



Taikoen garden illuminations

# FUJITA KANKO INC. Financial Results for the Fiscal Year Ended December 31, 2019

February 14, 2020  
FUJITA KANKO INC.  
(Code number: 9722)





# Financial Results for the Fiscal Year Ended December 31, 2019

# Full-Year Summary of 2019

In the first half of 2019, performance was strong for inbound guests, while, in the second half, full-year revenue and profit decreased YoY due mainly to a significant reduction in guests from South Korea and the impact from large typhoons

- Guests from South Korea decreased, mainly in the West Japan area. Focused on attracting guests from other areas such as China, Europe, the U.S., and Australia, but was unable to make up for the fall
- The decrease in guests from South Korea impacted hotels in Tokyo metropolitan area, which performed strongly in the first half, leading to a decrease in ADR (Average Daily Rate)
- Progress slowed in Hakone Kowakien Ten-yu bookings and attracting customers to Yunessun as a result of damage from Typhoon Hagibis (October), but profit was comparable to initial forecast due to the effects of productivity improvements, despite a significant impact on sales
- Downward trends in numbers of weddings and guests continued in the wedding business. Continued to strengthen banquet sales

## Opened 4 new facilities in the second half of 2019

- July 1: Hotel Gracery Osaka Namba; July 26: Hakujukan, Shinzen-no-yado, Eihei-ji Temple; August 1: HOTEL TAVINOS Hamamatsucho; November 1: ISORAS CIKARANG - opened as initially planned

## Promoted the formulation of a five-year new Medium-Term Management Plan

# Statements of Income for the Fiscal Year Ended December 31, 2019

	2019 Actual	2018 Actual	YoY	2019 Initial forecast (As of Feb. 14)	Difference from initial forecast	2019 Forecast (As of Nov. 7)	Difference from forecast
(Billion yen)							
Net sales	68.96	69.28	(0.32)	72.00	(3.03)	68.50-69.50	(0.54)-0.46
Operating profit	0.28	1.09	(0.81)	0.90	(0.61)	(0.20)-0.20	0.08-0.48
Operating profit before depreciation	5.96	6.76	(0.79)	6.80	(0.83)	—	—
Ordinary profit	0.40	1.10	(0.70)	0.90	(0.49)	(0.20)-0.20	0.20-0.60
Profit attributable to owners of parent	(0.28)	0.55	(0.84)	0.30	(0.58)	(0.40)-0.00	(0.28)-0.11

## ■ Extraordinary income 0.28 billion yen

(Main items: Gain on sales of investment securities)

## ■ Extraordinary losses 1.2 billion yen

(Main items: Restoration expenses resulting from typhoon damage, Hakone Hotel Kowakien demolition costs)

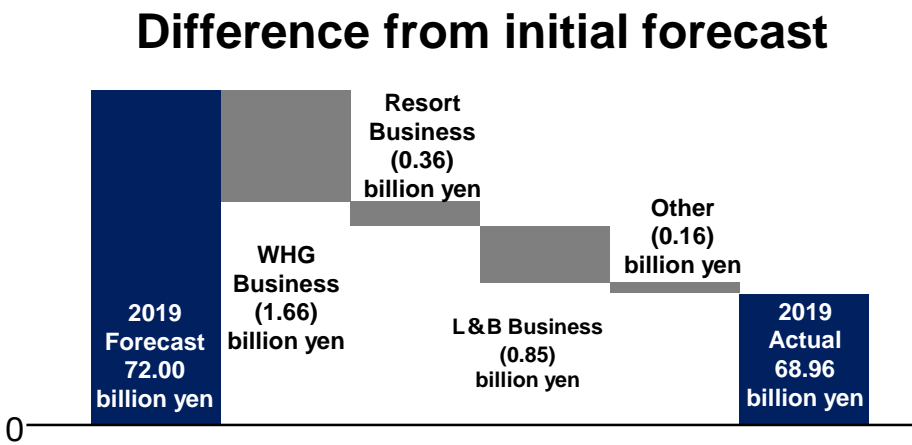
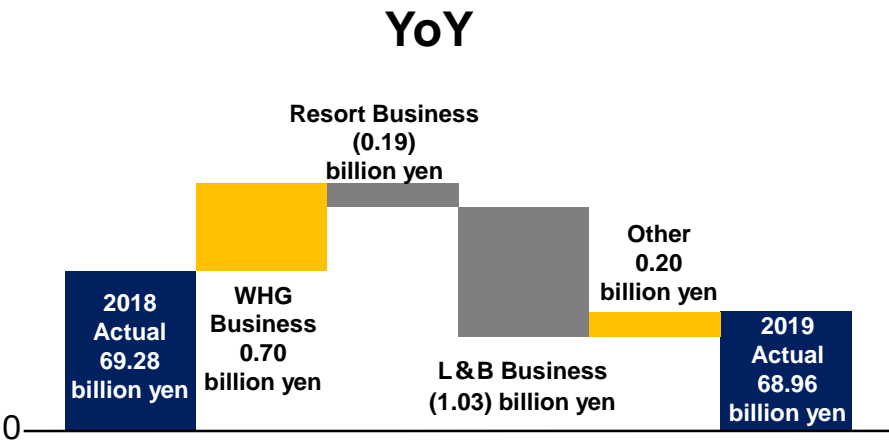
# Balance Sheets and Statements of Cash Flows for the Fiscal Year Ended December 31, 2019

	2019 Actual	Dec. 31, 2018	Difference from Dec. 31, 2018
(Billion yen, %)			
Total assets	<b>103.27</b>	102.04	1.22
Net assets	<b>26.43</b>	24.72	1.71
Interest-bearing debt	<b>44.46</b>	45.37	(0.90)
Equity ratio	<b>25.4%</b>	24.0%	1.4%

	2019 Actual	2018 Actual	YoY
(Billion yen)			
Cash flow s from operating activities	<b>4.94</b>	5.42	(0.48)
Cash flow s from investing activities	<b>(3.49)</b>	(4.32)	0.82
Capital investment (Cash-based)	<b>3.84</b>	4.39	(0.54)

# Net Sales by Segment for the Fiscal Year Ended December 31, 2019

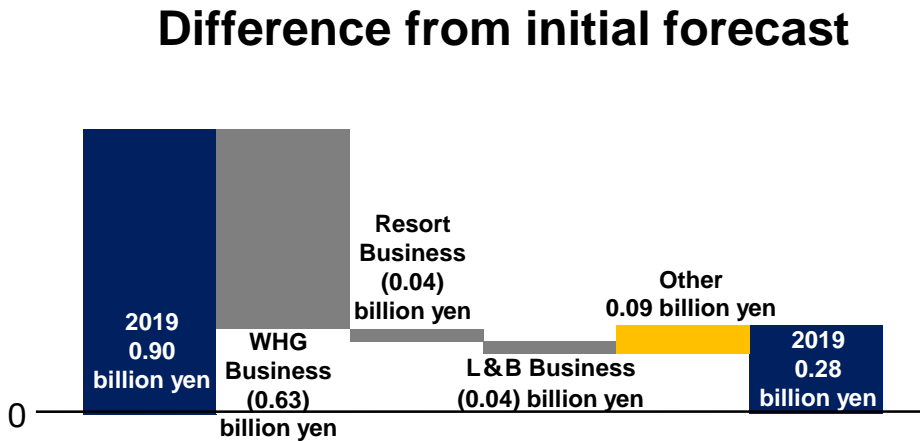
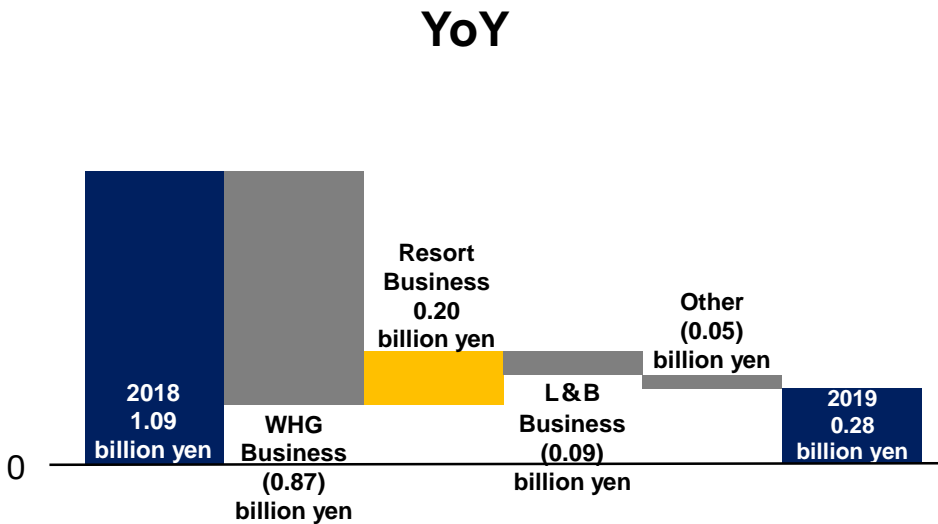
(Billion yen)	2019 Actual	2018 Actual	YoY	2019 Initial forecast (As of Feb. 14)	Difference from initial forecast
WHG Business	37.63	36.93	0.70	39.30	(1.66)
Resort Business	5.53	5.72	(0.19)	5.90	(0.36)
L&B Business	22.94	23.98	(1.03)	23.80	(0.85)
Other and adjustment	2.83	2.63	0.20	3.00	(0.16)
Total net sales	68.96	69.28	(0.32)	72.00	(3.03)



L&B Business : Luxury & Banquet Business

# Operating Profit by Segment for the Fiscal Year Ended December 31, 2019

	2019 Actual	2018 Actual	YoY	2019 Initial forecast (As of Feb. 14)	Difference from initial forecast
(Billion yen)					
WHG Business	1.96	2.84	(0.87)	2.60	(0.63)
Resort Business	(0.69)	(0.89)	0.20	(0.65)	(0.04)
L&B Business	(0.04)	0.05	(0.09)	0.00	(0.04)
Other and adjustment	(0.95)	(0.90)	(0.05)	(1.05)	0.09
Total operating profit	0.28	1.09	(0.81)	0.90	(0.61)





(Billion yen)	2019 Actual	2019 First Half		2019 Second Half		2019	
		YoY	Difference from initial forecast	YoY	Difference from initial forecast	YoY	Difference from initial forecast
Net sales	<b>37.63</b>	0.65	(0.30)	0.05	(1.36)	0.70	(1.66)
Operating profit	<b>1.96</b>	(0.10)	0.11	(0.78)	(0.75)	(0.87)	(0.63)

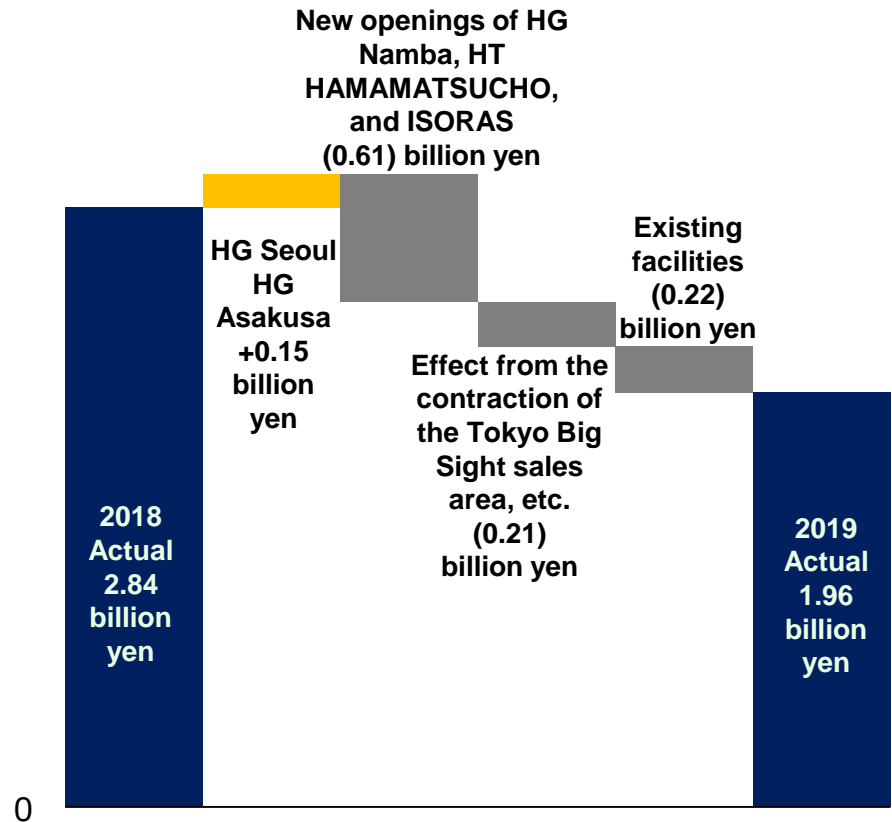
- In the first half, capturing inbound performed strongly mainly in the Tokyo metropolitan area
- In the second half, business was impacted by a fall in guests from South Korea
- Hotel Gracery Seoul and Asakusa, which opened in 2018, operated for the full year
- In the second half, Hotel Gracery Osaka Namba, HOTEL TAVINOS HAMAMATSUCHO and ISORAS CIKARANG (service apartment in Indonesia) opened

## Change (%) of ADR and occupancy rate, YoY and from forecast

	2019 First Half		2019 Second half		2019	
	YoY	Difference from initial forecast	YoY	Difference from initial forecast	YoY	Difference from initial forecast
A D R	(0.1)%	(1.2)%	(3.8)%	(5.5)%	(2.0)%	(3.5)%
Occupancy rate	(0.0)%	(0.3)%	+1.0%	(1.3)%	+0.5%	(0.8)%

\* Excluding withdrawn facilities (Asahikawa WH) and newly opened facilities (HG Osaka Namba, HT HAMAMATSUCHO, ISORAS)

## Operating profit YoY difference factors



HG: Hotel Gracery  
 WH: Washington Hotel  
 HT: HOTEL TAVINOS



(Billion yen)	2019 Actual	2019 First Half		2019 Second Half		2019	
		YoY	Difference from initial forecast	YoY	Difference from initial forecast	YoY	Difference from initial forecast
Net sales	5.53	(0.02)	0.01	(0.17)	(0.38)	(0.19)	(0.36)
Operating profit	(0.69)	0.21	0.10	(0.01)	(0.15)	0.20	(0.04)

- In the first half, profits increased compared to forecast thanks to improved profitability at Ten-yu and recovery in the number of Yunessun visitors
- In the second half, a rise in Mt. Hakone’s eruption warning level slowed progress in Ten-yu bookings
- While Yunessun, in addition to damage from a large typhoon (October), struggled in capturing group and inbound guests, Ten-yu achieved profit forecast due to enhanced productivity covering fall in revenue from typhoon damage



Hakone Kowakien Ten-yu

	2019 First Half		2019 Second Half		2019	
	YoY	Difference from initial forecast	YoY	Difference from initial forecast	YoY	Difference from initial forecast
Sales per person	+4.2%	+1.1%	+2.1%	(4.0)%	+3.1%	(1.7)%
Occupancy rate	+4.0%	+3.7%	(4.1)%	(4.8)%	(0.1)%	(0.6)%

Hakone Kowakien Yunessun

	2019 First Half		2019 Second Half		2019	
	YoY	Difference from initial forecast	YoY	Difference from initial forecast	YoY	Difference from initial forecast
Visitors	+12.1%	(4.2)%	(5.2)%	(14.3)%	+1.2%	(10.4)%
Sales per person	(14.7)%	(10.0)%	(7.1)%	(8.5)%	(10.1)%	(9.1)%



(Billion yen)	2019 Actual	2019 First Half		2019 Second Half		2019	
		YoY	Difference from initial forecast	YoY	Difference from initial forecast	YoY	Difference from initial forecast
Net sales	<b>22.94</b>	(0.61)	(0.30)	(0.43)	(0.55)	(1.03)	(0.85)
Operating profit	<b>(0.04)</b>	(0.15)	0.00	0.07	(0.05)	(0.09)	(0.04)

- For Hotel Chinzanso Tokyo, while the accommodation business performed strongly, the number of users in the wedding business continued to decrease  
Impact from the large typhoon in October led to postponement of wedding and banquet cancellation
- For Taikoen, revenue and profit increased both YoY and from forecast as a result of an increase in wedding sales per user and strong restaurant performance

### Sales per business

(Billion yen)

Business	2019 Actual	YoY
Accommodation	2.27	0.07
Wedding	10.32	(0.68)
Banquet	4.90	(0.17)
Restaurant	3.96	0.02
Other	1.48	(0.27)
Total	22.94	(1.03)

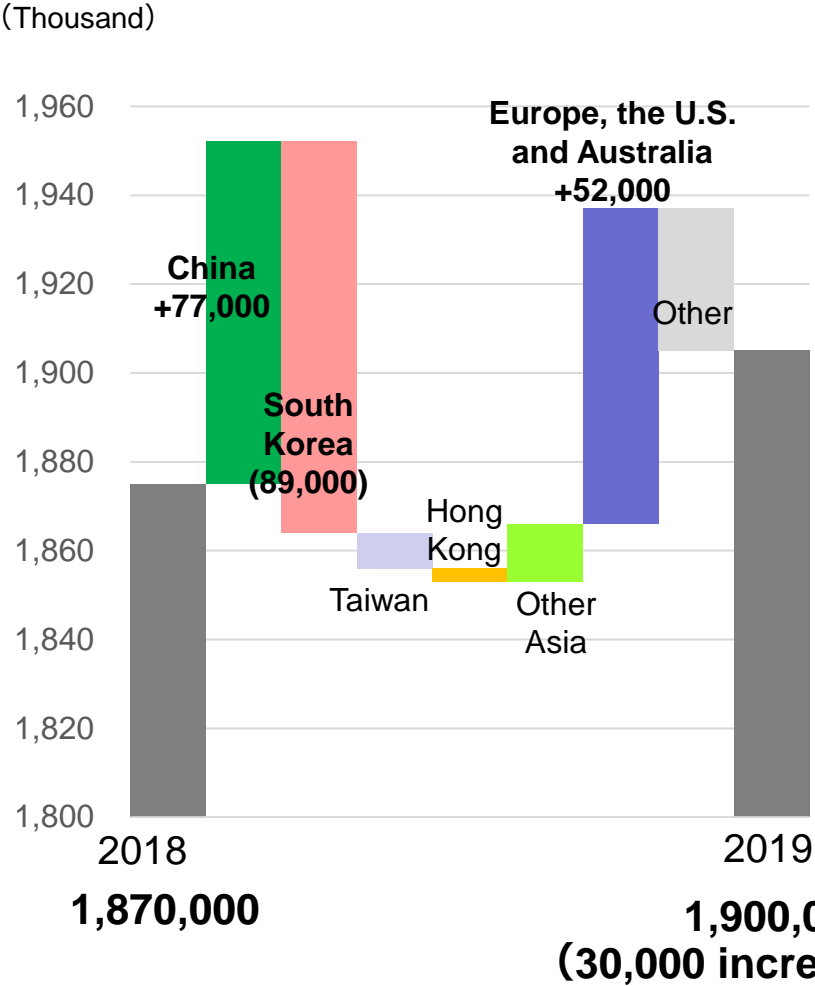
### Change (%) of ADR, occupancy rate, sales per user, and guests, YoY and from forecast (full-year)

	Hotel Chinzanso Tokyo	
	Accommodation Business	
	YoY	Difference from initial forecast
ADR	+7.2%	+6.0%
Occupancy rate	(2.6)%	(4.0)%

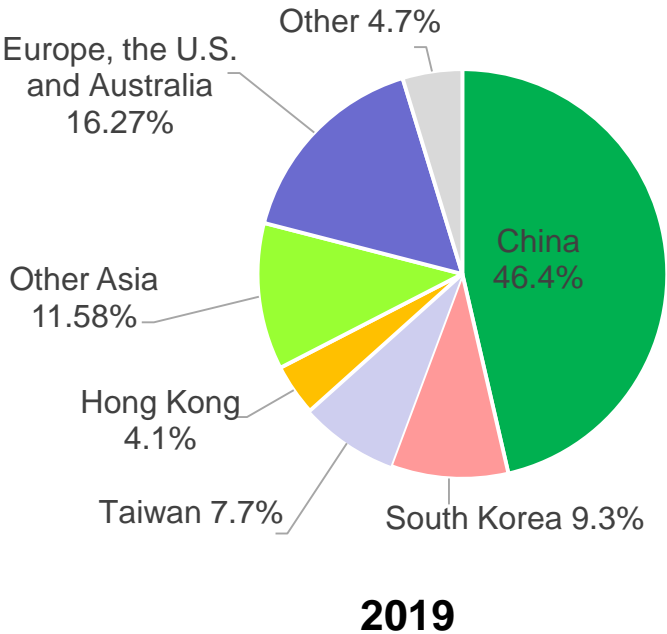
	Hotel Chinzanso Tokyo				Taikoen			
	Wedding Business		Banquet Business		Wedding Business		Banquet Business	
	YoY	Difference from initial forecast	YoY	Difference from initial forecast	YoY	Difference from initial forecast	YoY	Difference from initial forecast
Sales per user	+0.5%	(0.6)%	+0.3%	+2.2%	+4.6%	+4.0%	+5.9%	+5.7%
Guests	(8.9)%	(8.1)%	(4.4)%	(8.3)%	(3.1)%	(3.2)%	(6.8)%	(9.0)%

## Total number of inbound guests of the Group

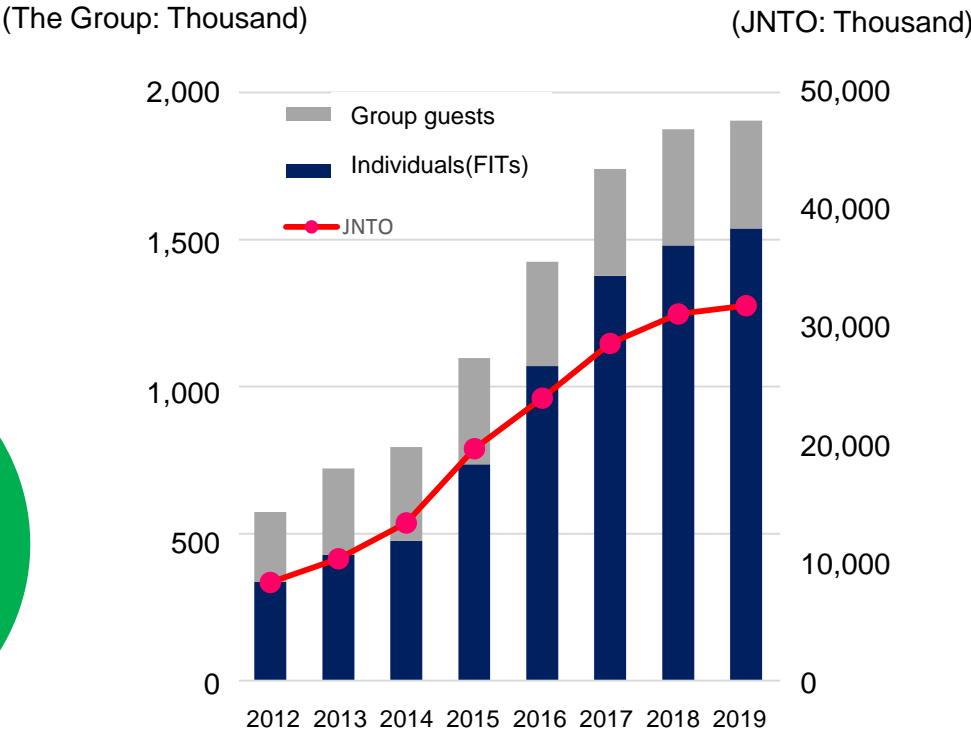
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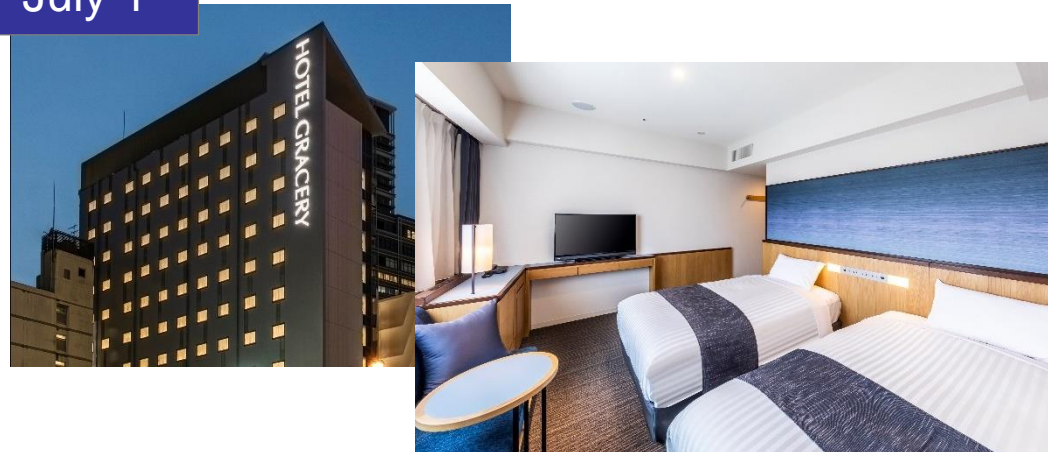
<Total number of guests>



	2018	2019	Change
JNTO	31,190,000	31,880,000	+2.2%
The Group	1,870,000	1,900,000	+1.6%

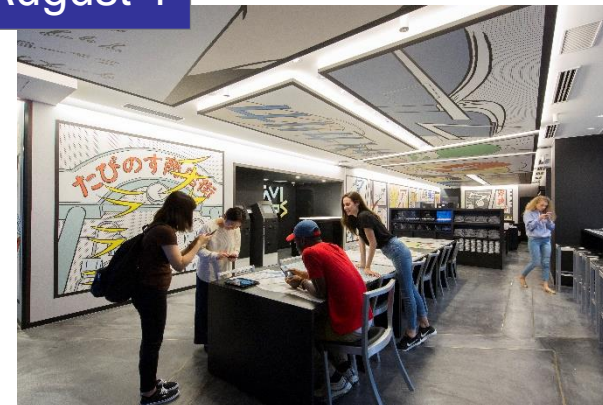
# Facilities Opened in 2019

July 1



Hotel Gracery Osaka Namba (170 rooms)

August 1



HOTEL TAVINOS HAMAMATSUCHO (188 rooms)

July 26



Hakujuken, Shinzen-no-yado, Eihei-ji Temple (18 rooms)

November 1



ISORAS CIKARANG (214 rooms)



# Main Measures by Segment for the Fiscal Year Ending December 31, 2020

# Maximization of sales/profit during Tokyo 2020

## Main Measures

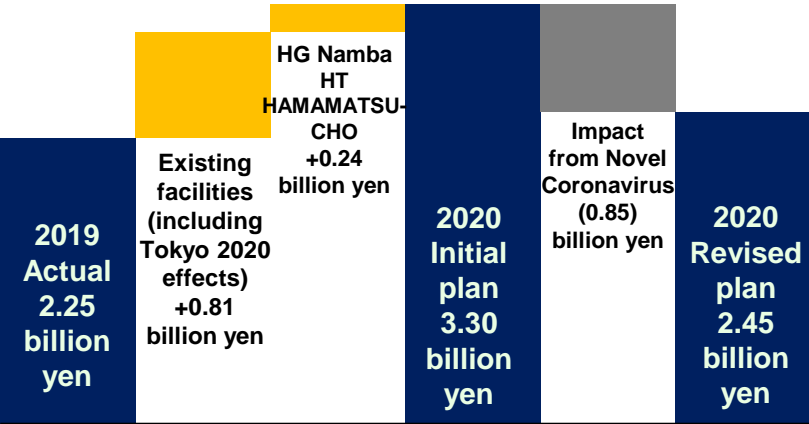
- 1 Strengthen sales methods and thoroughly implement them to maintain and expand sales
- 2 Retain customers
- 3 Continue new openings
- 4 Enhance productivity

(Billion yen)	2020 Forecast	YoY
Net sales	38.85	1.22
Operating profit	2.45	0.19

\* YoY created based on 2019 actual after segment changes

- Establish sales foundation that can withstand rapid market changes
- Expand customer usage through reconstructing member program and enhancing superiority of our website
- Open HOTEL TAVINOS ASAKUSA in June 2020 and prepare for openings in 2021 and beyond (Taipei, four TAVINOS hotels)
- Enhance productivity through automation and AI

## ◆ Operating profit YoY difference factors ◆



HG: Hotel Gracery  
WH: Washington Hotel  
HT: HOTEL TAVINOS

[Plan]

	ADR	Occupancy rate
	YoY	YoY
Total	+3.5%	(1.0)%
Tokyo metropolitan area	+5.3%	(2.4)%
Regional hotels	+0.4%	+1.2%

\* Excluding withdrawn facilities (Nagasaki WH) and newly opened facilities (HG Osaka Namba, HT HAMAMATSUCHO)

## Hotel Chinzanso Tokyo profit structure reform and quality enhancement

### Main Measures

- 1 Improve balance sheets and quality at Hotel Chinzanso Tokyo
- 2 Strengthen Banquet Business (banquet and wedding)
- 3 Enhance productivity

	2020 Forecast	YoY
(Billion yen)		
Net sales	22.60	0.21
Operating profit	(0.05)	0.01

\* YoY created based on 2019 actual after segment changes

- Review/improve profit structure of each Hotel Chinzanso Tokyo business and construct brand, concept, product mix and operation structure that utilize the features of the hotel and banquet buildings
- Continue to enhance sales capabilities towards capturing domestic and overseas MICE
- For the wedding business, enhance quality and sales capabilities that utilize the features of each facility
- Enhance productivity via utilization of systems

[Plan]

Accommodation Business	Sales per room	Occupancy rate
	YoY	YoY
Hotel Chinzanso Tokyo	+9.7%	(1.2)%

Wedding and Banquet Business	Wedding		Banquet	
	Sales per user	Guests	Sales per user	Guests
	YoY	YoY	YoY	YoY
Hotel Chinzanso Tokyo	+1.1%	(8.3)%	(1.7)%	+8.9%
Taikoan	(1.5)%	+0.3%	+2.1%	+3.7%

## Strengthen Earning Capability of Hakone Kowakien

### Main Measures

- 1 Improve and maintain CS
- 2 Strengthen measures to attract guests (inbound guests)
- 3 Enhance productivity

(Billion yen)	2020 Forecast	YoY
Net sales	5.80	0.01
Operating profit	(0.75)	0.18

\* YoY created based on 2019 actual after segment changes

### [Plan for Hakone Kowakien Ten-yu]

ADR	Occupancy rate
YoY	YoY
+0.5%	+1.4%

- Improve CS by further strengthening our hot springs and meals at registered tangible cultural properties, highly rated by our customers
- Strengthen measures to attract guests through FIT acquisition around Tokyo 2020
- Promote multi-tasking by staff, business automation and labor saving

### [Plan for Hakone Kowakien Yunessun]

Visitors	Sales per person
YoY	YoY
+10.6%	+0.7%

- Improve CS by strengthening responses to inbound guests, such as language support
- Increase reservable private baths, which are popular in the Hakone area and have a high need from inbound guests, at Mori No Yu
- Further enhance promotions, such as collaborations with popular contents
- Simplify work and promote multi-tasking by staff

### [Redevelopment of Hakone Kowakien]

- Demolish the former hotel and start designing a new hotel



## Dividend Policy

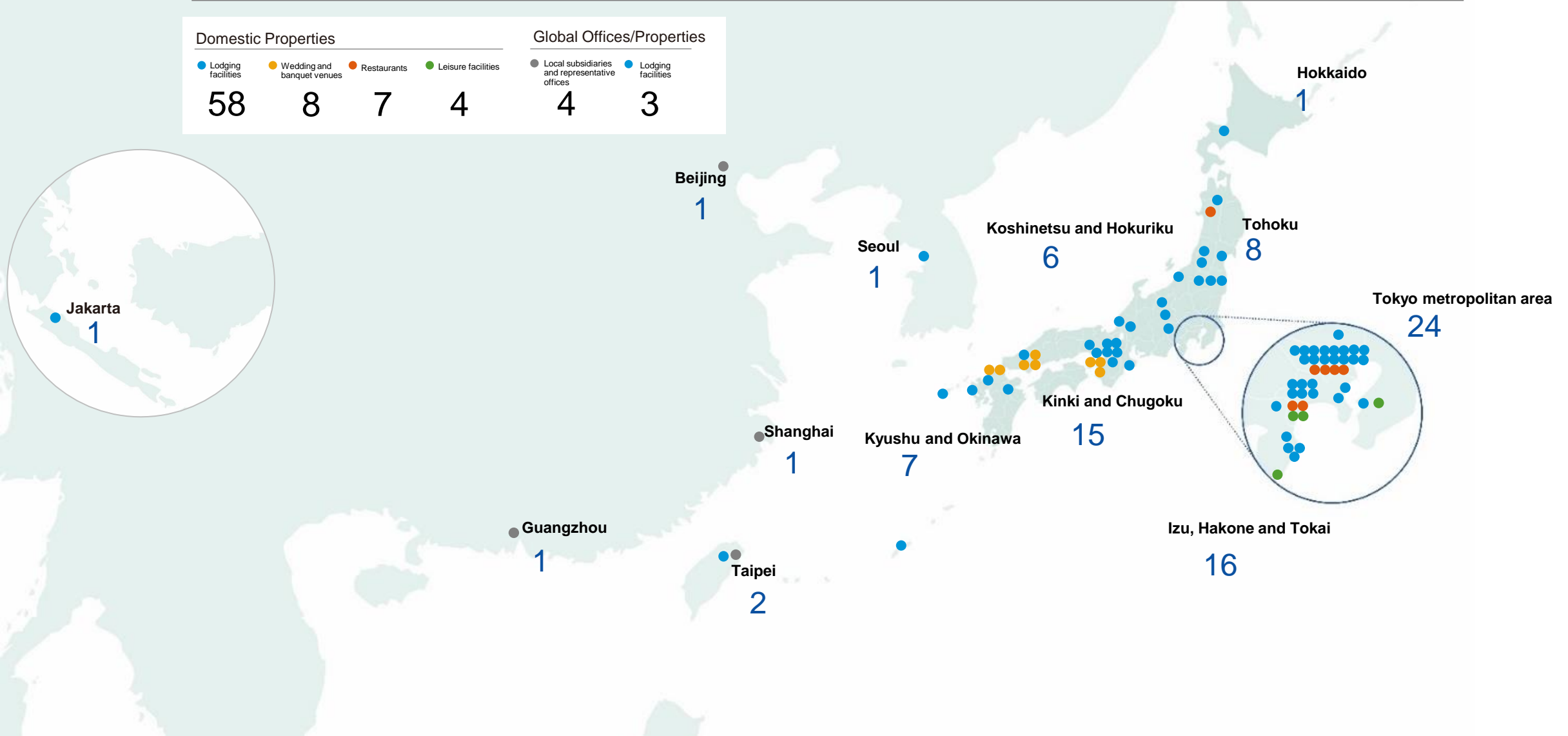
The Company’s basic policy is to pay dividends according to business results, taking into account the amount of return to its shareholders, further reinforcement of the corporate structure and the accumulation of internal reserves to be utilized for further development of business operations.

## Status of dividends

Fiscal	2015	2016	2017	2018	2019 Scheduled)	2020 Forecast)
Dividend	4 yen	4 yen	40 yen	40 yen	30 yen	30 yen

\* Implemented a share consolidation at a ratio of 10 shares to 1 share, effective July 1, 2017

The FUJITA KANKO Group operates various brands with a wide range of price points according to the purpose of use. In addition, we are expanding our locations in Asia and establishing the Fujita Kanko brand outside Japan, which will also help attract inbound guests to our properties.



# Company Overview

(AS of December 31, 2019)

## Company Overview

Established	November 7, 1955
Capital	12,081 million yen
Month of settlement	December
Listed exchange	Tokyo Stock Exchange First Section
Stock code	9722
Share Unit	100 shares
Number of issued shares	12,207 thousand shares
Number of shareholders	20,671
Main lines of business	Hotels, Japanese-style inns, restaurants, etc.
Number of employees	1,700 (Average number of temporary employees during the period: 2,991)

## Major Shareholders

Name of shareholder	Number of shares held (Thousands of shares)	Shareholding ratio (%)
DOWA HOLDINGS CO., LTD.	3,814	31.82
The Master Trust Bank of Japan, Ltd. (Trust Account)	322	2.69
Meiji Yasuda Life Insurance Company	300	2.50
Japan Trustee Services Bank, Ltd. (Trust Account)	272	2.26
Nippon Life Insurance Company	218	1.82
SHIMIZU CORPORATION	184	1.53
ASAHI BREWERIES, LTD.	181	1.51
Mizuho Bank, Ltd.	180	1.50
MUFG Bank, Ltd.	180	1.50
Japan Trustee Services Bank, Ltd. (Trust Account 5)	168	1.40

\* 220 thousand treasury shares

Number of shares held are shown rounded down to the nearest thousand shares.

Shareholding ratios are calculated from the total number of issued shares less 220 thousand treasury shares and are rounded down to the second decimal place.

# Reference Material

(As of February 14, 2020)

## WHG Business Group

### << Lodging facilities [10,476 rooms] >>

Sendai Washington Hotel  
Urawa Washington Hotel  
Akihabara Washington Hotel  
Shinjuku Washington Hotel Main Building  
Tokyo Bay Ariake Washington Hotel  
Yokohama Sakuragicho Washington Hotel  
Yokohama Isezakicho Washington Hotel  
Kansai Airport Washington Hotel  
Hiroshima Washington Hotel  
Canal City Fukuoka Washington Hotel

Hotel Gracery Sapporo  
Hotel Gracery Shinjuku  
Hotel Gracery Ginza  
Hotel Gracery Tamachi  
Hotel Gracery Naha  
Hotel Gracery Kyoto Sanjo (North & South)  
Hotel Gracery Seoul  
Hotel Gracery Asakusa  
Hotel Gracery Osaka Namba

Iwaki Washington Hotel (MC)  
Shinjuku Washington Hotel Annex Building (MC)

Hotel Fujita Fukui  
Hotel Fujita Nara

HOTEL TAVINOS HAMAMATSUCHO

Yamagata Nanokamachi Washington Hotel (FC)  
Yamagata Eki Nishiguchi Washington Hotel (FC)  
Aizu Wakamatsu Washington Hotel (FC)  
Koriyama Washington Hotel (FC)  
Tsubame Sanjo Washington Hotel (FC)  
Tachikawa Washington Hotel (FC)  
Takarazuka Washington Hotel (FC)  
Sasebo Washington Hotel (FC)  
Kisarazu Washington Hotel (FC)

[Scheduled to Open]  
**HOTEL TAVINOS ASAKUSA** (scheduled to open in June 2020)  
**Hotel Gracery Taipei** (scheduled to open in 2021)  
**Kyoto area** [TAVINOS brand planned] (scheduled to open in 2021)  
**Okachimachi area** [TAVINOS brand planned] (scheduled to open in 2021)  
**Higashi-nihonbashi area** [TAVINOS brand planned] (scheduled to open in 2022)  
**Asakusabashi area** [TAVINOS brand planned] (scheduled to open in 2022)

## Resort Business Group

### << Lodging facilities [389 rooms] >>

Hakone Kowakien Ten-yu  
Hakone Kowakien Miyama Furin  
Ito Kowakien  
Ito Ryokuyu  
Yufuin Ryokuyu  
(Terminate operations on March 1, 2020)  
Fujino Kirameki Fuji Gotemba  
Nordisk Village Goto Islands  
Hakujukan, Shinzen-no-yado, Eihei-ji Temple

Hotel Yamanami (MC)  
Towada Hotel (MC)  
Yugawara Onsen Chitose (MC)

### << Restaurants >>

Hakone Kowakien Soba Kihinkan  
Hakone Kowakien Teppan Shabu Shabu  
Geihinkan  
Akashiatei

### << Leisure facilities >>

Hakone Kowakien Yunessun  
Hakone Kowakien Mori No Yu  
Shimoda Aquarium

## Luxury & Banquet Business Group

### << Lodging facilities [267 rooms] >>

Hotel Chinzanso Tokyo

### << Wedding >>

Taikoen  
Ouen  
The South Harbor Resort  
Remercier Motoujina  
Marryaid  
Maricolle Wedding Resort  
Sayagatani Garden Aglass  
OPERA DOMAINE KOURAIBASHI

### << Leisure facilities >>

Camellia Hills Country Club

## Local subsidiaries and representative offices

Shanghai  
Guangzhou  
Beijing

Taipei

## Other Businesses

### << Restaurants >>

Civic Sky Restaurant Chinzanso  
Japanese restaurant ORIGAMI Asakusa

University of Tokyo Ito International Research Center Restaurant (MC)  
Meiji University Shikonkan Foresta Chinzanso (MC)  
Tokyo FM JET STREAM (MC)  
Tokyo FM CORNET (MC)

### << Lodging facilities [214 rooms] >>

ISORAS CIKARANG

## Membership-based Resort Hotels

### << Lodging facilities [460 rooms] >>

Wisterian Life Club Verde No Mori  
Wisterian Life Club Hakone  
Wisterian Life Club Atami  
Wisterian Life Club Usami  
Wisterian Life Club Toba  
Wisterian Life Club Nojiriko  
Wisterian Life Club Prominent Kurumayama Kogen



For all inquiries regarding IR, please contact:  
Fujiishi, Yoshinaga, and Shiozawa  
at IR Division, Planning Group, FUJITA KANKO INC.  
TEL: 03-5981-7703  
E-mail: [h-koho@fujita-kanko.co.jp](mailto:h-koho@fujita-kanko.co.jp)

Note:

The purpose of this material is to provide information on business performance and future management strategy of the FUJITA KANKO Group, and not to attract investment in the Company's securities. Unless otherwise notified, the material has been created based on data available as of December 31, 2019. Projections and estimates listed in this material are made by the Company at the time of compiling the material and are subject to change due to changes in the management environment. All rights reserved.