

RESORTTRUST FINANCIAL DATA

CONSOLIDATED FINANCIAL SUMMARY

2Q FY 2021 (from April 1, 2021 to September 30, 2021)

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RESORTTRUST
GROUP

(securities code: 4681)

CONSOLIDATED FINANCIAL SUMMARY

For the Second Quarter Ended Sept. 30, 2019,2020 and 2021

(Millions of yen)

	2Q			Fiscal Year	
	Apr.-Sept. 2019	Apr.-Sept. 2020	Apr.-Sept. 2021	2021/3 Result	2022/3 Revision Targets
Net sales	84,197	86,276	76,430	167,538	153,000
Operating income	8,501	9,980	5,132	14,707	8,000
Ordinary income	8,750	11,159	6,810	17,647	9,600
Net income (interim)	5,499	5,696	5,408	(10,213)	7,000
Net assets	134,725	137,369	107,090	120,791	
Assets	412,420	419,166	399,885	407,243	
Net income per share (yen) (Primary)	51.38	53.21	50.68	(95.39)	
Net income per share (yen) (Fully Diluted)	47.32	49.00	46.66	-	
Equity ratio (%)	31.5	31.6	25.5	28.4	
Return on assets (%)	-	-	-	4.37	
Return on equity (%)	-	-	-	(8.39)	
Net cash provided by (used in) operating activities	(1,302)	(4,640)	(1,073)	22,981	
Net cash provided by (used in) investment activities	(12,785)	(22,764)	3,325	(13,577)	
Net cash provided by (used in) financing activities	10,311	32,999	(20,703)	22,012	
Cash and cash equivalents	20,118	26,963	34,362	52,756	

Business Results

Overview of 2Q The Fiscal Year 2021(Ending March 31, 2022)

1. Summary of Business Results

	2Q FY2020 (Results)	2Q FY2021		Year-on-Year Change	Results vs. Targets
		(Results)	(Targets)		
Net sales	86,276	76,430	79,800	(11.4%)	(4.2%)
Operating income	9,980	5,132	3,700	(48.6%)	+38.7%
Ordinary income	11,159	6,810	3,800	(39.0%)	+79.2%
Net income	5,696	5,408	3,000	(5.1%)	+80.3%

During the six-month period ended September 30, 2021, the Japanese economy saw the issuance of a state of emergency once again due to the spread of COVID-19. The future outlook remains extremely uncertain, with no signs of when the outbreak will end.

Factors regarding COVID-19 had large impacts on the Company Group's business operations during the six months period ended September 30, 2021: attracting customers and occupancy rates were largely impacted in Hotel and Restaurant Operations due to the issuance of the state of emergency for the fourth time and restrictions, etc. associated with its extension, in addition to the issuance of the state of emergency for the third time and priority measures to prevent the spread of COVID-19 in Japan; intake of new occupants in senior residences slowed in Medical Operations. Meanwhile, in Membership Operations, sales of membership of SANCTUARY COURT TAKAYAMA, which began in June 2021, and sales of existing hotel memberships remained strong. Furthermore, with the importance of medical checks being recognized under the spread of COVID-19, sales of medical memberships were also strong. In line with these circumstances, the Group is further carrying out the "lifetime strategy" to provide richer and happier time at safe and secure facilities by implementing measures against the 3Cs and providing information unique to the Group that fully leverage knowledge gained in Medical Operations.

As mentioned above, while membership sales remained strong, resulting in higher contract value than that in the previous year and targets, Hotel Operations remained in the severe climate. In addition, real estate revenue that had been deferred was recorded in a lump sum when the membership hotels opened in the same period of the previous year, but not in the current fiscal year. As a result, net sales were 76,430 million yen (down 11.4% yoy), operating income was 5,132 million yen (down 48.6% yoy), ordinary income was 6,810 million yen (down 39.0% yoy), and net income attributable to owners of parent was 5,408 million yen (down 5.1% yoy).

In addition, compared to the plan at the beginning of the fiscal year, net sales were not achieved mainly in the Hotel and Restaurant Operation Segment due to restrictions imposed by the declaration of an unexpected state of emergency, etc. On the other hand, profits exceeded the plan due to strong membership sales and the recording of non-operating income such as subsidies. In light of this situation, the Company has revised its earnings forecast as of today.

Due to the application of the Accounting Standard for Revenue Recognition, net sales for the first half of the current fiscal year decreased by 1,065 million yen, and operating income and ordinary income decreased by 1,107 million yen respectively.

Performances by each business segment are described below.

2. Summary of Business Segments

【Membership Operations】

(Millions of Yen)

	2Q FY2020 (Results)	2Q FY2021 (Results)	Year-on-Year Change
Net sales	42,036	20,855	(50.4%)
Operating income	14,390	6,296	(56.2%)

Membership Operation Segment recorded lower sales and lower income, as deferred real estate revenue was recorded in a lump sum when the membership hotels opened in the same period of the previous year, but not in the current fiscal year, while sales of membership of SANCTUARY COURT TAKAYAMA, which began in June 2021, and sales of existing hotel membership remained strong. As the Company Group has changed its accounting method for revenue recognition, net sales decreased by 367 million yen, and operating income decreased by 111 million yen, compared to those calculated by the previous method.

【Hotel and Restaurant Operations】

(Millions of Yen)

	2Q FY2020 (Results)	2Q FY2021 (Results)	Year-on-Year Change
Net sales	25,143	34,382	+36.7%
Operating income	(3,181)	128	-%

Hotel and Restaurant Operation Segment continued to face the severe climate, as the state of emergency and priority measures to prevent the spread of COVID-19 were issued intermittently, and restaurants were subject to shorter hours and restriction on the serving of alcoholic beverages. In addition, the number of foreign tourists visiting Japan and business travelers has not recovered, and the recovery in demand for domestic accommodation due to progress in vaccination was limited. Meanwhile, the Segment recorded higher sales and higher income, as the recognition of hotel operations assigning the highest priority to safe and secure operations has spread compared to the same period of the previous year. The change in accounting method for revenue recognition increased net sales by 297 million yen compared with the previous method, but had no impact on Segment income.

【Medical Operations】

(Millions of Yen)

	2Q FY2020 (Results)	2Q FY2021 (Results)	Year-on-Year Change
Net sales	18,764	20,840	+11.1%
Operating income	2,515	2,594	+3.1%

Medical Operation Segment recorded higher sales and higher income, as membership sales of “Grand HIMEDIC Club,” a comprehensive medical support club, were steady with the rising recognition of the importance of medical checks under the spread of COVID-19. Annual fees, etc. increased in line with the increased number of membership holders, while sales activities to solicit senior residences were limited due to the spread of COVID-19. As the Company Group has changed its accounting method for revenue recognition, net sales decreased by 994 million yen, and operating income decreased by 996 million yen, compared to those calculated by the previous method.

【Others】

(Millions of Yen)

	2Q FY2020 (Results)	2Q FY2021 (Results)	Year-on-Year Change
Net sales	333	352	+5.7%
Operating income	254	271	+6.7%

Others cover business segments that are not part of reportable segments and include real estate leasing, management of holiday homes, and other businesses. The Group's change in accounting method for revenue recognition had no impact on net sales and operating income compared to the previous method.

3. Outlook for the Fiscal Year 2021(Ending March 31, 2022)

(Millions of Yen)

	FY2020 (Results)	FY 2021 (Revision Targets)	Year-on-year Change	FY 2021 (Initial Targets)	Results vs. Initial Targets
Net sales	167,538	153,000	(8.7%)	158,200	(3.3%)
Operating income	14,707	8,000	(45.6%)	7,000	+14.3%
Ordinary income	17,647	9,600	(45.6%)	6,700	+43.3%
Net income	(10,213)	7,000	+17,213	4,700	+48.9%

In view of the most recent business performance, the financial results forecast has been revised. Compared to the assumption at the beginning of the period, sales of hotel membership and medical membership remained strong while hotel and restaurant operations were limited due to the issuance of the state of emergency, etc. and recording of non-operating income including subsidy is expected. Reflecting the above, the Company Group has made upward revisions to each of its income.

Regarding the future economic climate of Japan, with the promotion of government-led initiatives to prevent a further spread of COVID-19 infections, economic activities have resumed, and many industries have started to return to normal. On the other hand, the severe climate is expected to continue in the tourism, food and beverage service, and entertainment industries. Under circumstances in which there are concerns over the sixth wave of COVID-19, the future outlook remains extremely uncertain.

Under these circumstances, for the full-year forecast, in the previous fiscal year, deferred real estate income was recorded in a lump sum when YOKOHAMA BAYCOURT CLUB and THE KAHALA HOTEL & RESORT YOKOHAMA opened in September 2020. In the current fiscal year, In the current fiscal year, however, we began selling membership rights for SANCTUARY COURT TAKAYAMA, the first in the new SANCTUARY COURT series of membership hotels, in June 2021. The recognition of revenue from the real estate portion of those memberships will be deferred until the opening of the hotel, and in the non-membership hotel business, business travel and inbound demand will not return.

Therefore, the Company Group forecasts net sales will decrease 8.7% year-on-year to 153,000 million yen, operating income will decrease 45.6% year-on-year to 8,000 million yen, ordinary income will decrease 45.6% year-on-year to 9,600 million yen. Net loss attributable to owners of parent from the previous year will be eliminated, and the Company Group forecasts net income attributable to owners of parent of 7,000 million yen (year-on-year increase of 17,213 million yen).

As for the dividend forecast, we plan to pay a year-end dividend of 15 yen (forecast), and together with the interim dividend of 15 yen, we expect to pay an annual dividend of 30 yen (forecast), which is the same amount as the previous year's dividend amount.

Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	FY 2020 (as of Mar. 31, 2021)	2Q FY 2021 (as of Sept.30, 2021)
Assets		
Current assets		
Cash and deposits	48,367	33,958
Notes and accounts receivable	9,032	—
Notes and accounts receivable - trade, and contract assets	—	9,888
Accounts receivable - installment	—	15,864
Operating loans	58,268	51,835
Securities	10,695	500
Merchandise	971	971
Real estate for sale	15,668	11,482
Raw materials and supplies	1,202	1,380
Real estate for sale in process	3,685	7,373
Other	5,987	7,027
Allowance for doubtful accounts	(1,022)	(877)
Total current assets	152,856	139,405
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	103,936	103,646
Machinery, equipment and vehicles, net	2,242	2,081
Golf courses	7,635	7,635
Land	48,580	48,566
Leased assets, net	7,573	7,164
Construction in progress	2,306	3,990
Other, net	4,091	3,683
Total property, plant and equipment	176,366	176,769
Intangible assets		
Goodwill	2,511	2,214
Software	4,153	4,312
Other	2,554	1,969
Total intangible assets	9,218	8,497
Investments and other assets		
Investment securities	29,867	29,850
Shares of subsidiaries and associates	1,323	1,354
Long-term loans receivable	6,052	5,937
Retirement benefit asset	188	153
Deferred tax assets	11,551	17,967
Other	20,288	20,435
Allowance for doubtful accounts	(470)	(486)
Total investments and other assets	68,801	75,212
Total non-current assets	254,386	260,479
Total assets	407,243	399,885

(Millions of yen)

	FY 2020 (as of Mar. 31, 2021)	2Q FY 2021 (as of Sept.30, 2021)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	1,335	1,113
Short-term loans payable	2,125	2,317
Current portion of long-term borrowings	19,954	13,912
Current portion of bonds payable	150	150
Current portion of bonds with subscription rights to shares	29,728	29,707
Lease obligations	1,164	1,153
Accounts payable - other	7,924	5,946
Income taxes payable	5,726	2,982
Accrued consumption taxes	2,153	2,043
Advances received	3,548	54,464
Unearned revenue	18,103	11,981
Provision for loss on guarantees	40	37
Provision for point card certificates	1,297	573
Other	7,522	8,817
Total current liabilities	100,777	135,200
Non-current liabilities		
Bonds payable	150	75
Long-term borrowings	44,004	32,122
Lease obligations	12,435	11,903
Deferred tax liabilities	671	451
Provision for retirement benefits for directors	2,156	—
Provision for stocks payment	2,014	382
Retirement benefit liability	2,453	2,564
Long-term guarantee deposits	30,796	30,414
Amortizable long-term guarantee deposits received	73,153	74,490
Other	17,837	5,190
Total non-current liabilities	185,673	157,594
Total liabilities	286,451	292,794
Net assets		
Shareholders' equity		
Share capital	19,590	19,590
Capital surplus	21,701	21,375
Retained earnings	74,612	61,764
Treasury shares	(1,787)	(3,520)
Total shareholders' equity	114,116	99,210
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,801	2,046
Foreign currency translation adjustment	(443)	463
Remeasurements of defined benefit plans	104	96
Total accumulated other comprehensive income	1,462	2,607
Share acquisition rights	313	313
Non-controlling interests	4,898	4,959
Total net assets	120,791	107,090
Total liabilities and net assets	407,243	399,885

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

(Millions of yen)

	2Q FY 2020 (Apr. 1, 2020 - Sept.30, 2020)	2Q FY 2021 (Apr. 1, 2021 - Sept.30, 2021)
Net sales	86,276	76,430
Cost of sales	23,422	10,048
profit	62,854	66,382
Selling, general and administrative expenses		
Salaries and bonuses	20,582	24,089
Provision for retirement benefits for directors (and other officers)	33	18
Repair and maintenance expenses	1,252	1,849
Provision of allowance for doubtful accounts	92	49
Utilities expenses	2,161	2,814
Depreciation	4,131	4,629
Other	24,620	27,798
Total selling, general and administrative expenses	52,874	61,249
Operating income	9,980	5,132
Non-operating income		
Interest income	555	439
Dividend income	38	34
Share of profit of entities accounted for using equity method	—	4
Reversal of allowance for doubtful accounts	131	0
Reversal of provision for loss on guarantees	1	3
Foreign exchange gain	—	2
Subsidy income	980	1,585
Other	126	169
Total non-operating income	1,833	2,241
Non-operating expenses		
Interest expenses paid on loans and bonds	243	190
Share of loss of entities accounted for using equity method	44	—
Nondeductible consumption tax	226	265
Foreign exchange losses	13	—
Other	126	106
Total non-operating expenses	654	563
Ordinary income	11,159	6,810

[Consolidated Statements of Income]

(Millions of yen)

	2Q FY 2020 (Apr. 1, 2020 - Sept.30, 2020)	2Q FY 2021 (Apr. 1, 2021 - Sept.30, 2021)
Extraordinary income		
Gain on sales of non-current assets	2	223
Gain on sale of shares of subsidiaries and associates	—	14
Subsidy income	1,496	6
Reversal of allowance for provision for stocks payment	—	1,628
Total extraordinary income	1,499	1,873
Extraordinary losses		
Loss on sale of non-current assets	—	4
Loss on retirement of non-current assets	13	11
Loss due to new coronavirus infection	3,542	9
Other	230	1
Total extraordinary losses	3,786	26
Income before income taxes	8,871	8,656
Income taxes - current	3,967	2,700
Income taxes - deferred	(747)	447
Total income taxes	3,219	3,147
Net income	5,652	5,509
Net income (loss) attributable to non-controlling interests	(44)	100
Net income attributable to owners of parent	5,696	5,408

[Consolidated Statements of Comprehensive Income]

(Millions of yen)

	2Q FY 2020 (Apr. 1, 2020 - Sept.30, 2020)	FY 2021 (Apr. 1, 2021 - Sept.30, 2021)
Net income	5,652	5,509
Other comprehensive income		
Valuation difference on available-for-sale securities	1,010	245
Foreign currency translation adjustment	(412)	907
Remeasurements of defined benefit plans, net of tax	67	(8)
Total other comprehensive income	666	1,144
Comprehensive income	6,318	6,653
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	6,360	6,552
Comprehensive income attributable to non-controlling interests	(42)	100

(3) Consolidated Statements of Cash Flows

(Millions of yen)

	2Q FY 2020 (Apr. 1, 2020 - Sept.30, 2020)	2Q FY 2021 (Apr. 1, 2021 - Sept.30, 2021)
Cash flows from operating activities		
Profit before income taxes	8,871	8,656
Depreciation	5,311	5,189
Amortization of goodwill (negative goodwill)	297	296
Increase (decrease) in allowance for doubtful accounts	(40)	(129)
Increase (decrease) in retirement benefit liability	464	133
Increase (decrease) in provision for retirement benefits for directors (and other officers)	33	18
Interest and dividend income	(593)	(474)
Interest expenses on borrowings and bonds	243	190
Foreign exchange losses (gains)	19	(2)
Decrease (increase) in trade receivables	(2,039)	(10,283)
Decrease (increase) in inventories	7,960	(980)
Increase (decrease) in trade payables	(61)	(232)
Increase (decrease) in accounts payable - other	(396)	(1,516)
Increase (decrease) in advances received	(19,288)	9,280
Increase (decrease) in long-term guarantee deposits received	(1,238)	954
Increase (decrease) in accrued consumption taxes	(1,230)	(82)
Other, net	(2,983)	(7,054)
Subtotal	(4,670)	3,965
Interest and dividends received	576	568
Interest paid	(199)	(239)
Income taxes paid	(347)	(5,367)
Net cash provided by (used in) operating activities	(4,640)	(1,073)

(Millions of yen)

	2Q FY 2020 (Apr. 1, 2020 - Sept.30, 2020)	2Q FY 2021 (Apr. 1, 2021 - Sept.30, 2021)
Cash flows from investing activities		
Payments into time deposits	—	(9,010)
Proceeds from withdrawal of time deposits	—	9,010
Purchase of securities	(8,997)	—
Proceeds from sales and redemption of securities	—	6,200
Purchase of investment securities	(10)	(1)
Proceeds from sales and redemption of investment securities	—	370
Proceeds from sales of stocks of subsidiaries and affiliates	—	30
Purchase of property, plant and equipment and intangible assets	(12,452)	(3,927)
Loan advances	(827)	(15)
Collection of loans receivable	100	173
Other, net	(577)	494
Net cash provided by (used in) investing activities	(22,764)	3,325
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	—	163
Proceeds from long-term borrowings	35,602	—
Repayments of long-term borrowings	(2,182)	(17,925)
Redemption of bonds	(75)	(75)
Purchase of treasury shares	0	(2,188)
Dividends paid	(1,842)	(1,625)
Dividends paid to non-controlling interests	(10)	(52)
Other, net	1,506	1,001
Net cash provided by (used in) financing activities	32,999	(20,703)
Effect of exchange rate change on cash and cash equivalents	(7)	57
Net increase (decrease) in cash and cash equivalents	5,586	(18,393)
Cash and cash equivalents at beginning of period	21,376	52,756
Cash and cash equivalents at end of period	26,963	34,362

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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