

Financial Results for the Six Months Ended June 30, 2015

August 20, 2015
FUJITA KANKO INC.
(Code number: 9722)

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I. Financial Results for the Six Months Ended June 30, 2015

Statements of Income for the First Half

Significant Increases in Both Net Sales and Operating Income Compared to the Forecast

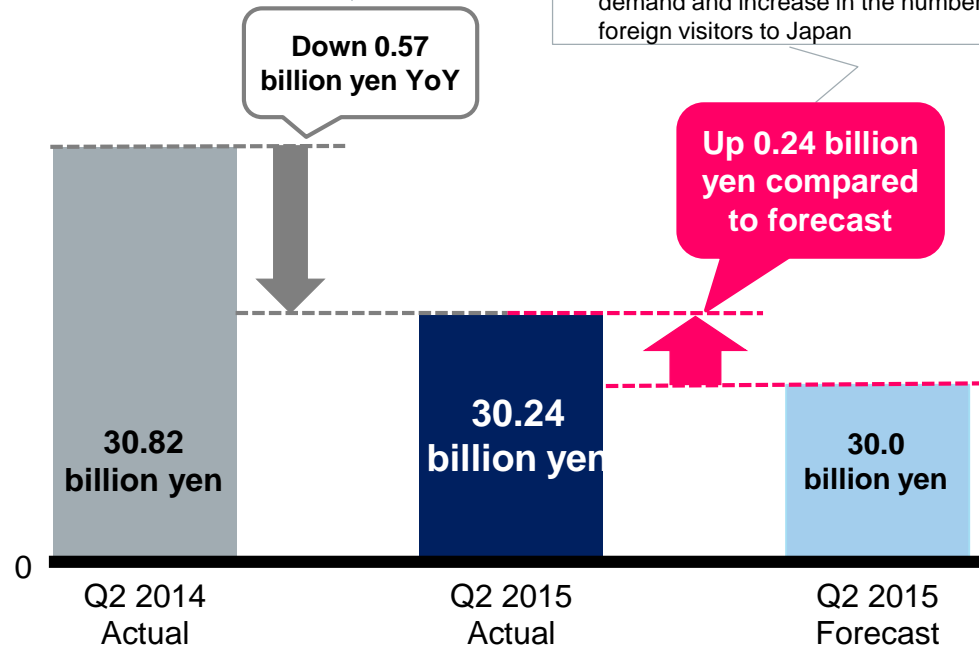
	(Billion yen)	Q2 2015 Actual	Q2 2014 Actual	YoY	Q2 2015 Forecast	Difference from forecast
Net sales		30.24	30.82	(0.57)	30.0	0.24
Operating income		(0.84)	(0.07)	(0.77)	(1.7)	0.85
Operating income before depreciation		1.53	2.15	(0.62)	0.8	0.73
Ordinary income		(0.83)	(0.09)	(0.74)	(1.8)	0.96
Net income		(0.82)	(0.25)	(0.56)	(1.5)	0.67

Comparison of Net Sales and Operating Income for the First Half with Previous Year Results and Forecasts

Net Sales

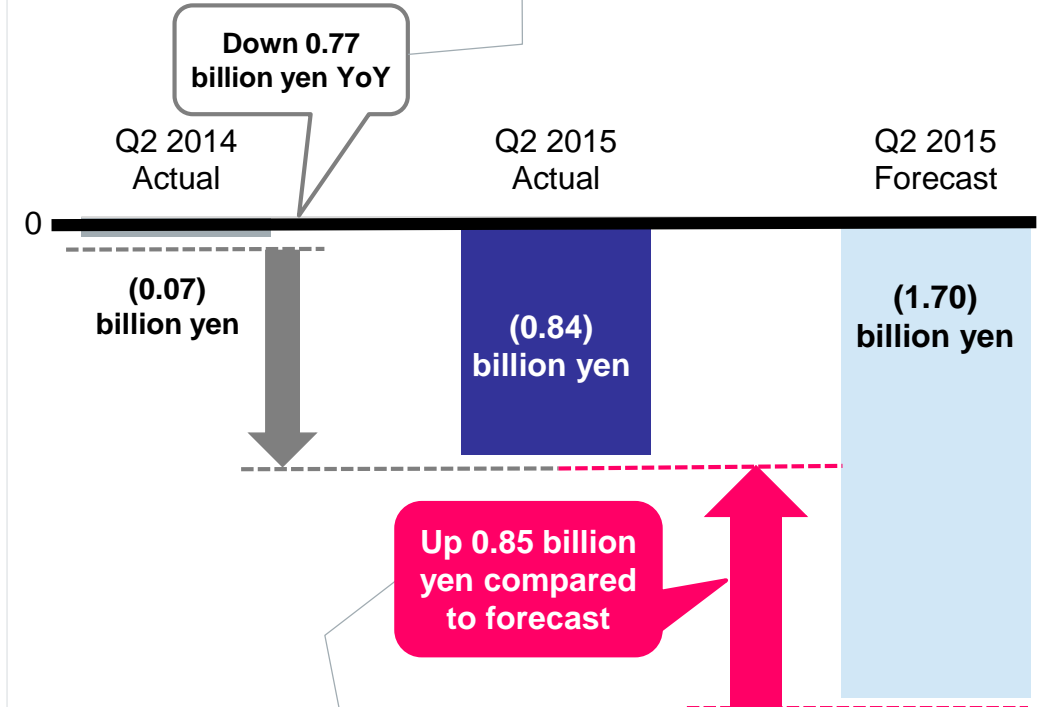
- Increase in sales due to acquisition of all shares of Kawano and opening of Hotel Gracery
- Closing of businesses (Kyoto Kokusai Hotel and Hakone Kowakien Yunessun)
- Decrease in operating rate due to renovation of Shinjuku Washington Hotel

- Rise in average sales per customer of existing facilities due to higher domestic demand and increase in the number of foreign visitors to Japan



Operating Income

- Expenses for opening new businesses (Hotel Gracery Shinjuku and new accommodation facility in Hakone)
- Decrease in operating rate due to renovation of Shinjuku Washington Hotel
- Lower income as a result of fall in customers due to the volcanic earthquake in Hakone and a decrease in the number of wedding ceremonies held



- Rise in average sales per customer of existing facilities due to higher domestic demand and increase in the number of foreign visitors to Japan

Balance Sheets and Statements of Cash Flows for the First Half

Increase in Non-current Assets

(Billion yen, %)	Q2 2015 Actual	2014 Actual	YoY
Total assets	106.36	100.88	5.47
Net assets	29.06	27.77	1.28
Interest-bearing debt	44.73	37.46	7.27
Equity ratio	27.1%	27.3%	(0.2)%

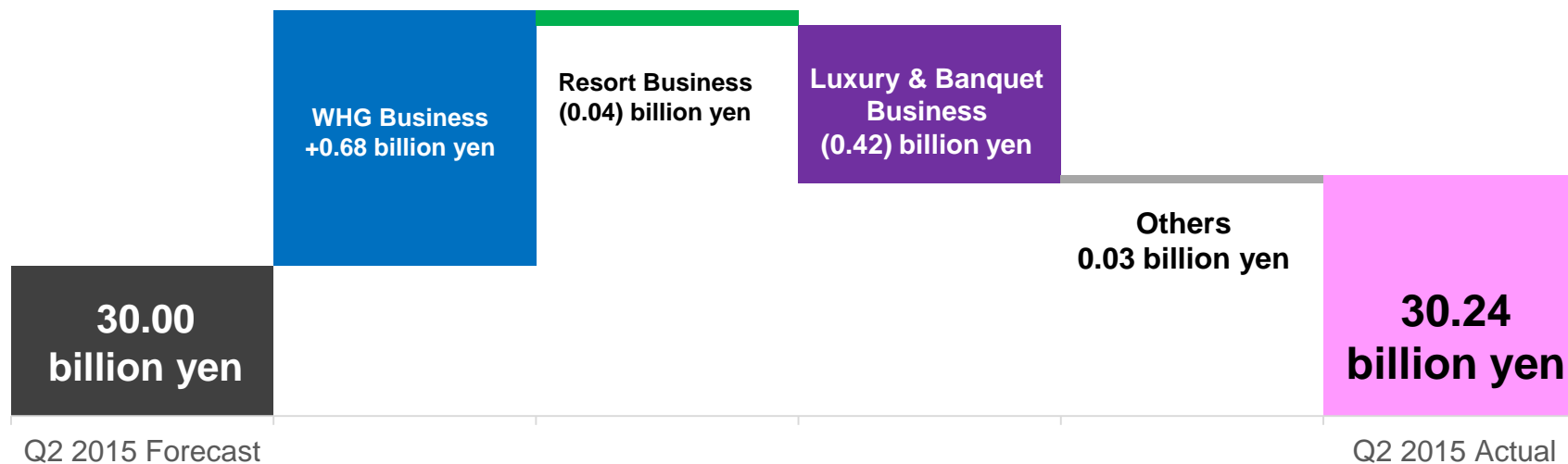
(Billion yen)	Q2 2015 Actual	Q2 2014 Actual	YoY
Cash flows from operating activities	(1.90)	0.74	(2.65)
Cash flows from investing activities	(6.43)	(1.92)	(4.50)

Net Sales by Segment for the First Half

Led by the WHG Business, Sales Increased Compared to Forecasts

(Billion yen)	Q2 2015 Actual	Q2 2014 Actual	YoY	Q2 2015 Forecast	Difference from forecast
WHG Business	12.88	12.34	0.54	12.20	0.68
Resort Business	3.05	3.30	(0.24)	3.10	(0.04)
Luxury & Banquet Business	12.67	13.64	(0.97)	13.10	(0.42)
Others	1.63	1.53	0.09	1.60	0.03
Total net sales	30.24	30.82	(0.57)	30.00	0.24

Net sales compared to the initial forecast

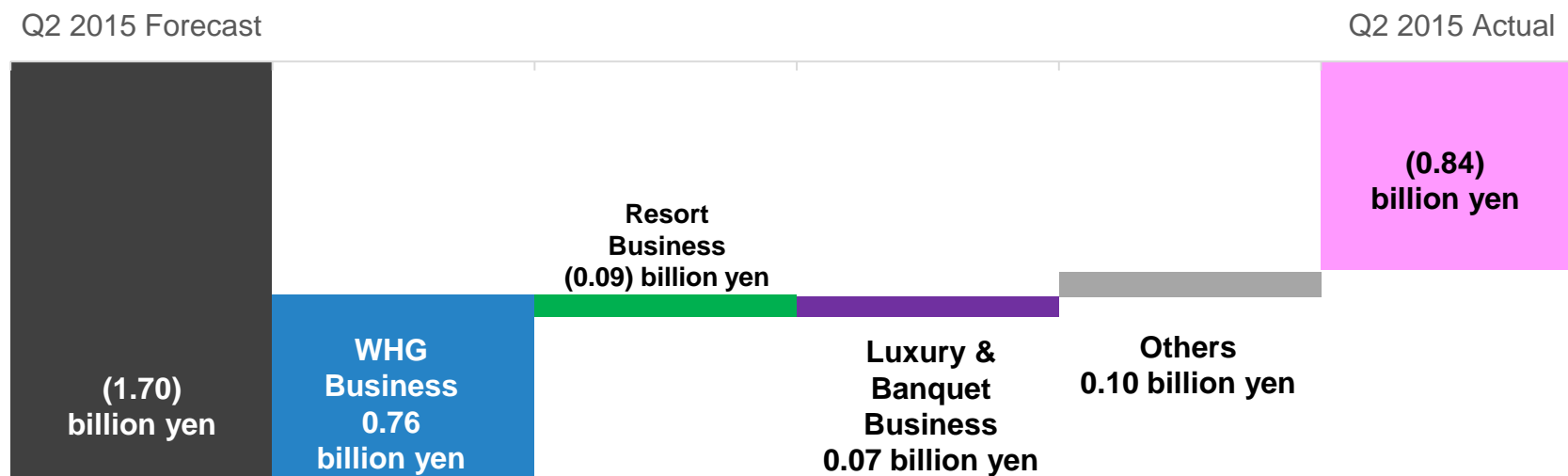


Operating Income by Segment for the First Half

Led by the WHG Business, Income Increased Significantly Compared to Forecasts

(Billion yen)	Q2 2015 Actual	Q2 2014 Actual	YoY	Q2 2015 Forecast	Difference from forecast
WHG Business	(0.03)	0.13	(0.16)	(0.80)	0.76
Resort Business	(0.39)	(0.17)	(0.21)	(0.30)	(0.09)
Luxury & Banquet Business	(0.12)	0.10	(0.22)	(0.20)	0.07
Others	(0.29)	(0.13)	(0.16)	(0.40)	0.10
Total net sales	(0.84)	(0.07)	(0.77)	(1.70)	0.85

Operating income compared to the initial forecast











II. Operating Conditions for the First Half by Segment

Operating Conditions for the First Half by Segment (WHG Business)

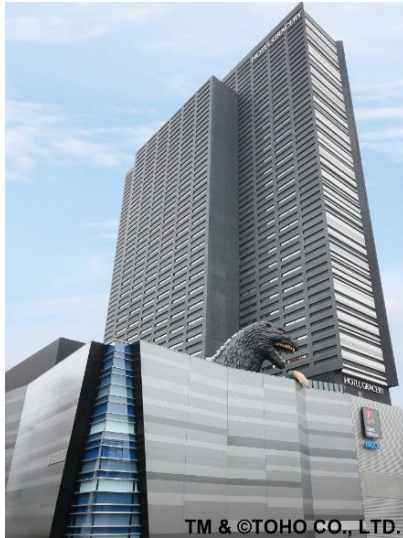
Due to an Increase in Accommodation Demands, Solid Performances Were Seen Especially in HG Shinjuku and Shinjuku WH

 Increase Factors
  Decrease Factors

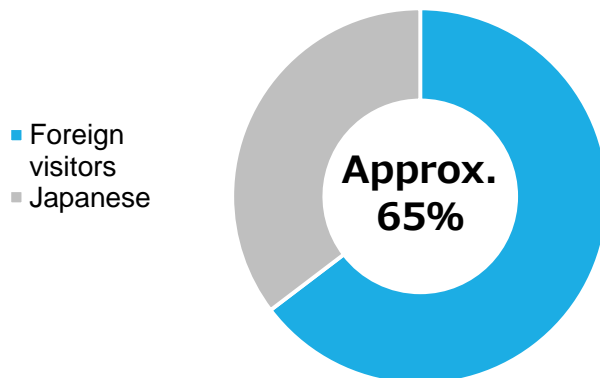
	Q2 2015 Actual	YoY	Main factors	Difference from forecast	Main factors
Net sales	12.88 billion yen	0.54 billion yen	 Opening of Hotel Gracery Shinjuku  Renovation of Shinjuku Washington Hotel (from April)	0.68 billion yen	 Solid performance at Hotel Gracery Shinjuku  Rise in average sales per customer of existing hotels
Operating income	(0.03) billion yen	(0.16) billion yen	 Expenses for opening Hotel Gracery Shinjuku  Renovation of Shinjuku Washington Hotel (from April)	0.76 billion yen	 Solid performance at Hotel Gracery Shinjuku  Rise in average sales per customer at existing hotels

Operating Conditions for the First Half by Segment (WHG Business)

April 24 Hotel Gracery Shinjuku Opened



Ratio of inbound customers
April to June



Hotel Gracery Shinjuku

Guest rooms: 970 (Maximum accommodation: 1,674)

◆Features◆

- Offers concierge services and an information desk for foreign visitors for enhanced services
- Strengthened PR activities based on the theme of “Godzilla” in cooperation with Toho Co., Ltd.
- Attracting tourists, leisure travelers and inbound tourists to Japan by offering larger guest rooms and standalone bathrooms

◆Operating rate◆

60% to 70% during the operation establishment phase during April to June

⇒Plan for full operation of sales system in the second half

◆Inbound customers◆

Contributed to increase in sales per room by attracting FITs (Foreign Individual Tourists)

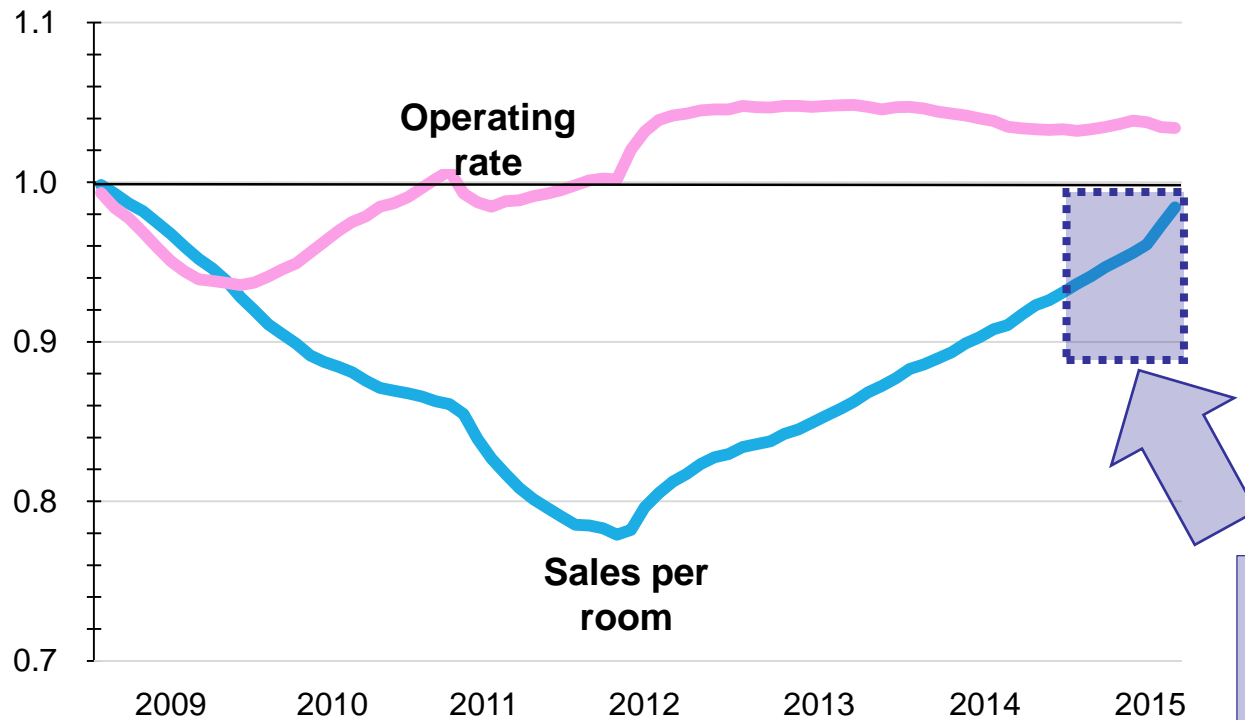
Reference: Ratio of inbound customers for Shinjuku Washington Hotel before renovation was approx. 50%

Operating Conditions for the First Half by Segment (WHG Business)

Rise in sales per room due to increased accommodation demand

◆ Operating rates and sales per room ◆

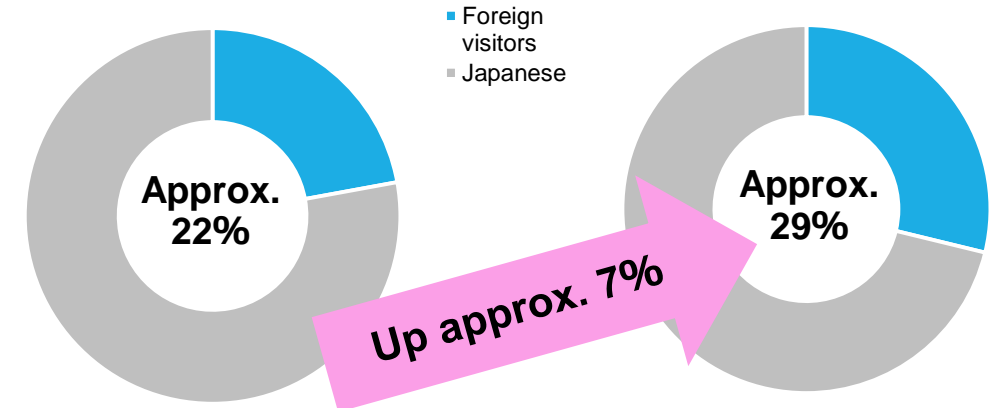
* Moving average (1 = accumulated annual total for 2008)



◆ Ratio of inbound customers ◆

First Half of 2014

First Half of 2015











Sales per room for the first half of 2015
Up approx. 10% YoY

Operating Conditions for the First Half by Segment (Resort Business)

Robust Results for Accommodations from January to April, Effects of Volcanic Alert from May

 Increase Factors
  Decrease Factors

	Q2 2015 Actual	YoY	Main factors	Difference from forecast	Main factors
Net sales	3.05 billion yen	(0.24) billion yen	 Rise in sales per room of Hakone H Kowakien (Jan. to Apr.)  Closing of business of Hakone Kowakien Yunessun Inn  Drop in the number of customers due to the volcanic alert level of Mt. Hakone (from May)	(0.04) billion yen	 Rise in sales per room of Hakone H Kowakien (Jan. to Apr.)  Drop in the number of customers due to the volcanic alert level of Mt. Hakone (from May)
Operating income	(0.39) billion yen	(0.21) billion yen	 Drop in the number of customers due to the volcanic alert level of Mt. Hakone (from May)	(0.09) billion yen	 Rise in sales per room of Hakone H Kowakien (Jan. to Apr.)  Drop in the number of customers due to the volcanic alert level of Mt. Hakone (from May)

Operating Conditions for the First Half by Segment (Resort Business)

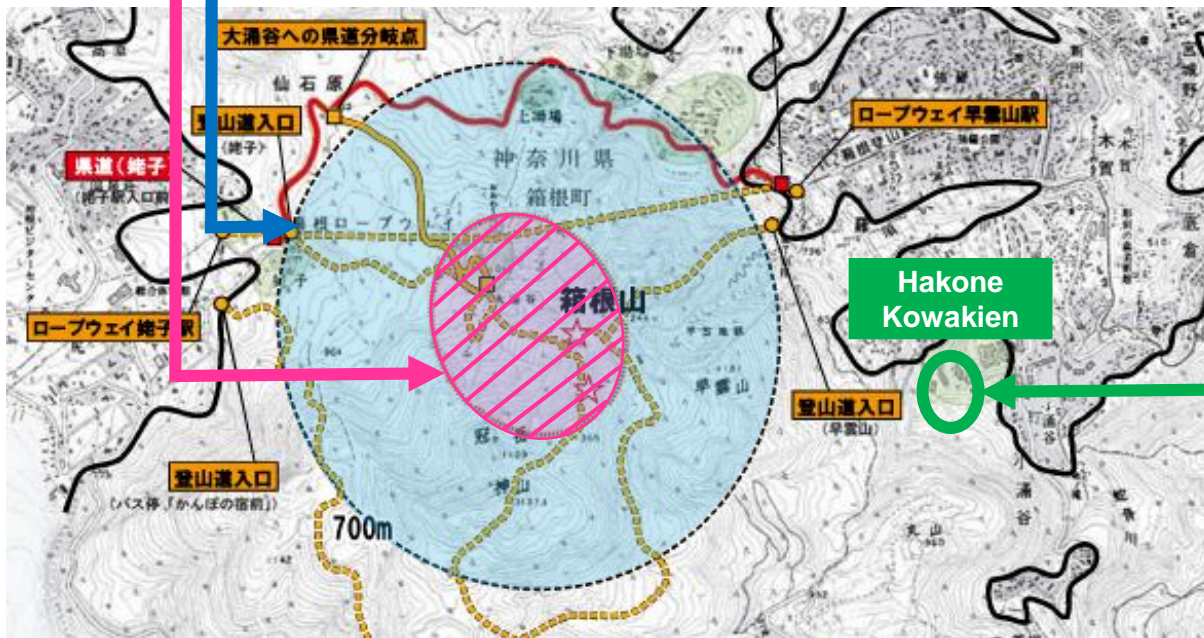
Businesses were Continued as Operations of Facilities were not Impacted

May 6, 2015

Volcanic alert level 2 “Alert near crater” (restricted entry near anticipated crater)

June 30, 2015

Volcanic alert level 3 “Entry restriction” (restricted entry within about 700 meters from anticipated crater)



More than 2 kilometers away from the
center of crater!!

Hakone Kowakien
(Hotel Kowakien, Yunessun, B&B Pension)
All facilities are open

Source: Japan Meteorological Agency

http://www.data.jma.go.jp/svd/vois/data/tokyo/STOCK/activity_info/315.html

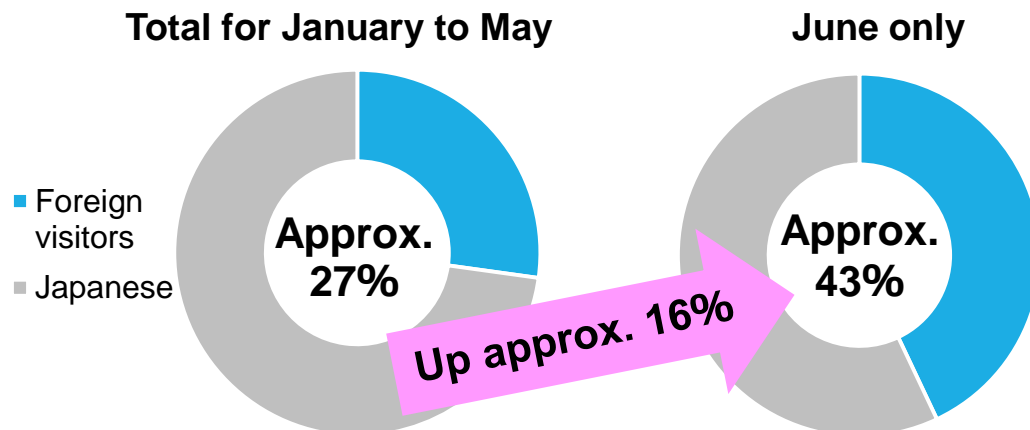
Operating Conditions for the First Half by Segment (Resort Business)

Expansion of Sales Channels by Strengthening the Appeal for Inbound Customers

Responses to volcanic issues
















- i. Established an emergency headquarter within the Company at which decisions are made based on information announced by Japan Meteorological Agency and the town of Hakone, to continue operation with utmost priority placed on customers' safety and security.
- ii. Enhanced appeal for inbound customers after the volcanic alert level was raised to level 2 on May 6.

◆ Ratio of inbound customers ◆ Hakone Hotel Kowakien (224 rooms)



Operating Conditions for the First Half by Segment (Luxury & Banquet Business)

**Although Wedding Business Struggled, Income Increased Compared to the Forecast
Due to Increase in Sales Per Accommodation**

			 Increase Factors	 Decrease Factors		
	Q2 2015 Actual	YoY	Main factors		Difference from forecast	Main factors
Net sales	12.67 billion yen	(0.97) billion yen	 Effects of Kawano Co., Ltd.  Closing of business of Kyoto Kokusai Hotel  Decrease in the number of wedding ceremonies held at Hotel Chinzanso Tokyo  Strong performance by restaurants at Hotel Chinzanso Tokyo		(0.42) billion yen	 Decrease in the number of wedding ceremonies held at Hotel Chinzanso Tokyo  Strong performance by restaurants at Hotel Chinzanso Tokyo
Operating income	(0.12) billion yen	(0.22) billion yen	 Effects of Kawano Co., Ltd.  Closing of business of Kyoto Kokusai Hotel  Decrease in the number of wedding ceremonies held at Hotel Chinzanso Tokyo  Strong performance by restaurants at Hotel Chinzanso Tokyo		0.07 billion yen	 Increase in sales per accommodation at Hotel Chinzanso Tokyo  Strong performance by restaurants at Hotel Chinzanso Tokyo  Reduction of fixed costs

Operating Conditions for the First Half by Segment (Luxury & Banquet Business)

Acquisition of all shares of Kawano Co., Ltd. (Hiroshima City)



Kawano Co., Ltd.

Business description: Bridal-related business (bridal coordination, etc.), operation of guest houses, retail of bridal-related products, etc.

Branch: Marryaid / The South Harbor Resort (guest house) / Remercier motoujina (guest house)

◆ Aim of acquisition of shares ◆

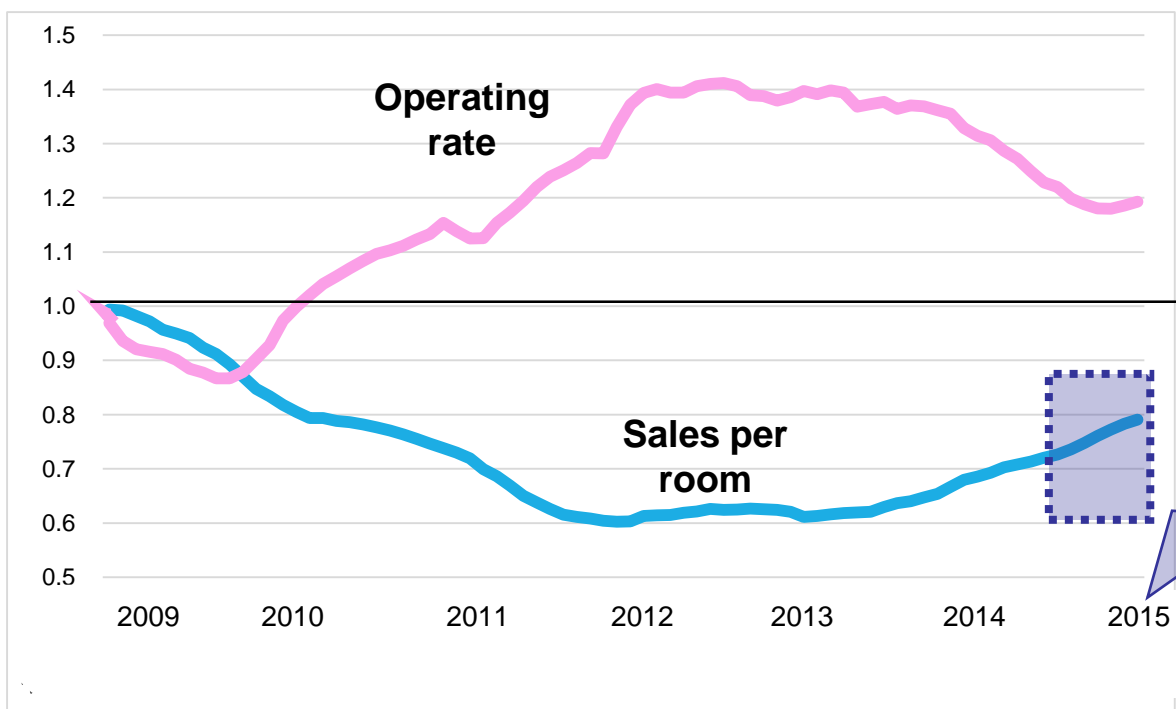
- Entry into wedding businesses in regional cities
- Acquiring know-how in “producing bridal events” and expanding the wedding business field

Operating Conditions for the First Half by Segment (Luxury & Banquet Business)

Rise in Sales Per Room at Hotel Chinzanso Tokyo Due to the Effects of Room Renovation and Higher Accommodation Demand

◆ Operating rates and sales per room ◆

* Moving average (1 = accumulated annual total for 2008)



◆ Measures to enhance appeal to wealthy customers both in Japan and overseas ◆



Renovate all 260 rooms over the three years from 2014

Sales per room for the first half of 2015
Up approx. 18% YoY

III. Full-Year Business Results Forecast and Initiatives for the Second Half

Full-Year Forecast (Consolidated)

	2014 Actual	2015 Forecast
(Billion yen)		
Net sales	64.25	64.2
Operating income	1.36	(1.3)
Operating income before depreciation	5.99	4.0
Ordinary income	1.39	(1.5)
Net income	0.53	(0.5)
Capital investment (cash-based)	3.60	14.0
Depreciation	3.77	4.0

Full-Year Forecast (by Segment)

		2014 Actual	Q2 2015 Actual	2015 Forecast	Initial forecast announced on Feb. 13 []
(Billion yen)					
WHG Business	Net sales	25.86	12.88	28.1	[26.2]
	Operating income	1.10	(0.33)	0.6	[(1.0)]
Resort Business	Net sales	7.59	3.05	6.1	[7.3]
	Operating income	0.37	(0.39)	(0.9)	[0.1]
Luxury & Banquet Business	Net sales	27.58	12.67	26.8	[27.5]
	Operating income	0.16	(0.12)	(0.1)	[0.4]
Others and adjustments	Net sales	3.20	1.63	3.2	[3.2]
	Operating income	(0.28)	(0.29)	(0.9)	[(0.8)]
Total	Net sales	64.25	30.24	64.2	[64.2]
	Operating income	1.36	(0.84)	(1.3)	[(1.3)]

Measures for the Second Half by Segment (WHG Business)

Shinjuku Washington Hotel (Main Building) Renovated All 1,297 Rooms



Construction periods: Apr. to Sept. (Upper floors: 15th to 24th)
Oct. to Mar. 2016 (Lower floors: 4th to 14th)

Details: Renovation of furniture, carpets, rugs and modular baths;
renewal of elevators; renovation of the lobby, etc.
Some single rooms converted to twin rooms
(No. of guest rooms 1,297 ⇒ 1,279)

Sale: Successive sale of renewed upper floor rooms from Aug.

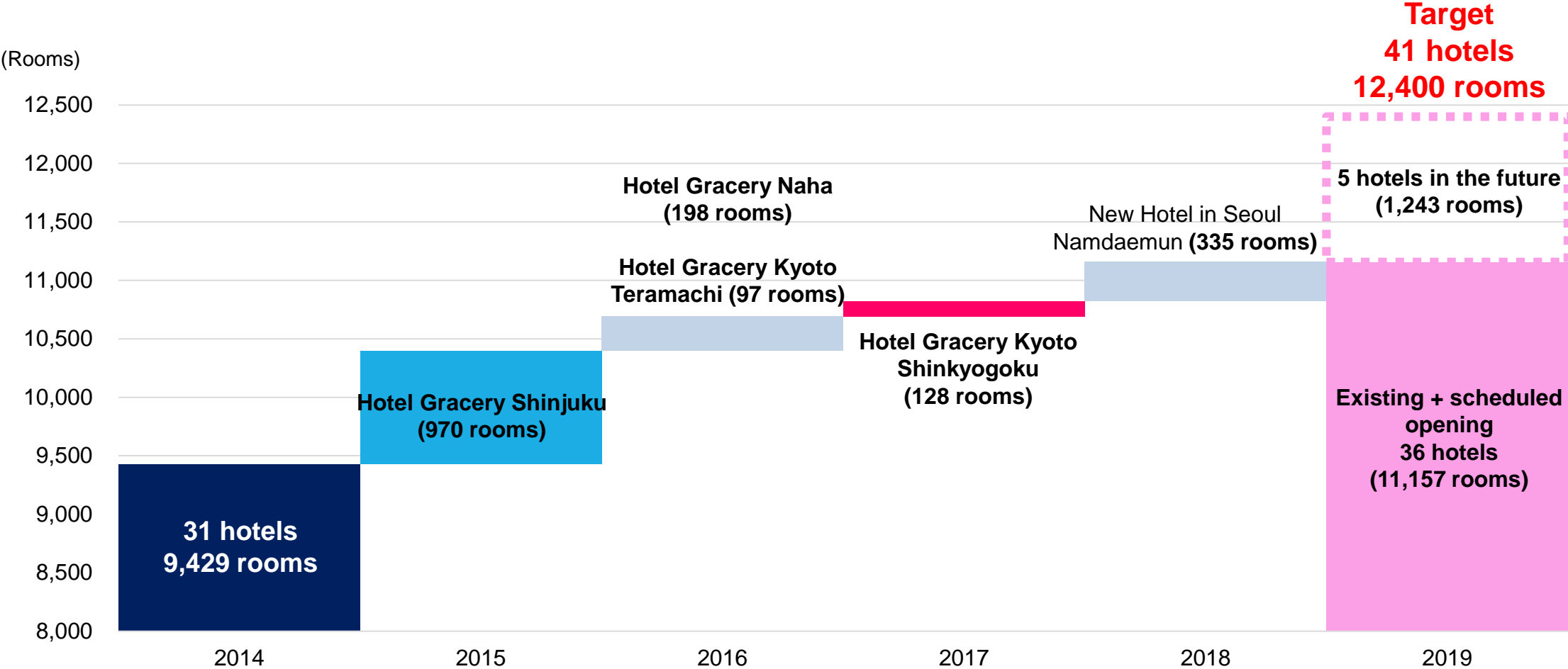
Hotel Gracery Shinjuku Towards Full Operation of Sales System



- Towards full operation of sales system from July
- Further measures to attract inbound customers (FITs)

Measures for the Second Half by Segment (WHG Business)

Accelerate New Openings Targeting Additional 10 Hotels and 3,000 Rooms



Measures for the Second Half by Segment (Resort Business)

Enhancing Appeal for Inbound Customers



Bartenders dressed in kimono, colorful yukata rental services, etc.

Expanding sales channels by enhancing the lineup of events, plans and services for inbound customers to make up for the decrease in operating rate due to the volcano issue

Promotion of Cost Reduction



Ito Kowakien



Hotel Toba Kowakien

- Flexible allocation of staff by sending them to other facilities (Ito, Toba) during busy periods
- Shortening operating hours and closing down the operation of some restaurants in line with the trends among customers

Measures for the Second Half by Segment (Luxury & Banquet Business)

Opening of First Wedding Salon Outside the Hotel



A wedding salon that realizes your wishes on weddings
“Hotel Chinzanso Tokyo For wedding GINZA”

Opening a salon as a place for meetings in Ginza 4-chome (next to Mitsukoshi) to enhance customers' convenience (from Jul. 30)

Renovation of Guest Rooms



Tranquil and classic
“Prime Classic Rooms”

Renovate all 260 guest rooms over the three years from 2014
Renewal of 62 rooms as phase 2 of the renovation (Jul. 6 to Sept. 17)

Opening of a Japanese Restaurant in Taipei



* Photo for illustration purposes only

Opening a Japanese restaurant directed by Hotel Chinzanso Tokyo for the first time at the end of 2015 (scheduled)

Providing “Japanese style Hospitality (Omotenashi)” as a measure to spread the “Chinzanso” brand (42 seats (planned))

Return to Shareholders

Dividend policy

The Company's basic policy is to pay dividends according to business results, taking into account further enhancement of the corporate structure and the accumulation of internal reserves to be utilized for further development of business operations, while also fully considering the amount of return to its shareholders.

Dividends paid and forecast

Fiscal	2010	2011	2012	2013	2014	2015 (Forecast)
Dividend	5 yen	4 yen	4 yen	4 yen	4 yen	4 yen