

Consolidated Financial Results for the Third Quarter Ended December 31, 2016 [J-GAAP]
Watabe Wedding Corporation

January 31, 2017

Stock code: 4696
 URL: <http://www.watabe-wedding.co.jp>
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Scheduled date of the filing of the quarterly report: February 1, 2017

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 nine months ended December 31, 2015 and 2016

(Amounts less than one million yen are omitted.)

1. Consolidated Operating Results

	Nine months ended December 31, 2015	Nine months ended December 31, 2016	Year on year (percentage change)
	<i>(millions of yen)</i>		
(1) Consolidated financial results			
Net sales	33,808	33,783	-0.1
Operating income	409	1,551	279.0
Ordinary income	570	1,269	122.3
Profit attributable to owners of parent	100	536	432.7
Profit, basic per share (yen)	10.16	54.14	
Profit, diluted per share (yen)	—	—	

(Note) Comprehensive income: Nine months ended December 31, 2016: ¥593 million (—%)
 Nine months ended December 31, 2015: ¥(94) million (—%)

	As of March 31, 2016	As of December 31, 2016
	<i>(millions of yen)</i>	
(2) Consolidated financial position		
Total assets	20,811	19,967
Net assets	10,342	10,901
Shareholders' equity ratio (%)	49.5	54.2

(Reference) Shareholders' equity: As of December 31, 2016: ¥10,822 million
 As of March 31, 2016: ¥10,293 million

2. Dividends

	Annual dividends per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	<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 nine months ended December 31, 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 5 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 5 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 December 31, 2016

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

(ii) Number of shares of treasury stock

376 shares as of December 31, 2016

326 shares as of March 31, 2016

(iii) Average number of shares during the period

9,909,068 shares for the nine months ended December 31, 2016

9,909,074 shares for the nine months ended December 31, 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, (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

During the nine months ended December 31, 2016, in the resort weddings business segment, we promoted improvement of the value of resort weddings by supporting sales of reception parties in Japan after a resort wedding ceremony to enable special friends and acquaintances within Japan to create irreplaceable memories, in addition to couples and families, and actively secured orders from within Japan.

In these conditions, the number of wedding contracts decreased, due to factors such as intensified competition and economic uncertainty; however, net sales increased slightly year on year and segment income improved markedly, due to factors such as an increase in the unit price per couple, improvement of the revenue structure, and the trend toward the yen increasing in value.

Going forward, in Hawaii, which is our main region of focus, we plan to open the Banquet at Harbor Court, based on the theme of an “elite social club,” on April 14, 2017, and we began accepting orders on November 23, 2016. Furthermore, we are working to secure a new segment of customers by establishing facilities in the downtown Waikiki area, which is one of the most popular locations in Hawaii, such as planning to open the Lani Le’a Chapel on the top floor of the Hawaii Prince Hotel Waikiki on May 1, 2017, for which we began accepting wedding contracts in the previous quarter, and which will be the only chapel with an unrestricted panoramic view in Hawaii.

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

For Meguro Gajoen, we improved brand value and increased the accommodation unit price by renovating all guest rooms on the seventh floor in September 2016, and the wedding and banquet businesses remained firm.

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 steady, due to factors such as returning to normal operation.

In addition, we retired facilities, etc., by closing some of our facilities (chapels) in Hawaii as of December 31, leading us to record a ¥289 million loss on liquidation of facilities and stores, under extraordinary losses.

As a result of the above, consolidated results for the nine months ended December 31, 2016, were as follows: Net sales settled at ¥33,783 million (down 0.1% year on year); operating income amounted to ¥1,551 million (up 279.0% year on year); ordinary income amounted to ¥1,269 million (up 122.3% year on year); and profit attributable to owners of parent totaled ¥536 million (up 432.7% year on 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 1.0% year on year, to ¥13,787 million, due to an increase in unit price per couple. In terms of profit and loss, segment income amounted to ¥795 million (compared with a segment loss of ¥96 million for the same period of the previous fiscal year), due to the improvement of the revenue structure, and the trend towards the yen increasing in value.

2) Hotels and domestic weddings

Due to a decrease in the number of wedding contracts, etc., net sales fell 0.8% year on year, to ¥19,995 million. However, in terms of profit and loss, segment income amounted to ¥668 million (up 35.1% year on year) as a result

of continued reductions in costs and selling and administrative expenses.

(2) Explanations on Financial Position

Current assets of the Group at the end of the third quarter of fiscal 2016 stood at ¥9,192 million, ¥136 million less than at the end of the previous fiscal year. This was mainly due to an increase in cash and deposits and a decrease in accounts receivable-trade and other under current assets. Non-current assets amounted to ¥10,774 million, ¥707 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 ¥843 million from the end of the previous fiscal year, to ¥19,967 million.

Current liabilities at the end of the third quarter of fiscal 2016 stood at ¥7,109 million, ¥1,267 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 ¥1,956 million, ¥134 million less than at the end of the previous fiscal year. As a result, total liabilities decreased by ¥1,402 million from the end of the previous fiscal year, to ¥9,065 million.

The balance of net assets settled at ¥10,901 million, up ¥558 million from the end of the previous fiscal year. This was due to factors such as increases in retained earnings and deferred gains or losses on hedges.

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

During the nine months ended December 31, 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 Nine Months Ended December 31, 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 profit before income taxes for the fiscal year that includes this third quarter ended December 31, 2016, and then multiplying profit 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 income, ordinary income, and profit before income taxes for the nine months ended December 31, 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)	3Q of FY2016 (As of December 31, 2016)
ASSETS		
Current assets		
Cash and deposits	5,311	5,630
Accounts receivable-trade	1,636	1,523
Merchandise and finished goods	244	232
Work in process	15	10
Raw materials and supplies	463	409
Other	1,691	1,416
Allowance for doubtful accounts	(33)	(29)
Total current assets	9,329	9,192
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	3,990	3,469
Land	2,023	1,893
Other, net	1,196	1,268
Total property, plant and equipment	7,210	6,632
Intangible assets	573	512
Investments and other assets		
Guarantee deposits	2,669	2,727
Other	1,031	906
Allowance for doubtful accounts	(3)	(3)
Total investments and other assets	3,697	3,629
Total non-current assets	11,481	10,774
Total assets	20,811	19,967
LIABILITIES		
Current liabilities		
Accounts payable-trade	1,433	1,755
Short-term loans payable	933	325
Income taxes payable	473	220
Advances received	2,208	2,012
Provision for bonuses	508	316
Other	2,818	2,478
Total current liabilities	8,376	7,109
Non-current liabilities		
Long-term loans payable	125	62
Net defined benefit liability	1,011	1,083
Asset retirement obligations	586	588
Other	368	221
Total non-current liabilities	2,091	1,956
Total liabilities	10,468	9,065

(Millions of yen)

	FY2015 (As of March 31, 2016)	3Q of FY2016 (As of December 31, 2016)
NET ASSETS		
Shareholders' equity		
Capital stock	4,176	4,176
Capital surplus	4,038	4,038
Retained earnings	2,504	2,991
Treasury shares	(0)	(0)
Total shareholders' equity	10,718	11,205
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	68	79
Deferred gains or losses on hedges	(260)	30
Revaluation reserve for land	(903)	(903)
Foreign currency translation adjustment	655	396
Remeasurements of defined benefit plans	14	14
Total accumulated other comprehensive income	(425)	(383)
Non-controlling interests	49	78
Total net assets	10,342	10,901
Total liabilities and net assets	20,811	19,967

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statement of Income for the Nine Months Ended December 31, 2016

(Millions of yen)

	Nine Months of FY2015 (From April 1, 2015 to December 31, 2015)	Nine Months of FY2016 (From April 1, 2016 to December 31, 2016)
Net sales	33,808	33,783
Cost of sales	11,822	10,945
Gross profit	21,985	22,838
Selling, general and administrative expenses	21,576	21,286
Operating income	409	1,551
Non-operating income		
Foreign exchange gains	100	—
Other	86	54
Total non-operating income	187	54
Non-operating expenses		
Foreign exchange losses	—	307
Other	26	29
Total non-operating expenses	26	336
Ordinary income	570	1,269
Extraordinary income		
Gain on sales of non-current assets	34	48
Gain on sales of shares of subsidiaries and associates	—	60
Other	—	2
Total extraordinary income	34	111
Extraordinary losses		
Impairment loss	—	84
Loss on sales and retirement of non-current assets	15	71
Loss on liquidation of facilities and stores	10	358
Other	—	2
Total extraordinary losses	26	516
Profit before income taxes	579	864
Income taxes	475	314
Profit	103	549
Profit attributable to non-controlling interests	2	13
Profit attributable to owners of parent	100	536

Consolidated Statement of Comprehensive Income for the Nine Months Ended December 31, 2016

(Millions of yen)

	Nine Months of FY2015 (From April 1, 2015 to December 31, 2015)	Nine Months of FY2016 (From April 1, 2016 to December 31, 2016)
Profit	103	549
Other comprehensive income		
Valuation difference on available-for-sale securities	4	10
Deferred gains or losses on hedges	(159)	290
Foreign currency translation adjustment	(28)	(257)
Remeasurements of defined benefit plans	(14)	(0)
Share of other comprehensive income of entities accounted for using equity method	0	0
Total other comprehensive income	(197)	43
Comprehensive income	(94)	593
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(95)	578
Comprehensive income attributable to non-controlling interests	1	14

(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 Nine Months of Fiscal 2015 (From April 1, 2015 to December 31, 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	13,644	20,163	33,808	—	33,808
Intersegment sales and transfers	5,198	71	5,269	(5,269)	—
Total	18,843	20,234	39,078	(5,269)	33,808
Segment income (loss)	(96)	495	399	10	409

(Notes) 1. The ¥10 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 income 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 Nine Months of Fiscal 2016 (From April 1, 2016 to December 31, 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	13,787	19,995	33,783	—	33,783
Intersegment sales and transfers	5,271	98	5,369	(5,369)	—
Total	19,058	20,094	39,153	(5,369)	33,783
Segment income	795	668	1,464	87	1,551

(Notes) 1. The ¥87 million adjustment of segment income includes elimination of intersegment transactions and elimination of unrealized income.

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

2. Information about Impairment Loss for Non-Current Assets or Goodwill, etc., in Each Reporting Segment
(Significant impairment loss on non-current assets)

For the resort weddings business segment and hotels and domestic weddings segment, we recorded an impairment loss of ¥18 million and ¥65 million respectively.