



## Summary of Consolidated Financial Results for the Nine Months Ended December 31, 2021 (Japanese GAAP)

February 9, 2022

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, 2022      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, 2021 (April 1, 2021 to December 31, 2021)

#### (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, 2021	16,476	278.5	3,957	—	3,718	—	2,098	—
Nine months ended December 31, 2020	4,353	(62.4)	(508)	—	(662)	—	(473)	—

(Note) Comprehensive income

Nine months ended December 31, 2021: ¥2,112 million (—%)      Nine months ended December 31, 2020: ¥-451 million (—%)

	Earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended December 31, 2021	246.09	—
Nine months ended December 31, 2020	(55.76)	—

Note: The rate of change in operating profit, ordinary profit, profit attributable to owners of parent and comprehensive income for the nine months ended December 31, 2021 compared to the same quarter of the previous year is indicated as "—" because these exceeded 1,000%.

#### (2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
Nine months ended December 31, 2021	34,484	9,510	27.6
FYE March 31, 2021	25,754	8,628	29.5

Reference: Equity capital

Nine months ended December 31, 2021: ¥9,510 million

FYE March 31, 2021: ¥7,591 million

### 2. Dividends

	Annual dividends per share				
	1Q	2Q	3Q	Fiscal year end	Total
	Yen	Yen	Yen	Yen	Yen
FYE March 31, 2021	—	0.00	—	20.00	20.00
FYE March 31, 2022	—	0.00	—		
FYE March 31, 2022 (projection)				—	—

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

The forecast 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	27,000	408.5	5,800	—	5,500	—	3,200	—	375.34

(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: 2 (Silent Partnership Myoho, Silent Partnership Ryozen) Exclusions: 1 (Silent Partnership Myoho)

(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.: Yes

(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, 2021	8,526,200 shares	As of March 31, 2021	8,526,200 shares
As of December 31, 2021	537 shares	As of March 31, 2021	487 shares
Nine months ended December 31, 2021	8,525,677 shares	Nine months ended December 31, 2020	8,483,551 shares

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

(iii) Average number of shares during the period (cumulative quarterly period)

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

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

Forward-looking statements such as 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) Explanation of Business Results

During the nine months ended December 31, 2021, there were signs that Japan's economic activity was gradually entering a recovery phase, as in October 2021 the government's declaration of a state of emergency and other key measures to prevent the spread of COVID-19 were lifted. Although it will be necessary to keep a close eye on the government's policies regarding the spread of the Omicron variant, it is expected that economic activity will gradually normalize.

In May 2021, the Group entered into a capital and business alliance agreement with Samty Co., Ltd., and in June 2021, the Group announced its Medium-Term Management Plan 2024 to demonstrate the direction of its business. We set the following goals in the Medium-Term Management Plan 2024 and will continue to strive to achieve them.

#### Targets of the Medium-Term Management Plan 2024

- (1) We will establish a J-REIT during the period of Medium-Term Management Plan 2024, establish an asset cycle business model, and aim to become a hotel REIT with assets under management of 500 billion yen.
- (2) Aiming for a listing on the Prime Market, we will develop a framework for this purpose and aim to triple the market capitalization.

#### (Real estate securitization business)

In the real estate market, besides strong logistics and residence performance, subordinated investors continue to take an aggressive stance toward hotel assets in anticipation of the post-COVID-19 era. On the other hand, although financial institutions have continued to be cautious about providing new loans for hotel development projects, the number of financial institutions that believe that the future of the hotel business is becoming less uncertain and improving is on the rise, and the amount of new loans is expected to turn up. As stated in the "Notice Concerning Transfer of Beneficial Interests in Real Estate Trust in Kyoto Higashiyama SIX SENSES Hotel Development Project (Progress of Disclosure)" (Japanese only) disclosed on September 28, 2021, the Group successfully completed the delivery of a large property that had been delayed, and the sale of properties related to other projects also progressed smoothly, resulting in significant progress in sales. From Q4 onward, we will continue to acquire and sell new properties, and strive for appropriate project management for ongoing projects.

#### (Hotel management business)

In the hotel industry, the declaration of a state of emergency and the issuance of key measures to prevent the spread of COVID-19 during the first half of the fiscal year had a significant impact on the business, and a robust recovery in guest numbers did not occur during the period under review. Some of the hotels operated by the Group have even closed temporarily as a result of the declaration of a state of emergency. On the other hand, net sales increased significantly compared to the nine months ended December 31, 2020, thanks to factors including new hotels leading to an increase in the number of locations under management, recovery of guest numbers from the autumn tourist season to the end of the year, and sales related to consulting services for hotels under development.

In the area of hotel openings, on June 28, 2021, we opened the Aloft Osaka Dojima (2-1-31 Dojimahama, Kita-ku, Osaka City), the second Marriott International's Aloft brand hotel in Japan and the first in the Kansai region, on the site of the Dojima Hotel, which was once a popular social spot in Kita, Osaka. Aloft is a lifestyle hotel brand whose main customer target is the next generation of travelers who are sensitive to trends, outgoing, and love music and design, and will enliven the hospitality scene in Osaka with its sophisticated and innovative style.

In Q4 of the fiscal year under review, as per the "Notice Concerning Rebranding of "Kyoto Yura Hotel MGallery" and "Kyoto Yura Hotel Nijo Jo Bettei MGallery" (Change of Hotel Management Outsourcing)" (Japanese only) released on December 28, 2021, Kyoto Yura Hotel MGallery will tentatively be renamed "Dhawa Yura Kyoto," and Kyoto Yura Hotel Nijo Jo Bettei MGallery will tentatively be renamed "Garrya Nijo Castle Kyoto" as part of the Banyan Tree Group brand. The rebranding is scheduled to commence in March 2022.

As a result, during the nine months ended December 31, 2021, net sales were ¥16,476,529,000 (up 278.5% year-on-year), operating profit was ¥3,957,082,000 (compared to an operating loss of ¥508,815,000 in the same period of the previous fiscal year), ordinary profit was ¥3,718,114,000 (compared to an ordinary loss of ¥662,026,000 in the same period of the previous fiscal year) and net profit attributable to owners of parent was ¥2,098,043,000 (compared to net loss attributable to owners of parent of ¥473,061,000 in the same period of the previous fiscal year).

By segment, in the real estate securitization business, net sales were ¥15,378,156,000 (up 288.9% year-on-year), while operating profit was ¥3,938,220,000 (up 1,930.2% year-on-year). This was due to the aforementioned sale of properties, which resulted in a significant increase in net sales and operating profit. In the hotel management business, net sales were ¥2,254,640,000 (up 271.1% year-on-year), while operating profit was ¥504,844,000 (compared to an operating loss of

¥495,883,000 in the same period of the previous fiscal year). While some hotels were temporarily closed due to the declaration of a state of emergency, consulting sales for hotels under development were recorded along with other sales, resulting in significant net sales growth.

The "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020), etc. have been applied from the beginning of the three months ended June 30, 2021, but this change has no impact on profit and loss for the nine months ended December 31, 2021.

## (2) Explanation of Financial Position

With regard to the financial position as of December 31, 2021, total assets were ¥34,484,061,000, liabilities were ¥24,974,014,000 and net assets were ¥9,510,046,000.

Total assets increased by ¥8,729,122,000 compared to the end of the previous fiscal year. This was mainly due to an increase in real estate for sale and goodwill as a result of the newly consolidated Silent Partnership Ryozen.

Liabilities increased by ¥7,847,641,000 compared to the end of the previous fiscal year. This was mainly due to an increase in current portion of non-recourse long-term borrowings as a result of the newly consolidated Silent Partnership Ryozen.

Net assets increased by ¥881,480,000 compared to the end of the previous fiscal year. This was mainly due to the increase in retained earnings due to the recording of profit attributable to owners of parent exceeding dividends paid and the decrease in non-controlling interests.

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

There are no changes to the consolidated earnings forecasts announced on January 11, 2022 in the "Notice of Revisions to the Earnings Forecast for the Fiscal Year Ending March 31, 2022 (Japanese only)."

## 2. Quarterly Consolidated Financial Statements and Notes

### (1) Quarterly Consolidated Balance Sheet

(Thousands of yen)

	As of March 31, 2021	As of December 31, 2021
<b>Assets</b>		
Current assets		
Cash and deposits	2,159,660	3,555,858
Accounts receivable - trade	278,116	285,038
Real estate for sale	19,397,919	26,279,263
Income taxes receivable	602,540	173,188
Other	1,172,605	763,610
Allowance for doubtful accounts	(482)	—
Total current assets	23,610,359	31,056,959
Non-current assets		
Property, plant and equipment		
Buildings	32,275	36,885
Accumulated depreciation	(21,667)	(23,125)
Buildings, net	10,607	13,759
Tools, furniture and fixtures	123,668	127,585
Accumulated depreciation	(36,965)	(48,438)
Tools, furniture and fixtures, net	86,702	79,147
Total property, plant and equipment	97,310	92,907
Intangible assets		
Goodwill	—	1,727,576
Other	27,411	39,745
Total intangible assets	27,411	1,767,322
Investments and other assets		
Investment securities	1,769,387	1,251,489
Deferred tax assets	75,487	135,744
Other	174,981	179,637
Total investments and other assets	2,019,856	1,566,871
Total non-current assets	2,144,579	3,427,101
<b>Total assets</b>	<b>25,754,938</b>	<b>34,484,061</b>

(Thousands of yen)

	As of March 31, 2021	As of December 31, 2021
<b>Liabilities</b>		
Current liabilities		
Accounts payable - trade	11,076	64,255
Short-term borrowings	624,000	1,030,342
Current portion of long-term borrowings	408,676	110,026
Current portion of non-recourse long-term borrowings	80,000	5,880,000
Income taxes payable	65,151	448,800
Provision for bonuses	32,548	18,495
Provision for share-based remuneration	—	225,000
Provision for shareholder benefit program	24,000	22,000
Other	462,026	1,097,504
Total current liabilities	1,707,478	8,896,424
Non-current liabilities		
Long-term borrowings	3,883,909	4,465,548
Non-recourse long-term borrowings	11,192,055	11,033,606
Deferred tax liabilities	—	265,445
Other	342,929	312,989
Total non-current liabilities	15,418,894	16,077,589
Total liabilities	17,126,373	24,974,014
<b>Net assets</b>		
Shareholders' equity		
Share capital	987,243	987,243
Capital surplus	419,176	410,710
Retained earnings	6,185,289	8,112,819
Treasury shares	(623)	(726)
Total shareholders' equity	7,591,086	9,510,046
Non-controlling interests	1,037,479	—
Total net assets	8,628,565	9,510,046
<b>Total liabilities and net assets</b>	<b>25,754,938</b>	<b>34,484,061</b>



(2) Quarterly Consolidated Statement of Income and Quarterly Consolidated Statement of Comprehensive Income  
(Quarterly Consolidated Statement of Income)  
(Nine months ended December 31, 2021)

(Thousands of yen)

	Nine months ended December 31, 2020 (April 1, 2020 to December 31, 2020)	Nine months ended December 31, 2021 (April 1, 2021 to December 31, 2021)
Net sales	4,353,196	16,476,529
Cost of sales	3,843,644	10,439,842
Gross profit	509,551	6,036,686
Selling, general and administrative expenses	1,018,367	2,079,603
Operating profit (loss)	(508,815)	3,957,082
Non-operating income		
Interest income	15	9
Subsidies for employment adjustment	63,044	87,907
Subsidy income	8,000	47,104
Other	6,027	14,718
Total non-operating income	77,087	149,740
Non-operating expenses		
Interest expenses	229,254	373,116
Commission expenses	891	14,005
Share of loss of entities accounted for using equity method	—	874
Other	151	712
Total non-operating expenses	230,298	388,708
Ordinary profit (loss)	(662,026)	3,718,114
Extraordinary income		
Gain on step acquisitions	—	*1 543,176
Total extraordinary income	—	543,176
Extraordinary losses		
Losses related to COVID-19	*2 133,507	*2 246,768
Impairment losses	—	*3 545,416
Loss on retirement of non-current assets	—	5,104
Loss on step acquisitions	—	1,258
Total extraordinary losses	133,507	798,548
Profit (loss) before income taxes	(795,533)	3,462,742
Income taxes - current	63,925	1,505,134
Income taxes - deferred	(408,003)	(155,311)
Total income taxes	(344,077)	1,349,822
Net income (loss)	(451,455)	2,112,920
Profit attributable to non-controlling interests	21,605	14,876
Net income (loss) attributable to owners of parent	(473,061)	2,098,043

(Quarterly Consolidated Statement of Comprehensive Income)  
(Nine months ended December 31, 2021)

(Thousands of yen)

	Nine months ended December 31, 2020 (April 1, 2020 to December 31, 2020)	Nine months ended December 31, 2021 (April 1, 2021 to December 31, 2021)
Net income (loss)	(451,455)	2,112,920
Comprehensive income	(451,455)	2,112,920
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(473,061)	2,098,043
Comprehensive income attributable to non-controlling interests	21,605	14,876

(3) Notes to Quarterly Consolidated Financial Statements

(Notes on Going Concern Assumption)

Not applicable.

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

(1) Significant changes in scope of consolidation

From the three months ended June 30, 2021, Silent Partnership Myoho, which had been an equity method affiliate, has been included in the scope of consolidation as a result of additional acquisition of investments in capital.

Because the investment in Silent Partnership Myoho was redeemed in the six months ended September 30, 2021, it was excluded from the scope of consolidation. Silent Partnership Ryozen, which had been an equity method affiliate, has been included in the scope of consolidation as a result of additional acquisition of investments in capital.

(2) Significant changes in the scope of application of the equity method

From the three months ended June 30, 2021, NISEKO INVESTMENT SINGAPORE PTE. LTD. has been included in the scope of application of the equity method as a result of new investment.

(Quarterly Consolidated Statement of Income)

\*1 Gain on step acquisitions

This occurred as a result of the additional acquisition of investments in capital of Silent Partnership Ryozen, which was an equity method affiliate, becoming a consolidated subsidiary.

\*2 Losses related to COVID-19

Losses include fixed costs incurred during the temporary closure of some hotels to prevent the spread of COVID-19.

\*3 Impairment losses

(1) Assets for which an impairment loss was recognized

Type	Amount
Goodwill	534,762 thousand yen
Intangible assets and other	10,447 thousand yen
Tools, furniture and fixtures	205 thousand yen
Total	545,416 thousand yen

(2) Background leading to the recognition of impairment losses

Goodwill was recorded based on the assumption of excess earning capacity when the Company acquired additional investments in capital of Silent Partnership Ryozen in September 2021, making it a wholly owned subsidiary. However, after careful consideration of future earnings prospects and recoverability, a portion of the goodwill was reduced to the recoverable value, and the amount of the decrease was recorded as an impairment loss.

As a result of the resolution at the meeting of the Board of Directors held on December 28, 2021 to rebrand Kyoto Yura Hotel and Kyoto Yura Hotel Nijo Jo Bettei from Accor Hotels to the Banyan Tree Group brand, software (intangible assets and others) and equipment that are not expected to be used have been reduced to the recoverable value, and the amount of the decrease was recorded as an impairment loss.

(3) Asset grouping method

In principle, the Group groups its assets by taking into consideration the management accounting categories in which income and expenditure are continuously monitored.

(Notes on Significant Changes in Shareholders' Equity)

Not applicable.

(Changes in Accounting Policies)

(Application of the Accounting Standard for Revenue Recognition, etc.)

The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020; below "Accounting Standard for Revenue Recognition"), etc. from the beginning of the three months ended June 30, 2021, and recognize revenue when control of promised goods or services is transferred to the customer in the amount expected to be received in exchange for those goods or services.

For the application of the Accounting Standard for Revenue Recognition, etc., the Company has followed the transitional treatment prescribed in the proviso of Paragraph 84 of the Accounting Standard for Revenue Recognition, and the cumulative effect of retroactively applying the new accounting policy prior to the beginning of the three months ended June 30, 2021 has been added to or deducted from retained earnings at the beginning of the three months ended June 30, 2021, and the new accounting policy has been applied from the relevant beginning balance.

As a result, there is no effect on balance of retained earnings at the beginning of the fiscal period. There is also no impact on profit and loss for the nine months ended December 31, 2021. In addition, in accordance with the transitional treatment prescribed in Paragraph 28-15 of the "Accounting Standard for Quarterly Financial Reporting" (ASBJ Statement No. 12, March 31, 2020), the Company has not presented information on revenue from contracts with customers broken down for the nine months ended December 31, 2020.

(Application of the Accounting Standard for Fair Value Measurement, etc.)

The Company has applied the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019; below "Accounting Standard for Fair Value Measurement"), etc. from the beginning of the three months ended June 30, 2021, and in accordance with the transitional treatment set forth in Paragraph 19 of the Accounting Standard for Fair Value Measurement and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019), the new accounting policy set forth by the Accounting Standard for Fair Value Measurement, etc. will be applied in the future. There is no impact on the quarterly consolidated financial statements.

## (Segment Information, etc.)

## Segment Information

## I. 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 (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	3,949,712	403,483	4,353,196	4,353,196	—	4,353,196
Internal net 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) adjustments 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 negative ¥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).

## II. Nine months ended December 31, 2021 (April 1, 2021 to December 31, 2021)

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

(Thousands of yen)

	Reportable segment			Total	Adjustments (Note) 1	Amount in quarterly consolidated statement of income (Note) 2
	Real estate securitization business	Hotel management business	Total			
Net sales						
Goods and services transferred at a point in time	40,000	1,093,164	1,133,164	1,133,164	—	1,133,164
Goods and services transferred over a fixed period of time	228,868	—	228,868	228,868	—	228,868
Revenue from contracts with customers	268,868	1,093,164	1,362,033	1,362,033	—	1,362,033
Other revenue	15,109,287	5,208	15,114,496	15,114,496	—	15,114,496
Net sales to external clients	15,378,156	1,098,372	16,476,529	16,476,529	—	16,476,529
Internal net sales and transfers between segments	—	1,156,267	1,156,267	1,156,267	(1,156,267)	—
Total	15,378,156	2,254,640	17,632,796	17,632,796	(1,156,267)	16,476,529
Segment profit	3,938,220	504,844	4,443,064	4,443,064	(485,981)	3,957,082

(Notes) 1. The negative ¥485,981,000 of segment profit adjustments includes a net amount of negative ¥498,221,000 of corporate revenues and expenses not allocated to each reportable segment, 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.

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).

2. Information on assets for each reportable segment

Assets in the real estate securitization business segment increased by 8,021,854,000 yen from the end of the fiscal year ended March 31, 2021. This was mainly due to the acquisition of an additional investments in capital of Silent Partnership Ryozen, making it a consolidated subsidiary from an equity-method affiliate.

3. Information on impairment loss on non-current assets and goodwill, etc. for each reportable segment  
(Significant changes in the amount of goodwill)

During the six months ended September 30, 2021, as a result of additional acquisition of investments in capital of Silent Partnership Ryozen, making it a consolidated subsidiary from an equity-method affiliate, goodwill of ¥2,353,264,000 was recorded in the real estate securitization business segment. However, an impairment loss of ¥534,762,000 was recorded due to the write-down of a portion of goodwill to its recoverable amount.

Goodwill was recorded in the real estate securitization business segment due to the additional acquisition of investments in capital of Silent Partnership Myoho. However, the entire amount was written off as the investment was redeemed and excluded from the scope of consolidation during the six months ended September 30, 2021.

As a result of the above, goodwill increased by ¥1,727,576,000 in the real estate securitization business segment during the nine months ended December 31, 2021.

4. Information on changes in reportable segments, etc.

As described in "Changes in Accounting Policies," the Company has applied the Accounting Standard for Revenue Recognition, etc. from the beginning of the three months ended June 30, 2021 and changed the accounting method for revenue recognition, so the measurement method for profit or loss in the business segment has been changed as well. As a result, there is no impact on profit and loss for the nine months ended December 31, 2021.