

Consolidated Financial Results for the First Quarter Ended June 30, 2013 [J-GAAP]

Watabe Wedding Corporation

July 31, 2013

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, 2012 and 2013

(Amounts less than one million yen are omitted.)

1. Consolidated Operating Results

	Three months ended June 30, 2012	Three months ended June 30, 2013	2013 / 2012 <i>(percentage change)</i>
	<i>(millions of yen)</i>		
(1) Consolidated financial results			
Net sales	12,758	12,297	(3.6)
Operating income	487	(193)	—
Ordinary income	493	(254)	—
Net income	289	(210)	—
Net income, basic per share (<i>yen</i>)	29.21	(21.23)	
Net income per share (diluted) (<i>yen</i>)	—	—	

Comprehensive income Three months ended June 30, 2013: ¥79 million (-74.4%)
 Three months ended June 30, 2012: ¥309 million (258.9%)

	March 31, 2013	June 30, 2013
	<i>(millions of yen)</i>	
(2) Consolidated financial position		
Total assets	26,348	25,791
Net assets	15,344	15,274
Shareholders' equity ratio	58.0%	58.9%
Net assets per share (<i>yen</i>)	1,540.91	1,533.78

(Reference) Shareholders' equity: As of June 30, 2013: ¥15,198 million As of March 31, 2013: ¥15,268 million

2. Dividends

	Annual dividends per share				
	1Q end	2Q end	3Q end	Year end	Total
	<i>(yen)</i>				
2012	—	15.00	—	15.00	30.00
2013	—	—	—	—	—
2013 (Forecast)	—	15.00	—	15.00	30.00

(Note) Revision of dividend forecast that has been disclosed lastly: None

3. Consolidated Results Forecast for Year Ending March 31, 2014

	Six months	Full year
	<i>(millions of yen)</i>	
Net sales	—	51,000
Operating income	—	1,000
Ordinary income	—	1,000
Net income	—	400
Net income, basic per share <i>(yen)</i>	—	40.37

(Note) Revision of consolidated results forecast that has been disclosed lastly: 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 period under review (changes in specific subsidiaries involving a change in the scope of consolidation): None

(2) Application of specific accounting procedures for preparation of the quarterly consolidated financial statements: Yes

(Note) Refer to “2. Summary Information (Notes) (2) Application of Special Accounting Treatment Peculiar to Quarterly Consolidated Financial Statement Preparation” 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: None
- (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 stock)

- (i) Number of issued shares at end of period (including treasury stock)
 - 9,909,400 shares as of June 30, 2013
 - 9,909,400 shares as of March 31, 2013
- (ii) Number of shares of treasury stock at end of period
 - 326 shares as of June 30, 2013
 - 326 shares as of March 31, 2013
- (iii) Average number of shares during the period
 - 9,909,074 shares for the three months ended June 30, 2013
 - 9,909,080 shares for the three months ended June 30, 2012

* 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 at the time of the release of this document.

* Explanations regarding appropriate use of the operating results forecast and other noteworthy points (Note concerning forward-looking statements)

The forecasts given in this document are based on data available at the time of the release of this document and assumptions that are deemed reasonable; they are not meant to be a commitment by the Company. Actual results may differ substantially due to a number of 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

Looking at the operating results during the three months ended June 30, 2013, in the resort wedding business segment, we took measures to offer added value to customers through “*Rizokon Heart*,” a new style of wedding that combines a wedding ceremony at a resort with a wedding reception in Japan. Furthermore, we strived to strengthen our merchandise for resort weddings targeting Japanese customers by jointly developing products with Hinano Yoshikawa, who is a fashion model and the Hawaii goodwill ambassador, and releasing new bridal collections in collaboration with popular fashion brands “MERCURYDUO” and “Leaf for Brides.” In the Asian market, one of the target markets of our growth strategies, our efforts to enhance customer satisfaction in Asia lead to an increase in wedding unit price per couple. However, the resort wedding business segment as a whole was significantly affected by a decline in the number of wedding contracts and foreign exchange fluctuations due to the rapid depreciation of the yen.

Regarding hotel and domestic weddings, we made efforts to offer products and services rooted in local communities through the sales of the 85th anniversary plan at Meguro Gajoen as well as the reinforcement of sales promotions for parties and accommodation at Mielparque. Consequently, sales from parties and accommodation remained strong. The number of wedding contracts, however, decreased on a year-on-year basis.

As a result of the above, the consolidated results are as follows: Net sales decreased by 3.6% year on year to ¥12,297 million, operating loss amounted to ¥193 million (compared with operating income of ¥487 million for the same period of the previous fiscal year), ordinary loss amounted to ¥254 million (compared with ordinary income of ¥493 million for the same period of the previous fiscal year), and net loss amounted to ¥210 million (compared with net income of ¥289 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 6.2% year on year to ¥4,880 million, reflecting a decline in the number of wedding contracts. Operating loss amounted to ¥440 million (compared with operating income of ¥406 million for the same period of the previous fiscal year), owing to increases in cost of sales and selling, general and administrative expenses, which were significantly affected by the depreciation of the yen.

2) Hotels and domestic weddings

Although net sales decreased by 1.8% year on year to ¥7,416 million reflecting a decline in the number of wedding contracts, operating income surged by 225.5% to ¥241 million yen as a result of our efforts to reduce fixed costs.

(2) Explanations on Financial Position

Current assets of the Group at the end of the quarter under review stood at ¥10,915 million, ¥249 million less than at the end of the previous fiscal year. This is mainly due to a decrease in cash and deposits. Noncurrent assets amounted to ¥14,876 million, ¥307 million less than at the end of the previous fiscal year, largely because of decreases in guarantee deposits. As a result, total assets were down ¥557million from the end of the previous fiscal year, to ¥25,791 million.

Current liabilities at the end of the quarter under review stood at ¥7,601 million, ¥1,023 million less than at the end of the previous fiscal year. This is primarily due to decreases in short-term loans payable, income taxes payable and provision for bonuses. Noncurrent liabilities were ¥2,914 million, ¥535 million more than at the end of the previous fiscal year. This is attributable mainly to an increase in long-term loans payable. As a result, total liabilities shrank ¥487 million from the end of the previous fiscal year, to ¥10,516 million.

The balance of net assets settled at ¥15,274 million, down ¥69 million from the end of the previous fiscal year. This was attributed to a net loss of ¥210 million and a ¥358 million decrease in retained earnings resulting from payment of cash dividends amounting to ¥148 million, among other factors.

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

At the current time, we are not making changes to the consolidated results forecast that was announced on May 7, 2013.

2. Summary Information (Notes)

(1) Changes in Significant Subsidiaries during the Three Months Ended June 30, 2013

Not applicable

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

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, 2013, and then multiplying net income before taxes by the estimated effective tax rate.

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

Not applicable

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	FY2012 (As of March 31, 2013)	1 st Quarter of FY2013 (As of June 30, 2013)
ASSETS		
Current assets		
Cash and deposits	6,407	5,780
Accounts receivable-trade	1,941	2,033
Merchandise and finished goods	197	212
Work in process	38	20
Raw materials and supplies	541	539
Other	2,068	2,359
Allowance for doubtful accounts	(30)	(30)
Total current assets	11,164	10,915
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	5,178	5,033
Land	2,607	2,594
Other, net	1,563	1,656
Total property, plant and equipment	9,348	9,285
Intangible assets	781	822
Investments and other assets		
Guarantee deposits	3,275	2,997
Other	1,807	1,801
Allowance for doubtful accounts	(29)	(29)
Total investments and other assets	5,053	4,768
Total noncurrent assets	15,183	14,876
Total assets	26,348	25,791

(Millions of yen)

	FY2012 (As of March 31, 2013)	1 st Quarter of FY2013 (As of June 30, 2013)
LIABILITIES		
Current liabilities		
Accounts payable-trade	2,009	2,023
Short-term loans payable	900	650
Advances received	2,012	2,134
Provision for bonuses	446	234
Other	3,256	2,559
Total current liabilities	8,625	7,601
Noncurrent liabilities		
Long-term loans payable	700	1,200
Provision for retirement benefits	595	641
Asset retirement obligations	573	568
Other	509	504
Total noncurrent liabilities	2,378	2,914
Total liabilities	11,004	10,516
NET ASSETS		
Shareholders' equity		
Capital stock	4,176	4,176
Capital surplus	4,038	4,038
Retained earnings	8,147	7,788
Treasury stock	(0)	(0)
Total shareholders' equity	16,361	16,002
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	38	33
Deferred gains or losses on hedges	(1)	22
Revaluation reserve for land	(903)	(903)
Foreign currency translation adjustment	(227)	42
Total valuation and translation adjustments	(1,092)	(804)
Minority interests	75	76
Total net assets	15,344	15,274
Total liabilities and net assets	26,348	25,791

(2) Consolidated Statements of Income and Comprehensive Income

(Consolidated Statements of Income for the Three Months Ended June 30, 2013)

(Millions of yen)

	Three Months of FY2012 (From April 1, 2012 to June 30, 2012)	Three Months of FY2013 (From April 1, 2013 to June 30, 2013)
Net sales	12,758	12,297
Cost of sales	4,127	4,301
Gross profit	8,630	7,995
Selling, general and administrative expenses	8,143	8,188
Operating income (loss)	487	(193)
Non-operating income		
Rent income	14	14
Compensation income	16	—
Other	31	21
Total non-operating income	62	35
Non-operating expenses		
Interest expenses	5	4
Foreign exchange losses	22	19
Commission fee	20	20
Business commencement expenses	—	42
Other	7	9
Total non-operating expenses	56	96
Ordinary income (loss)	493	(254)
Extraordinary loss		
Impairment loss	—	28
Loss on liquidation of facilities and stores	4	22
Other	1	3
Total extraordinary losses	5	54
Income (loss) before income taxes	487	(308)
Income taxes	201	(95)
Income (loss) before minority interests	286	(213)
Minority interests in loss	(3)	(3)
Net income (loss)	289	(210)

(Consolidated Statements of Comprehensive Income for the Three Months Ended June 30, 2013)

(Millions of yen)

	Three Months of FY2012 (From April 1, 2012 to June 30, 2012)	Three Months of FY2013 (From April 1, 2013 to June 30, 2013)
Income (loss) before minority interests	286	(213)
Other comprehensive income		
Valuation difference on available-for-sale securities	(6)	(5)
Deferred gains or losses on hedges	(27)	24
Foreign currency translation adjustment	58	271
Share of other comprehensive income of associates accounted for using equity method	(1)	2
Total other comprehensive income	23	292
Comprehensive income	309	79
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	313	77
Comprehensive income attributable to minority interests	(4)	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)

I. Three Months Ended June 30, 2012 (April 1, 2012 to June 30, 2012)

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 Quarterly Consolidated Statements of Income (Note 2)
	Resort weddings	Hotels and domestic weddings			
Net sales					
Sales to customers	5,205	7,552	12,758	—	12,758
Intersegment sales and transfers	1,615	51	1,667	(1,667)	—
Total	6,821	7,603	14,425	(1,667)	12,758
Segment income	406	74	480	6	487

(Notes) 1. Adjustments of segment income totaling ¥6 million include elimination of intersegment transactions amounting to ¥6 million, and adjustments of inventories and others amounting to ¥0 million.

2. Segment income is adjusted with the operating income in the Consolidated Statements of Income.

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

Not applicable

II. Three Months Ended June 30, 2013 (April 1, 2013 to June 30, 2013)

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 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. Adjustments of segment income totaling ¥5 million include 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 Statements of Income.

2. Information about the Impairment Loss for Noncurrent Assets or Goodwill, etc. in Each Reporting Segment

Not applicable