Summary of Q&A at the Q2 FY2025 Financial Results Briefing
Date and Time: June 13, 2025 (Friday) 16:30~17:30

[Questioner 1]

Q. Regarding the Japan-originated overseas travel business that drove sales revenue, How much have sales from Hawaii travel in the first half of the fiscal year ending October 2025 recovered compared to the same period in 2019, before the COVID-19 pandemic?

A. In terms of sales revenue for the first half, it has recovered to about 50% of the same period in 2019. Although Hawaii has not yet reached the recovery level of the same period in 2019, and the recovery has been behind in this area, it has finally started to recover in the current term.

Q. Amid unstable international conditions, what are the factors behind the strong performance of outbound travel from Japan to Europe?

A. There are two factors. The first is that, since the Covid-19 pandemic, the high cost of living at travel destinations, the surge in fuel surcharges, and the weak yen have all had an impact. The unit price of overseas travel has risen significantly. In this environment, the recovery in demand for overseas travel is starting with elderly customers, honeymooners, and experienced repeat travelers. The travel market from Japan to Europe consists largely of such customers, which is leading to an increase in bookings. The second point is that, for the European travel market, we aim to grow the market beyond the level seen the several years ago and we are successfully attracting customers through thorough preparation in product procurement and planning, as well as consulting to ensure solid product offerings.

Q. In the domestic hotel business, how does the proportion of inbound travelers compare to the pre-Covid-19 period?

A. The proportion of inbound travelers before the Covid-19 pandemic was around 30%, but it is currently about 60%.
In particular, the Tokyo and Kansai areas have a higher ratio of inbound travelers compared to the average.

[Questioner 2]

Q. What were the factors that decreased the three-month operating profit of 1.55 billion yen in the travel business in Q2 compared to that of 4.05 billion yen in Q1 of the fiscal year ending October 2025?

A. In Q1, overseas subsidiaries (with a July fiscal year-end) play a leading role by generating over 3 billion yen in operating profit during the busy summer season. On the other hand, Q2 is the off-season, so the impact on operating profit will decrease. In addition, for HIS on a non-consolidated basis, Q1 covers November to January and Q2 covers February to April. Due to the increase in fuel surcharges from January to February, there was a notable trend of customers departing between February and April completing their reservations by January. As a result of the new revenue recognition standard, sales and profits were recorded in advance in Q1.

Q. What is the breakdown of the operating profit of 1.55 billion yen in the travel business for the three months ended October 2025 Q2?

A. As a non-consolidated basis, for just under 30%, overseas local subsidiaries for just over 10%, and domestic subsidiaries for 60%.

Q. What are the factors behind the increase in revenue but decline in profit for the hotel business in the three months of Q2 for the fiscal year ending October 2025?

A. Domestic hotels continued to operate at high occupancy rates, mainly due to inbound guests, and with an increase in room rates, achieved a significant increase in revenue. Operating profit was more than 1.5 times higher YoY. On the other hand, overseas hotels experienced a decline in profit compared to the previous term, mainly due to the slow market recovery in Guam and insufficient customer acquisition in Turkey caused by delayed openings.

Q. Are there any upside or downside factors for the earnings forecast for the second half of the fiscal year ending October 2025?
In addition, are new capital investments and wage increases for employees progressing as planned at the beginning of the period?

A. There are currently no factors recognized that would cause an upward or downward deviation in the second half. Investments in the core system to be launched next year and wage increases for employees will continue to be implemented.
In addition, with the fourth quarter accounting for a significant portion of earnings and considering the uncertainties arising from the international situation, the earnings forecast has been left unchanged.

[Questioner 3]

Q. The transaction volume of outbound business by overseas subsidiaries was 88% YoY in Q1 and 86% in Q2 of the fiscal year ending October 2025. For overseas subsidiaries with a high proportion of outbound business from Canada, it is foreseen that outbound travel from Canada to the United States will further decrease in the second half of the year under the Trump administration. What is the outlook for sales revenue and operating profit of overseas subsidiaries in the second half of the year?

A. Due to various issues under the Trump administration, the number of flights between Canada and the United States has been reduced, resulting in a negative trend for outbound business from Canada. Therefore, the travel business in Canada is showing a decline. However, the inbound business of overseas subsidiaries is performing well (127% YoY in the first half), and inbound business in regions such as Europe and Southeast Asia is compensating for the decline. As a result, the overall plan is expected to be positive.

Q. The full-year SG&A plan for October 2025 is at 107% YoY, while the first half is progressing at 109%. Has there been any change from the outlook at the beginning of the period?

A. In the first half, labor costs increased due to both an increase in personnel and the base salary raise. In addition, expenses such as investigation costs related to employment adjustment subsidies, etc. were incurred in the first half. In the second half, the number of employees is on an upward trend as new graduates joined in April. Furthermore, as sales revenue is expected to increase in the second half compared to the first half, variable costs will also rise. The full-year budget takes these factors into account and is proceeding as planned at present.

[Questioner 4]

Q. At the financial results briefing in 2023, it was assumed that the number of Japanese outbound travelers would return to pre-Covid-19 levels by 2025. How do you view the current situation where the market has not fully recovered as expected?

A. The number of Japanese outbound travelers in 2019 was 20.08 million. In 2024, it is expected to be 13 million, representing a 65% recovery. For 2025, our company forecasts a recovery to around 15 million, or about 75%, but we feel that the recovery is slower than initially anticipated right after Covid-19. Although wage levels in Japan are rising, there has not yet been a significant increase in enthusiasm for overseas travel. Currently, the passport ownership rate among Japanese people is low at 17%. In cooperation with the Japan Association of Travel Agents, we are implementing measures to support for higher ratio of passport holders in Japan. The Osaka Expo will also be a good opportunity for people to look outward to the world. We hope to increase the number of overseas travelers not only through our own efforts but also as an industry as a whole.

At HIS, the recovery in travel to Europe has boosted transaction volume, and there are positive signs in summer booking trends. Compared to the global market, the number of Japanese overseas travelers is still low, and with the ambition to expand the market from the pre-Covid-19 level of 20 million travelers to 30 million, we will continue to encourage more Japanese people to travel abroad.