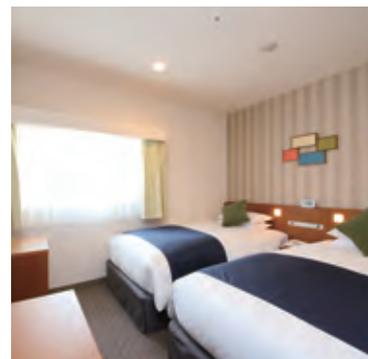
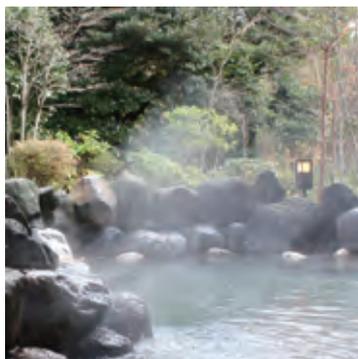
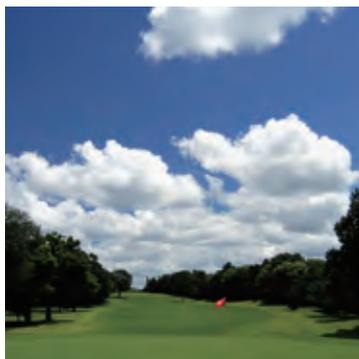
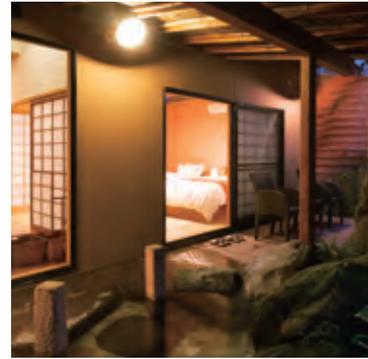




Fujita Kanko Inc.

Integrated Report 2015

For the fiscal year ended December 31, 2015



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.



In the aftermath of World War II, the first president of Fujita Kanko, Eiichi Ogawa, 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. This idea led to the transformation of the estate and gardens of the Fujita family into a hotel and restaurant and the birth 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, despite changes in society, shifting trends and the different ways management has approached implementation over the years.

This spirit will continue to guide Fujita Kanko Inc. (the “Company”) in the years ahead as it seeks to further increase its corporate value.



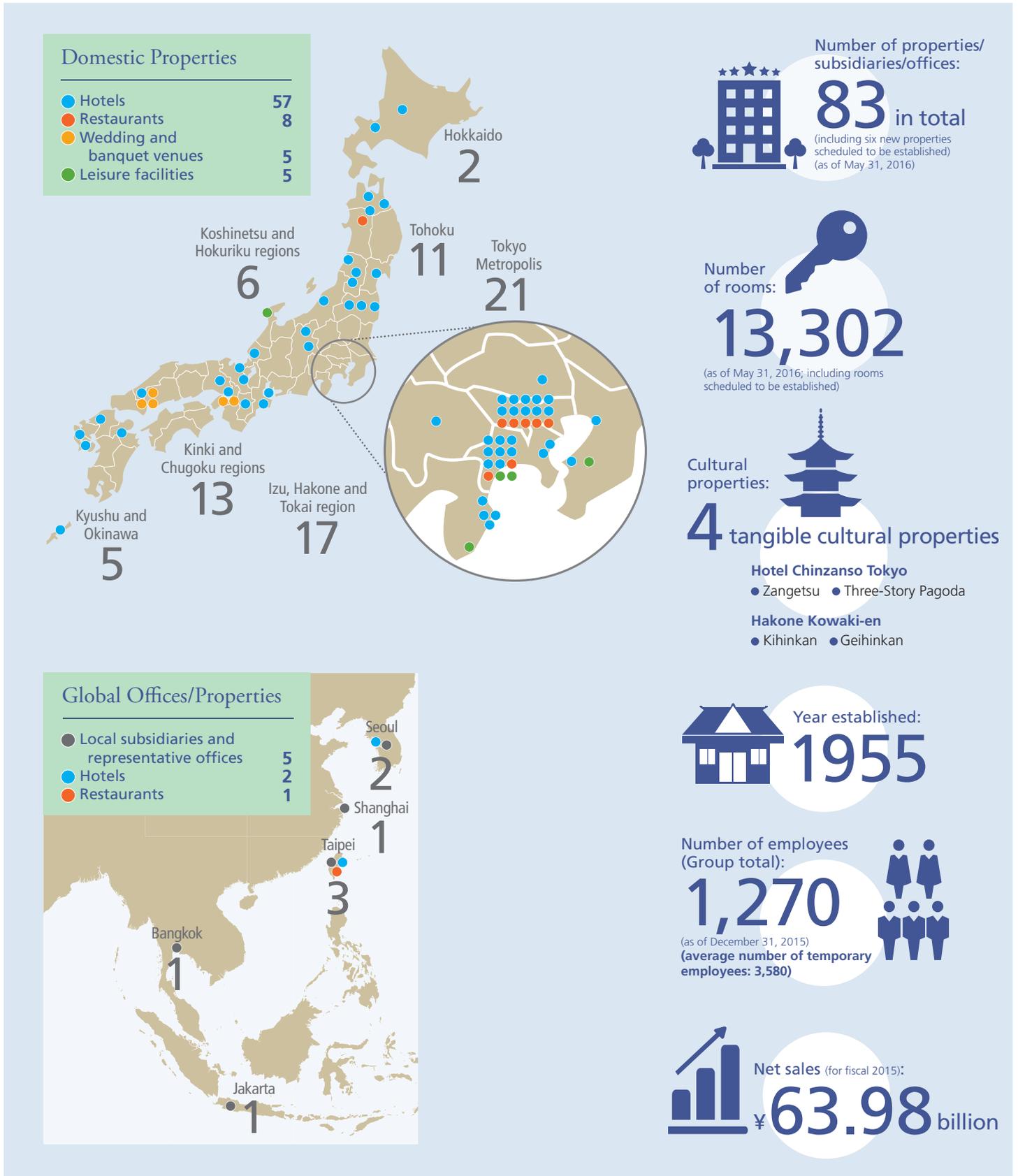
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■ A Brief Introduction

The Fujita Kanko Group in Figures

A corporate organization with operations centered on tourism and hospitality, the Fujita Kanko Group (the "Group") has properties across Japan, a number of which have been declared tangible cultural properties, as well as elsewhere in Asia.



A Diverse Business Portfolio

Based on our values of gratitude, commitment to thoughtful attentiveness and understated hospitality underscores Fujita Kanko's services in all of its businesses, which include the operation of hotels, wedding and banquet venues, restaurants and leisure facilities.

Hotels



This business encompasses the operation of luxury hotels, high-end Japanese-style inns, business hotels, resort hotels and membership-based resort hotels, among others.

Wedding and banquet venues



The Group operates wedding venues suited to diverse needs and facilities of various sizes suitable for everything from major international conferences to small meetings as well as banquets.

Restaurants



The Group's long history in the hospitality industry has enabled it to assemble an extensive lineup of restaurants specializing in, among others, Japanese offerings such as *kaiseki* (traditional multicourse haute cuisine), stone-grilled *kaiseki*, sushi and *teppanyaki* (a style of cooking that uses an iron griddle) and Italian cuisine.

The Fujita Kanko Group has built on its core hospitality and tourism business to establish a diverse portfolio



In support of our businesses, our dedicated Group companies provide a variety of supplementary services, including hotel room cleaning, flower shops, flower arrangements for facilities, garden care and landscaping, and photography.



Leisure facilities operated by the Group include Hakone Kowaki-en Yunessun, billed as a hot spring theme park; Shimoda Aquarium, which floats in the ocean; and major golf courses.

Leisure facilities



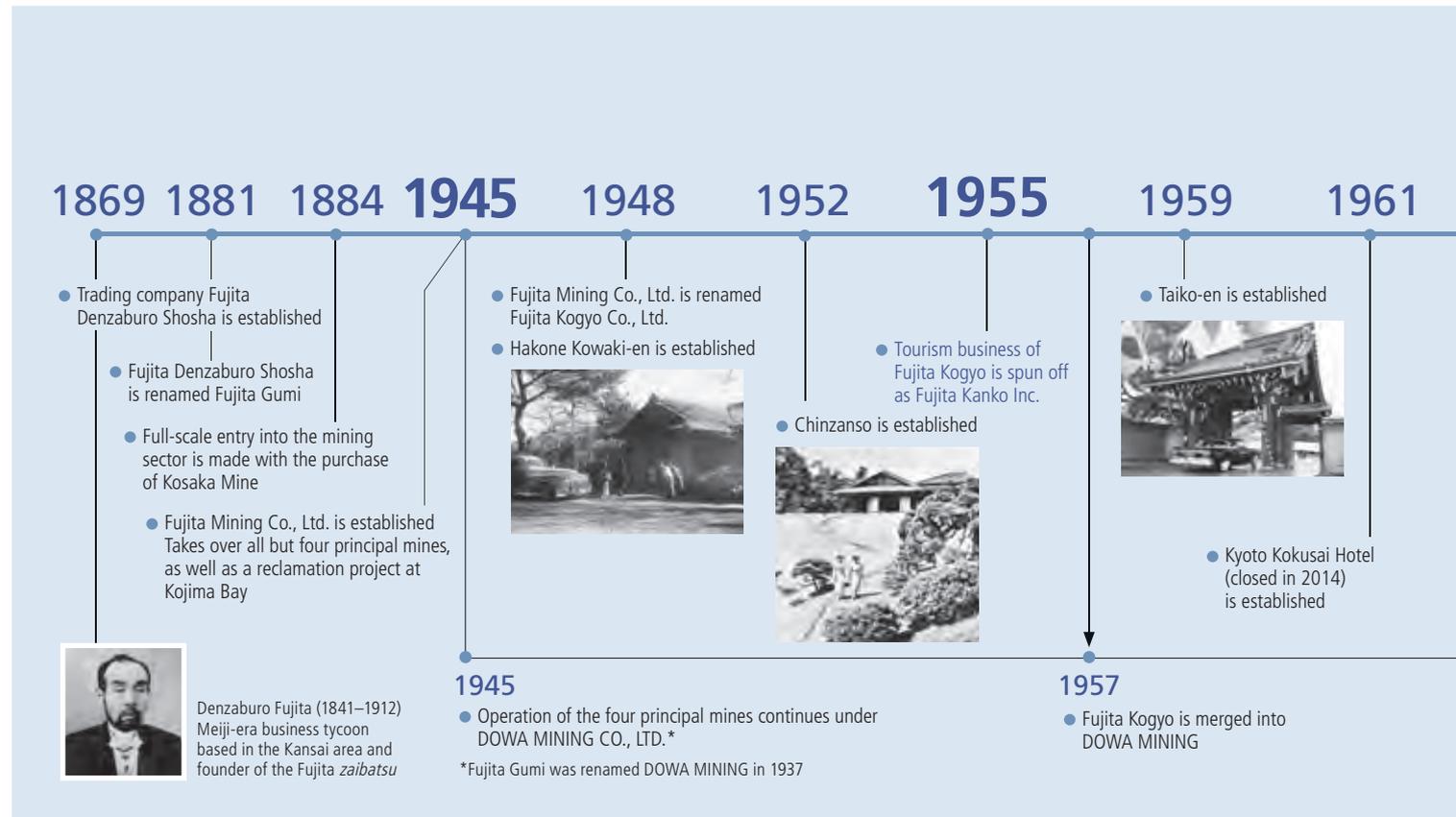
This business includes management services for resorts and urban condominiums, property management services for land to be used for building villas and the contracted operation of company-owned resort facilities.

Supplementary services

Condominium management and other property-related services

A Proud History Spanning 60 Years

In 2015, Fujita Kanko celebrated its 60th anniversary. Since its founding, the Company has sought to expand its operations in a manner that reflects the times and responds to changing needs, while valuing its contributions to customers and the society, and respecting its tradition and longstanding history.



1 Getting started

The forerunner of Fujita Kanko, trading company Fujita Denzaburo Shosha, was established in Osaka in 1869 by Denzaburo Fujita. Fujita Denzaburo Shosha, later renamed Fujita Gumi, expanded its operations steadily to include such groundbreaking businesses as mining, civil engineering and construction, spinning and chemicals. The company's full-scale entry into the mining sector came in 1884, when it purchased the Kosaka Mine, in Akita Prefecture, from the government. By the early stages of the Taisho era (1912–1926), Fujita Gumi had evolved into a major *zaibatsu* (business conglomerates), ranked alongside such illustrious *zaibatsu* as Mitsui, Mitsubishi and Sumitomo.

After World War II, the *zaibatsu* was broken up. The four principal mines belonging to the company (which was renamed DOWA MINING CO., LTD. in December 1937 and is currently DOWA HOLDINGS CO., LTD.), including the Kosaka Mine, remained under the control of DOWA MINING, while the remaining mines, together with a reclamation project at Kojima Bay were taken over by a new company, Fujita Mining Co., Ltd., established in May 1945. In 1948, Fujita Mining separated out its mining operations as a new company and having reduced its capital, changed its name to Fujita Kogyo Co., Ltd., a company with operations that would grow to include real estate, railways, and tourism and hospitality. In 1955, the company spun off its fast-growing tourism and hospitality business as an independent company, Fujita Kanko Inc.



Eiichi Ogawa, the Company's first president

2 Creating a solid business foundation

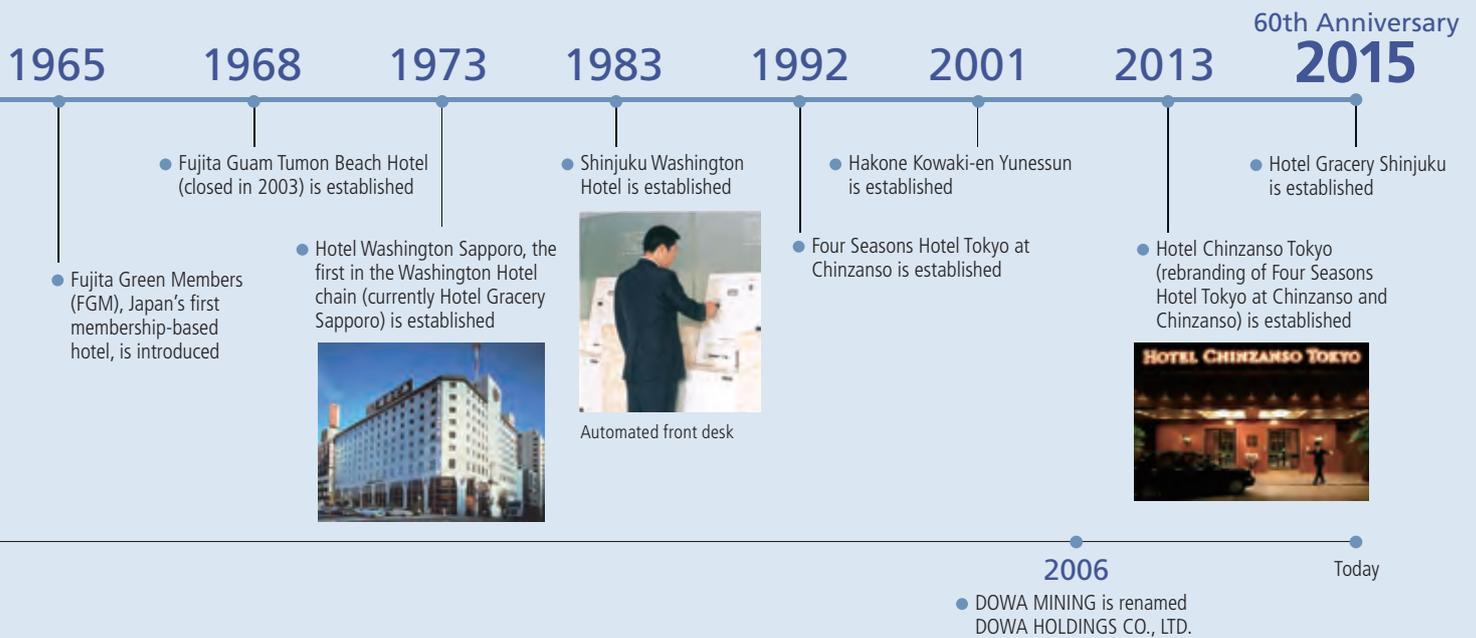
In 1948, the first president of Fujita Kanko (then called Fujita Kogyo), Eiichi Ogawa, launched the Company's first business when he transformed the Fujita family's Taisho-era villa into a traditional Japanese-style inn, Hakone Kowaki-en. In subsequent years, the Kowaki-en brand was expanded across Japan, including Izu, Hokkaido, Shimabara and Toba.

In 1952, Heitaro Fujita, the eldest son of Denzaburo Fujita, restored a garden in Tokyo's Mejiro-dai district which he had acquired from Prince Aritomo Yamagata, a Meiji-era statesman, and opened it to the public under the name Chinzanso. Subsequently, a facility for holding weddings and banquets, something that had yet to be common in Japan, was established along with further enhancements to the garden, creating what was to later become one of Japan's premier garden restaurants. In the following years, the Company continued to expand its operations. Of particular note, in 1959 the Company converted the former estates of Denzaburo Fujita into a wedding and banquet venue, which it opened as Taiko-en.

Fujita Kanko's expansion into real estate came in 1963, when it launched a resort condominium and housing development business. The Company was listed on the Second Section of the Tokyo Stock Exchange in April 1964 and was reassigned to the First Section the following year.



A wedding ceremony at Chinzanso



3 Embarking on a new stage of growth

During Japan's period of rapid postwar economic growth, Fujita Kanko continued to broaden its focus, launching the country's first membership-based hotel business, opening its first overseas hotel (Fujita Guam Tumon Beach Hotel), and introducing the Washington Hotel brand, targeted at business travelers. In 1973, the Company was listed on the First Section of the Osaka Securities Exchange.

In 1984, Fujita Kanko formulated its management policy, comprising its philosophy that reflects on their founding spirit, and guiding precepts, thereby reasserting its underlying objective of contributing to society through its business activities, and in 1987 the Company introduced a divisional organization. The 1980s and 1990s brought a steady influx of foreign-owned hotel chain operators into Tokyo. For many years, the Company had sought to establish a luxury hotel in the city, a dream that was realized when we entered into an alliance with Canada's Four Seasons Hotels and Resorts, which was seeking to expand into Japan. In 1992, this partnership resulted in the opening of Four Seasons Hotel Tokyo at Chinzanso, an elegant European-styled hotel shown to advantage by the beautiful Chinzanso garden and exuding luxury down to the smallest details. The new hotel earned rave reviews from business journals both in Japan and in the Americas, which ranked it alongside the finest hotels in the world.



Four Seasons Hotel Tokyo at Chinzanso



Automated front desk



4 Providing hospitality that responds to changing expectations

In 2004, Fujita Kanko shifted to an in-house company system structured around three semi-independent core business units—hotels, wedding and banquet, and resorts. Around this time, increasingly relentless competition among hotel chains and the emergence of low-rate budget hotels had intensified pricing competition in the domestic hotel market. With the aim of responding to increasingly diverse customer needs, in 2008 the Company established the Hotel Gracery brand. In 2013, the operations of the Four Seasons Hotel Tokyo at Chinzanso and the Chinzanso were merged and rebranded together as Hotel Chinzanso Tokyo under the theme "Bringing Japanese hospitality to the world." On another front, the Company established local subsidiaries and representative offices in five countries and regions within Asia, beginning with China in 2010, and promoted various initiatives aimed at expanding its international presence.

In 2015, Fujita Kanko celebrated its 60th anniversary. Now in its seventh decade of business, the Company remains committed to leveraging its extensive experience in hospitality to expand its operations both in Japan and overseas and to take on new challenges.



Hotel Gracery Tamachi

Current Operating Segments

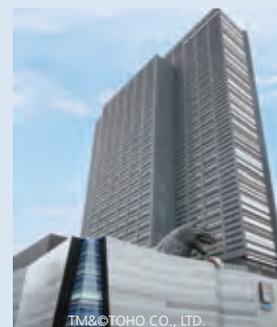
Fujita Kanko currently divides its operations into three business segments: WHG, Resort and Luxury & Banquet.

For our entire lineup of properties according to each business segment, see List of Commercial Properties of Fujita Kanko Group on page 44.

WHG Business

The WHG Business includes the Washington Hotel, Hotel Gracery and Hotel Fujita brands. Washington Hotel-branded hotels, which focus on business travelers across Japan, particularly in the Tokyo Metropolis area, and Hotel Gracery-branded hotels, which cater to leisure travelers and tourists, continue to drive growth for the Fujita Kanko Group. As of May 2016, the WHG Business encompassed 38 properties with a combined total of 11,537 rooms. These figures include five new properties with a combined total of 958 rooms scheduled to be established in the near future.

Main Properties



Hotel Gracery Shinjuku

Resort Business

The Resort Business operates resort hotels, restaurants and leisure facilities. These include resort hotels and Japanese-style inns bearing the Kowaki-en or Ryokuyu brand; the Hakone Kowaki-en Yunessun hot spring theme park; and Shimoda Aquarium, built on the ocean in a natural cove. As of May 2016, the Business encompassed 18 properties with a combined total of 916 rooms. These figures include one new property with a total of 150 rooms scheduled to be established in the near future.

Main Properties



Hakone Hotel Kowaki-en

Luxury & Banquet Business

The Luxury & Banquet Business operates luxury hotels, wedding and banquet venues and golf resorts, including our flagship hotel, Hotel Chinzanso Tokyo; Taiko-en wedding and banquet venues; and Camellia Hills Country Club. As of May 2016, the Business encompassed 15 properties with a combined total of 389 rooms.

Main Properties



Hotel Chinzanso Tokyo



Shinjuku Washington Hotel Main Building



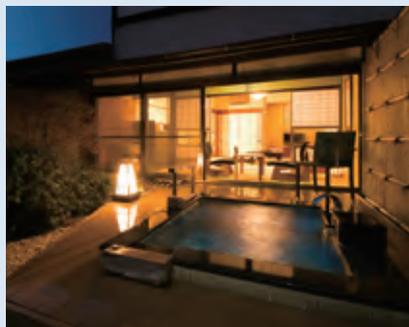
Tokyo Bay Ariake Washington Hotel



Hotel Gracery Sapporo



Hakone Kowaki-en Yunessun



Ito Ryokuyu



Shimoda Aquarium



Taiko-en



The South Harbor Resort

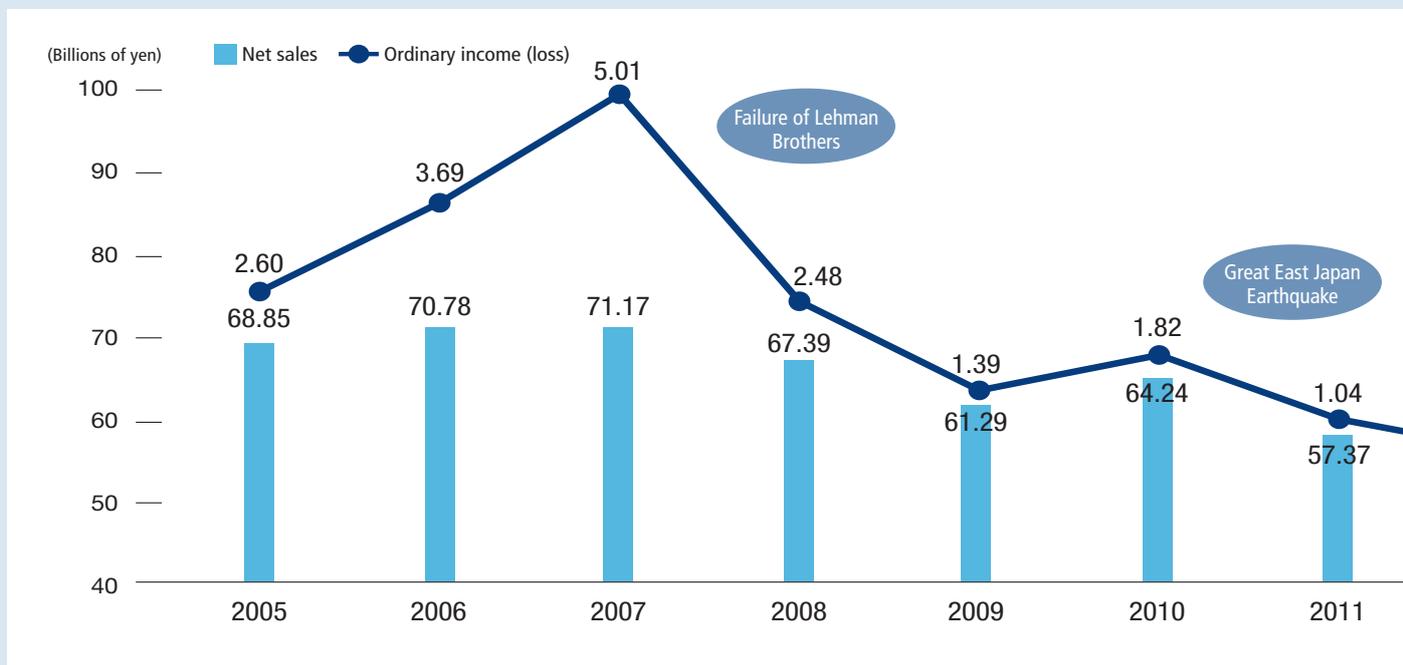


Camellia Hills Country Club

Consolidated Financial Highlights

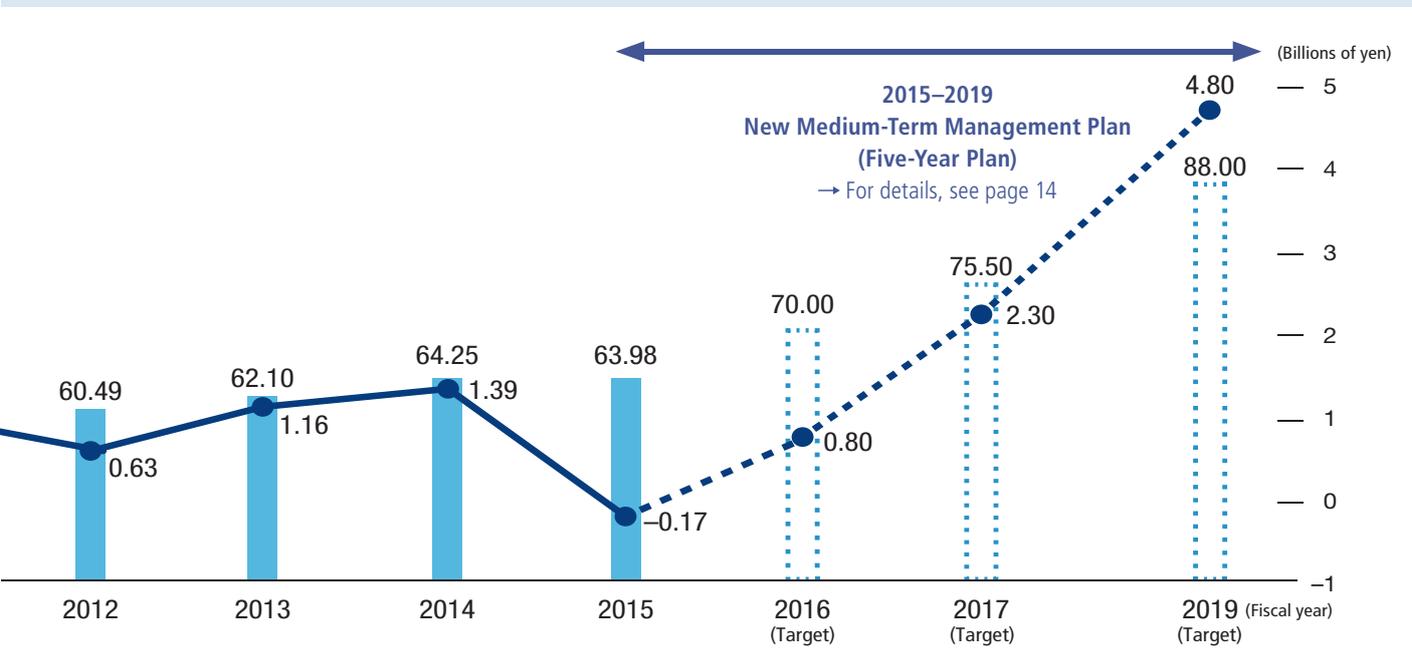
Fujita Kanko Inc. and its Consolidated Subsidiaries
For the Fiscal Years Ended December 31

■ Consolidated Operating Results (Billions of yen)



■ Consolidated Eleven-Year Summary (Millions of yen)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
For the fiscal years:											
Net sales	68,858	70,786	71,171	67,394	61,295	64,249	57,371	60,498	62,109	64,250	63,981
Operating income	3,088	4,301	5,245	2,549	1,380	2,140	1,318	877	1,205	1,365	39
Ordinary income (loss)	2,604	3,690	5,018	2,485	1,395	1,828	1,042	630	1,169	1,390	(172)
Net income (loss)	(7,600)	3,709	2,280	1,810	579	227	(3,544)	368	878	531	32
Capital investment	2,240	3,482	3,622	2,980	5,062	1,619	5,956	4,304	4,323	4,055	8,050
Depreciation	3,373	3,190	3,223	3,354	3,479	3,416	3,409	3,564	3,495	3,773	3,998
Net cash provided by (used in) operating activities	4,828	6,145	7,112	4,263	3,487	4,317	3,158	3,886	4,367	3,663	(415)
Net cash provided by (used in) investing activities	1,125	4,610	(1,802)	(3,359)	(4,786)	(2,827)	(5,015)	(4,407)	(4,643)	1,901	(8,184)
Net cash provided by (used in) financing activities	(6,393)	(10,732)	(4,510)	2,212	2,027	(601)	552	(1,371)	220	(4,671)	6,748
Free cash flow	5,954	10,756	5,310	903	(1,299)	1,489	(1,857)	(521)	(275)	5,565	(8,600)
As of December 31:											
Total assets	114,135	104,055	98,620	94,850	97,903	97,204	95,918	97,027	104,787	100,881	104,732
Net assets	27,541	29,218	27,993	22,767	24,381	23,654	20,253	21,358	27,894	27,774	27,012
Interest-bearing debt	50,646	39,941	36,040	38,805	41,448	41,471	41,665	40,843	41,614	37,463	44,813
Per share data (yen):											
Net income (loss)	(65.57)	31.86	19.60	15.56	4.98	1.96	(29.84)	3.07	7.33	4.43	0.27
Net assets	236.24	248.32	237.71	192.99	207.06	200.58	167.75	176.82	231.17	230.04	223.85
Annual dividends	0.00	5.00	5.00	5.00	5.00	5.00	4.00	4.00	4.00	4.00	4.00
Key performance indicators:											
Return on assets (ordinary income / total assets) (%)	2.2	3.4	5.0	2.6	1.4	1.9	1.1	0.7	1.2	1.4	(0.2)
Return on equity (net income / shareholders' equity) (%)	(26.8)	13.1	8.1	7.2	2.5	1.0	(16.3)	1.8	3.6	1.9	0.1
Equity ratio (%)	24.1	27.8	28.1	23.7	24.6	24.0	21.0	21.8	26.4	27.3	25.6



Stage 1

Fiscal 2005–Fiscal 2007 Structural reforms help boost ordinary income over ¥5.0 billion mark

Structural adjustments proceeded apace in Japan during this period. Against a background of soaring economic growth that exceeded the postwar growth period commonly referred to as the “Izanagi boom,” from 2004 Fujita Kanko promoted structural reforms in line with its policy of selection and concentration. Thanks to successful efforts to shrink assets and liabilities and the Company’s withdrawal from unprofitable businesses, ordinary income topped ¥5.0 billion.

Stage 2

Fiscal 2008–Fiscal 2014 Sluggish operating results, hampered by harsh business environment

Owing to the impact of the failure of Lehman Brothers in 2008 and the Great East Japan Earthquake in 2011, Fujita Kanko’s operating results deteriorated significantly. As a consequence, the Company was forced to eliminate its planned forward-looking investments.

Stage 3

Fiscal 2015–Fiscal 2019 Newly formulated medium-term management plan gets off to strong start

After two consecutive years of sales and income growth, in 2014 Fujita Kanko began discussions on the formulation of a new medium-term management plan. Against a backdrop of increasing demand for accommodations in Japan, the focus of this plan was to bolster the Company’s competitiveness by actively implementing capital investments that had been postponed.

Projections for fiscal year 2015, the first year of the new plan, included an operating loss of ¥1.3 billion, a consequence of large-scale renovations at the Shinjuku Washington Hotel Main Building. However, owing to the positive impact of rising room rates and the opening of Hotel Gracery Shinjuku, which performed exceptionally well, the Company achieved an operating income for the period.





As a driving force behind the growth of Japan's tourism industry, we will continue striving to be a corporate group that contributes to the economy, as well as to society.

Akira Segawa

Representative Director and President

Capitalizing on our competitive advantage as a specialized tourism company to help guide Japan into a leading tourist destination

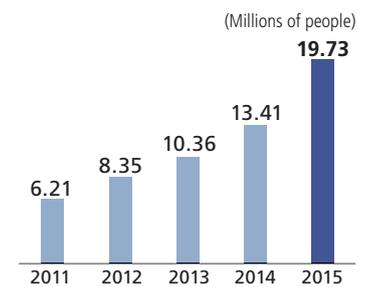
As a pioneer in Japan's tourism industry, in 1948 we opened our first facility, a Japanese-style inn called Hakone Kowaki-en. Since then, we have taken decisive steps to expand our operations, which today encompass hotels, resorts, weddings and leisure facilities, among others. In 2015, we celebrated our 60th anniversary as Fujita Kanko, but in actual fact our history stretches back to the Meiji era and the Fujita *zaibatsu*, when we transformed our estate and garden, formerly owned by Baron Heitaro Fujita, into a tourist facility open to the public. Our founding 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."—remains very much alive in the Company today. In an industry dominated by foreign-owned and real estate developer-, railway- and airline-affiliated hotel chain operators, the fact that we are one of only a very few specialized tourism companies, even in Japan, is another

feature that distinguishes us from the competition.

Under a plan aimed at guiding Japan into a leading tourist destination, the Japanese government is taking steps to attract more foreign visitors to their country, including relaxing requirements for issuing visas and implementing ongoing promotional campaigns. Underscoring the success of these efforts, the number of overseas tourists visiting Japan has risen faster than anticipated since the plan was initiated. After 2020, the final year of the plan, increasing the number of tourists to Japan, the overall population of which is shrinking, will remain a crucial challenge. With demand from inbound tourists expected to support market expansion, people's expectations for the tourism industry, which will benefit from an increase in foreign currency earned, are also rising. A specialized organization with a long history of keeping abreast of changing needs providing hospitable services and places where people can relax,

refresh and revitalize, the Fujita Kanko Group is uniquely positioned to capitalize on this situation and prosper as Japan's leading tourism company. I firmly believe that this is a tremendous opportunity for us. In the immediate future, we will make steady advances with our medium-term management plan and strengthen the competitiveness of each business, which will guide us through until fiscal 2019.

Number of Foreign Visitors to Japan



Source: Japan National Tourism Organization (JNTO)

Medium-Term Management Plan: Background and Strategies

Aiming to enhance added value by promoting active investment and reinforcing human resources

Our new medium-term management plan, FUJITA PREMIUM VALUE CREATION 2015, is structured around three overall strategies: "Increase and expand added value of existing businesses by meeting diverse customer needs," "Increase marketing and sales to capitalize on the rising number of foreign visitors to Japan and develop overseas business," and "Develop diverse human resources and improve employee satisfaction." The plan also outlines specific growth strategies for our three core businesses (WHG, Resort and Luxury & Banquet).

The ultimate objective of this plan, in short, is to enhance added value. Persistent deflation in the Japanese economy, the failure of Lehman Brothers and the Great East Japan Earthquake, among others, have lowered our earnings per customer, a trend that forced us to curb capital investments for an extended period. However, in recent years we have seen an upturn in demand for accommodations, fueled by an increase in the number of foreign visitors to Japan and in domestic travel amongst Japanese seniors. Recognizing this as a promising opportunity, we have switched direction and begun investing actively. In response to changes in customer needs that reflect evolving lifestyles, demand is growing for

high-quality services that are more carefully tailored to individual preferences. To date, we have promoted efforts in response to diverse needs, including the establishment of the Hotel Gracery brand of hotels, which cater to leisure travelers and tourists, and the rebranding of the Four Seasons Hotel Tokyo Chinzanso and Chinzanso for the creation of the one and

only Hotel Chinzanso Tokyo. Under our new medium-term management plan, we have brought forward ambitious new major capital investments aimed at increasing and expanding added value in existing businesses. At the same time, we are reinforcing efforts to foster human resources, which are essential to the provision of quality services.

Review of Previous Medium-Term Management Plan (Fiscal 2012–Fiscal 2014)

Theme

- Curb major investments and steadily promote forward-looking initiatives

Measures implemented

- Opened new facilities (Four properties)
- Acquired outsourcing businesses
- Established representative offices overseas (Three properties)
- Launched WHG brand
- Rebranded existing facilities as Hotel Chinzanso Tokyo

Task

- Promoting awareness of the newly rebranded Hotel Chinzanso Tokyo

Achievement

- Clarified growth drivers
→ Strengthened hotel business and launched WHG brand

Themes and Overall Strategies for New Medium-Term Management Plan (Fiscal 2015–Fiscal 2019)

Themes

- Take full advantage of our strengths to meet increasingly diverse customer needs
- Increase added value to boost profitability

Overall strategies

Business segments

- Increase and expand added value of existing businesses by meeting diverse customer needs

Overseas

- Increase marketing and sales to capitalize on the rising number of foreign visitors to Japan and develop overseas business

Human resources

- Develop diverse human resources and improve employee satisfaction
→ For details, see page 14

■ Increasing and expanding added value of existing businesses

Plans for the WHG business, which we expect to remain as our key growth driver, include the addition of 10 new properties with a total of 3,000 rooms over the five years of our medium-term management plan. More than 2,100 rooms, or approximately 70% of the total, are already in the works. Despite intensifying competition, we are reinforcing our development capabilities and diversifying operating formats beyond our traditional leasing scheme.

On another front, we are enhancing competitiveness by refurbishing existing properties. A key example is Shinjuku Washington Hotel Main Building, which is currently undergoing a major renovation. At the same time, we have taken steps to enhance our service capabilities. Of particular note, in October 2015 we established a training center to enhance the fostering of our human resources. Incoming new employees will now receive consistent and efficient education, in addition to on-the-job training, ensuring that our new employees are trained and ready to staff new properties. Given the rising popularity of individual travel both

in Japan and overseas, improving the capabilities of our concierge and other front-desk information staff will be another important consideration going forward. We will continue to work with local communities to ensure our ability to provide guests with detailed, helpful information, thereby enhancing added value, and increasing recognition of the WHG hotel brand and the number of repeat visitors.

In the Resort business, we are in the process of renovating Hakone Kowaki-en, which is a significant investment that accounts for the bulk of net sales in this segment. We continue to view Hakone as a highly promising area. Despite the negative impact of volcanic activity in nearby Owakudani in 2015, Hakone continued to benefit from its convenient access from Tokyo Metropolis, welcoming approximately 20 million visitors during the year, on a par with its annual average since the collapse of Japan's economic bubble. We are currently preparing for the opening in spring 2017 of Kowaki-en Ten-yu, a hot spring resort featuring large open-air baths with stunning natural views, private

open-air baths in each room and creative seasonal Japanese cuisine that delights all five senses, as well as a complimentary service. We will work to attract a wide range of guests, including foreign visitors and Japanese seniors, to ensure high occupancy rates year-round.

In the Luxury & Banquet business, we will work to heighten recognition of Hotel Chinzanso Tokyo by launching Chinzanso-branded Japanese restaurants in Japan and overseas. To this end, we will maximize the competitive advantages we have gained from directly operating *kaiseki*, sushi, soba and other Japanese restaurants. The first of these new restaurants, KINSUI TAIPEI by HOTEL CHINZANSO TOKYO, in Taipei, Taiwan, was established in January 2016.

In the Wedding business, we will improve profitability and capitalize on the know-how of our wedding production firm Kawano Co., Ltd., which became a wholly owned subsidiary in January 2015, to open facilities for home weddings in regional cities.

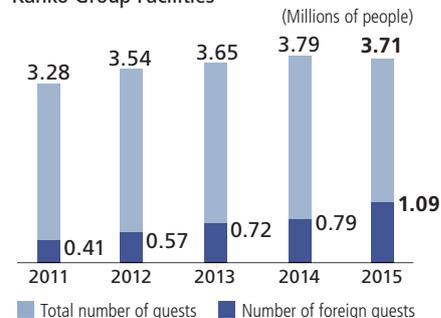
■ Increase marketing and sales to capitalize on the rising number of foreign visitors to Japan and develop overseas business

With the aim of attracting inbound tourists and collecting information to facilitate the establishment of commercial properties overseas, we began setting up local subsidiaries and representative offices, starting with Shanghai in 2010, followed by Taipei, Seoul, Jakarta and Bangkok.

In 2015, more than 1.09 million foreign guests stayed at the Group's properties in Japan, up 38% from 2014. Local subsidiaries and representative offices in Asia promoted the use of local media, workshops and other efforts to attract foreign

individual travelers (FITs), who contribute greatly to our income growth. With WHG hotels set to open in Seoul in 2018 and Taipei in 2019, we recognize the benefits of our development in other parts of Asia for attracting inbound tourists.

Number of Foreign Guests Staying at Fujita Kanko Group Facilities



■ Develop diverse human resources and improve employee satisfaction

While there are many prerequisites to being considered a good company, for me, one of the most crucial is creating a work environment that provides rewarding and challenging opportunities for employees. My experience before being appointed president made me keenly aware of the importance of bolstering employee motivation for increasing operating results.

Looking back over the history of Fujita Kanko—a company built on the lofty ideals and leadership of our first president, Eiichi Ogawa, who in the aftermath of World War II, sought to contribute to society by making assets previously restricted to the *zaibatsu* and other

members of the privileged class open to the public—it is clear that we have traditionally been a top-down organization. However, looking at the market, it is obvious that the days of society as a whole sharing a single set of values and norms are long gone. Given the rapid pace of change and increasingly diverse values of travelers, it is obvious that our ability to attract inbound tourists depends on our employees on the front lines being aware of and ready to respond promptly to customers' evolving needs. Companies that are unable to do this will flounder.

For these and other reasons, the human resources strategies of our medium-term

management plan are particularly important. Having capable people on the front lines makes a company strong and creates a rewarding work environment in which employees feel challenged and fulfilled. Companies in the service industry really are the sum of their employees. Based on our belief that employee satisfaction is the root of customer satisfaction, we will continue to strengthen our human resource development and training, promote work-life balance, and promote diversity and inclusion.



■ Year 1 in review

Having positioned the first two years of our medium-term management plan as a period for focused investment, in 2015 we made upfront investments in large-scale renovations at Shinjuku Washington Hotel Main Building, the opening of Hotel Gracery Shinjuku and the acquisition of all

shares in Kawano Co., Ltd. Although we had originally anticipated an operating loss of ¥1,300 million for the period as a result of these investments, contributions from significantly rising hotel room rates, attributable to a sharp increase in foreign visitors to Japan and domestic economic

recovery, and exceptionally strong performance by the newly opened Hotel Gracery Shinjuku, generated an operating income of ¥39 million, ¥1,339 million better than expected. As a result, we were able to get off to a favorable start in our medium-term management plan.

The Fujita Kanko Group's Medium- to Long-Term Vision

■ Becoming Japan's leading tourism company

Having identified the year 2020 as a major turning point, the Japanese tourism industry will step up efforts to improve its ability to assist inbound tourists across Japan, which includes establishing multiple language capabilities, tourism-related infrastructure and logistics. To realize the government's goal of establishing Japan as a tourism-oriented country, it is crucial that we raise the profitability of the tourism industry. The way to do this is not through cutting personnel and other costs, but rather through a boost to earnings by increasing added value of services, resulting in higher rates and prices. Our ability to expand earnings correlates directly to customers' evaluations of our services. Positive evaluations from our customers will generate greater appeal for the Company and the tourism industry as a whole. This, in turn, will help us attract top-flight human resources, which

will enable us to develop and offer better services, creating a virtuous circle that benefits everyone.

With domestic consumption expected to fall in the years ahead due to Japan's declining population resulting from an aging society and falling birthrates, the future of the country as an economic power will depend on the growth of the tourism industry. Japan is blessed with a rich culture and history, delicious cuisine, abundant nature and four distinct seasons. To contribute to our economy, we must leverage these resources to encourage extended stays and repeat visits by travelers from overseas. This is not something that we could or should do on our own. We must work with local communities to develop and promote attractive products. We will work to promote our properties as community-based facilities and step up collaboration with local

residents to enhance and communicate the appeal thereof to tourists.

In these and all of our efforts, we aim to become a company that continues to benefit all of our stakeholders. We look forward to your support over the medium to long term as we work to take Fujita Kanko to the next level.

May 2016

Akira Segawa
Representative Director and President

瀬川 章

FUJITA PREMIUM VALUE CREATION 2015

—Becoming Japan’s leading tourism company—

In fiscal 2015, Fujita Kanko embarked on a new five-year medium-term management plan.

For many years, persistent deflation in the Japanese economy has resulted in a harsh operating environment for the domestic tourism industry. However, in recent years an increase in the number of foreign visitors to Japan, together with efforts by the government to encourage tourism, in line with its stated goal of establishing Japan as a tourism-oriented country, have brought significantly positive changes. Recognizing this positive shift as a tremendous opportunity, after many years of being forced by circumstances to curb major capital investments, the Group is shifting directions and will invest actively, guided by its new medium-term management plan.

With fiscal 2015 positioned as a year for upfront investment, the plan’s targets assumed a temporary worsening of profitability, followed by growth in fiscal 2016 and beyond as the Company begins to recover the cost of these investments while at the same time continuing to allocate funds to enhance both hard and soft infrastructure.

Fujita Kanko’s new medium-term management plan also encompasses strategies for expanding other promising businesses and growing its overseas business. The Company has established operating income before depreciation* as a key internal indicator for measuring its performance under FUJITA PREMIUM VALUE CREATION 2015.

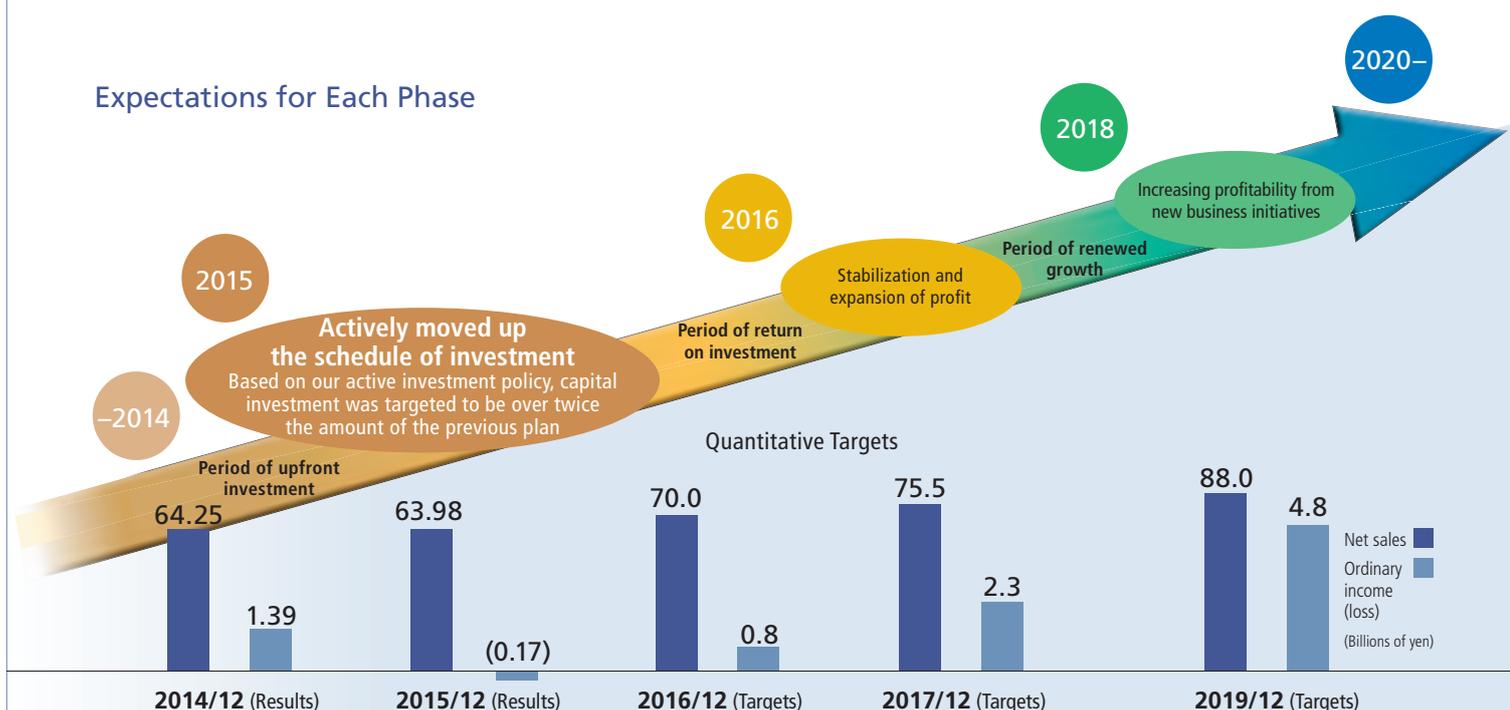
*Calculated as: Operating income + depreciation + repair expenses + one-time investment expenditures

Results under Previous Medium-Term Management Plan (2012–2014) and Quantitative Results and Targets of FUJITA PREMIUM VALUE CREATION 2015

(Billions of yen)

	Previous Medium-Term Management Plan			FUJITA PREMIUM VALUE CREATION 2015			
	FY2012 Results	FY2013 Results	FY2014 Results	FY2015 Results	FY2016 Targets	FY2017 Targets	FY2019 Targets
Net sales	60.49	62.10	64.25	63.98	70.00	75.50	88.00
Operating income before depreciation	5.17	5.43	5.99	5.14	7.00	9.00	12.00
Operating income	0.87	1.20	1.36	0.03	1.00	2.80	5.30
Ordinary income (loss)	0.63	1.16	1.39	(0.17)	0.80	2.30	4.80
Capital investment (on a cash basis)	2.94	5.06	3.60	8.16	14.59	7.50	5.40
Depreciation	3.56	3.49	3.77	3.99	4.59	5.00	5.80

Expectations for Each Phase



Overall Strategies

1. — Business Segments —

Increase and expand added value of existing businesses by meeting diverse customer needs

2. — Overseas —

Increase marketing and sales to capitalize on the rising number of foreign visitors to Japan and develop overseas business

3. — Human Resources —

Develop diverse human resources and improve employee satisfaction

Segment Strategies

WHG Business

Mission

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

Measures

1. Accelerate new openings
2. Strengthen competitive edge

Targets for Fiscal 2019

Net sales	¥ 37.6 billion
Operating income	¥ 2.2 billion
Total investments for five years	¥ 14.7 billion

Resort Business

Mission

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

Measures

1. Make large-scale investments in Hakone Kowaki-en
2. Expand number of properties at resort destinations

Targets for Fiscal 2019

Net sales	¥ 10.6 billion
Operating income	¥ 1.3 billion
Total investments for five years	¥ 16.9 billion

Luxury & Banquet Business

Mission

Build upscale, high-quality business centered around Hotel Chinzanso Tokyo brand

Measures

1. Transition Chinzanso from a wedding brand to a hotel brand
2. Actively develop restaurant business
3. Expand wedding business through new ventures

Targets for Fiscal 2019

Net sales	¥ 34.0 billion
Operating income	¥ 1.9 billion
Total investments for five years	¥ 12.7 billion

Overseas Strategies

Measures

1. Reinforce ability to attract inbound tourism
2. Promote overseas development

Human Resource Strategies

Measures

1. Strengthen human resource development and training
2. Promote work-life balance
3. Encourage diversity & inclusion

Returns to Shareholders

Dividend distribution policy

Fujita Kanko aims to distribute dividends according to business results, fully considering both profit-sharing with shareholders and retaining profit for further strengthening corporate quality and business development.

■ **Special Feature: Targeting Further Growth**
 —Measures and Progress of Strategies under Medium-Term Management Plan—

WHG Business

Mission under medium-term management plan

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

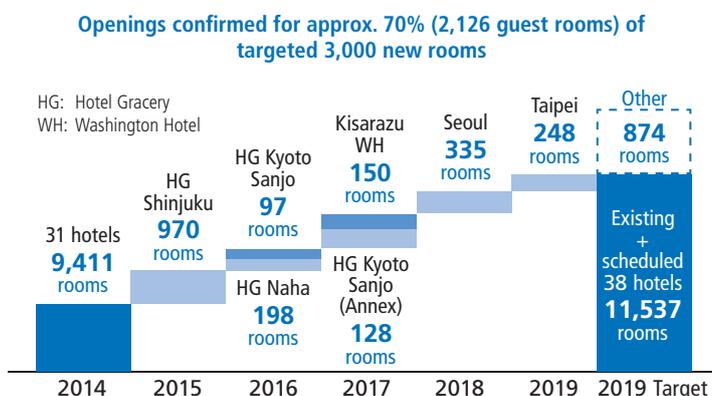
Measure 1. Accelerate new openings

Open 10 new WHG hotels with 3,000 guest rooms by 2019

Fujita Kanko plans to open 10 new WHG hotels worldwide with a combined total of 3,000 guest rooms by 2019, increasing its network to 41 properties with a total of 12,400 guest rooms, as it accelerates new openings toward 2020 and beyond. In April 2015, the Company opened Hotel Gracery Shinjuku (970 guest rooms), while in April 2016 it commenced operations of Hotel Gracery Naha (198 guest rooms).

As of the publication date of this report, the openings of 2,126 guest rooms, or approximately 70% of the plan's target, were already confirmed.

Number of Guest Rooms



Scheduled openings

- Hotel Gracery Kyoto Sanjo (July 2016)
- Hotel Gracery Kyoto Sanjo (Annex) (May 2017)
- Kisarazu Washington Hotel (FC)* (December 2017)
- New hotel in Seoul (Summer 2018)
- New hotel in Taipei (2019)

*FC: Franchise system

Fujita Kanko is prioritizing cities that attract not only business travelers, but also people traveling for leisure and sightseeing, including FITs (foreign individual travelers) and Japanese seniors. Recognizing the potential for synergies with Asian markets, the Company will also open new hotels in Seoul and later in Taipei.

Communicate local appeal

Some WHG hotels feature specially-themed rooms that reflect local culture and traditions.

The unique Godzilla room at Hotel Gracery Shinjuku, which opened in 2015, has attracted attention worldwide, contributing significantly to greater recognition of the Fujita Kanko brand. Hotel Gracery Naha offers a *Churaumi* room, featuring a video projection of Okinawa's beautiful ocean.

The Company will continue working with local communities and companies for the further development of these specially-designed rooms.



Godzilla room at Hotel Gracery Shinjuku



Measure 2. Strengthen competitive edge

Renovate guest rooms at existing hotels

With the aim of attracting not only business travelers but also inbound and domestic tourists, Fujita Kanko is renovating guest rooms at existing WHG hotels, placing a priority on room designs that deliver comfort and convenience to enhance customer satisfaction and increases in unit price per room.

Between April 2015 and March 2016, the Company completed the overhaul of all 1,279 guest rooms in the segment's flagship Shinjuku Washington Hotel Main



Lobby of Shinjuku Washington Hotel Main Building



Guest room at Shinjuku Washington Hotel Main Building

Building. The Company also refurbished 142 guest rooms in the Yokohama Sakuragicho Washington Hotel within the first two months of 2016.

Step up human resource development to ensure smooth opening of new hotels

In preparation for new openings, Fujita Kanko is accelerating efforts toward developing its employees. The Company's training program has traditionally centered on on-the-job training provided by individual hotels. To conduct more effective and unified training, in October 2015, the Company opened a new training center inside the Yokohama Isezakicho Washington Hotel. The facility recreates a front desk and guest room, which are used for training in reservation, and check-in/check-out procedures, while the model rooms enable trainees to learn about the



Model room of training center located inside the Yokohama Isezakicho Washington Hotel



The training center features recreated hotel facilities where hands-on training is provided

basic technologies employed. Through this and other efforts, the Company is working to enhance its quality of service and customer satisfaction, thus ensuring the smooth opening of new hotels.



Yasumichi Watanabe
General Manager,
Hotel Gracery Shinjuku
WHG Business Group

Attracting repeat visitors

At Hotel Gracery Shinjuku, Fujita Kanko is taking steps to cater to the needs of individual travelers, who generally prefer to do their own research regarding sightseeing spots and restaurants. These include establishing concierge services, which help to ensure guests enjoy safe and pleasant travels. In Shinjuku, the Company established the Kabukicho Concierge Committee, enabling it to recommend local commercial establishments and book restaurants for guests, propose tours, organize birthday cakes and flowers, track down items left behind and provide other services to ensure that guests are treated well.

Response has been extremely positive, particularly from FITs, and the number of guests making use of our concierge services continues to rise. As a result, we have added a second concierge desk, enabling concierge staff to assist two groups of guests simultaneously.

Many guests leaving comment cards have warmly praised our concierge services, saying that they definitely plan on staying at a Gracery hotel the next time they visit Japan, underscoring the importance of these services to encouraging repeat visits.

Resort Business

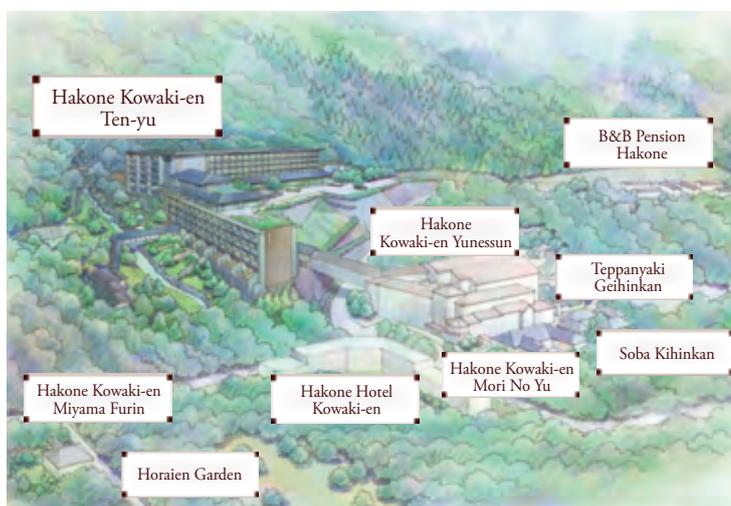
Mission under medium-term management plan

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

Measure 1. Make large-scale investments in Hakone Kowaki-en

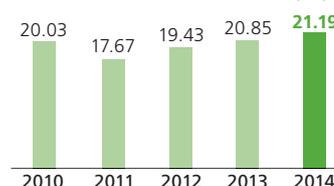
Commence redevelopment of Hakone-area facilities

Since starting the Resort business in Hakone in 1948, Fujita Kanko has been establishing businesses for over 60 years in the Hakone area, including Hakone Hotel Kowaki-en and Hakone Kowaki-en Yunessun. In recent years, demand for more services tailored to individuals has grown, reflecting changes in leisure preferences, the increasing number of foreign visitors to Japan and increasing domestic travel-related demand from Japanese seniors. In this environment, the Company came to the decision in October 2014 to close down the Hakone Kowaki-en Yunessun Inn, which originally opened in 1963, and the adjacent Yuutopia hot spring facility, and commenced a major redevelopment centered on Hakone Kowaki-en Ten-yu, a Japanese-style inn.



Fujita Kanko properties in Hakone Kowaki-en

Total Annual Visitors to Hakone Town
(Millions of people)



Source: 2014 Report on Tourists Visiting Kanagawa Prefecture, Kanagawa Tourism Promotion Council

Establish new flagship resort, Hakone Kowaki-en Ten-yu in spring 2017

Slated to open in spring 2017, Hakone Kowaki-en Ten-yu, the Company's new flagship resort in the Hakone area, is being developed to provide "the beauty of nature and Japanese-style hospitality," which exemplifies this popular hot spring resort, and will offer a variety of services to guests from around the world. The resort will feature 150 guest rooms, each with its own private open-air bath, as well as a restaurant serving creative seasonal Japanese cuisine incorporating Japanese and Western elements; two large open-air baths available to all guests, one that looks up at a waterfall and the other, a group of tubs in a tiered configuration, with an expansive view of Mount Hakone's crater; a spa and a garden built in a ravine. With this new facility, the Company aims to capitalize on the allure of Hakone Kowaki-en Ten-yu, enabling it to attract a variety of guests, including both foreign visitors and upper-middle class domestic individuals, as well as to raise room rates and enhance profitability.



Architectural rendering of Hakone Kowaki-en Ten-yu resort



Promote further development efforts in Hakone Kowaki-en

In 2015, operations at all of Fujita Kanko's Hakone Kowaki-en facilities were affected significantly by volcanic activity in Owakudani. Volcanic activity has since subsided, as a result of which the number of visitors have begun to recover. Looking ahead, the Resort business will proceed with preparations for the opening of Hakone Kowaki-en Ten-yu

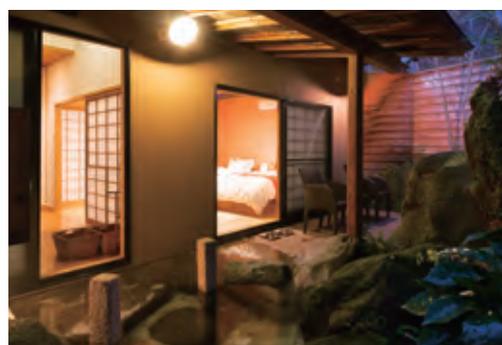
and at the same time will continue to promote redevelopment projects with the goal of expanding businesses that maximize the immense natural beauty of the Hakone area.

One such project saw the establishments in March 2016 of a new hotel, Hakone Kowaki-en Miyama Furin, and a new restaurant. Through these and other efforts, the segment will seek to further strengthen and grow its operations in the Hakone area.

Measure 2. Expand number of properties at resort destinations

Expand development of high-end Japanese-style inns

In November 2014, Fujita Kanko opened Yufuin Ryokuyu, a luxury Japanese-style inn consisting of independent cottages, each with its own private open-air bath, at Yufuin hot springs in Kyushu. The Company has positioned Ryokuyu-branded facilities as high-end resort Japanese-style inns targeted for upscale and repeat customers from home and abroad seeking a more private setting. The Ryokuyu-branded inns currently operate in Yufuin and Ito, Shizuoka Prefecture. While the Company has used assets it already owns for its existing resorts in Hakone, Ito, Toba and elsewhere, with diverse development schemes in play, it recognizes the need to fortify its development capabilities and expand the scope



Yufuin Ryokuyu

of its operations to include hot spring and resort areas throughout Japan.



Yuroku Kitamura
General Manager,
Hakone Kowaki-en Ten-yu
Business Development Division
Resort Business Group

Establishing a new flagship resort in Hakone Kowaki-en

The opening of Hakone Kowaki-en Ten-yu has transformed the face of Hakone Kowaki-en. We offer creative seasonal Japanese cuisine, a true delight to the senses, and traditional Japanese hospitality to all guests. To further imbue our services with a traditional Japanese spirit, we have begun providing tea ceremony and flower arrangement lessons for our staff.

As part of our Hakone Kowaki-en redevelopment project, in May 2016 we launched Geihinkan, a *teppanyaki* restaurant—one of only a few in the Hakone area. The building housing the restaurant as well as Soba Kihinkan, a soba restaurant located adjacent to it, have both been declared a tangible cultural property. Both buildings are thus rich in traditional ambience.

Having launched our Hakone Kowaki-en business, in 2015 we celebrated our 60th anniversary. To ensure that we remain a going concern, even at our 100th anniversary, the management and staff of Fujita Kanko will pledge to ensure that both Hakone Kowaki-en Ten-yu, our new flagship resort in the area, and the Company remain worthy of our guests' support.

Luxury & Banquet Business

Mission under medium-term management plan

Build upscale, high-quality business centered around
Hotel Chinzanso Tokyo brand

Measure 1. Transition Chinzanso from a wedding brand to a hotel brand

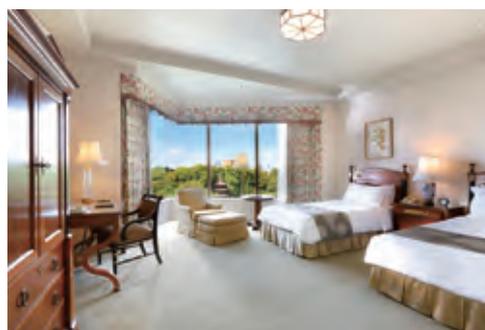
Distinguish Chinzanso as a hotel that allows guests to experience the splendor of Japan to reinforce its competitive edge

In 2013, Fujita Kanko opened Hotel Chinzanso Tokyo by integrating the operations of the Four Seasons Hotel Tokyo at Chinzanso and Chinzanso.

The goal of the rebranding was to establish the property as an unrivaled luxury hotel with a distinctively Japanese flair while also maintaining the Company's expertise in the wedding and banquet field, accumulated over six decades as the operator of Chinzanso.

As part of the rebranding, the Company is currently renovating all 267 guest rooms in the hotel in a four-phase project that will conclude in 2017. The second phase, completed in 2015, saw the creation of new prime classic rooms, developed in line with the theme "treasuring the feeling of passing down tradition and history to future generations."

In the Michelin Guide Tokyo 2016, Hotel Chinzanso Tokyo received the highest ranking of five red pavilions. The hotel will continue working to enhance the quality of its restaurants and services, with the aim of providing superior hospitality, thereby earning recognition both in Japan and overseas as a leading hotel brand.

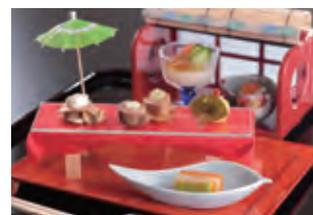


Prime classic superior (garden view) room

Measure 2. Actively develop restaurant business

Establishes first Japanese restaurant overseas in Taipei

With the aim of bolstering recognition of the Hotel Chinzanso Tokyo brand, Fujita Kanko is launching Chinzanso-branded restaurants in Japan and overseas. The first of a planned five restaurants, a Japanese restaurant called Kinsui Taipei by Hotel Chinzanso Tokyo, which opened in January 2016, offers people in Taipei authentic Japanese cuisine and meticulous traditional hospitality. The Company will continue to focus on opening Japanese restaurants in key overseas locations, introducing Japanese cuisine and culture to guests around the world and encouraging interest in traveling to Japan.



Kinsui Taipei by Hotel Chinzanso Tokyo



Measure 3. Expand wedding business through new ventures

Expand competitiveness and market area by advancing wedding business into Hiroshima

Despite rising prices for weddings in Japan, falling birth rates and an increasing tendency to delay marriage continue to push down the number of weddings held, as well as the number of guests per wedding. In this environment, Fujita Kanko is leveraging the power of its Chinzanso and Taiko-en brands, accumulated over 60 years of experience, and reinforcing its ability to propose one-of-a-kind weddings tailored to individual tastes and preferences.

As part of this effort, in January 2015 the Company purchased all shares in Kawano Co., Ltd., a Hiroshima-based wedding production firm that also operates two guest houses in the city of Hiroshima, thereby becoming a consolidated subsidiary. In addition to collaborating on the operational front, Fujita Kanko and Kawano Co., Ltd. will share product and service development and planning know-how, further enhancing the competitiveness of the Group's wedding business.



Wedding ceremony at Remercier Motoujina, Hiroshima organized by Kawano Co., Ltd.



Tetsu Motomura
General Manager,
Hotel Chinzanso Tokyo
Luxury & Banquet
Business Group

Working to create an unrivaled luxury hotel

Boasting a huge forest-like garden, a tea house (Zangetsu) registered as a tangible cultural property and a three-story pagoda, among others, Hotel Chinzanso Tokyo represents a truly unique combination of nature, seasonal beauty and history.

We are currently in the process of renovating the hotel's guest rooms, adding state-of-the-art functionality while, in the words of the renovation theme, "treasuring the feeling of passing down tradition and history to future generations," by repairing key elements. On another front, we have begun providing tea ceremony lessons to our hotel employees for the delight of our visitors from overseas.

To ensure that the employees and management of Hotel Chinzanso Tokyo are committed to working as one for the strengthening of the Chinzanso brand, we are promoting a standard program of initiatives. Three years have passed since the rebranding of the hotel. While our efforts immediately after the rebranding centered on promoting awareness of the brand concept and mission statement, we are now transitioning into a phase that focuses on the practical application thereof to further enhance service quality.

Overseas Strategies

Mission under medium-term management plan

Increase marketing and sales to capitalize on the rising number of foreign visitors to Japan and develop overseas business

Measure 1. Reinforce ability to attract inbound tourism

Against a background of rising demand for services from inbound tourists, in 2010 Fujita Kanko opened a representative office in Shanghai, significantly enhancing its ability to accommodate inbound tourists from other parts of Asia. This was followed in 2012 with the establishment of representative offices in Seoul and Taipei, which were subsequently joined by offices in Bangkok and Jakarta, giving the Company a total of five subsidiaries/representative offices in the region. These offices conduct public relations by, among others, holding workshops and participating in travel fairs, to bolster recognition of the Fujita Kanko Group.



Workshop held in Bangkok

In 2015, a total of 1.09 million foreign visitors stayed at Fujita Kanko Group facilities. The year also brought rapid shifts in tourism trends, including a shift in demand from group tours to individual travel and an increase in the number of inbound tourists visiting small towns and rural areas. Looking ahead, Fujita Kanko will further leverage its information gathering capabilities elsewhere in Asia to attract more visitors to Japan.

Topic | Fujita Kanko and inbound tourism

In 1961, before the normalization of diplomatic relations between China and Japan, Hakone Hotel Kowaki-en welcomed a visiting delegation of Chinese writers, since which Fujita Kanko has hosted numerous cultural, arts and sports figures from China for over 50 years.

Commemorative calligraphic works bestowed by such guests have already totaled 50 volumes. In May 2010, Fujita Kanko held an exhibition of these works. These successes laid the groundwork for many current initiatives, including exhibition of the aforementioned calligraphic contributions in Beijing in 2010 and an annual autumn event promoting cultural and tourism-related exchange between China and Japan, which Hakone Hotel Kowaki-en has held since 2013.

Topic | Supervision for food festival in Indonesia

In September 2015, two chefs from Hotel Chinzanso Tokyo supervised the preparation of Japanese food for a Japan-Indonesia Food Festival held in Jakarta. Organized as part of a project by the Ministry of Agriculture, Forestry and Fisheries of Japan to promote understanding of Japanese food and food culture around the world, this event served *kaiseki* cuisine made with ingredients from both countries to attending VIPs, helping to broaden awareness of Japanese food culture in Indonesia, as well as to boost recognition of the Fujita Kanko Group.



Japan-Indonesia Food Festival

Measure 2. Promote overseas development

With the number of foreign visitors to Japan expected to continue rising, Fujita Kanko is opening restaurants and hotels in Asian markets seen as likely sources of tourism to Japan in the years ahead. In 2018 and 2019, the Company plans to open WHG hotels in Seoul and Taipei, respectively. Leveraging the benefits of hotel chains, the Company will use these hotels to attract visitors from elsewhere in Asia to WHG hotels in Japan. January 2016 marked the opening of Kinsui Taipei by Hotel Chinzanso Tokyo, a Chinzanso-branded Japanese restaurant in the Taiwanese capital.

Going forward, the Company plans to develop hotels and other facilities in the fast-growing Association of Southeast Asian Nations (ASEAN) region such as Bangkok and Jakarta.



Architectural rendering of hotel in Seoul (scheduled to open in 2018)

Human Resource Strategies

Mission under medium-term management plan

Develop diverse human resources and improve employee satisfaction

■ Our ability to ensure solid front-line capabilities and diverse human resources is indispensable to the success of our growth strategies



Takeaki Yamada Managing Director, Manager of Personnel Group

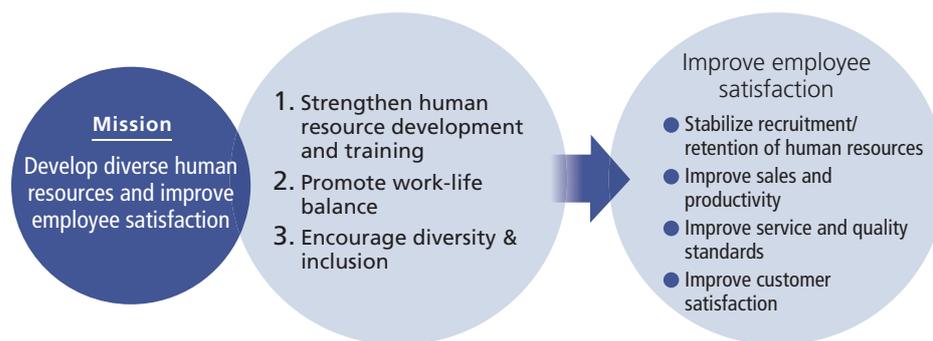
Our view on human resources is in line with our management guidelines, which state that, “having recognized that the heart of a company is its people, and that fostering human resources is crucial to growth, we strive to foster motivated, well-balanced employees.” While human resources are among a company’s most valuable assets, regardless of the industry in which it operates, they are particularly vital for companies in the service industry. Employees on the front lines, beginning with the customer service staff at our hotels, resorts and other facilities, are the principal force that continues to drive Fujita Kanko forward.

The philosophy that the customer is king underpins all aspects of training for Fujita Kanko employees. In an operating environment characterized by harsh competition and increasingly diverse customer needs, enhancing our competitive edge depends on the ability of our employees to evolve and adapt. To this end, we are implementing measures designed to enhance front-line capabilities in line with two key concepts, namely, “autonomy” and “communication.” We want employees who are not only good at following directions, but who can think for themselves and take the initiative in transforming ideas into action. We also want employees who are not content with the status quo, who recognize that there is always more that can be done and are able to propose ideas that reflect a front-line perspective. We are also working to foster management-level employees with the ability to get the most out of the people they manage.

One of the overall strategies of our medium-term management plan is to “Develop diverse human resources and improve employee satisfaction.” This strategy reflects two key external factors. The first is the need for staff in Japan who can respond effectively to the needs of visitors from overseas. The other is the difficulty of securing human resources in an era of falling birth-rates and a rapidly aging population. In this environment, we understand that the effective implementation of our growth strategies is reliant on us not being bound by conventional thinking, but by welcoming diverse human resources that enable us to cultivate new capabilities.

The other component of our human resource strategies is to improve employee satisfaction. For companies in the service industry, there is a clear connection between employee satisfaction and customer satisfaction. In our business, it is essential that employees address their responsibilities with a sincere desire to ensure customers are satisfied. This, in turn, depends on our ability to create positive and rewarding workplace environments. We will continue to promote initiatives aimed at enhancing satisfaction, appreciating our doing so is intrinsically linked to our ability to increase customer satisfaction; enhance services and quality; boost productivity; and improve employee retention rates.

Outline of Human Resource Strategies in Medium-Term Management Plan



Measure 1. Strengthen human resource development and training

With the goal of reinforcing front-line capabilities by building the finest team in the industry and maximizing employee capabilities, we are promoting various initiatives designed to foster human resources, as well as fortifying employee training.

Principal initiatives

- Reinforce training for new recruits and overhaul training materials for foreign employees
- Offer skills development training (e.g., to develop into young and mid-career cooks, and for those aspiring to become an *okami* (traditionally female service managers of Japanese-style inns))
- Hold skills competitions

Measure 2. Promote work-life balance

With the basic principle that promotion of a healthy work-life balance is conducive to business growth, Fujita Kanko encourages employees to take advantage of various support programs. Through such programs, the Company aims to reduce the number of employees who are forced to resign as a consequence of such life events as childbirth, childcare and nursing care, as well as to assist them in managing their own work-life balance.

Principal initiatives

- Conduct campaigns against excessive overtime
- Organize communities for employees raising children
- Promote modifications for working styles

Measure 3. Encourage diversity & inclusion

With the goal of being an organization that encourages its employees to contribute to the Company by exercising their own unique talents, thereby enhancing corporate value, Fujita Kanko has created a culture that welcomes individuals of different genders, ages, physical abilities and nationalities.

Principal initiatives

- Provide training to enhance awareness of diversity
- Promote opportunities for female employees, including through external training
- Offer training for the integration of individuals with disabilities into the workplace, sign language courses
- Eradicate all forms of harassment, offer training aimed at maintaining and improving psychological well-being



Promoting the creation of recruiting and training frameworks that reduce post-hiring mismatches, ensuring that new employees are immediately effective

Kaori Hashimoto General Manager, In charge of Recruitment and Training, Personnel Group

Preventing employees from leaving prematurely after only a short time on the job and ensuring that new employees are immediately effective are key aspects of our human resource strategies. When recruiting new graduates, we believe that it is important for prospective hires to have an accurate understanding of what the job entails and what sort of a workplace they will be in. This helps minimize post-hiring mismatches between individual skills and job requirements. To this end, we have introduced a system whereby we train young employees to serve as recruiters for the hiring of new graduates, a function that combines PR with mentoring. These employees are charged with follow ups to ensure that applicants are fully informed about Fujita Kanko and its operations. All new employees take part in on-site practical training for six months after they join the Company. In addition to training with each of our business groups, each new employee receives training that focuses on our core facilities, as well as services, food and other aspects of our operations.

This approach has been effective in reducing pre- and post-hiring unease and minimizing gaps in perception. It also assists new graduates in making the emotional transition from student to working adult and in quickly grasping Fujita Kanko's philosophy, and allows them to network with people in a variety of positions, making it easier for them to acclimatize to their new surroundings.

Topics on Human Resource Measures

1. Orientation Coaching Program (OCP): Essential for newly recruited front lines

Launched in 2004, the Orientation Coaching Program (OCP)—Fujita Kanko's core training program for new recruits—focuses on the basics of hospitality and guest relations etiquette. Training, which is offered at all Fujita Kanko properties, is conducted by employees who have completed coaching and services skills training and gone through a rigorous examination process to qualify as a human resource development leader (HRDL). To date, more than 140 individuals, including employees on fixed-term contracts and young employees, have acquired the HRDL certification. Upwards of 90% of OCP participants say that the program was useful, underscoring the program's importance in enhancing front-line capabilities.



Guidelines for Employees

This volume, which outlines guidelines on frame of mind, attitude, speech and presence, among others, in an easy-to-understand manner, applies to all employees, regardless of length of service.

2. Polishing traditional Japanese hospitality skills with *okami* training

Japanese cuisine and hospitality are among the Group's principal strengths. Time-honored Japanese-style inn hospitality is an important tourism resource. To sharpen the competitive edge of its Japanese-style inns, in April 2016 Fujita Kanko launched a training program to foster new *okami* (traditionally female service managers) for the Group. *Okami* from independent Japanese-style inns serve as instructors for the program, which is organized into levels, from beginner to advanced, and features a curriculum focused on presence, etiquette and manners essential to the management of a Japanese-style inn. The ultimate goal of the program is to provide *okami* with the management skills equal in status to those of hotel general managers.



3. Skills competition towards enhanced expertise

Inaugurated in 2008, the skills competition is an annual event open to employees across the Fujita Kanko Group. Employees compete in categories relevant to their jobs, including cooking, front desk and other services, bed-making, electrical wiring and conversational sign language. In 2015, around 300 individuals from 38 Group sites participated in the event. In addition to being an important tool for improving employee skills, the competition also helps increase employee motivation.



2015 Skills Competition Categories and Events

Category	Event
Cooking	Japanese (prep, stock/soup, <i>Shokado bento</i> (lunch box))
	Western (prep, stock/soup, multi-course lunch)
Service	Front desk services
	Restaurant service
	Services for new customers at wedding venues
	Sign language
Individual skills	Wedding reception room décor (main table, guest tables, bridal bouquet)
	Specific hotel skills (bedmaking, electrical wiring)



4. Modifying working styles to accommodate diverse needs and greater productivity

Valuing the diversity of its labor force, in January 2016 Fujita Kanko began promoting modified working styles with the objective of creating positive and rewarding workplace environments. Under this initiative, the Company is modifying working hours by, among others, eliminating long work hours and introducing varied workday schedules; reinforcing systems that enable employees to continue working (enhancing childcare and nursing care support and introducing a work-at-home scheme); devising new employment formats (introducing a system that allows employees to limit the regions and jobs to which they will accept assignment); and making effective use of information and communications technologies. Each related measure is given careful consideration before being implemented.

Contributions to Society and the Community

Conscious of its responsibilities as a corporate citizen, Fujita Kanko strives to ensure the effective use of its resources to promote distinctive initiatives with the objective of contributing to the health and prosperity of society and the communities in which it operates.

Local initiatives

Fujita Kanko Group facilities promote a wide range of local initiatives. These include 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 2015, Group facilities undertook and promoted a total of 302 such initiatives.

Examples: Participation in events aimed at assisting the reconstruction of areas devastated by the Great East Japan Earthquake (Sendai Washington Hotel); Junior high school work experience program (Hakone Kowaki-en, Shimoda Aquarium, others)



Antiterrorism drill conducted in cooperation with local police



Clean-up project

Other initiatives

Helping to provide and increase awareness of service dogs

Since 2010, Fujita Kanko has helped raise money for the Japan Service Dog Association (JSDA). In line with its belief in diversity and inclusion, the Company also provides training so that its employees understand the needs of guests with service dogs.

Fund-raising activities

Fujita Kanko donates funds and participates in fund-raising activities for a variety of worthy causes.

Examples: Annual donation (¥1.2 million) to Plan Japan, a non-governmental organization that promotes a variety of child-centered community development programs around the world; contribution of guest donations to the Japan Committee for UNICEF (¥205,272 in 2015)

Environmental Initiatives

Fujita Kanko promotes environmental protection initiatives under our environmental policy which 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."

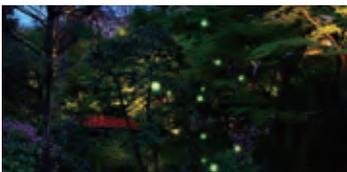
Environmental protection

Creating a home for fireflies

Since 1954, Hotel Chinzanso Tokyo has held a one-night firefly viewing every year, an event that has become an early-summer tradition. Since 2000, the hotel has used water from the natural spring in its garden, which forms a creek that runs through the grounds, to create an ideal wild firefly habitat.

Every January since 2003, the hotel has invited local school-children to release firefly larvae into the creek. The children are then invited back in early summer with their families to see the newly emerged fireflies dancing in the garden.

Taiko-en in Osaka holds firefly study groups for children every June, when fireflies emerge from their pupa, in which participants learn about the life cycle of fireflies.



Global warming countermeasures

The companies of the Fujita Kanko Group implement diverse energy-saving initiatives that take advantage of advanced ecological technologies to reduce its CO₂ emissions.

Energy-saving initiatives

- Installed LED and high-efficiency lighting
- Introduced a Building Energy Management System (BEMS) 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

Light Down Campaign

In June 2015, Fujita Kanko kicked off the Light Down Campaign, an initiative undertaken in collaboration with students from the Osaka Institute of Technology, in which LED lights made with ecologically sound materials are placed throughout Taiko-en.

Initiatives to encourage the use of electric vehicles (EVs)

At the Hotel Chinzanso Tokyo and the Camellia Hills Country Club (Chiba Prefecture), the Company is promoting various initiatives to encourage the use of EVs, including the installation of EV charging stations and participation in EV promotional efforts.

Preserving Cultural Assets and Historical Architecture

Since its founding, the Fujita Kanko 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



Three-story pagoda (tangible cultural property)

This property was given the name Chinzanso in 1878 by Prince Aritomo Yamagata. For approximately 130 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 architecture, including a three-story pagoda, believed to have been constructed in the Muromachi period (1336–1573) and Zangetsu, a historic tea house, both of which are listed as tangible cultural properties; a Hannya 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.

Hakone Kowaki-en



Kihinkan (tangible cultural property)

The birthplace of Fujita Kanko, Hakone Kowaki-en boasts two buildings listed as tangible cultural properties. Kihinkan, a *sukiya-zukuri* 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* restaurant, have been left essentially unchanged. It provides guests with a historical and memorable experience.

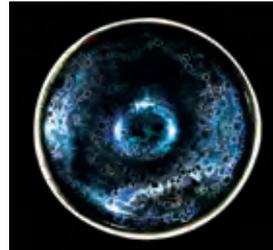
Taiko-en



Yodogawatei restaurant

Taiko-en 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 Taiko-en. 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 features Tsukiyama-shiki *kaiyu*-style garden, which features a pond and a hill, as well as rare lanterns and precious rocks collected from around Japan.

Fujita Museum



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



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

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 2,111 items, including nine national treasures and 52 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.

Basic Philosophy

Fujita Kanko aims to become a company which contributes to realize a prosperous society through its business operation. To this end, the Company constantly works to pursue and fulfill the best corporate governance practice to ensure a favorable relationship with all stakeholders, including shareholders, and to realize corporate social responsibility. The Company also reviews its corporate governance practices on a continuous basis with a view towards further enhancing its corporate value.

Corporate Governance Framework

Directors, Board of Directors and Executive Officers

Fujita Kanko has 10 directors, two of whom are outside directors. The Company also has 15 executive officers, seven of whom serve concurrently as directors. In principle, the Board of Directors, including the outside directors, meets once a month to report and resolve on legally stipulated matters and on important management matters. As a general rule, the Executive Management Committee, which is chaired by the representative director and president, and composed of members appointed by the executive officers and the representative director and president, meets once a month to ensure common awareness of the operating environment and make decisions related to the execution of business operation.

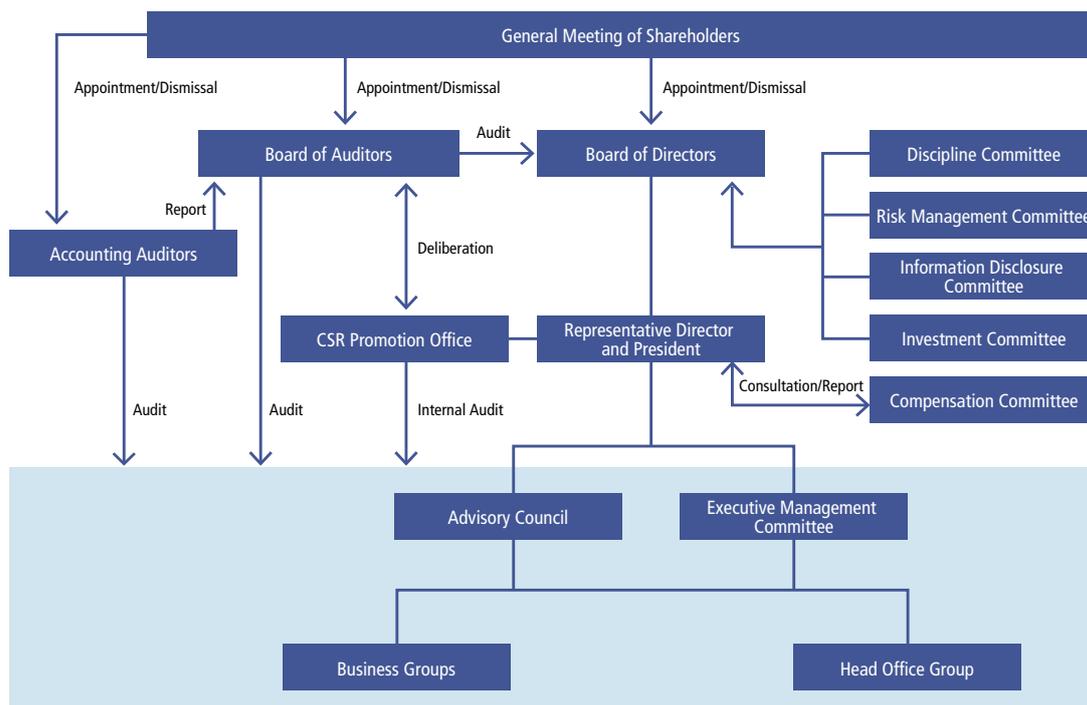
Auditors and Board of Auditors

Fujita Kanko has instituted a corporate auditor system. Of the Company's four auditors, two are outside auditors. The Company has also installed the Board of Auditors 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 the competence and appropriateness of decision making therein. In addition, auditors audit the execution of duties 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 representative director and 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, as well as meetings of the Executive Management Committee, where they promptly collect meeting materials. In instances where the full-time auditor serves concurrently as auditor for a subsidiary, he or she also attends the subsidiary's regularly scheduled meetings of the Board of Directors.

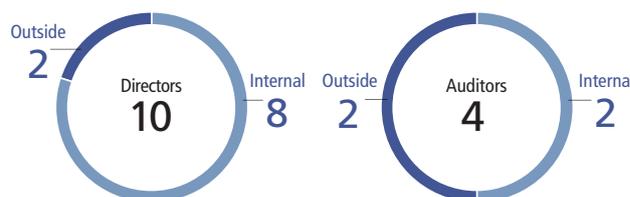
The auditors also hear reports from the Company's accounting auditors on the content of their audits and liaise with the accounting auditors on key aspects of accounting policies and accounting treatment methods with reference to the Company's assets, among others, to confirm the appropriateness thereof and exchange other information.

Corporate Governance Framework



Outside Directors and Outside Auditors

As of March 29, 2016, the Company has two outside directors and two outside auditors. In principle, they are required to attend all meetings of the Board of Directors, where they offer objective opinions, as necessary, thereby ensuring sufficient objectivity and neutrality for the executive monitoring function.



Reasons for Appointment of Outside Directors and Outside Auditors

Outside Directors

Name	Attendance in meetings of Board of Directors for 2015	Reasons for Appointment
Rieko Zanma	Attended 17 out of 18 meetings	Ms. Zanma has extensive experience in company management and has participated in government councils and other public sector committees. She has also been involved in a number of major events as a producer. She was appointed the position of outside director so that her experience and insight can be of benefit to the Company. There are no special interests between the Company and Ms. Zanma.
Yuko Mitsuya	Appointed effective March 26, 2015; attended all 13 meetings after appointment	Ms. Mitsuya has extensive experience in company management and has served as a director and member of multiple sports and other associations. She was appointed the position of outside director so that her experience and insight can be of benefit to the Company. There are no special interests between the Company and Ms. Mitsuya.

Outside Auditors

Name	Attendance in meetings of Board of Directors for 2015	Attendance in meetings of Board of Auditors for 2015	Reasons for Appointment
Izuru Yoshii	Attended 17 out of 18 meetings	Attended all 15 meetings	Mr. Yoshii has accumulated extensive experience in business management at DOWA MINING CO., LTD. (the present DOWA HOLDINGS CO., LTD.) and is currently director and auditor of a DOWA Holdings subsidiary. He was appointed the position of outside auditor so that his experience and insight can be of benefit to the Company. There are no special interests between the Company and Mr. Yoshii.
Jiro Kawanishi	Attended all 18 meetings	Attended all 15 meetings	Mr. Kawanishi has extensive experience in business management at Mitsui Trust and Banking Company, Limited (the present Sumitomo Mitsui Trust Bank, Limited), CHUO MITSUI CARD CO., LTD. (the present SUMITOMO MITSUI TRUST CARD CO., LTD.) and GS Yuasa Corporation. He was appointed the position of outside auditor so that his experience and insight can be of benefit to the Company. There are no special interests between the Company and Mr. Kawanishi.

Compensation and Other Payments for Directors and Auditors

Compensation for directors and auditors comprises 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 2015)

Category	Number of eligible individuals	Total amount of compensation and other payments (Millions of yen)
Directors (excluding outside directors)	9	236
Auditors (excluding outside auditors)	3	42
Outside directors and outside auditors	4	21

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 realizing 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 made key organizational changes, including the establishment of a CSR Promotion Office and an Information Disclosure Committee.

Compliance System

CSR Promotion Office

The Company established the CSR Promotion Office, which is controlled directly by the president, as an internal audit department. The office consists of a chairperson and four members. It conducts internal audits of the Group's offices and subsidiaries regularly and examines the Group's compliance status to verify that, among others, 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 whistle-blowing schemes

The Group has set up a hotline ("Ring Ring Hotline") whereby employees can seek advice or report compliance violations anonymously. The Group has also established internal whistle-blowing 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 and along with periodic reviews, the committee implements measures as necessary to mitigate its damage. 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

Our principles state that we oppose anti-social forces that threaten the order and safety of society and reject any unreasonable demands from them. This principle is included in our code of ethics and all directors, auditors and employees are trained to follow the code.

System for Ensuring Appropriateness of Group Operations

The Company's subsidiaries fall under the control of one of its 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, thereby ensuring that 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.

Response to Japan's Corporate Governance Code

On February 15, 2016, the Company disclosed its policies and conditions regarding efforts to respond to the rules set forth in Japan's Corporate Governance Code through the Tokyo Stock Exchange's TDnet (Timely Disclosure network) and its corporate website. In addition to choosing a "comply" approach for 11 items and an "explain" approach for two items, the Company disclosed information for all 12 items excluding duplications.

The two items disclosed as "explain" by the Company and their reasoning are as follows.

Supplementary principle 1.2.4

Bearing in mind the number of institutional and foreign shareholders, companies should take steps for the creation of an infrastructure allowing electronic voting, including the use of the Electronic Voting Platform, and the provision of English translations of the convening notices of general shareholder meeting.

We have approximately 15,000 shareholders, so our shareholder base is relatively small. Judging from the percentage of shareholders presently exercising their voting rights, we do not recognize a need for electronic voting and thus do not currently employ such infrastructure.

Should this situation change drastically, we will introduce electronic voting forthwith.

Because foreign nationals account for only about 10% of our shareholders, we do not currently produce an English translation of the convocation notice for our General Meeting of Shareholders. Should this percentage exceed 20%, we will begin providing English translations of the notice forthwith.

Supplementary principle 4.11.3

Each year the board should analyze and evaluate its effectiveness as a whole, taking into consideration the relevant matters, including the self-evaluations of each director. A summary of the results should be disclosed.

We will clarify rules regarding the analyses and evaluations of the effectiveness of the Board of Directors as a whole, and the explicit disclosure of its summary of results will be taken into consideration.

Messages from Outside Directors



To enhance its strengths in historical value and progressiveness, the Company must gauge the changing trends of generations.

Rieko Zanma, Outside Director

As a producer, one of my jobs is to bring people and things together to create experiences. Hotels are a symbolic example of this.

When connecting people and things together, a producer or a navigator is needed to chart the way. In the case of hotels, that role is played by a concept called “service.” In that sense, I can certainly contribute if it resembles my daily work in any way.

I see Fujita Kanko as an organization that possesses a combination of both historical value and progressiveness. It endeavors to deepen the appeal of important historical properties such as Hakone Kowaki-en, Hotel

Chinzanso Tokyo and Taiko-en, and expand innovative businesses such as the WHG business. To this end, the Company must continuously reinforce its ability to interpret the changing trends and personal preferences of future generations. This together with its commitment to promoting diversity, underscores the fact that the Company and its employees are sensitive to today’s values—something that is in agreement with the government’s effort to increase inbound tourism. For these reasons, I think there are great expectations for the future development of the Fujita Kanko Group.



I am committed to offering advice from the perspective of shareholders, customers and employees and look forward to helping build transparent corporate value.

Yuko Mitsuya, Outside Director

Putting the Fujita Kanko Group’s overall commitment to hospitality—an expression of the values shared by all people associated with the Group, with emphasis on attentiveness—into practice requires the creation of positive working environments that encourage emotional and spiritual wealth, ensuring that employees’ smiles are genuine and not simply something they put on in front of customers.

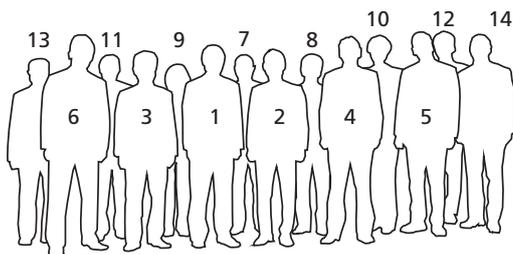
My area of expertise is sports coaching. An important aspect of coaching is the ability to execute strategies by positioning the right people in the right places and finding ways to motivate them. I look forward to using

my experience in this area to help further improve both working and business environments and to contribute to the promotion of diversity, a key management consideration going forward.

As an outside director, I am committed to maintaining objectivity and to offering pertinent advice from the perspective of not only shareholders, but also customers and employees. I look forward to helping build transparent corporate value that inspires pride in the people who work for Fujita Kanko and the people who use its facilities and services.

■ Directors, Auditors and Executive Officers

As of March 29, 2016



1. Akira Sasaki
2. Akira Segawa
3. Takeaki Yamada
4. Terumi Tsuzuki
5. Tatsuhiro Makino
6. Akira Kitahara
7. Yoshihiro Ise
8. Takashi Wakuri
9. Rieko Zanma
10. Yuko Mitsuya
11. Kazuo Nakasone
12. Masato Yoshihara
13. Izuru Yoshii
14. Jiro Kawanishi

Directors

1. Akira Sasaki

Representative Director and Chairman

2. Akira Segawa

Representative Director and President
Executive Officer and President

3. Takeaki Yamada

Managing Director
Managing Executive Officer
Manager, Personnel Group

4. Terumi Tsuzuki

Director
Managing Executive Officer
Chief Operating Officer, Luxury & Banquet Business Group

5. Tatsuhiko Makino

Director
Managing Executive Officer
Chief Operating Officer, Resort Business Group

6. Akira Kitahara

Director
Managing Executive Officer
Chief Operating Officer, WHG Business Group
In charge of International Group

7. Yoshihiro Ise

Director
Executive Officer
Manager, Planning Group

8. Takashi Wakuri

Director
Executive Officer
Manager, Administrative Group

9. Rieko Zanma

Outside Director

10. Yuko Mitsuya

Outside Director

Auditors

11. Kazuo Nakasone

Full-Time Auditor

12. Masato Yoshihara

Full-Time Auditor

13. Izuru Yoshii

Outside Auditor

14. Jiro Kawanishi

Outside Auditor

Executive Officers (excluding Executive Officers who are Directors)

Koichi Urashima

Executive Officer
In charge of Food and Beverage Service
Guidance Division, Personnel Group

Takuya Warashina

Executive Officer
General Manager, Information Systems Office,
Planning Group

Kazuhiro Kaga

Executive Officer
Executive Chef
In charge of Food and Beverage Service
Guidance Division, Personnel Group

Masatoshi Nakamura

Executive Officer
Representative Director and President,
TAIKO-EN INC.
General Manager, Taiko-en

Yukiharu Fujita

Executive Officer
General Manager, Tokyo Bay Ariake
Washington Hotel

Tetsu Motomura

Executive Officer
General Manager, Hotel Chinzanso Tokyo

Kenji Murakami

Executive Officer
Supervising General Manager, WHG Shinjuku
Manager, WHG Shinjuku Control Center

Michio Murakami

Executive Officer
Manager, International Group
In charge of Customer Sales

■ Financial Section

Analysis of Operating Results and Financial Position for Fiscal 2015

1. Operating Results for Fiscal 2015

In the fiscal year ended December 31, 2015, the Japanese economy continued to recover gradually, bolstered by improvements in corporate earnings, as well as in employment levels and personal income attributable to the government's growth strategy and financial and economic measures. Meanwhile, the outlook for overseas economies, including the future impact thereof on economic conditions in Japan, remained uncertain, owing to slowing economic growth and falling stock prices in China as well as rising geopolitical risk in Europe and the Middle East.

In the tourism industry, Japan welcomed nearly 20 million foreign visitors in fiscal 2015. The official figure, 19.73 million, represents a significant increase from the previous record of 13.41 million, set in fiscal 2014, which can be ascribed to the expansion of air routes and the relaxation of visa requirements as well as to a weak yen. As a consequence, consumption in Japan by foreign visitors, including outlays for accommodations, rose sharply. However, in the town of Hakone (Kanagawa Prefecture), site of Hakone Hotel Kowaki-en, the core facility for the Resort business of Fujita Kanko Inc. (the "Company") and its group companies (collectively, the "Group") as well as numerous other facilities, volcanic activity in nearby Owakudani led to incremental increases in the volcanic alert level beginning in May. Although the alert level returned to normal in November, the number of tourists was down in the usually busy summer season.

In this environment, the Group pressed ahead with measures in line with its five-year medium-term management plan, FUJITA PREMIUM VALUE CREATION 2015—Becoming Japan's leading tourism company—, announced in February 2015 and beginning in fiscal 2015. These included the opening of new facilities and reinforcements to the quality of its existing businesses.

In January 2015, we acquired all shares of Kawano Co., Ltd, which owns two guest houses and produces original weddings in Hiroshima, while in April we opened Hotel Gracery Shinjuku, a large-scale hotel with 970 rooms at the site of the former Shinjuku Kabukicho Koma Theater in Tokyo. The hotel, which was established in collaboration with Toho Co., Ltd., features a life-size Godzilla head on top of the building. This one-of-a-kind hotel got off to a strong start, having become a hot topic of conversation as the new symbol of Kabukicho and is well received by our guests.

Also in April, we commenced major renovations at the 1,297-room Shinjuku Washington Hotel Main Building, the Group's largest hotel located near the west exit of Shinjuku Station. Aimed at fortifying the hotel's competitiveness, this project concluded in March 2016.

In addition to renovating guest rooms at multiple other facilities, we promoted decisive, forward-looking investments, proceeding with preparations for Hotel Gracery Naha (Okinawa), which opened in April 2016 as well as Hotel Gracery Kyoto Sanjo and a new Japanese-style inn named Hakone Kowaki-en Ten-yu, which are scheduled to open in July 2016 and spring 2017, respectively.

In terms of our overseas development, in June we opened new representative offices in Bangkok (Thailand) and Jakarta (Indonesia), and in October we established a local subsidiary in Taipei (Taiwan) where we underwent preparations to open a new Japanese restaurant called Kinsui Taipei by Hotel Chinzanso Tokyo (opened on January 21, 2016) produced by Hotel Chinzanso Tokyo, in an effort to attract more foreign guests visiting Japan, while preparing to open more restaurants overseas.

Sales in fiscal 2015 benefited from solid results in the accommodations business, underpinned by the positive impact of investments, including the opening of Hotel Gracery Shinjuku, and renovations of guest rooms at existing facilities, which resulted in greater use by foreign visitors to Japan and a year-on-year increase of more than ¥1,000 in unit price per guest room.

Meanwhile, affected by factors including lower income due to a decline in occupancy resulting from the major renovation of Shinjuku Washington Hotel Main Building; a significant decrease in the number of guests at Hakone Hotel Kowaki-en and Hakone Kowaki-en Yunessun due to the elevation in the volcanic alert level at Hakone Owakudani; and the absence of revenues from Kyoto Kokusai Hotel, which closed down operations in 2014, net sales for the entire Group amounted to ¥63,981 million, a decrease of ¥268 million year on year.

On the income front, as a result of upfront costs for new projects such as expenses in preparation for Hotel Gracery Shinjuku and expenses associated with the acquisition of shares of Kawano Co., Ltd., in addition to its lower income due to the major renovation of Shinjuku Washington Hotel Main Building, operating income decreased by ¥1,326 million year on year, to ¥39 million.

Operating income before depreciation, which the Group has established as a key indicator, decreased by ¥853 million year on year, to ¥5,141 million; ordinary income deteriorated ¥1,563 million year on year, to an ordinary loss of ¥172 million; and net income decreased by ¥498 million year on year, to ¥32 million.

Under its medium-term management plan, the Group had positioned fiscal 2015 as a year for upfront investments. Accordingly, the Group had anticipated a temporary downturn in earnings. Nonetheless, results at the income level were substantially stronger than its forecasts with both operating income and ordinary income exceeding their forecasts by ¥1,339 million and ¥1,327 million, respectively.

Segment Results

WHG Business

We are aggressively accelerating expansion of the segment as the key driver for company growth as well as fortifying the competitiveness of its existing hotels. In April, we established our new Hotel Gracery Shinjuku (970 rooms) and commenced major renovations of all 1,279 rooms at Shinjuku Washington Hotel Main Building. The overhaul, which spanned one year and concluded in March 2016, was a phased project meaning that each room was made available as soon as renovation was complete.

Also in October, we established a training center inside the Yokohama Isezakicho Washington Hotel that features a recreated front desk and guest room. The trainings that were conducted at each hotel in the past are now conducted at the training center as a consistent employee training program, thereby enhancing the quality and speed of employee training, and we are working to improve the level and quality of service along with customer satisfaction.

In the accommodations business, despite a decline in sales resulting from the renovation of Shinjuku Washington Hotel Main Building, average sales per room rose for the business overall, bolstered by successful efforts to attract guests from overseas, particularly from other parts of Asia. The occupancy rate remained high as the number of guests increased by 149,000 year on year, to 3,201,000, and sales increased by ¥2,896 million year on year, to ¥22,344 million.

Owing to these and other factors, net sales for this segment increased by ¥2,111 million year on year, to ¥27,979 million. In contrast, segment income (operating income) decreased by ¥290 million year on year, to ¥811 million, hindered by one-time costs resulting from expenses associated with the opening of Hotel Gracery Shinjuku and a decline in the occupancy rate resulting from the major renovation of Shinjuku Washington Hotel Main Building.

Resort Business

In the accommodations business, our mainstay Hakone Hotel Kowaki-en performed well from January through April, with sales up from the corresponding period of fiscal 2014. However, the number of guests fell off after May, as volcanic activity in nearby Owakudani resulted in incremental increases in the volcanic alert level. Despite a recovery in business results due to the alert level returning to normal in November, the impact of our poor performance in the normally busy summer season was significant. Sales for the accommodations business overall decreased by ¥550 million year on year, to ¥4,587 million, partly affected by the shutdown of Hakone Kowaki-en Yunessun Inn in October 2014 for the construction of our new accommodation facility, "Hakone Kowaki-en Ten-yu" to open in spring 2017.

In the leisure business, the elevated volcanic alert in Owakudani also caused a sharp decline in the number of

guests, particularly families, at Hakone Kowaki-en Yunessun. Consequently, sales for this business decreased by ¥538 million year on year, to ¥1,614 million.

As a result, net sales for this segment decreased by ¥1,098 million year on year, to ¥6,494 million, and segment income (operating income) deteriorated by ¥678 million year on year, to a segment loss (operating loss) of ¥301 million.

Luxury & Banquet Business

Despite a decline in the number of customers at Hotel Chinzanso Tokyo, sales for the wedding business increased by ¥481 million year on year, to ¥12,384 million, owing to the revenue increase by Kawano Co., Ltd., for which shares were acquired in January. In July, we newly opened Hotel Chinzanso Tokyo For Wedding GINZA, our first external wedding salon located in Ginza 4-chome in Tokyo, as part of a larger initiative designed in response to customer needs by enhancing convenience and functionality.

In the accommodations business, we proceeded with a four-year plan to renovate all 267 rooms at Hotel Chinzanso Tokyo, launched in October 2014. Following the first phase of this plan completed in 2014, we newly built and started sales of prime classic rooms featuring a novel classical tone and historical atmosphere. While renovations led to an increase in average sales per customer, the impact on our results from the closure of the Kyoto Kokusai Hotel in December 2014 was significant, as a result of which sales for this business decreased by ¥707 million year on year, to ¥2,439 million. Discounting this factor, sales increased by ¥262 million year on year.

In the restaurant business, sales decreased by ¥752 million year on year, to ¥4,186 million, due to the above effects of the shutdown of Kyoto Kokusai Hotel.

As a consequence of such factors, net sales for this segment decreased by ¥1,343 million year on year, to ¥26,241 million, and segment income (operating income) decreased by ¥61 million year on year, to ¥107 million.

2. Financial Position for Fiscal 2015

(1) Assets, Liabilities and Net Assets

Total assets amounted to ¥104,732 million as of December 31, 2015, up ¥3,851 million from the end of the previous fiscal year. This occurred despite a decrease in current assets of ¥328 million—attributable to a decline in cash and deposits, which were high at the beginning of the period in advance of the acquisition of all shares of Kawano Co., Ltd. in January—and reflected a ¥4,180 million increase in non-current assets resulting from capital investments, including investments related to the opening of Hotel Gracery Shinjuku and the major renovation of Shinjuku Washington Hotel Main Building, as well as the inclusion of assets of Kawano Co., Ltd., a newly consolidated subsidiary.

Liabilities increased by ¥4,613 million from the end of the previous fiscal year, to ¥77,719 million. Income taxes payable decreased due to payments of income taxes, while loans payable increased. The total amount of loans payable as of December 31, 2015 was ¥44,813 million, an increase of ¥7,349 million from the end of the previous fiscal year.

Net assets decreased by ¥762 million from the end of the previous fiscal year, to ¥27,012 million. This was mainly due to an increase of ¥224 million in valuation difference on available-for-sale securities and a decrease of ¥948 million as a result of cash dividends paid and a revision to the Accounting Standard for Retirement Benefits.

(2) Cash Flows

Cash and cash equivalents amounted to ¥4,063 million as of the fiscal year ended December 31, 2015, down ¥1,861 million from the end of fiscal 2014.

(i) Cash flows from operating activities

Net cash used in operating activities decreased by ¥4,079 million from the previous fiscal year, to ¥415 million. This was mainly the result of temporary outflows including an ordinary loss of ¥172 million, down ¥1,563 million year on year, due to a profit plan which forecasted a temporary downturn in revenue during fiscal 2015 as a period of upfront investment; income tax payments of ¥1,739 million for the current fiscal year, up ¥1,261 million year on year; and non-current assets removal cost of ¥327 million.

(ii) Cash flows from investing activities

Net cash used in investing activities amounted to ¥8,184 million. This was mainly due to an aggressive forward-looking capital investment of ¥8,160 million, mainly for Hotel Gracery Shinjuku, as set forth in the medium-term management plan.

(iii) Cash flows from financing activities

Net cash provided by financing activities amounted to ¥6,748 million. This was mainly attributable to net proceeds from loans payable of ¥7,319 million and total cash dividends paid of ¥487 million.

3. Business Risks

The following are major risk factors involving the Group's business activities and other aspects of its operations that may significantly affect investor decisions. The Group has established a Risk Management Committee which periodically reviews risks and implements measures as necessary to mitigate damage through identifying risks that have the potential to negatively impact its performance. The Group has also formalized accident reporting standards. In the event of an incident or accident, relevant persons are required to swiftly report to the Board of Directors and implement necessary countermeasures in line with these standards.

The following risk factors include foreseen items based on our judgment as of the closing date of fiscal 2015 (December 31, 2015). Risk factors related to business are not limited to these items.

(1) Share price fluctuations

The Group owns ¥20,200 million in marketable securities, primarily in its business partners and affiliated companies, and is thus subject to the risk of share price fluctuations. As of the end of fiscal 2015, valuation of available-for-sale securities based on market prices yielded an unrealized gain on marketable securities. However, share price movements in the future may affect the Group's operating results and financial position.

(2) Recording of impairment losses

As of the end of fiscal 2015, the Group owned ¥58,800 million in property, plant and equipment, which includes hotel properties. Future declines in real estate prices exceeding a certain range and the deterioration in income from the Group's businesses may result in an impairment loss on a portion of property, plant and equipment.

(3) Continued use or early termination of leased property

In the Group's hotels business, which includes the Washington Hotel chain, some of the hotel properties are on long-term lease. Should the owner of such property go bankrupt or some other situation arise that makes the continued use of such property difficult, the Group's operating results may be negatively affected. Additionally, should the Group, for any reason, choose intentionally to withdraw from a long-term lease contract before the end of the contract period, it may be required to assume obligation to pay rent or compensate for the remaining portion of the lease payment, which is currently ¥65,800 million.

(4) Natural disasters and pandemic outbreaks

The occurrence of a massive earthquake, volcanic eruption, typhoon, extraordinary weather conditions or other natural disasters as well as the outbreak of a pandemic involving, for example, a new strain of influenza, is likely to result in the temporary suspension of operations or cancellation of travel, which may negatively affect the Group's operating results.

(5) Loss from withdrawal of real estate-related businesses

The Group was once actively involved in the real estate sales business and remains active in peripheral businesses, including infrastructure projects such as roads and waterworks, and property management. Many of these projects are low profit or unprofitable. Should we decide to exit from any of these businesses, a considerable temporary loss may be incurred.

(6) Deferred tax assets

The Group recorded ¥2,300 million in deferred tax assets for deductible temporary differences. Deferred tax assets are recorded through evaluation of recoverability based on forecasts for future taxable income, among others. Should actual taxable income be considerably lower than its forecast, recoverability would be reassessed, as a result of which deferred tax assets may be reversed to the recoverable amount, negatively affecting the Group's operating results and financial position.

(7) Incidents including food poisoning, etc.

The Group pays close attention to safety and hygiene. However, in the unlikely event of food poisoning or any other incident, our customers' confidence would be damaged and our operations could be suspended temporarily.

(8) Fluctuation in Japanese yen interest rate

As of the end of fiscal 2015, ¥5,200 million of ¥44,800 million in loans payable were loans with floating interest rates. Should Japan's economic recovery in the future cause the yen interest rate to rise, it may result in an increase to interest payments.

Consolidated Balance Sheets

As of December 31

	<i>Millions of yen</i>	
Assets	2014	2015
Current assets		
Cash and deposits	5,944	4,142
Notes and accounts receivable–trade	3,651	3,875
Merchandise and finished goods	79	83
Work in process	35	32
Raw materials and supplies	456	443
Deferred tax assets	436	1,178
Other	1,484	2,014
Allowance for doubtful accounts	(36)	(47)
Total current assets	12,051	11,722
Non-current assets		
Property, plant and equipment		
Buildings and structures	93,315	92,219
Accumulated depreciation	(58,279)	(56,907)
Buildings and structures, net	35,036	35,312
Tools, furniture and fixtures	16,304	17,254
Accumulated depreciation	(12,642)	(11,740)
Tools, furniture and fixtures, net	3,661	5,513
Land	12,302	12,983
Construction in progress	242	1,151
Golf courses	2,773	2,773
Other	5,031	4,870
Accumulated depreciation	(3,936)	(3,799)
Other, net	1,094	1,070
Total property, plant and equipment	55,112	58,805
Intangible assets		
Goodwill	—	360
Software	802	667
Other	137	127
Total intangible assets	939	1,154
Investments and other assets		
Investment securities	21,942	21,472
Guarantee deposits	9,339	9,990
Deferred tax assets	716	1,134
Other	798	469
Allowance for doubtful accounts	(17)	(17)
Total investments and other assets	32,778	33,049
Total non-current assets	88,829	93,010
Total assets	100,881	104,732

Millions of yen

Liabilities	2014	2015
Current liabilities		
Notes and accounts payable–trade	1,737	1,583
Short-term loans payable	2,885	4,725
Current portion of long-term loans payable	8,436	7,931
Income taxes payable	807	450
Accrued consumption taxes	664	307
Provision for bonuses	143	157
Provision for directors' bonuses	11	12
Provision for point card certificates	89	92
Provision for non-current assets removal cost	406	79
Other	7,106	6,017
Total current liabilities	22,288	21,356
Non-current liabilities		
Long-term loans payable	26,141	32,157
Provision for directors' retirement benefits	108	101
Provision for loss on contract	298	—
Provision for loss on business withdrawal	1,130	563
Net defined benefit liability	8,385	8,953
Deposits received from members	13,122	12,807
Other	1,630	1,780
Total non-current liabilities	50,817	56,363
Total liabilities	73,106	77,719
Net assets		
Shareholders' equity		
Capital stock	12,081	12,081
Capital surplus	5,431	5,432
Retained earnings	5,305	4,356
Treasury shares	(916)	(921)
Total shareholders' equity	21,902	20,949
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	5,728	5,952
Foreign currency translation adjustment	17	6
Remeasurements of defined benefit plans	(78)	(82)
Total accumulated other comprehensive income	5,668	5,877
Minority interests	204	186
Total net assets	27,774	27,012
Total liabilities and net assets	100,881	104,732

Consolidated Statements of Income and Comprehensive Income

For the fiscal years ended December 31

Consolidated Statements of Income

	<i>Millions of yen</i>	
	2014	2015
Net sales	64,250	63,981
Cost of sales	58,674	59,534
Gross profit	5,576	4,446
Selling, general and administrative expenses	4,210	4,407
Operating income	1,365	39
Non-operating income		
Interest income	5	5
Dividend income	359	381
Share of profit of entities accounted for using equity method	81	50
Other	408	334
Total non-operating income	853	771
Non-operating expenses		
Interest expenses	597	567
Commission for syndicated loan	—	167
Other	231	248
Total non-operating expenses	828	983
Ordinary income (loss)	1,390	(172)
Extraordinary income		
Gain on sales of investment securities	1,009	556
Reversal of provision for loss on contracts	—	265
Release from membership deposits obligation	57	52
State subsidy	—	37
Gain on sales of non-current assets	672	7
Gain on reversal of provision for loss on business withdrawal	34	—
Other	21	—
Total extraordinary income	1,794	919
Extraordinary losses		
Provision for loss on business withdrawal	7	141
Loss on retirement of non-current assets	14	42
Impairment loss	1,248	36
Special maintenance repair costs of idle equipment	19	3
Provision for removal expenses of non-current assets	406	—
Other	20	12
Total extraordinary losses	1,715	237
Income before income taxes and minority interests	1,469	509
Income taxes—current	944	209
Income taxes—deferred	(33)	(588)
Income taxes for prior periods	—	828
Total income taxes	911	450
Income before minority interests	558	58
Minority interests in income	27	26
Net income	531	32

Consolidated Statements of Comprehensive Income

	<i>Millions of yen</i>	
	2014	2015
Income before minority interests	558	58
Other comprehensive income		
Valuation difference on available-for-sale securities	(116)	219
Foreign currency translation adjustment	4	(10)
Remeasurements of defined benefit plans, net of tax	—	(21)
Share of other comprehensive income of entities accounted for using equity method	2	22
Total other comprehensive income	(108)	209
Comprehensive income	449	268
Comprehensive income attributable to:		
Owners of parent	422	242
Minority interests	27	26

Consolidated Statements of Changes in Net Assets

For the fiscal years ended December 31

<i>Millions of yen</i>					
2014					
Shareholders' equity					
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	12,081	5,431	5,253	(914)	21,852
Cumulative effects of changes in accounting policies					
Restated balance	12,081	5,431	5,253	(914)	21,852
Changes of items during period					
Dividends of surplus			(479)		(479)
Net income			531		531
Purchase of treasury shares				(1)	(1)
Disposal of treasury shares					—
Net changes of items other than shareholders' equity					—
Total changes of items during period	—	—	51	(1)	49
Balance at end of current period	12,081	5,431	5,305	(916)	21,902

Accumulated other comprehensive income						
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Minority interests	Total net assets
Balance at beginning of current period	5,842	12	—	5,854	187	27,894
Cumulative effects of changes in accounting policies						
Restated balance	5,842	12	—	5,854	187	27,894
Changes of items during period						
Dividends of surplus						(479)
Net income						531
Purchase of treasury shares						(1)
Disposal of treasury shares						—
Net changes of items other than shareholders' equity	(113)	4	(78)	(186)	17	(169)
Total changes of items during period	(113)	4	(78)	(186)	17	(119)
Balance at end of current period	5,728	17	(78)	5,668	204	27,774

Millions of yen

2015

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	12,081	5,431	5,305	(916)	21,902
Cumulative effects of changes in accounting policies			(502)		(502)
Restated balance	12,081	5,431	4,803	(916)	21,399
Changes of items during period					
Dividends of surplus			(479)		(479)
Net income			32		32
Purchase of treasury shares				(7)	(7)
Disposal of treasury shares		0		3	3
Net changes of items other than shareholders' equity					—
Total changes of items during period	—	0	(446)	(4)	(450)
Balance at end of current period	12,081	5,432	4,356	(921)	20,949

	Accumulated other comprehensive income					Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Minority interests	
Balance at beginning of current period	5,728	17	(78)	5,668	204	27,774
Cumulative effects of changes in accounting policies						(502)
Restated balance	5,728	17	(78)	5,668	204	27,272
Changes of items during period						
Dividends of surplus						(479)
Net income						32
Purchase of treasury shares						(7)
Disposal of treasury shares						3
Net changes of items other than shareholders' equity	224	(10)	(3)	209	(18)	190
Total changes of items during period	224	(10)	(3)	209	(18)	(260)
Balance at end of current period	5,952	6	(82)	5,877	186	27,012

Consolidated Statements of Cash Flows

For the fiscal years ended December 31

Millions of yen

	2014	2015
Cash flows from operating activities		
Income before income taxes and minority interests	1,469	509
Depreciation	3,773	3,998
Impairment loss	1,248	36
Amortization of goodwill	—	40
Increase (decrease) in allowance for doubtful accounts	2	10
Increase (decrease) in provision for directors' retirement benefits	11	(6)
Increase (decrease) in provision for bonuses	11	3
Increase (decrease) in provision for directors' bonuses	7	0
Increase (decrease) in provision for point card certificates	(19)	2
Increase (decrease) in provision for loss on contracts	(55)	(298)
Increase (decrease) in provision for loss on business withdrawal	(822)	(566)
Increase (decrease) in provision for removal of non-current assets	406	(327)
Increase (decrease) in net defined benefit liability	165	(212)
Interest and dividend income	(364)	(386)
Interest expenses	597	567
Foreign exchange losses (gains)	(0)	17
Share of (profit) loss of entities accounted for using equity method	(81)	(50)
Loss (gain) on sales of non-current assets	(672)	(7)
Loss on retirement of non-current assets	191	156
Loss (gain) on sales of short-term and long-term investment securities	(1,009)	(556)
Release from memberships deposits obligation	(57)	(52)
Decrease (increase) in notes and accounts receivable–trade	(157)	(207)
Decrease (increase) in inventories	4	20
Increase (decrease) in notes and accounts payable–trade	(34)	(203)
Increase (decrease) in accrued consumption taxes	402	(371)
Other, net	(644)	(615)
Subtotal	4,374	1,502
Interest and dividend income received	373	394
Interest expenses paid	(605)	(573)
Income taxes paid	(478)	(1,739)
Net cash provided by (used in) operating activities	3,663	(415)
Cash flows from investing activities		
Purchase of property, plant and equipment and intangible assets	3,609	(8,160)
Proceeds from sales of property, plant and equipment and intangible assets	3,881	14
Purchase of investment securities	(23)	(16)
Proceeds from sales of investment securities	1,731	1,018
Payments into time deposits	(1)	—
Proceeds from withdrawal of time deposits	—	16
Collection of long-term loans receivable	6	—
Payments for guarantee deposits	(48)	(1,198)
Proceeds from collection of guarantee deposits	22	978
Purchase of shares of subsidiaries resulting in change in scope of consolidation	—	(746)
Other, net	(56)	(89)
Net cash provided by (used in) investing activities	1,901	(8,184)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(2,390)	1,839
Proceeds from long-term loans payable	6,192	13,950
Repayments of long-term loans payable	(7,952)	(8,470)
Proceeds from sales of treasury shares	—	3
Purchase of treasury shares	(1)	(7)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	—	(36)
Cash dividends paid	(479)	(479)
Cash dividends paid to minority shareholders	(9)	(8)
Repayments of finance lease obligations	(30)	(32)
Other, net	—	(11)
Net cash provided by (used in) financing activities	(4,671)	6,748
Effect of exchange rate change on cash and cash equivalents	5	(9)
Net increase (decrease) in cash and cash equivalents	899	(1,861)
Cash and cash equivalents at beginning of period	5,026	5,925
Cash and cash equivalents at end of period	5,925	4,063

List of Commercial Properties, Main Subsidiaries and Affiliated Companies of Fujita Kanko Group

As of May 31, 2016

List of Fujita Kanko Group's Commercial Properties

WHG Business

(Total number of guest rooms: existing 10,579, new openings (scheduled) 958, total 11,537)

	Facility name	Number of guest rooms
Hotels (38 properties) *including 5 properties scheduled to newly open	Fujita Kanko Washington Hotel Asahikawa	260
	Aomori Washington Hotel (FC)	228
	Hachinohe Washington Hotel (FC)	215
	Sendai Washington Hotel	223
	Yamagata Nanokamachi Washington Hotel (FC)	213
	Yamagata Eki Nishiguchi Washington Hotel (FC)	100
	Tsuruoka Washington Hotel (FC)	110
	Aizu Wakamatsu Washington Hotel (FC)	154
	Koriyama Washington Hotel (FC)	184
	Iwaki Washington Hotel (MC)	148
	Shinjuku Washington Hotel Main Building	1,279
	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 (tentative name) (FC) (scheduled to open in December 2017)	150
	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 Shinjuku	970
	Hotel Gracery Kyoto Sanjo (scheduled to open on July 1, 2016)	97
	Hotel Gracery Kyoto Sanjo (Annex) (scheduled to open in May 2017)* ²	128
Hotel Gracery Naha	198	
Hotel Fujita Fukui	354	
Hotel Fujita Nara	117	
Seoul (scheduled to open in summer 2018)	335	
Taipei (scheduled to open in 2019)	248	

Resort Business

(Total number of guest rooms: existing 766, new openings (scheduled) 150, total 916)

	Facility name	Number of guest rooms
Hotels (12 properties) *including 1 property scheduled to newly open	Towada Hotel (business partnership)	50
	Hakone Hotel Kowaki-en* ¹	224
	Hakone Kowaki-en Miyama Furin* ¹	13
	Hakone Kowaki-en Ten-yu (scheduled to open in spring 2017) * ¹	150
	B&B Pension Hakone* ¹	224
	Yugawara Onsen Chitose (MC)	38
	Green Pal Yugavara (MC)	19
	Ito Kowaki-en* ¹	48
	Ito Ryokuyu* ¹	7
	Hotel Yamanami (MC)	26
	Hotel Toba Kowaki-en (scheduled to close on September 30, 2016)* ¹	107
	Yufuin Ryokuyu	10
Restaurants (3 properties)	Akashia-Tei	-
	Hakone Kowaki-en Soba Kihinkan* ¹	-
	Hakone Kowaki-en Teppanyaki Geihinkan* ¹	-
Leisure Facilities (3 properties)	Hakone Kowaki-en Yunessun* ¹	-
	Hakone Kowaki-en Mori No Yu* ¹	-
	Shimoda Aquarium* ¹	-

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.

*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 an asterisk (*) are not owned by the Company, and are managed and operated through a lease system, etc.

Luxury & Banquet Business

(Total number of guest rooms: 389)

	Facility name	Number of guest rooms
Hotels (2 properties)	Hotel Chinzanso Tokyo* ¹	267
	Hotel Azur Takeshiba	122
Wedding/Banquet Venues (5 properties)	Taiko-en* ¹	-
	Ouen* ¹	-
	Marryaid* ¹	-
	The South Harbor Resort* ²	-
	Remercier Motoujina* ²	-
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)	-
	Kinsui Taipei by Hotel Chinzanso Tokyo	-
Leisure Facilities (2 properties)	Camellia Hills Country Club* ¹	-
	Noto Country Club* ¹	-

Membership-based Resort Hotels

(Total number of guest rooms: 460)

	Facility name	Number of guest rooms
Hotels (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 locations)	Shanghai	-
	Seoul	-
	Taipei	-
	Bangkok	-
	Jakarta	-

List of Main Subsidiaries and Affiliated Companies

Consolidated subsidiaries (26 companies)

Company name	Main business
Sapporo Washington Hotel Inc.	WHG Business
Fujita Kanko Washington Hotel Asahikawa Kabushiki Kaisha	WHG Business
Urawa Washington Hotel Inc.	WHG Business
Fukui Washington Hotel Service Inc.	WHG Business
WHG NISHINIHON INC.	WHG Business
WHG KANSAI INC.	WHG Business
Reservation Service Inc.	WHG Business
WHG KOREA INC.	WHG Business
Ito Resort Service Inc.	Resort Business
Toba Resort Service Inc.	Resort Business
Shimoda Aqua Service Inc.	Resort Business
Fujita Resort Development Co., Ltd.	Luxury & Banquet Business
Noto Kogyo Kaihatsu Inc.	Luxury & Banquet Business
TAIKO-EN INC.	Luxury & Banquet Business
Fujita Kanko Kouei Inc.	Luxury & Banquet Business
Visualife Co., Ltd.	Luxury & Banquet Business
Kawano Co., Ltd.	Luxury & Banquet Business
TAIWAN FUJITA KANKO INC.	Luxury & Banquet Business
Fairton Corporation	Other
Fujita Green Service Inc.	Other
Fujita Property Management Co., Ltd.	Other
Fujita (Shanghai) Business Consultant Co., Ltd.	Other
Other 4 companies	

Entity accounted for using equity method (1 company)

Company name	Main business
Tokai Kisen Co., Ltd.	Shipping business

Other related company (1 company)

Company name	Main business
DOWA HOLDINGS CO., LTD.	Non-ferrous metal business

Company Overview

As of December 31, 2015

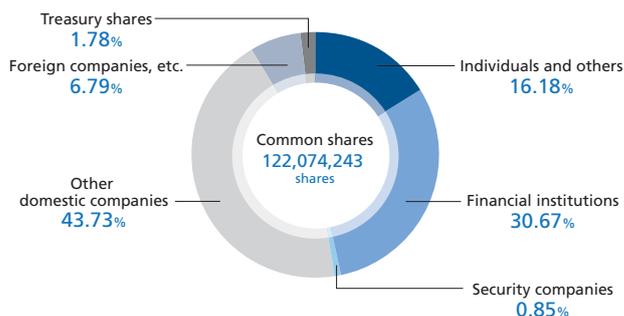
Company name	Fujita Kanko Inc.	Capital	12,081,592,677 yen
Establishment	November 7, 1955 (registered June 12, 1946)	Main lines of business	Hotels, Japanese-style inns, restaurants, etc.
Head office	2-10-8 Sekiguchi, Bunkyo-ku Tokyo 112-8664 Japan TEL:+ 81 3-5981-7700 (main) http://www.fujita-kanko.co.jp/	Number of employees	1,270 (Average number of temporary employees: 3,580)

Investor Information

As of December 31, 2015

Total number of authorized shares	440,000,000 shares
Total number of issued shares	122,074,243 shares
Number of shareholders	13,831
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

Distribution of Shares by Shareholders (Common Shares)

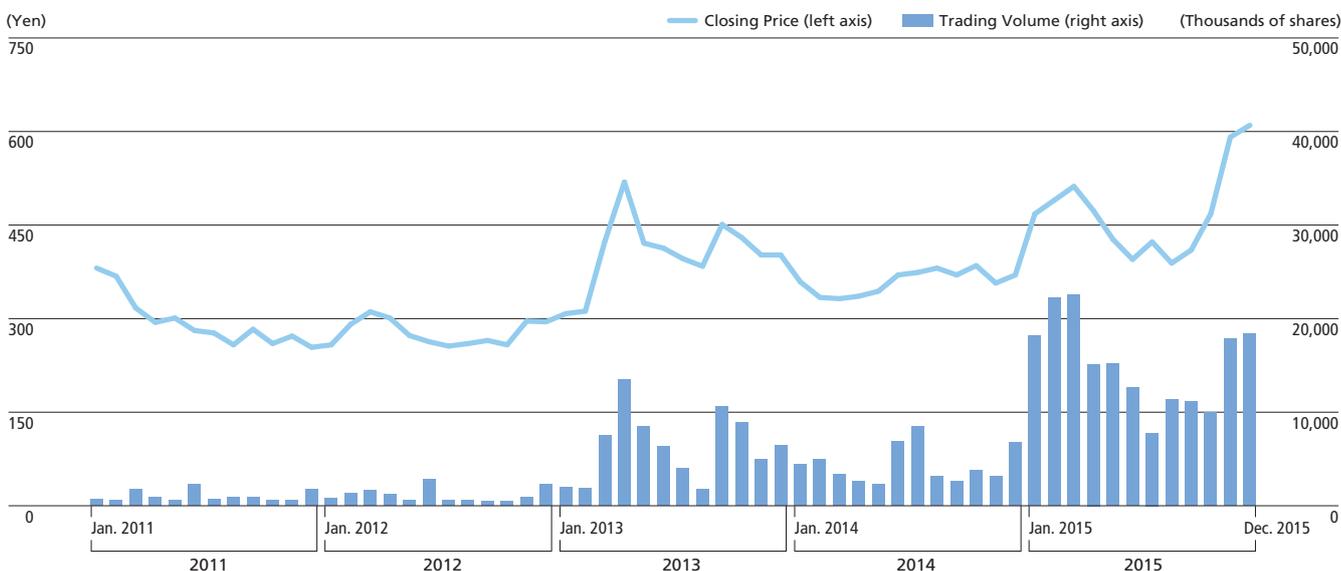


Major Shareholders

Name of shareholder	Number of shares held (thousands of shares)	Shareholding ratio (%)
DOWA HOLDINGS CO., LTD.	38,143	31.81
The Master Trust Bank of Japan, Ltd. (Trust Account)	8,848	7.37
Japan Trustee Services Bank, Ltd. (Trust Account)	6,131	5.11
UNIZO Holdings Company, Limited	3,521	2.93
Meiji Yasuda Life Insurance Company	3,008	2.50
Nippon Life Insurance Company	2,184	1.82
SHIMIZU CORPORATION	1,842	1.53
ASAHI BREWERIES, LTD.	1,811	1.51
Mizuho Bank, Ltd.	1,806	1.50
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	1,806	1.50

Notes: 1. The Company, which owns 2,174,000 treasury shares (1.78% 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 2,174,000 treasury shares.
3. The numbers of shares held are shown rounded down to the nearest thousand shares.

Stock Price Trends



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.

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