

RESORTTRUST FINANCIAL DATA

CONSOLIDATED FINANCIAL SUMMARY

1Q FY 2018 (from April 1, 2018 to June 30, 2018)



**RESORTTRUST
GROUP**

(securities code: 4681)

CONSOLIDATED FINANCIAL SUMMARY

For the First Quarter Ended June 30, 2016, 2017 and 2018

(Millions of yen)

	1Q			Fiscal Year	
	Apr.-Jun. 2016	Apr.-Jun. 2017	Apr.-Jun. 2018	2018/3 Results	2019/3 Targets
Net sales	31,251	33,808	39,897	165,413	183,600
Operating income	748	1,616	2,143	17,742	19,000
Ordinary income	442	2,097	2,394	19,422	19,500
Net income	218	1,148	1,380	11,830	12,400
Net assets	107,448	117,131	121,817	125,190	
Assets	398,258	413,623	401,900	421,440	
Net income per share (yen) (Primary)	2.06	10.77	12.92	110.82	
Net income per share (yen) (Fully Diluted)	1.83	9.87	11.86	101.99	
Equity ratio (%)	25.9	27.2	29.2	28.7	
Return on assets (%)	-	-	-	2.80	
Return on equity (%)	-	-	-	10.10	
Net cash provided by (used in) operating activities	6,256	(4,304)	(8,347)	8,456	
Net cash provided by (used in) investment activities	(8,389)	(4,606)	3,614	(7,282)	
Net cash provided by (used in) financing activities	(1,643)	(1,150)	(5,946)	(9,177)	
Cash and cash equivalents	21,668	30,390	21,781	32,469	

Business Results

Overview of 1Q for The Fiscal Year 2018(Ending March 31, 2019)

1. Summary of Business Results

(Millions of Yen)

	1Q FY2017	1Q FY2018		Year-on-Year Change	Results vs. Targets
	(Results)	(Results)	(Targets)		
Net sales	33,808	39,897	40,800	+18.0%	(2.2%)
Operating income	1,616	2,143	2,000	+32.6%	+7.2%
Ordinary income	2,097	2,394	2,100	+14.2%	+14.0%
Net income	1,148	1,380	1,100	+20.2%	+25.5%

The Japanese economy during the three-month period under review stayed on a moderate recovery trend and saw continuous improvements in circumstances surrounding employment and earnings as well as corporate income.

Under these circumstances, net sales were JPY 39,897 million (+18.0% yoy), operating income was JPY 2,143 million (+32.6% yoy), ordinary income was JPY 2,394 million (+14.2% yoy), and net income attributable to owners of parent was JPY 1,380 million (+20.2% yoy). This is thanks to business contribution of the revenue from hotel management at “Ashiya Baycourt Club” and “XIV Rokko Sanctuary Villa” which opened in February and April 2018, respectively, and the steady sales of memberships at “Laguna Baycourt Club,” which started in August 2016.

Results by each business segment are as follows. Segment income is based on operating income. In addition, the classification method of business segments has been modified during the three-month period under review due to reorganization. Results for the same period of the previous fiscal year have been calculated using the modified classification method.

2. Summary of Business Segments

[Membership Operations]

(Millions of Yen)

	1Q FY2017 (Results)	1Q FY2018		Year-on-Year Change	Results vs. Targets
		(Results)	(Targets)		
Net sales	7,167	12,431	12,360	+73.5%	+0.6%
Operating income	1,748	2,942	2,770	+68.3%	+6.2%

Membership Operation Segment resulted in increased sales and income led by steady sales of memberships at “Yokohama Baycourt Club,” which began sales in December 2017, as well as the commencement of operations of “XIV Rokko Sanctuary Villa” in April 2018, upon which deferred real estate profits were recorded as a lump sum.

[Hotel and Restaurant Operations]

(Millions of Yen)

	1Q FY2017 (Results)	1Q FY2018		Year-on-Year Change	Results vs. Targets
		(Results)	(Targets)		
Net sales	19,129	19,271	20,070	+0.7%	(4.0%)
Operating income	573	305	390	(46.7%)	(21.7%)

Hotel and Restaurant Operation Segment increased sales but decreased income due to contributions made to sales by revenue from hotel operation at “Ashiya Baycourt Club,” which started business in February 2018, and at “XIV Rokko Sanctuary Villa,” which did in April 2018, and due to an increase in expenses for depreciation.

[Medical Operations]

(Millions of Yen)

	1Q FY2017 (Results)	1Q FY2018		Year-on-Year Change	Results vs. Targets
		(Results)	(Targets)		
Net sales	7,328	8,025	8,200	+9.5%	(2.1%)
Operating income	1,094	1,068	1,090	(2.3%)	(2.0%)

Medical Operation Segment increased sales but decreased income. This was because annual fees, etc. increased in line with an increased number of memberships of “Grand HIMEDIC Club,” a comprehensive medical support club, and growth was seen in facilities for senior residence, as well as in the medical examination business and merchandise business of cosmetics and supplements, etc., while sales volume of medical memberships decreased compared with the previous fiscal year.

[Others]

(Millions of Yen)

	1Q FY2017 (Results)	1Q FY2018		Year-on-Year Change	Results vs. Targets
		(Results)	(Targets)		
Net sales	183	169	170	(8.0%)	(0.5%)
Operating income	49	61	60	+24.0%	+2.7%

Others decreased sales but increased income, due to a decrease in rent income from office buildings operated by RT Development Co., Ltd., a consolidated subsidiary, whereas expenses such as fixed asset tax and depreciation had decreased.

3. Cash Flows

(Millions of Yen)

	1Q FY2017 (Results)	1Q FY2018 (Results)
Operating cash flows	(4,304)	(8,347)
Investing cash flows	(4,606)	3,614
Financing cash flows	(1,150)	(5,946)
Cash and cash equivalents	30,390	21,781

4. Outlook for the Fiscal Year 2018(Ending March 31, 2019)

(Millions of Yen)

	FY2017 (Results)	FY 2018 (Targets)	Year-on-year Change
Net sales	165,413	183,600	+11.0%
Operating income	17,742	19,000	+7.1%
Ordinary income	19,422	19,500	+0.4%
Net income	11,830	12,400	+4.8%

Regarding the future economic climate of Japan, the Company expects a moderate economic recovery trend to continue, due to the progress of infrastructure development and metropolitan redevelopment for the Olympics, as well as the increase in investment in facilities and research and development for rationalization and labor-saving to tackle the issue of labor shortage. Regarding the trends of the tourism industry, policies were implemented to support efforts toward remedying the labor-shortage situation, such as the improvement of productivity, and the creation of an environment where elderly, female, and foreign employees can actively take part in. Through the cooperative efforts between the public and private sectors, with the aim to become a country of advanced tourism, the tourism industry as a whole can be expected move forward significantly. In particular, the efforts made to increase foreign tourists visiting Japan also connect to the convenience and customer satisfaction of domestic travel, and are seen as factors contributing to the increasing domestic demand. Amid such an environment, the Company Group has been working towards our management vision to “become a unique hospitality corporate group that continues to expand in Japan and overseas,” and has established “Connect 50: Together for a wonderful life,” our medium-term management plan targeting the five years from April 2018 to March 2023.

In this medium-term management plan, where we plan to kick-start a brand-new management structure, we focus on efforts aimed at making the most of Group synergy effects while firmly protecting the unique brand established in our businesses: “Membership Business,” “Hotel and Restaurant Business,” “Medical Business,” and “Senior Lifestyle Business.” Through this, we aim to realize solid and high-grade Group brand and become a group with close membership ties that endure for a lifetime.

In the years ahead, we will draw on the know-how that stems from the robust connections with our customers, the strengths of our memberships as well as our tailor-made, high-value-added services to more vigorously engage in activities that also target the general consumer markets. Advancing toward the milestone of our 50th anniversary, we will redouble efforts aimed at mobilizing the collective strengths of the Group, while fulfilling our social responsibility in “environment, society and governance” and maintaining sustainable growth-oriented management.

Under these circumstances, the Company Group will record deferred real estate profits as a lump sum upon the start of full operation of “Ashiya Baycourt Club” which opened in February 2018, the opening of “XIV Rokko Sanctuary Villa” in April 2018, and the scheduled opening of “Laguna Baycourt Club” in March 2019. In Medical Operations, it is expected that revenues from annual fees will increase accompanied with increased sales of memberships for “Grand HIMEDIC Club,” a comprehensive medical support club. Expansion of facilities for senior residence, medical examination business and business related to sale of goods including cosmetics and supplements is also expected. As a result, the Company Group forecasts net sales to increase 11.0% year-on-year to 183,600 million yen, operating income to increase 7.1% year-on-year to 19,000 million yen, ordinary income to increase 0.4% year-on-year to 19,500 million yen, and net income attributable to owners of parent to increase 4.8% year-on-year to 12,400 million yen.

Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	FY 2017 (as of Mar. 31, 2018)	1Q FY 2018 (as of Jun. 30, 2018)
Assets		
Current assets		
Cash and deposits	29,366	21,579
Notes and accounts receivable - trade	7,689	7,376
Operating loans	44,041	44,708
Securities	6,404	2,503
Merchandise	972	1,016
Real estate for sale	22,776	27,825
Raw materials and supplies	1,374	1,358
Real estate for sale in process	28,116	23,121
Other	6,303	7,543
Allowance for doubtful accounts	(950)	(1,011)
Total current assets	146,094	136,021
Non-current assets		
Property, plant and equipment		
Buildings and structures	94,830	93,902
Machinery, equipment and vehicles	2,765	2,787
Golf courses	7,591	7,591
Land	38,302	38,338
Leased assets	6,689	6,513
Construction in progress	15,700	20,030
Other	4,721	4,481
Total property, plant and equipment	170,600	173,646
Intangible assets		
Goodwill	4,121	3,967
Software	4,240	4,057
Other	2,638	2,778
Total intangible assets	11,001	10,803
Investments and other assets		
Investment securities	64,724	52,415
Shares of subsidiaries and associates	1,390	1,384
Long-term loans receivable	6,163	6,134
Net defined benefit asset	1,219	1,190
Deferred tax assets	7,596	7,241
Other	13,486	13,846
Allowance for doubtful accounts	(835)	(784)
Total investments and other assets	93,744	81,428
Total non-current assets	275,345	265,879
Total assets	421,440	401,900

(Millions of yen)

	FY 2017 (as of Mar. 31, 2018)	1Q FY 2018 (as of Jun. 30, 2018)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	1,355	1,403
Short-term loans payable	8,958	9,539
Current portion of long-term loans payable	19,119	15,992
Current portion of bonds	2,750	250
Lease obligations	848	842
Accounts payable - other	16,825	9,529
Income taxes payable	4,741	558
Accrued consumption taxes	1,642	886
Advances received	28,564	26,917
Unearned revenue	13,975	16,057
Provision for loss on guarantees	179	224
Other	7,192	10,769
Total current liabilities	106,153	92,971
Non-current liabilities		
Bonds payable	700	700
Bonds with share acquisition rights	29,855	29,845
Long-term loans payable	32,069	32,252
Lease obligations	6,343	6,157
Deferred tax liabilities	829	847
Provision for directors' retirement benefits	2,131	2,059
Provision for stocks payment	1,294	1,580
Net defined benefit liability	1,755	1,783
Long-term guarantee deposited	33,693	33,453
Amortizable long-term guarantee deposits received	67,847	64,485
Negative goodwill	100	70
Other	13,475	13,876
Total non-current liabilities	190,096	187,112
Total liabilities	296,250	280,083
Net assets		
Shareholders' equity		
Capital stock	19,590	19,590
Capital surplus	22,192	22,192
Retained earnings	78,770	77,658
Treasury shares	(2,212)	(2,108)
Total shareholders' equity	118,341	117,333
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	661	529
Foreign currency translation adjustment	1,814	(277)
Remeasurements of defined benefit plans	(55)	(56)
Total accumulated other comprehensive income	2,421	195
Share acquisition rights	229	245
Non-controlling interests	4,198	4,043
Total net assets	125,190	121,817
Total liabilities and net assets	421,440	401,900

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

(Millions of yen)

	1Q FY 2017 (Apr. 1, 2017 - Jun. 30, 2017)	1Q FY 2018 (Apr. 1, 2018 - Jun. 30, 2018)
Net sales	33,808	39,897
Cost of sales	4,370	8,278
Gross profit	29,438	31,619
Selling, general and administrative expenses		
Salaries and bonuses	10,849	11,233
Provision for directors' retirement benefits	30	131
Repair and maintenance	741	836
Provision of allowance for doubtful accounts	65	65
Utilities expenses	1,203	1,225
Depreciation	1,825	2,025
Other	13,107	13,959
Total selling, general and administrative expenses	27,822	29,476
Operating profit	1,616	2,143
Non-operating income		
Interest income	576	450
Dividend income	3	3
Amortization of negative goodwill	30	30
Share of profit of entities accounted for using equity method	3	5
Foreign exchange gains	48	11
Reversal of allowance for doubtful accounts	43	54
Reversal of provision for loss on guarantees	16	-
Other	92	61
Total non-operating income	814	617
Non-operating expenses		
Interest expenses paid on loans and bonds	150	164
Provision for loss on guarantees	-	44
Guarantee charge of unearned revenue	9	7
Nondeductible consumption tax	114	124
Other	58	24
Total non-operating expenses	333	365
Ordinary profit	2,097	2,394

[Consolidated Statements of Income]

(Millions of yen)

	1Q FY 2017 (Apr. 1, 2017 - Jun. 30, 2017)	1Q FY 2018 (Apr. 1, 2018 - Jun. 30, 2018)
Extraordinary income		
Gain on sales of non-current assets	0	63
Gain on sales of investment securities	13	311
Gain on redemption of investment securities	17	-
Gain on sales of shares of subsidiaries and associates	2	4
Other	-	6
Total extraordinary income	34	385
Extraordinary losses		
Loss on retirement of non-current assets	11	2
Impairment loss	-	104
Loss on sales of investment securities	-	302
Loss on redemption of investment securities	59	-
Directors' retirement benefits	34	40
Other	47	23
Total extraordinary losses	153	473
Profit before income taxes	1,978	2,307
Income taxes - current	468	413
Income taxes - deferred	317	431
Total income taxes	785	845
Profit	1,192	1,461
Profit attributable to non-controlling interests	44	80
Profit attributable to owners of parent	1,148	1,380

[Consolidated Statements of Comprehensive Income]

(Millions of yen)

	1Q FY 2017 (Apr. 1, 2017 - Jun. 30, 2017)	1Q FY 2018 (Apr. 1, 2018 - Jun. 30, 2018)
Profit	1,192	1,461
Other comprehensive income		
Valuation difference on available-for-sale securities	963	(132)
Foreign currency translation adjustment	(1,112)	(2,092)
Remeasurements of defined benefit plans, net of tax	2	(1)
Total other comprehensive income	(146)	(2,225)
Comprehensive income	1,046	(764)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,002	(845)
Comprehensive income attributable to non-controlling interests	44	80

(3) Consolidated Statements of Cash Flows

(Millions of yen)

	1Q FY 2017 (Apr. 1, 2017 - Jun. 30, 2017)	1Q FY 2018 (Apr. 1, 2018 - Jun. 30, 2018)
Cash flows from operating activities		
Profit before income taxes	1,978	2,307
Depreciation	2,040	2,302
Impairment loss	-	104
Amortization of goodwill (negative goodwill)	161	123
Increase (decrease) in allowance for doubtful accounts	16	10
Increase (decrease) in net defined benefit liability	39	54
Increase (decrease) in provision for directors' retirement benefits	(107)	(71)
Interest and dividend income	(580)	(454)
Interest expenses paid on loans and bonds	150	164
Foreign exchange losses (gains)	(28)	(13)
Decrease (increase) in notes and accounts receivable - trade	2,219	(365)
Decrease (increase) in inventories	(3,925)	(322)
Increase (decrease) in notes and accounts payable - trade	(201)	64
Increase (decrease) in accounts payable - other	(7,244)	(5,559)
Increase (decrease) in advances received	3,445	(1,646)
Increase (decrease) in long-term guarantee deposits received	(3,805)	(3,601)
Increase (decrease) in accrued consumption taxes	1,291	(705)
Other, net	3,017	3,108
Subtotal	(1,532)	(4,498)
Interest and dividend income received	774	749
Interest expenses paid	(158)	(190)
Income taxes paid	(3,387)	(4,407)
Net cash provided by (used in) operating activities	(4,304)	(8,347)

(Millions of yen)

	1Q FY 2017 (Apr. 1, 2017 - Jun. 30, 2017)	1Q FY 2018 (Apr. 1, 2018 - Jun. 30, 2018)
Cash flows from investing activities		
Payments into time deposits	(10)	(10)
Proceeds from withdrawal of time deposits	60	67
Purchase of securities	(3,611)	-
Proceeds from sales and redemption of securities	2,195	890
Purchase of investment securities	-	(0)
Proceeds from sales and redemption of investment securities	3,010	12,114
Purchase of shares of subsidiaries and associates	(1)	(3)
Proceeds from sales of shares of subsidiaries and associates	7	14
Purchase of property, plant and equipment	(4,288)	(8,932)
Payments of loans receivable	(517)	(327)
Collection of loans receivable	38	44
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(1,398)	-
Other, net	(90)	(242)
Net cash provided by (used in) investing activities	(4,606)	3,614
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	-	214
Proceeds from long-term loans payable	-	521
Repayments of long-term loans payable	(975)	(3,466)
Redemption of bonds	-	(2,500)
Purchase of treasury shares	(0)	(0)
Proceeds from disposal of treasury shares	77	75
Cash dividends paid	(2,492)	(2,492)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	-	(1)
Other, net	2,241	1,701
Net cash provided by (used in) financing activities	(1,150)	(5,946)
Effect of exchange rate change on cash and cash equivalents	20	(7)
Net increase (decrease) in cash and cash equivalents	(10,041)	(10,687)
Cash and cash equivalents at beginning of period	40,365	32,469
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	66	-
Cash and cash equivalents at end of period	30,390	21,781

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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