

Consolidated Financial Results for the Fiscal Year Ended December 31, 2021 [Japanese GAAP]



February 10, 2022

Company name: FUJITA KANKO INC.

Stock exchange listing: Tokyo Stock Exchange

Code number: 9722

URL: <https://www.fujita-kanko.co.jp/>

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Scheduled date of Ordinary General Meeting of Shareholders: March 29, 2022

Scheduled date of filing annual securities report: March 29, 2022

Scheduled date of commencing dividend payments: -

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, 2021 (January 1, 2021 to December 31, 2021)

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

| | Net sales | | Operating profit | | Ordinary profit | | Profit attributable to owners of parent | |
|-------------------------------------|-------------|--------|------------------|---|-----------------|---|---|---|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % |
| Fiscal year ended December 31, 2021 | 28,433 | 6.7 | (15,822) | - | (16,542) | - | 12,675 | - |
| Fiscal year ended December 31, 2020 | 26,648 | (61.4) | (20,611) | - | (20,930) | - | (22,427) | - |

(Note) Comprehensive income: Fiscal year ended December 31, 2021: ¥12,816 million [-%]
Fiscal year ended December 31, 2020: ¥(24,725) million [-%]

| | Profit per share | Diluted profit per share | Return on equity | Ordinary profit to total assets | Operating profit to net sales |
|-------------------------------------|------------------|--------------------------|------------------|---------------------------------|-------------------------------|
| | Yen | Yen | % | % | % |
| Fiscal year ended December 31, 2021 | 1,057.69 | - | 85.0 | (15.8) | (55.6) |
| Fiscal year ended December 31, 2020 | (1,871.94) | - | (163.4) | (20.9) | (77.3) |

(Reference) Profit (loss) of entities accounted

for using equity method: Fiscal year ended December 31, 2021: ¥(36) million

Fiscal year ended December 31, 2020: ¥(71) million

(2) Consolidated Financial Position

| | Total assets | Net assets | Equity ratio | Net assets per share |
|-------------------------|--------------|-------------|--------------|----------------------|
| | Million yen | Million yen | % | Yen |
| As of December 31, 2021 | 112,762 | 28,833 | 25.4 | 1,126.35 |
| As of December 31, 2020 | 96,595 | 1,347 | 1.2 | 98.72 |

(Reference) Equity: As of December 31, 2021: ¥28,656 million
As of December 31, 2020: ¥1,182 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, 2021 | (16,302) | 42,890 | 8,319 | 38,619 |
| Fiscal year ended December 31, 2020 | (17,069) | (2,412) | 19,831 | 3,697 |

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, 2020 | - | 0.00 | - | 0.00 | 0.00 | - | - | - |
| Fiscal year ended December 31, 2021 | - | 0.00 | - | 0.00 | 0.00 | - | - | - |
| Fiscal year ending December 31, 2022 (Forecast) | - | - | - | - | - | | - | |

(Notes)

1. The forecast for the year-end dividends for the fiscal year ending December 31, 2022 has not been determined at present.
2. “Dividends” above are dividends for common shares. For dividends for class shares (unlisted) with different rights from those of common shares issued by the Company, please see “Dividends on Class Shares” to be described later.

3. Consolidated Financial Results Forecast for the Fiscal Year Ending December 31, 2022 (January 1, 2022 to December 31, 2022)

(% indicates changes from the previous corresponding period.)

| | Net sales | | Operating profit | | Ordinary profit | | Profit attributable to owners of parent | | Profit per share |
|------------|-------------|------|------------------|---|-----------------|---|---|---|---------------------|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % | Yen |
| First half | 16,600 | 39.2 | (4,600) | - | (4,600) | - | (4,600) | - | (383.79) |
| Full year | 39,800 | 40.0 | (6,000) | - | (6,200) | - | (5,900) | - | (492.25) |

*** Notes:**

- (1) Changes in significant subsidiaries during the period under review: 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: No
 - 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 shares)
- 1) Total number of issued shares at the end of the period (including treasury shares):
December 31, 2021: 12,207,424 shares
December 31, 2020: 12,207,424 shares
 - 2) Total number of treasury shares at the end of the period:
December 31, 2021: 221,715 shares
December 31, 2020: 226,796 shares
 - 3) Average number of shares during the period:
Fiscal year ended December 31, 2021: 11,984,328 shares
Fiscal year ended December 31, 2020: 11,980,862 shares

(Reference) Summary of Non-consolidated Financial Results

1. Non-consolidated Financial Results for the Fiscal Year Ended December 31, 2021 (January 1, 2021 to December 31, 2021)

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

| | Net sales | | Operating profit | | Ordinary profit | | Profit | |
|-------------------------------------|-------------|--------|------------------|---|-----------------|---|-------------|---|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % |
| Fiscal year ended December 31, 2021 | 20,636 | 12.7 | (10,855) | - | (11,456) | - | 12,498 | - |
| Fiscal year ended December 31, 2020 | 18,310 | (62.2) | (14,568) | - | (13,115) | - | (21,156) | - |

| | Profit per share | | Diluted profit per share | |
|-------------------------------------|------------------|--|--------------------------|--|
| | Yen | | Yen | |
| Fiscal year ended December 31, 2021 | 1,042.73 | | - | |
| Fiscal year ended December 31, 2020 | (1,764.97) | | - | |

(2) Non-consolidated Financial Position

| | Total assets | Net assets | Equity ratio | Net assets per share |
|-------------------------|--------------|-------------|--------------|----------------------|
| | Million yen | Million yen | % | Yen |
| As of December 31, 2021 | 114,854 | 28,390 | 24.7 | 1,104.16 |
| As of December 31, 2020 | 95,334 | 801 | 0.8 | 66.90 |

(Reference) Equity: As of December 31, 2021: ¥28,390 million
As of December 31, 2020: ¥801 million

* Financial results are outside the scope of audit by a certified public accountant or an audit corporation.

* 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 “Overview of Operating Results for Current Fiscal Year” on page 2 of the attached material.

Dividends on Class Shares

The following shows the breakdown of dividend per share of Class A preferred shares, which have different rights from those of common shares.

| Class A preferred shares | Annual dividends | | | | |
|---|------------------|-----------------------------|-----------------|--------------|--------------|
| | 1st quarter-end | 2 nd quarter-end | 3rd quarter-end | Year-end | Total |
| | Yen | Yen | Yen | Yen | Yen |
| Fiscal year ended December 31, 2020 | - | - | - | - | - |
| Fiscal year ended December 31, 2021 | - | - | - | 1,041,095.89 | 1,041,095.89 |
| Fiscal year ending December 31, 2022 (Forecast) | - | - | - | - | - |

(Notes)

1. The capital surplus was used to fund the dividends paid for the fiscal year ended December 31, 2021. For details, please see “Breakdown of Dividends Paid Out of Capital Surplus” below.
2. The forecast for dividends for the fiscal year ending December 31, 2022 has not been determined at present.
3. The Company issued the Class A preferred shares on September 28, 2021.

Breakdown of Dividends Paid Out of Capital Surplus

The following shows the breakdown of dividends paid out of capital surplus for the fiscal year ended December 31, 2021.

| Record date | Year-end | Total |
|--------------------|--------------|--------------|
| | Yen | Yen |
| Dividend per share | 1,041,095.89 | 1,041,095.89 |
| | Million yen | Million yen |
| Dividend total | 156 | 156 |

(Note) Net asset decrease ratio is 0.006.

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1. Overview of Operating Results, etc.

(1) Overview of Operating Results for Current Fiscal Year

During the fiscal year ended December 31, 2021, the tourism industry continued to face a difficult business environment under the prolonged impact of the COVID-19 pandemic. Consumers kept refraining from staying at hotels and dining out, as State of Emergency was declared intermittently. There were some signs of recovery beginning in October 2021, when the State of Emergency was lifted. However, outlook became uncertain again in December 2021 as the global spread of a new COVID-19 variant posed concerns over the resurgence of the disease in Japan.

In this environment, the Group continued operations by placing the highest priority on the safety and security of its customers and employees, in accordance with its Environmental Hygiene Policy established independently. Meanwhile, the Group has also formulated and carried out a business plan with the following three major strategies, in order to address issues that have materialized due to the prolonged impact of the COVID-19 pandemic.

- I. Promotion of structural reform
- II. Review of the business portfolio
- III. Strengthening the management control structure

In particular, the Group implemented early voluntary retirement and other measures to reduce labor cost, in addition to reducing fixed operating costs by internalizing previously outsourced tasks and negotiating rent reductions, as part of the promotion of structural reform at the core of the business plan.

| Progress of major strategies in the business plan | |
|---|--|
| I. Promotion of structural reform | <ul style="list-style-type: none">• Carried out measures to cut down labor cost including reduction of officers' remuneration, non-payment of employee bonuses, reduction of employee salaries (through August 2021), early voluntary retirement (March 2021), and internalization of previously outsourced tasks• Scaled back unprofitable businesses by reorganizing and consolidating restaurants and stores• Reduced fixed operating costs by negotiating rent reductions and cutting other expenses |
| II. Review of the business portfolio | <ul style="list-style-type: none">• Changed the business operation structure of the WHG Business, reviewed the contract system, and expanded franchise operations• Began construction of Hakone Hotel Kowakien for redevelopment of Hakone Kowakien (opening scheduled in July 2023)• Worked on developing programs and products that make full use of the attractive garden at Hotel Chinzanso Tokyo, which will celebrate the 70th anniversary of its opening in November 2022 |
| III. Strengthening the management control structure | <ul style="list-style-type: none">• Enhanced management control by redeveloping tools and structures to manage the progress of various measures |

Moreover, to address the urgent issue of improving the financial position, the Group procured capital and funds through the sale of its assets including the land and building of Taiko-En, as well as the issuance of Class A preferred shares to DBJ Restaurant and Hotel Support Fund Investment LPS, which was established by investment from Development Bank of Japan Inc., a government financial institution. Through these procurements, the Group has secured funds for growth investments and structural reforms.

As a result, net sales for the entire Group increased by ¥1,785 million year on year to ¥28,433 million, and operating loss improved by ¥4,789 million year on year to ¥15,822 million, achieving more than 20% reduction of operating loss with a 6.7% increase in net sales. In actual terms, operating loss was reduced by 34% year on year (in 2020, fixed operating costs during the suspension of operations were transferred to extraordinary losses, and therefore the comparison is with the results before the transfer). Ordinary loss improved by ¥4,388 million year on year to ¥16,542 million, and profit attributable to owners of parent increased by ¥35,103 million year on year to ¥12,675 million as a result of recording extraordinary income mainly from the sale of assets.

An overview of business results and business results by segment for the current consolidated fiscal year is as follows.

Overview of business results

(Million yen)

| | Actual results for the current period | YoY change | Change |
|---|---------------------------------------|------------|--------|
| Net sales | 28,433 | 1,785 | 6.7% |
| Operating loss | (15,822) | 4,789 | - |
| Ordinary loss | (16,542) | 4,388 | - |
| Profit attributable to owners of parent | 12,675 | 35,103 | - |

Sales and operating profit by segment

(Million yen)

| | Net sales | | Operating loss | |
|--------------------------------------|-----------|------------|----------------|------------|
| | Actual | YoY change | Actual | YoY change |
| WHG Business | 10,434 | 78 | (12,095) | 1,574 |
| Luxury & Banquet Business | 12,441 | 2,544 | (1,867) | 2,849 |
| Resort Business | 3,749 | (471) | (1,126) | (356) |
| Other (including adjustment amounts) | 1,809 | (366) | (733) | 721 |
| Total | 28,433 | 1,785 | (15,822) | 4,789 |

(Note) Adjustment amounts refer to eliminations of inter-segment transactions, and corporate expenses not allocated to any particular segment.

1) WHG Business

The WHG Business worked to capture new needs such as long stays, teleworking, and temporary accommodation use upon entering or returning to Japan (the Residence Track), but these efforts were insufficient to fully offset the impact of the disappearance of inbound demand. Meanwhile, as a result of streamlining and cost cuts through consolidation of sales and booking operations, operating loss was reduced by roughly 19% (¥2.8 billion) in actual terms year on year (in 2020, fixed operating costs during the suspension of operations were transferred to extraordinary losses, and therefore the comparison is with the results before the transfer). In July and August, room occupancy rates improved at facilities in Tokyo, capturing the needs related to Tokyo 2020 Olympic and Paralympic Games. In addition, in response to requests from national and local governments, we have been offering three hotels, namely the Yokohama Isezakicho Washington Hotel, Tokyo Bay Ariake Washington Hotel, and Hotel Gracery Shinjuku, as recovery accommodation facilities, doing our part to relieve the burden on the local healthcare system. HOTEL TAVINOS Kyoto newly opened on July 30, followed by Hotel Gracery Taipei on September 14. In addition, franchise operations of the Kansai Airport Washington Hotel began in December, with the Kansai Airport Izumiotsu Washington Hotel newly added in the same area.

As a result, net sales for this segment increased by ¥78 million year on year to ¥10,434 million, and operating loss improved by ¥1,574 million to ¥12,095 million.

2) Luxury & Banquet Business

The Luxury & Banquet Business implemented projects that make full use of the attractive garden at Hotel Chinzanso Tokyo, which will celebrate the 70th anniversary of its opening in November 2022. The Group strived to increase the added value of the property with programs such as “Tokyo Sea of Clouds” and “Forest Aurora” that offer varying views of the garden for guests to enjoy throughout the year. In addition to an increase in revenue per room thanks to these product developments, the number of weddings held increased year on year. Furthermore, the golf business also saw a recovery trend. As a result, net sales for this segment increased by ¥2,544 million year on year to ¥12,441 million, and operating loss improved by ¥2,849 million to ¥1,867 million.

3) Resort Business

The Resort Business sought to capture the needs amid the COVID-19 pandemic, such as by introducing private retreat plans with in-room dining at Hakone Kowakien Ten-yu, leveraging its strength of featuring private outside baths in all rooms. However, occupancy rates fell short of the previous fiscal year, during which the Go To Travel campaign was implemented. On the other hand, the Group secured the same level of per-person spend as the previous fiscal year by selling high value-added products such as more expensive food items and the beer garden using the Valley Garden. In addition, the Fujino Kirameki Fuji Gotemba glamping facility, which allows guests to avoid the “three Cs” with a heightened sense of privacy, remained strong thanks to the rise in demand for outdoor activities. At the leisure facility Hakone Kowakien Yunessun, the Group introduced advance reservation system on busy days as well as self-checkout machines to reduce congestion, striving to ensure the safety and security of customers and employees.

Furthermore, the Group is undertaking redevelopment of Hakone Kowakien as part of its growth strategies, and has begun the reconstruction of Hakone Hotel Kowakien with opening scheduled in July 2023.

As a result, net sales for this segment decreased by ¥471 million year on year to ¥3,749 million, and operating loss deteriorated by ¥356 million to ¥1,126 million.

(2) Overview of Financial Position for Current Fiscal Year

Total assets as of December 31, 2021 increased by ¥16,166 million from the end of the previous fiscal year to ¥112,762 million. Current assets increased by ¥34,126 million due to an increase in cash and deposits resulting from the issuance of preferred shares and sale of assets, and non-current assets decreased by ¥17,959 million due mainly to the sale of assets.

Liabilities decreased by ¥11,319 million from the end of the previous fiscal year to ¥83,929 million, mainly due to repayments of borrowings. The total amount of borrowings as of December 31, 2021 was ¥58,234 million.

Net assets increased by ¥27,486 million from the end of the previous fiscal year to ¥28,833 million, mainly due to the recording of ¥12,675 million in profit attributable to owners of parent and ¥15,000 million in issuance of preferred shares. As a result of the above, equity ratio stood at 25.4%.

(3) Overview of Cash Flows for Current Fiscal Year

Cash and cash equivalents (hereinafter referred to as “Funds”) as of December 31, 2021 amounted to ¥38,619 million, up ¥34,921 million from the end of the previous fiscal year.

1) Cash flows from operating activities

Net cash used in operating activities was ¥16,302 million (¥17,069 million used in the previous fiscal year). This was mainly due to decreases of ¥1,802 million in allowance for early retirement program and ¥3,013 million in retirement benefit liability resulting from the implementation of early voluntary retirement, in addition to recording of an operating loss.

2) Cash flows from investing activities

Net cash provided by investing activities was ¥42,890 million (¥2,412 million used in the previous fiscal year). This was mainly due to the proceeds from sales of property, plant and equipment of ¥39,732 million.

3) Cash flows from financing activities

Net cash provided by financing activities was ¥8,319 million (¥19,831 million provided in the previous fiscal year). This was mainly due to the ¥15,000 million in proceeds from issuance of preferred shares and the ¥8,467 million in repayments of long-term borrowings.

(Reference) Historical cash flow indicators

| | FY2017 | FY2018 | FY2019 | FY2020 | FY2021 |
|----------------------------------|--------|--------|--------|--------|--------|
| Years of debt redemption (years) | 8.5 | 8.4 | 9.0 | - | - |
| Interest coverage ratio (times) | 10.0 | 10.2 | 9.7 | - | - |

1. “Operating cash flow” uses cash flows from operating activities in the consolidated statements of cash flows. “Interest-bearing debt” includes all liabilities bearing interest posted in the consolidated balance sheets. “Interest expenses” uses “interest paid” in the consolidated statements of cash flows.
2. For the fiscal year ended December 31, 2020 and the fiscal year ended December 31, 2021, the years of debt redemption and interest coverage ratio are not stated as operating cash flows were negative.

(4) Future Outlook

The Group recognizes that the outlook on the surrounding business environment is uncertain, due to the prolonged impact of the COVID-19 pandemic. The Group will continue pushing ahead with the business plan, which is the top priority, while carrying out measures in anticipation of a recovery in demand after lifting of the priority preventive measures by the government. For details of the business plan, please refer to 3. Management Policies (2) Issues to be Addressed.

As for the full-year financial results forecast for 2022, the Group forecasts net sales of ¥39,800 million, an increase of ¥11,366 million year on year, operating loss of ¥6,000 million, an improvement of ¥9,822 million year on year, and ordinary loss of ¥6,200 million, an improvement of ¥10,342 million. The Group anticipates loss attributable to owners of parent of ¥5,900 million.

While the Group is assuming the impact of the priority preventive measures and other measures associated with the spread of the Omicron variant in Japan will continue through the first quarter, the forecast is based on the Group's judgement using currently available information, and actual results may vary from the forecast due to various factors.

Forecast for the consolidated financial results and financial results by segment is as follows.

Consolidated financial results forecast for the fiscal year ending December 31, 2022 (January 1, 2022 to December 31, 2022)

(Million yen)

| | First half | | | | Full year | | | |
|--------------------------------------|------------|----------------|---------------|---------------------------------------|-----------|----------------|---------------|---------------------------------------|
| | Net sales | Operating loss | Ordinary loss | Loss attributable to owners of parent | Net sales | Operating loss | Ordinary loss | Loss attributable to owners of parent |
| Consolidated total | 16,600 | (4,600) | (4,600) | (4,600) | 39,800 | (6,000) | (6,200) | (5,900) |
| WHG Business | 6,900 | (2,900) | - | - | 18,000 | (4,100) | - | - |
| Luxury & Banquet Business | 5,600 | (800) | - | - | 13,000 | (600) | - | - |
| Resort Business | 2,100 | (400) | - | - | 4,800 | (700) | - | - |
| Other (including adjustment amounts) | 2,000 | (500) | - | - | 4,000 | (600) | - | - |

(Note) Adjustment amounts refer to eliminations of inter-segment transactions, and corporate expenses not allocated to any particular segment.

(5) 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.

With regard to the dividend on common shares for the fiscal year ended December 31, 2021, upon comprehensively taking into consideration factors including the Company's business performance and the business environment surrounding the Company, as well as preparations for future financial risks posed by the COVID-19 pandemic, we sincerely regret to announce that no dividend will be paid.

Furthermore, dividends for the fiscal year ending December 31, 2022 are undetermined at this time, due to the continued uncertainties over the outlook. The Company will disclose a forecast as soon as possible, after comprehensively considering future business environment and financial conditions.

As for the dividend on class shares issued through a third-party allotment in September 2021 for the fiscal year ended December 31, 2021, the Company plans to pay out ¥1,041,095.89 per share in accordance with the issuance document for the class shares drawn up at the time of the issuance.

Dividends on class shares for the fiscal year ending December 31, 2022 are also undetermined at this time, as explained above.

(6) 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 the 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 10, 2022, and risk factors related to business are not limited to these items.

1) Stock price fluctuations

The Group owns ¥10,000 million of marketable securities mainly of its business partners and is subject to the 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 ¥47,700 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 hotel 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 ¥82,200 million for the remaining portion of the lease period.

4) Natural disaster and pandemic outbreak

If a natural disasters such as a massive earthquake, volcanic eruption, typhoon, or extraordinary weather conditions occur, or a pandemic such as COVID-19 or new strains of influenza breaks out, temporary suspension of business operations or cancelation of trips and a decline in inbound demand due to entry restrictions into Japan and overseas travel advisories are expected, and may negatively affect the Group's financial position and business.

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 unprofitable, and if we decide to exit from these businesses, a considerable amount of loss may be temporarily incurred.

6) 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.

7) Fluctuation in Japanese yen interest rate

Among ¥58,200 million of borrowings as of the end of the current fiscal year, ¥13,900 million is loans with floating interest rates, which may result in increased interest payments if the yen interest rate rises due to the recovery of the Japanese economy in the future.

8) Fluctuation in exchange rate

Revenues and expenses, as well as receivables and payables, from operating activities of the Group's overseas businesses are denominated in foreign currencies. Consequently, the results could be affected by exchange rate fluctuations when converting financial results of overseas subsidiaries to yen amount.

(7) Important Information about Going Concern Assumption

Impact of the spread of COVID-19

The outlook on the Group's business environment remains uncertain, given the priority preventive measures imposed due to the resurgence of COVID-19 and other factors. Depending on how the pandemic will develop going forward and when the priority preventive measures will be lifted, the Group's financial results may suffer an even greater impact, such as requiring more time than anticipated to restore revenue. At this point in time, we believe that conditions exist that may cast significant doubt on the going concern assumption.

In these conditions, the Group has improved its financial position through the sale of its assets and issuance of preferred shares, and built a structure that ensures business funding, based on a funding plan that assumes the prolonged impact. Moreover, the Group is working to quickly restore revenue by carrying out measures to increase added-value and promoting structural reforms to reduce fixed costs, including the implementation of early voluntary retirement in March 2021, as well as reductions in officers' remuneration and employee bonuses, rent reduction negotiations, and other cost-cutting initiatives.

We have determined that no material uncertainty exists regarding the going concern assumption, based on the continued implementation of these countermeasures.

2. Overview of the Corporate Group

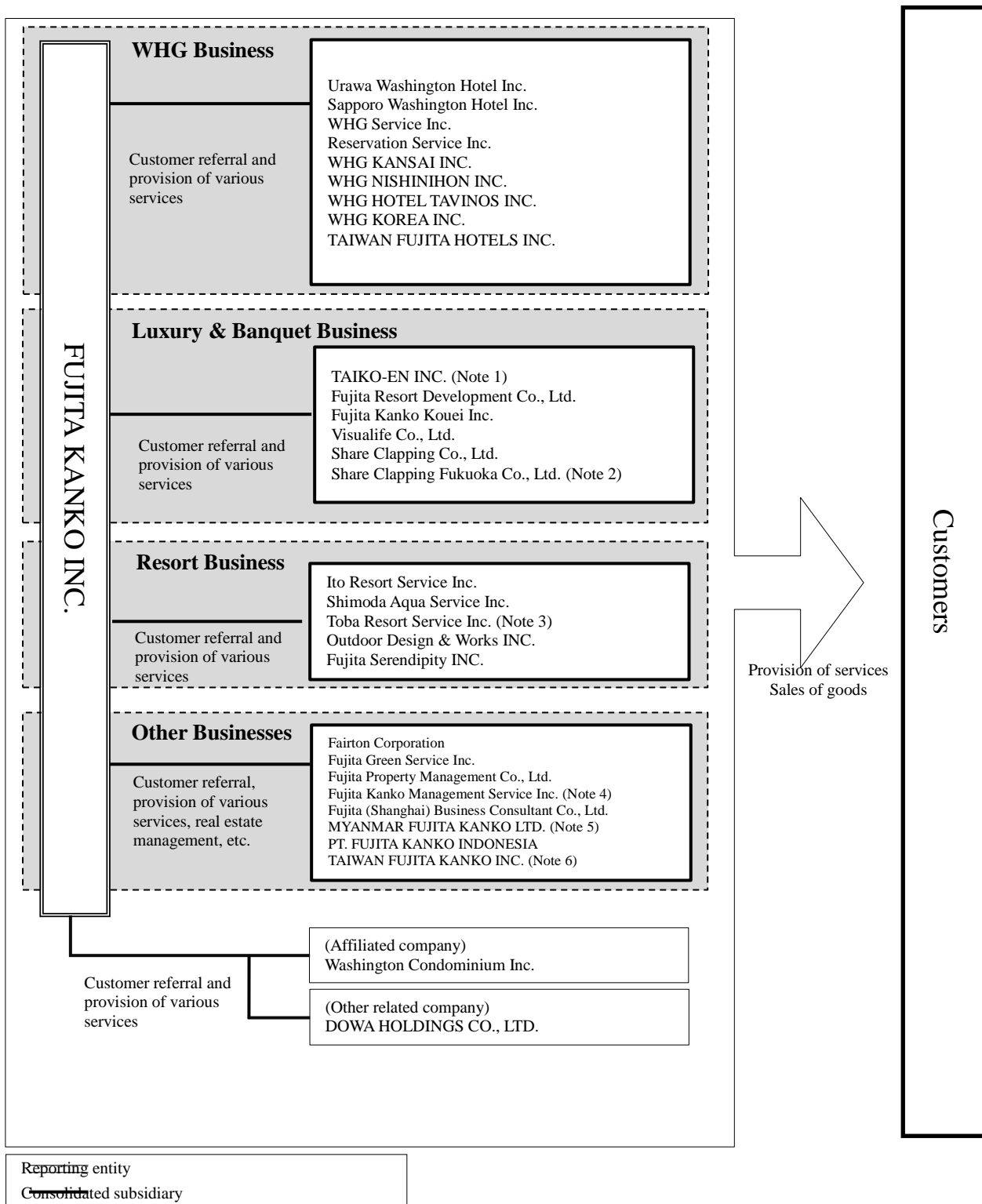
The Group consists of FUJITA KANKO INC., 28 consolidated subsidiaries, 1 affiliated company, and 1 other related company. The Group engages in the WHG Business, the Luxury & Banquet Business, and the Resort Business as the main businesses and provides various services related to each business.

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

| | | Main businesses | Major affiliates, etc. (Note) |
|--------------------|---------------------------|---|--|
| Reportable segment | WHG Business | Hotel business emphasis on accommodations | Total of 9 companies including FUJITA KANKO INC. (the Company) and Urawa Washington Hotel Inc. |
| | Luxury & Banquet Business | Wedding/banquet/restaurant/hotel/golf/flower arrangement/garden management/imaging businesses | Total of 6 companies including FUJITA KANKO INC. (the Company) and Share Clapping Co., Ltd. |
| | Resort Business | Resort hotel/leisure business | Total of 5 companies including FUJITA KANKO INC. (the Company) and Ito Resort Service Inc. |
| Other Businesses | | Cleaning and maintenance/real estate management/management contract businesses | Total of 8 companies including FUJITA KANKO INC. (the Company) and Fairton Corporation |

(Note) With the exception of the Company, company names and numbers of companies listed under "Major affiliates, etc." are all consolidated subsidiaries of the Company.

The following diagram illustrates the business structure.



- (Notes)
1. TAIKO-EN INC. is inactive as of the end of the current fiscal year.
 2. Share Clapping Fukuoka Co., Ltd. is inactive as of the end of the current fiscal year.
 3. Toba Resort Service Inc. is inactive as of the end of the current fiscal year.
 4. Fujita Kanko Management Service Inc. is inactive as of the end of the current fiscal year.
 5. MYANMAR FUJITA KANKO LTD. is inactive as of the end of the current fiscal year.
 6. TAIWAN FUJITA KANKO INC. is inactive as of the end of the current fiscal year.
 7. Fukui Washington Hotel Service Inc. completed its liquidation during the current fiscal year.

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) Issues to be Addressed

The COVID-19 pandemic has become interminable with still no end in sight, and the Group expects it will continue to have a considerable impact on the financial results for fiscal 2022. In these times, the Group has formulated and promoted a business plan as a means of survival amid the pandemic and a roadmap for rebuilding the Group, with a further aim to build the cornerstone of its sustained growth in the future.

As part of the structural reforms included in the business plan, we are working on increasing the added-value and improving productivity as issues to be addressed by the entire Group. Although we have not gotten out of the red yet, we are seeing results in certain aspects including reduction of fixed costs.

Going forward, we will continue pushing ahead with the business plan, which is our top priority, under which we will tackle the Group’s fundamental issues that have surfaced due to the pandemic head-on, such as the business model of the WHG Business and profitability of the Luxury & Banquet Business and the Resort Business.

Major strategies of the business plan are I. Promotion of structural reform, II. Review of the business portfolio, and III. Strengthening the management control structure.

Firstly, we are building a management control structure that allows for prompt decision-making, while minimizing the impact of the COVID-19 pandemic and advancing structural reforms that will lead to maximizing revenue after the end of the pandemic. In addition, we are simultaneously reviewing the business portfolio with an eye toward a sustained growth and revenue increase over the medium to long term in the future.

| Major strategies | Key points |
|---|--|
| I. Promotion of structural reform | Measures for unprofitable businesses, organizational and staffing measures, measures for wages and employment, revision of the human resource system, cost-cutting, etc. |
| II. Review of the business portfolio | (Short-term) Reinforcement of marketing/branding (Medium- to long-term) Redevelopment of business sites where company-owned assets are located, effective utilization of assets, review of the business model of the WHG Business, etc. |
| III. Strengthening the management control structure | Enhancement of monitoring |

I. Promotion of structural reform

To address the issues ingrained in our business structure itself, we are carrying out not only cost-cutting measures but also more fundamental measures including review, revision, and abolition of the organizations, systems, and contracts.

| Major initiatives | Overview |
|--|--|
| 1) Measures for unprofitable businesses | Considering withdrawal from unprofitable and deficit-running businesses, and withdrawing from businesses that cannot be made profitable in stages, keeping in mind the cost of withdrawing |
| 2) Organizational and staffing measures | Reviewing systems including the division of duties, organizational units of business locations, organizational units of shifts, and staffing standards |
| 3) Measures for wages and employment | Reducing officers’ remuneration, curbing recruitment, and hiring staff on as-needed basis |
| 4) Revision of the human resource system | Revising the human resource system to introduce work criteria (based on duties and accomplishments) that enable flexible operation of the system |
| 5) Cost-cutting | Reducing the rent for business sites on lease, and reviewing outsourced tasks and various contracts |

II. Review of the business portfolio

We are seeking to revise and future-proof our business portfolio with medium- to long-term perspectives, in addition to short-term perspectives such as addressing the COVID-19 pandemic. To this end, we are reviewing our business models and planning redevelopment projects with the aim of improving profitability, which has been our longstanding challenge.

| Major initiatives | Overview |
|--|---|
| 1) Reinforcement of marketing/branding | Developing a digital marketing scheme Overhauling the loyalty program (THE FUJITA MEMBERS) |
| 2) Redevelopment of business sites where company-owned assets are located, effective utilization of assets | Proceeding with the redevelopment of Hakone Kowakien |
| 3) Review of the business model of the WHG Business | Changing the business operation structure, revising the contract system, and expanding franchise operations |

<THE FUJITA MEMBERS>

We will overhaul our loyalty program Fujita Kanko Group Members Card WAON under the new banner of THE FUJITA MEMBERS on April 11, 2022. We will offer products and information that are more tailored to individual customers by having them register personal information, while maintaining the functions for collecting points by using the FUJITA KANKO Group facilities and redeeming points for future use. We will enhance the results of digital marketing measures by strengthening our ties with customers.

III. Strengthening the management control structure

To promptly and appropriately make management decisions based on the rapidly changing market environment and harsh business environment, we are seeking to revise both our structure and functions such as by reviewing the meeting bodies and monitoring.

| Major initiatives | Overview |
|------------------------------|--|
| 1) Enhancement of monitoring | Revising management and operation indicators for each division and location, including productivity indicators and breakeven point indicators Holding management meetings with a focus on the revised indicators Revising the process of approving investments |

[Strategy by segment]

WHG Business

The WHG Business has suffered the biggest impact from the COVID-19 pandemic, and is still recording large amounts of losses. We are currently working to minimize the losses while simultaneously advancing structural reforms to enable future growth.

As for the structural reforms, we are transforming the business model by addressing issues such as operation reforms and development of differentiation strategies, marketing programs, and measures for repeat customers, in addition to various measures to improve productivity.

| Major initiatives | Overview |
|--|--|
| 1) Reinforcement of sales capabilities | Conducting sales promotions across hotel chains including franchise hotels, consolidating selling and administrative functions to the headquarters, differentiating our breakfast from competitors, developing high value-added products, etc. |
| 2) Streamlining of operations | Reducing workload by introducing more machines, centralizing tasks, and adopting uniform operations |

Luxury & Banquet Business

At Hotel Chinzanso Tokyo, which will celebrate the 70th anniversary of the opening in November 2022, we have created new programs that make full use of the attractive garden, including “Tokyo Sea of Clouds,” “Forest Aurora,” and “Camellia Tree Planting Ceremony,” since 2020. We are enhancing our sales and planning capabilities by developing related accommodation and restaurant products as well as events, and focusing on our efforts to raise the value of the Chinzanso brand by offering high value-added food and customer service.

| Major initiatives | Overview |
|-----------------------------|--|
| 1) Enhancement of products | Selling high value-added, highly profitable products |
| 2) Improvement of expertise | Enhancing food and customer service expertise as well as planning capabilities to raise the value of the Chinzanso brand |

Resort Business

We will steadily carry out the reconstruction of Hakone Hotel Kowakien for opening in July 2023, while simultaneously enhancing features including dining and activities at Hakone Kowakien Yunessun. We will restructure the business portfolio to capture a wide variety of needs, and increase the appeal of the entire Hakone Kowakien area.

We will swiftly increase the contribution of the Resort Business in revenue by quickly completing the redevelopment of Hakone Kowakien and further enhancing the added-value of new businesses such as glamping, which have received acclaim even amid the COVID-19 pandemic.

| Major initiatives | Overview |
|------------------------------|---|
| 1) Enhancement of operations | Carrying out measures to improve added-value of products and productivity, such as by enhancing the product appeal of food and guest rooms |
| 2) Redevelopment of Hakone | Implementing measures to utilize unused and idle assets, including the reconstruction of Hakone Hotel Kowakien and enhancement of the features of the Hakone Kowakien Yunessun area |

Headquarters, others, and shared issues

As a common companywide issue, we are improving productivity by streamlining the sales and administrative divisions and reviewing the onsite operation system. In these segments, also, we are implementing measures to address unprofitable businesses.

Although the impact of the COVID-19 pandemic is expected to persist for the time being, we will continue pushing ahead with the business plan, which is our top priority, to ensure our survival even in this difficult environment and to rebuild the Company so we can achieve sustained growth. Moreover, we plan to start formulating a new medium-term management plan with an eye toward sustained future growth as soon as we have an outlook on the end of the pandemic.

4. Basic Policy on Selecting Accounting Standard

The Group will continue to prepare consolidated financial statements based on Japanese GAAP for the time being, taking into consideration comparability of consolidated financial statements in terms of periods and companies.

In the future, we will take appropriate actions in accordance with various conditions in Japan and overseas.

5. Consolidated Financial Statements
(1) Consolidated Balance Sheets

(Million yen)

| | As of December 31, 2020 | As of December 31, 2021 |
|---------------------------------------|-------------------------|-------------------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 3,723 | 38,647 |
| Notes and accounts receivable - trade | 2,041 | 2,292 |
| Merchandise and finished goods | 50 | 44 |
| Work in process | 20 | 19 |
| Raw materials and supplies | 369 | 314 |
| Other | 3,958 | 2,971 |
| Allowance for doubtful accounts | (14) | (13) |
| Total current assets | 10,149 | 44,276 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures | 96,758 | 91,796 |
| Accumulated depreciation | (59,291) | (56,900) |
| Buildings and structures, net | 37,466 | 34,896 |
| Tools, furniture and fixtures | 21,068 | 19,432 |
| Accumulated depreciation | (17,530) | (16,981) |
| Tools, furniture and fixtures, net | 3,538 | 2,450 |
| Land | 12,845 | 6,894 |
| Construction in progress | 1,220 | 351 |
| Golf courses | 2,434 | 2,443 |
| Other | 4,556 | 4,122 |
| Accumulated depreciation | (3,590) | (3,364) |
| Other, net | 965 | 757 |
| Total property, plant and equipment | 58,471 | 47,793 |
| Intangible assets | | |
| Goodwill | 160 | — |
| Software | 455 | 545 |
| Other | 429 | 211 |
| Total intangible assets | 1,044 | 756 |
| Investments and other assets | | |
| Investment securities | 14,787 | 10,253 |
| Guarantee deposits | 8,251 | 9,280 |
| Deferred tax assets | 3,465 | 42 |
| Other | 430 | 466 |
| Allowance for doubtful accounts | (5) | (107) |
| Total investments and other assets | 26,929 | 19,935 |
| Total non-current assets | 86,446 | 68,486 |
| Total assets | 96,595 | 112,762 |

(Million yen)

| | As of December 31, 2020 | As of December 31, 2021 |
|--|-------------------------|-------------------------|
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable - trade | 755 | 809 |
| Short-term borrowings | 8,985 | 10,700 |
| Current portion of long-term borrowings | 8,028 | 7,829 |
| Income taxes payable | 62 | 194 |
| Accrued consumption taxes | 99 | 219 |
| Provision for bonuses | — | 11 |
| Provision for point card certificates | 117 | 69 |
| Provision for loss on business withdrawal | 2 | 115 |
| Provision for noncurrent assets removal cost | 448 | 3 |
| Provision for loss on disaster | 9 | — |
| Allowance for early retirement program | 1,802 | — |
| Other | 4,885 | 3,982 |
| Total current liabilities | 25,197 | 23,935 |
| Non-current liabilities | | |
| Long-term borrowings | 47,783 | 39,704 |
| Provision for retirement benefits for directors (and other officers) | 88 | 37 |
| Deferred tax liabilities | — | 1,168 |
| Retirement benefit liability | 9,850 | 6,780 |
| Deposits received from members | 10,416 | 10,444 |
| Other | 1,911 | 1,857 |
| Total non-current liabilities | 70,051 | 59,993 |
| Total liabilities | 95,248 | 83,929 |
| Net assets | | |
| Shareholders' equity | | |
| Share capital | 12,081 | 100 |
| Capital surplus | 5,430 | 32,412 |
| Retained earnings | (17,546) | (5,231) |
| Treasury shares | (931) | (902) |
| Total shareholders' equity | (966) | 26,378 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 2,463 | 2,533 |
| Deferred gains or losses on hedges | (71) | (67) |
| Foreign currency translation adjustment | (178) | (144) |
| Remeasurements of defined benefit plans | (64) | (43) |
| Total accumulated other comprehensive income | 2,149 | 2,277 |
| Non-controlling interests | 164 | 177 |
| Total net assets | 1,347 | 28,833 |
| Total liabilities and net assets | 96,595 | 112,762 |

(2) Consolidated Statements of Income and Comprehensive Income
Consolidated Statements of Income

(Million yen)

| | For the fiscal year ended December 31, 2020 | For the fiscal year ended December 31, 2021 |
|---|--|--|
| Net sales | 26,648 | 28,433 |
| Cost of sales | 44,091 | 41,631 |
| Gross loss | (17,443) | (13,197) |
| Selling, general and administrative expenses | 3,168 | 2,625 |
| Operating loss | (20,611) | (15,822) |
| Non-operating income | | |
| Interest income | 3 | 11 |
| Dividend income | 392 | 200 |
| Foreign exchange gains | — | 123 |
| Dividend income of life insurance | 64 | 69 |
| Rental income from land and buildings | 90 | 78 |
| Other | 185 | 154 |
| Total non-operating income | 736 | 638 |
| Non-operating expenses | | |
| Interest expenses | 657 | 686 |
| Share of loss of entities accounted for using equity method | 71 | 36 |
| Commission expenses | — | 544 |
| Loss on retirement of non-current assets | 116 | 49 |
| Foreign exchange losses | 95 | — |
| Other | 113 | 41 |
| Total non-operating expenses | 1,054 | 1,358 |
| Ordinary loss | (20,930) | (16,542) |
| Extraordinary income | | |
| Gain on sales of non-current assets | 59 | 33,369 |
| Subsidy bounty income | 3,221 | 1,925 |
| Gain on sales of investment securities | 335 | 1,763 |
| Reversal of provision for cost of early retirement | — | 24 |
| Gain on reversal of provision for loss on business withdrawal | 42 | 5 |
| Insurance claim income | 117 | — |
| Release from memberships deposits obligation | 4 | — |
| Other | 43 | — |
| Total extraordinary income | 3,824 | 37,088 |
| Extraordinary losses | | |
| Impairment loss | 1,823 | 2,098 |
| Loss on withdrawal from business | 38 | 804 |
| Amortization of goodwill | — | 150 |
| Provision for loss on business withdrawal | 2 | 115 |
| Provision for allowance for doubtful accounts | — | 102 |
| Provision for removal expenses of noncurrent assets | 35 | 3 |
| Business suspension loss | 2,289 | — |
| Transfer to provision for early retirement | 1,802 | — |
| Other | 76 | 113 |
| Total extraordinary losses | 6,067 | 3,388 |
| Profit or loss before income taxes | (23,173) | 17,158 |
| Income taxes - current | 72 | 200 |
| Income taxes - deferred | (813) | 4,269 |

| | For the fiscal year ended December 31, 2020 | For the fiscal year ended December 31, 2021 |
|---|--|--|
| Total income taxes | (740) | 4,469 |
| Profit (loss) | (22,432) | 12,688 |
| Profit (loss) attributable to non-controlling interests | (5) | 12 |
| Profit (loss) attributable to owners of parent | (22,427) | 12,675 |

Consolidated Statements of Comprehensive Income

(Million yen)

| | For the fiscal year ended December 31, 2020 | For the fiscal year ended December 31, 2021 |
|--|--|--|
| Profit (loss) | (22,432) | 12,688 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | (2,271) | 87 |
| Deferred gains or losses on hedges | (0) | 4 |
| Foreign currency translation adjustment | (13) | 33 |
| Remeasurements of defined benefit plans, net of tax | (0) | 20 |
| Share of other comprehensive income of entities accounted for using equity method | (7) | (17) |
| Total other comprehensive income | (2,293) | 128 |
| Comprehensive income | (24,725) | 12,816 |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of parent | (24,720) | 12,803 |
| Comprehensive income attributable to non-controlling interests | (5) | 12 |

(3) Consolidated Statements of Changes in Net Assets

For the fiscal year ended December 31, 2020 (January 1, 2020 to December 31, 2020)

(Million yen)

| | Shareholders' equity | | | | |
|--|----------------------|-----------------|-------------------|-----------------|----------------------------|
| | Share capital | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity |
| Balance at beginning of period | 12,081 | 5,431 | 5,240 | (931) | 21,821 |
| Changes during period | | | | | |
| Dividends of surplus | | | (359) | | (359) |
| Loss attributable to owners of parent | | | (22,427) | | (22,427) |
| Purchase of treasury shares | | | | (1) | (1) |
| Disposal of treasury shares | | (0) | | 1 | 0 |
| Net changes in items other than shareholders' equity | | | | | - |
| Total changes during period | - | (0) | (22,787) | 0 | (22,787) |
| Balance at end of period | 12,081 | 5,430 | (17,546) | (931) | (966) |

| | Accumulated other comprehensive income | | | | | Non-controlling interests | Total net assets |
|--|---|------------------------------------|---|---|--|---------------------------|------------------|
| | Valuation difference on available-for-sale securities | Deferred gains or losses on hedges | Foreign currency translation adjustment | Remeasurements of defined benefit plans | Total accumulated other comprehensive income | | |
| Balance at beginning of period | 4,741 | (71) | (164) | (63) | 4,442 | 175 | 26,438 |
| Changes during period | | | | | | | |
| Dividends of surplus | | | | | | | (359) |
| Loss attributable to owners of parent | | | | | | | (22,427) |
| Purchase of treasury shares | | | | | | | (1) |
| Disposal of treasury shares | | | | | | | 0 |
| Net changes in items other than shareholders' equity | (2,278) | (0) | (13) | (0) | (2,293) | (10) | (2,303) |
| Total changes during period | (2,278) | (0) | (13) | (0) | (2,293) | (10) | (25,091) |
| Balance at end of period | 2,463 | (71) | (178) | (64) | 2,149 | 164 | 1,347 |

For the fiscal year ended December 31, 2021 (January 1, 2021 to December 31, 2021)

(Million yen)

| | Shareholders' equity | | | | |
|--|----------------------|-----------------|-------------------|-----------------|----------------------------|
| | Share capital | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity |
| Balance at beginning of period | 12,081 | 5,430 | (17,546) | (931) | (966) |
| Changes during period | | | | | |
| Issuance of new shares | 7,500 | 7,500 | | | 15,000 |
| Transfer from share capital to other capital surplus | (19,481) | 19,481 | | | |
| Dividends of surplus | | | | | |
| Profit attributable to owners of parent | | | 12,675 | | 12,675 |
| Purchase of treasury shares | | | | (1) | (1) |
| Disposal of treasury shares | | 0 | | | 0 |
| Change in scope of equity method | | | (359) | 30 | (329) |
| Net changes in items other than shareholders' equity | | | | | — |
| Total changes during period | (11,981) | 26,981 | 12,315 | 28 | 27,345 |
| Balance at end of period | 100 | 32,412 | (5,231) | (902) | 26,378 |

| | Accumulated other comprehensive income | | | | | Non-controlling interests | Total net assets |
|--|---|------------------------------------|---|---|--|---------------------------|------------------|
| | Valuation difference on available-for-sale securities | Deferred gains or losses on hedges | Foreign currency translation adjustment | Remeasurements of defined benefit plans | Total accumulated other comprehensive income | | |
| Balance at beginning of period | 2,463 | (71) | (178) | (64) | 2,149 | 164 | 1,347 |
| Changes during period | | | | | | | |
| Issuance of new shares | | | | | | | 15,000 |
| Transfer from share capital to other capital surplus | | | | | | | – |
| Dividends of surplus | | | | | | | – |
| Profit attributable to owners of parent | | | | | | | 12,675 |
| Purchase of treasury shares | | | | | | | (1) |
| Disposal of treasury shares | | | | | | | 0 |
| Change in scope of equity method | | | | | | | (329) |
| Net changes in items other than shareholders' equity | 69 | 4 | 33 | 20 | 128 | 12 | 141 |
| Total changes during period | 69 | 4 | 33 | 20 | 128 | 12 | 27,486 |
| Balance at end of period | 2,533 | (67) | (144) | (43) | 2,277 | 177 | 28,833 |

(4) Consolidated Statements of Cash Flows

(Million yen)

| | For the fiscal year ended December 31, 2020 | For the fiscal year ended December 31, 2021 |
|---|--|--|
| Cash flows from operating activities | | |
| Profit (loss) before income taxes | (23,173) | 17,158 |
| Depreciation | 4,753 | 4,041 |
| Impairment loss | 1,823 | 2,098 |
| Amortization of goodwill | 40 | 160 |
| Increase (decrease) in allowance for doubtful accounts | (5) | 101 |
| Increase (decrease) in provision for retirement benefits for directors (and other officers) | (15) | (50) |
| Increase (decrease) in provision for bonuses | (179) | 11 |
| Increase (decrease) in provision for bonuses for directors (and other officers) | (8) | — |
| Increase (decrease) in provision for point card certificates | (25) | (48) |
| Increase (decrease) in provision for loss on business withdrawal | (95) | 112 |
| Increase (decrease) in provision of noncurrent assets removal | (25) | (444) |
| Increase (decrease) in provision for loss on disaster | (306) | (9) |
| Increase (decrease) in accrued early retirement benefits | 1,802 | (1,802) |
| Increase (decrease) in retirement benefit liability | 173 | (3,013) |
| Interest and dividend income | (395) | (211) |
| Interest expenses | 657 | 686 |
| Foreign exchange losses (gains) | 95 | (123) |
| Share of loss (profit) of entities accounted for using equity method | 71 | 36 |
| Loss (gain) on sales of non-current assets | (60) | (33,369) |
| Loss on retirement of non-current assets | 116 | 49 |
| Loss (gain) on sales of short-term and long-term investment securities | (335) | (1,763) |
| Loss (gain) on valuation of investment securities | 9 | 0 |
| Release from memberships deposits obligation | (4) | — |
| Decrease (increase) in trade receivables | 3,199 | (248) |
| Decrease (increase) in inventories | 121 | 62 |
| Increase (decrease) in trade payables | (749) | 53 |
| Increase (decrease) in accrued consumption taxes | (371) | 119 |
| Other, net | (3,439) | 185 |
| Subtotal | (16,326) | (16,208) |
| Interest and dividends received | 408 | 208 |
| Interest paid | (622) | (688) |
| Income taxes (paid) refund | (530) | 385 |
| Net cash provided by (used in) operating activities | (17,069) | (16,302) |

(Million yen)

| | For the fiscal year ended December 31, 2020 | For the fiscal year ended December 31, 2021 |
|--|--|--|
| Cash flows from investing activities | | |
| Purchase of property, plant and equipment and intangible assets | (4,079) | (1,428) |
| Proceeds from sales of property, plant and equipment and intangible assets | 164 | 39,732 |
| Proceeds from sales of investment securities | 853 | 6,249 |
| Payments into time deposits | — | (0) |
| Proceeds from withdrawal of time deposits | 50 | — |
| Payments of guarantee deposits | (112) | (1,936) |
| Proceeds from refund of guarantee deposits | 705 | 264 |
| Other, net | 5 | 9 |
| Net cash provided by (used in) investing activities | (2,412) | 42,890 |
| Cash flows from financing activities | | |
| Net increase (decrease) in short-term borrowings | 5,754 | 1,715 |
| Proceeds from long-term borrowings | 22,100 | 181 |
| Repayments of long-term borrowings | (7,528) | (8,467) |
| Proceeds from issuance of shares | — | 15,000 |
| Proceeds from sales of treasury shares | 0 | — |
| Purchase of treasury shares | (1) | (1) |
| Dividends paid | (360) | — |
| Dividends paid to non-controlling interests | (5) | — |
| Repayments of finance lease obligations | (39) | (40) |
| Other, net | (88) | (68) |
| Net cash provided by (used in) financing activities | 19,831 | 8,319 |
| Effect of exchange rate change on cash and cash equivalents | (0) | 15 |
| Net increase (decrease) in cash and cash equivalents | 348 | 34,921 |
| Cash and cash equivalents at beginning of period | 3,348 | 3,697 |
| Cash and cash equivalents at end of period | 3,697 | 38,619 |