Resorttrust, Inc.

Financial Results Briefing for the Fiscal Year Ended March 2023 and the New Mid-term Management Plan

May 16, 2023

Event Summary

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[Participants]		
[Number of Speakers]	3	
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	Takeshi Makino	Sustainability Promotion Department, Investor & Public Relations Department Director
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[Analyst Names]*	Satoru Sekine	Daiwa Securities
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	Shun Tanaka	SBI SECURITIES

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

Presentation

Moderator: Thank you for taking time out of your busy schedules to attend today.

We will start the briefing on Resorttrust, Inc.'s financial results for the fiscal year ended March 31, 2023, and the new medium-term management plan will be held by Resort Trust Co. First, I would like to introduce the speakers. Ariyoshi Fushimi, President.

Fushimi: I am Fushimi. Thank you.

Moderator: Takeshi Makino, Sustainability Promotion Department, Investor & Public Relations Department Director.

Makino: I am Makino. Thank you.

Moderator: Hirotaka Honda, Investor & Public Relations Division Manager, Sustainability Promotion Department.

Honda: I am Honda. Thank you.

Moderator: These are today's three speakers. The end time is scheduled to be 5:00 PM. President Fushimi will now begin his presentation.

Fushimi: Once again, I am Fushimi from Resorttrust. Thank you very much for taking time out of your busy schedules to participate in our financial results briefing today. I will now start my explanation based on the provided materials.

FY2022 Financial Summary

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①Membership sales: Record contract volume for the second consecutive fiscal year

Contract Values of Membership FY2022 : (Hotel) 82.6 billion yen,
(Medical) 7.2 billion yen

・The contract volume of42.1 billion for the new product "SANCTUARY COURT BIWAKO", which was launched for membership sales on March 2022, led the overall performance.

SANCTUARY COURT NIKKO, which was launched in October 2022, is also remained strong, reaching 27.2 billion yen in just under six months from its launch. The contract volume was 13% higher than the previous record of 72.7 billion with the launch of SANCTUARY COURT TAKAYAMA. (Overall membership contract value, including medical and golf memberships, reached a record high of 90.5 billion yen.)

・Medical memberships also recorded strong sales of 7.2 billion yen, the second highest, following the record high in the same period of the previous year.

② Hotel and Restaurant Operations and Medical Operations remained strong, net annual sales of each operation reached a record high

・Annual occupancy rates of hotel operations exceeded those of the pre-COVID FY2019, and annual occupancy rate of XIV rose to 54% (+6P from FY2019). Also boosted by the effects of price revisions and offsetting the negative effect of the transfer of Hotel Trusty facilities, annual net sales reached a record high. In terms of operating income, the revised full-year earnings plan was achieved, absorbing cost increases from increased provision for bonuses and increased utility costs.

・Medical Operations also reached a record annual net sales, and occupancy rate of senior residence began to rise for the first time in about18 months.

・For the forecast for FY2023, factoring into increases in labor costs and utility costs, increased income is planned in each segment.

③Record net sales and increased operating income of 5.7 billion are expected for FY2023, and annual dividend of 50 yen (an increase of 5 yen), including a 50th anniversary commemorative dividend (4 yen), is planned

・In March 2024, SANCTUARY COURT TAKAYAMA is scheduled to open, the first facility to open in about 3.5 years since 2020, after Yokohama Baycourt Club Hotel & Spa Resort and THE KAHALA HOTEL & RESORT YOKOHAMA.

The revenue from real estate sales, which has been deferred since the start of sales, is expected to be recorded in a lump sum at the time of opening.

・In addition to the drop in contract volume due to the sales effect of the launch of two properties in the previous fiscal year, there will be temporary cost factors which will be incurred in advance due to improvement in compensation including across-the-board pay increases and various human capital investments; however, we aim to achieve a record level of operating income by expanding sales including price revisions.

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Please refer to page two of the financial results presentation. This shows the financial summary.

The first and most significant result of this year was that the annual contract volume of membership sales reached a record high for the second consecutive year during the COVID-19 pandemic.

The new SANCTUARY COURT hotel series in Takayama set a new record in the previous fiscal year, followed by the second and third hotels in Lake Biwa and Nikko, which began accepting applications in the last fiscal year and recorded the highest record for the hotel & restaurant segment of JPY82.6 billion.

In the medical segment, although growth was slightly slower than in the previous fiscal year due to a large number of new products, we achieved the second-highest contract volume in our history and the highest total contract volume in our history.

Second, this is the operational aspect. Both the hotel & restaurant segment and the medical segment were able to achieve record sales for the operational part of their operations, respectively. Therefore, the hotel & restaurant segment has come to a point where it has exceeded the pre-pandemic operation. And while there were various cost increases, we were able to absorb these costs by taking into account the effects of the price revisions and other factors. In the medical segment, demand for medical checkups remains strong, and annual membership fee sales are also at a record high, especially due to membership recruitment. In addition, we have been able to increase the number of patients receiving medical checkups to a record high.

The only one that was late to the party was the senior residence. As I will explain later, the pandemic, with its various restrictions on behavior and other factors, made it difficult for residents to move in and made residents move out, and this was the area that took the longest time to recover. Looking at the trend from Q4 to this April, we can see that operations have finally begun to pick up, and we are confident that the senior residences have finally bottomed out as we look to capitalize on this trend.

Third, we expect to achieve record-high sales in the fiscal year ending March 31, 2024, and operating income is expected to increase by JPY5.7 billion to JPY18 billion. In conjunction with this, we plan to increase the dividend to JPY50 per share for the year as we celebrate our 50th anniversary.

Financial Highlights FY2022

(April to March) RESORTTRUST GROUP

(Million yen)

	2020/3 results	2021/3 results	2022/3 results	2023/3 results	YoY Difference	Change FY2019	2023/3 revision targets
Net Sales	159,145	167,538	157,782	**169,830**	+7.6%	+6.7%	166,500
Operating Income	11,652	14,707	8,693	**12,270**	+41.2%	+5.3%	11,500
Ordinary Income	12,476	17,647	11,123	**13,247**	+19.1%	+6.2%	12,000
Net Income	7,135	(10,213)	5,775	**16,906**	+192.7%	+136.9%	15,000
Evaluated net sales	169,665	147,460	178,627	**205,304**	+14.9%	+21.0%	199,500
Evaluated Operating Income	15,030	4,008	18,081	**22,358**	+23.7%	+48.8%	20,800

< Evaluated net sales, Evaluated Operating Income>

Evaluated net sales and evaluated operating income increased by 15% and 24%, respectively from FY2021, and 21% and 49% respectively from FY2019, 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.39 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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Please look at page three. This is the sales portion I just mentioned.

The actual results for 2023 are as follows: net sales of JPY169.8 billion, up 7.6% YoY; operating income of JPY12.2 billion, up 41%; ordinary income of JPY13.2 billion, up 19%; and net income of JPY16.9 billion, up 192%. The sale of seven Hotel Trusty properties, which were general hotels, was a special factor, but even without it, both sales and income increased steadily. The revised plan is shown on the right, and we are proud to say that we were able to achieve this plan.

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

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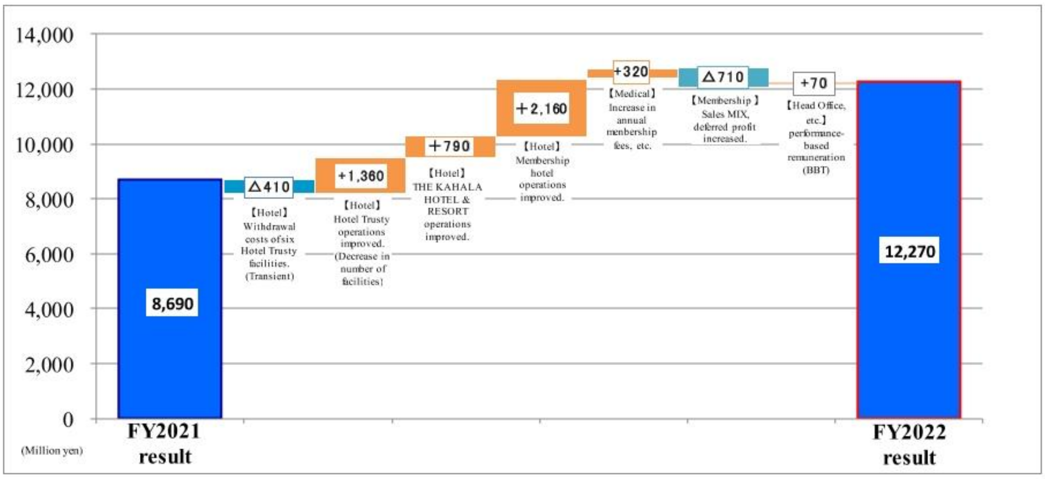
In Hotel and Restaurant Operations, although a temporary expense of 0.41 billion yen for the transfer of Hotel Trusty facilities was recorded, profit improved significantly due to a rise in occupancy rate, particularly at membership hotels. In Medical Operations, we also achieved profit growth. Overall, we achieved an improvement of approximately 3.6 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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On page four, we show the main reasons for the increase or decrease in operating income YoY.

In March 2022, it was JPY8.6 billion in the previous year, and the withdrawal costs associated with the Hotel Trusty's withdrawal mentioned earlier, the negative aspects of sales, and the elimination of the negative aspects due to the termination of operations, amounted to JPY400 million each. And JPY1.36 billion. Then there is the hotel revenue improvement, which is JPY790 million in Hawaii, JPY2.1 billion in domestic membership resorts, and JPY320 million in annual membership fee increase due to the increase in medical members. I mentioned earlier that contract volume was the highest ever, but as the number of properties that have not yet been completed has increased, the membership income was down JPY0.7 billion adding the factors of increase and decrease, which resulted in the total income of JPY12.2 billion in the previous year.

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

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＜Accounting Base＞

(Million yen)

		2020/3 results	2021/3 results	2022/3 results	**2023/3 results**	YoY Change	Change FY2019	2023/3 revision targets	VS. revision plan
Membership	Sales	38,948	66,523	40,946	**34,945**	(14.7%)	(10.3%)	34,160	+ 2.3%
	Operating Income	13,559	22,951	11,887	**11,182**	(5.9%)	(17.5%)	10,880	+ 2.8%
Hotel and Restaurant	Sales	80,659	60,322	73,699	**89,747**	+21.8%	+11.3%	87,350	+ 2.7%
	Operating Income	92	(6,165)	261	**4,167**	+1493.3%	+4426.7%	4,070	+ 2.4%
Medical	Sales	38,867	40,022	42,432	**44,422**	+ 4.7%	+ 14.3%	44,260	+ 0.4%
	Operating Income	5,829	6,341	5,736	**6,053**	+ 5.5%	+ 3.8%	5,960	+ 1.6%

＜Evaluation Base＞

		2020/3 results	2021/3 results	2022/3 results	**2023/3 results**	YoY Change	Change FY2019	2023/3 revision targets	VS. revision plan
Membership	Evaluated net sales	49,468	46,445	59,868	**69,011**	+15.3%	+39.5%	66,304	+4.1%
	Evaluated Operating Income	16,937	15,809	19,353	**19,861**	+2.6%	+17.3%	19,324	+2.8%
Hotel and Restaurant	Evaluated net sales	80,659	60,322	73,699	**89,747**	+21.8%	+11.3%	87,350	+2.7%
	Evaluated Operating Income	92	(9,397)	261	**4,577**	+1650.0%	+4872.0%	4,480	+2.2%
Medical	Evaluated net sales	38,867	40,022	44,354	**45,831**	+3.3%	+17.9%	45,116	+1.6%
	Evaluated Operating Income	5,829	6,017	7,659	**7,461**	(2.6%)	+28.0%	6,816	+9.5%

***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.31.

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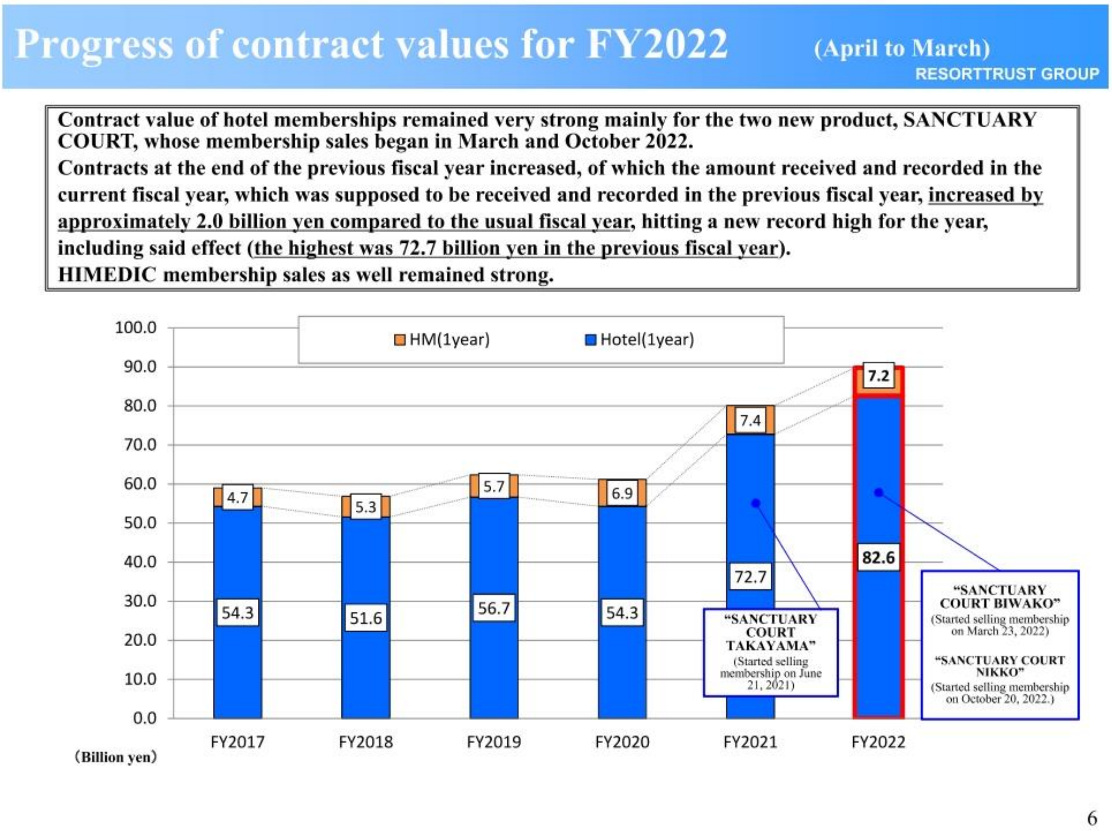
Please see page five for the breakdown.

Here, too, the top is on an accounting basis, and the bottom is on a valuation basis. This is an evaluation indicator to keep in mind the fact that the timing of sales recording in the membership recruitment is inevitably concentrated only during the opening period of the hotel, which causes fluctuations in the real estate portion of the sales. We consider this reflects our capacity. As you can see on the right side of the chart, the revised plan was achieved on an accounting basis, an evaluation basis, and for each segment, membership, hotel & restaurant, and medical.

The only negative YoY change in the membership segment on an accounting basis was due to the completion or not of the hotels I mentioned earlier. The rest is in line with that, so if you look at this on an evaluation basis, you can see that we are growing well.



Please refer to page six. So, if we look at the contract volume as the total amount of membership contracts rather than on a revenue basis, the lower part of this figure is for the hotel & restaurant segment, and the upper part is for the medical segment.

The new SANCTUARY COURT product during the pandemic, as I mentioned, and it has firmly captured a new market and achieved unprecedented growth. Although the contract value decreased in the medical segment, it is expected to maintain a growth of JPY7 billion, which is almost the highest level in the industry.

New brand "SANCTUARY COURT BIWAKO" membership launched

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●"SANCTUARY COURT BIWAKO VENETIAN MODERN RESORT" Overview

Start of sales	23 March 2022.
Scheduled date of opening	October 2024 (planned)
Total number of rooms	167
Supplemental facilities	Italian restaurant, Chinese restaurant, Japanese restaurant, Lounge&Bar, Ballroom ,Spa (indoor bath, Carbonic acid spring bath, outdoor bath, sauna) ,Treatment Salon, Indoor Pool, training gym, Executive Room, Boutique, Dog run,,etc.
Membership price	¥7.43 million(annual 10 stay nights-type) ~ ¥34.75 million (annual 20 stay nights-type)

Entrance

Room(Royal Suite)

Indoor pool

◆SDGs initiatives

・Solar power generation facilities have been installed to reduce CO2 emissions, and approximately 80% of the electricity consumed is expected to be covered by in-house power generation. of the electricity consumed is expected to be covered by in-house power generation.

・Under an agreement with Takashima City, the hotel will be operated in a community-based manner.

・Actively provide local produce, contribute to the local economy, improve customer satisfaction and reduce food mileage.

◆ spa and wellness (health) facilities

・Hot spring outdoor baths, steam sauna, carbonic acid baths, etc.

・Full activity programme, including simulated golf.

◆Rooms that can accommodate accompanying dogs (29 rooms)

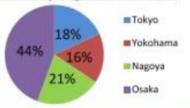
・The largest of our facilities. number of rooms and a dog run.

◆ Contracts (The end of March)

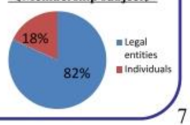
・Number of Members Final Target :6,012 members
(If all are sold as 10-stay night products)

・Sale of 3,188 units on a contract basis
(23 March,2022 - 31 March,2023.)

<Ratio by region (branch)>



<Membership subject>



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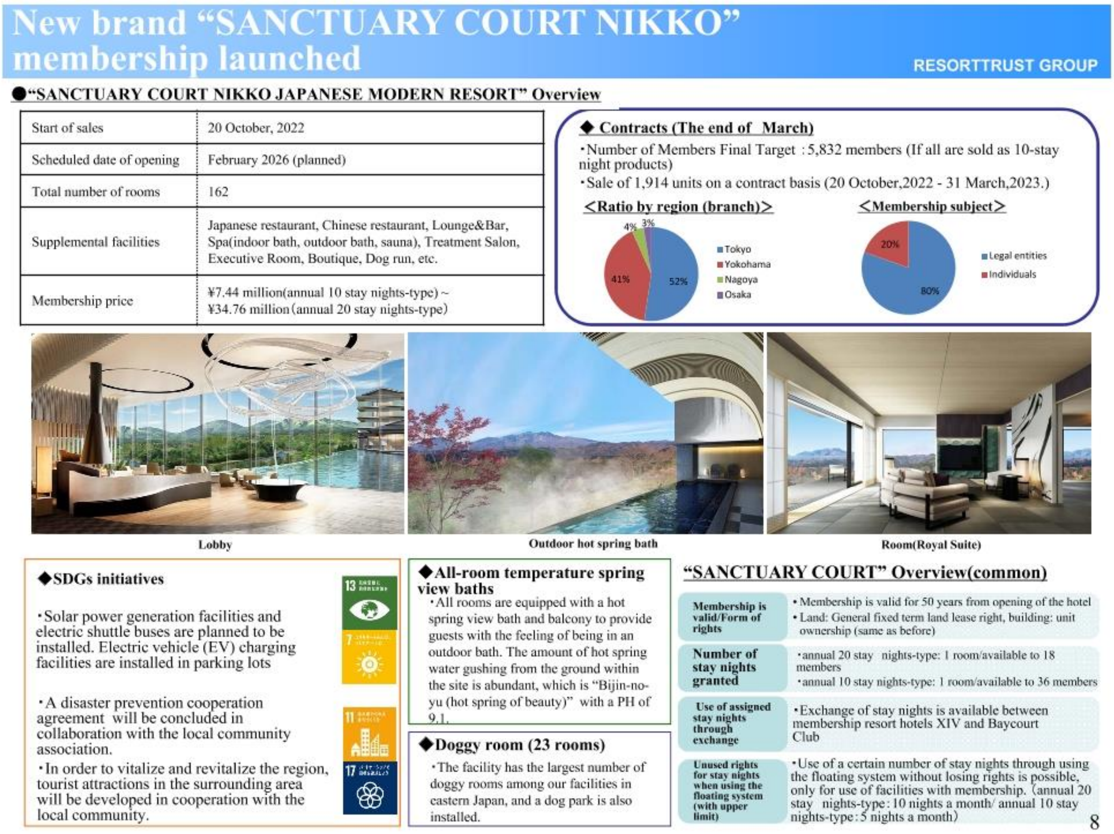
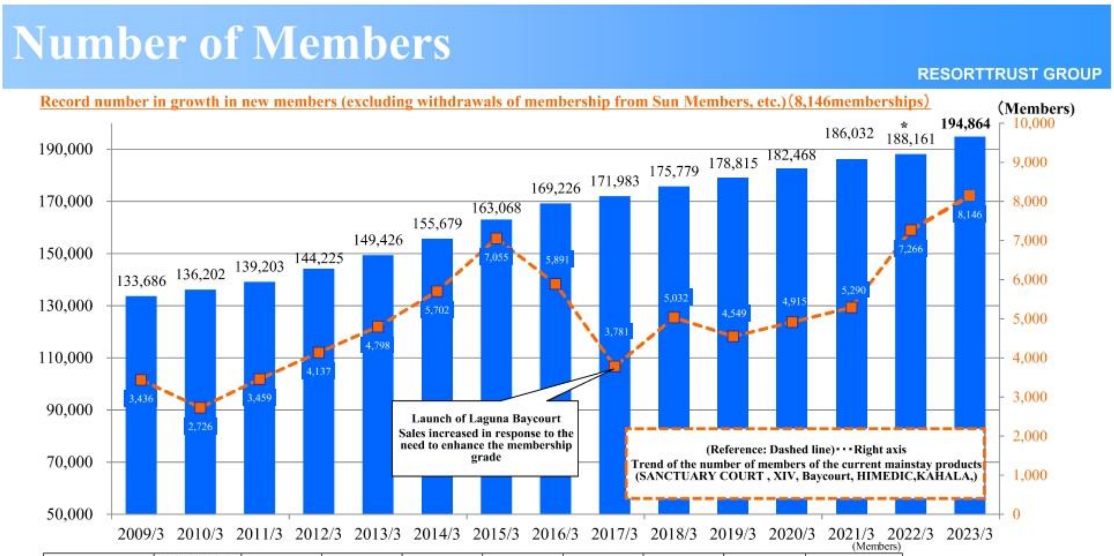


Pages seven and eight are the current products.



(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	
2023/3	**8,157**	**23,886**	**79,780**	**22,998**	**30,129**	**28,367**	**434**	**1,113**	**194,864**	
Change FY2022	+5,167	+149	+434	(1,481)	+15	+2,130	+23	+266	+6,703	+8,146
Change FY2021	+2,990	184	+1,557	(1,376)	+154	+2,419	+19	+116	+6,063	+7,266

*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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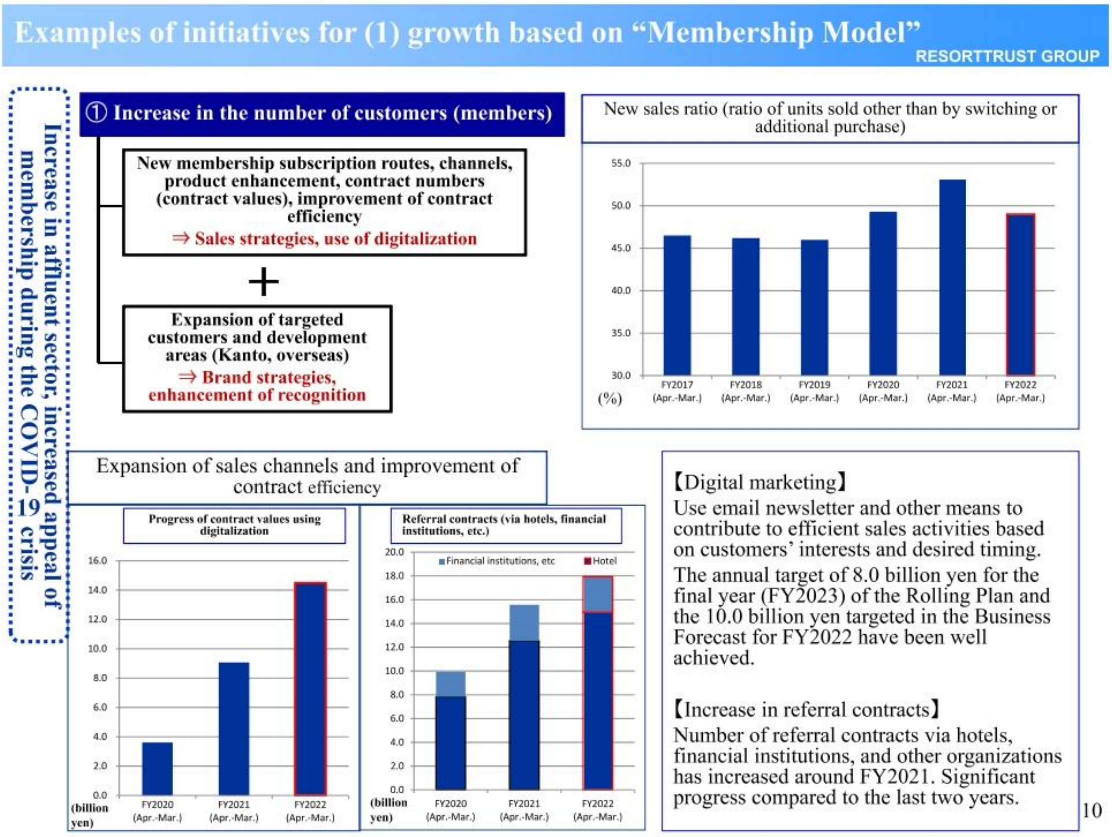
Please see page nine.

Page nine shows the number of members, and if you look at the table below, the overall number of new members is 8,100.

Among them, the main one is, of course, SANCTUARY COURT, with 5,167 new members, but also Baycourt, XIV, etc., are growing well within the inventory. In the medical segment, the minimum number of members has exceeded 2,000, and the number of members has been increasing steadily and in a balanced manner and has grown to a total of 194,800 members, with 200,000 members in sight. We will explain the concept of this market later.



Page 10 shows our growth concept based on our completion model for the current and previous medium-term management plans.

In terms of customer growth, as I mentioned earlier, we are steadily increasing the number of customers. This major part of the project has been ongoing for the past three years.

As shown in the table below, there has been a significant increase in digital subscriptions, new member referrals from hotels, and referrals from financial institutions. In terms of the number of financial institutions, the main customers have been thinking banks and regional banks, but since H2 of the previous fiscal year, we have been able to sign contracts with megabanks, securities firms, department stores, and we expect to see further benefits from this in the current fiscal year.

The new customer ratio in the upper right-hand corner is slightly down, but this is due to new products and something other than [inaudible], but it is basically a problem with our sales policy. In the current fiscal year, we have set a target new customer rate of 55%, which is our usual rate, and we believe that this will return without any problem from a strategic point of view.

Trend of sales inventories (contract value basis)

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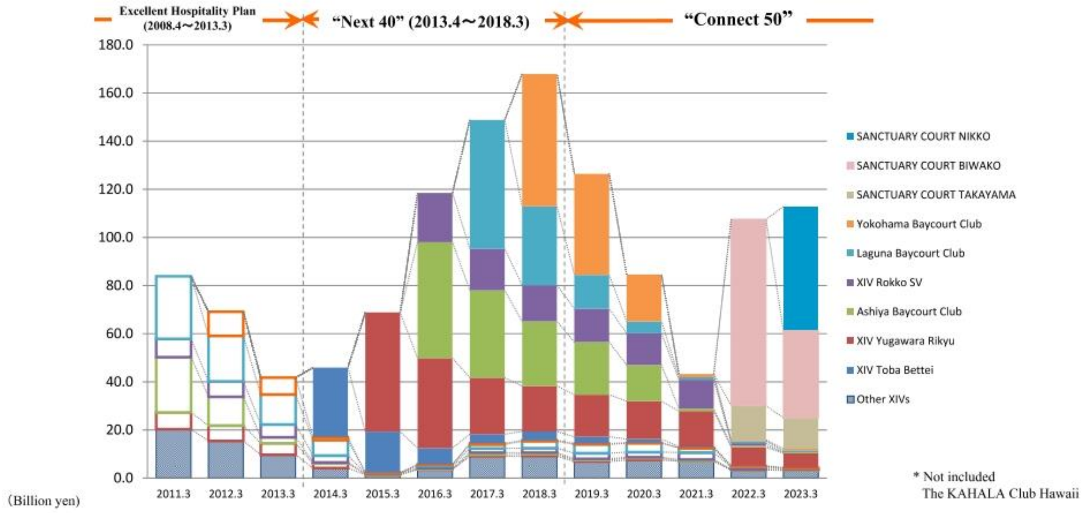
- During the period of the before the last medium-term management plan (April 2008 to March 2013) when the Group postponed development in view of the collapse of Lehman Brothers and the impact of the earthquake, inventories shrank.
- During the period of the previous medium-term management plan (April 2013 to March 2018), inventories temporarily increased to over 160 billion yen as the Group accelerated development and sales in response to the accumulated demand.
- Two properties began construction in FY2021, SANCTUARY COURT NIKKO started sales in October 2022, and the Group has inventories amounting to approx. 110.0 billion yen as of March 31, 2023 (not including KAHALA Club Hawaii) which is about 1.5 years' worth.



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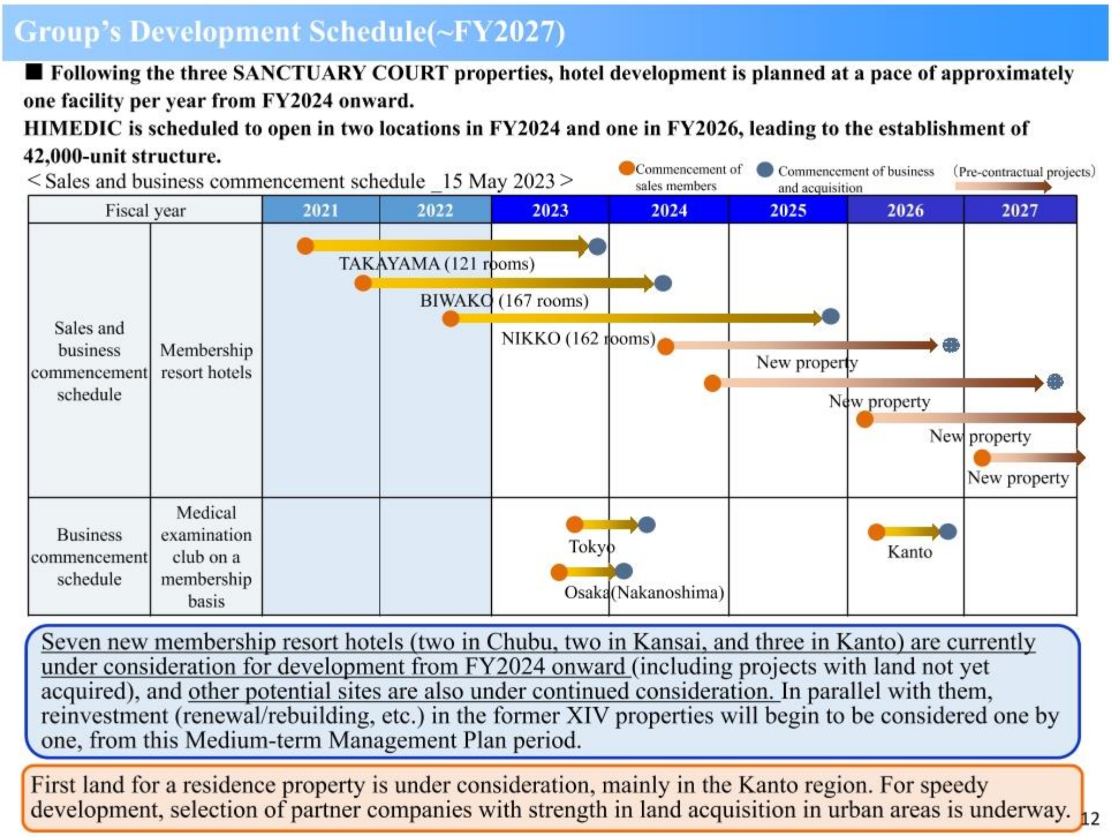
Next, we will continue with an inventory.

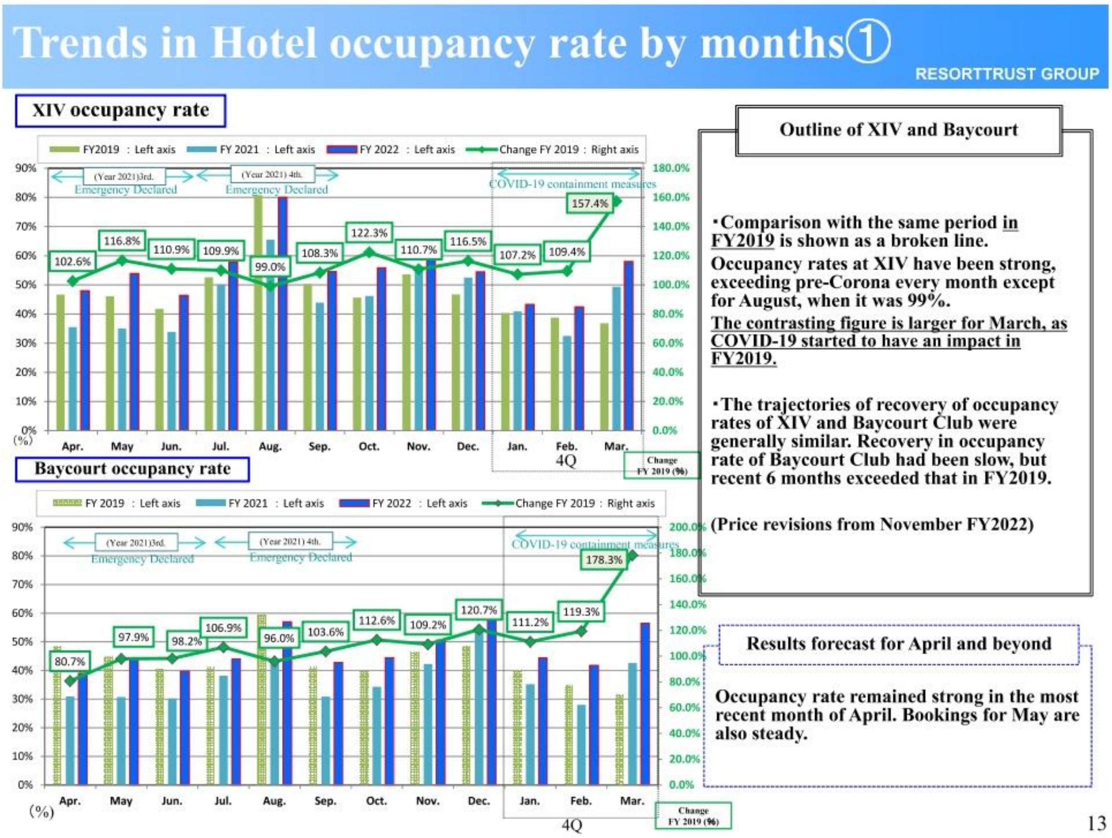
In the fiscal year that ended March 31, 2021, we really did not have a penny, but we introduced these three facilities here, and as you can see, we introduced SANCTUARY COURT Takayama in 2022. Almost 80% of the applications for Takayama were completed that year, and as you can see, there are almost no more memberships available.

Similarly, Nikko started accepting applications in the middle of the previous fiscal year, so nearly 50% of the applicants have already been accepted. Therefore, our current inventory is for about one and a half years, so we will be fine for this fiscal year, but we are currently preparing new products for H1 to H2 of the next fiscal year while keeping an eye on the balance between Tokyo, Nagoya, and Osaka.



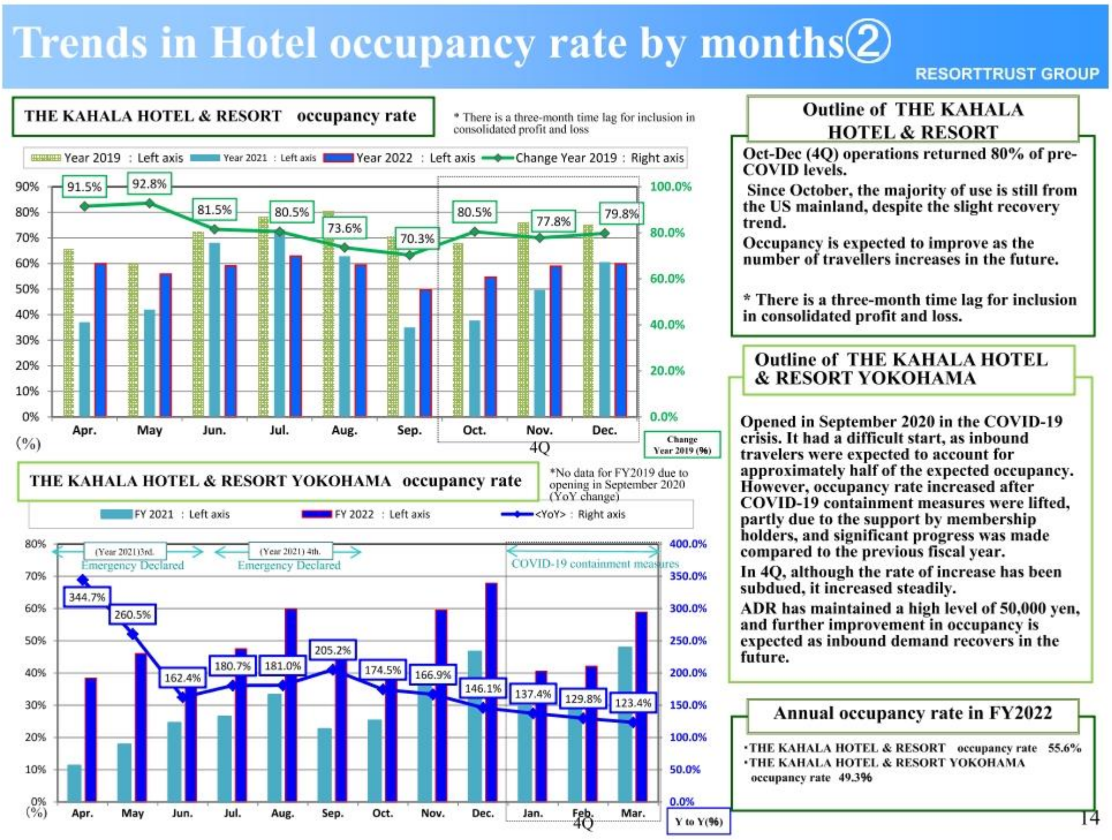
And as for the pace of sales, please see page 12.

We are currently opening one in Takayama, Lake Biwa, and Nikko each year in turn. We would like to continue this in the future, and are currently preparing for openings in 2026 and 2027 in the Tokyo, Nagoya, and Osaka areas. However, this time, we have announced the quantitative aspect of the medium-term management plan only for the three years during which properties have already been selected, and development has already started.



Here is an overview of the business. Page 13, this is up and running.

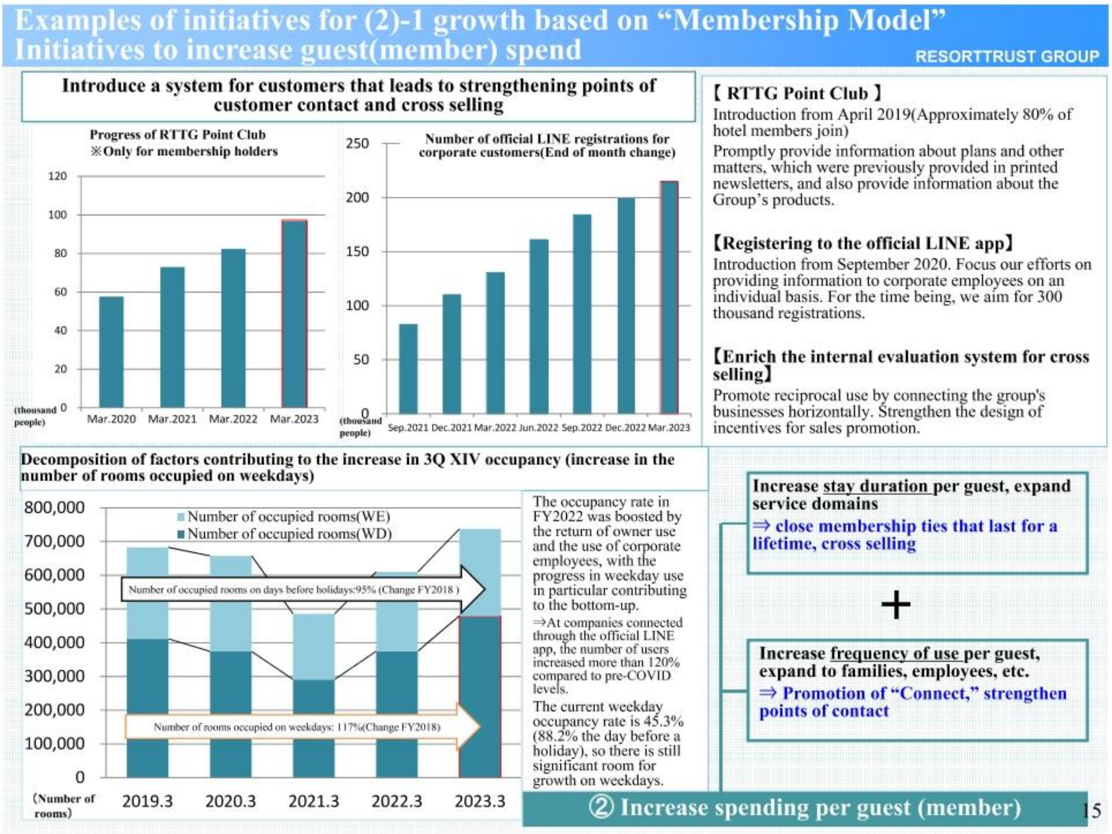
The occupancy rate has been steadily increasing YoY and continues to be favorable, but the YoY progress of the Baycourt has been significantly higher than that of the XIV. We believe that this is due to the fact that many members of the SANCTUARY COURT, which have not yet completed construction, are in urban areas, and the SANCTUARY COURT members have been using Baycourt very actively.



Continuing on page 14, we have KAHALA.

The KAHALA HOTEL & RESORT's share in Hawaii is almost 80%, which means that almost all of the negative numbers of visitors from Japan have not yet recovered. I have heard that starting this July, there will be even more flights, but it will still be less than the number of flights before the pandemic, so I think it will take some more time.

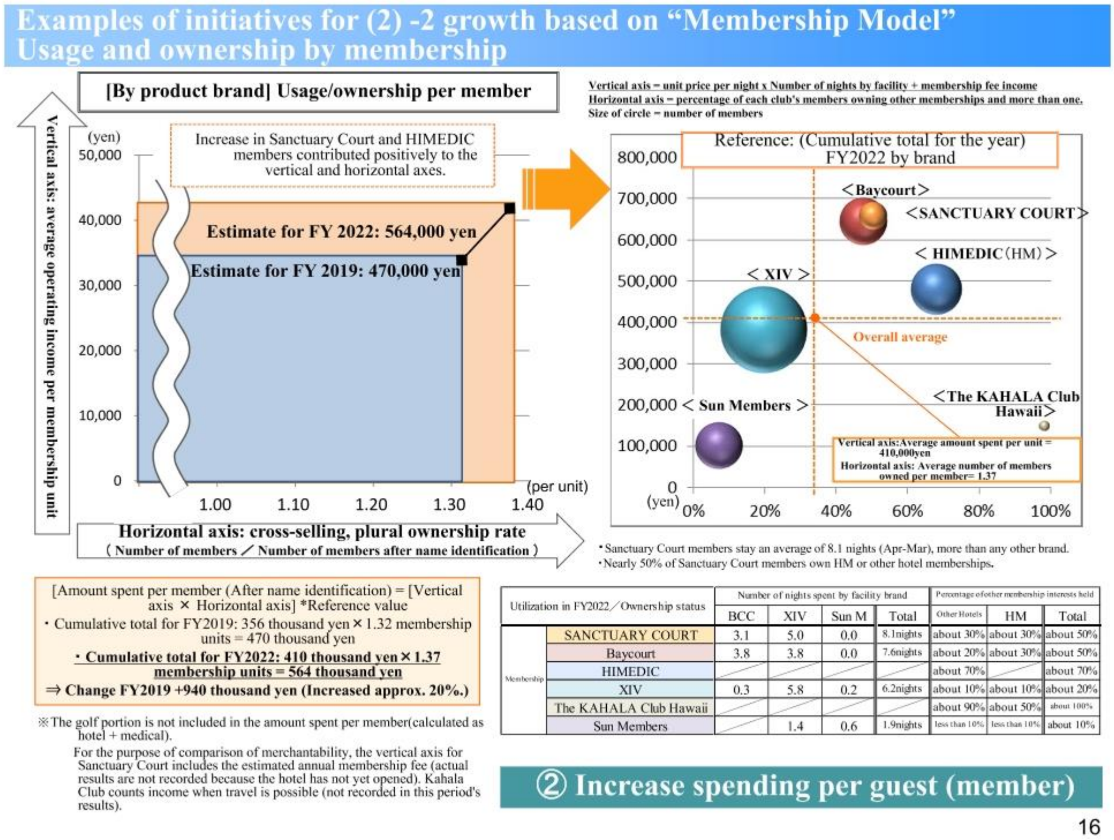
As for the KAHALA HOTEL & RESORT YOKOHAMA, we are almost as we planned with 50%, but since inbound tourism is finally returning to Tokyo, we are hoping that it is time to bring visitors back to Yokohama. Monthly customer satisfaction and evaluation show that we are currently number one in Yokohama in ADR and customer evaluation, so I think we can expect great things from this year or next year.



Continuing on page 15, this is the cross-selling portion of the increase in usage. The first step we are taking is to retain and promote the use of the members.

The point membership and the LINE app for corporate, which we have been promoting for some time, are also growing steadily. We are promoting the use of this service by providing timely information. As shown in the table below left, we have seen a large increase of 117% in the weekday operations compared to the pre-pandemic period as we are more focused on attracting customers in weekday operations than in weekend operations, and we believe it is working for us as a business.

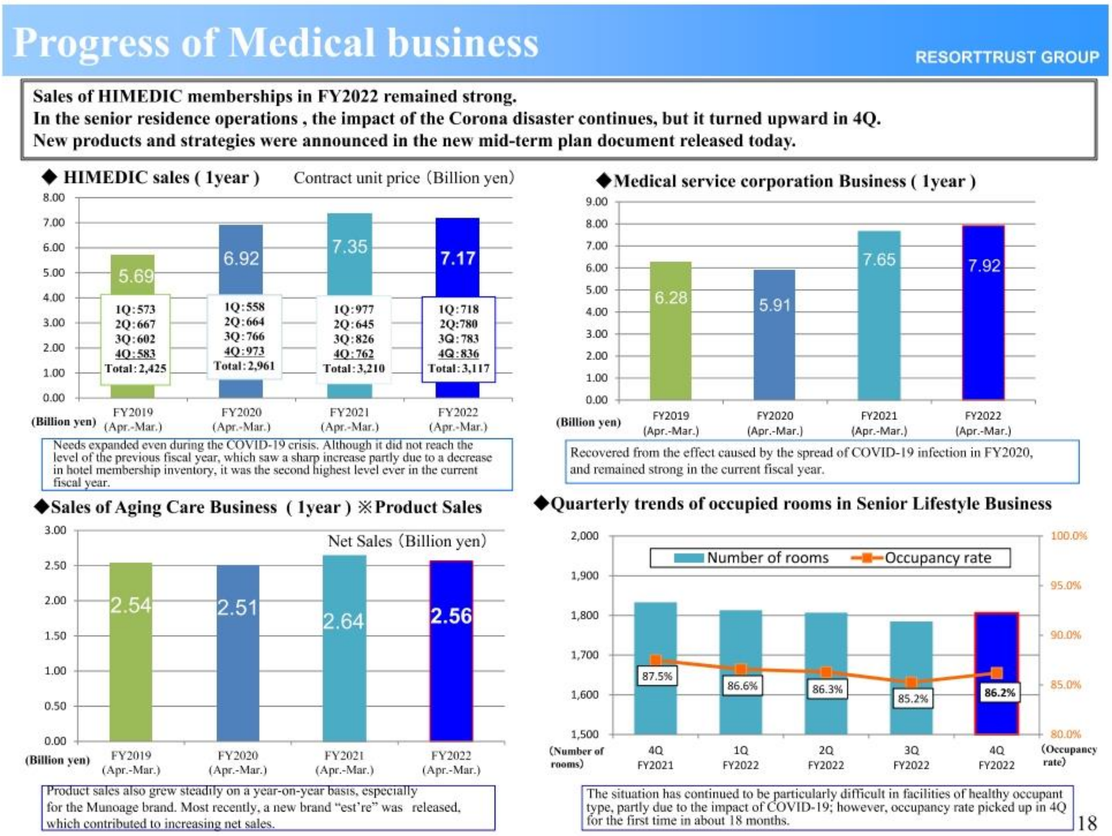
However, it is still difficult to say that we are providing enough timely information and information that meets the needs of our members. In the membership-based sales mentioned earlier, the use of AI, etc., to determine the timing and the type of information to be provided to the right person has led to some successful examples in e-mail newsletters. So we would like to further improve the accuracy of this service based on our experience, as well as the analysis of customer attributes and usage status that the medical segment is currently conducting with DeNA.



Continuing on page 16, this page shows the promotion of total usage per membership, which also showed solid growth from FY2019 to FY2022.

The largest usage is seen in SANCTUARY COURT and HIMEDIC members, which number is now increasing. This is to increase the overall income per member.

So, as you can see in the lower right-hand corner, SANCTUARY COURT members stay an average of 8.1 nights, which means that they use the hotel much more frequently than Baycourt and XIV members. In addition, there are a large number of members who have multiple memberships for HIMEDIC and other hotels, which means that the unit price per visit is even higher.

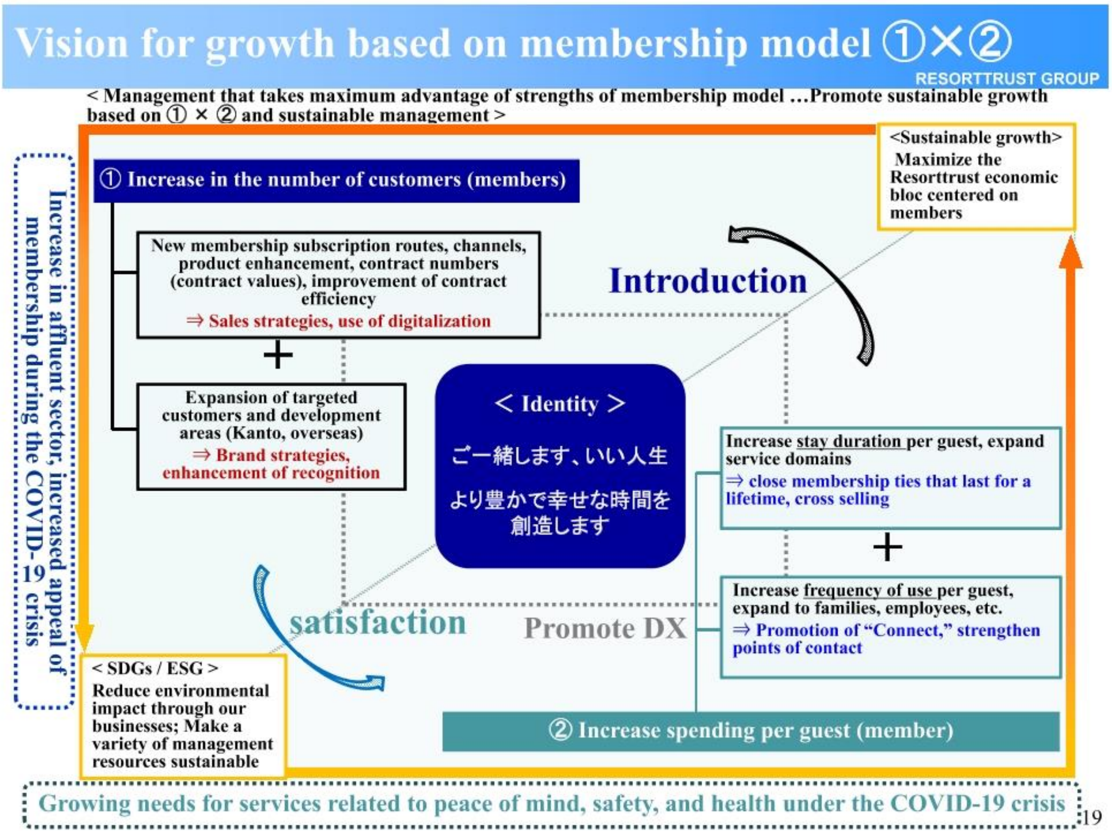


On page 18, I would like to explain the status of the medical segment.

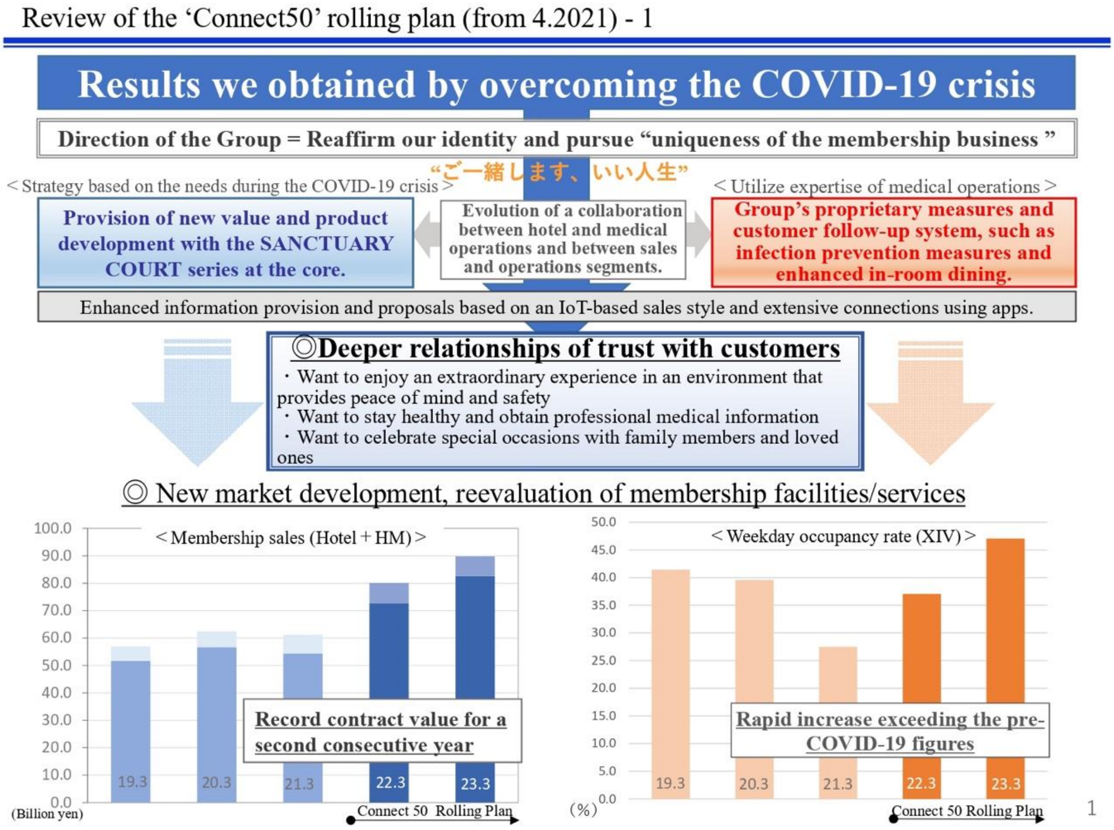
Regarding the medical segment, the HIMEDIC membership is, as I mentioned.

Sales in the medical service corporation business on the right side are also growing steadily. In the future, we plan to further expand this business by expanding our capacity, relocating, and acquiring new medical checkup centers on which we are currently working. In the aging care business, the sales remained almost unchanged during the pandemic, but we are now expanding new sales channels overseas, especially in China, including products for China, which are mainly for individual imports. We are planning to put our efforts into this area in earnest starting this fiscal year, including the introduction of new products.

With regard to the senior lifestyle business, as I mentioned earlier, we have hit bottom, and I will explain later how we will develop this fiscal year.



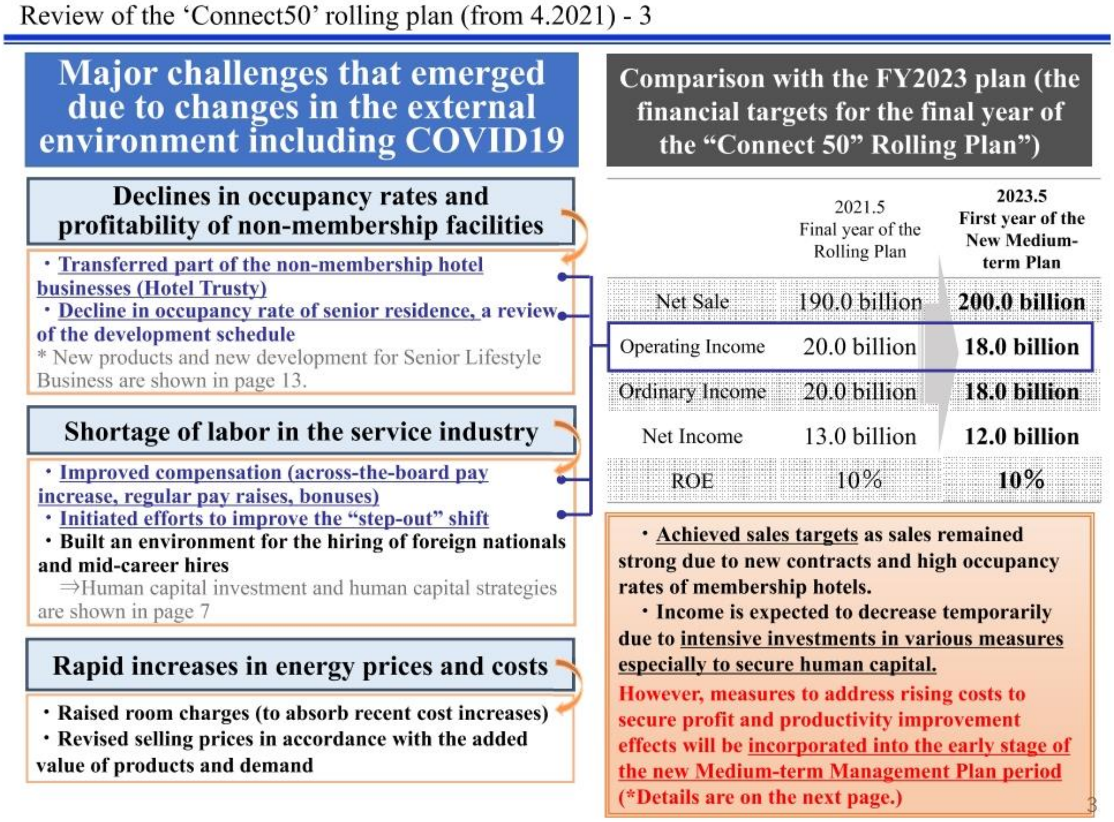
As you can see on page 19, we have continued to implement measures to increase the number of customers and the amount of usage per customer based on the membership model, which has been ongoing since the previous medium-term management plan, and we believe that these measures have continued to produce positive results.



Now, please take a look at the booklet of the medium-term management plan. I will explain the key points here as well.

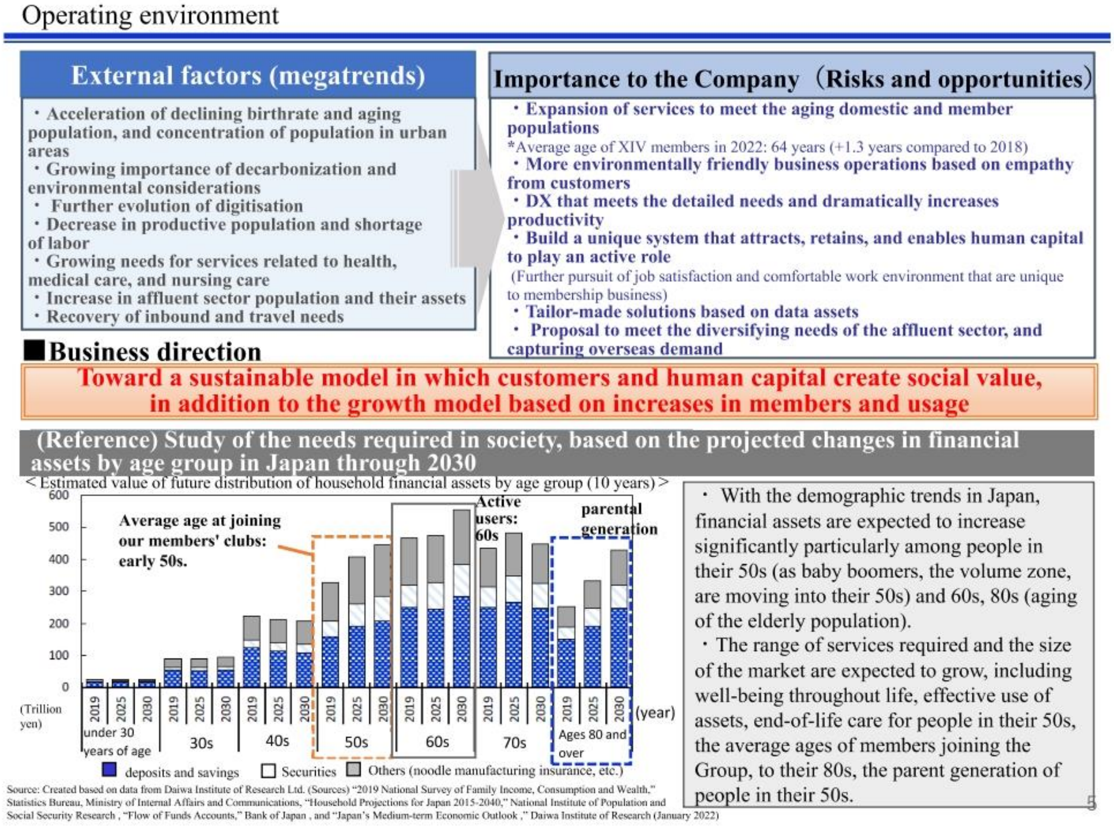
Please look at page one. I will repeat some of this here, but I would say that we were able to launch new products, such as SANCTUARY COURT, by firmly grasping the needs specific to the pandemic.

In addition, we have also been able to deepen the relationship of trust and cooperation with members by implementing various follow-up measures, such as preventive measures and the establishment of a medical consultation room, in response to customer requests for our healthcare services. This has enabled us to achieve a certain level of performance during the pandemic in terms of contract volume. Therefore, I understand that the challenge for this fiscal year is to develop new projects through the medical business I mentioned earlier in order to make the most of this opportunity in the future after the pandemic.



Next, please refer to page three. The initial medium-term management plan was JPY20 billion, but the result was JPY18 billion. The reason for this is that the greatest burden of one-time personnel expenses will inevitably be incurred in the current and next fiscal years, and this is why the plan is presented in this manner.

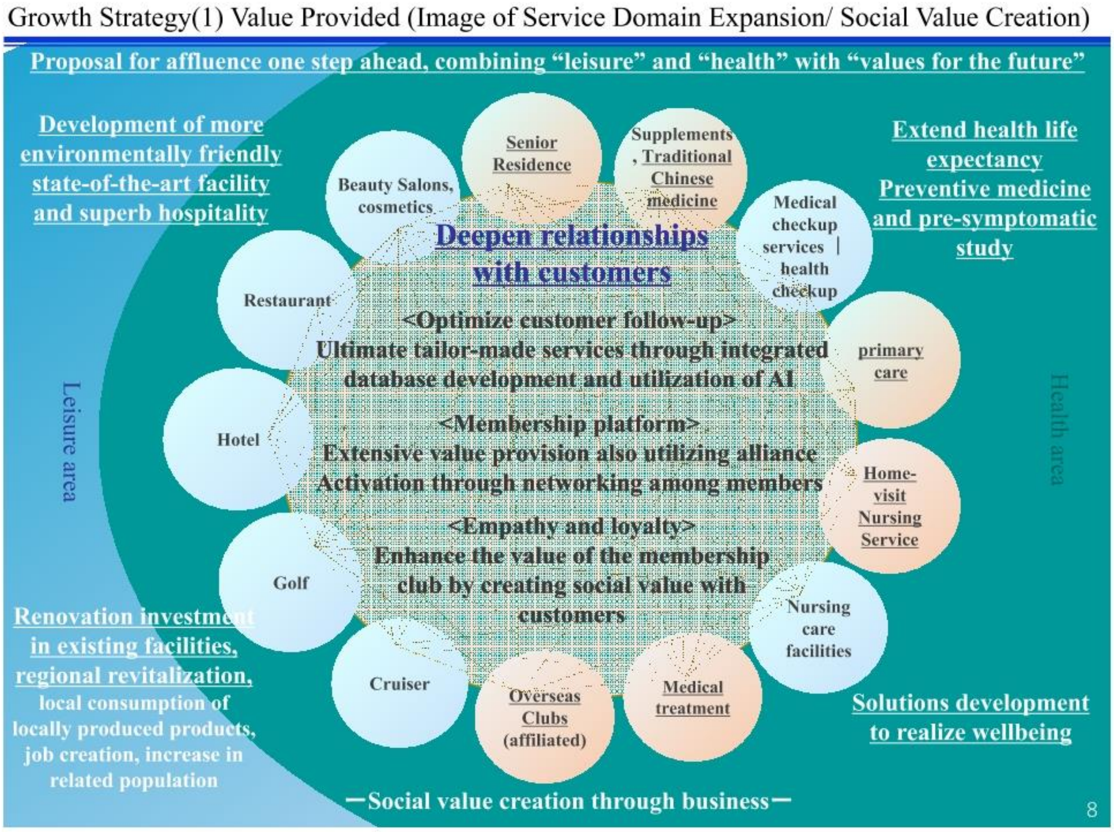
This is not purely a labor shortage but rather a need for base increases and other improvements in compensation. There is a working system of stepping out in resort hotels, and this makes it difficult the most to attract labor in this personnel shortage. In order to resolve this issue and win the battle for human resources in the hotel industry in the future, we have taken the initiative in this fiscal year to look at costs that include shift improvement and the elimination of the stepping-out system, and we hope you will understand that the JPY18 billion is the result of our efforts.



Next, please see page five. As for our understanding of the environment, it goes without saying that there is a mega-trend of external factors shown in the upper left corner, and for us, as with the shift review mentioned earlier, we see this as a major opportunity to dramatically increase productivity by DX. We will continue to seize this opportunity.

Then there is the response to the needs of members that I mentioned earlier, and we want to make sure that we have a membership feel here by providing tailor-made solutions. Then there is the challenge of meeting the needs of an increasingly diverse and affluent clientele. We believe that the expansion of the market by taking on overseas demands and tailor-made solutions are the two key elements of this strategy.

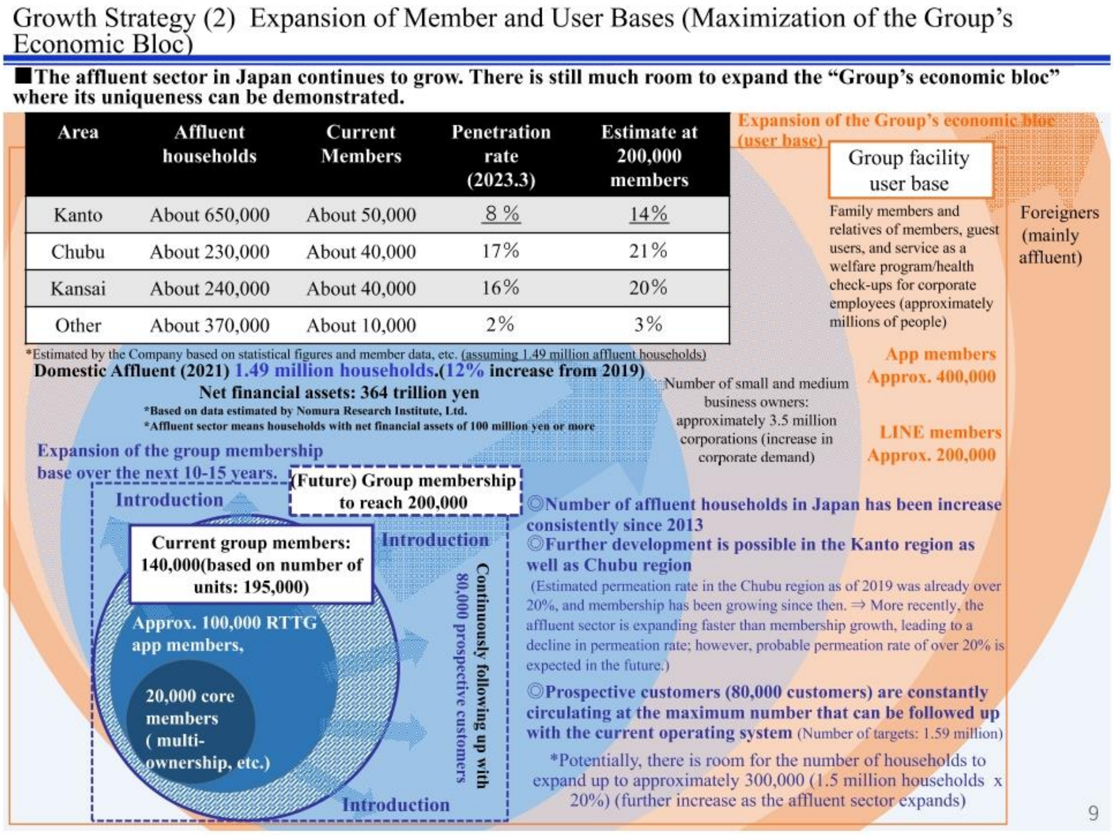
And this is one of the reasons we are considering. The data shown in the chart below is from Daiwa Institute of Research Ltd., and the wealthy people we consider to be the main users and the main age group at the time of enrollment are generally in their 50s to 80s. This customer base is expected to increase until 2030. We believe that a major point to recognize in this environment is to capture the expanding affluent market by developing a membership-based system for lifelong well-being for two generations, including seniors.



Please continue to page eight. This diagram shows the Group's concept that health is a content that we should expand and that by proposing values for the future, we would like to propose affluence that is one step ahead of the rest.

In order to achieve this, it is, of course, necessary to optimize customer follow-up and develop a platform, as shown in the center of this page. We believe that one of our missions is to propose a new and rich leisure time, living environment, and senior life for the elderly, not only for the wealthy, by firmly developing these contents.

To this end, we would like to create a new business model in which we are not a hotel or medical company, but a unique membership business, by creating a system in which our customers can join us in building a membership club and creating the social value of the club itself together.

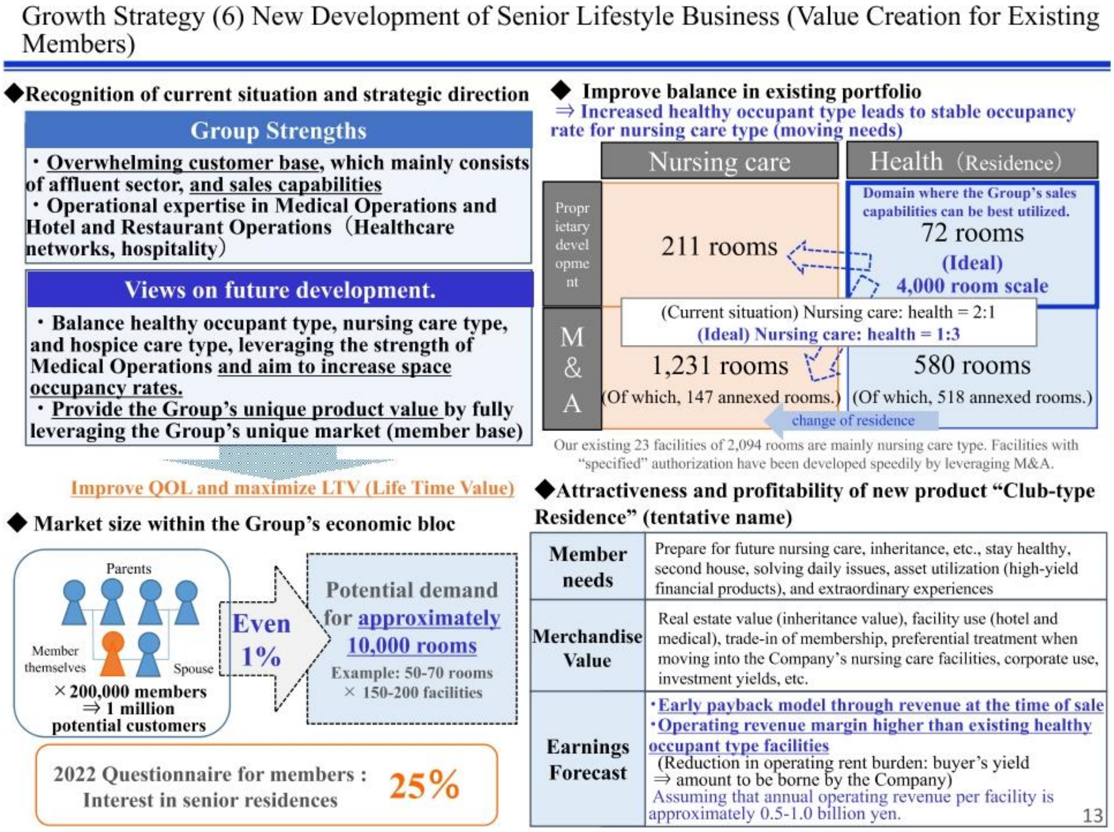


Page nine is also related to the market concept I mentioned earlier.

As you can see in the upper left-hand chart, the number of current members in the Kanto region, for example, is 50,000 members. If we define the wealthy as 650,000 households, the penetration rate is currently 8%. In comparison, the Chubu and Kansai markets are half to one-third smaller, but the penetration rates are 17% and 16%, respectively.

In other areas, the share is still only 2%. Looking at the market share of the Chubu-Kansai region, the Kanto region is still the center of the market. We believe that we can offer a variety of other products by carefully selecting the location of our facilities and the characteristics of our products.

So, as you can see on the lower left, we currently have 140,000 members, and we are constantly following up with about 80,000 potential customers. Naturally, there is a turnover of members, some of whom become members and some of whom leave, but we believe that our most recent direction for the three years is to continue to increase the number of members to 100,000.



I would like to continue with the explanation of the senior lifestyle business I mentioned earlier, so please turn to page 13.

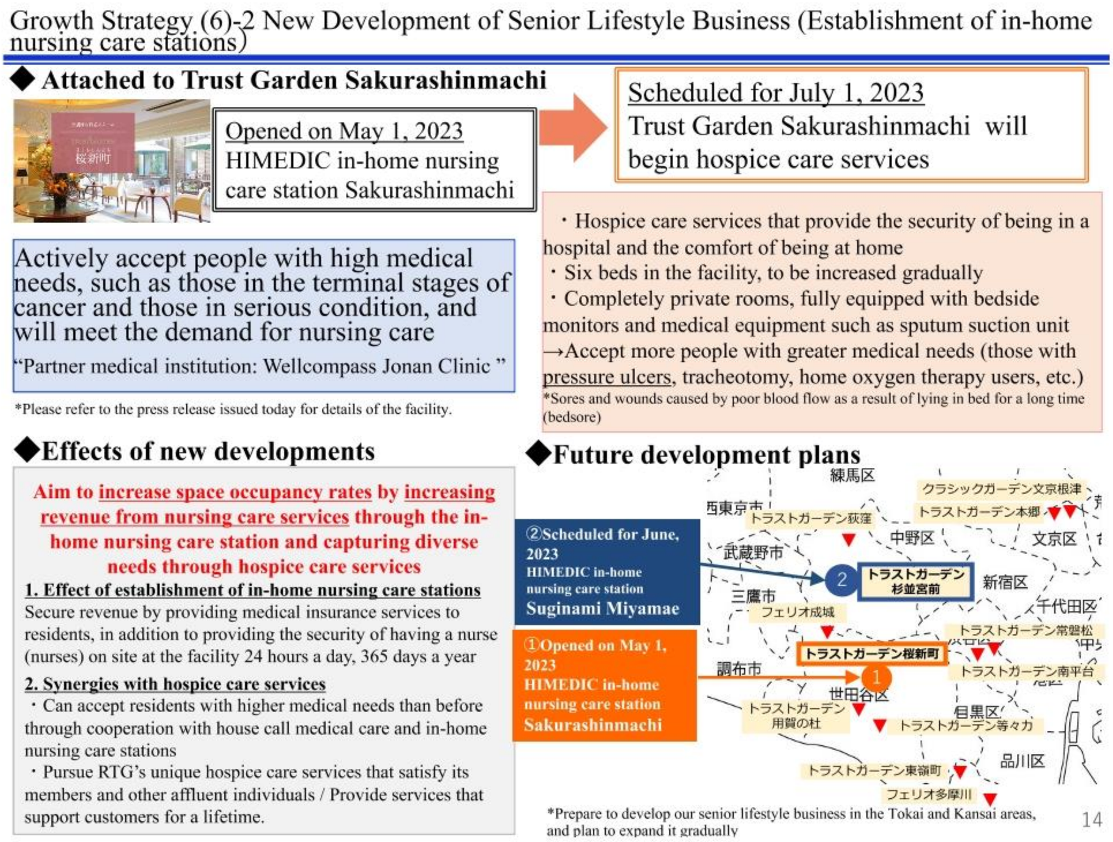
In the senior lifestyle business, in consideration of the future development of our membership group and the aging of our members, we have started a nursing care facility that combines our contents, leisure, enjoyment of life, health management, and safety and security in case of emergencies. We currently have 26 nursing care facilities in operation, and we stopped the development of these facilities during the pandemic and are planning to develop new products for our members in the future.

Currently, we are developing a product line that is specialized in products for our members who are able-bodied, and we are hoping to release the first product by the end of this fiscal year. Our current membership is based on about 200,000 members. Nowadays, long-term care facilities are for people who need long-term care when they need it, and our clients are not directly suited to any particular location. It also doesn't mean that there is a rapport with our sales force. In Nagoya, we are developing some of our own healthy products.

There we have our members, who account for about half of the residents. Looking among its members, there have been about 50 new senior tenants in the last year due to sales to hotel members. Of these, 25 were the member's parents, which accounted for 50%, 30% were the member and his/her spouse, and the remaining 20% were their relatives. This means that parents themselves and their spouses overwhelmingly accounted for more than 80% of the total.

So, as a simple calculation, if we have 200,000 members, of course, we have 1,000,000 targets, even if we consider only their spouses and parents. In a questionnaire, 25% of such members actually expressed an expectation of and interest in our senior residences.

However, it is difficult to suddenly achieve 25%, so even if we simply achieve 1%, there is demand for 10,000 people/rooms, and we have sufficient volume to develop this into one of our pillars. By specializing, for example, we can differentiate our members-only residences from other companies, and since there are enough nursing care facilities in the Kanto region, we are moving forward to develop them as products for healthy people with nursing care facilities that act as a safety net.



Now, please turn to page 14. Also, one more thing: Basically, new products are linked to high merit. The focus is on the safety and security of healthy people.

However, in addition to accepting the current Trust Garden residents in case of emergency, we will also open a home-visit care station since it will be for healthy people. The first facility is a hospice care service in Sakurashinmachi, aiming to expand services that can provide more advanced medical care to people who are highly dependent on medical care and to improve the operation of current nursing homes and short-stay facilities, as well as the waiting period for such care. Therefore, we are now planning to deploy the system with almost no increase in cost here.

We would like to gradually introduce this system to all facilities following Sakurashinmachi in order to improve the profit ratio as well. The operating income in the medium-term management plan is JPY18 billion and will be JPY20 billion in the second year and JPY23 billion in the third year. This is based on the growth and progress of the current management situation in line with the schedule for the development properties that have already been decided. For this reason, we have not included the areas that are difficult to incorporate, such as the senior lifestyle business, in this mid-term business plan. We believe that our medium-term management plan is to see how far we can go from here based on this solid base. This concludes my brief explanation.

Question & Answer

Moderator [M]: We will now move on to the question-and-answer session. We will first take questions from the audience here. If you have any questions, please raise your hand. Please pass the microphone to the person near the wall towards the front.

Sekine [Q]: Thank you for your explanation. My name is Sekine from Daiwa Securities. I have two questions, and I would like you to answer them one by one. First of all, sales of memberships were very strong until the very end of the current fiscal year, and I believe that the current medium-term management plan is also quite strong and will allow for stable and solid growth.

On the other hand, I wonder how it is that you have been in this business for so long and started to be able to achieve such a high level of growth recently. Is it because your new products are excellent? Or is it because you have been making significant efforts to improve your sales structure has been a success? What are your thoughts on the future sustainability of the membership sales organization? That's my first question.

Fushimi [A]: Yes, one thing is, as you said, that productivity has increased. This means that the new sales methods and new customer acquisition methods, such as, for example, the newsletter mentioned earlier in the overall report, are growing significantly. Also, as I mentioned earlier, one of the biggest advantages of the e-mail newsletter was that it was able to provide necessary information to those who needed it in an extremely efficient and timely manner, whereas, in the past, each individual had to follow up with potential customers individually. Then the other thing is that, again, referrals from that hotel are increasing. For example, when a guest comes in and is very satisfied with the service, we can introduce them to various products.

I think it is significant that we are able to communicate information in a timely manner when our guests have various impressions. As I mentioned earlier, we are also expanding our contracts with financial institutions such as regional banks, megabanks, securities firms, and, although it's not a financial institution, outside sales representatives of department stores. While there are, of course, many overlapping customers here, I think the biggest part of our sales approach is that we are now able to attract new customers that we did not have before.

Sekine [Q]: You mentioned that you are planning to expand the area and dig deeper into the Kanto region during the future mid-term management plan period. Is it correct to say that sales can be further strengthened by digging deeper?

Fushimi [A]: Yes. One of the reasons SANCTUARY COURT has grown so much, as I mentioned earlier, is that its corporate demand has grown to the point where it exceeds 80% of the total demand. Especially since corporate demand, including small and medium-sized companies, has grown significantly, I believe that the use of benefit programs that increased during the pandemic is not temporary, and I would like to continue to ensure that this continues to turn out well in the future.

Also, we believe that the slight increase in awareness of the membership system during the pandemic is a tailwind. Therefore, in the future, we will naturally seek new channels for introductions to small and medium-sized corporations, for example, not through external sales at department stores, but by targeting small and medium-sized corporations, for example, tax accountant firms. We will continue to explore new targets in various ways, and we believe that there is still plenty of room for further development.

Sekine [Q]: I understand. Thank you. The other question is about the membership platform that the president mentioned earlier. I am sure that you have been providing services for the hotel business and the medical business, but what parts are currently lacking in order to further develop them into a membership platform in the future?

For example, from what you said earlier if the database of members is fully worked out, cross-selling will be possible. On the other hand, if there are issues in these areas, I feel that these areas will continue to be a challenge. I would like to hear your thoughts on this.

Fushimi [A]: We have been working on the database for the past few years, and we are finally connecting the main parts, such as the medical segment and the hotel & restaurant segment, at last. Now we just need to figure out how to make the best use of it. The same is true for the part I mentioned earlier about retaining members and promoting usage, but even though we have made the connection, we have not yet been able to make good proposals.

In that sense, the business model has been established to some extent in the area of membership mentioned earlier. We have not yet been able to translate this into usage, so we are now in the process of creating a model using AI and statistical data. In addition to the promotion of use mentioned earlier, we would like to use medical data, such as health checkup data, to determine what kind of meals and plans the hotel can offer to those who are concerned about their health. Naturally, we believe that these areas should be considered together, so we recognize that they are linked.

Moderator [M]: Thank you. Next, is there any other question?

Oda [Q]: Thank you for your explanation. This is Oda from SMBC Nikko Securities Inc. I would like to ask two questions as well, and I would like you to answer them one by one.

First, you mentioned earlier that the quantitative targets in the mid-term management plan do not include senior citizens. You have listed a number of strategies, and I would like to ask you about what you are incorporating and what you are not incorporating into your strategies in terms of numbers.

Fushimi [A]: I basically didn't factor in what I mentioned earlier, at least the new products and new developments. It includes the development of existing businesses, productivity improvement, and price review, etc., which are currently being conducted.

Oda [Q]: Thank you very much. The second question is about the review of prices. If I look at the materials of this medium-term management plan, l see that there are several price revisions. Page 24 says the unit per price will be increased by 10% or 15%. In terms of such comments, I believe there has been an explanation of this area in the past.

It may be difficult to say exactly when the price review will take place, but could you tell us as much as you can? I wonder if you could tell me more about the medium-term perspective.

Fushimi [A]: Yes. First of all, we are already planning to review the price of the membership itself. The SANCTUARY COURT series was based on the hotel in Takayama, and we have been working on one in Nikko and Lake Biwa, but the cost has already changed by 4% to 5%, so naturally, we need to review this. We are now preparing to revise the prices.

However, since there is a balance between supply and demand, we are currently reviewing the prices of products by facility and by type, ranging from 5% to more than 10%. We intend to start revising prices gradually during this fiscal year.

Oda [M]: I'm okay for now. Thank you very much.

Moderator [Q]: Thank you very much. There being no questions from the audience here, we will move on to questions from Zoom webinar participants.

This question is from Mr. Tanaka, SBI Securities. Regarding the hotel membership contract volume, how do you see the JPY78.2 billion in this fiscal year's plan being affected by the rise in the base of membership sales and the absence of the effect of new launches?

Regarding investment in securing human resources, we believe that there is a serious shortage of labor in the hotel & restaurant industries, etc. What kind of investment do you think will make your resort facilities the preferred choice for human resources? Please answer this question.

Fushimi [A]: First of all, in terms of the contract value in accounting, we estimate that the effect of new properties compared to the previous year is roughly JPY2 billion per product, so we think that the effect of new sales at the two facilities was about JPY4 billion in the previous year. We do not expect any particular drop in productivity other than that, so we believe that we will be able to maintain the previous year's pace, which was the highest in our history, in the current fiscal year as well. As for human resources, the industry itself is currently in a difficult situation, and I do not believe that there is any competition in the industry for human resources.

In the industry, we are in a higher category in terms of the number of holidays, basic salary, etc. As I mentioned earlier, one of the key points of this is to eliminate the number of employees who leave the hotel. One of the problems, as I mentioned earlier, is stepping out, which is the fate of resort hotels. We will invest about JPY600 million to JPY700 million in this area this fiscal year to eliminate stepping-outs, and we expect to see an increase in personnel expenses.

Moderator [M]: Thank you very much.

Fushimi [A]: In addition, the number of days off we have has now exceeded 120 days, so I guess 121 days this time. Therefore, we believe it is sufficient for the industry. If paid holidays are included, the total is 125 days. Depending on how you want to work, we offer full-time employees a three-day weekend, for example, or contract employees who work only during breakfast for three hours a day at 150% of the previous hourly rate. We are working to secure human resources by offering a variety of work styles other than regular employees. The other is a new type of regional employee, which we used to call an area employee, or in short, a local employee who is not transferred to another region.

Although these local employees were paid slightly lower salaries and had some restrictions on promotion, the actual turnover rate was half that of general employees, indicating that the retention rate was very high. For this reason, we have abolished the rule that area employees must be mid-career hires after three years of employment, and we will hire area employees from new graduates as well and have already begun recruiting for the next fiscal year, especially in the hard-to-hire resort areas. That's what we are currently doing as far as major measures.

Moderator [Q]: Thank you very much. I will move on to the next question. This is a question from Mr. Okumura.

Regarding this cost assumption, compared to the level of operating income, it seems too large to assume that the cost increase for this fiscal year is only a base increase. He asked if you could explain a little more about the cost and the measures that can be taken to invest in human resources. Please answer this question.

Makino [A]: Okay. I think he is talking about the hotel & restaurant segment and the JPY600 million or JPY700 million investment in revising stepping-outs, as mentioned by the president earlier. We will also invest JPY700 million or JPY800 million in rare promotions. Those are the biggest factors. In terms of personnel shortages, we have hired about 400 new graduates or nearly 500 people. We are trying to increase the number of workers at an early stage, and such fixed costs are rising. We are estimating the cost of such a part of the project in our budget. We are also planning to open a new business during the term, so we are planning to take a strong mid-career recruiting approach. That's all.

Moderator [M]: Thank you very much. We will now conclude the question-and-answer session.

This concludes the presentation of the financial results of Resorttrust, Inc. for the fiscal year ending March 2023.

Fushimi [M]: Thank you very much.

[END]

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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.
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