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November 9, 2023

Tsukada Global Holdings Inc.
Consolidated Earnings Report for the Nine Months ended September 30, 2023
(Japanese GAAP)

Stock listing: Tokyo Stock Exchange (Prime Market)

Securities code: 2418

URL: <https://www.tsukada-global.holdings/en/>

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Accounting Department

Scheduled dates:

Filing of statutory quarterly financial report (*shihanki hokokusho*):

November 10, 2023

Dividend payout:

-

Supplementary materials to quarterly financial results available: No

Quarterly earnings presentation held: No

(Amounts rounded down to the nearest million yen)

1. Consolidated Performance for the Nine Months ended September 30, 2023
(January 1, 2023 – September 30, 2023)

(1) Consolidated Operating Results

(Percentages indicate year-on-year changes)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of the parent	
	million yen	%	million yen	%	million yen	%	million yen	%
Nine months ended September 30, 2023	39,660	14.5	1,530	-	2,569	19.0	2,321	707.7
Nine months ended September 30, 2022	34,627	64.0	(378)	-	2,158	-	287	-

Note: Comprehensive income: Nine months ended September 30, 2023 2,641 million yen (73.6%)
Nine months ended September 30, 2022: 1,521 million yen (- %)

	Profit per share	Diluted profit per share
	yen	yen
Nine months ended September 30, 2023	48.66	-
Nine months ended September 30, 2022	6.03	-

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	million yen	million yen	%
September 30, 2023	87,079	25,250	28.7
December 31, 2022	87,472	23,086	26.1

Reference: Total equity: September 30, 2023: 25,004 million yen
December 31, 2022: 22,866 million yen

2. Dividends

	Dividend per share				
	End-Q1	End-Q2	End-Q3	Year-end	Annual total
	yen	yen	yen	yen	yen
Year ended December 31, 2022	-	0.00	-	5.00	5.00
Year ending December 31, 2023	-	5.00	-		
Year ending December 31, 2023 (Forecast)				5.00	10.00

Note: No revision has been made to the latest dividends forecast.

3. Earnings Forecast for the Fiscal Year ending December 31, 2023 (January 1, 2023 – December 31, 2023)

(Percentages indicate year-on-year changes)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of the parent		Profit per share
	million yen	%	million yen	%	million yen	%	million yen	%	yen
Year ending December 31, 2023	58,300	12.8	4,738	59.2	4,771	0.3	3,950	163.6	82.81

Note: No revision has been made to the latest earnings forecast.

*Notes

(1) Changes in significant subsidiaries during the period: None

(Changes in specific subsidiaries accompanying a change in scope of consolidation)

Newly Consolidated: None

Newly Deconsolidated: None

(2) Use of accounting methods specific to the preparation of quarterly consolidated financial statements: Yes

Note: For details, please refer to “(3) Notes on Quarterly Consolidated Financial Statements (Application of Specific Accounting Methods for the Preparation of Quarterly Consolidated Financial Statements)” in section “2. Quarterly Consolidated Financial Statements and Main Notes” on page 8 in the accompanying materials.

(3) Changes in accounting policy, changes in accounting estimates, and retrospective restatement

1) Changes in accordance with amendments to accounting standards, etc.: Yes

2) Changes other than noted in 1) above: None

3) Changes in accounting estimates: None

4) Retrospective restatement: None

(4) Shares issued (common stock)

	September 30, 2023	December 31, 2022
1) Number of shares issued at end of period (including treasury stock)	48,960,000	48,960,000
2) Number of shares held in treasury at end of period	1,259,834	1,259,834
	Nine Months ended September 30, 2023	Nine Months ended September 30, 2022
3) Average number of shares outstanding during the period	47,700,166	47,700,166

* Quarterly earnings reports are exempt from quarterly reviews conducted by certified public accountants or by audit firms.

***Appropriate Use of Earnings Forecast and Other Important Information**

(Cautionary Statement with Respect to Forward-Looking Statements)

Any forecasts and forward-looking statements given herein are based on information available as of this report's publication and on certain assumptions that are deemed reasonable. These forecasts are not guarantees of future performance, and actual results may differ from forecasts due to changes in the business environment. For the assumptions underlying the forecasts herein and other notice on the use of earnings forecasts, please refer to "(3) Earnings Forecast for the Fiscal Year ending December 31, 2023" in the section "1. Review of Consolidated Financial Results" on page 3 in the accompanying materials.

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1. Review of Consolidated Financial Results

(1) Operating Results

Operating Results and Analysis of Financial Condition

During the first nine months of the fiscal year ending December 31, 2023, the Japanese economy as a whole was on a moderate recovery path as the effects of various government policies became apparent, including a pickup in both consumer spending and private-sector capital investment as well as an improvement in the employment and income environment. However, the outlook remains uncertain due to supply chain disruptions caused by heightened geopolitical risks and soaring energy and raw material costs.

Amidst this environment, the Tsukada Global Holdings Group (“the Group”) focused on creating new value, developing high-quality and attractive outlets, providing high value-added services in the bridal, hotel, and wellness and relaxation (W&R) markets, and on accurately responding to diversifying customer needs, and thereby strived to expand net sales and to improve profitability.

In the Hotel business, the number of domestic travelers rose as a result of the reclassification of COVID-19 to Class 5. And thanks to the lifting of travel restrictions, the number of foreign visitors to Japan exceeded 2 million (Japan National Tourism Organization, “Number of Foreign Visitors to Japan (September 2023 estimate)”), a recovery to 96.1% of the figure for September 2019. These factors led to an upturn in the overnight occupancy rate and average charge per night, which remained stable. In addition, the number of weddings held in the Wedding business and the Hotel business is returning to normal, as postponements due to COVID-19, which had been frequent until last year, have largely disappeared. However, the outlook is difficult to predict, as the recovery in the spend per wedding stalled due to the increase in the number of small weddings.

As a result, in the first nine months of fiscal 2023, the Group posted consolidated net sales of ¥39,660 million (up 14.5% year on year) and operating income was ¥1,530 million (compared with a loss of ¥378 million a year earlier). Due to foreign exchange gains of ¥1,081 million recorded in non-operating income, ordinary income was ¥2,569 million (up 19.0% year on year), and profit attributable to owners of the parent was ¥2,321 million (up 707.7% year on year).

The results for each business segment were as follows.

1) Wedding business

In the first nine months of fiscal 2023, the number of weddings held fell slightly to 7,345 (down 0.1% year on year), but spend per wedding gradually recovered and thus net sales in the Wedding business also increased modestly year on year. However, this segment profit decreased year on year due to a decline in profitability caused by the increase in the number of small weddings despite an uptrend in spend per wedding and an increase in energy and other costs.

As a result, net sales in the Wedding business totaled ¥23,612 million (up 2.7% year on year) and segment profit was ¥2,100 million (down 29.6%).

2) Hotel business

The number of hotel weddings held climbed slightly to 1,169 (up 1.5%) in the first nine months of fiscal 2023. The overnight occupancy rate and average charge per night remained firm due to an increase in the number of domestic travelers and the number of foreign visitors to Japan. Inbound tourism related-demand, which had declined sharply, is gradually recovering.

As a result, net sales in the Hotel business totaled ¥13,838 million (up 46.8% year on year) and segment profit was ¥919 million (compared with a loss of ¥2,059 million a year earlier).

3) W&R business

In the first nine months of fiscal 2023, the Beauty & Relax SPA-HERBS spa complex was selected as first place nationwide in the “Nifty Onsen Annual Ranking” which drove the number of visitors, net sales, and segment profit to exceed the levels of the previous fiscal year. However, the segment

net sales declined slightly mainly due to the difficulty in increasing the number of therapists and the closure of unprofitable outlets for the British-style Queensway reflexology salons, resulting in a segment loss, although profitability is on an uptrend.

As a result, net sales in the W&R business totaled ¥2,209 million (down 0.2% year on year) and segment loss was ¥87 million (compared with a loss of ¥263 million a year earlier).

(2) Analysis of Financial Condition

Assets, Liabilities, and Net Assets

Total assets as of September 30, 2023, the end of the first nine months of fiscal 2023, amounted to ¥87,079 million, a decrease of ¥392 million from the end of the previous fiscal year (December 31, 2022). This was mainly due to an increase of ¥2,854 million in other current assets offset by a ¥2,180 million decrease in cash and deposits due to repayment of interest-bearing debt and tax payments and by ¥1,048 million decrease in tangible assets due to depreciation.

Total liabilities as of September 30, 2023 came to ¥61,829 million, a decrease of ¥2,557 million from the end of the previous fiscal year (December 31, 2022). This was mainly due to a decrease of ¥1,360 million in long-term debt (including the current portion) due to repayment and a decrease of ¥747 million in bonds payable (including current portion) due to redemption.

Total net assets as of September 30, 2023 amounted to ¥25,250 million, an increase of ¥2,164 million from the end of the previous fiscal year (December 31, 2022). This was mainly due to an increase of ¥1,844 million in retained earnings due to the recording of profit attributable to owners of the parent. As a result, the equity ratio was 28.7%, an improvement of 2.6 percentage points from the end of the previous fiscal year (December 31, 2022).

(3) Earnings Forecast for the Fiscal Year Ending December 31, 2023

There is no change to the consolidated earnings forecasts for the full fiscal year ending December 31, 2023 as announced in the Group's Consolidated Earnings Report for the Six Months ended June 30, 2023 released on August 9, 2023.

Note that actual results may differ significantly due to various factors in the future. The Company will promptly release any revisions to its consolidated results forecasts should this become necessary.

2. Quarterly Consolidated Financial Statements and Main Notes

(1) Consolidated Balance Sheets

	(millions of yen)	
	December 31, 2022	September 30, 2023
	Amount	Amount
Assets		
Current assets		
Cash and deposits	21,238	19,057
Accounts receivable - trade	1,479	1,355
Merchandise	166	174
Raw materials and supplies	381	348
Other	1,360	4,215
Allowance for doubtful receivables	(37)	(40)
Total current assets	24,588	25,109
Fixed assets		
Buildings and structures, net	29,083	28,385
Land	9,544	9,641
Construction in progress	1,007	712
Other, net	1,496	1,343
Total tangible assets	41,131	40,082
Intangible assets		
Goodwill	1,157	933
Other	1,020	953
Total intangible assets	2,177	1,886
Investments and other assets		
Investment securities	5,599	6,206
Lease and guarantee deposits	7,211	7,065
Other	6,703	6,704
Allowance for doubtful receivables	(121)	(135)
Total investments and other assets	19,392	19,840
Total fixed assets	62,702	61,810
Deferred assets	181	158
Total assets	87,472	87,079

	(millions of yen)	
	December 31, 2022	September 30, 2023
	Amount	Amount
Liabilities		
Current liabilities		
Accounts payable - trade	2,101	1,865
Current portion of long-term debt	7,106	7,134
Current portion of bonds	964	994
Income taxes payable	839	309
Advances received	3,107	3,972
Allowance for loss on shop closing	62	6
Asset retirement obligations	47	34
Other	4,300	3,816
Total current liabilities	18,530	18,135
Fixed liabilities		
Bonds	5,703	4,926
Long-term debt	33,722	32,333
Net defined benefit liability	407	435
Provision for directors' retirement benefits	953	994
Asset retirement obligations	4,535	4,574
Other	532	429
Total fixed liabilities	45,855	43,694
Total liabilities	64,386	61,829
Net assets		
Shareholders' equity		
Capital stock	472	472
Capital surplus	634	634
Retained earnings	22,140	23,984
Treasury stock	(892)	(892)
Total shareholders' equity	22,353	24,198
Accumulated other comprehensive income		
Deferred gain (loss) on derivatives under hedge accounting	171	194
Foreign currency translation adjustments	347	619
Remeasurements of defined benefit plan	(5)	(6)
Total accumulated other comprehensive income	513	806
Non-controlling interests	219	245
Total net assets	23,086	25,250
Total liabilities and net assets	87,472	87,079

(2) Consolidated Statements of Income and Comprehensive Income
Consolidated Statements of Income

	(millions of yen)	
	Nine months ended September 30, 2022	Nine months ended September 30, 2023
	Amount	Amount
Net sales	34,627	39,660
Cost of sales	24,371	26,037
Gross profit (loss)	10,255	13,622
Selling, general and administrative expenses	10,634	12,091
Operating income (loss)	(378)	1,530
Non-operating income		
Interest income	26	119
Gain on investments in silent partnership	152	151
Gain on investments in capital	-	51
Subsidy income	1,292	19
Foreign exchange gains	1,794	1,081
Other	95	139
Total non-operating income	3,361	1,562
Non-operating expenses		
Interest expenses	353	380
Loss on investments in capital	152	-
Share of loss of entities accounted for using equity method	38	88
Other	280	55
Total non-operating expenses	824	524
Ordinary income (loss)	2,158	2,569
Extraordinary income		
Compensation income	-	700
Gain on sales of fixed assets	0	0
Gain on sales of memberships	3	-
Total extraordinary income	3	700
Extraordinary loss		
Loss on disposal of fixed assets	0	62
Shop closing expenses	13	44
Loss on sales of investment securities	98	-
Other	0	26
Total extraordinary loss	112	133
Profit (loss) before income taxes	2,049	3,135
Income taxes	1,759	815
Profit (loss)	290	2,320
Profit (loss) attributable to non-controlling interests	2	(1)
Profit (loss) attributable to owners of the parent	287	2,321

Consolidated Statements of Comprehensive Income

(millions of yen)

	Nine months ended September 30, 2022	Nine months ended September 30, 2023
	Amount	Amount
Profit (loss)	290	2,320
Other comprehensive income		
Net unrealized gain (loss) on available-for-sale securities	38	-
Deferred gain (loss) on derivatives under hedge accounting	493	22
Foreign currency translation adjustments	311	89
Remeasurements of defined benefit plan	(1)	(0)
Share of other comprehensive income of entities accounted for using equity method	389	210
Total other comprehensive income	1,231	321
Comprehensive income	1,521	2,641
(Breakdown)		
Comprehensive income attributable to owners of the parent	1,469	2,614
Comprehensive income attributable to non-controlling interests	52	26

(3) Notes on Quarterly Consolidated Financial Statements

(Note on the Going-concern Assumption)

Not applicable

(Note on Significant Changes in the Amount of Shareholders' Equity)

Not applicable

(Application of Specific Accounting Methods for the Preparation of Quarterly Consolidated Financial Statements)

(Simplified accounting methods)

1) Calculation method for depreciation of fixed assets

Depreciation expenses for assets to which the declining-balance method is applied are calculated by allocating a quarterly proportion of the amount for the full fiscal year.

2) Calculation method for deferred tax assets and deferred tax liabilities

Regarding judgments on the amount of recoverable deferred tax assets, the Company has determined that there have been no significant changes in the economic environment or emergence of temporary differences since the end of the previous fiscal year, and therefore the calculations are based on future earnings forecasts from the previous fiscal year and tax planning methods.

(Special accounting treatments)

Calculation of taxes

The Company calculates tax liabilities by producing a reasonable estimate of the effective tax rate after applying tax-effect accounting to profit (loss) before income taxes for the fiscal year, which encompasses the third quarter ended September 30, 2023, and then multiplying profit (loss) before income taxes by this estimated effective tax rate. In cases where this estimated effective tax rate cannot be used, the statutory effective tax rate is used.

(Changes in Accounting Policies)

(Application of Accounting Standard for Revenue Recognition, etc.)

The "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021, hereinafter the "Fair Value Measurement Guidance") has been applied from the beginning of the first quarter of the fiscal year ending December 31, 2023. In accordance with the transitional treatment set forth in Paragraph 27-2 of the Fair Value Measurement Guidance, the new accounting policy prescribed by the Fair Value Measurement Guidance has been applied prospectively. This application has no impact on the quarterly consolidated financial statements.

(Segment Information)

I. Nine months ended September 30, 2022 (January 1 to September 30, 2022)

1. Net sales and income/loss by reportable segment and information on the disaggregation of revenue

	Reportable segment				Adjustments (note 1)	(millions of yen)
	Wedding business	Hotel business	W&R business	Total		Amount recorded on consolidated statements of income (note 2)
Net sales						
Revenue from contracts with customers	22,907	9,425	2,214	34,547	-	34,547
Other revenue	80	-	-	80	-	80
Sales to outside customers	22,987	9,425	2,214	34,627	-	34,627
Inter-segment sales and transfers	1,287	680	24	1,992	(1,992)	-
Total	24,275	10,105	2,239	36,620	(1,992)	34,627
Segment income (loss)	2,983	(2,059)	(263)	659	(1,038)	(378)

Notes: 1. The minus 1,038 million yen adjustment for the segment income (loss) includes an 67 million yen elimination of inter-segment sales and minus 1,105 million yen in corporate expenses that are not allocated to each reportable segment. The main component of these unallocated corporate expenses is general and administrative expenses that are not attributable to reportable segments

2. Segment income (loss) is adjusted to correspond with operating income reported on the quarterly consolidated statements of income.

2. Impairment loss on fixed assets or goodwill by reportable segment

Not applicable

II. Nine months ended September 30, 2023 (January 1 to September 30, 2023)

1. Net sales and income/loss by reportable segment and information on the disaggregation of revenue

	Reportable segment				Adjustments (note 1)	(millions of yen)
	Wedding business	Hotel business	W&R business	Total		Amount recorded on consolidated statements of income (note 2)
Net sales						
Revenue from contracts with customers	23,587	13,838	2,209	39,635	-	39,635
Other revenue	24	-	-	24	-	24
Sales to outside customers	23,612	13,838	2,209	39,660	-	39,660
Inter-segment sales and transfers	1,383	706	25	2,116	(2,116)	-
Total	24,996	14,545	2,235	41,776	(2,116)	39,660
Segment income (loss)	2,100	919	(87)	2,933	(1,402)	1,530

Notes: 1. The minus 1,402 million yen adjustment for the segment income (loss) includes an 17 million yen elimination of inter-segment sales and minus 1,420 million yen in corporate expenses that are not allocated to each reportable segment. The main component of these unallocated corporate expenses is general and administrative expenses that are not attributable to reportable segments

2. Segment income (loss) is adjusted to correspond with operating income (loss) reported on the quarterly consolidated statements of income.

2. Impairment loss on fixed assets or goodwill by reportable segment

Not applicable

(Revenue Recognition)

Information on the disaggregation of revenue from contracts with customers is as stated in "Notes on Quarterly Consolidated Financial Statements (Segment Information)".

**3. Supplementary Information
(Weddings Held and Orders Received)**

1) Number of weddings held

	Nine Months ended September 30, 2022	Nine Months ended September 30, 2023	Year ended December 31, 2022
Segment	Number of weddings held (cases)	Number of weddings held (cases)	Number of weddings held (cases)
Wedding business	7,351	7,345	10,837
Hotel business	1,152	1,169	1,660
Annual total	8,503	8,514	12,497

2) Wedding orders received

	Nine Months ended September 30, 2022		Nine Months ended September 30, 2023		Year ended December 31, 2022	
Segment	Orders received (cases)	Order backlog (cases)	Orders received (cases)	Order backlog (cases)	Orders received (cases)	Order backlog (cases)
Wedding business	7,667	7,323	8,820	7,455	9,810	5,980
Hotel business	1,191	1,260	1,703	1,654	1,559	1,120
Annual total	8,858	8,583	10,523	9,109	11,369	7,100