Resorttrust, Inc.

Q2 Financial Results Briefing for the Fiscal Year Ending March 2025

November 15, 2024

Event Summary

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[Number of Speakers]	3

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*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: Thank you very much for participating in our conference call today.

Today's conference call is attended by President Ariyoshi Fushimi and Investor and Public Relations Department staff, Mr. Makino and Mr. Honda.

President Fushimi will now explain the Q2 financial results, followed by a Q&A session. The entire briefing is scheduled to last for approximately one hour.

The presentation materials are available on our website. We would also like to ask you to take a look at the announcement we made on the same day regarding medical tourism, in which we announced that we have begun joint discussions with Mitsubishi Corporation.

We will now begin the presentation. President Fushimi, please begin.

Fushimi: My name is Fushimi of Resorttrust, Inc. Thank you.

Since many of you may have already read the materials, I would like to give a brief explanation, and then allow time for a Q&A session.

2Q FY2024 Financial Summary

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

2Q FY2024: Net sales 107.7 billion yen and Operating income of 11.4 billion yen

・Continued from the three-month period, 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.

・Looking at Hotel Operations, while operating income for the first half of the fiscal year decreased year on year mainly due to the difference in timing of recording of human capital investments and repair expenses in addition to the effect of an earthquake and typhoons on the operations between July and September, the company plans to achieve an increase in operating income for the second half of the fiscal year. Medical Operations marked record-high sales and income for the first half of the fiscal year.

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

Contract Values of Membership 2Q FY2024 60.0 billion yen : Total for Hotel, Medical, and Golf

・Hotel membership contract value totaled 55.5 billion yen. With sales centered on the SANCTUARY COURT series including the new YATSUGATAKE hotel launched on August 22, the contract volume for the period under review was also greatly led by the contract of sales of existing properties, surpassing the record high for the first half of the fiscal year of 43.7 billion yen attained in the previous fiscal year by 27%.

・Medical membership contract value reached 4.2 billion yen, surpassing the record high for the first half of the fiscal year of 3.9 billion yen attained in the previous fiscal year.

③Full-year forecasts revised upwards and record highs expected in net sales and all income items.

2Q FY2024 revision target: Net sales of 245.0 billion yen and Operating income of 25.0 billion yen

・In addition to strong performance in the first half of the fiscal year, the company plans to record revenue resulting from the opening of Sanctuary Court Biwako in 3Q and launch new membership sales in 4Q during the second half of the fiscal year. Hotel and Medical Operations are also expected to remain stable. Targets for the third year of the medium-term management plan are expected to be achieved ahead of schedule, and the company expects to reach new record highs in consolidated net sales, operating income, and ordinary income for the second consecutive year.

・Targets attained in and after the next fiscal year (FY2025), the third year of the medium-term management plan, are to be scrutinized and deliberated anew, based on the upward revisions for the period under review.

④Dividend forecasts revised upwards and record-high dividend expected for the full year.

・The year-end dividend is planned to be 31 yen (annual dividend of 58 yen), up by 4 yen from the initial target of 27 yen (annual dividend of 54 yen). A record-high annual dividend is expected.

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First, on page one, is the financial summary.

Consolidated net sales and income increased, marking record-high net sales and operating income for the six-month period under review, with consolidated net sales of JPY107.7 billion and a consolidated operating income of JPY11.4 billion.

The main factor behind this is the membership business, which has been performing well since Q1 and is continuing to drive the overall performance. In addition, the profit margin increased largely due to the effect of price revisions and an increase in sales of existing properties.

However, looking at hotel operations, operating income for H1 of the fiscal year decreased YoY, mainly due to the difference in the timing of recording of human capital investments and repair expenses in addition to the effect of an earthquake and typhoons that occurred in Q2. However, we plan to increase profit in H2.

Medical Operations marked record-high sales and income for H1 of the fiscal year.

Next is the contract volume of membership, which raised the overall total. The combined total for hotel, medical, and golf was JPY60 billion, marking the fourth consecutive H1 record high.

In the hotel sector in particular, hotel membership contract value totaled JPY55.5 billion. With sales centered on the new SANCTUARY COURT YATSUGATAKE hotel launched in August, the contract of sales of existing properties exceeded the plan, resulting in an overall 27% increase over the previous year.

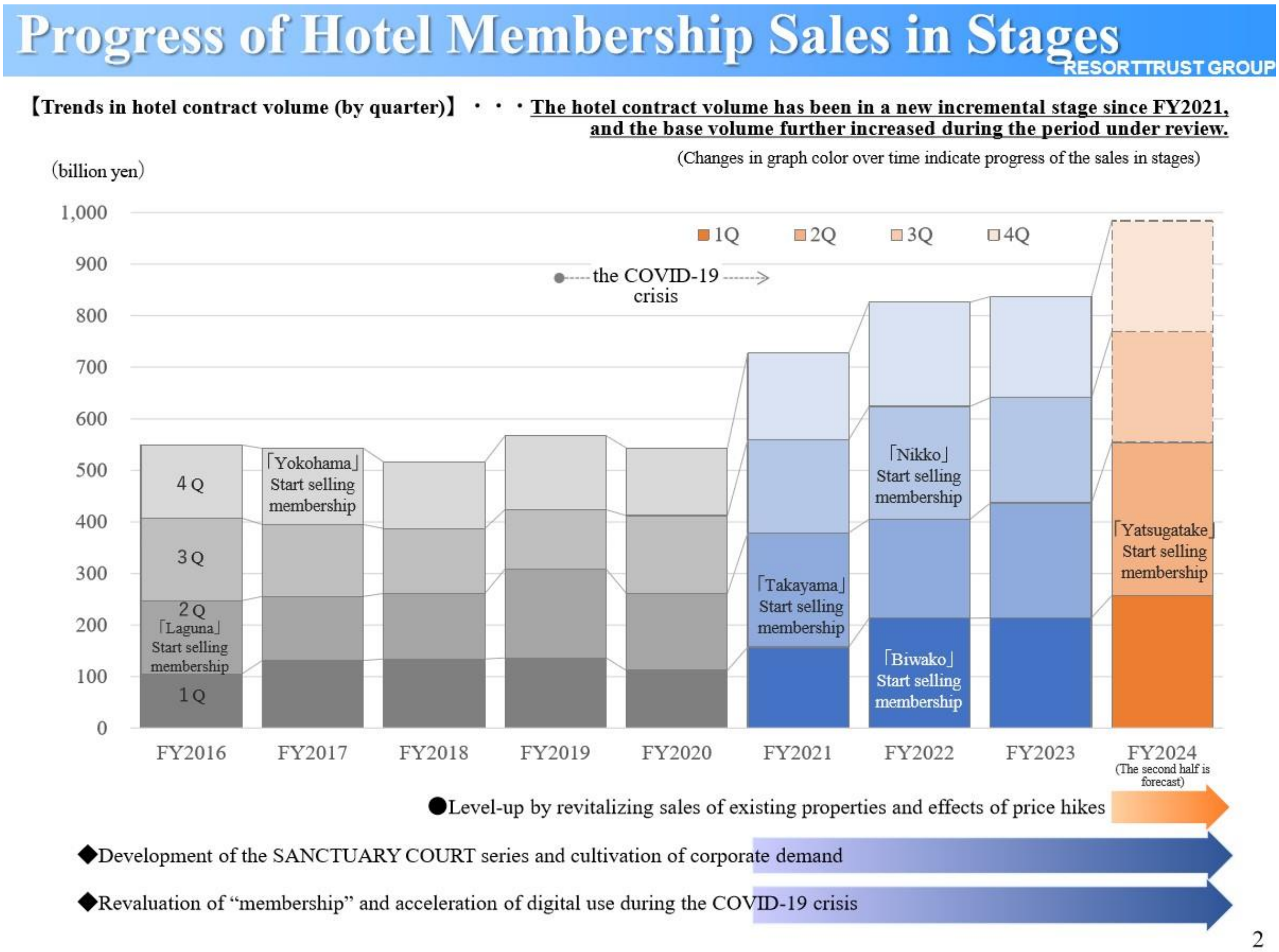
Medical also achieved a record high of JPY4.2 billion contracts, compared to JPY3.9 billion in the previous year.

In light of the above, we have revised our full-year forecasts upward. Our revised plan for the fiscal year ending March 31, 2025, is JPY245 billion in consolidated net sales and JPY25 billion in consolidated operating income, which we expect to be the highest ever for the year in terms of sales and all profit items.

This is because the Company plans to record revenue resulting from the opening of SANCTUARY COURT BIWAKO in Q3. In addition, the launch of new properties in Q4 is almost finalized. Hotel and medical operations are also expected to remain stable. These factors will contribute to achieving our medium-term plan's third-year target of approximately JPY23 billion, one year ahead of schedule.

Also, on the other hand, I believe [inaudible] again about the medium-term plan.

Based on the above, the year-end dividend forecast was also revised upward. We expect to raise the annual dividend by JPY4 from the planned year-end dividend of JPY27 to JPY31, for an annual dividend of JPY58. As a result, a record-high annual dividend is expected.



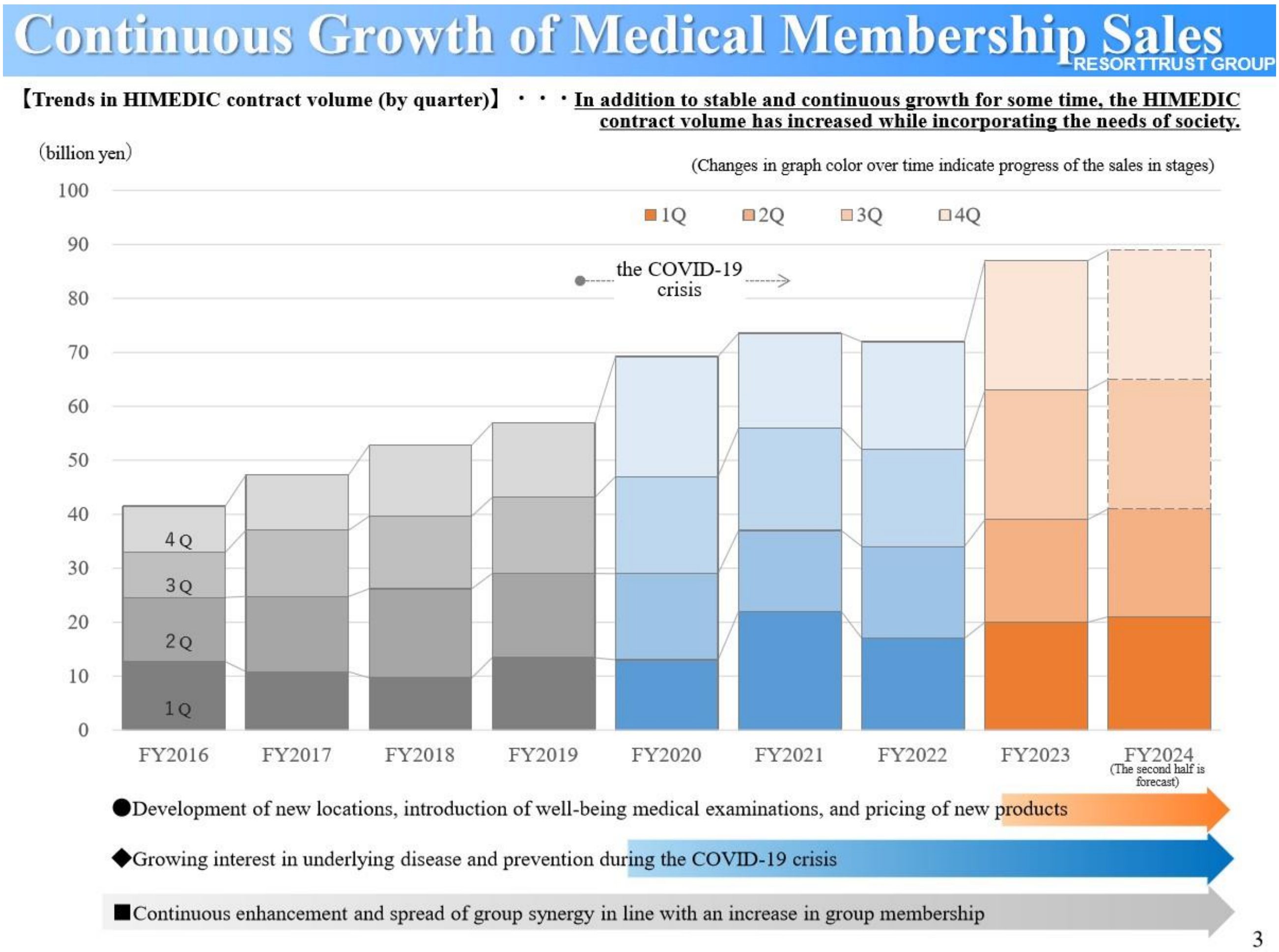
Page two is a brief summary of the factors that have contributed to the strong performance of membership over the past several years.

As you can see, the contract volume came to a halt during the COVID-19 pandemic but has started to grow since FY2021.

We were able to capture the market firmly by developing the SANCTUARY COURT series and cultivated corporate demand and by switching significantly to a product design that emphasizes more private space.

In addition, as a sales technique, we accelerated digital use during the COVID-19 crisis where face-to-face appointments were hard to realize. Also, the referrals from hotels. These two sales methods now account for more than 40% of the total sales, so this part of the sales is significant and is pushing up the overall sales along with new products.

Starting in 2024, we are not only selling new products, but also purchasing and reselling existing properties to revitalize them. We also raised prices, and the amount of the price increase that has been passed on to customers is now being added to our contract amount.



Next, page three is the current status of the medical operations.

Similarly, during the COVID-19 pandemic, as checkups were deemed unnecessary and non-urgent, just like resorts, the growth in membership contracts began to halt. However, data has emerged showing a delay in detection rates as checkups are extended, and as more people with infectious diseases visit hospitals, there has been an increased need for checkups at training centers other than hospitals. This led to a reevaluation of membership-based checkups.

In addition to the three major diseases, the COVID-19 pandemic has also brought attention to the management of underlying diseases for future well-being. By developing new products, by adding new content, such as tests for these diseases, and by preventing future nursing care, we believe we have gained even more support.

Financial Highlights 2Q FY2024 (April to September)

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【Financial Highlights 2Q FY2024】

	2022/9 results	2023/9 results	2024/9 results	YoY Difference	2024/9 Initial targets	vs. initial targets
Net Sales	84,016	89,428	107,725	+20.5%	99,400	+8.4%
Operating Income	7,161	7,776	**11,433**	+47.0%	7,500	+52.4%
Ordinary Income	7,442	7,969	11,512	+44.5%	7,400	+55.6%
Net Income	12,144	6,084	7,522	+23.6%	4,600	+63.5%
Evaluated net sales	100,514	107,897	122,748	+13.8%	113,700	+8.0%
Evaluated Operating Income	11,824	13,451	**16,174**	+20.2%	11,600	+39.4%

*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.
・Membership sales of existing facilities were strong during the period under review. The percentage of incomplete properties declined (deferred revenue decreased) compared to the previous fiscal year, resulting in a wider difference from figures on a recorded basis.
・Net income in 2022/9 results includes an extraordinary income generated from the sale of non-membership hotels.

【2Q 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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Please refer to page four. These are the September results.

Net sales were JPY107.7 billion as I mentioned earlier, up 20.5% YoY and up 8.4% from the initial plan.

Operating income was JPY11.4 billion, up 47% YoY and up 52% from the initial plan.

Ordinary income was JPY11.5 billion, up 44% YoY and up 55% from the initial plan.

Net income was JPY7.5 billion, up 23% YoY and 63% from the initial plan, achieving a significant increase in both sales and profit.

As noted in the bottom row, overall, both evaluated revenue and evaluated operating income were achieved, but deferred income was slightly lower due to particularly strong sales of membership at existing facilities during the period under review. We do not see any issues with this.

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

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・The revision targets for the period under review (FY2024) include operating income of 25.0 billion yen, up 18.4% year on year, which is expected for the full year ⇒ The FY2025 target of 23.0 billion yen is to be achieved ahead of schedule
・The ROE level (aim for 12% above 10%) and the ratio of operating income to net sales (10% or more) are also expected to surpass the target values for two years in a row starting from the first year.
・For the medium-term management plan, reviewed and modified contents are scheduled to be made public at the time of announcement of financial results in May 2025.

＜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 Medium-term Management Plan period through the third year＞

(Billions of yen)	FY2022	FY2023 (New medium-term plan first year)	FY2024 (2nd year)	FY2025 (3rd year)
Index	Fiscal year results	Previous year result	Revision targets (2024.11)	Initial Target (2024.5)
Net Sales	169.8	201.8	**245.0**	230.0
Operating Income (initial target)	12.2	21.1 (18.0)	**25.0** **(20.0)**	23.0
Operating income growth rate	+41.2%	+72.1%	**+18.4%**	-
Ordinary Income	13.2	21.8	**25.3**	23.0
Net Income	16.9	15.8	**17.0**	15.0
ROE	15.4%	12.9%	**12.6%**	Aim for 12%
Evaluated Operating Income	22.3	23.8	**25.6**	Projected to be about the same as operating income

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Page five shows the revised plan for the current year, as I mentioned earlier in the summary.

Net sales are expected to be JPY245 billion and operating income to be JPY25 billion. In particular, the initial plan was for it to be JPY20 billion, but this has been revised to JPY25 billion, exceeding the initial plan for JPY23 billion for next fiscal year.

In terms of ROE, we are already well within sight of our target of 10% or more, and we are considering setting a new target for the next stage of our business development.

Financial Outline (1) Contract Values of Membership 2Q FY2024 (April to September)

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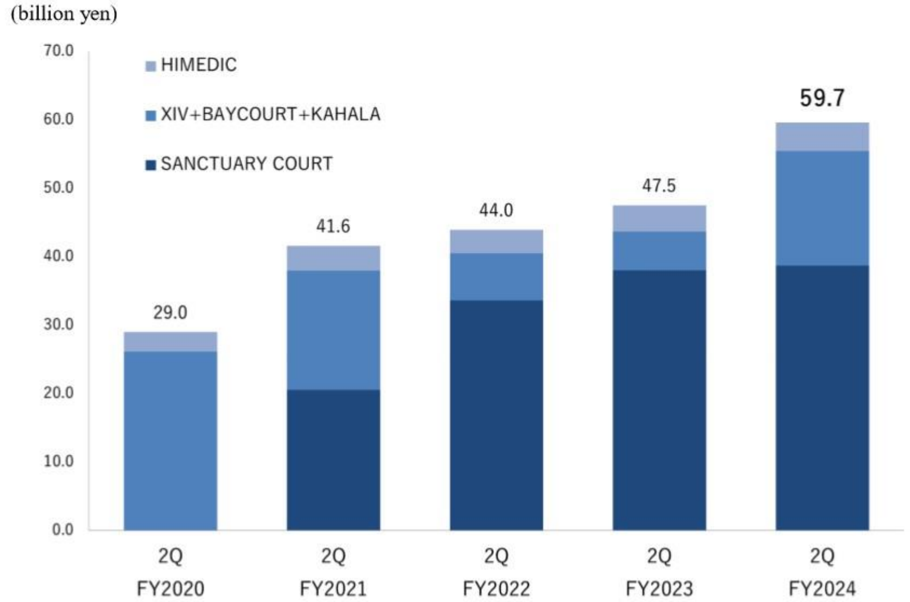
【 Contract Values of Membership 2Q FY2024】 (Hotel + HM)



・Contract volume for the July-September period increased by approx. 4.0 billion yen from the April-June level partly due to the effect of the launch of SANCTUARY COURT YATSUGATAKE.

・In the period under review, contract volume for XIV and Baycourt greatly grew, causing the overall contract volume to rise to a one step higher level year on year.

*For trends in the number of members, please see page 36

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Page six shows the details of the contents. This is the contract values.

As I mentioned earlier, you can see that there has been significant growth not only in SANCTUARY COURT, but also in the existing XIV and Baycourt. HIMEDIC is also rising.

Financial Outline (2) 2Q FY2024 Occupancy rate/Spending per visitor (April to September)

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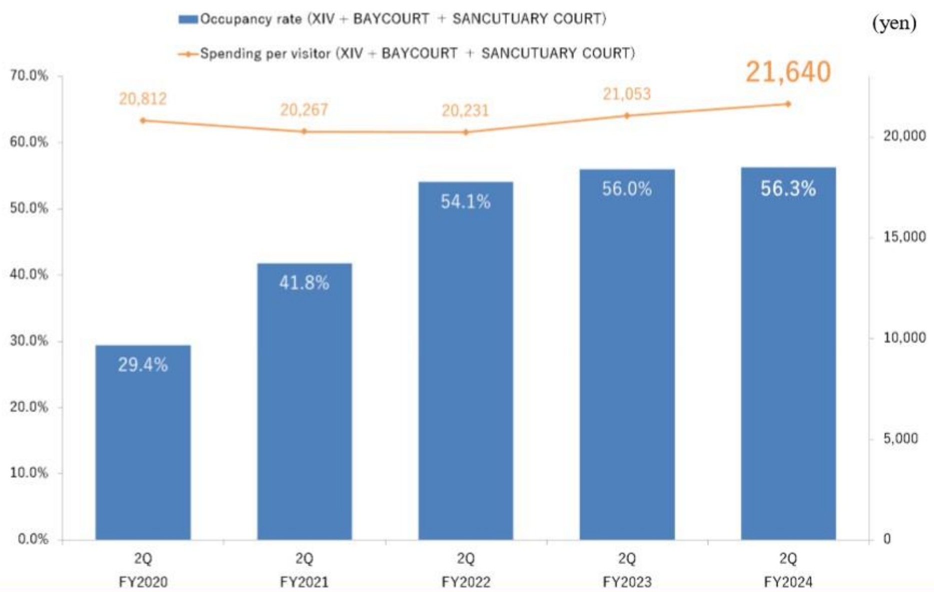
【2Q FY2024 Occupancy rate/Spending per visitor 】



・The membership hotel occupancy rate remained on the rise even after COVID-19. Despite the impact of large-scale typhoons, a massive earthquake, and other extraordinary information during a busy time in the July-September period, the occupancy rate for the first half of the fiscal year remained on the rise.

・The unit price also rose solidly year on year despite diminishing effects from the price revisions of November 2022.
(In 2Q FY2020 and 2Q FY2021, unit prices were on the rise due in part to lower utilization rates at COVID-19.)

* The spending per visitor in 2Q FY2023 was recalculated in accordance with the calculation method for the period under review.

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Page seven is the status of hotel operations.

As I mentioned earlier, there was the impact of the typhoons that occurred from July to September, as well as information about the danger of the Nankai Trough, which actually led to restrictions on transportation, so the overall impact was very large.

In this environment, we managed to maintain a slight increase in both spending per customer and occupancy rates.

Financial Outline (3):Operating Income 2Q FY2024 (compared with the same period of the previous FY)

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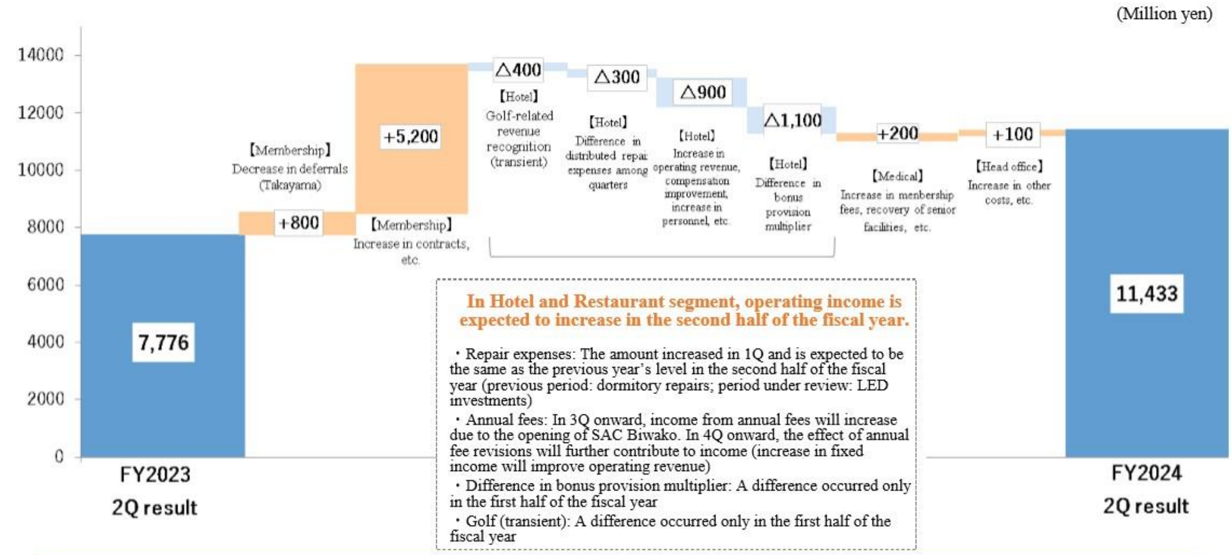
【 Year to date consolidated operating income change (vs. previous year) 】



In the membership segment, operating income increased by 47% over the previous year due to a positive contribution of the substantial increase in contract volume and the effect of price revisions. In the Hotel and Restaurant segment, operating income for the first half of the fiscal year decreased since increases in costs including enhanced investments in human resources and larger distribution of expenses to the earlier quarter tend to precede an improvement in revenue. Factors such as the effect of annual fee revisions are expected to contribute to increased income from the second half of the fiscal year onward.

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Page eight shows the Q2 operating income compared to the previous year.

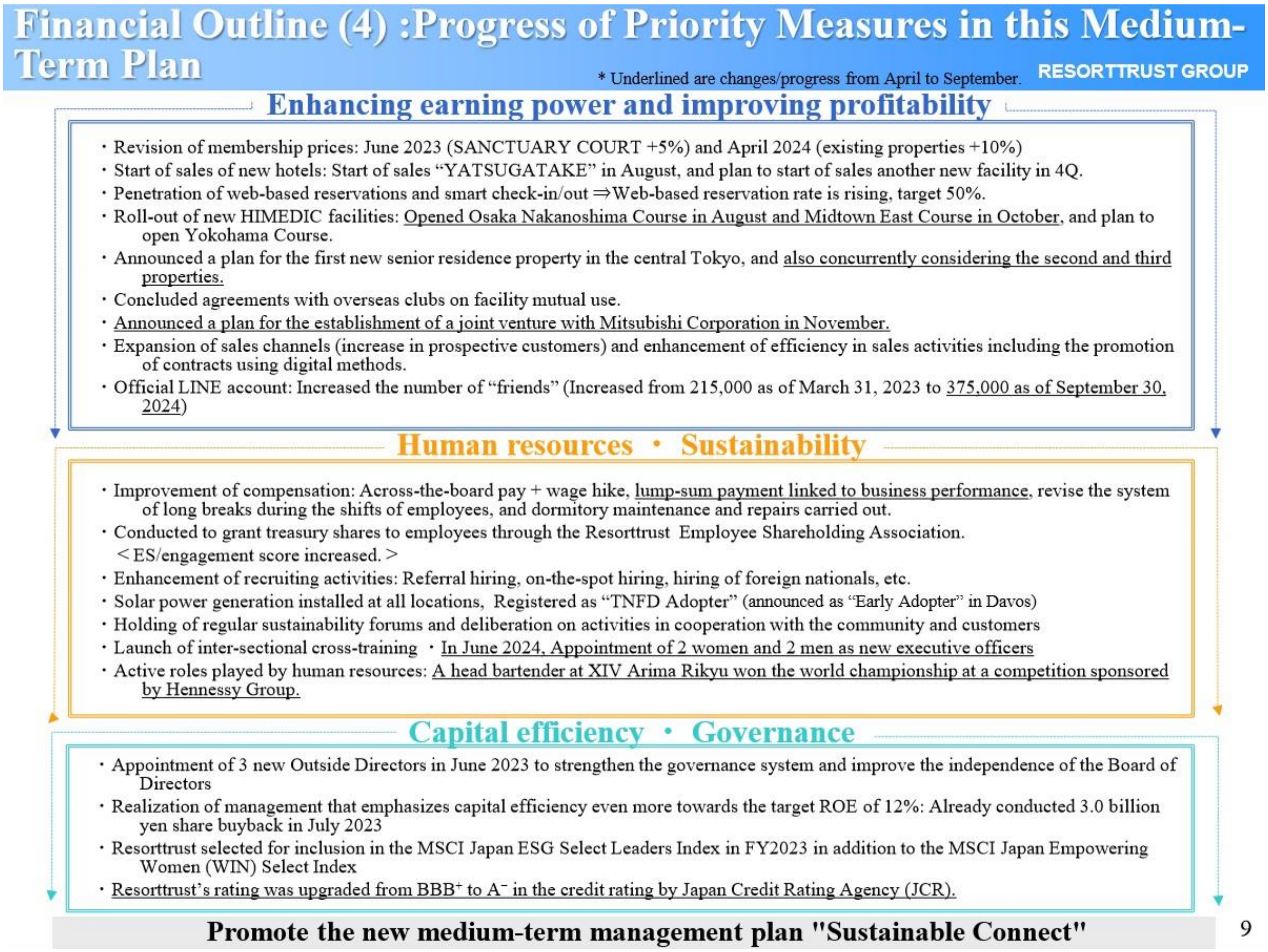
Compared to JPY7.7 billion in the previous year, a large part of the increase was due to an increase in membership contracts.

In addition, as I mentioned earlier, the deferrals have decreased and the amount recorded in the current period has increased, resulting in a very large amount of JPY6 billion.

The light blue areas are the impacts of the hotel's H1 that I mentioned earlier, the revenue recognition portion, repairs, and the timing gap compared to the prior year. Allowance for bonuses, that and the negative operating factors I mentioned earlier were in effect for this H1.

Medical operations increased slightly, as I mentioned earlier, and the head office business was almost as planned, landing at JPY11.4 billion.

As a result, profits increased by 47% overall, driven by the membership contracts.



Page nine shows the status of priority measures in this medium-term plan. Some of this is repetitive, so I will go over it briefly.

In terms of profitability, we have been reviewing membership prices from time to time. The sales of new hotels are also proceeding as planned. As for digital transformation, including web-based solutions, we are progressing as planned. The roll-out of new HIMEDIC facilities are also on schedule. As you can see at the bottom of the table, the number of official LINE friends is growing steadily, which is almost in line with our plan.

In the area of human resources, the engagement score is also increasing due to the improvement of compensation and the implementation of work style reforms as planned, as well as the granting of company stock to employees. This has been firmly linked to retention rates. In addition, we have been enhancing recruiting activities, such as referral hiring, on-the-spot hiring, hiring of foreign nationals, etc., during the current fiscal year, and we are now in the process of establishing a district structure that will be able to respond to new developments at future facilities.

In terms of sustainability, solar power generation was installed at all locations. We have also focused on educating our personnel, and one of the hot topics of H1 was our head bartender winning the world championship in a competition sponsored by Hennessy, which shows that we are steadily developing our personnel.

Regarding capital efficiency and governance, as I mentioned earlier, we are executing share buybacks. Another new topic is that our JCR's credit rating has been upgraded from BBB+ to A-.

Financial Outline (5) : Overview of new hotels (SANCTUARY COURT BIWAKO/YATSUGATAKE)

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【Sanctuary Court Yatsugatake started of sales on August 22, 2024】

Start of sales: 1st phase section on August 22, 2nd phase section on September 20, and 3rd phase section on November 14
A total of 80 rooms (2,880 units on an annual 10 stay nights-type basis)
Total contract amount (total amount of 1st to 3rd phase sections): Approx. 42.8 billion yen
Original prices (for reference, Royal Suite/10 stay nights-type): 1st phase section in 18.50 million yen, 2nd phase section in 19.30 million yen, and 3rd phase section in 20.00 million yen *Excluding tax
The amount of contracts sold from August 22 to September 30: 12.0 billion yen Membership attributes: Approx. 80% of the contracts made with corporations (approx. 20% of the contracts made with individuals...basically the same as existing SANCTUARY products)



【Sanctuary Court Biwako launched on October 29, 2024】

Total number of rooms: 167 Design concept: Venetian Modern Main features: Enhanced spa and wellness, and services for dogs
Deferred income (real estate-related income out of contract value): 7.5 billion yen for sales from March 2022 to April 2024 + 1.4 billion yen for sales from April 2024 to September 2024 during the period under review
*Real estate income of around 9.0 billion yen in total as described above and separate start-up costs of around 1.0 billion yen are to be recorded in the results for the 3Q (October-December) period.
By incorporating medical factors into the hotel stay under the theme of a "well-being resort," the company aims to create unprecedented experience value.



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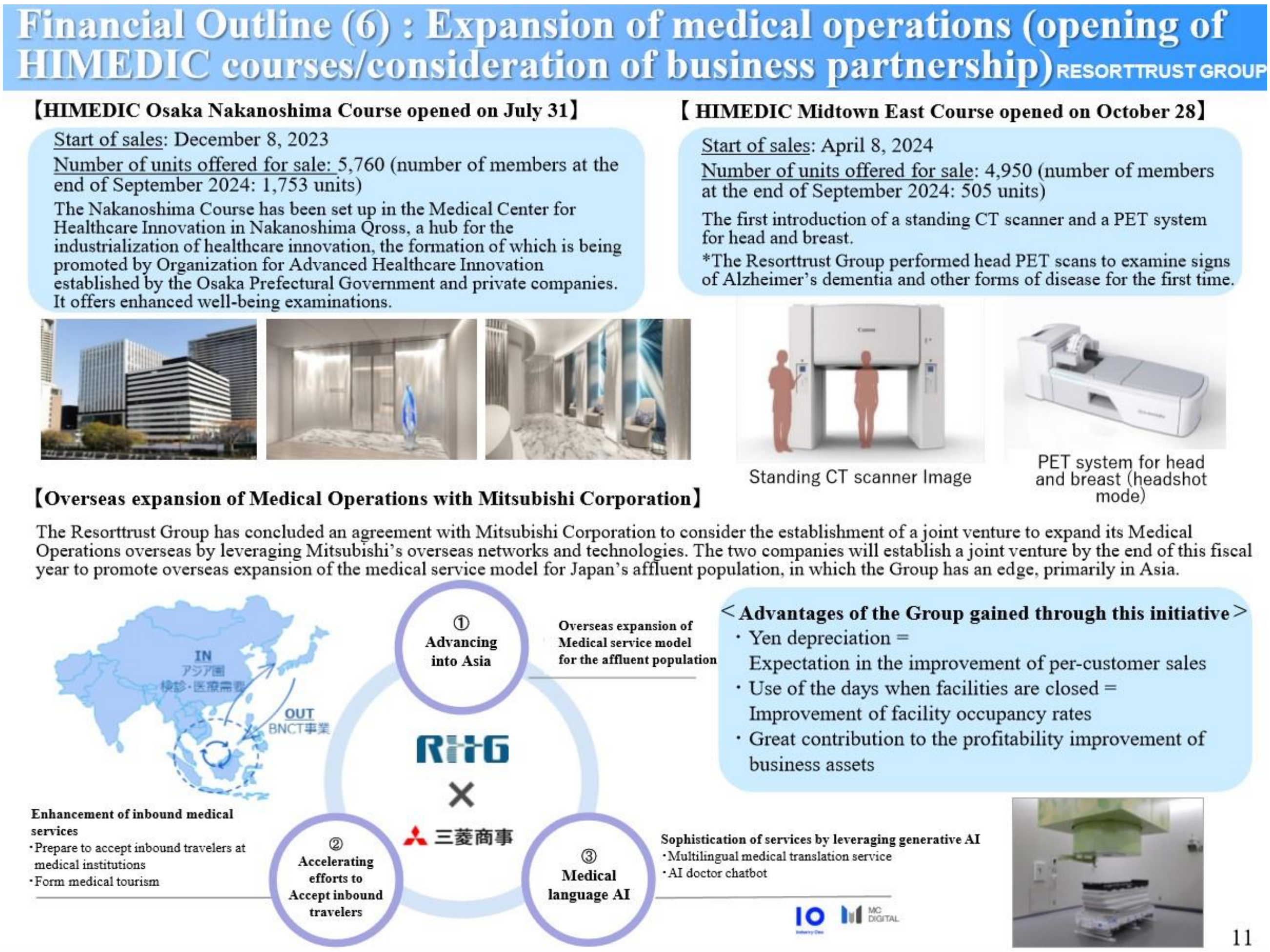
Pages 10 and 11 explain the core products that support this.

SANCTUARY COURT YATSUGATAKE, this is the new main product in the new offering. Although small in scale, the new cottages and wooden structures were developed with an eye to cost increases and were particularly well received by existing members. For the time being, we have seen an increase in purchases compared to regular products, but generally, in the case of our members who own multiple shares, the utilization rate per share is very high, so I think this is a positive trend.

At the bottom is SANCTUARY COURT BIWAKO, which opened on October 29 as scheduled. Not only the initial occupancy rate, but also the occupancy rate has shown growth that exceeded our expectations, and we have already received almost full occupancy up to December of this fiscal year.



Page 11 shows the medical topics.

In July, we opened the HIMEDIC Osaka Nakanoshima Course. This is a new course that puts well-being at the forefront.

Then, there is the HIMEDIC Midtown East Course, which opened on October 28. In addition to well-being, this course is characterized by a standing CT scan, which examines the body's condition in a standing position under the influence of gravity. We have also introduced head PET scanning for the first time, which we believe is also a first in the world.

We have also announced in a press release that we have begun joint research with Mitsubishi Corporation. We are working toward commercialization of this project and are already conducting various overseas research.

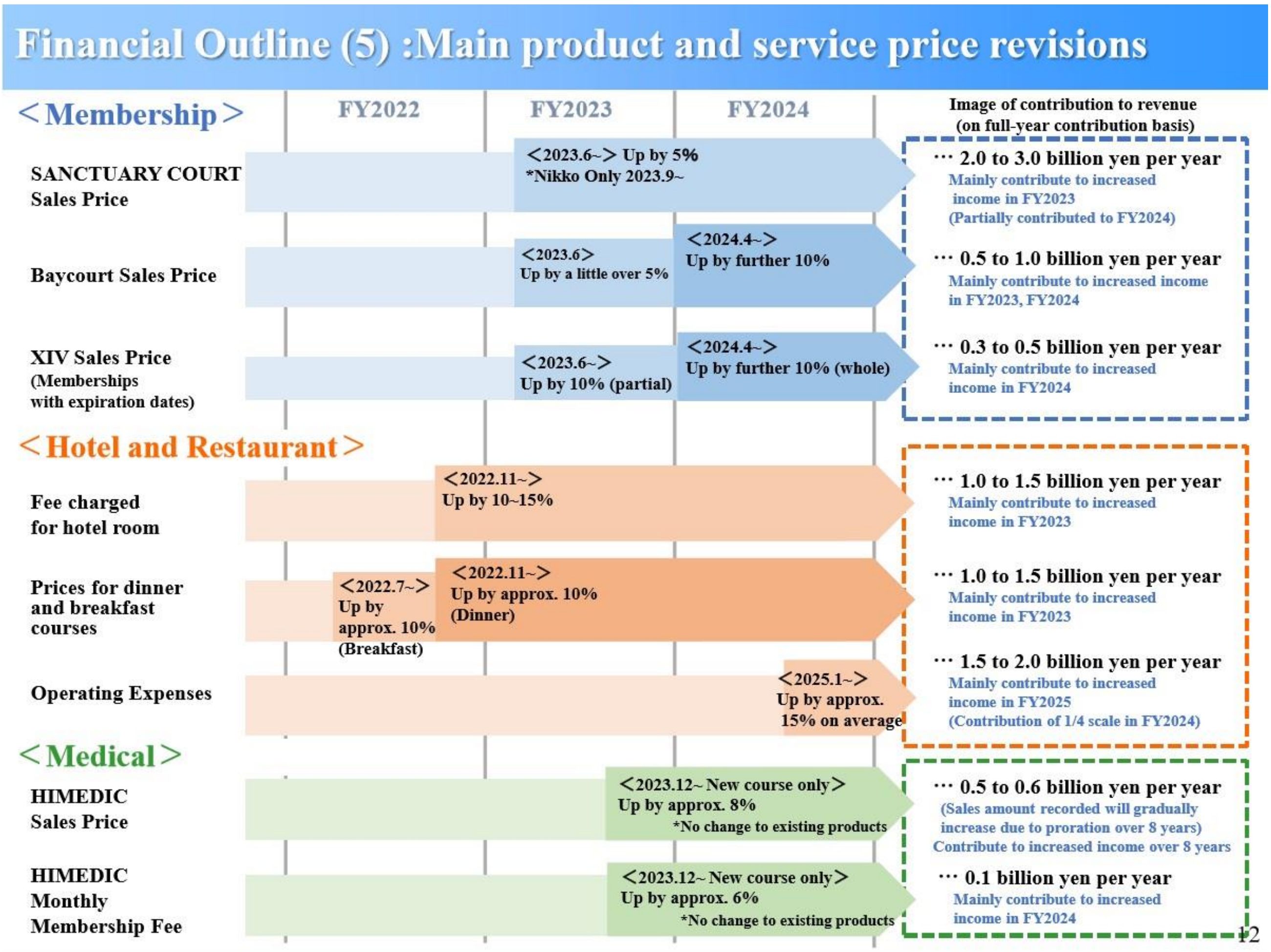
Our aim is to consider how we can expand our model of early detection and early treatment, screening, prevention, including cutting-edge medical care, and high-precision treatment for wealthy clients. We will utilize Mitsubishi's network to expand our business model overseas. We will also be proactive in attracting inbound visitors from their network.

In this regard, we are basically planning to increase profitability by utilizing holidays as capacity for inbound visitors, mainly at facilities with high-precision medical equipment, such as those currently based in Midtown, which do not have PET but do have MRI and CT scanners.

There are currently about 25 training centers in total, and each facility, including membership-based facilities, has roughly 80 days off, so a major challenge is how to make effective use of this time.

Another thing is that we are working with the cancer center on BNCT, which utilizes this network as a whole. This is cancer treatment using boron, and this is also inbound.

When it comes to selling the medical equipment itself overseas, we would like to work closely with Mitsubishi's network and know-how in this area.



Page 12 shows the status of price pass-through and price revisions associated with costs and expenses in recent years.

In the area of membership, as you can see, we have raised the prices of new products and existing facilities in stages over the years 2023 and 2024, and as you can see, the effect of increased revenues is also evident.

In hotel and restaurant, we are reviewing room charges, meals, and annual dues for the current fiscal year.

In the medical area, we have been increasing membership prices and fees due to the introduction of new courses from H2 of FY2023, and I think it can be said that this has shown a significant impact on revenue in FY2024.

Segment Sales and Operation Income FY2024
3 main business segments

(April to September) RESORTTRUST GROUP

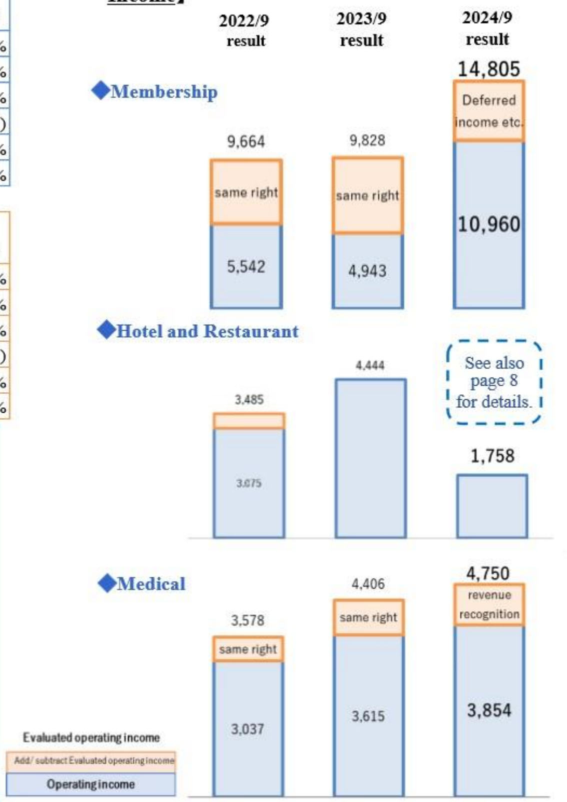
【Segment Sales and Operation Income 2Q FY2024】

		2022/9 results	2023/9 results	2024/9 results	YoY Difference
Membership	Sales	17,953	18,621	31,193	+67.5%
	Operating Income	5,542	4,943	**10,960**	+121.7%
Hotel and Restaurant	Sales	43,748	47,447	51,002	+7.5%
	Operating Income	3,075	4,444	**1,758**	(60.4%)
Medical	Sales	21,939	23,003	25,189	+9.5%
	Operating Income	3,037	3,615	**3,854**	+6.6%

		2022/9 results	2023/9 results	2024/9 results	YoY Difference
Membership	Evaluated net sales	33,910	36,300	43,936	+21.0%
	Evaluated Operating Income	9,664	9,828	**14,805**	+50.6%
Hotel and Restaurant	Evaluated net sales	43,748	47,447	51,002	+7.5%
	Evaluated Operating Income	3,485	4,444	**1,758**	(60.4%)
Medical	Evaluated net sales	22,480	23,793	26,086	+9.6%
	Evaluated Operating Income	3,578	4,406	**4,750**	+7.8%

・Membership: The company implemented initiatives to secure sales inventories before launch of new products.
(Profitability improved due to a boost in sales of existing properties, mainly for high unit price products.)
Contract volume further increased due to the launch of a new product in August slightly ahead of schedule.
Hotel and Restaurant: While net sales increased partly due to the opening of Takayama at the end of the previous fiscal year, operating income decreased due to an increase in costs including personnel expenses and repairs conducted ahead of schedule, as well as bad weather. (repair expenses of (0.3) billion yen, difference in bonus multiplier of (0.9) billion yen, golf (transient factors such as repairs) of (0.4) billion yen, decreased operating income due to factors including across-the-board pay increases, human capital investments, and bad weather of approx. (1.1) billion yen)
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.

【2Q Historical 3-Year Trends in Evaluated Operating Income】



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Explanations on the segments begin on page 13. I will explain briefly on the segments.

As I mentioned earlier, membership has been a very strong driver, with a 67% increase in sales and 121% in operating income over the previous year.

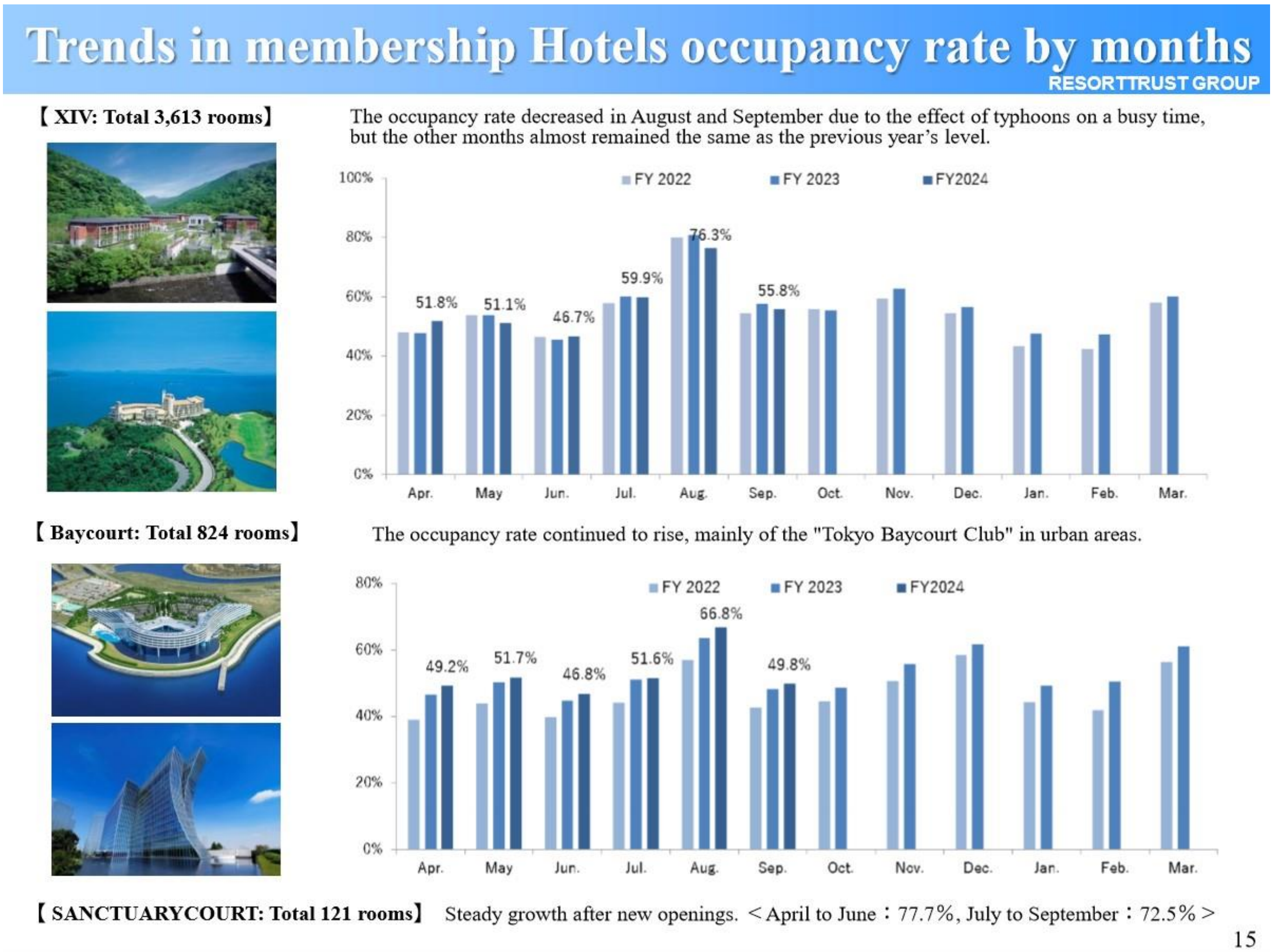
Regarding hotel operations, sales were growing, but operating income was negative. To repeat, from an operational standpoint, we were unable to fully absorb the weather and other factors, as well as increased costs, in H1, and we are now trying to make a comeback in H2.

As for medical operations, as I mentioned earlier, this is almost in line with our plan.

Here are the details of the membership segment.

What can be seen here is that new products and main products are steadily changing, and the proportion of existing products is also increasing.

This is also driven by the contract values using digitalization. This is JPY13.3 billion, 22% of the total. Referrals from financial institutions and hotels currently account for 18% of the total, so the fact that these two together account for 40% of the total is a major point in the methods that are pushing up the overall figure.



The following is a detailed description of the operations.

In the case of XIV, we had basically seen YoY growth, but there was a decline in August and September due to the factors I mentioned earlier.

Conversely, Baycourt's urban type properties have not been affected and have even been able to increase their occupancy rates.

The next page is KAHALA.

Regarding KAHALA, Hawaii is still struggling very badly for the current fiscal year. August is below the previous year's level. This is due to the fact that the return from Japan is still slow, and although the number of flights is slightly increasing, the operation of hotels in the high-price range has not increased due to the inevitable impact of the exchange rate, which is a factor for the Japanese market in Hawaii as a whole.

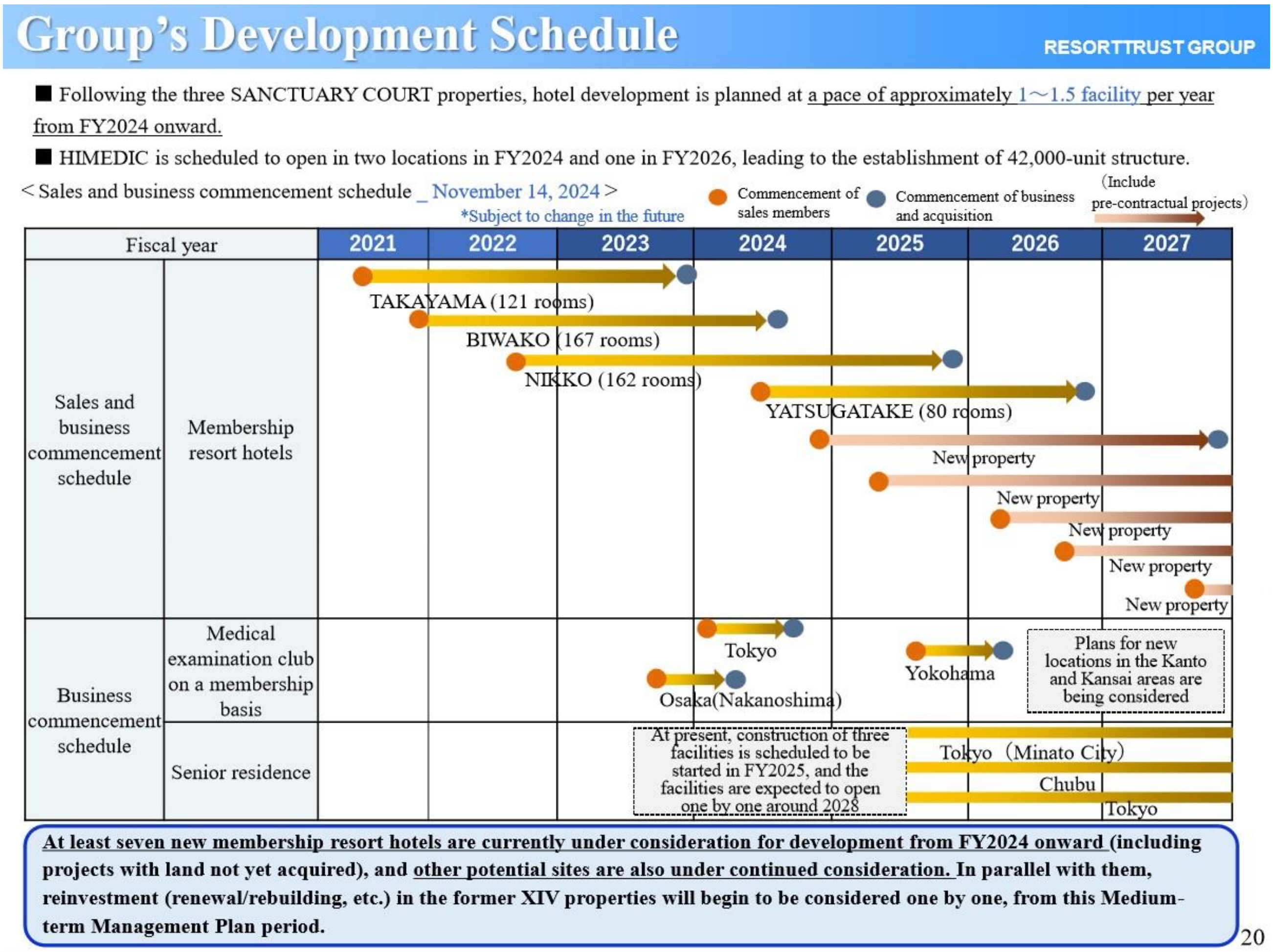
In this regard, we have been steadily securing ADR and occupancy rates from US mainland customers, so we are now shifting our focus to further strengthening our sales efforts on this target.

As for Yokohama and KAHALA, we are seeing growth that is roughly the same trend as the urban Baycourt I mentioned earlier.

Next is the medical segment.

HIMEDIC has been able to increase sales well in H1.

Senior residence also saw a slight increase in occupancy, improving by two percentage points compared to H1.



Finally, please see page 20, future schedule.

As for the development schedule, we have started accepting applications for YATSUGATAKE as planned. The next property is now scheduled to begin accepting applications in Q4, and in Q1 of next year, the Kansai property will start the sales.

We are currently working on about three properties for 2026 and 2027, and depending on the inventory, we are preparing to bring in another property ahead of schedule in 2025, so we would like to consider this while watching the balance of inventory in Tokyo, Nagoya, and Osaka.

In the medical field, Tokyo [inaudible], Yokohama is taking shape, and one more candidate site is being considered in the Kanto and Kansai regions.

As for senior residence, we are currently working on the first facility in Minato Ward, Tokyo, with a new product, and in parallel, we are also working on another facility in the Chubu region, the Kansai region, not shown here, and Tokyo.

Rather than waiting for the first facility to be developed, we are now looking at the market and are in the process of selecting a specific location that will allow simultaneous development. Our pipeline for the future has settled down for the time being, and we are looking ahead.

Although it is brief, that concludes my presentation.

Question & Answer

Moderator [M]: We will now begin the question-and-answer session.

Oda [Q]: This is Oda from SMBC Nikko Securities. I have three questions, and I would like to ask you to answer one question at a time.

The first one, regarding the partnership with Mitsubishi Corporation, is shown on page 11 in the material. You have explained a little bit about your aims and what you are going to do in this area. As a start, you will accept overseas visitors, including on holidays, and while conducting trials, you would also look into outbound or overseas expansion.

First, regarding the acceptance of inbound visitors in Japan, what are your plans for the future, the overall timeline, and conversely, the timeline for expansion from Japan to overseas, as you mentioned earlier? I would like to know what happens after what you just explained. I'm sure there are many options and considerations, but I would like to know if there is anything you would like to do or are considering.

Fushimi [A]: I think the inbound part will be the priority. So, as I mentioned earlier, we will first utilize the available capacity of our existing facilities and set up dedicated days for overseas patients, which will be completely separate business days from those for patients in Japan, and then assess the content and productivity of the examinations that will be performed there.

First, we will probably focus on our current clinics in Nihonbashi, Roppongi, and Shinbashi. We would like to take a hard look here and see how far we can accept those customers at the current overall 25 health checkup centers and consider the volume of capacity.

Beyond that, of course, after reviewing facilities and menus for inbound visitors, we will develop facilities limited only for inbound tourists in airport areas, for example, by forming alliances with domestic hospitals. Not only that, but we will also combine various forms of preventive medicine, such as regenerative medicine, and strengthen our branding. I don't think it's just about early detection.

Oda [Q]: How about the outbound development? What are your current thoughts on this?

Fushimi [M]: Outbound. Overseas expansion.

Oda [Q]: Yes. I would like to know about your overseas expansion plan for either HIMEDIC or it could be another business with a different business model.

Fushimi [A]: Overseas, medical tourism now includes medical treatment and medical checkups, but the situation is changing due to the increase in the number of affluent Asian populations. In the past, when it came to Asia, people looked to Singapore, but now a lot of attention is being paid to Japan as well.

With Japan's strengths in diagnostic radiology, radiotherapy, and FAST medical care, as well as content, I believe we can bring the Japanese model overseas with our foreign partners, as well as to inbound tourism. Currently, there are not many clubs like ours in the world. In the US, there is something somewhat similar. There are some membership clubs for the truly wealthy.

There are also some differences in the concept between Europe and the US and Japan, such as whether to start with a medical examination and then manage your health, or to check while managing your health. In that respect, I think it is necessary to redesign the product for overseas markets. If we were to work with a local partner to expand, I think that would be the case.

Oda [Q]: Second question, about the profitability of hotel and restaurant.

As you have explained, up to the current fiscal year, you are currently ahead of expenses, but you will increase profits in H2 of the fiscal year, including by revising annual membership fees in Q4. I understand very well up to this point.

In the longer term, costs, including labor costs, will have to be raised. How do you maintain and improve the profitability of the business, while the quantity and quality of the products need to be increased at the same time?

I think there are several factors, for example, occupancy rate, price, which may not be immediate since you are changing this time, but price, and the cost side. Cost containment, productivity improvement, and DX may be involved here as well. How can you improve profit margins in this area in the medium term?

Fushimi [A]: Since we are a membership-based business, we cannot afford to compromise on our service. Conversely, there is a considerable difference in the services desired after the COVID-19 pandemic, and I think one way to improve productivity is to utilize DX to provide services tailored to each customer.

For example, regarding check-in. We have been promoting smart check-in and check-out. This is still only about 20% of the total, but until now, the service has been limited to members only. However, since this October, we have been introducing this service to guests as well. This number has now grown to about 40%, so I believe that by introducing this service more, we will be able to reduce the number of front desk personnel.

We are actually trying to introduce an automatic teller machine at Sun Members and golf courses, but not at XIV or Baycourt. In fact, at a Sun Members facility in Atami, the use of automatic teller machines is now at 80%. We are seeing that we can increase productivity sufficiently to meet such needs, as long as it is within the scope that does not damage the brand. Utilization of such DX.

Another thing is a big part of the digital transformation, which will lead to improved utilization and follow-up. In fact, the current membership sales are conducted by about 10 people using the aforementioned web magazine system, which currently follows up 110,000 people. Similarly, for hotels, hotel members are following 150,000 people. There are still some areas where the number of people involved is on a completely different level. Since this is membership, we will need to provide more detailed support using AI and other tools, and we are currently working on introducing this as a success story for attracting membership.

Another thing is, in terms of passing on price increases, we have not been very proactive in doing so up until now, and as such, with the current annual membership fees and room charges, we have been charging them at all facilities at the same time, which has meant that we have lacked flexibility in terms of notice periods, various procedures, etc.

Going forward, we will inform the relevant members in various ways, for example, by reviewing the room charge or the meal, or not just the number, but by reducing the number of courses, for example, for each facility and each case. We would like to have a system in place to notify all members through the newsletter, and to be more flexible in terms of our ability to respond to price changes.

Oda [Q]: As a supplementary note, I think you think there is still some upside to the occupancy rate, relative to where you should be. Among them, in terms of use by corporate customers, or their employees and families, I think this has been an effective factor in the utilization rate up to now, and the number of LINE customer registrations is also increasing, which is the current situation.

I would like to know if there is anything you are doing now or are considering doing in the future to increase the occupancy rate, including in this area.

Fushimi [A]: Regarding the occupancy rate, there has been an overall increase, but some of the increase has been driven by new facilities. Overall, hotels that are 20 or 30 years old are experiencing tougher occupancy, so I believe it is here that we can improve the overall rate.

For this reason, our main aim is to look into the room charges, meal prices, and other factors individually, as I mentioned earlier, and to be more direct in our pricing strategy in order to provide a boost to those nine properties.

Oda [Q]: The third and final question is how you are going to present the medium-term plan for the next fiscal year when you will give us another update. Will you just give next year's figures as is in the form of guidance? I believe the current medium-term plan is for five years, so will you update it for the next few years, including the next fiscal year?

I apologize for being so vague, but I think that strategically, things are going very well at the moment, but what are your current plans for each business from the perspective of the medium-term plan? If you have any hints that you can give us, please let us know.

Fushimi [A]: Regarding the announcement of the plan for the next fiscal year and beyond, we will be rolling the plan out over a three-year period rather than the five years originally planned, due to the uncertain outlook. Since next year will be the final year of the plan, we are planning to once again submit a three-year plan, both qualitative and quantitative aspects, starting next year.

In this context, three years is a very short period, and of course, there are still areas that can be pursued in the existing business, such as productivity in the hotel business, but in the membership business, we can almost see the properties for sale for the three-year period, so it is unlikely that the risk will suddenly increase.

The major theme for the next three years will be how to further accelerate the transition from a flow-type to a stock-type business. To achieve this, I believe it is extremely important to create a platform for developing products, including various new content, the cross-selling aspect of the current medium-term plan that I have mentioned before, and expanding the market to include families and members and their surroundings.

We are looking forward to working on this in parallel over the next three years, building a platform and taking on new challenges at the same time.

Tanaka [Q]: This is Tanaka from SBI SECURITIES. Thank you. I would like to ask you two questions.

First, I would like to ask if there are any indicators, such as contract volume per membership sales employee. I feel that you have become much more productive.

As for the future, I think you can continue with the increased productivity, and with the current high level of sales based on the amount of contracts, multiples personnel, I think you are currently achieving probably close to JPY60 billion per half-year, so I assume you are on pace to reach JPY10 billion per month or something like that. Could you please tell me if these levels are likely to be maintained in the medium term?

Fushimi [A]: In terms of contract volume, we are talking about JPY100 million to JPY120 million per person per year.

As to whether we will continue to increase the number of salespeople, the weight has shifted to 40% of the new sales methods mentioned earlier, so our approach is to increase productivity through sales methods while keeping the number of salespeople to some extent under control.

Tanaka [Q]: In that case, does that mean that productivity per person, which you said is JPY100 million to JPY120 million per year, could be increased to, for example, JPY150 million or JPY200 million by utilizing digital technology?

Fushimi [A]: Yes.

Tanaka [Q]: The second point I would like to ask is regarding the sales of existing properties. There were no new properties sales in Q1, but sales of existing properties were very strong. Could you please tell us what proportion of these resale properties you plan to include besides your new property sales in the future and the scale at which you plan to increase this number?

Fushimi [A]: To be honest, it depends on the pace of other new properties and the pace of the number of offers for sale. In H1 of this fiscal year, the new product was not performing well as a pipeline, so we purchased existing properties as a last resort. Basically, even now, there are many customers who are buying more. As I mentioned earlier, those who own several units tend to have high utilization rates, which is a good thing for us.

In fact, as a whole, about 10% of the members do not use the membership for a year. However, most of the members have paid their membership fees, and the number of people who have automatically withdrawn due to non-payment of annual fees is less than 1%.

We should be the ones to promote usage, so we feel that it is unhealthy to propose buying from our side. We will continue to monitor the inventory and make offers to those who are not actively using the membership when there is a negative inventory.

I don't think the Company will come up with a plan to buy up PY20 billion's worth of inventories or anything like that. For example, we will continue to buy back, say, JPY1 billion, JPY2 billion, or JPY3 billion once a year while keeping an eye on the inventory in the future, and conversely, we believe that this will help revitalize our members.

Tanaka [Q]: On the third point, I hear that the property at BIWAKO has been operating at a high rate since it opened, and reservations are going well. On the other hand, older facilities are operating at low capacity and are being leveraged.

I think that if the occupancy rate reached 60%, it would be a fairly good level for a members-only hotel, but in the current situation, new hotels are almost full, so is it more important for the Company to raise the occupancy rate of older, lower-rated hotels?

Fushimi [A]: That's right. For example, the recently opened facility in Takayama has an occupancy rate of over 80%, and we have received very high occupancy rates for facilities in Arima, Hakone, and other areas.

If we forcefully increase occupancy here, it will cause inconvenience to customers, so if we focused on revamping facilities that have room for occupancy, I think our members would be more satisfied as a whole.

Tanaka [Q]: So, as you explained earlier, in the future, for example, in locations with low occupancy rates or old facilities, will there be measures to encourage occupancy by lowering unit prices or offering reasonable plans?

Fushimi [A]: Yes. I think that could be one pricing strategy.

Kuwana [Q]: I'm Kuwana of Mizuho Securities. I would also like to ask two questions.

Sales of Membership Segment 2Q FY2024
(April to September) RESORTTRUST GROUP

【Sales of Membership Segment】

(Billion yen)

		2020/9 results	2021/9 results	2022/9 results	2023/9 results	2024/9 results	2025/3 revision targets
New property		–	–	–	–	–	6.1
SANCTUARY YATSUGATAKE		–	–	–	–	**9.5**	27.4
SANCTUARY COURT NIKKO		–	–	–	18.7	**7.8**	9.0
SANCTUARY COURT BIWAKO		–	–	27.3	9.0	**10.8**	12.7
SANCTUARY COURT TAKAYAMA		–	17.4	1.4	4.6	**3.9**	4.9
The KAHALA Club Hawaii		0.1	0.1	0.2	0.3	–	–
Yokohama Baycourt Club		10.4	0.8	0.7	0.7	**1.9**	2.7
Laguna Baycourt Club		2.7	0.6	0.4	1.0	**2.1**	3.3
XIV Rokko SV		(0.3)	4.1	1.0	0.1	**0.4**	–
Ashiya Baycourt Club		7.9	0.2	0.7	0.6	**1.5**	2.8
XIV Yugawara Rikyu		(0.9)	4.0	0.6	0.5	**1.7**	–
Other Hotels		1.7	3.7	1.7	0.9	**5.5**	11.2
Hotel Membership Total		21.7	31.0	34.1	36.5	**45.1**	80.1
Deferred Sales	Yokohama Baycourt Club	20.1	–	–	–	–	–
	SANCTUARY COURT NIKKO	–	–	–	(10.9)	**(3.9)**	(4.6)
	SANCTUARY COURT BIWAKO	–	–	(15.1)	(4.4)	**(5.5)**	30.1
	SANCTUARY COURT TAKAYAMA	–	(9.5)	(0.6)	(2.1)	–	–
	SANCTUARY YATSUGATAKE	–	–	–	–	**(4.7)**	(14.4)
	New property	-	–	–	–	–	(3.2)
All Hotels		41.8	21.5	18.3	19.1	**31.0**	87.9
Other		0.3	(0.6)	(0.4)	(0.5)	**0.2**	0.4
Membership Operations Total		42.0	20.9	18.0	18.6	**31.2**	88.3

31

The first point is about the revised plan for detailed sales by property on page 31. I believe that the revised plan has been raised significantly, mainly for existing purchase and resale, while the plan for newly opened properties, such as YATSUGATAKE, has been revised downward. However, looking at the Q2 results, YATSUGATAKE sold JPY9.5 billion in 1.5 months and appears to be doing very well.

I would like to know the background of this downward revision. Are you simply being conservative here? Are sales struggling more than planned? Or do you stop selling it this quarter and forward it to the next quarter? Please explain these points.

Fushimi [A]: We have not lowered the figures here, especially since YATSUGATAKE is doing particularly well. In the overall balance, YATSUGATAKE, for example, is inevitably difficult to sell in the Kansai region. Actually, BIWAKO was sold out in October.

In this respect, the Kansai region is expected to be weighted toward existing properties, and there is no particular significance to the properties as a whole. As for YATSUGATAKE, the sellout this year has not changed as planned.

Kuwana [Q]: It seems like new property sales have dropped off a bit.

Fushimi [A]: We do not have any new property inventories. NIKKO also sold out.

Kuwana [Q]: I wonder if the plans for what you are going to launch in Q4 have fallen off from the initial plan.

Fushimi [M]: Is that so?

Kuwana [M]: Yes.

Fushimi [A]: For Q4, we originally had two facilities in mind, but we narrowed it down to one facility, and one facility is now scheduled to be moved to the next quarter, so that portion is lower.

Kuwana [Q]: The second point, which is related to the previous point, is about the price on page 12.

It seems that price increases have been steadily passed on in the hotel and restaurant business and membership business, but to what extent have price increases been passed on in the hotel and restaurant and membership businesses mentioned earlier in YATSUGATAKE? How much room is there for further increase, including the sales status of properties scheduled for release in Q4? Can you tell us about the feelings among the field and your plans for the future?

Fushimi [A]: Regarding YATSUGATAKE, we have been able to maintain the cost rate based on the conventional thinking. This is, of course, because some parts are made of wood and there are architectural and structural issues. As for the future, we are still in a situation where the cost of goods is still rising, and I think it will continue to rise for the next two years or so.

In fact, we have strategically set the same price for TAKAYAMA, BIWAKO, and NIKKO, which are part of the SANCTUARY COURT series, so even if we look at just these three facilities, the cost rate has changed significantly over the past three years. As for the future, we are thinking of passing on the price for each property, so from the next property, the asking prices will change again.

However, that's not the only problem. We are currently offering our products with consideration of building confirmation, but last year, a rule was created that requires the owner to take responsibility for unavoidable increases in construction costs and raw material prices. Until now, the cost could be predicted within the initial contract, but from now on, it is entirely possible that the construction costs will increase even after confirmation and revision, or, to take the extreme case, after the contract is signed or construction has begun.

In terms of sales, therefore, if all selling out before construction is completed, which would be very nice now, there will be a risk that the cost will go up after it is sold out completely. Therefore, we need to consider how much of that extra portion can be passed on to the price.

For example, sales could be divided into several phases, with a percentage by the start of construction and a percentage by the completion of construction, to achieve a balance. Or, if it is difficult with just one facility, we have all these facilities available, so we'll adjust the cost across the board, including the existing facilities mentioned earlier. We are cautiously considering whether there will be differences in the plan, unless the entire project is reviewed two or three times during the year.

Sekine [Q]: My name is Sekine of Daiwa Securities. I have two questions, and I would like to ask them together.

The first is regarding the project with Mitsubishi Corporation. Last year, you partnered with Mitsubishi Estate Residence, and I believe that your partnerships with outside partners have become quite prominent. Looking to the future, what are some of the areas in particular where you should work together with outside parties to promote business? Or what kind of things should your company do on its own? What criteria do you use to decide these points?

The second question is regarding capital efficiency. I think this is probably about to be updated in the medium-term plan starting next fiscal year. I think you have been able to bring forward profits more than you had expected. Do you think this current ROE level of 12% is the best you can do? I think the profit plan for the current fiscal year is based on labor costs and other expenses being brought forward. Do you see room for another improvement?

Fushimi [A]: First, regarding partners. As I mentioned earlier, Mitsubishi Corporation has an overseas network and know-how in importing and exporting medical equipment, which we do not have.

In the case of Mitsubishi Estate, we specialize in resorts. On the other hand, as developers of the city center, they have a completely different amount of information than we do.

One thing is if there are companies that have such complementary aspects, of course, this is true for new businesses, but also for services to our members. So, one thing is whether they can be complementary to us or not.

Another thing is whether we both have a wealthy market and can cross-sell to each other. We need to know if the cross-selling content will be beneficial to our members or not. We believe that these two are the most important criteria for making a decision.

Regarding the second point, capital efficiency, it is difficult to say what percentage we will be at the next stage, but we can certainly see 12% in sight and can see that we can solidify it, so we would like to determine to what extent we can meet your expectations when we announce next fiscal year's results in H2.

Moderator [M]: Now that it is time, we will conclude the financial results briefing. Thank you very much for your participation.

[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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