

## Medium-term Management Plan (2015-2019)

# **FUJITA PREMIUM VALUE CREATION 2015**

~Our goal: to be Japan's leading tourism company~

# Current Business Environment

## Japan is positioning itself as a tourism-oriented country for economic growth

### Opportunities

- The government is aggressively promoting tourism, relaxing requirements for issuing visas and etc.  
(Target for foreign visitors: 20 million by 2020 and 30 million by 2030)
- Global events such as the 2020 Tokyo Olympic Games and Paralympics will be taking place in Japan
- Increased purchasing power of foreign visitors due to weaker Yen
- Upscale market segment has increased with highly motivated consumers

The demand for hotel accommodations growing more than ever

### Challenges

- Unstable overseas economic situation
- Higher costs for imported resources due to weaker Yen
- Louder public demand for safety and security
- Harder to secure labor force
- Diminishing demand for wedding business due to declining birthrate and the trend toward delayed marriage

Increased competition makes price increases very difficult

Taking full advantage of our strengths to meet increasingly diverse client needs


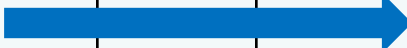
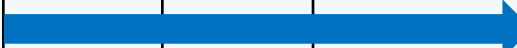
Increase added value to boost profitability

# Overall Strategies

**1. Increase and expand added value of existing business by meeting diversified client needs**

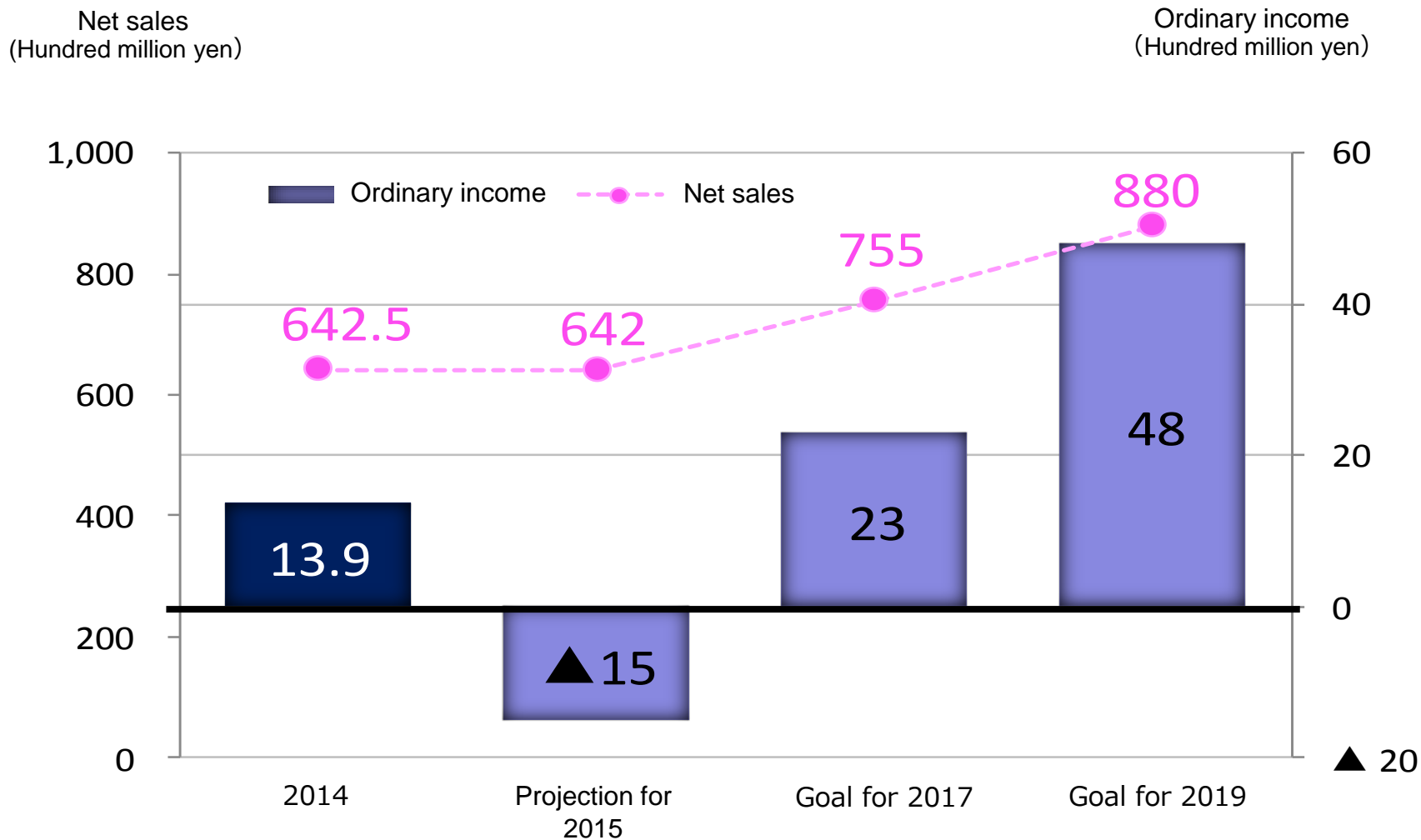
**2. Increase marketing and sales to take advantage of growth in the foreign visitor segment and develop overseas business**

**3. Develop diverse human resources and improve employee satisfaction**

Expectations for each phase		~2014	2015	2016	2017	2018	2019	2020~
Period of up-front investment	Actively moving up the schedule of investment							
Period of return on investment	Stabilization and expansion of profit							
Period of renewed growth	Increasing profitability from new business initiatives							

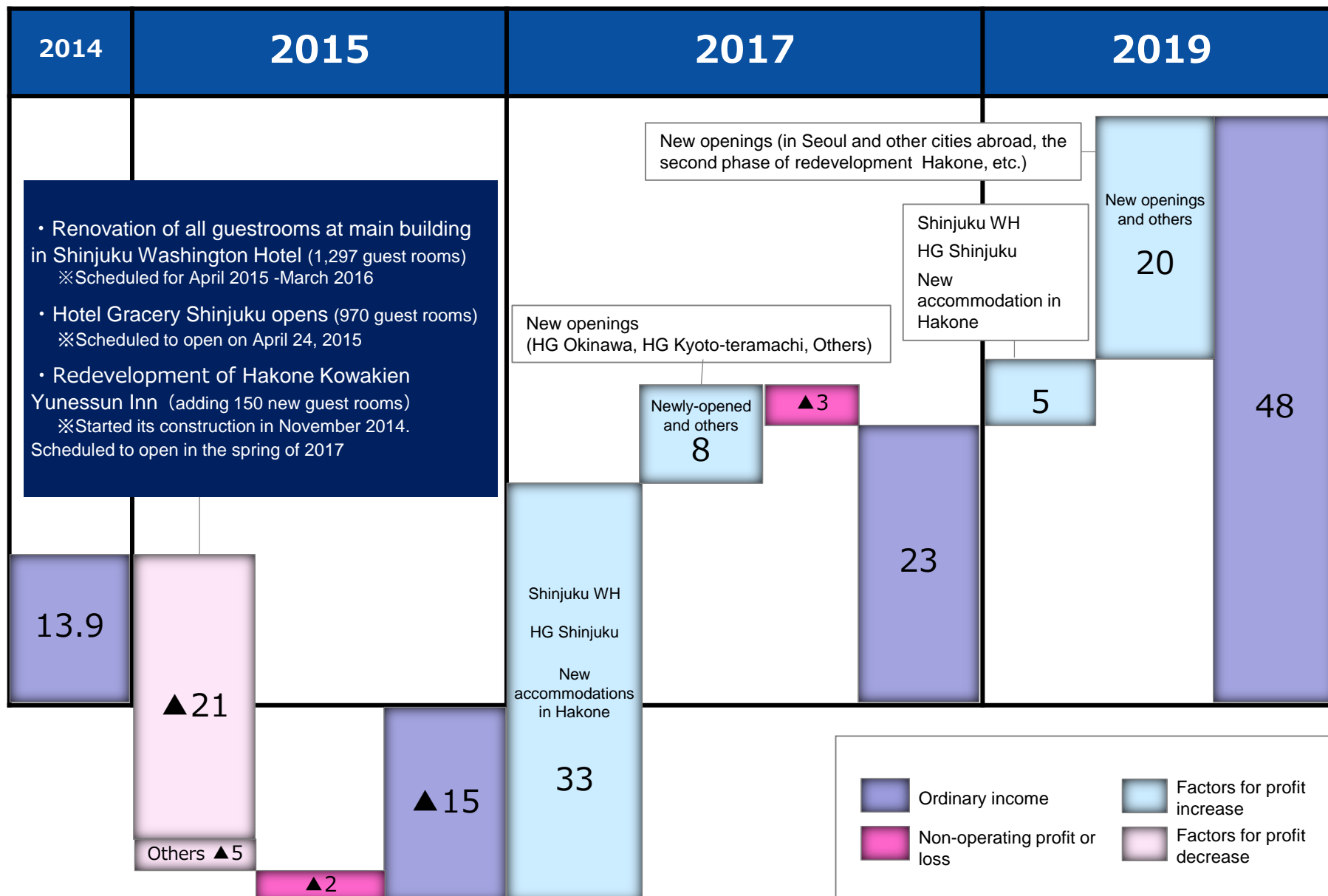
# Net Sales and Ordinary Income

**2015: year of large-scale renovations, reconstructions, and openings of facilities**



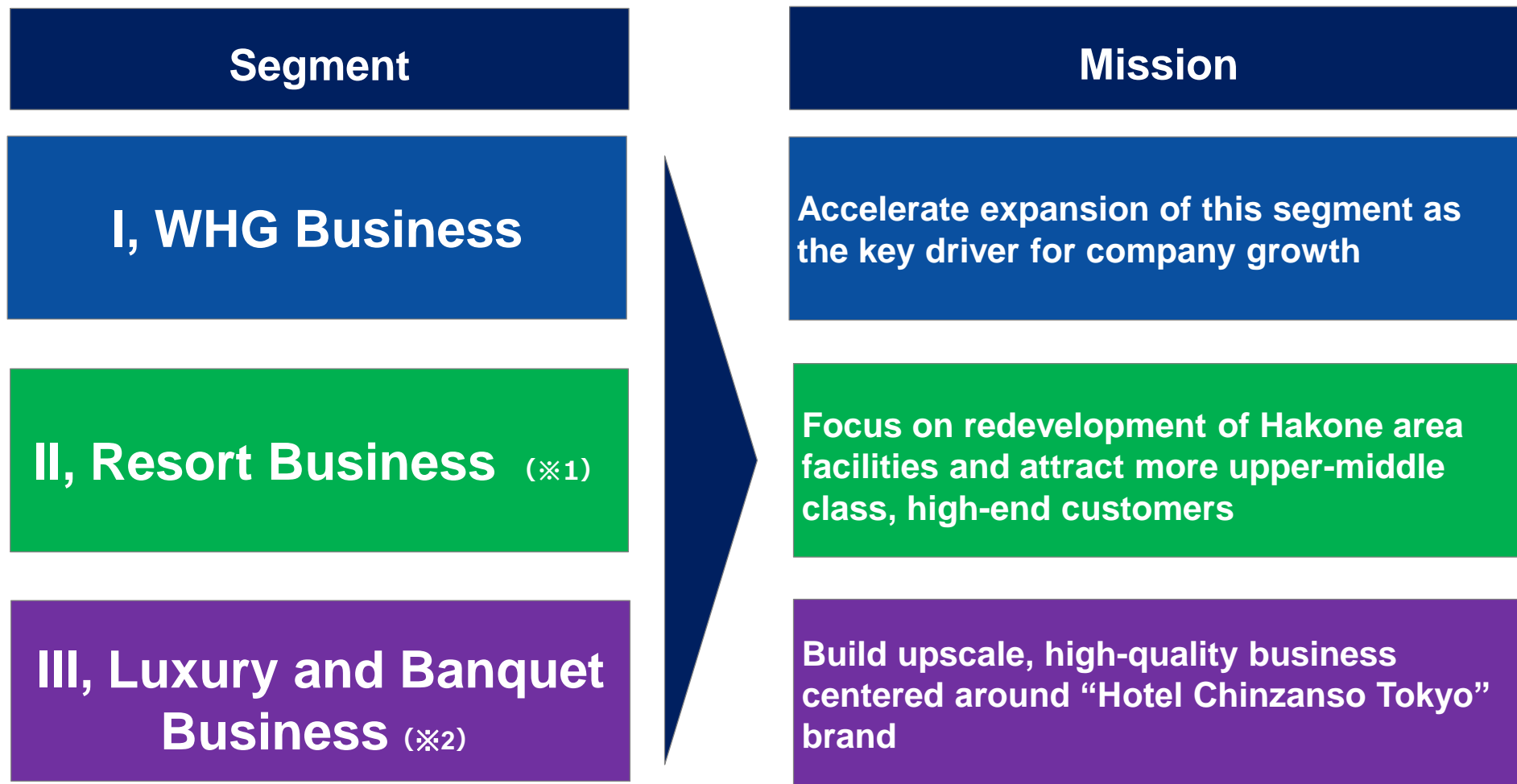
# Ordinary Income and Non-operating Profit/Loss

Unit : Hundred million yen



# Actual and Projected Financial Position

	December 2014 Result	Projection for 2015	Goal for 2017	Goal for 2019
Unit : Hundred million yen, %				
Net sales	642.5	642	755	880
Operating income before depreciation	59.9	40	90	120
Operating income	13.6	▲13	28	53
Ordinary income	13.9	▲15	23	48
ROA (Ordinary income / Total assets)	1.4	-	-	4% or more
ROE (Net income / Net assets)	1.9	-	-	10% or more
Capital investment (on a cash basis)	36.0	140	75	54
Depreciation	37.7	40	50	58
Interest-bearing liabilities	374.6	-	-	50 billion yen or less



(※1) Changed its name from “Kowakien Business.”

(※2) Changed its name from “Chinzanso / Taiko-en Business.” Hereafter adopt the abbreviation “L&B business”

## Accelerate expansion of the segment as the key driver for company growth

1

### Accelerate new openings

➤ Scheduled openings:

- April 2015 Hotel Gracery Shinjuku (970 guest rooms)
- Spring in 2016 Hotel Gracery Okinawa (198 guest rooms)
- Fall in 2016 Hotel Gracery Kyoto-Teramachi (tentative name) (97 guest rooms)
- Summer in 2018 New property in Seoul Namdaemun (330 guest rooms)

Location : Prioritize cities that attract not only business but also leisure travelers

Target : Foreign visitors, Japanese leisure travelers

Plan : Consider alternatives to leasing for 10 new properties, including above-mentioned openings

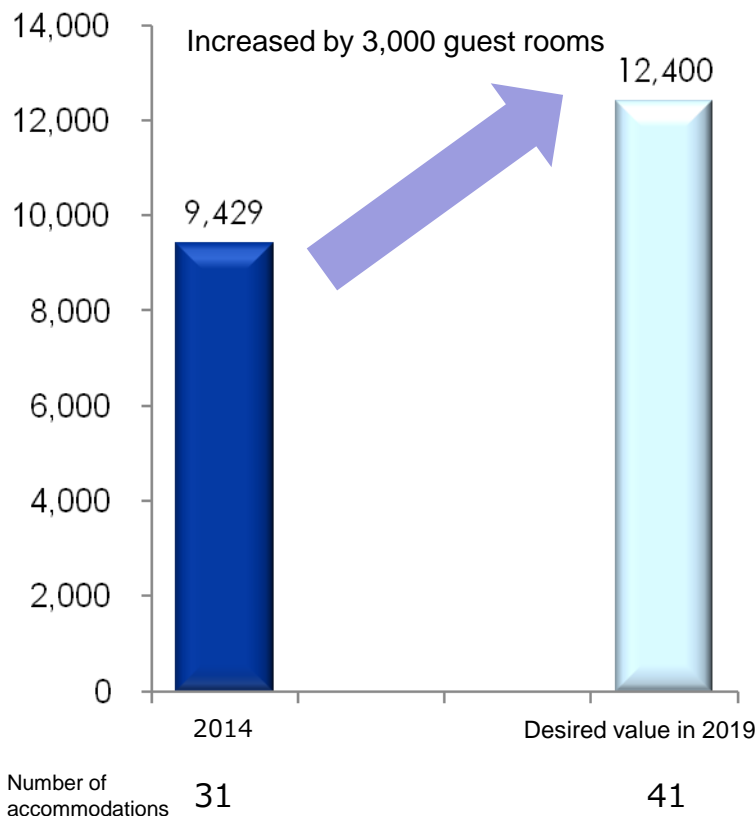
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### Strengthen competitive edge

- Renovate guest rooms at metropolitan area hotels, including Shinjuku Washington Hotel
- Increase penetration of WHG group
- Increase recruitment and training of hotel staff to meet needs of growing overseas visitor segment

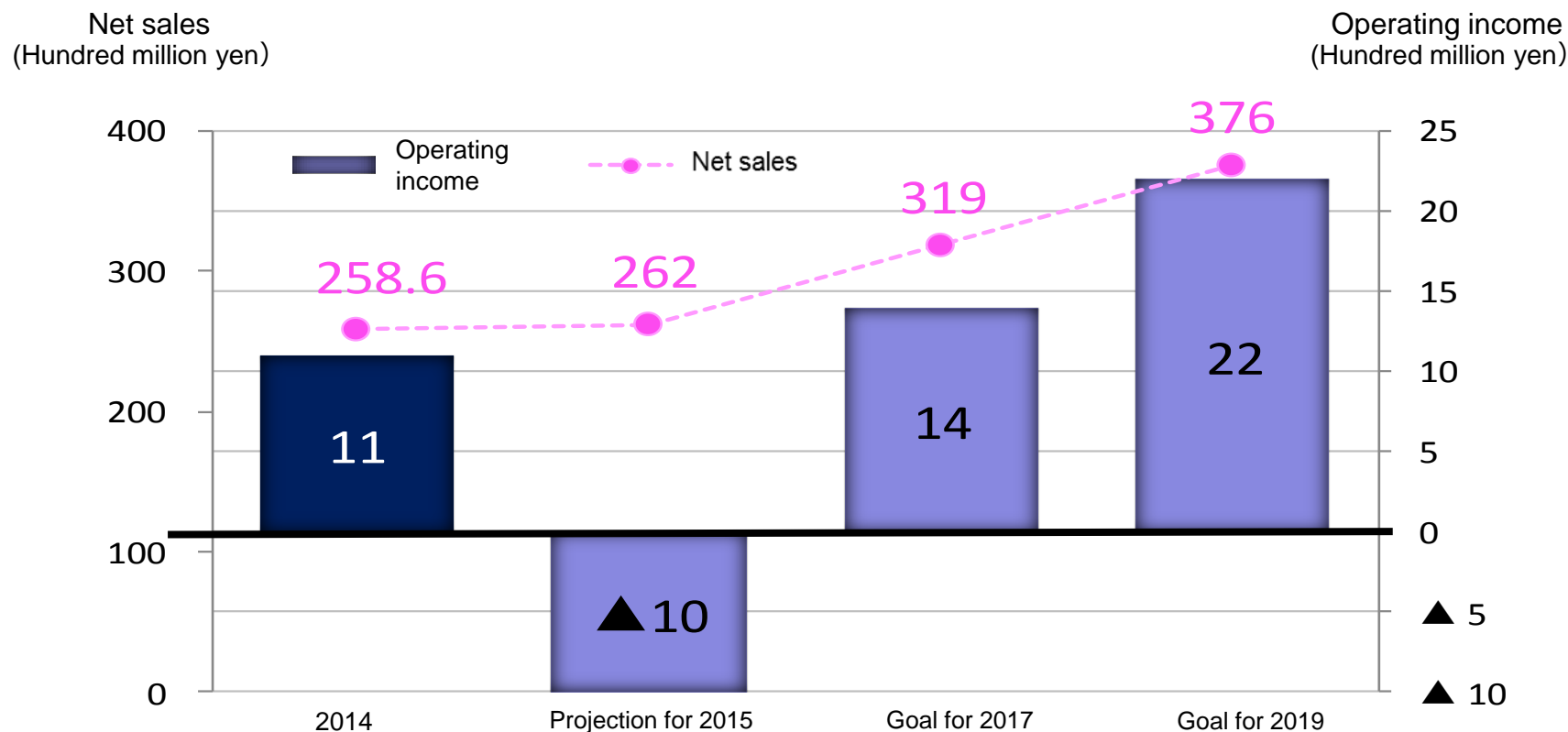
【Change in the number of guest rooms】

(Guest rooms)





**Temporary deficit in revenue is expected due to multiple up-front investments in 2015, but stronger competitive edge of existing facilities and active expansion of new facilities will accelerate growth.**



Capital  
investment

8 hundred million yen

5.7 billion yen

1.2 billion yen

2 billion yen

Accumulated total  
for five years  
**14.7 billion yen**

# Strategy for Segment II (Resort Business ①)

**Focus on redevelopment of Hakone area facilities and attract more upper-middle class, high-end customers**

1

## Large scale investment in Hakone Kowakien

- Renovated facility, in which every room has open air bath, to open in 2017
- Discussion is underway to build other facilities in the area

Differentiation: Refocus hospitality service on individuals rather than mass audience

Target: Senior citizens within Japan and wealthy foreign visitors



Hakone hotel to open in the spring of 2017 (150 guest rooms)

2

## More new properties in resort destinations

- Development of more high-end, intimate Japanese-style inns following Yufuin Ryokuyu opening

Previously: utilized only owned assets

Plan: explore the possibility of opening new facilities beyond owned properties; consider both M&A and leasing for 5 additional hotel facilities during this mid-term planning period

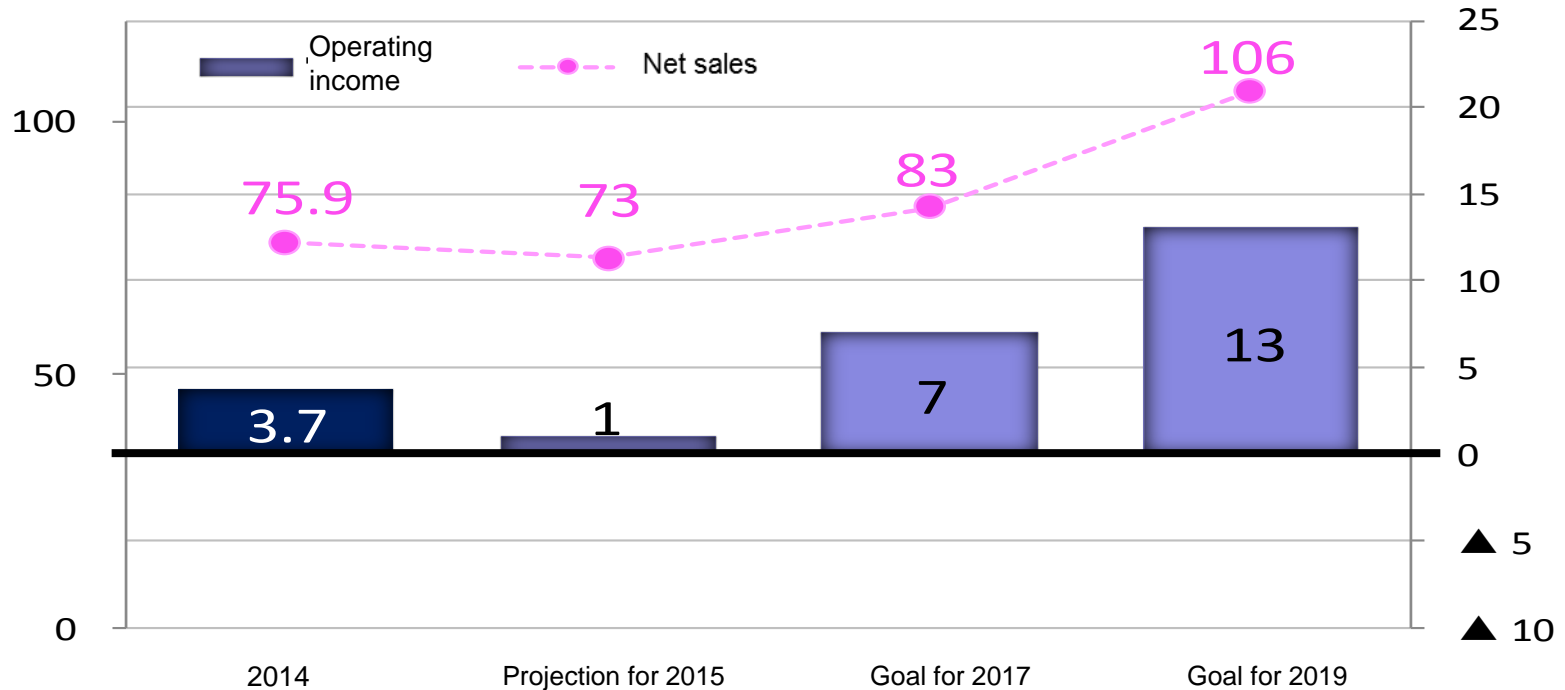


Yufuin Ryokuyu was opened in 2014 (10 villas)

## Increase profit through opening of new accommodations in Hakone in 2017

Net sales  
(Hundred million yen)

Operating income  
(Hundred million yen)



Capital  
investment

1 billion yen

3.7 billion yen

3.6 billion yen

1.2 billion yen

Accumulated total  
for five years

**16.9 billion yen**

## Build upscale, high-quality business centered around “Hotel Chinzanso Tokyo” brand

### 1 Transition “Chinzanso” from a wedding brand to a hotel brand

- Differentiate from other foreign capital luxury hotels as a hotel that provides fabulousness Japanese experience

### 2 Actively develop restaurant business

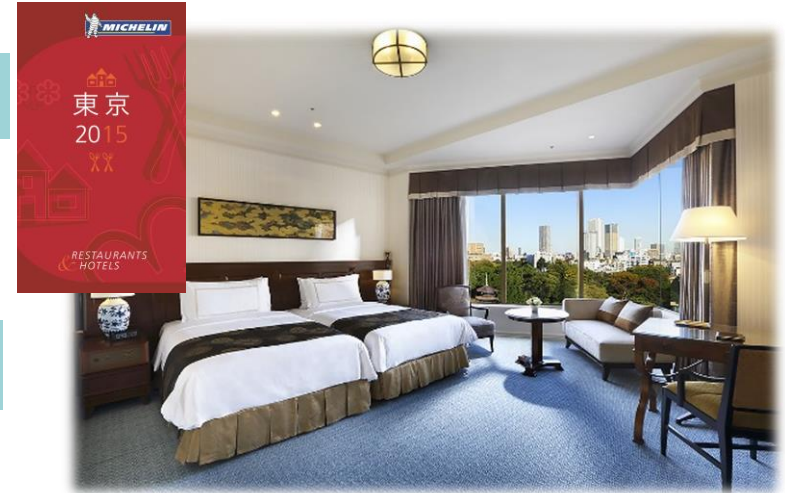
- Develop Japanese restaurants abroad with “Chinzanso” brand
- Explore possibility of opening new restaurants

Plan: Open 5 dining facilities during mid-term planning period at home and abroad

### 3 Expand wedding business through new ventures

- Strengthen the surrounding business  
Acquisition of all the shares of Kawano Co., Ltd., which operates wedding producing business and 2 guest houses in Hiroshima

Plan: 5 wedding facilities including above mentioned business



All the guest rooms of Hotel Chinzanso Tokyo will be renovated by March 2016

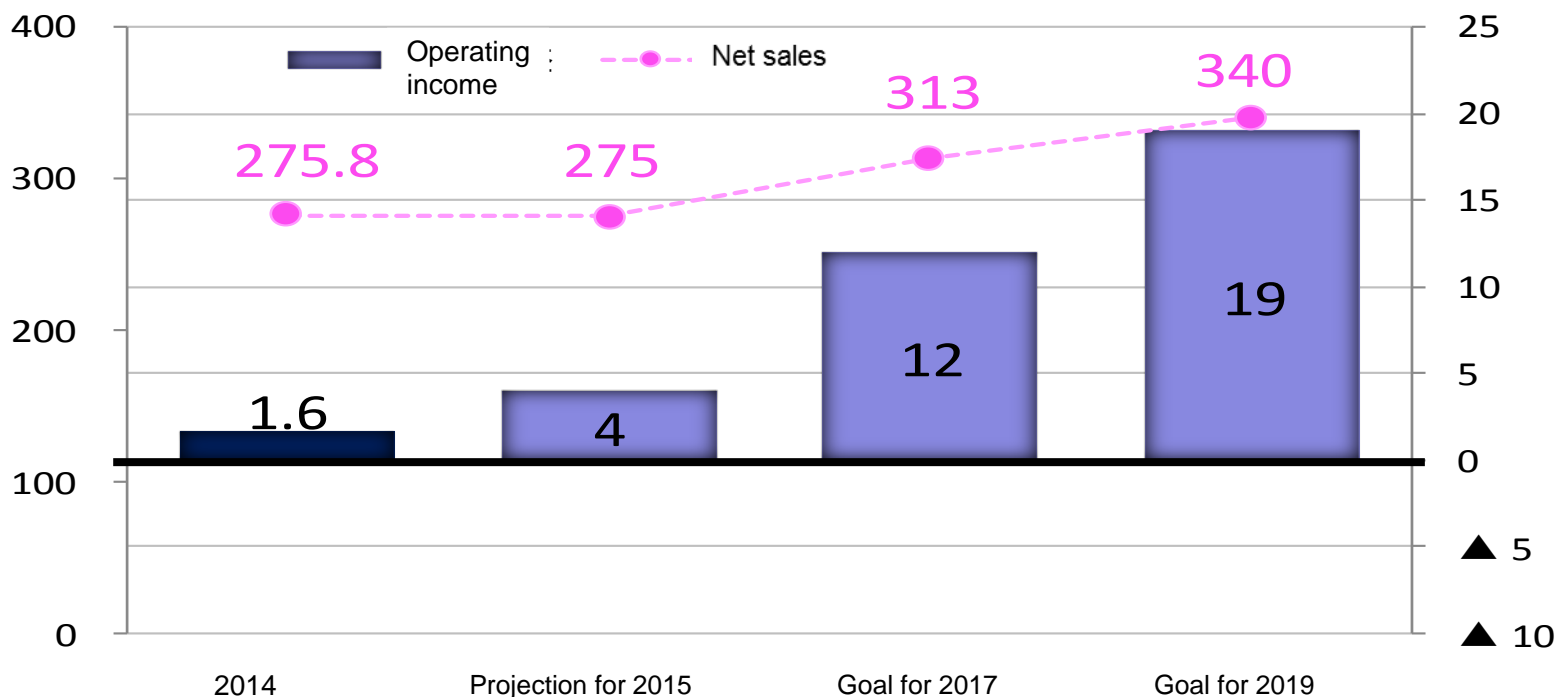


Banquet rooms in the wedding company in Hiroshima that we acquired in January

**Recover profitability by increasing focus on high quality services and facilities and expanding business beyond existing framework**

Net sales  
(Hundred million yen)

Operating income  
(Hundred million yen)



Capital  
investment

1.8 billion yen

3.5 billion yen

2.3 billion yen

1.5 billion yen

Accumulated total  
for five years  
**12.7 billion yen**

# Net Sales and Operating Income by Segment

Unit : Hundred million yen

	December 2014 Result※	Projection for 2015	Goal for 2017	Goal for 2019
<b>WHG Business</b>				
Net sales	258.6	263	319	376
Operating income	11.0	▲ 10	14	23
<b>Resort Business</b>				
Net sales	75.9	74	83	106
Operating income	3.7	1	8	14
<b>Luxury and Banquet Business</b>				
Net sales	275.8	276	313	340
Operating income	1.6	4	12	19
<b>Others and adjustments</b>				
Net sales	32.0	29	40	58
Operating income	▲ 2.8	▲ 8	▲ 6	▲ 3
<b>Total</b>				
Net sales	642.5	642	755	880
Operating income	13.6	▲ 13	28	53

※December 2014 performance record has been reconfigured to adjust for restructuring of business segments



# Overseas Strategy

## Further reaching out for increasing foreign visitors and expansion of business overseas

1

### Beef up inbound tourism

- Set up local subsidiaries or local representative offices in areas where numbers of foreign visitors are expected to remain high
- Boost attraction for FIT (foreign individual travelers) by fully utilizing the potential of all properties in portfolio in Japan
- Draw more tourists focusing on resort facilities and equalize operational rates (across the facilities)

2

### Overseas development

- A hotel in Seoul Namdaemun to be launched in 2018
- Consider opening new properties in East Asia and ASEAN countries such as Bangkok or Jakarta
- Overseas development of Japanese restaurants

【Local subsidiaries and Representative offices】

2010 Shanghai



2012 Seoul • Taipei



2013 Singapore



2015 Bangkok • Jakarta



Hotel at Seoul Namdaemun will be opened in the summer of 2018 (330 guest rooms)

Purpose: open new hotels or restaurants overseas, aiming for synergic effect with inbound tourism  
Plan: open 4 hotels abroad during this mid-term planning period

# List of Fujita Kanko Properties & Facilities

## WHG Business Group

**Hotels** [total 9,429 rooms, +1,595 rooms with scheduled openings]

Fujita Kanko Washington Hotel Asahikawa  
 Sendai Washington Hotel  
 Iwaki Washington Hotel  
 Urawa Washington Hotel  
 Akihabara Washington Hotel  
 Shinjuku Washington Hotel, Main Building  
 Shinjuku Washington Hotel, Annex Building  
 Tokyo Bay Ariake Washington Hotel  
 Chiba Washington Hotel  
 Yokohama Sakuragicho Washington Hotel  
 Yokohama Isezakicho Washington Hotel  
 Kansai Airport Washington Hotel  
 Hiroshima Washington Hotel  
 Canal City Fukuoka Washington Hotel  
 Nagasaki Washington Hotel  
 Aomori Washington Hotel (FC)  
 Hachinohe Washington Hotel (FC)  
 Tsuruoka Washington Hotel (FC)  
 Yamagata Nanukamachi Washington Hotel (FC)  
 Yamagata Eki Nishiguchi Washington Hotel (FC)  
 Aizu Wakamatsu Washington Hotel (FC)  
 Koriyama Washington Hotel (FC)  
 Tsubame Sanjo Washington Hotel (FC)  
 Tachikawa Washington Hotel (FC)  
 Takarazuka Washington Hotel (FC)  
 Sasebo Washington Hotel (FC)  
 Hotel Fujita Fukui  
 Hotel Fujita Nara  
 Hotel Gracery Sapporo  
 Hotel Gracery Ginza  
 Hotel Gracery Tamachi  
 Hotel Gracery Shinjuku (Opening in April 24, 2015)  
 Hotel Gracery Okinawa (Opening in the Spring of 2016)  
 Hotel Gracery Kyoto-Teramachi (tentative name)  
 (Opening in the fall of 2016)  
 New Seoul Namdaemun property  
 (Opening in the Summer of 2018)

## Resort Business Group

**Hotels** [total 771 guest rooms, +150 rooms with scheduled openings]

Hakone Hotel Kowakien  
 B&B Pension Hakone  
 Ito Kowakien  
 Hotel Toba Kowakien  
 Yufuin Ryokuyu  
 Hotel Yamanami  
 Toeada Hotel  
 Yugawara Onsen Chitose  
 Green Pal yugawara  
 Redevelopment of Hakone Kowakien  
 (Opening in April 2017)

### Restaurants

Hakone Saryo Chinzanso  
 Restaurant Akashia-tei

### Leisure Facilities

Hakone Kowakien Yunessun  
 Hakone Kowakien Morinoyu  
 Shimoda Aquarium

## Resort hotels for members only

**Hotels** [460 guest rooms]

Wisterian Life Club Verde no Mori  
 Wisterian Life Club Hakone  
 Wisterian Life Club Atami  
 Wisterian Life Club Usami  
 Wisterian Life Club Toba  
 Wisterian Life Club Nojiri-ko  
 Wisterian Life Club Prominent Kurumayama Kougen

## Luxury and Banquet Business Group

**Hotels** [total 328 rooms]

Hotel Chinzanso Tokyo  
 Hotel Azur Takeshiba

### Bridal · Banquet

Taiko-en  
 Ou-en  
 Minami-aoyama CONVIVION  
 The South Harbor Resort (Purchased in January 2015)  
 Remercier Motoujina (Purchased in January 2015)  
 Marryaid (Purchased in January 2015)

### Restaurants

Civic Sky Restaurant Chinzanso  
 Restaurant in Ito International Research Center, The University of Tokyo  
 Meiji University, Shikon-kan FORESTA Chinzanso  
 FM Tokyo JET STREAM  
 FM Tokyo CORNET

### Leisure Facilities

Camellia Hills Country Club  
 Noto Country Club

## Local subsidiaries and Representative offices

Shanghai  
 Seoul  
 Taipei  
 Singapore  
 Bangkok (opening in the spring of 2015)  
 Jakarta (opening in the spring of 2015)



## Develop diverse human resources and skills; improve job satisfaction

1

Strengthen human resource development and training

e.g. training in cooking, service, foreign languages, management

2

Promote of work-life balance

3

Promote diversity & inclusion

### Improve employee satisfaction

Stabilize recruitment /  
retention of human resources

Improve service and quality  
standards

Improve sales and  
productivity

Improve customer  
satisfaction

# Returns to Shareholders

## Dividend distribution policy

In principle we distribute dividends according to business results, fully considering both profit-sharing with shareholders and retaining profit for further strengthening corporate quality and business development

## Dividend history

(Yen/per share)

Fiscal year	2010	2011	2012	2013	2014	2015 (Projection)
Dividend	5	4	4	4	4	4

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