



Resorttrust, Inc.

Q2 Financial Results Briefing for the Fiscal Year Ending March 2021

November 11, 2020

Event Summary

[Company Name]	Resorttrust, Inc.	
[Company ID]	4681-QCODE	
[Event Language]	JPN	
[Event Type]	Earnings Announcement	
[Event Name]	Q2 Financial Results Briefing for the Fiscal Year Ending March2021	
[Fiscal Period]	FY2020 Q2	
[Date]	November 11, 2020	
[Number of Pages]	22	
[Time]	11:00 – 11:44 (Total: 44 minutes, Presentation: 20 minutes, Q&A: 24 minutes)	
[Venue]	Dial-in	
[Venue Size]		
[Participants]		
[Number of Speakers]	2	
	Ariyoshi Fushimi	President
	Hitomi Yagi	General Manager, Investor Relations Division
[Analyst Names]*	Hirofumi Oda	SMBC Nikko Securities Inc.
	Junko Yamamura	Nomura Securities Co., Ltd.

*Analysts that SCRIPTS Asia was able to identify from the audio who spoke during Q&A.

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Presentation

Operator: Thank you for standing by. Welcome to the financial results briefing conference call of Resorttrust, Inc. for the second quarter of the fiscal year ending March 31, 2021.

Please go ahead, Ms. Yagi.

Yagi: Hello. This is Yagi from IR of Resorttrust. Thank you very much for taking time out of your busy schedule today to join us on the financial results briefing conference call for the second quarter of the fiscal year ending March 2021. You can find the presentation material, "Financial Results Presentation for the second quarter of the fiscal year ending March 2021," on TDnet, which was uploaded at 4:00 PM on November 10. Please have it ready at hand. We will proceed mostly by following the presentation material.

We have revised the full-year forecast for the fiscal year ending March 2021, and Fushimi, President, will explain about it.

Financial Highlights 2Q FY2020

(April to September)



(Million yen)

	2020/9 (results)	2019/9 (results)	YoY Difference
Net Sales	86,276	84,197	+2.5%
Operating Income	9,980	8,501	+17.4%
Ordinary Income	11,159	8,750	+27.5%
Net Income	5,696	5,499	+3.6%

<YoY Difference>

- The declaration of a state of emergency, subsequent closure of facilities, self-restraint from personal consumption due to the spread of COVID-19 largely impacted various businesses including hotel operation, membership sales, and operation of health checkup facilities. In the second quarter, however, real estate profits that had been deferred were realized as YOKOHAMA BAYCOURT CLUB opened, sales activities centered on membership businesses remained resilient even in the midst of the COVID-19 crisis, and occupancy rates at membership hotels got on a recovery track. In addition, there followed support from the "Go to Travel Campaign." As a result, the Company recorded higher sales, higher operating income, higher ordinary income, and higher net income.
- In light of these circumstances, we have announced 『Notice of Revision of the Financial Results Forecast, Payment of a Dividend of Surplus (Interim Dividend), and Revision of the Dividend Forecast』 in a press release dated today, November 10, 2020.

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

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Please turn to page two of the presentation material.

The results for the second quarter of the current fiscal year were net sales of JPY86.276 billion, operating income of JPY9.98 billion, ordinary income of JPY11.159 billion, and net income of JPY5.696 billion.

In the first quarter, the declaration of a state of emergency was issued accompanying the spread of COVID-19, which had a major impact on suspensions of hotels and medical checkup facilities, hotel operations, and

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membership sales. However, in Q2, real estate revenues from the opening of Yokohama Baycourt Club were realized, and sales of hotel memberships were strong. Sales rose by approximately JPY2.1 billion YoY, partly due to GoTo Travel Campaigns, amid recovery in operations of membership hotels. Operating income increased by approximately JPY1.5 billion.

Some subsidy income was recorded in non-operating income, amounting to JPY980 million, resulting in an increase in ordinary income of JPY2.4 billion from the previous year.

In addition, an extraordinary loss of JPY3.542 billion was recorded as the loss due to COVID-19. The facilities were closed under the declaration of a state of emergency in the first quarter, and the amount equivalent to the fixed cost burden, such as personnel expenses and rent, incurred during this period was recorded at JPY2.9 billion. Similarly, in Q2, the equivalent value of the Kahala Hotel & Resort in Hawaii, which is about approximately JPY600 million, was added.

In addition, JPY1.5 billion of subsidy income was recorded as extraordinary income during the down period. Due to these factors, net income increased by approximately JPY200 million.

Segment Sales and Operation Income 2Q FY2020

(April to September)

<Sales> (Million yen)

	Membership	Hotel and Restaurant	Medical	Other		Total
2020/9 (results)	42,036	25,143	18,764	333		86,276
2019/9 (results)	22,164	42,167	19,532	332		84,197
YoY Change	89.7%	(40.4%)	(3.9%)	+0.1%		+2.5%

<Operating Income> (Million yen)

	Membership	Hotel and Restaurant	Medical	Other	Overhead expenses	Total
2020/9 (results)	14,390	(3,181)	2,515	254	(3,998)	9,980
2019/9 (results)	8,147	1,478	3,040	255	(4,420)	8,501
YoY Change	+76.6%	(4,659)	(17.3%)	(0.4%)	+421	+17.4%

"YoYChange" is the difference in the amount.

<Reference: EBITDA > (Million yen)

	Membership	Hotel and Restaurant	Medical	Other	Overhead expenses	Total
2020/9 (results)	14,412	(761)	3,345	415	(3,053)	14,359
2019/9 (results)	8,171	4,515	3,840	422	(3,423)	13,527
YoY Change	+76.4%	(5,276)	(12.9%)	(1.7%)	+370	+6.2%

*Segment operating income before depreciation (=EBITDA) is calculated as the sum of operating income, depreciation and Amortization of goodwill.

"YoYChange" is the difference in the amount.

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Please turn to page three. I will explain the segments.

In the Membership Business Segment, net sales were JPY42.036 billion, and operating income was JPY14.39 billion. Sales of Yokohama Baycourt Club, which opened in September, were strong, and sales advanced to 88% of the contract value, which is a record high. In the current fiscal year, the opening of Yokohama Baycourt Club contributed to sales of JPY20.1 billion and income of JPY7.1 billion for the realized deferred profit of the sales made until the end of the previous fiscal year, resulting in YoY increases in sales of JPY19.8 billion and operating income of JPY6.2 billion.

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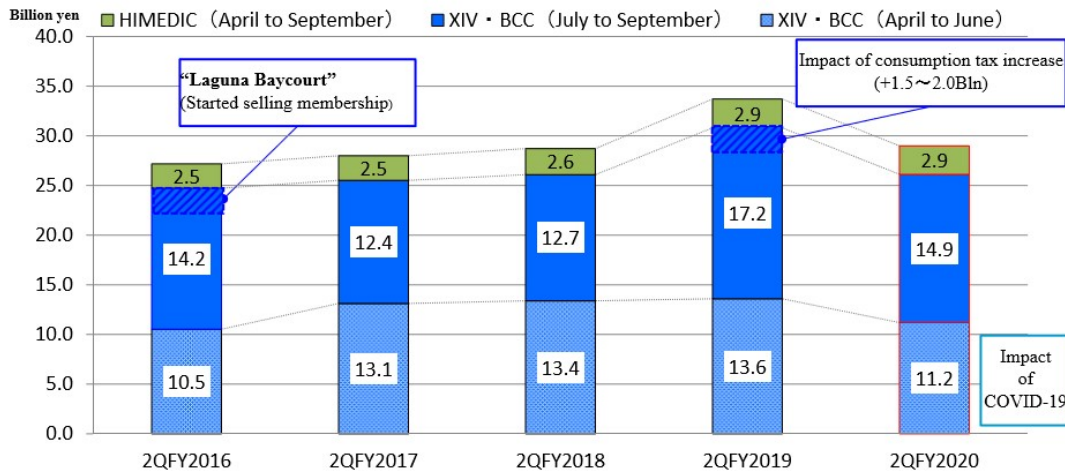
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Progress of contract values for six months



• Contract values of hotel memberships declined during the period of April-June from the previous year due to partially reduced sales activities following the declaration of a state of emergency.
 During the period of July-September, however, they maintained about the same level as the previous year if the impact of the consumption tax hike in the previous year (approx. 1.5 to 2.0 billion yen) was factored in.
 • Contract values of HIMEDIC memberships were solid throughout the first half, maintaining almost the same level as the previous year, which saw a record high for the full year.



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Please turn to page four. The graph shows the contract amounts for the first half of the fiscal years beginning in 2016.

The contract value increased every fiscal year, but in the current fiscal year, some sales activities were curtailed due to the impact of COVID-19. As a result, the contract value of hotel memberships declined by about 15% from the previous fiscal year.

In the three months of the second quarter, the figure was JPY14.9 billion, as shown in the middle part of the graph. JPY17.2 billion in the previous fiscal year includes the deposits of JPY1.5 billion to JPY2 billion due to the last-minute demand before the consumption tax hike. Excluding this amount, it is about 95% of that of last year, which is very close to the last year's level.

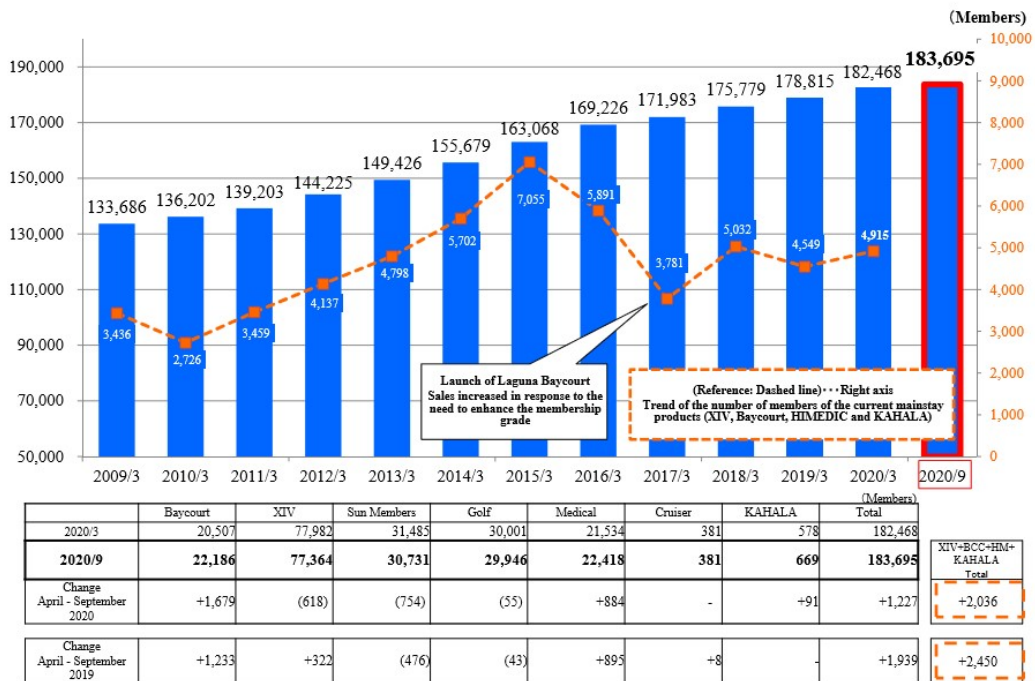
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Number of Members



*For cases in which members are in possession of multiple memberships, each of the memberships is counted as one member

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Page five of the material shows the trend in the number of members.

The number of members at the end of September was 183,695, an increase of 1,227 from the end of March.

Although membership growth was limited in the first quarter due to sales activities centered on existing members, from July onward the sales rate to new members was around 50% of the number of members, returning to the normal level.

Next, I will discuss the Hotel and Restaurant Segment. Please turn to page three.

Loss of JPY25.143 billion in sales and JPY3.181 billion in operating income. Sales decreased by JPY17 billion and operating income decreased by JPY4.6 billion compared with the previous fiscal year.

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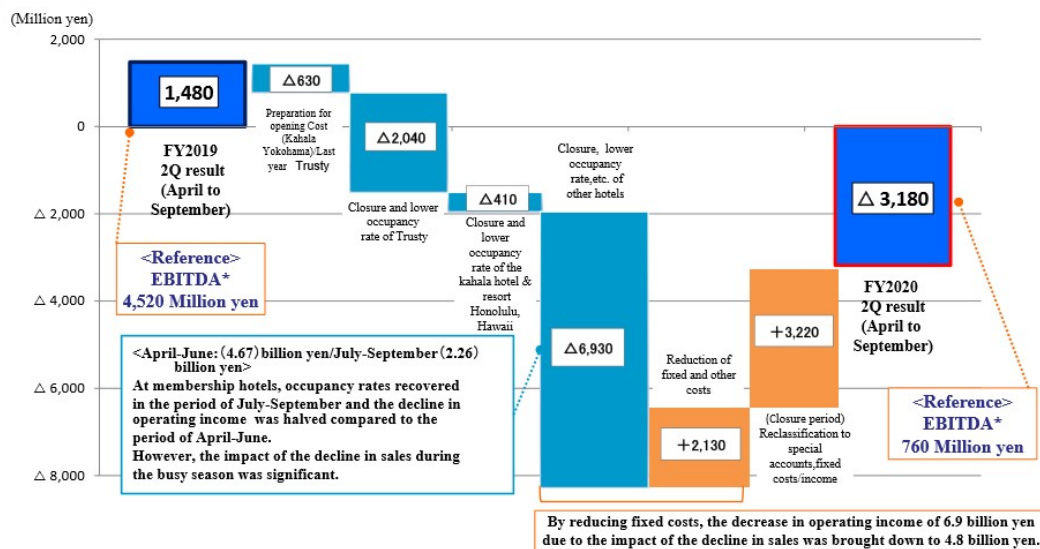
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Hotel and Restaurant Segment's Operating Income for 2Q FY2020 (compared with the same period of the previous FY)

• In FY2020, operating income sharply declined due to the spread of COVID-19. Owing to the closure of facilities from the Golden Week to May/June (many reopened in June), applicable fixed costs (and income during the corresponding period: annual fees and income from amortization of deposits) were recorded under extraordinary losses/income. In addition, expenses centering on fixed costs were reduced.



*Segment operating income before depreciation (=EBITDA) is calculated as the sum of operating income, depreciation and Amortization of goodwill.

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Please turn to page six. This page shows increase or decrease of operating income in the Hotel and Restaurant Segment, compared with the previous fiscal year.

Due to the impact of COVID-19, sales decreased due to the closure of facilities. As a result, operating income decreased by JPY2 billion at Hotel Trusty, a non-membership hotel. Since the Kahala Hotel & Resort located in Hawaii will be consolidated in three months, it was not in the operation in the covered period from April to June, resulting in a reduction of approximately JPY400 million.

Operating income from membership hotels declined by JPY6.9 billion. However, customers began to return to resort hotels around July due to the growing need for safe and secure resort hotels. From April to June, operating income declined by JPY4.7 billion, while from July to September, operating income declined by only JPY2.2 billion.

In addition, we continued to reduce outsourcing costs and other fixed costs, resulting in a profit improvement of approximately JPY2.1 billion. In addition, fixed costs and other expenses during the suspension of operations were transferred to extraordinary losses, resulting in a loss of JPY3.18 billion.

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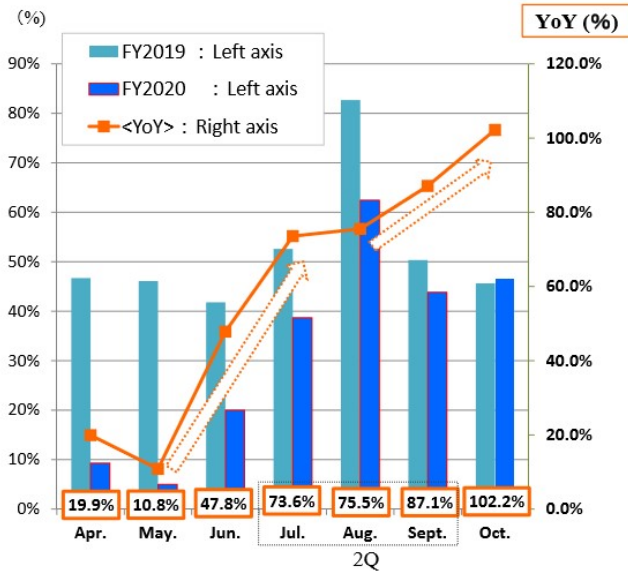
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Trends in Hotel occupancy rate by months

Monthly occupancy rates of XIV, Baycourt, Trusty brands were compared. As the number of rooms during the closure period is included in the denominator, the occupancy rates saw the biggest drop in May when there were many days of business suspension (80 to 90% lower than the previous year). Subsequently, the usage by membership holders mostly recovered in July and August, and since September, in particular, the recovery pace accelerated with the support of the "Go to Travel Campaign." As the return of business and inbound customers to Trusty is less likely for the time being, efforts have been strengthened to improve profitability.

XIV occupancy rate * The denominator includes the number of rooms at facilities during the closure



- The occupancy rate largely fell as most facilities were forced to shut operations after a state of emergency was declared in April.
- Many facilities resumed operations in June, and in July, the occupancy rate returned to a level of about 30% lower than the previous year owing primarily to usage by owners.
- As the infections began to spread again in mid-July, the recovery pace decelerated temporarily in August. Since September, however, the occupancy rate was supported by the full-scale sales of the "Go to Travel Campaign" plans, and in October it exceeded the previous year. (The figure for October of the previous year includes the impact of the typhoon.)

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Next, we disclose monthly occupancy rates. Please turn to page seven.

This graph shows the occupancy rate of XIV, but the bar graph shows the actual occupancy rate for the current and previous fiscal years. Line charts and percentages in the boxes show the YoY changes in occupancy rates from the previous fiscal year.

With the lowest being at 11% compared with the previous year in May, in July, traveling across the prefecture was unlocked, and the occupancy rate recovered to approximately 70% compared with the previous year. In August, it was temporarily halted because of the trend for spread of infection again, but it returned to 87% compared with the previous year in September, partly due to the support of the government-led GoTo Travel Campaign that began in late July. In October, the impact of typhoons was included last year, but in the current fiscal year, the occupancy rate exceeded that of the previous year.

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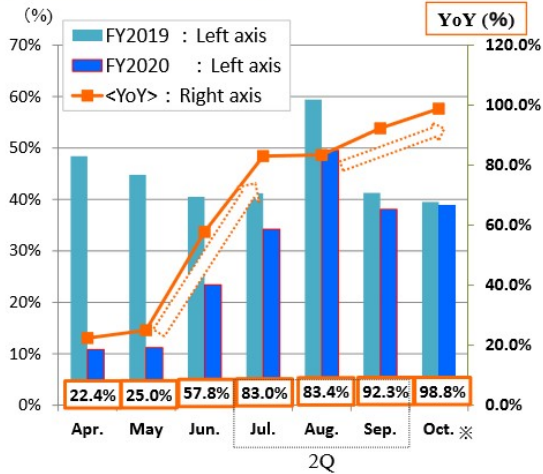
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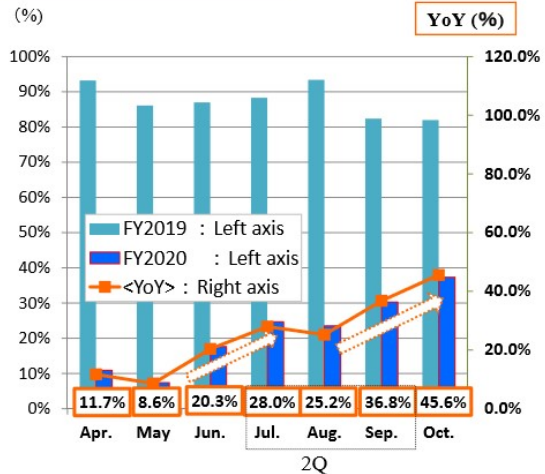
Trends in Hotel occupancy rate by months②

Baycourt occupancy rate * The denominator includes the number of rooms at facilities during the closure.



•Like XIV, the occupancy rate largely fell after a state of emergency was declared in April. Subsequently, it returned to about 80% of the previous year in July and was about the same as the previous year in October.
(Including YOKOHAMA BAYCOURT CLUB from September 23 onward. Number of occupied rooms in October increased 23% year on year.)

Hotel Trusty occupancy rate * The denominator includes the number of rooms at facilities during the closure.



•The recovery pace was moderate, but the occupancy rate rose gradually, with the exception of August, when the infections spread again. While tourism demand is becoming somewhat active at the moment, business demand is sluggish, and new efforts have been rolled out such as long-term stay plans.

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Please turn to page eight. The occupancy rate of Baycourt is the same as that of XIV, but Yokohama Baycourt Club opened on September 23, and the occupancy rate in October recovered by 98% from the previous year. However, the number of occupied rooms increased to 123% from the previous year, showing a steady trend.

On the other hand, the occupancy rate of the Hotel Trusty series, which is a non-membership hotel, is gradually recovering, although the situation is still severe.

We have also launched measures to promote the use of Resorttrust Group Point Club, launched long-term stay plans, and are considering other formats.

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<Reference>
Operations by category 2Q FY2020 (April to September)



<HOTEL>

Number of overnight visitors (Thousands)

	2018/9 results	2019/9 results	2020/9 results
XIV	986	987	536
Sun Members	210	212	39
Hotel Trusty	349	348	90
Baycourt	105	152	90

Occupancy rates (%)

	2018/9 results	2019/9 results	2020/9 results
XIV	52.7	52.9	29.7
Sun Members	58.3	61.8	13.1
Hotel Trusty	91.1	88.3	18.8
Baycourt	46.2	46.0	28.0

<Reference>

2020/9 results (operating only)
36.4
20.2
21.2
29.4

* The denominator excludes the number of rooms at facilities during the closure.

Spending per visitor (yen)

	2018/9 results	2019/9 results	2020/9 results
XIV	18,380	17,857	19,039
Sun Members	10,920	11,273	10,238
Hotel Trusty	9,654	9,314	9,487
Baycourt	33,142	31,497	31,372

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The hotel management status by category, such as the hotel occupancy rate, is shown on page 27. Please refer to it later.

Next, we will move to the Medical Business. Please return to page three.

Cumulative Q2 results are net sales of JPY18.764 billion and operating income of JPY2.515 billion. Compared with the previous fiscal year, both sales and profits declined, with net sales down approximately JPY800 million and operating income down approximately JPY500 million.

Last year, sales of research equipment for BNCT of cutting-edge cancer therapies were recorded, with net sales of approximately JPY1.4 billion and income of approximately JPY200 million. However, as there were no sales in the current fiscal year, excluding this one-time revenue, net sales increased from the previous fiscal year.

Sales of Himedic Club Memberships remained almost unchanged from the previous fiscal year, while Senior-Life Business saw a contribution from the increase in facilities due to M&A in the previous fiscal year. However, operating income was affected by the impact of COVID-19, which limited new tenant recruitment for senior facilities and caused the closure of general medical checkup facilities in the first quarter.

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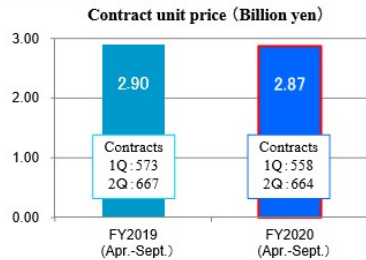


Progress of Medical business



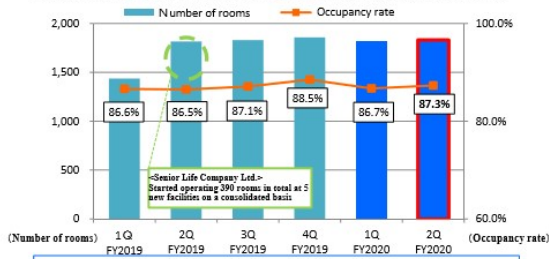
◆Sales of HIMEDIC memberships remained favorable in 1Q FY2020. Non-membership health check-ups were affected by the closure of clinics due to the COVID-19 spread, but are recovering currently. Member privilege programs were rolled out for new occupants at facilities for the elderly.

◆ HIMEDIC sales <YoY>



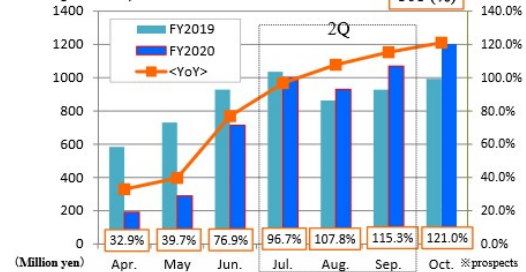
Needs were strong even during the COVID-19 crisis, maintaining the previous year's level of membership sales.

◆ Quarterly trends of occupied rooms in Senior Lifestyle Business



The occupancy rate dropped during the period of April-June as the COVID-19 crisis made admission of new occupants and room renovations difficult. During the period of July-September, however, it trended slightly higher.

◆ Result of non-membership health check-ups (Shinkokai Medical Corporation)<YoY>



Income declined due to the facility closure during 1Q. In 2Q, however, since August, it returned to the level higher than the previous year.

◆ Launch of Nihonbashi Muromachi Mitsui Tower Midtown Clinic in May, 2020

Location: 7th floor, Nihonbashi Muromachi Mitsui Tower, 3-2-1 Nihonbashi Muromachi, Chuoku, Tokyo

<Medical Service corporate business>
Each department of Nihonbashi Muromachi Mitsui Tower Midtown Clinic, which conducts health check-ups for corporate clients and general outpatient treatments for internal medicine, gradually started providing services from May 2020, while implementing thorough measures to prevent COVID-19. HM medical examination launched on the same floor in June.



HIMEDIC Private Room 9

Please turn to page nine.

In sales of Himedic memberships, despite some restraints on activities due in part to the declaration of emergencies, demand from customers was firm, and the contract value was JPY2.9 billion, the same level as the previous fiscal year, which marked a record high for the full fiscal year.

Meanwhile, the number of clinics that conduct general medical checkups has been gradually recovering, and since August it has trended above the previous year's level. Currently, we are responding to this situation by, for example, increasing operations outside of normal hours.

With regard to Senior-Life Business, recruitment of new senior residents was difficult due to the impact of the spread of COVID-19, but recruitment of new tenants was also gradually resumed. As of the end of September, the occupancy rate improved 0.6 % from the end of June to 87.3%.

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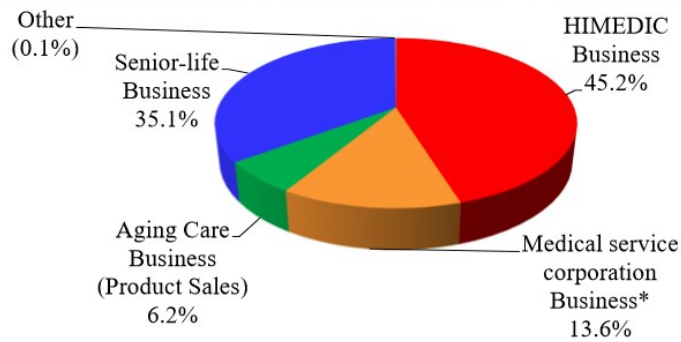
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<Reference>

Sales of Medical Segment 2Q FY2020 (April to September)



	2019/9 results	2020/9 results
HIMEDIC Business	8,490	8,211
Medical service corporation Business*	2,549	3,043
Aging Care Business(Product Sales)	1,157	1,282
Senior-life Business	6,587	5,645
Other	(19)	1,347
Total	18,764	19,532

※Operation support for general medical service business, etc.

<Senior residences and private nursing homes>

	2019/9 results	2020/9 results
Occupancy rates(%)	87.3	86.5
number of rooms	2,100	2,100

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Please refer to page 28 for net sales and other information of the Medical Segment by business.

In addition, we have been able to curtail overhead expenses at the head office and other locations by approximately JPY400 million compared to the previous year by improving organizational efficiency and reducing costs.

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Consolidated Balance Sheets



	2020:3	2020:9	Change		2020:3	2020:9	Change
Total current assets	125,296	133,906	+8,610	Total current liabilities	67,192	66,929	(263)
Cash and deposits	21,164	26,729	+5,565	Notes and accounts payable-trade	1,117	1,053	(64)
Notes and accounts receivable-trade	8,233	9,744	+1,510	Short-term loans payable	8,107	25,907	+17,799
Operating loans	53,549	54,076	+527	Current portion of bonds	150	150	-
Short-term investment securities	499	9,498	+8,999	Accounts payable-other and accrued expenses	15,632	16,922	1,289
Merchandise, raw materials and supplies	2,182	2,088	(93)	Advance received	22,028	2,730	(19,298)
Real estate for sale	22,077	22,354	+476	Other	20,155	20,165	+10
Real estate for sale in process	12,357	3,318	(8,839)	Total noncurrent liabilities	200,649	214,867	+14,218
Other	5,231	5,695	+464	Bonds payable and long-term loans payable	31,316	46,858	+15,542
Total noncurrent assets	275,537	285,260	+9,722	Long-term guarantee deposited	101,768	100,530	(1,238)
Property, plant and equipment, net	193,748	201,353	+7,605	Bonds with subscription rights to shares	29,770	29,749	(21)
Intangible assets	10,580	9,910	(670)	Other	37,793	37,728	(64)
Investments and other assets	71,208	73,996	+2,787	Total liabilities	267,842	281,796	+13,954
				Net Assets	132,991	137,369	+4,378
				Shareholders' equity	129,652	133,440	+3,788
				Treasury shares	(1,802)	(1,795)	+7
				Accumulated Other Comprehensive Income	(50)	613	+664
				Subscription rights to shares	313	313	-
				Non-controlling interests	4,878	4,797	(81)
Total assets	400,833	419,166	+18,332	Total liabilities and net assets	400,833	419,166	+18,332

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Please turn to page 10 of the material. Regarding the balance sheet, only major items will be explained.

I will talk about the assets. The assets increased by JPY18.3 billion mainly due to an increase in fixed assets associated with the opening of Yokohama Baycourt Club and Kahala Hotel & Resort Yokohama, as well as purchases of marketable securities.

The increase in investments and other assets was mainly due to changes in the fair value of receivables.

Regarding debt, due to the opening of Yokohama Baycourt Club, advances received from customers prior to the opening were transferred to real estate income, resulting in a decline of JPY19.3 billion. This was mainly due to the borrowing of JPY35 billion to secure stable funding in COVID-19.

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Consolidated Cash Flows 2Q FY2020

RHG
(April to September)

(Million yen)

	2019/9	2020/9
Cash flows from operating activities	(1,302)	(4,640)
Cash flows from investing activities	(12,785)	(22,764)
Cash flows from financing activities	10,311	32,999
Effect of exchange rate changes on cash and cash equivalents	(0)	(7)
Net increase (decrease) in cash and cash equivalents	(3,776)	5,586
Cash and cash equivalents at end of period	20,118	26,963

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Next, I would like to explain the Statement of Cash Flows on page 11 of the material.

Cash flow from operating activities decreased by JPY4.6 billion due to the payment of construction fees related to the subdivision parts of the membership hotel, Yokohama Baycourt Club.

On the other hand, net cash used in investing activities decreased by JPY22.7 billion due to payments for property of the Kahala Hotel & Resort Yokohama, a non-membership hotel, and purchases of marketable securities.

Cash flows from financing activities increased by JPY32.9 billion due to the payment of long-term debt and dividends.

As a result, cash equivalents at the end of the fiscal year increased by JPY5.5 billion to JPY26.963 billion.

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Business Forecast for FY2020



◆ Released “Revision of financial results forecast and the Dividend Forecast” on Nov.10th 2020.

<Consolidated Targets>

(Million yen)

	FY2019 results	FY2020 revision targets	Change
Net sales	159,145	16,500	+5,854
Operating income	11,652	11,000	(652)
Ordinary income	12,476	13,000	+523
Net income	7,135	6,200	(935)
Net income per share (yen)	66.65	57.91	(8.74)
Annual Cash dividend (yen)	40.00	25.00	(15.00)

<Operating Income by Segment (before allocation)>

(Million yen)

		FY2019 results	FY2020 revision targets	Change
Membership	Sales	38,948	63,200	+24,251
	Operating income	13,559	20,200	+6,640
Hotel and Restaurant	Sales	80,659	62,400	(18,259)
	Operating income	92	(6,600)	(6,692)
Medical	Sales	38,867	38,700	(167)
	Operating income	5,829	5,100	(729)
Other	Sales	670	700	+29
	Operating income	663	600	(63)
head office costs	Operating income	(8,491)	(8,300)	+191
Total	Sales	159,145	165,000	+5,854
	Operating income	11,652	11,000	(652)

<Net Sales / Operating Income >

• Realization of revenue deferred in the previous year (realization of the deferred revenue recorded upon opening of facilities, excluding revenue deferred during the year)
 FY2019: None
 FY2020: Net sales of 20.1 billion yen and operating income of 7.1 billion yen for Yokohama Baycourt Club

• Differences from start-up costs associated with the opening
 FY2019: HOTEL TRUSTY, etc.,
 FY2020: Yokohama Baycourt Club/KAHALA

• Increase in depreciation cost
 Yokohama Baycourt Club/KAHALA (following the opening), systems investment, etc.

• Increase in membership fees
 Yokohama Baycourt Club (following the opening), increased membership of HM and XIV

• Decrease in revenue from BNCT equipment
 FY2019: Net sales of 1.4 billion yen. Operating income of 0.2 billion yen.
 FY2020: None

• Fixed costs and other expenses incurred during the closure of the facilities will be recorded as extraordinary losses.
 FY2020: 3.5 billion yen
 (facility fixed costs/ fixed income including annual fees)

◆ Projections of the impact of COVID-19

• Assumptions of each indicator (YoY)

	1Q results	2Q results	Expected second half
Contract values of hotel memberships	about 20% fall	about 10% fall	about 5% fall
Contract values of HM memberships	same as the previous year	same as the previous year	about same as the previous
Number of occupied rooms of XIV/BCC	about 70% fall	about 20% fall	about same as the previous
Number of occupied rooms of Trusty	about 90% fall	about 70% fall	about 50% fall
Income for Medical Service Corporation Business	about 30% fall	same as the previous	about same as the previous
Overseas Hotel (Hawaii)	same as the previous year	about 90% fall	about 80% fall

※ Hotel occupancy rate for 4Q factors in the COVID-19 impact of the previous year

• In addition, fixed cost reduction and curtailment of variable costs are assumed
 • Unrespects that national emergency measures will be taken again.

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Next, please turn to page 14 of the material.

Yesterday, we announced revisions to our earnings and dividend forecasts for the fiscal year ending March 2021. Fushimi, President of the Company, will explain the outline.

Fushimi: This is Fushimi from Resorttrust. We have revised our full-year forecast for the first half of the fiscal year, which was just mentioned.

The revised target for net sales is JPY165 billion, compared to the initial target of JPY158 billion. The target for operating income is JPY11 billion, compared to the initial target of JPY6.3 billion. The target for ordinary income ranges from JPY7.8 billion to JPY13 billion. We have revised this revision in the form of net income of JPY3.2 billion to JPY6.2 billion.

As a whole, we have certainly benefited from GoTo in the second half of the fiscal year. Considering that the membership hotel in particular will add profits of about JPY1 billion on a YoY basis, it may seem that we can probably achieve the target for the second half of the fiscal year.

In fact, in the second half of this fiscal year, the deferral of maintenance and repairs from the first half will be JPY500 million, and in addition, the new amortization of Yokohama Kahala will be JPY600 million. In addition, there are JPY1.5 billion each for Hawaii and Trusty, both of which are still very challenging. The Trusty is also expected to be negative in the range of JPY500 million to JPY1 billion. Therefore, we are seeing some recovery in membership hotels, but as the situation is still unpredictable overall, we revised the targets in this manner.

Yagi: That's all for the presentation.

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Question & Answer

Yagi: We would now like to move on to the question-and-answer session. First, we will answer the questions that have been asked in advance.

The first question: Please explain the effects of the GoTo Campaign on occupancy rates, unit prices, and other factors.

Fushimi: With regard to the GoTo Campaign, frankly speaking, at the time of the last quarter's announcement, it was still unclear whether or not GoTo would be applicable to membership hotels. In fact, this became clear on August 20. Therefore, it had not been foreseeable at the time of the announcement.

Tokyo was not included in GoTo in September, and so it was about 90% excluding Tokyo. Including Tokyo, the total usage was 70%. However, Tokyo was also included in October, and now about 90% of the overall use is related to this GoTo.

In fact, since the beginning of this GoTo, in September, the unit price increased by JPY1,580 from the previous fiscal year, and since October, sales at shops have grown almost 130% compared to the previous fiscal year, thanks in part to common coupons.

Although we are still in the second half of the fiscal year, we expect to see a 3% to 4% increase in operating revenues, from JPY1.5 billion to JPY2 billion, and a little less than JPY1 billion in profits for the second half of the fiscal year.

Yagi: Next question. Please tell us about measures to sustain and further increase the membership hotel occupancy rate that increased due to GoTo even after the GoTo Campaign is ended.

Fushimi: As it stands, for GoTo, the current situation will surely continue from January to March, although it will depend on the state of expansion of COVID-19. Some would say that it may continue until Golden Week if it goes well but, in any case, I believe there will be a reaction when this GoTo is over.

This time, we set up campaigns before GoTo, including half-price tickets for room charges. I mentioned 90% earlier, of which about 10% use our own campaign. Regarding which is really profitable for the customer, I think the 35% discount plus coupon was very easy to understand.

Although we do not yet know whether it will be limited to members or limited to individually owned facilities after the end of this GoTo, we intend to continue our own campaign and firmly maintain the demand.

Yagi: Next question: Regarding resort memberships, are there any changes in customers' needs between the pre-COVID-19 and the present?

Fushimi: First of all, at the beginning of the second quarter, it was very often used by the individual members, and so the unit price was rising. In addition, Baycourt, except for Tokyo, tended to be increased in operation first because it was easy to get there without using public transportation as much as possible.

Also, it was partly because the number of restaurant seats was limited because of social distance, avoiding closeness. There were many users that stayed only with their families inside large rooms, taking meals inside the room, and taking baths also inside. The number of users that request for non-contact as much as possible, non-stop check-in/check-out, and such increased very much.

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We have made steady efforts to provide such services and systems, and I believe that we will continue to pursue measures for the future and plans for the future as a new normal.

Yagi: Next question: Can the Company return to profitability at hotels and restaurants in the next fiscal year? Will profits decline in the Membership Segment?

Fushimi: Regarding the Membership Segment, there is a JPY7 billion realization of deferred gains in the current fiscal year. In the next fiscal year, XIV will be the focus, with the new product, Takayama. There will also be deferral for that, and so, it will be about JPY10 billion after deduction. Since there will be a negative of JPY10 billion for the same contract value, I think this decline in profits can't be helped.

However, in the Hotel Division, dividing the hotels into three categories of membership hotels, non-membership hotels, and Hawaii, unfortunately in this fiscal year, all of these hotels are in the red.

Although I think it will be tough for Hawaii in the next fiscal year, I think that the membership hotels and non-membership hotels will be able to achieve a surplus, and, naturally, Hawaii will be able to turn favorably. We believe that the hotel as a whole will be sufficiently profitable.

Yagi: That is all for the questions received in advance. We now move on to the question-and-answer session with the instructions by the Operator. Thank you for your cooperation.

Operator: We will now begin the question-and-answer session. Please ask one question at a time, with up to two questions per person.

Please let me introduce the first person. Mr. Oda from SMBC Nikko Securities. Please go ahead.

Oda: Thank you very much. One question at a time.

First, please tell us about changes in customer needs due to COVID-19. I think the resort memberships and Himedic have some tailwinds due to this COVID-19.

In addition to this, hotel operation was mentioned earlier. Is this COVID-19 a change in customer needs or the potential for creating business opportunities? Could you tell us about the current situation around that and your thoughts on the future?

Fushimi: First of all, regarding memberships, the sense of security that the membership offers has been a positive effect.

The other is that many people choose our facilities with the membership system considering options inside Japan because overseas travel is difficult.

The same is true with regard to usage, but there is a need to spend relaxed time in a spacious room only with family members. As a destination hotel rather than a sightseeing hotel, I wonder if the increasing demand for relaxing at the hotel matched our hardware as well.

With regard to Himedic, there has been an increase in the demand for medical practitioners, including gaining advice on health-related issues, because health consciousness has been increasing in general, and many aspects of COVID-19 are yet to be known as information.

The other thing is that people that had taken medical checkups at university hospitals and such until now, do not want to go to hospitals, do not want to go near hospitals, and so the need for facilities like ours that are completely private in individual rooms and that respond only to perfectly healthy users is really increasing, which have been expressed by many users.

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Oda: Thank you very much. My second question is about the membership, which was mentioned earlier for the next fiscal year. While the Baycourt series, which has been a major driver of contract value so far in the current fiscal year, has almost none left in its inventory, perhaps Takayama of XIV will be the focus in the next year.

In the last few years, Baycourt has sold quite well, and the sales staff has also performed well. I think it will be XIV, existing facilities, next.

Please tell us about your strategy around this point, such as your sales strategy to create a solid contract value, or your strategy going forward, after the sales of Baycourt are settled.

Fushimi: As you said, Baycourt, the current inventory will not be filled within the current fiscal year. In Takayama, we would like to start offering during the first quarter of the next fiscal year. Regarding this, we are thinking of new products, and I think that the first quarter will be the most difficult situation in terms of unit price.

In terms of the entire inventory, with XIV and Baycourt combined, almost a year's worth of inventory will remain at the end of this March. While Takayama will be added in midway, there will no longer be the ones with a high unit price. For this reason, in terms of sales, we plan to sell XIV while switching to the assessment on the number of units.

Now, for example, there are 12 nights and 24 nights for Baycourt, and XIV versions for 26 nights and 13 nights, which means the shorter stay has been the mainstream. So far, the number of facilities has increased, and the number of members is increasing. Therefore, we plan to secure the unit price by selling packages with increased number of nights, such as two-unit sets, with some sort of incentive.

Another point about the popularity of Baycourt is that although there are naturally some people who want to use XIV, it is advantageous to keep the right to use Baycourt. Looking ahead, we will make some further revisions to the rules for the exchanges with XIV and for the use in the next fiscal year and beyond so that we can draw out the appeal of each of them.

Oda: I see. Thank you very much.

Operator: Next, Ms. Yamamura from Nomura Securities. Please go ahead.

Yamamura: This is Yamamura from Nomura Securities. Thank you. I would also like to ask two questions.

The first point is about the contract value. I think that the growth contract value was stronger than expected in the second quarter. Certainly, there are external tailwinds. I have heard that golf course memberships are selling well, and so I think there are such external factors.

I believe that the Company is probably taking some sort of sales approach for COVID-19 as part of its own efforts. Could you tell us about the adaptation within your company, and what measures it is taking?

Fushimi: As you mentioned, in May and June, when it was difficult to have face-to-face meetings with customers, there were various measures taken, such as negotiations via Zoom.

One thing is that the email magazine is firmly rooted, and the number has increased significantly as a whole. There were 219 contracts in the first half of the fiscal year, which totaled JPY1.4 billion. Contracts increased 134 compared to the last year, and so the number is increasing by more than double.

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After all, we are seeing an increase in the number of contract closures based on the actual experience of visiting Baycourt, which is a facility close by, and seeing our safety measures against COVID-19.

Conversely, the success rate is extremely high now also with XIV after sightseeing. I think that many people would visit Baycourt thinking XIV may be too expensive. This could be one of the reasons why the contract ratio of Baycourt is increasing, I think.

Yamamura: Thank you very much. The Company has offered services mainly in the Kansai region, and I believe that the Company has sales staff that are good at building close relationships with users.

With COVID-19 and expansion to the Kanto region, I believe that the Company has worked on establishing the new sales structure that was just mentioned. I think that the relationship with customers will change, whether to good or bad.

Promoting the use by new customers gained in this second quarter will raise hotel operations in the next fiscal year and will probably also curb the reactionary decline, I think. What strategies does the Company have about changes in the relationship between customers and sales staff, and how to connect new users to operations? Could you please tell us about these? This is all from me.

Fushimi: First of all, the customer follow-up will be the same as before, but now we have exclusive staff for every user, including the one for the use of facility and another for membership rights. We make clear systematically as data on whose customer uses what compared to the previous year, and we assess it.

In July, we established a system in which each staff basically contacts each of their customers once a month and make visits once every three months, and they are assessed based on the use of their customers.

Another is that each hotel has its own customer department, and they work with those sales staff to firmly provide services and to offer the new types of needs by, for example, greetings when the customer arrives and various concierge-like roles.

In addition, I think that most active members have joined the Point Club. We intend to further deepen our relationships with our members by adding value as a group, by adding a variety of services from regular hotel services to, for example, information for senior citizens, medical, and other forms of services. That is all from me.

Yamamura: I understood very well. Thank you very much.

Operator: Next, Mr. Anegawa from Mitsubishi UFJ Morgan Stanley Securities. Please go ahead.

Anegawa: Thank you. Two questions, please.

With regard to the first question, your Company's plan for the current fiscal year on page 14 and its premises were written very carefully, and so it is very easy to understand.

In this context, there are some assumptions regarding costs, occupancy rates, and membership sales. However, although there are uncertainties in the second half of the fiscal year, I think that there are some risks that may be upside or downside. Would you be able to provide us some comments on that?

Fushimi: Honestly speaking, as for the membership-based hotels, GoTo has come this far, and this is a part of what we expect to see, an upturn in terms of what we really want them to build up further.

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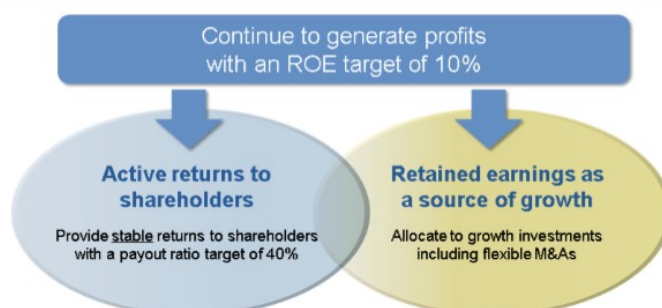
With regard to medical products, I would like to expect this to exceed the target as well. However, I think that it would be difficult in terms of capacity, due to the need to accept those who were unable to receive medical checkups in the first half of the fiscal year in the second half of the fiscal year.

On the other hand, I am worried about the operation of Trusty in Tokyo, which is similar to that of Tokyo Baycourt, but operation has not yet recovered in Tokyo. Although Baycourt has use in Tokyo, customers from outside Tokyo are not growing.

This is the same for Trusty, including Hamamatsu-cho and Bay-side, and we are concerned about them. We were thinking of launching a new business format for the next fiscal year, but we are concerned that it may be difficult if we don't take action soon on this part.

Quantitative plan (consolidated) Medium-term Management Plan "Connect 50"			
(Billions of yen)	FY2017 (Final year of Next40)	FY2022 (Final year of Connect 50)	
Net sales	165.4	210.0	<As of August 2020> We are considering rolling the current medium-term management plan in FY2020, taking into account the impact of the Accounting Standard for Revenue Recognition whose application will start in FY2021 and changes in the external environment.
Operating income	17.7	24.0	
Ordinary income	19.4	24.0	
Net income attributable to owners of parent	11.8	16.0	

FY2022 projected segment overview	Membership operations: Maintain earnings despite a decrease in the amount of deferred revenue and earnings realized at the time of facility opening	Medical operations: Achieve segment operating income of ¥10 billion
	Hotel and restaurant operations: Achieve net sales of ¥100 billion and target operating income to net sales of 8%	Head office expenses: Target around 4-5% of consolidated net sales



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Anegawa: Thank you very much. The second question is about the medium-term management plan on page 18. In 2022, or the fiscal year ending March 2023, there were some reports on the results of the study of vaccine. I think COVID-19 would be mostly over.

Is there something that seems to be a little difficult, perhaps postponement to the next fiscal year? Or, because the environment would be almost returned to its original state, do you think at this moment that it would not increase or decrease so much for this medium-term management plan?

What kind of negative and positive factors are there? I would like to hear what you know at present.

Fushimi: With regard to this medium-term management plan, first of all, the accounting recognition standards will change next fiscal year. In particular, the sales standards of Himedic and other products will change, and so it is necessary to incorporate these standards.

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And, not because of this COVID-19 alone, the deferred gains, as we have done this time, will be a huge part of our business. There are some areas where the number of development projects and the development properties are deviating from the initial plan, and so we would like to show the new plan firmly in the form of rolling in the next fiscal year.

Anegawa: Thank you very much.

Operator: There are no other persons with questions. Please go ahead, Ms. Yagi.

Yagi: We would now like to close the question-and-answer session. Thank you very much.

Fushimi: Thank you very much.

Operator: We will close the FY2021 and second quarter financial results conference call for Resorttrust Corporation. Thank you very much for taking time out of your busy schedule today.

[END]

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