

RESORTTRUST FINANCIAL DATA

CONSOLIDATED FINANCIAL SUMMARY

1Q FY 2019 (from April 1, 2019 to June 30, 2019)



(securities code: 4681)

CONSOLIDATED FINANCIAL SUMMARY

For the First Quarter Ended June 30, 2017,2018 and 2019

(Millions of yen)

	1Q			Fiscal Year	
	Apr.-Jun. 2017	Apr.-Jun. 2018	Apr.-Jun. 2019	2019/3 Result	2020/3 Targets
Net sales	33,808	39,897	39,258	179,542	171,400
Operating income	1,616	2,143	2,442	18,877	16,000
Ordinary income	2,097	2,394	2,557	19,528	16,000
Net income (interim)	1,148	1,380	1,492	12,358	10,000
Net assets	117,131	121,817	130,998	132,050	
Assets	413,623	401,900	401,095	401,426	
Net income per share (yen) (Primary)	10.77	12.92	13.95	115.53	
Net income per share (yen) (Fully Diluted)	9.87	11.86	12.81	106.42	
Equity ratio (%)	27.2	29.2	31.5	31.7	
Return on assets (%)	-	-	-	4.75	
Return on equity (%)	-	-	-	9.96	
Net cash provided by (used in) operating activities	(4,304)	(8,347)	(1,742)	16,674	
Net cash provided by (used in) investment activities	(4,606)	3,614	(1,055)	(2,057)	
Net cash provided by (used in) financing activities	(1,150)	(5,946)	8,120	(23,198)	
Cash and cash equivalents	30,390	21,781	29,216	23,895	

Business Results

Overview of 1Q The Fiscal Year 2019(Ending March 31, 2020)

1. Summary of Business Results

	1Q FY2018 (Results)	1Q FY2019		Year-on-Year Change	Results vs. Targets
		(Results)	(Targets)		
Net sales	39,897	39,258	40,090	(1.6%)	(2.1%)
Operating income	2,143	2,442	2,460	+14.0%	(0.7%)
Ordinary income	2,394	2,557	2,470	+6.8%	+3.6%
Net income	1,380	1,492	1,480	+8.1%	+0.9%

The Japanese economy during the three-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. However, the future outlook is unclear due to concerns over the impact of trade issues on the world economy and other factors. Under these circumstances, net sales were JPY 39,258 million (-1.6% yoy), operating income was JPY 2,442million (+14.0% yoy), ordinary income was JPY 2,557 million (+6.8% yoy), and net income attributable to owners of parent was JPY 1,492 million (+8.1% yoy). This is thanks to business contribution of the revenue from hotel management at “Laguna Baycourt Club” which opened in March 2019, continuing growth of Medical Operations and Senior Lifestyle Operations, and strong sales of hotel memberships centering on those of existing hotels with high margins.

2. Summary of Business Segments

[Membership Operations]

	1Q FY2018 (Results)	1Q FY2019		Year-on-Year Change	Results vs. Targets
		(Results)	(Targets)		
Net sales	12,431	10,431	9,540	(16.1%)	+9.3%
Operating income	2,942	3,278	3,050	+11.4%	+7.5%

Membership Operation Segment recorded lower sales and higher income led by strong sales of hotel memberships centering on those of existing hotels despite the negative factor that no new hotels opened during the three-month period under review, whereas real estate profits in line with the opening of new hotels were recorded as a lump sum in the same period of the previous year.

[Hotel and Restaurant Operations]

	1Q FY2018 (Results)	1Q FY2019		Year-on-Year Change	Results vs. Targets
		(Results)	(Targets)		
Net sales	19,271	19,917	21,350	+3.4%	(6.7%)
Operating income	305	12	210	(95.8%)	(93.9%)

Hotel and Restaurant Operation Segment recorded increased sales but lower income. Although the revenue from hotel management at “Laguna Baycourt Club” which opened in March 2019 contributed to revenue, lower income was attributable to increases in expenses related to preparation for opening non-membership hotels and upfront expenses for digitization to improve productivity and for promotion of diverse workstyles, such as an increase in the number of holidays including mandatory taking of paid leave, and increases in expenses for facility repairs and depreciation.

[Medical Operations]

	1Q FY2018 (Results)	1Q FY2019		Year-on-Year Change	Results vs. Targets
		(Results)	(Targets)		
Net sales	8,025	8,744	9,050	+9.0%	(3.4%)
Operating income	1,068	1,206	1,300	+12.9%	(7.2%)

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 increase in the number of senior residences operated by the Group and expansion of the medical examination business, etc.

[Others]

	1Q FY2018 (Results)	1Q FY2019		Year-on-Year Change	Results vs. Targets
		(Results)	(Targets)		
Net sales	169	164	150	(2.7%)	+9.7%
Operating income	61	75	70	+22.7%	+8.0%

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. Outlook for the Fiscal Year 2019(Ending March 31, 2020)

(Millions of Yen)

	FY2018 (Results)	FY 2019 (Targets)	Year-on-year Change
Net sales	179,542	171,400	(4.5%)
Operating income	18,877	16,000	(15.2%)
Ordinary income	19,528	16,000	(18.1%)
Net income	12,358	10,000	(19.1%)

Regarding the future economic climate of Japan, the Company expects the moderate recovery trend of the Japanese economy to continue. However, the business environment is likely to remain unclear in light of various concerns about the political situation in Japan and overseas.

Regarding the trends of the tourism industry, in the runup to major events, including the recent “Golden Week of 10 straight public holidays” from late April to the beginning of May, the “Rugby World Cup 2019, Japan,” and “Tokyo 2020 Olympic and Paralympic Games” and in order to expand inbound tourism, improvement of the environment for tourism in Japan is being promoted, which is expected to lead to greater business opportunities and market expansion. On the other hand, labor shortages, owing to population aging combined with a declining birth rate and a decrease in the working population, are an urgent issue. With the aim of establishing tourism as a key industry, the Japanese government is implementing various tourism policies to enable women and the elderly to actively participate, facilitate the acceptance of foreign workers, and so forth.

Amid such an environment, the Company Group established and has been implementing “Connect 50: Together for a wonderful life,” its medium-term management plan targeting the five years from April 2018 to March 2023. In this medium-term management plan, we emphasize “group management” to realize a more solid and high-grade Group brand through efforts aimed at making the most of Group synergy effects while firmly protecting the unique brand established in our businesses. Through this approach, we aim to become a group with close membership ties that endure for a “lifetime” by being attentive so that our customers can stay healthy and enjoy a better quality of life for longer. As key measures for achieving this goal, we will vigorously invest in education and training to develop “brand employees,” who embody the Group’s management principles and are capable of making the optimum proposals to customers. We will also invest in digitization to achieve workstyle reform so as to improve productivity by establishing a working environment where employees have more time to attend to customers and thereby work becomes a source of pleasure and vitality for them. In the years ahead, drawing on the know-how we have cultivated in our tailor-made, high-value-added services that capitalize on “the characteristics of the membership system,” which is a strength of the Group, and robust connections with our customers, while continuing to create further added value, we will seize extensive business opportunities related to the “travel” and “health” fields and engage more vigorously in activities targeting these 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, social and governance” and maintaining sustainable growth-oriented management.

Under these circumstances, regarding the forecast for the full year ending March 31, 2020, “Laguna Baycourt Club,” which opened in March 2019, will operate throughout the year. 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, including “Trust Garden Ogikubo” scheduled to open in August 2019, medical examination business and business related to sale of goods including cosmetics and supplements is also expected. On the other hand, upfront investment, such as expenses for preparation for openings, will be required for “Hotel Trusty Premier Nihonbashi Hamacho” and “Hotel Trusty Premier Kumamoto,” which are scheduled to open in September and October, 2019, respectively. Moreover, although the Company Group realized deferred real estate profits as a lump sum upon the start of full operation of membership hotels in the fiscal year ended March 31, 2019, no new membership hotels are scheduled to open in the fiscal year ending March 31, 2020. Thus, the Company Group forecasts net sales will decrease 4.5% year-on-year to 171,400 million yen, operating income will decrease 15.2% year-on-year to 16,000 million yen, ordinary income will decrease 18.1% year-on-year to 16,000 million yen, and net income attributable to owners of parent will decrease 19.1% year-on-year to 10,000 million yen.

We forecast annual dividends of 46 yen, unchanged from the amount for the fiscal year ended March 31, 2019.

Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	FY 2018 (as of Mar. 31, 2019)	1Q FY 2019 (as of Jun. 30, 2019)
Assets		
Current assets		
Cash and deposits	26,742	29,033
Notes and accounts receivable - trade	8,891	8,421
Operating loans	46,623	47,626
Securities	4,647	4,224
Merchandise	1,082	1,077
Real estate for sale	30,049	27,091
Raw materials and supplies	1,429	1,432
Real estate for sale in process	11,845	12,035
Other	5,380	6,845
Allowance for doubtful accounts	(937)	(1,020)
Total current assets	135,754	136,768
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	101,777	101,697
Machinery, equipment and vehicles, net	2,889	2,780
Golf courses	7,591	7,591
Land	38,649	38,759
Leased assets, net	6,227	6,055
Construction in progress	17,920	18,123
Other, net	4,945	4,558
Total property, plant and equipment	180,001	179,566
Intangible assets		
Goodwill	3,637	3,490
Software	4,534	5,084
Other	3,634	2,990
Total intangible assets	11,806	11,566
Investments and other assets		
Investment securities	43,599	42,997
Shares of subsidiaries and associates	1,313	1,319
Long-term loans receivable	6,120	6,065
Retirement benefit asset	725	692
Deferred tax assets	8,234	7,878
Other	14,624	14,879
Allowance for doubtful accounts	(755)	(638)
Total investments and other assets	73,862	73,194
Total non-current assets	265,671	264,326
Total assets	401,426	401,095

(Millions of yen)

	FY 2018 (as of Mar. 31, 2019)	1Q FY 2019 (as of Jun. 30, 2019)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	1,471	1,241
Short-term borrowings	5,000	14,492
Current portion of long-term borrowings	1,839	1,814
Current portion of bonds	250	250
Lease obligations	875	874
Accounts payable - other	22,389	12,825
Income taxes payable	3,608	564
Accrued consumption taxes	997	1,584
Advances received	12,209	13,857
Unearned revenue	14,327	16,912
Provision for loss on guarantees	63	52
Other	7,731	11,542
Total current liabilities	70,764	76,011
Non-current liabilities		
Bonds payable	450	450
Bonds with share acquisition rights	29,813	29,802
Long-term borrowings	39,123	38,713
Lease obligations	5,806	5,621
Deferred tax liabilities	638	696
Provision for retirement benefits for directors (and other officers)	2,133	2,020
Provision for stocks payment	1,697	1,762
Retirement benefit liability	1,959	2,005
Long-term guarantee deposits	32,757	32,507
Amortizable long-term guarantee deposits received	68,838	65,175
Other	15,392	15,330
Total non-current liabilities	198,611	194,084
Total liabilities	269,375	270,096
Net assets		
Shareholders' equity		
Share capital	19,590	19,590
Capital surplus	22,192	22,192
Retained earnings	86,144	85,144
Treasury shares	(1,852)	(1,844)
Total shareholders' equity	126,074	125,082
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	821	447
Foreign currency translation adjustment	858	1,169
Remeasurements of defined benefit plans	(323)	(299)
Total accumulated other comprehensive income	1,355	1,316
Share acquisition rights	292	308
Non-controlling interests	4,326	4,291
Total net assets	132,050	130,998
Total liabilities and net assets	401,426	401,095

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

(Millions of yen)

	1Q FY 2018 (Apr. 1, 2018 - Jun. 30, 2018)	1Q FY 2019 (Apr. 1, 2019 - Jun. 30, 2019)
Net sales	39,897	39,258
Cost of sales	8,278	6,165
Gross profit	31,619	33,093
Selling, general and administrative expenses		
Salaries and bonuses	11,233	11,648
Provision for retirement benefits for directors (and other officers)	131	18
Repair and maintenance expenses	836	1,053
Provision of allowance for doubtful accounts	65	85
Utilities expenses	1,225	1,370
Depreciation	2,025	2,306
Other	13,959	14,168
Total selling, general and administrative expenses	29,476	30,650
Operating profit	2,143	2,442
Non-operating income		
Interest income	450	328
Dividend income	3	2
Amortization of negative goodwill	30	-
Share of profit of entities accounted for using equity method	5	5
Foreign exchange gains	11	-
Reversal of allowance for doubtful accounts	54	118
Reversal of provision for loss on guarantees	-	11
Other	61	42
Total non-operating income	617	509
Non-operating expenses		
Interest expenses paid on loans and bonds	164	111
Provision for loss on guarantees	44	-
Guarantee charge of unearned revenue	7	5
Nondeductible consumption tax	124	142
Foreign exchange losses	-	110
Other	24	24
Total non-operating expenses	365	393
Ordinary profit	2,394	2,557

[Consolidated Statements of Income]

(Millions of yen)

	1Q FY 2018 (Apr. 1, 2018 - Jun. 30, 2018)	1Q FY 2019 (Apr. 1, 2019 - Jun. 30, 2019)
Extraordinary income		
Gain on sales of non-current assets	63	-
Gain on sales of investment securities	311	2
Gain on sales of shares of subsidiaries and associates	4	-
Other	6	-
Total extraordinary income	385	2
Extraordinary losses		
Loss on retirement of non-current assets	2	1
Impairment loss	104	-
Loss on sales of investment securities	302	-
Retirement benefits for directors (and other officers)	40	30
Other	23	0
Total extraordinary losses	473	32
Profit before income taxes	2,307	2,528
Income taxes - current	413	430
Income taxes - deferred	431	568
Total income taxes	845	999
Profit	1,461	1,528
Profit attributable to non-controlling interests	80	35
Profit attributable to owners of parent	1,380	1,492

[Consolidated Statements of Comprehensive Income]

(Millions of yen)

	FY 2018 (Apr. 1, 2018 - Jun. 30, 2018)	FY 2019 (Apr. 1, 2019 - Jun. 30, 2019)
Profit	1,461	1,528
Other comprehensive income		
Valuation difference on available-for-sale securities	(132)	(373)
Foreign currency translation adjustment	(2,092)	310
Remeasurements of defined benefit plans, net of tax	(1)	23
Total other comprehensive income	(2,225)	(39)
Comprehensive income	(764)	1,489
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(845)	1,453
Comprehensive income attributable to non-controlling interests	80	35

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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