

**Consolidated Financial Results
for the Six Months Ended June 30, 2021
[Japanese GAAP]**



August 12, 2021

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 filing quarterly securities report: August 12, 2021

Scheduled date of commencing dividend payments: -

Availability of supplementary briefing material on quarterly financial results: Available

Schedule of quarterly 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 Six Months Ended June 30, 2021 (January 1, 2021 to June 30, 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	%
Six months ended June 30, 2021	11,928	(5.4)	(10,056)	-	(10,344)	-	19,400	-
Six months ended June 30, 2020	12,615	(62.5)	(10,156)	-	(10,264)	-	(13,397)	-

(Note) Comprehensive income: Six months ended June 30, 2021: ¥19,593 million [-%]
Six months ended June 30, 2020: ¥(15,688) million [-%]

	Profit per share	Diluted profit per share
	Yen	Yen
Six months ended June 30, 2021	1,619.00	-
Six months ended June 30, 2020	(1,118.21)	-

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of June 30, 2021	111,721	20,611	18.3
As of December 31, 2020	96,595	1,347	1.2

(Reference) Equity: As of June 30, 2021: ¥20,439 million
As of December 31, 2020: ¥1,182 million

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
Fiscal year ended December 31, 2020	Yen -	Yen 0.00	Yen -	Yen 0.00	Yen 0.00
Fiscal year ending December 31, 2021	-	0.00			
Fiscal year ending December 31, 2021 (Forecast)			-	-	-

(Note) Revision to the forecast for dividends announced most recently: No

*The forecast for the year-end dividends for the fiscal year ending December 31, 2021 has not been determined as it is difficult to calculate the financial results forecasts at present.

3. Consolidated Financial Results Forecast for the Fiscal Year Ending December 31, 2021 (January 1, 2021 to December 31, 2021)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Profit per share
Full year	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
	-	-	-	-	-	-	-	-	-

(Note) Revision to the financial results forecast announced most recently: No

*The forecast for the financial results has not been determined as stated in the “Consolidated Financial Results for the Fiscal Year Ended December 31, 2020” released on February 12, 2021, as it is difficult to reasonably calculate the financial results forecasts at present due to the impact of the spread of COVID-19.

*** Notes:**

- (1) Changes in significant subsidiaries during the period under review: No
- (2) Accounting policies adopted specially for the preparation of quarterly consolidated financial statements: Yes
- (3) 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
- (4) Total number of issued shares (common shares)
 - 1) Total number of issued shares at the end of the period (including treasury shares):
June 30, 2021: 12,207,424 shares
December 31, 2020: 12,207,424 shares
 - 2) Total number of treasury shares at the end of the period:
June 30, 2021: 221,275 shares
December 31, 2020: 226,796 shares
 - 3) Average number of shares during the period:
Six months ended June 30, 2021: 11,982,997 shares
Six months ended June 30, 2020: 11,980,951 shares

* Quarterly financial results are outside the scope of quarterly review 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 “1. Qualitative Information on Quarterly Financial Results for the Period under Review, (3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information” on page 3 of the attached material.

Table of Contents

1. Qualitative Information on Quarterly Financial Results for the Period under Review	2
(1) Explanation of Operating Results	2
(2) Explanation of Financial Position	3
(3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information	3
(4) Risks Related to Business	3
2. Quarterly Consolidated Financial Statements	4
(1) Quarterly Consolidated Balance Sheets	4
(2) Quarterly Consolidated Statements of Income and Comprehensive Income	6
Quarterly Consolidated Statements of Income	6
Quarterly Consolidated Statements of Comprehensive Income	7
(3) Quarterly Consolidated Statements of Cash Flows	8

1. Qualitative Information on Quarterly Financial Results for the Period under Review

(1) Explanation of Operating Results

During the six months ended June 30, 2021, the tourism industry was still severely affected by the spread of COVID-19, and the Group continued to face a difficult business environment.

In the midst of the intermittent declarations of State of Emergency, the Group placed the highest priority on the safety and security of its customers and employees in accordance with its Environmental Hygiene Policy established independently, continued operations without suspending facilities, and steadily implemented its business plan (2021-2025). In the first quarter (January to March) of the fiscal year ending December 31, 2021, although net sales decreased significantly by ¥5,501 million year on year, sales for the six months ended June 30, 2021 decreased only by ¥686 million year on year as a result of focusing on capturing new needs. In addition, fixed operating costs were reduced due to progress in cost reduction, and operating profit for the six months ended June 30, 2021 improved by ¥2,388 million in actual terms year on year (in the six months ended June 30, 2020, fixed costs during the suspension of operations were transferred to extraordinary losses, and therefore the comparison is with the results before the transfer).

As a result, net sales for the entire Group decreased by ¥686 million year on year to ¥11,928 million. Operating loss improved by ¥99 million year on year to ¥10,056 million, and ordinary loss deteriorated by ¥80 million year on year to ¥10,344 million. Profit attributable to owners of parent increased by ¥32,797 million year on year to ¥19,400 million as a result of recording extraordinary income from the sale of assets and the Employment Adjustment Subsidy.

An overview of business results is as follows.

(Million yen)

	Six months ended June 30, 2021	YoY change
Net sales	11,928	(686)
Operating loss	(10,056)	99
Ordinary loss	(10,344)	(80)
Profit attributable to owners of parent	19,400	32,797

(Reference)

EBITDA	(8,017)	54
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An overview of business results by segment is as follows.

Sales and operating profit by segment

(Million yen)

	Net sales		Operating loss	
	Actual	YoY change	Actual	YoY change
WHG Business	3,799	(2,274)	(7,310)	(1,410)
Luxury & Banquet Business	5,957	1,727	(1,486)	1,229
Resort Business	1,345	158	(880)	(5)
Other (including adjustment amounts)	826	(298)	(378)	285
Total	11,928	(686)	(10,056)	99

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

In the WHG Business, while occupancy rates were sluggish mainly in the Tokyo metropolitan area due to the impact of declining demand for accommodation, we developed measures such as sales of teleworking plans and long-term stay plans. At the same time, as part of our efforts to promote structural reforms, we have been promoting the establishment of an effective and efficient chain organization structure by consolidating sales operations functions into the headquarters. In the wedding business of the Luxury & Banquet Business, net sales increased by ¥1,529 million year on year, including the implementation of weddings postponed from 2020, and net sales recovered to about 66% of the 2019 level. In the accommodation business, as a result of the improvement in both occupancy rate and ADR, net sales increased by ¥248 million year on year, and the net sales for the entire segment increased by ¥1,727 million year on year, while the operating loss improved by ¥1,229 million. After more than 60 years of

patronage, Taiko-En closed its doors on June 30, 2021. In the Resort Business, at Hakone Kowakien Ten-yu, the weekend occupancy rate in the second quarter (April to June) was on a recovery trend, and the accommodation business recorded a year on year increase of ¥173 million.

In addition, in line with the business plan, we are promoting initiatives to increase added value with an eye to the post-pandemic period, and we will continue to strengthen our branding by taking advantage of the characteristics of each facility.

(2) Explanation of Financial Position

1) Assets, liabilities and net assets

Total assets as of June 30, 2021 increased by ¥15,125 million from the end of the previous fiscal year to ¥111,721 million, mainly due to an increase of ¥29,240 million in cash and deposits, despite a decrease of ¥11,815 million in non-current assets due to the sale of assets. Liabilities decreased by ¥4,139 million from the end of the previous fiscal year to ¥91,109 million, mainly due to decreases of ¥1,686 million in provisions and ¥3,114 million in retirement benefit liability resulting from the implementation of early voluntary retirement. Net assets increased by ¥19,264 million from the end of the previous fiscal year to ¥20,611 million, mainly due to an increase in retained earnings of ¥19,040 million resulting from the sale of assets.

2) Cash flows

Cash and cash equivalents as of June 30, 2021 amounted to ¥32,936 million, up ¥29,238 million from the end of the previous fiscal year.

i) Cash flows from operating activities

Net cash used in operating activities was ¥10,836 million (an increase of ¥136 million compared with the same period of the previous fiscal year). This was mainly due to recording of an operating loss and a decrease in provisions associated with the implementation of early voluntary retirement.

ii) Cash flows from investing activities

Net cash provided by investing activities was ¥42,738 million (an increase of ¥44,744 million compared with the same period of the previous fiscal year). This was mainly due to the proceeds from sales of non-current assets of ¥39,051 million.

iii) Cash flows from financing activities

Net cash used in financing activities was ¥2,673 million (a decrease in cash inflows of ¥24,778 million compared with the same period of the previous fiscal year). This was mainly due to repayments of borrowings.

(3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information

Although vaccine development and inoculation are being promoted, there are still no prospects for controlling COVID-19. As of August 12, a State of Emergency has been declared in areas including Tokyo and the effects are expected to continue. Under these circumstances, we are striving to steadily implement our business plan, and we are also making efforts to increase added value with an eye to the post-pandemic period. However, due to the uncertain outlook at this time and the difficulty in rationally calculating forecast for the financial results, the consolidated financial results forecast for the fiscal year ending December 31, 2021 continues to be undetermined. The Company will disclose the forecast immediately when it becomes possible.

(4) Risks Related to Business

As a result of the impact of COVID-19, net sales have declined substantially due to the continued decline in Japanese and international tourism and business demand, as well as the postponement and cancellation of weddings and banquets. At this point in time, we believe that conditions exist that may cast significant doubt on the going concern assumption.

Moreover, the Group's financial results may suffer an even greater impact in the event that COVID 19 is not brought under control, and domestic and international economies are subject to a prolonged slowdown, due to factors such as people refraining from leaving home.

In these conditions, the Group has implemented cost cutting initiatives, including reductions in officers' remuneration and employee salaries, rent reduction negotiations, etc., and built a structure that ensures business funding, based on a funding plan that includes the sale of investment securities and non-current assets, that assumes the prolonged impact. We have determined that no material uncertainty exists regarding the going concern assumption, based on the continued implementation of these countermeasures.

2. Quarterly Consolidated Financial Statements
(1) Quarterly Consolidated Balance Sheets

(Million yen)

	As of December 31, 2020	As of June 30, 2021
Assets		
Current assets		
Cash and deposits	3,723	32,963
Notes and accounts receivable - trade	2,041	1,183
Merchandise and finished goods	50	44
Work in process	20	16
Raw materials and supplies	369	264
Other	3,958	2,629
Allowance for doubtful accounts	(14)	(12)
Total current assets	10,149	37,090
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	37,466	34,545
Tools, furniture and fixtures, net	3,538	2,587
Land	12,845	7,497
Construction in progress	1,220	2,021
Golf courses	2,434	2,434
Other, net	965	830
Total property, plant and equipment	58,471	49,915
Intangible assets		
Goodwill	160	—
Other	884	868
Total intangible assets	1,044	868
Investments and other assets		
Investment securities	14,787	10,099
Other	12,146	13,752
Allowance for doubtful accounts	(5)	(4)
Total investments and other assets	26,929	23,847
Total non-current assets	86,446	74,631
Total assets	96,595	111,721

(Million yen)

	As of December 31, 2020	As of June 30, 2021
Liabilities		
Current liabilities		
Notes and accounts payable – trade	755	552
Short-term borrowings	8,985	10,700
Current portion of long-term borrowings	8,028	8,157
Income taxes payable	62	3,737
Provision for point card certificates	117	125
Provision for noncurrent assets removal cost	448	11
Provision for loss on disaster	9	–
Provision for loss on business withdrawal	2	555
Allowance for early retirement program	1,802	–
Other	4,984	5,022
Total current liabilities	25,197	28,864
Non-current liabilities		
Long-term borrowings	47,783	43,333
Provision for retirement benefits for directors (and other officers)	88	39
Retirement benefit liability	9,850	6,736
Deposits received from members	10,416	10,370
Other	1,911	1,765
Total non-current liabilities	70,051	62,244
Total liabilities	95,248	91,109
Net assets		
Shareholders' equity		
Share capital	12,081	12,081
Capital surplus	5,430	5,431
Retained earnings	(17,546)	1,493
Treasury shares	(931)	(901)
Total shareholders' equity	(966)	18,104
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,463	2,571
Deferred gains or losses on hedges	(71)	(63)
Foreign currency translation adjustment	(178)	(141)
Remeasurements of defined benefit plans	(64)	(31)
Total accumulated other comprehensive income	2,149	2,335
Non-controlling interests	164	171
Total net assets	1,347	20,611
Total liabilities and net assets	96,595	111,721

(2) Quarterly Consolidated Statements of Income and Comprehensive Income
Quarterly Consolidated Statements of Income
Six Months Ended June 30

(Million yen)

	For the six months ended June 30, 2020	For the six months ended June 30, 2021
Net sales	12,615	11,928
Cost of sales	21,046	20,472
Gross loss	(8,431)	(8,543)
Selling, general and administrative expenses	1,724	1,513
Operating loss	(10,156)	(10,056)
Non-operating income		
Interest income	2	7
Dividend income	345	200
Rental income from land and buildings	45	41
Other	84	114
Total non-operating income	477	362
Non-operating expenses		
Interest expenses	289	356
Share of loss of entities accounted for using equity method	146	36
Commission expenses	–	227
Other	148	30
Total non-operating expenses	585	650
Ordinary loss	(10,264)	(10,344)
Extraordinary income		
Gain on sales of non-current assets	–	33,271
Gain on sales of investment securities	–	1,750
Subsidy bounty income	–	1,324
Reversal of provision for cost of early retirement	–	24
Gain on sales of shares of subsidiaries and associates	–	12
Gain on reversal of provision for loss on business withdrawal	–	5
Insurance claim income	89	–
Other	19	–
Total extraordinary income	109	36,389
Extraordinary losses		
Impairment loss	814	1,694
Provision for loss on business withdrawal	–	1,071
Amortization of goodwill	–	150
Loss on withdrawal from business	–	137
Provision for removal expenses of noncurrent assets	–	23
Loss on valuation of investment securities	–	0
Business suspension loss	2,289	–
Other	–	82
Total extraordinary losses	3,103	3,160
Profit (loss) before income taxes	(13,258)	22,884
Income taxes	154	3,477
Profit (loss)	(13,413)	19,407
Profit (loss) attributable to non-controlling interests	(16)	7
Profit (loss) attributable to owners of parent	(13,397)	19,400

Quarterly Consolidated Statements of Comprehensive Income

Six Months Ended June 30

(Million yen)

	For the six months ended June 30, 2020	For the six months ended June 30, 2021
Profit (loss)	(13,413)	19,407
Other comprehensive income		
Valuation difference on available-for-sale securities	(2,268)	125
Deferred gains or losses on hedges	1	8
Foreign currency translation adjustment	(11)	36
Remeasurements of defined benefit plans, net of tax	11	33
Share of other comprehensive income of entities accounted for using equity method	(7)	(17)
Total other comprehensive income	(2,274)	186
Comprehensive income	(15,688)	19,593
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(15,672)	19,586
Comprehensive income attributable to non-controlling interests	(16)	7

(3) Quarterly Consolidated Statements of Cash Flows

(Million yen)

	For the six months ended June 30, 2020	For the six months ended June 30, 2021
Cash flows from operating activities		
Profit (loss) before income taxes	(13,258)	22,884
Depreciation	2,421	2,069
Impairment loss	814	1,694
Amortization of goodwill	20	160
Increase (decrease) in allowance for doubtful accounts	(4)	(2)
Increase (decrease) in provision for bonuses	(105)	–
Increase (decrease) in provision for bonuses for directors (and other officers)	(8)	–
Increase (decrease) in provision for point card certificates	10	7
Increase (decrease) in provision of noncurrent assets removal	(50)	(436)
Increase (decrease) in provision for loss on disaster	(34)	(9)
Increase in accrued early retirement benefits	–	(1,802)
Increase (decrease) in provision for loss on business withdrawal	(30)	553
Increase (decrease) in provision for retirement benefits for directors (and other officers)	6	(49)
Increase (decrease) in retirement benefit liability	14	(3,066)
Interest and dividend income	(347)	(207)
Interest expenses	289	356
Foreign exchange losses (gains)	84	(54)
Share of loss (profit) of entities accounted for using equity method	146	36
Loss (gain) on sales of non-current assets	(0)	(33,271)
Loss on retirement of non-current assets	47	21
Loss (gain) on sales of short-term and long-term investment securities	–	(1,750)
Loss (gain) on valuation of investment securities	–	0
Loss (gain) on sales of shares of subsidiaries and associates	–	(12)
Decrease (increase) in trade receivables	4,490	858
Decrease (increase) in inventories	173	114
Increase (decrease) in trade payables	(1,366)	(202)
Increase (decrease) in accrued consumption taxes	(423)	(5)
Other, net	(3,195)	1,038
Subtotal	(10,305)	(11,075)
Interest and dividends received	360	206
Interest paid	(262)	(368)
Income taxes (paid) refund	(491)	400
Net cash provided by (used in) operating activities	(10,699)	(10,836)

(Million yen)

	For the six months ended June 30, 2020	For the six months ended June 30, 2021
Cash flows from investing activities		
Purchase of property, plant and equipment and intangible assets	(2,329)	(947)
Proceeds from sales of property, plant and equipment and intangible assets	0	39,051
Proceeds from sales of investment securities	–	6,131
Payments into time deposits	(0)	–
Payments of guarantee deposits	(108)	(1,792)
Proceeds from refund of guarantee deposits	428	243
Proceeds from sales of shares of subsidiaries and associates	–	117
Other, net	2	(65)
Net cash provided by (used in) investing activities	(2,005)	42,738
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	5,704	1,715
Proceeds from long-term borrowings	20,800	181
Repayments of long-term borrowings	(3,944)	(4,513)
Purchase of treasury shares	(0)	(0)
Dividends paid	(359)	–
Dividends paid to non-controlling interests	(5)	–
Repayments of finance lease obligations	(19)	(20)
Other, net	(71)	(36)
Net cash provided by (used in) financing activities	22,105	(2,673)
Effect of exchange rate change on cash and cash equivalents	(4)	10
Net increase (decrease) in cash and cash equivalents	9,394	29,238
Cash and cash equivalents at beginning of period	3,348	3,697
Cash and cash equivalents at end of period	12,743	32,936