Resorttrust, Inc.

Q3 Financial Results Briefing for the Fiscal Year Ending March 2024 Telephone Conference

February 9, 2024

Event Summary

[Company Name]	Resorttrust, Inc.	
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[Venue Size]		
[Participants]		
[Number of Speakers]	3	
	Ariyoshi Fushimi	President
	Takeshi Makino	Sustainability Promotion Department, Investor and Public Relations Department Director
	Hirotaka Honda	Investor and Public Relations Division Manager, Sustainability Promotion Department
[Analyst Names]*	Hirofumi Oda	SMBC Nikko 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

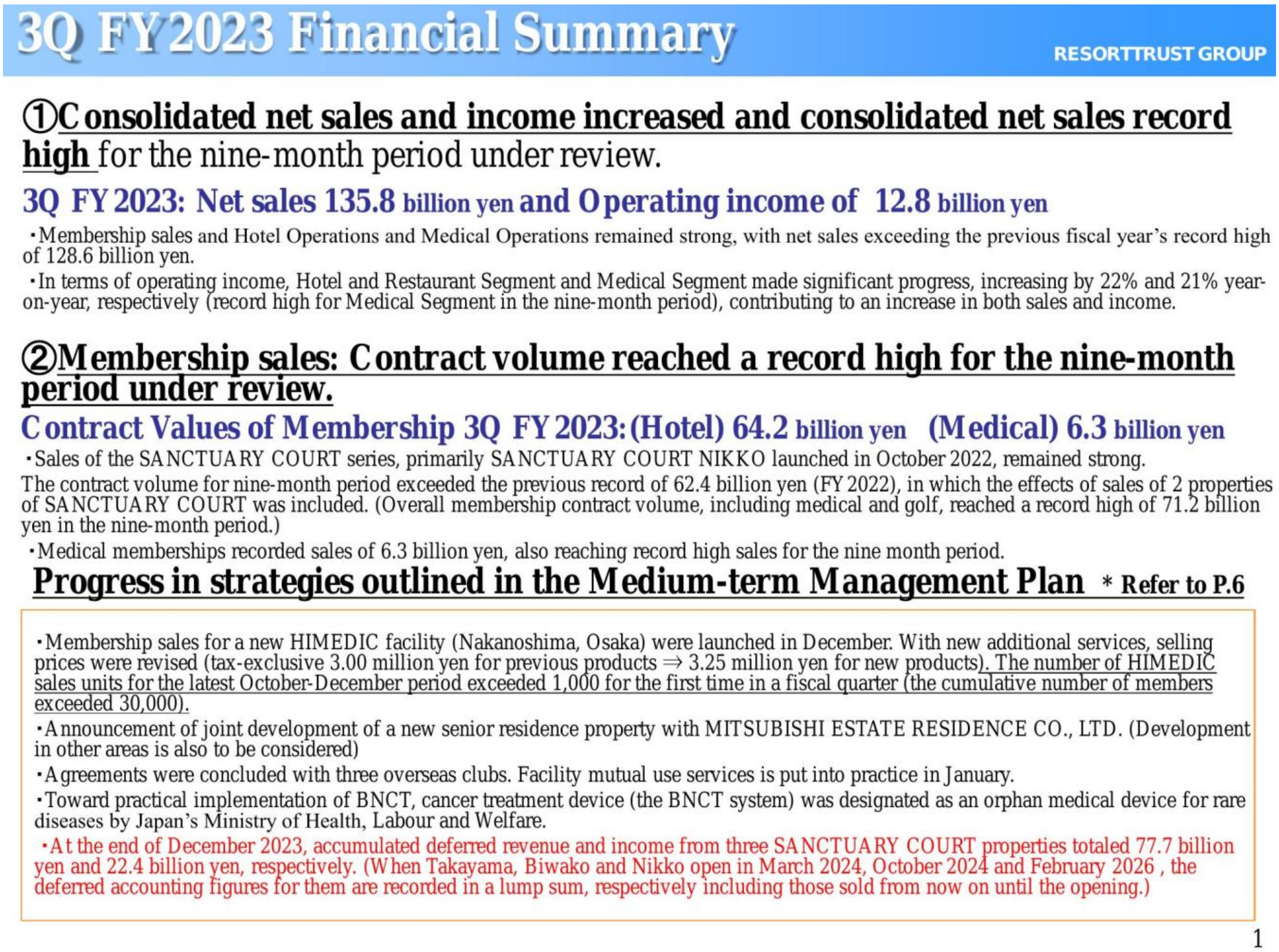
Moderator: Hello, everyone. Thank you very much for taking time out of your busy schedule to join the telephone conference of Resorttrust, Inc. today.

Present on today's conference call are Ariyoshi Fushimi, President, Takeshi Makino, Head of the Sustainability Promotion Department and Director of the Investor and Public Relations Department, and Hirotaka Honda, Manager of the Sustainability Promotion Department and the Investor and Public Relations Department.

President Ariyoshi Fushimi will now explain the financial results for Q3 of the fiscal year ending March 31, 2024, followed by a question-and-answer session. The entire meeting is scheduled to last about 60 minutes. The presentation materials can be found on our website.

Before we start the briefing, I'd like to mention this first. This briefing may contain forward-looking statements based on current expectations, all of which are subject to risks and uncertainties. Please note that the actual results may differ from the outlook. We will now move on to the presentation.

Fushimi: This is Fushimi from Resorttrust. Thank you. I will now present a summary of the Q3 financial results.



First, please turn to page one of the handout. As a summary of the Q3 results, I would like to start with the results for the October 2023 period, with consolidated net sales of JPY135.8 billion and consolidated operating income of JPY12.8 billion, which is an increase in both sales and income and a record-high consolidated net sales for the Q3 cumulative period.

Accounting sales and hotel and medical operations were particularly strong and at record highs, respectively. It also exceeded the previous year's JPY128.6 billion. In terms of operating income, the hotel and restaurant segment as well as the medical segment also developed significantly, growing 22% and 21% YoY, respectively, both contributing to the increase in sales and income.

Second, the membership sales contract volume also reached a record high for the Q3 cumulative period. Hotel and medical broke the record at JPY64.2 billion and JPY6.3 billion, respectively. The SANCTUARY COURT series, especially SANCTUARY COURT NIKKO, performed well and was a major factor in the record high, and while the previous year saw the effect of property launches, this year's results were even better. The sales for medical were also the highest ever in Q3.

Financial Highlights 3Q FY2023 (April to December)

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【Financial Highlights 3Q FY2023】 (Million yen)

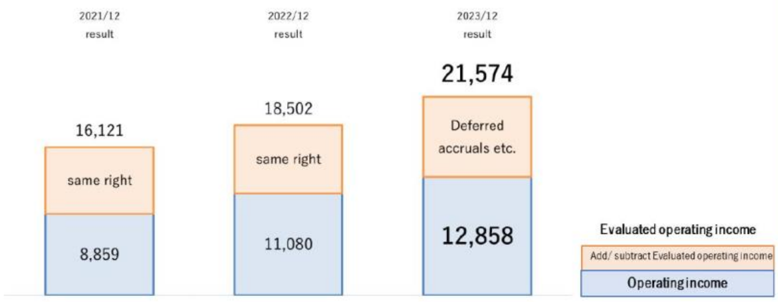
	2022/12 results	2023/12 results	YoY Difference
Net Sales	128,601	135,840	+5.6%
Operating Income	11,080	**12,858**	+16.0%
Ordinary Income	11,476	13,219	+15.2%
Net Income	14,907	9,567	(35.8%)
Evaluated net sales	155,022	163,068	+5.2%
Evaluated Operating Income	18,502	**21,574**	+16.6%

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

- **Progress of both of membership sales and facility operations remained strong.** (Sanctuary Court sales, HIMEDIC sales and membership hotel operation, etc.)
- **Measures to improve compensation (up by 5%) including across-the-board pay increases were implemented as planned** and the increase in sales absorbed the costs. **Prices of hotel memberships were also revised in June.**
- **Evaluated operating income for the nine-month period reached a record high.**
- Approximately 1.5 billion yen in gain on redemption of foreign bonds was recorded under extraordinary income.
  Net income alone decreased**, as a gain on sales of non-membership hotels of approximately 9.0 billion yen was reported in the previous fiscal year**.
- **When Takayama opens in the 4Q, deferred revenue of more than 8.4 billion yen from cumulative real estate sales including that in the current fiscal year is scheduled to be realized in a lump sum.**

【Cumulative third quarter Historical 3-Year Trends in Evaluated Operating Income】

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



(Reference)
* Evaluated net sales/Evaluated operating income:
In the pre-opening hotel membership sales, accounting figures for the real estate cost of the membership fee is deferred until the opening of the hotel as the revenue is realized in a lump sum at the time of opening. Evaluated operating income represents income assuming that such income to be deferred had been recorded during the current fiscal year.
In addition, it is used as a management indicator of real performance during the current fiscal year, taking into account the effect of Accounting Standard for Revenue Recognition for medical memberships, etc.

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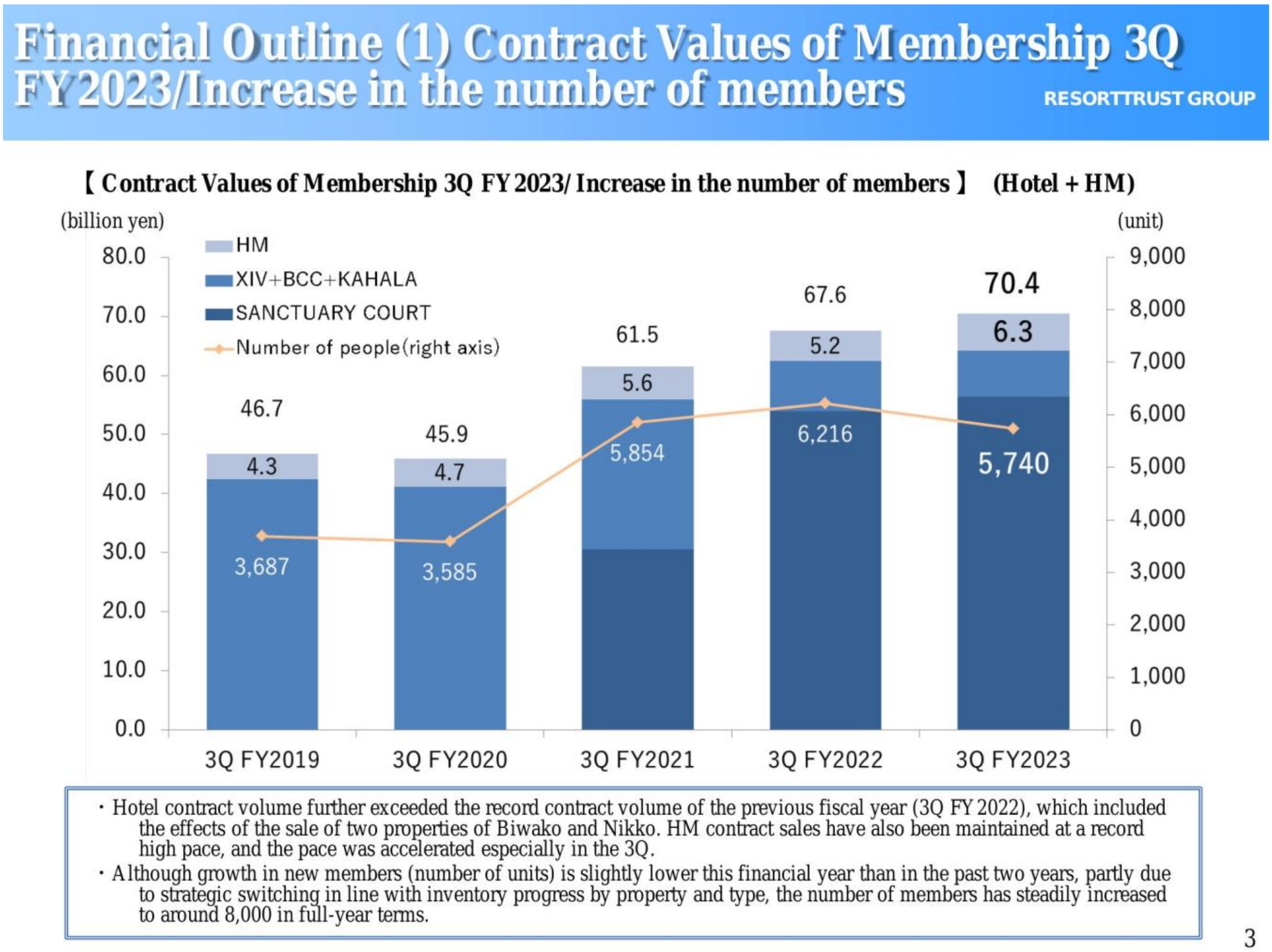
Please continue to page two. Sales, JPY135.8 billion, up 5.6% from the previous year, operating income, JPY12.8 billion, plus 16%, ordinary income, JPY13.2 billion, plus 15.2%, net income was JPY9.5 billion, which is negative 35.8%. Evaluated sales were JPY163 billion, up 5.2% YoY. Evaluated operating income was JPY21.5 billion, plus 16.6%.

As explained in the upper-right square, membership sales and facility operations are progressing well. In terms of expenses, we were able to absorb a base increase and a 5% improvement in compensation. With this, the Company was able to achieve solid growth in terms of operations as well, and the evaluated operating income also reached a record high for Q3. In terms of net income, there was a decrease due to the sale of around

JPY9 billion in general hotels in the previous fiscal year. In Q4 of this fiscal year, we plan to record a onetime charge of JPY8.4 billion for the real estate portion of the accumulated sales, resulting from the opening of Takayama.

Therefore, as you can see in the chart below, operating income for the current fiscal year is growing steadily, as shown in the blue area below, and the orange area above shows that the evaluated profit, which is the portion to be deferred from the next fiscal year, is also making steady progress, resulting in solid growth in both operating income and evaluated profit.



Next is page three. Page three shows the number of subscriptions and the increase in the number of members. As you can see, the total number of subscriptions in hotels and medical is increasing steadily, but the increase in the number of members was slightly negative in December because of the closure of Sun Members, which was the series prior to XIV. We have been asking our members, especially those who are aging or no longer using our services, if they would like to continue their memberships, and we have been purchasing memberships from them, switching them to XIV and also reselling the memberships. This strategic purchase and the decrease of 1,300 members in Sun Members had a slight negative impact on the total number of members. Although growth was negative, this was strategic, and we are on track with our plan.

Financial Outline (2)
3Q FY2023 Occupancy rate/Spending per visitor

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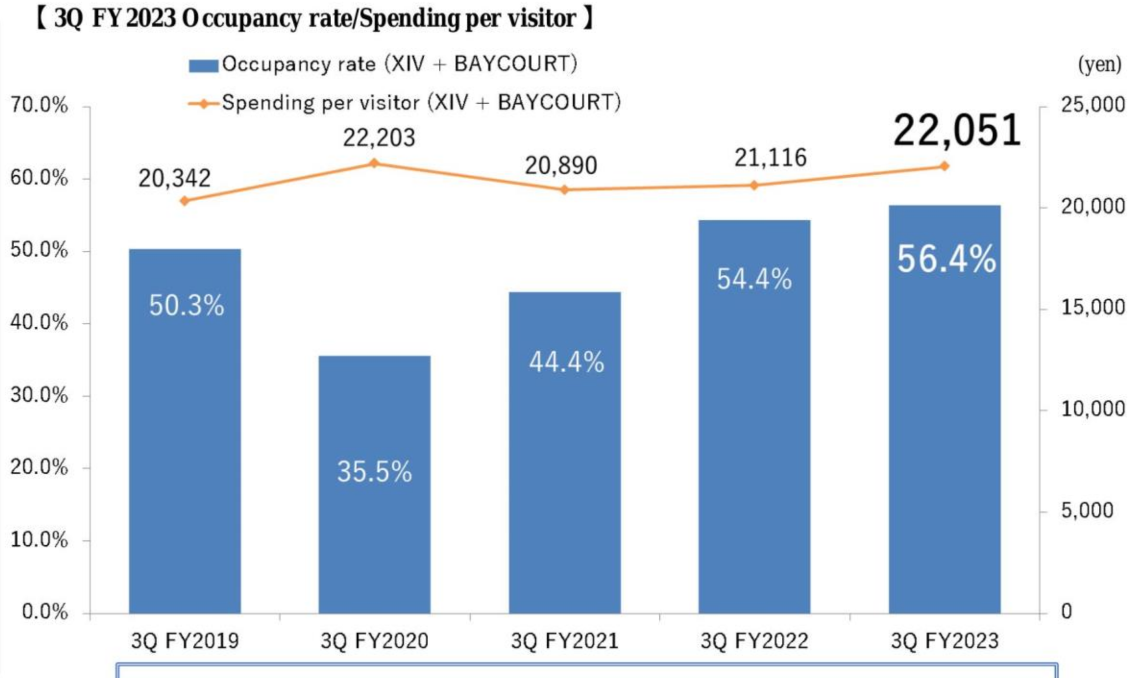

・The membership hotel occupancy rate further exceeded the level in the same period of the previous fiscal year, when it recovered significantly beyond pre-COVID-19 levels.
・The unit price also rose solidly year on year, incorporating the price revisions of November 2022.
(In 3Q FY 2020, unit prices rose due in part to lower utilization rates at COVID-19.)

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Continuing on with the hotel side on page four. As for the occupancy rate, we have already returned to pre-pandemic levels in the previous fiscal year, and we were able to further increase the rate this year. The unit price has also been reviewed, and it can be seen that the unit price has returned to pre-pandemic levels.

Financial Outline (3) Actual results for 3Q FY2023 :Operating Income(compared with the same period of the previous FY)

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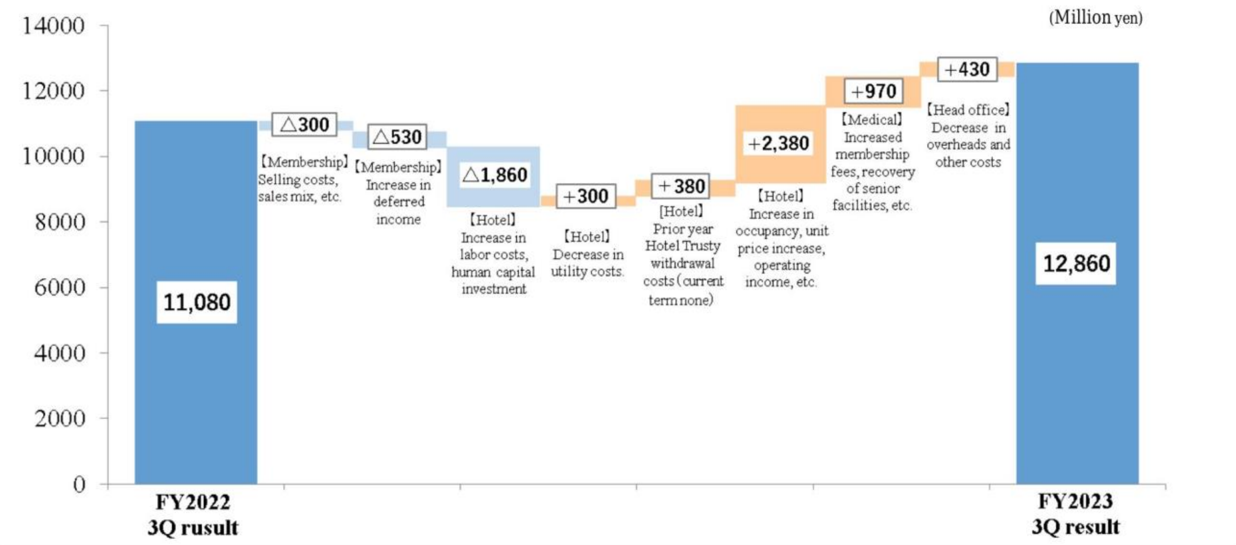
【Actual results for 3Q FY2023 : Operating Income Increase/Decrease
(compared with the same period of the previous FY) 】



- In the membership segment and hotel operations, there was a rise in personnel costs, etc., but it was compensated by the rise in hotel occupancy rates and unit prices and operating income increased year on year.
- Sales of hotel memberships and medical memberships were extremely strong. The deferred income for Takayama is scheduled to be realized in the 4Q.

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Next is page five. This is a YoY comparison of cumulative operating income for Q3. There is a slight change due to the make-up of products and deferrals, but in large part, personnel expenses increased by about JPY1.8 billion from the previous year due to temporary leavers and various hiring, as well as investment in human resources to prevent turnover. However, this was absorbed by the increase in hotel occupancy and operating revenue, which amounted to JPY2.3 billion. Additionally, the increase in membership fees and operations for medical and seniors added approximately JPY1 billion to the previous year's JPY11 billion, progressing to JPY12.8 billion.

Financial Outline (4) Ongoing Topics in the Current Fiscal Year

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* Underlined are changes/progress from October to December

Enhancing earning power and improving profitability

- Revision of membership prices: Approx. 5% hike in price from June (from end of September for SANCTUARY COURT NIKKO).
- Deliberation on new facilities scheduled to start construction in the next fiscal year: Construction of at least two more sites to be started in the next fiscal year, taking into account the inventory situation in Tokyo, Nagoya, and Osaka.
- Penetration of web-based reservations and smart check-in/out ⇒Web-based reservation rate is rising, target 50%.
- Announced the opening of new HIMEDIC facilities (Osaka, Tokyo, and Yokohama), and launched solicitation of applications for the Osaka Nakanoshima membership at a new price in December.
- Announced a plan for the first new senior residence property in the central Tokyo area and expanded facilities with hospice care.
- Concluded agreements with overseas clubs on facility mutual use to launch the services in January.
- Expansion of sales channels 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 303,000 as of December 31, 2023)

Human resources · Sustainability

- Improvement of compensation: Across-the-board pay + wage hike of 5%, raise and stabilize the bonus multiplier, and revise the system of long breaks during the shifts of employees
- Enhancement of recruiting activities: Referral hiring, on-the-spot hiring, hiring of foreign nationals, etc.
- Resolved to grant treasury shares to employees through the Resorttrust Employee Shareholding Association (scheduled to be carried out in March 2024)
- Adoption of EVs at new facilities, conduct of research for the use of solar-generated power, and participation in TNFD
- Holding of regular sustainability forums and deliberation on activities in cooperation with the community and customers
- Launch of inter-sectional cross-training

Capital efficiency · Governance

- Appointment of 3 new Outside Directors in June 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
- Resorttrust selected for inclusion in the MSCI Japan ESG Select Leaders Index in addition to the MSCI Japan Empowering Women (WIN) Select Index

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

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Page six is a brief explanation of the topics underway this quarter. First of all, we raised the membership fees by approximately 5% in June this year and in September for SANCTUARY COURT NIKKO only. Additionally, we have received very severe information regarding inventory, so we are now moving forward with a plan to start construction of at least two locations in the next fiscal year, taking into account the inventory situation in Tokyo, Nagoya, and Osaka.

As for [inaudible] web, the reservation rate has increased by 10% from the previous year and is now at about 39%, just under 40%, and we have set a goal of bringing this up to 50%.

We also have development plans for HIMEDIC in Osaka, Tokyo, and Yokohama, and Nakanoshima went on sale in December at a new price and has been well received.

As for senior residences, we have announced in our press release that we will be launching a new type of product, the first of which will be a joint project with Mitsubishi Estate, and plans are underway for the second and third facilities.

Here, we also issued a press release about a collaboration with overseas clubs in December and started services in January, still mainly for Banyan Tree, and overall, we have received about 60 to 70 inquiries so far. Therefore, rather than directly aiming for profit, this was more for market research, including product development for overseas markets, and here we will also listen to our members and link that to future developments.

There will be more on our use of digital technology later, which I will now explain.

The number of registered LINE members has been increasing steadily, from 215,000 last year to over 300,000 now, so it is growing steadily into [inaudible] operation, mainly for corporate use.

As for the human resources part, we have improved compensation, as I mentioned earlier, with a 5% increase in across-the-board pay. We are raising the bonus multiplier rate and reviewing shifts, the system of long breaks during the shifts.

We have already been hiring referrals, area workers, and spot hires, but we are currently making progress in hiring foreign nationals who are an immediate asset. We expect to be able to hire approximately 100 people this fiscal year and 300 people in the next fiscal year and thereafter. In addition, we plan to grant the Company's own shares through an employee stock ownership plan in March.

We have also introduced EV vehicles and solar power generation at all facilities. Although the status of solar power generation varies by area, we have introduced them at all facilities.

In terms of capital efficiency and governance, we are pleased to announce that three new outside directors have been appointed to the Board since June. We are making steady progress toward our ROE target of 12%, and we have already implemented a JPY3 billion share buyback this fiscal year. It should also be noted that we have been newly selected for inclusion in the ESG Select Leaders Index.

Segment Sales and Operation Income 3Q FY2023
3 main business segments

(April to December) RESORTTRUST GROUP

【Segment Sales and Operation Income 3Q FY2023】 (Million yen)

		2022/12 results	2023/12 results	YoY Difference
Membership	Sales	26,517	27,735	+4.6%
	Operating Income	8,617	**7,792**	(9.6%)
Hotel and Restaurant	Sales	68,260	72,574	+6.3%
	Operating Income	5,420	**6,625**	+22.2%
Medical	Sales	33,276	35,000	+5.2%
	Operating Income	4,463	**5,433**	+21.7%

		2022/12 results	2023/12 results	YoY Difference
Membership	Evaluated net sales	52,066	53,301	+2.4%
	Evaluated Operating Income	15,166	**14,845**	(2.1%)
Hotel and Restaurant	Evaluated net sales	68,260	72,574	+6.3%
	Evaluated Operating Income	5,830	**6,625**	+13.6%
Medical	Evaluated net sales	34,148	36,662	+7.4%
	Evaluated Operating Income	5,335	**7,095**	+33.0%

(Reference)
* Evaluated net sales/Evaluated operating income:
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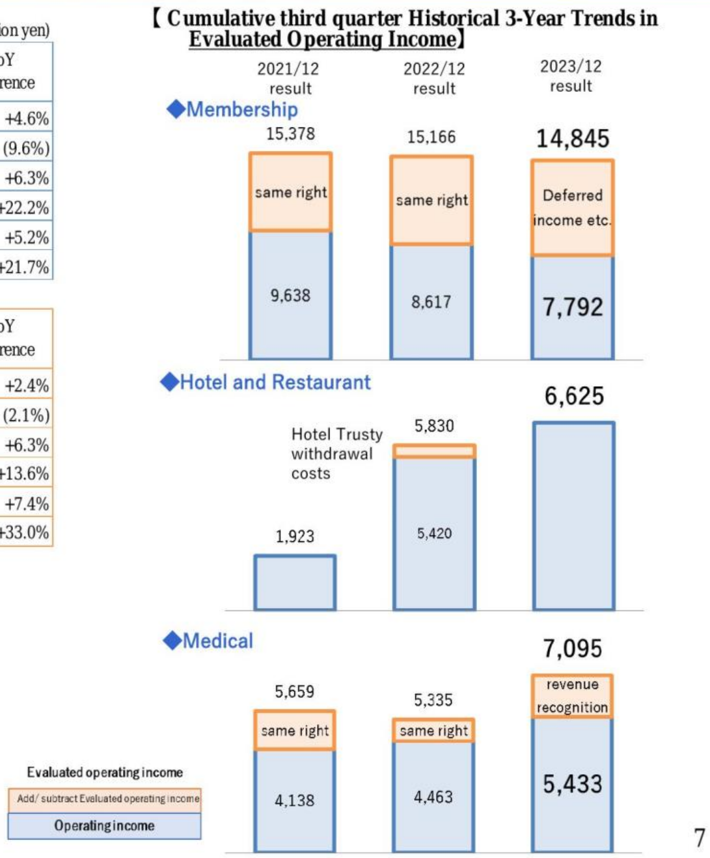

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Here is a brief description of the segments, page seven. Regarding the membership system, net sales increased 4.6% YoY, but operating income was down 9.6%. Therefore, in terms of evaluated operating income, sales are positive, but profits are slightly negative.

There are several factors, but the major one is that we have been taking applications for our mainstay SANCTUARY COURT series in Takayama, Biwako, and Nikko at the same price as the contract that assumes switching, but prices have been rising every year, which we knew from the beginning, and from Takayama to Nikko, the cost has become considerably higher. The operating profit for this part has been negative, and in a sense, this has been factored in. This has been a trend in the Tokyo, Nagoya, and Osaka area, so we are planning to revise the prices further, starting with the next round of applications for the SANCTUARY COURT series.

The hotel, restaurant, and medical businesses continued to perform well, with steady growth in both sales and operating income.

Please continue to page eight. This is the status of contracts, but as I just mentioned, as you can see, contracts were focused on SANCTUARY COURT TAKAYAMA in 2021, Biwako in 2022, and Nikko in 2023. The weight has shifted in the order of applications, which was a factor for cost, as I just mentioned. As you can see, the ratio between the Tokyo, Nagoya, and Osaka areas has become fairly balanced with some switching, and we will introduce new products in 2024 and beyond while watching this balance.

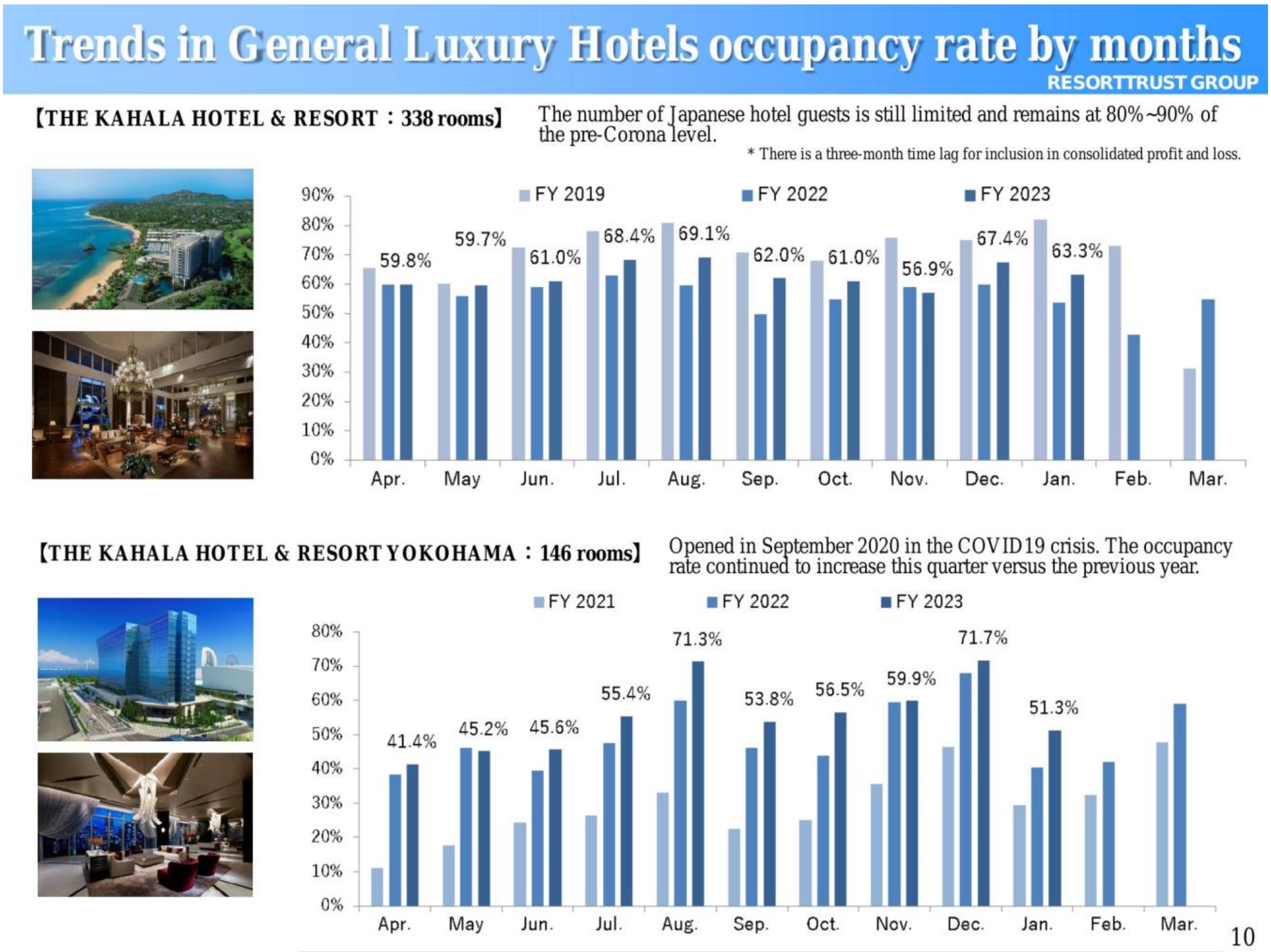
Therefore, based on the current sales rate, Takayama, where the deferral will be recorded this fiscal year, is at 93%, Biwako is at 77%, and Nikko is at 72%, so basically all three facilities are scheduled to be sold out within the next fiscal year.

Continuing on, this was a major factor in our growth this time, but the lower left-hand side shows the number of contracts that made use of digital technology, such as email newsletters, as part of ongoing sales efforts to keep prospective customers in the loop. This resulted in JPY13.1 billion, which includes the medical services shown above, which means that nearly 20% of our total sales are now being carried out through the use of digital technology. We are currently following up with approximately 100,000 potential customers at any given time and converting them to new contracts, which has led to a significant increase in overall productivity.

The right side shows that, together with this, we have reached approximately JPY14 billion, and therefore, in addition to digital contracts and referrals from financial institutions and hotels, it has increased significantly and is leading to strong growth in new contracts overall.

However, due to tight inventories, we are not actively pursuing referrals from financial institutions, and this has leveled off. We plan to continue to grow this area.

Next, from page nine, is the current status of hotels. Looking at the annual occupancy rates for XIV above and Baycourt below, we have already surpassed pre-pandemic levels in the previous fiscal year, and we have exceeded last year's levels since July, exceeding the previous year's level on a cumulative basis. In H1 of the current fiscal year, there was still the impact of discounts compared to the previous year, so it was not [inaudible], but since July, it has exceeded that level. XIV, in particular, was the first to return to operation, and Baycourt and urban hotels were affected by the pandemic until the very end. Now the situation is reversed and Baycourt is recovering rapidly, even compared to the rise in prices of regular urban hotels.



Next, page 10 shows Kahala, a regular hotel, and first, regarding Hawaii, it is also recovering from the previous year, at about 80% to 90% of pre-pandemic levels.

Originally, approximately 70% of our customers came from the US mainland, and this was our main source of customers. We have seen a steady return of customers from the US mainland, as well as from Oceania, but the number of customers from Japan is still limited due to factors such as exchange rates, which is the reason for the negative figure. We believe we will make up for this in the next fiscal year.

Yokohama is also making steady progress, but the benefits of inbound tourism, including ADR and operation, have not yet reached the level of Tokyo, so this remains a challenge for the future.

Next, page 11 is the status of our medical business, but the number of units has grown to 3,000 since 2020, and we are on track to exceed that figure with a record-high pace this fiscal year. With digital, we are growing further amidst competition, and we are aware that the market itself will continue to grow.

Senior residences were the most affected by the pandemic, where we had to deal with the risk of outbreaks, restrictions on visits, and so on, so we had to operate the residences in a somewhat restrictive environment. This has come back slightly, but even now, there are still cases of COVID-19 within the facilities, and this is having a negative impact. The situation is improving, so we will continue to take safety measures and to attract prospective customers.

Revised Business Forecast for FY2023

* No change since the announcement on November 10, 2023

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<Consolidated Targets>

(Million yen)

	FY2022 results	FY2023 revision targets (As of Nov.)	Change	FY2023 revision targets (As of Jul.)
Net sales	169,830	**202,000**	+32,169	201,000
Operating income	12,270	**21,000**	+8,729	19,000
Ordinary income	13,247	**21,200**	+7,952	19,000
Net income	16,906	**15,000**	(1,906)	14,000
Evaluated Operating Income	22,358	**22,300**	(58)	19,380

<Operating Income by Segment (before allocation)>

(Million yen)

		FY2022 results	FY2023 revision targets (As of Nov.)	Change	FY2023 revision targets (As of Jul.)
Membership	Sales	34,945	**60,610**	+25,664	58,400
	Operating income	11,182	**18,400**	+7,217	16,800
	Evaluated Operating Income	19,861	**20,190**	+329	17,870
Hotel and Restaurant	Sales	89,747	**94,130**	+4,382	95,490
	Operating income	4,167	**5,180**	+1,012	4,640
	Evaluated Operating Income	4,577	**5,180**	+602	4,640
Medical	Sales	44,422	**46,590**	+2,167	46,480
	Operating income	6,053	**6,930**	+876	6,220
	Evaluated Operating Income	7,461	**7,840**	+379	6,920
Other	Sales	714	**670**	(44)	630
	Operating income	687	**780**	+93	750
Head office costs	Operating income	(9,820)	**(10,290)**	(469)	(9,410)
	Sales	(10,230)	**(11,690)**	(1,460)	(10,800)
Total	Sales	169,830	**202,000**	+32,169	201,000
	Operating income	12,270	**21,000**	+8,729	19,000
	Evaluated Operating Income	22,358	**22,300**	(58)	19,380

*Preparation for opening cost for Hotel Membership: 1.4 billion yen included in head office costs for evaluated income purpose.

<Net Sales / Operating Income >

- Hotel membership Contract value
  FY 2022: 82.6 billion yen (Biwako: Launched in March 2022, Nikko : Launched in October 2022.)
  FY 2023: 86.2 billion yen (Effect of higher contract volume due to launch: None)
- Contract Values of HIMEDIC
  FY 2022: 7.2 billion yen FY 2023: 7.0 billion yen
- Deferred Realization (Account for the portion of the sale completed by the first semester.)
  FY 2023: Deferred income +7.4 billion yen (Takayama)
- Revenue deferred during the fiscal year (due to sales of unopened properties)
  FY 2022: Deferred income of (8.3) billion yen (Takayama, Biwako, Nikko.)
  FY 2023: Deferred income of (7.4) billion yen (Biwako, Nikko.)
- Opening-related expenses
  FY 2023: (1.4) billion yen (Takayama 1.2billion yen, Biwako ※ preparation room 0.2billion yen)
- Operating and maintenance costs (including dormitories)
  FY 2022: (2.6) billion yen FY 2023: (3.0) billion yen
- Hotel occupancy rate
  XIV ･･･FY 2022: 54.1% FY 2023: 54.6%
  BCC･･･FY 2022: 47.0% FY 2023: 52.0%

<Extraordinary Items >

- FY 2022: Gain on sale of 7 Hotel Trusty facilities 9.0 billion yen (extraordinary income)
- FY 2023: 1.5 billion yen gain on sale of foreign bonds. (extraordinary income)

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Continuing on to page 12, we have been able to achieve our plan up to Q3. The full year forecast is on page 12. We revised it upward on November 10, and we now forecast net sales of JPY202 billion, operating income of JPY21 billion, ordinary income of JPY21.2 billion, and net income of JPY15 billion for the full year. Our full year plan remains to achieve these targets.

That was a brief explanation of the summary.

Question & Answer

Makino [M]: Thank you, President Fushimi. That concludes the explanation. We will now move on to the question-and-answer session. We will follow the operator's explanations during the question-and-answer session.

Moderator [M]: We will now move on to the question-and-answer session. When it is your turn and you hear the moderator call your name, please state your company name and your name, and then state your question. Please limit your questions up to two per person at a time. We will now begin the question-and-answer session.

First, Kuwana of Mizuho Securities, please go ahead.

Kuwana [Q]: Thank you. This Kuwana from Mizuho Securities. Thank you for your presentation. I would like to ask two questions.

First, I have a question about HIMEDIC Nakanoshima. You sold a record 1,034 units this quarter, and how many of these units were Nakanoshima? Also, regarding the price automation of membership sales, I am aware of the increase in sales price with increased services. Can we expect an improvement of several percentage points on a gross profit basis? Also, this is about increasing the price of services, but is it still difficult to purely raise the price of services? That is my first question.

Secondly, regarding the rising construction costs, we are thinking that SANCTUARY COURT KANAZAWA will be going up even higher than Nikko, but I was wondering if you could tell us about the progress, such as the negotiations with the general contractor. I often hear about delays in the construction schedules with general contractors, but I wonder if there is any impact of delays on Nikko, which opens in March, or Biwako. Those are my two questions.

Fushimi [M]: First of all, HIMEDIC Nakanoshima, about the number of units.

Makino [A]: This is Makino. Of the 1,000 units, 159 units are Nakanoshima, with 84 new units and 75 additional units to be purchased.

Fushimi [A]: Also, the new services in Nakanoshima, which is a result of the price review, are basically wellbeing services, and in addition to cancer, heart disease, and brain disease, the main service is basically preventive care, which includes various lifestyle diagnoses. Therefore, the new facility, which is also available in Tokyo, has added examinations and guidance to improve quality of life, such as standing CT, for example.

In particular, in the case of Nakanoshima, which is centered around Osaka University, the building is home to various Osaka University-related research institutes and cutting-edge medical institutions and will also house treatment facilities and hospitals. Therefore, one of its main features will be to provide services that have never been offered before through collaboration among these institutions.

Regarding your second question, the cost of construction in Kanazawa, has become even higher than before, as you mentioned, and of course, there is the problem that general contractors cannot easily start construction this fiscal year, especially in FY2024 and FY2025, including beyond Kanazawa. As I mentioned earlier, we have started construction of several facilities, but as you know, Kanazawa and Noto were hit by the earthquake, and it has taken some time to obtain the necessary permits and approvals from government agencies.

Also, in terms of the actual construction period, we are currently considering several options, including other options, because we are not sure if we should be the first to start construction in that area, which still requires a lot of manpower for civil engineering work. In fact, we are now preparing to develop products that will absorb such costs in a variety of ways, such as small luxury and villa-type products, which are a little different from what we have been doing in the past due to the high cost of these products. Therefore, even in the unlikely event that Kanazawa is delayed, we are well prepared to introduce new products.

As for the current Nikko project, the construction is scheduled to proceed as planned, although some aspects of the cost have yet to be determined. I hope that was okay.

Kuwana [Q]: Regarding the second point, you said that Kanazawa, which was originally scheduled to be sold around summer, could be moved to winter, for example, and new products could possibly be sold around summer.

Fushimi [A]: Yes, that is what I mean.

Kuwana [M]: I understand. Thank you.

Moderator [M]: Thank you very much. Next, Mr. Oda from SMBC Nikko Securities, please go ahead.

Oda [Q]: Thank you very much. I am Oda from SMBC Nikko Securities. I have two questions for you as well. I will ask them together.

The first is about HIMEDIC in Nakanoshima, which was talked about earlier. Since sales started in the first half of December, I have the impression that you got off to a good start, even though it is not yet being fully used. What is actually valued when it is sold? I think the location is simply good, and I think it is a combination of factors, but I wonder if it is the location or the services and what factors are being appreciated and sold. My first question is that I would appreciate some more specific details in this area.

My second question is about the partnership with overseas clubs. Right now, I believe you are in the trial stage, beginning with the Banyan Group. However, personally, in terms of attracting inbound visitors, I think the upside can be seen there, especially since the occupancy rate on weekdays is in the 40% range. You are now starting on weekdays, mainly at Baycourt, but I would like to know how much you would like to increase the weekday operation by attracting inbound guests through these partnerships with overseas clubs, including the possibility of expanding partnerships in the future. If you have any such views, please let us know. That is my second question. Thank you very much.

Fushimi [A]: Regarding your first question about Nakanoshima, the reason for the success, as I mentioned earlier, is the medical institutions affiliated with Osaka University, offering cutting-edge treatment in a variety of fields that are inside and the resulting close collaboration between these institutions.

For example, in exchange for receiving examinations using certain modalities from these partner institutions, they can, of course, provide treatment to our members through medical collaboration. I believe this kind of collaboration is one of the major attractions of this facility.

Also, this is not limited to Osaka, but we will be introducing new wellbeing products in Midtown and Yokohama in the future, so we believe that this is probably one of the attractions as well.

Regarding your second question about overseas, as you mentioned, we have set a minimum target of 60%, and we believe we can achieve this goal as it is now, but when we reach 65%, for example, we need to consider the number of users on weekends, which will be even higher. Therefore, we are looking for people who can use the services only on weekdays by connecting with employees of the aforementioned corporations, especially those of large corporations who have weekdays off, via LINE, as well as with senior citizens. We are aiming to increase weekday occupancy by following up with seniors, and of course, we would also like to consider inbound travelers as well.

One thing I would like to mention is that in the future, we would like to plan and implement memberships for overseas visitors, such as usage tickets or annual membership fees, while keeping an eye on their needs. If there is a need, we may be able to expand overseas with overseas partners, but at present, we are limited to five facilities accepting inbound visitors.

One of the reasons for this is our readiness to accept foreign visitors, and rather, we have heard from our members, that they do not see foreign visitors during certain times, so even if we do accommodate foreign visitors in the future, we believe we need to narrow down the number of facilities and accommodate them in new facilities. Therefore, we would first like to see if we can maintain the grade and atmosphere in a limited capacity, and if this is possible, as you said, we will further promote our facilities to overseas visitors as a pillar of our weekday operations.

In addition, regarding memberships, we have received inquiries about memberships from people who want to use them. However, considering our inventory, we would like to consider introducing such products for the overseas market after the two facilities have been launched by the end of next fiscal year. That was a brief explanation.

Oda [M]: Thank you very much. That was all right.

Moderator [M]: Thank you very much.

Next, Mr. Oda from SMBC Nikko Securities, please go ahead.

Oda [Q]: Since no one asked a question, I will ask an additional question.

Just one question. Please tell us about your performance in Q3. Looking at the figures for hotels and restaurants for the past three months, the top line is up, including occupancy, but if we look at profits alone, I think profits are down in YoY. I think it may have been the measures to reduce the middleman, as you explained, or an increase in labor costs, but I had the impression that the investment in such expenses was still underway until Q2 and I wonder if that is what has started to appear in Q3 or so. My question is if you could tell us about the factors behind the decrease in profits of hotels and restaurants during Q3. Thank you very much.

Honda [A]: Honda will add an explanation. As you mentioned, the profit decreased by about JPY150 million to JPY200 million YoY in Q3, from October to December, but this is due to a slight change in the quarterly allocation of [inaudible] from the previous year, with a slightly greater allocation in Q3. There were also government subsidies, or rather, increases in prices due to such plans, resulting in a slight difference, but in reality, things are going well.

Oda [M]: I understand. Thank you.

Honda [M]: Thank you very much.

Moderator [M]: Thank you very much.

We still have a few minutes left, but since there are no other questions, we would like to close the question-and-answer session.

Makino [M]: Thank you very much. This concludes the presentation of the financial results for Q3 of the fiscal year ending March 31, 2024 of Resorttrust, Inc. Thanks for your participation.

Fushimi [M]: Thank you very much.

Honda [M]: Thank you very much.

[END]

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