

RESORTTRUST FINANCIAL DATA

CONSOLIDATED FINANCIAL SUMMARY

2Q FY 2018 (from April 1, 2018 to September 30, 2018)



**RESORTTRUST
GROUP**

(securities code: 4681)

CONSOLIDATED FINANCIAL SUMMARY

For the Second Quarter Ended September 30, 2016, 2017 and 2018

(Millions of yen)

	2Q			Fiscal Year	
	Apr.-Sep. 2016	Apr.-Sep. 2017	Apr.-Sep. 2018	2018/3 Results	2019/3 Targets
Net sales	65,207	70,110	77,334	165,413	183,600
Operating income	4,727	5,452	6,074	17,742	19,000
Ordinary income	4,761	6,400	6,507	19,422	19,500
Net income	3,612	3,787	3,998	11,830	12,400
Net assets	107,696	120,363	125,925	125,190	
Assets	392,798	412,199	402,491	421,440	
Net income per share (yen) (Primary)	33.95	35.50	37.40	110.82	
Net income per share (yen) (Fully Diluted)	31.17	32.61	34.40	101.99	
Equity ratio (%)	26.3	28.1	30.2	28.7	
Return on assets (%)	-	-	-	2.80	
Return on equity (%)	-	-	-	10.10	
Net cash provided by (used in) operating activities	5,616	(7,132)	(5,132)	8,456	
Net cash provided by (used in) investment activities	(1,134)	(8,236)	9,191	(7,282)	
Net cash provided by (used in) financing activities	(7,220)	(2,375)	(9,030)	(9,177)	
Cash and cash equivalents	22,707	22,711	27,500	32,469	

Business Results

Overview of 2Q for The Fiscal Year 2018(Ending March 31, 2019)

1. Summary of Business Results

(Millions of Yen)

	2Q FY2017 (Results)	2Q FY2018		Year-on-Year Change	Results vs. Targets
		(Results)	(Targets)		
Net sales	70,110	77,334	81,900	+10.3%	(5.6%)
Operating income	5,452	6,074	6,300	+11.4%	(3.6%)
Ordinary income	6,400	6,507	6,700	+1.7%	(2.9%)
Net income	3,787	3,998	4,000	+5.6%	(0.0%)

The Japanese economy during the six-month period under review stayed on a moderate recovery trend and saw continuous improvements in circumstances surrounding employment and earnings as well as corporate income. Under these circumstances, net sales were JPY 77,334 million (+10.3% yoy), operating income was JPY 6,074 million (+11.4% yoy), ordinary income was JPY 6,507 million (+1.7% yoy), and net income attributable to owners of parent was JPY 3,998 million (+5.6% yoy). This is thanks to business contribution of the revenue from hotel management at “Ashiya Baycourt Club” and “XIV Rokko Sanctuary Villa” which opened in February and April 2018, respectively, and the steady sales of memberships at “Laguna Baycourt Club,” which started in August 2016.

Results by each business segment are as follows. Segment income is based on operating income. In addition, the classification method of business segments has been modified during the three-month period under review due to reorganization. Results for the same period of the previous fiscal year have been calculated using the modified classification method.

2. Summary of Business Segments

[Membership Operations]

(Millions of Yen)

	2Q FY2017 (Results)	2Q FY2018		Year-on-Year Change	Results vs. Targets
		(Results)	(Targets)		
Net sales	13,825	19,204	19,860	+38.9%	(3.3%)
Operating income	3,339	4,901	4,560	+46.8%	+7.5%

Membership Operation Segment resulted in increased sales and income led by steady sales of memberships at “Yokohama Baycourt Club,” which began sales in December 2017, as well as the commencement of operations of “XIV Rokko Sanctuary Villa” in April 2018, upon which deferred real estate profits were recorded as a lump sum.

[Hotel and Restaurant Operations]

(Millions of Yen)

	2Q FY2017 (Results)	2Q FY2018		Year-on-Year Change	Results vs. Targets
		(Results)	(Targets)		
Net sales	40,634	40,799	43,090	+0.4%	(5.3%)
Operating income	3,016	2,401	3,020	(20.4%)	(20.5%)

Hotel and Restaurant Operation Segment increased sales but decreased income due to contributions made to sales by revenue from hotel operation at “Ashiya Baycourt Club,” which started business in February 2018, and at “XIV Rokko Sanctuary Villa,” which did in April 2018, and due to an increase in expenses for depreciation.

[Medical Operations]

(Millions of Yen)

	2Q FY2017 (Results)	2Q FY2018		Year-on-Year Change	Results vs. Targets
		(Results)	(Targets)		
Net sales	15,282	16,997	18,610	+11.2%	(8.7%)
Operating income	2,611	2,955	2,850	+13.2%	+3.7%

Medical Operation Segment increased sales and income, due to an increase in annual fees, etc. in line with an increased number of memberships of “Grand HIMEDIC Club,” a comprehensive medical support club, in addition to an expansion of facilities for senior residence, as well as an expansion in the medical examination business and merchandise business of cosmetics and supplements, etc.

[Others]

(Millions of Yen)

	2Q FY2017 (Results)	2Q FY2018		Year-on-Year Change	Results vs. Targets
		(Results)	(Targets)		
Net sales	367	333	340	(9.5%)	(2.1%)
Operating income	216	223	230	+3.3%	(2.7%)

Others decreased sales but increased income, due to a decrease in rent income from office buildings operated by RT Development Co., Ltd., a consolidated subsidiary, whereas expenses such as fixed asset tax and depreciation had decreased.

3. Cash Flows

(Millions of Yen)

	2Q FY2017 (Results)	2Q FY2018 (Results)
Operating cash flows	(7,132)	(5,132)
Investing cash flows	(8,236)	9,191
Financing cash flows	(2,375)	(9,030)
Cash and cash equivalents	22,711	27,500

4. Outlook for the Fiscal Year 2018(Ending March 31, 2019)

(Millions of Yen)

	FY2017 (Results)	FY 2018 (Targets)	Year-on-year Change
Net sales	165,413	183,600	+11.0%
Operating income	17,742	19,000	+7.1%
Ordinary income	19,422	19,500	+0.4%
Net income	11,830	12,400	+4.8%

Regarding the future economic climate of Japan, the Company expects a moderate economic recovery trend to continue, due to the progress of infrastructure development and metropolitan redevelopment for the Olympics, as well as the increase in investment in facilities and research and development for rationalization and labor-saving to tackle the issue of labor shortage. Regarding the trends of the tourism industry, policies were implemented to support efforts toward remedying the labor-shortage situation, such as the improvement of productivity, and the creation of an environment where elderly, female, and foreign employees can actively take part in. Through the cooperative efforts between the public and private sectors, with the aim to become a country of advanced tourism, the tourism industry as a whole can be expected move forward significantly. In particular, the efforts made to increase foreign tourists visiting Japan also connect to the convenience and customer satisfaction of domestic travel, and are seen as factors contributing to the increasing domestic demand. Amid such an environment, the Company Group has been working towards our management vision to “become a unique hospitality corporate group that continues to expand in Japan and overseas,” and has established “Connect 50: Together for a wonderful life,” our medium-term management plan targeting the five years from April 2018 to March 2023.

In this medium-term management plan, where we plan to kick-start a brand-new management structure, we focus on efforts aimed at making the most of Group synergy effects while firmly protecting the unique brand established in our businesses: “Membership Business,” “Hotel and Restaurant Business,” “Medical Business,” and “Senior Lifestyle Business.” Through this, we aim to realize solid and high-grade Group brand and become a group with close membership ties that endure for a lifetime.

In the years ahead, we will draw on the know-how that stems from the robust connections with our customers, the strengths of our memberships as well as our tailor-made, high-value-added services to more vigorously engage in activities that also target the general consumer markets. Advancing toward the milestone of our 50th anniversary, we will redouble efforts aimed at mobilizing the collective strengths of the Group, while fulfilling our social responsibility in “environment, society and governance” and maintaining sustainable growth-oriented management.

Under these circumstances, the Company Group will record deferred real estate profits as a lump sum upon the start of full operation of “Ashiya Baycourt Club” which opened in February 2018, the opening of “XIV Rokko Sanctuary Villa” in April 2018, and the scheduled opening of “Laguna Baycourt Club” in March 2019. In Medical Operations, it is expected that revenues from annual fees will increase accompanied with increased sales of memberships for “Grand HIMEDIC Club,” a comprehensive medical support club. Expansion of facilities for senior residence, medical examination business and business related to sale of goods including cosmetics and supplements is also expected. As a result, the Company Group forecasts net sales to increase 11.0% year-on-year to 183,600 million yen, operating income to increase 7.1% year-on-year to 19,000 million yen, ordinary income to increase 0.4% year-on-year to 19,500 million yen, and net income attributable to owners of parent to increase 4.8% year-on-year to 12,400 million yen.

Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	FY 2017 (as of Mar. 31, 2018)	2Q FY 2018 (as of Sep. 30, 2018)
Assets		
Current assets		
Cash and deposits	29,366	30,313
Notes and accounts receivable - trade	7,689	8,092
Operating loans	44,041	45,668
Securities	6,404	500
Merchandise	972	1,003
Real estate for sale	22,776	27,174
Raw materials and supplies	1,374	1,375
Real estate for sale in process	28,116	23,263
Other	6,303	8,116
Allowance for doubtful accounts	(950)	(1,007)
Total current assets	146,094	144,500
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	94,830	94,905
Machinery, equipment and vehicles, net	2,765	2,752
Golf courses	7,591	7,591
Land	38,302	38,220
Leased assets, net	6,689	6,334
Construction in progress	15,700	19,273
Other, net	4,721	4,330
Total property, plant and equipment	170,600	173,408
Intangible assets		
Goodwill	4,121	3,931
Software	4,240	3,951
Other	2,638	3,283
Total intangible assets	11,001	11,166
Investments and other assets		
Investment securities	64,724	43,825
Shares of subsidiaries and associates	1,390	1,385
Long-term loans receivable	6,163	6,299
Net defined benefit asset	1,219	1,178
Deferred tax assets	7,596	7,314
Other	13,486	14,186
Allowance for doubtful accounts	(835)	(773)
Total investments and other assets	93,744	73,416
Total non-current assets	275,345	257,990
Total assets	421,440	402,491

(Millions of yen)

	FY 2017 (as of Mar. 31, 2018)	2Q FY 2018 (as of Sep. 30, 2018)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	1,355	1,340
Short-term loans payable	8,958	14,540
Current portion of long-term loans payable	19,119	3,693
Current portion of bonds	2,750	250
Lease obligations	848	849
Accounts payable - other	16,825	8,360
Income taxes payable	4,741	2,344
Accrued consumption taxes	1,642	841
Advances received	28,564	30,432
Unearned revenue	13,975	12,786
Provision for loss on guarantees	179	232
Other	7,192	7,904
Total current liabilities	106,153	83,577
Non-current liabilities		
Bonds payable	700	575
Bonds with share acquisition rights	29,855	29,834
Long-term loans payable	32,069	36,888
Lease obligations	6,343	5,949
Deferred tax liabilities	829	794
Provision for directors' retirement benefits	2,131	2,096
Provision for stocks payment	1,294	1,580
Net defined benefit liability	1,755	1,852
Long-term guarantee deposited	33,693	33,281
Amortizable long-term guarantee deposits received	67,847	65,969
Negative goodwill	100	40
Other	13,475	14,124
Total non-current liabilities	190,096	192,987
Total liabilities	296,250	276,565
Net assets		
Shareholders' equity		
Capital stock	19,590	19,590
Capital surplus	22,192	22,192
Retained earnings	78,770	80,276
Treasury shares	(2,212)	(1,859)
Total shareholders' equity	118,341	120,200
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	661	875
Foreign currency translation adjustment	1,814	536
Remeasurements of defined benefit plans	(55)	(58)
Total accumulated other comprehensive income	2,421	1,354
Share acquisition rights	229	261
Non-controlling interests	4,198	4,110
Total net assets	125,190	125,925
Total liabilities and net assets	421,440	402,491

(2) Consolidated Statements of Income and Comprehensive Income
[Consolidated Statements of Income]

(Millions of yen)

	2Q FY 2017 (Apr. 1, 2017 - Sep. 30, 2017)	2Q FY 2018 (Apr. 1, 2018 - Sep. 30, 2018)
Net sales	70,110	77,334
Cost of sales	8,962	13,022
Gross profit	61,148	64,312
Selling, general and administrative expenses		
Salaries and bonuses	21,806	22,244
Provision for directors' retirement benefits	61	170
Repair and maintenance	1,491	1,721
Provision of allowance for doubtful accounts	54	62
Utilities expenses	2,666	2,808
Depreciation	3,662	4,120
Other	25,953	27,109
Total selling, general and administrative expenses	55,695	58,237
Operating profit	5,452	6,074
Non-operating income		
Interest income	1,145	847
Dividend income	33	36
Amortization of negative goodwill	60	60
Share of profit of entities accounted for using equity method	7	5
Foreign exchange gains	51	19
Reversal of allowance for doubtful accounts	55	66
Reversal of provision for loss on guarantees	16	-
Other	231	146
Total non-operating income	1,602	1,181
Non-operating expenses		
Interest expenses paid on loans and bonds	318	351
Provision for loss on guarantees	-	52
Guarantee charge of unearned revenue	33	23
Nondeductible consumption tax	207	259
Other	95	60
Total non-operating expenses	655	747
Ordinary profit	6,400	6,507

[Consolidated Statements of Income]

(Millions of yen)

	2Q FY 2017 (Apr. 1, 2017 - Sep. 30, 2017)	2Q FY 2018 (Apr. 1, 2018 - Sep. 30, 2018)
Extraordinary income		
Gain on sales of non-current assets	31	144
Gain on sales of investment securities	14	504
Gain on redemption of investment securities	39	-
Gain on sales of shares of subsidiaries and associates	4	4
Compensation income		
Other	-	9
Total extraordinary income	177	663
Extraordinary losses		
Loss on retirement of non-current assets	12	20
Impairment loss	-	104
Loss on sales of non-current assets	260	-
Loss on sales of investment securities	-	495
Loss on redemption of investment securities	59	-
Directors' retirement benefits	34	40
Other	47	23
Total extraordinary losses	415	684
Profit before income taxes	6,162	6,487
Income taxes - current	2,300	2,139
Income taxes - deferred	2	204
Total income taxes	2,303	2,343
Profit	3,859	4,143
Profit attributable to non-controlling interests	72	144
Profit attributable to owners of parent	3,787	3,998

[Consolidated Statements of Comprehensive Income]

(Millions of yen)

	2Q FY 2017 (Apr. 1, 2017 - Sep. 30, 2017)	2QFY 2018 (Apr. 1, 2018 - Sep. 30, 2018)
Profit	3,859	4,143
Other comprehensive income		
Valuation difference on available-for-sale securities	1,289	215
Foreign currency translation adjustment	(1,231)	(1,278)
Remeasurements of defined benefit plans, net of tax	4	(2)
Total other comprehensive income	62	(1,065)
Comprehensive income	3,921	3,077
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,849	2,931
Comprehensive income attributable to non-controlling interests	72	145

(3) Consolidated Statements of Cash Flows

(Millions of yen)

	2Q FY 2017 (Apr. 1, 2017 - Sep. 30, 2017)	2Q FY 2018 (Apr. 1, 2018 - Sep. 30, 2018)
Cash flows from operating activities		
Profit before income taxes	6,162	6,487
Depreciation	4,095	4,678
Impairment loss	-	104
Amortization of goodwill (negative goodwill)	322	240
Increase (decrease) in allowance for doubtful accounts	(12)	(4)
Increase (decrease) in net defined benefit liability	96	120
Increase (decrease) in provision for directors' retirement benefits	(75)	(35)
Interest and dividend income	(1,179)	(883)
Interest expenses paid on loans and bonds	318	351
Foreign exchange losses (gains)	(24)	(16)
Decrease (increase) in notes and accounts receivable - trade	1,050	(1,981)
Decrease (increase) in inventories	(8,468)	(63)
Increase (decrease) in notes and accounts payable - trade	(99)	(10)
Increase (decrease) in accounts payable - other	(11,061)	(6,968)
Increase (decrease) in advances received	6,895	1,867
Increase (decrease) in long-term guarantee deposits received	(2,928)	(2,290)
Increase (decrease) in accrued consumption taxes	1,759	(801)
Other, net	(1,448)	(2,401)
Subtotal	(4,595)	(1,607)
Interest and dividend income received	1,181	1,032
Interest expenses paid	(325)	(373)
Income taxes paid	(3,392)	(4,183)
Net cash provided by (used in) operating activities	(7,132)	(5,132)

(Millions of yen)

	2Q FY 2017 (Apr. 1, 2017 - Sep. 30, 2017)	2Q FY 2018 (Apr. 1, 2018 - Sep. 30, 2018)
Cash flows from investing activities		
Payments into time deposits	(20)	(3,020)
Proceeds from withdrawal of time deposits	803	77
Purchase of securities	(3,611)	-
Proceeds from sales and redemption of securities	6,617	2,890
Purchase of investment securities	(1,040)	(0)
Proceeds from sales and redemption of investment securities	8,021	20,173
Purchase of shares of subsidiaries and associates	(14)	(4)
Proceeds from sales of shares of subsidiaries and associates	14	14
Purchase of property, plant and equipment and intangible assets	(16,631)	(10,221)
Payments of loans receivable	(1,122)	(530)
Collection of loans receivable	83	91
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(1,398)	-
Other, net	61	(279)
Net cash provided by (used in) investing activities	(8,236)	9,191
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	504	4,954
Proceeds from long-term loans payable	590	5,771
Repayments of long-term loans payable	(3,167)	(16,377)
Redemption of bonds	(125)	(2,625)
Purchase of treasury shares	(0)	(0)
Proceeds from disposal of treasury shares	218	207
Cash dividends paid	(2,492)	(2,492)
Dividends paid to non-controlling interests	-	7
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	-	(1)
Other, net	2,097	1,526
Net cash provided by (used in) financing activities	(2,375)	(9,030)
Effect of exchange rate change on cash and cash equivalents	23	2
Net increase (decrease) in cash and cash equivalents	(17,719)	(4,969)
Cash and cash equivalents at beginning of period	40,365	32,469
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	66	-
Cash and cash equivalents at end of period	22,711	27,500

Disclaimer Regarding Forward-looking Statements

Any statements in this presentation document, other than those of historical fact, are forward-looking statements about the future performance of Resorttrust, Inc.

and its group companies, which are based on management's assumptions and beliefs in light of information currently available, and involve risks and uncertainties. Actual results may differ materially from these forecasts.



RESORTTRUST
GROUP