Resorttrust, Inc.

Q1 Financial Results Briefing for the Fiscal Year Ending March 2025

August 9, 2024

Event Summary

[Company Name]	Resorttrust, Inc.
[Company ID]	4681-QCODE
[Event Language]	JPN
[Event Type]	Earnings Announcement
[Event Name]	Q1 Financial Results Briefing for the Fiscal Year Ending March 2025
[Fiscal Period]	FY2025 Q1
[Date]	August 9, 2024
[Number of Pages]	21
[Time]	16:30 – 17:06 (Total: 36 minutes, Presentation: 19 minutes, Q&A: 17 minutes)
[Venue]	Dial-in
[Venue Size]	
[Participants]	
[Number of Speakers]	3

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Presentation

Moderator: Thank you for joining our conference call today.

Today's conference call is attended by President Ariyoshi Fushimi, with Makino and Honda, who are in charge of IR and PR, in attendance.

President Fushimi will now explain the Q1 financial results, and this will be followed by a Q&A session. The entire meeting will last approximately 60 minutes. Please refer to our website for the financial announcement materials.

Now, President, please.

Fushimi: My name is Fushimi from Resorttrust, Inc. Thank you for your cooperation.

I will now briefly explain the financial results for Q1 ended June 30, 2024 based on the documents.

1Q FY2024 Financial Summary

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①Consolidated net sales and income increased, marking record-high net sales and operating income for the three-month period under review.

1Q FY2024: Net sales 50.9 billion yen and Operating income of 4.0 billion yen

・Net sales and income were boosted by brisk Membership Operations. Profitability improved due to the effect of price revisions and an increase in sales of existing properties.

・Hotel Operations made steady progress as planned, with higher occupancy rates and unit prices than those in the previous year. Although operating income for 1Q FY2024 decreased year on year due to the difference in timing of recording of investments in human capital and repair and maintenance (1Q up/4Q down), the company plans to achieve an increase in operating income for the full year. Medical Operations remained strong, with approximately 20% increase in operating income for 1Q FY2024.

②Membership sales: Contract volume for the three-month period under review reached a record high for the third consecutive year.

Contract Values of Membership 1Q FY2024 28.1 billion yen : Total for Hotel, Medical, and Golf

・Hotel membership contract value totaled 25.7 billion yen, with robust sales centered on the SANCTUARY COURT series. The contract volume for the period under review was greatly led by sales of existing properties, surpassing the record high attained for the same period of the previous fiscal year by approximately 20%.

・Medical membership contract value reached 2.1 billion yen, the second highest for 1Q after the record high of 2.2 billion yen attained for the three-month period ended June 30, 2021.

③Preparation of properties for sales launch made steady progress, and the inventory level remained within an expected range

・While the contract volume greatly increased during 1Q, the hotel membership contract volume inventory amounting to 27.0 billion yen was secured at the end of 1Q. Sales of next new properties are expected to be started without being placed in a situation in which insufficient inventory causes a bottleneck in sales.

・Full-year financial forecasts for the current fiscal year and expectations for the next fiscal year are scheduled to be scrutinized and deliberated anew, with the status of sales of new properties being checked.

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I will begin with the financial summary on page one.

In Q1 ended June 30, 2024, we achieved record highs in both sales and operating income in Q1, with consolidated net sales of JPY50.9 billion and consolidated operating income of JPY4 billion.

In particular, membership operations has performed well, strongly driving the overall performance. This was mainly due to the effect of price revisions and an increase in sales of existing properties, which led to a higher profit margin.

In hotel operations, both occupancy and unit price exceeded the previous year's levels and are progressing steadily as planned. However, compared to the previous year, both sales and income decreased mainly due to the difference in the timing of investment in human resources and repairs. However, for the full year, the plan to increase profit as planned remains unchanged.

Medical operations also continued to perform well with a 20% increase in profit in Q1.

We believe that the overall financial results were very good.

Secondly, in terms of the contract amount for Q1 ended June 30, 2024, membership sales were also strong, and the contract amount was JPY28.1 billion. This is the total for hotel, medical, and golf, and it was the third consecutive quarter for Q1. We were also able to set a new record.

Hotel membership is JPY25.7 billion. As in the previous year, the SANCTUARY COURT series and other series performed very well. In addition, due to the inventory pipeline, we have been successful in focusing on the purchase and resale of existing properties, resulting in an increase in contract volume and even higher profit margins.

In medical, contract volume remained at record levels, although it did not reach its highest level.

Preparation of properties for the start of sales also went well, as I mentioned earlier, and inventory levels ended up within expectations.

In Q1, while contract volume was increasing, as I mentioned earlier, inventory was the bottleneck, and this was the reason why we proceeded with the purchase and resale of properties that were not being used very well, such as XIV and the existing properties mentioned earlier. As a result, we were able to firmly connect the pipeline, and as of Q1, we have secured JPY27 billion in hotel-related contract inventory.

Therefore, in Q1, we were able to firmly connect the pipeline to the next pipeline, which means that we are on track for the hop.

Financial Highlights 1Q FY2024 (April to June)

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【Financial Highlights 1Q FY2024】

	2022/6 results	2023/6 results	2024/6 results	YoY Difference
Net Sales	40,224	42,994	50,949	+18.5%
Operating Income	2,510	3,250	**4,057**	+24.8%
Ordinary Income	2,578	3,427	4,062	+18.5%
Net Income	7426	3,042	2,421	(20.4%)
Evaluated net sales	49,148	52,179	58,826	+12.7%
Evaluated Operating Income	4,972	6,074	**6,475**	+6.6%

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

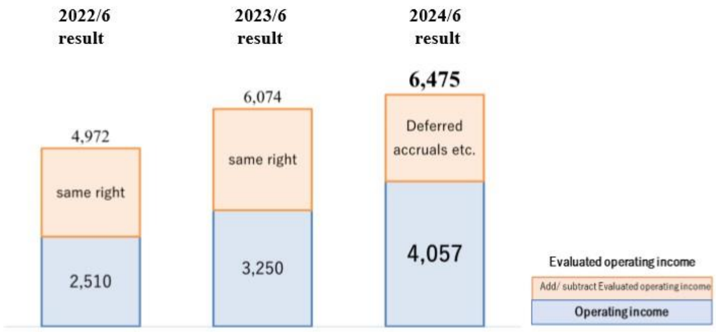
・Lead by membership sales, operation results in each business segment were favorable, resulting in increased net sales and operating income on both recorded and evaluated bases.
・For the period under review, revenue from real estate sales was not deferred since SANCTUARY COURT TAKAYAMA had already opened. Thus, the growth rates are greater on a recorded basis.
・Net income decreased because profit levels were temporarily high in the past fiscal years due to positive effects of extraordinary income or loss in 2023 and 2022.

(Billion yen)

	1Q FY2023	1Q FY2024
Extraordinary income	1.5	2.3
Extraordinary loss	-	1.8
Extraordinary income or loss Total	1.5	0.5

【1Q FY2024 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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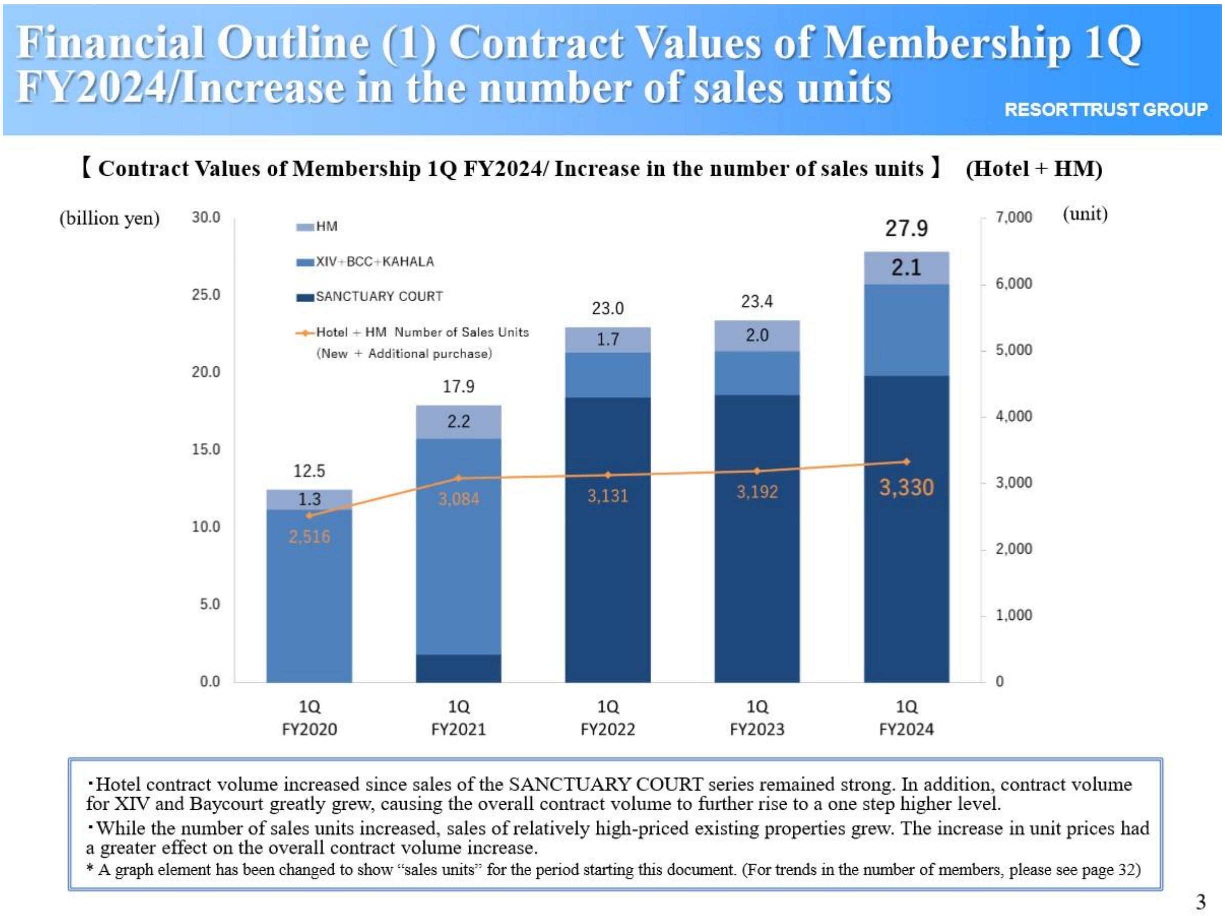
The second page shows that net sales were JPY50,949 million, up 18.5% from the previous year, operating income was JPY4,057 million, up 24.8%, ordinary income was the same JPY4,062 million, up 18.5%, and net income was JPY2,421 million, down 20% from the previous year. Thus, we were able to increase both evaluated net sales and valuation gains.

As I mentioned earlier, as a result of strong performance in each business segment, led by membership sales, both sales and operating income increased on an ordinary and valuation basis.

However, in terms of net income, compared to the previous fiscal year, as shown in the conversion table on the right, there was an extraordinary loss in the current fiscal year, which resulted in a decrease in net income, plus or minus an extraordinary loss.

In terms of extraordinary income, the previous fiscal year's extraordinary income was mainly due to the redemption of foreign bonds, and this fiscal year's was mainly due to the sale of strategic investment shares.

In the extraordinary income or loss for the current term, the main part is the negative amount of the excess of liabilities for the acquisition of a golf course in Kanazawa, which is the next property, and this will be utilized in the form of inventory in the future.



The third page, then, shows the contract volume and number of units sold in Q1.

As mentioned earlier, hotel contract volume has started to grow very strongly, and both XIV and Baycourt are increasing their contract volume.

The number of units has also been growing steadily, and as I mentioned earlier, a major feature of this time is that we were able to increase the number of new units in XIV, Baycourt, and existing properties as well.

Financial Outline (2)
1Q FY2024 Occupancy rate/Spending per visitor

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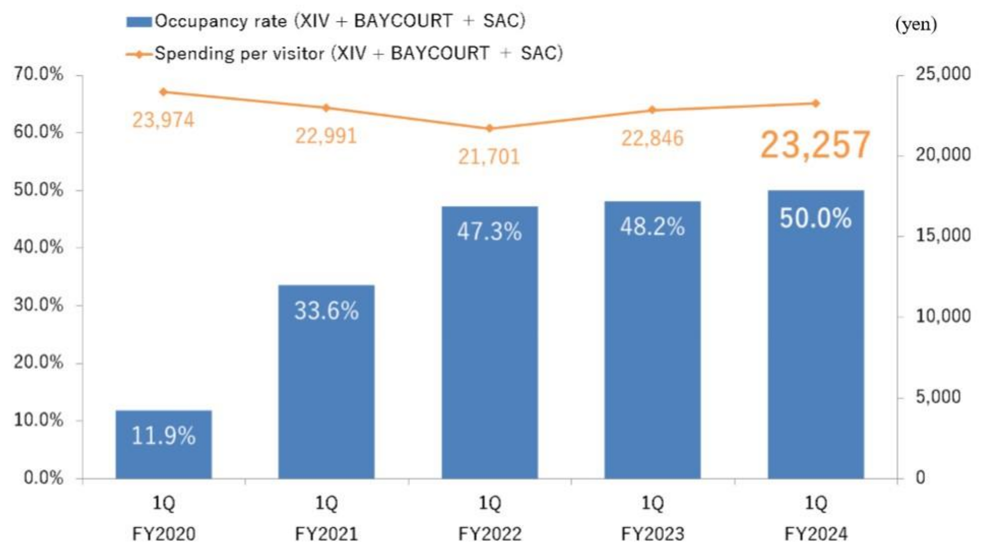
【1Q FY2024 Occupancy rate/Spending per visitor】



・The membership hotel occupancy rate remained on the rise even after COVID-19. The occupancy rate for 1Q under review rose by 1.8 points year on year partly due to the opening of SANCTUARY COURT (SAC) TAKAYAMA. (SAC is included from the current period)

・The unit price also rose solidly year on year despite diminishing effects from the price revisions of November 2022. (In 1Q FY2020 and 1Q FY2021, unit prices were on the rise due in part to lower utilization rates at COVID-19.)

* The spending per visitor in 1Q FY2023 was recalculated in accordance with the calculation method for the period under review.

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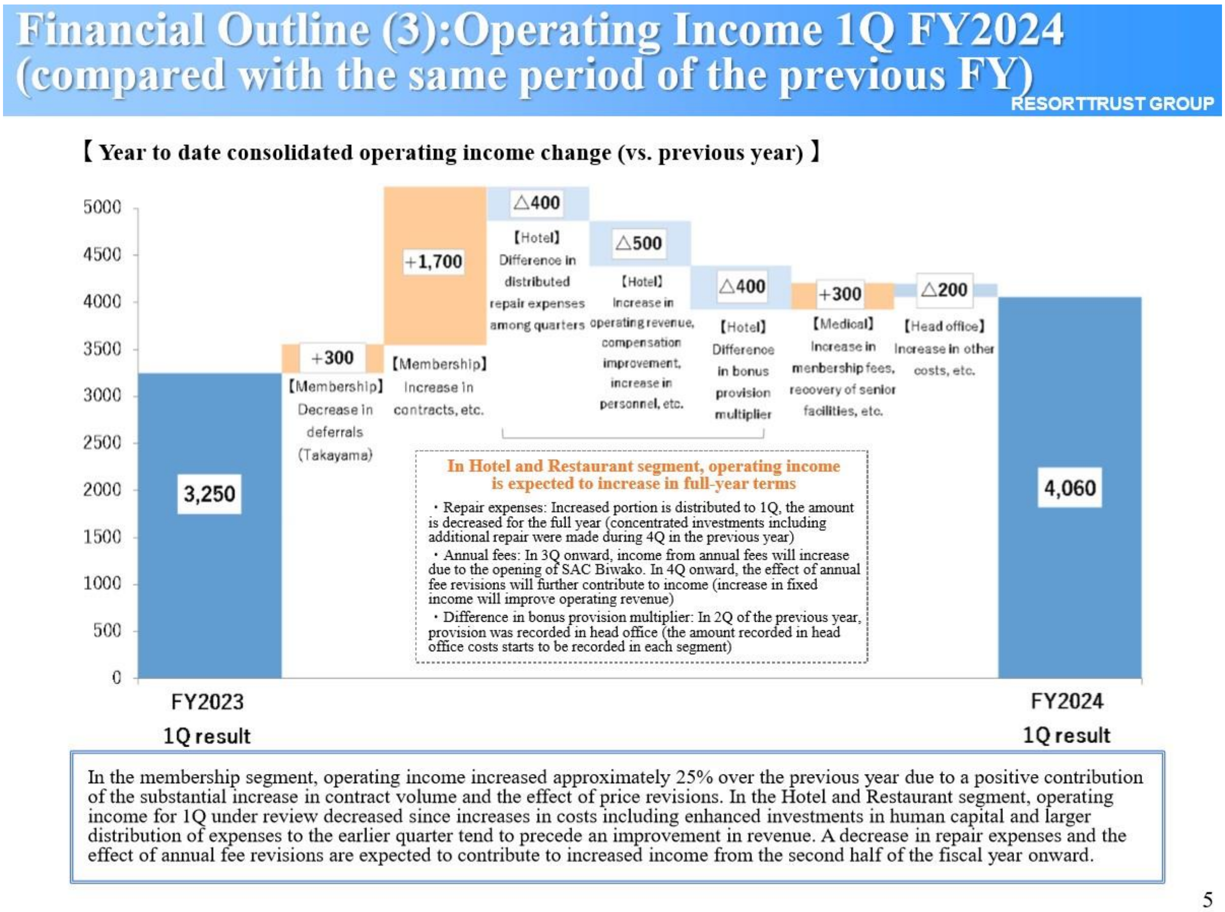
Continuing on to page four, this is the hotel occupancy rate and spending per visitor.

The occupancy rate has been on an upward trend after COVID-19, and now, with the added effect of the opening of Takayama in particular, it is up 1.8% from the previous year.

Although the effect of the price revision of the year before last has run its course, the unit price is still rising, and we believe that the increase in the number of new court properties is also continuing to have an impact.



Continuing on to page five, given the above, this is the trend of consolidated operating income for Q1 compared to the previous quarter.

The previous period, JPY3.25 billion for Q1 ended June 30, 2023 was reduced this time by the deferred portion of membership, which is a plus of JPY0.3 billion because the percentage of properties not yet completed for sale has decreased due to the completion of Takayama.

The volume of contracts, which was favorable, increased by JPY1.7 billion compared to the previous fiscal year.

The negative factors in blue are in hotel operations.

First, regarding this negative JPY400 million, this does not change the annual repair plan. However, we made a substantial investment in Q4 of the previous fiscal year, mainly in quantity, as we usually concentrate on Q4, especially in the hiring of foreigners and the utilization of human resources, as I explained last time. However, the portion that could not be done during that Q4 flowed into Q1, so this was about JPY400 million. So, the difference from the previous year is that the repairs were made in Q1, which is not the normal fiscal year.

Next is the negative portion of JPY500 million. To put it in terms of the large part, as for the personnel expenses I mentioned earlier, about 1,000 people joined the Company this April, including about 700 new graduates this term and 300 overseas personnel. This is about 250 people for the opening of Biwako in the fall, and they are already here, so in essence, this is the pre-recruitment part.

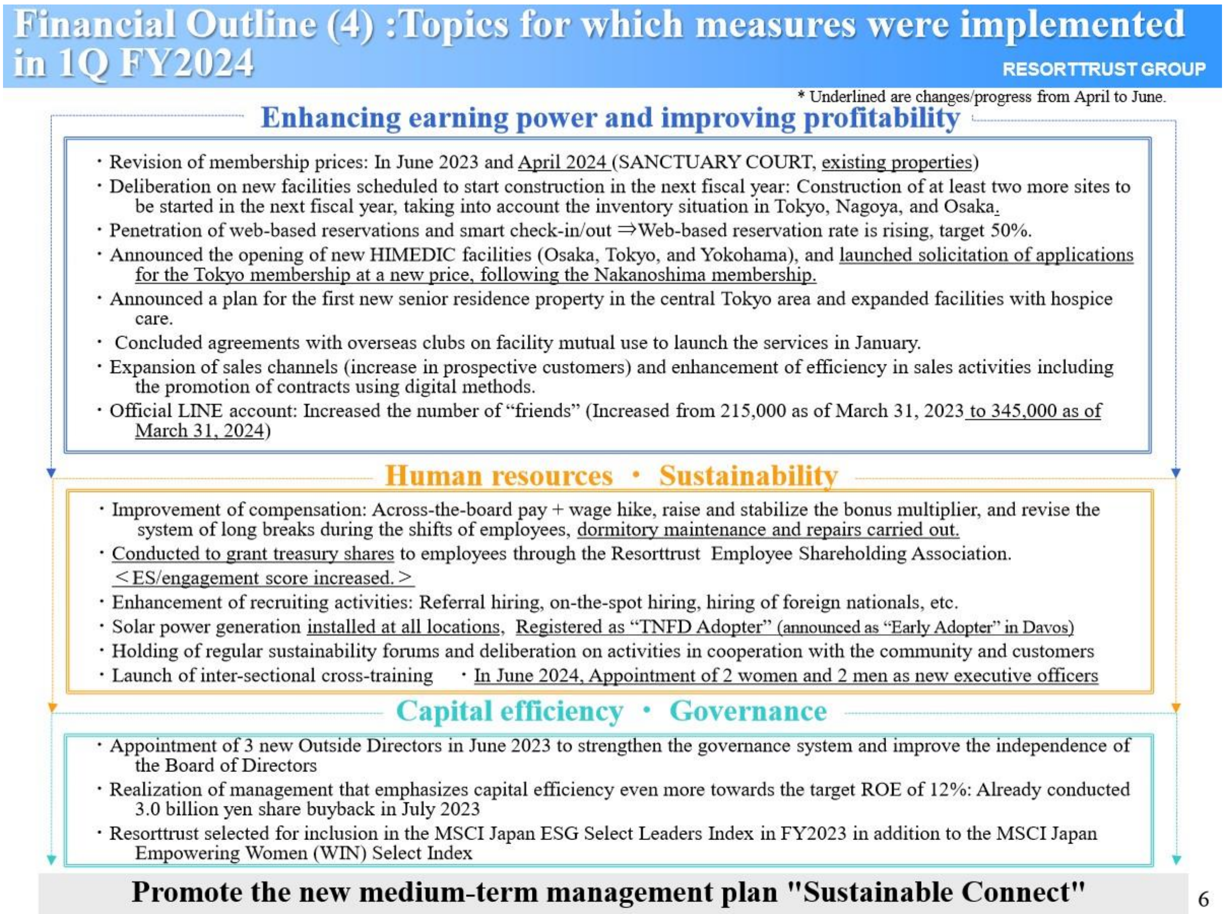
In Q1 in particular, productivity has not yet increased in some areas. Therefore, the profit from the increase in sales was approximately JPY400 million. However, the total amount of personnel expenses was approximately JPY500 million. The base salary increase and salary raise for existing employees amounted to

JPY300 million, which when added to or subtracted from the total, resulted in a negative figure of JPY500 million.

The next item, minus JPY400 million, is the difference in bonus provision multiplier for the reserve for bonuses, and the medical portion is a plus due to membership growth.

Then, there was a negative JPY200 million due to increased head office expenses, etc.

Based on this trend, we reached JPY4,060 million in Q1 of the current fiscal year.



Page six shows the progress of priority measures in these mid-term plans.

Basically, the base has not changed, but membership prices were reviewed in Q1 ended June 30, 2023, followed by April of this fiscal year.

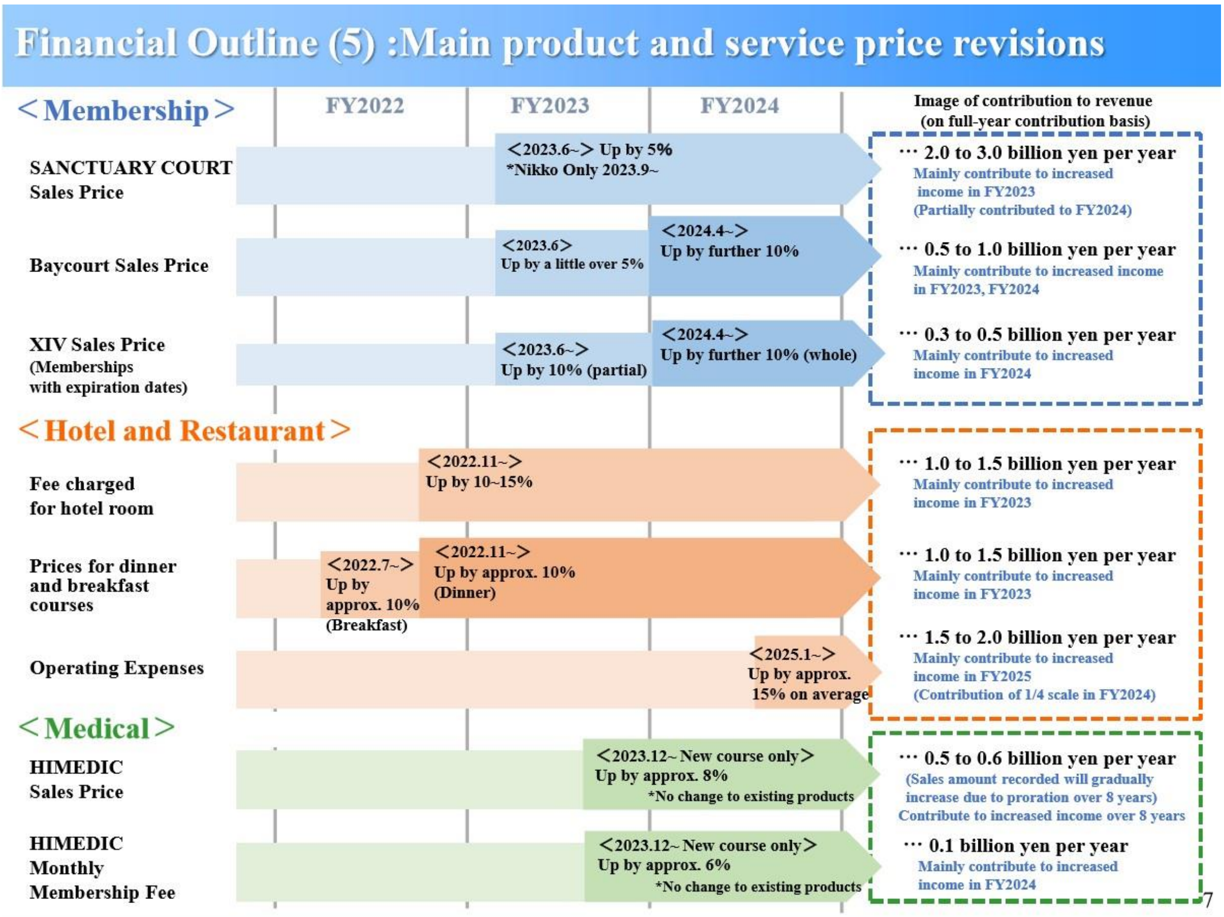
Taking into consideration new construction facilities and the inventory in Tokyo, Nagoya, and Osaka, we are in the process of starting construction at two or more locations. This will allow us to say that the pipeline I mentioned earlier will be connected.

Also, in the area of human resources and sustainability, we implemented compensation improvements this fiscal year as well. This has taken the form of a JPY500 million increase in expenses, as I mentioned earlier, aimed at employee retention and recruitment.

As a result, the ES, or engagement score, has increased, and the turnover rate has decreased.

We have also completed the installation of solar power generation at all of our sites from the previous fiscal year, and we intend to continue to do so in the future.

In the area of capital efficiency and governance, three new outside directors were appointed in the previous fiscal year, and we have received information that the strengthening of governance is progressing very well.



On page seven, we have a list of how price shifting is being carried out.

In membership operations, we revised product prices in two phases, 5% and 10%, in FY2023 and FY2024.

In the hotel and restaurant business, we have been working on the price shift in the form of a breakfast review in FY2022, a dinner price review from November 2022, room charge, and operating expenses in the current fiscal year.

For medical, starting with the new course in December 2023, we are simultaneously reviewing the membership price and the monthly membership fee.

The image of the effect of increased revenue is as shown in the boxes on the right side of this page.

Segment Sales and Operation Income FY2024
3 main business segments

(April to June)

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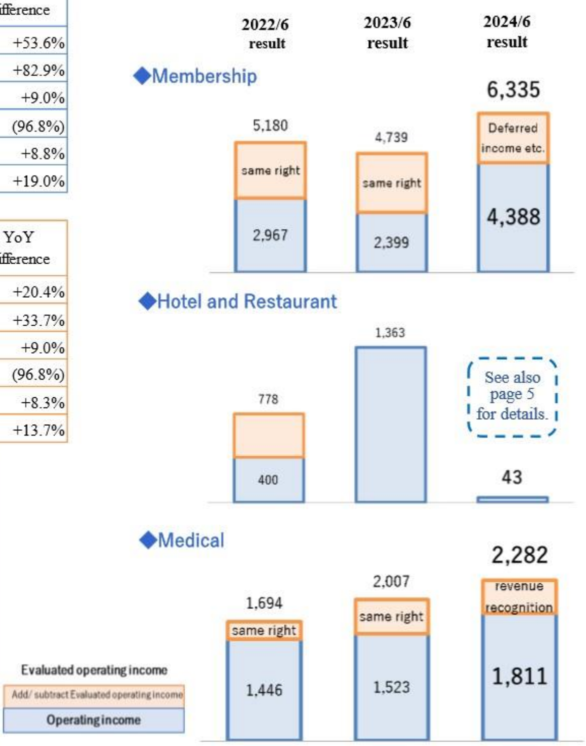
【Segment Sales and Operation Income 1Q FY2024】

		2022/6 results	2023/6 results	2024/6 results	YoY Difference
Membership	Sales	9,112	9,232	14,182	+53.6%
	Operating Income	2,967	2,399	**4,388**	+82.9%
Hotel and Restaurant	Sales	20,086	22,224	24,231	+9.0%
	Operating Income	400	1,363	**43**	(96.8%)
Medical	Sales	10,846	11,362	12,360	+8.8%
	Operating Income	1,446	1,523	**1,811**	+19.0%

		2022/6 results	2023/6 results	2024/6 results	YoY Difference
Membership	Evaluated net sales	17,786	17,933	21,588	+20.4%
	Evaluated Operating Income	5,180	4,739	**6,335**	+33.7%
Hotel and Restaurant	Evaluated net sales	20,086	22,224	24,231	+9.0%
	Evaluated Operating Income	778	1,363	**43**	(96.8%)
Medical	Evaluated net sales	11,095	11,847	12,831	+8.3%
	Evaluated Operating Income	1,694	2,007	**2,282**	+13.7%

- Membership: The company implemented initiatives to secure sales inventories before launch of new products. (including an approach to existing facility memberships for which no usage history exists for past several years) As a result of focusing on high unit price products, sales of existing memberships substantially increased.
- Hotel and Restaurant: Net sales increased due to a rise in existing facility occupancy rates and unit prices in addition to the opening of Takayama at the end of the previous fiscal year. Operating income decreased due to an increase in costs (including a difference in timing of recording).
- Medical: Operating income increased as the growth of HIMEDIC Business (revenue generated by an increase in the number of members) and improved efficiency of the Senior-life business continued.

【 1Q Historical 3-Year Trends in Evaluated Operating Income】



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Next, I will explain the segments.

In the three main business segments, membership operations achieved a 53% YoY increase in net sales and an 82% increase in operating income to JPY4.3 billion. As I mentioned earlier, the overall memberships were strong, and the purchase and resale of existing products to connect the pipeline has also greatly contributed to improved profit margins.

In the hotel and restaurant business, sales increased due to the opening of Takayama, and the unit operation cost of existing facilities is still rising, but as I explained earlier, Q1 was negative due to a shift of expenses between quarters and anticipation of labor costs. Q1 was negative.

In the medical field, the number of members has increased, the efficiency of senior life has improved, and general medical checkups are also growing steadily, so medical is also growing steadily.

Continuing on to page nine, hotel contract volume by product.

This was also a record high. As you can see, there are no Takayama, and the main force is now mostly Biwako. While Biwako is the mainstay of the market, existing properties are showing the highest growth rate when compared firmly to the previous year.

The current sales rate for the SANCTUARY COURT series is 96% for Takayama, 92% for Biwako, and 99% for Nikko, and we expect Nikko to be almost sold out and Biwako to be sold out by the time it opens in October.

Among the overall strong performance, the two points below are still the major points. Digital utilization is still growing steadily, reaching JPY5.7 billion in Q1. Then, the other part, referrals, referrals from hotel guests, finding prospective customers for guests, and referrals to sales, continues to grow as well. So, respectively, these have grown to account for 20% and 20% of the total, or about 40% of the total sales methods. This growth is driving the overall growth.

Occupancy rate from page 10.

First of all, at XIV, occupancy in May was slightly lower than the previous year due to the Golden Week holiday period, but the trend was for further YoY growth.

Baycourt was less affected by these factors than the resorts, and the sales in May also increased compared to the previous year.

Next, on page 11, this is Kahala, Hawaii.

Only in Kahala, the return from Japan and other Asian countries has been very weak, partly due to the influence of foreign exchange rates and other factors. We have received a solid 100% return from the United States, but we are still at this level due to such factors.

Yokohama Kahala has been increasing its sales in the previous year, but when we consider the benefits of inbound tourism, Yokohama is still quite weak compared to Tokyo. We are now discussing the hotel and branding in light of this situation together with [inaudible].

Continuing on to page 12, HIMEDIC.

The number of units sold is also increasing steadily, and in Q1, this is the second highest after FY2021. This term, Nakanoshima will open, and HIMEDIC will be located in midtown, so, we believe that the overall sales volume will clear the previous year's level.

With regard to the occupancy of senior residences, Q1 of this fiscal year also saw an upward trend, with a gradual but slight increase after bottoming out in FY2022.

Business Forecast for FY2024 (No Change from the Plan at beginning of term)

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<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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Given the above, our goal for the full year is on page 13.

There are no revisions at this time to our full-year targets of JPY233 billion in net sales and JPY22 billion in operating income, but Q1 was very strong.

Also, as I mentioned earlier, we are starting to see the pipeline. If the pipeline is firmly connected in Q2, we will be able to proceed with Q2 with a view to making upward revisions for the full year in H1 of the fiscal year.

That's all I have to say.

Question & Answer

Moderator [M]: Now, we will begin the question-and-answer session.

Let us begin with a question from Mr. Oda of SMBC Nikko Securities.

Oda [Q]: I am Oda from SMBC Nikko Securities. Two questions from me, please. I hope you can answer each question.

The first is the sales of resort memberships in this Q1, which I have the impression were very strong. In particular, as you explained, I believe that the existing properties, Baycourt, and XIV, sold very well. I think there have been many times in the past when there has been a lack of inventory and the purchase and resale of existing properties has been very successful. Please tell me about the background behind the extremely strong sales of this so-called existing properties this time, and if there was anything else that you did in sales that made it successful.

Can you also tell me whether you will be able to continue to maintain this level of quality even if new properties are built in the future? The purpose of my question is that I thought that if this kind of purchase and resale is promoted, especially at XIV, more people will become new members and become more active, which may have the potential to lead to operation or even upgrades.

This is the first question.

Fushimi [A]: Yes. First of all, to answer your question, we have not been so active in this purchase. This time, we are also looking at inventory, and many of our existing members have several items in their inventory, while others have not been able to use them yet.

In the course of asking these people about their intentions for future use, we sometimes buy them back. For example, we have taken back multiple units from people who have two units but do not use this one. Also, among existing members, we see some members who would like to have the SANCTUARY if possible, since XIV, Baycourt, and SANCTUARY are still different products. For those people, for example, we can take over the XIV and make it a SANCTUARY.

Also, in general, the reason why XIV sold so well is, in part, because the real estate is attached without expiration date, so it is still an asset, or the need to use the resort after all. Also, the calendars and number of nights are all different, so we still have a calendar called Gold because we want to use New Year's and Obon.

The sales team had a good prospect of the needs for such different product mechanisms, etc., and we were able to introduce them accordingly and also to do so. I think this means that we were able to sell the existing brands, both XIV and Baycourt, as well as SANCTUARY, in a way that responded to the needs of each of them.

Oda [Q]: I think this is hypothetically, for example, perhaps already in September or in Q2, new properties will start selling, etc. I also think that Q4 will probably do the same. When those sales start, will this level of purchase and resale of XIV and Baycourt be able to be maintained? Will it be the trend of the past wherein people tend to move towards new products when they come out? If you have any comments in this area, please let me know.

Fushimi [A]: As for the purchased items, we will only go to the next step after we resell all of them. Basically, we have decided on a purchase quota again, and all resales will be finished almost on schedule of it. However, we hope that the number of active users will increase in the future as well, as we change to memberships that are easier for members to use, and as we change to memberships that meet new needs. I think this is a positive thing for both the customer and the Company, so I am thinking now, after having done it this time, that it is essential to do it on a regular basis with a set period and volume, as we did this time.

Oda [Q]: Thank you very much.

Secondly, I am wondering if there are two new resort-related sales in the pipeline for this fiscal year. As for the idea of pricing, as you have explained before, SANCTUARY COURT BIWAKO and NIKKO will be sold or booked at a slightly lower profit margin. The profit margin of the properties that will be coming up, and the price tag for them, in short, will they be more profitable than Biwako or Nikko, and although I think that Takayama is a little too high, will they be sold at a price tag that will return to the profit margin before that? What are your thoughts on this area?

This is the second.

Fushimi [A]: This varies slightly from property to property, as each property has its own specifications. Basically, we plan to improve the profit margin and set product prices in such a way as to secure a minimum amount of profit.

Oda [Q]: In that sense, I think it is still early days, but do you have a sense of the challenge of raising the level to at least higher than Biwako or Nikko?

Fushimi [A]: Yes. The range of increase varies from property to property, but as you say, all prices still have to go up. There is no doubt about this.

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

Moderator [M]: Next, Mr. Tanaka from SBI SECURITIES, please ask your question.

Tanaka [Q]: I am Tanaka from SBI SECURITIES. I would ask a question similar to the one Mr. Oda just asked, but I would like to ask two points.

The first point is that sales of hotel memberships were very strong in Q1, and I think that in this area, after all, new properties can be sold and resales can also be made. Is it your understanding that the sales force, or rather, the power of sales people, is much stronger than before? Also, do you feel that the Q1 figures themselves are too high, or do you feel that you have enough sales power at the point of sales contracts to be able to increase the annual contract amount? Please tell me about this area.

Fushimi [A]: Yes. I would like to talk about the sales force, for example, the website I mentioned earlier, the e-mail newsletter, and so on. We are seeing an increase in the number of medium-term contracts, which are generally concluded within about two years of the start of the follow-up. After all, during those two years, we have been able to read various needs and recommend a variety of products in our product lineup, such as this one, to meet those needs.

To some extent, this is being done automatically in the form of the web-based system I mentioned earlier. This is more of a systematic proposal than an individual sales proposal. In terms of this, productivity is increasing, in part as an equal sales force and in part as a system, but I think there is no doubt that it is increasing.

Tanaka [Q]: I understand. Thank you very much.

Regarding the second point, the new property, do you think you will be able to provide the building and other facilities as planned? There is a sense that the supply-demand balance for construction companies is tight, and I am concerned that the construction schedule may be delayed and that there is a risk that construction costs may unexpectedly increase during the construction process. Does it sound like this area can be built as planned?

Fushimi [A]: Yes, specifically the properties that are open for subscription in this Q2, and then one or two facilities in Q4, then for these three facilities in Q1 of next year at the latest. In Q1 of the next fiscal year at the latest, we are already in concrete, of course, major cost and pricing. So, as I mentioned earlier, prices will of course go up overall. In addition, there are inevitably some factors such as a longer construction period than in the past.

Basically, we are now working on the design and specifications for these three facilities to keep the sales price within the range that we believe we can offer. So far, we think we can do that well enough.

Tanaka [M]: I understand. Thank you very much. That is all.

Moderator [M]: Next, Mr. Anegawa from Morgan Stanley MUFG Securities, please ask your question.

Anegawa [Q]: Thank you very much for your help. Now, please give me two brief ones.

I think the first question is about the possibility of an upward revision for the full year at some point in H1, which I think was a very strong comment. It means that the current property preparation is going rather well, but does this mean that the commission level is not enough to revise H1 upward at this point? Whether the properties that will start accepting applications during Q2 will be in the beginning or the latter half of September, or there is still a possibility of a slight delay.

The first point I would like to make is if you could tell me anything about the reasons why you did not go as far as the upward revision for H1.

The second point is a somewhat detailed question, so it's not something I would ask the President. The taxes are pretty big in Q1, but can you tell me what they are?

That is all.

Fushimi [A]: First of all, the reason why we could not make an upward revision in Q1, but as I mentioned earlier, we are beginning to see the pipeline, so my honest opinion is that we can make an upward revision for the full year in H1.

The reason why this could not be done in Q1 is that we still do not know how this will be extended until the building permit application is approved, so we have not yet been able to determine that far in response to this.

If we can do that, as you say, Q2 will be centered on September, but we can see the effect of recruiting for this new product, so at this stage, if that part goes as planned, we can make an upward revision.

Makino [A]: I am Makino.

I think the tax is the effect of goodwill being exempt from taxation, or rather, rapidly dropped to net income, but I will check again.

Anegawa [M]: I understand. Thank you very much.

Moderator [M]: Yes, Mr. Anegawa of Morgan Stanley MUFG Securities, please ask your question.

Anegawa [Q]: Hi, sorry. One more question, but I would like to take this opportunity.

Page seven of the document, I think this page is rather new. Can you give us an idea of how this increase in revenue will be reflected in profit?

That is all.

Makino [M]: Mr. Anegawa, Honda will answer.

Anegawa [M]: Yes, please.

Honda [A]: In membership operations, there is basically no increase in the cost of sales in relation to the price increase, so I think it is safe to say that this increase in revenue will be the basis for most of the increase in profit.

Also, in the hotel and restaurant business, there is not much of a direct increase in cost of sales in response to price increases. However, it is separate and still has to be captured in comparison to other expenses that are increasing, such as the cost of utilities. In that sense, I hope you understand that not all of this has been recorded as profit.

As for medical, there will be a slight increase in fixed costs, but I think it is safe to assume that the increase in revenue will basically contribute to the increase in income.

I hope you understand.

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

Makino [M]: Yes, thank you.

Since there does not seem to be any more question at this time, I will now conclude the question-and-answer session.

Our company will be closed from tomorrow, but we will check our e-mail, so if you have any additional questions, please contact us by e-mail.

This concludes the financial results briefing. Thank you very much.

Fushimi [M]: Thank you very much.

[END]

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