

Consolidated Financial Results for the Third Quarter Ended December 31, 2013 [J-GAAP]
Watabe Wedding Corporation

January 31, 2014

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, 2014
 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 nine months ended December 31, 2012 and 2013

(Amounts less than one million yen are omitted.)

1. Consolidated Operating Results

	Nine months ended December 31, 2012	Nine months ended December 31, 2013	2013 / 2012 <i>(percentage change)</i>
	<i>(millions of yen)</i>		
(1) Consolidated financial results			
Net sales	37,612	36,299	(3.5)
Operating income	1,117	(639)	—
Ordinary income	1,263	(709)	—
Net income	591	(656)	—
Net income, basic per share (yen)	59.69	(66.26)	
Net income per share (diluted) (yen)	—	—	
Comprehensive income (loss)	Nine months ended December 31, 2013: -¥134 million (—%) Nine months ended December 31, 2012: ¥671 million (—%)		

	March 31, 2013	December 31, 2013
	<i>(millions of yen)</i>	
(2) Consolidated financial position		
Total assets	26,348	25,418
Net assets	15,344	14,912
Shareholders' equity ratio	58.0%	58.4%
(Reference) Shareholders' equity:	As of December 31, 2013: ¥14,836 million As of March 31, 2013: ¥15,268 million	

2. Dividends

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

	<u>Full year</u> <i>(millions of yen)</i>
Net sales	47,600
Operating income	(1,300)
Ordinary income	(1,500)
Net income	(1,900)
Net income, basic per share <i>(yen)</i>	(191.74)

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

* 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 accounting method specific to preparation of quarterly consolidated financial statements: Yes
(Note) Refer to “2. Summary Information (Notes) (2) Application of Accounting Method Specific to 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: 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 December 31, 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 December 31, 2013
326 shares as of March 31, 2013
 - (iii) Average number of shares during the period
9,909,074 shares for the nine months ended December 31, 2013
9,909,076 shares for the nine months ended December 31, 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 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

Forward-looking items given in this document are judgments of the Watabe Wedding Group (the “Group”, the Company and its consolidated subsidiaries) as of the last day of the quarter under review.

(1) Explanations on Operating Results

Looking at the operating results during the nine months ended December 31, 2013, in the resort wedding business segment, we reinforced promotional activities to further familiarize the intrinsic appeal of a resort wedding, including the co-production of wedding plans and wedding dresses with Hinano Yoshikawa, a fashion model and the Hawaii goodwill ambassador, and Shiho Takechi, a popular fashion model. We also worked on market expansion by opening a new chapel “Ulu Chanti” in the Nusa Dua area of Bali in October 2013.

In the Asian market, one of the target markets for our growth strategies, while the number of resort wedding contracts decreased on a year-on-year basis, the number of local wedding contracts and the amount spent per wedding increased, for instance, with the start of operations of the wedding facility “Harbin Modern Attache Garden” in Harbin, China in June 2013.

However, the resort wedding business segment as a whole was significantly affected by a decline in the number of wedding contracts due to intensifying market competition and foreign exchange fluctuations due to the depreciation of the yen.

Regarding hotel and domestic weddings, we made efforts to further expand the customer base through sales of the 85th anniversary plan at Meguro Gajoen as well as by holding various events such as one featuring the stately Hyakudan Kaidan (100-step staircase), where costumes and props from a Japanese historical film were on display, thanks to a collaboration with the film. As for Mielparque, we made efforts to promote hotels rooted in local communities by reinforcing sales promotions for parties and accommodations, and offering original products from local communities, among other actions taken. Consequently, the numbers of banquets and stays continued to be strong. However, the number of wedding contracts decreased on a year-on-year basis due to intensifying competition.

As a result of the above, consolidated results are as follows: Net sales decreased by 3.5% year on year to ¥36,299 million, with an overall decline in the number of wedding contracts; operating loss amounted to ¥639 million, reflecting increases in the cost of sales and selling, general and administrative expenses due to depreciation of the yen (compared with an operating income of ¥1,117 million for the same period of the previous fiscal year); ordinary loss amounted to ¥709 million (compared with an ordinary income of ¥1,263 million for the same period of the previous fiscal year); and net loss amounted to ¥656 million (compared with a net income of ¥591 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 3.4% year on year to ¥14,975 million, reflecting a decline in the number of wedding contracts. Segment loss amounted to ¥942 million (compared with segment income of ¥1,097 million for the same period of the previous fiscal year), owing to an increase in advertising expenses and the impact of the yen’s depreciation.

2) Hotels and domestic weddings

As the number of wedding contracts decreased, net sales stood at ¥21,324 million, a 3.5% decrease year on year. On the other hand, segment income amounted to ¥301 million as a result of our efforts to reduce fixed costs (compared with a segment loss of ¥3 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 ¥10,824 million, ¥340 million less than at the end of the previous fiscal year. This was mainly due to a decrease in cash and deposits. Noncurrent assets amounted to ¥14,593 million, ¥590 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 ¥930 million from the end of the previous fiscal year, to ¥25,418 million.

Current liabilities at the end of the quarter under review stood at ¥7,947 million, ¥677 million less than at the end of the previous fiscal year. This was primarily due to a decrease in other current liabilities including accounts payable. Noncurrent liabilities were ¥2,558 million, ¥179 million more than at the end of the previous fiscal year. This was attributable mainly to an increase in the provision for retirement benefits. As a result, total liabilities decreased by ¥498 million from the end of the previous fiscal year, to ¥10,505 million.

The balance of net assets settled at ¥14,912 million, down ¥432 million from the end of the previous fiscal year. This was attributable to a net loss of ¥656 million, a ¥953 million decrease in retained earnings resulting from payment of cash dividends amounting to ¥297 million and a ¥497 million increase in foreign currency translation adjustment, among 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, 2013.

2. Summary Information (Notes)

(1) Changes in Significant Subsidiaries during the Nine Months Ended December 31, 2013

Not applicable

(2) Application of Accounting Method Specific 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, 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. Significant Matters Related to the Going Concern Assumption

Not applicable

4. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	FY2012 (As of March 31, 2013)	3 rd Quarter of FY2013 (As of December 31, 2013)
ASSETS		
Current assets		
Cash and deposits	6,407	5,970
Accounts receivable-trade	1,941	1,547
Merchandise and finished goods	197	285
Work in process	38	19
Raw materials and supplies	541	551
Other	2,068	2,526
Allowance for doubtful accounts	(30)	(74)
Total current assets	11,164	10,824
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	5,178	5,013
Land	2,607	2,538
Other, net	1,563	1,477
Total property, plant and equipment	9,348	9,029
Intangible assets	781	860
Investments and other assets		
Guarantee deposits	3,275	2,935
Other	1,807	1,797
Allowance for doubtful accounts	(29)	(28)
Total investments and other assets	5,053	4,703
Total noncurrent assets	15,183	14,593
Total assets	26,348	25,418

(Millions of yen)

	FY2012 (As of March 31, 2013)	3 rd Quarter of FY2013 (As of December 31, 2013)
LIABILITIES		
Current liabilities		
Accounts payable-trade	2,009	1,852
Short-term loans payable	900	1,500
Income taxes payable	202	—
Advances received	2,012	1,971
Provision for bonuses	446	311
Other	3,053	2,312
Total current liabilities	8,625	7,947
Noncurrent liabilities		
Long-term loans payable	700	700
Provision for retirement benefits	595	709
Asset retirement obligations	573	612
Other	509	536
Total noncurrent liabilities	2,378	2,558
Total liabilities	11,004	10,505
NET ASSETS		
Shareholders' equity		
Capital stock	4,176	4,176
Capital surplus	4,038	4,038
Retained earnings	8,147	7,194
Treasury stock	(0)	(0)
Total shareholders' equity	16,361	15,408
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	38	38
Deferred gains or losses on hedges	(1)	22
Revaluation reserve for land	(903)	(903)
Foreign currency translation adjustment	(227)	269
Total valuation and translation adjustments	(1,092)	(571)
Minority interests	75	76
Total net assets	15,344	14,912
Total liabilities and net assets	26,348	25,418

(2) Consolidated Statements of Income and Comprehensive Income

(Consolidated Statements of Income for the Nine Months Ended December 31, 2013)

(Millions of yen)

	Nine Months of FY2012 (From April 1, 2012 to December 31, 2012)	Nine Months of FY2013 (From April 1, 2013 to December 31, 2013)
Net sales	37,612	36,299
Cost of sales	12,340	12,640
Gross profit	25,272	23,659
Selling, general and administrative expenses	24,155	24,298
Operating income (loss)	1,117	(639)
Non-operating income		
Rent income	43	43
Compensation income	38	—
Other	126	66
Total non-operating income	208	110
Non-operating expenses		
Interest expenses	13	10
Commission fee	23	22
Business commencement expenses	—	96
Other	25	50
Total non-operating expenses	62	179
Ordinary income (loss)	1,263	(709)
Extraordinary loss		
Loss on sales and retirement of noncurrent assets	10	55
Restructuring loss	844	—
Loss on liquidation of facilities and stores	53	56
Total extraordinary losses	908	112
Income (loss) before income taxes	354	(822)
Income taxes	(228)	(157)
Income (loss) before minority interests	583	(664)
Minority interests in loss	(8)	(8)
Net income (loss)	591	(656)

(Consolidated Statements of Comprehensive Income for the Nine Months Ended December 31, 2013)

(Millions of yen)

	Nine Months of FY2012 (From April 1, 2012 to December 31, 2012)	Nine Months of FY2013 (From April 1, 2013 to December 31, 2013)
Income (loss) before minority interests	583	(664)
Other comprehensive income		
Valuation difference on available-for-sale securities	(1)	0
Deferred gains or losses on hedges	(2)	23
Foreign currency translation adjustment	90	501
Share of other comprehensive income of associates accounted for using equity method	1	4
Total other comprehensive income	88	529
Comprehensive income	671	(134)
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	678	(135)
Comprehensive income attributable to minority interests	(6)	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)

I. Nine Months Ended December 31, 2012 (April 1, 2012 to December 31, 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	15,509	22,103	37,612	—	37,612
Intersegment sales and transfers	4,731	138	4,870	(4,870)	—
Total	20,241	22,241	42,482	(4,870)	37,612
Segment income (loss)	1,097	(3)	1,094	23	1,117

(Notes) 1. Adjustments of segment income (loss) totaling ¥23 million include elimination of intersegment transactions amounting to ¥20 million, and adjustments of inventories and others amounting to ¥2 million.

2. Segment income (loss) 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. Nine Months Ended December 31, 2013 (April 1, 2013 to December 31, 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	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. Adjustments of segment income (loss) totaling ¥1 million include 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 Statements of Income.

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

Not applicable