



Summary of Consolidated Financial Results for the Three Months Ended June 30, 2020 (Japanese GAAP)

August 7, 2020

Listed company name: Wealth Management, Inc.

Listed Stock Exchange: Tokyo

Code No.: 3772

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Quarterly securities report to be submitted: August 7, 2020

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 through the Three Months Ended June 30, 2020 (April 1, 2020 to June 30, 2020)

(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, 2020	59	(99.3)	(558)	—	(628)	—	(539)	—
Three months ended June 30, 2019	8,412	—	2,736	—	2,712	—	1,346	—

Note: Comprehensive income

Three months ended June 30, 2020: ¥-534 million (—%) Three months ended June 30, 2019: ¥2,065 million (—%)

	Earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended June 30, 2020	(64.29)	—
Three months ended June 30, 2019	162.06	—

(Note) The rate of change in net sales, operating profit, ordinary profit, profit attributable to owners of parent and comprehensive income for the three months ended June 30, 2019 compared to the same quarter of the previous year are indicated as "—" because these exceeded 1000%.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
Three months ended June 30, 2020	25,623	9,307	31.7
FYE March 31, 2020	24,893	9,679	34.8

Reference: Equity capital

Three months ended June 30, 2020: ¥8,110 million FYE March 31, 2020: ¥8,671 million

2. Dividends

	Annual dividends per share				
	1Q	2Q	3Q	Fiscal year end	Total
	Yen	Yen	Yen	Yen	Yen
FYE March 31, 2020	—	0.00	—	20.00	20.00
FYE March 31, 2021	—	—	—	—	—
FYE March 31, 2021 (projection)	—	—	—	—	—

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

(Note) The projected dividends for FYE March 31, 2021 have not been determined at this time.

3. Projected Consolidated Results for Fiscal Year Ending March 31, 2021 (April 1, 2020 to March 31, 2021)

(%: 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, 2021	23,000	74.0	3,000	10.8	3,500	(6.2)	2,000	(17.6)	235.46

(Note) Changes from the most recently announced projected consolidated results: Yes

(Note) This is a notice of the projected consolidated financial results for the fiscal year ending March 31, 2021 that had not been determined in the "Summary of Consolidated Financial Results for Fiscal Year Ended March 31, 2020 (Japanese GAAP)" announced on May 12, 2020.

* 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 (company name) Silent Partnership Niseko 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 June 30, 2020	8,526,200 shares	As of March 31, 2020	8,326,200 shares
As of June 30, 2020	444 shares	As of March 31, 2020	444 shares
Three months ended June 30, 2020	8,398,283 shares	Three months ended June 30, 2019	8,308,053 shares

(ii) Number of treasury shares at end of the period

(iii) Average number of shares during the period (cumulative quarterly period)

* 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) Results

During the three months ended June 30, 2020 (April 1, 2020 to June 30, 2020), the Japanese economy significantly slowed due to the impact of the novel coronavirus. Although economic activities gradually resumed after the lifting of the state of emergency and restrictions on movement between prefectures, uncertainty about the future cannot be dispelled due to concerns about infections spreading again.

The Group has engaged in the achievement of the targets set in "Medium-Term Management Plan 2022" announced in April 2019 while taking action such as staggered working hours and telework (work from home) for employees from the perspective of the social responsibility to prevent the spread of novel coronavirus.

In the real estate market of which the real estate securitization business is a part, the Group was not significantly affected, but discounted real estate has begun to emerge due to the reduction of interest-bearing debt etc. as a result of the impact of the novel coronavirus. The Group sees this an opportunity and would like to actively invest for the listing of (diversified) REITs, which it is currently focused upon. Furthermore, with regard to projects currently underway, Wealth Realty Management, Inc., which was devised for utilization in the real estate securitization business, was established and made into a consolidated subsidiary, and investment in Silent Partnership Niseko is generally proceeding well.

In the hotel industry of which the hotel management business is a part, the request for people to refrain from going out etc. had a significant impact, causing a major decrease in guests. The Group temporarily suspended the operations of certain hotels due to placing the highest priority on the health and safety of guests and employees, resulting in a significant decrease in sales. Meanwhile, although faced with such conditions, preparations steadily proceeded for projects currently underway such as work on "Kyoto Yura Hotel MGallery Nijojo Bettei" (Nakagyo-ku, Kyoto), "Fauchon Hotel Kyoto" (Shimogyo-ku, Kyoto) and "Aloft Osaka Dojima" (Kita-ku, Osaka), which are aimed to be completed during the current fiscal year, entering into their final phases. All of the Group's hotels resumed operation from June 1, 2020, and although gradual since the lifting on restrictions of movement between prefectures, bookings have begun to increase.

As a result, during the three months ended June 30, 2020, net sales were ¥59,896,000 (down 99.3% year-on-year), operating loss was ¥558,545,000 (operating profit was ¥2,736,713,000 during the same period of the previous year), ordinary loss was ¥628,685,000 (ordinary profit was ¥2,712,293,000 during the same period of the previous year) and loss attributable to owners of parent was ¥539,924,000 (profit attributable to owners of parent was ¥1,346,428,000 during the same period of the previous year).

By segment, net sales were ¥36,812,000 (down 99.5% year-on-year) and operating loss was ¥334,977,000 (operating profit was ¥3,151,408,000 during the same period of the previous year) in the real estate securitization business. This was because where as sales increased significantly in the first quarter of the previous fiscal year due to the transfer of beneficial interests in real estate trust associated with Ibis Styles Osaka Namba, much of the delivery of properties planned for the current fiscal year are scheduled to take place in the second quarter or later. Net sales were ¥73,084,000 (down 93.3% year-on-year) and operating loss was ¥164,782,000 (operating loss was ¥149,589,000 during the same period of the previous year) in the hotel management business. This was because of the significant decrease in guests due to the spread of the novel coronavirus.

(2) Overview of Financial Position

With regard to the financial position as of June 30, 2020, total assets were ¥25,623,953,000, liabilities were ¥16,316,431,000 and net assets were ¥9,307,521,000.

Total assets increased by ¥730,896,000 compared to the end of the previous fiscal year. This was mainly attributable to an increase in real estate for sale due to the acquisition of beneficial interests in trust with the trust assets being land located in Kutchan-cho, Abuta-gun, Hokkaido (Niseko) by Silent Partnership Niseko.

Liabilities increased by ¥1,102,927,000 compared to the end of the previous fiscal year. This was mainly attributable to an increase in borrowings for purposes such as the acquisition of real estate for sale.

Net assets decreased by ¥372,030,000 compared to the end of the previous fiscal year. This was mainly attributable to the decrease in retained earnings due to the recording of a loss attributable to owners of parent and dividends paid.

(3) Explanation of Forward-looking Information Such as Projected Consolidated Results

Notice of the projected consolidated financial results for the fiscal year ending March 31, 2021 that had not been determined in the "Summary of Consolidated Financial Results for Fiscal Year Ended March 31, 2020 (Japanese GAAP)" announced on May 12, 2020 is provided as follows.

1. Projected Consolidated Results for Fiscal Year Ending March 31, 2021 (April 1, 2020 to March 31, 2021)

	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent	Earnings per share
Previous projection (A)	Millions of yen —	Millions of yen —	Millions of yen —	Millions of yen —	Yen —
Revised projection (B)	23,000	3,000	3,500	2,000	235.46
Change (B-A)	—	—	—	—	
Percentage change (%)	—	—	—	—	
(Reference) Consolidated Results for the Fiscal Year Ended March 31, 2020	13,220	2,708	3,732	2,426	291.65

2. Reason for the Announcement

The earnings projection for the fiscal year ending March 31, 2021 was yet to be determined because it was difficult to reasonably calculate what impact the spread of novel coronavirus would have on results.

However, although trends in consumer spreading have been difficult to follow due to the risk of novel coronavirus spreading again since the lifting of the state of emergency, we are announcing the earnings projection calculated based on information and projection available at the present time because financial markets are stable without major disruption and corporate activities are seen to be gradually resuming.

3. Assumptions for the Earnings Projections

The Group's results in the hotel management business are expected to decline significantly due to the impact of the novel coronavirus, but the results in the mainstay real estate securitization business are expected to be able to adequately cover the results of the hotel management business because projects that are currently underway are progressing smoothly.

(Real estate securitization business)

Sales and operating profit significantly decreased year-on-year during the first quarter because the sale of property during the fiscal year ending March 31, 2021 is scheduled to be gradually implemented from the second quarter. However, sales are expected to continually accumulate from the second quarter because projects that are currently underway are progressing smoothly. Furthermore, discounted real estate is becoming available in the real estate market, and the Group, which has experience handling a wide range of assets, would like to actively invest in assets other than hotel assets. Some of the new properties currently being considered are expected to be able to contribute to results of the fiscal year ending March 31, 2021. As a result, sales in the fiscal year ending March 31, 2021 are expected to significantly exceed those of the previous fiscal year.

(Hotel management business)

Hotels currently being managed have all been in operation since June 1, 2020 and bookings are recovering, but harsh results are projected for some time. As sales for inbound travel are anticipated to be difficult for some time, we would like to minimize the decrease by focusing on the acquisition of domestic demand. Hotels under construction are generally progressing as planned.

4. Dividend Projection for the Fiscal Year Ending March 31, 2021

The dividend projection for the fiscal year ending March 31, 2021 remains yet to be determined because it is necessary to determine it based on comprehensive consideration of factors such as the achievement of budget targets and the state of cash flows.

(Note) The projections of 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, and actual results may differ due to a variety of factors.

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheet

(Thousands of yen)

	As of March 31, 2020	As of June 30, 2020
Assets		
Current assets		
Cash and deposits	4,336,593	3,513,266
Accounts receivable - trade	233,446	158,789
Real estate for sale	14,438,591	15,174,293
Real estate for sale in process	2,364,049	3,070,329
Income taxes receivable	1,059,627	1,055,601
Other	396,252	301,249
Allowance for doubtful accounts	(823)	(823)
Total current assets	22,827,736	23,272,707
Non-current assets		
Property, plant and equipment		
Buildings	35,351	35,351
Accumulated depreciation	(20,982)	(21,487)
Buildings, net	14,368	13,864
Tools, furniture and fixtures	113,005	115,759
Accumulated depreciation	(48,410)	(52,180)
Tools, furniture and fixtures, net	64,594	63,578
Other	—	275
Total property, plant and equipment	78,963	77,717
Intangible assets		
Goodwill	127,912	118,073
Other	38,654	35,925
Total intangible assets	166,567	153,998
Investments and other assets		
Investment securities	1,680,424	1,657,360
Deferred tax assets	58,998	292,646
Other	80,365	169,521
Total investments and other assets	1,819,788	2,119,528
Total non-current assets	2,065,320	2,351,245
Total assets	24,893,056	25,623,953

(Thousands of yen)

	As of March 31, 2020	As of June 30, 2020
Liabilities		
Current liabilities		
Accounts payable - trade	14,197	3,237
Short-term borrowings	633,000	1,383,500
Current portion of long-term borrowings	1,739,576	176,652
Current portion of non-recourse long-term borrowings	80,000	80,000
Income taxes payable	137,330	11,638
Provision for bonuses	26,943	16,055
Provision for share-based remuneration	145,400	—
Provision for shareholder benefit program	10,530	10,440
Other	308,499	359,559
Total current liabilities	3,095,477	2,041,082
Non-current liabilities		
Long-term borrowings	464,585	2,670,922
Non-recourse long-term borrowings	11,380,000	11,306,296
Deferred tax liabilities	5,360	—
Other	268,081	298,129
Total non-current liabilities	12,118,026	14,275,348
Total liabilities	15,213,504	16,316,431
Net assets		
Shareholders' equity		
Capitalization	914,543	987,243
Capital surplus	346,115	418,815
Retained earnings	7,411,628	6,705,188
Treasury shares	(576)	(576)
Total shareholders' equity	8,671,709	8,110,670
Non-controlling interests	1,007,842	1,196,851
Total net assets	9,679,552	9,307,521
Total liabilities and net assets	24,893,056	25,623,953

(2) Quarterly Consolidated Statement of Income and Quarterly Consolidated Statement of Comprehensive Income
(Quarterly Consolidated Statement of Income)
(Three months ended June 30, 2020)

(Thousands of yen)

	Three months ended June 30, 2019 (April 1, 2019 to June 30, 2019)	Three months ended June 30, 2020 (April 1, 2020 to June 30, 2020)
Net sales	8,412,917	59,896
Cost of sales	5,133,576	302,008
Gross profit (loss)	3,279,340	(242,111)
Selling, general and administrative expenses	542,626	316,434
Operating profit (loss)	2,736,713	(558,545)
Non-operating income		
Interest income	20	—
Dividend income	401	—
Subsidy income	—	2,000
Other	4,541	597
Total non-operating income	4,963	2,597
Non-operating expenses		
Interest expenses	4,386	72,390
Commission expenses	0	294
Share of loss of entities accounted for using equity method	20,261	—
Other	4,735	51
Total non-operating expenses	29,383	72,737
Ordinary profit (loss)	2,712,293	(628,685)
Extraordinary income		
Gain on bargain purchase	1,151	—
Total extraordinary income	1,151	—
Extraordinary losses		
Loss on liquidation of investments in capital	1,159	—
Losses related to novel coronavirus	—	* 133,507
Total extraordinary losses	1,159	133,507
Profit (loss) before income taxes	2,712,285	(762,192)
Income taxes - current	683,525	11,065
Income taxes - deferred	(36,457)	(239,008)
Total income taxes	647,067	(227,943)
Profit (loss)	2,065,217	(534,248)
Profit attributable to non-controlling interests	718,788	5,675
Profit (loss) attributable to owners of parent	1,346,428	(539,924)

(Quarterly Consolidated Statement of Comprehensive Income)
(Three months ended June 30, 2020)

(Thousands of yen)

	Three months ended June 30, 2019 (April 1, 2019 to June 30, 2019)	Three months ended June 30, 2020 (April 1, 2020 to June 30, 2020)
Profit (loss)	2,065,217	(534,248)
Comprehensive income	2,065,217	(534,248)
Comprehensive income attributable to		
Profit attributable to owners of parent	1,346,428	(539,924)
Profit attributable to non-controlling interests	718,788	5,675

(3) Notes to Quarterly Consolidated Financial Statements

(Notes on Going Concern Assumption)

Not applicable.

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

Significant changes in scope of consolidation

From the three months ended June 30, 2020, the newly established and investment in Wealth Realty Management, Inc. and Silent Partnership Niseko have been included in the scope of consolidation.

(Quarterly Consolidated Statement of Income)

* Losses related to novel coronavirus

Fixed expenses, etc. arising during the period of temporary suspension of business implemented in certain hotels to prevent the spread of novel coronavirus.

(Notes on Significant Changes in Shareholders' Equity)

Not applicable.

(Segment Information, etc.)

Segment Information

I. Three months ended June 30, 2019 (April 1, 2019 to June 30, 2019)

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

(Thousands of yen)

	Reportable segment			Total	Adjustments (Note) 1	Amount in quarterly consolidated statement of income (Note) 2
	Real estate securitization business	Hotel management business	Total			
Net sales						
Net sales to external clients	7,328,366	1,084,551	8,412,917	8,412,917	—	8,412,917
Internal sales and transfers between segments	153,819	—	153,819	153,819	(153,819)	—
Total	7,482,185	1,084,551	8,566,736	8,566,736	(153,819)	8,412,917
Segment profit or (loss)	3,151,408	(149,589)	3,001,818	3,001,818	(265,105)	2,736,713

(Notes) 1. The negative ¥265,105,000 of segment profit or (loss) includes negative ¥9,839,000 of amortization of goodwill not allocated to each reportable segment, the net amount of negative ¥263,187,000 in corporate revenues and expenses, and ¥7,922,000 in eliminations of transactions between segments.

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

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

During the three months ended June 30, 2020, all of the shares of Sanyo Kogyo Co., Ltd. were acquired, making it a consolidated subsidiary. As a result, ¥1,151,000 was recorded as a gain on bargain purchase.

However, this has not been included in segment profit because gain on bargain purchase is extraordinary income.

3. Information on assets for each reportable segment

In the "real estate securitization business" segment, assets for the reportable segment decreased by ¥6,636,987,000 as of June 30, 2020 compared to March 31, 2020 as a result of the redemption of all of the Company's silent partnership investment in Silent Partnership Metro leading to that company being excluded from the scope of consolidation.

In the "Hotel management business" segment, assets for the reportable segment increased by ¥419,521,000 as of June 30, 2020 compared to March 31, 2020 as a result of acquiring all of the shares of Sanyo Kogyo Co., Ltd. and making it a consolidated subsidiary.

II. Three months ended June 30, 2020 (April 1, 2020 to June 30, 2020)

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

(Thousands of yen)

	Reportable segment			Total	Adjustments (Note) 1	Amount in quarterly consolidated statement of income (Note) 2
	Real estate securitization business	Hotel management business	Total			
Net sales						
Net sales to external clients	36,812	23,084	59,896	59,896	—	59,896
Internal sales and transfers between segments	—	49,999	49,999	49,999	(49,999)	—
Total	36,812	73,084	109,896	109,896	(49,999)	59,896
Segment profit or (loss)	(334,977)	(164,782)	(499,760)	(499,760)	(58,785)	(558,545)

(Notes) 1. The negative ¥58,785,000 of segment profit (loss) includes negative ¥9,839,000 of amortization of goodwill not allocated to each reportable segment, the net amount of negative ¥53,025,000 in corporate revenues and expenses, 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 profit or (loss).