

Consolidated Financial Results for the Third Quarter Ended December 31, 2010 [J-GAAP]
Watabe Wedding Corporation

January 31, 2011

Stock code: 4696
 URL: <http://www.watabe-wedding.co.jp>
 Shares listed: Tokyo Stock Exchange and Osaka Securities Exchange
 Representative: Hidetoshi Watabe, President & CEO
 Contact: Nobuaki Hanafusa, Director of Administration Division
 TEL: +81-75-352-4111

Scheduled date of the filing of the quarterly report: February 2, 2011
 Scheduled date of start of dividend payment: —
 Preparation of any additional explanatory document for quarterly financial results: No
 Holding of any briefing session for quarterly financial results: No

Financial Highlights

As of and for the nine months ended December 31, 2009 and 2010

(Amounts less than one million yen are omitted.)

1. Consolidated Operating Results

	Nine months ended December 31, 2009	Nine months ended December 31, 2010	2010 / 2009 (percentage change)
	<i>(millions of yen)</i>		
(1) Consolidated financial results			
Net sales	¥40,029	¥39,263	-1.9%
Operating income	1,862	1,711	-8.1%
Ordinary income	1,982	1,598	-19.4%
Net income	906	724	-20.0%
Net income, basic per share (yen)	91.50	73.16	
Net income per share (diluted) (yen)	—	—	

	March 31, 2010	December 31, 2010
	<i>(millions of yen)</i>	
(2) Consolidated financial position		
Total assets	¥25,864	¥25,685
Net assets	14,976	15,038
Shareholders' equity ratio	57.9%	58.5%
Net assets per share (yen)	¥1,510.94	¥1,516.93

(Reference) Shareholders' equity: As of December 31, 2010: ¥15,031 million As of March 31, 2010: ¥14,972 million

2. Dividends

	Annual dividends per share				
	1Q end	2Q end	3Q end	Year end	Total
	<i>(Yen)</i>				
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 December 31, 2010

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

(ii) Number of shares of treasury stock

309 shares as of December 31, 2010

177 shares as of March 31, 2010

(iii) Average number of shares during the period

9,909,158 shares for the nine months ended December 31, 2010

9,909,223 shares for the nine months ended December 31, 2009

* Presentation of implementation status for quarterly review procedures

The quarterly review procedure for the quarterly financial statements based on Financial Instruments and Exchange Act was completed as of the release of the 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 the attached material “Qualitative Information on the Consolidated Results Forecast” on the page 5 for assumptions underlying the above forecasts and precautions regarding their use.

○ Contents of the Attached Material

1. Qualitative Information on Quarterly Financial Results	4
(1) Qualitative Information on the Consolidated Operating Results	4
(2) Qualitative Information on the Consolidated Financial Position	4
(3) Qualitative Information on the Consolidated Results Forecast	5
2. Other Information	6
(1) Overview of Changes in Significant Subsidiaries	6
(2) Overview of Simplified Accounting Treatment and Special Accounting Treatment	6
(3) Overview of Changes in Accounting Policies, Procedures and Presentation Methods	6
3. Consolidated Financial Statements	7
(1) Consolidated Balance Sheets	7
(2) Consolidated Statements of Income	9
(3) Consolidated Statements of Cash Flows	10
(4) Notes on the Going Concern Assumption	12
(5) Segment Information	12
(6) Notes in the Case of a Dramatic Fluctuation in the Amount of Shareholders' Equity	14

1. Qualitative Information on Quarterly Financial Results

(1) Qualitative Information on the Consolidated Operating Results

There continued to be uncertainty about Japan's economy during the nine months ended December 31, 2010 due to concerns about the recovery slowing, and although the bridal industry has been on the decline due to the decrease in the birthrate, the number of marriage registrations has been stable at around 700,000.

Given these circumstances, and so as to address the trend towards customer needs becoming more and more personalized and diversified, the Watabe Wedding Group (the "Group") has worked to improve customer satisfaction and provide our guests with treasured once-in-a-lifetime memories, by integrating all services with a global perspective and making a total bridal solution a reality. The Group also has aggressively striven to create life's grandest celebration for bridal events and anniversaries.

In our "resort weddings" business, we opened Hawaii's first wedding resort, Honu Kai Lani at Ko Olina Place of Welina, based on the theme of "Providing a Japanese level of quality in hospitality despite being in Hawaii" in November 2010. As a measure to increase sales, we relocated and reopened the Shinjuku Wedding Salon in December 2010 as Mirraza Shinjuku Salon, our flagship shop based on a new concept, aiming to further increase customer appeal by improving convenience and to refresh our image by creating a store based on a new concept.

As a result of the above, the operating performance of the Group saw net sales decline 1.9% year on year, to ¥39,263 million, and operating income decline 8.1%, to ¥1,711 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 19.4%, to ¥1,598 million. The Group recorded net income of ¥724 million, a decrease of ¥20.0% compared to 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 ¥22,348 million, 2.8% higher year on year, and operating income was ¥1,268 million, up 23.6%.

2) Hotels and domestic weddings

The number of wedding couples at Mielparque fell from the level in the same period of the previous fiscal year, resulting in net sales of ¥22,656 million, 5.1% lower year on year. Although we worked on reducing SG&A expenses, operating income was ¥454 million, down 43.6% compared to the same period of the previous fiscal year.

Note:

Beginning from the first quarter 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 third quarter ended December 31, 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 ¥9,342 million, ¥941 million more

than at the end of the previous fiscal year. This was mainly due to an increase in cash and deposits. Noncurrent assets were ¥16,343 million, ¥1,119 million less than at the end of the previous fiscal year. This was mainly owing to the decline in property, plant and equipment and intangible assets because of our sales of overseas wedding management facilities. As a result, total assets decreased ¥178 million compared to the end of the previous fiscal year, to ¥25,685 million.

Current liabilities at the end of the quarter under review were ¥7,943 million, ¥858 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 ¥2,704 million, ¥618 million more than at the end of the previous fiscal year. This was mainly owing to the recording of asset retirement obligations. As a result, total liabilities decreased ¥239 million compared to the end of the previous fiscal year, to ¥10,647 million.

The balance of net assets was ¥15,038 million, up ¥61 million from the end of the previous fiscal year. This was attributed to net income of ¥724 million, a rise in retained earnings of ¥427 million resulting from payment of cash dividends of ¥297 million, and a decline in the foreign currency translation adjustment account of ¥305 million resulting from fluctuations in exchange rates.

2) Cash Flows

With regard to cash flows for the nine months ended December 31, 2010, net cash provided by operating activities amounted to ¥1,771 million, net cash used in investing activities amounted to ¥581 million and net cash used in financing activities amounted to ¥184 million. Consequently, cash and cash equivalents (hereinafter referred to as “funds”) as of December 31, 2010, amounted to ¥5,106 million, compared to ¥4,664 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 ¥1,771 million, an increase of 30.6% year on year. Aside from income before income taxes of ¥1,233 million, this was mainly attributed to such factors as depreciation and amortization of ¥1,423 million and income taxes paid of ¥825 million.

Net cash provided by (used in) investing activities

Funds used as a result of investing activities amounted to ¥581 million, a decrease of 69.5% year on year. This was mainly attributed to such factors as purchase of property, plant and equipment of ¥1,453 million and sales of property, plant and equipment of ¥996 million.

Net cash provided by (used in) financing activities

Funds used as a result of financing activities amounted to ¥184 million, compared to proceeds of ¥277 million in the same period of the previous year. Despite ¥500 million in proceeds from long-term loans payable, there were decreases in funds, including ¥121 million used in the change in short-term loans payable, ¥232 million used in the repayment of long-term loans payable, and ¥297 million in cash dividends paid.

(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 third quarter ended December 31, 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 first quarter 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 each decreased ¥43 million, and income before income taxes decreased ¥436 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 "Income before minority interests" for the nine months ended December 31, 2010.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	3 rd Quarter of FY 2010 (As of December 31, 2010)	FY 2009 (As of March 31, 2010)
ASSETS		
Current assets		
Cash and deposits	5,505	4,241
Accounts receivable-trade	1,500	1,748
Merchandise and finished goods	237	200
Work in process	21	27
Raw materials and supplies	624	615
Other	1,485	1,595
Allowance for doubtful accounts	(32)	(27)
Total current assets	9,342	8,401
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	6,255	6,104
Land	2,602	2,207
Other, net	2,283	3,251
Total property, plant and equipment	11,141	11,562
Intangible assets	1,022	1,436
Investments and other assets		
Guarantee deposits	3,535	3,692
Other	675	803
Allowance for doubtful accounts	(31)	(32)
Total investments and other assets	4,179	4,463
Total Noncurrent assets	16,343	17,462
Total assets	25,685	25,864

(Millions of yen)

	3 rd Quarter of FY 2010 (As of December 31, 2010)	FY 2009 (As of March 31, 2010)
LIABILITIES		
Current liabilities		
Accounts payable-trade	1,832	1,874
Short-term loans payable	1,082	909
Income taxes payable	59	517
Advances received	1,947	2,317
Provision for bonuses	268	670
Other	2,752	2,512
Total current liabilities	7,943	8,802
Noncurrent liabilities		
Long-term loans payable	1,508	1,533
Provision for retirement benefits	170	159
Asset retirement obligations	571	—
Other	453	392
Total noncurrent liabilities	2,704	2,085
Total liabilities	10,647	10,887
NET ASSETS		
Shareholders' equity		
Capital stock	4,176	4,176
Capital surplus	4,038	4,038
Retained earnings	8,306	7,878
Treasury stock	(0)	(0)
Total shareholders' equity	16,520	16,092
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	15	17
Deferred gains or losses on hedges	(28)	31
Revaluation reserve for land	(906)	(906)
Foreign currency translation adjustment	(568)	(263)
Total valuation and translation adjustments	(1,488)	(1,120)
Minority interests	6	4
Total net assets	15,038	14,976
Total liabilities and net assets	25,685	25,864

(2) Consolidated Statements of Income

(Millions of yen)

	Nine Months of FY 2009 (Apr-Dec 2009)	Nine Months of FY 2010 (Apr-Dec 2010)
Net sales	40,029	39,263
Cost of sales	13,912	13,413
Gross profit	26,116	25,849
Selling, general and administrative expenses		
Salaries, allowances and bonuses	8,103	8,158
Provision for bonuses	409	350
Provision for retirement benefits	110	105
Other	15,630	15,524
Total selling, general and administrative expenses	24,253	24,138
Operating income	1,862	1,711
Non-operating income		
Rent income	58	49
Compensation income	—	49
Other	144	79
Total non-operating income	202	177
Non-operating expenses		
Interest expenses	20	20
Business commencement expenses	—	92
Rent expenses	18	—
Foreign exchange losses	—	115
Other	43	61
Total non-operating expenses	82	290
Ordinary income	1,982	1,598
Extraordinary income		
Gain on sales of noncurrent assets	—	163
Total extraordinary income	—	163
Extraordinary loss		
Loss on liquidation of facilities and stores	142	—
Loss on adjustment for changes of accounting standard for asset retirement obligations	—	392
Other	26	135
Total extraordinary losses	169	528
Income before income taxes	1,812	1,233
Income taxes	906	505
Income before minority interests	—	727
Minority interests in income (loss)	(0)	2
Net income	906	724

(3) Consolidated Statements of Cash Flows

(Millions of yen)

	Nine Months of FY 2009 (Apr-Dec 2009)	Nine Months of FY 2010 (Apr-Dec 2010)
Net cash provided by (used in) operating activities		
Income before income taxes	1,812	1,233
Depreciation and amortization	1,352	1,423
Increase (decrease) in provision for bonuses	(506)	(400)
Interest and dividends income	(5)	(14)
Interest expenses	20	20
Foreign exchange losses (gains)	(88)	(18)
Loss (gain) on sales and retirement of noncurrent assets	18	(97)
Decrease (increase) in notes and accounts receivable-trade	361	240
Decrease (increase) in inventories	44	(78)
Increase (decrease) in notes and accounts payable-trade	(42)	(23)
Increase (decrease) in advances received	(467)	(363)
Loss on adjustment for changes of accounting standard for asset retirement obligations	—	392
Other, net	(392)	290
Subtotal	2,106	2,604
Interest and dividends income received	6	15
Interest expenses paid	(19)	(23)
Income taxes paid	(736)	(825)
Net cash provided by (used in) operating activities	1,356	1,771
Net cash provided by (used in) investing activities		
Payments into time deposits	—	(790)
Proceeds from withdrawal of time deposits	28	408
Purchase of property, plant and equipment	(1,703)	(1,453)
Proceeds from sales of property, plant and equipment	—	996
Purchase of intangible assets	(267)	(215)
Payments for guarantee deposits	(202)	(124)
Proceeds from collection of guarantee deposits	214	201
Other, net	27	396
Net cash provided by (used in) investing activities	(1,903)	(581)

(Millions of yen)

	Nine Months of FY 2009 (Apr-Dec 2009)	Nine Months of FY 2010 (Apr-Dec 2010)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	40	(121)
Proceeds from long-term loans payable	800	500
Repayment of long-term loans payable	(242)	(232)
Cash dividends paid	(297)	(297)
Other, net	(23)	(33)
Net cash provided by (used in) financing activities	277	(184)
Effect of exchange rate change on cash and cash equivalents	(6)	(136)
Net increase (decrease) in cash and cash equivalents	(276)	868
Cash and cash equivalents at beginning of period	4,940	4,237
Cash and cash equivalents at end of period	4,664	5,106

(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 and services 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 Nine Months under Review (From April 1, 2010 to December 31, 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	16,757	22,505	39,263	—	39,263
Intersegment sales and transfers	5,590	150	5,741	(5,741)	—
Total	22,348	22,656	45,004	(5,741)	39,263
Segment income	1,268	454	1,723	(11)	1,711

Notes: 1. Adjustments of segment income are given below:

(Millions of yen)

Income	The nine months under review
Elimination of intersegment transactions	13
Elimination of unrealized income included in inventories	(25)
Total	(11)

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

(Reference) The Consolidated Nine Months of Fiscal Year 2009 (From April 1, 2009 to December 31, 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	16,280	23,748	40,029	—	40,029
Intersegment sales and transfers	5,455	130	5,585	(5,585)	—
Total	21,736	23,878	45,614	(5,585)	40,029
Segment income	1,026	805	1,831	30	1,862

Notes: 1. Adjustments of segment income are given below:

(Millions of yen)

Income	The nine months of FY 2009
Elimination of intersegment transactions	33
Elimination of unrealized income included in inventories	(3)
Total	30

2. Segment income 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