



Summary of Consolidated Financial Results for the Three Months Ended June 30, 2023 (Japanese GAAP)

August 10, 2023

Listed company name: Wealth Management, Inc.

Listed Stock Exchange: Tokyo

Code No.: 3772

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Start of cash dividend payments: -

Quarterly supplementary materials: None

Quarterly financial results conference: None

(Figures rounded down to nearest million yen)

1. Consolidated Results for the Three Months Ended June 30, 2023 (April 1, 2023 to June 30, 2023)

(1) Consolidated Operating Results (Cumulative)

(%: change from the same quarter of the previous year)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended June 30, 2023	1,588	175.7	(354)	—	(613)	—	(444)	—
Three months ended June 30, 2022	576	(53.9)	(596)	—	(736)	—	(508)	—

(Note) Comprehensive income

Three months ended June 30, 2023: ¥-444 million (—%)

Three months ended June 30, 2022: ¥-508 million (—%)

	Earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended June 30, 2023	(24.13)	—
Three months ended June 30, 2022	(29.76)	—

Note: Diluted earnings per share are not shown for the three months ended June 30, 2022 because there are no dilutive shares, and are not shown for the three months ended June 30, 2023 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	%
Three months ended June 30, 2023	49,859	15,769	31.6
FYE March 31, 2023	49,904	15,788	31.6

Reference: Equity capital

Three months ended June 30, 2023: ¥15,766 million

FYE March 31, 2023: ¥15,783 million

2. Dividends

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

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

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

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

(%: change from the same period of the previous year)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
FYE March 31, 2024	20,000	35.1	7,000	83.5	7,500	91.1	4,500	20.5	241.60

(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): None

New: - company, Excluded: - company

(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, 2023	18,688,100 shares	As of March 31, 2023	18,164,600 shares
As of June 30, 2023	1,252 shares	As of March 31, 2023	1,218 shares
As of June 30, 2023	18,441,121 shares	As of June 30, 2022	17,082,460 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 forecast financial results contained in this document are based on information available to the Company and certain assumptions considered reasonable by the Company at the time of preparation of the document. Actual results, etc. may significantly differ from projections due to a variety of factors.

Table of Contents of Attached Materials

1. Qualitative Information on Quarterly Financial Results.....	2
(1) Explanation of Business Results.....	2
(2) Explanation of Financial Position.....	3
(3) Explanation of Forward-looking Information Such as Consolidated Earnings Forecasts.....	3
2. Quarterly Consolidated Financial Statements and Notes.....	4
(1) Quarterly Consolidated Balance Sheet.....	4
(2) Quarterly Consolidated Statement of Income and Quarterly Consolidated Statement of Comprehensive Income.....	6
Quarterly Consolidated Statement of Income	
Three Months Ended June 30.....	6
Quarterly Consolidated Statement of Comprehensive Income	
Three Months Ended June 30.....	7
(3) Notes to Quarterly Consolidated Financial Statements.....	8
(Notes on Going Concern Assumption).....	8
(Notes on Significant Changes in Shareholders' Equity).....	8
(Segment Information, etc.).....	8

1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Business Results

During the three months ended June 30, 2023, although the outlook for the Japanese economy remained uncertain due to the Bank of Japan's raising of long-term interest rates, sharp exchange rate fluctuations, the situation in Ukraine, and soaring prices, favorable factors emerged such as the transition to bullish stock prices and continuous increases of inbound travel to Japan.

Since the current fiscal year is the final year of the Group's "Medium-Term Management Plan 2024" announced on June 22, 2021, we have set the following three priority measures and will actively accelerate the business towards achieving our plan.

(i) Actualize an exit strategy (REIT, STO (Note 1), etc) ⇒ Completion of an asset cycle business

(ii) Reinforce assets under management (AUM (Note 2)) ⇒ Group AUM 500 billion yen, groundwork to stabilize and increase future earnings

(iii) Increase hotel revenue ⇒ Increase value of hotel assets

(Note) 1. STO: Security Token Offering

2. AUM: Asset Under Management

As a result, during the three months ended June 30, 2023, net sales were ¥1,588,442 thousand (down 175.7% year-on-year), operating loss was ¥354,755 thousand (compared to an operating loss of ¥596,615 thousand in the same period of the previous fiscal year), ordinary loss was ¥613,122 thousand (compared to an ordinary loss of ¥736,453 thousand in the same period of the previous fiscal year) and net loss attributable to owners of parent was ¥444,927 thousand (compared to net loss attributable to owners of parent of ¥508,429 thousand in the same period of the previous fiscal year).

Business results by segment were as follows.

Segment		Three months ended June 30, 2022 (April 1, 2022 to June 30, 2022)	Three months ended June 30, 2023 (April 1, 2023 to June 30, 2023)	Percentage change
		Amount (Thousands of yen)	Amount (Thousands of yen)	(%)
Hotel management business	Net sales	511,060	1,501,390	193.8
	Operating profit	(234,154)	378,064	—
Asset management business	Net sales	80,467	109,777	36.4
	Operating profit	(68,113)	(59,638)	—
Real estate business	Net sales	(6,359)	(6,450)	—
	Operating profit	(204,055)	(505,793)	—

(Note) Transactions between segments have not been eliminated.

(Hotel management business)

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

The Group has been significantly affected by the increase in inbound travel, resulting in an increase in all operated hotel sales when compared to the same period of the previous fiscal year. In particular, the performance of hotels increased in Kyoto for the spring tourist season centered around 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) which were rebranded during the same period of the previous fiscal year.

Trend in sales for operated hotels

(Thousands of yen)

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

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

2. Transactions between segments have not been eliminated.

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

(Asset management business and real estate business)

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

The Group recorded an operating loss due to the absence of large property sales and such during the three months ended June 30, 2023 but plans to gradually acquire new properties such as “Hotel Emisia Sapporo” as announced on July 25, 2023 to increase opportunities for revenue. Furthermore, construction of “Six Senses Kyoto” is scheduled for completion during the current fiscal year, and construction of “Banyan Tree Higashiyama Kyoto” is scheduled for completion in spring 2024 and the work is proceeding as planned.

(2) Explanation of Financial Position

With regard to the financial position as of June 30, 2023, total assets were ¥49,859,457 thousand, liabilities were ¥34,090,269 thousand and net assets were ¥15,769,188 thousand.

Total assets decreased by ¥45,475 thousand compared to the end of the previous fiscal year. This was mainly due to a decrease in cash and deposits, while deferred tax assets increased.

Liabilities decreased by ¥26,345 thousand compared to the end of the previous fiscal year. This was mainly due to an increase in short-term borrowings and long-term borrowings, while income taxes payable, current liabilities, and others decreased.

Net assets decreased by ¥19,130 thousand compared to the end of the previous fiscal year. This was mainly due to an increase in share capital and capital surplus due to the issuance of new shares because of restricted share remuneration and the exercise of share acquisition rights, 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, 2024 from the forecast of consolidated financial result (full year) for the fiscal year ending March 31, 2024 announced on May 11, 2023.

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheet

(Thousands of yen)

	As of March 31, 2023	As of June 30, 2023
Assets		
Current assets		
Cash and deposits	8,729,867	8,360,688
Accounts receivable - trade	746,478	652,897
Real estate for sale	26,828,621	26,832,531
Real estate for sale in process	8,250,412	8,313,563
Income taxes refund receivable	1,309,964	1,383,478
Other	1,582,497	1,624,926
Total current assets	47,447,842	47,168,084
Non-current assets		
Property, plant and equipment		
Buildings	206,049	206,049
Accumulated depreciation	(3,214)	(8,018)
Buildings, net	202,834	198,030
Tools, furniture and fixtures	257,448	268,428
Accumulated depreciation	(40,211)	(50,425)
Tools, furniture and fixtures, net	217,237	218,002
Construction in progress	2,662	8,197
Total property, plant and equipment	422,733	424,230
Intangible assets		
Goodwill	502,590	471,178
Other	35,465	33,236
Total intangible assets	538,055	504,414
Investments and other assets		
Investment securities	703,492	740,895
Deferred tax assets	350,821	522,042
Other	441,987	499,790
Total investments and other assets	1,496,301	1,762,727
Total non-current assets	2,457,090	2,691,372
Total assets	49,904,933	49,859,457

(Thousands of yen)

	As of March 31, 2023	As of June 30, 2023
Liabilities		
Current liabilities		
Accounts payable - trade	99,559	49,564
Short-term borrowings	340,000	1,117,834
Current portion of long-term borrowings	637,969	1,002,258
Current portion of non-recourse long-term borrowings	80,000	80,000
Income taxes payable	635,804	6,076
Provision for bonuses	58,855	87,125
Provision for share-based payments	197,474	—
Provision for shareholder benefit program	48,000	58,000
Other	1,575,835	996,353
Total current liabilities	3,673,498	3,397,212
Non-current liabilities		
Long-term borrowings	11,721,907	11,868,562
Non-recourse long-term borrowings	16,857,350	16,785,148
Provision for share-based payments	58,440	140,918
Other	1,805,417	1,898,428
Total non-current liabilities	30,443,115	30,693,056
Total liabilities	34,116,614	34,090,269
Net assets		
Shareholders' equity		
Share capital	1,677,454	2,045,641
Capital surplus	1,101,086	1,469,272
Retained earnings	13,006,037	12,252,331
Treasury shares	(952)	(1,006)
Total shareholders' equity	15,783,624	15,766,238
Share acquisition rights	4,694	2,949
Total net assets	15,788,318	15,769,188
Total liabilities and net assets	49,904,933	49,859,457

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

(Thousands of yen)

	Three months ended June 30, 2022 (April 1, 2022 to June 30, 2022)	Three months ended June 30, 2023 (April 1, 2023 to June 30, 2023)
Net sales	576,167	1,588,442
Cost of sales	807,824	1,507,620
Gross profit (loss)	(231,656)	80,822
Selling, general and administrative expenses	364,959	435,577
Operating profit (loss)	(596,615)	(354,755)
Non-operating income		
Dividend income	—	40
Subsidies for employment adjustment	2,654	—
Subsidy income	1,474	469
Subsidized interest payments	2,559	2,559
Other	347	355
Total non-operating income	7,035	3,424
Non-operating expenses		
Interest expenses	144,784	163,883
Commission expenses	1,989	96,872
Other	100	1,036
Total non-operating expenses	146,873	261,791
Ordinary profit (loss)	(736,453)	(613,122)
Profit (loss) before income taxes	(736,453)	(613,122)
Income taxes - current	1,296	3,025
Income taxes - deferred	(229,320)	(171,220)
Total income taxes	(228,023)	(168,194)
Profit (loss)	(508,429)	(444,927)
Profit (loss) attributable to owners of parent	(508,429)	(444,927)

(Quarterly Consolidated Statement of Comprehensive Income)

(Three months ended June 30)

(Thousands of yen)

	Three months ended June 30, 2022 (April 1, 2022 to June 30, 2022)	Three months ended June 30, 2023 (April 1, 2023 to June 30, 2023)
Profit (loss)	(508,429)	(444,927)
Comprehensive income	(508,429)	(444,927)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(508,429)	(444,927)
Comprehensive income attributable to non-controlling interests	—	—

(3) Notes to Quarterly Consolidated Financial Statements

(Notes on Going Concern Assumption)

Not applicable.

(Notes on Significant Changes in Shareholders' Equity)

Share capital and legal capital surplus increased by ¥302,362 thousand each due to the payment for a part of the 6th series of share acquisition rights issued on September 1, 2022 (share acquisition rights with a clause to revise the exercise price through third-party allotment) as a result of the issuance of new shares upon exercise of the rights.

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

As a result, share capital and capital surplus were ¥2,045,641 thousand and ¥1,469,272 thousand respectively, as of June 30, 2023.

(Segment Information, etc.)

Segment Information

I. Three months ended June 30, 2022 (April 1, 2022 to June 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	—	—	510,370	510,370	510,370	—	510,370
Goods and services transferred over a fixed period of time	71,315	—	—	71,315	71,315	—	71,315
Revenue from contracts with customers	71,315	—	510,370	581,685	581,685	—	581,685
Other revenue	151	(6,359)	690	(5,517)	(5,517)	—	(5,517)
Net sales to external clients	71,467	(6,359)	511,060	576,167	576,167	—	576,167
Internal net sales and transfers between segments	9,000	—	—	9,000	9,000	(9,000)	—
Total	80,467	(6,359)	511,060	585,167	585,167	(9,000)	576,167
Segment profit (loss)	(68,113)	(204,055)	(234,154)	(506,323)	(506,323)	(90,291)	(596,615)

(Note) 1. The negative ¥90,291 thousand of segment loss includes the net amount of negative ¥94,371 thousand in corporate revenues and expenses not allocated to each reportable segment, and ¥4,080 thousand in eliminations of transactions between segments.

2. Adjustments have been made to the operating loss shown on the Quarterly Consolidated Statement of Income for segment 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 ¥6,359 thousand are due to the posting of an amount equivalent to the Company’s investment ratio out of the losses posted in silent partnerships in which the Company has invested.

II. Three months ended June 30, 2023 (April 1, 2023 to June 30, 2023)

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

(Thousands of yen)

	Reportable segment				Total	Adjustments (Note) 1	Amount in quarterly consolidated statement of income (Note) 2
	Asset management business	Real estate business	Hotel management business	Total			
Net sales							
Goods and services transferred at a point in time	—	—	1,499,800	1,499,800	1,499,800	—	1,499,800
Goods and services transferred over a fixed period of time	94,010	—	—	94,010	94,010	—	94,010
Revenue from contracts with customers	94,010	—	1,499,800	1,593,811	1,593,811	—	1,593,811
Other revenue	391	(6,450)	690	(5,368)	(5,368)	—	(5,368)
Net sales to external clients	94,402	(6,450)	1,500,490	1,588,442	1,588,442	—	1,588,442
Internal net sales and transfers between segments	15,375	—	900	16,275	16,275	(16,275)	—
Total	109,777	(6,450)	1,501,390	1,604,717	1,604,717	(16,275)	1,588,442
Segment profit (loss)	(59,638)	(505,793)	378,064	(187,367)	(187,367)	(167,387)	(354,755)

(Note) 1. The negative ¥167,387 thousand of segment profit (loss) adjustments is the net amount of corporate revenues and expenses not allocated to each reportable segment.

2. Adjustments have been made to the operating loss shown on the Quarterly Consolidated Statement of Income for segment profit (loss).
3. Other revenue includes lease income in accordance with the “Accounting Standard for Lease Transactions” (ASBJ Statement No. 13) and the transfer of real estate (including beneficial interests in real estate trust) subject to the “Practical Guidelines on Accounting for Transfers Related to Securitization of Real Estate Using Special Purpose Companies” (Accounting System Committee Report No. 15).
4. Net sales to external clients in the real estate business of negative ¥6,450 thousand are due to the posting of an amount equivalent to the Company’s investment ratio out of the losses posted in silent partnerships in which the Company has invested.