



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

November 9, 2022

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Quarterly securities report to be submitted: November 9, 2022

Start of cash dividend payments: —

Quarterly supplementary materials: Yes

Quarterly financial results conference: Not scheduled

(Figures rounded down to nearest million yen)

1. Consolidated Results for the Six Months Ended September 30, 2022 (April 1, 2022 to September 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	%
Six months ended September 30, 2022	1,173	(92.6)	(1,193)	—	(1,532)	—	(287)	—
Six months ended September 30, 2021	15,854	290.8	4,539	—	4,413	—	2,616	—

(Note) Comprehensive income

Six months ended September 30, 2022: ¥-287 million (—%) Six months ended September 30, 2021: ¥2,631 million (—%)

	Earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended September 30, 2022	(16.80)	—
Six months ended September 30, 2021	153.44	—

Note: The rate of change in operating profit, ordinary profit, profit attributable to owners of parent and comprehensive income for the six months ended September 30, 2021 compared to the same quarter of the previous year is indicated as "—" because these exceeded 1,000%. Diluted earnings per share for the six months ended September 30, 2022 are not shown because earnings per share were negative, although there are dilutive shares.

Note: The Company performed a 1:2 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	%
Six months ended September 30, 2022	44,192	10,827	24.5
FYE March 31, 2022	39,386	10,925	27.7

Reference: Equity capital

Six months ended September 30, 2022: ¥10,819 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	—	0.00			
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.

Note: The Company performed a 1:2 split of common shares on October 1, 2022. The actual dividends prior to the split are shown for FYE March 31, 2022.

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	231.76

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

Note: The Company performed a 1:2 split of common shares on October 1, 2022. Earnings per share in the consolidated earnings forecast for the fiscal year ending March 31, 2023 takes into account the effect of this stock split.

* 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 Takasegawa) 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.: Yes

(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 September 30, 2022	17,388,600 shares	As of March 31, 2022	17,052,400 shares
As of September 30, 2022	1,218 shares	As of March 31, 2022	1,144 shares
As of September 30, 2022	17,131,799 shares	As of September 30, 2021	17,051,367 shares

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

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

Note: The Company performed a 1:2 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 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.

(Method for obtaining supplementary materials)

Supplementary materials for the six months ended September 30, 2022 are scheduled to be posted on the Company's website in mid-November 2022.

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1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Business Results

During the six months ended September 30, 2022, the outlook for the Japanese economy remained uncertain due to the rapid depreciation of the yen, the situation in Ukraine, and soaring prices, while restrictions due to the coronavirus were eased.

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 terms of the financing stance to the hotel development business, more financial institutions took a positive attitude to new loans. On the other hand, the listed real estate investment trust (J-REIT) market is moving differently from the real estate market. In the hotel sector in particular, many properties have low NAV multiples (price book-value ratio). This is thought to be due to the fact that the recovery of GOP (gross operating profit from hotel operations) in the Japanese hotel market is lagging behind that of Europe and the US due to the spread of the coronavirus, and J-REIT dividends have not returned.

During the six months ended September 30, 2022, the Group concluded a conditional sale and purchase agreement for the acquisition of land for hotel development in Hakuba Village, Kitaazumi gun, Nagano Prefecture (Hakuba) as a new project, and launched the Nagano Hakuba New Hotel Development Project. In addition, we formed Silent Partnership Takasegawa (bridge fund), a consolidated subsidiary, and borrowed 10,000 million yen, and transferred all of the beneficial interests in real estate trust in the Fauchon Hotel Kyoto owned by Silent Partnership Gojo, a consolidated subsidiary, to the Silent Partnership Takasegawa. Because this beneficial interests in real estate trust transfer is a transaction between consolidated subsidiaries, it has been offset and eliminated in the consolidated financial statements.

In the hotel industry, the number of hotel guests has been increasing significantly due to the government's travel support measures amid the easing of coronavirus restrictions. On the other hand, the recovery of guest spend, which declined due to the coronavirus, has yet to be achieved. In addition, although restrictions on inbound travelers from overseas are being eased, a full recovery in inbound demand is expected to take some time due to the delay in easing restrictions.

An increase in inbound travel is an important element for the luxury hotels on which the Group focuses to improve their performance. Although the number of inbound tourist bookings has been increasing due to the easing of entry restrictions, the impact of inbound travel on improving business performance was limited in the first half of the current fiscal year due to the significant delay in easing of regulations. 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 six months ended September 30, 2022, net sales were ¥1,173,773,000 (down 92.6% year-on-year), operating loss was ¥1,193,325,000 (compared to operating profit of ¥4,539,816,000 in the same period of the previous fiscal year), ordinary loss was ¥1,532,246,000 (compared to ordinary profit of ¥4,413,837,000 in the same period of the previous fiscal year), and net loss attributable to owners of parent was ¥287,792,000 (compared to profit attributable to owners of parent of ¥2,616,408,000 in the same period of the previous fiscal year) due to the recording of ¥1,282,564,000 in income taxes - deferred as a result of the reversal of deferred tax liabilities, etc.

Results for each segment are as follows.

As described in 2 (4) 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 ¥292,595,000 (down 38.4% year-on-year), while operating loss was ¥6,807,000 (compared to an operating profit of ¥205,532,000 in the same period of the previous fiscal year). This was due to the fact that the closing of a large project is scheduled for the second half, although the Company recorded compensation for the sale to a bridge fund.

In the real estate business, net sales were negative ¥13,141,000 (compared to net sales of ¥15,099,936,000 in the same period of the previous fiscal year) and operating loss was ¥613,828,000 (compared to an operating profit of ¥5,220,730,000 in the same period of the previous fiscal year). This was due to the fact that the sale to the bridge fund made during the six months ended September 30, 2022 is a transaction that will be eliminated in the consolidated financial statements, that the sale of other properties is scheduled for the second half, and that net sales were negative due to the posting of a loss on distribution from silent partnerships.

In the hotel management business, net sales were ¥1,036,320,000 (up 91.9% year-on-year), while operating loss was ¥420,406,000 (compared to an operating loss of ¥481,375,000 in the same period of the previous fiscal year). While the operating loss of operated hotels and other properties improved by ¥266,071,000, the operating loss deteriorated by ¥205,102,000 due to rebranding expenses, resulting in an improvement in operating loss of ¥60,969,000 for the six months ended September 30, 2022.

(2) Explanation of Financial Position

With regard to the financial position as of September 30, 2022, total assets were ¥44,192,551,000, liabilities were ¥33,365,474,000 and net assets were ¥10,827,077,000.

Total assets increased by ¥4,806,462,000 compared to the end of the previous fiscal year. This was mainly due to an increase in cash and deposits.

Liabilities increased by ¥4,905,228,000 compared to the end of the previous fiscal year. This was mainly due to a net increase in borrowings as a result of borrowings from financial institutions in Silent Partnership Takasegawa and partial repayment of financial institution borrowings in Silent Partnership Gojo.

Net assets decreased by ¥98,766,000 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, 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

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 September 30, 2022
Assets		
Current assets		
Cash and deposits	5,695,427	8,905,192
Accounts receivable - trade	249,667	341,487
Real estate for sale	30,778,616	30,900,679
Income taxes refund receivable	1,607	399,990
Other	841,317	1,437,174
Total current assets	37,566,636	41,984,524
Non-current assets		
Property, plant and equipment		
Buildings	4,610	4,610
Accumulated depreciation	(768)	(1,229)
Buildings, net	3,841	3,380
Tools, furniture and fixtures	91,334	128,208
Accumulated depreciation	(50,270)	(49,819)
Tools, furniture and fixtures, net	41,063	78,388
Construction in progress	—	6,143
Total property, plant and equipment	44,905	87,912
Intangible assets		
Goodwill	628,237	565,413
Other	31,994	38,910
Total intangible assets	660,232	604,324
Investments and other assets		
Investment securities	741,476	727,667
Deferred tax assets	201,808	609,091
Other	171,030	179,031
Total investments and other assets	1,114,315	1,515,790
Total non-current assets	1,819,452	2,208,027
Total assets	39,386,089	44,192,551

(Thousands of yen)

	As of March 31, 2022	As of September 30, 2022
Liabilities		
Current liabilities		
Accounts payable - trade	54,756	88,650
Short-term borrowings	830,046	8,425,713
Current portion of long-term borrowings	98,909	263,091
Current portion of non-recourse long-term borrowings	80,000	2,360,000
Income taxes payable	668,181	44,068
Provision for bonuses	29,053	31,976
Provision for share-based remuneration	146,000	—
Provision for shareholder benefit program	26,000	17,000
Other	2,615,568	1,641,405
Total current liabilities	4,548,515	12,871,906
Non-current liabilities		
Long-term borrowings	4,445,000	9,186,345
Non-recourse long-term borrowings	18,293,606	10,929,567
Provision for share-based remuneration	—	66,181
Deferred tax liabilities	875,281	—
Other	297,842	311,475
Total non-current liabilities	23,911,730	20,493,568
Total liabilities	28,460,246	33,365,474
Net assets		
Shareholders' equity		
Share capital	987,243	1,205,815
Capital surplus	410,875	629,447
Retained earnings	9,528,546	8,984,985
Treasury shares	(821)	(952)
Total shareholders' equity	10,925,843	10,819,295
Share acquisition rights	—	7,782
Total net assets	10,925,843	10,827,077
Total liabilities and net assets	39,386,089	44,192,551

(2) Quarterly Consolidated Statement of Income and Quarterly Consolidated Statement of Comprehensive Income
(Quarterly Consolidated Statement of Income)
(Six months ended September 30, 2022)

(Thousands of yen)

	Six months ended September 30, 2021 (April 1, 2021 to September 30, 2021)	Six months ended September 30, 2022 (April 1, 2022 to September 30, 2022)
Net sales	15,854,463	1,173,773
Cost of sales	9,582,314	1,697,728
Gross profit (loss)	6,272,149	(523,955)
Selling, general and administrative expenses	1,732,332	669,370
Operating profit (loss)	4,539,816	(1,193,325)
Non-operating income		
Interest income	9	19
Subsidies for employment adjustment	76,647	4,272
Subsidy income	27,584	1,474
Subsidized interest payments	1,401	5,144
Other	899	1,043
Total non-operating income	106,543	11,953
Non-operating expenses		
Interest expenses	217,736	338,874
Commission expenses	13,705	3,842
Share of loss of entities accounted for using equity method	874	—
Other	205	8,157
Total non-operating expenses	232,522	350,874
Ordinary profit (loss)	4,413,837	(1,532,246)
Extraordinary income		
Gain on step acquisitions	543,176	—
Total extraordinary income	543,176	—
Extraordinary losses		
Losses related to COVID-19	246,768	—
Impairment losses	534,762	—
Loss on step acquisitions	1,258	—
Total extraordinary losses	782,790	—
Profit (loss) before income taxes	4,174,223	(1,532,246)
Income taxes - current	1,691,491	38,110
Income taxes - deferred	(148,553)	(1,282,564)
Total income taxes	1,542,938	(1,244,454)
Net income (loss)	2,631,285	(287,792)
Profit attributable to non-controlling interests	14,876	—
Net income (loss) attributable to owners of parent	2,616,408	(287,792)

(Quarterly Consolidated Statement of Comprehensive Income)
(Six months ended September 30, 2022)

(Thousands of yen)

	Six months ended September 30, 2021 (April 1, 2021 to September 30, 2021)	Six months ended September 30, 2022 (April 1, 2022 to September 30, 2022)
Net income (loss)	2,631,285	(287,792)
Comprehensive income	2,631,285	(287,792)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,616,408	(287,792)
Comprehensive income attributable to non-controlling interests	14,876	—

(3) Consolidated Statement of Cash Flows

(Thousands of yen)

	Six months ended September 30, 2021 (April 1, 2021 to September 30, 2021)	Six months ended September 30, 2022 (April 1, 2022 to September 30, 2022)
Cash flows from operating activities		
Profit (loss) before income taxes	4,174,223	(1,532,246)
Depreciation	16,432	14,371
Amortization of goodwill	828,211	62,823
Increase (decrease) in allowance for doubtful accounts	(482)	—
Increase (decrease) in provision for bonuses	753	2,923
Increase (decrease) in provision for share-based remuneration	225,000	16,681
Increase (decrease) in provision for shareholder benefit program	(3,000)	(9,000)
Interest and dividend income	(9)	(19)
Interest expenses	217,736	338,874
Commission expenses	13,705	3,842
Share of loss (profit) of entities accounted for using equity method	874	—
Loss (gain) on step acquisitions	(541,917)	—
Impairment losses	534,762	—
Decrease (increase) in deposits in trust	(5,034)	(3,147)
Decrease (increase) in trade receivables	130,537	(91,820)
Decrease (increase) in real estate for sale	7,197,800	(122,062)
Decrease (increase) in consumption taxes refund receivable	340,303	2,135
Decrease (increase) in other assets	314,427	(639,597)
Increase (decrease) in trade payables	11,954	33,894
Increase (decrease) in other liabilities	(341,485)	(933,220)
Other	(283,958)	(25,475)
Subtotal	12,830,835	(2,881,042)
Interest and dividends received	231	19
Interest paid	(216,479)	(381,041)
Income taxes refund (paid)	(1,172,852)	(993,476)
Net cash provided by (used in) operating activities	11,441,736	(4,255,541)
Cash flows from investing activities		
Purchase of property, plant and equipment	(4,940)	(20,461)
Purchase of intangible assets	(33,606)	(15,435)
Proceeds from redemption of investment securities	405,108	—
Purchase of investment securities	(314,000)	—
Purchase of investments in capital of subsidiaries resulting in change in scope of consolidation	(3,292,447)	—
Other	(7,245)	(6,577)
Net cash provided by (used in) investing activities	(3,247,130)	(42,474)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	506,342	7,595,667
Proceeds from long-term borrowings	660,000	4,969,885
Repayments of long-term borrowings	(345,346)	(64,358)
Repayments of non-recourse borrowings	(4,590,824)	(5,084,039)
Purchase of investments in capital of subsidiaries not resulting in change in scope of consolidation	(1,008,456)	—
Proceeds from issuance of shares resulting from exercise of share acquisition rights	—	339,669
Proceeds from issuance of share acquisition rights	—	8,756
Dividends paid	(170,292)	(255,571)
Decrease (increase) in deposits pledged as collateral	—	(3,120,945)
Other	(15,645)	(5,375)
Net cash provided by (used in) financing activities	(4,964,222)	4,383,687
Net increase (decrease) in cash and cash equivalents	3,230,383	85,671
Cash and cash equivalents at beginning of period	2,104,891	5,564,741
Cash and cash equivalents at end of period	5,335,274	5,650,413

(4) Notes to Quarterly Consolidated Financial Statements

(Notes on Going Concern Assumption)

Not applicable.

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

From the six months ended September 30, 2022, the newly established Silent Partnership Takasegawa has been included in the scope of consolidation.

(Notes on Significant Changes in Shareholders' Equity)

Share capital and legal capital surplus increased by ¥48,250,000 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 26, 2022.

In addition, share capital and legal capital surplus increased by ¥170,321,000 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.

As a result, share capital and capital surplus increased by ¥1,205,815,000 and ¥629,447,000, respectively, as of September 30, 2022.

(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. Six months ended September 30, 2021 (April 1, 2021 to September 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	—	538,567	578,567	578,567	—	578,567
Goods and services transferred over a fixed period of time	168,729	—	—	168,729	168,729	—	168,729
Revenue from contracts with customers	208,729	—	538,567	747,296	747,296	—	747,296
Other revenue (Note) 3	303	15,105,483	1,380	15,107,167	15,107,167	—	15,107,167
Net sales to external clients	209,033	15,105,483	539,947	15,854,463	15,854,463	—	15,854,463
Internal net sales and transfers between segments	265,872	(5,547)	—	260,325	260,325	(260,325)	—
Total	474,905	15,099,936	539,947	16,114,789	16,114,789	(260,325)	15,854,463
Segment profit or (loss)	205,532	5,220,730	(481,375)	4,944,887	4,944,887	(405,070)	4,539,816

(Notes) 1. The negative ¥405,070,000 of segment profit or (loss) adjustments includes a net amount of negative ¥413,230,000 of corporate income and expenses not allocated to each reportable segment, and ¥8,160,000 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).
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

During the six months ended September 30, 2021, in the real estate business segment, assets for the reportable segment increased by ¥7,809,306,000 compared to the end of the previous fiscal year as a result of additional acquisition of investment in capital of Silent Partnership Ryozen, making it a consolidated subsidiary from an equity-method affiliate.

3. Information on impairment losses on non-current assets and goodwill, etc. for each reportable segment
(Significant changes in the amount of goodwill)

During the six months ended September 30, 2021, as a result of additional acquisition of investments in capital of Silent Partnership Ryozen, making it a consolidated subsidiary from an equity-method affiliate, goodwill of ¥2,353,264,000 was recorded in the real estate business segment. However, an impairment loss of ¥534,762,000 was recorded due to the write-down of a portion of goodwill to its recoverable amount.

Goodwill was recorded in the real estate business segment due to the additional acquisition of investment in capital of Silent Partnership Myoho. However, the entire amount was written off as the investment was redeemed and excluded from the scope of consolidation during the six months ended September 30, 2021.

As a result of the above, goodwill increased by ¥1,818,501,000 in the real estate business segment.

II. Six months ended September 30, 2022 (April 1, 2022 to September 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	—	—	1,034,940	1,034,940	1,034,940	—	1,034,940
Goods and services transferred over a fixed period of time	150,291	—	—	150,291	150,291	—	150,291
Revenue from contracts with customers	150,291	—	1,034,940	1,185,231	1,185,231	—	1,185,231
Other revenue (Note) 3	303	(13,141)	1,380	(11,457)	(11,457)	—	(11,457)
Net sales to external clients	150,595	(13,141)	1,036,320	1,173,773	1,173,773	—	1,173,773
Internal net sales and transfers between segments	142,000	—	—	142,000	142,000	(142,000)	—
Total	292,595	(13,141)	1,036,320	1,315,773	1,315,773	(142,000)	1,173,773
Segment profit or (loss)	(6,807)	(613,828)	(420,406)	(1,041,042)	(1,041,042)	(152,283)	(1,193,325)

(Notes) 1. The negative ¥152,283,000 of segment loss adjustments includes the net amount of negative ¥160,443,000 in corporate revenues and expenses not allocated to each reportable segment, and ¥8,160,000 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 ¥13,141,000 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. Information on 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 six months ended September 30, 2021 is disclosed based on classifications after the change.