# Resorttrust, Inc.

1Q Financial Results Briefing for the Fiscal Year Ending March 31, 2024

August 10, 2023

# Event Summary

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|---|---|
| **[Company Name]** | Resorttrust, Inc. |
| **[Company ID]** | 4681-QCODE |
| **[Event Language]** | JPN |
| **[Event Type]** | Earnings Announcement |
| **[Event Name]** | 1Q Financial Results Briefing for the Fiscal Year Ending March 31, 2024 |
| **[Fiscal Period]** | FY2024 Q1 |
| **[Date]** | August 10, 2023 |
| **[Number of Pages]** | 25 |
| **[Time]** | 16:30 – 17:04<br>(Total: 34 minutes, Presentation: 22 minutes, Q&A: 12 minutes) |
| **[Venue]** | Dial-in |
| **[Venue Size]** | |
| **[Participants]** | |

| | | |
|---|---|---|
| **[Number of Speakers]** | 3 | |
| | Ariyoshi Fushimi | President |
| | Takeshi Makino | Sustainability Promotion Department, Investor & Public Relations Department Director |
| | Hirotaka Honda | Investor & Public Relations Division Manager, Sustainability Promotion Department |
| **[Analyst Names]*** | Hirofumi Oda | SMBC Nikko Securities |

*Analysts that SCRIPTS Asia was able to identify from the audio who spoke during Q&A or whose questions were read by moderator/company representatives.

## Presentation

**Moderator:** Hello, investors. Thank you for taking time out of your busy schedule today to participate in this conference call with Resorttrust, Inc. Present on today's conference call are President, Ariyoshi Fushimi; Director, Sustainability Promotion Department, Investor & Public Relations Department, Takeshi Makino; and Manager, Sustainability Promotion Department, Investor & Public Relations Division, Hirotaka Honda.

President Ariyoshi Fushimi, will now give a presentation on the announcement of financial results for Q1 of the fiscal year ending March 31, 2024, followed by a question-and-answer session. The event is scheduled for approximately one hour. The presentation materials are available on our website.

Before we begin the teleconference, we have an announcement to make. This presentation may contain forward-looking statements based on current expectations, all of which are subject to risks and uncertainties. Please be aware that the actual results may differ from the forecast.

Now, Mr. Fushimi, please explain.

**Fushimi:** I am Fushimi from Resorttrust. Thank you. I will now explain the financial results for Q1 of the fiscal year ending March 31, 2024, based on the explanatory materials.

## 1Q FY2023 Financial Summary

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**①Consolidated net sales and income increased and consolidated net sales record high** for the three-month period under review.

**1Q FY2023: Net sales 42.9 billion yen, Operating income 3.2 billion yen**

・Membership sales and Hotel Operations and Medical Operations remained strong, with net sales exceeding the previous fiscal year's record high of 40.2 billion yen.

・In terms of operating income for 1Q FY2023, the Hotel and Restaurant Operations segment reported 1.3 billion, a significant increase. On a consolidated basis, operating income increased by approximately 30% year-on-year

②Membership sales: Contract volume **reached a record high** for 1Q

**Contract Values of Membership 1Q FY2023:**
**(Hotel) 21.4 billion yen (Medical) 2.0 billion yen**

・Sales of the SANCTUARY COURT series, primarily SANCTUARY COURT NIKKO launched in October 2022, remained strong. The contract volume exceeded the previous record of 21.3 billion yen (1Q FY2022), in which the effects of sales of SANCTUARY COURT BIWAKO was included.

(Overall membership contract value, including medical and golf memberships, reached a record high of 23.7 billion yen.)

・Medical memberships also recorded strong sales of 2.0 billion yen and continued to sell well.

③Announced 3.0 billion yen share buyback as of today.Announced **3.0 billion yen share buyback** as of today.

・Plan to repurchase 3.0 billion yen worth of treasury shares to enhance shareholder returns, improve capital efficiency, and execute a flexible capital policy.

④The full-year forecasts are for an **increase in both sales and income.** Sales and operating income are expected to reach record highs, with **sales of 201.0 billion yen and operating income of 19.0 billion yen**.

(Revised plan released on July 14).

・The first-half and full-year financial results for FY2023 are expected to exceed the initial plan in membership sales, Hotel Operations, and Medical Operations.

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Let me start with the first page. First, as a Q1 financial summary, we were able to increase both sales and profits in Q1 and achieve a record-high consolidated net sales. Net sales were JPY42.9 billion and operating income was JPY3.2 billion.

Membership sales and hotel/medical operations each performed well, surpassing the previous year's record sales of JPY40.2 billion. In terms of operating income, the hotel-restaurant segment posted a large increase of JPY1.3 billion in Q1, and consolidated operating income for Q1 as a whole increased by approximately 130% YoY.

Next, membership sales contract volume can set a new record here as well for Q1. Hotel and medical are at JPY21.4 billion and JPY2 billion, respectively. Sales of the SANCTUARY COURT series, centering on SANCTUARY COURT NIKKO, which was launched in October last year, were strong, and hotel contract volume exceeded the previous year's record high of JPY21.3 billion, which included the effect of the launch of SANCTUARY COURT BIWAKO, in Q1. Sales of medical memberships also remained strong at JPY2 billion.

Third, as announced today, we have announced a share buyback of JPY3 billion. The Company plans to implement a capital expenditure of approximately JPY3 billion in order to enhance shareholder returns, improve capital efficiency, and implement a flexible capital policy.

The fourth is the full-year forecast, the revised plan of which was already announced on July 14, and we expect to achieve record highs in both sales and income for the full year, with net sales of JPY201 billion and operating income of JPY19 billion. Both are expected to be record results for Resorttrust.

## Financial Highlights 1Q FY2023 (April to June)

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【Financial Highlights 1Q FY2023】 (Million yen)

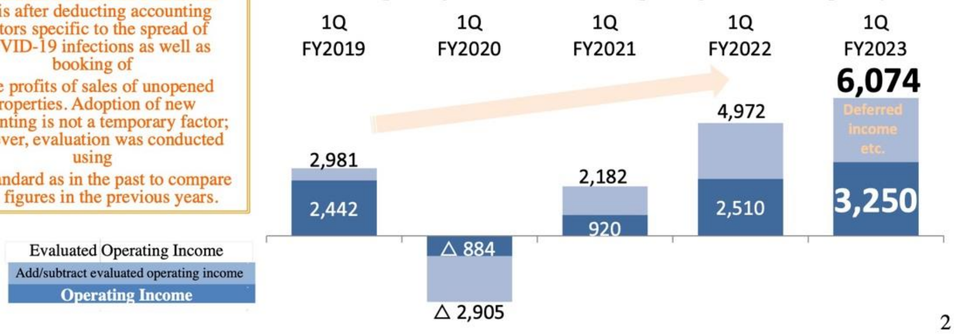
| | 2022/6 results | 2023/6 results | YoY Difference |
|---|---|---|---|
| Net Sales | 40,224 | 42,994 | 6.9% |
| Operating Income | 2,510 | **3,250** | 29.5% |
| Ordinary Income | 2,578 | 3,427 | 32.9% |
| Net Income | 7,426 | 3,042 | (59.0%) |
| Evaluated net sales | 49,148 | 52,179 | +6.2% |
| Evaluated Operating Income | 4,972 | **6,074** | +22.2% |

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

・ **Membership sales and facility operations were both off to a good start.**
(Sanctuary Court sales, Bay Court operations, etc.)
・ **Measures to improve compensation (up by 5%) including across-the-board pay increases were implemented as planned** and the increase in sales absorbed the costs.
**Prices of hotel memberships were also revised in June.**
・Currently, energy costs have not risen to the expected levels. Certain costs will be deferred to 2Q and beyond.
・Operating income was the second highest following 1Q FY2016.
・Approximately 1.0 billion yen in gain on redemption of foreign bonds was recorded under extraordinary income.
Net income alone decreased, **as a gain on sales of non-membership hotels of approximately 8.0 billion yen was reported in the previous fiscal year**.

[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.

【 1Q FY2023 operating income and evaluated operating income for the past 5 years 】

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Please continue to page two. As a result of the above, the financial highlights are as follows; sales were JPY42.994 billion, up 6.9% YoY; operating income was JPY3.250 billion, up 29.5% YoY; and ordinary income was JPY3.427 billion, up 32.9% YoY.

Net income was JPY3 billion, but this was a 59% decrease from the JPY8 billion gain on the sale of a general hotel in the previous fiscal year.

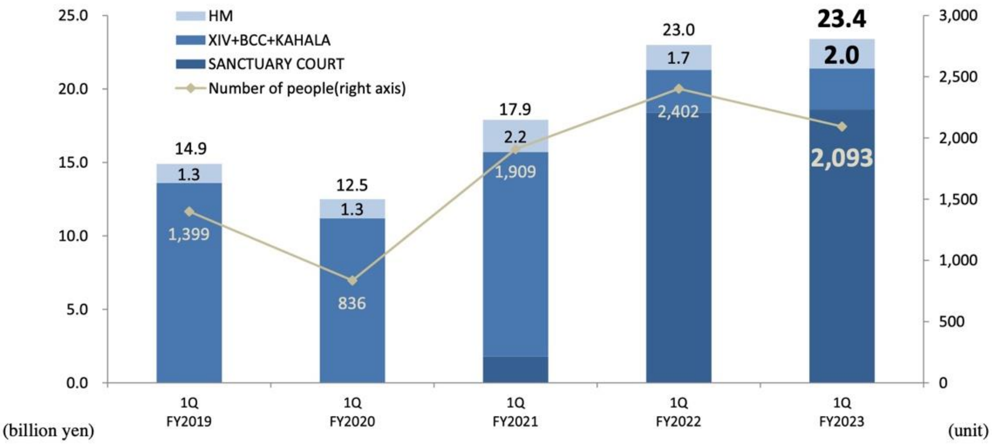
However, the Company's performance was solid, with net sales of JPY52.1 billion, an increase of 6.2%, and operating income of JPY6 billion, an increase of 22%.

The graph below shows a solid growth of about JPY2 billion each since COVID-19 disaster.

# Financial Outline (1) Contract Values of Membership 1Q FY2023/Increase in the number of members

RESORTTRUST GROUP

【Contract Values of Membership 1Q FY2023/Increase in the number of members】 (Hotel + HM)




・Contract volume further exceeded the record contract volume of the previous fiscal year (1Q FY2022), which included the effects of the sale of Biwako.
・Although the growth in new members (the number of members) declined slightly year on year, for the full year the increase is solid at around 8,400.

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Please refer to page three. This one is about membership contract volume and number of members.

As I mentioned earlier, last year's membership contract volume was a record high for the second year in a row, and it was further surpassed by JPY23.4 billion contracts.

However, the number of members in the line graph shows a slight decrease, but this is due to the fact that the number of members did not increase YoY because of the transfer of members to other sections due to the start of sales of Nikko and other products, and not because of new members.

While sales here are currently strong, we have strategically implemented a switching strategy in order to balance the inventory in the Tokyo, Nagoya, and Osaka areas. We see this as a move on schedule.

# Financial Outline (2)
# 1Q FY2023 Occupancy rate/Spending per visitor

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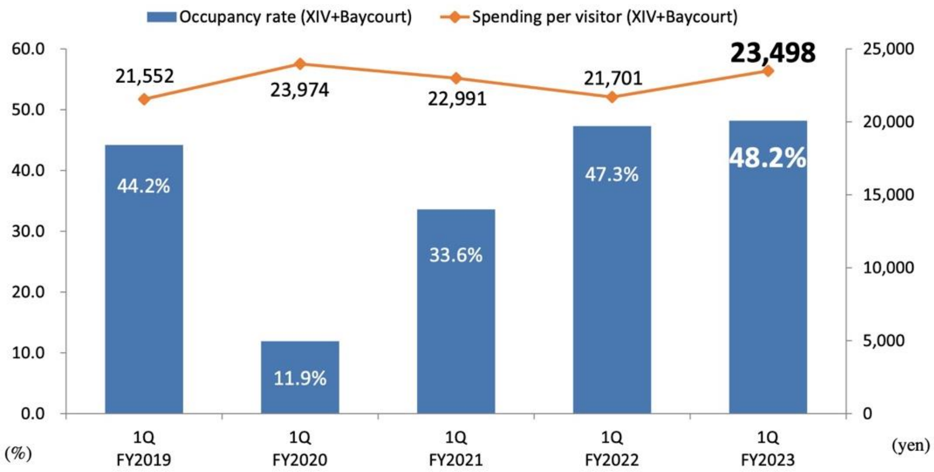
【 1Q FY2023 Occupancy rate/Spending per visitor 】




・The membership hotel occupancy rate further exceeded the level in the same period of the previous fiscal year, when it recovered significantly beyond pre-COVID-19 levels.
・The unit price also rose solidly year on year, incorporating the price revisions of November 2022.
(The unit prices dropped in 1Q FY2020 and 1Q FY2021 as a result of falling occupancy rates due to COVID-19.)

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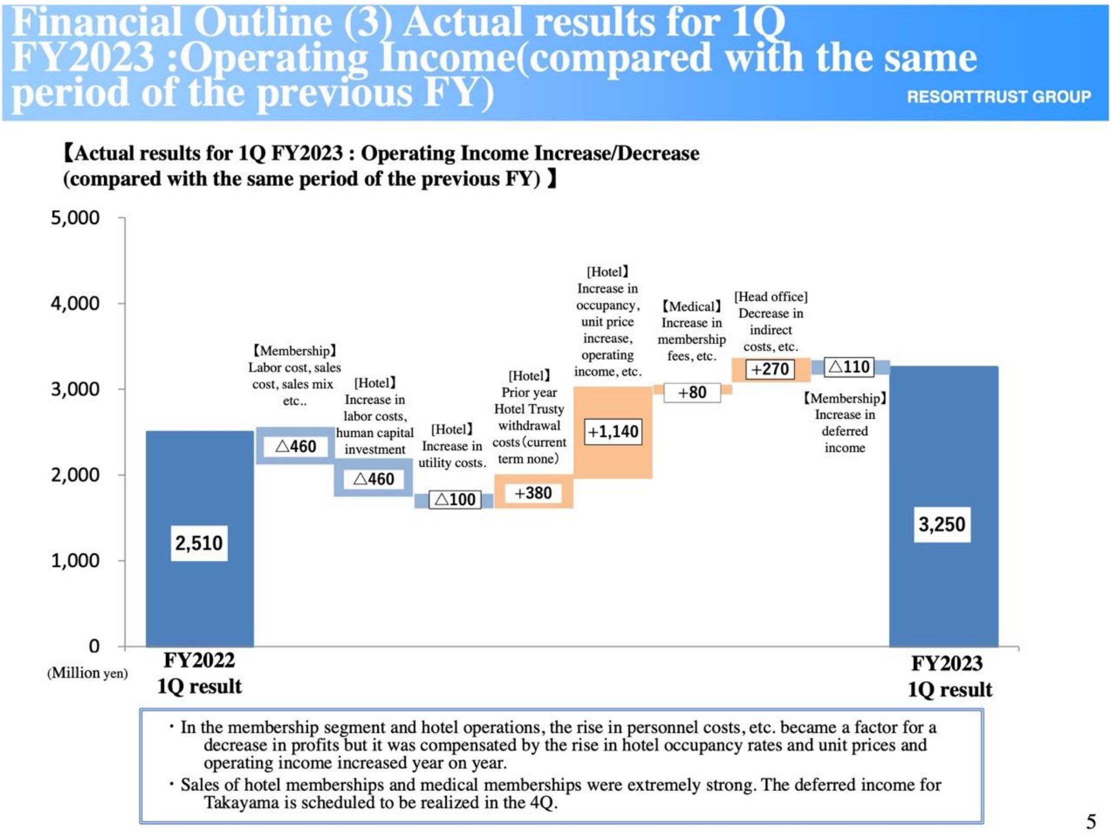
Continuing, page four, here is the hotel side occupancy rate and unit consumption.

In terms of occupancy, the figure you will see is 48.2%, which means that, as in the previous year, we were able to exceed the pre-COVID-19 figure of 44.2 and even more.

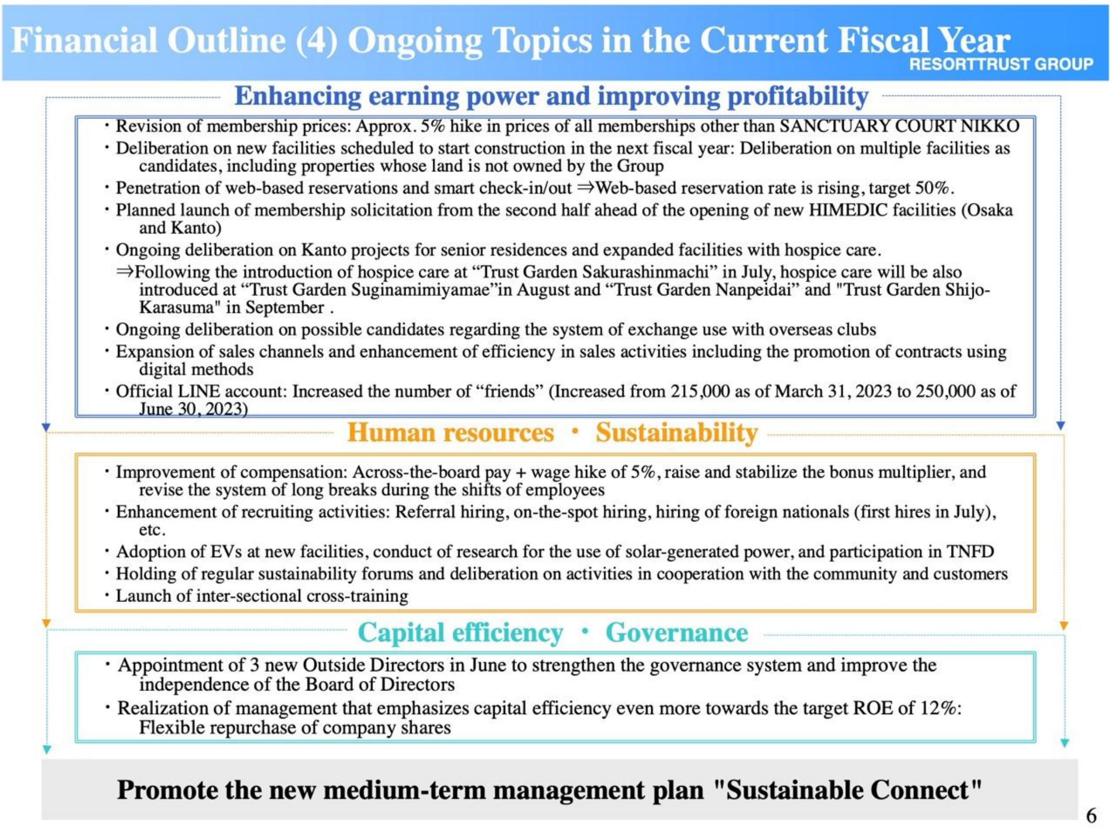
As for the unit price on the line graph, the price revision of room charges and meals in November of the previous year was effective, and we were able to increase not only occupancy but also unit price this term.




Please look at page five, this focuses on the portion of operating income in Q1 that differs from the previous year.

In the current fiscal year, there was a decrease of about JPY460 million each in membership and hotel expenses, mainly due to an increase in personnel expenses, such as pay-raise, compared to JPY2.51 billion in the fiscal year ending June 30, 2022.

In addition, there was a mere JPY100 million increases in utilities costs, and while there was a trustee withdrawal cost in the previous year, there was no such cost in this fiscal year. The overall hotel revenue improved by JPY1.14 billion, which is the largest increase, and the operating income increased to 32.5% compared to the previous year due to an increase in medical membership fees and a decrease in overhead costs for [inaudible].




Continuing, page six are the ongoing topics for this fiscal year, and I will explain a few of them here.

First, in the area of improving profitability, we have revised membership prices by approximately 5% since Q1 of this fiscal year, June.

The price of SANCTUARY COURT NIKKO, which was left unchanged at the beginning of the application period, will be raised by 5% as well.

In addition, we are considering several properties other than the one we currently own for the start of construction in the next fiscal year, and we now have the prospect of securing a development plan for approximately five to six years in our inventory.

We have also been working on DX, which is the smart check-in and check-out system for reservations made via the Internet, and the percentage of reservations made via the Internet has been increasing to about 35%. We are also making steady progress in improving efficiency towards our target of 50%.

HIMEDIC has had some inventory problems, but we have decided to open two new facilities in Osaka and Tokyo in the spring and summer of the next fiscal year, and we plan to begin accepting new members in H2 of the current fiscal year.

In the senior residences, occupancy rates have also returned. In addition, the new projects that I have been explaining to you are also taking shape, and we expect to be able to announce them in H2 of the fiscal year.

In addition, hospice care, which we have been promoting, is now being introduced from the existing facilities. In the senior market in particular, we have seen a marked increase in the return and growth of meeting-type operations since the beginning of the current fiscal year, and we expect that new products will be introduced in line with demand for nursing care.

As for the exchange with overseas clubs, we have almost finalized the first round of partners, and we expect to make an announcement by the end of the fiscal year.

The promotion of digital utilization contracts, which I will explain later, has also been growing steadily. In the area of retention, the number of official LINE users has increased to 250,000, and we are making almost the same progress as planned in this mid-term plan.

In the human resources & sustainability division, we have been progressing as planned this fiscal year with a 5% increase in salary and raise in the bonus multiplier and a review of the working environment, including a review of mid-career termination.

In addition, in the area of recruitment, which is our biggest problem at the moment, we are planning to supplement this fiscal year's recruitment with the second and third rounds of referral recruitment, spot hiring, and hiring of foreign nationals, the first of which was accepted in April.

Regarding an introduction of EV vehicles to new facilities and solar power generation, we have decided to install solar power generation facilities and equipment at almost all of our facilities during this fiscal year, including not only hotels but also golf courses, and power generation facilities and equipment will be suited to each facility.

In addition, we continue to hold regular sustainability forums and continue to consider other activities in collaboration with our customers now. Also, the Company has begun cross-training instruction between divisions.

In the area of capital efficiency and governance, we have appointed three new outside directors who are more independent since June in order to strengthen the governance structure and improve the independence of the Board of Directors.

The share buyback is part of our efforts to achieve our ROE target of 12%, and to create a management structure that places even greater emphasis on capital efficiency.

We are currently promoting our new medium-term management plan, Sustainable Connect, centered on these initiatives.

## Segment Sales and Operation Income 1Q FY2023
## 3 main business segments

(April to June) RESORTTRUST GROUP

【Segment Sales and Operation Income 1Q FY2023】 (Million yen)

| | | 2022/6 results | 2023/6 results | YoY Difference |
|---|---|---|---|---|
| Membership | Sales | 9,112 | 9,232 | +1.3% |
| | Operating Income | 2,967 | **2,399** | (19.2%) |
| Hotel and Restaurant | Sales | 20,086 | 22,224 | +10.6% |
| | Operating Income | 400 | **1,363** | +240.5% |
| Medical | Sales | 10,846 | 11,362 | +4.8% |
| | Operating Income | 1,446 | **1,523** | +5.3% |

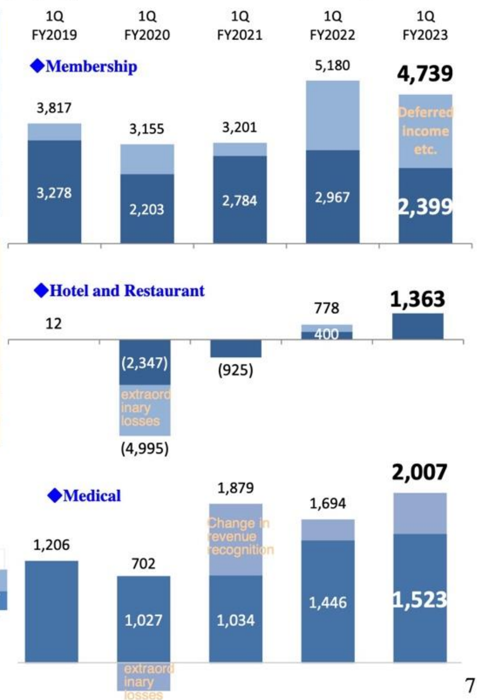
| | | 2022/6 results | 2023/6 results | YoY Difference |
|---|---|---|---|---|
| Membership | Evaluated net sales | 17,786 | 17,933 | +0.8% |
| | Evaluated Operating Income | 5,180 | **4,739** | (8.5%) |
| Hotel and Restaurant | Evaluated net sales | 20,086 | 22,224 | +10.6% |
| | Evaluated Operating Income | 778 | **1,363** | +75.2% |
| Medical | Evaluated net sales | 11,095 | 11,847 | +6.8% |
| | Evaluated Operating Income | 1,694 | **2,007** | +18.4% |

[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.

Evaluated Operating Income
Add/subtract evaluated operating income
Operating Income

【 1Q Segment Income for the Past Five Years 】

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I will then provide a summary of the segments. Please refer to page seven.

As I have explained, each segment is growing steadily, but I think the most significant topic is that the hotel-restaurant segment, shown in the middle of this page, is finally starting to make a solid contribution to earnings through after-COVID-19.


Continuing, page eight, this is the membership segment.

The first row above shows the contract volume for hotels only, and the overall contract volume was 213 to 214 compared to the previous year, which was almost the same as the previous year for hotels. In the previous year, most of the contracts were in Takayama, but in the current year, we have been able to adjust our inventory well, as we have a well-distributed mix of properties in the Tokyo, Nagoya and Osaka areas in accordance with the strategy I explained earlier. We believe that we will be able to maintain a good balance in the current and next fiscal year.

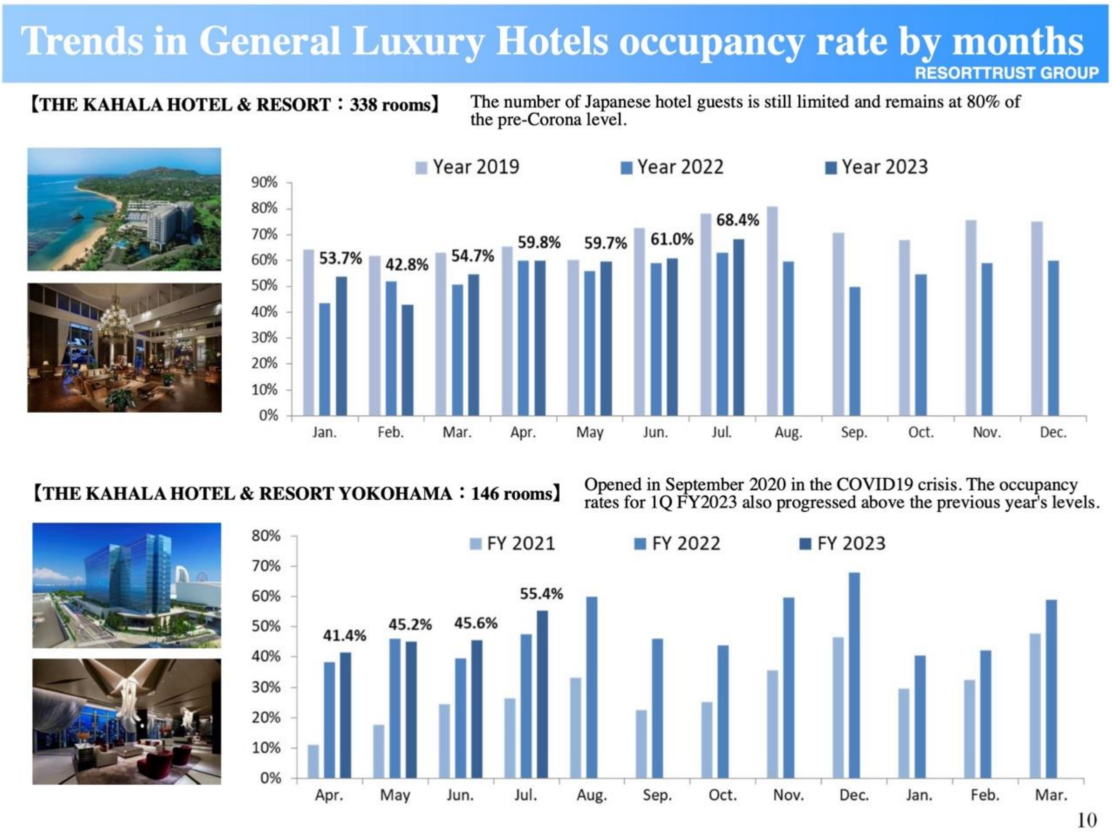
And, again, the two below are worth mentioning. Digital utilization is growing very strongly, at JPY4.2 billion out of JPY21.4 billion, and on the right side, referrals from hotels, financial institutions and partner financial institutions are also growing firmly at JPY4.9 billion. These two sales methods together now account for about 40% of the total, but there is still room for growth in this area, so we believe that these two sales methods will continue to be a major driver of contracts in the future.


Continuing, page nine is the occupancy rate for the hotel sector.

As the three bar graphs show, the occupancy levels of XIV and Baycourt over the past three years have already recovered to pre-COVID-19 levels from last year, and this year we were able to extend that further.

In particular, recovery of Baycourt, which is on the lower level, was delayed last year since the recovery of occupancy was from resorts, but this area has shown more growth than XIV in the current term, further raising the overall occupancy rate.

We believe that there are two major reasons for this: the return of use from resorts to cities, and the increase in the number of members of SANCTUARY COURT, which has not yet been completed, which has led to an increase in the occupancy of Baycourt.




Continuing, page 10 is the occupancy rate for the general hotels.

Regarding Hawaii, at the upper part, the occupancy rate is 68.4%, which is back from the previous period, but the Japanese quota, which is 10% to 20% of the total, has not yet returned because the use of flights from Japan has not returned.

In Yokohama, the number of visitors has also increased from the previous year, but we believe that there is still room for further growth in the Yokohama area, where inbound travel and convention use have not yet returned.


Continuing, here is the current status of sales at medical.

The top row on page 11 shows the number of HIMEDIC units sold, which also increased significantly from the previous quarter to 867 in Q1 alone.

In FY2023, sales of new products have slightly [inaudible], but overall sales are on pace to exceed the previous year's level, and we believe we will be able to exceed FY2022 level for the full year.

Regarding the senior residences, shown in the bottom row, sales had been sluggish due to the many restrictions imposed by COVID-19, but they are finally back in operation. As I mentioned earlier, there is a strong need for long-term care type facilities, especially in the current situation.

Particularly, the current sales situation is slowing down due to the extremely hot summer, but overall, we believe that the situation is returning to normal.

# Revised Business Forecast for FY2023

*Upward Revision of Full-Year Earnings Forecasts (July 14, 2023)

RESORTTRUST GROUP

**<Consolidated Targets>**

(Million yen)

| | FY2022 results | FY2023 revision targets | Change | FY2023 Initial targets |
|---|---|---|---|---|
| Net sales | 169,830 | **201,000** | +31,169 | 200,000 |
| Operating income | 12,270 | **19,000** | +6,729 | 18,000 |
| Ordinary income | 13,247 | **19,000** | +5,752 | 18,000 |
| Net income | 16,906 | **14,000** | (2,906) | 12,000 |
| Evaluated Operating Income | 22,358 | **19,380** | (2,978) | 17,800 |

**<Operating Income by Segment (before allocation)>**

(Million yen)

| | | FY2022 results | FY2023 revision targets | Change | FY2023 Initial targets |
|---|---|---|---|---|---|
| Membership | Sales | 34,945 | **58,400** | +23,454 | 58,000 |
| | Operating income | 11,182 | **16,800** | +5,617 | 16,230 |
| | Evaluated Operating Income | 19,861 | **17,870** | (1,991) | 17,130 |
| otel and Restaura | Sales | 89,747 | **95,490** | +5,742 | 94,800 |
| | Operating income | 4,167 | **4,640** | +472 | 4,220 |
| | Evaluated Operating Income | 4,577 | **4,640** | +63 | 4,220 |
| Medical | Sales | 44,422 | **46,480** | +2,057 | 46,500 |
| | Operating income | 6,053 | **6,220** | +166 | 6,100 |
| | Evaluated Operating Income | 7,461 | **6,920** | (541) | 6,390 |
| Other | Sales | 714 | **630** | (84) | 700 |
| | Operating income | 687 | **750** | +63 | 740 |
| Head office costs | Operating income | (9,820) | **(9,410)** | +410 | (9,290) |
| | Sales | (10,230) | ※ **(10,800)** | (570) | (10,680) |
| Total | Sales | 169,830 | **201,000** | +31,169 | 200,000 |
| | Operating income | 12,270 | **19,000** | +6,729 | 18,000 |
| | Evaluated Operating Income | 22,358 | **19,380** | (2,978) | 17,800 |

*Preparation for opening cost for Hotel Membership: 1.4 billion yen included in head office costs for evaluated income purpose.

**<Net Sales / Operating Income >**

・Hotel membership Contract value
FY2022: 82.6 billion yen (Biwako: Launched in March 2022, Nikko : Launched in October 2022. )
FY2023: 80.1 billion yen (Effect of higher contract volume due to launch: None)

・Contract Values of HIMEDIC
FY2022: 7.2 billion yen FY2023: 6.7 billion yen

・Deferred Realization (Account for the portion of the sale completed by the first semester.)
FY2023: Deferred income +7.4 billion yen (Takayama)

・Revenue deferred during the fiscal year (due to sales of unopened properties)
FY2022: Deferred income of (8.3) billion yen (Takayama, Biwako, Nikko.)
FY2023: Deferred income of (6.9) billion yen (Biwako, Nikko.)

・Opening-related expenses
FY2023: (1.4) billion yen (Takayama 1.2billion yen, Biwako ※ preparation room 0.2billion yen)

・Hotel occupancy rate
XIV・・・FY2022: 54.1% FY2023: 54.5%
BCC・・・FY2022: 47.0% FY2023: 52.3%

＜Extraordinary Items＞
・FY2022: Gain on sale of 7 Hotel Trusty facilities 9.0 billion yen (extraordinary income)
・FY2023: 1.0 billion yen gain on sale of foreign bonds. (extraordinary income)

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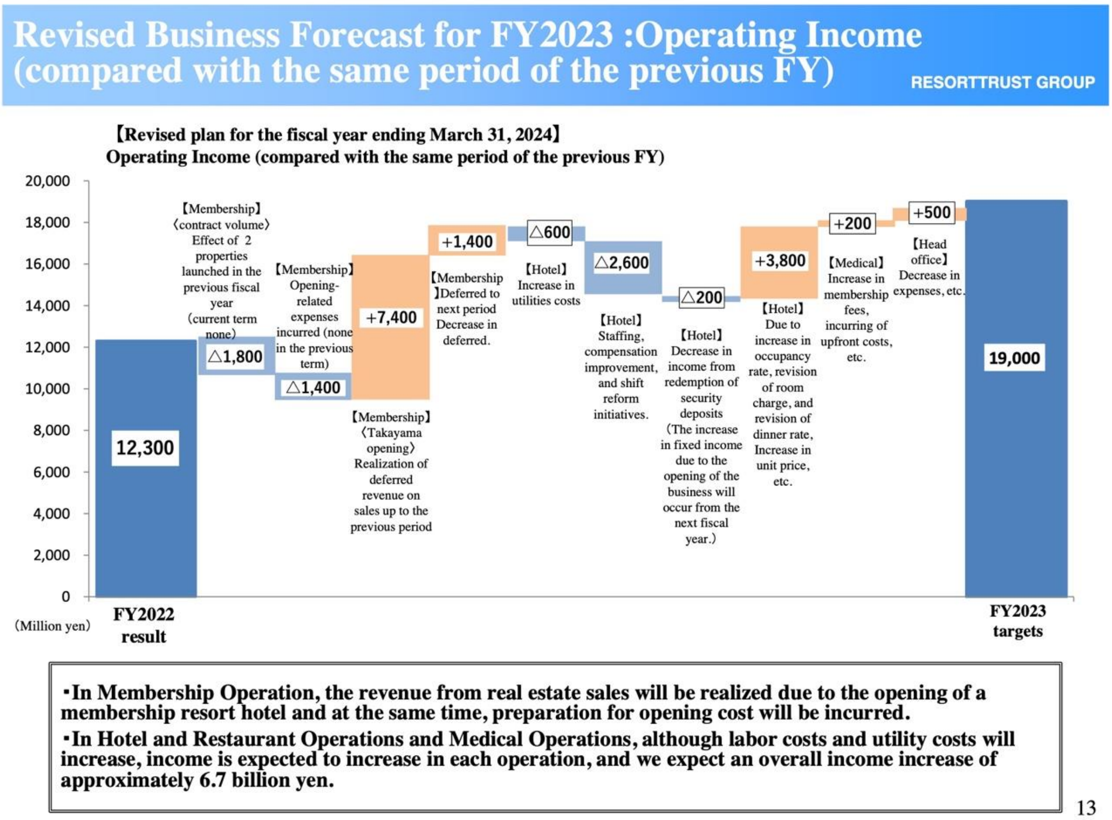
In light of the above, we have presented the revised plan for the full year on page 12.

This is in line with the upwardly revised plan announced on July 14, which calls for JPY201 billion in net sales, JPY19 billion in operating income, JPY19 billion in ordinary income, and JPY14 billion in net income. There is currently no change to the current year's target in the form of record highs in terms of sales, operating profit and ordinary income.




Page 13 shows the difference from the previous period for the full year, the same as the one shown before.

In the current fiscal year, the realization of deferred income in Takayama and the recovery of the hotel have greatly increased operating income to JPY19 billion.

## Medium-term Management Plan Numerical Targets(2023.4-2028.3)

RESORTTRUST GROUP

＜Five-year common targets＞

| Overall index | 2023.4～2028.3 |
|---|---|
| Operating income to net sales | 10% or more |
| Operating income growth rate | 10% or more per annum on average<br>* 2024.3 Plan as starting point. |
| ROE | Aim for 12% above 10%. |
| Return policy | Provides stable returns with a payout ratio of 40% or more. |
| Consolidated contract values | 2028.3: 10% growth (vs. 2024.3 target) |
| Hotel occupancy rate (Total of all brands) | 2028.3: 60% growth (+5p vs. 2024.3 target) |

＜Numerical targets for the Next Three Years＞

| (Billions of yen) | FY2022 | FY2023 | FY2024 | FY2025 |
|---|---|---|---|---|
| Index | Previous year results | New medium-term plan first year revision targets | (Reference) Year 2 Target. | Year 3 Target. |
| Net Sales | 169.8 | 201.0 | 215.0 | 230.0 |
| Operating Income | 12.2 | 19.0 | 20.0 | 23.0 |
| Operating income growth rate | +41.2% | +55.7% | +5.3% | +15.0% |
| Ordinary Income | 13.2 | 19.0 | 20.0 | 23.0 |
| Net Income | 16.9 | 14.0 | 13.0 | 15.0 |
| ROE | 15.4% | 11.4% | 10.1% | 11.0% |
| Evaluated Operating Income | 22.3 | Property opening assumed each fiscal year, expecting the amount which is about the same level as that of operating income | | |

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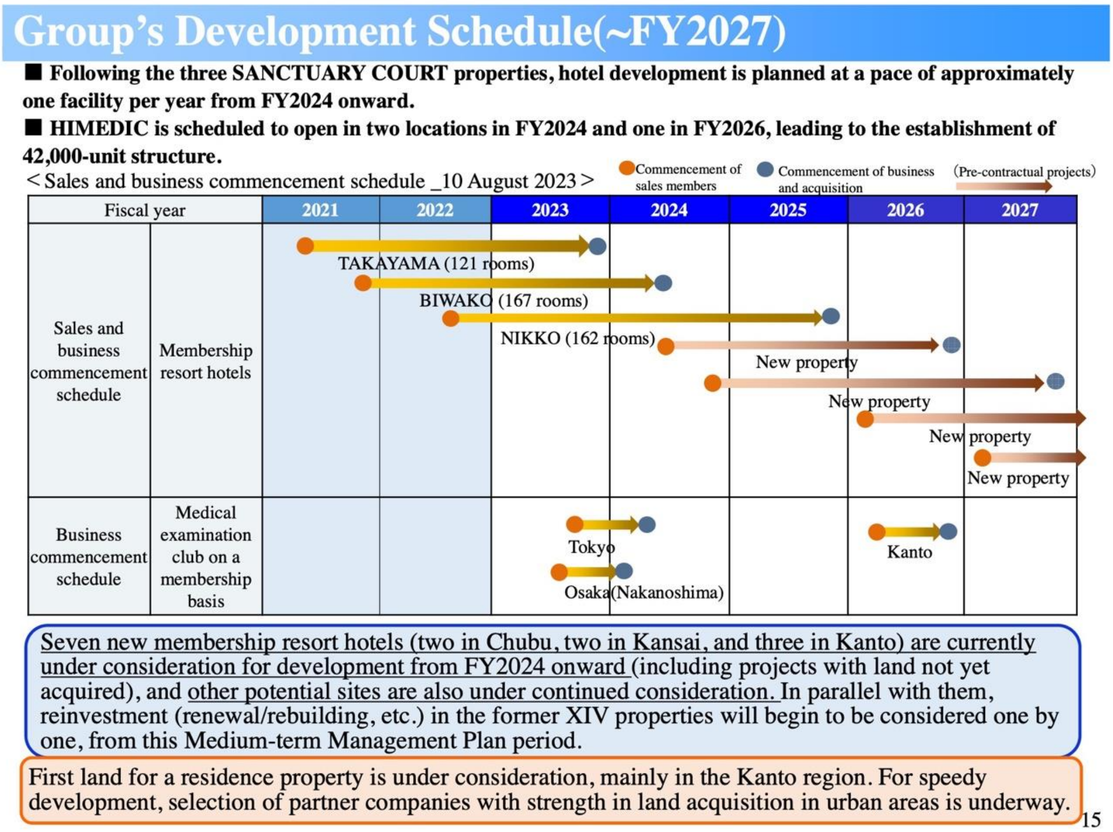
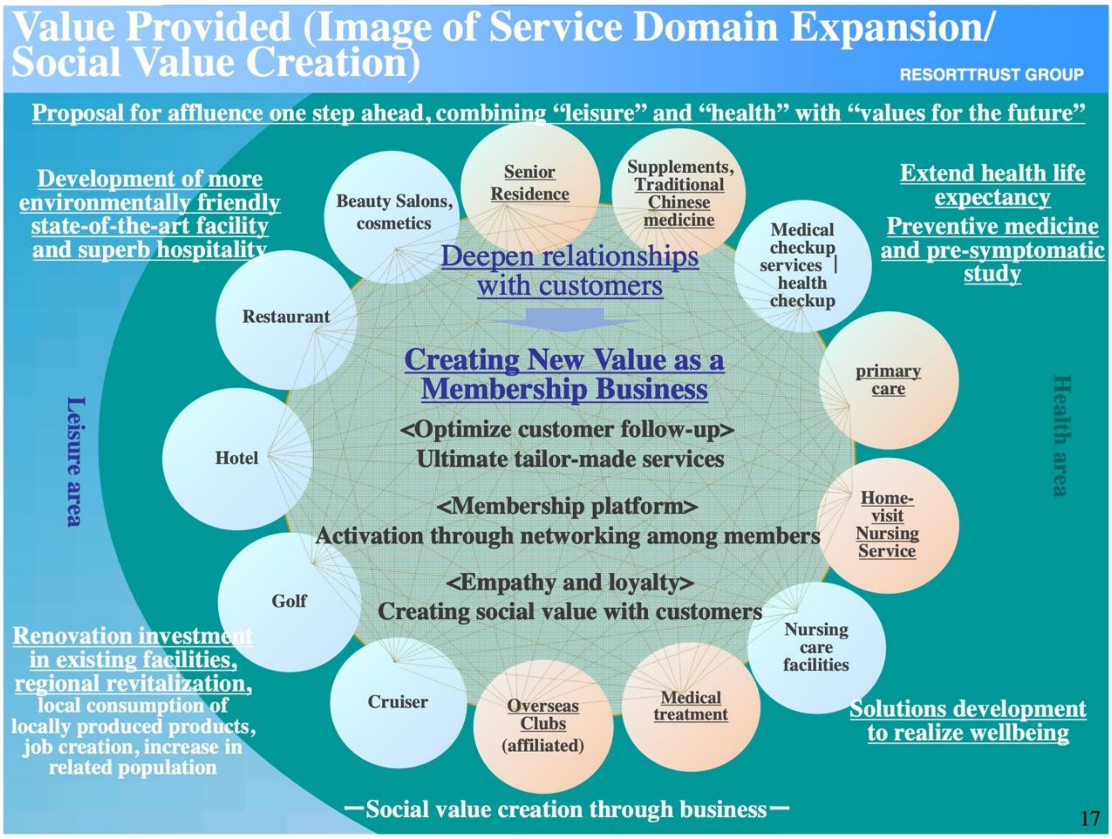
On page 14, we have set out the numerical targets for this fiscal year's management plan.

There will be no change in this item either. Conversely, we are aiming for a ROE of 12%, which is part of our share buyback plan, and we have not made any other changes to our return policy, which is to aim for a return of 40% or more.

We have also left unchanged our targets for the third year, 2025, of JPY230 billion in net sales and JPY23 billion in operating income.




As for page 15, as I mentioned earlier, in new properties, we can almost see one completion each year as planned, while maintaining a balance between the overall inventory and Tomei Osaka, and we hope to make further announcements from here onwards as necessary.




There are no changes to the content thereafter. On page 17, we introduce the new products we are working on, and talk about deepening the relationship with our customers, focusing on current content. In order to create new value as a membership business, we will create new fields of business with other companies in the membership business segment. In order to achieve this, we want to further enhance our characteristics as a club, including the value of the club, membership and the significance of our existence, and to firmly grow our [inaudible] business, which is a part of our customers' good lives.


To this end, the Group intends to establish its membership business with the Group's own solid Lanchester strategy as a major direction.

This is a brief overview of Q1.

## Question & Answer

**Moderator [M]:** President Fushimi, thank you very much. Now we would like to move on to the question-and-answer session.

**Company Representative [M]:** We will now go to the question-and-answer session. When it is your turn and the moderator calls your name, please mention your company name and your name, followed by your question. Please note that only two questions can be asked per person at a time. Now let's begin the question-and-answer session.

First, Mr. Oda from SMBC Nikko Securities, please.

**Oda [Q]:** I am Oda from SMBC Nikko Securities. Thank you. I have two questions, and I would like to ask you to answer one question at a time. First, I think you are doing quite well in terms of performance in this Q1. In this context, you mentioned that you have raised the price and resort membership by 5% since this June. You raised prices in June, so it's only been about a month or two. Has the price increase affected the number of units sold or the number of customers?

Frankly, the first point I would like to ask is whether customers are taking the price revision exactly as it is, and whether they are satisfied with it.

**Fushimi [A]:** June, it is indeed only one month. In June, we achieved the plan and are making further progress. Once a price revision is made, it is inevitable that we will reap the benefits of our previous prospects. The first part of the process is to increase the number of units, and then, inevitably, to build up prospects again, so, for example, there is a week or two of stagnation before things start moving again.

On the other hand, while there were some positive aspects of the reaping process, the subsequent movements in July and other months indicate that there was no particular decrease in the number of units and that new prospective customers were being generated. Is this okay?

**Oda [Q]:** Thank you very much. However, the supplemental question for the first is about this 5% price increase and the price revision outside of Nikko.

We have been told for some time that the cost of SANCTUARY COURT at Lake Biwa and Nikko has been going up, so although Nikko has been left unchanged this time, I think it is true that raising the price means the cost has gone up.

I would like to know if there is any explanation to the customers as to why you are raising the prices of other hotels including the Baycourt and the XIV.

**Fushimi [A]:** We explain them that there are large-scale repairs and maintenance including [inaudible]. The main focus will be on cost increases in this area and more aggressive efforts in this area.

**Oda [A]:** I understood. The second question, regarding the monthly hotel occupancy rate on page nine. Baycourt has a solid occupancy rate increase. I understand that the level of XIV was higher last year than before COVID-19, so I think it is not a low level.

Looking at this April-June period, the operation is slightly about the same or somewhat a little slower than last year's April-June period. I wonder if there should be some more upside.

How should we view the operation of the XIV in this point? This is my second question, please.

**Fushimi [A]:** Overall, we are trying to increase corporate demand. Although the number of registrations in LINE is growing steadily. Compared to last year, the use by corporate employees has been affected by the loss of the national discount benefit. The connectivity is getting stronger, but it didn't lead to the use of facilities.

However, we introduced various preferential plans in July to compensate for this, and we expect to see results in this area again in Q2.

**Oda [M]:** I understand well. That's all from me. Thank you very much.

**Moderator [M]:** Thank you very much, Mr. Oda. We are now accepting questions. Please send them to us. Mr. Kuwana of Mizuho Securities, please ask your questions.

**Kuwana [Q]:** Thank you. I am Kuwana from Mizuho Securities. I would like to ask you two questions. First, I believe you announced an upward revision on July 15, and I think it reflected the upward revision of H1 of the fiscal year to the full year. Looking at the current strong performance of the hotel restaurant business, can we expect an upward swing in H2 as well, or can you give us some background on why you did not make an upward revision for H2? Please answer one question at a time.

**Fushimi [A]:** Normally, we would have announced the overall review in Q1, but we announced it one month ahead of time at the monthly stage, so there are currently no changes for July to August for the current term as a whole. However, looking at July, I believe that we can aim for another upward revision in H1.

**Kuwana [Q]:** I see. Thank you very much. Next, in your explanation of the hospice business, you mentioned earlier that you are planning to introduce the hospice at other facilities in the future. How do you feel about the response to the new facility in Sakurashinmachi after about a month in July? If we compare the monthly costs, this hospice of yours is still a part of the high-end market. Do you think there is no problem with the business because this is the blue ocean which is higher than most of the other companies in the market right now. Would you explain how it will contribute to the future occupancy rate of the facility for seniors?

**Fushimi [A]:** To be honest, we have just started and have not yet reached the point of evaluation, but as the overall operation rate rises, there is a need, especially in the long-term care type, for people who have been discharged from hospitals after long stay and cannot return to their homes or who are highly dependent on medical care. Therefore, we believe that hospice care will be a major lever for residents to move in.

And, after all, that is already the rate of return now. We expect to increase profitability not only in long-term care insurance, but also in the medical insurance. Although we do not yet have enough actual results to be able to say this, we believe that we will be able to achieve this as planned. We will continue to make these new products one of the features and sales points of the Company.

**Kuwana [M]:** Thank you very much.

**Moderator [M]:** Thank you very much, Mr. Kuwana. We are now accepting questions. Please send them to us. There are still a few minutes left, but it seems there are no more questions, so we will now conclude this question-and-answer session.

Thank you, Resorttrust, for any additional information you may have.

**Company Representative [M]:** Nothing in particular, but I will be on vacation starting tomorrow, so I will be checking my e-mail for any inquiries, so please e-mail me and I will be able to answer you.

This concludes the presentation of the financial results of Resorttrust for Q1. Thank you all for your participation.

**Fushimi [M]:** Thank you very much.

**Company Representative [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].*
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