

Consolidated Financial Results for the Six Months Ended June 30, 2024 [Japanese GAAP]



August 8, 2024

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 semi-annual securities report: August 8, 2024

Scheduled date of commencing dividend payments: -

Availability of supplementary briefing material on financial results: Available

Schedule of 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, 2024 (January 1, 2024 to June 30, 2024)

(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, 2024	35,882	23.0	5,123	167.9	5,615	124.2	4,004	30.3
Six months ended June 30, 2023	29,162	59.3	1,912	-	2,504	-	3,073	-

(Note) Comprehensive income: Six months ended June 30, 2024: ¥4,655 million [30.1%]

Six months ended June 30, 2023: ¥3,579 million [-%]

	Profit per share	Diluted profit per share
	Yen	Yen
Six months ended June 30, 2024	317.56	-
Six months ended June 30, 2023	256.41	-

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of June 30, 2024	98,006	30,228	30.8
As of December 31, 2023	93,496	25,974	27.8

(Reference) Equity: As of June 30, 2024: ¥30,228 million

As of December 31, 2023: ¥25,974 million

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
Fiscal year ended December 31, 2023	Yen -	Yen 0.00	Yen -	Yen 0.00	Yen 0.00
Fiscal year ending December 31, 2024	-	0.00			
Fiscal year ending December 31, 2024 (Forecast)			-	30.00	30.00

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

(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, 2024 (January 1, 2024 to December 31, 2024)

(% 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	75,000	16.2	11,000	65.7	11,000	55.3	8,000	(1.4)	634.12	

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

For details of the full-year consolidated financial forecast for the fiscal year ending December 31, 2024, please see “1. Qualitative Information on Semi-annual Financial Results for the Period under Review (3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information” on page 4 of the attached material.

*** Notes:**

(1) Significant changes in the scope of consolidation during the period under review: Yes

Newly included: - companies (Company name: -)

Excluded: 2 companies (Company name: MYANMAR FUJITA KANKO LIMITED,
Fujita (Shanghai) Business Consultant Co., Ltd.)

(2) Accounting policies adopted specially for the preparation of semi-annual 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, 2024: 12,207,424 shares

December 31, 2023: 12,207,424 shares

2) Total number of treasury shares at the end of the period:

June 30, 2024: 222,523 shares

December 31, 2023: 222,259 shares

3) Average number of shares during the period:

Six months ended June 30, 2024: 11,985,074 shares

Six months ended June 30, 2023: 11,985,464 shares

* Semi-annual financial results are outside the scope of 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 Semi-annual Financial Results for the Period under Review, (3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information” on page 4 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, 2023	Yen -	Yen -	Yen -	Yen 4,000,000.00	Yen 4,000,000.00
Fiscal year ending December 31, 2024	-	-			
Fiscal year ending December 31, 2024 (Forecast)			-	-	-

(Notes)

1. The capital surplus was used to fund the dividends paid for the fiscal year ended December 31, 2023.
2. The forecast for dividends for the fiscal year ending December 31, 2024 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 Semi-annual Financial Results for the Period under Review

(1) Explanation of Operating Results

During the six months ended June 30, 2024, the Japanese economy continued to recover moderately owing to developments such as an improvement in corporate earnings and personal consumption. In the hotel and tourism industries, inbound demand grew on the back of the weak yen.

Against this backdrop, the Group strengthened overseas sales and implemented other actions to capture increasing demand, with the result that the number of inbound accommodation guests increased year on year during the period under review. In addition, we saw an increase in sales per use, particularly in the accommodation business, thanks to our efforts to improve product competitiveness and other initiatives.

As a result, net sales for the entire Group increased by ¥6,719 million year on year to ¥35,882 million, operating profit increased by ¥3,211 million year on year to ¥5,123 million, and ordinary profit increased by ¥3,110 million year on year to ¥5,615 million. Profit attributable to owners of parent was ¥4,004 million due mainly to extraordinary losses on business withdrawal.

An overview of business results is as follows.

(Million yen)

	Six months ended June 30, 2024	YoY change
Net sales	35,882	6,719
Operating profit	5,123	3,211
Ordinary profit	5,615	3,110
Profit attributable to owners of parent	4,004	931

An overview of business results by segment is as follows.
Sales and operating profit by segment

(Million yen)

	Net sales		Operating profit	
	Actual	YoY change	Actual	YoY change
WHG Business	21,416	4,840	4,331	2,436
Luxury & Banquet Business	8,970	310	577	(68)
Resort Business	4,889	1,768	182	583
Other (including adjustment amounts)	605	(200)	31	260
Total	35,882	6,719	5,123	3,211

(Notes) 1. Adjustment amounts include eliminations of inter-segment transactions, as well as corporate expenses not allocated to each segment.

2. Starting in the period under review, the Company partially changed the segments to which operating facilities belong following organizational changes. For this reason, segment information for the six months ended June 30, 2023 has been changed in accordance with segment changes.

In the WHG Business, we maintained our efforts to win new customers by engaging in regional sales activities in Europe, Australia, and Asia. As a result, the number of inbound accommodation guests for the period under review increased year on year. ADR also increased significantly due to early capture of high-ADR reservations. Meanwhile, at Shinjuku Washington Hotel, we reopened and began to directly operate Shinjuku Washington Hotel ANNEX (337 rooms) on April 1 (the operation of the new annex had previously been outsourced). In addition, we took action to improve product competitiveness by renovating guestrooms at Sendai Washington Hotel and Hotel Gracery Sapporo. As a result, net sales for this segment increased by ¥4,840 million year on year to ¥21,416 million, and operating profit increased by ¥2,436 million to ¥4,331 million.

In the Luxury & Banquet Business, each division at the Hotel Chinzanso Tokyo made efforts to increase sales per use. For example, each division continued to implement sales measures for high-value-added products. As a result, revenue increased year on year in the accommodation business, restaurant business, and banquets business. In the wedding business, sales per ceremony increased year on year, but this could not fully offset a decline in the number of ceremonies, with the result that revenue declined accordingly. However, net sales for this segment increased by ¥310 million year on year to ¥8,970 million. Operating profit decreased by ¥68 million year on year to ¥577 million mainly because of a temporary increase in personnel expenses during the training period for new graduates hired.

In the Resort Business, Hakone Kowakien Hotel, which opened in July last year, maintained favorable occupancy rates and ADR. Visitors to Hakone Kowakien Yunessun increased year on year thanks to the opening of Hakone Kowakien Hotel, in addition to the effect of redevelopment, such as the installation of a flowing pool. At Hakone Kowakien Ten-yu, ADR increased as we continued to focus on the sale of high-value-added products, while the occupancy rate rose with the increase of weekday use by attracting inbound visitors and through other initiatives. As a result, net sales for this segment increased by ¥1,768 million year on year to ¥4,889 million, and operating profit increased by ¥583 million to ¥182 million.

(2) Explanation of Financial Position

1) Assets, liabilities and net assets

Total assets as of June 30, 2024 increased by ¥4,510 million from the end of the previous fiscal year to ¥98,006 million. Current assets increased by ¥3,341 million due mainly to an increase of ¥3,691 million in cash and deposits, and non-current assets increased by ¥1,169 million due mainly to an increase in the fair value of investment securities.

Liabilities increased by ¥256 million from the end of the previous fiscal year to ¥67,778 million, mainly due to borrowings.

Net assets increased by ¥4,253 million from the end of the previous fiscal year to ¥30,228 million. Capital surplus decreased by ¥400 million due mainly to the payment of Class A preferred dividend, while retained earnings increased by ¥4,004 million due to the recording of profit attributable to owners of parent

2) Cash flows

Cash and cash equivalents as of June 30, 2024 amounted to ¥17,387 million, up ¥3,711 million from the end of the previous fiscal year.

i) Cash flows from operating activities

Net cash provided by operating activities was ¥5,754 million (¥3,003 million provided in the same period of the previous fiscal year). This was mainly due to the recording of an operating profit.

ii) Cash flows from investing activities

Net cash used in investing activities was ¥1,916 million (¥4,131 million used in the same period of the previous fiscal year). This was mainly due to the purchase of non-current assets.

iii) Cash flows from financing activities

Net cash used in financing activities was ¥172 million (¥5,021 million used in the same period of the previous fiscal year). This was mainly due to the payment of Class A preferred dividend.

(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 “Notice Concerning Differences between Consolidated Financial Results Forecast and Actual Results for the Six Months Ended June 30, 2024 and Revisions to Full-Year Consolidated Financial Results Forecast” released today (August 8, 2024).

Consolidated financial results forecast for the full fiscal year (January 1, 2024 to December 31, 2024)

	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent	Profit per share
	Million yen	Million yen	Million yen	Million yen	Yen
Previously announced forecast (A)	72,500	8,500	8,500	7,000	550.68
Revised forecast (B)	75,000	11,000	11,000	8,000	634.12
Difference (B-A)	2,500	2,500	2,500	1,000	
Rate of difference (%)	3.4%	29.4%	29.4%	14.3%	
Ref: Results for fiscal year ended December 31, 2023 (January 1, 2023 to December 31, 2023)	64,547	6,636	7,081	8,114	677.03

2. Semi-annual Consolidated Financial Statements
(1) Semi-annual Consolidated Balance Sheets

(Million yen)

	As of December 31, 2023	As of June 30, 2024
Assets		
Current assets		
Cash and deposits	13,705	17,397
Notes and accounts receivable - trade	5,155	4,842
Merchandise and finished goods	58	49
Work in process	31	23
Raw materials and supplies	432	324
Other	1,915	2,001
Allowance for doubtful accounts	(5)	(4)
Total current assets	21,293	24,634
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	37,930	37,044
Tools, furniture and fixtures, net	2,754	3,127
Land	6,309	6,340
Construction in progress	52	73
Golf courses	2,477	2,479
Other, net	826	817
Total property, plant and equipment	50,350	49,882
Intangible assets		
Other	602	550
Total intangible assets	602	550
Investments and other assets		
Investment securities	11,604	12,705
Guarantee deposits	9,137	10,006
Other	615	232
Allowance for doubtful accounts	(107)	(4)
Total investments and other assets	21,250	22,939
Total non-current assets	72,202	73,372
Total assets	93,496	98,006
Liabilities		
Current liabilities		
Notes and accounts payable - trade	1,132	883
Short-term borrowings	9,387	7,628
Current portion of long-term borrowings	10,923	11,592
Income taxes payable	61	966
Provision for bonuses	216	215
Provision for noncurrent assets removal cost	177	0
Provision for loss on business withdrawal	199	782
Other	8,266	7,314
Total current liabilities	30,365	29,383

(Million yen)

	As of December 31, 2023	As of June 30, 2024
Non-current liabilities		
Long-term borrowings	19,710	21,067
Provision for retirement benefits for directors (and other officers)	72	69
Asset retirement obligations	918	968
Retirement benefit liability	6,352	6,166
Deposits received from members	9,498	9,503
Other	603	618
Total non-current liabilities	37,156	38,394
Total liabilities	67,521	67,778
Net assets		
Shareholders' equity		
Share capital	100	100
Capital surplus	26,457	22,330
Retained earnings	(2,906)	4,824
Treasury shares	(904)	(906)
Total shareholders' equity	22,746	26,349
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,430	4,151
Deferred gains or losses on hedges	(12)	5
Foreign currency translation adjustment	(357)	(438)
Remeasurements of defined benefit plans	167	160
Total accumulated other comprehensive income	3,227	3,879
Total net assets	25,974	30,228
Total liabilities and net assets	93,496	98,006

(2) Semi-annual Consolidated Statements of Income and Comprehensive Income
Semi-annual Consolidated Statements of Income

(Million yen)

	For the six months ended June 30, 2023	For the six months ended June 30, 2024
Net sales	29,162	35,882
Cost of sales	25,791	29,003
Gross profit	3,371	6,878
Selling, general and administrative expenses	1,459	1,754
Operating profit	1,912	5,123
Non-operating income		
Interest income	3	4
Dividend income	247	257
Foreign exchange gains	553	405
Rental income from land and buildings	38	45
Other	58	52
Total non-operating income	901	766
Non-operating expenses		
Interest expenses	258	226
Other	50	47
Total non-operating expenses	309	274
Ordinary profit	2,504	5,615
Extraordinary income		
Reversal of allowance for doubtful accounts	–	102
Gain on reversal of asset retirement obligations	–	27
Gain on reversal of provision for loss on business withdrawal	–	1
Gain on sale of non-current assets	605	0
Gain on sale of shares of subsidiaries and associates	21	–
Subsidy income	1	–
Other	–	7
Total extraordinary income	627	139
Extraordinary losses		
Provision for loss on business withdrawal	14	783
Loss on valuation of investment securities	6	1
Loss on sale of shares of subsidiaries and associates	19	–
Total extraordinary losses	40	784
Profit before income taxes	3,092	4,970
Income taxes	21	966
Profit	3,070	4,004
Loss attributable to non-controlling interests	(2)	–
Profit attributable to owners of parent	3,073	4,004

Semi-annual Consolidated Statements of Comprehensive Income

(Million yen)

	For the six months ended June 30, 2023	For the six months ended June 30, 2024
Profit	3,070	4,004
Other comprehensive income		
Valuation difference on available-for-sale securities	567	721
Deferred gains or losses on hedges	(29)	18
Foreign currency translation adjustment	(16)	(81)
Remeasurements of defined benefit plans, net of tax	(13)	(6)
Total other comprehensive income	508	651
Comprehensive income	3,579	4,655
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,581	4,655
Comprehensive income attributable to non-controlling interests	(2)	—

(3) Semi-annual Consolidated Statements of Cash Flows

(Million yen)

	For the six months ended June 30, 2023	For the six months ended June 30, 2024
Cash flows from operating activities		
Profit before income taxes	3,092	4,970
Depreciation	1,719	1,920
Increase (decrease) in allowance for doubtful accounts	3	(103)
Increase (decrease) in provision for bonuses	12	(1)
Increase (decrease) in provision of noncurrent assets removal	–	(176)
Increase (decrease) in provision for loss on business withdrawal	(93)	582
Increase (decrease) in provision for retirement benefits for directors (and other officers)	11	(3)
Increase (decrease) in retirement benefit liability	(175)	(194)
Gain on reversal of asset retirement obligations	–	(27)
Interest and dividend income	(250)	(261)
Interest expenses	258	226
Foreign exchange losses (gains)	(553)	(405)
Loss (gain) on sale of non-current assets	(605)	(0)
Loss on retirement of non-current assets	23	22
Loss (gain) on valuation of investment securities	6	1
Loss (gain) on sale of shares of subsidiaries and associates	(1)	–
Decrease (increase) in trade receivables	221	320
Decrease (increase) in inventories	68	124
Increase (decrease) in trade payables	(102)	(251)
Increase (decrease) in accrued consumption taxes	(965)	52
Other, net	391	(1,054)
Subtotal	3,061	5,739
Interest and dividends received	252	263
Interest paid	(273)	(233)
Income taxes refund (paid)	(36)	(14)
Net cash provided by (used in) operating activities	3,003	5,754

(Million yen)

	For the six months ended June 30, 2023	For the six months ended June 30, 2024
Cash flows from investing activities		
Purchase of property, plant and equipment and intangible assets	(3,409)	(1,054)
Proceeds from sale of property, plant and equipment and intangible assets	685	0
Payments for sale of shares of subsidiaries resulting in change in scope of consolidation	(1,463)	–
Proceeds from withdrawal of time deposits	–	19
Payments of guarantee deposits	(2)	(1,028)
Proceeds from refund of guarantee deposits	55	189
Other, net	1	(44)
Net cash provided by (used in) investing activities	(4,131)	(1,916)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(655)	(1,759)
Proceeds from long-term borrowings	–	7,654
Repayments of long-term borrowings	(3,651)	(5,632)
Purchase of treasury shares	(0)	(1)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(110)	–
Dividends paid	(600)	(400)
Repayments of finance lease liabilities	(19)	(18)
Other, net	14	(13)
Net cash provided by (used in) financing activities	(5,021)	(172)
Effect of exchange rate change on cash and cash equivalents	62	45
Net increase (decrease) in cash and cash equivalents	(6,086)	3,711
Cash and cash equivalents at beginning of period	24,110	13,675
Cash and cash equivalents at end of period	18,023	17,387