

Consolidated Financial Results for the Six Months Ended June 30, 2023 [Japanese GAAP]



August 10, 2023

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 10, 2023

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, 2023 (January 1, 2023 to June 30, 2023)

(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, 2023	29,162	59.3	1,912	-	2,504	-	3,073	-
Six months ended June 30, 2022	18,308	53.5	(3,804)	-	(3,512)	-	(2,558)	-

(Note) Comprehensive income: Six months ended June 30, 2023: ¥3,579 million [-%]

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

	Profit per share	Diluted profit per share
	Yen	Yen
Six months ended June 30, 2023	256.41	-
Six months ended June 30, 2022	(213.49)	-

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of June 30, 2023	96,263	25,608	26.6
As of December 31, 2022	99,962	22,740	22.6

(Reference) Equity: As of June 30, 2023: ¥25,608 million

As of December 31, 2022: ¥22,629 million

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
Fiscal year ended December 31, 2022	Yen -	Yen 0.00	Yen -	Yen 0.00	Yen 0.00
Fiscal year ending December 31, 2023	-	0.00			
Fiscal year ending December 31, 2023 (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, 2023 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, 2023 (January 1, 2023 to December 31, 2023)

(% 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	
Full year	62,000	41.7	4,800	-	5,300	-	5,900	-	492.26	

(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, 2023, 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: Yes
(Changes in specified subsidiaries resulting in change in scope of consolidation)
Excluded: 1 company (Fujita Green Service Inc.)
- (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, 2023: 12,207,424 shares
December 31, 2022: 12,207,424 shares
 - 2) Total number of treasury shares at the end of the period:
June 30, 2023: 221,981 shares
December 31, 2022: 221,887 shares
 - 3) Average number of shares during the period:
Six months ended June 30, 2023: 11,985,464 shares
Six months ended June 30, 2022: 11,985,656 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, 2022	Yen -	Yen -	Yen -	Yen 4,000,000.00	Yen 4,000,000.00
Fiscal year ending December 31, 2023	-	-			
Fiscal year ending December 31, 2023 (Forecast)			-	-	-

(Notes)

1. The capital surplus was used to fund the dividends paid for the fiscal year ended December 31, 2022.
2. The forecast for dividends for the fiscal year ending December 31, 2023 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, 2023, the inbound tourism market, which is the Group's main customer base, saw a significant recovery in demand. According to the Japan National Tourism Organization (JNTO), the number of inbound tourists reached 64% of that in the same period of 2019, when the COVID-19 pandemic was yet to come. In the domestic market as well, tourism demand continued to recover following the reclassification of COVID-19 under the Infectious Diseases Control Law and the relaxation of movement restrictions.

In this environment, the Group has captured such demand, which led to significant year-on-year growth in ADR and occupancy rate in the accommodation business of each segment. The number of facility users also increased in the wedding business, the banquets business and the restaurant business.

As a result, net sales for the entire Group increased by ¥10,854 million year on year to ¥29,162 million, operating profit increased by ¥5,716 million year on year to ¥1,912 million, and ordinary profit increased by ¥6,017 million year on year to ¥2,504 million. Profit attributable to owners of parent was ¥3,073 million due mainly to extraordinary income from the sale of the land where Hotel Toba Kowakien used to be.

An overview of business results is as follows.

	Six months ended June 30, 2023	YoY change
Net sales	29,162	10,854
Operating profit	1,912	5,716
Ordinary profit	2,504	6,017
Profit attributable to owners of parent	3,073	5,632

An overview of business results by segment is as follows.

Sales and operating profit by segment

	Net sales		Operating profit (loss)	
	Actual	YoY change	Actual	YoY change
WHG Business	16,419	7,998	1,889	4,511
Luxury & Banquet Business	8,660	2,032	646	1,049
Resort Business	3,120	920	(400)	186
Other (including adjustment amounts)	962	(95)	(223)	(31)
Total	29,162	10,854	1,912	5,716

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

The WHG Business saw an increase in the number of inbound accommodation guests primarily in Tokyo and Kansai areas. In particular, ADR rose significantly at facilities located in the Tokyo metropolitan area, including the flagship facilities Shinjuku Washington Hotel and Hotel Gracery Shinjuku. As a result, net sales for this segment increased by ¥7,998 million year on year to ¥16,419 million, and operating profit increased by ¥4,511 million to ¥1,889 million.

In the Luxury & Banquet Business, the Hotel Chinzanso Tokyo reported year-on-year revenue growth in all businesses. In the accommodation business, ADR rose due to the favorable effect of measures for expanding sales of hotel suits. In the banquets business, business use such as receptions for overseas guests performed well. As a result, net sales for this segment increased by ¥2,032 million year on year to ¥8,660 million, and operating profit increased by ¥1,049 million to ¥646 million.

In the Resort Business, occupancy rate of Hakone Kowakien Ten-yu rose year on year with an increase in weekday use because of a rise in the proportion of inbound tourists. In addition, we continued initiatives to raise unit price, such as sales of high-value-added products with upgraded dishes. Hakone Kowakien Yunessun saw a year-on-year increase in the number of visitors thanks to the effect of tie-up projects with anime and movies, among others. As a result, net sales for this segment increased by ¥920 million year on year to ¥3,120 million, and operating loss improved by ¥186 million to ¥400 million.

(2) Explanation of Financial Position

1) Assets, liabilities and net assets

Total assets as of June 30, 2023 decreased by ¥3,699 million from the end of the previous fiscal year to ¥96,263 million. Current assets decreased by ¥6,597 million due mainly to a decrease of ¥6,086 million in cash and deposits, and non-current assets increased by ¥2,898 million due mainly to the acquisition of assets associated with the redevelopment of Hakone Kowakien.

Liabilities decreased by ¥6,567 million from the end of the previous fiscal year to ¥70,654 million, mainly due to the repayments of borrowings.

Net assets increased by ¥2,868 million from the end of the previous fiscal year to ¥25,608 million. Capital surplus decreased by ¥602 million due mainly to the payment of Class A preferred dividend, while retained earnings increased by ¥3,073 million due to the profit attributable to owners of parent.

2) Cash flows

Cash and cash equivalents as of June 30, 2023 totaled ¥18,023 million, down ¥6,086 million from the end of the previous fiscal year.

i) Cash flows from operating activities

Net cash provided by operating activities was ¥3,003 million (¥1,251 million used in the same period of the previous fiscal year). This was mainly due to recording of an operating profit.

ii) Cash flows from investing activities

Net cash used in investing activities was ¥4,131 million (¥793 million used 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 ¥5,021 million (¥5,162 million used in 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

Explanation of consolidated financial results forecast and other forward-looking information are as provided in “4. 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, 2023 and Revision to the Full Year Consolidated Financial Results Forecast” released today (August 10, 2023).

For the second half of 2023, the Company projects an approximately ¥1,600 million increase in net sales in the WHG Business compared to the previous forecast, expecting a rise in ADR based on the assumption that accommodation demand will continue to recover. Meanwhile, net sales in the Luxury & Banquet Business are projected to decrease by approximately ¥700 million, factoring in a decrease in the number of facility users in the wedding business and the banquets business. On a consolidated basis, the Company projects an overall increase in net sales of approximately ¥800 million.

In terms of operating profit, which is linked to net sales, the Company expects an increase in the WHG Business and a decrease in the Luxury & Banquet Business for an overall increase of about ¥300 million on a consolidated basis compared to the previous forecast. Furthermore, the Company expects that ordinary profit and profit attributable to owners of parent will increase approximately by ¥300 million, on par with operating profit.

As stated above, for the full-year financial results forecast for 2023, the Company forecasts net sales of ¥62,000 million, an increase of ¥1,200 million from the previous forecast; operating profit of ¥4,800 million, an increase of ¥1,100 million from the previous forecast; ordinary profit of ¥5,300 million, an increase of ¥1,800 million from the previous forecast; and profit attributable to owners of parent of ¥5,900 million, an increase of ¥1,800 million from the previous forecast.

(4) Risks Related to Business

Due to the impact of COVID-19, the Group posted operating loss for the three consecutive fiscal years until the previous fiscal year, and there existed conditions that might have cast significant doubt on the going concern assumption.

In these conditions, the Group ensured business funding and made a tireless effort to control cost, so as to strengthen its financial standing. In addition to these results, supported by a recovery in inbound demand and tourism demand caused by the relaxation of movement restrictions, the Group posted operating profit of ¥1,912 million for the six months ended June 30, 2023. Despite uncertainties remaining in external factors, favorable performance is projected to continue for the full year due to the said reasons.

Considering the above, we determined that no conditions exist that may cast significant doubt on the going concern assumption as of June 30, 2023.

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

(Million yen)

	As of December 31, 2022	As of June 30, 2023
Assets		
Current assets		
Cash and deposits	24,139	18,053
Notes and accounts receivable - trade	4,157	3,815
Merchandise and finished goods	48	47
Work in process	26	28
Raw materials and supplies	386	313
Other	2,201	2,101
Allowance for doubtful accounts	(13)	(10)
Total current assets	30,947	24,349
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	34,364	38,890
Tools, furniture and fixtures, net	2,047	2,693
Land	6,381	6,341
Construction in progress	3,095	180
Golf courses	2,443	2,453
Other, net	721	818
Total property, plant and equipment	49,053	51,378
Intangible assets		
Other	673	608
Total intangible assets	673	608
Investments and other assets		
Investment securities	9,794	10,655
Other	9,601	9,379
Allowance for doubtful accounts	(107)	(107)
Total investments and other assets	19,288	19,927
Total non-current assets	69,015	71,913
Total assets	99,962	96,263

(Million yen)

	As of December 31, 2022	As of June 30, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	957	854
Short-term borrowings	10,042	9,387
Current portion of long-term borrowings	9,016	10,930
Income taxes payable	65	20
Provision for bonuses	106	109
Provision for loss on business withdrawal	689	95
Other	6,442	6,290
Total current liabilities	27,321	27,688
Non-current liabilities		
Long-term borrowings	30,673	25,128
Provision for retirement benefits for directors (and other officers)	49	61
Retirement benefit liability	6,490	6,187
Deposits received from members	10,547	9,307
Other	2,141	2,282
Total non-current liabilities	49,901	42,966
Total liabilities	77,222	70,654
Net assets		
Shareholders' equity		
Share capital	100	100
Capital surplus	32,256	31,654
Retained earnings	(11,020)	(7,947)
Treasury shares	(903)	(903)
Total shareholders' equity	20,432	22,903
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,233	2,800
Deferred gains or losses on hedges	3	(25)
Foreign currency translation adjustment	(316)	(333)
Remeasurements of defined benefit plans	276	263
Total accumulated other comprehensive income	2,196	2,704
Non-controlling interests	110	–
Total net assets	22,740	25,608
Total liabilities and net assets	99,962	96,263

(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, 2022	For the six months ended June 30, 2023
Net sales	18,308	29,162
Cost of sales	20,720	25,791
Gross profit (loss)	(2,412)	3,371
Selling, general and administrative expenses	1,391	1,459
Operating profit (loss)	(3,804)	1,912
Non-operating income		
Interest income	2	3
Dividend income	247	247
Foreign exchange gains	333	553
Rental income from land and buildings	39	38
Other	59	58
Total non-operating income	683	901
Non-operating expenses		
Interest expenses	300	258
Commission expenses	16	–
Other	75	50
Total non-operating expenses	392	309
Ordinary profit (loss)	(3,512)	2,504
Extraordinary income		
Gain on sale of non-current assets	0	605
Gain on sale of shares of subsidiaries and associates	–	21
Subsidy bounty income	908	1
Reversal of provision for assets removal	1	–
Gain on reversal of provision for loss on business withdrawal	0	–
Other	1	–
Total extraordinary income	912	627
Extraordinary losses		
Loss on sale of shares of subsidiaries and associates	–	19
Provision for loss on business withdrawal	–	14
Loss on valuation of investment securities	–	6
Total extraordinary losses	–	40
Profit (loss) before income taxes	(2,600)	3,092
Income taxes	(43)	21
Profit (loss)	(2,556)	3,070
Profit (loss) attributable to non-controlling interests	1	(2)
Profit (loss) attributable to owners of parent	(2,558)	3,073

Quarterly Consolidated Statements of Comprehensive Income

Six Months Ended June 30

(Million yen)

	For the six months ended June 30, 2022	For the six months ended June 30, 2023
Profit (loss)	(2,556)	3,070
Other comprehensive income		
Valuation difference on available-for-sale securities	(3)	567
Deferred gains or losses on hedges	31	(29)
Foreign currency translation adjustment	(101)	(16)
Remeasurements of defined benefit plans, net of tax	(0)	(13)
Total other comprehensive income	(74)	508
Comprehensive income	(2,631)	3,579
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(2,633)	3,581
Comprehensive income attributable to non-controlling interests	1	(2)

(3) Quarterly Consolidated Statements of Cash Flows

(Million yen)

	For the six months ended June 30, 2022	For the six months ended June 30, 2023
Cash flows from operating activities		
Profit (loss) before income taxes	(2,600)	3,092
Depreciation	1,818	1,719
Increase (decrease) in allowance for doubtful accounts	(1)	3
Increase (decrease) in provision for bonuses	(3)	12
Increase (decrease) in provision for point card certificates	(69)	–
Increase (decrease) in provision of noncurrent assets removal	(3)	–
Increase (decrease) in provision for loss on business withdrawal	(80)	(93)
Increase (decrease) in provision for retirement benefits for directors (and other officers)	10	11
Increase (decrease) in retirement benefit liability	(68)	(175)
Interest and dividend income	(250)	(250)
Interest expenses	300	258
Foreign exchange losses (gains)	(333)	(553)
Loss (gain) on sale of non-current assets	(0)	(605)
Loss on retirement of non-current assets	51	23
Loss (gain) on valuation of investment securities	–	6
Loss (gain) on sale of shares of subsidiaries and associates	–	(1)
Decrease (increase) in trade receivables	(253)	221
Decrease (increase) in inventories	56	68
Increase (decrease) in trade payables	(187)	(102)
Increase (decrease) in accrued consumption taxes	122	(965)
Other, net	434	391
Subtotal	(1,058)	3,061
Interest and dividends received	239	252
Interest paid	(309)	(273)
Income taxes refund (paid)	(122)	(36)
Net cash provided by (used in) operating activities	(1,251)	3,003

(Million yen)

	For the six months ended June 30, 2022	For the six months ended June 30, 2023
Cash flows from investing activities		
Purchase of property, plant and equipment and intangible assets	(1,584)	(3,409)
Proceeds from sale of property, plant and equipment and intangible assets	0	685
Payments for sale of shares of subsidiaries resulting in change in scope of consolidation	–	(1,463)
Payments of guarantee deposits	(16)	(2)
Proceeds from refund of guarantee deposits	799	55
Other, net	7	1
Net cash provided by (used in) investing activities	(793)	(4,131)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(658)	(655)
Repayments of long-term borrowings	(4,243)	(3,651)
Purchase of treasury shares	(0)	(0)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(72)	(110)
Dividends paid	(156)	(600)
Repayments of finance lease liabilities	(20)	(19)
Other, net	(12)	14
Net cash provided by (used in) financing activities	(5,162)	(5,021)
Effect of exchange rate change on cash and cash equivalents	38	62
Net increase (decrease) in cash and cash equivalents	(7,168)	(6,086)
Cash and cash equivalents at beginning of period	38,619	24,110
Cash and cash equivalents at end of period	31,450	18,023