

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.

November 10, 2021

Consolidated Financial Results for the Six-Month Period Ended September 30, 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
 Contact: Katsuyuki Iuchi, Senior Managing Director in charge of operation division and CCO (TEL) +81-52-933-6519
 Scheduled date for filing of quarterly securities report: November 11, 2021
 Scheduled date for dividend payment: December 6, 2021
 Supplementary documents for interim financial results: Yes
 Interim financial results briefing: Yes (for securities analysts and institutional investors)

1. Consolidated Financial Results for the Six-Month Period Ended September 30, 2021 (from April 1, 2021 to September 30, 2021)

(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	
		%		%		%		%
Six-month period ended September 30, 2021	76,430	(11.4)	5,132	(48.6)	6,810	(39.0)	5,408	(5.1)
Six-month period ended September 30, 2020	86,276	2.5	9,980	17.4	11,159	27.5	5,696	3.6

Note: Comprehensive income:

Six-month period ended September 30, 2021: 6,653 million yen (5.3 %)

Six-month period ended September 30, 2020: 6,318 million yen (22.2 %)

	Net income per share	Diluted net income per share
	Yen	Yen
Six-month period ended September 30, 2021	50.68	46.66
Six-month period ended September 30, 2020	53.21	49.00

(2) Financial Position

(Millions of yen, rounded down)

	Total assets	Net assets	Equity ratio
			%
September 30, 2021	399,885	107,090	25.5
March 31, 2021	407,243	120,791	28.4

Reference: Shareholders' equity: September 30, 2021 101,817 million yen
 March 31, 2021 115,579 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, 2021	—	15.00	—	15.00	30.00
Fiscal year ending March 31, 2022	—	15.00			
Fiscal year ending March 31, 2022 (Forecast)			—	15.00	30.00

Note: Revisions of projected dividends most recently announced: None

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 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, 2022	153,000	(8.7)	8,000	(45.6)	9,600	(45.6)	7,000	—	65.59

Note: Revisions of consolidated results forecast most recently announced: Yes

* **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 accounting standards : Yes

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 September 30, 2021 108,520,799 shares

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

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

As of September 30, 2021 2,370,644 shares

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

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

As of September 30, 2021 106,717,090 shares

As of September 30, 2020 107,067,645 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 5 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

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1. Qualitative Information on Financial Results for the Six-Month Period Ended September 30, 2021

(1) Explanation of Operating Results

(i) Overview of operating results for the six-month period ended September 30, 2021

(Millions of yen, except percentages)

	Six-month period ended September 30, 2020 (results)	Six-month period ended September 30, 2021 (results)	Six-month period ended September 30, 2021 (plan)	Year-on-year change	Change from plan
Net Sales	86,276	76,430	79,800	(11.4)%	(4.2)%
Operating income	9,980	5,132	3,700	(48.6)%	+38.7%
Ordinary income	11,159	6,810	3,800	(39.0)%	+79.2%
Net income attributable to owners of parent	5,696	5,408	3,000	(5.1)%	+80.3%

During the six-month period ended September 30, 2021, another state of emergency was declared due to the new coronavirus pandemic. Japanese economy remains extremely unclear under the circumstances where uncertainty over the duration of the pandemic still remains.

For the six-month period ended September 30, 2021, the third declaration of state of emergency and implementation of priority measures to prevent the spread of the new coronavirus caused by the new coronavirus pandemic in Japan and the restriction caused by the issuance and extension of the fourth declaration of state of emergency had material impacts on the following business activities of the Group: In the Hotel and Restaurant business, results of the Group's efforts to attract customers and raise occupancy rates were materially impacted. In the Medical business, growth of the number of new occupants of senior residence was slowed the same as the previous year. On the other hand, in the Membership business, sales of hotel membership for SANCTUARY COURT TAKAYAMA, launched from June 2021, and other existing hotels resulted in positive sales. In addition, sales of medical membership resulted in positive sales as importance of medical checkup amid the new coronavirus pandemic was well recognized. In line with these environments, the Group is implementing its unique measures against the 3Cs, and providing information that fully make use of knowledge gained in the Medical business. Moreover, the Group is carrying out the lifetime strategy further in order to provide our customer with richer and happier moments at the safe and secure facilities.

As stated above, sales of membership resulted in positive sales and achieved the amount of contracts exceeding the result of previous year while hotel management was still under the severe business environments. In addition, for the six-month period ended September 30, 2020, deferred net sales of hotel membership for membership hotel were fully realized due to the beginning of operation. In contrast, for the six-month period ended September 30, 2021, no membership hotels were newly opened.

As a result, net sales amounted to ¥76,430 million, a year-on-year decrease of 11.4%, operating income was ¥5,132 million, a year-on-year decrease of 48.6%, ordinary income was ¥6,810 million, a year-on-year decrease of 39.0%, and net income attributable to owners of parent was ¥5,408 million, a year-on-year decrease of 5.1%.

As for the initial plan, mainly in the Hotel and Restaurant business, net sales could not achieved planned targets due to the restriction caused by the declaration of state of emergency while sales of membership resulted in positive sales and non-operating income such as subsidy income was recorded. As a result, income exceeded the initial plan. In consideration of the above situations, the Company has announced its revision of the financial results forecast for the fiscal year ending March 31, 2022 today on November 10, 2021.

Due to the application of Accounting Standard for Revenue Recognition, decrease in net sales for the six-month period ended September 30, 2021 was ¥1,065 million, decreases in operating income and ordinary income for the six-month period ended September 30, 2021 were ¥1,107 million, respectively.

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

(ii) Overview of results by segment

【Membership】

(Millions of yen, except percentages)

	Six-month period ended September 30, 2020 (results)	Six-month period ended September 30, 2021 (results)	Year-on-year change
Net sales	42,036	20,855	(50.4)%
Segment profit	14,390	6,296	(56.2)%

In the Membership business, sales of hotel membership for SANCTUARY COURT TAKAYAMA, launched from June 2021, and other existing hotels resulted in positive sales. Meanwhile, for the six-month period ended September 30, 2020, deferred net sales of hotel membership for membership hotel were fully realized due to the beginning of operation. In contrast, for the six-month period ended September 30, 2021, no membership hotels were newly opened.

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

Due to the change in accounting policy related to revenue recognition, decrease in net sales was ¥367 million and decrease in segment profit was ¥111 million compared with the previous method.

【Hotel and Restaurant】

(Millions of yen, except percentages)

	Six-month period ended September 30, 2020 (results)	Six-month period ended September 30, 2021 (results)	Year-on-year change
Net sales	25,143	34,382	+36.7%
Segment profit (loss)	(3,181)	128	- %

In the Hotel and Restaurant business, business environments for hotel business still remained as severe as ever due to the restriction of business such as shortening operating hours of restaurants and restriction of serving of alcoholic beverages caused by intermittent declaration of state of emergency and implementation of priority measures to prevent the spread of the new coronavirus, unrecovered fall in the number of foreign tourists visiting Japan and business travelers, and limited recovery of domestic demand for accommodation despite vaccination rollout. Meanwhile, the Group's hotel operation of putting safety and security first enhanced customer recognition.

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

Due to the application of Accounting Standard for Revenue Recognition, increase in net sales for the six-month period ended September 30, 2021 was ¥297 million compared with the previous method while there was no impact to segment profit for the six-month period ended September 30, 2021.

【Medical】

(Millions of yen, except percentages)

	Six-month period ended September 30, 2020 (results)	Six-month period ended September 30, 2021 (results)	Year-on-year change
Net sales	18,764	20,840	+11.1%
Segment profit	2,515	2,594	+3.1%

In the Medical business, due to the new coronavirus pandemic, activities to increase new occupants of senior residence were restricted. On the other hand, sales of medical membership for Grand HIMEDIC Club, a comprehensive medical support club of the Group, resulted in positive sales, and annual membership fees increased along with the increase in number of members of Grand HIMEDIC Club. In addition, demand for non-membership health check-ups has recovered.

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

Due to the application of Accounting Standard for Revenue Recognition, decreases in net sales and segment profit for the six-month period ended September 30, 2021 were ¥994 million and ¥996 million, respectively compared with the previous method.

【Others】

(Millions of yen, except percentages)

	Six-month period ended September 30, 2020 (results)	Six-month period ended September 30, 2021 (results)	Year-on-year change
Net sales	333	352	+5.7%
Segment profit	254	271	+6.7%

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

Due to the application of Accounting Standard for Revenue Recognition, there was no impact to net sales and segment profit for the six-month period ended September 30, 2021.

(2) Explanation of Financial Position

(i) Analysis of assets, liabilities and net assets

(Assets)

Total assets as of September 30, 2021 were ¥399,885 million, a 1.8% decrease from the end of the previous fiscal year. This was primarily due to decreases of ¥14,409 million in cash and deposits, ¥6,432 million in operating loans, and ¥10,194 million in securities, and increases of ¥15,864 million in accounts receivable-installment and ¥6,415 million in deferred tax assets respectively compared with the end of the previous fiscal year.

(Liabilities)

Total liabilities as of September 30, 2021 were ¥292,794 million, a 2.2% increase from the end of the previous fiscal year. This was primarily due to increase of ¥50,916 million in advances received and decreases of ¥6,042 million in current portion of long-term borrowings, ¥6,122 million in unearned revenue, ¥11,882 million in long-term borrowings and ¥14,177 million in long-term unearned revenue respectively compared with the end of the previous fiscal year.

(Net assets)

Total net assets as of September 30, 2021 were ¥107,090 million, an 11.3% decrease from the end of the previous fiscal year. This was primarily due to decrease of ¥12,847 million in retained earnings compared with the end of the previous fiscal year.

As a result, the Group achieved equity ratio of 25.5% as of September 30, 2021.

(3) Explanation of Consolidated Results Forecasts

The Company has announced its revision of the financial results forecast for the fiscal year ending March 31, 2022 today on November 10, 2021.

Consolidated results forecast for the fiscal year ending March 31, 2022 (from April 1, 2021 to March 31, 2022) is as follows.

(Millions of yen, except percentages)

	For the fiscal year ended March 31, 2021 (results)	For the fiscal year ending March 31, 2022 (plan)	Change	For the fiscal year ending March 31, 2022 (Initial plan)	Change from initial plan
Net sales	167,538	153,000	(8.7)%	158,200	(3.3)%
Operating income	14,707	8,000	(45.6)%	7,000	+14.3%
Ordinary income	17,647	9,600	(45.6)%	6,700	+43.3%
Net income (loss) attributable to owners of parent	(10,213)	7,000	+17,213	4,700	+48.9%

In view of the most recent business results, although net sales were expected to be less than initial plan already released, each of the profit accounts was expected to surpass the initial plan. Therefore, the Company has revised its financial results forecast. Compared with the initial assumption, while restrictions were placed on operations of hotels and restaurants due to the issuance of declaration of state of emergency, sales of hotel membership and medical membership resulted in positive sales. In addition, non-operating income such as subsidy income was expected. Taking the above situations into consideration, the Company has revised upward its forecast for each of the profit accounts.

As for the outlook for the future course of the Japanese economy, while economic activities are resuming and business is returning 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 the sixth wave of the pandemic may spread.

Under these circumstances, as for the forecast of consolidated financial results for the fiscal year ending March 31, 2022, deferred net sales of hotel membership for YOKOHAMA BAYCOURT CLUB was fully realized due to new open of hotel in September 2020 for the fiscal year ended March 31, 2021. In contrast, normal hotel operation is expected for the fiscal year ending March 31, 2022. In addition, sales of hotel membership for SANCTUARY COURT TAKAYAMA, the first hotel of SANCTUARY COURT series, a new membership hotel brand of the Group, was launched in June 2021. However, revenue recognition of real estate portion of the hotel membership sold is deferred until new open of hotel. Moreover, as for non-membership hotels, demand for business trip and inbound is not expected to recover.

In consideration of the above situations, the Group's forecast of consolidated financial results for the fiscal year ending March 31, 2022 is as follows. Net sales are expected to amount to ¥153,000 million, a year-on-year decrease of 8.7%, operating income is expected to be ¥8,000 million, a year-on-year decrease of 45.6%, ordinary income is expected to be ¥9,600 million, a year-on-year decrease of 45.6%, and as for net income attributable to owners of parent, deficit is expected to be eliminated, and the balance is expected to be ¥7,000 million, a year-on-year increase of ¥17,213 million.

Projected year-end dividend per share is ¥15 (forecast). As the interim dividend per share is ¥15, projected total annual dividends per share of ¥30 (forecast) is expected to be the same as the previous year.

2. Interim Consolidated Financial Statements and Primary Notes

(1) Interim Consolidated Balance Sheets

	(Millions of yen)	
	As of March 31, 2021	As of September 30, 2021
Assets		
Current assets		
Cash and deposits	48,367	33,958
Notes and accounts receivable - trade	9,032	—
Notes and accounts receivable - trade, and contract assets	—	9,888
Accounts receivable - installment	—	15,864
Operating loans	58,268	51,835
Securities	10,695	500
Merchandise	971	971
Real estate for sale	15,668	11,482
Raw materials and supplies	1,202	1,380
Real estate for sale under construction	3,685	7,373
Other	5,987	7,027
Allowance for doubtful accounts	(1,022)	(877)
Total current assets	152,856	139,405
Non-current assets		
Property and equipment		
Buildings and structures, net	103,936	103,646
Machinery, equipment and vehicles, net	2,242	2,081
Golf courses	7,635	7,635
Land	48,580	48,566
Leased assets, net	7,573	7,164
Construction in progress	2,306	3,990
Other, net	4,091	3,683
Total property and equipment	176,366	176,769
Intangible assets		
Goodwill	2,511	2,214
Software	4,153	4,312
Other	2,554	1,969
Total intangible assets	9,218	8,497
Investments and other assets		
Investment securities	29,867	29,850
Investments in unconsolidated subsidiaries and associated companies	1,323	1,354
Long-term loans	6,052	5,937
Employees' retirement benefit asset	188	153
Deferred tax assets	11,551	17,967
Other	20,288	20,435
Allowance for doubtful accounts	(470)	(486)
Total investments and other assets	68,801	75,212
Total non-current assets	254,386	260,479
Total assets	407,243	399,885

(Millions of yen)

	As of March 31, 2021	As of September 30, 2021
Liabilities		
Current liabilities		
Notes and accounts payable - trade	1,335	1,113
Short-term borrowings	2,125	2,317
Current portion of long-term borrowings	19,954	13,912
Current portion of bonds	150	150
Current portion of bonds with share acquisition rights	29,728	29,707
Lease obligations	1,164	1,153
Accounts payable - other	7,924	5,946
Income taxes payable	5,726	2,982
Accrued consumption taxes	2,153	2,043
Advances received	3,548	54,464
Unearned revenue	18,103	11,981
Allowance for loss on guarantees	40	37
Provision for point card certificates	1,297	573
Other	7,522	8,817
Total current liabilities	100,777	135,200
Non-current liabilities		
Bonds	150	75
Long-term borrowings	44,004	32,122
Lease obligations	12,435	11,903
Deferred tax liabilities	671	451
Accrued severance indemnities for directors	2,156	—
Provision for shares benefit	2,014	382
Employees' retirement benefit liability	2,453	2,564
Long-term guarantee deposits received	30,796	30,414
Amortizable long-term guarantee deposits received	73,153	74,490
Other	17,837	5,190
Total non-current liabilities	185,673	157,594
Total liabilities	286,451	292,794
Net assets		
Shareholders' equity		
Common stock	19,590	19,590
Capital surplus	21,701	21,375
Retained earnings	74,612	61,764
Treasury stock	(1,787)	(3,520)
Total shareholders' equity	114,116	99,210
Accumulated other comprehensive income		
Net unrealized gain on available-for-sale securities	1,801	2,046
Foreign currency translation adjustments	(443)	463
Retirement benefit adjustment	104	96
Total accumulated other comprehensive income	1,462	2,607
Stock acquisition rights	313	313
Non-controlling interests	4,898	4,959
Total net assets	120,791	107,090
Total liabilities and net assets	407,243	399,885

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

(Millions of yen)

	Six-month period ended September 30, 2020	Six-month period ended September 30, 2021
Net sales	86,276	76,430
Cost of sales	23,422	10,048
Gross profit	62,854	66,382
Selling, general, and administrative expenses		
Salaries and bonuses	20,582	24,089
Provision for accrued severance indemnities for directors	33	18
Repair and maintenance	1,252	1,849
Provision of allowance for doubtful accounts	92	49
Utilities expenses	2,161	2,814
Depreciation	4,131	4,629
Other	24,620	27,798
Total selling, general, and administrative expenses	52,874	61,249
Operating income	9,980	5,132
Non-operating income		
Interest income	555	439
Dividend income	38	34
Share of profit of entities accounted for using equity method	—	4
Reversal of allowance for doubtful accounts	131	0
Reversal of allowance for loss on guarantees	1	3
Foreign exchange gains	—	2
Subsidy income	980	1,585
Other	126	169
Total non-operating income	1,833	2,241
Non-operating expenses		
Interest expense	243	190
Share of loss of entities accounted for using equity method	44	—
Nondeductible consumption taxes	226	265
Foreign exchange losses	13	—
Other	126	106
Total non-operating expenses	654	563
Ordinary income	11,159	6,810

(Millions of yen)

	Six-month period ended September 30, 2020	Six-month period ended September 30, 2021
Extraordinary income		
Gain on sales of non-current assets	2	223
Gain on sale of shares of subsidiaries and associates	—	14
Subsidy income	1,496	6
Reversal of provision for share-based remuneration	—	1,628
Total extraordinary income	1,499	1,873
Extraordinary losses		
Loss on sale of non-current assets	—	4
Loss on retirement of non-current assets	13	11
Loss due to new coronavirus infection	3,542	9
Other	230	1
Total extraordinary losses	3,786	26
Income before income taxes	8,871	8,656
Income taxes - current	3,967	2,700
Income taxes - deferred	(747)	447
Total income taxes	3,219	3,147
Net Income	5,652	5,509
Net income (loss) attributable to non-controlling interests	(44)	100
Net income attributable to owners of parent	5,696	5,408

Interim Consolidated Statements of Comprehensive Income

	(Millions of yen)	
	Six-month period ended September 30, 2020	Six-month period ended September 30, 2021
Net income	5,652	5,509
Other comprehensive income:		
Net changes in unrealized gain on available-for-sale securities	1,010	245
Foreign currency translation adjustments	(412)	907
Retirement benefit adjustment	67	(8)
Total other comprehensive income	666	1,144
Comprehensive income	6,318	6,653
(Breakdown)		
Comprehensive income attributable to owners of the parent	6,360	6,552
Comprehensive income attributable to non-controlling interests	(42)	100

(3) Interim Consolidated Statements of Cash Flows

(Millions of yen)

	Six-month period ended September 30, 2020	Six-month period ended September 30, 2021
Cash flows from operating activities:		
Income before income taxes	8,871	8,656
Depreciation	5,311	5,189
Amortization of goodwill	297	296
Increase (decrease) in allowance for doubtful accounts	(40)	(129)
Increase (decrease) in employees' retirement benefit liability	464	133
Increase (decrease) in accrued severance indemnities for directors	33	18
Interest and dividend income	(593)	(474)
Interest expense	243	190
Foreign exchange losses (gains)	19	(2)
Decrease (increase) in notes and accounts receivable - trade	(2,039)	(10,283)
Decrease (increase) in inventories	7,960	(980)
Increase (decrease) in notes and accounts payable - trade	(61)	(232)
Increase (decrease) in accounts payable - other	(396)	(1,516)
Increase (decrease) in advances received	(19,288)	9,280
Increase (decrease) in long-term guarantee deposits received	(1,238)	954
Increase (decrease) in accrued consumption taxes	(1,230)	(82)
Other, net	(2,983)	(7,054)
Subtotal	(4,670)	3,965
Interest and dividend received	576	568
Interest paid	(199)	(239)
Income taxes paid	(347)	(5,367)
Net cash provided by (used in) operating activities	(4,640)	(1,073)
Cash flows from investing activities:		
Payments into time deposits	—	(9,010)
Proceeds from withdrawal of time deposits	—	9,010
Purchases of securities	(8,997)	—
Proceeds from sales and redemption of securities	—	6,200
Purchases of investment securities	(10)	(1)
Proceeds from sales and redemption of investment securities	—	370
Proceeds from sale of shares of subsidiaries and associates	—	30
Purchase of property, plant and equipment and intangible assets	(12,452)	(3,927)
Payments for loans receivable	(827)	(15)
Collection of loans receivable	100	173
Other, net	(577)	494
Net cash provided by (used in) investing activities	(22,764)	3,325

(Millions of yen)

	Six-month period ended September 30, 2020	Six-month period ended September 30, 2021
Cash flows from financing activities:		
Increase (decrease) in short-term borrowings, net	—	163
Proceeds from long-term borrowings	35,602	—
Repayments of long-term borrowings	(2,182)	(17,925)
Redemption of bonds	(75)	(75)
Purchases of treasury stock	(0)	(2,188)
Dividends paid	(1,842)	(1,625)
Dividends paid to non-controlling interests	(10)	(52)
Other, net	1,506	1,001
Net cash provided by (used in) financing activities	32,999	(20,703)
Effect of exchange rate changes on cash and cash equivalents	(7)	57
Net increase (decrease) in cash and cash equivalents	5,586	(18,393)
Cash and cash equivalents at the beginning of the period	21,376	52,756
Cash and cash equivalents at the end of the period	26,963	34,362

(4) Notes to Interim Consolidated Financial Statements

(Going Concern Assumption)

Not applicable.

(Significant Changes in the Amount of Shareholders' Equity)

Not applicable.

(Changes in Accounting Policy)

(Application of Accounting Standard for Revenue Recognition)

Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) and related guidance were applied from the beginning of the three-month period ended June 30, 2021.

Revenue is recognized when the control of promised goods or services in the contract are transferred to the customer in the amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

Consequently, revenues of registration fees for medical membership and certain resort membership, and amortized amount on conclusion of contract related to lump-sum payments on admission to private nursing homes had been recognized on contract start date. However, from the beginning of the three-month period ended June 30, 2021, revenue was recognized over time based on the progress during the estimated reasonable period required to complete satisfaction of a performance obligation. As for the RTTG point club, a common point service program of the Group, expense had been recorded as provision for expense related to customer's use of points in the future, however, from the beginning of the three-month period ended June 30, 2021, if the point provided customer with material rights, performance obligation was to be identified, then revenue recognition was to be deferred.

As for the application of Accounting Standard for Revenue Recognition, cumulative effect of retrospective adoption to prior periods before the beginning of the three-month period ended June 30, 2021 was reflected to the amount of the retained earnings at the beginning of the three-month period ended June 30, 2021 in accordance with the transitional provision set out in paragraph 84 of the Accounting Standard. Therefore, the new Accounting Standard was applied from the beginning of the three-month period ended June 30, 2021. In addition, as for the modification of contracts concluded prior to the beginning of the three-month period ended June 30, 2021, cumulative effect of retrospective adoption to prior periods on revenue recognition was accounted based on the condition of modified contracts, and reflected to the amount of the retained earnings at the beginning of the three-month period ended June 30, 2021 in accordance with the method set out in paragraph 86 (1) of the Accounting Standard.

As a result, for the six-month period ended September 30, 2021, decrease in net sales was ¥1,065 million, increase in selling, general, and administrative expenses was ¥42 million, decreases in operating income, ordinary income and income before income taxes were ¥1,107 million, respectively. Decrease in balance of the retained earnings at the beginning of the three-month period ended June 30, 2021 was ¥16,630 million.

Due to the application of Accounting Standard for Revenue Recognition, "Notes and accounts receivable - trade" presented in "Current assets" in the consolidated balance sheet as of March 31, 2021 was included and presented in "Notes and accounts receivable - trade, and contract assets" from the three-month period ended June 30, 2021. Reclassification based on the new presentation has not been made to the account above in accordance with the transitional provision set out in paragraph 89-2 of the Accounting Standard. Furthermore, notes on disaggregated information of revenue from contracts with customers for the six-month period ended September 30, 2020 were not presented in accordance with the transitional provision set out in paragraph 28-15 of the Accounting Standard for Quarterly Financial Statements (ASBJ Statement No. 12, March 31, 2020).

(Application of Accounting Standard for Fair Value Measurement)

Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019) and related guidance (“Accounting Standard for Fair Value Measurement”) were applied from the beginning of the three-month period ended June 30, 2021. New accounting policies stipulated in the Accounting Standard for Fair Value Measurement were applied for the future periods from the beginning of the three-month period ended June 30, 2021 in accordance with the transitional provision set out in paragraph 19 of the Accounting Standard for Fair Value Measurement and paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019). This application of the New Accounting Standard had no impact on the consolidated financial statements for the six-month period ended September 30, 2021.

(Segment Information, etc.)

[Segment Information]

I For the six-month period ended September 30, 2020 (from April 1, 2020 to September 30, 2020)

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	42,036	25,143	18,764	85,943	333	86,276
Intersegment sales or transfers	15	1,111	90	1,217	951	2,169
Total	42,051	26,254	18,854	87,161	1,284	88,446
Segment profit (loss)	14,390	(3,181)	2,515	13,724	254	13,979

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	13,724
Others	254
Corporate expenses (*1)	(3,998)
Operating income in the interim consolidated statements of income	9,980

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

II For the six-month period ended September 30, 2021 (from April 1, 2021 to September 30, 2021)

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	20,855	34,382	20,840	76,078	352	76,430
Intersegment sales or transfers	70	1,437	129	1,637	742	2,379
Total	20,925	35,819	20,970	77,716	1,094	78,810
Segment profit	6,296	128	2,594	9,020	271	9,291

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	9,020
Others	271
Corporate expenses (*1)	(4,159)
Operating income in the interim consolidated statements of income	5,132

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

3. Changes in reportable segments, etc.

As stated in changes in accounting policy, Accounting Standard for Revenue Recognition and related guidance were applied from the beginning of the three-month period ended June 30, 2021. Along with the changes in accounting policies on revenue recognition, accounting method to calculate profit or loss of the business segment was changed.

As a result of the changes above, compared with the previous method, for the six-month period ended September 30, 2021, as for the Membership business, net sales decreased ¥367 million and segment profit decreased ¥111 million, as for the Medical business, net sales decreased ¥1,008 million and segment profit decreased ¥996 million, and as for the Hotel and Restaurant business and the Others business, net sales decreased ¥326 million and ¥595 million, respectively, however, there was no impact to the segment profit.