



FUJITA KANKO INC.  
Financial Results for the Six  
Months Ended June 30, 2021

August 12, 2021  
FUJITA KANKO INC.  
(Code number: 9722)

# Statements of Income

- ▶ Although net sales decreased by ¥680 million from the previous year, due to the effect of cost reduction, the actual loss contracted by ¥2.3 billion from the previous year
- ▶ Despite the intermittent declarations of State of Emergency, we continued to operate without suspending facilities through thorough hygiene management

\*Reference YoY: Because fixed costs of ¥2,289 million during the suspension of operations were transferred to extraordinary losses in 2Q 2020, the comparison is to the results before the transfer

	(Million yen)			2Q 2021	YoY	Reference YoY*	Main difference factors
		1Q Actual Jan. to Mar.	2Q Actual Apr. to Jun.	Cumulative actual			
<b>Net sales</b>		5,132	6,796	11,928	(686)	(686)	
	<b>WHG Business</b>	1,849	1,950	3,799	(2,274)	(2,274)	↓Substantial decline in sales in January and February Jan. to Mar. (5,501) Apr. to Jun. +4,815
	<b>Luxury &amp; Banquet Business</b>	2,247	3,710	5,957	1,727	1,727	
	<b>Resort Business</b>	621	723	1,345	158	158	
	<b>Other</b>	414	411	826	(298)	(298)	
<b>Operating profit (loss)</b>		(5,794)	(4,261)	(10,056)	99	2,388	
	<b>WHG Business</b>	(3,814)	(3,496)	(7,310)	(1,410)	(169)	
	<b>Luxury &amp; Banquet Business</b>	(1,279)	(206)	(1,486)	1,229	1,848	
	<b>Resort Business</b>	(488)	(391)	(880)	(5)	390	
	<b>Other</b>	(211)	(167)	(378)	285	319	
<b>EBITDA</b> (Operating profit + depreciation)		(4,743)	(3,275)	(8,017)	54	2,014	
<b>Ordinary profit (loss)</b>		(6,101)	(4,242)	(10,344)	(80)	2,209	
	<b>Extraordinary income</b>	35,717	672	36,389	36,280	36,280	Gain on sales of non-current assets
	<b>Extraordinary losses</b>	2,533	627	3,160	57	2,346	Impairment loss due to withdrawal, etc.
	<b>Income taxes</b>	3,897	(413)	3,484	3,346	3,346	
<b>Profit (loss) attributable to owners of parent</b>		23,184	(3,784)	19,400	32,797	32,797	

# Statements of Income (Net Sales)

▶ Although sales declined significantly in 1Q (January to March) during January and February YoY, they increased ¥4.8 billion YoY in 2Q (April to June)

## Luxury & Banquet Business

- In 2Q (April to June), sales were on par with the 4Q (October to December) of the previous year, which had effects of the Go To Travel campaign
- Wedding business: Increased ¥1.5 billion YoY, including the implementation of weddings postponed from 2020
- Accommodation business: Occupancy rate and ADR increased YoY at Hotel Chinzanso Tokyo

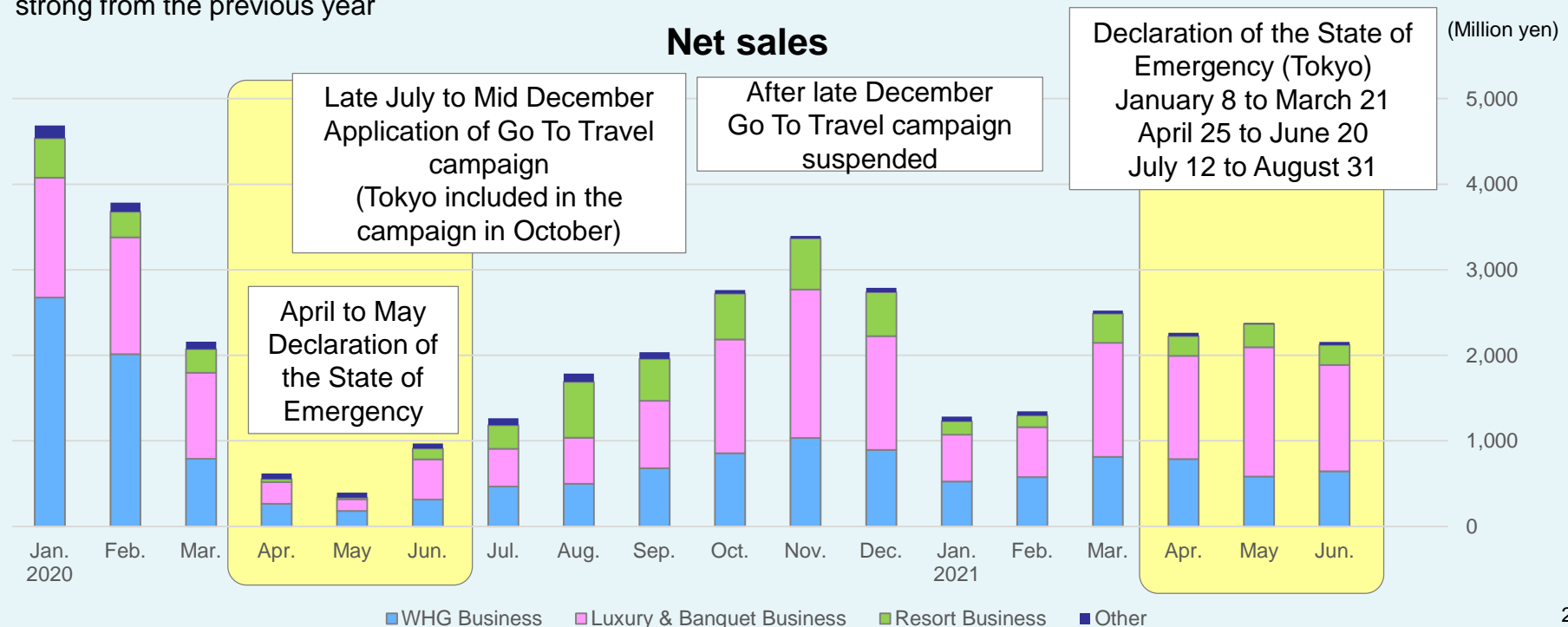
## Resort Business

- At Hakone Kowakien Ten-yu, the weekend occupancy rate was 77% in 2Q (April to June) and recovered to 87% in June

## WHG Business

- Despite sluggish growth in occupancy rates in the Tokyo metropolitan area, performance in Sendai and Urawa continued to be strong from the previous year

## Net sales



# Statements of Income (Cost)

## ▶ Profit structure improved due to effects of cost reduction

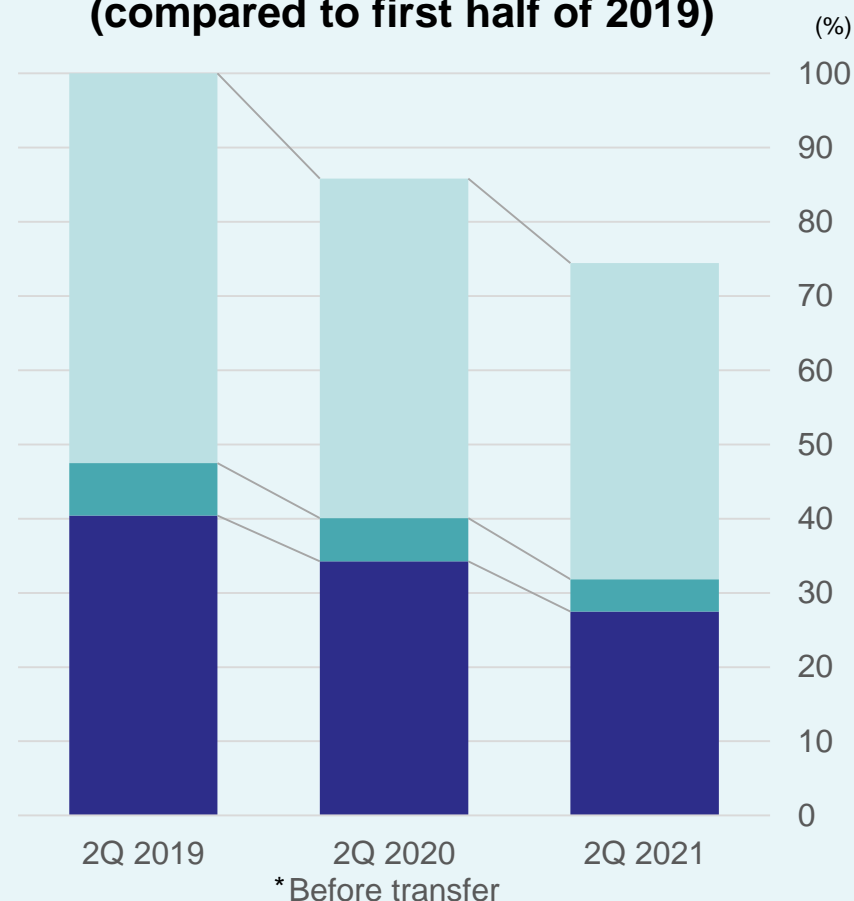
Fixed operating costs for first half of 2021  
**Reduced to 74% level of first half of 2019**

Personnel expenses for the first half of 2021  
**Reduced to 66% level of first half of 2019**

### <Major cost reduction measures>

- Implementation of early voluntary retirement
- Reduction of officers' remuneration and employee salaries and bonuses
- Internalized costs for outsourced duties
- Rent negotiation, etc.

## Fixed operating costs (compared to first half of 2019)



\* Because fixed costs of ¥2,289 million during the suspension of operations were transferred to extraordinary losses in 2Q 2020, the comparison is to the results before the transfer

■ Fixed personnel expenses  
■ Outsourcing expenses  
■ Other fixed operating costs

# Sales by Business and Operational Indicators for Main Facilities



Financial Results for the Six Months Ended June 30, 2021

## Sales by business (Jan. to Jun.)

(Million yen)

	Business	Net sales (actual)	YoY
WHG	Accommodation	3,143	(1,748)
	Other	656	(526)
Luxury & Banquet	Accommodation	633	248
	Wedding	3,194	1,529
	Banquet	442	(486)
	Restaurant	1,044	231
	Other	642	205
Resort	Accommodation	993	173
	Day trip and leisure	271	(13)
	Other	79	(1)

## Operational indicators comparison with previous year (Jan. to Jun.)

Accommodation business		ADR	Occupancy rate	
WHG	Total	(40.7)%	(0.5)pt	
	Tokyo	(54.4)%	+0.2pt	
	Other than Tokyo	(22.7)%	(0.7)pt	
Hotel Chinzanso Tokyo		+9.3%	+5.5pt	
Hakone Kowakien Ten-yu		+9.0%	(1.6)pt	
Wedding and banquet businesses	Wedding: sales per user	Wedding: guests	Banquet: sales per user	Banquet: guests
	Hotel Chinzanso Tokyo	+27.8%	+68.9%	+13.8%
Taiko-En	+22.5%	+38.7%	+16.9%	(63.3)%
Day trip and leisure businesses		Visitors	Sales per person	
Hakone Kowakien Yunessun		(8.3)%	(10.4)%	

## ► Significantly improved financial position through sale of assets

(Million yen)

<Assets>	December 2020	June 2021	Compared to end of previous fiscal year	Main difference factors
Total current assets	10,149	37,090	26,940	↑ Increase in cash and deposits due to sale of the following assets
Total non-current assets	86,446	74,631	(11,815)	↓ Decrease due to sale of assets (Taiko-En, investment securities)
<b>Total assets</b>	96,595	111,721	15,125	

<Liabilities and net assets>	December 2020	June 2021	Compared to end of previous fiscal year	Main difference factors
Total current liabilities	25,197	28,864	3,667	
Total non-current liabilities	70,051	62,244	(7,806)	↓ Decrease in retirement benefit liability due to early retirement, etc.
<b>Total liabilities</b>	95,248	91,109	(4,139)	
<b>Total net assets</b>	<b>1,347</b>	<b>20,611</b>	<b>19,264</b>	↑ Increase in retained earnings due to sale of assets
<b>Total liabilities and net assets</b>	96,595	111,721	15,125	

	End of 2019	End of 2020	End of June 2021
Net assets	¥26.43 billion	¥1.34 billion	¥20.61 billion
Equity ratio	25.4%	1.2%	18.3%

## Major initiatives related to capital and funds

Sale of assets	Taiko-En	Jan. to Jun.:	Posted <b>extraordinary income of ¥33.27 billion</b>
	Investment securities	Jan. to Jun.:	Sold 5 stocks and recorded <b>extraordinary income of ¥1.75 billion</b>

### ► Resolution by the Board of Directors on July 16, 2021

- Resolved matters related to increase or decrease in capital for the purpose of investment in growth, financing for structural reforms, and preparation for a flexible and agile capital policy in the future
- Subject to approval at an Extraordinary General Meeting of Shareholders on September 27, 2021, and scheduled to take effect on September 28, 2021

Increase or decrease in capital	Increase in capital Issuance of preferred shares by way of third-party allotment	Underwriter: Funds to be raised:	DBJ* Food & Beverage and Accommodation Support Fund Investment Business Limited Partnership ¥15.0 billion (share capital and legal capital surplus to be increased by ¥7.5 billion each) <small>* DBJ = Development Bank of Japan Inc.</small>
	Decrease in capital	After decrease in capital:	After the above capital increase, the amount of share capital and legal capital surplus will be reduced and transferred to other capital surplus  Share capital ¥0.1 billion, legal capital surplus ¥25 million

## ► In addition to continued cost reduction, we will promote business structural reform and redevelopment of Hakone Kowakien, which is our strategy for growth

### [Strategy I] Promotion of structural reform

**Continue to cut costs and reform business structure through labor measures and response to unprofitable facilities**

- Cost control in line with demand  
⇒ Continuation of reduction of officers' remuneration and employee salaries, seconding employees to outside companies, reduction of rent, internalization of outsourced duties, etc.  
\* Cost reduction progressed more than planned, and the reduction of employee salaries was lifted early to raise motivation (September)
- Restructuring the profit structure through labor reforms  
⇒ Correcting the age structure by implementing early voluntary retirement, improving efficiency and reducing costs (rent) by consolidating WHG's sales and administrative functions and bases, and promoting the study of a new human resource system (to be introduced in 2022)
- Withdrawal of unprofitable facilities

### [Strategy II] Review of the business portfolio

**Implementation of measures to enhance marketing and branding**

- Efforts are underway to improve added value with an eye to the post-pandemic period  
⇒ "Kawadoko" at Hakone Kowakien Ten-yu, "Tokyo Sea of Clouds" at Hotel Chinzanso Tokyo, WHG collaboration with other industries and local regions
- Renewal of membership program and reservation system (to be introduced in 2022)  
⇒ Increase direct bookings and repeat customers by revamping the membership program, which rewards points to customers who use the facilities more frequently, and the reservation system to a more user-friendly system

**Strengthen the business of Hotel Chinzanso Tokyo and Hakone Kowakien**

- Redevelopment of Hakone Kowakien (new hotel and Yunessun) [details next page]

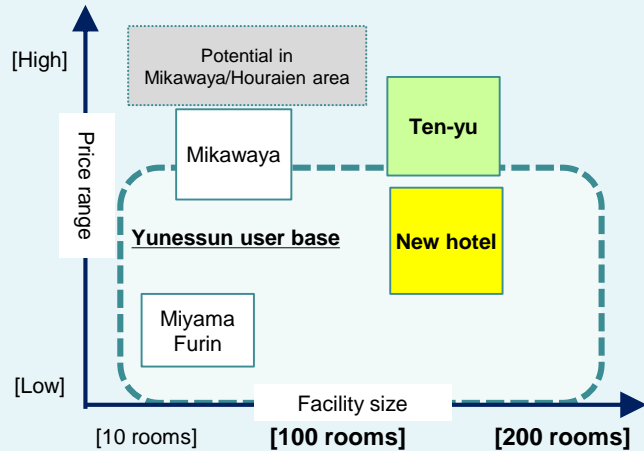
### [Strategy III] Strengthening the management control structure

**Strengthen management system for progress of measures (continued)**



# Progress of Business Plan (2021 to 2025)

► Through growth investment, the business portfolio of Hakone Kowakien will be supplemented in the mid-price range (volume zone of the market), which it currently lacks, to meet the needs of a wide range of customers



- With the opening of the new hotel, the number of guest rooms in the Hakone Kowakien area will increase from 190 (with a capacity of 570 people) to 340 (with a capacity of 1,000 people)
- With the redevelopment of Hakone Kowakien Yunessun for the purpose of strengthening its functions, associated with synergies with accommodation facilities, its ability to attract customers and profitability will recover and improve
- Together with Yunessun, we will prepare a variety of contents and services so that there will not be enough time with a single stay

## 【Overview of “Hakone Hotel Kowakien”】

Number of rooms: 150 rooms (planned)

Ancillary facilities: Large public baths with open-air bath, private bath, restaurant, etc.

Opening: July 2023 (planned)

Investment amount: Approximately ¥6.0 billion



The entrance lobby, which was a distinctive feature of the former hotel, will be retained as a new symbol



On the top floor, there is an open-air bath and a private bath that take advantage of the natural scenery

## Efforts to increase added value with an eye to the post-pandemic period

### [Hotel Chinzanso Tokyo]

- **“Tokyo Sea of Clouds” maximizes the charm of the garden**
  - **Evening high tea in the clouds**

Selected non-alcoholic drinks served with a three-tiered hors d'oeuvre stand and roast beef in a garden where you can avoid the crowds and enjoy the cool atmosphere at Tokyo Sea of Clouds
- **Promote long stays and group facility tours for the upper class**

Attracted a regenerative medicine clinic to promote long stays at Hotel Chinzanso Tokyo and to aim for the effect of visits to the group facilities (Hakone Kowakien, Camellia Hills Country Club, etc.) during the stay



Hotel Chinzanso Tokyo Evening high tea

### [Hakone Kowakien Ten-yu]

- **“Kawadoko” takes advantage of its location surrounded by nature**
  - **Ravine garden cafe with cool breezes**

Seats set up to feel the river running through the garden up close

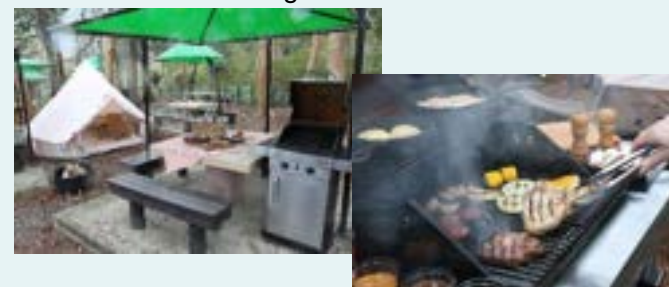


Hakone Kowakien Ten-yu  
Ravine garden cafe

### [Hakone Kowakien Yunessun]

- **Day Camp & Spa: Morinone**

Barbecue garden and day camping area opened in response to growing demand for outdoor activities



Hakone Kowakien Yunessun  
Day Camp & Spa: Morinone

### [WHG]

- **Cooperation with other industries and local regions**

Planning collaboration plans and guided tours with other industries and local companies