〔Delayed〕The original disclosure in Japanese was released on February 14, 2013 at 15:00 (GMT+9)

February 14, 2013

Best Bridal Inc.
Consolidated Earnings Report for the Fiscal Year ended December 31, 2012 (Japanese GAAP)

Stock listing: Tokyo Stock Exchange (First Section) Securities code: 2418
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Scheduled dates:
Annual general meeting of shareholders: March 28, 2013
Filing of statutory year-end financial report: March 28, 2013
Dividend payout: March 29, 2013
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, 2012 (January 1, 2012 – December 31, 2012)

(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, 2012	44,494	6.6	6,519	1.9	6,610	6.2	3,270	22.5
Year ended December 31, 2011	41,741	8.6	6,395	(11.4)	6,222	(10.4)	2,670	(29.2)

Note: Comprehensive income: Year ended December 31, 2012: 3,479 million yen (31.1 %)
Year ended December 31, 2011: 2,654 million yen (-27.6%)

	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, 2012	13,358.47	-	16.9	13.8	14.7
Year ended December 31, 2011	10,909.27	-	15.9	14.1	15.3

Reference: Investment gains/losses on equity-method:
Year ended December 31, 2012: 3 million yen
Year ended December 31, 2011: 36 million yen

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	million yen	million yen	%	yen
December 31, 2012	48,381	20,815	43.0	85,029.46
December 31, 2011	47,382	17,825	37.6	72,817.26

Reference: Total equity: December 31, 2012: 20,815 million yen
December 31, 2011: 17,825 million yen
Total equity=Shareholders' equity plus total accumulated other comprehensive income.

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	million yen	million yen	million yen	million yen
Year ended December 31, 2012	5,223	(2,409)	(2,198)	11,205
Year ended December 31, 2011	5,190	(3,488)	388	10,532

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, 2011	-	1,000.00	-	1,000.00	2,000.00	489	18.3	2.9
Year ended December 31, 2012	-	1,000.00	-	1,000.00	2,000.00	489	15.0	2.5
Year ending December 31, 2013 (Forecast)	-	1,000.00	-	1,000.00	2,000.00		11.4	

3. Earnings Forecast for the Fiscal Year ending December 31, 2013 (January 1, 2013 – December 31, 2013)

(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
Six months ending June 30, 2013	22,600	10.9	2,700	22.6	2,650	20.2	1,450	45.0	5,923.20
Year ending December 31, 2013	48,200	8.3	7,400	13.5	7,300	10.4	4,300	31.5	17,565.36

***Notes**

(1) Changes affecting the consolidation status of significant subsidiaries during the period: None

(2) Changes in accounting policy, changes in accounting estimates, and retrospective restatement

1) Changes in accordance with amendments to accounting standards, etc.: None
2) Changes other than noted in 1) above: None
3) Changes in accounting estimates: None
4) Retrospective restatement: None

(3) Shares issued (common stock)

	December 31, 2012	December 31, 2011
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, 2012	Year ended December 31, 2011
3) Average number of shares outstanding during the period	244,800	244,800

*** Audit Status**

As of this report publication, an audit of the consolidated financial statements in accordance with Japan’s Financial Instruments and Exchange Act is underway.

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

(Cautionary note on forward-looking statements)

The above forecasts are based on information available as of this report’s publication. Best Bridal makes no assurances as to the actual results, which 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) Operating Results, in 1. Review of Consolidated Financial Results and Financial Condition on page 5 in the accompanying material.

(Presentation handout materials)

The Company has scheduled an earnings presentation targeted at institutional investors and analysts on February 14, 2013.

The presentation handout materials will be posted on the Company's website immediately after the event.

Accompanying Material – Contents

1. Review of Consolidated Financial Results and Financial Condition	5
(1) Operating Results	5
(2) Financial Condition	6
(3) Basic Policy on Profit Distribution, Dividends for Fiscal 2012, and Dividend Forecast for Fiscal 2013	7
(4) Business and Other Risks	7
2. Management Policy	11
(1) Basic Management Policy	11
(2) Management Goals and Indicators	11
(3) Medium-to Long-term Management Strategy	12
(4) Issues to Address	12
3. Consolidated Financial Statements	14
(1) Consolidated Balance Sheets	14
(2) Consolidated Statements of Income and Comprehensive Income	16
Consolidated Statements of Income	16
Consolidated Statements of Comprehensive Income	18
(3) Consolidated Statements of Changes in Net Assets	19
(4) Consolidated Statements of Cash flows	21
(5) Note on the Going-concern Assumption	23
(6) Basis for Preparation of Consolidated Financial Statements	23
(7) Additional Information	26
(8) Notes to the financial statements	27
(Segment and Other Information)	27
(Per Share Information)	29
(Significant Subsequent Events)	29
4. Other Information	30
(1) Changes in Officers	30
(2) Weddings Held, Orders Received, and Sales Volume	30

1. Review of Consolidated Financial Results

(1) Operating Results

(1) Results for Fiscal 2012

In the fiscal year under review (January 1, 2012 – December 31, 2012), the economic outlook in Japan remained shrouded in uncertainty. Although signs of recovery emerged on the strength of reconstruction-related demand following stagnant conditions stemming from the Great East Japan Earthquake, the global economy languished due to the European debt crisis and a slowdown in the growth of emerging economies.

Regarding the bridal market in which the Best Bridal Group operates, the number of weddings in Japan in 2012 was estimated at 669,000 (compared with 661,895 in 2011; 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.

Amid 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.

As a result of the above factors, the Group posted consolidated net sales of ¥44,494 million in the fiscal year ended December 31, 2012, an increase of 6.6% over the previous fiscal year, operating income of ¥6,519 million, a year-on-year increase of 1.9%, ordinary income of ¥6,610 million, a year-on-year increase of 6.2%, and net income of ¥3,270 million, a year-on-year increase of 22.5%.

The following are results by business segment.

a. Domestic operations

The addition of Omiya-Rikyu and the consolidation of Hospitality Network Corporation in the previous fiscal year contributed to higher sales in the domestic business. On an existing-outlet basis, sales rose owing to an increase in both the number of weddings and orders.

As a result, net sales in the domestic business for the year ended December 31, 2012 totaled ¥41,633 million, an increase of 6.8% over the previous fiscal year, and the segment's operating income totaled ¥7,653 million, a year-on-year increase of 4.6%.

b. Overseas operations

The number of weddings and orders increased over the previous year as the overall market showed a moderate recovery and the Group strengthened its sales foundation.

As a result, overseas business net sales totaled ¥2,861 million, an increase of 3.9% over the previous fiscal year, and operating income totaled ¥218 million, a year-on-year increase of 45.7%.

(2) Earnings Forecast for Fiscal Year Ending December 31, 2013

Regarding the economic environment in which the Best Bridal Group operates, the economic outlook remains uncertain despite the expected beneficial impact of economic stimulus measures in various countries and a 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 the fiscal year under review (December 31, 2012) was 7,618, an increase of 10.2% over the previous fiscal year. For the fiscal year ending December 31, 2013, the Group forecasts consolidated net sales of ¥48,200 million, operating income of ¥7,400 million, ordinary income of ¥7,300 million, and net income of ¥4,300.

(2) Financial Condition

(1) Assets, liabilities, and net assets

Assets at the end of the fiscal year totaled ¥48,381 million, an increase of ¥999 million compared with the end of the previous fiscal year due mainly to increases of ¥673 million in cash and cash equivalents and ¥338 million in investment securities.

Liabilities at the end of the fiscal year totaled ¥27,566 million, a decrease of ¥1,990 million from the end of the previous fiscal year. This was mainly attributable to a decrease of ¥1,675 million in long-term debt and bonds.

Net assets at the end of the fiscal year totaled ¥20,815 million, an increase of ¥2,989 million compared with the end of the previous fiscal year. The increase was due mainly to the booking of ¥3,270 million in net income, which outweighed ¥489 million in dividends paid from retained earnings.

(2) Cash flow

Cash and cash equivalents ("cash") at the end of the fiscal year increased by ¥673 million from the end of the previous fiscal year to ¥11,205 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 ¥5,223 million, an increase of 0.6% from the previous fiscal year. Among the main factors were ¥6,324 million in income before income taxes and ¥2,521 million in depreciation expenses, the sum of which was partially offset by ¥3,302 million in income taxes paid.

(Investing cash flow)

Cash used in investing activities totaled ¥2,409 million, a decrease of 30.9% from the same period a year ago. This was mainly the result of outflows of ¥2,172 million for the purchase of tangible assets, ¥416 million for the purchase of investment securities, and ¥221 million in lease and guarantee deposits, which outweighed an inflow of ¥332 million in proceeds from the sale of investment securities.

(Financing cash flow)

Cash used in financing activities in the fiscal year totaled ¥2,198 million, compared with ¥388 million in cash provided in the previous fiscal year. This was mainly attributable to a net decrease of ¥1,709 million in interest-bearing debt (short-term loans, long-term loans, bonds, leases) and ¥489 million for the payment of dividends.

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

	FY2009	FY2010	FY2011	FY2012
Equity ratio (%)	33.4	38.7	37.6	43.0
Equity ratio based on market value (%)	58.6	46.1	36.1	39.9
Cash flow to interest-bearing debt (years)	2.7	2.5	3.5	3.2
Interest coverage ratio (times)	20.7	19.6	14.9	16.7

(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 2012, and Dividend Forecast for Fiscal 2013

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 2012, 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 2012, 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, 2013.

(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 2012. 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, 2012

	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	8,769 (19.7%)	11,600 (26.1%)	10,031 (22.5%)	14,093 (31.7%)
Operating Income	345 (5.3%)	1,857 (28.5%)	805 (12.3%)	3,510 (53.9%)

b. Heavy reliance on debt

The Best Bridal Group procures loans from financial institutions as investment capital to build new guesthouses and to 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, 2011 was ¥18,332 million, and it declined to ¥16,647 million as of December 31, 2012. The ratio of interest-bearing debt to total assets stood at 38.7% as of December 31, 2011, and 34.4% as of December 31, 2012, 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, 2011 and 0.7% in the year ended December 31, 2012.

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. In the event that a lender enforces a covenant and demands settlement due to a conflict, the Group may be forced to forfeit profits and repay the 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, 2012, in Hawaii the Group directly operated five 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 any other 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 Act the Fire Service Act, and the Sewerage Act. 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, infringements 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

As of December 31, 2012, the Best Bridal Group operated 19 outlets (58 guest houses) inside Japan. 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 ¥2,783 million as of December 31, 2012, and loans from financial institutions totaling ¥2,174 million.

(7) Management of customer information

The Best Bridal Group gathers personal information on 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.

2. 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 provides 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, the economic outlook remains uncertain despite the expected beneficial impact of economic stimulus measures in various countries and a moderate improvement in corporate earnings.

In this environment, there is a need 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.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(millions of yen)

	December 31, 2011	December 31, 2012
	Amount	Amount
Assets		
Current assets		
Cash and deposits	10,640	11,314
Accounts receivable - trade	273	333
Merchandise	47	39
Raw materials and supplies	312	327
Deferred tax assets	368	364
Other	722	824
Allowance for doubtful receivables	(32)	(48)
Total current assets	12,332	13,154
Fixed assets		
Tangible assets		
Buildings and structures, net	27,148	28,310
Accumulated depreciation	(10,281)	(12,062)
Buildings and structures, net	16,867	16,247
Land	4,560	4,760
Construction in progress	16	175
Other	3,372	3,837
Accumulated depreciation	(2,457)	(2,796)
Other, net	914	1,040
Total tangible assets	22,358	22,224
Intangible assets		
Goodwill	1,124	1,042
Other, net	245	231
Total intangible assets	1,370	1,273
Investments and other assets		
Investment securities	2,143	2,481
Lease and guarantee deopsits	5,705	5,827
Deferred tax assets	1,733	1,961
Other	1,696	1,426
Total investments and other assets	11,278	11,697
Total fixed assets	35,007	35,195
Deferred assets		
Bond issuance costs	42	32
Total deferred assets	42	32
Total assets	47,382	48,381

(millions of yen)

	December 31, 2011	December 31, 2012
	Amount	Amount
Liabilities		
Current liabilities		
Accounts payable - trade	1,966	2,157
Current portion of long-term debt	3,408	3,191
Current portion of bonds	640	612
Income taxes payable	2,226	2,237
Advances received	1,288	942
Provision for loss on cancellation of rental contract	52	52
Other	2,304	2,527
Total current liabilities	11,886	11,722
Fixed liabilities		
Bonds	2,202	1,590
Long-term debt	12,049	11,230
Provision for employees' retirement benefits	218	268
Provision for directors' retirement benefits	374	594
Provision for loss on cancellation of rental contract	152	100
Asset retirement obligations	1,048	1,068
Other	1,623	992
Total fixed liabilities	17,669	15,844
Total liabilities	29,556	27,566
Net assets		
Shareholders' equity		
Capital stock	472	472
Capital surplus	634	634
Retained earnings	16,949	19,729
Total shareholders' equity	18,056	20,836
Accumulated other comprehensive income		
Net unrealized gain on available-for-sale securities	(31)	41
Deferred gain (loss) on derivatives under hedge accounting	(8)	13
Foreign currency translation adjustments	(190)	(76)
Total accumulated other comprehensive income	(230)	(21)
Total net assets	17,825	20,815
Total liabilities and net assets	47,382	48,381

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

(millions of yen)

	Year ended December 31, 2011 Amount	Year ended December 31, 2012 Amount
Net sales	41,741	44,494
Cost of sales	27,496	28,955
Gross profit	14,245	15,539
Selling, general and administrative expenses	7,850	9,020
Operating income	6,395	6,519
Non-operating income		
Interest income	46	56
Gain on investments in silent partnership	125	108
Foreign exchange gains	-	78
Surrender value received	-	61
Equity in earnings of affiliates	36	3
Subsidy income	51	10
Other	63	92
Total non-operating income	323	410
Non-operating expenses		
Interest expenses	352	308
Amortization of bond issuance costs	8	9
Foreign exchange losses	101	-
Other	33	1
Total non-operating expenses	496	319
Ordinary income	6,222	6,610
Extraordinary income		
Gain on sales of fixed assets	3	0
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	66	0
Extraordinary loss		
Loss on disposal of fixed assets	23	104
Loss on sales of fixed assets	0	-
Effect of adoption of new accounting standards for asset retirement obligations	446	-
Loss on phased acquisition	96	-
Impairment loss	-	181
Total extraordinary loss	566	286
Income before income taxes and minority interests	5,721	6,324
Income taxes—current	3,108	3,325

(millions of yen)

	Year ended December 31, 2011	Year ended December 31, 2012
	Amount	Amount
Income taxes—deferred	(57)	(270)
Total income taxes	3,051	3,054
Income before minority interests	2,670	3,270
Net income	2,670	3,270

Consolidated Statements of Comprehensive Income

(millions of yen)

	Year ended December 31, 2011	Year ended December 31, 2012
	Amount	Amount
Income before minority interests	2,670	3,270
Other comprehensive income		
Net unrealized gain on available-for-sale securities	(26)	72
Deferred gain (loss) on derivatives under hedge accounting	51	21
Foreign currency translation adjustments	(32)	86
Share of other comprehensive income of affiliates accounted for under the equity method	(8)	27
Total other comprehensive income	(15)	208
Comprehensive income	2,654	3,479
(Breakdown)		
Comprehensive income attributable to owners of the parent	2,654	3,479
Comprehensive income attributable to minority interests	-	-

(3) Consolidated Statements of Changes in Net Assets

(millions of yen)

	Year ended December 31, 2011 Amount	Year ended December 31, 2011 Amount
Shareholders' equity		
Capital stock		
Balance at beginning of term	472	472
Balance at end of term	472	472
Capital surplus		
Balance at beginning of term	634	634
Balance at end of term	634	634
Retained earnings		
Balance at beginning of term	14,939	16,949
Changes during term		
Cash dividends	(660)	(489)
Net income	2,670	3,270
Total changes during term	2,009	2,780
Balance at end of term	16,949	19,729
Total shareholders' equity		
Balance at beginning of term	16,046	18,056
Changes during term		
Cash dividends	(660)	(489)
Net income	2,670	3,270
Total changes during term	2,009	2,780
Balance at end of term	18,056	20,836
Accumulated other comprehensive income		
Net unrealized gain on available-for-sale securities		
Balance at beginning of term	(4)	(31)
Changes during term		
Net changes in items other than shareholder's equity	(26)	72
Total changes during term	(26)	72
Balance at end of term	(31)	41
Deferred gain (loss) on derivatives under hedge accounting		
Balance at beginning of term	(60)	(8)
Changes during term		
Net changes in items other than shareholder's equity	51	21
Total changes during term	51	21
Balance at end of term	(8)	13

	Year ended December 31, 2011	Year ended December 31, 2011
	Amount	Amount
Foreign currency translation adjustments		
Balance at beginning of term	(149)	(190)
Changes during term		
Net changes in items other than shareholder's equity	(41)	114
Total changes during term	(41)	114
Balance at end of term	(190)	(76)
Total accumulated other comprehensive income		
Balance at beginning of term	(214)	(230)
Changes during term		
Net changes in items other than shareholder's equity	(15)	208
Total changes during term	(15)	208
Balance at end of term	(230)	(21)
Total net assets		
Balance at beginning of term	15,832	17,825
Changes during term		
Cash dividends	(660)	(489)
Net income	2,670	3,270
Net changes in items other than shareholder's equity	(15)	208
Total changes during term	1,993	2,989
Balance at end of term	17,825	20,815

(millions of yen)

(4) Consolidated Statements of Cash flows

(millions of yen)

	Year ended December 31, 2011	Year ended December 31, 2012
	Amount	Amount
Cash flows from operating activities		
Income before income taxes and minority interests	5,721	6,324
Depreciation and amortization	2,538	2,521
Effect of adoption of new accounting standards for asset retirement obligations	446	-
Amortization of goodwill	93	83
Amortization of bond issuance costs	8	9
Loss on disposal of tangible assets	23	55
(Gain) loss on sales of fixed assets	(3)	(0)
(Gain) loss on investments in silent partnership	(125)	(108)
Equity in (earnings) losses of affiliates	(36)	(3)
Foreign exchange (gain) loss	56	(89)
Impairment loss	-	181
(Gain) loss on phased acquisition	96	-
(Gain) loss on sales of business	(47)	-
Increase (decrease) in provision for shop closing expenses	(9)	-
Increase (decrease) in allowance for doubtful receivables	14	16
Increase (decrease) in provision for employees' retirement benefits	(30)	49
Increase (decrease) in provision for directors' retirement benefits	29	220
Increase (decrease) in provision for loss on cancellation of rental contract	(52)	(52)
Interest and dividend income	(55)	(59)
Interest expenses	352	308
(Increase) decrease in notes and accounts receivable - trade	24	(55)
(Increase) decrease in inventories	154	(7)
Increase (decrease) in notes and accounts payable - trade	124	187
Increase (decrease) in advances received	30	(347)
Increase (decrease) in other liabilities	(1,574)	(503)
Other- net	778	60
Sub total	8,560	8,792
Interest and dividends received	31	46
Interest paid	(347)	(312)
Income taxes paid	(3,055)	(3,302)
Net cash provided by (used in) operating activities	5,190	5,223

	Year ended December 31, 2011	Year ended December 31, 2012
	Amount	Amount
Cash flows from investing activities		
Purchase of tangible assets	(3,092)	(2,172)
Purchase of intangible assets	(130)	(95)
Purchase of investment securities	(416)	(416)
Proceeds from sales of investment securities	126	332
Proceeds from purchase of stocks of subsidiaries resulting in changes in scope of consolidation	292	-
Loans receivable	(164)	(85)
Collection of loans receivable	54	200
Lease and guarantee deposits	(233)	(221)
Collection of lease and guarantee deposits	92	60
Other- net	(16)	(12)
Net cash provided by (used in) investing activities	(3,488)	(2,409)
Cash flows from financing activities		
Net increase (decrease) in short-term debt	(494)	-
Proceeds from long-term debt	4,120	2,450
Repayments of long-term debt	(4,034)	(3,509)
Proceeds from issuance of bonds	1,963	-
Payments for redemption of bonds	(498)	(640)
Dividends paid to shareholders	(658)	(489)
Other – net	(10)	(9)
Net cash provided by (used in) financing activities	388	(2,198)
Foreign currency translation adjustments on cash and cash equivalents	(31)	58
Net increase (decrease) in cash and cash equivalents	2,059	673
Cash and cash equivalents, beginning of period	8,473	10,532
Cash and cash equivalents, end of period	10,532	11,205

(5) Note on the Going-concern Assumption

Not applicable

(6) Basis for Preparation of Consolidated Financial Statements

1. Scope of consolidation

(1) Number of consolidated subsidiaries: 6

Name of consolidated subsidiaries:

Best Planning Inc.
Best Bridal Hawaii, Inc.
Acqua Grazie, Inc.
Best Bridal Korea Inc.
PT. Tirtha Bridal
Hospitality Network Corporation

(2) Name of principal non-consolidated subsidiaries:

Non-consolidated subsidiary

Life Create Bank, Inc.

(Reason for excluding Life Create Bank, Inc. from consolidation)

Life Create Bank, Inc. has been excluded from consolidation, because it is small in size and its total assets, net sales, net income/loss for the year ended December 31, 2012 (amounts proportionate to the Company's equity interest),and retained earnings (amount proportionate to the Company's equity interest) have no significant impact on the consolidated financial statements.

2. Application of equity method

(1) Number of equity method affiliates: 1

Name of equity method affiliate:

Marizin Inc.

(2) The equity method was not applied to a non-consolidated subsidiary (Life Create Bank, Inc.), because it is of minor importance in terms of the bearing of net income/loss (amounts proportionate to the Company's equity interest) and retained earnings (amount proportionate to the Company's equity interest) on the consolidated financial statements for the year ended December 31, 2012, and in terms of its position within the whole Best Bridal Group.

3. Accounting period of consolidated subsidiaries

Consolidated subsidiaries have the same accounting period as the parent company.

4. Accounting standards

(1) Valuation of principal assets

1) Securities

Securities held to maturity:

Amortized cost method (straight-line method)

Available-for-sale securities:

For which market quotations are available:

These securities are recorded at fair value based on market quotations, etc. on the consolidated balance sheet date. (Unrealized holding gains and losses are recorded as a net amount in net assets. The cost of securities sold is calculated with the moving average method.)

For which market quotations are not readily available:

Calculated using the moving average cost method.

With respect to investments in silent partnership, the Company uses a method whereby it records the net amount of the percentage interest held based on the most recent statement of accounts that the Company is able to obtain as of the day stipulated in the partnership agreement on which the latest statement of accounts is reported.

2) Derivatives

Recorded at fair value.

3) Inventory

Merchandise:

Cost determined by identified cost method (The balance sheet amounts are calculated by way of write-down of book value to reflect reduced profitability.)

Raw materials and supplies:

Cost determined by last purchase cost method (The balance sheet amounts are calculated by way of write-down of book value to reflect reduced profitability.)

(2) Depreciation/amortization of material depreciable/amortizable assets

1) Tangible assets (excluding lease assets)

Declining balance method

Buildings (excluding leasehold improvements) acquired by some consolidated subsidiaries on or after April 1, 1998, however, are depreciated with the straight-line method.

Buildings and structures held by the Company on leased land based on fixed term land lease agreements are depreciated by the straight-line method over the period equal to the remaining period of the fixed term land lease right with a residual value of nil.

2) Intangible assets (excluding lease assets)

Straight-line method

Software obtained for internal use is amortized over its estimated useful life (five years).

3) Lease assets

The straight-line method is used with the lease period as the useful life and a residual value of nil. Leased assets under finance leases other than those that transfer the ownership of the leased assets to the lessee and which constitute lease transactions entered into on or before December 31, 2008, are accounted for in the same manner as operating leases.

(3) Accounting standards for principal reserves and allowances

1) Allowance for doubtful receivables

To cover possible losses from bad debts, the Company records an allowance for doubtful receivables in the uncollectible amount estimated based on historical default rates for general receivables and based on analysis of debtors' financial positions for specific doubtful receivables.

2) Provision for employees' retirement benefits

To prepare for the payment of employees' retirement benefits, a provision is recorded for the period based on projected benefit obligations and the estimated value of pension plan assets at the end of the fiscal year. Prior service costs incurred at some of the foreign consolidated subsidiaries are expensed using the straight-line method over a certain number of years, which is not to exceed the estimated average remaining service life of the plan participants at the time of incurrence. Actuarial gains and losses are expensed on a straight-line basis starting from the year immediately following the year when they were incurred over a certain number of years, which is not to exceed the expected average remaining service life of the plan participants at the time of incurrence.

3) Provision for directors' retirement benefits

To prepare for the payment of directors' retirement benefits, the necessary amount is charged based on year-end provision calculated using the in-house regulations.

4) Provision for loss on cancellation of rental contract

To cover possible losses from withdrawal of branches or other similar events, the Company records a provision for the amount of estimated penalties for the cancellation of rental contracts.

(4) Standards for translating significant assets or liabilities denominated in foreign currencies into Japanese yen

Foreign currency denominated claims and obligations are translated into Japanese yen at the spot rate prevailing on the consolidated balance sheet dates. Currency translation losses or gains are recorded on the income statement as such. The assets and liabilities of foreign subsidiaries are also translated into Japanese yen at the spot rate prevailing on the consolidated balance sheet date, and revenues and expenses are translated into Japanese yen at the average rate over the period. Any translation losses or gains are recorded in the net assets under the account "Foreign currency translation adjustments."

(5) Accounting for significant hedges

1) Hedge accounting

Deferred hedge accounting is applied. The company applies special treatment to interest-rate swap agreements that meet the criteria for such special treatment.

2) Hedging instruments and hedged transactions

Hedging instruments:

Interest rate swap, foreign exchange forward contracts

Hedged transactions:

Foreign currency-denominated claims and obligations, foreign currency-denominated-forecasted transactions, debts

3) Hedging policy

The Company uses derivative transactions for the purpose of hedging foreign exchange risks and interest rate risks to meet the Company's actual needs. It is the Company's policy not to engage in derivative transactions for speculative purposes.

4) Method for evaluating effectiveness of hedges

The effectiveness of hedges is assessed by measuring the high correlation between changes in market values or cash flows of hedge instruments and changes in market values or cash flows of the hedged items.

(6) Amortization method and period for goodwill

Goodwill is equally amortized over the period of the future economic benefits for each investment.

(7) Scope of cash and cash equivalents in the consolidated statements of cash flows

Cash on hand, bank deposits able to be withdrawn on demand, and short-term investments with maturities of three months or less at the date of acquisition and that are readily convertible to cash and represent a minor risk of fluctuation in value.

(8) Other important matters for preparation of consolidated financial statements

Consumption taxes:

Transactions are recorded exclusive of consumption taxes.

(7) Additional information

(Adoption of accounting standard for accounting changes and error corrections)

The Company has adopted the Accounting Standard for Accounting Changes and Error Corrections (ASBJ Statement No. 24, December 4, 2009) and Guidance on Accounting Standard for Accounting Changes and Error Corrections (ASBJ Guidance No. 24, December 4, 2009) for accounting changes and corrections of prior period errors made after the beginning of the fiscal year ended December 31, 2012.

(8) Notes to the financial statements

(Segment and Other Information)

Segment Information

1. Overview of reportable segment

The Best Bridal Group's reportable segments are components of the Group about which separate financial information is available. These segments are subject to periodic examinations to enable the Company's board of directors to decide how to allocate resources and assess performance.

The Group's operations are classified into two reportable segments: the domestic operations segment that provides services such as planning and operation related to wedding ceremonies and banquets in Japan and the overseas operations segment that conducts weddings abroad.

Domestic operations comprises store management in Japan and sales to customers, provision of food and drink at wedding banquets, dress rental and beauty care services, as well as the management of hotel weddings/banquet and provision of hotel accommodation services. Overseas operations consist mainly of management of wedding venues and operation of weddings and banquet in Hawaii and Bali Indonesia, for customers who booked through the Group's sales salons in Japan. The segment also subleases wedding facilities to an affiliate in South Korea.

2. Calculation of net sales, income/loss, assets, liabilities, and other items by reportable segment

Accounting methods applied in reportable segment by industry largely corresponding to those presented under "Basis for Preparation of Consolidated Financial Statements."

Reportable segment income is based on operating income.

Intersegment sales or transfers are based on market price.

3. Net sales, income/loss, assets, liabilities, and other items by reportable segment

Year ended December 31, 2011 (January 1 to December 31, 2011)

(millions of yen)

	Reportable segment				Amount recorded
	Domestic operations	Overseas operations	Total	Adjustments (note 1)	on consolidated statements of income (note 2)
Net sales					
Sales to outside customers	38,986	2,755	41,741	-	41,741
Inter-segment sales and transfers	7	10	18	(18)	-
Total	38,993	2,766	41,759	(18)	41,741
Segment income	7,317	149	7,467	(1,071)	6,395
Segment assets	35,399	2,118	37,517	9,864	47,382
Other items					
Depreciation/amortization	2,394	97	2,492	46	2,538
Amortization of goodwill	80	12	9	-	93
Investment in equity method affiliates	-	135	135	-	135
Increase(decrease) in tangible and intangible assets	4,191	37	4,228	15	4,243

Note: 1. Details of adjustments are as follows:

(1) The minus 1,071 million yen adjustment for segment income includes 16 million yen elimination of inter-segment sales and minus 1,087 million yen of unallocated corporate expenses. The main component of these unallocated corporate expenses is SG&A expenses that are not attributable to reportable segments.

(2) The 9,864 million yen adjustment for segment assets comprises unallocated corporate expenses. Unallocated corporate expenses consist mainly of cash and deposits held by the Company which are not attributable to reportable segments.

2. Segment income (loss) adjustments are based on operating income reported on the consolidated statements of income for the corresponding period.

Year ended December 31, 20112 (January 1 to December 31, 2012)

(millions of yen)

	Reportable segment			Adjustments (note 1)	Amount recorded on consolidated statements of income (note 2)
	Domestic operations	Overseas operations	Total		
Net sales					
Sales to outside customers	41,633	2,861	44,494	-	44,494
Inter-segment sales and transfers	6	0	7	(7)	-
Total	41,640	2,861	44,502	(7)	44,494
Segment income	7,653	218	7,871	(1,352)	6,519
Segment assets	33,491	2,671	36,163	12,218	48,381
Other items					
Depreciation/amortization	2,382	102	2,484	37	2,521
Amortization of goodwill	81	2	83	-	83
Investment in equity method affiliates	-	166	166	-	166
Increase(decrease) in tangible and intangible assets	1,951	504	2,455	45	2,501

Note: 1. Details of adjustments are as follows:

(1) The minus 1,352 million yen adjustment for segment income includes 15 million yen elimination of inter-segment sales and minus 1,368 million yen of unallocated corporate expenses. The main component of these unallocated corporate expenses is SG&A expenses that are not attributable to reportable segments.

(2) The 12,218 million yen adjustment for segment assets comprises unallocated corporate expenses. Unallocated corporate expenses consist mainly of cash and deposits held by the Company which are not attributable to reportable segments.

2. Segment income (loss) adjustments are based on operating income reported on the consolidated statements of income for the corresponding period.

(Per Share Information)

Year ended December 31, 2011		Year ended December 31, 2012	
Net assets per share	72,817.26	Net assets per share	85,029.46
Net income per share	10,909.27	Net income per share	13,358.47
Diluted net income per share is not presented as there are no potentially dilutive securities.		Diluted net income per share is not presented as there are no potentially dilutive securities.	

(Note) Calculation base for net income per share are as follows.

	Year ended December 31, 2011	Year ended December 31, 2012
Net income (millions of yen)	2,670	3,270
Amount not attributable to common stockholders (millions of yen)	-	-
Net income attributable to common stock (millions of yen)	2,670	3,270
Average number of shares outstanding during the term (shares)	244,800	244,800

(Significant Subsequent Events)

Not applicable

4. Other Information

(1) Changes in Officers

Not applicable

(2) Weddings Held, Orders Received, and Sales volume

1) Number of weddings held

	Year ended December 31, 2011	Year ended December 31, 2012
Segment	Number of weddings held (cases)	Number of weddings held (cases)
Domestic operations	8,478	9,543
Overseas operations	2,768	2,974
Total	11,246	12,517

2) Orders received

	Year ended December 31, 2011		Year ended December 31, 2012	
Segment	Orders received (cases)	Order backlog (cases)	Orders received (cases)	Order backlog (cases)
Domestic operations	8,596	5,462	10,277	6,196
Overseas operations	2,830	1,454	2,942	1,422
Total	11,426	6,916	13,219	7,618

3) Sales volume

	Year ended December 31, 2011	Year ended December 31, 2012
Segment	million yen	million yen
Domestic operations	38,986	41,633
Overseas operations	2,755	2,861
Total	41,741	44,494

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

2. The above amounts do not include consumption tax.