

Financial Results for the
Six Months Ended June 30, 2019

August 6, 2019
FUJITA KANKO INC.
(Code number: 9722)



Summary of the First Half of 2019

- Reduction in losses compared to initial forecast

- Performance was strong for inbound guests (approximately 930,000 inbound guests, up about 10,000 guests YoY).
- Number of visitors recovered in the leisure business (number of Yunessun visitors up 12.1% YoY)
- Downward trends in numbers of weddings and guests continued in the wedding business, and measures to strengthen the banquet business to compensate for this did not lead to concrete results
- Some of the opening expenses were postponed to the second half

- Steady implementation of preparations for new openings

- 4 facilities being opened in the second half (July 1: Hotel Gracery Osaka Namba; July 26: Hakujukan, Shinzen-no-yado, Eihei-ji Temple; August 1: HOTEL TAVINOS Hamamatsucho; November 1: ISORAS CIKARANG)

- Started efforts to strengthen the management structure and governance as well as sales capabilities

- Strengthened the oversight function of the Board Of Directors. Changed its structure so that four of nine directors are Outside Directors, three of whom are Independent Outside Directors
- Marketing group was launched, establishing sales support structure across business groups. Guangzhou office was opened in April

- Consideration of new Medium-Term Management Plan

- Project team was established at the headquarters, planned to be announced when 2019 financial results are announced (February 2020)

Financial Results for the
Six Months Ended June 30, 2019

Statements of Income for the First Half

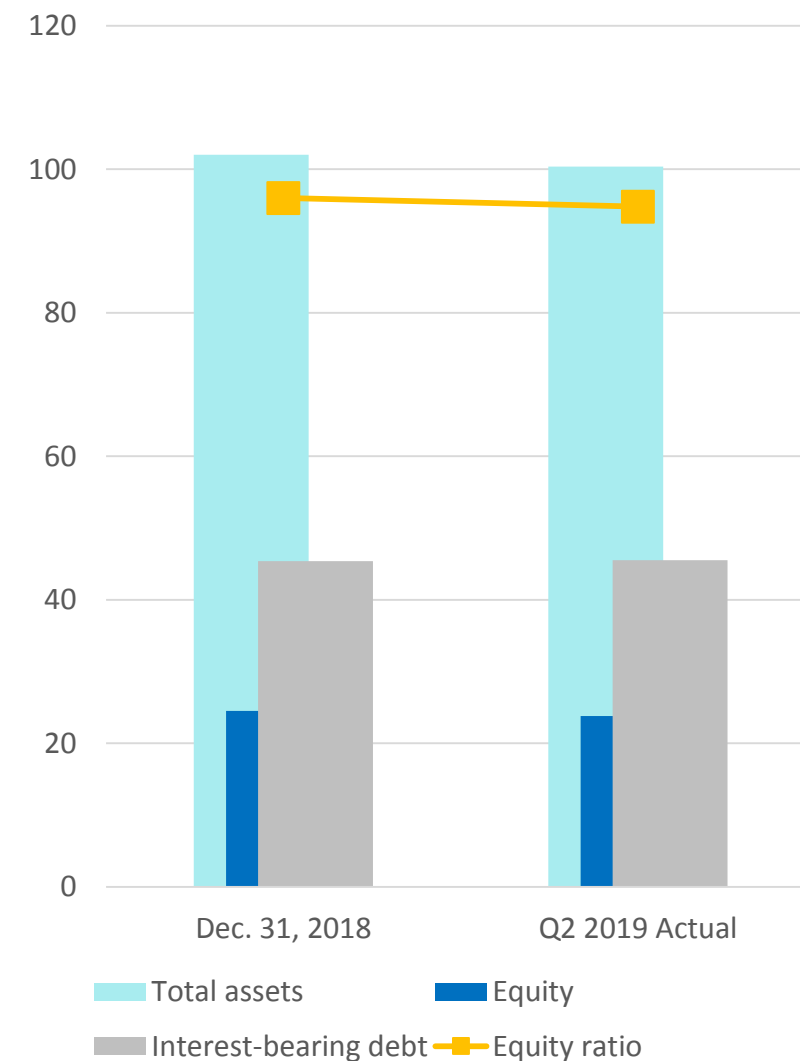
Net Sales Was Flat YoY, and in Ordinary Profit, Losses Were Reduced Compared to Initial Forecast

| (Billion yen) | Q2 2019 | Q2 2018 | YoY | Q2 2019 | Difference from forecast |
|---|---------------|---------|--------|----------|-----------------------------|
| | Actual | Actual | | Forecast | |
| Net sales | 33.60 | 33.59 | 0.01 | 34.20 | (0.59) |
| Operating profit | (0.15) | (0.06) | (0.08) | (0.40) | 0.24 |
| Operating profit before depreciation | 2.62 | 2.75 | (0.12) | 2.50 | 0.12 |
| Ordinary profit | (0.06) | (0.02) | (0.03) | (0.40) | 0.33 |
| Profit attributable to owners of parent | (0.13) | (0.03) | (0.09) | (0.20) | 0.06 |

Balance Sheets and Statements of Cash Flows for the First Half

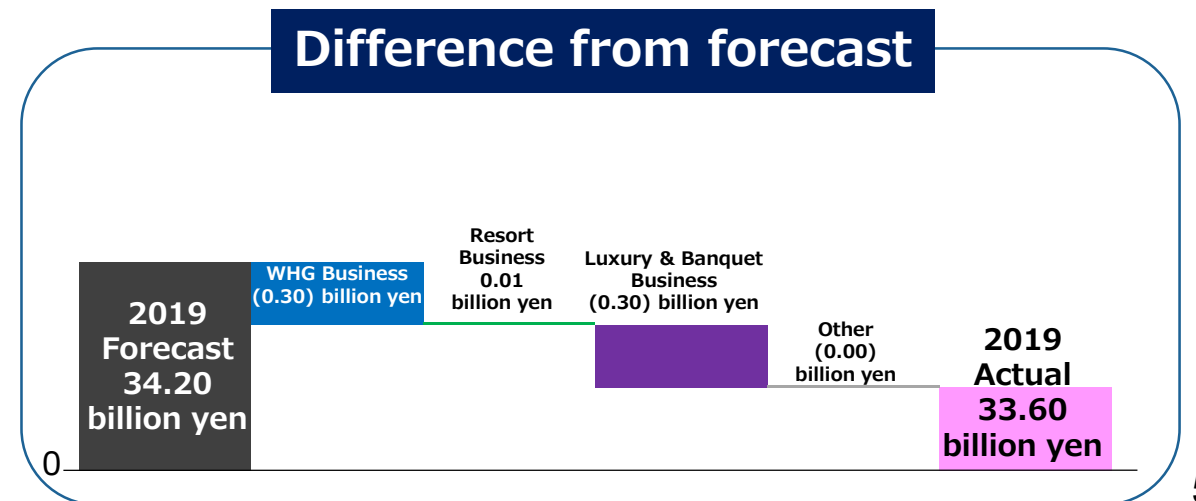
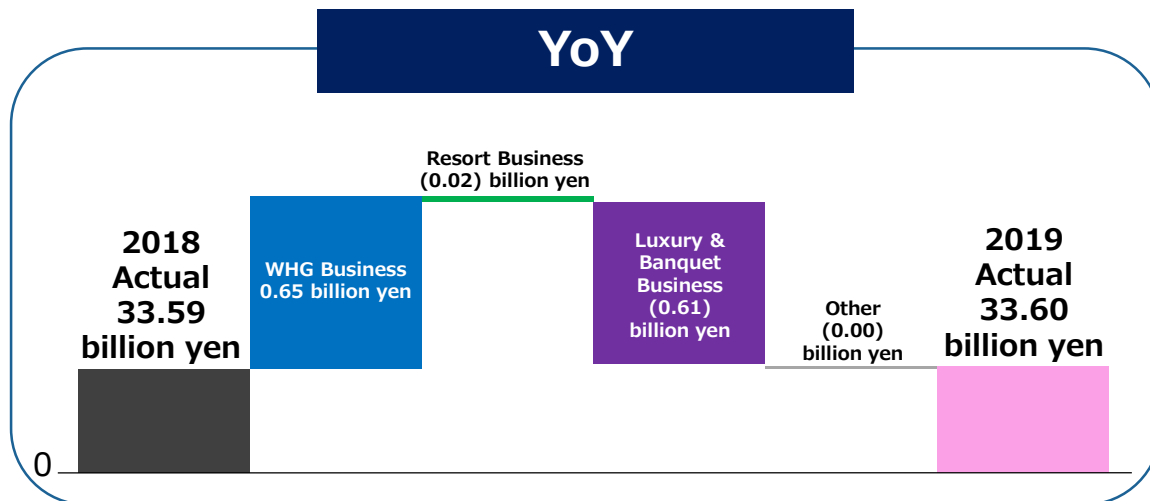
| (Billion yen, %) | Q2 2019 Actual | Dec. 31, 2018 | from Dec. 31, 2018 |
|-----------------------|-------------------|------------------|-----------------------|
| Total assets | 100.37 | 102.04 | (1.66) |
| Equity | 23.79 | 24.50 | (0.71) |
| Interest-bearing debt | 45.50 | 45.37 | 0.13 |
| Equity ratio | 23.7% | 24.0% | (0.3%) |

| (Billion yen) | Q2 2019 Actual | Q2 2018 Actual | YoY |
|--------------------------------------|-------------------|-------------------|--------|
| Cash flows from operating activities | 1.81 | 2.19 | (0.38) |
| Cash flows from investing activities | (1.84) | (2.63) | 0.78 |
| Capital investment (Cash-based) | 1.87 | 2.58 | (0.70) |



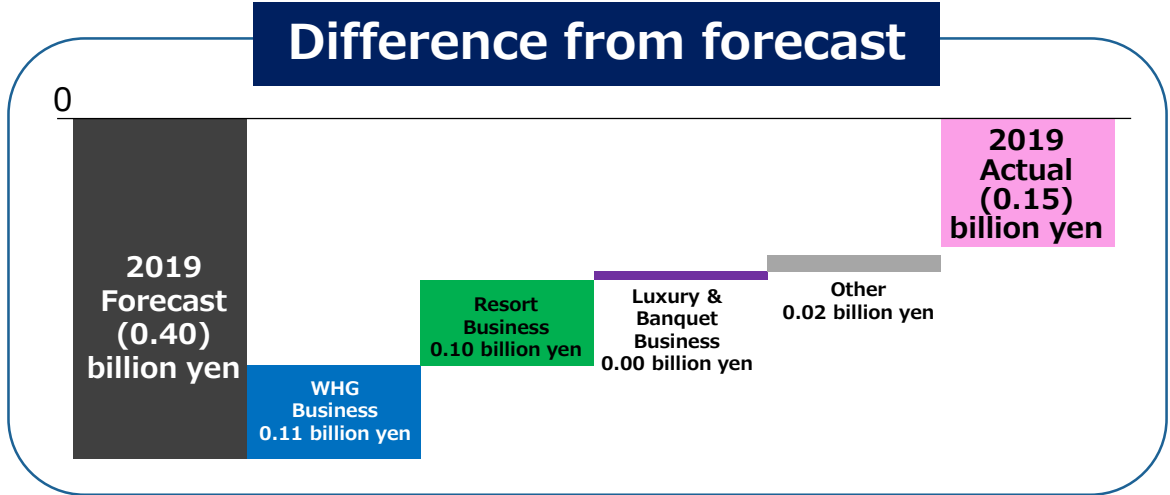
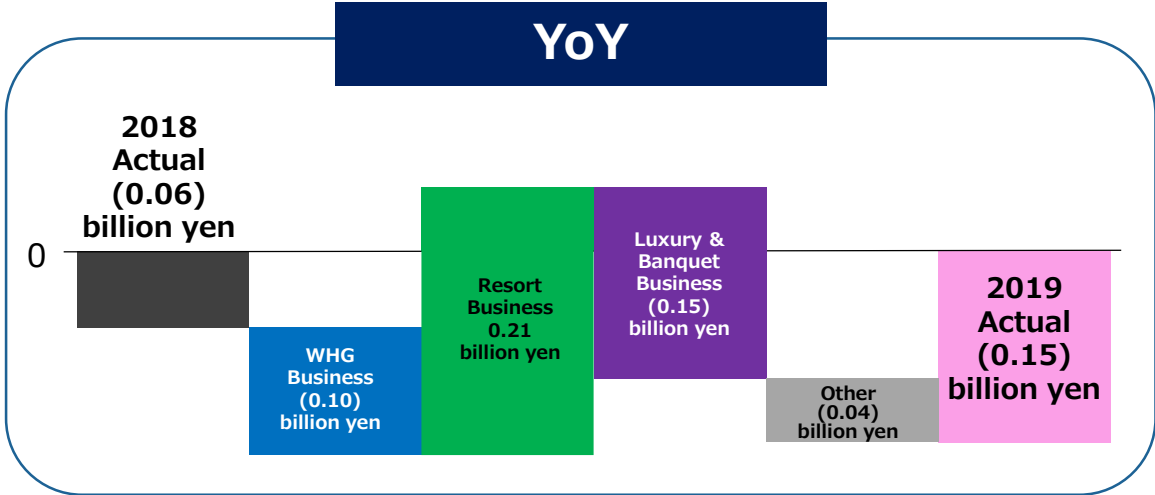
Net Sales by Segment for the First Half

| (Billion yen) | Q2 2019 Actual | Q2 2018 Actual | YoY | Q2 2019 Forecast | Difference from forecast |
|--------------------------------------|-------------------|-------------------|--------|---------------------|-----------------------------|
| WHG Business | 18.39 | 17.74 | 0.65 | 18.70 | (0.30) |
| Resort Business | 2.61 | 2.63 | (0.02) | 2.60 | 0.01 |
| Luxury & Banquet Business | 11.29 | 11.90 | (0.61) | 11.60 | (0.30) |
| Other | 1.29 | 1.30 | (0.00) | 1.30 | (0.00) |
| Total net sales | 33.60 | 33.59 | 0.01 | 34.20 | (0.59) |



Operating Profit by Segment for the First Half

| (Billion yen) | Q2 2019 Actual | Q2 2018 Actual | YoY | Q2 2019 Forecast | Difference from forecast |
|--------------------------------------|----------------|----------------|--------|------------------|--------------------------|
| WHG Business | 1.01 | 1.11 | (0.10) | 0.90 | 0.11 |
| Resort Business | (0.49) | (0.70) | 0.21 | (0.60) | 0.10 |
| Luxury & Banquet Business | (0.19) | (0.03) | (0.15) | (0.20) | 0.00 |
| Other | (0.47) | (0.43) | (0.04) | (0.50) | 0.02 |
| Total operating profit | (0.15) | (0.06) | (0.08) | (0.40) | 0.24 |



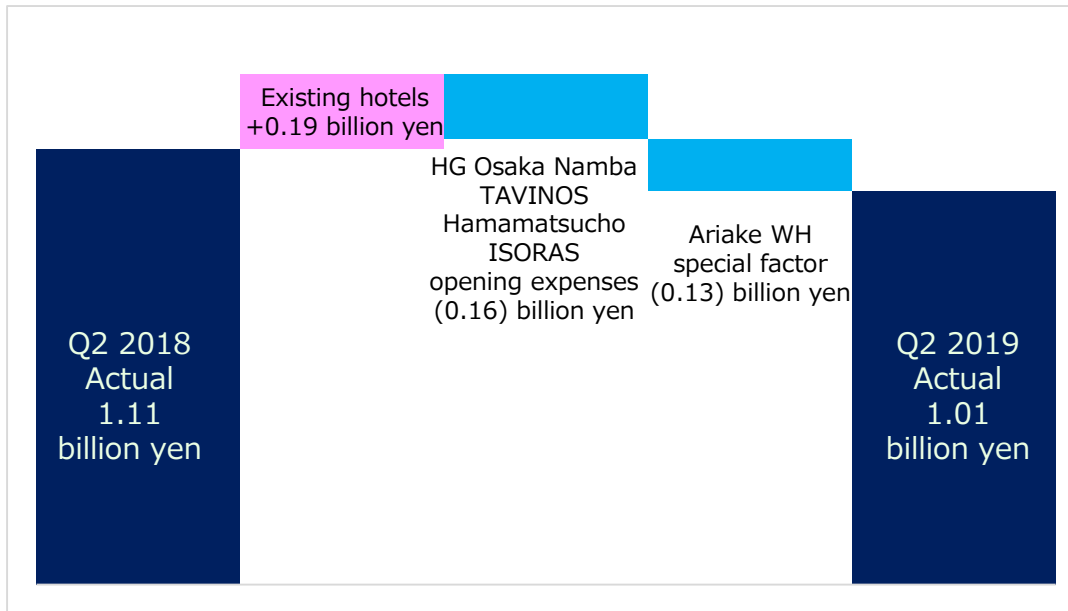
Operating Conditions for the
First Half by Segment and
Measures in the Second Half

Operating Conditions by Segment (WHG Business) HG: Hotel Gracery WH: Washington Hotel

Capturing Inbound Performed Strongly Mainly in Tokyo Metropolitan Area

| (Billion yen) | Q2 2019 Actual | Q2 2018 Actual | YoY | Q2 2019 Forecast | Difference from forecast |
|------------------|----------------|----------------|--------|------------------|--------------------------|
| Net sales | 18.39 | 17.74 | 0.65 | 18.70 | (0.30) |
| Operating profit | 1.01 | 1.11 | (0.10) | 0.90 | 0.11 |

◆ Operating profit YoY difference factors ◆



◆ Change (%) of occupancy rate and sales per room ◆

| | ADR | | Occupancy rate | |
|-------------------------|--------|--------------------------|----------------|--------------------------|
| | YoY | Difference from forecast | YoY | Difference from forecast |
| Total | (0.1)% | (1.2)% | (0.0)% | (0.3)% |
| Tokyo metropolitan area | +1.5% | +0.3% | (0.6)% | (0.9)% |
| Regional hotels | (1.9)% | (3.9)% | +1.0% | +0.5% |

- Inbound ratio was 46%, the same as the previous fiscal year. Succeeded in capturing customers from Southeast Asia, Europe, the United States, and Australia
- Although ADR declined for some of the regional hotels in Kansai area and Ariake WH was affected by the contraction of the Tokyo Big Sight sales area more than expected, this was covered mainly by an increase in ADR at two hotels in Shinjuku and total ADR was flat YoY
- Some of the opening expenses were postponed to the second half

Forecast and Measures for the Second Half by Segment (WHG Business)

ADR in Decreasing Trend Due to the Severe Market Environment in Part of Kansai Area

| (Billion yen) | 2019 | | | 2019 | | |
|------------------|----------------------|--------|--------------------------|----------|--------|--------------------------|
| | Second Half Forecast | YoY | Difference from forecast | Forecast | YoY | Difference from forecast |
| Net sales | 20.10 | 0.91 | (0.49) | 38.50 | 1.56 | (0.80) |
| Operating profit | 1.58 | (0.14) | (0.11) | 2.60 | (0.24) | — |

Creation of Multi-brand Business by Launching New Brands

【HOTEL TAVINOS】

- Opening in Hamamatsucho on August 1 and Asakusa in May 2020
- Following the above, three more hotels will open in Tokyo and cities with high inbound demand by 2021

【ISORAS】

- Starting a serviced apartment business in Indonesia on November 1

Enhance Competitiveness

[Measures for individual business locations]

- Secure bookings by capturing overseas AGT according to the market (part of Kansai area/Ariake WH)
- Strengthen acquisition of advanced bookings by capturing domestic AGT and implement off-day measures (Ariake WH)

[Initiatives to improve productivity]

- New check-in/check-out machines (with QR code settlement function): Introduced at HG Asakusa, Osaka Namba, and TAVINOS
- Self-cloak: Introduced at HG Osaka Namba and TAVINOS

Operating Conditions by Segment (Resort Business)

Profits Increased Compared to Forecast Thanks to Strengthened Profitability at Hakone Kowakien Ten-yu

| (Billion yen) | Q2 2019 | Q2 2018 | YoY | Q2 2019 | Difference from forecast |
|------------------|---------|---------|--------|----------|--------------------------|
| | Actual | Actual | | Forecast | |
| Net sales | 2.61 | 2.63 | (0.02) | 2.60 | 0.01 |
| Operating profit | (0.49) | (0.70) | 0.21 | (0.60) | 0.10 |

◆ Hakone Kowakien Ten-yu ◆

| Sales per person | | Occupancy rate | |
|------------------|--------------------------|----------------|--------------------------|
| YoY | Difference from forecast | YoY | Difference from forecast |
| +4.2% | +1.1% | +4.0% | +3.7% |

- Inbound ratio was 49.4% (up 7.7 points YoY), succeeded in attracting visitors on weekdays
- Sales per person and occupancy rate up YoY and compared to forecast
Productivity has been improved and profitability strengthened through multi-tasking by staff
- Buffet breakfast introduced in April has contributed to further improvements in customer satisfaction

◆ Hakone Kowakien Yunessun ◆

| Visitors | | Sales per person | |
|----------|--------------------------|------------------|--------------------------|
| YoY | Difference from forecast | YoY | Difference from forecast |
| +12.1% | (4.2)% | (14.7)% | (10.0)% |

- Thanks to revision in admission fees and the enhancement of publicity, number of customers attracted has increased particularly through the Company's own website, and number of visitors has recovered
- Incidental revenue has grown from the increase in number of visitors and the holding of uniform events throughout the venue

Forecast and Measures for the Second Half by Segment (Resort Business)

Rise in Mt. Hakone's Eruption Warning Level Slowed Progress in Bookings

| (Billion yen) | 2019 | | | 2019 | | |
|------------------|----------------------|--------|--------------------------|----------|--------|--------------------------|
| | Second Half Forecast | YoY | Difference from forecast | Forecast | YoY | Difference from forecast |
| Net sales | 3.08 | (0.00) | (0.21) | 5.70 | (0.02) | (0.20) |
| Operating profit | (0.15) | 0.03 | (0.10) | (0.65) | 0.24 | — |

Strengthen Earning Capability of Hakone Kowakien

[Hakone Kowakien Ten-yu]

- Aim to improve productivity while continuing from the first half to secure sales per person and occupancy
- Increase the number of members and service level of the Hospitality Service Team to further improve customer satisfaction and regularly hold events using the garden
- Implement precise yield control through means such as flexible pricing and sales of limited-time products

[Hakone Kowakien Yunessun]

- Maximize media exposure for summer vacation events
- Strengthen measures to attract FITs through strengthening of overseas OTA promotions and overseas AGT advertising sales

Redevelopment of Hakone Kowakien

- Being considered by the Medium-Term Management Plan Development Project Team

Operating Conditions by Segment (Luxury & Banquet Business)

Revenue Decreased YoY and from Forecast due to Impact of Decrease in the Number of Users in the Wedding Business

| (Billion yen) | Q2 2019 Actual | Q2 2018 Actual | YoY | Q2 2019 Forecast | Difference from forecast |
|------------------|-------------------|-------------------|--------|---------------------|-----------------------------|
| Net sales | 11.29 | 11.90 | (0.61) | 11.60 | (0.30) |
| Operating profit | (0.19) | (0.03) | (0.15) | (0.20) | 0.00 |

[Luxury & Banquet Business: Sales per business]

(Billion yen)

| Business | Q2 2019 Actual | YoY |
|---------------|-------------------|---------------|
| Accommodation | 1.12 | 0.06 |
| Wedding | 4.86 | (0.41) |
| Banquet | 2.54 | (0.13) |
| Restaurant | 2.02 | 0.07 |
| Other | 0.73 | (0.19) |
| Total | 11.29 | (0.61) |

[Wedding and Banquet Businesses]

- Continuing decrease in numbers of weddings and guests in the wedding business
- While banquet sales measures have been revised and sales structures have been strengthened, it has not led to concrete results at this time

| | Wedding | | | | Banquet | | | |
|-----------------------|---------|--------------------------|----------------|--------------------------|---------|--------------------------|----------------|--------------------------|
| | Guests | | Sales per user | | Guests | | Sales per user | |
| | YoY | Difference from forecast | YoY | Difference from forecast | YoY | Difference from forecast | YoY | Difference from forecast |
| Hotel Chinzanso Tokyo | (8.0)% | (3.3)% | 1.0% | 0.2% | (5.0)% | (6.0)% | (1.7)% | (2.6)% |
| Taikoen | (17.1)% | (4.2)% | 7.8% | 5.9% | (7.5)% | (5.8)% | 8.2% | 4.6% |

| | ADR | | Occupancy rate | |
|-----------------------|-------------|--------------------------|----------------|--------------------------|
| | YoY | Difference from forecast | YoY | Difference from forecast |
| Hotel Chinzanso Tokyo | 6.2% | 5.2% | (0.2)% | (2.6)% |

[Accommodation Business]

- Steadily captured domestic and overseas individual customers, sales per room have increased

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

Continuing Downward Trend in the Numbers of Weddings and Users in the Wedding Business

| (Billion yen) | 2019 | | | 2019 | | |
|------------------|----------------------|--------|--------------------------|----------|--------|--------------------------|
| | Second Half Forecast | YoY | Difference from forecast | Forecast | YoY | Difference from forecast |
| Net sales | 11.80 | (0.26) | (0.39) | 23.10 | (0.88) | (0.70) |
| Operating profit | 0.19 | 0.10 | (0.00) | 0.00 | (0.05) | — |

Banquet Business

- Aim to further strengthen sales capabilities, expand sales channels, and acquire new business
- Participate in overseas trade fairs including those in East Asia and Southeast Asia to improve awareness
- Use the 60th Anniversary Plan at Taikoen as an opportunity to develop new customer segments

Wedding Business

[Hotel Chinzanso Tokyo]

- Aim to acquire medium to large-scale weddings through renovation of the banquet hall, etc.

[Taikoen]

- Use the strength of variations that include Guesthouse Ouen, Yodogawa-Tei, and the historic Western-style OPERA DOMAINE KOURAIBASHI to increase the number of new visitors and the close rate

Accommodation Business

- Refurbish guest rooms and the spa in the summer to improve quality
- Strengthen measures to acquire members for Hotel Chinzanso Tokyo's independent member organization to promote repeaters
- Acquire wealthy guests from Japan and overseas through utilization of the Preferred Hotels & Resorts network

Full-Year Business Results Forecast

Full-Year Forecast (by Segment)

| | Q2 2019 Actual | 2019 Second Half Forecast | 2019 Forecast | Difference from initial forecast (As of Feb. 14) |
|--|-------------------|---------------------------------|--------------------------|--|
| (Billion yen) | | | | |
| WHG Business | | | | |
| Net sales | 18.39 | 20.10 | 38.50 | (0.80) |
| Operating profit | 1.01 | 1.58 | 2.60 | — |
| Resort Business | | | | |
| Net sales | 2.61 | 3.08 | 5.70 | (0.20) |
| Operating profit | (0.49) | (0.15) | (0.65) | — |
| Luxury & Banquet Business | | | | |
| Net sales | 11.29 | 11.80 | 23.10 | (0.70) |
| Operating profit | (0.19) | 0.19 | 0.00 | — |
| Other and adjustments | | | | |
| Net sales | 1.29 | 1.70 | 3.00 | — |
| Operating profit | (0.47) | (0.57) | (1.05) | — |
| Total | | | | |
| Net sales | 33.60 | 36.69 | 70.30 | (1.70) |
| Operating profit | (0.15) | 1.05 | 0.90 | — |

Full-Year Forecast (Consolidated)

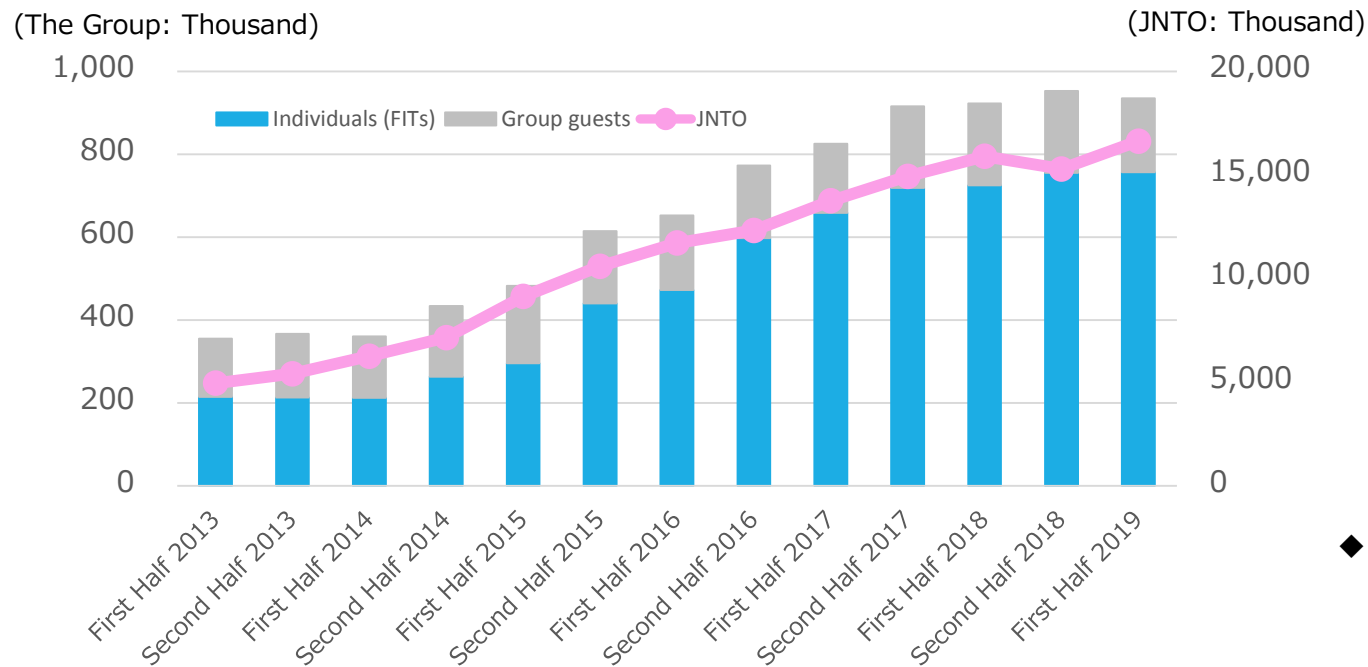
| | Q2 2019 Actual | 2019 Second Half Forecast | 2019 Forecast | Difference from initial forecast (As of Feb. 14) |
|---|-------------------|---------------------------------|--------------------------|--|
| (Billion yen) | | | | |
| Net sales | 33.60 | 36.69 | 70.30 | (1.70) |
| Operating profit | (0.15) | 1.05 | 0.90 | — |
| Operating profit before depreciation | 2.62 | 4.17 | 6.80 | — |
| Ordinary profit | (0.06) | 0.96 | 0.90 | — |
| Profit attributable to owners of parent | (0.13) | 0.43 | 0.30 | — |
| Capital investment (Cash-based) | 1.87 | 3.27 | 5.14 | (0.16) |
| Depreciation | 2.38 | 2.53 | 4.92 | (0.07) |

Status of Inbound Guests, Information on Openings, and Topics

Status of Inbound Guests and Measures

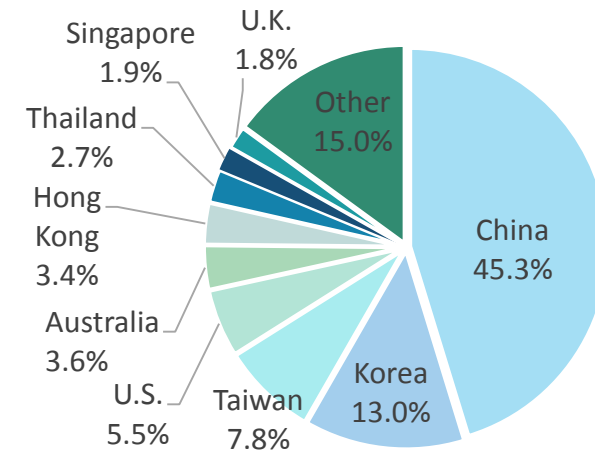
Strengthened Measures to Attract Individual Guests (FIT)

◆ Trends in total inbound guests of the Group ◆



- An increase of approximately 10,000 YoY in the first half of 2019 with approximately 930,000 guests, and ratio of inbound guests was approximately 45% of the entire Group, and utilization by FITs increases

◆ Share of number of inbound guests at the Group by country ◆



◆ Measures to attract inbound guests and acquire repeat guests ◆

- Opening of Guangzhou office as the second business location in China
- Strengthening solicitation of member's cards memberships for inbound guests at WHG hotels (Among the approximately 660,000 members in total as of the end of June 2019, approximately 140,000 are inbound members)

Information on Openings (1) Hotel Gracery Osaka Namba

[Facilities Overview]

| | | | | |
|----------------------|--|-----------|------------------------------------|----------|
| Opening | Monday, July 1, 2019 | | | |
| Overview of rooms | Double Room (18m ²) | 110 rooms | Twin Room (23m ²) | 50 rooms |
| | Triple Room (24m ²) | 9 rooms | Universal Room (24m ²) | 1 room |
| | Total | 170 rooms | *All rooms are non-smoking | |
| Auxiliary facilities | 1 breakfast restaurant (53 seats) | | | |
| Location | 1-chome, Motomachi, Naniwa-ku, Osaka-shi *Great location, one-minute on foot from Namba Station on the Osaka Metro Yotsubashi Line | | | |



- Spacious rooms, independent bathrooms, original beds
- The concierge supports a comfortable journey. A buffet centered around Western-style food as well as fresh food from a live kitchen is offered for breakfast
- Newly introduced self-cloak allows customers to store luggage on their own using private keycards
- Automatic check-in/check-out machines introduced



Guest Room



Self-cloak

Information on Openings (2) Hakujukan, Shinzen-no-yado, Eihei-ji Temple

[Facilities Overview]

| | | |
|----------------------|---|----------|
| Opening | Friday, July 26, 2019 | |
| Overview of rooms | Japanese and western-style guest rooms (40m ²) | 18 rooms |
| Auxiliary facilities | 1 restaurant (66 seats), large communal bath, multi-purpose room, shop, library | |
| Location | 6-11 Shihi, Eiheiji-cho, Yoshida-gun, Fukui-ken | |



Exterior



Guest room



Kaiya-no-Ma multipurpose space where guest can experience zen

- Comfortable facilities and services similar to a ryokan
- Echizen local specialties such as Echizen ware and Echizen washi (Japanese paper) used in guest rooms
- Guests can experience morning zen at Eihei-ji temple and the world of zen including zen meditation and sutra copying at Hakujukan under the guidance of a Zen Concierge
- Shojin cuisine (Buddhist vegetarian food) under the supervision of Eihei-ji temple and kaiseki cuisine using ingredients from the mountains and seas of Fukui Prefecture are offered

Information on Openings (3) HOTEL TAVINOS Hamamatsucho

| | | | | |
|----------------------|------------------------------------|----------|------------------------------------|-----------|
| Opening | Thursday, August 1, 2019 | | | |
| Overview of rooms | Double Room (12m ²) | 51 rooms | Hollywood Twin (12m ²) | 136 rooms |
| | Universal Room (17m ²) | 1 room | Total | 188 rooms |
| Auxiliary facilities | Convenience store on 1F | | | |
| Location | 1-13-3 Kaigan, Minato-ku, Tokyo-to | | | |



Entrance



Lobby



Hallway



Guest room

- Targets inbound millennials
- AI concierge service provides neighborhood information through big-screen signage
- Ensures a comfortable living space that is also compact by keeping furniture to a minimum, with bathrooms that only have showers and storage under the bed
- Photogenic interior based on the theme of manga
- Equipped with self-cloak and automatic check-in/check-out machine

Information on Openings (4) ISORAS CIKARANG

| | | | | |
|----------------------|--|----------|---------------------------------|-----------|
| Opening | Planned for November 1, 2019 | | | |
| Overview of rooms | Superior Room (32m ²) | 72 rooms | Deluxe Room (32m ²) | 136 rooms |
| | Executive Room (64m ²) | 6 rooms | Total | 214 rooms |
| Auxiliary facilities | Club lounge, large communal bath, gym, multipurpose room, Japanese restaurant, and convenience store | | | |
| Location | Jl. Kemang Boulevard Kav.07, Lippo Cikarang, Bekasi, Indonesia | | | |



Exterior



Guest room



Gym



Large communal bath

- Targets Japanese local representatives and business travelers
- Serviced apartment suitable for stays ranging from short-term to medium- and long-term
- Provides an environment for a comfortable stay with a large communal bath, gym, club lounge, multipurpose space, etc.

Topics (1) 60th Anniversary of Opening of Taikoen



Garden illumination during which the garden is brightened up with traditional Japanese colors

[Osaka Summit]

- Venue for the G20 Joint Session of Finance and Health Ministers

[60th Anniversary Event]

- Garden illumination (from July)
- Special wedding and banquet plans

おもてなし
おいし
楽しい
お庭と



ほな、いこか。

Topics (2) 2nd Anniversary of Opening of Hakone Kowakien Ten-yu

Concept of Nature and Japanese Hospitality



[Initiatives]

- Breakfast renewed to buffet that focuses on local production for local consumption (products from Izu and Hakone)
- Promotion of “celebratory stay” business to commemorate anniversary dates

[Features]

- All rooms are equipped with outdoor hot spring baths
- Two large communal baths and outdoor hot spring baths with different views
 - Ukigumo-no-Yu outdoor hot spring bath with a view that blends in with the sky
 - Kurumazawa-no-Yu outdoor hot spring bath surrounded by nature
- Assignment of concierge



Ukigumo-no-Yu outdoor bath



Guest room with outdoor hot spring bath



Hakone Yusan Sengokuhara executive guest room with outdoor bath
Theme: The times and culture