



Summary of Consolidated Financial Results for the Three Months Ended June 30, 2022 (Japanese GAAP)

August 10, 2022

Listed company name: Wealth Management, Inc.

Listed Stock Exchange: Tokyo

Code No.: 3772

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Quarterly securities report to be submitted: August 10, 2022

Start of cash dividend payments: -

Quarterly supplementary materials: None

Quarterly financial results conference: Not scheduled

(Figures rounded down to nearest million yen)

1. Consolidated Results for the Three Months Ended June 30, 2022 (April 1, 2022 to June 30, 2022)

(1) Consolidated Operating Results (Cumulative)

(%: change from the same quarter of the previous year)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended June 30, 2022	576	(53.9)	(596)	—	(736)	—	(508)	—
Three months ended June 30, 2021	1,250	—	(374)	—	(392)	—	(469)	—

(Note) Comprehensive income

Three months ended June 30, 2022: ¥-508 million (—%)

Three months ended June 30, 2021: ¥-461 million (—%)

	Earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended June 30, 2022	(59.53)	—
Three months ended June 30, 2021	(55.04)	—

(Note) The rate of change in net sales for the three months ended June 30, 2021 compared to the same quarter of the previous year are indicated as "—" because these exceeded 1,000%.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
Three months ended June 30, 2022	39,168	10,258	26.2
FYE March 31, 2022	39,386	10,925	27.7

Reference: Equity capital

Three months ended June 30, 2022: ¥10,258 million

FYE March 31, 2022: ¥10,925 million

2. Dividends

	Annual dividends per share				
	1Q	2Q	3Q	Fiscal year end	Total
	Yen	Yen	Yen	Yen	Yen
FYE March 31, 2022	—	0.00	—	30.00	30.00
FYE March 31, 2023	—	—	—	—	—
FYE March 31, 2023 (projection)	—	—	—	—	—

(Note) Changes from the most recently announced dividend forecast: None

(Note) The projection dividends for FYE March 31, 2023 have not been determined at this time.

3. Projected Consolidated Results for Fiscal Year Ending March 31, 2023 (April 1, 2022 to March 31, 2023)

(%: change from the same period of the previous year)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
FYE March 31, 2023	15,000	(48.3)	6,500	14.5	6,500	22.2	4,000	13.8	233.54

(Note) Changes from the most recently announced earnings forecast: None

(Note) As the Company plans to conduct a two-for-one split of common shares on October 1, 2022, earnings per share for the consolidated earnings forecast for the fiscal year ending March 31, 2023, is calculated based on the number of shares issued after the stock split (excluding treasury shares). If the stock split is not taken into consideration, earnings per share for the consolidated earnings forecast for the fiscal year ending March 31, 2023, is ¥467.08.

* Notes

(1) Significant changes in subsidiaries during the cumulative period under review (changes in specific subsidiaries associated with changes in the scope of consolidation): None

New: - company, Excluded: - company

(2) Application of special accounting practices in the preparation of the quarterly consolidated financial statements: None

(3) Changes of accounting policies, changes of accounting estimates and retrospective restatements

(i) Changes in accounting policies resulting from changes in accounting standards, etc.: Yes

(ii) Changes in accounting policies other than those in (i): None

(iii) Changes in accounting estimates: None

(iv) Restatements: None

(Note) For details, please refer to "2. Quarterly Consolidated Financial Statements and Notes (3) Notes to Quarterly Consolidated Financial Statements (Changes in Accounting Policies)" on page 8 of the Attached Materials.

(4) Number of shares outstanding (common shares)

(i) Number of shares outstanding at the end of the period (including treasury shares)

As of June 30, 2022	8,572,000 shares	As of March 31, 2022	8,526,200 shares
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(ii) Number of treasury shares at end of the period

As of June 30, 2022	572 shares	As of March 31, 2022	572 shares
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(iii) Average number of shares during the period (cumulative quarterly period)

As of June 30, 2022	8,541,230 shares	As of June 30, 2021	8,525,704 shares
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* The quarterly summary of financial results is not subject to quarterly review by a Certified Public Accountant or audit firm.

* Explanations and other notes concerning the appropriate use of earnings projections

Forward-looking statements such as forecasted financial results contained in this document are based on information available to the Company and certain assumptions considered reasonable by the Company at the time of preparation of the document. Actual results, etc. may significantly differ from projections due to a variety of factors.

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1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Business Results

The outlook for the Japanese economy for the three months ended June 30, 2022 remains uncertain due to delayed easing of regulations intended to stop the spread of COVID-19, while the effect on the economy of factors such as the rapid depreciation of the yen, the situation in Ukraine, and soaring prices became increasingly apparent.

In the real estate market, to which the asset management business and real estate business belong, subordinated investors continue to take an aggressive stance toward hotel assets in anticipation of the post-COVID-19 era. In terms of the financing stance to the hotel development business, more financial institutions are anticipated to take a positive attitude to new loans. Conversely, rising real estate value caused by the weak yen and soaring prices, together with concerns over the increasing cost of construction make it difficult to forecast the future.

In the three months ended June 30, 2022, the small number of transactions such as sales and purchase of properties handled saw the Group's sales decline. From the six months ending September 30, 2022 onwards, the Group plans to gradually acquire and sell properties. Additionally, hotel development projects currently underway are progressing well.

In the hotel industry, while guest numbers are rising, recovery from the decline in guest spend caused by the COVID-19 pandemic is taking time, and thus we believe that it will take some time for the industry to recover to its pre-COVID-19 level. With regard to inbound travel, although restrictions on inbound international travelers are easing, they remain stricter than those imposed overseas, and thus this easing has not led to a major increase in demand for inbound travel.

For the Group, although guest numbers are rising, recovery of guest spend is taking time. It is anticipated that it will take some time for the luxury hotels on which the Group focuses to improve their performance, as an increase in inbound travel is an important element in this. Also, from June 17, 2022, the Group rebranded the "Dhawa Yura Kyoto" (84 Ohashi-cho, Sanjo-dori-ohashi Higashi-iru, Higashiyama-ku, Kyoto City) and the "Garrya Nijo Castle Kyoto" (180-1 Ichino-cho, Nakagyo-ku, Kyoto City), opening them for business under the Banyan Tree Group brand. The "Dhawa Yura Kyoto" is a boutique hotel combining Japanese tradition with modern design, while the "Garrya Nijo Castle Kyoto" is an exclusive luxury hotel with just 25 rooms, situated next to Nijo Castle, a World Heritage Site, and offering a view of the Ninomaru-goten Palace (a national treasure) and its Japanese garden that can be enjoyed in all four seasons.

As a result, during the three months ended June 30, 2022, net sales were ¥576,167,000 (down 53.9% year-on-year), operating loss was ¥596,615,000 (compared to an operating loss of ¥374,384,000 in the same period of the previous fiscal year), ordinary loss was ¥736,453,000 (compared to an ordinary loss of ¥392,086,000 in the same period of the previous fiscal year) and net loss attributable to owners of parent was ¥508,429,000 (compared to net loss attributable to owners of parent of ¥469,267,000 in the same period of the previous fiscal year).

Results for each segment are as follows.

As described in 2 (3) Notes to Quarterly Consolidated Financial Statements (Segment Information, etc.), the Company implemented changes in its segmentation beginning in the three months ended June 30, 2022. Comparisons and analyses with the same period for the previous fiscal year are based on post-change segmentation. The previous "real estate securitization business" and "hotel management business" have been changed to the new "asset management business," "real estate business," and "hotel management business" segments.

In the asset management business, net sales were ¥80,467,000 (down 36.2% year-on-year), while operating loss was ¥68,113,000 (compared to an operating loss of ¥7,113,000 in the same period of the previous fiscal year). This was due to the closing of a project scheduled for the three months ended June 30, 2022 being postponed to the six months ending September 30, 2022 or later.

In the real estate business, net sales were negative ¥6,359,000 (compared to net sales of ¥858,228,000 in the same period of the previous fiscal year) and operating loss was ¥204,055,000 (compared to an operating loss of ¥177,870,000 in the same period of the previous fiscal year). This was due to the closing of a project scheduled for the three months ended June 30, 2022 being postponed to the six months ending September 30, 2022 or later, and to the booking of a loss on dividends to silent partnerships, resulting in a negative net sales figure.

In the hotel management business, net sales were ¥511,060,000 (up 87.5% year-on-year), while operating loss was ¥234,154,000 (compared to an operating loss of ¥137,684,000 in the same period of the previous fiscal year). Although operating loss on hotels, etc. operated by the Group improved by ¥135,680,000, operating loss deteriorated by ¥232,150,000 year-on-year, due to the transfer of fixed costs for temporarily closed hotels in the same period of the previous fiscal year from cost of sales to extraordinary losses, and to rebranding expenses in the three months ended June 30, 2022.

(2) Explanation of Financial Position

With regard to the financial position as of June 30, 2022, total assets were ¥39,168,249,000, liabilities were ¥28,910,104,000 and net assets were ¥10,258,145,000.

Total assets decreased by ¥217,839,000 compared to the end of the previous fiscal year. This was mainly due to a decrease in cash and deposits, while deferred tax assets increased.

Liabilities increased by ¥449,858,000 compared to the end of the previous fiscal year. This was mainly due to an increase in short-term borrowings and long-term borrowings, while income taxes payable, current liabilities, and others decreased.

Net assets decreased by ¥667,697,000 compared to the end of the previous fiscal year. This was mainly due to a decrease in retained earnings due to the recording of a net loss attributable to owners of parent and dividends paid.

(3) Explanation of Forward-looking Information Such as Consolidated Earnings Forecasts

There is no change in the forecast of consolidated financial result for the fiscal year ending March 31, 2023 from the forecast of consolidated financial result (full year) for the fiscal year ending March 31, 2023 announced on May 11, 2022.

(Note) The above forward-looking statements are based on information and certain assumptions considered reasonable by the Company currently available. Actual results may differ from projections due to a variety of factors including the impact of COVID-19.

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheet

(Thousands of yen)

	As of March 31, 2022	As of June 30, 2022
Assets		
Current assets		
Cash and deposits	5,695,427	5,103,331
Accounts receivable - trade	249,667	277,858
Real estate for sale	30,778,616	30,847,406
Income taxes refund receivable	1,607	331
Other	841,317	912,161
Total current assets	37,566,636	37,141,089
Non-current assets		
Property, plant and equipment		
Buildings	4,610	4,610
Accumulated depreciation	(768)	(998)
Buildings, net	3,841	3,611
Tools, furniture and fixtures	91,334	88,283
Accumulated depreciation	(50,270)	(44,177)
Tools, furniture and fixtures, net	41,063	44,105
Total property, plant and equipment	44,905	47,716
Intangible assets		
Goodwill	628,237	596,825
Other	31,994	45,841
Total intangible assets	660,232	642,666
Investments and other assets		
Investment securities	741,476	734,692
Deferred tax assets	201,808	431,128
Other	171,030	170,955
Total investments and other assets	1,114,315	1,336,776
Total non-current assets	1,819,452	2,027,160
Total assets	39,386,089	39,168,249

(Thousands of yen)

	As of March 31, 2022	As of June 30, 2022
Liabilities		
Current liabilities		
Accounts payable - trade	54,756	87,052
Short-term borrowings	830,046	3,290,712
Current portion of long-term borrowings	98,909	115,540
Current portion of non-recourse long-term borrowings	80,000	7,360,000
Income taxes payable	668,181	10,341
Provision for bonuses	29,053	42,795
Provision for share-based remuneration	146,000	—
Provision for shareholder benefit program	26,000	17,000
Other	2,615,568	1,167,582
Total current liabilities	4,548,515	12,091,026
Non-current liabilities		
Long-term borrowings	4,445,000	4,646,561
Non-recourse long-term borrowings	18,293,606	10,949,567
Provision for share-based remuneration	—	55,669
Deferred tax liabilities	875,281	875,281
Other	297,842	291,998
Total non-current liabilities	23,911,730	16,819,077
Total liabilities	28,460,246	28,910,104
Net assets		
Shareholders' equity		
Share capital	987,243	1,035,493
Capital surplus	410,875	459,125
Retained earnings	9,528,546	8,764,347
Treasury shares	(821)	(821)
Total shareholders' equity	10,925,843	10,258,145
Total net assets	10,925,843	10,258,145
Total liabilities and net assets	39,386,089	39,168,249

(2) Quarterly Consolidated Statement of Income and Quarterly Consolidated Statement of Comprehensive Income
(Quarterly Consolidated Statement of Income)
(Three months ended June 30, 2022)

(Thousands of yen)

	Three months ended June 30, 2021 (April 1, 2021 to June 30, 2021)	Three months ended June 30, 2022 (April 1, 2022 to June 30, 2022)
Net sales	1,250,966	576,167
Cost of sales	1,320,357	807,824
Gross profit (loss)	(69,390)	(231,656)
Selling, general and administrative expenses	304,993	364,959
Operating profit (loss)	(374,384)	(596,615)
Non-operating income		
Subsidies for employment adjustment	56,945	2,654
Subsidy income	9,402	1,474
Subsidized interest payments	—	2,559
Other	75	347
Total non-operating income	66,423	7,035
Non-operating expenses		
Interest expenses	79,695	144,784
Commission expenses	3,505	1,989
Share of loss of entities accounted for using equity method	874	—
Other	50	100
Total non-operating expenses	84,125	146,873
Ordinary profit (loss)	(392,086)	(736,453)
Extraordinary losses		
Losses related to COVID-19	246,768	—
Loss on step acquisitions	1,258	—
Total extraordinary losses	248,027	—
Profit (loss) before income taxes	(640,114)	(736,453)
Income taxes - current	3,666	1,296
Income taxes - deferred	(181,992)	(229,320)
Total income taxes	(178,326)	(228,023)
Profit (loss)	(461,788)	(508,429)
Profit attributable to non-controlling interests	7,479	—
Profit (loss) attributable to owners of parent	(469,267)	(508,429)

(Quarterly Consolidated Statement of Comprehensive Income)

(Three months ended June 30, 2022)

(Thousands of yen)

	Three months ended June 30, 2021 (April 1, 2021 to June 30, 2021)	Three months ended June 30, 2022 (April 1, 2022 to June 30, 2022)
Profit (loss)	(461,788)	(508,429)
Comprehensive income	(461,788)	(508,429)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(469,267)	(508,429)
Comprehensive income attributable to non-controlling interests	7,479	—

(3) Notes to Quarterly Consolidated Financial Statements

(Notes on Going Concern Assumption)

Not applicable.

(Notes on Significant Changes in Shareholders' Equity)

Not applicable.

(Changes in Accounting Policies)

(Application of Implementation Guidance on Accounting Standard for Fair Value Measurement)

The Company has applied the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021; below "Implementation Guidance on Accounting Standard for Fair Value Measurement") from the beginning of the three months ended June 30, 2022, and in accordance with the transitional treatment set forth in Paragraph 27-2 of the Implementation Guidance on Accounting Standard for Fair Value Measurement, the new accounting policy set forth by the Implementation Guidance on Accounting Standard for Fair Value Measurement will be applied in the future. This has no impact on the quarterly consolidated financial statements.

(Additional Information)

(Application of Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System)

The Company and some of its domestic consolidated subsidiaries transitioned from a consolidated taxation system to a group tax sharing system from the three months ended June 30, 2022. The Company complies with "Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System" (ASBJ PITF No. 42, August 12, 2021; below "ASBJ PITF No. 42") with regard to accounting practices and disclosures for income taxes, local income taxes, and tax effect accounting. Additionally, based on ASBJ PITF No. 42, Paragraph 32 (1), it is deemed that there is no material effect arising from the change in accounting policy due to the adoption of PITF No. 42.

(Segment Information, etc.)

Segment Information

I. Three months ended June 30, 2021 (April 1, 2021 to June 30, 2021)

1. Information on the amounts of net sales, profit or loss, and revenue breakdown for each reportable segment

(Thousands of yen)

	Reportable segment				Total	Adjustments (Note) 1	Amount in quarterly consolidated statement of income (Note) 2
	Asset management business	Real estate business	Hotel management business	Total			
Net sales							
Goods and services transferred at a point in time	40,000	—	271,925	311,925	311,925	—	311,925
Goods and services transferred over a fixed period of time	76,412	—	—	76,412	76,412	—	76,412
Revenue from contracts with customers	116,412	—	271,925	388,337	388,337	—	388,337
Other revenue	151	861,787	690	862,628	862,628	—	862,628
Net sales to external clients	116,564	861,787	272,615	1,250,966	1,250,966	—	1,250,966
Internal net sales and transfers between segments	9,558	(3,558)	—	6,000	6,000	(6,000)	—
Total	126,122	858,228	272,615	1,256,966	1,256,966	(6,000)	1,250,966
Segment profit or (loss)	(7,113)	(177,870)	(137,684)	(322,669)	(322,669)	(51,715)	(374,384)

(Notes) 1. The negative ¥51,715,000 of segment loss includes the net amount of negative ¥55,795,000 in corporate revenues and expenses not allocated to each reportable segment, and ¥4,080,000 in eliminations of transactions between segments.

2. Adjustments have been made to the operating loss shown on the Quarterly Consolidated Statement of Income for segment loss.

3. Other revenue includes lease income in accordance with the "Accounting Standard for Lease Transactions" (ASBJ Statement No. 13) and the transfer of real estate (including beneficial interests in real estate trust) subject to the "Practical Guidelines on Accounting for Transfers Related to Securitization of Real Estate Using Special Purpose Companies" (Accounting System Committee Report No. 15).

2. Information on assets for each reportable segment

As of June 30, 2021, the Company acquired an additional investment in Silent Partnership Myoho, making it a consolidated subsidiary from an equity-method affiliate. As a result, the amount of assets in the real estate business segment as of June 30, 2022 increased by ¥5,765,787,000 compared to the end of the previous fiscal year.

3. Information on impairment losses on non-current assets and goodwill, etc. for each reportable segment

(Significant changes in the amount of goodwill)

As of June 30, 2021, the Company acquired an additional investment in Silent Partnership Myoho, making it a consolidated subsidiary from an equity-method affiliate. As a result, goodwill of ¥331,281,000 was recorded in the real estate business segment.

II. Three months ended June 30, 2022 (April 1, 2022 to June 30, 2022)

1. Information on the amounts of net sales, profit or loss, and revenue breakdown for each reportable segment

(Thousands of yen)

	Reportable segment				Total	Adjustments (Note) 1	Amount in quarterly consolidated statement of income (Note) 2
	Asset management business	Real estate business	Hotel management business	Total			
Net sales							
Goods and services transferred at a point in time	—	—	510,370	510,370	510,370	—	510,370
Goods and services transferred over a fixed period of time	71,315	—	—	71,315	71,315	—	71,315
Revenue from contracts with customers	71,315	—	510,370	581,685	581,685	—	581,685
Other revenue	151	(6,359)	690	(5,517)	(5,517)	—	(5,517)
Net sales to external clients	71,467	(6,359)	511,060	576,167	576,167	—	576,167
Internal net sales and transfers between segments	9,000	—	—	9,000	9,000	(9,000)	—
Total	80,467	(6,359)	511,060	585,167	585,167	(9,000)	576,167
Segment profit or (loss)	(68,113)	(204,055)	(234,154)	(506,323)	(506,323)	(90,291)	(596,615)

(Notes) 1. The negative ¥90,291,000 of segment loss includes the net amount of negative ¥94,371,000 in corporate revenues and expenses not allocated to each reportable segment, and ¥4,080,000 in eliminations of transactions between segments.

2. Adjustments have been made to the operating loss shown on the Quarterly Consolidated Statement of Income for segment loss.
3. Other revenue includes lease income in accordance with the "Accounting Standard for Lease Transactions" (ASBJ Statement No. 13) and the transfer of real estate (including beneficial interests in real estate trust) subject to the "Practical Guidelines on Accounting for Transfers Related to Securitization of Real Estate Using Special Purpose Companies" (Accounting System Committee Report No. 15).
4. Net sales to external clients in the real estate business of negative ¥6,359,000 are due to the posting of an amount equivalent to the Company's investment ratio out of the losses posted in silent partnerships in which the Company has invested.

2. Items related to changes in reportable segments, etc.

From the three months ended June 30, 2022, in accordance with a partial revision of the administrative categories for evaluating performance within the Group, the Company changed its reportable segments from the previous "real estate securitization business" and "hotel management business" to the new "asset management business," "real estate business," and "hotel management business" segments.

Segment information for the three months ended June 30, 2021 is disclosed based on classifications after the change.

(Significant Subsequent Events)

(Share split and partial amendment of the articles of incorporation associated with the share split)

At a meeting of the Board of Directors on August 10, 2022, a resolution was made concerning the share split and the partial amendment to the articles of incorporation in association with this share split. For details, please refer to the "Notice of Share Split and Partial Amendment to the Articles of Incorporation" released today.