



## Summary of Consolidated Financial Results for the Six Months Ended September 30, 2020 (Japanese GAAP)

November 10, 2020

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 Quarterly securities report to be submitted: November 10, 2020      Start of cash dividend payments: —  
 Quarterly supplementary materials: None  
 Quarterly financial results conference: Not scheduled (Video streaming scheduled)

(Figures rounded down to nearest million yen)

### 1. Consolidated Results for the Six Months Ended September 30, 2020 (April 1, 2020 to September 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	%
Six months ended September 30, 2020	4,056	(54.8)	126	(93.5)	35	(98.6)	20	(98.6)
Six months ended September 30, 2019	8,966	777.1	1,943	—	2,619	—	1,515	—

Note: Comprehensive income

Six months ended September 30, 2020: ¥34 million (-98.4%)

Six months ended September 30, 2019: ¥2,233 million (—%)

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Six months ended September 30, 2020	2.43		—	
Six months ended September 30, 2019	182.17		—	

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, 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		%	
Six months ended September 30, 2020	26,146		9,694		33.2	
FYE March 31, 2020	24,893		9,679		34.8	

Reference: Equity capital

Six months ended September 30, 2020: ¥ 8,671 million

FYE March 31, 2020: ¥ 8,671 million

### 2. Dividends

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

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

The forecast 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 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 Niseko) Exclusions: 1 (Silent Partnership Niseko)

(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 September 30, 2020	8,526,200 shares	As of March 31, 2020	8,326,200 shares
As of September 30, 2020	487 shares	As of March 31, 2020	444 shares
Six months ended September 30, 2020	8,462,355 shares	Six months ended September 30, 2019	8,316,965 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.

(How to acquire results briefing materials and results briefing videos)

The results briefing materials and results briefing videos will be available on the Company's website from the second half of November 2020.

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## 1. Qualitative Information on Quarterly Financial Results

### (1) Results

During the six months ended September 30, 2020, the Japanese economy continued to suffer from the impact of the coronavirus, which has restricted economic activity and significantly worsened corporate profits and the employment environment. Although there were signs of improvement following the lifting of the state of emergency declaration with the gradual resumption of economic activity, the economic situation remains uncertain.

The Group has been taking various measures from the perspective of social responsibility to prevent the spread of the coronavirus while working to achieve its "Medium-Term Management Plan 2022," which was announced in April 2019.

In the real estate market, where the real estate securitization business operates, while there has been no major disruption due to the relative stability of the financial markets, financial institutions continue to take a cautious stance and the market environment requires close attention. The Group's real estate transactions are progressing smoothly, and we acquired and sold beneficial interests in real estate trust of a distribution warehouse located in Shinkiba, Koto-ku, Tokyo, and a hotel development site in Kutchan-cho (Niseko), Abuta-gun, Hokkaido. We plan to gradually acquire and sell new properties, not limited to hotel assets, with a view to forming a diversified REIT, from the nine months ending December 31, 2020 onward.

The hotel industry, in which our hotel management business operates, has seen a significant decline in the number of hotel guests due to the impact of the coronavirus. However, there have been signs of recovery with the launch of the "Go To Travel" program. The Group has also seen a gradual recovery in the number of hotel guests since the beginning of the six months ended September 30, 2020. Looking ahead to the nine months ending December 31, 2020, Kyoto Yura Hotel Nijo Jo Bettei MGallery (180-1 Ichino-cho, Nakagyo-ku, Kyoto City), which has been under preparation for opening, will open on November 28, 2020, and we expect to see an increase in the number of guests in Kyoto, which, along with the Kyoto Yura Hotel MGallery (84 Ohashi-cho, Sanjo-dori-ohashi Higashi-iru, Higashiyama-ku, Kyoto City) that opened in the previous term, will be in full swing during the autumn tourist season. As for projects under development, the opening of Fauchon Hotel Kyoto (Shimogyo-ku, Kyoto City), the first of the hotel brand to open in Japan, is scheduled for mid-March 2021, and Aloft Osaka Dojima (tentative name) (Kita-ku, Osaka City) is in the final stages of construction.

In terms of the Group as a whole, sales increased significantly during the six months ended September 30, 2020 compared to the three months ended June 30, 2020 due to the commencement of property sales in the real estate securitization business and a recovery in the number of hotel guests in the hotel management business starting from the six months ended September 30, 2020. Profits also improved significantly, with the real estate securitization business offsetting the decline in the hotel management business, which was severely affected by the coronavirus.

As a result, net sales of ¥4,056,791,000 (down 54.8% year-on-year), operating profit of ¥126,110,000 (down 93.5% year-on-year), ordinary profit of ¥35,833,000 (down 98.6% year-on-year), and profit attributable to owners of parent of ¥20,594,000 (down 98.6% year-on-year) were recorded during the six months ended September 30, 2020.

An overview of financial results for each segment is as follows.

#### (i) Real estate securitization business

In the real estate securitization business, net sales were ¥3,926,178,000 (down 46.9% year-on-year), while operating profit was ¥609,145,000 (down 77.7% year-on-year). Driven by the sales of the distribution warehouse and hotel development site described above, net sales for the six months ended September 30, 2020 were ¥3,889,365,000, compared to ¥36,812,000 in the three months ended June 30, 2020.

#### (ii) Hotel management business

In the hotel management business, net sales were ¥235,555,000 (down 87.0% year-on-year), while operating loss was ¥369,553,000 (compared to an operating loss of ¥474,111,000 in the same period of the previous fiscal year). The main reason for this was a significant decrease in the number of hotel guests due to the spread of the coronavirus. However, net sales for the six months ended September 30, 2020 were ¥162,471,000 compared to ¥73,084,000 for the three months ended June 30, 2020, as the impact of the new coronavirus infection is gradually easing.

(2) Overview of Financial Position

With regard to the financial position as of September 30, 2020, total assets were ¥26,146,798,000, liabilities were ¥16,452,774,000 and net assets were ¥9,694,023,000.

Total assets increased by ¥1,253,741,000 compared to the end of the previous fiscal year. This was mainly due to an increase of ¥4,099,549,000 in real estate for sale and a decrease of ¥2,364,049,000 due to the transfer of real estate for sale in process as a result of factors including the completion of the Kyoto Yura Hotel Nijo Jo Bettei MGallery, which was under construction.

Liabilities increased by ¥1,239,270,000 compared to the end of the previous fiscal year. This was mainly due to a ¥1,467,863,000 increase in borrowings for the construction of the real estate for sale above.

Net assets increased by ¥14,470,000 compared to the end of the previous fiscal year. This was mainly due to an increase of ¥145,400,000 from the issuance of new shares under the share-based remuneration and an increase of ¥34,638,000 due to the posting of profit, despite a decrease of ¥166,515,000 due to dividends paid.

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

There are no changes to the earnings forecasts announced in the Notice of Consolidated Earnings Forecast for the Fiscal Year Ending March 31, 2021 on August 7, 2020.

## 2. Quarterly Consolidated Financial Statements and Notes

### (1) Quarterly Consolidated Balance Sheet

(Thousands of yen)

	As of March 31, 2020	As of September 30, 2020
<b>Assets</b>		
Current assets		
Cash and deposits	4,336,593	3,356,337
Accounts receivable - trade	233,446	173,165
Real estate for sale	14,438,591	18,538,140
Real estate for sale in process	2,364,049	—
Income taxes receivable	1,059,627	1,123,464
Other	396,252	648,906
Allowance for doubtful accounts	(823)	(823)
Total current assets	22,827,736	23,839,190
Non-current assets		
Property, plant and equipment		
Buildings	35,351	35,921
Accumulated depreciation	(20,982)	(22,002)
Buildings, net	14,368	13,919
Tools, furniture and fixtures	113,005	119,199
Accumulated depreciation	(48,410)	(55,833)
Tools, furniture and fixtures, net	64,594	63,365
Other	—	275
Total property, plant and equipment	78,963	77,560
Intangible assets		
Goodwill	127,912	108,234
Other	38,654	33,195
Total intangible assets	166,567	141,429
Investments and other assets		
Investment securities	1,680,424	1,654,616
Deferred tax assets	58,998	257,527
Other	80,365	176,472
Total investments and other assets	1,819,788	2,088,616
Total non-current assets	2,065,320	2,307,607
<b>Total assets</b>	<b>24,893,056</b>	<b>26,146,798</b>

(Thousands of yen)

	As of March 31, 2020	As of September 30, 2020
<b>Liabilities</b>		
Current liabilities		
Accounts payable - trade	14,197	14,365
Short-term borrowings	633,000	664,816
Current portion of long-term borrowings	1,739,576	406,672
Current portion of non-recourse long-term borrowings	80,000	80,000
Income taxes payable	137,330	84,082
Provision for bonuses	26,943	24,408
Provision for share-based remuneration	145,400	2,697
Provision for shareholder benefit program	10,530	8,000
Other	308,499	255,747
Total current liabilities	3,095,477	1,540,789
Non-current liabilities		
Long-term borrowings	464,585	3,327,239
Non-recourse long-term borrowings	11,380,000	11,286,296
Deferred tax liabilities	5,360	—
Other	268,081	298,449
Total non-current liabilities	12,118,026	14,911,985
<b>Total liabilities</b>	<b>15,213,504</b>	<b>16,452,774</b>
<b>Net assets</b>		
Shareholders' equity		
Capitalization	914,543	987,243
Capital surplus	346,115	419,176
Retained earnings	7,411,628	7,265,706
Treasury shares	(576)	(623)
Total shareholders' equity	8,671,709	8,671,503
Non-controlling interests	1,007,842	1,022,520
<b>Total net assets</b>	<b>9,679,552</b>	<b>9,694,023</b>
<b>Total liabilities and net assets</b>	<b>24,893,056</b>	<b>26,146,798</b>

(2) Quarterly Consolidated Statement of Income and Quarterly Consolidated Statement of Comprehensive Income  
(Quarterly Consolidated Statement of Income)  
(Six months ended September 30, 2020)

(Thousands of yen)

	Six months ended September 30, 2019 (April 1, 2019 to September 30, 2019)	Six months ended September 30, 2020 (April 1, 2020 to September 30, 2020)
Net sales	8,966,338	4,056,791
Cost of sales	6,189,598	3,238,274
Gross profit	2,776,740	818,516
Selling, general and administrative expenses	833,023	692,406
Operating profit	1,943,716	126,110
Non-operating income		
Interest income	51	15
Dividend income	412	—
Share of profit of entities accounted for using equity method	904,184	—
Subsidies for employment adjustment	—	57,929
Other	7,930	3,762
Total non-operating income	912,578	61,707
Non-operating expenses		
Interest expenses	16,572	151,291
Commission expenses	215,101	591
Other	4,768	101
Total non-operating expenses	236,441	151,984
Ordinary profit	2,619,853	35,833
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 the coronavirus	—	*133,507
Total extraordinary losses	1,159	133,507
Profit (loss) before income taxes	2,619,844	(97,673)
Income taxes - current	425,685	71,578
Income taxes - deferred	(39,749)	(203,890)
Total income taxes	385,936	(132,312)
Profit	2,233,908	34,638
Profit attributable to non-controlling interests	718,788	14,044
Profit attributable to owners of parent	1,515,119	20,594



(Quarterly Consolidated Statement of Comprehensive Income)  
(Six months ended September 30, 2020)

(Thousands of yen)

	Six months ended September 30, 2019 (April 1, 2019 to September 30, 2019)	Six months ended September 30, 2020 (April 1, 2020 to September 30, 2020)
Profit	2,233,908	34,638
Comprehensive income	2,233,908	34,638
Comprehensive income attributable to		
Profit attributable to owners of parent	1,515,119	20,594
Profit attributable to non-controlling interests	718,788	14,044

## (3) Consolidated Statement of Cash Flows

(Thousands of yen)

	Six months ended September 30, 2019 (April 1, 2019 to September 30, 2019)	Six months ended September 30, 2020 (April 1, 2020 to September 30, 2020)
<b>Cash flows from operating activities</b>		
Profit (loss) before income taxes	2,619,844	(97,673)
Depreciation	34,505	15,422
Gain on bargain purchase	(1,151)	—
Loss on liquidation of investments in capital	1,159	—
Amortization of goodwill	19,678	19,678
Increase (decrease) in provision for bonuses	16,062	(2,534)
Increase (decrease) in provision for share-based remuneration	130,642	(142,702)
Increase (decrease) in provision for shareholder benefit program	10,930	(2,530)
Interest and dividend income	(464)	(15)
Interest expenses	16,572	151,291
Commission expenses	215,101	590
Share of loss (profit) of entities accounted for using equity method	(904,184)	—
Decrease (increase) in deposits in trust	274,247	1,317
Decrease (increase) in trade receivables	77,189	60,280
Decrease (increase) in real estate for sale	(8,540,782)	(4,099,549)
Decrease (increase) in real estate for sale in process	(3,279,614)	2,364,049
Decrease (increase) in consumption taxes refund receivable	(338,475)	(225,629)
Decrease (increase) in other assets	74,254	(161,532)
Increase (decrease) in trade payables	(6,480)	168
Increase (decrease) in other liabilities	1,153,368	(50,907)
Other	99,322	107,632
Subtotal	(8,328,273)	(2,062,643)
Interest and dividends received	464	15
Interest paid	(12,322)	(151,791)
Income taxes (paid) refund	(1,660,173)	(170,314)
Net cash provided by (used in) operating activities	(10,000,305)	(2,384,734)
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(13,024)	(5,213)
Purchase of intangible assets	(27,056)	—
Proceeds from redemption of investment securities	5,003,129	866,003
Purchase of investment securities	(5,530,826)	(886,003)
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	92,071	—
Payments for sales of investments in other securities of subsidiaries and associates resulting in change in scope of consolidation	(1,500,040)	—
Other	6,251	(10,867)
Net cash provided by (used in) investing activities	(1,969,495)	(36,081)
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term borrowings	(1,400,000)	31,816
Proceeds from long-term borrowings	2,009,000	1,606,000
Proceeds from non-recourse borrowings	11,500,000	—
Repayments of long-term borrowings	(54,159)	(76,250)
Repayments of non-recourse borrowings	—	(93,703)
Proceeds from share issuance to non-controlling shareholders	1,000,000	—
Repayments to non-controlling shareholders	(300,000)	—
Proceeds from issuance of shares	—	145,400
Dividends paid	(165,071)	(166,050)
Other	(5,822)	(5,335)
Net cash provided by (used in) financing activities	12,583,947	1,441,877
Net increase (decrease) in cash and cash equivalents	614,146	(978,938)
Cash and cash equivalents at beginning of period	2,379,364	4,288,074
Cash and cash equivalents at end of period	2,993,511	3,309,135

(4) 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 or invested in Wealth Reality Management, Inc. and Silent Partnership Niseko have been included in the scope of consolidation. Because the investment in Silent Partnership Niseko was redeemed in the six months ended September 30, 2020, it was excluded from the scope of consolidation.

(Quarterly Consolidated Statement of Income)

\* Losses related to the coronavirus

Losses include fixed costs incurred during the temporary closure of some hotels to prevent the spread of the coronavirus.

(Notes on Significant Changes in Shareholders' Equity)

Not applicable.

(Segment Information, etc.)

Segment Information

I. Six months ended September 30, 2019 (April 1, 2019 to September 30, 2019)

1. Information on the amounts of net sales and profit 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	7,158,599	1,807,739	8,966,338	8,966,338	—	8,966,338
Internal sales and transfers between segments	237,604	—	237,604	237,604	(237,604)	—
Total	7,396,203	1,807,739	9,203,943	9,203,943	(237,604)	8,966,338
Segment profit or (loss)	2,732,618	(474,111)	2,258,506	2,258,506	(314,790)	1,943,716

(Notes) 1. The negative ¥314,790,000 of segment profit or (loss) includes negative ¥19,678,000 of amortization of goodwill not allocated to each reportable segment, the net amount of negative ¥307,113,000 in corporate revenues and expenses, and ¥12,002,000 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

Not applicable.

3. Information on assets for each reportable segment

In the "real estate securitization business" segment, assets for the reportable segment increase by ¥7,496,786,000 as of September 30, 2020 compared to March 31, 2020 as a result of making Silent Partnership Yura a subsidiary and 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 ¥1,155,131,000 as of September 30, 2020 compared to March 31, 2020 as a result of the acquisition of hotel development sites by Hotel W Management, Inc. and acquiring all of the shares of Sanyo Kogyo Co., Ltd. and making it a consolidated subsidiary.

II. Six months ended September 30, 2020 (April 1, 2020 to September 30, 2020)

1. Information on the amounts of net sales and profit 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	3,921,235	135,555	4,056,791	4,056,791	—	4,056,791
Internal sales and transfers between segments	4,942	99,999	104,942	104,942	(104,942)	—
Total	3,926,178	235,555	4,161,734	4,161,734	(104,942)	4,056,791
Segment profit or (loss)	609,145	(369,553)	239,592	239,592	(113,482)	126,110

(Notes) 1. The negative ¥113,482,000 of segment profit or (loss) includes negative ¥19,678,000 of amortization of goodwill not allocated to each reportable segment, the net amount of negative ¥101,963,000 in corporate revenues and expenses, 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).