Resorttrust, Inc.

Financial Results Briefing for the Fiscal Year Ended March 2025 and the Mid-term Management Plan

May 16, 2025

Event Summary

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[Participants]	
[Number of Speakers]	3

Ariyoshi Fushimi	President
Takeshi Makino	Investor & Public Relations Department Director, Sustainability Promotion Department
Hirotaka Honda	Investor & Public Relations Department Manager, Sustainability Promotion Department

[Analyst Names]*

Yuki Kuwana	Mizuho Securities
Hirofumi Oda	SMBC Nikko Securities
Satoru Sekine	Daiwa Securities

*Analysts that SCRIPTS Asia was able to identify from the audio who spoke during Q&A or whose questions were read by moderator/company representatives.

Presentation

Moderator: Thank you for taking time out of your busy schedule to attend today.

Today's briefing is also available live via Zoom. All Zoom webinar participants are invited to view the materials posted on the investor relations page of the official website of Resorttrust, Inc.

The time has come, and we will now begin the financial results briefing for the fiscal year ended March 2025 and the mid-term management plan of Resorttrust.

To begin, I would like to introduce our attendees. We have Mr. Ariyoshi Fushimi, President, and IR representatives Mr. Makino and Mr. Honda.

The event is scheduled to end at 11:00 AM.

Let me now turn the floor over to President Fushimi for the presentation.

Fushimi: I will begin with a summary of our financial results.

FY2024 Financial Summary

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① Consolidated net sales and income increased for the three consecutive term, marking record-high net sales and all income sales.

FY2024: Net sales 249.3 billion yen and Operating income of 26.3 billion yen

・Net sales and income were boosted by brisk Membership Operations. Profitability improved due to the effect of price revisions and an increase in sales of existing properties.

・In the first half of the fiscal year, hotel operations were impacted by earthquake and typhoon-related operational disruptions. Additionally, compared with the previous year, despite continued solid operational performance, income declined due to factors including increased investment in human resources and unplanned maintenance expenses. Medical Operations marked record-high sales and income for the year.

② Membership sales: Contract volume reached a record high for the fourth consecutive year.

FY2024: Contract Values of Membership 115.0 billion yen: Total for Hotel, Medical, and Golf

・Hotel membership contract value totaled 105.5 billion yen. With sales centered on the SANCTUARY COURT series including the new YATSUGATAKE hotel launched on August 22, the contract volume for the period under review was also greatly led by the contract of sales of existing properties, surpassing the record high of 83.8 billion yen attained in the previous fiscal year by 25%.

・Medical membership contract value reached 8.7 billion yen, remained the record high attained in the previous fiscal year.

③ The Group has further revised the year-end dividend upward and the annual dividend of 62 yen to a record high.

・The Group forecasts a year-end dividend of 35 yen (62 yen for the full year), an additional increase of 2 yen from the revised forecast in February that had already increased by 6 yen from the initial forecast of 27 yen. This represents the highest annual dividend in the company's history, based on pre-split standards. FY2025, the Group projects an annual dividend of 32 yen (64 yen on a pre-split basis), representing a new record.

④ In FY2025, the Group anticipates increased sales and income, with both net sales and operating profit reaching new records.

FY2025: Net sales of 259.0 billion yen and Operating income of 27.5 billion yen

The Group has announced a new five-year medium-term management plan commencing from FY2025.

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Please turn to page two of the material you have on hand. This is the summary.

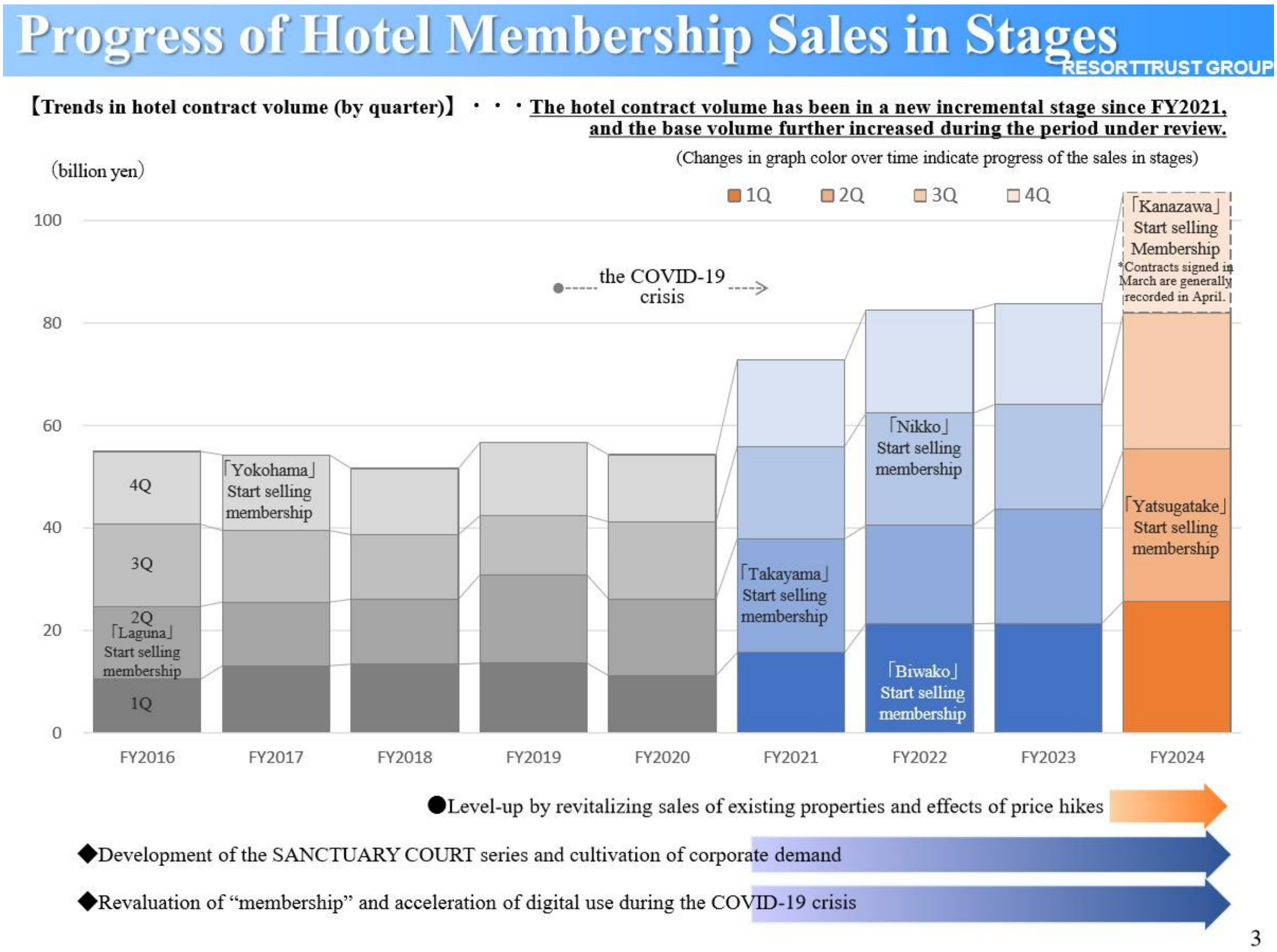
First of all, we recorded consolidated net sales of JPY249.3 billion and consolidated operating income of JPY26.3 billion for the fiscal year ended March 2025, marking the third consecutive year of growth in both sales and income. As in the previous fiscal year, we were able to achieve record-high figures for sales and all profit categories.

The most significant driver was the record-high volume of membership contracts for the fourth consecutive fiscal year, amounting to JPY115 billion, with the total of hotel, medical, and golf membership contracts reaching an all-time high. This also represents a 25% YoY increase, which is an unprecedented growth rate.

In light of those factors, we have further revised our year-end dividend upward to a record annual dividend of JPY62, and for the fiscal year ending March 2026, we expect it to reach a record high of JPY64.

For the fiscal year ending March 2026, we are projecting an increase in both sales and income, with consolidated net sales of JPY259 billion and consolidated operating income of JPY27.5 billion, representing the third consecutive year of record sales and income.

This will be explained later in the context of the new medium-term management plan that will start from this ongoing fiscal year.

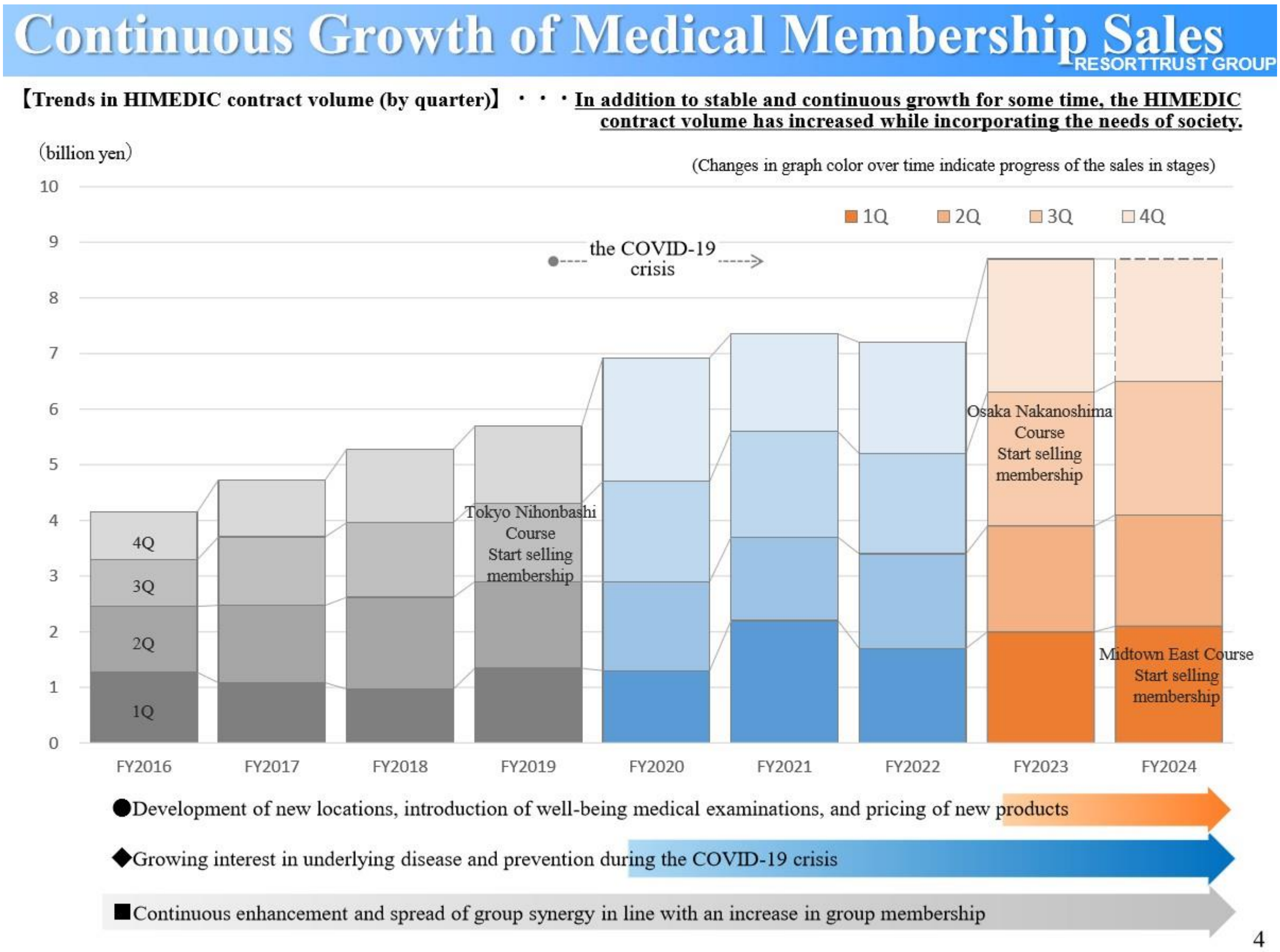


Please turn to page three, progress of membership sales.

There has been a solid reevaluation of memberships since the COVID-19 pandemic, and with that, we launched the new product for corporate members called SANCTUARY COURT, and this trend has not changed.

In the previous fiscal year, our memberships grew steadily, as you can see in each quarter, and that was particularly owing to the strong performance of YATSUGATAKE.

In addition, the purchase and resale of existing properties and price revisions further boosted our overall contract volume.



Please turn to page four for the medical segment.

In the medical segment, we steadily launched new facilities and new courses, indicating that the interest toward preventive medicine after COVID-19 has not changed.

In addition, well-being checkups and price reviews also contributed to the overall figures.

Financial Highlights FY2024 (April to March)

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【Financial Highlights FY2024】 (Million yen)

	2023/3 results	2024/3 results	2025/3 results	YoY Difference
Net Sales	169,830	201,803	249,333	+23.6%
Operating Income	12,270	21,119	**26,365**	+24.8%
Ordinary Income	13,247	21,807	26,848	+23.1%
Net Income	16,906	15,892	20,139	+26.7%
Evaluated net sales	205,304	215,275	243,453	+13.1%
Evaluated Operating Income	22,358	23,899	**28,258**	+18.2%

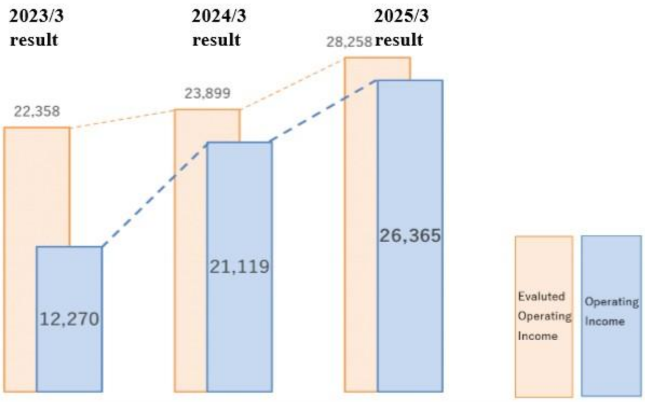
*Income attributable to owners of parent is labelled as "Net income" in this document.

・Led by sales of memberships, we achieved strong operating results, with significant increases of more than 20% in net sales and all income items.

・Although the current fiscal period includes revenue recognition from the opening of SANCTUARY COURT BIWAKO in October 2024, operating income, which reflects actual performance, also grew significantly, up 18% year on year.

【Year to date Historical 3-Year Trends in Evaluated Operating Income】

* Figures in blue graphs are operating income on a recorded basis.



(Reference)
*Evaluated Operating Income => Performance with special accounting factors restated as actual values

・Addition of deferred real estate income from unopened properties(Not accounted for until opening)
・Subtraction of the portion of real estate revenue realized at the time of opening. (The portion of revenues associated with sales up to the previous period)
・the change in revenue recognition standards for medical memberships.(evaluated using the previous method)

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Let us turn to page five.

Net sales, operating income, ordinary income, and net income all surged by more than 20% YoY.

We also achieved significant growth of 13% and 18% in evaluated net sales and evaluated operating income, which indicate our ability base and stability base, respectively.

Segment Sales and Operation Income FY2024 3 main business segments

(April to March) RESORTTRUST GROUP

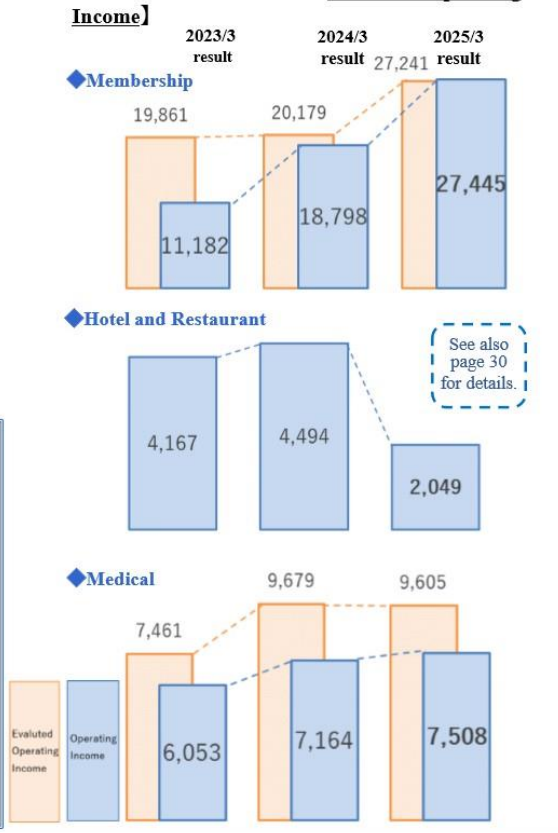
【Segment Sales and Operation Income FY2024】 (Million yen)

		2023/3 results	2024/3 results	2025/3 results	YoY Difference
Membership	Sales	34,945	58,701	93,642	+59.5%
	Operating Income	11,182	18,798	**27,445**	+46.0%
Hotel and Restaurant	Sales	89,747	95,492	103,978	+8.9%
	Operating Income	4,167	4,494	**2,049**	(54.4%)
Medical	Sales	44,422	46,899	51,001	+8.7%
	Operating Income	6,053	7,164	**7,508**	+4.8%

		2023/3 results	2024/3 results	2025/3 results	YoY Difference
Membership	Evaluated net sales	69,011	69,658	85,664	+23.0%
	Evaluated Operating Income	19,861	20,179	**28,336**	+40.4%
Medical	Evaluated net sales	45,831	49,414	53,098	+7.5%
	Evaluated Operating Income	7,461	9,679	**9,605**	(0.8%)

- Membership: The company implemented initiatives to secure sales inventories of existing properties. Launched a new product, YATSUGATAKE, in August 2024, and re-released existing products, resulting in higher contract value. The company posted revenue and expenses in November related to the opening of BIWAKO, which totaled around 8.0 billion yen. KANAZAWA, the product launched in March 2025, should generally be recorded in the next fiscal year, but is off to a smooth start.
- Hotel and Restaurant: While net sales increased partly due to the opening of Takayama at the end of the previous fiscal year, operating income decreased due to an aggressive investment including personnel expenses and repairs conducted ahead of schedule, as well as bad weather. (repair expenses of (0.7) billion yen, difference in bonus multiplier of (0.9) billion yen, golf (transient factors such as repairs) of (0.4) billion yen, decreased operating income due to factors including across-the-board pay increases, human capital investments, and bad weather of approx. (0.8) billion yen, annual fee revision *only 4Q +0.4 billion yen.
- Medical: Operating income increased as the growth of HIMEDIC Business (revenue generated by an increase in the number of members) and improved efficiency of the Senior-life business continued.

【Historical 3-Year Trends in Evaluated Operating Income】



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Page six shows segment sales.

I won't repeat myself, but I will say that memberships were very strong, with net sales up 59% and operating income up 46% YoY.

I think everyone is most concerned about the hotel segment, as its sales in H1 were affected by such factors as earthquakes, especially in western Japan, and traffic disruptions due to the Nankai Trough. Then, there was the fact that the typhoon was quite prolonged, affecting sales. Overall, net sales were positive due to the effect of the opening of Takayama, but operating income was down 54% YoY, a significant decline.

The largest factor here was maintenance and repair costs, as expected. In particular, the installation of LED and other measures was carried out one year ahead of schedule in order to strategically increase the overall volume, and we will start to see the effects of the measures this fiscal year.

In the previous fiscal year, human resources were the biggest bottleneck, so we hired about 300 overseas personnel, reformed our work styles, and prevented long breaks during shift, among other things. As a result, personnel expenses temporarily increased, and outsourcing costs rose amid the reforms in work styles. However, these came with improved productivity, so we consider them as upfront investment that we will be able to fully recover in the current fiscal year and beyond.

In the medical segment, I think we can say that the HIMEDIC business is growing steadily.

Contract Values of Membership FY2024 (April to March)

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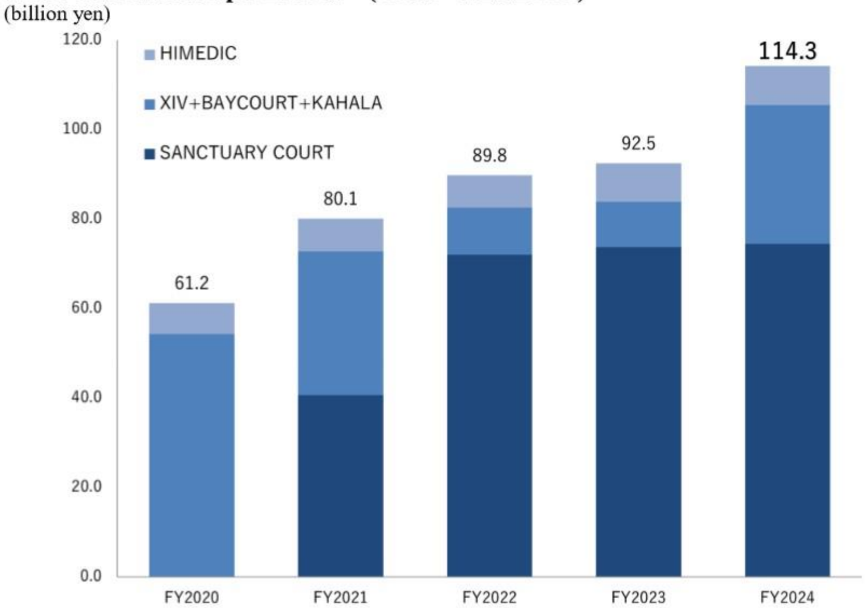
【 Contract Values of Membership FY2024】 (Hotel + HIMEDIC)



Contract volume for the period under review saw a sharp growth of more than 20% year on year due to the effect of the launch of SANCTUARY COURT YATSUGATAKE in August and a robust increase in contract volume for XIV and Baycourt.
Sales of the new product KANAZAWA started on March 21 but most will be recorded in FY2025 or later.
*For trends in the number of members, please see page 39.

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Page eight shows annual contract volume for hotel and medical memberships.

As I mentioned earlier, in the hotel segment, SANCTUARY COURT YATSUGATAKE, as well as XIV, Baycourt, and Kahala, which posted large figures as you can see, increased their share in all our existing properties, boosting the overall contract value in this segment.

As for medical, the figure is as we projected.

FY2024 Occupancy rate / Spending per visitor (April to March)

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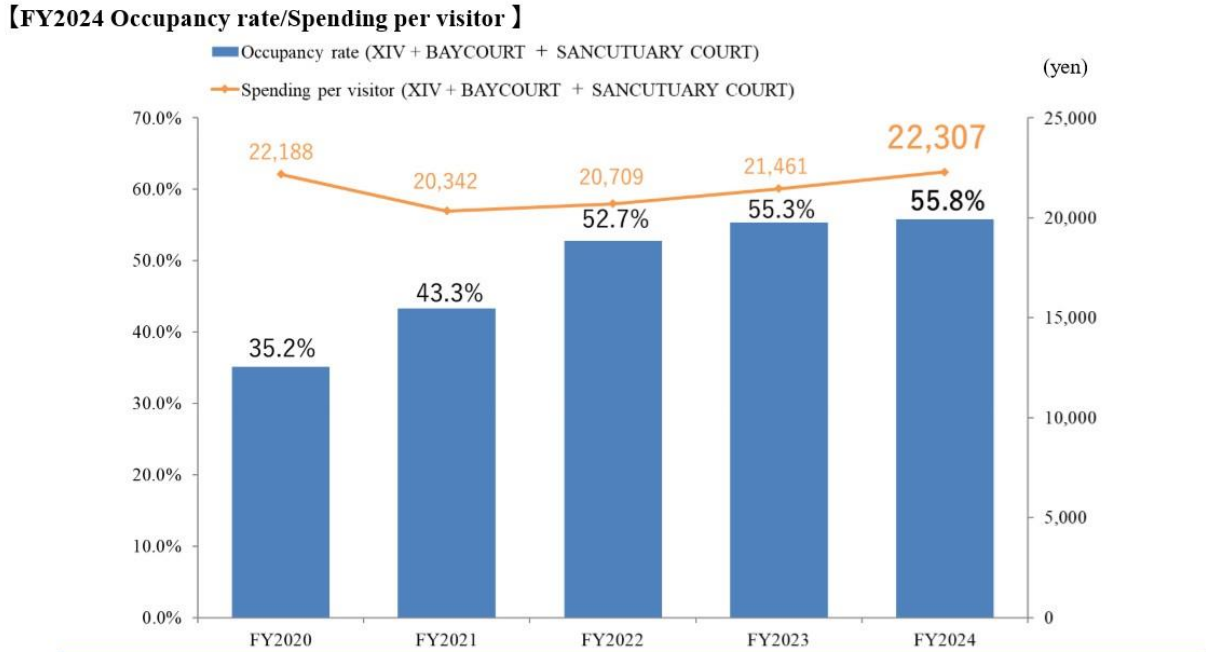

・The membership hotel occupancy rate remained on the rise even after COVID-19. Despite the impact of large-scale typhoons, a massive earthquake, and other extraordinary information during a busy time in the July-September period, the occupancy rate for the year remained on the rise.

・The unit price also rose solidly year on year despite diminishing effects from the price revisions of November 2022. (In FY2020, unit prices were on the rise due in part to lower utilization rates at COVID-19.)

* The spending per visitor of FY2020 to FY2023 was recalculated in accordance with the calculation method for the period under review.

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Page nine shows the occupancy rates of hotels.

As I said earlier, H1 had an impact on occupancy rates, but overall, we managed to catch up with the previous year's levels.

Even spending per visitor is steadily growing, despite the fact that the effects of the price increase have run their course for now.

Regarding medical, the figures for HIMEDIC are growing steadily.

As for senior residence, the actual occupancy rate hovered around 88%, and we have yet to see a slight increase in this area.

In terms of details, healthy-type residences are doing very well, and some facilities are fully booked, so the average occupancy rate is about 95%.

Our nursing care facilities have not yet been differentiated, so we are currently working with Kobe University to create a new form of dementia care called HIMEDIC Care, which includes our own HIMEDIC, Humanitude, and other services. By adding preventive services, such as HIMEDIC's medical checkup function, to this, we will further strengthen the medical aspect of the nursing care business.

We are now in the process of introducing those new services at each facility, and once this is completed, which should be in H2 of this fiscal year, we will rebrand our nursing care business as HIMEDIC Residence. By doing so, we hope to firmly establish our medical color as our differentiating feature in the market.

Progress of Priority Measures in this Medium-Term Plan (FY2023 to FY2024)

* Underlined are changes/progress from latest quarter.

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Enhancing earning power and improving profitability

- Revision of membership prices: June 2023 (SANCTUARY COURT +5%) and April 2024 (existing properties +10%)
- Start of sales of new hotels: Start of sales "YATSUGATAKE" in August, and plan to start of sales another new facility in second half of 4Q.*started sales on March 21.
- Penetration of web-based reservations and smart check-in/out ⇒Web-based reservation rate is rising, target 50%.
- Roll-out of new HIMEDIC facilities: Opened Osaka Nakanoshima Course in August and Midtown East Course in October, and plan to open Yokohama Course.
- Announced a plan for the first new senior residence property in the central Tokyo, and also concurrently considering the second and third properties.
- Concluded agreements with overseas clubs on facility mutual use.
- Established a joint venture with Mitsubishi Corporation on January 2025.
- Expansion of sales channels (increase in prospective customers) and enhancement of efficiency in sales activities including the promotion of contracts using digital methods.
- Official LINE account: Increased the number of "friends" (Increased from 215,000 as of March 31, 2023 to 399,529 as of March 31, 2025)

Human resources ・ Sustainability

- Improvement of compensation: Across-the-board pay + wage hike, lump-sum payment linked to business performance, revise the system of long breaks during the shifts of employees, and dormitory maintenance and repairs carried out.
- Conducted to grant treasury shares to employees through the Resorttrust Employee Shareholding Association.
  ＜ES/engagement score increased.＞
- Enhancement of recruiting activities: Referral hiring, on-the-spot hiring, hiring of foreign nationals, etc.
- Solar power generation installed at all locations, Registered as "TNFD Adopter" (announced as "Early Adopter" in Davos)
- Holding of regular sustainability forums and deliberation on activities in cooperation with the community and customers
- Launch of inter-sectional cross-training ・In June 2024, Appointment of 2 women and 2 men as new executive officers
- Active roles played by human resources: A head bartender at XIV Arima Rikyu won the world championship at a competition sponsored by Hennessy Group.

Capital efficiency ・ Governance

- Appointment of 3 new Outside Directors in June 2023 to strengthen the governance system and improve the independence of the Board of Directors
- Realization of management that emphasizes capital efficiency even more towards the target ROE of 12%: Already conducted 3.0 billion yen share buyback in July 2023
- Resorttrust selected for inclusion in the MSCI Japan ESG Select Leaders Index in FY2023 in addition to the MSCI Japan Empowering Women (WIN) Select Index
- Resorttrust's rating was upgraded from BBB^+ to A^- in the credit rating by Japan Credit Rating Agency (JCR).
- From June 2025, the Group will reduce the number of directors by half from the current 18 to bolster the governance of the Board of Directors.

Promote the new medium-term management plan "Sustainable Connect" 11

This is the progress of our priority measures. This is no different from what we have said so far.

The review of membership prices and other aspects is as I explained earlier.

Also, we started accepting applications for Kanazawa in Q4 on March 21 which was just before the end of the fiscal year, so we can say that most of the applications have been deferred to FY2025.

As for DX, web-based reservations and other services are growing steadily, so this should lead to the improvement in hotel productivity in this fiscal year and beyond.

Then, in January 2025, we established a joint venture with Mitsubishi Corporation. With this, we have started the export of BNCT, which we are advancing with the cancer center, and the use of medical modalities for inbound medical checkup using holidays.

For the first fiscal year, we are currently targeting 800 people and sales of JPY300 million to JPY400 million.

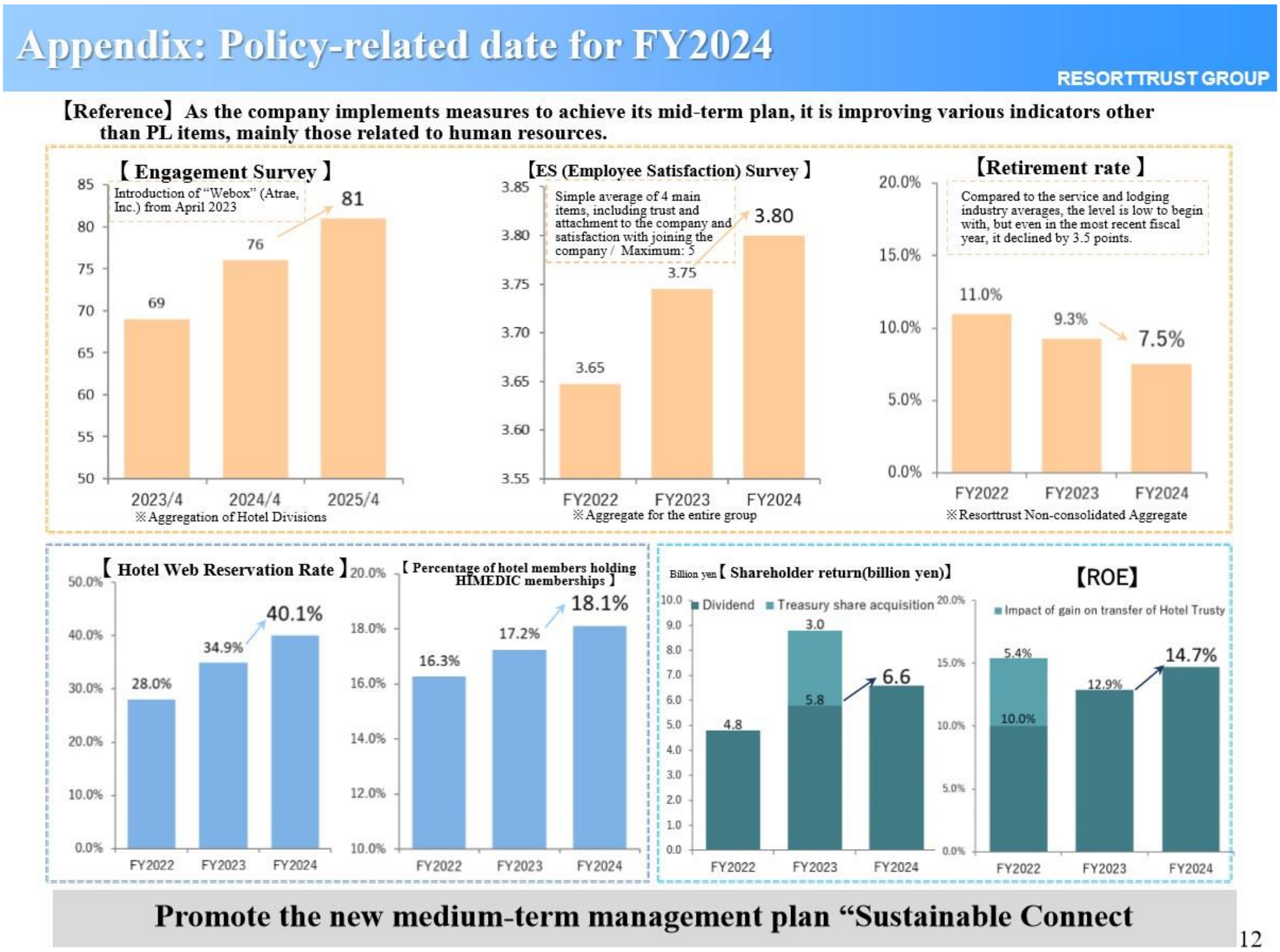
Then, there is compensation improvement. In the area of human resources and sustainability, we implemented across-the-board pay and wage hikes and provided performance-linked lump-sum payments.

We also did some pretty generous things for our employees, such as revising the system of long breaks during shift and dormitory repairs. This is also on the following page, but we can say that such measures have led to increased satisfaction and firm employee retention.

Further, one other topic when it comes to the utilization of human resources is that the head bartender of XIV Arima Rikyu won the world championship at a competition sponsored by Hennessy.

Now, as for capital efficiency and governance, most noteworthy was that our company's credit rating has been upgraded to A-.

In addition, we have decided that in June of this ongoing term, we will review the executive structure of the Board of Directors to reinforce governance.



Please turn to page 12.

This is another reference, but among the various measures I mentioned earlier, engagement went up quite a bit based on a survey. This is also true for employee satisfaction, and with the retirement rate now firmly under control, I believe that this 7.5% is now an excellent figure in the hotel industry.

As for DX, the representative measure to date, the hotel web reservation rate reached 40%. In terms of cross-selling, the ownership rate of HIMEDIC went up to 18%, and we believe that we are making solid progress in this area as well.

On the right side are shareholder return and ROE. Here, too, shareholder return would have grown and climbed steadily if there had been no treasury share acquisition. ROE would have also been soaring if special factors such as the transfer of Hotel Trusty had been excluded, so we can say that we are making progress as planned.

Initial plan for FY2025

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<Consolidated Targets>

	FY2024 results	FY2025 targets	Change
Net sales	249,333	**259,000**	+9,667
Operating income	26,365	**27,500**	+1,135
Ordinary income	26,848	**27,500**	+652
Net income	20,139	**19,000**	(1,139)
Evaluated Operating Income	28,258	**29,430**	+1,172

<Operating Income by Segment (before allocation)>

		FY2024 results	FY2025 targets	Change
Membership	Sales	93,642	**89,000**	(4,642)
	Operating income	27,445	**22,600**	(4,845)
	Evaluated Operating Income	28,336	**25,843**	(2,493)
Hotel and Restaurant	Sales	103,978	**113,610**	+9,632
	Operating income	2,049	**5,500**	+3,451
Medical	Sales	51,001	**55,740**	+4,739
	Operating income	7,508	**8,000**	+492
	Evaluated Operating Income	9,605	**7,965**	(1,640)
Other	Sales	711	**650**	(61)
	Operating income	766	**800**	+34
Head office costs	Operating income	(11,404)	**(9,400)**	+2,004
	Sales	(12,499)	**(10,678)**	+1,821
Total	Sales	249,333	**259,000**	+9,667
	Operating income	26,365	**27,500**	+1,135
	Evaluated Operating Income	28,258	**29,430**	+1,172

*Preparation costs for the opening of the Membership segment are included in headquarters for valuation gains.

<vs. previous period Main differences in calculations>

＜Net Sales / Operating Income＞

・Hotel membership Contract value
FY2024: 105.5 billion yen (New releases: Yatsugatake, Kanazawa)
FY2025: 109.1 billion yen (New releases: Two new properties)

・Contract Values of HIMEDIC
FY2024: 8.7 billion yen FY2025: 7.3 billion yen

・Deferred Realization (Account for the portion of the sale completed by the first semester.)
FY2024: Deferred realized gains +7.4 billion yen (Biwako)
FY2025: Deferred realized gains +8.2 billion yen (Nikko)

・Revenue deferred during the fiscal year (due to sales of unopened properties)
FY2024: Deferred income of (7.2) billion yen (Nikko, Yatsugatake, Kanazawa)
FY2025: Deferred income of (10.2) billion yen (Yatsugatake, Kanazawa, new properties)

・Opening-related expenses
FY2024: (1.1) billion yen FY2025: (1.3) billion yen

・Operating and maintenance costs
FY2024: (4.7) billion yen FY2025: (3.8) billion yen
*Converted to all lighting fixtures to LEDs in FY2024.

・Head office costs (recording of bonuses as corporate expenses)
FY2024: An across-the-board amount is recorded as a lump-sum allowance in head office costs

・Hotel occupancy rate
XIV・・・FY2024: 55.4% FY2025: 57.3%
BCC・・・FY2024: 54.9% FY2025: 58.9%
SAC・・・FY2024: 69.0% FY2025: 73.7%

See also page 33 to 36 for details of each plans for each segment.

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Page 14 shows our initial plan for the fiscal year ending March 31, 2026.

Here, it shows net sales of JPY259 billion, an operating income of JPY27.5 billion, an ordinary income of JPY27.5 billion, and a net income of JPY19 billion.

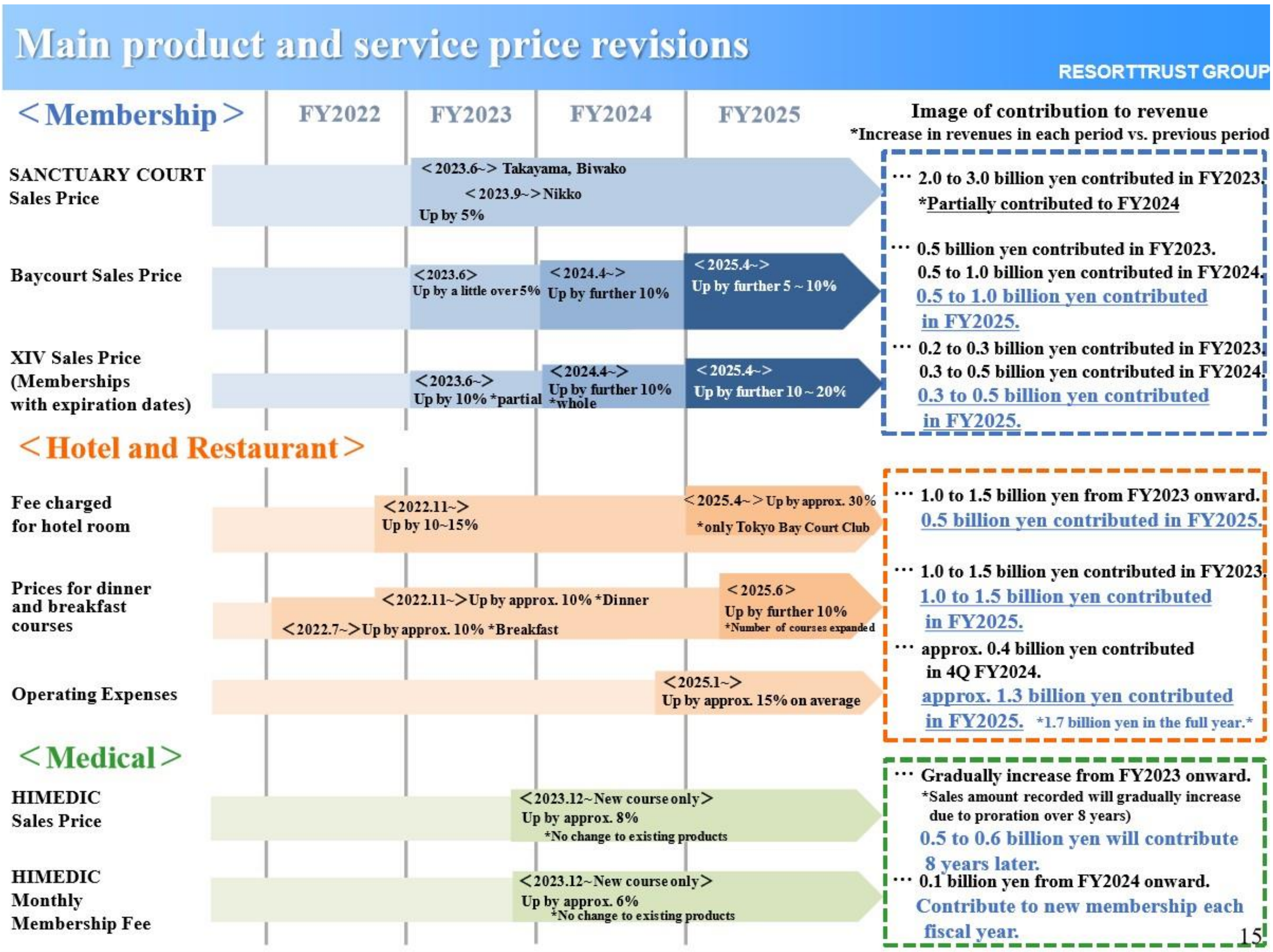
I think there is also something to be said about the growth rates.

First of all, with regard to net income, in the previous fiscal year, there were such factors as the sale of foreign bonds and the sale of cross-shareholdings, so if we exclude those factors, then net income for FY2025 will rise. Taking this into account, it will be negative in the fiscal year ending March 2026, but there is no actual problem.

Looking at this by segment, first of all, you can see that the figures are steadily going up for hotels, as well as for the medical segment. In the area of memberships, we are projecting another record-high volume of contracts, but operating income will be significantly lower.

This is the highest ever, or rather, the percentage of properties not yet completed will increase to an unprecedented level. That will be the case in the current fiscal year, and the next fiscal year as well. Then, we have the costs.

With these, in the previous year, we were able to improve our profit margin by purchasing, reselling, and expanding the number of properties in our existing facilities. In the current fiscal year, in terms of purchasing and reselling, we will continue to approach sleeping members while keeping an eye on the situation, as we cannot force customers to buy from those who are already using the facilities.



Next, the revision of prices. There is not much here, so please take a look at page 15.

As for the items that have not yet been incorporated, here, what are incorporated are the sales price of Baycourt Club, which is the second item from the top of this page. It will be another 5% to 10% starting this April.

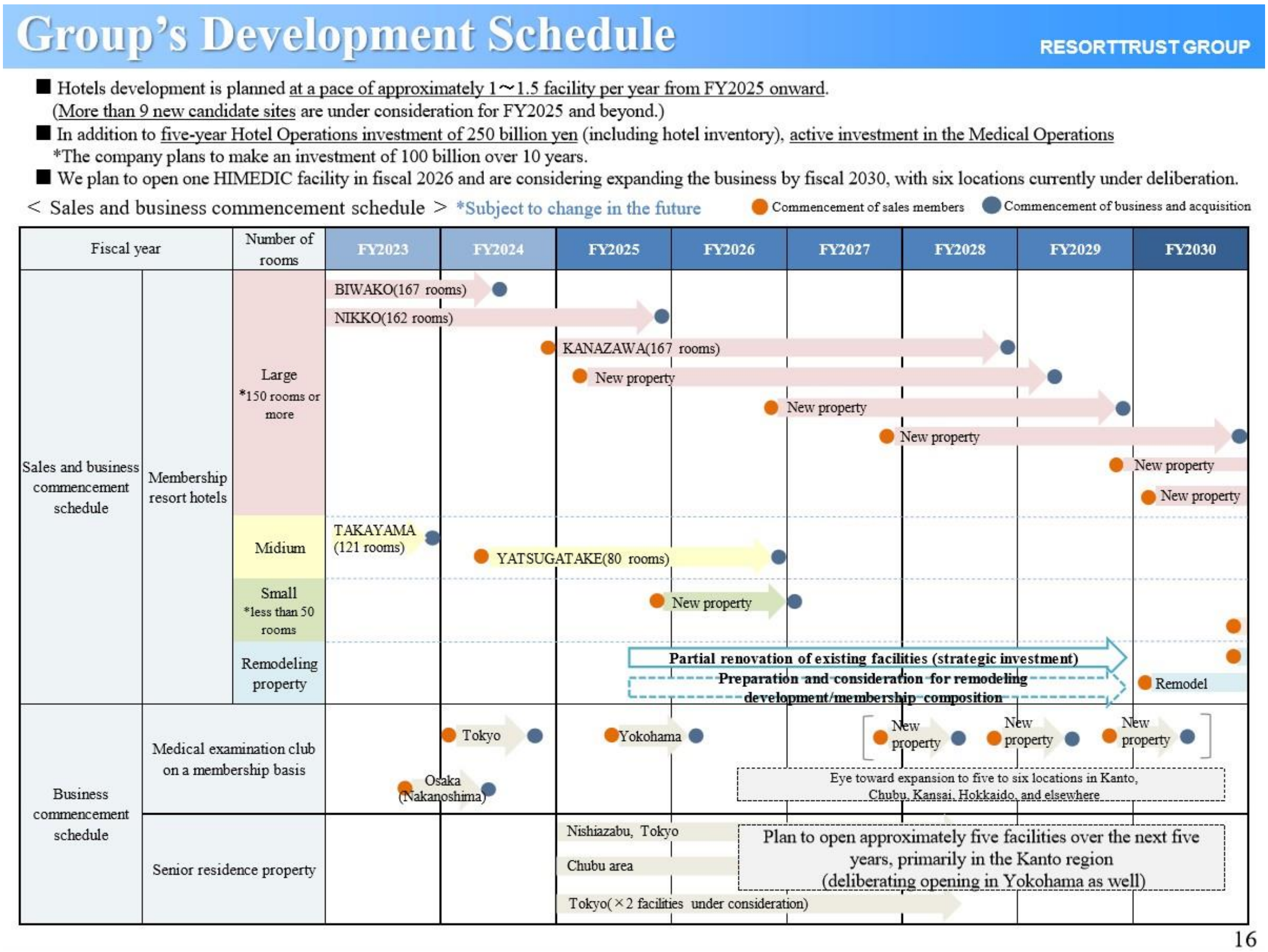
We have also factored in a 10% to 20% increase in XIV.

Further, we will start accepting applications for the new SANCTUARY COURT, a Kansai product, this June. For that one, though, we probably have to raise the asking price a level higher. In conjunction with that, we will see how far our facilities can go in revising prices. We would like to add this here while keeping an eye on the recruitment situation.

Even restaurants have been reviewing room charges, dinner and meal prices, and other prices for the past several years, and in this ongoing fiscal year, we will further revise prices, including room charges, and dinner prices.

In addition, although it took some time to implement, the increase in annual membership fees, which is the largest portion of operating expenses, will take full effect in FY2025. We believe that will add JPY3.4 billion to the hotel and restaurant segment, indicating significant progress.

In the medical segment, we are making good progress.



Next, please go to page 16 for pace of sales.

I will explain this again in the context of our medium-term plan. There was a plan to have one per year, but due to the rising cost of raw materials, labor shortages, and construction scheduling problems, I think there will be some changes. These are the developments we can expect at the moment.

One thing that has not been the case in the past is that there are considerable differences in the size of facilities, so we believe that what will be characteristic of the next five years is that there will be significant variation in deferred income at the time of completion.

Revised Business Forecast for FY2024:Operating Income (compared with the same period of the previous FY)

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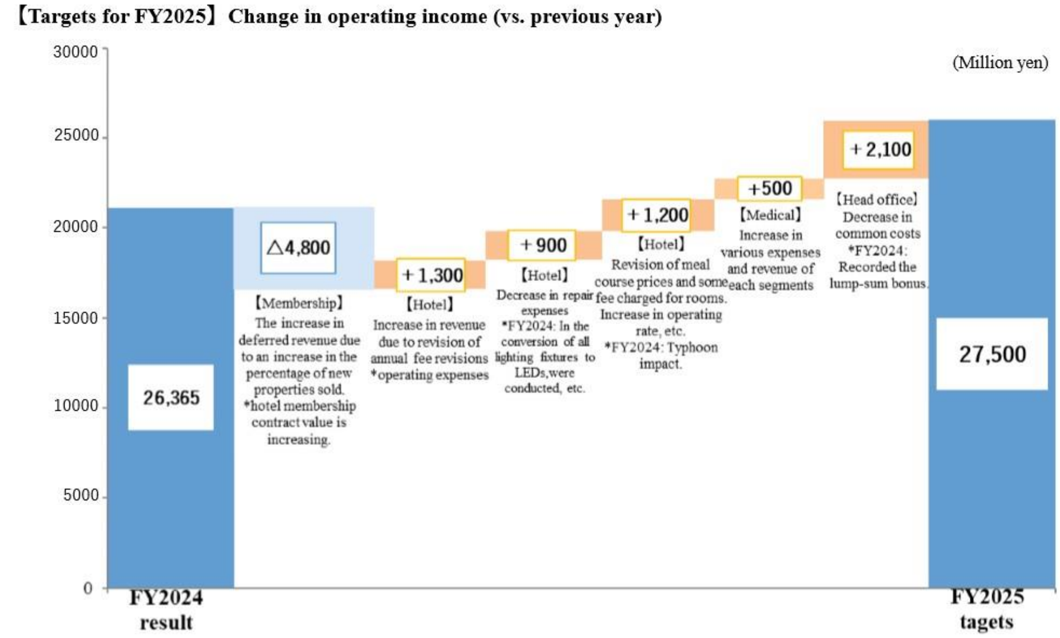

In Hotel and Restaurant Operations, the Group anticipates a significant increase in income due to higher revenues from annual membership fee revisions and enhanced productivity. In Membership Operations, the increase in deferred revenue carried forward to the next fiscal year due to an increase in the percentage of new properties sold is expected to result in a decline in income, but including the effect of existing hotel membership price revisions, hotel membership contract value is seen increasing.

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Page 17 shows the comparison to the previous fiscal year.

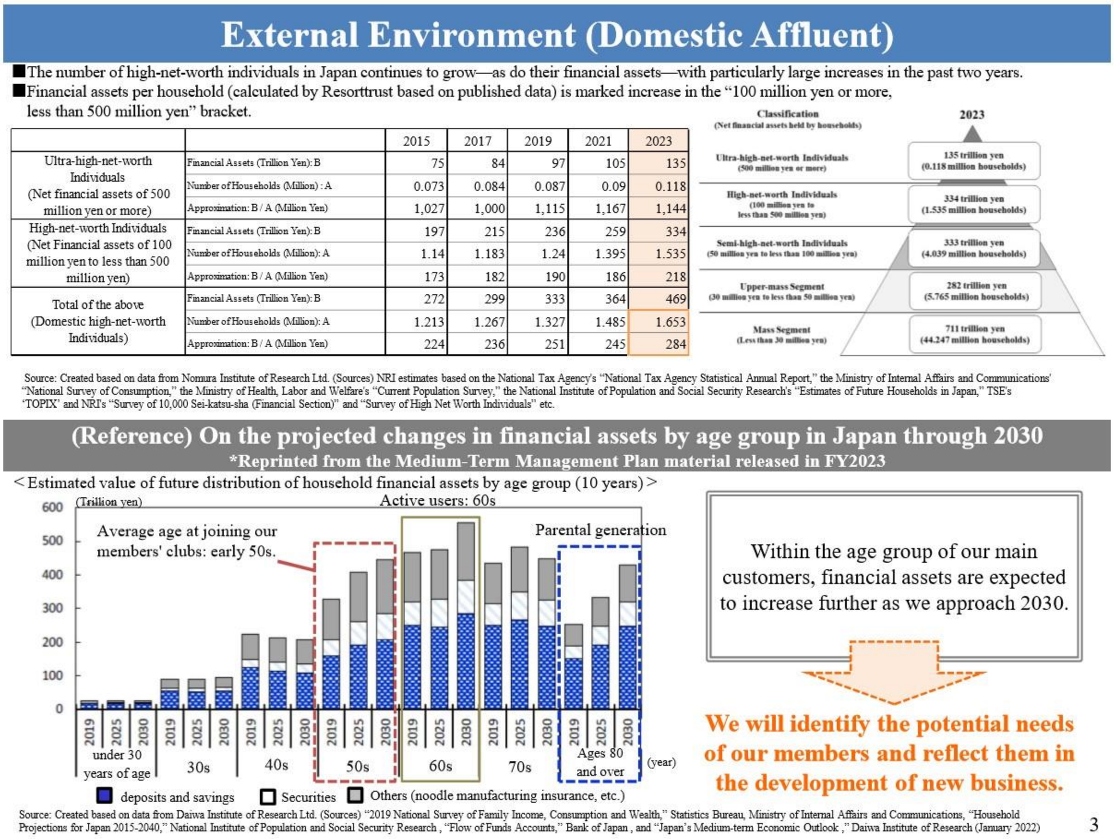
As you can see, the largest portion of the JPY26.3 billion is the membership portion, which I mentioned earlier. With this property, XIV, and Humanitude the increase in the percentage of properties not yet completed, which I mentioned earlier, is the reason we are planning a large negative JPY4.8 billion here.

Other than that, there were increases from the revision of annual membership fees for hotels, a surge owing to the decrease in expenses for repair and maintenance that were frontloaded, increase from the revision of fees and hikes in meal and room charges, and increase from annual membership fees in the medical segment.

So, in a sense, we believe that as a stock-type business, we have become extremely stable. On the contrary, we have come to realize a flow where we can manifest this kind of growth.

From here, let me move on to the explanation of our medium-term management plan.

Pages 1 and 2 are about the review of the previous one, so I will skip them.

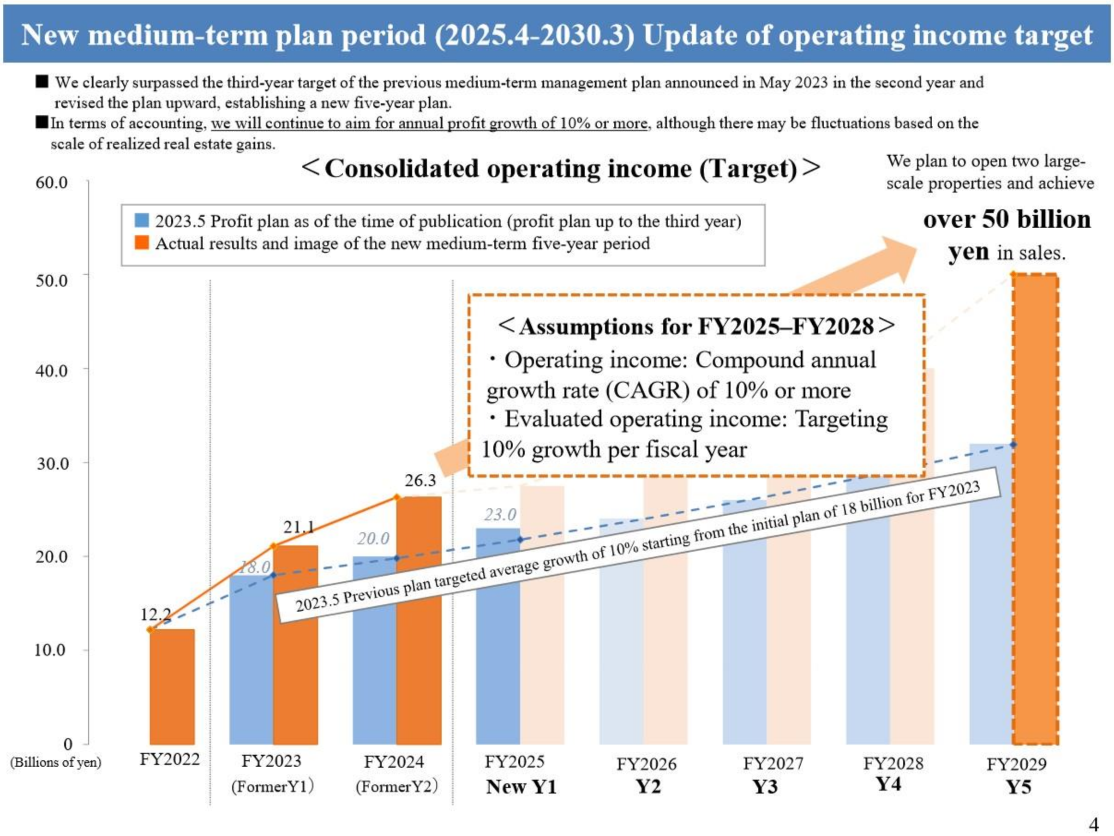


As for page three, I think we have already shown this before.

We have here the data for FY2023, and it shows that the number of affluent people we are targeting is still increasing. We believe that we can still grow by continuing to offer products that reach this demographic.

In terms of usage, our core group, people in their 60s, will steadily expand until 2030, and the number of those in their 50s, the average age of joining, is also rising.

With this, potential needs are naturally becoming increasingly diverse in this area, and we believe that if we capture those needs, we can achieve even more stable growth.

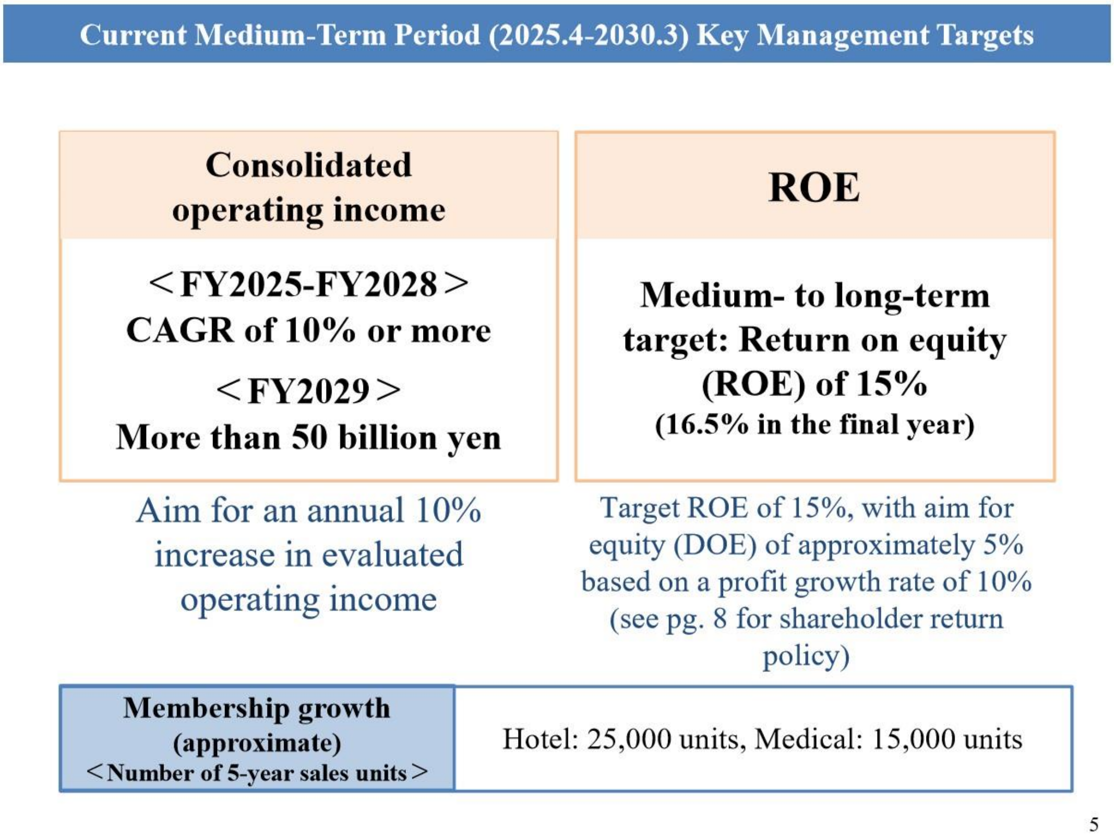


Please turn to page four.

This JPY50 billion may be way ahead in the future.

If we continue at the pace of development mentioned earlier, then in FY2029, the final fiscal year of the Five-Year Plan that kicked off this fiscal year, it will be JPY50 billion.

We plan to open two large properties, so that is what will happen.



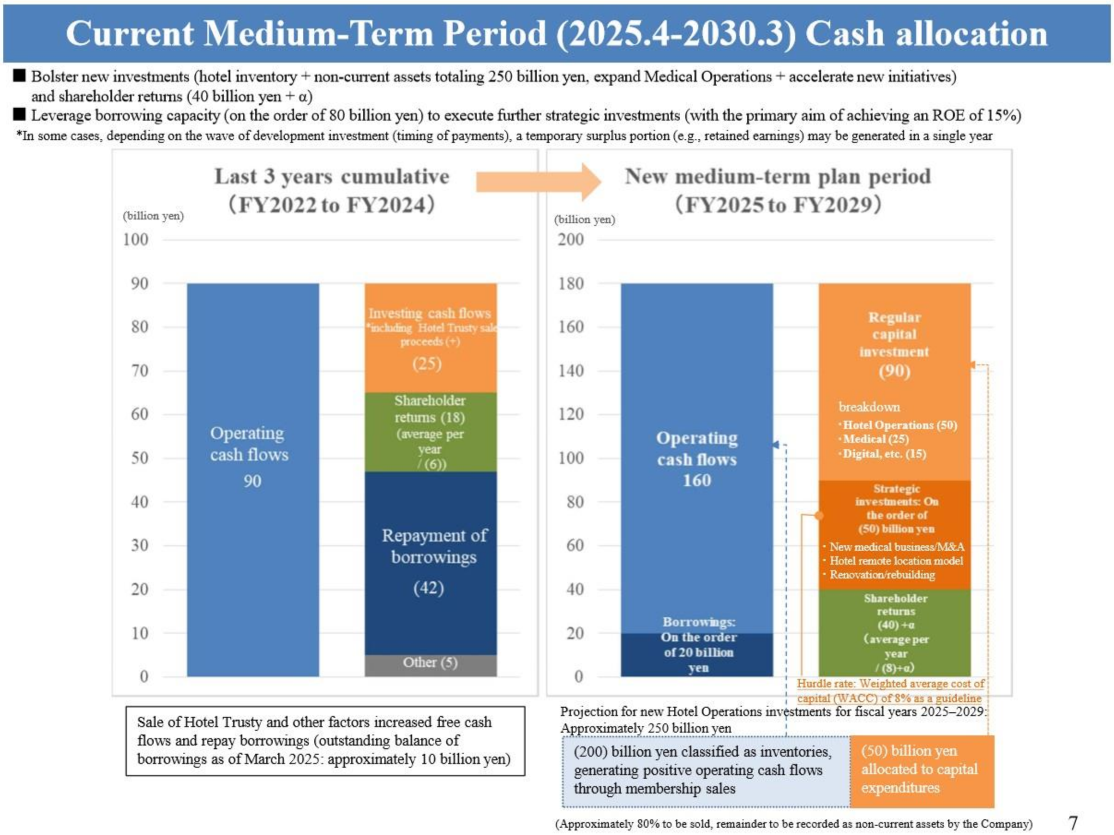
Please turn to page five.

As a result, although there will be variations, our consolidated operating income, excluding that JPY50 billion, will grow at an average rate of more than 10% through FY2028 and will reach JPY50 billion in 2029.

In terms of ROE, we are targeting 15% in the medium term and 16.5% in the final fiscal year of the medium-term plan.

Growth is a must-achieve target under our medium-term plan.

I will skip page six.



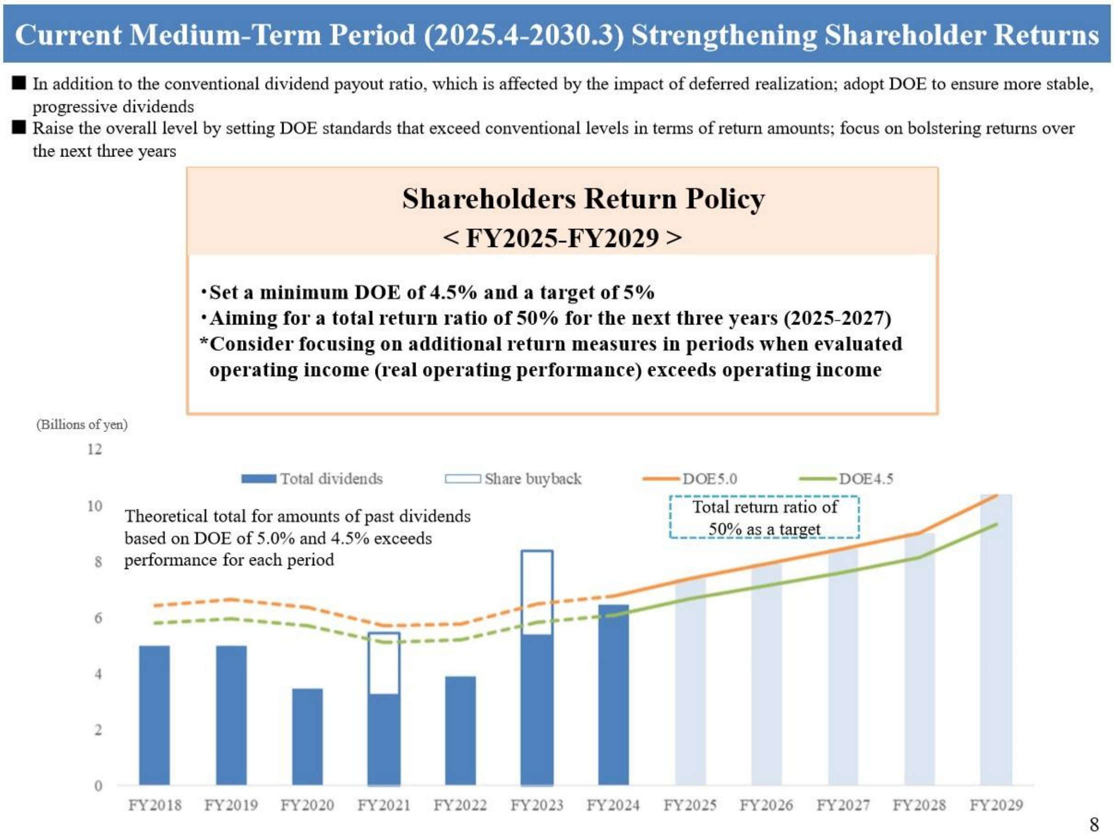
Please turn to page seven for cash allocation.

As you can see in the chart on the left, during the last three years, we had about JPY90 billion in operating cash. However, we put majority of the cash into the repayment of debts, so our borrowings are now almost at the lowest level.

We plan to have approximately JPY160 billion in operating cash over the next five years, which will be used not only for shareholder returns, but also for strategic investments of approximately JPY50 billion, including new businesses.

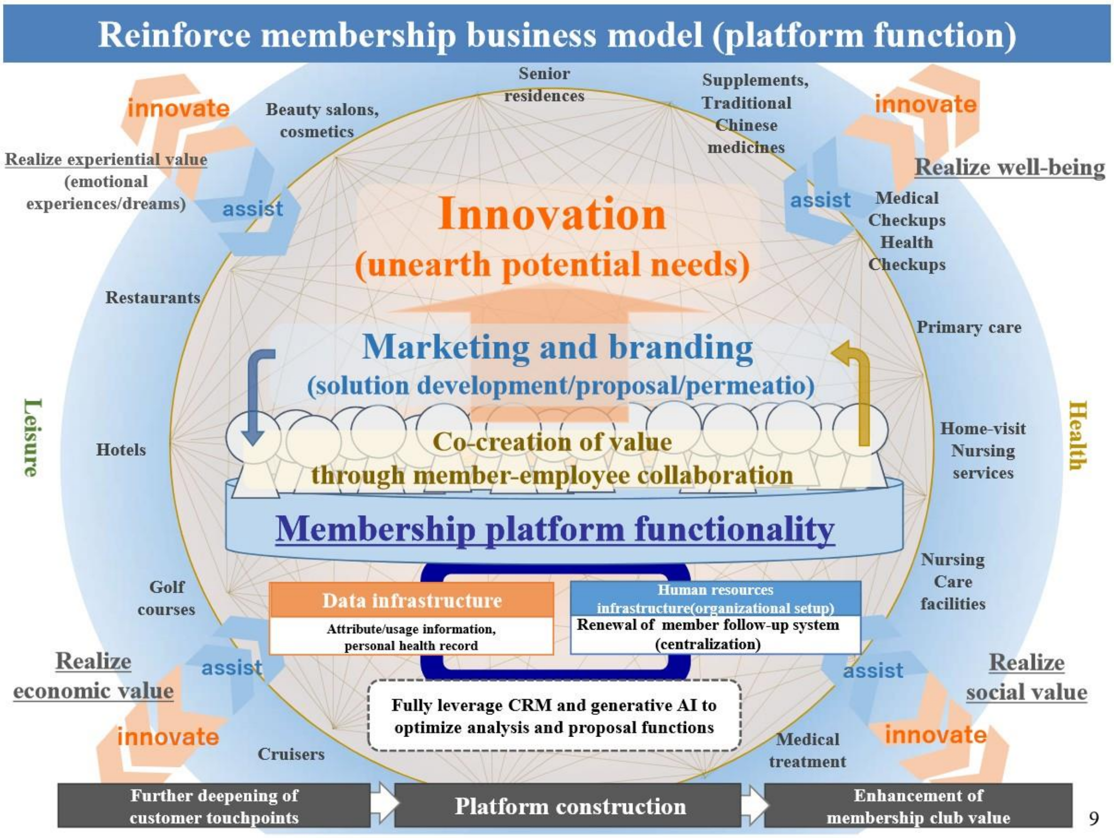
Then, there is the usual capital investment, which is not only for ordinary maintenance and repairs, but also for making each existing facility more attractive. For example, if a facility does not have a hot spring, we will build a hot spring.

We are now in the process of reviewing investments in all facilities, with the goal of 8% WACC and increasing the rate of return on existing properties.



On page eight, we have put a DOE of 4.5% in the shareholder return policy. Since the target is 5%, the total return ratio will be 50%.

This does not mean that we have already paid the dividend payout ratio thus far, but the introduction of DOE is a part of our efforts to show how we can demonstrate stability in a comprehensive manner.



Pages 9 and 10 show the overall keys.

My biggest goal for the past five years has been to develop new facilities while listening to the opinions of our members.

In the future, however, I hope that by creating a platform that constantly gathers the opinions of our employees, who are in the forefront, and of our customers, we can, in a sense, create a membership-type business model that is not crowdfunding but will make our customers' dreams come true.

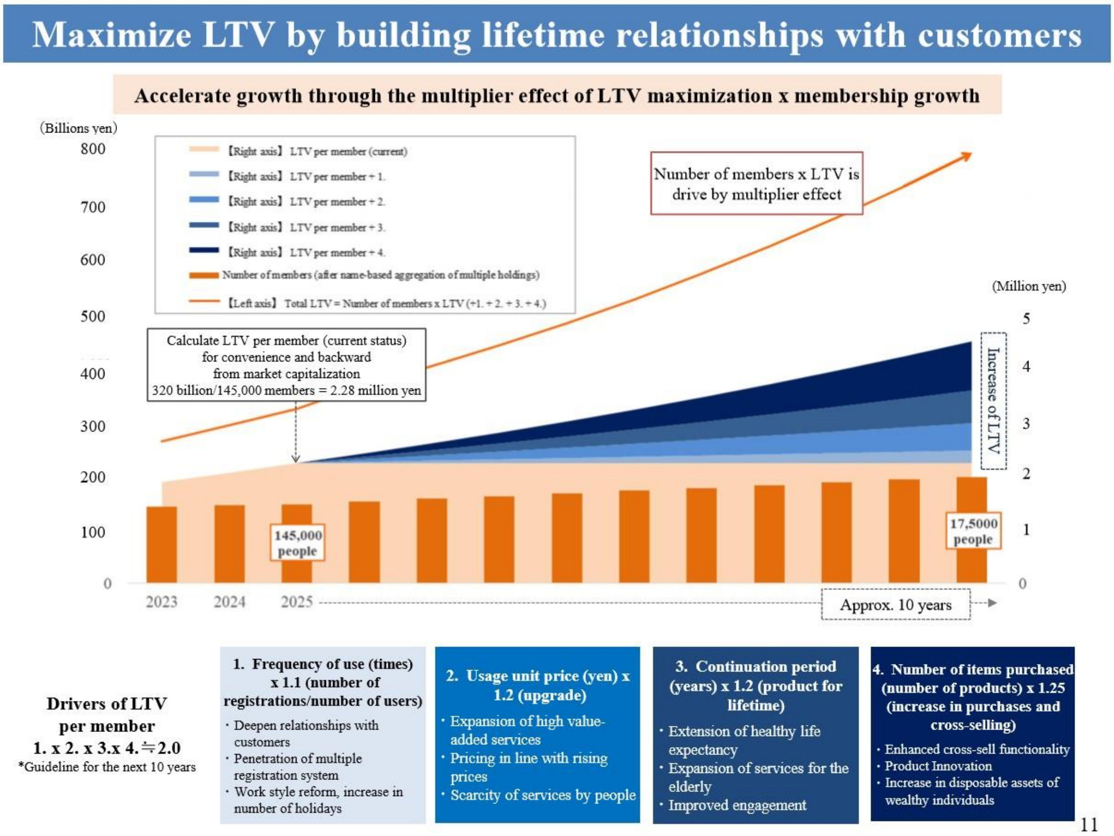
I believe that making this a reality is one way that our company can show its sustainability. That will be my most important task.

Please turn to page 10.

One key point in this growth is that we now have 145,000 group members, and since many people are waiting, this is actually good. Of these, there are 5,000 gold members and 20,000 silver members, with the type of membership depending on the amount of annual spending. In fact, these 25,000 people, 17% of the total, account for 60% of the total amount spent, which supports us.

Another thing, we have new member and withdrawal rates. We are not just about new members, as there is also turnover, so each individual is being reinvigorated.

So, if you look at the leftmost side, you will see the figures per membership and per brand, comprising SANCTUARY COURT, Baycourt, and XIV. The average annual usage amount and spending amount per unit are going up for all brands, which we believe is supporting the rise in the overall volume of growth.



A diagram illustrating this is on page 11.

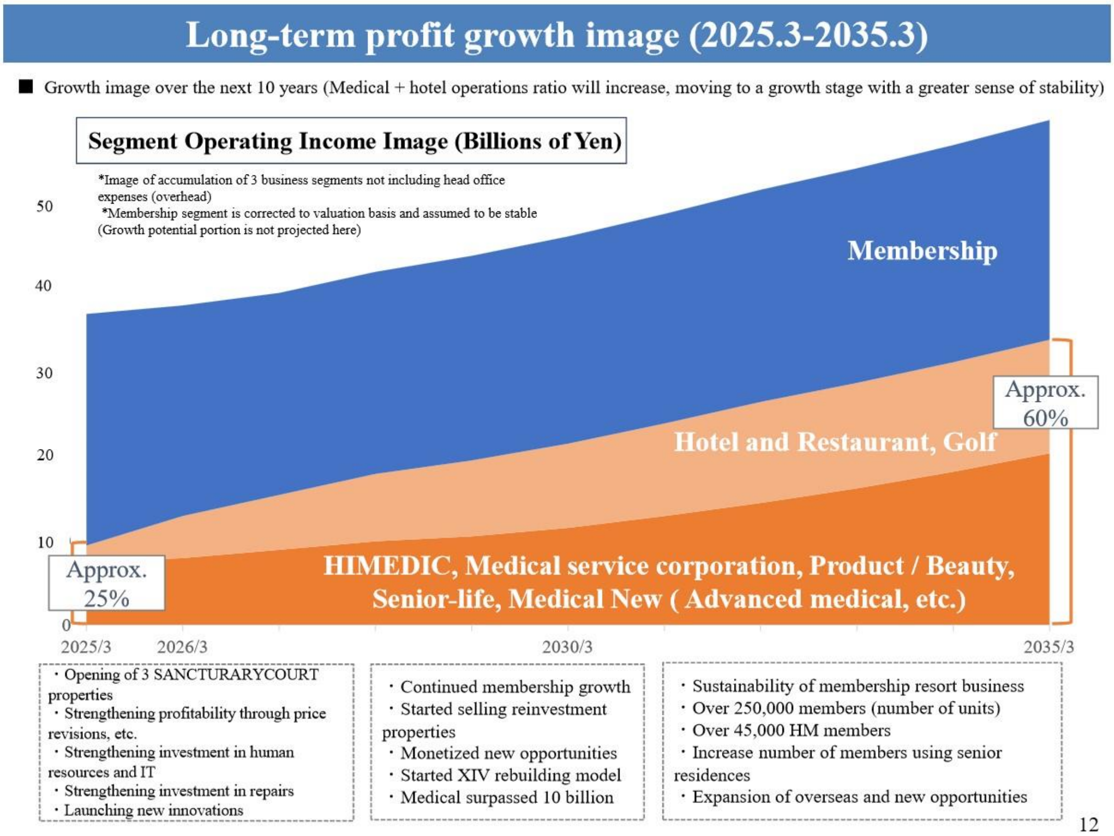
Since it is a membership, we feel like members will maximize this kind of lifetime value.

Currently, the way we look at this, or rather, the way we think about it, is that we are at 145,000 members in FY2025. If we divide market capitalization with this number, we will come up with JPY2.28 million per person, or per share, and this will climb to 175,000 members in about 10 years.

We will firmly increase the spending per member, as I just showed you.

Here, item one shows the usage frequency, or occupancy, and it will be 10% over 10 years. When it comes to the usage unit price, we review it from time to time. Then, this is the period of continuity. This is about lengthening our period of relationship with customers through such means as the extension of healthy life expectancy, and as for cross-selling, it is going well, including the cross-selling of HIMEDIC.

We believe that if we steadily increase these, we can actually increase the number of these members, which number 145,000, by 30,000. Not only that, we can also raise the gross by almost twofold. This figure may be simple, but if we do a little calculation, we can see that a market capitalization of JPY800 billion is an ideal value to aim for.



Please turn to page 12. This long-term profit growth image runs until 2035.

While memberships will steadily grow henceforth, they will actually account for only 40%, so we have laid out a medium-term plan in which we aim to grow into a company in which memberships will account for 40% and medical and other segments will account for 60% of total volume.

It was a brief explanation, but that is all. Thank you very much.

Question & Answer

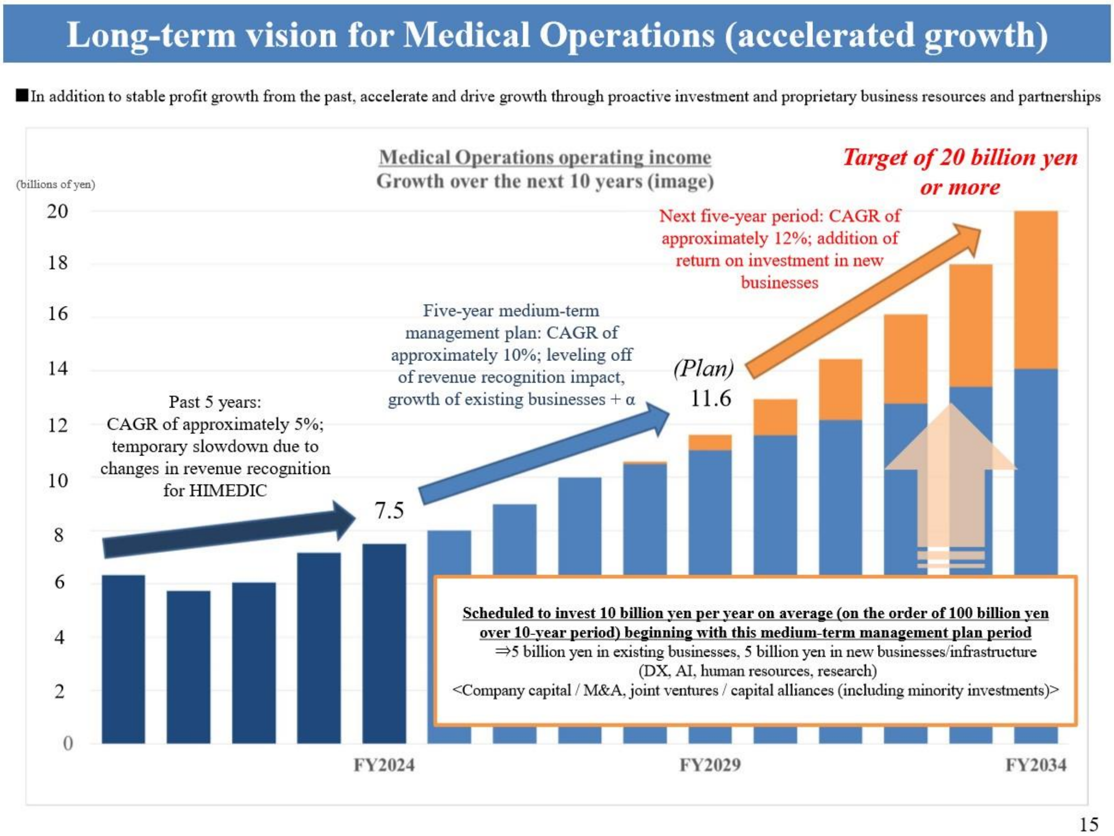
Moderator [M]: We will now move on to the question-and-answer session. We will first take questions from the audience. Please note that we may not be able to answer all questions due to time constraints.

Kuwana [Q]: Thank you. I am Kuwana from Mizuho Securities. Thank you for your explanation. I have two questions.

My first question is about the concept of the ROE target on page five of the medium-term plan. Under your new medium-term plan, you have set the target at 15% and 16.5% for the final fiscal year, which is higher than in the past, and I personally think of this as a positive thing. I think this medium- to long-term target of 15% can be interpreted in many ways. Does it mean you will exceed 15% every fiscal year, or will it be an average level of 15%?

If it is 15% each fiscal year, since the numerator of the profit will be the opening of small properties in the fiscal years ending March 2027 and March 2028, then we know that the opening profit will be small. How do you plan to increase this? I think there are a number of things that could be done, such as increasing the amount of purchase and resale, reducing maintenance and repair expenses in the hotels and restaurants, or reducing the denominator through share buybacks.

As my first question, I would like to know how you view this at the moment.



I will ask the second question as well. My question is regarding the growth of the medical business on page 15 of the medium-term plan.

What I get from this graph is that the growth rate will accelerate from the next medium-term management plan and that the current medium-term management plan is a phase for investing and planting seeds for the future. At this point, may I ask which areas you expect particularly high growth in the next medium-term plan?

As mentioned on the next page, page 16, expansion into Southeast Asia will contribute greatly to profits, and M&A, which is not mentioned here, will be a key factor. I would like to ask you about your vision at this point in time.

That would be my two questions. Thank you.

Fushimi [A]: We are considering a stable 15%, and in the final fiscal year, it will be 16.5% since we have two properties, as I mentioned earlier. As you said, the figures may change somewhat depending on the number of properties and completed properties.

Basically, the medical business and other segments will expand, so we are looking at a stable 15% growth rate. Although there will be some fluctuations, we are basically not expecting a decrease in profit, so we hope to raise this rate to some extent.

When it comes to growth in the medical business, there are a variety of factors. As for the senior segment that will appear from this fiscal year onwards, I mentioned earlier about the HIMEDIC Residence. The healthy-type is doing very well, so we will create facilities where members can stay by making these facilities more accommodating to our members.

As for the medical segment, there are still 30,000 members out of the 140,000 members, so we think that services that can be used by the other members and their families, such as general medical checkups and preventive care at home, will be important.

In addition to that, there is also product development. In the area of products, I mentioned earlier about inbound tourism, but in addition to such inbound tourism, we are conducting research on the field of regenerative medicine. We will add regenerative medicine and sell products that use regenerative medicine, such as cosmetics and supplements.

We have already started product research in this area, which will take about a year. We hope to be able to launch by as early as next fiscal year. I don't have a specific part in mind, but I think that, overall, we are well prepared.

That is all.

Kuwana [Q]: Thank you. To follow up on my first question, you said that you are not considering a decrease in profits. That said, profit from the opening of real estate will decrease. Are you thinking of offsetting that decline with the usual growth in the medical and hotel and restaurant businesses?

Fushimi [A]: Yes, that's right. That is correct.

Kuwana [M]: Thank you very much.

Moderator [M]: Thank you very much.

Continuing on, if anybody in the audience has any questions, please raise your hand. All right, please go ahead.

Oda [Q]: Thank you for your explanation. My name is Oda, SMBC Nikko Securities. I would like to ask two questions, and I hope you can answer one question at a time.

As for my first question, in the section about the current fiscal year, on page 14, I noticed two things. One, if you look at the deferred profit, the profit margin on Nikko looks a little low. I think you may be anticipating a little cost in this area. What is the thinking behind this and how low are profit margins going to be?

Also, with HIMEDIC, I believe you are projecting a reduction in contract value. Last year, you also projected that it would go down, but it ended up increasing, and with the entry of Yokohama this fiscal year, I do not see many negative factors. If I may say so, there may be a risk that it will be pulled down by memberships.

I would like to ask you about those two points, the factors behind your projection of a decline in HIMEDIC and your plans for the current fiscal year.

Fushimi [A]: First of all, regarding Nikko's deferred profit, as we have explained before, even though Nikko's asking price has been adjusted to Takayama's level, costs have been gradually rising. Compared to the two properties in the past, the profit margin is still low. Also, as it will open this fiscal year, we are assuming that the costs at such deferred profit stage, which would be the assumed costs, will go up. The margin of increase will be larger than Takayama and Biwako, and although we have taken that into account to some extent, the profit margin of Nikko still looks low.

However, this is also the portion that has already been sold, so there is nothing we can do about it. As I mentioned earlier, in terms of exchange, purchase, and resale as a strategy, we would like to, for example, review the prices of SANCTUARY COURT during and after the next offering of our properties in the Kansai region.

Regarding the decrease in HIMEDIC, basically, it will continue to do well in H1, and as you said, we do not particularly think there are any negative factors. At the very least, the recruitment of the membership sales team will be the main reason. Hence, some will be diverted to hotels and new products, and we are expecting that to become a negative factor for HIMEDIC. Naturally, each department, or rather, each sales branch, has taken all the necessary measures for HIMEDIC, so I think we will be able to achieve almost the same level of performance as in the previous year.

That is all.

Oda [Q]: I'm sorry. I have an additional question, but it's from a different perspective. With regard to purchase and resale, you said that you started it in earnest last year and will consider it again this fiscal year. However, it has been less than a year since you did that, so you may not be able to obtain clear data or trends, such as whether members who actually bought into your purchase and resale memberships will upgrade or have high usage frequency.

In terms of activating new members who have just joined, have there been any result, or good trend, or conversely, any unanticipated developments? If there are any, I would appreciate it if you could give us a hint.

Fushimi [A]: Since it has been less than a year since the purchase and resale memberships, we have not yet been able to obtain data on how much use there was in comparison to the previous year. For one thing, this purchase and resale is a big portion, owing in part to that activation of members, of course. It is about the balance of the properties.

So, for example, if we were to sell Kanazawa throughout Japan, people in the Kanto region and slightly to the north might buy in Kanazawa, but it is only natural that people in Yokohama might say that it is a bit far away. In that case, even if it can be used for exchange, they would still avoid it.

On the contrary, for those who will switch from Yokohama, and then leave Kanazawa because they absolutely prefer Yokohama, we will come up with a certain degree of product variation so that we do not miss out. That is the biggest thing. In this regard, of course, we know from a sales perspective that they can immediately resell this property after they buy it, so we are now focusing on that.

So, since we had never done it before, the first thing we did last fiscal year was identify those properties that have accumulated and have been sleeping. This fiscal year, it would be difficult to produce the same volume as the previous year, though we are not planning to do that. On the other hand, as we launch new facilities in the future, it is possible that new desire for exchange will also emerge.

Now, exchange is inherently less desirable, sales-wise. After all, new ones are the most important in terms of sales, so we did not really encourage it. Depending on property, there are some products where exchange was prohibited.

However, even with the recent increase in purchases, occupancy and the actual number of nights spent per unit have been rising. It is not an unreasonable increase in purchases but an increase in purchases for the purpose of use. I still think a lot of it had to do with the increase in the number of corporations.

So, in a sense, since this kind of normal exchange exists, we can still open more by changing the evaluation in this area. Right now, we still have not established internal rules to that extent.

Oda [Q]: My second question is, on page 16 of the material and not in the medium-term plan, about remodeling development. I think that in the medium-term plan prior to the update, there were quite a few pages allotted to explain this. If you look at the medium-term plan now, there was not much explanation, so I do not think that anything has probably changed. What are your thoughts on remodeling development? If there is no update from the last one, that would be fine though. Could you please elaborate on this?

Fushimi [A]: This remodeling development basically requires the consent of those existing members, so we buy, renovate, and resell properties as needed. This has not stopped at present, but we are prioritizing Sun

Members first. In fact, Sun Members Hakone had about 3,000 members. It will all be finished this fiscal year. We are also moving forward with other facilities one by one, and since things are going well, we are prioritizing that.

Then, our next target would be the aging XIV facilities in Toba and Izu, as I mentioned at the time. With these properties, rather than simply purchase and resell or remodel and sell, which we had done so far, various situations have arisen for each property. For example, we can expand the adjacent land and develop new products. Right now, we are at a standstill amidst the emergence of various proposals.

Therefore, depending on the property, if we decide to go with small-scale properties for our property mix, for example, they can probably be introduced as small-scale properties. We are still in the process of moving forward without narrowing down the possibilities too much.

Oda [M]: Thank you very much. I am okay now. Thank you very much.

Moderator [M]: Thank you very much.

Continuing on, if anybody in the audience has any questions, please raise your hand. All right, please go ahead.

Sekine [Q]: Thank you for your explanation. My name is Sekine, Daiwa Securities. Since you have given us your medium- to long-term plan, I would like to ask two questions in connection with that.

For my first question, you said that you will expand profit in incremental parts, other than the membership business. I think it will be smooth for the medical business, and in the hotel segment, I believe the key point is to improve productivity significantly.

I think that there has been a lot of progress in your initiatives in this area as well. I believe that you have been making considerable attempts to reduce manpower in this area, so is it okay to think that you will continue to do that moving forward? Or, for example, could you please tell us if there are any areas that are a challenge for you when it comes to reducing costs?

That is my first question.

Fushimi [A]: Yes. With DX, there are some barriers now. As mentioned earlier, the web reservation rate is 40%, and the smart check-in and check-out rate is also at 30%. For one, it is about how far we will expand the target audience.

In terms of system, what originally started with members will be extended to guests this fiscal year. I think this portion will naturally increase. There are still areas where we can boost the system's response, for example, people who use multiple rooms. One issue is how much it will cost.

Another thing is that there are some people, for example, elderly people, who are not familiar with the system. Rather than forcing them to do it, we need to make it easier for them. With our current design, say in a new facility, it is no longer smart check-in but a gate for the premises, for example. By giving them the key already when they go through the gate, then we can increase the productivity of the front desk if they don't have to stop by the front desk anymore.

We are now reexamining how to improve overall efficiency, including such low-tech aspects.

On the other hand, when it comes to the technical side, this is also a small detail, but an example of that. We are running things with the thought that it will become a smart key, where smartphone will be the key. Conversely, the rule is that you are not allowed to take your phone to the main bathhouse, which is contradictory. If that is the case, then it cannot be used as a key. That is such a pathetic story, but some issues like that have come up. We have to solve those things one by one.

In any case, we have been simply using DX up to now, but from this fiscal year, we will clearly define what we will do, by when, and by when we can eliminate long breaks during shift by doing this or that. Each hotel is setting clear goals in relation to how many front-desk staff can be reduced if smart check-in use reaches 50%. We would like to run it for a year this fiscal year, and then revisit it again.

Sekine [Q]: I understand. Thank you very much.

My second question is about the thinking behind the 10% CAGR in and after this fiscal year based on the pipeline. In your plan for this year, the membership business will be a little weak due to the reactionary decline, so you will increase the incremental portion of medical and hotels to compensate. It will probably be the same next year, but by 2028 and 2029, there will be new openings, so memberships will rise. With that, it looks like there will be growth, despite considerable ups and downs.

In that context, I think you said that you will get into buybacks with ROE in mind while looking at this gap with accounting profit. In particular, around H1 of this fiscal year, next year, and the year after, if profit growth weakens to a certain extent, you plan to focus on returning profits to shareholders. Is that correct?

Fushimi [A]: Yes. Nothing concrete has been decided yet, but as you say, we are also willing to consider such a thing.

Sekine [M]: I understand. Thank you very much.

Moderator [M]: Thank you very much. Does anyone in the audience have any questions?

Continuing on, we will take a question from Q&A. This question was asked by Hayashida of Seiga Asset Management.

Hayashida [Q]: I would like to thank you for setting forward-looking medium-term targets that the stock market's perspective takes into account.

Regarding the new return policy you just announced, you are aiming for a total return ratio of 50% for the next three years, from 2025 to 2027, but based on the current year's guidance, the payout ratio is 36%. Is the message that the remaining 14% will be returned in the form of higher dividends and share buybacks during the current fiscal year, depending on the progress of business performance and other factors? If that is the total amount for three years, it can be interpreted that the return ratio may not reach 50% in the first fiscal year. So, I would like to reaffirm the strength of your management's commitment to the stock market.

Thank you in advance for your answer.

Fushimi [A]: It is true that we have set that as a target. Up until now, within our 40% target, even if there are extraordinary gains or losses, for example, we have basically been thinking about how to pay a stable dividend without considering those things. Moving forward, we hope to continue to think that way. We will naturally take such evaluations and the real growth rate into account when deciding on the dividend.

As for the share buyback mentioned earlier, I believe it is necessary to consider this from time to time. At present, though, there are no specific details on this. The reason we have included DOE this time is that we originally considered various ways of expressing stable dividends, such as progressive dividends. With that, we have included DOE as what you would call an expression of our commitment to increase dividends by mixing DOE with our existing concepts on the dividend payout ratio.

As you say, I would like to make it clear that, frankly, we are not really making any promises as to what we will do in the first fiscal year to make up the shortfall to this 50%.

That is all.

Moderator [M]: Thank you very much.

The next question is from Okumura of Resona Asset Management. We have received two questions, and we will read them out one at a time, so please answer them one question at a time.

Okumura [Q]: How does the start of sales in Kanazawa compare to previous sales?

Fushimi [A]: The state of applications seems to be about the same as it has been for the past few years for new facilities. So, we started on March 21, and we completed in one month, or in April. We are well on track to meet our schedule.

Surprisingly, Nagoya, the Chubu region, and the Kanto region are doing well, and some applications are also coming in from the Kansai region, which is boosting the overall number of applicants. I think we can say that we are off to a very strong start, as we have in the past.

Moderator [M]: Thank you very much. A follow-up question.

Okumura [Q]: What is the percentage of new customers in purchase and resale sales?

Fushimi [A]: New customers for purchase and resale, while it is only natural, we purchase the properties, and the entities to whom we resell those properties to are the new customers. I'm sorry, what do we mean by purchase? For example, we buy properties that are no longer used by customers. The purchased properties can then be used as inventory for new applications. In terms of whether this purchase is just a purchase, an exchange, or a change in product, it is evaluated as an exchange at the very least.

Is it hard to understand?

Company Representative [A]: I would also like to explain the details individually. Basically, about 30% of the total are new customers. Recently, though, there is a rise in exchanges and additional purchases of properties. There are some properties where it is 40%, but overall, it is only 20% to 30% new customers. That is how things are.

That is all.

Moderator [M]: Thank you for your answer.

Continuing on, does anyone in the audience have any questions?

Kuwana [Q]: I am Kuwana from Mizuho Securities. Since I am already here, I would like to ask one more question.

I have a question about the situation and policy of Kahala. Right now, I think you have JPY45 billion in fixed assets in Yokohama and Hawaii. That is a fairly large amount of assets. However, compared to the membership business that you develop through new buildings, I have the impression that the advantages of your company have not yet fully come out.

Moving forward, do you also need to consider selling these assets, or is there room for growth in the hotel operation business itself? Or is my opinion completely different, and profits are also very strong? Please tell us about the policy of the two Kahala buildings when it comes to that.

Fushimi [A]: As you said, from the standpoint of a business model, it is really just a regular hotel, so it is a completely different type of business.

First of all, from the perspective of Yokohama, the overall occupancy rate has risen to 60%. Although Yokohama itself is weak, I think that the inbound rate is now at 15% of our total occupancy rate. We have cleared the minimum plan. With regard to the future, I believe there is still room for more in terms of how to attract inbound visitors. As usual, we will continue to run it as a regular hotel in cooperation with Yokohama City.

As for Hawaii, the current situation is people are coming from Japan. Compared to the pre-COVID-19 period, we have seen a decline in the number of visitors from Japan, from 20% to 10%, so only half of them have returned. This is a negative figure compared to our plan. With this, in Q4 of the previous fiscal year, we completely shifted our sales structure to the US, and we put up a sales team in California to attract customers. This is starting to show results, so we expect our profit to improve.

As for Hawaii, although it is a regular hotel, we previously conducted a trial of pre-paid type membership, and we sold about 1,000 units right away. We are always considering the possibility of recovering memberships in the future.

That is all.

Moderator [M]: Thank you very much.

Continuing on, if anyone in the audience has any questions, please raise your hand.

Oda [Q]: I am sorry, but I have an additional question. I am Oda from SMBC Nikko Securities. It is on page nine of the medium-term plan material.

According to your president's explanation, I think he said that you want to put the most effort into this over the next five years. I can understand the concept by looking at this diagram and hearing the explanation, and I think it is very important that the needs of the members were connected to the development of various products and expansion of services. I understand the concept, but I am not sure how to put it into a concrete form, which could be because I did not study enough. So, if you can give us an idea of what to look for, we would like to know.

That is my question.

Fushimi [A]: For example, we are still considering Okinawa. Of course, looking at our 140,000 members now, I am sure there will be those who can go to Okinawa once or twice a year. If a hotel is built in Okinawa, it would be natural to say that in terms of buyers and users, if there are 1,000 people, then we will do it.

Even if that is not the case, it is about having stronger connections with our customers, both onsite and off-site, even if it is just a single incidental facility since there are those who would say that they would want to use it if there is such a facility there. In fact, I believe that this is the way to turn such voices into business in more detail.

However, in a completely different note, as I may have mentioned before, for example, you want a business jet, but it is too expensive for just you. If there are people like that, people who want it and if they want to do it, we can stand in between and say, let's do it if we get 500 of those people together. We will serve as a platform to propose solutions to what individual clients want, which they cannot do on their own.

First of all, of course, we would have to think about the location of such a hotel, the structure, and if this type of use is possible. What if it is a product that could be inherited entirely by a corporation in this way? Up until now, we have been getting suggestions from our customers about various things, and we would like to create a system that will make it even more common.

Oda [Q]: I apologize for my lack of knowledge, but I think that until now, there have been various needs of customers and you have a system in which those are received by salespeople, and then shared within the Company. With that kind of system-related talk, will you build something like this platform? Or will it be something else, like a different approach?

I'm sorry to frame this question as well. I understand the term "platform function" very well, but what kind of form should this function take in order to properly absorb the needs of customers, share them with the entire company, and connect them to the development process? In short, what is going to change from before? What do you think about that?

Fushimi [A]: Thus far, we have been conducting surveys every time, and we have been collecting feedback from daily questionnaires and facility use surveys and reflecting on those. They are more about the satisfaction or dissatisfaction with the facility, or requests for improvement. Ultimately, we are not abandoning our core. So, other than that, as you just asked, I think we need to make more proposals to the contrary.

We will develop potential needs by asking, "Would you like to do something like this?" For example, we are engaged in the senior business, but would you like us to provide home health care as well? As we make proposals in the form of "What if we do it?", we found that there were people who had been thinking about home medical care and would like to do HIMEDIC if Resorttrust was going to do it. I believe that more aggressively broadening and digging out such things will lead to the next phase of our business development.

As you say, we are now thinking of doing a platform on the web. Other companies are also doing various things to listen to their customers' opinions. We would like to create a system in which, for example, when a customer makes a proposal, while it is not necessarily a good one, our company will respond by getting on board, and then nurturing that idea.

Moderator [M]: Thank you very much. We will now conclude the question-and-answer session.

This concludes the presentation of the financial results for the fiscal year ended March 2025 and medium-term management plan of Resorttrust. Thank you very much for taking time out of your busy schedule to join us today.

[END]

Document Notes

1. *Portions of the document where the audio is unclear are marked with [inaudible].*
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