

# Overview of the Business Plan (2021 to 2025)

# Key Points of the Business Plan

- ▶ A new business plan has been formulated to resolve issues that have been exposed by the COVID-19 pandemic. In the short-term, the highest priority will be on stop-gap measures to contain the current situation by promoting structural reform including early voluntary retirement. In the medium- to long-term, we will review our business portfolio, and **reconstruct a robust business foundation** that will allow us to aim for the achievement of the Company's corporate philosophy and long-term vision.

**Achieve the corporate philosophy and long-term vision of the FUJITA KANKO Group**

## Business plan formulated in light of the COVID-19 pandemic (2021 to 2025)

### <Issues exposed by the COVID-19 pandemic>

- ▶ **Dependence on the WHG Business**  
The decline in revenue from the WHG Business accelerated the deterioration of financial results of the entire company
- ▶ **Delayed improvement of main businesses**  
Decline in the Chinzanso brand, delayed launch of Hakone Kowakien, and failure to cast off low profitability due to unutilized assets
- ▶ **Inadequate response to unprofitable businesses**  
Delays in withdrawals and closures, review of openings and contracts

### <Major strategies>

- [I] **Promotion of structural reform**  
Raising the profit ratio through cost-cutting and measures for unprofitable businesses
- [II] **Review of the business portfolio**  
Reinforcing marketing/branding  
Reinforcing Chinzanso and Hakone Kowakien businesses
- [III] **Strengthening the management control structure**  
Clarifying the strategies and processes to achieve the business plan

Review

The medium-term management plan (for 2020 to 2024) formulated in February 2020

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## [I] Promotion of structural reform

<b>Labor cost reforms</b>	Carry out measures to reduce personnel expenses including early voluntary retirement, reduction of officers' compensation, reduction of salaries and bonuses, and seconding employees to outside companies
<b>Cost reforms</b>	Internalize previously outsourced duties such as room cleaning, security and dishwashing, review new store openings and negotiate rent reductions
<b>Measures for unprofitable facilities</b>	Withdraw as quickly as possible from businesses expected to continue reporting losses despite scaling back operations and implementing cost-reduction initiatives
<b>Transformation of the human resource system</b>	Implement a new human resource system including by reviewing training programs and the personnel evaluation system, in order to raise employee motivation and secure superior talent

## [II] Review of the business portfolio

<b>Short-term and immediate measures</b>	Strengthen business foundation including the enhancement of marketing and branding and the establishment of digital marketing
<b>Medium- to long-term and drastic measures</b>	Make major investments into the company-owned Hotel Chinzanso Tokyo and Hakone Kowakien to enhance their marketability and business competitiveness and reconstruct the business model of the existing WHG hotels to improve their profitability

## [III] Strengthening the management control structure

<b>Clarification of strategies and processes and strengthening monitoring</b>	Strengthen the control structure by reconstructing the monitoring system, in order to identify issues promptly, formulate countermeasures, and make appropriate decisions
<b>Strengthening responses when developing new businesses</b>	Minimize the risk of losses and maximize profits by reviewing the type of business, type of contract, and other factors

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## Strategies by segment

WHG Business	<b>Enhancement of added value</b>	<Developing products, capturing customers through reinforced sales, and improving the per-unit price> Development of high value-added products, and strengthening digital marketing, branding, and yield management (method of controlling sales price and volume based on demand forecasts)
	<b>Establishment of cost-competitiveness</b>	<Cost-cutting through sweeping reviews of business content and operations> Consolidation of the headquarters, selling and administrative functions, streamlining and internalizing onsite operations, review of personnel allocation, measures for unprofitable businesses, etc.
	<b>Review of the business model</b>	Application of low-cost operations across the Group and review of store openings
L&B Business	<b>Revival of the Chinzanso brand</b>	<Enhancing the added value of the hotel and improving the quality of the wedding business> Initiatives such as the garden promotions, and rebuilding the wedding brand by improving the quality of food, services, and incidental products
	<b>Revitalization of the organization (reorganization of operation systems)</b>	<Effective utilization of excess personnel and internalization of duties> Achieving cross-organizational workstyles, and further internalizing of previously-outsourced duties
	<b>Asset utilization measures</b>	<Effective utilization of assets in line with declining bridal demand> Deliberating effective utilization measures of banquet halls and guest rooms with low utilization rate
Resort Business	<b>Asset utilization measures (redevelopment)</b>	<Redevelopment to capture a wide range of customers> Redevelopment of Hakone Hotel Kowakien and Hakone Kowakien Yunessun, and deliberation of new schemes
	<b>Strengthening the appeal to customers</b>	<Strengthening marketing activities and enhancing the value provided> Strengthening sales channels, tie-ups with neighbors, and the customer experience
	<b>Cost structure transformation</b>	Streamlining the indirect divisions and reviewing the cost structure through multi-tasking