(Securities code: 4696)
June 8, 2011

To Our Shareholders

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

NOTICE OF THE 47th ANNUAL MEETING OF SHAREHOLDERS

Dear Shareholders:

Notice is hereby given that the 47th Annual Meeting of 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 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 Tuesday, June 28, 2011.

Notice of Meeting

1. **Date:** Wednesday, June 29, 2011, 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. **Purposes**

   Items to Be Reported:

   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 47th fiscal year (from April 1, 2010 to March 31, 2011)
   2. Report on the contents of the non-consolidated financial statements for the 47th fiscal year (from April 1, 2010 to March 31, 2011)

   Items to Be Resolved:

   Proposal 1: Appropriation of Retained Earnings
   Proposal 2: Election of One Director
   Proposal 3: Election of Two Corporate Auditors
   Proposal 4: Provision of the Amount of Compensation to be Paid to Corporate Auditors

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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/).

(Exhibit)

Business Report

(April 1, 2010 to March 31, 2011)

1. Present Status of the Group

(1) Operational Conditions in the Consolidated Fiscal Year under Review

[1] Progress and Accomplishments of Operations

During the fiscal year under review, there were some signs of a slow recovery in Japan's economy, led by foreign demand mainly from robust economies in emerging countries. However, it is difficult to discern future circumstances because of the immeasurable impacts on the domestic economy of the Great East Japan Earthquake, which occurred on March 11, 2011.

In the bridal industry, the number of marriage registrations in the fiscal year under review remained stable at 706,000 couples (compared with 707,000 couples in the previous fiscal year), although the number is tending to taper off due to the declining birthrate.

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

In the "resort weddings" business segment, we focused on expanding destination weddings and local weddings. To enhance destination weddings, we opened Honu Kai Lani at Ko Olina Place of Welina, the first wedding resort in Hawaii, in the state of Hawaii, the U.S. in November 2010, under the theme of "Providing Japanese level of quality in hospitality despite being in Hawaii." In China, we opened the Shanghai Branch, a comprehensive overseas wedding service store, in Shanghai in September 2010. With a view to reinforcing overseas local weddings, we renovated Grace Hill, a wedding facility for house weddings in Taipei, Taiwan, and established WATABE SINGAPORE PTE. LTD. in Singapore, a consolidated subsidiary, with "creating a splendid living culture" as its main theme, in September 2010, as part of the development and enhancement of new markets in Asia outside Japan. With regard to store development, we relocated the Shinjuku Wedding Salon and reopened it in December 2010 as our flagship shop Mirraza Shinjuku based on a new concept. In January 2011, we renovated Nagoya Grand Plaza in an effort to overhaul its image.

In hotels and domestic weddings, we took steps to improve our ability to attract customers by providing greater convenience to customers, and to attract new customers based on new concepts. In September 2010, we opened Anniversary Court Racine, a locally-based total wedding facility in Maebashi, Gunma. We also refurbished 10 Mielparque wedding facilities based on different concepts in each region to provide appealing and comfortable spaces to our customers.

However, some facilities and stores in eastern Japan, mainly in Tohoku region, were forced to suspend operations and/or limit business hours due to the Great East Japan Earthquake. The earthquake also caused cancellations or postponements of weddings, banquets and accommodations.

As a result of the above, net sales of the Group amounted to ¥50,555 million (down 2.9% year on year), while operating income stood at ¥1,385 million (down 21.9% year on year) and ordinary income was ¥1,345 million (down 28.9% year on year). Net income stood at ¥176 million (down 77.2% year on year) mainly due to the application of the Accounting Standard for Asset Retirement Obligations.

Net sales by business segments are as follows.

(Unit: Millions of yen)

Business segment	Previous fiscal year (From April 1, 2009 to March 31, 2010)		Fiscal year under review (From April 1, 2010 to March 31, 2011)		Year-on-year change (%)
	Amount	Composition ratio (%)	Amount	Composition ratio (%)	
Resort weddings	21,225	40.8	21,667	42.9	102.1
Hotels and domestic weddings	30,857	59.2	28,888	57.1	93.6
Total	52,082	100.0	50,555	100.0	97.1

[2] Capital Investment

During the fiscal year under review, the Company invested a total of 2,078 million yen.

In Japan, with regard to wedding facilities, we renovated ANNIVERSARY COURT Racine, Mielparque-Okayama, Mielparque-Kumamoto, and Meguro Gajoen, while as for sales stores, we relocated Mirraza Shinjuku Salon and renovated Nagoya Grand Plaza.

Overseas, we opened Honu Kai Lani at Ko Olina Place of Welina, a wedding facility, in the State of Hawaii, the U.S., and renovated Grace Hill, also a wedding facility, in Taiwan.

[3] Fund Raising

During the fiscal year under review, we procured ¥500 million in funds required by the Group, through borrowings from financial institutions. Also, to efficiently raise operating funds, the Company concluded loan commitment agreements with financial institutions with which it has transactions. Furthermore, the Company has signed term loan agreements with commitment periods with five banks with which it has transactions, based on loan syndication, with a view to steadily raising long-term investment funds. As of the end of the fiscal year under review, the amount of loans executed under the term loan agreements with commitment periods stood at ¥1,500 million.

(2) Changes in Assets and Operating Income over the Last Three Fiscal Years

(Unit: Millions of yen)

Item	The 44th business period Fiscal year ended	The 45th business period Fiscal year ended	The 46th business period Fiscal year ended	The 47th business period Fiscal year ended
Net sales	35,301	46,406	52,082	50,555
Ordinary income	2,348	2,790	1,892	1,345
Net income	1,004	1,165	773	176
Net income per share (yen)	101.42	117.64	78.03	17.83
Gross assets	22,512	25,663	25,864	25,075
Net assets	13,992	14,544	14,976	14,523
Net assets per share (yen)	1,411.99	1,467.76	1,510.94	1,465.17

(3) Principal Parent Company and Subsidiaries

[1] Relationship with the Parent Company

Not applicable.

[2] Principal Subsidiaries

Name	Capital Stock	Ownership percentage	Main Business
Watabe U.S.A., Inc.	US$ 2,234,000	100%	Operation of weddings, garment rental services
Watabe Guam, Inc.	US$ 700,000	100% (100%)	Operation of weddings, garment rental services
Watabe Wedding (Shanghai) Co., Ltd.	US$ 2,300,000	100%	Production and sale of wedding dresses
Watabe Wedding Article (Shanghai) Co., Ltd.	¥ 478 million	100%	Production of photo albums, etc.
Okinawa Watabe Wedding Corporation	¥ 50 million	100%	Operation of weddings, garment rental services
K.K. Meguro Gajoen	¥ 378 million	100%	Operation of weddings and accommodations
Mielparque Corporation	¥ 350 million	100%	Operation of weddings and accommodations

Note: The figure in the parentheses in the column of ownership percentage is indirect ownership percentage and is included in the figure above.

(4) Issues to be Addressed

The Group recognizes the following management challenges.

[1] Reinforcing and Expanding Compliance System

To ensure the Company complies with social norms, laws and regulations based on the "Ethics Charter," which guide the conduct of the Group, has a high sense of ethics, and continues to be needed by society, while sharing a basic management philosophy, we will focus on further enhancing and expanding our compliance system by reinforcing the functions of the Compliance Committee, taking preventive measures, and continuing to monitor the status of compliance.

[2] Reinforcing and Expanding Risk Management System

In global business development, to minimize the risk of losses resulting from international conflicts, natural disasters, and other incidents that are difficult to respond to with business strategies and to ensure the continuity of business, we will further reinforce and expand the risk management system of the Group by enhancing the functions of the Risk Management Committee, taking measures based on foresight, and continuing to monitor circumstances.

[3] Responding to Diversifying Customer Needs

To ensure the Company continues to grow at a time when customer needs are becoming increasingly diversified, we recommend the "creation of family bonds and once-in-a-lifetime memories" to customers by promoting proposals, including wedding services that create customer value, and providing peripheral products of weddings.

[4] Improving Profitability

We will improve our management base to make it more profitable by boosting the efficiency of existing operations through structural reforms, mainly by reducing fixed costs and converting them into variable costs.

Also, we will endeavor to win support from customers by clarifying the original brand value of each Group company, and thereby stabilize earnings.

[5] Reinforcing Human Resources Capability

As the Group aims for further growth, human resources that serve as the central pillar of each growing business are vital. While enhancing the capabilities of our human resources to provide employees with the abilities and expertise required of businesspersons, we aim to establish a system capable of producing human resources that support the further development of the Group, while taking into consideration the working environments for employees.

[6] Responding to the Great East Japan Earthquake

The Great East Japan Earthquake, which occurred on March 11, 2011, had a profound influence on Japan's economy, and the Group suffered direct damage including damage to buildings. Because indirect impacts, including a decline in social infrastructure due to limited electric power and a reduction in the desire for weddings in the wedding market, could be prolonged, we will make group-wide efforts to minimize the impacts of the earthquake on the earnings.

Recognizing the challenges mentioned above as issues to be addressed in the new fiscal year, we will endeavor to improve the situation.

(5) Principal Business Activities (as of March 31, 2011)

[1] Overseas wedding services and travel services for wedding participants
[2] Domestic wedding services, including operation of wedding facilities
[3] Production and sale of wedding dresses, wedding-related goods, etc.
[4] Rental services for wedding-related garment and formal wear for coming-of-age ceremonies, various kinds of parties, etc.
[5] Integrated garment and photography services combining beauty care, dressing, and studio portraits with garment
[6] Wedding-related services, including consultations for wedding halls in Japan, arranging wedding ceremonies, planning and directing wedding receptions, and bridal goods such as jewelry and gems

(6) Primary Business Sites (as of March 31, 2011)

[1] The Company

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

[2] Subsidiaries

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
Tsudoie Corporation	Gunma 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 Australia Pty. Ltd.	Australia
Watabe Europe S.A.R.L.	France
Watabe Wedding Vietnam Co., Ltd.	Vietnam
Watabe Wedding (Shanghai) Co., Ltd.	China
Watabe Wedding Article (Shanghai) Co., Ltd.	China
Shanghai Saison Tuxedo Co., Ltd.	China
Watabe Wedding HK Limited	Hong Kong
Watabe Wedding Taiwan Limited	Taiwan
GRACE WEDDING Taiwan, Inc.	Taiwan
PT. Watabe Bali	Indonesia
Watabe Singapore Pte. Ltd.	Singapore

(7) Employees (as of March 31, 2011)

[1] Employees of the Group

Number of employees	Change from the end of the previous fiscal year
2,478	Up 43

Note: The number of employees comprises employees at work, and does not include 854 temporary employees (annual average number).

[2] Employees of the Company

Number of employees	Change from the end of the previous fiscal year	Average age	Average length of service
541	Down 12	35.3	6.8 years

Note: The number of employees comprises employees at work, and does not include 339 temporary employees (annual average number).

(8) Primary Creditors (as of March 31, 2011)

Creditors	Balance of borrowings (Millions of yen)
The Bank of Tokyo-Mitsubishi UFJ, Ltd	816
The Bank of Kyoto, Ltd	783
Mitsubishi UFJ Trust and Banking Corporation	350
Shiga Bank, Ltd.	150
Mizuho Bank, Ltd.	150
Sumitomo Mitsui Banking Corporation	100

2. Present Status

(1) Present Status of Stock (as of March 31, 2011)

[1] Number of authorized shares: 22,000,000
[2] Number of shares issued: 9,909,400
[3] Number of shareholders: 5,107
[4] Major shareholders (top ten)

Name of Shareholder	Number of shares owned (Shares)	Shareholding Ratio (%)
K.K. Jusen	2,005,400	20.23
Japan Trustee Services Bank, Ltd.	1,004,000	10.13
The Master Trust Bank of Japan, Ltd.	427,800	4.31
Trust & Custody Services Bank, Ltd.	410,200	4.13
Takao Watabe	310,600	3.13
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	294,500	2.97
The Chase Manhattan Bank N.A. London S.L. Omnibus Account	225,100	2.27
Shu Inc.	200,000	2.01

Note: Shareholding ratios are calculated after subtracting the number of shares of treasury stock (309 shares) from the total number of shares.

(2) Company Directors

[1] Directors and Corporate Auditors (as of March 31, 2011)

Position	Name	Responsibility and major positions concurrently
President & CEO	Hidetoshi Watabe	
Director	Hiroya Yamamoto	General Manager of Sales Division
Director	Yoshiharu Onaga	General Manager of Asian Operations Division
Director	Toshio Ochiai	
Full-time Corporate Auditor	Hisashi Iwasaki	
Corporate Auditor	Toshio Fujimoto	
Corporate Auditor	Hisao Shimizu	Representative Partner, Kyoto Shimei Zeirishi Houzin
Corporate Auditor	Kenji Shiraishi	Professor, Doshisha Business School

Notes:
1. Director Toshio Ochiai is an Outside Director.
2. Corporate Auditors Hisashi Iwasaki, Hisao Shimizu, and Kenji Shiraishi are Outside Corporate Auditors. The Company has designated Director Toshio Ochiai and Corporate Auditor Kenji Shiraishi as Independent Director/Auditor pursuant to the provisions of Tokyo Stock Exchange, Inc. and Osaka Securities Exchange Co., Ltd., respectively, and submitted notifications to the two stock exchanges.
3. Corporate Auditor Hisao Shimizu is a licensed tax accountant and has considerable knowledge of finance and accounting. Corporate Auditor Kenji Shiraishi has engaged in accounting business for a long time, and has considerable knowledge of finance and accounting.
4. Directors Hiroshi Kawaguchi and Yukihiro Matsunaga resigned as Directors at the close of the 46th Annual Meeting of Shareholders, held on June 29, 2010, as their terms of office expired at the close of the meeting.
5. As of December 1, 2010, responsibilities of Directors were changed as follows.

Name	New position and responsibility	Former position and responsibility
Hiroya Yamamoto	Director, General Manager of Sales Division	Director, General Manager of Planning and Operations Division
Yoshiharu Onaga	Director, General Manager of Asian Operations Division	Director, General Manager of Asian Operations Department

[2] Remuneration paid to Directors and Corporate Auditors

Total remuneration for the fiscal year under review

Classification	Number of recipients of remuneration	Amount of remuneration paid (Millions of yen)
Directors	6	616
Corporate Auditors	4	27
Total	10	89

Notes:
1. It was resolved at the 32nd Annual Meeting of Shareholders, held on June 27, 1996, that the ceiling for remuneration paid to a Director is ¥300 million a year (not including his salary as an employee who concurrently serves as an employee and a Director).
2. It was resolved at the 32nd Annual Meeting of Shareholders, held on June 27, 1996, that the ceiling for remuneration paid to Corporate Auditors is ¥30 million a year.
3. The amount of remuneration paid to Directors does not include the salary for employee paid to those who concurrently serve as employee and Director.
4. The number of Directors and Corporate Auditors at the end of the fiscal year under review was four, respectively. The number of recipients mentioned above includes two Directors who resigned from their office at the closing of the 46th Annual Meeting of Shareholders, held on June 29, 2010.

[3] Matters related to Outside Directors

a. Status of important positions concurrently held as business executives of other companies and entities, and relationship between the Company and the relevant companies

- Corporate Auditor Hisao Shimizu concurrently serves as Representative Partner of Kyoto Shimei Tax Consulting Corporation. The Company has concluded a tax advisory agreement with Kyoto Shimei Zeirishi Houjin.

b. Major activities in the fiscal year under review

- Attendance of meetings of the Board of Directors and the Board of Corporate Auditors

	Board of Directors (18 meetings)		Board of Corporate Auditors (12 meetings)	
	Number of attendances (Times)	Rate of attendance (%)	Number of attendance (Times)	Rate of attendance (%)
Toshio Ochiai, Director	18	100	—	—
Hisashi Iwasaki, Corporate Auditor	18	100	12	100
Hisao Shimizu, Corporate Auditor	16	89	10	83
Kenji Shiraishi Corporate Auditor	18	100	12	100

- Statements made at meetings of the Board of Directors and the Board of Corporate Auditors
  Director Toshio Ochiai made statements mainly based on his extensive experience and deep insights as a corporate manager at meetings of the Board of Directors.
  Corporate Auditor Hisashi Iwasaki made statements mainly based on his extensive experience and deep insights as a corporate manager.
  Corporate Auditor Hisao Shimizu made statements mainly based on his perspective and extensive experience as an expert in tax affairs.
  Corporate Auditor Kenji Shiraishi made statements mainly based on his extensive experience and deep insights as an expert in accounting.

c. Outline of Liability Limitation Agreement

Pursuant to Article 427, Paragraph 1 of the Companies Act, the Company has concluded an agreement with Outside Directors and Outside Corporate Auditors to limit their liability for damages stipulated in Article 423, Paragraph 1 of the said act. Under the agreement, the maximum liability shall be the amount stipulated in Article 425, Paragraph 1 of the Companies Act.

d. Total amount of remuneration, etc.

The total amount of remuneration, etc., paid to five Outside Directors in the fiscal year under review was ¥29 million.

(3) Accounting Auditor

[1] Name: Deloitte Touche Tohmatsu LLC

[2] Remuneration

	Amount Paid (Millions of yen)
Amount of remuneration for the Accounting Auditor pertaining to the fiscal year under review	59
Total amount of cash and other property benefits to be paid by the Company and its subsidiaries to the Accounting Auditor	98

Notes: 1. Audits (only those pursuant to the Companies Act or the Financial Instruments and Exchange Act (including laws of foreign countries equivalent to these acts)) are performed on overseas subsidiaries of the Company by certified public accountants or auditing firms (including those who have qualifications equivalent to thereto outside the Company) other than the Accounting Auditor of the Company.

2. The amount of remuneration pertaining to the fiscal year under review is the sum of the amount of remuneration for auditing services in accordance with the Companies Act and the amount of remuneration for auditing work in accordance with the Financial Instruments and Exchange Act, since the two categories of remuneration are not clearly divided under the audit agreement concluded between the Company and the Accounting Auditor and they cannot be split in practice.

[3] Non-audit services

The Company has entrusted the Accounting Auditor with consultation services concerning accounting and business operations related to overseas business and other services, which are services other than those set forth in Article 2, Paragraph 1 of the Certified Public Accountants Act (non-audit services).

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

In case appropriate performance of duties on the part of the Accounting Auditor is deemed difficult, in principle, as well as if it is deemed that the Accounting Auditor falls under any of the provisions of each item in Article 340, Paragraph 1 of the Companies Act, the Company shall introduce a bill to dismiss or not reappoint the Accounting Auditor in the agenda of an Annual Meeting of Shareholders, after obtaining the consent of or at the request of the Board of Corporate Auditors.

(4) Systems to ensure the appropriateness of operations

At the meeting of the Board of Directors held on March 22, 2011, the Company reviewed the system to ensure that the performance of duties by Directors complies with the law and the Articles of Incorporation and other systems to ensure the appropriateness of operations of the Company, and resolved as follows.

[1] System to ensure that the performance of duties by Directors and employees complies with the law and the Company’s Articles of Incorporation

- To have Directors and employees of the Group comply with laws, regulations, and the Company’s Articles of Incorporation and perform their duties with high sense of ethics, the Company shall establish “Watabe Wedding Ethics Charter” and “Compliance Regulations" and make them known to all those concerned.
- “The Group Audit Office”, which is under the direct control of President, shall monitor the status of establishment and operation of internal control system.
- Under a whistle-blowing system, the Company shall receive reports on acts that violate or could violate compliance, and appropriately handle such reports.

[2] System for storage and management of information related to Directors’ performance of their duties

The Company shall retain and manage minutes of the meetings of the Board of Directors, documents regarding decision making by Directors and documents related to reports to Directors, in accordance with the “Documentation Management Regulations” and the “IT Security Regulations.”

[3] Regulations and other systems for managing risk of loss

- The Company shall establish a Risk Management Committee, chaired by President, as a structure to identify management risks of the Group and review the evaluation of such risks, policy on how to respond to them, and other matters.
- The Company shall establish basic matters, etc., of risk management in “Risk Management Regulations” and applied them to the Group.

[4] System to ensure that the performance of duties by Directors is carried out in an efficient manner

- To promptly respond to changes in the management environment, Directors who perform duties and Executive Officers shall hold meetings of the “Management Council” and make decisions based on authority of President.
- The Company shall establish the “Group Management Council” to manage progress of budgets and measures based on the strategies of the Group.
- The Company shall adopt an executive officer system, aimed at more efficiently executing business.
- The Company shall enhance corporate governance by establishing a “Personnel Advisory Committee” as an advisory organ to the “Board of Directors,” which will discuss the appropriateness and propriety of matters regarding the election of Directors and Executive Officers and their remuneration, as well as matters regarding the election of Corporate Auditors.

[5] System to ensure that the appropriateness of operations of the Corporate Group composed of the Company and its subsidiaries

- The Company shall ensure that its basic management policy is shared within the Group and make “Watabe Wedding Ethics Charter” and regulations on compliance and risk management known to all those concerned.
- The Company shall stipulate, in “Affiliated Companies Management Regulations,” matters that should be decided and reported between the Company and affiliated companies, and appropriately manage operations within the Group.

[6] Matters relating to employees assisting with the duties of Corporate Auditors upon request from Corporate Auditors and those concerning such employees’ independence from Directors

- The Company shall assign the necessary personnel as employees to assist Corporate Auditors when Corporate Auditors request such employees to be assigned, although the Company does not have employees assisting Corporate Auditors with their duties at present.
- Personnel changes, performance evaluation, disciplinary punishments, etc., of the said employees shall be subject to the prior consent of Corporate Auditors.

[7] System for reporting from Directors and employees to Corporate Auditors and for other reporting to Corporate Auditors

Directors and employees shall report each of the following items to Corporate Auditors.

- Facts that may cause significant damage to the Company
- Material facts that constitute an act of dishonesty or breach of laws and regulations or the Company’s Articles of Incorporation concerning the performance of duties by Directors
- Facts reported under the whistle-blowing system
- Results of inspections by the authorities and those of external audits
- Punishments levied by the authorities
- Details of important items of disclosure

[8] Other systems to ensure that audits are effectively conducted by Corporate Auditors

Effectiveness of audits by Corporate Auditors shall be ensured by each of the following:

- Holding informal meetings between President and Corporate Auditors on a regular basis
- Implementing periodic interviews involving Directors and key employees
- Assigning staff for Corporate Auditors and using experts upon Corporate Auditors’ request
- Attending various meetings, submitting perusal materials, and reporting necessary matters
- Exchanging information with Accounting Auditor

Consolidated Balance Sheets

(As of March 31, 2011)

(Unit: Millions of yen)

Accounts	Amount	Accounts	Amount
(Assets)		**(Liabilities)**	
Current assets	**9,035**	**Current liabilities**	7,759
Cash and deposits	5,028	Accounts payable-trade	1,501
Accounts receivable-trade	1,504	Short-term loans payable	316
Merchandise and finished goods	237	Current portion of long-term loans payable	533
Work-in-process	32	Accounts payable-other	1,093
Raw materials and supplies	596	Income taxes payable	413
Deferred tax assets	508	Advances received	2,335
Others	1,158	Provision for bonuses	573
Allowance for doubtful accounts	(31)	Others	992
		Noncurrent liabilities	**2,793**
Noncurrent assets	**16,039**	Long-term loans payable	1,500
Property, plant and equipment	**10,588**	Provision for retirement benefits	188
		Asset retirement obligations	542
Rental garment	285	Others	561
Buildings and structures	5,961	**Total liabilities**	**10,552**
Furniture and fixtures	1,462		
Land	2,603	**(Net assets)**	
Construction-in-progress	19	**Shareholders' equity**	**15,971**
Others	255	**Capital stock**	**4,176**
Intangible assets	**973**	**Capital surplus**	**4,038**
Investments and other assets	**4,477**	**Retained earnings**	**7,757**
Investment securities	221	**Treasury stock**	**(0)**
Deferred tax assets	680	**Valuation and transaction adjustments**	**(1,453)**
Guarantee deposits	3,476		
Others	137	**Valuation difference on available-for-sale securities**	**13**
Allowance for doubtful accounts	(38)		
		Deferred gains or losses on hedges	**4**
		Revaluation reserve for land	**(906)**
		Foreign currency translation adjustment	**(565)**
		Minority interests	**4**
		Total net assets	**14,523**
Total assets	**25,075**	**Total liabilities and net assets**	**25,075**

Consolidated Statement of Income

(April 1, 2010 to March 31, 2011)

(Unit: Millions of yen)

Accounts	Amount	
Net sales		**50,555**
Cost of sales		**17,072**
Gross profit		**33,482**
Selling, general, and administrative expenses		**32,097**
Operating income		**1,385**
Non-operating income		
Interest and dividends income	18	
Other	245	263
Non-operating expenses		
Interest expenses	25	
Other	277	303
Ordinary income		**1,345**
Extraordinary income		
Gain on sales of noncurrent assets	163	
Other	7	170
Extraordinary loss		
Impairment loss	335	
Loss on liquidation of facilities and stores	136	
Loss on adjustment for changes of accounting standard for asset retirement obligations	392	
Other	139	1,004
Income before income taxes		**511**
Income taxes-current	584	
Income taxes-deferred	(250)	334
Income before minority interests		**177**
Minority interests in income		0
Net income		**176**

Consolidated Statement of Changes in Net Assets

(April 1, 2010 to March 31, 2011)

(Unit: Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of March 31, 2010	4,176	4,038	7,878	(0)	16,092
Changes during the consolidated fiscal year under review					
Dividends from surplus			(297)		(297)
Net income			176		176
Purchase of treasury stock				(0)	(0)
Net changes of items other than shareholders' equity during the consolidated fiscal year under review (net amount)					
Total changes of items during the consolidated fiscal year under review	—	—	(120)	(0)	(120)
Balance as of March 31, 2011	4,176	4,038	7,757	(0)	15,971

	Valuation and transaction adjustments					Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Total valuation and transaction adjustments		
Balance as of March 31, 2010	17	31	(906)	(263)	(1,120)	4	14,976
Changes during the consolidated fiscal year under review							
Dividends from surplus							(297)
Net income							176
Purchase of treasury stock							(0)
Net changes of items other than shareholders' equity during the consolidated fiscal year under review (net amount)	(4)	(26)	—	(301)	(333)	0	(332)
Total changes of items during the consolidated fiscal year under review	(4)	(26)	—	(301)	(333)	0	(453)
Balance as of March 31, 2011	13	4	(906)	(565)	(1,453)	4	14,523

Notes to Consolidated Financial Statements

1. Notes to significant basis in preparation of Consolidated Financial Statements

(1) Scope of consolidation

[1] Number of consolidated subsidiaries: 21

[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

Tsudoie Corporation and Watabe Singapore PTE. LTD., which were established during the fiscal year under review, are included in the scope of consolidation from the fiscal year under review. Watabe Wedding Canada, Inc., which was a consolidated subsidiary in the previous fiscal year, has been excluded from the scope of consolidation due to the completion of liquidation.

(2) Application of equity method

[1] Affiliated company to which the equity method was applied: 1

[2] Principal companies: TRANS QUALITY, INC.

(3) Fiscal year of consolidated subsidiaries

Of the consolidated subsidiaries, 15 companies including Watabe U.S.A., Inc. settle accounts on March 31, while four other companies including Watabe Wedding (Shanghai) Co., Ltd. settle accounts on December 31.

When preparing the consolidated financial statements, the Company uses financial statements of subsidiaries as of their respective fiscal year end, and makes the necessary adjustments for consolidation regarding significant transactions that occurred between the consolidated fiscal year end and the fiscal year end of each consolidated subsidiary.

GRACE WEDDING Taiwan, Inc. is consolidated for a period of 15 months from January 1, 2010 to March 31, 2011 because the subsidiary changed its settlement date from December 31 to March 31 from the fiscal year under review.

(4) Accounting policies

[1] Valuation basis and method for major assets

a. Other securities:

- With market value: Stated at market value based on the quoted market price and other factors at the consolidated balance sheet date (Valuation difference is reported as a component of net assets, and the cost of securities sold is calculated primarily using the moving-average method).
- Without market value: Stated at cost determined by the moving-average method.

b. Derivative instruments: Stated at market value.

c. Inventories:

- Merchandise, finished goods and work-in-process:
Primarily stated at cost determined by the periodic average method (Amounts in the Balance Sheet are calculated after book value is written down based on a decrease in profitability).

- Raw materials and supplies: Primarily stated at cost determined by the moving-average method (Amounts in the balance sheet are calculated after book value is written down based on a decrease in profitability).

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

a. Property, plant and equipment (excluding lease assets)

- Domestic assets:
  - Rental garment: Straight-line method
  - Buildings and structures: Declining-balance method

    However, as for buildings (excluding building fixtures) acquired on or after April 1, 1998, the straight-line method is adopted.
  - Furniture and fixtures: Straight-line method
  - Other: Declining-balance method
- Foreign assets: Straight-line method

  Useful lives are mainly as follows:
  - Rental garment: 2-3 years
  - Buildings and Structures: 5-47 years
  - Furniture and fixtures: 2-20 years

b. Intangible assets: Straight-line method

Depreciation of software for internal use is calculated on the basis of estimated useful lives (5 years) determined by the Company.

c. Lease assets: Depreciation of lease assets is calculated by the straight-line method, with lease periods of such assets being useful lives, and residual value being zero. Finance lease transactions that were commenced on or before March 31, 2008, excluding those for which ownership of the lease asset is transferred to the lessee upon expiration of the lease, are accounted for in the same manner as ordinary lease transactions.

d. Long-term prepaid expenses: Equal amortization

[3] Accounting for major allowances and provisions

a. Allowance for doubtful accounts: To provide for possible losses on accounts receivable, the Company and its consolidated subsidiaries set aside an amount that is expected to be irrecoverable, after they consider the possibility of the recoverability of: (a) general accounts receivable, by actual default ratio, and (b) specific accounts receivable where recoverability is in doubt, on a case-by-case basis.

b. Provision for bonuses: To provide for employees' bonuses, the Company and its consolidated subsidiaries set aside an estimated amount in accordance with the period subject to payment.

c. Provision for retirement benefits: To provide for employees' retirement benefits, the Company and its consolidated subsidiaries set aside an amount on the basis of estimated retirement benefit obligations and plan assets as of the end of the fiscal year under review.

Actuarial gains or losses are amortized using the straight-line method over a fixed number of years (5 years) within the average remaining service period of the employees and reported as expenses, commencing from the next fiscal year of incurrence.

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

a. Standard for translating major foreign-currency-denominated assets and liabilities into Japanese yen

Foreign-currency-denominated monetary receivables and payables are translated into Japanese yen at spot exchange rates at the last day of consolidated fiscal year, and the translation differences are posted as profits/losses. Assets and liabilities of consolidated foreign subsidiaries are translated into Japanese yen at the spot exchange rates in effect on the last day of fiscal year of each subsidiary, while revenue and expenses are translated into Japanese yen at the average exchange rate during the period. Resultant gains and losses from such translation are included in foreign currency translation adjustment and minority interests under net assets.

b. Accounting for major hedging

Deferral hedge accounting is applied. For hedging foreign exchange fluctuation risk, designation (Furiate-shori), in which foreign monetary claims or obligations are translated at the rate as of the settlement date fixed by hedging foreign exchange forward or other contracts, is applied to forward exchange contracts that satisfy the requirements for such treatment.

c. Accounting for consumption taxes

Consumption and local consumption taxes are not included in listed amounts.

(5) Amortization of goodwill

Goodwill is primarily amortized over five years using the straight-line method.

(6) Changes to accounting policies

(Application of the Accounting Standard for Asset Retirement Obligations)

From the fiscal year under review, the Company and its consolidated subsidiaries adopted the "Accounting Standard for Asset Retirement Obligations (ASBJ Statement No. 18, March 31, 2008) and the "Guidance on Accounting Standard for Asset Retirement Obligations" (ASBJ Guidance No. 21, March 31, 2008).

As a result of this change, operating income and ordinary income decreased 55 million yen, respectively, and income before income taxes declined 447 million yen.

(7) Changes to presentation

(Consolidated Balance Sheets and Consolidated Statements of Changes in Net Assets)

From the fiscal year under review, the Company and its consolidated subsidiaries adopted the "Ministry Ordinance for Partial Amendments to the Corporate Calculation Regulations" (Ministry of Justice Ordinance No. 33 of 2010, September 30, 2010) and changed to a method to present "*hyouka/kanzansagakutou*"("Valuation and translation adjustments") in the Consolidated Balance Sheets and the Consolidated Statements of Changes in Net Assets as "*sonota no houkatsuriekiruikeigaku*"("Valuation and translation adjustments") pursuant to the "Accounting Standard for Presentation of Comprehensive Income" (ASBJ Statement No. 25, June 30, 2010).

(Consolidated Statements of Income)

From the fiscal year under review, the Company and its consolidated subsidiaries adopted the "Ministry Ordinance for Partial Amendments to the Enforcement Regulations of the Companies Act, Corporate Calculation Regulations, etc." (Ministry of Justice Ordinance No. 7 of 2009, March 27, 2009) pursuant to the "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22, December 26, 2008), and use the account of "Income before minority interests."

2. Notes to Consolidated Balance Sheets

(1) Accumulated depreciation of property, plant and equipment: 9,170 million yen

Accumulated depreciation includes accumulated impairment loss.

(2) The Company and its consolidated subsidiaries revalue its business-use land pursuant to the "Act on Land Revaluation" (Act No. 34 promulgated on March 31, 1998) and post a revaluation reserve for land under net assets.

Revaluation method: Based on the value used for calculation of land value tax as specified by Article 2, Item 4 of the "Order for Enforcement of the Act on Revaluation of Land" (Government Ordinance No. 119 promulgated on March 31, 1998)

Date of revaluation: March 31, 2002

Difference between book value after revaluation and market value at the end of the fiscal year under review: 21 million yen

3. Notes to Consolidated Statements of Changes in Net Assets

(1) Types and total number of shares issued

(Unit: Shares)

Type of share	Number of shares at the end of the previous fiscal year	Increase in the number of shares in the fiscal year under review	Decrease in the number of shares in the fiscal year under review	Number of shares at the end of the fiscal year under review
Common stock	9,909,400	—	—	9,909,400

(2) Type and number of shares of treasury stock

(Unit: Shares)

Type of share	Number of shares at the end of the previous fiscal year	Increase in the number of shares in the fiscal year under review	Decrease in the number of shares in the fiscal year under review	Number of shares at the end of the fiscal year under review
Common stock	177	132	—	309

Note: The number of shares of treasury stock increased due to the purchase of shares of less than one unit.

(3) Dividends distributed from retained earnings

[1] Amount and other information on dividends paid

a. Matters related to dividends resolved at the 46th Annual Meeting of Shareholders held on June 29, 2010

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

b. Matters related to dividends resolved at the meeting of the Board of Directors held on November 2, 2010

- Total amount of dividends: 148 million yen
- Dividend per share: 15 yen
- Record date: September 30, 2010
- Effective date: December 1, 2010

[2] Regarding dividends for which the record date belongs to the consolidated fiscal year under review, but the effective date is in the following consolidated fiscal year

The Company will discuss the following at the 47th Annual Meeting of the Shareholders to be held on June 29, 2011.

- Total amount of dividends: 148 million yen
- Dividend per share: 15 yen
- Record date: March 31, 2011
- Effective date: June 30, 2011

Dividends payment is planned to be funded by retained earnings.

4 Notes regarding financial instruments

(1) Matters related to the status of financial instruments

[1] Policy on activities with regard to financial instruments

The Group procures necessary funds mainly through borrowings from banks based on its capital investment plan. The temporary surplus is primarily invested in financial assets with high liquidity.

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

Accounts receivable-trade, which is operating receivables, are exposed to credit risk of customers. The Group attempts to reduce the said risk by managing terms and balances for each customer.

Guarantee deposits are mainly attendant on lease contracts on shops and wedding facilities, and exposed to credit risk of depositees.

Payment of most of accounts payable-trade, which are operating debt, and accounts payable-other are due within three months. Although some of such accounts denominated in foreign currencies are exposed to risk of exchange rate fluctuations, the Group attempts to reduce the said risk using forward exchange contracts.

Long-term loans payable are mainly procured to fund capital investments. Loans payable with variable interest rates are exposed to the risk of interest rate fluctuations. The Group attempts to reduce the said risk using interest rate swaps.

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

Amount in the Consolidated Balance Sheets, market value and differences between these figures as of March 31, 2011 are as follow.

(Unit: Millions of yen)

	Amount in the Consolidated Balance	Market value (*)	Difference
(1) Cash and deposits	5,028	5,028	—
(2) Accounts receivable-trade	1,504	1,504	—
(3) Guarantee deposits	1,621	1,445	(176)
(4) Accounts payable-trade	(1,501)	(1,501)	—
(5) Short-term loans payable	(316)	(316)	—
(6) Current portion of long-term loans payable	(533)	(533)	—
(7) Accounts payable-other	(1,093)	(1,093)	—
(8) Income taxes payable	(413)	(413)	—
(9) Long-term loans payable	(1,500)	(1,500)	—

(*) Amounts posted under liabilities are presented in bracket.

Notes: 1. Calculation methods of market values of financial instruments

(1) Cash and deposits and (2) Accounts receivable-trade

Because these are settled in a short period and their market values approximate book values, we deem their book values to be market values.

(3) Guarantee deposits

Repayment dates are finalized for these guarantee deposits. We calculate their market values using risk-free rates.

(4) Accounts payable-trade, (5) Short-term loans payable, (6) Current portion of long-term loans payable, (7) Accounts payable-other and (8) Income taxes payable

Because these are settled in a short period and their market values approximate book values, we deem their book values to be market values.

(9) Long-term loans payable

We calculate the market values of long-term loans payable by discounting the total amount of principal and interest of the relevant long-term loans payable by the interest rates considered to be applicable to similar loans. However, we deem book values of long-term loans payable with variable interest rates to be their market values because their market values approximate book values due to the condition attached to such loans that their interest rates should be renewed at certain intervals.

Notes: 2. Guarantee deposits for which repayment dates are not finalized (amount in the Consolidated Balance Sheets: 1,855 million yen) are not included in the table above because it is deemed to be difficult to establish their market values as they have no market prices and future cash flows cannot be estimated.

5 Notes to Retirement and Pension Plans

(1) Outline of Retirement and Pension Plans

The Company and some domestic consolidated subsidiaries provide tax-qualified pension plans and lump-sum severance payment plans for employees hired in Japan. The Company also provides the defined-contribution pension plan for employees hired at overseas branches. Further, some overseas consolidated subsidiaries have defined-benefit pension plans.

(2) Projected retirement benefit obligation

Projected retirement benefit obligation	(1,106 million yen)
Fair value of Plan assets	789 million yen
Net	(317 million yen)
Unrecognized actuarial gain/loss	167 million yen
Net amount in the consolidated balance sheets	(149 million yen)
Prepaid pension cost	38 million yen
Provision for retirement benefit at the end of the fiscal year	(188 million yen)

Note: Prepaid pension cost is included in "Other" of investment and other assets.

(3) Retirement benefit expenses

Service cost	¥163 million
Interest cost	¥11 million
Expected return on plan assets	(¥0 million)
Recognized actuarial gain/loss as expenses	¥19 million
Retirement benefit expenses	¥193 million
Pension premiums for defined contribution pension plan	¥3 million
Total	¥197 million

(4) Basis and assumption

[1]	Method of attributing projected benefits to periods of service	Fixed amount for applicable term
[2]	Discount rate	1.5%
[3]	Expected rate of return on plan assets	0.1%
[4]	Recognition period of actuarial gain/loss	5 years from the following fiscal year

6. Notes to Per-share Information

(1)	Net assets per share	¥1,465.17
(2)	Net income per share	¥17.83

7. Amounts are rounded down to the nearest million.

Non-consolidated Balance Sheet

(As of March 31, 2011)

(Unit: Millions of yen)

Accounts	Amount	Accounts	Amount
(Assets)		**(Liabilities)**	
Current assets	**4,226**	**Current liabilities**	**5,316**
Cash and deposits	1,466	Accounts payable-trade	753
Accounts receivable-trade	803	Short-term bank loans	1,500
Merchandise and finished goods	143	Current portion of long-term loans payable	533
Raw materials and supplies	38	Accounts payable-other	329
Prepaid expenses	258	Accrued expenses	102
Deferred tax assets	90	Income taxes payable	157
Short-term loans receivable	791	Advances received	1,628
Accounts receivable-other	361	Deposits received	17
Other	280	Provision for bonuses	250
Allowance for doubtful accounts	(7)	Asset retirement obligations	25
Noncurrent assets	**14,840**	Other	18
Property, plant and equipment	**7,355**	**Noncurrent liabilities**	**2,008**
Rental garment	193	Long-term loans payable	1,500
Buildings	4,209	Deferred tax liabilities for land revaluation	25
Structure	72	Asset retirement obligations	369
Vehicles	16	Other	113
Furniture and fixtures	532	**Total liabilities**	**7,324**
Land	2,325	**(Net assets)**	
Construction-in-progress	5	**Shareholders' equity**	**12,627**
Intangible assets	**522**	**Capital stock**	**4,176**
Software	494	**Capital surplus**	**4,038**
Other	28	Legal capital surplus	4,038
Investments and other assets	**6,961**	**Retained earnings**	**4,413**
Investment securities	191	Other retained earnings	4,413
Stocks of subsidiaries and affiliates	1,507	Reserve for dividend equalization	750
Investments in capital of subsidiaries and affiliates	1,195	General reserve	1,910
Long-term loans receivable	838	Retained earnings brought forward	1,753
Long-term prepaid expenses	53	**Treasury stock**	**(0)**
Deferred tax assets	708	**Valuation and translation adjustments**	**(885)**
Guarantee deposits	3,242	**Valuation difference on available-for-sale securities**	**13**
Other	75	**Deferred gains or losses on hedges**	**7**
Allowance for doubtful accounts	(851)	**Revaluation reserve for land**	**(906)**
		Total net assets	**11,742**
Total assets	**19,066**	**Total liabilities and net assets**	**19,066**

Non-consolidated Statement of Income

(April 1, 2010 to March 31, 2011)

(Unit: Millions of yen)

Accounts	Amount	
Net sales		**19,749**
Cost of sales		**9,674**
Gross profit		**10,074**
Selling, general, and administrative expenses		**9,165**
Operating income		**909**
Non-operating income		
Interest and dividends income	423	
Other	83	507
Non-operating expenses		
Interest expenses	37	
Other	241	278
Ordinary income		**1,137**
Extraordinary income		
Gain on sales of noncurrent assets	152	152
Extraordinary loss		
Provision of allowance for doubtful accounts	367	
Loss on liquidation of facilities and stores	107	
Impairment loss	176	
Loss on adjustment for changes of accounting standard for asset retirement obligations	312	
Other	133	1,098
Income before income taxes		**191**
Income taxes-current	175	
Income taxes-deferred	(24)	150
Net income		**40**

Non-consolidated Statement of Changes in Net Assets

(April 1, 2010 to March 31, 2011)

(Unit: Millions of yen)

	Shareholders' equity							
		Capital surplus	Retained earnings					
			Other retained earnings					
	Capital stock	Legal capital surplus	Reserve for dividend equalization	General reserve	Retained earnings brought forward	Total retained earnings	Treasury stock	Total shareholders' equity
Balance as of March 31, 2010	4,176	4,038	750	1,910	2,010	4,670	(0)	12,884
Changes during the fiscal year under review								
Dividends from surplus					(297)	(297)		(297)
Net income					40	40		40
Purchase of treasury stock							(0)	(0)
Net changes of items other than shareholders' equity during the fiscal year under review (net amount)								
Total changes of items during the fiscal year	—	—	—	—	(256)	(256)	(0)	(256)
Balance as of March 31, 2011	4,176	4,038	750	1,910	1,753	4,413	(0)	12,627

	Valuation and translation adjustments				
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Total valuation and translation adjustments	Total net assets
Balance as of March 31, 2010	17	31	(906)	(857)	12,027
Changes during the fiscal year					
Dividends from surplus					(297)
Net income					40
Purchase of treasury stock					(0)
Net changes in accounts other than shareholders' equity during the fiscal year (net amount)	(4)	(24)	—	(28)	(28)
Total changes during the fiscal year	(4)	(24)	—	(28)	(285)
Balance as of March 31, 2011	13	7	(906)	(885)	11,742

Notes to Non-consolidated Financial Statements

1. Notes to principal accounting policies

(1) Valuation basis and method for assets

[1] Stocks of subsidiaries and affiliates: Stated at cost determined by the moving-average method

[2] Other securities:

- With market value: Stated at market value based on the quoted market price and other factors at the last day of the fiscal year (Valuation difference is reported as a component of net assets, and the cost of securities sold is calculated primarily using the moving-average method).
- Without market value: Stated at cost determined by the moving-average method.

[3] Derivative instruments: Stated at market value.

[4] Inventories:

- Merchandise and finished goods: Stated at cost determined by the periodic average method (Amounts in the Balance Sheet are calculated after book value is written down based on a decrease in profitability).

(2) Depreciation/amortization method for noncurrent assets

[1] Property, plant and equipment (excluding lease assets)

- Domestic assets:
  - Rental garment: Straight-line method
  - Buildings: Declining-balance method
    However, as for buildings (excluding building fixtures) acquired on or after April 1, 1998, the straight-line method is adopted.
  - Furniture and fixtures: Straight-line method
  - Structures: Declining-balance method
  - Vehicles: Declining-balance method
- Foreign assets: Straight-line method

Useful lives are mainly as follows:

Rental garment	2 years
Buildings	5-47 years
Furniture and fixtures	2-20 years

[2] Intangible assets: Straight-line method
Depreciation of software for internal use is calculated on the basis of estimated useful lives (5 years) determined by the Company.

[3] Lease assets Depreciation of lease assets is calculated by the straight-line method, with lease periods of such assets being useful lives, and residual values being zero. Finance lease transactions that were commenced on or before March 31, 2008, excluding those for which ownership of the lease asset is transferred to the lessee upon expiration of the lease, are accounted for in the same manner as ordinary lease transactions.

[4] Long-term prepaid expenses: Equal amortization

(3) Accounting for allowances and provisions

[1] Allowance for doubtful accounts: To provide for possible losses on accounts receivable, the Company sets aside an amount that is expected to be irrecoverable, after it considers the possibility of recoverability of: (a) general accounts receivable, by actual default ratio, and (b) specific accounts receivable where recoverability is in doubt, on a case-by-case basis.

[2] Provision for bonuses: To provide for employees' bonuses, the Company sets aside an estimated amount in accordance with the period subject to payment.

[3] Provision for retirement benefits: To provide for employees' retirement benefits, the Company sets aside an amount calculated on the basis of estimated retirement benefit obligations and plan assets as of the end of the fiscal year under review.

Actuarial gains or losses are amortized using the straight-line method over a fixed number of years (5 years) within the average remaining service period of the employees and reported as expenses, commencing from the next fiscal year of incurrence.

(4) Accounting for hedging

Deferral hedge accounting is applied. For hedging foreign exchange fluctuation risk, designation (Furiate-shori), in which foreign monetary claims or obligations are translated at the rate as of the settlement date fixed by hedging foreign exchange forward or other contracts, is applied to forward exchange contracts that satisfy the requirements for such treatment.

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

Accounting for consumption taxes: Consumption and local consumption taxes are not included in listed amounts.

(6) Changes to accounting policies

(Application of the Accounting Standard for Asset Retirement Obligations)

The Company adopted the "Accounting Standard for Asset Retirement Obligations (ASBJ Statement No. 18, March 31, 2008) and the "Guidance on Accounting Standard for Asset Retirement Obligations" (ASBJ Guidance No. 21, March 31, 2008) from the fiscal year under review.

As a result of this change, operating income and ordinary income decreased ¥40 million, respectively, and income before income taxes declined ¥352 million.

(7) Changes to presentation

(Balance Sheets)

"Accounts receivable-other" (balance at the end of the previous fiscal year: ¥179 million), which had been included in "Other" under current assets, is presented separately from the fiscal year under review. What was presented as "Lease obligations" (balance at the end of the fiscal year under review: ¥1 million) under current liabilities is included in "Other" under current liabilities from the fiscal year under review.

(Statements of Income)

"Impairment loss" (¥6 million in the previous fiscal year), which had been included in "Other" under extraordinary loss, is presented separately from the fiscal year under review.

2. Notes to Non-consolidated Balance Sheets

(1) Accumulated depreciation of property, plant and equipment: ¥5,550 million

Accumulated depreciation includes accumulated impairment loss.

(2) The Company revalues its business-use land pursuant to the "Act on Land Revaluation" (Act No. 34 promulgated on March 31, 1998) and posts revaluation reserve for land under net assets.

Revaluation method: Based on the value used for calculating land value tax as specified by Article 2, Item 4 of the "Order for Enforcement of the Act on Revaluation of Land" (Government Ordinance No. 119 promulgated on March 31, 1998)

Date of revaluation: March 31, 2002

Difference between book value after revaluation and market value at the end of the fiscal year under review: ¥21 million

(3) Monetary receivables from and payables to affiliates

[1] Short-term monetary receivables:	¥1,333 million
[2] Long-term monetary receivables:	¥837 million
[3] Short-term monetary payables:	¥1,533 million

3. Notes to Non-consolidated Statements of Income

Transactions with affiliates

[1]	Net sales:	¥763 million
[2]	Purchase of goods:	¥5,774 million
[3]	Selling, general and administrative expenses:	¥256 million
[4]	Non-operating income and expenses:	¥143 million

4. Notes to Non-consolidated Statements of Changes in Net Assets

Type and number of shares of treasury stock

(Unit: shares)

Type of shares	Number of shares at the end of the previous fiscal year	Increase in the number of shares in the fiscal year under review	Decrease in the number of shares in the fiscal year under review	Number of shares at the end of the fiscal year under review
Common stock	177	132	—	309

Note: The number of shares of treasury stock increased due to the purchase of shares of less than one unit.

5. Tax Effect Accounting

(1) Deferred tax assets and deferred tax liabilities

Current assets and liabilities

Inventories	¥13 million
Allowance for doubtful accounts	¥3 million
Accounts payable-other	¥4 million
Accrued expenses	¥40 million
Enterprise tax payable	¥17 million
Provision for bonuses	¥102 million
Other	¥5 million
Total deferred tax assets	186 million
Total deferred tax liabilities	¥95 million
Net deferred tax assets	¥90 million

Noncurrent assets and liabilities

Property, plant and equipment	¥368 million
Intangible assets	¥20 million
Investment securities	¥9 million
Stocks and investments in capital of subsidiaries and affiliates	¥175 million
Allowance for doubtful accounts	¥349 million
Other	¥6 million
Total deferred tax assets	¥930 million
Valuation allowance	(¥175 million)
Total deferred tax assets	¥755 million
Valuation difference on available-for-sale securities	(¥9 million)
Prepaid pension cost	(¥15 million)
Other	(¥21 million)
Total deferred tax liabilities	(¥47 million)
Net deferred tax assets	¥708 million

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

Statutory effective tax rate	41.0%
(Reconciliation)	
Dividends income and others that are permanently excluded from taxable income	(74.2 %)
Per capita portion of inhabitant tax	23.5 %
Lower income tax rates applicable to overseas branches	(4.1 %)
Increase (decrease) in valuation allowance	91.4 %
Other	1.1 %
Actual effective income tax rate after adoption of tax-effect accounting	78.7 %

6. Notes to Fixed Assets Used by Lease

(1) The acquisition cost equivalent, accumulated depreciation equivalent, and balance at the end of the fiscal year equivalent as of the end of the fiscal year under review

(Unit: Millions of yen)

	Acquisition cost equivalent	Accumulated depreciation equivalent	Balance at the endof the fiscal year equivalent
Buildings	541	166	374
Total	541	166	374

(2) Future lease payments obligation at the end of the fiscal year under review

Within one year:	¥27 million
Over one year:	¥347 million
Total	¥374 million

(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

<table>
<tr><th rowspan="2">Attribute</th><th rowspan="2">Names of companies and others</th><th rowspan="2">Percentage of voting rights and others</th><th colspan="2">Relationship with related parties</th><th rowspan="2">Details of transactions</th><th rowspan="2">Transaction amount (Millions of yen)</th><th rowspan="2">Account</th><th rowspan="2">Balance at the end of the fiscal year (Millions of yen)</th></tr>
<tr><th>Interlocking directorship</th><th>Relation on business</th></tr>
<tr><td rowspan="2">Company in which Directors and their near relatives possess a majority of voting rights</td><td rowspan="2">K.K. Jusen (Note 1)</td><td rowspan="2">Direct 20.23</td><td rowspan="2">–</td><td rowspan="2">Lease of office</td><td>Lease of building (Note 2)</td><td>82</td><td>–</td><td>–</td></tr>
<tr><td>Deposit of guarantee</td><td>–</td><td>Guarantee deposits</td><td>51</td></tr>
</table>

Notes: 1. Representative Director of the Company and his relatives directly own 100% of the voting rights of the Company.
2. The building is used as the head office, and its rent is based on the appraisal of a real estate appraiser and with reference to market prices of transactions in the neighborhood.
3. The amounts given above do not include consumption taxes, etc.

(2) Subsidiaries, etc.

Type	Names of companies and others	Percentage of voting rights and others	Description of relationship		Description of transaction	Transaction amount (Millions of yen)	Accounts	Balance at end of the fiscal year under review (Millions of yen)
			Concurrent positions of officers, etc.	Business relationship				
Subsidiaries	K.K. Meguro Gajoen	100.0	Officers concurrently serving as officers: 2	Sale of domestic wedding packages of the subsidiary	Borrowing of funds	200	Short-term loans payable	1,200
	Watabe Enterprise Corporation	100.0	Officers concurrently serving as officers: 2	Sale of domestic wedding packages of the subsidiary	Lending of funds	100	Short-term loans receivable	100
							Long-term loans receivable	615
	Mielparque Corporation	100.0	Officers concurrently serving as officers: 3	Sale of domestic wedding packages of the subsidiary	Lending of funds	300	Short-term loans receivable	500
	Watabe Wedding Vietnam Co., Ltd.	100.0	Officers concurrently serving as officers: 1	Purchase of wedding dresses	Lending of funds	—	Short-term loans receivable	49
							Long-term loans receivable	158

Notes: 1. Interest rates on loans payable and loans receivable are decided rationally considering market interest rates.
2. The Company sets aside 715 million yen in allowance for doubtful accounts for the aforementioned loans receivable.

8. Notes to Per-share Information
(1) Net assets per share 1,184.98 yen
(2) Net income per share 4.11 yen

9. Amounts are rounded down to the nearest million.

Reference Material for the Annual Meeting of 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 has been distributing dividends within the amount available, with a target payout ratio set at 20% keeping in mind the business peformance. Factors such as consolidated business performance, improvement of financial strength, and business strategies are taken into account.

The current business environment is seeing significant change due to the effects of the Great East Japan Earthquake, etc. Therefore, it rests with the management of the Company to respond in a steadfast manner and with flexibility. While responding to such a business environment with both steadfastness and flexibilty, the Company will be taking into account a long-term prespective on business performance, the management environment, its financial position as well as the dividend payout ratio that moves in conjunction with business performance, in the overall caluculation of dividends to be paid.

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; 148,636,365 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, 2011

Proposal 2: Election of One Director

To further reinforce the management system, the Company proposes to increase the number of Directors by one and hold an election thereof. The term of office of the newly appoined Director will be until the close of the term of office for the other incumbent Directors in accordance with the relevant provision in the Articles of Incorporation.

The nominee is as follows.

Name (Date of birth)	Profile, position and duties at the Company, and primary concurrent positions		Number of the Company's shares held
Koichi Ikeda (April 21, 1940)	March 2010	Senior Advisor of ASAHI BREWERIES, LTD. (present)	—
	March 2006	Representative Director, Chairman and CEO of ASAHI BREWERIES, LTD.	
	January 2002	Representative Director, President and COO of ASAHI BREWERIES, LTD.	
	March 2001	Senior Managing Director of ASAHI BREWERIES, LTD.	
	March 2000	Senior Managing Director and Executive Officer of ASAHI BREWERIES, LTD.	
	March 1999	Senior Managing Director of ASAHI BREWERIES, LTD.	
	March 1997	Managing Director of ASAHI BREWERIES, LTD.	
	March 1996	Director of ASAHI BREWERIES, LTD.	
	April 1963	Joined Asahi Beer Co., Ltd. (currently ASAHI BREWERIES, LTD.)	
		Primary positions concurrently held at other companies: Senior Advisor of ASAHI BREWERIES, LTD. Outside Director of NEW OTANI CO., LTD Outside Director of Komatsu Ltd.	

Notes:
1. The nominee holds no special financial interests in the Company.
2. Koichi Ikeda is a nominee for a new Director.
3. Koichi Ikeda is a nominee for Outside Director.
4. Special remarks regarding the nominee for Outside Director are as follows.
   1) Reason for selection as an Outside Director
   The Company has designated Koichi Ikeda as a nominee for Outside Director because it is expected that he will work from an independent perspective based on his abundant experience and high level of insight as a representative director of a listed company, applying these to the Company's management processes.
   2) 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, if the selection of the nominee for Outside Director, Koichi Ikeda, is approved by the Meeting, the Company intends to enter into such an agreement for limitation of liability with him.
   The outline of the agreement for limitation of liability is as follows:
   If Outside Directors become liable to the Company for any damage attributable to their failure of duties, their liability shall be limited to the minimum amount set forth in Article 425, Paragraph 1, of the Companies Act.
5. As Koichi Ikeda satisfies the requirements of Independent Director as set forth in the regulations of the Tokyo Stock Exchange and the Osaka Securities Exchange, the Company intends to notify his status as an Independent Director to these stock exchanges.

Proposal 3: Election of Two Corporate Auditors

The term of office of Corporate Auditor Hisao Shimizu will expire, and Toshio Fujimoto will resign, at the close of this annual meeting. Accordingly, the Company proposes election of two Corporate Auditors including one Outside Corporate Auditor.

The Board of Corporate Auditors has agreed to this proposal.

The nominees are as follows.

Nominee number	Name (Date of birth)	Profile, position and duties at the Company, and primary concurrent positions		Number of the Company's shares held
1	Hisao Shimizu (January 11, 1926)	January 2003	Representative Partner, Kyoto Shimei Zeirishi Houjin (present)	26,800 shares
		November 1985	Corporate Auditor of the Company (present)	
		February 1960	Established Shimizu Hisao Tax Accountant Office	
＊2	Masahito Fukui (June 30, 1960)	December 2009	Executive Officer, Administration Division Deputy Division Director and System Manager (present)	100 shares
		June 2008	Executive Officer, Administration Division Deputy Division Director and Corporate Planning Department Director	
		March 2008	Administration Division Deputy Division Director and Corporate Planning Department Director	
		November 2005	Administration Division Accounting Department Director and Corporate Planning Department Director	
		June 2002	Administration Division Accounting Department Director	
		December 1997	Joined the Company	

Notes:

1. The Company has executed an advisory agreement covering tax affairs with Kyoto Shimei Zeirishi Houjin, for which Hisao Shimizu serves as a representative partner.
2. Masahito Fukui holds no special financial interests in the Company.
3. A nominee with an asterisk is potential new Corporate Auditor.
4. Hisao Shimizu is a nominee for Outside Corporate Auditor.
5. Special remarks regarding the nominee for Outside Corporate Auditor are as follows.

   1). Reason for selection as an Outside Corporate Auditor

   The Company has designated Hisao Shimizu as a nominee for Outside Corporate Auditor because it is expected that he will work from a perspective based on his abundant experience, expertise and high-level insight as a certified tax accountant, applying these to our company's management processes.

   2). Reason for the Company's judgement of him being capable of properly executing duties as Outside Corporate Auditor

   Hisao Shimizu has performed adequately in the area of tax affairs based on his expertize as a certified tax accountant, and has a wealth of knowledge and insight into corporate management. Accordingly, the Company judges him capable of properly executing duties as Outside Corporate Auditor.

   3). Length of the nominee's service following appointment as a Corporate Auditor

   Hisao Shimizu's term of office as a Corporate Auditor would last for twenty-six years at the closing of this general meeting.

   4). Regarding the agreement for limitation of liability entered into with Outside Directors

   In order to secure competent human resources as Outside Corporate Auditors, the Company's current Articles of Incorporation state that the Company may enter into an agreement with Outside Corporate Auditors to limit their liability for damages to the Company within a certain range. Pursuant to this provision, the nominee for Outside Corporate Auditor, Hisao Shimizu, has entered into such an agreement for limitation of liability with the Company. If his reappointment is approved, this agreement will be renewed.

   [The outline of the agreement is as follows.]

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

Proposal 4: Provision of the Amount of Compensation to be Paid to Corporate Auditors

The amount of compensation to Corporate Auditors was set by resolution at up to \30 million per year at the 32nd ANNUAL MEETING OF SHAREHOLDERS held on June 27, 1996. Given the changes in the economic climate, coupled with our aim to further enhance the efficiency of the auditing system, we propose an adjustment to the compensation to Corporate Auditors to no more than \50 million.

Currently, there are four Corporate Auditors (including three Outside Corporate Auditors). The number of Corporate Auditors will remain the same upon the approval of Proposal 3.