



Summary of Consolidated Financial Results for the Nine Months Ended December 31, 2023 (Japanese GAAP)

February 9, 2024

Listed company name: Wealth Management, Inc. Listed Stock Exchange: Tokyo
Code No.: 3772 URL: <https://www.wealth-mngt.com/en/>
Representative: Kazutoshi Senno, President and Representative Director
Inquiries: Shintaro Muramatsu, General Manager of Planning Department
Tel.: +81-3-6229-2129

Quarterly securities report to be submitted: February 9, 2024

Start of cash dividend payments: —

Quarterly supplementary materials: None

Quarterly financial results conference: None

(Figures rounded down to nearest million yen)

1. Consolidated Results for the Nine Months Ended December 31, 2023 (April 1, 2023 to December 31, 2023)

(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	%
Nine months ended December 31, 2023	5,123	115.1	(916)	—	(1,691)	—	(1,226)	—
Nine months ended December 31, 2022	2,382	(85.5)	(1,690)	—	(1,715)	—	(175)	—

(Note) Comprehensive income

Nine months ended December 31, 2023: ¥-1,226 million (—%)

Nine months ended December 31, 2022: ¥-175 million (—%)

	Earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended December 31, 2023	(65.41)	—
Nine months ended December 31, 2022	(10.13)	—

Note: Diluted earnings per share are not shown because earnings per share were negative, although there are dilutive shares.

Note: The Company performed a 2-for-1 split of common shares on October 1, 2022. The figures for earnings per share have been calculated based on the assumption that the split was carried out at the start of the previous fiscal year.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of December 31, 2023	56,998	15,486	27.2
As of March 31, 2023	49,904	15,788	31.6

Reference: Equity capital

As of December 31, 2023: ¥15,484 million

As of March 31, 2023: ¥15,783 million

2. Dividends

	Annual dividends per share				
	1Q	2Q	3Q	Fiscal year end	Total
	Yen	Yen	Yen	Yen	Yen
FYE March 31, 2023	—	0.00	—	17.00	17.00
FYE March 31, 2024	—	0.00	—		
FYE March 31, 2024 (projection)				—	—

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

(Note) The projection dividends for FYE March 31, 2024 have not been determined at this time.

3. Projected Consolidated Results for the Fiscal Year Ending March 31, 2024 (April 1, 2023 to March 31, 2024)

(%: 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
Full year	15,000	1.3	3,500	(8.3)	3,000	(23.6)	2,000	(46.4)	106.19
	to 16,000	to 8.1	to 4,500	to 18.0	to 4,000	to 1.9	to 2,500	to (33.0)	to 132.74

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

* Notes

(1) Significant changes in subsidiaries during the cumulative period under review (changes in specific subsidiaries associated with changes in the scope of consolidation): Yes

New companies: 1 (Silent Partnership Shinsatsu) Exclusions: (-)

(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.: None

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

(iii) Changes in accounting estimates: None

(iv) Restatements: None

(4) Number of shares outstanding (common shares)

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

As of December 31, 2023	19,072,300 shares	As of March 31, 2023	18,164,600 shares
(ii) Number of treasury shares at end of the period	As of December 31, 2023	As of March 31, 2023	1,218 shares
(iii) Average number of shares during the period (cumulative quarterly period)	3Q of FYE March 31, 2024	3Q of FYE March 31, 2023	17,303,219 shares

Note: The Company performed a 2-for-1 split of common shares on October 1, 2022. The figures for the number of shares outstanding (common shares) have been calculated based on the assumption that the split was carried out at the start of the previous fiscal year.

* 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 forecast 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.

Table of Contents of Attached Materials

1. Qualitative Information on Quarterly Financial Results.....	2
(1) Explanation of Business Results.....	2
(2) Explanation of Financial Position.....	3
(3) Explanation of Forward-looking Information Such as Consolidated Earnings Forecasts.....	3
2. Quarterly Consolidated Financial Statements and Notes.....	4
(1) Quarterly Consolidated Balance Sheet	4
(2) Quarterly Consolidated Statement of Income and Quarterly Consolidated Statement of Comprehensive Income.....	6
Quarterly Consolidated Statement of Income	6
Quarterly Consolidated Statement of Comprehensive Income.....	7
(3) Notes to Quarterly Consolidated Financial Statements.....	8
(Notes on Going Concern Assumption).....	8
(Significant Changes in Subsidiaries During the Cumulative Period Under Review).....	8
(Notes on Significant Changes in Shareholders' Equity).....	8
(Segment Information, etc.)	9

1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Business Results

During the nine months ended December 31, 2023, although there are concerns for the Japanese economy in terms of the increase in real estate and construction costs due to soaring prices, and the unstable Chinese real estate market, favorable factors emerged such as the continuous increases in inbound travel to Japan as well as the increased consumption by foreign visitors to Japan due to the yen's depreciation.

The Group has revised its earnings projections for the current consolidated fiscal year as described in the "Notice of Revision of the Earnings Forecast" (available in Japanese only) dated December 15, 2023. This was mainly due to the decline in revenue because of postponement of the REIT listing plan that was scheduled for the current consolidated fiscal year as well as the expected reduction in profit at the time of recapitalization (capital replacement of development-focused special purpose companies) as a result of the sudden increase in development costs.

As a result, during the nine months ended December 31, 2023, net sales were ¥5,123,839 thousand (up 115.1% year-on-year), operating loss was ¥916,944 thousand (compared to an operating loss of ¥1,690,700 thousand in the same period of the previous fiscal year), ordinary loss was ¥1,691,105 thousand (compared to an ordinary loss of ¥1,715,816 thousand in the same period of the previous fiscal year) and net loss attributable to owners of parent was ¥1,226,664 thousand (compared to net loss attributable to owners of parent of ¥175,353 thousand in the same period of the previous fiscal year).

Business results by segment were as follows.

Segment		Nine months ended December 31, 2022 (April 1, 2022 to December 31, 2022)	Nine months ended December 31, 2023 (April 1, 2023 to December 31, 2023)	Percentage change
		Amount (Thousands of yen)	Amount (Thousands of yen)	(%)
Hotel management business	Net sales	2,159,302	4,700,239	117.7
	Operating profit	(251,639)	1,229,409	—
Asset management business	Net sales	394,853	377,336	(4.4)
	Operating profit	(75,433)	(178,576)	—
Real estate business	Net sales	(20,714)	143,839	—
	Operating profit	(1,127,252)	(1,457,525)	—

(Note) Transactions between segments have not been eliminated.

(Hotel management business)

In the hotel industry, in which our hotel management business operates, the number of hotel guests has increased significantly due to a significant increase in inbound travel and the government's travel support measures. The number of foreign visitors to Japan announced by the Japan National Tourism Organization (JNTO) has continued to increase since October 2022.

The Group has seen an increase in both the guest room occupancy rate and average unit price per guest room per day, which has resulted in a significant increase in net sales and operating profit at all operated hotels when compared to the same period of the previous fiscal year. By region, while hotels operated in Osaka are performing well as they are supported by business demand, hotels operated in Kyoto, which are driven by tourism, showed a significant increase from the same period of the previous fiscal year but recovery has been slower than expected.

Furthermore, preparations are proceeding as planned to open "Six Senses Kyoto" (scheduled to open on March 29, 2024) and "Banyan Tree Higashiyama Kyoto," (scheduled to open during FYE March 31, 2025) which are currently being developed, and these will contribute to expansion of performance in the future.

Trend in sales for operated hotels

(Thousands of yen)

		Operated hotels sales	Percentage change from the same period of the previous fiscal year
1st quarter of the previous fiscal year	(April 1, 2022 to June 30, 2022)	510,370	261.9%
2nd quarter of the previous fiscal year	(July 1, 2022 to September 30, 2022)	524,569	96.7%
3rd quarter of the previous fiscal year	(October 1, 2022 to December 31, 2022)	1,121,361	102.2%
4th quarter of the previous fiscal year	(January 1, 2023 to March 31, 2023)	1,153,695	188.4%
1st quarter of the current fiscal year	(April 1, 2023 to June 30, 2023)	1,499,800	193.9%
2nd quarter of the current fiscal year	(July 1, 2023 to September 30, 2023)	1,396,944	166.3%
3rd quarter of the current fiscal year	(October 1, 2023 to December 31, 2023)	1,798,723	60.4%

(Note) 1. Operated hotel sales is the total amount of management accounting revenue from hotels operated by the Group.

2. Transactions between segments have not been eliminated.

3. Does not match the hotel management business sales because consulting sales, etc., are not included.

(Asset management business and real estate business)

In the real estate market, to which the asset management business and real estate business belong, although there are concerns about increased costs due to soaring prices and rising long-term interest rates, the rapid performance growth in the hotel industry has caused hotel asset investors and financial institutions to continue their aggressive stance towards subordinate investment and financing of the hotel development business.

In the Group, operating loss increased when compared to the same period of the previous fiscal year due to the decline in revenue because of postponement of the REIT listing plan and because there were no large property sales during the nine months ended December 31, 2023. However, the Group will continue with property sales in the fourth quarter of the fiscal year.

Furthermore, in terms of new property acquisition, the Group plans to gradually acquire new properties in addition to “Hotel Emisia Sapporo,” which was acquired in August 2023, to increase opportunities for revenue.

(2) Explanation of Financial Position

With regard to the financial position as of December 31, 2023, total assets were ¥56,998,259 thousand, liabilities were ¥41,511,873 thousand and net assets were ¥15,486,386 thousand.

Total assets increased by ¥7,093,326 thousand compared to the end of the previous fiscal year. This was mainly due to an increase in real estate for sale in the consolidated subsidiary Silent Partnership Shinsatsu and Richesse Management, Inc.

Liabilities increased by ¥7,395,258 thousand compared to the end of the previous fiscal year. This was mainly due to an increase in borrowings as a result of borrowings from financial institutions in the consolidated subsidiary Silent Partnership Shinsatsu and Richesse Management, Inc.

Net assets decreased by ¥301,932 thousand 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, despite an increase in share capital and capital surplus due to issuance of shares upon exercise of share acquisition rights.

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

The consolidated results projection for the current period has been revised as described in the “Notice of Revision of the Earnings Forecast” (available in Japanese only) dated December 15, 2023 based on trends in results, etc.

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheet

(Thousands of yen)

	As of March 31, 2023	As of December 31, 2023
Assets		
Current assets		
Cash and deposits	8,729,867	7,929,223
Accounts receivable - trade	746,478	1,068,542
Real estate for sale	26,828,621	33,822,776
Real estate for sale in process	8,250,412	8,353,666
Income taxes refund receivable	1,309,964	10,621
Other	1,582,497	2,226,227
Total current assets	47,447,842	53,411,057
Non-current assets		
Property, plant and equipment		
Buildings	206,049	274,716
Accumulated depreciation	(3,214)	(19,747)
Buildings, net	202,834	254,969
Tools, furniture and fixtures	257,448	302,911
Accumulated depreciation	(40,211)	(60,720)
Tools, furniture and fixtures, net	217,237	242,190
Construction in progress	2,662	2,745
Total property, plant and equipment	422,733	499,904
Intangible assets		
Goodwill	502,590	408,354
Other	35,465	30,647
Total intangible assets	538,055	439,001
Investments and other assets		
Investment securities	703,492	916,403
Deferred tax assets	350,821	861,062
Other	441,987	870,829
Total investments and other assets	1,496,301	2,648,295
Total non-current assets	2,457,090	3,587,201
Total assets	49,904,933	56,998,259

(Thousands of yen)

	As of March 31, 2023	As of December 31, 2023
Liabilities		
Current liabilities		
Accounts payable - trade	99,559	86,347
Short-term borrowings	340,000	200,000
Current portion of long-term borrowings	637,969	2,194,816
Current portion of non-recourse long-term borrowings	80,000	11,108,074
Income taxes payable	635,804	9,123
Provision for bonuses	58,855	110,625
Provision for share-based payments	197,474	—
Provision for shareholder benefit program	48,000	54,000
Other	1,575,835	1,188,577
Total current liabilities	3,673,498	14,951,564
Non-current liabilities		
Long-term borrowings	11,721,907	14,128,872
Non-recourse long-term borrowings	16,857,350	9,000,815
Provision for share-based payments	58,440	83,844
Other	1,805,417	3,346,776
Total non-current liabilities	30,443,115	26,560,308
Total liabilities	34,116,614	41,511,873
Net assets		
Shareholders' equity		
Share capital	1,677,454	2,295,873
Capital surplus	1,101,086	1,719,504
Retained earnings	13,006,037	11,470,594
Treasury shares	(952)	(1,006)
Total shareholders' equity	15,783,624	15,484,966
Share acquisition rights	4,694	1,420
Total net assets	15,788,318	15,486,386
Total liabilities and net assets	49,904,933	56,998,259

(2) Quarterly Consolidated Statement of Income and Quarterly Consolidated Statement of Comprehensive Income
(Quarterly Consolidated Statement of Income)
(Nine months ended December 31)

(Thousands of yen)

	Nine months ended December 31, 2022 (April 1, 2022 to December 31, 2022)	Nine months ended December 31, 2023 (April 1, 2023 to December 31, 2023)
Net sales	2,382,505	5,123,839
Cost of sales	3,047,590	4,647,808
Gross profit (loss)	(665,084)	476,030
Selling, general and administrative expenses	1,025,616	1,392,975
Operating profit (loss)	(1,690,700)	(916,944)
Non-operating income		
Interest income	19	118
Dividend income	—	40
Share of profit of entities accounted for using equity method	655,991	2,452
Subsidized interest payments	7,727	7,720
Other	12,318	3,247
Total non-operating income	676,056	13,580
Non-operating expenses		
Interest expenses	580,234	527,202
Commission expenses	104,430	257,381
Other	16,508	3,156
Total non-operating expenses	701,172	787,741
Ordinary profit (loss)	(1,715,816)	(1,691,105)
Extraordinary income		
Compensation income	77,000	—
Total extraordinary income	77,000	—
Extraordinary losses		
Office relocation expenses	—	21,308
Head office relocation expenses	10,395	—
Loss on retirement of non-current assets	115	—
Total extraordinary losses	10,510	21,308
Profit (loss) before income taxes prior to distributions of profit or loss on silent partnerships	(1,649,327)	(1,712,413)
Distributions of profit or loss on silent partnerships	—	16,131
Profit (loss) before income taxes	(1,649,327)	(1,728,545)
Income taxes - current	3,618	8,360
Income taxes - deferred	(1,477,592)	(510,240)
Total income taxes	(1,473,973)	(501,880)
Profit (loss)	(175,353)	(1,226,664)
Profit (loss) attributable to owners of parent	(175,353)	(1,226,664)

(Quarterly Consolidated Statement of Comprehensive Income)
(Nine months ended December 31)

(Thousands of yen)

	Nine months ended December 31, 2022 (April 1, 2022 to December 31, 2022)	Nine months ended December 31, 2023 (April 1, 2023 to December 31, 2023)
Profit (loss)	(175,353)	(1,226,664)
Comprehensive income	(175,353)	(1,226,664)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(175,353)	(1,226,664)
Comprehensive income attributable to non-controlling interests	—	—

(3) Notes to Quarterly Consolidated Financial Statements

(Notes on Going Concern Assumption)

Not applicable.

(Significant Changes in Subsidiaries During the Cumulative Period Under Review)

(1) Significant changes in scope of consolidation

From the second quarter of the current fiscal year, the newly established Silent Partnership Shinsatsu has been included in the scope of consolidation.

During the third quarter of the current fiscal year, Godo Gaisha Nijo, which had been a consolidated subsidiary, was excluded from the scope of consolidation due to the completion of liquidation.

(2) Significant changes in the scope of application of the equity method

The liquidation of the equity method affiliate WS PACIFIC INVESTMENT PTE. LTD. was completed and it was excluded from the scope of application of the equity method in the second quarter of the current fiscal year.

(Notes on Significant Changes in Shareholders' Equity)

Share capital and legal capital surplus increased by ¥552,594 thousand each due to the payment for a part of the 6th series of share acquisition rights issued on September 1, 2022 (share acquisition rights with a clause to revise the exercise price through third-party allotment) as a result of the issuance of new shares upon exercise of the rights.

In addition, share capital and legal capital surplus increased by ¥65,824 thousand each due to the issuance of new shares as performance-linked restricted share remuneration to corporate officers in accordance with the resolution of the Board of Directors meeting held on April 25, 2023.

As a result, share capital and capital surplus were ¥2,295,873 thousand and ¥1,719,504 thousand respectively, as of December 31, 2023.

(Segment Information, etc.)

[Segment Information]

I. Nine months ended December 31, 2022 (April 1, 2022 to December 31, 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	—	—	2,156,302	2,156,302	2,156,302	—	2,156,302
Goods and services transferred over a fixed period of time	244,392	—	—	244,392	244,392	—	244,392
Revenue from contracts with customers	244,392	—	2,156,302	2,400,694	2,400,694	—	2,400,694
Other revenue (Note) 3	455	(20,714)	2,070	(18,188)	(18,188)	—	(18,188)
Net sales to external clients	244,848	(20,714)	2,158,372	2,382,505	2,382,505	—	2,382,505
Internal net sales and transfers between segments	150,005	—	930	150,935	150,935	(150,935)	—
Total	394,853	(20,714)	2,159,302	2,533,441	2,533,441	(150,935)	2,382,505
Segment profit (loss)	(75,433)	(1,127,252)	(251,639)	(1,454,325)	(1,454,325)	(236,374)	(1,690,700)

(Note) 1. The negative ¥236,374 thousand of segment profit (loss) adjustments includes the net amount of negative ¥248,614 thousand in corporate revenues and expenses not allocated to each reportable segment, and ¥12,240 thousand in eliminations of transactions between segments.

- Adjustments have been made to the operating loss shown on the Quarterly Consolidated Statement of Income for segment profit (loss).
- 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).
- Net sales to external clients in the real estate business of negative ¥20,714 thousand 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.

II. Nine months ended December 31, 2023 (April 1, 2023 to December 31, 2023)

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	—	—	4,695,469	4,695,469	4,695,469	—	4,695,469
Goods and services transferred over a fixed period of time	281,765	—	—	281,765	281,765	—	281,765
Revenue from contracts with customers	281,765	—	4,695,469	4,977,234	4,977,234	—	4,977,234
Other revenue (Note) 3	695	143,839	2,070	146,604	146,604	—	146,604
Net sales to external clients	282,461	143,839	4,697,539	5,123,839	5,123,839	—	5,123,839
Internal net sales and transfers between segments	94,875	—	2,700	97,575	97,575	(97,575)	—
Total	377,336	143,839	4,700,239	5,221,414	5,221,414	(97,575)	5,123,839
Segment profit (loss)	(178,576)	(1,457,525)	1,229,409	(406,692)	(406,692)	(510,251)	(916,944)

- (Note) 1. The negative ¥510,251 thousand of segment profit (loss) includes the net amount of negative ¥465,251 thousand in corporate revenues and expenses not allocated to each reportable segment, and negative ¥45,000 thousand 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 profit (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).