



FUJITA KANKO INC.
Financial Results for the Six
Months Ended June 30, 2022

August 9, 2022
FUJITA KANKO INC.
(Code number: 9722)

Statements of Income



Financial Results for the Six Months Ended June 30, 2022

2Q cumulative net sales increased by ¥6.3 billion (53%) and operating loss contracted by ¥6.2 billion (62%) from the previous year

- ▶ After the lifting of priority preventive measures, we captured the recovery in demand and achieved a year-on-year increase in sales and a reduction in losses in all business segments
- ▶ Luxury & Banquet Business returned to operating profitability in 2Q (April to June) for the first time since 4Q (October to December) 2019

| | (Million yen) | | | 2Q 2022 | 2Q 2021 | YoY | <Ref.> 2Q 2019 Cumulative actual |
|-------------------------------------------------------|---------------|---------------------------|---------------------------|----------------------|----------------------|----------|-------------------------------------------|
| | | 1Q Actual Jan. to Mar. | 2Q Actual Apr. to Jun. | Cumulative actual | Cumulative actual | | |
| Net sales | | 7,959 | 10,348 | 18,308 | 11,928 | 6,379 | 33,605 |
| WHG Business | | 3,752 | 4,668 | 8,421 | 3,799 | 4,621 | 18,394 |
| Luxury & Banquet Business | | 2,629 | 3,998 | 6,628 | 5,957 | 670 | 11,014 |
| Resort Business | | 1,060 | 1,140 | 2,200 | 1,345 | 855 | 2,681 |
| Other (including adjustments) | | 517 | 540 | 1,058 | 826 | 232 | 1,514 |
| Operating profit (loss) | | (2,214) | (1,589) | (3,804) | (10,056) | 6,252 | (153) |
| WHG Business | | (1,326) | (1,295) | (2,621) | (7,310) | 4,688 | 1,047 |
| Luxury & Banquet Business | | (515) | 111 | (403) | (1,486) | 1,082 | (214) |
| Resort Business | | (273) | (313) | (586) | (880) | 293 | (634) |
| Other (including adjustments) | | (99) | (92) | (192) | (378) | 186 | (352) |
| Ordinary profit (loss) | | (2,216) | (1,296) | (3,512) | (10,344) | 6,831 | (64) |
| Extraordinary income | | 842 | 69 | 912 | 36,389 | (35,477) | 115 |
| Extraordinary losses | | — | — | — | 3,160 | (3,160) | 120 |
| Income taxes | | (57) | 16 | (41) | 3,484 | (3,526) | 62 |
| Profit (loss) attributable to owners of parent | | (1,316) | (1,242) | (2,558) | 19,400 | (21,959) | (131) |

Statements of Income (Net Sales & Operating Profit)

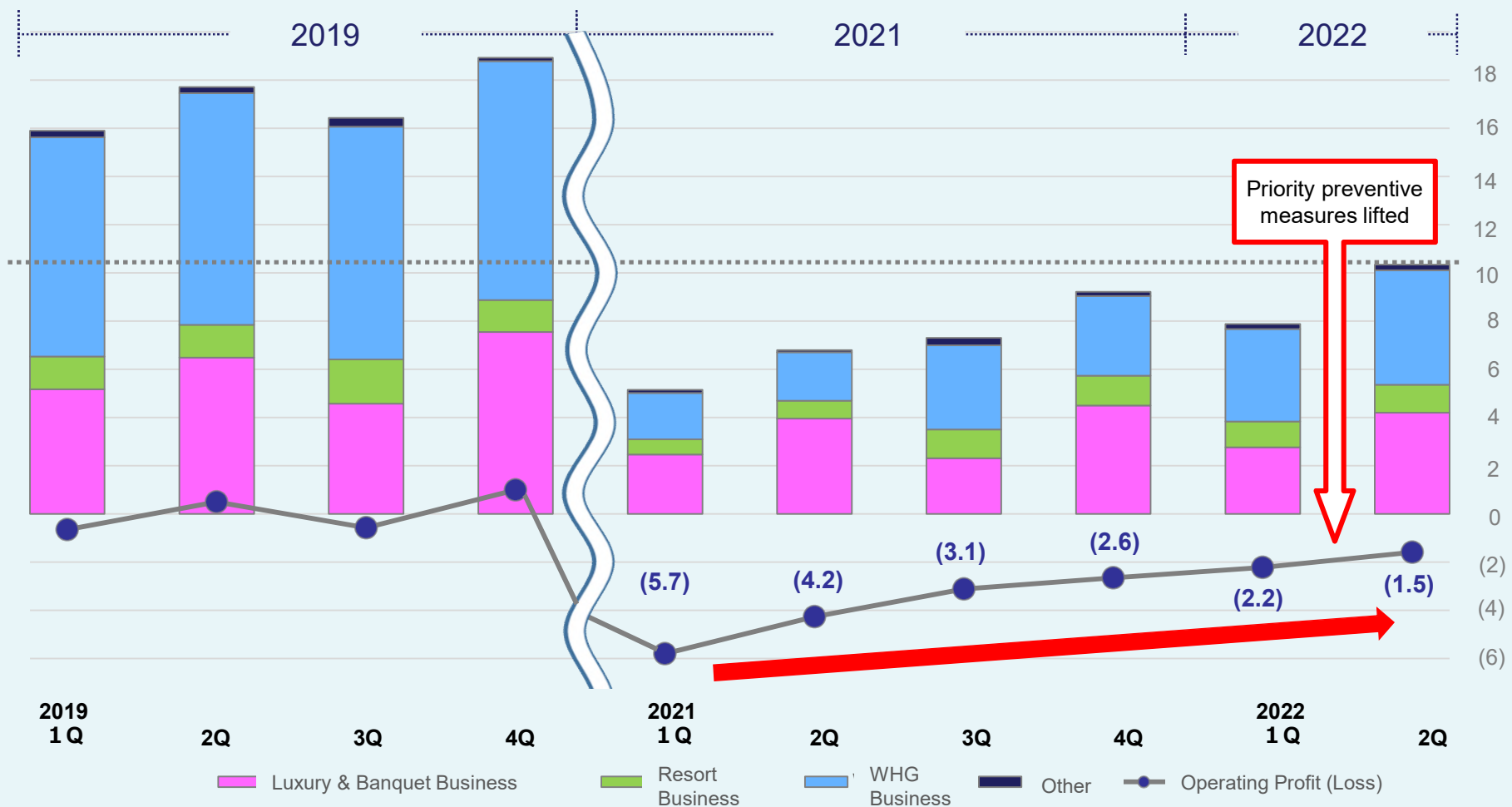


Financial Results for the Six Months Ended June 30, 2022

- ▶ Supported by prefectural resident discounts and other tourism support measures, losses decreased for the fifth consecutive quarter
- ▶ WHG Business net sales remain at around 54% against 2019 due to slow recovery

Net Sales & Operating Profit

(Billion yen)



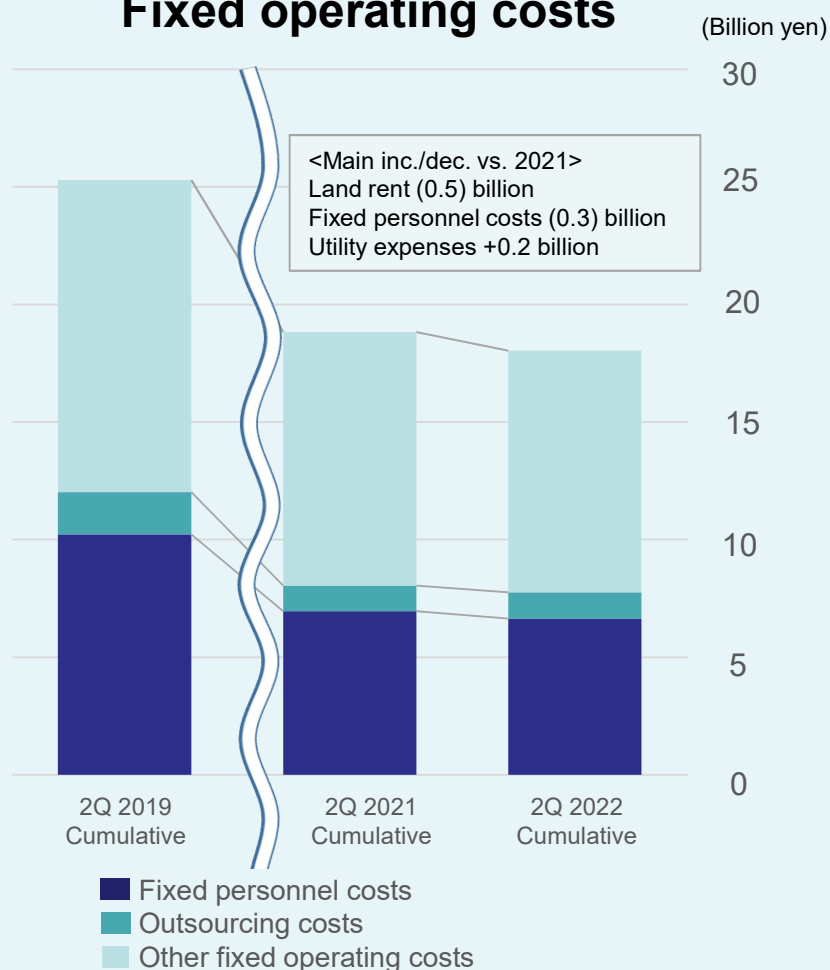
Statement of Income (Cost and Operating Profit Increase/Decrease Factors)



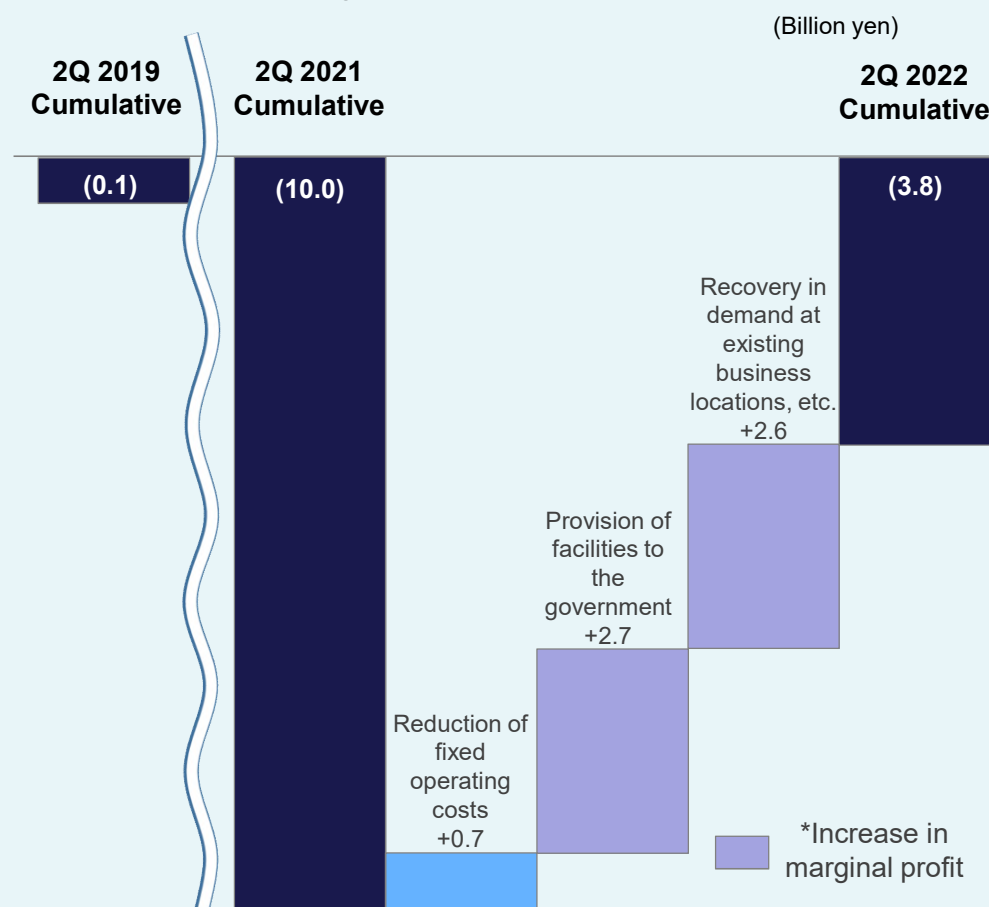
Financial Results for the Six Months Ended June 30, 2022

- ▶ Cost reduction effects have finished and 2Q cumulative fixed operating costs decreased by 4%, or ¥700 million, from the previous year
- ▶ Losses shrank due to the provision of facilities to the government in the WHG Business and the effect of increased revenues from a recovery in demand at existing business facilities

Fixed operating costs



Operating profit (loss) Year on year increase/decrease factors



WHG Business 2Q Overview



Financial Results for the Six Months Ended June 30, 2022

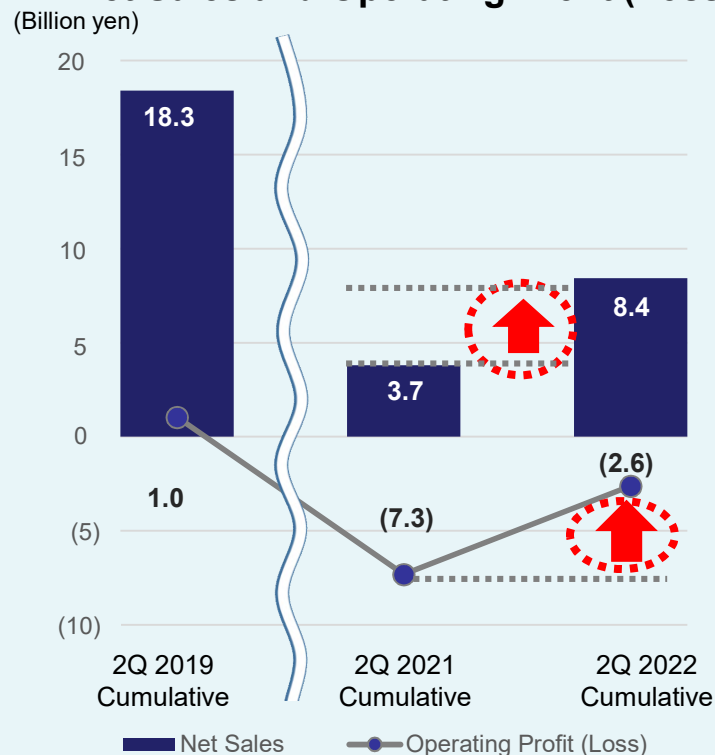
- Both occupancy rate and ADR increased year on year due to a significant year-on-year increase in occupancy during Golden Week holiday and demand stimulated by measures to support tourism
- Sales increased and losses shrank due to the effect of increased revenues from providing facilities (building rental) to the government
- Net sales have recovered about 46% compared to 2019

During Golden Week holiday
 ADR: +21.6% YoY
 Occupancy rate: +44.7pt YoY

[Facilities provided] Total 2,294 rooms
 i. Hotel Gracery Shinjuku (970 rooms) iii. HOTEL TAVINOS Asakusa (278 rooms)
 ii. Tokyo Bay Ariake Washington Hotel (830 rooms) iv. Hotel Gracery Tamachi (216 rooms)
 *i. and ii. are still being offered and iii. and iv. will resume normal business operations from April.

WHG Business

Net Sales and Operating Profit (Loss)



WHG Operational Indicators

Comparison with previous year and 2019 (Jan. to Jun.)

| | Compared with previous year | | Compared with 2019 | |
|-------------------------|-----------------------------|----------------|--------------------|----------------|
| | ADR | Occupancy Rate | ADR | Occupancy Rate |
| Total | +23.1% | +26.2pt | (42.1)% | (28.1)pt |
| Tokyo | +26.0% | +31.5pt | (54.9)% | (25.5)pt |
| Other than Tokyo | +18.0% | +20.9pt | (25.7)% | (30.1)% |

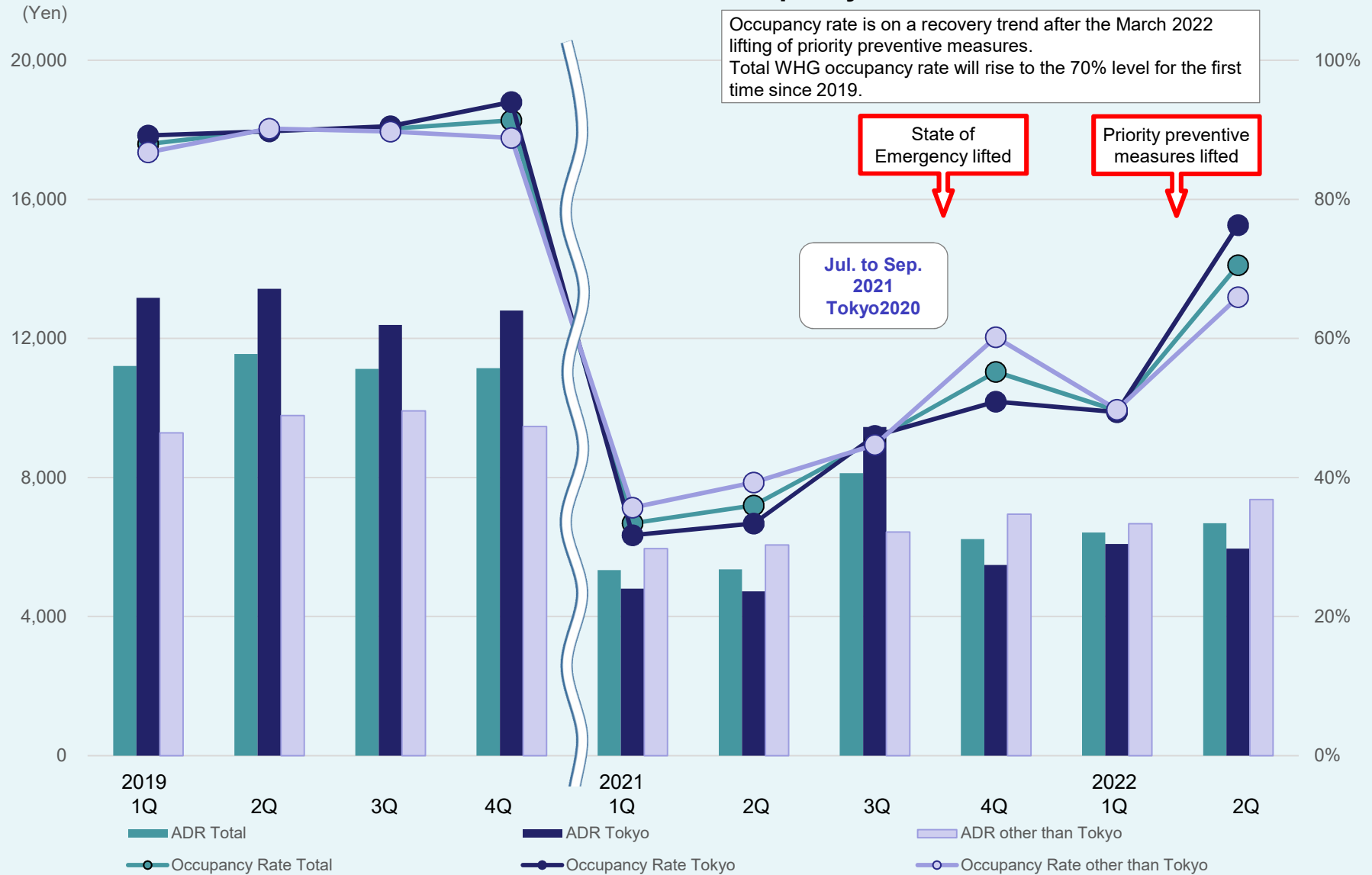
*Actual results for 2022
 January to March: Excluding the above facilities iii., iv. and Canal City Fukuoka Washington Hotel (closed until March due to construction)
 January to June: Excluding the above facilities i. and ii.

WHG Business ADR & Occupancy Rates



Financial Results for the Six Months Ended June 30, 2022

WHG Business ADR & Occupancy Rates



Luxury & Banquet Business 2Q Overview

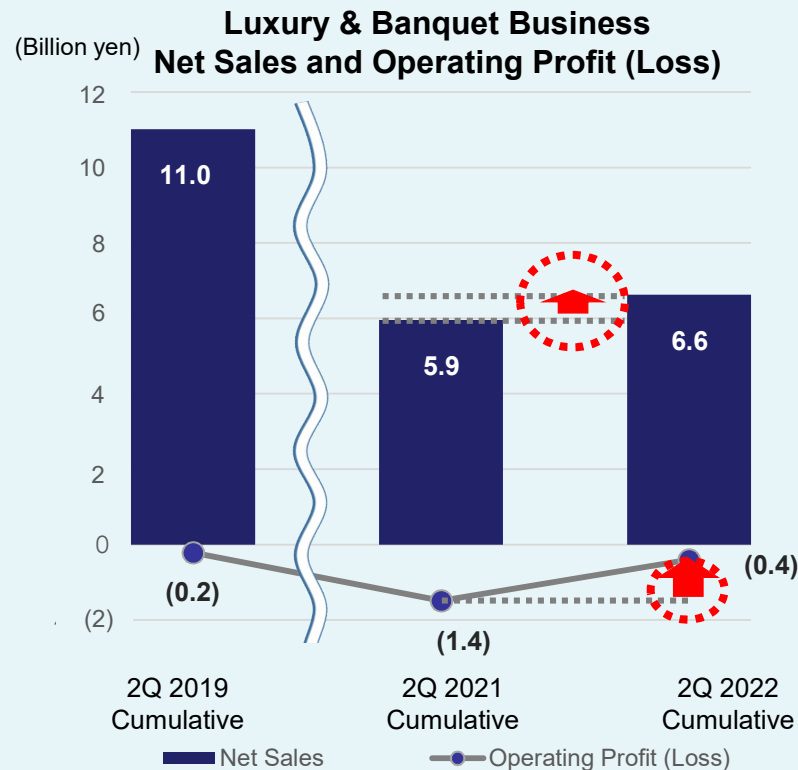


Financial Results for the Six Months Ended June 30, 2022

Hotel Chinzanso Tokyo performed well with sales increasing and losses shrinking year on year

[Hotel Chinzanso Tokyo]

- **Accommodation:** Both occupancy rate and ADR increased year on year due to “Tokyo Sea of Clouds” related products and sales expansion effect of suite rooms
- **Wedding:** Including postponements from 2021, guests increased by 41% and number of weddings conducted increased by 27%
Number of weddings performed recovered to 80% of 2019
Value-added measures centered on the new “TOKYO RESORT WEDDING” concept strengthened appeal to new visitors and increased the contract signing rate
- **Restaurant:** Recovering trend in use of restaurants by businesses in addition to use by individuals for celebrations
- **Banquet:** In addition to the recovery in use by businesses, events such as the annual “The Evening of Fireflies Dinner Buffet” are very popular



Hotel Chinzanso Tokyo Operational Indicators Comparison with previous year and 2019 (Jan. to Jun.)

| | Compared with previous year | | Compared with 2019 | |
|----------------------|-----------------------------|----------------|--------------------|----------------|
| | ADR | Occupancy Rate | ADR | Occupancy Rate |
| Accommodation | +3.2% | +13.7pt | +19.0% | (27.9)pt |
| Wedding | Sales per user | Guests | Sales per user | Guests |
| | (6.2)% | +41.3% | +42.5% | (41.3)% |
| Banquet | Sales per user | Guests | Sales per user | Guests |
| | (7.9)% | +158.0% | +22.1% | (76.1)% |

Resort Business 2Q Overview



Financial Results for the Six Months Ended June 30, 2022

Net sales increased and losses shrank year on year, and sales recovered to 80% against 2019

[Hakone Kowakien Ten-yu]

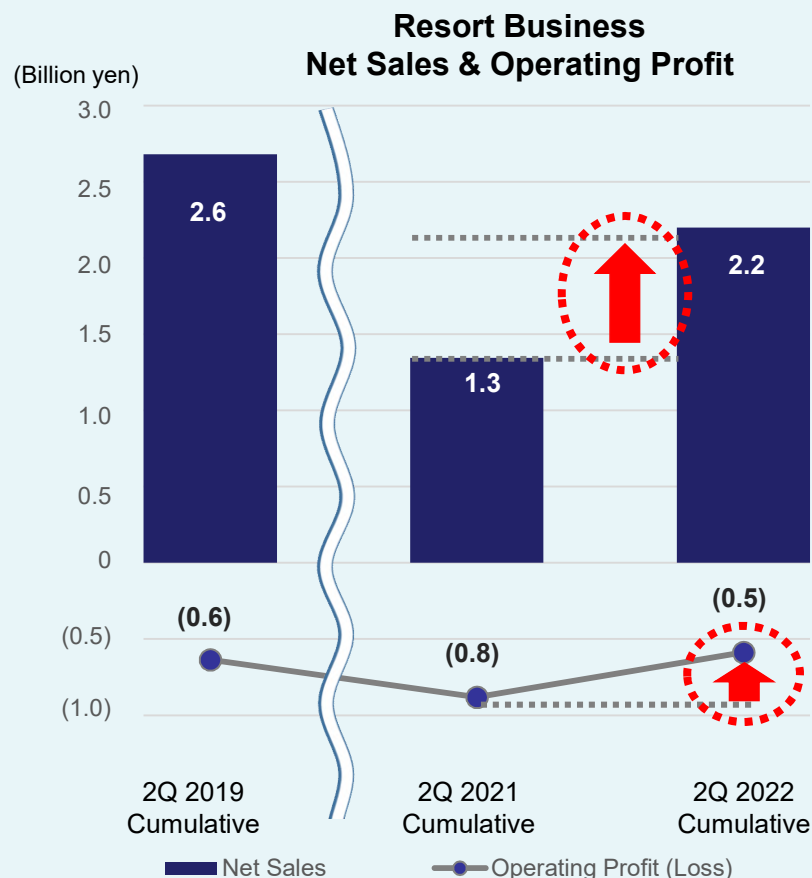
- Sales of private retreat plans (in-room dining, single use, day use plans, etc.) and high-value-added products that respond to the pandemic are strong

[Accommodation]

- Occupancy rate increased due to measures to attract customers on weekdays
- In addition to Ten-yu, Ito Ryokuyu and Mikawaya Ryokan, which have guest rooms with open-air baths, captured the demand of the pandemic for private-retreats
- The glamping facility Fujino Kirameki Fuji Gotemba added domed rooms and occupancy rates increased due to continued strong demand for outdoor activities

[Day trip/leisure]

- Both Hakone Kowakien Yunessun and Shimoda Aquarium saw significant growth in visitors year on year



Operational Indicators

Comparison with previous year and 2019 (Jan. to Jun.)

| | Compared with previous year | | Compared with 2019 | |
|---------------------------------|-----------------------------|----------------|--------------------|----------------|
| | ADR | Occupancy Rate | ADR | Occupancy Rate |
| Hakone Kowakien Ten-yu | (5.4)% | +32.1pt | (0.6)% | (10.5)pt |
| Hakone Kowakien Yunessun | Sales per Person | Visitors | Sales per Person | Visitors |
| | +1.3% | +69.0% | (10.3)% | (24.7)% |

Resort Business Hakone Kowakien Re-development [Hakone Hotel Kowakien]



Financial Results for the Six Months Ended June 30, 2022

- ▶ July 12, 2023 opening; reservations starts on July 12, 2022.
- ▶ Development based on the concept of “a hotel where you can experience hot springs, nature, and meal in combination with Yunessun”
- ▶ Construction is progressing as planned

Guest rooms



- In addition to Western-style rooms, we also offer Japanese-style rooms with tatami mats for relaxing and deluxe rooms suitable for three-generation travelers.

Restaurant



- Buffet restaurant set on the garden level
- Enjoy freshly prepared dishes from the live kitchen

Public bathhouse



- The baths are located on the top floor of the building, a rarity in Hakone, and offer a view of Mt. Myojogatake and Mt. Asama
- Seven private baths are available to meet the needs of various customers.

- In the hotel garden, symbolized by weeping cherry trees, and the adjacent Houraien Garden, you can experience the beauty of the rich natural surroundings by viewing azaleas, autumn leaves, and fireflies.

In conjunction with the opening of the hotel, Yunessun is also promoting functional enhancements

- A lazy river, campsites, ropes course, food court, and other facilities will be built to create a hands-on experience complex.

➔ **The entire Hakone Kowakien offers so much content and service that you won't be able to see everything in a single visit**

Sales by Business



Financial Results for the Six Months Ended June 30, 2022

Net Sales by Business (Jan. to Jun.)

| (Million yen) | Business | Net Sales (actual) | YoY | Ref YoY*2 |
|------------------|----------------------|--------------------|-------|-----------|
| WHG | Accommodation | 7,573 | 4,430 | — |
| | Other*1 | 847 | 191 | — |
| Luxury & Banquet | Accommodation | 798 | 165 | — |
| | Wedding | 3,097 | (97) | 778 |
| | Banquet | 712 | 269 | 369 |
| | Restaurant | 1,267 | 223 | 433 |
| | Other*1 | 752 | 109 | — |
| Resort | Accommodation | 1,691 | 698 | — |
| | Day trip and leisure | 426 | 154 | — |
| | Other*1 | 82 | 2 | — |

Net Sales by Business (Apr. to Jun.)

| (Million yen) | Business | Net Sales (actual) | YoY | Ref YoY*2 |
|------------------|----------------------|--------------------|-------|-----------|
| WHG | Accommodation | 4,166 | 2,541 | — |
| | Other*1 | 502 | 176 | — |
| Luxury & Banquet | Accommodation | 450 | 137 | — |
| | Wedding | 1,934 | (284) | 336 |
| | Banquet | 464 | 188 | 246 |
| | Restaurant | 729 | 182 | 295 |
| | Other*1 | 418 | 63 | — |
| Resort | Accommodation | 854 | 334 | — |
| | Day trip and leisure | 243 | 79 | — |
| | Other*1 | 42 | 1 | — |

*1 Other: Includes intersegment sales.

*2 Ref YoY:

Luxury & Banquet Business: Excludes the impact of Taikoen (closed in June), Opera Domeine Koraibashi (closed in June), Maricolle Wedding Resort & Restaurant (closed in December), and Sayagatani Garden Aglass (closed in December), all of which closed in 2021.

Operational Indicators for Main Facilities



Financial Results for the Six Months Ended June 30, 2022

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

| Accommodation business | | ADR | Occupancy Rate |
|------------------------|------------------|--------|----------------|
| WHG | Total | +23.1% | +26.2pt |
| | Tokyo | +26.0% | +31.5pt |
| | Other than Tokyo | +18.0% | +20.9pt |
| Hotel Chinzanso Tokyo | | +3.2% | +13.7pt |
| Hakone Kowakien Ten-yu | | (5.4)% | +32.1pt |

Operational indicators comparison with previous year (Apr. to Jun.)

| Accommodation business | | ADR | Occupancy Rate |
|------------------------|------------------|--------|----------------|
| WHG | Total | +24.8% | +34.6pt |
| | Tokyo | +26.0% | +42.9pt |
| | Other than Tokyo | +21.6% | +26.6pt |
| Hotel Chinzanso Tokyo | | +0.8% | +17.9pt |
| Hakone Kowakien Ten-yu | | +1.5% | +26.4pt |

| Wedding and banquet businesses | Wedding: sales per user | Wedding: guests | Banquet: sales per user | Banquet: guests |
|--------------------------------|-------------------------|-----------------|-------------------------|-----------------|
| Hotel Chinzanso Tokyo | (6.2)% | +41.3% | (7.9)% | +158.0% |

| Wedding and banquet businesses | Wedding: sales per user | Wedding: guests | Banquet: sales per user | Banquet: guests |
|--------------------------------|-------------------------|-----------------|-------------------------|-----------------|
| Hotel Chinzanso Tokyo | (7.1)% | +28.2% | (25.9)% | +196.6% |

| Day trip and leisure businesses | Sales per person | Visitors |
|---------------------------------|------------------|----------|
| Hakone Kowakien Yunessun | +1.3% | +69.0% |

| Day trip and leisure businesses | Sales per person | Visitors |
|---------------------------------|------------------|----------|
| Hakone Kowakien Yunessun | +1.1% | +66.3% |

Balance Sheets



Financial Results for the Six Months Ended June 30, 2022

- ▶ Total assets decreased by ¥8.1 billion to ¥104.6 billion compared to the end of the previous period
- ▶ Net assets decreased ¥2.8 billion to ¥25.9 billion due to the payment of Class A preferred dividends and the recording of a loss attributable to owners of parent.

| | End of 2020 | End of 2021 | End of June 2022 |
|--------------|--------------|---------------|----------------------|
| Net assets | ¥1.3 billion | ¥28.8 billion | ¥25.9 billion |
| Equity ratio | 1.2% | 25.4% | 24.7% |

(Million yen)

| <Assets> | Jun. 2022 | Dec. 2021 | YoY | Main difference factors |
|--------------------------|----------------|----------------|----------------|-------------------------------|
| Total current assets | 36,253 | 44,276 | (8,023) | Decrease in cash and deposits |
| Total non-current assets | 68,362 | 68,486 | (124) | |
| Total assets | 104,615 | 112,762 | (8,147) | |

| <Liabilities and net assets> | Jun. 2022 | Dec. 2021 | YoY | Main difference factors |
|-----------------------------------------|----------------|----------------|----------------|-----------------------------------------------------------------------------------------------------------|
| Total current liabilities | 22,392 | 23,935 | (1,543) | Decrease due to repayment of borrowings, etc. |
| Total non-current liabilities | 56,249 | 59,993 | (3,744) | Decrease due to repayment of borrowings, etc. |
| Total liabilities | 78,641 | 83,929 | (5,287) | |
| Total net assets | 25,973 | 28,833 | (2,859) | Decrease in capital surplus due to payment of Class A preferred dividend Decrease in retained earnings |
| Total liabilities and net assets | 104,615 | 112,762 | (8,147) | |

Business Performance Forecast for the Fiscal Year Ending December 31, 2022



Financial Results for the Six Months Ended June 30, 2022

- ▶ In consideration of the resurgence of COVID-19, forecast for the WHG Business has been revised
 - We do not expect inbound to recover during the year (the original forecast expected a moderate recovery of inbound business from 3Q on to approx. 10% of the 2019 results)
 - Downswings in ADR is expected
 - We expect to provide our facilities to government until the end of October (originally planned schedule was until end of March)
- ▶ Forecasts for the Luxury & Banquet Business and Resort Business are unchanged
- ▶ Compared to the original business performance forecast for the fiscal year, we expect net sales to increase by ¥700 million, operating profit to be unchanged, ordinary loss to improve by ¥300 million, and loss to improve by ¥1,200 million.

| (Million yen) | First half | | | Second half | | | Full year | | |
|--------------------------------|---------------------|-------------------------------------|------------------------------------------|-----------------------|---------------------------------------|--------------------------------------------|---------------------|---------------------------------------|------------------------------------------|
| | i. Revised forecast | ii. 2022 Actual Announced on Aug. 9 | Difference from post-revision (ii. - i.) | iii. Revised forecast | iv. 2022 forecast Announced on Aug. 9 | Difference from post-revision (iv. - iii.) | v. Revised forecast | vi. 2022 forecast Announced on Aug. 9 | Difference from post-revision (vi. - v.) |
| Net Sales | 16,600 | 18,308 | 1,708 | 23,200 | 22,191 | (1,008) | 39,800 | 40,500 | 700 |
| WHG Business | 7,600* | 8,421 | 821 | 11,900* | 10,878 | (1,021) | 19,500* | 19,300 | (200) |
| Luxury & Banquet Business | 5,800* | 6,628 | 828 | 7,600* | 7,871 | (28) | 13,400* | 14,200 | 800 |
| Resort Business | 2,100 | 2,200 | 100 | 2,700 | 2,699 | (0) | 4,800 | 4,900 | 100 |
| Other (including adjustments) | 1,100* | 1,058 | (41) | 1,000* | 1,041 | 41 | 2,100* | 2,100 | — |
| Operating Profit (Loss) | (4,600) | (3,804) | 795 | (1,400) | (2,195) | (795) | (6,000) | (6,000) | — |
| WHG Business | (2,900) | (2,621) | 278 | (1,200) | (1,978) | (778) | (4,100) | (4,600) | (500) |
| Luxury & Banquet Business | (800) | (403) | 396 | 200 | 203 | 3 | (600) | (200) | 400 |
| Resort Business | (400) | (586) | (186) | (300) | (313) | (13) | (700) | (900) | (200) |
| Other (including adjustments) | (500) | (192) | 307 | (100) | (107) | (7) | (600) | (300) | 300 |
| Ordinary Income (Loss) | (4,600) | (3,512) | 1,087 | (1,600) | (2,387) | (787) | (6,200) | (5,900) | 300 |
| Profit (Loss) | (4,600) | (2,558) | 2,041 | (1,300) | (2,141) | (841) | (5,900) | (4,700) | 1,200 |

* Forecast figures for net sales by segment released on February 10, 2022 have been revised based on the actual results by segment for the first half of 2022.

Main initiatives in the Business Plan (2021 to 2025)



Financial Results for the Six Months Ended June 30, 2022

Strategy I Promotion of structural reform

- ◆ Cost reduction measures to minimize the impact of the COVID-19 pandemic (measures for unprofitable businesses, cost reduction)
 - ➔ **Implementation of reduction of rent (approx. ¥(700) million for full year 2022), reduction of labor costs accompanying the single building rental to local governments, and other cost structure measures**
- ◆ Measures to improve productivity to maximize earnings after the pandemic
 - ➔ **Restructuring roles and organization of WHG sales administration divisions and offices**
 - ➔ **Implementation of new human resource system from April 2022**

Strategy II Review of the business portfolio

Develop measures for future sustainable growth and earnings expansion

- ◆ Strengthening digital marketing initiatives as part of digitalization (DX)
 - ➔ **April 11, 2022: New membership program “THE FUJITA MEMBERS” launched**
Both reservation rates and reservation amounts have been better than those of the former membership program
- ◆ Steady promotion of Hakone Kowakien redevelopment
 - ➔ **Prior to the opening of the new hotel (July 2023), some functional enhancements, such as the lawn area of Yunessun (scheduled for around October 2022), will be carried out in advance.**

List of Facilities (As of August 9, 2022)



Financial Results for the Six Months Ended June 30, 2022

| WHG Business | | Resort Business | | Luxury & Banquet Business | |
|-----------------------------------------------------------------------|-------------|-------------------------------------------------------------------------------------------------------------|-----------|--------------------------------------------------------------------------|-----------------------------------|
| <<Lodging facilities>> 36 properties, 10,827 rooms | | <<Lodging facilities>> 12 properties, 565 rooms (including 1 property scheduled to open) | | <<Lodging facilities>> 1 property, 267 rooms | |
| ■ Washington Hotel (21 properties, 6,619 rooms) | | ■ Hotel Gracery (11 properties, 3,198 rooms) | | Hotel Chinzanso Tokyo | 267 rooms |
| Sendai | 223 rooms | Sapporo | 440 rooms | <<Weddings and Banquets>> 3 properties | |
| Shinjuku (Main Building) | 1,280 rooms | Ginza | 270 rooms | Marryaid | |
| Akihabara | 369 rooms | Tamachi | 216 rooms | Remercier Motoujina | |
| Tokyo Bay Ariake | 830 rooms | Asakusa | 125 rooms | The South Harbor Resort | |
| Yokohama Sakuragicho | 553 rooms | Shinjuku | 970 rooms | << Leisure facilities>> 1 property | |
| Urawa | 140 rooms | Kyoto Sanjo (North) | 97 rooms | Camellia Hills Country Club | |
| Hiroshima | 266 rooms | Kyoto Sanjo (South) | 128 rooms | <Restaurants> 2 properties | |
| Canal City Fukuoka | 423 rooms | Osaka Namba | 170 rooms | University of Tokyo Ito International Research Center Restaurant [MC] | |
| Yamagata Nanokamachi [FC] | 213 rooms | Naha | 198 rooms | Meiji University Shikonkan Foresta Chinzanso [MC] | |
| Yamagata Eki Nishiguchi [FC] | 100 rooms | Seoul | 336 rooms | Membership-based Resort Hotels | |
| Aizu Wakamatsu [FC] | 154 rooms | Taipei | 248 rooms | <<Lodging facilities>> 7 properties, 460 rooms | |
| Koriyama [FC] | 184 rooms | | | ■ Wisterian Life Club | |
| Iwaki [FC] | 148 rooms | ■ Hotel Fujita (1 property, 354 rooms) | | Verde No Mori 100 rooms | |
| Tachikawa [FC] | 170 rooms | Fukui [FC] | 354 rooms | Hakone | 18 rooms Atami 54 rooms |
| Kisarazu [FC] | 146 rooms | | | Usami | 58 rooms Toba 76 rooms |
| Tsubame Sanjo [FC] | 103 rooms | ■ HOTEL TAVINOS (3 properties, 656 rooms) | | Nojiriko | 64 rooms |
| Kansai Airport [FC] | 504 rooms | Hamamatsucho | 188 rooms | Prominent Kurumayama Kogen 90 rooms | |
| Kanku Izumiotsu [FC] | 151 rooms | Asakusa | 278 rooms | Other Business | |
| Takarazuka [FC] | 135 rooms | Kyoto | 190 rooms | <<Lodging facilities>> 1 property, 214 rooms | |
| Sasebo [FC] | 190 rooms | Local subsidiaries and representative offices | | ISORAS CIKARANG | 214 rooms |
| Shinjuku (Annex Building) [MC] | 337 rooms | Shanghai | | | |

Company Overview



Financial Results for the Six Months Ended June 30, 2022

| | | |
|-------------------------------------|------------------------------------------------------------|--------------------------|
| Listed exchange | Tokyo Stock Exchange Prime Market | |
| Company name | FUJITA KANKO INC. | |
| Stock code | 9722 | |
| Share unit | Ordinary shares: 100 shares | |
| | Class A preferred shares: 1 share | |
| Fiscal year | January 1 to December 31 of each year | |
| Record date | December 31 | |
| Ex-dividend dates (ordinary shares) | December 31, and June 30 when interim dividends are issued | |
| Annual shareholders meeting | March of each year | |
| Total number of issued shares | Ordinary shares: 12,207,424 shares | Total: 12,207,574 shares |
| | Class A preferred shares: 150 shares | |
| Total number of authorized shares | Ordinary shares: 44,000,000 shares | Total: 44,000,150 shares |
| | Class A preferred shares: 150 shares | |
| Fiscal term | December 31 of each year | |