

# Financial Results for the Fiscal Year Ended December 31, 2016

February 14, 2017  
**FUJITA KANKO INC.**  
(Code number: 9722)

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# I. Financial Results for the Fiscal Year Ended December 31, 2016

# Statements of Income

## Operating Income and Ordinary Income Increased YoY Despite in the Upfront Investment Period

	2016 Actual	2015 Actual	YoY	2016 Forecast (As of Aug. 8)	Difference from forecast
(Billion yen)					
Net Sales	<b>68.78</b>	63.98	4.80	69.50	(0.71)
Operating income	<b>1.71</b>	0.03	1.67	1.80	(0.08)
Operating income before depreciation	<b>7.21</b>	5.14	2.07	7.40	(0.18)
Ordinary income	<b>1.69</b>	(0.17)	1.87	1.60	0.09
Profit attributable to owners of parent	<b>0.85</b>	0.03	0.82	0.50	0.35

### ■ Extraordinary income 2.16 billion yen

(Main items: Gain on sales of investment securities 1.43 billion yen, compensation income 0.58 billion yen)

### ■ Extraordinary loss 1.71 billion yen

(Main items: Impairment loss on non-current assets of 1.31 billion yen due to business withdrawal, decline in market price of idle land, etc.)

# Balance Sheets and Statements of Cash Flows

## Increase in Non-Current Assets due to Upfront Investment

	2016 Actual	2015 Actual	YoY
(Billion yen, %)			
Total assets	<b>105.83</b>	104.73	1.10
Net assets	<b>26.52</b>	27.01	(0.48)
Interest-bearing debt	<b>45.75</b>	44.81	0.94
Equity ratio	<b>24.9%</b>	25.6%	(0.7%)
Cash flows from operating activities	<b>6.24</b>	(0.41)	6.66
Cash flows from investing activities	<b>(6.00)</b>	(8.18)	2.18
Capital investment (Cash-based)	<b>9.50</b>	8.16	1.33

### ■ Increase in interest-bearing debt due to financing for investment

(50.0 billion yen or less is planned during the period of the medium-term management plan)

### ■ Aggressive investment exceeding the previous year

(Renovation of Shinjuku Washington Hotel, construction of Hakone Kowakien Ten-yu, etc.)

# Operating Conditions by Segment

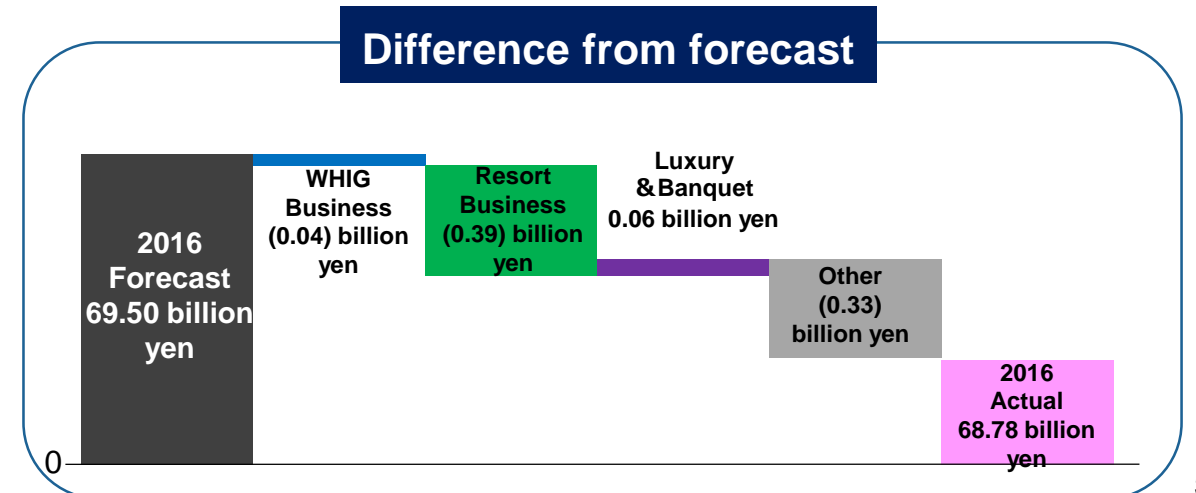
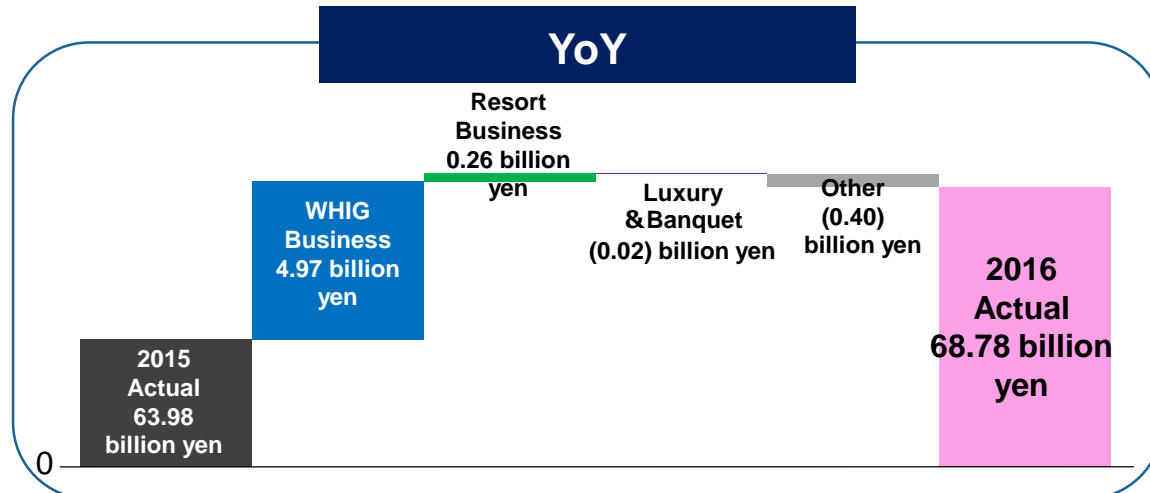
## Changes in Segment Figures based on Changes to Allocation Method of Headquarters Expense

(Billion yen)		2015 Actual		2016 Q2 Actual		2016 Forecast	
		Before change	After change	Before change	After change	Before change	After change
WHG Business	Net sales	27.97	27.97	15.15	15.15	33.00	33.00
	Operating income	0.81	0.69	0.24	0.19	2.05	1.95
Resort Business	Net sales	6.49	6.49	2.99	2.99	7.15	7.15
	Operating income	(0.30)	(0.33)	(0.50)	(0.51)	(0.10)	(0.15)
Luxury & Banquet Business	Net sales	26.24	26.24	12.62	12.62	26.15	26.15
	Operating income	0.10	0.44	0.11	0.29	0.45	0.85
Others and adjustment amounts	Net sales	3.26	3.26	1.45	1.45	3.20	3.20
	Operating income	(0.57)	(0.77)	(0.29)	(0.40)	(0.60)	(0.85)
Total	Net sales	63.98	63.98	32.22	32.22	69.50	69.50
	Operating income	0.03	0.03	(0.43)	(0.43)	1.80	1.80

# Net Sales by Segment

## Increase in WHIG Business Offset Decrease in Resort and L&B

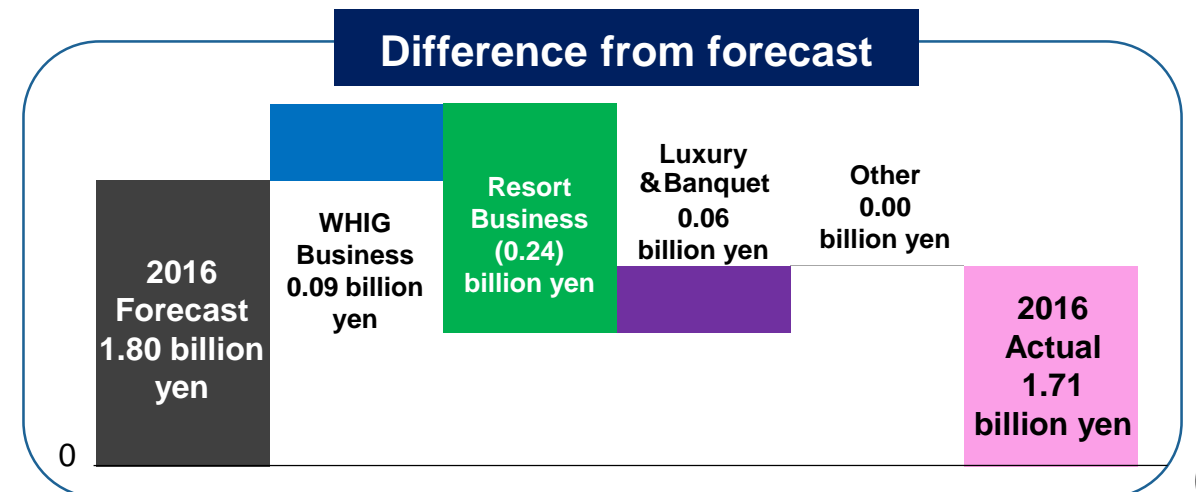
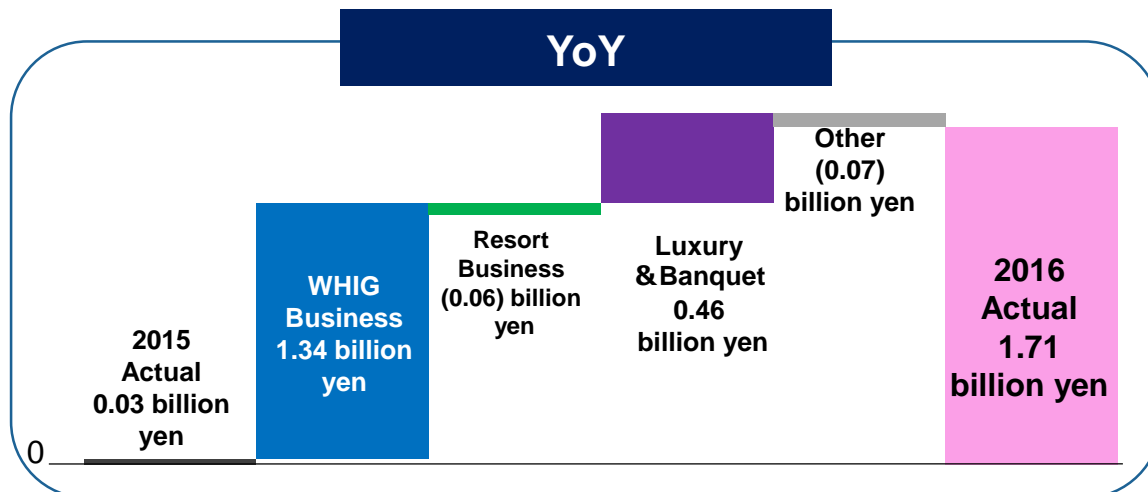
(Billion yen)	2016 Actual	2015 Actual	YoY	2016 Forecast (As of Aug. 8)	Difference from forecast
<b>WHG Business</b>	<b>32.95</b>	27.97	4.97	33.00	(0.04)
<b>Resort Business</b>	<b>6.75</b>	6.49	0.26	7.15	(0.39)
<b>Luxury &amp; Banquet Business</b>	<b>26.21</b>	26.24	(0.02)	26.15	0.06
<b>Others and adjustment amounts</b>	<b>2.86</b>	3.26	(0.40)	3.20	(0.33)
<b>Total net sales</b>	<b>68.78</b>	63.98	4.80	69.50	(0.71)



# Operating Income by Segment

**Income Increased Significantly YoY With Strong Performance of WHIG Business**

(Billion yen)	2016 Actual	2015 Actual	YoY	2016 Forecast (As of Aug. 8)	Difference from Forecast
<b>WHIG Business</b>	<b>2.04</b>	0.69	1.34	1.95	0.09
<b>Resort Business</b>	<b>(0.39)</b>	(0.33)	(0.06)	(0.15)	(0.24)
<b>Luxury &amp; Banquet Business</b>	<b>0.91</b>	0.44	0.46	0.85	0.06
<b>Others and adjustment amounts</b>	<b>(0.85)</b>	(0.77)	(0.07)	(0.85)	0.00
<b>Total net sales</b>	<b>1.71</b>	0.03	1.67	1.80	(0.08)





## II. Operating Conditions by Segment

# Operating Conditions by Segment (WHG Business ①)

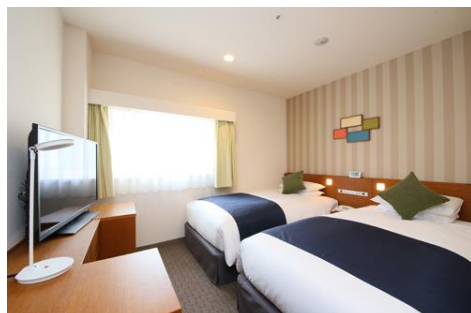
## Income Higher than Forecast Due to Increase in Sales per Room Despite Slowdown of Progress after May

(Billion yen)	2016 Actual	2015 Actual		2016 Forecast (As of Aug. 8)	
			YoY		YoY
Net sales	32.95	27.97	4.97	33.00	(0.04)
Operating income	2.04	0.69	1.34	1.95	0.09

### ◆ 2016 topics ◆

**Shinjuku Washington Hotel**  
All rooms are available for stay  
from Apr. 1 (1,279 rooms)

Large-scale renovations  
completed, and all rooms are  
available for stay from April

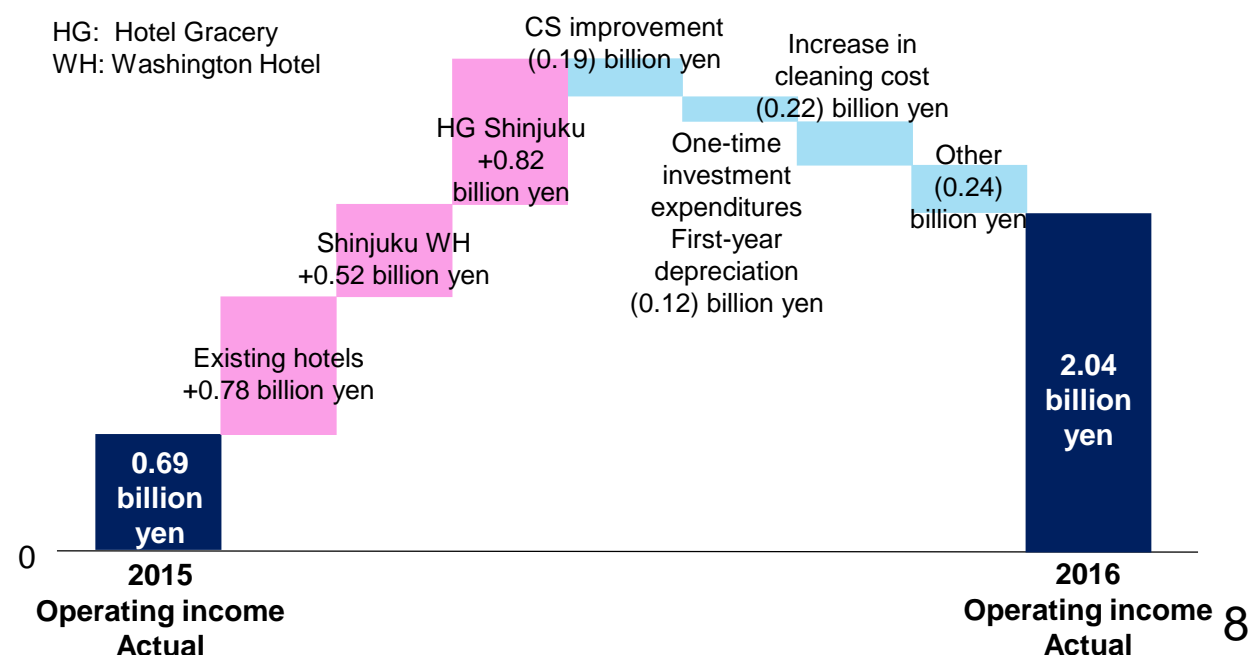


**Hotel Gracery Naha**  
Opened on Apr. 7 (198 rooms)  
**Hotel Gracery Kyoto Sanjo North**  
Opened on Jul. 1 (97 rooms)

Sales per room exceeded forecast  
in both hotels



### ◆ Operating income YoY difference factors ◆



# Operating Conditions by Segment (WHG Business ②)

## Performance was Led by Increased Sales per Room in WHIG Shinjuku and Regional Hotels

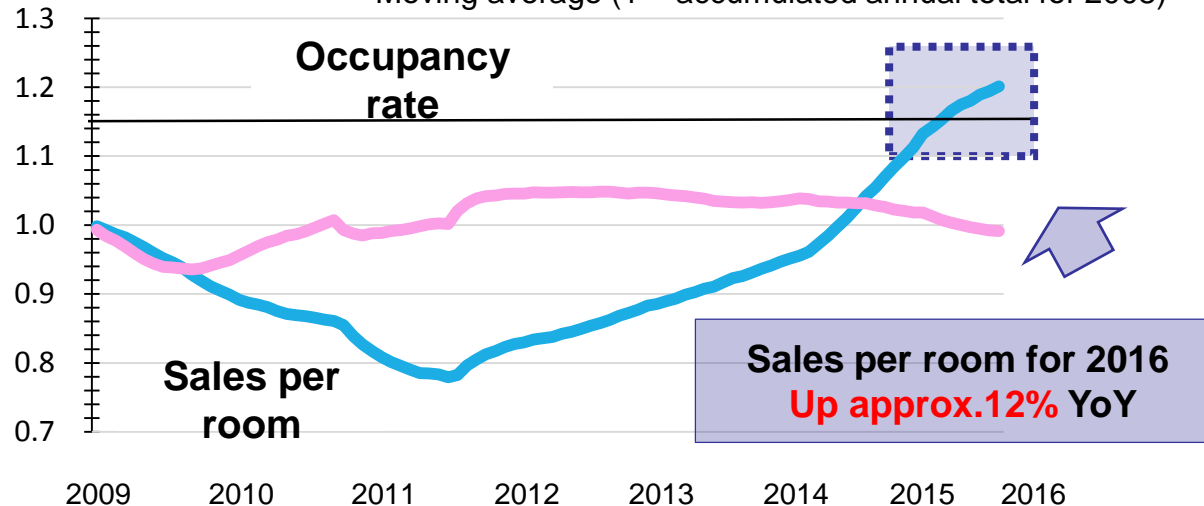
- **Successfully attracted inbound customers (FIT)**  
Provided Smooth, attentive service by establishing dedicated counters for foreign guests and concierge desks
- **Enhanced services for members (FGMC)**  
Launched priority reservation service for single rooms up to 72 hours in advance, and secured approximately 20% of single rooms for members

### ◆ 2016 Actuals ◆

	Tokyo metropolitan area (5,026 rooms)		Regional hotels (2,887 rooms)	
	Occupancy rates	Sales per room	Occupancy rates	Sales per room
Difference from 2015	2% decrease	19% increase	2% decrease	11% increase
Difference from 2014	5% decrease	28% increase	2% decrease	22% increase

### ◆ Occupancy rates and sales per room ◆

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



- Conducted flexible pricing control in accordance with the slowdown in demand since April
- Favorable environment in regional hotels due to dispersal of foreign inbound travelers to regional hotels
- Increase in sales per room at Shinjuku Washington Hotel due to changes in sales prices following renovations

### ➤ Shinjuku Washington Hotel

	Number of guest rooms available for sale	Sales per room
Difference from 2015	42% increase	18% increase
Difference from 2014	16% decrease	27% increase

# Operating Conditions by Segment (Resort Business)

## Strong Accommodation in Hakone, our Mainstay Area, Despite Slow Recovery of Day Trips

(Billion yen)	2016 Actual	2015 Actual	YoY	2016 Forecast (As of Aug. 8)	YoY
Net sales	<b>6.75</b>	6.49	0.26	7.15	(0.39)
Operating income	<b>(0.39)</b>	(0.33)	(0.06)	(0.15)	(0.24)

### ◆ 2016 Actuals of Hakone major facilities ◆

Hakone Kowakien Yunessun	Difference from forecast	Difference from 2015	Difference from 2014
Visitors	11.9% decrease	5.9% increase	32.9% decrease
Sales per person	2.8% decrease	6.1% increase	12.1% increase

The number of visitors and sales per person fell below the forecast, despite ongoing recovery from effects of volcanic earthquake at Hakone Owakudani

Hakone Hotel Kowakien	Difference from forecast	Difference from 2015	Difference from 2014
Occupancy rates	3.7% increase	3.4% increase	2.9% decrease
Sales per room	6.4% increase	10.7% increase	10.9% increase

Sales per room increased through sales of high value-added products and expansion of sales channels

The occupancy rate also rose to the late 80% range

### ◆ Hakone redevelopment initiatives ◆

Commenced redevelopment of Hakone area in fiscal year 2015  
Promoting renovations and opening of new facilities in gardens



Accommodation facility  
Miyamafurin



Teppan-Yaki  
GEIHINGAN



Soba KIHINKAN

- Toward smooth opening of Hakone Kowakien Ten-yu on April 20, 2017, a sales team was formed in order to cultivate new customers, in addition to the implementation of human resource development and staff trainings.

# Operating Conditions by Segment (Luxury & Banquet Business)

## Increase in Income YoY Due to Strong Performance in Banquet and Accommodation Businesses

(Billion yen)	2016 Actual	2015 Actual	YoY	2016 Forecast (As of Aug. 8)	Difference from forecast
Net sales	<b>26.21</b>	26.24	(0.02)	26.15	0.06
Operating income	<b>0.91</b>	0.44	0.46	0.85	0.06

### ◆ Conditions by business ◆

Luxury & Banquet Business: Sales per business (Billion yen)

Business	2016 Actual	YoY
Accommodation	2.50	0.06
Wedding	11.84	(0.54)
Banquet	5.56	0.39
Restaurant	4.15	(0.02)
Other	2.14	0.08
<b>Total</b>	<b>26.21</b>	<b>(0.02)</b>

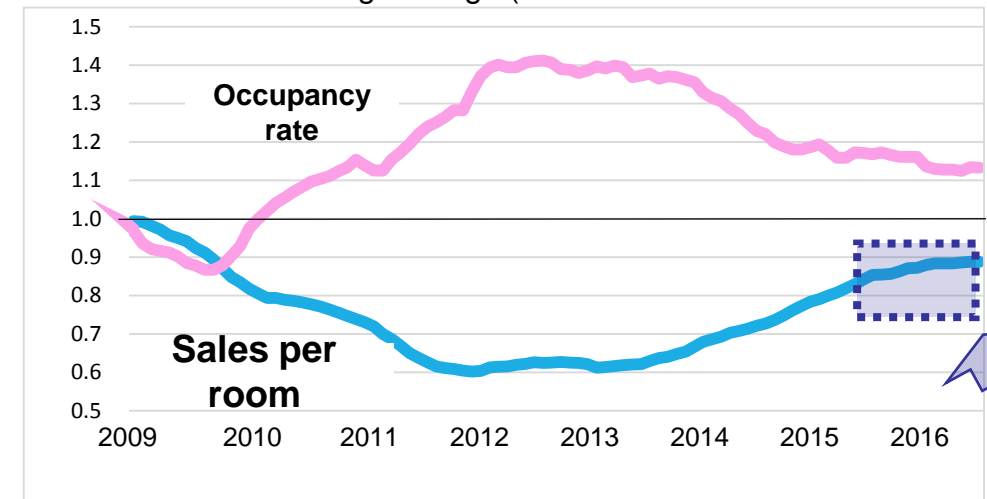
[Wedding]  
Decrease in revenue due to closing of CONVIVION  
YoY decrease in revenue at Hotel Chinzanso Tokyo  
Robust performance of Taiko-en

[Banquet]  
Successfully acquired MICE at Hotel Chinzanso Tokyo  
Decreased revenue of wedding was offset by the banquet business

[Restaurant]  
YoY decrease in revenue despite the openings of KINSUI TAIPEI and KOURIN in Taipei

### ◆ Occupancy rates and sales per room at Hotel Chinzanso Tokyo ◆

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

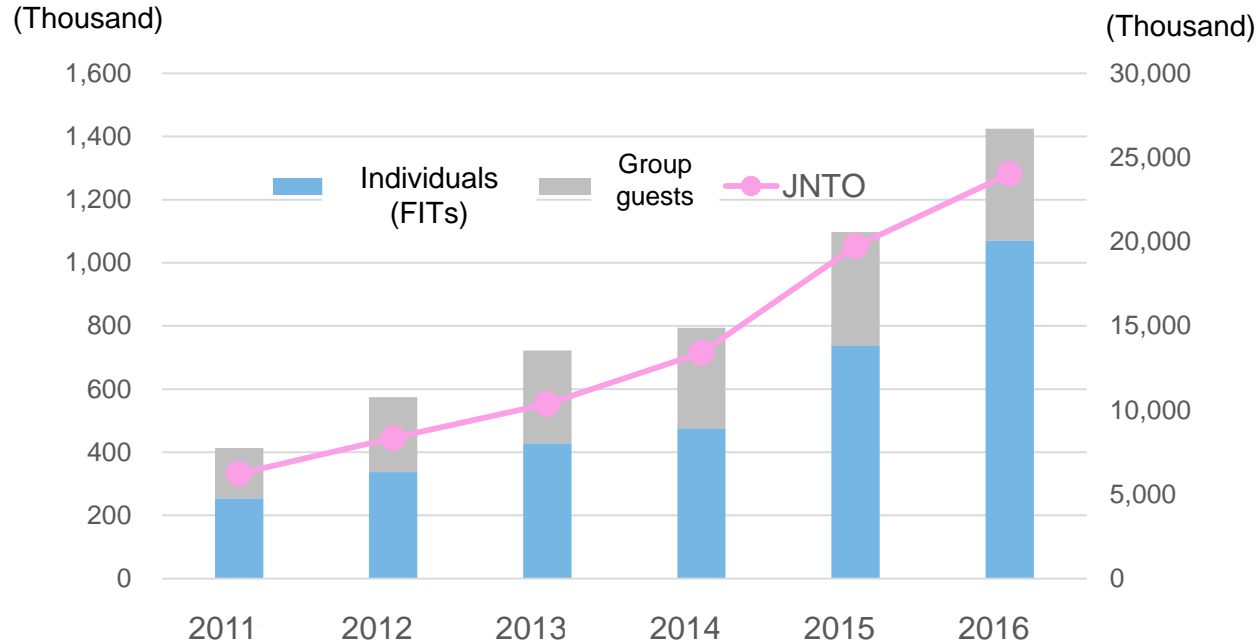


Sales per room for 2016  
Up approx. 4% YoY

# Status of Inbound Guests and Measures

## Strengthened Measures to Attract Individual Guests (FITs)

### ◆ Trends in total inbound guests of the Group ◆

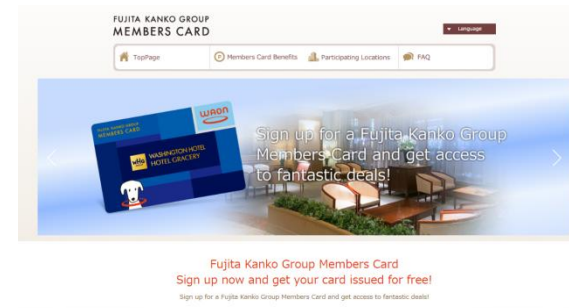


- Strengthened measures to attract individual guests (FITs) from 2014  
FIT increased by 45% YoY
- Number of guests totaled 1,420,000 in 2016, a 29% YoY increase and ratio of inbound guests was approximately 35% of the entire Group

## Measures to Attract Wealthy and Individual Customers



- Held invitation events in Bangkok, Jakarta, Shanghai, and Beijing targeting for travel agents and media
- Held an event for wealthy class in Shanghai, providing information such as experience opportunities of Japanese culture



In the aim of attaining repeat FIT guests, the official website of the Group has been renovated. The offer of membership with the Group's members' card has commenced on the website.

### III. Full-Year Business Results Forecast for the Fiscal Year 2017



# Full-Year Forecast (Consolidated)

	(Billion yen)	2017 Forecast	2016 Actual	YoY
Net sales		72.00	68.78	3.21
Operating income		2.30	1.71	0.58
Operating income before depreciation		8.30	7.21	1.08
Ordinary income		2.30	1.69	0.60
Profit attributable to owners of parent		1.10	0.85	0.24
Capital investment (cash-based)		11.14	9.50	1.63
Depreciation		4.81	4.46	0.34



# Full-Year Forecast (by Segment)

(Billion yen)		2017 First half Forecast		2017 Second half Forecast		2017 Forecast	
			YoY		YoY		YoY
<b>WHG Business</b>	Net sales	16.80	1.64	18.70	0.90	<b>35.50</b>	<b>2.54</b>
	Operating income	0.60	0.40	1.90	0.05	<b>2.50</b>	<b>0.45</b>
<b>Resort Business</b>	Net sales	3.10	0.10	5.00	1.23	<b>8.10</b>	<b>1.34</b>
	Operating income	(0.70)	(0.18)	0.60	0.47	<b>(0.10)</b>	<b>0.29</b>
<b>Luxury &amp; Banquet Business</b>	Net sales	12.30	(0.32)	13.40	(0.19)	<b>25.70</b>	<b>(0.51)</b>
	Operating income	0.10	(0.19)	0.60	(0.02)	<b>0.70</b>	<b>(0.21)</b>
<b>Others and adjustments</b>	Net sales	1.30	(0.15)	1.40	0.00	<b>2.70</b>	<b>(0.16)</b>
	Operating income	(0.40)	0.00	(0.40)	0.04	<b>(0.80)</b>	<b>0.05</b>
<b>Total</b>	Net sales	33.50	1.27	38.50	1.93	<b>72.00</b>	<b>3.21</b>
	Operating income	(0.40)	0.03	2.70	0.55	<b>2.30</b>	<b>0.58</b>

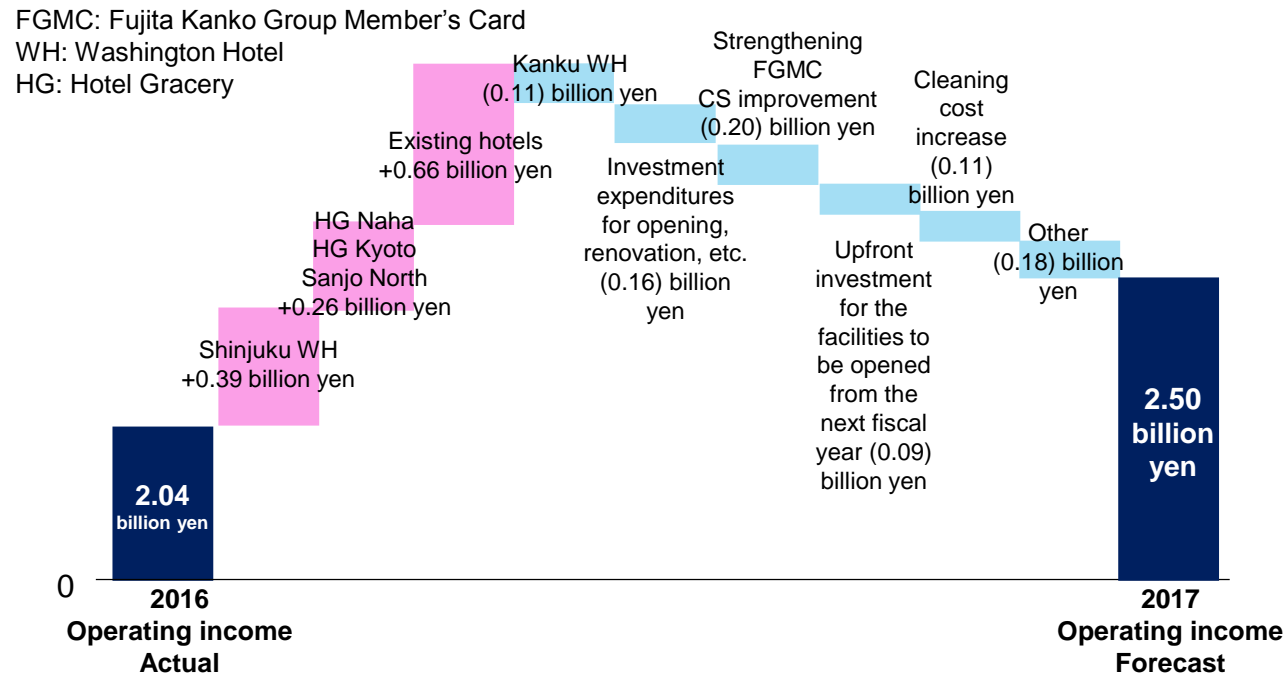
## IV. Measures by Segment

# Measures by Segment (WHG Business ①)

## Striving to Increase Sales per Room by Enhancing Acquisition of FGMC and FIT

(Billion Yen)	2017 First Half	YoY	2017 Second	YoY	2017	YoY
	Forecast		Half Forecast		Forecast	
Net sales	16.80	1.64	18.70	0.90	35.50	2.54
Operating income	0.60	0.40	1.90	0.05	2.50	0.45

### ◆ Operating income YoY difference factors ◆



### ◆ Y o Y change (%) of expected occupancy rate and sales per room ◆

YoY change	Tokyo metropolitan area	Regional hotels	Total
Occupancy rate	0.0% decrease	0.3% increase	0.1% increase
Sales per room	2.6% increase	5.4% increase	3.4% increase



Strive to further increase sales per room by attracting foreign inbound travelers (FITs) and member guests (FGMC), and improving customer satisfaction (CS)

Launched the provision of a smartphone app from the end of 2016

# Measures by Segment (WHG Business ②)

## Target and progress of medium-term management plan

Accelerate business expansion positioning  
WHIG Business the key driver for future growth

### 1 Accelerate new openings (additional 10 facilities and 3,000 rooms)

- Decided to open 2,122 rooms by 2019
- Enhance the search for remaining 878 rooms to meet target of additional 3,000 rooms

### 2 Strengthen competitiveness

- Continue renovation of guest rooms  
(2017 plan: Kansai Airport Washington Hotel, Yokohama Sakuragicho Washington Hotel, etc.)
- To strengthen CS, strive to improve quality of the followings as part of 2017-2019 three-year plan:  
(1) service, (2) rooms and (3) breakfasts

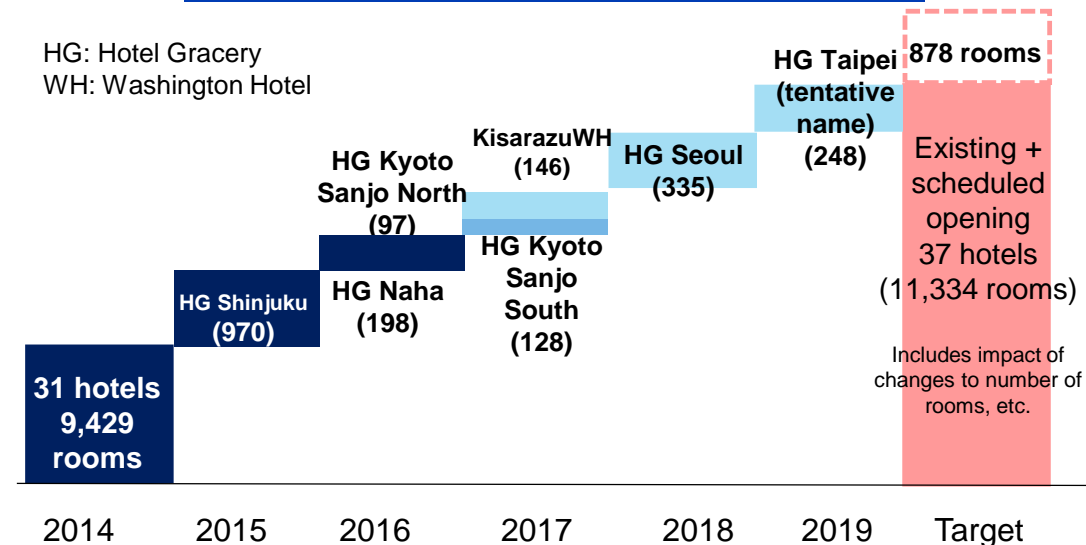
### ◆ Total capital investment from 2015 to 2017 ◆

(Billion yen)

Medium-term management plan	Actual and forecast
9.7	10.3

## ◆ Number of guest rooms in the future ◆

Of the targeted increase of 3,000 rooms,  
70% (2,122 rooms) has been determined



## ◆ Renovation of guest rooms ◆

Strive to improve competitiveness and quality through phased renovation of guest rooms in existing hotels



Kansai Airport  
Washington Hotel



Yokohama Sakuragicho  
Washington Hotel

# Measures by Segment (Resort Business ①)

## New Flagship Facility Hakone Kowakien Ten-yu to Open in April

(Billion yen)	2017 First Half Forecast	YoY	2017 Second Half Forecast	YoY	2017 Forecast	YoY
Net sales	3.10	0.10	5.00	1.23	8.10	1.34
Operating income	(0.70)	(0.18)	0.60	0.47	(0.10)	0.29

### ◆FY2017 plans for major facilities in Hakone◆

Hakone Kowakien Ten-yu	2017 plan
Occupancy rate	70% level
Sales per person	28,000 yen level



Exterior



Guest room sample

- Started taking accommodation reservations in October 2016
- Enhance activities with the themes of “Japan” and “nature”

Hakone Kowakien Yunessun	YoY
Visitors	9.3% increase
Sales per person	0.9% decrease

- Strive to increase guests by attracting increasing inbound travelers to Hakone, and rise senior guests at weekdays in Mori No Yu

Hakone Hotel Kowakien	YoY
Occupancy rates	5.6% decrease
Sales per room	7.6% decrease

- Make investment to human resources, giving priority to smooth opening of Hakone Kowakien Ten-yu on April 20

# Measures by Segment (Resort Business ②)

## Target and progress of the medium-term management plan

Focus on redevelopment of the Hakone area and attracting upper-middle to high-end guests

### 1 Large-scale investment in Hakone Kowakien

- Opening of Hakone Kowakien Ten-yu on April 20, 2017  
Human resources were concentrated in the opening of Ten-yu and countermeasures to volcanic earthquake, thus, the plan to open a new facility was put off.

### 2 Expand openings in resort areas (additional 5 facilities)

- Adopt a high-end Japanese-style hotel business model into a hotel like Yufuin Ryokuyu
- Continue to plan new openings in hot-spring and resort areas in Japan

#### ◆ Total capital investment from 2015 to 2017 ◆

(Billion yen)

Medium-term management plan	Actual and forecast
14.2	13.9

## ◆ Redevelopment of Hakone area ◆

Open new accommodation facilities following Ten-yu, with the aim of the shift to high value-added services



## ◆ Openings in other areas ◆

- Consider opening high-end Japanese style hotels in hot-spring and resort areas in Japan, leveraging the operation experience of Yufuin Ryokuyu
- Launch a marketing team in the headquarters  
Promote cultivation of new customer base and sales channels, and focus on new development



# Measures by Segment (Luxury & Banquet Business ①)

## Continue to Strengthen Brand Power and Shift to Profitability Structure

(Billion Yen)	2017 First Half Forecast		2017 Second Half Forecast		2017 Forecast	
		YoY		YoY		YoY
Net sales	12.30	(0.32)	13.40	(0.19)	25.70	(0.51)
Operating income	0.10	(0.19)	0.60	(0.02)	0.70	(0.21)

### ◆ Strengthen brand power of Hotel Chinzanso Tokyo and expand sales channels ◆

After receiving the Five Red Pavilion, the highest rank in the Michelin Guide and the 4 stars in the Forbes Travel Guide, we will continue our in-house training and quality control efforts  
We will also cultivate new customers, and strengthen our efforts to attract repeat guests

2017 plan	YoY
Occupancy rates	3.6% increase
Sales per room	6.2% increase



©MICHELIN

### ◆ Measures to increase income in wedding and banquet businesses ◆

Increase ratio of net sales of the banquet business, and shift to profitability structure by promoting efficiency

#### <Hotel Chinzanso Tokyo>

- Renovate large-scale banquet halls to enhance acquisition of MICE
- Put a focus more on popular Japanese-style wedding, and open a shrine for wedding ceremony in order to differentiate the hotel from competitors

#### <Taiko-en>

- Create a new special sales team and build a framework and products to capture inbound demand
- Strengthen the independent sales system for the guest house, OUN

# Measures by Segment (Luxury & Banquet Business ②)

## Target and progress of the medium-term management plan

Develop high-quality business centered on Hotel Chinzanso Tokyo Brand

### 1 Transform Chinzanso into a hotel brand from a wedding brand

- Received the highest ranking from Michelin Guide for the tenth consecutive years, and the 4 stars from Forbes Travel Guide. Strive to improve quality in both facility and people/service aspects

### 2 Aggressive development of restaurant business (additional 5 stores)

- Following KINSUI TAIPEI in January 2016, open the Japanese Cuisine KOURIN in Taipei in December

### 3 Expand the wedding business field (additional 5 facilities)

- Acquired 2 new wedding facilities in Hiroshima in January 2015
- Explore new openings mainly in regional cities

#### ◆ Total capital investment from 2015 to 2017 ◆

(Billion yen)

Medium-term management plan	Actual and forecast
9.5	7.0

## ◆ Initiatives aimed at further quality improvement ◆

Conduct the fourth phase of room renovation

Conduct in-house training and quality control aiming to receive the highest rank of the 5 stars from Forbes Travel Guide



Japanese-style suite renovated in 2016

## ◆ Continue restaurants development ◆

Opened KINSUI TAIPEI in January 2016 and Japanese Cuisine KOURIN in December. Plans for new openings mainly in Asia



KINSUI TAIPEI by Hotel Chinzanso Tokyo



Japanese Cuisine KOURIN

## ◆ Expand the wedding business field ◆

Search for development opportunities in major regional cities following the establishment of a wedding production company in Hiroshima Share Clapping Inc. (changed from Kawano Inc.)



# Return to Shareholders

## Dividend Policy

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

## Dividends paid and forecast

Fiscal	2012	2013	2014	2015	2016	2017 (Forecast)
Dividend	4 yen	4 yen	4 yen	4 yen	4 yen	40 yen (*)

\* Change in share unit and share consolidation are scheduled on July 1, 2017