

Consolidated Financial Results for the Second Quarter Ended September 30, 2010 [J-GAAP]

Watabe Wedding Corporation

November 2, 2010

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Scheduled date of the filing of the quarterly report: November 5, 2010
 Scheduled date of start of dividend payment: December 1, 2010
 Preparation of any additional explanatory document for quarterly financial results: Yes
 Holding of any briefing session for quarterly financial results: Yes
 (For institutional investors and security analysts)

Financial Highlights

As of and for the six months ended September 30, 2009 and 2010

1. Consolidated Operating Results

	Six months ended September 30, 2009	Six months ended September 30, 2010	2010 / 2009 (percentage change)
	(millions of yen)		
(1) Consolidated financial results			
Net sales	¥24,876	¥24,137	-3.0%
Operating income	214	150	-29.7%
Ordinary income	254	33	-87.0%
Net income	64	(173)	—
Net income, basic per share (yen)	6.49	(17.53)	
Net income per share (diluted) (yen)	—	—	

	March 31, 2010	September 30, 2010
	(millions of yen)	
(2) Consolidated financial position		
Total assets	¥25,864	¥25,269
Net assets	14,976	14,393
Shareholders' equity ratio	57.9%	57.0%
Net assets per share (yen)	¥1,510.94	¥1,452.34

(Reference) Shareholders' equity: As of September 30, 2010: ¥14,391 million As of March 31, 2010: ¥14,972 million

2. Dividends

	Annual dividends per share				
	1Q end	2Q end	3Q end	Year end	Total
	(Yen)				
2010	—	¥15.00	—	¥15.00	¥30.00
2011	—	¥15.00	—	—	—
2011 (Forecast)	—	—	—	¥15.00	¥30.00

(Note) Any revision to the dividends forecast for the quarter under review: None

3. Consolidated Results Forecast for Year Ending March 31, 2011

	2011
	Full year
	(millions of yen)
Net sales	¥53,100
Operating income	2,000
Ordinary income	1,900
Net income	700
Net income, basic per share (yen)	70.64

(Note) Any revision to results forecast for the quarter under review: None

4. Other

Please refer to the attached material “Other Information” on the page 6 for more details.

(1) Changes in significant subsidiaries during the quarterly period: None

(Note) The above indicates changes in specified subsidiaries involving a change in the scope of consolidation during the quarterly period.

(2) Application of simplified accounting treatment and special accounting treatment: Yes

(Note) This refers to simplified accounting treatment and accounting treatment peculiar to quarterly consolidated financial statement preparation.

(3) Changes in accounting policies, procedures and presentation methods:

(i) Any change arising from revision of accounting standards: Yes

(ii) Any change arising from other factors: None

(Note) This refers to changes in accounting policies, procedures and presentation methods related to quarterly consolidated financial statement preparation (which should be stated in changes of Significant Items for Preparation of Quarterly Consolidated Financial Statements)

(4) Number of shares issued (common stock)

(i) Number of shares issued (including treasury stock)

9,909,400 shares as of September 30, 2010

9,909,400 shares as of March 31, 2010

(ii) Number of shares of treasury stock

253 shares as of September 30, 2010

177 shares as of March 31, 2010

(iii) Average number of shares during the period

9,909,172 shares for the six months ended September 30, 2010

9,909,223 shares for the six months ended September 30, 2009

* Presentation of implementation status for quarterly review procedures

The quarterly review procedure based on the Financial Instruments and Exchange Act does not apply to this Consolidated Financial Results. The quarterly review procedure for the quarterly financial statements is underway as of the release of this Consolidated Financial Results.

* Explanations about the appropriate use of the consolidated results forecast and other noteworthy points:

Revision are made to the previous consolidated results forecast announced on May 7, 2010. Please refer to “Notice Concerning Amendments to Consolidated Results Forecast” (Japanese only) announced on October 29, 2010 for details. The forecasts given above are based on data available at the time of the release of this document and assumptions that are deemed reasonable. Actual results may differ from forecasts due to various uncertain factors. Please refer to “Qualitative Information on the Consolidated Results Forecast” for assumptions underlying the above forecasts and precautions regarding their use.

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1. Qualitative Information on Quarterly Financial Results

(1) Qualitative Information on the Consolidated Operating Results

There were signs of a recovery in Japan's economy during the six months ended September 30, 2010, led by external demand from the strongly-performing emerging economies, but there continued to be uncertainty of the economy due to concerns about an ongoing trend of deflation and downside risk to European and US economies.

Given these circumstances, and so as to address the trend towards customer needs becoming more personal, the Watabe Wedding Group (the "Group") has worked to improve customer satisfaction and optimize their delight by uniting all services with a global perspective and realizing a total bridal solution. The Group also has aggressively striven to create a fine lifestyle for bridal events and anniversaries.

In our "resort weddings" business, sales were higher than in the same period of the previous fiscal year as a result of increase in the unit price of weddings. In order to return the reduction in purchase prices resulting from the strong yen to customers, we implemented a "Return of the benefits of yen appreciation campaign" in some areas for overseas wedding services.

In the Asian market, we reopened our "Grace Hill," our house wedding style wedding facility in Taipei, Taiwan in September 2010. In addition, we opened the "Shanghai Branch" to provide comprehensive overseas wedding services in Shanghai, China, marking the start of full-scale operation of Asian destination wedding business in mainland China in September 2010.

In our "hotels and domestic weddings" business, we opened "Anniversary Court Racine" in Maebashi, Gunma in September 2010 as a locally-based total wedding facility to strengthen our efforts to target local customers.

As a result of the above, the operating performance of the Group saw net sales decline 3.0% year on year, to ¥24,137 million, and operating income decline 29.7%, to ¥150 million, mainly owing to the fall in the number of wedding couples in the "hotels and domestic weddings" business. Due to the impact of foreign exchange losses and other factors, ordinary income decreased 87.0%, to ¥33 million. The Group recorded a net loss of ¥173 million, compared to net income of ¥64 million in the same period of the previous fiscal year, as a result of the application of the Accounting Standards for Asset Retirement Obligations.

The performances of each segment are as follows. The following figures are the figures before the elimination of transactions within segments and transactions among segments.

1) Resort weddings

As a result of an increase in the unit price of weddings, net sales totaled ¥13,778 million, 1.5% higher year on year, and operating income was ¥410 million, up 31.0%.

2) Hotels and domestic weddings

The number of wedding couples at Mielparque fell 6.4% from the level in the same period of the previous fiscal year, resulting in net sales of ¥13,807 million. Although we worked on reducing SG&A expenses, we recorded an operating loss of ¥235 million compared to operating loss of ¥124 million in the same period of the previous fiscal year.

Note:

Beginning from the three months ended June 30, 2010, the Revised Accounting Standard for Disclosures about Segments of an Enterprise and Related Information has been applied. When making comparisons with the same period of the previous fiscal year, the figures for the six months ended September 30, 2009 are shown

rearranged into the new segment categories

(2) Qualitative Information on the Consolidated Financial Position

1) Assets, Liabilities and Net Assets

The current assets of the Group at the end of the quarter under review were ¥8,801 million, ¥400 million more than at the end of the previous fiscal year. This was mainly due to an increase in deferred tax assets.

Noncurrent assets were ¥16,467 million, ¥995 million less than at the end of the previous fiscal year. This was mainly owing to the decline in property, plant and equipment because of our sales of overseas wedding management facilities. As a result, total assets decreased ¥594 million compared to the end of the previous fiscal year, to ¥25,269 million.

Current liabilities at the end of the quarter under review were ¥7,941 million, ¥860 million less than at the end of the previous fiscal year. This was mainly due to a decrease in income taxes payable. Noncurrent liabilities were ¥2,934 million, ¥848 million more than at the end of the previous fiscal year. This was mainly owing to the recording of asset retirement obligations and an increase in long-term loans payable. As a result, total liabilities decreased ¥11 million compared to the end of the previous fiscal year, to ¥10,875 million.

The balance of net assets was ¥14,393 million, ¥583 million down from the end of the previous fiscal year. This was attributed to a net loss of ¥173 million, a decline in retained earnings of ¥322 million resulting from payment of cash dividends of ¥148 million, and a decline in the foreign currency translation adjustment account of ¥182 million resulting from fluctuations in exchange rates.

2) Cash Flows

With regard to cash flows for the six months ended September 30, 2010, net cash provided by operating activities amounted to ¥63 million, net cash used in investing activities amounted to ¥615 million and net cash provided by financing activities amounted to ¥150 million. Consequently, cash and cash equivalents (hereinafter referred to as “funds”) as of September 30, 2010, amounted to ¥3,749 million, compared to ¥3,269 million in the same period of the previous fiscal year.

Net cash provided by (used in) operating activities

Funds obtained as a result of operating activities amounted to ¥63 million, compared to ¥299 million used in operating activities in the same period of the previous fiscal year. This was attributed to such factors as loss before income taxes of ¥297 million, depreciation and amortization of ¥911 million and Income taxes paid of ¥537 million.

Net cash provided by (used in) investing activities

Funds used as a result of investing activities amounted to ¥615 million, a decrease of 58.0% year on year. Despite proceeds mainly from sales of property, plant and equipment of ¥996 million, there were decreases in funds, including payments into time deposits of ¥375 million, purchase of property, plant and equipment of ¥1,166 million, and payments for guarantee deposits of ¥105 million.

Net cash provided by (used in) financing activities

Funds obtained as a result of financing activities amounted to ¥150 million, an increase of 41.1% year on

year. Despite proceeds from long-term loans payable of ¥500 million, there were decreases in funds, including repayment of long-term loans payable of ¥176 million and cash dividends paid of ¥148 million.

(3) Qualitative Information on the Consolidated Results Forecast

At the current time, we are making no change to the performance forecast that was announced on October 29, 2010.

2. Other Information

(1) Overview of Changes in Significant Subsidiaries

Not applicable

(2) Overview of Simplified Accounting Treatment and Special Accounting Treatment

Special Accounting Treatment

We calculate tax expenses by making a reasonable estimate of the effective tax rate after the application of tax effect accounting to the income before income taxes for the fiscal year that includes the six months ended September 30, 2010, and then multiplying that estimated effective tax rate by the net income before taxes.

Note that income taxes-deferred is included in "Income taxes."

(3) Overview of Changes in Accounting Policies, Procedures and Presentation Methods

- Changes Arising from Revision of Accounting Standards

Application of the Accounting Standards for Asset Retirement Obligations

Beginning from the three months ended June 30, 2010, the Accounting Standards for Asset Retirement Obligations (ASBJ Statement No. 18, March 31, 2008) and the Guidance on Accounting Standards for Asset Retirement Obligations (ASBJ Guidance No. 21, March 31, 2008) have been applied.

As a result of this change, both operating income and ordinary income decreased ¥25 million, and income before income taxes decreased ¥418 million. Furthermore, due to the commencement of the application of these accounting standards and others, the change in asset retirement obligations was ¥631 million.

- Changes in Presentation Methods of the Consolidated Financial Statements

Due to the application of the Cabinet Office Ordinance for Partial Amendment of the Regulations, etc. for Terminology, Forms and Preparation of Consolidated Financial Statements (Cabinet Office Ordinance No. 5, March 24, 2009) based on the Accounting Standard for Consolidated Financial Statements (ASBJ Statement No. 22, December 26, 2008), it is disclosed under the account item "Loss before minority interests" for the six months ended September 30, 2010.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	2 nd Quarter of FY 2010 (As of September 30, 2010)	FY 2009 (As of March 31, 2010)
ASSETS		
Current assets		
Cash and deposits	4,159	4,241
Accounts receivable-trade	1,589	1,748
Merchandise and finished goods	249	200
Work in process	24	27
Raw materials and supplies	628	615
Other	2,181	1,595
Allowance for doubtful accounts	(32)	(27)
Total current assets	8,801	8,401
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	5,687	6,104
Land	2,602	2,207
Other, net	2,905	3,251
Total property, plant and equipment	11,195	11,562
Intangible assets	1,017	1,436
Investments and other assets		
Guarantee deposits	3,594	3,692
Other	691	803
Allowance for doubtful accounts	(31)	(32)
Total investments and other assets	4,255	4,463
Total Noncurrent assets	16,467	17,462
Total assets	25,269	25,864

(Millions of yen)

	2 nd Quarter of FY 2010 (As of September 30, 2010)	FY 2009 (As of March 31, 2010)
LIABILITIES		
Current liabilities		
Accounts payable-trade	1,700	1,874
Short-term loans payable	999	909
Income taxes payable	—	517
Advances received	2,760	2,317
Provision for bonuses	403	670
Other	2,077	2,512
Total current liabilities	7,941	8,802
Noncurrent liabilities		
Long-term loans payable	1,767	1,533
Provision for retirement benefits	164	159
Asset retirement obligations	619	—
Other	383	392
Total noncurrent liabilities	2,934	2,085
Total liabilities	10,875	10,887
NET ASSETS		
Shareholders' equity		
Capital stock	4,176	4,176
Capital surplus	4,038	4,038
Retained earnings	7,556	7,878
Treasury stock	(0)	(0)
Total shareholders' equity	15,770	16,092
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	9	17
Deferred gains or losses on hedges	(36)	31
Revaluation reserve for land	(906)	(906)
Foreign currency translation adjustment	(445)	(263)
Total valuation and translation adjustments	(1,378)	(1,120)
Minority interests	1	4
Total net assets	14,393	14,976
Total liabilities and net assets	25,269	25,864

(2) Consolidated Statements of Income

(Millions of yen)

	Six Months of FY 2009 (Apr-Sep 2009)	Six Months of FY 2010 (Apr-Sep 2010)
Net sales	24,876	24,137
Cost of sales	8,582	8,203
Gross profit	16,294	15,934
Selling, general and administrative expenses		
Salaries, allowances and bonuses	5,314	5,256
Provision for bonuses	236	253
Provision for retirement benefits	78	68
Rent expenses	3,222	3,214
Other	7,229	6,990
Total selling, general and administrative expenses	16,080	15,783
Operating income	214	150
Non-operating income		
Rent income	33	35
Compensation income	—	32
Amortization of negative goodwill	19	—
Other	59	54
Total non-operating income	112	122
Non-operating expenses		
Interest expenses	14	13
Business commencement expenses	—	58
Foreign exchange losses	13	118
Other	44	48
Total non-operating expenses	72	239
Ordinary income	254	33
Extraordinary income		
Gain on sales of noncurrent assets	—	162
Total extraordinary income	—	162
Extraordinary loss		
Loss on liquidation of facilities and stores	111	—
Loss on adjustment for changes of accounting standard for asset retirement obligations	—	392
Other	13	101
Total extraordinary losses	125	493
Income (loss) before income taxes	129	(297)
Income taxes	64	(122)
Loss before minority interests	—	(175)
Minority interests in income (loss)	0	(1)
Net income (loss)	64	(173)

(3) Consolidated Statements of Cash Flows

(Millions of yen)

	Six Months of FY 2009 (Apr-Sep 2009)	Six Months of FY 2010 (Apr-Sep 2010)
Net cash provided by (used in) operating activities		
Income (loss) before income taxes	129	(297)
Depreciation and amortization	884	911
Increase (decrease) in provision for bonuses	(440)	(266)
Interest and dividends income	(4)	(10)
Interest expenses	14	13
Foreign exchange losses (gains)	(53)	(7)
Decrease (increase) in notes and accounts receivable-trade	88	154
Decrease (increase) in inventories	37	(78)
Increase (decrease) in notes and accounts payable-trade	(152)	(159)
Increase (decrease) in advances received	351	451
Loss on adjustment for changes of accounting standard for asset retirement obligations	—	392
Other, net	(585)	(496)
Subtotal	270	608
Interest and dividends income received	4	6
Interest expenses paid	(11)	(13)
Income taxes paid	(562)	(537)
Net cash provided by (used in) operating activities	(299)	63
Net cash provided by (used in) investing activities		
Payments into time deposits	—	(375)
Proceeds from withdrawal of time deposits	28	—
Purchase of property, plant and equipment	(1,398)	(1,166)
Proceeds from sales of property, plant and equipment	1	996
Purchase of intangible assets	(141)	(152)
Payments for guarantee deposits	(145)	(105)
Proceeds from collection of guarantee deposits	164	172
Other, net	26	15
Net cash provided by (used in) investing activities	(1,463)	(615)

(Millions of yen)

	Six Months of FY 2009 (Apr-Sep 2009)	Six Months of FY 2010 (Apr-Sep 2010)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	(339)	—
Proceeds from long-term loans payable	800	500
Repayment of long-term loans payable	(186)	(176)
Cash dividends paid	(148)	(148)
Other, net	(18)	(23)
Net cash provided by (used in) financing activities	106	150
Effect of exchange rate change on cash and cash equivalents	(14)	(87)
Net increase (decrease) in cash and cash equivalents	(1,670)	(488)
Cash and cash equivalents at beginning of period	4,940	4,237
Cash and cash equivalents at end of period	3,269	3,749

(4) Notes on the Going Concern Assumption

Not applicable

(5) Segment Information

(Additional Information)

Beginning from the first quarter of the current fiscal year, the Group has applied the Revised Accounting Standard for Disclosures about Segments of an Enterprise and Related Information (ASBJ Statement No.17, March 27, 2009) and the Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information (ASBJ Guidance No.20, March 21, 2008).

1. Overview of the Reporting Segments

The reporting segments of Watabe Wedding are those constituent units of the Group for which separate financial information can be obtained, and they are subject to regular examinations by the Board of Directors in order to decide the allocation of management resources and evaluate performance.

The two main business segments of the Group are the “resort weddings” business segment which provides wedding services in domestic and overseas resort areas, and the “hotels and domestic weddings” business segment which provides weddings, receptions, hotel and accommodation services in domestic hotels. We formulate comprehensive management strategies and develop business activities for each of these reporting segments.

The “resort weddings” business segment mainly recruits customers through the domestic branches of Watabe Wedding and travel agencies. It provides wedding services in domestic and overseas resort areas such as Hawaii and Okinawa, etc. and manufactures and sells auxiliary products related to weddings such as wedding dresses, tuxedos, photo albums, etc. The “hotels and domestic weddings” business segment provides weddings, receptions, restaurant and accommodation services in domestic hotels such as the Meguro Gajoen and Mielparque.

2. Information about Net Sales and the Amount of Income or Loss in Each of the Reporting Segments
The Consolidated Six Months under Review (From April 1, 2010 to September 30, 2010)

(Millions of yen)

	Reporting segments		Total	Adjustments (Note 1)	Amount recorded in the Quarterly Consolidated Statements of Income (Note 2)
	Resort weddings	Hotels and domestic weddings			
Net sales					
Sales to customers	10,423	13,714	24,137	—	24,137
Intersegment sales and transfers	3,355	93	3,448	(3,448)	—
Total	13,778	13,807	27,586	(3,448)	24,137
Segment income (loss)	410	(235)	174	(24)	150

Notes: 1. Adjustments of segment income (loss) are given below:

(Millions of yen)

Income	The Six months under review
Elimination of intersegment transactions	7
Elimination of unrealized income included in inventories	(31)
Total	(24)

2. Segment income (loss) is adjusted with the operating income in the Quarterly Consolidated Statements of Income.

(Reference) The Consolidated Six Months of Fiscal Year 2009 (From April 1, 2009 to September 30, 2009)

(Millions of yen)

	Reporting segments		Total	Adjustments (Note 1)	Amount recorded in the Quarterly Consolidated Statements of Income (Note 2)
	Resort weddings	Hotels and domestic weddings			
Net sales					
Sales to customers	10,210	14,666	24,876	—	24,876
Intersegment sales and transfers	3,365	92	3,457	(3,457)	—
Total	13,575	14,758	28,334	(3,457)	24,876
Segment income (loss)	313	(124)	189	24	214

Notes: 1. Adjustments of segment income (loss) are given below:

(Millions of yen)

Income	The Six months of FY 2009
Elimination of intersegment transactions	22
Elimination of unrealized income included in inventories	2
Total	24

2. Segment income (loss) is adjusted with the operating income in the Quarterly Consolidated Statements of Income.

3. Information about the Impairment Loss for Noncurrent Assets or Goodwill, etc. in Each Reporting Segment
Not applicable

(6) Notes in the Case of a Dramatic Fluctuation in the Amount of Shareholders' Equity
Not applicable