



Strategic Management Integration of Kinki Nippon Tourist Co., Ltd., and Club Tourism International Inc.

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Background and Objectives of Management Integration

Conditions in the Tourism Market

- **Tourism market conditions**
 - ✓ The scale of the market in Japan is shrinking, while the diversification of customers' needs and shift to direct sales by travel-related organizations are growing trends.
 - ✓ With the rapid spread of the Internet, a shift toward Web-based sales and the appearance of specialized Internet travel businesses has been marked.
- **Environment surrounding the travel business**
 - ✓ Japan's population is declining and aging, while natural disasters and risks of pandemics have been occurring globally. These trends are increasingly having a major effect on Japan's travel industry.
- **Business potential in the tourism market**
 - ✓ Promotion of the tourism industry in Japan is being stepped up and the government is reviving its Visit Japan campaign, creating conditions for growth potential in certain business areas of the travel industry.

Overview of the Two Companies

- **Kinki Nippon Tourist (KNT)**
 - ✓ In response to changing conditions surrounding the tourism market, KNT has faced a severe business environment and is implementing restructuring including reforms to its pension system and the closing and merging of sales outlets.
 - ✓ In its Individual Travel business, KNT is stepping up the management integration of planning and sales departments, concentrating sales outlets, and shifting to Web-based sales.
 - ✓ In the Group Tours business, KNT is working to ensure revenue sources by stimulating new travel needs through proposal-style sales and other means, amidst a decreasing number of tourist groups as a result of worsening revenue from corporate customers and Japan's declining birth rate.
- **Club Tourism International**
 - ✓ As the aging of Japanese society is expected to accelerate, Club Tourism is working to attract more types of customers in an effort to sustainably expand its membership-based travel services, its core strength.

While confronting the challenges posed by conditions in the tourism market, KNT and Club Tourism intend to take full advantage of each other's strengths to generate integration synergies that effectively overcome the challenges faced by both companies and create new business opportunities. By strengthening their strategic management functions, KNT and Club Tourism will form a strong corporate group that establishes a business model for the travel industry like no other group of companies.

Overview of the Companies Integrating Their Management

Kinki Nippon Tourist

- As a comprehensive travel company, KNT plans travel packages for individual travelers through its domestic travel business “Mate” and international travel business “Holiday,” and markets them through multiple sales channels including its own outlets located all over Japan as well as partnership sales outlets and Internet. In addition, KNT applies highly effective operations to operate its Group Tour Business targeting general corporate customers, school groups, and various other organizations.

Club Tourism International

- Club Tourism was split off from KNT in 2004.
- Club Tourism sells theme-oriented travel packages tailored for customers who have joined its membership system, advertising through its members’ magazine, *Tabi no Tomo (Travel Friends)*, as well as newspapers as a media-based travel company. Club Tourism primarily targets travelers in older age brackets, and has secured steady revenue.

Effects of Management Integration—Part 1

Generating Synergies

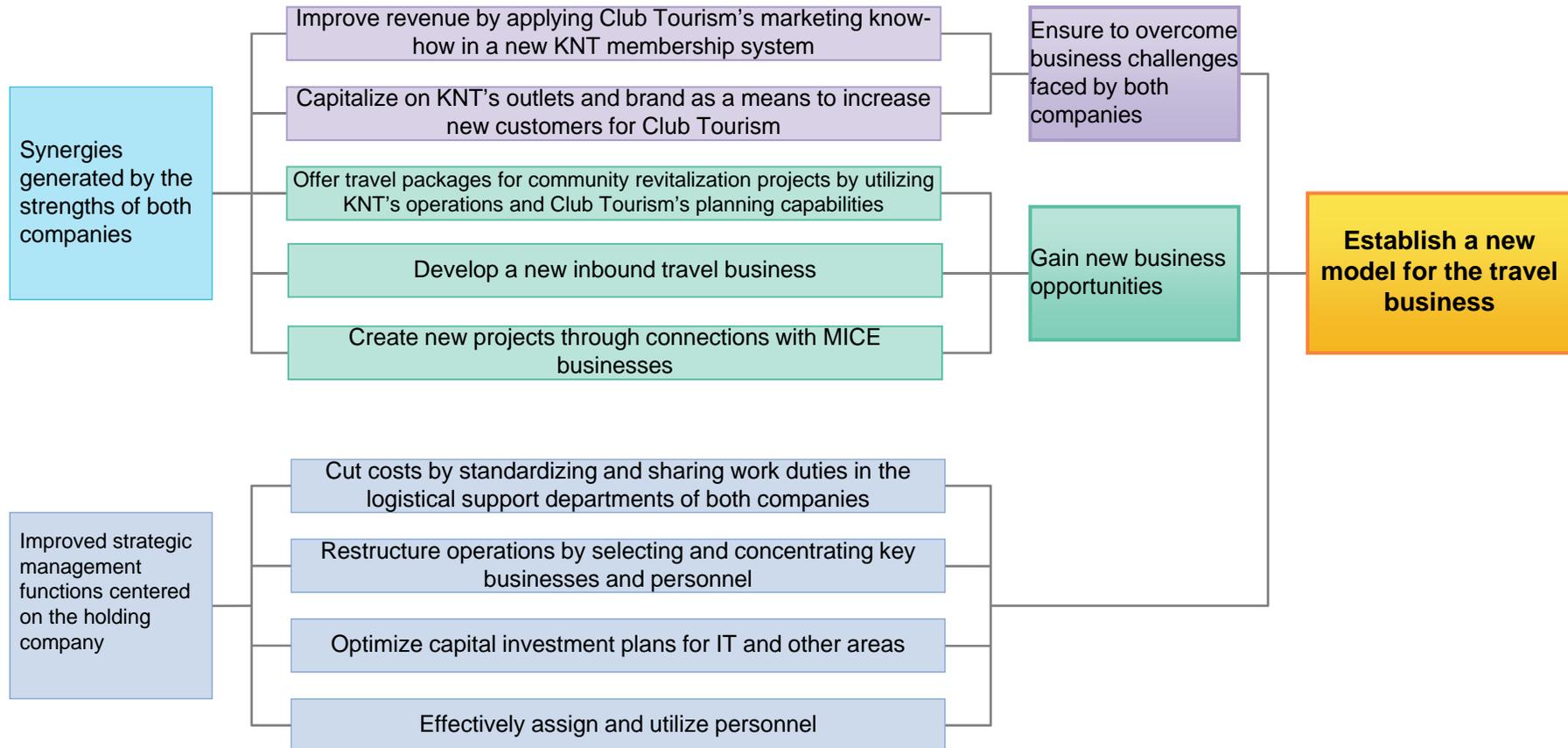
- 1 KNT's Individual Travel business will increase revenue by applying the marketing know-how gained at Club Tourism to a new membership system called "KNT Members Club."
- 2 Club Tourism will acquire new customers by making effective use of KNT's outlets and brand, which has been marketed throughout Japan.
- 3 The companies will expand business opportunities in community revitalization projects in every area of Japan by offering travel packages produced by utilizing KNT's extensive operations and Club Tourism's multifaceted planning capabilities.
- 4 The companies will develop a new inbound travel business through collaboration between Club Tourism and KNT's local subsidiaries outside Japan.
- 5 The companies will develop new projects through connections with MICE (meetings, incentives, conventions and exhibitions) businesses.

Effects of Management Integration—Part 2

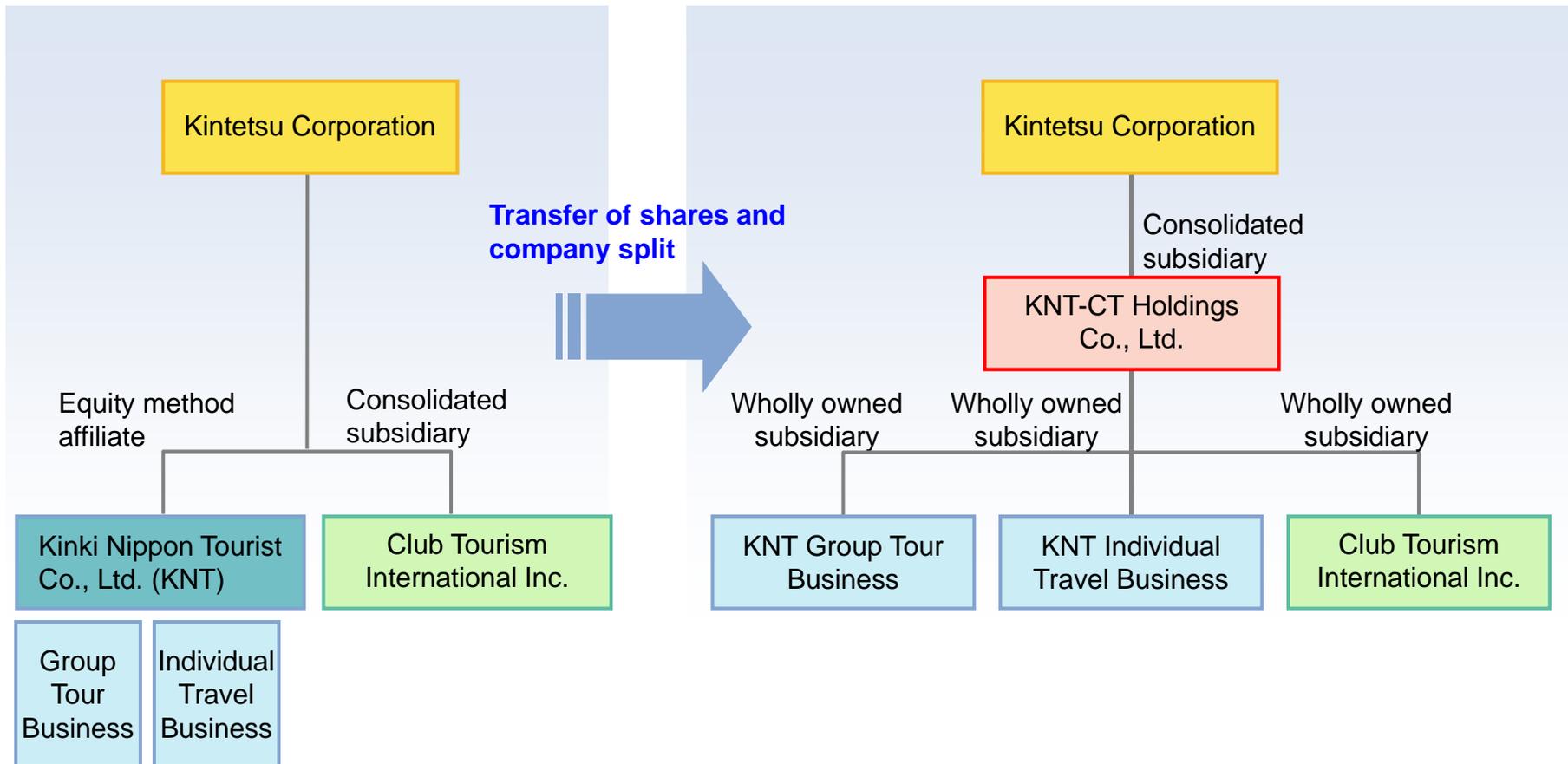
Improving the strategic functions of management

- 1 Costs will be cut by standardizing and sharing work duties in logistical support departments.
- 2 Operations will be restructured by selecting and concentrating key businesses and personnel.
- 3 Capital investment plans for IT and other items will be optimized.
- 4 Personnel will be effectively assigned and utilized.

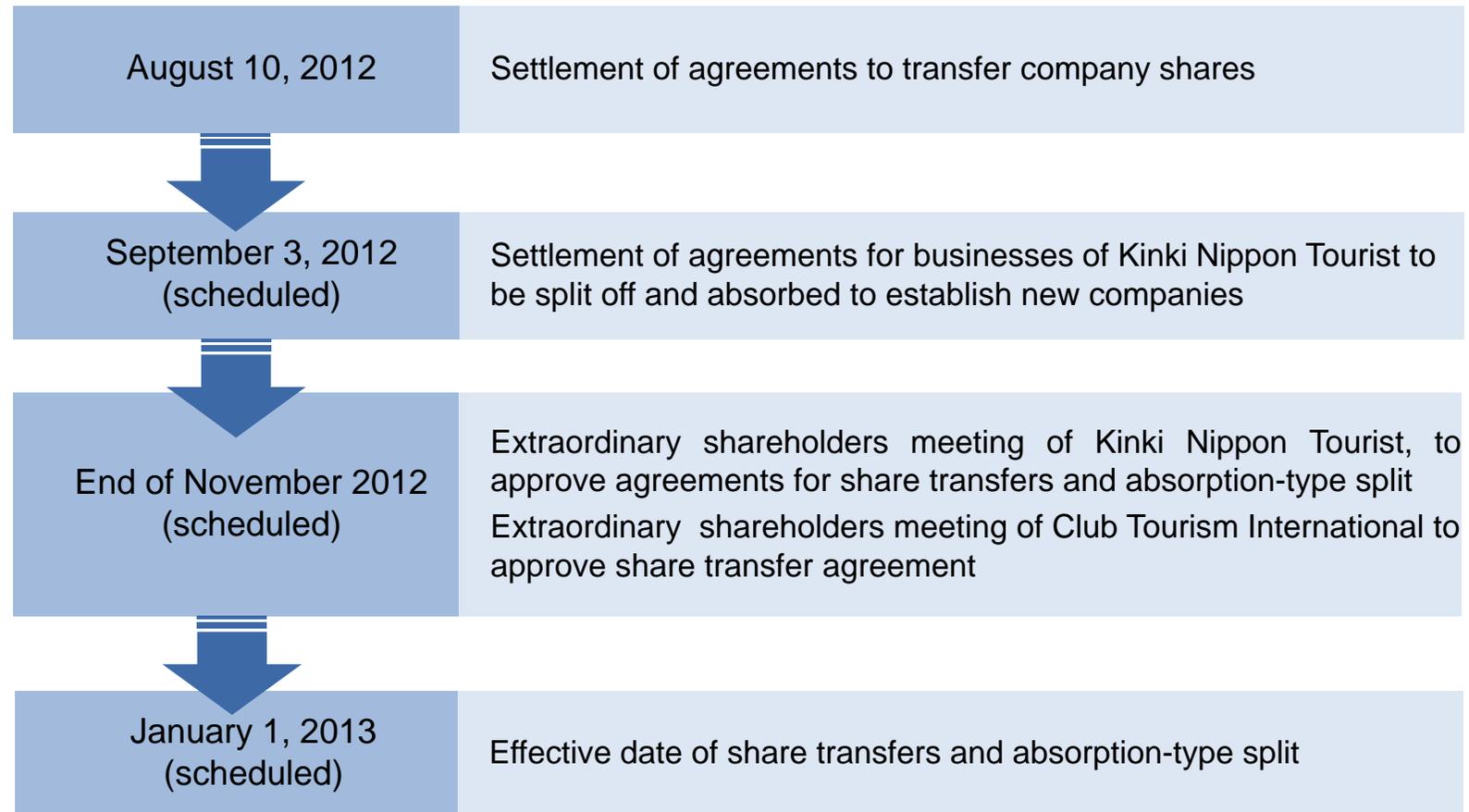
Effects of Management Integration



Organizational Structure of the Management Integration



Timeline for the Management Integration



Financial Goals for the New Holding Company

Numerical targets (billions of yen)

	Forecasts for fiscal 2012			Fiscal 2017 (5 years after integration)
	KNT (consolidated)	Club Tourism (non- consolidated)	Combined total	
Operating revenue	62.6	22.0	84.6	90.0
Operating income	2.6	3.1	5.7	8.5
Net income	1.4	—	—	5.0
EBITDA	5.5	—	—	13.0
Net assets	4.3	—	—	38.0

Forecast of total effects of the integration on operating income after 5 years

Type of integration effect	Forecast amount (billions of yen)
Effect on existing businesses	1.3
Effect from the new business model	0.8
Effect on costs	2.1
Total	4.2

Overview of the Holding Company

New company name	KNT-CT Holdings Co., Ltd.
Head office location	1-7-8 Higashi Kanda, Chiyoda-ku, Tokyo (Current head office of Kinki Nippon Tourist Co., Ltd.)
Capitalization	7,579,374,270 yen
Names and positions of representatives	Chairman: Katsuhisa Yoshikawa (currently President of Kinki Nippon Tourist Co., Ltd.) President: Kazuyoshi Togawa (currently Senior Executive Vice President of Kintetsu Corporation) Director: Kunio Okamoto (currently President of Club Tourism International Inc.)
Business activities	Management and supervision of group companies
Fiscal year-end	December 31
Listed exchanges	First sections of the Tokyo Stock Exchange and Osaka Securities Exchange, respectively

◆ Names and positions of representatives at principal subsidiaries

Kinki Nippon Tourist Group Tours	President: Wataru Ogawa (currently Managing Director of Kinki Nippon Tourist Co., Ltd.)
Kinki Nippon Tourist Individual Travel Club Tourism International Inc.	President: Kunio Okamoto (currently President of Club Tourism International Inc.)

◆ Organization supervising the transfer to the new corporate structure

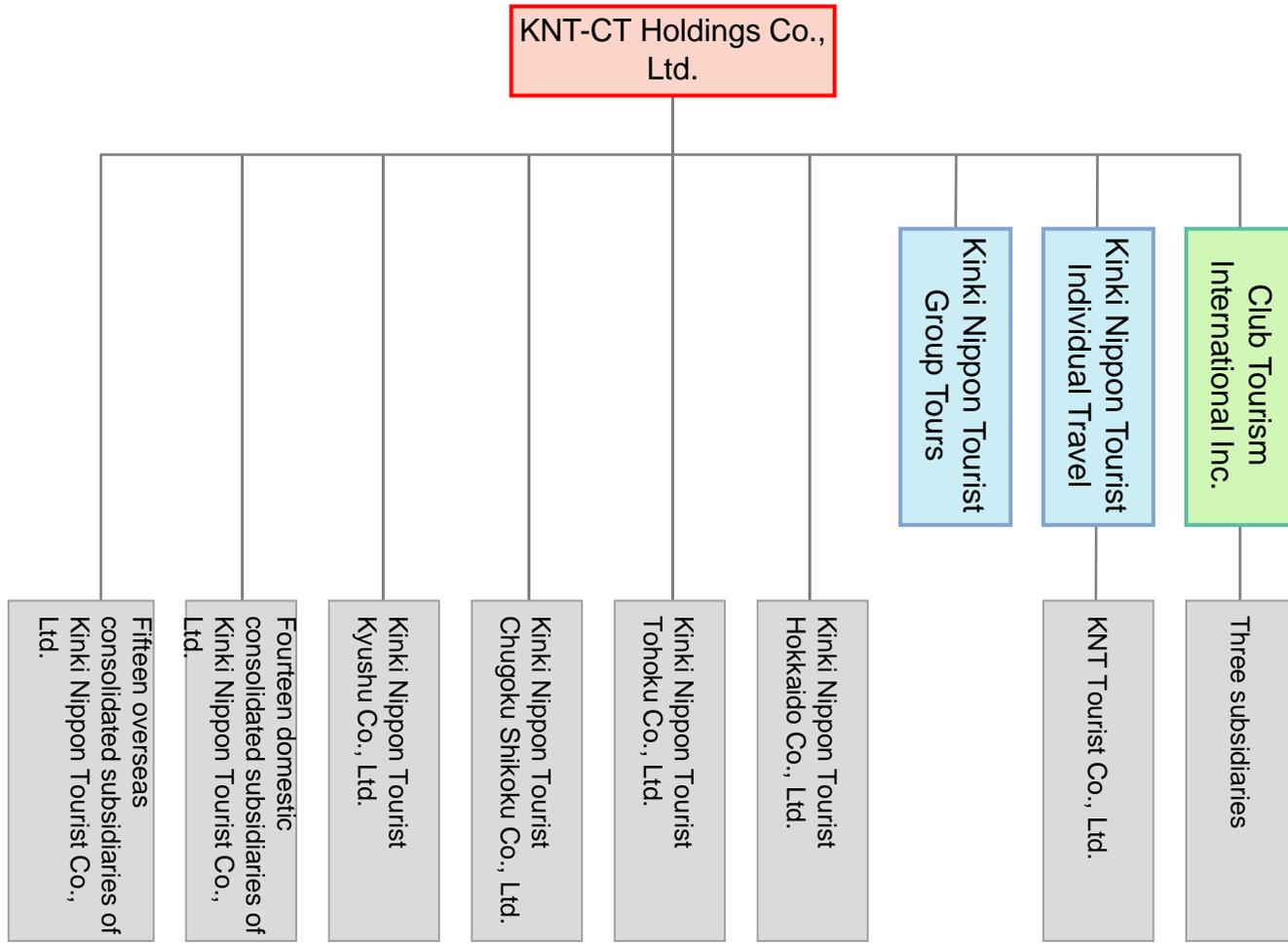
To facilitate the shift to a holding company structure, a management integration preparatory committee has been set up with Kazuyoshi Togawa, who is scheduled for appointment as president of KNT-CT Holdings Co., Ltd., serving as chairman.

Overview of New Companies to Be Established

Company name	Kinki Nippon Tourist Group Tours Co., Ltd.* (successor company)	Kinki Nippon Tourist Individual Travel Co., Ltd.* (successor company)
Head office location	1-7-8 Higashi Kanda, Chiyoda-ku, Tokyo	1-7-8 Higashi Kanda, Chiyoda-ku, Tokyo
Capitalization	100,000,000 yen	100,000,000 yen
Planned date of establishment	September 3, 2012	September 3, 2012
Names and positions of representatives	President: Wataru Ogawa	President: Kunio Okamoto
Business activities	Tourism operations	Tourism operations
Fiscal year-end	December 31	December 31
Main shareholder	Wholly owned by Kinki Nippon Tourist Co., Ltd.	Wholly owned by Kinki Nippon Tourist Co., Ltd.

* Kinki Nippon Tourist Group Tours and Kinki Nippon Tourist Individual Travel will each be renamed when the conditions of the management integration take effect on January 1, 2013, as scheduled.

Reference: KNT-CT Holdings Business Structure



IR Inquiries

Brand Strategy Office, Public Relations Department,
Kinki Nippon Tourist Co., Ltd.

Higashi-Kanda Fukoku Seimei Building, 1-7-8 Higashi
Kanda, Chiyoda-ku, Tokyo, Japan 101-8641

Telephone: +81-3-6891-6824

Fax: +81-3-6891-6890

URL: <http://www.knt.co.jp/kouhou/>

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