

June 7, 2006

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 42<sup>nd</sup> ANNUAL MEETING OF SHAREHOLDERS

Dear Shareholders,

Notice is hereby given that the 42<sup>nd</sup> 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 review the reference 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 so that it will arrive at the Company by 5 p.m. on Wednesday, June 28, 2006.**

### Notice of Meeting

1. **Date:** Thursday, June 29, 2006 at 10 a.m.
2. **Place:** Zuiho Room, Kyoto Century Hotel  
680 Higashishiokojicho, Shiokoji-sagaru, Higashinotoin-dori, Shimogyo-ku,  
Kyoto-shi
3. **Objectives of meeting**  
**Reporting**
  1. Report on the Business Report, Balance Sheets and Statements of income on a consolidated and non-consolidated basis for the 42<sup>nd</sup> fiscal year (From April 1, 2005 and to March 31, 2006)
  2. Report on the findings of the audit on the Consolidated Financial Documents for the 42<sup>nd</sup> fiscal year from the accounting auditor and the Board of Statutory Auditors

### **Agenda:**

- Proposal 1: Approval of the Proposal for Appropriation of Retained earnings for the 42<sup>nd</sup> fiscal year
- Proposal 2: Partial changes to the Articles of Incorporation
- Proposal 3: Election of 7 directors

### 4. **Matter related to exercise of voting rights**

If you can not be present at the Meeting in person, you may attend it by appointing another shareholder entitled to vote as your proxy subject to submission of a document certifying the power of representation.

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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 changes in the reference documents and attached documents 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

From April 1, 2005  
To March 31, 2006

## 1. Summary of Operations

### (1) Progress and Results of Operations of the Watabe Group

Our country's economy has entered the upward phase for real in the second half of the current period, and in terms of financial policy, the quantitative easing that continued for the past five years has been ended. Also, each company has improved its performance steadily, capital investment has been increasing substantially, pay raise which had ceased for the dozen years or so since the economic bubble popped has come to be discussed, and the Business Survey Index shows a record-high value. Furthermore, since the personal consumption has become financially stable to recovery, it is presumed that Japan will overcome deflation.

In the bridal industry, the rapid diminution of the number of marriage associated with longstanding birthrate declining has been expanding permanently, and the number of the marriage notification submitted in 2005 was 713 thousand (725 thousand for the previous year). In the Japanese market, customers' requirements for the wedding style have been severer, and the wedding ceremony at a reserved mansion-style wedding facility that appeared to boom during a certain period has been growing at a sluggish pace with the issues of the proliferation of companies in the same business and the penetration into local regions in which people have strong territorial connection and blood relationship with one another left. To try to improve the provision of products and the services to meet surely the above-mentioned changes in consumer preference, each company in the bridal industry has been finding the best way about the response to those changes such as expansion into overseas wedding.

In this severe business environment, the Watabe Group is striving to accomplish the "improvement of customer satisfaction" and the "maximization of impression" by moving toward steadily the establishment of the new business category called a "total bridal solution" through the development proposals of full-scale weddings at Meguro Gajoen, overseas weddings in Hawaii, Federated States of Micronesia, Australia, Europe and America and domestic resort-based weddings in Karuizawa, Hakodate, Okinawa, Ishigaki Island, etc. as well as the proposal of simplified weddings in urban areas, and the combination of any and all services for customers such as costume, beautification, dressing, photograph, travel and honeymoon.

As strategies for domestic wedding, we opened the "Karuizawa Creek Garden Chapel" in a prime location facing the old Karuizawa Ginza in Karuizawa, Nagano in June, 2005 and started to propose weddings in Karuizawa to customers at each our store nationwide. Also, for "Meguro Gajoen," our integrated wedding hall in Meguro-ku, Tokyo, we have redesigned each wedding reception room sequentially as well as started to refurbish the brides' rooms which are parts of hotel rooms in order for brides and their family to spend comfortably all through their wedding days. In March, 2006, the "Crudesur Chapel" has opened in Ishigaki Island, Okinawa. It was a good beginning, that 57 couples held wedding ceremonies at this chapel for one month after this opening.

As strategies for overseas wedding, we improved and reopened the "Barrier Reef Church" in Cairns of Australia in April, 2005 which has support as a popular church equivalent to churches at the Gold Coast, a famous resort spot. In addition, the "Te Quiero," a wedding reception site, was opened in front of the Tumon Beach in Guam in

September of the same year. There has been much demand for party after wedding ceremony at the Te Quiero, to perk up. Furthermore, in January, 2006, we rented two churches which had been operated by Leopalace21 Corporation in Guam and began to operate them as the wedding ceremony sites of the Watabe Group.

As strategies for development of stores, in July, 2005, we relocated the “Fukuoka Branch” to the Tenjin area that is the most bustling entertainment district in Kyushu, increased the floor space of the branch, and then opened it as an all-around store, “Fukuoka Grand Plaza,” as the promotion of the total bridal solution on which the Watabe Group works. Following the above, in October of the same year, we relocated the “Sapporo Branch” in front of the JR Sapporo Station, increased the floor space of the branch, and then opened it as an all-around store, “Sapporo Grand Plaza,” through which we are striving for greater enhancement of the flexibility to the customers. Furthermore, we opened an all-around bridal shop, “Kumamoto Branch,” which is the first shop in South Kyushu in the “ANA Hotel Kumamoto Newsky” in Kumamoto-shi, Kumamoto in March, 2006, and opened the “Akita Branch” within the “Akita Castle Hotel” in Akita-shi, Akita in April of the same year and began to provide a wide range of services including photograph, beautification, and producing overseas and domestic weddings as well as costume service for people who hold wedding ceremonies at this hotel.

As merchandise strategies, the wedding plan at famous shrines and temples in various regions in Japan developed as a wedding style following the sensitivities of young people to Japanese-style wedding at which Kimono is worn has grown to over 200 per year. Additionally, the “Colored Dress Rental,” the first method of retailing by catalog in Japan, was started in part three of the system of retailing by catalog for costumes in June, 2005. Through an overwhelming assortment of products which is composed of 200 types in the Colored Dress Rental as a 21st century form of method for rental by catalog, we are striving to enhance the convenience of customers in the market of domestic wedding that is becoming diversified and customers in the regions where no store of the Watabe Group is operated. Furthermore, we used to rent the same type of dress as the one selected in Japan at the overseas site, but as an advanced new system, we have developed a service which would be provided only by the Watabe Group that adopts the consistent system of production and sales and through which a brand-new “Avica”, a brand dress of the Watabe Group, is produced upon receiving an order from a customer and then delivered and can be worn at the wedding site, and have positioned ourselves apart from other companies of a like nature. This new system has been accumulating orders received on an up note since we started to receive orders in December, 2005. Therefore, it has become a service system that will offer a great hope in and after the next fiscal period in which the operation of the service will be started.

As a result of the above, the operating performance for the current fiscal year of the Watabe Group constituted net sales of 31,177 million yen (increased by 12.5% from the previous fiscal year), ordinary income of 1,732 million yen (increased by 5.4% from the previous fiscal year), and net income for the current term of 1,105 million yen (decreased by 25.2% from the previous fiscal year).

Sales volumes by service are as follows:

(Millions of yen)

Term Service	Previous fiscal year from April 1, 2004 to March 31, 2005		Current fiscal year from April 1, 2005 to March 31, 2006		Change from previous year; in percent
	amount	composition ratio	amount	composition ratio	
Sales related to wedding	19,646	70.9 %	22,884	73.4 %	116.5 %
Sales of products and goods	3,989	14.4	3,989	12.8	100.0
Income from rental costumes	3,560	12.8	3,749	12.0	105.3
Other	522	1.9	553	1.8	106.1
Total	27,718	100.0	31,177	100.0	112.5

## (2) Capital Investment by the Watabe Group

We made capital investments of 2,922 million yen in total during the current fiscal year.

In Japan, we established the “Karuizawa Creek Garden” and the “Crudesur Chapel” (Ishigaki Island) as wedding facilities, improved Meguro Gajoen, relocated the Fukuoka Grand Plaza and the Sapporo Grand Plaza as operation branches, established the Kumamoto Branch, and increased the floor space of the head office in Kyoto. The construction of the wedding facility in Okinawa, “Aquagrace Chapel,” has already started (scheduled to be opened in May, 2006).

In foreign countries, the wedding reception site in Guam, “Te Quiero,” and a manufacturing plant for tuxedo in Shanghai, China, were established.

## (3) Fund Raising by the Watabe Group

We raised funds of 1,600 million yen by means of borrowing from banks during the current fiscal year.

Additionally, we raised 77 million yen by issuing 58,000 new stocks upon exercise of stock acquisition rights (stock option).

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

#### (4) Changes in Operating Results and Assets of the Watabe Group and the Company

##### ① Changes in Operating Results and Assets of the Watabe Group

(Millions of yen)

Fiscal year Item	39th fiscal year ended March 31, 2003	40th fiscal year ended March 31, 2004	41st fiscal year ended March 31, 2005	42nd fiscal year (current period) ended March 31, 2006
Net sales	19,539	19,436	27,718	31,177
Ordinary profit	1,317	1,493	1,644	1,732
Net profit	674	811	1,476	1,105
Net profit per share	96.31 yen	112.86 yen	169.25 yen	111.40 yen
Gross assets	12,764	15,334	20,318	22,164
Net assets	5,235	7,292	12,043	12,984
Net assets per share	747.94 yen	911.55 yen	1,226.83 yen	1,316.70 yen

- Note:
1. The net assets have been increasing because of the issuance of common stocks by the Company through public offering in the 40th fiscal year.
  2. The sales and net assets have been increasing because of making K.K. Meguro Gajoen our subsidiary by conducting the stock acquisition accompanied with the transfer of the right of management of Meguro Gajoen, and of the issuance of common stocks by the Company through public offering, in the 41st fiscal year.

##### ② Changes in Operating Results and Assets of the Company

(Millions of yen)

Fiscal year Item	39th fiscal year ended March 31, 2003	40th fiscal year ended March 31, 2004	41st fiscal year ended March 31, 2005	42nd fiscal year (current period) ended March 31, 2006
Net sales	15,695	15,304	17,890	21,202
Ordinary profit	987	1,139	671	880
Net profit	476	537	572	595
Net profit per share	68.09 yen	74.85 yen	63.60 yen	59.51 yen
Gross assets	11,893	14,307	17,783	18,499
Net assets	5,310	7,182	11,039	11,273
Net assets per share	758.70 yen	897.86 yen	1,124.22 yen	1,143.05 yen

- Note:
1. The net assets have been increasing because of the issuance of common stocks by the Company through public offering in the 40th and 41st fiscal years.

## **(5) Issues to be Addressed by the Watabe Group**

The Watabe Group recognizes the risks related to our businesses as follows:

① Influence of raise in purchasing cost due to price rise

In our county, it is presumed that Japan will overcome deflation because of full-scale economic recovery. Since there is a concern that prices will rise due to high-price of crude oil, price rise has been predicted to occur both at home and abroad.

The Watabe Group comprehensively provides the services relating to marriage and makes purchases in various ways both at home and abroad. Thus, raise in purchasing cost due to price rise is likely to affect the business results of the Watabe Group.

② Influence of unexpected occurrence of external factors, including dispute, etc. Terror, war, natural disaster or disease that may be contagious, etc. are likely to affect the business results of the Watabe Group, directly, or indirectly by influencing the psychology of travelers going abroad.

③ Influence of decline in the population of people of marriageable age

The decline in the population of people of marriageable age resulting from the declining birthrate in Japan may affect the business results of the Watabe Group.

④ Influence of exchange fluctuations

The Watabe Group has a high proportion of the provision of services overseas. Although sales in Japan are made in yen, initial costs are based on local currencies. Therefore, exchange fluctuations have an impact on not only sales prices but also profitability, and may affect the business results of the Watabe Group.

To deal with the above issues, at the present time and for the future, we will not rely solely on the overseas wedding services as a main pillar of revenue, but intend to aim to increase revenue and profit globally by responding to customers' needs that are becoming diversified, and positioning ourselves apart from other companies through the promotion of domestic wedding and the deployment of businesses designed for local customers in foreign countries in order to gain a balance between the businesses in Japan and overseas.

The Company's major task is to make a full-scale entry into new markets such as wedding ceremonies designed for domestic pre- and after-bridal and overseas local customers, and create other new markets by establishing the total bridal solution, as well as maintain and expand our share in the market which we are currently in.

Furthermore, we will strive to enhance all-around management system by thoroughly working on the managements of purchasing costs, sales, general and administrative expenses, and sales prices.

## 2. Overview of the Watabe Group and the Company

### (1) Description of Principal Businesses of the Watabe Group

- ① Overseas wedding service business and travel business intended for wedding participants
- ② Domestic wedding service business such as operation of wedding facilities
- ③ Business of production and sales of wedding dress, etc.
- ④ Business of renting wedding-related costumes and formal costumes for coming-of-age ceremony, various parties, etc.
- ⑤ Business of integrated service of costume and photograph by bundling beautification, dressing and studio portrait
- ⑥ Wedding-related service business, including consultation for wedding hall in Japan, producing wedding ceremonies, planning and directing of wedding receptions, and offer of bridal goods such as furniture, bedclothes and jewelry and gem

### (2) Primary Business Sites of the Watabe Group

#### ① The Company

WATABE WEDDING CORPORATION	Head office	Kyoto-shi
	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
Watabe Family Club K.K.	Kyoto, Osaka
Quanto K.K.	Tokyo, Osaka, Aichi
Okinawa Watabe Wedding Corporation	Okinawa
Watabe U.S.A., Inc.	United States of America
Watabe Australia Pty. Ltd.	Australia
Watabe Saipan, Inc.	Saipan of the Northern Mariana Islands
Watabe Guam, Inc.	Guam (United States of America)
Watabe Europe S.A.R.L.	France
Watabe U.K., Ltd.	UK
Watabe Wedding Canada, Inc.	Canada
Watabe Wedding Vietnam Co., Ltd.	Vietnam
Watabe Wedding Service (Shanghai) Co., Ltd.	China
Watabe Wedding (Shanghai) Co., Ltd.	China
Shanghai Watabe Wedding Service Co., Ltd.	China
Shanghai Saison Des Brides Trade Co., Ltd.	China
Watabe Wedding Article (Shanghai) Co., Ltd.	China
Shanghai Saison Tuxedo Co., Ltd.	China

Note: Quanto K.K. changed its corporate name to Watabe Human Support K.K. on April 12, 2006.

**(3) Shares (as of March 31, 2006)**

①	Number of shares authorized to be issued	22,000,000
②	Number of shares issued	9,852,300

Note: We have issued 58,500 common stocks upon exercise of subscription rights (stock option) since April 1, 2005.

③	Number of shares for one unit	100
④	Number of shareholders	5,210

⑤ Stock acquisition rights

Stock acquisition rights currently issued:

The first stock acquisition rights

Resolution date for issuance	June 27, 2002
Number of stock acquisition rights to be issued	474
Class of shares to be issued upon exercise of stock acquisition rights	Common stock
Number of shares to be issued upon exercise of stock acquisition rights	47,400
Issue price of stock acquisition rights	No charge

The second stock acquisition rights

Resolution date for issuance	June 27, 2003
Number of stock acquisition rights to be issued	1,003
Class of shares to be issued upon exercise of stock acquisition rights	Common stock
Number of shares to be issued upon exercise of stock acquisition rights	100,300
Issue price of stock acquisition rights	No charge

The third stock acquisition rights

Resolution date for issuance	June 29, 2004
Number of stock acquisition rights to be issued	2,500
Class of shares to be issued upon exercise of stock acquisition rights	Common stock
Number of shares to be issued upon exercise of stock acquisition rights	250,000
Issue price of stock acquisition rights	No charge

⑥ Major shareholders

Name of shareholder	Capital contribution to the Company		Capital contribution to major shareholders by the Company	
	Share ownership	% of total issued shares	Share ownership	% of total issued shares
K.K. Jusen	shares 2,005,400	% 20.35	shares —	% —
The Master Trust Bank of Japan, Ltd.	713,400	7.24	—	—
Japan Trustee Services Bank Ltd.	491,100	4.98	—	—
State Street Bank and Trust Company 505025	415,600	4.21	—	—
Takao Watabe	290,800	2.95	—	—
Nikko Citi Trust and Banking Corporation	282,700	2.86	—	—
Watabe Wedding Employees' Shareholdings	265,700	2.69	—	—
The Nomura Trust and Banking Co., Ltd.	217,700	2.20	—	—
Yugengaisha Shu	200,000	2.02	—	—
JP Morgan Chase Bank 385050	197,900	2.00	—	—

Note: All of the numbers of shares held by the trust banks above relate to fiduciary business.

**(4) Acquisition, Disposition and Holding of the Company's own shares**

- ① Shares held at the end of the current fiscal year  
common stock                      97 shares

**(5) Employees of the Watabe Group**

Number of employees	Change from the previous fiscal year
1,429	76 employees increased

Note: 1. The number of employees refers solely to full-time employees and does not include 746 of temporary employees (yearly average number of persons employed).

Employees of the Company are as follows:

Number of employees	Change from the previous fiscal year	Average age	Average length of service
424	20 employees increased	35.6	6.2 years

Note: 1. The number of employees refers solely to full-time employees and does not include 462 of temporary employees (yearly average number of persons employed).

**(6) Business Combination**

① Principal Subsidiaries

As of March 31, 2006, the Company owns 6 subsidiaries in Japan, and 16 subsidiaries outside of Japan: one in the United States, Canada, Guam, Saipan, Australia, Indonesia and Vietnam, respectively; three in Europe; and six in China.

Principal Subsidiaries are as follows:

Company Name	Capital Stock	% of ownership	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
Shanghai Watabe Wedding Service Co., Ltd.	¥270,000,000	100%	production of photographic album
K.K. Meguro Gajoen	¥378,000,000	100%	operation of wedding and lodging facilities

Note: 1. The figure in parentheses in the section of % of ownership indicates indirect holding ratio which is included in total value of ratio.

② Progress of Business Combination

In Japan, the Company absorbed Il Filo Co., Ltd., a subsidiary of the Company, as of February 1, 2006, in order to concentrate and improve the efficiency in management resources of the Watabe Group in the goods business such as dress and photographic album.

Outside of Japan, as of April 15, 2005, we set up Shanghai Saison Tuxedo Co., Ltd. with a capital of 56 million yen as a manufacturing company for tuxedo in Shanghai, China, in order to promote the consistent system of production and sales within the Group, and also established Watabe Wedding Vietnam Co., Ltd. with a capital of 215 million yen as a manufacturing company for wedding dress in Vietnam as of December 1, 2005.

③ Results of Business Combination

The consolidated net sales of all of 22 subsidiaries were 31,177 million yen (increased by 12.5% from the previous fiscal year), the ordinary income was 1,732 million yen (increased by 5.4% from the previous fiscal year), and the net income for the current fiscal year was 1,105 million yen (decreased by 25.2% from the previous fiscal year).

(7) Primary Creditors of the Company

Creditor	Balance of borrowings	Shares of the Company held by creditors	
		Share ownership	% of total issued shares
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	millions of yen 910	shares 100,000	% 1.01
Bank of Kyoto, Ltd.	510	100,000	1.01
Mitsubishi UFJ Trust and Banking Corporation	410	136,500	1.38
The Dai-ichi Mutual Life Insurance Company	250	50,000	0.50
Mizuho Bank, Ltd.	210	30,000	0.30
Shiga Bank, Ltd.	210	50,000	0.50
Nippon Life Insurance Company	180	—	—
Meiji Yasuda Life Insurance Company	160	30,000	0.30

Note: 1. The UFJ Bank, Ltd. that was the primary creditor in the previous fiscal year merged with the Bank of Tokyo-Mitsubishi, Ltd. to form the Bank of Tokyo-Mitsubishi UFJ, Ltd. as of January 1, 2006.  
2. The UFJ Trust Bank, Ltd. that was the primary creditor in the previous fiscal year merged with the Mitsubishi Trust and Banking Corporation to form the Mitsubishi UFJ Trust and Banking Corporation as of October 1, 2005.

**(8) Directors and Statutory Auditors**

Title	Name	Duty or Principal Occupation
President & Representative Director	Takao Watabe	
Senior Managing Director & Representative Director	Yoshio Watabe	
Senior Managing Director & Representative Director	Tadao Nishimura	
Managing Director	Masahiko Shimazaki	Division Director, Asia Business Division
Director	Chiaki Tsukamae	
Director	Katsumi Ueda	Division Director, Administration Division
Director	Hiroshi Kawaguchi	Division Director, Domestic Wedding Business Division
Director	Yasuo Watabe	
Director	Yoshio Uehara	Senior Managing Director & Representative Director, AGP Co., Ltd.
Director	Norio Hirai	Special Corporate Adviser (part-time), OMRON Corporation
Full-Time Statutory Auditor	Toshio Fujimoto	
Statutory Auditor	Hisao Shimizu	Certified Tax Accountant
Statutory Auditor	Masashi Kudo	Attorney
Statutory Auditor	Hisashi Iwasaki	Representative Director, Kyoto Credit Guarantee Services K.K.

- Note: 1. Two directors, Yoshio Uehara and Norio Hirai, satisfy the requirements for outside director as provided in Article 188, Paragraph 2, Item 7-2 of the Commercial Code.
2. Three statutory auditors, Hisao Shimizu, Masashi Kudo and Hisashi Iwasaki, satisfy the requirements for outside statutory auditor as provided in Article 18, Paragraph 1 of the “Law for Special Exceptions to the Commercial Code Concerning Audits, Etc., of Kabushiki-Kaisha.”
3. Changes of directors and statutory auditors conducted during the current fiscal year are as follows.
- (1) Assumption of Office  
Hiroshi Kawaguchi was newly elected as a director at the 41st Ordinary General Meeting of Shareholders held on June 29, 2005.  
Toshio Fujimoto and Hisashi Iwasaki were newly elected as statutory auditors at the 41st Ordinary General Meeting of Shareholders held on June 29, 2005, and assumed their respective new positions.
- (2) Retirement and Resignation  
Toshio Fujimoto resigned from his position as director as of June 29, 2005.  
Hiroshi Kawaguchi retired from his position as statutory auditor upon the expiration of his term as of June 29, 2005.
- (3) Change of Position  
Yoshio Watabe and Tadao Nishimura were elected as representative directors as of June 29, 2005, and assumed their respective offices.

4. The duties and principal occupations of directors were changed during the current fiscal year as follows.

As of June 29, 2005, Masahiko Shimazaki was delegated the role as the Division Director of the Asia Business Division.

As of November 11, 2005, Katsumi Ueda was delegated the role as the Division Director of the Administration Division.

As of February 1, 2006, Hiroshi Kawaguchi was delegated the role as the Division Director of the Domestic Wedding Business Division.

5. In addition to the above, five persons stay in office as executive officers at the end of the current fiscal year.

**(9) Remuneration to be paid to Accounting Auditors**

(Thousands of yen)

①	The total amount of remuneration to be paid by the Company and its subsidiaries to the accounting auditors	60,950
②	Of the total amount specified in ① above, the total amount of remuneration to be paid for audit certification service	29,000
③	Of the total amount specified in ②above, the amount of remuneration for the accounting auditor to be paid by the Company	28,000

Note: The amount of remuneration for the audits under the Law for Special Exceptions to the Commercial Code Concerning Audits, Etc., of Kabushiki-Kaisha is not distinguished from the one for the audits under the Securities and Exchange Law in the audit contract between the Company and its accounting auditor, and they can not be distinguished from each other substantially. Accordingly, the amount described in ③ indicates the total amount of these two amounts.

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Note: 1. Each amount mentioned in this business report is rounded down to the nearest digit.

2. All amounts described in this business report do not include any consumption tax, etc.

## Consolidated Balance Sheets

(As of March 31, 2006)

(Thousands of Yen)

| Accounts                                   | Amount                   | Accounts                                                              | Amount                  |
|--------------------------------------------|--------------------------|-----------------------------------------------------------------------|-------------------------|
| (Assets)                                   |                          | (Liabilities)                                                         |                         |
| <b><u>Current assets</u></b>               | <b><u>7,637,488</u></b>  | <b><u>Current liabilities</u></b>                                     | <b><u>6,267,099</u></b> |
| Cash and deposits                          | 5,039,470                | Trade accounts payables                                               | 1,301,611               |
| Trade accounts receivable                  | 1,025,585                | Short-term bank loans                                                 | 137,077                 |
| Inventories                                | 782,416                  | Current portion of long-term bank loans                               | 797,500                 |
| Prepaid expenses                           | 422,332                  | Accounts payable – other                                              | 1,001,196               |
| Accounts receivable – other                | 89,205                   | Accrued expenses                                                      | 264,589                 |
| Deferred tax assets                        | 201,673                  | Income tax payable                                                    | 447,357                 |
| others                                     | 119,091                  | Advances received                                                     | 1,997,522               |
| Allowance for doubtful accounts            | △42,288                  | Accrued bonus                                                         | 259,969                 |
|                                            |                          | Others                                                                | 60,276                  |
| <b><u>Fixed assets</u></b>                 | <b><u>14,527,265</u></b> | <b><u>Fixed liabilities</u></b>                                       | <b><u>2,911,815</u></b> |
| <b><u>Tangible fixed assets</u></b>        | <b><u>9,771,905</u></b>  | Long-term bank loans                                                  | 2,042,500               |
| Rental costume                             | 235,711                  | Allowance for retirement benefits                                     | 152,060                 |
| Buildings and structures                   | 5,899,261                | Consolidation adjustments                                             | 128,538                 |
| Furniture and fixtures                     | 1,318,406                | Others                                                                | 588,716                 |
| Land                                       | 1,730,326                |                                                                       |                         |
| Construction in progress                   | 418,967                  |                                                                       |                         |
| Others                                     | 169,231                  | <b>Total Liabilities</b>                                              | <b>9,178,914</b>        |
| <b><u>Intangible fixed assets</u></b>      | <b><u>559,548</u></b>    | (Minority interest)                                                   |                         |
| <b><u>Investments and other assets</u></b> | <b><u>4,195,811</u></b>  | <b><u>Minority interests</u></b>                                      | <b><u>1,444</u></b>     |
| Investment securities                      | 302,436                  | (Shareholders' equity)                                                |                         |
| Long-term prepaid expenses                 | 220,303                  | <b><u>Capital stock</u></b>                                           | <b><u>4,137,722</u></b> |
| Guarantee deposits                         | 2,751,101                | <b><u>Capital surplus</u></b>                                         | <b><u>3,999,522</u></b> |
| Insurance reserve fund                     | 190,721                  | <b><u>Retained earnings</u></b>                                       | <b><u>5,159,132</u></b> |
| Bad debts                                  | 177,409                  | <b><u>Land revaluation difference</u></b>                             | <b><u>△524,424</u></b>  |
| Deferred tax assets                        | 404,143                  | <b><u>Unrealized gain on available-for-sale securities</u></b>        | <b><u>97,459</u></b>    |
| Deferred tax assets for land revaluation   | 364,431                  | <b><u>Foreign currency translation adjustments</u></b>                | <b><u>115,240</u></b>   |
| Others                                     | 34,024                   | <b><u>Treasury stock</u></b>                                          | <b><u>△257</u></b>      |
| Allowance for doubtful accounts            | △248,759                 | <b>Total shareholders' equity</b>                                     | <b>12,984,394</b>       |
|                                            |                          | <b>Total liabilities, minority interests and shareholders' equity</b> | <b>22,164,753</b>       |
| <b>Total assets</b>                        | <b>22,164,753</b>        |                                                                       |                         |

## Consolidated Statements of Income

From April, 1, 2005  
To March, 31, 2006

(Thousands of Yen)

| Accounts                                                        | Amount     |                  |
|-----------------------------------------------------------------|------------|------------------|
| <b><u>Ordinary income and expenses</u></b>                      |            |                  |
| <b><u>Operating income and expenses</u></b>                     |            |                  |
| <b><u>Operating income</u></b>                                  |            |                  |
| Net sales                                                       |            | 31,177,256       |
| <b><u>Operating expenses</u></b>                                |            |                  |
| Cost of sales                                                   | 11,938,576 |                  |
| Selling, general & administrative expenses                      | 17,531,987 | 29,470,563       |
| <b>Operating income</b>                                         |            | <b>1,706,693</b> |
| <b><u>Non-operating income and expenses</u></b>                 |            |                  |
| <b><u>Non-operating income</u></b>                              |            |                  |
| Interest and dividends received                                 | 12,687     |                  |
| Other income                                                    | 110,678    | 123,366          |
| <b><u>Non-operating expenses</u></b>                            |            |                  |
| Interest paid                                                   | 24,602     |                  |
| Other expenses                                                  | 72,762     | 97,364           |
| <b>Ordinary income</b>                                          |            | <b>1,732,694</b> |
| <b><u>Extraordinary profit and loss</u></b>                     |            |                  |
| <b><u>Extraordinary profit</u></b>                              |            |                  |
| Gain on sales of fixed assets                                   | 7,959      |                  |
| Gain on sales of investment securities                          | 197,330    | 205,289          |
| <b><u>Extraordinary loss</u></b>                                |            |                  |
| Loss on disposal of fixed assets                                | 52,525     |                  |
| Provision for allowance for doubtful accounts                   | 2,835      |                  |
| Exit penalty                                                    | 9,064      | 64,425           |
| <b><u>Income before income taxes and minority interests</u></b> |            | <b>1,873,559</b> |
| Income taxes - current                                          | 876,712    |                  |
| Income Taxes - deferred                                         | △106,797   | 769,914          |
| <b><u>Minority loss</u></b>                                     |            | <b>1,439</b>     |
| <b><u>Net income</u></b>                                        |            | <b>1,105,084</b> |

## (Significant Basis of preparation of Consolidated Financial Statements)

### 1. Scope of consolidation

Consolidated subsidiaries

- ① Number of consolidated subsidiaries: 22
- ② Major consolidated subsidiaries:
  - Watabe U.S.A., Inc.
  - Watabe Guam, Inc.
  - Watabe Wedding (Shanghai) Co., Ltd.
  - Shanghai Watabe Wedding Service Co., Ltd.
  - K.K. Meguro Gajoen

### 2. Application of equity method

None

### 3. Fiscal year of consolidated subsidiaries

Watabe U.S.A., Inc. and other 14 consolidated subsidiaries have fiscal year ending March 31. Watabe Wedding (Shanghai) Co., Ltd. and other 6 consolidated subsidiaries have fiscal year ending on December 31.

In preparing for consolidated financial documents, financial statements as of the above date are used. Necessary adjustments are made for intercompany significant transactions during the period between their respective fiscal year ends and the consolidated closing date.

## (Significant Accounting Policies)

### 1. Valuation basis and method for securities

Other securities

- ① With market value: Market valuation 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 shareholders' equity. The cost of other securities sold is computed based on the moving average method.
- ② Without market value: Cost method based on the moving average method

### 2. Valuation basis for derivative instruments

Market valuation method

### 3. Valuation basis and method for inventories

- (1) Merchandise/products/work in progress: Cost method based on gross average method
- (2) Raw materials: Last purchase method
- (3) Supplies: Last purchase method

### 4. Method of depreciation of fixed assets

#### (1) Tangible fixed assets

##### ① 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

##### ② 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

- (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
    - Straight-line method
5. Accounting for allowance 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
    - Allowance for retirement benefits are recognized based on projected retirement benefits obligations and plan assets at the balance sheet 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.
6. Translation method of foreign currency transaction and financial statements
- All short-term and long-term monetary receivables and payables dominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the statements of income. Receivables and payables of overseas subsidiaries are translated into Japanese yen at the current exchange rate at the balance sheet, and revenue and expense accounts are translated at the average exchange rate. Differences arising from such translation are shown as “Foreign currency translation adjustments” in a separate component of shareholders’ equity.
7. Leases
- 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 lease are still to be capitalized if it meets certain criteria.
8. Derivatives and hedge accounting
- 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 translated 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.
9. Valuation method of assets and liabilities of overseas subsidiaries
- All assets and liabilities of overseas subsidiaries are reported at fair value.

10. Amortization of consolidation adjustments  
Consolidation adjustments are amortized over 5 years using straight-line method.
11. Consumption tax accounting  
Consumption taxes are excluded from all items in the consolidated statements of income.
12. Change in accounting policies  
Effective April 1, 2005, the company and consolidated subsidiaries adopted “Accounting for Impairment of Fixed Assets” (“Opinion concerning Establishment of Accounting Standard for Impairment of Fixed Assets” issued by the Business Accounting Council on August 9, 2002) and “Guidance for Accounting Standard for Impairment of Fixed Assets” (“The Financial Accounting Standard Implementation Guidance No.6” issued by the Accounting Standards Board of Japan on October 31, 2003). No income is affected by the adoption.
13. Additional information  
(Abolition of retirement benefit plan for directors and corporate auditors)  
Retirement benefit plan for directors and corporate auditors has been abolished since the date of a general meeting of shareholders held on June 29, 2005. According to this abolition, the accrued retirement benefit for the directors and corporate auditors is recorded as the other fixed liability.

**(Notes to Consolidated Balance Sheets and Statements of income)**

1. Amounts are stated rounding down to the nearest thousand.
2. Accumulated depreciation of tangible fixed assets 5,934,887 thousand yen
3. Pledged assets
  - (1) Land 636,872 thousand yen
  - (2) Buildings 80,194 thousand yen
4. 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 shareholders’ equity.

|                                                                                          |                                                                                                                                                                                                                         |
|------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 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 balance sheet date and book value after revaluation | 134,114 thousand yen                                                                                                                                                                                                    |
5. In addition to the fixed assets recorded on the balance sheets, facilities and buildings for weddings, retail premises, equipments used in retail premises, electric calculator and other related equipments are used under lease contracts.
6. Income taxes

Principal components of 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                           | 46,615             | Loss carryforwards                  | 135,711            |
| Accrued bonus                         | 105,458            | Tangible fixed assets               | 106,929            |
| Accrued enterprise tax                | 34,837             | Long-term accounts payable          | 133,250            |
| Accrued expenses                      | 44,486             | Allowance for doubtful accounts     | 65,647             |
| Accounts receivable                   | 54,275             | Investment securities               | 24,096             |
| Other                                 | <u>72,258</u>      | Allowance for retirement benefits   | 59,731             |
| Subtotal of deferred tax assets       | 357,932            | Other                               | <u>40,265</u>      |
| Valuation allowance                   | <u>△39,050</u>     | Subtotal of deferred tax assets     | 565,631            |
| Total of deferred tax assets          | 318,881            | Valuation allowance                 | <u>△87,669</u>     |
| Undistributed earnings                | 103,579            | Total deferred tax assets           | 477,961            |
| Other                                 | <u>13,628</u>      | Tangible fixed assets               | 6,092              |
| Total deferred tax liabilities        | <u>117,207</u>     | Investment securities               | <u>67,725</u>      |
| Net deferred tax assets               | <u>201,673</u>     | Total deferred tax liabilities      | <u>73,818</u>      |
|                                       |                    | Net deferred tax assets             | <u>404,143</u>     |

## 7. 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 branch, the Company provides defined contribution retirement plans.

Certain overseas subsidiaries also have employees' defined benefits retirement plans.

### (2) Projected benefit obligation

|                                       |                                     |
|---------------------------------------|-------------------------------------|
| Projected benefit obligation          | △587,349 thousand yen               |
| Fair value of plan assets             | <u>573,796 thousand yen</u>         |
| Net                                   | △13,552 thousand yen                |
| Unrecognized actuarial loss           | <u>△138,507 thousand yen</u>        |
| Benefit obligation at the end of year | <u><u>△152,060 thousand yen</u></u> |

### (3) Benefit costs

|                                |                                    |
|--------------------------------|------------------------------------|
| Service cost                   | 78,078 thousand yen                |
| Interest cost                  | 7,598 thousand yen                 |
| Expected return on plan assets | △7,311 thousand yen                |
| Recognized actuarial loss      | <u>36,176 thousand yen</u>         |
| Net                            | 114,542 thousand yen               |
| Other                          | <u>2,582 thousand yen</u>          |
| Net periodic benefit costs     | <u><u>117,124 thousand yen</u></u> |

### (4) Basis and assumption

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

## 8. Net income per share

111.40 yen

## Non-consolidated Balance Sheets

(As of March 31, 2006)

(Thousands of Yen)

| Accounts<br>( Assets )                     | Amount                   | Accounts<br>( Liabilities )                                    | Amount                  |
|--------------------------------------------|--------------------------|----------------------------------------------------------------|-------------------------|
| <b><u>Current assets</u></b>               | <b><u>4,348,700</u></b>  | <b><u>Current liabilities</u></b>                              | <b><u>4,684,431</u></b> |
| Cash and deposits                          | 2,330,748                | Trade accounts payables                                        | 1,274,362               |
| Trade accounts receivable                  | 773,357                  | Current portion of long-term bank loans                        | 797,500                 |
| Merchandises                               | 152,585                  | Accounts payable-other                                         | 425,670                 |
| Raw materials                              | 5,233                    | Income tax payables                                            | 126,142                 |
| Supplies                                   | 129,442                  | Accrued expenses                                               | 126,908                 |
| Prepaid expenses                           | 251,496                  | Advances received                                              | 1,732,148               |
| Short-term loans receivable                | 250,543                  | Deposits received                                              | 16,394                  |
| Accounts receivable-other                  | 155,324                  | Accrued bonus                                                  | 184,000                 |
| Deferred tax assets                        | 206,428                  | Other                                                          | 1,303                   |
| Other                                      | 109,077                  | <b><u>Fixed liabilities</u></b>                                | <b><u>2,541,593</u></b> |
| Allowance for doubtful account             | △ 15,537                 | Long-term bank loans                                           | 2,042,500               |
| <b><u>Fixed assets</u></b>                 | <b><u>14,150,885</u></b> | Long-term accounts payable                                     | 415,124                 |
| <b><u>Tangible fixed assets</u></b>        | <b><u>8,065,333</u></b>  | Guarantee deposits received                                    | 42,200                  |
| Rental costume                             | 167,833                  | Allowance for retirement benefits                              | 41,769                  |
| Buildings                                  | 4,945,214                |                                                                |                         |
| Structures                                 | 104,262                  |                                                                |                         |
| Vehicles and delivery equipments           | 4,990                    |                                                                |                         |
| Furniture and fixtures                     | 746,492                  |                                                                |                         |
| Land                                       | 1,730,326                |                                                                |                         |
| Construction in progress                   | 366,215                  |                                                                |                         |
| <b><u>Intangible fixes assets</u></b>      | <b><u>485,110</u></b>    | <b>Total liabilities</b>                                       | <b>7,226,025</b>        |
| Trademark rights                           | 1,125                    | ( Shareholders' Equity )                                       |                         |
| Telephone rights                           | 25,308                   | <b><u>Capital stock</u></b>                                    | <b><u>4,137,722</u></b> |
| Utility rights                             | 452                      | <b><u>Capital surplus</u></b>                                  | <b><u>3,999,522</u></b> |
| Software                                   | 458,224                  | Additional paid-in capital                                     | 3,999,522               |
| <b><u>Investments and other assets</u></b> | <b><u>5,600,441</u></b>  | <b><u>Retained earnings</u></b>                                | <b><u>3,563,566</u></b> |
| Investment securities                      | 302,436                  | <b><u>Voluntary reserve</u></b>                                | <b><u>2,473,921</u></b> |
| Subsidiaries' stocks                       | 965,108                  | Reserve for dividends                                          | 750,000                 |
| Investments in equity                      | 675                      | Reserve for special depreciation                               | 13,921                  |
| Investments in equity of subsidiaries      | 856,944                  | General reserve                                                | 1,710,000               |
| Long-term loans receivable                 | 333,331                  | <b><u>Unappropriated retained earning</u></b>                  | <b><u>1,089,645</u></b> |
| Long-term prepaid expenses                 | 72,932                   | <b><u>Land revaluation difference</u></b>                      | <b><u>△ 524,424</u></b> |
| Guarantee deposits                         | 2,395,999                | <b><u>Unrealized gain on available-for-sale securities</u></b> | <b><u>97,431</u></b>    |
| Insurance reserve fund                     | 190,721                  | <b><u>Treasury stock</u></b>                                   | <b><u>△ 257</u></b>     |
| Bad debts                                  | 177,409                  |                                                                |                         |
| Deferred tax assets                        | 376,885                  |                                                                |                         |
| Deferred tax assets for land revaluation   | 364,431                  |                                                                |                         |
| Other                                      | 29,712                   |                                                                |                         |
| Allowance for doubtful accounts            | △ 466,145                |                                                                |                         |
|                                            |                          | <b>Total shareholders' equity</b>                              | <b>11,273,560</b>       |
| <b>Total assets</b>                        | <b>18,499,585</b>        | <b>Total liabilities and shareholders' equity</b>              | <b>18,499,585</b>       |

## Non-consolidated Statements of Income

From April, 1, 2005  
To March, 31, 2006

(Thousands of Yen)

| Accounts                                                                | Amount     |                  |
|-------------------------------------------------------------------------|------------|------------------|
| <b><u>Ordinary income and expenses</u></b>                              |            |                  |
| <b><u>Operating income and expenses</u></b>                             |            |                  |
| <b><u>Operating income</u></b>                                          |            |                  |
| Net sales                                                               |            | 21,202,484       |
| <b><u>Operating expenses</u></b>                                        |            |                  |
| Cost of sales                                                           | 10,708,623 |                  |
| Selling, general & administrative expenses                              | 9,885,370  | 20,593,994       |
| <b>Operating income</b>                                                 |            | <b>608,490</b>   |
| <b><u>Non-operating income and expenses</u></b>                         |            |                  |
| <b><u>Non-operating income</u></b>                                      |            |                  |
| Interest dividends and received                                         | 274,816    |                  |
| Other income                                                            | 44,888     | 319,704          |
| <b><u>Non-operating expenses</u></b>                                    |            |                  |
| Interest paid                                                           | 19,418     |                  |
| Other expenses                                                          | 27,981     | 47,399           |
| <b>Ordinary income</b>                                                  |            | <b>880,794</b>   |
| <b><u>Extraordinary profit and loss</u></b>                             |            |                  |
| <b><u>Extraordinary profit</u></b>                                      |            |                  |
| Gain on sales of fixed assets                                           | 7,077      |                  |
| Gain on sales of investment securities                                  | 197,330    | 204,408          |
| <b><u>Extraordinary loss</u></b>                                        |            |                  |
| Loss on disposal of fixed assets                                        | 48,364     |                  |
| Devaluation of subsidiary's securities                                  | 42,666     |                  |
| Provision for allowance for doubtful accounts                           | 21,492     | 112,523          |
| <b><u>Income before income taxes</u></b>                                |            |                  |
| Income taxes – current                                                  | 403,830    |                  |
| Income taxes – deferred                                                 | △ 27,045   | 376,785          |
| <b><u>Net income</u></b>                                                |            |                  |
| Unappropriated retained earnings brought forward from the previous year |            | 595,893          |
| Cash and cash equivalents acquired by merger                            |            | 594,087          |
| Interim dividend                                                        |            | 17,296           |
|                                                                         |            | 117,632          |
| <b><u>Unappropriated retained earnings at the end of the year</u></b>   |            |                  |
|                                                                         |            | <b>1,089,645</b> |

### (Significant Accounting Policies)

#### 1. Valuation basis and valuation method for significant securities

- (1) Subsidiaries' stocks                      Cost method based on the moving-average method
- (2) Other securities
  - ① With market value                      Market valuation 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 shareholders' equity. The cost of other securities sold is computed based on the moving average method.
  - ② Without market value                      Cost method based on the moving average method

#### 2. Valuation basis for derivative instruments

Market valuation method

#### 3. Valuation basis and valuation method for inventories

- (1) Merchandise                      Cost method based on gross average method
- (2) Raw materials                      Last purchase method
- (3) Supplies                      Last purchase method

#### 4. Method of depreciation of fixed assets

##### (1) Tangible fixed assets

###### ① Domestic assets

|                                                                                                                       |                          |
|-----------------------------------------------------------------------------------------------------------------------|--------------------------|
| Rental costume                                                                                                        | Straight-line method     |
| Buildings                                                                                                             | Declining-balance method |
| However, for 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 equipments                                                                                      | Declining-balance method |

###### ② Foreign assets                      Straight-line method

The principal estimated useful lives are as follows:

|                          |            |
|--------------------------|------------|
| Rental costume           | 2 years    |
| Buildings and structures | 5-47 years |
| Furniture and fixtures   | 2-20years  |

##### (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

Straight-line method

5. Accounting for allowance 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) Allowance for bonuses             | Accrued bonuses are provided based upon amounts expected to be paid in accordance with the subjected term.                                                                                                                                                                                                                                                               |
| (3) Allowance for retirement benefits | Allowance for retirement benefits are recognized based on projected retirement benefits obligations and the estimated plan assets at the balance sheet date.<br><br>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. |

6. Lease

Finance leases, other than those deemed to transfer ownership of the leased property to the lessee, are accounted for as operating lease transaction.

7. Derivatives and hedge accounting

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 translated 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.

8. Consumption tax accounting

Consumption taxes are excluded from all items in the non-consolidated statements of income.

9. Change in accounting policies

Effective April 1, 2005, the company adopted “Accounting for Impairment of Fixed Assets” (“Opinion concerning Establishment of Accounting Standard for Impairment of Fixed Assets” issued by the Business Accounting Council on August 9, 2002) and “Guidance for Accounting Standard for Impairment of Fixed Assets” (“The Financial Accounting Standard Implementation Guidance No.6” issued by the Accounting Standards Board of Japan on October 31, 2003). No income is affected by the adoption.

10. Additional information

(Abolition of retirement benefit plan for directors and corporate auditors)

Retirement benefit plan for directors and corporate auditors has been abolished since the date of a general meeting of shareholders held on June 29, 2005. Following this abolition, accrued retirement benefits for directors and corporate auditors are recorded on long-term accounts payable.

(Notes to Non-Consolidated Balance Sheets and Statements of income)

1. Amounts are stated rounding down to the nearest thousand.
2. Accumulated depreciation of tangible fixed assets 4,369,576 thousand yen
3. Pledged assets
  - (1) Land 636,872 thousand yen
  - (2) Buildings 80,194 thousand yen
4. The company revaluated its business-use land in accordance with the “Law of Land Revolution” (Law No.34 enforced on March 31, 1998) and revaluation difference, net of income tax, is presented as a component of shareholders’ equity.

|                                                                                          |                                                                                                                                                                                                                       |
|------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 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 enforced on March 31, 1998) |
| Date of revaluation                                                                      | March 31, 2002                                                                                                                                                                                                        |
| Difference between fair value at the balance sheet date and book value after revaluation | 134,114 thousand yen                                                                                                                                                                                                  |
5. Monetary receivables and payables to subsidiaries

|                        |                      |
|------------------------|----------------------|
| Short-term receivables | 479,717 thousand yen |
| Long-term receivables  | 332,479 thousand yen |
| Short-term payables    | 494,379 thousand yen |
6. Transactions with subsidiaries

|                                  |                        |
|----------------------------------|------------------------|
| Net sales                        | 540,855 thousand yen   |
| Purchase                         | 4,898,329 thousand yen |
| Operating expenses               | 142,048 thousand yen   |
| Non-operating income and expense | 53,168 thousand yen    |
7. In addition to the fixed assets recorded on the balance sheet, facilities and buildings for weddings, retail premises, equipments used in retail premises, electric calculator and other related equipments are used under lease contracts.
8. Income taxes
  - (1) Principal components of 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) |
|---------------------------------------|--------------------|------------------------------------------------|--------------------|
| Allowance for bonus                   | 75,440             | Tangible fixed assets                          | 31,563             |
| Inventories                           | 43,861             | Allowance for retirement benefits              | 17,125             |
| Accrued expenses                      | 42,146             | Long-term accounts payable                     | 133,250            |
| Accounts receivable                   | 54,275             | Subsidiaries’ stocks and investments in equity | 110,094            |
| Accrued enterprise tax                | 11,487             | Investment securities                          | 24,096             |
| Other                                 | <u>31,896</u>      | Allowance for doubtful accounts                | 154,771            |
| Subtotal of deferred tax assets       | 259,107            | Other                                          | <u>1,562</u>       |
| Valuation allowance                   | <u>△39,050</u>     | Total deferred tax assets                      | 472,463            |
| Total deferred tax assets             | 220,057            | Tangible fixed assets                          | 6,092              |
| Total deferred tax liabilities        | <u>13,628</u>      | Investment securities                          | 67,706             |
| Net deferred tax assets               | <u>206,428</u>     | Other                                          | <u>21,778</u>      |
|                                       |                    | Total deferred tax liabilities                 | <u>95,577</u>      |
|                                       |                    | Net deferred tax assets                        | <u>376,885</u>     |

(2) Major components of the difference between the effective statutory tax rates and the actual effective tax rates

|                                                                          |               |
|--------------------------------------------------------------------------|---------------|
| Normal effective statutory tax rate                                      | 41.0 %        |
| (Reconciliation)                                                         |               |
| Expense not deductible for income tax purpose                            | △ 4.3 %       |
| Per capita portion of inhabitant tax                                     | 4.2 %         |
| Lower income tax rates applicable to income in certain foreign countries | △ 3.2 %       |
| Tax sparing credit                                                       | △ 4.9 %       |
| Net increase of valuation allowance                                      | 4.0 %         |
| Other                                                                    | <u>2.0 %</u>  |
| Actual effective tax rate                                                | <u>38.7 %</u> |

- |                                                                                                           |                      |
|-----------------------------------------------------------------------------------------------------------|----------------------|
| 9. Guarantees                                                                                             | 136,640 thousand yen |
| 10. Net income per share                                                                                  | 59.51 yen            |
| 11. Increase in net assets subject to Item 3, Article 124 of the Enforcement Regulation of Commercial Law | 97,431 thousand yen  |

Proposed appropriations of retained earnings

(Yen)

| Accounts                                                                | Amount               |
|-------------------------------------------------------------------------|----------------------|
| <b>Unappropriated retained earnings</b>                                 | <b>1,089,645,220</b> |
| Reversal of reserve for special depreciation                            | 5,239,289            |
| Total                                                                   | 1,094,884,509        |
| <br>                                                                    |                      |
| Dividends<br>(12 Yen per Share)                                         | 118,226,436          |
| Bonuses for directors and corporate auditors                            | 12,000,000           |
| General reserves                                                        | 200,000,000          |
| Unappropriated retained earnings to be carried forward to the next year | 764,658,073          |

(Note) An Interim dividend in the amount of 117,632,436 yen (12 yen per share) was paid to the shareholders on December 5, 2005.

# Reference Material on the General Meeting of Shareholders

## Agenda and Referenced Matters

Proposal No.1: Approval of proposed appropriation of unappropriated retained earnings for the 42nd fiscal year

Details of the proposal are as stated on page 31 of the attached document.

The Company intends to execute a distribution of profits, acknowledging that distribution of profits to shareholders is a major issue for management and comprehensively taking into account some factors including trend of business performance and the dividend payout ratio. Based on the above policy, the Company will pay a cash dividend of ¥12 per share, considering the level of business performance for the year.

Accordingly, the total annual dividend, including the interim dividend (¥12 per share) already paid, would be ¥24 per share.

Regarding bonuses to directors, the Company will pay ¥12 million for eight (8) directors as of the end of the fiscal year under review, taking into account the business performance and other factors during the year.

Proposal No.2: Partial Amendments to the Articles of Incorporation

### 1. Reasons for the Amendments

(1) Following the enforcement on May 1, 2006 of the “Company Law” (Law No.86, 2005), the Company will make amendments to its Articles of Incorporation as follows:

- ① The Company will newly establish Article 10 (Rights Regarding Shares Less Than One Unit) regarding the rights concerning shares less than one unit.
- ② To clarify the location of General Meetings of Shareholders, the Company will newly establish Article 14 (Location).
- ③ To enhance convenience for shareholders in convening General Meetings of Shareholders, the Company will newly establish Article 17 (Internet Disclosure and Deemed Provision of Reference Documents for General Meetings of Shareholders) which enables disclosure via internet of reference documents and other information on General Meetings of Shareholders.
- ④ For more flexible and effective management of the Board of Directors, the Company will newly establish Paragraph 2, Article 26 (Method of Resolution of the Board of Directors) regarding resolution in writing by the Board of Directors stipulated in Article 370 of the “Company Law”.
- ⑤ To maintain good personnel as outside director and outside corporate auditor, the Company will newly establish Article 28 (Limited Liability Agreement with Outside Directors) and Article 35 (Limited Liability Agreement with Outside Corporate Auditors).  
New establishment of Article 28 (Limited Liability Agreement with Outside Directors) has been unanimously approved by the Board of Corporate Auditors.
- ⑥ Following the enforcement of the “Company Law”, the Company will, with respect to the matters which should be newly stipulated in the Articles of Incorporation, establish new articles, amend certain wordings and quoted articles and improve articles.

(2) For further improvement of management efficiency, the Company will amend the number of directors stipulated in Article 15 of the current Articles of Incorporation (Number of Directors) from “up to twelve (12)” to “not more than ten (10)”.

(3) Following the above amendments, the Company will adjust the related article numbers as well as make necessary amendments throughout the Articles of Incorporation in order to clarify expressions and improve wordings.

Details of Amendments

Details of Amendments are as follows:

(Amendments shown by underlines)

| Current Article of Incorporation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | Proposed Articles of Incorporation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p style="text-align: center;">Chapter I General Provisions</p> <p>( Purpose )</p> <p>Article 2 The business purposes of the Company are as follows:</p> <ol style="list-style-type: none"> <li>1. Costume rental business</li> <li>2. Manufacturing and sales of wedding dresses <u>and</u> formal dresses</li> <li>3. Management of wedding halls</li> <li>4. Planning and presentation of wedding receptions</li> <li>5. Wedding consultation</li> <li>6. Sales of seals (chops)</li> <li>7. Sales of betrothal gifts, jewelries, furniture, wedding dresses and other goods relating to weddings</li> <li>8. Lease of vehicles <u>and</u> rental costumes</li> <li>9. Lease <u>and</u> sales of clothes, travel goods and sporting goods</li> <li>10. Direction on management of franchised chain stores <u>and</u> consultation for the operation thereof</li> <li>11. Maintenance of rental costumes</li> <li>12. Cleaning business</li> <li>13. Travel placement <u>and</u> travel agency service</li> <li>14. Entrusted business including providing services on using copy machines, facsimiles and telephones <u>and</u> providing informational service on culture, life, music and sports.</li> <li>15. Tour business</li> <li>16. Non-life insurance agency service</li> <li>17. Beauty business <u>and</u> management of esthetic salons</li> <li>18. Photography</li> <li>19. Management of hotels</li> <li>20. Management of restaurants</li> <li>21. Any business incidental to the preceding items</li> </ol> <p>( Location of Head Office )</p> <p>Article 3 The company shall have its head office in Kyoto-city.</p> <p>( Newly Established )</p> <p>( Method of Public Notice )</p> <p><u>Article 4</u> Public notice of the Company shall be given in the <i>Nihon Keizai Shimbun</i>.</p> <p style="text-align: center;">Chapter II Shares</p> <p>( Total Number of Shares to be issued )</p> <p><u>Article 5</u> The total number of shares to be issued by the Company shall be 22,000,000 shares; <u>provided however, in the event of the cancellation of the shares of the Company, the number of shares so cancelled shall be decreased.</u></p> | <p style="text-align: center;">Chapter I General Provisions</p> <p>( Purpose )</p> <p>Article 2 The business purposes of the Company are as follows:</p> <ol style="list-style-type: none"> <li>(1) ( No amendment )</li> <li>(2) Manufacturing sales of wedding dresses <u>and</u> formal dresses</li> <li>(3) } ( No amendment )</li> <li>(4) }</li> <li>(5) }</li> <li>(6) }</li> <li>(7) }</li> <li>(8) Lease of vehicles <u>and</u> rental costumes</li> <li>(9) Lease <u>and</u> sales of clothes, travel goods and sporting goods</li> <li>(10) Direction on management of franchised chain stores <u>and</u> consultation for the operation thereof</li> <li>(11) ( No amendment )</li> <li>(12) ( No amendment )</li> <li>(13) Travel placement <u>and</u> travel agency service</li> <li>(14) Entrusted business including providing services on using copy machines, facsimiles and telephones <u>and</u> providing informational service on culture, life, music and sports.</li> <li>(15) ( No amendment )</li> <li>(16) ( No amendment )</li> <li>(17) Beauty business <u>and</u> management of esthetic salons</li> <li>(18) } ( No amendment )</li> <li>(19) }</li> <li>(20) }</li> <li>(21) Any business incidental to or <u>in connection with</u> any of the preceding items</li> </ol> <p>( Location of Head Office )</p> <p>Article 3 ( No amendment )</p> <p>( <u>Organ</u> )</p> <p><u>Article 4</u> The Company shall establish the following organs in addition to the General Meeting of Shareholders and directors.</p> <ol style="list-style-type: none"> <li>(1) <u>Board of Directors</u></li> <li>(2) <u>Corporate Auditors</u></li> <li>(3) <u>Board of Corporate Auditors</u></li> <li>(4) <u>Accounting Auditors</u></li> </ol> <p>( Public Notice Method )</p> <p><u>Article 5</u> ( No amendment )</p> <p style="text-align: center;">Chapter II Shares</p> <p>( Total Number of Shares Authorized to be issued )</p> <p><u>Article 6</u> The total number of shares authorized to be issued by the Company shall be 22,000,000 shares.</p> |

|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>( Newly established )</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | <p>( Issuance of share certificates )<br/> <u>Article 7</u> The Company shall issue share certificates representing its <u>issued shares</u></p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| <p>( Newly established )</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | <p>( Number of shares per unit and non-issuance of share certificates representing less than one unit )<br/> <u>Article 8</u> The number of shares constituting one (1) unit (<i>tangen</i>) of shares in the Company shall be one hundred (100) shares.<br/> <u>2. Notwithstandig the preceding Article, the Company shall not issue any share certificates representing shares less than one unit unless otherwise provided for in the Share Handling Regulations.</u></p>                                                                                                                                                                                                                            |
| <p>( Acquisition of its Own Shares )<br/> <u>Article 6</u> The Company may, <u>subject to resolution of the Board of Directors, acquire its own shares pursuant to the provisions of Article 211-3, Paragraph 1(2) of the Commercial Code.</u></p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | <p>( Acquisition of its Own Shares )<br/> <u>Article 9</u> The Company may, <u>by resolution of the Board of Directors, acquire its own shares thorough market transactions and other methods pursuant to the provisions of Paragraph 2, Article 165 of the Company Law.</u></p>                                                                                                                                                                                                                                                                                                                                                                                                                        |
| <p>(<u>Number of Shares per Unit and Non-Issuance of Share Certificates Representing Less Than One Unit</u>)<br/> <u>Article 7</u> One (1) unit (<i>tangen</i>) of shares in the Company consists of one hundred (100) shares.<br/> <u>2. The Company shall not issue share certificates representing shares of less than (1) one unit.</u></p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | <p>( Deleted )</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| <p>( Newly established )</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | <p>( <u>Rights regarding Shares Less Than One Unit</u> )<br/> <u>Article 10</u> <u>Shareholders of the Company (including beneficial shareholders; hereinafter the same) shall not have any right to exercise other than those stipulated below regarding their less-than-one-unit shares.</u><br/> (1) <u>Rights listed in each item of Paragraph 2, Article 189 of the company Law</u><br/> (2) <u>Right to request in accordance with the provisions of Paragraph 1, Article 166 of the Company Law</u><br/> (3) <u>Right to receive allotment of offered shares and receive allotment of share warrants according to the number of shares held</u></p>                                              |
| <p>( Share Handling Regulations )<br/> <u>Article 8</u> <u>Procedures and commissions relating to shares of the Company, including denomination of share certificates, acceptance of notice of beneficial shareholders, registration of transfer of shares, preparation of beneficial shareholders' register, registration of lost share certificates, purchase of shares numbering less than one unit and distribution of share certificates, shall be governed by the Share Handling Rules established by the Board of Directors.</u></p>                                                                                                                                                                                                                                                                                                                 | <p>( Share Handling Regulations )<br/> <u>Article 11</u> <u>Procedures and commissions relating to shares of the Company shall be governed by the Share Handling Rules established by the Board of Directors as well as by laws or ordinances or these Articles of Incorporation.</u></p>                                                                                                                                                                                                                                                                                                                                                                                                               |
| <p>( <u>Transfer agent</u> )<br/> <u>Article 9</u> The Company shall have a <u>transfer agent with respect to shares.</u><br/> 2. <u>The transfer agent and its place of business shall be selected by resolution of the Board of Directors.</u><br/> 3. <u>The register of shareholders (including beneficial shareholders; hereinafter the same) of the Company and the register of lost share certificates shall be kept at the transfer agent's place of business. Registration of transfer of shares, acceptance of notice of beneficial shareholders, preparation of beneficial shareholders' register, registration of lost share certificates, purchase of shares numbering less than one unit, distribution of share certificates and any other business relating to shares shall be handled by the transfer agent and not by the Company.</u></p> | <p>( <u>Administrator of Shareholders' Register</u> )<br/> <u>Article 12</u> The Company shall have an <u>administrator of shareholders' register.</u><br/> 2. <u>The administer of shareholder' register and its place of business shall be determined by resolution of the Board of Directors and shall be publicly notified.</u><br/> 3. <u>Preparing and keeping of the register of shareholders (including beneficial shareholders; hereinafter the same) of the Company, the original register of share warrants and the register of lost share certificates as well as any other business therefore shall be handled by the administrator of shareholders' register, not by the Company.</u></p> |
| <p>( <u>Record Date</u> )<br/> <u>Article 10</u> <u>The shareholders (including beneficial shareholders; hereinafter the same) appearing or recorded on the last</u></p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | <p>( Deleted )</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |

shareholders' register as of the closing day of each fiscal year shall be the shareholders entitled to exercise the rights of shareholders at the Ordinary General Meeting of Shareholders for such fiscal year.

2. Except as otherwise stipulated in the preceding paragraph and elsewhere in these Articles of Incorporation, the Company may, if necessary, set a record day on a temporary basis by giving advance public notice in accordance with the resolution of the Board of Directors.

### Chapter III General Meeting of Shareholders

( Convocation )

Article 11 An ordinary general meeting of shareholders shall be convened within three (3) months from the day following the closing day of each fiscal year. An Extraordinary General Meeting of Shareholders shall be convened whenever necessary.

( Newly established )

( Newly established )

( Persons to convene meeting and Chairman )

Article 12 Unless otherwise stipulated in laws or ordinances, the president shall convene a meeting and act as chairman thereof, base on the resolution of the Board of Directors.

2. If the President is prevented from so doing, one of the other Directors shall do so in the order fixed in advance by the Board of Directors.

( Newly established )

( Method of Resolution )

Article 13 Unless otherwise stipulated in laws or ordinances or by these Articles of Incorporation, resolutions at a General Meeting of Shareholders shall be adopted by a majority vote of the shareholders present.

2. The special resolution provided for in Article 343 of the Commercial Code shall be adopted by two-thirds or more of the votes of the shareholders present who hold one-thirds or more of the voting rights of all shareholders.

( Exercise of voting rights by proxy )

Article 14 A shareholder may exercise his voting rights by proxy who is a shareholder of the Company with voting right.

2. Such shareholder or proxy shall present to the Company a document certifying the proxy's power of representation for each General Meeting of Shareholders.

### Chapter III General Meeting of Shareholders

( Convocation )

Article 13 An Ordinary General Meeting of Shareholders shall be convened within three (3) months from the day following the end of each business term. An Extraordinary General Meeting of Shareholders shall be convened whenever necessary.

( Location )

Article 14 The Company shall hold General Meeting of Shareholders in Kyoto-city.

(Record Date of Ordinary General Meeting of Shareholders)

Article 15 The record date of voting rights at an Ordinary General Meeting of Shareholders shall be March 31 of each year.

( Persons authorized to convene meeting and Chairman )

Article 16 (No amendment )

2. If the president is prevented from so doing, one of the other directors shall convene a meeting and act as chairman in the order fixed in advance by the Board of Directors.

( Internet Disclosure and Deemed Provision of Reference documents for General Meetings of Shareholders )

Article 17 The Company may disclose information to be indicated or represented in reference documents for a General Meeting of Shareholders, business reports, financial documents and consolidated financial documents thorough the internet in accordance with the ordinance of the Ministry of Justice and this shall be deemed as provision to shareholders.

( Method of Resolution )

Article 18 Unless otherwise stipulated in laws or ordinances or by these Articles of Incorporation, resolutions at a General Meeting of Shareholders shall be adopted by a majority vote of the shareholders present who are able to exercise their voting rights.

2. The special resolution provided for in Paragraph 2, Article 309 of the Company Law shall be adopted by two-thirds or more of the votes of the shareholders present who hold one-thirds or more of the voting rights of the shareholders who are able to exercise their voting rights.

( Exercise of voting rights by proxy )

Article 19 A shareholder may exercise his voting rights by one proxy who is a shareholder of the Company with voting right.

2. Such shareholder or proxy shall present to the Company a document evidencing the proxy's power of representation for each General Meeting of Shareholders.

Chapter IV Directors and Board of Directors

( Number of Directors )

Article 15 Directors of the Company shall be up to twelve (12) in number.

( Election of Directors )

Article 16 Directors of the Company shall be elected by the resolution at a General Meeting of Shareholders. Such resolution shall be adopted by a majority of the votes of shareholders present, who hold one-thirds or more of the voting rights of all shareholders. Such election shall not be made by cumulative voting.

( Newly established )

( Newly established )

( Term of Office of Directors )

Article 17 The term of office of each director of the Company shall expire at the close of the Ordinary General Meeting of Shareholders relating to the last closing date of accounts to occur within two (2) years after his assumption of the office.

2. The term of office of a director elected to fill vacancies or increase the number of directors shall correspond to the remaining term of office of the other directors.

( Representative Directors )

Article 18 The representative directors of the Company shall be determined by resolution of the Board of Directors.

( Newly established )

( Directors with Specific Titles )

Article 19 The Board of Directors, by its resolution, select a president. The Board of Directors may, if necessary, select a chairman and several vice presidents, senior managing directors and managing directors.

( Convening of Meeting of the Board of Directors )

Article 20 Unless otherwise stipulated in laws or ordinances, the president shall convene a meeting of the Board of Directors and act as chairman.

2. If the president is prevented from so doing, one of the other directors shall do so in the order fixed in advance by the Board of Directors.
3. Notice of convocation of a meeting of the Board of Directors shall be sent to each director three days prior to the date of the meeting; provided, however, such period may be shortened in case of urgent necessity.

( Newly established )

Chapter IV Directors and Board of Directors

( Number )

Article 20 Directors of the Company shall be not more than ten (10) in number.

( Method of Election )

Article 21 Directors shall be elected at a General Meeting of Shareholders.

2. Resolution on election of directors shall be adopted by a majority of the votes of shareholders present, who hold one-thirds or more of the voting rights of shareholders who are able to exercise their voting rights.
3. The resolution on election of directors shall not be made by cumulative voting.

( Term of Office )

Article 22 The term of office of each director of the Company shall expire at the close of the Ordinary General Meeting of Shareholders relating to the last business term ending within two (2) years after his election to office.

2. ( No amendment )

( Representative Directors and Directors with Specific Titles )

Article 23 The Board of Directors shall elect representative directors by its resolution

2. The Board of Directors may, by its resolution, determine a Board Chairman, a President & Director and several Vice Presidents & Directors, Senior Managing Directors and Managing Directors.

( Deleted )

( Person Authorized to Convene Meeting of the Board of Directors and Chairman thereof )

Article 24 Unless otherwise stipulated in laws or ordinances, the president shall convene a meeting of the Board of Directors and act as chairman.

2. If the president is prevented from so doing, one of the other directors shall convene a meeting and act as chairman in the order fixed in advance by the Board of Directors.

( Deleted )

( Notice of Convocation of Meetings of the Board of Directors )

Article 25 Notice of convocation of a meeting of the Board of Directors shall be sent to each director and corporate auditor three days prior to the date of the meeting; provided, however, such period may be shortened in case of urgent necessity.

2. If the consent of all directors and corporate auditors is obtained in advance, a meeting may be held without following the procedures for convening a meeting.

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|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>( Newly established )</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | <p>( Method of resolution of the Board of Directors )<br/> <u>Article 26</u> Resolution of the Board of Directors shall be adopted by a majority of the votes of majority of directors present, provided that majority of total shareholders with voting rights are in attendance.<br/> 2. If all directors (those only who have voting rights regarding the related matters to be resolved) represent their approval in writing or digital recording, the Company shall assume that the resolution matter has been approved by resolution of the Board of Directors. Provided however, if any corporate auditor objects the resolution matter, this shall not apply.</p> |
| <p>(Remuneration )<br/> <u>Article 21</u> Remuneration of directors shall be decided by resolution of a General Meeting of Shareholders.</p>                                                                                                                                                                                                                                                                                                                                                             | <p>( Remuneration, etc. )<br/> <u>Article 27</u> Remuneration, bonus and other property benefits received by the Company as compensation for performance of duties (hereinafter "remuneration, etc.") shall be determined by resolution of a General Meeting of Shareholders.</p>                                                                                                                                                                                                                                                                                                                                                                                         |
| <p>( Newly established )</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | <p>( Limited Liability Agreement with Outside Directors )<br/> <u>Article 28</u> The Company may, pursuant to the provisions of Paragraph 1, Article 427 of the Company Law, conclude an agreement with outside directors which limits the liability for damages for the Company caused by non-performance of their duties. However, limited amount of liability shall be prescribed by laws or ordinances.</p>                                                                                                                                                                                                                                                           |
| <p>Chapter V Corporate Auditors <u>and</u> Board of Corporate Auditors</p>                                                                                                                                                                                                                                                                                                                                                                                                                               | <p>Chapter V Corporate Auditors <u>and</u> Board of Corporate Auditors</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| <p>( Number of Corporate Auditors )<br/> <u>Article 22</u> The corporate auditors of the Company shall be up to five (5) in number.</p>                                                                                                                                                                                                                                                                                                                                                                  | <p>( Number )<br/> <u>Article 29</u> The corporate auditors of the Company shall be not more than five (5) in number.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| <p>( Election of Corporate Auditors )<br/> <u>Article 23</u> Corporate auditors of the Company shall be elected by the resolution at a General Meeting of Shareholders. Such resolution shall be adopted by a majority of the votes of shareholders present, who hold one-thirds or more of the voting rights of all shareholders.</p>                                                                                                                                                                   | <p>( Method of Election )<br/> <u>Article 30</u> Corporate auditors shall be elected at a General Meeting of Shareholders.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| <p>( Newly established )</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | <p>2. Resolution on election of corporate auditors shall be adopted by a majority of the votes of shareholders present, who hold one-thirds or more of the voting rights of shareholders who are able to exercise their voting rights.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                |
| <p>( Term of Office of Corporate Auditors )<br/> <u>Article 24</u> The term of office of each corporate auditor of the Company shall expire at the close of the Ordinary General Meeting of Shareholders relating to the last closing date of accounts to occur within four (4) years after his assumption of the office.<br/> 2. The term of office of a corporate auditor elected to fill vacancies shall expire at the time of expiration of the term of office of the retired corporate auditor.</p> | <p>( Term of Office )<br/> <u>Article 31</u> The term of office of each corporate auditor shall expire at the close of the Ordinary General Meeting of Shareholders relating to the last business term ending within four (4) years after his election to office.<br/> 2. ( No amendment )</p>                                                                                                                                                                                                                                                                                                                                                                            |
| <p>( Full-time Corporate Auditors )<br/> <u>Article 25</u> Corporate Auditors shall determine the full-time corporate auditors by mutual vote.</p>                                                                                                                                                                                                                                                                                                                                                       | <p>( Full-time Corporate Auditors )<br/> <u>Article 32</u> The Board of Corporate Auditors shall select the full-time corporate auditors by its resolution.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| <p>( Convocation of Meeting of the Corporate Auditors )<br/> <u>Article 26</u> Convocation of a meeting of the Board of Corporate Auditors shall be made by sending notice thereof three days prior to the date of the meeting; provided, however, such period may be shortened in case of urgency.</p> <p>( Newly established )</p>                                                                                                                                                                     | <p>( Notice of Convocation of Meeting of the Corporate Auditors )<br/> <u>Article 33</u> Notice of convocation of a meeting of the Board of Corporate Auditors shall be sent to each corporate auditor three days prior to the date of the meeting; provided, however, such period may be shortened in case of urgent necessity.<br/> 2. If the consent of all corporate auditors is obtained in advance, a meeting may be held without following the procedures for convening a meeting.</p>                                                                                                                                                                             |

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| <p>( Remuneration )<br/> <u>Article 27</u> Remuneration of corporate auditors shall be determined by resolution of a General Meeting of Shareholders.</p> <p>( Newly established )</p> <p style="text-align: center;">Chapter VI Accounts</p> <p>( Business year )<br/> <u>Article 28</u> The <u>business</u> year of the Company shall be from April 1 of each year to March 31 of the following year, and the account shall <u>be closed at the end of each business term</u>.</p> <p>( Newly established )</p> <p>( Dividends to Shareholders )<br/> <u>Article 29</u> <u>Dividends of the Company shall be paid to the shareholders or registered pledgees the appearing or recorded on the shareholders' registers as of the closing date of each fiscal year.</u></p> <p>( Interim Cash Dividends )<br/> <u>Article 30</u> The Company may, <u>by resolution of the Board of Directors, make distribution of money as interim dividends to the shareholders or registered pledgees appearing or recorded in the last shareholders' register as of September 30 of each year.</u></p> <p>( Period of Exclusion )<br/> <u>Article 31</u> The Company <u>shall</u> be relieved of the obligation to pay <u>dividends and interim dividends</u> which remain unreceived after the lapse of three (3) full years from the time whenever the payment therefore shall be commenced by the Company.</p> <p>( Newly established )</p> | <p>( Remuneration, etc. )<br/> <u>Article 34</u> Remuneration, etc. shall be determined by resolution of a General Meeting of Shareholders.</p> <p>( Limited Liability Agreement with Outside Corporate Auditors )<br/> <u>Article 35</u> <u>The Company may, pursuant to the provisions of Paragraph 1, Article 427 of the Company Law, conclude an agreement with outside corporate auditors which limits the liability for damages for the Company caused by non-performance of their duties. However, limited amount of liability shall be prescribed by laws or ordinances.</u></p> <p style="text-align: center;">Chapter VI Accounts</p> <p>(Fiscal year )<br/> <u>Article 36</u> The <u>fiscal</u> year of the Company shall be <u>one year</u> from April 1 of each year to March 31 of the following year.</p> <p>( Year-End Dividends and Record Date )<br/> <u>Article 37</u> <u>The distribution of surplus of the Company shall be paid to the shareholders and registered pledgees as year-end dividends with the record date of March 31 of each year.</u></p> <p>( Deleted )</p> <p>( Interim Dividends and Record Date )<br/> <u>Article 38</u> The Company may, <u>by resolution of the Board of Directors, make distribution of surplus as interim dividends to the shareholders or registered pledgees with the record date of September 30 of each year.</u></p> <p>( Period of Exclusion Regarding Dividends )<br/> <u>Article 39</u> <u>If distributed property is monetary dividends, the Company is relieved of the obligation to pay such dividends which still remain unreceived after the lapse of three (3) full years from the time whenever the payment therefore shall be commenced by the Company.</u><br/> <u>2. No interests are accrued on the money in the preceding paragraph.</u></p> |
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Proposal No.3: Election of Seven (7) Directors

All of ten (10) directors shall finish their term of office at the close of this General Meeting of Shareholders. In order to improve management efficiency and enable timely and appropriate decision making, the Company proposes election of seven (7) directors.

The nominees are as follows.

| Nominee No. | Name<br>(Date of Birth)               | Brief History<br>(Current Title and Representation of Other Companies)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | Shareholdings<br>of the<br>Company |
|-------------|---------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------|
| 1           | Takao Watabe<br>(February 12, 1941)   | August 1961: Joined WATABE WEDDING CORPORATION<br>October 1964: Senior Managing Director<br>October 1977: Senior Managing Director & Representative Director<br>October 1978-Present President & Representative Director<br>(President & Representative director, K.K. MEGURO GAJOEN)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | 290,800 shares                     |
| 2           | Masahiko Shimazaki<br>(July 30, 1955) | September 1981: Joined WATABE WEDDING COROPRATION<br>June 2002: Director & Division Director, Overseas Business Division<br>June 2004: Managing Director, Deputy Division Director, Group Management Division & Division Director, Shanghai Business Division<br>June 2005-Present:<br>Managing Director & Division Director, Asia Business Division<br>(President & Representative Director, Watabe Wedding (Shanghai) Co., Ltd.)<br>(President & Representative Director, Shanghai Watabe Wedding Service Co., Ltd.)<br>(President & Representative Director, Shanghai Saison Des Brides Trade Co., Ltd.)<br>(President & Representative Director, Watabe Wedding Service (Shanghai) Co., Ltd.)<br>(President & Representative Director, Watabe Wedding Article (Shanghai) Co., Ltd.)<br>(President & Representative Director, Shanghai Saison Tuxedo Co., Ltd.)<br>(President & Representative Director, Watabe Wedding Vietnam Co., Ltd.) | 10,000 shares                      |
| 3           | Katsumi Ueda<br>(March 12, 1950)      | April 1972: Joined Bank of Tokyo, Ltd. (presently, Bank of Tokyo-Mitsubishi UFJ, Ltd.)<br>July 2001: Joined WATABE WEDDING COROPRATION<br>June 2004: Director & General Manager, East Japan Administration Department<br>November 2005-present: Director & Division Director, Administration Division                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | 2,400 shares                       |

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| 4  | Hiroshi Kawaguchi<br>(December 17, 1955) | May 1979: Joined WATABE WEDDING CORPORATION<br>June 1995: General Manager, Accounting Department, Administration Division<br>June 2002: Corporate Auditor<br>June 2005: Director & Director of Executive Office<br>February 2006-Present: Director & Division Director, Domestic Wedding Business Division                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | 24,400 shares |
| *5 | Hidetoshi Watabe<br>(October 25, 1966)   | April 1989: Joined DDI Corporation (presently KDDI Corporation)<br>October 1992: Joined WATABE WEDDING CORPORATION<br>December 2002: President, Honolulu Branch<br>June 2005: Executive Officer & Division Director, Marketing and Planning Division<br>February 2006-Present Executive Officer & Division Director, Overseas Wedding Business Division<br>(President & Representative Director, Watabe U.S.A., Inc.)<br>(President & Representative Director, Watabe Wedding Canada, Inc.)<br>(President & Representative Director, Watabe Guam, Inc.)<br>(President & Representative Director, Watabe Saipan, Inc.)<br>(President & Representative Director, PT. Watabe Bali)<br>(President & Representative Director, Watabe Australia PTY.Ltd.)<br>(President & Representative Director, Watabe Europe S.A.R.L.)<br>(President & Representative Director, Watabe U.K., Ltd.) | 21,500 shares |
| *6 | Kazuaki Ichihashi<br>(January 26, 1945)  | March 1967: Joined Wacoal Corp. (presently Wacoal Holdings Corp.)<br>June 1995: Director<br>June 1998: Managing Director<br>June 2002: Senior Managing Director<br>November 2005: Joined WATABE WEDDING CORPORATION<br>December 2005: Division Director, Wedding Business Division<br>February 2006-Present: Executive Officer, in charge of Sales Strategy Management                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | — shares      |
| 7  | Norio Hirai<br>(September 26, 1940)      | April 1965: Joined Tateishi Electronics Co. (presently, OMRON Corporation)<br>June 1997: Senior Managing Director & Representative Director<br>June 2001: Executive Vice President & Director<br>June 2003-Present: Special Corporate Adviser, OMRON Corporation<br>June 2004-Present: Director, WATABE WEDDING CORPORATION                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | 1,000 shares  |

(Note)

1. Takao Watabe, nominee for director, serve concurrently as the President & Representative Director of K.K. MEGURO GAJOEN which is in a competing relationship with the Company.
2. Other nominees for director have no special interests in the Company.
3. \* mark indicates a new nominee for director.
4. Norio Hirai, nominee for director, is a nominee for outside director.