky view chapel in Hawaii when it opens on the top floor of the fully renovated Hawaii Prince Hotel Waikiki in the spring of 2017, and we have started accepting wedding contracts for it.

Despite all our efforts, the number of wedding contracts decreased overall mainly due to intensified competition and the uncertainty over the economic outlook.

Regarding the hotels and domestic wedding segment, we took measures to strengthen the banquet and accommodation businesses in addition to our mainstay wedding business.

For Meguro Gajoen, in September 2016, we actively invested in renovations of the guest rooms with the theme of “harmony,” and the bridal salon.

For Mielparque, although the number of wedding contracts decreased year on year mainly due to the effect of the 2016 Kumamoto Earthquake, sales of banquets and accommodations were favorable.

As a result of the above, consolidated results for the six months ended September 30, 2016 were as follows: Net sales settled at ¥20,677 million, down 0.6% year on year; operating loss amounted to ¥247 million (¥982 million for the same period of the previous fiscal year); ordinary loss amounted to ¥704 million (¥891 million for the same period of the previous fiscal year); and loss attributable to owners of parent totaled ¥611 million (¥1,104 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 the number of wedding contracts fell, net sales rose 0.3% year on year, to ¥8,436 million, due to an increase in unit price per couple. In terms of profit and loss, segment loss amounted to ¥184 million (¥568 million for the same period of the previous fiscal year), in spite of a continued reduction in wedding operation costs and selling and administrative expenses.

2) Hotels and domestic weddings

Net sales fell 1.3% year on year, to ¥12,240 million mainly due to a decrease in the number of wedding contracts. In terms of profit and loss, segment loss amounted to ¥131 million (¥404 million for the same period of the previous fiscal year), in spite of a continued reduction in costs and selling and administrative expenses.

(2) Explanations on Financial Position

Current assets of the Group at the end of the second quarter of fiscal 2016 stood at ¥7,739 million, ¥1,589 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 loans payable. Non-current assets amounted to ¥11,073 million, ¥408 million less than at the end of the previous fiscal year, primarily due to a decrease in buildings and structures. As a result, total assets were down ¥1,998 million from the end of the previous fiscal year, to ¥18,812 million.

Current liabilities at the end of the second quarter of fiscal 2016 stood at ¥7,503 million, ¥872 million less than at the end of the previous fiscal year. This was attributable mainly to a decrease in loans payable. Non-current liabilities were ¥2,161 million, ¥69 million more than at the end of the previous fiscal year. As a result, total liabilities decreased by ¥803 million from the end of the previous fiscal year, to ¥9,665 million.

The balance of net assets settled at ¥9,147 million, down ¥1,194 million from the end of the previous fiscal year. This was mainly attributable to decreases in foreign currency translation adjustment and deferred gains or losses on hedges.

(3) Explanations on Cash Flows

Cash flows for the six months ended September 30, 2016 comprise net cash of ¥487 million provided by operating activities, net cash of ¥762 million used in investing activities, and net cash of ¥515 million used in financing activities. Consequently, cash and cash equivalents (hereinafter, “cash”) at the end of the six months ended September 30, 2016 were ¥4,192 million (¥4,108 million for the same period of the previous fiscal year).

(Cash flows from operating activities)

Cash provided by operating activities amounted to ¥487 million, up 75.1% year on year. This is mainly due to depreciation of ¥677 million and an increase in advances received of ¥573 million, in spite of loss before income taxes of ¥673 million.

(Cash flows from investing activities)

Cash used in investing activities came to ¥762 million, up 163.1% year on year. This is mainly due to the purchase of property, plant and equipment amounting to ¥988 million.

(Cash flows from financing activities)

Cash used in financing activities totaled ¥515 million, up 37.6% year on year. This is mainly due to repayment of long-term loans payable amounting to ¥562 million.

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

During the six months ended September 30, 2016, results were mostly according to plan, so 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 Six Months Ended September 30, 2016

Not applicable

(2) Application of Special Accounting Treatment in 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 second quarter ended September 30, 2016, 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 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 loss, ordinary loss, and loss before income taxes for the six months ended September 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 first quarter ended June 30, 2016.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheet

(Millions of yen)

	FY2015 (As of March 31, 2016)	2Q of FY2016 (As of September 30, 2016)
ASSETS		
Current assets		
Cash and deposits	5,311	4,196
Accounts receivable-trade	1,636	1,583
Merchandise and finished goods	244	241
Work in process	15	12
Raw materials and supplies	463	409
Other	1,691	1,326
Allowance for doubtful accounts	(33)	(30)
Total current assets	9,329	7,739
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	3,990	3,838
Land	2,023	1,918
Other, net	1,196	1,247
Total property, plant and equipment	7,210	7,005
Intangible assets	573	538
Investments and other assets		
Guarantee deposits	2,669	2,663
Other	1,031	869
Allowance for doubtful accounts	(3)	(3)
Total investments and other assets	3,697	3,529
Total non-current assets	11,481	11,073
Total assets	20,811	18,812
LIABILITIES		
Current liabilities		
Accounts payable-trade	1,433	1,274
Short-term loans payable	933	525
Advances received	2,208	2,736
Provision for bonuses	508	449
Other	3,292	2,518
Total current liabilities	8,376	7,503
Non-current liabilities		
Long-term loans payable	125	62
Net defined benefit liability	1,011	1,062
Asset retirement obligations	586	572
Other	368	463
Total non-current liabilities	2,091	2,161
Total liabilities	10,468	9,665

(Millions of yen)

	FY2015 (As of March 31, 2016)	2Q of FY2016 (As of September 30, 2016)
NET ASSETS		
Shareholders' equity		
Capital stock	4,176	4,176
Capital surplus	4,038	4,038
Retained earnings	2,504	1,843
Treasury shares	(0)	(0)
Total shareholders' equity	10,718	10,057
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	68	69
Deferred gains or losses on hedges	(260)	(383)
Revaluation reserve for land	(903)	(903)
Foreign currency translation adjustment	655	228
Remeasurements of defined benefit plans	14	14
Total accumulated other comprehensive income	(425)	(976)
Non-controlling interests	49	66
Total net assets	10,342	9,147
Total liabilities and net assets	20,811	18,812

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statement of Income for the Six Months Ended September 30, 2016

(Millions of yen)

	Six Months of FY2015 (From April 1, 2015 to September 30, 2015)	Six Months of FY2016 (From April 1, 2016 to September 30, 2016)
Net sales	20,806	20,677
Cost of sales	7,378	6,803
Gross profit	13,428	13,874
Selling, general and administrative expenses		
Salaries, allowances and bonuses	4,892	4,801
Provision for bonuses	307	390
Retirement benefit expenses	78	93
Rent expenses	2,593	2,494
Other	6,539	6,341
Total selling, general and administrative expenses	14,410	14,121
Operating loss	(982)	(247)
Non-operating income		
Foreign exchange gains	43	—
Other	74	39
Total non-operating income	118	39
Non-operating expenses		
Foreign exchange losses	—	476
Other	26	20
Total non-operating expenses	26	496
Ordinary loss	(891)	(704)
Extraordinary income		
Gain on sales of non-current assets	—	48
Gain on sales of shares of subsidiaries and associates	—	60
Other	—	2
Total extraordinary income	—	111
Extraordinary losses		
Loss on sales and retirement of non-current assets	9	43
Loss on liquidation of facilities and stores	1	34
Other	—	2
Total extraordinary losses	10	80
Loss before income taxes	(901)	(673)
Income taxes	198	(69)
Loss	(1,100)	(604)
Profit attributable to non-controlling interests	4	7
Loss attributable to owners of parent	(1,104)	(611)

Consolidated Statement of Comprehensive Income for the Six Months Ended September 30, 2016

(Millions of yen)

	Six Months of FY2015 (From April 1, 2015 to September 30, 2015)	Six Months of FY2016 (From April 1, 2016 to September 30, 2016)
Loss	(1,100)	(604)
Other comprehensive income		
Valuation difference on available-for-sale securities	0	0
Deferred gains or losses on hedges	(150)	(123)
Foreign currency translation adjustment	19	(427)
Remeasurements of defined benefit plans	(9)	(0)
Share of other comprehensive income of entities accounted for using equity method	(0)	(4)
Total other comprehensive income	(140)	(555)
Comprehensive income	(1,240)	(1,159)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(1,242)	(1,162)
Comprehensive income attributable to non-controlling interests	1	2

(3) Consolidated Statement of Cash Flows

(Millions of yen)

	Six Months of FY2015 (From April 1, 2015 to September 30, 2015)	Six Months of FY2016 (From April 1, 2016 to September 30, 2016)
Cash flows from operating activities		
Loss before income taxes	(901)	(673)
Depreciation	792	677
Loss on liquidation of facilities and stores	1	34
Loss (gain) on sales of shares of subsidiaries and associates	—	(60)
Increase (decrease) in provision for bonuses	(17)	(51)
Increase (decrease) in net defined benefit liability	38	54
Interest and dividend income	(3)	(3)
Interest expenses	3	1
Foreign exchange losses (gains)	7	301
Decrease (increase) in notes and accounts receivable-trade	108	45
Decrease (increase) in inventories	(20)	(9)
Increase (decrease) in notes and accounts payable-trade	(41)	(123)
Increase (decrease) in accounts payable-other	86	(186)
Increase (decrease) in advances received	209	573
Other, net	24	(311)
Subtotal	289	269
Interest and dividend income received	3	3
Interest expenses paid	(3)	(1)
Income taxes paid	(123)	(283)
Income taxes refund	113	501
Net cash provided by (used in) operating activities	278	487
Cash flows from investing activities		
Proceeds from sales of shares of subsidiaries and associates resulting in change in scope of consolidation	—	16
Purchase of property, plant and equipment	(360)	(988)
Proceeds from sales of property, plant and equipment	1	270
Purchase of intangible assets	(58)	(97)
Payments for guarantee deposits	(16)	(51)
Proceeds from collection of guarantee deposits	128	25
Other, net	15	62
Net cash provided by (used in) investing activities	(289)	(762)

(Millions of yen)

	Six Months of FY2015 (From April 1, 2015 to September 30, 2015)	Six Months of FY2016 (From April 1, 2016 to September 30, 2016)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(90)	100
Repayments of long-term loans payable	(262)	(562)
Proceeds from share issuance to non-controlling shareholders	—	14
Cash dividends paid	—	(49)
Other, net	(21)	(17)
Net cash provided by (used in) financing activities	(374)	(515)
Effect of exchange rate change on cash and cash equivalents	(3)	(324)
Net increase (decrease) in cash and cash equivalents	(389)	(1,114)
Cash and cash equivalents at beginning of period	4,497	5,307
Cash and cash equivalents at end of period	4,108	4,192

(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, etc.)

[Segment Information]

I Six Months of Fiscal 2015 (From April 1, 2015 to September 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 Statement of Income (Note 2)
	Resort weddings	Hotels and domestic weddings			
Net sales					
Sales to customers	8,407	12,398	20,806	—	20,806
Intersegment sales and transfers	3,148	59	3,208	(3,208)	—
Total	11,556	12,458	24,015	(3,208)	20,806
Segment loss	(568)	(404)	(972)	(9)	(982)

(Notes) 1. The ¥9 million adjustment of segment loss includes elimination of intersegment transactions and elimination of unrealized income.

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

II Six Months of Fiscal 2016 (From April 1, 2016 to September 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 Statement of Income (Note 2)
	Resort weddings	Hotels and domestic weddings			
Net sales					
Sales to customers	8,436	12,240	20,677	—	20,677
Intersegment sales and transfers	3,153	71	3,224	(3,224)	—
Total	11,589	12,311	23,901	(3,224)	20,677
Segment loss	(184)	(131)	(316)	69	(247)

(Notes) 1. The ¥69 million adjustment of segment loss includes elimination of intersegment transactions and elimination of unrealized income.

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