

To Our Shareholders

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

NOTICE OF THE 46th ANNUAL MEETING OF THE SHAREHOLDERS

Dear Shareholders:

Notice is hereby given that the 46th Annual Meeting of the Shareholders 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 do so, please refer to the documents for the Meeting below, indicate your approval or disapproval for the items on the agenda using the enclosed Exercise of Voting Rights Form, and return it to the Company by 5 p.m. on Monday, June 28, 2010.

Notice of Meeting

1. Date: Tuesday, June 29, 2010, at 10 a.m.
2. Place: 676-13 Higashi-shiokoji-cho, Nanajo-sagaru, Higashino-toin-dori, Shimogyo-ku, Kyoto-shi, Kyoto
Mielparque-Kyoto: Conference Room C on the Sixth Floor
3. Objectives of the Meeting
Reporting:
 1. Report on the contents of the business report and consolidated financial statements, and on the results of the accounting auditor and Board of Corporate Auditors' audit of the consolidated financial statements, for the 46th fiscal year (from April 1, 2009 to March 31, 2010)
 2. Report on the contents of the non-consolidated financial statements for the 46th fiscal year (from April 1, 2009 to March 31, 2010)

Agenda

- Proposal 1: Appropriation of Retained Earnings
Proposal 2: Election of Four Directors

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- If you attend, please submit the enclosed Exercise of Voting Rights Form to the receptionist at the conference room on the day of the Meeting.
 - In case of any alterations in the reference documents, business report, non-consolidated financial statements, or consolidated financial statements for the Meeting, the changes will be posted on the Company's website (<http://www.watabe-wedding.co.jp/corporate/ir/stockholder/info/>).

Business Report (April 1, 2009 to March 31, 2010)

1. Present Status of the Group

(1) Operational Conditions in the Current Consolidated Fiscal Year

[1] Progress and Accomplishments of Operations

While signs of recovery in certain durable consumer goods and some export-related sectors were visible due to the effects of government policy in the Japanese economy during the current consolidated fiscal year, the general sense of uncertainty remains strong and autonomous recovery is weak.

With regard to the bridal industry, the number of marriage registrations in 2009 was 714,000 (compared with 726,000 for 2008), and the number of couples getting married remains on a downward trend due to the progressively declining birthrate in Japan. In response to this business environment, the Watabe Group proactively developed operations to meet the increasingly individual and diverse needs of customers, working to make total bridal solutions a reality and integrating the complete spectrum of domestic and international bridal services with a global perspective in order to increase customer satisfaction and provide our guests with treasured once-in-a-lifetime memories.

With regard to domestic wedding operations, in April 2009 we initiated wedding services at Sapporo Blanc Birch Chapel, further strengthening our resort wedding business in Hokkaido.

In overseas wedding operations, as one aspect of our global operations in overseas weddings aimed at the non-Japanese market, in June 2009 we established Watabe Wedding Taiwan Limited in Taipei, Taiwan, opening the Watabe Wedding Taiwan as the first comprehensive overseas wedding service center in the Taiwanese market. Additionally, in March 2010 GRACE WEDDING Taiwan, Inc., a corporation developing local wedding operations in Taipei, Taiwan, was made a consolidated subsidiary upon capital participation.

In terms of branch development, in order to provide greater customer convenience and develop services more rooted in regional communities, in April 2009 the Okayama City branch was relocated, and in September of the same year the Kobe Grand Plaza was reopened after relocation to Kyukyoryuchi, Moto-machi, Kobe City. Additionally, for the purpose of strengthening coordination within the Watabe Group and creating products and services that can provide our customers with even more special experiences, the Fukuoka Grand Plaza in Chuo-ku, Fukuoka City was moved to the Fukuoka Yamanoue Hotel in May 2009, and in August of the same year the Hiroshima branch was relocated to Mielparque-Hiroshima and reopened. To meet increasingly diverse needs, in December 2009 we opened the Shinjuku dress salon and wedding photo studio, an expansive hybrid dress shop/photo studio in Shinjuku-ku, Tokyo, endeavoring to further increase customer satisfaction.

In terms of product development, we have initiated the nationwide Resort Wedding Fair with cooperation from major travel agencies, stimulating demand and expanding the market size for “resort weddings.” Also, based on the increasing desire of customers to choose which photos to include in their wedding albums, in April 2009 the Photo Select Web Service was started, an original offering that allows customers select online which photos to include in their wedding albums themselves, aiming to increase overall album sales.

As a result of the above, the Watabe Group has performed with a sales volume of 52,082 million yen (a 12.2% increase from the previous year). This sales volume did not meet initially planned levels, and although efforts were made to reduce sales and general administrative costs, ordinary income was only 1,892 million yen (a 32.2% year-on-year reduction), with net income for the current fiscal year of only 773 million yen (a 33.7% year-on-year reduction).
Net sales by service are as follows.

(Unit: Millions of yen)

| Service | Previous consolidated fiscal year (April 1, 2008 to March 31, 2009) | | Current consolidated fiscal year (April 1, 2009 to March 31, 2010) | | Change from previous year |
|-----------------------------|--|-------------------|---|-------------------|------------------------------|
| | Amount | Composition ratio | Amount | Composition ratio | |
| Sales related to wedding | 37,086 | 79.9% | 42,709 | 82.0% | 115.2% |
| Sales of products and goods | 4,787 | 10.3 | 4,092 | 7.8 | 85.5 |
| Income from rental costumes | 3,797 | 8.2 | 4,304 | 8.3 | 113.4 |
| Other | 734 | 1.6 | 976 | 1.9 | 132.9 |
| Total | 46,406 | 100.0 | 52,082 | 100.0 | 112.2 |

[2] Capital Investment

We made capital investments of 3,052 million yen in total during the current consolidated fiscal year. In Japan, Mielparque-Yokohama, Mielparque-Hiroshima, and Meguro Gajoen were remodeled as wedding facilities, the sales branches Shinjuku dress salon and wedding photo studio and Fukuoka Grand Plaza were relocated, and other projects were carried out. The remodeling of the Blue Aster wedding facility in Guam and other projects were carried out overseas.

[3] Fund Raising

The Company has entered into loan commitment agreements with its correspondent financial institutions in order to efficiently raise operating funds.

The used loan commitments under these agreements amounted to 400 million yen in the current consolidated fiscal year. Also, in order to secure stable long-term investment funding, we have concluded contracts for term loans with commitment periods with four correspondent banks, using the syndicate method. As of the end of the current consolidated fiscal year, the used loan amount for term loan contracts with commitment periods is 1,500 million yen.

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

(2) Changes in Assets and Operating Income

(Unit: Millions of yen)

| Item | 43 rd fiscal year Ended March 31, 2007 | 44 th fiscal year Ended March 31, 2008 | 45 th fiscal year Ended March 31, 2009 | 46 th fiscal year Ended March 31, 2010 (Current consolidated fiscal year) |
|----------------------|--|--|--|--|
| Net sales | 33,940 | 35,301 | 46,406 | 52,082 |
| Ordinary profit | 2,625 | 2,348 | 2,790 | 1,892 |
| Net profit | 909 | 1,004 | 1,165 | 773 |
| Net profit per share | 92.18 yen | 101.42 yen | 117.64 yen | 78.03 yen |
| Gross assets | 23,485 | 22,512 | 25,663 | 25,864 |
| Net assets | 13,783 | 13,992 | 14,544 | 14,976 |
| Net assets per share | 1,394.27 yen | 1,411.99 yen | 1,467.76 yen | 1,510.94 yen |

(3) Principal Parent Company and Subsidiaries

[1] Relationship with the Parent Company
Not applicable.

[2] Principal Subsidiaries

| Company Name | Capital Stock | Investment Ratio | Principal Business Activities |
|---|-----------------|------------------|---|
| Watabe U.S.A., Inc. | \$2,234,000 USD | 100% | Weddings, clothing rental |
| Watabe Guam, Inc. | \$700,000 USD | 100% (100%) | Weddings, clothing rental |
| Watabe Wedding (Shanghai) Co., Ltd. | \$2,300,000 USD | 100% | Wedding dress production and sales |
| Watabe Wedding Article (Shanghai) Co., Ltd. | 828 million yen | 100% | Photo album production, etc. |
| Okinawa Watabe Wedding Corporation | 50 million yen | 100% | Weddings, clothing rental |
| K.K. Meguro Gajoen | 378 million yen | 100% | Weddings, operation of lodging facilities |
| Mielparque Corporation | 350 million yen | 100% | Weddings, operation of lodging facilities |

Note: The figure in parentheses in the investment ratio column indicates the indirect holding ratio, which is included in the total ratio.

[3] Results of Business Combinations

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

(4) Issues to be Addressed

The Watabe Group recognizes the following management issues.

[1] Reinforced and Improved Compliance System

While sharing our basic management principles, in order to become a company that complies with social norms and legal regulations, has a high ethical standard, and continues to provide services necessary to society, guided by our Ethics Charter, we are further strengthening and reinforcing our compliance system by strengthening the functions of the compliance committee, taking preventive measures, and continuing monitoring activities.

[2] Enhanced and Improved Risk Control System

In global business development, in order to minimize the risk of loss from international conflicts, natural disasters, and other events that are difficult to deal with through business management, and to secure continuity of business, we will endeavor to strengthen and reinforce our risk management system by strengthening the functions of the risk management committee, taking forward-thinking measures, and continuing to perform careful oversight.

[3] Responding to Diversifying Customer Needs

In order to achieve continued business growth even as the decline in Japan's birth rate becomes more pronounced and customer needs become increasingly individualized and diverse, while promoting approaches to wedding and other services that create value for customers, we are developing wedding-related products that present customers with opportunities to "Create Family Bonds and Once-in-a-Lifetime Memories."

[4] Improving Profits and Stabilizing Income

We will lower our break-even point by making preexisting operations more efficient, and work to reform our business practices to make them more profitable.

Also, by making the individual brand values of each of our companies clear, we will gain the support of customers and stabilize income.

[5] Strengthening Human Resources Capacity

As the Watabe Group aims for increased growth, human resources, which provide the central support for each of our growing business pillars, are essential. While strengthening our human resources management in order to foster abilities essential for businesspeople and specialized skills, we will give consideration to the work environment and strive to create a system capable of producing human resources that will support our group's continued growth.

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

(5) Principal Business Activities (current as of March 31, 2010)

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

(6) Primary Business Sites (current as of March 31, 2010)

[1] The Company

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

[2] Subsidiaries

| Company Name | Location |
|---|---------------------------------------|
| Okinawa Watabe Wedding Corporation | Okinawa prefecture, Japan |
| K.K. Meguro Gajoen | Tokyo, Japan |
| Mielparque Corporation | Tokyo, Japan |
| Watabe Enterprise Corporation | Fukuoka prefecture, Japan |
| Watabe Family Club K.K. | Kyoto prefecture, Japan |
| Watabe U.S.A., Inc. | United States of America |
| Watabe Guam, Inc. | Guam (territory of the United States) |
| Watabe Saipan, Inc. | Saipan (Northern Mariana Islands) |
| Watabe Wedding Canada, Inc. | Canada |
| Watabe Australia Pty. Ltd. | Australia |
| Watabe Europe S.A.R.L. | France |
| Watabe Wedding Vietnam Co., Ltd. | Vietnam |
| Watabe Wedding (Shanghai) Co., Ltd. | China |
| Shanghai Saison Des Brides Trade Co., Ltd. | China |
| Watabe Wedding Article (Shanghai) Co., Ltd. | China |
| Shanghai Saison Tuxedo Co., Ltd. | China |
| Watabe Wedding HK Limited | China |
| Watabe Wedding Taiwan Limited | Taiwan |
| GRACE WEDDING Taiwan, Inc. | Taiwan |
| PT. Watabe Bali | Republic of Indonesia |

(7) Employees (current as of March 31, 2010)

[1] Employees of the Watabe Group

| Number of employees | Change from the previous consolidated fiscal year |
|---------------------|---|
| 2,435 | 69 employees increased |

Notes: The number of employees refers solely to full-time employees and does not include the 834 temporary employees (yearly average number of persons employed).

[2] Employees

| Number of employees | Change from the previous fiscal year | Average age | Average length of service |
|---------------------|--------------------------------------|-------------|---------------------------|
| 553 | 20 employees increased | 35.0 | 6.5 years |

Note: The number of employees refers solely to full-time employees and does not include the 342 temporary employees (yearly average number of persons employed).

(8) Primary Creditors (current as of March 31, 2010)

| Creditor | Balance of borrowings |
|--|-----------------------|
| The Bank of Tokyo-Mitsubishi UFJ, Ltd | 916 (million yen) |
| The Bank of Kyoto, Ltd | 686 |
| Mitsubishi UFJ Trust and Banking Corporation | 260 |
| Shiga Bank, Ltd. | 220 |
| Mizuho Bank, Ltd. | 220 |
| Sumitomo Mitsui Banking Corporation | 100 |
| Meiji Yasuda Life Insurance Company | 20 |
| Nippon Life Insurance Company | 20 |

2. Present Status

(1) Present Status Stock (current as of March 31, 2010)

[1] Number of shares authorized to be issued: 22,000,000

[2] Number of shares issued: 9,909,400

[3] Number of shareholders 4,914

[4] Major shareholders (top ten)

| Name of Shareholder | Shares Owned | Shareholding Ratio |
|---|--------------|--------------------|
| K.K. Jusen | 2,005,400 | 20.23% |
| Japan Trustee Services Bank, Ltd. | 961,300 | 9.70 |
| The Master Trust Bank of Japan, Ltd. | 494,500 | 4.99 |
| NCT Trust and Banking Corporation | 318,100 | 3.21 |
| Trust & Custody Services Bank, Ltd. | 314,300 | 3.17 |
| Takao Watabe | 308,200 | 3.11 |
| The Bank of Tokyo-Mitsubishi UFJ, Ltd. | 300,000 | 3.02 |
| The Bank of Kyoto, Ltd. | 300,000 | 3.02 |
| Watabe Wedding Employee Shareholder Association | 280,700 | 2.83 |
| The Chase Manhattan Bank N.A. London S.L. Omnibus Account | 224,500 | 2.26 |

Note: Treasury stock (177 shares) was subtracted from the total number of shares prior to calculation of percentages of shares owned.

(2) Company Directors

[1] Directors and Corporate Auditors (current as of March 31, 2010)

| Title | Name | Duties and Primary Concurrent Positions |
|-------------------------------------|--------------------|---|
| President & Representative Director | Hidetoshi Watabe | |
| Director | Hiroshi Kawaguchi | Director of Executive Office, Internal Control System Manager |
| Director | Hiroya Yamamoto | Planning and Operations Division Director |
| Director | Yoshiharu Onaga | Asian Operations Department Director |
| Director | Toshio Ochiai | |
| Director | Yukihiro Matsunaga | Managing Partner, Kyoto Audit Corporation |
| Full-Time Corporate Auditor | Hisashi Iwasaki | |
| Corporate Auditor | Toshio Fujimoto | |
| Corporate Auditor | Hisao Shimizu | Representative Partner, Kyoto Shimei Tax Consulting |
| Corporate Auditor | Kenji Shiraishi | Professor, Doshisha Business School |

- Notes: 1. Directors Toshio Ochiai and Yukihiro Matsunaga are outside directors.
2. Corporate Auditors Hisashi Iwasaki, Hisao Shimizu, and Kenji Shiraishi are Outside Corporate Auditors.
3. Corporate Auditor Hisao Shimizu is a certified tax accountant and has considerable knowledge of finances and accounting. Corporate Auditor Kenji Shiraishi has extensive experience in accounting operations and considerable knowledge of finances and accounting.
4. As of the closing of the 45th Annual Meeting of the Shareholders, held on June 26 2009, Corporate Auditor Masashi Kudo's term of office has expired and he has vacated his post.
5. The following changes to the duties of Directors have been made as of December 1, 2009.

| Name | New Office and Duties | Former Office and Duties |
|-------------------|---|--|
| Hiroshi Kawaguchi | Director: Director of Executive Office; Internal Control System Manager | Director: Director of Executive Office |
| Hiroya Yamamoto | Director: Planning and Operations Division Director | Director: Administration Division Director |
| Yoshiharu Onaga | Director: Asian Operations Department Director | Director: Sales Division Director |

[2] Remuneration paid to Directors and Corporate Auditors

| Title | No. of person | Amount paid |
|--------------------|---------------|----------------|
| Directors | 6 | 80 million yen |
| Corporate Auditors | 5 | 27 |
| Total | 11 | 107 |

- Notes: 1. The 32nd Ordinary General Meeting of Shareholders held on June 27, 1996 resolved that the maximum annual amount for remuneration of Directors would be up to 300 million yen (excluding the salary for the employee status of Directors, who have duties in their capacity as employee.).
2. The 32nd Ordinary General Meeting of Shareholders held on June 27, 1996 resolved that the maximum annual amount for remuneration of Corporate Auditors would be up to 30 million yen.
3. For Directors who also have employee duties, the employee salary is not included in the amount paid to directors shown above.
4. As of the end of this recent fiscal year, there are six Directors and four Corporate Auditors. One Corporate Auditor who vacated his office as of the closing of the 45th Annual Meeting of the Shareholders, held on June 26 2009, is included in the paid personnel shown above.

[3] Matters related to Outside Directors

- a. Primary concurrent positions and the relationships between the applicable corporations, etc., and the Watabe Group, with respect to persons employed at other corporations, etc.
 - Director Yukihiro Matsunaga doubles as Managing Partner of Kyoto Audit Corporation. Our company has no business relations with the Kyoto Audit Corporation.
 - Hisao Shimizu, Corporate Auditor, doubles as Representative Partner of Kyoto Shimei Tax Consulting Corporation. Please note that the Company has entered into a tax advisory contract with Kyoto Shimei Tax Consulting Corporation
- b. Primary activities as of the current fiscal year
 - Attendance at meetings of the Board of Directors and the Board of Corporate Auditors

| | Board of Directors (19 meetings) | | Board of Corporate Auditors (14 meetings) | |
|------------------------------------|----------------------------------|--------------------------|---|--------------------------|
| | Number of times in attendance | Percentage in attendance | Number of times in attendance | Percentage in attendance |
| Toshio Ochiai, Director | 19 times | 100% | – | – |
| Yukihiro Matsunaga, Director | 12 | 63 | – | – |
| Hisashi Iwasaki, Corporate Auditor | 18 | 95 | 14 times | 100% |
| Hisao Shimizu, Corporate Auditor | 18 | 95 | 13 | 93 |
| Kenji Shiraishi Corporate Auditor | 15 | (Note) | 10 | (Note) |

Note: Regarding Corporate Auditor Kenji Shiraishi's attendance at meetings of the Board of Directors and Board of Corporate Auditors, the figures above reflect his attendance at the 15 Board of Directors meetings and 10 Board of Corporate Auditors meetings that have been held since he took office on June 26, 2009. His percentage in attendance at both was 100%.

- Statements at meetings of the Board of Directors and the Board of Corporate Auditors
 - Director Toshio Ochiai has made statements mainly based on his considerable experience and deep insight as a business manager.
 - Director Yukihiro Matsunaga has made statements mainly based on his considerable experience and deep insight as an accounting expert.
 - Corporate Auditor Hisashi Iwasaki has made statements mainly based on his considerable experience and deep insight as a business manager.
 - Corporate Auditor Hisao Shimizu has made statements mainly based on his considerable experience and deep insight as a tax expert.
 - Corporate Auditor Kenji Shiraishi has made statements mainly based on his considerable experience and deep insight as an accounting specialist.

c. Outlines of the limited liability agreement

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

d. Total amount of remuneration, etc.

The total amount of remuneration paid to the six Outside Officers during the current fiscal year was 33 million yen.

(3) Accounting Auditor

[1] Name: Deloitte Touche Tohmatsu LLC

[2] Remuneration

| | Amount Paid |
|--|----------------|
| Remuneration for the accounting auditor in the current fiscal year | 75 million yen |
| Total amount of profits in cash and other property payable by the Company and its subsidiaries to the accounting auditor | 87 |

Notes: 1. The Company's overseas subsidiaries are subject to audits (only those pursuant to the Companies Act or Financial Instruments and Exchange Act, or the foreign laws equivalent thereto) by certified public accountants or auditing firms (including those who have foreign certifications equivalent thereto) other than the Company's accounting auditor.

2. In the audit contract between the Company and the accounting auditor, there is no distinct division in remuneration amounts for the audit under the Companies Act and for the one pursuant to the Financial Instruments and Exchange Act, and in practice it is not possible to divide such remuneration. Accordingly the remuneration in the current fiscal year represents the total amount for these audits.

[3] Non-audit services

The Company has entrusted to the accounting auditor the consultations on accounting and business operation related to foreign operations and other services, which are categorized as the services other than those set forth in Paragraph 1, Article 2 of the Certified Public Accountants Act (non-audit services).

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

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

(4) Systems to ensure adequacy of duties

In the meeting of the Board of Directors held on March 15, 2010, the Company reviewed systems to ensure that Directors' performance of their duties conforms to laws and the Articles of Incorporation and on any other systems to secure adequacy of operations in the Company, and adopted the following resolutions.

- [1] System to ensure that the work of Directors and employees complies with the law and the Articles of Incorporation
- In order for our company's Directors and employees to adhere to the law and the Articles of Incorporation, and so that they carry out their duties with a high standard of ethics, we have enacted the Watabe Wedding Ethics Charter and Compliance Regulations, working to ensure that all personnel are familiar with both.
 - The Group Audit Office, directly controlled by the President, monitors the development and application of our internal control system.
 - An internal reporting system allows for the reporting of actions that violate or threaten to violate compliance and for the enactment of appropriate response measures.
- [2] System for storage and management of information related to directors' performance of their duties
- Store and control documents related to decision making by directors and reporting to directors, including the minutes of the meetings of the Board of Directors, in accordance with the "Documentation Control Regulations" and the "IT Security Regulations."
- [3] System for procedures to control risk of loss and others
- Establish the "Risk Control Committee" chaired by President & Representative Director as a system to understand the Group's management risk, evaluation thereof and policies to deal therewith.
 - Stipulate basic matters on risk control set forth in the "Risk Control Regulations" applied to the Group.
- [4] System to ensure that the work of Directors is carried out in an efficient manner
- In order to respond rapidly to changes in the management environment, Directors engaging in work duties hold management meetings for the purpose of conducting decision making based on the President's authority.
 - Group management meetings have been established for the purpose of managing the progress of budgeting and policies based on the Watabe Group's strategy.
 - We have adopted an operating officer system for more efficient execution of duties.
 - A Personnel Advisory Committee has been established as an advisory organ to the Board of Directors. This body considers and ensures appropriate responses to matters related to the election of Directors as well as remuneration for officers, and enhances corporate governance.
- [5] System to secure adequacy of operations in the Company and the Group consisting of the parent company and its subsidiaries
- Ensure that the basic management philosophy is shared in the Group and that everyone is familiarized and complies with the Watabe Wedding Ethics Charter and regulations on the compliance and risk control.
 - Stipulate matters on approval and reporting between the Company and affiliated companies in the "Affiliated Companies Management Regulations" to properly manage business activities within the Group.

- [6] Systems relating to the employment of assistants for the corporate auditors as requested for fulfillment of their duties and matters concerning such staff's independence from directors
- Upon request of corporate auditors, personnel will be staffed as assistants to corporate auditors although the Company does not have such assistants at present.
 - Prior consent of corporate auditors will be obtained with respect to personnel changes, personnel evaluation, and disciplinary actions toward such assistants.
- [7] System for reporting from directors and employees to corporate auditors and for other reporting to corporate auditors
- Directors and employees will report the following matters to corporate auditors.
- Facts that may cause any significant damage to the Company.
 - Facts that constitute an act of dishonesty or breach of law or the Articles of Incorporation in terms of the directors' performance of their duties.
 - Facts reported based on the whistle-blowing system.
 - Results of inspections by concerned authorities and of external audits.
 - Punishments by the authorities.
 - The nature of important items of disclosure.
- [8] Other systems to ensure that audits are effectively conducted by corporate auditors
- The effectiveness of audits by corporate auditors is secured through the following initiatives.
- Hold a meeting between the President and corporate auditors on a regular basis.
 - Conduct a periodical hearing for directors and important employees.
 - Provide staff for corporate auditors and utilize experts by request of the corporate auditors.
 - Attendance of various meetings, submission of materials for inspection, reporting of necessary issues.
 - Information exchange with the accounting auditor.

Consolidated Balance Sheets

(As of March 31, 2010)

(Unit : Millions of yen)

| Accounts | Amount | Accounts | Amount |
|---------------------------------|--------|--|--------|
| (Assets) | | (Liabilities) | |
| Current assets | 8,401 | Current liabilities | 8,802 |
| Cash and deposits | 4,241 | Trade accounts payable | 1,874 |
| Trade accounts receivable | 1,748 | Short-term bank loans | 556 |
| Products and goods | 200 | Current portion of long-term bank loans | 353 |
| Work in progress | 27 | Accounts payable - other | 1,354 |
| Raw materials and supplies | 615 | Income tax payable | 517 |
| Deferred tax assets | 537 | Advances received | 2,317 |
| Others | 1,058 | Accrued bonus | 670 |
| Allowance for doubtful accounts | △27 | Others | 1,157 |
| Fixed assets | 17,462 | Fixed liabilities | 2,085 |
| Tangible fixed assets | 11,562 | Long-term bank loans | 1,533 |
| Rental costume | 263 | Allowance for retirement benefits | 159 |
| Buildings and structures | 6,104 | Others | 392 |
| Furniture and fixtures | 1,928 | | |
| Land | 2,207 | Total Liabilities | 10,887 |
| Construction in progress | 791 | | |
| Others | 268 | (Net assets) | |
| Intangible fixed assets | 1,436 | Shareholders' equity | 16,092 |
| Investments and other assets | 4,463 | Capital stock | 4,176 |
| Investment securities | 197 | Capital surplus | 4,038 |
| Deferred tax assets | 393 | Retained earnings | 7,878 |
| Guarantee deposits | 3,692 | Treasury stock | △0 |
| Others | 212 | Revaluation and translation adjustments | △1,120 |
| Allowance for doubtful accounts | △32 | Unrealized gain on available-for-sale securities | 17 |
| | | Deferred gain on hedge | 31 |
| | | Land revaluation difference | △906 |
| | | Foreign currency translation adjustments | △263 |
| | | Minority interests | 4 |
| | | Total net assets | 14,976 |
| Total assets | 25,864 | Total liabilities and net assets | 25,864 |

Consolidated Statement of Income

(April 1, 2009 to March 31, 2010)

(Unit: Millions of yen)

| Accounts | Amount | |
|---|--------|---------------|
| Net sales | | 52,082 |
| Cost of goods sold | | 17,901 |
| Gross profit on sales | | 34,180 |
| Selling, general, and administrative expenses | | 32,408 |
| Operating income | | 1,772 |
| Non-operating income | | |
| Interest and dividends received | 9 | |
| Other | 233 | 243 |
| Non-operating expenses | | |
| Interest paid | 28 | |
| Other | 94 | 123 |
| Ordinary income | | 1,892 |
| Extraordinary losses | | |
| Impairment loss | 146 | |
| Loss on liquidation of facilities and stores | 158 | |
| Other | 33 | 339 |
| Income before adjustment for taxes, etc. for the current fiscal year | | 1,553 |
| Corporate, inhabitant, and business taxes-current | 715 | |
| Corporate and other taxes-deferred | 64 | 779 |
| Minority stockholder profit | | 0 |
| Net income for the current fiscal year | | 773 |

Consolidated Statement of Changes in Net Assets

(April 1, 2009 to March 31, 2010)

(Unit: Millions of yen)

| | Shareholders' equity | | | | |
|--|----------------------|-----------------|-------------------|----------------|----------------------------|
| | Capital stock | Capital surplus | Retained earnings | Treasury stock | Total shareholders' equity |
| Balance as of March 31, 2009 | 4,176 | 4,038 | 7,402 | △0 | 15,616 |
| Changes during the consolidated fiscal year | | | | | |
| Dividends | | | △297 | | △297 |
| Net income | | | 773 | | 773 |
| Net changes in accounts other than shareholders' equity during the consolidated fiscal year (net amount) | | | | | |
| Changes during the consolidated fiscal year | - | - | 475 | - | 475 |
| Balance as of March 31, 2010 | 4,176 | 4,038 | 7,878 | △0 | 16,092 |

| | Revaluation and translation adjustments | | | | | Minority interest | Total net assets |
|--|--|------------------------|-----------------------------|--|---|-------------------|------------------|
| | Unrealized gain on available-for-sale securities | Deferred gain on hedge | Land revaluation difference | Foreign currency translation adjustments | Total revaluation and translation adjustments | | |
| Balance as of March 31, 2009 | 14 | 28 | △906 | △209 | △1,072 | 0 | 14,544 |
| Changes during the consolidated fiscal year | | | | | | | |
| Dividends | | | | | | | △297 |
| Net income | | | | | | | 773 |
| Net changes in accounts other than shareholders' equity during the consolidated fiscal year (net amount) | 3 | 2 | - | △53 | △48 | 3 | △44 |
| Changes during the consolidated fiscal year | 3 | 2 | - | △53 | △48 | 3 | 431 |
| Balance as of March 31, 2010 | 17 | 31 | △906 | △263 | △1,120 | 4 | 14,976 |

Notes to Consolidated Financial Statements

1. Significant basis in preparation of Consolidated Financial Statements

(1) Scope of consolidation

- | | | |
|-----|--------------------------------------|--|
| [1] | Number of consolidated subsidiaries: | 20 |
| [2] | Principal consolidated subsidiaries: | Watabe U.S.A., Inc. Watabe Guam, Inc. Watabe Wedding (Shanghai) Co., Ltd. Watabe Wedding Article (Shanghai) Co., Ltd. Okinawa Watabe Wedding Corporation K.K. Meguro Gajoen Mielparque Corporation |

[3] Change in the scope of consolidation

GRACE WEDDING Taiwan, Inc., which was acquired during the current consolidated fiscal year by capital increase through third-party allocation, is included in the scope of consolidation. Additionally, APXH Corporation, K.K. H•R•S•S, Watabe Human Support K.K., and Watabe U.K., Ltd., consolidated subsidiaries in the previous consolidated fiscal year, were liquidated and are not included in the scope of consolidation. Watabe Wedding Article (Shanghai) Co., Ltd. has absorbed Watabe Wedding Service (Shanghai) Co., Ltd. and Watabe Wedding Creative Co., Ltd.

(2) Application of equity method

- | | | |
|-----|--|---------------------|
| [1] | Affiliated company to which the equity method was applied: | 1 company |
| [2] | Principal companies | TRANS QUALITY, INC. |

(3) Fiscal year of consolidated subsidiaries

Among consolidated subsidiaries, Watabe U.S.A. Inc. and 13 other companies end their business year on March 31. Watabe Wedding (Shanghai) Co., Ltd. and five other companies end their business year on December 31.

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

(4) Accounting policies

[1] Valuation basis and method for important assets

- | | | |
|----|--|---|
| a. | Other securities: | |
| | • With market value: | Market value method based on the market price or otherwise on the last day of consolidated fiscal year (Unrealized gains and losses, net of applicable taxes, are reported in a separate component of net assets. The cost of securities sold is computed primarily based on the moving average method) |
| | • Without market value: | Cost method based on the moving average method |
| b. | Derivative instruments: | Market value method |
| c. | Inventories: | |
| | • Products and goods, work in progress | Cost method primarily based on the gross average method (The amount for the balance sheets was calculated by write-down due to decreased profitability) |
| | • Raw materials and supplies | Cost method primarily based on the moving average method (The amount for the balance sheets was calculated by write-down due to decreased profitability) |

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

a. Tangible fixed assets (except lease assets)

- Domestic assets:

| | |
|---|--------------------------|
| Rental costume: | Straight-line method |
| Buildings and structures: | Declining-balance method |
| However, for the buildings (except for annexed facilities) obtained after April 1, 1998, straight-line method is adopted. | |
| Furniture and fixtures: | Straight-line method |
| Other: | Declining-balance method |
 - Foreign assets:

| | |
|----------------------|--|
| Straight-line method | |
|----------------------|--|
- The principal estimated useful lives are:
- | | |
|--------------------------|------------|
| Rental Costume | 2-3 years |
| Buildings and Structures | 5-47 years |
| Furniture and fixtures | 2-20 years |

b. Intangible fixed assets:

Straight-line method
Capitalized software for internal use is amortized over the estimated useful life in the company (5 years).

c. Lease assets

The Company adopted the straight-line method where the lease term and residual value are useful life and zero, respectively. The non-ownership transfer finance lease transactions whose lease transaction start date is before March 31, 2008 are subject to the accounting conforming to the method for ordinary lease transactions.

d. Long-term prepaid expenses: Equal amortization

[3] Accounting for major allowances and accruals

- a. Allowance for doubtful accounts: Allowances for doubtful accounts are estimated based on the actual past ratio of losses on bad debts. Certain allowances are provided based on estimates of uncollectible amounts based on analysis of certain individual receivables.

- b. Accrued bonuses: Accrued bonuses are provided based upon amounts expected to be paid in accordance with the subjected term.

- c. Allowance for retirement benefits: Allowance for retirement benefits are recognized based on projected retirement benefits obligations and plan assets at the balance sheets date. Actuarial gains or losses are amortized over the term (5 years) which is within estimated average remaining service period of employees using the straight-line method following the year incurred.

(Changes in accounting policies)

A partial revision of the Accounting Standards for Retirement Allowances (section three) (Corporate Accounting Standard No. 19, July 31 2008) has been applied as of the current consolidated fiscal year.

This has no effect on operating income, ordinary income, or net income before taxes and minority interests for the current fiscal year.

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

a. Exchange method of foreign currency transaction and financial statements

Foreign currency denominated receivables and payables are converted into Japanese yen at the spot exchange rates on the last day of consolidated fiscal year. Resultant gains and losses on such translation are recognized in the statements of income. In this connection, assets and liabilities of overseas consolidated subsidiaries are translated into Japanese yen at the spot exchange rates on the last day of fiscal year of each subsidiary while revenue and expense accounts are converted into Japanese yen at the average exchange rates during period. Resultant gains and losses on such translation are included in the accounts of foreign currency translation adjustments and minority interests in net assets.

b. Accounting for hedging

Deferral hedge accounting is applied. For the purpose of hedging foreign-exchange risk, the Company adopted “furiate-shori” i.e. appropriation, in which, in the case of foreign currency forward contracts, the hedged items are translated at contracted forward rates if certain conditions are met.

c. Accounting for consumption taxes

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

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

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

(6) Amortization of goodwill and negative goodwill

Goodwill and negative goodwill are primarily amortized over five years using the straight-line method.

2. Notes to Consolidated Balance Sheets

(1) Pledged assets

| | |
|---------------------------|-----------------|
| Buildings and structures: | 58 million yen |
| Land: | 636 million yen |
| Total: | 695 million yen |

The above property is pledged for the long-term bank loans (including the current portion) of 1,080 million yen

(2) Accumulated depreciation of tangible fixed assets: 8,346 million yen

This accumulated depreciation includes impairment loss.

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

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

Date of revaluation: March 31, 2002

Difference between fair value at the end of the current consolidated fiscal year and book value after revaluation: 14 million yen

3. Notes to Consolidated Statements of Changes in Net Assets

(1) The number of shares issued

| Class of shares | Shares at the end of the previous consolidated fiscal year | Increase in shares during the current consolidated fiscal year | Decrease in shares during the current consolidated fiscal year | Shares at the end of the current consolidated fiscal year |
|-----------------|--|--|--|---|
| Common stock | 9,909,400 shares | – | – | 9,909,400 shares |

(2) Number of shares of treasury stock

| Class of shares | Shares at the end of the previous consolidated fiscal year | Increase in shares during the current consolidated fiscal year | Decrease in shares during the current consolidated fiscal year | Shares at the end of the current consolidated fiscal year |
|-----------------|--|--|--|---|
| Common stock | 177 shares | – | – | 177 shares |

(3) Dividends distributed from retained earnings

[1] Amount and other information on dividends paid

a. Dividend information resolved in the 45th Ordinary General Meeting of Shareholders held on June 26, 2009

- Total amount of the dividend: 148 million yen
- Dividend amount per share: 15 yen
- Record date: March 31, 2009
- Effective date: June 29, 2009

b. Dividend resolved at the meeting of the Board of Directors held on November 5, 2009

- Total amount of the dividend: 148 million yen
- Dividend amount per share: 15 yen
- Record date: September 30, 2009
- Effective date: December 1, 2009

[2] Regarding dividends for which the record date belongs to the current consolidated fiscal year but the effective date is in the following consolidated fiscal year, the following issues are on the agenda for the 46th Annual Meeting of the Shareholders, scheduled to be held on June 29, 2010.

- Total amount of the dividend: 148 million yen
- Dividend amount per share: 15 yen
- Record date: March 31, 2010
- Effective date: June 30, 2010

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

4 Notes regarding financial instruments

(1) Matters related to the status of financial instruments

[1] Policy with regard to financial instruments activities

With regard to facilities investment planning, the Watabe Group primarily secures necessary funding through bank loans.

Temporary surplus funds are primarily placed into financial assets with high liquidity.

[2] Content of financial instruments, risk, and risk management systems

Accounts receivable (sales amounts) are exposed to the credit risk associated with customers. This risk is minimized, however, through term and balance management for each customer.

Guarantee deposits are primarily associated with lease contracts for stores and wedding facilities, and is exposed to the credit risk associated with the deposit location.

Trade accounts payable and unpaid amounts, which are trade liabilities, are almost all subject to a three-month payment deadline. Amounts including foreign currency are exposed to the risk associated with exchange-rate fluctuations. This risk is minimized through the use of forward exchange contracts.

Long-term bank loans consist primarily of funds acquired for the purpose of funding facilities. Adjustable interest-rate loans are exposed to risks associated with interest rate fluctuations.

(2) Matters related to the fair market value of financial instruments

Consolidated balance sheet totals, fair market values, and the difference amounts for these as of March 31, 2010 are as follows.

(Unit: Millions of yen)

| | Consolidated balance sheet total (*) | Fair market value (*) | Difference amount |
|--|---|--------------------------|-------------------|
| (1) Cash and deposits | 4,241 | 4,241 | – |
| (2) Trade accounts receivable | 1,748 | 1,748 | – |
| (3) Guarantee deposits | 1,641 | 1,452 | △189 |
| (4) Trade accounts payable | (1,874) | (1,874) | – |
| (5) Short-term bank loans | (556) | (556) | – |
| (6) Long-term bank loans to be repaid within one year | (353) | (353) | – |
| (7) Accounts payable | (1,354) | (1,354) | – |
| (8) Unpaid corporate tax, etc. | (517) | (517) | – |
| (9) Long-term bank loans | (1,533) | (1,533) | 0 |

Note (*): Amounts included in total liabilities are displayed in parentheses.

Note 1: Computation method for fair market value of financial instruments

(1) Cash and deposits, (2) trade accounts receivable

Fair market value for these items is nearly equal to the book value due to the fact that they are settled over a short term, so the book value is used.

(3) Guarantee deposits

These are guarantee deposits for which repayment deadlines have been established. The risk-free rate has been used to calculate their fair market value.

(4) Trade accounts payable, (5) Short-term bank loans, (6) Long-term bank loans to be repaid within one year, (7) accounts payable, (8) unpaid corporate tax, etc.

Fair market value for these items is nearly equal to the book value due to the fact that they are settled over a short term, so the book value is used.

(9) Long-term bank loans

The fair market value of long-term bank loans is calculated after deducting the interest rate expected if the total interest and principal were a new loan. However, because the interest is renewed at fixed intervals for long-term bank loans with adjustable interest rates, the fair market values are nearly equal to the book values, and so the book values have been used.

Note 2: Guarantee deposits for which repayment deadlines have not been established (consolidated balance sheet total: 2,050 million yen) are not included above. This is due to the fact that they have no market value and future cash flows cannot be estimated, making fair market value estimation extremely difficult.

5. Notes to Retirement and Pension Plans

(1) Outline of Retirement and Pension Plans

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

(2) Projected benefit obligation

| | |
|---|------------------|
| Projected benefit obligation | △980 million yen |
| Fair value of Plan assets | 733 million yen |
| Net | △246 million yen |
| Unrecognized actuarial loss | 125 million yen |
| Net amount in the consolidated balance sheets | △120 million yen |
| Prepaid pension cost | 38 million yen |
| Benefit obligation at the end of year | △159 million yen |

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

(3) Benefit costs

| | |
|--|-----------------|
| Service cost | 110 million yen |
| Interest cost | 10 million yen |
| Expected return on plan assets | △0 million yen |
| Recognized actuarial loss | 32 million yen |
| Retirement benefit expense | 152 million yen |
| Pension premiums for defined contribution pension plan | 4 million yen |
| Net periodic benefit costs | 156 million yen |

(4) Basis and assumption

| | |
|---|--------------------------------------|
| [1] Method of the periodical allocation of the cost of the estimated payment amount of the retirement benefit | Fixed amount for the applicable term |
| [2] Discount rate | 1.5% |
| [3] Expected rate of return on plan assets | 0.1% |
| [4] Recognition period of actuarial gain/loss fiscal year of the occurrence | 5 years following the consolidated |

6. Notes to Per-share Information

| | |
|--------------------------|--------------|
| (1) Net assets per share | 1,510.94 yen |
| (2) Net income per share | 78.03 yen |

7. Amounts are rounded down to the nearest million.

Non-consolidated Balance Sheet

(Current as of March 31 2010)

(Unit: Millions of yen)

| Accounts | Amount | Accounts | Amount |
|---|--------|--|--------|
| (Assets) | | (Liabilities) | |
| Current assets | 3,227 | Current liabilities | 5,564 |
| Cash and deposits | 883 | Trade accounts payable | 1,062 |
| Trade accounts receivable | 992 | Short-term bank loans | 1,676 |
| Products and goods | 119 | Long-term bank loans to be repaid | |
| Raw materials and supplies | 43 | within one year | 353 |
| Prepaid expenses | 294 | Lease obligations | 7 |
| Deferred tax assets | 217 | Accounts payable | 342 |
| Short-term loans receivable | 271 | Expenses payable | 73 |
| Other | 457 | Unpaid corporate tax, etc. | 54 |
| Allowance for doubtful accounts | △53 | Advances received | 1,685 |
| Fixed assets | 16,031 | Deposits received | 18 |
| Tangible fixed assets | 7,996 | Accrued bonuses | 289 |
| Rental clothing | 148 | Other | 0 |
| Buildings | 4,310 | Fixed liabilities | 1,668 |
| Structure | 81 | Long-term bank loans | 1,533 |
| Vehicles | 16 | Lease obligations | 1 |
| Furniture and fixtures | 720 | Deferred tax liabilities related to revaluation | 25 |
| Land | 1,929 | Other | 108 |
| Construction in progress | 788 | | |
| Intangible fixed assets | 497 | Total liabilities | 7,232 |
| Software | 469 | (Net assets) | |
| Other | 27 | Shareholders' equity | 12,884 |
| Investments and other assets | 7,538 | Capital stock | 4,176 |
| Investment securities | 197 | Capital surplus | 4,038 |
| Shares of affiliated companies | 1,335 | Capital reserves | 4,038 |
| Amount invested in affiliated companies | 1,501 | Retained earnings | 4,670 |
| Long-term loans receivable | 886 | Other retained earnings | 4,670 |
| Long-term prepaid expenses | 87 | Reserve for dividend equalization | 750 |
| Deferred tax assets | 537 | General reserve | 1,910 |
| Guarantee deposits | 3,350 | Retained earnings forwarded | 2,010 |
| Other | 76 | Treasury stock | △0 |
| Allowance for doubtful accounts | △435 | Revaluation and translation adjustments | △857 |
| | | Unrealized gain on available-for-sale securities | 17 |
| | | Deferred gain on hedge | 31 |
| | | Land revaluation difference | △906 |
| | | Total net assets | 12,027 |
| Total assets | 19,259 | Total liabilities and net assets | 19,259 |

Non-consolidated Statement of Income

(April 1, 2009 to March 31, 2010)

(Unit: Millions of yen)

| Accounts | Amount | |
|--|--------|---------------|
| Net sales | | 20,069 |
| Cost of goods sold | | 10,000 |
| Gross profit on sales | | 10,069 |
| Selling, general, and administrative expenses | | 9,608 |
| Operating income | | 461 |
| Non-operating income | | |
| Interest and dividends received | 115 | |
| Other | 100 | 215 |
| Non-operating expenses | | |
| Interest paid | 32 | |
| Other | 38 | 70 |
| Ordinary income | | 606 |
| Extraordinary losses | | |
| Transfer to allowance for doubtful accounts | 290 | |
| Loss on liquidation of facilities and stores | 132 | |
| Other | 19 | 441 |
| Net income for the current fiscal year before taxes | | 164 |
| Corporate, inhabitant, and business taxes-current | 98 | |
| Corporate and other taxes-deferred | △16 | 81 |
| Net income for the current fiscal year | | 83 |

Non-consolidated Statement of Changes in Net Assets

(April 1, 2009 to March 31, 2010)

(Unit: Millions of yen)

(Unit: Millions of yen)

| | Shareholders' equity | | | | | | | Total shareholders' equity |
|---|----------------------|------------------|-----------------------------------|-----------------|-----------------------------|-------------------------|----------------|----------------------------|
| | Capital stock | Capital surplus | Retained earnings | | | | Treasury stock | |
| | | Capital reserves | Other retained earnings | | | Retained earnings total | | |
| | | | Reserve for dividend equalization | General reserve | Retained earnings forwarded | | | |
| Balance as of March 31, 2009 | 4,176 | 4,038 | 750 | 1,910 | 2,223 | 4,883 | △0 | 13,097 |
| Changes during the fiscal year | | | | | | | | |
| Dividends | | | | | △297 | △297 | | △297 |
| Net income | | | | | 83 | 83 | | 83 |
| Net changes in accounts other than shareholders' equity during the fiscal year (net amount) | | | | | | | | |
| Total changes during the fiscal year | — | — | — | — | △213 | △213 | — | △213 |
| Balance as of March 31, 2010 | 4,176 | 4,038 | 750 | 1,910 | 2,010 | 4,670 | △0 | 12,884 |

| | Revaluation and translation adjustments | | | | Total net assets |
|---|--|------------------------|-----------------------------|---|------------------|
| | Unrealized gain on available-for-sale securities | Deferred gain on hedge | Land revaluation difference | Total revaluation and translation adjustments | |
| Balance as of March 31, 2009 | 14 | 28 | △906 | △862 | 12,235 |
| Changes during the fiscal year | | | | | |
| Dividends | | | | | △297 |
| Net income | | | | | 83 |
| Net changes in accounts other than shareholders' equity during the fiscal year (net amount) | 3 | 2 | — | 5 | 5 |
| Total changes during the fiscal year | 3 | 2 | — | 5 | △208 |
| Balance as of March 31, 2010 | 17 | 31 | △906 | △857 | 12,027 |

Notes to Non-consolidated Financial Statements

1. Principal Accounting Policies

(1) Valuation basis and method for assets

- [1] Investment in affiliates Cost method based on the moving-average method
- [2] Other securities:
 - With market value: Market value method based on the market price, etc. at the balance sheet date. Unrealized gains and losses, net of applicable taxes, are reported in a separate component of net assets. The cost of other securities sold is computed based on the moving average method.
 - Without market value: Cost method based on the moving average method.
- [3] Derivative instruments: Market value method.
- [4] Inventories:
 - Merchandise and finished goods Cost method based on the gross average method (The amount for the balance sheets was calculated by write-down due to decreased profitability)
 - Raw materials and supplies Last purchase method

(2) Depreciation/amortization method for fixed assets

- [1] Tangible fixed assets (except lease assets)
 - Domestic assets:

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

The principal estimated useful lives are:

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

- [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] Lease assets The Company adopted the straight-line method where the lease term and residual value are useful life and zero, respectively. The non-ownership transfer finance lease transactions whose lease transaction start date is before March 31, 2008 are subject to the accounting conforming to the method for ordinary lease transactions.
- [4] Long-term prepaid expenses: Equal amortization

(3) Accounting for allowances and accruals

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

(Changes in accounting policies)

A partial revision of the Accounting Standards for Retirement Allowances (section three) (Corporate Accounting Standard No. 19, July 31 2008) has been applied as of the current fiscal year.

This has no effect on operating income, ordinary income, or net income for the current fiscal year before taxes.

(4) Accounting for hedging

Deferral hedge accounting is applied. For the purpose of hedging foreign-exchange risk, the Company adopted “furiate-shori” i.e. appropriation, in which, in the case of foreign currency forward contracts, the hedged items are translated at contracted forward rates if certain conditions are met.

(5) Other basic matters for preparation of non-consolidated financial statements

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

(6) Changes in balance sheet display

Items displayed as “accounts receivable” in the previous fiscal year (179 million yen balance at the end of the current fiscal year) are displayed for the current fiscal year as “other” under current assets. Likewise, “telephone subscription rights” (26 million yen) and “facilities usage rights” are displayed as “other” under intangible fixed assets, “insurance reserve” (five million yen) and “claims in bankruptcy and rehabilitation” are displayed as “other” under investments and other assets, and “customer deposits” (44 million yen) are displayed as “other” under fixed liabilities.

2. Notes to Non-consolidated Balance Sheets

(1) Pledged assets

| | |
|------------|-----------------|
| Buildings: | 58 million yen |
| Land: | 636 million yen |
| Total: | 695 million yen |

The above property is pledged for the long-term bank loans payable (including the current portion) of 1,080 million yen.

(2) Accumulated depreciation of tangible fixed assets: 5,356 million yen

This accumulated depreciation includes impairment loss.

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

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

Date of revaluation: March 31, 2002

Difference between fair value at the end of the fiscal year and book value after revaluation: 14 million yen

- (4) Guarantee liabilities

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

Watabe Wedding (Shanghai) Co., Ltd.: 56 million yen

- (5) Monetary receivables from and payables with affiliated companies

[1] Short-term receivables: 783 million yen

[2] Long-term receivables: 874 million yen

[3] Short-term payables: 1,718 million yen

3. Notes on the Non-consolidated Statements of Income

Transactions with affiliated companies

[1] Sales: 1,092 million yen

[2] Purchase: 5,657 million yen

[3] Selling, general & administrative expenses: 280 million yen

[4] Non-operating income and expenses: 67 million yen

4. Notes regarding non-consolidated statement of changes in net assets

Number of shares of treasury stock

| Class of shares | Shares at end of previous fiscal year | Increase in shares during current fiscal year | Decrease in shares during current fiscal year | Shares at end of current fiscal year |
|-----------------|---------------------------------------|---|---|--------------------------------------|
| Common stock | 177 shares | — | — | 177 shares |

5. Tax Effect Accounting

(1) Deferred tax assets and deferred tax liabilities

| <u>Current assets and liabilities</u> | | <u>Fixed assets and liabilities</u> | |
|---------------------------------------|-----------------|--|-----------------|
| Inventories | 18 million yen | Tangible fixed assets | 171 million yen |
| Allowance for doubtful accounts | 21 million yen | Intangible fixed assets | 20 million yen |
| Accounts payable | 11 million yen | Investment in securities | 9 million yen |
| Expenses payable | 42 million yen | Affiliated companies' stocks and investments in equity | 204 million yen |
| Business tax payable | 7 million yen | Allowance for doubtful accounts | 178 million yen |
| Accrued bonuses | 118 million yen | Other | 2 million yen |
| Foreign tax credit carried forward | 47 million yen | Total deferred tax assets | 587 million yen |
| Other | 13 million yen | Unrealized gain on available-for-sale securities | Δ12 million yen |
| Total deferred tax assets | 280 million yen | Prepaid pension cost | Δ15 million yen |
| Total deferred tax liabilities | 63 million yen | Other | Δ21 million yen |
| Net deferred tax assets | 217 million yen | Total deferred tax liabilities | Δ50 million yen |
| | | Net deferred tax assets | 537 million yen |

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

| | |
|--|-------|
| Statutory effective tax rate | 41.0% |
| (Reconciliation) | |
| Expenses not deductible for tax purposes | Δ5.2% |
| Per capita portion of inhabitant tax | 27.4% |
| Lower income tax rates applicable to overseas branches | Δ5.4% |
| Change in valuation allowance | Δ7.5% |
| Other | Δ1.0% |
| Actual effective tax rate | 49.3% |

6. Notes to Fixed Assets Used by Lease

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

| | Acquisition cost equivalent | Accumulated depreciation equivalent | Balance at the end of current fiscal year |
|-----------|-----------------------------|-------------------------------------|---|
| Buildings | 541 million yen | 139 million yen | 401 million yen |
| Total | 541 | 139 | 401 |

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

One year or less: 27 million yen

Over one year: 374 million yen

Total 401 million yen

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

Not applicable.

7. Notes to Transactions with Related Parties

- (1) Officers and principal individual shareholders

| Attribute | Company name | Percentage of owned voting rights (%) | Description of the relationship | | Description of transaction | Transaction amount (millions of yen) | Account | Balance at the end of current fiscal year (millions of yen) |
|--|---------------------|---------------------------------------|---------------------------------|-----------------------|----------------------------|--------------------------------------|--------------------|---|
| | | | Concurrent offices of officers | Business relationship | | | | |
| Company (including its subsidiary), a majority of whose voting rights are owned by a officer or his/her close relative | K.K. Jusen (Note 1) | Direct 20.23 | — | Office lease | Building lease (Note 2) | 82 | — | — |
| | | | | | Deposit a guarantee | — | Guarantee deposits | 51 |

Notes: 1. The Company's Representative Director and Director directly own 100% of its voting rights.

2. It is used as the head office and its rent is determined based on the appraisal by real-estate appraiser by considering prevailing transactions in the neighborhood.

3. Consumption taxes are not included in the values indicated above.

- (2) Subsidiaries, etc.

| Type | Company | Percentage of voting rights held | Description of relationship | | Description of transaction | Transaction amount (millions of yen) | Accounts | Balance at end of current fiscal year (millions of yen) |
|--------------|----------------------------------|----------------------------------|--|---|----------------------------|--------------------------------------|-----------------------------|---|
| | | | Concurrent positions of officers, etc. | Business relationship | | | | |
| Subsidiaries | K.K. Meguro Gajoen | 100.0 | 2 officers with concurrent positions | Sales of the subsidiary's domestic wedding packages | Bank loan | 750 | Short-term bank loans | 1,000 |
| | Watabe Enterprise Corporation | 100.0 | 3 officers with concurrent positions | Sales of the subsidiary's domestic wedding packages | Loan receivable | 365 | Long-term loans receivable | 615 |
| | Mielparque Corporation | 100.0 | 2 officers with concurrent positions | Sales of the subsidiary's domestic wedding packages | Loan receivable | 200 | Short-term loans receivable | 200 |
| | Watabe Wedding Vietnam Co., Ltd. | 100.0 | — | Wedding dress purchasing | Loan receivable | — | Short-term loans receivable | 27 |
| | | | | | | | Long-term loans receivable | 233 |

Notes: 1. Interest rates for loans receivable are set reasonably in view of market interest rates.

2. For the loans receivable above, the Company has set aside 403 million yen as allowance for doubtful accounts.

8. Notes to Per-share Information

- (1) Net assets per share 1,213.74 yen
- (2) Net income per share 8.44 yen

9. Amounts are rounded down to the nearest million.

Reference Material for the General Meeting of the Shareholders

Proposal 1: Appropriation of Retained Earnings

The Company proposes to appropriate retained earnings as indicated below.

Details of the year-end dividend

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

The Company proposes that dividends for the current fiscal year be as originally planned, considering elements such as business performance for the year and the maintenance of stable dividends. In the long-term perspective, the Company intends to utilize internal reserve for investment in business fields that show high potential for growth and profitability, and investment to streamline and invigorate existing business categories.

(1) Type of asset to be distributed as dividends

Cash

(2) Allocation of dividends and total amount

Fifteen (15) yen per share common stock; 148,638,345 yen total

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

(3) Effective date for dividend distribution from retained earnings

June 30, 2010

Proposal 2: Election of Four Directors

As of the closing of this general meeting, the terms of office of all six Directors will expire. Accordingly, the company proposes the election of four Directors, including one Outside Director.

The nominees for Director are as described below.

| Nominee number | Name (Date of birth) | Profile, position and duties at this company, and primary concurrent positions | | Number of this company's shares held by candidate |
|----------------|---------------------------------------|---|--|---|
| 1 | Hidetoshi Watabe (October 25 1966) | June 2008 March 2008 June 2006 June 2005 December 2002 October 1992 April 1989 | President & Representative Director (present) Director, Sales Administration Manager and Destination Wedding Operations Division Director Director, Overseas Wedding Operations Division Director Executive Officer, Sales and Planning Division Director Hawaii Branch President Joined the Company Joined DDI/Daini Denden Inc. (now KDDI Corporation) | 21,500 shares |
| 2 | Hiroya Yamamoto (December 23 1958) | December 2009 March 2008 June 2007 June 2006 April 2005 April 1997 February 1995 April 1983 | Director, Planning and Operations Division Director (present) Director, Administration Division Director Director, Sales and Planning Division Director and Sales Division Director Executive Officer, Sales and Planning Division Director Joined the Company The Sanwa Bank, Ltd. (now The Bank of Tokyo-Mitsubishi UFJ, Ltd.) Umeda Branch Assistant Director Assigned externally to KYOCERA Corporation (Seiwajuku Office) Joined The Sanwa Bank, Ltd. (now The Bank of Tokyo-Mitsubishi UFJ, Ltd.) | 4,000 shares |
| 3 | Yoshiharu Onaga (April 10, 1961) | December 2009 June 2008 March 2008 January 2007 February 2006 February 2005 March 2001 November 1983 | Director, Asian Operations Department Director (present) Director, Sales Division Director Sales Division Director and Destination Wedding Operations Division Deputy Division Director Destination Wedding Operations Division Deputy Division Director Domestic Wedding Operations Division Deputy Division Director Wedding Operations Division Wedding Operations Department 1 Director International Operations Division International Sales Director Joined the Company | 15,000 shares |
| 4 | Toshio Ochiai (January 31 1948) | June 2008 March 2008 March 2007 September 2004 June 1999 April 1970 | Director at the Company (present) Executive Officer, OMRON Executive Officer, Management Resources Innovation Division Director, OMRON Executive Officer, Management and General Affairs Director and CSR Director, OMRON Executive Officer, OMRON Joined Tateishi Electric Manufacturing Company (now OMRON Corporation) | 1,000 shares |

Note 1: The nominees for Director hold no special financial interests in the company.

2: Toshio Ochiai is a nominee for Outside Director.

3: Special remarks regarding the nominee for Outside Director are as follows.

① Reason for selection as an Outside Director

Toshio Ochiai was selected as an Outside Director because it is expected that he will work from an independent perspective based on his abundant experience as a manager and high-level insight, applying these to our company's management processes.

② Length of the nominee's service following appointment as an Outside Director

Toshio Ochiai's term of office as an Outside Director would last for two years from the closing of this general meeting.

③ Regarding the agreement for limitation of liability entered into with Outside Directors

In order to secure competent human resources as Outside Directors, the company's current articles of incorporation state that the company may enter into an agreement with Outside Directors to limit their liability for damages to the company within a certain range. Pursuant to this provision, the nominee for Outside Director, Toshio Ochiai, has entered into such an agreement for limitation of liability with this company. If his reappointment is approved, this agreement will be renewed.

[The outline of the agreement is as follows.]

If Outside Directors become liable to the company for any damage attributable to their failure of duties, their liability will be limited to the minimum amount set forth in Paragraph 1, Article 425 of the Companies Act.