

RESORTTRUST FINANCIAL DATA

CONSOLIDATED FINANCIAL SUMMARY

2Q FY 2019 (from Apr. 1, 2019 to Sept. 30, 2019)



(securities code: 4681)

CONSOLIDATED FINANCIAL SUMMARY

For the Second Quarter Ended Sept. 30, 2017,2018 and 2019

(Millions of yen)

	2Q			Fiscal Year	
	Apr.-Sept. 2017	Apr.-Sept. 2018	Apr.-Sept. 2019	2019/3 Result	2020/3 Targets
Net sales	70,110	77,334	84,197	179,542	171,400
Operating income	5,452	6,074	8,501	18,877	16,000
Ordinary income	6,400	6,507	8,750	19,528	16,000
Net income (interim)	3,787	3,998	5,499	12,358	10,000
Net assets	120,363	125,925	134,725	132,050	
Assets	412,199	402,491	412,420	401,426	
Net income per share (yen) (Primary)	35.50	37.40	51.38	115.53	
Net income per share (yen) (Fully Diluted)	32.61	34.40	47.32	106.42	
Equity ratio (%)	28.1	30.2	31.5	31.7	
Return on assets (%)	-	-	-	4.75	
Return on equity (%)	-	-	-	9.96	
Net cash provided by (used in) operating activities	(7,132)	(5,132)	(1,302)	16,674	
Net cash provided by (used in) investment activities	(8,236)	9,191	(12,785)	(2,057)	
Net cash provided by (used in) financing activities	(2,375)	(9,030)	10,311	(23,198)	
Cash and cash equivalents	22,711	27,500	20,118	23,895	

Business Results

Overview of 2Q The Fiscal Year 2019(Ending March 31, 2020)

1. Summary of Business Results

(Millions of Yen)

	2Q FY2018 (Results)	2Q FY2019		Year-on-Year Change	Results vs. Targets
		(Results)	(Targets)		
Net sales	77,334	84,197	85,800	+8.9%	(1.9%)
Operating income	6,074	8,501	8,000	+39.9%	+6.3%
Ordinary income	6,507	8,750	8,000	+34.5%	+9.4%
Net income	3,998	5,499	5,000	+37.6%	+10.0%

The Japanese economy during the six-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. However, the future outlook is unclear due to concerns over the impact of trade issues on the world economy and other factors. Under these circumstances, net sales were JPY 84,197 million (+8.9% yoy), operating income was JPY 8,501million (+39.9% yoy), ordinary income was JPY 8,750 million (+34.5% yoy), and net income attributable to owners of parent was JPY 5,499 million (+37.6% yoy). This is thanks to business contribution of the revenue from hotel management at “Laguna Baycourt Club” which opened in March 2019, continuing growth of Medical Operations and Senior Lifestyle Operations, and strong sales of hotel memberships centering on those of existing hotels with high margins.

2. Summary of Business Segments

[Membership Operations]

(Millions of Yen)

	2Q FY2018 (Results)	2Q FY2019		Year-on-Year Change	Results vs. Targets
		(Results)	(Targets)		
Net sales	19,204	22,164	19,830	+15.4%	+11.8%
Operating income	4,901	8,147	6,980	+66.2%	+16.7%

Membership Operation Segment recorded higher sales and higher income led by strong sales of hotel memberships centering on those of existing hotels despite the negative factor that no new hotels opened during the six-month period under review, whereas real estate profits in line with the opening of new hotels were recorded as a lump sum in the same period of the previous year.

[Hotel and Restaurant Operations]

(Millions of Yen)

	2Q FY2018 (Results)	2Q FY2019		Year-on-Year Change	Results vs. Targets
		(Results)	(Targets)		
Net sales	40,799	42,167	45,420	+3.4%	(7.2%)
Operating income	2,401	1,478	1,970	(38.5%)	(25.0%)

Hotel and Restaurant Operation Segment recorded increased sales but lower income. Although the revenue from hotel management at “Laguna Baycourt Club” which opened in March 2019 contributed to revenue, lower income was attributable to increases in expenses related to preparation for opening non-membership hotels and upfront expenses for digitization to improve productivity and for promotion of diverse workstyles, such as an increase in the number of holidays including mandatory taking of paid leave, and increases in expenses for facility repairs and depreciation.

[Medical Operations]

(Millions of Yen)

	2Q FY2018 (Results)	2Q FY2019		Year-on-Year Change	Results vs. Targets
		(Results)	(Targets)		
Net sales	16,997	19,532	20,240	+14.9%	(3.5%)
Operating income	2,955	3,040	3,080	+2.9%	(1.3%)

Medical Operation Segment increased sales and income, due to an increase in annual fees, etc. in line with an increased number of memberships of “Grand HIMEDIC Club,” a comprehensive medical support club, in addition to an increase in the number of senior residences operated by the Group and expansion of the medical examination business, etc.

[Others]

(Millions of Yen)

	2Q FY2018 (Results)	2Q FY2019		Year-on-Year Change	Results vs. Targets
		(Results)	(Targets)		
Net sales	333	332	310	(0.1%)	+7.3%
Operating income	223	255	250	+14.2%	+2.3%

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)

	2Q FY2018 (Results)	2Q FY2019 (Results)
Operating cash flows	(5,132)	(1,302)
Investing cash flows	9,191	(12,785)
Financing cash flows	(9,030)	10,311
Cash and cash equivalents	27,500	20,118

4. Outlook for the Fiscal Year 2019(Ending March 31, 2020)

(Millions of Yen)

	FY2018 (Results)	FY 2019 (Targets)	Year-on-year Change
Net sales	179,542	171,400	(4.5%)
Operating income	18,877	16,000	(15.2%)
Ordinary income	19,528	16,000	(18.1%)
Net income	12,358	10,000	(19.1%)

Regarding the future economic climate of Japan, the Company expects the moderate recovery trend of the Japanese economy to continue. However, the business environment is likely to remain unclear in light of various concerns about the political situation in Japan and overseas.

Regarding the trends of the tourism industry, in the runup to major events, including the recent “Golden Week of 10 straight public holidays” from late April to the beginning of May, the “Rugby World Cup 2019, Japan,” and “Tokyo 2020 Olympic and Paralympic Games” and in order to expand inbound tourism, improvement of the environment for tourism in Japan is being promoted, which is expected to lead to greater business opportunities and market expansion. On the other hand, labor shortages, owing to population aging combined with a declining birth rate and a decrease in the working population, are an urgent issue. With the aim of establishing tourism as a key industry, the Japanese government is implementing various tourism policies to enable women and the elderly to actively participate, facilitate the acceptance foreign workers, and so forth.

Amid such an environment, the Company Group established and has been implementing “Connect 50: Together for a wonderful life,” its medium-term management plan targeting the five years from April 2018 to March 2023. In this medium-term management plan, we emphasize “group management” to realize a more solid and high-grade Group brand through efforts aimed at making the most of Group synergy effects while firmly protecting the unique brand established in our businesses. Through this approach, we aim to become a group with close membership ties that endure for a “lifetime” by being attentive so that our customers can stay healthy and enjoy a better quality of life for longer. As key measures for achieving this goal, we will vigorously invest in education and training to develop “brand employees,” who embody the Group’s management principles and are capable of making the optimum proposals to customers. We will also invest in digitization to achieve workstyle reform so as to improve productivity by establishing a working environment where employees have more time to attend to customers and thereby work becomes a source of pleasure and vitality for them. In the years ahead, drawing on the know-how we have cultivated in our tailor-made, high-value-added services that capitalize on “the characteristics of the membership system,” which is a strength of the Group, and robust connections with our customers, while continuing to create further added value, we will seize extensive business opportunities related to the “travel” and “health” fields and engage more vigorously in activities targeting these 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, social and governance” and maintaining sustainable growth-oriented management.

Under these circumstances, regarding the forecast for the full year ending March 31, 2020, “Laguna Baycourt Club,” which opened in March 2019, will operate throughout the year. 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, including “Trust Garden Ogikubo” scheduled to open in August 2019, medical examination business and business related to sale of goods including cosmetics and supplements is also expected. On the other hand, upfront investment, such as expenses for preparation for openings, will be required for “Hotel Trusty Premier Nihonbashi Hamacho” and “Hotel Trusty Premier Kumamoto,” which are scheduled to open in September and October, 2019, respectively. Moreover, although the Company Group realized deferred real estate profits as a lump sum upon the start of full operation of membership hotels in the fiscal year ended March 31, 2019, no new membership hotels are scheduled to open in the fiscal year ending March 31, 2020. Thus, the Company Group forecasts net sales will decrease 4.5% year-on-year to 171,400 million yen, operating income will decrease 15.2% year-on-year to 16,000 million yen, ordinary income will decrease 18.1% year-on-year to 16,000 million yen, and net income attributable to owners of parent will decrease 19.1% year-on-year to 10,000 million yen.

We forecast annual dividends of 46 yen, unchanged from the amount for the fiscal year ended March 31, 2019.

Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	FY 2018 (as of Mar. 31, 2019)	2Q FY 2019 (as of Sept. 30, 2019)
Assets		
Current assets		
Cash and deposits	26,742	19,932
Notes and accounts receivable - trade	8,891	10,554
Operating loans	46,623	50,066
Securities	4,647	3,564
Merchandise	1,082	1,109
Real estate for sale	30,049	24,971
Raw materials and supplies	1,429	1,017
Real estate for sale in process	11,845	12,097
Other	5,380	6,334
Allowance for doubtful accounts	(937)	(1,004)
Total current assets	135,754	128,644
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	101,777	101,913
Machinery, equipment and vehicles, net	2,889	2,858
Golf courses	7,591	7,591
Land	38,649	43,863
Leased assets, net	6,227	14,212
Construction in progress	17,920	20,752
Other, net	4,945	4,567
Total property, plant and equipment	180,001	195,759
Intangible assets		
Goodwill	3,637	3,392
Software	4,534	5,321
Other	3,634	2,576
Total intangible assets	11,806	11,290
Investments and other assets		
Investment securities	43,599	43,534
Shares of subsidiaries and associates	1,313	1,320
Long-term loans receivable	6,120	6,000
Retirement benefit asset	725	650
Deferred tax assets	8,234	7,971
Other	14,624	17,876
Allowance for doubtful accounts	(755)	(628)
Total investments and other assets	73,862	76,725
Total non-current assets	265,671	283,775
Total assets	401,426	412,420

(Millions of yen)

	FY 2018 (as of Mar. 31, 2019)	2Q FY 2019 (as of Sept. 30, 2019)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	1,471	1,425
Short-term borrowings	5,000	17,511
Current portion of long-term borrowings	1,839	1,789
Current portion of bonds	250	200
Lease obligations	875	1,187
Accounts payable - other	22,389	6,869
Income taxes payable	3,608	3,094
Accrued consumption taxes	997	1,113
Advances received	12,209	16,369
Unearned revenue	14,327	13,789
Provision for loss on guarantees	63	61
Other	7,731	8,484
Total current liabilities	70,764	71,896
Non-current liabilities		
Bonds payable	450	375
Bonds with share acquisition rights	29,813	29,792
Long-term borrowings	39,123	38,229
Lease obligations	5,806	14,091
Deferred tax liabilities	638	684
Provision for retirement benefits for directors (and other officers)	2,133	2,065
Provision for stocks payment	1,697	1,790
Retirement benefit liability	1,959	2,111
Long-term guarantee deposits	32,757	32,331
Amortizable long-term guarantee deposits received	68,838	66,866
Other	15,392	17,458
Total non-current liabilities	198,611	205,797
Total liabilities	269,375	277,694
Net assets		
Shareholders' equity		
Share capital	19,590	19,590
Capital surplus	22,192	22,192
Retained earnings	86,144	89,151
Treasury shares	(1,852)	(1,809)
Total shareholders' equity	126,074	129,124
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	821	822
Foreign currency translation adjustment	858	362
Remeasurements of defined benefit plans	(323)	(276)
Total accumulated other comprehensive income	1,355	908
Share acquisition rights	292	313
Non-controlling interests	4,326	4,378
Total net assets	132,050	134,725
Total liabilities and net assets	401,426	412,420

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

(Millions of yen)

	2Q FY 2018 (Apr. 1, 2018 - Sept. 30, 2018)	2Q FY 2019 (Apr. 1, 2019 - Sept. 30, 2019)
Net sales	77,334	84,197
Cost of sales	13,022	13,893
Gross profit	64,312	70,303
Selling, general and administrative expenses		
Salaries and bonuses	22,244	23,613
Provision for retirement benefits for directors (and other officers)	170	63
Repair and maintenance expenses	1,721	2,092
Provision of allowance for doubtful accounts	62	74
Utilities expenses	2,808	3,019
Depreciation	4,120	4,733
Other	27,109	28,205
Total selling, general and administrative expenses	58,237	61,802
Operating profit	6,074	8,501
Non-operating income		
Interest income	847	661
Dividend income	36	36
Amortization of negative goodwill	60	-
Share of profit of entities accounted for using equity method	5	7
Foreign exchange gains	19	-
Reversal of allowance for doubtful accounts	66	131
Reversal of provision for loss on guarantees	-	1
Other	146	133
Total non-operating income	1,181	972
Non-operating expenses		
Interest expenses paid on loans and bonds	351	280
Provision for loss on guarantees	52	-
Guarantee charge of unearned revenue	23	12
Nondeductible consumption tax	259	255
Foreign exchange losses	-	114
Other	60	59
Total non-operating expenses	747	722
Ordinary profit	6,507	8,750

[Consolidated Statements of Income]

(Millions of yen)

	2Q FY 2018 (Apr. 1, 2018 - Sept. 30, 2018)	2Q FY 2019 (Apr. 1, 2019 - Sept. 30, 2019)
Extraordinary income		
Gain on sales of non-current assets	144	-
Gain on sales of investment securities	504	2
Gain on sales of shares of subsidiaries and associates	4	-
Other	9	-
Total extraordinary income	663	2
Extraordinary losses		
Loss on retirement of non-current assets	20	5
Impairment loss	104	-
Loss on sales of investment securities	495	-
Retirement benefits for directors (and other officers)	40	30
Other	23	0
Total extraordinary losses	684	36
Profit before income taxes	6,487	8,717
Income taxes - current	2,139	2,811
Income taxes - deferred	204	287
Total income taxes	2,343	3,098
Profit	4,143	5,618
Profit attributable to non-controlling interests	144	118
Profit attributable to owners of parent	3,998	5,499

[Consolidated Statements of Comprehensive Income]

(Millions of yen)

	2Q FY 2018 (Apr. 1, 2018 - Sept. 30, 2018)	2Q FY 2019 (Apr. 1, 2019 - Sept. 30, 2019)
Profit	4,143	5,618
Other comprehensive income		
Valuation difference on available-for-sale securities	215	1
Foreign currency translation adjustment	(1,278)	(495)
Remeasurements of defined benefit plans, net of tax	(2)	47
Total other comprehensive income	(1,065)	(446)
Comprehensive income	3,077	5,171
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,931	5,052
Comprehensive income attributable to non-controlling interests	145	119

(3) Consolidated Statements of Cash Flows

(Millions of yen)

	2Q FY 2018 (Apr. 1, 2018 - Sept. 30, 2018)	2Q FY 2019 (Apr. 1, 2019 - Sept. 30, 2019)
Cash flows from operating activities		
Profit before income taxes	6,487	8,717
Depreciation	4,678	5,278
Impairment loss	104	-
Amortization of goodwill (negative goodwill)	240	292
Increase (decrease) in allowance for doubtful accounts	(4)	(59)
Increase (decrease) in retirement benefit liability	120	261
Increase (decrease) in provision for retirement benefits for directors (and other officers)	(35)	(67)
Interest and dividend income	(883)	(698)
Interest expenses on borrowings and bonds	351	280
Foreign exchange losses (gains)	(16)	325
Decrease (increase) in trade receivables	(1,981)	(4,816)
Decrease (increase) in inventories	(63)	4,401
Increase (decrease) in trade payables	(10)	(39)
Increase (decrease) in accounts payable - other	(6,968)	(11,875)
Increase (decrease) in advances received	1,867	4,179
Increase (decrease) in long-term guarantee deposits received	(2,290)	(2,397)
Increase (decrease) in accrued consumption taxes	(801)	170
Other, net	(2,401)	(2,374)
Subtotal	(1,607)	1,576
Interest and dividends received	1,032	699
Interest paid	(373)	(262)
Income taxes paid	(4,183)	(3,315)
Net cash provided by (used in) operating activities	(5,132)	(1,302)

(Millions of yen)

	2Q FY 2018 (Apr. 1, 2018 - Sept. 30, 2018)	2Q FY 2019 (Apr. 1, 2019 - Sept. 30, 2019)
Cash flows from investing activities		
Payments into time deposits	(3,020)	(10)
Proceeds from withdrawal of time deposits	77	3,010
Proceeds from sales and redemption of securities	2,890	1,076
Purchase of investment securities	(0)	(0)
Proceeds from sales and redemption of investment securities	20,173	59
Purchase of shares of subsidiaries and associates	(4)	-
Proceeds from sales of shares of subsidiaries and associates	14	-
Purchase of property, plant and equipment and intangible assets	(10,221)	(9,229)
Loan advances	(530)	(18)
Collection of loans receivable	91	83
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-	(6,876)
Other, net	(279)	(878)
Net cash provided by (used in) investing activities	9,191	(12,785)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	4,954	12,452
Proceeds from long-term borrowings	5,771	-
Repayments of long-term borrowings	(16,377)	(944)
Redemption of bonds	(2,625)	(125)
Purchase of treasury shares	(0)	(0)
Proceeds from disposal of treasury shares	207	-
Dividends paid	(2,492)	(2,492)
Dividends paid to non-controlling interests	-	(75)
Other, net	1,531	1,496
Net cash provided by (used in) financing activities	(9,030)	10,311
Effect of exchange rate change on cash and cash equivalents	2	(0)
Net increase (decrease) in cash and cash equivalents	(4,969)	(3,776)
Cash and cash equivalents at beginning of period	32,469	23,895
Cash and cash equivalents at end of period	27,500	20,118

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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