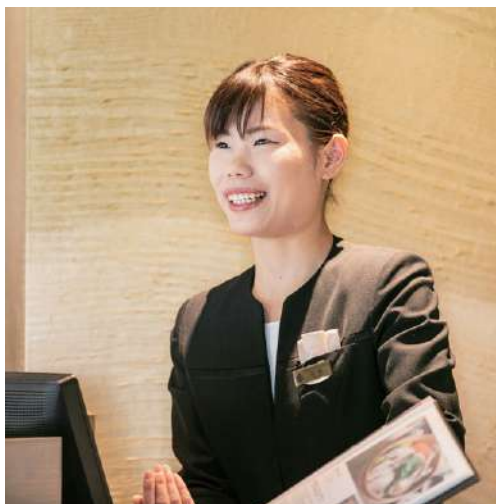




Fujita Kanko Inc.

Integrated Report 2018

For the fiscal year ended December 31, 2018



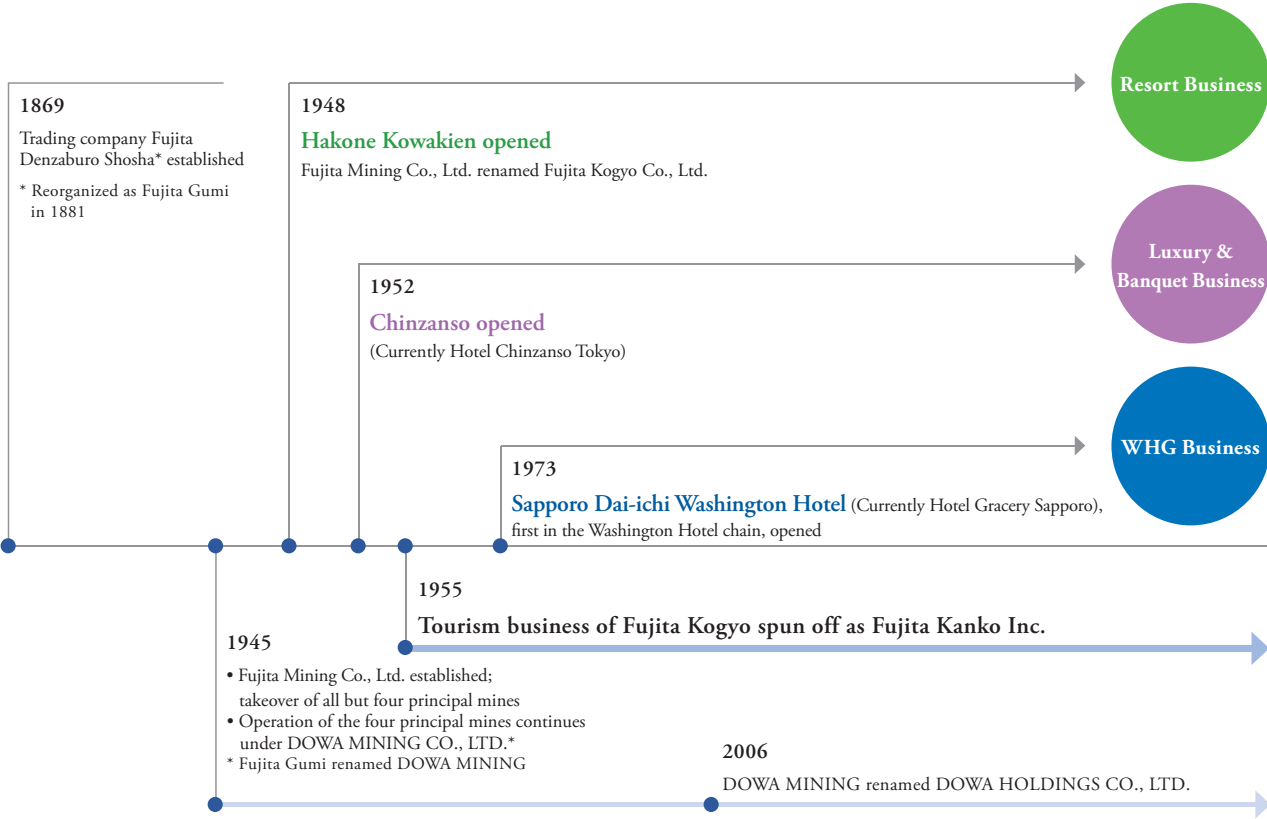


Corporate
Philosophy

Our goal is to contribute to the well-being of society
by providing hospitable services and places where
people can relax, refresh and revitalize.

The Roots of Fujita Kanko

With roots in the Fujita *zaibatsu* (business conglomerate) established in 1869, Fujita Kanko became an independent company in 1955 when Fujita Kogyo spun off its tourism business. In the aftermath of World War II, Eiichi Ogawa, the first president of Fujita Kanko, sought to open some of the estates, villas and gardens formerly owned by Japan's privileged class to the public, seeing this as a way to contribute to society by providing weary citizens – now faced with the monumental task of rebuilding the country – with affordable, peaceful and comfortable public gathering places. It was this idea that led to the transformation of the estate and gardens of the Fujita family into a hotel and restaurant and the launch of the tourism and hospitality business that would eventually become Fujita Kanko Inc. The spirit behind Fujita Kanko's philosophy, which emphasizes contributions to the well-being of society, remains very much alive today in all of its employees, despite changes in society and the passing of time.



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Postwar Reconstruction

Opening of some estates, villas and gardens formerly owned by Japan's privileged class to the public

1970s

Centered on Group Tours

- Increase in business travel
- Growing demand for specialized facilities for weddings

1980s-2000s

Centered on Families and Other Small Groups

- Increase in family travel due to growing car ownership and an improved transportation network

2000s-2010s

Centered on Individual Guests

- Diversification of customer needs
- Increase in inbound demand

The operating environment of Japan's tourism industry has changed dramatically, with a shift in travel style from group tours to individual travel and rapid growth in inbound visitors (foreign visitors to Japan). In this environment, Fujita Kanko has conducted its businesses by consistently anticipating changes in its customers' needs.

Our Founding Spirit

After World War II, Eiichi Ogawa purchased a classical Japanese-style house that had been built in 1918 and used as a vacation home (currently Soba Kihinkan) from Heitaro Fujita, the eldest son of the Fujita family. Based on his belief that tourism should be managed as a social enterprise and that the gardens and estates that had been the exclusive possessions of the nobility and business conglomerates should be open to the general public, he began operating the property as Hakone Kowakien in 1948 in the face of strong opposition. This laid the foundation for the tourism industry in Japan.



Eiichi Ogawa
(1899-1978)
First President



Hakone Kowakien at the time of opening
First president Eiichi Ogawa opened a villa purchased from the Fujita family as a Japanese-style inn.



Chinzanso at the time of its opening
After taking over the former garden and mansion of Aritomo Yamagata, a political leader of the Meiji Era, Fujita Kanko renovated it after World War II and opened it as a garden restaurant.

WHG Business

Establishing business hotel basics

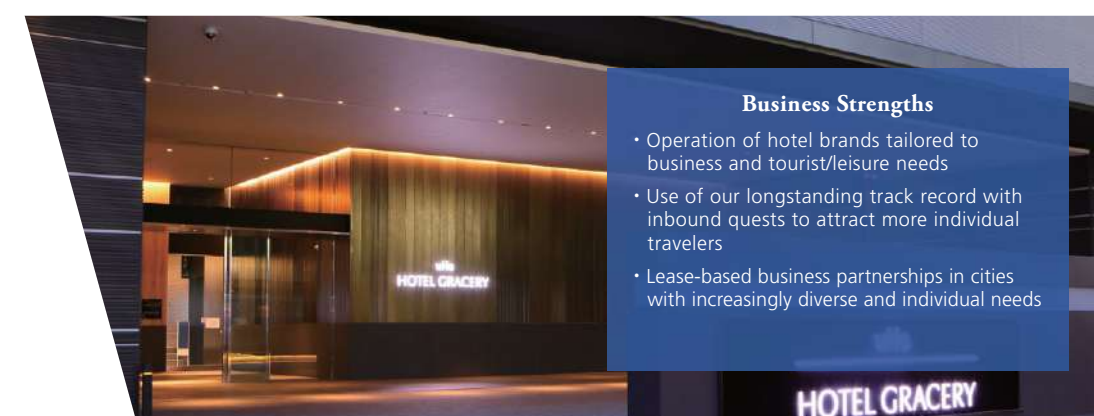
Our first president, Eiichi Ogawa, once noted that Japanese businesspeople often stayed alone at hotels for inbound guests located in city centers. In 1973, Fujita Kanko opened its first Washington Hotel for these business travelers. To keep room rates within the range of business trip expense accounts, the Company reduced floor area per room to between 9 and 11 square meters and adopted modular bathrooms to save even more space. This overturned the conventional wisdom of the day that business travelers should stay in small Japanese-style inns and established the basic format of a comfortable business hotel that ensures privacy.

Accelerated openings in regional cities with a new business model

As demand for hotels with banquet venues and restaurants increased in the 1980s, we accelerated the nationwide rollout of the Washington Hotel chain. In 1983, Shinjuku Washington Hotel opened with 25 above-ground floors offering accommodations for 1,757 guests (at the time of its opening). Because efficient operation was crucial, the hotel introduced the world's first automated front desk system. As a result of these and other factors, the success of Shinjuku Washington Hotel contributed significantly to accelerating the rollout of the business thereafter.

Launch of a new brand amid growing tourism and leisure demand

As needs have diversified due to an increase in inbound guests and other factors, we have accelerated the nationwide rollout of the Washington Hotel chain while pursuing convenience and comfort. At the same time, we launched the more premium Hotel Gracery brand and worked to enhance services. We also plan to begin operating HOTEL TAVINOS, a new brand specializing in accommodation that provides support for a satisfying trip, mainly targeting inbound visitors of the Millennial generation.



Business Strengths

- Operation of hotel brands tailored to business and tourist/leisure needs
- Use of our longstanding track record with inbound guests to attract more individual travelers
- Lease-based business partnerships in cities with increasingly diverse and individual needs

Resort Business

Development of large-scale resorts nationwide

Our first president, Eiichi Ogawa, offered facilities for day trips at reasonable rates on the entire tract of Kowakien, which had been one of Hakone's preeminent holiday villas. Although experts at the time claimed that there were no hot springs in the area, he conducted a geological survey and found them anyway. As tourism and leisure travel became more popular, demand for group tours grew. Hakone Kowakien became a going concern in 1955, and since then Kowakien has grown into a national brand.

Opening of a new style of theme park

As the mode of domestic travel shifted from group tours to trips by families and other small groups, we began the redevelopment of Hakone Kowakien, which had been a large-scale accommodation facility for group tour guests. In 2001, Hakone Kowakien Yunessun was created as a new style of hot springs theme park. Facilities where guests can enjoy hot springs in their bathing suits and the addition of shopping areas and a restaurant made it a popular spot that came to represent Hakone.

Creation of Hakone Kowakien Ten-yu, offering accommodation in a new format

With a preference among inbound guests for services and other intangible experiences and growing demand among individual travelers for luxury Japanese-style inns, there have been needs for businesses in diverse formats unconstrained by previous styles. In 2014, we opened Ryokuyu luxury Japanese-style inns with hot springs, where guests can relax in open-air baths and enjoy a high-class experience in a private space, in Yufuin and Ito. In 2017, we opened Hakone Kowakien Ten-yu, where we offer a variety of ways to enjoy the luxurious setting.



Business Strengths

- Unique operation of an extensive site in Hakone, Japan's largest tourist location, for over 70 years
- Bold and flexible ideas that embody our Corporate Philosophy have led to development that anticipates contemporary needs
- Improved customer service with a concierge as a communications hub in Hakone

Luxury & Banquet Business

Creating a business model for wedding and banquet facilities

In 1953, the main building of Chinzanso was completed and began full-scale operation. To meet new needs for wedding ceremonies, which had generally been performed at home until then, we used the facility to create a business model for weddings and banquets, together with Taikoen. In 1983, the new building of Chinzanso opened. With new facilities including a large banquet room of approximately 1,350 square meters, a shrine, a beauty salon and a photo studio, it became one of Japan's top wedding and banquet venues in both name and reality.

Expansion of high-quality facilities and services

In the 1980s, well-known foreign-capitalized hotels began opening in the Japanese market among longstanding, well-established Japanese hotels. Aiming to open a luxury hotel in Tokyo, Fujita Kanko entered into a business alliance agreement with Four Seasons Hotels and Resorts. In 1992, Four Seasons Hotel Tokyo at Chinzanso opened. The property, which contains one of Tokyo's preeminent gardens, boasts beauty unmatched by any other hotel worldwide.

Converting brands to meet sophisticated, diversified needs

After accumulating knowhow, we ended our partnership with Four Seasons Hotels and Resorts and rebranded Four Seasons Hotel Tokyo at Chinzanso in 2013 as Hotel Chinzanso Tokyo. We conducted renovations to promote greater harmony between the garden that is virtually an urban forest and the historic building, and we are meeting the diverse needs of our customers with high-quality service.



Business Strengths

- Numerous top global rankings for world-renowned Japanese hospitality
- Creation of a new customer base through more than 60 years of wedding hospitality
- Refined service technology and a commitment to hospitality add luster to that special day

Value Creation Model

The Fujita Kanko Group fully utilizes all its corporate assets, including human resources, cultural assets and historic buildings, with the aim of contributing to the well-being of society by generating synergy among its four businesses.

Strengths of Fujita Kanko

Human resources with a commitment to hospitality

▶ P.20

Cultural assets and historic buildings and gardens

▶ P.24

Diverse brands

▶ P.6

Locations throughout Japan and Asia

▶ P.6

Business Model Number of locations and guest rooms as of April 30, 2019 (including scheduled openings)

WHG Business ▶ P.14

Accelerate expansion of this segment as the key driver for company growth

In addition to our core Washington Hotel and Hotel Gracery brands, in 2019 we are inaugurating a multi-brand business with the launch of HOTEL TAVINOS and ISORAS (serviced apartment business). We intend to increase revenue by accelerating new openings.

Customer base: Business travelers, tourists from Japan and overseas

Purpose: Business trips, tourism

Locations: 40 properties

Guest rooms: 11,823 rooms

New Businesses

Address diversifying needs and increased inbound tourism

To meet diversifying needs, we have developed glamping facilities and a halal Japanese restaurant. Through new businesses that leverage our accumulated knowhow, we will promote synergy with existing businesses and acquire new customers.

Resort Business ▶ P.16

Focus on redevelopment of Hakone-area facilities and attract more upper-middle class, high-end customers

For over 70 years, we have been developing our home base of Hakone in response to changing times. Our current redevelopment will meet diverse and changing needs, and provide high value-added products and services to raise the power of our brands.

Customer base: Tourists from Japan and overseas

Purpose: Tourism, leisure, relaxation, hot springs

Locations: 14 properties

Guest rooms: 342 rooms

Luxury & Banquet Business ▶ P.18

Build an upscale, high-quality business centered around the “Hotel Chinzanso Tokyo” brand

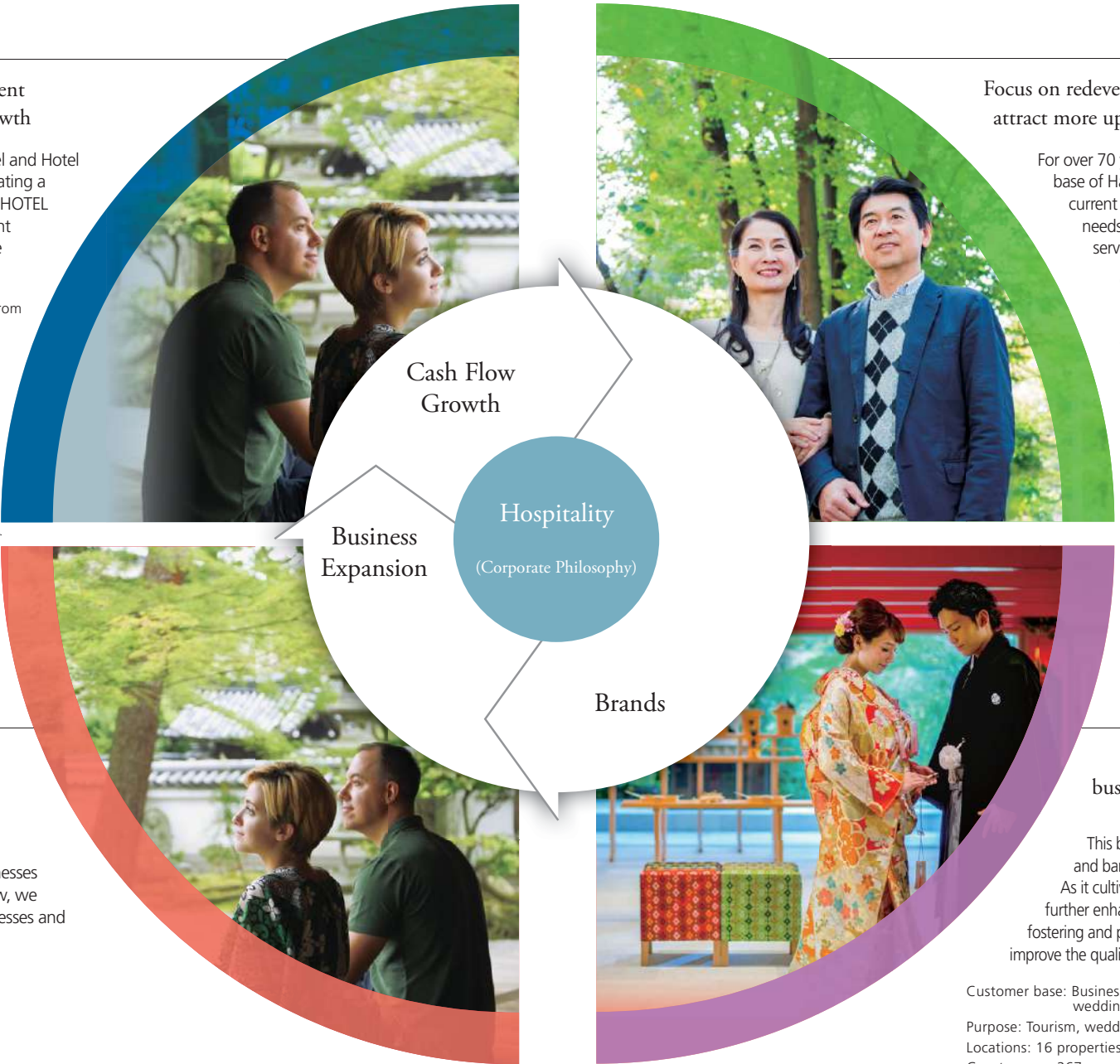
This business operates luxury hotels, wedding and banquet facilities, restaurants and golf courses. As it cultivates high-quality products and services to further enhance brand power, it also plays a role in fostering and producing human resources to maintain and improve the quality of the entire Group.

Customer base: Business guests, tourists from Japan and overseas, wedding reception guests, MICE* usage

Purpose: Tourism, weddings and banquets, meetings, golf

Locations: 16 properties

Guest rooms: 267 rooms



Places where people can relax, refresh and revitalize

Hospitable services attuned to the times

Contribute to the Well-Being of Society

Places to celebrate that special day

Communities indispensable to their regions

Value Creation Case Study

Regional contribution from Nordisk Village Goto Islands

In partnership with Danish outdoor goods manufacturer Nordisk, we opened a glamping facility in September 2018 in the Goto Islands, Nagasaki Prefecture, which have attracted attention due to their designation as a World Heritage Site. Guests can experience the area's unique charm, such as Goto's abundant nature and cuisine, and tours of the sites of the area's hidden Christian churches.

The restaurant, which was converted from a former elementary school building, is operated in partnership with a local group and is used as a café by area residents. Together with the local government, we are working to further revitalize the region by communicating Goto's appeal outside Japan to attract inbound visitors to the area.



Value Creation Case Study

Contribution to the revitalization of Hakone

Hakone Kowakien Ten-yu is a hot spring resort where guests can experience Hakone's natural splendor and the four seasons with all five senses, based on the concept of authentic Japanese hospitality in harmony with nature. In addition to its physical aspects as a place to enjoy a large public bath or outdoor hot springs in every guest room, we are working to enhance its intangible aspects, with activities such as yoga lessons with a garden view and an opportunity to craft a postcard using Hakone-style wooden marquetry.

In addition, the concierge informs guests about Hakone area attractions such as little-known sightseeing spots and restaurants, and proposes ways to enjoy not only the facility but the entire Hakone area.

The Fujita Kanko Group operates various brands with a wide range of price points according to the purpose of use. In addition, we are expanding our locations in Asia and establishing the Fujita Kanko brand outside Japan, which will also help attract inbound guests to our properties.

Fujita Kanko Group Properties (As of April 30, 2019, including scheduled openings)



● Lodging facilities



● Wedding and banquet facilities



● Restaurants



● Leisure facilities



Brands by Price Range

Note: Total number of guest rooms in parentheses

High-class

- Hotel Chinzanso Tokyo (267)
- Hakone Kowakien Ten-yu (150)
- Fujino Kirameki Fuji Gotemba (20)
- Ito Ryokuyu (7), Yufuin Ryokuyu (10)

- Hotel Gracery (3,198)
- Washington Hotel (7,474)
- Nordisk Village Goto Islands (13)

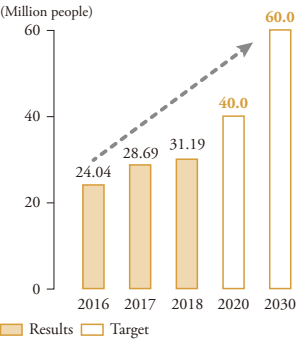
- HOTEL TAVINOS (466)
- Hakone Kowakien Miyama Furin (13)

Reasonable

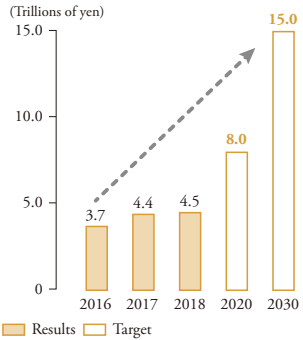
Cumulative Inbound Guests

Japanese Government Targets

Number of Inbound Visitors

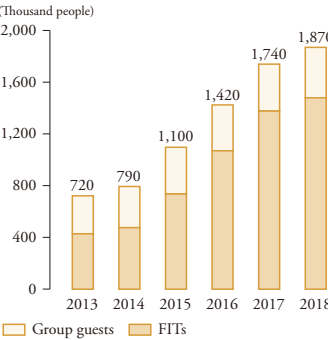


Spending

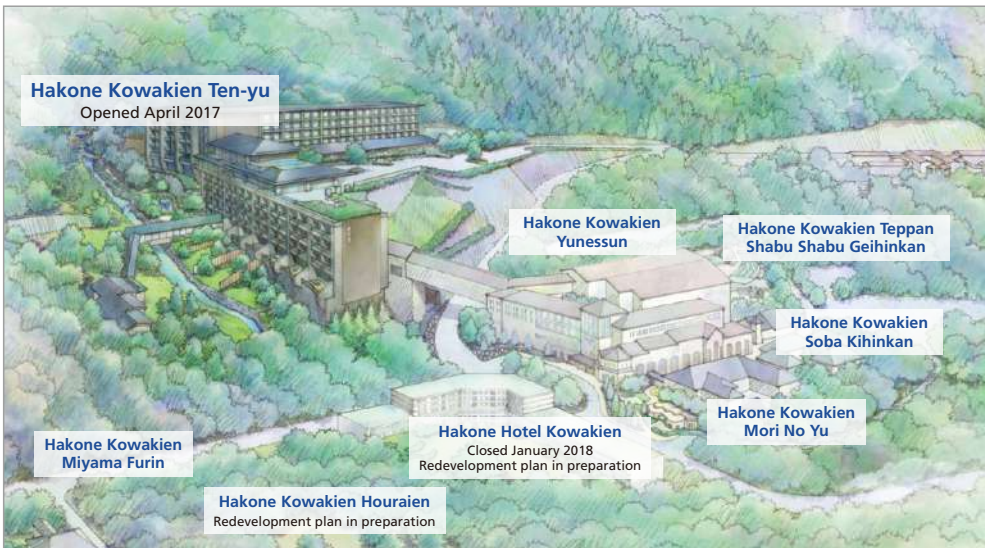


Fujita Kanko Group Results

Fujita Kanko Group's Cumulative Inbound Guests



Development of Hakone Kowakien



The Fujita family vacation home in Kowakudani, Hakone was opened as a Japanese-style inn where the public could relax, and it grew as the travel destination in Hakone. From the 1980s, there was a major shift in guests from group tours to trips by families, and we revitalized Hakone by opening a hot springs theme park that could easily be enjoyed on a day trip. Next, in response to the increase in inbound and upper-middle-class guests and a growing preference for luxury among individual travelers, we opened high-class facilities. We will continue to consider redevelopment plans that attract a wide range of guests.

Performance Highlights



Sales by Segment/Sales Composition

WHG Business

¥36.93 billion

(increased ¥1.33 billion YoY)

Resort Business

¥5.72 billion

(decreased ¥1.83 billion YoY)

Luxury & Banquet Business

¥23.98 billion

(decreased ¥0.76 billion YoY)

Sales composition

WHG Business

53.3%

Resort Business

8.3%

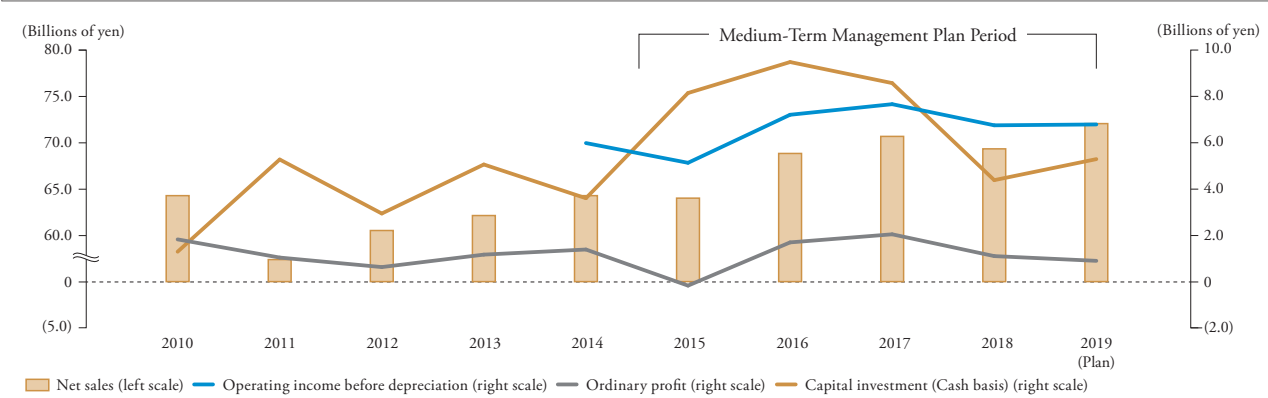
Luxury & Banquet Business

34.6%

Other

3.8%

Consolidated Operating Results



Growth Plan

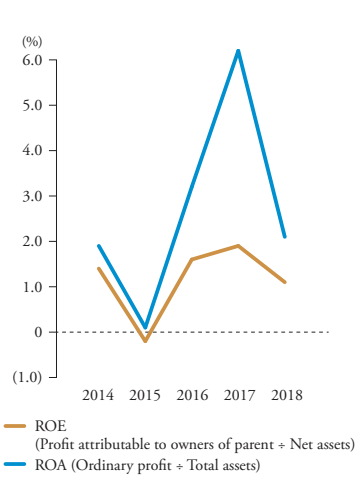


Under our new executive structure, we are preparing our next medium-term management plan (for 2020 onward) to be announced in February 2020.

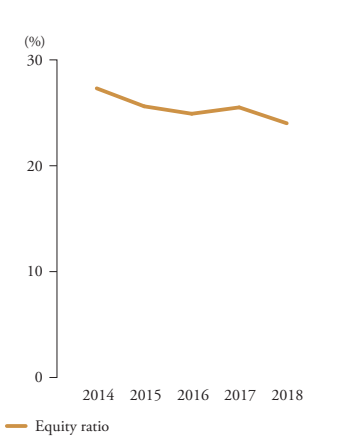
Forecast of Financial Results for 2019

	2019 Plan	YoY Change
Net sales	72.0	2.71
Operating profit	0.9	(0.19)
Operating profit before depreciation	6.8	0.04
Ordinary profit	0.9	(0.20)
Capital investment (Cash basis)	5.3	0.91
Depreciation	5.0	0.14

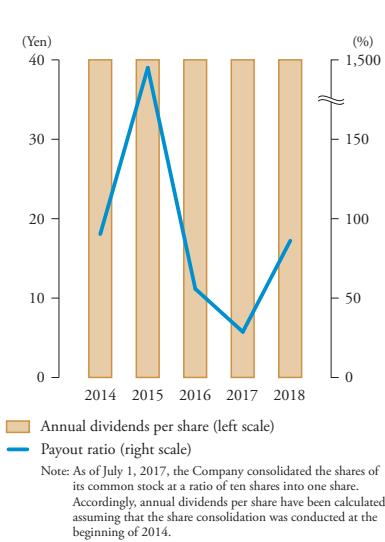
ROA/ROE



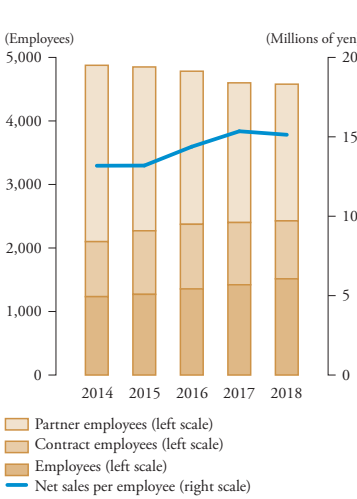
Equity Ratio



Annual Dividends per Share/Payout Ratio

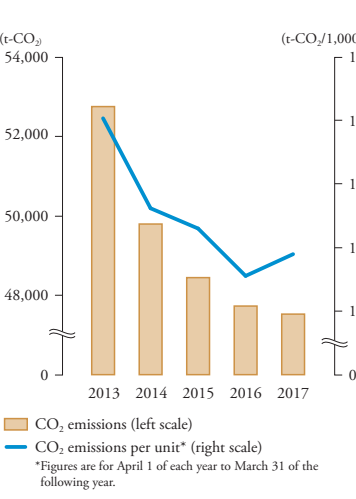


Consolidated Number of Employees/ Net Sales per Employee



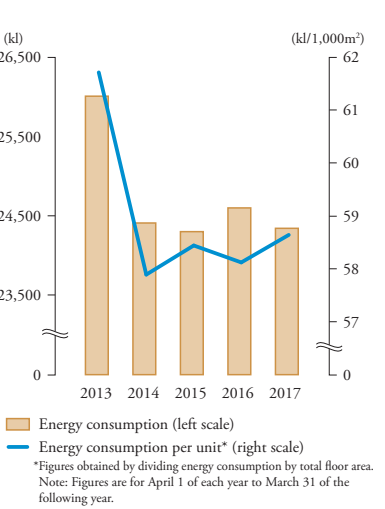
We intend to increase the number of employees who handle the needs of inbound guests by proactively hiring outside Japan, and we are working to continuously ensure a high-quality workforce by shifting from fixed-term to indefinite-term employment through employee appointments. We also strive to improve human resources throughout the Fujita Kanko Group through measures including allowing employees to participate in training and skills competitions regardless of their employment status.

CO₂ Emissions/ CO₂ Emissions per Unit*



Compared with the year ended March 31, 2013 when there was a series of new openings, CO₂ emissions have been declining owing to reduced CO₂ factors associated with electricity use and the introduction of energy-conservation equipment. CO₂ emissions per basic unit, which express emissions on a unit per area basis, are also falling.

Energy Consumption/ Energy Consumption per Unit*



Energy consumption decreased in the year ended March 31, 2018 with the closing of business at Hakone Hotel Kowakien and other facilities, and energy consumption per unit, an expression of energy efficiency, has declined by an average of more than 1% per year. Given this, the Company exceeded the non-binding targets of the Energy Conservation Act, and has received S-Class certification from the Ministry of Economy, Trade and Industry in the evaluation system that categorizes business operators.



Through fundamental management reforms, the Fujita Kanko Group will get back on a growth track.

Yoshihiro Ise

Representative Director and President, Executive Officer

We will restructure all of our brands, including our historic assets, to deliver the true value that customers demand.

“I vow to clean up Fujita Kanko once and for all.”

With these words, which echo a statement by famed Japanese figure Sakamoto Ryoma, I expressed my determination upon being appointed Representative Director and President on March 27, 2019.

The Fujita Kanko Group owns many historic assets it took over from the Fujita family, and has led the Japanese tourism industry by anticipating changes in customer needs in each era. Under our current medium-term management plan, we have been working to improve corporate value. In addition to positioning the WHG Business as a growth driver and accelerating new hotel openings, our efforts have included prioritizing the redevelopment of Hakone Kowakien in the Resort Business and transitioning Hotel Chinzanso Tokyo from a “wedding brand” into a “hotel brand” in the Luxury & Banquet Business. I am convinced that the orientation of our strategies is correct. However, their effects have not been apparent in our business results over the past few years. This is because we have undeniably been slow in implementing each measure. Although customer needs have become more sophisticated and complex, we have been unable to respond promptly to these changes.

After joining Fujita Kanko in 1983, I worked for the Washington Hotel brand in charge of development and as a general manager. The Washington Hotel brand changed people’s conception of business travel by offering high value at a reasonable price. I have seen from the front lines how Fujita Kanko has grown by understanding the value customers are looking for in each era. As someone who has seen all of Fujita Kanko’s businesses in detail through my work at Group

properties, I want to work for the Company’s restoration. This is my deeply held ambition. For us to grow substantially, drastic brand restructuring and further strengthening of the WHG Business will be crucial to successfully reinstating Fujita Kanko’s representative businesses, such as Hotel Chinzanso Tokyo, Taikoen and Hakone Kowakien Ten-yu, as pillars of our earnings. I believe it will also require constant innovation, and more sensitively picking up on customer tendencies and trends to keep changing along with the times. I am aware that greater sensitivity to customer tendencies and needs, including in the operation of our properties, is an urgent issue for achieving our objectives. To generate growth and results that are more than simply an extension of our previous performance, we will implement two management reforms.

We have completely separated management and execution to accelerate reforms and growth. We have also initiated measures to change the Board of Directors and develop our next generation of leaders.

To understand these rapidly changing times and get back on a growth track, we began by reviewing the appropriate state for Fujita Kanko’s governance structure and clearly separated the supervisory and executive functions of the Board of Directors. At the same time, we abolished the rules in our Articles of Incorporation that defined positions on the Board to eliminate the hierarchy among directors.

The Board of Directors pursues value creation with a long-term perspective and also monitors and supervises whether management is being conducted in accordance with the times in areas such as ESG activities, the SDGs and compliance. Executive officers are expected to conduct

business while considering diverse customer needs and rapidly changing values. The first point of this management reform is to create a system in which each function can concentrate on the respective roles it should play.

To further strengthen the supervisory function of management, we added three new outside directors. I intend to ask Masao Yamada, who is Chairman of Dowa Holdings Co., Ltd., whether the Fujita Kanko Group is heading in the right direction from his perspective as an officer of a major shareholder. Kazunori Takami has a high level of insight into marketing and sales from serving as a Vice President of Panasonic Corporation. As the first President of L'Occitane Japon KK, Shiho Takano has been displaying her ability since before L'Occitane was well established in Japan and has helped cultivate the brand to where it is today. Based on their extensive experience and track records, I expect these directors to offer a variety of suggestions for our own brand strategy.

In addition, we are proactively working to develop leaders for the next generation. I believe that to cultivate successors, we must take the lead in developing capable leaders to become officers. From that perspective, we began a trial initiative in 2017 of having next-generation management candidates attend meetings of the Advisory Council, which advises the Board of Directors. This was an idea from former outside director Yuko Mitsuya. It provides a valuable opportunity for employees in their thirties and forties to directly experience a forum where full-time directors and auditors, managers from the Head Office and others engage in discussions to determine the Company's direction. By participating in the subsequent Board of Directors meetings, they can also learn the viewpoints of outside directors.

We will accelerate our promotion of ambitious empowerment and proactive diversity and inclusion so that front-line employees can take the lead in generating ideas.

The Fujita Kanko Group has grown as it has responded to changes in market and customer values, but it has become unable to keep up with the rapid changes and diversification of recent years. I believe that for the Group to achieve rapid growth from now on, sites where we come in contact with customers will be the driving force. Therefore, as my second management reform, in terms of execution, we will focus on strengthening our sales capabilities for each business by substantially transferring authority to employees who are active on the front lines.

In a business environment that is constantly and significantly changing, there are three perspectives that the Group should particularly emphasize. First is the increase in inbound visitors (foreign visitors to Japan) and the consequent diversification of our customers. The number of inbound visitors is expected to continue to increase, with even faster diversification of their needs, including demand for travel outside major cities and consumption of intangible services. Second is the worsening labor shortage in Japan. I believe that hiring non-Japanese employees will become a key point in light of the increase in inbound visitors. Third is advances in the IoT and its application to our operations. With an ongoing shift to online booking and inquiries and to cashless transactions such as smartphone payments using a QR code, I realize that digital marketing will be key, along with a shift to information technology and computerization using artificial intelligence (AI) and chatbots.¹

To come up with new plans that delight our diversifying customers, it is essential that our properties are diverse and that our awareness of guests and ideas arise from diverse employees. We have been focusing on measures for diversity and inclusion, and we will step up our promotion of



the active participation of women, non-Japanese employees and people with disabilities to identify needs and create new opportunities. Moreover, for the growth of each one of our employees, the one-on-one meetings² we have been conducting on a trial basis will be implemented throughout the Company from 2019. The purpose of these meetings is to gain a greater awareness of our front line through regular dialogue between employees and their superiors, as well as to support employees in designing their own careers. As we increase employee engagement through a focus on individual growth, we also expect to improve the communication skills of their superiors.

At the same time, through our close contact with the areas we serve, we will collect opinions on the unique needs of each region to contribute to regional revitalization. We intend to participate actively in regional DMO³ planning so that customers can better understand the appeal of our properties.

1. An automatic conversation program that utilizes AI
2. Regular one-on-one dialogue between managers and staff to support employee growth
3. Destination Management Organization: A corporation that promotes the creation of a tourist area from a managerial perspective using methods such as market research through public and private sector collaboration

We will make every effort to maximize all of our corporate assets and ensure sustainable growth.

The Fujita Kanko Group has many important assets. Historic buildings are one such asset, but our most valuable assets are our employees who spare no effort to bring a smile to customers' faces. The food and services we offer are in the top class of the industry. In addition, we have among the highest number of sommeliers and staff who are certified by the Japan Hotel and Restaurant Service Development Association (HRS) in the domestic hotel industry. However, despite having this potential, I frankly feel that these assets are not being effectively communicated to customers. To this end, we have already started discussions for a new medium-term management plan. We intend to work together with our employees on the front lines to overhaul the Group, making it a time of full-scale restructuring of all Fujita Kanko brands.

In the coming era, I would like Fujita Kanko to be an entity that enriches the lives of the people who become involved with it – not only our customers, but also our employees and their families. Toward that goal, we will achieve both high quality and high efficiency as we make every effort for further growth. You can look forward to great things from the new Fujita Kanko Group.

WHG Business

Opportunities

- Increase in number of inbound visitors
- Revitalization of hotel development due to deregulation
- Increase in individual travel, mainly among domestic seniors

Challenges

- Low barriers to entry and proliferation of competing hotels. Difficulty in finding new properties.
- Increase in land prices, rent, materials, labor expenses and construction costs
- Improved level of service at budget hotels

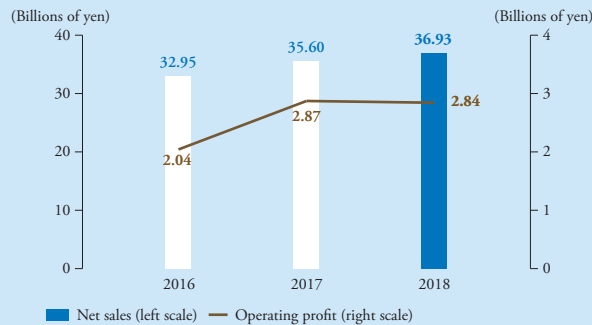
Progress of Initiatives ○ On schedule △ Partly on schedule × Behind schedule

Initiatives	Results and Issues
Expand business scale through new openings	○ Accelerated new openings and worked to create a multi-brand business by launching new brands, aiming for an increase of 3,000 rooms in the period to 2021.
Hire and develop human resources to support new openings	△ Conducted training according to work experience and duties and recruited non-Japanese employees. Improving the retention rate remains an issue.
Improve productivity	△ Lightened some duties through the use of AI and chatbots, but ongoing efforts are required.
Strengthen customer initiatives (acquire more repeat guests)	△ The number of card members is steadily growing in Japan and overseas as a result of improvements in convenience. Further enhancements are needed for growth in repeat guests.

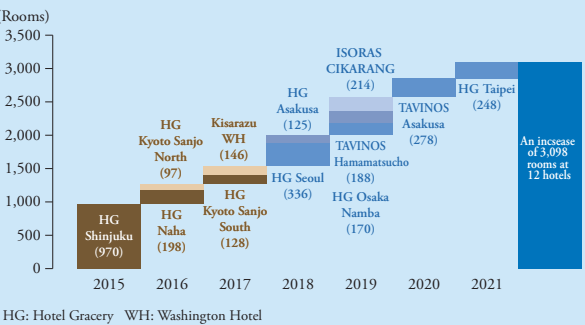
Conditions in Fiscal 2018

- Inbound demand was strong at existing hotels, mainly in the Tokyo metropolitan area.
- Hotel Gracery Kyoto Sanjo South, which opened in 2017, contributed to profit due to its operation for the full year.
- In 2018, we incurred expenses for the openings of Hotel Gracery Seoul and Hotel Gracery Asakusa, and for renovation of Kansai Airport Washington Hotel.
- Regional hotels were affected by Typhoon Jebi and the Hokkaido Eastern Iburi Earthquake, but recovered faster than expected.

Net Sales/Operating Profit



Number of New Guest Rooms



Expand Business by Capturing Inbound Demand and Launching New Brands

Kenji Murakami

Chief Operating Officer of WHG Business Group

Promote Multi-Branding and Business Expansion

The WHG Business is positioned as a growth driver in the medium-term management plan and is accelerating new openings with a targeted increase of 3,000 rooms in the period to 2021.

The Company operates two brands in the WHG Business: Washington Hotel for business travelers and Hotel Gracery for tourism and leisure travel. For the Hotel Gracery brand in 2018, in addition to openings in Asakusa and Seoul, measures to attract foreign individual travelers (FITs) at existing hotels were successful based on the Company's track record of accommodating inbound guests at its properties over many years. Sales per room increased year-on-year and occupancy rates exceeded expectations. The number of inbound visitors is expected to continue to increase, backed by economic growth in Asia and the 2020 Tokyo Olympic and Paralympic Games, and we will fully leverage our expertise in large-scale hotel management to steadily capture inbound demand.

Aiming for further business expansion, we intend to create a multi-brand business by launching new brands, including the openings in 2019 of HOTEL TAVINOS, targeting inbound visitors in the Millennial generation, and ISORAS serviced apartments for long-term stays. Multi-branding will enable us to capture new demand in areas such as Millennials, which will be the largest market segment for travel demand, and long-term stays for business. It will also lead to also expansion of the Group's customer base.



Lobby of HOTEL TAVINOS Hamamatsucho



AI concierge at HOTEL TAVINOS

Building a Solid Sales Foundation

The strengths of the WHG Business include locations throughout Japan and the rollout of targeted brands, as well as the expertise it has cultivated in dealing with inbound demand and operating large-scale hotels. The Company will use these strengths to support the establishment of HOTEL TAVINOS and ISORAS. Moreover, the Company will realize more efficient operations with the introduction of AI and other new technologies at HOTEL TAVINOS. By rolling out these efficiency-driven initiatives to existing hotels, the Company intends to improve productivity while maintaining their high quality.

In response to the labor shortage in Japan, the Company will strive to increase staff retention through human resource development and improvements in employee satisfaction, in addition to improving productivity with the use of AI, computerization and the introduction of new technologies.

Moreover, to build a solid sales foundation, the Company will promote repeat use of the Fujita Kanko Group Members Card centered on further uptake among FITs, where growth in demand is expected. At the same time, we will use the information collected from cardmember data, AI concierges and elsewhere to identify new needs. We will continue working to improve customer satisfaction.



Long-term stay serviced apartment ISORAS CIKARANG in Indonesia

Resort Business

Opportunities

- Increase in number of inbound visitors and expansion of their destinations beyond major cities
- The number of tourists in the Hakone area remains around 20 million per year
- Increase in individual travel, mainly among domestic seniors

Challenges

- Impact of the labor shortage (particularly in resort areas)
- Emergence of competing hotels in the Hakone area
- Infrastructure costs such as hot spring supply

Progress of Initiatives

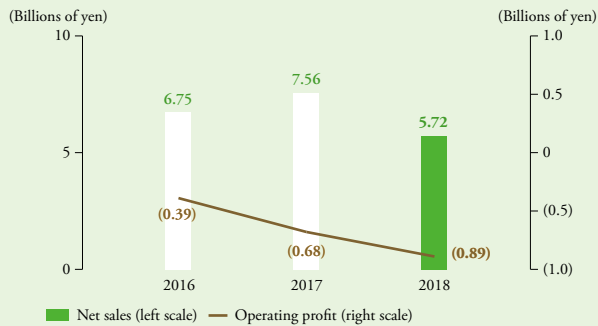
○ On schedule △ Partly on schedule × Behind schedule

Initiatives		Results and Issues
Strengthen profitability of Hakone Kowakien (Ten-yu, Yunessun)	△	At Ten-yu, although operation has stabilized, a stronger profit structure is required. At Yunessun, the number of guests decreased substantially due to the impact of the termination of operation of Hakone Hotel Kowakien.
Redevelop Hakone Kowakien, starting with Houraien	×	The initially planned advance development of Houraien is under review amid planning for overall redevelopment that includes Hakone Hotel Kowakien.

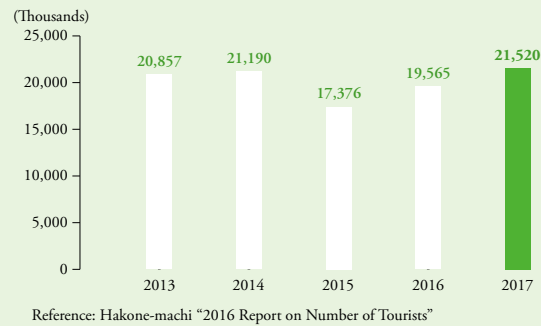
Conditions in Fiscal 2018

- Operation of Hakone Kowakien Ten-yu has stabilized, and the occupancy rate improved along with its reputation among customers. Although the Resort Business secured sales, it was unable to contribute to profit due to costs such as rising labor expenses.
- The number of guests at Hakone Kowakien Yunessun decreased substantially due to delays in implementation of sales measures and insufficient advertisement of events after the termination of operation of Hakone Hotel Kowakien.
- As a result of these factors, net sales and operating profit for the Resort Business decreased compared with the previous year and fell short of the forecast.

Net Sales/Operating Profit



Number of Tourists Visiting Hakone



Grow into a Pillar of Profit by Redeveloping the Hakone Area and Strengthening Earning Capability

Takanori Matsuda

Chief Operating Officer of Resort Business Group



Revitalize the Hakone Area and Strengthen Earning Capability

The Hakone area is one of Japan’s most popular tourist destinations, and increases are expected in the number of inbound visitors and individual travelers, mainly domestic seniors. As one of the basic policies of the medium-term management plan, the Resort Business is conducting redevelopment of the Hakone area and working to strengthen earning capability as a top priority. Redevelopment has been in progress since 2015, and with operations stabilizing at Hakone Kowakien Ten-yu, which opened in 2017, the occupancy rate has improved along with its reputation among customers. In addition, due in part to the expansion of inbound visitor destinations beyond major cities, the ratio of inbound guests increased by 15 percentage points compared with the previous year to approximately 40% as the Company attracted more weekday FITs than expected.

On the other hand, issues remain for improving profitability and sales capabilities, including rising labor expenses and a decrease in the number of guests at Hakone Kowakien Yunessun after the termination of operation of Hakone Hotel Kowakien.

Implement a Redevelopment Plan to Grow into a Pillar of Profit

The Resort Business has extensive grounds and facilities for experiencing natural splendor at hot spring resorts located near the Tokyo metropolitan area. The Company’s properties in the



Open-air bath Ukigumo at hot springs resort Hakone Kowakien Ten-yu

Hakone area include historic buildings such as the Kihinkan and the Geihinkan, and boast a history, tradition and high level of recognition cultivated over more than 70 years. Hakone Kowakien is well known as a popular facility that can be enjoyed by grandparents, parents and children and the Company is vigorously promoting restructuring and redevelopment of the Hakone area that prioritizes Hakone Kowakien Ten-yu and Hakone Kowakien Yunessun.

Specifically, at Hakone Kowakien Ten-yu, the Company is focusing on providing high-value-added products with the aim of attracting more customers and boosting earning capability. We will work to raise productivity through more efficient operations in areas such as staff multitasking. At Hakone Kowakien Yunessun, the Company will introduce measures to recover patronage including partnering with nearby facilities, capturing group customers from Japan and overseas, and beefing up new product planning and publicity. Enhancements such as introducing activities that allow guests to fully enjoy the appeal of Hakone and promoting the area’s attractions through the Company’s concierges will also contribute to regional revitalization.

The Company is currently considering a redevelopment plan for Hakone Kowakien that will be taken up and promoted as a key issue in the next medium-term management plan. Redevelopment centered on the closed Hakone Hotel Kowakien will attract a wide range of customers from affluent guests to families, thus helping Hakone Kowakien to grow into a pillar of profit for the Fujita Kanko Group.



Executive suite with open-air bath Sengokuhara at Hakone Kowakien Ten-yu

Luxury & Banquet Business

Opportunities

- Growing accommodation and MICE¹ demand due to an increase in inbound visitors
- Increase in accommodation utilization due to the extended 10-day Golden Week holiday in Japan
- 2019 Rugby World Cup, G20 Osaka Summit and 2020 Tokyo Olympic and Paralympic Games

Challenges

- Shrinking wedding market
- Rise of competing luxury hotels

Progress of Initiatives ○ On schedule △ Partly on schedule × Behind schedule

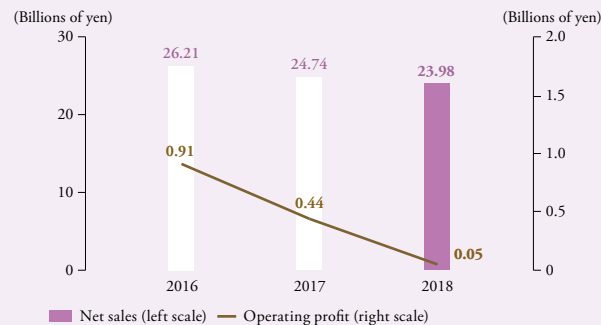
Initiatives	Results and Issues	
Enhance brand power and profitability of Hotel Chinzanso Tokyo	△	Renovated guest rooms, joined and made use of the Preferred Hotels & Resorts ² network, and conducted language and customer service training. Maintained and improved brand power but failed to improve profitability.
In the wedding business, halt trend toward shrinkage of existing business, and accelerate new development	×	Despite building a detached shrine within the garden of Hotel Chinzanso Tokyo and enhancing Japanese-style weddings, the Company was unable to halt the shrinkage trend. New development was completed at only three of the targeted five locations (Osaka, Hiroshima, Fukuoka).

1. Meetings, incentive travel, conferences and exhibitions/events. These business events are expected to attract large numbers of guests.
2. World's largest independent hotel brand network

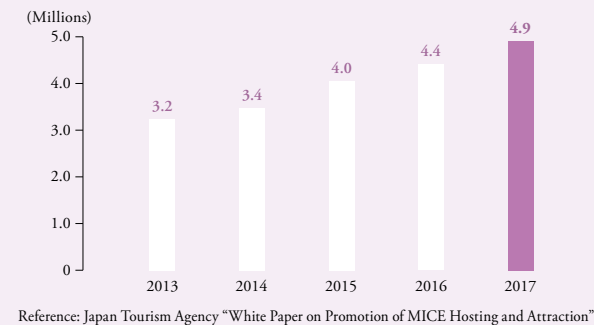
Conditions in Fiscal 2018

- Net sales and operating profit both decreased significantly compared with the previous year and fell short of the forecast, primarily due to a slump in the wedding business. Main factors were a shortfall in attracting customers for Japanese-style weddings to Hotel Chinzanso Tokyo and the impact of a delay in customer development at Share Clapping Fukuoka Co., Ltd. (Fukuoka Prefecture).
- Performance of the banquet and accommodation businesses was on par with the previous year, but it was not enough to compensate for the slump in the wedding business.

Net Sales/Operating Profit



Market Growth (Estimated Business Travelers from Overseas)



Establish Our Brands through High-Quality Services and Products

Masatoshi Nakamura

Chief Operating Officer of Luxury & Banquet Business Group

Strengthen Sales Capabilities to Transform the Profit Structure

The brands of the Luxury & Banquet Business have reached a turning point. Hotel Chinzanso Tokyo and Taikoen have grown by focusing on weddings. However, in light of factors such as the shrinking wedding market and growing accommodation and MICE demand due to the increase in inbound visitors, the Company is working to transform its profit structure by strengthening its sales capabilities in the accommodation, banquet and restaurant businesses.

Specifically, the Company plans to expand the sales team for Hotel Chinzanso Tokyo and to strengthen sales activities in Japan and overseas. In addition to reinforcing efforts to capture MICE demand at Taikoen, which is celebrating its 60th anniversary, the Company is planning various anniversary events, using this opportunity to attract new clientele and increase the number of banquet and restaurant customers.

In the wedding business, the Company will halt the shrinkage trend by raising customer satisfaction with enhanced capabilities for proposals centered on Japanese-style weddings, which are an area of strength for Hotel Chinzanso Tokyo. In its rollout of the wedding business to regional areas, the Company will focus first and foremost on strengthening earning capability at existing locations.

Establish Our Brands with High-Quality Services and Products

In the Luxury & Banquet Business, Hotel Chinzanso Tokyo is a luxury hotel that has the advantage of unique added value, such as its relaxing space for enjoying natural splendor in the middle of the city, in addition to its high-quality service and dining. The Luxury & Banquet Business offers value that cannot be experienced elsewhere, with restaurants that offer a wide variety of meals from Japanese to Western cuisine and hospitality cultivated over many years, making use of the Japanese gardens at Hotel Chinzanso Tokyo, Taikoen and other locations, and historical structures such as Yodogawatei.

In addition, the Company has been working to further enhance the brand power of Hotel Chinzanso Tokyo by renovating guest rooms, joining and making use of the Preferred Hotels & Resorts network, and conducting language and customer service training. Understanding the necessity of addressing medium-to-long-term issues such as business structure reform, the Company is currently considering how to reflect these matters in its new medium-term management plan for 2020 onward, which it plans to announce in detail along with its financial results for 2019.

The Luxury & Banquet Business will continue working to establish rock-solid brands with high-quality services and products, with the aim of being a driving force in the Fujita Kanko Group.



Amphitheater at Hotel Chinzanso Tokyo



Japanese-style garden at Taikoen

With a renewed awareness that the heart of a company is its people, we are working to build a foundation for diverse human resources to play an active role.

Takeaki Yamada

Representative Director in charge of Human Resources Group



An Approach to Human Resources Unchanged since Our Establishment

One of our management guidelines is “having recognized that the heart of a company is its people, and that fostering human resources is crucial to growth, we strive to foster motivated, well-balanced employees.” In an operating environment that is highly susceptible to economic fluctuations, we believe human resources are the source of our growth. Since each of Fujita Kanko’s businesses consists of services based on a spirit of hospitality, all our employees strive to embody the Group’s overall commitment to hospitality. This is an expression of the values they share, with an emphasis on attentiveness.

We look for human resources who can accept diverse values and work together with us for the expansion and growth of our wide variety of businesses. After employees gain on-site (front line) experience in areas such as customer service at one location, we provide diverse career paths based on their individual aptitudes, training perspectives and desires. We regard job transfers as a step for broadening the scope of employees’ work as well as their horizons. As our employees accumulate various experiences in order to master communication skills, we want them to build an outstanding skill set in the way that suits them best and to acquire an objective perspective and broad outlook on their own careers. Moreover, we support our employees’ diverse working styles so that they can continue to work long-term while main-

Overview of Human Resource Strategies

Develop diverse human resources and skills; improve job satisfaction

1. Strengthen human resource development and training

2. Promote work-life balance

3. Encourage diversity and inclusion

Improve employee satisfaction

Stabilize recruitment/retention of human resources

Improve service and quality standards

Improve sales and productivity

Improve customer satisfaction

taining a balance with life events, regardless of their gender, nationality or age.

Aiming for Workplaces Where Diverse Human Resources Can Play an Active Role

In the medium-term management plan, we have set forth a human resource strategy of “creating fulfilling workplaces where diverse human resources can play an active role,” and have been working primarily on three initiatives: strengthen human resource development and training; promote work-life balance; and encourage diversity and inclusion.

To strengthen human resource development and training, we conducted measures including introductory training on matters such as the basic knowledge and attitudes that are necessary to work for Fujita Kanko, and rank-based and function-specific training. We consider diversity and inclusion and our Work-Style Reform Project to be inseparable components of corporate culture reform and therefore conduct them together. Since June 2018, we have regarded these initiatives as an aspect of the Group’s ESG activities, and we are strengthening our efforts.

As for specific measures, to improve work-life balance, we promoted the elimination of regular scheduling of long working hours, strengthening of frameworks for long-term employment and the use and application of ICT and the IoT as core issues. Our aim is to create a positive and rewarding workplace environ-

Action Plan Based on the Act of Promotion of Women’s Participation and Advancement in the Workplace (Action plan period: April 1, 2016 to March 31, 2020)

Target	As of April 1, 2019
1. Women occupy over 13% of managerial positions	12.7%
2. Number of women in pre-managerial positions boosted by 50%	61.5%
3. Over 65% of women maintain their employment 7-9 years after entering the Company	50.0%

ment where the diversity of each employee is respected. In addition to modifying working hours, we are pursuing measures to create a worker-friendly environment. These include ongoing implementation of telework on a trial basis as a safety net for dealing with difficulties in commuting due to childcare or other reasons, enhancement of our program for employees returning to work after a leave of absence, and use of remote mobile devices and RPA.¹

As an initiative for diversity and inclusion, we conducted career interviews and group-specific fieldwork training to promote opportunities for female employees, and the percentage of women in managerial positions increased by 0.8 percentage points from 2018 to 12.7%. To promote opportunities for non-Japanese employees, we conducted interview surveys and made improvements, and held a forum for non-Japanese employees to promote mutual understanding of each other’s culture. Regarding LGBT awareness, we conducted training under the theme of “Let’s start with proper understanding.”

For the Future

With the progress of measures for active participation by diverse employees, new challenges have become apparent. For example, although the number of non-Japanese employees is increasing, there have been more than a few departures due to factors such as differences in attitudes toward work and culture. Therefore, we are currently training a non-Japanese HRDL² and will work to improve the retention rate by promoting a deeper understanding of our Corporate Philosophy. In addition, because young employees’ attitudes toward work are diversifying, we consider close communication with their superiors to be essential, and plan to initiate one-on-one meetings throughout the Company.

To deal with changes in our operating environment and support a return to growth for the Group, we will strive to create a framework where diverse human resources can play an active role. By building competitive advantages as an organization and establishing a system for continuing success, we will continue to strive to achieve further growth.

1. Robotic Process Automation
2. Human Resource Development Leader. Serve as in-house lecturers.

Overview of Initiatives

	Topic	Initiatives in 2018
Strengthen human resource development and training	Training non-Japanese employees	Trained a non-Japanese HRDL to better instill an understanding of our Corporate Philosophy Distributed English, Korean and Chinese versions of employee guides via intranet
	Developing next-generation management candidates	Conducted management training for mid-level leaders
	Developing global human resources	Language and on-the-job training through an overseas trainee system (Jakarta) Overseas dispatch to learn hospitality and tourism management (The Hong Kong Polytechnic University)
	Providing self-development tools	Provided tools for self-study of basic knowledge of core departments
	Measures to improve and pass down skills	Implemented skills competitions, <i>okami</i> skills training, cooking training and Food & Beverage Manager training
Promote work-life balance	Promotion of “working hour innovations”	Conducted awareness-raising activities to reduce long working hours for managers Started “Work-Style Reform Awards” for results of initiatives during the year
	Strengthening framework for long-term employment	Conducted safety net telework on a trial basis Held management seminar for managers of employees raising children Implemented a system for returning to work after a leave of absence
	Promoting opportunities for female employees	Conducted training of young and pre-management track female employees, career interviews, etc.
Encourage diversity and inclusion	Promoting opportunities for seniors	Conducted a life management seminar for employees aged 45 to 60 and training for 50-year-old employees
	Promoting opportunities for people with disabilities	Conducted integration training Raised awareness of support for universal design initiatives
	Promoting opportunities for non-Japanese employees	Conducted interviews with non-Japanese employees and worked on improvements Held a forum to promote understanding of the cultures of non-Japanese employees
	Awareness-raising activities for respecting human rights	Conducted basic research and field work Promoted awareness-raising activities to promote LGBT understanding
	Fostering workplace culture	Promoted activities to promote respect for diversity and mutual understanding Gained an understanding of the relationship between workplace culture and employee engagement



Skills competition (sign language)



Non-Japanese HRDL



Okami skills training



Cooking training

Initiatives to Address Diverse Values

Fujita Kanko’s Corporate Philosophy is “to contribute to the well-being of society by providing hospitable services and places where people can relax, refresh and revitalize.” Based on this Corporate Philosophy, we are proactively incorporating various considerations to offer meticulous services tailored to the requirements of our customers. We believe these initiatives are important and essential to our sustainable growth as a company.

Universal Design Initiatives

At Fujita Kanko, we are proactively disclosing information about our support for universal design and access at our accommodations, leisure facilities and elsewhere. We want our properties to be more accessible to more customers. For example, we present information about the universal design features of our facilities, equipment, furnishings as well as guidance in case of emergencies on the Fujita Kanko Group website for properties such as Hotel Chinzanso Tokyo, Hakone Kowakien Ten-yu and Hotel Gracery. We will continue to update the website. Our glamping facility Fujino Kirameki Fuji Gotemba has two universal design cabins with adjacent access for vehicles. These cabins allow guests to enjoy the outdoors in comfort, with features including a wheelchair ramp, an outside deck that is level with the living room and handrails in the spacious toilets and bathrooms.



Universal design cabin at Fujino Kirameki Fuji Gotemba

Initiatives for Integration of the Elderly and People with Disabilities

Fujita Kanko is focusing on a variety of initiatives based on an approach to integration that “accepts the elderly and people with disabilities as they are and promotes mutual understanding and the creation of spaces where people – with or without disabilities – can live side by side.” Specifically, we offer lectures by experts, sign language classes, training for handling customers with support dogs and other measures as part of our employee education to foster awareness about integration. In addition to distributing a handbook to employees summarizing how to receive customers with special needs, we encourage the acquisition of Universal Manners Test Certification as we strive to develop human resources who can act based on a proper understanding of our elderly and disabled customers.



Training to foster awareness of integration initiatives

Response to Multiculturalism

As customer needs diversify along with the increase in the number of inbound visitors, multicultural understanding and appropriate treatment are essential for providing meticulous service. Fujita Kanko regularly holds a Diversity Forum to promote multicultural understanding and diversity through panel discussions with non-Japanese employees and lectures by speakers from outside the Company. As one specific example of our multicultural approach, we opened ORIGAMI Asakusa, a halal Japanese restaurant, in July 2018. Cooks who have completed a course in halal foods provide authentic Japanese cuisine using halal certified Japanese beef and other ingredients. The restaurant also has a prayer room equipped with facilities for wudu (ritual ablutions), so Muslims can enjoy their meals with peace of mind. We will communicate the

meal preparation and service expertise we cultivate at this restaurant to our facilities throughout Japan to further broaden the scope of our customer satisfaction.



Panel discussion with non-Japanese employees

Prayer room at ORIGAMI Asakusa

Contributions to Society and the Community

The Fujita Kanko Group promotes distinctive initiatives that contribute to bringing prosperity to society and communities. The Group conducts ongoing activities based on the concept that it is essential to develop together with local communities, not just itself in the tourism and hospitality industry.

Activities Rooted in Society and the Community

At hotels and restaurants across Japan, Fujita Kanko Group facilities undertake activities directed at promoting positive relations with communities, including participation in and support for community events, clean-up projects, and road safety and disaster management programs; workplace experience programs and other educational initiatives; and charitable endeavors such as fund-raising and recycling drives. In 2018, Group facilities undertook and promoted a total of 457 such initiatives.

Main Initiatives

- Participation in and support of local festivals (Hotel Fujita Nara, Ito Kowakien, others)
- Invitations for children and personnel at children’s care facilities (Hakone Kowakien Yunessun)
- Accepting junior high school students and others for workplace experience programs (Taikoen, Hotel Fujita Fukui, Nagasaki Washington Hotel, others)

Environmental Initiatives

Fujita Kanko promotes environmental protection initiatives under its environmental policy that states, “As a corporate citizen, it is our responsibility to be friendly to the earth and our community, to do our best to reduce any negative effects our activities have on the environment, and to help build a sustainable society in which people will be safe and free to pursue rich and joyful lives.”

Environmental Protection

Fujita Kanko possesses roughly 1,480 hectares of rich natural forest land nationwide, which significantly contributes to absorbing CO₂. Of this total, 691 hectares of forests stretch across the Unehata area of Shingu City in Wakayama Prefecture where it has been calculated that approximately 2,004 tons of CO₂ are absorbed annually. This forest area is certified by the FORE-STOCK Association.

In addition, the Group is shifting to paper or biodegradable plastic straws with a target of phasing out the plastic straws used at the hotels, restaurants, banquet halls and other facilities it operates by the end of July 2019. This activity is expected to reduce the number of plastic straws used by about 600,000 annually.



Paper straws



Release of firefly larvae at Hotel Chinzanso Tokyo

- **Hotel Chinzanso Tokyo and Taikoen**
The lush gardens of Hotel Chinzanso Tokyo and Taikoen in Osaka maintain an environment that uses water from the gardens’ natural springs and nearby rivers. Every year guests can enjoy fireflies in flight while study groups are held for local students to convey the importance of environmental protection.
- **Shimoda Aquarium**
The staff of Shimoda Aquarium serve as instructors and conduct school visits for kindergarteners and elementary and junior high school students inside and outside Shizuoka Prefecture. By learning about the ecology of sea creatures, the children take a greater interest in protecting the marine environment.



Firefly viewing party at Hotel Chinzanso Tokyo



School visit by staff of Shimoda Aquarium

Response to the Energy Conservation Act

Across the Group, initiatives are being promoted based on the Energy Conservation Act, utilizing advanced ecological technologies to tackle global warming and reduce CO₂ emissions.¹

Notes:
1. See page 9 for details of CO₂ emissions, CO₂ emissions per unit, energy consumption and energy consumption per unit.
2. An energy management system for monitoring and controlling the energy needs of buildings

Main Initiatives

- Installed LED and high-efficiency lighting
- Introduced a Building Energy Management System (BEMS)² to clarify energy use
- Replaced cogeneration systems with high-efficiency models
- Introduced an automated system that automatically switches air conditioning and lighting to energy-saving mode when guest rooms are unattended
- Water conservation through the adoption of water-saving shower-heads
- Introduction of energy-efficient eco-pumps, and other initiatives

Initiatives to Preserve Cultural Assets and Historical Architecture

Since its founding, the Group has owned numerous valuable cultural assets and historical architecture. The Company takes its role as custodian of these properties very seriously, recognizing them as precious assets belonging to all of Japan, and sees protecting them for future generations as a key component of its CSR activities.

Hotel Chinzanso Tokyo

This property was given the name Chinzanso in 1878 by Prince Aritomo Yamagata. For approximately 140 years since, the garden has been a unique urban oasis, delighting visitors with its verdant beauty and refined form. The garden's natural beauty is enhanced by many historic architectural features, including a three-story pagoda, believed to have been constructed in the Muromachi period (1336 to 1573) and Zangetsu, a historic tea house, both of which are listed as tangible cultural properties; a Hannayaji Temple stone lantern and stone statues of Rakan created from a sketch by Jakuchu Ito. In 2009, a three-year project to restore all of the cultural assets in the garden was launched.



Three-story pagoda (listed as tangible cultural property)

Hakone Kowakien

The birthplace of Fujita Kanko, Hakone Kowakien boasts two buildings listed as tangible cultural properties. Kihinkan, a sukiyazukuri house built in 1918 as a villa for Baron Heitaro Fujita, features interior furnishings that represent the highest level of craftsmanship in that era. Both the decor and the garden of the villa, which today houses a soba restaurant, remain exactly as they were originally. Geihinkan was initially a village headman's house, built by a Shinto shrine carpenter in 1875 and features a tiled roof and uses such other materials as pine and chestnut. The beams and pillars of the building, which today houses a *teppanyaki/shabu-shabu* restaurant, which opened in May 2016, have been left essentially unchanged. It provides guests with a historical and memorable experience.



Soba Kihinkan (listed as tangible cultural property)

Taikoen

Taikoen is a historic property built in the Meiji period to serve as the primary residence of Denzaburo Fujita. The property features a principal residence and west and east wings. The only one of Fujita's homes to survive the Osaka air raids in 1945, the property was later reborn as Taikoen. The east residence currently houses the Yodogawatei restaurant, which enables guests to experience the essence of Japanese cuisine while admiring the seasonal beauty of the elegant gardens. The property also has a Tsukiyama-shiki kaiyu-style garden, which features a pond and a hill as well as rare and unusual stones gathered from Shodoshima and Ikomayama. In addition, the property features rare lanterns and precious rocks collected from around Japan.



Yodogawatei Japanese restaurant

Fujita Museum

The Fujita Museum, which houses an extensive collection of East Asian art assembled by industrialist Denzaburo Fujita, his eldest son Heitaro and his second son Tokujiro, was established in 1951 and opened to the public in 1954.

Extremely knowledgeable about antiques and tea ceremonies, Denzaburo Fujita and his sons collected paintings, calligraphy, ceramics, sculpture, lacquer, metal, textiles and archaeological artifacts. The collection comprises approximately 2,000 items, including nine national treasures and 53 important cultural properties. With the aim of protecting these cultural assets and its own roots, Fujita Kanko donates funds and provides PR support to the Fujita Museum.

Note: The Fujita Museum is closed for an extended period of time due to a total reconstruction of the facility. It is scheduled to reopen in April 2022.



Yohen Tenmoku *chawan* (tea bowl) (national treasure)
Photo: Kazuyoshi Miyoshi



Genjo Sanzo *emaki* (scroll) (national treasure)

Corporate Governance

Basic Philosophy

Fujita Kanko aims to become a company which contributes to the realization of a prosperous society through its business operations. Moreover, the Company is in constant pursuit of corporate governance practices of the highest standards in order to fulfill its social responsibility as a company while ensuring favorable relationships with its shareholders, and all stakeholders. Together with such robust efforts, the Company continuously undertakes reviews as it strives to further raise its corporate value.

Status of Corporate Governance

The Company conducts corporate governance based on the principles set forth in Japan's Corporate Governance Code, which has been prepared by Tokyo Stock Exchange, Inc. The Company has not implemented the following principles at this time, but will consider them in the future, as necessary.

Principle 3.1 (iv): Board policies and procedures in the appointment/dismissal of the senior management and the nomination of director and auditor candidates

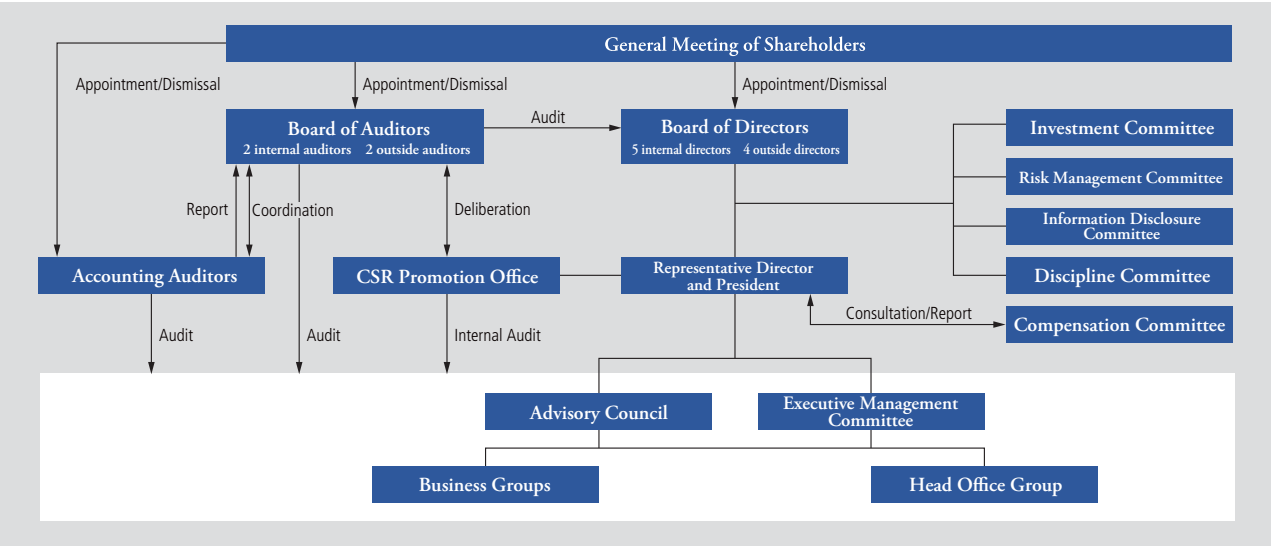
Principle 4.1.3: Succession plan for CEO and other top executives

Principles 4.3.2 and 4.3.3: Appointment/dismissal of CEO

Principle 4.10.1: Establishing an optional nomination committee and an optional remuneration committee

Principle 5.2: Establishing and disclosing business strategies and business plans

Corporate Governance Framework



Overview of Committees

Committee	Chairperson	Role
Investment Committee	Director in charge of Planning Group	Assesses the appropriateness of investments by conducting pre-implementation screening of investment details and effectiveness from a professional standpoint, and periodically measures the effectiveness of investments that have been screened for more scrupulous examination of investment planning and execution. Convened five times in fiscal 2018.
Risk Management Committee	Director in charge of Administrative Group	Controls and strives to mitigate risks related to Group management. Convened four times in fiscal 2018.
Information Disclosure Committee	Director in charge of Planning Group	Conducts timely and appropriate disclosure of information required by laws, regulations and rules, and makes appropriate judgments on disclosure of information deemed to be useful to investors, the occurrence of serious incidents and accidents, and other matters. Convened 12 times in fiscal 2018.
Discipline Committee	Representative Director and President, Executive Officer	Conducts impartial deliberations and decides on the punishment of officers and employees based on employment rules and Company regulations.
Compensation Committee	Director in charge of Human Resources Group	Works to ensure the objectivity and transparency of compensation and other payments to directors and executive officers as an advisory body to the representative director and president. Also reports on the results of deliberations as appropriate in response to requests for consultation from the representative director and president. Convened one time in fiscal 2018.

Corporate Governance Framework

Amendments to the Articles of Incorporation

To further enhance the supervisory function of the Board of Directors, the Company has made it clear in the Articles of Incorporation that the president, who is the chief executive of business execution, and other positions are designated executive officers, deleted a provision stipulating the positions of directors on the Board of Directors and established a new provision stipulating that the president shall be elected from among the executive officers.

Directors, Board of Directors and Executive Officers

Fujita Kanko has nine directors, four of whom are outside directors. The Company also has nine executive officers, one of whom serves concurrently as a representative director. In principle, all directors, including outside directors, hold a Board of Directors' meeting once a month to pass resolutions and report on legally stipulated matters and important management items. In addition, as a general rule, the Executive Management Committee, which is chaired by the representative director serving concurrently as president and executive officer (hereafter, the "president") and composed of members appointed by the executive officers and the president, meets once every month to share awareness of operating conditions and to discuss necessary countermeasures.

Auditors and Board of Auditors

Fujita Kanko has instituted a corporate auditor system. Of the Company’s four auditors, two are outside auditors (including one independent officer). The Company has also installed a Board of Auditors as an entity to audit the execution of business by the directors. Each auditor attends meetings of the Board of Directors and offers opinions as necessary from the perspective of ensuring proper and appropriate decision making conducted at these meetings. In addition, auditors audit the execution of duties performed by the directors, and to enhance efficiency and effectiveness of audits, report their findings to meetings of the Board of Auditors, which in principle are held once a month.

Full-time auditors also attend meetings of the Advisory Council (chaired by the president), which are held prior to regularly scheduled meetings of the Board of Directors, and participate as appropriate in deliberations on matters of importance to management of the Fujita Kanko Group. They also receive meeting materials that are promptly distributed at meetings of the

Executive Management Committee. Furthermore, in the event of concurrent service as an auditor for a subsidiary, the full-time auditor will also attend that subsidiary’s regularly scheduled Board of Directors’ meetings.

The auditors also receive reports with regard to accounting audit details from the Company’s accounting auditors, with whom they exchange information to determine appropriateness of accounting policies, accounting treatment methods and other issues in light of the conditions of Company assets.

Roles of Outside Directors and Outside Auditors

In principle, the Company’s outside directors and outside auditors attend all meetings of the Board of Directors, where they offer opinions, as necessary and from an objective position, thereby sufficiently ensuring an objective and neutral executive monitoring function. As of March 27, 2019, the Company has appointed four outside directors and two outside auditors.

Compensation and Other Payments for Directors and Auditors

Compensation for directors of the Company consists of basic compensation and performance-linked compensation. The maximum aggregate limit on compensation and other payments to directors and auditors, which is determined by resolution of the General Meeting of Shareholders, is based on internal regulations governing compensation for directors and auditors and takes into account management conditions and the economic climate. To improve the objectivity and transparency of compensation and other payments given to directors and executive officers, we have set up a Compensation Committee as an advisory body to the representative director and president. The majority of committee members consist of auditors, outside experts such as outside directors and outside auditors and legal counsel. In principle, the committee reports its results of reviews to the representative director and president more than once a year.

Compensation for Directors and Auditors (Results for Fiscal 2018)		
Category	Number of Eligible Individuals	Total Amount of Compensation and Other Payments (Millions of yen)
Directors (excluding outside directors)	9	211
Auditors (excluding outside auditors)	2	42
Outside directors and outside auditors	6	35

Note: The above headcount includes two directors and two auditors who retired as of March 2018.

Implementation Status of Internal Control System

To clarify its mission and values, the Fujita Kanko Group has established a Corporate Philosophy and guiding precepts (management guidelines and a code of conduct) as its basic policy on conduct and frame of mind for directors, auditors and employees.

The Group has also formulated a code of ethics with the aim of securing the trust of all individuals and stakeholders associated with the Group and of ensuring that Fujita Kanko is recognized as an organization that complies with laws and regulations and is open, fair and transparent. The code sets forth standards for resolving legal and ethical issues that may arise in the course of implementing measures for achieving its objectives. Recognizing that enhancing corporate governance is essential for fulfilling its corporate social responsibilities, the Group is working to improve and refine its internal control system to reinforce its reputation as a trustworthy and transparent company, and has on an organizational level moved forward on initiatives, including the establishment of a CSR Promotion Office and an Information Disclosure Committee.

Compliance System

- CSR Promotion Office

The Company has established the CSR Promotion Office, which is controlled directly by the president, as an internal audit department. The office consists of a chairperson and five members. It conducts regular internal audits of the Group’s offices and subsidiaries, and examines the Group’s compliance status to verify that, among other matters, operations are being conducted competently, appropriately and rationally in a manner that complies with laws and regulations, the Articles of Incorporation and internal regulations, and that these regulations are valid and appropriate. The office periodically reports these findings to the representative director and auditors.

- Internal Whistleblowing Schemes

The Company has set up a hotline (“Ring Ring Hotline”) whereby employees can seek anonymous advice or report compliance violations with regard to the Group. It has also established internal whistleblowing schemes such as the Whistleblower Protection Regulations, which it operates through several internal and external hotlines, to ensure that employees reporting violations do not suffer negative consequences as a result.

Risk Management System

The Company has established a Risk Management Committee with the goal of identifying risks which have the potential to negatively impact its performance. Along with periodic reviews, the committee implements measures as necessary to mitigate loss and damage, and periodically reports its findings to the Board of Directors. The Company has also formalized accident reporting standards whereby in the event of an incident or accident, it is necessary that the information be reported promptly and countermeasures be taken in line with these standards.

System for Responding to Anti-Social Forces

Based on its basic policy, the Group takes a resolute stance against anti-social forces that threaten the order and safety of society, and adamantly rejects unjustified demands. This principle is included in its code of ethics, which all directors, auditors and employees are thoroughly trained to follow.

System for Ensuring Appropriateness of Group Operations

The Company’s subsidiaries fall under the control of either one of the Company’s business groups or the head office group. Based on guidelines formulated in line with the Company’s corporate governance regulations, these subsidiaries develop management plans and performance targets, as well as measures aimed at ensuring such plans and targets are attained. In this way the internal control system functions adequately. The Company has also formulated its Guidelines for Management of Affiliated Companies and Companies in Which It Has an Equity Stake, and ensures that appropriate management and decision making are conducted for these companies. Also, the CSR Promotion Office conducts periodic internal audits of directly operated offices and subsidiaries without discrimination. Moreover, in principle, one of the Company’s full-time auditors assumes an auditor position at each subsidiary and audits these subsidiaries to ensure the appropriateness of operations.

Policy on Information Disclosure

Fujita Kanko has made as its basic policy the timely and proper disclosure of information, to all shareholders, so that information disparity between shareholders does not occur. Looking to raise corporate value over the long term, the Company respects its shareholders and all of its various stakeholders, with whom it strives to maintain positive and smooth relationships. In addition, with regard to information disclosure, the Company proactively and appropriately provides shareholders with important Company-related information. Furthermore, the Company has also established its Information Disclosure Committee as a body that deliberates on whether or not information disclosure meets legal standards.

Reasons for Appointment of Outside Directors and Outside Auditors

Outside Directors	Name	Attendance at Meetings of Board of Directors for 2018	Areas of Expertise	Reasons for Appointment
	Rieko Zanma	Attended all 18 meetings	Business management, Diversity and inclusion	Ms. Zanma has been engaged in business management for many years, and successively served as a member of a series of government councils and other public sector committees. Moreover, she has handled many large events as an overall producer. Therefore, she possesses abundant experience and knowledge in a wide range of fields. She was reappointed to the position of outside director so that she could contribute to the Company’s diversity and inclusion initiatives, including promoting the active involvement of female employees.
	Kazunori Takami	Assumed office on March 27, 2019	Business management, Marketing	Mr. Takami has successively served in managerial positions in the sales and other business divisions of Panasonic Corporation and has been engaged in corporate management for many years. Therefore, he possesses abundant experience and knowledge regarding all aspects of business management and marketing. He was newly appointed to the position of outside director so that his experience and knowledge could be effectively utilized in the management of the Company.
	Shiho Takano	Assumed office on March 27, 2019	Business management, Marketing, Diversity and inclusion	Ms. Takano has been engaged in corporate management for many years in the cosmetics industry and elsewhere, and possesses abundant experience and knowledge regarding all aspects of business management and marketing. She was newly appointed to the position of outside director so that she could contribute to the Company’s diversity and inclusion initiatives, including promoting the active involvement of female employees.
	Masao Yamada	Assumed office on March 27, 2019	Business management	Mr. Yamada has successively served in managerial positions in overall business management at DOWA HOLDINGS CO., LTD. and has been engaged in corporate management for many years. Therefore, he possesses abundant experience and knowledge in business management. He was newly appointed to the position of outside director so that his experience and knowledge could be effectively utilized in the management of the Company.

Outside Auditors	Name	Attendance at Meetings of Board of Directors (Since assuming office on March 28, 2018)	Attendance at Meetings of Board of Auditors (Since assuming office on March 28, 2018)	Reasons for Appointment
	Hiroshi Nakashio (Full-Time)	Attended all 13 meetings	Attended all 11 meetings	Mr. Nakashio has extensive experience in financial markets, including working at Mizuho Bank, Ltd. and Mizuho Securities Co., Ltd. He assumed the position of executive officer of DOWA HOLDINGS CO., LTD. in 2008, and has served as director in the same company since 2009. Therefore, he possesses abundant experience and knowledge, mainly in the planning and administration divisions. He was appointed to the position of outside auditor so that his experience and knowledge could be effectively utilized in the auditing operations of the Company.
	Shunji Miyamoto	Attended all 13 meetings	Attended all 11 meetings	Mr. Miyamoto has extensive experience in financing and planning fields, including working at Sumitomo Mitsui Trust Bank, Limited and Sumitomo Mitsui Trust Business Service Co., Ltd. Therefore, he possesses abundant experience and knowledge in those areas. He was appointed to the position of outside auditor so that his experience and knowledge could be effectively utilized in the auditing operations of the Company.

Note: Rieko Zanma, Kazunori Takami, Shiho Takano and Shunji Miyamoto have been designated as independent officers pursuant to the regulations of Tokyo Stock Exchange, Inc., to which notification has been submitted.

Evaluation of Effectiveness of the Board of Directors

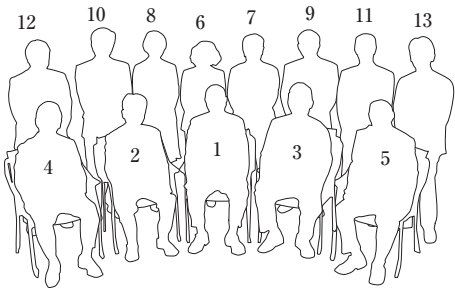
The Company evaluates and analyzes the effectiveness of the Board of Directors annually from the viewpoint of the rationality of management decisions made by the Board. In its evaluation and analysis in fiscal 2018, as a result of the evaluation process shown at right, the Company has judged that its Board of Directors is operating properly. It also confirmed that continuous improvements are necessary for more efficient and effective

management of the Board of Directors. The Company will work to further improve the effectiveness of the Board in response to social demands and changes in the business environment.

Evaluation Process

December	Conduct self-evaluation using a survey
January	Collect surveys and summarize evaluation results
January	Discussion by all directors and the Board of Auditors

Directors, Auditors and Executive Officers
(As of March 27, 2019)



1. Yoshihiro Ise 2. Takeaki Yamada 3. Akira Kitahara 4. Takashi Wakuri
5. Kazuo Nakasone 6. Rieko Zanma 7. Kazunori Takami 8. Shiho Takano
9. Masao Yamada 10. Masato Yoshihara 11. Shigeru Egawa
12. Hiroshi Nakashio 13. Shunji Miyamoto

Directors

- | | | |
|---|--|---------------------------------------|
| 1 Yoshihiro Ise
Representative Director and President,
Executive Officer | 4 Takashi Wakuri
Director in charge of Planning Group | 7 Kazunori Takami
Outside Director |
| 2 Takeaki Yamada
Representative Director in charge of Human
Resources Group | 5 Kazuo Nakasone
Director in charge of Administrative Group | 8 Shiho Takano
Outside Director |
| 3 Akira Kitahara
Director in charge of Marketing Group | 6 Rieko Zanma
Outside Director | 9 Masao Yamada
Outside Director |

Auditors

- | | | | |
|--|---|--|---------------------------------------|
| 10 Masato Yoshihara
Auditor (Full-Time) | 11 Shigeru Egawa
Auditor (Full-Time) | 12 Hiroshi Nakashio
Outside Auditor (Full-Time) | 13 Shunji Miyamoto
Outside Auditor |
|--|---|--|---------------------------------------|

Executive Officers (Excluding Executive Officers Who Are Directors)

- | | | | |
|---|--|--|---|
| Masatoshi Nakamura
Chief Operating Officer of Luxury &
Banquet Business Group | Kenji Murakami
Chief Operating Officer of WHG
Business Group | Michio Murakami
In charge of Inbounds at Marketing
Group | Shinya Sato
Human Resources Group, in charge of
Food and Beverage Service, Guidance
Division |
| Takanori Matsuda
Chief Operating Officer of Resort
Business Group | Kazuhiro Kaga
Executive Chef and Human Resources
Group, in charge of Food and
Beverage Service, Guidance Division | Hiroshi Izumi
Luxury & Banquet Business Group,
General Manager of Hotel Chinzanso
Tokyo | Hiroyuki Nozaki
In charge of Planning Group and
General Manager of Management
Planning |

Messages from Outside Directors



Rieko Zanma
Outside Director

Advancing together as a group under a new structure

With a new Imperial era and the approach of the 2020 Tokyo Olympic and Paralympic Games, Japan's zeitgeist is about to change significantly. As a long-absent feeling of exhilaration returns, people's thoughts and actions are looking outward. Fujita Kanko must take care not to become irresponsibly carried away, but the time has come to take advantage of this trend to fully display the

knowhow it has been cultivating. In recent years, the Company has been making a conscious effort to invest proactively in its facilities and human resources, and it is also time for those efforts to show results.

Under our new structure, we will advance together as a group.

(Career History) After serving as a member of the Fiscal System Council of the Ministry of Finance and other positions, appointed outside director of the Company in March 2010. Concurrently serves as president and representative director of Candid Produce and outside director of IBJ, Inc., SHIMA SEIKI MFG., LTD. and Trust Tech Inc.



Kazunori Takami
Outside Director

Aiming for a stable management base and growth

I am Kazunori Takami, and I have been appointed an outside director of Fujita Kanko. I will work along with the rest of the Board of Directors to earn support from more customers by conducting more precisely detailed marketing to respond promptly to diversifying customer needs based on recent economic conditions. Furthermore, though

it may not be much, I intend to do what I can to contribute toward Fujita Kanko's aim of establishing a solid position as Japan's leading tourism company by making use of my own experience and personal network to approach a wide range of people.

(Career History) Joined Matsushita Electric Industrial Co., Ltd. (currently Panasonic Corporation) in 1978. After serving as executive vice president of Panasonic Corporation, appointed outside director of the Company in March 2019. Concurrently serves as outside director of TOKYO FM Broadcasting Co., Ltd. and outside director of Nojima Corporation.



Shiho Takano
Outside Director

Establishing Fujita Kanko's brands

This is undoubtedly an era of changing values. What travel means to customers and what a resort should be are changing significantly. Fujita Kanko itself must identify and convey to its customers the reasons for choosing it over its many competitors. Through a thorough review of its past successes, a company can fundamentally

consider the kind of services appropriate for the times to come. I believe that when an organization can carry out this sort of serious reflection, it leads to further corporate growth. I intend to contribute by making use of my experience in branding and organization building.

(Career History) Joined Meiji Dairies Corporation (currently Meiji Co., Ltd.) in 1987. After serving as representative director and chairperson of L'OCCITANE JAPON K.K., appointed outside director of the Company in March 2019. Concurrently serves as representative director and president of Etowa Co., Ltd. and outside director of MORINAGA & CO., LTD.



Masao Yamada
Outside Director

Each employee is a representative of the Company

I think the fact that the actions of each employee in personally dealing with customers determine the image of the entire Company is a risk we must confront. The deliciousness of the food and the excellence of the facilities are also important, but customer service is an even bigger factor in deciding

the image of the Company as a whole. If customers have a negative image, they will not return.

I would like to create workplaces where every employee can play an active role as the "face" of the Company.

[Career History] Joined Dowa Mining Co., Ltd. (currently DOWA HOLDINGS CO., LTD.) in 1978. After serving concurrently as officer of DOWA HOLDINGS CO., LTD. and president and representative director of Dowa Eco-system Co., Ltd., became chairperson and representative director of DOWA HOLDINGS CO., LTD. Appointed outside director of the Company in March 2019.

11-Year Financial and Non-Financial Summary

(As of December 31, 2018)

(Millions of yen)											
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
For the year											
Net sales	67,394	61,295	64,249	57,371	60,498	62,109	64,250	63,981	68,789	70,624	69,285
Gross profit	5,710	4,413	5,651	4,522	4,598	5,275	5,576	4,446	6,195	6,651	5,744
Selling, general and administrative expenses	3,161	3,032	3,510	3,203	3,720	4,070	4,210	4,407	4,483	4,655	4,645
Operating profit	2,549	1,380	2,140	1,318	877	1,205	1,365	39	1,712	1,995	1,099
Ordinary profit	2,485	1,395	1,828	1,042	630	1,169	1,390	(172)	1,698	2,048	1,105
Profit before income taxes	1,628	1,458	962	(3,606)	583	1,019	1,469	509	2,151	3,171	1,292
Profit attributable to owners of parent	1,810	579	227	(3,544)	368	878	531	32	858	1,672	556
Depreciation	3,354	3,479	3,416	3,409	3,564	3,495	3,773	3,998	4,473	4,759	4,864
Operating income before depreciation	—	—	—	—	—	—	5,995	5,141	7,219	7,677	6,763
Capital investment	2,980	5,062	2,827	5,015	4,407	4,643	3,609	8,160	9,500	8,589	4,391
At year-end											
Total assets	94,850	97,903	97,204	95,918	97,027	104,787	100,881	104,732	105,834	107,362	102,045
Net assets	22,767	24,381	23,654	20,253	21,358	27,894	27,774	27,012	26,526	27,637	24,724
Cash and cash equivalents	6,620	7,375	8,265	6,961	5,071	5,026	5,925	4,063	4,704	4,304	3,388
Equity	22,456	24,092	23,336	20,107	21,193	27,707	27,570	26,826	26,326	27,428	24,509
Cash Flows											
Cash flows from operating activities	4,263	3,487	4,317	3,158	3,886	4,367	3,663	(415)	6,246	5,538	5,428
Cash flows from investing activities	(3,359)	(4,786)	(2,827)	(5,015)	(4,407)	(4,643)	1,901	(8,184)	(6,004)	(6,667)	(4,324)
Free cash flow	903	(1,299)	1,489	(1,857)	(521)	(275)	5,565	(8,600)	242	(1,129)	1,104
Cash flows from financing activities	2,212	2,027	(601)	552	(1,371)	220	(4,671)	6,748	414	736	(1,880)
Per-Share Data											
Profit per share (yen)	155.60	49.80	19.60	(298.40)	30.70	73.30	44.31	2.74	71.65	139.54	46.46
Net assets per share (yen)	1929.90	2070.60	2005.80	1,677.50	1768.20	2,311.72	2,300.37	2,238.51	2,196.96	2,289.13	2,045.65
Dividend per share (yen)	50.0	50.0	50.0	40.0	40.0	40.0	40.0	40.0	40.0	40.0	40.0
Financial Indicators											
Payout ratio (%)	32.2	100.5	256.4	—	130.2	54.6	90.2	1,463.0	55.6	28.7	86.1
ROA (%)	2.6	1.4	1.9	1.1	0.6	1.2	1.4	(0.2)	1.6	1.9	1.1
ROE (%)	7.2	2.5	1.0	—	1.8	3.6	1.9	0.1	3.2	6.2	2.1
Equity ratio (%)	23.7	24.6	24.0	21.0	21.8	26.4	27.3	25.6	24.9	25.5	24.0
Non-Financial Indicators											
Consolidated number of employees	1,247	1,209	1,178	1,151	1,171	1,220	1,234	1,270	1,356	1,421	1,515
Average length of service (Years)	Male	17.9	18.2	19.0	19.8	22.0	22.2	22.4	22.2	21.5	21.4
	Female	9.4	9.3	10.5	10.4	10.6	10.1	10.3	10.6	10.3	8.8
Percentage of female managers (%)	—	—	—	7.6	9.2	9.6	9.8	10.4	10.9	11.1	11.8
Turnover rate (%)	Male	2.6	2.2	1.7	2.7	2.7	2.3	1.0	2.6	2.3	4.0
	Female	6.7	7.6	5.0	4.8	5.4	3.9	6.0	4.5	7.1	10.8
Rate of childcare leave taken (%)	Male	—	—	—	—	—	0.0	0.0	2.9	4.5	14.3
	Female	—	—	—	—	—	76.9	100.0	106.3	81.8	123.1

Notes: 1. As of December 31, 2018, the Company had 29 consolidated subsidiaries, 2 affiliated companies and 1 other related company.
2. Yen amounts are rounded down to the nearest million.
3. The Company implemented a share consolidation at a ratio of 10 shares of the Company's common stock to 1 share, effective July 1, 2017. Profit per share is calculated based on the assumption that the share consolidation was implemented at the beginning of the fiscal year ended December 31, 2008.
4. ROE = Profit attributable to owners of parent ÷ Net assets
5. ROA = Ordinary profit ÷ Total assets
6. Number of employees is as of December 31. Other non-financial indicators are as of March 31.

List of Commercial Properties, Main Subsidiaries and
Affiliated Companies of the Fujita Kanko Group (As of April 30, 2019)

List of the Fujita Kanko Group’s Commercial Properties

WHG Business (Total number of guest rooms: existing 10,725, new openings (scheduled) 1,098, total 11,823)

Facility name	Number of guest rooms
Hachinohe Washington Hotel (FC) (scheduled to close on September 30, 2019)	126
Sendai Washington Hotel	223
Yamagata Nanokamachi Washington Hotel (FC)	213
Yamagata Eki Nishiguchi Washington Hotel (FC)	100
Aizu Wakamatsu Washington Hotel (FC)	154
Koriyama Washington Hotel (FC)	184
Iwaki Washington Hotel (MC)	148
Shinjuku Washington Hotel Main Building	1,280
Shinjuku Washington Hotel Annex Building (MC)	337
Akihabara Washington Hotel	369
Tokyo Bay Ariake Washington Hotel	830
Tachikawa Washington Hotel (FC)	170
Yokohama Sakuragicho Washington Hotel	553
Yokohama Isezakicho Washington Hotel	399
Urawa Washington Hotel	140
Chiba Washington Hotel (MC)	181
Kisarazu Washington Hotel (FC)	146
Tsubame Sanjo Washington Hotel (FC)	103
Kansai Airport Washington Hotel	504
Takarazuka Washington Hotel (FC)	135
Hiroshima Washington Hotel	266
Canal City Fukuoka Washington Hotel	423
Nagasaki Washington Hotel	300
Sasebo Washington Hotel (FC)	190
Hotel Gracery Sapporo	440
Hotel Gracery Ginza	270
Hotel Gracery Tamachi	216
Hotel Gracery Asakusa	125
Hotel Gracery Shinjuku	970
Hotel Gracery Kyoto Sanjo North	97
Hotel Gracery Kyoto Sanjo South ²	128
Hotel Gracery Naha	198
Hotel Gracery Seoul	336
Hotel Fujita Fukui	354
Hotel Fujita Nara	117
Hotel Gracery Taipei (scheduled to open in 2021)	248
Hotel Gracery Osaka Namba (scheduled to open on July 1, 2019)	170
ISORAS CIKARANG (serviced apartments in Indonesia scheduled to open on November 1, 2019)	214
HOTEL TAVINOS Hamamatsucho (scheduled to open on August 1, 2019)	188
HOTEL TAVINOS Asakusa (scheduled to open in May 2020)	278

Lodging Facilities (40 properties) including 5 properties scheduled to newly open

New Businesses

(Total number of guest rooms: 52)

	Facility name	Number of guest rooms
Lodging Facilities (3 properties)	Hakujukan (scheduled to open on July 26, 2019)	18
	Fujino Kirameki Fuji Gotemba	20
	Nordisk Village Goto Islands	13
Restaurant (1 property)	Japanese restaurant ORIGAMI Asakusa	—

Membership-based Resort Hotels

(Total number of guest rooms: 460)

	Facility name	Number of guest rooms
Lodging Facilities (7 properties)	Wisterian Life Club Verde No Mori ³	100
	Wisterian Life Club Hakone ³	18
	Wisterian Life Club Atami ³	54
	Wisterian Life Club Usami ³	58
	Wisterian Life Club Nojiriko ³	64
	Wisterian Life Club Prominent Kurumayama Kogen ³	90
	Wisterian Life Club Toba ³	76

Global Offices

(5 properties)

Facility name
Shanghai
Guangzhou
Taipei
Jakarta
Yangon

FC: Franchise system

Ownership, management and operations are administered by its ownership entity. The Company licenses its brand and provides operational guidance.

MC: Management contract system

Ownership and management are administered by its ownership entity, and operations are outsourced to the Company.

Notes: 1. Both the land and building(s) are owned by the Company

2. Building(s) is/are owned by the Company

3. Land and building(s) are jointly owned by its members and the Company.

Land and building(s) of facilities without a note are not owned by the Company, and are managed and operated through a lease system, etc.

List of Main Subsidiaries and Affiliated Companies

Resort Business (Total number of guest rooms: 342)

	Facility name	Number of guest rooms
Lodging Facilities (8 property)	Hakone Kowakien Ten-yu ¹	150
	Hakone Kowakien Miyama Furin ¹	13
	Ito Kowakien ¹	48
	Ito Ryokuyu ¹	7
	Yufuin Ryokuyu	10
	Yugawara Onsen Chitose (MC)	38
	Hotel Yamanami (MC)	26
	Towada Hotel (business partnership)	50
Restaurants (3 properties)	Akashitei	—
	Hakone Kowakien Soba Kihinkan ¹	—
	Hakone Kowakien Teppan Shabu Shabu Geihinkan ¹	—
Leisure Facilities (3 properties)	Hakone Kowakien Yunessun ¹	—
	Hakone Kowakien Mori No Yu ¹	—
	Shimoda Aquarium ¹	—

Luxury & Banquet Business (Total number of guest rooms: 267)

	Facility name	Number of guest rooms
Lodging Facilities (1 property)	Hotel Chinzanso Tokyo ¹	267
Wedding/ Banquet Venues (8 properties)	Taikoen ¹	—
	Ouen ¹	—
	Marryaid ¹	—
	The South Harbor Resort ²	—
	Remercier Motoujina ²	—
	Maricolle Wedding Resort	—
	Sayagatani Garden Aglass	—
	OPERA DOMAINE KOURAIBASHI	—
Restaurants (6 properties)	University of Tokyo Ito International Research Center Restaurant (MC)	—
	Civic Sky Restaurant Chinzanso	—
	Meiji University Shikonkan Foresta Chinzanso (MC)	—
	Tokyo FM JET STREAM (members club) (MC)	—
	Tokyo FM CORNET (MC)	—
	Kourin, a kappo-style restaurant	—
Leisure Facilities (1 property)	Camellia Hills Country Club ¹	—

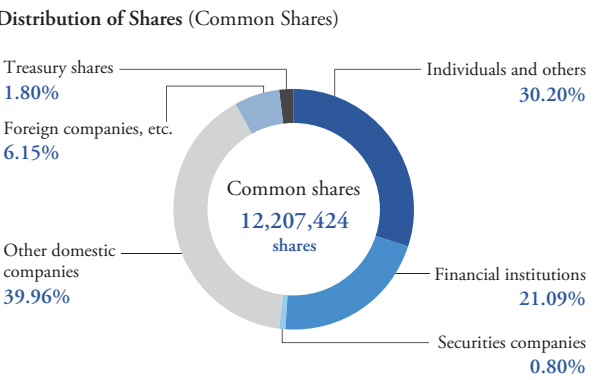
Company Overview/Investor Information (As of December 31, 2018)

Company Overview

Company name	Fujita Kanko Inc.	Capital	¥12,081,592,677
Establishment	November 7, 1955 (Registered June 12, 1946)	Main lines of business	Hotels, Japanese-style inns, restaurants, etc.
Head office	2-10-8 Sekiguchi, Bunkyo-ku, Tokyo 112-8664, Japan Telephone: +81-3-5981-7700 (main) Website: https://www.fujita-kanko.com/	Number of employees	1,515 (Average number of temporary employees: 3,064)

Investor Information

Total number of authorized shares	44,000,000 shares
Total number of issued shares	12,207,424 shares
Number of shareholders	20,065
Date of settlement	December 31
Listed exchange	Tokyo Stock Exchange First Section
Stock code	9722
Administrator of shareholder registry	Sumitomo Mitsui Trust Bank, Limited 1-4-1 Marunouchi, Chiyoda-ku, Tokyo 100-8233

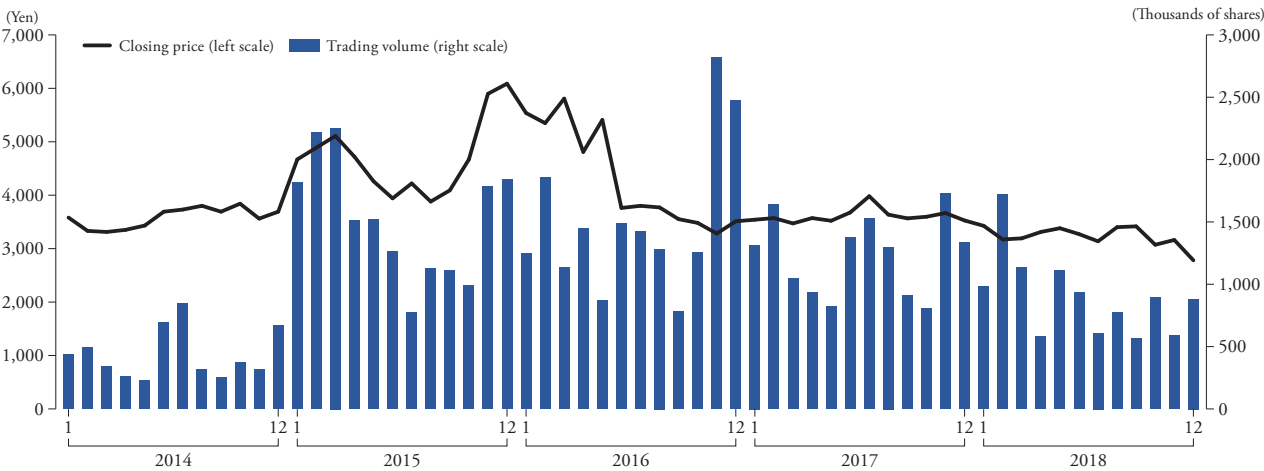


Major Shareholders

Name of shareholder	Number of shares held (Thousands of shares)	Shareholding ratio (%)
DOWA HOLDINGS CO., LTD.	3,814	31.82
The Master Trust Bank of Japan, Ltd. (Trust Account)	344	2.87
Meiji Yasuda Life Insurance Company	300	2.50
Japan Trustee Services Bank, Ltd. (Trust Account)	259	2.16
Nippon Life Insurance Company	218	1.82
SHIMIZU CORPORATION	184	1.53
ASAHI BREWERIES, LTD.	181	1.51
Mizuho Bank, Ltd.	180	1.50
The Bank of Mitsubishi UFJ, Ltd.	180	1.50
SAPPORO BREWERIES LIMITED	147	1.23

Notes: 1. The Company, which owns 220,000 treasury shares (1.80% of the total number of issued shares), is excluded from consideration as a major shareholder as defined above.
2. The shareholding ratio is calculated from the total number of issued shares less 220,000 treasury shares.
3. The numbers of shares held are shown rounded down to the nearest thousand shares.

Stock Price Trends



Note: As of July 1, 2017, the Company consolidated the shares of its common stock at a ratio of ten shares into one share. The above closing price and trading volume have been restated to reflect the change.

Cautionary Note Regarding Forward-Looking Statements

This report contains forward-looking statements concerning the future plans, strategies, beliefs and performance forecasts of the Company and those of its Group. These statements are based on analyses and conclusions from the information available as of the date of preparation of this report and may contain risks and uncertainties concerning economic trends, market environment, etc. Please be aware that actual results may differ from our expectations. The information reported herein was prepared based on details we believe are reliable, however, we cannot guarantee the accuracy and completeness of all information.

Fujita Kanko Inc.

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