

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 2 of attached materials.

February 7, 2020

Consolidated Financial Results for the Nine-Month Period Ended December 31, 2019 [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
 Contact: Katsuyuki Iuchi, Senior Managing Director in charge of operation division (TEL) +81-52-933-6519 and CCO
 Scheduled date for filing of quarterly securities report: February 7, 2020
 Scheduled date for dividend payment: —
 Supplementary documents for interim financial results: Yes
 Interim financial results briefing: Yes (for securities analysts and institutional investors IR conference call)

1. Consolidated Financial Results for the Nine-Month Period Ended December 31, 2019 (from April 1, 2019 to December 31, 2019)

(1) Operating Results (cumulative total)

(Millions of yen, rounded down)

(Percentages indicate changes from the corresponding period of the previous fiscal year.)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent	
		%		%		%		%
Nine-month period ended December 31, 2019	123,339	7.8	11,035	18.0	11,500	15.6	7,104	19.2
Nine-month period ended December 31, 2018	114,394	7.7	9,352	2.5	9,947	(5.5)	5,959	(6.2)

Note: Comprehensive income:

Nine-month period ended December 31, 2019: 7,304 million yen (46.5 %)

Nine-month period ended December 31, 2018: 4,985 million yen (Δ28.7%)

	Net income per share	Diluted net income per share
	Yen	Yen
Nine-month period ended December 31, 2019	66.37	61.09
Nine-month period ended December 31, 2018	55.72	51.25

(2) Financial Position

(Millions of yen, rounded down)

	Total assets	Net assets	Equity ratio
			%
December 31, 2019	413,942	134,312	31.2
March 31, 2019	401,426	132,050	31.7

Reference: Shareholders' equity: December 31, 2019 129,173 million yen

March 31, 2019 127,430 million yen

2. Dividends

	Dividends per share (Yen)				
	First quarter-end	Second quarter-end	Third quarter-end	Year-end	Total
Fiscal year ended March 31, 2019	—	23.00	—	23.00	46.00
Fiscal year ending March 31, 2020	—	23.00	—		
Fiscal year ending March 31, 2020 (Forecast)				23.00	46.00

Note: Revisions of projected dividends most recently announced: None

3. Consolidated results forecast for the fiscal year ending March 31, 2020 (from April 1, 2019 to March 31, 2020)

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

(Percentages indicate changes from the corresponding period of the previous fiscal year.)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent		Net income per share
		%		%		%		%	Yen
For the fiscal year ending March 31, 2020	171,400	(4.5)	16,000	(15.2)	16,000	(18.1)	10,000	(19.1)	93.42

Note: Revisions of consolidated results forecast most recently announced: None

*** Notes**

(1) Changes in significant subsidiaries during the period : None

(Changes in specified subsidiaries accompanying changes in scope of consolidation)

New subsidiaries: company (Company name)

(2) Application of accounting methods specific to interim consolidated financial statements : None

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

1) Changes in accounting policies in accordance with revision of : None
accounting standards

2) Changes in accounting policies other than item 1) above : None

3) Changes in accounting estimates : None

4) Restatements : None

(4) Number of shares issued (common stock)

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

As of December 31, 2019 108,520,799 shares

As of March 31, 2019 108,520,799 shares

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

As of December 31, 2019 1,458,106 shares

As of March 31, 2019 1,493,010 shares

3) Average number of shares during the period (cumulative)

As of December 31, 2019 107,046,386 shares

As of December 31, 2018 106,952,793 shares

*** These interim consolidated financial results are outside the scope of interim review procedures 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 4 of the attached materials.

Supplementary documents for interim financial results will be posted on the Company's web site today at

<https://www.resorttrust.co.jp/ir/>.

Attached Materials –Contents

1. Qualitative Information on Financial Results for the Nine-Month Period Ended December 31, 2019.....	2
(1) Explanation of Operating Results.....	2
(2) Explanation of Financial Position.....	4
(3) Explanation of Consolidated Results Forecasts.....	4
 2. Interim Consolidated Financial Statements and Primary Notes.....	5
(1) Interim Consolidated Balance Sheets.....	5
(2) Interim Consolidated Statements of Income and Comprehensive Income.....	7
(3) Notes to Interim Consolidated Financial Statements.....	10
(Going Concern Assumption).....	10
(Significant Changes in the Amount of Shareholders' Equity).....	10
(Segment Information, etc.).....	10

1. Qualitative Information on Financial Results for the Nine-Month Period Ended December 31, 2019

(1) Explanation of Operating Results

(i) Overview of operating results for the nine-month period ended December 31, 2019

* “Plan” for the nine-month period ended December 31, 2019 is based on the figures announced on May 15, 2019.

(Millions of yen, except percentages)

	Nine-month period ended December 31, 2018 (results)	Nine-month period ended December 31, 2019 (results)	Nine-month period ended December 31, 2019 (plan)	Year-on-year change	Change from plan
Net Sales	114,394	123,339	129,920	+7.8%	(5.1)%
Operating income	9,352	11,035	12,800	+18.0%	(13.8)%
Ordinary income	9,947	11,500	12,840	+15.6%	(10.4)%
Net income attributable to owners of parent	5,959	7,104	8,110	+19.2%	(12.4)%

During nine-month period ended December 31, 2019, Japanese economy has recovered gradually through sustained improvements in employment conditions and corporate profits. On the other hand, future of Japanese economy is unclear due to concerns that trade issues may impact on the world economy.

Under this environment, for the nine-month period ended December 31, 2019, operating income of hotel for the facility such as Laguna Baycourt Club, opened in March 2019, contributed to business results, and the medical business and the senior lifestyle business have achieved robust growth. In addition, sales of hotel memberships mainly for highly profitable existing properties resulted in positive sales.

As a result, net sales amounted to ¥123,339 million, a year-on-year increase of 7.8%, operating income was ¥11,035 million, a year-on-year increase of 18.0%, ordinary income was ¥11,500 million, a year-on-year increase of 15.6%, and net income attributable to owners of parent was ¥7,104 million, a year-on-year increase of 19.2%.

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

(ii) Overview of results by segment

【Membership】

(Millions of yen, except percentages)

	Nine-month period ended December 31, 2018 (results)	Nine-month period ended December 31, 2019 (results)	Nine-month period ended December 31, 2019 (plan)	Year-on-year change	Change from plan
Net sales	26,144	30,053	29,050	+15.0%	+3.5%
Segment profit	6,946	10,512	10,310	+51.3%	+2.0%

In the Membership business, for the nine-month period ended December 31, 2018, deferred net sales of hotel membership for newly opened membership hotel were fully realized due to the beginning of operation. In contrast, for the nine-month period ended December 31, 2019, there was minus factor such as that no membership hotels were newly opened. On the other hand, sales of hotel memberships mainly for existing properties resulted in positive sales.

As a result, the Membership segment recorded increase in net sales and segment profit compared with the corresponding period of previous fiscal year.

【Hotel and Restaurant】

(Millions of yen, except percentages)

	Nine-month period ended December 31, 2018 (results)	Nine-month period ended December 31, 2019 (results)	Nine-month period ended December 31, 2019 (plan)	Year-on-year change	Change from plan
Net sales	62,095	63,607	69,770	+2.4%	(8.8)%
Segment profit	3,849	2,130	3,550	(44.7)%	(40.0)%

In the Hotel and Restaurant business, operating income of Laguna Baycourt Club, opened in March 2019, contributed to business results. On the other hand, increases in initial expenses related to open new hotels and IT and labor cost incurred as prior cost for improving creativity and productivity by using IT technology and promoting diversified work styles such as increasing the number of annual holidays including taking paid annual leave mandated by laws have been recorded. In addition, repair costs for facilities and depreciation costs, etc. have increased.

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

【Medical】

(Millions of yen, except percentages)

	Nine-month period ended December 31, 2018 (results)	Nine-month period ended December 31, 2019 (results)	Nine-month period ended December 31, 2019 (plan)	Year-on-year change	Change from plan
Net sales	25,663	29,177	30,640	+13.7%	(4.8)%
Segment profit	4,567	4,441	4,860	(2.8)%	(8.6)%

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. On the other hand, increases in expenses related to advertising investment for enhancing the recognition of our business, investment in human resources and renovation of facilities for improving its value, etc. have been recorded.

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

【Others】

(Millions of yen, except percentages)

	Nine-month period ended December 31, 2018 (results)	Nine-month period ended December 31, 2019 (results)	Nine-month period ended December 31, 2019 (plan)	Year-on-year change	Change from plan
Net sales	490	499	460	+1.9%	+8.6%
Segment profit	391	427	420	+9.1%	+1.8%

In the Others business, income from outsourcing services at R.F.S. Co., Ltd., a consolidated subsidiary of the Company, has increased.

As a result, the Others segment recorded increase in net sales and segment profit compared with the corresponding period of previous fiscal year.

(2) Explanation of Financial Position

(i) Analysis of assets, liabilities and net assets

(Assets)

Total assets as of December 31, 2019 were ¥413,942 million, a 3.1% increase from the end of the previous fiscal year. This was primarily due to decreases of ¥6,499 million in real estate for sale and ¥4,693 million in investment securities and increases of ¥2,254 million in cash and deposits, ¥5,318 million in operating loans, ¥2,766 million in buildings and structures, net, ¥7,749 million in leased assets, net, ¥6,168 million in land respectively compared with the end of the previous fiscal year.

(Liabilities)

Total liabilities as of December 31, 2019 were ¥279,630 million, a 3.8% increase from the end of the previous fiscal year. This was primarily due to decrease of ¥14,426 million in accounts payable-other and increases of ¥7,000 million in short-term borrowings, ¥6,525 million in advances received, ¥5,504 million in unearned revenue, ¥8,029 million in lease obligations of non-current liabilities respectively compared with the end of the previous fiscal year.

(Net assets)

Total net assets as of December 31, 2019 were ¥134,312 million, a 1.7% increase from the end of the previous fiscal year. This was primarily due to increase of ¥2,119 million in retained earnings compared with the end of the previous fiscal year.

As a result, the Group achieved equity ratio of 31.2% as of December 31, 2019.

(3) Explanation of Consolidated Results Forecasts

The Company has not made any revisions to its consolidated forecasts for the year ending March 31, 2020 (from April 1, 2019 to March 31, 2020) announced on May 15, 2019.

Consolidated results forecast for the fiscal year ending March 31, 2020 (from April 1, 2019 to March 31, 2020) is as follows.

(Millions of yen, except percentages)

	For the fiscal year ended March 31, 2019 (results)	For the fiscal year ending March 31, 2020 (plan)	Change
Net sales	179,542	171,400	(4.5)%
Operating income	18,877	16,000	(15.2)%
Ordinary income	19,528	16,000	(18.1)%
Net income attributable to owners of parent	12,358	10,000	(19.1)%

As for the forecast of consolidated financial results for the fiscal year ending March 31, 2020, Laguna Baycourt Club, opened in March 2019, is expected to be in operation for the full fiscal year. In addition, annual membership fees are expected to increase along with the increase in number of members of Grand HIMEDIC Club, a comprehensive medical support club of the Group, while enhancing the capacity of senior residence facilities used for operation such as Trust Garden Ogikubo opened in August 2019, and expansion of medical checkup business and article sales business including cosmetics and supplements sales are projected. On the other hand, upfront investments such as initial expenses to open new hotels have been conducted due to new open of Hotel Trusty Premier Nihonbashi Hamacho, opened in September 2019, and Hotel Trusty Premier Kumamoto, opened in October 2019, respectively. Moreover, for the fiscal year ended March 31, 2019, deferred net sales of hotel membership for newly opened membership hotels were fully realized due to the beginning of operation. In contrast, for the fiscal year ending March 31, 2020, no membership hotels are scheduled to be newly opened.

As a result, the Group's current forecast of consolidated financial results for the fiscal year ending March 31, 2020 is as follows. Net sales are expected to amount to ¥171,400 million, a year-on-year decrease of 4.5%, operating income is expected to be ¥16,000 million, a year-on-year decrease of 15.2%, ordinary income is expected to be ¥16,000 million, a year-on-year decrease of 18.1%, and net income attributable to owners of parent is expected to be ¥10,000 million, a year-on-year decrease of 19.1%.

Projected total annual dividends per share of ¥46 (forecast) remains unchanged.

2. Interim Consolidated Financial Statements and Primary Notes

(1) Interim Consolidated Balance Sheets

	(Millions of yen)	
	As of March 31, 2019	As of December 31, 2019
Assets		
Current assets		
Cash and deposits	26,742	28,997
Notes and accounts receivable - trade	8,891	9,648
Operating loans	46,623	51,942
Securities	4,647	3,000
Merchandise	1,082	1,222
Real estate for sale	30,049	23,550
Raw materials and supplies	1,429	1,304
Real estate for sale under construction	11,845	12,322
Other	5,380	6,341
Allowance for doubtful accounts	(937)	(1,035)
Total current assets	135,754	137,295
Non-current assets		
Property and equipment		
Buildings and structures, net	101,777	104,543
Machinery, equipment and vehicles, net	2,889	2,784
Golf courses	7,591	7,591
Land	38,649	44,818
Leased assets, net	6,227	13,976
Construction in progress	17,920	16,068
Other, net	4,945	4,539
Total property and equipment	180,001	194,322
Intangible assets		
Goodwill	3,637	3,243
Software	4,534	4,973
Other	3,634	2,925
Total intangible assets	11,806	11,142
Investments and other assets		
Investment securities	43,599	38,905
Investments in unconsolidated subsidiaries and associated companies	1,313	1,320
Long-term loans	6,120	5,940
Employees' retirement benefit asset	725	521
Deferred tax assets	8,234	7,141
Other	14,624	17,974
Allowance for doubtful accounts	(755)	(622)
Total investments and other assets	73,862	71,181
Total non-current assets	265,671	276,646
Total assets	401,426	413,942

	(Millions of yen)	
	As of March 31, 2019	As of December 31, 2019
Liabilities		
Current liabilities		
Notes and accounts payable - trade	1,471	1,857
Short-term borrowings	5,000	12,000
Current portion of long-term borrowings	1,839	1,789
Current portion of bonds	250	200
Lease obligations	875	1,191
Accounts payable - other	22,389	7,962
Income taxes payable	3,608	890
Accrued consumption taxes	997	1,492
Advances received	12,209	18,735
Unearned revenue	14,327	19,832
Allowance for loss on guarantees	63	61
Other	7,731	7,523
Total current liabilities	70,764	73,536
Non-current liabilities		
Bonds	450	375
Bonds with stock acquisition rights	29,813	29,781
Long-term borrowings	39,123	37,818
Lease obligations	5,806	13,836
Deferred tax liabilities	638	704
Accrued severance indemnities for directors	2,133	2,082
Provision for shares benefit	1,697	1,854
Employees' retirement benefit liability	1,959	2,172
Long-term guarantee deposits received	32,757	32,106
Amortizable long-term guarantee deposits received	68,838	68,128
Other	15,392	17,233
Total non-current liabilities	198,611	206,093
Total liabilities	269,375	279,630
Net assets		
Shareholders' equity		
Common stock	19,590	19,590
Capital surplus	22,192	21,767
Retained earnings	86,144	88,263
Treasury stock	(1,852)	(1,802)
Total shareholders' equity	126,074	127,819
Accumulated other comprehensive income		
Net unrealized gain on available-for-sale securities	821	1,257
Foreign currency translation adjustments	858	348
Retirement benefit adjustment	(323)	(252)
Total accumulated other comprehensive income	1,355	1,353
Stock acquisition rights	292	313
Non-controlling interests	4,326	4,825
Total net assets	132,050	134,312
Total liabilities and net assets	401,426	413,942

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

(Millions of yen)

	Nine-month period ended December 31, 2018	Nine-month period ended December 31, 2019
Net sales	114,394	123,339
Cost of sales	17,928	19,366
Gross profit	96,465	103,972
Selling, general, and administrative expenses		
Salaries and bonuses	33,505	35,606
Provision for accrued severance indemnities for directors	189	80
Repair and maintenance	2,760	3,177
Provision of allowance for doubtful accounts	48	108
Utilities expenses	4,210	4,426
Depreciation	6,269	7,318
Other	40,127	42,219
Total selling, general, and administrative expenses	87,112	92,937
Operating income	9,352	11,035
Non-operating income		
Interest income	1,179	993
Dividend income	58	60
Amortization of negative goodwill	90	—
Share of profit of entities accounted for using equity method	14	12
Foreign exchange gains	10	—
Reversal of allowance for doubtful accounts	75	139
Reversal of allowance for loss on guarantees	—	1
Other	238	215
Total non-operating income	1,667	1,424
Non-operating expenses		
Interest expense	525	446
Provision for loss on guarantees	51	—
Guarantee charge of unearned revenue	44	22
Nondeductible consumption taxes	353	293
Foreign exchange losses	—	114
Other	98	82
Total non-operating expenses	1,073	960
Ordinary income	9,947	11,500

(Millions of yen)

	Nine-month period ended December 31, 2018	Nine-month period ended December 31, 2019
Extraordinary income		
Gain on sales of non-current assets	146	—
Gain on sales of investment securities	504	147
Gain on sales of shares of subsidiaries and associates	4	—
Other	9	—
Total extraordinary income	664	147
Extraordinary losses		
Loss on retirement of non-current assets	34	19
Impairment loss	104	—
Loss on sales of non-current assets	27	—
Loss on sales of investment securities	495	144
Severance indemnities for directors	40	30
Contribution	203	—
Other	—	0
Total extraordinary losses	905	195
Income before income taxes	9,706	11,452
Income taxes - current	2,673	3,212
Income taxes - deferred	806	934
Total income taxes	3,479	4,146
Net Income	6,226	7,306
Net income attributable to non-controlling interests	267	201
Net income attributable to owners of parent	5,959	7,104

Interim Consolidated Statements of Comprehensive Income

	(Millions of yen)	
	Nine-month period ended December 31, 2018	Nine-month period ended December 31, 2019
Net income	6,226	7,306
Other comprehensive income:		
Net changes in unrealized gain on available-for-sale securities	(950)	437
Foreign currency translation adjustments	(286)	(509)
Retirement benefit adjustment	(4)	71
Total other comprehensive income	(1,241)	(1)
Comprehensive income	4,985	7,304
(Breakdown)		
Comprehensive income attributable to owners of the parent	4,718	7,102
Comprehensive income attributable to non-controlling interests	267	202

(4) Notes to Interim Consolidated Financial Statements

(Going Concern Assumption)

Not applicable.

(Significant Changes in the Amount of Shareholders' Equity)

Not applicable.

(Segment Information, etc.)

[Segment Information]

I For the nine-month period ended December 31, 2018 (from April 1, 2018 to December 31, 2018)

1. Net Sales and Income by the Reportable Segments

(Millions of yen)

	Reportable Segment				Others (*1)	Total
	Membership	Hotel and Restaurant	Medical	Total		
Net sales:						
Sales to external customers	26,144	62,095	25,663	113,903	490	114,394
Intersegment sales or transfers	14	1,675	122	1,812	578	2,391
Total	26,159	63,771	25,785	115,716	1,068	116,785
Segment profit	6,946	3,849	4,567	15,363	391	15,755

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.

2. Differences between the totals of reportable segments and the same under the interim consolidated financial statements

(Millions of yen)

Segment profit:	Amount
Reportable segment total	15,363
Others	391
Corporate expenses (*1)	(6,403)
Operating income in the interim consolidated statements of income	9,352

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

3. 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 Company recognized ¥104 million of impairment loss in connection with the closure of its facilities for the nine-month period ended December 31, 2018.

(Significant Changes in the Amount of Goodwill)

In the Medical business segment, the Company recognized goodwill in connection with the succession of "Life Assist Bashamichi," a private nursing home, by its subsidiary Trust Garden, Inc. following an absorption-type split.

Increase in the amount of goodwill due to the above event was ¥110 million for the nine-month period ended December 31, 2018.

II For the nine-month period ended December 31, 2019 (from April 1, 2019 to December 31, 2019)

1. Net Sales and Income by the Reportable Segments

(Millions of yen)

	Reportable Segment				Others (*1)	Total
	Membership	Hotel and Restaurant	Medical	Total		
Net sales:						
Sales to external customers	30,053	63,607	29,177	122,839	499	123,339
Intersegment sales or transfers	23	1,461	274	1,759	1,229	2,988
Total	30,077	65,069	29,451	124,598	1,729	126,327
Segment profit	10,512	2,130	4,441	17,083	427	17,511

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.

2. Differences between the totals of reportable segments and the same under the interim consolidated financial statements

(Millions of yen)

Segment profit:	Amount
Reportable segment total	17,083
Others	427
Corporate expenses (*1)	(6,475)
Operating income in the interim consolidated statements of income	11,035

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

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

(Significant Changes in the Amount of Goodwill)

In the Medical business segment, the Company recognized goodwill in connection with the fact that Trust Garden, Inc., a subsidiary of the Company, acquired the shares of Senior Life Company Ltd., making Senior Life Company Ltd. its subsidiary.

Increase in the amount of goodwill due to the above event was ¥47 million for the nine-month period ended December 31, 2019.