Resorttrust, Inc.

Q3 Financial Results Briefing for the Fiscal Year Ending March 2023 Telephone Conference

February 9, 2023

Event Summary

[Company Name]	Resorttrust, Inc.	
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[Event Name]	Q3 Financial Results Briefing for the Fiscal Year Ending March 2023 Telephone Conference	
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[Venue]	Dial-in	
[Venue Size]		
[Participants]		
[Number of Speakers]	3	
	Ariyoshi Fushimi	President
	Takeshi Makino	Sustainability Promotion Department, Investor & Public Relations Department Director
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[Analyst Names]*	Hirofumi Oda	SMBC Nikko Securities
	Shun Tanaka	SBI SECURITIES
	Satoru Sekine	Daiwa Securities

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

Presentation

Moderator: Good evening, investors. Thank you for taking time out of your busy schedules today to participate in this conference call with Resorttrust, Inc.

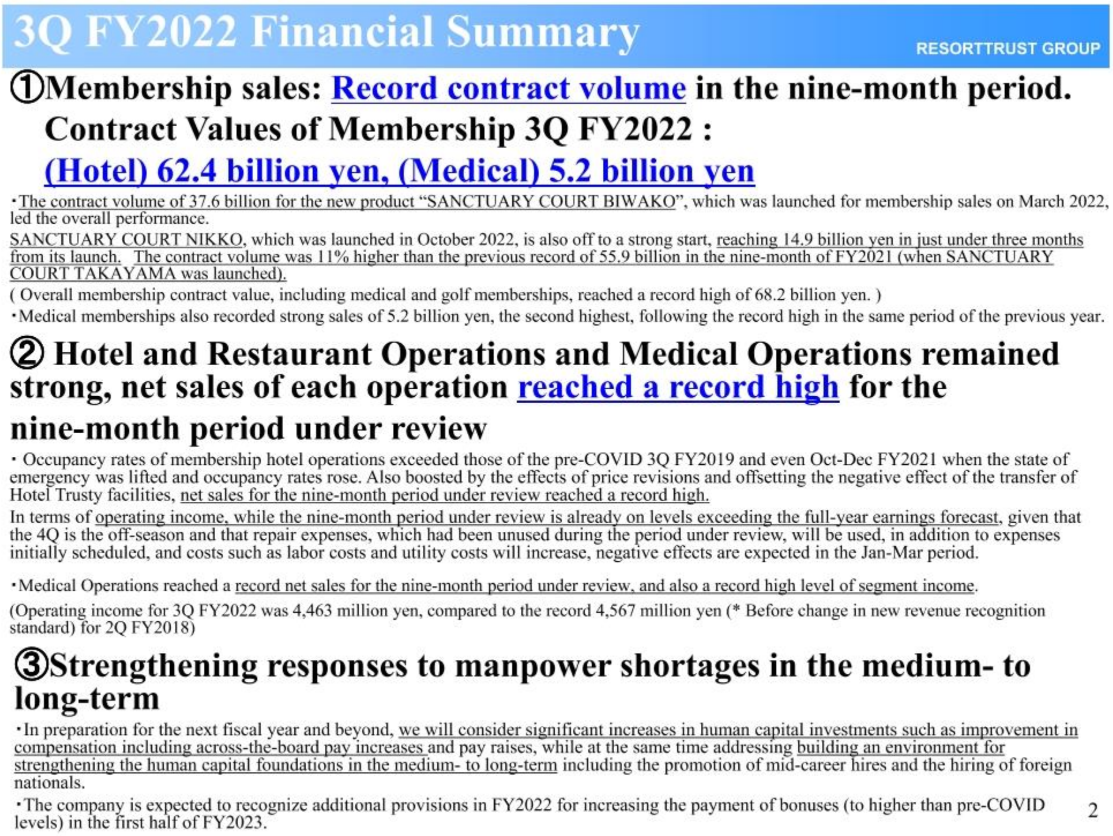
Today's attendees are President, Mr. Ariyoshi Fushimi; Sustainability Promotion Department, Investor & Public Relations Department Director, Mr. Takeshi Makino; and Investor & Public Relations Division Manager, Sustainability Promotion Department, Mr. Hirotaka Honda.

The President, Mr. Ariyoshi Fushimi, will now explain the financial results briefing for Q3 of the fiscal year ending March 31, 2023, followed by a question-and-answer session.

The entire meeting will last approximately 60 minutes. The presentation materials are available on our website.

Before we begin our conference call, I would like to remind everyone that in the following briefing, we may state forward-looking statements based on our current expectations, all of which are subject to risks and uncertainties. We would like to remind everyone in advance that actual results may differ from the projections.

Now, Mr. Fushimi, please begin.



Fushimi: My name is Fushimi from Resorttrust, Inc.

I will now give an explanation based on the financial results for Q3 of the fiscal year ending March 31, 2023.

First of all, ladies, and gentlemen, please see page two of your handout. Here is the financial summary for Q3.

The first feature of this year's results is, after all, that membership sales contracts reached a record high in the first nine months of the year. Contracts for the year ended December 31, 2022 were JPY62.4 billion for hotels and JPY5.2 billion for medical.

The main reasons for this are the JPY37.6 billion in contracts signed for Sanctuary Court Lake Biwa, which went on sale in March, driving the overall sales volume, and Sanctuary Court Nikko, which went on sale in October and achieved JPY14.9 billion in less than three months after its launch, making a strong start.

Incidentally, Sanctuary Court Takayama sales exceeded the record high of JPY55.9 billion in contracts signed in Q3 of the previous fiscal year by a further 11%.

Overall, including the medical and golf businesses, the sales are also at a record high.

In the medical business, sales totaled JPY5.2 billion, a record high due to new products last year. This was followed by the second-best sales performance.

And secondly, both the hotel restaurant and medical businesses performed well in terms of operations, with each recording record sales. The hotel's occupancy rate was at a record high compared to the fiscal year ended December 31, 2019, before coronavirus, and the previous year, the effect of the price revision was also a boost, and the increase in unit price as well as in operation resulted in the highest sales ever. Operating profit for Q3 year-to-date has already reached a level close to the full year.

However, Q4 is the off-peak period of the year, and we expect a slight decrease in Q4 due to the postponement of repairs in addition to the originally planned use of the facility.

In the Medical business, in Q3, as I mentioned earlier, we achieved a record high in sales and continued to achieve a record high level of operating profit.

However, as I mentioned earlier, we are under pressure to strengthen our response to prepare for the mid- to long-term shortage of human resources. Our biggest challenge right now is the shortage of human resources, and we need to secure the right people. We are currently considering a significant expansion of investment in human resources, including compensation improvements such as base increases and salary raises, for the next fiscal year and beyond, and at the same time, we are building an environment to strengthen our human resource base over the medium to long term, with an eye to career and foreign hiring. In addition, the Company expects to make an additional provision during the period under review for an increase in bonuses to be paid in the H1 of the next fiscal year.

Financial Highlights 3Q FY2022 (April to December)

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(Million yen)

	2019/12 (pre-COVID) results	2020/12 results	2021/12 results	2022/12 results	YoY Difference	Change FY2019 (vs. Pre-Covid)
Net Sales	123,339	130,572	119,493	**128,601**	+7.6%	+4.3%
Operating Income	11,035	15,350	8,859	**11,080**	+25.1%	+0.4%
Ordinary Income	11,500	17,320	11,333	**11,476**	+1.3%	(0.2%)
Net Income	7,104	9,669	8,554	**14,907**	+74.3%	+109.8%
Evaluated net sales	131,269	110,494	135,325	**155,022**	+14.6%	+18.1%
Evaluated Operating Income	13,627	4,655	16,121	**18,502**	+14.8%	+35.8%

< Evaluated net sales, Evaluated Operating Income>

Evaluated net sales increased by 15% from FY2021 and 18% from FY2019, pre-COVID times, and evaluated operating income increased by 15% from FY2021 and 36% from FY2019, pre-COVID times, remaining very strong, as strong sales of SANCTUARY COURT BIWAKO, which began in March 2022, and SANCTUARY COURT NIKKO, which began in October 2022, led to a record contract value in membership sales driving performance, and Hotel and Restaurant Operations improved significantly.

< Net sales, Operating Income>

As the SANCTUARY COURT series, whose membership sales accounted for approximately 80% of total membership sales for the current fiscal year, is an unopened property, accounting figures for real estate sales and income are not recorded until the time of the hotels' opening, and are realized in the period of opening. Accordingly, the recorded amount of net sales and operating income for the current fiscal year was limited on an evaluation base; however, each operation contributed to income, and overall net sales and operating income exceeded the previous year and FY2019.

< Net Income >

As for net income, a gain on sales of non-current assets of 9.0 billion yen from the transfer of seven Hotel Trusty facilities was recorded under extraordinary income for the current fiscal year. (already accounted for by 2Q FY2022).

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

[Evaluated Net Sales/Operating Income] *Please refer to p.44 for the method for evaluation calculation.

Figures calculated on a sales evaluation basis after deducting accounting factors specific to the spread of COVID-19 infections as well as the effects of deferral of revenue from real estate sales and realization of the deferred revenue upon opening the facilities. Adoption of new accounting standard is not a temporary factor; however, evaluation was conducted using the same standard as in the past to compare with figures in the previous years. Indicators of real performance of sales activities for the current fiscal year.

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Then see page three. This is the financial highlights.

Sales for FY2022.12 were JPY128.6 billion, up 7.6% from the previous year, and up 4.3% from FY2019. Operating profit was JPY11 billion, up 25% from the previous year and up 0.4% from FY2019. Ordinary income was JPY11.4 billion, up 1.3% from the previous year and down 0.2% from 2019. Net profit was JPY14.9 billion, up 74% from the previous year, and up 109% from FY2019.

Incidentally, we do not consider deferred gains, etc., but evaluate on the basis of merit. In terms of evaluated sales, actual sales were JPY155 billion, a 14.6% increase over the previous year, and an 18.1% increase over FY2019. The evaluated operating profit was JPY18.5 billion, a 14.8% increase over the previous year, and a 35.8% increase over FY2019.

Let me explain once again about the valuation sales and valuation profit. Our products inevitably include a real estate component. Therefore, the actual contract amount, which is different from the contract amount that was the highest in the past, is recorded at the time of the hotel's opening. Excluding these, we use evaluated net sales and evaluated operating profit as a measure of internal competence.

Actual results for 3Q FY2022 :Operating Income (compared with the same period of the previous FY)

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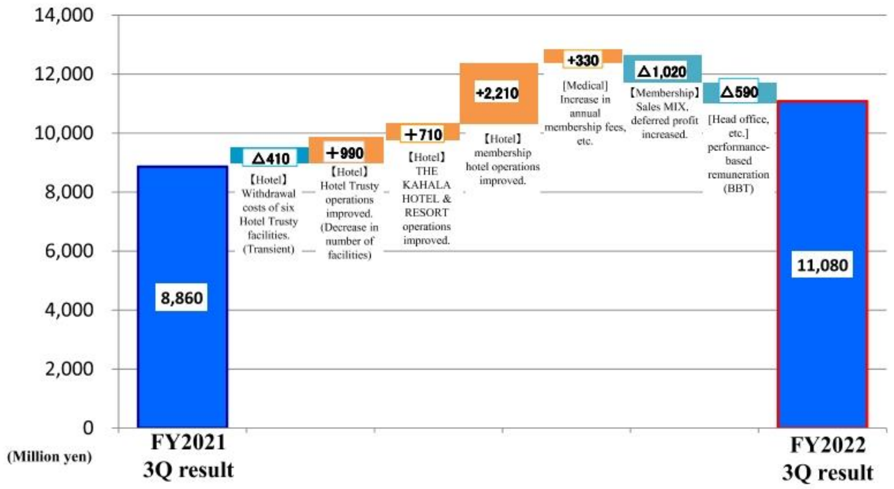
In Hotel and Restaurant Operations, although a temporary expense of 0.41 billion yen for the transfer of Hotel Trusty facilities was recorded, profit improved significantly due to a rise in occupancy rate, particularly at membership hotels. In Medical Operations, we also achieved profit growth. Overall, we achieved an improvement of approximately 2.2 billion yen.
(Membership operations decreased due to the sales MIX, as properties that had already been opened in the previous year were sold.)



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Please continue to page four. This is the table of positive and negative operating profit versus the same period of the previous year.

In the current fiscal year, the cost of withdrawing from the Hotel Trusty and city-type Trusty, which was necessary in the previous fiscal year, has been eliminated, and the negative deficit and negative operating profit of the city hotels, which had been in the red in the previous fiscal year, have turned to positive. And from here, we are talking about improving the normal hotel operations, so JPY710 million for the Hawaii portion, JPY2.2 billion for the membership hotel, and JPY330 million for the increase in annual membership fees for the Medical.

However, as I mentioned earlier, in the current fiscal year, compared to the previous fiscal year, the number of applications for properties that have not yet been completed increased, and this had a negative impact on the amount of deferred expenses, resulting in a negative impact of JPY1 billion. The head office-related performance-linked BBT, etc., was a negative JPY590 million, resulting in a total of JPY11,080 million in results.

Segment Sales and Operation Income 3Q FY2022
3 main business segments (April to December)

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<Accounting Base>

(Million yen)

		2019/12 (pre-COVID) results	2020/12 results	2021/12 results	2022/12 results	YoY Change	Change FY2019
Membership	Sales	30,053	55,219	31,355	**26,517**	(15.4%)	(11.8%)
	Operating Income	10,512	19,271	9,638	**8,617**	(10.6%)	(18.0%)
Hotel and Restaurant	Sales	63,607	45,710	56,018	**68,260**	+21.9%	+7.3%
	Operating Income	2,130	(2,650)	1,923	**5,420**	+181.8%	+154.4%
Medical	Sales	29,177	29,128	31,593	**33,276**	+ 5.3%	+ 14.0%
	Operating Income	4,441	4,193	4,138	**4,463**	+ 7.9%	+ 0.5%

<Evaluation Base>

(Million yen)

		2019/12 (pre-COVID) results	2020/12 results	2021/12 results	2022/12 results	YoY Change	Change FY2019
Membership	Evaluated net sales	37,983	35,141	45,666	**52,066**	+14.0%	+37.1%
	Evaluated Operating Income	13,104	12,129	15,378	**15,166**	(1.4%)	+ 15.7%
Hotel and Restaurant	Evaluated net sales	63,607	45,710	56,018	**68,260**	+21.9%	+7.3%
	Evaluated Operating Income	2,130	(5,878)	1,923	**5,830**	+ 203.1%	+ 173.7%
Medical	Evaluated net sales	29,177	29,128	33,113	**34,148**	+3.1%	+17.0%
	Evaluated Operating Income	4,441	3,868	5,659	**5,335**	(5.7%)	+ 20.1%

*Membership : Adjusted for deferred sales and income on real estate portion of revenue from sales of unopened properties (added, this period :Biwako, etc.). *Hotel and Restaurant : Deducting the temporary expense for the transfer of six Hotel Trusty facilities in FY2022. Including fixed costs that were recorded as an extraordinary losses in accounting at the closure in FY2020.

*Medical/Membership : Deducting the negative effect of adoption of new revenue recognition standard from FY2021 (calculated by the previous method)

*Breakdown of consolidated figures including the "Other" and "Head Office" classifications is shown in p.36.

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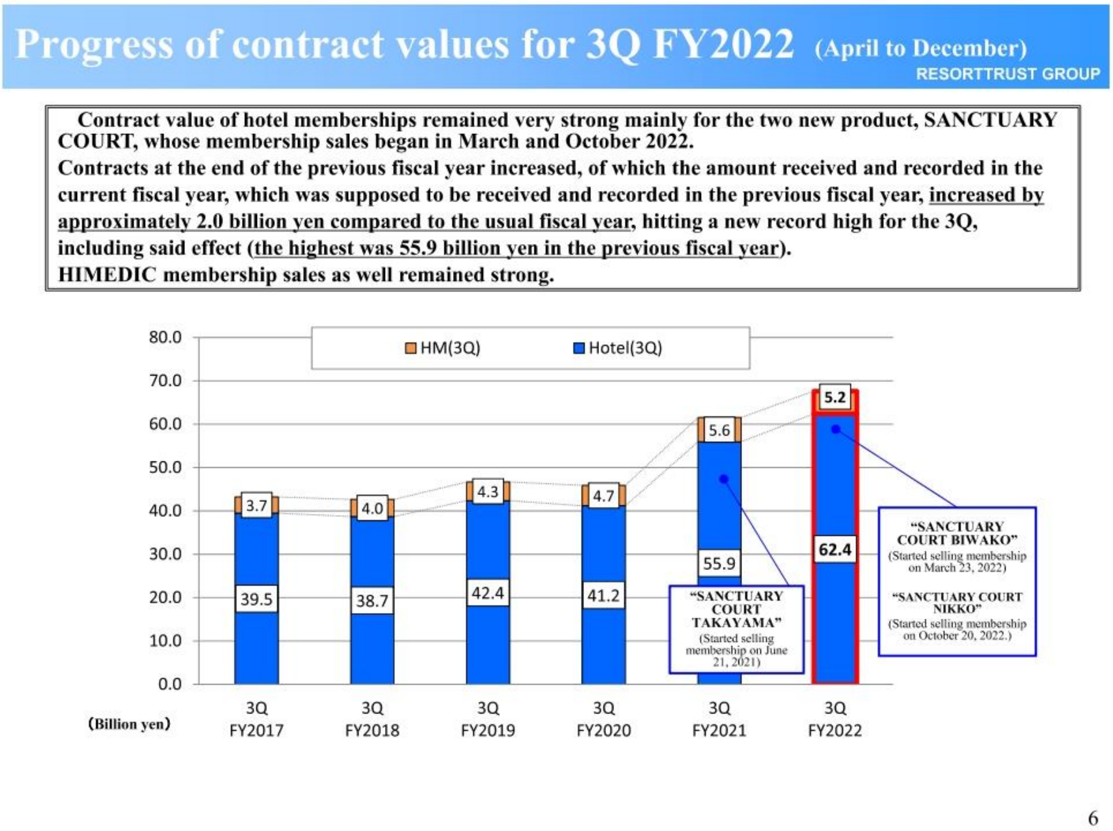
Continuing on page five, we will report on our segments.

First of all, on an accounting basis, memberships are also negative YoY for the same reason as before: an increase in properties that have not yet been completed. Therefore, while the evaluation base is positive, operating profit is slightly negative because of a slight decrease in operating profit compared to the previous year due to a rise in cost of sales.

In the hotel restaurant sector, both accounting and valuation bases are showing significant growth due to the increase in occupancy unit prices mentioned earlier.

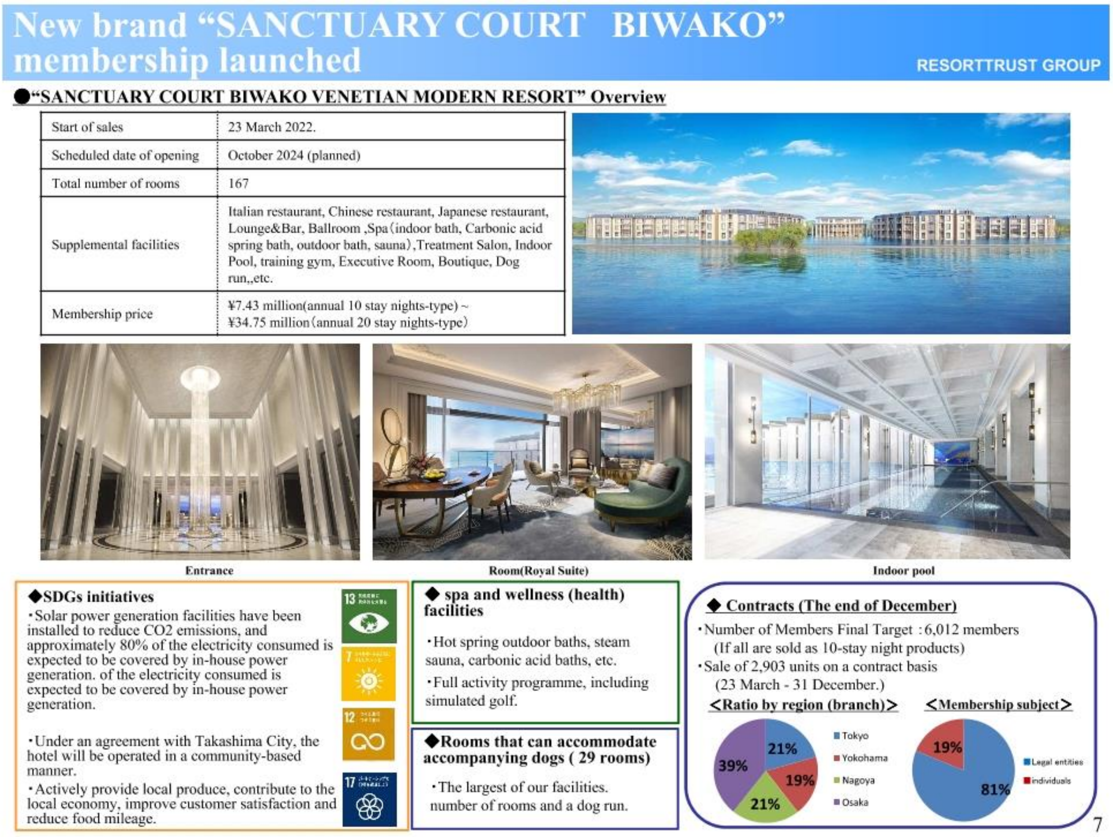
However, the reason for the negative operating profit in the medical segment is due to a change in accounting standards in 2021, whereby new memberships are recorded one-eighth at a time over an eight-year period under the current accounting standards, whereas at that time they were recorded all at once. In medical, which I mentioned earlier, the previous year was the highest ever, and we are slightly losing ground to the previous year.



Continued on page six.

As I mentioned earlier, this is the total contract volume of hotel memberships, as we consider it, on an actual basis.

The hotel business, which I mentioned earlier, achieved a record high of JPY62.4 billion, and the medical business achieved JPY5.2 billion, which was the second highest performance after the JPY5.6 billion in the previous year. The total is also a record high.



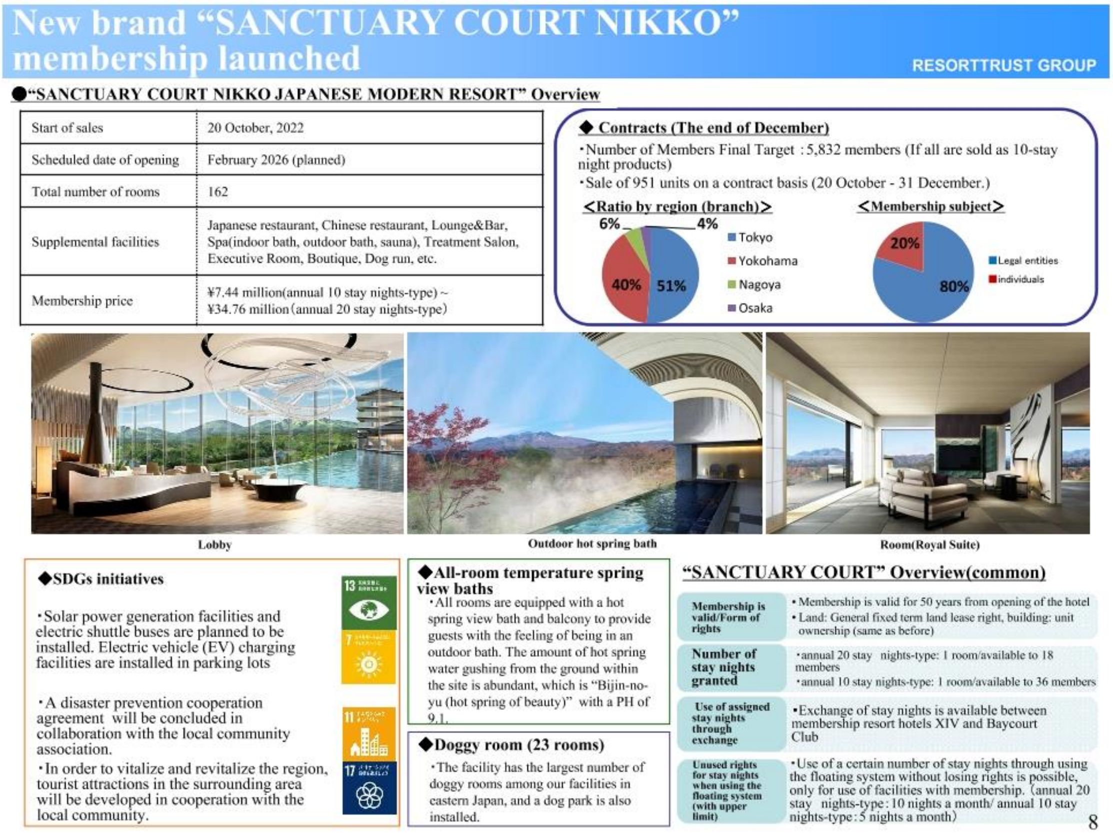
On the following pages seven and eight, we will briefly explain our current main products.

First of all, on page seven, this is Sanctuary Court Biwako, which is the main product in the west. We are aiming to open in 2024, with a total of 167 rooms. Currently, we are at about 50%, or 2,900 units out of 6,000 units, which means we are at 50% progress.

As you can see, the building is designed with Venice and water in mind, and has 29 doggie rooms, the largest we have ever had, as well as solar power for SDGs and other initiatives, which are calculated to cover 80% of daytime electricity consumption.

And then there are the attributes of contract status. As you can see in the lower right-hand corner, since this was still before the Nikko recruitment, the combined total in Tokyo and Yokohama is 40% in the Kanto region, which means that the capacity is almost equal to that of Osaka.

And if we assume that the membership is enrolled as per the characteristics of this year's Sanctuary Court, the number of corporations is over 80%.



Next on page eight is Nikko, which is the main product of the East.

This one has 162 rooms scheduled to open in February of 2026. While we are working on the same SDGs, this time we are particularly proud of the fact that all of our guest rooms are view baths with hot spring baths.

As I mentioned earlier, we have 951 units under contract out of a total of 5,832 units sold, which I believe is a better start than Lake Biwa. More than half of the property customers are from Tokyo, with Tokyo and Yokohama customers accounting for 90% of the total, making it a completely Kanto property.

The principal entity is the same as in the west, with the same 80% corporate entity. The reason for this is that Sanctuary Court has a fixed term of 50 years, which is a fixed-term lease, as shown in the lower right-hand corner. These mean that the expenses can be treated as expenses.

In addition to the normal number of occupied days and nights, the floating 10-night type has a 5-day per month or 60-night per year limit, making it easy for corporations to use the facility for their welfare programs.

Number of Members

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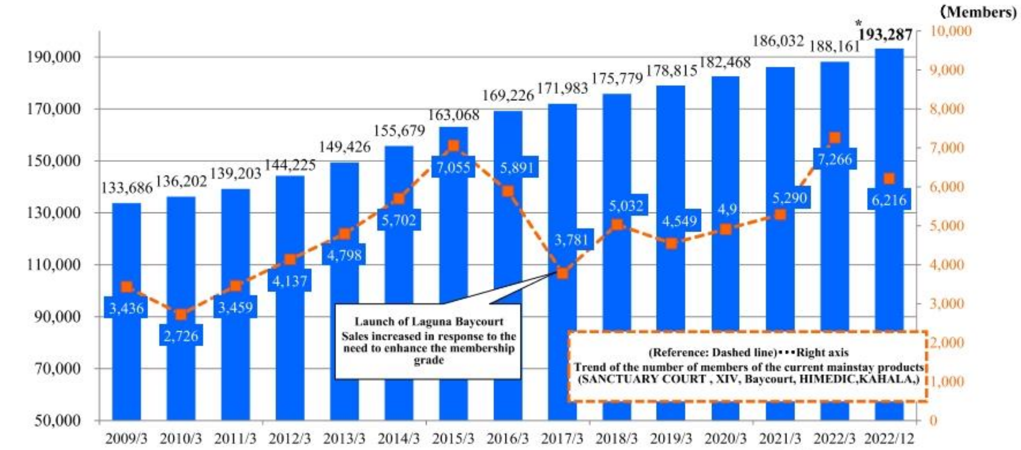

(Members)

	SANCTUARY COURT	Baycourt	XIV	Sun Members	Golf	Medical	Cruiser	KAHALA	Total	SANCTUARY COURT+XIV+BCC+HM +KAHALA
2022/3	2,990	23,737	79,346	* 24,479	30,114	26,237	411	847	188,161	
2022/12	**6,891**	**23,857**	**79,790**	**23,304**	**30,179**	**27,767**	**431**	**1,068**	**193,287**	
Change April - December 2022	+3,901	+120	+444	(1,175)	+65	+1,530	+20	+221	+5,126	+6,216
Change April - December 2021	+2,395	170	+1,330	(1,027)	+144	+1,857	+18	+102	+4,989	+5,854

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

*In Sun Members, as the decrease due to the closure of the Excellent Club (3,934 decrease in restaurant membership) was not reflected in the count, and was included in the overall figure in the previous material (disclosed in May 2022). From the 1Q documents, the decrease has been retroactively reflected to the time of the Club's closure (4Q, FY2021).

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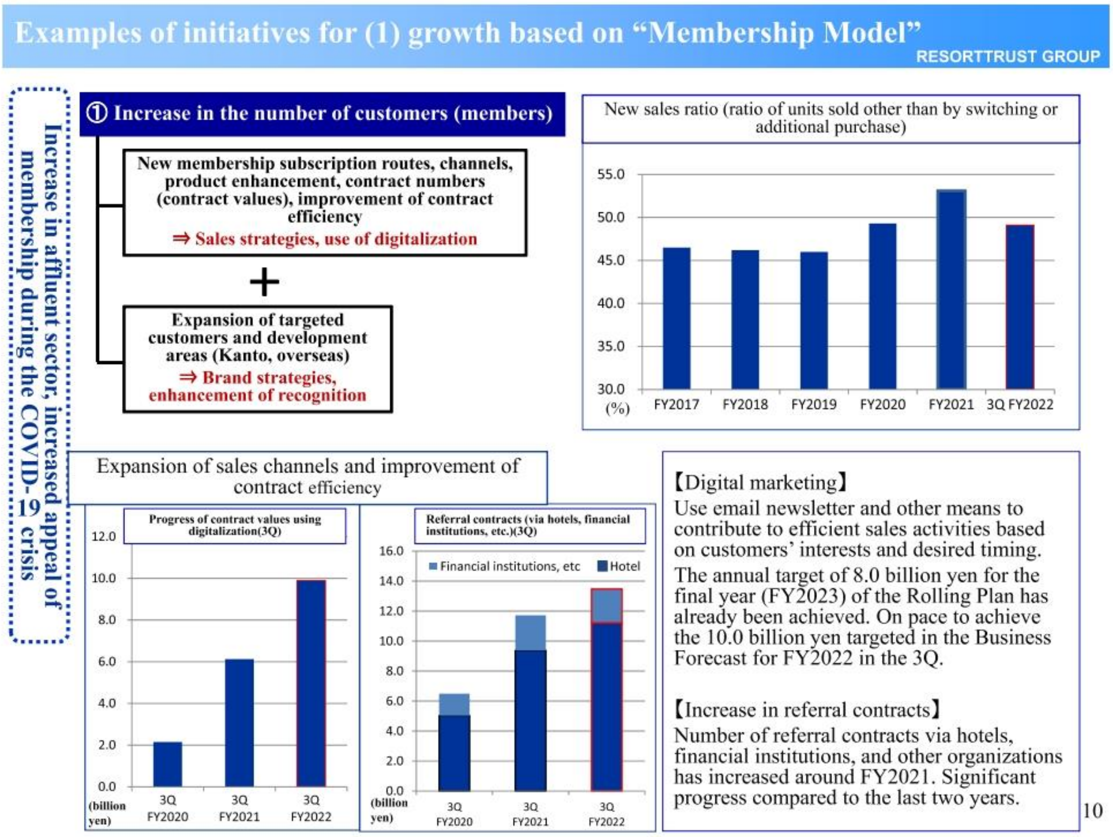
Continued on page nine, overall membership.

Overall, we have now reached 193,287 units.

As shown in the table below, Sanctuary Court is naturally at the center, plus 3,900 and 6,800, but Bay Court is also plus 120, XIV is plus 440, and Medical is plus 1,500, and we judge that recruitment is proceeding well balanced.

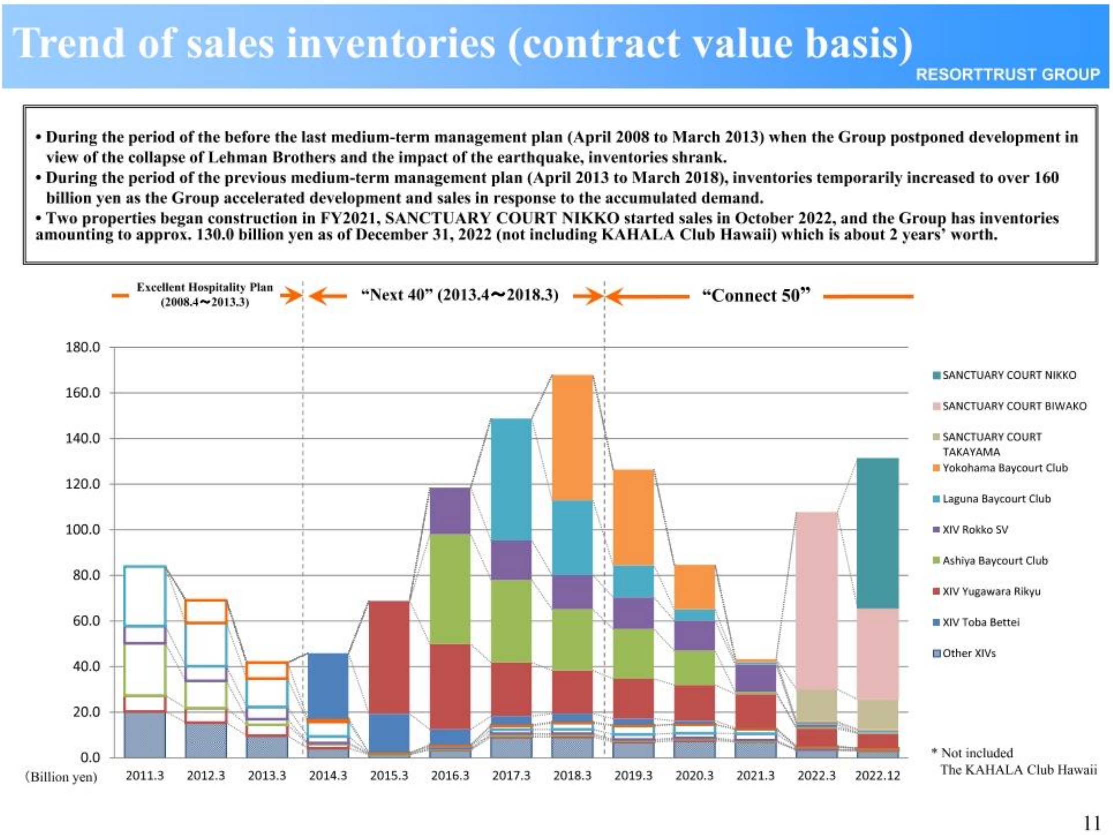


Please continue to page 10.

This is the concept of growth that is the cornerstone of this medium-term management plan. The first is to increase the number of customers by increasing the number of sales channels and areas. As you can see in the chart on the lower left, the volume of contracts for the use of digital media, which is a type of e-mail magazine that uses the TARDIS mechanism, has nearly doubled in the years 2020, 2021, and 2022, and has earned almost 10 billion contracts through Q3 of this fiscal year.

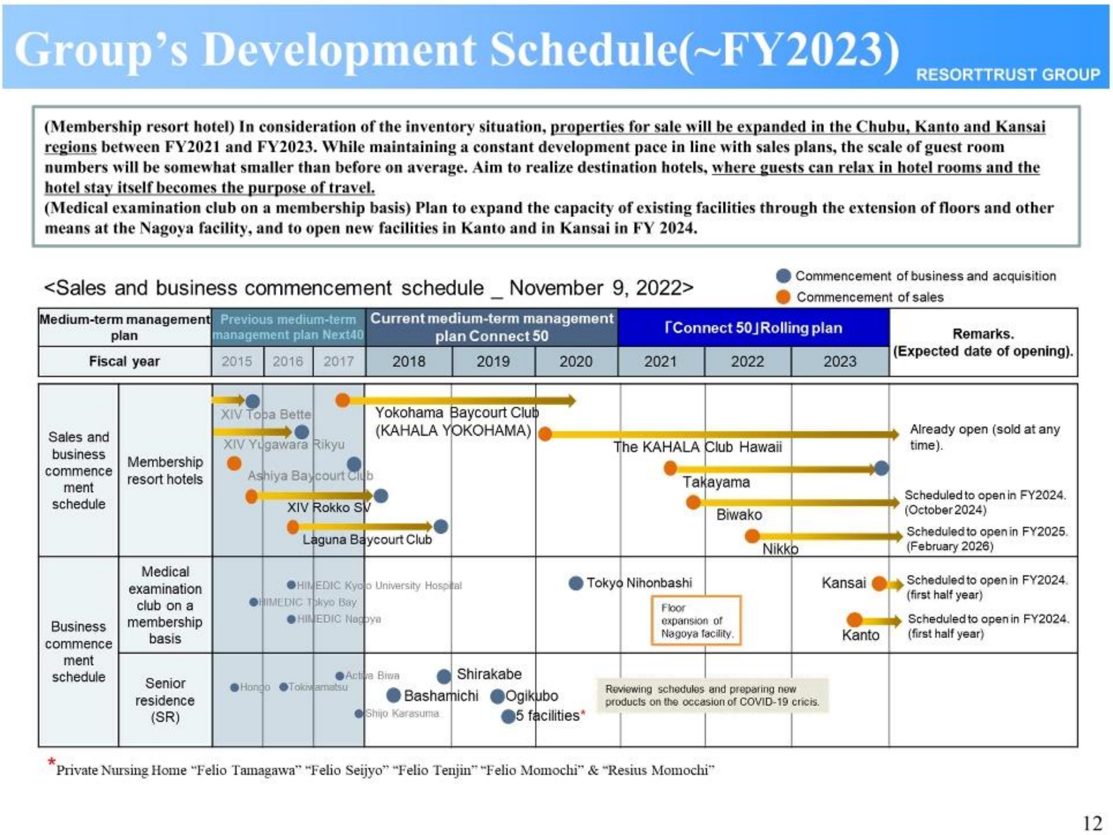
In terms of referrals from hotels and financial institutions as another channel, the number of hotel referrals is growing steadily. As for financial institutions, we have moved from the original focus on regional banks and shinkin banks to talking to major and mega institutions, and we are now in the process of preparing.

The upper right corner is the new rate. As you have just seen, we have been recommending that those who bought in Takayama, Lake Biwa, etc., before the Sanctuary Court series was built in the east, switch to Nikko, which is strategically easier to use. Although the rate has dropped for a time, we expect it to subside in Q4 and the new rate will be above 50% as usual.



Continued on page 11 is the overall inventory.

As you can see, our inventory had been extremely depleted, but we finally caught a break this fiscal year with the introduction of Nikko and Lake Biwa. Our forecast for the current fiscal year is that we will have roughly 1.5 to 2 years' worth of inventory at the end of the current fiscal year, which we judge to be appropriate based on the current JPY16 billion bases.

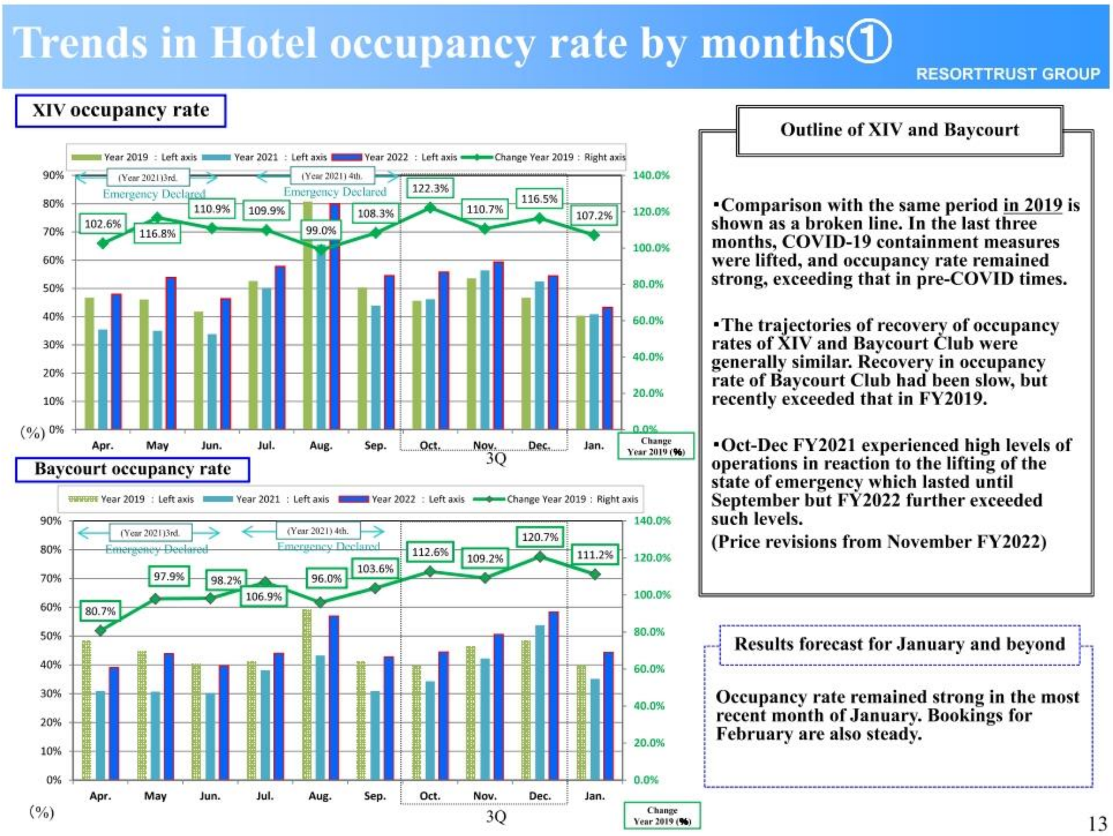


Continued on page 12. This is the development schedule.

As I mentioned earlier, this graph of hotels shows the current pace of opening one hotel per year, with approximately 150 rooms and a contract volume of JPY70 billion to JPY80 billion.

In the medical business, construction of the facilities in the Kanto and Kansai regions will begin in FY2023, and the facilities will open in FY2024, as planned.

As for seniors, as I will explain later, we are shifting to a new product, or rather, to a healthy type, and we are working toward the introduction of a new product in 2024.

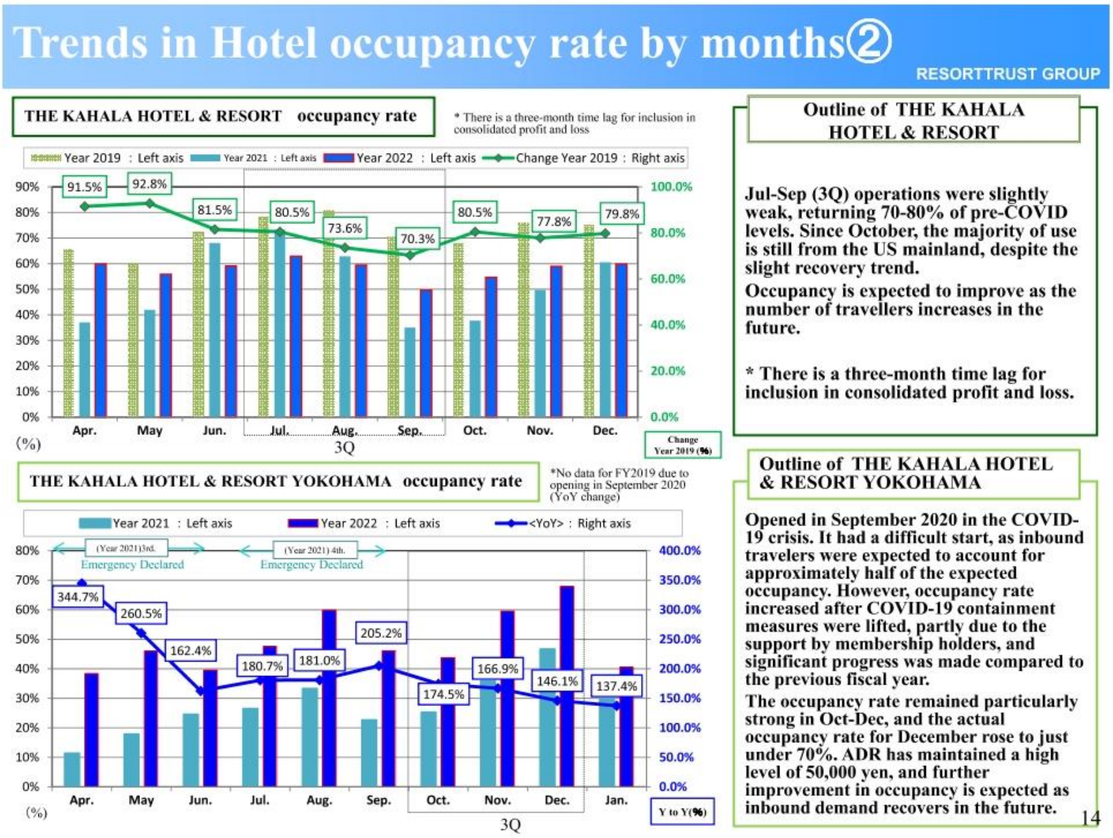


Continued on page 13, Hotel Occupancy Trends.

As you can see, this is the bar graph for the most recent three years, and the green line graph for the pre-coronavirus, FY2019 comparison.

Both brands have surpassed their pre-coronavirus levels, with XIV at 107.2% and Bay Court at 111% compared to FY2019.

The reason why the occupancy rate of Bay Court, which has been struggling a little so far, has increased compared to FY2019 is that the number of Sanctuary Court members, who can use Bay Court, has increased by approximately 4,500 compared to the previous fiscal year, which is very active. This is a very active increase in the number of Bay Court members, which has led to an increase in the occupancy rate of the Bay Court.



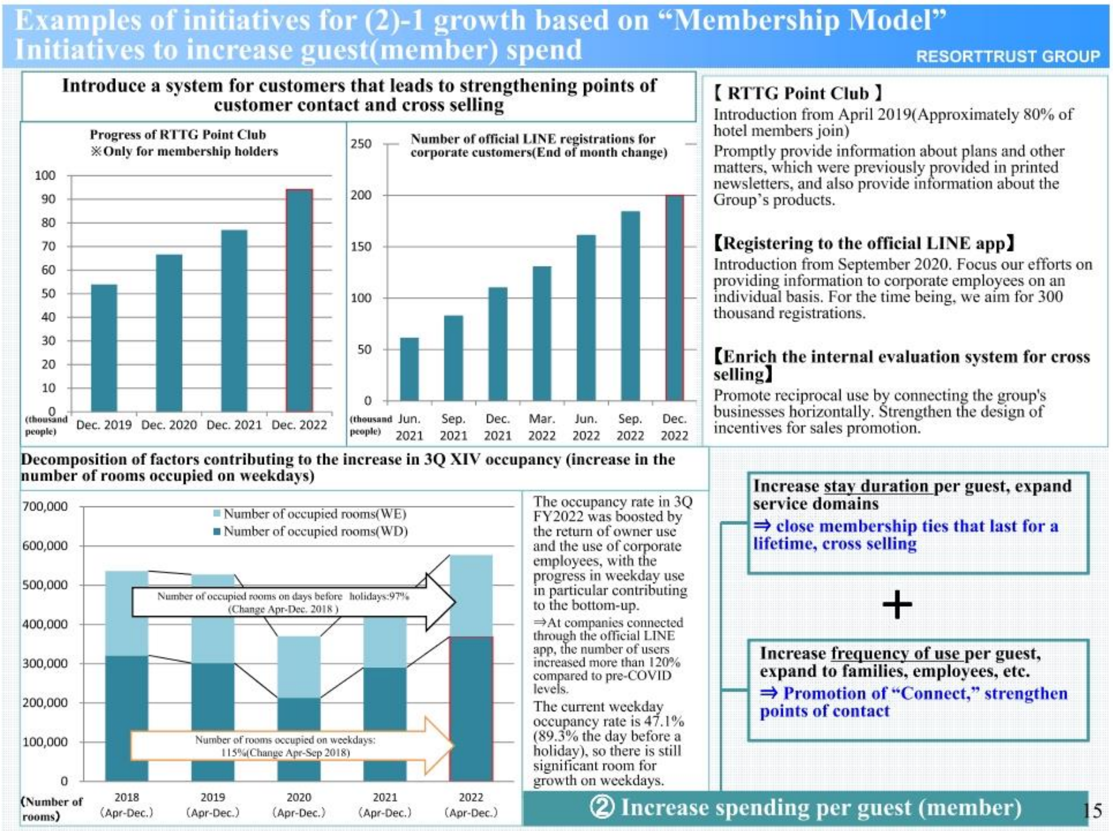
Continuing on page 14 is Kahala Hawaii and Yokohama.

The percentage of visitors to Hawaii was 79.8% of the FY2019 level. Although most of the visitors from the mainland US have returned, the number of visitors from Japan has not yet returned, partly due to the low number of flights, and this is the biggest reason for the negative impact.

However, the overall performance of the ADR business has been favorable, and the plan has been achieved.

Below that is Kahala Yokohama and the general hotel portion. Although there is no year 2019 here, so this is a comparison with the previous year, and although there has been a solid increase, the inbound has yet to come back. Originally, 40% of the total sales were expected to be inbound.

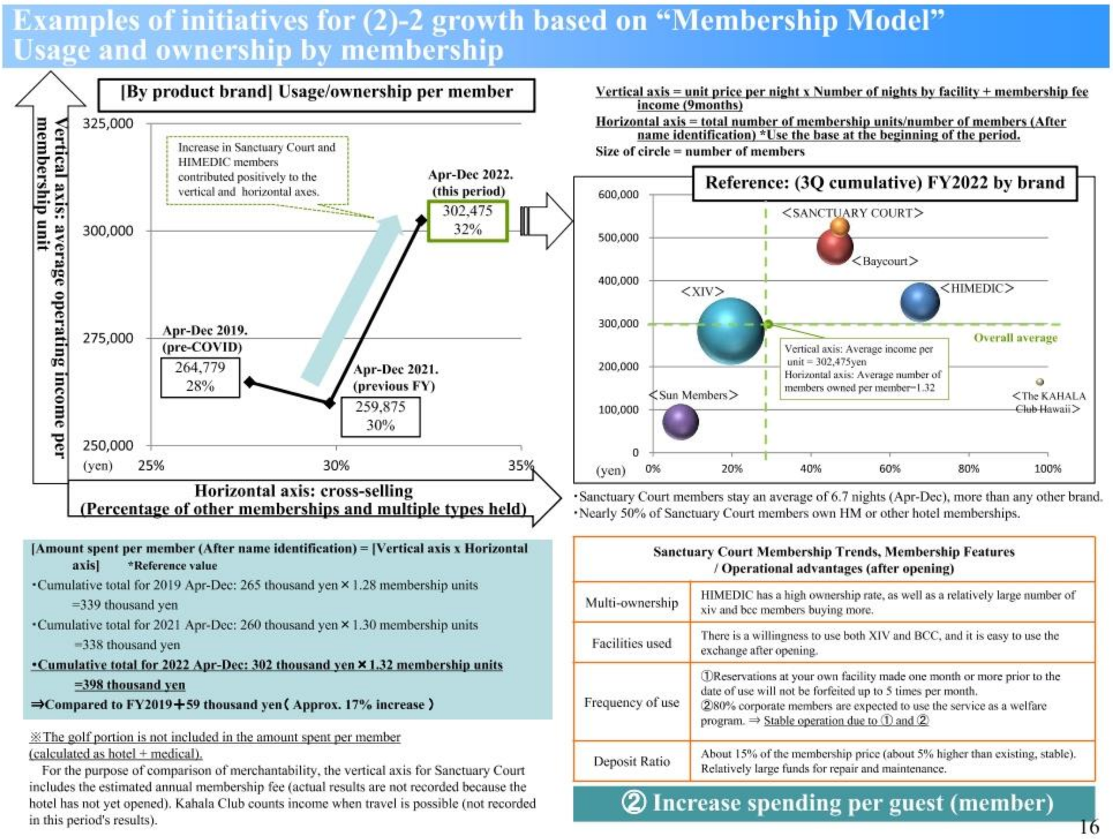
In fact, the operation has exceeded 80% during the year-end and New Year holidays, and ADR is now the top in Yokohama. For example, I believe that Kahala is the only hotel in the 4.6 range in the satisfaction rating by IKKYU, so I believe that the shortcut is to increase brand recognition while firmly creating repeat customers.



Continued on page 15. This is the other theme of this time: cross-selling by strengthening points of contact.

The above figure shows a member of the point club for the application we are currently working on. This is almost 80% of the hotel membership, which means that almost all active people have been enrolled. We also have a LINE for corporate members, which directly promotes the use of LINE to the corporate members and large corporate member employees. It has now 200,000 people.

The figure on the lower left shows that a LINE for corporate members has been the most effective for the weekday operation. Our efforts to promote use by corporate employees who have weekdays off, as well as individuals and seniors who can use the facility on weekdays, have been very successful. As you can see in the bar graph on the lower left, the day before holiday occupancy was 97%, but weekday occupancy was up a significant 115%, which is supporting the overall occupancy rate.



Next page, page 16. This is the amount spent per unit of membership.

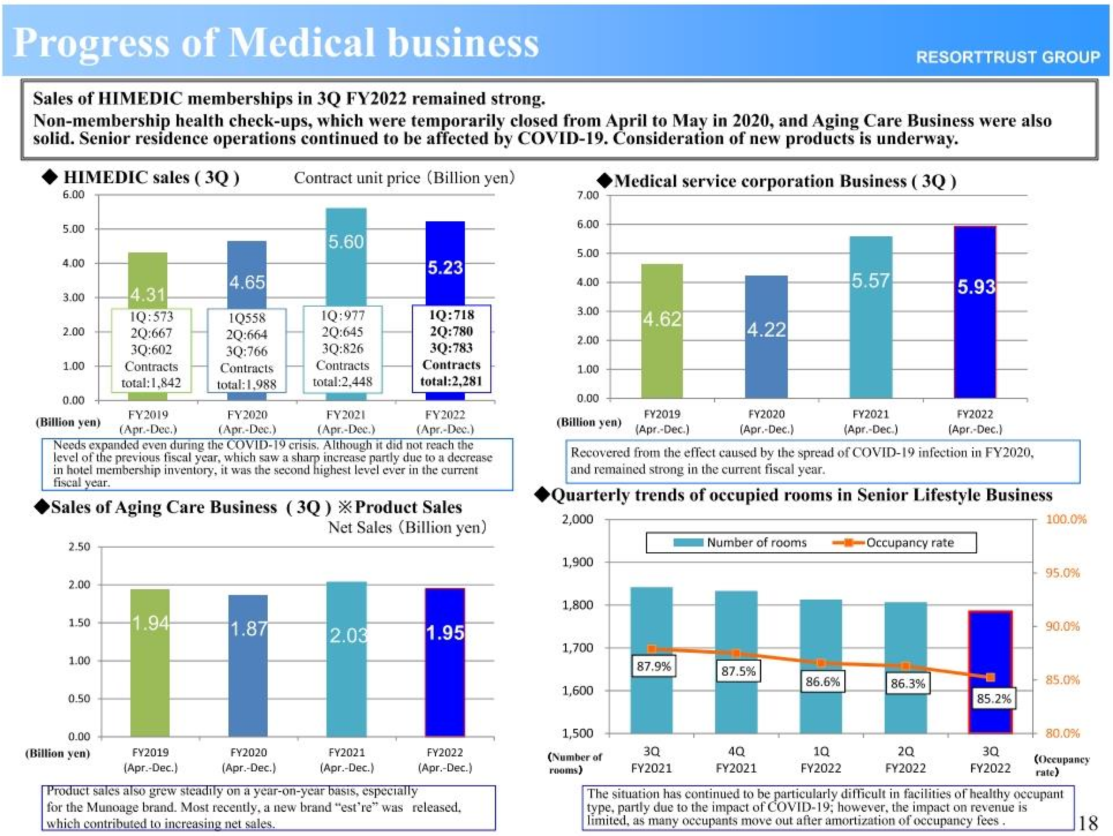
First of all, if you look at the figure on the right, this is a diagram of membership products, and the size of this circle is the number of members.

Then this vertical axis is the annual consumption per member. Then on the right side is cross-selling, because it means the percentage of those who have multiple units of our group's products. For example, if you look at the HI-MEDIC members, about 70% of them do have hotels or other memberships.

In terms of unit consumption, the Sanctuary Court and Bay Court members spend over JPY500,000 per year within our group, which is the highest unit consumption membership in our group.

And the bar line graph on the left is this average. If we average this, we get the average usage per unit and the average of all brands. As you can see in the graph, while the pre-coronavirus sales per unit was JPY264,000, it once dropped in the previous fiscal year, but in the current fiscal year, it has recovered to over JPY300,000, and we believe that cross-sales have also increased.

Page 17 is an example of LINE and our earlier mentioned apps.



Page 18 is the current status of medical business.

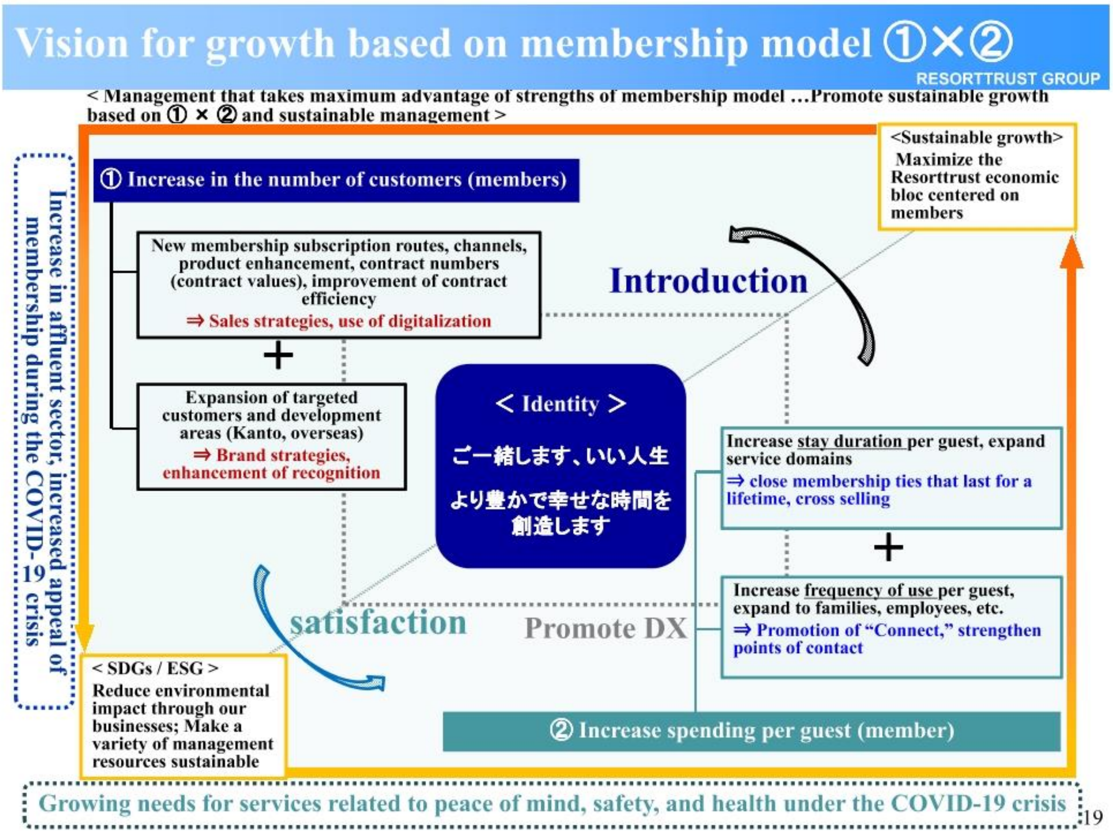
This is the second highest contracted number of memberships for HIMEDIC, the left side is as I mentioned earlier, second only to the previous period.

And on the right is the Medical Service Corporation, which focuses on general medical checkups, which is also growing steadily.

We have slightly reduced the sales of anti-aging care products, but we are currently working on the marketing strategy and media for this area again at the joint venture with DeNA.

In terms of performance, the toughest area is senior living on the lower right, where occupancy is still declining a bit, slowly. In addition, here, the occupancy rate has already returned to the pre-coronavirus level, and is even higher, but the number of people moving out has inevitably increased more than planned. It means passing away. Inevitably, this trend has continued, and the current situation is that the occupancy rate is gradually declining.

However, we are now thinking of a trust or real estate type that combines the healthy type with home nursing care and home care rather than nursing care as a whole. We are reorganizing our products and locations for our 200,000 members and their parents and hope to release them as new products in FY2024.



Therefore, the strategy for increasing the number of customers and the strategy for increasing the amount of usage per customer, which I explained earlier on page 19, shows good improvement, and we would like to continue it in the next fiscal year as a starting point.

Quantitative Image（～FY2023）

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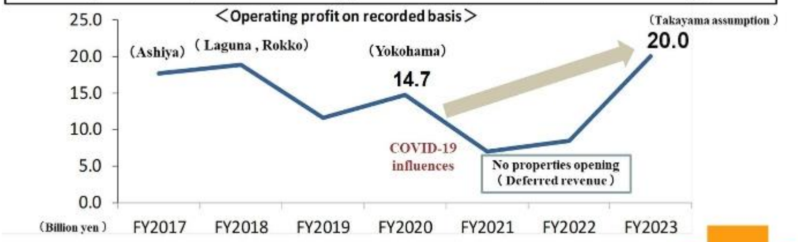
（billion yen）

index	3rd year of current medium-term management plan （FY2020）	Rolling Plan （Final FY2023）	Remarks
Net sales	167.5	190.0	Expect record high sales and profits.
Operating income	14.7	20.0	
Ordinary income	17.6	20.0	
Net income attributable to owners of parent	(10.2)	13.0	
Dividend payout ratio	— ※final deficit	Approximate 40%	Expect record high dividend amount
ROE	(8.4)%	Approximate 10%	No change from the past

Anticipate recovery to levels exceeding pre-COVID times in the period of this rolling plan



<Major variable factors not included in the initial plan, which are expected to impact profit and loss in FY2023> *As of Feb 2023.
Rising contract values (+) / Rising occupancy rates (+) / Price revisions (+) / Soaring utility costs (-) / Rising labor costs (-) / Compensation improvement, etc. to secure human resources in medium- to long-term and build foundations (- in the short-term) / Downscale non-membership hotel businesses (-) / Rising real estate costs (-)
*Evaluated operating income for unopened properties is calculated using provisional costs

20

Page 20 is a comparison with the medium-term rolling plan.

In the fourth year, FY2022, we were able to achieve almost as planned, and we expect that we will be able to achieve almost as planned in Q4.

However, as I mentioned earlier, there are some areas of concern regarding the impact on profit and loss for the next fiscal year, as I mentioned in the excerpt below, but we are still aiming for higher contract volume and operating prices, as we have a strategy in place. There is a considerable difference in unit costs for utilities, labor, etc., which are higher than we had expected, and there are also factors such as compensation improvements, reduction of some business operations, and cost increases. The major issue is how to consider these factors in the next fiscal year.

That’s all I have to say.

Consolidated Balance Sheets

RESORTTRUST GROUP

(Million yen)

	2022/3	2022/12	Change		2022/3	2022/12	Change
Total current assets	**139,538**	**181,332**	**+41,794**	**Total current liabilities**	**133,353**	**149,736**	**+16,383**
Cash and deposits	28,794	30,620	+1,826	Notes and accounts payable-trade	1,354	2,158	+804
Notes and accounts receivable-trade	9,609	11,584	+1,974	Short-term loans payable	27,386	12,911	(14,474)
Operating loans and installment account receivable	77,405	90,416	+13,011	Current portion of bonds	150	75	(75)
Short-term investment securities	3,601	11,582	+7,980	Accounts payable-other and accrued expenses	20,688	22,089	+1,401
Merchandise, raw materials and supplies	2,199	2,839	+640	Advance received	63,728	86,930	+23,202
Real estate for sale	5,896	5,049	(846)	Unearned revenue	14,714	19,291	+4,576
Real estate for sale in process	6,703	19,453	+12,749	Other	5,330	6,279	+948
Other	5,328	9,785	+4,457	**Total noncurrent liabilities**	**154,222**	**161,585**	**+7,362**
Total noncurrent assets	**254,869**	**252,977**	**(1,891)**	Bonds payable and long-term loans payable	24,787	16,559	(8,227)
Right of use assets	−	12,604	+12,604	Long-term guarantee deposited	109,295	113,266	+3,971
Other Property, plant and equipment, net	175,900	164,803	(11,096)	Long-term unearned revenue	28	30	+1
Intangible assets	7,579	6,490	(1,088)	Long-term lease obligations	11,406	22,909	+11,503
Deferred tax assets	18,568	18,574	+6	Other	8,706	8,819	+112
Other	52,822	50,504	(2,317)	**Total liabilities**	**287,575**	**311,321**	**+23,745**
				Total net assets	**106,832**	**122,989**	**+16,157**
				Shareholders' equity	101,727	112,706	+10,979
				Treasury shares	(3,513)	(3,063)	+449
				Accumulated Other Comprehensive Income	3,174	7,405	+4,230
				Subscription rights to shares	313	−	(313)
				Non-controlling interests	5,130	5,941	+811
Total assets	**394,408**	**434,310**	**+39,902**	**Total liabilities and net assets**	**394,408**	**434,310**	**+39,902**

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Makino: Continuing on, I am Makino from IR.

On page 21, the main movements of the BS, I would like to reiterate and mention only the distinctive points.

First, on the asset side. The increase in operating loans receivable of JPY13 billion was due to an increase in loan receivables associated with the sale of memberships at Sanctuary Court Biwako and Nikko.

Below, JPY12.7 billion increase in real estate for sale in process. This is also due to an increase in real estate costs (so-called inventory) associated with the development of the Sanctuary Court 3 series of hotels.

The right-of-use asset of JPY10 billion is a change in accounting policy and represents the on-balance of the leased assets of the Kahala Hotel in Hawaii.

Non-current assets decreased, but this was mainly due to a decrease in assets resulting from the sale of the General Hotel and Trusty.

On the liabilities side, borrowings have decreased, but this is due to the repayment of the coronavirus loan and commitment lines of credit.

With regard to advances received, as a result of steady sales of the Sanctuary Court series and memberships for hotels yet to be completed, real estate income, or as mentioned earlier, so-called deferred income, has been accumulating. This item will be recorded through the PL when the hotel opens.

As a result, assets increased by approximately JPY40 billion to JPY434.3 billion.

Consolidated Cash Flows FY2022 (April to December)

RESORTTRUST GROUP

(Million yen)

	2021/12	**2022/12**
Cash flows from operating activities	16,548	**20,749**
Cash flows from investing activities	3,162	**8,204**
Cash flows from financing activities	(44,274)	**(27,230)**
Effect of exchange rate changes on cash and cash equivalents	55	**141**
Net increase (decrease) in cash and cash equivalents	(24,507)	**1,865**
Cash and cash equivalents at beginning of period	52,756	**29,210**
Cash and cash equivalents at end of period	28,249	**31,075**

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Next, on page 22, is the cash flow situation.

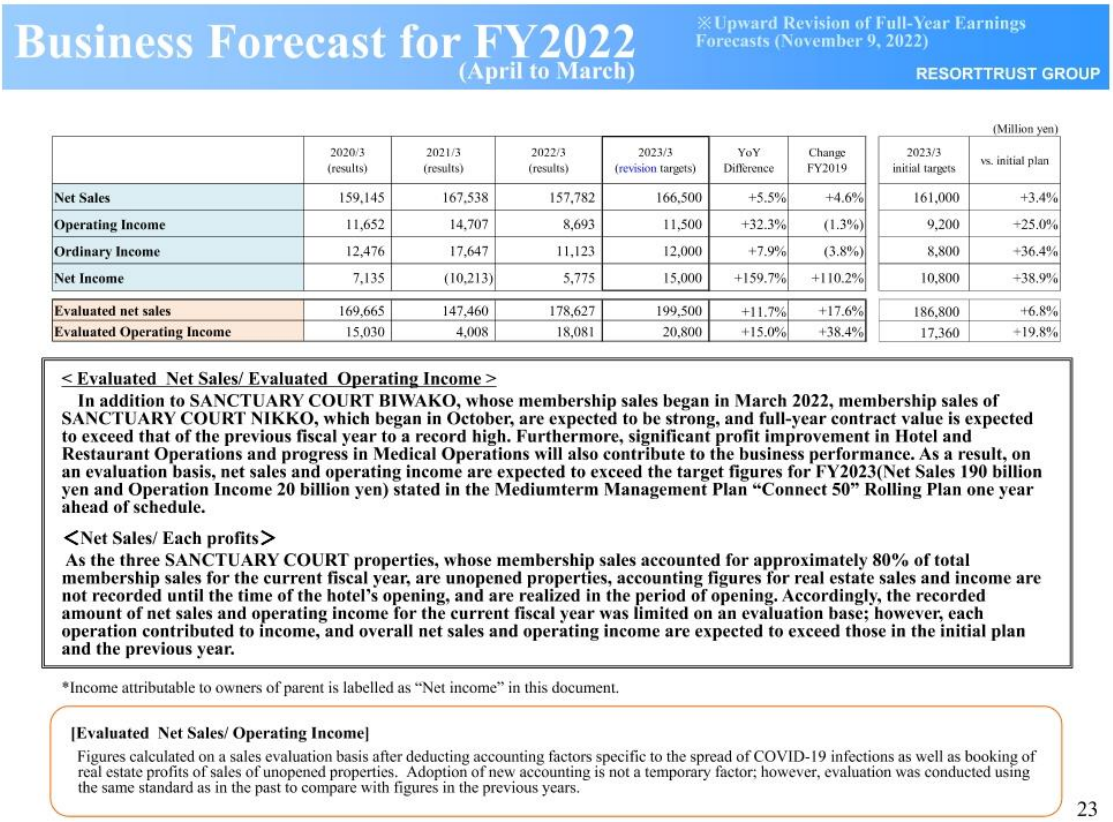
Cash flow from operating activities means that business performance is strong.

Cash flows from investing activities are net cash inflows from the sale of Trusty and net cash outflows from the acquisition of receivables since the Company invests its surplus funds.

Regarding cash flow from financing activities, we had a major event in the previous fiscal year, the redemption of CBs, and this fiscal year we are applying cash by repaying the coronavirus loan and commitment line.

For financial cash, cash on hand and cash and equivalents totaled JPY31 billion.

In addition to this, we have a commitment line of JPY85 billion, which we have kept open for the most part.



Business Forecast for FY2022 (April to March)

※Upward Revision of Full-Year Earnings Forecasts (November 9, 2022)

RESORTTRUST GROUP

(Million yen)

	2020/3 (results)	2021/3 (results)	2022/3 (results)	2023/3 (revision targets)	YoY Difference	Change FY2019	2023/3 initial targets	vs. initial plan
Net Sales	159,145	167,538	157,782	166,500	+5.5%	+4.6%	161,000	+3.4%
Operating Income	11,652	14,707	8,693	11,500	+32.3%	(1.3%)	9,200	+25.0%
Ordinary Income	12,476	17,647	11,123	12,000	+7.9%	(3.8%)	8,800	+36.4%
Net Income	7,135	(10,213)	5,775	15,000	+159.7%	+110.2%	10,800	+38.9%
Evaluated net sales	169,665	147,460	178,627	199,500	+11.7%	+17.6%	186,800	+6.8%
Evaluated Operating Income	15,030	4,008	18,081	20,800	+15.0%	+38.4%	17,360	+19.8%

< Evaluated Net Sales/ Evaluated Operating Income >

In addition to SANCTUARY COURT BIWAKO, whose membership sales began in March 2022, membership sales of SANCTUARY COURT NIKKO, which began in October, are expected to be strong, and full-year contract value is expected to exceed that of the previous fiscal year to a record high. Furthermore, significant profit improvement in Hotel and Restaurant Operations and progress in Medical Operations will also contribute to the business performance. As a result, on an evaluation basis, net sales and operating income are expected to exceed the target figures for FY2023(Net Sales 190 billion yen and Operation Income 20 billion yen) stated in the Mediumterm Management Plan "Connect 50" Rolling Plan one year ahead of schedule.

＜Net Sales/ Each profits＞

As the three SANCTUARY COURT properties, whose membership sales accounted for approximately 80% of total membership sales for the current fiscal year, are unopened properties, accounting figures for real estate sales and income are not recorded until the time of the hotel's opening, and are realized in the period of opening. Accordingly, the recorded amount of net sales and operating income for the current fiscal year was limited on an evaluation base; however, each operation contributed to income, and overall net sales and operating income are expected to exceed those in the initial plan and the previous year.

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

[Evaluated Net Sales/ Operating Income]

Figures calculated on a sales evaluation basis after deducting accounting factors specific to the spread of COVID-19 infections as well as booking of real estate profits of sales of unopened properties. Adoption of new accounting is not a temporary factor; however, evaluation was conducted using the same standard as in the past to compare with figures in the previous years.

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Next, on page 23.

We had already made an upward revision to our earnings forecast at the time of the announcement of Q2 of this fiscal year. Since then, the top line has been performing very well, and although there is a trend of rising costs, we have decided to leave the top line unchanged for the time being.

SDGs and Sustainable Management Initiatives②

RESORTTRUST GROUP

RTG RESORTTRUST GROUP ×

Since the establishment of the Sustainability Promotion Department in April, the Group has considered the Group's materiality items and evaluated their significance and selected materialities after deliberations at the first meeting of the Sustainability Committee (held on July 6, 2022).

Since the establishment of the Sustainability Promotion Department in April, the Group has considered the Group's materiality items and evaluated their significance in the three-month period under review, and selected materialities after deliberations at the first meeting of the Sustainability Committee (held on July 6, 2022).

Furthermore, as for CO2 emissions, which had been previously calculated on a non-consolidated basis, we begun calculating CO2 emissions for SCOPE 1 and 2 on a consolidated basis, in accordance with the Greenhouse Gas (GHG) Protocol. We also started to calculate CO2 emissions for SCOPE 3 (on a non-consolidated basis), which had not yet been initiated (CO2 emissions calculations for FY 2019-2021 have been completed and disclosed).

In the 2Q, we endorsed the Task Force on Climate-related Financial Disclosures (TCFD).

In the 3Q, we considered the evaluation indicators of materiality items and released "targets for CO2 emission reductions" (*Details on next page) and "Disclosures based on the TCFD recommendations." In parallel with the above, we will promote permeation activities within the Resorttrust Group and disseminate information outside the Group from time to time as decisions are made.

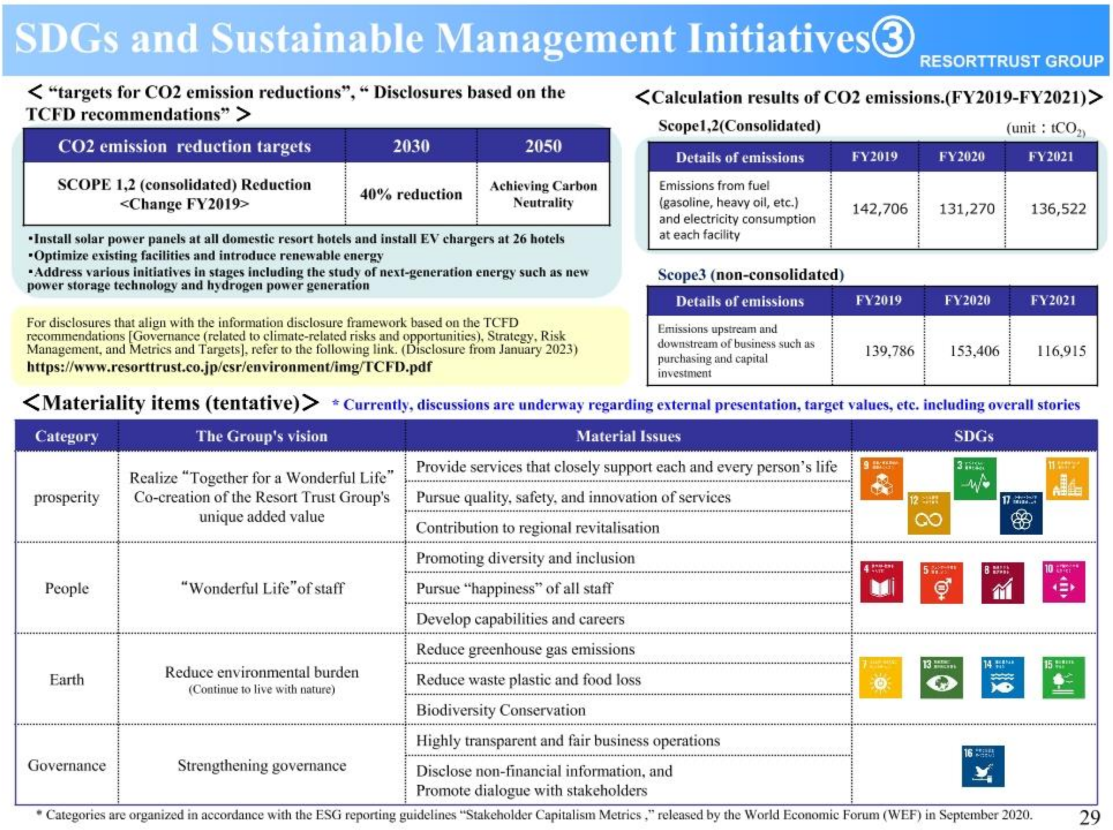
< Schedule of initiatives (image) >

FY2022	1Q	2Q	3Q	Initiatives for February and beyond
Material Issues	・Select proposed materiality items ・Study risk/opportunity scenarios ・Evaluate significance	・First meeting of the Sustainability Committee (held on July 6, 2022) ・Determination of Material Issues	・Second meeting of the Sustainability Committee (held on January 11, 2022) ・Establishment of sustainability policy ・Consideration of evaluation indicators of materiality items	【Establishment of management cycles】 ・Consider setting goals for each segment to permeate materialities ・Implement measures to reduce CO2 emissions ・Continuation of the project to collect value-creating ideas from staff. ・Continuation of e-learning and internal awareness-raising activities ・First Sustainability Forum held (internal). ・Sustainability website restructuring/ active dissemination of information.
CO_2	・calculation of CO2 emissions for FY2019-FY2020	・Endorse TCFD ・calculation of CO2 emissions for FY2021	・CO2 emission reduction targets/plans Decision ・Disclosures based on the TCFD recommendations(January)	
Permeation within the Group Information Disclosure	・Distribute SDGs color wheel pin badges	・Sustainability website updates ・Permeation activities within the Group such as case studies presentation through internal SNS	・Launch of e-learning ・Implementation of a project to collect value-creating ideas from staff.	

28

Next, we have some additional information on ESG-related topics, so let's go to page 28.

The table shows Q3 results, but the second row, CO2 reduction targets and disclosures in accordance with the TCFD, was released yesterday, February 8.



Details are on the next page, page 29.

SCOPE 1 and SCOPE 2 are to reduce emissions to virtually zero by 2050, and for the TCFD, the 1.5° C and 4° C scenarios are available on our website.

We are planning to completely renew our sustainability website by the end of March, so that we can disclose information more clearly and easily. We also expect to meet the regulation by further enhancing human capital disclosures toward the end of the period.

That is all from IR.

This concludes the explanation.

Question & Answer

Makino [M]: I would now like to move on to the question-and-answer session.

Please follow the operator's explanation for questions and answers.

Moderator [M]: Okay, we will now go to the question-and-answer session. When it is your turn to ask a question and the moderator calls your name, please ask your question after your company name and name. Please note that each person is limited to two questions at a time.

We will now begin the question-and-answer session.

First of all, Mr. Oda of SMBC Nikko Securities, please ask a question.

Oda [Q]: My name is Oda from SMBC Nikko Securities. Thank you for your help. I have two questions, and I would appreciate your cooperation. I hope you can answer one by one.

First of all, you mentioned base increases, salary increases, and investment in human resources for the next fiscal year and beyond, but on the other hand, I think you are also revising the accommodations and rates that you have had since last November. In addition to human resource investment and rising energy costs, there is also the question of how to balance price increases, or more specifically, price revisions, against such cost increases.

I would like to know if the investment in human resources will be a little short, or if the price revision will be sufficient to cover the cost of the investment, and if there is any temperature or thinking in this area.

Fushimi [A]: First of all, the increase is due to the cost of products, the cost of operations, and human resources, which are also a cost.

As for the cost, among the three Sanctuary Court products, the planned cost of Lake Biwa and Nikko has already risen compared to Takayama.

Of course, this is within our plan, but compared to the Takayama, we have seen an increase in some areas. Naturally, we will review the prices of new products, but we are also considering the possibility of revising the prices of existing products in the next fiscal year.

Regarding costs, we have reviewed the room charge and meal prices since last November. This was the first price increase in about seven years, though.

The price of fuel, etc., has risen more than expected, especially in the next fiscal year, and TEPCO's price has been raised by 30%. We believe that the peak will be a little later than expected, and that it will appear in the form of more than imagined during this next fiscal year.

In terms of personnel expenses, we are grateful for the total, but in fact, during the current fiscal year, the number of employees who contracted coronavirus or stayed home during the busy summer days returned to the level before the coronavirus, and up to 700 employees actually became ill with coronavirus or had to stay at home. The overwork in this area has led to shortages in the H2 of the fiscal year as well.

And although there is a labor shortage in all industries, the hotel industry is also in a very difficult situation, so they have no choice but to improve their treatment. For the next fiscal year, we are considering a minimum of the 5% salary increase called for by the Keidanren (Japan Federation of Economic Organizations), including the base up, and a return of bonuses to pre-coronavirus levels to some extent.

In addition, in order to further improve the treatment of our employees, we will consider a complete review of our shift system starting next fiscal year, and although we will not be able to do this immediately starting in April, we would like to take this opportunity to take on the challenge of creating a comfortable work environment that is not found in other hotels over the course of a year. However, we will work to improve productivity in the end, and we hope to make up for this in about three or four years, not just DX. Alright?

Oda [Q]: Thank you very much.

The second is a short-term figure, or rather, a detailed figure, I am afraid. Looking at the breakdown of operating profit for Q3 by segment, I see that corporate overhead and indirect expenses have increased compared to Q2, and I wonder what the reasons are for this increase of investment level of sensibility.

I think it is probably as planned, but I am not sure what this factor is. I would like to know if this is the provision for bonuses for the H1 of the next fiscal year as you mentioned earlier or not, and if so, what is the reason for the increase in the adjustment amount and corporate expenses.

Fushimi [A]: As you say, this is the portion of the bonus for the next fiscal year that is increasing.

Oda [M]: I see. Understood. That is all from me. Thank you very much.

Moderator [M]: Thank you very much, Mr. Oda.

Next, SBI Securities, Mr. Tanaka, would you like to ask a question?

Tanaka **[M]**: I am Tanaka from SBI Securities.

Fushimi [M]: Thank you very much.

Tanaka [Q]: Thank you very much. I would like to ask two questions from me as well.

One point I would like to make is about the human investment, which you asked about earlier. How much of a labor shortage do you feel at present? In the area of human investment, are there base increases, bonuses, or any other aspects of human investment that you are considering, as well as the scale of human investment?

I would like to know how much you expect the cost of human investment to increase in the next fiscal year, if there is anything you can tell us about that. Thank you.

Fushimi [A]: In terms of human investment, of course there is a shortage of labor. In fact, even now, the restaurant is still in such a way that it is difficult to operate at full capacity. As I mentioned earlier, there are annual working hours, so employees who were on standby at home in coronavirus during the H1 of the year were not able to work during the H2 of the year, which put pressure on some of our operations.

As for the base increase-up, there is the 5% I mentioned earlier and the four months of bonuses. In order to secure human resources, our ES survey also shows that, from the perspective of the field, it is the shift I mentioned earlier. The biggest request is to improve shifts, especially those that include mid-shift work, so this is the most important part.

Therefore, it is necessary to temporarily inject an external part or something like that against this one. However, to be honest, it is not easy to find people who are willing to come for breakfast only, and some hotels cannot attract people even if they pay JPY2,000 or JPY2,500 per hour.

Naturally, in terms of recruitment, we have already been able to recruit more than 100 people through the referral system, which we started in the fall. From the next fiscal year, we are doing a variety of things, such as hiring foreign workers, hiring overseas educated workers, hiring high school graduates and vocational graduates by area, and increasing the number of area employees. We do not expect to have enough staff for Q4 and Q1 of the next fiscal year, so we will have to increase the number of part-time and contract workers for a while.

Also, the increase of roughly JPY1.5 billion to JPY2 billion from just 5% of payroll alone, as mentioned earlier. And roughly JPY600 million in bonuses.

Now, if we do what I mentioned earlier, which is to say outsource the full shift, the simple calculation would be an increase of about JPY1.5 billion. This is of course dependent on the productivity mentioned earlier and the extent to which it can be incorporated in the DX of work style reform. This is not a whole amount, but considering the simple factor of increase, I think the amount will exceed JPY3 billion.

Tanaka [Q]: Thank you.

Then the second point. Regarding the occupancy rate of the members-only hotel, I get the impression that it has already exceeded the pre-coronavirus level and has risen considerably, but do you feel that it can be raised further? Or are there restrictions, such as restaurants or other offerings that are so strict that it's a bit difficult to raise the occupancy rate any higher? I think that the level of congestion makes it difficult to raise the occupancy rate to a level that members would feel uncomfortable with, and this may put a brake on the increase. How much do you think you can raise in that area for the next fiscal year?

Fushimi [A]: As you mentioned, the occupancy rate has thankfully not been affected by the revised room charge but has continued to grow steadily.

However, as you mentioned, this is a members-only hotel, so in terms of how far we can extend the rate, I would say that the current utilization rate is probably around 60%. For example, if we look at the ratio of weekend and weekday use, we would like to see 60% of the total, and if we go up to 65, for example, we will see considerable congestion, so basically, around 60% is one target.

However, it is the weekday operation I mentioned earlier. I am thinking that we can aim for 65% or so, especially if we can increase weekday occupancy, especially among corporations and seniors. We would like to do this carefully, so basically, one of our first goals is to get to 60, but we would like to consider that as one hurdle.

Tanaka [M]: Thank you very much.

Moderator [M]: Mr. Tanaka.

Tanaka [M]: Yes, thank you very much.

Moderator [M]: Thank you very much.

Now, Mr. Sekine, Daiwa Securities, please begin.

Sekine [Q]: I am Sekine from Daiwa Securities. I will ask only one question.

This question may overlap a little with the current one, but I believe that a new mid-term plan will be released in the next fiscal year, and if the shortage of labor is an issue that will continue for many years to come, how do you think productivity will be increased?

You have just told us that 60% is one perspective. For example, if you look at the next 5 to 10 years, for example, as the president just mentioned, you would like to take measures to increase weekday operation, and there may be room for some flexibility in the price area as well. I am wondering if you could give me some hints on this. That is all.

Fushimi [A]: For example, in terms of DX investment, we have been doing various things for the past five years, and in terms of the number of full-time employees and the number of full-time hotel employees, we have not increased the total number of employees in Yokohama and other areas recently, so I believe that DX is linked to productivity in this area, but we are now reaching the limit.

However, the average usage rate of investments we have already made, such as smart check-in and check-out, is still less than 5%.

This has not progressed, though, because of the actual national discount scheme, etc., and the fact that customers really need to tell the front desk, or papers are needed. If this percentage goes to about 50%, productivity will be considerably enhanced. There are many other things that can be done, such as making reservations, so I think we can do what we can as a matter of course.

As I mentioned earlier, it is difficult to say whether we will be able to do so suddenly this fiscal year or next. We would like to spend time and money for one year to build a solid foundation for the next five years, which will include overall recruitment and job turnover prevention, as well as the aforementioned work style reforms.

Sekine [M]: Okay. Thank you very much.

Moderator [M]: Thank you very much, Mr. Sekine.

There is still time for more questions, but since there appear to be no other questions, we will conclude the question-and-answer session. Now, I would like to conclude with a few words from Mr. Makino.

Makino [M]: Thank you very much for taking time out of your busy schedules today to participate in our Q3 financial results briefing.

As one point of information, we plan to release a new medium-term management plan at the time of the announcement of the current fiscal year's financial results in May. We are planning to hold a financial result briefing in Tokyo, which will also serve as a mid-term business plan briefing, so please come and visit us at the venue.

This concludes the conference. Thank you very much for your participation.

Fushimi [M]: Thank you very much.

[END]

Document Notes

1. *Portions of the document where the audio is unclear are marked with [Inaudible].*
2. *Portions of the document where the audio is obscured by technical difficulty are marked with [TD].*
3. *Speaker speech is classified based on whether it [Q] asks a question to the Company, [A] provides an answer from the Company, or [M] neither asks nor answers a question.*
4. *This document has been translated by SCRIPTS Asia.*

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