

This English translation of the consolidated financial results were prepared for reference purposes only and is qualified in its entirety by the original Japanese version. The financial information contained in this documents are derived from our unaudited consolidated financial statements appearing in item 3 of attached materials.

May 14, 2021

Consolidated Financial Results for the Fiscal Year Ended March 31, 2021 [Japanese GAAP]

Listed company name: Resorttrust, Inc.
 Stock exchange listing: Tokyo Stock Exchange, Nagoya Stock Exchange
 Stock code: 4681
 URL: <https://www.resorttrust.co.jp>
 Representative: Ariyoshi Fushimi, President and COO, & Representative Director
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 and CCO
 Scheduled date for ordinary general meeting of shareholders: June 29, 2021
 Scheduled date for dividend payment: June 30, 2021
 Scheduled date for filing of securities report: June 30, 2021
 Supplementary documents for financial results: Yes
 Financial results briefing: Yes (for securities analysts and institutional investors)
 Live Streaming

1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2021 (from April 1, 2020 to March 31, 2021)

(1) Operating Results

(Millions of yen, rounded down)

(Percentages indicate changes from the previous fiscal year.)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent	
		%		%		%		%
Fiscal year ended March 31, 2021	167,538	5.3	14,707	26.2	17,647	41.5	(10,213)	—
Fiscal year ended March 31, 2020	159,145	(11.4)	11,652	(38.3)	12,476	(36.1)	7,135	(42.3)

Note: Comprehensive income:

Fiscal year ended March 31, 2021: (8,649) million yen [—%]

Fiscal year ended March 31, 2020: 5,981 million yen [(48.7)%]

	Net income per share	Diluted net income per share	Return on equity	Ordinary income to total assets ratio	Operating income to sales ratio
	Yen	Yen	%	%	%
Fiscal year ended March 31, 2021	(95.39)	—	(8.4)	4.4	8.8
Fiscal year ended March 31, 2020	66.65	61.29	5.6	3.1	7.3

Reference: Equity in earnings (loss) of non-consolidated subsidiaries and associated companies:

Fiscal year ended March 31, 2021 (32) million yen

Fiscal year ended March 31, 2020 60 million yen

(2) Financial Position

(Millions of yen, except per share data and percentages)

	Total assets	Net assets	Equity ratio	Net assets per share
			%	Yen
March 31, 2021	407,243	120,791	28.4	1,079.40
March 31, 2020	400,833	132,991	31.9	1,193.69

Reference: Shareholders' equity: March 31, 2021 115,579 million yen

March 31, 2020 127,798 million yen

(3) Cash Flows

(Millions of yen, rounded down)

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of the year
Fiscal year ended March 31, 2021	22,981	(13,577)	22,012	52,756
Fiscal year ended March 31, 2020	19,096	(8,247)	(13,364)	21,376

2. Dividends

(Millions of yen, except per share data and percentages)

	Dividends per share (Yen)					Total amount of dividends (annual)	Payout ratio (Consolidated)	Net assets to dividends ratio (Consolidated)
	First quarter-end	Second quarter-end	Third quarter-end	Year-end	Total			
Fiscal year ended March 31, 2020	—	23.00	—	17.00	40.00	4,334	60.0	3.4
Fiscal year ended March 31, 2021	—	15.00	—	15.00	30.00	3,250	—	2.6
Fiscal year ending March 31, 2022 (forecast)	—	15.00	—	15.00	30.00		68.3	

3. Consolidated Results Forecast for the Fiscal Year Ending March 31, 2022 (from April 1, 2021 to March 31, 2022)

(Millions of yen, except per share data and percentages)

(Percentages indicate changes from the corresponding period of the fiscal year ended March 31, 2021.)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent		Net income per share
		%		%		%		%	Yen
For the six-month period ending September 30, 2021 (cumulative total)	79,800	(7.5)	3,700	(62.9)	3,800	(65.9)	3,000	(47.3)	28.02
For the fiscal year ending March 31, 2022 (full-year)	158,200	(5.6)	7,000	(52.4)	6,700	(62.0)	4,700	—	43.90

* Notes

(1) Changes in significant subsidiaries during the period (Changes in specified subsidiaries : None accompanying changes in scope of consolidation)

New subsidiaries: company (Company name)

(2) Changes in accounting policies, changes in accounting estimates and restatements

- 1) Changes in accounting policies in accordance with revision of accounting standards : None
- 2) Changes in accounting policies other than item 1) above : None
- 3) Changes in accounting estimates : None
- 4) Restatements : None

(3) Number of shares issued (common stock)

1) Number of shares issued at the end of the period (including treasury stock)

As of March 31, 2021 108,520,799 shares

As of March 31, 2020 108,520,799 shares

2) Number of treasury stock at the end of the period

As of March 31, 2021 1,443,266 shares

As of March 31, 2020 1,458,382 shares

3) Average number of shares during the period

As of March 31, 2021 107,071,424 shares

As of March 31, 2020 107,050,404 shares

(Reference) Overview of Non-consolidated Financial Results

1. Non-consolidated Financial Results for the Fiscal Year Ended March 31, 2021 (from April 1, 2020 to March 31, 2021)

(1) Non-consolidated Operating Results

(Percentages indicate changes from the previous fiscal year.)

	Net sales		Operating income		Ordinary income		Net income	
		%		%		%		%
Fiscal year ended March 31, 2021	122,942	10.9	9,123	101.6	11,591	65.1	(19,296)	—
Fiscal year ended March 31, 2020	110,831	(17.6)	4,525	(60.9)	7,021	(45.5)	4,306	(50.2)

	Net income per share	Diluted net income per share
	Yen	Yen
Fiscal year ended March 31, 2021	(180.22)	—
Fiscal year ended March 31, 2020	40.23	36.89

(2) Non-consolidated Financial Position

(Millions of yen, except per share data and percentages)

	Total assets	Net assets	Equity ratio	Net assets per share
			%	Yen
March 31, 2021	326,199	77,677	23.7	722.50
March 31, 2020	324,532	98,176	30.2	914.07

Reference: Shareholders' equity: March 31, 2021 77,364 million yen
 March 31, 2020 97,863 million yen

- * **These consolidated financial results are outside the scope of audit by certified public accountants or audit firms.**
- * **Explanations and other special notes concerning the appropriate use of consolidated results forecasts**

The forward-looking statements such as result forecasts included in this document are based on the information available to the Company at the time of the announcement and on certain assumptions considered reasonable. Actual results may differ materially from the forecast depending on a range of factors.

For other matters relating to the forecasts, please refer to page 6 of the attached materials.

Supplementary documents for financial results will be posted on the Company's web site today at <https://www.resorttrust.co.jp/ir/>.

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1. Overview of Operating Results, etc.

(1) Overview of Operating Results

* As the results should be focused on amid the new coronavirus pandemic, results of the fiscal year ended have been compared with that of the corresponding period of the previous fiscal year.

(Millions of yen, except percentages)

	Fiscal year ended March 31, 2020 (results)	Fiscal year ended March 31, 2021 (results)	Year-on-year change
Net sales	159,145	167,538	+5.3%
Operating income	11,652	14,707	+26.2%
Ordinary income	12,476	17,647	+41.5%
Net income (loss) attributable to owners of parent	7,135	(10,213)	—

During the fiscal year ended March 31, 2021, economic activities continue to decline and many companies have been forced to restrict their business activities due to the new coronavirus pandemic. Japanese economy remains extremely unclear under the circumstances where uncertainty over the duration of the pandemic still remains.

Under this environment, for the fiscal year ended March 31, 2021, voluntary restraints of making nonessential and nonurgent outings and rapid decrease in number of tourists visiting Japan caused by the spread of the new coronavirus infection in Japan had material impacts on the following business activities of the Group: In the Membership business, membership sales activities were restricted and shrunk. In the Hotel and Restaurant business, hotels and other facilities were temporarily closed. In the Medical business, facilities for medical checkup business were temporarily closed and growth of the number of new occupants of senior residence slowed.

In such business environment, from July to December 2020, business activities mainly for “membership system” business continued to be robust. Under the restriction of international travel, such as “Go to Travel Campaign” led by the Japanese government is bringing people back to domestic travel. In addition, due to the increasing needs for high-class resort, rise in health awareness and increasing needs for members only medical service under the situation that many people refrain from taking medical check, sales of high-grade hotel membership, sales of high-priced travel plan and sales of medical membership have turned for the better than anticipated. In September 2020, YOKOHAMA BAYCOURT CLUB and THE KAHARA HOTEL & RESORT YOKOHAMA opened, and deferred net sales of hotel membership for the hotels were fully realized.

Even amid the new coronavirus pandemic, such business environment has raised awareness of the strength of the membership business because membership holders continue to use membership hotels steadily and many expected customers were introduced by membership holders. In order to meet the expectations of our membership holders and customers, the Group is carrying out the lifetime strategy that addresses new normal, by renewing its commitment to the “characteristics of the membership system” and strengthening and creating more of connections between people, while implementing the Group’s unique measures against the 3Cs, providing information that makes use of knowledge gained in Medical business, and offering telephone consultations to our membership holders. During January to March 2021, “Go to Travel Campaign” was suspended, rebound of infection and uncertainty about the pandemic have spread again. Under such circumstances, the Group concentrated on providing our attentive services to our customers.

As a result, affected by the spread of the new coronavirus infection and realization of deferred net sales of hotel membership due to new open of hotels, net sales amounted to ¥167,538 million, a year-on-year increase of 5.3%, operating income was ¥14,707 million, a year-on-year increase of 26.2%, ordinary income was ¥17,647 million, a year-on-year increase of 41.5%, and net loss attributable to owners of parent was ¥10,213 million due to the recognition of “impairment loss”. Net income attributable to owners of parent was ¥7,135 million for the fiscal year ended March 31, 2020.

As for the facilities whose demand outlook remained uncertain such as non-membership hotels that were significantly affected by the new coronavirus pandemic, book values were decreased to recoverable amounts and impairment loss of ¥22,034 million was recorded.

In addition, during the nine-month period ended December 31, 2020, as for extraordinary income

and losses, “loss due to new coronavirus infection” of ¥3,553 million was recorded. As the additional loss was recorded after the period, the loss of ¥3,556 million was recorded for the fiscal year ended March 31, 2021.

Overview of operating results by the reportable segments is as follows.

【Membership】

(Millions of yen, except percentages)

	Fiscal year ended March 31, 2020 (results)	Fiscal year ended March 31, 2021 (results)	Year-on-year change
Net sales	38,948	66,523	+70.8%
Segment profit (loss)	13,559	22,951	+69.3%

In the Membership business, deferred net sales of hotel membership for YOKOHAMA BAYCOURT CLUB were fully realized due to the beginning of operation in September 2020. In addition, sales of high-grade hotel membership resulted in positive sales due to the increased needs for high-grade hotels membership amid the restriction of international travel. As a result, the Membership segment recorded increase in net sales and segment profit compared with the previous fiscal year.

In contrast, during the three-month period ended June 30, 2020, sales activities were restricted especially in the Tokyo metropolitan area and face-to face sales activities that are the advantages of the Group were also restricted due to the spread of the new coronavirus infection. Consequently, volume of membership sales decreased compared with the corresponding period of previous fiscal year. Under such circumstances, forward-looking challenges are continuously taken on by the Group including studying measures for telework and other new sales styles and new sales channels such as via website and business partners.

【Hotel and Restaurant】

(Millions of yen, except percentages)

	Fiscal year ended March 31, 2020 (results)	Fiscal year ended March 31, 2021 (results)	Year-on-year change
Net sales	80,659	60,322	(25.2)%
Segment profit (loss)	92	(6,165)	—

In the Hotel and Restaurant business, facilities were closed temporarily affected by the request to refrain from making nonessential and nonurgent outings resulted from the spread of the new coronavirus infection during the three-month period ended June 30, 2020. In addition, decline in consumer confidence for travel and sightseeing was unavoidable, and hotel occupancy rates were reduced especially by a decline in the usage by corporate employees and groups and for weddings, banquets and conferences. Furthermore, non-membership hotels were particularly hit by a sharp fall in the number of foreign tourists visiting Japan and business travelers.

As a result, the Hotel and Restaurant segment recorded decrease in net sales and segment profit compared with the previous fiscal year.

In contrast, after July 2020, operating situations of hotels were on the track to recovery, and operation of membership facilities continuously provided our customers with a sense of security. Moreover, customer unit prices were increasing as sales of high-priced plan are in good shape under the situation that the need for travel is increasing stimulated by such as “Go to Travel Campaign” led by the Japanese government. However, after January 2021, suspension of “Go to travel campaign” and rebound of infection resulted in a string of cancellations.

Under such circumstances, the Group continues to create sustainable value of its business pursuing safe and secure services by implementing the Group’s own measures against the 3Cs that employ knowledge accumulated in Medical business.

【Medical】

(Millions of yen, except percentages)

	Fiscal year ended March 31, 2020 (results)	Fiscal year ended March 31, 2021 (results)	Year-on-year change
Net sales	38,867	40,022	+3.0%
Segment profit (loss)	5,829	6,341	+8.8%

In the Medical business, annual membership fees have increased along with the increase in number of members of Grand HIMEDIC Club, a comprehensive medical support club of the Group. In addition, operation of senior residence and medical checkup business, etc. have expanded. Meanwhile, sales activities to solicit members and residents were restricted and facilities for medical checkup business were temporarily closed due to the spread of the new coronavirus infection.

In contrast, sales of medical membership resulted in positive sales as membership-based medical care service gathered attention due to rising health concerns.

As a result, the Medical segment recorded increase in net sales and segment profit compared with the previous fiscal year.

Under such circumstances, the Group continue to create cutting-edge medical and nursing services while contributing to synergy creation through provision of information and support for the Group's business.

【Others】

(Millions of yen, except percentages)

	Fiscal year ended March 31, 2020 (results)	Fiscal year ended March 31, 2021 (results)	Year-on-year change
Net sales	670	670	+0.0%
Segment profit (loss)	663	531	(19.9)%

“Others” is a business segment that is not included in reportable segments. It includes the businesses of real estate rental and cottage management, etc.

(2) Overview of Financial Position

(Asset)

Current assets as of March 31, 2021 were ¥152,856 million, a 22.0% increase from the end of the previous fiscal year. This was primarily due to increases of ¥27,203 million in cash and deposits, ¥4,719 million in operating loans related to the sales of memberships, ¥10,196 million in securities and decreases of ¥6,409 million in real estate for sale, ¥8,671 million in real estate for sale under construction respectively, compared with the end of the previous fiscal year.

Non-current assets as of March 31, 2021 were ¥254,386 million, a 7.7% decrease from the end of the previous fiscal year. This was primarily due to decreases of ¥17,382 million in buildings and structures, net and ¥1,361 million in intangible assets due to the recognition of impairment loss for the non-membership hotels, etc. affected significantly by the spread of the new coronavirus infection although new open of hotels increased the amount of buildings and structures, etc., and ¥6,148 million in investment securities respectively, compared with the end of the previous fiscal year.

As a result, total assets as of March 31, 2021 were ¥407,243 million, a 1.6% increase from the end of the previous fiscal year.

(Liabilities)

Current liabilities as of March 31, 2021 were ¥100,777 million, a 50.0% increase from the end of the previous fiscal year. This was primarily due to increases of ¥11,847 million in current portion of long-term borrowings, ¥29,728 million in current portion of bonds with share acquisition rights respectively, and decrease of ¥18,480 million in Advances received due to new open of membership

hotels compared with the end of the previous fiscal year.

Non-Current liabilities as of March 31, 2021 were ¥185,673 million, a 7.5% decrease from the end of the previous fiscal year. This was primarily due to decrease of ¥29,770 million in bonds with share acquisition rights as those were transferred to current liabilities and increase of ¥12,988 million in long-term borrowings compared with the end of the previous fiscal year.

As a result, total liabilities as of March 31, 2021 were ¥286,451 million, a 6.9% increase from the end of the previous fiscal year.

(Net assets)

Total net assets as of March 31, 2021 were ¥120,791 million, a 9.2% decrease from the end of the previous fiscal year. This was primarily due to decrease of ¥13,681 million in retained earnings as impairment loss was recorded compared with the end of the previous fiscal year.

(3) Overview of Cash Flows

	(Millions of yen)	
	Fiscal year ended March 31, 2020 (results)	Fiscal year ended March 31, 2021 (results)
Cash flows from operating activities	19,096	22,981
Cash flows from investing activities	(8,247)	(13,577)
Cash flows from financing activities	(13,364)	22,012
Cash and cash equivalents at the end of the year	21,376	52,756

Cash and cash equivalents as of March 31, 2021 increased by ¥31,379 million from the end of the previous fiscal year to ¥52,756 million, a 146.8% increase from the end of the previous fiscal year.

Components of consolidated cash flows and main contributing factors are detailed as follows.

1) Cash flows from operating activities

Net cash from operating activities resulted in a cash inflow of ¥22,981 million, an increase of ¥3,885 million in cash inflow compared with the previous fiscal year primarily due to the decrease in income (loss) before income taxes and increase in impairment loss. Net cash provided by operating activities consists primarily of impairment loss of ¥22,034 million and Decrease (increase) in inventories of ¥14,295 million.

2) Cash flows from investing activities

Net cash from investing activities resulted in a cash outflow of ¥13,577 million, an increase of ¥5,330 million in cash outflow compared with the previous fiscal year primarily due to the increase in purchase of securities. Net cash used in investing activities consists primarily of purchase of securities of ¥8,998 million and purchase of property, plant and equipment of ¥14,070 million.

3) Cash flows from financing activities

Net cash from financing activities resulted in a cash inflow of ¥22,012 million, an increase of ¥35,377 million in cash inflow compared with the previous fiscal year primarily due to the increase in proceeds from long-term borrowings. Net cash provided by financing activities consists primarily of proceeds from long-term borrowings of ¥35,000 million.

There was no significant change in capital resources and liquidity for the fiscal year ended March 31, 2021.

(Reference) Indicators related to cash flows

	FY ended March 31, 2017	FY ended March 31, 2018	FY ended March 31, 2019	FY ended March 31, 2020	FY ended March 31, 2021
Equity ratio (%)	27.0	28.6	31.7	31.9	28.4
Equity ratio based on market price (%)	49.6	56.6	40.0	28.2	48.6
Ratio of Interest-bearing debt to cash flow ratio (years)	2.6	7.5	2.8	2.1	2.9
Interest coverage ratio (times)	44.9	13.0	24.0	34.6	64.9

Equity ratio: Total equity / Total assets

Equity ratio based on market price: Market capitalization / Total assets

Ratio of Interest-bearing debt to cash flow ratio: Interest-bearing debt / Cash flows

Interest coverage ratio: Cash flows / Interest paid

(Notes) 1. All indicators are calculated using financial figures on a consolidated basis.

2. Market capitalization is calculated based on the total number of shares issued excluding treasury stock at the end of the fiscal year.

3. Cash flows refer to cash flows from operating activities. Cash flows from operating activities and Interest paid refer to “Net cash provided by operating activities” and “Interest paid” respectively on consolidated statements of cash flows.

4. Interest-bearing debt refers to all liabilities for which interest is paid on the consolidated balance sheets.

(4) Future Outlook

* The forward-looking statements are based on the information available to the Company at the time of the announcement. Actual results of sales and profit may differ materially from the forecast depending on a range of uncertainties and other factors such as future changes in the situation surrounding the Group's business.

(Millions of yen, except percentages)

	Fiscal year ended March 31, 2021 (results)	Fiscal year ended March 31, 2022 (plan)	change
Net sales	167,538	158,200	(5.6)%
Operating income	14,707	7,000	(52.4)%
Ordinary income	17,647	6,700	(62.0)%
Net income (loss) attributable to owners of parent	(10,213)	4,700	+14,913

As for the outlook for the future course of the Japanese economy, while economic activities resumed and business returned to normal in many industries as a result of promoting various measures to prevent the rebound of the new coronavirus infection by the Japanese government, business environment of tourism, restaurant and entertainment industry is expected to remain severe. The prospects of the Japanese economy remain extremely uncertain under the situation that vaccination rollout is still unclear and highly contagious variants may spread.

As for the trends of the tourism industry, increases in business opportunities and market expansion are expected because of promoting development of an environment for domestic tourism towards the 2021 Tokyo Olympic and Paralympic Games.

However, due to the spread of the new coronavirus infection, the country's second state of emergency and acute danger of highly contagious variants put restraints on movement of people. In addition, demand for business travel will not be expected due to the expansion of remote work, and demand for tourists visiting Japan will not be expected as airplanes do not fly throughout the world.

As a result, the road towards innovating the tourism industry to become Japan's core industry and the realization of a tourism-oriented country face with many pressing issues more serious than the

previous year. Moreover, growing shortage of labor due to the falling birthrate, aging population and decline in the labor force population remains as an urgent priority for the tourism industry. On the other hand, through the development of new needs such as workation (work + vacation), bleisure (business + leisure) and long stay programs introduced by city hotels, expectations for generating innovation have increased.

With respect to the trend of healthcare industries, amid rapidly increasing population aging rate, social security benefits and annual medical expenses are increasing. Under such circumstances, in order to solve the social problem, promotion of management for pre-symptomatic illness, disease prevention and health, and creation of regionally-oriented healthcare industries, efforts to extend healthy life expectancy for “the era of the 100-year lifespan”, and realization of society that allows the people to continue to be active and live safely, are required.

In order to meet such business environments, the Group has formulated “Connect 50: Together for a wonderful life,” a medium-term management plan targeting the five years from April 2018 to March 2023 (the “plan”) and the plan is underway. As of today, rolling plan of the plan for the three-year period from April 2021 to March 2024 has been announced based on the changes in the environment caused by the new coronavirus pandemic.

The plan provides the Group with a roadmap for achieving a more robust and high-grade Group brand based on the “Group Management” that focuses on efforts aimed at making the most of Group synergy effects while firmly protects the unique brand established in each business. The plan also provides the Group with a roadmap for fostering lifelong relationship with our customer which enables them to live healthy, pleasant and longer for their better life by providing our attentive services to them.

As prioritized measures toward the achievement of the plan, the Group will invest aggressively in education and training aiming to develop branded employees who embody our management philosophy and are able to offer the most suitable services to our customer. The Group will also invest aggressively in digitization that enables our employees to reform work style aiming at enhancement of productivity and creativity through building up work environment that enables our employees to increase in hours for coming face to face with our customer and seek pleasure from vibrant work.

From now on, the Group will draw on the wisdom that stems from its membership business as the advantage of the Group as well as its tailor-made, high-value-added services taking advantage of continuous business relationship with customers to more actively develop its travel and health business market considering the area as a great opportunity for continuous creation of added value. In addition, the Group will enhance membership-based medical care and focus on preventive medical care against cancer and other underlying medical diseases.

The Group will, at this time of emergency, provide attentive services to customers including the members, return to the basics of membership and endeavor to maintain and enhance relationship of trust with our customer. Moreover, the Group will draw on the know-how and information that stems from preventive medicine and early diagnosis to seek early treatment in its medical business and resolve initiatively various issues related to the health of our customer.

Advancing toward the milestone of its 50th anniversary, the Group has established group identity “Together for a wonderful life. We will create richer and happier times.” in order to redouble efforts to mobilize all available resources of the Group.

The Group will fulfill its social responsibility in “environment, society and governance” and run its business continuously toward sustainable growth in order to realize richer and happier society.

Under these circumstances, forecast of consolidated financial results for the fiscal year ending March 31, 2022 is as follows. For the fiscal year ended March 31, 2021, YOKOHAMA BAYCOURT CLUB and THE KAHARA HOTEL & RESORT YOKOHAMA opened in September 2020, and deferred net sales of hotel membership for the hotels were fully realized. In contrast, for the fiscal year ending March 31, 2022, operations of hotels are expected to return to normal and new membership hotel brand is planned to be established and sales of the hotel memberships are scheduled to be launched, but revenue recognition of real estate portion of the hotel memberships will be deferred until the opening of the hotels. As for the non-membership hotels business, recovery of demand for business trip and inbound tourism can't be expected.

As a result, the Group's current forecast of consolidated financial results for the fiscal year ending March 31, 2022 is as follows. Net sales are expected to amount to ¥158,200 million, a year-on-year

decrease of 5.6%, operating income is expected to be ¥7,000 million, a year-on-year decrease of 52.4%, ordinary income is expected to be ¥6,700 million, a year-on-year decrease of 62.0%, and net income attributable to owners of parent is expected to be ¥4,700 million, a year-on-year increase of ¥14,913 million.

As for dividends for the fiscal year ending March 31, 2022, forecast of an annual dividend remain unchanged from the previous year with annual dividend (forecast) of ¥30 per share.

2. Basic Approach to the Selection of Accounting Standards

The Group applies accounting principles generally accepted in Japan and intends to continue using them for the immediate future as they enable comparison of consolidated financial statements across time periods and among companies.

The Group will address the application of international accounting standards as appropriate, taking into account the recent developments both in and out of Japan.

3. Consolidated Financial Statements and Primary Notes

(1) Consolidated Balance Sheets

	(Millions of yen)	
	As of March 31, 2020	As of March 31, 2021
Assets		
Current assets		
Cash and deposits	21,164	48,367
Notes and accounts receivable - trade	8,233	9,032
Operating loans	53,549	58,268
Securities	499	10,695
Merchandise	1,167	971
Real estate for sale	22,077	15,668
Raw materials and supplies	1,014	1,202
Real estate for sale under construction	12,357	3,685
Other	6,232	5,987
Allowance for doubtful accounts	(1,000)	(1,022)
Total current assets	125,296	152,856
Non-current assets		
Property and equipment		
Buildings and structures	193,974	198,263
Accumulated depreciation	(90,412)	(94,326)
Buildings and structures, net	103,562	103,936
Machinery, equipment and vehicles	11,301	11,478
Accumulated depreciation	(8,679)	(9,236)
Machinery, equipment and vehicles, net	2,621	2,242
Golf courses	7,634	7,635
Land	44,886	48,580
Leased assets	17,801	12,446
Accumulated depreciation	(4,080)	(4,872)
Leased assets, net	13,721	7,573
Construction in progress	16,885	2,306
Other	22,103	22,894
Accumulated depreciation	(17,667)	(18,802)
Other, net	4,436	4,091
Total property and equipment	193,748	176,366
Intangible assets		
Goodwill	3,094	2,511
Software	4,969	4,153
Other	2,516	2,554
Total intangible assets	10,580	9,218
Investments and other assets		
Investment securities	36,016	29,867
Investments in unconsolidated subsidiaries and associated companies	1,368	1,323
Long-term loans	5,743	6,052
Employees' retirement benefit asset	235	188
Deferred tax assets	8,918	11,551
Other	19,536	20,288
Allowance for doubtful accounts	(611)	(470)
Total investments and other assets	71,208	68,801
Total non-current assets	275,537	254,386
Total assets	400,833	407,243

(Millions of yen)

	As of March 31, 2020	As of March 31, 2021
Liabilities		
Current liabilities		
Notes and accounts payable - trade	1,117	1,335
Short-term borrowings	—	2,125
Current portion of long-term borrowings	8,107	19,954
Current portion of bonds	150	150
Current portion of bonds with share acquisition rights	—	29,728
Lease obligations	1,212	1,164
Accounts payable - other	6,861	7,924
Income taxes payable	1,785	5,726
Accrued consumption taxes	1,929	2,153
Advances received	22,028	3,548
Unearned revenue	17,002	18,103
Allowance for loss on guarantees	52	40
Provision for point card certificates	588	1,297
Other	6,356	7,522
Total current liabilities	67,192	100,777
Non-current liabilities		
Bonds	300	150
Bonds with stock acquisition rights	29,770	—
Long-term borrowings	31,016	44,004
Lease obligations	13,538	12,435
Deferred tax liabilities	376	671
Accrued severance indemnities for directors	2,099	2,156
Provision for shares benefit	1,803	2,014
Employees' retirement benefit liability	2,231	2,453
Long-term guarantee deposits received	31,870	30,796
Amortizable long-term guarantee deposits received	69,898	73,153
Other	17,744	17,837
Total non-current liabilities	200,649	185,673
Total liabilities	267,842	286,451
Net assets		
Shareholders' equity		
Common stock	19,590	19,590
Capital surplus	21,767	21,701
Retained earnings	88,294	74,612
Treasury stock	(1,802)	(1,787)
Total shareholders' equity	127,849	114,116
Accumulated other comprehensive income		
Net unrealized gain on available-for-sale securities	(450)	1,801
Foreign currency translation adjustments	728	(443)
Retirement benefit adjustment	(328)	104
Total accumulated other comprehensive income	(50)	1,462
Stock acquisition rights	313	313
Non-controlling interests	4,878	4,898
Total net assets	132,991	120,791
Total liabilities and net assets	400,833	407,243

(2) Consolidated Statements of Income and Comprehensive Income
Consolidated Statements of Income

(Millions of yen)

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Net sales	159,145	167,538
Cost of sales	24,012	37,854
Gross profit	135,133	129,684
Selling, general, and administrative expenses		
Advertising expenses	2,428	1,533
Membership service expenses	1,135	1,523
Repair and maintenance	4,442	4,283
Linen expenses	4,305	3,068
Provision of allowance for doubtful accounts	79	44
Directors' compensations	883	796
Salaries and bonuses	47,204	44,864
Retirement benefit expenses	1,268	1,326
Provision for accrued severance indemnities for directors	97	69
Legal welfare expenses	6,369	6,359
Welfare expenses	1,838	1,386
Commission fee	8,637	7,602
Rent expenses	6,809	6,308
Utilities expenses	5,888	4,738
Correspondence and transportation expenses	3,173	2,635
Depreciation	9,849	9,572
Taxes and dues	2,668	3,075
Supplies expenses	2,625	2,853
Amortization of goodwill	590	544
Other	13,183	12,390
Total selling, general, and administrative expenses	123,480	114,977
Operating income	11,652	14,707
Non-operating income		
Interest income	1,260	1,049
Dividend income	96	93
Share of profit of entities accounted for using equity method	60	—
Reversal of allowance for doubtful accounts	153	154
Reversal of allowance for loss on guarantees	11	11
Subsidy income	54	2,317
Other	447	533
Total non-operating income	2,083	4,159

(Millions of yen)

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Non-operating expenses		
Interest expense	550	444
Share of loss of entities accounted for using equity method	—	32
Nondeductible consumption taxes	333	385
Foreign exchange losses	117	25
Other	258	332
Total non-operating expenses	1,260	1,219
Ordinary income	12,476	17,647
Extraordinary income		
Gain on sales of non-current assets	—	2
Gain on sales of investment securities	147	6
Gain on sales of shares of subsidiaries and associates	—	1
Subsidy income	—	1,496
Total extraordinary income	147	1,507
Extraordinary losses		
Loss on sales of non-current assets	—	1
Loss on retirement of non-current assets	35	46
Impairment loss	1,245	22,034
Loss on sales of investment securities	144	218
Loss on sales of shares of subsidiaries and associates	—	3
Severance indemnities for directors	30	—
Loss due to new coronavirus infection	—	3,556
Other	14	247
Total extraordinary losses	1,470	26,109
Income (loss) before income taxes	11,153	(6,953)
Income taxes - current	4,146	6,714
Income taxes - deferred	(382)	(3,504)
Total income taxes	3,763	3,209
Net income (loss)	7,389	(10,163)
Net income attributable to non-controlling interests	254	50
Net income (loss) attributable to owners of parent	7,135	(10,213)

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Net income (loss)	7,389	(10,163)
Other comprehensive income:		
Net changes in unrealized gain on available-for-sale securities	(1,272)	2,252
Foreign currency translation adjustments	(129)	(1,171)
Retirement benefit adjustment	(5)	433
Total other comprehensive income	(1,407)	1,514
Comprehensive income	5,981	(8,649)
(Breakdown)		
Comprehensive income attributable to owners of parent	5,728	(8,700)
Comprehensive income attributable to non-controlling interests	253	51

(3) Consolidated Statements of Changes in Net Assets

For the fiscal year ended March 31, 2020

(Millions of yen)

	Shareholders' equity					Accumulated other comprehensive income				Stock acquisition rights	Non-controlling interests	Total net assets
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized gain on available-for-sale securities	Foreign currency translation adjustments	Retirement benefit adjustment	Total accumulated other comprehensive income			
Balance at the beginning of the year	19,590	22,192	86,144	(1,852)	126,074	821	858	(323)	1,355	292	4,326	132,050
Changes in items during the year												
Issuance of new shares (Exercise of stock acquisition rights)					—							—
Cash dividends			(4,984)		(4,984)							(4,984)
Net income attributable to owners of parent			7,135		7,135							7,135
Purchase of treasury stock				(0)	(0)							(0)
Disposal of treasury stock				50	50							50
Purchase of shares of consolidated subsidiaries		(424)			(424)							(424)
Net changes other than shareholders' equity for the year						(1,271)	(129)	(5)	(1,406)	21	551	(833)
Total changes in items during the year	—	(424)	2,150	49	1,774	(1,271)	(129)	(5)	(1,406)	21	551	941
Balance at the end of the year	19,590	21,767	88,294	(1,802)	127,849	(450)	728	(328)	(50)	313	4,878	132,991

For the fiscal year ended March 31, 2021

(Millions of yen)

	Shareholders' equity					Accumulated other comprehensive income				Stock acquisition rights	Non-controlling interests	Total net assets
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized gain on available-for-sale securities	Foreign currency translation adjustments	Retirement benefit adjustment	Total accumulated other comprehensive income			
Balance at the beginning of the year	19,590	21,767	88,294	(1,802)	127,849	(450)	728	(328)	(50)	313	4,878	132,991
Changes in items during the year												
Issuance of new shares (Exercise of stock acquisition rights)					—							—
Cash dividends			(3,467)		(3,467)							(3,467)
Net income attributable to owners of parent			(10,213)		(10,213)							(10,213)
Purchase of treasury stock				(0)	(0)							(0)
Disposal of treasury stock				15	15							15
Purchase of shares of consolidated subsidiaries		(66)			(66)							(66)
Net changes other than shareholders' equity for the year						2,251	(1,171)	433	1,513	—	19	1,532
Total changes in items during the year	—	(66)	(13,681)	14	(13,732)	2,251	(1,171)	433	1,513	—	19	(12,200)
Balance at the end of the year	19,590	21,701	74,612	(1,787)	114,116	1,801	(443)	104	1,462	313	4,898	120,791

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Cash flows from operating activities:		
Income (loss) before income taxes	11,153	(6,953)
Depreciation	10,944	11,331
Impairment loss	1,245	22,034
Amortization of goodwill	590	594
Increase (decrease) in allowance for doubtful accounts	(80)	(119)
Increase (decrease) in employees' retirement benefit liability	718	860
Increase (decrease) in accrued severance indemnities for directors	(34)	56
Interest and dividend income	(1,356)	(1,142)
Interest expense	550	444
Foreign exchange losses (gains)	310	34
Decrease (increase) in notes and accounts receivable - trade	(5,976)	(5,442)
Decrease (increase) in inventories	6,343	14,295
Increase (decrease) in notes and accounts payable - trade	(351)	227
Increase (decrease) in accounts payable - other	(12,233)	854
Increase (decrease) in advances received	9,827	(18,453)
Increase (decrease) in long-term guarantee deposits received	173	2,181
Increase (decrease) in accrued consumption taxes	888	283
Other, net	2,273	3,094
Subtotal	24,986	24,181
Interest and dividend received	1,471	1,136
Interest paid	(552)	(353)
Income taxes paid	(6,809)	(1,981)
Net cash provided by (used in) operating activities	19,096	22,981
Cash flows from investing activities:		
Payments into time deposits	(10)	(10)
Proceeds from withdrawal of time deposits	3,015	153
Purchases of securities	—	(8,998)
Proceeds from sales and redemption of securities	4,621	6,500
Purchases of investment securities	(1)	(111)
Proceeds from sales and redemption of investment securities	5,166	5,460
Proceeds from sales of investments in unconsolidated subsidiaries and associated companies	—	8
Purchase of property, plant and equipment	(10,279)	(14,070)
Purchase of intangible assets	(1,702)	(1,170)
Payments for loans receivable	(24)	(829)
Collection of loans receivable	247	356
Purchases of shares of subsidiaries resulting in change in scope of consolidation	(6,876)	(127)
Other, net	(2,403)	(737)
Net cash provided by (used in) investing activities	(8,247)	(13,577)

(Millions of yen)

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Cash flows from financing activities:		
Increase (decrease) in short-term borrowings, net	(5,100)	2,017
Proceeds from long-term borrowings	—	35,000
Repayments of long-term borrowings	(1,839)	(10,164)
Redemption of bonds	(250)	(150)
Purchases of treasury stock	(0)	(0)
Dividends paid	(4,984)	(3,467)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(67)	(100)
Increase (decrease) in deposits received from unconsolidated subsidiaries and associated companies, net	80	95
Other, net	(1,200)	(1,215)
Net cash provided by (used in) financing activities	(13,364)	22,012
Effect of exchange rate changes on cash and cash equivalents	(3)	(37)
Net increase (decrease) in cash and cash equivalents	(2,518)	31,379
Cash and cash equivalents at the beginning of the year	23,895	21,376
Cash and cash equivalents at the end of the year	21,376	52,756

(5) Notes to Consolidated Financial Statements

(Going Concern Assumption)

Not applicable

(Significant Accounting Policies Applied in Preparing Consolidated Financial Statements)

(Significant Changes in Scope of Consolidations)

Dia Medical Net, Inc. was included in the scope of consolidation as it became a subsidiary due to the acquisition of its shares by the Group.

(Segment Information, etc.)

[Segment Information]

1 Overview of reportable segments

(1) Identifying reportable segments

Reportable segments of the Group are components of an entity about which separate financial information is available and for which such information is evaluated regularly by the Board of Directors of the Company in deciding how to allocate resources and in assessing performance.

The Group has established the following three reportable segments: the “membership” segment; the “hotel and restaurant” segment; and the “medical” segment.

(2) Products and services of each reportable segment

The “membership” segment is engaged in the sale of hotel memberships, providing finance for purchasers of hotel memberships and construction of membership hotels.

The “hotel and restaurant” segment is engaged in the operations of hotels, restaurants and others, including such as cleaning of hotels, providing services to members (handling of renewal fees and registration fees, sales in the travel division, mail-order sales, handling of commission fees from mutual exploitation of membership hotels), business of non-life insurance agencies, manufacturing and sale of hair accessories and providing services in beauty.

The “medical” segment is engaged in the sale and management of medical memberships, providing finance for purchasers of medical memberships, establishing and managing medical care centers, management consulting, rental service of medical facilities, home care service, development, manufacture and sale of medical device and laboratory equipment, development and support service of healthcare-related system, development, design and sale of remote medical diagnostic system.

2 Methods of measurement for the amounts of net sales, profits, assets, liabilities and other items for each reportable segment

The accounting methods used for each reportable segment are consistent with those applied in preparing consolidated financial statements of the Company. Reportable segment profit represents operating income. Assets, liabilities and other items were omitted since the Company considered there to be no significant need for the disclosure of the financial results.

3 Net sales, profits, assets and other items for each reportable segment

For the fiscal year ended March 31, 2020 (from April 1, 2019 to March 31, 2020)

(Millions of yen)

	Reportable segment				Others (*1)	Total
	Membership	Hotel and Restaurant	Medical	Total		
Net sales:						
Sales to external customers	38,948	80,659	38,867	158,475	670	159,145
Intersegment sales or transfers	32	1,957	389	2,379	1,664	4,043
Total	38,980	82,617	39,256	160,854	2,334	163,189
Segment profit (loss)	13,559	92	5,829	19,480	663	20,143

Note *1: "Others" is a business segment that is not included in reportable segments. It includes the businesses of real estate rental and cottage management, etc.

For the fiscal year ended March 31, 2021 (from April 1, 2020 to March 31, 2021)

(Millions of yen)

	Reportable segment				Others (*1)	Total
	Membership	Hotel and Restaurant	Medical	Total		
Net sales:						
Sales to external customers	66,523	60,322	40,022	166,868	670	167,538
Intersegment sales or transfers	34	2,719	294	3,048	2,158	5,207
Total	66,557	63,041	40,316	169,916	2,829	172,746
Segment profit (loss)	22,951	(6,165)	6,341	23,128	531	23,659

Note *1: "Others" is a business segment that is not included in reportable segments. It includes the businesses of real estate rental and cottage management, etc.

4 Differences between the totals of reportable segments and the same under the consolidated financial statements

(Millions of yen)

Net sales:	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Reportable segments total	160,854	169,916
Others	2,334	2,829
Eliminations	(4,043)	(5,207)
Net sales in the consolidated statements of income	159,145	167,538

(Millions of yen)

Segment profit:	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Reportable segments total	19,480	23,128
Others	663	531
Corporate expenses (*1)	(8,491)	(8,952)
Operating income in the consolidated statements of income	11,652	14,707

Note*1: Corporate expenses mainly consist of general and administrative expenses not attributable to reportable segments.

5 Loss on impairment of non-current assets or certain information on goodwill for each reportable segment

(Significant loss on impairment of non-current assets)

In the Hotel and Restaurant business segment, the Medical business segment and the Others business, the Company recognized impairment loss of non-current assets. The amounts of impairment loss for the fiscal year ended March 31, 2021 were ¥21,363 million, ¥232 million and ¥438 million, respectively.

(Significant Changes in the Amount of Goodwill)

In the Medical business segment, the Company recognized goodwill in connection with the fact that iMedical Inc., a subsidiary of the Company, acquired the shares of Dia Medical Net, Inc., making Dia Medical Net, Inc. its subsidiary.

In the Medical business segment, the Company recognized impairment loss of goodwill. The amount of impairment loss was ¥67 million for the fiscal year ended March 31, 2021.

(Per Share Information)

	(Yen)	
	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Net assets per share	1,193.69	1,079.40
Net income (loss) per share	66.65	(95.39)
Diluted net income per share	61.29	—

Note 1: Since net loss was recorded for the fiscal year ended March 31, 2021, diluted net income per share is not disclosed.

Note 2: Basis for calculating net income per share and diluted net income per share are as follows:

(Millions of yen, except number of shares)

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Net income per share		
Net income (loss) attributable to owners of parent	7,135	(10,213)
Amount not attributable to common shareholders	—	—
Net income (loss) attributable to owners of parent related to common stock	7,135	(10,213)
Average number of shares of common stock outstanding during the year (thousands of shares)	107,050	107,071
Diluted net income per share		
Adjustment on net income attributable to owners of parent	(29)	—
Amortization of bond premium etc., net of tax (*1)	[(29)]	[—]
Increase in the number of common stock (thousands of shares)	8,884	—
Stock acquisition rights (thousands of shares)	[—]	[—]
Convertible bond-type bonds with stock acquisition rights (thousands of shares)	[8,884]	[—]
Summary of diluted shares that were not included in the calculation of diluted net income per share due to lack of dilutive effect	The 4th series of stock acquisition rights approved at the Board of Directors meeting held on June 29, 2017. Common stock 1,095,100 shares	The 4th series of stock acquisition rights approved at the Board of Directors meeting held on June 29, 2017. Common stock 1,095,100 shares

Note 3: Basis for calculating net assets per share are as follows:

(Millions of yen, except number of shares)

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Total net assets	132,991	120,791
Amount deducted from total net assets	5,192	5,212
Stock acquisition rights	[313]	[313]
Non-controlling interests	[4,878]	[4,898]
Net assets at the end of the fiscal year related to common stock	127,798	115,579
Number of common stock at the end of the year used in the calculation of net assets per share (thousands of shares)	107,062	107,077

Note 1: This is the amount of premium amortization for the fiscal year (after deducting an amount equivalent to tax) resulting from the issuance of the bonds at an amount higher than the face amount.

Note 2: The Company's own share in the trust recorded as treasury shares under shareholders' equity is included in treasury shares to be excluded from the average number of shares during the period used for calculating net income per share and treasury shares to be excluded from the number of shares outstanding at the end of the fiscal year used for calculating net assets per share. Number of treasury shares excluded from the average number of shares during the period used for calculating net income per share were 1,316,462 for the previous fiscal year, and 1,294,960 for the current fiscal year. Number of treasury shares excluded from the number of shares outstanding at the end of fiscal year used for calculating net assets per share were 1,304,100 for the previous fiscal year, and 1,288,700 for the current fiscal year.

(Significant Subsequent Events)

Not applicable