

Consolidated Financial Results for the Second Quarter Ended September 30, 2014 [J-GAAP]

Watabe Wedding Corporation

October 31, 2014

Stock code: 4696
 URL: <http://www.watabe-wedding.co.jp>
 Shares listed: Tokyo Stock Exchange
 Representative: Nobuaki Hanafusa, Executive President, Representative Director
 Contact: Chikaomi Hiraki, General Manager of Administration Division
 TEL: +81-75-352-4111

Scheduled date of the filing of the quarterly report: November 4, 2014

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, 2013 and 2014

(Amounts less than one million yen are omitted.)

1. Consolidated Operating Results

	Six months ended September 30, 2013	Six months ended September 30, 2014	2014 / 2013 <i>(percentage change)</i>
	<i>(millions of yen)</i>		
(1) Consolidated financial results			
Net sales	22,575	20,577	-8.9
Operating income	(1,463)	(1,452)	—
Ordinary income	(1,548)	(1,414)	—
Net income	(1,168)	(1,094)	—
Net income, basic per share <i>(yen)</i>	(117.95)	(110.48)	
Net income, diluted per share <i>(yen)</i>	—	—	

Comprehensive income (loss): Six months ended September 30, 2014: ¥(1,027) million (—%)
 Six months ended September 30, 2013: ¥(769) million (—%)

	Fiscal year ended March 31, 2014	Six months ended September 30, 2014
	<i>(millions of yen)</i>	
(2) Consolidated financial position		
Total assets	23,739	21,775
Net assets	11,989	10,897
Shareholders' equity ratio	50.3%	49.8%

(Reference) Shareholders' equity: As of September 30, 2014: ¥10,852 million
 As of March 31, 2014: ¥11,951 million

2. Dividends

	Annual dividends per share				Total
	1Q-end	2Q-end	3Q-end	Year-end	
	<i>(yen)</i>				
FY2013	—	15.00	—	0.00	15.00
FY2014	—	0.00	—	—	—
FY2014 (Forecast)	—	—	—	—	—

(Note) The Company has not yet determined a forecast for the year-end dividend for fiscal 2014.

3. Consolidated Results Forecast for the Fiscal Year Ending March 31, 2015

	FY2014
	Full year
	(millions of yen)
Net sales	45,600
Operating income	100
Ordinary income	130
Net income	(100)
Net income, basic per share (yen)	(10.09)

(Note) Revision of the most recently disclosed dividend forecast: Yes

Please refer to “Notice Regarding Revision of Financial Results Forecast,” released on October 31, 2014 for revision of consolidated results forecast.

*Notes

(1) Changes in significant subsidiaries during the six months ended September 30, 2014 (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

(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), (2) Application of Special Accounting Treatment Peculiar to Preparation of Quarterly Consolidated Financial Statements” on page 5 of the attached material for further details.

(4) Number of shares issued (common shares)

(i) Number of shares issued (including treasury shares)

9,909,400 shares as of September 30, 2014

9,909,400 shares as of March 31, 2014

(ii) Number of treasury shares

326 shares as of September 30, 2014

326 shares as of March 31, 2014

(iii) Average number of shares during the period

9,909,074 shares for the six months ended September 30, 2014

9,909,074 shares for the six months ended September 30, 2013

*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.

(Obtaining supplementary briefing materials)

Supplementary briefing materials were available on the Company website on November 14, 2014.

○ Contents of the Attached Material

1. Qualitative Information on Quarterly Financial Results.....	4
(1) Explanations on Operating Results	4
(2) Explanations on Financial Position	4
(3) Explanations on Future Forecast Information including Consolidated Results Forecast, etc.	5
2. Summary Information (Notes)	5
(1) Changes in Significant Subsidiaries during the Six Months Ended September 30, 2014	5
(2) Application of Special Accounting Treatment Peculiar to Preparation of Quarterly Consolidated Financial Statements	5
(3) Changes in Accounting Policies or Estimates and Retrospective Restatements	5
3. Consolidated Financial Statements	7
(1) Consolidated Balance Sheet	7
(2) Consolidated Statements of Income and Comprehensive Income	9
Consolidated Statement of Income for the Six Months Ended September 30, 2014.....	9
Consolidated Statement of Comprehensive Income for the Six Months Ended September 30, 2014.....	10
(3) Consolidated Statements of Cash Flows	11
(4) Notes on Consolidated Financial Statements	13
(Notes on the Going Concern Assumption)	13
(Notes in the Case of a Dramatic Fluctuation in the Amount of Shareholders' Equity)	13
(Segment Information, etc.)	13

1. Qualitative Information on Quarterly Financial Results

(1) Explanations on Operating Results

During the six months ended September 30, 2014, in the resort wedding business segment, we worked on expanding the market and reinforcing customer appeal by reorganizing our wedding salon network, among other measures. We opened Tachikawa Salon in May and Takasaki and Kumamoto Salons in June in an effort to establish local business bases and provide a salon network accessible to more customers nationwide. In the city areas where competition is fiercer, we opened Sakae Salon in Nagoya and Ikebukuro Salon in Tokyo, in an attempt to open salons with more convenient locations. We also refurbished five existing wedding salons, mostly in the Tokyo, Nagoya and Osaka city centers, to drastically improve location competitiveness and rent efficiency. As a result of these efforts, visits to our wedding salons have been on an increasing trend. In terms of the resort wedding business segment as a whole, although sales decreased due in part to the closing of a wedding facility in Taiwan in fiscal 2013, operating loss significantly improved in comparison with the six months ended September 30, 2013 as a result of a decrease in selling, general and administrative expenses brought about by improvements in both rent and personnel efficiency.

Regarding the hotels and domestic weddings segment, the re-opening of the refurbished “Shunyuki” main dining restaurant at Meguro Gajoen contributed to an increase in the number of customer orders for restaurant and banquet services. However, as a result of the market slowdown that accompanied a drop in consumer confidence following the consumption tax hike as well as the opening of competitors’ new wedding facilities, the number of our wedding contracts in this segment decreased.

As a result of the above, the Group’s consolidated results are as follows: net sales settled at ¥20,577 million, down 8.9% year-on-year; operating loss amounted to ¥1,452 million (compared with an operating loss of ¥1,463 million for the six months ended September 30, 2013); ordinary loss amounted to ¥1,414 million (compared with an ordinary loss of ¥1,548 million for the six months ended September 30, 2013); and net loss totaled ¥1,094 million (compared with a net loss of ¥1,168 million for the six months ended September 30, 2013).

Segment performances, after elimination of intersegment transactions, are summarized below.

1) Resort weddings

Net sales fell 5.7% year-on-year to ¥8,621 million. On the other hand, as a result of efforts to decrease selling, general and administrative expenses, segment loss was ¥502 million (compared with segment loss of ¥1,130 million for the six months ended September 30, 2013).

2) Hotels and domestic weddings

With a decrease in the number of wedding contracts, net sales fell 11.0% year-on-year to ¥11,955 million and segment loss amounted to ¥964 million (compared with segment loss of ¥326 million for the six months ended September 30, 2013).

(2) Explanations on Financial Position

Current assets of the Group at the end of the second quarter of fiscal 2014 stood at ¥8,348 million, ¥2,157 million less than at the end of fiscal 2013, mainly due to a decrease in cash and deposits. Non-current assets increased by ¥193 million from the end of fiscal 2013, to ¥13,426 million. As a result, total assets decreased by ¥1,964 million from the end of fiscal 2013, to ¥21,775 million.

Current liabilities at the end of the second quarter of fiscal 2014 stood at ¥7,986 million, ¥822 million less than the end of fiscal 2013, mainly due to decreases in accounts payable-trade and asset retirement obligations. Non-current liabilities amounted to ¥2,890 million, down ¥49 million from the end of fiscal 2013. This is primarily because of a decrease in long-term loans payable. As a result, total liabilities decreased by ¥872 million from the end of fiscal 2013, to ¥10,877 million.

Total net assets amounted to ¥10,897 million, down ¥1,092 million from the end of fiscal 2013. This was attributable to a net loss of ¥1,094 million.

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

The Company revised its consolidated results forecast for the fiscal year ending March 31, 2015 significantly downward to reflect a decrease in the number of our domestic wedding contracts as a result of the market slowdown that accompanied a drop in consumer confidence following the consumption tax hike and the opening of competitors' new wedding facilities in the Tokyo metropolitan area, as well as other factors.

For more details, please refer to "Notice Regarding Revision of Financial Results Forecast," released on October 31, 2014.

2. Summary Information (Notes)

(1) Changes in Significant Subsidiaries during the Six Months Ended September 30, 2014

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 second quarter ended September 30, 2014, and then multiplying net income before taxes by the estimated effective tax rate.

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

Changes in Accounting Policies

(Application of Accounting Standard for Retirement Benefits, etc.)

With respect to the "Accounting Standard for Retirement Benefits" (ASBJ Statement No. 26, May 17, 2012; hereinafter, the "Standard") and the "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25, May 17, 2012; hereinafter, the "Guidance"), the provisions of Section 35 of the Standard and Section 67 of the Guidance have been applied since April 1, 2014. Accordingly, the calculation method of retirement benefit obligations and current service costs was revised and the method for attributing the expected retirement benefits to periods of service was changed from the straight-line basis to the benefit formula basis. Also, the method for determining discount rates was changed from the one based on employees' approximate average remaining service year to the one using a single weighted average discount rate, which reflects expected payment periods and amounts of retirement benefits for each period.

In respect of the application of the Standard, etc., in accordance with transitional treatment stipulated in Section 37 of the Standard, the amount of financial impact associated with the change in the calculation method of retirement benefit obligations and current service costs was added to and/or removed from the beginning balance

of retained earnings for the six months ended September 30, 2014.

As a result, the beginning balance of retirement benefit obligations increased by ¥64 million and retained earnings decreased by ¥64 million for the six months ended September 30, 2014. The impact on the operating loss, ordinary loss and loss before income taxes for the period under review is immaterial.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheet

(Millions of yen)

	FY2013 (As of March 31, 2014)	2 nd Quarter of FY2014 (As of September 30, 2014)
ASSETS		
Current assets		
Cash and deposits	6,267	4,034
Accounts receivable-trade	1,785	1,600
Merchandise and finished goods	230	242
Work in process	20	22
Raw materials and supplies	608	506
Other	1,636	1,983
Allowance for doubtful accounts	(42)	(41)
Total current assets	10,505	8,348
Non-current assets		
Property, plant and equipment		
Buildings and structures (net)	4,335	4,449
Land	2,271	2,271
Other (net)	1,384	1,474
Total property, plant and equipment	7,992	8,195
Intangible assets	854	734
Investments and other assets		
Guarantee deposits	2,980	2,995
Other	1,436	1,532
Allowance for doubtful accounts	(30)	(31)
Total investments and other assets	4,386	4,496
Total non-current assets	13,233	13,426
Total assets	23,739	21,775
LIABILITIES		
Current liabilities		
Accounts payable – trade	1,813	1,416
Short-term loans payable	1,325	1,425
Income taxes payable	184	—
Advances received	2,322	2,764
Provision for bonuses	487	319
Asset retirement obligations	437	213
Other	2,237	1,848
Total current liabilities	8,809	7,986
Non-current liabilities		
Long-term loans payable	1,075	812
Net defined benefit liability	913	1,037
Asset retirement obligations	442	542
Other	510	499
Total non-current liabilities	2,940	2,890
Total liabilities	11,750	10,877

(Millions of yen)

	FY2013 (As of March 31, 2014)	2 nd Quarter of FY2014 (As of September 30, 2014)
NET ASSETS		
Shareholders' equity		
Capital stock	4,176	4,176
Capital surplus	4,038	4,038
Retained earnings	4,344	3,184
Treasury shares	(0)	(0)
Total shareholders' equity	12,558	11,398
Other comprehensive income		
Valuation difference on available-for-sale securities	35	63
Deferred gains or losses on hedges	9	69
Revaluation reserve for land	(921)	(921)
Foreign currency translation adjustment	416	380
Remeasurements of defined benefit plans	(147)	(139)
Total other comprehensive income	(606)	(546)
Minority interests	37	44
Total net assets	11,989	10,897
Total liabilities and net assets	23,739	21,775

(2) Consolidated Statements of Income and Comprehensive Income

(Consolidated Statement of Income for the Six Months Ended September 30, 2014)

(Millions of yen)

	Six Months of FY2013 (From April 1, 2013 to September 30, 2013)	Six Months of FY2014 (From April 1, 2014 to September 30, 2014)
Net sales	22,575	20,577
Cost of sales	7,892	7,308
Gross profit	14,683	13,268
Selling, general and administrative expenses		
Salaries, allowances and bonuses	5,215	4,940
Provision for bonuses	279	201
Retirement benefit expenses	99	111
Rent expenses	3,164	2,751
Other	7,388	6,714
Total selling, general and administrative expenses	16,146	14,720
Operating loss	(1,463)	(1,452)
Non-operating income		
Rent income	29	30
Foreign exchange gains	—	17
Other	39	30
Total non-operating income	69	78
Non-operating expenses		
Interest expenses	7	7
Business commencement expenses	90	—
Other	56	33
Total non-operating expenses	154	40
Ordinary loss	(1,548)	(1,414)
Extraordinary losses		
Loss on sales and retirement of non-current assets	39	23
Loss on liquidation of facilities and stores	46	38
Total extraordinary losses	85	61
Loss before income taxes	(1,633)	(1,476)
Income taxes	(456)	(386)
Loss before minority interests	(1,177)	(1,089)
Minority interests in income (loss)	(8)	5
Net loss	(1,168)	(1,094)

(Consolidated Statement of Comprehensive Income for the Six Months Ended September 30, 2014)

(Millions of yen)

	Six Months of FY2013 (From April 1, 2013 to September 30, 2013)	Six Months of FY2014 (From April 1, 2014 to September 30, 2014)
Loss before minority interests	(1,177)	(1,089)
Other comprehensive income		
Valuation difference on available-for-sale securities	(3)	28
Deferred gains or losses on hedges	3	59
Foreign currency translation adjustment	405	(35)
Remeasurements of defined benefit plans	—	8
Share of other comprehensive income of entities accounted for using equity method	1	1
Total other comprehensive income	407	62
Comprehensive income	(769)	(1,027)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(767)	(1,034)
Comprehensive income attributable to minority interests	(1)	7

(3) Consolidated Statements of Cash Flows

(Millions of yen)

	Six Months of FY2013 (From April 1, 2013 to September 30, 2013)	Six Months of FY2014 (From April 1, 2014 to September 30, 2014)
Cash flows from operating activities		
Loss before income taxes	(1,633)	(1,476)
Depreciation	875	809
Loss on liquidation of facilities and stores	46	38
Increase (decrease) in provision for bonuses	(98)	(168)
Increase (decrease) in net defined benefit liability	—	70
Interest and dividend income	(11)	(3)
Interest expenses	7	7
Foreign exchange losses (gains)	11	15
Decrease (increase) in notes and accounts receivable-trade	157	191
Decrease (increase) in inventories	(67)	70
Increase (decrease) in notes and accounts payable-trade	(309)	(410)
Increase (decrease) in accounts payable-other	(957)	(240)
Increase (decrease) in advances received	527	424
Other, net	(135)	40
Subtotal	(1,588)	(632)
Interest and dividend income received	14	3
Interest expenses paid	(7)	(7)
Income taxes paid	(200)	(241)
Income taxes refund	157	48
Net cash provided by (used in) operating activities	(1,625)	(829)
Cash flows from investing activities		
Purchase of property, plant and equipment	(688)	(876)
Proceeds from sales of property, plant and equipment	97	3
Purchase of intangible assets	(200)	(157)
Proceeds from sales of investment securities	—	1
Payments for guarantee deposits	(43)	(145)
Proceeds from collection of guarantee deposits	349	90
Other, net	15	(133)
Net cash provided by (used in) investing activities	(470)	(1,217)

(Millions of yen)

	Six Months of FY2013 (From April 1, 2013 to September 30, 2013)	Six Months of FY2014 (From April 1, 2014 to September 30, 2014)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	700	(100)
Proceeds from long-term loans payable	500	—
Repayments of long-term loans payable	(250)	(62)
Cash dividends paid	(148)	—
Other, net	(30)	(24)
Net cash provided by (used in) financing activities	770	(187)
Effect of exchange rate change on cash and cash equivalents	215	(0)
Net increase (decrease) in cash and cash equivalents	(1,109)	(2,233)
Cash and cash equivalents at beginning of period	6,403	6,263
Cash and cash equivalents at end of period	5,294	4,030

(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 2013 (From April 1, 2013 to September 30, 2013)

1. Information about Net Sales and Amount of Income or Loss in Each Reporting Segments

(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	9,142	13,433	22,575	—	22,575
Intersegment sales and transfers	2,880	72	2,953	(2,953)	—
Total	12,023	13,505	25,529	(2,953)	22,575
Segment loss	(1,130)	(326)	(1,457)	(5)	(1,463)

(Notes) 1. The ¥(5) million adjustment of segment loss includes elimination of intersegment transactions amounting to ¥17 million and adjustments of inventories and others amounting to ¥(23) million.

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 2014 (From April 1, 2014 to September 30, 2014)

1. Information about Net Sales and Amount of Income or Loss in Each Reporting Segments

(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	8,621	11,955	20,577	—	20,577
Intersegment sales and transfers	2,802	55	2,857	(2,857)	—
Total	11,423	12,011	23,435	(2,857)	20,577
Segment loss	(502)	(964)	(1,466)	14	(1,452)

(Notes) 1. The ¥14 million adjustment of segment loss includes elimination of intersegment transactions amounting to ¥23 million and adjustments of inventories and others amounting to ¥(9) million.

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