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May 7, 2021

Tsukada Global Holdings Inc.
Consolidated Earnings Report for the Three Months ended March 31, 2021
(Japanese GAAP)

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

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

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Scheduled dates:

Filing of statutory quarterly financial report (*shihanki hokokusho*): May 10, 2021

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, 2021
(January 1, 2021 – March 31, 2021)

(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, 2021	5,138	(49.8)	(3,774)	-	(3,340)	-	(2,787)	-
Three months ended March 31, 2020	10,232	(21.6)	(2,088)	-	(2,568)	-	(2,417)	-

Note: Comprehensive income: Three months ended March 31, 2021: (2,457) million yen (- %)
Three months ended March 31, 2020: (2,849) million yen (- %)

	Profit per share	Diluted profit per share
	yen	yen
Three months ended March 31, 2021	(58.43)	-
Three months ended March 31, 2020	(50.68)	-

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	million yen	million yen	%
March 31, 2021	96,003	23,980	24.8
December 31, 2020	99,814	26,437	26.3

Reference: Total equity: March 31, 2021: 23,796 million yen
December 31, 2020: 26,265 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, 2020	-	0.00	-	0.00	0.00
Year ending December 31, 2021	-				
Year ending December 31, 2021 (Forecast)		0.00	-	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, 2021 (January 1, 2021 – December 31, 2021)

(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, 2021	15,300	29.7	(2,780)	-	(2,990)	-	(1,970)	-	(41.30)
Year ending December 31, 2021	40,000	47.5	1,000	-	580	-	380	-	7.97

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

*Notes

(1) Changes in significant subsidiaries during the period: None

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

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 Consolidated 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, 2021	December 31, 2020
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
	Three Months ended March 31, 2021	Three Months ended March 31, 2020
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 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, 2021" 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, 2021, the Japanese economy continued to face extremely difficult conditions with stagnation of economic activities owing to the resurgence of novel coronavirus infections impacting corporate earnings and employment conditions. The outlook remains uncertain as the unchecked resurgence of new infections has led to the declaration of a third state of emergency.

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 and on taking all possible measures to prevent novel coronavirus infections at all its facilities. However, all segments of the Group were severely impacted by deteriorating consumer sentiment, which led to a decline in the number of weddings held, declines in hotel occupancy and restaurant customer numbers, which were also impacted by ongoing restrictions on overseas travel, and sluggish growth in the number of people reactivating their frozen fitness club memberships.

As a result, in the first quarter of 2021, the Group posted consolidated net sales of ¥5,138 million (down 49.8% year on year). The Group recorded a first-quarter operating loss of ¥3,774 million (compared with a loss of ¥2,088 million a year earlier) and an ordinary loss of ¥3,340 million (compared with a loss of ¥2,568 million a year earlier). The net loss attributable to owners of the parent amounted to ¥ 2,787 million (compared with a loss of ¥2,417 million a year earlier).

The results for each business segment were as follows.

1) Wedding business

In the first three months of fiscal 2021, the wedding business recorded a sales decline owing to a decrease in the number of weddings held to 959 (down 51.1% year on year) and a decrease in the number of attendees per wedding amid the unclear prospects for an end to the pandemic. The decline came despite signs that consumer sentiment was bottoming out against the background of the resurgence of novel coronavirus infections. The segment recorded a loss due to a significant decrease in sales despite efforts to streamline wedding services through in-sourcing.

As a result, net sales in the wedding business totaled ¥2,751 million (down 57.3% year on year) and segment loss was ¥1,799 million (compared with a loss of ¥505 million a year earlier).

2) Hotel business

Segment sales declined in the first three months of fiscal 2021 owing to decreases in hotel occupancy and the number of restaurant customers due to the impact of restrictions on travel to Japan from overseas, falling demand for corporate banquets, and a decline in the number of weddings held at the Group’s hotels to 199 (down 23.2% year on year). The segment posted a loss despite efforts to control costs through such measures as efficient personnel allocation and shift management.

As a result, net sales in the hotel business came to ¥1,720 million (down 42.1% year on year), and segment loss totaled ¥1,492 million (compared with a loss of ¥973 million a year earlier).

3) W&R business

Segment sales declined in the first three months of fiscal 2021 because of a delay in moves by people to reactivate their frozen memberships at Best Style Fitness comprehensive fitness club outlets. This was despite the fact that customer traffic at British-style Queensway reflexology salons is beginning to return to pre-pandemic levels. Segment loss, however, shrank year on year owing to the implementation of a full-scale cost review and efficient outlet operations.

As a result, the W&R business posted net sales of ¥666 million (down 17.8% year on year) and a segment loss of ¥119 million (compared with a loss of ¥152 million a year earlier).

(2) Analysis of Financial Conditions

Assets, Liabilities, and Net Assets

Total assets as of March 31, 2021, the end of the first three months of fiscal 2021, amounted to ¥96,003 million, a decrease of ¥3,810 million from the end of the previous fiscal year (December 31, 2020). The decrease mainly reflects a ¥2,452 million decline in cash and deposits owing mainly to the recording of a net loss attributable to owners of the parent and an ¥890 million decrease in “Other” (mainly consumption taxes receivable) under “Current assets”.

Total liabilities as of March 31, 2021, came to ¥72,023 million, a decrease of ¥1,353 million from the end of the previous fiscal year. The decrease mainly reflects a ¥987 million decline in long-term debt (including the current portion) due to contractual repayments and a ¥339 million reduction in accounts payable – trade in conjunction with a decrease in transaction volume, which offset an increase in advances received of ¥496 million.

Net assets as of March 31, 2021, totaled ¥23,980 million, a decrease of ¥2,457 million from the end of the previous fiscal year. The decrease was primarily due to a ¥2,787 million decline in retained earnings due chiefly to the posting of a net loss attributable to owners of the parent.

(3) Earnings Forecast for the Fiscal Year Ending December 31, 2021

There is no change to the consolidated earnings forecasts for the six months ending June 30, 2021 and the full fiscal year ending December 31, 2021 as announced in the Group’s full-year Consolidated Earnings Report released on February 12, 2021. Note that as the impact of the novel coronavirus pandemic is highly uncertain, the Company will promptly release any revisions to its earnings forecasts should this become necessary due to developments relating to the pandemic.

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

	(millions of yen)	
	December 31, 2020	March 31, 2021
	Amount	Amount
Assets		
Current assets		
Cash and deposits	22,291	19,838
Accounts receivable - trade	816	617
Marketable securities	1,471	1,529
Merchandise	107	101
Raw materials and supplies	481	439
Other	2,289	1,398
Allowance for doubtful receivables	(30)	(30)
Total current assets	27,427	23,894
Fixed assets		
Tangible assets		
Buildings and structures, net	35,128	34,585
Land	11,929	12,143
Construction in progress	505	521
Other, net	2,247	2,133
Total tangible assets	49,811	49,384
Intangible assets		
Goodwill	2,076	1,990
Other	641	626
Total intangible assets	2,717	2,617
Investments and other assets		
Investment securities	4,665	4,723
Lease and guarantee deposits	8,156	7,581
Other	6,976	7,646
Allowance for doubtful receivables	(99)	(104)
Total investments and other assets	19,700	19,847
Total fixed assets	72,229	71,848
Deferred assets	156	260
Total assets	99,814	96,003

	(millions of yen)	
	December 31, 2020	March 31, 2021
	Amount	Amount
Liabilities		
Current liabilities		
Accounts payable - trade	1,283	943
Short-term debt	1,789	1,782
Current portion of long-term debt	3,985	3,980
Current portion of bonds	774	759
Income taxes payable	32	193
Advances received	2,940	3,437
Allowance for loss on shop closing	275	171
Asset retirement obligations	445	426
Other	5,675	5,533
Total current liabilities	17,201	17,227
Fixed liabilities		
Bonds	6,947	6,752
Long-term debt	42,237	41,255
Net defined benefit liability	393	409
Provision for directors' retirement benefits	872	883
Asset retirement obligations	4,498	4,506
Other	1,224	988
Total fixed liabilities	56,174	54,795
Total liabilities	73,376	72,023
Net assets		
Shareholders' equity		
Capital stock	472	472
Capital surplus	634	634
Retained earnings	27,070	24,283
Treasury stock	(892)	(892)
Total shareholders' equity	27,284	24,497
Accumulated other comprehensive income		
Net unrealized gain (loss) on available-for-sale securities	(43)	(63)
Deferred gain (loss) on derivatives under hedge accounting	(585)	(449)
Foreign currency translation adjustments	(382)	(179)
Remeasurements of defined benefit plan	(7)	(8)
Total accumulated other comprehensive income	(1,018)	(700)
Non-controlling interests	171	184
Total net assets	26,437	23,980
Total liabilities and net assets	99,814	96,003

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

	(millions of yen)	
	Three months ended March 31, 2020	Three months ended March 31, 2021
	Amount	Amount
Net sales	10,232	5,138
Cost of sales	8,193	5,959
Gross profit (loss)	2,038	(821)
Selling, general and administrative expenses	4,127	2,952
Operating income (loss)	(2,088)	(3,774)
Non-operating income		
Interest income	47	28
Dividend income	16	-
Gain on investments in silent partnership	73	94
Subsidy income	0	174
Foreign exchange gains	-	294
Other	23	59
Total non-operating income	161	651
Non-operating expenses		
Interest expenses	169	114
Loss on investments in securities	339	-
Share of loss of entities accounted for using equity method	19	64
Other	112	39
Total non-operating expenses	641	218
Ordinary income (loss)	(2,568)	(3,340)
Extraordinary income		
Gain on sales of fixed assets	0	-
Total extraordinary income	0	-
Extraordinary loss		
Loss on disposal of fixed assets	0	2
Shop closing expenses	35	1
Loss on valuation of investment securities	130	-
Other	13	-
Total extraordinary loss	179	3
Profit (loss) before income taxes	(2,748)	(3,344)
Total income taxes	(331)	(558)
Profit (loss)	(2,417)	(2,786)
Profit (loss) attributable to non-controlling interests	-	0
Profit (loss) attributable to owners of the parent	(2,417)	(2,787)

Consolidated Statements of Comprehensive Income

	(millions of yen)	
	Three months ended March 31, 2020	Three months ended March 31, 2021
	Amount	Amount
Profit (loss)	(2,417)	(2,786)
Other comprehensive income		
Net unrealized gain (loss) on available-for-sale securities	(218)	(20)
Deferred gain (loss) on derivatives under hedge accounting	(112)	135
Foreign currency translation adjustments	(85)	110
Remeasurements of defined benefit plan	0	(0)
Share of other comprehensive income of entities accounted for using equity method	(15)	103
Total other comprehensive income	(432)	329
Comprehensive income	(2,849)	(2,457)
(Breakdown)		
Comprehensive income attributable to owners of the parent	(2,849)	(2,469)
Comprehensive income attributable to non-controlling interests	-	12

(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 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 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, 2021, 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)

A third state of emergency is currently in place, and it is difficult to predict at this time when the novel coronavirus outbreak will be contained. However, vaccinations commenced in Japan in April and vaccination is expected to gradually become more widespread in the second half of 2021.

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 number of customers and orders received in the wedding business and the occupancy rate of the hotel business will gradually recover from around the second half of this year when vaccination of individuals will become more widespread.

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 the further spread of infections.

(Segment Information)

I. Three months ended March 31, 2020 (January 1 to March 31, 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	6,447	2,973	810	10,232	-	10,232
Inter-segment sales and transfers	298	65	5	368	(368)	-
Total	6,745	3,038	815	10,600	(368)	10,232
Segment income (loss)	(505)	(973)	(152)	(1,631)	(457)	(2,088)

Notes: 1. Minus 457 million yen adjustments for the segment income or loss include 32 million yen elimination of inter-segment sales and minus 490 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 or 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, 2021 (January 1 to March 31, 2021)

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	2,751	1,720	660	5,138	-	5,138
Inter-segment sales and transfers	232	34	7	274	(274)	-
Total	2,983	1,754	674	5,412	(274)	5,138
Segment income (loss)	(1,799)	(1,492)	(119)	(3,411)	(362)	(3,774)

Notes: 1. Minus 362 million yen adjustments for the segment income or loss include 4 million yen elimination of inter-segment sales and minus 367 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 or 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

3. Supplementary Information
(Weddings Held and Orders Received)

1) Number of weddings held

	Three months ended March 31, 2020	Three months ended March 31, 2021	Year ended December 31, 2020
Segment	Number of weddings held (cases)	Number of weddings held (cases)	Number of weddings held (cases)
Wedding business	1,960	959	5,044
Hotel business	259	199	717
Total	2,219	1,158	5,761

2) Wedding orders received

	Three months ended March 31, 2020		Three months ended March 31, 2021		Year ended December 31, 2020	
Segment	Orders received (cases)	Order backlog (cases)	Orders received (cases)	Order backlog (cases)	Orders received (cases)	Order backlog (cases)
Wedding business	3,098	7,656	1,688	7,067	4,864	6,338
Hotel business	423	1,195	318	1,297	864	1,178
Total	3,521	8,851	2,006	8,364	5,728	7,516