

resort*+*trust



THE RESORTTRUST BUSINESS MODEL

RESORTTRUST, INC.

BUSINESS
MODEL

We are committed to being the standard bearer of new lifestyles—lives filled with inspiration, excitement and comfort.

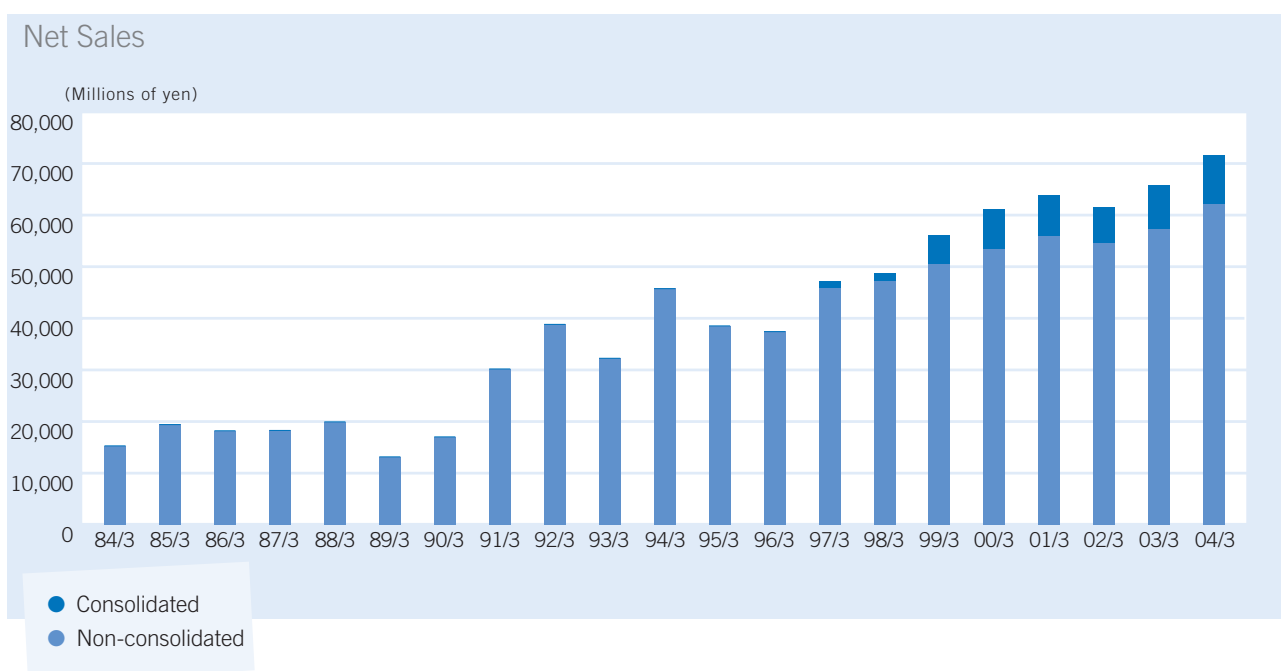
Mission Statement (Formulated April 2003)

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MILESTONES

April	1973	Takarazuka Enterprise Co., Ltd. established in Naka-ku, Nagoya.
December	1974	Opened first membership resort hotel Sun Members Hirugano.
December	1982	Opened the Tokyo Head Office in Shinjuku-ku, Tokyo, marking the start of a dual head office system.
April	1986	Changed name to Resorttrust, Inc. to establish a clear corporate identity.
April	1987	Opened first luxury membership resort hotel XIV Toba.
May	1992	Completed construction of a new head office building in Naka-ku, Nagoya.
September	1992	Diversified into medical services with the establishment of High Technology Medical Complex (HIMEDIC) Co., Ltd.
April	1993	Celebrated 20th anniversary with the start of a five-year management plan called ECHO PLAN 21.
September	1997	Registered shares with the Japan Securities Dealers Association for OTC trading.
April	1998	Started a five-year management plan called VALUE Plan 21.
June	1998	Made TAJIMI CLASSIC CO., LTD. a subsidiary, entering the golf business.
November	2000	Listed on first sections of Tokyo Stock Exchange and Nagoya Stock Exchange.
April	2003	Celebrated 30th anniversary with the start of a new five-year management plan called POWER BRAND Plan.



BASIC FLOW OF OPERATIONS

MEMBERSHIP SALES

Resorttrust begins selling memberships from the start of construction of resort facilities. The majority of new members are introduced by existing members.

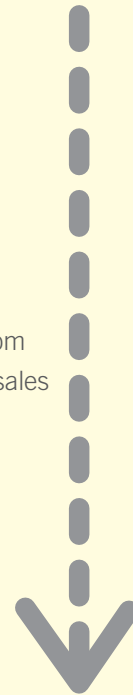
PLANNING AND DEVELOPMENT
Resorttrust develops resort facilities fine-tuned to the needs of the times, centered on its flagship XIV resorts.



Membership sales



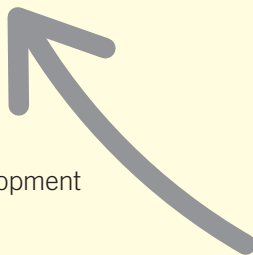
Revenue from membership sales



Deposits received from members



Investment in resort development



Resorttrust's business model comprises three primary business activities: planning and development, membership sales and resort operations. Each process is grounded on a clear strategy aimed at creating new value, with the view to constantly raising corporate value. In planning and development, we envisage resorts that meet today's needs before anyone else by performing market research and heeding our members' demands. Invested capital is recovered at an early stage through the sale of memberships in resorts. In selling memberships, we perform marketing activities efficiently by employing state-of-the-art IT resources to pinpoint our targets. The focus is on identifying potential customers through introductions from existing members. In resort operations, we apply proprietary management systems to increase occupancy rates, while increasing our members' satisfaction by providing superior service. This in turn increases the value of our membership, strengthens the Resorttrust brand and creates synergy among planning and development, membership sales and resort operations.

Facility use



OPERATE

Resort Facilities

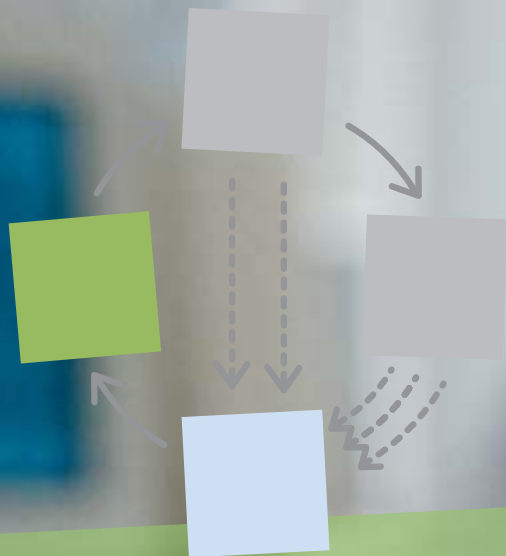
Operations and management fees

Income from peripheral facilities

Revenue from hotel and restaurant operations

RESORT OPERATIONS

Superior services at membership resorts and proprietary management systems such as time-share and exchange systems ensure highly efficient operations.



PLANNING AND DEVELOPMENT STRENGTHS

Resorttrust is focused on developing luxury resort facilities and services imbued with a sense of refinement that meet the needs of diverse customer segments. The XIV series is our mainstay luxury resort, while our Grand XIV series of resorts features golf courses, marine sports facilities and advanced esthetic services. Meanwhile, HIMEDIC provides safe, reliable medical diagnostic services using state-of-the-art diagnostic equipment. Resorttrust's urban resort, a new concept, creates luxury resorts in an urban environment.

CAPTURING THE TASTES OF THE CONSUMER

Resorttrust is focused on developing high-quality private resort facilities that imbue a sense of refinement. Targeting prime candidates for membership, Resorttrust meticulously plans and develops resorts that cater to the differing tastes of a variety of user segments: affluent seniors who want to relax and quietly enjoy their holiday; families with children looking to spend quality time together; and, young people seeking the thrill of sports and other recreational activities at resorts. The development concept of our resorts focuses squarely on satisfying diverse needs, while maintaining a refined ambience. Notable examples include our plans to develop the all super-suite hotel, Sanctuary Villa, as a separate annex on the grounds of an existing resort and our grading scheme for restaurants. At the same time, we upgrade peripheral resort facilities regularly. The results of careful planning and development also shine through in the golf courses,

marine sport facilities, and beauty treatment salons that complement the Grand XIV series of resorts. Our HIMEDIC facilities, which offer safe and thorough medical checkups using state-of-the-art medical equipment, also showcases meticulous planning and development. And we plan to open an urban resort in 2008 that features an atmosphere of elegance and lavish relaxation with numerous entertainment facilities.

Concepts for Resort Development Satisfy Needs of Diverse Customer Segments



CONTINUING STRATEGIC DEVELOPMENT AND CHOICE OF LOCATION

One major growth driver at Resorttrust is continuous resort development, focused squarely on user needs. The development of new resort facilities is not only attractive to new members, who receive priority for the use of new resorts, but also to existing members, since the exchange system allows them to use new facilities. In this manner, continuous development promotes the growth of Resorttrust and provides varied choices

for members, thereby increasing the value of a Resorttrust membership and increasing the value of the Resorttrust brand.

Resorttrust carefully selects locations for new resorts after examining their conveniences and ability to attract customers. Normally, we select a location proximal to a famous sightseeing landmark that can be reached in two to three hours from one of the three major urban centers of Tokyo, Nagoya or Osaka, where the majority of Japanese reside.

Schedule of Payments

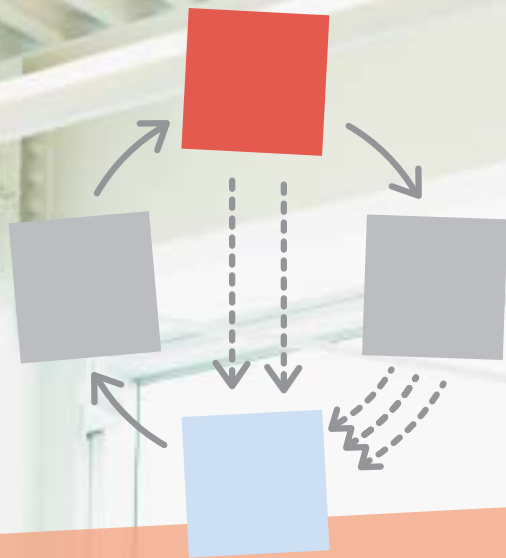
Ideal case where contract is signed before completion of construction

	Contract	Framework Raising	Completion of Construction
Total payment (100%)	60% received	80% received	100% received
Security deposit (Approx. 10%)	Member pays a deposit, comprising 10% of total payment upon signing contract.		
Registration fee (Approx. 40%)	Member pays 40% of total payment upon signing contract.		
Real estate cost (Approx. 50%)	Member pays 10% of total payment upon signing contract.		Member pays 20% upon completion
	Member pays 20% at framework raising		

EARLY RECOVERY OF INITIAL INVESTMENT REDUCES FUND PROCUREMENT COSTS

Resorttrust's low fund procurement costs are a decisive advantage in the planning and development stage. Compared with developing resorts overseas, large-scale resort development in Japan still requires significantly higher investment due to steep land and building costs. For this reason, resort hotels based on deposit systems are slow to recover their initial investments. Furthermore, these hotels often pass their cost of capital to guest charges, drastically weakening their competitiveness.

By contrast, Resorttrust's adoption of a membership sales format enables high asset efficiency, and recoups much of the initial costs quickly, as it receives about 60% of the sales price of a membership at the time of contract, and the entire amount upon completion of the resort. It also lessens initial capital investment outlays.



MEMBERSHIP SALES STRENGTHS

The greatest strength of membership sales is that it has created a group-wide base of over 100,000 members. Around 80% of the company's new members are introduced to Resorttrust by existing members, forming a vital link to expanding our membership base. Many of Resorttrust's members are wealthy, successful individuals, such as executives of leading companies and owners of medium-sized enterprises. This pool of affluent individuals supports a vast number of introductions to other wealthy individuals, thus completing a virtuous cycle.



REINFORCING SALES STRENGTHS

IT and the territory system—Resorttrust advances efficient strategic marketing activities based on a territory system, where sales staff members are responsible for designated areas. Sales personnel carry mobile phones and laptop PCs equipped with built-in navigation systems and mapping software. The use of leading-edge IT has markedly improved sales efficiency.

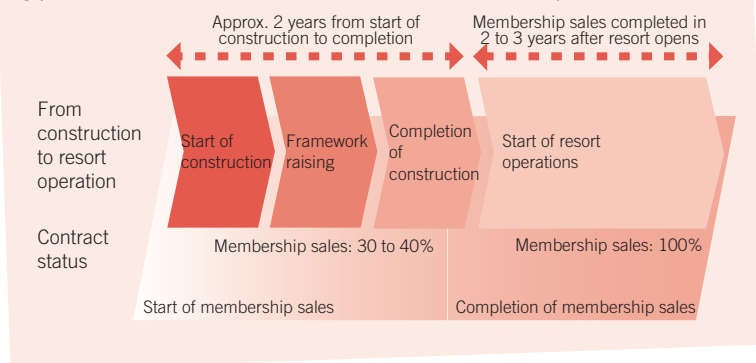
Tokyo strategy—Resorttrust’s membership sales activities have the advantage that the majority of new members are first introduced to us as potential members by existing members. This does mean, however, that many new members are from the Kansai and Chukyo regions, where the majority of Resorttrust members reside. The Kanto region, including Tokyo and surrounding prefectures, accounts for over one-third of Japan’s economic activity and is key to expanding membership. But existing Resorttrust members from Kanto are relatively sparse, ruling out explosive growth in members in the near term. Taking the medium-term view, we have bolstered our presence in Kanto, opening branches in Yokohama, Saitama, Hachioji, Shizuoka and Koriyama. The branch network in Kanto is supervised by our Tokyo office.

PROFIT STRUCTURE FROM DEPOSIT SYSTEM

Membership sales consist of three components: the registration fee, the real estate cost, and a security deposit. The deposits are interest free and are listed in the liabilities section on our balance sheet. Security deposits are received upon conclusion of the agreement for the use of shared areas of facilities owned and managed by Resorttrust under an agreement for shared use. Security deposits are a means of raising interest-free funds and help to enhance the return on invested funds and return on equity by reducing funding costs for facility development. Deposits are returned to members only upon termination of membership. Since we sell time-share memberships, a member can terminate membership only when his membership is sold to a new member. Moreover, cash flow problems are avoided because even if we have to buy back a membership from a member, it can be subsequently resold. Since the proportion of deposits held as liabilities is high, it is often perceived as a risk factor. To further strengthen our balance sheet, we introduced an Amortizing Deposit system in April 1999. Under this system, security deposits for XIV sales are amortized at a fixed rate of 7.4% over a period of 30 years. Since

November 2000, security deposits paid upon completion of a new contract for HIMEDIC members are amortized in fixed amounts over a period of 15 years. We have been successfully encouraging members of golf courses to convert their deposits into golf course management company preferred stock since 2000.

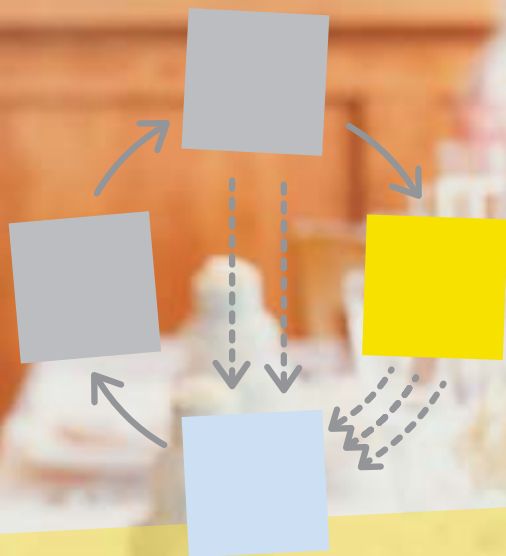
Typical Sales Schedule for XIV Memberships



SCHEDULE OF SELLING MEMBERSHIPS AND LOW INVENTORY RISK

Resorttrust begins selling memberships from the start of construction of the resort facility, as shown in the diagram to the left. This means that Resorttrust can quickly recoup much of the initial cost, much more rapidly than

when developing a conventional non-membership hotel, and can, at the same time, reduce inventory burdens. Normally membership sales are 30 to 40% completed by the time the hotel opens. Resorttrust expects to sell virtually all memberships in a hotel within two to three years of its opening.



RESORT OPERATIONS STRENGTHS

Resorttrust maintains high occupancy rates by raising customer satisfaction levels through services that precisely meet customer needs. This not only drives membership sales higher but also ensures stable revenues from hotel operations. Raising employee motivation and providing premium-grade member-exclusive services is key to raising customer satisfaction and delivering stable earnings growth.

XIV

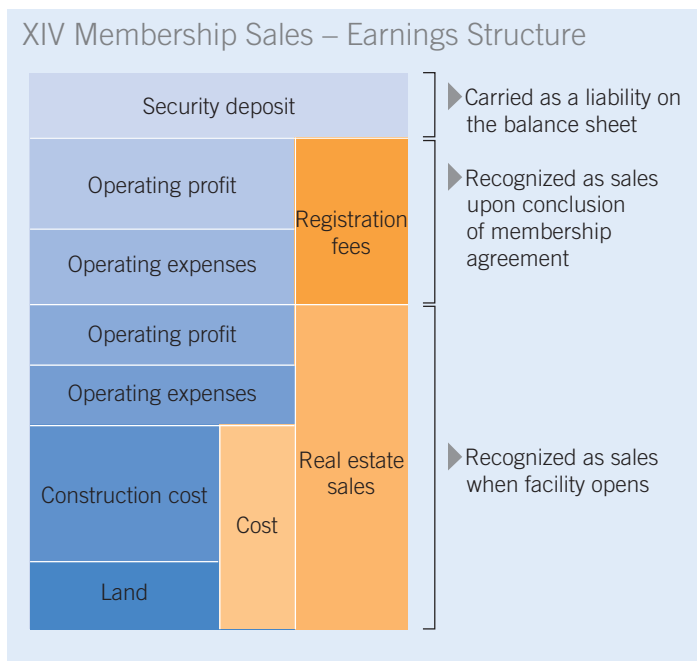


XIV Yamanakako

The XIV series is the core product in Membership Operations, accounting for the majority of sales in this division. XIV resorts are all conveniently located in popular tourist areas only a few hours' drive from Japan's major urban centers. The high-grade facilities and superior, meticulous service of-

ffered at each location have won an excellent reputation. Resorttrust's competitive advantage lies in an efficient, fair approach, characterized by our proprietary timeshare system. Under this system, the first of its kind in Japan, every individual property is jointly owned by 14 members, each of whom is guaranteed 26 days access a year, on an equal opportunity basis. Another source of competitiveness is Resorttrust's exchange system, which allows guests to exchange occupancy days at one facility for stays at other resort facilities.

The diagram on the left shows the composition of earnings from membership sales. Registration fees are received and accounted for immediately as sales upon conclusion of a membership agreement. However, recognition of the real estate cost as sales is deferred until the resort opens. Since the guest room portion of the hotel is sold to members, Resorttrust owns only about 20% of the hotel. This allows us to quickly recoup invested capital and maintain a slim balance sheet.



GRAND XIV

GRAND XIV



Grand XIV Hamanako

Grand XIV resorts are comprehensive, multipurpose resort facilities featuring a golf course, spas and esthetic services that meet a diverse array of needs. In recent years, member needs are becoming increasingly diverse, shifting away from traditional tourism-oriented vacations. The younger generations are mainly seeking vacations where they may actively enjoy sports, whereas the older generations prefer to pursue their hobbies while fully enjoying the relaxing ambience of resorts.

The Grand XIV Hatsushima Club, billed as the Grand XIV Marine and Thalasso Resort, is themed on a marine resort concept. Its Thalasso House is a beauty-treatment and recreational facility featuring a deep underground hot spring and seaweed beauty packs. The resort also offers a range of marine leisure programs, centered on cruising.

The Grand XIV Golf & Spa Resort Naruto stands on a vast hilltop site featuring a sweeping panorama of the Seto Inland Sea, offering the ultimate in relaxation. This multipurpose resort boasts the Aroma House, an esthetic salon offering diverse services that relax both the body and mind, a membership golf course, Grandee Naruto Golf Club 36, and much more.

The next in the XIV series of multipurpose resorts featuring resort hotels and golf courses is the Grand XIV Golf & Spa Resort Hamanako, which opened in March 2004. This will be followed by the construction of an XIV membership resort hotel at Grandee Nasu Shirakawa Golf Club 36. The XIV business is expanding favorably, reinforced by synergies created from the addition of new facilities.

SANCTUARY VILLA

SANCTUARY VILLA



XIV Naruto Sanctuary Villa

The Sanctuary Villa series of resorts is designed to provide comfortable and relaxing stays for small groups, the preferred vacationing style of the elderly. XIV Naruto Sanctuary Villa has super-suite-class rooms only, which are one rank higher than XIV rooms, each with an average floor space of 120m². Although located on the premises of a Grand XIV facility, a stone-mounted gate clearly sets the Sanctuary Villa apart from the surrounding grounds, leading guests into an exclusive enclave.

Private room service is provided for guests who choose to relax in their rooms. A self-service salon stocked with a full range of beverages and other facilities at all times contributes to the luxurious atmosphere. The first Sanctuary Villa is an all-suite annex on the premises of Grand XIV Naruto. Despite its high price, all suites were sold before the facility opened in March 2003.

SUN MEMBERS



Sun Members Hirugano



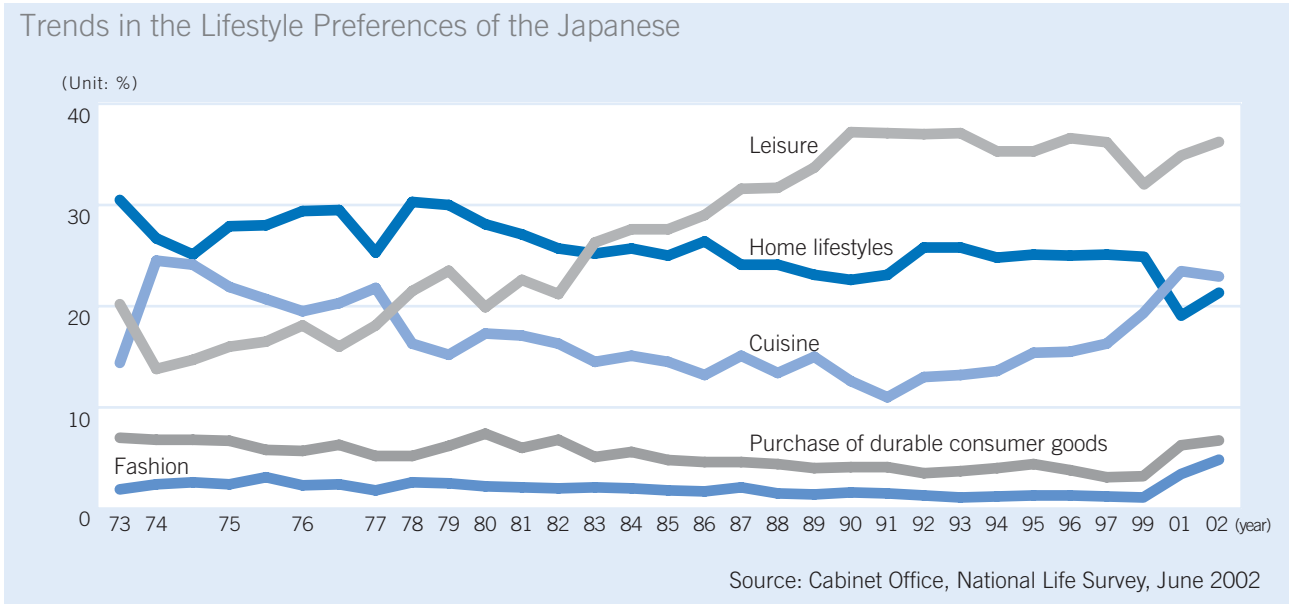
Resorpia Hakone

Sun Members Club, one of our core brands prior to the launch of the XIV series, was introduced in 1974 with the opening of an urban hotel, Villa Shirakawa (now Sun Members Nagoya Shirakawa) and a membership resort hotel, Sun Members Hirugano. Sun Members Club operations include selling memberships and hotel operations. Facilities are located at well-known resort locations throughout Japan and remain very popular with members. However, Resorttrust no longer sells new Sun Members Club memberships. With a membership base of approximately 40,000 as of December 2003, and a total of 16 facilities, Sun Members Club welcomes over a half million guests every year, contributing significantly to earnings in Hotel and Restaurant Operations.

Sun Members Club offers different types of memberships suited to individual requirements. For frequently visiting members, memberships include the Sun Members Executive Club and the Sun Members Family Club, which targets the family market.

Unlike the XIV series, which are designed to accommodate extended stays with a variety of facilities within the resort, Sun Members Club facilities are designed to meet sightseeing needs as they are located in popular tourist destinations with plenty of nearby historic places of interest and other attractions.

MARKET ENVIRONMENT AND INDUSTRY STANDING



ATTITUDES TOWARD VACATIONING HAVE CLEARLY CHANGED IN JAPAN

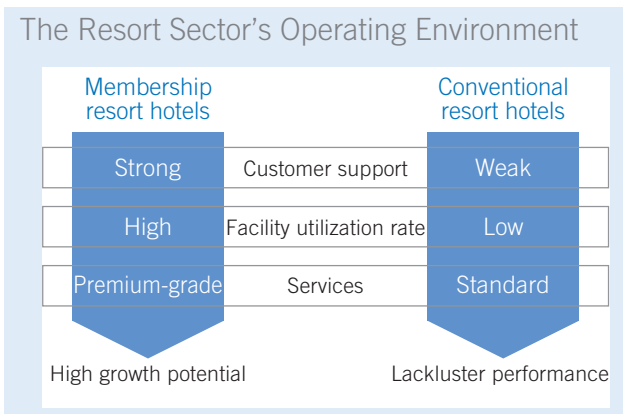
Attitudes and stances toward leisure have changed markedly in Japan over the last few decades, particularly in the aftermath of the bubble economy. Now we can confidently say that a consensus is being formed among the Japanese that leisure is indispensable for enjoying life, for refreshing oneself and for relieving stress, fueling growing demand for leisure services.

HOW WE DIFFER FROM RESORT OPERATORS IN FINANCIAL DIFFICULTIES

Although the potential demand for leisure services remains high, the resort industry finds itself in a sluggish operating environment, with a number of resort operators experiencing financial difficulties.

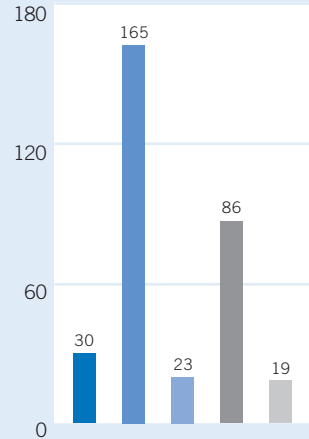
Resorttrust has continued to successfully strengthen its business foundation despite this challenging environment. The key to success lies in our membership sales strengths (pages 6 and 7), resort operations strengths (pages 8 and 9) and strong support from our large base of 100,000-

plus members. Resorttrust recoups construction costs quickly through the sale of memberships and by generating steady income from high occupancy rates at hotel facilities and use of restaurants. By contrast, hotels that still only offer standardized services without first accurately gauging customer needs, lack stable earnings and are thus experiencing difficulties.



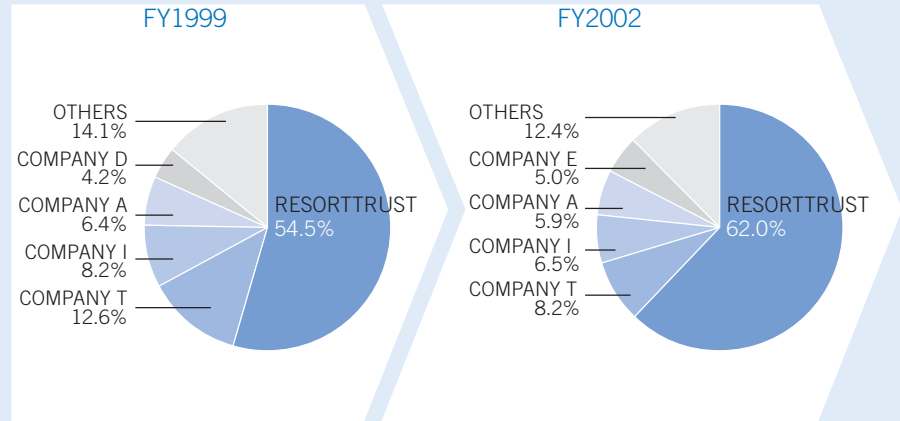
Resort Club Membership Market (As of December 2001)

(Unit: 10,000 members)



- Japan
- North America
- Latin America
- Europe and Africa
- Asia Pacific and Oceania

Resorttrust's Market Share



Source: Service Industry Survey, Nikkei Marketing Journal; data based on 10 largest resort club operators.

DEMAND FOR MEMBERSHIP RESORT CLUBS REMAINS ON GROWTH TRACK

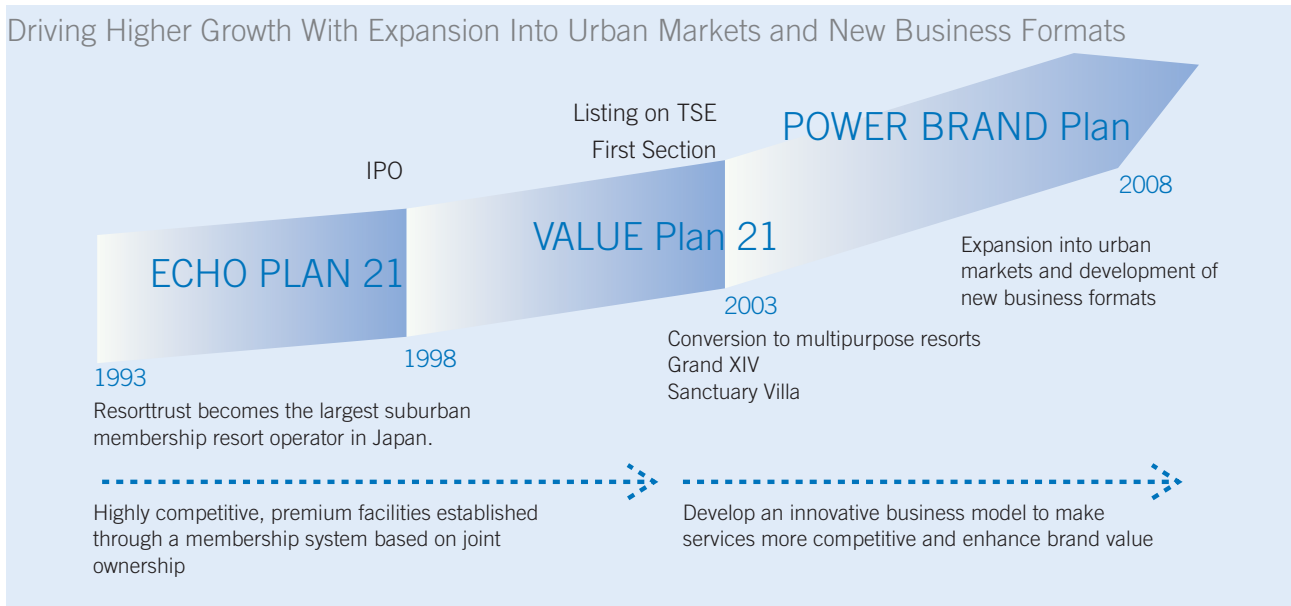
The number of registered resort-club members worldwide is estimated to be in the range of four to five million individuals, with the well-developed markets in the U.S. and Europe representing more than half of the total. The Japanese market for luxury resort clubs offering first-rate facilities and premium services tailored to individual customer needs is expected to expand to rival U.S. and European markets in size. The most competitive and popular membership resort hotels are those that offer timeshare systems that guarantee a certain number of stays per year. Driving growing demand for our mainstay XIV series are several attractive features, notably our proprietary timeshare system based on joint ownership that guarantees fair access and the exchange system, which allows guests to exchange occupancy days for stays at other facilities where they are not members.

Resorttrust's urban resort concept, expressly designed to bring a resort environment to an urban setting, is attracting attention from affluent senior citizens. A recent Dentsu Corporation survey of individuals aged 60 years or more with annual incomes of at least ¥30 million found that 40% are interested in urban resorts and 10% plan to purchase memberships in such resorts when they become available. Resorttrust is well positioned to capitalize on such growing needs for membership resort clubs.

THE UNASSAILABLE NO.1 IN MARKET SHARE

Resorttrust has maintained the top share in the membership resort club market for over ten consecutive years. Resorttrust ranked first in sales in the membership resort club sector in the 2002 Nikkei Marketing Journal's service industry survey, and has continued to increase its market share. Resorttrust's long-standing ability to offer services that maximize customer satisfaction underpins these achievements.

FIVE-YEAR MANAGEMENT PLAN – A PROGRESS REPORT



CORE CONCEPTS OF THE POWER BRAND PLAN—BUSINESS MODEL INNOVATION AND MANAGEMENT QUALITY ENHANCEMENT

The POWER BRAND plan aims to make Resorttrust the premier brand in the resort industry through two key initiatives—Business Model Innovation and Management Quality Enhancement. We will reform our business model by diversifying into the development of urban resorts. Our original business model focused on the development of resort facilities in popular tourist areas. We will extend this to embrace development in urban centers, leveraging our vast customer base of over 100,000 members. Also planned is the creation of an entirely new business segment – hotel and golf club management outsourcing services. Management Quality Enhancement will entail initiatives such as enhancing existing businesses to strengthen our brand, empowering staff with greater authority, and management system reforms. These measures are expected to fuel a virtuous cycle where customers give high marks to the growing quality of our products and services, thus raising employee motivation, which, in turn, encourages further improvements in service quality and the development of innovative products. Our focus on these initiatives will raise the value of the Resorttrust brand to the point where it is unrivaled in the market. We will make Resorttrust more competitive, more profitable, and raise corporate value over the long term.

CORPORATE DATA

Company Name:	Resorttrust, Inc.
Representative Directors:	Chairman and CEO—Yoshiro Ito President and COO—Katsuyasu Ito
Headquarters:	2-18-31, Higashisakura, Naka-ku, Nagoya-shi, Aichi 460-8490, Japan Tel: 81-52-933-6000
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Offices and Branches:	
Tokyo Office	Resorttrust Tokyo Bldg., 4-36-19, Yoyogi, Shibuya-ku, Tokyo 151-0053, Japan Tel: 81-3-6731-0001
Nagoya Office	2-18-31, Higashisakura, Naka-ku, Nagoya-shi, Aichi 460-8490, Japan Tel: 81-52-933-6060
Osaka Office	2-3F, Plaza Umeshin, 4-15-18, Nishitenman, Kita-ku, Osaka 530-0047, Japan Tel: 81-6-6315-8686
Yokohama Branch	8F, No.2 Kaede Bldg., 2-5-10, Shin-Yokohama, Kohoku-ku, Yokohama-shi 222-0033, Japan Tel: 81-45-477-5251
Saitama Branch	7F, Meiji Yasuda Life Insurance Omiya Kishikicho Bldg., 1-41 Kishikicho, Omiya-ku, Saitama-shi 330-0843, Japan Tel: 81-48-657-9100
Hachioji Branch	7F, Axa Hachioji Bldg. 7F, 10-2, Yokoyamacho, Hachioji-shi, Tokyo 192-0081, Japan Tel: 81-426-31-8911
Shizuoka Branch	6F, No. 1 Aioi Insurance Shizuoka Bldg., 3-1, Sakaecho, Shizuoka-shi 420-0859, Japan Tel: 81-54-251-1711
URL:	http://www.resorttrust.co.jp/
Established:	April 1973
Common stock:	¥3,329.79 million (As of March 31, 2004)
Employees:	2,977 (As of March 31, 2004: Consolidated)
Fiscal Year-end:	March 31

