



Presentation Materials for the 2nd Half of FY Oct 2019

June 7, 2019
H.I.S. Co., Ltd.
TSE 1: 9603



1. Summary of Financial Results



Consolidated Operating Results

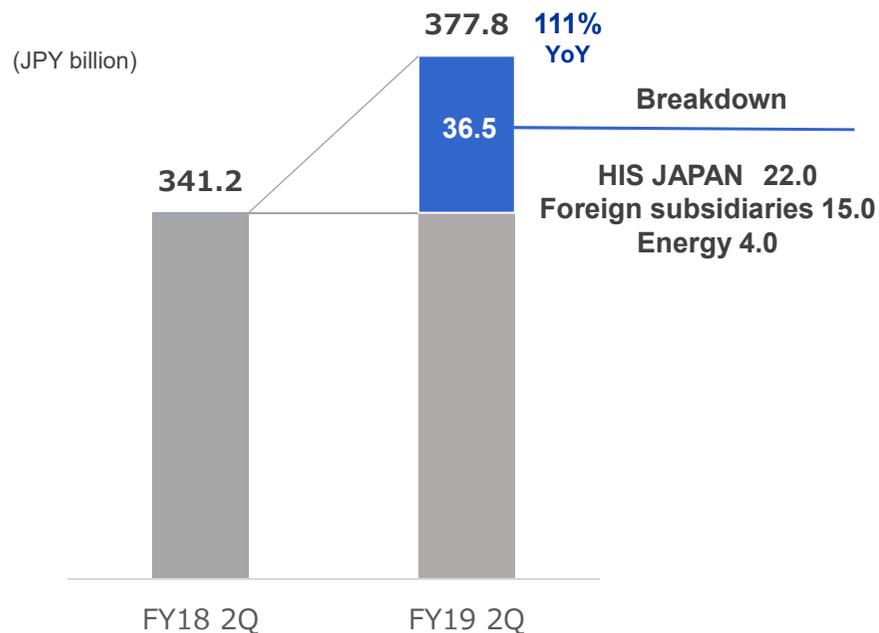
(JPY million)	FY18 2Q	FY19 2Q	YoY	Increase/ Decrease	Difference vs Plan	Major Reasons for Increase/Decrease
Net Sales	341,247	377,839	110.7%	+ 36,591	+ 3,839	Travel+33,142, Energy+4,090, HTB Group▲1,372
Gross Profit	63,438	69,488	109.5%	+6,050		
Operating Profit	7,659	8,979	117.2%	+1,320	+579	Travel+1,977, HTB Group▲1,114, Energy+736
EBITDA	12,035	13,372	111.1%	+1,337	+282	
Non-Operating Income	2,177	1,810	83.2%	▲366		
Non-Operating Expenses	1,986	1,915	96.4%	▲70		
Ordinary Profit	7,849	8,874	113.0%	+1,024	▲126	
Extraordinary Income	2,916	513	17.6%	▲2,403		Gain on reversal of subscription rights to shares, (Previous FY) Gain on sales of non-current assets 2,632
Extraordinary Losses	2,018	-	-	▲2,018		(Previous FY) Extraordinary loss related to AAA 1,687
Profit before Income Taxes	8,748	9,387	107.3%	+639		
Income Taxes	4,025	3,350	83.2%	▲674		(Previous FY) Effect of reversal of deferred tax assets 401
Profit Attributable to Non-Controlling Interests	1,122	1,072	95.6%	▲49		
Profit Attributable to Owners of Parent	3,599	4,964	137.9%	+ 1,364	+ 964	



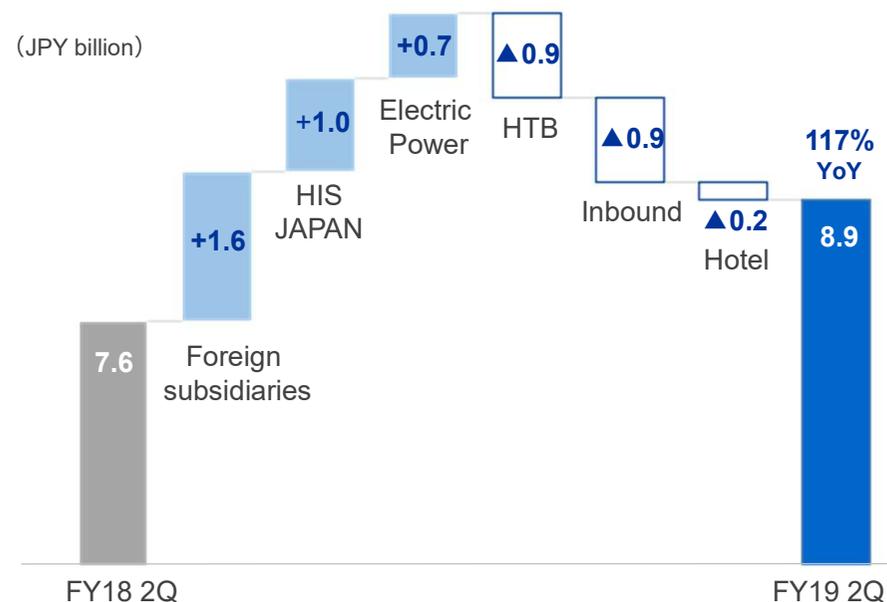
Net Sales & Operating Profit

- Net sales **grew by JPY36.5 billion (111% YoY)** and **achieved the plan** due to brisk sales of travel to Europe, capturing demands during Golden Week, new consolidation contribution, and growth of electric power retail business
- Operating profit **grew by JPY1.3 billion (117% YoY)**, **better than the plan**, due to profit growth in the strong travel business and electric power retail business turning profitable

Major reasons for sales growth



Major reasons for operating profit growth



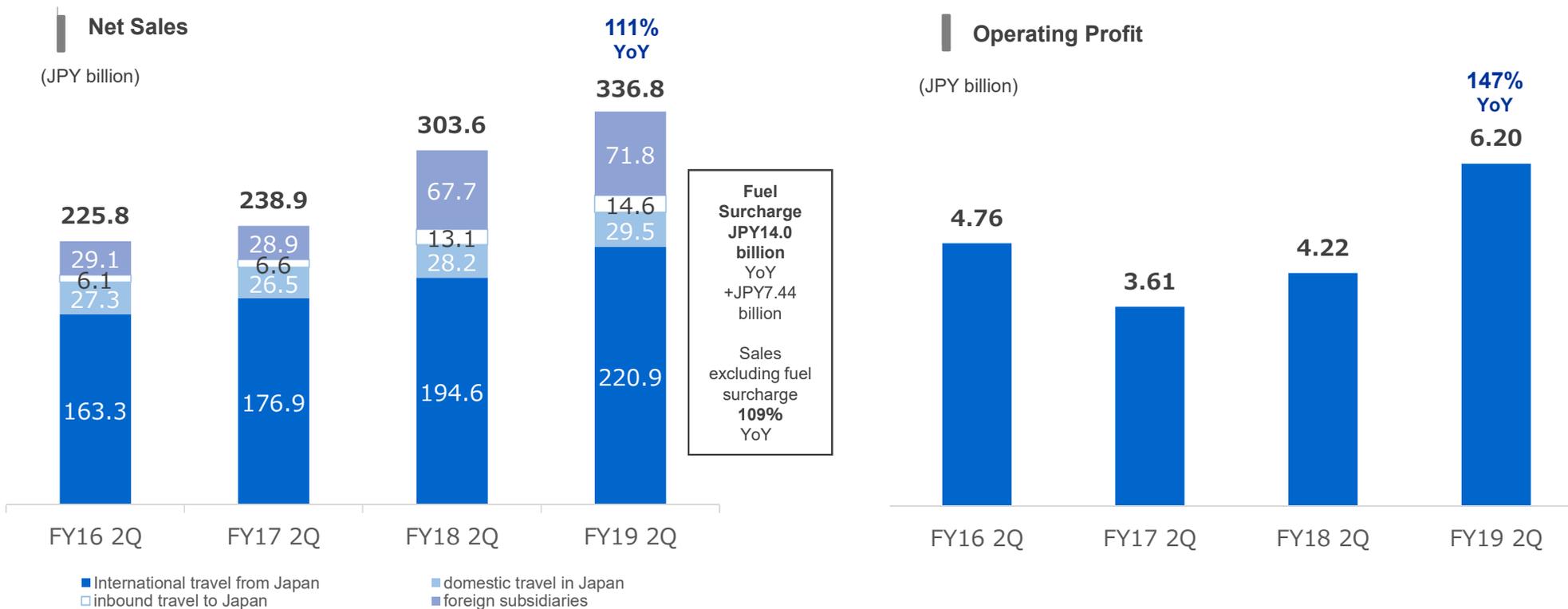
P/L by Business Segment

(JPY million)		FY18 2Q	FY19 2Q	YoY	Increase/Decrease YoY	Difference vs Plan
Net Sales	Travel Business	303,688	336,831	110.9%	33,142	5,831
	Huis Ten Bosch Group	15,062	13,689	90.9%	▲1,372	▲1,311
	Hotel Business	6,240	6,205	99.4%	▲35	▲95
	Kyushu Sanko Group	10,845	11,155	102.9%	310	▲344
	Energy Business	5,190	9,281	178.8%	4,090	▲319
	Others/Adjustments, etc.	220	676	307.0%	455	76
	Total	341,247	377,839	110.7%	36,591	3,839
Operating Profit	Travel Business	4,224	6,201	146.8%	1,977	1
	Huis Ten Bosch Group	3,794	2,680	70.6%	▲1,114	▲570
	Hotel Business	713	467	65.6%	▲245	▲7
	Kyushu Sanko Group	349	297	85.2%	▲51	▲33
	Energy Business	▲373	363	-	736	163
	Others/Adjustments, etc.	▲1,050	▲1,032	-	18	1,087
	Total	7,659	8,979	117.2%	1,320	579
EBITDA	Travel Business	6,117	8,045	131.5%	1,927	▲254
	Huis Ten Bosch Group	4,755	3,724	78.3%	▲1,030	▲620
	Hotel Business	1,386	1,044	75.3%	▲342	▲65
	Kyushu Sanko Group	805	750	93.2%	▲54	▲29
	Energy Business	▲361	399	-	760	159
	Others/Adjustments, etc.	▲668	▲591	-	77	1,093
	Total	12,035	13,372	111.1%	1,337	282



Travel Business

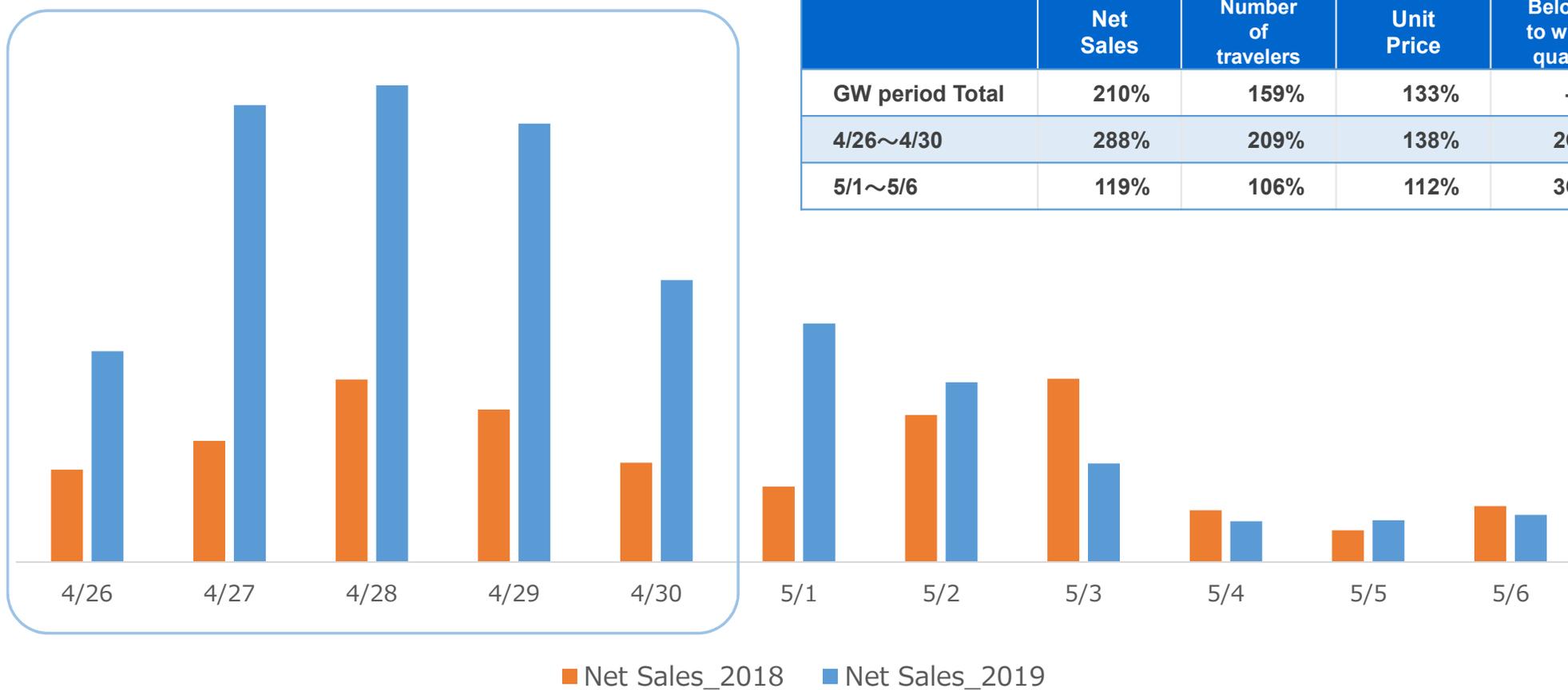
- Net sales of international travel departing from Japan were **strong, growing by 13% YoY** due to **brisk sales of travel to Europe** as well as to capturing **Golden Week demands**
- Net sales of overseas subsidiaries **grew by 6% YoY** due to **contribution of four newly-added consolidated subsidiaries**
- Profitability of inbound travel to Japan deteriorated due to change in competitive environments, etc. of Chinese market



Travel Business during Golden Week (departing 4/26~5/6) International Travel from Japan

■ YoY Comparison

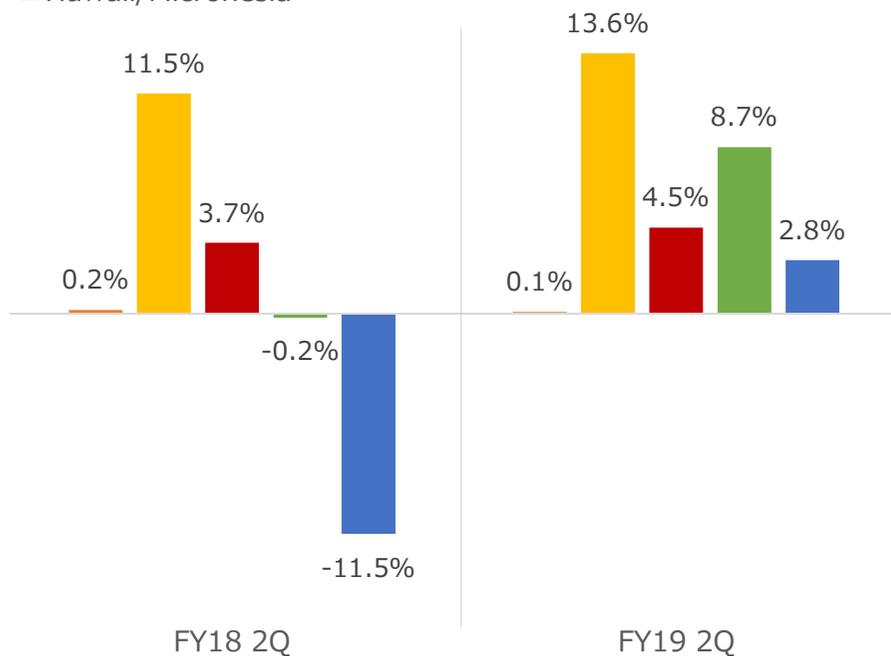
	Net Sales	Number of travelers	Unit Price	Belongs to which quarter
GW period Total	210%	159%	133%	-
4/26~4/30	288%	209%	138%	2Q
5/1~5/6	119%	106%	112%	3Q



Travel Business / YoY Comparison for the Number of Travelers by Destination (International Travel from Japan)

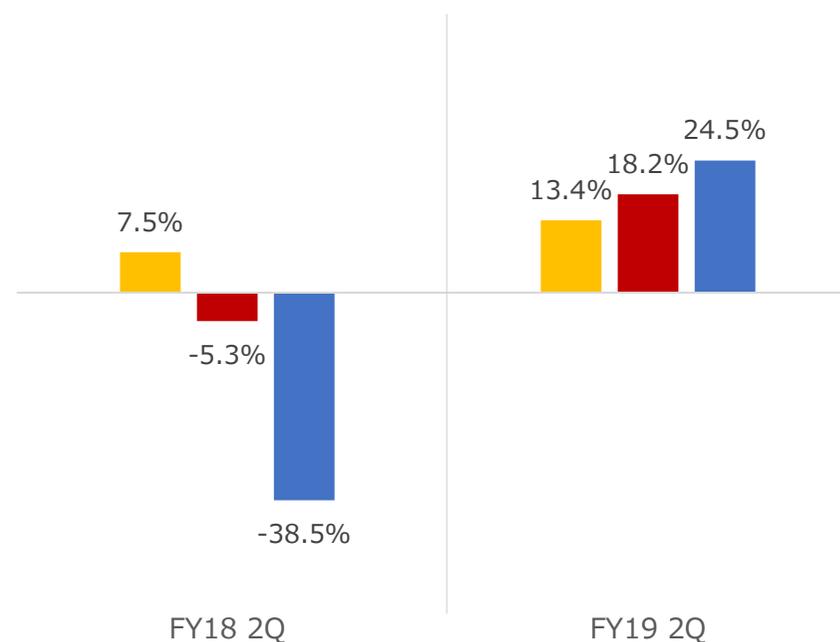
By Region

- North America/Latin America
- Asia
- Hawaii/Micronesia
- Europe/Middle East/Africa
- Oceania/South Pacific Ocean



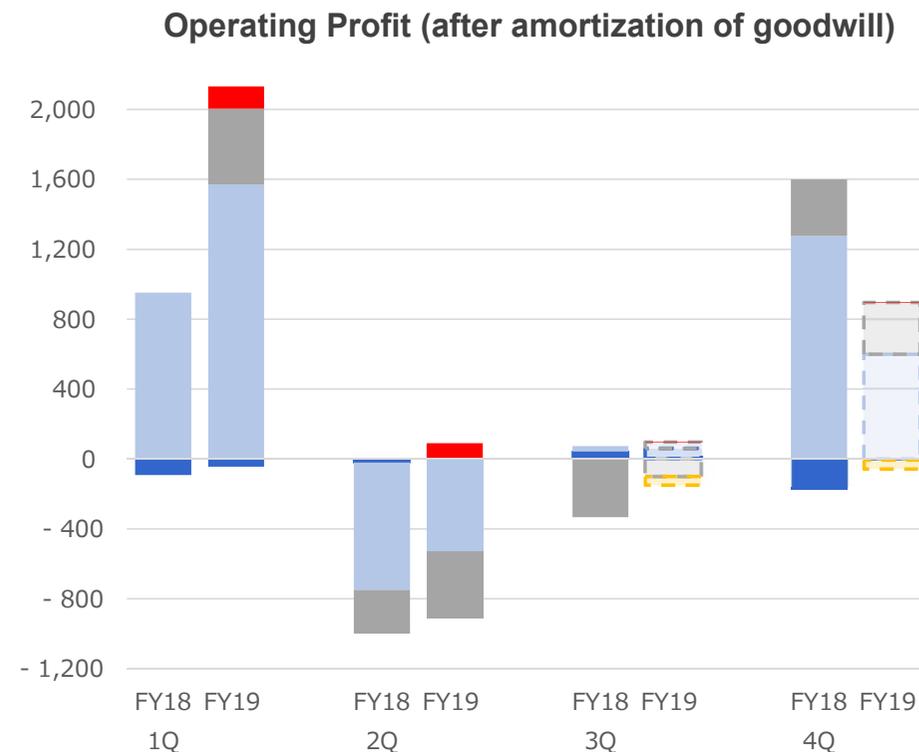
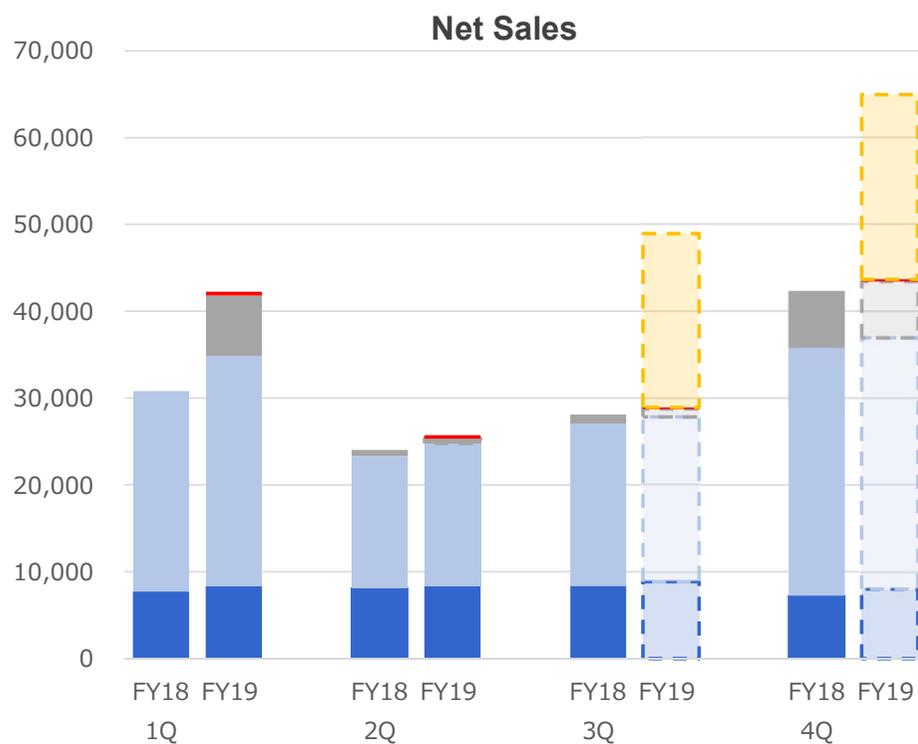
By Country

- France
- South Korea
- Guam



Travel Business / Newly Consolidated Subsidiaries / Quarterly Financials

(JPY million)



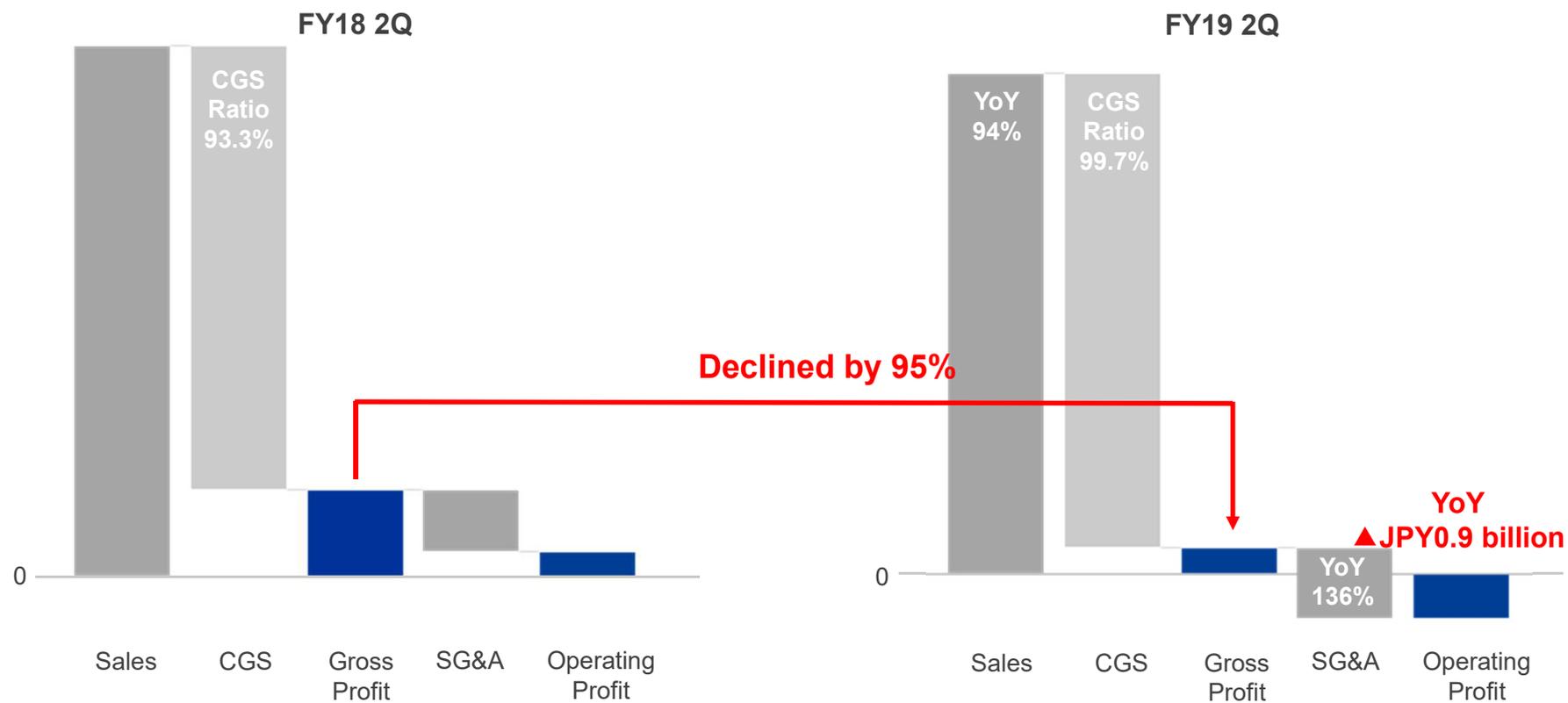
■ Merit
 ■ MIKI
 ■ Jonview
 ■ CC/CCEL
 ■ Red Label

※Numbers for 3Q & 4Q of FY2019 are forecasts



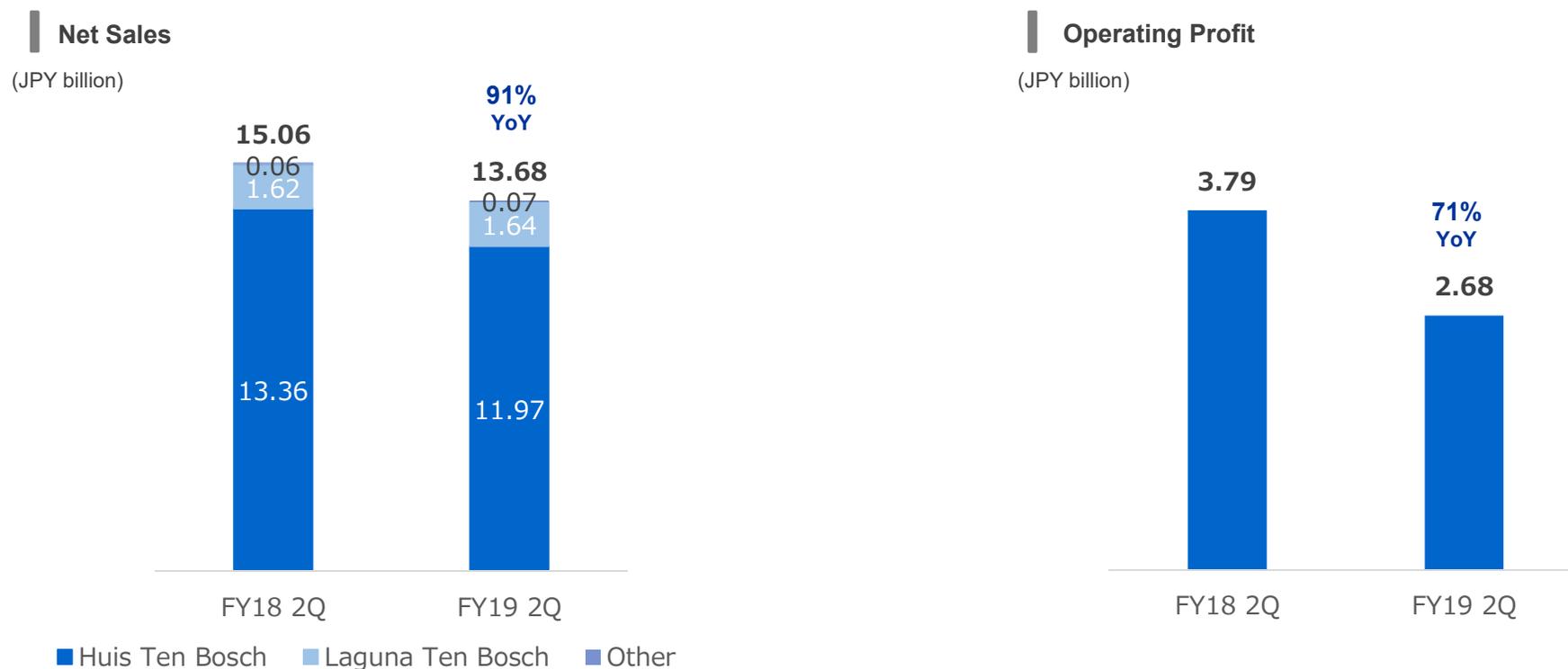
Travel Business / Inbound (Japan Holiday Travel) / Reasons for Profit Decline

- Gross profit decline by 95% due to the deterioration of gross margin in addition to sales decline. SG&A expenses increased by 36% due to increase in the number of employees to retain market share



Huis Ten Bosch Group

- Net sales and operating profit declined (**91%** and **71%** YOY, respectively) due to **decline in the number of visitors to Huis Ten Bosch**.
- The number of visitors was 1.3 million, **94%** YoY, due to the slow down of “visit Japan” markets in major countries as well as to the decreased number of new events.



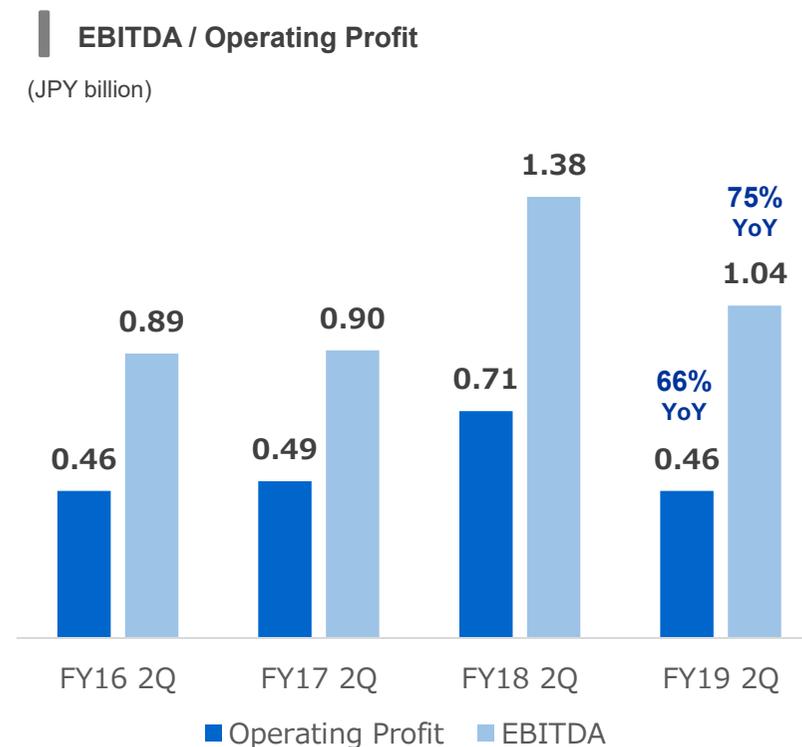
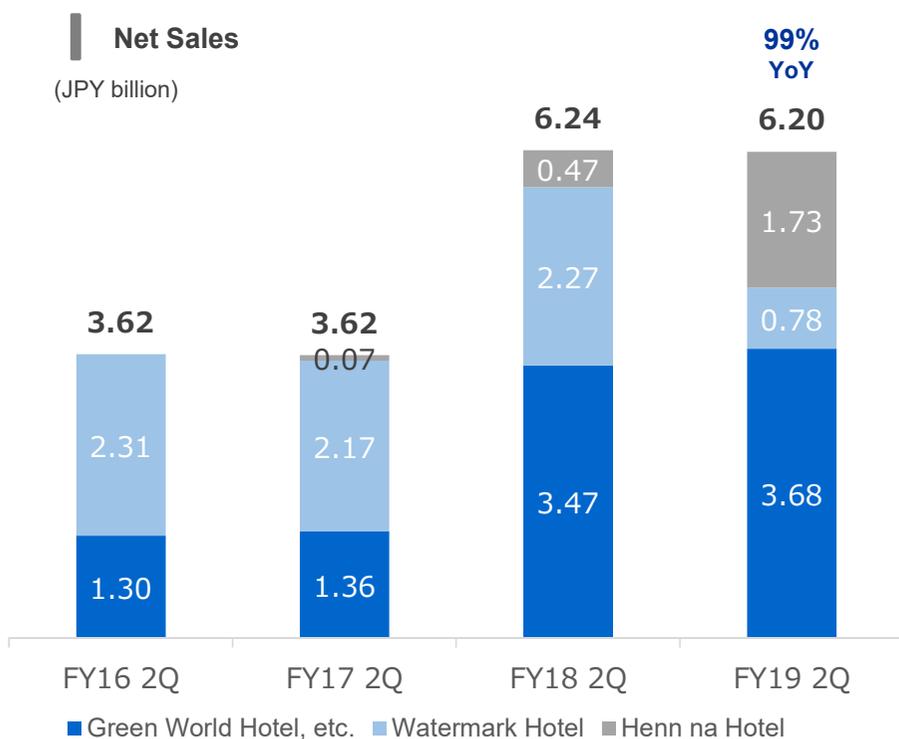
※Data for only two fiscal years due to segment reclassification

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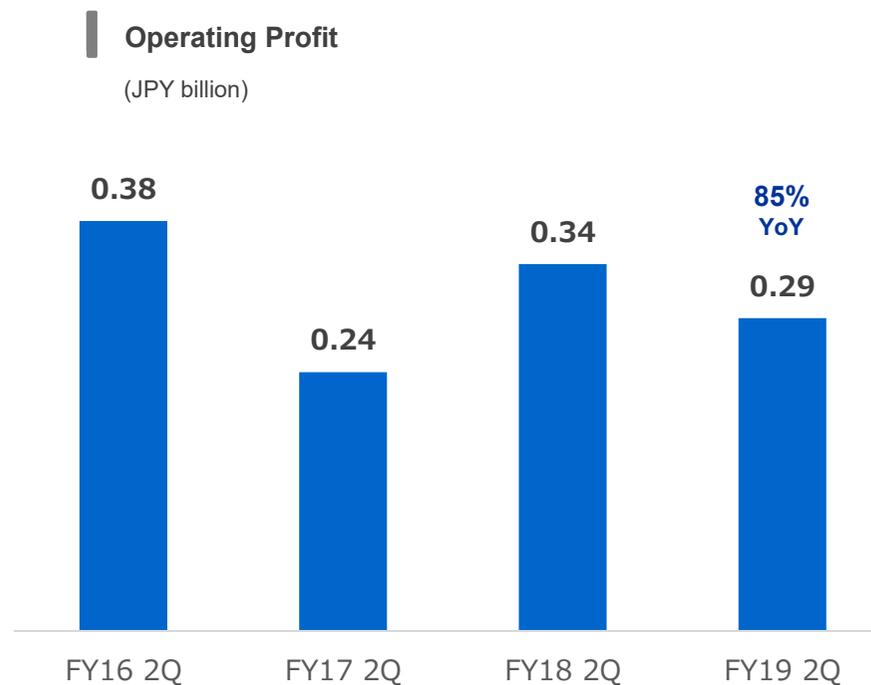
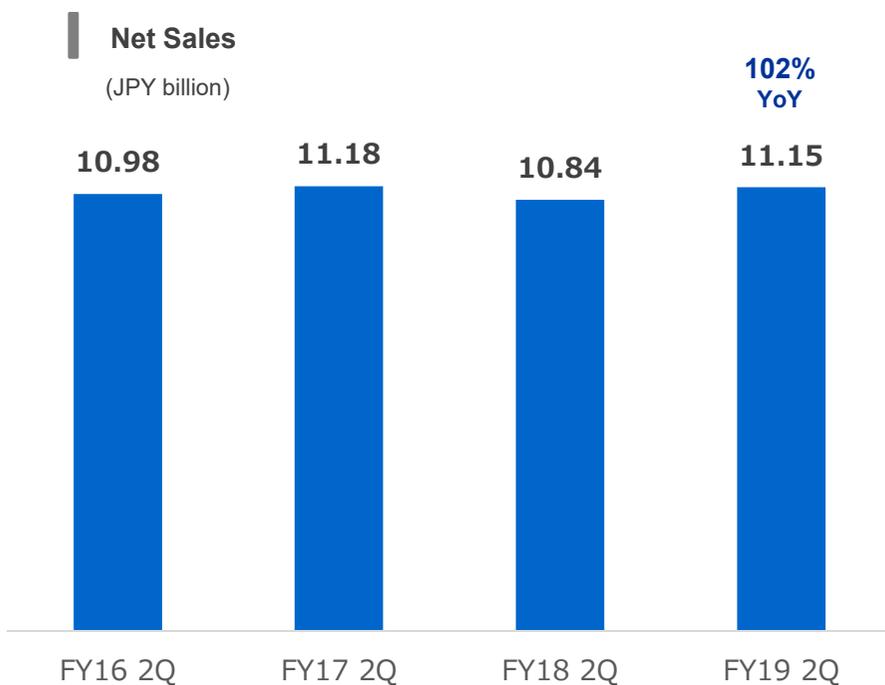
Hotel Business

- Net sales and operating profit declined YoY due to the **sale of Watermark Hotels** and increased opening expenses, although "**Henn na Hotel**" performed well due to **increase in the number of hotels** and **full-year contribution**
- Four "Henn na Hotel" newly started operations** mainly in West Japan, including Hakata, Shinsaibashi, and Nishi Shinsaibashi



Kyushu Sanko Group

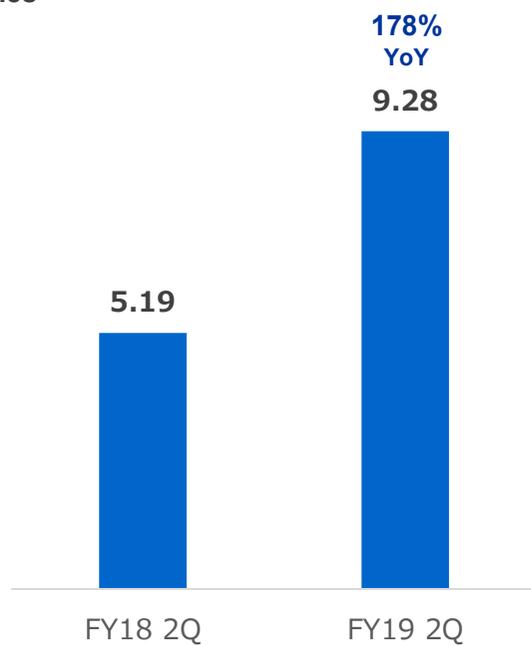
- Net sales increased, 102% YoY, due to **increase in personnel for high-speed bus transportation** such as airport lines and to **expansion of maintenance business**
- Operating profit declined, 85% YoY, due to the impact of **increase in cost of goods sold such as personnel expenses**.



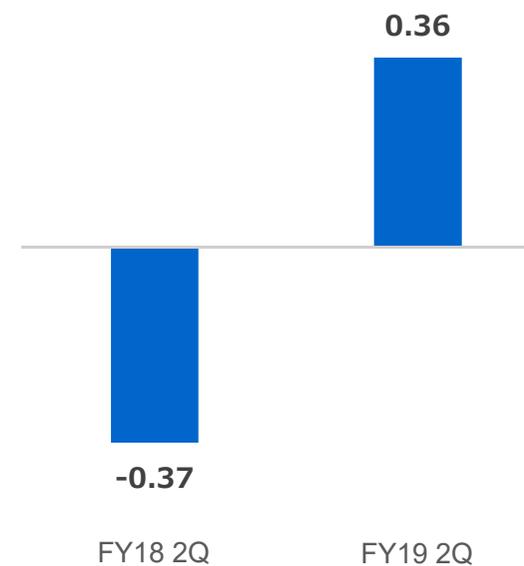
Energy Business

- Sales grew significantly, 178% YoY, due to **steady increase in the number of contracts**.
- Turned profitable at operating level as compared to operating loss in the previous fiscal year due to **diversification of procurement**.

■ **Net Sales**
(JPY billion)



■ **Operating Profit**
(JPY billion)

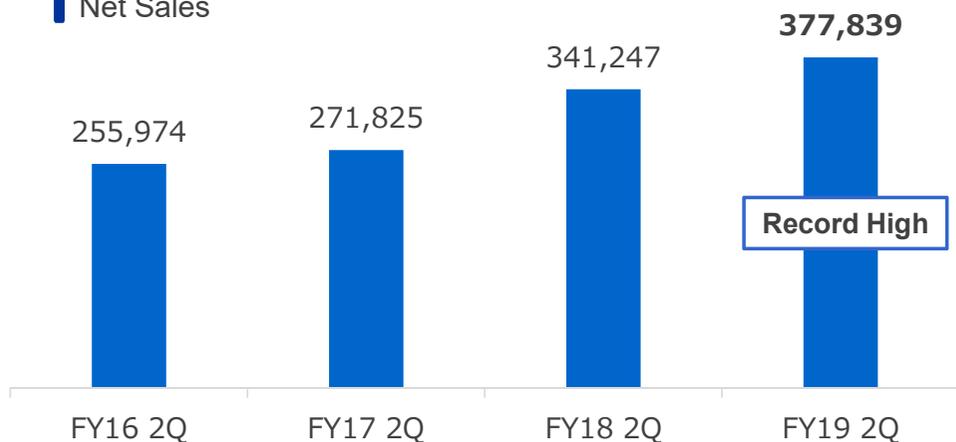


※Data for only two fiscal years as it is a newly created segment

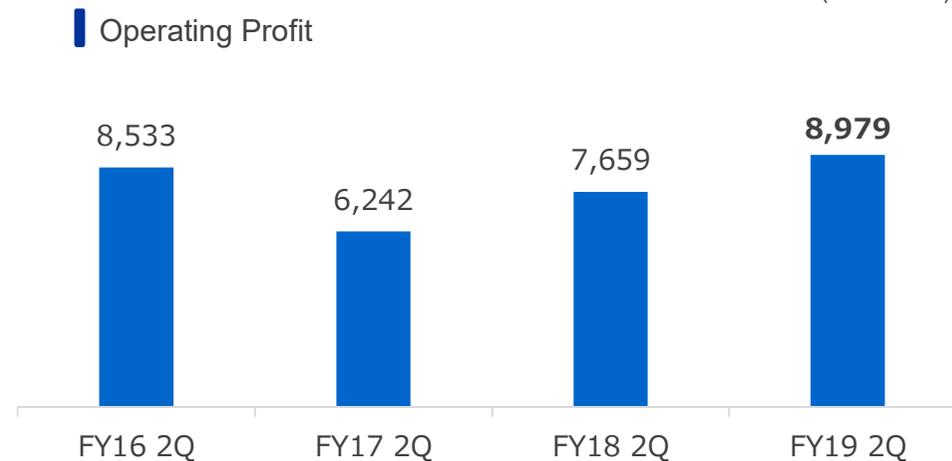
Consolidated Financial Results (2Q, 4 Years)

(JPY million)

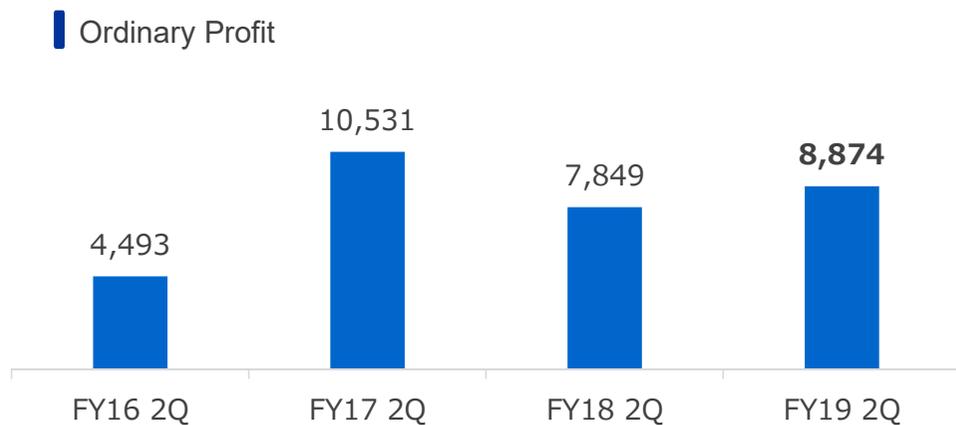
Net Sales



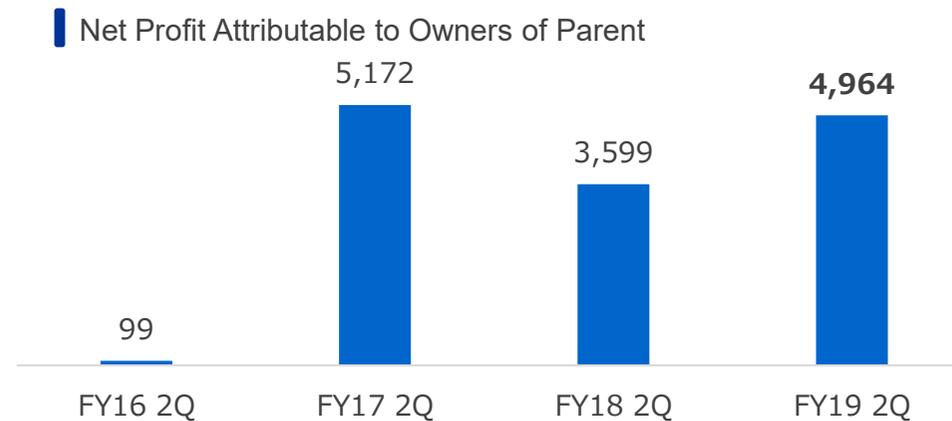
Operating Profit



Ordinary Profit



Net Profit Attributable to Owners of Parent



Consolidated Quarterly Income Statement

(JPY million)	FY18						FY19					
	1Q	2Q	1H	3Q	4Q	Total	1Q	2Q	1H	3Q	4Q	Total
Net Sales	164,509	176,738	341,247	169,190	218,115	728,554	187,276	190,563	377,839	-	-	-
YoY	131.6%	120.4%	125.5%	118.1%	114.3%	120.2%	113.8%	107.8%	110.7%	-	-	-
Cost of Goods Sold	132,890	144,919	277,809	137,991	179,384	595,185	152,182	156,167	308,350	-	-	-
Gross Profit	31,619	31,818	63,438	31,198	38,731	133,368	35,093	34,395	69,488	-	-	-
Gross Margin	19.2%	18.0%	18.6%	18.4%	17.8%	18.3%	18.7%	18.0%	18.4%	-	-	-
SG&A Expenses	27,540	28,238	55,779	29,246	30,259	115,285	29,111	31,397	60,509	-	-	-
Operating Profit	4,078	3,580	7,659	1,952	8,471	18,083	5,981	2,997	8,979	-	-	-
YoY	160.1%	96.9%	122.6%	105.1%	108.4%	113.6%	146.7%	83.7%	117.2%	-	-	-
Operating Margin	2.5%	2.0%	2.2%	1.2%	3.9%	2.5%	3.2%	1.6%	2.4%	-	-	-
EBITDA	6,150	5,884	12,035	4,253	10,784	27,073	8,154	5,218	13,372	-	-	-
Non-Operating Income	847	1,330	2,177	580	1,033	3,791	697	1,330	1,810	-	-	-
Non-Operating Expenses	968	1,017	1,986	21	367	2,375	1,479	1,017	1,915	-	-	-
Ordinary Profit	3,957	3,892	7,849	2,512	9,137	19,499	5,199	3,675	8,874	-	-	-
YoY	55.2%	114.9%	74.5%	142.1%	124.3%	99.2%	131.4%	94.4%	113.0%	-	-	-



Quarterly Income Statement by Business Segment

(JPY million)		FY18					FY19						
		1Q	2Q	1H	3Q	4Q	Total	1Q	2Q	1H	3Q	4Q	Total
Travel	Net Sales	145,746	157,941	303,688	151,159	196,455	651,303	166,617	170,213	336,831	-	-	-
	YoY	134.2%	121.1%	127.1%	118.9%	115.1%	121.3%	114.3%	107.8%	110.9%	-	-	-
	Operating Profit	1,979	2,245	4,224	968	7,012	12,205	4,071	2,130	6,201	-	-	-
	YoY	231.5%	81.3%	122.7%	118.9%	128.2%	123.3%	205.7%	94.9%	146.8%	-	-	-
	EBITDA	2,852	3,265	6,117	1,869	7,959	15,946	4,996	3,048	8,045	-	-	-
	YoY	195.5%	94.9%	124.8%	122.8%	125.4%	125.3%	175.2%	93.4%	131.5%	-	-	-
Huis Ten Bosch Group	Net Sales	7,654	7,408	15,062	6,658	8,959	30,680	7,415	6,273	13,689	-	-	-
	YoY	-	-	-	-	-	-	96.9%	84.7%	90.9%	-	-	-
	Operating Profit	1,976	1,818	3,794	1,210	2,310	7,315	1,771	909	2,680	-	-	-
	YoY	-	-	-	-	-	-	89.7%	50.0%	70.6%	-	-	-
	EBITDA	2,448	2,307	4,755	1,770	2,847	9,373	2,289	1,435	3,724	-	-	-
	YoY	-	-	-	-	-	-	93.5%	62.2%	78.3%	-	-	-
Hotel	Net Sales	3,130	3,109	6,240	2,915	2,883	12,039	3,087	3,117	6,205	-	-	-
	YoY	184.7%	161.5%	172.4%	168.9%	101.9%	147.2%	98.6%	100.3%	99.4%	-	-	-
	Operating Profit	394	319	713	130	▲35	808	257	210	467	-	-	-
	YoY	170.6%	121.4%	144.4%	112.7%	-	105.7%	65.2%	66.0%	65.6%	-	-	-
	EBITDA	732	654	1,386	458	272	2,117	520	523	1,044	-	-	-
	YoY	170.6%	138.8%	153.9%	137.8%	56.7%	123.6%	71.1%	80.0%	75.3%	-	-	-



Quarterly Income Statement by Business Segment

(JPY million)		FY18						FY19					
		1Q	2Q	1H	3Q	4Q	Total	1Q	2Q	1H	3Q	4Q	Total
Kyushu Sanko Group	Net Sales	5,740	5,105	10,845	5,277	5,519	21,641	5,882	5,273	11,155	-	-	-
	YoY	97.8%	96.1%	97.0%	98.6%	96.0%	97.1%	102.5%	103.3%	102.9%	-	-	-
	Operating Profit	235	114	349	▲25	74	398	183	114	297	-	-	-
	YoY	105.0%	568.3%	143.1%	-	29.3%	70.7%	78.0%	100.0%	85.2%	-	-	-
	EBITDA	455	349	805	226	364	1,395	405	344	750	-	-	-
	YoY	91.6%	114.5%	100.3%	69.3%	74.0%	86.0%	89.0%	98.6%	93.2%	-	-	-
Energy	Net Sales	2,280	2,910	5,190	2,751	4,048	11,989	4,014	5,266	9,281	-	-	-
	YoY	-	-	-	-	-	-	176.1%	181.0%	178.8%	-	-	-
	Operating Profit	▲32	▲341	▲373	100	▲155	▲428	118	244	363	-	-	-
	YoY	-	-	-	-	-	-	-	-	-	-	-	-
	EBITDA	▲26	▲335	▲361	140	▲139	▲360	135	264	399	-	-	-
	YoY	-	-	-	-	-	-	-	-	-	-	-	-
Other	Net Sales	1,148	1,595	2,743	1,538	1,614	5,896	1,556	1,877	3,433	-	-	-
	Operating Profit	42	▲2	40	122	▲141	21	101	125	226	-	-	-
	EBITDA	138	104	243	236	▲38	441	223	245	468	-	-	-

- Energy Business Segment was newly created at the beginning of the current consolidated fiscal year. "HTB Energy" was reclassified from Huis Ten Bosch Group to Energy Business, while H.I.S. Energy Holdings, H.I.S. Super Power, and H.I.S. Super Power LLC were reclassified from Other to Energy Business
- Huis Ten Bosch Technology Center and its subsidiary, West Japan Engineering, were reclassified from Huis Ten Bosch Group to Other
- Operating profit forecasts for 1H were revised for Travel, Huis Ten Bosch Group and Energy.



Travel Business: Quarterly Income Statement by Sub-Segment

(JPY million)	FY18						FY19					
	1Q	2Q	1H	3Q	4Q	Total	1Q	2Q	1H	3Q	4Q	Total
Travel Business Total Sales	145,746	157,941	303,688	151,159	196,455	651,303	166,617	170,213	336,831	-	-	-
YoY	134.2%	121.1%	127.1%	118.9%	115.1%	121.3%	114.3%	107.8%	110.9%	-	-	-
International Travel from Japan / Transaction Amount	92,317	106,883	199,200	102,845	133,611	435,657	98,532	122,376	220,908	-	-	-
YoY	112.4%	112.7%	112.6%	119.5%	118.8%	116.1%	106.7%	114.5%	110.9%	-	-	-
Fuel Surcharge (included in the transaction amount above)	2,162	4,430	6,593	4,560	6,806	17,960	6,030	8,005	14,036	-	-	-
Domestic Travel in Japan / Transaction Amount	11,776	16,434	28,212	13,600	18,413	60,224	11,941	17,576	29,517	-	-	-
YoY	109.0%	104.9%	106.7%	99.5%	99.5%	102.7%	101.4%	106.9%	104.6%	-	-	-
Inbound Travel to Japan / Transaction Amount	5,901	7,212	13,114	7,913	7,796	28,824	7,052	7,615	14,667	-	-	-
YoY	202.6%	191.1%	196.1%	183.5%	157.5%	180.7%	119.5%	105.6%	111.8%	-	-	-
Overseas Subsidiaries / Inbound Transaction Amount	44,088	33,129	77,218	38,373	51,708	167,299	56,070	35,339	91,409	-	-	-
YoY	229.8%	192.9%	212.3%	201.4%	129.0%	175.2%	127.1%	106.7%	118.4%	-	-	-
Overseas Subsidiaries / Outbound Transaction Amount	18,897	20,222	39,119	21,248	19,634	80,002	19,719	20,213	39,933	-	-	-
YoY	205.3%	145.2%	169.1%	110.4%	104.7%	142.4%	104.3%	100.0%	102.1%	-	-	-
Elimination of internal transactions, adjustments, etc.	▲27,234	▲25,950	▲53,175	▲32,821	▲34,707	▲120,715	▲26,697	▲32,906	▲59,663	-	-	-



Quarterly Non-Consolidated Income Statement of Huis Ten Bosch

(JPY million)	FY18						FY19					
	1Q	2Q	1H	3Q	4Q	Total	1Q	2Q	1H	3Q	4Q	Total
Transaction Amount	7,361	7,167	14,529	6,340	7,515	28,384	7,079	5,968	13,047	-	-	-
YoY	97.9%	104.3%	100.9%	99.5%	89.7%	97.3%	96.1%	83.2%	89.8%	-	-	-
Operating Profit	2,049	2,062	4,111	1,285	1,779	7,176	1,894	1,277	3,171	-	-	-
YoY	92.2%	109.3%	100.0%	87.7%	88.4%	94.5%	92.4%	61.9%	77.1%	-	-	-
Number of Visitors (10,000)	72.9	66.6	139.6	62.3	70.3	272.2	70.8	59.6	130.4	-	-	-
YoY	92.4%	96.9%	94.4%	96.6%	92.6%	94.4%	97.2%	89.4%	93.5%	-	-	-
Foreign Visitors (included in the number above, 10,000)	4.3	4.7	9.0	5.0	4.3	18.4	3.5	4.2	7.7	-	-	-
YoY	121.6%	91.4%	103.6%	90.9%	89.6%	96.3%	82.1%	89.3%	86.0%	-	-	-
Number of Hotel Guests (10,000)	7.6	8.1	15.8	6.5	7.9	30.2	7.3	7.0	14.3	-	-	-
YoY	94.5%	101.7%	98.1%	101.6%	90.8%	96.7%	96.1%	85.3%	90.3%	-	-	-
Unit Price (JPY, rounded down to the nearest hundred)	10,000	10,700	10,400	10,100	10,600	10,400	9,900	10,000	10,000	-	-	-
Increase/Decrease	+500	+800	+660	+300	-300	+300	-100	-770	-400	-	-	-

※Financial forecasts were revised, reflecting the 2Q results, from those disclosed when last fiscal year's financial results were announced.



Consolidated Balance Sheet (as Compared to the End of Last Fiscal Year)

(JPY million)

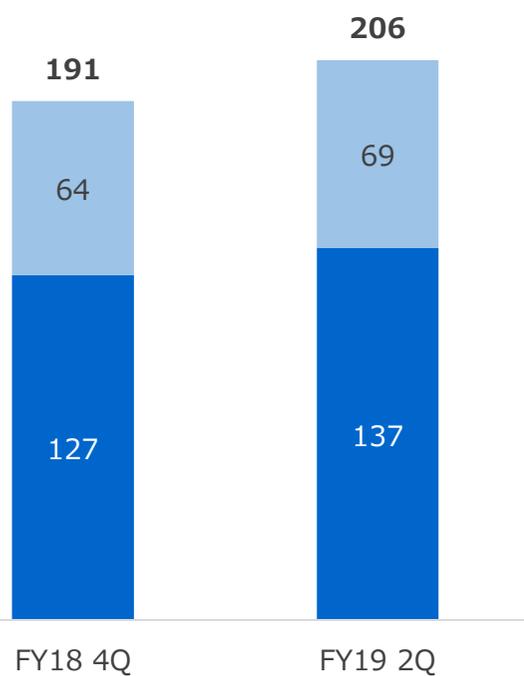
	18 4Q	19 2Q	Increase/Decrease
Cash and deposits	213,960	237,642	23,682
Notes and accounts receivable (trade)	44,376	38,299	▲6,076
Operating accounts receivable	5,048	4,609	▲439
Travel advance payments	34,347	36,095	1,748
Others	22,196	22,495	299
Total current assets	319,929	339,143	19,214
Property, plant and equipment	116,102	153,054	36,952
Intangible assets	12,964	12,262	▲702
Goodwill	7,232	6,833	▲398
Investments and other assets	59,807	58,506	▲1,300
Total non-current assets	196,105	230,656	34,550
Deferred assets	432	536	103
Total assets	516,468	570,336	53,868

	18 4Q	19 2Q	Increase/Decrease
Operating accounts payable	36,933	38,013	1,080
Travel advance received	68,344	73,493	5,148
Bonds and convertible bonds payable	85,141	85,113	▲28
Long-term loans payable	124,317	147,627	23,309
Others	86,089	110,127	24,038
Total liabilities	400,826	454,375	53,548
Capital stock	11,000	11,000	0
Capital surplus	3,451	3,392	▲59
Retained earnings	102,083	105,256	3,173
Treasury shares	▲28,611	▲28,484	127
Accumulated other comprehensive income	304	▲1,329	▲1,633
Share acquisition rights	431	0	▲431
Non-controlling interests	26,982	26,126	▲855
Total net assets	115,641	115,961	320
Total liabilities and net assets	516,468	570,336	53,868



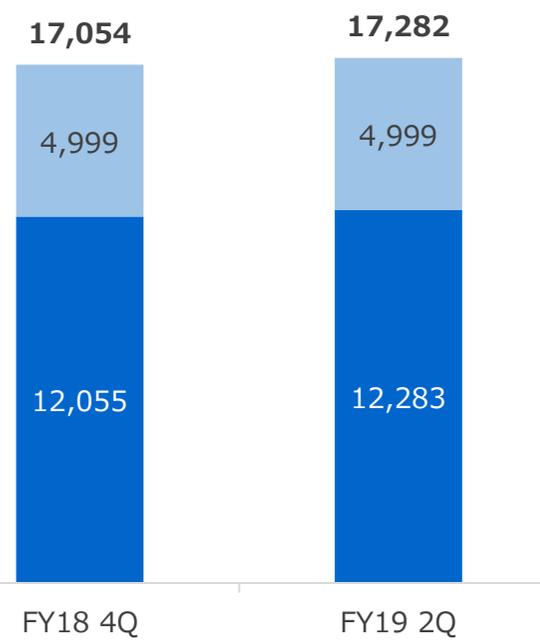
[Reference Data] as Compared to the End of Last Fiscal Year

Number of Group Companies



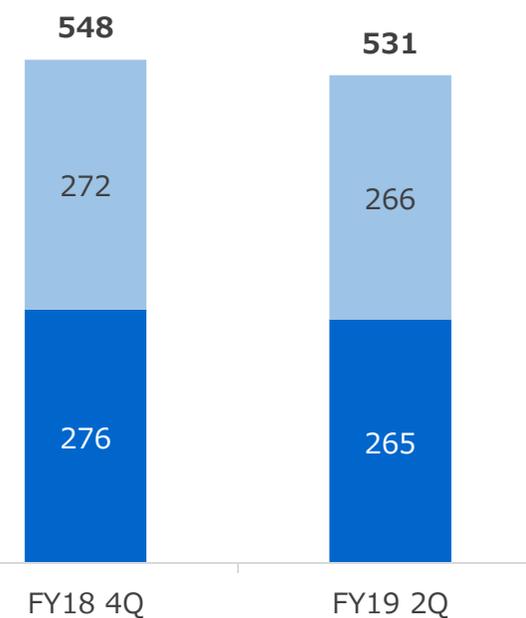
■ Consolidated Subsidiaries ■ Others

Number of Employees



■ Travel Business ■ Other Business

Number of Sales Offices



■ Japan ■ Overseas



2. Financial Forecasts for FY Oct 2019 and Key Business Strategies



Consolidated Financial Forecasts

- The **demand for leisure is expected to be soft** due to the negative repercussions after the Golden Week special demand
- There is no change to the full year consolidated financial forecasts**, while there are positive and negative changes to the 2nd half forecasts and forecast breakdown by segment.

(JPY million)	FY18	FY19	YoY	Increase/ Decrease	FY18 1H	FY19 1H	FY18 2H	FY19 2H	YoY	Increase/ Decrease
Net Sales	728,554	786,000	108%	57,445	341,247	377,839	387,306	408,000	105%	20,694
Gross Profit	133,368	143,500	108%	10,132	63,438	69,488	69,930	74,000	106%	4,070
Operating Profit	18,083	20,000	111%	1,917	7,659	8,979	10,424	11,000	106%	576
EBITDA	27,073	29,560	109%	2,486	12,035	13,372	15,038	16,180	108%	1,142
Ordinary Profit	19,499	21,000	108%	1,501	7,849	8,874	11,649	12,100	104%	451
Net Profit attributable to owners of parent	11,067	11,000	100%	▲67	3,599	4,964	7,467	6,000	80%	▲1,467
EPS	192.96円	192円	—	—	—	—	—	—	—	—
Dividend	29円	30円	—	—	—	—	—	—	—	—



Financial Forecasts by Business Segment

(JPY million)	FY18	Previous Forecasts	FY19	YoY	Increase/Decrease	FY18 2H	Previous Forecasts	FY19 2H	YoY	Increase/Decrease
Travel Business	651,303	694,000	728,000	112%	76,697	347,615	363,000	391,000	112%	43,385
Huis Ten Bosch Group	30,680	30,900	28,000	91%	▲2,680	15,617	15,900	14,300	92%	▲1,317
Hotel Business	12,039	13,000	13,000	108%	961	5,799	6,700	6,800	117%	1,001
Net Sales Kyushu Sanko Group	21,641	22,700	22,700	105%	1,059	10,796	11,200	11,500	107%	704
Energy Business	11,989	22,500	21,000	175%	9,011	6,799	12,900	11,700	172%	4,901
Others/Adjustments, etc.	899	7,600	▲26,700	-	▲27,599	678	2,300	▲27,300	-	▲27,978
Total	728,554	786,000	786,000	108%	57,446	387,306	412,000	408,000	105%	20,694
Travel Business	12,205	13,300	13,800	113%	1,595	7,980	7,100	7,600	95%	▲380
Huis Ten Bosch Group	7,315	7,440	5,800	79%	▲1,515	3,520	4,190	3,120	89%	▲400
Hotel Business	808	980	860	106%	52	94	440	390	415%	296
Operating Profit Kyushu Sanko Group	398	540	540	136%	142	48	210	240	500%	192
Energy Business	▲428	10	500	-	928	▲54	▲190	140	-	194
Others/Adjustments, etc.	▲2,216	▲2,270	▲1,500	-	716	▲1,164	▲150	▲490	-	674
Total	18,083	20,000	20,000	111%	1,917	10,424	11,600	11,000	106%	576
Travel Business	15,946	17,400	18,400	115%	2,454	9,829	9,100	10,350	105%	526
Huis Ten Bosch Group	9,373	9,732	8,060	86%	▲1,313	4,618	5,387	4,330	94%	▲288
Hotel Business	2,117	2,280	2,160	102%	43	730	1,170	1,110	152%	380
EBITDA Kyushu Sanko Group	1,395	1,500	1,500	108%	105	590	720	750	127%	160
Energy Business	▲360	90	490	-	850	1	▲149	90	9,000%	89
Others/Adjustments, etc.	▲1,401	▲1,410	▲1,050	-	351	▲732	280	▲430	-	302
Total	27,073	29,560	29,560	109%	2,487	15,038	16,470	16,200	108%	1,162



Highlights: Business Developments for FY Oct 2019 and Beyond

Business portfolio is to be strengthened, centering on pillar businesses

<p>Travel</p> <p>No.1 position in international travel from Japan is to be achieved</p> <p>Global business is to be strengthened</p> 	<p>Entertainment</p> <p>Integrated resort representing Asia is to be realized</p> 	<p>Hotel</p> <p>Properties operated in-house are to be enhanced with a goal of 100 hotels in the mid/long term</p>  <p>H.I.S. Hotel Holdings</p>	<p>Energy</p> <p>Power retail sales are expected to continue to grow, while power is to be generated by natural energy</p> 	<p>Transportation</p> <p>Communities are to be developed, centering on bus business</p> 	<p>Finance</p> <p>Agency for Banks, Insurance Business, etc. are to be provided</p> 
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Challenge Categories

New business seeds are to be sought by actively challenging new businesses that could lead to world peace

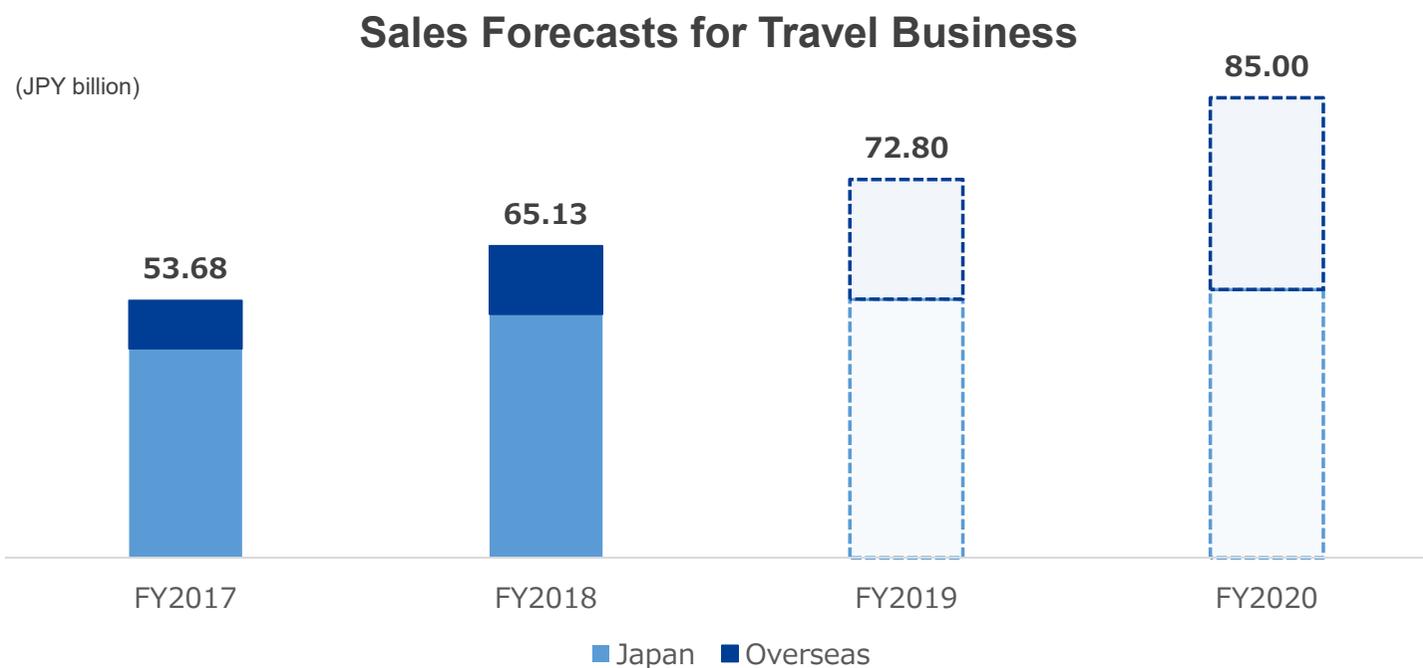
<p>Robot</p> 	<p>Food</p> 	<p>Space</p> 	<p>Mobility</p> 
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Travel Business



Key Strategies / Travel Business

- The growing world travel market is to be captured via M&A and organic growth
- The transaction amount of overseas subsidiaries is to be grown to the same level as that of Japan business in the future



Key Strategies / Travel Business in Japan

Improving Services from Customers' Perspective



Significant renewal of website

UI design, that had been different for every departure and arrival place was unified.

UX was improved by creating website from customers' perspective

An advertisement for H.I.S. Cancel Support. The top part has a blue background with a yellow banner that says '業界初! H.I.S.の安心サポート' (Industry First! H.I.S.安心サポート). Below this, the main title is 'H.I.S.キャンセルサポート' (H.I.S. Cancel Support). The text explains that due to the trend of lower prices for early bookings, there's a risk of cancellation fees being charged. To address this, H.I.S. has developed a service. The service offers compensation of up to 200,000 yen for cancellations due to unexpected illness or emergency departure. A 'CASE 01' example shows a child's illness leading to a 50% cancellation fee, which is covered by the service. The final part of the ad shows a flow: '旅行代金の合計金額が 50万円の場合' (Total travel cost 500,000 yen) leads to '旅行会社のキャンセル料規定が50%だった場合' (Company cancellation fee 50%), which results in '取消料は 25万円' (Cancellation fee 250,000 yen). The service provides 'キャンセルサポートの補償により 25万円補償' (250,000 yen compensation). A small note at the bottom right says '※契約タイプC以上のプランにご加入の場合' (※For plans C and above).

Industry's First "H.I.S. Cancel Support"

A new comfortable support service to compensate for cancellation fees was launched.

The number of subscriptions has already exceeded 100,000 in 3 months after the launch.

Enhancing customer attraction during summer



Starting on Friday, June 29

Following the "Super Summer Sale" currently being held, it was decided that additional events to attract more customers are to be held

Enhancing Summer Charter Flight
Total number of seats

151%
YoY



Key Strategies / Travel Business in Japan

Enhancing customer attraction during summer



Strong sales of tours with tour conductors YoY 126%

Very popular Italian tour course
Summer departure tours have been added



Announcing pamphlets dedicated for family travel

In addition to the popular "Cancellation Support", new benefits have been prepared such as "Laundry agency service" and "Free research solution book"

New Challenge



2020 Golden Week 「MSC Bellissima」 Charter Cruise

Capacity of 170,000 ton class, the **largest** cruise ship that has **ever** visited Japan.
Very large cruise ship newly built in March 2019 was jointly chartered with Cruise Planet and Best One.com

Key Strategies / Travel Business of Overseas Subsidiaries

From the 3Q of FY2019, "Red Level" is newly added to H.I.S. Group to expand its business as a **comprehensive travel company in North America.**



Key Strategies / Travel Business of Overseas Subsidiaries

- Resources are invested in a concentrated manner to accelerate the development of **inbound business** (business at place of destination)
- Regional characteristics are to be identified to sort out/sift outbound business (business at place of departure)

■ Overseas Subsidiaries

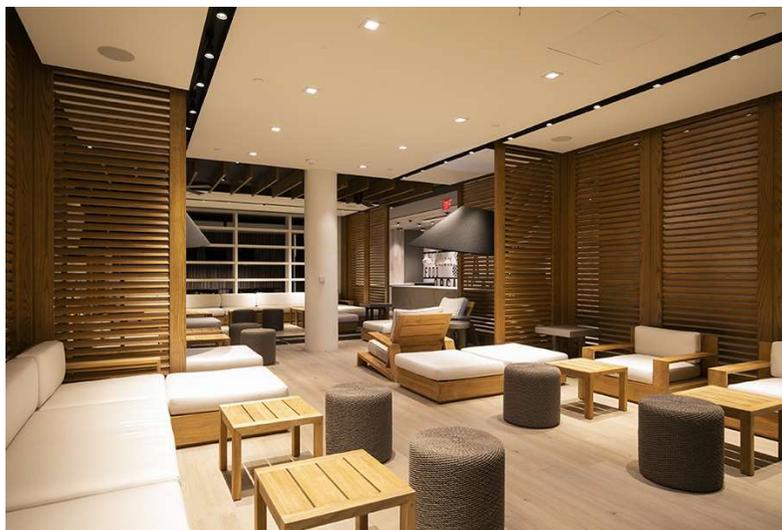
Concentrating resources on inbound business

	Outbound Business	Inbound Business
Ratio of transaction amount	4 0	6 0
Ratio of number of employees	4 5	5 5
Profitability of products	Low	High
Market advantage	×	○

Key Strategies / Travel Business of Overseas Subsidiaries

■ Focusing on the development of **original contents** at place of destination

Expansion of contents for Non-JPN market (B2B)



「Waikiki Club Lounge by LeaLea」

- Largest class lounge in Honolulu -
Luxury space is provided, focusing on VIP customers, which is also expected to be provided to non H.I.S. customers such as high class members of credit cards, etc.

Operation of a cruise company as a supplier

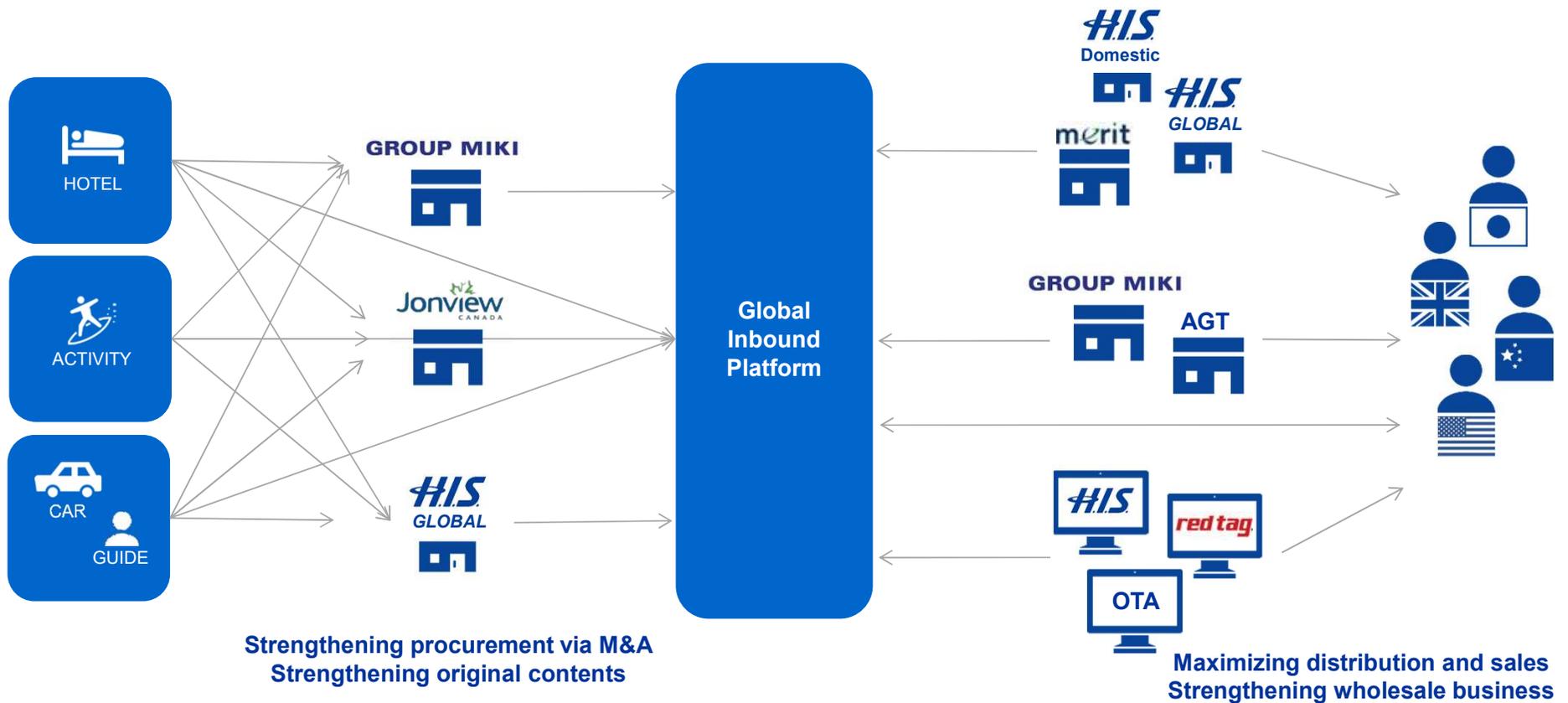


「Ha Long Bay Cruise」

One-day cruise business at the World Heritage Ha Long Bay, a tourist destination representing Vietnam is expected to be launched, which is the first by a Japanese company

Key Strategies / Travel Business of Overseas Subsidiaries

Global inbound platform, currently under development, is scheduled to be launched in **2021**



Huis Ten Bosch Group



Key Strategies / Huis Ten Bosch

Non-consolidated financial forecasts of Huis Ten Bosch

(JPY million)

	FY18	FY19	YoY
Number of visitors	2,720,000	2,580,000	95%
Net Sales (Transaction Amount)	28,384	26,100	92%
Operating Profit	7,176	5,800	80%

※Financial forecasts have been revised from the ones which were provided when previous fiscal year's financial results were announced

[Key Events in the 2d Half]



New team under new president Mr.Sakaguchi starting May 2019

Mission

Realizing IPO
Successfully attracting IR (Integrated Resort)

The following initiatives are to be promoted by shifting to **organizational management** to achieve these two missions

- Improvement of customer satisfaction (CS) and employee satisfaction (ES)
 - Evolution toward realizing an environment / tourism business city
- Alliance with regional communities (local/Sasebo City/Nagasaki Prefecture/Kyushu)

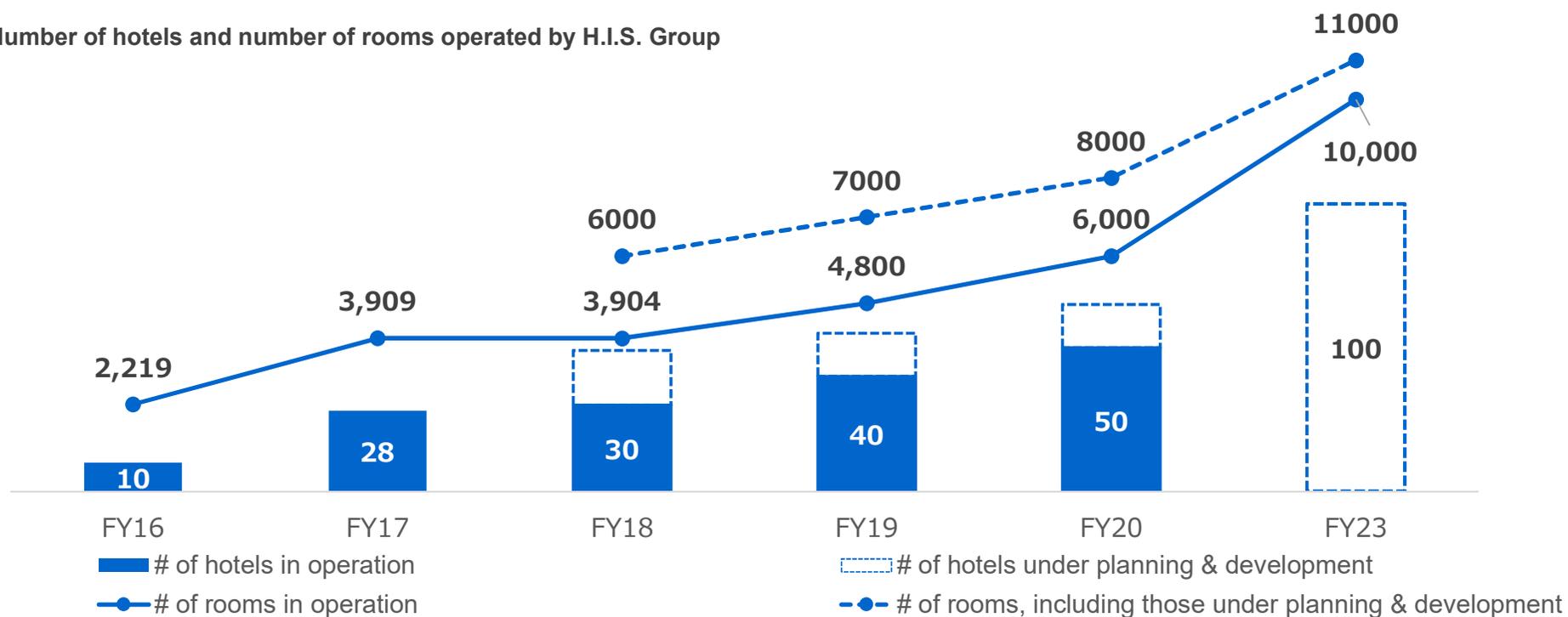
Hotel Business



Key Strategies / Hotel Business

- The target is **100 hotels in mid/long term** mainly via self-operation and M&A
- CAPEX is to be **JPY20 billion per year** (about **JPY80billion in total for four years**)

Number of hotels and number of rooms operated by H.I.S. Group



※ Includes 4 hotels under HTB's control ※ Hotels operated by H.I.S. Group only



Key Strategies / Hotel Business



**「Watermark Hotel Kyoto Gojo (tentative)」
to open in summer 2020**

List of Hotels

Name of Hotel	Location	Opened / Acquired	# of rooms	Reference
Watermark Hotel Gold Coast	Gold Coast, Australia	1996/11	388	Sold in Oct 2018
Watermark Hotel Brisbane	Brisbane, Australia	2005/9	95	Sold in Oct 2018
Watermark Hotel Sapporo	Sapporo, Hokkaido	2008/12	152	Sold in Mar 2018
Watermark Hotel Nagasaki Huis Ten Bosch	Sasebo, Nagasaki	2011/7	228	
Guam Leaf & Olive Spa Resort	Tumon, Guam	2012/4	453	
Watermark Hotel & Spa Bali Jimbaran	Jimbaran, Bali, Indonesia	2015/5	143	
Henn na Hotel Maihama Tokyo Bay	Urayasu, Chiba	2017/3	100	
Green World Hotels	Taipei, Taiwan	2017/5	1,543	16 hotels
Henn na Hotel Laguna Ten Bosch	Gamagori, Aichi	2017/8	100	
Henn na Hotel Tokyo Nishikasai	Edogawa ward, Tokyo	2017/12	100	
Henn na Hotel Tokyo Ginza	Chuo ward, Tokyo	2018/2	98	
Henn na Hotel Tokyo Hamamatsucho	Minato ward, Tokyo	2018/4	118	
Henn na Hotel Tokyo Asakusabashi	Taito ward, Tokyo	2018/7	145	
Henn na Hotel Tokyo Akasaka	Minato ward, Tokyo	2018/7	116	

Started operation in FY2018

Sold in FY2018



List of Hotels

Name of Hotel	Location	Opened / Acquired	# of rooms	Reference
Henn na Hotel Haneda	Ota ward, Tokyo	2018/10	200	
Henn na Hotel Fukuoka, Hakata	Fukuoka, Fukuoka	2019/1	102	
Henn na Hotel Osaka Shinsaibashi	Osaka, Osaka	2019/1	90	
Henn na Hotel Osaka, Nishi-Shinsaibashi	Osaka, Osaka	2019/3	100	
Henn na Hotel Kyoto, Hachijoguchi Ekimae	Kyoto, Kyoto	2019/4	98	
Henn na Hotel Tokyo Asakusa Tawaramachi	Taito ward, Tokyo	2019/9	217	
Henn na Hotel Kansai Airport (tentative)	Izumisano, Osaka	2019/11	98	
Henn na Hotel Ishikawa Kanazawa (tentative)	Kanazawa, Ishikawa	2019/12	131	
New York (tentative)	New York, USA	2020 spring	92	
Watermark Hotel Kyoto Gojo (tentative)	Kyoto, Kyoto	2020 summer	130	
Henn na Hotel Nara (tentative)	Nara, Nara	2020 autumn	109	
Pamukkale	Denizli, Turkey	2021	約300	
Ise	Taki, Mie	2021	209	
Henn na Hotel Sendai (tentative)	Sendai, Miyagi	2021	150	
Henn na Hotel Okinawa (tentative)	Naha, Okinawa	2023	TBD	

■ To open in FY2019

35 hotels in 4 countries (as of May 31, 2019)

※ Includes 4 hotels under HTB's control
 ※ Hotels operated by H.I.S. Group only



Kyushu Sanko Group / Energy Business / Finance Business



Key Strategies / Kyushu Sanko Group / Re-development Business

The Sakuramachi (Kumamoto) re-development business is **progressing as planned** to **start operation on September 14, 2019**

Summary of 「SAKURA MACHI Kumamoto」

Total Floor Space: 162,440㎡ (about 3.5 times of Tokyo Dome)

Shops: 149 shops, B1F – 7F
 Bus Terminal: 26 boarding, 3 drop-off
 Parking: 832 units

owned by H.I.S. Group

Hotel: Resort Trust's New Brand "Hotel Trusty Premier Kumamoto" 205 rooms

Condominium: 159 units ※already sold out

Cinema Complex: TOHO Cinemas 9 screens

Public facility: 「Kumamoto Castle Hall」 capacity of up to 3,000 guests

Office: 「Sakuramachi Hills」 3 floors

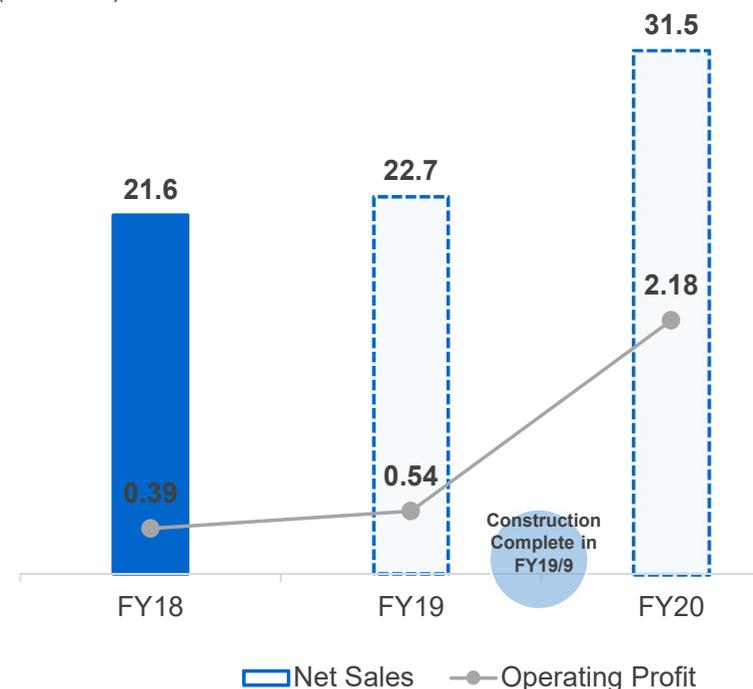
Banquet: 「Lazor Garden Kumamoto」 2 floors



Photo as of June 2019

Sales and Operating Profit after Re-Development

(JPY billion)



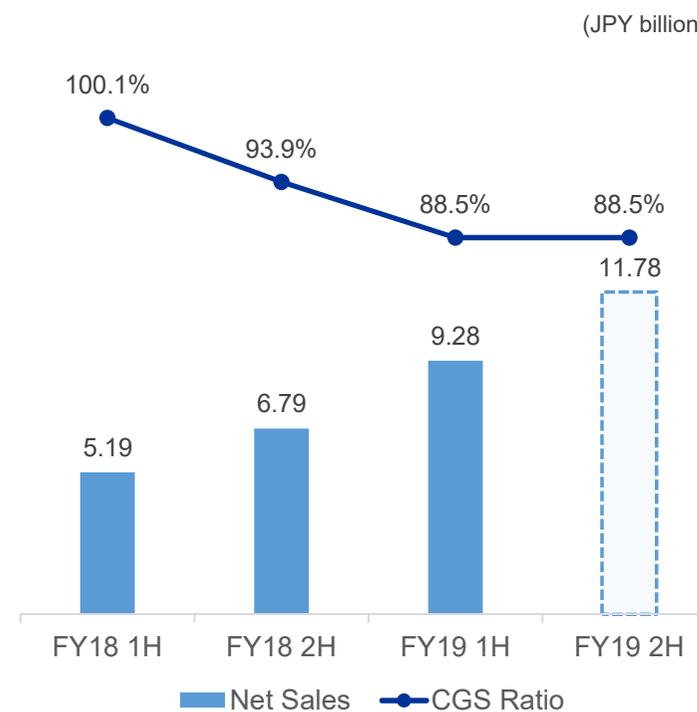
Key Strategies / Energy Business

- Electric power retail business is expected to **continue to grow** due to **increased number of contracts**. **Stable profits can be secured** by diversification of procurement.
- Power plant is under construction to start operation in the next fiscal year

HTB Energy's Number of Contracts (as of April 1, 2019)



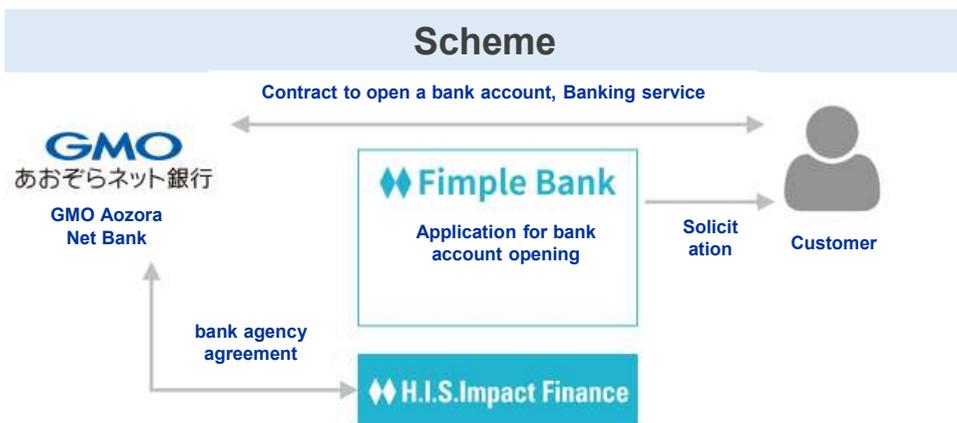
HTB Energy's Net Sales and CGS Ratio



Key Strategies / Finance Business

「H.I.S. Impact Finance」 is newly consolidated from Q3 of FY2019

On March 4, 2019, H.I.S. Impact Finance obtained a permit for the **bank agency business** from the Kanto Finance Bureau with **GMO Aozora Internet Bank as its principal bank**



HS Insurance Online direct sales is performing well



Online direct sales of overseas travel insurance **grew significantly (145% YoY)**

Further efforts

Product revision is planned after this fall.

Age restrictions that can be insured is to be eliminated.

Repeater discount is to be introduced.

3. Financial Policy

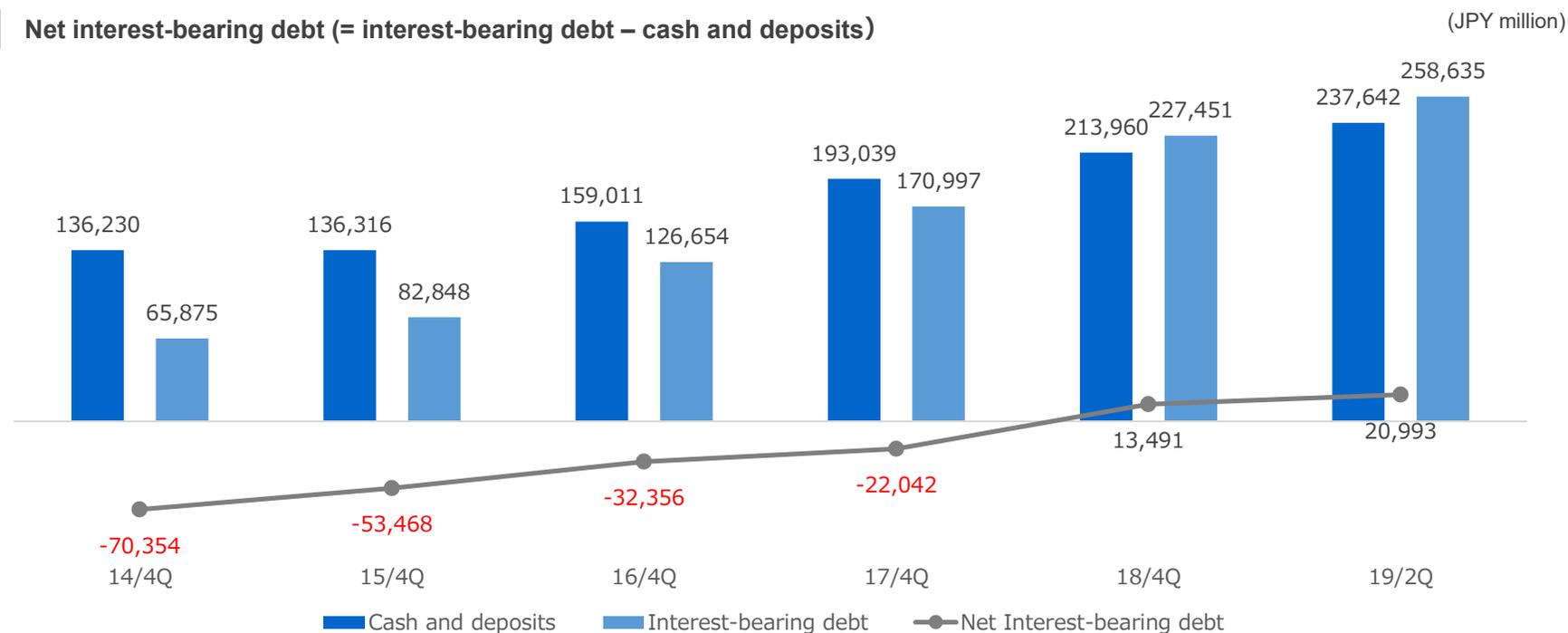


Financial Position

Net interest-bearing debt

- Interest-bearing debt as of the end of April 2019 was JPY258.6 billion.
- Net interest-bearing debt, which is interest-bearing debt minus JPY237.6 billion of cash and deposits, was JPY20.9 billion.
- Funds are to be used for CAPEX, repayment of loans, share buy back, etc.

Net interest-bearing debt (= interest-bearing debt – cash and deposits)

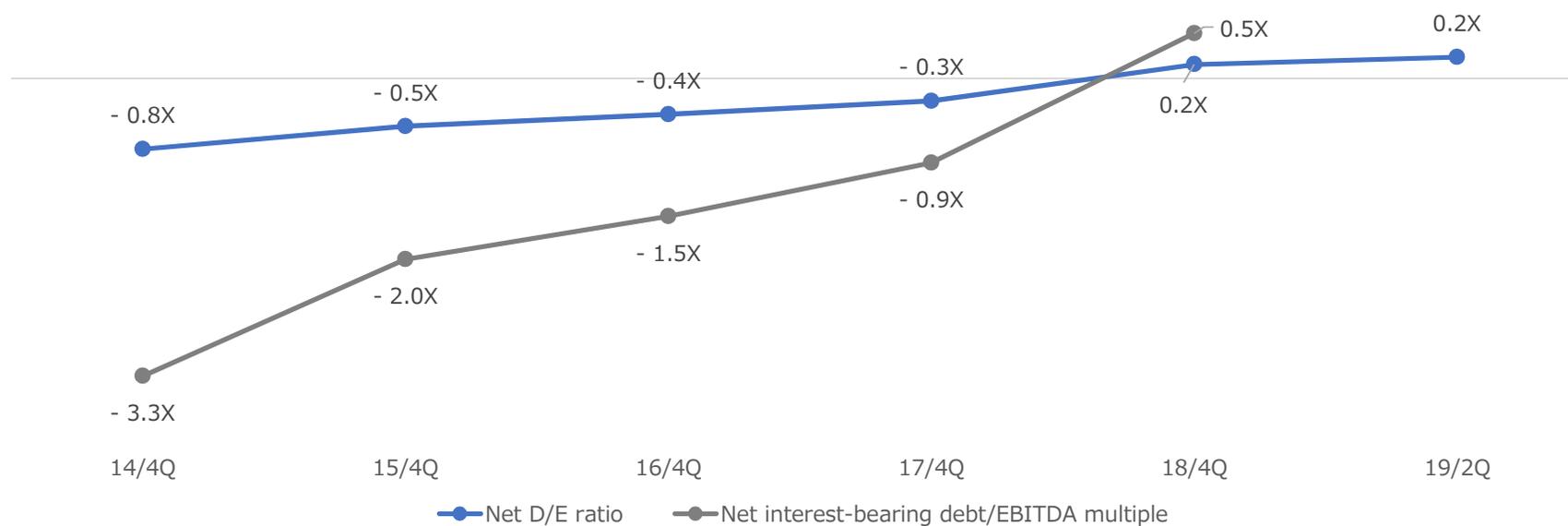


Financial Position

Net D/E ratio, net interest-bearing debt/EBITDA multiple

Net D/E ratio (= net interest-bearing debt/equity) and net interest-bearing debt/EBITDA multiple (= net interest-bearing debt/EBITDA) are also to be considered as financial safety indicators

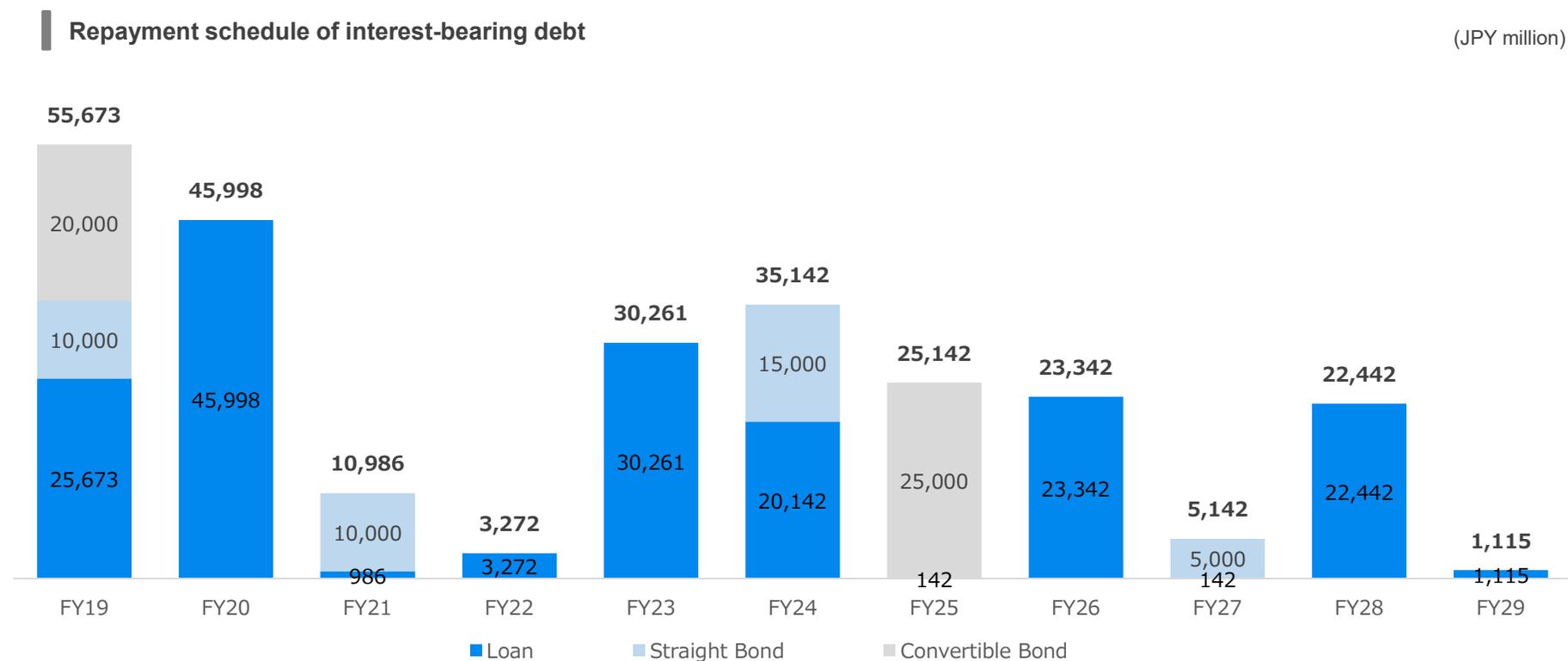
Net D/E ratio, net interest-bearing debt/EBITDA multiple



Financial Position

Repayment schedule of interest-bearing debt

Repayment starts in FY2019

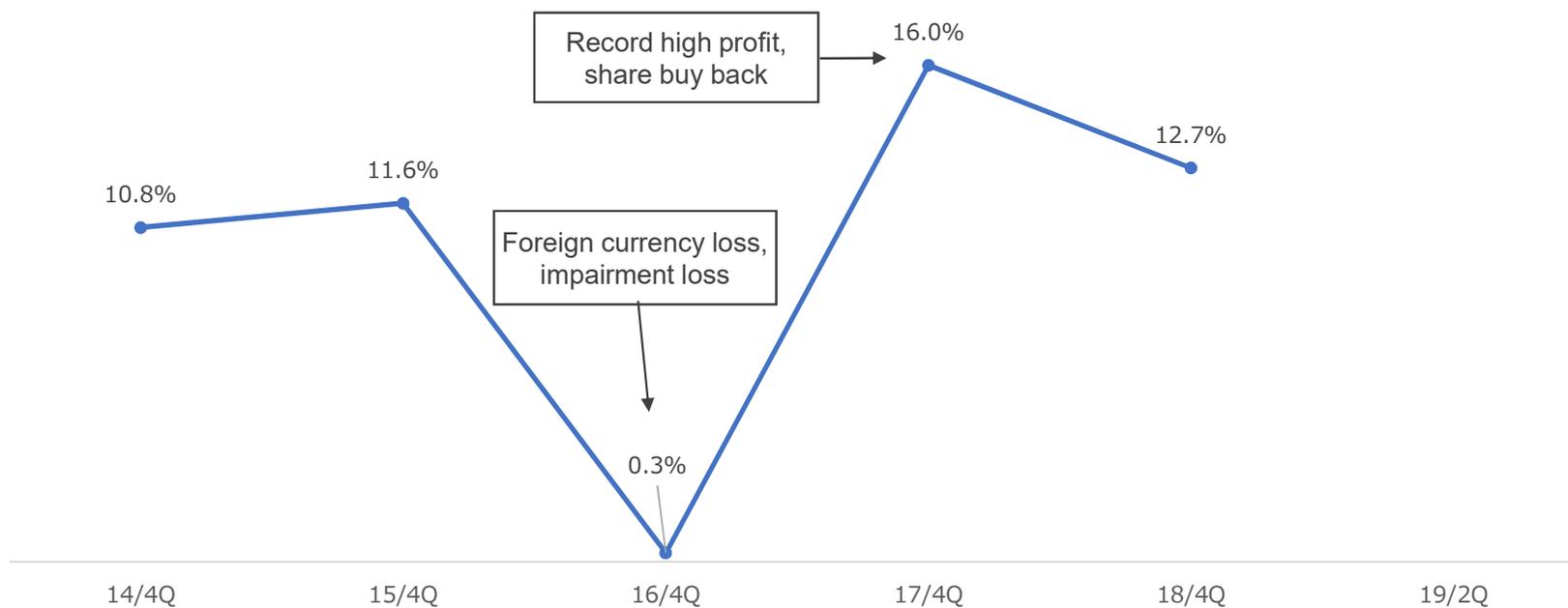


Financial Position

ROE

ROE is to retain double digit numbers, while standard for ROI is to be 5-10%

ROE





For inquiries regarding this material, please contact H.I.S. Group's IR Office

