
 President Morihiko Shibutani	ESCRIT INC. (2196)
	

Corporate Information

Exchange	TSE 1st Section
Industry	Service business
Representative Director and COO	Morihiko Shibutani
Address	Kowa Nishi-shimbashi B Bldg., 2-14-1 Nishi-shimbashi, Minato-ku, Tokyo
Year-end	March
URL	https://www.escrit.jp/english/

Stock Information

Share price	Shares Outstanding		Total Market Cap	ROE (Actual)	Trading Unit
¥799	11,983,800 shares		¥9,575 million	15.6%	100 shares
DPS (Estimate)	Dividend Yield (Estimate)	EPS (Estimate)	PER (Estimate)	BPS (Actual)	PBR (Actual)
¥16.00	2.0%	¥122.05	6.5 times	¥615.53	1.3 times

*Share price is as of closing on December 3. The number of shares outstanding, DPS and EPS were taken from the brief financial report for the term ending March 2020. ROE and BPS are the values as of the end of previous term.

Earnings Trends

Fiscal Year	Sales	Operating Income	Ordinary Income	Net Income	EPS	DPS
March 2016 (Actual)	26,226	839	787	359	30.39	12.00
March 2017 (Actual)	29,477	1,343	1,224	713	59.89	12.00
March 2018 (Actual)	31,700	1,950	1,830	665	55.72	12.00
March 2019 (Actual)	33,302	2,191	2,123	1,078	90.01	12.00
March 2020 (Estimate)	34,400	2,500	2,400	1,450	122.05	16.00

*Unit: Million yen. The estimated values were provided by the company. Net income is profit attributable to owners of the parent. Hereinafter the same shall apply.

This report outlines ESCRIT INC. and includes financial results of the first half of the term ending March 2020 and more.

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Key Points

- **ESCRIT is a company that provides various types of wedding services nationwide, such as wedding halls and guesthouses. It has its own business strategy that focuses on intangible assets such as human resources and the outstanding growth of its sales and profit superior to other companies in the industry, which is one of its major strengths and features. Under the leadership of President Shibutani, the company will strengthen its operation base and pursue further growth.**
- **The company proactively promotes various initiatives in order to build a comfortable working environment as it perceives the human resources as a core value. In particular, it promotes health-oriented management and women's activities for its ESG social factors. Furthermore, the company's initiatives for female success promotion have been highly praised.**
- **The sales for the second quarter of the fiscal year ending March 2020 were 16,428 million yen, up 2.3% year-on-year. As for the general bridal services, in addition to the full-year operation of the new bridal stores opened in the previous term, the existing stores performed well. As for the construction and real estate business, due to sales of large-scale real estate in the same period of the previous year, sales decreased year-on-year. Operating income was 1,234 million yen, up 98.4% year-on-year. Profit increased substantially thanks to the increase in sales, the decrease in upfront expenses for starting new businesses, etc.**
- **The earnings forecast is unchanged. It is estimated that sales will grow 3.3% year on year to 34.4 billion yen and operating income will rise 14.1% year on year to 2.5 billion yen. Although the progress is smooth and operating income exceeded the estimate, the full-year forecast was left unchanged due to the decrease in number of orders received during the second quarter and the damages caused by Typhoon Hagibis in October (the company took the financial burden for food and other losses and 62 couples changed their reservations). The annual dividend amount is to be 16.00 yen/share, up 4 yen/share from the previous term; up 2 yen/share for each of the interim and term-end dividends. The estimated payout ratio is 13.1%.**
- **As for the first half of the fiscal year ending March 2020, sales declined in the first quarter, but grew in the second quarter (July to September), increasing 9.9%. The performance has been favorable, while the effect of rushed demand before the consumption tax hike is thought to be one of the contributing factors. On the other hand, although we are concerned about how they can recover from the drop in the number of orders received, which was observed for the first time in 6 to 7 quarters, we would like to pay attention to how far the company can push forward as this term was forecasted to mark a record high for both sales and profit.**

1. Company Overview

ESCRIT is a company that provides various types of wedding services nationwide, such as wedding halls and guesthouses. The company has venues inside train station buildings and near train stations, which is one of its distinctive features. The company's main strength lies in its unique business strategy focusing on its intangible assets such as human resources and its sales and profits growth that exceed those of other companies in the same industry. The company also focuses on attracting clients through collaborative projects with anime and game characters. ESCRIT will keep strengthening the business foundation and pursue further growth under the leadership of President Shibutani.

【1-1 Corporate History】

Mr. Hiroshi Iwamoto (Representative Chairman and Chief Executive Officer of ESCRIT INC.), who played a key role in launching the bridal magazine “Zexy” at Recruit Co., Ltd. (now Recruit Holdings Co., Ltd.), had seen the bridal industry on a daily basis and figured out a differentiation factor that would set his business apart from other companies and achieve great growth. That is why, in June 2003, he decided to start up his own bridal business and founded this company. The differentiation factor was “focusing on intangibles, not tangibles.” In other words, it was building a high-profit business model through having the strength of human resources as the company's core value and allowing its diverse personnel to exhibit their abilities and expertise to the maximum.

At the time, the main trend was guest house weddings with luxurious facilities as its selling point. However, the company believed that convenience is more important to the guest, so they set up chapels and banquet halls in buildings near train stations. Even though the company did not have dazzling guest house weddings, they decided they could fully satisfy their clients using their intangible assets and without depending on tangible ones.

Their differentiation strategy was a great success. ESCRIT INC. was recognized as “the model for station building weddings” and started to expand its business rapidly. As other companies started to enter the market, the company found it necessary to raise capital to accelerate launching new venues in convenient locations mainly around the Tokyo metropolitan region. Therefore, in March 2010, ESCRIT listed its stocks in Mothers of Tokyo Stock Exchange and in November 2012, they changed to the first section of Tokyo Stock Exchange.

However, due to the rapid expansion in venues and M&A (the number of venues increased by 13 in one year), the company faced a shortage in personnel and a weakening in the sales force in the existing venues, etc. This led to the company issuing profit warnings in February 2016 for the first time since being listed (sales decreased by 12% and operating income decreased by 66%). Furthermore, the executives who should have focused their efforts on the restoration of the company resigned, taking with them their subordinates, which caused a grave turmoil within the company.

At this moment of crisis, which was the first since the company's establishment, the one who took charge and worked on restoring the company was Representative Director and Chief Operating Officer, Morihiro Shibutani. Under the strong leadership of Mr. Shibutani, the restoration has been progressing steadily and it is expected that the highest operating income that was recorded in the fiscal year ended March 2015 will be renewed in the fiscal year ending March 2020 for the first time in five fiscal years.

【1-2 Company Philosophy and Vision】

The company name “ESCRIT” comes from the pronunciation of the initials of “**STAFF CREATE.**”

“Times change, but “the strength of human resources” does not. Trustworthy staff and a trustworthy team exceed the clients' expectations.”
“We aspire to become a company where its core value lies in the strength of its human resources, and its diverse personnel can exhibit their abilities and expertise to the maximum and benefit from one another. Our highly qualified staff provides high-quality services that guarantee client satisfaction. We are building a business where we reach success depending on “the strength of human resources,” and our talents play the leading role.”

(Cited from ESCRIT's Website)

This philosophy is the reason behind the company focusing on creating an environment where the most important management resources, human resources, can be active and succeed at the utmost extent without depending on tangible assets.

【1-3 Market Environment】

(1) Market Environment Overview

According to a survey by a private research company, the market scale of solemnizations, wedding receptions and wedding parties in Japan (including the solemnizations that were arranged in Japan and performed overseas) is declining at an annual rate of less than 1%. The main two factors for this are as follows:

① The decreasing number of marriages due to the population decline

While the children of baby boomers, a generation that was a relatively large population, are reaching their mid-forties, the population of the generation that is within the average age for the first marriage, the generation that was born between the late 1980s and 1990s and now between 29 and early thirties, will continue to decline.

② The trend of curbing expenditures for wedding-related goods and services

In parallel with the spread of various values, there is a trend of curbing expenditures on wedding-related goods and services and of prioritizing the improvement of the everyday life instead, such as “no reception marriages” where the couple does not hold a wedding reception or has a small party inviting only their parents and close friends.

Furthermore, in addition to the state of oversupply of wedding facilities that we are already in, the opening of new facilities has a constant appeal. Hence, time and labor cost to acquire visitors and orders are expected to continue increasing, which will result in the increase in the bridal businesses facing management troubles.

Nevertheless, even though it is highly unlikely for the market scale to stop shrinking, it remains to be around 1.4 trillion yen. Using its unique strategy, ESCRIT steadily squeezes out the demand in the market and it has the potential to achieve further growth.

◎ Competitors in the Bridal Industry

Code	Company Name	Sales	Sales Growth Rate	Operating Income	Operating Income Growth Rate	Operating Income Margin	Total Market Cap	PER	PBR	ROE
2196	ESCRIT INC.	34,400	+3.3	2,500	+14.1	7.3%	10,042	6.9	1.4	15.6
2198	IKK Inc.	20,010	0.0	1,910	-7.6	9.5%	21,389	17.0	1.8	12.2
2418	TSUKADA GLOBAL HOLDINGS Inc.	63,000	+4.7	5,500	+4.8	8.7%	30,648	9.6	0.8	7.0
2424	Brass Corporation	11,890	+14.4	711	+27.3	6.0%	3,842	8.7	1.1	10.6
4331	TAKE AND GIVE. NEEDS Co., Ltd.	67,500	+0.9	4,000	-6.6	5.9%	16,637	9.7	0.7	10.4
4696	WATABE WEDDING CORPORATION	39,000	-	1,150	-	2.9%	5,836	-	0.6	2.1

*Units: Million yen and times. The figures are the company's forecast for this fiscal year. Total market cap, PER and PBR are based on the closing value on November 26, 2019. ROE is from the results of the previous term. As for WATABE WEDDING CORPORATION, Sales Growth Ratio, Operating Income Margin Growth Rate and PER are not to be shown because of the change of its closing period.

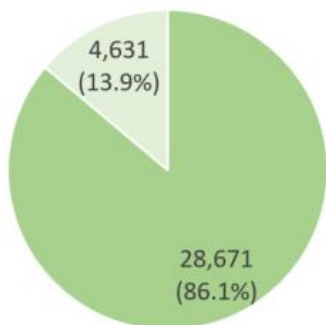
While ESCRIT has the highest ROE among all the wedding companies, it also has the lowest PER. Thus, there is a need to boost company awareness and promote further understanding of the company's growth strategy.

【1-4 Business Description】

(1) Segment

The company consists of two segments: the general bridal services segment and the construction and real estate business segment.

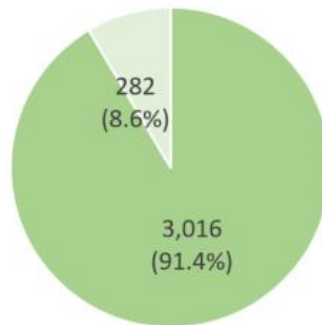
Sales Composition
(Fiscal Year ended March 2019)



■ General bridal services ■ Construction and real estate

*Unit: Million yen. Sales to external clients

Segment Income Composition
(Fiscal Year ended March 2019)



■ General bridal services ■ Construction and real estate business

*Unit: Million yen. Composition ratio of the total before tax

① General Bridal Services

In addition to directly managing 32 halls nationwide, ESCRIT provides bridal services such as planning and managing solemnizations and wedding receptions through cooperating with other facilities. They provide accommodation services through collaborating with hotels, restaurant services through collaborating with restaurants, and banquet services including planning and managing all sorts of parties.

In the directly managed wedding facilities, as “a city wedding coordinator that does not stick to the facilities’ styles,” the company manages diverse styles of solemnization and wedding reception facilities to satisfy the needs of its various clients.

ESCRIT pays great attention to offering a sense of “privacy” to the facilities and “originality” to the wedding production for the bride, groom, and guests. The company provides clients with “custom made wedding services” to match their tastes in clothes, flowers, guest gifts, food, drinks and wedding production at the solemnizations and wedding receptions, offering them a comprehensive production of their event.

The company promotes in-house production rather than outsourcing to other companies, especially when it comes to clothes, flowers and wedding production. The company employees themselves consult with the clients, accommodating their wishes to every little detail, aiming to further improve client satisfaction.

Furthermore, the company assigns an exclusive chapel and lobby space for each banquet hall in the multiple banquet halls (wedding reception halls) facilities managed by the company to provide a sense of “privacy” to the wedding production.

In the bridal industry, there are many mansion style guest house facilities that are used to give a sense of “privacy” and “originality” to the wedding production. However, with ESCRIT, people can have similar production in addition to having it in a venue with a perfect style that suits its location.

Also, the company undertakes the comprehensive management of bridal services for hotels and restaurants.

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(From the company website)

②Construction and Real Estate Business

The group company, Shibutani & Co., conducts different businesses such as contracted work on internal and external construction mainly for restaurants and retail shops, design supervision, construction of independent houses and condominiums, container business, and consulting services.

【1-5 Characteristics and Strengths】

(1) Unique Strategy Focusing on Intangibles

ESCRIT believes that tangible assets have its booms and trends which would definitely change. Thus, it saw the “limitations of tangible assets when it comes to having a competitive advantage in increasing the client base,” as a hindrance to the longtime growth of the company, which led them to focus on the power of intangible assets instead.

With the “high operational skills” of its outstanding staff as its foundation, the company is expanding its “wedding party hall management business.”

Another huge characteristic of ESCRIT, which sets it apart from other companies, is developing the operational know-how of the business such as achieving company differentiation through building alliances with various companies. This leads to increasing the client base, even when having different tangible assets, and achieving a high level of customer satisfaction even without conducting any excessive investments.

The keys behind that are the three business strategies: “personnel strategy,” “venue strategy” and “one-stop service strategy.”

Using these three strategies, the company aims to drastically differentiate itself within the industry and achieve a stable business model that would not be affected by the new standards in the bridal business or the changes in the tangible assets and style.

①Personnel Strategy

ESCRIT believes in the importance of staff feeling satisfied in their jobs and their continuing on evolving and developing their abilities to the utmost degree as part of the organization. The company is also working on developing individuals’ capabilities and building an organization with a culture of openness and freedom.

The company builds a working environment where personnel are able to continue working. Moreover, as a company that promotes women’s participation in the workplace, ESCRIT is implementing various policies such as support for the work styles associated with different life stages, enhancing welfare and support for career development.

These efforts lead to the company’s biggest competitive advantage; fostering the power of its intangible assets.

②Venue Strategy

The currently mainstream guest house weddings’ share is considered to be only around 20% in the bridal market, which is estimated to be worth around 1.4 trillion yen.

Through experience and evidence so far, the company, which believes that “tangible assets have limitations when it comes to having a competitive advantage in increasing the client base,” is pursuing the possibility of profit in all the domains and not focusing on the narrow

market of a specific wedding style.

Therefore, ESCRIT is developing its business of various style facilities such as hotels, restaurants, guest houses and wedding halls, centering its business on meeting the needs of the changing market.

At the same time, the company is focusing on increasing the client base not only by launching new venues but also by improving the existing ones. This would lead to achieving stable and steady growth which in return leads to fulfilling the expectations of the stakeholders.

③One-Stop Service Strategy

In the bridal business, things such as the dress, makeup, and flowers are generally outsourced to an external contractor, which causes the huge problem of not being able to fulfill the clients' requests fully.

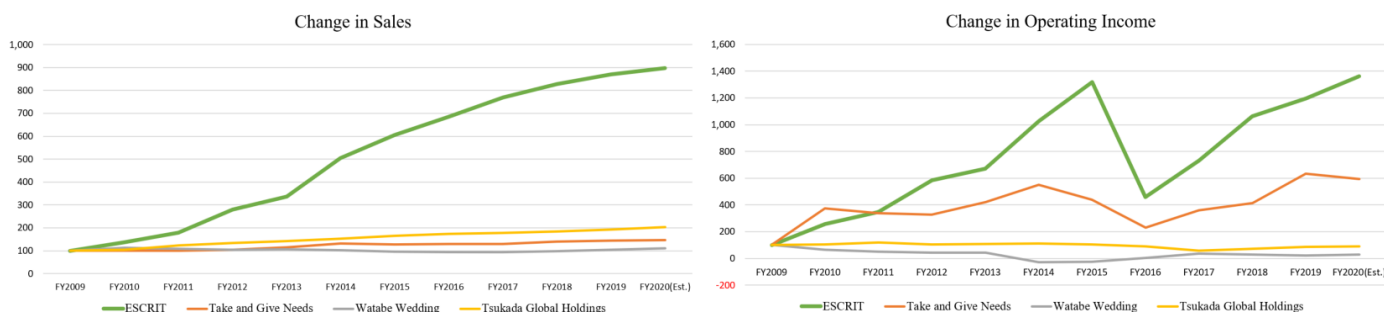
That is why, as it was mentioned previously, the company promotes in-house production of clothes, flowers, and wedding production. By enhancing this one-stop service system, the company can achieve further improvement in client satisfaction.

(2) Growth of Sales and Profit that Exceeds Those of Competitors

The graph below represents a comparison of the variations in sales and operating income among the three companies with the bigger scale of sales than ESCRIT (Tsukada Global Holdings, Take and Give Needs and Watabe Wedding) according to the table “Competitors in the Bridal Industry” in page 4. If we look at the growth of ESCRIT’s sales and profit, we will find that it is better than the rest of the companies.

While, as for operating income, Tsukada Global Holdings and Watabe Wedding’s profits peaked in 2010-2011, the operating income of ESCRIT is expected to hit a record high this fiscal year, capturing a lot of attention for being able to continue expanding its sales and profit even in such a harsh business environment.

The foundation of this growth is the “power of intangible assets,” the philosophy of the company since its founding and what President Shibutani has been strongly promoting.



*The index with the fiscal year ended March 2009 equals 100. For Tsukada Global Holdings, the term ended December 2008 = 100.

【1-6 ROE Analysis】

	FY3/13	FY3/14	FY3/15	FY3/16	FY3/17	FY3/18	FY3/19
ROE (%)	32.3	34.4	32.6	6.9	12.7	10.7	15.6
Net profit to sales ratio (%)	5.72	5.69	6.20	1.37	2.42	2.10	3.24
Total asset turnover ratio	1.53	1.57	1.33	1.18	1.15	1.18	1.28
Leverage	3.69	3.86	3.95	4.27	4.55	4.32	3.79

Even though ROE is still lower than the last peak in the fiscal year ended March 2014, it bottomed out in the fiscal year ended March 2016 and now it is far higher than the 8% that is generally expected to Japanese companies.

This fiscal year’s net profit to sales ratio is estimated to be 4.2% and the company is expected to achieve a high ROE.

【1-7 Initiatives in ESG】

As it is shown in the origin of the company's name, the strength of its human resources is the core value of ESCRIT. Therefore, the company actively promotes various policies especially related to the "Social" in ESG that aims to build a comfortable working environment.

(1) Promotion of health-oriented management

The following is "ESCRIT's Declaration of Health-oriented Management."

In ESCRIT, we believe that it is most important for each and every one of our employees to be healthy mentally and physically and work energetically to be able to deliver our clients' happiest moments.

With the idea that "the foundation of the company's activities is ensuring the safety and health care for the employees and the creation of a comfortable working environment," from now on, we declare that we will actively exert more efforts toward improving the work environment so that both ESCRIT employees and the company could work in good health for a long time.

Representative Director Morihiro Shibutani

① Main Measures

In order to provide "health care" for the entire company, ESCRIT is working on health management (analysis of the results of the periodic medical examinations and achieving a good work-life balance), disease prevention (prevention of infectious diseases and lifestyle diseases and control of women's diseases), management of mental health and promotion of continuous movement.

② Evaluation: Certified as "Tokyo Sports Promotion Company" and "Sports Yell Company"

ESCRIT was certified as "Tokyo Sports Promotion Company" and "Sports Yell Company" as an appreciation for its efforts.

"Tokyo Sports Promotion Company Certificate" is a certificate awarded to companies that encourage employees' sports activities and provide support to athletes, groups, and tournaments and so on within the sports segment.

To encourage employees' sports activities, ESCRIT holds several types of sports events, hosting "Kizuna" Ekiden relay race, creating club activities, as well as having policies such as recruiting top athletes to coach the employees' clubs.

Also, ESCRIT actively works on supporting athletes (employing Honami Suzuki, Japan's representative in women's fencing epee individual) and contributing to the sports culture (such as the execution of a partnership with the table tennis professional league "T.T Saitama"). These efforts led to receiving the "Tokyo Sports Promotion Company Certificate."

"Sports Yell Company" system is a system that aims to encourage "people in the generation in the prime of their lives" who lack exercise to practice sports and work on creating a social movement for sports. Japan Sports Agency certifies companies that actively work on implementing sports activities to improve their employees' health. Through this "Sports Yell Company" certificate, Japan Sports Agency aims to help improve the social evaluation of companies that are working on strategic measures to manage their employees' health.

(2) The Various Policies to Promote Women's Participation and Achievements

① Main Measures

ESCRIT has many occupations where women flourish, such as wedding planners, bridal stylists and floral designers, and female employees account for 70% of the total number of employees at the end of March 2019.

Since ESCRIT aspires to become a company where all its employees are evaluated fairly based on their capabilities and regardless of their gender and what life stage they are in, promotion of women's participation in the workplace was one of the policies of the company's mid-term management plan.

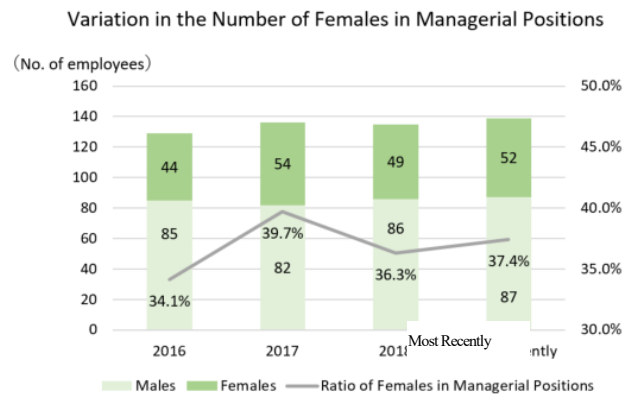
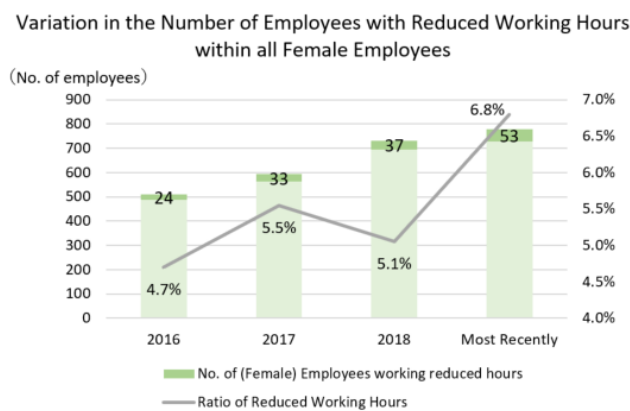
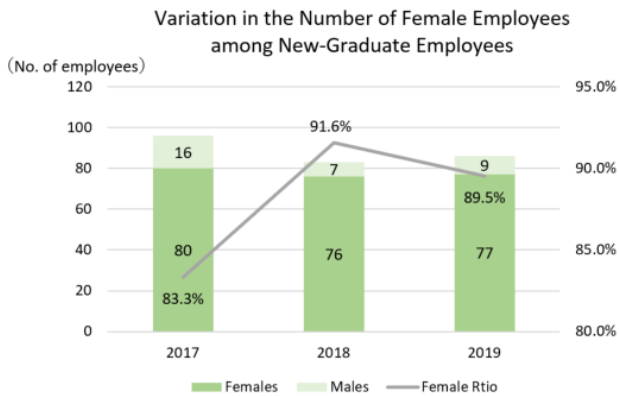
Based on this policy, the company implemented the following “measures to promote women’s participation.”

Measures	Outline
Providing a stress-free environment that facilitates access to health care for women during pregnancy	*Implementing a “Start of the Pregnancy Consultations” Pregnant employees can talk with their bosses and the human resources officers about any concerns on physical health or work tasks to reassure them that they can go through their pregnancy with ease. *Providing time for hospital visits Providing time for hospital visits to have medical examinations during working hours in order to ensure access to health care. (Men accompanying pregnant women to hospital visits are also provided with time to do so)
Promotion of extending the maternal leave and providing men with paternity leave	*Extending the pre-childbirth maternal leave period Extending the period from the six weeks stipulated in the law to eight weeks. *Encouraging male employees to take a paternity leave Recommending that fathers take a maximum of eight days of paternity leave in the period of two months from the day their children are born. (it can also be used to attend the birth)
Implementing consultations before employees’ return to work and supporting their smooth return to the workplace	*Implementation of “Comeback Consultations” Employees coming back to work can talk with their bosses and the human resources officer about any requests such as working hours, in order to be able to have a concrete idea about the working style after returning to work.
Support for the balance of childrearing and work after returning to the workplace	*Support of gradual entry at daycare Employees are exempted from going to work during the phase of their child’s gradual entry to daycare. *Reduced working hours, extending the leave for caring for a sick child and overtime restrictions Extending the childrearing-friendly reduced working hours until the child enters elementary school. Extending the overtime restrictions until the child enters elementary school. Extending the period an employee can take a leave for caring for a sick child until the child graduates’ junior high school.

Additionally, because ESCRIT aims to provide a comfortable working environment not only for women but also for all its employees, it also focuses its efforts on “measures to optimize working hours,” “establishing of a counseling service section for women,” “training for employees in managerial positions,” “training for all employees” and “career advancement training for women.”

② Achievements

As a result of these measures, women’s participation increased in a noticeable pattern as shown in the graph below. Also, employee satisfaction is steadily increasing with employees giving testimonies such as “I am enjoying motherhood and work thanks to the implemented support system. In the future, I want to be a role model for working women.” (Cited from the company’s website)



The goal was to increase the number of employees with reduced working hours to 50. However, since this goal was achieved by the end of March 2019, the company is working on setting another goal.

ESCRIT aims to increase the ratio of females in managerial positions to 50% by the fiscal year 2022.

③ Evaluation: Receiving the “Eruboshi” (L Star) Certificate from the Minister of Health, Labor, and Welfare

In July 2018, ESCRIT received the “Eruboshi (L Star)” certificate from the Minister of Health, Labor and Welfare for its excellent efforts in promoting women’s participation in the workplace to become the first company in the bridal industry to obtain this certificate based on the Act on Promotion of Women's Participation and Advancement in the Workplace.

“Eruboshi (L Star)” certificate is a system where the Minister of Health, Labor, and Welfare certifies excellent companies with conditions that promote women’s participation in the workplace according to the Act on Promotion of Women's Participation and Advancement in the Workplace. There are five assessment criteria for the “Eruboshi” (L Star) which are: “recruitment,” “continued employment,” “working styles, including working hours,” “ratio of managerial positions” and “various career courses.”

The “Eruboshi” certificate is hard to obtain. So far, around 20,000 companies applied for it, but only around 600 companies received it. ESCRIT’s measures that were mentioned above were acknowledged to exceed the standards, which is why the company received the certificate.

(3) Converting all contract employees to permanent employees

After considering the long-term career development for the employees, in August 2018, ESCRIT decided to convert all its contract employees to permanent employees.

The company had several professions such as wedding planners, bridal stylists and floral designers where the majority of its employees were contract employees. However, the company abolished the contract employment system, converting it to a new relocation-less permanent employment system (geographically confined permanent employee).

Now, contract employees are playing an important role within the companies. In ESCRIT, employees can comfortably work on their long-term career development in light of the changes in the employment circumstances and women’s participation conditions.

2. First Half of the Fiscal Year ending March 2020 Earnings Results

(1) Overview of consolidated financial results

	1H of FY3/19	Ratio to sales	1H of FY3/20	Ratio to sales	YOY
Sales	16,065	100.0%	16,428	100.0%	+2.3%
Gross profit	8,875	55.2%	9,488	57.8%	+6.9%
SG&A expenses	8,252	51.4%	8,253	50.2%	+0.0%
Operating income	622	3.9%	1,234	7.5%	+98.4%
Ordinary income	591	3.7%	1,210	7.4%	+104.7%
Net income	389	2.4%	450	2.7%	+15.7%

*Unit: Million yen

Sales and profit increased, and the general bridal service performed well.

Sales were 16,428 million yen, up 2.3% year-on-year. As for the general bridal services, in addition to the full-year operation of the new bridal stores opened in the previous term, the existing stores performed well. As for the construction and real estate business, sales decreased year-on-year due to sales of large-scale real estate in the same period of the previous year.

Operating income was 1,234 million yen, up 98.4% year-on-year. Profit increased substantially thanks to the sales increase, the decrease in expenses for starting new businesses, etc.

Net income increased 15.7% year-on-year due to the posting of an impairment loss of 509 million yen in the section of extraordinary losses for some facilities among the owned fixed assets.

(2) Results of each segment

	1H of FY3/19	Ratio to sales	1H of FY3/20	Ratio to sales	YOY
Sales					
General bridal services	13,539	84.3%	14,807	90.1%	+9.4%
Construction and real estate business	2,525	15.7%	1,620	9.9%	-35.8%
Total	16,065	100.0%	16,428	100.0%	+2.3%
Segment income					
General bridal services	986	7.3%	1,742	11.8%	+76.7%
Construction and real estate business	209	8.3%	38	2.4%	-81.6%
Adjusted amount	-573	-	-546	-	-
Total	622	3.9%	1,234	7.5%	+98.4%

*Unit: Million yen. The composition ratio means operating income margin.

(General bridal services)

Sales and profits increased.

In addition to the full-year operation of the new stores opened in Shibuya in the previous term, the existing stores performed well.

Thanks to the sales increase and the decrease in expenses for starting new businesses (Shibuya in the previous term and this term overseas business was launched), profit increased substantially.

◎ Order receipt situation

The number of orders received of Core Bridal Service decreased year-on-year, however, the backlog of orders for both the Core Bridal Service and New Bridal Service has been increasing steadily. The average spending per couple for the Core Bridal Service remained almost the same.

BRIDGE REPORT



*Core Bridal Service

	1H of FY3/19	1H of FY3/20	YOY
Number of weddings carried out	2,538	2,796	+10.2%
Number of orders received	3,373	3,329	-1.3%
The backlog of orders	3,802	3,990	+4.9%
Average price per couple	3,742	3,744	+0.1%

*Unit: Thousand yen.

*New Bridal Service

	1H of FY3/19	1H of FY3/20	YOY
Number of weddings carried out	1,614	1,706	+5.7%
Number of orders received	1,823	1,880	+3.1%
Average price per couple	1,506	1,681	+11.6%

*Unit: Thousand yen.

*Core Bridal Service: targets wedding ceremonies and receptions with 30 or more attendees in directly managed facilities.

*New Bridal Service: includes figures of subsidiaries, entrusted operations, weddings with a small number of guests, Toku-Navi (figures for the alliance venue), and resort weddings.

The numbers of customers traveling from abroad were removed from the above figures to avoid duplication.

◎ Initiatives and overview

Initiatives to attract customers (visitors) are progressing well.

The company has paired up with numerous companies to provide unrivaled content, such as holding various bridal fairs. Such kind of collaboration has boosted the company's ability to attract customers.

The challenge is how to promote those attracted customers (visitors) to sign contracts (place orders), and it is natural to see short-term fluctuations in the process, but the company expects it to improve further.

The company will decide whether to open new stores after carefully examining the conditions. Moreover, the company believes that renovating the existing stores has a similar effect to opening new stores, thus they will make renovations one after another while considering operation rate, etc.

As for the in-house production of products other than dresses, such as flowers, it will proceed according to the pace of opening new stores.

(Construction and real estate business)

Sales and profit decreased.

In the same period of the previous year, renovated large-scale real estate was sold, which resulted in a decrease in sales of this term, however, the progress is as planned.

(3) Financial conditions and cash flow**◎ Main balance sheet**

	End of Mar.2019	End of Sep.2019		End of Mar.2019	End of Sep.2019
Current assets	7,661	8,136	Current liabilities	8,852	9,041
Cash and deposits	4,814	5,656	Notes and accounts payable	1,464	1,515
Notes and accounts receivable	298	154	Short-term loans payable	2,520	2,244
Real estate for sale	810	809	Non-current liabilities	8,945	8,219
Non-current assets	17,452	16,706	Long term interest-bearing liabilities	5,720	5,024
Property, plant and equipment	12,182	11,242	Total liabilities	17,798	17,260
Investments and other assets	5,182	5,407	Net assets	7,316	7,582
Total assets	25,114	24,843	Retained earnings	6,208	6,587
*Unit: Million yen			Total liabilities and net assets	25,114	24,843
			Capital-to-asset ratio	29.1%	30.5%

Cash and deposits increased, however, due to the decrease in property, plant and equipment (buildings and structures) caused by the posting of impairment losses, total assets were 24.8 billion yen, down 200 million yen from the end of the previous term. Total liabilities were 17.2 billion yen, down 500 million yen year-on-year due to the decrease in debts, corporate bonds, etc. Net assets increased 200 million yen year-on-year to 7.5 billion yen as retained earnings increased 300 million year-on-year. Capital-to-asset ratio increased 1.4% from the end of the previous term to 30.5%.

◎ Cash flows

	1H of FY3/19	1H of FY3/20	Change
Operating CF	1,479	2,409	+930
Investing CF	-480	-304	+176
Free CF	998	2,104	+1,106
Financing CF	-863	-1,208	-345
Balance of cash and cash equivalents	4,715	5,460	+745

*Unit: Million yen

The surplus of operating CF and free CF expanded due to the increase in net income before taxes and other adjustments. The deficit of financing CF expanded due to the redemption of bonds, repayment of debts. The cash position improved.

(4) Topics**① The first directly managed facility outside Japan opened**

In May 2019, the company renewed and opened the “Hawaii Kai Marina Chapel” as its first directly managed facility. The chapel is located 30 minutes by car from Waikiki. It takes white as a base color to let the sun shine and evoke a scene of ships anchoring in Marina. Customers can enjoy the post-ceremony scenes of making a toast in the garden and cake cutting, which look like a Hollywood movie.

② Establishing a day-care center available in only Sundays and holidays

In April 2019, the company, which has raised “ladies-first strategy” as one of the mid-term management strategies and carries out various

measures to enhance opportunities for women, established “Mori Kids,” a day-care center available on only Sundays and holidays in the headquarters as a measure for coping with the lack of daycare facilities that operate in such a schedule.

◎ Entering the medical tourism business

In October 2019, they partnered with “Tokyo International Clinic,” which is supported by SBI Medic, a company that offers membership-based comprehensive medical check-ups and entered the “medical tourism business” that offers Japanese advanced medical care and high-quality services to the wealthy people in China and other countries.

The company aims to expand the business and achieve synergy with foreign marriage by improving brand recognition and building up the corporate brand power of ESCRIT INC. in the greater China region.

3. Fiscal Year ending March 2020 Earnings Estimates

(1) Forecast of financial results

	FY3/19	Ratio to sales	FY3/20 (Estimate)	Ratio to sales	YOY	Progress Rate
Sales	33,302	100.0%	34,400	100.0%	+3.3%	47.8%
Gross profit	18,695	56.1%	19,529	56.8%	+4.5%	48.6%
SG&A expenses	16,504	49.6%	17,029	49.5%	+3.2%	48.5%
Operating Income	2,191	6.6%	2,500	7.3%	+14.1%	49.4%
Ordinary income	2,123	6.4%	2,400	7.0%	+13.0%	50.4%
Net income	1,078	3.2%	1,450	4.2%	+34.5%	31.0%

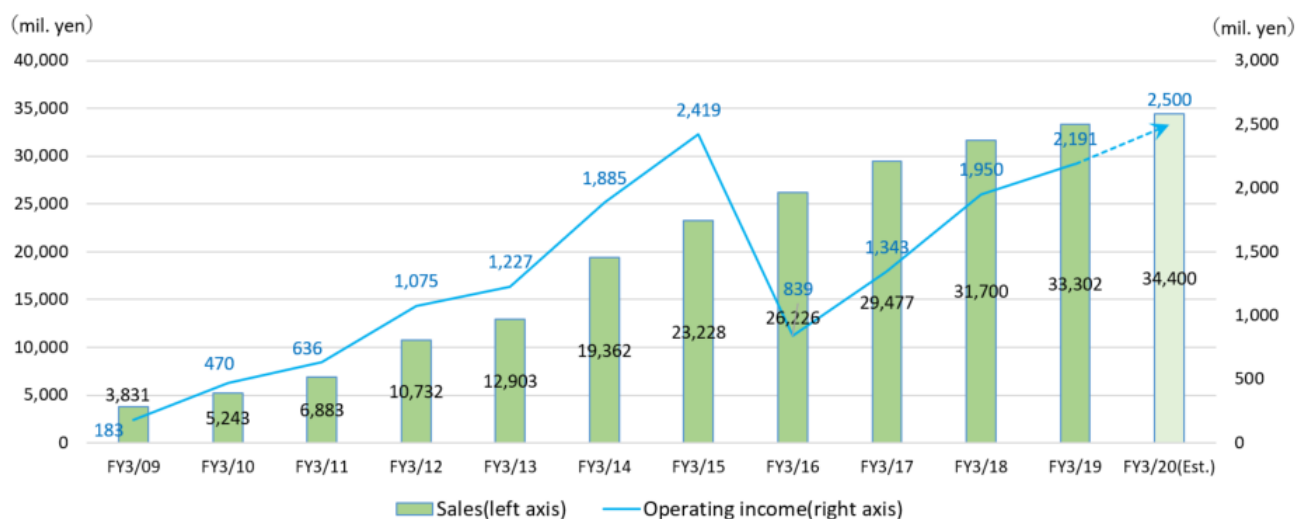
*Unit: Million yen. The forecasts are released by the company.

The earnings forecast is unchanged. Sales and profit will increase, and profit ratio will also increase. Profit will hit a record high.

The earnings forecast is unchanged. It is estimated that sales will grow 3.3% year on year to 34.4 billion yen and operating income will rise 14.1% year on year to 2.5 billion yen.

The progress is smooth as planned and operating income exceeded the estimate, however, as mentioned above, the full-year forecast was left unchanged due to the decrease in number of orders received in the second quarter and the damages caused by Typhoon Hagibis in October (the company took the financial burden for food and other losses and 62 couples changed their reservations).

Dividends are estimated at 16.00 yen per share, up 4 yen per share from the previous term, with 2 yen /share for the interim dividend, and 2 yen /share for the term-end dividend. The payout ratio is estimated at 13.1%.



(2) Results for each segment

	FY3/19	Composition ratio	FY3/20 (Estimate)	Composition ratio	YOY	Progress Rate
Sales						
General bridal services	28,671	86.1%	30,398	88.4%	+6.0%	48.7%
Construction and real estate business	4,631	13.9%	4,002	11.6%	-13.6%	40.5%
Total	33,302	100.0%	34,400	100.0%	+3.3%	47.8%
Segment income						
General bridal services	3,016	10.5%	3,633	12.0%	+20.4%	47.9%
Construction and real estate business	282	6.1%	90	2.2%	-68.1%	-
Adjusted amount	-1,107	-	-1,223	-	-	-
Total	2,191	6.6%	2,500	7.3%	+14.1%	49.4%

*Unit: Million yen. The composition ratio of operating income is operating income margin.

(General bridal services)

Sales and profit are projected to increase.

The stores opened in the previous term in Hiroshima and Shibuya will operate full-year.

The orders and unit prices are estimated to be at the same level as those in the previous term.

The costs include the prior expenses of 120 million yen due to the overseas business expansion (resort wedding and foreigners wedding).

(Construction and real estate business)

Sales and profit are estimated to decrease.

Considering the market environment including the order receipt situation, the steep rise in materials costs, the labor shortage, etc., profit is expected to decrease.

As for the real estate renovation, the owned properties are not included in the plan.

4. Conclusions

As for the first half of the fiscal year ending March 2020, sales declined in the first quarter, but grew in the second quarter (July to September), increasing 9.9%. The performance has been favorable, while the effect of rushed demand before the consumption tax hike is thought to be one of the contributing factors. On the other hand, although we are concerned about how they can recover from the drop in the number of orders received, which was observed for the first time in 6 to 7 quarters, we would like to pay attention to how far the company can push forward as this term was forecasted to mark a record high for both sales and profit.

(Trend of the number of orders received)

	FY 3/18				FY 3/19				FY 3/20	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q
Core Bridal Service										
Number of orders received	1,656	1,670	1,391	1,849	1,659	1,714	1,622	1,994	1,773	1,556
YOY	+4.7%	+4.6%	-3.5%	-9.5%	+0.2%	+2.6%	+16.6%	+7.8%	+6.9%	-9.2%
New Bridal Service										
Number of orders received	767	825	710	984	926	897	826	1,141	997	883
YOY	-12.3%	-1.0%	-10.1%	+12.7%	+20.7%	+8.7%	+16.3%	+16.0%	+7.7%	-1.6%

<Reference1: Initiatives on Medium-Term Management Policy>

The company is proceeding with 6 measures based on the mid-term management policy that starts in the term ended March 2018 and finishes in the term ending March 2020.

The company self-evaluates the progress at the end of the previous term as below.

The mid-term management policy	Improve the profitability of current businesses and generate new profitability base. -Ensure making profit growth each term-
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(All measures and self-evaluation)

Measure	Progress	Evaluation
Opening new stores	*New stores in Hiroshima started operation in April 2018, and Shibuya in September. *Performance was solid including stores opened in the previous term in Saitama.	○
Reinforcing existing stores	*Carried out the most major renovation ever for 8 facilities. While the effect varied, the order receipt situation was improved. *Continue to make efforts to build a system for maintaining a high unit price and human resources development.	△
Fostering new businesses	*Aiming to meet the needs for foreigner weddings, the company established and launched a local corporation in Taiwan. *Orders on resort weddings in Okinawa, Hawaii, etc. have increased.	-
Improving cost	*After the facilities renovation, integrate offices of different tenants in extra spaces and reduce rents and such. *Various costs improvements including utility expenses, consumables, and linen.	◎
Advertising strategies	*Utilizing popular characters for product development, etc. and strengthening alliances with other corporations. *This term, the company started a joint project with Samantha Thavasa Japan Limited, a collaboration with Pokémon, etc.	○
A ladies-first strategy	*Promoting various measures to improve diverse work environments so that women can achieve more success. *the company's delicate support to women's childcare leaves and returning to work was praised and it obtained the "Eruboshi" certification from the Minister of Health, Labor and Welfare.	◎

As for reinforcing existing stores, from the renovation perspective, the company managed to make adequate investments. However, since more time is required to produce results in addition to the semi-permanent nature of human resources development, the evaluation was "△." The company will continue to make efforts to devise a system for maintaining a high unit price.

Regarding the cost improvements, the company has made consideration of every aspect and has yielded results.

As for the advertising strategies, the company will put various ideas into practice and aim to produce an unmatched added value that is unique to the company.

As mentioned above regarding the ladies-first strategy, it received praise from inside and outside the company.

<Reference2: Regarding Corporate Governance>

◎Organization type and the composition of directors

Organization type	Company with an audit and supervisory board
Directors	4 directors, including 2 outside ones
Auditors	3 auditors, including 2 outside ones.

©Corporate Governance Report

The latest update: June 20, 2019

<Basic Policy>

We think that gaining the trust of all stakeholders, namely customers, shareholders, clients, employees, and society will lead to the sustainable improvement of the corporate value. To achieve that, ensuring the management effectiveness and transparency and constructing a sound organization structure are indispensable, and we believe that the initiatives for corporate governance are extremely important. Therefore, we created the “Business Code of Conduct” and we are working on its dissemination among all the employees so that they can share our company’s values and ethics.

Furthermore, in order to ensure the management effectiveness, we reevaluate the organizational structure as needed simultaneously with the business expansion achieved thanks to corporate growth, and work on establishing effective management and accountability structures for each organizational department.

Besides, in order to ensure the transparency of management, we enhance the internal control functions so that the Audit and Supervisory Board will ensure the compliance with the Board of Directors' administration, laws, regulations, the Articles of Incorporation, and internal regulations. Moreover, we are taking measures to be able to disclose information in a swift and appropriate manner.

We also aim to enhance corporate governance by conducting sincere corporate activities that achieve synergy between corporate profit and corporate social responsibility while aiming to improve the corporate value and realizing the management that takes in the interests of all stakeholders including shareholders.

< Reasons for Non-compliance with the Principles of the Corporate Governance Code (Excerpts) >

Principles	Reasons for not implementing the principles
【 Supplementary Principle 4-1-2 Mid-term management plan】	We have only disclosed the policy of the mid-term management plan, and didn't disclose the numerical targets. However, for single years, we disclose the forecasted results at the beginning of the relative year, and in case there is a deviation between the forecast and the actual result we analyze the determining factors and reflect it in the plan of the next term onwards.
【 Supplementary Principle 4-10-1 The appropriate involvement and advice of independent outside directors in considerations related to important matters such as the selection and remuneration of directors】	Regarding the selection of directors and management-level officials, they are selected after deliberation in the Board of Directors meetings that independent outside directors attend. As for the remuneration, the assigned Representative Director determines the remuneration within the limits set in the shareholders general meeting and based on the internal regulations related to remuneration. We currently don't involve or consult independent outside directors, but we will take measures in the future to establish a system that can ensure better transparency.

< Disclosure Based on the Principles of the Corporate Governance Code (Excerpts) >

Principles	Disclosure contents
【 Principle 1-4 So-called strategically held shares】	Our company’s standards pertaining to strategically held shares are as below. (1) In principle, we do not strategically hold shares for the purpose of strategic holding. (2) In case there is a proposal for strategic holding that contributes to the sustainable growth of the company, the decision of strategic holding is judged through voting in the Board of Directors meeting after discussing its risks, returns, etc. and clarifying the purpose of holding.
【Principle 5-1 Policy for promoting constructive dialogue with shareholders】	The policies below are published on the website as the “basic policies for IR activities.” Constantly providing information related to our company in a fair and timely manner is the basic policy for IR activities. Through these activities, we aim to

have communication with the shareholders and investors for sound corporate management and to maximize the shareholders' value. As for the dialogue with the shareholders, the director who oversees the Administrative Division also serves as IR director and actively handles queries, etc. including individual meetings.

Moreover, in order to deliver information about our company to many people, we hold briefing sessions aimed at analysts.

<https://www.ESCRIT.jp/ir/disco/>

This report is intended solely for information purposes, and is not intended as a solicitation to invest in the shares of this company. The information and opinions contained within this report are based on data made publicly available by the Company, and comes from sources that we judge to be reliable. However, we cannot guarantee the accuracy or completeness of the data. This report is not a guarantee of the accuracy, completeness or validity of said information and or opinions, nor do we bear any responsibility for the same. All rights pertaining to this report belong to Investment Bridge Co., Ltd., which may change the contents thereof at any time without prior notice. All investment decisions are the responsibility of the individual and should be made only after proper consideration.

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