Resorttrust, Inc.

Financial Results Briefing for the Fiscal Year Ended March 2024

May 16, 2024

Event Summary

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[Participants]	

[Number of Speakers]	3	
	Ariyoshi Fushimi	President
	Takeshi Makino	Sustainability Promotion Department, Investor & Public Relations Department Director
	Hirotaka Honda	Investor & Public Relations Div. Manager, Sustainability Promotion Dept.
[Analyst Names]*	Hirofumi Oda	SMBC Nikko Securities
	SMBC Nikko Securities	Morgan Stanley MUFG Securities
	Satoru Sekine	Daiwa Securities

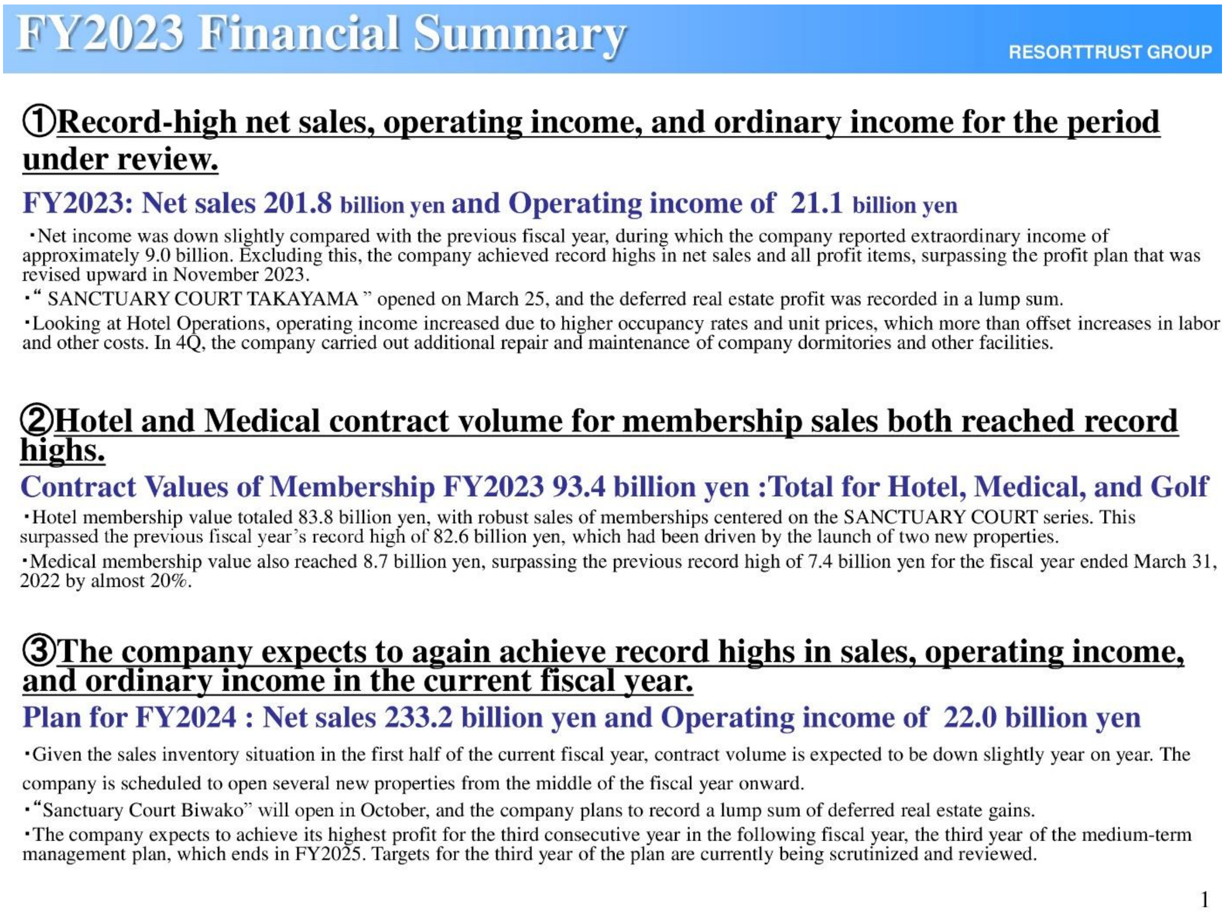
*Analysts that SCRIPTS Asia was able to identify from the audio who spoke during Q&A or whose questions were read by moderator/company representatives.

Presentation

Moderator: It's now time to begin the Resorttrust, Inc. financial results presentation for the fiscal year ended March 2024.

First, I would like to introduce the attendees. President Ariyoshi Fushimi, IR staff Makino, and Honda.

Now, President Fushimi will offer a presentation.



Fushimi: My name is Fushimi of Resorttrust. I will give an overview based on the financial results presentation material for the fiscal year ended March 2024.

First, an overall summary. Please refer to page one.

For the part marked (1) for the fiscal year ended March 2024, we achieved consolidated net sales of JPY201.8 billion and consolidated operating profits of JPY21.1 billion. We managed to [inaudible] financial results for the full year in terms of sales, operating profits, and ordinary profits that reached an all-time high.

Current net profit was slightly lower at JPY9 billion, due to the selling profit of JPY8.9 billion from the sale of Trusty hotels in the previous year. Excluding this, we have achieved record profits for all categories. We also managed to achieve the plan that we revised upward in November.

Particularly in the hotel business, there were increases in salaries and personnel costs, as well as a rise in prime costs, unit costs, and other various costs. We managed to absorb all of this in terms of increased occupancy and price per room.

For the part marked number (2), membership sales among these particular sectors totaled JPY93.4 billion. This is the total for hotel, medical, and golf. Hotel and medical achieved a record high in contract volume.

For hotels in particular, the Sanctuary Court series continued to perform well. Medical also achieved an increase in both revenue and profits of JPY8.7 billion, which is nearly a 20% increase over the record high of JPY7.4 billion achieved for the fiscal year ended March 2020.

For the current fiscal year, we expect to achieve consolidated net sales of JPY233.2 billion and consolidated operating profits of JPY22 billion. We are currently moving forward with the intent to maintain the strong performance and further renew the record high performance.

In addition, since March 2015, the fiscal year ending March 2026 will be the last year of our mid-term management plan. As this also shows continued strong trends, we also have plans to achieve increased revenues and profits. Also, we are considering revising the financial result details again while reviewing the situation.

Financial Highlights FY2023

(April to March)

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【Financial Highlights FY2023】

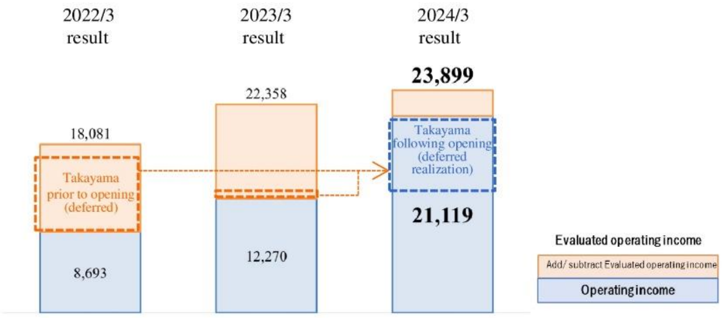
Announcement in November, 2023 / Announcement in May, 2023 / (Million yen)

	2023/3 results	2024/3 results	YoY Difference	2024/3 revision targets (Announcement in November, 2023)	vs. revision targets	2024/3 Initial targets (Announcement in May, 2023)	vs. initial targets
Net Sales	169,830	201,803	+18.8%	202,000	(0.1%)	200,000	+0.9%
Operating Income	12,270	**21,119**	+72.1%	21,000	+0.6%	18,000	+17.3%
Ordinary Income	13,247	21,807	+64.6%	21,200	+2.9%	18,000	+21.2%
Net Income	16,906	15,892	(6.0%)	15,000	+5.9%	12,000	+32.4%
Evaluated net sales	205,304	215,275	+4.9%	214,300	+0.5%	208,000	+3.5%
Evaluated Operating Income	22,358	**23,899**	+6.9%	22,300	+7.2%	17,800	+34.3%

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

【Year to date Historical 3-Year Trends in Evaluated Operating Income】

* Figures in blue graphs are operating income on a recorded basis.



(Reference)
* Evaluated net sales/Evaluated operating income:
In the pre-opening hotel membership sales, accounting figures for the real estate cost of the membership fee is deferred until the opening of the hotel as the revenue is realized in a lump sum at the time of opening. Evaluated operating income represents income assuming that such income to be deferred had been recorded during the current fiscal year.
In addition, it is used as a management indicator of real performance during the current fiscal year, taking into account the effect of Accounting Standard for Revenue Recognition for medical memberships, etc.

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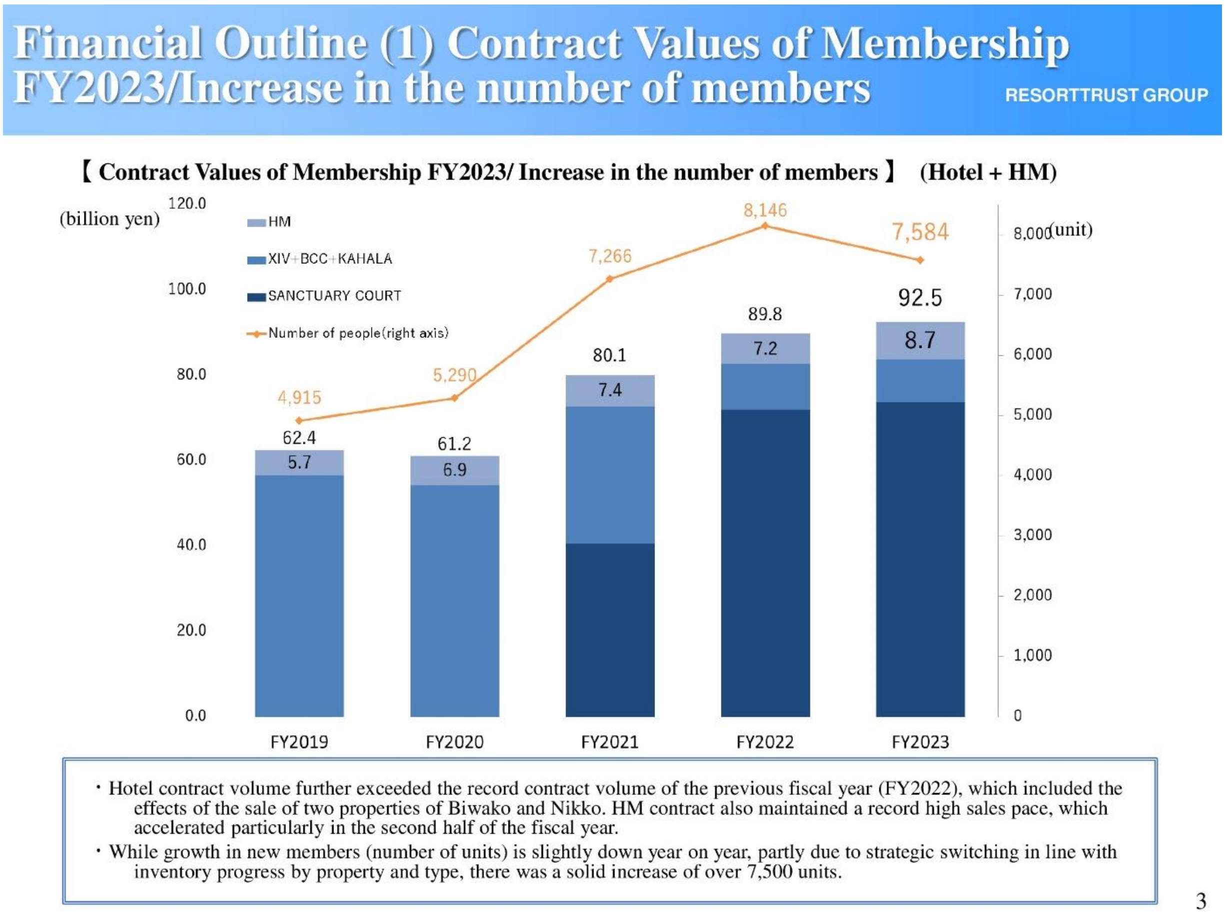
Please turn to page two for the highlights of the financial results.

The highlights indicate JPY201.8 billion in net sales, JPY21.1 billion in operating profits, JPY21.8 billion in ordinary profits, and JPY15.8 billion in current profits. As I mentioned earlier, we achieved record highs that exclude current profits. We managed to increase sales by 18%, operating profits by 72%, and ordinary profits by 64% YoY.

As shown on the far right, profits increased by 17% and in the 20% to 30% range, compared to the plan at the beginning of the fiscal year. We managed to perform in line with the revised plan.



Please refer to page three. This page shows a breakdown of the JPY92.5 billion contract values of membership.

Hotel sales exceeded the previous year's record high, which included the effects of launching two new properties in Lake Biwa and Nikko. If we add the figures for HIMEDIC, which I mentioned earlier, it adds up to a figure of JPY92.5 billion.

However, the annual increase of members slowed from 8,146 in the previous year to 7,584.

As we will explain later, the annual increase of members declined slightly due to a strategic switch in the inventory balance. However, this is just a planned action.

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

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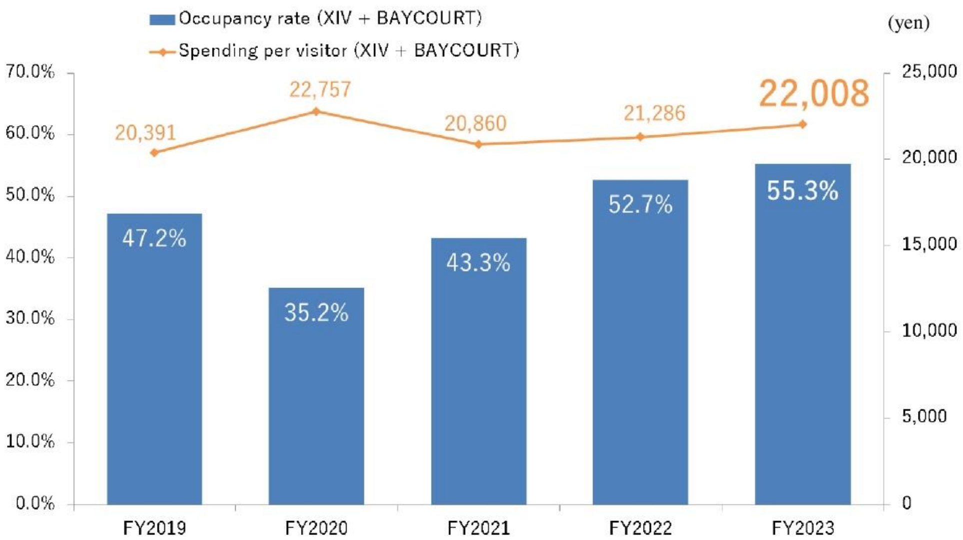
【FY2023 Occupancy rate/Spending per visitor】



- 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, due to the full-year contribution of the price revisions of November 2022. (FY2020, unit prices rose due in part to lower utilization rates at COVID-19.)

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Continuing on page four, I will explain our hotel division.

Occupancy rate and room prices. First of all, the occupancy rate of members-only hotels had already exceeded pre-COVID-19 levels, and we managed to further increase performance.

Room prices were also revised. We are also seeing an increase in occupancy, particularly in newly built hotels and hotels with higher room prices. This means that both occupancy rates and room prices have increased.

Financial Outline (3):Operating Income FY2023 (compared with the same period of the previous FY)

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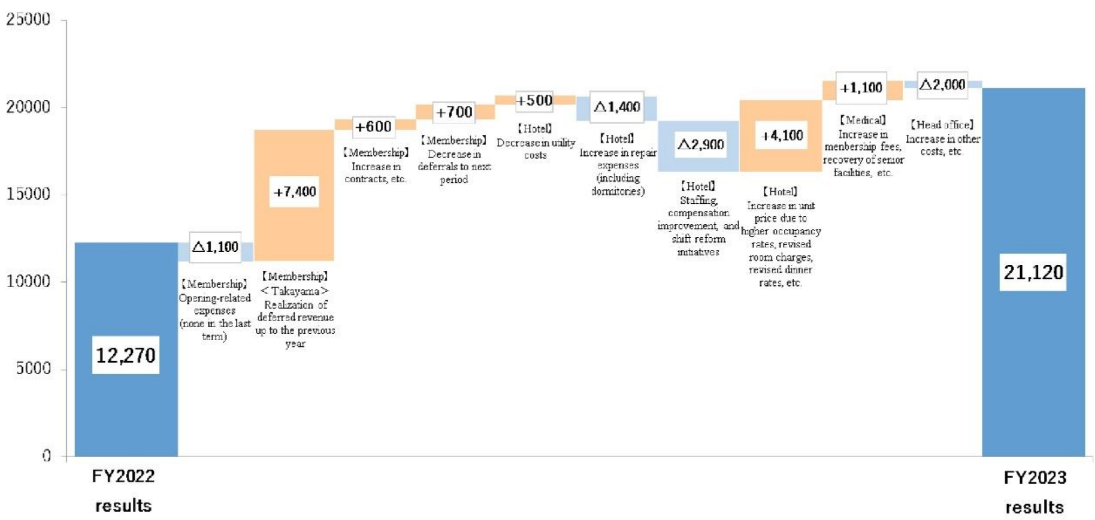
【 Year to date consolidated operating income change (vs. previous year) 】



- In the membership segment and hotel operations, there was a rise in personnel costs and increase in repairs to employee dormitories and other facilities, etc., but it was compensated by the rise in hotel occupancy rates and unit prices and operating income increased year on year.
- Sales of hotel memberships and medical memberships were extremely strong. A recovery in profitability in the Senior-life business was also a contributing factor.

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Continuing to page five, factors attributed to changes from the fiscal year ended March 2023.

As I will briefly explain, compared to the JPY12.3 billion from the previous year, there were no opening expenses for membership shown on the left side, while we opened a hotel in Takayama in the previous year.

Therefore, we incurred a deficit for the opening cost. Then we have the JPY7.4 billion that boosted deferred profits from the Takayama hotel, which is the largest part of the chart.

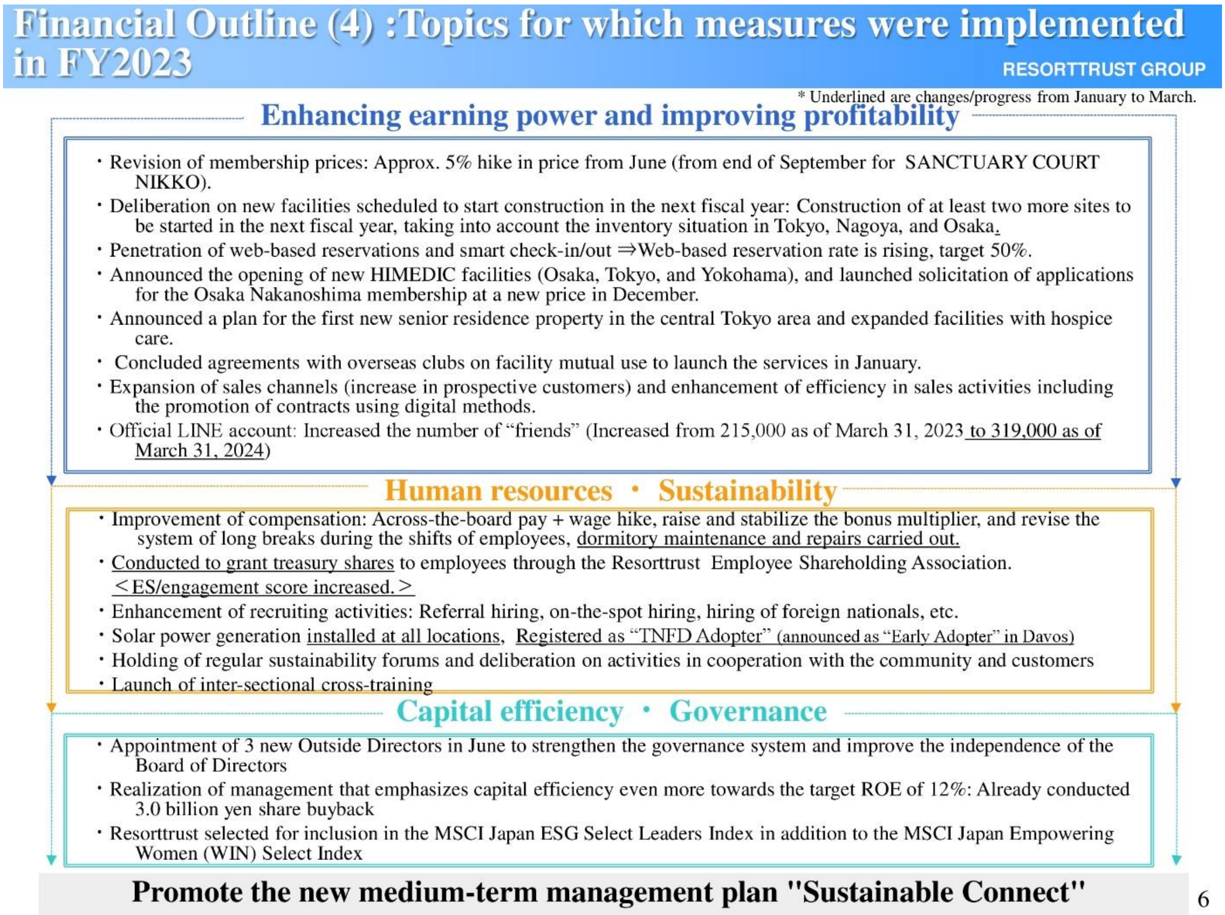
The increase in contract volume and the decrease in deferrals to the next fiscal year are indicated in the membership portion, a JPY600 million increase and a JPY700 million increase, respectively. In addition, there was a cost reduction in hotel utilities that we expected, resulting in a positive JPY500 million.

However, we incurred JPY1.4 billion for hotel maintenance that includes personnel investments, whereas JPY2.9 billion accounted for staff allocation, compensation improvements, and other factors. This was the largest factor that attributed to an increase in costs YoY.

However, the increase in hotel occupancy and room charges contributed to a JPY4.1 billion increase in profits, which was almost completely absorbed by these costs.

We also increased annual membership fees for the medical division. In the previous fiscal year, the senior life business in particular, contributed significantly to profits by utilizing elderly long-term care insurance, health insurance, and medical insurance, as well as by improving productivity, despite the lack of occupancy and new openings.

I think the positive JPY1.1 billion was significant, since we haven’t opened new facilities. Considering these results, we posted operating income of JPY21.1 billion.



Continuing on to page six, this shows the measures we implemented, as well as topics.

One of the most significant factors in improving earnings capacity and profitability was a review of membership prices. This was largely due to the price hike for things related to rising prime costs.

Secondly, developments that meet these trends were the greatest issues. We had to review some aspects, including Kanazawa and other venues.

As we consider the future, we plan to start construction at two or more locations during the current fiscal year after planning our inventory for the Tokyo-Nagoya-Osaka region. We are thinking of constructing around 1.5 to two facilities in the future.

Also, as shown in the fourth bullet point, we decided to open new HIMEDIC facilities in Osaka, Tokyo, and Yokohama. After reviewing Osaka Nakanoshima’s prices, we started sales in December.

Also, the third bullet point mentions the penetration of online reservations and smart check-in/check-out. Online reservation rates are also increasing steadily, which we will explain later.

In addition, I will explain the last two bullet points. Digital utilization contract promotions and an increase in the number of prospective customers, along with enhancing sales channels and improving the efficiency of sales activities, all of which are also progressing. The details will be explained later.

We have also managed to increase the number of official LINE friends from 210,000 by about 100,000 over the past year. This is also contributing to our occupancy. We believe that we are making moves that contribute to increasing productivity while firmly engaging in DX.

For human resources and sustainability, we view human resources are our most important and urgent agenda right now. As an implementation to improving compensation, there is a 5% increase in base salaries and raises, as well as an increase and stabilization of the additional bonus rate and a review of shifts with variable working hours.

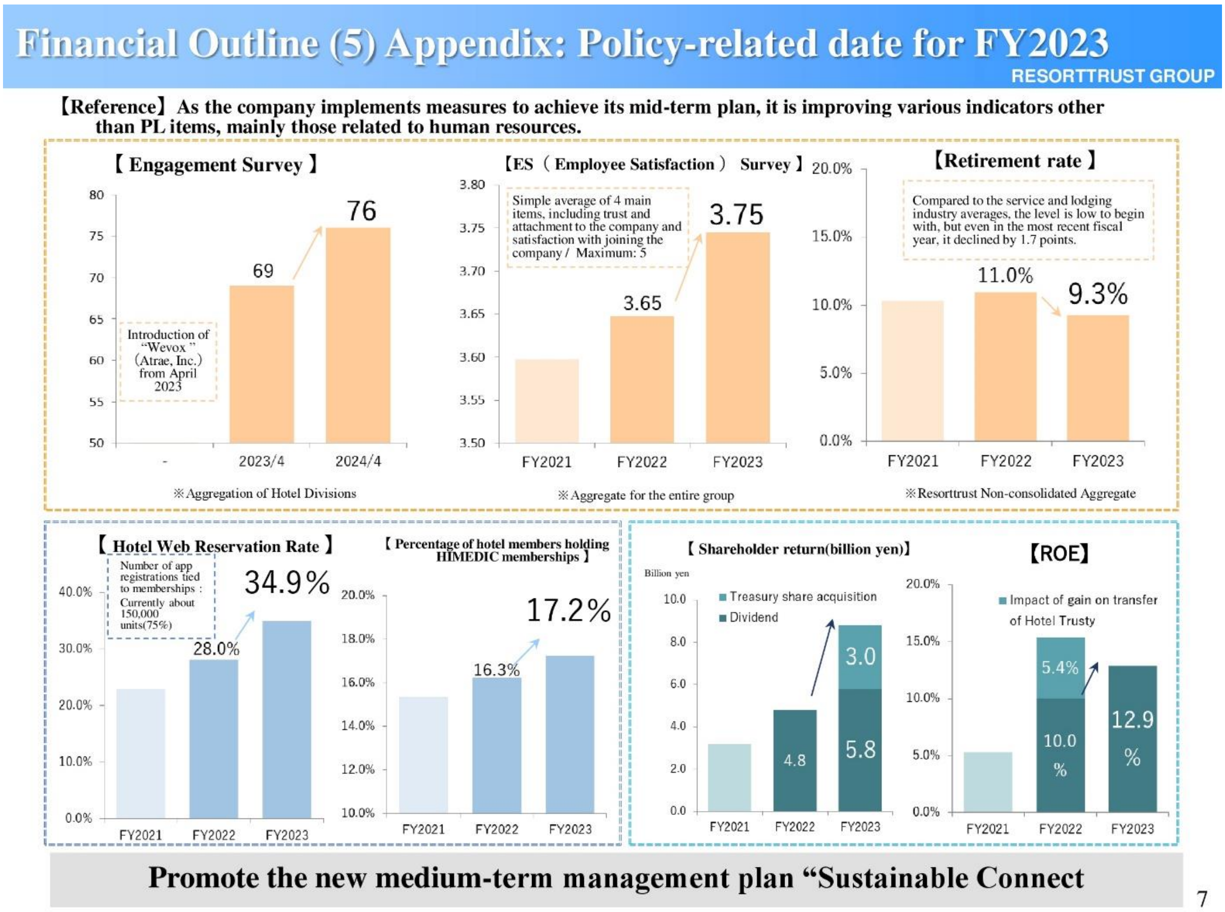
I will also describe staff housing among the maintenance category. Particularly, we will review existing housing facilities. Apparently, this is essential for securing labor from overseas in the future, and not just for achieving satisfaction from existing employees. We have implemented this in H2 of the fiscal year while we consider hiring new employees from this year.

Also, we grant our shares to employees through employee stockholding meetings. We are also accelerating our hiring activities with referrals, regional programs, spot hiring activities that include part-time positions, and hiring of foreign nationals, which I mentioned earlier.

In particular, we hired approximately 150 employees from overseas in H2 of the previous fiscal year. We currently have a total of 150 employees for this fiscal year, including those from H1.

The fourth point lies in solar power. Although the scale varies, we have introduced solar power throughout all our bases. In the area of capital efficiency governance, we have appointed three new external directors in June of the previous year to strengthen the governance structure, enhance the Board of Directors, and enhance independence.

In the previous fiscal year, we implemented a stock repurchase of JPY3 billion to achieve our ROE target of 12% and achieve management that further emphasizes on capital efficiency.



Data that includes such human resources is shown on page seven.

The aforementioned investment in human resources is shown in a certain form of data.

The engagement survey indicates the hotel division. In the hotel sector, the engagement index grew from 69 to 76. This is a commitment to the Company, and the average in the hotel industry is said to be 70.

By achieving significant growth, we see the effects of various measures paying off.

We have been conducting fixed-point observations for employee satisfaction for a long time. We also managed to increase this figure significantly to 3.75.

As a result, the turnover rate dropped from 11% to 9.3%, and it is said that the hotel industry's average is around 10%. We have managed to further reduce this number, and believe that the implemented measures will further pay off during the current fiscal year and the next.

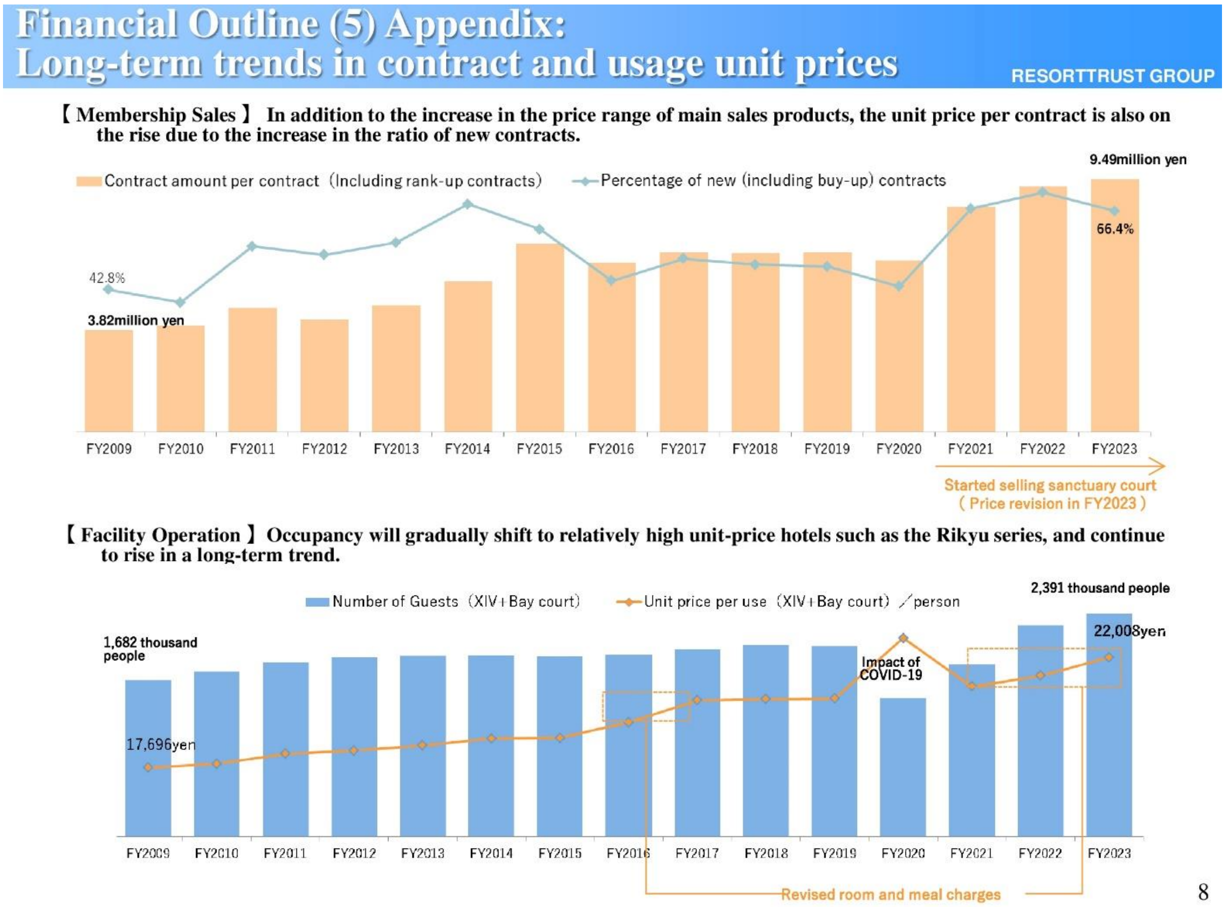
The bottom portion shows the online reservation rate, which is also gradually increasing. With the number of app memberships increasing, it has currently reached 34.9%. In the most recent month of April, it was 38% and it continues to grow steadily.

And another point is the simple figures for our cross-selling operations, which is a theme in our mid-term management plan. This has also led to a solid increase in the percentage of HIMEDIC enrollment among membership hotels.

Let's look at the dividend amount paid to shareholders in the financial statements. First of all, the amount has increased from JPY4.8 billion to JPY5.8 billion.

In terms of the amount, the JPY5.8 billion accounts for the previous fiscal year's dividend of JPY50 per share increasing by JPY4 to JPY54. And then there's the additional JPY3 billion in repurchased shares. For total returns, it amounts to approximately 55% of dividends.

We have achieved 12.9% in ROE. Although the previous year's figure is shown as 5.4% due to the sale of Trusty hotels, we managed to achieve growth of from 10% to 12.9%, excluding these sales.



Let's now move on to page eight.

This page shows the increase in the unit price per contract, which I mentioned earlier. If you refer to the line graph, the percentage of new contracts has been declining.

As I mentioned earlier, this is due to securing inventory through a strategic switch. Although performance has declined in this area, other areas are growing steadily.

The lower graph shows hotel operations. The price per room and the number of guests have also been increasing steadily.

Therefore, we have been reviewing the room rates and meal prices regarding operations. Basically speaking, I believe everybody understands our situation.

Segment Sales and Operation Income FY2023
3 main business segments

(April to March)

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【Segment Sales and Operation Income FY2023】

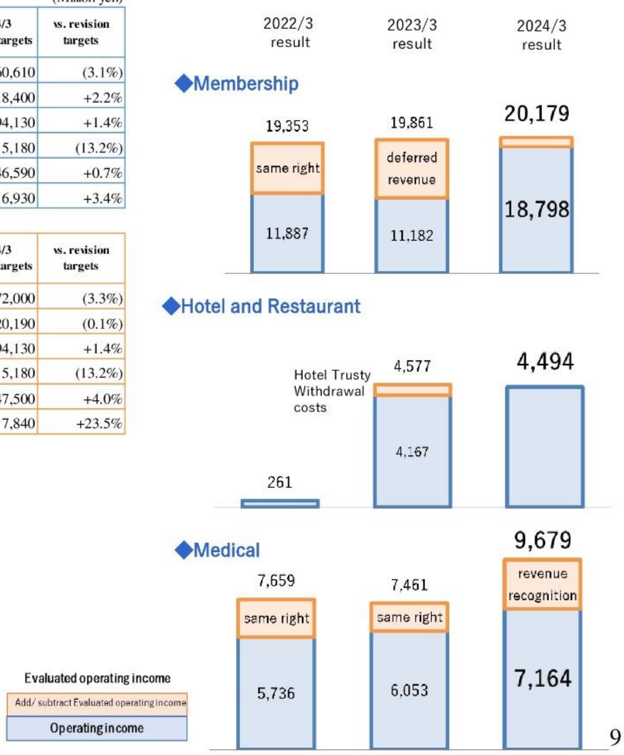
(Million yen)

		2023/3 results	2024/3 results	YoY Difference	2024/3 revision targets	vs. revision targets
Membership	Sales	34,945	58,701	+68.0%	60,610	(3.1%)
	Operating Income	11,182	**18,798**	+68.1%	18,400	+2.2%
Hotel and Restaurant	Sales	89,747	95,492	+6.4%	94,130	+1.4%
	Operating Income	4,167	**4,494**	+7.9%	5,180	(13.2%)
Medical	Sales	44,422	46,899	+5.6%	46,590	+0.7%
	Operating Income	6,053	**7,164**	+18.4%	6,930	+3.4%

		2023/3 results	2024/3 results	YoY Difference	2024/3 revision targets	vs. revision targets
Membership	Evaluated net sales	69,011	69,658	+0.9%	72,000	(3.3%)
	Evaluated Operating Income	19,861	**20,179**	+1.6%	20,190	(0.1%)
Hotel and Restaurant	Evaluated net sales	89,747	95,492	+6.4%	94,130	+1.4%
	Evaluated Operating Income	4,577	**4,494**	(1.8%)	5,180	(13.2%)
Medical	Evaluated net sales	45,831	49,414	+7.8%	47,500	+4.0%
	Evaluated Operating Income	7,461	**9,679**	+29.7%	7,840	+23.5%

- Membership: In addition to the 7.4 billion yen in deferred income on Takayama through the previous fiscal year, the company recorded 1.1 billion yen in opening-related expenses in the current fiscal year.
- Hotel and Restaurant: While both occupancy rates and unit prices rose significantly during the period under review, unscheduled repairs—including those to employee dormitories—were made in 4Q (1.3 billion yen increase year on year, 1.0 billion yen increase vs. plan).
- Medical: In addition to growth in HIMEDIC, enhanced profitability in the Senior-life business was a contributing factor.

【 Year to date Historical 3-Year Trends in Evaluated Operating Income】



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Please refer to page nine. From here, I will describe each segment.

In the membership segment, net sales were JPY58.7 billion and operating profits were JPY18.7 billion, a 68% increase YoY. For hotels, net sales and operating profits increased by 6.4% and 7.9%, respectively.

For the medical segment, net sales and operating profits increased by 5.6% and 18.4%, respectively. This indicates that growth in operating profits for hotels and restaurants was minor.

This is largely due to an addition of approximately JPY1 billion in costs incurred in Q4 for employee housing when compared to the plan, which I mentioned earlier.

On the contrary, the increase in the profit margin for the medical segment is greatly attributed to the productivity in the senior life business, and the improved profitability of sales activities that I mentioned earlier.

Next, please turn to page 10.

You can see the situation initially with XIV and Baycourt, their respective phases shown in the years 2020, 2021, and then 2022. SANCTUARY COURT TAKAYAMA accounts for over 50% of shares, which then shifted to Biwako and Nikko.

You can understand how this shift helped balance sales in the Tokyo-Nagoya-Osaka region and led to sales and promotion while securing inventory.

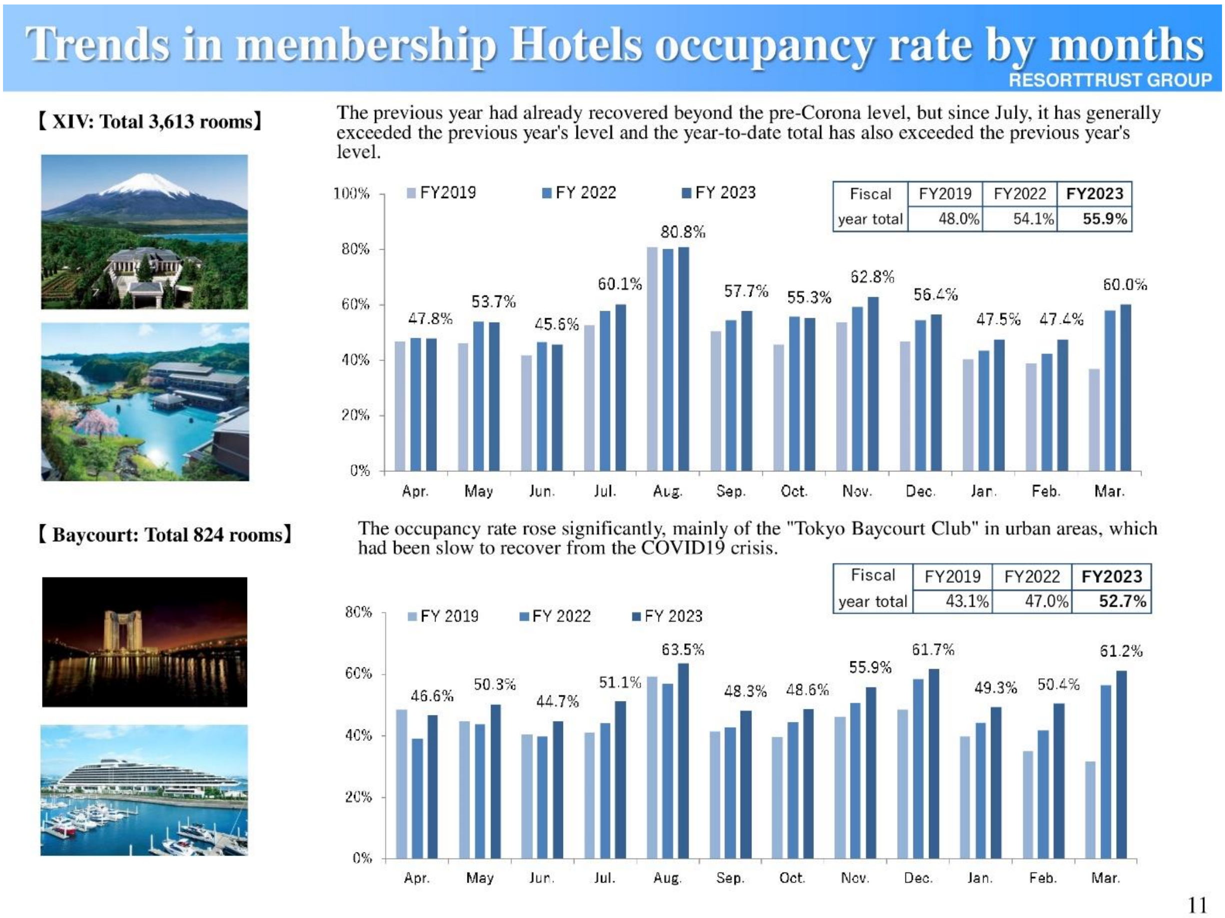
As a result, Takayama has posted a sales rate of 91% for about a year now. The sales rate has remained virtually unchanged for the year. As the shares shift to Nikko and Biwako with these trends, the overall sales rates have increased. At the current pace, we believe that Nikko will be the first to sell out.

There is one more thing, which is about the volume of digital utilization contracts that have been in the market for some time. This also amounts to JPY18.8 billion and accounts for 20% of the total.

Promotional activities to prospective clients reached 112,000, and this is still increasing. As we constantly transmit information to these 110,000 people, the volume has grown to the point of JPY18.8 billion in annual contracts.

The right side shows financial institutions via hotel referrals. This is also growing steadily.

We have been focusing on these two areas since the COVID-19 pandemic, and they have increased to about 35% overall, which has led to an increase in productivity and boosted overall performance. This is still at the stage of growth, and we are promoting connections throughout the Group.

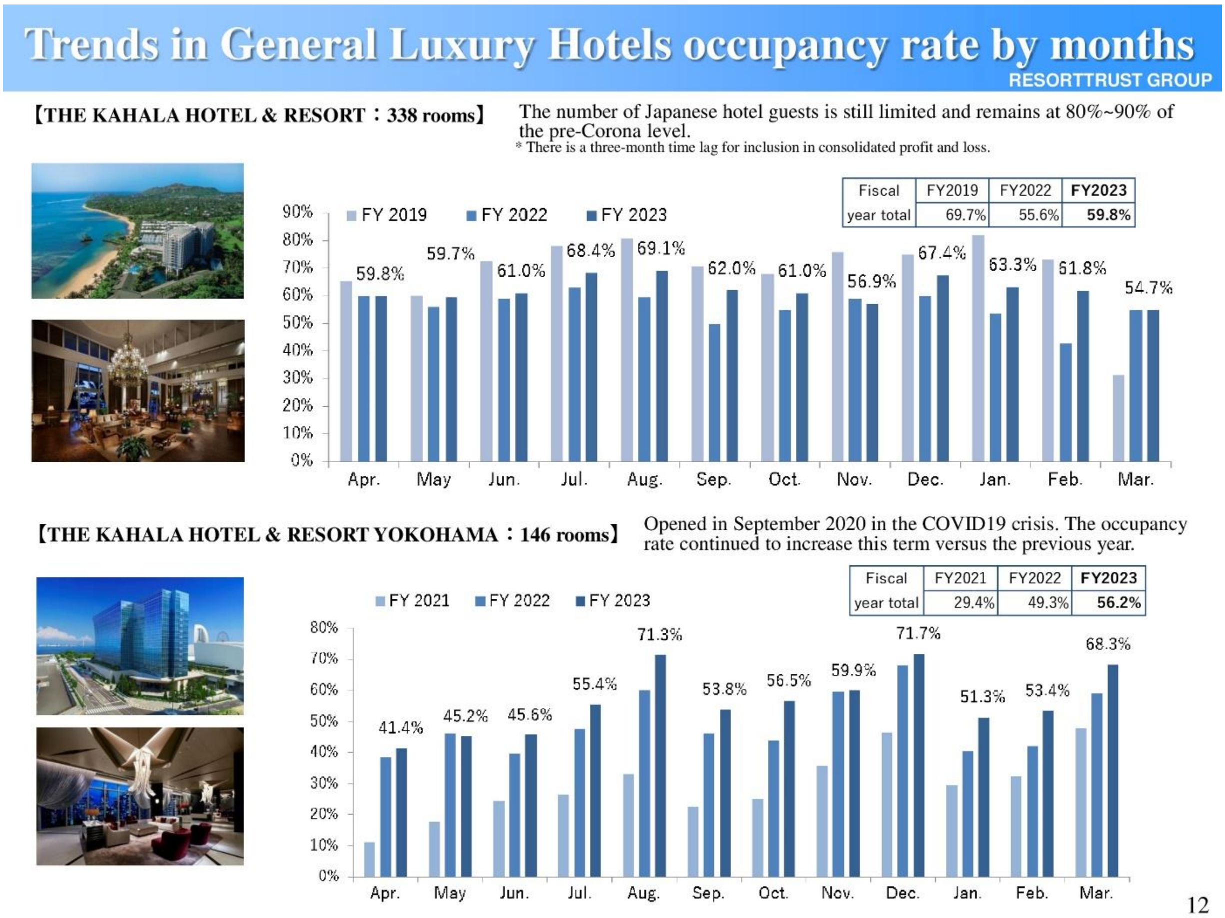


Continuing on page 11 is hotel occupancy rates.

First, XIV has exceeded this level before COVID-19. The occupancy rate has also exceeded this level and has reached 55.9% in FY2023.

The lower graph indicates Baycourt. Baycourt's recovery was slower than XIV. On the other hand, we have seen an increase in the price of regular hotels in the central Tokyo area, as well as the number of members in the Kanto region, including Sanctuary Court Nikko.

Baycourt's occupancy has increased significantly, especially with Tokyo Baycourt. This was a major operational [inaudible] contribution, as it was 52.7% in FY2023 compared to 47% in FY2022.



Next, page 12 shows Hawaii.

As for Hawaii, we unfortunately see limited performance, as travel has begun recovering for the US and Australia. As usual, travel from Japan hasn’t recovered.

Particularly for flights, the volume has recovered to 80% of pre-COVID-19 levels. The exchange rate has resulted in very low room rates, and the situation at Kahala and Halekulani continues to be very difficult. It’s exactly the situation where we cannot expect a recovery unless Japanese guests return.

There is also the depreciation of the yen. Even with the strong dollar, prices in Hawaii are particularly rising, and we have implemented pricing that reflects these trends. We only see the issue lying in occupancy.

This is Yokohama Kahala. We managed to increase occupancy for Yokohama Kahala to 56.2%.

It maintains the highest ADR within Yokohama. Compared to Tokyo, Yokohama's recovery is still slow, and I think it is necessary to boost performance as a whole. It still hasn’t been affected by the benefits of tourists visiting Japan.

We are now putting more effort into this, including the acquisition of more agents.

Continuing to page 13, we have the medical segment.

First of all, as I mentioned earlier, the number of HIMEDIC units sold has reached a record high for new customers. As we have significantly increased the number of members, this has led to an increase in stable revenues in terms of annual fees and other factors.

For Senior Residence service, we have recovered to 89% in the September quarter after observing COVID-19 subside.

Afterward, the COVID-19 outbreaks occurred repeatedly every three months or so at these facilities, unfortunately. There are still many restrictions, such as limiting visiting hours, which has suppressed the occupancy.

The nursing facilities are still experiencing difficulties. Especially the types in Nagoya for healthy individuals. Tokyo doesn't have a facility for healthy individuals. The occupancy rate has reached 100% in Nagoya, and the facilities for healthy individuals in Kansai have also recovered. We expect that they will sequentially recover in the future.

Therefore, we see a possibility for new nursing-related products in the future. We are currently in the process of creating post-COVID-19 products and services in the form of the residence lineup.

Business Forecast for FY2024

RESORTTRUST GROUP

<Consolidated Targets>

	FY2023 results	FY2024 targets	Change
Net sales	201,803	**233,200**	+31,397
Operating income	21,119	**22,000**	+881
Ordinary income	21,807	**22,500**	+693
Net income	15,892	**15,900**	+8
Evaluated Operating Income	23,899	**22,300**	(1,599)

<Operating Income by Segment (before allocation)>

		FY2023 results	FY2024 targets	Change
Membership	Sales	58,701	**76,090**	+17,389
	Operating income	18,798	**17,690**	(1,108)
	Evaluated Operating Income	20,179	**18,469**	(1,710)
Hotel and Restaurant	Sales	95,492	**105,720**	+10,228
	Operating income	4,494	**4,570**	+76
	Evaluated Operating Income	4,494	**4,570**	+76
Medical	Sales	46,899	**50,740**	+3,841
	Operating income	7,164	**7,270**	+106
	Evaluated Operating Income	9,679	**8,126**	(1,553)
Other	Sales	710	**650**	(60)
	Operating income	767	**710**	(57)
Head office costs	Operating income	(10,105)	**(8,240)**	+1,865
	Sales	(11,221)	**(9,575)**	+1,646
Total	Sales	201,803	**233,200**	+31,397
	Operating income	21,119	**22,000**	+881
	Evaluated Operating Income	23,899	**22,300**	(1,599)

***Preparation costs for the opening of the Membership segment are included in headquarters for valuation gains.**

<vs. previous period Main differences in calculations>

＜Net Sales / Operating Income＞

・Hotel membership Contract value
FY2023: 83.8 billion yen (No new releases)
FY2024: 83.9 billion yen (Two new properties to be launched)

・Contract Values of HIMEDIC
FY2023: 8.7 billion yen FY2024: 7.4 billion yen

・Deferred Realization (Account for the portion of the sale completed by the first semester.)
FY2023: Deferred realized gains +7.4 billion yen (Takayama)
FY2024: Deferred realized gains+7.5 billion yen (Biwako)

・Revenue deferred during the fiscal year (due to sales of unopened properties)
FY2023: Deferred income of (7.4) billion yen (Biwako, Nikko.)
FY2024: Deferred income of (7.0) billion yen (Nikko, new property)

・Opening-related expenses
FY2023: (1.1) billion yen FY2024: (1.3) billion yen

・Operating and maintenance costs (including dormitories)
FY2023: (4.0) billion yen FY2024: (3.6) billion yen

*Difference in bonus recognition department (Intersegment burden changes only)
FY2023: 0.5 month's compensation is recorded as a year-end bonus in head office costs
FY2024: Including 0.5 months' compensation noted above, recorded in each segment
(Head office expenses +1.0 billion yen, Hotel and Restaurant (0.7 billion yen) etc.)

・Hotel occupancy rate
XIV・・・FY2023: 55.9% FY2024: 57.4%
BCC・・・FY2023: 52.7% FY2024: 54.4%

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Continuing on page 14, here is the plan for the fiscal year ending March 2025.

As I mentioned earlier, we are formulating a plan with a target of JPY233.2 billion in net sales, JPY22 billion for operating profits and JPY22.5 billion for ordinary profits.

I think it may seem quite modest. If you refer to the membership portion of the segment, the largest effect involves the lack of a profit increase despite increased sales. This shows the difference in prime cost ratios among Takayama, Nikko, and Biwako.

These are our three products that we explained earlier. In the switching strategy I mentioned earlier, we started out as three products by setting equal rates among these three places. As you can see, these differences in actual prime costs, the profits from our properties have changed considerably.

The amount in deferred profits from Takayama for the previous year was posted at over JPY7 billion. Overall, Biwako's deferred sales are greater in terms of this fiscal year's plan. The most significant factor is attributed to how profits remain almost unchanged.

However, we will review the rates again during or after the next fiscal year, including Takayama. Starting with the next fiscal year's products, we will set the next price range as prices once more, as we see rising prime costs this fiscal year. The part where we have difficulties with profit growth in membership is very significant.

In the hotel restaurant business, sales will increase due to the new operations. However, although it appears that operating profits have not increased, the biggest factor lies in how we considered the increased portion of the last fiscal year's bonuses as the main office's expenses, as it was in the middle of the year. This is allocated to the segment this fiscal year, which amounts to JPY700 million.

The next significant factor is the change in revenue recognition. Starting from H2 of the previous fiscal year, the name change fee for golf course management and other fees are equally divided into 15 years and calculated annually, rather than as a lump sum cost. This amounts to a negative JPY30 million, or JPY1 billion altogether, which is clearly a negative factor.

For medical, there has been little growth in profits. One reason is attributed to the volume of sales contracts, which were slightly lower than in the previous year.

As I mentioned earlier, we have accumulated sufficient funds for new facilities in Tokyo and Osaka. New properties in Nagoya and the Chubu region will be addressed by increasing the capacity of existing facilities, instead of developing new properties. This is only considering the increase involving the planned sales, where we could not see it added to the plan.

In the senior life business, as I mentioned earlier, we achieved a profit level of about JPY500 million to JPY600 million in the previous fiscal year. As there were no new openings for this fiscal year, along with the previous and the next one, it's difficult to achieve growth.

In the last fiscal year, we managed to increase profits by about JPY500 million for cost productivity. In the current fiscal year, on the contrary, the next fiscal year's products, new marketing, and sales costs have accumulated beforehand.

The loss of growth in these areas are the main reasons resulting in limited growth of the medical segment, including HIMEDIC.

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 * 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. initial plan for 2024.3)
Hotel occupancy rate (Total of all brands)	2028.3: 60% growth (+5 points vs. initial plan for 2024.3)

＜Numerical targets for the Next Three Years＞

(Billions of yen)	FY2022	FY2023 (New medium-term plan first year)	FY2024 (2nd year)	FY2025 (3rd year)
Index	Previous year results	Result	**Plan at beginning of term (2024.5.15)**	Initial Target (2023.5)
Net Sales	169.8	201.8	**232.2**	230.0
Operating Income (initial target)	12.2	21.1 (18.0)	**22.0 (20.0)**	23.0
Operating income growth rate	+41.2%	+72.1%	**+4.2%**	-
Ordinary Income	13.2	21.8	**22.5**	23.0
Net Income	16.9	15.8	**15.9**	15.0
ROE	15.4%	12.9%	**12.0%**	Aim for 12%
Evaluated Operating Income	22.3	23.8	**22.3**	Projected to be about the same as operating income

*Targets for FY2025 (third year) will be examined and revised in the future.

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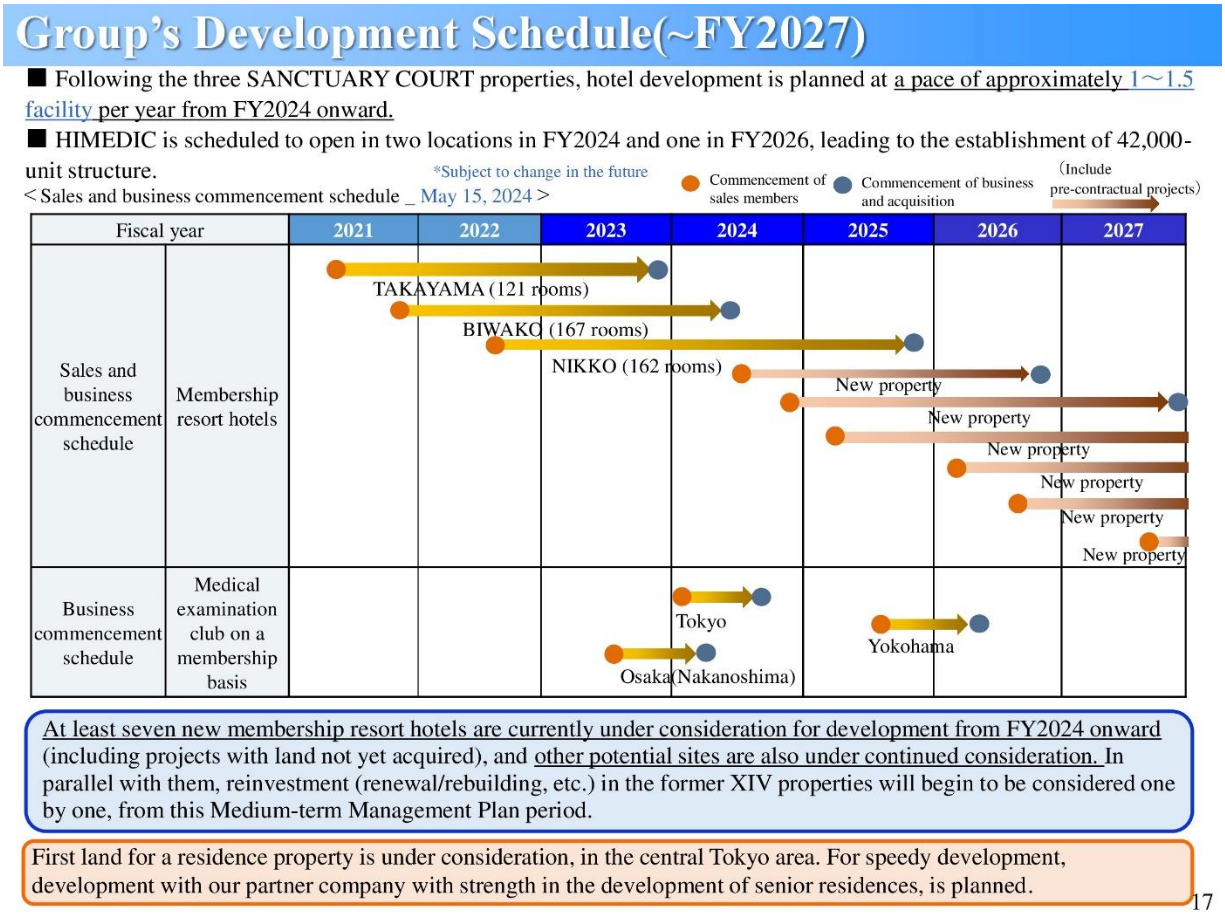
Next, please refer to page 16.

This page shows that it's currently JPY22 billion. For the five-year common goal on the left side, although there is basically no change, we have achieved 12% of the target shown in (4).

I would like to think about this again.

For FY2025, although we believe the JPY23 billion goal is a must, we hope to make a new plan while observing the situation in H1 of this fiscal year, as I mentioned earlier.



Also, this is the pipeline that is the focus of this presentation.

As shown on page 17, the progress for FY2024 indicates one facility for H1, then another one for H2. Construction plans for the Kanto, Chubu, and Kansai properties are almost decided.

For the next fiscal year, it currently shows only one. The venue for one or two facilities may change slightly, depending on the sales of each hotel or facility afterward. In fact, there are six facilities overall where land was already acquired and the contracts were finalized.

We also have three or four other sites where we are currently drafting contracts or are under negotiations. We can see the status of other properties to some extent for those that are planned in the next five years.

For this fiscal year, we happened to have some inventory openings due to the Nikko and Kanazawa venues, and have secured a firm supply system for the future.

This concludes my brief presentation of our summary. Thank you very much.

Question & Answer

Moderator [M]: We will now move on to the question-and-answer session.

For participants at the venue, if you have any questions, please raise your hand. You may use this microphone.

Oda [Q]: It's a pleasure to meet you. My name is Oda of SMBC Nikko Securities. I have two questions.

I would like to ask them together. One is the assumption of the contract volume of resort memberships for the current fiscal year, which was a record high and at the same level as last year, which I think is a very high level. However, as you explained briefly, there is an inventory issue, and I think you need to be cautious in H1 of the year.

Therefore, by seamlessly selling the next product so that you won't run out of stock, I wanted to know whether it will incur something like a loss of chances or not. That is my first question.

The second one is related to hotel restaurants.

You have explained your plans for this fiscal year. As you mentioned earlier, the current hotel room prices are lower than other places of the same grade. It has a positive aspect of increasing occupancy.

From this perspective, I assume the improvements in labor costs and compensation will probably continue. When considering this, I suspect that it will be necessary to review the prices once more.

Of course, since we are referring to a membership hotel with its unique features, we may find it difficult to devise various ideas, unlike conventional hotels in the city. I would be grateful if you can give me some insight. Those are my two questions.

Fushimi [A]: First of all, we are not in an advantageous situation in terms of the overall contract volume, as you mentioned.

For the inventory, we are basically making efforts to avoid increasing vacancies, and we are trying to maintain a balance. In fact, we have fulfilled our plan during the April quarter.

Another agenda is how quickly we can create new products that are now scheduled to be launched during H1 of this fiscal year. Another point is that we don't consider an opportunity with the products we are currently working on.

In fact, we buy memberships from customers who have difficulties using them and resell them.

Although we are conducting these activities while avoiding vacancies, I believe it's possible for prices to fall slightly. Therefore, we are carefully viewing H1 of the year.

However, by enhancing the effects of the new products, for example, it may change the situation. We believe that we can manage to recover enough for the full year and aim even higher.

And the second part is offsetting prices for the hotel restaurant area. One is that the room charge and other fees were reviewed in the previous fiscal year, and we will be raising the annual membership fee from January, as we have already announced.

This effect will pay off in the current and next fiscal years, and I believe this is where the hotel's fixed costs will be offset.

As I mentioned earlier, we will also be reviewing the membership prices as new products. We are now in the process of creating products that will also reflect the room rates and annual membership fee. That is all.

Oda [Q]: Thank you.

I would like to add something. You described, for point two, regarding new prices for new products, which I assume is related to products to be released in H1. Although you mentioned that it reflects room rates, is it effective in improving gross profit margins and profit margins through price hikes? Do the rising costs affect your profits?

What I mean is, if such new price range items increase, will it help improve profitability and profit margins?

Fushimi [A]: First of all, let me explain about the membership. As mentioned earlier, this is the most difficult moment for prime cost rates. Obviously, we will reflect these costs to our prices in the future.

Another point is that in addition to reviewing the prices of new products, we have been sequentially reviewing the prices of existing properties since last year. As for these, we consider that the prime cost rates will improve.

For operations, the annual membership fee plays the largest role, and I believe we can sufficiently offset these costs. It is not easy to raise the annual fee every year, and it depends on the situation with rising prices in the future.

In addition, we are also reviewing working styles, such as shifts, as accruing costs for the entire fiscal year.

The increase from this point on can be managed by improving efficiency, such as enhancing productivity through DX, as mentioned earlier, or particularly for new hotels. We are also working on such things and believe that we can absorb the costs to some extent.

Moderator [M]: For those at the venue, please raise your hand if you have any questions.

Now, we will connect to the person who raised his hand. Please state your company name and your name before asking your question.

Anegawa [Q]: It's a pleasure to meet you. My name is Anegawa of Morgan Stanley MUFG Securities. I would like to ask two questions.

Although I think the financial results are very favorable, the guidance wasn't as great compared to the consensus. When I thought the stock price might weaken today, it dropped more than I expected. But I still think there is room for an upward reaction.

As the president, what are your thoughts for the current fiscal year, both the upside and the downside that you think are the most difficult to predict? Also, please describe if these hard-to-predict factors are positive or negative to your performance.

For the negative factors, construction seems to have a high possibility. There may be a slight delay in construction or other factors.

After you explain what the potential positive and negative factors are, what kind of contingency plan do you have in place to ensure that your plan is achievable if the negative factors materialize?

For example, suppose that the start of construction is delayed. Let's say it incurred losses. Do you have a backup plan to absorb these losses, such as through plan B of some sort? My first question relates to the details for this backup plan,

And the second question is about shareholder return. Your company has a stable return of 40% or more. For the guidance at the beginning of the fiscal period, the dividend payout ratio was about 36%, and there may be some repurchased shares. I thought this level seemed a little low and I was wondering how you view this.

The stock price has risen quite a bit and the PB ratio has exceeded 1.0 quite a while ago. In this case, dividends are more effective than repurchasing shares, considering the level of dividends.

What do you think is the necessary balance between repurchased shares and dividends? The second question is, if you have any thoughts regarding the potential to increase dividends a bit. Please explain. That's all.

Fushimi [A]: First, let me explain the upside and downside. As you mentioned, we are viewing them with a strict perspective so there shouldn't be any problems.

We consider the biggest risk to be the vacancies caused by the delay of new products. However, the plan is formulated to sufficiently consider that. In fact, this will lead to the upside, and we don't see any effects of new promotions.

On the contrary, I will provide an extreme example. Even if we have a vacancy, it's absolutely possible to regain a reservation by promoting new product releases for it and enhancing the services.

We will tackle them sequentially while reviewing our inventory within our marketing strategy. In fact, I think that the effects of new products can be expected as a positive factor.

Another issue that is the most urgent is human resources. In the current fiscal year, we have about 650 new employees in the hotel division, with about 300 people from overseas, including those from H2 of the previous fiscal year. We are also opening a new facility at Lake Biwa this year.

We believe that we have enough human resources to compete and we do not think that there is any more risk for us during this fiscal year.

Now for the second question regarding dividend payout ratio that is stable at 40%. As we have announced sequentially, we also issued a special dividend for this fiscal year. We have decided to make that the regular dividend, and profits are almost unchanged from the previous year, remaining almost at the 36% level.

Although this accounts for the repurchased shares from the last fiscal year, we hope to reflect this in dividends and other items as we also strive to achieve a favorable interim result this fiscal year.

That is all.

Anegawa [M]: Thank you very much.

Moderator [M]: I will now connect to the next person.

If you have any questions, please mention your company name and your name before asking your question.

Sekine [Q]: My name is Sekine of Daiwa Securities. Thank you for your explanation. I have two questions that I would like to ask together.

I would like to ask about the future pipeline in my first question. At the time of the financial results announcement, I believe you mentioned the consideration to revise the figures for your mid-term management plan for next year and beyond.

I was wondering what the circumstances are regarding the moment that you could disclose these figures. Please tell us about your thoughts on this.

The other question relates to how I am also interested in the capital allocation part. Last year, I think you were quite active in shareholder relations.

I am not talking about the immediate future, but in the mid- to long-term. For example, the ideal capital efficiency or the ideal level of shareholder returns. As the president, if you have any thoughts on these, I would appreciate it if you could share them. That's all.

Fushimi [A]: Regarding the pipeline, we have just given you an explanation regarding what we can currently see to some extent.

For example, let's see the growth potential for this area. To explain it in a certain way, we are thinking of extending the current product line and are considering various ideas, such as new products for a slightly different target.

For example, even for a hotel that also shares the membership system, there are many forms. For instance, city-type hotels or different types, as well as selling rooms simultaneous for members and non-members, or adding an option for reserving more rooms.

If we can introduce these during the current fiscal year, I believe that will be a major factor that would lead to increased sales.

For dividends, there may have been some expectation of an increase, since the current fiscal year did indeed post a record high. As mentioned earlier, there are a lot of uncertainties in the current fiscal year and that is why we have decided to limit our activities.

Of course, since we consider special dividends as regular ones, we view this as an increase in dividends. We are still emphasizing results in this area and hope to make adjustments as needed. As you mentioned, the result remains at 36% and we hope to consider improvements toward 40%. That's all.

Sekine [M]: I see. Thank you very much.

Moderator [M]: We will now disconnect.

For those at the venue, please raise your hand if you have any questions.

Oda [Q]: Sorry, for asking again. My name is Oda of SMBC Nikko Securities.

One thing I would like to mention is that I personally hope that you will announce your plans for the fiscal year that follows the last one of the mid-term management plan. As you view H1 of this year, I thought you could announce it around that period, just like you did for the last fiscal year.

Since it's still a year beyond, I understand the difficulties of seeing any clear details. You have completed this year, and now you are looking toward the final year of the plan while considering actions you'd like to implement, what agendas to tackle, or new things you'd like to challenge.

I am sorry to bring back the topic we discussed earlier. I would like to ask about your thoughts and strategies for the final year, if any. Thank you in advance.

Fushimi [A]: I think it is difficult to see all the results reflected on the final year.

The major theme for the current year that we envision for the last year of the plan is cross-selling for memberships. Another one relates to expanding the membership to families of the registered member, along with expanding the membership to corporate employees, which is what we mentioned earlier.

In contrast, our Group companies currently have a format for centralizing customer information. Therefore, our agenda lies in how we organize all this information and access them.

Obviously, this will be conducted laterally with the medical division. The idea of how we handle this agenda, along with what contents we monetize, will lead to major efforts for achieving the next step for this fiscal year.

In the final year of the plan, we hope we can manage to disclose these details in a quantifiable way, as well as the current pipeline.

I am wondering if we can change our business model to a new form. We hope to tackle these themes throughout this year and present the results for the next one. That's all.

Oda [Q]: In that sense, if you can describe that idea? For the topic regarding upselling and cross selling to customers, one of them is for each of them to have products, which you have described.

Also, I was under the impression that you will market them to non-members and thereby increase the occupancy rate, or have them reserve more rooms.

If you have anything to add regarding this idea, such as if this is the correct assumption or otherwise, please let me know.

Fushimi [A]: For example, I will explain it briefly. In our member survey, for example, we found that 25% of our members were interested in our group's Senior Residence service.

Assuming there were 25% of the 200,000 respondents, which we calculate would be 50,000 members. If we include the member, him or herself, along with the spouse and their parents, it would add up to 300,000 people. I think it would be sufficient to cater to such people.

Our major theme for the medical division is to plan a Senior Residence service in the future that our members would prefer, instead of the general Senior Residence one, and then add the HIMEDIC services.

The first of these will be a project with Mitsubishi Estate planned in 2026, which we are currently planning simultaneously for the Tokyo-Nagoya-Osaka region.

And one more thing. For example, in the medical field, the supplement penetration rate is generally 20% to 30%. However, our member survey has shown a rate of over 50%.

For example, 30% of our customers are interested in our medical services. Therefore, by meeting those needs, we can manage to create one of the pillars of our services.

By centralizing the data I mentioned earlier and depending on how we propose such things, we can gradually accumulate a knowledge base. 0ne of the agendas we are tackling is what kind of platform we should manage the data on, which we mentioned earlier. This is something we intend to develop a closer relationship for. That's all.

Moderator [M]: We will continue with the questions for the question-and-answer session.

Mr. Anegawa of Morgan Stanley MUFG Securities, from whom we received a question earlier.

Anegawa [Q]: What are the trends for occupancy rates and room rates for hotels in April and May? I would like to know if you had a good start based on your plan. Thank you.

Fushimi [A]: As a brief description, sales of memberships, hotel occupancy prices, and medical services have all performed according to plan for April alone.

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

This concludes the Resorttrust financial results presentation for the fiscal year ended March 2024.

Thank you very much for attending today.

[END]

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Document Notes

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