

# Consolidated Financial Results for the Six Months Ended June 30, 2022 [Japanese GAAP]



August 9, 2022

Company name: FUJITA KANKO INC.

Stock exchange listing: Tokyo Stock Exchange

Code number: 9722

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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, 2022 (January 1, 2022 to June 30, 2022)

(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, 2022	18,308	53.5	(3,804)	-	(3,512)	-	(2,558)	-
Six months ended June 30, 2021	11,928	(5.4)	(10,056)	-	(10,344)	-	19,400	-

(Note) Comprehensive income: Six months ended June 30, 2022: ¥(2,631) million [-%]

Six months ended June 30, 2021: ¥19,593 million [-%]

	Profit per share	Diluted profit per share
	Yen	Yen
Six months ended June 30, 2022	(213.49)	-
Six months ended June 30, 2021	1,619.00	-

## (2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of June 30, 2022	104,615	25,973	24.7
As of December 31, 2021	112,762	28,833	25.4

(Reference) Equity: As of June 30, 2022: ¥25,866 million

As of December 31, 2021: ¥28,656 million

## 2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
Fiscal year ended December 31, 2021	Yen -	Yen 0.00	Yen -	Yen 0.00	Yen 0.00
Fiscal year ending December 31, 2022	-	0.00			
Fiscal year ending December 31, 2022 (Forecast)			-	-	-

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

(Note) The forecast for the year-end dividends for the fiscal year ending December 31, 2022 has not been determined at present.

(Note) “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
Full year	Million yen	%	Million yen	%	Million yen	%	Million yen	Yen
	40,500	42.4	(6,000)	-	(5,900)	-	(4,700)	(392.14)

(Note) Revision to the financial results forecast announced most recently: Yes

For details of the consolidated earnings forecast for the fiscal year ending December 31, 2022, please refer to “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 materials.

**\* 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: Yes
  - 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, 2022: 12,207,424 shares
    - December 31, 2021: 12,207,424 shares
  - 2) Total number of treasury shares at the end of the period:
    - June 30, 2022: 221,781 shares
    - December 31, 2021: 221,715 shares
  - 3) Average number of shares during the period:
    - Six months ended June 30, 2022: 11,985,656 shares
    - Six months ended June 30, 2021: 11,982,997 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.

#### 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	2nd quarter-end	3rd quarter-end	Year-end	Total
Fiscal year ended December 31, 2021	Yen -	Yen -	Yen -	Yen 1,041,095.89	Yen 1,041,095.89
Fiscal year ending December 31, 2022	-	-			
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.
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.

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

## (1) Explanation of Operating Results

During the six months ended June 30, 2022, although the tourism industry saw signs of recovery following March when the priority preventive measures against the spread of COVID-19 were lifted and there were high expectations for revitalization of tourism demand supported by supportive measures such as prefectural resident discounts, the outlook remains uncertain due to concerns such as a resurgence in the number of newly infected cases of COVID 19 since late June.

In this environment, the Group has continued to operate in line with its independently established Environmental Hygiene Policy, placing the highest priority on the safety and security of customers and employees. In addition, as a promotion of the major strategies in our business plan, the Group launched a new membership program, “THE FUJITA MEMBERS,” in April. The program has been renewed to make it easier to understand and use than existing programs, and will lead to further enhancement of marketing and branding. Furthermore, in order to further promote structural reform, we revised our human resource system in April. Under the new human resource system, we have introduced a mechanism that allows those who produce results to excel through work standards (duties and degree of performance) that enable the system to operate in a well-balanced manner, and we will strive to improve employee motivation and develop human resources to provide high quality services. In addition, on the cost front, we have continued to reduce fixed operating costs and have steadily promoted our business plan.

As a result, net sales for the entire Group increased by ¥6,379 million year on year to ¥18,308 million, operating loss improved by ¥6,252 million year on year to ¥3,804 million, and ordinary loss improved by ¥6,831 million year on year to ¥3,512 million, with all businesses reporting higher sales and smaller losses. Loss attributable to owners of parent was ¥2,558 million due to extraordinary income from cooperative payments for preventing the spread of infection and employment adjustment subsidies related to shortened business hours.

An overview of business results is as follows.

(Million yen)

	Six months ended June 30, 2022	YoY change
Net sales	18,308	6,379
Operating loss	(3,804)	6,252
Ordinary loss	(3,512)	6,831
Loss attributable to owners of parent	(2,558)	(21,959)

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	8,421	4,621	(2,621)	4,688
Luxury & Banquet Business	6,628	670	(403)	1,082
Resort Business	2,200	855	(586)	293
Other (including adjustment amounts)	1,058	232	(192)	186
Total	18,308	6,379	(3,804)	6,252

(Note) Adjustment amounts refer to eliminations of inter-segment transactions.

The WHG Business saw both occupancy rate and ADR for the business as a whole exceed those of the same period last year, thanks to a significant increase in room occupancy during the Golden Week holiday period from the previous year, as well as a boost in demand from tourism support measures such as the prefectural resident discounts. In addition to the above, the Company provided four facilities, including Hotel Gracery Shinjuku, to the government (building rental), which had the effect of increasing revenues. As a result, net sales for this segment increased by ¥4,621 million year on year to ¥8,421 million, and operating loss improved by ¥4,688 million to ¥2,621 million.

In the Luxury & Banquet Business, the Hotel Chinzanso Tokyo performed well. In the wedding business, including postponements from 2021, the number of weddings conducted increased by 27% year on year and the number of facility users increased by 41% year on year. The restaurant business maintained its strong performance due to an increase in individual celebrations and business use, as well as an increase in the unit price per person as a result of renewal of the main menu items. In the banquets business as well, a recovery in business use and favorable performance for the “The Evening of Fireflies Dinner Buffet” event and others. As a result, net sales for this segment increased by ¥670 million year on year to ¥6,628 million, and operating loss improved by ¥1,082 million to ¥403 million.

In the Resort Business, Hakone Kowakien Ten-yu achieved year on year revenue growth due to strong sales of products that responded to the COVID-19 pandemic, such as a private retreat plan with in-room dining, and high-value-added products. In addition, the number of visitors to Yunessun increased by 69% year on year. As a result, net sales for this segment increased by ¥855 million year on year to ¥2,200 million, and operating loss improved by ¥293 million to ¥586 million.

## (2) Explanation of Financial Position

### 1) Assets, liabilities and net assets

Total assets as of June 30, 2022 decreased by ¥8,147 million from the end of the previous fiscal year to ¥104,615 million. This was mainly due to a decrease of ¥8,023 million in current assets, including a decrease of ¥7,166 million in cash and deposits.

Liabilities decreased by ¥5,287 million from the end of the previous fiscal year to ¥78,641 million, mainly due to the repayments of borrowings.

Net assets decreased by ¥2,859 million from the end of the previous fiscal year to ¥25,973 million. Capital surplus decreased by ¥156 million due to the payment of Class A preferred dividend, and retained earnings decreased by ¥2,558 million due to the loss attributable to owners of parent.

### 2) Cash flows

Cash and cash equivalents as of June 30, 2022 totaled ¥31,450 million, down ¥7,168 million from the end of the previous fiscal year.

#### i) Cash flows from operating activities

Net cash used in operating activities was ¥1,251 million (¥10,836 million used in the same period of the previous fiscal year). This was mainly due to recording of an operating loss.

#### ii) Cash flows from investing activities

Net cash used in investing activities was ¥793 million (¥42,738 million provided in the same period of the previous fiscal year). This was mainly due to the acquisition of non-current assets.

#### iii) Cash flows from financing activities

Net cash used in financing activities was ¥5,162 million (¥2,673 million used in the same period of the previous fiscal year). This was mainly due to repayment of borrowings.

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

Explanation of consolidated financial results forecast and other forward-looking information are as provided in “5. Reason for Revision to the Full year Financial Results Forecast, Notice Regarding the Difference between Financial Results Forecast and the Actual Results for the Six Months Ended June 30, 2022 and Revision to the Full Year Consolidated Financial Results Forecast” released today (August 9, 2022).

Regarding accommodation demand in the second half of 2022, the Company expects that it will still take some time for the number of inbound tourists to recover despite the Japanese Government’s move to relax the border measures to prevent the spread of COVID-19. In addition, the outlook of the pandemic remains unclear amid the recent resurgence in the number of COVID-19 cases. In light of these circumstances, compared to the previous forecast, the Company projects a decline in sales of approximately ¥1,000 million in WHG Business, which focuses on accommodations, in consideration of the impact on inbound guest attraction in the accommodation business. Meanwhile, forecasts for Luxury & Banquet Business and Resort Business remain unchanged since their original forecasts do not factor in the effect of recovery in inbound business.

Furthermore, in terms of profit in the second half, which is linked to the sales decline, the Company expects a deterioration by ¥800 million in operating loss, ordinary loss, and loss attributable to owners of parent, respectively.

As stated above, although the Company reflects downturns in performance in the second half, since both net sales and profit in the first half (the six months ended June 30, 2022) exceeded the previously released forecast, for the full-year financial results forecast for 2022, the Company forecasts net sales of ¥40,500 million, an increase of ¥700

million from the previous forecast; operating loss of ¥6,000 million, unchanged from the previous forecast; ordinary loss of ¥5,900 million, an improvement of ¥300 million from the previous forecast; and loss attributable to owners of parent of ¥4,700 million, an improvement of ¥1,200 million from the previous forecast.

#### (4) Risks Related to Business

Although the Group has seen signs of a recovery in demand due to the lifting of priority preventive measures against the spread of COVID-19 and the supportive measures for tourism such as prefectural resident discounts, the number of new cases of COVID-19 infections has begun to increase again, and it is still difficult to predict the future outlook. At this point in time, we believe that conditions exist that may cast significant doubt on the going concern assumption.

In addition, prolonged economic stagnation in Japan and overseas may continue to affect the Group's operating results.

In these conditions, the Group has 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 rent reduction negotiations, reductions in officers' remuneration 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. Quarterly Consolidated Financial Statements

### (1) Quarterly Consolidated Balance Sheets

(Million yen)

	As of December 31, 2021	As of June 30, 2022
<b>Assets</b>		
Current assets		
Cash and deposits	38,647	31,481
Notes and accounts receivable - trade	2,292	2,549
Merchandise and finished goods	44	39
Work in process	19	18
Raw materials and supplies	314	263
Other	2,971	1,912
Allowance for doubtful accounts	(13)	(12)
Total current assets	44,276	36,253
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	34,896	34,062
Tools, furniture and fixtures, net	2,450	2,258
Land	6,894	6,899
Construction in progress	351	1,308
Golf courses	2,443	2,443
Other, net	757	769
Total property, plant and equipment	47,793	47,743
Intangible assets		
Other	756	744
Total intangible assets	756	744
Investments and other assets		
Investment securities	10,253	10,247
Other	9,790	9,734
Allowance for doubtful accounts	(107)	(107)
Total investments and other assets	19,935	19,874
Total non-current assets	68,486	68,362
Total assets	112,762	104,615

(Million yen)

	As of December 31, 2021	As of June 30, 2022
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	809	622
Short-term borrowings	10,700	10,042
Current portion of long-term borrowings	7,829	7,216
Income taxes payable	194	25
Provision for bonuses	11	7
Provision for point card certificates	69	—
Provision for noncurrent assets removal cost	3	—
Provision for loss on business withdrawal	115	35
Other	4,202	4,442
Total current liabilities	23,935	22,392
Non-current liabilities		
Long-term borrowings	39,704	36,097
Provision for retirement benefits for directors (and other officers)	37	47
Retirement benefit liability	6,780	6,714
Deposits received from members	10,444	10,413
Other	3,026	2,976
Total non-current liabilities	59,993	56,249
Total liabilities	83,929	78,641
<b>Net assets</b>		
Shareholders' equity		
Share capital	100	100
Capital surplus	32,412	32,256
Retained earnings	(5,231)	(7,789)
Treasury shares	(902)	(902)
Total shareholders' equity	26,378	23,663
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,533	2,529
Deferred gains or losses on hedges	(67)	(36)
Foreign currency translation adjustment	(144)	(246)
Remeasurements of defined benefit plans	(43)	(44)
Total accumulated other comprehensive income	2,277	2,202
Non-controlling interests	177	107
Total net assets	28,833	25,973
Total liabilities and net assets	112,762	104,615

(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, 2021	For the six months ended June 30, 2022
Net sales	11,928	18,308
Cost of sales	20,472	20,720
Gross loss	(8,543)	(2,412)
Selling, general and administrative expenses	1,513	1,391
Operating loss	(10,056)	(3,804)
Non-operating income		
Interest income	7	2
Dividend income	200	247
Foreign exchange gains	54	333
Rental income from land and buildings	41	39
Other	59	59
Total non-operating income	362	683
Non-operating expenses		
Interest expenses	356	300
Share of loss of entities accounted for using equity method	36	—
Commission expenses	227	16
Other	30	75
Total non-operating expenses	650	392
Ordinary loss	(10,344)	(3,512)
Extraordinary income		
Subsidy bounty income	1,324	908
Reversal of provision for assets removal	—	1
Gain on reversal of provision for loss on business withdrawal	5	0
Gain on sale of non-current assets	33,271	0
Gain on sale of investment securities	1,750	—
Reversal of provision for cost of early retirement	24	—
Gain on sale of shares of subsidiaries and associates	12	—
Other	—	1
Total extraordinary income	36,389	912
Extraordinary losses		
Impairment losses	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	—
Other	82	—
Total extraordinary losses	3,160	—
Profit (loss) before income taxes	22,884	(2,600)
Income taxes	3,477	(43)
Profit (loss)	19,407	(2,556)
Profit attributable to non-controlling interests	7	1
Profit (loss) attributable to owners of parent	19,400	(2,558)

Quarterly Consolidated Statements of Comprehensive Income  
Six Months Ended June 30

(Million yen)

	For the six months ended June 30, 2021	For the six months ended June 30, 2022
Profit (loss)	19,407	(2,556)
Other comprehensive income		
Valuation difference on available-for-sale securities	125	(3)
Deferred gains or losses on hedges	8	31
Foreign currency translation adjustment	36	(101)
Remeasurements of defined benefit plans, net of tax	33	(0)
Share of other comprehensive income of entities accounted for using equity method	(17)	—
Total other comprehensive income	186	(74)
Comprehensive income	19,593	(2,631)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	19,586	(2,633)
Comprehensive income attributable to non-controlling interests	7	1

## (3) Quarterly Consolidated Statements of Cash Flows

(Million yen)

	For the six months ended June 30, 2021	For the six months ended June 30, 2022
Cash flows from operating activities		
Profit (loss) before income taxes	22,884	(2,600)
Depreciation	2,069	1,818
Impairment losses	1,694	—
Amortization of goodwill	160	—
Increase (decrease) in allowance for doubtful accounts	(2)	(1)
Increase (decrease) in provision for bonuses	—	(3)
Increase (decrease) in provision for point card certificates	7	(69)
Increase (decrease) in provision of noncurrent assets removal	(436)	(3)
Increase (decrease) in provision for loss on disaster	(9)	—
Increase in accrued early retirement benefits	(1,802)	—
Increase (decrease) in provision for loss on business withdrawal	553	(80)
Increase (decrease) in provision for retirement benefits for directors (and other officers)	(49)	10
Increase (decrease) in retirement benefit liability	(3,066)	(68)
Interest and dividend income	(207)	(250)
Interest expenses	356	300
Foreign exchange losses (gains)	(54)	(333)
Share of loss (profit) of entities accounted for using equity method	36	—
Loss (gain) on sale of non-current assets	(33,271)	(0)
Loss on retirement of non-current assets	21	51
Loss (gain) on sale of short-term and long-term investment securities	(1,750)	—
Loss (gain) on valuation of investment securities	0	—
Loss (gain) on sale of shares of subsidiaries and associates	(12)	—
Decrease (increase) in trade receivables	858	(253)
Decrease (increase) in inventories	114	56
Increase (decrease) in trade payables	(202)	(187)
Increase (decrease) in accrued consumption taxes	(5)	122
Other, net	1,038	434
Subtotal	(11,075)	(1,058)
Interest and dividends received	206	239
Interest paid	(368)	(309)
Income taxes refund (paid)	400	(122)
Net cash provided by (used in) operating activities	(10,836)	(1,251)

(Million yen)

	For the six months ended June 30, 2021	For the six months ended June 30, 2022
Cash flows from investing activities		
Purchase of property, plant and equipment and intangible assets	(947)	(1,584)
Proceeds from sale of property, plant and equipment and intangible assets	39,051	0
Proceeds from sale of investment securities	6,131	–
Payments of guarantee deposits	(1,792)	(16)
Proceeds from refund of guarantee deposits	243	799
Proceeds from sale of shares of subsidiaries and associates	117	–
Other, net	(65)	7
Net cash provided by (used in) investing activities	42,738	(793)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	1,715	(658)
Proceeds from long-term borrowings	181	–
Repayments of long-term borrowings	(4,513)	(4,243)
Purchase of treasury shares	(0)	(0)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	–	(72)
Dividends paid	–	(156)
Repayments of finance lease obligations	(20)	(20)
Other, net	(36)	(12)
Net cash provided by (used in) financing activities	(2,673)	(5,162)
Effect of exchange rate change on cash and cash equivalents	10	38
Net increase (decrease) in cash and cash equivalents	29,238	(7,168)
Cash and cash equivalents at beginning of period	3,697	38,619
Cash and cash equivalents at end of period	32,936	31,450