

Financial Results for the Fiscal Year Ended December 31, 2015

February 16, 2016
FUJITA KANKO INC.
(Code number: 9722)

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I. Financial Results for the Fiscal Year Ended December 31, 2015

Statements of Income

**Operating Income Significantly Increased than Forecast
Despite this Year Being an Upfront Investment Period**

	2015 Actual	2014 Actual	YoY	2015 Forecast (As of Feb. 13)	Difference from forecast
(Billion yen)					
Net sales	63.98	64.25	(0.26)	64.20	(0.21)
Operating income (loss)	0.03	1.36	(1.32)	(1.30)	1.33
Operating income before depreciation	5.14	5.99	(0.85)	4.00	1.14
Ordinary income (loss)	(0.17)	1.39	(1.56)	(1.50)	1.32
Net income (loss)	0.03	0.53	(0.49)	(0.50)	0.53

■ Extraordinary income 0.91 billion yen

(Main items: Gain on sale of shares 0.55 billion yen, gain on reversal of provision for loss on contract 0.26 billion yen)

■ Extraordinary loss 0.23 billion yen

(Main items: Provision of reserve for loss on business withdrawal 0.14 billion yen, loss on retirement of non-current assets 0.04 billion yen)

■ Recording 0.82 billion yen in income taxes for past fiscal years while recording 0.94 billion yen in deferred tax assets

Balance Sheets and Statements of Cash Flows

Non-current Assets Increased due to Upfront Investment

	2015 Actual	2014 Actual	YoY
(Billion yen, %)			
Total assets	104.73	100.88	3.85
Net assets	27.01	27.77	(0.76)
Interest-bearing debt	44.81	37.46	7.34
Equity ratio	25.6%	27.3%	(1.7%)
Cash flows from operating activities	(0.41)	3.66	(4.07)
Cash flows from investing activities	(8.18)	1.90	(10.08)
Capital investment (Cash-based)	8.16	3.60	4.55

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

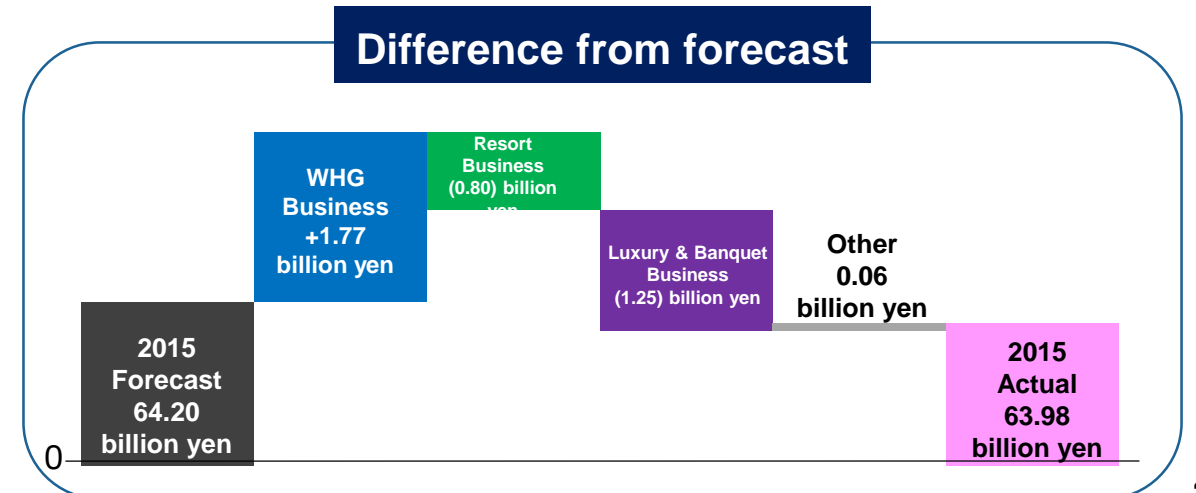
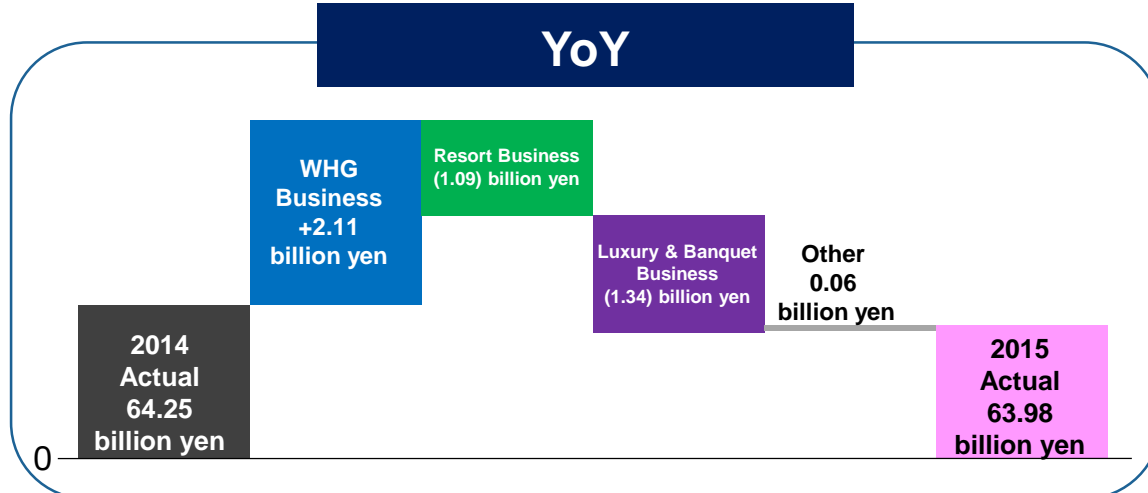
(50.0 billion yen or less is planned during the period of the medium-term management plan)

■ Increase in cash flows from investing activities due to aggressive investment

Net Sales by Segment

The WHG Business Offset Decrease in Resort and L&B

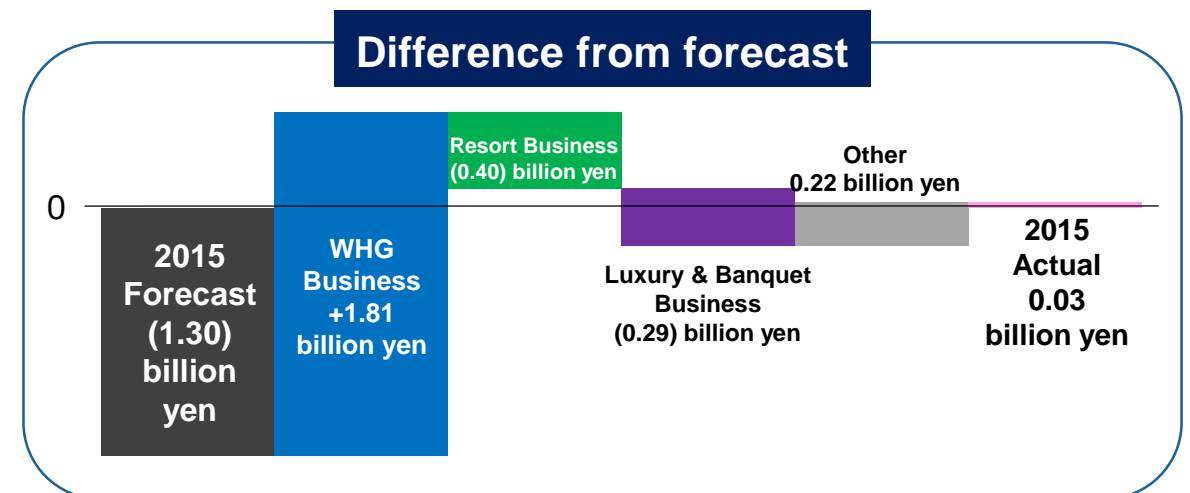
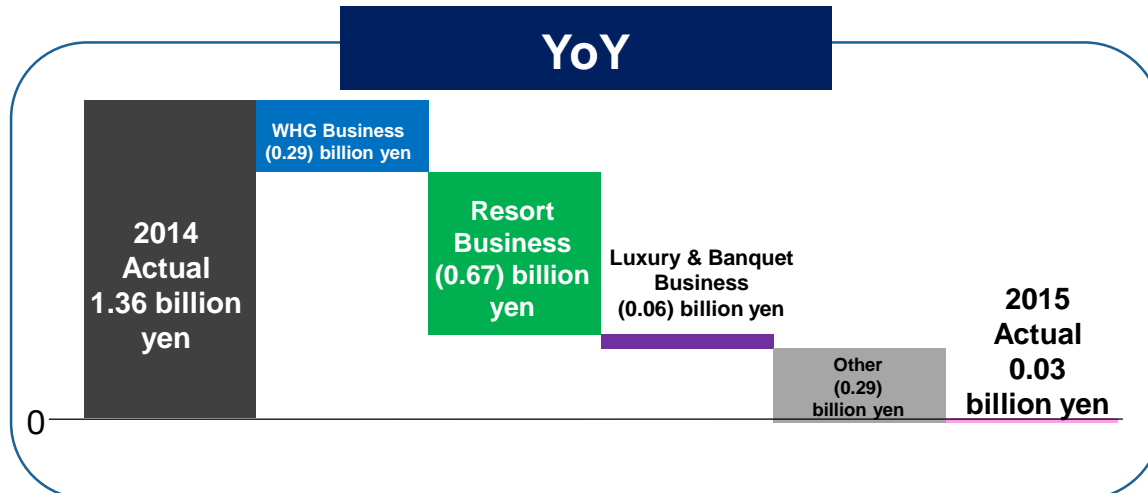
(Billion yen)	2015 Actual	2014 Actual	YoY	2015 Actual (As of Feb. 13)	Difference from forecast
WHG Business	27.97	25.86	2.11	26.20	1.77
Resort Business	6.49	7.59	(1.09)	7.30	(0.80)
Luxury & Banquet Business	26.24	27.58	(1.34)	27.50	(1.25)
Other and adjustment amounts	3.26	3.20	0.06	3.20	0.06
Total net sales	63.98	64.25	(0.26)	64.20	(0.21)



Operating Income by Segment

Led by the WHG Business, Income Significantly Increased than Forecast

(Billion yen)	2015 Actual	2014 Actual	YoY	2015 Actual (As of Feb. 13)	Difference from forecast
WHG Business	0.81	1.10	(0.29)	(1.00)	1.81
Resort Business	(0.30)	0.37	(0.67)	0.10	(0.40)
Luxury & Banquet Business	0.10	0.16	(0.06)	0.40	(0.29)
Other and adjustment amounts	(0.57)	(0.28)	(0.29)	(0.80)	0.22
Total net sales	0.03	1.36	(1.32)	(1.30)	1.33



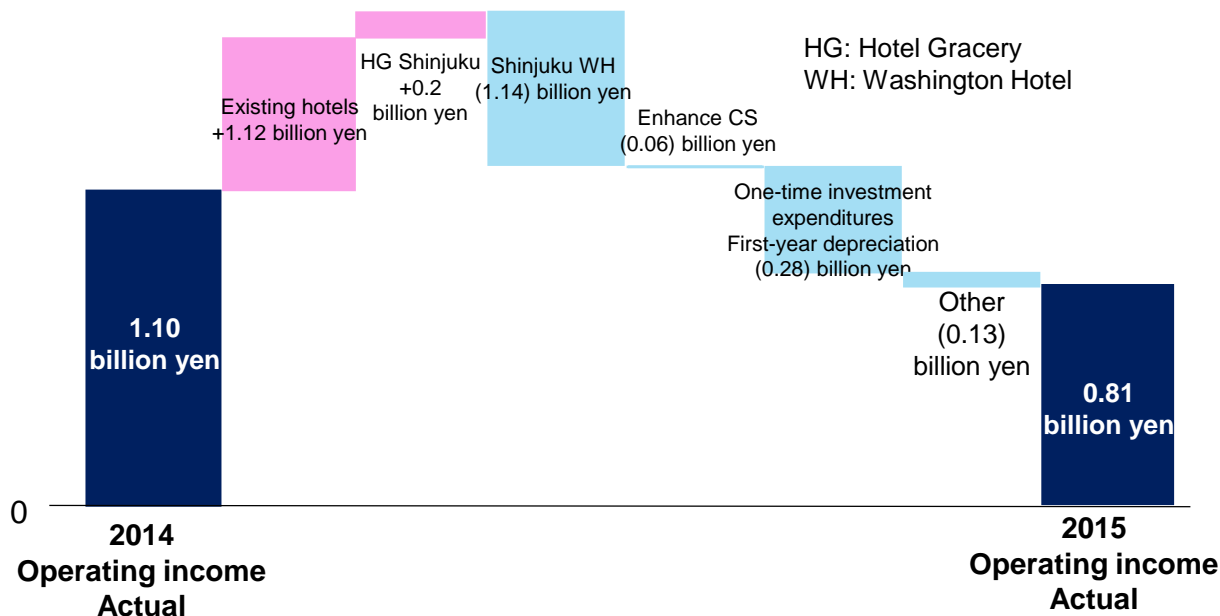
II. Operating Conditions by Segment

Operating Conditions by Segment (WHG Business ①)

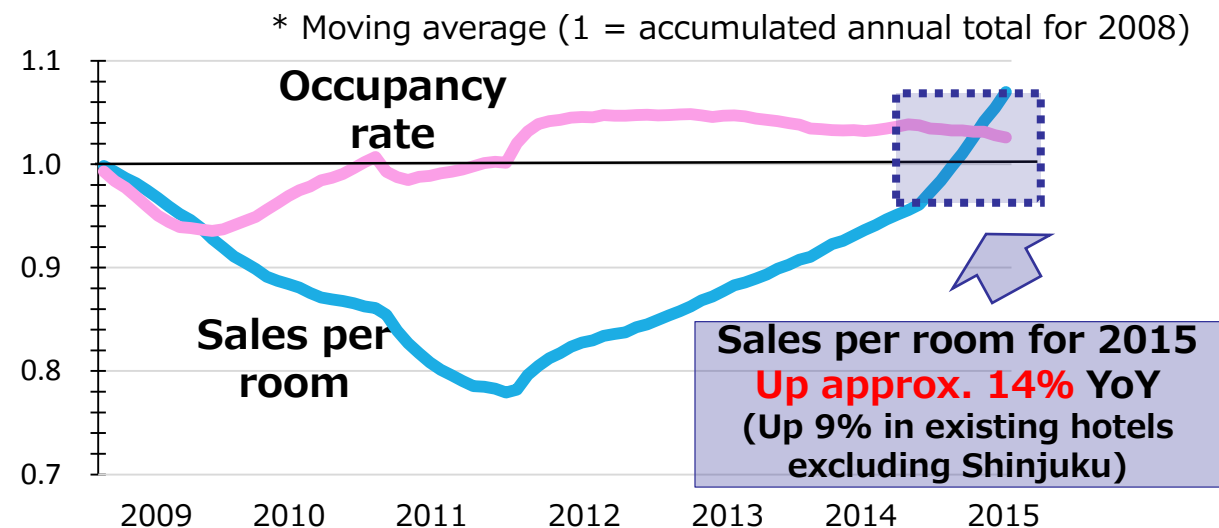
Rise in Sales Per Room Led to 0.8 Billion Yen in Income, Despite Initially Forecasting a Loss

(Billion yen)	2015 Actual	2014 Actual	YoY	2015 Actual (As of Feb. 13)	Difference from forecast
Net sales	27.97	25.86	2.11	26.20	1.77
Operating income	0.81	1.10	(0.29)	(1.00)	1.81

◆ Operating income YoY difference factors ◆



◆ Occupancy rates and sales per room ◆



Operating Conditions by Segment (WHG Business ②)

Robust Results for the New Flagship Facility “Hotel Gracery Shinjuku”

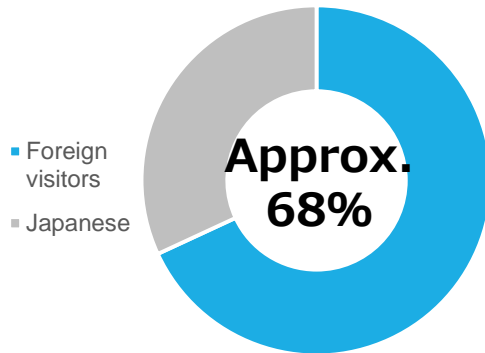


Hotel Gracery Shinjuku

- ◆ Guest rooms: 970 (686 double, twin, triple rooms / 284 single rooms)
 - To capture tourist and leisure demands, 70% of the rooms allow accommodation of two or more guests
 - With the early start of operation, sales of all rooms began in July
 - Measures to attract foreign individual tourists (FITs) contributed to rise in sales per room

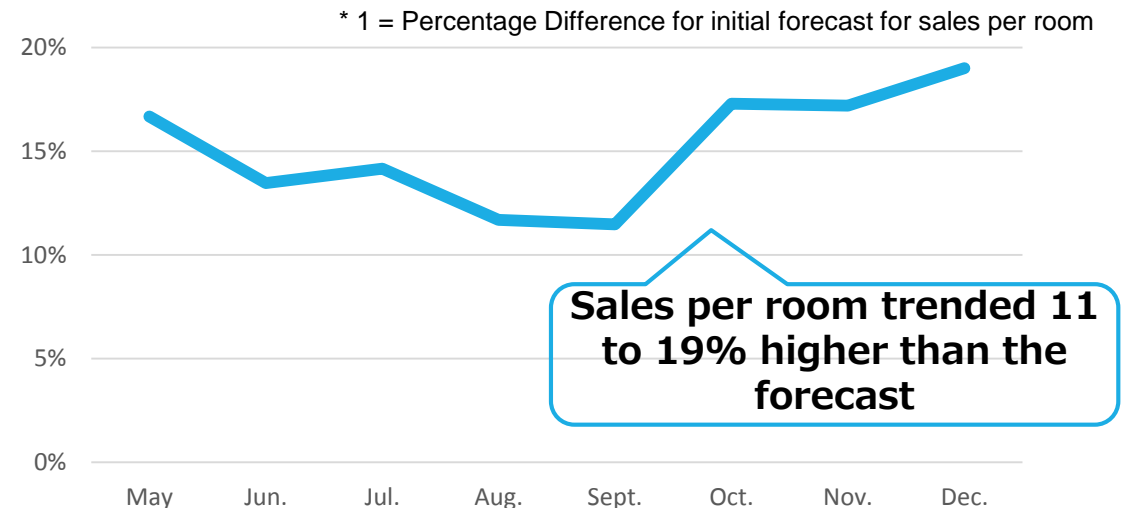


◆ April to December Inbound customers ◆



- Results achieved by measures to attract foreign individual tourists (FITs)
- ⇒ • Smooth guidance enabled by a dedicated information desk for foreign visitors
- Tailored services through establishment of concierge desks

◆ Percentage difference compared to the forecast for sales per room ◆



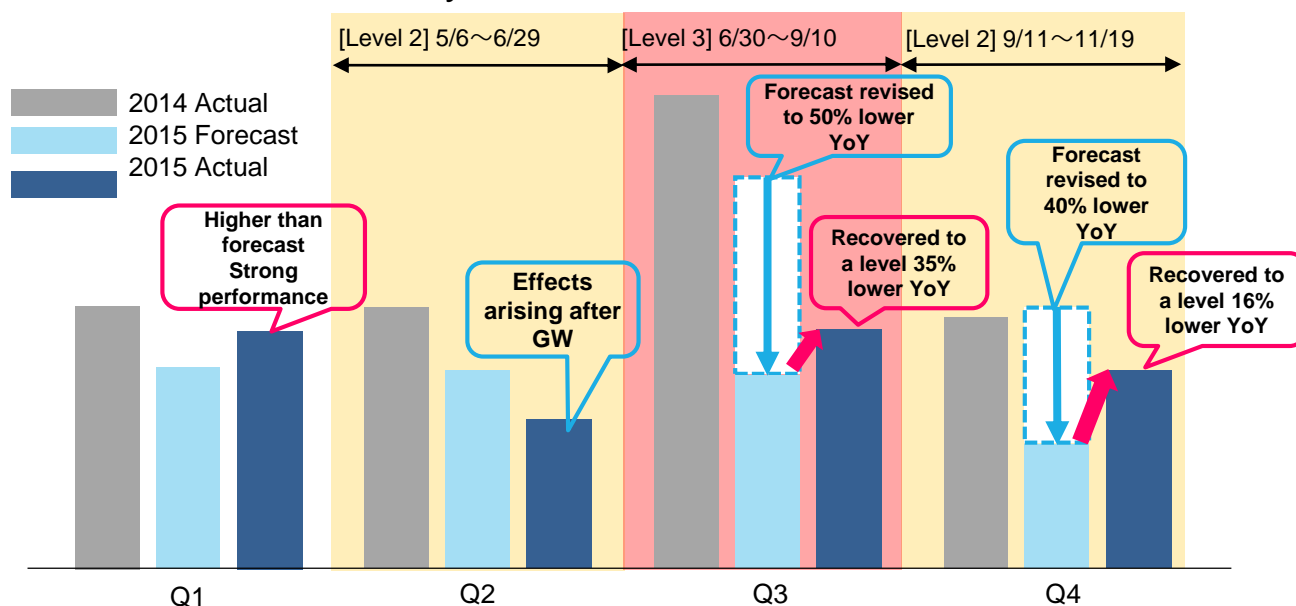
Maintained operating rates and sales per room higher than forecast since its opening

Operating Conditions by Segment (Resort Business)

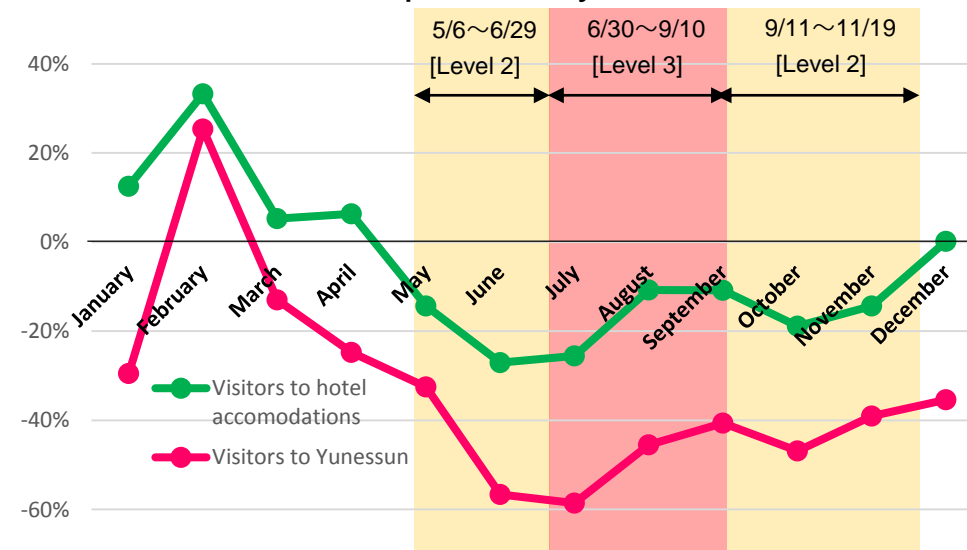
Business Results Impacted by the Elevation of the Volcanic Alert Level

(Billion yen)	2015 Actual	2014 Actual	YoY	2015 Actual (As of Feb. 13)	Difference from forecast
Net sales	6.49	7.59	(1.09)	7.30	(0.80)
Operating income	(0.30)	0.37	(0.67)	0.10	(0.40)

◆ Sales of Hakone Kowakien compared to the previous year and forecast ◆



◆ Visitors to hotel accommodations and Yunessun compared to the previous year ◆



Struggled to attract customers to the day-trip bathing facility "Yunessun"

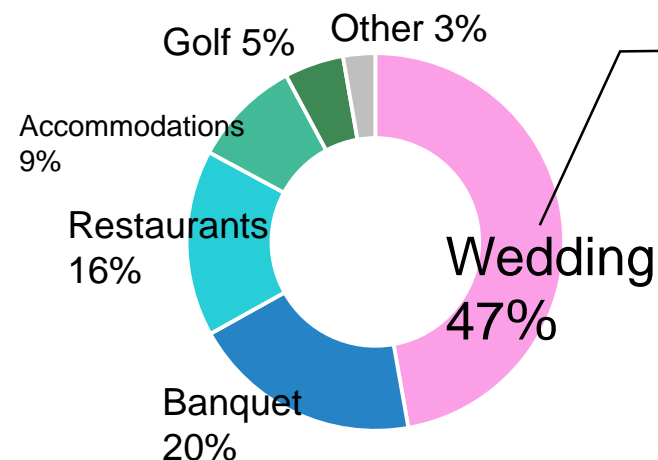
Operating Conditions by Segment (Luxury & Banquet Business)

**Decrease in Revenue Due to Decline of Guests in Wedding Business
Despite Strong Performance in Accommodation**

(Billion yen)	2015 Actual	2014 Actual	YoY	2015 Actual (As of Feb. 13)	Difference from forecast
Net sales	26.24	27.58	(1.34)	27.50	(1.25)
Operating income	0.10	0.16	(0.06)	0.40	(0.29)

◆ Operating Conditions of Wedding Business ◆

Sales composition of Luxury & Banquet Business

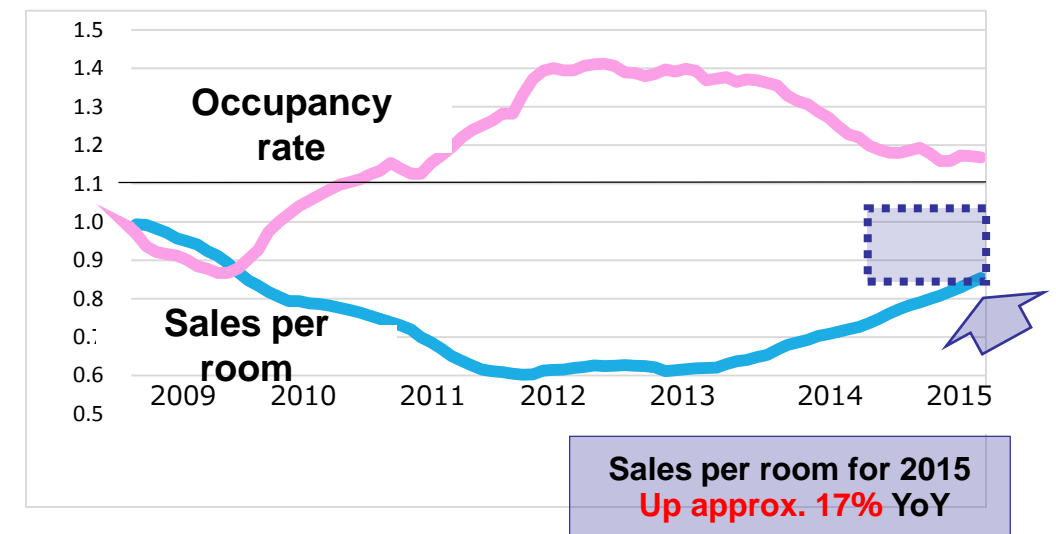


Although sales at Hotel Chinzanso Tokyo and Taiko-en were well below forecast, sales at Kawano Co., Ltd. for which all shares were acquired in January, showed favorable performance, resulting in an year-on-year revenue increase.

Net sales of Wedding Business	
YoY	4.2%
Difference from forecast	(10.2)%

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

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



Overseas Initiatives

Established Representative Offices in Jakarta and Bangkok in June

[Main purpose of overseas bases]

- 1) Increase recognition of the Company's facilities
(Enhance the appeal for inbound customers, especially FITs)
- 2) Expand new business bases, including accommodation facilities



◆ Held workshops in Jakarta ◆



Held workshops for media and travel agencies in Jakarta in July

◆ Supervised cuisines at events to promote Japanese food ◆



Chef from Hotel Chinzanso Tokyo supervised Japanese cuisines at Japan Indonesia Food Festival held in Jakarta in September

Photo courtesy of The Mainichi Newspapers

Total number of foreign visitors to Japan who stayed at the Company's facilities in 2015: 1,090,000 (29% share)

III. Full-Year Business Results Forecast for the Fiscal Year 2016

Positioning of Fiscal Year 2016 in the Medium-term Management Plan

Second Year of the Medium-term Management Plan: Promote Upfront Investments and Recover a Portion of Gains

Current medium-term management plan

Plan		2014	2015	2016	2017	2018	2019	2020~
Upfront investment	Aggressive investment frontloading							
Recovery	Stabilization and expansion of revenue							
Re-growth	Making the new core profitable							
Capital investment (Medium-term management plan, planned amount) (Cash-based) * Announced			(14.0)	-	7.50	-	5.40	5-year total 50.0
Capital investment (Actual and forecast) (Cash-based)			8.10	14.5	-	-	-	5-year total 50.0
Ordinary income (Medium-term management plan, planned amount) * Announced			(1.50)	-	2.30	-	4.80	
Ordinary income (Actual and forecast)			(0.10)	0.80	-	-	-	(Billion yen)

Full-Year Forecast (Consolidated)

	2016 Forecast	2015 Actual	YoY
(Billion yen)			
Net sales	70.00	63.98	6.01
Operating income	1.00	0.03	0.96
Operating income before depreciation	7.00	5.14	1.85
Ordinary income (loss)	0.80	(0.17)	0.97
Net income	0.30	0.03	0.26
Capital investment (cash-based)	14.59	8.16	6.43
Depreciation	4.59	3.99	0.60

IV. Measures by Segment

Measures by Segment (WHG Business ①)

Further Raise Sales Per Room by Enhancing Product Appeal

(Billion yen)	2016 First Half	YoY	2016 Second Half	YoY	2016	YoY
	Forecast		Forecast		Forecast	
Net sales	15.00	2.11	17.80	2.70	32.80	4.82
Operating income	(0.30)	(0.26)	1.75	0.90	1.45	0.63

◆ Estimated sales per room YoY percentage change ◆

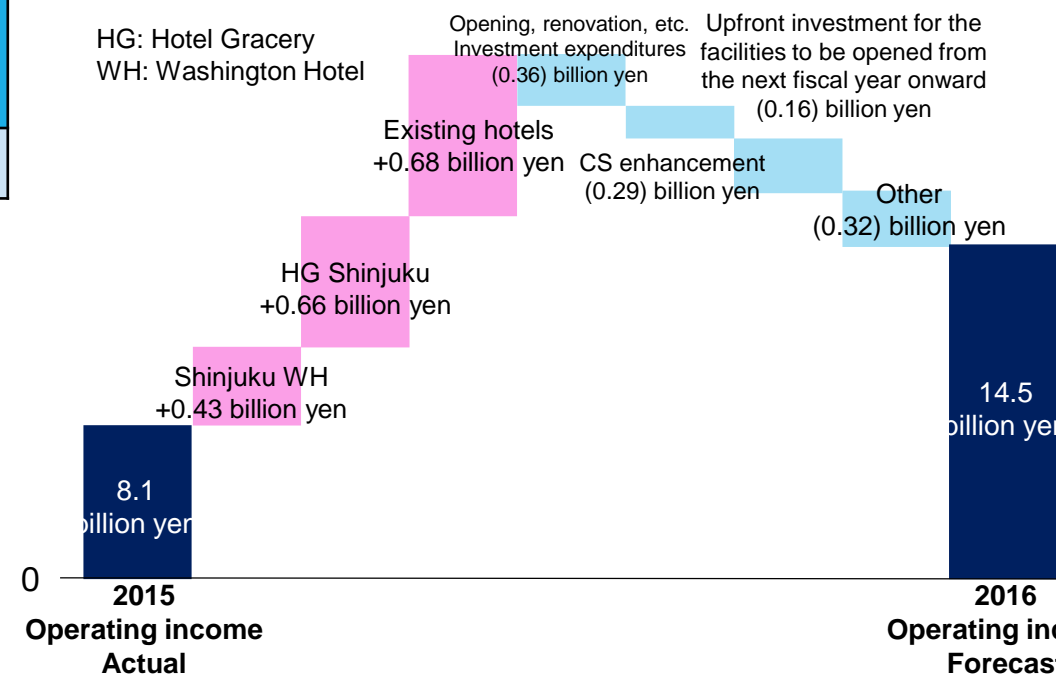
YoY percentage change	Tokyo metropolitan area	Rural area	Total
Sales per room	Up 10.0%	Up 5.5%	Up 9.6%

Shinjuku Washington Hotel Main Building: Renovation of all guest rooms completed in March

Period	Annual number of guest rooms available for sale
January to December 2015	Approx. 280,000 rooms
January to December 2016	Approx. 400,000 rooms

Sales per room is expected to rise 14% YoY due to renovation

◆ Operating income YoY difference factors ◆



Initiatives by Segment (WHG Business ②)

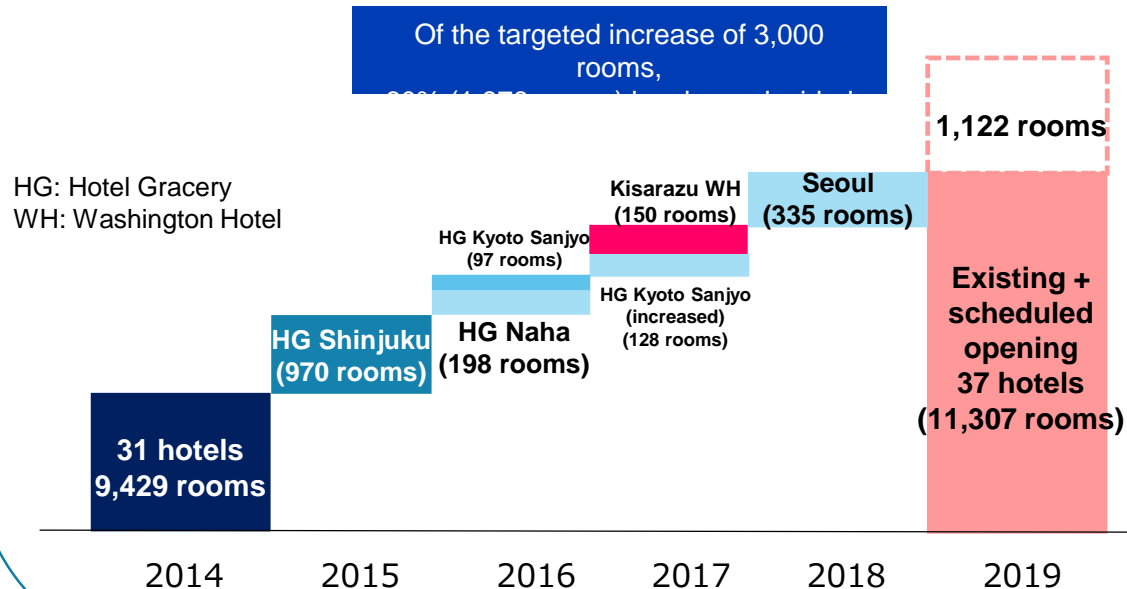
Target and progress of the medium-term management plan

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

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

➤ Plan to open 6 hotels and 1,878 rooms within the current medium-term management plan

Number of guest rooms in the future



◆Hotels to be opened this year◆

Hotel Gracery Naha



- Located in the center of Naha Kokusai Dori
- Attract tourists from Japan and overseas
- Location: 1-3-6, Matsuo, Naha, Okinawa
- Scheduled opening: Thursday, April 7, 2016
- [Guest rooms] 198 rooms
(Twin, Double: 125 rooms/Single 73 rooms)

Hotel Gracery Kyoto Sanjyo



- Located on Kyoto Teramachi Dori which is an ideal area for sightseeing
- 128 twin rooms are scheduled to be added on the adjacent plot in 2017
- Location: 406 Sakuranocho, Shinkyogokudori-Sanjo-Sagaru, Nakagyo-ku, Kyoto
- Scheduled opening: Friday, July 1, 2016
- [Guest rooms] Double room 97 rooms

Initiatives by Segment (WHG Business ③)

Target and progress of the medium-term management plan

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

2

Strengthen competitiveness

- Continue renovation of guest rooms (2016 plan: Shinjuku, Akihabara, Ginza, Yokohama Sakuragicho)
- Reorganize subsidiaries to secure human resources and promote operational efficiency
WHG NISHINIHON: Fukuoka, Nagasaki, Hiroshima, Naha
WHG KANSAI: Kansai Airport, Nara, Kyoto
- Establish training center to strengthen CS and operation

Investment plan
(Billion yen)

2016 Forecast	Medium-term management plan forecast	Difference
3.3	1.9	1.4

◆ Continue renovation of guest rooms ◆



Shinjuku Washington Hotel



Yokohama Sakuragicho
Washington Hotel

Revise rack rate following renovation to further raise sales per room

◆ Strengthen training at training center ◆



Carried out more effective and unified training at the training center established within Yokohama Isezakicho Washington Hotel in October 2015
⇒ Contributed to the launch of new hotels

Measures by Segment (Resort Business ①)

Despite Effects of Hakone Volcanic Earthquake until Q1, Recovery is Anticipated

(Billion yen)	2016 First Half	YoY	2016 Second Half	YoY	2016	YoY
	Forecast		Forecast		Forecast	
Net sales	3.00	(0.05)	4.20	0.76	7.20	0.70
Operating income	(0.50)	(0.10)	0.45	0.35	(0.05)	0.25

◆ Occupancy rate, sales per room, expected percentage change in number of guests ◆

Effects of Hakone volcanic earthquake are expected to last until Q1
Raise sales per room by strengthening product appeal

YoY percentage change	Hakone Hotel Kowakien
Sales per room	4.0% increase
Occupancy rate	80% level as in the previous year

YoY percentage change	Yunessun / Mori No Yu
Number of guests	20.2% increase

◆ Enhance appeal to attract guests to Hakone Kowakien ◆

Strengthen new activities and services for inbound customers to further cultivate new customers



Watching the night sky from the hotel terrace admiring the beauty of stars and moon



Matcha service at the garden

Measures by Segment (Resort Business ②)

Target and progress of the medium-term management plan

Focus on re-development of the Hakone area and capture upper middle to high-end customers

1

Large-scale investment in Hakone Kowakien

- Opening of Hakone Kowakien Ten-yu (150 rooms) in 2017
In addition, we plan to construct luxury inns within Hakone Kowakien

2

Expand openings in resort areas (additional 5 facilities)

- Build a business model for luxury inns based on Yufuin Ryokuyu
- Explore new businesses in hot spring and resort areas throughout Japan

Investment plan
(Billion yen)

2016 Forecast	Medium-term management plan forecast	Difference
7.3	6.7	0.6

◆Preparation for opening Hakone Kowakien Tenyu◆



Based on the concept of “hospitality featuring nature and Japanese-style,” a ryokan taking advantage of the scenic view and geographical characteristics of the valley will open in 2017 as a new flagship facility in the Hakone area

◆Accumulate know-hows in luxury inns◆



At Yufuin Ryokuyu which opened in November 2014, the measures to set high sales per room proved successful, and further accumulation of its know-how is in progress

Measures by Segment (Luxury & Banquet Business ①)

Promote High Value-Added Strategy and Strive to Become a Profitable Structure

(Billion yen)	2016 First Half	YoY	2016 Second Half	YoY	2016	YoY
	Forecast		Forecast		Forecast	
Net sales	13.00	0.32	13.80	0.23	26.80	0.55
Operating income	0.00	0.12	0.30	0.07	0.30	0.19

◆ Strengthen brand power of Hotel Chinzanso Tokyo ◆

Enhance product appeal to offset downtrend of the market in the wedding business by the banquet and accommodations businesses



YoY percentage change	
Sales per room	Up 7.0%
Operating rate	Up 1.0%

Implemented renovation in phases over 4 years from 2014
In addition to the elegant European style which features the traditional side of the hotel, a floor featuring modern Japanese style is available in response to the expected increase in inbound

◆ Measures to improve profitability of wedding business ◆

Increase average number of guests by enhancing the product appeal through renovation of medium- and large-size halls and improve profitability by increasing drinks and service income



(Left) Garden Hall, the medium-size banquet hall in Taiko-en which was renovated last fall
(Right) Hotel Chinzanso Tokyo started introduction of projection mapping
Renovation of banquet hall is planned this year as well at Hotel Chinzanso Tokyo, Taiko-en and Kawano

Measures by Segment (Luxury & Banquet Business ②)

Target and progress of the medium-term management plan

Develop high-quality businesses with Hotel Chinzanso Tokyo brand at the core

1 Transform Chinzanso into a hotel brand from a wedding brand

- Currently implementing renovation of guest rooms in 4 phases through 2017
- Continuously strengthen service capabilities which have earned the highest rank in the Michelin Guide for 9 consecutive years

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

- Opened the Japanese restaurant KINSUI TAIPEI in Taipei in January 2016

3 Expand the wedding business field (additional 5 facilities)

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

Investment plan
(Billion yen)

2016 Forecast	Medium-term management plan forecast	Difference
2.8	3.5	(0.7)

- ◆ Increase recognition (operation of restaurants overseas) ◆
- Opened its first overseas restaurant in Taipei on January 21

KINSUI TAIPEI by HOTEL CHINZANSO TOKYO

Address: EAT-T Building 5F, 299, Lequn 3rd . Rd.,
Zhongshan District, Taipei

Format: Kaiseki (course only)

Number of tables: 40

Price levels: NT\$4,000/NT\$5,000/NT\$6,000

(Approx. mid 10,000 yen to mid 20,000 yen)



Full-Year Forecast (by Segment)

(Billion yen)		2016 First Half		2016 Second Half		2016	
		Forecast	YoY	Forecast	YoY	Forecast	YoY
WHG Business	Net sales	15.00	2.11	17.80	2.70	32.80	4.82
	Operating income	(0.30)	(0.26)	1.75	0.90	1.45	0.63
Resort Business	Net sales	3.00	(0.05)	4.20	0.76	7.20	0.70
	Operating income	(0.50)	(0.10)	0.45	0.35	(0.05)	0.25
Luxury & Banquet Business	Net sales	13.00	0.32	13.80	0.23	26.80	0.55
	Operating income	0.00	0.12	0.30	0.07	0.30	0.19
Other and adjustments	Net sales	1.50	(0.13)	1.70	0.06	3.20	(0.06)
	Operating income	(0.40)	(0.10)	(0.30)	(0.02)	(0.70)	(0.12)
Total	Net sales	32.50	2.25	37.50	3.76	70.00	6.01
	Operating income	(1.20)	(0.35)	2.20	1.31	1.00	0.96

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	2011	2012	2013	2014	2015	2016 (Forecast)
Dividend	4 yen	4 yen	4 yen	4 yen	4 yen	4 yen