

Summary of Consolidated Financial Results for the Six Months Ended September 30, 2019 (Japanese GAAP)



November 11, 2019

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(Figures rounded down to nearest million yen)

1. Consolidated Results through the Six Months Ended September 30, 2019 (April 1, 2019 to September 30, 2019)

(1) Consolidated Operating Results (Cumulative)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended September 30, 2019	8,966	777.1	1,943	—	2,619	—	1,515	—
Six months ended September 30, 2018	1,022	(70.8)	96	(93.0)	51	(96.1)	21	(97.9)

Note: Comprehensive income

Six months ended September 30, 2019: ¥2,233 million (—%)

Six months ended September 30, 2018: ¥26 million (–97.4%)

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Six months ended September 30, 2019	182.17		—	
Six months ended September 30, 2018	2.58		—	

Note 1: 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.

Note 2: The rate of change in operating profit, ordinary profit, profit attributable to owners of parent and comprehensive income for the six months ended September 30, 2019 compared to the same quarter of the previous year are indicated as "—" because these exceeded 1000%.

(2) Consolidated Financial Position

	Total assets		Net assets		Equity ratio	
	Millions of yen		Millions of yen		%	
Six months ended September 30, 2019	24,155		8,760		32.1	
FYE March 31, 2019	11,338		7,246		55.9	

Reference: Equity capital

Six months ended September 30, 2019: ¥7,760 million

FYE March 31, 2019: ¥6,341 million

2. Dividends

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

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

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

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

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

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
FYE March 31, 2020	12,000	293.8	2,800	275.8	3,000	213.8	2,000	(25.4)	241.78

(Note) Changes from the most recently announced earnings forecast: Yes

Considering progress of results in the six months ended September 30, 2019, an upward revision has been made because net sales for the full year are anticipated to exceed the initial forecast for the fiscal year ending March 31, 2020.

* 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 (Sanyo Kogyo Co., Ltd., Silent Partnership Yura) Exclusions: 1 (Silent Partnership Metro)

(2) Application of special accounting practices in the preparation of the quarterly consolidated financial statements: None

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

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

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

(iii) Changes in accounting estimates: None

(iv) Restatements: None

(4) Number of shares outstanding (common shares)

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

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

(iii) Average number of shares during the period

As of September 30, 2019	8,326,200 shares	As of March 31, 2019	8,272,200 shares
As of September 30, 2019	444 shares	As of March 31, 2019	332 shares
Six months ended September 30, 2019	8,316,965 shares	Six months ended September 30, 2018	8,271,868 shares

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

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

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

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

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

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1. Qualitative Information on Quarterly Financial Results

(1) Results

During the six months ended September 30, 2019 (April 1, 2019 to September 30, 2019), the Japanese economy underwent a moderate recovery due to continuation of the monetary easing policy of the Bank of Japan and continued improvements in the employment and income environment despite some concerns about slow growth in consumer spending. Meanwhile, although the world economy is generally continuing a moderate recovery, uncertainty remains due to the impact of uncertainty surrounding trade friction between the United States and China, the impact of the issue of the United Kingdom's departure from the European Union, the impact of uncertainty concerning the future of the economy and policy in Asia and China, and the impact of fluctuations in financial markets.

In the real estate market where the Group operates, motivation to invest in Japan continues due to the negative interest rate policy of the Bank of Japan. In the hotel industry, 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 Tokyo Olympic and Paralympic Games, and Expo 2025 in Osaka, with demand for accommodation expected to continue to rise.

In such a business environment, the acquisition of the beneficial interests in trust in Kyoto Yura Hotel MGallery located in Higashiyama-ku, Kyoto in which the Company had made a silent partnership investment through a Singapore-based equity method affiliate in which the Company holds a 35% stake by Silent Partnership Yura that is a consolidated subsidiary newly established with joint investors for the purpose of capturing medium- to long-term accommodation demand and expanding the revenue base made a significant contribution to revenue during the six months ended September 30, 2019.

Furthermore, we believe results will continue to be robust in the nine months ending December 31, 2019 due to:

- a. the start of new construction for the redevelopment of Osaka Dojima Hotel for which a business operation entrustment agreement for the new hotel called "Aloft Osaka Dojima (tentative name)" after completion of redevelopment was concluded with Marriott International in June 2019;
- b. consolidated subsidiary Hotel W Management, Inc. (HWM) and FAUCHON HOSPITALITY coming to an agreement and concluding a license agreement in July 2019 on the renewal opening of Hotel Sunroute Kyoto located in Shimogyo-ku, Kyoto as the first Fauchon hotel in Japan;
- c. the start of construction in July 2019 on the hotel development site acquired by the Company's consolidated subsidiary Godo Kaisha Nijo in May 2018 of "Kyoto Yura Hotel MGallery Bettei (Villa) (tentative name)" (Nakagyo-ku, Kyoto) being developed with the aim of commencing operations in autumn of 2020 as the villa of Kyoto Yura Hotel MGallery, which is already in operation; and
- d. the November 2019 sale by HWM of the real estate located in Hakone-cho, Ashigarashimo-gun, Kanagawa acquired as a hotel development site in July and September 2019 to a special purpose company in which external investors and the Company will invest in a silent partnership, and accepting an asset management agreement with the special purpose company.

As a result, during the six months ended September 30, 2019, net sales were ¥8,966,338,000 (¥1,022,245,000 during the same period of the previous year), operating profit ¥1,943,716,000 (¥96,172,000 during the same period of the previous year), ordinary profit ¥2,619,853,000 (¥51,488,000 during the same period of the previous year) and profit attributable to owners of parent was ¥1,515,119,000 (¥21,371,000 during the same period of the previous year).

By segment, net sales were ¥7,396,203,000 (¥450,885,000 during the same period of the previous year) and operating profit was ¥2,732,618,000 (¥143,364,000 during the same period of the previous year) in the real estate securitization business, and net sales were ¥1,807,739,000 (¥825,253,000 during the same period of the previous year) and operating loss was ¥474,111,000 (operating profit of ¥13,596,000 during the same period of the previous year) in the hotel management business.

(2) Overview of Financial Position

With regard to the financial position as of September 30, 2019, total assets were ¥24,155,335,000, liabilities were ¥15,394,876,000 and net assets were ¥8,760,458,000.

Total assets increased by ¥12,816,470,000 compared to the end of the previous fiscal year. This was mainly attributable to current assets increasing by ¥13,529,909,000 as a result of real estate for sale increasing by ¥10,208,987,000 due to acquisition for ¥14,284,666,000 by Silent Partnership Yura and sale for ¥4,075,679,000 by Silent Partnership Metro, and real estate for sale in process increasing by ¥1,611,409,000 due to the acquisition of a hotel development site in Hakone-cho by HWM and the start of construction of Kyoto Yura Hotel MGallery by Godo Kaisha Nijo.

Liabilities increased by ¥11,302,556,000 compared to the end of the previous fiscal year. This was mainly attributable to ¥11,500,000,000 in non-recourse loans from financial institutions.

Net assets increased by ¥1,513,913,000 compared to the end of the previous fiscal year. This was mainly attributable to the increase in retained earnings due to the recording of ¥1,515,119,000 in profit attributable to owners of parent.

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

The forecast for net sales in the consolidated earnings forecast for the fiscal year ending March 31, 2020 has been revised upward by ¥12,000 million (up 33.3%) because net sales for the full year are anticipated to exceed the initial forecast for the fiscal year ending March 31, 2020 announced on May 13, 2019 considering progress of results in the six months ended September 30, 2019 as stated in the "Notice of Revision of the Earnings Forecast for the Fiscal Year Ending March 31, 2020" dated November 11, 2019.

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheet

(Thousands of yen)

	As of March 31, 2019	As of September 30, 2019
Assets		
Current assets		
Cash and deposits	2,724,461	3,011,275
Accounts receivable - trade	247,105	222,255
Real estate for sale	4,075,679	14,284,666
Real estate for sale in process	1,668,205	3,279,614
Income taxes receivable	6,136	957,168
Other	155,177	651,694
Total current assets	8,876,764	22,406,674
Non-current assets		
Property, plant and equipment		
Buildings	31,564	81,780
Accumulated depreciation	(19,093)	(66,324)
Buildings, net	12,470	15,455
Tools, furniture and fixtures	107,908	122,397
Accumulated depreciation	(37,544)	(48,858)
Tools, furniture and fixtures, net	70,363	73,538
Total property, plant and equipment	82,834	88,994
Intangible assets		
Goodwill	167,270	147,591
Other	17,973	40,752
Total intangible assets	185,244	188,344
Investments and other assets		
Investment securities	2,033,924	1,263,846
Deferred tax assets	88,622	128,372
Other	71,474	79,102
Total investments and other assets	2,194,021	1,471,321
Total non-current assets	2,462,100	1,748,660
Total assets	11,338,864	24,155,335

(Thousands of yen)

	As of March 31, 2019	As of September 30, 2019
Liabilities		
Current liabilities		
Accounts payable - trade	20,931	43,615
Short-term borrowings	1,800,000	400,000
Current portion of long-term borrowings	91,656	122,072
Current portion of non-recourse long-term loans	—	80,000
Income taxes payable	968,479	171,776
Provision for bonuses	23,858	46,070
Provision for share-based remuneration	69,066	199,708
Provision for shareholder benefit program	—	10,930
Other	667,745	554,608
Total current liabilities	3,641,736	1,628,781
Non-current liabilities		
Long-term borrowings	122,932	2,047,357
Non-recourse long-term loans	—	11,420,000
Other	327,651	298,738
Total non-current liabilities	450,583	13,766,095
Total liabilities	4,092,320	15,394,876
Net assets		
Shareholders' equity		
Capitalization	880,010	914,543
Capital surplus	311,943	346,115
Retained earnings	5,150,135	6,499,817
Treasury shares	(311)	(576)
Total shareholders' equity	6,341,777	7,759,899
Accumulated other comprehensive income		
Foreign currency translation adjustment	195	195
Total accumulated other comprehensive income	195	195
Non-controlling interests	904,571	1,000,363
Total net assets	7,246,544	8,760,458
Total liabilities and net assets	11,338,864	24,155,335

(2) Quarterly Consolidated Statement of Income and Quarterly Consolidated Statement of Comprehensive Income
(Quarterly Consolidated Statement of Income)
(Six months ended September 30, 2019)

(Thousands of yen)

	Six months ended September 30, 2018 (April 1, 2018 to September 30, 2018)	Six months ended September 30, 2019 (April 1, 2019 to September 30, 2019)
Net sales	1,022,245	8,966,338
Cost of sales	588,035	6,189,598
Gross profit	434,209	2,776,740
Selling, general and administrative expenses	338,037	833,023
Operating profit	96,172	1,943,716
Non-operating income		
Interest income	933	51
Dividend income	—	412
Share of profit of entities accounted for using equity method	3,855	904,184
Other	717	7,930
Total non-operating income	5,506	912,578
Non-operating expenses		
Interest expenses	37,202	16,572
Commission expenses	10,500	215,101
Other	2,487	4,768
Total non-operating expenses	50,190	236,441
Ordinary profit	51,488	2,619,853
Extraordinary income		
Gain on bargain purchase	—	1,151
Total extraordinary income	—	1,151
Extraordinary losses		
Loss on liquidation of investments in capital	—	1,159
Total extraordinary losses	—	1,159
Profit before income taxes	51,488	2,619,844
Income taxes - current	5,168	425,685
Income taxes - deferred	20,882	(39,749)
Total income taxes	26,051	385,936
Profit	25,437	2,233,908
Profit attributable to non-controlling interests	4,066	718,788
Profit attributable to owners of parent	21,371	1,515,119

(Quarterly Consolidated Statement of Comprehensive Income)
(Six months ended September 30, 2019)

(Thousands of yen)

	Six months ended September 30, 2018 (April 1, 2018 to September 30, 2018)	Six months ended September 30, 2019 (April 1, 2019 to September 30, 2019)
Profit	25,437	2,233,908
Other comprehensive income		
Valuation difference on available-for-sale securities	977	—
Total other comprehensive income	977	—
Comprehensive income	26,414	2,233,908
Comprehensive income attributable to		
Profit attributable to owners of parent	22,348	1,515,119
Profit attributable to non-controlling interests	4,066	718,788

(3) Consolidated Statement of Cash Flows

(Thousands of yen)

	Six months ended September 30, 2018 (April 1, 2018 to September 30, 2018)	Six months ended September 30, 2019 (April 1, 2019 to September 30, 2019)
Cash flows from operating activities		
Profit before income taxes	51,488	2,619,844
Depreciation	43,729	34,505
Gain on bargain purchase	—	(1,151)
Loss on liquidation of investments in capital	—	1,159
Amortization of goodwill	19,678	19,678
Increase (decrease) in provision for bonuses	(1,227)	16,062
Increase (decrease) in provision for share-based remuneration	—	130,642
Increase (decrease) in provision for shareholder benefit program	—	10,930
Interest and dividend income	(933)	(464)
Interest expenses	37,202	16,572
Commission expenses	—	215,101
Share of loss (profit) of entities accounted for using equity method	(3,855)	(904,184)
Decrease (increase) in deposits in trust	(1,166)	274,247
Decrease (increase) in trade receivables	52,579	77,189
Decrease (increase) in real estate for sale	—	(8,540,782)
Decrease (increase) in real estate for sale in process	—	(3,279,614)
Decrease (increase) in consumption taxes refund receivable	75,672	(338,475)
Decrease (increase) in other assets	94,027	74,254
Increase (decrease) in trade payables	(3,298)	(6,480)
Increase (decrease) in other liabilities	(165,519)	1,153,368
Other	(17,285)	99,322
Subtotal	181,092	(8,328,273)
Interest and dividends received	128	464
Interest paid	(36,769)	(12,322)
Income taxes (paid) refund	144,506	(1,660,173)
Net cash provided by (used in) operating activities	288,958	(10,000,305)
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,601,369)	(13,024)
Purchase of intangible assets	—	(27,056)
Proceeds from redemption of investment securities	—	5,003,129
Purchase of investment securities	—	(5,530,826)
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	—	92,071
Payments for sales of investments in other securities of subsidiaries and associates resulting in change in scope of consolidation	—	(1,500,040)
Loan advances	(501,000)	—
Other	(920)	6,251
Net cash provided by (used in) investing activities	(2,103,290)	(1,969,495)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	2,000,000	(1,400,000)
Proceeds from long-term borrowings	—	2,009,000
Proceeds from non-recourse loans	—	11,500,000
Repayments of long-term borrowings	(43,332)	(54,159)
Proceeds from share issuance to non-controlling shareholders	300,000	1,000,000
Repayments to non-controlling shareholders	—	(300,000)
Dividends paid	(82,711)	(165,071)
Other	(2,352)	(5,822)
Net cash provided by (used in) financing activities	2,171,604	12,583,947
Net increase (decrease) in cash and cash equivalents	357,272	614,146
Cash and cash equivalents at beginning of period	1,302,578	2,379,364
Cash and cash equivalents at end of period	1,659,851	2,993,511

(4) 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, 2019, Sanyo Kogyo Co., Ltd. has been included in the scope of consolidation due to the acquisition of all of its shares.

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

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

(Notes on Significant Changes in Shareholders' Equity)

Six months ended September 30, 2018 (April 1, 2018 to September 30, 2018)

1. Dividends paid

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

2. Dividends for which the record date falls within the six months ended September 30, 2019 that the effective date of dividends is after the six months ended September 30, 2019

Not applicable.

3. Significant Changes in Shareholders' Equity

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

Six months ended September 30, 2019 (April 1, 2019 to September 30, 2019)

1. Dividends paid

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

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

2. Dividends for which the record date falls within the six months ended September 30, 2019 that the effective date of dividends is after the six months ended September 30, 2019

Not applicable.

3. Significant Changes in Shareholders' Equity

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

(Segment Information, etc.)

Segment Information

I. Six months ended September 30, 2018 (April 1, 2018 to September 30, 2018)

1. Information on the amounts of net sales and profit 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	196,991	825,253	1,022,245	1,022,245	—	1,022,245
Internal sales and transfers between segments	253,893	—	253,893	253,893	(253,893)	—
Total	450,885	825,253	1,276,138	1,276,138	(253,893)	1,022,245
Segment profit	143,364	13,596	156,960	156,960	(60,788)	96,172

(Notes) 1. The negative ¥60,788,000 of segment profit includes negative ¥19,678,000 of amortization of goodwill not allocated to each reportable segment, the net amount of negative ¥49,269,000 in corporate revenues and expenses, and ¥8,160,000 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.

2. Information on impairment loss on non-current assets and goodwill, etc. for each reportable segment

Not applicable.

3. Information on assets for each reportable segment

In the "real estate securitization business" segment, assets for the reportable segment increased by ¥1,868,015,000 as of September 30, 2019 compared to March 31, 2019 as a result of factors such as the acquisition of hotel development sites by Godo Kaisha Nijo.

II. Six months ended September 30, 2019 (April 1, 2019 to September 30, 2019)

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

(Thousands of yen)

	Reportable segment			Total	Adjustments (Note) 1	Amount in quarterly consolidated statement of income (Note) 2
	Real estate securitization business	Hotel management business	Total			
Net sales						
Net sales to external clients	7,158,599	1,807,739	8,966,338	8,966,338	—	8,966,338
Internal sales and transfers between segments	237,604	—	237,604	237,604	(237,604)	—
Total	7,396,203	1,807,739	9,203,943	9,203,943	(237,604)	8,966,338
Segment profit or (loss)	2,732,618	(474,111)	2,258,506	2,258,506	(314,790)	1,943,716

(Notes) 1. The negative ¥314,790,000 of segment profit or (loss) includes negative ¥19,678,000 of amortization of goodwill not allocated to each reportable segment, the net amount of negative ¥307,113,000 in corporate revenues and expenses, and ¥12,002,000 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 ¥7,496,786,000 as of September 30, 2019 compared to March 31, 2019 as a result of making Silent Partnership Yura a subsidiary and the redemption of all of the Company's silent partnership investment in Silent Partnership Metro leading to that company being excluded from the scope of consolidation.

In the "Hotel management business" segment, assets for the reportable segment increased by ¥1,155,131,000 as of September 30, 2019 compared to March 31, 2019 as a result of the acquisition of hotel development sites by Hotel W Management, Inc. and acquiring all of the shares of Sanyo Kogyo Co., Ltd. and making it a consolidated subsidiary.

(Significant Subsequent Events)

Not applicable.