

[Delayed] The original disclosure in Japanese was released on May 9, 2019 at 15:00 (GMT+9)

May 9, 2019

Tsukada Global Holdings Inc.
Consolidated Earnings Report for the Three Months ended March 31, 2019
(Japanese GAAP)

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

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

Representative: Masayuki Tsukada, President and CEO

Information contact: Masahiro Yamazaki, Manager, Finance & Accounting Department Tel: +81-3-5464-0081

Scheduled dates:

Filing of statutory quarterly financial report (*shihanki hokokusho*): May 15, 2019

Dividend payout: -

Supplementary materials to quarterly financial results available: No

Quarterly earnings presentation held: No

(Amounts rounded down to the nearest million yen)

1. Consolidated Performance for the Three Months ended March 31, 2019
(January 1, 2019 – March 31, 2019)

(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	%
Three months ended March 31, 2019	13,049	7.2	48	-	32	-	(43)	-
Three months ended March 31, 2018	12,173	5.7	(583)	-	(794)	-	(365)	-

Note: Comprehensive income: Three months ended March 31, 2019: (154) million yen (- %)
Three months ended March 31, 2018: (1,214) million yen (- %)

	Profit per share	Diluted profit per share
	yen	yen
Three months ended March 31, 2019	(0.91)	-
Three months ended March 31, 2018	(7.66)	-

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	million yen	million yen	%
March 31, 2019	96,184	36,688	36.6
December 31, 2018	90,841	37,081	39.1

Reference: Total equity: March 31, 2019: 35,168 million yen
December 31, 2018: 35,548 million yen

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

Note: "Partial Amendments to Accounting Standard for Tax Effect Accounting" (Accounting Standards Board of Japan (ASBJ) Statement No. 28, February 16, 2018) have been applied, effective from the first three months of the fiscal year ending December 31, 2019. Figures in the financial position as of December 31, 2018 were retroactively restated in accordance with the said ASBJ amendments.

2. Dividends

	Dividend per share				
	End-Q1	End-Q2	End-Q3	Year-end	Annual total
	yen	yen	yen	yen	yen
Year ended December 31, 2018	-	5.00	-	5.00	10.00
Year ending December 31, 2019	-				
Year ending December 31, 2019 (Forecast)		5.00	-	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, 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

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

*Notes

(1) Changes affecting the consolidation status of significant subsidiaries during the period: None

Newly Consolidated: None

Newly Deconsolidated: None

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

Yes

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

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

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

	March 31, 2019	December 31, 2018
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 stock at end of period	1,259,834	1,259,834
	Three Months ended March 31, 2019	Three Months ended March 31, 2018
3) Average number of shares outstanding during the period	47,700,166	47,700,166

* This Quarterly Earnings Report is exempt from quarterly review conducted by certified public accountants or by audit firms.

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

(Cautionary Statement with Respect to Forward-Looking Statements)

Any forecasts and forward-looking statements given herein are based on information available as of this report's publication and on certain assumptions that are deemed reasonable. These forecasts are not guarantees of future performance, and actual results may differ from forecasts due to changes in the business environment. For the assumptions underlying the forecasts herein and other notice on the use of earnings forecasts, please refer to "(3) Earnings Forecast for the Fiscal Year ending December 31, 2019" in the section "1. Review of Consolidated Financial Results" on page 3 in the accompanying materials.

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1. Review of Consolidated Financial Results

(1) Operating Results

In the first three months of the fiscal year ending December 31, 2019, despite uncertainties pertaining to the global economy and trade issues, the Japanese economy stayed on its moderate recovery track, with an improvement in employment conditions and corporate earnings and an upturn in personal spending.

In this environment, the Tsukada Global Holdings Group (“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.

During the quarter, the Group has taken steps to expand earnings and geographical operating areas. For example, we prepared for the opening of Kimpton Hotel Shinjuku, Tokyo (provisional name), scheduled to open in 2020. We also increased internal handling of mainstay products of our wedding business, such as photographs, videos, audio, and floral decorations, and expanded external sales of these bridal products.

As a result of these efforts, in the first quarter of 2019, Tsukada Global Holdings Inc. (“the Company”) posted consolidated net sales of ¥13,049 million (up 7.2% year on year). The Company recorded a first-quarter operating income of ¥48 million (compared with a loss of ¥583 million a year earlier) and an ordinary income of ¥32 million (compared with a loss of ¥794 million a year earlier). The net loss attributable to owners of the parent amounted to ¥43 million (compared with a loss of ¥365 million a year earlier).

The results for each business segment were as follows.

1) Wedding business

In the first three months of fiscal 2019, the wedding business achieved sales growth supported by an increase in the number of weddings in Japan (the business’s core area) and strong spend per wedding figures. Segment income also grew largely due to the Company’s pursuit of increased internal handling of the various materials related to wedding ceremonies, such as photographs, videos, audio, and floral decorations.

As a result, net sales in the wedding business totaled ¥7,919 million (up 11.7% year on year) and segment income totaled ¥569 million (compared with a loss of ¥103 million a year earlier).

2) Hotel business

The number of weddings held at our hotels decreased slightly in the first quarter of fiscal 2019, but segment sales increased slightly on overall strong figures for hotels’ overnight occupancy rates and average charge per night. However, segment income declined as a result of expenses incurred in preparations for the opening of Kimpton Hotel Shinjuku, Tokyo (provisional name) in addition to the decrease in the number of weddings.

As a result, net sales in the hotel business came to ¥4,189 million (up 0.5% year on year), and segment income totaled ¥17 million (down 72.7% year on year).

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

This segment achieved sales growth in the first quarter, due to the impact of the Best Style Fitness

Kaihin Makuhari comprehensive fitness club that opened in December 2018. However, the segment posted an operating loss owing to a delay in increasing membership of some of its other comprehensive fitness club outlets.

As a result, the W&R business posted net sales of ¥939 million (up 2.9% year on year) and an operating loss of ¥116 million (compared with a loss of ¥128 million a year earlier).

(2) Analysis of Financial Condition

Assets, Liabilities, and Net Assets

Total assets as of March 31, 2019, the end of the first three months of fiscal 2019, amounted to ¥96,184 million, an increase of ¥5,342 million from the end of the previous fiscal year (December 31, 2018). The increase mainly reflects increases of ¥1,709 million in cash and deposits related to financing and ¥4,375 million in other fixed assets (mainly construction in progress) related to the construction of Kimpton Hotel Shinjuku, Tokyo (provisional name).

Total liabilities as of March 31, 2019, came to ¥59,495 million, an increase of ¥5,735 million from the end of the previous fiscal year. The increase reflects a ¥5,010 million increase in long-term debt, including the current portion, related to financing capital investments.

Net assets as of March 31, 2019, totaled ¥36,688 million, ¥393 million less than at the end of the previous fiscal year. The major changes are a ¥282 million reduction in retained earnings owing to the payment of dividends and the posting of a quarterly net loss attributable to owners of the parent and a ¥138 million decrease due to the booking of deferred loss on derivatives under hedge accounting.

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

There is no change to the consolidated earnings forecasts for the six months ending June 30, 2019, and the full fiscal year ending December 31, 2019, which the Company announced in its fiscal 2018 Consolidated Earnings Report dated February 14, 2019.

2. Quarterly Consolidated Financial Statements and Main Notes
(1) Consolidated Balance Sheets

	(millions of yen)	
	December 31, 2018	March 31, 2019
	Amount	Amount
Assets		
Current assets		
Cash and deposits	24,206	25,915
Accounts receivable - trade	1,281	1,236
Marketable securities	289	199
Merchandise	127	125
Raw materials and supplies	490	483
Other	1,136	1,107
Allowance for doubtful receivables	(24)	(20)
Total current assets	27,506	29,048
Fixed assets		
Tangible assets		
Buildings and structures, net	25,361	24,531
Land	15,553	15,554
Other, net	3,695	8,070
Total tangible assets	44,610	48,156
Intangible assets		
Goodwill	1,738	1,675
Other	184	192
Total intangible assets	1,922	1,868
Investments and other assets		
Investment securities	2,557	2,656
Lease and guarantee deposits	8,152	8,128
Other	6,138	6,372
Allowance for doubtful receivables	(206)	(206)
Total investments and other assets	16,641	16,950
Total fixed assets	63,174	66,975
Deferred assets	160	160
Total assets	90,841	96,184

	(millions of yen)	
	December 31, 2018	March 31, 2019
	Amount	Amount
Liabilities		
Current liabilities		
Accounts payable - trade	2,437	2,296
Short-term debt	-	540
Current portion of long-term debt	3,172	3,443
Current portion of bonds	590	590
Income taxes payable	1,313	354
Advances received	1,884	2,172
Other	4,381	4,428
Total current liabilities	13,778	13,824
Fixed liabilities		
Bonds	3,125	4,115
Long-term debt	32,614	37,354
Net defined benefit liability	302	306
Provision for directors' retirement benefits	784	794
Asset retirement obligations	2,391	2,402
Other	762	698
Total fixed liabilities	39,981	45,670
Total liabilities	53,759	59,495
Net assets		
Shareholders' equity		
Capital stock	472	472
Capital surplus	634	634
Retained earnings	35,849	35,567
Treasury stock	(892)	(892)
Total shareholders' equity	36,063	35,781
Accumulated other comprehensive income		
Net unrealized gain (loss) on available-for-sale securities	(142)	(109)
Deferred gain (loss) on derivatives under hedge accounting	(249)	(387)
Foreign currency translation adjustments	(118)	(111)
Remeasurements of defined benefit plans	(4)	(4)
Total accumulated other comprehensive income	(514)	(612)
Non-controlling interests	1,533	1,520
Total net assets	37,081	36,688
Total liabilities and net assets	90,841	96,184

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

	(millions of yen)	
	Three months ended March 31, 2018	Three months ended March 31, 2019
	Amount	Amount
Net sales	12,173	13,049
Cost of sales	9,173	9,157
Gross profit	3,000	3,891
Selling, general and administrative expenses	3,584	3,843
Operating income (loss)	(583)	48
Non-operating income		
Interest income	8	6
Dividend income	2	-
Gain on investments in silent partnership	71	73
Real estate rental income	59	88
Other	12	24
Total non-operating income	153	193
Non-operating expenses		
Interest expenses	52	129
Loss on valuation of derivatives	29	-
Real estate rental expenses	25	71
Foreign exchange loss	251	-
Other	5	8
Total non-operating expenses	364	209
Ordinary income (loss)	(794)	32
Extraordinary income		
Gain on sales of fixed assets	492	-
Total extraordinary income	492	-
Extraordinary loss		
Loss on disposal of fixed assets	12	3
Shop closing expenses	37	2
Loss on redemption of investment securities	-	12
Other	7	0
Total extraordinary loss	57	17
Profit (loss) before income taxes	(359)	14
Total income taxes	(0)	71
Profit (loss)	(358)	(56)
Profit (loss) attributable to non-controlling interests	7	(13)
Profit (loss) attributable to owners of the parent	(365)	(43)

Consolidated Statements of Comprehensive Income

	(millions of yen)	
	Three months ended March 31, 2018	Three months ended March 31, 2019
	Amount	Amount
Profit (loss)	(358)	(56)
Other comprehensive income		
Net unrealized gain (loss) on available-for-sale securities	(26)	33
Deferred gain (loss) on derivatives under hedge accounting	(206)	(138)
Foreign currency translation adjustments	(623)	7
Remeasurements of defined benefit plan	0	(0)
Total other comprehensive income	(855)	(97)
Comprehensive income	(1,214)	(154)
(Breakdown)		
Comprehensive income attributable to owners of the parent	(1,127)	(141)
Comprehensive income attributable to non-controlling interests	(87)	(13)

(3) Notes on Quarterly Consolidated Financial Statements

(Note on the Going-concern Assumption)

Not applicable

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

Not applicable

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

(Simplified accounting methods)

1) Calculation method for depreciation of fixed assets

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

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

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

(Special accounting treatments)

Calculation of taxes

The Company calculates tax liabilities by producing a reasonable estimate of the effective tax rate after applying tax-effect accounting to profit (loss) before income taxes for the fiscal year, which encompasses the first quarter ended March 31, 2019, 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)

(Application of "Partial Amendments to Accounting Standard for Tax Effect Accounting")

"Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28 of February 16, 2018) have been applied, effective from the first three months of the fiscal year ending December 31, 2019. Accordingly, deferred tax assets are shown under the heading of investments and other assets, while deferred tax liabilities are shown under the heading of fixed liabilities.

(Segment Information)

I. Three months ended March 31, 2018 (January 1 to March 31, 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	7,093	4,167	912	12,173	-	12,173
Inter-segment sales and transfers	286	80	0	366	(366)	-
Total	7,379	4,247	912	12,540	(366)	12,173
Segment income (loss)	(103)	65	(128)	(166)	(417)	(583)

Notes: 1. Minus 417 million yen adjustments for the segment income or loss include 13 million yen elimination of inter-segment sales and minus 430 million yen corporate expenses that are not allocated to each reportable segment. The main component of these unallocated corporate expenses is general and administrative expenses that are not attributable to reportable segments.

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

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

Not applicable

II. Three months ended March 31, 2019 (January 1 to March 31, 2019)

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	7,919	4,189	939	13,049	-	13,049
Inter-segment sales and transfers	344	78	3	426	(426)	-
Total	8,264	4,268	942	13,475	(426)	13,049
Segment income (loss)	569	17	(116)	470	(422)	48

Notes: 1. Minus 422 million yen adjustments for the segment income or loss include 32 million yen elimination of inter-segment sales and minus 455 million yen corporate expenses that are not allocated to each reportable segment. The main component of these unallocated corporate expenses is general and administrative expenses that are not attributable to reportable segments.

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

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

Not applicable

(Significant Subsequent Events)

On May 8, 2019, the Company's Board of Directors adopted a resolution to establish a new subsidiary.

1. Purpose of Establishing a Subsidiary

The Group has positioned its hotel business as one of its important business strategies. Accordingly, a new subsidiary is to be established for the purpose of managing "Kimpton Hotel Shinjuku, Tokyo (provisional name)," due to be operational in 2020.

2. Profile of the Subsidiary

- (1) Trade name: BEST LIFE STYLE Inc.
- (2) Office address: 11-10, Higashi 3-chome, Shibuya-ku, Tokyo
- (3) Representative: Masayuki Tsukada, Representative Director
- (4) Paid-in capital: 100 million yen
- (5) Business activity: Management of Kimpton Hotel Shinjuku, Tokyo (provisional name)
- (6) Date of establishment: May 8, 2019
- (7) Shareholding ratio: 100%

3. Supplementary Information

(Weddings Held and Orders Received)

1) Number of weddings held

	Three months ended March 31, 2018	Three months ended March 31, 2019	Year ended December 31, 2018
Segment	Number of weddings held (cases)	Number of weddings held (cases)	Number of weddings held (cases)
Wedding business	2,422	2,420	12,806
Hotel business	363	359	1,712
Total	2,785	2,779	14,518

2) Wedding orders received

	Three months ended March 31, 2018		Three months ended March 31, 2019		Year ended December 31, 2018	
Segment	Orders received (cases)	Order backlog (cases)	Orders received (cases)	Order backlog (cases)	Orders received (cases)	Order backlog (cases)
Wedding business	4,031	8,558	3,804	8,503	12,976	7,119
Hotel business	495	1,248	474	1,294	1,775	1,179
Total	4,526	9,806	4,278	9,797	14,751	8,298