

[Delayed] The original disclosure in Japanese was released on February 14, 2023 at 15:00 (GMT+9)

February 14, 2023

Tsukada Global Holdings Inc.
Consolidated Earnings Report for the Fiscal Year ended December 31, 2022
(Japanese GAAP)

Stock listing: Tokyo Stock Exchange (Prime Market) Securities code: 2418

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

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Scheduled dates:

Annual general meeting of shareholders: March 30, 2023

Filing of statutory year-end financial report: March 30, 2023

Dividend payout: March 31, 2023

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, 2022
(January 1, 2022 – December 31, 2022)

(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, 2022	51,699	54.6	2,976	-	4,758	-	1,498	-
Year ended December 31, 2021	33,429	23.3	(6,391)	-	(5,452)	-	(6,137)	-

Note: Comprehensive income: Year ended December 31, 2022: 2,736 million yen (- %)

Year ended December 31, 2021: (5,796) million yen (- %)

	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, 2022	31.42	-	6.9	5.3	5.8
Year ended December 31, 2021	(128.67)	-	(26.3)	(5.7)	(19.1)

Reference: Equity in (earnings) losses of affiliates: Year ended December 31, 2022: (93) million yen

Year ended December 31, 2021: (178) million yen

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	million yen	million yen	%	yen
December 31, 2022	87,472	23,086	26.1	479.39
December 31, 2021	90,901	20,641	22.5	428.77

Reference: Total equity: December 31, 2022: 22,866 million yen

December 31, 2021: 20,452 million yen

(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, 2022	7,958	2,077	(5,420)	21,149
Year ended December 31, 2021	(899)	(1,916)	(2,978)	16,451

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, 2021	-	0.00	-	0.00	0.00	-	-	-
Year ended December 31, 2022	-	0.00	-	5.00	5.00	238	15.9	1.1
Year ending December 31, 2023 (Forecast)	-	5.00	-	5.00	10.00		16.3	

3. Earnings Forecast for the Fiscal Year ending December 31, 2023

(January 1, 2023 – December 31, 2023)

(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, 2023	26,490	17.5	786	-	614	(54.1)	293	-	6.14
Year ending December 31, 2023	57,990	12.2	4,508	51.5	4,171	(12.3)	2,927	95.3	61.36

*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) Changes in accounting policy, changes in accounting estimates, and retrospective restatement

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

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, 2022	December 31, 2021
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, 2022	Year ended December 31, 2021
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, 2023" in the section "1. Review of Consolidated Financial Results" on page 2 in the accompanying materials.

(Presentation Handout Materials)

The Company has scheduled an earnings presentation targeted at institutional investors and analysts on February 20, 2023.

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

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1. Review of Consolidated Financial Results

(1) Operating Results

In the fiscal year ended December 31, 2022, the Japanese economy has been transitioning from the lifting of priority measures to prevent the spread of COVID-19 infections to a new stage of living with COVID-19, and there are expectations that it will recover thanks to a recent shift in policies. However, the outlook remains uncertain due to supply chain disruptions caused by heightened geopolitical risks, soaring logistics costs, and rising prices for raw materials and energy.

In this environment, the Tsukada Global Holdings Group (“the Group”) focused on creating new value, developing high-quality and attractive outlets, providing high value-added services in the bridal, hotel, and wellness and relaxation (W&R) markets, and taking all possible measures to prevent coronavirus infections at all of its facilities.

The number of weddings held in the Hotel and Wedding businesses, overnight occupancy rates, and average charge per night in the Hotel business have been on a slow recovery trend as travel restrictions were eased, and spend per wedding was also expected to recover. However, the recovery stalled after the number of new COVID-19 cases began rising again in July, and the outlook remains clouded.

As a result, in the fiscal year ended December 31, 2022, the Group posted consolidated net sales of ¥51,699 million (up 54.6% year on year). The Group recorded operating income of ¥2,976 million (compared with a loss of ¥6,391 million a year earlier), ordinary income of ¥4,758 million (compared with a loss of ¥5,452 million a year earlier) due to the receipt of various subsidies and foreign exchange gains from the sharp deterioration of the yen, and net income attributable to owners of the parent of ¥1,498 million (compared with a loss of ¥6,137 million a year earlier) due to an increase in tax expenses.

The results for each business segment were as follows.

1) Wedding business

In fiscal 2022, the number of weddings increased sharply to 10,837 (up 53.0% year on year) due to a steady recovery trend after the lifting of priority measures to prevent the spread of COVID-19 infections in March. Spend per wedding was slow to recover, but the segment posted a profit.

As a result, net sales in the Wedding business totaled ¥34,182 million (up 69.5% year on year) and segment profit was ¥6,154 million (compared with a segment loss of ¥715 million a year earlier).

2) Hotel business

The number of hotel weddings held increased sharply to 1,660 (up 31.9% year on year). Overnight occupancy rates and average charge per night are also recovering slowly as domestic customers and business demand gradually begins to return. However, recovery of demand from inbound tourists was limited, and the segment posted a loss.

As a result, net sales in the Hotel business totaled ¥14,554 million (up 38.3% year on year) and segment loss was ¥1,441 million (compared with a loss of ¥3,780 million a year earlier).

3) W&R business

In fiscal 2022, the number of visitors, net sales and segment profit of the Beauty & Relax SPA-HERBS spa complex all exceeded those of the previous fiscal year; however, the British-style “Queensway” reflexology salons struggled to attract customers, resulting in a small increase in segment sales, and a loss despite a recovery in profitability.

As a result, net sales in the W&R business totaled ¥2,961 million (up 8.3% year on year) and segment loss was ¥334 million (compared with a loss of ¥525 million a year earlier).

(2) Analysis of Financial Condition

(Assets)

Total assets at the end of fiscal 2022 (December 31, 2022) amounted to ¥87,472 million, a decrease of ¥3,429 million from the end of the previous fiscal year (December 31, 2021). The decrease mainly reflects a ¥4,698 million increase in cash and deposits offset against a ¥2,731 million decrease in land due to land sales, a ¥2,243 million decrease in buildings and structures from depreciation, and a ¥1,555 million decrease in deferred tax assets.

(Liabilities)

Total liabilities at the end of fiscal 2022 came to ¥64,386 million, a decrease of ¥5,873 million from the end of the previous fiscal year. The decrease is chiefly attributable to a decrease of ¥3,990 million in long-term debt (including the current portion), ¥879 million in the redemption of bonds (including the current portion), and ¥1,243 million in Other under Current liabilities.

(Net Assets)

Net assets at the end of fiscal 2022 totaled ¥23,086 million, an increase of ¥2,444 million from the end of the previous fiscal year. This is mainly due to an increase of ¥1,207 million in retained earnings due to the recording of net income, and an increase of ¥756 million in deferred gain on derivatives under hedge accounting.

(3) Overview of Cash Flows

Cash and cash equivalents (“cash”) at the end of fiscal 2022 increased by ¥4,698 million from the end of the previous fiscal year to ¥21,149 million.

Cash flows and factors behind the changes in the cash flows are explained below.

(Operating cash flow)

Cash provided by operating activities during fiscal 2022 totaled ¥7,958 million, compared with ¥899 million used in the previous fiscal year. The change is mainly attributable to ¥3,829 million in profit before income taxes and ¥3,638 million in depreciation and amortization.

(Investing cash flow)

Cash provided by investing activities during fiscal 2022 totaled ¥2,077 million, compared to ¥1,916 million used in the previous fiscal year. The change is mainly the result of ¥1,506 million used for the purchase of tangible assets through capital investment offset against proceeds from sales of tangible assets of ¥2,774 million and ¥1,117 million from sales of investment securities.

(Financing cash flow)

Cash used by financing activities during fiscal 2022 totaled ¥5,420 million, compared to ¥2,978 million used in the previous fiscal year. The change is mainly attributable to repayments of long-

term debt of ¥11,993 million and redemption of bonds totaling ¥2,379 million, partially offset by proceeds of ¥8,000 million from long-term debt and ¥1,488 million from the issuance of bonds.

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

	FY2018	FY2019	FY2020	FY2020	FY2021
Equity ratio (%)	39.1	37.7	26.3	22.5	26.1
Equity ratio based on market value (%)	31.3	29.3	12.3	16.3	19.8
Cash flow to interest-bearing debt (years)	6.6	6.1	—	—	6.0
Interest coverage ratio (times)	26.3	17.3	—	—	16.2

Notes:

Equity ratio: Total equity/Total assets

Equity ratio 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, 2023

Regarding the consolidated results forecast for the fiscal year ending December 31, 2023, amid ongoing uncertainty as to when the novel coronavirus pandemic will end, we expect the business environment to move into a new stage in which living with COVID-19 is the norm.

The number of wedding reservations and weddings held in the Wedding and Hotel businesses have more or less returned to normal, but spend per wedding is likely to take more time to recover. In the hotel business, it remains difficult to forecast average charge per night and occupancy rate due to uncertainty in regards to when restrictions on travel from China will be lifted.

At all of our facilities, the Group will continue to take appropriate steps to prevent the spread of infection so that our customers can use our facilities with peace of mind. At the same time, in the wedding business, we will continue to provide online meetings and online weddings, and promote e-commerce business related to wedding guest attire and dress accessories sales. In addition, we will promote the expansion of the contract wedding business with wedding reception halls operated by other companies in the industry, and work to increase the number of weddings handled with minimal investment.

Taking the above into account, for the fiscal year ending December 31, 2023, the Group forecasts consolidated net sales of ¥57,990 million (up 12.2% year on year), operating income of ¥4,508 million (up 51.5% year on year), ordinary income of ¥4,171 million (down 12.3% year on year), and profit attributable to owners of the parent of ¥2,927 million (up 95.3% year on year).

2. Basic Views on Adoption of Accounting Standards

The Group'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 group. As to the possible future adoption of the International Financial Reporting Standards (IFRS), the Group shall continue its study going forward, taking into account the future developments of the Group'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, 2021	December 31, 2022
	Amount	Amount
Assets		
Current assets		
Cash and deposits	16,539	21,238
Accounts receivable - trade	1,000	1,479
Marketable securities	1,526	-
Merchandise	182	166
Raw materials and supplies	381	381
Other	1,192	1,360
Allowance for doubtful receivables	(31)	(37)
Total current assets	20,792	24,588
Fixed assets		
Tangible assets		
Buildings and structures	59,946	59,244
Accumulated depreciation	(28,619)	(30,161)
Buildings and structures, net	31,327	29,083
Land	12,276	9,544
Construction in progress	611	1,007
Other	10,104	10,617
Accumulated depreciation	(8,471)	(9,121)
Other, net	1,633	1,496
Total tangible assets	45,847	41,131
Intangible assets		
Goodwill	1,732	1,157
Other	651	1,020
Total intangible assets	2,383	2,177
Investments and other assets		
Investment securities	6,361	5,599
Lease and guarantee deposits	7,369	7,211
Deferred tax assets	7,251	5,695
Other	781	1,007
Allowance for doubtful receivables	(107)	(121)
Total investments and other assets	21,656	19,392
Total fixed assets	69,887	62,702
Deferred assets		
Bond issuance costs	221	181
Total deferred assets	221	181
Total assets	90,901	87,472

	(millions of yen)	
	December 31, 2021	December 31, 2022
	Amount	Amount
Liabilities		
Current liabilities		
Accounts payable - trade	1,726	2,101
Short-term debt	500	-
Current portion of long-term debt	11,291	7,106
Current portion of bonds	2,154	964
Income taxes payable	222	839
Advances received	2,788	3,107
Allowance for loss on shop closing	22	62
Asset retirement obligations	277	47
Other	5,543	4,300
Total current liabilities	24,525	18,530
Fixed liabilities		
Bonds	5,393	5,703
Long-term debt	33,528	33,722
Net defined benefit liability	393	407
Provision for directors' retirement benefits	914	953
Asset retirement obligations	4,529	4,535
Other	975	532
Total fixed liabilities	45,734	45,855
Total liabilities	70,260	64,386
Net assets		
Shareholders' equity		
Capital stock	472	472
Capital surplus	634	634
Retained earnings	20,933	22,140
Treasury stock	(892)	(892)
Total shareholders' equity	21,146	22,353
Accumulated other comprehensive income		
Net unrealized gain (loss) on available-for-sale securities	(38)	-
Deferred gain (loss) on derivatives under hedge accounting	(584)	171
Foreign currency translation adjustments	(64)	347
Remeasurements of defined benefit plan	(6)	(5)
Total accumulated other comprehensive income	(694)	513
Non-controlling interests	189	219
Total net assets	20,641	23,086
Total liabilities and net assets	90,901	87,472

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

	(millions of yen)	
	Year ended December 31, 2021	Year ended December 31, 2022
	Amount	Amount
Net sales	33,429	51,699
Cost of sales	27,257	34,220
Gross profit	6,172	17,478
Selling, general and administrative expenses	12,563	14,502
Operating income (loss)	(6,391)	2,976
Non-operating income		
Interest income	118	37
Gain on investments in silent partnership	175	152
Subsidy income	866	1,381
Foreign exchange gains	505	1,044
Other	212	234
Total non-operating income	1,878	2,850
Non-operating expenses		
Interest expenses	457	486
Share of loss of entities accounted for using equity method	178	93
Loss on investments in capital	122	177
Other	181	311
Total non-operating expenses	939	1,068
Ordinary income (loss)	(5,452)	4,758
Extraordinary income		
Gain on sales of fixed assets	0	0
Gain on sales of memberships	-	3
Reversal of provision for retirement benefits	14	-
Total extraordinary income	14	3
Extraordinary loss		
Loss on disposal of fixed assets	24	36
Loss on sales of fixed assets	-	382
Loss on sales of investment securities	79	100
Impairment loss	1,512	238
Shop closing expenses	29	94
Other	-	80
Total extraordinary loss	1,645	932
Profit (loss) before income taxes	(7,083)	3,829
Income taxes – current	226	952
Income taxes – deferred	(1,170)	1,377
Total income taxes	(944)	2,330
Profit (loss)	(6,139)	1,499
Profit (loss) attributable to non-controlling interests	(1)	0
Profit (loss) attributable to owners of the parent	(6,137)	1,498

Consolidated Statements of Comprehensive Income

(millions of yen)

	Year ended December 31, 2021	Year ended December 31, 2022
	Amount	Amount
Profit (loss)	(6,139)	1,499
Other comprehensive income		
Net unrealized gain on available-for-sale securities	4	38
Deferred gain on derivatives under hedge accounting	0	756
Foreign currency translation adjustments	174	208
Remeasurements of defined benefit plan	0	0
Share of other comprehensive income of entities accounted for using equity method	162	233
Total other comprehensive income	342	1,237
Comprehensive income	(5,796)	2,736
(Breakdown)		
Comprehensive income attributable to owners of the parent	(5,813)	2,706
Comprehensive income attributable to non- controlling interests	17	29

(3) Consolidated Statements of Changes in Net Assets

Year ended December 31, 2021 (January 1 to December 31, 2021)

(millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of term	472	634	27,070	(892)	27,284
Changes during term					
Profit (loss) attributable to owners of the parent			(6,137)		(6,137)
Net changes in items other than shareholders' equity					
Total changes during term	-	-	(6,137)	-	(6,137)
Balance at end of term	472	634	20,933	(892)	21,146

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Net unrealized gain (loss) on available-for-sale securities	Deferred gain (loss) on derivatives under hedge accounting	Foreign currency translation adjustments	Remeasurements of defined benefit plan	Total accumulated other comprehensive income		
Balance at beginning of term	(43)	(585)	(382)	(7)	(1,018)	171	26,437
Changes during term							
Profit (loss) attributable to owners of the parent							(6,137)
Net changes in items other than shareholders' equity	4	0	317	0	323	17	341
Total changes during term	4	0	317	0	323	17	(5,796)
Balance at end of term	(38)	(584)	(64)	(6)	(694)	189	20,641

Year ended December 31, 2022 (January 1 to December 31, 2022)

(millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of term	472	634	20,933	(892)	21,146
Cumulative effects of changes in accounting policies			(291)		(291)
Restated balance	472	634	20,641	(892)	20,855
Changes during term					
Profit attributable to owners of the parent			1,498		1,498
Change in ownership interest of parent due to transactions with non-controlling interests		(0)			(0)
Net changes in items other than shareholders' equity					
Total changes during term	-	(0)	1,498	-	1,498
Balance at end of term	472	634	22,140	(892)	22,353

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Net unrealized gain (loss) on available-for-sale securities	Deferred gain (loss) on derivatives under hedge accounting	Foreign currency translation adjustments	Remeasurements of defined benefit plan	Total accumulated other comprehensive income		
Balance at beginning of term	(38)	(584)	(64)	(6)	(694)	189	20,641
Cumulative effects of changes in accounting policies							(291)
Restated balance	(38)	(584)	(64)	(6)	(694)	189	20,349
Changes during term							
Profit attributable to owners of the parent							1,498
Change in ownership interest of parent due to transactions with non-controlling interests							(0)
Net changes in items other than shareholders' equity	38	756	412	0	1,207	29	1,237
Total changes during term	38	756	412	0	1,207	29	2,736
Balance at end of term	-	171	347	(5)	513	219	23,086

(4) Consolidated Statements of Cash Flows

	(millions of yen)	
	Year ended December 31, 2021	Year ended December 31, 2022
	Amount	Amount
Cash flows from operating activities		
Profit (loss) before income taxes	(7,083)	3,829
Depreciation and amortization	3,724	3,638
Impairment loss	1,512	238
Amortization of goodwill	343	343
Amortization of bond issuance expenses	45	51
Loss on disposal of fixed assets	24	36
Increase (decrease) in allowance for loss on shop closing	(252)	40
Increase (decrease) in provision for directors' retirement benefits	41	39
Increase (decrease) in allowance for doubtful receivables	0	5
Increase (decrease) in net defined benefit liability	(3)	11
Interest and dividend income	(118)	(37)
Interest expenses	457	486
Share of loss (profit) of entities accounted for using equity method	178	93
(Gain) loss on investments in securities	(10)	66
(Gain) loss on sales of investment securities	79	100
(Gain) loss on sales of fixed assets	(0)	381
Shop closing expenses	29	94
(Gain) loss on investments in silent partnership	(175)	(152)
Foreign exchange (gain) loss	(506)	(1,010)
(Increase) decrease in notes and accounts receivable - trade	(183)	(478)
(Increase) decrease in inventories	26	16
Increase (decrease) in notes and accounts payable - trade	437	362
Increase (decrease) in advances received	(158)	27
Increase (decrease) in accrued consumption taxes	1,665	314
(Increase) decrease in other assets	289	(256)
Increase (decrease) in other liabilities	(1,121)	230
Other	246	301
Sub total	(510)	8,775
Interest and dividends received	57	103
Interest paid	(453)	(490)
Income taxes refund	43	-
Income taxes paid	(36)	(430)
Net cash provided by (used in) operating activities	(899)	7,958

(millions of yen)

	Year ended December 31, 2021	Year ended December 31, 2022
	Amount	Amount
Cash flows from investing activities		
Purchase of tangible assets	(780)	(1,506)
Proceeds from sales of tangible assets	0	2,774
Purchase of intangible assets	(107)	(425)
Proceeds from sales of investment securities	351	1,117
Purchase of affiliated companies' shares	(52)	-
Payments for investments in capital	(1,876)	-
Proceeds from withdrawal of investment in silent partnership	74	208
Lease and guarantee deposits	(72)	(407)
Collection of lease and guarantee deposits	738	567
Other	(191)	(251)
Net cash provided by (used in) investing activities	(1,916)	(2,077)
Cash flows from financing activities		
Net increase (decrease) in short-term debt	(1,289)	(500)
Proceeds from long-term debt	2,600	8,000
Repayments of long-term debt	(4,011)	(11,993)
Proceeds from issuance of bonds	489	1,488
Payments for redemption of bonds	(774)	(2,379)
Dividends paid to shareholders	(0)	(0)
Proceeds from stock issuance to non-controlling interests in conjunction with establishment of consolidated subsidiary	7	-
Other	-	(36)
Net cash provided by (used in) financing activities	(2,978)	(5,420)
Foreign currency translation adjustments on cash and cash equivalents	43	83
Net increase (decrease) in cash and cash equivalents	(5,751)	4,698
Cash and cash equivalents, beginning of period	22,202	16,451
Cash and cash equivalents, end of period	16,451	21,149

(5) Notes on Consolidated Financial Statements

(Note on the Going-concern Assumption)

Not applicable

(Changes in Accounting Policies)

(Application of Accounting Standard for Revenue Recognition, etc.)

The "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and related guidelines have been applied from the beginning of the current fiscal year. In line with this, revenue is recognized upon the transfer of control for the promised goods or services to customers in an amount that reflects the consideration which they expect to receive in exchange for those goods or services.

The major changes due to the application of the Accounting Standard for Revenue Recognition, etc. are as follows.

- 1) Revenue recognition related to the Wedding business
Regarding the recognition of revenue related to the Wedding business, revenue had previously been recognized on the date on which the wedding ceremony or banquet was held, but from the beginning of the current fiscal year, the recognition method has been changed so that revenue is recognized for certain transactions at the point in time when the handover of the goods or the delivery of the goods has been completed.
- 2) Revenue recognition related to the Hotel business
Regarding the recognition of revenue related to the Hotel business, revenue had previously been recognized for each night stayed by the customer, but from the beginning of the current fiscal year, the recognition method has been changed so that revenue is recognized in line with the progress made in the provision of services.
- 3) Revenue recognition related to bonus points
Regarding the recognition of revenue related to the W&R business, bonus points awarded to customers at the time of sales had previously been recognized as selling, general and administrative expenses, but from the beginning of the current fiscal year, the recognition method has been changed so that they are recognized as performance obligations and the transaction price is allocated to the performance obligations based on the stand-alone selling price calculated considering the expected forfeiture rate, etc. of the bonus points.

In the application of the Accounting Standard for Revenue Recognition, etc., in accordance with the transitional treatment set forth in the proviso of Paragraph 84 of the Accounting Standard for Revenue Recognition, the cumulative effect of retrospective application of the new accounting policies prior to the beginning of the current fiscal year was added to or subtracted from retained earnings at the beginning of the current fiscal year. However, based on the method set forth in Paragraph 86 of the Accounting Standard for Revenue Recognition, the new accounting policies have not been retrospectively applied to the contracts in which almost all of the revenue amount had been recognized prior to the beginning of the current fiscal year in accordance with the previous treatment. In addition, based on supplementary provision (1), Paragraph 86 of the Accounting Standard for Revenue Recognition, regarding contracts modified prior to the beginning of the current fiscal year, accounting treatment has been implemented based on the contract conditions made after reflecting all the modifications to the contracts, and the cumulative effects are added to or subtracted from retained earnings at the beginning of the current fiscal year.

As a result, for the year ended December 31, 2022, net sales decreased by ¥104 million; cost of sales increased by ¥1 million; selling, general and administrative expenses decreased by ¥23 million; and operating income, ordinary income and profit before income taxes decreased by ¥81 million, respectively. In addition, the balance of retained earnings at the beginning of the year decreased by ¥291 million.

Additionally, based on the transitional treatment set forth in Paragraph 89-2 of the Accounting Standard for Revenue Recognition, comparative information for the previous fiscal year has not been restated to reflect the new method of presentation. Furthermore, in accordance with the transitional treatment set forth in Paragraph 89-3 of the Accounting Standard for Revenue Recognition, information on the disaggregation of revenue arising from contracts with customers for the previous fiscal year is not presented.

(Application of Accounting Standard for Fair Value Measurement, etc.)

The “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019) and related guidelines have been applied from the beginning of the current fiscal year. In accordance with the transitional treatment set forth in Paragraph 19 of the Accounting Standard for Fair Value Measurement and Paragraph 44-2 of the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019), the new accounting policies set forth in the Accounting Standard for Fair Value Measurement, etc., have been prospectively applied. These changes have no impact on the consolidated financial statements.

(Segment Information)

1. Overview of reportable segment

The Group's reportable segments are components of the Group for 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" that provides reflexology services and management of a spa complex and a comprehensive fitness club.

The "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 banquets in Hawaii and Bali, mainly for customers who book through the Group's sales salons in Japan.

The "Hotel business" offers the management of hotel weddings and banquets, and provision of hotel accommodation services at the "Hotel InterContinental Tokyo Bay", "The Strings by InterContinental Tokyo", "The Strings Hotel Yagoto Nagoya", "The Strings Hotel Nagoya", and at "Kimpton Shinjuku Tokyo".

The "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 "BEST STYLE FITNESS" comprehensive fitness clubs.

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 and transfers are based on market price.

3. Net sales, income/loss, assets, liabilities, and other items by reportable segment

Year ended December 31, 2021 (January 1 to December 31, 2021)

(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	20,167	10,526	2,735	33,429	-	33,429
Inter-segment sales or transfers	1,349	405	34	1,789	(1,789)	-
Total	21,517	10,931	2,770	35,219	(1,789)	33,429
Segment loss	(715)	(3,780)	(525)	(5,022)	(1,368)	(6,391)
Segment assets	26,573	34,037	3,463	64,074	26,826	90,901
Other items						
Depreciation/amortization	1,333	2,041	247	3,622	102	3,724
Amortization of goodwill	77	128	138	343	-	343
Increase in tangible and intangible assets	639	110	82	832	45	878

Notes: 1. Details of adjustments are as follows:

- (1) The minus 1,368 million yen adjustment for segment loss includes a 44 million yen elimination of inter-segment sales and minus 1,412 million yen in 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) The 26,826 million yen adjustment for segment assets comprises corporate assets that are not allocated to each reportable segment. Unallocated corporate assets consist mainly of cash and deposits held by the Company which are not attributable to reportable segments.
- (3) The 102 million yen adjustment for depreciation/amortization comprises depreciation/amortization related to corporate assets that are not allocated to each reportable segment.
- (4) The 45 million yen adjustment for the increase in tangible and intangible assets comprises investments in corporate assets that are not allocated to each segment.

2. Segment loss is adjusted to correspond with operating loss reported on the consolidated statements of income.

4. Net sales, income/loss, assets, liabilities, and other items by reportable segment and information on disaggregation of revenue

Year ended December 31, 2022 (January 1 to December 31, 2022)

(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						
Revenue from contracts with customers	34,047	14,554	2,961	51,563	-	51,563
Other revenue	135	-	-	135	-	135
Sales to outside customers	34,182	14,554	2,961	51,699	-	51,699
Inter-segment sales or transfers	1,871	1,027	31	2,930	(2,930)	-
Total	36,053	15,582	2,993	54,629	(2,930)	51,699
Segment income (loss)	6,154	(1,441)	(334)	4,378	(1,402)	2,976
Segment assets	29,418	33,044	2,429	64,892	22,579	87,472
Other items						
Depreciation/amortization	1,499	1,893	184	3,577	61	3,638
Amortization of goodwill	77	128	138	343	-	343
Increase in tangible and intangible assets	1,976	57	24	2,058	45	2,103

Notes: 1. Details of adjustments are as follows:

- (1) The minus 1,402 million yen adjustment for segment income (loss) includes a 90 million yen elimination of inter-segment sales and minus 1,493 million yen of 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) The 22,579 million yen adjustment for segment assets comprises corporate assets that are not allocated to each reportable segment. Unallocated corporate assets consist mainly of cash and deposits held by the Company which are not attributable to reportable segments.
 - (3) The 61 million yen adjustment for depreciation/amortization comprises depreciation/amortization for corporate assets that are not allocated to each reportable segment.
 - (4) The 45 million yen adjustment for increase in tangible and intangible assets comprises investments in corporate assets that are not allocated to each reportable segment.
2. Segment income (loss) is adjusted to correspond with operating income reported on the consolidated statements of income.

3. Matters related to changes in reportable segments, etc.

(Application of Accounting Standard for Revenue Recognition, etc.)

As stated in Changes in Accounting Policies, due to changes in accounting treatment for revenue recognition as a result of the application of the Accounting Standard for Revenue Recognition, etc. from the beginning of the current consolidated fiscal year, similar changes have been made to the method of calculating segment income/loss. As a result of this change, for the year ended December 31, 2022, net sales decreased by ¥42 million in the “Wedding business”, by ¥33 million in the “Hotel business”, and by ¥28 million in the “W&R business”, respectively.

(Revenue Recognition)

Information on the disaggregation of revenue from contracts with customers is as stated in “Notes on Consolidated Financial Statements (Segment Information)”.

(Per Share Information)

	Year ended December 31, 2021	Year ended December 31, 2022
Net assets per share	428.77 yen	479.39 yen
Profit (loss) per share	(128.67) yen	31.42 yen

Notes: 1. Diluted profit per share for the year ended December 31, 2021 is not disclosed as a loss per share was recorded and there were no dilutive shares. Diluted profit per share for the year ended December 31, 2022 is not disclosed as there were no dilutive shares.

2. The calculation base for profit (loss) per share is as follows:

	Year ended December 31, 2021	Year ended December 31, 2022
Profit (loss) attributable to owners of the parent (millions of yen)	(6,137)	1,498
Amount not attributable to common stockholders (millions of yen)	-	-
Profit (loss) attributable to common stock of owners of the parent (millions of yen)	(6,137)	1,498
Average number of common stock outstanding during the term (shares)	47,700,166	47,700,166

(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, 2021	Year ended December 31, 2022
Segment	Number of weddings held (cases)	Number of weddings held (cases)
Wedding business	7,084	10,837
Hotel business	1,259	1,660
Total	8,343	12,497

2) Wedding orders received

	Year ended December 31, 2021		Year ended December 31, 2022	
Segment	Orders received (cases)	Order backlog (cases)	Orders received (cases)	Order backlog (cases)
Wedding business	7,753	7,007	9,810	5,980
Hotel business	1,302	1,221	1,559	1,120
Total	9,055	8,228	11,369	7,100