

To Our Shareholders

671 Nijohanjiki-cho, Bukkoji-agaru, Karasuma-dori,
Shimogyo-ku, Kyoto-shi, Kyoto
WATABE WEDDING CORPORATION
President & Representative Director: Takao Watabe

NOTICE OF THE 44th ANNUAL MEETING OF SHAREHOLDERS

Dear Shareholders,

Notice is hereby given that the 44th Annual Meeting of the Shareholders of the Company will be held as specified below. You are cordially invited to attend the Meeting.

If you are unable to attend the Meeting, you may exercise your voting rights in writing. In order to exercise your voting rights in writing, please refer the documents for the Meeting as mentioned below, indicate your approval or disapproval for the items on the agenda on the enclosed Exercise of Voting Rights Form, and then return it to the Company by 5 p.m. on Thursday, June 26, 2008.

Notice of Meeting

1. Date: Friday, June 27, 2008 at 10 a.m.
2. Place: Zuiho Room, Kyoto Century Hotel
680 Higashishiokojicho, Shiokoji-sagaru, Higashinotoin-dori, Shimogyo-ku,
Kyoto-shi, Kyoto
3. Objectives of the meeting:
Reporting:
 1. Report on the Business Report, Consolidated Financial Statements and audit reports from the accounting auditor and the Board of Corporate Auditors on the Consolidated Financial Statements for the 44th fiscal year (from April 1, 2007 to March 31, 2008)
 2. Report on the non-consolidated Financial Statements for the 44th fiscal year (from April 1, 2007 to March 31, 2008)

Agenda:

- | | |
|-------------|------------------------------------|
| Proposal 1: | Appropriation of Retained Earnings |
| Proposal 2: | Election of Six Directors |

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- If you plan to attend the meeting, please submit the enclosed Exercise of Voting Rights form to the receptionist at the meeting.
 - In case of any change in the reference documents, business report, non-consolidated financial statements and consolidated financial statements for the Meeting, the changes will be posted on the Company's website located at <http://www.watabe-wedding.co.jp/watabe/ir/stockholder/4696.html>

Business Report

(April 1, 2007

To March 31, 2008)

1. Present Status of the Group

(1) Operational Conditions in the Current Consolidated Fiscal Year

[1] Progress and Results of Operations

In the current consolidated fiscal year, Japan's economy maintained the momentum of economic recovery for the longest time after the war as backed by the continued high growth in foreign demand. In the second half of the year, however, observed were a declining trend in business sentiment and careful capital investment, which were attributable to several factors: growing risk of slowdown in the global economy because of unrest in the international financial capital market caused by concerns about economic recession and the expanding subprime loan problem in the United States; and in Japan, implications of decreasing profitability associated with rising raw material prices and the steep appreciation of the yen. Consumer spending, which had shown a gradual increase, and employment conditions, which had been on the recovery track, stopped making progress at the end of the year due to downward consumer expectations and cautious attitudes taken by businesses.

In the bridal industry, the number of couples getting married remained on a downward trend due to the low birthrate in Japan as the number of marriage registrations was 714,000 in 2007 (732,000 in 2006). In response to this business environment, the Watabe Group properly addressed personalized and diversified customer needs and aggressively expanded its business presence for "improvement of customer satisfaction" and "maximization of impression" through realization of the total bridal solution and global development.

In the domestic wedding business, we reinforced our operations centering on bridal and banquet services through some efforts including the acquisition of the right to operate "Fukuoka Yamanoue Hotel" in August 2007 and extensive remodeling for the grand opening in October. In September, opened were two facilities: "Nishihara Hillsgarden," as a comprehensive wedding hall for local wedding in Nishihara-shi, Okinawa, and "Coralvita Chapel," the second hall in the premises of Manza Beach Hotel & Resort" in Onnason, Okinawa. In order to address increasing demand for parties held in Okinawa, we established the "Okinawa Wedding Party Desk" in "Meguro Gajoen" as a desk dedicated for the Okinawa resort wedding service in January 2008.

In the overseas wedding business, we founded a wholly-owned subsidiary, "Watabe Wedding HK Limited" to launch the overseas wedding ceremony producing service for foreign customers in August 2007, becoming the first Japanese company in the bridal industry to enter into the Hong Kong market. In October, "Hong Kong Branch" was opened. In the Republic of Indonesia, meanwhile, "Bali Branch" resumed its operation in the same month in order to meet diversified customer needs.

In terms of branch development to extend our sales network into untapped regions, we opened, in April 2007, an all-around bridal shop, “Shinsaibashi Branch” in Chuo-ku, Osaka-shi and “Utsunomiya Branch” in Utsunomiya-shi, Tochigi, and in August, established “Niigata Branch” in Niigata-shi, Niigata and then “Hamamatsu Branch” in Hamamatsu-shi, Shizuoka in November. As a result, our market successfully expanded. Full makeovers were implemented to increase profitability through enhanced branch functionality and improved convenience for customers at the following locations: “Ginza Salon” in Chuo-ku, Tokyo in April, “Tachikawa Branch” in Tachikawa-shi, Tokyo in August and “Yokohama Grand Plaza” in Yokohama-shi, Kanagawa in September. In May “Shizuoka Branch” relocated to Aoi-ku, Shizuoka-shi and was entirely refurbished. Also carried out were relocation of “Sendai Branch” to Aoba-ku, Sendai-shi, Miyagi in December and partial remodeling of “Fukuoka Grand Plaza” in the same month to improve the consultation counter function in “Fukuoka Yamanoue Hotel.”

As for product development, in order to respond to the growing need of Japanese-style wedding ceremonies, we started, in October 2007, selling “Kyoto Wakon,” an elaborate wedding plan providing service contents all related to Kyoto, which were supervised by experts who were well-versed in the history and culture of Kyoto, in place of the previously sold Kyoto wedding plan. Utilizing the strength of the “Kyoto” brand, we encouraged not only Japanese couples but also foreigners to have a Kyoto wedding. Another newly introduced product was “Photogenic Wedding Studio,” a consulting- and customization-oriented wedding photo plan in order to expand the studio business.

Meguro Gajoen released “20-Year-Olds’ Coming-of-Age Ceremony.” This new product combined a photo plan and a meal & drink plan suggesting customers to have commemorative photos to be taken and to hold a celebration with family and friends in commemoration of their 20th birthday. The product was rolled out and well received by group companies as well.

In the current consolidated fiscal year we developed internal administrative rules to respond to the application of the internal control reporting system under the Financial Instruments and Exchange Law, and committed to thorough compliance, awareness campaign for group companies and complete risk control on a global basis.

As a result of the above, the operating performance for the current fiscal year of the Watabe Group constituted net sales of 35,301 million yen (increased by 4.0% from the previous fiscal year), ordinary income of 2,348 million yen (decreased by 10.6% from the previous fiscal year), and net income for the current term of 1,004 million yen (increased by 10.4% from the previous fiscal year), which was because the design cost of 560 million yen was posted as extraordinary loss in the current consolidated fiscal year as the sales management system needed redesign due to altered policies on system development in a new mission-critical system that had been pursued as strategic IT utilization.

Net sales by service are as follows:

(Millions of yen)

Service	Previous consolidated fiscal year (April 1, 2006 to March 31, 2007)		Current consolidated fiscal year (April 1, 2007 to March 31, 2008)		Change from previous year
	Amount	Composition ratio	Amount	Composition ratio	
Sales related to wedding	24,986	73.6%	26,779	75.9%	107.2%
Sales of products and goods	5,022	14.8	4,895	13.8	97.5
Income from rental costumes	3,404	10.0	3,099	8.8	91.0
Other	527	1.6	526	1.5	99.8
Total	33,940	100.0	35,301	100.0	104.0

[2] Capital Investment

We made capital investments of 2,539 million yen in total during the current consolidated fiscal year.

In Japan, we established the wedding facilities of “Nishihara Hillsgarden” (Nishihara-shi, Okinawa) and “Coralvita Chapel” (Onnason, Okinawa), remodeled “Fukuoka Yamanoue Hotel” (Fukuoka-shi, Fukuoka), opened the operation branches of Shinsaibashi Branch, Utsunomiya Branch, Niigata Branch and Hamamatsu Branch, refurbished Ginza Salon, Tachikawa Branch and Yokohama Grand Plaza, and relocated Shizuoka Branch.

In foreign operation, the site for album production factory was acquired in Shanghai, China.

[3] Fund Raising

We raised funds of 34 million yen by issuing 24,000 shares of new stock upon exercise of our stock acquisition rights (stock options) during the current consolidated fiscal year.

Our own funds were allocated for the necessary funds for the capital investments, etc. made during the current consolidated fiscal year.

[4] Acquisition of business from any other company

Pursuant to the resolution in the meeting of the Company’s Board of Directors on June 1, 2007, a business transfer agreement was entered into as of the same day between Watabe Enterprise Corporation and Fukuoka Yamanoue Hotel Co., Ltd. The business operated by Fukuoka Yamanoue Hotel was transferred as of August 1, 2007.

(2) Changes in Assets and Operating Income of the Company

(Millions of yen)

Item	41 st fiscal year ended March 31, 2005	42 nd fiscal year ended March 31, 2006	43 rd fiscal year ended March 31, 2007	44 th fiscal year (current consolidated fiscal year) ended March 31, 2008
Net sales	27,718	31,177	33,940	35,301
Ordinary profit	1,644	1,732	2,625	2,348
Net profit	1,476	1,105	909	1,004
Net profit per share	169.25 yen	111.40 yen	92.18 yen	101.42 yen
Gross assets	20,318	22,164	23,485	22,512
Net assets	12,043	12,984	13,783	13,992
Net assets per share	1,226.83 yen	1,316.70 yen	1,394.27 yen	1,411.99 yen

Note: The "Accounting Standard for Presentation of Net Assets in the Balance Sheet" (ASBJ Statement No.5 issued on December 9, 2005) and the "Guidance on Accounting Standard for Presentation of Net Assets in the Balance Sheet" (ASBJ Guidance No.8 issued on December 9, 2005) are applied from the 43rd fiscal year.

(3) Principal Parent Company and Subsidiaries

[1] Relationship with the Parent Company

Not applicable.

[2] Significant Subsidiaries

Company Name	Capital Stock	Investment Ratio	Principal Business
Watabe U.S.A., Inc.	US\$ 2,234,000	100%	Operation of wedding and costume rental
Watabe Guam, Inc.	US\$ 700,000	100% (100%)	Operation of wedding and costume rental
Watabe Wedding (Shanghai) Co., Ltd.	US\$ 2,300,000	100%	Production and sales of wedding dress
Watabe Wedding Article (Shanghai) Co., Ltd.	385,000,000 yen	100%	Production of photographic album
Watabe Wedding Creative Co., Ltd.	270,000,000 yen	100%	Production of photographic album
K.K. Meguro Gajoen	378,000,000 yen	100%	Operation of wedding and lodging facilities
Okinawa Watabe Wedding Corporation	50,000,000 yen	100%	Operation of wedding and costume rental

Note: The figure in parentheses in the Investment Ratio section indicates the indirect holding ratio, which is included in the total value of ratio.

[3] Results of Business Combinations

As indicated in " (1) Operational Conditions in the Current Consolidated Fiscal Year [1] Progress and Results of Operations" above.

(4) Issues to be Addressed

The Watabe Group recognizes the following management issues.

[1] Reinforced and Improved Compliance System

It is important to further reinforce and improve our compliance system to contribute to society in accordance with the basic management philosophy. It requires unrelenting efforts to ensure the awareness of the basic management philosophy and compliance throughout the Group.

[2] Establishment of Global Strategies

In Japan the reduction in the marriageable population is unavoidable in the future due to the continued trend to marry at a later stage in life and declining birthrate. Accordingly it is important to establish the overseas wedding global business, which started in full scale in the previous consolidated fiscal year, and to quickly build up the overseas destination wedding especially in Asia as our new key business.

[3] Retention of the Number of Wedding Couples

As the growth of a further personalized wedding trend is shown in customer needs, it is imperative that we retain and increase the number of wedding couples by exploring new destinations for wedding both at home and abroad as well as developing and suggesting new wedding styles to realize the creation of wonderful lifestyles.

[4] Improvement in Profit Margins

Our challenge is to improve profitability in order to ensure the future development. Therefore, it is necessary to decrease the cost percentage by streamlining overseas production locations, which are the Group's advantage, as well as promoting further internal production. Other issues include efficient staffing and control of selling, general & administrative expenses.

[5] Fostering of Human Resources

As provision of total bridal solutions by the Group requires expertise and substantial experience, it is important to secure and foster human resources with such skills. In several fields including video, photograph and cosmetology, our challenge is to secure and foster new professional personnel.

[6] Renewal of the Mission-Critical System

Although the computer system centering on finance and accounting, which was introduced to enhance the internal control system, is now in operation, renewal of the mission-critical system for improvement in customer services are behind schedule and not yet brought into operation due to altered development policies. Our challenge is smooth migration to the new mission-critical system.

Recognizing these items listed above as our issues to be addressed in the new fiscal year, we will exert efforts for improvement.

(5) Description of Principal Businesses (as of March 31, 2008)

- [1] Overseas wedding services and travel services intended for wedding participants
- [2] Domestic wedding services including operation of wedding facilities
- [3] Production and sales of wedding dress, wedding-related items etc.
- [4] Renting wedding-related costumes and formal costumes for coming-of-age ceremony, various parties, etc.
- [5] Integrated service of costumes and photographs by combining beauty care, dressing and studio portraits
- [6] Wedding-related services, including consultation for wedding halls in Japan, producing wedding ceremonies, planning and directing of wedding receptions, and offer of bridal goods such as jewelry and gem

(6) Primary Business Sites (as of March 31, 2008)

[1] The Company

WATABE WEDDING CORPORATION	Head office	Kyoto
	Branch office	Hawaii (United States of America), Australia
	Business office	Kyoto, Tokyo, Yokohama, Osaka, Shiga, Nagoya, Kobe, Shinjuku, Hiroshima, Sapporo, Fukuoka

[2] Subsidiaries

Company Name	Location
K.K. Meguro Gajoen	Tokyo
Okinawa Watabe Wedding Corporation	Okinawa
Watabe Enterprise Corporation	Fukuoka
Watabe Family Club K.K.	Kyoto, Osaka
K.K. H・R・S・S	Kyoto
Watabe Human Support K.K.	Kyoto
Watabe U.S.A., Inc.	United States of America
Watabe Guam, Inc.	Guam (United States of America)
Watabe Saipan, Inc.	Saipan (Northern Mariana Islands)
Watabe Wedding Canada, Inc.	Canada
Watabe Australia Pty. Ltd.	Australia, New Zealand
Watabe Europe S.A.R.L.	France
Watabe U.K., Ltd.	UK
Watabe Wedding Vietnam Co., Ltd.	Vietnam
Watabe Wedding Service (Shanghai) Co., Ltd.	China
Watabe Wedding (Shanghai) Co., Ltd.	China
Watabe Wedding Creative (Shanghai) Co., Ltd.	China
Shanghai Saison Des Brides Trade Co., Ltd.	China
Watabe Wedding Article (Shanghai) Co., Ltd.	China
Shanghai Saison Tuxedo Co., Ltd.	China
Watabe Wedding HK Limited	China
P.T. Watabe Bali	Republic of Indonesia

(7) Employees (as of March 31, 2008)

[1] Employees of the Watabe Group

Number of employees	Change from the previous consolidated fiscal year
1,788	124 employees increased

Note: The number of employees refers solely to full-time employees and does not include the 814 temporary employees (yearly average number of persons employed).

[2] Employees of the Company

Number of employees	Change from the previous fiscal year	Average age	Average length of service
465	30 employees increased	35.5	6.5 years

Note: The number of employees refers solely to full-time employees and does not include the 400 temporary employees (yearly average number of persons employed).

(8) Primary Creditors (as of March 31, 2008)

Creditor	Balance of borrowings
The Bank of Tokyo-Mitsubishi UFJ, Ltd	480 (million yen)
Bank of Kyoto, Ltd.	310
Mitsubishi UFJ Trust and Banking Corporation	230
Shiga Bank, Ltd.	110
Mizuho Bank, Ltd.	110
The Dai-ichi Mutual Life Insurance Company	90
Meiji Yasuda Life Insurance Company	80
Nippon Life Insurance Company	60

2. Present Status of the Company

(1) Shares (as of March 31, 2008)

- [1] Number of shares authorized to be issued: 22,000,000
 [2] Number of shares issued: 9,909,400
 [3] Number of shareholders: 5,231
 [4] Shareholder who owns a tenth or more of the number of shares issued

Name of shareholder	Capital contribution to the Company	
	Share ownership	% of total issued shares
K.K. Jusen	2,005,400	20.23%

Note: For calculation of the percentage of total issued shares, treasury stock (124 shares) is excluded.

(2) Stock Acquisition Rights

Stock acquisition rights issued in return for performance of duties, which are owned by the Company's directors and corporate auditors (as of March 31, 2008)

a. Outlines of stock acquisition rights based on the resolution in the Ordinary General Meeting of Shareholders held on June 27, 2003 pursuant to provisions of the former Commercial Code

- Class and number of shares to be issued upon exercise of the stock acquisition rights
1,500 shares of common stock
- Amount to be paid per share upon exercise of the stock acquisition rights
1,290 yen per share
- Exercise period of stock acquisition rights
From August 1, 2005 to July 31, 2008
- Conditions for exercise of stock acquisition rights
Required to be a Director, Corporate Auditor or employee of the Company at the execution of the right.
- Situation of holding by Directors and Corporate Auditors

	Number of shares to be issued	Number of holders
Directors (Excluding Outside Directors)	1,500	1
Outside Directors	—	—
Corporate Auditors	—	—

b. Outlines of stock acquisition rights based on the resolution in the Ordinary General Meeting of Shareholders held on June 29, 2004 pursuant to provisions of the former Commercial Code

- Class and number of shares to be issued upon exercise of the stock acquisition rights
42,000 shares of common stock
- Amount to be paid per share upon exercise of the stock acquisition rights
2,703 yen per share
- Exercisable period of stock acquisition rights
From August 1, 2006 to July 31, 2009
- Conditions for exercise of stock acquisition rights
Required to be a Director, Corporate Auditor or employee of the Company at the execution of the right.
- Situations of holding by Directors and Corporate Auditors

	Number of shares to be issued	Number of holders
Directors (Excluding Outside Directors)	27,000	4
Outside Directors	3,000	1
Corporate Auditors	12,000	3

(3) Company Directors

[1] Directors and Corporate Auditors (as of March 31, 2008)

Title	Name	Duty or Principal Occupation
President & Representative Director	Takao Watabe	
Managing Director	Katsumi Ueda	
Director	Hiroshi Kawaguchi	Director of Executive Office
Director	Hidetoshi Watabe	In charge of Sales Executive Management and Division Director, Destinations Wedding Business Division
Director	Hiroya Yamamoto	Division Director, Administration Division
Director	Kazuaki Ichihashi	
Director	Norio Hirai	
Full-Time Corporate Auditor	Hisashi Iwasaki	
Corporate Auditor	Toshio Fujimoto	
Corporate Auditor	Hisao Shimizu	Certified Tax Accountant
Corporate Auditor	Masashi Kudo	Attorney

- Note:
- Norio Hirai is an outside director.
 - Three Corporate Auditors, Hisashi Iwasaki, Hisao Shimizu and Masashi Kudo are outside corporate auditors.
 - The following officers of the Company concurrently have other significant posts in the current fiscal year as indicated below.
 - Takao Watabe, Director, doubles as Representative Director of K.K. Meguro Gajoen.
 - Katsumi Ueda, Director, also serves as Director of K.K. Meguro Gajoen and Representative Director of Watabe Enterprise Corporation.
 - Hidetoshi Watabe, Director, also serves as Representative Director of Watabe Wedding (Shanghai) Co., Ltd and six other companies.
 - Hisao Shimizu, Corporate Auditor, is a certified tax accountant and has knowledge of finance and accounting.
 - Changes in duties of Directors in the current fiscal year are as follows.
 - Katsumi Ueda, Managing Director, was relieved from the duties of Division Director of Administration Division as of March 21, 2008.
 - As of March 21, 2008 Hidetoshi Watabe, Director, was relieved from the duties of Division Director of Asian Business Division (renamed from Content Business Division as of October 1, 2007), and was delegated the duties of the position in charge of Sales Executive Management.
 - As of March 21, 2008 Hiroya Yamamoto, Director, was relieved from the duties of Division Director of Marketing and Planning Division & Sales Division and was delegated the duties of Division Director of Administration Division.
 - Resignation of Directors and Corporate Auditors during the fiscal year
The following is the officer who had been in office on or after the day following the date of the closure of the 43rd Annual Meeting of Shareholders (held on June 28, 2007), and thereafter left his office during the current fiscal year.

Position in the Company at Resignation	Name	Responsibility or Main Occupation at Resignation	Date of Resignation
Managing Director	Masahiko Shimazaki	—	September 30, 2007

(Note) This was due to voluntary resignation.

- Norio Hirai voluntarily resigned as Director as of March 31, 2008.

[2] Remuneration paid to Directors and Corporate Auditors

Title	No. of person	Amount paid
Directors	8	120,158 thousand yen
Corporate Auditors	4	25,350
Total	12	145,508

- Note: 1. The 32nd Ordinary General Meeting of Shareholders held on June 27, 1996 resolved that the maximum annual amount for remuneration of Directors would be up to 300,000 thousand yen (excluding the salary for the employee status of Directors, who have duties in their capacity as employee.).
2. The 32nd Ordinary General Meeting of Shareholders held on June 27, 1996 resolved that the maximum annual amount for remuneration of Corporate Auditors would be up to 30,000 thousand yen.

[3] Matters related to outside directors

a. Positions in other companies (in the case of operating officers in other companies) and any relationship between the Company and the relevant companies.

- Hisao Shimizu, Corporate Auditor, doubles as Representative Partner of Kyoto Shimei Tax Consulting Corporation. Please note that the Company has entered into a tax advisory contract with Kyoto Shimei Tax Consulting Corporation.

b. Position as outside directors in other companies

- Masashi Kudo, Corporate Auditor, doubles as Outside Corporate Auditor in FUJIX, Ltd.

c. Principal activities in the current fiscal year

- Attendance in meetings of the Board of Directors and the Board of Corporate Auditors

	Board of Directors (15 meetings held)		Board of Corporate Auditors (13 meetings held)	
	No. of meetings attended	Attendance rate (%)	No. of meetings attended	Attendance rate (%)
Norio Hirai, Director	15	100	—	—
Hisashi Iwasaki, Corporate Auditor	15	100	13	100
Hisao Shimizu, Corporate Auditor	14	93	13	100
Masashi Kudo, Corporate Auditor	15	100	12	92

- Statements in meetings of the Board of Directors

Norio Hirai, Director, is actively and properly making statements on the agenda items for improvement of corporate values from a shareholder's point of view. The management supervision function is fully exerted through his opinions, which are supported by a wealth of experience and knowledge about management in general. His valuable advice in the initial stage of development of business policies is not only extremely helpful to secure an appropriate direction for business policies but also an important guide for management judgment.

Hisashi Iwasaki, Corporate Auditor, is offering advice and suggestions taking advantage of his long experience mainly as a corporate executive.

Hisao Shimizu, Corporate Auditor, offers advice and suggestions taking advantage of his wealth of experience and expertise mainly as a certified tax accountant.

Masashi Kudo, Corporate Auditor, is offering advice and suggestions from the perspective as a legal professional.

d. Outlines of the limited liability agreement

Pursuant to the provision of Paragraph 1 of Article 427 in the Company Law, the Company has entered into a limited liability agreement, which limits their liability for damages stipulated in Paragraph 1 of Article 423 in the company law, with the outside director and each of the outside corporate auditors. The maximum liability for damages under such agreement is the amount stipulated in Paragraph 1 of Article 425 in the Company Law.

e. Outlines of the limited liability agreement

The total amount of remuneration for outside officers in the fiscal year is 27,150,000 yen.

(4) Accounting Auditor

[1] Name: Deloitte Touche Tohmatsu

[2] Remuneration

	Amount Paid
Remuneration for the accounting auditor in the current fiscal year	31 million yen
Total amount of profits in cash and other property payable by the Company and its subsidiaries to the accounting auditor	53 million yen

- Note:
1. The Company's overseas subsidiaries are subject to audit (which must be the one pursuant to provisions in the Company Law or the Financial Instruments and Exchange Law (or a foreign law equivalent to any of these laws)) by a certified public accountant or auditing firm (including those equivalent to these qualifications overseas) other than the accounting auditor of the Company.
 2. In the audit contract between the Company and the accounting auditor, there is no distinct division in remuneration amounts for the audit under the Company Law and for the one pursuant to the Financial Instruments and Exchange Law, and in practice it is not possible to divide such remuneration. Accordingly the remuneration in the current fiscal year represents the total amount for these audits.

[3] Non-audit service

The Company has entrusted to the accounting auditor the "Guidance and Advice Service for Internal Control over Financial Reporting," which is a service other than those set forth in Paragraph 1 of Article 2 in the Certified Public Accountant Law (non-audit service).

[4] Policies to determine dismissal or non-reappointment of the accounting auditor

If it is deemed difficult for the accounting auditor to properly perform their duties, or if the accounting auditor comes under any of the circumstances set forth in Paragraph 1 of Article 340 in the Company Law, the Company will, in principle, bring up a proposal on dismissal or non-reappointment of the accounting auditor for discussion in a general meeting of shareholders upon agreement or request of the Board of Corporate Auditors.

(5) Systems to ensure adequacy of duties

In the meeting of the Board of Directors held on March 18, 2008, the Company reviewed systems to ensure that Directors' performance of their duties conforms to laws and the Articles of Incorporation and on any other systems to secure adequacy of operations in the Company, and adopted the following resolutions.

- [1] Systems to ensure that directors' and employees' performance of their duties conforms to the law and the Articles of Incorporation
- Establish and familiarize officers and employees with "Compliance Procedures" to ensure that the officers' and employees' performance of their duties conforms to laws and the Articles of Incorporation, and that they fulfill their social responsibilities.
 - Raise and keep awareness of compliance with laws among Directors and employees through training and creation and distribution of manuals for compliance.
 - Verify the performance of the management and operation system as well as the duties involved, and report the results to the President through the "Audit Office" under the direct control of the President.
 - Appropriately handle reports on actual or potential compliance violations, which may be received pursuant to the whistle-blowing system.
- [2] System for storage and management of information related to directors' performance of their duties
- Perform management of decision making by Directors and reporting to Directors in accordance with "Document Control Procedures" and "IT Security Procedures" for creation, storage and disposal of documents.
- [3] System for procedures to control risk of loss and others
- Manage directors' decision making and reporting to directors performed in accordance with "Document Control Procedures" for creation, storage and disposal of documents.
 - Form a "risk control committee" for management risk led by the President as the chairperson of the committee.
- [4] System to ensure that the directors' duties are efficiently performed
- To ensure a prompt response to changes in the business environment, executive directors will, twice a month, hold a "Meeting of Managing Directors", which plays a role complementary to the meetings of the Board of Directors.
 - Adopt an executive officer system for more efficient performance of duties, and reinforce functions of the Board of Directors.
 - Hold a "Management Executive Meeting" once a month for discussion, consultation and prompt response to the performance of daily operations and business involving the entire Group.
 - Establish, as an advisory organization of the Board of Directors, a "Personnel Advisory Committee", where adequacy and validity of issues on election of Directors and remuneration of officers are discussed to enhance corporate governance.
- [5] System to secure adequacy of operations in the Company and the Group consisting of the parent company and its subsidiaries
- Establish "Compliance Procedures" and "Risk Control Procedures" to develop a compliance system and a risk control system for the entire Group.
 - System to secure adequacy of operations in the Company and the Group consisting of the parent company and its subsidiaries.

[6] Matters relating to the employment of assistants for the corporate auditors as requested for fulfillment of their duties

Upon the request of the corporate auditors, assisting staff will be provided as necessary for the corporate auditors.

[7] Matters concerning the above staff's independence from directors

Obtain prior consent from corporate auditors with respect to personnel changes, personnel evaluation and disciplinary actions toward the assisting staff for the corporate auditors.

[8] System for reporting from directors and employees to corporate auditors and for other reporting to corporate auditors

Directors and employees will report the following matters to corporate auditors.

- Facts that may cause any significant damage to the Company.
- Facts that constitute an act of dishonesty or breach of the law or the Articles of Incorporation regarding the directors' performance of their duties.
- Facts reported based on the whistle-blowing system.
- Results of inspections by concerned authorities and of external audits.
- Administrative punishment by relevant authorities or similar cases.
- The nature of important items of disclosure.

[9] Other systems to ensure that audits are effectively conducted by corporate auditors

The effectiveness of audits by corporate auditors is secured through the following initiatives.

- Hold a meeting between the President and corporate auditors on a regular basis.
- Conduct a periodical hearing for directors and important employees.
- Provide staff for corporate auditors and utilize experts by request of the corporate auditors.
- Attendance of various meetings, submission of materials for inspection, reporting of necessary issues.
- Information exchange with the accounting auditor.

Consolidated Balance Sheets

(As of March 31, 2008)

(Thousands of Yen)

Accounts	Amount	Accounts	Amount
(Assets)		(Liabilities)	
Current assets	6,657,580	Current liabilities	7,248,321
Cash and deposits	3,540,756	Trade accounts payable	1,397,878
Trade accounts receivable	1,266,656	Short-term bank loans	336,732
Inventories	930,399	Current portion of long-term bank loans	620,000
Prepaid expenses	446,123	Accounts payable - other	1,583,043
Deferred tax assets	295,970	Accrued expenses	356,081
Accounts receivable - other	24,653	Income tax payable	408,988
Others	180,581	Advances received	2,046,665
Allowance for doubtful accounts	△27,560	Accrued bonus	381,743
Fixed assets	15,854,787	Others	117,187
Tangible fixed assets	10,358,945	Fixed liabilities	1,271,944
Rental costume	182,707	Long-term bank loans	650,000
Buildings and structures	6,359,446	Deferred tax liabilities on revaluation	25,072
Furniture and fixtures	1,725,758	Allowance for retirement benefits	119,442
Land	1,685,741	Negative goodwill	62,554
Construction in progress	168,168	Others	414,874
Others	237,122	Total Liabilities	8,520,265
Intangible fixed assets	1,160,744	(Net assets)	
Investments and other assets	4,335,097	Shareholders' equity	14,751,427
Investment securities	285,725	Capital stock	4,176,372
Long-term prepaid expenses	173,581	Capital surplus	4,038,172
Deferred tax assets	730,159	Retained earnings	6,537,191
Guarantee deposits	2,855,254	Treasury stock	△308
Insurance reserve fund	254,687	Revaluation and translation adjustments	△759,589
Bad debts	27,821	Unrealized gain on available-for-sale securities	69,817
Others	67,039	Deferred gain on hedge	△33,918
Allowance for doubtful accounts	△59,171	Land revaluation difference	△913,927
		Foreign currency translation adjustments	118,439
		Minority interests	265
		Total net assets	13,992,103
Total assets	22,512,368	Total liabilities and net assets	22,512,368

Consolidated Statements of Income

(April 1, 2007 to March 31, 2008)

(Thousands of Yen)

Accounts	Amount	
Net sales		35,301,614
Cost of Sales		12,782,457
Gross profit		22,519,156
Selling, general & administrative expenses		20,233,669
Operating income		2,285,486
Non-operating income		
Interest and dividends received	23,469	
Other income	267,472	290,941
Non-operating expenses		
Interest paid	29,197	
Other expenses	199,129	228,326
Ordinary income		2348,101
Extraordinary profit		
Gain on sale of fixed assets	176,549	176,549
Extraordinary losses		
Loss on sale and disposal of fixed assets	131,049	
Impairment loss	560,564	
Loss on liquidation of facilities and stores	42,961	
Legal settlement	13,000	747,575
Income before income taxes and minority interests		1,777,076
Income taxes - current	1,006,730	
Income taxes - deferred	△233,229	773,501
Minority loss		895
Net income		1,004,470

Consolidated Statements of Changes in Shareholders' Equity (April 1, 2007 to March 31, 2008)

(Thousands of Yen)

	Shareholder's equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of March 31, 2007	4,159,237	4,021,037	5,809,859	△257	13,989,877
Changes during the consolidated fiscal year					
New issue of stock upon exercise of stock acquisition rights	17,134	17,134			34,269
Dividends			△277,138		△277,138
Net income			1,004,470		1,004,470
Repurchase of stock				△50	△50
Net changes in accounts other than shareholders' equity during the consolidated fiscal year					
Total changes during the consolidated fiscal year	17,134	17,134	727,331	△50	761,549
Balance as of March 31, 2008	4,176,372	4,038,172	6,537,191	△308	14,751,427

	Revaluation and translation adjustments					Minority interest	Total net assets
	Unrealized gain on available-for-sale securities	Deferred gain on hedge	Land revaluation difference	Foreign currency translation adjustments	Total revaluation and translation adjustments		
Balance as of March 31, 2007	100,349	8,821	△524,424	207,490	△207,762	1,237	13,783,353
Changes during the consolidated fiscal year							
New issue of stock upon exercise of stock acquisition rights							34,269
Dividends							△277,138
Net income							1,004,470
Repurchase of stock							△50
Net changes in non-shareholders' equity items during the consolidated fiscal year	△30,532	△42,740	△389,503	△89,051	△551,827	△972	△552,799
Total changes during the consolidated fiscal year	△30,532	△42,740	△389,503	△89,051	△551,827	△972	208,750
Balance as of March 31, 2008	69,817	△33,918	△913,927	118,439	△759,589	265	13,992,103

Notes to Consolidated Financial Statements

1. Significant basis in preparation of Consolidated Financial Statements

(1) Scope of consolidation

- [1] Number of consolidated subsidiaries: 24
- [2] Principal consolidated subsidiaries:
- Watabe U.S.A., Inc.
 - Watabe Guam, Inc.
 - Watabe Wedding (Shanghai) Co., Ltd.
 - Watabe Wedding Article (Shanghai) Co., Ltd.
 - Watabe Wedding Creative (Shanghai) Co.
 - K.K. Meguro Gajoen
 - Okinawa Watabe Wedding Corporation

[3] Change in the scope of consolidation

Watabe Enterprise Corporation and Watabe Wedding HK Limited, both of which were founded in the current consolidated fiscal year, are newly included in the scope of consolidation from the year.

(2) Application of equity method

Not applicable.

(3) Fiscal year of consolidated subsidiaries

Watabe U.S.A., Inc. and other 16 consolidated subsidiaries have fiscal years ending on March 31. Watabe Wedding (Shanghai) Co., Ltd. and other 6 consolidated subsidiaries have fiscal years ending on December 31.

The consolidated financial statements as of the above date are used for presentation. Necessary adjustments are made for significant inter-company transactions during the period between their respective fiscal year ends and the consolidated closing date.

(4) Accounting policies

[1] Valuation basis and method for important assets

a. Other securities:

- With market value: Market value method based on the market price or otherwise on the consolidated closing date (Unrealized gains and losses, net of applicable taxes, are reported in a separate component of net assets. The cost of securities sold is computed primarily based on the moving average method)
- Without market value: Cost method based on the moving average method

b. Derivative instruments:

Market value method

c. Inventories:

- Merchandise / products / work in progress: Primarily cost method based on the gross average method
- Raw materials: Primarily cost method based on the moving average method
- Supplies: Last purchase method

[2] Depreciation/amortization method for major depreciable/amortizable assets

a. Tangible fixed assets:

- Domestic assets: Rental costume: Straight-line method
Buildings and structures: Declining-balance method
However, for the buildings (except for annexed facilities) obtained after April 1, 1998, straight-line method is adopted.
Furniture and fixtures: Straight-line method
Other: Declining-balance method
 - Foreign assets: Straight-line method
- The principal estimated useful lives are:
- | | |
|--------------------------|------------|
| Rental Costume | 2-3 years |
| Buildings and Structures | 5-47 years |
| Furniture and fixtures | 2-20 years |

(Change in accounting policies)

Associated with the revision of the Corporation Tax law, the Company and its domestic consolidated subsidiaries have changed their depreciation method since the current consolidated fiscal year in order to comply with the revised Corporation Tax Law in terms of the tangible fixed assets acquired on and after April 1, 2007. As a result, operating income, ordinary income and net income before income taxes and minority interests respectively decreased by 29,936 thousand yen.

(Additional information)

In regard to the assets acquired on or before March 31, 2007, associated with the revision of the Corporation Tax Law, the Company and its domestic consolidated subsidiaries have adopted the method to evenly depreciate the difference between the amount equivalent to 5% of the acquisition cost and the memorandum value for a five-year period to post the result as part of depreciation expenses from the consolidated fiscal year following the consolidated fiscal year reaching the amount of 5% of their acquisition cost by the application of the depreciation method pursuant to the unrevised Corporation Tax Law.

As a result, operating income, ordinary income and net income before income taxes and minority interests respectively decreased by 29,421 thousand yen.

- b. Intangible fixed assets: Straight-line method
Capitalized software for internal use is amortized over the estimated useful life in the company (5 years).
- c. Long-term prepaid expenses: Equal amortization

[3] Accounting for major allowances and accruals

- a. Allowance for doubtful accounts: Allowances for doubtful accounts are estimated based on the actual past ratio of losses on bad debts.
Certain allowances are provided based on estimates of uncollectible amounts based on analysis of certain individual receivables.
- b. Accrued bonuses: Accrued bonuses are provided based upon amounts expected to be paid in accordance with the subjected term.
- c. Allowance for retirement benefits: Allowance for retirement benefits are recognized based on projected retirement benefits obligations and plan assets at the balance sheets date.
Actuarial gains or losses are amortized over the term (5 years) which is within estimated average remaining service period of employees using the straight-line method following the year incurred.

[4] Other significant matters for preparation of consolidated financial statements

a. Exchange method of foreign currency transaction and financial statements

Foreign currency denominated receivables and payables are converted into Japanese yen at the spot exchange rates on the consolidated closing date. Resultant gains and losses on such translation are recognized in the statements of income. Assets and liabilities of overseas subsidiaries are translated into Japanese yen at the spot exchange rates on the consolidated closing date while revenue and expense accounts are converted into Japanese yen at the average exchange rates. Resultant gains and losses on such translation are included in the accounts of foreign currency exchange adjustments and minority interests in net assets.

b. Leases transactions

Finance leases that deem to transfer ownership of the leased property to the lessee are to be capitalized, while other finance lease in Japan are permitted to be accounted for as operating lease transactions if certain “as if capitalized” information is disclosed in the notes to the lessee's financial statements. Outside of Japan, other finance leases are still to be capitalized if they meet certain criteria.

c. Accounting for hedging

Deferral hedge accounting is applied. For derivatives used for hedging purposes, if derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gain or losses on derivatives are deferred until maturity of the hedged transactions.

The foreign exchange forward contracts are utilized to hedge foreign currency exposures on overseas transactions. Trade payables and receivables denominated in foreign currencies are calculated at the contracted rates if the forward contracts qualify for hedge accounting.

The interest rate swaps that qualify for hedge accounting and meet specific matching criteria are not remeasured at market value but the differential paid or received under the swap agreements is recognized and included in interest expense or income.

d. Accounting for consumption taxes

Consumption tax and similar taxes are excluded from all items in the consolidated statements of income.

(5) Valuation method of assets and liabilities of overseas subsidiaries

All assets and liabilities of overseas subsidiaries are reported at fair value.

(6) Amortization of negative goodwill

Negative goodwill is amortized over 5 years using the straight-line method.

2. Notes to Consolidated Balance Sheets

(1) Pledged assets

Buildings and structures:	68,606 thousand yen
Land:	636,872 thousand yen
<hr/>	
Total:	705,479 thousand yen

The above property is pledged for the long-term bank loans (including the current portion) of 720,000 thousand yen.

(2) Accumulated depreciation of tangible fixed assets: 7,247,891 thousand yen

This accumulated depreciation includes impairment loss.

- (3) The Company revaluates its business-use land in accordance with the “Law of Land Revaluation” (Law No. 34 published on March 31, 1998) and revaluation difference, net of income tax, is presented as a component of net assets.

Revaluation method: Based on the appraisal value used for calculation of land price taxes as specified by Article 2, Item 4 of the “Enforcement Regulations of the Law of Land Revaluation” (Ordinance No. 119 published on March 31, 1998)

Date of revaluation: March 31, 2002

Difference between fair value at the end of the current consolidated fiscal year and book value after revaluation: 40,675 thousand yen

3. Notes to Consolidated Statements of Income

Impairment loss

The Group recognized an impairment loss for the following asset groups in the current consolidated fiscal year.

Use of Asset	Location	Category
Computer system	Head office	Intangible fixed asset

(Method of asset grouping)

The Group has grouped assets based on the classification for management accounting by each of operation branches and wedding facilities.

(Background to the reported impairment loss)

Due to changes in the design policies on the new mission-critical system, development of which had been in progress for renewal of the existing computer system, the Company evaluated the effectiveness of the asset on expenses required for building as well as the expected bottom-line effect brought by the new system, and determined that it would fail to receive a sufficient evaluation although taking over part of the previous development concept. Therefore, the Company reduced its book value to the recoverable value, and posted the decrease as impairment loss (560,564 thousand yen) in extraordinary losses.

(Amount of the impairment loss)

The recoverable value for this asset group is measured based on the use value. Due to the difficulty of its use, the use value is determined as zero.

4. Notes to Consolidated Statements of Changes in Shareholders' Equity

(1) The number of shares issued

Class of shares	Shares at the end of the previous consolidated fiscal year	Increase in shares during the current consolidated fiscal year	Decrease in shares during the current consolidated fiscal year	Shares at the end of the current consolidated fiscal year
Common stock	9,884,900	24,500	—	9,909,400

Note: Increase in the number of shares issued is due to issue of new shares upon exercise of stock acquisition rights.

(2) The number of shares of treasury stock

Class of shares	Shares at the end of the previous consolidated fiscal year	Increase in shares during the current consolidated fiscal year	Decrease in shares during the current consolidated fiscal year	Shares at the end of the current consolidated fiscal year
Common stock	97	27	—	124

(3) Dividends distributed from retained earnings

[1] Amount and other information on dividends paid

a. Dividend information resolved in the 43rd Ordinary General Meeting of Shareholders held on June 28, 2007

- Total amount of the dividend: 128,502 thousand yen
- Dividend amount per share: 13 yen
- Record date: March 31, 2007
- Effective date: June 29, 2007

b. Dividend resolved at the meeting of the Board of Directors held on November 8, 2007

- Total amount of the dividend: 148,636 thousand yen
- Dividend amount per share: 15 yen
- Record date: September 30, 2007
- Effective date: December 3, 2007

[2] Dividend for which the record date belongs to the current consolidated fiscal year but the effective date is in the following year

The following issues are on the agenda in the 44th Ordinary General Meeting of Shareholders held on June 27, 2008.

- Total amount of the dividend: 148,639 thousand yen
- Dividend amount per share: 15 yen
- Record date: March 31, 2008
- Effective date: June 30, 2008

Please note that retained earnings is expected to be used as dividend resource.

(4) Matters on stock acquisition rights as of the end of the current consolidated fiscal year

	Resolution in the Ordinary General Meeting of Shareholders on June 27, 2003	Resolution in the Ordinary General Meeting of Shareholders on June 29, 2004
Class of shares	Common stock	Common stock
Number of shares	59,600	250,000
Amount to be paid per share upon exercise of the rights	1,290 yen	2,703 yen
Exercise period of stock acquisition rights	August 1, 2005 to July 31, 2008	August 1, 2006 to July 31, 2009

5. Notes to Retirement and Pension Plans

(1) Outline of Retirement and Pension Plans

The Company and certain domestic subsidiaries have non-contributory funded and unfunded defined benefit retirement plans for domestic employees. For employees of the Company's overseas branches, the Company provides defined contribution retirement plans. Certain overseas subsidiaries also have employees' defined benefit retirement plans.

(2) Projected benefit obligation

Projected benefit obligation	△760,062 thousand yen
Fair value of Plan assets	<u>611,905 thousand yen</u>
Net	△148,156 thousand yen
Unrecognized actuarial loss	<u>51,280 thousand yen</u>
Net amount in the consolidated balance sheets	△96,876 thousand yen
Prepaid pension cost	<u>22,566 thousand yen</u>
Benefit obligation at the end of year	<u>△119,442 thousand yen</u>

(Note) Prepaid pension cost is included in the "Other" account under investments and other assets.

(3) Benefit costs

Service cost	74,168 thousand yen
Interest cost	8,133 thousand yen
Expected return on plan assets	△12,706 thousand yen
Recognized actuarial loss	<u>△11,699 thousand yen</u>
Retirement benefit expense	57,895 thousand yen
Pension premiums for defined contribution pension plan	<u>3,551 thousand yen</u>
Net periodic benefit costs	<u>61,447 thousand yen</u>

(4) Basis and assumption

[1] Method of the periodical allocation of the cost of the estimated payment amount of the retirement benefit	Fixed amount for the applicable term
[2] Discount rate	1.5%
[3] Expected rate of return on plan assets	2.0%
[4] Recognition period of actuarial gain/loss	5 years following the consolidated fiscal year of the occurrence

6. Notes to Per-share Information

(1) Net assets per share	1,411.99 yen
(2) Net income per share	101.42 yen

7. Amounts are rounded down to the nearest thousand.

Non-consolidated Balance Sheets

(As of March 31, 2008)

(Thousands of Yen)

Accounts	Amount	Accounts	Amount
(Assets)		(Liabilities)	
Current assets	3,545,706	Current liabilities	5,046,500
Cash and deposits	1,047,036	Trade accounts payable	1,273,038
Trade accounts receivable	1,009,866	Short-term bank loans	200,000
Merchandises	182,430	Current portion of long-term bank loans	620,000
Raw materials	60,696	Accounts payable - other	574,889
Prepaid expenses	233,290	Accrued expenses	209,953
Deferred tax assets	330,880	Income tax payable	147,626
Short-term loans receivable	211,512	Advances received	1,708,751
Accounts receivable - other	227,055	Deposits received	17,322
Other	321,025	Accrued bonus	236,727
Allowance for doubtful accounts	△78,087	Others	58,190
Fixed assets	14,220,541	Fixed liabilities	928,319
Tangible fixed assets	7,178,705	Long-term bank loans	650,000
Rental costume	96,377	Guarantee deposits received	229,047
Buildings	4,522,178	Long-term accounts payable	25,072
Structures	109,852	Allowance for retirement benefits	24,200
Vehicles and delivery equipment	24,507		
Furniture and fixtures	582,487	Total liabilities	5,974,820
Land	1,685,741	(Net assets)	
Construction in progress	157,560	Shareholders' equity	12,669,455
Intangible fixed assets	403,731	Capital stock	4,176,372
Telephone rights	26,927	Capital surplus	4,038,172
Utility rights	289	Capital reserve	4,038,172
Software	376,515	Retained earnings	4,455,220
Investments and other assets	6,638,104	Other retained earnings	4,455,220
Investment securities	285,725	Reserve for dividends	750,000
Affiliated companies' stocks	929,465	General reserve	1,910,000
Investments in equity	600	Retained earnings carried forward	1,795,220
Investments in equity of affiliated companies	1,272,923	Treasury stock	△308
Long-term loans receivable	809,925	Revaluation and translation adjustments	△878,028
Long-term prepaid expenses	105,501	Unrealized gain on available-for-sale securities	69,817
Deferred tax assets	669,807	Deferred gain on hedge	△33,918
Guarantee deposits	2,539,859	Land revaluation difference	△913,927
Insurance reserve fund	254,687	Total net assets	11,791,427
Bad debts	27,821		
Other	52,915		
Allowance for doubtful accounts	△311,129		
Total assets	17,766,247	Total liabilities and net assets	17,766,247

Non-consolidated Statements of Income

(April 1, 2007 to March 31, 2008)

(Thousands of Yen)

Accounts	Amount	
Net sales		21,973,562
Cost of Sales		11,567,312
Gross profit		10,406,250
Selling, general & administrative expenses		8,948,445
Operating income		1,457,805
Non-operating income		
Interest and dividends received	329,799	
Other income	69,595	399,394
Non-operating expenses		
Interest paid	27,523	
Other expenses	134,077	161,601
Ordinary income		1,695,598
Extraordinary profit		
Gain on sale of fixed assets	162,600	162,600
Extraordinary losses		
Loss on sale and disposal of fixed assets	108,894	
Loss on revaluation of investments in equity of affiliated companies	35,221	
Transfer to allowance for doubtful accounts	78,796	
Impairment loss	560,564	
Loss on liquidation of facilities and stores	42,961	
Legal settlement	13,000	839,437
Income before income taxes and minority interests		1,018,760
Income taxes - current	474,110	
Income taxes - deferred	△164,695	309,414
Net income		709,346

Non-consolidated Statements of Changes in Shareholders' Equity

(April 1, 2007 to March 31, 2008)

(Thousands of Yen)

	Shareholder's equity								Treasury stock	Total shareholders' equity
	Capital stock	Capital surplus	Retained earnings					Total retained earnings		
		Capital reserve	Other retained earnings							
			Reserve for dividends	Reserve for special depreciation	General reserve	Retained earnings carried forward				
Balance as of March 31, 2007	4,159,237	4,021,037	750,000	3,442	1,910,000	1,359,570	4,023,012	△257	12,203,030	
Changes during the fiscal year										
New issue of stock upon exercise of stock acquisition rights	17,134	17,134							34,269	
Reversal of Reserve for special depreciation				△3,442		3,442	-		-	
Dividends						△277,138	△277,138		△277,138	
Net income						709,346	709,346		709,346	
Repurchase of stock								△50	△50	
Net changes in accounts other than shareholders' equity during the fiscal year										
Total changes during the fiscal year	17,134	17,134	-	△3,442	-	435,650	432,207	△50	466,425	
Balance as of March 31, 2008	4,176,372	4,038,172	750,000	-	1,910,000	1,795,220	4,455,220	△308	12,669,455	

	Revaluation and translations adjustments				Total net assets
	Unrealized gain on available-for-sale securities	Deferred gain on hedge	Land revaluation difference	Total revaluation and translation adjustments	
Balance as of March 31, 2007	100,349	8,821	△524,424	△415,253	11,787,777
Changes during the fiscal year					
New issue of stock upon exercise of stock acquisition rights					34,269
Reversal of Reserve for special depreciation					-
Dividends					△277,138
Net income					709,346
Repurchase of stock					△50
Net changes in accounts other than shareholders' equity during the fiscal year	△30,532	△42,740	△389,503	△462,775	△462,775
Total changes during the fiscal year	△30,532	△42,740	△389,503	△462,775	3,650
Balance as of March 31, 2008	69,817	△33,918	△913,927	△878,028	11,791,427

Notes to Non-consolidated Financial Statements

1. Principal Accounting Policies

(1) Valuation basis and method for assets

- [1] Investment in affiliates Cost method based on the moving-average method
- [2] Other securities:
 - With market value: Market value method based on the market price, etc. at the balance sheet date. Unrealized gains and losses, net of applicable taxes, are reported in a separate component of net assets. The cost of other securities sold is computed based on the moving average method.
 - Without market value: Cost method based on the moving average method.
- [3] Derivative instruments: Market value method.
- [4] Inventories:
 - Merchandise: Cost method based on the gross average method
 - Supplies: Last purchase method

(2) Depreciation/amortization method for fixed assets

- [1] Tangible fixed assets:
 - Domestic assets:
 - Rental costume: Straight-line method
 - Buildings: Declining-balance method
 - However, for the buildings (except for annexed facilities) obtained after April 1, 1998, straight-line method is adopted.
 - Furniture and fixtures: Straight-line method
 - Structures: Declining-balance method
 - Vehicles and delivery equipment: Declining-balance method
 - Foreign assets: Straight-line method

The principal estimated useful lives are:

Rental Costume	2 years
Buildings	5-47 years
Furniture and fixtures	2-20 years

(Change in accounting policies)

Associated with the revision of the Corporation Tax law, the Company has changed its depreciation method since the current fiscal year in order to comply with the revised Corporation Tax Law in terms of the tangible fixed assets acquired on and after April 1, 2007. As a result, operating income, ordinary income and net income before income taxes and minority interests respectively decreased by 17,222 thousand yen.

(Additional information)

In regard to the assets acquired on or before March 31, 2007, associated with the revision of the Corporation Tax Law, the Company has adopted the method to evenly depreciate the difference between the amount equivalent to 5% of the acquisition cost and the memorandum value for a five-year period to post the result as part of depreciation expenses from the fiscal year following the fiscal year reaching the amount of 5% of their acquisition cost by the application of the depreciation method pursuant to the unrevised Corporation Tax Law. As a result, operating income, ordinary income and net income before income taxes and minority interests respectively decreased by 17,327 thousand yen.

- [2] Intangible fixed assets: Straight-line method
Capitalized software for internal use is amortized over the estimated useful life in the company (5 years).
- [3] Long-term prepaid expenses: Equal amortization
- (3) Accounting for allowances and accruals
- [1] Allowance for doubtful accounts: Allowances for doubtful accounts are estimated based on the actual past ratio of losses on bad debts. Certain allowances are provided based on estimates of uncollectible amounts based on analysis of certain individual receivables.
- [2] Accrued bonuses: Accrued bonuses are provided based upon amounts expected to be paid in accordance with the subjected term.
- [3] Allowance for retirement benefits: The allowance for retirement benefits is recognized based on projected retirement benefit obligations and plan assets at the balance sheets date. Actuarial gains or losses are amortized over the term (5 years) which is within estimated average remaining service period of employees using the straight-line method following the year incurred.
- (4) Leases transactions
Finance leases, other than those deemed to transfer ownership of the leased property to the lessee, are accounted for as operating lease transactions.
- (5) Accounting for hedging
Deferral hedge accounting is applied. For derivatives used for hedging purposes, if derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gain or losses on derivatives are deferred until maturity of the hedged transactions.
- (6) Other basic matters for preparation of non-consolidated financial statements
Consumption tax and similar taxes: Consumption tax and similar taxes are excluded from all items in the non-consolidated statements of income.

2. Notes to Non-consolidated Balance Sheets

(1) Pledged assets

Buildings:	68,606 thousand yen
Land:	636,872 thousand yen
<u>Total:</u>	<u>705,479 thousand yen</u>

The above property is pledged for the long-term bank loans payable (including the current portion) of 720,000 thousand yen.

(2) Accumulated depreciation of tangible fixed assets: 4,972,029 thousand yen

This accumulated depreciation includes impairment loss.

(3) The Company revaluates its business-use land in accordance with the "Law of Land Revaluation" (Law No. 34 published on March 31, 1998) and revaluation difference, net of income tax, is presented as a component of net assets.

Revaluation method: Based on the appraisal value used for calculation of land price taxes as specified by Article 2, Item 4 of the "Enforcement Regulations of the Law of Land Revaluation" (Ordinance No. 119 published on March 31, 1998)

Date of revaluation: March 31, 2002

Difference between fair value at the end of the fiscal year and book value after revaluation: 40,675 thousand yen

(4) Guarantee liabilities

Debt guarantee is made for affiliated company loans payable to financial institutions.

Watabe Wedding (Shanghai) Co., Ltd.: 136,640 thousand yen

(5) Monetary receivables from and payables with affiliated companies

[1] Short-term receivables: 817,230 thousand yen
[2] Long-term receivables: 800,866 thousand yen
[3] Short-term payables: 647,630 thousand yen

(6) Total monetary payables to directors

Long-term payables 161,460 thousand yen

3. Notes on the Non-consolidated Statements of Income

(1) Transactions with affiliated companies

[1] Sales: 901,476 thousand yen
[2] Purchase: 7,174,195 thousand yen
[3] Selling, general & administrative expenses: 160,093 thousand yen
[4] Non-operating income and expenses: 70,655 thousand yen

(2) Impairment loss

The Company recognized an impairment loss for the following asset groups in the current fiscal year.

Use of Asset	Location	Category
Computer system	Head office	Software

(Method of asset grouping)

The Company has grouped assets based on the classification for management accounting by each of operation branches and wedding facilities.

(Background to the reported impairment loss)

Due to changes in the design policies on the new mission-critical system, development of which had been in progress for renewal of the existing computer system, the Company evaluated the effectiveness of the asset on expenses required for building as well as the expected bottom-line effect brought by the new system, and determined that it would fail to receive a sufficient evaluation although taking over part of the previous development concept. Therefore, the Company reduced its book value to the recoverable value, and posted the decrease as impairment loss (560,564 thousand yen) in extraordinary losses.

(Calculation method for the recoverable value)

The recoverable value for this asset group is measured based on the use value. Due to the difficulty of its use, the use value is determined as zero.

4. Notes to Non-consolidated Statements of Changes in Shareholders' Equity

(1) The number of shares of treasury stock

Class of shares	Shares at the end of the previous fiscal year	Increase in shares during the current fiscal year	Decrease in shares during the current fiscal year	Shares at the end of the current fiscal year
Common stock	97	27	-	124

5. Tax Effect Accounting

(1) Deferred tax assets and deferred tax liabilities

<u>Current assets and liabilities</u>	(Thousands of yen)	<u>Fixed assets and liabilities</u>	(Thousands of yen)
Inventories	30,057	Tangible fixed assets	146,030
Allowance for doubtful accounts	32,015	Intangible fixed assets	281,338
Gain on deferred hedge	23,570	Investment in securities	24,108
Accounts payable – other	66,627	Affiliated companies' stocks and investments in equity	123,158
Accrued expenses	32,871	Allowance for doubtful accounts	106,341
Accrued enterprise tax	4,507	Long-term accounts payable	66,198
Allowance for bonus	97,058	Other	<u>2,179</u>
Other	<u>74,262</u>	Total deferred tax assets	749,355
Total deferred tax assets	360,970	Other securities	48,517
Total deferred tax liabilities	<u>30,090</u>	Prepaid pension cost	9,252
Net deferred tax assets	<u>330,880</u>	Other	<u>21,778</u>
		Total deferred tax liabilities	<u>79,547</u>
		Net deferred tax assets	<u>669,807</u>

(2) Reconciliation between the statutory effective tax rate and the company's actual effective tax rate

Statutory effective tax rate	41.0%
(Reconciliation)	
Expense not deductible for income tax purpose	△6.9%
Per capita portion of inhabitant tax	4.3%
Lower income tax rates applicable to overseas branches	△3.6%
Foreign tax credit	△3.0%
Other	<u>△1.4%</u>
Actual effective tax rate	<u>30.4%</u>

6. Notes to Fixed Assets Used by Lease

(1) As of the end of the current fiscal year, the acquisition cost equivalent, accumulated depreciation equivalent and balance at term end

(Thousands of Yen)

	Acquisition cost equivalent	Accumulated depreciation equivalent	Balance at the end of current fiscal year
Buildings	541,200	85,690	455,510
Vehicles and delivery equipment	7,188	4,911	2,276
Furniture and fixtures	13,384	11,871	1,512
Software	5,027	3,910	1,117
Total	566,800	106,383	460,416

(2) Prepaid lease payment as of the end of the current fiscal year

One year or less: 31,127 thousand yen

Over one year: 429,288 thousand yen

Total 460,416 thousand yen

(3) Other significant matters associated with the relevant leased property

Not applicable.

7. Notes to Transactions with Related Parties

(1) Officers and principal individual shareholders

Attribute	Company name	Percentage of owned voting rights (%)	Description of the relationship		Description of transaction	Transaction amount (Thousand yen)	Account	Balance at the end of current fiscal year (Thousand yen)
			Concurrent offices of officers	Business relationship				
Company (including its subsidiary), a majority of whose voting rights are owned by a officer or his/her close relative	K.K. Jusen (Note 1)	Direct 20.23	—	Office lease	Building lease (Note 2)	64,860	—	—
					Deposit a guarantee	—	Guarantee deposits	45,000

- Note:
1. The Company's Representative Director and Director directly own 100% of its voting rights.
 2. It is used as the head office and its rent is determined based on the appraisal by real-estate appraiser by considering prevailing transactions in the neighborhood.
 3. Consumption taxes are not included in the values indicated above

(2) Subsidiaries

Attribute	Company name	Percentage of owning voting rights (%)	Description of the relationship		Description of transaction	Transaction amount (Thousand yen)	Account	Balance at the end of current fiscal year (Thousand yen)
			Concurrent offices of officers	Business relationship				
Subsidiary	Watabe Guam, Inc.	100.0 (100.0)	—	Sales of overseas wedding packages of the subsidiary	Purchase of products	2,219,448	Trade accounts payable	143,200
	Watabe Wedding Vietnam Co., Ltd.	100.0	2 officers holding concurrent offices	Purchase of wedding dresses	Loan of fund	80,661	Short-term loan	118,133
							Long-term loan	345,590

- Notes:
1. Interest rates are reasonably determined in view of market interest rates.
 2. Purchase prices are subject to the same conditions as purchasers from the subsidiary while settlement terms are the same as those for other sellers to the Company.
 3. The figure in parentheses under the percentage of capital contribution represents the indirect ownership portion of such contribution.

8. Notes to Per-share Information

(1) Net assets per share	1,189.94 yen
(2) Net income per share	71.63 yen

9. Amounts are rounded down to the nearest thousand.

Reference Material on the General Meeting of Shareholders

Proposal No.1: Appropriation of Retained Earnings

The Company wishes to appropriate retained earnings as indicated below.

Details of the year-end dividend

Recognizing the fact that distribution of profits to shareholders is a major business management issue, the Company's basic policy is distribution of profits within the amount available for distribution, for which the target payout ratio is set at 20% to consolidated net income of current fiscal year. Factors such as the consolidated business performance for each fiscal year, improvement in financial strength and the Group's future business strategies are taken into account here.

The Company proposes that the year-end dividend for the current fiscal year be as originally planned, considering some elements including the business performance of the year and the maintenance of stable dividend. In a long-term perspective, the Company intends to utilize internal reserve for investment in business fields that show growth potential and profitability as well as in streamlining and revitalization of existing business categories.

(1) Type of asset distributed as dividend:

Cash

(2) Allocation of the asset distributed as dividend and the total amount thereof:

15 yen per share of the Company's common stock, and 148,639,140 yen in total

Please note that the annual dividends amount to 30 yen per share including 15 yen per share for the interim dividend, which is already paid.

(3) Effective date of dividend distribution from retained earnings:

June 30, 2008

Proposal No.2: Election of Six Directors

The term of six Directors expires at the closure of this annual meeting. Accordingly, the Company proposes election of six Directors including two Outside Directors.

The nominees are as follows.

Nominee No.	Name (Date of Birth)	Primary Position and Profile (Current Title at Other Companies)	Shares of the Company Held by the Candidate
1	Hidetoshi Watabe (October 25, 1966)	<p>March 2008-present June 2006 June 2005 December 2002 October 1992 April 1989</p> <p><u>Watabe Wedding Corporation</u> Director in charge of Sales Executive Management & Division Director, Destinations Wedding Business Division Director & Division Director, Overseas Wedding Business Department Executive Officer & Division Director, Marketing and Planning Division President, Honolulu Branch Joined Watabe Wedding Corporation Joined DDI Corporation (presently KDDI Corporation)</p>	21,500 shares
2	Hiroshi Kawaguchi (December 17, 1955)	<p>June 2007-present February 2006 June 2005 June 2002 June 1995 May 1979</p> <p><u>Watabe Wedding Corporation</u> Director & Director of Executive Office Director & Division Director, Domestic Wedding Business Division Director & Director of Executive Office Corporate Auditor General Manager, Accounting Department, Administration Division Joined Watabe Wedding Corporation</p>	28,400 shares
3	Hiroya Yamamoto (December 23, 1958)	<p>March 2008-present June 2007 June 2006 April 2005 April 1997 February 1995 April 1983</p> <p><u>Watabe Wedding Corporation</u> Director, Administration Division Director & Division Director, Marketing and Planning Division & Sales Division Executive Officer & Division Director, Marketing and Planning Division Joined Watabe Wedding Corporation <u>The Sanwa Bank, Ltd. (Presently Bank of Tokyo-Mitsubishi UFJ)</u> Deputy General Manager, Umeda Branch Temporarily transferred to KYOCERA Corporation, (SEIWAJUKU secretariat) Joined The Sanwa Bank, Ltd (presently Bank of Tokyo-Mitsubishi UFJ, Ltd.)</p>	2,700 shares
*4	Yoshiharu Onaga (April 10, 1961)	<p>March 2008-present January 2007 February 2006 February 2005 March 2001 November 1983</p> <p><u>Watabe Wedding Corporation</u> Division Director, Sales Division and Deputy Division Director, Destinations Wedding Business Division Deputy Division Director, Destinations Wedding Business Division Deputy Division Director, Domestic Wedding Business Division General Manager, Wedding Business Department 1, Wedding Business Division General Manager, International Sales Department, International Business Division Joined Watabe Wedding Corporation (President&Representative Director, Okinawa Watabe Wedding Corporation)</p>	14,400 shares

Nominee No.	Name (Date of Birth)	Primary Position and Profile (Current Title at Other Companies)	Shares of the Company Held by the Candidate
*5	Toshio Ochiai (January 31, 1948)	<p>March 2008-present March 2007 September 2004 June 1999 April 1970</p> <p>Managing Officer, OMRON Corporation Managing Officer & Senior General Manager, Corporate Resources Innovation HQ, OMRON Corporation Managing Officer, General Manager, Corporate General Affairs Office & General Manager, CSR Administrative Office, OMRON Corporation Managing Officer, OMRON Corporation Joined Tateishi Electronics Co. (presently OMRON Corporation)</p>	—
*6	Yukihiro Matsunaga (August 24, 1952)	<p>July 2007-present June 2001-present September 1994 October 1989 October 1978 August 1976</p> <p>Joined Kyoto Audit Corporation, Managing Partner Corporate Auditor, Lecien Corporation Joined Chuo Audit Corporation (presently MISUZU Audit Corporation), Representative Partner Joined Coopers & Lybrand (presently PricewaterhouseCoopers) in the U.S. Joined Deloitte Haskins & Sells Joined Fujii CPA Office</p> <p>(Kyoto Audit Corporation, Managing Partner)</p>	—

Note:

1. These nominees have no particular interest in the Company.
2. Nominees with an asterisk are potential new Directors.
3. Toshio Ochiai and Yukihiro Matsunaga are nominees for Outside Directors.
4. Special remarks on nominees for Outside Directors are as follows:

(1) Reason of selection

Toshio Ochiai is selected as Outside Director because he is expected to reflect his considerable experience and deep insight as management in the Company's management from an independent perspective.

Yukihiro Matsunaga is selected as Outside Director because he has abundant experience/expertise and deep insight developed through his involvement in financial and tax affairs as CPA in a number of companies and is expected to reflect such insight in the Company's management from an independent perspective. Although this nominee had not participated in the Company's management as a position other than outside officer, the Company determined that he would properly perform the duties as Outside Director because of the aforementioned reason.

(2) Limited Liability Agreement Entered into with Outside Directors

In order to secure competent human resources as Outside Directors, the Company's Articles of Incorporation set forth that the Company may enter into an agreement with Outside Directors to limit their liability for damages to the Company to a certain range. Pursuant to this provision, the Company intends to enter into such limited liability agreement with Toshio Ochiai and Yukihiro Matsunaga if their appointment is approved.

[The outline of the agreement is as follows.]

If Outside Directors are liable to the Company for any damage attributable to their failure of duties, their liability will be limited to the minimum amount set forth in Paragraph 1, Article 427 of the Company Law.