〔Delayed〕The original disclosure in Japanese was released on August 10, 2018 at 15:00 (GMT+9)

August 10, 2018

Tsukada Global Holdings Inc.
Consolidated Earnings Report for the Six Months ended June 30, 2018 (Japanese GAAP)

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

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

Representative: Masayuki Tsukada, President and CEO

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Scheduled dates:

Filing of statutory quarterly financial report (*sihanki hokokusho*): August 14, 2018

Dividend payout: September 3, 2018

Supplementary materials to quarterly financial results available: Yes

Quarterly earnings presentation held: Yes (Targeted at institutional investors and analysts)

(Amounts rounded down to the nearest million yen)

1. Consolidated Performance for the Six Months ended June 30, 2018 (January 1, 2018 – June 30, 2018)

(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	%
Six months ended June 30, 2018	27,992	7.0	1,076	43.0	996	44.1	588	269.3
Six months ended June 30, 2017	26,171	1.0	753	112.2	691	-	159	-

Note: Comprehensive income: Six months ended June 30, 2018: -81 million yen (- %)
Six months ended June 30, 2017: -96 million yen (- %)

	Profit per share	Diluted profit per share
	yen	yen
Six months ended June 30, 2018	12.34	12.19
Six months ended June 30, 2017	3.34	2.98

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	million yen	million yen	%
June 30, 2018	81,286	35,514	41.8
December 31, 2017	84,447	35,781	40.5

Reference: Total equity: June 30, 2018: 33,994 million yen
December 31, 2017: 34,208 million yen

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

2. Dividends

	Dividend per share				
	End-Q1	End-Q2	End-Q3	Year-end	Annual total
	yen	yen	yen	yen	yen
Year ended December 31, 2017	-	5.00	-	5.00	10.00
Year ending December 31, 2018	-	5.00			
Year ending December 31, 2018 (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, 2018 (January 1, 2018 – December 31, 2018)

(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, 2018	61,500	7.4	5,000	17.1	5,050	14.8	3,000	36.2	62.89

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

*Notes

(1) Changes in significant subsidiaries during the period: Yes

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

Newly Consolidated: None

Newly Deconsolidated: Best Bridal Korea Inc.

Note: For details, please refer to "(4) Notes on Quarterly Consolidated Financial Statements (Changes in Significant Subsidiaries for the Six Months Ended June 30, 2018)" in section "2. Quarterly Consolidated Financial Statements and Main Notes" on page 11 in the accompanying materials.

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

Note: For details, please refer to "(4) Notes on Quarterly Consolidated Financial Statements (Application of Specific Accounting Methods for the Preparation of Quarterly Financial Statements)" under "2. Quarterly Consolidated Financial Statements and Main Notes" on page 11 in the accompanying material.

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

1) Changes in accordance with amendments to accounting standards, etc.: None
2) Changes other than noted in 1) above: None
3) Changes in accounting estimates: None
4) Retrospective restatement: None

(4) Shares issued (common stock)

	June 30, 2018	December 31, 2017
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
	Six Months ended June 30, 2018	Six Months ended June 30, 2017
3) Average number of shares outstanding during the period	47,700,166	47,700,166

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

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

(Cautionary Statement with Respect to Forward-Looking Statements)

The above forecasts 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, 2018" in the section "1. Review of Consolidated Financial Results" on page 3 in the accompanying materials.

Accompanying Material – Contents

1. Review of Consolidated Financial Results

(1) Operating Results

In the first six months of the fiscal year ending December 31, 2018, the Japanese economy stayed on its recent moderate recovery track, supported by the positive impact of government policies that have boosted personal spending, improved employment conditions, and encouraged corporations to use expanding profits to increase capital expenditures. However, the future outlook remains clouded by the impact that the trade issues could have on the global economy and the uncertainties in the economic conditions abroad.

In this environment, the Tsukada Global Holdings Group endeavored to increase sales and profitability by accurately responding to increasingly individualized and diversifying customer needs in the bridal, hotel and relaxation (W&R) markets, while also continuing its efforts to create new value and develop high-quality, appealing outlets capable of providing high value-added services. During the six months, the Group continued its efforts to expand earnings and geographical operating areas. For example, we opened ArtGrace Next Ashiya in Hyogo Prefecture in March and made steady progress on Kimpton Hotel Shinjuku, Tokyo (provisional name), scheduled to open in 2020 in Tokyo's Shinjuku Ward.

As a result of these efforts, in the first six months of 2018, Tsukada Global Holdings Inc. ("the Company") posted consolidated net sales of ¥27,992 million (up 7.0% year on year). The Company had recorded an operating income of ¥1,076 million (up 43.0% year on year), an ordinary income of ¥996 million (up 44.1% year on year) and net income of ¥588 million (up 269.3% year on year) attributable to owners of the parent.

The results for each business segment were as follows.

1) Wedding business

In the first six months of fiscal 2018, sales grew in the wedding business supported by an increase in the number of weddings held in the mainstay Japanese market as well as at overseas facilities. Segment profits increased on the back of the rise in the number of weddings in the period despite the impact of the startup costs for ArtGrace Next Ashiya.

As a result, net sales in the wedding business totaled ¥17,383 million (up 9.0% year on year) and segment operating income totaled ¥1,827 million (up 13.0% year on year).

2) Hotel business

The number of weddings held at our hotels decreased slightly in the first six months of fiscal 2018, but segment sales increased as overnight occupancy rates and average charge per night grew strongly overall. The high occupancy rate as a whole contributed to an increase in segment profits.

As a result, net sales in the hotel business came to ¥8,748 million (up 2.5% year on year), and segment operating income totaled ¥305 million (up 26.7%).

3) W&R business (Wellness & Relaxation business)

This segment achieved strong sales growth in the period under review, as it increased memberships at its Best Style Fitness comprehensive fitness club that opened in 2017 as well as at the fitness department of the Beauty & Relax SPA-HERBS spa complex. However, the segment posted an operating loss owing to the startup cost of eight Queensway reflexology salons and due to seasonal factors.

As a result, the W&R business posted net sales of ¥1,861 million (up 10.5% year on year) and an operating loss of ¥245 million (compared with a loss of ¥235 million a year earlier).

(2) Analysis of Financial Condition

1) Assets, Liabilities, and Net Assets

Total assets as of June 30, 2018, the end of the first six months of fiscal 2018, amounted to ¥81,286 million, a decrease of ¥3,160 million from the end of the previous fiscal year (December 31, 2017). The decline mainly reflects changes in fixed assets, in particular a ¥6,445 million decrease in the value of land holdings, which more than offset a ¥1,125 million increase in other fixed assets (mainly construction in progress) related to the construction of Kimpton Hotel Shinjuku, Tokyo (provisional name) and a ¥3,165 million increase in cash and deposits owing to proceeds on the sale of commercial-use land at Jingumae in Tokyo.

Total liabilities as of June 30, 2018, came to ¥45,772 million, a decrease of ¥2,893 million from the end of the previous fiscal year. The decline reflects a ¥8,100 million repayment of short-term debt, which outweighed a ¥5,385 million increase in long-term debt related to financing capital investments (including the current portion of long-term debt).

Net assets as of June 30, 2018, totaled ¥35,514 million, ¥266 million less than at the end of the previous fiscal year. The major changes are a ¥384 million decrease in foreign currency translation adjustments caused by the stronger yen and a ¥209 million reduction to deferred gain (loss) on derivatives under hedge accounting, which together offset a ¥435 million increase in retained earnings reflecting the posting of a quarterly net profit attributable to owners of the parent.

2) Cash flow

Cash and cash equivalents (“cash”) at the end of the first half totaled ¥18,062 million, ¥3,165 million more than at the end of the previous fiscal year.

Cash flows and factors behind changes in the cash flows during the six months ended June 30, 2018, are as follows.

(Operating Cash Flow)
Cash provided by operating activities totaled ¥2,771 million, an increase of 41.8% from the first half of the previous fiscal year. This is largely ascribed to ¥1,605 million in depreciation and amortization, ¥1,206 million in profit before income taxes, and a ¥458 million increase in advances received, and a ¥758 million increase in other liabilities, which offset the impact of ¥1,345 million in income taxes paid.

(Investing Cash Flow)
Cash acquired in investing activities totaled ¥3,752 million (cash used in the first half of the previous year was ¥1,678 million). This is mainly attributable to the ¥6,243 million proceeds from sales of tangible assets despite the ¥2,619 million payments for purchase of tangible assets.

(Financing Cash Flow)
Cash used in financing activities totaled ¥3,187 million (cash used in the first half of the previous year was ¥238 million). This chiefly reflects a ¥8,100 million decline in short-term debt, ¥2,634 million in repayments of long-term debt and ¥449 million in payments for redemption of bonds, which eclipsed the impact of ¥8,020 million in proceeds from long-term debt.

(3) Earnings Forecast for the Fiscal Year Ending December 31, 2018

Changes to the Company’s forecast for full-year earnings for the fiscal year ending December 31, 2018, based on the results for the first six months of the year, were announced on August 7, 2018 in a corporate news release entitled “Revision of Consolidated Results Forecast for the First Six Months.” Going forward, changes in the market environment are expected, and the Company will release any revisions to its earnings forecasts that result from these changes in a timely manner.

2. Quarterly Consolidated Financial Statements and Main Notes

(1) Consolidated Balance Sheets

(millions of yen)

	December 31, 2017	June 30 2018
	Amount	Amount
Assets		
Current assets		
Cash and deposits	14,985	18,150
Accounts receivable - trade	1,108	1,224
Merchandise	118	134
Raw materials and supplies	557	489
Other	1,672	1,969
Allowance for doubtful receivables	(38)	(22)
Total current assets	18,404	21,945
Fixed assets		
Tangible assets		
Buildings and structures, net	24,745	23,719
Land	20,881	14,435
Other, net	2,546	3,672
Total tangible assets	48,173	41,827
Intangible assets		
Goodwill	2,004	1,871
Other	231	205
Total intangible assets	2,236	2,076
Investments and other assets		
Investment securities	2,675	2,864
Lease and guarantee deposits	8,663	8,223
Other	4,392	4,376
Allowance for doubtful receivables	(180)	(199)
Total investments and other assets	15,550	15,265
Total fixed assets	65,960	59,170
Deferred assets	82	170
Total assets	84,447	81,286

	December 31, 2017	June 30, 2018
	Amount	Amount
Liabilities		
Current liabilities		
Accounts payable - trade	2,461	2,483
Short-term debt	8,100	-
Current portion of long-term debt	3,633	2,828
Current portion of bonds	744	590
Current portion of convertible bonds with stock acquisition rights	500	500
Income taxes payable	1,234	884
Advances received	1,625	2,079
Other	4,009	3,603
Total current liabilities	22,307	12,969
Fixed liabilities		
Bonds	3,415	3,420
Long-term debt	18,848	25,038
Net defined benefit liability	353	304
Provision for directors' retirement benefits	738	764
Asset retirement obligations	2,369	2,382
Other	632	893
Total fixed liabilities	26,358	32,802
Total liabilities	48,666	45,772
Net assets		
Shareholders' equity		
Capital stock	472	472
Capital surplus	634	634
Retained earnings	33,816	34,252
Treasury stock	(892)	(892)
Total shareholders' equity	34,030	34,465
Accumulated other comprehensive income		
Net unrealized gain on available-for-sale securities	(66)	(121)
Deferred gain (loss) on derivatives under hedge accounting	-	(209)
Foreign currency translation adjustments	250	(134)
Remeasurements of defined benefit plan	(5)	(5)
Total accumulated other comprehensive income	178	(471)
Non-controlling interests	1,572	1,519
Total net assets	35,781	35,514
Total liabilities and net assets	84,447	81,286

(millions of yen)

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

(millions of yen)

	Six months ended June 30, 2017	Six months ended June 30, 2018
	Amount	Amount
Net sales	26,171	27,992
Cost of sales	18,275	19,697
Gross profit	7,895	8,295
Selling, general and administrative expenses	7,142	7,218
Operating income	753	1,076
Non-operating income		
Interest income	17	15
Dividend income	13	2
Gain on investments in silent partnership	80	71
Real estate rental income	122	112
Foreign exchange gains	54	-
Other	41	21
Total non-operating income	329	222
Non-operating expenses		
Interest expenses	115	108
Loss on valuation of derivatives	195	0
Foreign exchange loss	-	112
Other	79	79
Total non-operating expenses	390	302
Ordinary income	691	996
Extraordinary Income		
Gain on sales of fixed assets	0	492
Total extraordinary gain	0	492
Extraordinary loss		
Loss on disposal of fixed assets	10	36
Shop closing expenses	0	54
Impairment loss	149	180
Other	-	11
Total extraordinary loss	160	282
Profit before income taxes	531	1,206
Income taxes	358	603
Profit	173	602
Profit attributable to non-controlling interests	13	14
Profit attributable to owners of the parent	159	588

Consolidated Statements of Comprehensive Income

(millions of yen)

	Six months ended June 30, 2017	Six months ended June 30, 2018
	Amount	Amount
Profit	173	602
Other comprehensive income		
Net unrealized gain on available-for-sale securities	(11)	(55)
Deferred gain (loss) on derivatives under hedge accounting	-	(209)
Foreign currency translation adjustments	(257)	(419)
Remeasurements of defined benefit plan	(0)	0
Total other comprehensive income	(270)	(684)
Comprehensive income	(96)	(81)
(Breakdown)		
Comprehensive income attributable to owners of the parent	(48)	(60)
Comprehensive income attributable to non-controlling interests	(48)	(20)

(3) Consolidated Statements of Cash Flows

(millions of yen)

	Six months ended June 30, 2017	Six months ended June 30, 2018
	Amount	Amount
Cash flows from operating activities		
Profit before income taxes	531	1,206
Depreciation and amortization	1,660	1,605
Impairment loss	149	180
Amortization of goodwill	133	133
Amortization of bond issuance expenses	11	10
Loss on disposal of fixed assets	10	36
Loss (gain) on valuation of derivatives	195	0
Increase (decrease) in allowance for loss on shop closing	-	(0)
Increase (decrease) in allowance for doubtful receivables	(23)	2
Increase (decrease) in net defined benefit liability	26	(48)
Increase (decrease) in provision for directors' retirement benefits	18	25
Interest and dividend income	(30)	(18)
Interest expenses	115	108
(Gain) loss on investments in silent partnership	(80)	(71)
Foreign exchange (gain) loss	(57)	79
(Gain) loss on sales of fixed assets	(0)	(492)
Shop closing expenses	0	54
(Increase) decrease in notes and accounts receivable - trade	13	(118)
(Increase) decrease in inventories	(47)	51
Increase (decrease) in notes and accounts payable - trade	(68)	23
Increase (decrease) in advances received	466	458
Increase (decrease) in other liabilities	(304)	758
Other	456	227
Sub total	3,177	4,215
Interest and dividends received	22	8
Interest paid	(114)	(106)
Income taxes paid	(1,130)	(1,345)
Net cash provided by (used in) operating activities	1,955	2,771

(millions of yen)

	Six months ended June 30, 2017	Six months ended June 30, 2018
	Amount	Amount
Cash flows from investing activities		
Purchase of tangible assets	(1,651)	(2,619)
Proceeds from sales of tangible assets	-	6,243
Purchase of intangible assets	(26)	(27)
Purchase of investment securities	(257)	-
Proceeds from sales of investment securities	26	36
Proceeds from withdrawal of investment in silent partnership	279	45
Loans receivable	(20)	(11)
Collection of loans receivable	39	-
Lease and guarantee deposits	(111)	(107)
Collection of lease and guarantee deposits	4	174
Purchase of long-term prepaid expenses	(0)	-
Other	40	18
Net cash provided by (used in) investing activities	(1,678)	3,752
Cash flows from financing activities		
Net increase (decrease) in short-term debt	-	(8,100)
Proceeds from long-term debt	5,943	8,020
Repayments of long-term debt	(5,995)	(2,634)
Proceeds from issuance of bonds	488	201
Payments for redemption of bonds	(412)	(449)
Dividends paid to non-controlling interests	(16)	(31)
Dividends paid to shareholders	(238)	(238)
Other	(7)	45
Net cash provided by (used in) financing activities	(238)	(3,187)
Foreign currency translation adjustments on cash and cash equivalents	(58)	(17)
Net increase (decrease) in cash and cash equivalents	(20)	3,319
Cash and cash equivalents, beginning of period	15,380	14,896
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	-	(154)
Cash and cash equivalents, end of period	15,360	18,062

(4) 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

(Changes in Significant Subsidiaries for the Six Months Ended June 30, 2018)

Effective from the first quarter ended March 31, 2018 of the current fiscal year, Best Bridal Korea Inc., which used to be a consolidated subsidiary of the Company in the previous fiscal year, has now been excluded from the scope of consolidation due to the lack of materiality.

(Application of Specific Accounting Methods for the Preparation of Quarterly 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 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 income before income taxes for the fiscal year, which encompasses the second quarter ended June 30, 2018, 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.

(Additional Information)

Some of the Company's consolidated subsidiaries used to have a lump-sum retirement payment plan, as well as defined benefit and defined contribution corporate pension plans. Effective on April 1, 2018, however, these plans have been abolished. In relation to this abolishment, "Accounting Treatment concerning Transfer, etc. between Retirement Benefit Plans" (ASBJ Implementation Guidance No. 1 on Accounting Standard) and "Practical Solution on Accounting Treatment concerning Transfers, etc. between Retirement Benefit Plans" (Practical Issues Task Force PITF No. 2) have been implemented. The financial effect of the said implementation is immaterial on the first six months of the fiscal year ending December 31, 2018.

(Segment Information)
[Segment Information]

I. Six months ended June 30, 2017 (January 1 to June 30, 2017)
1. Net sales and income/loss by reportable segment

(millions of yen)

	Reportable segment					
	Wedding business	Hotel business	W&R business	Total	Adjustments (note 1)	Amount recorded on consolidated statements of income (note 2)
Net sales						
Sales to outside customers	15,952	8,533	1,685	26,171	-	26,171
Inter-segment sales and transfers	591	142	-	734	(734)	-
Total	16,544	8,676	1,685	26,905	(734)	26,171
Segment income (loss)	1,616	240	(235)	1,622	(869)	753

Notes: 1. Minus 869 million yen adjustments for the segment income or loss include 14 million yen elimination of inter-segment sales and minus 884 million yen corporate expenses that are not allocated to each reportable segment. The main component of these unallocated corporate expenses is SG&A expenses that are not attributable to reportable segments.
2. Segment income or loss adjustments are based on operating income reported on the quarterly consolidated statements of income for the corresponding period.

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

(Significant impairment loss on fixed assets)
As decreased profitability remained in some fixed assets held in the “Wedding business” and “W&R business” segments, the Company concluded that the recovery of the investment in these assets could not likely be made during the course of the first six months of the fiscal year ended December 31, 2017. Hence, the book value of these assets was written down to the recoverable amount, while the resulting extraordinary loss was reported as impairment loss. Accordingly, the impairment losses of 139 million yen in the “Wedding business” segment and 10 million yen in the “W&R business” segment were reported respectively in the first six months of the fiscal year ended December 31, 2017.

II. Six months ended June 30, 2018 (January 1 to June 30, 2018)

1. Net sales and income/loss by reportable segment

(millions of yen)

	Reportable segment				Adjustments (note 1)	Amount recorded on consolidated statements of income (note 2)
	Wedding business	Hotel business	W&R business	Total		
Net sales						
Sales to outside customers	17,383	8,748	1,861	27,992	-	27,992
Inter-segment sales and transfers	631	155	0	786	(786)	-
Total	18,014	8,903	1,861	28,779	(786)	27,992
Segment income (loss)	1,827	305	(245)	1,887	(810)	1,076

Notes: 1. Minus 810 million yen adjustments for the segment income or loss include 32 million yen elimination of inter-segment sales and minus 843 million yen corporate expenses that are not allocated to each reportable segment. The main component of these unallocated corporate expenses is SG&A expenses that are not attributable to reportable segments.

2. Segment income or loss adjustments are based on operating income reported on the quarterly consolidated statements of income for the corresponding period.

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

(Significant impairment loss on fixed assets)

As decreased profitability has remained in some fixed assets held in the “Wedding business” segment, the Company has concluded that the recovery of the investment in these assets could not likely be made during the course of the first six months of the fiscal year ending December 31, 2018. Hence, the book value of these assets has been written down to the recoverable amount, and the resulting loss of 180 million yen has been reported as impairment loss under the extraordinary loss.

3. Supplementary Information
(Weddings Held and Orders Received)

1) Number of weddings held

	Six months ended June 30, 2017	Six months ended June 30, 2018	Year ended December 31, 2017
Segment	Number of weddings held (cases)	Number of weddings held (cases)	Number of weddings held (cases)
Wedding business	5,367	6,089	11,800
Hotel business	843	797	1,845
Total	6,210	6,886	13,645

2) Wedding orders received

	Six months ended June 30, 2017		Six months ended June 30, 2018		Year ended December 31, 2017	
Segment	Orders received (cases)	Order backlog (cases)	Orders received (cases)	Order backlog (cases)	Orders received (cases)	Order backlog (cases)
Wedding business	6,823	7,634	7,325	8,185	12,571	6,949
Hotel business	957	1,371	940	1,259	1,704	1,116
Total	7,780	9,005	8,265	9,444	14,275	8,065