

Summary of Consolidated Financial Results for Fiscal Year Ended March 31, 2019 (Japanese GAAP)



May 13, 2019

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Scheduled ordinary general meeting of shareholders: June 27, 2019 Start of cash dividend payments: June 28, 2019
Securities report to be submitted: June 28, 2019
Supplementary materials: None
Financial results conference: Not scheduled

(Figures rounded down to nearest million yen)

1. Consolidated Results through the Fiscal Year Ended (FYE) March 31, 2019 (April 1, 2018 to March 31, 2019)

(1) Consolidated Operating Results

(%: change from the same period of the previous year)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
FYE March 31, 2019	3,047	(33.8)	745	(54.8)	956	(38.3)	2,682	124.9
FYE March 31, 2018	4,601	160.3	1,647	552.1	1,549	41.7	1,192	20.3

Note: Comprehensive income

FYE March 31, 2019: ¥3,457 million (189.8%) FYE March 31, 2018: ¥1,193 million (20.2%)

	Earnings per share	Diluted earnings per share	Return on equity	Ordinary profit/total assets	Operating profit/net sales
	Yen	Yen	%	%	%
FYE March 31, 2019	324.33	—	53.2	8.2	24.5
FYE March 31, 2018	144.21	—	37.7	12.9	35.8

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

FYE March 31, 2019: ¥237 million FYE March 31, 2018: ¥2 million

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	Net assets per share
	Millions of yen	Millions of yen	%	Yen
FYE March 31, 2019	11,338	7,246	55.9	766.69
FYE March 31, 2018	11,863	3,740	31.5	452.24

Reference: Equity capital FYE March 31, 2019: ¥6,341 million FYE March 31, 2018: ¥3,740 million

Note: The Company performed a 1:2 split of common shares on April 1, 2019. The figures for net assets per share have been calculated based on the assumption that the split was carried out at the start of the previous fiscal year.

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
FYE March 31, 2019	1,326	4,938	(5,187)	2,379
FYE March 31, 2018	1,629	840	(1,545)	1,302

2. Dividends

	Annual dividends per share					Total dividends paid (annual)	Payout ratio (Consolidated)	Dividends to net assets (consolidated)
	1Q	2Q	3Q	Fiscal year end	Total			
FYE March 31, 2018	—	0.00	—	20.00	20.00	82	6.9	2.6
FYE March 31, 2019	—	0.00	—	40.00	40.00	165	6.1	3.0
FYE March 31, 2020 (projection)	—	—	—	—	—	—	—	—

Note 1: Breakdown of Annual dividends at FYE March 31, 2018: Ordinary dividends: ¥10.00; Special dividends: ¥10.00

Note 2: 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, 2018 and FYE March 31, 2019.

Note 3: 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		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
FYE March 31, 2020	9,000	195.4	2,800	275.8	3,000	213.8	2,000	(25.4)	241.78

Note: Net sales include the forecasts indicated in the news release entitled "New Medium-term Management Plan 'Medium-term Management Plan 2022'" dated April 11, 2019. However, a 195.4% year-on-year increase in revenue to ¥9,000 million is expected due to factors such as:

- increased revenue through efforts to shift toward an asset recycling business aimed at J-REIT establishment in the real estate securitization business; and
- full-year contribution of hotels developed and acquired during the previous fiscal year or later in the hotel management business.

Although expenses related to preparation of the commencement of operations are expected to increase in the hotel management business, operating profit is expected to increase by 275.8% year-on-year to ¥2,800 million and ordinary profit is expected to increase by 213.8% to ¥3,000 million due to the significant contribution made by the increase in revenue in the real estate securitization business.

Profit attributable to owners of parent is expected to decrease by 25.4% year-on-year to ¥2,000 million, but when the effect of ¥638 million in negative goodwill posted due to accounting related to two hotels acquired in Higashiyama-ku, Kyoto during the previous fiscal year is excluded, profit attributable to owners of parent is expected to be at the same level as the previous fiscal year.

* Notes

- (1) Significant changes in subsidiaries during the fiscal year under review (changes in specific subsidiaries associated with changes in the scope of consolidation): Yes

New companies: 1 Mimitsu Co., Ltd.

Exclusions: —

- (2) Changes of accounting policies, changes of accounting estimates and retrospective restatements

(i) Changes in accounting policies resulting from changes in accounting standards, etc.: None

(ii) Changes in accounting policies other than those in (i): None

(iii) Changes in accounting estimates: None

(iv) Restatements: None

- (3) Number of shares outstanding (common shares)

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

As of March 31, 2019	8,272,200 shares	As of March 31, 2018	8,272,200 shares
As of March 31, 2019	332 shares	As of March 31, 2018	282 shares
FYE March 31, 2019	8,271,868 shares	FYE March 31, 2018	8,272,032 shares

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

(iii) Average number of shares during the period

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) have been calculated based on the assumption that the split was carried out at the start of the previous fiscal year.

(Reference) Overview of Non-Consolidated Financial Results

Non-Consolidated Results through the Fiscal Year Ended (FYE) March 31, 2019 (April 1, 2018 to March 31, 2019)

(1) Non-Consolidated Operating Results

(%: change from the same period of the previous year)

	Operating revenue		Operating profit		Ordinary profit		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
FYE March 31, 2019	3,238	17.0	2,724	117.5	2,711	126.8	1,892	94.2
FYE March 31, 2018	2,767	716.5	1,252	—	1,195	—	974	—

	Earnings per share		Diluted earnings per share	
	Yen	Yen	Yen	Yen
FYE March 31, 2019	228.76	—	—	—
FYE March 31, 2018	117.77	—	—	—

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) Non-Consolidated Financial Position

	Total assets		Net assets		Equity ratio		Net assets per share	
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	%	Yen	Yen	
FYE March 31, 2019	6,045	4,149	4,149	68.6	68.6	501.60	501.60	
FYE March 31, 2018	3,575	2,339	2,339	65.4	65.4	282.83	282.83	

Reference: Equity capital FYE March 31, 2019: ¥4,149 million FYE March 31, 2018: ¥2,339 million

Note: The Company performed a 1:2 split of common shares on April 1, 2019. The figures for net assets per share have been calculated based on the assumption that the split was carried out at the start of the previous fiscal year.

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

* Explanations and other notes concerning the appropriate use of earnings 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 to be 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) Forecasts	4
(4) Basic Policy on Profit Distribution and Dividends for the Current and Next Fiscal Year	4
2. Basic Approach on Selection of Accounting Standards	5
3. Consolidated Financial Statements and Notes	6
(1) Consolidated Balance Sheet	6
(2) Consolidated Statement of Income and Consolidated Statement of Comprehensive Income	8
Consolidated Statement of Income	8
Consolidated Statement of Comprehensive Income	9
(3) Consolidated Statement of Changes in Equity	10
(4) Consolidated Statement of Cash Flows	12
(5) Notes to Consolidated Financial Statements	13
(Notes on Going Concern Assumption)	13
(Significant Matters Forming the Basis for Preparation of the Consolidated Financial Statements)	13
(Additional Information)	14
(Segment Information, etc.)	14
(Per Share Information)	18
(Significant Subsequent Events)	18

1. Overview of Business Results, etc.

(1) Overview of Business Results

During the fiscal year under review (April 1, 2018 to March 31, 2019), the Japanese economy underwent a moderate recovery with signs of improvement in corporate earnings and the employment environment backed by the government's economic and monetary policies. Meanwhile, the future remains unclear due to uncertainty in overseas economies and concerns about fluctuations in financial and capital markets.

In the real estate market, motivation to invest in Japan continues due to the negative interest rate policy of the Bank of Japan. In the hotel industry, although there were some indications of overheating due to intensification of the competitive environment due to new operations and the expansion of vacation rental business operators, foreign visitors to Japan are expected to further increase ahead of the 2020 Olympic and Paralympic Games, and Expo 2025 in Osaka, with demand for accommodation expected to continue to rise.

In such a business environment, in order to capture medium- to long-term accommodation demand and expand its revenue base, the Group:

- 1) acquired two hotel companies operating in Higashiyama-ku, Kyoto through joint investment schemes with external investors and entered into asset management agreements with the special purpose companies making the joint investments;
- 2) opened Ibis Osaka Umeda in Kita-ku, Osaka and began operations in November 1, 2018 under Hotel W Management, Inc. (HWM), which is a wholly-owned subsidiary of the Company;
- 3) was able to post revenue during the current fiscal year due to making an early exit in December 2018 concerning an office building in Umeda, Osaka for which joint investment with external investors was being considered; and
- 4) formed a bridging funds during the current fiscal year to prepare for future J-REIT listing with Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. as a financial advisor, and posted revenue during the current fiscal year associated with each of the bridging funds making acquisitions with the first being Ibis Osaka Umeda operated by HWM in February 2019 and the second being Ibis Styles Osaka Namba operated by HWM in March 2019.

Efforts such as these made significant contributions to revenue during the current fiscal year, and results are expected to remain strong next fiscal year such as the commencement of operations of Kyoto Yura Hotel MGallery, which HWM had been preparing for, in Higashiyama-ku, Kyoto on April 26, 2019.

As a result, during the fiscal year under review, net sales were ¥3,047,914,000 (down 33.8% year-on-year), operating profit was ¥745,433,000 (down 54.8% year-on-year), ordinary profit was ¥956,549,000 (down 38.3% year-on-year) and profit attributable to owners of parent was ¥2,682,827,000 (up 124.9% year-on-year).

By segment, net sales were ¥1,645,838,000 (down 52.2% year-on-year) and operating profit was ¥1,053,168,000 (down 35.4% year-on-year) in the real estate securitization business, and net sales were ¥1,932,183,000 (up 9.3% year-on-year) and operating loss was ¥79,018,000 (operating profit of ¥103,474,000 in the previous fiscal year) in the hotel management business. Transactions between segments have not been eliminated.

The net sales by segment were as follows.

Segment	Previous fiscal year (April 1, 2017 to March 31, 2018)		Current fiscal year (April 1, 2018 to March 31, 2019)	
	Amount (thousands of yen)	Percentage of total (%)	Amount (thousands of yen)	Percentage of total (%)
Real estate securitization business	3,440,613	66.1	1,645,838	46.0
Hotel management business	1,768,154	33.9	1,932,183	54.0
Total	5,208,767	100.0	3,578,022	100.0

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

2. Transactions between segments have not been eliminated.

51% of the quasi-co-owned holding of beneficial interests in real estate trust pertaining to Ibis Styles Osaka Namba being operated by HWM has been transferred externally as the second bridging fund in March 2019, but because the hotel is a core asset of the hotel management business that is the Company's core business, the Company considered posting the ¥3,178,996,000 gain on the transfer as net sales in the real estate securitization business. However, as a result of consideration, it was decided that although this will be posted as net sales on the non-consolidated financial statements, it will be posted as extraordinary income rather than net sales on the consolidated financial statements because it is the sale of a non-current asset.

(2) Overview of Financial Position

(i) Assets, Liabilities and Net Assets

With regard to the financial position at the end of the current fiscal year, total assets were ¥11,338,864,000, liabilities were ¥4,092,320,000 and net assets were ¥7,246,544,000.

Total assets decreased by ¥524,673,000 compared to the end of the previous fiscal year. This was mainly attributable to increases in real estate for sale with the acquisition of land for hotel development in Nakagyo-ku, Kyoto by the Company's wholly-owned subsidiary Godo Kaisha Nijo and increases in investment securities due to the acquisition of investment stakes in a silent partnership operated by Godo Kaisha Ryozen and a silent partnership operated by Godo Kaisha Myoho, which partially offset decreases in buildings and land resulting from the sale of part of the co-owned holding of beneficial interests in real estate trust with Ibis Styles Osaka Namba as the underlying asset, which were held by Godo Kaisha Metro.

Liabilities decreased by ¥4,030,284,000 compared to the end of the previous fiscal year. This was mainly attributable to increases due to short-term borrowings borrowed from financial institutions by Godo Kaisha Nijo to acquire land for hotel development, which partially offset decreases due to repayment of long-term borrowings borrowed from financial institutions by Godo Kaisha Metro.

Net assets increased by ¥3,505,610,000 compared to the end of the previous fiscal year. This was mainly attributable to the posting of ¥2,682,827,000 in profit attributable to owners of parent, posting of ¥904,571,000 in non-controlling interests and payment of ¥82,719,000 in dividends.

(ii) Cash Flows

Cash and cash equivalents (net cash) at the end of the current fiscal year increased by ¥1,076,786,000 from the end of the previous fiscal year to ¥2,379,364,000.

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

(Cash flows from operating activities)

Net cash provided by operating activities at the end of the current fiscal year was ¥1,326,295,000 (¥1,629,592,000 provided at the end of the previous fiscal year). This was mainly due to the posting of ¥4,427,801,000 in profit before income taxes and negative ¥3,178,699,000 in gain on sales of non-current assets.

(Cash flows from investing activities)

Net cash provided by investing activities at the end of the current fiscal year was ¥4,938,173,000 (¥840,668,000 provided at the end of the previous fiscal year). This was mainly due to posting ¥7,497,000,000 in revenue for the sale of part of the co-owned holding of beneficial interests in real estate trust with Ibis Styles Osaka Namba as the underlying asset, which were held by Godo Kaisha Metro, which was partially offset by negative ¥1,886,770 in purchase of property, plant and equipment, and negative ¥1,231,100 for the acquisition of investment stakes in a silent partnerships operated by Godo Kaisha Ryozen and Godo Kaisha Myoho.

(Cash flows from financing activities)

Net cash used in financing activities at the end of the current fiscal year was ¥5,187,682,000 (¥1,545,352,000 used at the end of the previous fiscal year). This was mainly due to ¥2,800,000,000 in proceeds from short-term borrowings, which partially offset repayments of 1,000,000,000 yen in short-term borrowings and ¥7,399,164,000 in long-term borrowings to financial institutions.

(Reference) Indicators Related to Cash Flows

	FYE March 31, 2015	FYE March 31, 2016	FYE March 31, 2017	FYE March 31, 2018	FYE March 31, 2019
Equity ratio (%)	52.4	69.6	21.2	31.5	55.9
Equity ratio based on market price (%)	130.2	138.2	59.3	59.3	97.0
Interest bearing debt on cash flow (%)	—	104.9	1,182.5	455.8	155.5
Interest coverage ratio (multiple)	—	11.7	15.1	20.1	15.1

Equity ratio: Equity / total assets

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

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

Interest coverage ratio: Cash flow / interest payments

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

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

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

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

(Note 5) The interest bearing debt on cash flow for the fiscal year ended March 31, 2015 is not shown because cash flow from operating activities was negative in that year.

(Note 6) The interest coverage ratio for the fiscal year ended March 31, 2015 is not shown despite interest payments being made because cash flow from operating activities was negative in that year.

(3) Forecasts

Although the Japanese economy is anticipated to continue a moderate recovery, uncertainty about the real estate market cannot be dispelled due to factors such as increasing concerns about trade disputes arising from the protectionist policies of the Trump administration in the United States and the fluid situation in North Korea.

In the real estate securitization business, we will expand assets in trust, seek real estate advisory commission income by increasing the number of consulting and advisory arrangements and focus on making properties under development profitable.

In the hotel management business, we will focus on strengthening the earning capability of hotels currently in operation and preparation aimed at smooth commencement of business of hotels due to open this fiscal year.

The consolidated results forecast for the fiscal year ending March 31, 2020.

(Millions of yen; figures rounded down to nearest million yen)

	FYE March 31, 2019	FYE March 31, 2020	Change	Change (%)
Net sales	3,047	9,000	5,953	195.4%
Operating profit	745	2,800	2,055	275.8%
Ordinary profit	956	3,000	2,044	213.8%
Profit attributable to owners of parent	2,682	2,000	(682)	(25.4%)

Net sales include the forecasts indicated in the news release entitled "New Medium-term Management Plan 'Medium-term Management Plan 2022'" dated April 11, 2019. However a 195.4% year-on-year increase in revenue to ¥9,000 million is expected due to factors such as:

- increased revenue through efforts to shift toward an asset cycle business aimed at J-REIT establishment in the real estate securitization business; and
- full-year contribution of hotels developed and acquired during the previous fiscal year or later in the hotel management business.

Although expenses related to preparation of the commencement of operations are expected to increase in the hotel management business, operating profit is expected to increase by 275.8% year-on-year to ¥2,800 million and ordinary profit is expected to increase by 213.8% to ¥3,000 million due to the significant contribution made by the increase in revenue in the real estate securitization business.

Profit attributable to owners of parent is expected to decrease by 25.4% year-on-year to ¥2,000 million, but when the effect of ¥638 million in negative goodwill posted due to accounting related to two hotels acquired in Higashiyama-ku, Kyoto during the previous fiscal year is excluded, profit attributable to owners of parent is expected to be at the same level as the previous fiscal year.

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

The Company positioned returning profit to shareholders as one of its most important issues. Dividends are determined based on comprehensive consideration of internal reserves required for establishing a long-term stable management base, the business environment, trends in results, financial standing and capital efficiency.

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

This fiscal year, 51% of the Company's co-owned holding of beneficial interests in real estate trust pertaining to Ibis Styles Osaka Namba were transferred externally through the special purpose company Godo Kaisha Metro in which the Company has invested, and the profit attributable to owners of parent significantly exceeded the results for the year ended March 31, 2018 due to the impact of this transfer on the Company's consolidated results. Consequentially, the Company decided to pay a year-end dividend of ¥40.00 per share with a record date of March 31, 2019 for the purpose of providing returns to shareholders. This is an increase of ¥20.00 from the ¥20.00 per share in the previous fiscal year.

The dividend forecast for the fiscal year ending March 31, 2020 is yet to be determined because it is necessary to determine it based on comprehensive consideration of factors such as the achievement of budget targets and the state of cash flows.

2. Basic Approach on Selection of Accounting Standards

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

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

3. Consolidated Financial Statements and Notes

(1) Consolidated Balance Sheet

(Thousands of yen)

	Previous fiscal year (March 31, 2018)	Current fiscal year (March 31, 2019)
Assets		
Current assets		
Cash and deposits	1,468,436	2,724,461
Accounts receivable - trade	164,088	247,105
Real estate for sale	—	5,743,884
Income taxes receivable	237,820	6,136
Other	374,993	155,177
Total current assets	2,245,338	8,876,764
Non-current assets		
Property, plant and equipment		
Buildings	1,672,893	31,564
Accumulated depreciation	(144,526)	(19,093)
Buildings, net	1,528,367	12,470
Tools, furniture and fixtures	72,233	107,908
Accumulated depreciation	(29,663)	(37,544)
Tools, furniture and fixtures, net	42,570	70,363
Land	6,672,068	—
Total property, plant and equipment	8,243,006	82,834
Intangible assets		
Goodwill	206,628	167,270
Other	6,154	17,973
Total intangible assets	212,783	185,244
Investments and other assets		
Investment securities	1,022,864	2,033,924
Deferred tax assets	43,277	88,622
Other	96,267	71,474
Total investments and other assets	1,162,410	2,194,021
Total non-current assets	9,618,199	2,462,100
Total assets	11,863,538	11,338,864

(Thousands of yen)

	Previous fiscal year (March 31, 2018)	Current fiscal year (March 31, 2019)
Liabilities		
Current liabilities		
Accounts payable - trade	5,048	20,931
Short-term borrowings	—	1,800,000
Current portion of long-term borrowings	86,664	91,656
Income taxes payable	90,310	968,479
Provision for bonuses	14,826	23,858
Provision for share-based remuneration	—	69,066
Other	516,027	667,745
Total current liabilities	712,877	3,641,736
Non-current liabilities		
Long-term borrowings	7,327,088	122,932
Other	82,639	327,651
Total non-current liabilities	7,409,727	450,583
Total liabilities	8,122,604	4,092,320
Net assets		
Shareholders' equity		
Share capital	880,010	880,010
Capital surplus	311,943	311,943
Retained earnings	2,550,026	5,150,135
Treasury shares	(265)	(311)
Total shareholders' equity	3,741,715	6,341,777
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(977)	—
Foreign currency translation adjustment	195	195
Total accumulated other comprehensive income	(781)	195
Non-controlling interests	—	904,571
Total net assets	3,740,933	7,246,544
Total liabilities and net assets	11,863,538	11,338,864

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

(Thousands of yen)

	Previous fiscal year (April 1, 2017 to March 31, 2018)	Current fiscal year (April 1, 2018 to March 31, 2019)
Net sales	4,601,952	3,047,914
Cost of sales	1,207,285	1,412,123
Gross profit	3,394,667	1,635,791
Selling, general and administrative expenses	1,747,128	890,357
Operating profit	1,647,539	745,433
Non-operating income		
Interest income	390	1,658
Share of profit of entities accounted for using equity method	2,348	237,328
Refunded consumption taxes	2,456	—
Interest on tax refund	1,343	—
Subsidy income	—	61,105
Other	1,062	1,830
Total non-operating income	7,600	301,922
Non-operating expenses		
Interest expenses	79,901	77,626
Commission expenses	25,642	10,500
Other	209	2,679
Total non-operating expenses	105,752	90,806
Ordinary profit	1,549,387	956,549
Extraordinary income		
Gain on sales of non-current assets	—	3,178,996
Gain on bargain purchase	—	292,255
Total extraordinary income	—	3,471,252
Extraordinary losses		
Loss on retirement of non-current assets	1,102	—
Total extraordinary losses	1,102	—
Profit before income taxes	1,548,284	4,427,801
Income taxes - current	321,446	1,016,938
Income taxes - deferred	33,770	(45,861)
Total income taxes	355,217	971,077
Profit	1,193,066	3,456,724
Profit attributable to non-controlling interests	124	773,896
Profit attributable to owners of parent	1,192,942	2,682,827

(Consolidated Statement of Comprehensive Income)

(Thousands of yen)

	Previous fiscal year (April 1, 2017 to March 31, 2018)	Current fiscal year (April 1, 2018 to March 31, 2019)
Profit	1,193,066	3,456,724
Other comprehensive income		
Valuation difference on available-for-sale securities	125	977
Total other comprehensive income	125	977
Comprehensive income	1,193,191	3,457,701
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,193,067	2,683,805
Comprehensive income attributable to non-controlling interests	124	773,896

(3) Consolidated Statement of Changes in Equity

Previous fiscal year (April 1, 2017 to March 31, 2018)

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	880,010	311,943	1,398,444	(76)	2,590,322
Changes in items during period					
Profit attributable to owners of parent			1,192,942		1,192,942
Dividends of surplus			(41,360)		(41,360)
Purchase of treasury shares				(188)	(188)
Net changes in items other than shareholders' equity	—	—	—	—	—
Total changes in items during period	—	—	1,151,581	(188)	1,151,393
Balance at end of period	880,010	311,943	2,550,026	(265)	3,741,715

	Accumulated other comprehensive income			Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at beginning of period	(1,102)	195	(906)	5,061	2,594,476
Changes in items during period					
Profit attributable to owners of parent					1,192,942
Dividends of surplus					(41,360)
Purchase of treasury shares					(188)
Net changes in items other than shareholders' equity	125	—	125	(5,061)	(4,936)
Total changes in items during period	125	—	125	(5,061)	1,146,456
Balance at end of period	(977)	195	(781)	—	3,740,933

Current fiscal year (April 1, 2018 to March 31, 2019)

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	880,010	311,943	2,550,026	(265)	3,741,715
Changes in items during period					
Profit attributable to owners of parent			2,682,827		2,682,827
Dividends of surplus			(82,719)		(82,719)
Purchase of treasury shares				(46)	(46)
Net changes in items other than shareholders' equity	—	—	—	—	—
Total changes in items during period	—	—	2,600,108	(46)	2,600,062
Balance at end of period	880,010	311,943	5,150,135	(311)	6,341,777

	Accumulated other comprehensive income			Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at beginning of period	(977)	195	(781)	—	3,740,933
Changes in items during period					
Profit attributable to owners of parent					2,682,827
Dividends of surplus					(82,719)
Purchase of treasury shares					(46)
Net changes in items other than shareholders' equity	977	—	977	904,571	905,548
Total changes in items during period	977	—	977	904,571	3,505,610
Balance at end of period	—	195	195	904,571	7,246,544

(4) Consolidated Statement of Cash Flows

(Thousands of yen)

	Previous fiscal year (April 1, 2017 to March 31, 2018)	Current fiscal year (April 1, 2018 to March 31, 2019)
Cash flows from operating activities		
Profit before income taxes	1,548,284	4,427,801
Depreciation	85,751	95,204
Amortization of goodwill	39,357	39,357
Increase (decrease) in provision for bonuses	(6,166)	7,587
Increase (decrease) in provision for share-based remuneration	—	69,066
Gain on bargain purchase	—	(292,255)
Interest income	(390)	(1,658)
Interest expenses	79,901	77,626
Share of loss (profit) of entities accounted for using equity method	(2,348)	(237,328)
Loss on retirement of non-current assets	1,102	—
Loss (gain) on sales of non-current assets	—	(3,178,699)
Decrease (increase) in deposits in trust	(326)	(179,238)
Decrease (increase) in trade receivables	(68,813)	(72,144)
Decrease (increase) in consumption taxes refund receivable	49,135	78,762
Decrease (increase) in other assets	69,548	178,511
Increase (decrease) in trade payables	(274)	12,496
Increase (decrease) in other liabilities	(99,956)	(36,190)
Other	31,748	243,137
Subtotal	1,726,556	1,232,037
Interest and dividends received	239	1,724
Interest paid	(80,985)	(88,012)
Income taxes paid	(493,231)	(171,543)
Income taxes refund	477,013	352,089
Net cash provided by (used in) operating activities	1,629,592	1,326,295
Cash flows from investing activities		
Purchase of property, plant and equipment	(29,272)	(1,886,770)
Purchase of intangible assets	(1,031)	(14,747)
Proceeds from sales of property, plant and equipment	—	7,497,000
Proceeds from liquidation of investment securities	881,539	—
Purchase of investment securities	(5,000)	(1,231,100)
Proceeds from sales of investment securities	—	271,100
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	—	316,526
Other payments	(5,567)	(13,834)
Net cash provided by (used in) investing activities	840,668	4,938,173
Cash flows from financing activities		
Proceeds from short-term borrowings	—	2,800,000
Repayments of short-term borrowings	(1,446,000)	(1,000,000)
Proceeds from long-term borrowings	35,000	200,000
Repayments of long-term borrowings	(83,748)	(7,399,164)
Proceeds from share issuance to non-controlling shareholders	—	300,000
Repayments to non-controlling shareholders	(5,000)	—
Dividends paid	(41,437)	(82,476)
Other	(4,167)	(6,042)
Net cash provided by (used in) financing activities	(1,545,352)	(5,187,682)
Net increase (decrease) in cash and cash equivalents	924,908	1,076,786
Cash and cash equivalents at beginning of period	377,670	1,302,578
Cash and cash equivalents at end of period	1,302,578	2,379,364

(5) Notes to Consolidated Financial Statements

(Notes on Going Concern Assumption)

Not applicable.

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

1. Matters related to the scope of consolidation

Number of consolidated subsidiaries: 5

Names of consolidated subsidiaries

Richesse Management, Inc.

Hotel W Management, Inc.

Silent Partnership Metro

Godo Kaisha Nijo

Mimatsu Co., Ltd. (Note)

(Note) All shares of Mimatsu Co., Ltd. were acquired on February 28, 2019, and the company was included in the scope of consolidation.

2. Matters related to application of the equity method

Number of affiliates to which the equity method applies: 4

Names of major companies, etc.

WEALTH PARTNERS SINGAPORE PTE LTD

Godo Kaisha Ryozen (Note)

Godo Kaisha Myoho (Note)

(Note) Investment stakes were acquired in a silent partnership operated by Godo Kaisha Ryozen and a silent partnership operated by Godo Kaisha Myoho in the current fiscal year, and these were included in the scope of application of the equity method.

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

The last day of the business years of consolidated subsidiaries is the same as the consolidated balance sheet date.

4. Matters related to accounting policies

(1) Valuation standards and valuation methods for significant assets

Securities

Available-for-sale securities

Those with market value

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

Those without market value

Cost method based on the moving average method

Inventories

Real estate for sale

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

(2) Depreciation methods for significant depreciable assets

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

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

Those acquired on March 31, 2007 or earlier

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

Those acquired on April 1, 2007 or later

Mainly the straight-line method

The main useful lives are as follows.

Buildings: 8-23 years

Furniture and fixtures: 2-15 years

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

(ii) Intangible assets (excluding leased assets)

The straight-line method is used.

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

(iii) Leased assets

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

(3) Accounting standards for significant provisions

Allowance for doubtful accounts

In order to provide for losses due to doubtful accounts, a provision is made for the estimated uncollectible amount accounted for based on historical rates for general accounts receivables and specific collectability for specific cases such as doubtful accounts receivable. An allowance for doubtful accounts was not recorded because there were no general accounts receivables that were uncollectible and there was no estimated uncollectible amount for specific cases such as doubtful accounts receivable during the current fiscal year.

Provision for bonuses

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

Provision for share-based remuneration

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

(4) Method of depreciation and depreciation period of goodwill

The straight-line method is used over ten years.

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

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

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

Accounting for investments in silent partnerships

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

Accounting for consumption taxes, etc.

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

Application of consolidated tax system

The consolidated tax system is applied.

(Segment Information, etc.)

Segment Information

1. Overview of reportable segments

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

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

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

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

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

Operating profit is shown as the profit of reportable segments.

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

3. Information on the amounts of net sales, profit or loss, assets, liabilities and other items for each reportable segment
Previous fiscal year (April 1, 2017 to March 31, 2018)

(Thousands of yen)

	Reportable segment			Total	Adjustments (Note) 1	Amount shown on Consolidated Financial Statements (Note) 2
	Real estate securitization business	Hotel management business	Total			
Net sales						
Net sales to external clients	2,833,798	1,768,154	4,601,952	4,601,952	—	4,601,952
Internal sales and transfers between segments	606,814	—	606,814	606,814	(606,814)	—
Total	3,440,613	1,768,154	5,208,767	5,208,767	(606,814)	4,601,952
Segment profit	1,629,665	103,474	1,733,139	1,733,139	(85,600)	1,647,539
Segment assets	11,423,785	637,949	12,061,735	12,061,735	(198,197)	11,863,538
Segment liabilities	8,672,309	545,650	9,217,960	9,217,960	(1,095,355)	8,122,604
Other items						
Depreciation	75,294	4,255	79,550	79,550	6,200	85,751
Amortization of goodwill	—	—	—	—	39,357	39,357
Share of profit of entities accounted for using equity method	2,348	—	2,348	2,348	—	2,348
Investments in entities accounted for using equity method	11,638	—	11,638	11,638	—	11,638
Increases in property, plant and equipment and intangible assets	2,963	6,859	9,822	9,822	34,275	44,097

(Notes) 1. The adjustments are as follows.

- (1) The negative ¥85,600,000 adjustment to segment profit includes negative ¥39,357,000 of amortization of goodwill not allocated to each reporting segment, the net amount of negative ¥62,562,000 in corporate revenues and expenses, and ¥16,320,000 in eliminations of transactions between segments.
 - (2) The negative ¥198,197,000 adjustment to segment assets is the cash, deposits and other assets of the Company.
 - (3) The negative ¥1,095,355,000 adjustment to segment liabilities is the accounts payable - other, and other liabilities of the Company.
2. Adjustments have been made to the operating profit shown on the Consolidated Statement of Income for segment profit.

Current fiscal year (April 1, 2018 to March 31, 2019)

(Thousands of yen)

	Reportable segment			Total	Adjustments (Note) 1	Amount shown on Consolidated Financial Statements (Note) 2
	Real estate securitization business	Hotel management business	Total			
Net sales						
Net sales to external clients	1,115,730	1,932,183	3,047,914	3,047,914	—	3,047,914
Internal sales and transfers between segments	530,107	—	530,107	530,107	(530,107)	—
Total	1,645,838	1,932,183	3,578,022	3,578,022	(530,107)	3,047,914
Segment profit or (loss)	1,053,168	(79,018)	974,149	974,149	(228,716)	745,433
Segment assets	12,965,865	1,216,136	14,182,001	14,182,001	(2,843,136)	11,338,864
Segment liabilities	6,782,573	881,526	7,664,100	7,664,100	(3,571,780)	4,092,320
Other items						
Depreciation	80,224	8,183	88,407	88,407	6,796	95,204
Amortization of goodwill	—	—	—	—	39,357	39,357
Share of profit of entities accounted for using equity method	237,328	—	237,328	237,328	—	237,328
Investments in entities accounted for using equity method	1,055,408	—	1,055,408	1,055,408	—	1,055,408
Increases in property, plant and equipment and intangible assets	1,884,694	56,106	1,940,800	1,940,800	427	1,941,227

(Notes) 1. The adjustments are as follows.

- (1) The negative ¥228,716,000 adjustment to segment profit or (loss) includes negative ¥39,357,000 of amortization of goodwill not allocated to each reporting segment, the net amount of negative ¥205,678,000 in corporate revenues and expenses, and ¥16,320,000 in eliminations of transactions between segments.
 - (2) The negative ¥2,843,136,000 adjustment to segment assets is the cash, deposits and other assets of the Company.
 - (3) The negative ¥3,571,780,000 adjustment to segment liabilities is the accounts payable - other, and other liabilities of the Company.
2. Adjustments have been made to the operating profit shown on the Consolidated Statement of Income for segment profit or (loss).

(Per Share Information)

Item	Previous fiscal year (April 1, 2017 to March 31, 2018)	Current fiscal year (April 1, 2018 to March 31, 2019)
Net assets per share	¥452.24	¥766.69
Earnings per share	¥144.21	¥324.33

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

2. The Company performed a 1:2 split of common shares on April 1, 2019. The figures for net assets per share and earnings per share have been calculated based on the assumption that the split was carried out at the start of the previous fiscal year.

3. The basis for calculation of earnings per share is as follows.

Item	Previous fiscal year (April 1, 2017 to March 31, 2018)	Current fiscal year (April 1, 2018 to March 31, 2019)
Earnings per share		
Profit attributable to owners of parent (thousands of yen)	1,192,942	2,682,827
Amount not attributable to common shareholders (thousands of yen)	—	—
Profit attributable to owners of parent pertaining to common shares (thousands of yen)	1,192,942	2,682,827
Average number of shares during fiscal year	8,272,032	8,271,868

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

Item	Previous fiscal year (April 1, 2017 to March 31, 2018)	Current fiscal year (April 1, 2018 to March 31, 2019)
Total net assets (thousands of yen)	3,740,933	7,246,544
Amount deducted from total net assets (thousands of yen)	—	904,571
[Non-controlling interests (thousands of yen)]	[—]	[904,571]
Net assets at end of fiscal year pertaining to common shares (thousands of yen)	3,740,933	6,341,972
Number of common shares at end of fiscal year used in calculation of net assets per share	8,271,918	8,271,868

(Significant Subsequent Events)

(Share split and partial amendment of the articles of incorporation associated with the share split)

A share split was carried out and a partial amendment was made to the articles of incorporation in association with the share split on April 1, 2019 pursuant to a resolution of the Board of Directors on February 28, 2019.

(1) Purpose of the share split

The purpose is to establish an environment facilitating investment and to increase the scope of potential investors by lowering the amount per investment unit and increasing the liquidity of shares.

(2) Partial amendment to the articles of incorporation

(i) Reason for the amendment

In association with the share split, the number of authorized shares under Article 6 of the Company's articles of incorporation will be amended on April 1, 2019 by resolution of the Board of Directors pursuant to the provision of Article 184, paragraph (2) of the Companies Act.

(ii) Details of the amendment

Current articles of incorporation	Amended articles of incorporation
(Total number of authorized shares) Article 6 The total number of authorized shares shall be <u>16,000,000</u> shares.	(Total number of authorized shares) Article 6 The total number of authorized shares shall be <u>32,000,000</u> shares.

(iii) Schedule

Effective date of amendment to the articles of incorporation: April 1, 2019

(3) Overview of the share split

(i) Method of split

A share split shall be carried out with Sunday, March 31, 2019 (effectively Friday, March 29, 2019) as the record date for each common share held by shareholders listed or recorded in the final shareholder registry as of the same date into two shares.

(ii) Number of shares increased by the split

Total number of outstanding shares before the share split: 4,136,100 shares

Number of shares increased by the split: 4,136,100 shares

Total number of outstanding shares after the share split: 8,272,200 shares

Total number of authorized shares after the share split: 32,000,000 shares

(4) Schedule

Date of announcement of record date: March 15, 2019

Record date: March 31, 2019

Effective date: April 1, 2019