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Consolidated Financial Results for the Three Months Ended June 30, 2024 (Under Japanese GAAP)

August 14, 2024

Company name: Wealth Management, Inc.

Listing: Tokyo Stock Exchange

Securities code: 3772

URL: <https://www.wealth-mngt.com/en/>

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Scheduled date to commence dividend payments:

Preparation of supplementary material on quarterly financial results: None

Holding of quarterly financial results briefing: None

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Consolidated financial results for the three months ended June 30, 2024 (from April 1, 2024 to June 30, 2024)

(1) Consolidated operating results (Cumulative) (Percentages indicate year-on-year changes.)

	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, 2024	1,899	19.6	(1,149)	—	(1,476)	—	(1,032)	—
Three months ended June 30, 2023	1,588	175.7	(354)	—	(613)	—	(444)	—

Note: Comprehensive income Three months ended June 30, 2024 ¥ -1,032 million (—%) Three months ended June 30, 2023 ¥ -444 million (—%)

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended June 30, 2024	(54.06)	—
Three months ended June 30, 2023	(24.13)	—

Note: Diluted earnings per share are not shown because basic earnings per share were negative, although there are dilutive shares.

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
	Millions of yen	Millions of yen	%
As of June 30, 2024	53,852	17,263	32.1
As of March 31, 2024	55,230	18,545	33.6

Reference: Equity As of June 30, 2024 ¥17,261 million As of March 31, 2024 ¥18,544 million

2. Cash dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2024	—	0.00	—	19.00	19.00
Fiscal year ending March 31, 2025	—	—	—	—	—
Fiscal year ending March 31, 2025 (Forecast)	—	—	—	—	—

Note: Revisions to the forecast of cash dividends most recently announced: None

Note: The forecast dividends for the fiscal year ending March 31, 2025 have not been determined at this time.

3. Consolidated financial results forecast for the fiscal year ending March 31, 2025 (from April 1, 2024 to March 31, 2025)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	23,200	(19.0)	3,000	(0.9)	3,100	17.5	2,000	9.6	104.38

Note: Revisions to the forecast of financial results most recently announced: Yes

* Notes

(1) Significant changes in the scope of consolidation during the period: None

Newly included: None

Excluded: None

(2) Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements: None

(3) Changes in accounting policies, changes in accounting estimates, and restatement

(i) Changes in accounting policies due to revisions to accounting standards and other regulations: Yes

(ii) Changes in accounting policies due to other reasons: 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 (Notes to Changes in Accounting Policies)” on page 8 of the Attached Materials.

(4) Number of issued shares (common shares)

(i) Total number of issued shares at the end of the period (including treasury shares)

As of June 30, 2024	19,179,800 shares	As of March 31, 2024	19,072,300 shares
As of June 30, 2024	1,252 shares	As of March 31, 2024	1,252 shares
Three months ended June 30, 2024	19,107,669 shares	Three months ended June 30, 2023	18,441,121 shares

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

(iii) Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)

* Review of the accompanying quarterly consolidated financial statements by a certified public accountant or auditing firm: Yes (voluntary)

* Explanations and other notes concerning the appropriate use of financial results forecasts

Forward-looking statements such as financial results forecast 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. Overview of Business Results, Etc.....	2
(1) Overview of Business Results	2
(2) Overview 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	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
(Notes to Changes in Accounting Policies).....	8
(Notes to Statement of Cash Flows).....	8
(Notes to Segment Information, Etc.)	9

1. Overview of Business Results, Etc.

(1) Overview of Business Results

During the three months ended June 30, 2024, despite concerns about rising real estate prices, increased development costs, and other cost increases, there were positive signs in the Japanese economy, including the ongoing depreciation of the yen, increased consumption by foreign visitors to Japan, and the spread of wage increases in various industries. In the Group, net sales exceeded those of the previous year due to the strong performance of the hotel industry and the acquisition of new properties. However, large increases in rents paid for operated hotels and preparation costs for the opening of new hotels resulted in a decrease in profit.

As a result, during the three months ended June 30, 2024, net sales were ¥1,899,102 thousand (up 19.6% year-on-year), operating loss was ¥1,149,538 thousand (compared to an operating loss of ¥354,755 thousand in the same period of the previous fiscal year), ordinary loss was ¥1,476,175 thousand (compared to an ordinary loss of ¥613,122 thousand in the same period of the previous fiscal year) and net loss attributable to owners of parent was ¥1,032,965 thousand (compared to net loss attributable to owners of parent of ¥444,927 thousand in the same period of the previous fiscal year).

Business results by segment were as follows.

Segment		Three months ended June 30, 2023 (April 1, 2023 to June 30, 2023)	Three months ended June 30, 2024 (April 1, 2024 to June 30, 2024)	Percentage change
		Amount (Thousands of yen)	Amount (Thousands of yen)	(%)
Hotel management business	Net sales	1,501,390	1,688,233	12.4
	Operating profit	378,064	201,963	(46.6)
Asset management business	Net sales	109,777	99,504	(9.4)
	Operating profit	(59,638)	(106,118)	—
Real estate business	Net sales	(6,450)	136,283	—
	Operating profit	(505,793)	(971,519)	—

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 other factors. The number of foreign visitors to Japan announced by the Japan National Tourism Organization (JNTO) has maintained a high level, including a record high in June 2024.

Although Ibis Styles Osaka Namba terminated operations at the end of the previous fiscal year, the Group's net sales in the hotel management business increased year on year due to the grand opening of Six Senses Kyoto (431 Myohoin Maekawa-cho, Higashiyama-ku, Kyoto City) on April 23, 2024 as well as continuing strong performance of existing hotels due to a rise in average unit price per guest room by foreign visitors to Japan as the yen continued to weaken. On the other hand, profits were lower year on year due to an increase in personnel expenses and other headquarter costs, as well as an increase in preparation costs for new openings.

Trend in net sales for operated hotels

(Thousands of yen)

		Operated hotels net sales	Percentage change from the same period of the previous fiscal year
First quarter of the previous fiscal year	(April 1, 2023 to June 30, 2023)	1,499,800	193.9%
Second quarter of the previous fiscal year	(July 1, 2023 to September 30, 2023)	1,396,944	166.3%
Third quarter of the previous fiscal year	(October 1, 2023 to December 31, 2023)	1,798,723	60.4%

Fourth quarter of the previous fiscal year	(January 1, 2024 to March 31, 2024)	1,464,995	27.0%
First quarter of the current fiscal year	(April 1, 2024 to June 30, 2024)	1,688,233	12.6%

Notes: 1. Operated hotels net sales is the total amount of management accounting revenue from hotels operated by the Group, and they do not match the hotel management business net sales.

2. Transactions between segments have not been eliminated.

(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 posted an operating loss due to the absence of large property sales in the first three months under review and a significant increase in master lease rents for pre-openings and hotels scheduled to open that have not yet reached full occupancy. From the six months ending September 30, 2024 onwards, the Group plans to gradually acquire new properties and sell existing properties in order to increase revenue generation opportunities. As for development projects, construction of Banyan Tree Higashiyama Kyoto, which was scheduled for the first three months under review, has been completed.

(2) Overview of Financial Position

With regard to the financial position as of June 30, 2024, total assets were ¥53,852,065 thousand, liabilities were ¥36,588,819 thousand and net assets were ¥17,263,245 thousand.

Total assets decreased by ¥1,378,182 thousand compared to the end of the previous fiscal year. This was mainly due to a decrease in cash and deposits, while deposits paid and other current assets increased.

Liabilities decreased by ¥95,634 thousand compared to the end of the previous fiscal year. This was mainly due to an increase in short-term borrowings, while long-term borrowings and income taxes payable decreased.

Net assets decreased by ¥1,282,548 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, 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

As for the consolidated financial results forecast for the fiscal year ending March 31, 2025, which was undetermined in the “Summary of Consolidated Financial Results for Fiscal Year Ended March 31, 2024 (Japanese GAAP)” dated May 10, 2024, this is now announced based on information available at this time. The dividend projection is yet to be determined.

For details, please refer to the “Notice on Consolidated Earnings Forecast and Dividend Projection for Fiscal Year Ending March 31, 2025” (Japanese only) released today.

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheet

(Thousands of yen)

	As of March 31, 2024	As of June 30, 2024
Assets		
Current assets		
Cash and deposits	16,391,447	12,140,654
Accounts receivable - trade	728,927	627,057
Real estate for sale	17,096,462	17,097,723
Real estate for sale in process	14,872,226	15,299,978
Income taxes refund receivable	848,577	857,538
Other	1,720,862	3,464,714
Total current assets	51,658,504	49,487,665
Non-current assets		
Property, plant and equipment		
Buildings	275,866	279,362
Accumulated depreciation	(26,151)	(32,636)
Buildings, net	249,715	246,725
Tools, furniture and fixtures	302,236	313,873
Accumulated depreciation	(72,478)	(85,533)
Tools, furniture and fixtures, net	229,758	228,339
Construction in progress	6,179	8,822
Total property, plant and equipment	485,653	483,887
Intangible assets		
Goodwill	376,942	345,530
Other	37,642	41,226
Total intangible assets	414,584	386,757
Investments and other assets		
Investment securities	836,011	927,881
Deferred tax assets	398,629	844,774
Other	1,436,865	1,721,099
Total investments and other assets	2,671,505	3,493,754
Total non-current assets	3,571,743	4,364,399
Total assets	55,230,248	53,852,065

(Thousands of yen)

	As of March 31, 2024	As of June 30, 2024
Liabilities		
Current liabilities		
Accounts payable - trade	61,273	122,237
Short-term borrowings	4,700,000	5,726,666
Current portion of long-term borrowings	2,069,747	1,867,229
Current portion of non-recourse long-term borrowings	376,000	—
Income taxes payable	799,654	7,167
Provision for bonuses	98,005	101,510
Provision for share-based payments	181,500	—
Provision for shareholder benefit program	40,000	56,000
Other	2,328,294	2,725,789
Total current liabilities	10,654,474	10,606,599
Non-current liabilities		
Long-term borrowings	19,648,188	19,552,733
Non-recourse long-term borrowings	3,000,000	3,000,000
Provision for share-based payments	90,647	146,113
Other	3,291,143	3,283,373
Total non-current liabilities	26,029,979	25,982,220
Total liabilities	36,684,453	36,588,819
Net assets		
Shareholders' equity		
Share capital	2,295,873	2,356,395
Capital surplus	1,727,783	1,780,027
Retained earnings	14,521,724	13,126,409
Treasury shares	(1,006)	(1,006)
Total shareholders' equity	18,544,374	17,261,825
Share acquisition rights	1,420	1,420
Total net assets	18,545,794	17,263,245
Total liabilities and net assets	55,230,248	53,852,065

(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, 2023 (April 1, 2023 to June 30, 2023)	Three months ended June 30, 2024 (April 1, 2024 to June 30, 2024)
Net sales	1,588,442	1,899,102
Cost of sales	1,507,620	2,276,213
Gross profit (loss)	80,822	(377,111)
Selling, general and administrative expenses	435,577	772,427
Operating profit (loss)	(354,755)	(1,149,538)
Non-operating income		
Dividend income	40	89
Subsidized interest payments	2,559	1,960
Other	824	294
Total non-operating income	3,424	2,345
Non-operating expenses		
Interest expenses	163,883	306,822
Commission expenses	96,872	3,082
Share of loss of entities accounted for using equity method	—	278
Other	1,036	18,797
Total non-operating expenses	261,791	328,981
Ordinary profit (loss)	(613,122)	(1,476,175)
Profit (loss) before income taxes	(613,122)	(1,476,175)
Income taxes - current	3,025	2,934
Income taxes - deferred	(171,220)	(446,145)
Total income taxes	(168,194)	(443,210)
Profit (loss)	(444,927)	(1,032,965)
Profit (loss) attributable to owners of parent	(444,927)	(1,032,965)

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

(Thousands of yen)

	Three months ended June 30, 2023 (April 1, 2023 to June 30, 2023)	Three months ended June 30, 2024 (April 1, 2024 to June 30, 2024)
Profit (loss)	(444,927)	(1,032,965)
Comprehensive income	(444,927)	(1,032,965)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(444,927)	(1,032,965)
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)

Not applicable.

(Notes to Changes in Accounting Policies)

(Application of Accounting Standard for Current Income Taxes, Etc.)

The "Accounting Standard for Current Income Taxes" (ASBJ Statement No. 27, October 28, 2022, hereinafter "2022 Revised Accounting Standard") is applied from the beginning of the first three months under review.

With respect to the revision regarding the classification of income taxes (taxation on other comprehensive income), the transitional treatment stipulated in the proviso to Paragraph 20-3 of the 2022 Revised Accounting Standard and the transitional treatment stipulated in the proviso to Paragraph 65-2 (2) of the "Implementation Guidance on Tax Effect Accounting" (ASBJ Guidance No. 28, October 28, 2022, hereinafter "2022 Revised Guidance") were applied. This change in accounting policies has no impact on the quarterly consolidated financial statements.

In addition, the Company has adopted the 2022 Revised Guidance related to the revision of the treatment in consolidated financial statements of the deferral for tax purposes of gains or losses on sales of investments in subsidiaries among consolidated companies, effective from the beginning of the first three months under review. These changes in accounting policies shall be applied retroactively, and consolidated financial statements for the same quarter of the previous year and prior consolidated fiscal year shall be presented with retroactive application. This change in accounting policies has no impact on the consolidated financial statements for the same quarter of the previous year and prior consolidated fiscal year.

(Notes to Statement of Cash Flows)

Quarterly consolidated statements of cash flows have not been prepared for the first three months under review.

Depreciation (including amortization related to intangible assets excluding goodwill) and amortization of goodwill for the first three months under review are as follows.

	Three months ended June 30, 2023 (April 1, 2023 to June 30, 2023)	Three months ended June 30, 2024 (April 1, 2024 to June 30, 2024)
Depreciation	18,580 thousand yen	25,212 thousand yen
Amortization of goodwill	31,411 thousand yen	31,411 thousand yen

(Notes to Segment Information, Etc.)

Segment Information

I. 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 (Notes) 1	Amount in quarterly consolidated statement of income (Notes) 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)

(Notes) 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.

II. Three months ended June 30, 2024 (April 1, 2024 to June 30, 2024)

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 (Notes) 1	Amount in quarterly consolidated statement of income (Notes) 2
	Asset management business	Real estate business	Hotel management business	Total			
Net sales							
Goods and services transferred at a point in time	—	—	1,688,233	1,688,233	1,688,233	—	1,688,233
Goods and services transferred over a fixed period of time	74,434	—	—	74,434	74,434	—	74,434
Revenue from contracts with customers	74,434	—	1,688,233	1,762,667	1,762,667	—	1,762,667
Other revenue	151	136,283	—	136,435	136,435	—	136,435
Net sales to external clients	74,585	136,283	1,688,233	1,899,102	1,899,102	—	1,899,102
Internal net sales and transfers between segments	24,918	—	—	24,918	24,918	(24,918)	—
Total	99,504	136,283	1,688,233	1,924,020	1,924,020	(24,918)	1,899,102
Segment profit (loss)	(106,118)	(971,519)	201,963	(875,674)	(875,674)	(273,864)	(1,149,538)

(Notes) 1. The negative ¥273,864 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).