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February 14, 2017

**Tsukada Global Holdings Inc.**  
**Consolidated Earnings Report for the Fiscal Year ended December 31, 2016**  
**(Japanese GAAP)**

Stock listing: Tokyo Stock Exchange (First Section) Securities code: 2418

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

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Accounting Department

Scheduled dates:

Annual general meeting of shareholders: March 30, 2017

Filing of statutory year-end financial report: March 30, 2017

Dividend payout: March 31, 2017

Supplementary materials to year-end financial results available: Yes

Year-end earnings presentation held: Yes (targeted at institutional investors and analysts)

(Amounts rounded down to the nearest million yen)

**1. Consolidated Performance for the Fiscal Year ended December 31, 2016**  
**(January 1, 2016 – December 31, 2016)**

**(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	%
Year ended December 31, 2016	55,365	2.9	3,515	(34.8)	3,598	(33.7)	1,951	(49.7)
Year ended December 31, 2015	53,804	4.1	5,392	(15.8)	5,431	(19.0)	3,880	(9.6)

Note: Comprehensive income: Year ended December 31, 2016: 2,194 million yen (38.8%)  
Year ended December 31, 2015: 3,585 million yen (21.1%)

	Profit per share	Diluted profit per share	Return on equity	Ordinary income to total assets	Operating income to net sales
	yen	yen	%	%	%
Year ended December 31, 2016	40.37	36.00	6.1	4.4	6.3
Year ended December 31, 2015	79.48	70.95	12.8	7.4	10.0

Reference: Equity in (earnings) losses of affiliates: Year ended December 31, 2016: - million yen  
Year ended December 31, 2015: - million yen

**(2) Consolidated Financial Position**

	Total assets	Net assets	Equity ratio	Net assets per share
	million yen	million yen	%	yen
December 31, 2016	84,752	34,228	38.5	683.81
December 31, 2015	80,327	31,807	39.6	651.42

Reference: Total equity: December 31, 2016: 32,618 million yen  
December 31, 2015: 31,807 million yen

Total equity=Shareholders' equity plus total accumulated other comprehensive income.

### (3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	million yen	million yen	million yen	million yen
Year ended December 31, 2016	6,559	(12,352)	3,131	15,380
Year ended December 31, 2015	5,686	(12,887)	7,712	17,863

### 2. Dividends

	Dividend per share					Total dividends	Dividend payout ratio (consolidated)	Rate of total dividend to net assets (consolidated)
	End-Q1	End-Q2	End-Q3	Year-end	Annual total			
	yen	yen	yen	yen	yen	million yen	%	%
Year ended December 31, 2015	-	5.00	-	5.00	10.00	488	12.6	1.6
Year ended December 31, 2016	-	5.00	-	5.00	10.00	486	24.8	1.5
Year ending December 31, 2017 (Forecast)	-	5.00	-	5.00	10.00		17.3	

### 3. Earnings Forecast for the Fiscal Year ending December 31, 2017 (January 1, 2017 – December 31, 2017)

(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
Six months ending June 30, 2017	26,300	1.5	350	(1.4)	400	-	150	-	3.10
Year ending December 31, 2017	60,600	9.5	4,300	22.3	4,500	25.0	2,800	43.4	57.91

#### \*Notes

(1) Changes affecting the consolidation status of significant subsidiaries during the period: Yes

Newly Consolidated: 2 Subsidiaries (Best Resort LLC and BT KALAKAUA, LLC)

Newly Deconsolidated: None

Note: For details, please refer to "(5) Notes to the Financial Statements (Basis for Preparation of Consolidated Financial Statements)" in section "4. Consolidated Financial Statements" on page 22 in the accompanying materials.

(2) 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

Note: For details, please refer to "(5) Notes to the Financial Statements (Changes in Accounting Policy)" in section "4. Consolidated Financial Statements" on page 25 in the accompanying materials.

(3) Shares issued (common stock)

	December 31, 2016	December 31, 2015
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	131,534
	Year ended December 31, 2016	Year ended December 31, 2015
3) Average number of shares outstanding during the period	48,347,959	48,828,466

**\* Audit Status**

As of this report publication, an audit of the consolidated financial statements in accordance with Japan's Financial Instruments and Exchange Act is underway.

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

(Cautionary note on forward-looking statements)

The above forecasts are based on information available as of this report's publication. 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 "(1) Operating Results" in "1. Review of Consolidated Financial Results" on page 2 in the accompanying materials.

(Presentation handout materials)

The Company has scheduled an earnings presentation targeted at institutional investors and analysts on February 21, 2017.

The presentation handout materials will be posted on the Company's website immediately after the event.

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## 1. Review of Consolidated Financial Results

### (1) Operating Results

#### 1) Results for Fiscal 2016

In the fiscal year ended December 31, 2016, the Japanese economy followed a moderate recovery path, owing to the government's and Bank of Japan's economic and monetary policies. Furthermore, the outcome of the U.S. presidential election, which led to a sharp depreciation of the yen, is raising hopes of an improvement in the earnings of primarily exporting companies. Nevertheless, the future outlook remains unclear given the economic slowdown in China and other emerging countries and concerns over the political situation in Europe stemming from the impact of such factors as the United Kingdom's exit from the European Union.

In this economic environment, in the bridal market, in which the Tsukada Global Holdings Group operates, the number of weddings in Japan in 2016 was estimated at 621,000, compared with 635,156 in 2015 (source: Outline of Vital Statistics in Japan, Ministry of Health, Labour and Welfare). Although the declining birthrate is gradually having a discernible impact, the size of Japan's wedding market remains generally stable, due in part to a moderate rise in wedding expenditures.

The number of foreign visitors to Japan is estimated to have reached a record 24.03 million in 2016 (source: Japan National Tourism Organization), and the hotel market, another market in which the Group operates, is expanding steadily thanks to the recovery in the Japanese economy, coupled with a boost from foreign visitors.

Furthermore, the relaxation-related market is expected to experience substantial development and expansion in the coming years as the burgeoning interest in health and beauty in recent years adds to the market's previous underlying strength.

In this market environment, the Group endeavored to increase sales and profitability by accurately responding to customers' increasingly individualized and diversifying needs in the bridal, hotel, and relaxation markets while constantly and actively working to create new value, develop high-quality, appealing outlets, and provide high value-added services.

As a result of these efforts, in the fiscal year ended December 31, 2016, Tsukada Global Holdings Inc. ("the Company") posted consolidated net sales of ¥55,365 million (up 2.9% year on year). This positive result largely reflects the contribution of a newly opened hotel, which eclipsed the impact of lower sales in the wedding business, where changes in the market environment depressed the number of weddings held and the average unit prices for such events. However, the lower sales of the wedding business and increase in costs related to starting up new businesses resulted in operating income of ¥3,515 million (down 34.8%), ordinary income of ¥3,598 million (down 33.7%), and profit attributable to owners of the parent of ¥1,951 million (down 49.7%).

The results for each business segment were as follows. The Company changed its reportable business segments starting from the first quarter of fiscal 2016. In the year-on-year comparisons presented below the figures for fiscal 2015 have been adjusted to reflect the change in segments.

#### a. Wedding business

In fiscal 2016, sales in the wedding business fell year on year amid declines in the number of weddings held and the average unit price for such events both in Japan and overseas. However, orders received for guest house weddings in Japan were brisk.

Net sales in the wedding business were ¥34,783 million (down 6.2% year on year), and segment operating income was ¥5,259 million (down 17.1%).

#### b. Hotel business

In fiscal 2016, the hotel business was bolstered by the contribution from The Strings Hotel Nagoya, which opened in November 2015 and continued to enjoy steady increases in the number of weddings held and orders received. Sales at previously existing hotels were also up year on year, with overnight guest occupancy numbers buttressed by a steady flow of foreign visitors to Japan.

As a result, net sales in the hotel business were ¥17,568 million (up 27.5% year on year), while segment operating income was ¥762 million (up 56.1%).

#### c. W&R business (Wellness & Relaxation business)

In the W&R business, sales rose owing to the opening of a new spa complex - Beauty & Relax SPA-HERBS in May 2016, which offset the negative impact of the temporary closing of certain existing salons.

As a result, net sales in the W&R business were ¥3,013 million (up 2.0% year on year), and segment operating loss was ¥473 million (compared with an operating income of ¥110 million in FY2015).

## 2) Earnings Forecast for Fiscal Year Ending December 31, 2017

Regarding the economic environment in which the Tsukada Global Holdings Group operates, although benefits are expected from economic stimulus measures and a moderate improvement in corporate earnings in Japan, the economic outlook is likely to remain uncertain.

The Group intends to actively develop competitive products and constantly strive to create new value and will also aim to improve cost-competitiveness and enhance profitability through efficient outlet development and development of human resources.

The order backlog at the end of the fiscal year under review (December 31, 2016 was 7,435 orders (up 2.4% year on year). For the fiscal year ending December 31, 2017, the Company forecasts consolidated net sales of ¥60,600 million, operating income of ¥4,300 million, ordinary income of ¥4,500 million, and profit attributable to owners of the parent of ¥2,800 million.

## (2) Analysis of Financial Condition

### 1) Assets, Liabilities, and Net Assets

Total assets at the end of the fiscal year (December 31, 2016) amounted to ¥84,752 million, an increase of ¥4,425 million from the end of the previous fiscal year (December 31, 2015). The change resulted mainly from increases of ¥8,184 million in tangible fixed assets, and decreases of ¥2,120 million in cash and deposits and ¥1,227 million in investment securities.

Liabilities at the end of the fiscal year totaled ¥50,524 million, an increase of ¥2,004 million compared with the end of the previous fiscal year. The change is chiefly attributable to a net increase of ¥2,951 million in debt and corporate bonds and a decrease of ¥1,126 million in other current liabilities.

Net assets at the end of the fiscal year totaled ¥34,228 million, an increase of ¥2,420 million from the end of the previous fiscal year. The change is mainly due to increases of ¥1,610 million in non-controlling interests, ¥804 million in treasury stock and ¥1,460 million in retained earnings.

### 2) Cash Flow

Cash and cash equivalents ("cash") at the end of the fiscal year decreased by ¥2,483 million from the end of the previous fiscal year to ¥15,380 million. Cash flows and factors behind changes in the cash flows are explained below.

#### (Operating cash flow)

Cash provided by operating activities during the fiscal year totaled ¥6,559 million, an increase of 15.4% from the previous fiscal year. The change is mainly attributable to ¥3,386 million in profit before income taxes and ¥3,349 million in depreciation and amortization, partially offset by ¥1,885 million in income taxes paid.

#### (Investing cash flow)

Cash used in investing activities totaled ¥12,352 million, a decrease of 4.2% from the previous fiscal year. The change is mainly the result of ¥12,619 million for the purchase of tangible assets, ¥635 million in lease and guarantee deposits, and ¥793 million for sales of investment securities.

#### (Financing cash flow)

Cash provided by financing activities in the fiscal year totaled ¥3,131 million, a decrease of 59.4% from the previous fiscal year. The change is mainly attributable to net proceeds of ¥2,954 million from debt and the issuance of bonds, ¥1,505 million of proceeds from stock issuance to non-controlling interests, ¥807 million of purchase of treasury stock and ¥486 million in dividends paid to shareholders.

Changes in the Tsukada Global Holdings Group's cash flow-related indicators are as follows.

	FY2013	FY2014	FY2015	FY2016
Return on equity (%)	45.7	42.7	39.6	38.5
Return on equity based on market value (%)	60.2	60.1	47.7	39.3
Cash flow to interest-bearing debt (years)	3.2	3.9	6.2	5.8
Interest coverage ratio (times)	23.4	32.6	24.8	27.2

Notes:

Return on equity: Total equity/Total assets

Return on equity based on market value: Market valuation/Total assets

Cash flow to interest-bearing debt: Interest-bearing debt/Operating cash flow

Interest coverage ratio: Operating cash flow/Interest expenses

1. All indicators are calculated based on consolidated figures.
2. Cash flows from operating activities in the Consolidated Statements of Cash Flows are used for operating cash flow. Interest-bearing debt includes all liabilities recorded on the Consolidated Balance Sheets on which interest is paid. Interest paid in the Consolidated Statements of Cash Flows is used for Interest expenses.

**(3) Basic Policy on Profit Distribution, Dividends for Fiscal 2016, and Dividend Forecast for Fiscal 2017**

The Company considers the return of profits to shareholders to be an important management priority. The Company's policy is to give comprehensive consideration to the financial situation, profit level, and other factors while strengthening the business infrastructure and to return profits to shareholders in a flexible manner in accordance with the operating results each year while taking into consideration enhancement of internal reserves.

With regard to dividends, the Company decided to pay a year-end dividend of ¥5 per share for the year ended December 31, 2016. As the Company paid an interim dividend of ¥5 per share in August 2016, the annual dividend for fiscal 2016 is ¥10 per share.

The Company also plans to pay an annual dividend of ¥10 per share (including an interim dividend of ¥5 per share) for the year ending December 31, 2017.

**(4) Business and Other Risks**

The following is a description of matters considered to be potential risks to the Tsukada Global Holdings Group's business operations. In the interest of proactive disclosure of information to investors, matters that the Company does not necessarily consider business risks but that may be important for investor decisions or understanding of the Group's business activities have been included.

Forward-looking statements contained herein are based on the Company's best judgment as of the end of fiscal 2016. The Company strives to avoid the occurrence of risks and respond when a risk occurs.

1) Characteristics of the business

a. Services

The Tsukada Global Holdings Group aims to provide the latest wedding styles as well as hotel life and relaxation services that are highly responsive to the interests and preferences of its customers by constantly and meticulously analyzing contemporary needs and fashion trends, combining experience and expertise accumulated within the Group with high-level services provided by partner companies, and assigning professional chefs and service staff to each facility especially to provide dining and other services.

Nevertheless, if the Group's services fail to respond to current needs and fashion trends or if the Group is unable to secure partner companies, chefs, or staff that meet the desired level of excellence and be unable to provide satisfactory services to customers, the Group's operating results may be affected.

b. Human resources

To cope with further expansion of operations and diversification of business activities, the Group will further bolster its sales and administrative department personnel by actively recruiting recent university graduates

and establishing education and training systems. Nevertheless, if the Group is unable to secure internal personnel in line with expansion of operations as planned, competitiveness may decline, further expansion of operations may be constrained, and the Group's operating results may be affected.

## 2) Markets in which the Group operates

According to the Ministry of Health, Labour and Welfare's Outline of Vital Statistics in Japan, Japan's population of people reaching marrying age is gradually declining. If the overall size of the bridal market contracts in the future, the Group's operating results may be affected.

In the bridal market, the Group's core business, it is expected that existing hotels and ceremony hall operators will enter and provide unprecedented new services to the guesthouse and wedding services market and that companies from other industries will enter the market. If competition with other companies intensifies as a result, the Group's operating results may be affected.

## 3) Operating results and financial situation

### a. Seasonal changes in operating results

The Group's net sales increases at the time of the opening of new facilities tend to concentrate during the April–June and October–December peak wedding seasons in Japan (the second and fourth quarters of the Company's fiscal year).

Quarterly operating results for the fiscal year ended December 31, 2016

	First Quarter (percentage of full-year results)	Second Quarter (percentage of full-year results)	Third Quarter (percentage of full-year results)	Fourth Quarter (percentage of full-year results)
	million yen	million yen	million yen	million yen
Net sales	11,571 20.9%	14,339 25.9%	12,918 23.3%	16,536 29.9%
Operating income or loss (loss shown in parentheses)	(588) -16.7%	943 26.8%	487 13.9%	2,673 76.0%

### b. Heavy reliance on debt

Since heretofore the Group has raised investment capital for construction costs, lease and guarantee deposits, and other expenses incurred when building new facilities primarily by means of loans from financial institutions, the ratio of interest-bearing debt to total assets is high. The balance of interest-bearing debt was ¥35,409 million as of December 31, 2015 and ¥38,351 million as of December 31, 2016. The ratio of interest-bearing debt to total assets stood at 44.1% as of December 31, 2015 and 45.3% as of December 31, 2016, reflecting the Group's heavy reliance on debt. The ratio of interest expenses to net sales was 0.4% in the years ended December 31, 2015 and December 31, 2016.

If the financial situation changes significantly and interest rates rise, the Group's operating results may be affected.

In addition, some of the Company's loans have financial covenants attached. If the Company violates these covenants and a lender demands settlement, the loan may become immediately due and payable and the Company may repay the loan in full.

### c. Overseas conditions

The Group operates an overseas wedding and restaurant services business that caters mainly to Japanese customers in Hawaii, the United States, Bali, Indonesia and Singapore. As of December 31, 2016, the Group operated five wedding chapels in Hawaii, two wedding facilities in Bali and one wedding and restaurant facility in Singapore. For this reason, changes in the political situation or economic trends in these overseas regions or the occurrence of events such as war, terrorism, or major natural disaster may result in cancellations and affect the Group's operating results.

Local companies Best Bridal Hawaii, Inc. and PT. Tirtha Bridal provide wedding services on a contract basis for overseas wedding orders received by the Company and also arrange weddings for local customers. Best Resort LLC, BT KALAKAUA, LLC and BEST HOSPITALITY LLC are engaged in the hotel real estate development business in Hawaii. Ecpark Pte. Ltd. operates a restaurant business that caters to local



customers. Best Bridal Korea Inc. is constructing guest houses and has signed lease contracts with Marizin Inc. in preparation for entry into the Korean bridal market. If these business activities fail to progress in line with the Company's expectations, the Group's operating results may be affected.

d. Impact of foreign exchange fluctuations

Since the Company has receivables denominated in foreign currencies including outstanding loans to subsidiaries and has debts denominated in foreign currencies, the Group's operating results and financial situation may be affected by significant foreign exchange fluctuations.

e. Food safety

Since the Group operates restaurants in its ceremony halls and hotels, it is subject to regulation under food sanitation laws. To ensure that situations such as a suspension of business due to food poisoning or other hygiene-related issues occurs, the Group appoints a sanitary manager at each outlet and restaurant and constantly takes all possible precautionary measures to ensure safety and quality. Nevertheless, if a major quality problem that goes beyond the scope of the Group's measures occurs, the Group's operating results may be affected.

4) Continuity of management personnel

Masayuki Tsukada is the president and CEO of Tsukada Global Holdings Inc. He performs an important role in business activities, such as deciding management policies and strategy. To avoid over-reliance on Masayuki Tsukada in business management and execution, the Company mitigates management risk by means such as enhancement of the Management Committee and delegation of authority and is also strengthening human resources development in each business sector. However, if Masayuki Tsukada becomes unable to perform his duties due to unforeseen circumstances, business development and business results may be affected.

5) Laws and regulations

The construction and renovation of guest houses are subject to various regulations under the Building Standards Act, Fire Service Act, Sewerage Act, and other laws as well as, depending on the building structure and construction location, regulations under local ordinances on wastewater control, noise control, and other matters. When the Group constructs or renovates facilities, it hires a licensed architect or a construction company to perform structural checks, and the Company's marketing department and local fire departments also perform checks. Nevertheless, if the Group violates any of the above legal regulations, guest house construction plans may be delayed or operations impeded, and the Group's operating results may be affected.

The Group has registered its overseas salons (type one business activities) pursuant to the Travel Agency Act. If the Group violates the act and becomes unable to renew its registration or has its registration revoked, the Group's operating results may be affected.

Furthermore, the Group operates its hotels in accordance with the Inns and Hotels Act, and the provision of beauty services offered prior to wedding ceremonies is subject to regulation under the Act on Specified Commercial Transactions.

6) Capital investment and new construction risk

a. Current guest houses

Facility name	Nihonbashi	Shirogane	Yokohama	Osaka	Sendai	Hoshigaoka	Shinurayasu	Omiya	Aoyama	Ichigaya
No. of guest houses	1	2	4	5	3	2	5	8	3	1

Facility name	Shinsaibashi	Marunouchi	Yagoto	Kamogawa	Chiba	Akasaka	Odaiba	Nagoya Minato	Iseyama	Meieki
No. of guest houses	2	1	4	3	2	1	1	3	7	7

As of December 31, 2016, the Group operates the aforementioned 20 outlets (65 guest houses) inside Japan. The construction and renovation of all these guest houses are planned internally by the Company's business development department.

The Group's policy is to continue to efficiently open new guest houses, mainly in the Tokyo Metropolitan, Kansai, and Chukyo regions, after meticulous market analysis, facility planning, and site selection.

The Group seeks to sustain a stable customer acquisition rate by renovating existing guest houses and hotels on a three-year renewal cycle and maintaining newness and excellent design characteristics at all times.

Nevertheless, if the Group is unable to acquire real estate (primarily land) suitable for facilities construction or employ necessary operations staff, or if new or existing guest houses and hotels fail to meet with customer acceptance, the Group's operating results may be affected.

Additionally, if the real value of fixed assets held by the Group declines significantly due to factors such as the industry trend or change in the business environment, the Group's operating results and financial situation may be affected due to recognition of impairment loss.

#### b. Outlet development risks

The Group typically signs lease contracts to secure sites needed for its directly operated facilities and pays guarantee money as well as upfront interior and exterior design expenses when opening outlets. After outlet opening as well, labor costs, rent, and other running costs are incurred. For this reason, the amount of deposits and guarantees and related expenses increase with the opening of new outlets. If the Company is forced to close an outlet after a shorter period than the expected period of operation, it may incur penalties for breach of contract. In addition, if a lessor goes bankrupt, the Company may be unable to recover all or part of its guarantee money.

The Company's policy on future site procurement is to proceed with guest house construction using land acquisition and securitization as an option in addition to leasing for the purpose of putting the outlet development plan on a firmer footing. Although the Company's policy when considering outlet development is to place priority on management efficiency and avoidance of deterioration of the financial position, acquisition of land may affect the financial position. As this necessitates securing large sites, if the Group is unable to secure properties suitable for construction and the outlet development plan does not progress as expected, business development may be constrained, and the Group's operating results may be affected.

#### c. Special purpose company

The Group utilizes the Shirogane office (Shirogane SPC Co., Ltd.) as a special purpose company (SPC). The Company invests in an anonymous partnership in connection with the SPC and, with respect to the scope of consolidation of this anonymous partnership investment, determines individually whether or not the Company has control and influence over the SPC in accordance with the Practical Solution on Application of Control Criteria and Influence Criteria to Investment Associations (ASBJ Practical Issues Task Force No. 20, March 25, 2011). The executive authority for the anonymous partnership is the SPC, the partnership operator, and the Company does not have any direct voting rights or other authority that would give it control over the SPC. Since it is clear that the Company cannot make decisions over financial, operating, or business policies, the anonymous partnership operated by Shirogane SPC Co., Ltd. does not qualify as a subsidiary and is excluded from the scope of consolidation.

With regard to decisions on the scope of consolidation, in recent years transactions involving the use of special purpose companies have rapidly increased and become more complex and diversified, it has been pointed out that stakeholders may be misled in their judgments concerning the status of business groups, and the Company recognizes that special purpose companies are the subject of international debate. If a change occurs in the Company's policy on deciding the scope of consolidation due to the institution of new accounting standards or the publication of practical guidelines on accounting standards, the Group's operating results and financial condition may be affected.

The anonymous partnership operated by Shirogane SPC Co., Ltd. had trust beneficiary rights of ¥2,682 million and loans from financial institutions totaling ¥1,900 million as of December 31, 2016.

#### 7) Management of customer information

The Group handles the personal information of many customers through its wedding services sales activities. The Group has prepared against the risk of information leakage by taking security measures to maintain the

confidentiality of this personal information, including storing information in locked cabinets and using passwords to secure electronic information. Nevertheless, if leakage of personal information occurs due to unforeseen circumstances, the Group's operating results may be affected by loss of public trust in the Group.

## **2. Management Policy**

### **(1) Basic Management Policy**

The corporate philosophy of the Tsukada Global Holdings Group is “Tsukada Global Holdings strives to create gathering places which leave an everlasting memory on guests by offering the finest professional hospitality services.” In accordance with this philosophy, the Group has accurately identified constantly changing customer needs and provided high-quality services and high value-added facilities. The Group will pursue sustained development and enhancement of corporate value by continuing to create new value in the markets in which it operates.

The Group has set forth five basic strategies to accomplish the basic management policy.

1. Outlet development strategy:  
Develop guest houses, hotels, and wellness & relaxation facilities, primarily in the Tokyo Metropolitan, Kansai, and Chukyo regions, that are adapted to the unique characteristics of each market.
2. Product development capabilities:  
Realize competitive products with high added value, aiming to provide customers with highly satisfying products and services.
3. Proposal and sales capabilities:  
Accurately identify customer needs (customers’ dreams) and enhance product proposal and sales capabilities to make these dreams come true.
4. Profitability enhancement:  
Streamline management and improve operating efficiency to continuously achieve high profitability.
5. Financial strategy:  
Procure funds by means suited to the characteristics of the business, placing priority on capital costs, while carefully considering factors such as maintenance of a sound financial position, capital efficiency improvement, and dilution of share value.

### **(2) Target Management Indicators**

To remain a corporate entity capable of stable and continuous growth, the Group has made return on equity (ROE) an important management indicator in order to increase overall profitability while strengthening the financial position. The Group will work to enhance corporate value by increasing ROE.

### **(3) Medium- to Long-term Management Strategy**

#### **1) Product strategy**

While meticulously analyzing contemporary needs and fashion trends, the Group continuously provides high value-added products to customers in its mainstay bridal business as well as in the hotel and wellness and relaxation businesses.

In the Company’s guest house and wedding services, bride and groom become lady and lord of the manor, welcoming many guests as party hosts. For customers who seek to fulfill their own dreams and aspirations, the Company has developed a system that is highly responsive to customers’ preferences and plans by combining the Group’s accumulated expertise with high-level services provided by many partner companies. As for eating and drinking and services, the Company assigns a professional chef and service staff to each outlet to always provide high-quality dining and services.

At the Hotel InterContinental Tokyo Bay, The Strings by InterContinental Tokyo, the Sir Winston Hotel, and The Strings Hotel Nagoya which the Group operates, the Company is defying the conventional wisdom of profitability improvement through cost cutting by implementing transformational management reform through new investment. As a result, the Company is achieving a significant improvement in profitability.

The Group also operates the British-style Queensway reflexology salons, which boast an extraordinary repeat rate as the first casual healing salons in Japan that provide reflexology services. The secrets to their success are their stylish pub-like British green exterior and reflexology techniques thoroughly researched and developed for the Japanese market.

#### **2) Outlet development strategy**

The Group aims to create high-quality, authentic facilities. The domestic network comprises 20 guest houses, the Hotel InterContinental Tokyo Bay, The Strings by InterContinental Tokyo, the Sir Winston Hotel, The

Strings Hotel Nagoya, and 48 Queensway reflexology salons. The sustained growth of the Company requires efficient outlet development based on facility planning, site selection, and property selection based on meticulous marketing analysis, and the Company plans to develop outlets mainly in the Tokyo Metropolitan, Kansai, and Chukyo regions, which offer strong future growth potential. The Group seeks to sustain a stable customer acquisition rate by renovating existing facilities on a three-year renewal cycle and maintaining newness and excellent design characteristics at all times.

### 3) Sales strategy

The Group does not conduct door-to-door selling. The principal sales method is face-to-face sales to customers visiting facilities by sales staff.

In the domestic wedding business division, the product announcement and advertising strategy relies heavily on paid advertising via TV commercials, wedding magazines, and other media, and creating more appealing advertisements is critical for prevailing against competitors. The Company creates appealing print advertising with an emphasis photographic content to call maximum attention to the design and service content of facilities. The Company also actively solicits customers via the Internet by combining use of Internet advertising with introduction of facilities and services on websites.

Trend in sales results such as sales success rates for each facility are compiled and analyzed weekly, and supervisors from domestic business divisions discuss improvement measures with managers and staff of guest houses showing signs of declining customer acquisition and provide guidance and recommendations on how to improve success rates.

With regard to the overseas business division, the Company is strengthening the overseas wedding salons in Japan (five outlets) and sales channels in order to improve the ability to attract customers and increase success rates.

The Group will further emphasize the development of high-caliber personnel by establishing education and training systems to enhance the service proposal capabilities of individual employees.

### **(4) Issues to Address**

The economic environment in which the Tsukada Global Holdings Group operates is likely to remain generally unpredictable and adverse. Although the about-face in monetary policy and economic stimulus measures in Japan is expected to lead to revival of the stagnant economy, worldwide fluctuation in crude oil prices, interest rates, exchange rate trends, and corporate business performance is expected to continue for some time.

In these circumstances, the Group must continue to operate highly competitive and attractive guest houses and hotels while providing meticulous products and services responsive to customer needs, which are expected to become increasingly individualized and diverse, and constantly create and provide new, high value-added services in the wellness and relaxation business.

The Company will seek to grow into a comprehensive hospitality company by reinforcing and improving an advertising strategy that helps boost brand power in order to further enhance competitive advantage in the market and corporate value, further promote Group synergies with a view to expansion into overseas markets, strengthen the financial position by means including cost cutting, and focus on securing and developing talented human resources.

#### 1) Guest house development

The Company operates 20 outlets in Japan. Since development of highly competitive guest houses is a cornerstone of the business, the Company plans to promote more efficient development while diversifying the outlet development strategy.

#### 2) Hotel development

The Group operates the Hotel InterContinental Tokyo Bay, The Strings by InterContinental Tokyo, the Sir Winston Hotel, and the Strings Hotel Nagoya. The Group plans to actively develop new properties in Japan and overseas while further enhancing earning power.

#### 3) Development of wellness and relaxation facilities

The Group operates British-style reflexology salons (Queensway) and spa complex - Beauty & Relax SPA-HERBS and plans to expand the scale of this business by proactively developing these salons and by accelerating development of a spa complex.

4) Securing and developing human resources

The Company believes that strengthening of its wedding presentation capabilities to enhance customer service contributes to differentiation from competitors and will continue to actively create mechanisms to raise employee motivation and develop systems to make possible medium- to long-term employee development.

### **3. Basic Views on Adoption of Accounting Standards**

The Company's financial statements are prepared in accordance with the accounting principles generally accepted in Japan (Japanese GAAP), in order to ensure comparability with other companies in the peer. As to the possible future adoption of the International Financial Reporting Standards (IFRS), the Company shall continue its study going forward, taking into account the future developments of the Company's business and of the global and Japanese business environments.

#### 4. Consolidated Financial Statements

##### (1) Consolidated Balance Sheets

(millions of yen)

	December 31, 2015	December 31, 2016
	Amount	Amount
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	17,589	15,468
Accounts receivable - trade	879	966
Marketable securities	362	-
Merchandise	33	114
Raw materials and supplies	569	506
Deferred tax assets	615	459
Other	1,876	1,549
Allowance for doubtful receivables	(55)	(64)
<b>Total current assets</b>	<b>21,870</b>	<b>19,000</b>
<b>Fixed assets</b>		
Tangible assets		
Buildings and structures	39,274	43,102
Accumulated depreciation	(17,426)	(19,505)
Buildings and structures, net	21,847	23,597
Land	14,854	21,156
Construction in progress	632	781
Other	6,080	6,839
Accumulated depreciation	(4,260)	(5,036)
Other, net	1,819	1,803
<b>Total tangible assets</b>	<b>39,154</b>	<b>47,338</b>
Intangible assets		
Goodwill	2,538	2,271
Other	181	272
<b>Total intangible assets</b>	<b>2,719</b>	<b>2,543</b>
Investments and other assets		
Investment securities	4,285	3,058
Lease and guarantee deposits	8,362	8,649
Deferred tax assets	2,770	3,110
Other	1,066	952
<b>Total investments and other assets</b>	<b>16,485</b>	<b>15,771</b>
<b>Total fixed assets</b>	<b>58,358</b>	<b>65,653</b>
<b>Deferred assets</b>		
Bond issuance costs	97	98
<b>Total deferred assets</b>	<b>97</b>	<b>98</b>
<b>Total assets</b>	<b>80,327</b>	<b>84,752</b>



	(millions of yen)	
	December 31, 2015	December 31, 2016
	Amount	Amount
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable - trade	2,258	2,362
Current portion of long-term debt	2,857	13,062
Current portion of bonds	724	824
Income taxes payable	1,369	1,112
Advances received	1,131	1,336
Other	4,492	3,366
<b>Total current liabilities</b>	<b>12,834</b>	<b>22,065</b>
<b>Fixed liabilities</b>		
Bonds	3,558	3,684
Convertible bonds with stock acquisition rights	5,000	5,000
Long-term debt	23,227	15,747
Net defined benefit liability	331	332
Provision for directors' retirement benefits	691	702
Asset retirement obligations	2,139	2,339
Other	736	652
<b>Total fixed liabilities</b>	<b>35,685</b>	<b>28,459</b>
<b>Total liabilities</b>	<b>48,519</b>	<b>50,524</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	472	472
Capital surplus	634	634
Retained earnings	30,630	32,090
Treasury stock	(88)	(892)
<b>Total shareholders' equity</b>	<b>31,648</b>	<b>32,304</b>
<b>Accumulated other comprehensive income</b>		
Net unrealized gain on available-for-sale securities	(28)	(58)
Foreign currency translation adjustments	190	376
Remeasurements of defined benefit plans	(2)	(3)
<b>Total accumulated other comprehensive income</b>	<b>158</b>	<b>313</b>
<b>Non-Controlling Interests</b>	<b>-</b>	<b>1,610</b>
<b>Total net assets</b>	<b>31,807</b>	<b>34,228</b>
<b>Total liabilities and net assets</b>	<b>80,327</b>	<b>84,752</b>

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

(millions of yen)

	Year ended December 31, 2015	Year ended December 31, 2016
	Amount	Amount
<b>Net sales</b>	53,804	55,365
Cost of sales	35,756	38,125
<b>Gross profit</b>	18,047	17,240
<b>Selling, general and administrative expenses</b>	12,655	13,724
<b>Operating income</b>	5,392	3,515
<b>Non-operating income</b>		
Interest income	81	46
Dividend income	59	29
Gain on sales of marketable securities	43	-
Gain on investments in silent partnership	130	158
Gain on redemption of investment securities	-	122
Real estate rental income	21	152
Other	81	102
Total non-operating income	418	611
<b>Non-operating expenses</b>		
Interest expenses	228	240
Loss on valuation of derivatives	56	58
Foreign exchange loss	51	143
Other	42	86
Total non-operating expenses	379	527
<b>Ordinary income</b>	5,431	3,598
<b>Extraordinary income</b>		
Gain on sales of fixed assets	1	1
Reversal gains of provisions for directors' retirement benefits	-	14
Reversal gains of provisions for shop closing expenses	-	4
Total extraordinary income	1	20
<b>Extraordinary loss</b>		
Loss on sales of fixed assets	30	0
Loss on disposal of fixed assets	47	60
Loss on sales of investment securities	-	130
Shop closing expenses	27	3
Impairment loss	-	37
Loss on liquidation of subsidiaries/affiliates	18	-
Provision of allowance for loss on shop closing	13	-
Others	5	-
Total extraordinary loss	141	232
<b>Profit before income taxes</b>	5,291	3,386
<b>Income taxes - current</b>	1,874	1,585
<b>Income taxes - deferred</b>	(463)	(146)

<b>Total income taxes</b>	1,411	1,439
<b>Profit for the period</b>	3,880	1,946
<b>Profit (loss) attributable to non-controlling interests</b>	-	(5)
<b>Profit (loss) attributable to owners of the parent</b>	3,880	1,951

## Consolidated Statements of Comprehensive Income

(millions of yen)

	Year ended December 31, 2015	Year ended December 31, 2016
	Amount	Amount
<b>Profit for the period</b>	3,880	1,946
<b>Other comprehensive income</b>		
Net unrealized gain on available-for-sale securities	(196)	(30)
Deferred gain (loss) on derivatives under hedge accounting	(7)	-
Foreign currency translation adjustments	(92)	278
Remeasurements of defined benefit plan	0	(0)
Total other comprehensive income	(295)	247
<b>Comprehensive income</b>	3,585	2,194
(Breakdown)		
Comprehensive income attributable to owners of the parent	3,585	2,106
Comprehensive income attributable to non-controlling interests	-	87

### (3) Consolidated Statements of Changes in Net Assets

Year ended December 31, 2015 (January 1 to December 31, 2015)

(millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of term	472	634	27,238	(88)	28,256
Changes during term					
Cash dividends			(488)		(488)
Profit attributable to owners of the parent			3,880		3,880
Purchase of treasury stock					
Change in scope of consolidation					
Net changes in items other than shareholder's equity					
Total changes during term	-	-	3,392	-	3,392
Balance at end of term	472	634	30,630	(88)	31,648

	Accumulated other comprehensive income					Total net assets
	Net unrealized gain on available-for-sale securities	Deferred gain (loss) on derivatives under hedge accounting	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	
Balance at beginning of term	167	7	282	(3)	454	28,710
Changes during term						
Cash dividends						(488)
Profit attributable to owners of the parent						3,880
Purchase of treasury stock						-
Change in scope of consolidation						-
Net changes in items other than shareholder's equity	(196)	(7)	(92)	0	(295)	(295)
Total changes during term	(196)	(7)	(92)	0	(295)	3,097
Balance at end of term	(28)	-	190	(2)	158	31,807

Year ended December 31, 2016 (January 1 to December 31, 2016)

(millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of term	472	634	30,630	(88)	31,648
Changes during term					
Cash dividends			(486)		(486)
Profit attributable to owners of the parent			1,951		1,951
Purchase of treasury stock				(804)	(804)
Change in scope of consolidation			(5)		(5)
Net changes in items other than shareholder's equity					
Total changes during term	-	-	1,460	(804)	655
Balance at end of term	472	634	32,090	(892)	32,304

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Net unrealized gain on available-for-sale securities	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of term	(28)	190	(2)	158	-	31,807	
Changes during term							
Cash dividends						(486)	
Profit attributable to owners of the parent						1,951	
Purchase of treasury stock						(804)	
Change in scope of consolidation						(5)	
Net changes in items other than shareholder's equity	(30)	185	(0)	154	1,610	1,765	
Total changes during term	(30)	185	(0)	154	1,610	2,420	
Balance at end of term	(58)	376	(3)	313	1,610	34,228	

#### (4) Consolidated Statements of Cash flows

	(millions of yen)	
	Year ended December 31, 2015	Year ended December 31, 2016
	Amount	Amount
<b>Cash flows from operating activities</b>		
Profit before income taxes	5,291	3,386
Depreciation and amortization	2,763	3,349
Amortization of goodwill	291	266
Amortization of bond issuance costs	20	21
Loss on disposal of tangible assets	47	60
(Gain) loss on sales of fixed assets	28	(1)
(Gain) loss on valuation of derivatives	56	58
(Gain) loss on redemption of investment securities	-	(122)
(Gain) loss on sales of investment securities	-	130
(Gain) loss on investments in silent partnership	(130)	(158)
Foreign exchange (gain) loss	(22)	136
Impairment loss	-	37
Increase (decrease) in allowance for doubtful receivables	8	9
Increase (decrease) in net defined benefit liability	25	(0)
Increase (decrease) in provision for directors' retirement benefits	9	11
Increase (decrease) in provision for point card certificates	(18)	-
Loss on liquidation of subsidiaries and affiliates	18	-
Shop closing expenses	27	3
Interest and dividend income	(141)	(75)
Interest expenses	228	240
(Gain) loss on sales of marketable securities	(43)	-
(Increase) decrease in notes and accounts receivable - trade	(11)	(96)
(Increase) decrease in inventories	(82)	(18)
Increase (decrease) in notes and accounts payable - trade	(68)	107
(Increase) decrease in other assets	(8)	40
Increase (decrease) in advances received	(53)	206
Increase (decrease) in accrued consumption taxes	(582)	592
Increase (decrease) in other liabilities	43	176
Other- net	239	255
Sub total	7,940	8,618
Interest and dividends received	129	67
Interest paid	(229)	(240)
Income taxes paid	(2,153)	(1,885)
Net cash provided by (used in) operating activities	5,686	6,559

	Year ended December 31, 2015	Year ended December 31, 2016
	Amount	Amount
<b>Cash flows from investing activities</b>		
Proceeds from sales of marketable securities	209	-
Purchase of tangible assets	(11,645)	(12,619)
Purchase of intangible assets	(66)	(169)
Purchase of investment securities	(702)	(300)
Proceeds from sales of investment securities	177	793
Proceeds from redemption of investment securities	-	436
Repayment of contributions from the silent partnership	-	430
Payments for asset retirement obligations	(21)	-
Additional purchase of subsidiaries' shares	(24)	-
Loans receivable	(7)	(159)
Collection of loans receivable	9	52
Lease and guarantee deposits	(991)	(635)
Collection of lease and guarantee deposits	230	271
Payments of construction assistance fund receivables	-	(50)
Other- net	(53)	(402)
Net cash provided by (used in) investing activities	(12,887)	(12,352)
<b>Cash flows from financing activities</b>		
Proceeds from long-term debt	10,700	5,733
Repayments of long-term debt	(2,654)	(2,982)
Proceeds from issuance of bonds	990	977
Payments for redemption of bonds	(824)	(774)
Purchase of treasury stock	-	(807)
Proceeds from stock issuance to non-controlling interests	-	1,505
Purchase of subsidiaries' shares without change in the scope of consolidation	-	(24)
Dividends paid to shareholders	(487)	(486)
Other – net	(11)	(9)
Net cash provided by (used in) financing activities	7,712	3,131
<b>Foreign currency translation adjustments on cash and cash equivalents</b>	(2)	(71)
<b>Net increase (decrease) in cash and cash equivalents</b>	509	(2,733)
<b>Cash and cash equivalents, beginning of period</b>	17,354	17,863
<b>Increase in cash and cash equivalents from newly consolidated subsidiary</b>	-	249
<b>Cash and cash equivalents, end of period</b>	17,863	15,380



## **(5) Notes to the Financial Statements**

(Note on the Going-concern Assumption)

Not applicable

(Basis for Preparation of Consolidated Financial Statements)

### 1. Scope of consolidation

(1) Number of consolidated subsidiaries: 14

Name of consolidated subsidiaries:

Best Bridal Inc.

Best Planning Inc.

Best Bridal Hawaii, Inc.

Acqua Grazie, Inc.

Best Bridal Korea Inc.

PT. Tirtha Bridal

Best Hospitality Network Corporation

Best Global, Inc.

Ecpark Pte. Ltd.

BEST HERBS, Inc.

RAJA Co., Ltd.

BEST HOSPITALITY LLC

Best Resort LLC

BT KALAKAUA, LLC

Among the above-listed subsidiaries, Best Resort LLC and BT KAKAKAUA, LLC have increased their importance in the group in the fiscal year under review, and have consequently been added to the scope of consolidation.

FAJA Co., Ltd. has been renamed to BEST HERBS, Inc. during the fiscal year under review.

(2) Name of principal non-consolidated subsidiaries:

Non-consolidated subsidiaries

Life Create Bank, Inc.

West Foods Co., Ltd.

(Reason for excluding these subsidiaries from consolidation)

These subsidiaries have been excluded from consolidation, because they are all small in size with their total assets, net sales, net income/loss for the year ended December 31, 2016 (amounts proportionate to the Company's equity interest), and retained earnings (amount proportionate to the Company's equity interest) bearing no significant impact on the Company's consolidated financial statements.

### 2. Application of equity method

(1) Number of equity method affiliates:

Not applicable

(2) The equity method is not applied to some non-consolidated subsidiaries (Life Create Bank, Inc. and West Foods Co., Ltd.) and an affiliate (Marizin Inc.), because they are of minor importance in terms of the bearing of net income/loss (amounts proportionate to the Company's equity interest) and retained earnings (amount proportionate to the Company's equity interest) on the consolidated financial statements for the fiscal year ended December 31, 2016, and in terms of their position within the whole Tsukada Global Holdings Group.

### 3. Accounting period of consolidated subsidiaries

Consolidated subsidiaries have the same accounting period as the parent company.

### 4. Accounting standards

#### (1) Valuation standards and methodologies of principal assets

##### 1) Securities

Available-for-sale securities:

For which market quotations are available:

These securities are recorded at fair value based on market quotations, etc. on the consolidated balance sheet date. (Unrealized holding gains and losses are recorded as a net amount in net assets accordingly. The cost of securities sold is calculated with the moving average method.)

For which market quotations are not readily available:

Calculated using the moving average cost method.

With respect to investments in silent partnership, the Company uses a method whereby it records the net amount of the percentage interest held based on the most recent statement of accounts that the Company is able to obtain as of the day stipulated in the partnership agreement on which the latest statement of accounts is reported.

##### 2) Derivatives

Recorded at fair value.

##### 3) Inventory

Merchandise:

Cost determined by identified cost method (The balance sheet amounts are calculated by way of write-down of book value to reflect reduced profitability).

Raw materials and supplies:

Cost determined by last purchase cost method (The balance sheet amounts are calculated by way of write-down of book value to reflect reduced profitability).

#### (2) Depreciation/amortization of material depreciable/amortizable assets

##### 1) Tangible assets (excluding lease assets)

Declining balance method

However, some consolidated subsidiaries employ the straight-line method, and those buildings (excluding leasehold improvements) acquired on or after April 1, 1998, are depreciated with the straight-line method.

Buildings and structures held by the Company on leased land based on fixed term land lease agreements are depreciated by the straight-line method over the period equal to the remaining period of the fixed term land lease right with a residual value of nil.

##### 2) Intangible assets (excluding lease assets)

Straight-line method

Software obtained for internal use is amortized over its estimated useful life (five years).

3) Lease assets

The straight-line method is used with the lease period as the useful life and a residual value of nil. Leased assets under finance leases other than those that transfer the ownership of the leased assets to the lessee and which constitute lease transactions entered into on or before December 31, 2008, are accounted for in the same manner as operating leases.

(3) Accounting standards for principal reserves and allowances

1) Allowance for doubtful receivables

To cover possible losses from bad debts, the Company records an allowance for doubtful receivables in the uncollectible amount estimated based on historical default rates for general receivables and based on analysis of debtors' financial positions for specific doubtful receivables.

2) Provision for directors' retirement benefits

To prepare for the payment of directors' retirement benefits, the necessary amount is charged based on year-end provision calculated using the in-house regulations.

(4) Accounting method for employees' retirement benefits

1) Method for attributing projected retirement benefits

In calculating retirement benefit obligations, the benefit formula basis has been used for attributing projected retirement benefits to the period till the end of the fiscal year ended December 31, 2016.

2) Use of simplified valuation method

In preparation for the future disbursement of the retirement benefit obligations for the employees, the Company and some of its consolidated subsidiaries use the simplified valuation method based on the projected benefit obligations at the end of the fiscal year ended December 31, 2016.

(5) Standards for translating significant assets or liabilities denominated in foreign currencies into Japanese yen

Foreign currency denominated claims and obligations are translated into Japanese yen at the spot rate prevailing on the consolidated balance sheet dates. Currency translation losses or gains are recorded on the income statement as such. The assets and liabilities of foreign subsidiaries are also translated into Japanese yen at the spot rate prevailing on the consolidated balance sheet date, and revenues and expenses are translated into Japanese yen at the average rate over the period. Any translation losses or gains are recorded in the net assets under the account "Foreign currency translation adjustments."

(6) Accounting for significant hedges

1) Hedge accounting

Deferred hedge accounting is applied. The company applies special treatment to interest-rate swap agreements that meet the criteria for such special treatment.

2) Hedging instruments and hedged transactions

Hedging instruments:

Interest rate swap, currency swap

Hedged transactions:

Foreign currency-denominated claims and obligations, debts

3) Hedging policy

The Company uses derivative transactions for the purpose of hedging foreign exchange risks and interest rate risks to meet the Company's actual needs. It is the Company's policy not to engage in derivative transactions for speculative purposes.

4) Method for evaluating effectiveness of hedges

The effectiveness of hedges is assessed by measuring the high correlation between changes in market values or cash flows of hedge instruments and changes in market values or cash flows of the hedged items.

(7) Amortization method and period for goodwill

Goodwill is equally amortized over the period of the future economic benefits for each investment.

(8) Scope of cash and cash equivalents in the consolidated statements of cash flows

Cash on hand, bank deposits able to be withdrawn on demand, and short-term investments with maturities of three months or less at the date of acquisition and that are readily convertible to cash and represent a minor risk of fluctuation in value.

(9) Other important matters for preparation of consolidated financial statements

Consumption taxes:

Transactions are recorded exclusive of consumption taxes.

(Changes in Accounting Policy)

(Application of Accounting Standard for Business Combinations, etc.)

Effective from the consolidated financial year ended December 31, 2016, "Accounting Standard for Business Combinations" (ASBJ Statement No. 21 of September 13, 2013), "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22 of September 13, 2013), and "Accounting Standard for Business Divestiture" (ASBJ Statement No.7 of September 13, 2013), etc. have been applied. As a result, differences caused by change in the Company's equity in the subsidiaries and affiliates with controlling interests shall now be adjusted in its capital surplus, and acquisition-related expenses shall now be changed to be reported as expenses incurred during the consolidated financial year in which said acquisition takes place. Furthermore, as to business combinations taking place since the beginning of the financial year ended December 31, 2016 and onwards, finalization and restatement of the provisional accounting treatment of the amount of the acquisition cost allocation shall now be changed to be reflected in the relevant consolidated financial year, where the date of said business combination actually falls. Additionally, the presentation has been changed in the net profit for the period, etc. and also from minority interests to non-controlling interests. For the sake of reflecting these changes in the said presentation, restatement has been made in the consolidated financial statements for the preceding financial year ended December 31, 2015.

In the consolidated statements of cash flows for the financial year ended December 31, 2016, the cash flow related to purchase or sales of subsidiaries' shares without change in the scope of consolidation, is stated in the section of "cash flows from financing activities," while the expenses incurred from the purchase or sales of subsidiaries' shares without change in the scope of consolidation, is reported in the section of "cash flows from operating activities."

The implementation of Accounting Standard for Business Combinations and its related standards is subject to the transitional treatments stipulated in the provisions of Article 58-2 (4) of Accounting Standard for

Business Combinations, Article 44-5 (4) of Accounting Standard for Consolidated Financial Statements and of Article 57-4 (4) of Accounting Standard for Business Divestitures, and has been and will be under way since the beginning of the financial year ended December 31, 2016, and going forward.

The effect of these changes on the consolidated financial statements for the financial year ended December 31, 2016, is immaterial.

(Application of Practical Solution on a Change in Depreciation Method due to Tax Reform 2016)

In accordance with the revision to the Corporation Tax Act, the Company and its domestic consolidated subsidiaries have applied the “Practical Solution on a Change in Depreciation Method due to Tax Reform 2016” (ASBJ Practical Issues Task Force No.32 of June 17, 2016), effective from the financial year ended December 31, 2016, and have changed the depreciation method for facilities attached to buildings and structures acquired on and after April 1, 2016, from the declining balance method to the straight line method.

The effect of this change on the consolidated financial statements for the financial year ended December 31, 2016, is immaterial.

## (Segment and Other Information)

### Segment Information

#### 1. Overview of reportable segment

The Company Group's reportable segments are components of the Group about which separate financial information is available. These segments are subject to periodic examinations to enable the Company's board of directors to decide how to allocate resources and assess performance.

The Group's operations are classified into three reportable segments: the "Wedding business" that provides services such as planning and operation related to wedding ceremonies and banquets in Japan and overseas, the "Hotel business" that offers the management of hotel weddings and provision of hotel accommodation services, and the "W&R business" segment that provides reflexology services and management of spa complex.

"Wedding business" comprises outlet management in Japan and sales to customers, provision of food and drinks at wedding banquets, dress rental and beauty care services, as well as management of venues and operations for weddings and banquet in Hawaii and Bali Indonesia, mainly for customers who book through the Group's sales salons in Japan. The segment also subleases wedding facilities to an affiliate in South Korea. "Hotel business" offers the management of hotel weddings and provision of hotel accommodation services at Hotel InterContinental Tokyo Bay, The Strings by InterContinental Tokyo, Sir Winston Hotel, and The Strings Hotel Nagoya. "W&R business" operates, at 48 outlets across Japan, a British-style reflexology salon, "Queensway" with a high level of skills and sophisticated know-how of attending to customers.

The Group's classification of reportable segments used to consist of 4 reportable segments, i.e. "Domestic wedding business," "Hotel business," "Overseas business," and "W&R business." Effective from the financial year ended December 31, 2016, however, these 4 segments have been reclassified into the 3 segments of "Wedding business," "Hotel business," and "W&R business," having combined the "Domestic wedding business" with the "Overseas business" into the segment of "Wedding business." This is in line with the change in the Group's organizational structure, aiming at a further growth of wedding business in the global markets.

The segment information for the preceding consolidated financial year has been restated accordingly, reflecting this segment change.

#### 2. Calculation of net sales, income/loss, assets, liabilities, and other items by reportable segment

Accounting methods applied in the reportable business segments largely correspond to those presented under "Basis for Preparation of Consolidated Financial Statements."

Reportable segment income is based on operating income.

Intersegment sales or transfers are based on market price.

### 3. Net sales, income/loss, assets, liabilities, and other items by reportable segment

Year ended December 31, 2015 (January 1 to December 31, 2015)

(millions of yen)

	Reportable segment				Adjustments (note 1)	Amount recorded on consolidated financial statements (note 2)
	Wedding business	Hotel business	W&R business	Total		
<b>Net sales</b>						
Sales to outside customers	37,071	13,778	2,954	53,804	-	53,804
Inter-segment sales and transfers	931	321	-	1,252	(1,252)	-
<b>Total</b>	<b>38,002</b>	<b>14,099</b>	<b>2,954</b>	<b>55,056</b>	<b>(1,252)</b>	<b>53,804</b>
<b>Segment income</b>	<b>6,342</b>	<b>488</b>	<b>110</b>	<b>6,941</b>	<b>(1,549)</b>	<b>5,392</b>
<b>Segment assets</b>	<b>32,546</b>	<b>25,005</b>	<b>4,003</b>	<b>61,555</b>	<b>18,772</b>	<b>80,327</b>
<b>Other items</b>						
Depreciation/amortization	2,092	542	79	2,714	49	2,763
Amortization of goodwill	24	128	138	291	-	291
Increase(decrease) in tangible and intangible assets	1,271	12,256	637	14,165	78	14,243

Notes: 1. Details of adjustments are as follows:

- (1) The minus 1,549 million yen adjustment for segment income includes 20 million yen elimination of inter-segment sales and minus 1,569 million yen of unallocated corporate expenses. The main component of these unallocated corporate expenses is SG&A expenses that are not attributable to reportable segments.
  - (2) The 18,772 million yen adjustment for segment assets comprises unallocated corporate assets. Unallocated corporate assets consist mainly of cash and deposits held by the Company which are not attributable to reportable segments.
  - (3) The 49 million yen adjustment for depreciation/amortization comprises depreciation/amortization for unallocated corporate assets.
  - (4) The 78 million yen adjustment for increase in tangible and intangible assets comprises investments in unallocated corporate assets.
2. Segment income is adjusted to correspond with operating income reported on the consolidated statements of income for the corresponding period.

Year ended December 31, 2016 (January 1 to December 31, 2016)

(millions of yen)

	Reportable segment				Adjustments (note 1)	Amount recorded on consolidated financial statements (note 2)
	Wedding business	Hotel business	W&R business	Total		
Net sales						
Sales to outside customers	34,783	17,568	3,013	55,365	-	55,365
Inter-segment sales and transfers	1,254	431	0	1,686	(1,686)	-
<b>Total</b>	<b>36,038</b>	<b>17,999</b>	<b>3,014</b>	<b>57,052</b>	<b>(1,686)</b>	<b>55,365</b>
Segment income (loss)	5,259	762	(473)	5,548	(2,033)	3,515
Segment assets	32,774	24,816	5,993	63,584	21,168	84,752
Other items						
Depreciation/amortization	1,734	1,290	278	3,303	45	3,349
Amortization of goodwill	-	128	138	266	-	266
Increase(decrease) in tangible and intangible assets	2,360	1,489	2,539	6,389	5,440	11,830

Notes: 1. Details of adjustments are as follows:

- (1) The minus 2,033 million yen adjustment for segment income or loss includes 5 million yen elimination of inter-segment sales and minus 2,038 million yen of unallocated corporate expenses. The main component of these unallocated corporate expenses is SG&A expenses that are not attributable to reportable segments.
  - (2) The 21,168 million yen adjustment for segment assets comprises unallocated corporate assets. Unallocated corporate assets consist mainly of cash and deposits held by the Company which are not attributable to reportable segments.
  - (3) The 45 million yen adjustment for depreciation/amortization comprises depreciation/amortization for unallocated corporate assets.
  - (4) The 5,440 million yen adjustment for increase in tangible and intangible assets comprises investments in unallocated corporate assets.
2. Segment income or segment loss is adjusted to correspond with operating income reported on the consolidated statements of income for the corresponding period.



(Per Share Information)

Year ended December 31, 2015		Year ended December 31, 2016	
Net assets per share	651.42 yen	Net assets per share	683.81 yen
Profit for the period per share	79.48 yen	Profit for the period per share	40.37 yen
Diluted profit per share	70.95 yen	Diluted profit per share	36.00 yen

Note: Calculation base for profit for the period per share and for diluted profit per share is as follows:

	Year ended December 31, 2015	Year ended December 31, 2016
Profit for the period per share		
Profit attributable to owners of the parent (millions of yen)	3,880	1,951
Amount not attributable to common stockholders (millions of yen)	-	-
Profit attributable to common stocks of owners of the parent (millions of yen)	3,880	1,951
Average number of shares outstanding during the term (shares)	48,828,466	48,347,959
Diluted profit per share		
Adjustment to profit attributable to owners of the parent (millions of yen)	-	-
Increase in the number of common stock (shares)	5,868,544	5,868,544
[Of which convertible bond with stock acquisition rights (shares)]	[5,868,544]	[5,868,544]
Residual securities that are not dilutive and not included in the calculation for diluted profit per share	-	-

(Significant Subsequent Events)

Not applicable

## 5. Other Information

### (1) Changes in Officers

Not applicable

### (2) Weddings Held, Orders Received, and Sales volume

#### 1) Number of weddings held

	Year ended December 31, 2015	Year ended December 31, 2016
Segment	Number of weddings held (cases)	Number of weddings held (cases)
Wedding business	12,253	11,401
Hotel business	1,271	1,799
Total	13,524	13,200

Note: Classification of reportable segments has been changed effective from the fiscal year ended December 31, 2016. The figures for the previous fiscal year ended December 31, 2015, have been readjusted to the new reportable segments.

#### 2) Wedding orders received

	Year ended December 31, 2015		Year ended December 31, 2016	
Segment	Orders received (cases)	Order backlog (cases)	Orders received (cases)	Order backlog (cases)
Wedding business	11,587	6,016	11,532	6,147
Hotel business	1,688	1,242	1,845	1,288
Total	13,275	7,258	13,377	7,435

Note: Classification of reportable segments has been changed effective from the fiscal year ended December 31, 2016. The figures for the previous fiscal year ended December 31, 2015, have been readjusted to the new reportable segments.

#### 3) Sales volume

	Year ended December 31, 2015	Year ended December 31, 2016
Segment	million yen	million yen
Wedding business	37,071	34,783
Hotel business	13,778	17,568
W&R business	2,954	3,013
Total	53,804	55,365

Notes: 1. Classification of reportable segments has been changed effective from the fiscal year ended December 31, 2016. The figures for the previous fiscal year ended December 31, 2015, have been readjusted to the new reportable segments.

2. Inter-segment transactions have been eliminated from the amounts shown above.

3. The above amounts do not include consumption tax.