

RESORTTRUST FINANCIAL DATA

CONSOLIDATED FINANCIAL SUMMARY

3Q FY 2019 (from Apr. 1, 2019 to Dec. 31, 2019)



(securities code: 4681)

CONSOLIDATED FINANCIAL SUMMARY

For the Third Quarter Ended Dec. 31, 2017,2018 and 2019

(Millions of yen)

	3Q			Fiscal Year	
	Apr.-Dec. 2017	Apr.-Dec. 2018	Apr.-Dec. 2019	2019/3 Result	2020/3 Targets
Net sales	106,262	114,394	123,339	179,542	171,400
Operating income	9,121	9,352	11,035	18,877	16,000
Ordinary income	10,521	9,947	11,500	19,528	16,000
Net income (interim)	6,350	5,959	7,104	12,358	10,000
Net assets	121,193	125,365	134,312	132,050	
Assets	424,643	410,433	413,942	401,426	
Net income per share (yen) (Primary)	59.51	55.72	66.37	115.53	
Net income per share (yen) (Fully Diluted)	54.70	51.25	61.09	106.42	
Equity ratio (%)	27.4	29.4	31.2	31.7	
Return on assets (%)	-	-	-	4.75	
Return on equity (%)	-	-	-	9.96	
Net cash provided by (used in) operating activities	9,044	6,913	12,106	16,674	
Net cash provided by (used in) investment activities	(14,419)	(4,510)	(8,251)	(2,057)	
Net cash provided by (used in) financing activities	(6,403)	(11,934)	1,468	(23,198)	
Cash and cash equivalents	28,698	22,950	29,212	23,895	

Business Results

Overview of 3Q The Fiscal Year 2019(Ending March 31, 2020)

1. Summary of Business Results

(Millions of Yen)

	3Q FY2018 (Results)	3Q FY2019		Year-on-Year Change	Results vs. Targets
		(Results)	(Targets)		
Net sales	114,394	123,339	129,920	+7.8%	(5.1%)
Operating income	9,352	11,035	12,800	+18.0%	(13.8%)
Ordinary income	9,947	11,500	12,840	+15.6%	(10.4%)
Net income	5,959	7,104	8,110	+19.2%	(12.4%)

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. 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 123,339 million (+7.8% yoy), operating income was JPY 11,035 million (+18.0% yoy), ordinary income was JPY 11,500 million (+15.6% yoy), and net income attributable to owners of parent was JPY 7,104 million (+19.2% 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]

(Millions of Yen)

	3Q FY2018 (Results)	3Q FY2019		Year-on-Year Change	Results vs. Targets
		(Results)	(Targets)		
Net sales	26,144	30,053	29,050	+15.0%	+3.5%
Operating income	6,946	10,512	10,310	+51.3%	+2.0%

Membership Operation Segment recorded higher 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 nine-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]

(Millions of Yen)

	3Q FY2018 (Results)	3Q FY2019		Year-on-Year Change	Results vs. Targets
		(Results)	(Targets)		
Net sales	62,095	63,607	69,770	+2.4%	(8.8%)
Operating income	3,849	2,130	3,550	(44.7%)	(40.0%)

Hotel and Restaurant Operation Segment recorded increased sales but decreased 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]

(Millions of Yen)

	3Q FY2018 (Results)	3Q FY2019		Year-on-Year Change	Results vs. Targets
		(Results)	(Targets)		
Net sales	25,663	29,177	30,640	+13.7%	(4.8%)
Operating income	4,567	4,441	4,860	(2.8%)	(8.6%)

Medical Operation Segment increased sales but decreased income. Although 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. contributed to revenue, lower income was attributable to increase the cost for advertising investments and human resources to improve awareness and for repairing facilities to add value.

[Others]

(Millions of Yen)

	3Q FY2018 (Results)	3Q FY2019		Year-on-Year Change	Results vs. Targets
		(Results)	(Targets)		
Net sales	490	499	460	+1.9%	+8.6%
Operating income	391	427	420	+9.1%	+1.8%

Others increased sales and income, due to increases such as rent income from office buildings operated by RT Development Co., Ltd., a consolidated subsidiary.

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 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)	3Q FY 2019 (as of Dec. 31, 2019)
Assets		
Current assets		
Cash and deposits	26,742	28,997
Notes and accounts receivable - trade	8,891	9,648
Operating loans	46,623	51,942
Securities	4,647	3,000
Merchandise	1,082	1,222
Real estate for sale	30,049	23,550
Raw materials and supplies	1,429	1,304
Real estate for sale in process	11,845	12,322
Other	5,380	6,341
Allowance for doubtful accounts	(937)	(1,035)
Total current assets	135,754	137,295
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	101,777	104,543
Machinery, equipment and vehicles, net	2,889	2,784
Golf courses	7,591	7,591
Land	38,649	44,818
Leased assets, net	6,227	13,976
Construction in progress	17,920	16,068
Other, net	4,945	4,539
Total property, plant and equipment	180,001	194,322
Intangible assets		
Goodwill	3,637	3,243
Software	4,534	4,973
Other	3,634	2,925
Total intangible assets	11,806	11,142
Investments and other assets		
Investment securities	43,599	38,905
Shares of subsidiaries and associates	1,313	1,320
Long-term loans receivable	6,120	5,940
Retirement benefit asset	725	521
Deferred tax assets	8,234	7,141
Other	14,624	17,974
Allowance for doubtful accounts	(755)	(622)
Total investments and other assets	73,862	71,181
Total non-current assets	265,671	276,646
Total assets	401,426	413,942

(Millions of yen)

	FY 2018 (as of Mar. 31, 2019)	3Q FY 2019 (as of Dec. 31, 2019)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	1,471	1,857
Short-term borrowings	5,000	12,000
Current portion of long-term borrowings	1,839	1,789
Current portion of bonds	250	200
Lease obligations	875	1,191
Accounts payable - other	22,389	7,962
Income taxes payable	3,608	890
Accrued consumption taxes	997	1,492
Advances received	12,209	18,735
Unearned revenue	14,327	19,832
Provision for loss on guarantees	63	61
Other	7,731	7,523
Total current liabilities	70,764	73,536
Non-current liabilities		
Bonds payable	450	375
Bonds with share acquisition rights	29,813	29,781
Long-term borrowings	39,123	37,818
Lease obligations	5,806	13,836
Deferred tax liabilities	638	704
Provision for retirement benefits for directors (and other officers)	2,133	2,082
Provision for stocks payment	1,697	1,854
Retirement benefit liability	1,959	2,172
Long-term guarantee deposits	32,757	32,106
Amortizable long-term guarantee deposits received	68,838	68,128
Other	15,392	17,233
Total non-current liabilities	198,611	206,093
Total liabilities	269,375	279,630
Net assets		
Shareholders' equity		
Share capital	19,590	19,590
Capital surplus	22,192	21,767
Retained earnings	86,144	88,263
Treasury shares	(1,852)	(1,802)
Total shareholders' equity	126,074	127,819
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	821	1,257
Foreign currency translation adjustment	858	348
Remeasurements of defined benefit plans	(323)	(252)
Total accumulated other comprehensive income	1,355	1,353
Share acquisition rights	292	313
Non-controlling interests	4,326	4,825
Total net assets	132,050	134,312
Total liabilities and net assets	401,426	413,942

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

(Millions of yen)

	3Q FY 2018 (Apr. 1, 2018 - Dec. 31, 2018)	3Q FY 2019 (Apr. 1, 2019 - Dec. 31, 2019)
Net sales	114,394	123,339
Cost of sales	17,928	19,366
Gross profit	96,465	103,972
Selling, general and administrative expenses		
Salaries and bonuses	33,505	35,606
Provision for retirement benefits for directors (and other officers)	189	80
Repair and maintenance expenses	2,760	3,177
Provision of allowance for doubtful accounts	48	108
Utilities expenses	4,210	4,426
Depreciation	6,269	7,318
Other	40,127	42,219
Total selling, general and administrative expenses	87,112	92,937
Operating profit	9,352	11,035
Non-operating income		
Interest income	1,179	993
Dividend income	58	60
Amortization of negative goodwill	90	-
Share of profit of entities accounted for using equity method	14	12
Foreign exchange gains	10	-
Reversal of allowance for doubtful accounts	75	139
Reversal of provision for loss on guarantees	-	1
Other	238	215
Total non-operating income	1,667	1,424
Non-operating expenses		
Interest expenses paid on loans and bonds	525	446
Provision for loss on guarantees	51	-
Guarantee charge of unearned revenue	44	22
Nondeductible consumption tax	353	293
Foreign exchange losses	-	114
Other	98	82
Total non-operating expenses	1,073	960
Ordinary profit	9,947	11,500

[Consolidated Statements of Income]

(Millions of yen)

	3Q FY 2018 (Apr. 1, 2018 - Dec. 31, 2018)	3Q FY 2019 (Apr. 1, 2019 - Dec. 31, 2019)
Extraordinary income		
Gain on sales of non-current assets	146	-
Gain on sales of investment securities	504	147
Gain on sales of shares of subsidiaries and associates	4	-
Other	9	-
Total extraordinary income	664	147
Extraordinary losses		
Loss on retirement of non-current assets	34	19
Impairment loss	104	-
Loss on sales of non-current assets	27	-
Loss on sales of investment securities	495	144
Retirement benefits for directors (and other officers)	40	30
Contribution	203	-
Other	-	0
Total extraordinary losses	905	195
Profit before income taxes	9,706	11,452
Income taxes - current	2,673	3,212
Income taxes - deferred	806	934
Total income taxes	3,479	4,146
Profit	6,226	7,306
Profit attributable to non-controlling interests	267	201
Profit attributable to owners of parent	5,959	7,104

[Consolidated Statements of Comprehensive Income]

(Millions of yen)

	3Q FY 2018 (Apr. 1, 2018 - Dec. 31, 2018)	3Q FY 2019 (Apr. 1, 2019 - Dec. 31, 2019)
Profit	6,226	7,306
Other comprehensive income		
Valuation difference on available-for-sale securities	(950)	437
Foreign currency translation adjustment	(286)	(509)
Remeasurements of defined benefit plans, net of tax	(4)	71
Total other comprehensive income	(1,241)	(1)
Comprehensive income	4,985	7,304
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	4,718	7,102
Comprehensive income attributable to non-controlling interests	267	202

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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