

RESORTTRUST FINANCIAL DATA

CONSOLIDATED FINANCIAL SUMMARY

3Q FY 2017 (from April 1, 2017 to December 31, 2017)



**RESORTTRUST
GROUP**

(securities code: 4681)

CONSOLIDATED FINANCIAL SUMMARY

For the Third Quarter Ended December 31, 2015, 2016 and 2017

(Millions of yen)

	3Q			Fiscal Year	
	Apr.-Dec. 2015	Apr.-Dec. 2016	Apr.-Dec. 2017	2017/3	2018/3 target
Net sales	98,794	98,480	106,262	143,541	171,000
Operating income	13,980	8,566	9,121	13,514	17,000
Ordinary income	15,309	9,405	10,521	14,806	18,200
Net income	11,185	7,181	6,350	11,010	11,800
Net assets	112,345	110,099	121,193	118,379	
Assets	407,074	411,373	424,643	421,606	
Net assets per share (yen)	1,026.74	993.52	1,088.72	1,068.20	
Net income per share (yen) (Primary)	106.07	67.46	59.51	103.40	
Net income per share (yen) (Fully Diluted)	96.87	62.01	54.70	95.09	
Equity ratio (%)	26.9	25.7	27.4	27.0	
Return on assets (%)	-	-	-	2.66	
Return on equity (%)	-	-	-	9.91	
Net cash provided by (used in) operating activities	10,036	19,076	9,044	26,249	
Net cash provided by (used in) investment activities	(42,537)	2,441	(14,419)	3,881	
Net cash provided by (used in) financing activities	(5,849)	(8,411)	(6,403)	(15,593)	
Cash and cash equivalents	27,062	38,536	28,698	40,365	

Business Results

Overview of 3Q for The Fiscal Year Ending March 31, 2018

1. Summary of Business Results

(Millions of Yen)

	3Q FY2016 (Results)	3Q FY2017		Year-on-Year Change	Results vs. Targets
		(Results)	(targets)		
Net sales	98,480	106,262	110,700	+7.9%	(4.0%)
Operating income	8,566	9,121	8,200	+6.5%	+11.2%
Ordinary income	9,405	10,521	9,200	+11.9%	+14.4%
Net income	7,181	6,350	5,800	(11.6%)	+9.5%

The Japanese economy during the nine-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 improvement.

Under these circumstances, net sales were JPY 106,262 million (+7.9% yoy), operating income was JPY 9,121 million (+6.5% yoy), ordinary income was JPY 10,521 million (+11.9% yoy), and net income attributable to owners of parent was JPY 6,350 million (-11.6% 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 for the indirect expenses has been modified since FY2017. 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)

	3Q FY2016 (Results)	3Q FY2017		Year-on-Year Change	Results vs. Targets
		(Results)	(targets)		
Net sales	20,749	22,594	23,550	+8.9%	(4.1%)
Operating income	4,633	5,820	4,310	+25.6%	+35.0%

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)

	3Q FY2016 (Results)	3Q FY2017		Year-on-Year Change	Results vs. Targets
		(Results)	(targets)		
Net sales	57,503	60,096	62,040	+4.5%	(3.1%)
Operating income	4,884	4,432	5,000	(9.3%)	(11.3%)

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)

	3Q FY2016 (Results)	3Q FY2017		Year-on-Year Change	Results vs. Targets
		(Results)	(targets)		
Net sales	19,301	23,032	24,550	+19.3%	(6.2%)
Operating income	3,665	3,974	4,310	+8.4%	(7.8%)

Medical Operation Segment increased sales and 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, etc. in line 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.

[Others]

(Millions of Yen)

	3Q FY2016 (Results)	3Q FY2017		Year-on-Year Change	Results vs. Targets
		(Results)	(targets)		
Net sales	926	539	560	(41.8%)	(3.7%)
Operating income	612	378	380	(38.2%)	(0.4%)

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)

	3Q FY2016 (Results)	3Q FY2017 (Results)
Operating cash flows	19,076	9,044
Investing cash flows	2,441	(14,419)
Financing cash flows	(8,411)	(6,403)
Cash and cash equivalents	38,536	28,698

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%

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 started selling the memberships of Yokohama Baycourt club in Dec. 2017. 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)	3Q FY 2017 (as of Dec. 31, 2017)
Assets		
Current assets		
Cash and deposits	39,063	28,523
Notes and accounts receivable - trade	9,437	8,098
Operating loans	41,553	43,786
Securities	6,215	10,416
Merchandise	915	1,020
Real estate for sale	15,634	14,513
Raw materials and supplies	1,317	1,566
Real estate for sale in process	26,931	36,244
Deferred tax assets	4,810	4,245
Other	6,525	6,777
Allowance for doubtful accounts	(974)	(1,008)
Total current assets	151,430	154,184
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	93,810	90,576
Machinery, equipment and vehicles, net	2,258	2,417
Golf courses	7,585	7,591
Land	37,946	38,032
Leased assets, net	4,715	4,315
Construction in progress	4,842	17,069
Other, net	4,663	3,969
Total property, plant and equipment	155,824	163,971
Intangible assets		
Goodwill	4,526	4,758
Software	3,264	2,762
Other	2,600	3,550
Total intangible assets	10,391	11,071
Investments and other assets		
Investment securities	85,687	73,678
Shares of subsidiaries and associates	1,387	1,389
Long-term loans receivable	4,227	5,884
Net defined benefit asset	1,125	1,082
Deferred tax assets	1,894	1,314
Other	10,473	12,842
Allowance for doubtful accounts	(834)	(775)
Total investments and other assets	103,959	95,415
Total non-current assets	270,175	270,458
Total assets	421,606	424,643

(Millions of yen)

	FY 2016 (as of Mar. 31, 2017)	3Q FY 2017 (as of Dec. 31, 2017)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	1,401	2,008
Short-term loans payable	9,200	9,371
Current portion of long-term loans payable	4,616	19,209
Current portion of bonds	250	2,750
Lease obligations	662	672
Accounts payable - other	22,786	8,188
Income taxes payable	3,800	822
Accrued consumption taxes	494	1,942
Advances received	33,532	47,604
Unearned revenue	12,455	16,637
Provision for loss on guarantees	123	105
Other	6,454	8,366
Total current liabilities	95,778	117,680
Non-current liabilities		
Bonds payable	3,450	825
Bonds with subscription rights to shares	30,200	29,866
Long-term loans payable	50,258	32,292
Lease obligations	4,402	3,954
Deferred tax liabilities	871	944
Provision for directors' retirement benefits	2,171	2,113
Provision for stocks payment	1,078	1,200
Net defined benefit liability	1,525	1,669
Long-term guarantee deposited	102,492	100,545
Negative goodwill	221	130
Other	10,774	12,227
Total non-current liabilities	207,447	185,769
Total liabilities	303,226	303,449
Net assets		
Shareholders' equity		
Capital stock	19,588	19,588
Capital surplus	22,171	22,171
Retained earnings	71,837	73,291
Treasury shares	(2,788)	(2,295)
Total shareholders' equity	110,809	112,755
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,007	2,526
Foreign currency translation adjustment	2,222	1,154
Remeasurements of defined benefit plans	(139)	(132)
Total accumulated other comprehensive income	3,089	3,548
Subscription rights to shares	-	214
Non-controlling interests	4,480	4,674
Total net assets	118,379	121,193
Total liabilities and net assets	421,606	424,643

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

(Millions of yen)

	3Q FY 2016 (Apr. 1, 2016 - Dec. 31, 2016)	3Q FY 2017 (Apr. 1, 2017 - Dec. 31, 2017)
Net sales	98,480	106,262
Cost of sales	12,360	13,578
Gross profit	86,120	92,684
Selling, general and administrative expenses		
Salaries and bonuses	30,668	33,028
Provision for directors' retirement benefits	214	80
Repair and maintenance	2,348	2,180
Provision of allowance for doubtful accounts	2	52
Utilities expenses	3,545	3,987
Depreciation	5,175	5,501
Other	35,598	38,733
Total selling, general and administrative expenses	77,553	83,563
Operating profit	8,566	9,121
Non-operating income		
Interest income	1,660	1,687
Dividend income	66	54
Amortization of negative goodwill	90	90
Reversal of allowance for doubtful accounts	31	64
Reversal of provision for loss on guarantees	11	18
Share of profit of entities accounted for using equity method	50	13
Foreign exchange gains	-	49
Other	377	411
Total non-operating income	2,288	2,389
Non-operating expenses		
Interest expenses paid on loans and bonds	436	484
Guarantee charge of unearned revenue	79	63
Nondeductible consumption tax	80	313
Foreign exchange losses	766	-
Other	87	126
Total non-operating expenses	1,449	988
Ordinary profit	9,405	10,521

[Consolidated Statements of Income]

(Millions of yen)

	3Q FY 2016 (Apr. 1, 2016 - Dec. 31, 2016)	3Q FY 2017 (Apr. 1, 2017 - Dec. 31, 2017)
Extraordinary income		
Gain on step acquisitions	1,334	-
Gain on sales of non-current assets	795	164
Gain on sales of investment securities	1,163	16
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	3,415	311
Extraordinary losses		
Impairment loss	1,334	-
Loss on retirement of non-current assets	186	155
Loss on sales of non-current assets	1	385
Loss on redemption of investment securities	-	59
Loss on sales of investment securities	38	-
Loss on sales of shares of subsidiaries and associates	7	-
Directors' retirement benefits	105	34
Contribution	97	-
Other	-	47
Total extraordinary losses	1,769	683
Profit before income taxes	11,051	10,149
Income taxes - current	3,056	3,065
Income taxes - deferred	744	547
Total income taxes	3,801	3,613
Profit	7,250	6,536
Profit attributable to non-controlling interests	69	185
Profit attributable to owners of parent	7,181	6,350

[Consolidated Statements of Comprehensive Income]

(Millions of yen)

	3Q FY 2016 (Apr. 1, 2016 - Dec. 31, 2016)	3Q FY 2017 (Apr. 1, 2017 - Dec. 31, 2017)
Profit	7,250	6,536
Other comprehensive income		
Valuation difference on available-for-sale securities	682	1,520
Foreign currency translation adjustment	(5,523)	(1,067)
Remeasurements of defined benefit plans, net of tax	34	6
Total other comprehensive income	(4,807)	459
Comprehensive income	2,443	6,995
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,376	6,809
Comprehensive income attributable to non-controlling interests	66	186

(3) Consolidated Statements of Cash Flows

(Millions of yen)

	3Q FY 2016 (Apr. 1, 2016 - Dec. 31, 2016)	3Q FY 2017 (Apr. 1, 2017 - Dec. 31, 2017)
Cash flows from operating activities		
Profit before income taxes	11,051	10,149
Depreciation	5,701	6,181
Impairment loss	1,334	-
Amortization of goodwill (negative goodwill)	295	484
Increase (decrease) in allowance for doubtful accounts	(40)	(25)
Increase (decrease) in net defined benefit liability	266	173
Increase (decrease) in provision for directors' retirement benefits	(61)	(57)
Interest and dividend income	(1,727)	(1,741)
Interest expenses paid on loans and bonds	436	484
Foreign exchange losses (gains)	754	(43)
Decrease (increase) in notes and accounts receivable - trade	(4,223)	(793)
Decrease (increase) in inventories	(10,572)	(8,654)
Increase (decrease) in notes and accounts payable - trade	656	612
Increase (decrease) in accounts payable - other	(3,768)	(10,665)
Increase (decrease) in advances received	14,939	14,072
Increase (decrease) in long-term guarantee deposits received	(1,497)	(1,952)
Increase (decrease) in accrued consumption taxes	723	1,879
Other, net	6,924	3,954
Subtotal	21,193	14,060
Interest and dividend income received	2,001	2,005
Interest expenses paid	(430)	(489)
Income taxes paid	(3,687)	(6,532)
Net cash provided by (used in) operating activities	19,076	9,044
Cash flows from investing activities		
Payments into time deposits	(803)	(3,077)
Proceeds from withdrawal of time deposits	1,292	810
Purchase of securities	(7,768)	(7,610)
Proceeds from sales and redemption of securities	25,237	6,617
Purchase of investment securities	(10,889)	(1,040)
Proceeds from sales and redemption of investment securities	9,526	11,772
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	(13,881)	(19,725)
Payments of loans receivable	(346)	(1,431)
Collection of loans receivable	123	120
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(5,475)	(1,398)
Other, net	5,417	543
Net cash provided by (used in) investing activities	2,441	(14,419)

(Millions of yen)

	3Q FY 2016 (Apr. 1, 2016 - Dec. 31, 2016)	3Q FY 2017 (Apr. 1, 2017 - Dec. 31, 2017)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	5,996	87
Proceeds from long-term loans payable	300	590
Repayments of long-term loans payable	(11,259)	(3,962)
Redemption of bonds	(325)	(425)
Purchase of treasury shares	(0)	(1)
Proceeds from disposal of treasury shares	406	359
Cash dividends paid	(4,982)	(4,984)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(451)	-
Other, net	1,904	1,933
Net cash provided by (used in) financing activities	(8,411)	(6,403)
Effect of exchange rate change on cash and cash equivalents	(45)	45
Net increase (decrease) in cash and cash equivalents	13,060	(11,732)
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	38,536	28,698

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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