Consolidated Financial Results
for the Fiscal Year Ended December 31, 2014
[Japanese GAAP]

February 13, 2015

Company name: FUJITA KANKO INC.
Stock exchange listing: Tokyo Stock Exchange
Code number: 9722
URL: http://www.fujita-kanko.co.jp/
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Scheduled date of Ordinary General Meeting of Shareholders: March 26, 2015
Scheduled date of filing annual securities report: March 26, 2015
Scheduled date of commencing dividend payments: March 27, 2015
Availability of supplementary briefing material on annual financial results: Available
Schedule of annual financial results briefing session: Scheduled (for institutional investors and securities analysts)

(Amounts of less than one million yen are rounded down.)

1. Consolidated Financial Results for the Fiscal Year Ended December 31, 2014 (January 1, 2014 to December 31, 2014)

(1) Consolidated Operating Results (% indicates changes from the previous corresponding period.)

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended December 31, 2014	64,250	3.4	1,365	13.3	1,390	18.9	531	(39.6)
Fiscal year ended December 31, 2013	62,109	2.7	1,205	37.3	1,169	85.4	878	138.2

(Note) Comprehensive income: Fiscal year ended December 31, 2014: ¥499 million [(93.6%)]
Fiscal year ended December 31, 2013: ¥7,026 million [340.7%]

	Net income per share	Diluted net income per share	Return on equity	Ordinary income to total assets	Operating income to net sales
	Yen	Yen	%	%	%
Fiscal year ended December 31, 2014	4.43	-	1.9	1.4	2.1
Fiscal year ended December 31, 2013	7.33	-	3.6	1.2	1.9

(Reference) Profit (loss) of entities accounted for using equity method: Fiscal year ended December 31, 2014: ¥81 million
Fiscal year ended December 31, 2013: ¥42 million

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of December 31, 2014	100,881	27,774	27.3	230.04
As of December 31, 2013	104,787	27,894	26.4	231.17

(Reference) Equity: As of December 31, 2014: ¥27,570 million
As of December 31, 2013: ¥27,707 million

(3) Consolidated Cash Flows

	Net cash provided by (used in) operating activities	Net cash provided by (used in) investing activities	Net cash provided by (used in) financing activities	Cash and cash equivalents at end of period

	Million yen	Million yen	Million yen	Million yen
Fiscal year ended December 31, 2014	3,663	1,901	(4,671)	5,925
Fiscal year ended December 31, 2013	4,367	(4,643)	220	5,026

2. Dividends

	Annual dividends					Total dividends	Payout ratio (consolidated)	Dividends to net assets (consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Fiscal year ended December 31, 2013	-	0.00	-	4.00	4.00	479	54.6	2.0
Fiscal year ended December 31, 2014	-	0.00	-	4.00	4.00	479	90.3	1.7
Fiscal year ending December 31, 2015 (Forecast)	-	0.00	-	4.00	4.00		-	

3. Consolidated Financial Results Forecast for the Fiscal Year Ending December 31, 2015 (January 1, 2015 to December 31, 2015)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First half	30,000	(2.7)	(1,700)	-	(1,800)	-	(1,500)	-	(12.52)
Full year	64,200	(0.1)	(1,300)	-	(1,500)	-	(500)	-	(4.17)

*** Notes:**

(1) Changes in significant subsidiaries during the period under review (changes in specified subsidiaries resulting in changes in scope of consolidation): No

(2) Changes in accounting policies, changes in accounting estimates and retrospective restatement
1) Changes in accounting policies due to the revision of accounting standards: Yes
2) Changes in accounting policies other than 1) above: No
3) Changes in accounting estimates: No
4) Retrospective restatement: No

(3) Total number of issued shares (common stock)
1) Total number of issued shares at the end of the period (including treasury shares):
December 31, 2014: 122,074,243 shares
December 31, 2013: 122,074,243 shares

2) Total number of treasury shares at the end of the period:
December 31, 2014: 2,223,421 shares
December 31, 2013: 2,219,040 shares

3) Average number of shares during the period:
Fiscal Year ended December 31, 2014: 119,853,035 shares
Fiscal Year ended December 31, 2013: 119,858,618 shares

(Note) For the number of shares that form the basis for the calculation of net income per share (consolidated), please see “Per Share Information” on page 40.

(Reference) Summary of Non-consolidated Financial Results

Non-consolidated Financial Results for the Fiscal Year Ended December 31, 2014 (January 1, 2014 to December 31, 2014)

(1) Non-consolidated Operating Results (% indicates changes from the previous corresponding period.)

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended December 31, 2014	48,964	4.0	792	(9.8)	935	(0.6)	512	7.9
Fiscal year ended December 31, 2013	47,099	1.7	878	13.9	941	36.0	474	433.8

	Net income per share	Diluted net income per share
	Yen	Yen
Fiscal year ended December 31, 2014	4.27	-
Fiscal year ended December 31, 2013	3.96	-

(2) Non-consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of December 31, 2014	96,943	26,606	27.4	221.88
As of December 31, 2013	100,832	26,691	26.5	222.59

(Reference) Equity: As of December 31, 2014: ¥26,606 million
As of December 31, 2013: ¥26,691 million

* Presentation regarding implementation status of audit procedures

These financial results are outside the scope of audit procedures under the Financial Instruments and Exchange Act. At the time of disclosure of these financial results, audit procedures for the financial statements under the Financial Instruments and Exchange Act have not been completed.

* Explanation of the proper use of financial results forecast and other notes

The financial results forecasts and other forward-looking statements herein are made based on currently available information and include a number of uncertainties. Accordingly, actual results may differ materially due to various factors. For the assumptions underlying the financial results forecasts, please see “Analysis of Operating Results” on page 2 of the attached material.

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1. Analysis of Operating Results and Financial Position

(1) Analysis of Operating Results

(Operating Results for the Fiscal Year Ended December 31, 2014)

The Japanese economy during the fiscal year ended December 31, 2014 generally continued its moderate recovery trend, as corporate performance and employment improved due to the economical and financial policies of the government. In the tourism industry, domestic consumption by foreign visitors to Japan such as accommodation increased, backed by the depreciated yen, the relaxed requirements for visa issuance, and growing interest in Japanese culture, resulting in the number of foreign visitors to Japan surpassing the record high of 13 million per year.

However, the outlook remains uncertain, as a result of the slump in personal consumption due to factors including the consumption tax hike in April and the overseas economic downturn, such as the slowing of growth in Chinese economy and the stagnant European economy where geopolitical risks prevail.

Amid this environment, FUJITA KANKO INC. (the "Company") and its group companies (collectively, the "Group") proceeded to renovate guest rooms and facilities and prepare for new hotel openings to provide for the Tokyo Olympics and Paralympics, taking the medium- and long-term perspective into consideration. In addition, the Group further developed its businesses in Japan and overseas through, for example, the decision to open a hotel under direct management of the Group in Seoul, Korea, where a representative office was opened in 2012.

During the fiscal year ended December 31, 2014, we continued aggressive investment with the aim of strengthening the competitiveness of our existing operating facilities and improving our profitability.

In order to respond to the demand of both business and leisure travelers, we renovated and finely decorated over 1,200 hotel rooms across the entire Group, including all rooms in Tokyo Bay Ariake Washington Hotel, as well as rooms in Hotel Chinzanso Tokyo and Hakone Hotel Kowakien. Moreover, we are advancing in phases the preparation for the opening of Hotel Gracery Shinjuku scheduled on April 24, 2015.

We hosted workshops for the local media and travel agencies in Taipei, Taiwan in June and Seoul, Korea in December. We strove to raise brand awareness of the Group overseas while enhancing the attraction of foreign visitors to Japan.

In October, we ended the operation of Hakone Kowakien Yunessun Inn and decided to build a new accommodation facility on the site. (The new facility is scheduled to open in spring 2017.) This is aimed at becoming a new core facility in the Hakone area to meet diversifying customer needs.

In addition, Kyoto Kokusai Hotel, which had been widely patronized over the years, closed its business on December 26. In the Kyoto area, Hotel Gracery Kyoto Teramachi (tentative name) is scheduled to start operation in fall 2016, and we will continue to develop our business base in the city of Kyoto.

Net sales amounted to ¥64,250 million, an increase of ¥2,140 million year on year, due to a full-year operation of the new facilities opened in 2013. With regard to operating expenses, depreciation and removal costs increased due to investment in hotel room renovations, and preparation expenses for Hotel Gracery Shinjuku were incurred.

While raw material prices and unit prices of utilities increased due to the depreciated yen and unseasonable weather, we continued to suppress costs by improving operation efficiency.

As a result, ordinary income increased by ¥220 million year on year to ¥1,390 million. Operating income before depreciation, which the Group has established as a key indicator starting from the current fiscal year, increased ¥560 million year on year to ¥5,990 million.

The Group recorded extraordinary income of ¥1,790 million, including the transfer of assets such as the site of Kyoto Kokusai Hotel and a gain on sales of investment securities, and extraordinary losses of ¥1,710 million, including losses incurred in conjunction with the discontinued operation of Hakone Kowakien Yunessun Inn. As a result, net income decreased by ¥340 million year on year to ¥530 million.

A summary of business results and operating results by segment for the current consolidated fiscal year is as follows.

(Million yen)

	Fiscal year ended December 31, 2014	YoY change	Percentage change (%)
Net sales	64,250	2,140	3.4
Operating income before depreciation	5,995	563	10.4
Operating income	1,365	160	13.3
Ordinary income	1,390	221	18.9
Net income	531	(347)	(39.6)
ROA (Ratio of ordinary income to total assets)	1.4%	0.2%	―
Loans payable at the end of the year	37,463	(4,150)	(10.0)

Sales and operating income by segment

(Million yen)

	Segment sales			Segment income		
	Actual	YoY change	Percentage change	Actual	YoY change	Percentage change
Chinzanso and Taiko-en Business	25,754	121	0.5%	99	(176)	(63.9%)
WHG Business	27,383	2,037	8.0%	1,056	466	79.2%
Kowakien Business	7,593	(98)	(1.3%)	376	(159)	(29.7%)
Service Expertise Business	7,519	42	0.6%	166	(16)	(8.8%)
Other (including adjustment amounts)	(4,000)	37	―	(332)	45	―
Total	64,250	2,140	3.4%	1,365	160	13.3%

The adjustment amounts refers to the elimination of inter-segment transactions.

Segment income was adjusted based on operating income reported in the consolidated statement of income.

1) Chinzanso and Taiko-en Business
(Hotel Chinzanso Tokyo, Taiko-en, Minami Aoyama CONVIVION, Kyoto Kokusai Hotel, Hotel Fujita Nara, Camellia Hills Country Club, Noto Country Club)

In the weddings business, we strove to enhance wedding products by remodeling two chapels and one shrine at Hotel Chinzanso Tokyo in August despite its partial shutdown due to the repair of the banquet facility. In addition, as a result of the effect of the full-year operation of “Ou-en,” the guesthouse of Taiko-en that opened in September 2013, and the increased number of wedding receptions held in restaurants, the number of guests increased by 2,000 year on year to 201,000. Consequently, sales increased by ¥250 million year on year to ¥11,161 million.

In the accommodations business, we strove to attract customers by expanding our original product lineups themed with “Tsubaki (camellia),” “Sakura (cherry blossom),” and “Hotaru (firefly),” despite some effects of a decrease in capacity utilization due to renovation of guest rooms in Hotel Chinzanso Tokyo (all 260 rooms are scheduled to be renovated through August 2014 to March 2016). On December 26, Kyoto Kokusai Hotel closed its business on a winning note in its final year, thanks to the patronage of many guests until the last day. Consequently, sales increased by ¥67 million year on year to ¥3,111 million, backed by increased average sales per customer, although the number of guests decreased year on year across the business due to certain factors including renovations.

In the restaurants business, the increased use of restaurants for wedding receptions resulted in a year-on-year decrease of 14,000 customers to 1,032,000 and a year-on-year decrease in sales of ¥22 million to ¥4,631 million.

As a result, net sales for this segment increased by ¥121 million to ¥25,754 million; however, segment income (operating income) decreased by ¥176 million year on year to ¥99 million, due to factors including increased depreciation led by aggressive investment.

2) WHG Business

(Washington Hotels in Asahikawa, Sendai, Urawa, Akihabara, Shinjuku, Tokyo Bay Ariake, Yokohama Isezakicho, Yokohama Sakuragicho, Kansai Airport, Hiroshima, Canal City・Fukuoka, and Nagasaki; Hotels Gracery in Sapporo, Ginza, and Tamachi; Hotel Fujita Fukui; and Hotel Azur Takeshiba)

Note: Starting from the second quarter of the fiscal year under review, the segment name was changed from “Washington Hotel Business” to “WHG Business,” in accordance with the decision on the new business name. There is no change to the businesses included in the segment.

The Group continued to take action to improve added value to respond to diversifying customer needs as demand for accommodation continues steadily, backed by the increasing number of foreign visitors to Japan and increased domestic travel by Japanese people.

We renewed the design concepts for guest rooms for Washington Hotel and Hotel Gracery brands and renovated and finely decorated all rooms on the highest floor in Hotel Gracery Ginza and all 800 rooms in Tokyo Bay Ariake Washington Hotel based on these concepts. Furthermore, we renovated double rooms into twin rooms, and finely decorated guest rooms in the other Washington Hotels and Hotels Gracery to satisfy our customer needs.

In the accommodations business, we were able to maintain a high operating rate as we had a strong flow of Japanese guests on leisure trips and overseas guests, mainly from China and Taiwan. We additionally fine-tuned the sales price setting, resulting in an increase in average sales per customer. The number of guests in the accommodations business totaled 3,052,000, a year-on-year increase of 163,000, and sales amounted to ¥19,484 million, a year-on-year increase of ¥2,004 million, backed by the full-year operation of Hiroshima Washington Hotel and Sendai Washington Hotel that opened in the end of last year.

As a result, net sales for this segment increased by ¥2,037 million year on year to ¥27,383 million. Segment income (operating income) increased by ¥466 million to ¥1,056 million, compensating for temporary costs including preparation expenses for the opening of Hotel Gracery Shinjuku scheduled on April 24, 2015.

3) Kowakien Business

(Hakone Hotel Kowakien, Hakone Kowakien Yunessun, Ito Kowakien, Hotel Toba Kowakien, Shimoda Aquarium, Yufuin Ryokuyu)

We offered a variety of new plans and products to accommodate our customer needs and renovated guest rooms and facilities from the medium- and long-term viewpoint.

In the resort hotels business, we proceeded with offering value-added products, including through renovations of rooms with open-air baths, in Hakone Hotel Kowakien, Ito Kowakien, and Hotel Toba Kowakien. We revised the sales prices according to peak and off season, increasing the average sales for accommodation per customer; however, sales decreased by ¥181 million year on year to ¥5,138 million, affected by the drop in guest numbers at Hotel Toba Kowakien, due to the rebound from extraordinary demand for the Shikinen Sengu Ceremony (transfer of a deity to a new shrine building once every 20 years) at Ise Jingu Shrine. In November, we newly opened an accommodation facility, where all the cottages are equipped with private open-air baths, in Yufuin, Oita Prefecture, and decided to build an accommodation facility where all the guest rooms will also be equipped with private open-air baths at the site of the former Hakone Kowakien Yunessun Inn, which closed in October.

In the leisure business, we strove to improve average sales per customer by revising admission fees and expanding sales of set plans. At Hakone Kowakien Yunessun, we offered various types of baths in collaboration with other industries, in an attempt to attract public attention. At Shimoda Aquarium, we strove to increase customers by renewing the Seal Pavilion and the Penguin House and offering new shows. Consequently, sales amounted to ¥2,152 million, a year-on-year increase of ¥73 million, backed by the increased average sales per customer, although the number of visitors decreased due to factors including bad weather such as snow and typhoons.

As a result, net sales for this segment decreased by ¥98 million year on year to ¥7,593 million. Segment income (operating income) was ¥376 million, a year-on-year decrease of ¥159 million, due to factors including increased preparation expenses for re-development of Hakone area, and the drop in guest numbers at Hotel Toba Kowakien, due to the rebound from extraordinary demand for the Shikinen Sengu Ceremony at Ise Jingu Shrine.

4) Service Expertise Business
(Fairton Corporation, Fujita Green Service Inc., Fujita Kanko Kouei Inc., Visualife Co., Ltd.)

As wedding sales increased in Chinzanso and Taiko-en Business, Visualife Co., Ltd. saw an increase in orders for photo and video shooting, and Fujita Kanko Kouei Inc. increased its sales in flower arrangement business, each increasing their profits; however, sales of Fujita Green Service Inc. decreased due to elements including client facilities closing their businesses.

As a result, net sales for this segment increased by ¥42 million year on year to ¥7,519 million; however, segment income (operating income) decreased by ¥16 million year on year to ¥166 million.

(Outlook for Next Fiscal Year)

The Company will commence the five-year medium-term management plan “FUJITA PREMIUM VALUE CREATION 2015” in the fiscal year ending December 31, 2015. We will aim to become the leading company in the tourism-oriented country by achieving further growth through steady implementation of the action plan newly stipulated in the plan.

Fiscal year 2015, the first year of the medium-term management plan, is the period of upfront investment and we expect a temporary downturn in revenue due to the opening of Hotel Gracery Shinjuku, the flagship facility of Hotel Gracery brand, the large-scale renovation of the main building of Shinjuku Washington Hotel, and construction work related to the new accommodation facility in Hakone area.

Net sales are expected to be mostly unchanged from the previous year, as sales from the newly opening Hotel Gracery Shinjuku and increased sales from existing facilities shall compensate for the decreased rate of operation at Shinjuku Washington Hotel due to renovation, in addition to the decreased sales from the closing of Kyoto Kokusai Hotel and Hakone Kowakien Yunessun Inn in the previous year. In terms of profit, we expect losses in operating income, ordinary income, and net income, due to losses to be incurred resulting from the decreased rate of operation at Shinjuku Washington Hotel for renovation, and costs for newly opening Hotel Gracery Shinjuku, which will bring losses for its first year.

Additionally, we expect a year-on-year decrease in net sales of approximately ¥2,600 million and a year-on-year decrease in operating income of ¥1,600 million, due to the effect on business performance of the renovation of the main building of Shinjuku Washington Hotel.

We consider the loss in fiscal year 2015 to be a temporary one as we expect to record revenue when each of these facilities starts up operation in phases in and after fiscal year 2016.

Moreover, we expect to secure ¥4,000 million of operating income before depreciation, which we have established as a key indicator since the previous fiscal year.

Consolidated business results forecast for the full year of fiscal year ending December 31, 2015

Net sales	¥64,200 million
Operating income	¥(1,300) million
Ordinary income	¥(1,500) million
Net income	¥(500) million

The details of our actions are described in “3. Management Policies” on page 10.

(2) Analysis of Financial Position

Cash and cash equivalents for the current fiscal year amounted to ¥5,925 million.

1) Cash flows from operating activities

Net cash provided by operating activities decreased by ¥704 million from the previous fiscal year to ¥3,663 million. This was mainly due to one-time in-flows and out-flows, including ¥617 million in-flow from the refund of operating lease expenses on real estates at a consolidated subsidiary in the previous fiscal year, and ¥822 million out-flow for the reversal of provision for loss on business withdrawal in the current fiscal year.

2) Cash flows from investing activities

Net cash provided by investing activities was ¥1,901 million. This was mainly due to the transfer of assets including the site of Kyoto Kokusai Hotel, and gains on sales of investment securities.

3) Cash flows from financing activities

Net cash used in financing activities was ¥4,671 million. This was mainly due to the outflow of ¥489 million through the payment of dividends, and ¥4,150 million decrease in loans payable. The total amount of loans payable as of the end of the current fiscal year was ¥37,463 million.

(Reference) Historical cash flow indicators

	FY2010	FY2011	FY2012	FY2013	FY2014
Years of debt redemption (years)	9.6	13.3	10.6	9.6	10.3
Interest coverage ratio (times)	5.9	4.4	5.8	6.8	6.1

*Years of debt redemption: Interest-bearing debt / Operating cash flow
*Interest coverage ratio: Operating cash flow / Interest expenses

(3) Basic Dividend Policy and Dividend Payments for Current Fiscal Year and Next Fiscal Year

Regarding dividends of surplus, the Company has a basic policy to fully consider passing its profits on to shareholders, and pay dividends in proportion to the results of its business in consideration of further reinforcement of corporate structure and accumulation of internal reserves to be utilized to promote businesses.

Taking into comprehensive consideration of business performance during the term, future business environment, financial conditions, payout ratio, etc., the Company will pay a dividend of ¥4 per share of the Company’s common stock, same as the previous year. The dividend for next fiscal year is planned to be ¥4 per share of the Company’s common stock.

(4) Risks Related to Business

Major risk factors involving the Group’s business activities and other aspects of operations that may have a significant effect on investor decisions are described as follows. The Group takes into consideration the possibility of such risks materializing and intends to take every measure to avoid occurrence of any risks, as well as to minimize their impact should they occur.

The following risk factors include foreseen items based on our judgment as of the announcement of the financial results on February 13, 2015, and risk factors related to business are not limited to these items.

1) Stock price fluctuations

The Group owns ¥20,700 million of marketable securities mainly of its business partners and affiliated companies and is subject to risk of stock price fluctuations. As of the end of the current fiscal year, the valuation based on the market price yielded an unrealized gain on marketable securities; however, this may affect the operating results and financial position, depending on the future trend of stock prices.

2) Recording of impairment loss

The Group owns ¥55,100 million of property, plant and equipment such as hotel properties as of the end of the current fiscal year. The future fall in real estate prices exceeding a certain range or deteriorating business income may lead to an impairment loss in a part of property, plant and equipment.

3) Continued use or earlier termination of leased property

In the hotels business, such as the Washington Hotels, some of the hotel properties are on long-term lease. In case any owner of such properties is forced into bankruptcy, etc., making continued use difficult, it may negatively affect our operating results. Additionally, if the Group may intentionally choose to cancel a long-term lease contract before its expiration for whatever reason, it may be required to assume obligation to pay the rent or compensate for part of the lease payment, which is ¥38,200 million for the remaining portion of the lease period.

4) Natural disaster and pandemic outbreak

In the case of natural disasters including a massive earthquake, typhoon, or extraordinarily heavy snowfall that may affect the Group's facilities, the costs for temporary suspension of business operations or reconstruction of properties may be incurred. Moreover, if a pandemic such as new strains of influenza breaks out, they may negatively affect the Group's business as restrictions on long-distance travel and cancellation of trips are expected.

5) Loss from withdrawal of real estate-related businesses

The Group was once actively involved in property sales business, and currently continues with peripheral businesses such as infrastructure including road and water, and property management. Many of them are low profit or non-profitable, and if we decide to exit from these businesses, a considerable amount of loss may be temporarily incurred.

6) Deferred tax assets

The Group recorded ¥1,100 million of deferred tax assets for deductible temporary differences. Deferred tax assets are recorded through evaluation of recoverability based on a forecast of future taxable income, etc.; however, in cases where the actual taxable income would be much lower than the forecast, the recoverability would be revised, and deferred tax assets may be reversed to the recoverable amount, negatively affecting the Group's operating results and financial position.

7) Incidents including food poisoning, etc.

We pay close attention to safety and hygiene; however, if by any chance food poisoning does occur, it would damage our customer confidence and may lead to temporary suspension of business operations.

8) Fluctuation in Japanese yen interest rate

Among ¥37,400 million of loans payable as of the end of the current fiscal year, ¥3,000 million is loans with floating interest rates, which may result in increased interest payments if the yen interest rate rises due to recovery of Japanese economy in the future.

(5) Important Information about Going Concern Assumption

Not applicable.

2. Overview of the Corporate Group

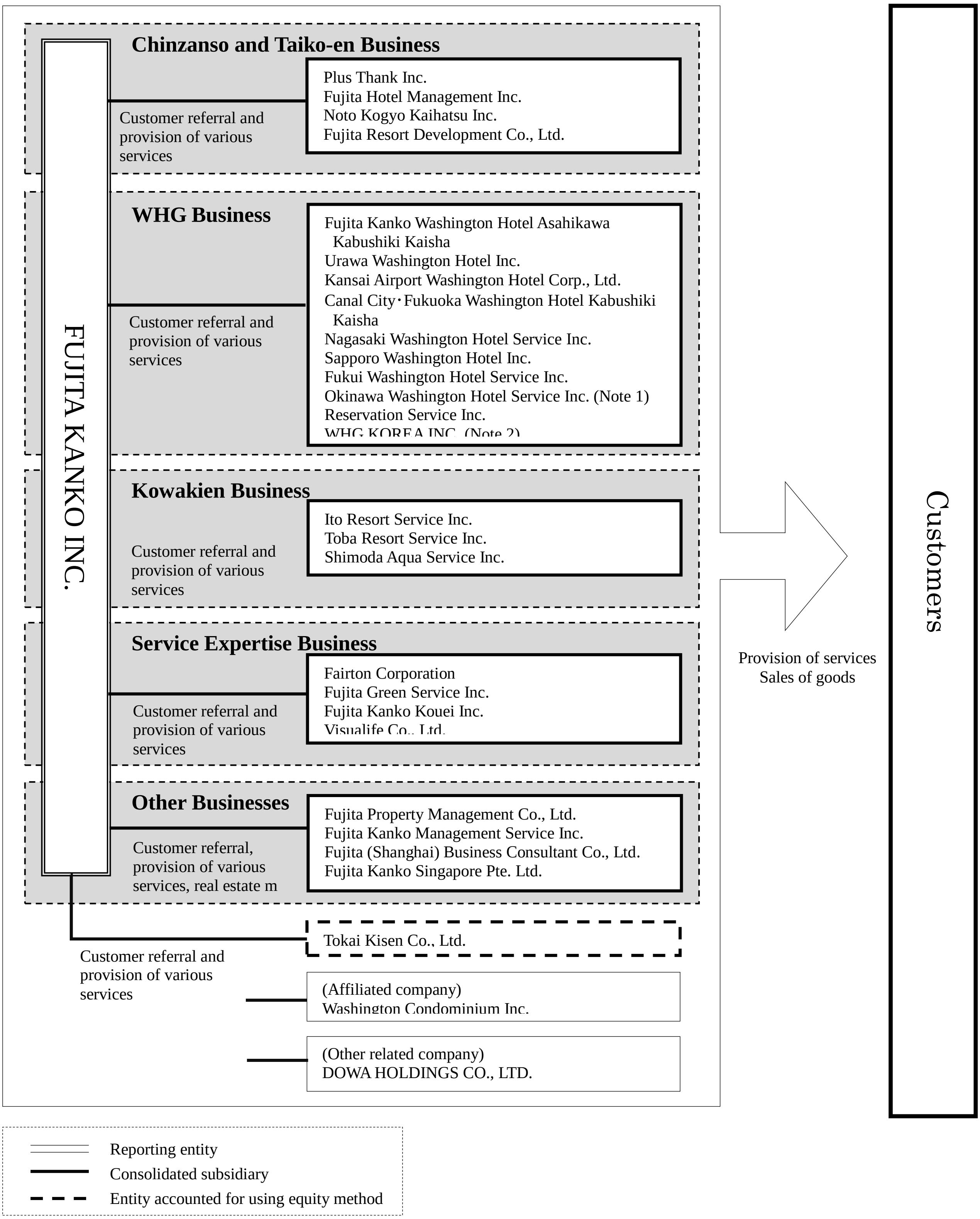
The Group consists of FUJITA KANKO INC., 25 consolidated subsidiaries, 2 affiliated companies, and 1 other related company. The Group engages in Chinzanso and Taiko-en Business, WHG Business, Kowakien Business, and Service Expertise Business as the main businesses and provides various services related to each business.

The position of businesses operating in each segment is as follows.

Chinzanso and Taiko-en Business:	In addition to Hotel Chinzanso Tokyo, Taiko-en, and Camellia Hills Country Club operated by the Company, there are 4 subsidiaries such as Fujita Hotel Management Inc., which operates 2 hotels including Kyoto Kokusai Hotel.
WHG Business:	In addition to each Washington Hotel in Sendai, Akihabara, Shinjuku, Tokyo Bay Ariake, Yokohama Isezakicho, Yokohama Sakuragicho, and Hiroshima, each Hotel Gracery in Ginza and Tamachi, as well as the Hotel Azur Takeshiba operated by the Company, there are 10 subsidiaries operating each Washington Hotel in Asahikawa, Urawa, Kansai Airport, Canal City･Fukuoka, and Nagasaki, Hotel Gracery Sapporo and Hotel Fujita Fukui.
Kowakien Business:	In addition to Hakone Kowakien and Hakone Kowakien Yunessun operated by the Company, there are 3 subsidiaries operating Ito Kowakien, Hotel Toba Kowakien, and Shimoda Aquarium.
Service Expertise Business:	There are 4 subsidiaries, namely Fairton Corporation, Fujita Green Service Inc., Fujita Kanko Kouei Inc., and Visualife Co., Ltd.
Other Businesses:	In addition to the real estate peripheral business operated by the Company, there are 4 subsidiaries, including Fujita (Shanghai) Business Consultant Co., Ltd. and Fujita Kanko Singapore Pte. Ltd.

The following diagram illustrates the business structure.

The following diagram illustrates the business structure.



(Notes) 1. Okinawa Washington Hotel Service Inc. discontinued its hotel operation on May 31, 2008, and is inactive as of the end of the current fiscal year.

2. WHG KOREA INC. was established during the current fiscal year.

3. Travel Planet Inc. discontinued its operation on August 31, 2013 and completed the liquidation process on June 27, 2014.

3. Management Policies

(1) Basic Management Policies of the Company

The FUJITA KANKO Group sets its goal to “contribute to the well-being of our society by providing hospitable services and places where people can relax, refresh, and revitalize,” and has defined its management guidelines and code of conduct that establish a specific guideline based on this philosophy.

(2) Targeted Management Indicators

The Group will aggressively make various investments to enhance its business, for which we defined operating income before deducting depreciation as the important management indicator from the previous fiscal year to expand actual profit.

(3) Medium- and Long-Term Business Strategies

The Company will celebrate its 60th anniversary this fiscal year. In response, we will start a new five-year medium-term management plan to look toward the next 60 years. We will aim to “strengthen the business base” by adapting to the changing environment, and get the Group on a “growth” track. By ensuring the implementation of the medium-term management plan, we strive to achieve ordinary income of ¥4,800 million, ROA of 4% or more, and ROE of 10% or more by 2019, which will be the last year of the plan.

(4) Issues to be Addressed

We intend to grow into the leading company in the tourism-oriented country by responding to diversification and globalization through the implementation of the medium-term management plan.

[Overview of the Medium-term Management Plan]

The medium-term management plan is a five-year plan until 2019, and the overall strategies are as follows:

I. Improvement and expansion of added value of existing businesses capturing various customer needs

We will aim for continual growth by actively making investments ahead of the Tokyo Olympics and Paralympics to be held in 2020.

For each segment, we will review the positioning of each business for clarification, through initiatives such as changing the names of some businesses. We will rename “Chinzanso and Taiko-en Business” as “Luxury & Banquet Business” by positioning it as the business to provide the highest quality hotels, banquets, and weddings, and rename “Kowakien Business” as “Resort Business” by positioning it as the business to aggressively develop resorts with business potential.

The basic policies for each segment are as follows:

1) By positioning the WHG Business as the core of profitability, we will accelerate business development in Japan and overseas.
2) In the Resort Business, we will build high-quality business to satisfy individual needs of the upper-middle to high-end customers, while putting priority on the re-development of Hakone area.
3) In the Luxury & Banquet Business, we will position Hotel Chinzanso Tokyo as the symbol of “high quality” to focus on quality improvement of facilities, foods, and services.

Moreover, we decided to reclassify “Fujita Kanko Kouei Inc.” and “Visualife Co., Ltd.,” subsidiaries under the Service Expertise Business, into the Luxury & Banquet Business to maximize the synergistic effect with the Bridal Division of the Luxury & Banquet Business.

In addition, we decided to reclassify the cleaning service provider “Fairton Corporation” and the real estate management and resort operation contractor “Fujita Green Service Inc.” into subsidiaries directly under the Company, as their businesses extend across the Company and will contribute to improvement and strengthening of company-wide quality; consequently, we decided to constructively dissolve the Service Expertise Business.

II. Attracting more guests among the increasing number of foreign visitors to Japan, and overseas development

III. Nurturing diversified human resources and creating fulfilling workplaces

[Major actions in fiscal year 2015]

Fiscal year 2015 is the first year of the above-mentioned medium-term management plan. Particularly, the year will be a very difficult year in terms of periodic profit and loss, as large projects will be concentrated in this year, including the large-scale renovation of the main building of Shinjuku Washington Hotel, the opening of Hotel Gracery Shinjuku, and the reconstruction of Hakone Kowakien Yunessun Inn (accommodation facility), resulting in the closure of a part of the facilities during the renovation period and the costs of initial investment. However, they all are indispensable for us for the next 60 years, and we will proceed with them with an unwavering resolve.

I. Improvement and expansion of added value of existing businesses capturing various customer needs

1) WHG Business

We intend to aggressively implement investments to strengthen the competitiveness of our existing facilities mainly in the Tokyo metropolitan area, looking ahead to the increase in foreign visitors to Japan and the hosting of the Tokyo Olympics and Paralympics. In the main building of Shinjuku Washington Hotel (1,297 rooms), we will undertake the large-scale renovation of all rooms in phases over one year from April, in line with the renovation of infrastructure and others by the lessor. Although there will be a decrease in profits and income during the renovation period, this will contribute to improving earning capacity in the future through an increased number of guests and increased sales per customer.

With regard to new openings, in order to accommodate the demand for city-tourism, we will open “Hotel Gracery Shinjuku” (970 rooms and 1 restaurant) at the site of the former Shinjuku Kabukicho Koma Theater in April this year. The hotel will strive to realize a highly profitable and stable operation in its early stages by deploying various measures to attract customers in collaboration with the lessor, Toho Co., Ltd. Furthermore, we will move ahead with preparations for the openings of Hotel Gracery in Okinawa (198 rooms) and in Kyoto Teramachi (97 rooms), both to be opened in 2016, as well as a hotel in Seoul, Korea, our first directly managed hotel in Asia, to be opened in 2018. We will further accelerate new openings in Japan and overseas in the future.

2) Resort Business

Hakone Kowakien Yunessun Inn is currently being demolished after ending its operation in October 2014, and construction of a new accommodation facility will begin afterwards. This facility, to be completed in spring 2017, will have 150 Japanese-western style rooms, all of which come with private open-air baths, and two large baths with open-air baths, with a magnificent view of the outer rim of the Hakone crater and the valleys, and will aim to be our new core facility in the Hakone area.

Furthermore, as a business development in each resort, in November 2014, we opened the luxury inn “Yufuin Ryokuyu,” consisting of 10 cottages with private open-air baths, in one of Japan’s foremost hot spring resorts, Yufuin. We will continue to improve our competitiveness by developing our business in various forms in the future, through capturing needs, including increased demand for individual trips and luxury inns.

In our existing facilities, we newly added special Japanese-western style rooms with private open-air baths at Hakone Hotel Kowakien in the end of December 2014. We will continue to improve profitability by providing attractive products to be supported by our customers.

3) Luxury & Banquet Business

Hotel Chinzanso Tokyo received the Five Red Pavilion Award, the highest ranking in the “Michelin Guide 2015 Tokyo,” consecutively from the last year. We will continue to improve the quality of food and services and strengthen our product appeal while continuously renovating guest rooms this year as well, to satisfy our customers as a luxury hotel.

Furthermore, in January 2015, we acquired all the shares of “Kawano Co., Ltd.,” a competitive company in comprehensive producing of local weddings, which owns two guest house wedding facilities in Hiroshima City, and made it our wholly owned subsidiary. We will continue to deploy our business in various forms, improve our competitiveness in the wedding business and restore profitability.

II. Attracting more guests among the increasing number of foreign visitors to Japan, and overseas development

We will promote our appeal to attract foreign visitors through enhanced local promotion activities and active commercial activities to improve awareness of our facilities, targeting affluent customers, while newly opening representative offices in Bangkok and Jakarta in spring this year to accommodate customers from ASEAN countries where the growth of foreign visitors to Japan is remarkable, in addition to the existing local subsidiaries and representative offices in Shanghai, Seoul, Taipei, and Singapore. Furthermore, we will continue to look for possibilities for developing business bases overseas, following the opening of a hotel in Seoul.

III. Nurturing diversified human resources and creating fulfilling workplaces

We will further focus on training in foods and service techniques, foreign languages, and management in order to respond to the needs of our diversifying customers, in light of the increase in the number of foreign visitors to Japan and hosting of the Tokyo Olympics and Paralympics.

Based on our belief that the source to improve customer satisfaction lies in the workplace environment where employees can balance “work” with “life and family,” we will continue to strengthen the promotion of the work-life balance, and diversity and inclusion, which converts individual diversity into corporate strength, without any limitations on hiring conditions, nationalities, etc.

4. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Million yen)

	As of December 31, 2013	As of December 31, 2014
Assets		
Current assets		
Cash and deposits	5,044	5,944
Notes and accounts receivable - trade	3,494	3,651
Merchandise and finished goods	88	79
Work in process	30	35
Raw materials and supplies	456	456
Deferred tax assets	275	436
Other	1,552	1,484
Allowance for doubtful accounts	(30)	(36)
Total current assets	10,911	12,051
Non-current assets		
Property, plant and equipment		
Buildings and structures	94,751	93,315
Accumulated depreciation	(57,463)	(58,279)
Buildings and structures, net	37,288	35,036
Tools, furniture and fixtures	15,438	16,304
Accumulated depreciation	(12,200)	(12,642)
Tools, furniture and fixtures, net	3,237	3,661
Land	14,688	12,302
Construction in progress	133	242
Golf courses	2,773	2,773
Other	4,886	4,926
Accumulated depreciation	(3,818)	(3,832)
Other, net	1,067	1,094
Total property, plant and equipment	59,189	55,112
Intangible assets		
Software	889	802
Other	171	137
Total intangible assets	1,060	939
Investments and other assets		
Investment securities	22,627	21,942
Guarantee deposits	9,314	9,339
Deferred tax assets	1,077	716
Other	627	798
Allowance for doubtful accounts	(20)	(17)
Total investments and other assets	33,626	32,778
Total non-current assets	93,876	88,829
Total assets	104,787	100,881

(Million yen)

	As of December 31, 2013	As of December 31, 2014
Liabilities		
Current liabilities		
Notes and accounts payable - trade	1,771	1,737
Short-term loans payable	5,275	2,885
Current portion of long-term loans payable	7,744	8,436
Income taxes payable	381	807
Accrued consumption taxes	262	664
Provision for bonuses	131	143
Provision for directors’ bonuses	3	11
Provision for point card certificates	108	89
Provision for noncurrent assets removal cost	–	406
Other	6,358	7,106
Total current liabilities	22,038	22,288
Non-current liabilities		
Long-term loans payable	28,594	26,141
Provision for retirement benefits	8,159	–
Provision for directors’ retirement benefits	96	108
Provision for loss on contract	353	298
Provision for loss on business withdrawal	1,952	1,130
Net defined benefit liability	–	8,385
Deposits received from members	13,404	13,122
Other	2,294	1,630
Total non-current liabilities	54,855	50,817
Total liabilities	76,893	73,106
Net assets		
Shareholders’ equity		
Capital stock	12,081	12,081
Capital surplus	5,431	5,431
Retained earnings	5,253	5,305
Treasury shares	(914)	(916)
Total shareholders’ equity	21,852	21,902
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	5,842	5,728
Foreign currency translation adjustment	12	17
Remeasurements of defined benefit plans	–	(78)
Total accumulated other comprehensive income	5,854	5,668
Minority interests	187	204
Total net assets	27,894	27,774
Total liabilities and net assets	104,787	100,881

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

(Million yen)

	For the fiscal year ended December 31, 2013	For the fiscal year ended December 31, 2014
Net sales	62,109	64,250
Cost of sales	56,833	58,674
Gross profit	5,275	5,576
Selling, general and administrative expenses	4,070	4,210
Operating income	1,205	1,365
Non-operating income		
Interest income	2	5
Dividend income	309	359
Share of profit of entities accounted for using equity method	42	81
Other	371	408
Total non-operating income	725	853
Non-operating expenses		
Interest expenses	638	597
Other	122	231
Total non-operating expenses	761	828
Ordinary income	1,169	1,390
Extraordinary income		
Gain on sales of investment securities	643	1,009
Gain on sales of non-current assets	–	672
Release from memberships deposits obligation	48	57
Gain on reversal of provision for loss on business withdrawal	–	34
Reversal of provision for loss on contract	965	–
Refund of operating lease expenses on real estates	617	–
Other	2	21
Total extraordinary income	2,277	1,794
Extraordinary losses		
Impairment loss	165	1,248
Provision for removal expenses of noncurrent assets	–	406
Special maintenance repairs of idle equipment	11	19
Loss on retirement of non-current assets	–	14
Provision for loss on business withdrawal	2,211	7
Environmental expenses	13	–
Other	23	20
Total extraordinary losses	2,426	1,715
Income before income taxes and minority interests	1,019	1,469
Income taxes - current	357	944
Income taxes - deferred	(246)	(33)
Total income taxes	110	911
Income before minority interests	908	558
Minority interests in income	30	27
Net income	878	531

Consolidated Statements of Comprehensive Income

(Million yen)

	For the fiscal year ended December 31, 2013	For the fiscal year ended December 31, 2014
Income before minority interests	908	558
Other comprehensive income		
Valuation difference on available-for-sale securities	6,104	(116)
Foreign currency translation adjustment	9	4
Share of other comprehensive income of entities accounted for using equity method	3	2
Total other comprehensive income	6,117	(108)
Comprehensive income	7,026	449
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	6,995	422
Comprehensive income attributable to minority interests	30	27

(3) Consolidated Statements of Changes in Net Assets

For the fiscal year ended December 31, 2013 (January 1, 2013 to December 31, 2013)

(Million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	12,081	5,431	4,854	(912)	21,455
Changes of items during period					
Dividends of surplus			(479)		(479)
Net income			878		878
Purchase of treasury shares				(3)	(3)
Disposal of treasury shares		0		0	0
Net changes of items other than shareholders' equity					–
Total changes of items during period	–	0	398	(2)	396
Balance at end of current period	12,081	5,431	5,253	(914)	21,852

	Accumulated other comprehensive income				Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	(265)	3	–	(262)	165	21,358
Changes of items during period						
Dividends of surplus						(479)
Net income						878
Purchase of treasury shares						(3)
Disposal of treasury shares						0
Net changes of items other than shareholders' equity	6,107	9	–	6,117	22	6,139
Total changes of items during period	6,107	9	–	6,117	22	6,536
Balance at end of current period	5,842	12	–	5,854	187	27,894

For the fiscal year ended December 31, 2014 (January 1, 2014 to December 31, 2014)

(Million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	12,081	5,431	5,253	(914)	21,852
Changes of items during period					
Dividends of surplus			(479)		(479)
Net income			531		531
Purchase of treasury shares				(1)	(1)
Disposal of treasury shares					–
Net changes of items other than shareholders' equity					–
Total changes of items during period	–	–	51	(1)	49
Balance at end of current period	12,081	5,431	5,305	(916)	21,902

	Accumulated other comprehensive income				Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	5,842	12	–	5,854	187	27,894
Changes of items during period						
Dividends of surplus						(479)
Net income						531
Purchase of treasury shares						(1)
Disposal of treasury shares						–
Net changes of items other than shareholders' equity	(113)	4	(78)	(186)	17	(169)
Total changes of items during period	(113)	4	(78)	(186)	17	(119)
Balance at end of current period	5,728	17	(78)	5,668	204	27,774

(4) Consolidated Statements of Cash Flows

(Million yen)

	For the fiscal year ended December 31, 2013	For the fiscal year ended December 31, 2014
Cash flows from operating activities		
Income before income taxes and minority interests	1,019	1,469
Depreciation	3,495	3,773
Impairment loss	165	1,248
Increase (decrease) in allowance for doubtful accounts	1	2
Increase (decrease) in provision for retirement benefits	265	–
Increase (decrease) in provision for directors' retirement benefits	(10)	11
Increase (decrease) in provision for bonuses	24	11
Increase (decrease) in provision for directors' bonuses	0	7
Increase (decrease) in provision for point card certificates	(21)	(19)
Increase (decrease) in provision for loss on contract	(1,054)	(55)
Increase (decrease) in provision for loss on business withdrawal	1,952	(822)
Increase (decrease) in provision of noncurrent assets removal	–	406
Increase (decrease) in net defined benefit liability	–	165
Interest and dividend income	(312)	(364)
Interest expenses	638	597
Foreign exchange losses (gains)	(0)	(0)
Share of (profit) loss of entities accounted for using equity method	(42)	(81)
Loss (gain) on sales of non-current assets	–	(672)
Loss on retirement of non-current assets	73	191
Loss (gain) on sales of short-term and long-term investment securities	(643)	(1,009)
Release from memberships deposits obligation	(48)	(57)
Refund of operating lease expenses on real estates	(617)	–
Decrease (increase) in notes and accounts receivable – trade	(211)	(157)
Decrease (increase) in inventories	(30)	4
Increase (decrease) in notes and accounts payable - trade	(119)	(34)
Increase (decrease) in accrued consumption taxes	30	402
Other, net	(307)	(644)
Subtotal	4,248	4,374
Interest and dividend income received	311	373
Interest expenses paid	(646)	(605)
Income taxes paid	(162)	(478)
Proceeds from refund of operating lease expenses on real estates	617	–
Net cash provided by (used in) operating activities	4,367	3,663

(Million yen)

	For the fiscal year ended December 31, 2013	For the fiscal year ended December 31, 2014
Cash flows from investing activities		
Purchase of property, plant and equipment and intangible assets	(5,068)	(3,609)
Proceeds from sales of property, plant and equipment and intangible assets	–	3,881
Purchase of investment securities	(440)	(23)
Proceeds from sales of investment securities	1,138	1,731
Payments into time deposits	(17)	(1)
Collection of long-term loans receivable	12	6
Payments for guarantee deposits	(692)	(48)
Proceeds from collection of guarantee deposits	7	22
Other, net	415	(56)
Net cash provided by (used in) investing activities	(4,643)	1,901
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(300)	(2,390)
Proceeds from long-term loans payable	7,800	6,192
Repayments of long-term loans payable	(6,728)	(7,952)
Proceeds from sales of treasury shares	0	–
Purchase of treasury shares	(3)	(1)
Cash dividends paid	(480)	(479)
Cash dividends paid to minority shareholders	(8)	(9)
Repayments of finance lease obligations	(60)	(30)
Net cash provided by (used in) financing activities	220	(4,671)
Effect of exchange rate change on cash and cash equivalents	10	5
Net increase (decrease) in cash and cash equivalents	(44)	899
Cash and cash equivalents at beginning of period	5,071	5,026
Cash and cash equivalents at end of period	5,026	5,925