

[Delayed] The original disclosure in Japanese was released on May 8, 2020 at 15:00 (GMT+9)

May 8, 2020

Tsukada Global Holdings Inc.
Consolidated Earnings Report for the Three Months ended March 31, 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*): May 15, 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 Three Months ended March 31, 2020
(January 1, 2020 – March 31, 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	%
Three months ended March 31, 2020	10,232	(21.6)	(2,088)	-	(2,568)	-	(2,417)	-
Three months ended March 31, 2019	13,049	7.2	48	-	32	-	(43)	-

Note: Comprehensive income: Three months ended March 31, 2020: (2,849) million yen (- %)
Three months ended March 31, 2019: (154) million yen (- %)

	Profit per share	Diluted profit per share
	yen	yen
Three months ended March 31, 2020	(50.68)	-
Three months ended March 31, 2019	(0.91)	-

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	million yen	million yen	%
March 31, 2020	93,912	34,316	36.5
December 31, 2019	99,343	37,404	37.7

Reference: Total equity: March 31, 2020: 34,316 million yen
December 31, 2019: 37,404 million yen

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

2. Dividends

	Dividend per share				
	End-Q1	End-Q2	End-Q3	Year-end	Annual total
	yen	yen	yen	yen	yen
Year ended December 31, 2019	-	5.00	-	5.00	10.00
Year ending December 31, 2020	-				
Year ending December 31, 2020 (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, 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
Six months ending June 30, 2020	-	-	-	-	-	-	-	-	-
Year ending December 31, 2020	-	-	-	-	-	-	-	-	-

Note: The latest earnings forecast has been revised.

The novel coronavirus outbreak is expected to have an impact on the Tsukada Global Holdings Group's business activities, and it is therefore difficult at this time to reasonably determine the consolidated earnings forecasts for the six months ending June 30, 2020 and the full fiscal year ending December 31, 2020. Our consolidated earnings forecasts announced on February 14, 2020 have therefore been temporarily withdrawn and are currently undetermined. The Group will announce its consolidated earnings forecasts when it becomes possible to calculate the forecast figures.

*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, 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
	Three Months ended March 31, 2020	Three Months ended March 31, 2019
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, 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
(Application of Specific Accounting Methods for the Preparation of Quarterly Consolidated Financial Statements)	8
(Segment Information)	9
3. Supplementary Information	11
(Weddings Held and Orders Received)	11

1. Review of Consolidated Financial Results

(1) Operating Results

In the first three months of the fiscal year ending December 31, 2020, the Japanese economy started off on a recovery track thanks to an upturn in personal spending and improved employment conditions, but turned down sharply thereafter due to the impact of the novel coronavirus outbreak and the outlook is now 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 decline in demand from overseas visitors, postponement of wedding receptions, and requests from authorities for people to stay home in response to the novel coronavirus outbreak.

As a result, in the first quarter of 2020, the Group posted consolidated net sales of ¥10,232 million (down 21.6% year on year). The Group recorded a first-quarter operating loss of ¥2,088 million (compared with a profit of ¥48 million a year earlier) and an ordinary loss of ¥2,568 million (compared with a profit of ¥32 million a year earlier). The net loss attributable to owners of the parent amounted to ¥2,417 million (compared with a loss of ¥43 million a year earlier).

The results for each business segment were as follows.

1) Wedding business

In the first three months of fiscal 2020, the wedding business recorded a sales decline owing to an increase in the number of postponed wedding receptions due to the impact of the novel coronavirus outbreak, with the number of wedding receptions held falling significantly to 1,960 (down 19.0% year on year). Segment income also declined despite concerted companywide cost reduction efforts.

As a result, net sales in the wedding business totaled ¥6,447 million (down 18.6% year on year) and segment loss was ¥505 million (compared with a profit of ¥569 million a year earlier).

2) Hotel business

Segment sales and income declined in the first three months of fiscal 2020, because the number of weddings held at the Group’s hotels decreased to 259 (down 27.9% year on year) owing to postponements, and hotel accommodation and banquet booking cancellations and postponements increased, due to the novel coronavirus outbreak.

As a result, net sales in the hotel business came to ¥2,973 million (down 29.0% year on year), and segment loss totaled ¥973 million (compared with a profit of ¥17 million a year earlier).

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

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

As a result, the W&R business posted net sales of ¥810 million (down 13.7% year on year) and an operating loss of ¥152 million (compared with a loss of ¥116 million a year earlier).

(2) Analysis of Financial Condition

Assets, Liabilities, and Net Assets

Total assets as of March 31, 2020, the end of the first three months of fiscal 2020, amounted to ¥93,912 million, a decrease of ¥5,431 million from the end of the previous fiscal year (December 31, 2019). The decrease mainly reflects an increase of ¥8,862 million in buildings and structures related to the handover of the newly completed Kimpton Shinjuku Tokyo hotel, which was offset by a decrease of ¥5,980 million from a transfer from construction in progress to buildings and structures, and a ¥7,810 million decrease in cash and deposits due to capital investments.

Total liabilities as of March 31, 2020, came to ¥59,596 million, a decrease of ¥2,343 million from the end of the previous fiscal year. The decrease reflects decreases of ¥1,021 million in income taxes payable due to payment of income taxes and ¥753 million in accounts payable – trade.

Net assets as of March 31, 2020, totaled ¥34,316 million, ¥3,087 million less than at the end of the previous fiscal year. The major changes are a ¥2,655 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.

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

The consolidated earnings forecasts for the six months ending June 30, 2020, and the full fiscal year ending December 31, 2020 have been temporarily withdrawn and are currently undetermined. The Group's businesses have closed temporarily or are operating on reduced opening hours at the request of central and local governments in order to help prevent the spread of the novel coronavirus. Due to the present uncertainty as to when the novel coronavirus outbreak will end, it is difficult to reasonably calculate the 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	March 31, 2020
	Amount	Amount
Assets		
Current assets		
Cash and deposits	28,347	20,537
Accounts receivable - trade	1,259	608
Marketable securities	2,455	1,406
Merchandise	116	123
Raw materials and supplies	530	516
Other	1,389	1,975
Allowance for doubtful receivables	(22)	(24)
Total current assets	34,076	25,142
Fixed assets		
Tangible assets		
Buildings and structures, net	22,199	31,062
Land	9,574	9,533
Construction in progress	9,837	3,856
Other, net	1,909	2,005
Total tangible assets	43,520	46,457
Intangible assets		
Goodwill	1,475	1,424
Other	195	619
Total intangible assets	1,670	2,044
Investments and other assets		
Investment securities	6,721	6,347
Lease and guarantee deposits	8,451	8,381
Other	4,964	5,614
Allowance for doubtful receivables	(213)	(223)
Total investments and other assets	19,925	20,119
Total fixed assets	65,115	68,622
Deferred assets	151	147
Total assets	99,343	93,912

	(millions of yen)	
	December 31, 2019	March 31, 2020
	Amount	Amount
Liabilities		
Current liabilities		
Accounts payable - trade	2,298	1,544
Short-term debt	-	300
Current portion of long-term debt	4,617	4,692
Current portion of bonds	668	668
Income taxes payable	1,275	254
Advances received	2,442	3,230
Other	6,557	4,911
Total current liabilities	17,859	15,602
Fixed liabilities		
Bonds	5,157	4,947
Long-term debt	34,209	34,203
Net defined benefit liability	303	314
Provision for directors' retirement benefits	831	841
Asset retirement obligations	2,412	2,400
Other	1,167	1,286
Total fixed liabilities	44,080	43,994
Total liabilities	61,939	59,596
Net assets		
Shareholders' equity		
Capital stock	472	472
Capital surplus	634	634
Retained earnings	37,937	35,282
Treasury stock	(892)	(892)
Total shareholders' equity	38,151	35,495
Accumulated other comprehensive income		
Net unrealized gain (loss) on available-for-sale securities	(72)	(291)
Deferred gain (loss) on derivatives under hedge accounting	(504)	(617)
Foreign currency translation adjustments	(163)	(265)
Remeasurements of defined benefit plans	(5)	(5)
Total accumulated other comprehensive income	(747)	(1,179)
Total net assets	37,404	34,316
Total liabilities and net assets	99,343	93,912

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

	(millions of yen)	
	Three months ended March 31, 2019	Three months ended March 31, 2020
	Amount	Amount
Net sales	13,049	10,232
Cost of sales	9,157	8,193
Gross profit	3,891	2,038
Selling, general and administrative expenses	3,843	4,127
Operating income (loss)	48	(2,088)
Non-operating income		
Interest income	6	47
Dividend income	-	16
Gain on investments in silent partnership	73	73
Real estate rental income	88	8
Other	24	14
Total non-operating income	193	161
Non-operating expenses		
Interest expenses	129	169
Real estate rental expenses	71	20
Loss on investments in marketable securities	-	339
Other	8	112
Total non-operating expenses	209	641
Ordinary income (loss)	32	(2,568)
Extraordinary income		
Gain on sales of fixed assets	-	0
Total extraordinary income	-	0
Extraordinary loss		
Loss on disposal of fixed assets	3	0
Shop closing expenses	2	35
Loss on redemption of securities	12	-
Loss on valuation of investment securities	-	130
Other	0	13
Total extraordinary loss	17	179
Profit (loss) before income taxes	14	(2,748)
Total income taxes	71	(331)
Profit (loss)	(56)	(2,417)
Profit (loss) attributable to non-controlling interests	(13)	-
Profit (loss) attributable to owners of the parent	(43)	(2,417)

Consolidated Statements of Comprehensive Income

	(millions of yen)	
	Three months ended March 31, 2019	Three months ended March 31, 2020
	Amount	Amount
Profit (loss)	(56)	(2,417)
Other comprehensive income		
Net unrealized gain (loss) on available-for-sale securities	33	(218)
Deferred gain (loss) on derivatives under hedge accounting	(138)	(112)
Foreign currency translation adjustments	7	(85)
Remeasurements of defined benefit plan	(0)	0
Share of other comprehensive income of entities accounted for using equity method	-	(15)
Total other comprehensive income	(97)	(432)
Comprehensive income	(154)	(2,849)
(Breakdown)		
Comprehensive income attributable to owners of the parent	(141)	(2,849)
Comprehensive income attributable to non-controlling interests	(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 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, 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.

(Segment Information)

I. 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 profit 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, 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 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, 2019	Three months ended March 31, 2020	Year ended December 31, 2019
Segment	Number of weddings held (cases)	Number of weddings held (cases)	Number of weddings held (cases)
Wedding business	2,420	1,960	12,385
Hotel business	359	259	1,611
Total	2,779	2,219	13,996

2) Wedding orders received

	Three months ended March 31, 2019		Three months ended March 31, 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	3,804	8,503	3,098	7,656	11,784	6,518
Hotel business	474	1,294	423	1,195	1,463	1,031
Total	4,278	9,797	3,521	8,851	13,247	7,549