

Consolidated Financial Results for the Third Quarter Ended December 31, 2011 [J-GAAP]
Watabe Wedding Corporation

January 31, 2012

Stock code: 4696
 URL: <http://www.watabe-wedding.co.jp>
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Scheduled date of the filing of the quarterly report: February 2, 2012
 Scheduled date of start of dividend payment: December 1, 2011
 Preparation of any additional explanatory document for quarterly financial results: None
 Holding of any briefing session for quarterly financial results: None
 (for institutional investors and analysts)

Financial Highlights

As of and for the nine months ended December 31, 2010 and 2011

(Amounts less than one million yen are omitted.)

1. Consolidated Operating Results

	Nine months ended December 31, 2010	Nine months ended December 31, 2011	2011 / 2010 (percentage change)
	(millions of yen)		
(1) Consolidated financial results			
Net sales	¥39,263	¥36,809	-6.3
Operating income	1,711	932	-45.5
Ordinary income	1,598	1,066	-33.3
Net income	724	215	-70.3
Net income, basic per share (yen)	73.16	21.72	
Net income per share (diluted) (yen)	—	—	
Comprehensive income (loss)	Nine months ended December 31, 2011: ¥40 million (-88.8%) Nine months ended December 31, 2010: ¥359 million (—%)		

	March 31, 2011	December 31, 2011
	(millions of yen)	
(2) Consolidated financial position		
Total assets	¥25,075	¥24,600
Net assets	14,523	14,266
Shareholders' equity ratio	57.9%	57.9%

(Reference) Shareholders' equity: As of December 31, 2011: ¥14,246 million As of March 31, 2011: ¥14,518 million

2. Dividends

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

(Note) Revision of dividend forecast that has been disclosed lastly: None

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

	Full year
	(Millions of yen)
Net sales	¥50,400
Operating income	1,200
Ordinary income	1,200
Net income	460
Net income, basic per share (yen)	46.42

(Note) Revision of consolidated results forecast that has been disclosed lastly: None

4. Other

- (1) Changes in significant subsidiaries during the period under review (changes in specific subsidiaries involving a change in the scope of consolidation): None
- (2) Application of specific accounting procedures for preparation of the quarterly consolidated financial statements:
Yes
Refer to “2. Summary Information (Other) (2) Application of Special Accounting Treatment Peculiar to Quarterly Consolidated Financial Statement Preparation” for further details.
- (3) Changes in accounting policies or estimates and retrospective restatements
 - (i) Any change arising from revision of accounting standards: None
 - (ii) Any change arising from factors other than (i) above: None
 - (iii) Changes in accounting estimates: None
 - (iv) Retrospective restatements: None
- (4) Number of shares issued (common stock)
 - (i) Number of issued shares at end of period (including treasury stock)
9,909,400 shares as of December 31, 2011
9,909,400 shares as of March 31, 2011
 - (ii) Number of shares of treasury stock at end of period
309 shares as of December 31, 2011
309 shares as of March 31, 2011
 - (iii) Average number of shares during the period
9,909,091 shares for the nine months ended December 31, 2011
9,909,158 shares for the nine months ended December 31, 2010

* Presentation regarding status of quarterly review procedures

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

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

(Note concerning forward-looking statements)

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

○ Contents of the Attached Material

1. Qualitative Information on Quarterly Financial Results	4
(1) Qualitative Information on the Consolidated Operating Results	4
(2) Qualitative Information on the Consolidated Financial Position	4
(3) Qualitative Information on the Consolidated Results Forecast	5
2. Summary Information (Other)	5
(1) Changes in Significant Subsidiaries during the Nine Months Ended December 31, 2011	5
(2) Application of Special Accounting Treatment Peculiar to Quarterly Consolidated Financial Statement Preparation	5
(3) Changes in Accounting Policies or Estimates and Retrospective Restatements	5
3. Overview of Significant Matters Related to the Going Concern Assumption	5
4. Consolidated Financial Statements	6
(1) Consolidated Balance Sheets	6
(2) Consolidated Statements of Income and Comprehensive Income	8
Consolidated Statements of Income for the Nine Months Ended December 31, 2011	8
Consolidated Statements of Comprehensive Income for the Nine Months Ended December 31, 2011	9
(3) Notes on the Going Concern Assumption	10
(4) Segment Information	10
(5) Notes in the Case of a Dramatic Fluctuation in the Amount of Shareholders' Equity	11
(6) Material Subsequent Events	11

1. Qualitative Information on Quarterly Financial Results

(1) Qualitative Information on the Consolidated Operating Results

The number of weddings handled by Watabe Wedding in the nine months ended December 31, 2011, was down from the corresponding period a year ago, largely due to repercussions from the Great East Japan Earthquake. Interestingly, data released by the Ministry of Health, Welfare and Labor at the end of 2011 revealed that about 670,000 couples exchanged marriage vows in Japan, a decrease of 4.3% from 2010. This, too, is undoubtedly a reflection of the psychological and economic tolls exacted on the nation following the unprecedented scale of natural disaster.

Against this backdrop, the resort wedding business experienced mixed demand for its services. With increasing interest in overseas travel due to yen appreciation, demand was up for weddings overseas, not only from domestic clients looking to hold ceremonies in Europe and in Hawaii, at Honu Kai Lani at Ko Olina Place of Welina, but also from foreign clients, particularly in Hong Kong and Taiwan. However, demand for weddings at resort areas in Japan, such as Okinawa, was down. As a result, the number of weddings conducted at resorts under the Group umbrella hovered at the level achieved a year earlier. We will continue to emphasize approaches aimed at reenergizing interest in weddings in Japan while utilizing wider inroads into the rest of Asia to cultivate new demand for resort weddings.

The hotel and domestic wedding business welcomed a brisk upturn in results during the third quarter, thanks to heightened interest in autumn ceremonies, which underpinned steady bookings for Villa di Grazia, a new chapel in Meguro Gajoen, and also thanks to the reopening of Mielparque Sendai, which had to be closed after the devastating earthquake and tsunami. Unfortunately, a sense of economic uncertainty still permeates consumer consciousness, dampening demand for wedding ceremonies and banquets.

Despite positive developments, lackluster demand for banquets and the drop in sales over the first two quarters of fiscal 2011 negatively affected aggregate three-quarter results. Net sales fell 6.3%, to ¥36,809 million, operating income tumbled 45.5%, to ¥932 million, ordinary income retreated 33.3%, to ¥1,066 million, and net income plunged 70.3%, to ¥215 million.

Segment performance, after elimination of intersegment transactions, is as follows.

1) Resort weddings

Despite efforts to trim selling, general and administrative expenses and thereby offset the drop in the number of weddings, this segment saw net sales decline 6.9% year on year, to ¥15,606 million. Operating income retreated 38.9%, to ¥774 million.

2) Hotels and domestic weddings

Net sales slipped 5.8%, to ¥21,203 million. Like the resort wedding business, the hotel and domestic wedding business worked to reduce selling, general and administrative expenses. Nevertheless, operating income dropped 71.4%, to ¥130 million.

(2) Qualitative Information on Consolidated Financial Position

Assets, Liabilities and Net Assets

Current assets of the Group at the end of the quarter under review stood at ¥9,153 million, ¥117 million more than at the end of the previous fiscal year. This is mainly due to an increase in cash and deposits and a decrease in other current assets. Noncurrent assets amounted to ¥15,446 million, ¥593 million less than at the end of the previous fiscal year, largely because of lower property, plant and equipment and guarantee deposits. As a result,

total assets were down ¥475 million from the end of the previous fiscal year, to ¥24,600 million.

Current liabilities at the end of the quarter under review stood at ¥7,662 million, ¥97 million less than at the end of the previous fiscal year, primarily due to a reduction in advances received. Noncurrent liabilities were ¥2,671 million, ¥121 million less than at the end of the previous fiscal year. As a result, total liabilities shrank ¥218 million from the end of the previous fiscal year, to ¥10,334 million.

The balance of net assets settled at ¥14,266 million, down ¥256 million from the end of the previous fiscal year. This reflects an ¥82 million decline in retained earnings, owing to the erosion of net income, which fell to ¥215 million, and also owing to the application of ¥297 million for cash dividends, as well as a ¥164 million decrease in foreign currency translation adjustment.

(3) Qualitative Information on Consolidated Results Forecast

At the current time, we are making no change to the performance forecast that was announced on May 9, 2011.

2. Summary Information (Other)

(1) Changes in Significant Subsidiaries during the Nine Months Ended December 31, 2011

Not applicable

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

We calculate tax expenses by making a reasonable estimate of the effective tax rate after the application of tax-effect accounting to income before income taxes for the fiscal year that includes this third quarter ended December 31, 2011, and then multiplying net income before taxes by the estimated effective tax rate.

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

Not applicable

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

Not applicable

4. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	FY2010 (As of March 31, 2011)	3 rd Quarter of FY2011 (As of December 31, 2011)
ASSETS		
Current assets		
Cash and deposits	5,028	5,485
Accounts receivable-trade	1,504	1,516
Merchandise and finished goods	237	189
Work in process	32	25
Raw materials and supplies	596	600
Other	1,667	1,369
Allowance for doubtful accounts	(31)	(32)
Total current assets	9,035	9,153
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	5,961	5,839
Land	2,603	2,601
Other, net	2,023	1,847
Total property, plant and equipment	10,588	10,287
Intangible assets	973	912
Investments and other assets		
Guarantee deposits	3,476	3,290
Other	1,039	994
Allowance for doubtful accounts	(38)	(39)
Total investments and other assets	4,477	4,246
Total Noncurrent assets	16,039	15,446
Total assets	25,075	24,600

(Millions of yen)

	FY2010 (As of March 31, 2011)	3 rd Quarter of FY2011 (As of December 31, 2011)
LIABILITIES		
Current liabilities		
Accounts payable-trade	1,501	1,867
Short-term loans payable	850	858
Income taxes payable	413	42
Advances received	2,335	1,953
Provision for bonuses	573	306
Asset retirement obligations	25	19
Other	2,059	2,614
Total current liabilities	7,759	7,662
Noncurrent liabilities		
Long-term loans payable	1,500	1,200
Provision for retirement benefits	188	366
Asset retirement obligations	542	569
Other	561	536
Total noncurrent liabilities	2,793	2,671
Total liabilities	10,552	10,334
NET ASSETS		
Shareholders' equity		
Capital stock	4,176	4,176
Capital surplus	4,038	4,038
Retained earnings	7,757	7,675
Treasury stock	(0)	(0)
Total shareholders' equity	15,971	15,889
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	13	11
Deferred gains or losses on hedges	4	(21)
Revaluation reserve for land	(906)	(903)
Foreign currency translation adjustment	(565)	(730)
Total valuation and translation adjustments	(1,453)	(1,643)
Minority interests	4	19
Total net assets	14,523	14,266
Total liabilities and net assets	25,075	24,600

(2) Consolidated Statements of Income and Comprehensive Income

(Consolidated Statements of Income for the Nine Months Ended December 31, 2011)

(Millions of yen)

	First Nine Months of FY2010 (From April 1, 2010 to December 31, 2010)	First Nine Months of FY2011 (From April 1, 2011 to December 31, 2011)
Net sales	39,263	36,809
Cost of sales	13,413	12,231
Gross profit	25,849	24,577
Selling, general and administrative expenses	24,138	23,644
Operating income	1,711	932
Non-operating income		
Rent income	49	43
Compensation income	49	49
Other	79	114
Total non-operating income	177	206
Non-operating expenses		
Interest expenses	20	19
Business commencement expenses	92	—
Foreign exchange losses	115	—
Commission fee	23	23
Other	38	29
Total non-operating expenses	290	73
Ordinary income	1,598	1,066
Extraordinary income		
Gain on sales of noncurrent assets	163	3
Gain on sales of investment securities	—	70
Other	—	11
Total extraordinary income	163	85
Extraordinary loss		
Loss on disaster	—	143
Loss on abolishment of tax-qualified pension plan	—	142
Losses on business restructuring	—	128
Effect from application of accounting standard for asset retirement obligations	392	—
Other	135	52
Total extraordinary losses	528	466
Income before income taxes	1,233	684
Income taxes	505	453
Income before minority interests	727	231
Minority interests in income	2	15
Net income	724	215

(Consolidated Statements of Comprehensive Income for the Nine Months Ended December 31, 2011)

(Millions of yen)

	First Nine Months of FY2010 (From April 1, 2010 to December 31, 2010)	First Nine Months of FY2011 (From April 1, 2011 to December 31, 2011)
Income before minority interests	727	231
Other comprehensive income		
Valuation difference on available-for-sale securities	(2)	(1)
Deferred gains or losses on hedges	(59)	(26)
Revaluation reserve for land	—	3
Foreign currency translation adjustment	(302)	(163)
Share of other comprehensive income of associates accounted for using equity method	(3)	(2)
Total other comprehensive income	(368)	(190)
Comprehensive income	359	40
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	356	25
Comprehensive income attributable to minority interests	2	14

(3) Notes on the Going Concern Assumption

Not applicable

(4) Segment Information

I Nine Months Ended December 31, 2010 (April 1, 2010 to December 31, 2010)

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

(Millions of yen)

	Reporting segments		Total	Adjustments (Note 1)	Amount recorded in the Quarterly Consolidated Statements of Income (Note 2)
	Resort weddings	Hotels and domestic weddings			
Net sales					
Sales to customers	16,757	22,505	39,263	—	39,263
Intersegment sales and transfers	5,590	150	5,741	(5,741)	—
Total	22,348	22,656	45,004	(5,741)	39,263
Segment income (loss)	1,268	454	1,723	(11)	1,711

Notes: 1. Adjustments of segment income totaling -¥11 million include elimination of intersegment transactions amounting to ¥13 million, and adjustments of inventories and others amounting to -¥25 million.

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

2. Information about Impairment Loss for Noncurrent Assets or Goodwill, etc. in Each Reporting Segment

Not applicable

II Nine Months Ended December 31, 2011 (April 1, 2011 to December 31, 2011)

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

(Millions of yen)

	Reporting segments		Total	Adjustments (Note 1)	Amount recorded in the Quarterly Consolidated Statements of Income (Note 2)
	Resort weddings	Hotels and domestic weddings			
Net sales					
Sales to customers	15,606	21,203	36,809	—	36,809
Intersegment sales and transfers	4,766	145	4,911	(4,911)	—
Total	20,372	21,348	41,721	(4,911)	36,809
Segment income (loss)	774	130	904	28	932

Notes: 1. Adjustments of segment income totaling ¥28 million include elimination of intersegment transactions amounting to ¥9 million, and adjustments of inventories and others amounting to -¥18 million.

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

2. Information about the Impairment Loss for Noncurrent Assets or Goodwill, etc. in Each Reporting Segment

Not applicable

(5) Notes in the Case of a Dramatic Fluctuation in the Amount of Shareholders' Equity

Not applicable

(6) Material Subsequent Events

Not applicable