



Resorttrust, Inc.

Q2 Financial Results Briefing for the Fiscal Year Ending March 2022

November 11, 2021

Event Summary

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[Participants]		
[Number of Speakers]	3	
	Ariyoshi Fushimi	President
	Takeshi Makino	IR Manager, Corporate Planning Department Chief Examiner
	Hiroataka Honda	Manager of Investor & Public Relations Section of the Investor Relations Division

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Presentation

Moderator: The time has come, so we will now begin the briefing on the second-quarter financial results of Resorttrust, Inc.

First, I would like to introduce the attendees. Ariyoshi Fushimi, President; Takeshi Makino, IR Manager and Corporate Planning Department Chief Examiner; Hirotaka Honda, Manager of Investor and Public Relations Section of the Investor Relations Division. These are the 3 attendees.

Today's briefing is also available as a live audio webcast.

The Q&A session will be conducted in the following order: questions from the audience will be given priority, followed by audio questions, and then questions via chat. Please note that due to time constraints, we will not be able to answer all of your questions.

The event is scheduled to end at 5:00 PM. Since the state of emergency was lifted on October 1, we have resumed the exchange of business cards and greetings after the briefing.

President Fushimi will now present.

2Q FY2021 Financial Summary

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① Membership sales: Record contract volume in the first half

2Q FY2021 : (Hotel) 37.9 billion yen, (Medical) 3.7 billion yen

• The contract volume of 20.5 billion (for about 3 months) for the new product “**SANCTUARY COURT TAKAYAMA**”, which was launched for membership sales on June 21, led the overall performance. The contract volume was 14% higher than the previous record of 33.2 billion in the first half of FY2015 (when Ashiya Baycourt Club was launched). For the full year, the company plans to post 69.8 billion contracts, 8% higher than the record high of 64.8 billion in FY2015.

• Medical memberships also hit a record high of 3.7 billion yen, 27% higher than the 2.9 billion yen in the first half of fiscal 2019.

• The number of group members increased by 3,527 in the first half of the year (at a record high pace).

The ratio of new contracts also rose significantly.

(In the first half of the previous fiscal year, the number of new subscribers increased by only 1,227, mainly due to rank-up contracts.)


② Hotel and restaurant business turned profitable in the first half.

• In the Corona disaster, there is a noticeable recovery trend in the occupancy of membership hotels.

• Due to the spread of corona infection and the declaration of a state of emergency, the occupancy rate of member resort hotels in the first half of the year was only about 80% higher than the previous two years (FY2019). However, the occupancy rate of exhibitors for the single month of October exceeded that of the previous two years.

③ Upward revision of full-year consolidated earnings forecast (profit)

• In addition to the planned 8 billion in operating income for the current fiscal year, **we expect to defer 7 billion in profits from Takayama until the opening of the new plant, which means 15 billion in actual sales for the current fiscal year.**

• Operating income for the previous fiscal year was 14.7 billion, but **this includes 7.1 billion in realized income from the opening of Yokohama, which means 7.6 billion on a real sales basis for the previous fiscal year.**  double increase

• Final profit of 7.0 billion planned for the current fiscal year, an increase of +17.2 billion from the previous fiscal year, and expected to recover to the same level as the previous two fiscal years (FY2019: actual 7.1 billion).

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Fushimi: Once again, I am Fushimi from Resorttrust, Inc. Thank you very much for participating in our financial results briefing today. I would like to explain the financial results in accordance with the materials. Let's start by looking at page 2.

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I would like to begin with a summary of our financial results. First of all, we were able to achieve a record high contract volume in membership sales in the first half of the fiscal year.

The total contract amount for hotels was JPY37.9 billion, with Sanctuary Court Takayama, a new product that went on sale on June 21, accounting for JPY20.5 billion of the total.

This is a 14% increase over the previous record high in 2015, when we launched the product Ashiya Baycourt Club.

In addition to hotels, the membership to medical facilities, such as HIMEDIC, reached a record high of JPY3.7 billion, an increase of 27% over the previous record. The most important point is that both hotels and medical facilities reached record level contract volumes.

As a result, the number of group members increased by 3,500 in the first half of the fiscal year alone, which is a record high growth for the number of members.

Second, the hotel and restaurant business returned to profitability in the first half of this fiscal year, which was the most affected by the COVID-19 crisis.

The general hotel sector has yet to recover from the third and fourth unexpected state of emergencies, but the membership hotel sector has returned, so overall the sector as a whole has returned to profitability. In terms of the hotel industry, I evaluate that we have been able to demonstrate the strength of our membership system to some extent.

Based on these factors, we have revised upward our consolidated financial results for the full year. In fact, we were not able to revise our sales upward because we have not yet completed construction of some properties in Takayama, etc. However, in terms of profits, we were able to achieve a solid growth of JPY7 billion to JPY8 billion in operating income, which is almost 200% growth in real terms, as I will explain later.

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Financial Highlights 2Q FY2021

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	2019/9 (results)	2020/9 (results)	2021/9 (results)	YoY Difference	Change FY2019	2021/9 (initial plan)
Net Sales ...A	84,197	86,276	76,430	(11.4%)	(9.2%)	79,800
Operating Income ...B	8,501	9,980	5,132	(48.6%)	(39.6%)	3,700
Ordinary Income	8,750	11,159	6,810	(39.0%)	(22.2%)	3,800
Net Income	5,499	5,696	5,408	(5.1%)	(1.7%)	3,000
Evaluated net sales ...A+A'	89,626	66,198	87,052	+31.5%	(2.9%)	84,800
Evaluated Operating Income ...B+B'	10,324	(704)	10,013	+10,717	(3.0%)	6,000
<Breakdown of evaluation calculation>						
Deferred revenue (real estate sales)	5,429	(20,078)	9,513			
Changes in revenue recognition standard	-	-	1,107			
Adding evaluation on net sales ...A'	5,429	(20,078)	10,621			
Deferred revenue (real estate sales)	1,823	(7,142)	3,773			
Changes in revenue recognition standard	-	-	1,107			
Recording of extraordinary losses during the closure	-	(3,542)	-			
Adding evaluation on operating income ...B'	1,823	(10,684)	4,880			

[Evaluated Net Sales/Operating Income]

Figures calculated on a sales evaluation basis after deducting accounting factors specific to the spread of COVID-19 infections as well as booking of real estate profits of sales of unopened properties. Adoption of new accounting standard in the current fiscal year is not a temporary factor, however, evaluation was conducted using the same standard as in the past to compare with figures in the previous years.

* Effect of changes in revenue recognition standard, not including accounting for loyalty points.

<YoY Difference>

In hotel operations and other operations, self-restraint from personal consumption as a result of the issuance of a state of emergency due to the spread of COVID-19 infections had an impact on our business in the six-month period under review. However, membership sales remained very strong mainly for SANCTUARY COURT TAKAYAMA, which began in June.

In the six-month period under review, accounting figures for net sales and each income decreased, as real estate income (net sales of 20,078 million yen, income of 7,142 million yen) that had been deferred for sales in FY2019 was recorded in a lump sum when YOKOHAMA BAY COURT CLUB opened in September 2020.

However, evaluated net sales and evaluated operating income, indicators of real performance for the six-month period under review excluding the effects of deferrals, etc., increased significantly from the previous year.

<Change FY2019>

Compared to pre-COVID-19 times (FY2019), the negative impact on occupancy rates was particularly large for facilities for general customers in hotel operations; however, evaluated net sales and evaluated operating income, indicators of real sales performance, were generally at the same level as those in 2019, as membership sales increased significantly.

* Income attributable to owners of parent is labelled as "Net income" in this document.

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Now, please see page 3.

As you can see, we were able to firmly achieve the plan at the beginning of the fiscal year, with net sales of JPY76.4 billion, operating income of JPY5.13 billion, ordinary income of JPY6.81 billion, and net income of JPY5.4 billion. However, due to the recording of real estate sales, there was a decrease from the previous year.

However, what I would like you to take a look at is that, as with the contract amount mentioned earlier, the top row shows evaluated net sales and evaluated operating income, which are our internal evaluation standards that directly reflect actual membership sales and other factors.

This means that, with evaluated net sales at JPY87 billion and evaluated operating income at JPY10 billion, we have returned to almost the same level as 2 years ago and we are growing.

Based on the timing of the building construction and real estate sales, it's best if a hotel is opened every year, but if we go 1 year without doing so, the real estate sales shift and things don't look smooth. However, if you look at the evaluated net sales, you will be able to see the actual sales and management capabilities of the Company, which is why we have introduced appraisal sales.

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Business Forecast for FY2021 (April to March)

※Upward Revision of Full-Year Earnings
Forecasts (November 10, 2021)

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	2020/3 (results)	2021/3 (results)	2022/3 (revision targets)	YoY Difference	Change FY2019	(Million yen) 2022/3 (initial targets)
Net Sales ...A	159,145	167,538	153,000	(8.7%)	(3.9%)	158,200
Operating Income ...B	11,652	14,707	8,000	(45.6%)	(31.3%)	7,000
Ordinary Income	12,476	17,647	9,600	(45.6%)	(23.1%)	6,700
Net Income	7,135	(10,213)	7,000	+17.213	(1.9%)	4,700
Evaluated net sales ...A+A'	169,665	147,460	173,600	+17.7%	+2.3%	170,200
Evaluated Operating Income ...B+B'	15,029	4,009	16,800	+319.1%	+11.8%	12,200

<Breakdown of evaluation calculation>

Deferred revenue (real estate sales)	10,520	(20,078)	18,800
Changes in revenue recognition standard	-	-	1,800
Adding evaluation on net sales ...A'	10,520	(20,078)	20,600
Deferred revenue (real estate sales)	3,377	(7,142)	7,000
change in revenue recognition standard	-	-	1,800
Recording of extraordinary losses during the closure	-	(3,556)	-
Adding evaluation on operating income ...B'	3,377	(10,699)	8,800

[Evaluated Net Sales/ Operating Income]

Figures calculated on a sales evaluation basis after deducting accounting factors specific to the spread of COVID-19 infections as well as booking of real estate profits of sales of unopened properties. Adoption of new accounting standard in the current fiscal year is not a temporary factor; however, evaluation was conducted using the same standard as in the past to compare with figures in the previous years.

*Effect of changes in revenue recognition standard, not including accounting for loyalty points.

<YoY Difference>

Net sales, operating income, and ordinary income decreased due to realization of deferred revenue in the previous year upon opening of YOKOHAMA BAYCOURT CLUB; however, evaluated operating income, an indicator of real sales performance, is expected to improve substantially.

- The financial results forecast has been revised upward due to steady growth in membership sales through the six-month period under review and recording of subsidy, etc. under non-operating income. (Please refer to p.21 for more information on assumptions for the Business Forecast.)

<Change FY2019>

Evaluated net sales and evaluated operating income, indicators of real sales performance, are expected to be higher than those for 2019.

*Income attributable to owners of parent is labelled as "Net income" in this document.

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Please turn to the next page, page 4.

The rightmost figure shows, despite the slight decrease in net sales as I mentioned, the upward revision of operating income, ordinary income, and net income compared to the plan at the beginning of the fiscal year.

In terms of net sales, membership subscriptions were very strong this time, but the percentage of contracts for new products, especially in Takayama, and for properties that have not yet been completed, increased compared to the plan, so real estate sales were deferred to that extent. The contract volume was in line with the plan, but the sales were slightly insufficient in terms of product content and property mix.

We can say that the recruitment of new memberships is going well.

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Segment Sales and Operation Income 2Q FY2021

(April to September) RESORTTRUST GROUP

(Million yen)

		2019/9 (results)	2020/9 (results)	2021/9 (results)	YoY Change	Change FY2019
Membership	Net Sales	22,164	42,036	20,855	(50.4%)	(5.9%)
	Operating Income	8,147	14,390	6,296	(56.2%)	(22.7%)
	Evaluated net sales	※3 27,593	※3 21,958	※2.3 30,480	+38.8%	+10.5%
	Evaluated Operating Income	※3 9,970	※3 7,248	※2.3 10,180	+40.5%	+2.1%
Hotel & Restaurant	Net Sales	42,167	25,143	34,382	+36.7%	(18.5%)
	Operating Income	1,478	(3,181)	128	+3,310	(91.3%)
	Evaluated Operating Income	1,478	※1 (6,399)	128	+6,528	(91.3%)
Medical	Net Sales	19,532	18,764	20,840	+11.1%	+6.7%
	Operating Income	3,040	2,515	2,594	+3.1%	(14.7%)
	Evaluated net sales	19,532	18,764	※2 21,836	+16.4%	+11.8%
	Evaluated Operating Income	3,040	※1 2,190	※2 3,591	+63.9%	+18.1%
Other	Net Sales	332	333	352	+5.7%	+5.8%
	Operating Income	255	254	271	+6.7%	+6.3%
Head Office	Operating Income	(4,420)	(3,998)	(4,159)	(161)	+261
Total	Net Sales	84,197	86,276	76,430	(11.4%)	(9.2%)
	Operating Income	8,501	9,980	5,132	(48.6%)	(39.6%)
	Evaluated net sales	89,626	66,198	87,052	+31.5%	(2.9%)
	Evaluated Operating Income	10,324	(704)	10,013	+10,717	(3.0%)

*1. Deducting the effect that fixed costs and other expenses incurred during the closure in 2Q FY2020 were recorded as extraordinary losses (including the effect in selling, general and administrative expenses)

*2. Deducting the negative effect of adoption of new revenue recognition standard in 2Q FY2021 (calculated by the previous method)

*3. Adjusted for deferred sales and income on real estate portion of revenue from sales of unopened properties (added). Adjusted for realization of deferred sales and income across periods upon opening of facilities (deducted)

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The next page, page 5, shows the segments.

Membership is also doing well, and as I mentioned earlier, we were able to turn a profit of JPY128 million in the Hotel and Restaurant business.

In the Medical business, the actual operating income of JPY2.594 billion is JPY3.5 billion in evaluated operating income, and this is due to a change in the rules for revenue recognition from this fiscal year.

Due to the fact that membership sales used to be raised in a lump sum, but are now being recorded sequentially in each fiscal year in a form based on the member's period, the negative amount for the past, especially for the current fiscal year, will now be recorded in future years instead of in a lump sum.

The impact of this change was approximately JPY1 billion, so if we use the same evaluation standards as last year, we have actually achieved a growth of JPY1.5 billion, which means that we have been able to achieve solid growth in medical as well as hotels.

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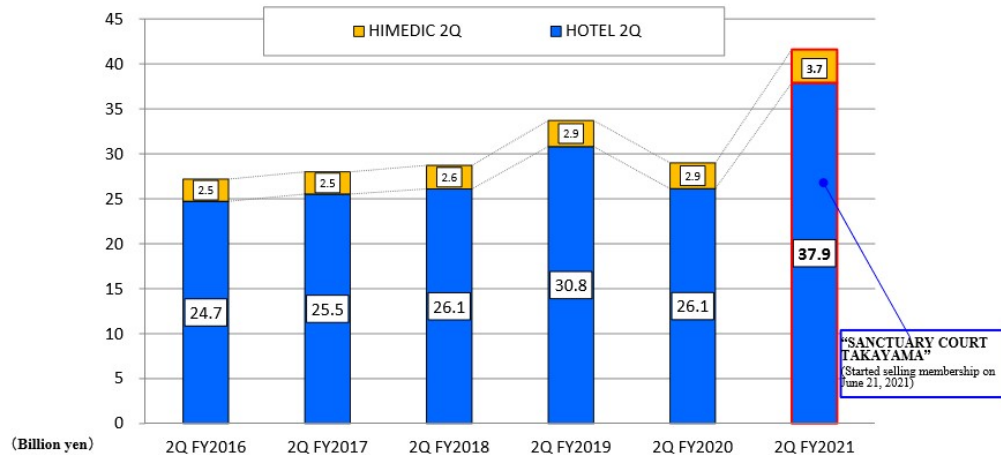
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Progress of contract values for six months

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Contract value of hotel memberships remained very strong mainly for the new product, **SANCTUARY COURT TAKAYAMA**, whose membership sales began in June 2021, hitting a new record high for the first half (previously, the highest was 33.2 billion yen in 2Q FY2015, when sales of membership of **ASHIYA BAYCOURT CLUB** began). **HIMEDIC** membership sales as well remained strong, also hitting a record high for the first half.



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Page 6 is the contract values, which has nothing to do with the sales I mentioned earlier.

In terms of the contracted values of memberships, this is how we were able to achieve the highest sales for both hotels and medical.

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New brand “SANCTUARY COURT” membership launched

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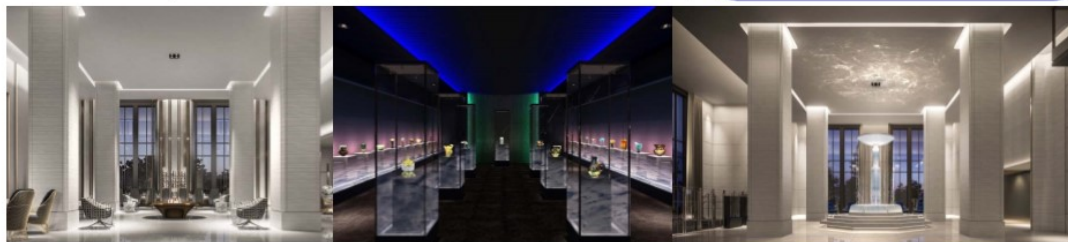
“SANCTUARY COURT TAKAYAMA ART GALLERY RESORT” Overview

	Start of sales	June 21, 2021
	Scheduled date of opening	March 2024
	Total number of rooms	121
	Supplemental facilities	Hida-Takayama Museum of Art, Italian restaurant, Japanese restaurant, Bar, Spa, Treatment Salon, Exhibition room, Executive Room, Boutique, etc.
	Membership price	¥7.37 million (annual 10 stay nights-type) ~ ¥34.79 million (annual 20 stay nights-type)

◆ Contracts (in September)

- Number of Members Final Target : 4,356 members (If all are sold as 10-stay night products)
- Sale of 1,680 units on a contract basis (June 21 to September 30)
- Contract amount 20.5 billion yen. (as of the end of September) (Progress rate of contract was about 38.7%)

<Ratio by region (branch)>



Hotel/Reception

Art gallery/Galle's forest~Art nouveau

Art gallery/Robby

◆SDGs initiatives

- Install electric vehicle (EV) chargers to reduce electric energy use and CO2 emissions, use of geothermal heat via well water, adopt total heat exchangers, etc.

- Aiming for regional vitalization and revitalization

The museum attached to the hotel exhibits artworks inherited from the former Hida-Takayama Museum of Art. Furthermore, spaces are provided for young artists to exhibit their works in museums and other places to support their development.



◆COVID-19 Countermeasures

- Reduce chances of person-to-person contact by introducing smart check-in
- Layout to support in-room dining (install dining tables in some guest rooms)
- All seats in Japanese restaurants are semi-private, and Italian restaurants have terrace seating
- Install an outdoor viewing area (sky terrace) on the roof

“SANCTUARY COURT” Overview

- Membership is valid/Form of rights**
 - Membership is valid for 50 years from opening of the hotel
 - Land: General fixed term land lease right, building: unit ownership (same as before)
- Number of stay nights granted**
 - annual 20 stay nights-type: 1 room/available to 18 members
 - annual 10 stay nights-type: 1 room/available to 36 members
- Use of assigned stay nights through exchange**
 - Exchange of stay nights is available between membership resort hotels XIV and Baycourt Club
- Unused rights for stay nights when using the floating system (with upper limit)**
 - Use of a certain number of stay nights through using the floating system without losing rights is possible, only for use of facilities with membership. (annual 20 stay nights-type: 10 nights a month/ annual 10 stay nights-type: 5 nights a month)

On page 7, you can see the details of our new product, Sanctuary Court Takayama, which has been very well received.

First of all, the total number of rooms is 121, which makes it a somewhat small facility for us.

Due to COVID-19, we have received a great deal of requests from our guests for a sense of privacy, so we have narrowed down the number of rooms to a certain extent, but instead have made the rooms quite large. We would like guests to have meals and hot spring baths in their rooms as much as possible to reduce the amount of human contact.

So far, we have developed a system that allows guests to check-in and check-out without having to go through the front desk.

In addition, the hotel itself will be a destination hotel, which means that the purpose of the hotel will not be for sightseeing, but for attracting visitors to the hotel itself, and from now these smaller-sized facilities will have a theme.

In Takayama, there is the Hida-Takayama Museum of Art, which was originally awarded 3 Michelin stars, and this time, we incorporated the Takayama Museum of Art into the hotel so that guests could enjoy this kind of art together.

In addition, the fact that the hotel is a members-only hotel with the theme of art has been highly evaluated by the members. For example, it's a place for nurturing young, up-and-coming artists together with the members in various exhibitions, and also by providing a place for exchange with local people. This is 1 of the reasons why the hotel has been highly evaluated.

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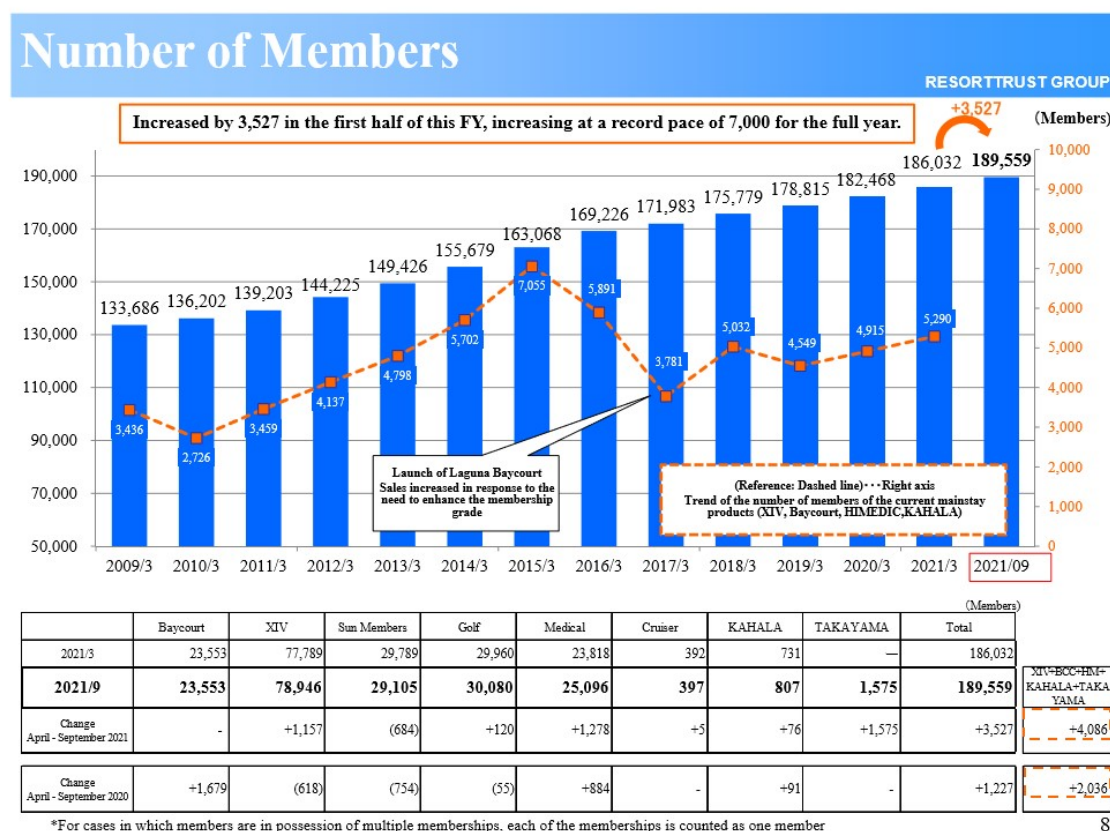
Another thing is that, until now, we have been selling real estate in the form of sectional ownership, depending on the size of the room and the number of nights the customer wants to stay, but this time, for the first time, we have adopted a fixed-term land lease system.

As a result, we have been able to record expenses and employee benefit costs, and we have been able to capture a new corporate market, with more than 80% of our contracts being with corporations, instead of the previous corporate to individual ratio of 50:50.

Also, for the first time, in addition to the number of stay nights granted, we have also set up free accommodation days, which can be used for up to 5 nights in each month, as long as they are available close to the date. This matches well with employee benefits for our corporate customers.

Therefore, Takayama would normally be a product of the Chubu region, but because of the characteristics of this product, people from Tokyo and Osaka can become owners of Takayama and consider using hotels nationwide.

We started accepting applications in the latter half of June and while it has only been 4 1/2 months, as of the end of October, over 4,300 units and 50% of the applications have already been closed. This is a product that has received unprecedented popularity.



Now, please turn to the next page. This is a repeat, but the number of members is showing excellent growth.

If you look at the bottom, the different types of members, you may think that Baycourt's member has not increased, but on the contrary, when we recruited Takayama, there was no inventory for Baycourt, so we allowed Baycourt to switch to Takayama in order to create an inventory for Tokyo-Osaka.

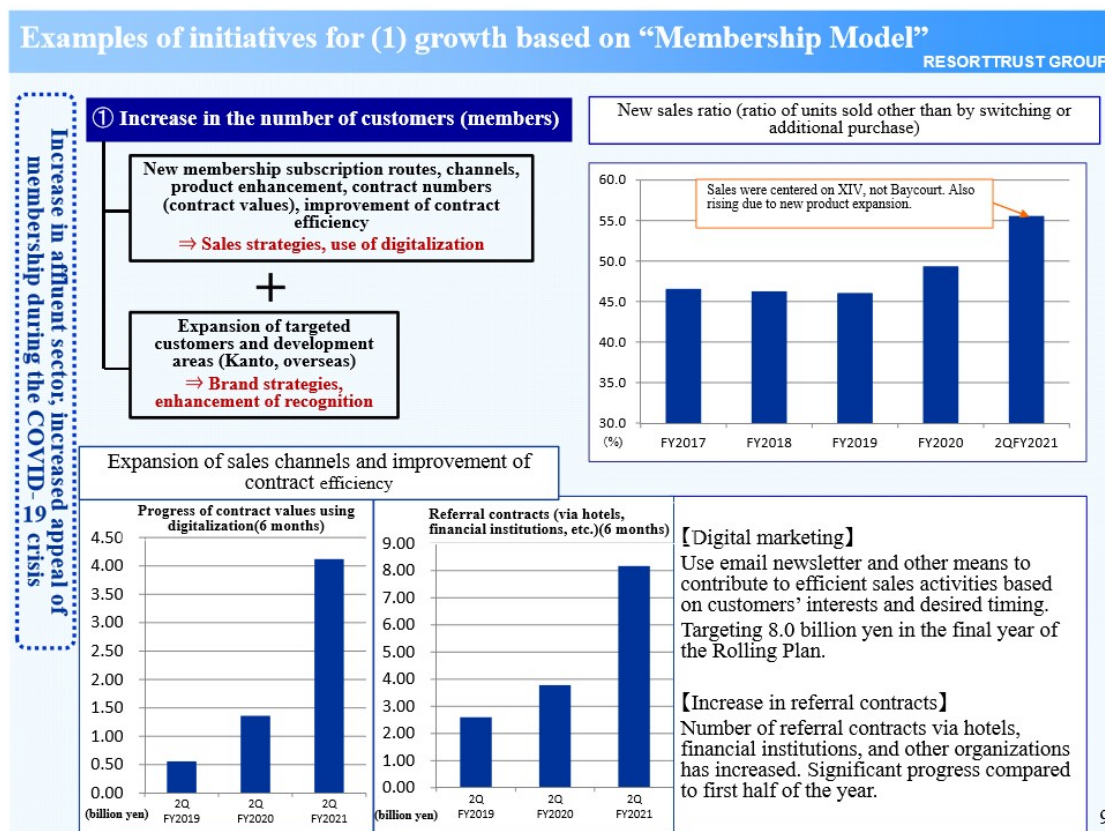
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Although it is not a substitute for that, all the applications have already been accepted, so Baycourt is now plus/minus zero.

In addition, the number of members of XIV has increased by 1,100 units compared to the previous year, which is a very good balance.



Besides new products, next page 9.

1 of the reasons for the increase is that, as you can see on the bottom left, we have been exploring various sales methods using digital technology due to COVID-19. This is taking shape in the form of email newsletters and other sales methods, which are growing very rapidly. If you look at the period from 2020 to 2021, you will see that the growth is almost doubling or tripling, which is 1 of the causes of the overall boost.

On the right side of the page, there is a section for hotel and financial institution referrals, and we have more than doubled the number of contracts with regional banks in each area, who have introduced members.

In addition, although not shown here, the number of guests who have visited our hotels and have joined our club has doubled as a result of the hotel's catering to their needs. In the past, our sales were mainly through referrals, but the addition of new sales channels such as hotel users, referrals from banks, and through mail magazines, etc., is also a big plus for us.

As you can see on the right, the number of new customers, even new customers who are not related to the Group at all, has been increasing significantly. As I mentioned before, although when looking at the industry

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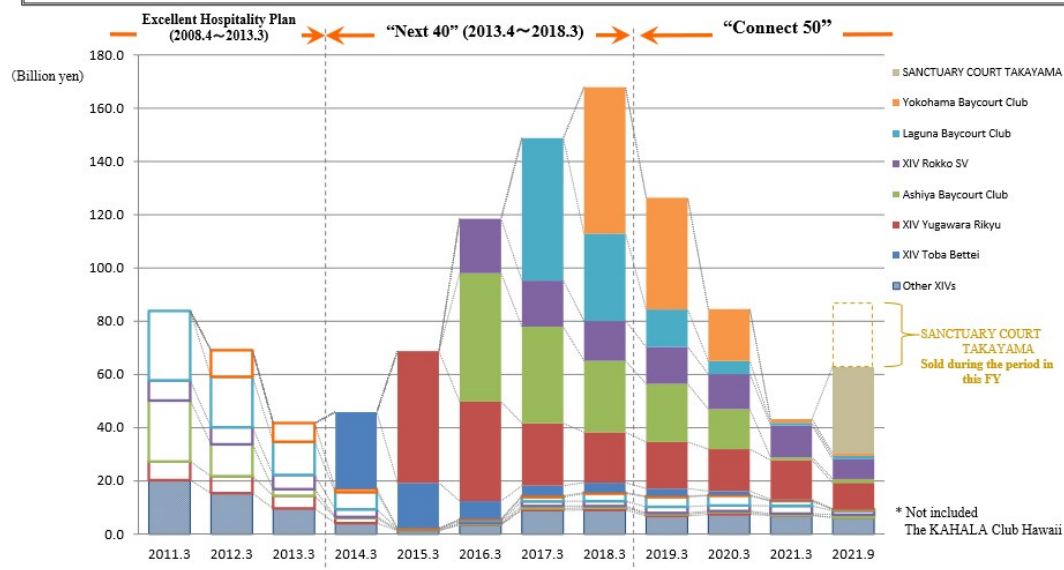
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and business condition it isn't much different, in many ways I think we can say that new markets have entered our target.

Trend of sales inventories (contract value basis)

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- During the period of the before the last medium-term management plan (April 2008 to March 2013) when the Group postponed development in view of the collapse of Lehman Brothers and the impact of the earthquake, inventories shrank.
- During the period of the previous medium-term management plan (April 2013 to March 2018), inventories temporarily increased to over 160 billion yen as the Group accelerated development and sales in response to the accumulated demand.
- Inventories decreased about 120.0 billion yen three years after the current medium-term management plan was launched. The Group has sales inventories amounting to over 80.0 billion yen as of June 30, 2021, sufficient for 1 to 1.5 years. (Not including the KAHALA Club Hawaii)



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Next is page 10, which is the inventory.

As you can see, as of the end of September, the inventory for Takayama is about 40%, but it has already been reduced to this level, so I think at the end of this fiscal period, we will have inventory for 1 to 1 1/2 years.

We are planning to release the next product by the end of this fiscal year or the beginning of the next fiscal year.

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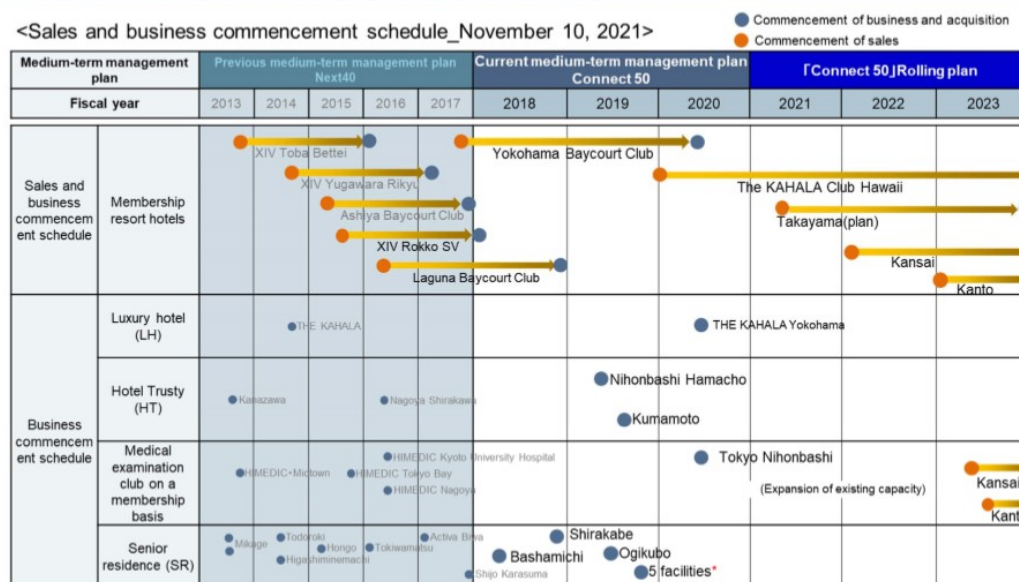
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Group's Development Schedule(~FY2023)

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(Membership resort hotel) In consideration of the inventory situation, properties for sale will be expanded in the Chubu, Kanto and Kansai regions between FY2021 and FY2023. While maintaining a constant development pace in line with sales plans, the scale of guest room numbers will be somewhat smaller than before on average. Aim to realize destination hotels, where guests can relax in hotel rooms and the hotel stay itself becomes the purpose of travel.
(Medical examination club on a membership basis) Plan to expand the capacity of existing facilities through the extension of floors and other means at the Nagoya facility, and to open new facilities in Kansai and Kanto regions in 2024 and beyond

<Sales and business commencement schedule_November 10, 2021>



* Private Nursing Home "Felio Tanagawa" "Felio Seijo" "Felio Tenjin" "Felio Momochi" & "Resius Momochi"

11

Next page, please.

In the future, we would like to open 1 small-to-medium scale facility that is around 120 to 150 rooms every year, so that we can equalize the deferral as much as possible. We will start accepting applications in Takayama in FY2021, Kansai in FY2022, and Kanto in FY2023.

At the current pace of Takayama, we are in the midst of making preparations so that we can move up the Kanto region slightly in 2023.

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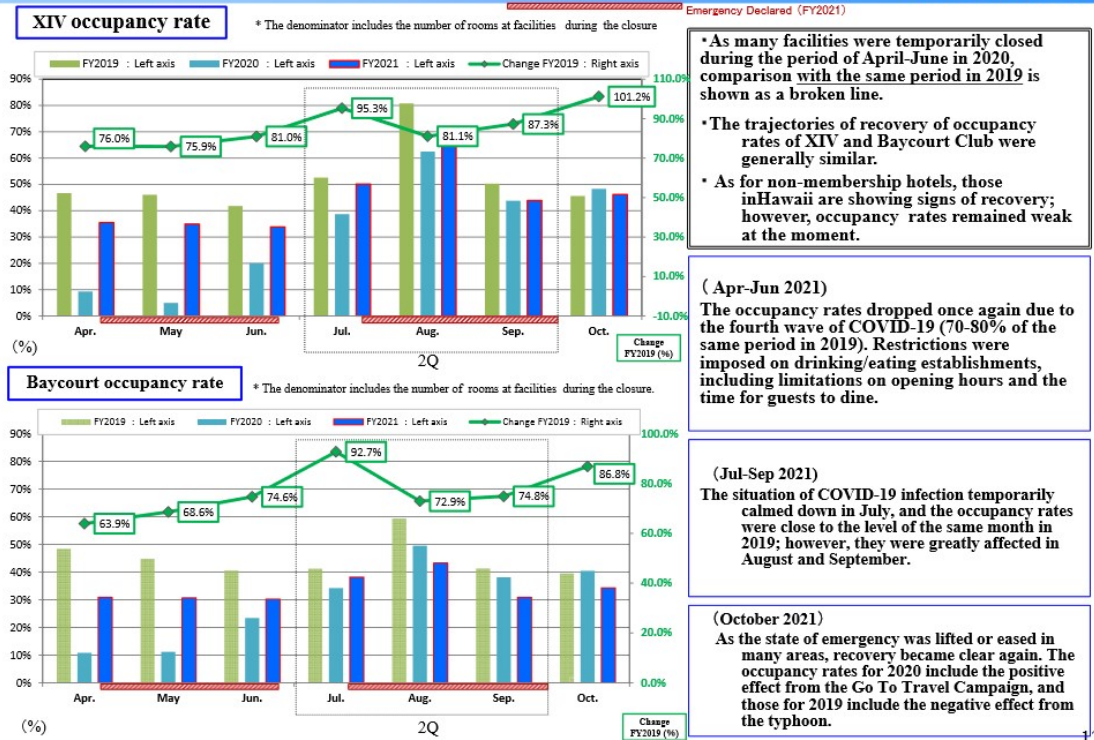
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Trends in Hotel occupancy rate by months①

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I would like to continue with a report on the current status of the hotel's operation.

First, let's look at the occupancy rate.

Both are members-only, but the upper part is XIV, a resort type, and the lower part is the urban neighborhood type of the Baycourt. The red-slashed line shows the timing of the state of emergency.

For XIV, after the third state of emergency in April, the number of visitors returned to 95% in July, but dropped in August due to the re-declaration of a state of emergency.

In terms of the occupancy rate in October, the situation has finally reached the level of the previous 2 fiscal years.

However, in the previous year, unit prices have not returned to that level due to the impact of Go To Travel campaign.

Baycourt is located in urban areas, especially in Tokyo and Yokohama, so compared to the resort type, the recovery is still a little slow, but basically the recovery is following the same trend.

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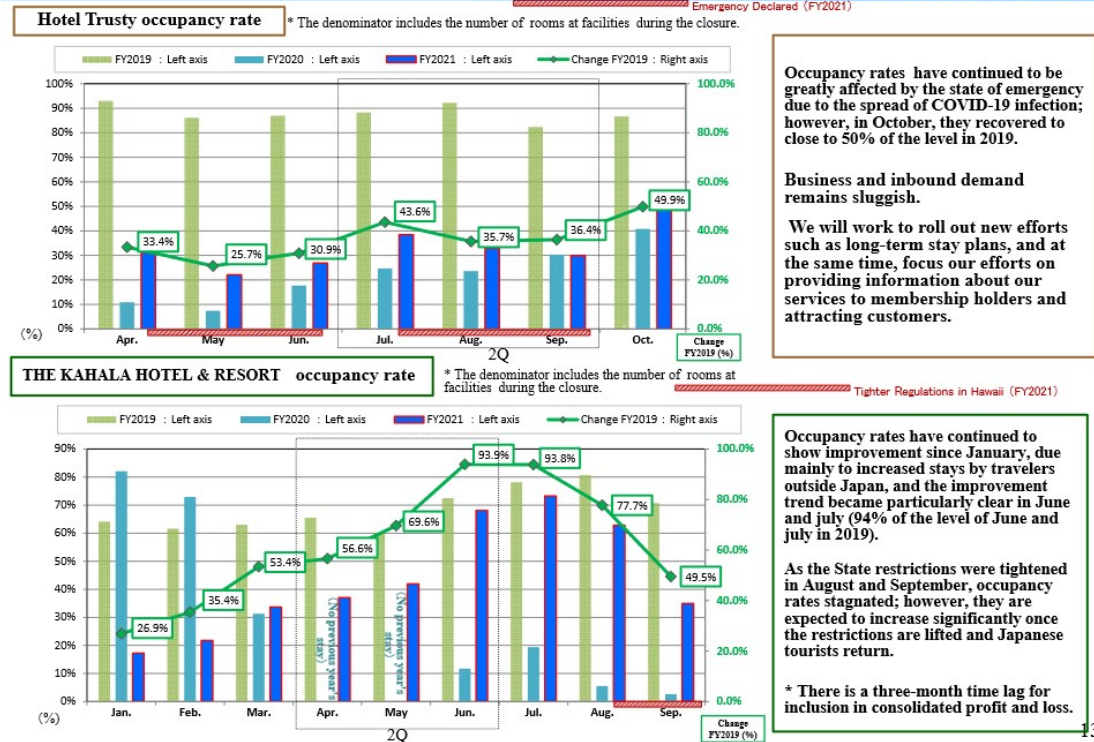
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Trends in Hotel occupancy rate by months②

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Next page, please.

This is Hotel Trusty on top. This is more of a business-type general hotel, and we are still struggling with this without exception, and the business use of our members has not yet returned. Although the percentage finally exceeded 50% in November, we have yet to reach our core business plan.

The last for occupancy rates is Kahala, Hawaii. In Kahala, the situation is a little different from Japan. While Kahala was only from the American mainland, it returned to 93%. However, in August and September, the Governor of the State of Hawaii issued travel restrictions, and the percentage immediately fell to 49%. However, in November, an entry system was reestablished.

There are still some restrictions from Japan, but now that the ban has been lifted from the mainland, we expect the percentage to exceed 90% again during the year-end and New Year holidays.

This goes for not only our hotels but for our group as a whole, but from now on, regarding even occupancy, 1 of the key points is to firmly connect with customers and cross-sell our group's product contents, and increase not only the number of members but also the unit price.

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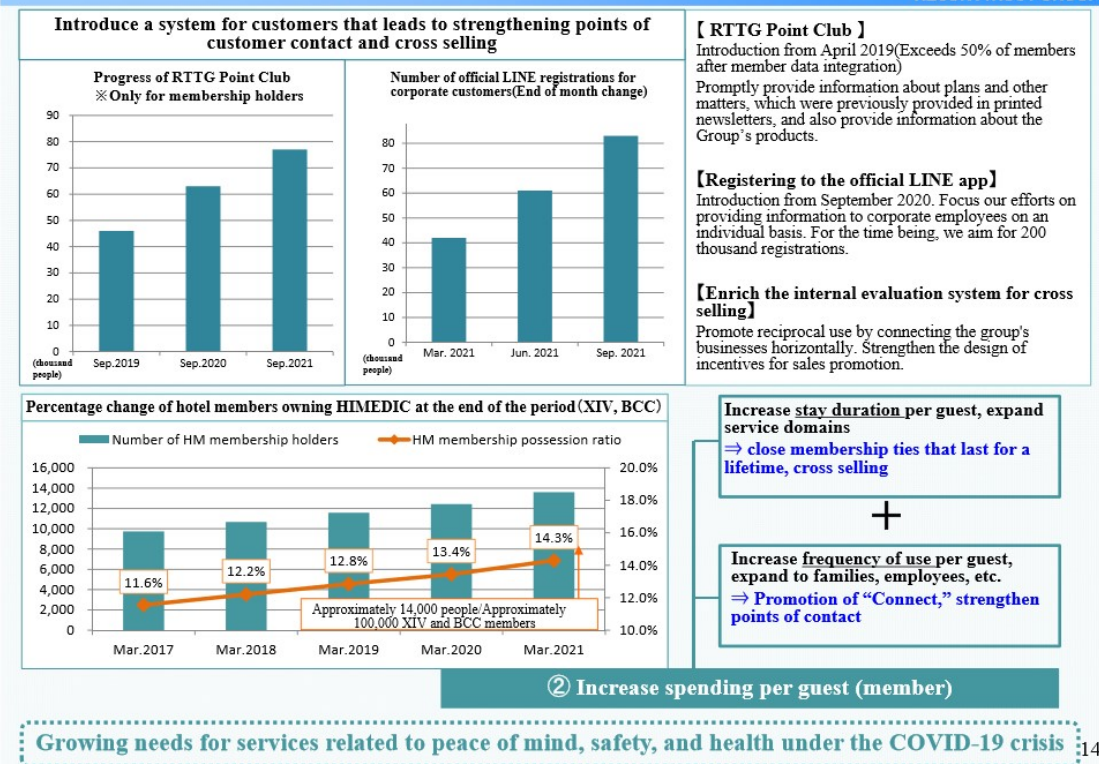
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Examples of initiatives for (2) growth based on “Membership Model”

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First, on the above left, is the trend in point club members.

This is an app that allows customers to register for various information, reservations, check-in and check-out express services, etc., and we are expanding this app as needed.

The number of members increases by about 15,000 per year, and while this is its third year, the number is increasing, and it has now reached almost 80,000.

This is the number of actual members themselves, but if you include other users, the number of registered users has reached nearly 300,000.

Also, on the right side of this page, this is a new initiative from this year. We have heard from employees of corporate members that they do not want to use the service due to the inconvenience and privacy issues, for example when they will take time off and go, etc.

In particular, we are conducting trials with major corporations that we have close relationships with, and we would like to promote the use of this service by allowing corporate employees who have agreed to make reservations directly with us to connect directly with our hotels via LINE, so that we can provide them with various types of information.

In terms of the application, the number of registered users has increased by about 5 times, or about 80,000 people per year. In terms of actual use, during this pandemic, the number of owners is large, so we're still waiting for the use by employees of corporations to return.

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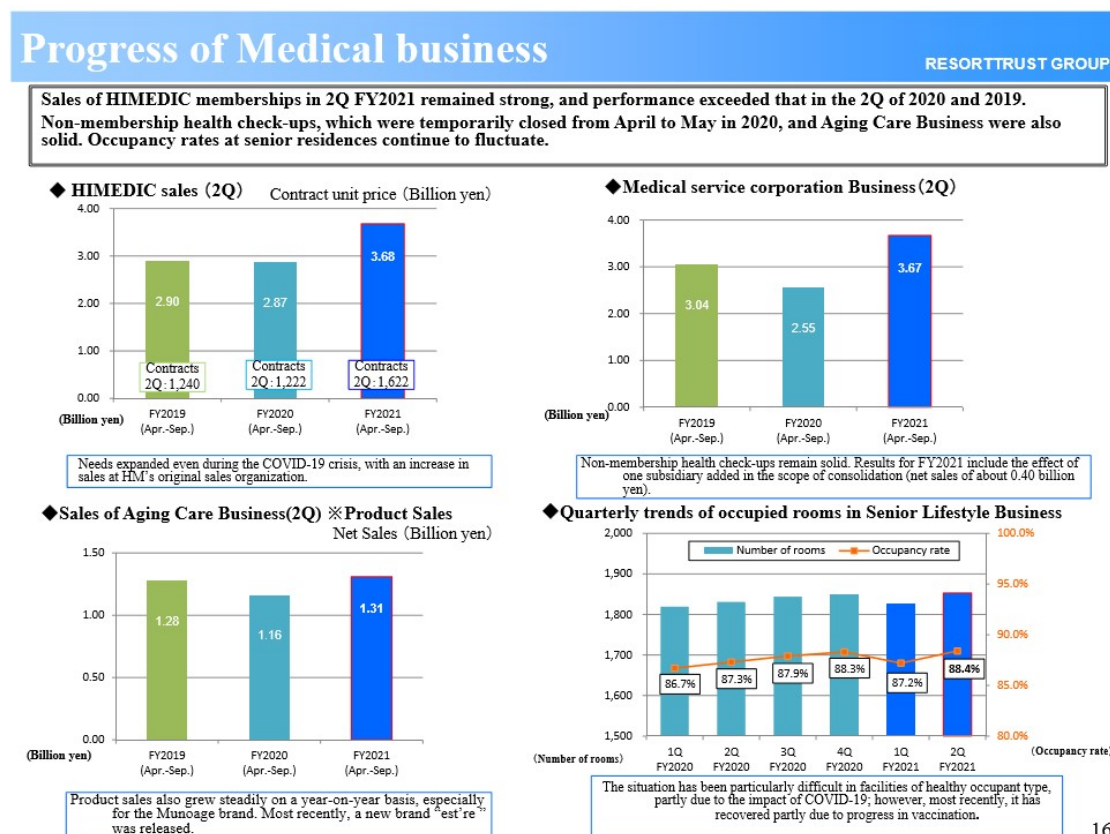
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We believe that this kind of enclosure will be effective when the time comes, and we will continue to increase the number of such enclosures.

The bottom is an example of the cross-selling that I mentioned earlier. Looking at hotel members who were introduced to our Medical business and became medical members, I think we are making good progress in spreading understanding of the services of the entire Group through these applications and other means.



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Next, page 16.

In the Medical business, there are 4 major businesses.

The first 1 is HIMEDIC in the upper left, which is a members-only medical checkup club; the one on the upper right is for general medical checkups; the one on the lower left, which Hikari Ishida appeared for, is for cosmetics and supplements for anti-aging care; and last, senior lifestyle. These are the 4 pillars of our business.

In the field of medical checkups as a whole, the detection rate of cancer is deteriorating due to the shift away from hospitals because of COVID-19, and the need for medical checkups is increasing.

In particular, we have focused on the 3 major diseases of cancer, heart disease, and brain disease, but now with COVID-19, these basic diseases are attracting a great deal of attention.

With the theme of detection and prevention of these basic diseases, we have been able to attract new members, especially those who used to go to university hospitals for medical checkups, but do not want to

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go to university hospitals when they are not sick, so they chose us as a specialized medical checkup center. In this way, we have also succeeded in acquiring new targets.

Also, for the same reason, in the right side of the general medical checkup, last year, the Ministry of Health, Labor and Welfare asked people to refrain from going out unnecessarily, and these general medical checkups were included in the category of unnecessary. However, as with the reason I mentioned earlier, this year's figures have turned to the positive because the health insurance unions are urging people to take the examinations properly.

Also, in the field of anti-aging care, we are living in a time like this, so we are steadily expanding our business mainly through mail order and the Internet. Now, we are introducing new products as needed.

The only problem with senior lifestyle is that, while it has been in the news for some time now, due to infection clusters of elderly people in nursing homes, residents have been wary of visitors to facilities and seeing new people, so things are sluggish.

We have finally returned to the level of our plan at the beginning of the fiscal year, and we are now in the starting position for a full-scale recovery.

This is the theme of our mid-term plan and, as I mentioned earlier, we have been strengthening our efforts to increase the number of customers and members, and to increase the amount of money spent per customer. We are now in the process of organizing the entire platform in order to take the next step toward the next fiscal year.

This is the goal of the medium-term management plan as before, and we will continue to make every effort to achieve the JPY20 billion goal as originally planned, while firmly implementing the following.

That's all I have to say.

Thank you very much.

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Question & Answer

Moderator: We will now move on to the Q&A session.

Do any of you have any questions?

Tanabe: My name is Tanabe from Toyo Keizai Inc. I'm afraid this is a rather general question. You have explained about each of the hotels and restaurants, so if there are any notable factors that have helped them to become profitable, please tell us about them. You did explain about how the overall occupancy rate has moved.

Also, while the market for the general public does not seem to be recovering, if you have any outlook on whether the market for members will continue to be on a recovery track or remain at a high level, could you tell us about that?

Fushimi: Actually, the main reason for the operation of membership hotels now is that the owners themselves, especially the individual owners, have made a lot of progress regarding vaccinations. Also, it is still stressful since it is difficult for them to go abroad in the midst of the pandemic.

If you look at it this way, a membership hotel gives you a clearer idea of the type of person who stayed the day before than a regular hotel, and you will have a more private feeling, especially with a hot spring bath in your room. In particular, in-room dining and room service, which we have had until now. Room service used to be used by only a few percent of the guests, but we have started to offer various services, such as full-course meals in the room, to those who request it, and the usage rate is now over 20%.

Therefore, the occupancy rate has been increasing more than that of ordinary hotels because it is safer than ordinary hotels.

The other reason is that sales have been strong, is that we have received a significant number of new members.

The net increase in the use of the membership hotels by these people can be seen as a sign that the membership hotels as a whole are improving. However, since the beginning, especially on weekdays, there has been no movement of corporate staff or employees, so I think this will be the case in the future.

I also feel that the recognition of the membership hotel itself has increased throughout this pandemic, so I think we can raise the status of the membership hotel to some extent by introducing it more widely, including on the website as I mentioned earlier.

Moderator: Does anyone else have any questions?

Yamamoto: Thank you very much. My name is Yamamoto from Mizuho Securities Co., Ltd. There were many factors that contributed to the success of Sanctuary Court Takayama, such as COVID-19, the novelty of the product, and perhaps the boost of the new brand. Is there anything that you can tell us regarding the next hotel, or recreating something like this?

Fushimi: I think it depends on the location and scale, but as a base, I think we can develop the Sanctuary Court series in the Kansai and Kanto regions.

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In addition to the merchantability of the product, it is also very easy for customers to use, and we have received a lot of positive feedback, so we want to build on this.

The other thing is that the scale of the hotel is slightly smaller than before, so it will be located in a location that we have never considered before. While before we used to consider a minimum of 200 to 250 rooms, if it's 120 rooms, it can be closer to a major city etc., so we can develop a new strategic area. In that sense, I am looking forward to this new product as a new development.

Yamamoto: Thank you very much. I'd like to follow up. For one, this time regional characteristics were almost irrelevant, and I felt that I could imagine greater spread in a place like Hokkaido.

Also, this is a separate question, I understand why the occupancy rates of hotels were good, but could you tell us if there were any reductions in fixed costs or other 1-time factors?

Fushimi: It is true that Hokkaido, and while it's strange to say, for example, if there was a bit more of a price premium, people could go the distance, but it all comes down to occupancy I think. This time, Takayama is doing well in the Tokyo, Nagoya, and Osaka areas, but I think the main users will be in the Chubu-Tokai area. As I said earlier, if there is an opening just before, it only applies to Takayama, so we want to make sure that Takayama is operating at full capacity.

Up until now, some of the Baycourt series and in the past the XIV series were highly rated, and it would be difficult to get a reservation for about a year after its opening, but since the Baycourt series, it has become more of a status to obtain membership, and the use of the facilities has been slow, so occupancy for facilities opened within the past few years haven't done very well.

We have to make sure that the facility can be used by local residents as much as possible, while also incorporating such measures, so that we can secure the operation of the facility for 5 nights a month at a premium, especially since we have many corporate guests. In that sense, I think that the location of Sanctuary Court will be better utilized near the economic zone of Tokyo, Nagoya, and Osaka.

As for the other point, about returning the hotel to profitability, other than occupancy, we did a lot of work last year, including closing during the Golden Week holidays in the first half of the year, and we reduced expenses by about JPY4 billion for the year.

In the first half of the fiscal year, we had about JPY2 billion in fixed costs, but this fiscal year, we are not able to reach that level because of the slight increase in operation, but we are able to convert about half of the fixed costs, or JPY1 billion, into variable costs. Those reductions we made last year are still very much alive this year, and we would like to firmly establish them to increase our profit margin in the future.

Moderator: Does anyone have any other questions? No more questions? Since there are no other questions, we will conclude the question-and-answer session. This concludes the briefing on the second-quarter results for Resorttrust, Inc. Thank you very much for taking time out of your busy schedule to join us today.

Fushimi: Thank you very much.

[END]

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