

Financial Results for the
Six Months Ended June 30, 2016

August 8, 2016
FUJITA KANKO INC.
(Code number: 9722)

Agenda for Today's Presentation (Table of Contents)

| | | | |
|--|--------|---|-----|
| I. Financial Results for the Six Months Ended June 30, 2016 | P1 | III. Full-Year Business Results Forecast | P11 |
| 1. Statements of Income for the First Half | P2 | 1. Full-Year Forecast (Consolidated) | P12 |
| 2. Balance Sheets and Statements of Cash Flows for the First Half | P3 | 2. Full-Year Forecast (by Segment) | P13 |
| 3. Net Sales by Segment for the First Half | P4 | | |
| 4. Operating Income by Segment for the First Half | P5 | IV. Measures for the Second Half by Segment and Current Status | P14 |
| | | 1. Measures for the Second Half by Segment (WHG Business) | P15 |
| II. Operating Conditions for the First Half by Segment | P6 | 2. Measures for the Second Half by Segment (Resort Business) | P16 |
| 1. Operating Conditions for the First Half by Segment (WHG Business) | P7 - 8 | 3. Measures for the Second Half by Segment (Luxury & Banquet Business) | P17 |
| 2. Operating Conditions by Segment (Resort Business) | P9 | 4. Status of Inbound Customers | P18 |
| 3. Operating Conditions by Segment (Luxury & Banquet Business) | P10 | 5. Status of Inbound Customers for the Company and Measures | P19 |
| | | 6. Return to Shareholders | P20 |

I. Financial Results for the Six Months Ended June 30, 2016

Statements of Income for the First Half

Operating Income and Ordinary Income Increased YoY and Above the Forecast

| | Q2 2016 Actual | Q2 2015 Actual | YoY | Q2 2016 Forecast | Difference from forecast |
|---|-------------------|-------------------|------|---------------------|-----------------------------|
| (Billion yen) | | | | | |
| Net sales | 32.22 | 30.24 | 1.97 | 32.50 | (0.27) |
| Operating income | (0.43) | (0.84) | 0.40 | (1.20) | 0.76 |
| Operating income before depreciation | 2.32 | 1.53 | 0.78 | 1.60 | 0.72 |
| Ordinary income | (0.43) | (0.83) | 0.40 | (1.20) | 0.76 |
| Net income attributable to owners of parent | 0.19 | (0.82) | 1.02 | (1.00) | 1.19 |

Balance Sheets and Statements of Cash Flows for the First Half

**While Proceeding with Capital Investment in New Businesses, etc.,
Sales of Securities were also Conducted**

| (Billion yen, %) | Q2 2016 Actual | 2015 Actual | Difference from Dec. 31, 2015 |
|-----------------------|-------------------|----------------|----------------------------------|
| Total assets | 100.83 | 104.73 | (3.89) |
| Net assets | 22.57 | 27.01 | (4.43) |
| Interest-bearing debt | 44.71 | 44.81 | (0.10) |
| Equity ratio | 22.2% | 25.6% | (3.4)PT |

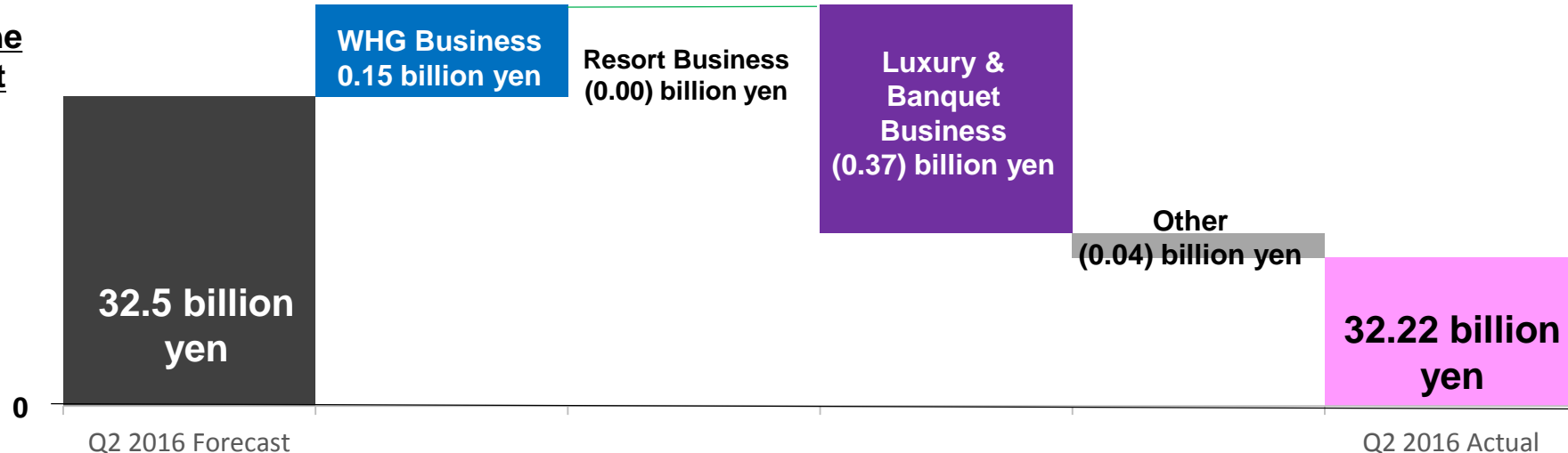
| (Billion yen, %) | Q2 2016 Actual | Q2 2015 Actual | YoY |
|--------------------------------------|-------------------|-------------------|--------|
| Cash flows from operating activities | 0.62 | (1.90) | 2.53 |
| Cash flows from investing activities | (0.15) | (6.43) | 6.28 |
| Capital investment (Cash-based) | 3.70 | 4.96 | (1.25) |

Net Sales by Segment for the First Half

Performance was Led by WHG Business, in which HG Shinjuku Started Full Operation

| (Billion yen) | Q2 2016 Actual | Q2 2015 Actual | YoY | Q2 2016 Forecast | Difference from forecast |
|--------------------------------------|----------------|----------------|--------|------------------|--------------------------|
| WHG Business | 15.15 | 12.88 | 2.27 | 15.00 | 0.15 |
| Resort Business | 2.99 | 3.05 | (0.06) | 3.00 | (0.00) |
| Luxury & Banquet Business | 12.62 | 12.67 | (0.05) | 13.00 | (0.37) |
| Others | 1.45 | 1.63 | (0.18) | 1.50 | (0.40) |
| Total net sales | 32.22 | 30.24 | 1.97 | 32.50 | (0.27) |

Net sales compared to the initial forecast

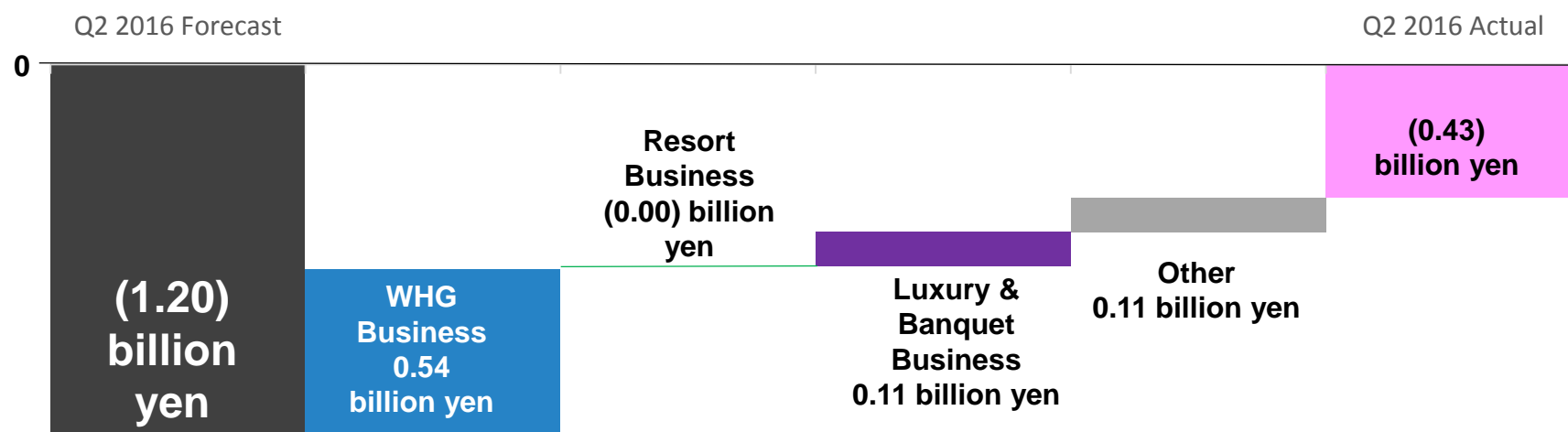


Operating Income by Segment for the First Half

In WHG Business and L&B Business, Income Increased YoY and Above the Forecast

| (Billion yen) | Q2 2016 Actual | Q2 2015 Actual | YoY | Q2 2016 Forecast | Difference from forecast |
|--------------------------------------|----------------|----------------|--------|------------------|--------------------------|
| WHG Business | 0.24 | (0.03) | 0.27 | (0.30) | 0.54 |
| Resort Business | (0.50) | (0.39) | (0.11) | (0.50) | (0.00) |
| Luxury & Banquet Business | 0.11 | (0.12) | 0.24 | (0.00) | 0.11 |
| Others | (0.29) | (0.29) | (0.00) | (0.40) | 0.11 |
| Total net sales | (0.43) | (0.84) | 0.40 | (1.20) | 0.76 |

Operating income compared to the initial forecast



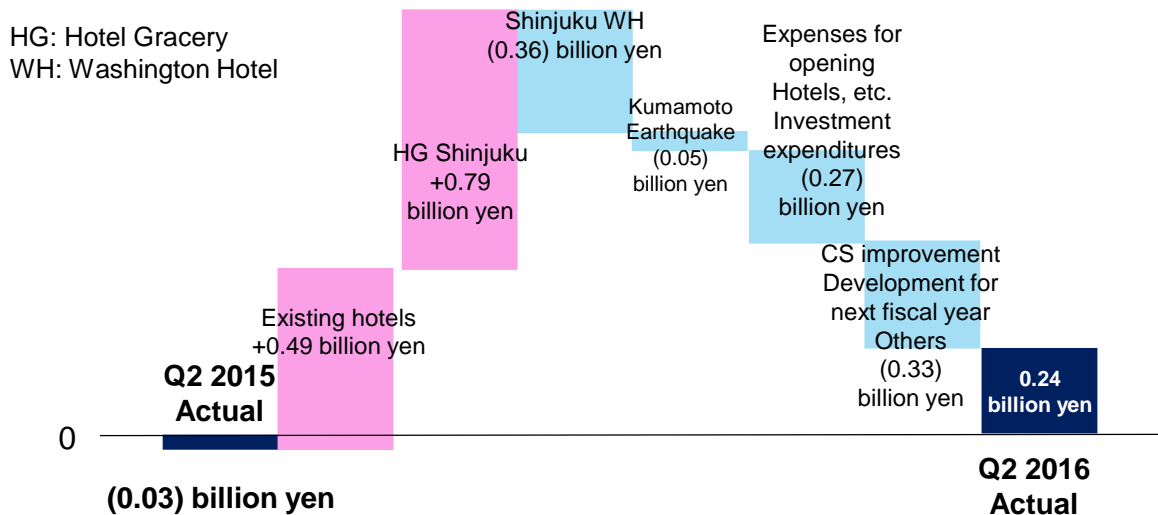
II. Operating Conditions for the First Half by Segment

Operating Conditions by Segment (WHG Business ①)

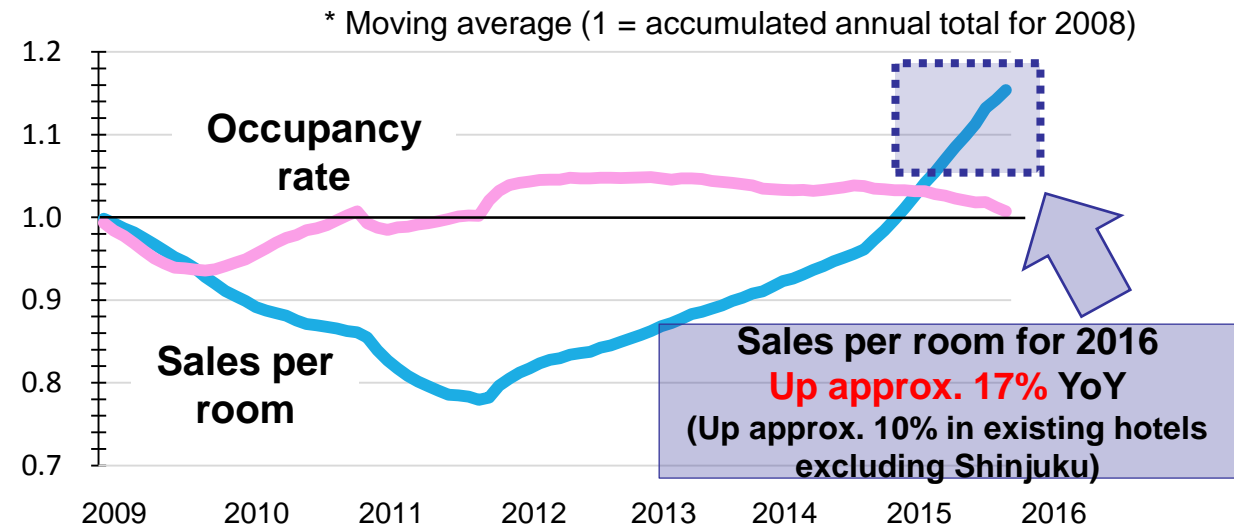
Increase in Revenue and Income Due to Full operation of HG Shinjuku/Shinjuku WH and Increase in Sales per Room

| (Billion yen) | Q2 2016 Actual | Q2 2015 Actual | YoY | Q2 2016 Forecast | Difference from forecast |
|------------------|----------------|----------------|------|------------------|--------------------------|
| Net sales | 15.15 | 12.88 | 2.27 | 15.00 | 0.15 |
| Operating income | 0.24 | (0.03) | 0.27 | (0.30) | 0.54 |

◆ Operating income YoY difference factors ◆



◆ Occupancy rates and sales per room ◆



Operating Conditions by Segment (WHG Business ②)

Completion of Large-scale Renovation of Shinjuku Washington Hotel

Operates **total of 2,586** guest rooms in the Shinjuku Area that has a high demand



Shinjuku Washington Hotel (Main Building)
Full operation from Apr. 1, 2016
[1,279 rooms]

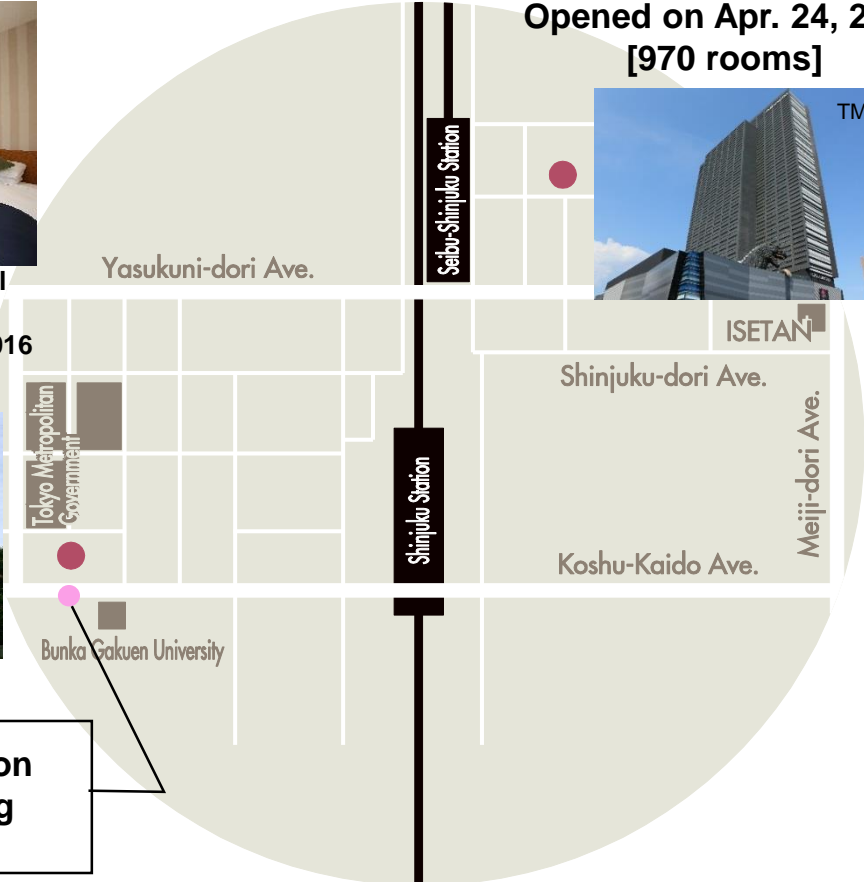


Shinjuku Washington Hotel New Building
[337 rooms]

Hotel Gracery Shinjuku
Opened on Apr. 24, 2015
[970 rooms]



TM & ©TOHO CO., LTD.



◆ Shinjuku Washington Hotel increase and decrease of sales per room during the first half ◆

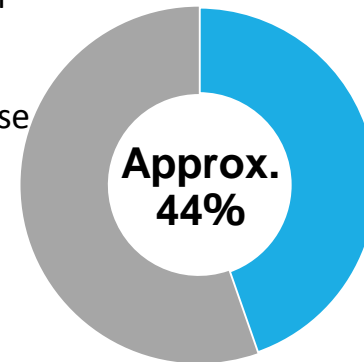
| | Sales per room | Occupancy rate |
|----------------------|----------------|----------------|
| Difference from 2014 | 26% increase | 2.6% decrease |
| Difference from 2015 | 18% increase | 1.8% decrease |

Increase of 14% YoY projected in the initial forecast

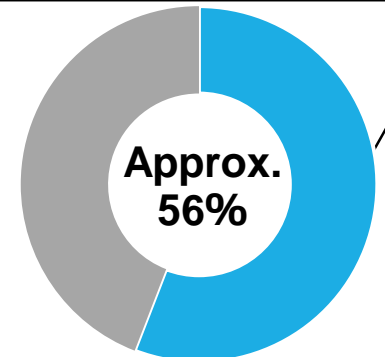
◆ Shinjuku Washington Hotel Inbound customers for the first half ◆

- Foreign visitors
- Japanese

Large growth in the FIT share



2014



2016

➤ Attracted more inbound tourists by increasing the number of twin rooms

Operating Conditions by Segment (Resort Business)

Decrease in Revenue and Income, Despite Recovery in Demand for Accommodation in Hakone

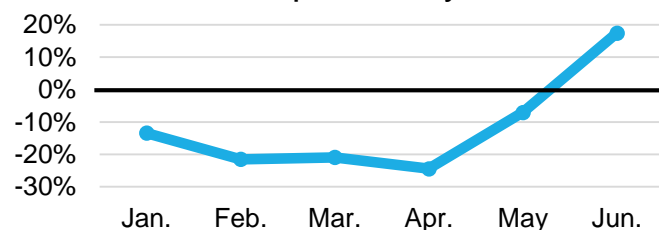
| (Billion yen) | Q2 2016 Actual | Q2 2015 Actual | YoY | Q2 2016 Forecast | Difference from forecast |
|------------------|----------------|----------------|--------|------------------|--------------------------|
| Net sales | 2.99 | 3.05 | (0.06) | 3.00 | (0.00) |
| Operating income | (0.50) | (0.39) | (0.11) | (0.50) | (0.00) |

◆ Recovery status of Hakone Kowaki-en ◆

Performance at Hakone Hotel Kowaki-en during the first half

| | Sales per room | Occupancy rate |
|--------------------------|----------------|----------------|
| YoY | 2.4% increase | 0.6% increase |
| Difference from forecast | 1.5% increase | 6.6% increase |

Visitors to Yunessun compared to the previous year



- In terms of accommodation demand, both sales per room and the occupancy rate increased YoY and above the forecast, recovering from the effects of the volcanic earthquake
- Yunessun showing signs of recovery from May onwards

◆ Efforts towards the re-development of Hakone ◆

- For FITs with high needs for separate plans for accommodation and food, Hakone Kowaki-en Miyamafurin was opened in March, a hot spring ryokan with breakfast included (13 rooms, ratio of inbound customers of approx.30%)
- As part of re-development of the Hakone Kowaki-en area, Soba KIHINKAN and Teppan-Yaki GEIHINKAN were opened by utilizing buildings that are registered tangible cultural properties



Teppan-Yaki GEIHINKAN



Soba KIHINKAN

Operating Conditions by Segment (Luxury & Banquet Business)

Strong Performance in Accommodation and Banquet Business, Robust Results for Weddings at Taiko-en

| (Billion yen) | Q2 2016 Actual | Q2 2015 Actual | YoY | Q2 2016 Forecast | Difference from forecast |
|------------------|----------------|----------------|--------|------------------|--------------------------|
| Net sales | 12.62 | 12.67 | (0.05) | 13.00 | (0.37) |
| Operating income | 0.11 | (0.12) | 0.24 | 0.00 | 0.11 |

◆ Operating conditions of Wedding and Banquet Business ◆

[Hotel Chinzanso Tokyo]

- As a result of renovation of banquet halls and changes to the sales structure, the Banquet Business offset the approx. 5% decline YoY in revenue in the Wedding Business
- Efforts were made to review the cost structure of the Wedding Business, contributing to decreased revenue and increased income

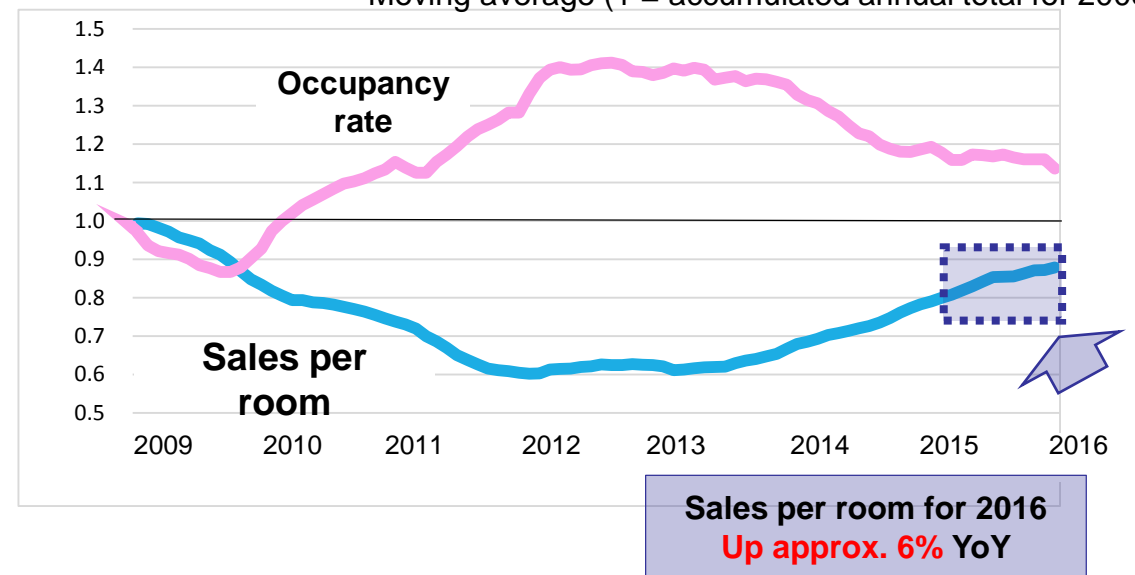
[Taiko-en]

- Renovation of temple and banquet hall in October 2015 proved effective in increasing revenue and income YoY and above the forecast in both the Wedding and Banquet Business



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

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



III. Full-Year Business Results Forecast

Full-Year Forecast (Consolidated)

| | 2015 Actual | Q2 2016 Actual | 2016 Forecast | Initial forecast announced Feb.16 |
|---|----------------|-------------------|--------------------------|---|
| (Billion yen) | | | | |
| Net sales | 63.98 | 32.22 | 69.50 | 70.00 |
| Operating income | 0.03 | (0.43) | 1.80 | 1.00 |
| Operating income before depreciation | 5.14 | 2.32 | 7.40 | 7.00 |
| Ordinary income (loss) | (0.17) | (0.43) | 1.60 | 0.80 |
| Net income attributable to owners of parent | 0.03 | 0.19 | 0.50 | 0.30 |
| Capital investment (cash-based) | 8.16 | 3.70 | 10.87 | 14.59 |
| Depreciation | 3.99 | 2.19 | 4.50 | 4.59 |

Full-Year Forecast (by Segment)

| | 2015 Actual | Q2 2016 Actual | 2016 Forecast | Initial forecast announced Feb.16 |
|--------------------------------------|-------------|----------------|---------------|-----------------------------------|
| (Billion yen) | | | | |
| WHG Business | | | | |
| Net sales | 27.97 | 15.15 | 33.00 | 32.80 |
| Operating income | 0.81 | 0.24 | 2.05 | 1.45 |
| Resort Business | | | | |
| Net sales | 6.49 | 2.99 | 7.15 | 7.20 |
| Operating income | (0.30) | (0.50) | (0.10) | (0.05) |
| Luxury & Banquet Business | | | | |
| Net sales | 26.24 | 12.62 | 26.15 | 26.80 |
| Operating income | 0.10 | 0.11 | 0.45 | 0.30 |
| Others and adjustments | | | | |
| Net sales | 3.26 | 1.45 | 3.20 | 3.20 |
| Operating income | (0.57) | (0.29) | (0.60) | (0.70) |
| Total | | | | |
| Net sales | 63.98 | 32.22 | 69.50 | 70.00 |
| Operating income | 0.03 | (0.43) | 1.80 | 1.00 |

IV. Measures for the Second Half by Segment and Current Status

Measures for the Second Half by Segment (WHG Business)

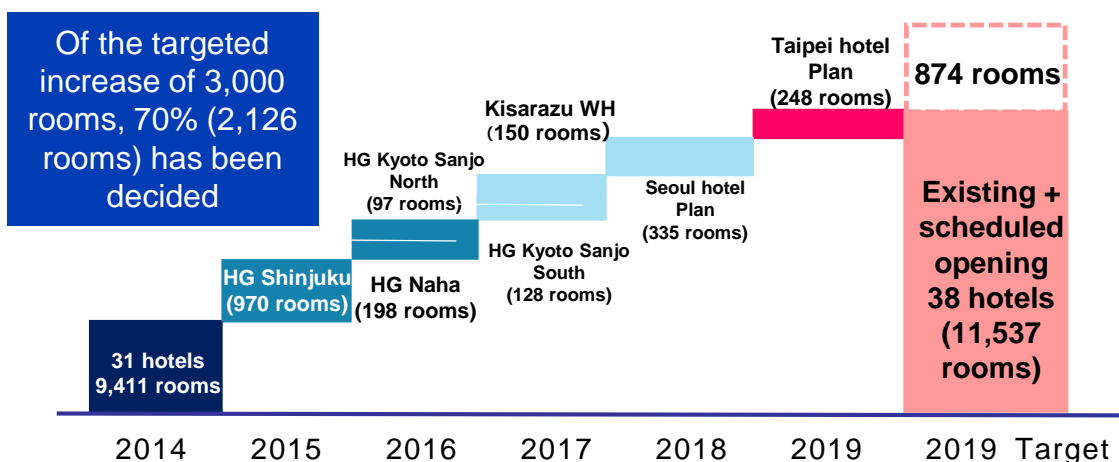
| (Billion yen) | Q2 2016 Actual | 2016 Second Half Forecast | | 2016 Forecast | |
|------------------|----------------|---------------------------|------|---------------|------|
| | | YoY | YoY | YoY | YoY |
| Net sales | 15.15 | 17.84 | 2.74 | 33.00 | 5.02 |
| Operating income | 0.24 | 1.80 | 0.96 | 2.05 | 1.23 |

Accelerate New Openings

- Opened on July 1, 2016: Hotel Gracery Kyoto Sanjo North [97 rooms]
- Opening in May 2017: Hotel Gracery Kyoto Sanjo South [128 rooms]
- 2019: Expansion into Taipei planned [248 rooms]

Enhance Competitiveness

- Improve added value of WHG Hotels
 - Offer concierge service at every Hotel Gracery
 - Improve quality of breakfast
 - Conduct training to improve skills utilizing the training center
- Enhance services for holders of the member's card in order to attract repeat customers (start services of payment with points and 72-hour in advance reservation)
- Going forward, expand membership organization for cardholders including inbound guests



Measures for the Second Half by Segment (Resort Business)

| (Billion yen) | Q2 2016 Actual | 2016 Second Half Forecast | | 2016 Forecast | |
|------------------|-------------------|---------------------------------|------|---------------|------|
| | | | YoY | | YoY |
| Net sales | 2.99 | 4.15 | 0.72 | 7.15 | 0.65 |
| Operating income | (0.50) | 0.40 | 0.31 | (0.10) | 0.20 |

Redevelopment of Hakone Kowaki-en

[Hakone Kowaki-en Tenyu]

- In preparation for an opening in April 2017, bookings will be accepted beginning October
- Continue to carry out personnel training at existing hotels
- Improve sales per room through high-value-added products and enhancement of activities utilizing the Geihinkan (e.g. trekking, tea ceremony, stargazing)

[Hakone Kowaki-en Yunessun]

- Strengthen product appeal by newly establishing “The open-air bath with water coming directly from the hot spring source (for bathing suits wearers)”
- Attract more customers for the summer season through a tie-up with a TV variety program

Measures to Strengthen Sales and Improve CS

[Yufuin Ryokuyu]

- With an aim to revitalize the whole area, conduct measures in cooperation with the locals through the distribution of regional information, etc.
- Aim for a recovery after October in line with initial projections utilizing plans including Kyushu Fukko Wari*1 while further improving added value

Note*1: “Subsidy Program to Encourage Discounted Trip to Support Kyushu Tourism” established by the Government for the early recovery of the tourism industry in Kyushu that has greatly suffered from the Kumamoto Earthquake

[Ito Kowaki-en – Ito Ryokuyu]

- Renovations conducted during the first half to improve tangible aspects. During the second half, efforts will be made to strengthen intangible aspects such as customer service and cuisine in order to improve sales per room



Ito Kowaki-en: Renovation of Japanese and Western style room in main building
Modern Japanese floor -Sui-

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

| | Q2 2016 Actual | 2016 Second Half Forecast | | 2016 Forecast | |
|------------------|-------------------|---------------------------------|--------|---------------|--------|
| | | | YoY | | YoY |
| (Billion yen) | | | | | |
| Net sales | 12.62 | 13.52 | (0.03) | 26.15 | (0.09) |
| Operating income | 0.11 | 0.33 | 0.10 | 0.45 | 0.34 |

Measures to Increase the Average Sales per Room

[Hotel Chinzanso Tokyo]

- Conduct renovations of guest rooms over a period of four years starting from 2014
Third period (end of June through early September 2016)
Strengthen measures to attract FITs through renovation of Japanese-style suite and club lounge
- Review of rack rate and travel agency sales fee from the next fiscal year

Increase rate of sales per room for full-year was as expected in the initial forecast

| YoY Change | |
|----------------|---------------|
| Sales per room | 7.0% increase |
| Occupancy rate | 1.0% increase |

Strengthen Wedding and Banquet Business

[Hotel Chinzanso Tokyo]

- Strengthen sales promotion and change the sales structure to increase large banquets (MICE)
- Enhance product strength through renovation of medium to large venues

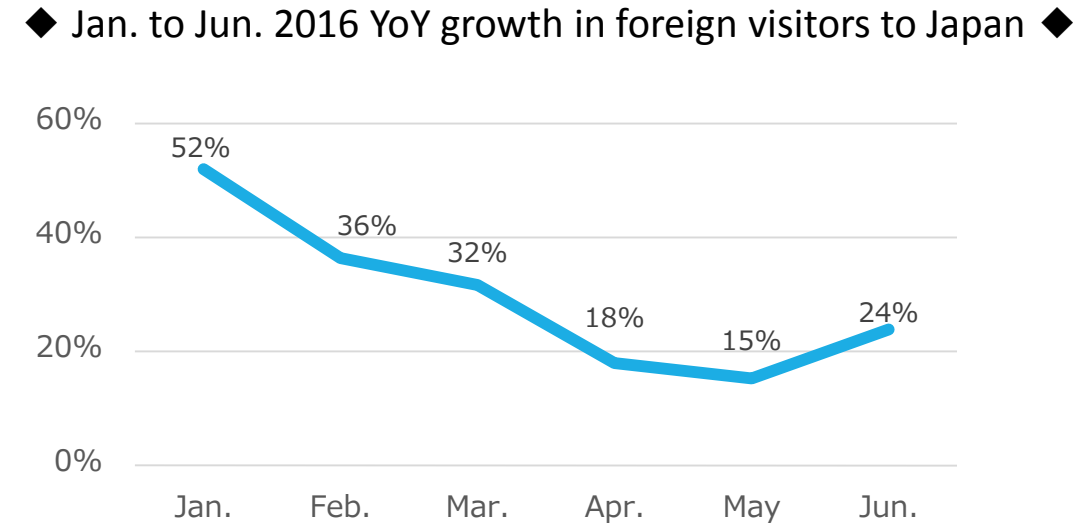
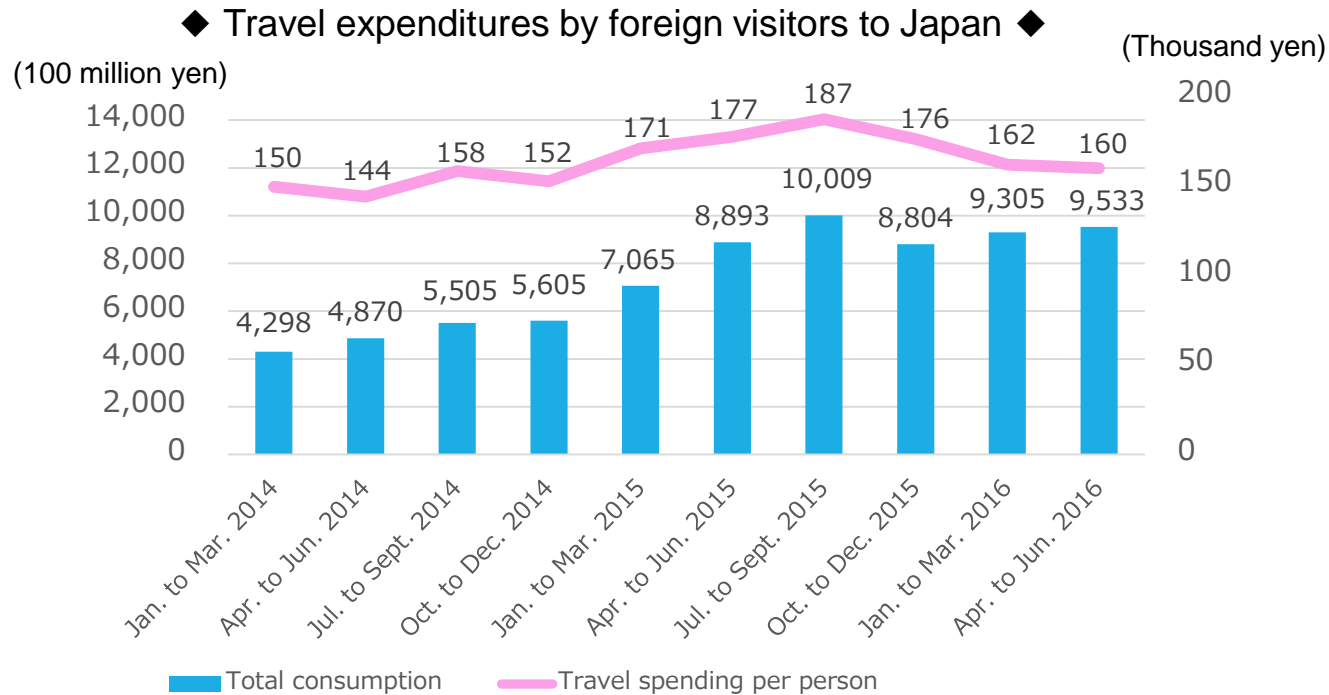
[Taiko-en]

- Renovation of Luxele, a restaurant that is a popular wedding venue
July to early August 2016



Status of Inbound Guests

Statistical Survey on Foreign Visitors to Japan



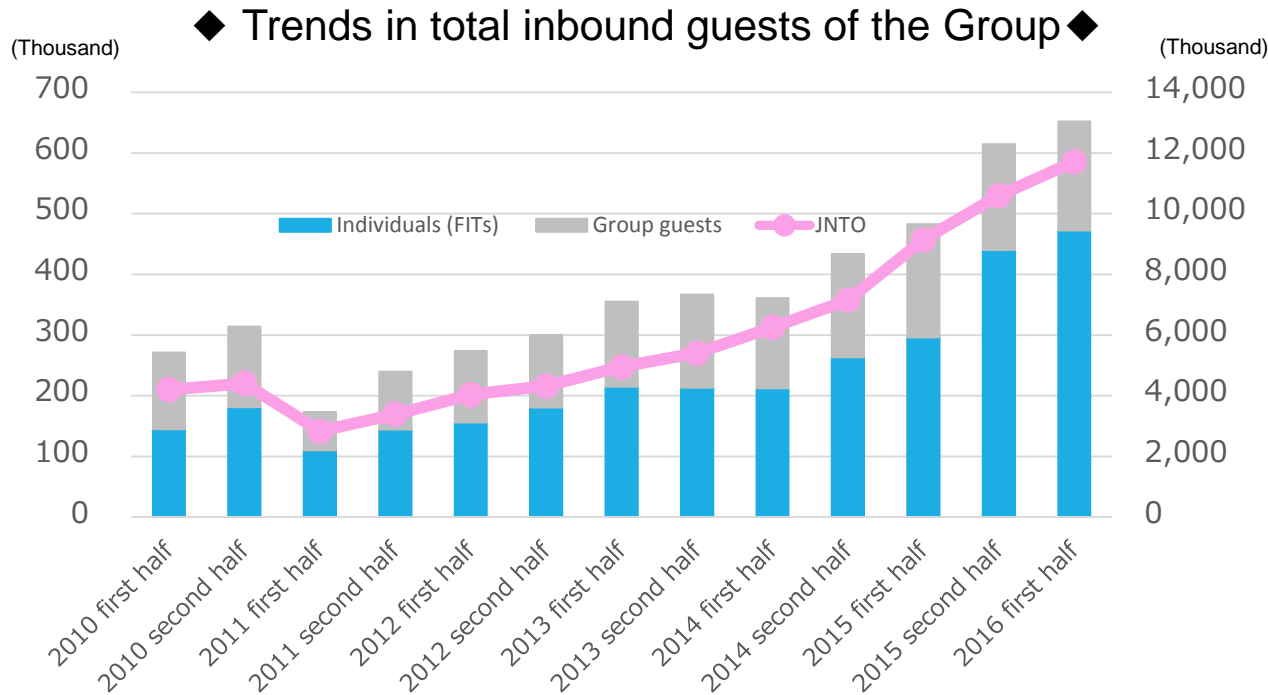
Source: Japan National Tourism Organization (JNTO)

Source: Consumption Trend Survey for Foreign Visitors to Japan, Japan Tourism Agency

- While the total consumption was in the 900 to 999 billion yen range for both January to March 2016 and April to June 2016, travel spending per person has decreased
- While the number of foreign visitors to Japan increased YoY since January 2016, the growth rate decreased slightly (figures for 2015 were up 47.1% compared to 2014)
- Under the policy of tourism oriented country, no changes are expected over the long term of growing numbers of foreign visitors to Japan toward 2020 (Government's target as of March 2016 for 2020: 40 million people (8 trillion yen), for 2030: 60 million people (15 trillion yen))

Status of Inbound Guests for the Company and Measures

Operating Conditions of the Group



- Strengthened measures to attract individual guests (FITs) from 2014
- 35% increase YoY during first half of 2016, there were approximately 650,000 guests and the ratio of inbound guests was approximately 34% of the entire Group

Measures to Attract Wealthy and Individual Customers



Workshop held in Bangkok in January

- PR activities implemented at hubs in Asia (Shanghai, Seoul, Taipei, Bangkok, and Jakarta)
 - PR activities implemented for wealthy individuals in China
 - Social gathering with travel agencies in Jakarta scheduled for August
 - PR activities at “KINSUI TAIPEI by Hotel Chinzanso Tokyo”
- WHG Business Group will implement measures aiming at improving convenience for inbound guests and attracting repeat customers
 - Offer concierge service at every Hotel Gracery
 - Enhance employment of foreign staff
 - Sequentially renew overseas booking websites
 - Going forward, expand membership organization for cardholders including inbound guests

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 |