

[Delayed] The original disclosure in Japanese was released on November 6, 2020 at 15:00 (GMT+9)

November 6, 2020

Tsukada Global Holdings Inc.
Consolidated Earnings Report for the Nine Months ended September 30, 2020
(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*): November 13, 2020
Dividend payout: -
Supplementary materials to quarterly financial results available: No
Quarterly earnings presentation held: No

(Amounts rounded down to the nearest million yen)

1. Consolidated Performance for the Nine Months ended September 30, 2020
(January 1, 2020 – September 30, 2020)

(1) Consolidated Operating Results (Percentages indicate year-on-year changes)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of the parent	
	million yen	%	million yen	%	million yen	%	million yen	%
Nine months ended September 30, 2020	17,103	(60.9)	(10,879)	-	(10,797)	-	(8,717)	-
Nine months ended September 30, 2019	43,754	3.4	3,494	86.7	3,321	64.8	2,077	70.4

Note: Comprehensive income: Nine months ended September 30, 2020: (8,898) million yen (- %)
Nine months ended September 30, 2019: 1,620 million yen (102.1 %)

	Profit per share	Diluted profit per share
	yen	yen
Nine months ended September 30, 2020	(182.76)	-
Nine months ended September 30, 2019	43.55	-

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	million yen	million yen	%
September 30, 2020	100,275	28,451	28.2
December 31, 2019	99,343	37,404	37.7

Reference: Total equity: September 30, 2020: 28,274 million yen
December 31, 2019: 37,404 million yen

2. Dividends

	Dividend per share				
	End-Q1	End-Q2	End-Q3	Year-end	Annual total
	yen	yen	yen	yen	yen
Year ended December 31, 2019	-	5.00	-	5.00	10.00
Year ending December 31, 2020	-	0.00	-		
Year ending December 31, 2020 (Forecast)				0.00	0.00

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

3. Earnings Forecast for the Fiscal Year ending December 31, 2020 (January 1, 2020 – December 31, 2020)

(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, 2020	-	-	-	-	-	-	-	-	-

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: TGU LLC, HNRB QOZB II, LP

Newly Deconsolidated: None

Note: For details, please refer to “(3) Notes on Quarterly Consolidated Financial Statements (Changes in Significant Subsidiaries for the Nine Months ended September 30, 2020)” under “2. Quarterly Consolidated Financial Statements and Main Notes” on page 8 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 “(3) Notes on Quarterly Consolidated Financial Statements (Application of Specific Accounting Methods for the Preparation of Quarterly Consolidated Financial Statements)” under “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)

	September 30, 2020	December 31, 2019
1) Number of shares issued at end of period (including treasury stock)	48,960,000	48,960,000
2) Number of shares held in treasury at end of period	1,259,834	1,259,834
	Nine Months ended September 30, 2020	Nine Months ended September 30, 2019
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, 2020" 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	2
(1) Operating Results	2
(2) Analysis of Financial Condition	3
(3) Earnings Forecast for the Fiscal Year ending December 31, 2020	3
2. Quarterly Consolidated Financial Statements and Main Notes	4
(1) Consolidated Balance Sheets	4
(2) Consolidated Statements of Income and Comprehensive Income	6
Consolidated Statements of Income	6
Consolidated Statements of Comprehensive Income	7
(3) Notes on Quarterly Consolidated Financial Statements	8
(Note on the Going-concern Assumption)	8
(Note on Significant Changes in the Amount of Shareholders' Equity)	8
(Changes in Significant Subsidiaries for the Nine Months ended September 30, 2020)	8
(Application of Specific Accounting Methods for the Preparation of Quarterly Consolidated Financial Statements)	8
(Additional Information)	8
(Segment Information)	10
3. Supplementary Information	12
(Weddings Held and Orders Received)	12

1. Review of Consolidated Financial Results

(1) Operating Results

In the first nine months of the fiscal year ending December 31, 2020, the Japanese economy faced extremely difficult circumstances, with restrictions on social and economic activities owing to the spread of the novel coronavirus impacting corporate earnings and employment conditions. In the third quarter, consumer spending showed signs of a gradual recovery after the lifting of the state of emergency, but the outlook remains unpredictable as the timing of an end to the novel coronavirus outbreak remains uncertain.

In this environment, the Tsukada Global Holdings Group (“the Group”) focused on creating new value, developing high-quality, appealing outlets, and providing high value-added services in the bridal, hotel, and wellness and relaxation (W&R) markets. However, all segments of the Group were severely impacted by the sharp drop in the number of foreign visitors to Japan, an increase in the number of wedding reception postponements and cancellations, and an increase in membership suspensions and cancellations at comprehensive fitness club outlets, all resulting from the novel coronavirus outbreak.

As a result, in the first nine months of 2020, the Group posted significantly decreased sales and profits. Consolidated net sales were ¥17,103 million (down 60.9% year on year). The Group recorded an operating loss of ¥10,879 (compared with a profit of ¥3,494 million a year earlier) and an ordinary loss of ¥10,797 million (compared with a profit of ¥3,321 million a year earlier). The net loss attributable to owners of the parent amounted to ¥8,717 million (compared with a profit of ¥2,077 million a year earlier).

The results for each business segment were as follows.

1) Wedding business

In the first nine months of fiscal 2020, the wedding business recorded a sales decline owing to an increase in the number of wedding reception postponements and cancellations due to the impact of the novel coronavirus outbreak, with the number of wedding receptions held falling significantly to 3,082 (down 65.5% year on year). Segment income also declined despite concerted companywide cost reduction efforts.

As a result, net sales in the wedding business came to ¥10,305 million (down 63.4% year on year), and segment loss totaled ¥4,515 million (compared with a profit of ¥4,801 million a year earlier).

2) Hotel business

Segment sales and income declined in the first nine months of fiscal 2020, because of a decrease in room revenue owing to the sharp drop in the number of foreign visitors to Japan, and because the number of weddings held at the Group’s hotels decreased to 403 (down 64.6% year on year) owing to an increase in hotel wedding and banquet booking postponements and cancellations, all due to the impact of the novel coronavirus outbreak.

As a result, net sales in the hotel business came to ¥4,921 million (down 60.9% year on year), and segment loss totaled ¥4,416 million (compared with a profit of ¥77 million a year earlier).

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

Segment sales and income declined in the first nine months of fiscal 2020 because of an increase in membership suspensions and cancelations at the four Best Style Fitness comprehensive fitness club outlets due to the impact of the novel coronavirus outbreak

As a result, the W&R business posted net sales of ¥1,877 million (down 37.8% year on year) and an operating loss of ¥611 million (compared with a loss of ¥127 million a year earlier).

(2) Analysis of Financial Condition

Assets, Liabilities, and Net Assets

Total assets as of September 30, 2020, the end of the first nine months of fiscal 2020, amounted to ¥100,275 million, an increase of ¥932 million from the end of the previous fiscal year (December 31, 2019). The increase mainly reflects an increase of ¥13,019 million in buildings and structures related to the handover of the newly completed Kimpton Shinjuku Tokyo hotel and an increase of ¥2,311 in “other” under investments and other assets accompanying the recording of deferred tax assets due to a temporary deficit, which was offset by a decrease of ¥8,284 million from a transfer from construction in progress to buildings and structures, and a ¥7,382 million decrease in cash and deposits mainly due to capital investments and the impact of operating losses.

Total liabilities as of September 30, 2020, came to ¥71,824 million, an increase of ¥9,884 million from the end of the previous fiscal year. The increase mainly reflects an increase of ¥9,365 million in long-term debt mainly from capital investment financing and emergency loans, and an increase of ¥2,187 million in asset retirement obligations related to the handover of Kimpton Shinjuku Tokyo, which was offset by decreases of ¥1,255 million in income taxes payable due to payment of income taxes, ¥1,359 million in accounts payable – trade, and ¥1,886 million in other current liabilities.

Net assets as of September 30, 2020, totaled ¥28,451 million, ¥8,952 million less than at the end of the previous fiscal year. The decrease was primarily due to a ¥8,956 million reduction in retained earnings owing mainly to the posting of a quarterly net loss attributable to owners of the parent.

(3) Earnings Forecast for the Fiscal Year Ending December 31, 2020

As announced on August 7, 2020, the consolidated earnings forecast for the full fiscal year ending December 31, 2020 has been left undetermined. This is because the present uncertainty as to when the novel coronavirus outbreak will end means it is difficult to reasonably calculate the full-year consolidated earnings forecast figures at this time. The Group will continue to monitor trends relating to the outbreak and will announce its consolidated earnings forecasts when it becomes possible to calculate the forecast figures.

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

	(millions of yen)	
	December 31, 2019	September 30, 2020
	Amount	Amount
Assets		
Current assets		
Cash and deposits	28,347	20,965
Accounts receivable - trade	1,259	554
Marketable securities	2,455	1,224
Merchandise	116	112
Raw materials and supplies	530	491
Other	1,389	2,484
Allowance for doubtful receivables	(22)	(25)
Total current assets	34,076	25,807
Fixed assets		
Tangible assets		
Buildings and structures, net	22,199	35,218
Land	9,574	11,358
Construction in progress	9,837	1,552
Other, net	1,909	2,346
Total tangible assets	43,520	50,477
Intangible assets		
Goodwill	1,475	2,153
Other	195	623
Total intangible assets	1,670	2,776
Investments and other assets		
Investment securities	6,721	5,691
Lease and guarantee deposits	8,451	8,198
Other	4,964	7,275
Allowance for doubtful receivables	(213)	(100)
Total investments and other assets	19,925	21,065
Total fixed assets	65,115	74,318
Deferred assets	151	149
Total assets	99,343	100,275

	(millions of yen)	
	December 31, 2019	September 30, 2020
	Amount	Amount
Liabilities		
Current liabilities		
Accounts payable - trade	2,298	938
Short-term debt	-	1,352
Current portion of long-term debt	4,617	3,989
Current portion of bonds	668	668
Income taxes payable	1,275	19
Advances received	2,442	3,374
Other	6,557	4,670
Total current liabilities	17,859	15,012
Fixed liabilities		
Bonds	5,157	6,113
Long-term debt	34,209	43,574
Net defined benefit liability	303	394
Provision for directors' retirement benefits	831	862
Asset retirement obligations	2,412	4,599
Other	1,167	1,268
Total fixed liabilities	44,080	56,811
Total liabilities	61,939	71,824
Net assets		
Shareholders' equity		
Capital stock	472	472
Capital surplus	634	634
Retained earnings	37,937	28,981
Treasury stock	(892)	(892)
Total shareholders' equity	38,151	29,195
Accumulated other comprehensive income		
Net unrealized gain (loss) on available-for-sale securities	(72)	12
Deferred gain (loss) on derivatives under hedge accounting	(504)	(596)
Foreign currency translation adjustments	(163)	(330)
Remeasurements of defined benefit plan	(5)	(5)
Total accumulated other comprehensive income	(747)	(920)
Non-controlling interests	-	176
Total net assets	37,404	28,451
Total liabilities and net assets	99,343	100,275

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

	Nine months ended September 30, 2019	(millions of yen) Nine months ended September 30, 2020
	Amount	Amount
Net sales	43,754	17,103
Cost of sales	29,220	18,070
Gross profit (loss)	14,534	(966)
Selling, general and administrative expenses	11,039	9,912
Operating income (loss)	3,494	(10,879)
Non-operating income		
Interest income	58	115
Gain on investments in silent partnership	153	154
Real estate rental income	183	26
Subsidy income	0	585
Other	119	165
Total non-operating income	515	1,048
Non-operating expenses		
Interest expenses	336	320
Real estate rental expenses	156	38
Loss on investments in marketable securities	12	362
Other	183	245
Total non-operating expenses	689	966
Ordinary income (loss)	3,321	(10,797)
Extraordinary income		
Gain on sales of fixed assets	23	0
Gain on sales of shares of subsidiaries	207	-
Provision of allowance for doubtful receivables	-	197
Other	-	13
Total extraordinary income	230	211
Extraordinary loss		
Loss on disposal of fixed assets	6	12
Shop closing expenses	71	43
Impairment loss	19	102
Loss on valuation of investment securities	-	145
Loss on valuation of affiliated companies' shares	-	110
Other	16	79
Total extraordinary loss	113	492
Profit (loss) before income taxes	3,438	(11,077)
Income taxes	1,391	(2,356)
Profit (loss)	2,046	(8,721)
Loss attributable to non-controlling interests	(30)	(3)
Profit (loss) attributable to owners of the parent	2,077	(8,717)

Consolidated Statements of Comprehensive Income

	(millions of yen)	
	Nine months ended September 30, 2019	Nine months ended September 30, 2020
	Amount	Amount
Profit (loss)	2,046	(8,721)
Other comprehensive income		
Net unrealized gain (loss) on available-for-sale securities	(4)	85
Deferred gain (loss) on derivatives under hedge accounting	(295)	(91)
Foreign currency translation adjustments	(95)	(118)
Remeasurements of defined benefit plan	(1)	0
Share of other comprehensive income of entities accounted for using equity method	(29)	(52)
Total other comprehensive income	(425)	(176)
Comprehensive income	1,620	(8,898)
(Breakdown)		
Comprehensive income attributable to owners of the parent	1,651	(8,890)
Comprehensive income attributable to non-controlling interests	(30)	(7)

(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

(Changes in Significant Subsidiaries for the Nine Months ended September 30, 2020)

The Company acquired the shares of Gloria Bridal Japan, Inc. ("Global Bridal") and of its 2 subsidiaries in the third quarter ended September 30. Accordingly, Global Bridal and its 4 subsidiaries have been included in the scope of consolidation. As the deemed date of the acquisition being September 30, 2020, however, only the balance sheets of these entities have been consolidated in the third quarter ended September 30, 2020.

Also, TGU LLC and HNRB QOZB II, LP, newly established subsidiaries, have been included in the scope of consolidation in the third quarter of the current fiscal year.

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

(Simplified accounting methods)

1) Calculation method for depreciation of fixed assets

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

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

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

(Special accounting treatments)

Calculation of taxes

The Company calculates tax liabilities by producing a reasonable estimate of the effective tax rate after applying tax-effect accounting to profit (loss) before income taxes for the fiscal year, which encompasses the third quarter ended September 30, 2020, 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)

Although it is difficult to predict at this time when the novel coronavirus outbreak will be contained, the Group has made accounting estimates including judgments on the recoverability of deferred tax assets and the impairment of fixed assets, on the assumption that the wedding business, the Group's mainstay business, will gradually recover its number of customers and orders received from the fourth quarter (around October) of the

current fiscal year, and that the occupancy rate of the hotel business will gradually recover from the second quarter (around April) of the following fiscal year.

However, given the many uncertainties surrounding the impact of the novel coronavirus outbreak, the Group's financial position and the operating results for the fiscal year ending December 31, 2021 could be significantly affected, in the event that social and economic activities stall due to further spread of infections.

(Segment Information)

[Segment Information]

I. Nine months ended September 30, 2019 (January 1 to September 30, 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	28,137	12,598	3,018	43,754	-	43,754	
Inter-segment sales and transfers	1,112	242	11	1,366	(1,366)	-	
Total	29,250	12,841	3,029	45,121	(1,366)	43,754	
Segment income (loss)	4,801	77	(127)	4,751	(1,256)	3,494	

Notes: 1. Minus 1,256 million yen adjustments for the segment income or loss include 97 million yen elimination of inter-segment sales and minus 1,353 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 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 "W&R 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 nine months of the fiscal year ended December 31, 2019. Hence, the book value of these assets has been written down to the recoverable amount, and the resulting loss of 19 million yen has been reported as impairment loss under the extraordinary loss.

II. Nine months ended September 30, 2020 (January 1 to September 30, 2020)

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	10,305	4,921	1,877	17,103	-	17,103	
Inter-segment sales and transfers	443	109	8	561	(561)	-	
Total	10,748	5,031	1,885	17,665	(561)	17,103	
Segment loss	(4,515)	(4,416)	(611)	(9,544)	(1,334)	(10,879)	

Notes: 1. Minus 1,334 million yen adjustments for the segment loss include 47 million yen elimination of inter-segment sales and minus 1,381 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 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

(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 nine months of the fiscal year ending December 31, 2020. Hence, the book value of these assets has been written down to the recoverable amount, and the resulting loss of 102 million yen has been reported as impairment loss under the extraordinary loss.

(Significant change in the amount of goodwill)

In the “Wedding business” segment, as a result of acquiring the shares of Gloria Bridal and of its 2 subsidiaries, Global Bridal and its 4 subsidiaries have been included in the scope of consolidation, effective from the third quarter of the current fiscal year.

The amount of goodwill increased by 864 million yen during the first nine months of the fiscal year ending December 31, 2020, as a result of these share acquisitions.

3. Supplementary Information
(Weddings Held and Orders Received)

1) Number of weddings held

	Nine months ended September 30, 2019	Nine months ended September 30, 2020	Year ended December 31, 2019
Segment	Number of weddings held (cases)	Number of weddings held (cases)	Number of weddings held (cases)
Wedding business	8,923	3,082	12,385
Hotel business	1,139	403	1,611
Total	10,062	3,485	13,996

2) Wedding orders received

	Nine months ended September 30, 2019		Nine months ended September 30, 2020		Year ended December 31, 2019	
Segment	Orders received (cases)	Order backlog (cases)	Orders received (cases)	Order backlog (cases)	Orders received (cases)	Order backlog (cases)
Wedding business	9,373	7,569	3,462	6,898	11,784	6,518
Hotel business	1,210	1,250	597	1,225	1,463	1,031
Total	10,583	8,819	4,059	8,123	13,247	7,549