



Summary of Consolidated Financial Results for the Nine Months Ended December 31, 2019 (Japanese GAAP)

February 10, 2020

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Code No.: 3772

Listed Stock Exchange: Tokyo
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Quarterly securities report to be submitted: February 10, 2020
Quarterly supplementary materials: None
Quarterly financial results conference: Not scheduled

Start of cash dividend payments: —

(Figures rounded down to nearest million yen)

1. Consolidated Results through the Nine Months Ended December 31, 2019 (April 1, 2019 to December 31, 2019)

(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	%
Nine months ended December 31, 2019	11,570	411.9	2,378	229.5	3,462	249.0	2,218	196.9
Nine months ended December 31, 2018	2,260	(44.3)	721	(51.1)	992	(28.8)	747	(29.2)

Note: Comprehensive income

Nine months ended December 31, 2019: ¥2,937 million (284.2%) Nine months ended December 31, 2018: ¥764 million (-27.6%)

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Nine months ended December 31, 2019	266.63		—	
Nine months ended December 31, 2018	90.34		—	

Note : The Company performed a 1:2 split of common shares on April 1, 2019. 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		%	
Nine months ended December 31, 2019	24,734		9,463		34.2	
FYE March 31, 2019	11,338		7,246		55.9	

Reference: Equity capital

Nine months ended December 31, 2019: ¥8,463 million

FYE March 31, 2019: ¥6,341 million

2. Dividends

	Annual dividends per share				
	1Q	2Q	3Q	Fiscal year end	Total
	Yen	Yen	Yen	Yen	Yen
FYE March 31, 2019	—	0.00	—	40.00	40.00
FYE March 31, 2020	—	0.00	—	—	—
FYE March 31, 2020 (projection)	—	—	—	—	—

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

Note 1: The Company performed a 1:2 split of common shares on April 1, 2019. The actual dividends prior to the split are shown for FYE March 31, 2019.

Note 2: The forecast dividends for FYE March 31, 2020 have not been determined at this time.

3. Projected Consolidated Results for Fiscal Year Ending March 31, 2020 (April 1, 2019 to March 31, 2020)

(%: 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, 2020	12,000	293.8	2,800	275.8	3,000	213.8	2,000	(25.4)	241.78

(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: 3 (Sanyo Kogyo Co., Ltd., Silent Partnership Yura, Dojima Hotel Operations Inc.)

Exclusions: 1 (Silent Partnership Metro)

- (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 December 31, 2019	8,326,200 shares	As of March 31, 2019	8,272,200 shares
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(ii) Number of treasury shares at end of the period

As of December 31, 2019	444 shares	As of March 31, 2019	332 shares
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(iii) Average number of shares during the period

Nine months ended December 31, 2019	8,319,906 shares	Nine months ended December 31, 2018	8,271,868 shares
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Note: The Company performed a 1:2 split of common shares on April 1, 2019. The figures for the number of shares outstanding (common shares), number of treasury shares at end of the period and average number of shares during the period (cumulative quarterly period) have been calculated based on the assumption that the split was carried out at the start of the previous fiscal year.

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

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

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.

See "1. Qualitative Information on Quarterly Financial Results (3) Explanation of Forward-looking Information Such as Consolidated Earnings Forecasts" on page 2 of the Attached Materials for the assumptions of earnings forecasts.

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	2
(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.....	6
Quarterly Consolidated Statement of Comprehensive Income	7
(3) Notes to Quarterly Consolidated Financial Statements	8
(Notes on Going Concern Assumption)	8
(Notes on Significant Changes in Shareholders' Equity)	8
(Significant Changes in Subsidiaries During the Cumulative Period Under Review)	9
(Segment Information, etc.)	9
(Significant Subsequent Events)	11
3. Other	11
Important Events, etc. on Going Concern Assumption	11

1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Business Results

During the nine months ended December 31, 2019 (April 1, 2019 to December 31, 2019), the Japanese economy underwent a moderate recovery due to continuation of the monetary easing policy of the Bank of Japan and continued improvements in the employment and income environment despite some concerns about slow growth in consumer spending. Meanwhile, although the world economy is generally continuing a moderate recovery, uncertainty remains due to the impact of uncertainty surrounding trade friction between the United States and China, the impact of the issue of the United Kingdom's departure from the European Union, the impact of uncertainty concerning the future of the economy and policy in Asia and China, and the impact of fluctuations in financial markets.

In the real estate market where the Group operates, motivation to invest in Japan continues due to the negative interest rate policy of the Bank of Japan.

In the hotel industry, the competitive environment intensified due to new operations and the expansion of vacation rental business operators. However, there was a steep decline in the number of South Korean tourists to Japan stemming from the worsening Japan-South Korea relationship after Japan altered operations of export management to South Korea. As a result, the average unit price per guest room and occupancy rate at economy type hotels in certain regions fell. Despite this, the number of foreign visitors to Japan has increased for the 8th straight year since 2012, the year after the Great East Japan Earthquake. In particular, the past two years have seen the number of foreign visitors exceed 30 million ahead of the 2020 Tokyo Olympic and Paralympic Games and Expo 2025 in Osaka. As such, the Group expects demand for accommodation to continue to rise steadily.

In such a business environment, for the purpose of capturing medium- to long-term accommodation demand and expanding the revenue base, the November 2019 sale by consolidated subsidiary Hotel W Management, Inc. (HWM) of the real estate located in Hakone-cho, Ashigarashimo-gun, Kanagawa acquired as a hotel development site in July and September 2019 to a special purpose company in which external investors and the Company are investing in a silent partnership, accepting an asset management agreement with this special purpose company, and booking deferred tax assets on Silent Partnership Myoho in December 2019, an equity method affiliate in which joint investors and the Company invested in the silent partnership jointly made a significant contribution to revenue during the nine months ended December 31, 2019.

Furthermore, we believe results will continue to be robust after the period of the nine months ended December 31, 2019 due to:

- a. the start of new construction for the redevelopment of Osaka Dojima Hotel for which a business operation entrustment agreement for the new hotel called "Aloft Osaka Dojima (tentative name)" after completion of redevelopment was concluded with Marriott International in June 2019;
- b. HWM and FAUCHON HOSPITALITY coming to an agreement and concluding a license agreement in July 2019 on the renewal opening of Hotel Sunroute Kyoto located in Shimogyo-ku, Kyoto as the first Fauchon hotel in Japan;
- c. the start of construction in July 2019 on the hotel development site acquired by the Company's consolidated subsidiary Godo Kaisha Nijo in May 2018 of "Kyoto Yura Hotel MGallery Bettei (Villa) (tentative name)" (Nakagyo-ku, Kyoto) being developed with the aim of commencing operations in autumn of 2020 as the villa of Kyoto Yura Hotel MGallery, which is already in operation;
- d. the acquisition of the beneficial interests in trust in Kyoto Yura Hotel MGallery located in Higashiyama-ku, Kyoto in September 2019 in which the Company had made a silent partnership investment through a Singapore-based equity method affiliate in which the Company holds a 35% stake by Silent Partnership Yura that is a consolidated subsidiary newly established with joint investors;
- e. for the purpose of expanding development scale, in October and December 2019, the Company additionally acquired land neighboring the hotel development site in Hakone-cho, Ashigarashimo-gun, Kanagawa where the Company received an asset management agreement in November 2019 with plans to sell this land in March 2020 to the same special purpose company as described above;
- f. the new establishment of Dojima Hotel Operations, Inc. in December 2019 as a hotel operations company wholly-owned by the Company and the start of preparing to open "Aloft Osaka Dojima (tentative name)" in January 2021 as described above; and
- g. entered a business alliance in December 2019 with Banyan Tree Hotels & Resorts Pte. Ltd. (BT), an international operations and development company which leads in the premium resort, hotel, residence, and spa industries.

As a result, during the nine months ended December 31, 2019, net sales were ¥11,570,274,000 (up 411.9% year-on-year), operating profit ¥2,378,013,000 (up 229.5% year-on-year), ordinary profit ¥3,462,753,000 (up 249.0% year-on-year) and profit attributable to owners of parent was ¥2,218,327,000 (up 196.9% year-on-year).

By segment, net sales were ¥7,674,403,000 (up 490.9% year-on-year) and operating profit was ¥2,660,672,000 (up 221.9% year-on-year) in the real estate securitization business, and net sales were ¥4,375,043,000 (up 220.0% year-on-year) and operating loss was ¥4,304,000 (operating loss of ¥2,097,000 in the same period of the previous fiscal year) in the hotel management business.

(2) Explanation of Financial Position

With regard to the financial position as of December 31, 2019, total assets were ¥24,734,846,000, liabilities were

¥15,271,180,000 and net assets were ¥9,463,665,000.

Total assets increased by ¥13,395,981,000 compared to the end of the previous fiscal year. This was mainly attributable to current assets increasing by ¥13,730,221,000 as a result of real estate for sale in process increasing by ¥686,868,000 due to the sale of a hotel development site by HWM, real estate for sale increasing by ¥10,362,011,000 due to acquisition for ¥14,284,666,000 by Silent Partnership Yura and sale for ¥4,075,679,000 by Silent Partnership Metro, and the acquisition of a hotel development site in Hakone-cho by HWM and the start of construction of Kyoto Yura Hotel MGallery by Godo Kaisha Nijo.

Liabilities increased by ¥11,178,860,000 compared to the end of the previous fiscal year. This was mainly attributable to ¥11,500,000,000 in non-recourse loans from financial institutions.

Net assets increased by ¥2,217,121,000 compared to the end of the previous fiscal year. This was mainly attributable to the increase in retained earnings due to the recording of ¥2,218,327,000 in profit attributable to owners of parent.

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

There is no change from "Summary of Consolidated Financial Results for Six Months Ended September 30, 2019 (Japanese GAAP) 3. Forecast of Consolidated Financial Results for Fiscal Year Ending March 31, 2020" announced on November 11, 2019 for the forecast of consolidated financial results.

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheet

(Thousands of yen)

	As of March 31, 2019	As of December 31, 2019
Assets		
Current assets		
Cash and deposits	2,724,461	3,887,246
Accounts receivable - trade	247,105	271,952
Real estate for sale	4,075,679	14,437,690
Real estate for sale in process	1,668,205	2,355,073
Income taxes receivable	6,136	979,530
Other	155,177	676,315
Allowance for doubtful accounts	—	(823)
Total current assets	8,876,764	22,606,986
Non-current assets		
Property, plant and equipment		
Buildings	31,564	35,351
Accumulated depreciation	(19,093)	(20,459)
Buildings, net	12,470	14,892
Tools, furniture and fixtures	107,908	118,226
Accumulated depreciation	(37,544)	(49,282)
Tools, furniture and fixtures, net	70,363	68,943
Total property, plant and equipment	82,834	83,836
Intangible assets		
Goodwill	167,270	137,752
Other	17,973	41,384
Total intangible assets	185,244	179,136
Investments and other assets		
Investment securities	2,033,924	1,741,235
Deferred tax assets	88,622	46,425
Other	71,474	77,226
Total investments and other assets	2,194,021	1,864,886
Total non-current assets	2,462,100	2,127,859
Total assets	11,338,864	24,734,846

(Thousands of yen)

	As of March 31, 2019	As of December 31, 2019
Liabilities		
Current liabilities		
Accounts payable - trade	20,931	37,512
Short-term borrowings	1,800,000	556,000
Current portion of long-term borrowings	91,656	119,156
Current portion of non-recourse long-term loans	—	80,000
Income taxes payable	968,479	32,881
Provision for bonuses	23,858	38,824
Provision for share-based remuneration	69,066	225,638
Provision for shareholder benefit program	—	10,930
Other	667,745	480,218
Total current liabilities	3,641,736	1,581,161
Non-current liabilities		
Long-term borrowings	122,932	2,019,028
Non-recourse long-term loans	—	11,400,000
Other	327,651	270,990
Total non-current liabilities	450,583	13,690,018
Total liabilities	4,092,320	15,271,180
Net assets		
Shareholders' equity		
Capitalization	880,010	914,543
Capital surplus	311,943	346,115
Retained earnings	5,150,135	7,203,024
Treasury shares	(311)	(576)
Total shareholders' equity	6,341,777	8,463,106
Accumulated other comprehensive income		
Foreign currency translation adjustment	195	195
Total accumulated other comprehensive income	195	195
Non-controlling interests	904,571	1,000,363
Total net assets	7,246,544	9,463,665
Total liabilities and net assets	11,338,864	24,734,846

(2) Quarterly Consolidated Statement of Income and Quarterly Consolidated Statement of Comprehensive Income
(Quarterly Consolidated Statement of Income)
(Nine months ended December 31, 2019)

(Thousands of yen)

	Nine months ended December 31, 2018 (April 1, 2018 to December 31, 2018)	Nine months ended December 31, 2019 (April 1, 2019 to December 31, 2019)
Net sales	2,260,168	11,570,274
Cost of sales	994,015	8,041,308
Gross profit	1,266,152	3,528,965
Selling, general and administrative expenses	544,496	1,150,952
Operating profit	721,655	2,378,013
Non-operating income		
Interest income	1,647	67
Dividend income	—	412
Share of profit of entities accounted for using equity method	338,129	1,373,262
Other	1,565	25,423
Total non-operating income	341,342	1,399,165
Non-operating expenses		
Interest expenses	57,752	87,607
Commission expenses	10,500	215,395
Other	2,629	11,422
Total non-operating expenses	70,882	314,425
Ordinary profit	992,115	3,462,753
Extraordinary income		
Gain on bargain purchase	—	1,151
Total extraordinary income	—	1,151
Extraordinary losses		
Loss on liquidation of investments in capital	—	1,159
Total extraordinary losses	—	1,159
Profit before income taxes	992,115	3,462,745
Income taxes - current	221,781	483,431
Income taxes - deferred	6,766	42,197
Total income taxes	228,547	525,629
Profit	763,568	2,937,116
Profit attributable to non-controlling interests	16,324	718,788
Profit attributable to owners of parent	747,243	2,218,327

(Quarterly Consolidated Statement of Comprehensive Income)
(Nine months ended December 31, 2019)

(Thousands of yen)

	Nine months ended December 31, 2018 (April 1, 2018 to December 31, 2018)	Nine months ended December 31, 2019 (April 1, 2019 to December 31, 2019)
Profit	763,568	2,937,116
Other comprehensive income		
Valuation difference on available-for-sale securities	977	—
Total other comprehensive income	977	—
Comprehensive income	764,545	2,937,116
Comprehensive income attributable to		
Profit attributable to owners of parent	748,221	2,218,327
Profit attributable to non-controlling interests	16,324	718,788

(3) Notes to Quarterly Consolidated Financial Statements

(Notes on Going Concern Assumption)

Not applicable.

(Notes on Significant Changes in Shareholders' Equity)

Nine months ended December 31, 2018 (April 1, 2018 to December 31, 2018)

1. Dividends paid

(Resolution)	Class of shares	Total dividends (thousand yen)	Dividends per share (Yen)	Record date	Effective date	Source of dividends
June 27, 2018 Ordinary general meeting of shareholders	Common shares	82,719	20	March 31, 2018	June 28, 2018	Retained earnings

2. Dividends for which the record date falls within the nine months ended December 31, 2019 that the effective date of dividends is after the nine months ended December 31, 2019

Not applicable.

3. Significant Changes in Shareholders' Equity

The amount of shareholders' equity is not shown because it has not significantly changed since the end of the previous consolidated fiscal year.

Nine months ended December 31, 2019 (April 1, 2019 to December 31, 2019)

1. Dividends paid

(Resolution)	Class of shares	Total dividends (thousand yen)	Dividends per share (Yen)	Record date	Effective date	Source of dividends
June 27, 2019 Ordinary general meeting of shareholders	Common shares	165,437	40	March 31, 2019	June 28, 2019	Retained earnings

(Note) A share split was performed with an effective date of April 1, 2019, but the year-end dividend for the year ended March 31, 2019 with a record date of March 31, 2019 was implemented based on the number of shares prior to the share split.

2. Dividends for which the record date falls within the nine months ended December 31, 2019 that the effective date of dividends is after the nine months ended December 31, 2019

Not applicable.

3. Significant Changes in Shareholders' Equity

The amount of shareholders' equity is not shown because it has not significantly changed since the end of the previous consolidated fiscal year.

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

Significant changes in scope of consolidation

From the three months ended June 30, 2019, Sanyo Kogyo Co., Ltd. has been included in the scope of consolidation due to the acquisition of all of its shares.

During the three months ended June 30, 2019, Silent Partnership Metro was excluded from the scope of consolidation due to the Company redeeming the entire amount of its investments in capital in the silent partnership in association with the external transfer of the 49% co-owned holding of beneficial interests in real estate trust pertaining to Ibis Styles Osaka Namba owned through the special purpose company Godo Kaisha Metro on June 20, 2019.

From the six months ended September 30, 2019, the newly established Silent Partnership Yura has been included in the scope of consolidation.

From the nine months ended December 31, 2019, the newly established Dojima Hotel Operations Inc. has been included in the scope of consolidation.

(Segment Information, etc.)

Segment Information

I. Nine months ended December 31, 2018 (April 1, 2018 to December 31, 2018)

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	893,059	1,367,108	2,260,168	2,260,168	—	2,260,168
Internal sales and transfers between segments	405,660	—	405,660	405,660	(405,660)	—
Total	1,298,720	1,367,108	2,665,828	2,665,828	(405,660)	2,260,168
Segment profit or (loss)	826,607	(2,097)	824,510	824,510	(102,854)	721,655

(Notes) 1. The negative ¥102,854,000 of segment profit includes negative ¥29,518,000 of amortization of goodwill not allocated to each reportable segment, the net amount of negative ¥85,576,000 in corporate revenues and expenses, and ¥12,240,000 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 increased by ¥3,953,878,000 as of December 31, 2019 compared to March 31, 2019 as a result of factors such as the acquisition of hotel development sites by Godo Kaisha Nijo and the acquisition of investment stakes in a silent partnership operated by Godo Kaisha Ryozen and a silent partnership operated by Godo Kaisha Myoho.

II. Nine months ended December 31, 2019 (April 1, 2019 to December 31, 2019)

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	7,195,230	4,375,043	11,570,274	11,570,274	—	11,570,274
Internal sales and transfers between segments	479,172	—	479,172	479,172	(479,172)	—
Total	7,674,403	4,375,043	12,049,447	12,049,447	(479,172)	11,570,274
Segment profit or (loss)	2,660,672	(4,304)	2,656,367	2,656,367	(278,354)	2,378,013

(Notes) 1. The negative ¥278,354,000 of segment profit or (loss) includes negative ¥29,518,000 of amortization of goodwill not allocated to each reportable segment, the net amount of negative ¥370,055,000 in corporate revenues and expenses, and ¥121,219,000 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 ¥7,370,727,000 as of December 31, 2019 compared to March 31, 2019 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, thus excluding that company from the scope of consolidation.

In the "hotel management business" segment, assets for the reportable segment increased by ¥659,669,000 as of December 31, 2019 compared to March 31, 2019 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.

(Significant Subsequent Events)

Not applicable.

3. Other

Important Events, etc. on Going Concern Assumption

Not applicable.