Consolidated Financial Results for the First Quarter Ended June 30, 2015 [J-GAAP]

Watabe Wedding Corporation

July 30, 2015

Stock code:	4696
URL:	http://www.watabe-wedding.co.jp
Shares listed:	Tokyo Stock Exchange
Representative:	Nobuaki Hanafusa, Executive President, Representative Director
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Scheduled date of the filing of the quarterly report:	August 7, 2015
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, 2014 and 2015

(Amounts less than one million yen are omitted.)

1. Consolidated Operating Results

	Three months ended June 30, 2014	**Three months ended June 30, 2015**	**Year on year**
	(millions of yen)		***(percentage change)***
(1) Consolidated financial results			
Net sales	11,127	11,346	2.0
Operating income (loss)	(210)	9	—
Ordinary income (loss)	(185)	140	—
Profit (loss) attributable to owners of parent	(65)	(28)	—
Profit (loss), basic per share *(yen)*	(6.57)	(2.83)	
Profit (loss), diluted per share *(yen)*	—	—	

(Note) Comprehensive income: Three months ended June 30, 2015: ¥(21) million (—%)
Three months ended June 30, 2014: ¥(173) million (—%)

	As of March 31, 2015	**As of June 30, 2015**
	(millions of yen)	
(2) Consolidated financial position		
Total assets	20,732	20,409
Net assets	10,963	10,941
Shareholders' equity ratio (%)	52.6	53.3

(Reference) Shareholders' equity: As of June 30, 2015: ¥10,884 million
As of March 31, 2015: ¥10,910 million

2. Dividends

	Annual dividends per share				
	1Q-end	**2Q-end**	**3Q-end**	**Year-end**	**Total**
			(yen)		
FY2014	—	0.00	—	0.00	0.00
FY2015	—				
FY2015 (Forecast)		0.00	—	—	—

(Note) The Company has not yet determined a forecast for the year-end dividend for fiscal 2015.

3. Consolidated Results Forecast for the Fiscal Year Ending March 31, 2016

	FY2015	
	First half	**Full year**
	(millions of yen)	
Net sales	—	44,000
Operating income	—	200
Ordinary income	—	260
Profit attributable to owners of parent	—	60
Profit, basic per share *(yen)*	—	6.06

(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, 2015 (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 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 June 30, 2015
  9,909,400 shares as of March 31, 2015
- (ii) Number of shares of treasury stock
  326 shares as of June 30, 2015
  326 shares as of March 31, 2015
- (iii) Average number of shares during the period
  9,909,074 shares for the three months ended June 30, 2015
  9,909,074 shares for the three months ended June 30, 2014

* Presentation regarding status of quarterly review procedures
The consolidated financial results presented herein are not subject to the quarterly review procedure specified by the Financial Instruments and Exchange Act, and the review procedure for quarterly consolidated financial statements specified by the Financial Instruments and Exchange Act has not 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 6 of the attached material.

○ Contents of the Attached Material

1. Qualitative Information on Quarterly Financial Results

(1) Explanations on Operating Results

During the three months ended June 30, 2015, in the resort wedding business segment, we continued to promote the strategy of reorganizing our salon network as in the previous fiscal year with the aim of expanding the resort wedding market and reinforcing our power to attract customers. As one of such efforts, we opened the Utsunomiya Salon in Utsunomiya City, Tochigi Prefecture, the largest market in the North Kanto region, in May 2015, as well as the Nagano Salon in Nagano City, Nagano Prefecture, where we previously did not have a presence, in June 2015. However, in terms of the resort wedding business segment as a whole, the number of wedding contracts decreased year on year, due to intensifying market competition and waning interest in overseas travel as a result of the continued depreciation of the yen, among other factors.

Regarding the hotels and domestic weddings segment, we took measures to strengthen banquets and accommodations in addition to our mainstay wedding business. For the Meguro Gajoen, we established a cooperative relationship in marketing with Dears Brain Inc. to reinforce and expand the Gajoen brand. With regard to Mielparque, in an effort to take full advantage of growing demand for accommodation, we endeavored to improve unit spending per stay. Consequently, while the number of wedding contracts in the wedding business decreased on a year on year basis due to the effect of intensifying competition in city centers, business other than weddings such as accommodation remained strong.

As a result of the above, consolidated results were as follows: Net sales settled at ¥11,346 million, up 2.0% year on year; operating income amounted to ¥9 million (compared with an operating loss of ¥210 million for the same period of the previous fiscal year); ordinary income amounted to ¥140 million (compared with an ordinary loss of ¥185 million for the same period of the previous fiscal year); and loss attributable to owners of parent totaled ¥28 million (compared with a loss attributable to owners of parent of ¥65 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 rose 0.5% year on year, to ¥4,643 million as we succeeded in improving unit price per couple to compensate for a decline in the number of wedding contracts. Segment loss amounted to ¥117 million (compared with a segment loss of ¥47 million for the same period of the previous fiscal year), reflecting the continued weakness of the yen despite efforts to improve the cost of sales ratio and curtail expenses.

2) Hotels and domestic weddings

Despite a decline in the number of wedding contracts, net sales increased 3.0% year on year, to ¥6,702 million, owing to strong sales of banquets and accommodations, while segment income amounted to ¥126 million (compared with a segment loss of ¥174 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 first quarter of fiscal 2015 stood at ¥8,411 million, ¥220 million less than at the end of the previous fiscal year, mainly due to a decrease in cash and deposits. Non-current assets amounted to ¥11,997 million, ¥103 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 ¥323 million from the end of the previous fiscal year, to ¥20,409 million.

Current liabilities at the end of the first quarter of fiscal 2015 stood at ¥7,409 million, ¥191 million more than at the end of the previous fiscal year. This was primarily due to increases in short-term loans payable and accounts payable-trade. Non-current liabilities were ¥2,057 million, ¥493 million less than at the end of the previous fiscal year. This was attributable mainly to a decrease in long-term loans payable. As a result, total liabilities decreased by ¥302 million from the end of the previous fiscal year, to ¥9,467 million.

The balance of net assets settled at ¥10,941 million, down ¥21 million from the end of the previous fiscal year. This was attributable to a ¥40 million decrease in deferred gains or losses on hedges, a loss attributable to owners of parent of ¥28 million and a ¥41 million increase in foreign currency translation adjustment.

(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 12, 2015.

2. Summary Information (Notes)

(1) Changes in Significant Subsidiaries during the Three Months Ended June 30, 2015

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, 2015, and then multiplying income before taxes by the estimated effective tax rate.

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

(Application of Accounting Standard for Business Combinations and related matters)

The “Accounting Standard for Business Combinations” (ASBJ Statement No. 21, September 13, 2013), the “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22, September 13, 2013), and the “Accounting Standard for Business Divestitures” (ASBJ Statement No. 7, September 13, 2013) have been adopted from the beginning of the first quarter ended June 30, 2015. Under these accounting standards, the method of recording the amount of difference caused by changes in the Company’s equity shares in subsidiaries, which the Company continues to control was changed to one in which it is recorded as capital surplus. The method of recording acquisition-related costs was also changed to one in which they are recognized as expenses in the fiscal year in which they are incurred. In addition, for business combinations carried out on or after the beginning of the first quarter ended June 30, 2015, the accounting method was changed to one in which the allocation of acquisition costs arising from the finalization of the provisional accounting treatment is reflected in the consolidated financial statements for the quarter in which the business combination took place. Furthermore, the presentation method for net loss was changed to loss and the presentation of minority interests was changed to non-controlling interests. To reflect the relevant changes, the consolidated financial statements for the first three months of the previous fiscal year and for the previous fiscal year were restated.

The Company adopted the Accounting Standards for Business Combinations and related matters from the beginning of the first quarter ended June 30, 2015, following transitional treatment as stipulated in Article 58-2 (4) of Accounting Standard for Business Combinations, Article 44-5 (4) of Accounting Standard for Consolidated Financial Statements, and Article 57-4 (4) of Accounting Standard for Business Divestitures.

The impact of the adoption of these accounting standards on the Company’s profit or loss is immaterial.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheet

(Millions of yen)

	FY2014 (As of March 31, 2015)	1Q of FY2015 (As of June 30, 2015)
ASSETS		
Current assets		
Cash and deposits	4,502	4,256
Accounts receivable-trade	1,626	1,860
Merchandise and finished goods	256	246
Work in process	23	20
Raw materials and supplies	471	467
Other	1,797	1,605
Allowance for doubtful accounts	(46)	(44)
Total current assets	8,631	8,411
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	4,236	4,110
Land	2,220	2,221
Other, net	1,383	1,384
Total property, plant and equipment	7,840	7,716
Intangible assets	640	607
Investments and other assets		
Guarantee deposits	2,845	2,739
Other	806	964
Allowance for doubtful accounts	(31)	(30)
Total investments and other assets	3,619	3,673
Total non-current assets	12,100	11,997
Total assets	20,732	20,409
LIABILITIES		
Current liabilities		
Accounts payable-trade	1,532	1,628
Short-term loans payable	625	930
Advances received	2,363	2,313
Provision for bonuses	383	179
Other	2,314	2,357
Total current liabilities	7,217	7,409
Non-current liabilities		
Long-term loans payable	750	250
Net defined benefit liability	870	891
Asset retirement obligations	579	585
Other	351	330
Total non-current liabilities	2,551	2,057
Total liabilities	9,769	9,467

(Millions of yen)

	FY2014 (As of March 31, 2015)	1Q of FY2015 (As of June 30, 2015)
NET ASSETS		
Shareholders' equity		
Capital stock	4,176	4,176
Capital surplus	4,038	4,038
Retained earnings	2,473	2,445
Treasury shares	(0)	(0)
Total shareholders' equity	10,687	10,659
Other comprehensive income		
Valuation difference on available-for-sale securities	92	98
Deferred gains or losses on hedges	162	122
Revaluation reserve for land	(920)	(920)
Foreign currency translation adjustment	800	842
Remeasurements of defined benefit plans	87	82
Total other comprehensive income	223	224
Non-controlling interests	52	57
Total net assets	10,963	10,941
Total liabilities and net assets	20,732	20,409

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statement of Income for the Three Months Ended June 30, 2015

(Millions of yen)

	Three Months of FY2014 (From April 1, 2014 to June 30, 2014)	Three Months of FY2015 (From April 1, 2015 to June 30, 2015)
Net sales	11,127	11,346
Cost of sales	4,004	4,031
Gross profit	7,122	7,314
Selling, general and administrative expenses	7,333	7,305
Operating income (loss)	(210)	9
Non-operating income		
Rent income	15	16
Foreign exchange gains	5	106
Other	21	18
Total non-operating income	42	140
Non-operating expenses		
Rent expenses	3	3
Other	14	6
Total non-operating expenses	18	9
Ordinary income (loss)	(185)	140
Extraordinary losses		
Loss on sales and retirement of non-current assets	2	—
Total extraordinary losses	2	—
Income (loss) before income taxes	(188)	140
Income taxes	(125)	165
Loss	(62)	(24)
Profit attributable to non-controlling interests	2	3
Loss attributable to owners of parent	(65)	(28)

Consolidated Statement of Comprehensive Income for the Three Months Ended June 30, 2015

(Millions of yen)

	Three Months of FY2014 (From April 1, 2014 to June 30, 2014)	Three Months of FY2015 (From April 1, 2015 to June 30, 2015)
Loss	(62)	(24)
Other comprehensive income		
Valuation difference on available-for-sale securities	7	5
Deferred gains or losses on hedges	(17)	(40)
Foreign currency translation adjustment	(103)	41
Remeasurements of defined benefit plans	4	(4)
Share of other comprehensive income of entities accounted for using equity method	(1)	0
Total other comprehensive income	(110)	2
Comprehensive income	(173)	(21)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(176)	(26)
Comprehensive income attributable to non-controlling interests	2	4

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

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	4,619	6,507	11,127	—	11,127
Intersegment sales and transfers	1,562	32	1,594	(1,594)	—
Total	6,182	6,540	12,722	(1,594)	11,127
Segment loss	(47)	(174)	(222)	11	(210)

(Notes) 1. The ¥11 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. 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 Statement 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 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

(Significant Subsequent Events)

Capital and Business Alliance, Tender Offer and Issuance of New Shares Through Third-party Allotment

At the Board of Directors Meeting held on July 24, 2015, Watabe Wedding Corporation (hereinafter, the “Company”) resolved to conclude an agreement on capital and business alliance (hereinafter, the “Capital and Business Alliance Agreement”; hereinafter the capital and business alliance under this agreement shall be referred to as the “Capital and Business Alliance”) with Senshukai Co., Ltd. (hereinafter, “Senshukai”) and its wholly-owned subsidiary Dears Brain Inc. (hereinafter, “Dears Brain”; hereinafter Senshukai and Dears Brain shall be collectively referred to as the “Senshukai Group”) with the objectives of realizing ongoing growth based on mutual cooperation between the Watabe Wedding Group (hereinafter the Company, its 21 subsidiaries and 1 affiliate shall be collectively referred to as the “Group”) and the Senshukai Group as well as making the Company Senshukai’s equity-method affiliate through the acquisition of 34.00% of the total voting rights of the Company by Senshukai following a tender offer for the Company’s shares (the Company’s common shares; hereinafter the “Company Shares”) by Senshukai (hereinafter, the “Tender Offer”) and a subscription of the Company Shares issued by the Company through the method of third-party allotment (hereinafter, the “Third-party Allotment”; hereinafter the Tender Offer and the Third-party Allotment shall be collectively referred to as the “Transaction”), to express an opinion supporting the Tender Offer and to leave the decision of whether or not to tender their shares in the Tender Offer up to the Company’s shareholders.

Subsequent to the Transaction, Senshukai is expected to become the largest and principal shareholder of the Company as of September 7, 2015.

I. Capital and Business Alliance

1. Reasons for the Capital and Business Alliance

As a pioneer in the bridal industry with a history spanning over 61 years since its establishment, the Group conducts businesses in 32 overseas locations and 81 locations in Japan (as of June 2015). Overseas, the Group engages in the resort wedding business in resorts such as Hawaii and Guam as well as the production of wedding dresses, tuxedos and photo albums. In Japan, the Group operates wedding halls and hotels through Meguro Gajoen and Mielparque and engages in the house wedding business through Crescendo Produce Co., Ltd. The Group has posted ordinary losses for the last two fiscal years in a row as sales continued to decline due to a fall in the number of marriages registered as a result of the advance of the aging society with a shrinking young population, a decrease in the number of wedding ceremonies as more and more couples choose not to have wedding ceremonies as well as fierce competition with a rise in the number of competitors.

Against this backdrop, the Group implemented business strategies to realize a return to profitability and started taking measures with the aim of becoming a corporate group that can make a significant leap forward into the future. Specifically, the Group aimed to improve its leadership ability within the industry through business alliances in the resort wedding business. In the hotels and domestic weddings business (the wedding halls and hotels business operated by Meguro Gajoen and Mielparque and the house wedding business of Crescendo Produce), the Group will take measures to improve the revenue structure as well as undertake a branding strategy by creating ideas from customers’ perspectives and enhancing customer value, such as empathy and trust in our brands, as one growth strategy. As another growth strategy, the Group plans to make its production business into a separate, independent business, focusing on an original equipment manufacturer (OEM) business.

Additionally, the Group recognized the need to take initiatives not only in the resort wedding business as the core business but also in the wedding halls, hotels and house wedding business which have been facing the challenges of responding to diversified customer needs and securing the stability of the businesses. Amid such circumstances, the Group had been considering business alliance partners based on the belief that the Group would be able to aim for the expansion of both scale and revenues by forming an alliance with a company that has business formats other than the resort wedding business, developing a common “platform” for sharing the domestic and overseas networks, customer-attraction and production functions, which are the Group’s strengths, and thereby realizing a “conglomerate with multiple business formats in the bridal industry and bridal contents as well as multiple business formats in derived segments related to the comprehensive lifestyle field (hereinafter, the “conglomerate.”)

Meanwhile, under its slogan “Women Smile Company,” Senshukai offers a broad range of products including clothing, household goods and furniture with a focus on original products targeting women in their 30s to 50s by leveraging its mainstay mail order business “BELLE MAISON.” Senshukai also entered into the electronic commerce (EC) business in 2000 ahead of its competitors and has accumulated know-how in mail order shopping over many years. Furthermore, with the aim of realizing the enhancement of corporate value, Senshukai formulated a medium- and long-term management plan for five years between 2014 and 2018 in February 2014. As its core strategies, Senshukai has been promoting the development of private brands (PBs) most suited for the main customer targets, namely women in their 30s to 50s, in the mail order business, realization of merchandizing (MD) plans utilizing all distribution channels to promote the recognition and expansion of PBs, business structure reforms for a shift to a specialty retailer of private-label apparel (SPA)-style model with the aim of achieving efficient and effective growth of PBs, and omni-channel marketing (integration of EC, catalogs, store sales and logistics channels to enable customers to purchase products anywhere, anytime).

As a “corporate group that fearlessly challenges uncharted territories by opening up doors to new opportunities with a sense of excitement,” Dears Brain has always followed a management philosophy of “OPEN DOORS!!” and provided a broad array of services in order to constantly respond to customer needs in the bridal industry, which offers endless opportunities for improvement as well as new business chances, by starting a dress business and a restaurant business in addition to the mainstay house wedding business.

In order to respond to the needs of couples who wish to “have a high-quality wedding party in an authentic private guest house that appeals to their senses,” Dears Brain has been opening wedding salons specialized in house wedding by utilizing such guest houses with private atmosphere based on its unique dominant strategy which focuses on specific regions. Under a concept of “house wedding tailored to fit specific regions” that incorporate regional culture and characteristics, Dears Brain operates guest houses with unique features and attractions by carefully designing the details of each guest house.

The Group and the Senshukai Group have held various discussions since around 2013 when the Company received a contract for producing photo albums for Dears Brain. In addition to jointly developing business in contents areas such as photo albums, the Company and Dears Brain formed a business alliance for Meguro Gajoen in an effort to further expand the wedding business in the future. Given these circumstances, the two groups reached a conclusion in May 2015 that the Company, centered on the resort wedding business, and Dears Brain, centered on the house wedding business, would be able to offer new services to customers through proposals on wide-ranging wedding styles such as house wedding and resort wedding by effectively utilizing each other’s management resources that are highly complementary. Furthermore, the Group and Senshukai agreed that the two parties would also need to conclude a capital tie-up in order to further promote the development of wedding related products by leveraging Senshukai’s strengths in product design and development, to develop necessary services for the new lives of newly wedded couples as well as the business operations though the Group’s sales support and the usage of Senshukai’s customer base. As a result of careful discussions and deliberations, it was decided to conclude the Capital and Business Alliance Agreement and make the Company Senshukai’s equity-method affiliate based on the judgment that Senshukai’s acquisition of 34.00% of the total voting rights in the Company through the Tender Offer for the Company Shares and the Third-party Allotment will contribute to the two parties in utilizing each other’s management resources more smoothly, the enhancement of business value in the mail order business for Senshukai and the wedding business segment for the Company and Dears Brain, as well as the reinforcement of the market influence for the Senshukai Group.

With regard to the ratio of voting rights that Senshukai will hold in the Company on a diluted basis after the Transaction (which is calculated as the ratio for which the numerator is the number of voting rights for the Company’s common shares to be held by Senshukai, and the denominator is the number of voting right for all shareholders as of March 31, 2015 listed in the Company’s Securities Report for the 51st Period (99,054 rights) and, adding the number of voting rights to be acquired by Senshukai through the Third-party Allotment (rounded to two decimal points)), the Company agreed with Senshukai to make it 34.00% with the objectives of ensuring that Senshukai will be able to solely exercise veto rights for special resolutions at the Annual Meeting of Shareholders in order to enhance the effectiveness of the Capital and Business Alliance Agreement and that Senshukai will strengthen its involvement in the Company’s management though the dispatch of a number of corporate officers in proportion to the ratio of voting rights.

2. Details of the Business Alliance

Details of the Business Alliance are as follows:

1) Mutual cooperation for the development of an alliance on operational know-how, etc.
2) Mutual cooperation toward service expansion and joint development of wedding related products
3) Mutual cooperation for the development of platforms with customer-attraction and production functions
4) Mutual cooperation for customer development in the comprehensive lifestyle field
5) Mutual cooperation for the marketing, promotion and product and service development in the comprehensive lifestyle field to respond to the needs of newly wedded couples in their new life
6) Mutual cooperation looking ahead of full-fledged overseas business expansion
7) Establishment of the Business Alliance Promotion Committee with the aim of promoting the above

3. Details of the Capital Alliance

As specified in “I. Capital and Business Alliance 1. Reasons for the Capital and Business Alliance,” Senshukai will make the Tender Offer with the aim of acquiring 34.00% of the total voting rights in the Company to make it Senshukai’s equity-method affiliate. While expressing an opinion supporting the Tender Offer, in the case where Senshukai fails to acquire Company Shares equivalent to 34.00% through the Tender Offer, the Company will execute the Third-party Allotment to Senshukai as a measure to ensure the acquisition of 34.00% of Company Shares which will allow Senshukai to solely exercise veto rights for special resolutions at the Annual Meeting of Shareholders as well as to dispatch a number of corporate officers in proportion to the ratio of voting rights, both of which are conditions under the Capital and Business Alliance Agreement. In addition, in anticipation of reinforcing the cooperative relationship of the three companies and maximizing the effects of the business alliance in the wedding business of the both groups, Senshukai will transfer some of the Company Shares to Dears Brain (the number of the Company Shares, etc. held as of today: 0) on the condition that Senshukai acquires 34.00% of the total voting rights in the Company.

4. Outline of Capital and Business Alliance Partners

1) Company name	Senshukai Co., Ltd.
2) Location	1-8-9 Doshin, Kita-ku, Osaka
3) Title and name of the representative	President and Representative Director: Michio Tanabe
4) Line of business	Mail order business, bridal business, corporate business, other business
5) Capital	¥20,359 million (as of March 31, 2015) (Note)

(Note) The amount of capital was changed to ¥22,304 million as of May 7, 2015.

1) Company name	Dears Brain Inc.
2) Location	2-6-3 Shibakoen, Minato-ku, Tokyo
3) Title and name of the representative	President and Representative Director: Hirokazu Kogishi
4) Line of business	House wedding business, dress business, restaurant business, consulting business
5) Capital	¥600 million

II. Issuance of New Shares Through Third-party Allotment

1. Outline of the Issuance of New Shares

(1) Type and number of shares to be issued: 5,102,800 common shares
(2) Issue price: ¥700 per share
(3) Aggregate amount of issue price: ¥3,571,960,000
(4) Amount of capital incorporation: ¥1,785,980,000
(5) Allotment method: Issuance of new shares through third-party allotment
(6) Allotted party: Senshukai Co., Ltd.
(7) Payment period: September 7, 2015 to October 28, 2015

2. Purpose of and Reasons for the Subscription

As specified in "I. Capital and Business Alliance 3. Details of the Capital Alliance," payment shall be made only for the required number of shares (provided that shares less than a unit of 100 shares are rounded up) to make the ratio of voting rights that Senshukai holds in the Company on a diluted basis after the Third-party Allotment 34.00% by combining the number of the Company Shares acquired by Senshukai through the Tender Offer and the number of the Company Shares acquired through the Third-party Allotment. To this end, the Company has agreed that Senshukai may not subscribe for all or some of the shares allocated though the Third-party Allotment.

3. Amount of Funds to Be Raised and Their Purposes

(1) Amount of Funds to Be Raised

1) Total amount to be paid in:	¥3,571,960,000
2) Estimated cost of issuance:	¥27,000,000
3) Estimated net proceeds:	¥3,544,960,000

(Notes)

1. Estimated cost of issuance does not include consumption tax, etc.
2. As specified in "2. Purpose of and Reasons for the Subscription," since all or some of the shares allocated to Senshukai may not be subscribed, the total amount to be paid in, estimated cost of issuance and estimated net proceeds are subject to change. The amounts shown above are maximum amounts calculated on the assumption that all shares for subscription are subscribed.
3. Estimated cost of issuance mainly comprises legal advisory fees, registration expenses and stock price calculation fees.

(2) Specific Usage Purposes for the Funds to Be Raised

In terms of the usage of estimated net proceeds specified above, with the aim of realizing mutual cooperation between the Group and the Senshukai Group for continuous growth to create and expand corporate values at the level exceeding organic growth of each group, approximately ¥1,800 million will be allocated to capital expenditure for resort wedding facilities, etc., approximately ¥800 million to capital expenditure for domestic facilities, and approximately ¥900 million to IT investment.