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Best Bridal Inc.
Consolidated Earnings Report for the Fiscal Year ended December 31, 2011 (Japanese GAAP)

Stock listing: Tokyo Stock Exchange (First Section) Securities code: 2418

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Representative: Masayuki Tsukada, President and CEO
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Scheduled dates:

Annual general meeting of shareholders: March 29, 2012

Filing of statutory year-end financial report: March 29, 2012

Dividend payout: March 30, 2012

Supplementary materials to year-end financial results available: Yes

Year-end earnings presentation held: Yes (targeted at institutional investors and analysts)

(Amounts rounded down to the nearest million yen)

1. Consolidated Performance for the Fiscal Year ended December 31, 2011 (January 1, 2011 – December 31, 2011)

(1) Consolidated Operating Results (percentages indicate year-on-year changes)

	Net sales		Operating income		Ordinary income		Net income	
	million yen	%	million yen	%	million yen	%	million yen	%
Year ended December 31, 2011	41,741	8.6	6,395	(11.4)	6,222	(10.4)	2,670	(29.2)
Year ended December 31, 2010	38,444	18.3	7,221	15.2	6,946	12.6	3,774	11.3

Note: Comprehensive income: Year ended December 31, 2011: 2,654 million yen (27.6%)
Year ended December 31, 2010: 3,668 million yen (-)

	Net income per share	Diluted net income per share	Return on equity	Ordinary income to total assets	Operating income to net sales
	yen	yen	%	%	%
Year ended December 31, 2011	10,909.27	-	15.9	14.1	15.3
Year ended December 31, 2010	15,418.91	-	26.6	17.7	18.8

Reference: Investment gains/losses on equity-method:
Year ended December 31, 2011: 36 million yen
Year ended December 31, 2010: 29 million yen

(2) Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	million yen	million yen	%	yen
December 31, 2011	47,382	17,825	37.6	72,817.26
December 31, 2010	40,891	15,832	38.7	64,673.25

Reference: Shareholders' equity: December 31, 2011: 17,825 million yen
December 31, 2010: 15,832 million yen

(3) Consolidated Results of Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of period
	million yen	million yen	million yen	million yen
Year ended December 31, 2011	5,190	(3,488)	388	10,532
Year ended December 31, 2010	6,272	(3,888)	(1,690)	8,473

2. Dividends

	Dividend per share					Total dividends	Dividend payout ratio	Rate of total dividend to net assets
	End-Q1	End-Q2	End-Q3	Year-end	Annual total			
	yen	yen	yen	yen	yen	million yen	%	%
Year ended December 31, 2010	-	2,500.00	-	1,700.00	4,200.00	620	27.2	3.8
Year ended December 31, 2011	-	1,000.00	-	1,000.00	2,000.00	489	18.3	2.9
Year ending December 31, 2012 (Forecast)	-	1,000.00	-	1,000.00	2,000.00		12.7	

Note: Breakdown of year-end dividend for Year ended December 31, 2010: Commemorative dividend of 500.00 yen

3. Earnings Forecast for the Fiscal Year ending December 31, 2012
(January 1, 2012 – December 31, 2012)

(Percentages indicate year-on-year changes)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	million yen	%	million yen	%	million yen	%	million yen	%	yen
For the six months ending June 30, 2012	19,600	5.0	2,300	22.2	2,200	18.8	1,150	108.6	4,697.71
For the year ending December 31, 2012	43,100	3.3	7,050	10.2	6,900	10.9	3,850	44.2	15,727.12

4. Other Information

(1) Changes affecting the consolidation status of significant subsidiaries during the period: Yes

Newly consolidated: Hospitality Network Corporation, Newly excluded: Best Hospitality Heart Inc.

(2) Changes in accounting principles, procedures, and method of presentation, etc.

1) Changes in accordance with revisions to accounting standards etc.: Yes

2) Changes other than 1) above: None

(3) Shares issued (common stock)

	Dec. 31, 2011	Dec. 31, 2010
1) Number of shares issued at end of period (including treasury stock)	244,800	244,800
2) Number of shares held in treasury at end of period	-	-
	Year ended December 31, 2011	Year ended December 31, 2010
3) Average number of shares outstanding during the period	244,800	244,800

(Reference) Summary of Non-consolidated Business Results

1. Non-consolidated Performance for the Fiscal Year ended December 31, 2011 (January 1, 2011 - December 31, 2011)

(1) Consolidated Operating Results (percentages indicate year-on-year changes)

	Net sales		Operating income		Ordinary income		Net income	
	million yen	%	million yen	%	million yen	%	million yen	%
Year ended December 31, 2011	35,934	(1.1)	5,200	(10.9)	5,588	(1.0)	2,667	(12.2)
Year ended December 31, 2010	36,335	14.2	5,838	14.9	5,642	14.4	3,039	15.3

	Net income per share	Diluted net income per share
	yen	yen
Year ended December 31, 2011	10,897.96	-
Year ended December 31, 2010	12,414.97	-

(2) Non-consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	million yen	million yen	%	yen
December 31, 2011	42,420	16,043	37.8	65,535.97
December 31, 2010	37,361	14,004	37.5	57,208.45

Reference: Shareholders' equity: Dec. 31, 2011: 16,043 million yen Dec. 31, 2010: 14,004 million yen

2. Non-consolidated Earnings Forecast for the Fiscal Year ending December 31, 2012 (January 1, 2012 – December 31, 2012)

(Percentages indicate year-on-year changes)

	Net sales		Ordinary income		Net income		Net income per share
	million yen	%	million yen	%	million yen	%	yen
Six months ending Jun. 30, 2012	16,600	3.4	3,000	37.5	2,250	101.0	9,191.18
Year ending December 31, 2012	36,400	1.3	6,400	14.5	4,100	53.7	16,748.37

*** Audit Status**

As of this report publication, an audit of the consolidated year-end financial statements is underway.

***Appropriate Use of Earnings Forecast and Other Important Information**

• The above forecasts are based on information available as of this report's publication. Actual results may differ from forecasts due to changes in the business environment. For the assumptions underlying the forecasts herein and other notice on the use of earnings forecasts, please refer to "1. Review of Consolidated Financial Results: (1) Operating Results" on page 5 in the Accompanying Materials.

1. Review of Consolidated Financial Results

(1) Operating Results

(1) Results for Fiscal 2011

In the fiscal year under review (January 1, 2011 – December 31, 2011), economic conditions in Japan deteriorated rapidly following the Great East Japan Earthquake on March 11, 2011. Supported by reconstruction demand, the economy later rebounded and entered a moderate recovery trend. Despite the improvement, the future outlook is clouded by the lingering effects of the earthquake, including restrictions on the electric power supply and the nuclear power plant accident, along with the debt crisis in Europe and protracted yen appreciation.

Regarding the bridal market in which the Best Bridal Group operates, the number of weddings in Japan in 2011 was estimated at 670,000 (compared with 700,214 in 2010; both figures from the Ministry of Health, Labour and Welfare). Although the declining birthrate is gradually having a discernable impact, the size of Japan's wedding market remains generally firm due to the moderate rise in wedding expenditures.

In this environment, the Best Bridal Group endeavored to increase sales and profitability by continually creating new value in the guest house and wedding business through high-quality, appealing outlets and value-added services which enable the Group to accurately respond to the individualization and diversification of customer needs. The Great East Japan Earthquake severely impacted the Group's business, however, as the Sendai office and some offices in the Tokyo metropolitan area temporarily suspended operations and some customers cancelled or postponed weddings and receptions.

As a result of the above factors, the Group posted consolidated net sales of ¥41,741 million in the fiscal year, an increase of 8.6% over the previous fiscal year, operating income of ¥6,395 million, a year-on-year decline of 11.4%, ordinary income of ¥6,222 million, a year-on-year decline of 10.4%, and net income of ¥2,670 million, a year-on-year decline of 29.2%.

The following are results by business segment.

a. Domestic operations

The addition of Omiya-Rikyu (4 venues) this year and one new outlet opened in the previous fiscal year, along with the newly consolidated Hospitality Network Corporation, contributed to higher sales in the domestic business. On an existing-outlet basis, however, the number of weddings and orders declined due in part to the impact of the Great East Japan Earthquake.

As a result, net sales in the domestic business totaled ¥38,986 million, and the segment's operating income totaled ¥7,317 million.

b. Overseas operations

The number of weddings and orders increased over the previous year as the overall market recovered moderately and the Group strengthened its sales foundation. Net sales declined slightly, however, due to the impact of yen appreciation on wedding package prices.

Overseas business net sales totaled ¥2,755 million and operating income totaled ¥149 million.

Beginning with the first quarter of the current fiscal year, the Company has adopted an accounting standard for the disclosure of business segment information and guidance on the application of the standard.

(2) Earnings Forecast for Fiscal Year Ending December 31, 2012

Regarding the business environment in which the Best Bridal Group operates, uncertainty over future trends is expected to remain despite expected economic stimulus measures in various countries and moderate improvement in corporate earnings.

The Best Bridal Group will actively develop competitive products and strive to continually create new value. The Group will also aim to strengthen its cost-competitiveness and enhance profitability through efficient outlet development and the cultivation of its human resources.

The order backlog at the end of fiscal 2011 (December 31, 2011) was 6,916, an increase of 2.7% over the previous year. The following are consolidated and non-consolidated forecasts for the year ending December 31, 2012.

(million yen)

	Consolidated	Non-consolidated
Net sales	43,100	36,400
Operating income	7,050	5,200
Ordinary income	6,900	6,400
Net income	3,850	4,100

(2) Financial Condition

(1) Assets, liabilities, and net assets

Assets at the end of the fiscal year totaled ¥47,382 million, an increase of ¥6,490 million compared with the end of the previous fiscal year due mainly to increases of ¥2,059 million in cash and cash equivalents, ¥1,725 million in buildings and structures resulting from capital investments to improve offices, and increases of ¥1,694 million in lease and guarantee deposits and ¥1,109 million in goodwill associated with the consolidation of Hospitality Network Corporation.

Liabilities at the end of the fiscal year totaled ¥29,556 million, an increase of ¥4,496 million from the end of the previous fiscal year. This is mainly attributable to an increase of ¥2,527 million in long-term debt and bonds as a result of the consolidation of Hospitality Network Corporation and expenditures to enhance the Omiya office, and an increase of ¥1,060 million for asset retirement obligations.

Net assets at the end of the fiscal year totaled ¥17,825 million, an increase of ¥1,993 million compared with the end of the previous fiscal year. The increase was due mainly to the booking of ¥2,670 million in net income, which outweighed ¥660 million in dividends paid from retained earnings.

(2) Cash flow

Cash and cash equivalents (“cash”) at the end of the fiscal year increased by ¥2,059 million from the end of the previous fiscal year to ¥10,532 million. Cash flows and factors behind changes in the cash flows are explained below.

(Operating cash flow)

Cash generated from operating activities during the fiscal year totaled ¥5,190 million, a decrease of 17.3% from the previous fiscal year. The main factors were ¥5,721 million in income before income taxes, ¥2,538 million in depreciation expenses, and a charge of ¥446 million associated with the adoption of an accounting standard for asset retirement obligations. Against these amounts were deducted ¥3,055 million in corporate taxes paid and a decline of ¥1,574 million in other liabilities.

(Investing cash flow)

Cash used in investing activities totaled ¥3,488 million, a decrease of 10.3% from the same period a year ago. This was mainly the result of outflows of ¥3,092 million for the purchase of property, plant, and equipment, ¥416 million for the purchase of investment securities, and ¥233 million in lease and guarantee deposits outweighing an inflow of ¥292 million in proceeds from purchase of stocks of subsidiaries resulting in changes in scope of consolidation.

(Financing cash flow)

Cash provided by financing activities in the fiscal year totaled ¥388 million, compared with ¥1,690 million in cash used in the previous year. This was mainly attributable to a net increase of ¥1,046 million in interest-bearing debt (short-term loans, long-term loans, bonds, leases), outweighing an outflow of ¥658 million for the payment of dividends.

The following are changes in cash flow indices for consolidated results.

	FY2008	FY2009	FY2010	FY2011
Equity ratio (%)	29.3	33.4	38.7	37.6
Equity ratio based on market value (%)	33.0	58.6	46.1	36.1
Cash flow to interest-bearing debt (years)	2.9	2.7	2.5	3.5
Interest coverage ratio (times)	16.0	20.7	19.6	14.9

(Notes)

Equity ratio: Equity/Total assets

Equity ratio based on market value: Market valuation/Total assets

Cash flow to interest-bearing debt: Interest-bearing debt/Operating cash flow

Interest coverage ratio: Operating cash flow/Interest expenses

1. All indicators are calculated based on consolidated figures.
2. The figure for operating cash flow is taken from the consolidated statements of cash flows. Interest-bearing debt includes all liabilities recorded on the consolidated balance sheets on which interest is paid. The figure for interest expenses is taken from the consolidated statements of cash flows.

(3) Basic Policy on Profit Distribution, Dividends for Fiscal 2011, and Dividend Forecast for Fiscal 2012

Best Bridal (the Company) considers the return of profits to shareholders to be an important management issue. The Company uses profits to strengthen the management base, and returns profits to shareholders in a flexible manner based on the annual operating results after making a comprehensive analysis of the financial condition and profit levels, and ensuring ample internal reserves.

With regard to dividends for fiscal 2011, the Company has decided to make a year-end payment of ¥1,000 per share. The Company made an interim payment of ¥1,000 per share in August 2011, and therefore the annual dividend is ¥2,000 per share.

The Company plans to make an annual dividend payment of ¥2,000 a share (including an interim payment of ¥1,000 a share) for the year ending December 31, 2012.

(4) Business and Other Risks

The following is information regarding risk factors to the business operations of the Best Bridal Group. The information includes items that are not necessarily risk factors, but which are included proactively from an information disclosure perspective as important to making investment decisions and understanding the Group’s business activities.

Forward-looking statements contained herein are based on the Company's best judgment as of the end of fiscal 2011. The Company strives to prevent the emergence of risks and respond to risks when they materialize.

(1) Special characteristics of the business

a. Services

The Best Bridal Group aims to provide the latest wedding styles based on services highly responsive to the interests and tastes of its customers. The Group continually makes a meticulous analysis of contemporary needs and fashion trends and creates highly sophisticated services based on the accumulated know-how inside the Group and among partner companies, including dining and other services delivered by chefs and service staff specially assigned to each facility.

In the event that the Group's services are unable to respond to current needs and fashion trends, secure partner companies or chefs which meet the requirements of the Group, or provide sufficient services to customers, the Group's operating results may be affected.

b. Human resources

In order to expand its business scope and diversify its business operations, the Group is actively recruiting recent university graduates as well as establishing training systems to enhance the abilities of staff in the sales and administrative departments. In the event that the Group cannot acquire the number of employees needed to expand its business, the Group's competitiveness may decline or the scope of business expansion may be restricted, and the Group's operating results may be affected.

(2) Market in which the Group operates

According to statistics from the Ministry of Health, Labour and Welfare, Japan's population of marriageable age adults is gradually declining. If the overall size of the bridal market shrinks in the future, the Group's operating results may be affected.

The Group plans to increase demand for its guest houses and weddings by being recognized for its new wedding styles and expanding market share as its recognition rises. In the event that existing hotels or ceremony hall operators become attracted to the growth of the market and enter the guest house and wedding market with original services, competition with other companies may arise on account of the new market entrants, and the Group's operating results may be affected.

(3) Operating results and financial condition

a. Seasonal changes in operating results

The Group's net sales increase with the construction of new facilities as well as during the prime wedding seasons in Japan, which are April–June and October–December (the second and fourth quarters of the fiscal year).

Quarterly results for the fiscal year ended December 31, 2011

	First Quarter (year-on-year % change)	Second Quarter (year-on-year % change)	Third Quarter (year-on-year % change)	Fourth Quarter (year-on-year % change)
	million yen	million yen	million yen	million yen
Net sales	8,124 (19.4%)	10,548 (25.3%)	9,716 (23.3%)	13,351 (32.0%)
Operating Income	53 (0.8%)	1,828 (28.6%)	1,076 (16.8%)	3,436 (53.8%)

b. Heavy reliance on debt

The Best Bridal Group procures loans from financial institutions as investment capital to build new guesthouses and pay for construction costs, deposits, guarantees and other expenses incurred. Consequently, the ratio of interest-bearing debt to total assets is high. The balance of interest-bearing debt as of December 31, 2010 was ¥15,773 million, and it rose to ¥18,332 million as of December 31, 2011. The ratio of interest-bearing debt to total assets stood at 38.6% as of December 31, 2010, and 38.7% as of December 31, 2011, reflecting the Group's heavy reliance on debt. The ratio of interest expenses to net sales was 0.8% in the year ended December 31, 2010 and 0.8% in the year ended December 31, 2011.

In the event that the financial situation changes significantly and interest rates rise, the Group's operating results may be affected.

Additionally, some of the Group's loans have financial covenants attached. If a lender enforces a covenant and demands settlement due to a conflict, the Group may be forced to forfeit profits and repay a loan in full.

c. Overseas conditions

The Best Bridal Group offers overseas wedding services, mainly to Japanese customers, in the United States and Indonesia (Bali). As of December 31, 2011, in Hawaii the Group directly operated four wedding chapels and had exclusive usage rights to two churches, while in Bali the Group directly operated two wedding chapels. Wedding plans for each of these markets are sold through four sales salons in Japan and one in Hawaii, making a total of five sales salons. Changes in political or economic situations in these overseas regions, including acts of war, terrorism, or major natural disasters, could cause cancellations and may affect the Group's operating results.

Local companies Best Bridal Hawaii, Inc. and PT. Tirtha Bridal provide wedding services based on orders from the sales salons and also arrange weddings for local customers. Additionally, Best Bridal Korea Inc. is constructing guest houses and has signed lease contracts with Marizin Inc. as part of its plans to enter the Korean bridal market. In the event that these businesses do not perform according to the Company's forecasts, the Group's operating results may be affected.

d. Foreign exchange rate volatility

The Company has liabilities denominated in foreign currencies, including outstanding loans to subsidiaries. Overseas subsidiaries also have outstanding loans denominated in foreign currencies. Consequently, significant changes in foreign exchange rates change may affect the Group's operating results.

e. Food safety

The Best Bridal Group operates restaurants in its ceremony halls and hotels which are subject to Food Sanitation Laws. To avoid the possibility of business suspension due to food poisoning or another hygiene-related issue, the Group appoints sanitary managers to its outlets and restaurants and continually takes other measures to consistently maintain the highest levels of food safety and quality. In the event, however, of a major food quality problem which goes beyond the scope of the Group's measures, the Group's operating results may be affected.

(4) Continuity of management personnel

Masayuki Tsukada is the president and CEO of Best Bridal Inc. He performs an important role in the performance of business activities by making decisions on management policies and strategy. The Company mitigates management risks through the use of management committees, the delegation of management responsibilities, and the strengthening of human resources in each business area, to ensure that business operation and performance are not overly reliant on Masayuki Tsukada. If, however, an unforeseen event precluded Masayuki Tsukada from performing his duties, the promotion of the Group's business activities and the Group's business results may be affected.

(5) Laws and regulations

In Japan, the Best Bridal Group is subject to various regulations on the construction and renovation of its guest houses, including the Building Standards Law, the Fire Services Law, and the Sewerage Law. In addition, the Group is subject to wastewater emission, noise emission, and other local ordinances pertaining to the building structure and construction location. When the Group constructs or renovates its facilities, it hires a licensed architect or construction company to verify the structure. Additionally, verifications are made directly by the Company's marketing department and the fire department. Despite these measures, violation of the above regulations could delay construction plans or interfere with operations, and the Group's operating results may be affected.

The Group registers its overseas salons in accordance with the Travel Agency Act (type one business activities). In the event that the Group contravenes this Act and is unable to renew its registration or has its registration revoked, the Group's operating results may be affected.

The Group operates its hotels in accordance with the Inns and Hotels Act. In addition, beauty services offered prior to wedding ceremonies are subject to the Act on Specified Commercial Transactions.

(6) Capital investment and new construction

a. Current guest houses

Facility name	Nihonbashi	Shirogane	Yokohama	Osaka	Sendai	Hoshigaoka	Shinurayasu	Omiya	Aoyama	Ichigaya
No. of guest houses	1	2	4	5	3	2	5	8	3	1

Facility name	Shinsaibashi	Marunouchi	Yagoto	Kamogawa	Chiba	Akasaka	Odaiba	Nagoya Minato*	Iseyama
No. of guest houses	2	1	4	3	2	1	1	3	7

*In March 2011, the Noseki outlet's name was changed to Nagoya Minato

The Best Bridal Group was operating 19 outlets (58 guest houses) in Japan as of December 31, 2011. All of the facilities were planned internally by the Company's design and construction department.

In the future, the Group will continue to launch new guest houses, mainly in the Tokyo metropolitan, Kansai, and Chukyo regions, after meticulous market analysis, facility planning, and site selection.

The Group renovates existing guest houses on a three-year renewal cycle as it seeks to sustain a stable customer acquisition rate by maintaining the facilities' newness and high-quality design.

In the event, however, that the Group is unable to acquire real estate (primarily land) suitable for facilities construction or employ necessary operations staff, or fail to receive customer support for new or existing facilities, the Group's operating results may be affected.

Additionally, in the event that the Group recognizes an impairment stemming from a significant decline in the real prices of the Group's property caused by changes in market trends or the business environment, the Group's operating results and financial condition may be affected.

b. Outlet development

The Group typically signs lease contracts to secure sites needed for its directly operated outlets and pays deposits and guarantees as well as upfront interior and exterior design expenses. Human resources, rental and other running costs are incurred after outlet opening. The payment of deposits and guarantees as well as related upfront expenses increases with each new outlet. The Group may be required to pay a penalty in the event that it closes an outlet prior to the planned period of operation. Additionally, the Group may be unable to recover a portion or all of its deposits and guarantees in the event that a lessor goes bankrupt.

With regard to securing sites for future outlets, in order to raise the assurance of outlet planning and promote guest house construction, the Group will maintain a policy of using land acquisition and securitization as an option to leasing. The Group will continue to prioritize management efficiency and avoid the deterioration of its financial condition in planning new outlets, but the acquisition of land may affect the financial condition.

As an original outlet design, the Group also maintains large-scale sites containing multiple guest houses. The construction of multiple guest houses within a single site enables the Group to better serve the diverse needs and tastes of customers by offering an array of concepts to a large number of occupants. The Group's policy is to continue to focus on the development of large-scale outlets. However, the development of large-scale outlets requires suitable sites which the group may not be able to secure. If, as a consequence, the Group is unable to carry out its development plans, the Group's operating results may be affected.

c. Special-purpose company

The Best Bridal Group utilizes the Shirogane office as a special-purpose company (Shirogane SPC Co., Ltd.). The Company invests in an anonymous partnership in connection with the SPC and has used the "Practical Solution on Application of Control Criteria and Influence Criteria to Investment Associations" (ASBJ Practical Issues Task Force No. 20, September 8, 2006) to determine whether or not the Company has control and influence over the SPC. The executive authority for the anonymous partnership is the SPC, and the Company does not have any direct voting rights or other authority which would give it control over the SPC. Since it is clear that the Company cannot make decisions over financial, operating, or business policies, the anonymous partnership operated by Shirogane SPC Co., Ltd. does not qualify as a subsidiary and is excluded from the consolidated results.

The Company recognizes the issues surrounding special purpose companies, which have been the subject of international debate. Namely, in recent years transactions involving special purpose companies have surged and become more complex and diversified, raising concerns that the Company could cause interested parties to make incorrect judgments regarding business combinations. In the event that the Company's scope of consolidation changes in the future based on the announcement of new accounting standards or practical solutions, the Group's operating results and financial condition may be affected.

The anonymous partnership operated by Shirogane SPC Co., Ltd. had trust beneficiary rights of ¥2,799 million as of December 31, 2011, and loans from financial institutions totaling ¥2,304 million.

(7) Management of customer information

The Best Bridal Group gathers the personal information of many customers through its order receipt activities. The Group takes measures to maintain the confidentiality of this personal information and mitigate the risk of information leaks, including storing the information in locked cabinets and using passwords to secure electronic information. If, however, an unforeseen incident caused the leakage of personal information, society's trust in the Group would decline, and the Group's operating results may be affected.

3. Management Policy

(1) Basic management policy

Through its global bridal business, Best Bridal works to bring people together and bind their hearts, while pursuing high added value and striving to be a company abounding in creativity. Based on this corporate philosophy, the Company has provided high-quality services and facilities with high added value by accurately understanding the ever-changing needs of customers. Going forward, the Company will continue to pursue the creation of new value in the bridal market, seeking to achieve sustainable growth for the Best Bridal Group and enhancing corporate value.

The Group has five basic strategies to accomplish its basic management policy.

1. Outlet development strategy: Develop guest houses, primarily in the Tokyo metropolitan, Kansai, and Chukyo regions, which are geared towards the unique characteristics of each market.
2. Product development capabilities: Develop competitive products with high added value, aiming to provide customers with highly satisfying products and services.
3. Proposal and sales capabilities: Accurately understand the needs—the “dreams”—of customers and enhance proposal and sales capabilities to realize these dreams.
4. Enhanced profitability: Rationalize management and enhance the efficiency of business operations in order to achieve high profitability.
5. Fund procurement: Procure funding with a priority on funding costs and with a view to maintaining a sound financial condition, enhancing capital efficiency, and carefully considering stock price dilution.

(2) Management goals and indicators

The Best Bridal Group aims to remain a corporate entity capable of stable and continuous growth. To enhance corporate value, the Group will strive to strengthen its financial condition while increasing its equity ratio, an important index measuring improvement in comprehensive profitability.

(3) Medium- to long-term management strategy

(1) Product strategy

Based on meticulous analysis of contemporary needs and fashion trends, the Company provides guest houses and wedding services which embody the desires of bridal couples.

In the Company’s guest house and wedding services, the bridal couples become the lords of the manor, acting as party hosts to their many guests. Bridal customers have their own personal dreams and hopes, and the Company establishes a structure to provide sophisticated services highly responsive to the interests and tastes of its customers by combining the accumulated know-how inside the Company with its many partner companies. Additionally, in the dining and other service areas, the Company appoints chefs and other specialized staff to each outlet in order to maintain the highest levels of service quality.

(2) Outlet development strategy

The Company aims to create high-quality, authentic facilities. The domestic network comprises 19 facilities. The continued growth of the Company depends on efficient facility development based on meticulous marketing analysis, facility planning, and site selection. The Company is focusing its outlet development on the Tokyo metropolitan, Kansai, and Chukyo regions, which offer strong future growth potential. Existing guest houses are renovated on a three-year renewal cycle in order to sustain a stable customer acquisition rate by maintaining the facilities’ newness and high-quality design.

(3) Sales strategy

The Company does not conduct door-to-door selling, but rather uses its sales staff to provide face-to-face sales to customers visiting facilities.

Sales staff greet customers visiting guest houses and sales salons and provide them with a tour of the facilities in addition to using pamphlets and sales materials. Having customers actually experience the attraction of the facilities first-hand leads to positive sales results. In proposing new wedding styles, sales personnel utilize their know-how and experience to earn customers' trust and satisfaction and successfully complete sales. The Company will establish a training system to enhance the proposal capabilities of staff and nurture employees with even higher skills.

For marketing and advertising, the Company relies heavily on paid advertisements in wedding magazines and other print media. To beat the competition in winning orders, it is critical to create more appealing advertisements. The Company aims to create highly appealing advertisements by featuring photographs that maximize the attractions of the guest house design and service content. The Company also actively solicits customers over the Internet through its websites featuring the guest houses and service offerings.

Sales success rates and other sales results from each guest house are compiled and analyzed weekly. Domestic business managers consult with managers and staff at guest houses which show signs of declining success rates, and provide them with guidance on how to improve success rates.

For overseas wedding services, the Company is strengthening the overseas wedding salons in Japan (four outlets) and sales channels in order to enhance the ability of salons to draw customers and achieve high success rates.

(4) Issues to Address

Regarding the economic environment in which the Best Bridal Group operates, uncertainty over future economic trends is projected to remain despite expected economic stimulus measures in various countries and moderate improvement in corporate earnings.

In this environment, it is necessary for the Best Bridal Group to accurately understand the increasingly individualized and diversified needs of customers, and based on that understanding, offer highly competitive and attractive guest houses as well as create and provide services with high added value.

In addition, as the Group responds to business environment changes and bridal market diversification, it must also strengthen its financial condition, secure and foster talented human resources, bolster the risk management structure for the entire Group, and establish a more sound and efficient management structure in order to raise corporate value.

(1) Guest house development

The Company operates 19 outlets in Japan. Since the development of highly competitive guest houses is a core competency, the Company plans to diversify its outlet development strategy plans and promote more efficient development.

(2) Securing and fostering human resources

The Company considers the strengthening of its wedding presentation capabilities to be an effective way to bolster customer service and differentiate its services from competitors. To this end, the Company will continue to create systems to raise the motivation of its employees while building a structure to support the medium- to long-term nurturing of employees.

4. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(millions of yen)

	December 31, 2010	December 31, 2011
	Amount	Amount
Assets		
Current assets		
Cash and deposits	8,581	10,640
Accounts receivable - trade	317	273
Merchandise	92	47
Raw materials and supplies	384	312
Deferred tax assets	403	368
Other	680	722
Allowance for doubtful receivables	(12)	(32)
Total current assets	10,448	12,332
Fixed assets		
Tangible assets		
Buildings and structures	23,352	27,148
Accumulated depreciation	(8,210)	(10,281)
Buildings and structures, net	15,141	16,867
Land	4,563	4,560
Construction in progress	337	16
Other	2,958	3,372
Accumulated depreciation	(2,069)	(2,457)
Other, net	889	914
Total fixed assets	20,932	22,358
Intangible assets		
Goodwill	—	1,124
Other	175	245
Total intangible assets	175	1,370
Investments and other assets		
Investment securities	1,819	2,143
Lease and guarantee deposits	4,011	5,705
Deferred tax assets	1,662	1,733
Other	1,827	1,696
Total investments and other assets	9,320	11,278
Total fixed assets	30,429	35,007
Deferred assets		
Bond issuance costs	14	42
Total deferred assets	14	42
Total assets	40,891	47,382

	December 31, 2010	December 31, 2011
	(millions of yen)	
	Amount	Amount
Liabilities		
Current liabilities		
Accounts payable - trade	1,733	1,966
Current portion of long-term debt	2,789	3,408
Current portion of bonds	356	640
Income taxes payable	2,164	2,226
Advances received	1,196	1,288
Provision for loss on cancellation of rental contract	52	52
Provision for shop closing expenses	9	—
Other	1,803	2,304
Total current liabilities	10,105	11,886
Fixed liabilities		
Bonds	984	2,202
Long-term debt	11,643	12,049
Provision for employees' retirement benefits	83	218
Provision for directors' retirement benefits	344	374
Provision for loss on cancellation of rental contract	205	152
Asset retirement obligations	—	1,048
Other	1,693	1,623
Total fixed liabilities	14,954	17,669
Total liabilities	25,059	29,556
Net assets		
Shareholders' equity		
Capital stock	472	472
Capital surplus	634	634
Retained earnings	14,939	16,949
Total shareholders' equity	16,046	18,056
Accumulated other comprehensive income		
Net unrealized gain on available-for-sale securities	(4)	(31)
Deferred gain (loss) on derivatives under hedge accounting	(60)	(8)
Foreign currency translation adjustments	(149)	(190)
Total accumulated other comprehensive income	(214)	(230)
Total net assets	15,832	17,825
Total liabilities and net assets	40,891	47,382

(2) Consolidated Statements of Income

(millions of yen)

	Year ended December 31, 2010	Year ended December 31, 2011
	Amount	Amount
Net sales	38,444	41,741
Cost of sales	24,295	27,496
Gross profit	14,148	14,245
Selling, general and administrative expenses	6,926	7,850
Operating income	7,221	6,395
Non-operating income		
Interest income	55	46
Gain on investments in silent partnership	122	125
Equity in earnings of affiliates	29	36
Subsidy income	—	51
Other	44	63
Total non-operating income	251	323
Non-operating expenses		
Interest expenses	316	352
Amortization of bond issuance costs	3	8
Foreign exchange loss	198	101
Other	8	33
Total non-operating expenses	527	496
Ordinary income	6,946	6,222
Extraordinary income		
Gain on sales of fixed assets	0	3
Gain on sales of business	-	47
Reversal of provision for employees' retirement benefits	-	11
Reversal of provision for shop closing expenses	-	3
Total extraordinary income	0	66
Extraordinary loss		
Loss on disposal of fixed assets	71	23
Loss on shop closing	11	-
Provision for loss on shop closing	9	-
Loss on sales of fixed assets	0	0
Effect of adoption of new accounting standards for asset retirement obligations	-	446
Loss on phased acquisition	-	96
Impairment loss	70	-
Total extraordinary loss	162	566
Income before income taxes and minority interests	6,784	5,721
Income taxes–current	3,419	3,108
Income taxes–deferred	(384)	(57)

Total income taxes	3,034	3,051
Income before minority interests	-	2,670
Minority interests in net earnings (loss)	(25)	-
Net income	3,774	2,670

Consolidated Statements of Comprehensive Income

(millions of yen)

	Year ended December 31, 2010	Year ended December 31, 2011
	Amount	Amount
Income before minority interests	-	2,670
Other comprehensive income		
Net unrealized gain on available-for-sale securities	-	(26)
Deferred gain (loss) on derivatives under hedge accounting	-	51
Foreign currency translation adjustments	-	(32)
Share of other comprehensive income of affiliates accounted for under the equity method	-	(8)
Total other comprehensive income	-	(15)
Comprehensive income	-	2,654
(Breakdown)		
Comprehensive income attributable to owners of the parent	-	2,654
Comprehensive income attributable to minority interests	-	-

(3) Consolidated Statements of Changes in Net Assets

(millions of yen)

	Year ended December 31, 2010	Year ended December 31, 2011
	Amount	Amount
Shareholders' equity		
Capital stock		
Balance at end of previous term	472	472
Balance at end of term	472	472
Capital surplus		
Balance at end of previous term	634	634
Balance at end of term	634	634
Retained earnings		
Balance at end of previous term	11,573	14,939
Changes during term		
Cash dividends	(408)	(660)
Net income	3,774	2,670
Total changes during term	3,366	2,009
Balance at end of term	14,939	16,949
Total shareholders' equity		
Balance at end of previous term	12,679	16,046
Changes during term		
Cash dividends	(408)	(660)
Net income	3,774	2,670
Total changes during term	3,366	2,009
Balance at end of term	16,046	18,056
Accumulated other comprehensive income		
Net unrealized gain on available-for-sale securities		
Balance at end of previous term	-	(4)
Changes during term		
Net changes in items other than shareholder's equity	(4)	(26)
Total changes during term	(4)	(26)
Balance at end of term	(4)	(31)
Deferred gain (loss) on derivatives under hedge accounting		
Balance at end of previous term	(55)	(60)
Changes during term		
Net changes in items other than shareholder's equity	(5)	51
Total changes during term	(5)	51
Balance at end of term	(60)	(8)
Foreign currency translation adjustments		
Balance at end of previous term	(78)	(149)
Changes during term		
Net changes in items other than shareholder's equity	(70)	(41)

Total changes during term	(70)	(41)
Balance at end of term	(149)	(190)
Total accumulated other comprehensive income		
Balance at end of previous term	(133)	(214)
Changes during term		
Net changes in items other than shareholder's equity	(80)	(15)
Total changes during term	(80)	(15)
Balance at end of term	(214)	(230)
Total net assets		
Balance at end of previous term	12,546	15,832
Changes during term		
Cash dividends	(408)	(660)
Net income	3,774	2,670
Net changes in items other than shareholder's equity	(80)	(15)
Total changes during term	3,285	1,993
Balance at end of term	15,832	17,825

(4) Consolidated Statements of Cash flows

(millions of yen)

	Year ended December 31, 2010	Year ended December 31, 2011
	Amount	Amount
Cash flows from operating activities		
Income before income taxes and minority interests	6,784	5,721
Depreciation and amortization	2,310	2,538
Effect of adoption of new accounting standards for asset retirement obligations	-	446
Amortization of goodwill	-	93
Amortization of bond issuance costs	3	8
Loss on disposal of tangible assets	69	23
Loss on disposal of intangible assets	2	-
(Gain) loss on sales of fixed assets	(0)	(3)
(Gain) loss on investments in silent partnership	(122)	(125)
Equity in (earnings) losses of affiliates	(29)	(36)
Foreign exchange (gain) loss	130	56
Impairment loss	70	-
(Gain) loss on phased acquisition	-	96
(Gain) loss on sales of business	-	(47)
Increase (decrease) in provision for shop closing expenses	9	(9)
Increase (decrease) in allowance for doubtful receivables	(2)	14
Increase (decrease) in provision for employees' retirement benefits	20	(30)
Increase (decrease) in provision for directors' retirement benefits	142	29
Increase (decrease) in provision for loss on cancellation of rental contract	(52)	(52)
Interest and dividend income	(56)	(55)
Interest expenses	316	352
(Increase) decrease in notes and accounts receivable - trade	(249)	24
(Increase) decrease in inventories	(79)	154
Increase (decrease) in notes and accounts payable - trade	252	124
Increase (decrease) in advances received	(254)	30
Increase (decrease) in other liabilities	427	(1,574)
Other- net	101	778
Sub total	9,795	8,560
Interest and dividends received	32	31
Interest paid	(320)	(347)
Income taxes paid	(3,234)	(3,055)
Net cash provided by (used in) operating activities	6,272	5,190
Cash flows from investing activities		
Purchase of tangible assets	(2,441)	(3,092)
Purchase of intangible assets	(8)	(130)
Acquisition of affiliate's shares	(200)	-
Purchase of investment securities	(600)	(416)

Proceeds from sales of investment securities	-	126
Proceeds from purchase of stocks of subsidiaries resulting in changes in scope of consolidation	-	292
Loans receivable	(245)	(164)
Collection of loans receivable	263	54
Lease and guarantee deposits	(696)	(233)
Collection of lease and guarantee deposits	39	92
Other- net	(0)	(16)
Net cash provided by (used in) investing activities	(3,888)	(3,488)
Cash flows from financing activities		
Net increase (decrease) in short-term debt	(300)	(494)
Proceeds from long-term debt	1,396	4,120
Repayments of long-term debt	(2,468)	(4,034)
Proceeds from issuance of bonds	490	1,963
Payments for redemption of bonds	(426)	(498)
Payments received from minority shareholders	25	-
Dividends paid to shareholders	(407)	(658)
Other – net	-	(10)
Net cash provided by (used in) financing activities	(1,690)	388
Foreign currency translation adjustments on cash and cash equivalents	(44)	(31)
Net increase (decrease) in cash and cash equivalents	647	2,059
Cash and cash equivalents, beginning of period	7,825	8,473
Cash and cash equivalents, end of period	8,473	10,532

6. Other

(1) Changes in Officers

Not applicable

2) Weddings held, orders received, and sales volume

Effective from the fiscal year ended December 31, 2011, Best Bridal has realigned its business segments. The operating results for the fiscal year ended December 31, 2010 have been recalculated to reflect the segmentation used for the fiscal year ended December 31, 2011.

1) Number of weddings held

	Year ended December 31, 2010	Year ended December 31, 2011
Segment	Number of weddings held (cases)	Number of weddings held (cases)
Domestic operations	8,157	8,478
Overseas operations	2,594	2,768
Total	10,751	11,246

2) Orders received

	Year ended December 31, 2010		Year ended December 31, 2011	
Segment	Orders received (cases)	Order backlog (cases)	Orders received (cases)	Order backlog (cases)
Domestic operations	8,268	5,344	8,596	5,462
Overseas operations	2,801	1,392	2,830	1,454
Total	11,069	6,736	11,426	6,916

3) Sales volume

	Year ended December 31, 2010	Year ended December 31, 2011
Segment	Amount	Amount
Domestic operations	35,641	38,986
Overseas operations	2,802	2,755
Total	38,444	41,741

Notes: 1. inter segment transactions have been eliminated from the amounts shown above.

2. The above amounts do not include consumption tax.