

Consolidated Financial Results for the Second Quarter Ended September 30, 2011 [J-GAAP]
Watabe Wedding Corporation

October 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: Yasushi Yoshizawa, Director of Administration Division
 TEL: +81-75-352-4111

Scheduled date of the filing of the quarterly report: November 2, 2011
 Scheduled date of start of dividend payment: December 1, 2011
 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 analysts)

Financial Highlights

As of and for the six months ended September 30, 2010 and 2011

(Amounts less than one million yen are omitted.)

1. Consolidated Operating Results

	Six months ended September 30, 2010	Six months ended September 30, 2011	2011 / 2010 <i>(percentage change)</i>
	<i>(millions of yen)</i>		
(1) Consolidated financial results			
Net sales	¥24,137	¥22,296	-7.6%
Operating income	150	(541)	—%
Ordinary income	33	(492)	—%
Net income	(173)	(532)	—%
Net income, basic per share <i>(yen)</i>	(17.53)	(53.71)	
Net income per share <i>(diluted) (yen)</i>	—	—	
Comprehensive income (loss)	Six months ended September 30, 2011: -¥672 million (—%) Six months ended September 30, 2010: -¥434 million (—%)		

	March 31, 2011	September 30, 2011
	<i>(millions of yen)</i>	
(2) Consolidated financial position		
Total assets	¥25,075	¥24,479
Net assets	14,523	13,702
Shareholders' equity ratio	57.9%	55.9%

(Reference) Shareholders' equity: As of September 30, 2011: ¥13,695 million As of March 31, 2011: ¥14,518 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) Revision of dividend forecast that has been disclosed lastly: No

3. Consolidated Results Forecast for Year Ending March 31, 2012

	<u>Full year</u>
	<u>(millions of yen)</u>
Net sales	¥50,400
Operating income	1,200
Ordinary income	1,200
Net income	460
Net income, basic per share (yen)	46.42

(Note) Revision of consolidated results forecast that has been disclosed lastly: No

4. Other

- (1) Changes in significant subsidiaries during the period under review (changes in specific subsidiaries involving a change in the scope of consolidation): None
- (2) Application of specific accounting procedures for preparation of the quarterly consolidated financial statements:
Yes
Refer to “2. Summary Information (Other) (2) Application of Special Accounting Treatment Peculiar to Quarterly Consolidated Financial Statement Preparation” for further details.
- (3) Changes in accounting policies or estimates and retrospective restatements
 - (i) Any change arising from revision of accounting standards: None
 - (ii) Any change arising from factors other than (i) above: None
 - (iii) Changes in accounting estimates: None
 - (iv) Retrospective restatements: None
- (4) Number of shares issued (common stock)
 - (i) Number of issued shares at end of period (including treasury stock)
9,909,400 shares as of September 30, 2011
9,909,400 shares as of March 31, 2011
 - (ii) Number of shares of treasury stock at end of period
309 shares as of September 30, 2011
309 shares as of March 31, 2011
 - (iii) Average number of shares during the period
9,909,091 shares for the six months ended September 30, 2011
9,909,172 shares for the six months ended September 30, 2010

* Presentation regarding status of quarterly review procedures

Although the consolidated financial results presented herein are not subject to the quarterly review procedure specified by the Financial Instruments and Exchange Act, the review procedure for quarterly consolidated financial statements specified by the Financial Instruments and Exchange Act has been completed at the time of the release of this document.

* Explanations regarding appropriate use of the operating results forecast and other noteworthy points:

(Note concerning forward-looking statements)

The forecasts given in this document are based on data available at the time of the release of this document and assumptions that are deemed reasonable. Actual results may differ substantially due to a number of factors. Please refer to “1. Qualitative Information on Quarterly Financial Results (3) Qualitative Information on the Consolidated Results Forecast” on page 5 of the attached material for information regarding this matter.

(Obtaining supplementary results briefing materials)

Supplementary results briefing materials were made available on the Company’s website on November 9, 2011.

○ 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. Summary Information (Other)	5
(1) Changes in Significant Subsidiaries during the Six Months Ended September 30, 2011	5
(2) Application of Special Accounting Treatment Peculiar to Quarterly Consolidated Financial Statement Preparation	5
(3) Changes in Accounting Policies or Estimates and Retrospective Restatements	5
3. Overview of Significant Matters Related to the Going Concern Assumption	5
4. Consolidated Financial Statements	6
(1) Consolidated Balance Sheets	6
(2) Consolidated Statements of Income and Comprehensive Income	8
Consolidated Statements of Income for the Six Months Ended September 30, 2011	8
Consolidated Statements of Comprehensive Income for the Six Months Ended September 30, 2011	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	13
(7) Material Subsequent Events	13

1. Qualitative Information on Quarterly Financial Results

(1) Qualitative Information on the Consolidated Operating Results

The operating results for the six months ended September 30, 2011 were as follows.

Despite a decrease in the number of weddings in the resort wedding business, due to some remaining impact of the Great East Japan Earthquake, the high-quality services offered at Honu Kai Lani at Ko Olina Place of Welina in Hawaii led to an increase in the unit price of weddings. In addition, the Omiya Store was relocated and renewed as the Omiya Sonic City Store, enabling customers to proceed with wedding preparations in a resort atmosphere in an effort to improve customer satisfaction. We also refurbished our popular Blue Aster in Guam and Aquagrace Chapel in Okinawa in September 2011 with the aim of expanding future demand. We have been strengthening demand for local weddings overseas with the launching of Chijmes Hall, which is a cultural heritage site in Singapore, as a wedding facility in April 2011, with the aim of expanding in the Asian market.

In hotels and domestic weddings, we opened Villa di Grazia in May 2011, which is the first stand-alone chapel in Meguro Gajoen, where we newly offer wedding ceremonies based such theme as life-long ties by including creating ways of expressing feelings of gratitude. Furthermore, we renovated the garden chapel of Mielparque Nagoya and the lobby at Mielparque Yokohama to create spaces that evoke touching moments that move the hearts of our customers. At the same time, the effects of the Great East Japan Earthquake continue, and there has been a decrease in the number of weddings and banquets compared with the same quarter of the previous year.

As a result, the Group reported net sales of ¥22,296 million (a decrease of 7.6% year on year), an operating loss of ¥541 million (compared to the operating income of ¥150 million in the same period of the previous year), an ordinary loss of ¥492 million (compared to the ordinary income of ¥33 million in the same period of the previous year), and a net loss of ¥532 million (compared to the net loss of ¥173 million in the same period of the previous year) because of a decrease in the number of weddings.

Results for each segment are as follows. The following are the figures after elimination of intersegment transactions.

1) Resort weddings

Although the Great East Japan Earthquake had less of an impact on this segment than on hotels and domestic weddings, with a decrease in the number of weddings, net sales totaled ¥9,805 million, down 5.9% year on year, and operating income was ¥107 million, down 73.7%, despite efforts to reduce selling, general and administrative (SG&A) expenses.

2) Hotels and domestic weddings

Although the impact of the Great East Japan Earthquake has waned, the resulting cancellations and postponements of weddings, banquets and accommodation bookings led to net sales of ¥12,491 million, down 8.9% year on year, and an operating loss of ¥655 million (compared to the operating loss of ¥235 million in the same period of the previous year) despite efforts to reduce SG&A expenses.

(2) Qualitative Information on the Consolidated Financial Position

Assets, Liabilities and Net Assets

The current assets of the Group at the end of the quarter under review were ¥8,891 million, ¥144 million less than at the end of the previous fiscal year. This was mainly due to a decrease in cash and deposits. Noncurrent

assets were ¥15,588 million, ¥451 million less than at the end of the previous fiscal year. This was mainly due to decreases in property, plant and equipment and in guarantee deposits. As a result, total assets decreased ¥595 million compared to the end of the previous fiscal year, to ¥24,479 million.

Current liabilities at the end of the quarter under review were ¥7,885 million, ¥126 million more than at the end of the previous fiscal year. This was mainly due to an increase in advances received. Noncurrent liabilities were ¥2,892 million, ¥99 million more than at the end of the previous fiscal year.

As a result, total liabilities increased ¥225 million compared with the end of the previous fiscal year, to ¥10,777 million.

The balance of net assets was ¥13,702 million, down ¥820 million from the end of the previous fiscal year. This was attributed to a ¥680 million decline in retained earnings resulting from a net loss of ¥532 million and payment of cash dividends amounting to ¥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 May 9, 2011.

2. Summary Information (Other)

(1) Changes in Significant Subsidiaries during the Six Months Ended September 30, 2011

Not applicable

(2) Application of Special Accounting Treatment Peculiar to Quarterly Consolidated Financial Statement Preparation

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 this second quarter ended September 30, 2011, and then multiplying the net income before taxes by the estimated effective tax rate.

(3) Changes in Accounting Policies or Estimates and Retrospective Restatements

Not applicable

3. Overview of Significant Matters Related to the Going Concern Assumption

Not applicable

4. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	FY 2010 (As of March 31, 2011)	2 nd Quarter of FY 2011 (As of September 30, 2011)
ASSETS		
Current assets		
Cash and deposits	5,028	4,567
Accounts receivable-trade	1,504	1,650
Merchandise and finished goods	237	244
Work in process	32	33
Raw materials and supplies	596	620
Other	1,667	1,809
Allowance for doubtful accounts	(31)	(33)
Total current assets	9,035	8,891
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	5,961	5,902
Land	2,603	2,599
Other, net	2,023	1,942
Total property, plant and equipment	10,588	10,445
Intangible assets	973	921
Investments and other assets		
Guarantee deposits	3,476	3,318
Other	1,039	941
Allowance for doubtful accounts	(38)	(38)
Total investments and other assets	4,477	4,222
Total Noncurrent assets	16,039	15,588
Total assets	25,075	24,479

(Millions of yen)

	FY 2010 (As of March 31, 2011)	2 nd Quarter of FY 2011 (As of September 30, 2011)
LIABILITIES		
Current liabilities		
Accounts payable-trade	1,501	1,589
Short-term loans payable	850	917
Advances received	2,335	2,808
Provision for bonuses	573	444
Other	2,498	2,125
Total current liabilities	7,759	7,885
Noncurrent liabilities		
Long-term loans payable	1,500	1,450
Provision for retirement benefits	188	328
Asset retirement obligations	542	561
Other	561	551
Total noncurrent liabilities	2,793	2,892
Total liabilities	10,552	10,777
NET ASSETS		
Shareholders' equity		
Capital stock	4,176	4,176
Capital surplus	4,038	4,038
Retained earnings	7,757	7,077
Treasury stock	(0)	(0)
Total shareholders' equity	15,971	15,291
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	13	11
Deferred gains or losses on hedges	4	(53)
Revaluation reserve for land	(906)	(906)
Foreign currency translation adjustment	(565)	(648)
Total valuation and translation adjustments	(1,453)	(1,596)
Minority interests	4	7
Total net assets	14,523	13,702
Total liabilities and net assets	25,075	24,479

(2) Consolidated Statements of Income and Comprehensive Income

(Consolidated Statements of Income for the Six Months Ended September 30, 2011)

(Millions of yen)

	Six Months of FY 2010 (From April 1, 2010 to September 30, 2010)	Six Months of FY 2011 (From April 1, 2011 to September 30, 2011)
Net sales	24,137	22,296
Cost of sales	8,203	7,375
Gross profit	15,934	14,921
Selling, general and administrative expenses		
Salaries, allowances and bonuses	5,256	5,195
Provision for bonuses	253	319
Retirement benefit expenses	68	109
Rent expenses	3,214	3,110
Other	6,990	6,728
Total selling, general and administrative expenses	15,783	15,462
Operating income (loss)	150	(541)
Non-operating income		
Rent income	35	28
Compensation income	32	32
Other	54	75
Total non-operating income	122	137
Non-operating expenses		
Interest expenses	13	12
Business commencement expenses	58	—
Foreign exchange losses	118	28
Commission fee	20	20
Other	28	26
Total non-operating expenses	239	88
Ordinary income (loss)	33	(492)
Extraordinary income		
Gain on sales of noncurrent assets	162	—
Gain on sales of investment securities	—	70
Total extraordinary income	162	70
Extraordinary loss		
Loss on disaster	—	127
Loss on adjustment for changes of accounting standard for asset retirement obligations	392	—
Loss on abolishment of tax-qualified pension plan	—	139
Other	101	43
Total extraordinary losses	493	311
Income (loss) before income taxes	(297)	(733)
Income taxes	(122)	(204)
Income (loss) before minority interests	(175)	(529)
Minority interests in income (loss)	(1)	3
Net income (loss)	(173)	(532)

(Consolidated Statements of Comprehensive Income for the Six Months Ended September 30, 2011)

(Millions of yen)

	Six Months of FY 2010 (From April 1, 2010 to September 30, 2010)	Six Months of FY 2011 (From April 1, 2011 to September 30, 2011)
Income (loss) before minority interests	(175)	(529)
Other comprehensive income		
Valuation difference on available-for-sale securities	(8)	(1)
Deferred gains or losses on hedges	(67)	(57)
Foreign currency translation adjustment	(179)	(80)
Share of other comprehensive income of associates accounted for using equity method	(2)	(2)
Total other comprehensive income	(258)	(143)
Comprehensive income	(434)	(672)
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	(432)	(674)
Comprehensive income attributable to minority interests	(2)	2

(3) Consolidated Statements of Cash Flows

(Millions of yen)

	Six Months of FY 2010 (From April 1, 2010 to September 30, 2010)	Six Months of FY 2011 (From April 1, 2011 to September 30, 2011)
Net cash provided by (used in) operating activities		
Income (loss) before income taxes	(297)	(733)
Depreciation and amortization	911	939
Increase (decrease) in provision for bonuses	(266)	(129)
Interest and dividends income	(10)	(9)
Interest expenses	13	12
Foreign exchange losses (gains)	(7)	28
Decrease (increase) in notes and accounts receivable-trade	154	(145)
Decrease (increase) in inventories	(78)	(30)
Increase (decrease) in notes and accounts payable-trade	(159)	95
Increase (decrease) in advances received	451	488
Loss on adjustment for changes of accounting standard for asset retirement obligations	392	—
Other, net	(496)	129
Subtotal	608	646
Interest and dividends income received	6	11
Interest expenses paid	(13)	(13)
Income taxes paid	(537)	(325)
Net cash provided by (used in) operating activities	63	319
Net cash provided by (used in) investing activities		
Payments into time deposits	(375)	—
Purchase of property, plant and equipment	(1,166)	(711)
Proceeds from sales of property, plant and equipment	996	7
Purchase of intangible assets	(152)	(85)
Proceeds from sales of investment securities	—	120
Payments for guarantee deposits	(105)	(64)
Proceeds from collection of guarantee deposits	172	205
Other, net	15	(11)
Net cash provided by (used in) investing activities	(615)	(540)

(Millions of yen)

	Six Months of FY 2010 (From April 1, 2010 to September 30, 2010)	Six Months of FY 2011 (From April 1, 2011 to September 30, 2011)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	—	83
Proceeds from long-term loans payable	500	200
Repayment of long-term loans payable	(176)	(266)
Cash dividends paid	(148)	(148)
Other, net	(23)	(35)
Net cash provided by (used in) financing activities	150	(167)
Effect of exchange rate change on cash and cash equivalents	(87)	(72)
Net increase (decrease) in cash and cash equivalents	(488)	(460)
Cash and cash equivalents at beginning of period	4,237	5,024
Cash and cash equivalents at end of period	3,749	4,563

(4) Notes on the Going Concern Assumption

Not applicable

(5) Segment Information

I Six Months Ended September 30, 2010 (from April 1, 2010 to September 30, 2010)

1. Information about Net Sales and the Amount of Income or Loss in Each of the Reporting Segments

(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 totaling -¥24 million include elimination of intersegment transactions amounting to ¥7 million, and adjustments of inventories and others amounting to -¥31 million.
2. Segment income (loss) is adjusted with the operating income in the Consolidated Statements of Income.

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

II Six Months Ended September 30, 2011 (from April 1, 2011 to September 30, 2011)

1. Information about Net Sales and the Amount of Income or Loss in Each of the Reporting Segments

(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	9,805	12,491	22,296	—	22,296
Intersegment sales and transfers	2,917	107	3,024	(3,024)	—
Total	12,722	12,599	25,321	(3,024)	22,296
Segment income (loss)	107	(655)	(548)	6	(541)

Notes: 1. Adjustments of segment income totaling ¥6 million include elimination of intersegment transactions amounting to ¥7 million, and adjustments of inventories and others amounting to -¥0 million.
2. Segment income (loss) is adjusted with the operating income in the Consolidated Statements of Income.

2. 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

(7) Material Subsequent Events

Not applicable