

3. Projected Consolidated Results for Fiscal Year Ending March 31, 2022 (April 1, 2021 to March 31, 2022)

(%: 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, 2022	12,500	135.4	5,800	—	5,500	—	3,200	—	375.34

(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 Myoho)

Exclusions: (-)

(Note) In the "Notice of Changes in Specified Subsidiaries in Connection with Acquisition of Equity Interests of Joint Investors in Kyoto Higashiyama Banyan Tree and Kyoto Higashiyama SIX SENSES Hotel Development Projects" dated June 29, 2021 (Japanese only), the Company announced that it would make Silent Partnership Myoho a consolidated subsidiary by the end of July 2021, and it has been included in the scope of consolidation since it became a subsidiary through additional acquisition of investment from the first quarter of the current fiscal year.

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

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

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

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

(iii) Changes in accounting estimates: None

(iv) Restatements: None

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

(4) Number of shares outstanding (common shares)

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

As of June 30, 2021	8,526,200 shares	As of March 31, 2021	8,526,200 shares
As of June 30, 2021	537 shares	As of March 31, 2021	487 shares
As of June 30, 2021	8,525,704 shares	As of June 30, 2020	8,398,283 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.

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	
Three Months Ended June 30, 2021.....	6
Quarterly Consolidated Statement of Comprehensive Income	
Three Months Ended June 30, 2021.....	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
(Quarterly Consolidated Statement of Income).....	8
(Notes on Significant Changes in Shareholders' Equity).....	8
(Changes in accounting policies).....	8
(Segment Information, etc.).....	9

1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Business Results

During the three months ended June 30, 2021, although uncertainty remains, the Japanese economy is expected to be on a recovery trend as economic activities in anticipation of the post-coronavirus era gradually increase in line with the progress of vaccination, while declarations of a state of emergency and priority measures to prevent the spread of COVID-19 are issued.

In May 2021, the Group entered into a capital and business alliance with Samty Co., Ltd., and in June 2021, the Group announced its Medium-Term Management Plan 2024 to demonstrate the direction of its business. We set the following goals in the Medium-Term Management Plan 2024 and will continue to strive to achieve them.

Targets of the Medium-Term Management Plan 2024

- (1) In order to establish a J-REIT during the period of Medium-Term Management Plan 2024, we will establish an asset cycle business model, and aim to become a hotel REIT with assets under management of 500 billion yen.
- (2) Aiming for a listing on the Prime Market, we will develop a framework for this purpose and aim to triple the market capitalization.

In the real estate market, where the real estate securitization business operates, equity investors are taking an aggressive stance and the amount of investment is on the rise. On the other hand, although new loans from lenders to the real estate industry have been on a downward trend, the number of lenders who believe that the uncertainty of the future is improving is on an upward trend, and the amount of new loans is expected to turn up. While some lenders continue to take a cautious stance on loans to hotel assets, there are signs of change, including the emergence of lenders who view these assets as attractive. The Group is focusing on the implementation of projects that are currently in progress, and plans are steadily advancing, including the acquisition of permits and approvals for development and recapitalization (sale of properties in line with the replacement of investors) in line with the progress phase of projects. As the delivery of large-scale properties is scheduled from the six months ending September 30, 2021 onward, we will continue to make efforts for appropriate project management.

In the hotel industry, in which our hotel management business operates, has been greatly affected by the declaration of a state of emergency and the issuance of priority measures to prevent the spread of COVID-19, and has yet to see a significant recovery in the number of hotel guests. The Group's sales were also at a low level due to the temporary closure of some hotels following the declaration of a state of emergency. Despite these circumstances, on June 28, 2021, we opened the Aloft Osaka Dojima (2-1-31 Dojimahama, Kita-ku, Osaka City), the second Aloft brand hotel in Japan and the first in the Kansai region, on the site of the Dojima Hotel, which was once a popular social spot in Kita, Osaka. The Fauchon Hotel Kyoto (406 Namba-cho, Matsubara-sagaru, Kawaramachi dori, Shimogyo-ku, Kyoto City), which opened on March 16, 2021, features a restaurant and tea salon where guests can enjoy a menu that expresses the concept of "FAUCHON Meets Kyoto. Feel Paris." as well as a store offering a large selection of macaroons and teas imported directly from Paris, and it continues to be well received.

As a result, during the three months ended June 30, 2021, net sales were ¥1,250,966,000 (¥59,896,000 during the same period of the previous year), operating loss was ¥374,384,000 (compared to operating loss of ¥558,545,000 in the same period of the previous fiscal year), ordinary loss was ¥392,086,000 (compared to ordinary loss of ¥628,685,000 in the same period of the previous fiscal year) and net loss attributable to owners of parent was ¥469,267,000 (compared to net loss attributable to owners of parent of ¥539,924,000 in the same period of the previous fiscal year).

By segment, net sales were ¥978,351,000 (compared to net sales of ¥36,812,000 in the same period of the previous fiscal year) and operating loss was ¥240,984,000 (compared to operating loss of ¥334,977,000 in the same period of the previous fiscal year) in the real estate securitization business. Although sales increased due to the sale of properties, the operating loss was due to the reverse trend in master lease transactions, where rents received from hotel operators were lower than rents paid to master lease companies due to the impact of COVID-19. In the hotel management business, net sales were ¥328,615,000 (up 349.6% year-on-year), while operating loss was ¥81,684,000 (compared to an operating loss of ¥164,782,000 in the same period of the previous fiscal year). This was due to the fact that Fauchon Hotel Kyoto, which opened in March 2021, contributed to sales while some hotels were temporarily closed due to the declaration of a state of emergency, and the operating loss was reduced by cost reduction efforts.

The "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020), etc. have been applied from the beginning of the three months ended June 30, 2021, but this change has no impact on profit and loss for the three months ended June 30, 2021.

(2) Explanation of Financial Position

With regard to the financial position as of June 30, 2021, total assets were ¥32,257,304,000, liabilities were ¥22,984,457,000 and net assets were ¥9,272,847,000.

Total assets increased by ¥6,502,365,000 compared to the end of the previous fiscal year. This was mainly due to an increase in real estate for sale as a result of the newly consolidated Silent Partnership Myoho.

Liabilities increased by ¥5,858,084,000 compared to the end of the previous fiscal year. This was mainly due to an increase in current portion of non-recourse long-term borrowings as a result of newly consolidated Silent Partnership Myoho.

Net assets increased by ¥644,281,000 compared to the end of the previous fiscal year. This was mainly due to an increase in non-controlling interests as a result of the consolidation of Silent Partnership Myoho, despite a decrease in retained earnings due to the recording of a net loss attributable to owners of parent and dividends paid.

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

There is no change in the forecast of consolidated financial result for the fiscal year ending March 31, 2022 from the forecast of consolidated financial result (full year) for the fiscal year ending March 31, 2022 announced on May 11, 2021.

(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, 2021	As of June 30, 2021
Assets		
Current assets		
Cash and deposits	2,159,660	3,048,518
Accounts receivable - trade	278,116	250,220
Real estate for sale	19,397,919	25,521,145
Income taxes receivable	602,540	606,081
Other	1,172,605	963,241
Allowance for doubtful accounts	(482)	(436)
Total current assets	23,610,359	30,388,771
Non-current assets		
Property, plant and equipment		
Buildings	32,275	36,885
Accumulated depreciation	(21,667)	(22,051)
Buildings, net	10,607	14,834
Tools, furniture and fixtures	123,668	134,567
Accumulated depreciation	(36,965)	(41,531)
Tools, furniture and fixtures, net	86,702	93,036
Total property, plant and equipment	97,310	107,870
Intangible assets		
Goodwill	—	331,281
Other	27,411	46,623
Total intangible assets	27,411	377,905
Investments and other assets		
Investment securities	1,769,387	951,067
Deferred tax assets	75,487	257,479
Other	174,981	174,210
Total investments and other assets	2,019,856	1,382,757
Total non-current assets	2,144,579	1,868,533
Total assets	25,754,938	32,257,304

(Thousands of yen)

	As of March 31, 2021	As of June 30, 2021
Liabilities		
Current liabilities		
Accounts payable - trade	11,076	10,200
Short-term borrowings	624,000	1,780,342
Current portion of long-term borrowings	408,676	388,706
Current portion of non-recourse long-term borrowings	80,000	4,588,716
Income taxes payable	65,151	70,227
Provision for bonuses	32,548	29,594
Provision for shareholder benefit program	24,000	17,000
Other	462,026	452,964
Total current liabilities	1,707,478	7,337,752
Non-current liabilities		
Long-term borrowings	3,883,909	3,912,216
Non-recourse long-term borrowings	11,192,055	11,129,948
Deferred tax liabilities	—	261,374
Other	342,929	343,165
Total non-current liabilities	15,418,894	15,646,704
Total liabilities	17,126,373	22,984,457
Net assets		
Shareholders' equity		
Share capital	987,243	987,243
Capital surplus	419,176	419,176
Retained earnings	6,185,289	5,545,508
Treasury shares	(623)	(726)
Total shareholders' equity	7,591,086	6,951,201
Non-controlling interests	1,037,479	2,321,645
Total net assets	8,628,565	9,272,847
Total liabilities and net assets	25,754,938	32,257,304

(2) Quarterly Consolidated Statement of Income and Quarterly Consolidated Statement of Comprehensive Income
(Quarterly Consolidated Statement of Income)
(Three months ended June 30, 2021)

(Thousands of yen)

	Three months ended June 30, 2020 (April 1, 2020 to June 30, 2020)	Three months ended June 30, 2021 (April 1, 2021 to June 30, 2021)
Net sales	59,896	1,250,966
Cost of sales	302,008	1,320,357
Gross profit (loss)	(242,111)	(69,390)
Selling, general and administrative expenses	316,434	304,993
Operating profit (loss)	(558,545)	(374,384)
Non-operating income		
Subsidies for employment adjustment	—	56,945
Subsidy income	2,000	9,402
Other	597	75
Total non-operating income	2,597	66,423
Non-operating expenses		
Interest expenses	72,390	79,695
Commission expenses	294	3,505
Share of loss of entities accounted for using equity method	—	874
Other	51	50
Total non-operating expenses	72,737	84,125
Ordinary profit (loss)	(628,685)	(392,086)
Extraordinary losses		
Losses related to COVID-19	*133,507	*246,768
Loss on step acquisitions	—	1,258
Total extraordinary losses	133,507	248,027
Profit (loss) before income taxes	(762,192)	(640,114)
Income taxes - current	11,065	3,666
Income taxes - deferred	(239,008)	(181,992)
Total income taxes	(227,943)	(178,326)
Profit (loss)	(534,248)	(461,788)
Profit attributable to non-controlling interests	5,675	7,479
Profit (loss) attributable to owners of parent	(539,924)	(469,267)

(Quarterly Consolidated Statement of Comprehensive Income)
(Three months ended June 30, 2021)

(Thousands of yen)

	Three months ended June 30, 2020 (April 1, 2020 to June 30, 2020)	Three months ended June 30, 2021 (April 1, 2021 to June 30, 2021)
Profit (loss)	(534,248)	(461,788)
Comprehensive income	(534,248)	(461,788)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(539,924)	(469,267)
Comprehensive income attributable to non-controlling interests	5,675	7,479

(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 three months ended June 30, 2021, Silent Partnership Myoho, which had been an equity method affiliate, has been included in the scope of consolidation as a result of additional acquisition of investment.

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

From the three months ended June 30, 2021, NISEKO INVESTMENT SINGAPORE PTE. LTD. has been included in the scope of application of the equity method as a result of new investment.

(Quarterly Consolidated Statement of Income)

* Losses related to COVID-19

Losses include fixed costs incurred during the temporary closure of some hotels to prevent the spread of COVID-19.

(Notes on Significant Changes in Shareholders' Equity)

Not applicable.

(Changes in accounting policies)

(Application of the Accounting Standard for Revenue Recognition, etc.)

The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020; below "Accounting Standard for Revenue Recognition"), etc. from the beginning of the three months ended June 30, 2021, and will recognize revenue when control of promised goods or services is transferred to the customer in the amount expected to be received in exchange for those goods or services.

For the application of the Accounting Standard for Revenue Recognition, etc., the Company has followed the transitional treatment prescribed in the proviso of Paragraph 84 of the Accounting Standard for Revenue Recognition, and the cumulative effect of retroactively applying the new accounting policy prior to the beginning of the three months ended June 30, 2021 has been added to or deducted from retained earnings at the beginning of the three months ended June 30, 2021, and the new accounting policy has been applied from the relevant beginning balance.

As a result, there is no effect on balance of retained earnings at the beginning of the fiscal period. There is also no impact on profit and loss for the three months ended June 30, 2021. In addition, in accordance with the transitional treatment prescribed in Paragraph 28-15 of the "Accounting Standard for Quarterly Financial Reporting" (ASBJ Statement No. 12, March 31, 2020), the Company has not presented information on revenue from contracts with customers broken down for the three months ended June 30, 2020.

(Application of the Accounting Standard for Fair Value Measurement, etc.)

The Company has applied the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019; below "Accounting Standard for Fair Value Measurement"), etc. from the beginning of the three months ended June 30, 2021, and in accordance with the transitional treatment set forth in Paragraph 19 of the Accounting Standard for Fair Value Measurement and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019), the new accounting policy set forth by the Accounting Standard for Fair Value Measurement will be applied in the future. There is no impact on the quarterly consolidated financial statements.

(Segment Information, etc.)

Segment Information

I. 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 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 loss.

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

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

(Thousands of yen)

	Reportable segment			Total	Adjustments (Note) 1	Amount in quarterly consolidated statement of income (Note) 2
	Real estate securitization business	Hotel management business	Total			
Net sales						
Goods and services transferred at a point in time	40,000	271,925	311,925	311,925	—	311,925
Goods and services transferred over a fixed period of time	76,412	—	76,412	76,412	—	76,412
Revenue from contracts with customers	116,412	271,925	388,337	388,337	—	388,337
Other revenue	861,938	690	862,628	862,628	—	862,628
Net sales to external clients	978,351	272,615	1,250,966	1,250,966	—	1,250,966
Internal sales and transfers between segments	—	55,999	55,999	55,999	(55,999)	—
Total	978,351	328,615	1,306,966	1,306,966	(55,999)	1,250,966
Segment profit or (loss)	(240,984)	(81,684)	(322,669)	(322,669)	(51,715)	(374,384)

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

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

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

2. Information on assets for each reportable segment

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

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

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

4. Information on changes in reportable segments, etc.

As described in "Changes in accounting policies," the Company has applied the Accounting Standard for Revenue Recognition, etc. from the beginning of the three months ended June 30, 2021 and changed the accounting method for revenue recognition, so the measurement method for profit or loss in the business segment has been changed as well. As a result, there is no impact on profit and loss for the three months ended June 30, 2021.