



Summary of Consolidated Financial Results for Fiscal Year Ended March 31, 2021 (Japanese GAAP)

May 11, 2021

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 Financial results conference: Not scheduled

(Figures rounded down to nearest million yen)

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

(1) Consolidated Operating Results (%: change from the same period 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	%
FYE March 31, 2021	5,309	(59.8)	(690)	—	(827)	—	(1,059)	—
FYE March 31, 2020	13,220	333.8	2,708	263.3	3,732	290.2	2,426	(9.5)

Note: Comprehensive income

FYE March 31, 2021: ¥-1,030 million (—%) FYE March 31, 2020: ¥3,153 million (-8.8%)

	Earnings per share	Diluted earnings per share	Return on equity	Ordinary profit/total assets	Operating profit/net sales
	Yen	Yen	%	%	%
FYE March 31, 2021	(124.77)	—	(13.0)	(3.3)	(13.0)
FYE March 31, 2020	291.65	—	32.3	20.6	20.5

Reference: Share of profit/loss of entities accounted for using equity method

FYE March 31, 2021: ¥-0 million FYE March 31, 2020: ¥1,372 million

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
FYE March 31, 2021	25,754	8,628	29.5	890.38
FYE March 31, 2020	24,893	9,679	34.8	1,041.55

Reference: Equity capital

FYE March 31, 2021: ¥7,591 million FYE March 31, 2020: ¥8,671 million

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
FYE March 31, 2021	(3,724)	(315)	1,856	2,104
FYE March 31, 2020	(8,916)	(1,980)	12,806	4,288

2. Dividends

	Annual dividends per share					Total dividends paid (annual)	Payout ratio (consolidated)	Dividends to net assets (consolidated)
	1Q	2Q	3Q	Fiscal year end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
FYE March 31, 2020	—	0.00	—	20.00	20.00	166	6.9	2.2
FYE March 31, 2021	—	0.00	—	20.00	20.00	170	—	2.1
FYE March 31, 2022 (projection)	—	—	—	—	—		—	

Note: The projection dividends for FYE March 31, 2022 have not been determined at this time.

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

* Notes

(1) Significant changes in subsidiaries during the fiscal year 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) 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

(3) Number of shares outstanding (common shares)

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

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

(iii) Average number of shares during the period

FYE March 31, 2021	8,526,200 shares	FYE March 31, 2020	8,326,200 shares
FYE March 31, 2021	487 shares	FYE March 31, 2020	444 shares
FYE March 31, 2021	8,493,947 shares	FYE March 31, 2020	8,321,360 shares

(Reference) Overview of Non-Consolidated Financial Results

I. Non-Consolidated Results for Fiscal Year Ended March 31, 2021 (April 1, 2020 to March 31, 2021)

(1) Non-Consolidated Operating Results (%: change from the same period of the previous year)

	Net sales		Operating profit		Ordinary profit		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
FYE March 31, 2021	989	(70.3)	(306)	—	(308)	—	(354)	—
FYE March 31, 2020	3,331	2.9	2,224	(18.4)	4,143	52.8	3,509	85.5

	Earnings per share	Diluted earnings per share
	Yen	Yen
FYE March 31, 2021	(41.74)	—
FYE March 31, 2020	421.70	—

(2) Non-Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
FYE March 31, 2021	8,911	7,186	80.6	842.87
FYE March 31, 2020	8,367	7,561	90.4	908.23

Reference: Equity capital

FYE March 31, 2021: ¥7,186 million FYE March 31, 2020: ¥7,561 million

*The summary of financial results is not subject to audit by a Certified Public Accountant or audit firm.

* Explanations and other notes concerning the appropriate use of earnings projections

Forward-looking statements such as forecasted financial results contained in this document are based on information available to the Company and certain assumptions considered reasonable by the Company at the time of preparation of the document. Actual results, etc. may significantly differ from projections due to a variety of factors.

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1. Overview of Business Results, etc.

(1) Overview of Business Results

During the fiscal year under review (April 1, 2020 to March 31, 2021), the Japanese economy continued to suffer from the impact of COVID-19, which has restricted economic activity and significantly worsened corporate profits and the employment environment. Although there were signs of improvement as economic activity gradually resumed following the lifting of the first declaration of the state of emergency against the backdrop of the government's economic measures, COVID-19 spread again and the declaration of the state of emergency was reissued, and the economic situation remained extremely severe.

In the real estate industry, to which the real estate securitization business belongs, although financial institutions continue to take a cautious stance, there has been a move toward aggressive investment in anticipation of the end of the COVID-19 pandemic. The Group acquired and sold beneficial interests in real estate trust of a distribution warehouse located in Shinkiba, Koto-ku, Tokyo, a hotel development site in Kutchan-cho (Niseko), Abuta-gun, Hokkaido, and an office building in Irifune, Chuo-ku, Tokyo. On the other hand, sales and operating profit of the real estate securitization business were significantly lower than the previous fiscal year due to the fact that a large transaction scheduled for the fourth quarter was not completed by the end of the current fiscal year. The progress of this large-scale transaction was disclosed in the "Notice Concerning Transfer of Beneficial Interests in Real Estate Trust in Kyoto Higashiyama SIX SENSES Hotel Development Project" announced on April 27, 2021.

In the hotel industry, in which our hotel management business operates, although the number of hotel guests recovered significantly as a result of the "Go To Travel" campaign implemented after the first declaration of the state of emergency was lifted, the business environment has become difficult again due to the reissuance of the declaration of the state of emergency. The Kyoto Yura Hotel Nijo Jo Bettei MGallery (180-1 Ichino-cho, Nakagyo-ku, Kyoto City), which opened on November 28, 2020, and the Kyoto Yura Hotel MGallery (84 Ohashi-cho, Sanjo-dori-ohashi Higashi-iru, Higashiyama-ku, Kyoto City), which opened in the previous fiscal year, performed well during the autumn tourist season. However, it was a very difficult fiscal year for the Group for the full year, as all of the hotels under our management were temporarily closed due to the second declaration of the state of emergency at the beginning of the year. Despite these circumstances, the Fouchon 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. These businesses have been more popular than expected and are expected to contribute to the business performance in the fiscal year ending March 31, 2022. In addition, Aloft Osaka Dojima (2-1-31, Dojimahama, Kita-ku, Osaka City), which will be the first hotel of the brand in the Kansai region on the site of the Dojima Hotel, a well-known social gathering place in Kita, Osaka, is preparing for its opening soon.

As a result, during the fiscal year ended March 31, 2021, net sales were ¥5,309,731,000 (down 59.8% year-on-year), operating loss was ¥690,704,000 (compared to operating profit of ¥2,708,359,000 in the same period of the previous fiscal year), ordinary loss was ¥827,845,000 (compared to ordinary profit of ¥3,732,641,000 in the same period of the previous fiscal year) and net loss attributable to owners of parent was ¥1,059,822,000 (compared to net profit attributable to owners of parent of ¥2,426,930,000 in the same period of the previous fiscal year).

By segment, net sales were ¥4,583,567,000 (down 50.0% year-on-year) and operating profit was ¥195,077,000 (down 94.1% year-on-year) in the real estate securitization business, and net sales were ¥985,307,000 (down 79.5% year-on-year) and operating loss was ¥585,530,000 (operating loss of ¥268,078,000 in the same period of the previous fiscal year) in the hotel management business.

Transactions between segments have not been eliminated.

The net sales by segment were as follows.

Segment	Previous fiscal year (April 1, 2019 to March 31, 2020)		Current fiscal year (April 1, 2020 to March 31, 2021)	
	Amount (thousands of yen)	Percentage of total (%)	Amount (thousands of yen)	Percentage of total (%)
Real estate securitization business	9,159,160	65.6	4,583,567	82.3
Hotel management business	4,807,161	34.4	985,307	17.7
Total	13,966,321	100.0	5,568,875	100.0

(Notes) 1. The above amounts do not include consumption tax, etc.

2. Transactions between segments have not been eliminated.

(2) Overview of Financial Position

(i) Assets, Liabilities and Net Assets

With regard to the financial position at the end of the current fiscal year, total assets were ¥25,754,938,000, liabilities were ¥17,126,373,000, and net assets were ¥8,628,565,000.

Total assets increased by ¥861,882,000 compared to the end of the previous fiscal year. This was mainly due to an increase of ¥4,959,327,000 in real estate for sale and a decrease of ¥2,364,049,000 due to the transfer of real estate for sale in process and a decrease of ¥2,176,933,000 in cash and deposits, as a result of factors including the completion of the Kyoto Yura Hotel Nijo Jo Bettei MGallery.

Liabilities increased by ¥1,912,869,000 compared to the end of the previous fiscal year. This was mainly due to a ¥1,891,479,000 increase in borrowings for the construction of the real estate for sale above.

Net assets decreased by ¥1,050,987,000 compared to the end of the previous fiscal year. This was mainly due to the recording of a net loss of ¥1,030,819,000.

(ii) Cash Flows

Cash and cash equivalents (net cash) at the end of the current fiscal year decreased by ¥2,183,183,000 from the end of the previous fiscal year to ¥2,104,891,000.

Cash flows at the end of the current fiscal year were as follows.

(Cash flows from operating activities)

Net cash used by operating activities at the end of the current fiscal year was ¥3,724,424,000 (¥8,916,529,000 used at the end of the previous fiscal year). This was mainly due to the recording of a loss before income taxes of ¥1,384,743,000, an increase of ¥4,959,327,000 in real estate for sale due to the completion of a hotel that was being constructed, and a decrease of ¥2,364,049,000 in real estate for sale in process.

(Cash flows from investing activities)

Net cash used by investing activities at the end of the current fiscal year was ¥315,542,000 (¥1,980,898,000 used at the end of the previous fiscal year). This was mainly due to a net outflow of ¥270,000,000 for the redemption and acquisition of investment securities.

(Cash flows from financing activities)

Net cash provided in financing activities at the end of the current fiscal year was ¥1,856,782,000 (¥12,806,137,000 provided at the end of the previous fiscal year). This was mainly due to an increase of ¥2,253,000,000 in proceeds from long-term borrowings as a result of borrowing from financial institutions.

(Reference) Indicators Related to Cash Flows

	FYE March 31, 2017	FYE March 31, 2018	FYE March 31, 2019	FYE March 31, 2020	FYE March 31, 2021
Equity ratio (%)	21.2	31.5	55.9	34.8	29.5
Equity ratio based on market price (%)	59.3	59.3	97.0	26.4	45.9
Interest bearing debt on cash flow (%)	1,182.5	455.8	155.5	—	—
Interest coverage ratio (multiple)	15.1	20.1	15.1	—	—

Equity ratio: Equity / total assets

Equity ratio based on market price: Market capitalization / total assets

Interest bearing debt on cash flow: Interest bearing debt / cash flow

Interest coverage ratio: Cash flow / interest payments

(Note 1) All figures have been calculated using financial figures on a consolidated basis.

(Note 2) Market capitalization is calculated based on the number of outstanding shares excluding treasury shares.

(Note 3) Cash flow from operating activities is used for cash flow.

(Note 4) Interest-bearing debt includes all liabilities on which interest is paid that are included in the liabilities shown on the consolidated balance sheet.

(Note 5) The interest bearing debt on cash flow for the fiscal year ended March 31, 2020 and the fiscal year ended March 31, 2021 is not shown because cash flow from operating activities was negative in that year.

(Note 6) The interest coverage ratio for the fiscal year ended March 31, 2020 and the fiscal year ended March 31, 2021 is not shown despite interest payments being made because cash flow from operating activities was negative in that year.

(3) Projections

In the fiscal year ended March 31, 2021, we fell far short of the target figures for the second year of the Medium-Term Management Plan 2022 announced on March 20, 2019, due to the decline in the hotel management business caused by the spread of COVID-19 and delays in the completion of large-scale transactions in the real estate securitization business.

In the fiscal year ending March 31, 2022, while vaccinations have started, we expect the hotel management business to continue to face very difficult conditions due to the third declaration of the state of emergency issued in April 2021. However, we do expect domestic travel to gradually return to a recovery trend, although we still cannot expect to attract full-scale inbound tourism. Against this backdrop, we will continue to implement measures focusing on attracting domestic guests while monitoring various cost reduction activities and COVID-19 situation.

On the other hand, in the real estate securitization business, as the real estate market is beginning to show signs of movement in anticipation of the end of the COVID-19 pandemic, the Company expects consolidated results for the fiscal year ending March 31, 2022 to be significantly higher than the previous fiscal year due to factors including the fact that a large transaction that was originally scheduled to be completed in the fourth quarter of the fiscal year ended March 31, 2021 is now scheduled to be completed in the fiscal year ending March 31, 2022, as disclosed in the "Notice Concerning Transfer of Beneficial Interests in Real Estate Trust in Kyoto Higashiyama SIX SENSES Hotel Development Project" on April 27, 2021.

With regard to the Medium-Term Management Plan 2022, the Company has determined that it is necessary to take into account the impact on the financial plan of the major changes in the business environment brought about by the global spread of COVID-19, which could not have been anticipated when the plan was formulated. As announced in the "Notice of Revision of Medium-Term Management Plan 2022" released today, we have decided to withdraw the plan and formulate a new Medium-Term Management Plan with the fiscal year ending March 31, 2022 as the first year. We will carefully monitor the changes in the business environment and plan to make a new announcement by the end of June 2021.

In addition, with regard to the creation of J-REIT, which is one of the goals of the Medium-Term Management Plan 2022, the Company has been discussing and considering the establishment of a listed REIT with Panasonic Homes Co., Ltd. (below, "PH"). However, there have been significant changes in the business environment of both companies, and as a result of repeated discussions with PH, we have come to the conclusion that it is difficult for both companies to continue to consider the formation of a listed REIT with each other. We are currently in intensive discussions with several potential co-sponsors regarding future business alliances in order to include the policy of creating a listed REIT in the new Medium-Term Management Plan.

(4) Basic Policy on Profit Distribution and Dividends for the Current and Next Fiscal Year

The Company positions returning profit to shareholders as one of its most important issues, and the dividend strategy set in the Medium-Term Management Plan 2022 is to "implement stable dividends according to earnings level" and "study indicators such as total shareholder returns." Dividends are determined based on comprehensive consideration of internal reserves required for establishing a long-term stable management base, the business environment, trends in results, financial standing and capital efficiency.

The Company's basic policy on dividends of surplus is to pay year-end dividends once per year, and the organ determining the dividends is the Board of Directors for interim dividends and the General Meeting of Shareholders for year-end dividends according to the articles of incorporation.

For the fiscal year ended March 31, 2021, the second year of the Medium-Term Management Plan 2022, we were unable to achieve our planned targets due to delays in the completion of large-scale transactions that were scheduled during the fiscal year.

However, as stated in the timely disclosure "Notice Concerning Transfer of Beneficial Interests in Real Estate Trust in Kyoto Higashiyama SIX SENSES Hotel Development Project" announced dated April 27, 2021, a large-scale transaction scheduled for the fiscal year ended March 31, 2021 has been concluded. In order to live up to the expectations of our many shareholders who support our sustainable growth, dividends are determined based on comprehensive consideration of internal reserves required for establishing a long-term stable management base, the business environment, trends in results, financial standing and capital efficiency. Accordingly, the Company decided to pay a year-end dividend of ¥20.00 per share with a record date of March 31, 2021.

This is the same amount as the previous year's dividend of ¥20.00 per share.

The dividend projection for the fiscal year ending March 31, 2022 is yet to be determined because it is difficult to reasonably calculate at this stage what impact COVID-19 will have on the progress of achieving the budget and cash flow.

2. Basic Approach on Selection of Accounting Standards

The Group's business is currently limited to Japan and it does not have any overseas operations. Furthermore, because its shareholders are mainly domestic shareholders, Japanese generally accepted accounting principles are used as the Company's accounting standards.

The Company will appropriately respond to the application of International Financial Reporting Standards (IFRS) based on consideration of the percentage of foreign shareholders and trends within Japan and overseas.

3. Consolidated Financial Statements and Notes

(1) Consolidated Balance Sheet

(Thousands of yen)

	Previous fiscal year (March 31, 2020)	Current fiscal year (March 31, 2021)
Assets		
Current assets		
Cash and deposits	4,336,593	2,159,660
Accounts receivable - trade	233,446	278,116
Real estate for sale	14,438,591	19,397,919
Real estate for sale in process	2,364,049	—
Income taxes receivable	1,059,627	602,540
Other	396,252	1,172,605
Allowance for doubtful accounts	(823)	(482)
Total current assets	22,827,736	23,610,359
Non-current assets		
Property, plant and equipment		
Buildings	35,351	32,275
Accumulated depreciation	(20,982)	(21,667)
Buildings, net	14,368	10,607
Tools, furniture and fixtures	113,005	123,668
Accumulated depreciation	(48,410)	(36,965)
Tools, furniture and fixtures, net	64,594	86,702
Total property, plant and equipment	78,963	97,310
Intangible assets		
Goodwill	127,912	—
Other	38,654	27,411
Total intangible assets	166,567	27,411
Investments and other assets		
Investment securities	1,680,424	1,769,387
Deferred tax assets	58,998	75,487
Other	80,365	174,981
Total investments and other assets	1,819,788	2,019,856
Total non-current assets	2,065,320	2,144,579
Total assets	24,893,056	25,754,938

(Thousands of yen)

	Previous fiscal year (March 31, 2020)	Current fiscal year (March 31, 2021)
Liabilities		
Current liabilities		
Accounts payable - trade	14,197	11,076
Short-term borrowings	633,000	624,000
Current portion of long-term borrowings	1,739,576	408,676
Current portion of non-recourse long-term borrowings	80,000	80,000
Income taxes payable	137,330	65,151
Provision for bonuses	26,943	32,548
Provision for share-based remuneration	145,400	—
Provision for shareholder benefit program	10,530	24,000
Other	308,499	462,026
Total current liabilities	3,095,477	1,707,478
Non-current liabilities		
Long-term borrowings	464,585	3,883,909
Non-recourse long-term borrowings	11,380,000	11,192,055
Deferred tax liabilities	5,360	—
Other	268,081	342,929
Total non-current liabilities	12,118,026	15,418,894
Total liabilities	15,213,504	17,126,373
Net assets		
Shareholders' equity		
Share capital	914,543	987,243
Capital surplus	346,115	419,176
Retained earnings	7,411,628	6,185,289
Treasury shares	(576)	(623)
Total shareholders' equity	8,671,709	7,591,086
Non-controlling interests	1,007,842	1,037,479
Total net assets	9,679,552	8,628,565
Total liabilities and net assets	24,893,056	25,754,938

(2) Consolidated Statement of Income and Consolidated Statement of Comprehensive Income
(Consolidated Statement of Income)

(Thousands of yen)

	Previous fiscal year (April 1, 2019 to March 31, 2020)	Current fiscal year (April 1, 2020 to March 31, 2021)
Net sales	13,220,816	5,309,731
Cost of sales	9,103,184	4,443,705
Gross profit	4,117,631	866,026
Selling, general and administrative expenses	1,409,271	1,556,730
Operating profit (loss)	2,708,359	(690,704)
Non-operating income		
Interest income	84	250
Dividend income	412	—
Share of profit of entities accounted for using equity method	1,372,845	—
Subsidies for employment adjustment	—	120,286
Other	36,760	53,057
Total non-operating income	1,410,102	173,595
Non-operating expenses		
Interest expenses	158,543	305,573
Commission expenses	215,690	2,511
Share of loss of entities accounted for using equity method	—	849
Other	11,587	1,801
Total non-operating expenses	385,821	310,735
Ordinary profit (loss)	3,732,641	(827,845)
Extraordinary income		
Gain on bargain purchase	1,151	—
Total extraordinary income	1,151	—
Extraordinary losses		
Loss on liquidation of investments in capital	1,159	—
Impairment loss	—	154,549
Losses related to COVID-19	—	*402,349
Total extraordinary losses	1,159	556,898
Profit (loss) before income taxes	3,732,632	(1,384,743)
Income taxes - current	544,448	82,092
Refund of income taxes	—	(414,167)
Income taxes - deferred	34,984	(21,849)
Total income taxes	579,433	(353,924)
Profit (loss)	3,153,198	(1,030,819)
Profit attributable to non-controlling interests	726,268	29,003
Profit (loss) attributable to owners of parent	2,426,930	(1,059,822)

(Consolidated Statement of Comprehensive Income)

(Thousands of yen)

	Previous fiscal year (April 1, 2019 to March 31, 2020)	Current fiscal year (April 1, 2020 to March 31, 2021)
Profit (loss)	3,153,198	(1,030,819)
Other comprehensive income		
Share of other comprehensive income of entities accounted for using equity method	(195)	—
Total other comprehensive income	(195)	—
Comprehensive income	3,153,003	(1,030,819)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,426,734	(1,059,822)
Comprehensive income attributable to non-controlling interests	726,268	29,003

(3) Consolidated Statement of Changes in Equity

Previous fiscal year (April 1, 2019 to March 31, 2020)

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	880,010	311,943	5,150,135	(311)	6,341,777
Changes during period					
Issuance of new shares	34,533	34,533			69,066
Profit attributable to owners of parent			2,426,930		2,426,930
Dividends of surplus			(165,437)		(165,437)
Purchase of treasury shares				(265)	(265)
Change in ownership interest of parent due to transactions with non-controlling interests		(361)			(361)
Net changes in items other than shareholders' equity					
Total changes during period	34,533	34,171	2,261,492	(265)	2,329,932
Balance at end of period	914,543	346,115	7,411,628	(576)	8,671,709

	Accumulated other comprehensive income		Non-controlling interests	Total net assets
	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at beginning of period	195	195	904,571	7,246,544
Changes during period				
Issuance of new shares				69,066
Profit attributable to owners of parent				2,426,930
Dividends of surplus				(165,437)
Purchase of treasury shares				(265)
Change in ownership interest of parent due to transactions with non-controlling interests				(361)
Net changes in items other than shareholders' equity	(195)	(195)	103,271	103,075
Total changes during period	(195)	(195)	103,271	2,433,008
Balance at end of period	—	—	1,007,842	9,679,552

Current fiscal year (April 1, 2020 to March 31, 2021)

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	914,543	346,115	7,411,628	(576)	8,671,709
Changes during period					
Issuance of new shares	72,700	72,700			145,400
Profit (loss) attributable to owners of parent			(1,059,822)		(1,059,822)
Dividends of surplus			(166,515)		(166,515)
Purchase of treasury shares				(46)	(46)
Change in ownership interest of parent due to transactions with non-controlling interests		361			361
Net changes in items other than shareholders' equity					
Total changes during period	72,700	73,061	(1,226,338)	(46)	(1,080,623)
Balance at end of period	987,243	419,176	6,185,289	(623)	7,591,086

	Non-controlling interests	Total net assets
Balance at beginning of period	1,007,842	9,679,552
Changes during period		
Issuance of new shares		145,400
Profit (loss) attributable to owners of parent		(1,059,822)
Dividends of surplus		(166,515)
Purchase of treasury shares		(46)
Change in ownership interest of parent due to transactions with non-controlling interests		361
Net changes in items other than shareholders' equity	29,636	29,636
Total changes during period	29,636	(1,050,987)
Balance at end of period	1,037,479	8,628,565

(4) Consolidated Statement of Cash Flows

(Thousands of yen)

	Previous fiscal year (April 1, 2019 to March 31, 2020)	Current fiscal year (April 1, 2020 to March 31, 2021)
Cash flows from operating activities		
Profit before income taxes	3,732,632	(1,384,743)
Depreciation	59,974	35,021
Gain on bargain purchase	(1,151)	—
Loss on liquidation of investments in capital	1,159	—
Amortization of goodwill	39,357	39,357
Increase (decrease) in allowance for doubtful accounts	823	(340)
Increase (decrease) in provision for bonuses	(3,064)	5,605
Increase (decrease) in provision for share-based remuneration	76,334	(145,400)
Increase (decrease) in provision for shareholder benefit program	10,530	13,470
Interest and dividend income	(496)	(250)
Interest expenses	158,543	305,573
Commission expenses	215,690	2,511
Share of loss (profit) of entities accounted for using equity method	(1,372,845)	849
Impairment loss	—	154,549
Decrease (increase) in deposits in trust	243,492	(6,249)
Decrease (increase) in trade receivables	65,997	(44,670)
Decrease (increase) in real estate for sale	(10,362,911)	(4,959,327)
Decrease (increase) in real estate for sale in process	(695,844)	2,364,049
Decrease (increase) in consumption taxes refund receivable	(66,175)	(316,313)
Decrease (increase) in other assets	23,071	(568,818)
Increase (decrease) in trade payables	(35,898)	(3,121)
Increase (decrease) in other liabilities	1,262,840	166,230
Other	(1,116,255)	164,739
Subtotal	(7,764,197)	(4,177,280)
Interest and dividends received	921,322	28
Interest paid	(154,254)	(305,250)
Income taxes paid	(1,953,706)	(296,998)
Income taxes refund	34,305	1,055,076
Net cash provided by (used in) operating activities	(8,916,529)	(3,724,424)
Cash flows from investing activities		
Purchase of property, plant and equipment	(13,682)	(6,787)
Purchase of intangible assets	(30,309)	(26,027)
Proceeds from redemption of investment securities	5,003,129	866,003
Purchase of investment securities	(5,560,826)	(1,136,003)
Proceeds from sales of investment securities	14,121	—
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 payments	14,636	(12,726)
Net cash provided by (used in) investing activities	(1,980,898)	(315,542)

(Thousands of yen)

	Previous fiscal year (April 1, 2019 to March 31, 2020)	Current fiscal year (April 1, 2020 to March 31, 2021)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(1,167,000)	(9,000)
Proceeds from long-term borrowings	2,109,000	2,253,000
Proceeds from non-recourse borrowings	11,500,000	—
Repayments of long-term borrowings	(159,427)	(164,576)
Repayments of non-recourse borrowings	—	(187,944)
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	(165,183)	(166,138)
Other	(11,251)	(13,958)
Net cash provided by (used in) financing activities	12,806,137	1,856,782
Net increase (decrease) in cash and cash equivalents	1,908,709	(2,183,183)
Cash and cash equivalents at beginning of period	2,379,364	4,288,074
Cash and cash equivalents at end of period	4,288,074	2,104,891

(5) Notes to Consolidated Financial Statements

(Notes on Going Concern Assumption)

Not applicable.

(Significant Matters Forming the Basis for Preparation of the Consolidated Financial Statements)

1. Matters related to the scope of consolidation

Number of consolidated subsidiaries: 8

Names of consolidated subsidiaries

Richesse Management, Inc.

Hotel W Management, Inc.

Godo Kaisha Nijo

Mimatsu Co., Ltd.

Sanyo Kogyo Co., Ltd.

Silent Partnership Yura

Dojima Hotel Operations, Inc.

Wealth Realty Management, Inc. (Note)

(Note) As of May 15, 2020, Wealth Realty Management, Inc., which was newly established by the Company, has been included in the scope of consolidation.

Silent Partnership Niseko, in which the Company has newly invested, was included in the scope of consolidation as of May 20, 2020, but was excluded from the scope of consolidation as of September 30, 2020, due to the redemption of the investment.

2. Matters related to application of the equity method

Number of affiliates to which the equity method applies: 4

Names of major companies, etc.

Silent Partnership Ryozen

Silent Partnership Myoho

SUN RICHESSE SINGAPORE PTE. LTD.

WS PACIFIC INVESTMENT PTE. LTD. (Note)

(Note) WS PACIFIC INVESTMENT PTE. LTD., in which the Company has newly invested, is included in the scope of application of the equity method as of March 1, 2021.

3. Matters related to the business years, etc. of consolidated subsidiaries

The last day of the business years of consolidated subsidiaries is the same as the consolidated balance sheet date for Richesse Management, Inc., Hotel W Management, Inc., Godo Kaisha Nijo, Mimatsu Co., Ltd., Silent Partnership Yura, Dojima Hotel Operations, Inc., Wealth Realty Management, Inc. However, the last day of the business year is June 30 for Sanyo Kogyo Co., Ltd.

For Sanyo Kogyo Co., Ltd., the consolidated financial statements are based on provisional financial statements prepared for Sanyo Kogyo Co., Ltd. as of the date of the consolidated settlement of accounts.

4. Matters related to accounting policies

(1) Valuation standards and valuation methods for significant assets

Securities

Available-for-sale securities

Those with market value

Market value method based on the market price on the last day of the fiscal year (valuation differences are included directly in net assets and costs of securities sold are determined by the moving average method)

Those without market value

Cost method based on the moving average method

Inventories

Real estate for sale, real estate for sale in process

Cost method based on the specific identification method (values on the balance sheet are subject to the book value reduction method based on decreased profitability)

(2) Depreciation methods for significant depreciable assets

(i) Property, plant and equipment (excluding leased assets)

The same method as that stated in the Corporation Tax Act.

Those acquired on March 31, 2007 or earlier

Straight-line method over five years from the year following the end of depreciation to the allowable limit for depreciation

Those acquired on April 1, 2007 or later

Mainly the straight-line method

The main useful lives are as follows.

Buildings: 8-23 years

Furniture and fixtures: 2-20 years

Depreciable assets of small value with an acquisition price of ¥100,000 or more and less than ¥200,000 are depreciated in a straight line over three years.

(ii) Intangible assets (excluding leased assets)

The straight-line method is used.

Depreciation of software used by the Company is based on the useful life within the Company (five years).

(iii) Leased assets

The straight line method is used with the lease period as the useful life and zero residual value.

(3) Accounting standards for significant provisions

Allowance for doubtful accounts

In order to provide for losses due to doubtful accounts, a provision is made for the estimated uncollectible amount accounted for based on historical rates for general accounts receivables and specific collectability for specific cases such as doubtful accounts receivable. Although there were no general accounts receivables that were uncollectible, an allowance for doubtful accounts was recorded because there was an estimated uncollectible amount for specific cases such as doubtful accounts receivable during the current fiscal year.

Provision for bonuses

To provide for payment of bonuses paid to employees, a provision is made for the amount to be paid during the current fiscal year based on the amount expected to be paid.

Provision for share-based remuneration

In order to provide for the granting of the Company's shares under the performance-linked share-based remuneration for Executive Directors, Executive Officers, and Group Executive Officers, a provision is made based on the amount of shares expected to be granted at the end of the current fiscal year.

Provision for shareholder benefit program

In order to provide for the shareholder benefit program, a provision is made based on the estimated future use amount at the end of the current fiscal year.

(4) Method of depreciation and depreciation period of goodwill

The straight-line method is used over ten years.

(5) Scope of net cash in the Consolidated Statement of Cash Flows

Net cash (cash and cash equivalents) in the Consolidated Statement of Cash Flows comprise cash on hand, demand deposits, and short-term investments that are readily convertible into cash, exposed to insignificant risk of fluctuations in value and redeemable in three months or less from the acquisition date.

(6) Other significant matters for preparation of the Consolidated Financial Statements

Accounting for investments in silent partnerships

When investing in a silent partnership, the amount equivalent to the holding of assets in the silent partnership is recorded as "investment securities."

Accounting for consumption taxes, etc.

Consumption taxes, etc. are accounted for by the tax-exclusion method.

Application of consolidated taxation system

The consolidated taxation system is applied.

Application of tax effect accounting related to the transition from the consolidated taxation system to the group tax sharing system

For the items for which the non-consolidated taxation system was reviewed in conjunction with the transition to the group tax sharing system established in the "Act on Partial Revision of the Income Tax Act and Other Acts" (Act No. 8, 2020) and the transition to the group tax sharing system, in accordance with the treatment of paragraph 3 of "Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System" (ASBJ PITF No. 39, March 31, 2020), the Company and some of its domestic consolidated subsidiaries do not apply the provisions of paragraph 44 of "Implementation Guidance on Tax Effect Accounting" (ASBJ Guidance No. 28, February 16, 2018), and the amount of deferred tax assets and deferred tax liabilities are based on the provisions of the tax law before the revision.

(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.

(Segment Information, etc.)

Segment Information

1. Overview of reportable segments

The Group's reportable segments are periodically considered based on the availability of separate financial information for constituent units of the Company and to enable the Board of Directors to determine the allocation of management resources and assess performance.

Therefore, the Group's businesses are categorized as follows.

- The real estate securitization business that provides investment advice for the acquisition, management, sale, etc. of real estate by institutional investors and wealthy clients.
- The hotel management business providing a variety of services related to hotel management including revenue management and on-site operations.

2. Method of calculation of the amounts of net sales, profit or loss, assets, liabilities and other items for each reportable segment

The methods of accounting for the reportable segments are the same as those shown in the "Significant Matters Forming the Basis for Preparation of the Consolidated Financial Statements."

Operating profit is shown as the profit of reportable segments.

Internal revenues and transfers between segments are based on actual market prices.

3. Information on the amounts of net sales, profit or loss, assets, liabilities and other items for each reportable segment
Previous fiscal year (April 1, 2019 to March 31, 2020)

(Thousands of yen)

	Reportable segment			Total	Adjustments (Notes) 1	Amount shown on consolidated financial statements (Notes) 2
	Real estate securitization business	Hotel management business	Total			
Net sales						
Net sales to external clients	8,413,654	4,807,161	13,220,816	13,220,816	—	13,220,816
Internal sales and transfers between segments	745,505	—	745,505	745,505	(745,505)	—
Total	9,159,160	4,807,161	13,966,321	13,966,321	(745,505)	13,220,816
Segment profit or (loss)	3,327,886	(268,078)	3,059,807	3,059,807	(351,448)	2,708,359
Segment assets	20,694,368	1,582,084	22,276,452	22,276,452	2,616,604	24,893,056
Segment liabilities	17,740,736	1,030,224	18,770,961	18,770,961	(3,557,457)	15,213,504
Other items						
Depreciation	1,335	51,785	53,121	53,121	6,853	59,974
Amortization of goodwill	—	—	—	—	39,357	39,357
Share of profit (loss) of entities accounted for using equity method	1,372,845	—	1,372,845	1,372,845	—	1,372,845
Investments in entities accounted for using equity method	1,055,424	—	1,055,424	1,055,424	—	1,055,424
Increases in property, plant and equipment and intangible assets	677	43,338	44,016	44,016	5,307	49,323

(Notes) 1. The adjustments are as follows.

- (1) The negative ¥351,448,000 adjustment to segment profit or (loss) includes negative ¥39,357,000 of amortization of goodwill not allocated to each reporting segment, the net amount of negative ¥332,252,000 in corporate revenues and expenses, and ¥20,162,000 in eliminations of transactions between segments.
 - (2) The ¥2,616,604,000 adjustment to segment assets is the cash, deposits and other assets of the Company.
 - (3) The negative ¥3,557,457,000 adjustment to segment liabilities is the accounts payable - other, and other liabilities of the Company.
2. Adjustments have been made to the operating profit shown on the Consolidated Statement of Income for segment profit or (loss).

Current fiscal year (April 1, 2020 to March 31, 2021)

(Thousands of yen)

	Reportable segment			Total	Adjustments (Notes) 1	Amount shown on consolidated financial statements (Notes) 2
	Real estate securitization business	Hotel management business	Total			
Net sales						
Net sales to external clients	4,578,423	731,307	5,309,731	5,309,731	—	5,309,731
Internal sales and transfers between segments	5,143	254,000	259,143	259,143	(259,143)	—
Total	4,583,567	985,307	5,568,875	5,568,875	(259,143)	5,309,731
Segment profit or (loss)	195,077	(585,530)	(390,453)	(390,453)	(300,251)	(690,704)
Segment assets	23,367,299	2,282,034	25,649,333	25,649,333	105,605	25,754,938
Segment liabilities	20,851,462	1,329,339	22,180,802	22,180,802	(5,054,429)	17,126,373
Other items						
Depreciation	1,361	26,844	28,205	28,205	6,815	35,021
Amortization of goodwill	—	—	—	—	39,357	39,357
Share of profit (loss) of entities accounted for using equity method	(849)	—	(849)	(849)	—	(849)
Investments in entities accounted for using equity method	875,287	—	875,287	875,287	—	875,287
Increases in property, plant and equipment and intangible assets	—	97,617	97,617	97,617	10,502	108,119

(Notes) 1. The adjustments are as follows.

- (1) The negative ¥300,251,000 adjustment to segment profit or (loss) includes negative ¥39,357,000 of amortization of goodwill not allocated to each reporting segment, the net amount of negative ¥223,213,000 in corporate revenues and expenses, and negative ¥37,680,000 in eliminations of transactions between segments.
 - (2) The ¥105,605,000 adjustment to segment assets is the cash, deposits and other assets of the Company.
 - (3) The negative ¥5,054,429,000 adjustment to segment liabilities is the accounts payable - other, and other liabilities of the Company.
2. Adjustments have been made to the operating profit shown on the Consolidated Statement of Income for segment profit or (loss).

(Per Share Information)

Item	Previous fiscal year (April 1, 2019 to March 31, 2020)	Current fiscal year (April 1, 2020 to March 31, 2021)
Net assets per share	¥1,041.55	¥890.38
Earnings (loss) per share	¥291.65	(¥124.77)

(Notes) 1. Diluted earnings per share are not shown because there are no dilutive shares.

2. The basis for calculation of earnings (loss) per share is as follows.

Item	Previous fiscal year (April 1, 2019 to March 31, 2020)	Current fiscal year (April 1, 2020 to March 31, 2021)
Earnings (loss) per share		
Profit (loss) attributable to owners of parent (thousands of yen)	2,426,930	(1,059,822)
Amount not attributable to common shareholders (thousands of yen)	—	—
Profit (loss) attributable to owners of parent pertaining to common shares (thousands of yen)	2,426,930	(1,059,822)
Average number of shares during fiscal year	8,321,360	8,493,947

4. The basis for calculation of net assets per share is as follows.

Item	Previous fiscal year (April 1, 2019 to March 31, 2020)	Current fiscal year (April 1, 2020 to March 31, 2021)
Total net assets (thousands of yen)	9,679,552	8,628,565
Amount deducted from total net assets (thousands of yen)	1,007,842	1,037,479
[Non-controlling interests (thousands of yen)]	[1,007,842]	[1,037,479]
Net assets at end of fiscal year pertaining to common shares (thousands of yen)	8,671,709	7,591,086
Number of common shares at end of fiscal year used in calculation of net assets per share	8,325,756	8,525,713

(Significant Subsequent Events)

Not applicable.