

Summary of Consolidated Financial Results for the Nine Months Ended December 31, 2020 (Japanese GAAP)

February 9, 2021

Listed company name: Wealth Management, Inc.

Listed Stock Exchange: Tokyo

Code No.: 3772

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Quarterly securities report to be submitted: February 9, 2021

Start of cash dividend payments: —

Quarterly supplementary materials: None

Quarterly financial results conference: Not scheduled

(Figures rounded down to nearest million yen)

1. Consolidated Results for the Nine Months Ended December 31, 2020 (April 1, 2020 to December 31, 2020)

(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, 2020	4,353	(62.4)	(508)	—	(662)	—	(473)	—
Nine months ended December 31, 2019	11,570	411.9	2,378	229.5	3,462	249.0	2,218	196.9

Note: Comprehensive income

Nine months ended December 31, 2020: ¥-451 million (—%) Nine months ended December 31, 2019: ¥2,937 million (284.2%)

	Earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended December 31, 2020	(55.76)	—
Nine months ended December 31, 2019	266.63	—

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
Nine months ended December 31, 2020	26,092	9,207	31.3
FYE March 31, 2020	24,893	9,679	34.8

Reference: Equity capital

Nine months ended December 31, 2020: ¥8,177 million

FYE March 31, 2020: ¥8,671 million

2. Dividends

	Annual dividends per share				
	1Q	2Q	3Q	Fiscal year end	Total
	Yen	Yen	Yen	Yen	Yen
FYE March 31, 2020	—	0.00	—	20.00	20.00
FYE March 31, 2021	—	0.00	—		
FYE March 31, 2021 (projection)				—	—

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

The forecast dividends for FYE March 31, 2021 have not been determined at this time.

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

(%: 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, 2021	23,000	74.0	3,000	10.8	3,500	(6.2)	2,000	(17.6)	235.46

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

* Notes

(1) Significant changes in subsidiaries during the cumulative period under review (changes in specific subsidiaries associated with changes in the scope of consolidation): Yes

New companies: 1 (Silent Partnership Niseko) Exclusions: 1 (Silent Partnership Niseko)

(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, 2020	8,526,200 shares	As of March 31, 2020	8,326,200 shares
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(ii) Number of treasury shares at end of the period

As of December 31, 2020	487 shares	As of March 31, 2020	444 shares
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(iii) Average number of shares during the period (cumulative quarterly period)

Nine months ended December 31, 2020	8,483,551 shares	Nine months ended December 31, 2019	8,319,906 shares
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* The quarterly summary of financial results is not subject to quarterly review by a Certified Public Accountant or audit firm.

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

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

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1. Qualitative Information on Quarterly Financial Results

(1) Results

During the nine months ended December 31, 2020, the Japanese economy continued to suffer from the impact of the coronavirus, which has restricted economic activity and significantly worsened corporate profits and the employment environment. Although there were signs of improvement following the lifting of the state of emergency declaration with the gradual resumption of economic activity, the uncertain economic situation continued as the "Go To Travel" program was suspended due to the renewed spread of the coronavirus in the winter.

The Group has been taking various measures from the perspective of social responsibility to prevent the spread of the coronavirus while working to achieve its "Medium-Term Management Plan 2022," which was announced in April 2019.

In the real estate market, where the real estate securitization business operates, financial institutions continue to take a cautious stance and the market environment requires close attention. The Group acquired and sold beneficial interests in real estate trust of a distribution warehouse located in Shinkiba, Koto-ku, Tokyo, and a hotel development site in Kutchan-cho (Niseko), Abuta-gun, Hokkaido. In terms of sale of properties in the second half, sales are scheduled for the 12 months ending March 31, 2021, and have not been conducted during the nine months ended December 31, 2020. Starting with the sale of beneficial interests in real estate trust for an office building in Irifune, Chuo-ku, Tokyo in early February 2021, we plan to gradually acquire and sell new properties, not limited to hotel assets, with a view to forming a REIT.

In the hotel industry, in which our hotel management business operates, although there were signs of recovery with the launch of the "Go To Travel" program, uncertainty about the future is increasing due to the renewed spread of the coronavirus. As the Group entered the nine months ended December 31, 2020, 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 in Kyoto during the autumn tourist season. However, the renewed spread of the coronavirus may affect future performance.

As for projects under development, the opening of Fauchon Hotel Kyoto (406 Namba-cho, Matsubara-sagaru, Kawaramachi dori, Shimogyo-ku, Kyoto City), the first of the hotel brand to open in Japan, is scheduled to open on March 16, 2021, and room reservations have been accepted since December 17, 2020. In addition, preparations are well underway for the opening of Aloft Osaka Dojima (2-1-31 Dojimahama, Kita-ku, Osaka City), the first hotel of the brand in the Kansai region and the second in Japan.

As a result, during the nine months ended December 31, 2020, net sales were ¥4,353,196,000 (down 62.4% year-on-year), operating loss was ¥508,815,000 (compared to operating profit of ¥2,378,013,000 in the same period of the previous fiscal year), ordinary loss was ¥662,026,000 (compared to ordinary profit of ¥3,462,753,000 in the same period of the previous fiscal year) and net loss attributable to owners of parent was ¥473,061,000 (compared to profit attributable to owners of parent of ¥2,218,327,000 in the same period of the previous fiscal year).

An overview of financial results for each segment is as follows.

(i) Real estate securitization business

In the real estate securitization business, net sales were ¥3,954,654,000 (down 48.5% year-on-year), while operating profit was ¥193,978,000 (down 92.7% year-on-year). This was mainly due to the fact that although the aforementioned distribution warehouse and hotel development site were sold in the six months ended September 30, 2020, the delivery of large properties is scheduled for the 12 months ending March 31, 2021.

(ii) Hotel management business

In the hotel management business, net sales were ¥607,483,000 (down 86.1% year-on-year), while operating loss was ¥495,883,000 (compared to an operating loss of ¥4,304,000 in the same period of the previous fiscal year). The main reasons for this was a significant decrease in the number of hotel guests due to the spread of the coronavirus and the sale of hotel development site in the same quarter of the previous year. The quarterly business results of the hotel management business are as follows.

Trends in hotel management business performance

(Thousands of yen)

Fiscal year	First quarter in the 22nd business term	Second quarter in the 22nd business term	Third quarter in the 22nd business term
Accounting period	(April 1, 2020 to June 30, 2020)	(July 1, 2020 to September 30, 2020)	(October 1, 2020 to December 31, 2020)
Net sales	73,084	162,471	371,928

(2) Overview of Financial Position

With regard to the financial position as of December 31, 2020, total assets were ¥26,092,902,000, liabilities were ¥16,884,972,000 and net assets were ¥9,207,930,000.

Total assets increased by ¥1,199,846,000 compared to the end of the previous fiscal year. This was mainly due to an increase of ¥5,262,588,000 in real estate for sale and a decrease of ¥2,364,049,000 due to the transfer of real estate for sale in process as a result of factors including the completion of the Kyoto Yura Hotel Nijo Jo Bettei MGallery, which was under construction.

Liabilities increased by ¥1,671,468,000 compared to the end of the previous fiscal year. This was mainly due to a ¥1,583,759,000 increase in borrowings for the construction of the real estate for sale above.

Net assets decreased by ¥471,622,000 compared to the end of the previous fiscal year. This was mainly due to an increase of ¥145,400,000 from the issuance of new shares under share-based remuneration, a decrease of ¥451,455,000 from the recording of a net loss, and a decrease of ¥166,515,000 due to dividends paid.

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

There are no changes to the earnings forecasts announced in the Notice of Consolidated Earnings Forecast for the Fiscal Year Ending March 31, 2021 on August 7, 2020.

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheet

(Thousands of yen)

	As of March 31, 2020	As of December 31, 2020
Assets		
Current assets		
Cash and deposits	4,336,593	2,380,897
Accounts receivable - trade	233,446	211,754
Real estate for sale	14,438,591	19,701,180
Real estate for sale in process	2,364,049	—
Income taxes receivable	1,059,627	203,422
Other	396,252	858,863
Allowance for doubtful accounts	(823)	(313)
Total current assets	22,827,736	23,355,804
Non-current assets		
Property, plant and equipment		
Buildings	35,351	35,921
Accumulated depreciation	(20,982)	(22,516)
Buildings, net	14,368	13,405
Tools, furniture and fixtures	113,005	139,917
Accumulated depreciation	(48,410)	(60,750)
Tools, furniture and fixtures, net	64,594	79,167
Other	—	275
Total property, plant and equipment	78,963	92,847
Intangible assets		
Goodwill	127,912	98,394
Other	38,654	30,466
Total intangible assets	166,567	128,860
Investments and other assets		
Investment securities	1,680,424	1,879,897
Deferred tax assets	58,998	461,641
Other	80,365	173,851
Total investments and other assets	1,819,788	2,515,390
Total non-current assets	2,065,320	2,737,098
Total assets	24,893,056	26,092,902

(Thousands of yen)

	As of March 31, 2020	As of December 31, 2020
Liabilities		
Current liabilities		
Accounts payable - trade	14,197	22,256
Short-term borrowings	633,000	664,616
Current portion of long-term borrowings	1,739,576	428,674
Current portion of non-recourse long-term borrowings	80,000	80,000
Income taxes payable	137,330	62,366
Provision for bonuses	26,943	13,901
Provision for share-based remuneration	145,400	—
Provision for shareholder benefit program	10,530	7,000
Other	308,499	590,972
Total current liabilities	3,095,477	1,869,787
Non-current liabilities		
Long-term borrowings	464,585	3,495,574
Non-recourse long-term borrowings	11,380,000	11,212,055
Deferred tax liabilities	5,360	—
Other	268,081	307,556
Total non-current liabilities	12,118,026	15,015,185
Total liabilities	15,213,504	16,884,972
Net assets		
Shareholders' equity		
Share capital	914,543	987,243
Capital surplus	346,115	419,176
Retained earnings	7,411,628	6,772,051
Treasury shares	(576)	(623)
Total shareholders' equity	8,671,709	8,177,847
Non-controlling interests	1,007,842	1,030,082
Total net assets	9,679,552	9,207,930
Total liabilities and net assets	24,893,056	26,092,902

(2) Quarterly Consolidated Statement of Income and Quarterly Consolidated Statement of Comprehensive Income
(Quarterly Consolidated Statement of Income)
(Nine months ended December 31, 2020)

(Thousands of yen)

	Nine months ended December 31, 2019 (April 1, 2019 to December 31, 2019)	Nine months ended December 31, 2020 (April 1, 2020 to December 31, 2020)
Net sales	11,570,274	4,353,196
Cost of sales	8,041,308	3,843,644
Gross profit	3,528,965	509,551
Selling, general and administrative expenses	1,150,952	1,018,367
Operating profit (loss)	2,378,013	(508,815)
Non-operating income		
Interest income	67	15
Dividend income	412	—
Share of profit of entities accounted for using equity method	1,373,262	—
Subsidies for employment adjustment	—	63,044
Other	25,423	14,027
Total non-operating income	1,399,165	77,087
Non-operating expenses		
Interest expenses	87,607	229,254
Commission expenses	215,395	891
Other	11,422	151
Total non-operating expenses	314,425	230,298
Ordinary profit (loss)	3,462,753	(662,026)
Extraordinary income		
Gain on bargain purchase	1,151	—
Total extraordinary income	1,151	—
Extraordinary losses		
Loss on liquidation of investments in capital	1,159	—
Losses related to the coronavirus	—	*133,507
Total extraordinary losses	1,159	133,507
Profit (loss) before income taxes	3,462,745	(795,533)
Income taxes - current	483,431	63,925
Income taxes - deferred	42,197	(408,003)
Total income taxes	525,629	(344,077)
Net income (loss)	2,937,116	(451,455)
Profit attributable to non-controlling interests	718,788	21,605
Net income (loss) attributable to owners of parent	2,218,327	(473,061)

(Quarterly Consolidated Statement of Comprehensive Income)
(Nine months ended December 31, 2020)

(Thousands of yen)

	Nine months ended December 31, 2019 (April 1, 2019 to December 31, 2019)	Nine months ended December 31, 2020 (April 1, 2020 to December 31, 2020)
Net income (loss)	2,937,116	(451,455)
Comprehensive income	2,937,116	(451,455)
Comprehensive income attributable to		
Profit attributable to owners of parent	2,218,327	(473,061)
Profit attributable to non-controlling interests	718,788	21,605

(3) Notes to Quarterly Consolidated Financial Statements

(Notes on Going Concern Assumption)

Not applicable.

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

Significant changes in scope of consolidation

From the three months ended June 30, 2020, the newly established or invested in Wealth Realty Management, Inc. and Silent Partnership Niseko have been included in the scope of consolidation. Because the investment in Silent Partnership Niseko was redeemed in the six months ended September 30, 2020, it was excluded from the scope of consolidation.

(Quarterly Consolidated Statement of Income)

* Losses related to the coronavirus

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

(Notes on Significant Changes in Shareholders' Equity)

Not applicable.

(Segment Information, etc.)

Segment Information

I. 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 (Notes) 1	Amount in quarterly consolidated statement of income (Notes) 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, 2020 compared to March 31, 2020 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, 2020 compared to March 31, 2020 as a result of the sale and 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.

II. Nine months ended December 31, 2020 (April 1, 2020 to December 31, 2020)

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

(Thousands of yen)

	Reportable segment			Total	Adjustments (Notes) 1	Amount in quarterly consolidated statement of income (Notes) 2
	Real estate securitization business	Hotel management business	Total			
Net sales						
Net sales to external clients	3,949,712	403,483	4,353,196	4,353,196	—	4,353,196
Internal sales and transfers between segments	4,942	203,999	208,942	208,942	(208,942)	—
Total	3,954,654	607,483	4,562,138	4,562,138	(208,942)	4,353,196
Segment profit or (loss)	193,978	(495,883)	(301,904)	(301,904)	(206,911)	(508,815)

(Notes) 1. The negative ¥206,911,000 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 ¥135,632,000 in corporate revenues and expenses, and ¥41,760,000 in eliminations of transactions between segments.

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