



Resorttrust, Inc.

Q3 Financial Results Briefing for the Fiscal Year Ending March 2025

February 14, 2025

Event Summary

[Company Name]	Resorttrust, Inc.	
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[Venue]	Dial-in	
[Venue Size]		
[Participants]		
[Number of Speakers]	3	
	Ariyoshi Fushimi	President
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	Hirofumi Oda	SMBC Nikko Securities
	Satoru Sekine	Daiwa Securities

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Presentation

Moderator: Thank you for taking time out of your busy schedule today to participate in this conference call with Resorttrust, Inc. Today's conference call was attended by President, Mr. Ariyoshi Fushimi, with IR representatives, Mr. Makino and Mr. Honda, in attendance. President Fushimi will now present the Q3 financial results, followed by a Q&A session. The entire event, including the presentation and Q&A session, is expected to take approximately one hour. The presentation materials are available on our website.

We will now begin the explanation. President Fushimi, please go ahead.

3Q FY2024 Financial Summary

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

3Q FY2024: Net sales 197.6 billion yen and Operating income of 25.7 billion yen

• Continued from the first half of the fiscal year, 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, sales are steady. Medical Operations marked record-high sales and income in the nine-month period.

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

Contract Values of Membership 3Q FY2024 89.0 billion yen :

Total for Hotel, Medical, and Golf

• Hotel membership contract value totaled 82.0 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 nine month period of 64.2 billion yen attained in the previous fiscal year by 27%.

• Medical membership contract value reached 6.5 billion yen, surpassing the record high for the nine-month period of 6.3 billion yen attained in the previous fiscal year.

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

FY2024 revision target: Net sales of 247.0 billion yen and Operating income of 26.0 billion yen

• Revenue from real estate sales was realized during the October-December period, following the opening of SANCTUARY COURT BIWAKO. With strong membership sales and steady operations expected to continue throughout the current fiscal year, the company plans further investments in human capital, repairs and maintenance, etc. during the fiscal year and announced today an upward revision of its earnings forecasts for the second time in the fiscal year.

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

• The year-end dividend is planned to be 33 yen (annual dividend of 60 yen), up by 2 yen from the revised forecast in November, which was already 4 yen higher than the initial target of 27 yen.

A record-high annual dividend is expected.

1

Fushimi: Hello.

I am Fushimi from Resorttrust. I will first provide a brief summary based on the materials you have on-hand.

Please look at page one. In the fiscal year ended December 31, 2024, we achieved record highs in both sales and profits, with consolidated net sales of JPY197.6 billion and consolidated operating income of JPY25.7 billion.

The main factor was the strong performance of the membership business in Q3, following H1. Price revisions and increased sales of existing properties have also contributed to higher profit margins. However, the hotel sector was significantly affected by the earthquake and typhoon in H1. Although the increase in personnel expenses for investment in human resources and the recording of repair and maintenance expenses have

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reduced profits compared to the previous year, the business has been basically strong. In the medical business, both sales and profits reached record highs in Q3.

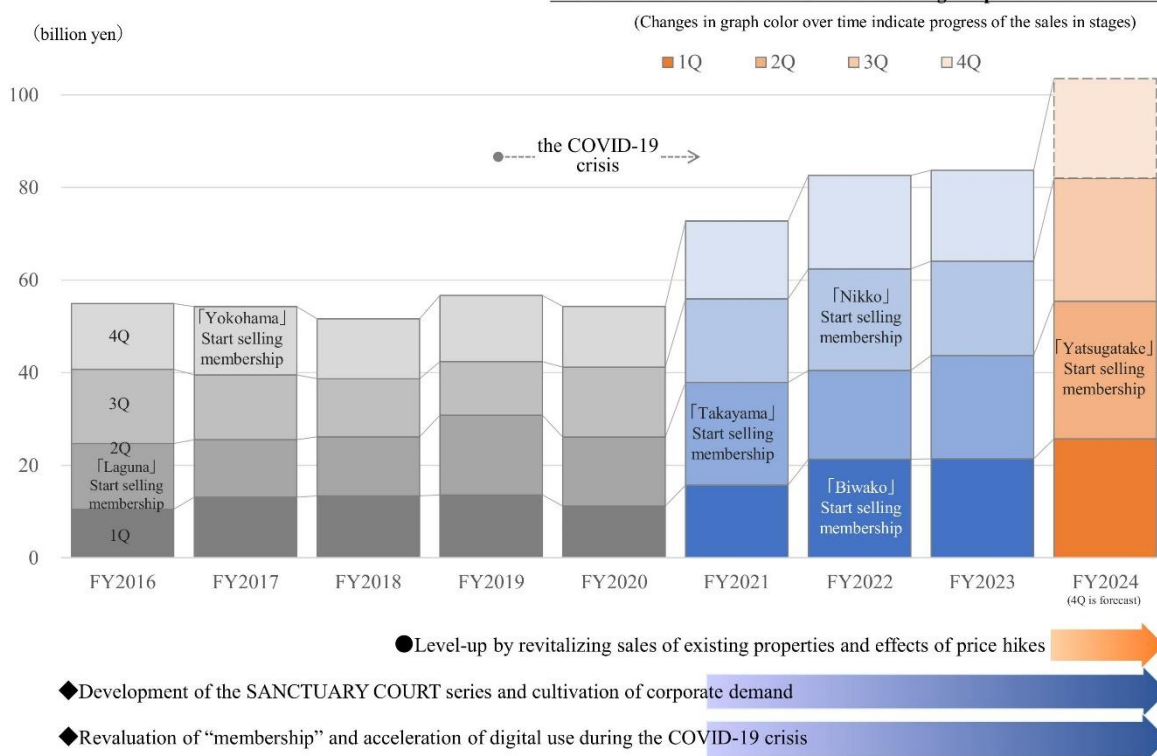
Second, the total contract amount for hotel, medical, and golf memberships was JPY89 billion, and the contract amount for memberships reached a record high for the fourth consecutive fiscal year. After all, SANCTUARY COURT in YATSUGATAKE started sales this August, this was a very strong performance, and the purchase and resale of existing properties, which we strategically tried for the first time this fiscal year, made an even bigger contribution, resulting in a 27% increase over the previous year's record. In addition, medical services also performed very well, with medical contract volume exceeding the previous record.

As a result, consolidated net sales at the end of this fiscal year will be JPY247 billion, and consolidated operating income will be JPY26 billion, which we revised upward again in November. We are aiming for a record-high sales item for the year. Accordingly, the year-end dividend was revised upward. The Company raised its initial forecast of JPY27 per share by JPY4 per share to JPY33 per share, an increase of JPY2 per share over the revised forecast made in November. At JPY60 per share for the year, we are pleased to announce that this is also our highest dividend ever.

Progress of Hotel Membership Sales in Stages

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【Trends in hotel contract volume (by quarter)】 . . . **The hotel contract volume has been in a new incremental stage since FY2021, and the base volume further increased during the period under review.**



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Next, on page two, in terms of hotel membership, as you can see, the first stage is to provide corporate services that meet the needs of customers in the wake of the coronavirus pandemic, as well as privacy spaces. The SANCTUARY COURT series, which has been further enhanced, has grown by one major step. In addition to this, in 2024, we continued to respond to the needs of the post-corona era, and we are seeing a significant effect from the revitalization of sales of existing properties and the effect of price increases. This is also, as I mentioned earlier, a post-corona need, and it is the sense of value for money and the fact that it is limited to domestic customers. I think this is a new need, especially in this area, that has resonated with all the new customers.

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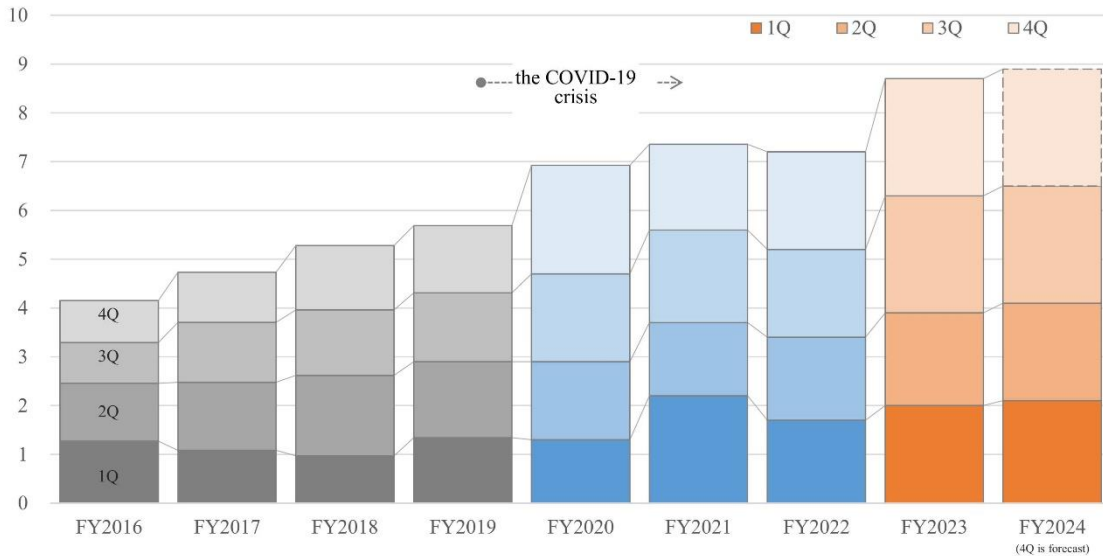
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Continuous Growth of Medical Membership Sales RESORTTRUST GROUP

【Trends in HIMEDIC contract volume (by quarter)】 . . . **In addition to stable and continuous growth for some time, the HIMEDIC contract volume has increased while incorporating the needs of society.**

(billion yen) (Changes in graph color over time indicate progress of the sales in stages)



- Development of new locations, introduction of well-being medical examinations, and pricing of new products
- ◆ Growing interest in underlying disease and prevention during the COVID-19 crisis
- Continuous enhancement and spread of group synergy in line with an increase in group membership

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Continuing on, page three is about memberships in medical. It was thought that corona would also stall the market, but it was still a sign of increased interest in underlying diseases and prevention. After corona, we introduced well-being check-ups from the perspective of prevention. In response to [inaudible] power-up in the content of the inspection, the price has been reviewed, and the medical service is currently growing in two stages, first by corona and then by after corona, just like hotels.

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Financial Highlights 3Q FY2024 (April to December)

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【Financial Highlights 3Q FY2024】

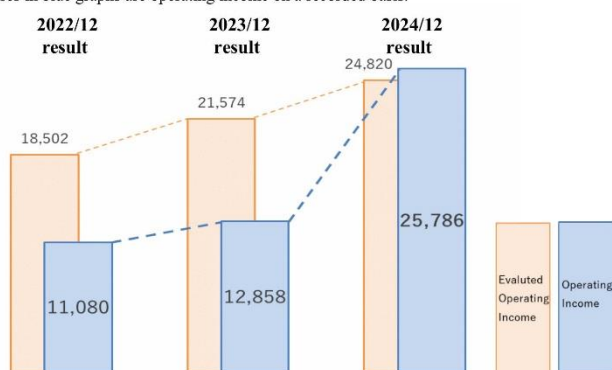
(Million yen)

	2022/12 results	2023/12 results	2024/12 results	YoY Difference
Net Sales	128,601	135,840	197,684	+45.5%
Operating Income	11,080	12,858	25,786	+100.5%
Ordinary Income	11,476	13,219	25,925	+96.1%
Net Income	14,907	9,567	18,083	+89.0%
Evaluated net sales	155,022	163,068	184,986	+13.4%
Evaluated Operating Income	18,502	21,574	24,820	+15.0%

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

【3Q FY2024 Historical 3-Year Trends in Evaluated Operating Income】

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



• 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.

• Although the results for the period under review include revenue recorded following the opening of SANCTUARY COURT BIWAKO in October, even the real performance after correction of the deferred recording indicates a significant year-on-year growth of 15%.

• Net income in 2022/12 results includes an extraordinary income generated from the sale of non-membership hotels.

(Reference)

*Evaluated Operating Income => Performance with special accounting factors restated as actual values

- Addition of deferred real estate income from unopened properties (Not accounted for until opening)
- Subtraction of the portion of real estate revenue realized at the time of opening. (The portion of revenues associated with sales up to the previous period)
- the change in revenue recognition standards for medical memberships. (evaluated using the previous method)

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First, here are the financial highlights on page four. Again, sales increased 45% over the previous year to JPY197.6 billion, and operating income increased 100% to JPY25.7 billion. Ordinary profit was plus 96% to JPY25.9 billion. Net income was also positive 89% to JPY18 billion. In addition, evaluated sales increased by 13% to JPY184.9 billion. Evaluation operating income was similarly positive, up 15% to JPY24.8 billion. The financial highlights are like this.

As you can see in the table below, in the past, we have been showing the volatility of deferred realizations in our evaluations in order to have a clear understanding of our ability. However, now we have a situation where the deferred and realized profits are almost equal and stable, and the profits and evaluations are in line with each other.

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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 26.0 billion yen, up 23.1% 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 (2025.2)	Initial Target (2023.5)
Net Sales	169.8	201.8	247.0	230.0
Operating Income (initial target)	12.2	21.1 (18.0)	26.0 (20.0)	23.0
Operating income growth rate	+41.2%	+72.1%	+23.1%	-
Ordinary Income	13.2	21.8	26.3	23.0
Net Income	16.9	15.8	17.7	15.0
ROE	15.4%	12.9%	13.3%	Aim for 12%
Evaluated Operating Income	22.3	23.8	27.8	Projected to be about the same as operating income

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Please refer to page five. As I mentioned earlier, [inaudible] in light of this, we have revised our forecast for the current fiscal year to JPY26 billion in operating income. As for ROE, we have set the ROE at 13.3%, which means that we have already achieved the target for the fifth year of the original midterm plan. We would like to start rolling out a new medium-term plan from next year and present it again, and we have already generated operating income, ROE, and so on. In addition, I would like to present one more strategy for growth, which will be in May.

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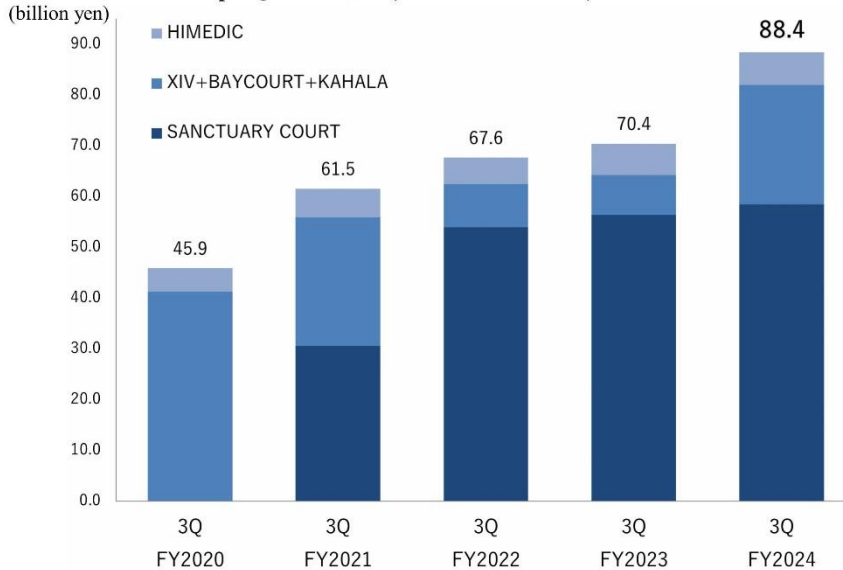
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Financial Outline (1) Contract Values of Membership 3Q FY2024 (April to December)

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【 Contract Values of Membership 3Q FY2024】 (Hotel + HIMEDIC)



Contract volume for the period under review saw a sharp growth of more than 25% year on year due to the effect of the launch of SANCTUARY COURT YATSUGATAKE in August and a robust increase in contract volume for XIV and Baycourt. While sales of YATSUGATAKE remained strong, inventories of existing properties also maintained certain levels. New properties are expected to be launched around the end of the fourth quarter.

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

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Page six is the contracted amount. This is also a bit characteristic of the SANCTUARY COURT, the darkest part of which is now the mainstay of the project. The inventory of these properties has been a problem, and they continue to sell almost as soon as they are put on the market. The biggest growth this time has been in the XIV and Baycourt. It also means that existing properties have grown significantly. This leads to the purchase and resale mentioned earlier, and I would say that this part is very distinctive.

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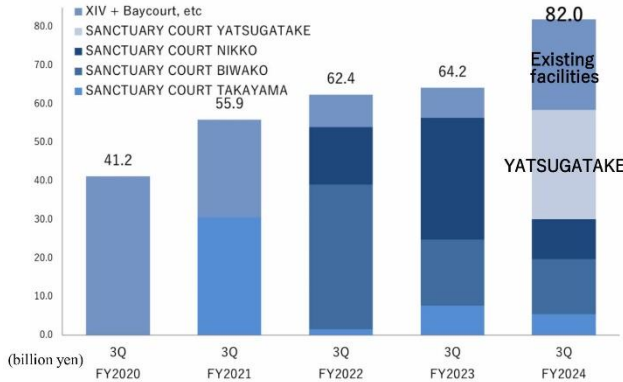
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Financial Outline (2) Membership Segment Contracts

(April to December) RESORTTRUST GROUP

【Contract volume by brand】 XIV and Baycourt increased during the period.



【Selling mainly SANCTUARY COURT series】



Takayama
Opened in March 2024
121 rooms



Biwako
Opened in October 2024
167 rooms



Nikko
Scheduled to open in February 2026
162 rooms



Yatsugatake
Scheduled to open in March 2027
80 Rooms
Progress rate of contract: 66%

< Progress rate of contract (cumulative): Takayama, Biwako, and Nikko nearly reached the initial total contract amount. >

*Including the effect of price revisions

Hotel membership sales inventory as of 31 December: 31.2 billion yen

【Progress of contract values using digitalization】

Steady increase in distribution partners and contracts each year.



【Referral contracts (via hotels, financial institutions, etc.)】



Page seven is by product for that hotel. In Q3, the focus was on YATSUGATAKE, but we expect YATSUGATAKE to be almost completely sold-out by the end of Q4. There is no change in the trend, that new products will still be the main focus in the next fiscal year, the contract volume from the use of digital generation, which I have been explaining for some time now, in the area of increasing overall productivity, the contract signing from the prospect management using [inaudible]. The two major trends, referrals to hotel guests on the right and referrals from financial institutions, are growing at a faster pace than ever before, especially in the area of digital utilization. We believe that these two will account for about half, or 50%, of the total growth in the next few years.

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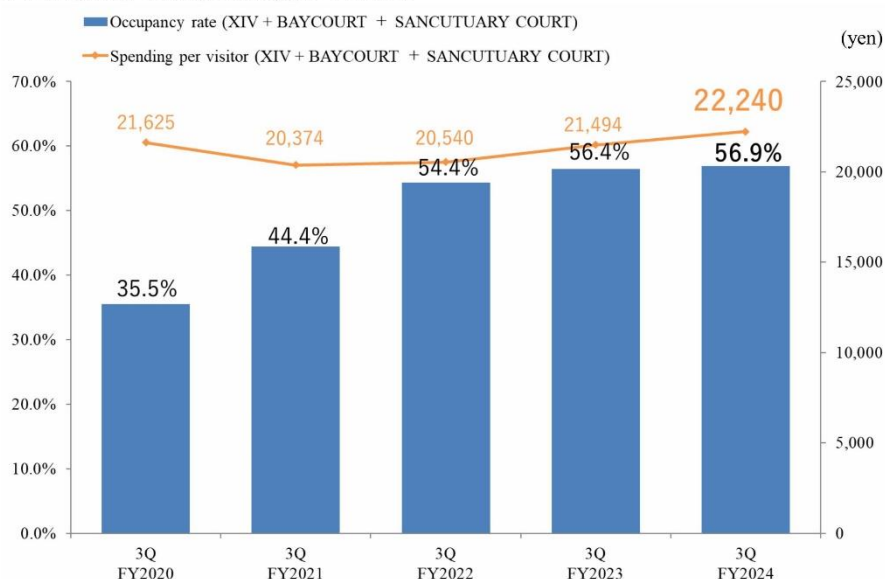
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Financial Outline (3) 3Q FY2024 Occupancy rate/Spending per visitor (April to December)

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【3Q 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 in the nine-month period remained on the rise.
 • The unit price also rose solidly year on year despite diminishing effects from the price revisions of November 2022.
 (In 3Q FY2020, unit prices were on the rise due in part to lower utilization rates at COVID-19.)
 * The spending per visitor of 3Q FY2020 to 3Q FY2023 was recalculated in accordance with the calculation method for the period under review.

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Please see page eight for the contents of the human environment. First, the occupancy rate, I mentioned earlier, this fiscal year, we were particularly affected by typhoons during the busy summer season, as well as earthquake information. We have managed to capture the previous year. We have been able to increase the unit price as we had hoped, partly due to a review of prices and other factors.

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Financial Outline (4) :Progress of Priority Measures in this Medium-Term Plan

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* Underlined are changes/progress from latest quarter.

Enhancing earning power and improving profitability

- Revision of membership prices: June 2023 (SANCTUARY COURT +5%) and April 2024 (existing properties +10%)
- Start of sales of new hotels: Start of sales "YATSUGATAKE" in August, and plan to start of sales another new facility in second half of 4Q.
- Penetration of web-based reservations and smart check-in/out ⇒ Web-based reservation rate is rising, target 50%.
- Roll-out of new HIMEDIC facilities: Opened Osaka Nakanoshima Course in August and Midtown East Course in October, and plan to open Yokohama Course.
- Announced a plan for the first new senior residence property in the central Tokyo, and also concurrently considering the second and third properties.
- Concluded agreements with overseas clubs on facility mutual use.
- Established a joint venture with Mitsubishi Corporation on January 2025.
- Expansion of sales channels (increase in prospective customers) and enhancement of efficiency in sales activities including the promotion of contracts using digital methods.
- Official LINE account: Increased the number of "friends" (Increased from 215,000 as of March 31, 2023 to 386,000 as of December 31, 2024)

Human resources • Sustainability

- Improvement of compensation: Across-the-board pay + wage hike, lump-sum payment linked to business performance, revise the system of long breaks during the shifts of employees, and dormitory maintenance and repairs carried out.
- Conducted to grant treasury shares to employees through the Resorttrust Employee Shareholding Association.
< ES/engagement score increased. >
- Enhancement of recruiting activities: Referral hiring, on-the-spot hiring, hiring of foreign nationals, etc.
- Solar power generation installed at all locations, Registered as "TNFD Adopter" (announced as "Early Adopter" in Davos)
- Holding of regular sustainability forums and deliberation on activities in cooperation with the community and customers
- Launch of inter-sectional cross-training • In June 2024, Appointment of 2 women and 2 men as new executive officers
- Active roles played by human resources: A head bartender at XIV Arima Rikyu won the world championship at a competition sponsored by Hennessy Group.

Capital efficiency • Governance

- Appointment of 3 new Outside Directors in June 2023 to strengthen the governance system and improve the independence of the Board of Directors
- Realization of management that emphasizes capital efficiency even more towards the target ROE of 12%: Already conducted 3.0 billion yen share buyback in July 2023
- Resorttrust selected for inclusion in the MSCI Japan ESG Select Leaders Index in FY2023 in addition to the MSCI Japan Empowering Women (WIN) Select Index
- Resorttrust's rating was upgraded from BBB+ to A- in the credit rating by Japan Credit Rating Agency (JCR).

Promote the new medium-term management plan "Sustainable Connect"

9

Page nine shows the progress of priority measures in this midterm plan. As you can see, we are almost on schedule with the opening of new facilities, starting with a review of prices, new recruitment, digitization of facilities, et cetera.

Depending on the situation, a new need that has arisen is the inbound business with Mitsubishi Corporation, which started in January this year. The newest topic is the establishment of a joint venture company for medical check-ups.

In the areas of productivity, human resources, and sustainability, we have been promoting measures to reform workstyles, as well as DX for productivity improvement, et cetera. We expect these measures to contribute to profits from the next fiscal year. Capital efficiency, at the bottom of the list, was upgraded to A- in JCR's credit rating this fiscal year.

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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 December 31: 28.4 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 opened 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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Please see page 10 for an overview of the new hotel. The YATSUGATAKE property you are looking at went on sale in August, and SANCTUARY COURT opened on October 29. The facility has been in operation since its opening and is currently operating smoothly.

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Financial Outline (6) : Expansion of medical operations (opening of HIMEDIC courses/consideration of business partnership) RESORTTRUST GROUP

【HIMEDIC Osaka Nakanoshima Course opened on July 31】

Start of sales: December 8, 2023

Number of units offered for sale: 5,760 (number of members at the end of December 2024: 1,953 units)

The Nakanoshima Course has been set up in the Medical Center for Healthcare Innovation in Nakanoshima Qross, a hub for the industrialization of healthcare innovation, the formation of which is being promoted by Organization for Advanced Healthcare Innovation established by the Osaka Prefectural Government and private companies. It offers enhanced well-being examinations.



【HIMEDIC Midtown East Course opened on October 28】

Start of sales: April 8, 2024

Number of units offered for sale: 4,950 (number of members at the end of December 2024: 850 units)

The first introduction of a standing CT scanner and a PET system for head and breast.

*The Resorttrust Group performed head PET scans to examine signs of Alzheimer's dementia and other forms of disease for the first time.



Standing CT scanner Image

PET system for head and breast (headshot mode)

【Overseas expansion of Medical Operations with Mitsubishi Corporation】

The Resorttrust Group establish a joint venture with Mitsubishi Corporation to expand its Medical Operations overseas by leveraging Mitsubishi's overseas networks and technologies. The two companies will promote overseas expansion of the medical service model for Japan's affluent population, in which the Group has an edge, primarily in Asia. <2025.1 Established a joint venture>



11

Page 11 is the current status of medical. Two locations, HIMEDIC Osaka and Midtown East, have begun accepting applications for this term. This is also going well. As for the development with Mitsubishi Corporation, which I mentioned earlier, we officially established a joint venture in January. This is a total of 28 HIMEDIC centers that we have, and they are health check-up centers. The goal is to expand profit margins by taking advantage of vacancies in the current holiday modality, beyond that, specialized inbound facilities for overseas visitors. We plan to work together to develop not only medical check-ups, but also advanced treatments, preventive medicine, et cetera.

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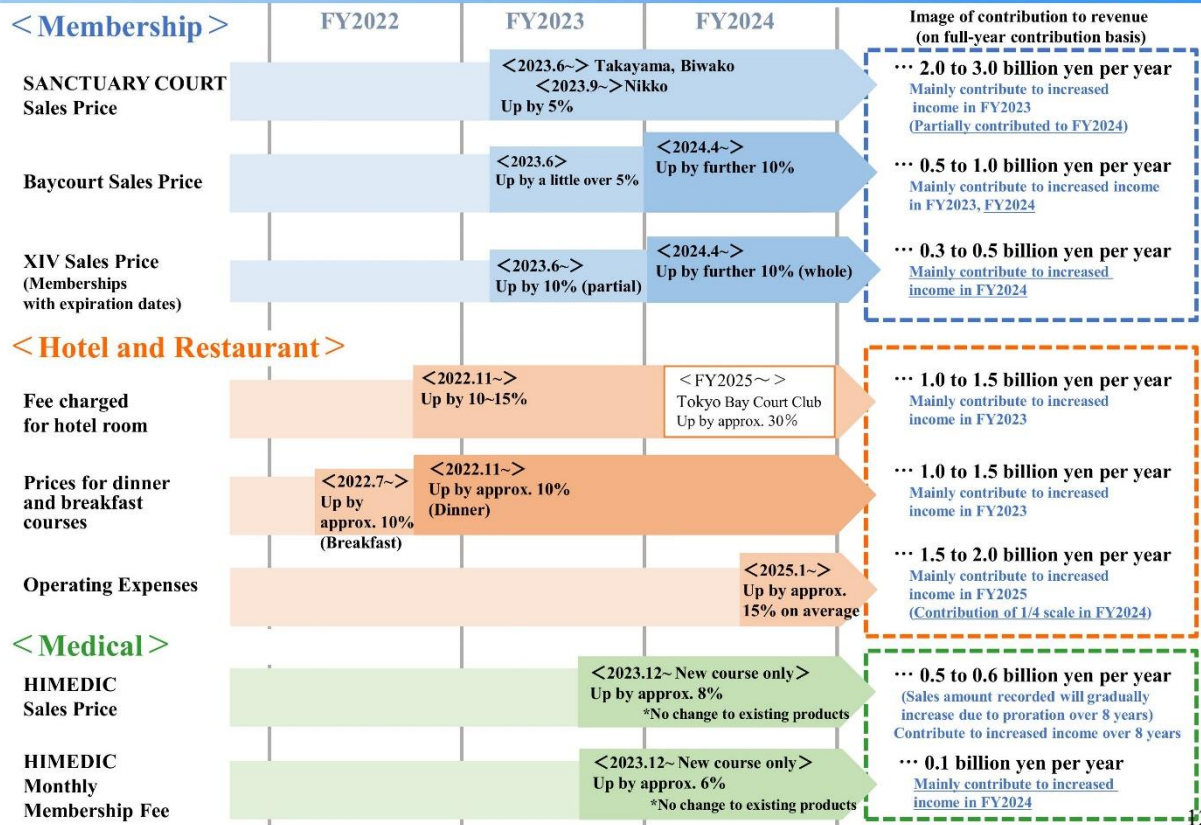
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Financial Outline (7) :Main product and service price revisions

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Page 12 shows the current status of our price pass-on amid the rising cost of labor, which we have already done and plan to do. Here is what we consider to be the status of service price revisions, memberships, of course, but also room and board in hotel restaurants, and management fees, in medical as well, membership fees. In addition, we plan to gradually revise the prices of memberships themselves to ensure a solid profit margin.

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Segment Sales and Operation Income FY2024

3 main business segments

(April to December) RESORTTRUST GROUP

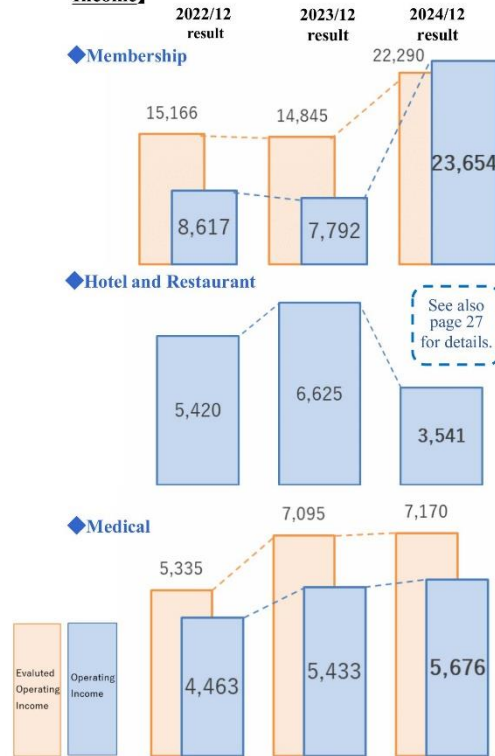
【Segment Sales and Operation Income 3Q FY2024】 (Million yen)

		2022/12 results	2023/12 results	2024/12 results	YoY Difference
Membership	Sales	26,517	27,735	80,689	+190.9%
	Operating Income	8,617	7,792	23,654	+203.5%
Hotel and Restaurant	Sales	68,260	72,574	78,446	+8.1%
	Operating Income	5,420	6,625	3,541	(46.5%)
Medical	Sales	33,276	35,000	38,025	+8.6%
	Operating Income	4,463	5,433	5,676	+4.5%

		2022/12 results	2023/12 results	2024/12 results	YoY Difference
Membership	Evaluated net sales	52,066	53,301	66,497	+24.8%
	Evaluated Operating Income	15,166	14,845	22,290	+50.1%
Medical	Evaluated net sales	34,148	36,662	39,519	+7.8%
	Evaluated Operating Income	5,335	7,095	7,170	+1.1%

- Membership: The company implemented initiatives to secure sales inventories of existing properties. A positive trend continued, with the new product YATSUGATAKE launched in August slightly ahead of schedule. The company posted revenue and expenses in November related to the opening of BIWAKO, which totaled around 8.0 billion yen.
- 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 aggressive investment 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. (1.5) 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.

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



13

Page 13 shows segments. As I mentioned earlier, memberships are growing steadily at record highs in medical, but in hotels and restaurants, there is still the negative impact of the busy season I mentioned earlier. We are not able to fully absorb the rise in labor costs and other factors, resulting in a negative operating income. We believe that we can steadily increase this.

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Group's Development Schedule

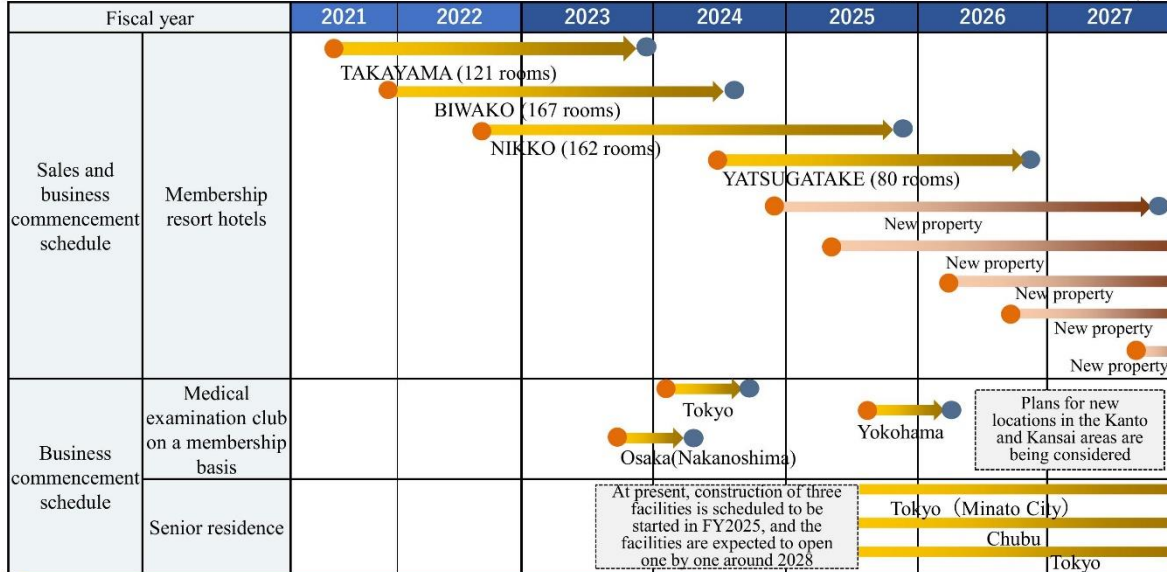
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■ Following the three SANCTUARY COURT properties, hotel development is planned at a pace of approximately 1~1.5 facility per year from FY2024 onward.

■ HIMEDIC is scheduled to open in two locations in FY2024 and one in FY2026, leading to the establishment of 42,000-unit structure.

< Sales and business commencement schedule > *Subject to change in the future

● Commencement of sales members ● Commencement of business and acquisition (Include pre-contractual projects)



At least seven new membership resort hotels are currently under consideration for development from FY2024 onward (including projects with land not yet acquired), and other potential sites are also under continued consideration. In parallel with them, reinvestment (renewal/rebuilding, etc.) in the former XIV properties will begin to be considered one by one, from this Medium-term Management Plan period.

14

Page 14 is the development schedule. YATSUGATAKE has started accepting applications as planned. In this Q4, we had planned to start accepting applications for the new Kanazawa product in January, but this has been delayed slightly. This has affected our sales a little, but we expect to be able to start recruiting during the fiscal year ending March 31, so we should be able to connect with our inventory without any problems. Since then, another property is scheduled to begin accepting applications in the next fiscal year.

Medical will also begin accepting applications for Yokohama in the next fiscal year. Senior residences are also doing well, with new properties now being planned in parallel in Tokyo, Nagoya, and Osaka.

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Revised Business Forecast for FY2024

*Upward Revision of Full-Year Earnings Forecasts (February 14, 2024)

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* Underlined are changes from revision targets as of Nov.

<Consolidated Targets>

	FY2023 results	FY2024 revision targets (As of Feb.)	Change
Net sales	201,803	<u>247,000</u>	+45,196
Operating income	21,119	<u>26,000</u>	+4,880
Ordinary income	21,807	<u>26,300</u>	+4,492
Net income	15,892	<u>17,700</u>	+1,807
Evaluated Operating Income	23,899	<u>27,800</u>	+3,901

<Operating Income by Segment (before allocation)>

		FY2023 results	FY2024 revision targets (As of Feb.)	Change
Membership	Sales	58,701	<u>92,090</u>	+33,389
	Operating income	18,798	<u>27,020</u>	+8,222
	Evaluated Operating Income	20,179	<u>28,220</u>	+8,041
Hotel and Restaurant	Sales	95,492	<u>103,370</u>	+7,878
	Operating income	4,494	<u>1,800</u>	(2,694)
Medical	Sales	46,899	<u>50,900</u>	+4,001
	Operating income	7,164	<u>7,520</u>	+356
	Evaluated Operating Income	9,679	<u>9,220</u>	(459)
Other	Sales	710	<u>640</u>	(70)
	Operating income	767	<u>830</u>	+63
Head office costs	Operating income	(10,105)	<u>(11,170)</u>	(1,065)
	Sales	(11,221)	<u>(12,270)</u>	(1,049)
Total	Sales	201,803	<u>247,000</u>	+45,197
	Operating income	21,119	<u>26,000</u>	+4,881
	Evaluated Operating Income	23,899	<u>27,800</u>	+3,901

*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: 104.1 billion yen
(One new property to be launched in addition to the release of Yatsugatake)
 - Contract Values of HIMEDIC
FY2023: 8.7 billion yen FY2024: 8.5 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 +7.4 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 (7.5) billion yen (Nikko, Yatsugatake, new property)
 - Opening-related expenses
FY2023: (1.1) billion yen FY2024: (1.1) billion yen
 - Operating and maintenance costs (including dormitories)
FY2023: (4.0) billion yen FY2024: (4.9) billion yen
- *In preparation for the conversion of all lighting fixtures to LEDs by 2027, replacement of them is scheduled during this fiscal year in advance. The costs are expected to increase by 0.7 billion yen from the initial budget. In addition, a 600 million scale of facility repair is scheduled to be added in the 4Q.
- Head office costs (recording of bonuses as corporate expenses)
FY2023: 0.5 month's compensation is recorded as a year-end bonus in head office costs
FY2024: An across-the-board amount is recorded as a lump-sum allowance in head office costs
 - Hotel occupancy rate
XIV •••FY2023: 55.9% FY2024: 55.2%
BCC•••FY2023: 52.7% FY2024: 54.2%

15

The last page, page 15, is a review of the revised plan for the fiscal year just ended, net sales JPY247 billion, operating income, JPY26 billion, ordinary income, JPY26.3 billion. We have revised upward our full year forecast, with net profit of JPY17.7 billion. This is the end of my brief presentation.

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Question & Answer

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

We will now begin. Mr. Kuwana from Mizuho Securities, please.

Kuwana [M]: Thank you. I am Kuwana from Mizuho Securities.

Fushimi [M]: Yes, please.

Kuwana [Q]: I would like to ask two questions. First, I have a question regarding the forecast of hotel membership contract volume for the next fiscal year. I would like to ask you a question because I am a little concerned about the reactionary decline in the next fiscal year, when memberships have been so good this fiscal year. Should we expect a decrease in contract volume in the next fiscal year because of the scarcity of these purchase and resale memberships, which are easier to sell than the usual uncompleted projects, or does the volume of membership resale mean the same amount of sales, where most of the construction has not yet been completed? From a slightly different perspective, can we also expect an overall increase in unit price, so that the number of sales will fall but the contract value itself will be maintained? Can you tell us about the outlook for hotel contract volume for the next fiscal year, as far as you can tell us at this time?

Second, I have a question about the price increase for hotel operations on page 12. You have listed a price increase of about 30% at Tokyo Baycourt, which I think is reasonable considering the location and the surrounding market. I would like to ask about the situation of other hotels in terms of price pass-on, and I would like to know what the future price increase policy is for each brand of XIV and Baycourt or for each region, whether there is room for price pass-on in such places, but not in such places, et cetera. I would like to know what your policy is on raising prices in the future. These are my two questions.

Fushimi [A]: First of all, we expect the unit price of contracts to rise further in the next fiscal year. We are basically considering [inaudible] productivity to be the same, so we are basically considering it to be an increase compared to this fiscal year. Regarding the purchase and resale of existing facilities that I mentioned, we plan to continue to do so on a regular basis each year, applying a certain quota for resale, while keeping an eye on utilization. In addition, from next term, we are currently reviewing the price of new membership, and we also plan to review the existing properties as a whole from next term, so we expect growth [inaudible] to continue at the current level of contracts.

As for the hotel price pass-on, as I mentioned earlier, we have announced a review of the room charge for the Baycourt and other facilities. The room charge will be handled according to the situation at each facility. We will deal with each case individually, taking into account the situation at the hotels in the area. Therefore, we are already considering specific price increases for the next series of Baycourt, especially the Baycourt Rikyu series, et cetera.

Another point is the overall price review of meals and other items, which was implemented simultaneously about 2 1/2 years ago. We plan to introduce another price review in the next fiscal year. However, not only this course, but also the needs of our customers, are diversifying, so although the overall price of the course will increase, we will be able to offer à la carte meals for seniors, room service, such as boxed lunches, at a slightly cheaper price for corporations, and breakfasts, that are not only in the current form, but also in the continental style. As we increase the number of options, we would like to take a strategy to increase the unit price without dropping [inaudible], starting in Q1 of the next fiscal year. That is all from me.

Kuwana [M]: I understand very well. Thank you very much.

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Moderator [M]: Next, Mr. Oda from SMBC Nikko Securities, please.

Oda [Q]: Thank you very much. This is Oda from SMBC Nikko Securities. I would like to ask two questions. I would appreciate it if you could answer one question at a time.

The first is about human resources sustainability. I think you made some comments on page nine of the document. In this section, you commented that you will promote DX for workstyle reform and productivity improvement, and expect this area to contribute to profits in the next fiscal year. There may be some overlap with your explanation, but could you please explain what went wrong in the current fiscal year, and what you can expect or need to do to improve productivity in the next fiscal year?

Fushimi [A]: Okay. First of all, regarding human resources, I would say that it started the year before last. The situation overseas is very difficult. We took 300 [inaudible] people from the web and also about 600 new graduates. It is a very large-scale recruitment of around 1,000 people. Regarding this, to be honest, we have managed to increase the number of workers, but productivity has not yet improved. We have been promoting education on this topic.

However, as for people from overseas, they are still limited to working in the backyard, so we will provide language education to enable them to provide services in front of customers. This also becomes a problem with regards to residency status at the moment. If the status of residence they have is for cooking, for example, there is the problem that they cannot do things like cleaning rooms. That is a new visa, too. We will encourage visa acquisition, multitasking, and other activities, to increase productivity by asking overseas workers to do so as well.

In addition to the overseas visitors we mentioned earlier, there are also places like Dubai, where multitasking and taking breaks are common, and the situation differs from hotel to hotel, but there are places where it is being put into practice and places where it is not. Of the 44 facilities we currently have, it has become clear that the GM is still the most important factor. From next term, we will introduce a system of annual pay for each facility, and by incorporating this into the evaluation system, we will be able to look at this area more closely.

Therefore, the headquarters, the field, and the head office, will work in unison to address this issue. For education, et cetera, of course, we have our head office, and also for people overseas, we have such a consultation service and an education department. We currently have employees from Myanmar and the Philippines. We will also be responding to these people on the head office side, and our main focus in the next fiscal year will be to try to increase overall productivity. I hope it answers your question.

Oda [Q]: Thank you very much. Second, since this is a midterm plan, I understand very well that we have to wait until May. ROE, you explained that the target for this fiscal year is 13 points higher than the target of 12, and that you will consider raising the target again based on that. It's just a matter of thinking, but I think that your company's profit margin will probably increase a little more, including the improvement in the profitability of the hotel restaurant and the price revision that you mentioned earlier.

Looking at the cash itself, most of your properties are sold-out by the time they open. Given that cash collection itself is probably faster than in the past, I think it will be a discussion about how you allocate your spending. To put it simply, I think that if you have to invest from here or if it is necessary, on the other hand, you will also have to think about how to manage your cash position, including returning profits to shareholders. I would like to ask you if you have any thoughts or ideas about this area. It's okay to say as much as you can now. This is my second question.

Fushimi [A]: Now it's not easy to speak formally here. As for my thoughts, I would like to set a target of 15% for the medium-term management plan, for ROE. Also, as for cash, it has been a long time that we have been

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trying to invest in new businesses, but have not been able to do so. There are currently specific cases involving medical and hotel projects. We are now considering investing more aggressively in the next fiscal year in areas that will lead to overall growth and increase the overall profit margin, as well as in areas that will have synergies for our members.

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

Moderator [M]: Any other questions? We still welcome your questions. Now Mr. Sekine of Daiwa Securities, please.

Sekine [Q]: I'm Sekine from Daiwa Securities. I would like to ask you two questions as well. I will ask my other question after your answer. The first is, as Mr. Oda just asked, the hotel part and the people part in particular, I think you have spent a lot of money on consolidating your position, with increased revenue and decreased profits this year.

Regarding to the next fiscal year and beyond, you will be able to start-up new hotels, which will result in solid profits. Especially, SANCTUARY COURT, where you are building a footprint, I think the occupancy rate is quite high. Is it safe to assume that you are entering this phase of improvement, including profit margins, or as you said earlier, if you think that there are still things that have been done and things that have not been done, should more effort be put into improving the system in this area? Please tell me about the hotel's profit first and also how it spends its money.

Fushimi [A]: I mentioned human resources a little earlier when explaining to Mr. Oda, but there is also the part I mentioned earlier, where the DX part is still just an up-front investment. Smart check-in and check-out is still only 20% to 30% of the overall usage rate, so the question is how to increase this rate.

In fact, this is our slightly older type of facility called, Sun Members. Sun Members Atami, a large-scale facility with 200 rooms, 80% of the check-outs have been transferred to automatic calculators and check-outs. We have succeeded in drastically reducing the number of front desk workers, and as a result of this, there are now successful examples of multitasking that have led to zero stepping out. I think that actively promoting this will also be connected to the GM evaluation I mentioned earlier.

Sekine [Q]: I'm sorry for the noise of the children.

Fushimi [A]: No problem. We are thinking about it. Next point is about hiring. Including mid-career hires, there is a turnover of about 500 people per year, on this, for example, cost. There is also the skilled [inaudible] movement. Therefore, the current turnover rate is also on a downward trend, as engagement has increased considerably. That is what we are trying to protect. Also, and this is also related to productivity, but as I mentioned earlier, we have seen a significant increase in sales successes in the use of digital technology to close deals with prospective customers. In fact, we have seen that more than 100,000 prospective customers are served by only about 10 people. One is the operation of the hotel and then sales. It could be a usage promotion or a reservation center. In all, we have about 280 people working on these things, that these could be halved by utilizing the same mechanism and incorporating AI into it.

Another thing I would like to do is to set up a groupwide concierge there to convey new content and raise the unit cost of consumption. This is exactly the same concept in recruitment. For example, we can use the web to reach out to students who have turned down jobs and provide them with the same kind of information when they change jobs, for example. We are trying to enclose various forms in the same way, and now, based on the success of this membership, the operational aspect and then the recruitment aspect. One theme for the next fiscal year is to incorporate this system to improve overall productivity.

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Sekine [Q]: On the other hand, this year, for example, I think there was a considerable improvement in the treatment of the workers, as well as these trials. In particular, I have heard from many major companies that they think it would be better to raise their payrolls to the same level as last year. How is it going with this?

Fushimi [A]: Okay. In the next fiscal year, we expect to achieve the same level of results as in the current fiscal year. As a base, we expect to see a minimum pay rise, and as for the positive side, we will return the profits to our employees and shareholders as we did this quarter, in line with the achievement of our plans. As a result, we hope to maintain the comparative minimum of 5%.

Sekine [Q]: In summary, while costs will continue to be heavy to some extent, the effects of this gradual improvement in productivity will be reflected in the next midterm plan. Gradually and progressively, including the participation aspect of rolling, it becomes more effective in a positive direction. Is this the way you see it?

Fushimi [A]: Yes, that's right. Therefore, we will absorb the cost of the products through price pass-through and productivity.

Sekine [Q]: I see what you mean. Thank you. The other one is a little bit related to your medium-term plan, so if you can't talk about it, that's fine.

I think that the year after next, which is a little further in the future, will be a year in which completed projects, mainly in the YATSUGATAKE area, will be completed, so I feel that the realized profit from completed projects will appear a little lacking this year. When that happens, of course, it may be that you are talking about increasing the profitability of the hotel part, as you have just mentioned, or it may be that you will accelerate the development pipeline.

Perhaps, you are talking about taking JPY10 billion in operating income that you originally stated for the medical business, that you mentioned earlier, to a higher level. What are your thoughts on how to deal with this area, especially now for the fiscal year ending March 31, 2027? What is your image about this?

Fushimi [A]: Currently, the pipeline diagram you saw earlier is on page 14, but in addition to this, as you said, even if we could steadily make one improvement per year, it would still depend on the scale of the project. Each inevitably makes a difference there. This is what I indicated earlier when I talked about evaluation.

If we talk about such things in terms of properties, it is the part that is not listed here, which is even smaller than YATSUGATAKE. It is something that can be done as spot. If we continue to develop in this way, for example, we will be in a situation where there will always be a shortage and four companies will have to sell one set. Depending on each area, we have some smaller ones and some that are already in the planning process. I try not to make it too bumpy, as much as possible, depending on the timing of these things coming in.

One more thing, as I mentioned earlier, the JPY10 billion for medical is basically in place as an extension of the existing system. In response to this, we have naturally seen positive effects from new projects, including those in the past, so if we are looking at the year 2027, we will naturally take into account such effects in creating the overall figures.

Sekine [M]: I see. We look forward to your midterm plan in that area. Thank you very much.

Moderator [M]: Okay. If you have any other questions, we are now accepting questions. Ms. Okumura of Resona Asset Management, please.

Okumura [Q]: I would like to ask about the profit margin of the hotel restaurant division. Excuse me. I apologize for asking such a detailed question, and I understand that the operating profit for the hotel

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restaurant division has been revised downwards for Q2 to Q3. I have heard that you are investing in human resources and other areas as you have explained so far. Is it correct to say that the op margin will reach the level of the hotel restaurant division in your company by the end of the next midterm business plan? Thank you.

Fushimi [A]: Currently, we expect a minimum of 5% to 7%.

Okumura [Q]: I see. Thank you. What appears to be quite low in terms of profit this quarter is the up-front investment. We can understand that you will eventually aim for that figure. I see. Thank you.

Fushimi [A]: I mean, including the [inaudible] rate.

Okumura [M]: Okay. Thank you.

Moderator [M]: If anyone has any questions, please ask. We are still accepting questions.

Okay. As there seem to be no other questions, this concludes the question-and-answer session.

We would like to finish our financial results briefing. Thank you very much for joining us today.

Fushimi [M]: Thank you very much.

[END]

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