

RESORTTRUST FINANCIAL DATA

CONSOLIDATED FINANCIAL SUMMARY

3Q FY 2018 (from April 1, 2018 to December 31, 2018)



**RESORTTRUST
GROUP**

(securities code: 4681)

CONSOLIDATED FINANCIAL SUMMARY

For the Third Quarter Ended December 31, 2016, 2017 and 2018

(Millions of yen)

	3Q			Fiscal Year	
	Apr.-Dec. 2016	Apr.-Dec. 2017	Apr.-Dec. 2018	2018/3 Results	2019/3 Targets
Net sales	98,480	106,262	114,394	165,413	183,600
Operating income	8,566	9,121	9,352	17,742	19,000
Ordinary income	9,405	10,521	9,947	19,422	19,500
Net income	7,181	6,350	5,959	11,830	12,400
Net assets	110,099	121,193	125,365	125,190	
Assets	411,373	424,643	410,433	421,440	
Net income per share (yen) (Primary)	67.46	59.51	55.72	110.82	
Net income per share (yen) (Fully Diluted)	62.01	54.70	51.25	101.99	
Equity ratio (%)	25.7	27.4	29.4	28.7	
Return on assets (%)	-	-	-	2.80	
Return on equity (%)	-	-	-	10.10	
Net cash provided by (used in) operating activities	19,076	9,044	6,913	8,456	
Net cash provided by (used in) investment activities	2,441	(14,419)	(4,510)	(7,282)	
Net cash provided by (used in) financing activities	(8,411)	(6,403)	(11,934)	(9,177)	
Cash and cash equivalents	38,536	28,698	22,950	32,469	

Business Results

Overview of 3Q for The Fiscal Year 2018(Ending March 31, 2019)

1. Summary of Business Results

(Millions of Yen)

	3Q FY2017 (Results)	3Q FY2018		Year-on-Year Change	Results vs. Targets
		(Results)	(Targets)		
Net sales	106,262	114,394	121,000	+7.7%	(5.5%)
Operating income	9,121	9,352	9,500	+2.5%	(1.6%)
Ordinary income	10,521	9,947	10,000	(5.5%)	(0.5%)
Net income	6,350	5,959	6,100	(6.2%)	(2.3%)

The Japanese economy during the nine-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 114,394 million (+7.7% yoy), operating income was JPY 9,352 million (+2.5% yoy), ordinary income was JPY 9,947 million (-5.5% yoy), and net income attributable to owners of parent was JPY 5,959 million (-6.2% 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 had been modified during the First Quarter of this fiscal year 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)

	3Q FY2017 (Results)	3Q FY2018		Year-on-Year Change	Results vs. Targets
		(Results)	(Targets)		
Net sales	20,833	26,144	27,090	+25.5%	(3.5%)
Operating income	5,525	6,946	6,590	+25.7%	+5.4%

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)

	3Q FY2017 (Results)	3Q FY2018		Year-on-Year Change	Results vs. Targets
		(Results)	(Targets)		
Net sales	61,665	62,095	65,800	+0.7%	(5.6%)
Operating income	4,694	3,849	4,650	(18.0%)	(17.2%)

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)

	3Q FY2017 (Results)	3Q FY2018		Year-on-Year Change	Results vs. Targets
		(Results)	(Targets)		
Net sales	23,224	25,663	27,600	+10.5%	(7.0%)
Operating income	4,006	4,567	4,380	+14.0%	+4.3%

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)

	3Q FY2017 (Results)	3Q FY2018		Year-on-Year Change	Results vs. Targets
		(Results)	(Targets)		
Net sales	539	490	510	(9.0%)	(3.8%)
Operating income	378	391	380	+3.5%	+3.1%

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)

	3Q FY2017 (Results)	3Q FY2018 (Results)
Operating cash flows	9,044	6,913
Investing cash flows	(14,419)	(4,510)
Financing cash flows	(6,403)	(11,934)
Cash and cash equivalents	28,698	22,950

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)	3Q FY 2018 (as of Dec. 31, 2018)
Assets		
Current assets		
Cash and deposits	29,366	28,804
Notes and accounts receivable - trade	7,689	8,891
Operating loans	44,041	46,476
Securities	6,404	6,641
Merchandise	972	1,150
Real estate for sale	22,776	26,546
Raw materials and supplies	1,374	1,705
Real estate for sale in process	28,116	23,573
Other	6,303	7,533
Allowance for doubtful accounts	(950)	(990)
Total current assets	146,094	150,332
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	94,830	94,997
Machinery, equipment and vehicles, net	2,765	2,657
Golf courses	7,591	7,591
Land	38,302	38,250
Leased assets, net	6,689	6,179
Construction in progress	15,700	20,279
Other, net	4,721	4,100
Total property, plant and equipment	170,600	174,058
Intangible assets		
Goodwill	4,121	3,784
Software	4,240	3,917
Other	2,638	3,446
Total intangible assets	11,001	11,148
Investments and other assets		
Investment securities	64,724	45,115
Shares of subsidiaries and associates	1,390	1,389
Long-term loans receivable	6,163	6,264
Net defined benefit asset	1,219	1,158
Deferred tax assets	7,596	7,244
Other	13,486	14,488
Allowance for doubtful accounts	(835)	(766)
Total investments and other assets	93,744	74,893
Total non-current assets	275,345	260,100
Total assets	421,440	410,433

(Millions of yen)

	FY 2017 (as of Mar. 31, 2018)	3Q FY 2018 (as of Dec. 31, 2018)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	1,355	1,833
Short-term loans payable	8,958	14,316
Current portion of long-term loans payable	19,119	1,830
Current portion of bonds	2,750	250
Lease obligations	848	849
Accounts payable - other	16,825	8,384
Income taxes payable	4,741	650
Accrued consumption taxes	1,642	988
Advances received	28,564	34,682
Unearned revenue	13,975	17,942
Provision for loss on guarantees	179	93
Other	7,192	7,316
Total current liabilities	106,153	89,137
Non-current liabilities		
Bonds payable	700	575
Bonds with share acquisition rights	29,855	29,823
Long-term loans payable	32,069	38,879
Lease obligations	6,343	5,780
Deferred tax liabilities	829	812
Provision for directors' retirement benefits	2,131	2,114
Provision for stocks payment	1,294	1,640
Net defined benefit liability	1,755	1,893
Long-term guarantee deposited	33,693	33,031
Amortizable long-term guarantee deposits received	67,847	67,424
Negative goodwill	100	10
Other	13,475	13,944
Total non-current liabilities	190,096	195,930
Total liabilities	296,250	285,068
Net assets		
Shareholders' equity		
Capital stock	19,590	19,590
Capital surplus	22,192	22,192
Retained earnings	78,770	79,744
Treasury shares	(2,212)	(1,851)
Total shareholders' equity	118,341	119,675
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	661	(288)
Foreign currency translation adjustment	1,814	1,528
Remeasurements of defined benefit plans	(55)	(59)
Total accumulated other comprehensive income	2,421	1,180
Share acquisition rights	229	277
Non-controlling interests	4,198	4,232
Total net assets	125,190	125,365
Total liabilities and net assets	421,440	410,433

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

(Millions of yen)

	3Q FY 2017 (Apr. 1, 2017 - Dec. 31, 2017)	3Q FY 2018 (Apr. 1, 2018 - Dec. 31, 2018)
Net sales	106,262	114,394
Cost of sales	13,578	17,928
Gross profit	92,684	96,465
Selling, general and administrative expenses		
Salaries and bonuses	33,028	33,505
Provision for directors' retirement benefits	80	189
Repair and maintenance	2,180	2,760
Provision of allowance for doubtful accounts	52	48
Utilities expenses	3,987	4,210
Depreciation	5,501	6,269
Other	38,733	40,127
Total selling, general and administrative expenses	83,563	87,112
Operating profit	9,121	9,352
Non-operating income		
Interest income	1,687	1,179
Dividend income	54	58
Amortization of negative goodwill	90	90
Share of profit of entities accounted for using equity method	13	14
Foreign exchange gains	49	10
Reversal of allowance for doubtful accounts	64	75
Reversal of provision for loss on guarantees	18	-
Other	411	238
Total non-operating income	2,389	1,667
Non-operating expenses		
Interest expenses paid on loans and bonds	484	525
Provision for loss on guarantees	-	51
Guarantee charge of unearned revenue	63	44
Nondeductible consumption tax	313	353
Other	126	98
Total non-operating expenses	988	1,073
Ordinary profit	10,521	9,947

[Consolidated Statements of Income]

(Millions of yen)

	3Q FY 2017 (Apr. 1, 2017 - Dec. 31, 2017)	3Q FY 2018 (Apr. 1, 2018 - Dec. 31, 2018)
Extraordinary income		
Gain on sales of non-current assets	164	146
Gain on sales of investment securities	16	504
Gain on redemption of investment securities	39	-
Gain on sales of shares of subsidiaries and associates	4	4
Compensation income	86	-
Other	-	9
Total extraordinary income	311	664
Extraordinary losses		
Loss on retirement of non-current assets	155	34
Impairment loss	-	104
Loss on sales of non-current assets	385	27
Loss on sales of investment securities	-	495
Loss on redemption of investment securities	59	-
Directors' retirement benefits	34	40
Contribution	-	203
Other	47	-
Total extraordinary losses	683	905
Profit before income taxes	10,149	9,706
Income taxes - current	3,065	2,673
Income taxes - deferred	547	806
Total income taxes	3,613	3,479
Profit	6,536	6,226
Profit attributable to non-controlling interests	185	267
Profit attributable to owners of parent	6,350	5,959

[Consolidated Statements of Comprehensive Income]

(Millions of yen)

	3Q FY 2017 (Apr. 1, 2017 - Dec. 31, 2017)	3Q FY 2018 (Apr. 1, 2018 - Dec. 31, 2018)
Profit	6,536	6,226
Other comprehensive income		
Valuation difference on available-for-sale securities	1,520	(950)
Foreign currency translation adjustment	(1,067)	(286)
Remeasurements of defined benefit plans, net of tax	6	(4)
Total other comprehensive income	459	(1,241)
Comprehensive income	6,995	4,985
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	6,809	4,718
Comprehensive income attributable to non-controlling interests	186	267

(3) Consolidated Statements of Cash Flows

(Millions of yen)

	3Q FY 2017 (Apr. 1, 2017 - Dec. 31, 2017)	3Q FY 2018 (Apr. 1, 2018 - Dec. 31, 2018)
Cash flows from operating activities		
Profit before income taxes	10,149	9,706
Depreciation	6,181	7,081
Impairment loss	-	104
Amortization of goodwill (negative goodwill)	484	357
Increase (decrease) in allowance for doubtful accounts	(25)	(29)
Increase (decrease) in net defined benefit liability	173	179
Increase (decrease) in provision for directors' retirement benefits	(57)	(16)
Interest and dividend income	(1,741)	(1,237)
Interest expenses paid on loans and bonds	484	525
Foreign exchange losses (gains)	(43)	(11)
Decrease (increase) in notes and accounts receivable - trade	(793)	(3,583)
Decrease (increase) in inventories	(8,654)	(411)
Increase (decrease) in notes and accounts payable - trade	612	480
Increase (decrease) in accounts payable - other	(10,665)	(6,657)
Increase (decrease) in advances received	14,072	6,118
Increase (decrease) in long-term guarantee deposits received	(1,952)	(1,085)
Increase (decrease) in accrued consumption taxes	1,879	(636)
Other, net	3,954	2,822
Subtotal	14,060	13,706
Interest and dividend income received	2,005	1,566
Interest expenses paid	(489)	(543)
Income taxes paid	(6,532)	(7,816)
Net cash provided by (used in) operating activities	9,044	6,913

(Millions of yen)

	3Q FY 2017 (Apr. 1, 2017 - Dec. 31, 2017)	3Q FY 2018 (Apr. 1, 2018 - Dec. 31, 2018)
Cash flows from investing activities		
Payments into time deposits	(3,077)	(6,020)
Proceeds from withdrawal of time deposits	810	77
Purchase of securities	(7,610)	(6,645)
Proceeds from sales and redemption of securities	6,617	3,390
Purchase of investment securities	(1,040)	(3,001)
Proceeds from sales and redemption of investment securities	11,772	21,209
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	(19,725)	(12,566)
Payments of loans receivable	(1,431)	(532)
Collection of loans receivable	120	133
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(1,398)	-
Other, net	543	(565)
Net cash provided by (used in) investing activities	(14,419)	(4,510)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	87	4,954
Proceeds from long-term loans payable	590	8,321
Repayments of long-term loans payable	(3,962)	(18,800)
Redemption of bonds	(425)	(2,625)
Purchase of treasury shares	(1)	(0)
Proceeds from disposal of treasury shares	359	207
Cash dividends paid	(4,984)	(4,984)
Dividends paid to non-controlling interests	-	(240)
Other, net	1,933	1,233
Net cash provided by (used in) financing activities	(6,403)	(11,934)
Effect of exchange rate change on cash and cash equivalents	45	12
Net increase (decrease) in cash and cash equivalents	(11,732)	(9,518)
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	28,698	22,950

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.



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