

Consolidated Financial Results for the Second Quarter Ended September 30, 2012 [J-GAAP]
Watabe Wedding Corporation

October 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: November 2, 2012
 Scheduled date of start of dividend payment: December 3, 2012
 Preparation of any additional explanatory document for quarterly financial results: Yes
 Holding of any briefing session for quarterly financial results: Yes
 (For institutional investors and analysts)

Financial Highlights

As of and for the six months ended September 30, 2011 and 2012

(Amounts less than one million yen are omitted.)

1. Consolidated Operating Results

| | Six months ended September 30, 2011 | Six months ended September 30, 2012 | 2012 / 2011 <i>(percentage change)</i> |
|---|--|--|---|
| | <i>(millions of yen)</i> | | |
| (1) Consolidated financial results | | | |
| Net sales | 22,296 | 23,276 | 4.4 |
| Operating income | (541) | (314) | — |
| Ordinary income | (492) | (225) | — |
| Net income | (532) | (184) | — |
| Net income, basic per share <i>(yen)</i> | (53.71) | (18.66) | |
| Net income per share (diluted) <i>(yen)</i> | — | — | |
| Comprehensive income (loss) | Six months ended September 30, 2012: -¥274 million (—%) Six months ended September 30, 2011: -¥672 million (—%) | | |

| | March 31, 2012 | September 30, 2012 |
|--|--------------------------|--------------------|
| | <i>(millions of yen)</i> | |
| (2) Consolidated financial position | | |
| Total assets | 25,575 | 24,654 |
| Net assets | 14,630 | 14,238 |
| Shareholders' equity ratio | 57.0% | 57.5% |

(Reference) Shareholders' equity: As of September 30, 2012: ¥14,175 million As of March 31, 2012: ¥14,587 million

2. Dividends

| | Annual dividends per share | | | | Total |
|-----------------|----------------------------|--------|--------|----------|-------|
| | 1Q end | 2Q end | 3Q end | Year end | |
| | <i>(yen)</i> | | | | |
| 2011 | — | 15.00 | — | 15.00 | 30.00 |
| 2012 | — | 15.00 | — | — | — |
| 2012 (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, 2013

| | <u>Full year</u> |
|-----------------------------------|--------------------------|
| | <u>(Millions of yen)</u> |
| Net sales | 50,600 |
| Operating income | 1,500 |
| Ordinary income | 1,550 |
| Net income | 700 |
| Net income, basic per share (yen) | 70.64 |

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

* Notes

(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

(Note) Refer to “2. Summary Information (Notes) (2) Application of Special Accounting Treatment Peculiar to Quarterly Consolidated Financial Statement Preparation” on page 5 of the attached material for further details.

(3) Changes in accounting policies or estimates and retrospective restatements

(i) Any change arising from revision of accounting standards: Yes

(ii) Any change arising from factors other than (i) above: None

(iii) Changes in accounting estimates: Yes

(iv) Retrospective restatements: None

(Note) Article 10-5 of the “Ordinance on Terminology, Forms, and Preparation Methods of Quarterly Consolidated Financial Statements” is applied. For details, please refer to “2. Summary Information (Notes) (3) Changes in Accounting Policies or Estimates and Retrospective Restatements” on page 5 of the attached material.

(4) Number of shares issued (common stock)

(i) Number of issued shares at end of period (including treasury stock)

9,909,400 shares as of September 30, 2012

9,909,400 shares as of March 31, 2012

(ii) Number of shares of treasury stock at end of period

326 shares as of September 30, 2012

309 shares as of March 31, 2012

(iii) Average number of shares during the period

9,909,077 shares for the six months ended September 30, 2012

9,909,091 shares for the six months ended September 30, 2011

* 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; they are not meant to be a commitment by the Company. Actual results may differ substantially due to a number of factors. For conditions assumed for operating results forecasts and precautions when using operating results forecasts, and the like, please refer to “1. Qualitative Information on Quarterly Financial Results (3) Qualitative Information on Consolidated Results Forecast” on page 4 of the attached material.

(Where to find additional explanatory documents for quarterly financial results)

Additional explanatory documents for quarterly financial results will be posted on the Company’s website on November 9, 2012.

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1. Qualitative Information on Quarterly Financial Results

Forward-looking items given in this document are judgments of the Watabe Wedding Group (the “Group”, the Company and its consolidated subsidiaries) as of the last day of the quarter under review.

(1) Qualitative Information on Consolidated Operating Results

Looking at the operating results during the six months ended September 30, 2012, in the resort wedding business segment, we returned to our origins, concentrated resources into the resort wedding business, and endeavored to increase recognition. In September 2012, “St. Probus Holy Chapel” in Guam and “Aloha Ke Akua Chapel” in Hawaii were reopened after renewal, and we strived to secure the number of resort weddings. Moreover, in order to meet the needs of customers—for our Europe and Bali/Tahiti locations—who tend to have strong preferences, we deployed wedding concierges at our major stores. Furthermore, in the growing Asian market, our aggressive sales expansion led to an increase in both the number of local weddings and resort weddings.

Regarding hotel and domestic weddings, we made efforts to strengthen our wedding business by: having operated throughout the past year the Mielparque-Sendai—which had to be closed after the Great East Japan Earthquake—as well as the independent-style chapel “Villa di Grazia” at Meguro Gajoen. This resulted in an increase in the number of weddings compared to the same quarter in the previous year.

As a result of the above, consolidated results were as follows; Net sales increased by 4.4% year on year to ¥23,276 million, operating loss was ¥314 million (¥541 million in the same quarter of the previous year), ordinary loss was ¥225 million (¥492 million in the same period of the previous year), and net loss was ¥184 million (¥532 million in the same quarter of the previous year).

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

1) Resort weddings

While the number of resort weddings by Japanese couples dropped, those by Non-Japanese Asian couples rose, and fixed costs were reduced. As a result, net sales decreased by 1.4% year on year to ¥9,663 million, while operating income increased by 208.9% to ¥332 million.

2) Hotels and domestic weddings

Having recovered from the impact of the Great East Japan Earthquake, net sales increased by 9.0% year on year to ¥13,612 million, and the operating loss was ¥651 million (¥655 million in the same period of the previous year).

(2) Qualitative Information on Consolidated Financial Position

Current assets of the Group at the end of the quarter under review stood at ¥9,645 million, ¥563 million less than at the end of the previous fiscal year. This is mainly due to a decrease in cash and deposits. Noncurrent assets amounted to ¥15,008 million, ¥357 million less than at the end of the previous fiscal year, largely because of lower property, plant and equipment. As a result, total assets were down ¥920 million from the end of the previous fiscal year, to ¥24,654 million.

Current liabilities at the end of the quarter under review stood at ¥7,864 million, ¥370 million less than at the end of the previous fiscal year. This is primarily due to a reduction in accounts payable-trade. Noncurrent liabilities were ¥2,551 million, ¥157 million less than at the end of the previous fiscal year. This is mainly due to a reduction of long-term loans payables. As a result, total liabilities shrank ¥528 million from the end of the previous fiscal year, to ¥10,416 million.

The balance of net assets settled at ¥14,238 million, down ¥392 million from the end of the previous fiscal year. This was attributed to net loss of ¥184 million, and a ¥333 million decrease in retained earnings resulting from payment of cash dividends amounting to ¥148 million.

(3) Qualitative Information on Consolidated Results Forecast

At the current time, we are making no change to the consolidated results forecast that was announced on May 7, 2012.

2. Summary Information (Notes)

(1) Changes in Significant Subsidiaries during the Six Months Ended September 30, 2012

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 second quarter ended September 30, 2012, and then multiplying net income before taxes by the estimated effective tax rate.

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

(Change in Depreciation Method)

Following the revision of the Corporation Tax Act, the Company and its consolidated subsidiaries in Japan changed their depreciation method to one based on the revised Corporation Tax Act for property, plant, and equipment acquired on and after April 1, 2012, starting from the first quarter of the fiscal year ending March 31, 2013.

The impact of the above change on operating loss, ordinary loss, and loss before income taxes in the quarter under review is minimal.

3. Significant Matters Related to the Going Concern Assumption

Not applicable

4. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

| | FY2011 (As of March 31, 2012) | 2 nd Quarter of FY2012 (As of September 30, 2012) |
|-------------------------------------|----------------------------------|---|
| ASSETS | | |
| Current assets | | |
| Cash and deposits | 6,336 | 5,519 |
| Accounts receivable-trade | 1,812 | 1,753 |
| Merchandise and finished goods | 168 | 242 |
| Work in process | 33 | 34 |
| Raw materials and supplies | 545 | 525 |
| Other | 1,345 | 1,600 |
| Allowance for doubtful accounts | (32) | (30) |
| Total current assets | 10,208 | 9,645 |
| Noncurrent assets | | |
| Property, plant and equipment | | |
| Buildings and structures, net | 5,732 | 5,400 |
| Land | 2,603 | 2,601 |
| Other, net | 1,755 | 1,650 |
| Total property, plant and equipment | 10,090 | 9,653 |
| Intangible assets | 901 | 811 |
| Investments and other assets | | |
| Guarantee deposits | 3,278 | 3,251 |
| Other | 1,134 | 1,331 |
| Allowance for doubtful accounts | (39) | (39) |
| Total investments and other assets | 4,374 | 4,544 |
| Total Noncurrent assets | 15,366 | 15,008 |
| Total assets | 25,575 | 24,654 |

(Millions of yen)

| | FY2011 (As of March 31, 2012) | 2 nd Quarter of FY2012 (As of September 30, 2012) |
|---|----------------------------------|---|
| LIABILITIES | | |
| Current liabilities | | |
| Accounts payable-trade | 2,044 | 1,714 |
| Short-term loans payable | 900 | 900 |
| Income taxes payable | 307 | — |
| Advances received | 2,172 | 2,712 |
| Provision for bonuses | 456 | 366 |
| Other | 2,354 | 2,171 |
| Total current liabilities | 8,235 | 7,864 |
| Noncurrent liabilities | | |
| Long-term loans payable | 1,200 | 950 |
| Provision for retirement benefits | 416 | 508 |
| Asset retirement obligations | 567 | 579 |
| Other | 524 | 513 |
| Total noncurrent liabilities | 2,708 | 2,551 |
| Total liabilities | 10,944 | 10,416 |
| NET ASSETS | | |
| Shareholders' equity | | |
| Capital stock | 4,176 | 4,176 |
| Capital surplus | 4,038 | 4,038 |
| Retained earnings | 7,884 | 7,551 |
| Treasury stock | (0) | (0) |
| Total shareholders' equity | 16,098 | 15,765 |
| Valuation and translation adjustments | | |
| Valuation difference on available-for-sale securities | 22 | 16 |
| Deferred gains or losses on hedges | 22 | (14) |
| Revaluation reserve for land | (903) | (903) |
| Foreign currency translation adjustment | (652) | (688) |
| Total valuation and translation adjustments | (1,510) | (1,589) |
| Minority interests | 43 | 62 |
| Total net assets | 14,630 | 14,238 |
| Total liabilities and net assets | 25,575 | 24,654 |

(2) Consolidated Statements of Income and Comprehensive Income

(Consolidated Statements of Income for the Six Months Ended September 30, 2012)

(Millions of yen)

| | Six Months of FY2011 (From April 1, 2011 to September 30, 2011) | Six Months of FY2012 (From April 1, 2012 to September 30, 2012) |
|--|---|---|
| Net sales | 22,296 | 23,276 |
| Cost of sales | 7,375 | 7,611 |
| Gross profit | 14,921 | 15,664 |
| Selling, general and administrative expenses | | |
| Salaries, allowances and bonuses | 5,195 | 5,412 |
| Provision for bonuses | 319 | 265 |
| Retirement benefit expenses | 109 | 124 |
| Rent expenses | 3,110 | 3,312 |
| Other | 6,728 | 6,864 |
| Total selling, general and administrative expenses | 15,462 | 15,978 |
| Operating loss | (541) | (314) |
| Non-operating income | | |
| Rent income | 28 | 28 |
| Compensation income | 32 | 32 |
| Commission fee | — | 40 |
| Other | 75 | 52 |
| Total non-operating income | 137 | 154 |
| Non-operating expenses | | |
| Interest expenses | 12 | 9 |
| Foreign exchange losses | 28 | 13 |
| Commission fee | 20 | 20 |
| Other | 26 | 22 |
| Total non-operating expenses | 88 | 66 |
| Ordinary loss | (492) | (225) |
| Extraordinary income | | |
| Gain on sales of investment securities | 70 | — |
| Total extraordinary income | 70 | — |
| Extraordinary loss | | |
| Loss on liquidation of facilities and stores | 12 | 59 |
| Loss on disaster | 127 | — |
| Loss on abolishment of tax-qualified pension plan | 139 | — |
| Other | 31 | — |
| Total extraordinary losses | 311 | 59 |
| Loss before income taxes | (733) | (285) |
| Income taxes | (204) | (90) |
| Loss before minority interests | (529) | (194) |
| Minority interests in income (loss) | 3 | (9) |
| Net loss | (532) | (184) |

(Consolidated Statements of Comprehensive Income for the Six Months Ended September 30, 2012)

(Millions of yen)

| | Six Months of FY2011 (From April 1, 2011 to September 30, 2011) | Six Months of FY2012 (From April 1, 2012 to September 30, 2012) |
|--|---|---|
| Loss before minority interests | (529) | (194) |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | (1) | (5) |
| Deferred gains or losses on hedges | (57) | (37) |
| Foreign currency translation adjustment | (80) | (34) |
| Share of other comprehensive income of associates accounted for using equity method | (2) | (1) |
| Total other comprehensive income | (143) | (79) |
| Comprehensive income | (672) | (274) |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of the parent | (674) | (263) |
| Comprehensive income attributable to minority interests | 2 | (10) |

(3) Consolidated Statements of Cash Flows

(Millions of yen)

| | Six Months of FY2011 (From April 1, 2011 to September 30, 2011) | Six Months of FY2012 (From April 1, 2012 to September 30, 2012) |
|---|---|---|
| Net cash provided by (used in) operating activities | | |
| Loss before income taxes | (733) | (285) |
| Depreciation and amortization | 939 | 902 |
| Loss on liquidation of facilities and stores | 12 | 59 |
| Increase (decrease) in provision for bonuses | (129) | (91) |
| Interest and dividends income | (9) | (11) |
| Interest expenses | 12 | 9 |
| Foreign exchange losses (gains) | 28 | 1 |
| Decrease (increase) in notes and accounts receivable-trade | (145) | 59 |
| Decrease (increase) in inventories | (30) | (48) |
| Increase (decrease) in notes and accounts payable-trade | 95 | (324) |
| Increase (decrease) in accounts payable-other | (6) | (167) |
| Increase (decrease) in advances received | 488 | 546 |
| Other, net | 123 | (363) |
| Subtotal | 646 | 286 |
| Interest and dividends income received | 11 | 11 |
| Interest expenses paid | (13) | (9) |
| Income taxes paid | (325) | (269) |
| Net cash provided by (used in) operating activities | 319 | 19 |
| Net cash provided by (used in) investing activities | | |
| Purchase of property, plant and equipment | (711) | (412) |
| Proceeds from sales of property, plant and equipment | 7 | 8 |
| Purchase of intangible assets | (85) | (57) |
| Proceeds from sales of investment securities | 120 | — |
| Proceeds from collection of guarantee deposits | (64) | (18) |
| Payments for guarantee deposits | 205 | 27 |
| Other, net | (11) | 34 |
| Net cash provided by (used in) investing activities | (540) | (417) |
| Net cash provided by (used in) financing activities | | |
| Net increase (decrease) in short-term loans payable | 83 | — |
| Proceeds from long-term loans payable | 200 | — |
| Repayment of long-term loans payable | (266) | (250) |
| Proceeds from stock issuance to minority shareholders | — | 30 |
| Cash dividends paid | (148) | (148) |
| Other, net | (35) | (25) |
| Net cash provided by (used in) financing activities | (167) | (393) |
| Effect of exchange rate change on cash and cash equivalents | (72) | (24) |
| Net increase (decrease) in cash and cash equivalents | (460) | (816) |
| Cash and cash equivalents at beginning of period | 5,024 | 6,332 |
| Cash and cash equivalents at end of period | 4,563 | 5,516 |

(4) Notes on the Going Concern Assumption
Not applicable

(5) Notes in the Case of a Dramatic Fluctuation in the Amount of Shareholders' Equity
Not applicable

(6) Segment Information

I Six Months Ended September 30, 2011 (April 1, 2011 to September 30, 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 | 9,805 | 12,491 | 22,296 | — | 22,296 |
| Intersegment sales and transfers | 2,917 | 107 | 3,024 | (3,024) | — |
| Total | 12,722 | 12,599 | 25,321 | (3,024) | 22,296 |
| Segment income (loss) | 107 | (655) | (548) | 6 | (541) |

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

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

II Six Months Ended September 30, 2012 (April 1, 2012 to September 30, 2012)

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 | 9,663 | 13,612 | 23,276 | — | 23,276 |
| Intersegment sales and transfers | 2,891 | 95 | 2,987 | (2,987) | — |
| Total | 12,555 | 13,707 | 26,263 | (2,987) | 23,276 |
| Segment income (loss) | 332 | (651) | (318) | 4 | (314) |

Notes: 1. Adjustments of segment income totaling ¥4 million include elimination of intersegment transactions amounting to ¥13 million, and adjustments of inventories and others amounting to -¥8 million.
2. Segment income (loss) is adjusted with the operating loss in the Consolidated Statements of Income.

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