



Presentation Materials for the Fiscal Year Ended October 2019 Financial Results



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December 12, 2019
H.I.S. Co., Ltd.
TSE 1: 9603

1. Summary of Financial Results



Consolidated Operating Results

| (JPY million) | FY18 Results | FY19 forecasts (revised on Sep27) | FY19 Results | YoY | Increase/ Decrease (YoY) | Differenc e vs forecasts | Major Reasons for Increase/Decrease |
|--|-----------------|--|-----------------|---------------|--------------------------------|--------------------------------|--|
| Net Sales | 728,554 | 800,000 | 808,510 | 111.0% | 79,956 | 8,510 | Travel +71,160, Energy +8,471, HTB Group ▲2,593 |
| Gross Profit | 133,368 | | 144,134 | 108.1% | 10,765 | | |
| Operating Profit | 18,083 | 16,000 | 17,540 | 97.0% | ▲542 | 1,540 | Travel +1,549, Energy +1,402, HTB Group ▲2,239, Hotel ▲1,025 |
| EBITDA | 27,073 | 26,270 | 27,263 | 100.7% | 190 | 993 | |
| Non-Operating Income | 3,791 | | 3,527 | 93.0% | ▲263 | | |
| Non-Operating Expenses | 2,375 | | 3,978 | 167.5% | 1,603 | | Foreign currency loss 977 Asset revaluation loss of HTB, etc. 714 |
| Ordinary Profit | 19,499 | 15,300 | 17,089 | 87.6% | ▲2,410 | 1,789 | Increase in non-operating expenses 1,603 |
| Extraordinary Income | 5,107 | | 4,140 | 81.1% | ▲967 | | Gain on sale of investment securities 3,067, (Previous FY) Gain on sale of real estate 4,230 |
| Extraordinary Losses | 3,853 | | 877 | 22.8% | ▲2,976 | | Impairment loss of goodwill 325, (Previous FY) Extraordinary loss related to AAA 3,523 |
| Profit before Income Taxes | 20,753 | | 20,352 | 98.1% | ▲400 | | |
| Income Taxes | 7,027 | | 6,477 | 92.2% | ▲549 | | |
| Profit Attributable to Non-Controlling Interests | 2,659 | | 1,625 | 61.1% | ▲1,033 | | HTB 1,068, (Previous FY) 1,882 |
| Profit Attributable to Owners of Parent | 11,067 | 11,300 | 12,249 | 110.7% | 1,182 | 949 | |



Quarterly Consolidated Income Statement

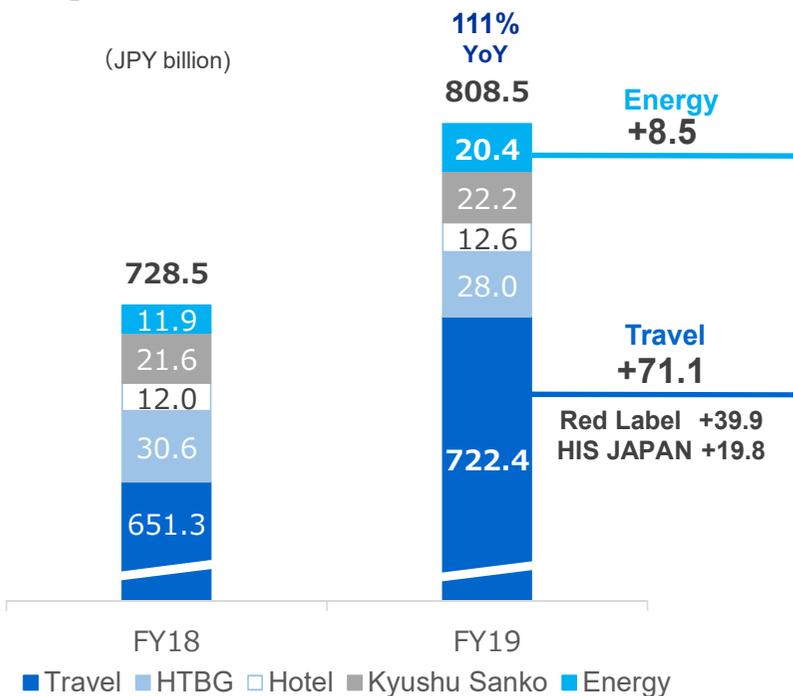
| (JPY million) | FY18 | | | | | FY19 | | | | |
|-------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | 1Q | 2Q | 3Q | 4Q | Total | 1Q | 2Q | 3Q | 4Q | Total |
| Net Sales | 164,509 | 176,738 | 169,190 | 218,115 | 728,554 | 187,276 | 190,563 | 195,878 | 234,792 | 808,510 |
| YoY | 131.6% | 120.4% | 118.1% | 114.3% | 120.2% | 113.8% | 107.8% | 115.8% | 107.6% | 111.1% |
| Cost of Sales | 132,890 | 144,919 | 137,991 | 179,384 | 595,185 | 152,182 | 156,167 | 161,559 | 194,465 | 664,375 |
| Gross Profit | 31,619 | 31,818 | 31,198 | 38,731 | 133,368 | 35,093 | 34,395 | 34,318 | 40,327 | 144,134 |
| G/P Margin | 19.2% | 18.0% | 18.4% | 17.8% | 18.3% | 18.7% | 18.0% | 17.5% | 17.2% | 17.8% |
| SG&A Expenses | 27,540 | 28,238 | 29,246 | 30,259 | 115,285 | 29,111 | 31,397 | 31,949 | 34,135 | 126,594 |
| Operating Profit | 4,078 | 3,580 | 1,952 | 8,471 | 18,083 | 5,981 | 2,997 | 2,368 | 6,192 | 17,540 |
| YoY | 160.1% | 96.9% | 105.1% | 108.4% | 113.6% | 146.7% | 83.7% | 121.4% | 73.1% | 97.0% |
| O/P Margin | 2.5% | 2.0% | 1.2% | 3.9% | 2.5% | 3.2% | 1.6% | 1.2% | 2.6% | 2.2% |
| EBITDA | 6,150 | 5,884 | 4,253 | 10,784 | 27,073 | 8,154 | 5,218 | 5,053 | 8,837 | 27,263 |
| Non-Operating Income | 849 | 1,328 | 581 | 1,032 | 3,791 | 697 | 1,113 | 859 | 856 | 3,527 |
| Non-Operating Expenses | 970 | 1,015 | 22 | 366 | 2,375 | 1,479 | 436 | 834 | 1,227 | 3,978 |
| Ordinary Profit | 3,957 | 3,892 | 2,512 | 9,137 | 19,499 | 5,199 | 3,675 | 2,393 | 5,821 | 17,089 |
| YoY | 55.2% | 114.9% | 142.1% | 124.3% | 99.2% | 131.4% | 94.4% | 95.2% | 63.7% | 87.6% |



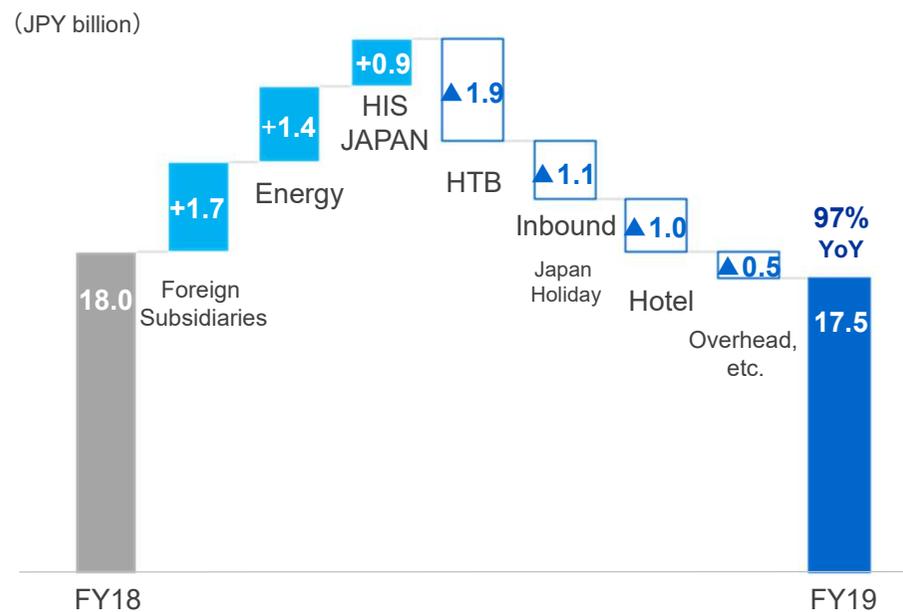
Net Sales & Operating Profit

- Net sales grew by **JPY79.9 billion** (111% YoY) due to **consolidation of Red Label, strong overseas travel, and growth of electric power retail business**, and achieved the plans.
- Operating profit was **JPY17.5 billion** (97% YoY), **the same level as the previous fiscal year**, although negative factors were offset by strong business segments/sub-segments.

Major Increase/Decrease of Net Sales



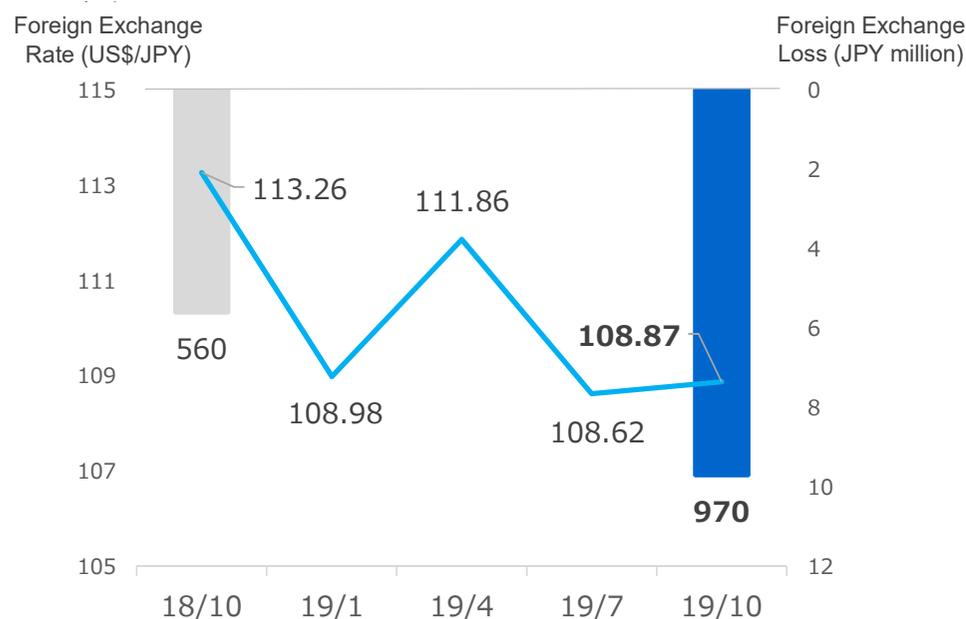
Major Increase/Decrease of Operating Profit



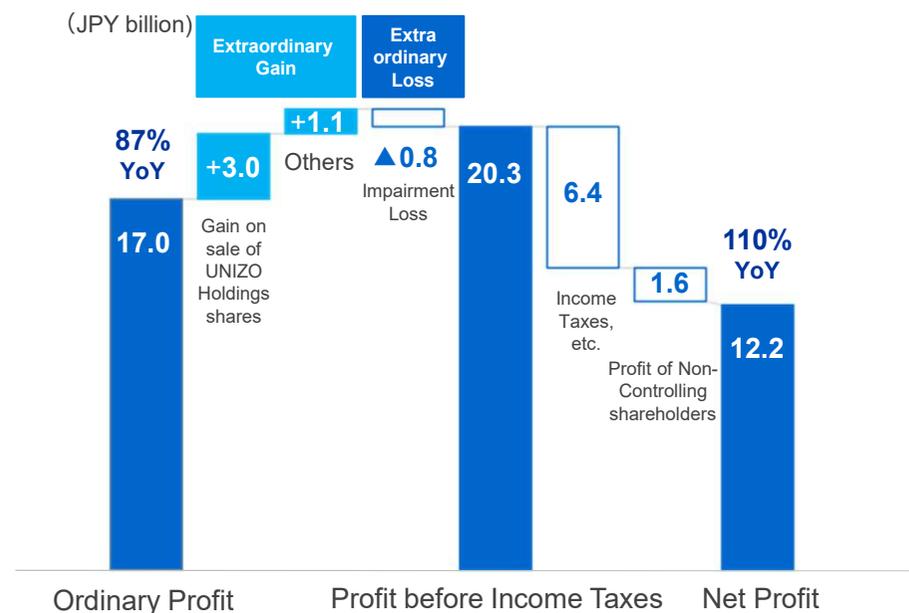
Ordinary Profit & Net Profit

- Non-operating expenses increased by JPY1.6 billion due to **JPY0.9 billion of foreign exchange loss** due to the JPY appreciation trend since the end of the previous fiscal year, and JPY0.7 billion yen of asset evaluation loss at HTB, etc.
- While **JPY4.1 billion of extraordinary gain** was recognized due to sale of investment securities, etc., **JPY0.8 billion of extraordinary loss** was recognized due to impairment loss of goodwill, etc.

Foreign Exchange Rate and Foreign Exchange Loss



Major Items between Ordinary Profit and Net Profit



Operating Results by Business Segment

| (JPY million) | | FY18 Results | FY19 Forecasts (Revised on Sep 27) | FY19 Results | YoY | Increase/Decrease (YoY) | Difference vs Forecasts |
|-----------------------------|------------------|--------------|---------------------------------------|----------------|--------|----------------------------|----------------------------|
| Travel | Net Sales | 651,303 | 721,000 | 722,464 | 110.9% | 71,160 | 1,464 |
| | Operating Profit | 12,205 | 12,900 | 13,754 | 112.7% | 1,549 | 854 |
| | EBITDA | 15,946 | 17,740 | 17,980 | 112.8% | 2,033 | 240 |
| Huis Ten Bosch Group | Net Sales | 30,680 | 28,000 | 28,086 | 91.5% | ▲2,593 | 86 |
| | Operating Profit | 7,315 | 5,000 | 5,075 | 69.4% | ▲2,239 | 75 |
| | EBITDA | 9,373 | 7,200 | 7,175 | 76.5% | ▲2,198 | ▲25 |
| Hotel | Net Sales | 12,039 | 12,600 | 12,676 | 105.3% | 636 | 76 |
| | Operating Profit | 808 | 50 | ▲217 | — | ▲1,025 | ▲267 |
| | EBITDA | 2,117 | 1,360 | 1,059 | 50.0% | ▲1,058 | ▲300 |
| Kyushu Sanko Group | Net Sales | 21,641 | 22,200 | 22,230 | 102.7% | 588 | 30 |
| | Operating Profit | 398 | 160 | 158 | 39.7% | ▲240 | ▲1 |
| | EBITDA | 1,395 | 1,160 | 1,203 | 86.2% | ▲192 | 43 |



Operating Results by Business Segment

| (JPY million) | | FY18 Results | FY19 Forecasts (Revised on Sep 27) | FY19 Results | YoY | Increase/Decrease (YoY) | Difference vs Forecasts |
|--|------------------|--------------|--|----------------|----------|----------------------------|----------------------------|
| Energy | Net Sales | 11,989 | 20,400 | 20,461 | 170.7% | 8,471 | 61 |
| | Operating Profit | ▲428 | 600 | 974 | — | 1,402 | 374 |
| | EBITDA | ▲360 | 680 | 1,050 | — | 1,410 | 370 |
| Others | Net Sales | 5,896 | 8,200 | 8,376 | 142.1% | 2,479 | 176 |
| | Operating Profit | 21 | 640 | 589 | 2,763.0% | 568 | ▲50 |
| | EBITDA | 441 | 1,130 | 1,077 | 244.0% | 635 | ▲53 |
| Adjustments, Eliminations, etc. | Net Sales | ▲4,997 | ▲12,400 | ▲5,785 | — | ▲787 | 6,614 |
| | Operating Profit | ▲2,237 | ▲3,350 | ▲2,795 | — | ▲557 | 554 |
| | EBITDA | ▲1,842 | ▲3,000 | ▲2,283 | — | ▲441 | 717 |
| Total | Net Sales | 728,554 | 800,000 | 808,510 | 111.0% | 79,956 | 8,510 |
| | Operating Profit | 18,083 | 16,000 | 17,540 | 97.0% | ▲542 | 1,540 |
| | EBITDA | 27,073 | 26,270 | 27,263 | 100.7% | 190 | 993 |



Quarterly Operating Results by Business Segment

| (JPY million) | | FY18 | | | | | FY19 | | | | |
|-----------------------------|------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| | | 1Q | 2Q | 3Q | 4Q | Total | 1Q | 2Q | 3Q | 4Q | Total |
| Travel | Net Sales | 145,746 | 157,941 | 151,159 | 196,455 | 651,303 | 166,617 | 170,213 | 175,444 | 210,188 | 722,464 |
| | YoY | 134.2% | 121.1% | 118.9% | 115.1% | 121.3% | 114.3% | 107.8% | 116.1% | 107.0% | 110.9% |
| | Operating Profit | 1,979 | 2,245 | 968 | 7,012 | 12,205 | 4,071 | 2,130 | 1,965 | 5,587 | 13,754 |
| | YoY | 231.5% | 81.3% | 118.9% | 128.2% | 123.3% | 205.7% | 94.9% | 203.0% | 79.7% | 112.7% |
| | EBITDA | 2,852 | 3,265 | 1,869 | 7,959 | 15,946 | 4,996 | 3,048 | 3,094 | 6,841 | 17,980 |
| | YoY | 195.5% | 94.9% | 122.8% | 125.4% | 125.3% | 175.2% | 93.4% | 165.5% | 86.0% | 112.8% |
| Huis Ten Bosch Group | Net Sales | 7,654 | 7,408 | 6,658 | 8,959 | 30,680 | 7,415 | 6,273 | 6,503 | 7,893 | 28,086 |
| | YoY | - | - | - | - | - | 96.9% | 84.7% | 97.7% | 88.1% | 91.5% |
| | Operating Profit | 1,976 | 1,818 | 1,210 | 2,310 | 7,315 | 1,771 | 909 | 1,037 | 1,358 | 5,075 |
| | YoY | - | - | - | - | - | 89.7% | 50.0% | 85.7% | 58.8% | 69.4% |
| | EBITDA | 2,448 | 2,307 | 1,770 | 2,847 | 9,373 | 2,289 | 1,435 | 1,561 | 1,889 | 7,175 |
| | YoY | - | - | - | - | - | 93.5% | 62.2% | 88.2% | 66.3% | 76.5% |
| Hotel | Net Sales | 3,130 | 3,109 | 2,915 | 2,883 | 12,039 | 3,087 | 3,117 | 3,222 | 3,248 | 12,676 |
| | YoY | 184.7% | 161.5% | 168.9% | 101.9% | 147.2% | 98.6% | 100.3% | 110.5% | 112.7% | 105.3% |
| | Operating Profit | 394 | 319 | 130 | ▲35 | 808 | 257 | 210 | ▲409 | ▲275 | ▲217 |
| | YoY | 170.6% | 121.4% | 112.7% | - | 105.7% | 65.2% | 66.0% | - | - | - |
| | EBITDA | 732 | 654 | 458 | 272 | 2,117 | 520 | 523 | 151 | ▲136 | 1,059 |
| | YoY | 170.6% | 138.8% | 137.8% | 56.7% | 123.6% | 71.1% | 80.0% | 33.1% | - | 50.0% |



Quarterly Operating Results by Business Segment

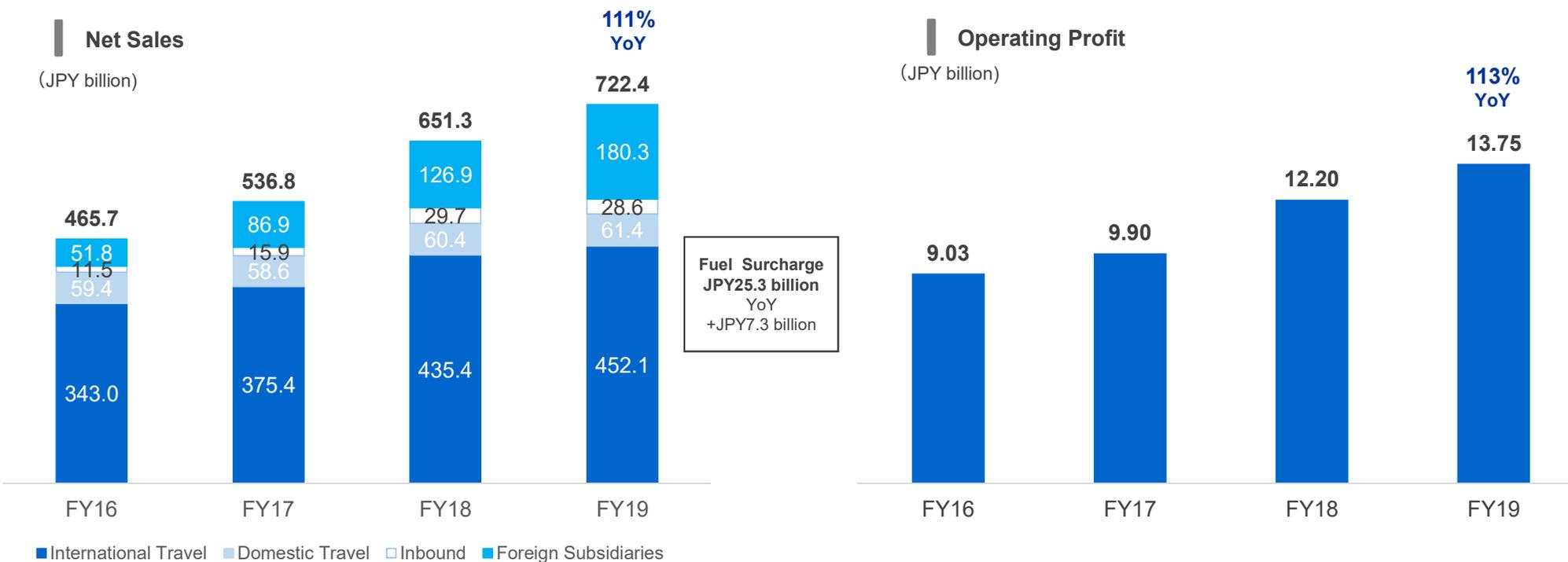
| (JPY million) | | FY18 | | | | | FY19 | | | | |
|---------------------------|------------------|--------|--------|-------|-------|--------|--------|--------|--------|--------|--------|
| | | 1Q | 2Q | 3Q | 4Q | Total | 1Q | 2Q | 3Q | 4Q | Total |
| Kyushu Sanko Group | Net Sales | 5,740 | 5,105 | 5,277 | 5,519 | 21,641 | 5,882 | 5,273 | 5,247 | 5,827 | 22,230 |
| | YoY | 97.8% | 96.1% | 98.6% | 96.0% | 97.1% | 102.5% | 103.3% | 99.4% | 105.6% | 102.7% |
| | Operating Profit | 235 | 114 | ▲25 | 74 | 398 | 183 | 114 | ▲58 | ▲81 | 158 |
| | YoY | 105.0% | 568.3% | - | 29.3% | 70.7% | 78.0% | 100.0% | - | - | 39.7% |
| | EBITDA | 455 | 349 | 226 | 364 | 1,395 | 405 | 344 | 182 | 270 | 1,203 |
| | YoY | 91.6% | 114.5% | 69.3% | 74.0% | 86.0% | 89.0% | 98.6% | 80.7% | 74.3% | 86.2% |
| Energy | Net Sales | 2,280 | 2,910 | 2,751 | 4,048 | 11,989 | 4,014 | 5,266 | 4,606 | 6,574 | 20,461 |
| | YoY | - | - | - | - | - | 176.1% | 181.0% | 167.4% | 162.4% | 170.7% |
| | Operating Profit | ▲32 | ▲341 | 100 | ▲155 | ▲428 | 118 | 244 | 131 | 479 | 974 |
| | YoY | - | - | - | - | - | - | - | 130.6% | - | - |
| | EBITDA | ▲26 | ▲335 | 140 | ▲139 | ▲360 | 135 | 264 | 151 | 499 | 1,050 |
| | YoY | - | - | - | - | - | - | - | 107.7% | - | - |
| Others | Net Sales | 1,148 | 1,595 | 1,538 | 1,614 | 5,896 | 1,556 | 1,877 | 2,479 | 2,463 | 8,376 |
| | Operating Profit | 42 | ▲2 | 122 | ▲141 | 21 | 101 | 125 | 221 | 140 | 590 |
| | EBITDA | 138 | 104 | 236 | ▲38 | 441 | 223 | 245 | 344 | 264 | 1,077 |

- 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 Others to Energy Business
- Huis Ten Bosch Technology Center and its subsidiary, West Japan Engineering, were reclassified from Huis Ten Bosch Group to Others



Travel Business

- International travel from Japan: **Sales were solid at 104% YoY**, as decrease in demands after the Golden Week was more than offset by recovery of travel to Guam and by demands for travel to Europe
- Overseas subsidiaries: **Sales and operating profit grew** significantly due to strong results of inbound business in addition to the consolidation of **Red Label** (3Q)
- Inbound travel to Japan: Although recovery was observed in the 4Q, operating profit was negatively affected by profitability deterioration due to the change in competitive environments in the Chinese market



Travel Business: Quarterly Operating Results by Sub-Segment

| (JPY million) | FY18 | | | | | FY19 | | | | |
|---|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | 1Q | 2Q | 3Q | 4Q | Total | 1Q | 2Q | 3Q | 4Q | Total |
| Travel Business Total Net Sales | 145,746 | 157,941 | 151,159 | 196,455 | 651,303 | 166,617 | 170,213 | 175,444 | 210,188 | 722,464 |
| YoY | 134.2% | 121.1% | 118.9% | 115.1% | 121.3% | 114.3% | 107.8% | 116.1% | 107.0% | 110.9% |
| International Travel from Japan / Transaction Amount | 92,317 | 106,883 | 102,663 | 133,611 | 435,475 | 98,532 | 122,376 | 101,553 | 129,655 | 452,117 |
| YoY | 112.4% | 112.7% | 119.5% | 118.8% | 116.1% | 106.7% | 114.5% | 98.9% | 97.0% | 103.8% |
| Fuel Surcharge (included in the transaction amount above) | 2,162 | 4,430 | 4,560 | 6,806 | 17,960 | 6,030 | 8,005 | 4,308 | 6,957 | 25,302 |
| Domestic Travel in Japan / Transaction Amount | 11,776 | 16,435 | 13,785 | 18,413 | 61,443 | 11,941 | 17,576 | 13,693 | 18,232 | 61,443 |
| YoY | 109.0% | 104.9% | 99.5% | 99.5% | 102.7% | 101.4% | 106.9% | 99.3% | 99.0% | 101.7% |
| Inbound Travel to Japan / Transaction Amount | 5,901 | 7,212 | 8,879 | 7,796 | 29,790 | 7,052 | 7,615 | 7,873 | 6,066 | 28,608 |
| YoY | 202.6% | 191.1% | 183.5% | 157.5% | 180.7% | 119.5% | 105.6% | 88.7% | 77.8% | 96.0% |
| Overseas Subsidiaries / Inbound Transaction Amount | 44,088 | 33,129 | 38,373 | 51,708 | 167,299 | 56,070 | 35,339 | 41,186 | 50,748 | 183,343 |
| YoY | 229.8% | 192.9% | 201.4% | 129.0% | 175.2% | 127.1% | 106.7% | 107.3% | 98.1% | 109.6% |
| Overseas Subsidiaries / Outbound Transaction Amount | 18,897 | 20,222 | 21,248 | 19,634 | 80,002 | 19,719 | 20,213 | 40,124 | 40,242 | 120,298 |
| YoY | 205.3% | 145.2% | 110.4% | 104.7% | 142.4% | 104.3% | 100.0% | 188.8% | 205.0% | 150.4% |
| Eliminations of internal transactions, adjustments, etc. | ▲27,234 | ▲25,950 | ▲32,821 | ▲34,707 | ▲120,715 | ▲26,697 | ▲32,906 | ▲28,985 | ▲34,754 | ▲123,345 |

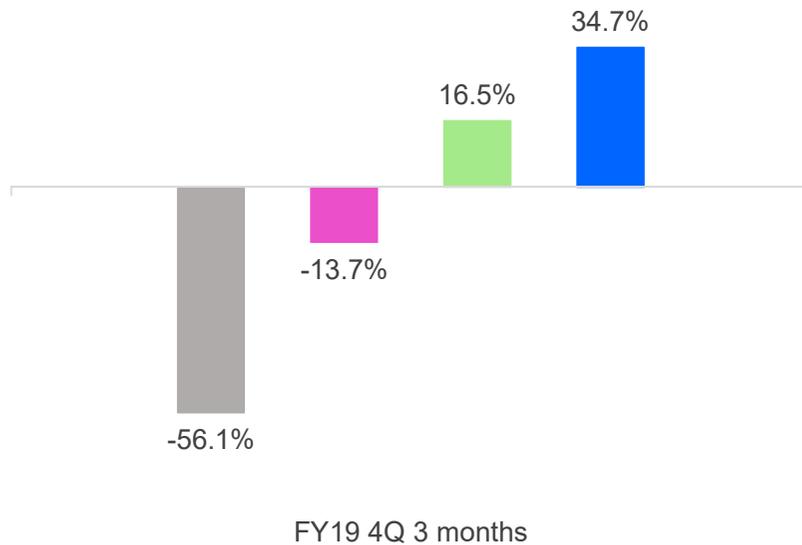


Travel Business / Number of Passengers by Destination (International Travel, YoY)

Unstable situations in Hong Kong and South Korea have impacts in the short term, but **have only minor impacts for the full year**.

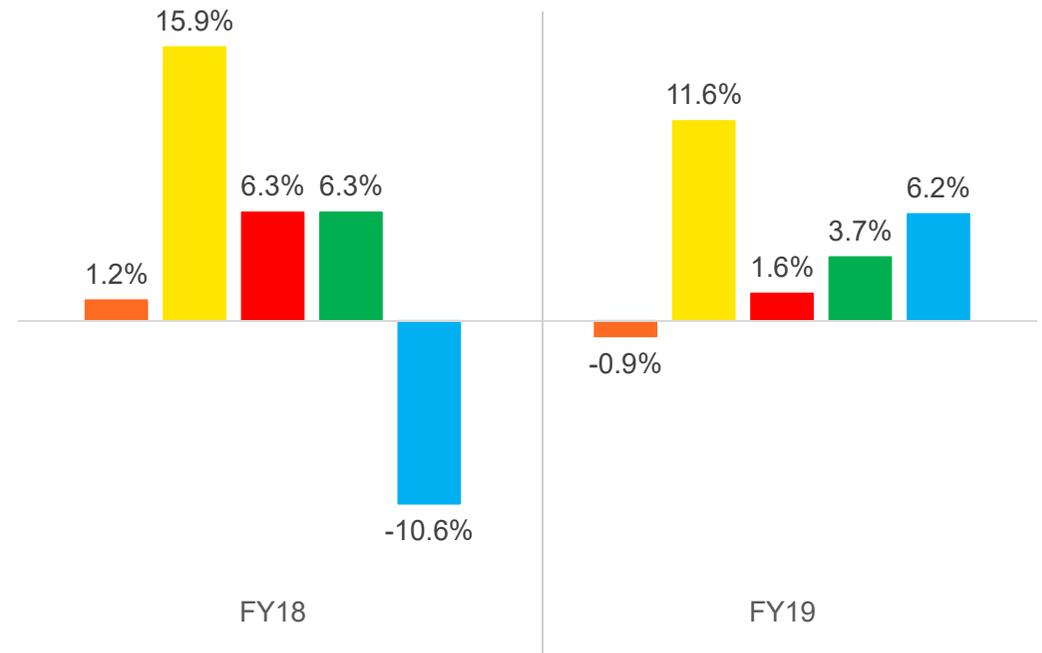
By Country

■ Hong Kong ■ South Korea ■ Singapore ■ Guam



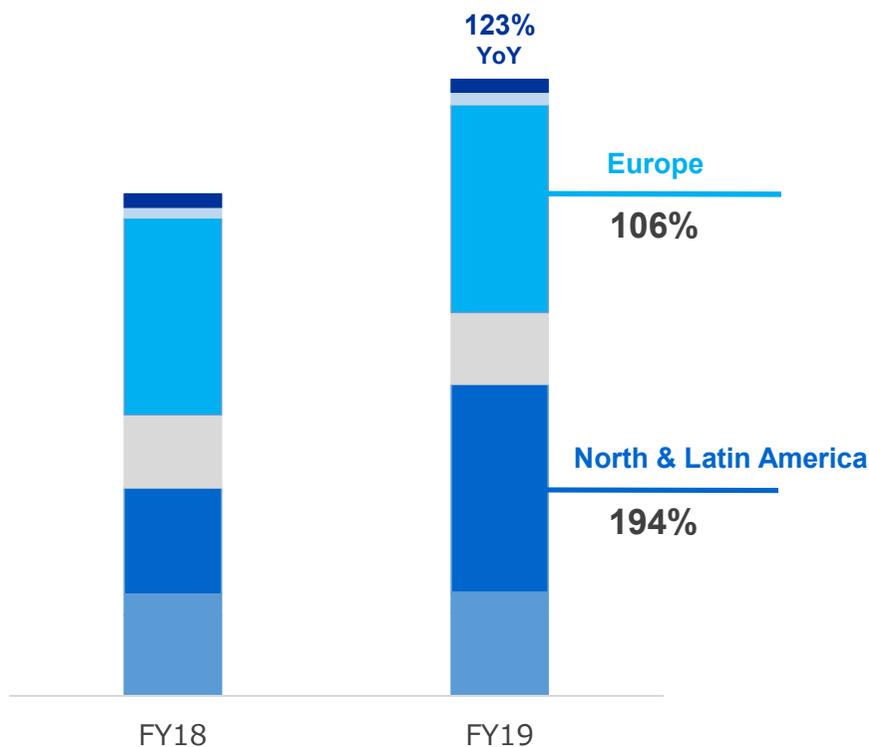
By Region

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



Travel Business / Overseas Subsidiaries / Trends by Region

Net Sales of Overseas Subsidiaries



- Asia
- Europe
- North&Latin America
- Middle East/Africa
- Beach
- Oceania

※ before eliminations of internal transactions

Europe

Net sales grew as sales of travel to Europe were strong both at existing foreign subsidiaries and at Miki. Especially inbound business was strong.

| | |
|---------------------|------|
| Inbound (existing) | 111% |
| Outbound (existing) | 104% |
| MIKI | 104% |

North & Latin America

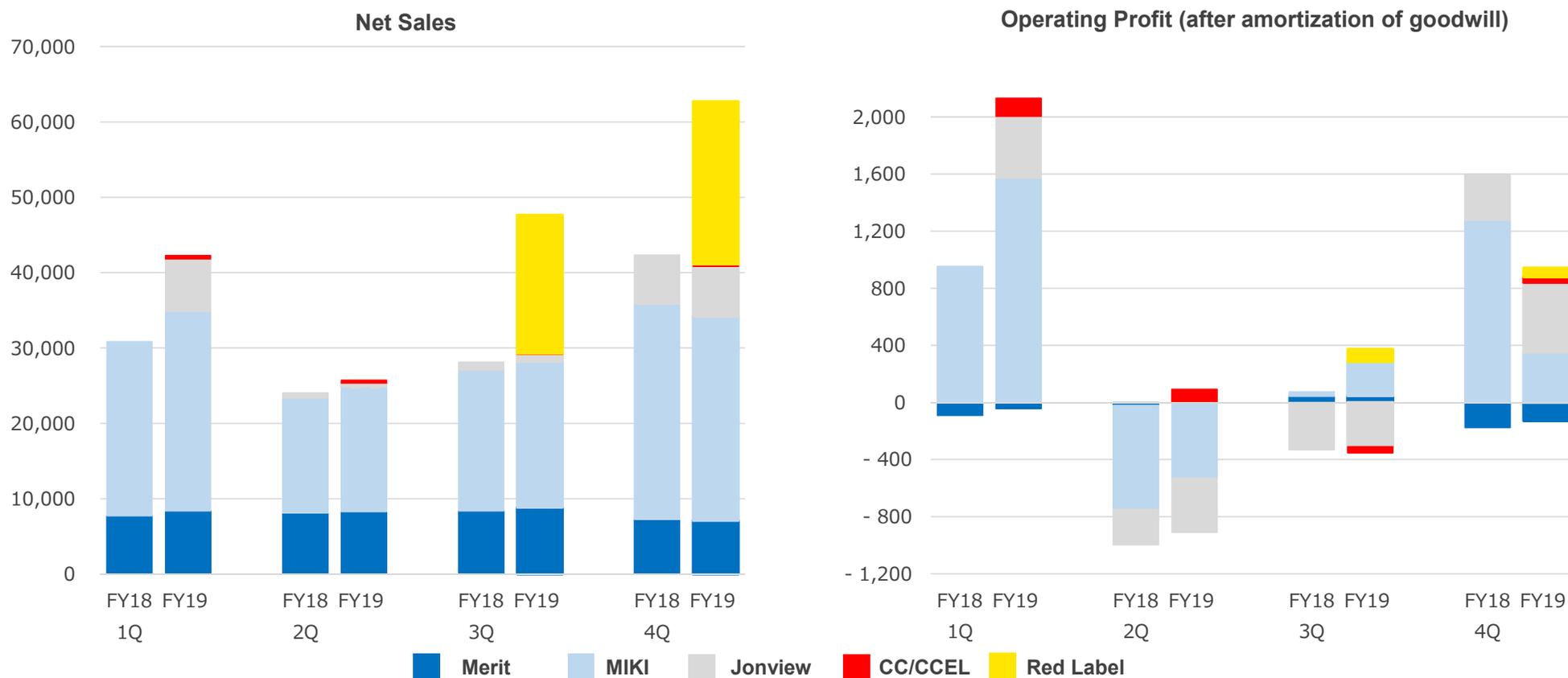
Net sales increased significantly due to new consolidation of Red Label Vacations in addition to full-year consolidation of Jonview in North America

| | |
|---------------------|------|
| Inbound (existing) | 113% |
| Outbound (existing) | 97% |
| Jonview | 183% |

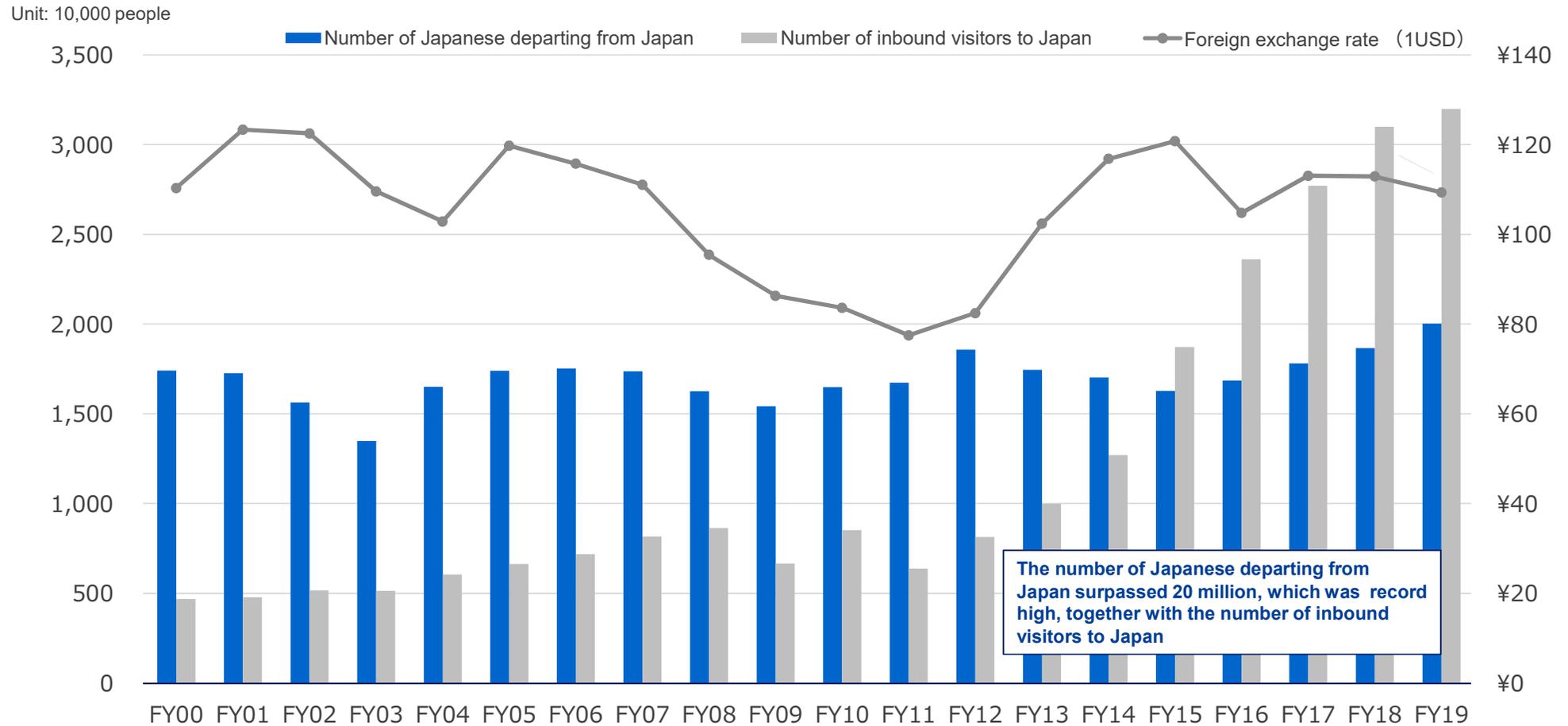


Travel Business / Quarterly Operating Results of Newly Consolidated Subsidiaries

(JPY million)



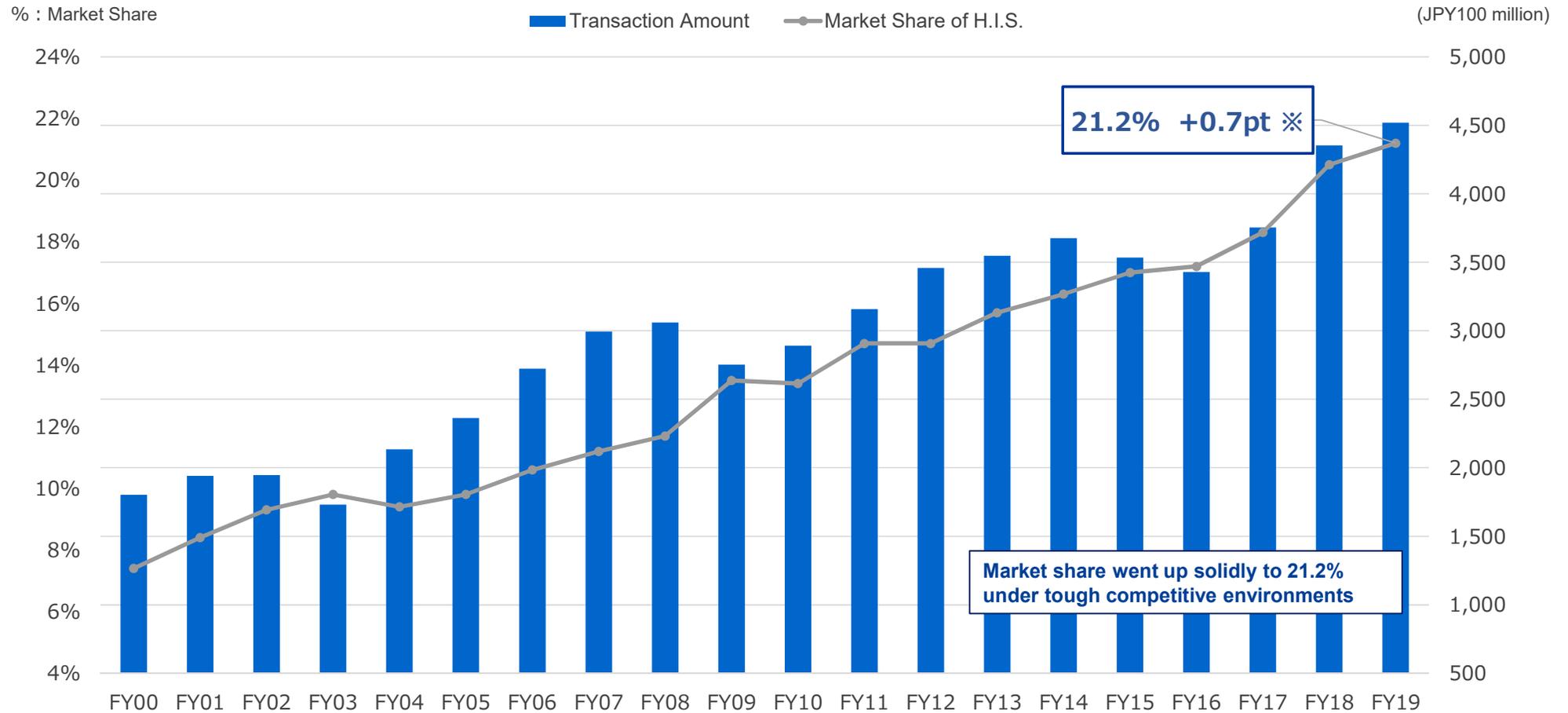
[Reference Data] Summary of Travel Industry Market



Source : JNTO Period : November - October

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[Reference Data] Market Share of International Travel Transaction Amount among Major Travel Companies



Source : JNTO Period : November - October

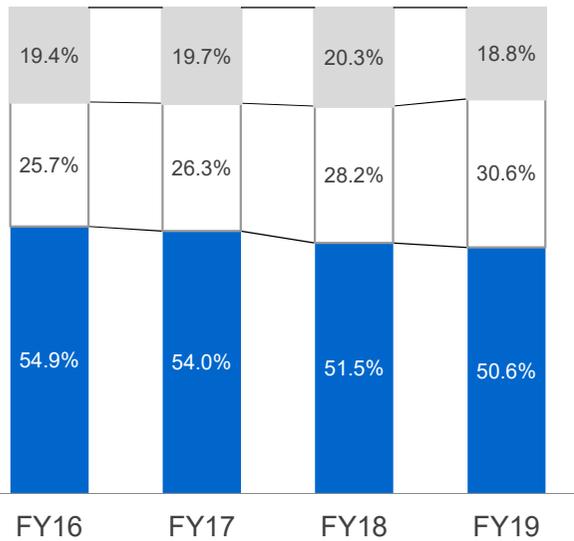
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※Estimate by H.I.S. Group

[Reference Data] Breakdown of International Travel Business

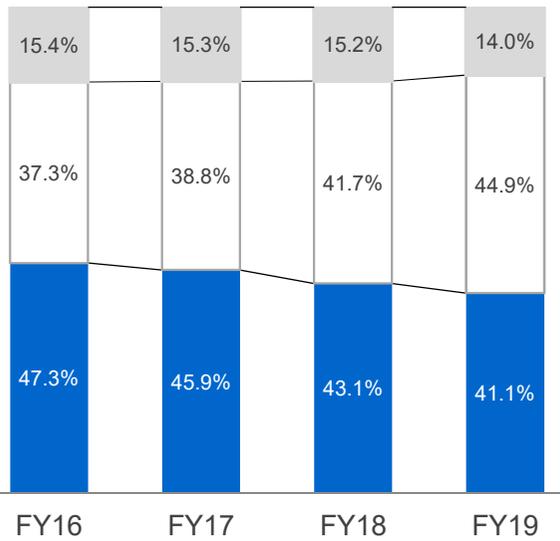
Sales of International Travel from Japan by Sales Channel

■ Sales Office □ Online ■ Corporate



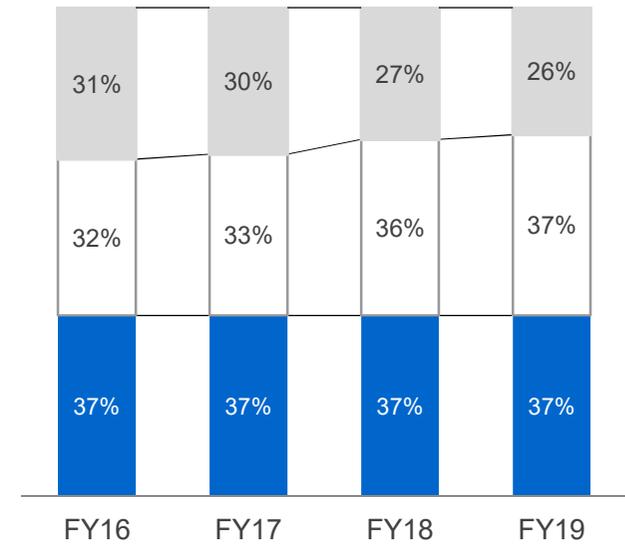
Number of Passengers of International Travel from Japan by Sales Channel

■ Sales Office □ Online ■ Corporate



Sales of International Travel from Japan by Destination

■ Hawaii/Micronesia □ Europe/Americas/Australia ■ Asia



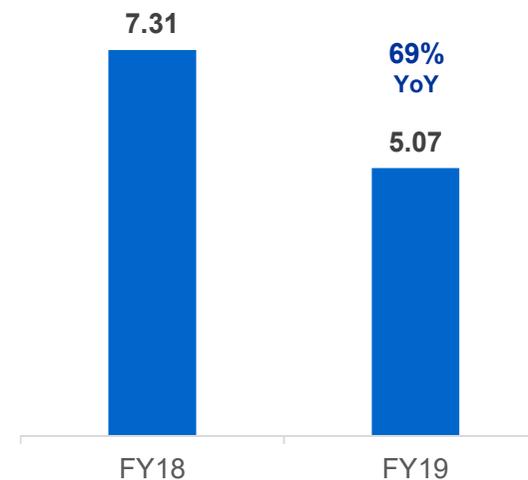
Huis Ten Bosch Group

- Both sales (**92%** YoY) and operating profit (**69%** YoY) declined due to **the decrease in the number of visitors to Huis Ten Bosch**.
- The number of visitors to Huis Ten Bosch was 2,540,000 (**94%** YoY) due to the decrease in the number of inbound visitors from major countries in addition to the decrease of new events and the impact of weather.

Net Sales
(JPY billion)



Operating Profit
(JPY billion)



※ Numbers for only 2 fiscal years due to reclassification of business segments

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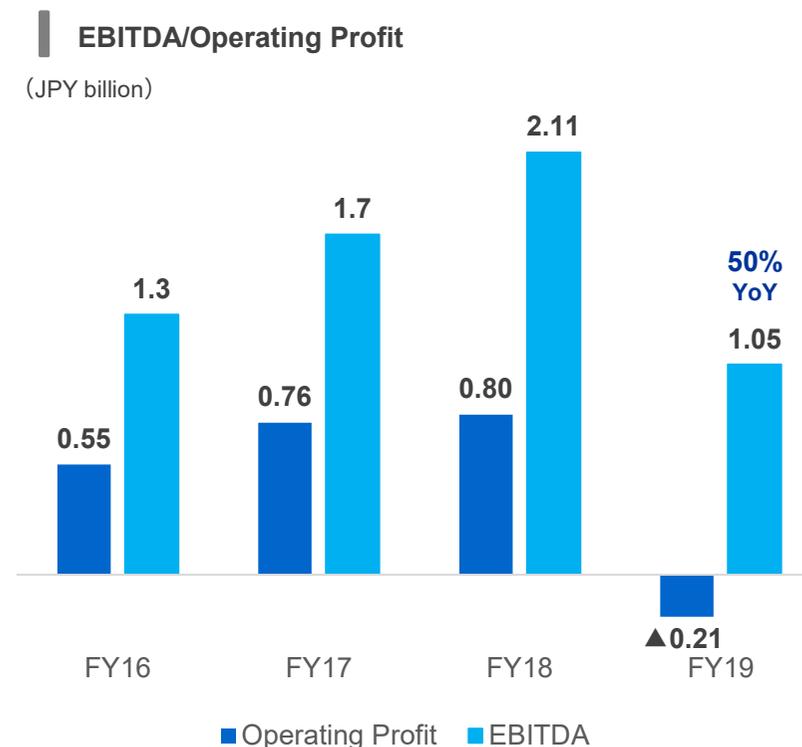
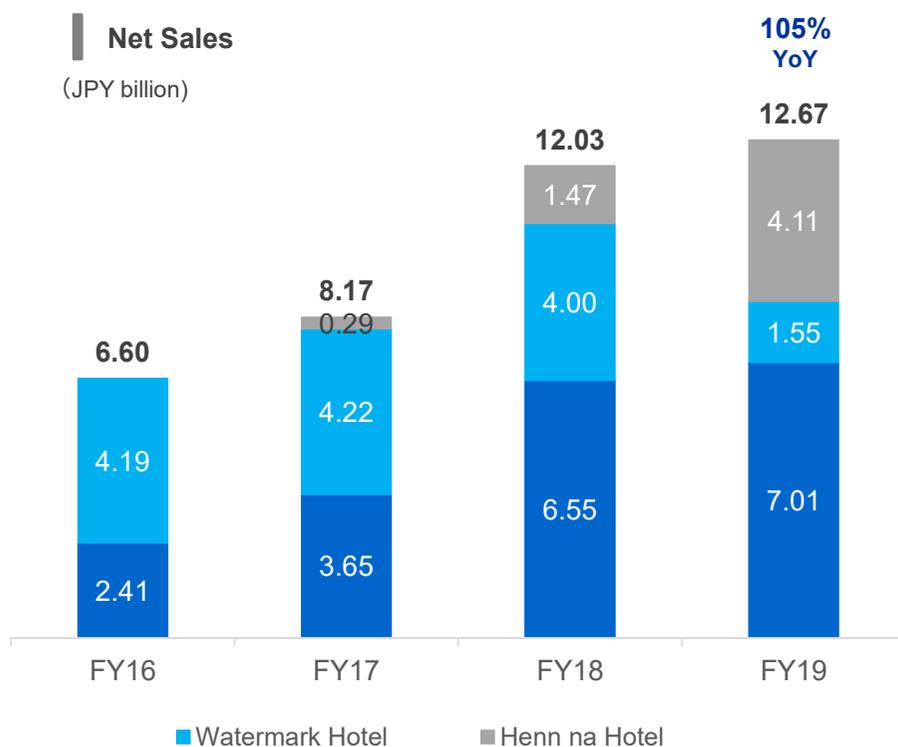
Huis Ten Bosch / Non-Consolidated Quarterly Operating Results

| (JPY million) | FY18 | | | | | FY19 | | | | |
|---|--------|--------|--------|--------|--------|-------|--------|--------|--------|--------|
| | 1Q | 2Q | 3Q | 4Q | Total | 1Q | 2Q | 3Q | 4Q | Total |
| Transaction Amount (before consolidation adjustments) | 7,361 | 7,167 | 6,340 | 7,515 | 28,384 | 7,079 | 5,968 | 6,133 | 6,406 | 25,586 |
| YoY | 97.9% | 104.3% | 99.5% | 89.7% | 97.3% | 96.1% | 83.2% | 96.7% | 85.2% | 90.1% |
| Operating Profit | 2,049 | 2,062 | 1,285 | 1,779 | 7,176 | 1,894 | 1,277 | 1,112 | 1,012 | 5,295 |
| YoY | 92.2% | 109.3% | 87.7% | 88.4% | 94.5% | 92.4% | 61.9% | 86.5% | 56.9% | 73.8% |
| Number of Visitors (10,000) | 72.9 | 66.6 | 62.3 | 70.3 | 272.2 | 70.8 | 59.6 | 60.4 | 63.7 | 254.7 |
| YoY | 92.4% | 96.9% | 96.6% | 92.6% | 94.4% | 97.2% | 89.4% | 97.0% | 90.7% | 93.6% |
| Foreign Visitors (included in the number above, 10,000) | 4.3 | 4.7 | 5.0 | 4.3 | 18.4 | 3.5 | 4.2 | 4.5 | 4.0 | 16.3 |
| YoY | 121.6% | 91.4% | 90.9% | 89.6% | 96.3% | 82.1% | 89.3% | 89.9% | 93.3% | 88.7% |
| Number of Hotel Guests (10,000) | 7.6 | 8.1 | 6.5 | 7.9 | 30.2 | 7.3 | 7.0 | 6.3 | 7.7 | 28.4 |
| YoY | 94.5% | 101.7% | 101.6% | 90.8% | 96.7% | 96.1% | 85.3% | 96.9% | 97.5% | 94.0% |
| Unit Price (JPY, rounded down to the nearest hundred) | 10,000 | 10,700 | 10,100 | 10,600 | 10,400 | 9,900 | 10,000 | 10,100 | 10,000 | 10,000 |
| Increase/Decrease | +500 | +800 | +300 | -300 | +300 | -100 | -770 | ±0 | -600 | -400 |



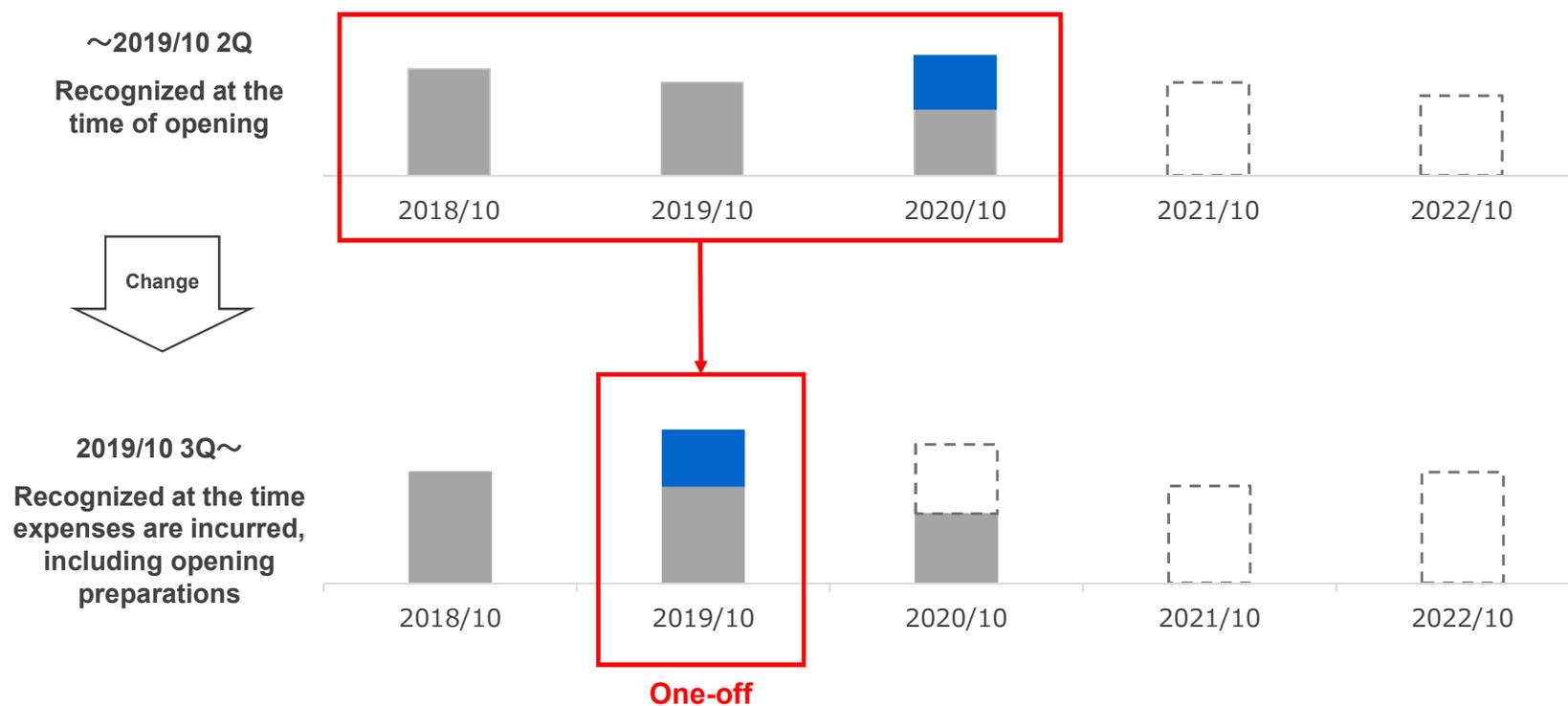
Hotel Business

- **Henn na Hotel** business showed solid operating results with **the increase in the number of hotels** and **full-year contribution**, but operating profit for the segment as a whole declined due to the sale of Watermark Hotel to a third party and to **opening expenses**.
- Henn na Hotel newly opened in Kyoto and Asakusa. The number of hotels **increased by 6** during the fiscal year under review.



Hotel Business / Major Reasons for Operating Profit Decrease

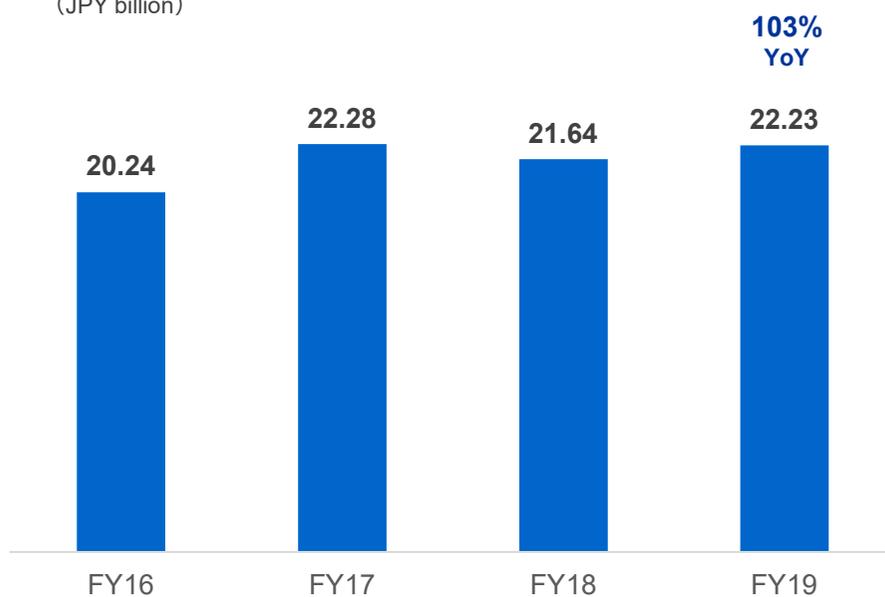
- As the timing to recognize operating expenses was changed to “at the time the expenses are incurred” from “after the start of operation”, expenses that were supposed to be recognized in the next fiscal year and beyond were recognized all at once during the fiscal year under review.



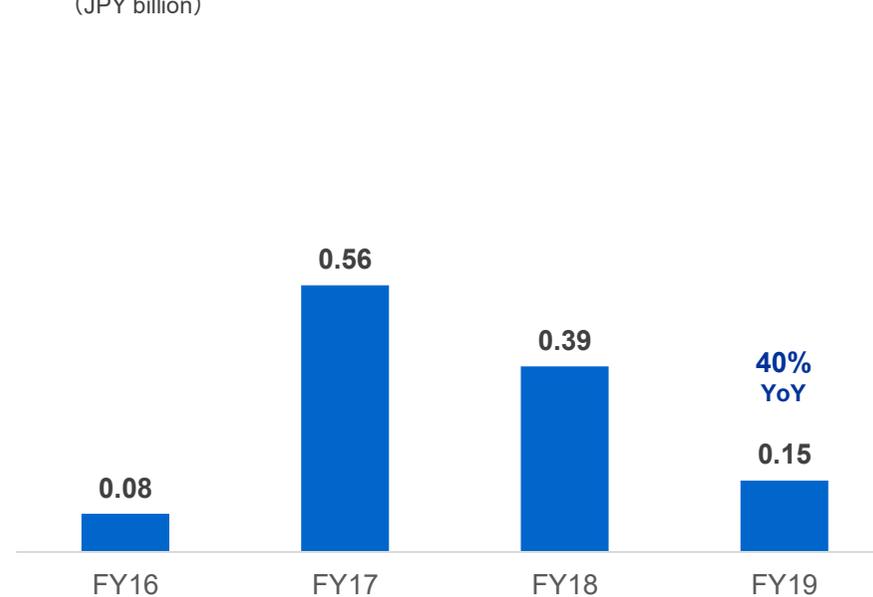
Kyushu Sanko Group

- Due to **the increase in the number of passengers of express buses** such as the airport line and **expansion of maintenance business**, net sales grew (103% YoY) , but operating profit declined due to increased costs of the redevelopment business
- 「SAKURA MACHI Kumamoto」, a large commercial complex, started operations on September 14, 2019

Net Sales
(JPY billion)



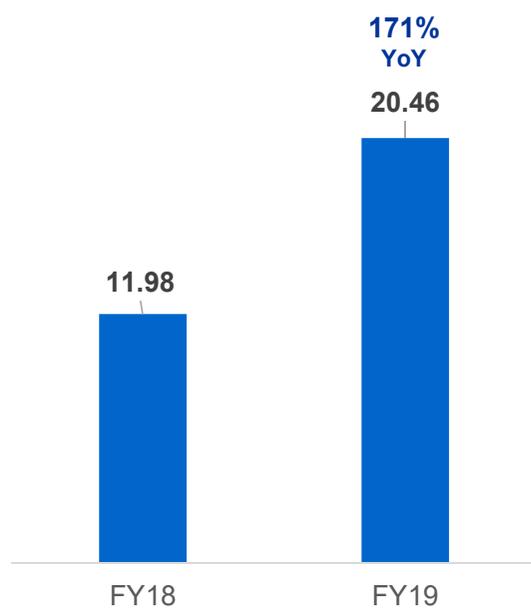
Operating Profit
(JPY billion)



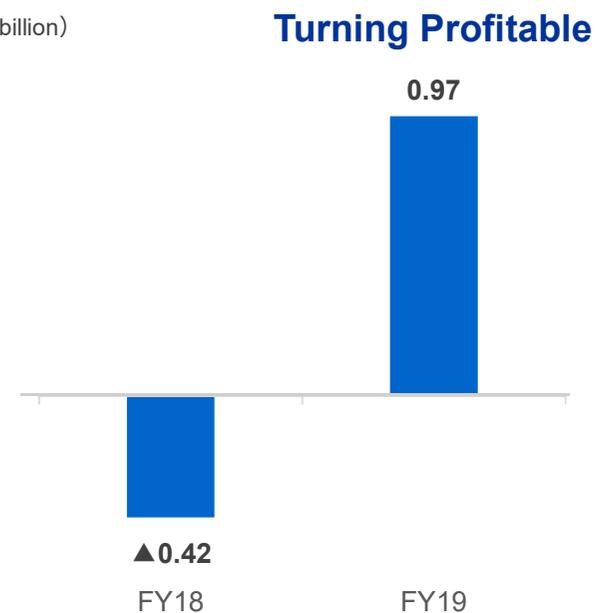
Energy Business

- Sales grew significantly (171% YoY) due to **solid increase in the number of contracts**
- Operating profit improved significantly, turning profitable from losses in the previous fiscal year, by **diversifying procurement sources**.

Net Sales
(JPY billion)



Operating Profit
(JPY billion)



※ Numbers for only 2 fiscal years as this is a new business segment



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

(JPY million)

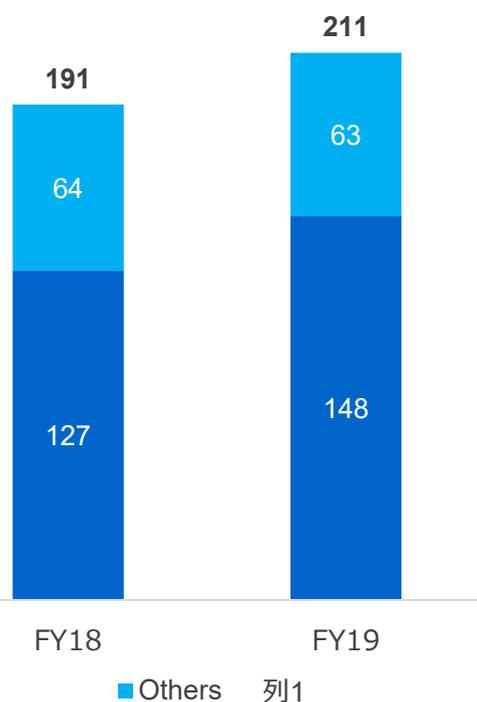
| | FY18 4Q | FY19 4Q | Increase/Decrease |
|---------------------------------------|----------------|----------------|-------------------|
| Cash and deposits | 213,960 | 219,175 | 5,214 |
| Notes and accounts receivable – trade | 44,376 | 45,653 | 1,277 |
| Operating accounts receivable | 5,048 | 4,287 | ▲761 |
| Travel advance payments | 34,347 | 52,102 | 17,755 |
| Others | 22,196 | 27,061 | 4,865 |
| Total current assets | 319,929 | 348,280 | 28,351 |
| Property, plant and equipment | 116,102 | 147,098 | 30,996 |
| Intangible assets | 12,964 | 19,271 | 6,306 |
| Goodwill | 7,232 | 7,305 | 73 |
| Investments and other assets | 59,807 | 55,275 | ▲4,531 |
| Total non-current assets | 196,105 | 228,951 | 32,845 |
| Deferred assets | 432 | 168 | ▲264 |
| Total assets | 516,468 | 577,399 | 60,931 |

| | FY18 4Q | FY19 4Q | Increase/Decrease |
|---|----------------|----------------|-------------------|
| Operating accounts payable | 36,933 | 38,082 | 1,149 |
| Travel advance received | 68,344 | 92,760 | 24,415 |
| Bonds and convertible bonds payable | 85,141 | 55,090 | ▲30,051 |
| Long-term loans payable | 124,317 | 183,951 | 59,634 |
| Others | 86,089 | 83,605 | ▲2,484 |
| Total liabilities | 400,826 | 453,490 | 52,663 |
| Capital stock | 11,000 | 11,000 | 0 |
| Capital surplus | 3,451 | 3,392 | ▲59 |
| Retained earnings | 102,083 | 112,409 | 10,326 |
| Treasury shares | ▲28,611 | ▲28,309 | 302 |
| Accumulated other comprehensive income | 304 | ▲1,719 | ▲2,023 |
| Share acquisition rights | 431 | 0 | ▲431 |
| Non-controlling interests | 26,982 | 27,135 | 153 |
| Total net assets | 115,641 | 123,909 | 8,268 |
| Total liabilities and net assets | 516,468 | 577,399 | 60,931 |

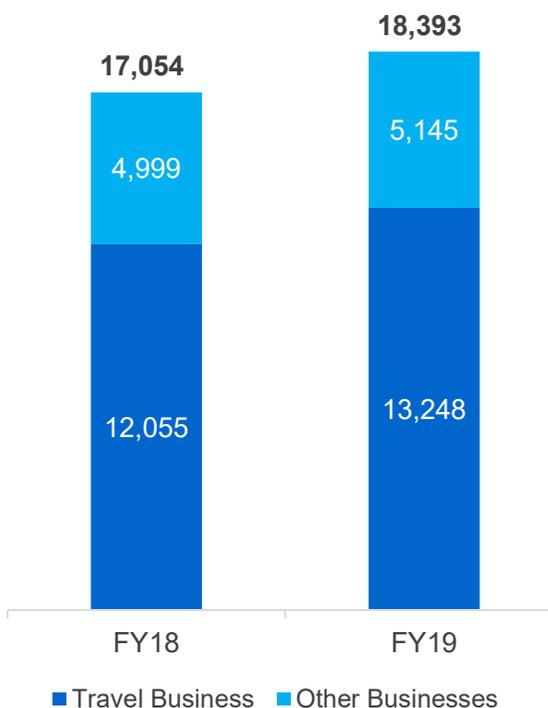


[Reference Data] Other Data as Compared to the End of the Previous Fiscal Year

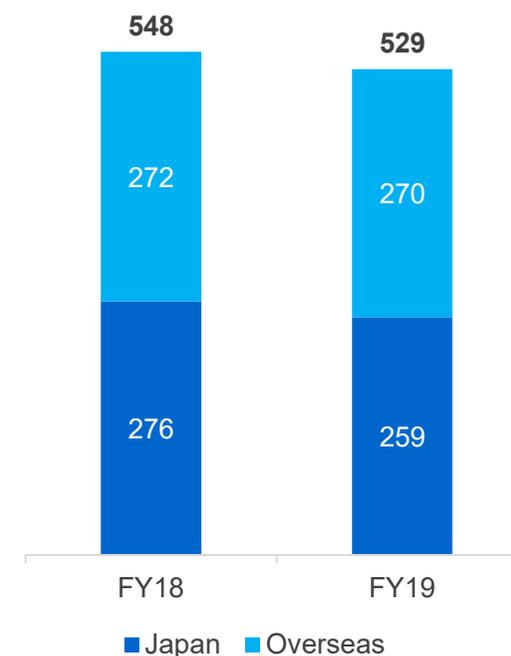
The Number of Group Companies



The Number of Employees



The Number of Sales Offices



2. Financial Forecasts for FY Oct 2020 and Key Business Strategies



Consolidated Financial Forecasts

- Leisure demands are expected to be solid, although the impact of tax increase and demands during the Olympic Games are uncertain
- Foreign exchange gains/losses are not factored in the financial forecasts

| (JPY million) | FY19 | FY20 | YoY | Increase /Decrease | FY19 1H | FY20 1H | YoY | FY19 2H | FY20 2H | YoY |
|---|-----------|------------------|------|--------------------|---------|----------------|------|---------|----------------|------|
| Net Sales | 808,510 | 900,000 | 111% | 91,489 | 377,839 | 438,400 | 116% | 430,671 | 461,600 | 107% |
| Gross Profit | 144,134 | 155,000 | 108% | 10,866 | 69,488 | 76,000 | 109% | 74,646 | 79,000 | 106% |
| Operating Profit | 17,540 | 19,300 | 110% | 1,759 | 8,979 | 9,600 | 107% | 8,561 | 9,700 | 113% |
| EBITDA | 27,263 | 30,900 | 113% | 3,637 | 13,372 | 15,420 | 115% | 13,891 | 15,480 | 111% |
| Ordinary Profit | 17,089 | 19,500 | 114% | 2,411 | 8,874 | 9,800 | 110% | 8,215 | 9,700 | 121% |
| Net Profit Attributable to Owner of Parent | 12,249 | 11,000 | 90% | ▲1,249 | 4,964 | 5,400 | 109% | 7,285 | 5,600 | 77% |
| EPS | JPY213.63 | JPY191.67 | — | — | — | — | — | — | — | — |
| Dividend (Plan) | JPY33 | JPY33 | — | — | — | — | — | — | — | — |



Financial Forecasts by Business Segment

| (JPY million) | | FY19 | FY20 | Increase /Decrease | YoY | FY19 1H | FY20 1H | Increase /Decrease | FY19 2H | FY20 2H | Increase /Decrease |
|-------------------------|----------------------------|---------|-----------------|--------------------|------|---------|---------|--------------------|---------|---------|--------------------|
| Net Sales | Travel Business | 722,464 | 794,000 | 71,535 | 110% | 336,831 | 386,000 | 49,168 | 385,633 | 408,000 | 22,367 |
| | Huis Ten Bosch Group | 28,086 | 30,000 | 1,913 | 107% | 13,689 | 14,000 | 310 | 14,397 | 16,000 | 1,603 |
| | Hotel Business | 12,676 | 15,000 | 2,323 | 118% | 6,205 | 7,500 | 1,294 | 6,471 | 7,500 | 1,029 |
| | Kyushu Sanko Group | 22,230 | 28,000 | 5,769 | 126% | 11,155 | 14,300 | 3,144 | 11,075 | 13,700 | 2,625 |
| | Energy Business | 20,461 | 38,400 | 17,938 | 188% | 9,281 | 14,700 | 5,418 | 11,180 | 23,700 | 12,520 |
| | Others | 8,376 | 9,600 | 1,223 | 115% | 3,433 | 4,400 | 966 | 4,943 | 5,200 | 257 |
| | Adjustments & eliminations | ▲5,785 | ▲ 15,000 | ▲9,214 | — | ▲2,757 | ▲2,500 | 257 | ▲3,028 | ▲12,500 | ▲9,471 |
| Operating Profit | Travel Business | 13,754 | 14,700 | 945 | 107% | 6,201 | 6,500 | 298 | 7,553 | 8,200 | 647 |
| | Huis Ten Bosch Group | 5,075 | 5,400 | 324 | 106% | 2,680 | 2,600 | ▲80 | 2,395 | 2,800 | 404 |
| | Hotel Business | ▲217 | 550 | 767 | — | 467 | 470 | 2 | ▲684 | 80 | 765 |
| | Kyushu Sanko Group | 158 | 1,120 | 961 | 708% | 297 | 790 | 492 | ▲139 | 330 | 469 |
| | Energy Business | 974 | 840 | ▲134 | 86% | 363 | 280 | ▲83 | 611 | 560 | ▲51 |
| | Others | 589 | 820 | 230 | 139% | 226 | 450 | 223 | 363 | 370 | 7 |
| | Adjustments & eliminations | ▲2,795 | ▲ 4,130 | ▲1,334 | — | ▲1,259 | ▲1,490 | ▲230 | ▲1,536 | ▲2,640 | ▲1,104 |
| EBITDA | Travel Business | 17,980 | 20,000 | 2,020 | 111% | 8,045 | 9,160 | 1,115 | 9,935 | 10,840 | 905 |
| | Huis Ten Bosch Group | 7,175 | 7,830 | 655 | 109% | 3,724 | 3,820 | 96 | 3,451 | 4,010 | 559 |
| | Hotel Business | 1,059 | 2,250 | 1,191 | 213% | 1,044 | 1,320 | 276 | 15 | 930 | 915 |
| | Kyushu Sanko Group | 1,203 | 2,170 | 967 | 180% | 750 | 1,320 | 570 | 453 | 850 | 397 |
| | Energy Business | 1,050 | 930 | ▲120 | 89% | 399 | 320 | ▲79 | 651 | 610 | ▲41 |
| | Others | 1,077 | 1,310 | 233 | 122% | 468 | 695 | 227 | 609 | 615 | 6 |
| | Adjustments & eliminations | ▲2,283 | ▲ 3,590 | ▲1,307 | — | ▲1,060 | ▲1,215 | ▲155 | ▲1,223 | ▲2,375 | ▲1,152 |



Business Strategy Highlights for FY Oct 2020 and Beyond

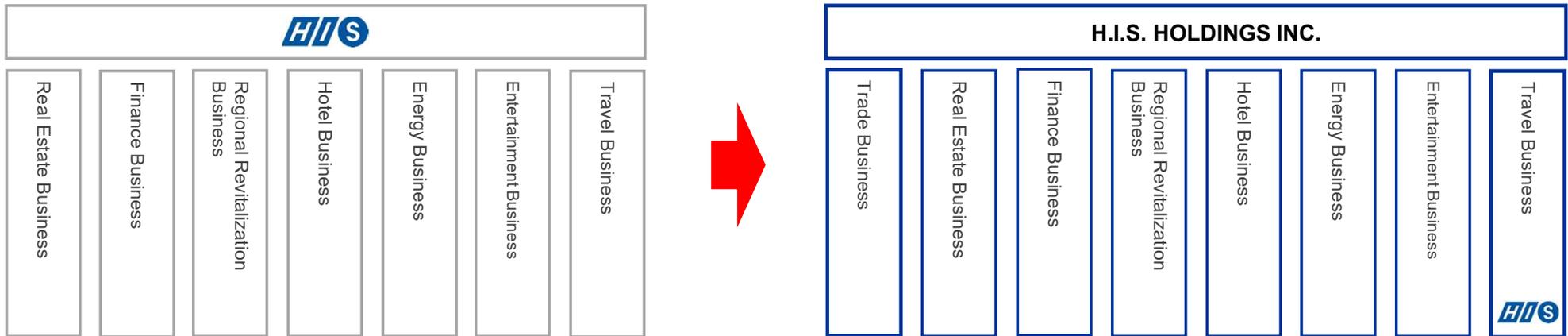
Business portfolio is to be strengthened, centering on core businesses

| | | | | | | | | | |
|--|---|--|--|--|--|--|--|---|--|
| <p>Travel</p> <ul style="list-style-type: none"> To be No.1 in international travel from Japan To enhance global business  | <p>Entertainment</p> <ul style="list-style-type: none"> To realize an integrated resort representing Asia  | <p>Hotel</p> <ul style="list-style-type: none"> To increase the number of hotels operated by H.I.S. Group to 100 in the mid/long term  | <p>Energy</p> <ul style="list-style-type: none"> To grow retail business continuously Power generation by natural resources  | <p>Regional Revitalization</p> <ul style="list-style-type: none"> To develop a town centered on the bus business  | <p>Finance</p> <ul style="list-style-type: none"> To provide insurance, bank agency services, etc.  | | | | |
| <p>Real Estate</p> <ul style="list-style-type: none"> To acquire excellent properties To increase the added value of the properties | <p>Trade</p> <ul style="list-style-type: none"> To capitalize on the global network To challenge various possibilities | <p>Challenge Business Domains</p> <ul style="list-style-type: none"> To challenge new businesses actively that would lead to world peace and to search for new business seeds <table border="0"> <tr> <td data-bbox="963 1077 1153 1220"> <p>Robot</p>  </td> <td data-bbox="1187 1077 1422 1220"> <p>Food</p>  </td> <td data-bbox="1467 1077 1668 1220"> <p>Space</p>  </td> <td data-bbox="1713 1077 1859 1220"> <p>Mobility</p>  </td> </tr> </table> | | | | <p>Robot</p>  | <p>Food</p>  | <p>Space</p>  | <p>Mobility</p>  |
| <p>Robot</p>  | <p>Food</p>  | <p>Space</p>  | <p>Mobility</p>  | | | | | | |

Business Strategy Highlights for FY Oct 2020 and Beyond

Next generation management structure is to be established to respond to business diversification

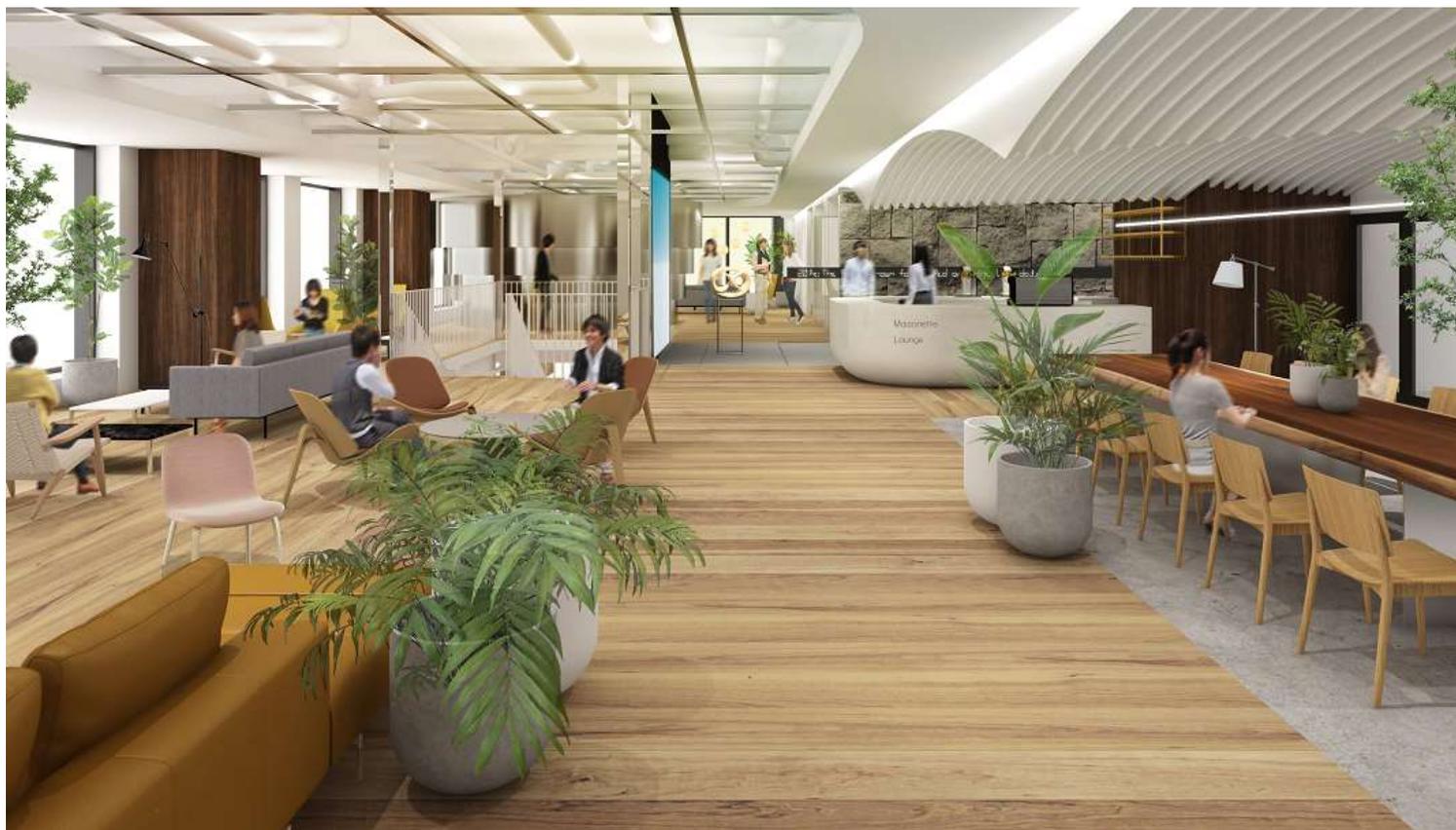
**Scheduled to become a holding company
on August 1, 2020**



(Draft idea only)

Business Strategy Highlights for FY Oct 2020 and Beyond

The headquarter is scheduled to be moved to Kamiyacho, Minato ward, Tokyo in around June 2020 to respond to the **increase in the number of employees for business expansion** and to **improve working environments**. The floor space is expected to increase by about 50%.



Travel Business

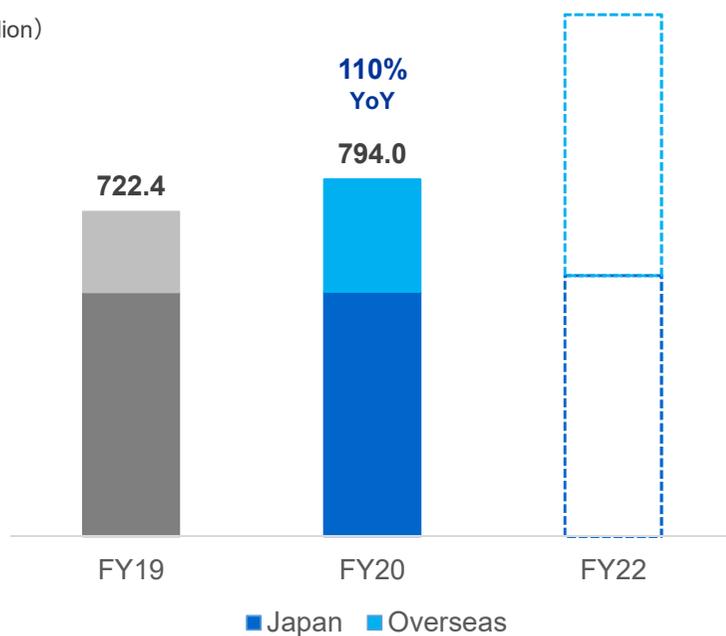


Future Initiatives / Travel Business

- **The growing & expanding global travel market is to be captured** via M&A and organic growth. Transaction amount of foreign subsidiaries is to grow to the same level of that of travel business in Japan in the future.
- For FY2020, sales and operating profit are expected to grow due to **strengthened procurement in relation to the increased number of flights from/to Haneda** and **full-year consolidation of Red Label**, although there are concerns such as the decreased demands for summer travel during the Olympic Games and insufficient number of flight seats for inbound travelers to Japan, in addition to YoY comparison of Golden Week

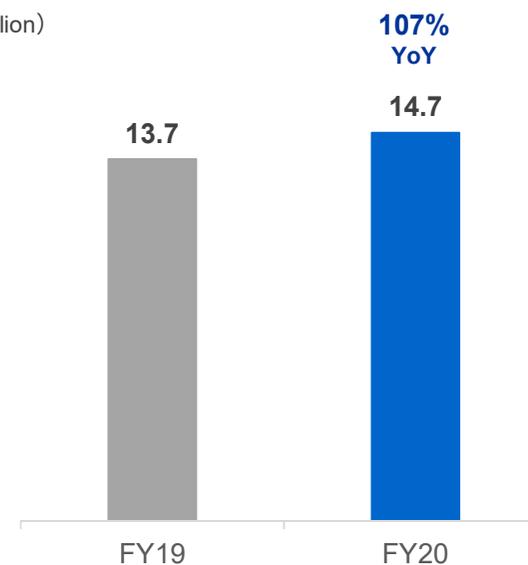
Segment Net Sales Forecasts

(JPY billion)



Segment Operating Profit Forecasts

(JPY billion)



Future Initiatives / Travel Business in Japan

Procurement is to be strengthened with the increased number of flights from/to Haneda

The number of flights from/to Europe and America will be significantly increased from summer of 2020

| Country | Allocation Number (per day) | |
|------------------------------|-----------------------------|---------------------------|
| | Japan side | Counterparty country side |
| U.S.A. (including Hawaii) | 12 flights | 12 flights |
| Russia | 2 flights | 2 flights |
| Italy | 1 flight | 1 flight |
| Turkey | 1 flight | 1 flight |
| Finland | 1 flight | 1 flight |
| Scandinavia | 1 flight | 1 flight |
| Australia | 2 flights | 2 flights |
| China | 4 flights | 4 flights |
| India | 1 flight | 1 flight |
| Total | 25 flights | 25 flights |

North
America

Hawaii

Europe

Sales of long distance flights are to be strengthened

- To realize procurement ahead of competitors
- To create products to improve convenience from regional areas
- To secure profits by attracting customers exclusively before intensified competition

Future Initiatives / Travel Business in Japan

Further differentiation is to be promoted



Hawaii

- “Only one” business development by fully capitalizing on local assets
- Differentiation of inventories by securing massive number of flights/hotels



Guam

- Double the number of charter flights planned as compared to last year



Europe

- Promotion of tours with tour guides led by “Charter Series”
- Promotion of tours to Far East Russia in response to significant increase in the number of flights from/to Russia



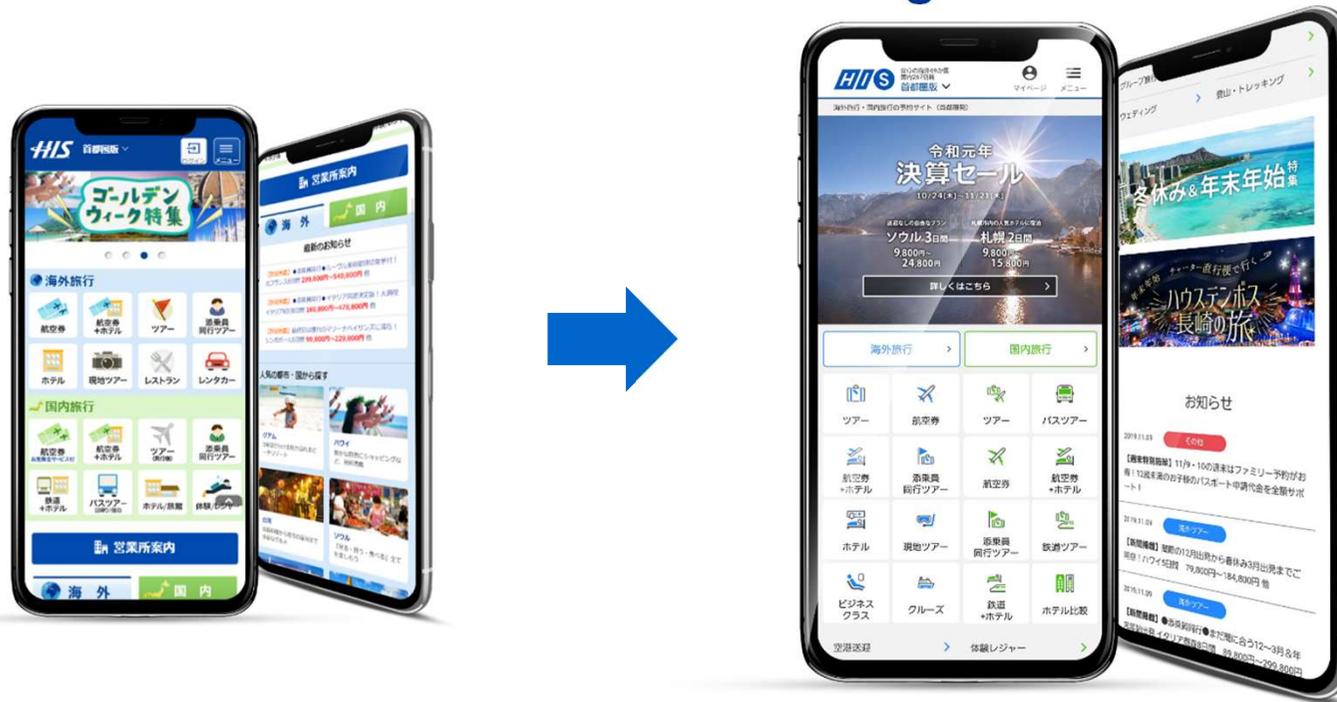
Cruise

- Enhancement of in-house cruise from/to Japan
- GW “MSC Bellissima”, the largest level charter



Future Initiatives / Travel Business in Japan

Online business is to be strengthened



Renewal of Website: Promoting further improvement of UI

Phase 1: Renewal of the top page of the website and each product **Complete**

Phase 2: Renewal of product search results and end pages

Future Initiatives / Travel Business in Japan



Okinawa

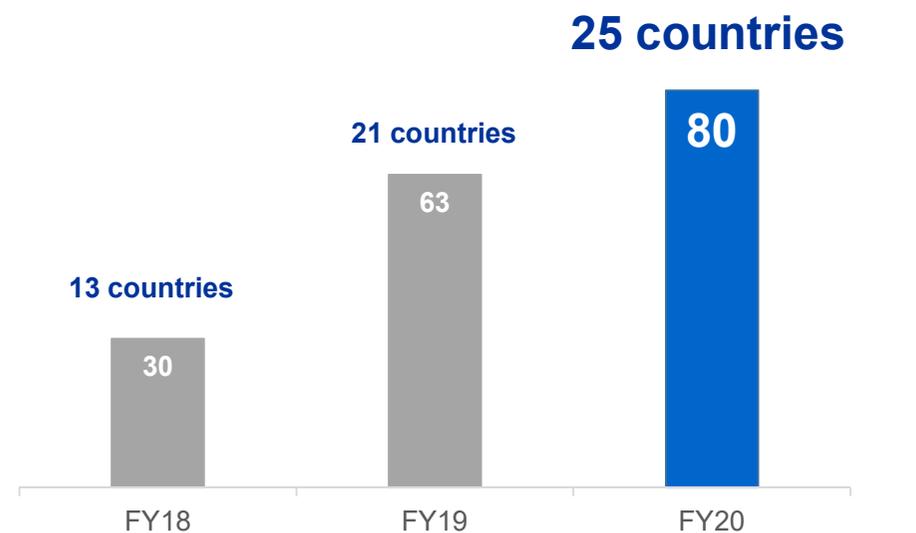
- Establishment of LeaLea brand
- Seeking resort development



Domestic Bus Tours to be Strengthened

- Development of products with originality
- Integration with inbound business

Partner Companies



Strengthening of inbound from Europe and America

B2B sales are to be strengthened mainly from Europe and America by increasing the number of staff

Future Initiatives / Travel Business Overseas <North and Latin America>

- H.I.S. Canada Holdings was established to expand business as an **integrated travel company in North America**
Management structure is to be strengthened through efficiency via management consolidation, while targeting Latin American market in the future

Seeking synergy effects with group companies

Inbound function was integrated into Jonview's office



Integrated into itravel2000 (Red Label Vacations)



「The first sales office of itravel2000」

The online booking specialty brand opened the first actual sales office and attracted attention locally

Future Initiatives / Travel Business Overseas <Asia>

- M&A of a company that streamlines B2B air ticketing by taking advantage of the latest technology compatible with the next generation ticketing standard NDC in addition to connecting to LCC's and issuing borderless tickets is under planning. Outbound business in Asia is to be expanded to seek operational efficiency.

M&A of a travel tech company in Southeast Asia is under planning



Future Initiatives / Travel Business Overseas <Europe>

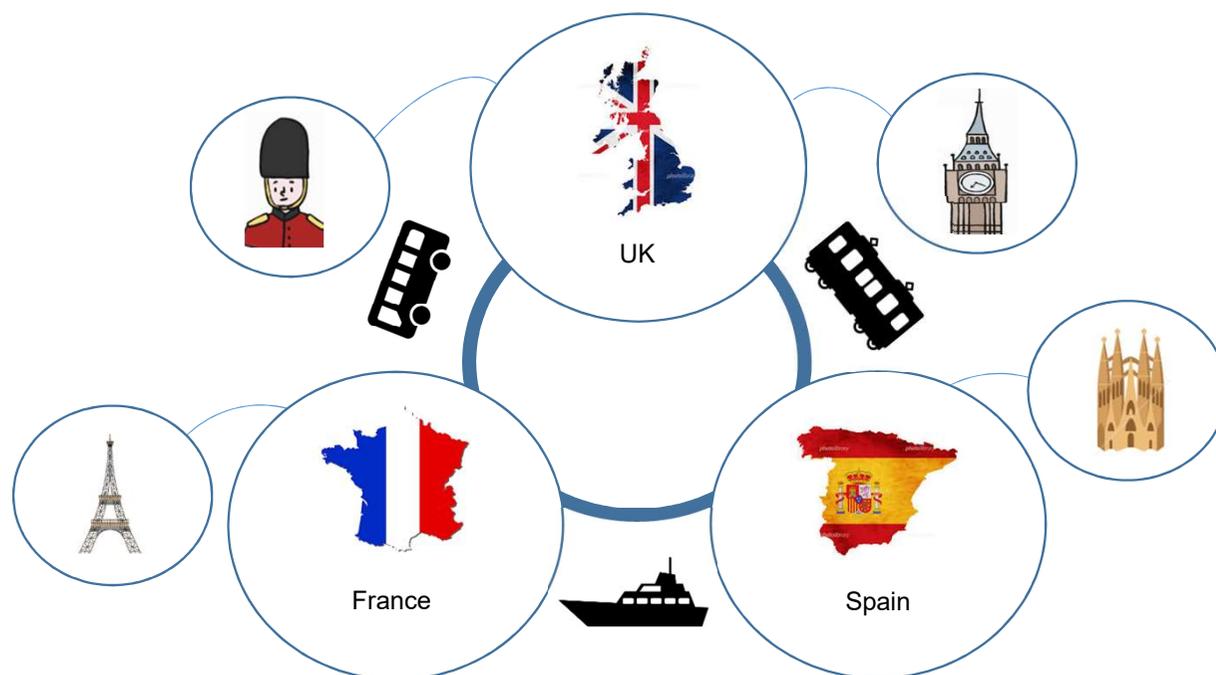
- Increase in contact points with customers, such as sales offices in Berlin and St. Petersburg is to be promoted. Expansion of the sales base network is to be promoted by gradually opening offices in Scandinavia and Central Europe.
- Contents for tours and activities rooted in local areas that take advantage of “connected by land” terrain are to be obtained. Development of a transport business that connects these bases is under planning as well.

Multi-site strategy and development of transportation business



「HIS Berlin Branch」

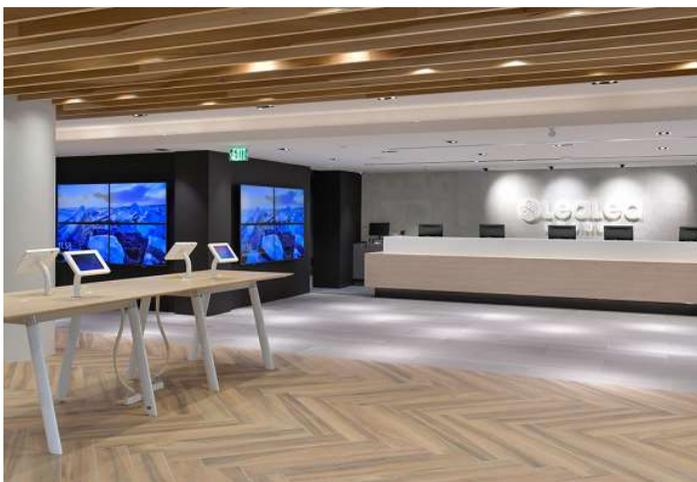
Media was invited to the opening ceremony, where the attractiveness of Japanese culture such as Japanese Sake and Kimono was appealed to people in Germany



Future Initiatives / Travel Business Overseas <Beach/Middle East/Oceania>

■ Hawaii

The LeaLea Lounge flagship store in the Royal Hawaiian Center opens with renewal in December, to be certified as the first Hawaii branch of the Hawaii Tourism Board Certified Satellite Office.



「LeaLea Lounge」

The only Japanese travel company that operates in the center of Waikiki until 21:00, supporting tourists

■ Middle East / Africa

<Establishment of OTA for B2C>

Establishment of its own sales channel in the untapped Middle East leisure market is under planning

<Development of Contents>

Service quality is to be improved and differentiation from competitors is to be made by owning activity contents after arrival

■ Oceania

M&A of a DMC (Destination Management Company) that has strength in Non-JP market is under planning.

Through synergies such as integration with local bases and inventory sharing, H.I.S. Group aims to expand its presence in the Oceania region.

Maximization of Inbound Business

Huis Ten Bosch Group



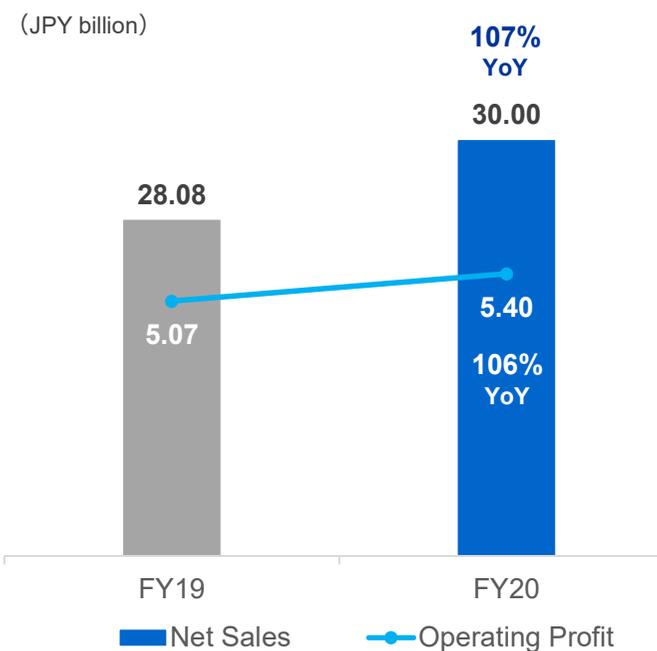
Future Initiatives / Huis Ten Bosch Group

- Preparation for the future **IPO** and the realization of **IR (Integrated Resort) invitation** is to be steadily made.
- While measuring the effect of revising the passport price system, Huis Ten Bosch aims to **recover the number of visitors** and **improve operating results** through new facilities, events, and increased number of cruise ship visits to the port.

Non-Consolidated Financial Forecasts of Huis Ten Bosch

| | FY19 | FY20 | YoY |
|--------------------------------|-----------|-----------|--------|
| Number of Visitors | 2,540,000 | 2,690,000 | 105.9% |
| Net Sales (Transaction Amount) | 25,586 | 26,400 | 103.2% |
| Operating Profit | 5,295 | 5,500 | 103.9% |

Segment Financial Forecasts



Future Initiatives / Huis Ten Bosch Group

Events that attract attention



Events that attract attention



Hotel Business



Future Initiatives / Hotel Business

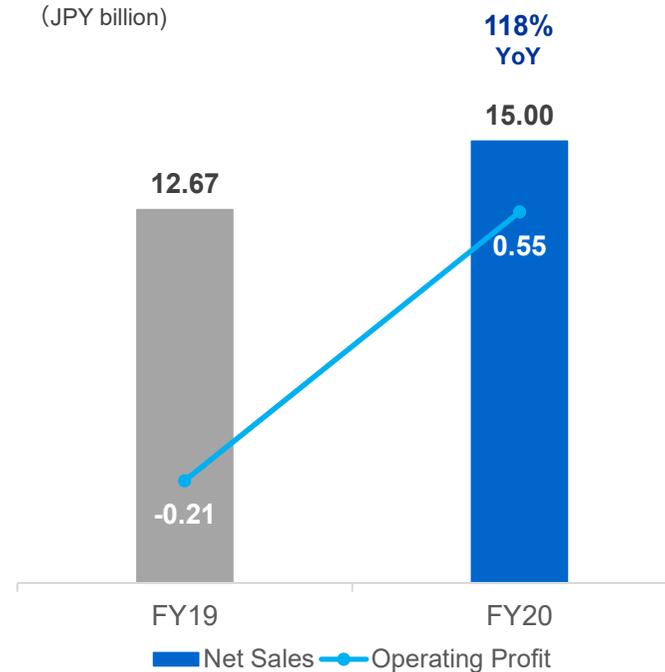
Net sales and operating profit are expected to grow YoY due to the recovery from temporary negative impact of one-off recognition of opening expenses in FY19 and the **increase in the number of hotels with solid opening plans**.



「Henn na Hotel Komatsu Eki Mae (in front of Komatsu station, tentative)」
Scheduled to open in autumn 2020

Segment Financial Forecasts

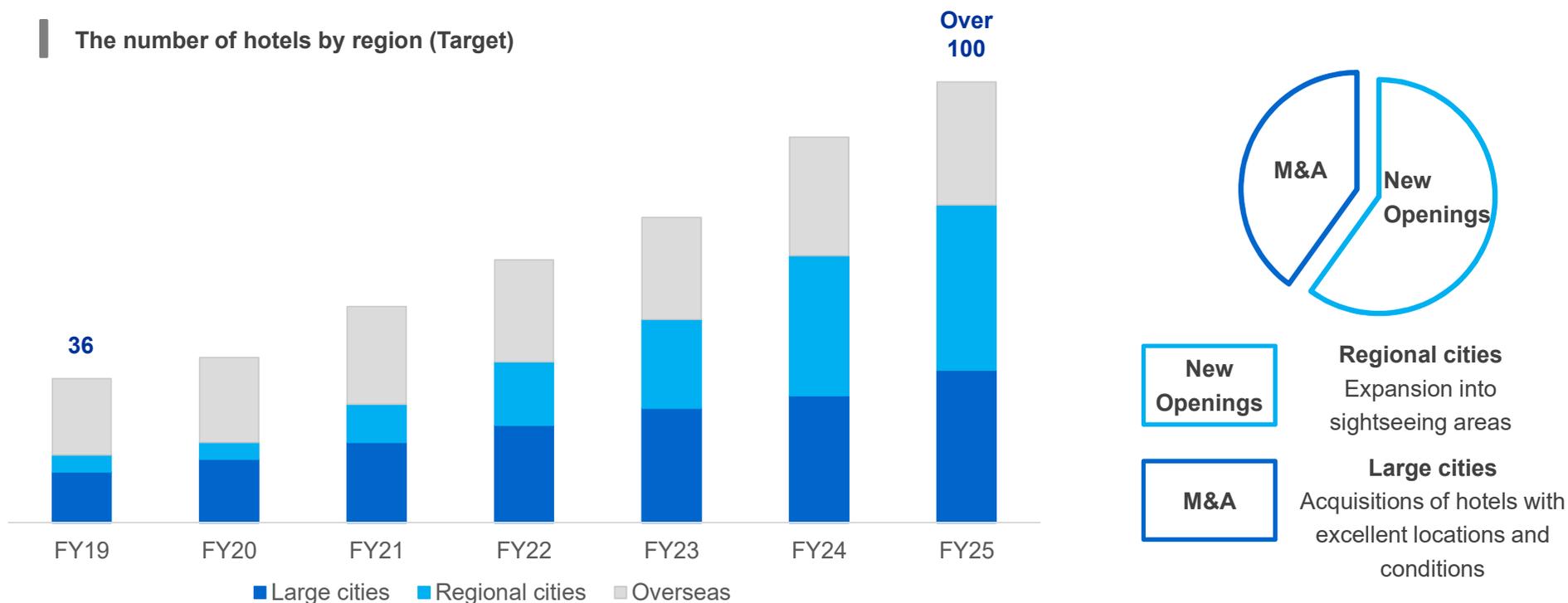
(JPY billion)



Future Initiatives / Hotel Business

Target is **100 hotels over the medium to long term**, mainly via new openings and M&A. New development is to shift from large cities to regional cities.

Full-fledged regional city / overseas projects are to be started in FY2020



List of Hotels

| Hotel Name | Location | Opened / Acquired in | Number of guest rooms |
|--|-------------------------|----------------------|-----------------------|
| Henn na Hotel Kansai Airport | Izumisano City, Osaka | 2019/11/1 | 97 |
| Henn na Hotel Kanazawa Kourinbou | Kanazawa City, Ishikawa | 2019/12/24 | 131 |
| Cappadocia (Tentative) | Turkey | 2020/5 | 288 |
| Watermark Hotel Kyoto Gojo (Tentative) | Kyoto City, Kyoto | 2020/8 | 122 |
| Henn na Hotel New York (Tentative) | New York, U.S.A. | 2020/8 | 92 |
| Henn na Hotel Nara (Tentative) | Nara City, Nara | 2020/9 | 109 |
| Komatsu | Komatsu City, Ishikawa | 2020 autumn | 100 (Tentative) |
| Pamukkale | Turkey | 2021 spring | 300 (Tentative) |
| Ise | Taki Cho, Mie | 2021 spring | 200 (Tentative) |
| Seoul | South Korea | 2021 summer | 100 (Tentative) |
| Sendai | Sendai City, Miyagi | 2021 autumn | 150 (Tentative) |

Hotels that are scheduled to open in FY20

36 hotels in 4 countries ※As of 2019/10/31

Other areas that are being considered

Domestic

Hokkaido / Tohoku / Chubu / Chugoku
Shikoku / Kyushu / Okinawa

Overseas

Oceania / Southeast Asia
Central Asia



Kyushu Sanko Group / Energy Business

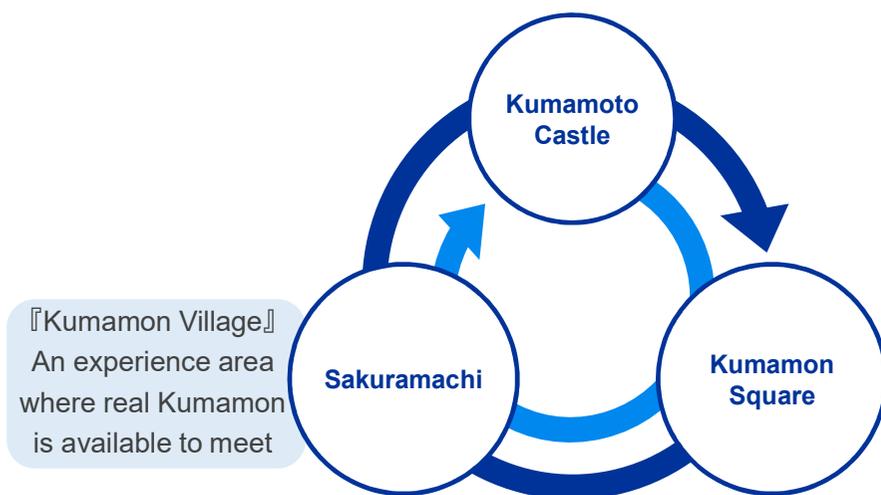


Future Initiatives / Kyushu Sanko Group

Kyushu Sanko Group aims to revitalize the region by leading the economy in the Kumamoto prefecture and tourism with **SAKURAMACHI Kumamoto** as the hub.

Sales and operating profit are expected to grow significantly due to profit contribution of Sakuramachi redevelopment facility and to expansion of the bus business

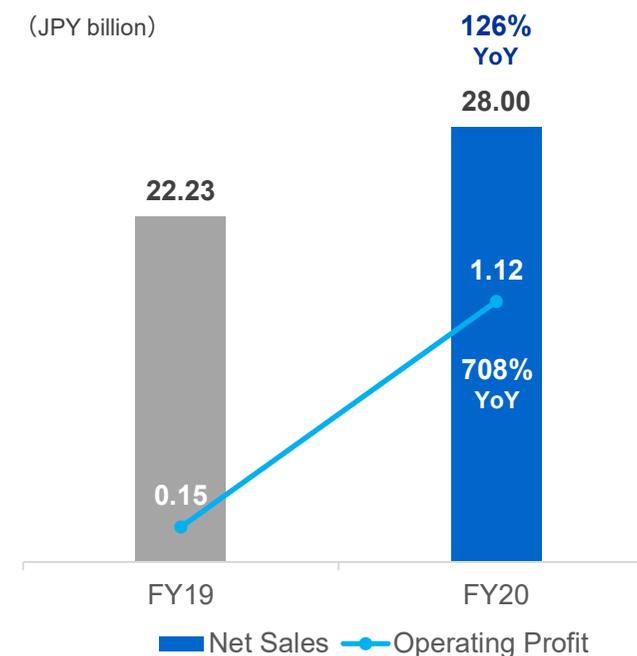
Example of regional revitalization



**Kumamoto Castle x Kumamon Square x Sakuramachi
Cooperation is to be strengthened centered on Kumamon**

Segment Financial Forecasts

(JPY billion)



Future Initiatives / Kyushu Sanko Group / Redevelopment Business



Summary of 「SAKURA MACHI Kumamoto」, a new castle town of Kumamoto Total floor space: 162,440㎡ (Tokyo Dome x about 3.5)

| | | |
|---------------------|---|--------------------------------------|
| Commercial facility | 149 shops, B1-7 th floor | Owned by Kyushu Sanko Group |
| Bus terminal | 26 (boarding) & 3(drop off) | |
| Parking lot | 832 | |
| Cinema complex | TOHO Cinemas, 9 screens | |
| Banquet | 「Lazor Garden Kumamoto」 2 floors | |
| Hotel | Resort Trust's new brand 「Hotel Trusty Premier Kumamoto」 205 rooms | |
| Condominium | 「The Kumamoto Gardens」 159 apartments | |
| Office | 「Sakuramachi Hills」 3 floors | |
| Public facilities | 「Kumamoto Castle Hall」 maximum 3,000 seats | |



**5 million visitors since the opening
(a little less than 3 months)
The number of bus passengers: 115% YoY**



Future Initiatives / Energy Business

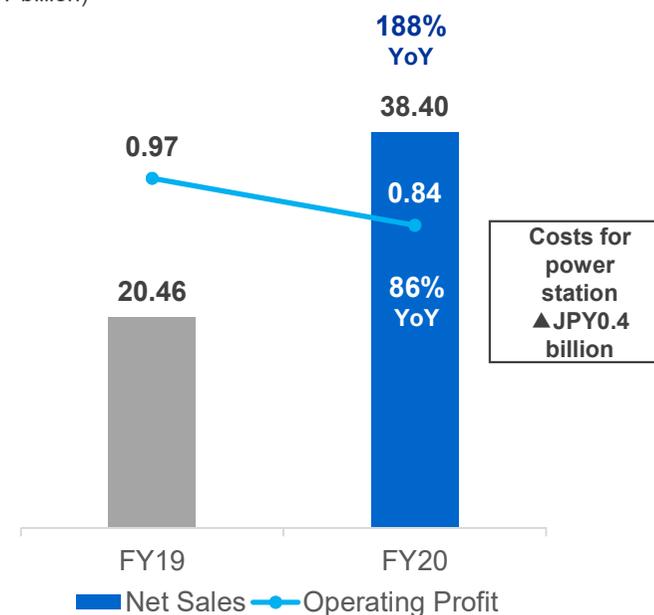
- Continuous growth is expected in the power retail business due to an **increase in the number of contracts**. Procurement diversification allows for **securing stable earnings**.
- Construction plan of the power station was revised due to the effects of typhoons and heavy rain, which is now targeted to start commercial operations in the summer season

The number of contracts of HTB Energy (as of September 24, 2019)



Segment Financial Forecasts

(JPY billion)



3. Financial Policy



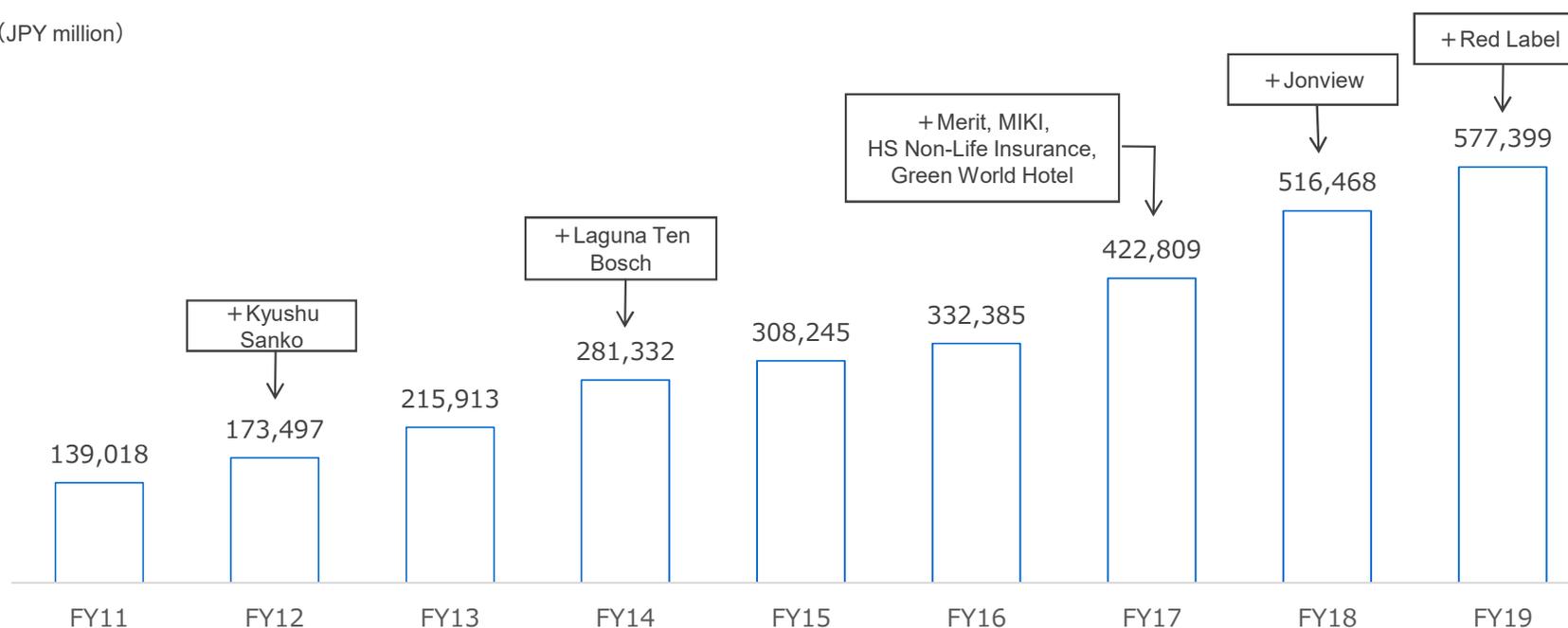
Financial Position

Total Assets

- Total assets as of the end of October 2019 was JPY577.3 billion.
- Since making Kyushu Sanko a subsidiary in 2012, total assets increased to nearly JPY600.0 billion due to M&A and increase in interest bearing debts.

Total Assets

(JPY million)



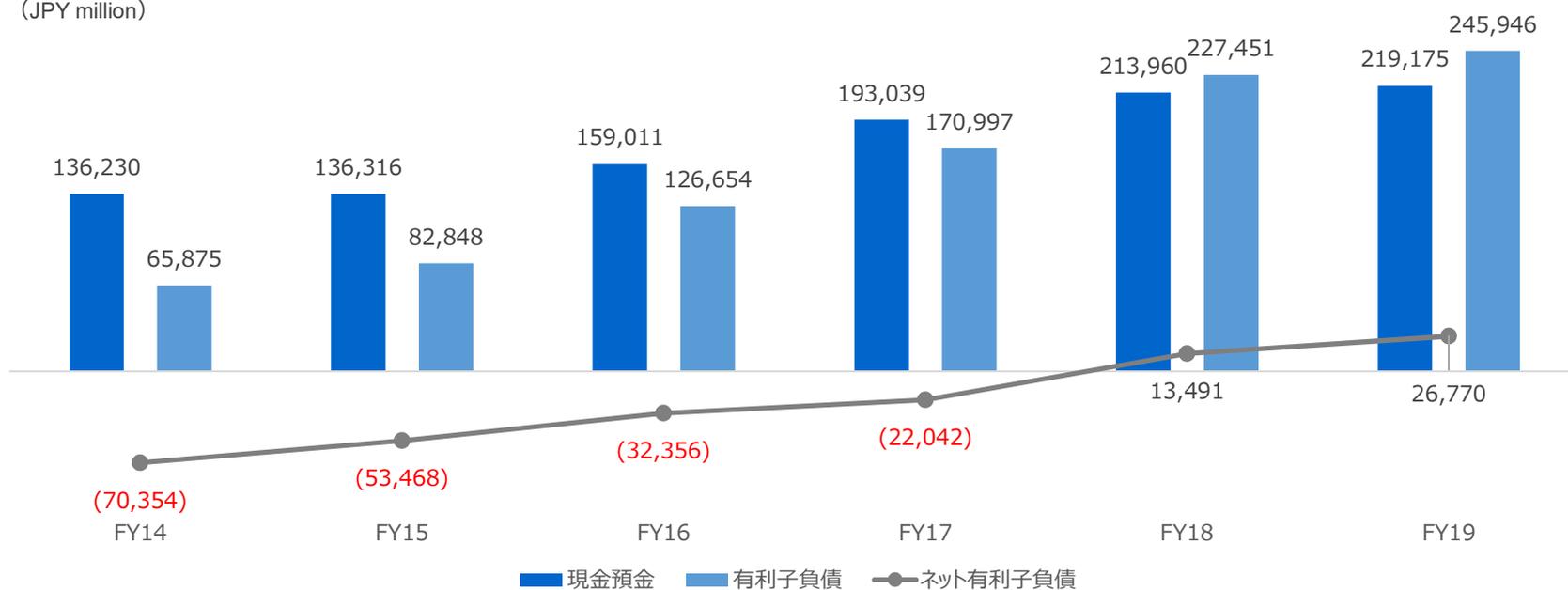
Financial Position

“Net” Interest-Bearing Debt

- Interest-bearing debt as of the end of October 2019 was JPY245.9 billion.
- “Net” interest-bearing debt, after deducting JPY219.1 billion of cash and deposits, was JPY26.7 billion.
- Purpose of the fund includes CAPEX, repayment of debts, share-buy-back, etc.

Net Interest Bearing Debt (=Interest Bearing Debt – Cash & Deposits)

(JPY million)

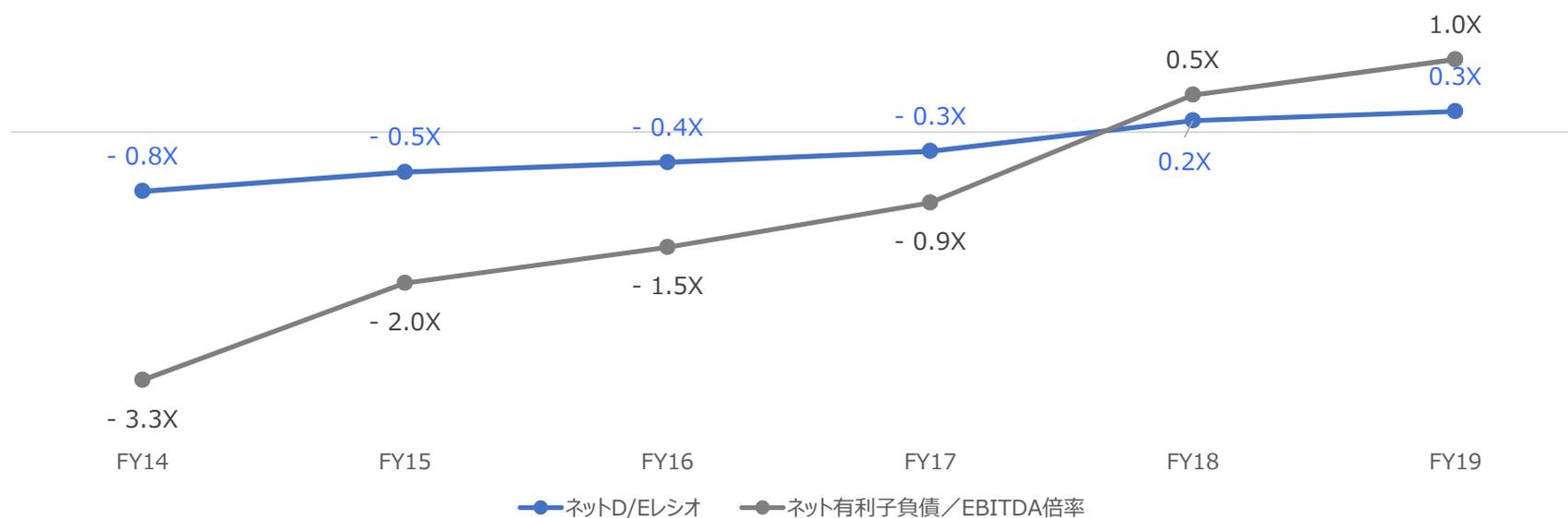


Financial Position

Net D/E Ratio, Net Interest Bearing Debt / EBITDA Multiple

Net D/E ratio (= Net Interest Bearing Debt / Net Assets) and Net Interest Bearing Debt / EBITDA Multiple (Net Interest Bearing Debt / EBITDA) are also considered as indicators of financial safety.

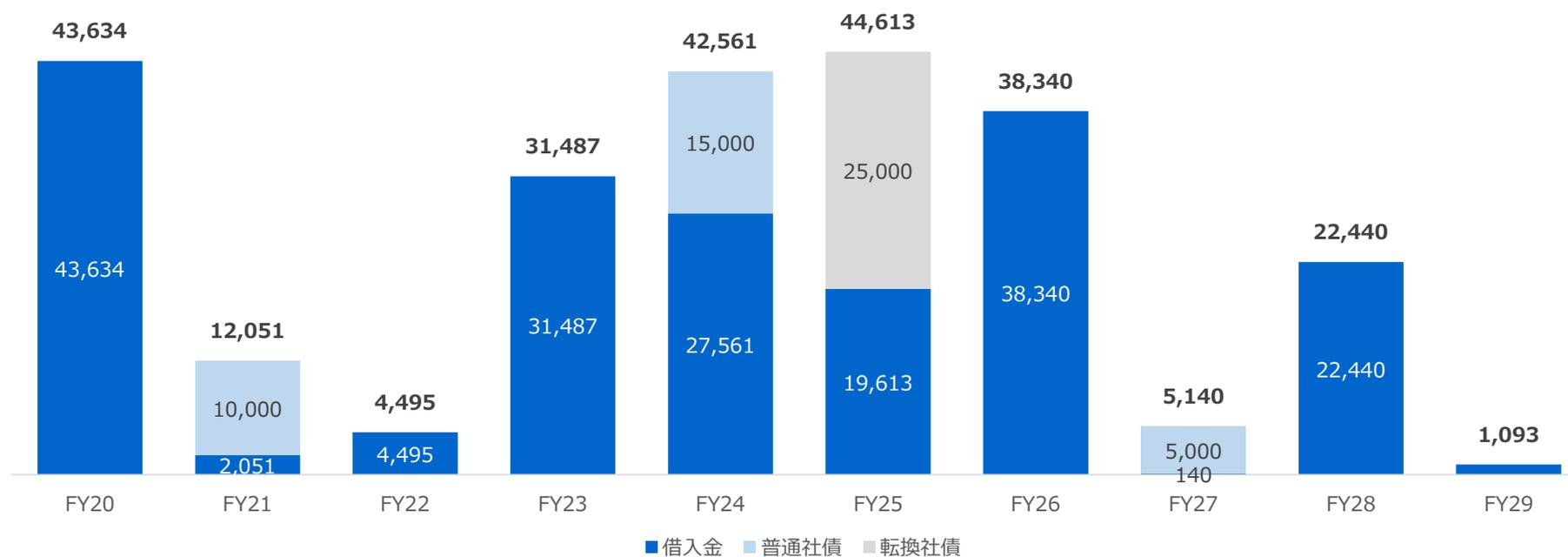
Net D/E Ratio, Net Interest Bearing Debt / EBITDA Multiple



Financial Position

Status of Interest Bearing Debts

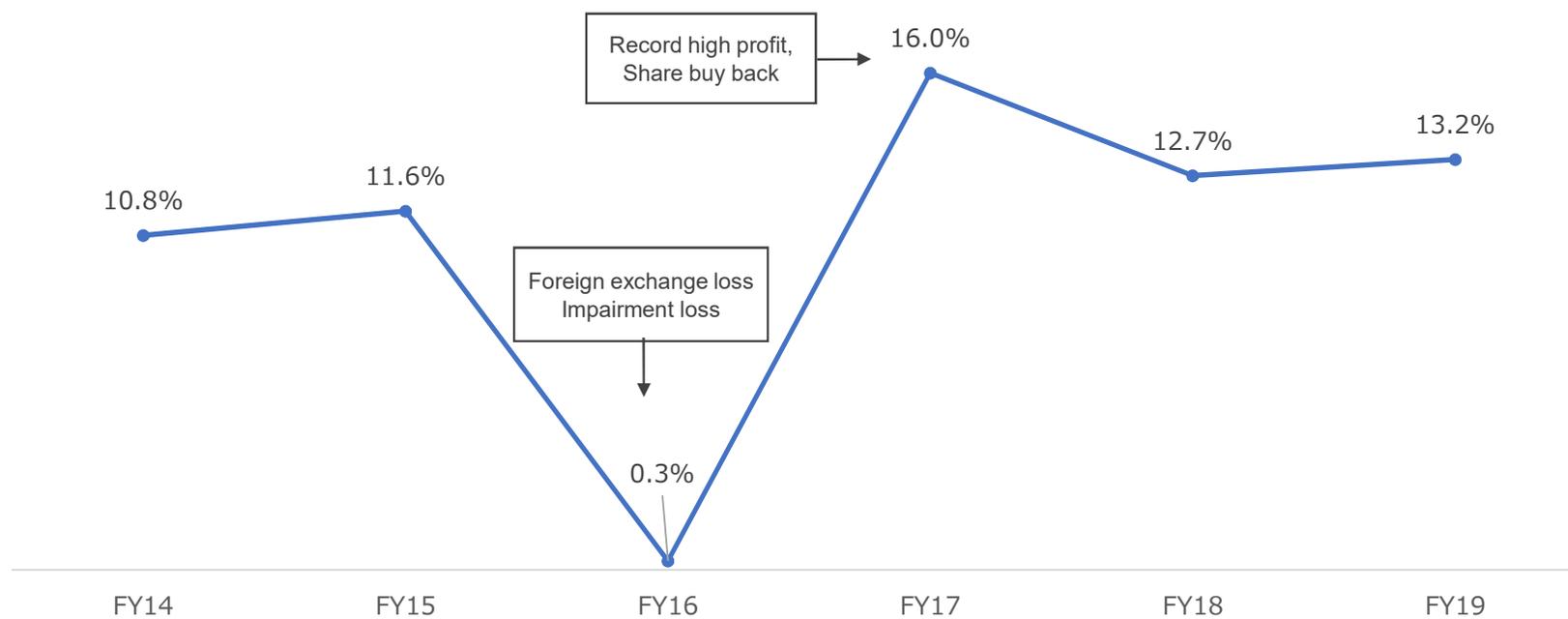
Repayment Schedule of Interest Bearing Debts
(JPY million)



Financial Position

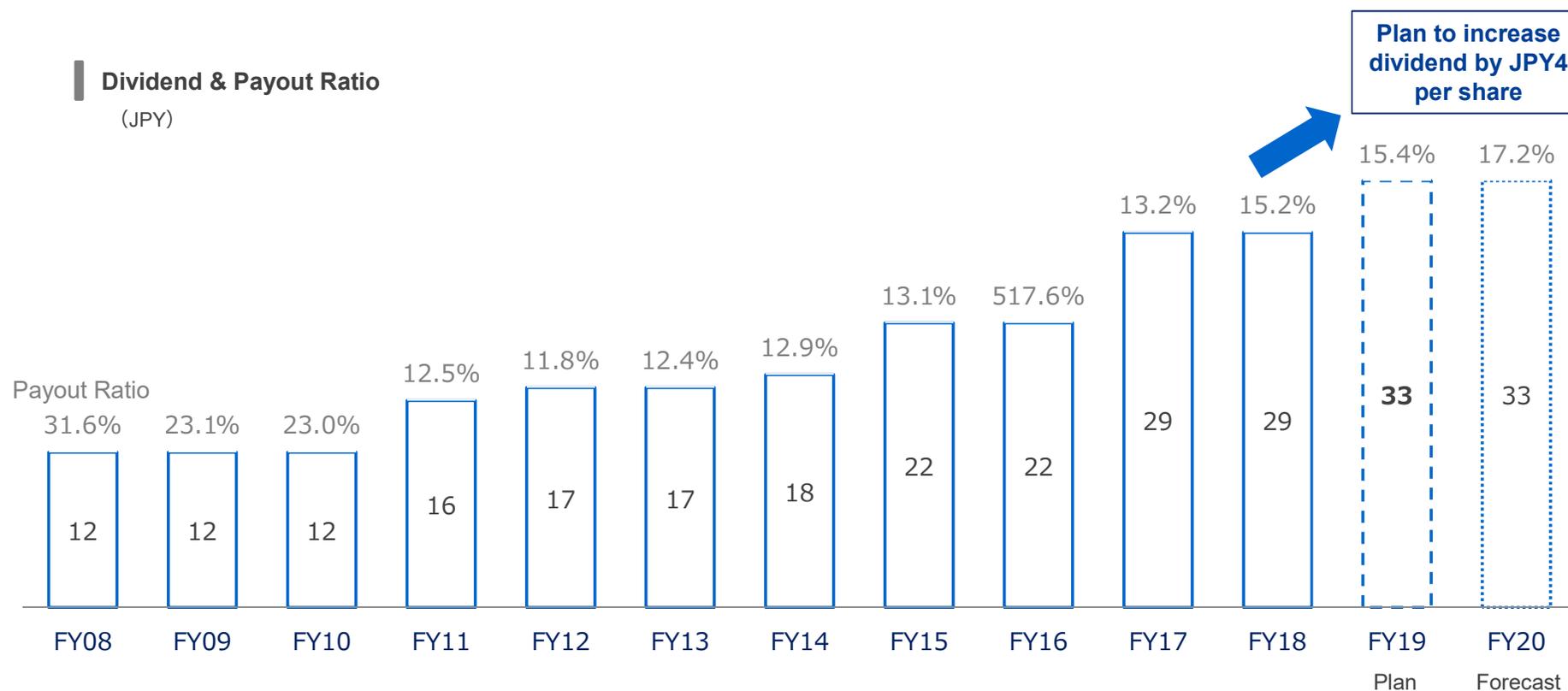
ROE is to be maintained at 10% or more, while ROI is to be 5-10% as a benchmark

ROE



Return to Shareholders

Basic policy: **Stable** and **continuous** appropriation of profits according to the operating results is to be conducted.





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

