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February 14, 2019

Tsukada Global Holdings Inc.
Consolidated Earnings Report for the Fiscal Year ended December 31, 2018
(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 28, 2019

Filing of statutory year-end financial report: March 28, 2019

Dividend payout: March 29, 2019

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, 2018
(January 1, 2018 – December 31, 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	%
Year ended December 31, 2018	60,197	5.1	5,249	23.0	5,257	19.5	2,424	10.0
Year ended December 31, 2017	57,253	3.4	4,268	21.4	4,398	22.2	2,203	12.9

Note: Comprehensive income: Year ended December 31, 2018: 1,724 million yen (-15.7%)
 Year ended December 31, 2017: 2,046 million yen (-6.8%)

	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, 2018	50.82	50.40	7.0	6.0	8.7
Year ended December 31, 2017	46.19	42.31	6.6	5.2	7.5

Reference: Equity in (earnings) losses of affiliates: Year ended December 31, 2018: - million yen
 Year ended December 31, 2017: - million yen

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	million yen	million yen	%	yen
December 31, 2018	90,862	37,081	39.1	745.24
December 31, 2017	84,447	35,781	40.5	717.16

Reference: Total equity: December 31, 2018: 35,548 million yen
 December 31, 2017: 34,208 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, 2018	6,050	(375)	3,704	24,117
Year ended December 31, 2017	7,062	(3,976)	(3,573)	14,896

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, 2017	-	5.00	-	5.00	10.00	477	21.6	1.4
Year ended December 31, 2018	-	5.00	-	5.00	10.00	477	19.7	1.4
Year ending December 31, 2019 (Forecast)	-	5.00	-	5.00	10.00		15.4	

3. Earnings Forecast for the Fiscal Year ending December 31, 2019

(January 1, 2019 – December 31, 2019)

(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, 2019	29,500	5.4	1,200	11.5	1,200	20.4	650	10.4	13.63
Year ending December 31, 2019	63,000	4.7	5,500	4.8	5,560	5.8	3,100	27.9	64.99

*Notes

(1) Changes affecting the consolidation status of 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 "(5) Notes to the Consolidated Financial Statements (Changes in Significant Subsidiaries for Fiscal Year 2018)" in the section "3. Consolidated Financial Statements and Main Notes" on page 14 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.: None

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

3) Changes in accounting estimates: None

4) Retrospective restatement: None

(3) Shares issued (common stock)

	December 31, 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
	Year ended December 31, 2018	Year ended December 31, 2017
3) Average number of shares outstanding during the period	47,700,166	47,700,166

*** This Earnings Report is exempt from auditing 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)

Any forecasts and forward-looking statements given herein are based on information available as of this report's publication and on certain assumptions that are deemed reasonable. These forecasts are not guarantees of future performance, and actual results may differ from forecasts due to changes in the business environment. For the assumptions underlying the forecasts herein and other notice on the use of earnings forecasts, please refer to "(4) Earnings Forecast for the Fiscal Year Ending December 31, 2019" in the section "1. Review of Consolidated Financial Results" on page 5 in the accompanying materials.

(Presentation handout materials)

The Company has scheduled an earnings presentation targeted at institutional investors and analysts on February 18, 2019.

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

Accompanying Material – Contents

1. Review of Consolidated Financial Results	2
(1) Operating Results for Fiscal 2018	2
(2) Analysis of Financial Condition	3
(3) Overview of Cash Flows	3
(4) Earnings Forecast for the Fiscal Year Ending December 31, 2019	5
2. Basic Views on Adoption of Accounting Standards	5
3. Consolidated Financial Statements and Main Notes	6
(1) Consolidated Balance Sheets	6
(2) Consolidated Statements of Income and Comprehensive Income	8
Consolidated Statements of Income	8
Consolidated Statements of Comprehensive Income	9
(3) Consolidated Statements of Changes in Net Assets	10
(4) Consolidated Statements of Cash flows	12
(5) Notes to the Consolidated Financial Statements	14
(Note on the Going-concern Assumption)	14
(Changes in Significant Subsidiaries for Fiscal Year 2018)	14
(Additional Information)	14
(Segment Information)	15
(Per Share Information)	18
(Significant Subsequent Events)	18
4. Other Information	19
(1) Changes in Officers	19
(2) Weddings Held and Orders Received	19

1. Review of Consolidated Financial Results

(1) Operating Results for Fiscal 2018

In the fiscal year ended December 31, 2018, the Japanese economy followed a recovery path thanks to the improvement in corporate earnings, increased personal spending and improved employment conditions on the back of the government's various economic policies. However, the future outlook remains clouded by the impact that trade issues between the U.S. and China could have on the global economy and the uncertainties in the economic conditions abroad.

In the bridal market, the core business of the Tsukada Global Holdings Group ("the Company"), the number of weddings in Japan in fiscal year 2018 was estimated at 590,000, compared with 607,000, down 2.8% from fiscal year 2017 (source: Outline of Vital Statistics in Japan, Ministry of Health, Labour and Welfare). Although the declining birthrate is gradually having a discernible impact, Japan's wedding market environment remains generally stable, due partly to a steady rise in wedding expenditures per wedding due to late-life marriages. Moreover, the number of foreign visitors to Japan, even though the growth rate has slowed down from the 19.3% rate in 2017, is estimated to have reached 31.19 million in 2018 (up 8.7% year-on-year from the 28.69 million in 2017 according to the Japan National Tourism Organization), and the hotel market is continuing to expand steadily owing to the recovery in the Japanese economy, and the continued increase in the number of foreign visitors. The relaxation-related market, though witnessing a slowdown in growth on the whole, enjoyed stable growth thanks to the burgeoning interest in health and beauty in addition to the market's existing underlying strength.

In this market environment, the Group endeavored to expand sales and enhance profitability by accurately responding to customers' increasingly individualized and diversifying needs in the bridal, hotel, and wellness and relaxation (W&R) markets while working to create new value, develop high-quality, appealing outlets, and provide high value-added services.

Based on this policy, the Company has taken steps this term to expand its earnings and geographical operating areas with, for example, the opening of ArtGrace Next Ashiya (Ashiya, Hyogo Prefecture) in March 2018 and the preparations for the opening of the Kimpton Hotel Shinjuku, Tokyo (provisional name), expected to be opened in 2020.

As a result of these efforts, in the fiscal year ended December 31, 2018, the Company posted increased revenue and profits. Consolidated net sales were ¥60,197 million (up 5.1% year on year). Operating income totaled ¥5,249 million (up 23.0%) and ordinary income totaled ¥5,257 million (up 19.5%). However, given the likelihood of losses caused by worsening profitability of some assets held in the wedding business and W&R business segments, the Company posted an impairment loss of ¥1,183 million taking into account future business plans and recoverability, and as a result profit attributable to owners of the parent came to ¥2,424 million (up 10.0%).

1) Wedding business

In fiscal 2018, sales grew in the wedding business bolstered by an increase in the number of overseas weddings and mainstay Japanese weddings as well as the commencement of full-year operations at the Strings Omotesandoh. Segment profits increased as the Company primarily promoted internal handling of the various materials related to wedding ceremonies such as photographs, videos, and floral decorations.

As a result, net sales in the wedding business were ¥38,113 million (up 7.8% year on year), and

segment operating income was ¥6,333 million (up 25.2%).

2) Hotel business

In fiscal 2018, even though overnight accommodation occupancy rates and average charge per night rose leading to increased accommodation-related sales, sales of the hotel business decreased slightly due to the decrease in the number of weddings held at hotels and lost opportunities due to some refurbishment work. Income in the segment decreased due to the decrease in the number of weddings as well as the expenses associated with the preparations for the opening of the Kimpton Hotel Shinjuku, Tokyo (provisional name).

As a result, net sales in the hotel business came to ¥18,244 million (down 0.3% year on year), and segment operating income totaled ¥981 million (down 24.3%).

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

This segment achieved sales growth in the period under review, as it made solid progress with increasing membership at its Best Style Fitness Shin-Urayasu, a 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 costs of nine Queensway reflexology salons as well as Best Style Fitness Balance Ginza and Best Style Fitness Kaihin Makuhari.

As a result, the W&R business posted net sales of ¥3,839 million (up 6.0% year on year) and a segment operating loss of ¥426 million (compared with a loss of ¥406 million a year earlier).

(2) Analysis of Financial Condition

Assets, Liabilities, and Net Assets

Total assets at the end of the fiscal year (December 31, 2018) amounted to ¥90,862 million, an increase of ¥6,415 million from the end of the previous fiscal year (December 31, 2017). The change largely reflects a ¥9,220 million increase in cash and deposits due to the sale of the commercial-use land at Jingumae in Tokyo as well as financing and a ¥1,324 million increase in construction in progress due to the construction of Kimpton Hotel Shinjuku, Tokyo (provisional name), while land holdings declined ¥5,328 million primarily due to the sale of the Jingumae property.

Liabilities at the end of the fiscal year came to ¥53,780 million, an increase of ¥5,114 million from the end of the previous fiscal year. The increase is chiefly attributable to an increase of ¥13,305 million in long-term debt (including the current portion) owing to fund procurement for capital investment, which outweighed an ¥8,100 million decline in short-term debt due to repayment.

Net assets at the end of the fiscal year totaled ¥37,081 million, an increase of ¥1,300 million from the end of the previous fiscal year. The change is primarily due to a ¥2,032 million increase in retained earnings reflecting the posting of profit attributable to owners of the parent, which offset a ¥368 million decrease in foreign currency translation adjustments and ¥249 million in deferred loss on derivatives under hedge accounting.

(3) Overview of Cash Flows

Cash and cash equivalents ("cash") at the end of the fiscal year increased by ¥9,220 million from the end of the previous fiscal year to ¥24,117 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 ¥5,871 million, a decline of 16.9% from the previous fiscal year. The change is mainly attributable to ¥3,275 million in depreciation and amortization and ¥4,389 million in profit before income taxes, partially offset by ¥2,275 million in income taxes paid.

(Investing cash flow)

Cash used in investing activities totaled ¥196 million, compared with ¥3,976 million in the previous fiscal year. The change is mainly the result of ¥7,255 million for purchase of tangible assets, partially offset by the ¥6,800 million proceeds from sales of tangible assets.

(Financing cash flow)

Cash gained in financing activities in the fiscal year totaled ¥3,704 million, compared with ¥3,573 million cash used in the previous fiscal year. The change is mainly attributable to proceeds of ¥17,420 million from long-term debt payable compared with the ¥8,100 million decrease in short-term debt payable, repayments of long-term debt of ¥4,064 million and the redemption of corporate bonds of ¥744 million.

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

	FY2014	FY2015	FY2016	FY2017	FY2018
Return on equity (%)	42.7	39.6	38.5	40.5	39.1
Return on equity based on market value (%)	60.1	47.7	39.3	37.5	31.3
Cash flow to interest-bearing debt (years)	3.9	6.2	5.8	5.0	6.6
Interest coverage ratio (times)	32.6	24.8	27.2	33.9	26.3

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.

(4) Earnings Forecast for the Fiscal Year Ending December 31, 2019

Regarding the economic environment in which the Tsukada Global Holdings Group operates, the economy continued on a recovery track reflecting improvement in corporate earnings and an upturn in consumer spending as well as improvement of employment conditions thanks partly to the impact of various policy measures. However, the economic outlook is likely to remain unclear primarily due to the trend of trade disputes between the U.S. and China and uncertainties over the direction of overseas economies.

The Group intends to actively develop products which accurately meet ever-changing customer needs and constantly strive to create new value. It will also aim to improve its cost-competitiveness and further enhance profitability through efficient outlet operation and the development of human resources.

The wedding order backlog at the end of the fiscal year under review (December 31, 2018) was 8,298 (up 2.9% year on year). For the fiscal year ending December 31, 2019, the Company forecasts consolidated net sales of ¥63,000 million (up 4.7%), operating income of ¥5,500 million (up 4.8%), ordinary income of ¥5,560 million (up 5.8%), and profit attributable to owners of the parent of ¥3,100 million (up 27.9%).

2. 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.

3. Consolidated Financial Statements and Main Notes

(1) Consolidated Balance Sheets

(millions of yen)

	December 31, 2017	December 31, 2018
	Amount	Amount
Assets		
Current assets		
Cash and deposits	14,985	24,206
Accounts receivable – trade	1,108	1,281
Marketable securities	-	289
Merchandise	118	127
Raw materials and supplies	557	490
Deferred tax assets	416	782
Other	1,256	1,136
Allowance for doubtful receivables	(38)	(24)
Total current assets	18,404	28,289
Fixed assets		
Tangible assets		
Buildings and structures	46,083	48,680
Accumulated depreciation	(21,338)	(23,318)
Buildings and structures, net	24,745	25,361
Land	20,881	15,553
Construction in progress	647	1,972
Other	7,918	8,500
Accumulated depreciation	(6,019)	(6,777)
Other, net	1,898	1,723
Total tangible assets	48,173	44,610
Intangible assets		
Goodwill	2,004	1,738
Other	231	184
Total intangible assets	2,236	1,922
Investments and other assets		
Investment securities	2,675	2,557
Lease and guarantee deposits	8,663	8,152
Deferred tax assets	3,343	3,415
Other	1,048	1,961
Allowance for doubtful receivables	(180)	(206)
Total investments and other assets	15,550	15,879
Total fixed assets	65,960	62,412
Deferred assets		
Bond issuance costs	82	160
Total deferred assets	82	160
Total assets	84,447	90,862

(millions of yen)

	December 31, 2017	December 31, 2018
	Amount	Amount
Liabilities		
Current liabilities		
Accounts payable – trade	2,461	2,437
Short-term debt	8,100	-
Current portion of long-term debt	3,633	3,172
Current portion of bonds	744	590
Current portion of convertible bonds with stock acquisition rights	500	-
Income taxes payable	1,234	1,313
Advances received	1,625	1,884
Other	4,009	4,381
Total current liabilities	22,307	13,778
Fixed liabilities		
Bonds	3,415	3,125
Long-term debt	18,848	32,614
Net defined benefit liability	353	302
Provision for directors' retirement benefits	738	784
Asset retirement obligations	2,369	2,391
Other	632	783
Total fixed liabilities	26,358	40,001
Total liabilities	48,666	53,780
Net assets		
Shareholders' equity		
Capital stock	472	472
Capital surplus	634	634
Retained earnings	33,816	35,849
Treasury stock	(892)	(892)
Total shareholders' equity	34,030	36,063
Accumulated other comprehensive income		
Net unrealized gain on available-for-sale securities	(66)	(142)
Deferred gain (loss) on derivatives under hedge accounting	-	(249)
Foreign currency translation adjustments	250	(118)
Remeasurements of defined benefit plans	(5)	(4)
Total accumulated other comprehensive income	178	(514)
Non-controlling interests	1,572	1,533
Total net assets	35,781	37,081
Total liabilities and net assets	84,447	90,862

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

(millions of yen)

	Year ended December 31, 2017	Year ended December 31, 2018
	Amount	Amount
Net sales	57,253	60,197
Cost of sales	38,713	40,598
Gross profit	18,540	19,599
Selling, general and administrative expenses	14,272	14,349
Operating income	4,268	5,249
Non-operating income		
Interest income	36	29
Dividend income	32	8
Gain on investments in silent partnership	166	150
Real estate rental income	253	213
Foreign exchange gains	93	-
Other	92	93
Total non-operating income	675	495
Non-operating expenses		
Interest expenses	212	233
Loss on valuation of derivatives	178	-
Real estate rental expenses	101	96
Foreign exchange loss	-	81
Other	51	77
Total non-operating expenses	544	488
Ordinary income	4,398	5,257
Extraordinary income		
Gain on sales of fixed assets	0	492
Gain on sales of investment securities	1	-
Other	-	2
Total extraordinary income	1	494
Extraordinary loss		
Impairment loss	192	1,183
Other	278	178
Total extraordinary loss	471	1,361
Profit before income taxes	3,929	4,389
Income taxes – current	1,873	2,218
Income taxes – deferred	(174)	(275)
Total income taxes	1,699	1,942
Profit for the period	2,229	2,446
Profit (loss) attributable to non-controlling interests	26	22
Profit (loss) attributable to owners of the parent	2,203	2,424

Consolidated Statements of Comprehensive Income

(millions of yen)

	Year ended December 31, 2017	Year ended December 31, 2018
	Amount	Amount
Profit for the period	2,229	2,446
Other comprehensive income		
Net unrealized gain on available-for-sale securities	(8)	(75)
Deferred gain (loss) on derivatives under hedge accounting	-	(249)
Foreign currency translation adjustments	(174)	(397)
Remeasurements of defined benefit plan	(1)	0
Total other comprehensive income	(183)	(722)
Comprehensive income	2,046	1,724
(Breakdown)		
Comprehensive income attributable to owners of the parent	2,067	1,731
Comprehensive income attributable to non-controlling interests	(21)	(6)

(3) Consolidated Statements of Changes in Net Assets

Year ended December 31, 2017 (January 1 to December 31, 2017)

(millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of term	472	634	32,090	(892)	32,304
Changes during term					
Cash dividends			(477)		(477)
Profit attributable to owners of the parent			2,203		2,203
Net changes in items other than shareholder's equity					
Total changes during term	-	-	1,726	-	1,726
Balance at end of term	472	634	33,816	(892)	34,030

	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	(58)	376	(3)	313	1,610	34,228
Changes during term						
Cash dividends						(477)
Profit attributable to owners of the parent						2,203
Net changes in items other than shareholder's equity	(8)	(125)	(1)	(135)	(38)	(173)
Total changes during term	(8)	(125)	(1)	(135)	(38)	1,552
Balance at end of term	(66)	250	(5)	178	1,572	35,781

Year ended December 31, 2018 (January 1 to December 31, 2018)

(millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of term	472	634	33,816	(892)	34,030
Changes during term					
Cash dividends			(477)		(477)
Profit attributable to owners of the parent			2,424		2,424
Change in scope of consolidation			85		85
Net changes in items other than shareholder's equity					
Total changes during term	-	-	2,032	-	2,032
Balance at end of term	472	634	35,849	(892)	36,063

	Accumulated other comprehensive income					Non-controlling interests	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	(66)	-	250	(5)	178	1,572	35,781
Changes during term							
Cash dividends							(477)
Profit attributable to owners of the parent							2,424
Change in scope of consolidation							85
Net changes in items other than shareholder's equity	(75)	(249)	(368)	0	(692)	(38)	(731)
Total changes during term	(75)	(249)	(368)	0	(692)	(38)	1,300
End of term balance	(142)	(249)	(118)	(4)	(514)	1,533	37,081

(4) Consolidated Statements of Cash flows

(millions of yen)

	Year ended December 31, 2017	Year ended December 31, 2018
	Amount	Amount
Cash flows from operating activities		
Profit before income taxes	3,929	4,389
Depreciation and amortization	3,344	3,275
Amortization of goodwill	266	266
Amortization of bond issuance costs	27	20
Increase (decrease) in allowance for doubtful receivables	154	11
Interest and dividend income	(68)	(38)
Interest expenses	212	233
Loss on disposal of tangible assets	13	49
(Gain) loss on sales of fixed assets	(0)	(491)
Impairment loss	192	1,183
Shop closing expenses	15	90
(Gain) loss on sales of investment securities	8	-
Loss on valuation of affiliated companies' shares	24	-
(Gain) loss on valuation of derivatives	178	(7)
(Gain) loss on investments in silent partnership	(166)	(150)
Foreign exchange (gain) loss	(95)	11
Increase (decrease) in net defined benefit liability	20	(49)
Increase (decrease) in provision for directors' retirement benefits	36	45
(Increase) decrease in notes and accounts receivable – trade	(143)	(173)
(Increase) decrease in inventories	(54)	57
Increase (decrease) in notes and accounts payable - trade	99	(22)
Increase (decrease) in advances received	289	262
Increase (decrease) in accrued consumption taxes	(144)	176
(Increase) decrease in other assets	(91)	(2)
Increase (decrease) in other liabilities	295	(324)
Other	619	(236)
Sub total	8,964	8,578
Interest and dividends received	41	18
Interest paid	(208)	(230)
Income taxes paid	(1,734)	(2,316)
Net cash provided by (used in) operating activities	7,062	6,050

	Year ended December 31, 2017	Year ended December 31, 2018
	Amount	Amount
Cash flows from investing activities		
Purchase of tangible assets	(4,226)	(7,255)
Proceeds from sales of tangible assets	-	6,800
Purchase of intangible assets	(56)	(38)
Purchase of investment securities	(257)	-
Proceeds from sales of investment securities	227	67
Repayment of contributions from the silent partnership	540	82
Loans receivable	(42)	(26)
Collection of loans receivable	42	-
Lease and guarantee deposits	(144)	(143)
Collection of lease and guarantee deposits	9	200
Payments of construction assistance fund receivables	(50)	-
Other- net	(17)	(63)
Net cash provided by (used in) investing activities	(3,976)	(375)
Cash flows from financing activities		
Net increase (decrease) in short-term debt	8,100	(8,100)
Proceeds from long-term debt	7,001	17,520
Repayments of long-term debt	(13,329)	(4,164)
Proceeds from issuance of bonds	488	201
Payments for redemption of bonds	(849)	(744)
Payments for redemption of convertible bonds	(4,500)	(500)
Dividends paid to non-controlling interests	(16)	(31)
Dividends paid to shareholders	(476)	(477)
Other – net	9	-
Net cash provided by (used in) financing activities	(3,573)	3,704
Foreign currency translation adjustments on cash and cash equivalents	3	(3)
Net increase (decrease) in cash and cash equivalents	(483)	9,375
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	14,896	24,117

(5) Notes to the Consolidated Financial Statements

(Note on the Going-concern Assumption)

Not applicable

(Changes in Significant Subsidiaries for Fiscal Year 2018)

Effective from the fiscal year ended December 31, 2018, 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.

(Additional Information)

Some of the Company's consolidated subsidiaries in Japan 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 was immaterial on the fiscal year ended December 31, 2018.

(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 banquets, and provision of hotel accommodation services, and the "W&R business" segment that provides reflexology services and management of a spa complex and a comprehensive fitness club.

"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. "Hotel business" offers the management of hotel weddings and banquets, and provision of hotel accommodation services at Hotel InterContinental Tokyo Bay, The Strings by InterContinental Tokyo, Sir Winston Hotel Nagoya by the Strings, and The Strings Hotel Nagoya. "W&R business" operates a British-style reflexology salon, "Queensway" with a high level of skills and sophisticated know-how of attending to customers, as well as managing a spa complex, "Beauty & Relax SPA-HERBS," and a comprehensive fitness club, "BEST STYLE FITNESS."

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

Accounting methods applied in the reportable business segments are in accordance with the accounting policies that are adopted for the 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, 2017 (January 1 to December 31, 2017)

(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	35,339	18,290	3,623	57,253	-	57,253
Inter-segment sales and transfers	1,407	373	1	1,782	(1,782)	-
Total	36,747	18,663	3,625	59,036	(1,782)	57,253
Segment income (loss)	5,060	1,296	(406)	5,950	(1,682)	4,268
Segment assets	33,809	23,452	6,095	63,357	21,089	84,447
Other items						
Depreciation/amortization	1,721	1,213	332	3,267	77	3,344
Amortization of goodwill	-	128	138	266	-	266
Increase(decrease) in tangible and intangible assets	3,396	678	556	4,631	103	4,735

Notes: 1. Details of adjustments are as follows:

- (1) The minus 1,682 million yen adjustment for segment income or loss includes 37 million yen elimination of inter-segment sales and minus 1,719 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 21,089 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 77 million yen adjustment for depreciation/amortization comprises depreciation/amortization for unallocated corporate assets.
- (4) The 103 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.

Year ended December 31, 2018 (January 1 to December 31, 2018)

(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	38,113	18,244	3,839	60,197	-	60,197
Inter-segment sales and transfers	1,447	344	1	1,793	(1,793)	-
Total	39,560	18,588	3,841	61,990	(1,793)	60,197
Segment income (loss)	6,333	981	(426)	6,888	(1,638)	5,249
Segment assets	27,731	24,919	5,233	57,885	32,977	90,862
Other items						
Depreciation/amortization	1,733	1,106	361	3,200	74	3,275
Amortization of goodwill	-	128	138	266	-	266
Increase(decrease) in tangible and intangible assets	1,955	1,612	861	4,429	3,251	7,680

Notes: 1. Details of adjustments are as follows:

- (1) The minus 1,638 million yen adjustment for segment income or loss includes 114 million yen elimination of inter-segment sales and minus 1,753 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 32,977 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 74 million yen adjustment for depreciation/amortization comprises depreciation/amortization for unallocated corporate assets.
 - (4) The 3,251 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.

(Per Share Information)

	Year ended December 31, 2017	Year ended December 31, 2018
Net assets per share	717.16 yen	745.24 yen
Profit for the period per share	46.19 yen	50.82 yen
Diluted profit per share	42.31 yen	50.40 yen

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

	Year ended December 31, 2017	Year ended December 31, 2018
Profit for the period per share		
Profit attributable to owners of the parent (millions of yen)	2,203	2,424
Amount not attributable to common stockholders (millions of yen)	-	-
Profit attributable to common stocks of owners of the parent (millions of yen)	2,203	2,424
Average number of common stocks outstanding during the term (shares)	47,700,166	47,700,166
Diluted profit per share		
Adjustment to profit attributable to owners of the parent (millions of yen)	-	-
Increase in the number of common stock (shares)	4,363,623	398,739
[Of which convertible bond with stock acquisition rights (shares)]	[4,363,623]	[398,739]
Residual securities that are not dilutive and not included in the calculation for diluted profit per share		-

(Significant Subsequent Events)

Not applicable

4. Other Information

(1) Changes in Officers

Not applicable

(2) Weddings Held and Orders Received

1) Number of weddings held

	Year ended December 31, 2017	Year ended December 31, 2018
Segment	Number of weddings held (cases)	Number of weddings held (cases)
Wedding business	11,800	12,806
Hotel business	1,845	1,712
Total	13,645	14,518

2) Wedding orders received

	Year ended December 31, 2017		Year ended December 31, 2018	
Segment	Orders received (cases)	Order backlog (cases)	Orders received (cases)	Order backlog (cases)
Wedding business	12,571	6,949	12,976	7,119
Hotel business	1,704	1,116	1,775	1,179
Total	14,275	8,065	14,751	8,298