

RESORTTRUST FINANCIAL DATA

CONSOLIDATED FINANCIAL SUMMARY

2Q FY 2017 (from April 1, 2017 to September 30, 2017)



**RESORTTRUST
GROUP**

(securities code: 4681)

CONSOLIDATED FINANCIAL SUMMARY

For the Second Quarter Ended September 30, 2015, 2016 and 2017

(Millions of yen)

	2Q			Fiscal Year	
	Apr.-Sep. 2015	Apr.-Sep. 2016	Apr.-Sep. 2017	2017/3	2018/3 target
Net sales	65,721	65,207	70,110	143,541	171,000
Operating income	8,870	4,727	5,452	13,514	17,000
Ordinary income	9,570	4,761	6,400	14,806	18,200
Net income	7,062	3,612	3,787	11,010	11,800
Net assets	111,186	107,696	120,363	118,379	
Assets	393,573	392,798	412,199	421,606	
Net assets per share (yen)	1,021.17	971.53	1,083.47	1,068.20	
Net income per share (yen) (Primary)	67.27	33.95	35.50	103.40	
Net income per share (yen) (Fully Diluted)	61.23	31.17	32.61	95.09	
Equity ratio (%)	27.6	26.3	28.1	27.0	
Return on assets (%)	-	-	-	2.66	
Return on equity (%)	-	-	-	9.91	
Net cash provided by (used in) operating activities	(1,921)	5,616	(7,132)	26,249	
Net cash provided by (used in) investment activities	(36,662)	(1,134)	(8,236)	3,881	
Net cash provided by (used in) financing activities	(3,315)	(7,220)	(2,375)	(15,593)	
Cash and cash equivalents	23,508	22,707	22,711	40,365	

Business Results

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

1. Summary of Business Results

(Millions of Yen)

	2Q FY2016 (Results)	2Q FY2017		Year-on-Year Change	Results vs. Targets
		(Results)	(targets)		
Net sales	65,207	70,110	73,400	+7.5%	(4.5%)
Operating income	4,727	5,452	4,500	+15.3%	+21.2%
Ordinary income	4,761	6,400	5,200	+34.4%	+23.1%
Net income	3,612	3,787	3,300	+4.8%	+14.8%

The Japanese economy during the six-month period under review was on a moderate recovery trend and saw continuous improvements in circumstances surrounding corporate capital investment, employment and earnings. Stagnant consumer spending also saw signs of recovery.

Under these circumstances, net sales were JPY 70,110 million (+7.5% yoy), operating income was JPY 5,452 million (+15.3% yoy), ordinary income was JPY 6,400 million (+34.4% yoy), and net income attributable to owners of parent was JPY 3,787 million (+4.8% yoy). This is thanks to the business contribution of the revenue from hotel management and sales of memberships carried out at “XIV Yugawara Rikyu,” which started business in March 2017, as well as the steady sales of memberships at “Laguna Baycourt Club,” which started to be sold in August 2016.

In addition, the recording method of expenses for the whole company has been modified during the three-month period under review. Results for the same period of the previous fiscal year have been calculated using the modified recording method.

2. Summary of Business Segments

[Membership Operations]

(Millions of Yen)

	2Q FY2016 (Results)	2Q FY2017		Year-on-Year Change	Results vs. Targets
		(Results)	(targets)		
Net sales	13,804	14,977	15,880	+8.5%	(5.7%)
Operating income	2,170	3,510	2,300	+61.8%	+52.6%

Membership Operation Segment resulted in increased sales and income led by steady sales of memberships at “Laguna Baycourt Club,” which began sales in August 2016.

[Hotel and Restaurant Operations]

(Millions of Yen)

	2Q FY2016 (Results)	2Q FY2017		Year-on-Year Change	Results vs. Targets
		(Results)	(targets)		
Net sales	37,863	39,611	40,520	+4.6%	(2.2%)
Operating income	2,921	2,865	3,180	(1.9%)	(9.9%)

Hotel and Restaurant Operation Segment increased sales but decreased income due to contributions made to sales by revenue from hotel operation at “XIV Yugawara Rikyu,” which started business in March 2017, which were offset by an increase in renovation costs for restaurants at overseas hotels and others.

[Medical Operations]

(Millions of Yen)

	2Q FY2016 (Results)	2Q FY2017		Year-on-Year Change	Results vs. Targets
		(Results)	(targets)		
Net sales	12,903	15,153	16,630	+17.4%	(8.9%)
Operating income	2,728	2,590	2,700	(5.1%)	(4.0%)

Medical Operation Segment increased sales but decreased income, due to the inclusion of ACTIVA Co., Ltd., the company that manages Activa Biwa, a private nursing home, into the scope of consolidation, together with an increase in annual fees accompanied with an increased number of memberships of “Grand HIMEDIC Club,” a comprehensive medical support club, as well as an expansion in the medical examination business and merchandise business of cosmetics and supplements, etc., in addition to a increase in commissioned screening costs compared with the previous fiscal year.

[Others]

(Millions of Yen)

	2Q FY2016 (Results)	2Q FY2017		Year-on-Year Change	Results vs. Targets
		(Results)	(targets)		
Net sales	636	367	370	(42.2%)	(0.6%)
Operating income	388	216	210	(44.2%)	+3.2%

Other Operations Segments decreased sales and income, due to a decrease in rent income from office buildings operated by RT Development Co., Ltd., a consolidated subsidiary, in line with a decrease in leasing properties.

3. Cash Flows

(Millions of Yen)

	2Q FY2016 (Results)	2Q FY2017 (Results)
Operating cash flows	5,616	(7,132)
Investing cash flows	(1,134)	(8,236)
Financing cash flows	(7,220)	(2,375)
Cash and cash equivalents	22,707	22,711

4. Outlook for the Fiscal Year 2017(Ending March 31, 2018)

(Millions of Yen)

	FY2016 (Results)	FY 2017 (targets)	Year-on-year Change
Net sales	143,541	171,000	+19.1%
Operating income	13,514	17,000	+25.8%
Ordinary income	14,806	18,200	+22.9%
Net income	11,010	11,800	+7.2%

Regarding the future economic climate of Japan, the Company expects a moderate economic recovery trend with lasting improvement of environment surrounding corporate earnings. The Company also expects that consumer confidence remains steady in the future with some signs of recovery in consumer spending despite sluggishness in overall consumer spending.

Regarding the trends of the leisure-related industry and market, both demand from foreign tourists visiting Japan and demand for domestic travel seem to remain buoyant since economic development and income increases in emerging countries in Asia will continue, and infrastructure development for the Tokyo Olympics and Paralympics will progress in spite of a slowdown in the growing number of foreign tourists visiting Japan and a decreasing trend in foreign tourists' expenditures.

In the hotel and food service industries, investment in rationalization of facilities and labor-saving, in addition to investment in securing and training personnel, is expected to be further promoted since a sense of a labor shortage is extremely widespread in the industries.

Amid such an environment, the Company Group has made "working style reform" and "a challenge to the top-class brand" our theme and has been making efforts to create a virtuous circle environment where our staff members can experience joy of vigorous work and pleasure of enhancing productivity, which leads to an increase in revenues. We will enhance its brand by drawing maximum synergy of products and services provided by the Company Group in order to acquire trust from our customers as a group which is truly indispensable for them throughout their lifetime. We will fulfill our social responsibility in "environment, society and governance" and maintain sustainable growth-oriented management so that we can be a close partner of our customers and contribute to flexible lifestyle.

Under these circumstances, the Company Group will record deferred real estate profits as a lump sum upon the start of full operation of "XIV Yugawara Rikyu" which opened in March 2017 and the opening of "Ashiya Baycourt Club" which is scheduled in February 2018. In addition, the Company Group plans to start development of hotels in the Kanto region and to sell the memberships. In Medical Operations, it is expected that revenues from registration fees and annual fees will increase accompanied with increased sales of memberships for "Grand HIMEDIC Club," a comprehensive medical support club. Expansion of facilities for senior residence, medical examination business and business related to sale of goods including cosmetics and supplements is also expected. As a result, the Company Group forecasts net sales to increase 19.1% year-on-year to 171,000 million yen, operating income to increase 25.8% year-on-year to 17,000 million yen, ordinary income to increase 22.9% year-on-year to 18,200 million yen, and net income attributable to owners of parent to increase 7.2% year-on-year to 11,800 million yen.

Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	FY 2016 (as of Mar. 31, 2017)	2Q FY 2017 (as of Sep. 30, 2017)
Assets		
Current assets		
Cash and deposits	39,063	22,586
Notes and accounts receivable - trade	9,437	7,273
Operating loans	41,553	42,766
Securities	6,215	2,928
Merchandise	915	945
Real estate for sale	15,634	14,766
Raw materials and supplies	1,317	1,274
Real estate for sale in process	26,931	36,195
Deferred tax assets	4,810	4,812
Other	6,525	6,475
Allowance for doubtful accounts	(974)	(1,016)
Total current assets	151,430	139,008
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	93,810	90,844
Machinery, equipment and vehicles, net	2,258	2,118
Golf courses	7,585	7,585
Land	37,946	37,839
Leased assets, net	4,715	4,450
Construction in progress	4,842	16,333
Other, net	4,663	4,136
Total property, plant and equipment	155,824	163,308
Intangible assets		
Goodwill	4,526	4,949
Software	3,264	2,966
Other	2,600	3,006
Total intangible assets	10,391	10,922
Investments and other assets		
Investment securities	85,687	77,669
Shares of subsidiaries and associates	1,387	1,387
Long-term loans receivable	4,227	5,618
Net defined benefit asset	1,125	1,097
Deferred tax assets	1,894	1,382
Other	10,473	12,585
Allowance for doubtful accounts	(834)	(780)
Total investments and other assets	103,959	98,960
Total non-current assets	270,175	273,191
Total assets	421,606	412,199

(Millions of yen)

	FY 2016 (as of Mar. 31, 2017)	2Q FY 2017 (as of Sep. 30, 2017)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	1,401	1,294
Short-term loans payable	9,200	9,763
Current portion of long-term loans payable	4,616	17,842
Current portion of bonds	250	2,750
Lease obligations	662	668
Accounts payable - other	22,786	7,173
Income taxes payable	3,800	2,484
Accrued consumption taxes	494	1,836
Advances received	33,532	40,427
Unearned revenue	12,455	11,786
Provision for loss on guarantees	123	106
Other	6,454	9,001
Total current liabilities	95,778	105,135
Non-current liabilities		
Bonds payable	3,450	825
Bonds with subscription rights to shares	30,200	30,178
Long-term loans payable	50,258	34,454
Lease obligations	4,402	4,106
Deferred tax liabilities	871	931
Provision for directors' retirement benefits	2,171	2,095
Provision for stocks payment	1,078	1,148
Net defined benefit liability	1,525	1,610
Long-term guarantee deposited	102,492	99,568
Negative goodwill	221	160
Other	10,774	11,619
Total non-current liabilities	207,447	186,700
Total liabilities	303,226	291,835
Net assets		
Shareholders' equity		
Capital stock	19,588	19,588
Capital surplus	22,171	22,171
Retained earnings	71,837	73,220
Treasury shares	(2,788)	(2,460)
Total shareholders' equity	110,809	112,518
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,007	2,296
Foreign currency translation adjustment	2,222	990
Remeasurements of defined benefit plans	(139)	(135)
Total accumulated other comprehensive income	3,089	3,151
Subscription rights to shares	-	136
Non-controlling interests	4,480	4,556
Total net assets	118,379	120,363
Total liabilities and net assets	421,606	412,199

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

(Millions of yen)

	2Q FY 2016 (Apr. 1, 2016 - Sep. 30, 2016)	2Q FY 2017 (Apr. 1, 2017 - Sep. 30, 2017)
Net sales	65,207	70,110
Cost of sales	8,506	8,962
Gross profit	56,700	61,148
Selling, general and administrative expenses		
Salaries and bonuses	20,382	21,806
Provision for directors' retirement benefits	195	61
Repair and maintenance	1,734	1,491
Provision of allowance for doubtful accounts	-	54
Utilities expenses	2,416	2,666
Depreciation	3,428	3,662
Other	23,815	25,953
Total selling, general and administrative expenses	51,972	55,695
Operating profit	4,727	5,452
Non-operating income		
Interest income	1,100	1,145
Dividend income	47	33
Amortization of negative goodwill	60	60
Reversal of allowance for doubtful accounts	48	55
Reversal of provision for loss on guarantees	15	16
Share of profit of entities accounted for using equity method	43	7
Foreign exchange gains	-	51
Other	226	231
Total non-operating income	1,541	1,602
Non-operating expenses		
Interest expenses paid on loans and bonds	286	318
Guarantee charge of unearned revenue	52	33
Nondeductible consumption tax	69	207
Foreign exchange losses	1,039	-
Other	59	95
Total non-operating expenses	1,507	655
Ordinary profit	4,761	6,400

[Consolidated Statements of Income]

(Millions of yen)

	2Q FY 2016 (Apr. 1, 2016 - Sep. 30, 2016)	2Q FY 2017 (Apr. 1, 2017 - Sep. 30, 2017)
Extraordinary income		
Gain on step acquisitions	1,334	-
Gain on sales of non-current assets	1	31
Gain on sales of investment securities	1,043	14
Gain on redemption of investment securities	114	39
Gain on sales of shares of subsidiaries and associates	1	4
Gain on reversal of subscription rights to shares	6	-
Compensation income	-	86
Other	0	-
Total extraordinary income	2,501	177
Extraordinary losses		
Impairment loss	1,334	-
Loss on retirement of non-current assets	107	12
Loss on sales of non-current assets	1	260
Loss on redemption of investment securities	-	59
Loss on sales of investment securities	0	-
Loss on sales of shares of subsidiaries and associates	7	-
Directors' retirement benefits	105	34
Contribution	97	-
Other	-	47
Total extraordinary losses	1,652	415
Profit before income taxes	5,610	6,162
Income taxes - current	1,703	2,300
Income taxes - deferred	276	2
Total income taxes	1,980	2,303
Profit	3,630	3,859
Profit attributable to non-controlling interests	17	72
Profit attributable to owners of parent	3,612	3,787

[Consolidated Statements of Comprehensive Income]

(Millions of yen)

	2Q FY 2016 (Apr. 1, 2016 - Sep. 30, 2016)	2Q FY 2017 (Apr. 1, 2017 - Sep. 30, 2017)
Profit	3,630	3,859
Other comprehensive income		
Valuation difference on available-for-sale securities	(2,612)	1,289
Foreign currency translation adjustment	(3,759)	(1,231)
Remeasurements of defined benefit plans, net of tax	22	4
Total other comprehensive income	(6,349)	62
Comprehensive income	(2,718)	3,921
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(2,735)	3,849
Comprehensive income attributable to non-controlling interests	16	72

(3) Consolidated Statements of Cash Flows

(Millions of yen)

	2Q FY 2016 (Apr. 1, 2016 - Sep. 30, 2016)	2Q FY 2017 (Apr. 1, 2017 - Sep. 30, 2017)
Cash flows from operating activities		
Profit before income taxes	5,610	6,162
Depreciation	3,741	4,095
Impairment loss	1,334	-
Amortization of goodwill (negative goodwill)	176	322
Increase (decrease) in allowance for doubtful accounts	(51)	(12)
Increase (decrease) in net defined benefit liability	178	96
Increase (decrease) in provision for directors' retirement benefits	(80)	(75)
Interest and dividend income	(1,147)	(1,179)
Interest expenses paid on loans and bonds	286	318
Foreign exchange losses (gains)	990	(24)
Decrease (increase) in notes and accounts receivable - trade	(1,654)	1,050
Decrease (increase) in inventories	(6,750)	(8,468)
Increase (decrease) in notes and accounts payable - trade	39	(99)
Increase (decrease) in accounts payable - other	(4,145)	(11,061)
Increase (decrease) in advances received	7,188	6,895
Increase (decrease) in long-term guarantee deposits received	(2,466)	(2,928)
Increase (decrease) in accrued consumption taxes	511	1,759
Other, net	2,175	(1,448)
Subtotal	5,937	(4,595)
Interest and dividend income received	1,219	1,181
Interest expenses paid	(286)	(325)
Income taxes paid	(1,253)	(3,392)
Net cash provided by (used in) operating activities	5,616	(7,132)
Cash flows from investing activities		
Payments into time deposits	(753)	(20)
Proceeds from withdrawal of time deposits	1,292	803
Purchase of securities	(5,658)	(3,611)
Proceeds from sales and redemption of securities	22,137	6,617
Purchase of investment securities	(7,293)	(1,040)
Proceeds from sales and redemption of investment securities	7,072	8,021
Purchase of shares of subsidiaries and associates	-	(14)
Proceeds from sales of shares of subsidiaries and associates	9	14
Purchase of property, plant and equipment and intangible assets	(12,151)	(16,631)
Payments of loans receivable	(120)	(1,122)
Collection of loans receivable	80	83
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(5,475)	(1,398)
Other, net	(275)	61
Net cash provided by (used in) investing activities	(1,134)	(8,236)

(Millions of yen)

	2Q FY 2016 (Apr. 1, 2016 - Sep. 30, 2016)	2Q FY 2017 (Apr. 1, 2017 - Sep. 30, 2017)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(2,500)	504
Proceeds from long-term loans payable	300	590
Repayments of long-term loans payable	(4,541)	(3,167)
Redemption of bonds	(325)	(125)
Purchase of treasury shares	(0)	(0)
Proceeds from disposal of treasury shares	265	218
Cash dividends paid	(2,490)	(2,492)
Other, net	2,071	2,097
Net cash provided by (used in) financing activities	(7,220)	(2,375)
Effect of exchange rate change on cash and cash equivalents	(31)	23
Net increase (decrease) in cash and cash equivalents	(2,768)	(17,719)
Cash and cash equivalents at beginning of period	25,476	40,365
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	-	66
Cash and cash equivalents at end of period	22,707	22,711

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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